NESTE OIL

FINANCIAL STATEMENTS 2006
9 February 2007

refining the future

Neste Oil Corporation

Stock Exchange Release
9 February 2007 at 9:00 a.m. EET

NESTE OIL'S FINANCIAL STATEMENTS FOR 2006
- Comparable operating profit reached EUR 597 million, up 5.7% on 2005

Neste Oil continued to deliver solid performance in 2006. Both reported and comparable operating profit exceeded the corresponding figures for 2005, despite lower reference refining margins especially in the fourth quarter. The company reduced its net debt by 10%, which brought the leverage ratio down to 25.6% from 33.0% in 2005. The Board proposes a dividend of EUR 0.90 per share, equivalent to 37% of earnings per share.

2006 performance in brief:
- Net sales of EUR 12,734 million (9,974 million)
- Comparable operating profit of EUR 597 million (565 million)
- Operating profit of EUR 854 million (831 million)
- Earnings per share of EUR 2.46 (2.60)
- EUR 535 million (668 million) capital expenditure, virtually covered by EUR 512 million (596 million) of cash flow from operations
- Net debt reduced to EUR 722 million (796 million)
- The Board of Directors proposes a dividend of EUR 0.90 per share (0.80)

President & CEO Risto Rinne:
"We reported another good result in 2006. We were able to offset much of the negative impact of the weak refining margins and low freight rates in the last quarter. Especially Base oils and Oil Retail businesses improved their contribution. Our capital expenditure remained high, as we invested over 530 million euros during the year. We are now in the process of starting up a new diesel production line at the Porvoo refinery, and in the summer we will commission the world's first plant producing high-quality renewable NExBTL diesel."

"In 2006 we also updated our strategy and set new growth targets for oil refining and premium-quality biodiesel. In line with this, we continued to divest non-core businesses. The company's financial targets and dividend policy were updated as well. I have every reason to believe that we have a strong strategy and a good platform to grow and add shareholder value in 2007 and beyond."

Further information:

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News conference and conference call

A press conference in Finnish on the 2006 results will be held today, 9 February 2007, at 11:30 am EET in the Mirror Room at Hotel Kämp, Pohjoisesplanadi 29, Helsinki. www.nesteoil.com will feature English versions of the presentation materials.
A conference call in English for investors and analysts will be held today, 9 February 2007, at 3:00 pm EET. The call-in numbers are as follows: Europe: +44 (0)20 7162 0125, US: +1 334 323 6203. Use the password: Neste Oil. An instant replay of the call will be available until 16 February 2007 at +44 (0)20 7031 4064 for Europe and +1 954 334 0342 for the US, using access code 735104.

NESTE OIL FINANCIAL STATEMENTS, 1 JANUARY – 31 DECEMBER 2006

Audited

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

KEY FIGURES

EUR million (unless otherwise noted)

	10–12/06	10–12/05	2006	2005
Sales	2,956	2,752	12,734	9,974
Operating profit before depreciation	207	356	1,007	984
Depreciation, amortization and impairment charges	40	44	153	153
Operating profit **	167	312	854	831
Comparable operating profit *	87	114	597	565
Profit before income tax	165	322	841	823
Earnings per share, EUR	0.54	1.11	2.46	2.60
Capital expenditure and investment in shares	151	184	535	668
Net cash from operating activities	136	272	512	596

	31 Dec 2006	31 Dec 2005
Total equity	2,097	1,612
Interest-bearing net debt	722	796
Capital employed	2,890	2,487
Return on capital employed pre-tax, %	31.9	37.0
Return on average capital employed,%	15.4	19.7
Return on equity, %	34.3	51.3
Equity per share, EUR	8.15	6.26
Cash flow per share, EUR	2.00	2.33
Equity-to-assets ratio, %	48.4	42.4
Leverage ratio, %	25.6	33.0
Gearing, %	34.4	49.4

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

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

The Group's full-year results

Neste Oil's sales increased 28% to EUR 12 734 million in 2006, compared to EUR 9,974 million in 2005.

The Group achieved an operating profit of EUR 854 million (831 million), which represents an increase of 2.7% compared to 2005. This includes EUR 210 million gain on sales of assets (150 million) and an inventory gain of EUR 56 million (127 million).

The full-year comparable operating profit increased by 5.7% to EUR 597 million (565 million), thanks mainly to higher volumes, stronger refining margin, and improved base-oil profitability in Oil Refining. Retail operations in the Baltic Rim as well as improved profitability of Neste Oil's joint venture Nynäs Petroleum also made a positive contribution.

The comparable operating profit includes a write-down on trade receivables and inventories amounting to EUR 23 million in the accounts of Neste Canada, Inc; and a negative item of EUR 7 million from a fine imposed on Nynäs Petroleum by the European Commission.

Oil Refining recorded a comparable operating profit of EUR 533 million (446 million), Oil Retail EUR 65 million (46 million), and Shipping EUR 32 million (85 million).

Profits from associated companies and joint ventures totaled EUR 39 million (40 million).

The Group's profit before taxes amounted to EUR 841 million (823 million).

Taxes for the period were EUR 205 million (153 million), and the effective tax rate was 24.3% (18.5%).

Net profit for 2006 totaled EUR 636 million (670 million) and earnings per share, EUR 2.46 (2.60).

Given the capital-intensive and cyclical nature of its business, Neste Oil uses return on average capital employed after tax (ROACE%) as its primary financial indicator. At the end of December, the rolling twelve-month ROACE was 15.4% (financial period 2005: 19.7%).

The Group's fourth-quarter results

Sales at the Group amounted to EUR 2,956 in the last quarter of 2006 (10-12/05: 2,752 million).

Neste Oil's fourth-quarter operating profit was EUR 167 million (10-12/05: 312 million). The operating profit in the fourth quarter of 2005 included a capital gain of EUR 141 million on the sale of shares in SeverTEK.

The Group's comparable operating profit for the fourth quarter was EUR 87 million (10-12/05: 114 million), reflecting soft market conditions at the end of 2006. The comparable operating profit was negatively impacted by lower refining margins and lower crude freight rates compared to the equivalent period in 2005. In addition, the planned maintenance shutdown at Naantali resulted to a negative impact of EUR 15 million.

Oil Refining's comparable operating profit in the fourth quarter was EUR 78 million (10-12/05: 85 million), Oil Retail's EUR 16 million (10-12/05: 7 million), and Shipping's EUR 1 million (10-12/05: 28 million).

Profits from associates and joint ventures in the fourth quarter increased to EUR 12 million (10-12/05: 4 million). The main contributor to this was the strong performance at Nynäs Petroleum.

	10-12/06	10-12/05	2006	2005
COMPARABLE OPERATING PROFIT	87	114	597	565
- changes in the fair value of open oil derivative positions	-17	63	-9	-11
- inventory gains	14	-14	56	127
- gains from sales of fixed assets	83	149	210	150
OPERATING PROFIT	167	312	854	831

Capital expenditure

2006 was another year of heavy capital spending in the Neste Oil Group. Investments totaled EUR 535 million (668 million), of which EUR 250 million went on the Diesel project and EUR 56 million on the biodiesel plant at Porvoo. Oil Refining's other investments accounted for EUR 172 million, Oil Retail EUR 44 million, and Shipping EUR 10 million.

Depreciation in 2006 was EUR 153 million (153 million).

Financing

Neste Oil's financial position improved in 2006. Interest-bearing net debt decreased by EUR 74 million to EUR 722 million by the end of the year, compared to EUR 796 million at the end of 2005. Net financial expenses between January and December were EUR 13 million (8 million).

The average interest rate of borrowings at the end of 2006 was 4.1%, and the average maturity 4.3 years.

Net cash from operating activities between January and December was EUR 512 million (596 million). The reduction in this figure compared to 2005 is largely explained by the higher level of working capital resulting from higher inventories at the end of the year compared to the end of 2005.

Good profitability and asset disposals strengthened Neste Oil's balance sheet during 2006. The year-end equity-to-assets ratio was 48.4% (31 Dec 2005: 42.4%), the gearing ratio 34.4% (31 Dec 2005: 49.4%), and the leverage ratio 25.6% (31 Dec 2005: 33.0%).

The Group's liquidity remained healthy. Cash and cash equivalents and committed, unutilized credit facilities amounted to EUR 1,667 million at the end of December (31 Dec 2005: 1,429 million).

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

In January 2006, Neste Oil signed a EUR 150 million, 8-year loan agreement with the European Investment Bank, which was used to finance the Diesel project.

Market overview

Crude oil prices continued to increase in 2006 from the record levels seen in 2005. Prices remained strong through the year and, supported by hurricane expectations in the US, reached new records in July and August. Brent Dated recorded an all-time high of USD 78.69 /bbl in early August. Prices stabilized at around USD 57 /bbl in October. A production cut agreed by OPEC in November, together with increasing refinery runs and stronger Asian demand, led to a tighter crude market and kept prices up. In 2006, Brent Dated averaged USD 65.14 /bbl (54.52); the average for the fourth quarter was USD 59.60 /bbl (10-12/05: 56.90).

The price difference between heavy and light crude remained volatile, widening in the first months of the year but decreasing from May onwards. The average differential between Urals and Brent Dated in 2006 was USD -4.28 /bbl (-4.42). During the fourth quarter, the differential narrowed further and averaged USD -3.79 /bbl (10-12/05: -3.91).

Reference refining margins were lower compared to 2005, but still above long-term averages. The international reference refining margin for complex refineries in North West Europe, IEA Brent Cracking, averaged USD 3.73 /bbl (4.98). High product inventories at the beginning of the fourth quarter weakened the supply-demand balance, and strong crude prices since mid-November reduced margins further. IEA Brent Cracking averaged USD 1.66 /bbl (10-12/05: 5.24) during the quarter.

Gasoline prices rose steadily during the first half of 2006, pushed up by US hurricane expectations, but fell back in July and August. The market slowly recovered during the fourth quarter after being exceptionally weak during the fall. US inventories declined as shutdowns and refinery problems cut gasoline production. Seasonally good US demand also contributed to a tighter market.

The middle distillate market was less volatile. Exceptionally warm weather in the Northern Hemisphere during the last months of 2006 reduced heating oil demand and the gasoil margin gradually declined. The diesel fuel market remained healthy, due to good demand and occasional supply disruptions caused by refinery shutdowns.

The fuel oil market remained weak throughout the year, mainly due to low demand and large high-sulfur heavy fuel oil exports from Russia. Warm weather also kept utility demand for low-sulfur heavy fuel oil poor in the fourth quarter.

Strong demand for high-quality lubricant base oils, such as EHVI (Enhanced High Viscosity Index), continued and was reflected in healthy margins and strong profitability.

Consolidation and competition for market share continued on the oil retail market in Finland. Demand for traffic fuels continued to grow in the Baltic Rim area.

Increased competition and exceptionally warm weather reduced crude freight rates about 30% on the Baltic market in 2006. North Sea freight rates averaged some 10% lower compared to 2005.

In January 2007, the IEA Brent cracking margin averaged USD 2.35 /bbl (USD 2.07 /bbl in January 2006, and USD 3.17 /bbl in Q1/06). The price difference between Urals Rotterdam and Brent Dated was USD -3.95 /bbl (USD -3.76 /bbl in January 2006 and USD -4.06 /bbl in Q1/06). The daily price of Brent Dated varied between USD 50.68 and 58.62 /bbl.

Key drivers

	10-12/06	10-12/05	2006	2005	Jan 2007
IEA Brent cracking margin, USD/bbl	1.66	5.24	3.73	4.98	2.35
Neste Oil's refining margin, USD/bbl	7.46	8.27	9.11	8.82	n.a.
Urals - Brent price differential, USD/bbl	-3.79	-3.91	-4.28	-4.42	-3.95
Brent dated crude oil, USD/bbl	59.60	56.90	65.14	54.52	53.68
Crude freight rates, Aframax WS points	165	231	145	164	171

SEGMENT REVIEWS

Neste Oil's businesses are grouped into four segments for external reporting purposes: Oil Refining, Oil Retail, Shipping, and Other. The Components business was included in Oil Refining during 2006.

Oil Refining

Oil Refining recorded a full-year operating profit of EUR 671 million (570 million), and a comparable operating profit of EUR 533 million (446 million), an increase of 19.5% from 2005.

Neste Oil's refining margin increased to USD 9.11/bbl in 2006, compared to USD 8.82/bbl in 2005. The reference refining margin (IEA Brent cracking), however, was lower on average than in 2005, at USD 3.73/bbl in 2006 and 4.98/bbl in 2005. Neste Oil's higher margin resulted from better productivity and increased volumes, especially at the Porvoo refinery, and a strong contribution from base oils margins. Nynäs Petroleum's good profitability also had a positive impact on Oil Refining's figures.

Oil Refining posted an operating profit of EUR 81 million (10-12/05: 135 million) in the fourth quarter and a comparable operating profit of EUR 78 million (10-12/05: 85 million). Performance was good, given the soft market conditions during the quarter.

Neste Oil's refining margin averaged USD 7.46/bbl in the fourth quarter (10-12/05: 8.27). This was down on 2005 due to market weakness, clearly visible in the IEA Brent cracking margin, which averaged USD 1.66 /bbl (10-12/05: 5.24). Good productivity, especially in December, and high base oil margins were the strongest positive contributors.

Oil Refining's return on net assets (RONA) in 2006 was 29.9% (34.7%). Comparable return on net assets was 23.8% (27.1%).

Key figures

	10-12/06	10-12/05	2006	2005
Sales, MEUR	2,431	2,282	10,768	8,150
Operating profit, MEUR	81	135	671	570
Comparable operating profit, MEUR	78	85	533	446
Capital expenditure, MEUR	130	153	478	589
Total refining margin USD/bbl	7.46	8.27	9.11	8.82

Production

Neste Oil refined a total of 13.8 million tons (12.9 million) in 2006, of which 11.6 million tons (10.3 million) at Porvoo. The Naantali refinery processed 2.2 million tons (2.6 million), the reduction on 2005 resulting from a major maintenance shutdown in the fall. Crude distillation capacity utilization at the Porvoo refinery was 100.0% (89.2%), while the maintenance shutdown at Naantali pushed its rate down to 82.5% (96.1%).

The company refined 3.5 million tons (3.4 million) of crude oil and feedstocks in the fourth quarter, of which 3.0 million tons (2.8 million) were refined at Porvoo and 0.5 million tons (0.6 million) at Naantali. Production volumes at Naantali were reduced by the maintenance shutdown.

Crude distillation capacity at Porvoo reached 100% (10-12/05: 100%) in the fourth quarter. At Naantali, capacity utilization rate was 75.6% (10-12/05: 96.1), resulting from the planned maintenance shutdown.

In 2006, 43% of total refinery input comprised heavier Russian Export Blend (47%). REB accounted for 41% (46%) in the fourth quarter.

Sales

Sales volumes in Finland totaled 8.1 million tons in 2006 (7.5 million), and export volumes 6.0 million tons (5.6 million).

In the fourth quarter sales volumes in Finland totaled 2.0 million tons (10-12/05: 1.9 million) and exports 1.5 million tons (10-12/05: 1.5 million).

Neste Oil's wholesale market share of key petroleum products in Finland rose compared to 2005 and averaged 83% in January-November 2006 (77%). The October-November average was 84% (78%).

2006 was a record-breaking year for sales of high-quality lubricant base oils, such as EHVI (Enhanced High Viscosity Index). Demand for these products grew continuously and this was reflected in high volumes and strong margins.

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

	10-12/06	10-12/05	2006	2005
Motor gasoline and components	1,153	1,269	4,856	4,673
Diesel fuel	1,271	1,262	4,821	4,183
Jet fuel	178	181	702	608
Biofuels	22	28	118	111
Base oils	72	82	302	274
Heating oil	197	190	684	791
Heavy fuel oil	257	146	1,069	946
Other products	360	227	1,543	1,460
TOTAL	3,510	3,385	14,095	13,046

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

	10–12/06	10–12/05	2006	2005
Finland	2,049	1,898	8,083	7,455
Other Nordic countries	445	510	1,906	2,135
Other Europe	707	646	2,420	2,000
Russia & the Baltic countries	27	3	53	29
USA & Canada	277	311	1,417	1,246
Other countries	5	17	216	181
TOTAL	3,510	3,385	14,095	13,046

Oil Retail

Oil Retail's operating profit in 2006, EUR 138 million (45 million), was positively impacted by gains from sales of assets. The segment's full-year comparable operating profit was EUR 65 million (46 million), thanks to increased volumes and healthy margins in the Baltic Rim area and improved performance in Finland.

In the fourth quarter asset disposals contributed to Oil Retail's operating profit of EUR 85 million (10-12/05: 11 million). Comparable operating profit for the period was EUR 16 million (10-12/05: 7 million).

Oil Retail's return on net assets (RONA) in 2006 was 37.2% (13.2%). Comparable return on net assets was 17.5% (13.5%).

Key figures

	10-12/06	10-12/05	2006	2005
Sales, MEUR	810	782	3,280	2,931
Operating profit, MEUR	85	11	138	45
Comparable operating profit, MEUR	16	7	65	46
Capital expenditure, MEUR	20	14	44	47
Product sales volume, 1,000 m3	1,175	1,078	4,424	4,115

Neste Oil's retail market share in Finland was 26.2% (27.2%) in gasoline and 40.9% (40.6%) in diesel fuel. At the end of 2006, Neste Oil had 887 stations in Finland, of which 37 were net-price NEX stations.

The company opened 28 new stations outside Finland in 2006, in response to growing demand. Neste Oil had 40 stations in Russia, 37 in Estonia, 38 in Latvia, 34 in Lithuania, and 89 in Poland at the end of 2006. Sales volumes increased by 32% in the Baltic Rim area.

Sales of heating oil decreased in Finland as a result of very warm weather during the second half of the year.

Improved sales were recorded in all of Oil Retail's other businesses in 2006, including aviation, LPG, and lubricants.

Oil Retail sales volumes (1,000 m3)

	10-12/06	10-12/05	2006	2005
Gasoline	391	337	1,452	1,353
Diesel fuel	403	359	1,510	1,364
Heating oil	246	240	932	887
Heavy fuel oil	135	142	530	511
TOTAL	1,175	1,078	4,424	4,115

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

FINLAND	10-12/06	10-12/05	2006	2005
Gasoline	151	162	652	686
Diesel fuel	260	249	1,008	971
Heating oil	216	230	814	873
Heavy fuel oil	135	142	530	511
TOTAL	762	783	3,004	3,041

BALTIC RIM	10-12/06	10-12/05	2006	2005
Gasoline	240	175	800	668
Diesel fuel	143	110	502	394
Heating oil	30	10	118	13
TOTAL	413	295	1,420	1,075

LPG (1000 t)	67	62	254	235

Shipping

Shipping posted a full-year operating profit of EUR 78 million for 2006 (EUR 87 million) and a comparable operating profit of EUR 32 million (85 million). These figures were negatively impacted by lower crude freight prices and volumes compared to 2005.

In the fourth quarter weak crude freight market and a lack of ice premiums in freight prices had a negative effect on Shipping's performance, when operating profit totaled EUR 9 million (10-12/05: 31 million) and comparable operating profit totaled EUR 1 million (10-12/05: 28 million). Increase in time-charter and fuel costs had an additional negative impact to the comparable operating profit.

Shipping's return on net assets (RONA) was 25.0% (26.7%) in 2006. Comparable return on net assets was 10.3% (26.1%).

Key figures

	10-12/06	10-12/05	2006	2005
Sales, MEUR	73	93	293	352
Operating profit, MEUR	9	31	78	87
Comparable operating profit, MEUR	1	28	32	85
Capital expenditure, MEUR	1	16	10	24
Deliveries total, millions of tons	8.3	9.1	34.4	40.2
Fleet utilization rate, %	92	93	94	92

Shipping's total cargo capacity was 1.0 million tons in 2006 (1.3 million), and the fleet carried a total of 34.4 million tons (40.2 million). Crude shipments stood at 19.8 million tons (22.8 million) and product shipments at 14.6 million tons (17.4 million).

Total shipments during the fourth quarter, at 8.3 million tons, were lower than in the same period in 2005 (10-12/05: 9.1 million). Crude shipments stood unchanged at 4.7 million tons (10-12/05: 4.8 million), and product shipments 3.6 million tons (10-12/05: 4.3 million).

Volumes were lower due to disposal of older or non-ice-classed vessels and timing of new deliveries of 1A and 1A super ice-classed vessels.

North Sea crude freight rates for the year as a whole averaged 145 Worldscale points (164). In the fourth quarter, crude freight level averaged 165 WS points (10-12/05: 231), partly as a result of reduced ice premiums due to the milder winter.

Crude freight rates from Primorsk averaged some 35% lower in 2006 and 28% lower in the fourth quarter compared to 2005, resulting from reduced ice premiums.

Average product freight prices were also lower than 2005, when they peaked in the wake of the hurricanes in the US Gulf.

Shipping continued to renew its fleet during 2006 and divested three tankers and time-chartered new vessels. At the end of 2006, Neste Oil's fleet comprised 7 crude tankers and 23 product tankers.

Corporate restructuring

As part of the implementation of Neste Oil's new growth strategy, the biodiesel business was separated from Components division and established as a division in its own right from the beginning of 2007. The Components Division has ceased to exist, and the lubricant base oils and gasoline components businesses are now included in the Oil Refining Division. This restructuring will have no impact on segment reporting structure.

The Shipping division was incorporated as of 1 January 2007. The new company, known as Neste Shipping Oy, is 100%-owned by Neste Oil, and all of Shipping’s personnel have transferred to the new company. The spin-off has been carried out to enable Neste Oil’s Shipping business to take maximum advantage of the benefits that are expected to become available as and when Finland changes its shipping-related taxation policy. These changes are aimed at improving the competitiveness of the Finnish maritime sector.

Shares, share trading, and ownership

Neste Oil’s share price was down by 4% in 2006 compared to the end of 2005. At its highest during 2006, the share price reached EUR 29.95, while at its lowest the price stood at EUR 21.00, with the weighted average for the year coming in at EUR 25.19. The share price closed the year at EUR 23.03 or 53.5% above the subscription price in April 2005, giving the company a market capitalization of EUR 5.9 billion as of 31 December 2006.

The share price was volatile during the course of the year, and trading was strong. A total of 1.4 million shares were traded on average daily, equivalent in value to EUR 36 million. This represents 0.5% of the Company’s shares. An average of 30 million shares were traded monthly, equivalent in value to EUR 757 million. During the year as a whole, 360 million shares, or 141% of the total number of shares, were traded, making Neste Oil one of the most traded stocks on the Helsinki Stock Exchange.

Neste Oil’s share capital registered with the Company Register as of 31 December 2006 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.

At the end of 2006, the Finnish state owned 50.1% of outstanding shares, foreign institutions 28.9%, Finnish institutions 13.9%, and Finnish households 7.1%.

Long-term incentive program

The Board of Directors announced a new share-based incentive plan for Neste Oil's key personnel. This includes two three-year earning periods, which will start in 2007 and 2010, with benefits payable partly in company shares and partly in cash in 2010 and 2013. The maximum amount payable for each three-year earning period, however, will be a person’s accumulated fixed gross annual salary for three years. The proportion to be paid in cash will cover the relevant taxes and tax-related costs. The maximum amount of total rewards in the first program will be equivalent in value to 360,000 Neste Oil shares.

The triggers for paying an incentive will be the development of Neste Oil's comparable operating profit and the total shareholder return of Neste Oil's share against an international oil industry share index (FTSE Global Energy Total Return Index).

The plan prohibits the transfer of shares within one year from the end of the earning period, i.e. the length of the plan is four years for each lot of shares. The company's senior management will be required to own shares equivalent in value to their annual gross salary. This obligation to own shares relates to shares earned from these incentive programs, and will be valid as long as service or employment in the Group continues.

Personnel

Neste Oil employed an average of 4,678 (4,528) employees in 2006. At the end of December, Neste Oil had 4,740 employees (Dec 2005: 4,486), of which 3,506 (Dec 2005: 3,447) worked in Finland.

Health, safety, and the environment

No serious environmental accidents resulting in liability, or accidents resulting in significant interruptions to production, occurred in 2006 at Neste Oil's refineries and other production facilities. The Porvoo refinery received a new environmental permit in late October 2006.

Environmental emissions and discharges of Neste Oil operations remained at a low level in 2006. The atmospheric emissions of the Naantali refinery were smaller than in 2005 due to the maintenance shutdown. The most significant improvement was achieved in wastewater treatment of the refineries, which were operating without any upset conditions. The oil discharge in wastewaters was 0.23 g/ton of crude oil processed. The amount is less than one tenth of the recommendation 3 g/t by the Baltic Marine Environment Protection Commission.

The main indicator for safety performance used by Neste Oil – cumulative lost workday injury frequency (LWIF, number of cases per million hours worked) for all work done for the company, combining the company's own personnel and contractors – stood at 3.7 at the end of December 2006 (6.5), and the company achieved its combined LWIF target of less than 4.0 for 2006.

The company established a corporate-wide 'Act Safe' project in 2006 that will focus on enhancing safety management and culture to improve safety performance to a level comparable with world-class safety performers.

Neste Oil participated in carbon dioxide (CO_2) emissions trading in the second quarter by buying a small number of December 2007 emission rights. The company has successfully fulfilled all the requirements related to carbon dioxide emissions in 2006. All the required steps needed to verify and report emissions for 2006 have been taken, and the company is able to surrender allowances equal to its total emissions in 2006.

Under the new regulatory framework for chemicals approved by the European Commission and known as REACH (Registration, Evaluation and Authorization of Chemicals), enterprises that manufacture or import more than one ton of chemical substances a year will be required to register such chemical substances in a central database. Neste Oil has contributed to joint work carried out under the framework of the European oil companies' organization, Concawe, and the company's project for meeting REACH requirements has progressed according to plan. Plans have been made for starting implementation of REACH, which will come into force on 1 June 2007.

In March 2006, Neste Oil was selected for inclusion in the Ethibel Pioneer Investment Register. The Ethibel Investment Register is used as the basis for Socially Responsible Investment (SRI) products by a growing number of European banks, fund managers, and institutional investors based on two main aspects of corporate social responsibility: sustainable development and stakeholder involvement.

Research and development

Research and development focusing on both crude oil-based and renewable fuels is crucial in implementing Neste Oil's strategy. Neste Oil's R&D expenditure was EUR 8 million in 2006 (8 million). This is expected to grow in the coming years. The core R&D projects were related to process development of cracking heavy end of feedstocks to diesel and to enlarge raw material base for renewable diesel.

Strategy implementation and investment projects

Neste Oil announced its decision to extend its clean fuel strategy and target making the company the world's leading biodiesel producer, in September 2006. Oil refining will remain Neste Oil's core business, however, and the company is currently reviewing alternatives to continue investments in new conversion capacity at its existing refineries following the completion of the new diesel production line at the Porvoo refinery (Diesel Project). The foundation of Neste Oil's strategy will remain based on the company's ability to use its unique refining know-how to produce high-quality fuels for cleaner traffic from a variety of lower-cost raw materials. Neste Oil expects to invest several billion euros in growth projects over the next 10 years.

Diesel Project

Mechanical completion of the Diesel Project was achieved in December. Commissioning phase is under way, and the new production line is expected to be in operation at the end of the first quarter of 2007.

The project represents a total investment of over EUR 700 million. The profitability of the new line is expected to be good, and Neste Oil expects it to contribute an additional refining margin of more than USD 2 /bbl on its total annual output of approximately 100 million barrels.

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

NExBTL renewable diesel

Neste Oil's aim to become the world's leading biodiesel producer will translate into future production volumes of millions of tons annually. The cornerstone of the strategy is the company's proprietary NExBTL technology, which produces a premium-quality fuel that clearly outperforms both the existing biodiesel products and crude oil-based diesel products currently on the market. The fuel is based on a long-term R&D effort and can be produced from practically any vegetable oil or animal fat.

Neste Oil plans to build a number of NExBTL diesel production facilities in various market areas, either alone or with partners, over the next few years. In addition, the company will be active in research and development in the biofuels area, with the long-term aim of utilizing wider range of renewable raw materials.

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

Neste Oil decided in November to build a second NExBTL plant at Porvoo, with a capital cost of around EUR 100 million. The plant will have the same capacity, 170,000 t/a, as the first unit. This unit is scheduled to be commissioned at the end of 2008.

In March, Neste Oil and the Austrian oil and gas group, OMV, announced that they are negotiating to jointly build a large-scale plant to produce NExBTL diesel. The 200,000 t/a facility will be located at OMV's Schwechat oil refinery in Austria, with production beginning in 2009.

Divestments in 2006

As part of ongoing efforts to focus on its core businesses, Neste Oil continued to divest non-core assets and businesses in 2006. Capital gains from asset sales totaled EUR 210 million (150 million).

The major divestments included 73 service station properties in Finland, 10% holding in the Saudi European Petrochemical Company Ibn Zahr, 25% stake in CanTerm Canadian Terminals Inc., and petroleum products direct sales distribution business in Ontario, Canada.

In December, the company decided to divest its 70% holding in Texas-based Eastex Crude Company for USD 15.5 million. Neste Oil expects to book a capital gain of a few million dollars on the sale. The transaction is expected to be closed in the first quarter of 2007.

Events after the reporting period

In February a decision was made to discontinue the planned joint venture biodiesel project with Total due to higher-than-expected investment costs at Total's Dunkirk refinery in France.

Also in February, Neste Oil signed an agreement with Statoil to sell its into-plane aviation fuels business at the Riga International Airport. The value of the transaction was not disclosed.

Outlook

The key market drivers of 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. Short-term changes in crude oil prices impact Neste Oil's financial results mainly in the form of inventory gains or losses.

The International Energy Agency (IEA) predicts demand growth for petroleum products to be 1.4 mbbl/d in 2007, compared to 0.9 mbbl/d in 2006. Global refining capacity is not expected to keep up with the demand during the next few years. This is likely to keep utilization rates of complex refineries high.

Neste Oil's new diesel production line is expected to be on-stream around the end of the first quarter. The unit is expected to improve Neste Oil's result already in 2007, despite the start-up costs and gradual volume increase during the first half.

The first NExBTL diesel plant will be commissioned during the second quarter. Neste Oil's Retail business is preparing to launch NExBTL diesel sales during the third quarter. Biofuels legislation is being applied in most European countries and majority of the countries have decided upon mandatory use of biocomponents in traffic fuels. Market growth and price differentials between various fatty acids support Neste Oil's renewable-based NExBTL business.

Oil Retail's margins in Finland recovered slightly during the second half of 2006, and are expected to maintain this level in 2007. However, the impacts of the recent market consolidation in the Finnish oil retail market remain to be seen. Sales volumes and margins in the Baltic Rim are expected to remain good.

Lack of ice premiums and an increased ice-classed capacity on the Baltic market will continue to put pressure on freight rates although some recovery has been seen recently.

The Group's capital expenditure is expected to be somewhat over EUR 300 million in 2007.

Dividend distribution proposal and the AGM

The Board of Directors will propose to the Annual General Meeting that Neste Oil should pay a dividend of EUR 0.90 per share for 2006, totaling EUR 231 million.

The Annual General Meeting will be held on 21 March 2007 at 2:00 p.m. EET at the Helsinki Fair Centre.

Reporting date for the first-quarter 2007 results

Neste Oil will publish its first-quarter 2007 results on 26 April 2007 at approximately 9:00 a.m. EET.

Espoo, 8 February 2007

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	10-12/2006	10-12/2005	1-12/2006	1-12/2005
Sales	**2,956**	2,752	**12,734**	9,974
Other income	**91**	156	**238**	170
Share of profit (loss) of associates and joint ventures	**12**	4	**39**	40
Materials and services	**-2,635**	-2,441	**-11,183**	-8,443
Employee benefit costs	**-56**	-52	**-224**	-223
Depreciation, amortization and impairment charges	**-40**	-44	**-153**	-153
Other expenses	**-161**	-63	**-597**	-534
Operating profit	**167**	312	**854**	831
Financial income and expenses				
Financial income	**2**	12	**8**	26
Financial expenses	**-3**	-3	**-16**	-29
Exchange rate and fair value gains and losses	**-1**	1	**-5**	-5
Total financial income and expenses	**-2**	10	**-13**	-8
Profit before income taxes	**165**	322	**841**	823
Income tax expense	**-25**	-36	**-205**	-153
Profit for the period	**140**	286	**636**	670
Attributable to:				
Equity holders of the company	**138**	284	**631**	667
Minority interest	**2**	2	**5**	3
	140	286	**636**	670
Earnings per share from profit attributable to the equity holders of the company basic and diluted (in euro per share)	**0.54**	1.11	**2.46**	2.60
Average number of shares	256,403,686	256,403,686	256,403,686	256,403,686

CONSOLIDATED BALANCE SHEET

MEUR	31 Dec 2006	31 Dec 2005
ASSETS		
Non-current assets		
Intangible assets	**38**	50
Property, plant and equipment	**2,310**	2,009
Investments in associates and joint ventures	**161**	126
Long-term interest-bearing receivables	**3**	17
Pension assets	**73**	63
Deferred tax assets	**8**	23
Derivative financial instruments	**22**	7
Other financial assets	**3**	17
Total non-current assets	**2,618**	2,312
Current assets		
Inventories	**697**	601
Trade and other receivables	**808**	765
Derivative financial instruments	**77**	72
Cash and cash equivalents	**62**	79
Total current assets	**1,644**	1,517
Non-currents assets classified as held for sale 1)	**78**	0
Total assets	**4,340**	3,829
EQUITY		
Capital and reserves attributable to equity holders of the company		
Share capital	**40**	40
Other equity	**2,049**	1,565
Total	**2,089**	1,605
Minority interest	**8**	7
Total equity	**2,097**	1,612
LIABILITIES		
Non-current liabilities		
Borrowings	**516**	635
Deferred tax liabilities	**239**	192
Provisions	**12**	14
Pension liabilities	**12**	13
Derivative financial instruments	**21**	10
Other non-current liabilities	**4**	14
Total non-current liabilities	**804**	878
Current liabilities		
Borrowings	**267**	240
Current tax liabilities	**43**	6
Derivative financial instruments	**38**	104
Trade and other payables	**1,027**	989
Total current liabilities	**1,375**	1,339
Liabilities directly associated with non-current assets classified as held for sale 1)	**64**	0
Total liabilities	**2,243**	2,217
Total equity and liabilities	**4,340**	3,829

1) Non-current assets classified as held for sale comprise of the carrying amount of Eastex Crude Company at 31 December 2006.

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

MEUR	Share capital	Reserve fund	Fair value and other reserves	Translation differences	Retained earnings	Minority	Total
	Attributable to equity holders of the company						
Total equity at 1 January 2005	40	9	34	-4	914	5	998
Dividend paid							0
Income and expense recognized directly in equity							
Translation differences				21			21
Cash flow hedges							
recorded in equity, net of taxes			-48				-48
transferred to income statement, net of tax			-19				-19
Net investment hedges, net of taxes				-9			-9
Change in minority						-1	-1
Items recognized directly in equity			*-67*	*12*		*-1*	*-56*
Profit for the period					667	3	670
Total recognized income and expenses			*-67*	*12*	*667*	*2*	*614*
Total equity at 31.12.2005	40	9	-33	8	1,581	7	1,612

	Share capital	Reserve fund	Fair value and other reserves	Translation differences	Retained earnings	Minority	Total
Total equity at 1 January 2006	40	9	-33	8	1,581	7	1,612
Dividend paid					-205		-205
Income and expense recognized directly in equity							
Translation differences and other changes				-9	4		-5
Cash flow hedges							
recorded in equity, net of taxes			63				63
transferred to income statement, net of tax			-7				-7
Net investment hedges, net of taxes				4			4
Share-based compensation			3				3
Available for sale investments							
recognized in equity, net of tax			63				63
removed from equity and recognized in income statement, net of tax			-63				-63
Change in minority						-4	-4
Items recognized directly in equity			*59*	*-5*	*4*	*-4*	*54*
Profit for the period					631	5	636
Total recognized income and expenses			*59*	*-5*	*635*	*1*	*690*
Total equity at 31.12.2006	40	9	26	3	2,011	8	2,097

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MEUR	**10-12/2006**	10-12/2005	**1-12/2006**	1-12/2005
Cash flow from operating activities				
Profit before taxes	**165**	322	**841**	823
Adjustments, total	**-51**	-189	**-85**	-40
Change in working capital	**60**	185	**-106**	-46
Cash generated from operations	**174**	318	**650**	737
Finance cost, net	**-4**	23	**-7**	-2
Income taxes paid	**-34**	-69	**-131**	-139
Net cash from operating activities	**136**	272	**512**	596
Capital expenditures	**-151**	-180	**-526**	-664
Acquisition of shares	**0**	-4	**-9**	-4
Proceeds from sales of fixed assets	**20**	10	**77**	14
Proceeds from sales of shares	**122**	193	**201**	193
Change in other investments	**1**	66	**20**	43
Cash flow before financing activities	**128**	357	**275**	178
Net change in loans and other financing activities	**-165**	-358	**-74**	-286
Dividends paid to the equity holders of the company	**0**	0	**-205**	0
Net increase (+)/decrease (-) in cash and marketable securities	**-37**	-1	**-4**	-108

KEY RATIOS

	31 Dec 2006	31 Dec 2005
Capital employed, MEUR	**2,890**	2,487
Interest-bearing net debt, MEUR	**722**	796
Capital expenditure and investments in shares, MEUR	**535**	668
Return on average capital employed, after tax, ROACE % 2)	**15.4**	19.7
Return on capital employed, pre-tax, ROCE %	**31.9**	37.0
Return on equity, ROE %	**34.3**	51.3
Equity per share, EUR	**8.15**	6.26
Cash flow per share, EUR	**2.00**	2.33
Price/earnings ratio (P/E)	**9.36**	9.50
Equity-to-assets ratio, %	**48.4**	42.4
Gearing, %	**34.4**	49.4
Leverage ratio, %	**25.6**	33.0
Dividend per share, EUR	**0.80**	-
Dividend payout ratio, %	**32.5**	-
Dividend yield, %	**3.5**	-
Average number of employees	**4,678**	4,528

2) The calculation of Return on average capital employed, after tax, (ROACE %) has been amended as of 1 January 2006 so that unrealized changes in the fair value of oil and freight derivative contracts, net of tax, are excluded from the calculation of the ratio. ROACE % for the financial period ending 31 December 2005 has been restated to reflect the change. The ROACE % reported in the financial statements for the financial period 2005 was 19.0 % compared to the restated 19.7 %.

SEGMENT INFORMATION

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

SALES

MEUR	**10-12/2006**	10-12/2005	**1-12/2006**	1-12/2005
Oil Refining	**2,431**	2,282	**10,768**	8,150
Oil Retail	**810**	782	**3,280**	2,931
Shipping	**73**	93	**293**	352
Other	**4**	2	**16**	10
Eliminations	**-362**	-407	**-1,623**	-1,469
Total	**2,956**	2,752	**12,734**	9,974

OPERATING PROFIT

MEUR	**10-12/2006**	10-12/2005	**1-12/2006**	1-12/2005
Oil Refining	**81**	135	**671**	570
Oil Retail	**85**	11	**138**	45
Shipping	**9**	31	**78**	87
Other	**-9**	136	**-35**	129
Eliminations	**1**	-1	**2**	0
Total	**167**	312	**854**	831

COMPARABLE OPERATING PROFIT

MEUR	**10-12/2006**	10-12/2005	**1-12/2006**	1-12/2005
Oil Refining	**78**	85	**533**	446
Oil Retail	**16**	7	**65**	46
Shipping	**1**	28	**32**	85
Other	**-9**	-5	**-35**	-12
Eliminations	**1**	-1	**2**	0
Total	**87**	114	**597**	565

DEPRECIATION, AMORTIZATION AND WRITE-DOWNS

MEUR	**10-12/2006**	10-12/2005	**1-12/2006**	1-12/2005
Oil Refining	**30**	30	**105**	101
Oil Retail	**6**	8	**27**	28
Shipping	**3**	5	**18**	22
Other	**1**	1	**3**	2
Total	**40**	44	**153**	153

SHARE OF PROFITS IN ASSOCIATED COMPANIES AND JOINT VENTURES

MEUR	**10-12/2006**	10-12/2005	**1-12/2006**	1-12/2005
Oil Refining	**12**	3	**39**	24
Oil Retail	**0**	0	**0**	-3
Shipping	**0**	0	**0**	0
Other	**0**	1	**0**	19
Total	**12**	4	**39**	40

NET ASSETS

MEUR	**31 Dec 2006**	31 Dec 2005
Oil Refining	**2,389**	1,889
Oil Retail	**336**	375
Shipping	**298**	326
Other	**10**	6
Eliminations	**-1**	-4
Total	**3,032**	2,592

RETURN ON NET ASSETS, %

	31 Dec 2006	31 Dec 2005
Oil Refining	**29.9**	34.7
Oil Retail	**37.2**	13.2
Shipping	**25.0**	26.7

COMPARABLE RETURN ON NET ASSETS, %

	31 Dec 2006	31 Dec 2005
Oil Refining	**23.8**	27.1
Oil Retail	**17.5**	13.5
Shipping	**10.3**	26.1

QUARTERLY SALES

MEUR	**10-12/2006**	**7-9/2006**	**4-6/2006**	**1-3/2006**	10-12/2005	7-9/2005	4-6/2005	1-3/2005
Oil Refining	**2,431**	**2,973**	**3,056**	**2,308**	2,282	2,111	2,135	1,622
Oil Retail	**810**	**841**	**817**	**812**	782	834	695	620
Shipping	**73**	**65**	**69**	**86**	93	69	87	103
Other	**4**	**4**	**5**	**3**	2	4	3	1
Eliminations	**-362**	**-419**	**-429**	**-413**	-407	-433	-343	-286
Total	**2,956**	**3,464**	**3,518**	**2,796**	2,752	2,585	2,577	2,060

QUARTERLY OPERATING PROFIT

MEUR	**10-12/2006**	**7-9/2006**	**4-6/2006**	**1-3/2006**	10-12/2005	7-9/2005	4-6/2005	1-3/2005
Oil Refining	**81**	**227**	**234**	**129**	135	109	203	123
Oil Retail	**85**	**23**	**17**	**13**	11	17	20	-3
Shipping	**9**	**11**	**38**	**20**	31	3	19	34
Other	**-9**	**-8**	**-9**	**-9**	136	4	-5	-6
Eliminations	**1**	**1**	**0**	**0**	-1	4	-2	-1
Total	**167**	**254**	**280**	**153**	312	137	235	147

QUARTERLY COMPARABLE OPERATING PROFIT

MEUR	**10-12/2006**	**7-9/2006**	**4-6/2006**	**1-3/2006**	10-12/2005	7-9/2005	4-6/2005	1-3/2005
Oil Refining	**78**	**183**	**178**	**94**	85	93	177	91
Oil Retail	**16**	**22**	**15**	**12**	7	18	11	10
Shipping	**1**	**4**	**5**	**22**	28	2	20	35
Other	**-9**	**-8**	**-9**	**-9**	-5	4	-5	-6
Eliminations	**1**	**1**	**0**	**0**	-1	4	-2	-1
Total	**87**	**202**	**189**	**119**	114	121	201	129

QUARTERLY DEPRECIATION, AMORTIZATION AND WRITE-DOWNS

MEUR	**10-12/2006**	**7-9/2006**	**4-6/2006**	**1-3/2006**	10-12/2005	7-9/2005	4-6/2005	1-3/2005
Oil Refining	**30**	**25**	**25**	**25**	30	23	25	23
Oil Retail	**6**	**7**	**7**	**7**	8	7	7	6
Shipping	**3**	**5**	**4**	**6**	5	6	5	6
Other	**1**	**1**	**1**	**0**	1	0	1	0
Total	**40**	**38**	**37**	**38**	44	36	38	35

QUARTERLY SHARE OF PROFITS IN ASSOCIATED COMPANIES AND JOINT VENTURES

MEUR	**10-12/2006**	**7-9/2006**	**4-6/2006**	**1-3/2006**	10-12/2005	7-9/2005	4-6/2005	1-3/2005
Oil Refining	**12**	**20**	**11**	**-4**	3	13	9	-1
Oil Retail	**0**	**0**	**0**	**0**	0	-1	-1	-1
Shipping	**0**	**0**	**0**	**0**	0	0	0	0
Other	**0**	**0**	**0**	**0**	1	10	8	0
Total	**12**	**20**	**11**	**-4**	4	22	16	-2

CONTINGENT LIABILITIES

MEUR	31 Dec 2006	31 Dec 2005
Contingent liabilities		
On own behalf		
For debt		
Pledges	**8**	5
Real estate mortgages	**25**	28
For other commitments		
Real estate mortages	**0**	1
Other contingent liabilities	**28**	16
Total	**61**	50
On behalf of associated companies		
Pledges and real estate mortgages	**0**	0
Guarantees	**6**	10
Other contingent liabilities	**1**	3
Total	**7**	13
On behalf of others		
Guarantees	**6**	1
Other contingent liabilities	**1**	0
Total	**7**	1
Total	**75**	64

MEUR	31 Dec 2006	31 Dec 2005
Operating lease liabilities		
Due within a year	**117**	73
Due later than one year and not later than five years	**191**	58
Due later than five years	**165**	60
Total	**473**	191

MEUR	31 Dec 2006	31 Dec 2005
Commitments		
Commitments to purchase property, plant and equipment	**44**	95
Commitments to purchase intangible assets	**2**	2
Total	**46**	97

Derivative financial instruments

Interest rate and currency derivative contracts and share forward contracts	**31 Dec 2006**		31 Dec 2005	
MEUR	**Nominal value**	**Net fair value**	Nominal value	Net fair value
Interest rate swaps	**301**	**2**	308	-3
Forward foreign exchange contracts	**992**	**23**	942	-27
Currency options				
Purchased	**290**	**4**	835	-17
Written	**274**	**5**	835	-3
Share forward contracts	**8**	**2**	3	0

Oil and freight derivative contracts	**Volume 1 000 bbl**	**Net fair value Meur**	Volume 1 000 bbl	Net fair value Meur
Sales contracts	**79,094**	**29**	54,496	21
Purchase contracts	**106,339**	**-25**	99,888	-6
Purchased options	**0**	**0**	6,904	-2
Written options	**0**	**0**	5,589	2

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.

Other contingent liabilities

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

ACCOUNTING PRINCIPLES

This report on Annual Financial Statements has been prepared in accordance with IFRS accounting principles.

The following changes have been made compared to the accounting principles applied in the 2005 Financial Statements.

Derivative financial instruments

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

In connection with the above mentioned change in the accounting principle, the changes in fair values of oil and freight derivative contracts not qualifying for hedge accounting (economic hedges and trading) are included in the income statement lines 'Sales' or 'Other expenses'.

Share of profit (loss) of associates and joint ventures

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

Calculation of key figures

Calculation of key financial indicators

Operating profit	=		Operating profit includes the revenue from the sale of goods and services, other income such as gain from sale of shares or non-financial assets, share of profits (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 sales of fixed assets and investments - unrealized change in fair value of oil and freight derivative contracts
Return on equity, (ROE)%	=	100 x	Profit before taxes - taxes / Total equity average
Return on capital employed, pre-tax (ROCE) %	=	100 x	Profit before taxes + interest and other financial expenses / Capital employed average
Return on average capital employed, after-tax (ROACE) %	=	100 x	Profit for the year (adjusted for inventory gains/losses, gains/losses from sales of fixed assets and investments 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 taxes) / Capital employed average
Capital employed	=		Total assets - interest-free liabilities - deferred tax liabilities - provisions
Interest-bearing net debt	=		Interest-bearing liabilities - cash and marketable securities
Leverage ratio, %	=	100 x	Interest-bearing net debt / Interest bearing net debt + total equity
Gearing, %	=	100 x	Interest-bearing net debt / Total equity
Equity-to assets ratio, %	=	100 x	Total equity / Total assets - advances received
Return on net assets, %	=	100 x	Segment operating profit / Average segment net assets
Comparable return on net assets, %	=	100 x	Segment comparable operating profit / Average segment net assets
Segment net assets	=		Property, plant and equipment, intangible assets, investment in associates and joint ventures, pension assets, inventories and interest-free receivables and liabilities allocated to the business segment, provisions and pension liabilities

Calculation of key share ratios

Earnings per share (EPS)	=		Profit for the year attributable to the equity holders of the company / Adjusted average number of shares during the period
Equity per share	=		Shareholder's equity attributable to the equity holders of the company / Adjusted average number of shares at the end of the period
Cash flow per share	=		Net cash generated from operating activities / Adjusted average number of shares during the period
Price / earnings ratio (P/E)	=		Share price at the end of the period / Earnings per share
Dividend payout ratio, %	=	100 x	Dividend per share / Earnings per share
Dividend yield, %	=	100 x	Dividend per share / Share price at the end of the period