

Developments in Oil Retail's markets

The most important external factors affecting the result of the Oil Retail reporting segment are the general state of the economy and overall fuel consumption.



Uncertainty in the world economy affected truck and bus diesel demand

The continued uncertainty typical of the world economy in 2013 impacted the retail market in Finland, and demand among fleet customers and in industry remained weak. Consumer diesel demand continued to grow, however, reflecting the growing number of diesel cars on the road. Total diesel consumption in Finland rose by 1.2%, while gasoline consumption fell by 1.9%.

Demand for light fuel oil was weaker than in 2012, in line with the growing preference for other types of heating than oil in new buildings. The declining demand for heating oil could be compensated for in the future by an increased use of middle distillates by ships when stricter sulfur limits come into force at the beginning of 2015. These new emission limits will encourage ships operating in the Baltic to switch from high-sulfur heavy fuel oil to lighter products. Demand for light fuel oil is also likely to be supported by increased use by off-road machinery.

Increased overall demand in the Baltic countries and St. Petersburg

Demand for gasoline in the Baltic countries continued to decline, while that for diesel increased in 2013. Neste Oil's profitability developed positively in all the Baltic countries during 2013, thanks to higher volumes and favorable price developments.

The St. Petersburg region in Northwest Russia is one of Russia's growth centers, and the demand for gasoline and diesel there is continuing to grow. Higher volumes and favorable price developments made a positive contribution to Neste Oil's profitability in the region.

Sale of station network in Poland completed

Neste Oil announced in December 2012 that it was going to sell its station network in Poland to Shell. The sale was closed in April 2013, marking the end of Neste Oil's retail operations in Poland. The divestment was prompted by the lower-than-expected market share and financial performance achieved by the business.

LPG business terminated in Sweden

Neste Oil decided to terminate its unprofitable LPG business in Sweden in 2013 and majority of the business was shut down by the end of the year.

Competition still tough around the Baltic

Neste Oil's goal is to be one of the top two station networks in all its selected markets. Competition around the Baltic remained tough in 2013. In Finland, Neste Oil had a 28.2% (28.5%) share of retail gasoline sales and a 39.1% (40.0%) share of retail diesel sales.

Neste Oil's most significant competitors in Finland are ABC and St1, both of which are Finnish-owned, and Russian-based Lukoil, which has strengthened its position around the Baltic in recent years and operates in Finland under the Teboil brand. Neste Oil's most significant competitor in the Baltic countries is the Statoil network, which has prioritized developing its stations' shops.