27 April 2017

Neste Corporation
Interim Report
January-March 2017

Neste's Interim Report for January-March 2017

Good start of the year - comparable operating profit up 17% year-on-year

First quarter in brief:

- Comparable operating profit totaled EUR 204 million (EUR 175 million)
- IFRS operating profit totaled EUR 271 (EUR 254 million)
- Oil Products' total refining margin was USD 11.00/bbl (USD 10.49/bbl)
- Renewable Products' comparable sales margin was USD 286/ton (USD 288/ton)
- Cash flow before financing activities was EUR -25 million (EUR 73 million)
- Return on average capital employed (ROACE) was 16.6% over the last 12 months (2016: 16.9%)
- Leverage ratio was 15.3% at the end of March (31.12.2016: 15.4%)

President & CEO Matti Lievonen:

"The year has started well as Oil Products delivered improved results and Renewable Products successfully maintained its comparable operating profit at last year's first quarter level. Neste recorded a comparable operating profit of EUR 204 million during the first quarter, compared to EUR 175 million in the corresponding period of 2016. Cash flow was impacted by the temporary effect of building profitable contango inventories.

Oil Products posted a comparable operating profit of EUR 126 million, compared to EUR 86 million in the first quarter of 2016. Reference margin, which reflects the refining market, averaged USD 4.9/bbl during the quarter. It was practically same as in the corresponding period last year. However, we were able to increase our additional margin to USD 6.1/bbl, which had a positive impact of EUR 20 million on the results year-on-year. Sales volumes and the use of Russian crude oil increased.

Renewable Products recorded a comparable operating profit of EUR 80 million, which was the same as in the first quarter of 2016. Renewable Products' comparable sales margin was maintained at the first quarter 2016 level despite the expiry of the US Blender's Tax Credit (BTC) at the end of 2016. Sales margin was optimized by volume allocation between our core markets. Sales volumes were 543,000 tons, a 2% increase on volume compared to the corresponding period last year. Sales volumes are typically lowest in the first quarter. The temporary administrative freeze of the US biofuel mandates for 2017 ended in March, and the growing mandates were reconfirmed. Clearly higher share, approx. 82% of sales volumes were allocated to Europe during the first quarter. Renewable diesel production facilities operated at a high 99% utilization rate. Feedstock optimization continued and the share of waste and residue feedstock was 72% of total renewable inputs.

In Marketing & Services our sales volumes continued at the previous year's first quarter level, but unit margins were clearly lower particularly in Russia and Finland due to competition. The segment generated a comparable operating profit of EUR 11 million (22 million).

Neste expects Oil Products' reference refining margin to be on average similar to that in 2016. Our Porvoo refinery is expected to run at a high utilization rate and to have normal planned unit maintenance. A major two month turnaround at the Naantali unit is scheduled for the third quarter.

Renewable Products' reference margin is expected to be higher than the average level of the year 2016. Neste continues to optimize sales margin by volume allocation between the core markets, and we have attractive markets in Europe. Sales volumes of the renewable diesel delivered as 100% to end-users are expected to continue growing and be close to 25% of the total sales volumes in 2017. The vegetable oil market is expected to remain volatile, and we aim to expand the use of lower quality waste and residue feedstock further. Utilization rates of our renewable diesel facilities are expected to stay high.

In Marketing & Services the sales volumes and unit margins are expected to improve towards the summer period, supported by the previous years' seasonality pattern, and internal actions.

Our strategy implementation is proceeding well, we continue to focus on our customers and growth initiatives, and will be completing the already announced strategic investments in 2017. Therefore, we are confident that the year 2017 will be another successful one for Neste."

Neste's Interim Report, 1 January - 31 March 2017

Interim Report is unaudited.

Figures in parentheses refer to the corresponding period for 2016, unless otherwise stated.

Key Figures

EUR million (unless otherwise noted)

	1-3/17	1-3/16	10-12/16	2016
Revenue	3,071	2,306	3,421	11,689
EBITDA	361	341	396	1,521
Comparable EBITDA*	293	262	356	1,349
Operating profit	271	254	302	1,155
Comparable operating profit*	204	175	262	983
Profit before income taxes	236	229	297	1,075
Net profit	201	214	262	943
Comparable net profit	143	146	228	793
Earnings per share, EUR	0.78	0.83	1.02	3.67
Comparable earnings per share**, EUR	0.56	0.57	0.89	3.10
Investments	98	71	146	422
Net cash generated from operating activities	44	117	394	1,193

	31 Mar 2017	31 Mar 2016	31 Dec 2016
Total equity	3,988	3,095	3,755
Interest-bearing net debt	718	1,223	683
Capital employed	5,216	4,912	5,226
Return on capital employed pre-tax (ROCE)***, %	22.4	14.9	22.6
Return on average capital employed after tax (ROACE)***, %	16.6	16.0	16.9
Equity per share, EUR	15.50	12.02	14.60
Leverage ratio, %	15.3	28.3	15.4

* Comparable operating profit is calculated by excluding inventory gains/losses, unrealized changes in the fair value open commodity and currency derivatives, capital gains/losses, insurance and other compensations and other adjustments from the reported operating profit.

** Comparable net profit is calculated by excluding total financial income and expense, income tax expense, non-controlling interests and tax on items affecting comparability from the reported comparable operating profit. Comparable earnings per share are based on comparable net profit.

***Last 12 months

The Group's first-quarter 2017 results

Neste's revenue in the first quarter totaled EUR 3,071 million (EUR 2,306 million). The increase mainly resulted from higher oil price. The Group's comparable operating profit was EUR 204 million (EUR 175 million). Oil Products improved its result clearly from the first quarter of 2016, mainly thanks to higher additional margin. Renewable Products was able to maintain its comparable operating profit at the same level as in the corresponding period last year. Renewable Products' additional margin was lower than last year, mainly due to expiry of the US BTC, but it was compensated by stronger reference margin and optimized sales allocation. Marketing & Services had clearly lower comparable operating profit compared to the first quarter of 2016, and it was negatively impacted by lower unit margins. The Others segment's comparable operating profit was also lower compared to the first quarter of 2016, mainly due to Nynas' lower results.

Oil Products' first-quarter comparable operating profit was EUR 126 million (86 million), Renewable Products' EUR 80 million (80 million), and Marketing & Services' EUR 11 million (22 million). The comparable operating profit of the Others segment totaled EUR -17 million (-11 million); Nynas accounted for EUR -7 million (0 million) of this figure.

The Group's IFRS operating profit was EUR 271 million (254 million), which was impacted by inventory gains of EUR 42 million (48 million), and changes in the fair value of open commodity and currency derivatives were EUR 24 million (23 million). Profit before income taxes was EUR 236 million (229 million), and net profit EUR 201 million (214 million). Comparable earnings per share were EUR 0.56 (0.57), and earnings per share EUR 0.78 (0.83).

	1-3/17	1-3/16	10-12/16	2016
COMPARABLE OPERATING PROFIT	204	175	262	983
- inventory gains/losses	42	48	51	280
- changes in the fair value of open commodity and currency derivatives	24	23	-11	-118
- capital gains/losses	3	8	0	23
- insurance and other compensations	0	0	0	0
- other adjustments	-1	0	0	-13
OPERATING PROFIT	271	254	302	1,155

Variance analysis, MEUR

	1-3
Comparable operating profit, 2016	175
Sales volumes	12
Reference margin	35
Additional margin	-14
Currency exchange	12
Fixed costs	-10
Others	-7
Comparable operating profit, 2017	204

Variance analysis by segment, MEUR

	1-3
Group comparable operating profit, 2016	175
Oil Products	40
Renewable Products	0
Marketing & Services	-11
Others including eliminations	-1
Group comparable operating profit, 2017	204

Financial targets

Return on average capital employed after tax (ROACE) and leverage ratio are Neste's key financial targets. ROACE figures are based on comparable results. The company's long-term ROACE target is 15%, and the leverage ratio target is 25-50%. At the end of March, ROACE calculated over the last 12 months was maintained over the target level, and leverage ratio continued on a downward trend.

	31 Mar 2017	31 Mar 2016	31 Dec 2016
Return on average capital employed after tax (ROACE)*, %	16.6	16.0	16.9
Leverage ratio (net debt to capital), %	15.3	28.3	15.4

*Last 12 months

Cash flow, investments and financing

The Group’s net cash generated from operating activities totaled EUR 44 million (117 million) in the first quarter of 2017. Working capital increased from the year-end 2016 level mainly due to building of contango inventories. Cash flow before financing activities was EUR -25 million (73 million). The Group's net working capital in days outstanding was 32.1 days (18.1 days) on a rolling 12-month basis at the end of the first quarter.

	1-3/17	1-3/16	10-12/16	2016
EBITDA (IFRS)	361	341	396	1,521
Capital gains/losses	-3	-10	-1	-28
Other adjustments	-22	-15	-2	121
Change in working capital	-227	-136	43	-229
Finance cost, net	-52	-42	8	-56
Income taxes paid	-13	-21	-50	-137
Net cash generated from operating activities	44	117	394	1,193
Capital expenditure	-99	-71	-116	-407
Other investing activities	30	28	-11	49
Free cash flow (Cash flow before financing activities)	-25	73	267	834

Cash-out investments were EUR 99 million (71 million) in the first quarter of 2017. Maintenance investments accounted for EUR 30 million (20 million) and productivity and strategic investments for EUR 69 million (51 million). Oil Products’ investments amounted to EUR 55 million (45 million), with the largest single project being the Solvent

Deasphalting (SDA) unit at Porvoo refinery. Renewable Products' investments were EUR 22 million (17 million), mainly related to the ongoing biopropane unit investment at the Rotterdam refinery. Marketing & Services' investments totaled EUR 10 million (2 million) and were mainly related to the station network. Investments in the Others segment were EUR 11 million (7 million), mainly related to IT and business infrastructure upgrade.

Interest-bearing net debt was EUR 718 million at the end of March, compared to EUR 683 million at the end of 2016. Net financial expenses for the quarter were EUR 35 million (25 million). The average interest rate of borrowing at the end of March was 3.5% (3.4%) and the average maturity 4.0 (3.6) years. The interest-bearing net debt/comparable EBITDA ratio was 0.5 (1.0) over the previous 12 months at the end of the first quarter.

The leverage ratio was 15.3% (31 Dec. 2016: 15.4%), and the gearing ratio 18.0% (31 Dec 2016: 18.2%). The Group has a strong financial position, which enables the implementation of our growth strategy going forward and maintaining healthy dividend distribution.

The Group's cash and cash equivalents and committed, unutilized credit facilities amounted to EUR 2,161 million as of the end of March (31 Dec 2016: 2,438 million). There are no financial covenants in the Group companies' current loan agreements.

In accordance with its hedging policy, Neste hedges a large part of its net foreign currency exposure for the next 12 months, mainly using forward contracts and currency options. The most important hedged currency is the US dollar. At the end of March the Group's foreign currency hedging ratio was slightly above 50% for the next 12 months.

US dollar exchange rate

	1-3/17	1-3/16	10-12/16	2016
EUR/USD, market rate	1.06	1.10	1.08	1.11
EUR/USD, effective rate*	1.10	1.10	1.09	1.11

* The effective rate includes the impact of currency hedges.

Segment reviews

Neste's businesses are grouped into four reporting segments: Oil Products, Renewable Products, Marketing & Services, and Others.

Oil Products

Key financials

	1-3/17	1-3/16	10-12/16	2016
Revenue, MEUR	2,009	1,359	2,159	7,395
EBITDA, MEUR	234	148	179	780
Comparable EBITDA, MEUR	177	139	151	670
Comparable operating profit, MEUR	126	86	98	453
IFRS operating profit, MEUR	182	95	126	563
Net assets, MEUR	2,629	2,484	2,424	2,424
Return on net assets*, %	26.2	10.4	23.2	23.2
Comparable return on net assets*, %	19.8	14.9	18.7	18.7

* Last 12 months

Variance analysis, MEUR

	1-3
Comparable operating profit, 2016	86
Sales volumes	9
Reference margin	1
Additional margin	20
Currency exchange	7
Fixed costs	-2
Others	4
Comparable operating profit, 2017	126

Key drivers

	1-3/17	1-3/16	10-12/16	2016
Reference refining margin, USD/bbl	4.92	4.87	5.19	4.88
Additional margin, USD/bbl	6.08	5.61	5.34	5.50
Total refining margin, USD/bbl	11.00	10.49	10.53	10.38
Urals-Brent price differential, USD/bbl	-2.12	-2.72	-2.20	-2.48
Urals' share of total refinery input, %	73	64	66	68

Oil Products' first-quarter comparable operating profit totaled EUR 126 million, compared to EUR 86 million in the first quarter of 2016. Average reference margin, which reflects the refining market, was similar to the corresponding period last year. Additional margin was USD 0.5/bbl stronger than a year ago, which had a positive impact of EUR 20 million on the segment's operating profit. Our sales volumes were 5% higher than in the first quarter of 2016, which had a positive impact of EUR 9 million on the result year-on-year. Additionally, stronger USD exchange rate had a EUR 7 million positive effect on the comparable operating profit. The use of Russian crude was increased to 73% (64%) of total input, and the price differential to Brent remained favorable.

The average utilization rate at the Porvoo refinery was 91% (88%), which reflected some unit maintenance during the first quarter. Naantali unit recorded an average utilization rate of 70% (62%) as a result of production optimization and some mechanical limitations in certain process units. Oil Products' comparable return on net assets was 19.8% (14.9%) at the end of March over the previous 12 months.

During January and February crude oil price was trading in a narrow range between USD 54 and USD 57/bbl, supported by the agreement between OPEC and non-OPEC countries to cut oil production, and high compliance of the agreement. In March crude oil price came under pressure and Brent price touched USD 50/bbl as a result of high US inventories, and a rising US oil rig count, while the ability of the production cut agreement to stabilize the global crude oil market was questioned. However, Brent price recovered to USD 53/bbl level at the end of the quarter.

The Russian Export Blend (REB) crude averaged USD 2.1/bbl lower than Brent during the first quarter. High Russian production and continued high exports through the Baltic Sea ports contributed to a reasonably wide differential during the quarter. Also competition by Middle Eastern sour crudes in the Baltic Sea and Mediterranean markets drove a wider REB differential.

Neste reference margin was healthy for the season as declining product inventory levels, an active maintenance period on both sides of the Atlantic, and some unexpected refinery outages had a positive impact on margins. Compared to the first quarter of the previous year diesel margins were clearly higher, which was driven by normal winter season demand. On average gasoline was still the strongest part of the barrel during the first quarter. Neste's reference margin averaged USD 4.9/bbl in the quarter.

Production

	1-3/17	1-3/16	10-12/16	2016
Porvoo refinery production, 1,000 ton	2,997	2,899	2,770	11,718
Porvoo refinery utilization rate, %	91	88	78	89
Naantali refinery production, 1,000 ton	511	388	456	1,869
Naantali refinery utilization rate, %	70	62	52	62
Refinery production costs, USD/bbl	3.7	3.9	5.3	4.2
Bahrain base oil plant production, (Neste's share) 1,000 ton	51	46	11	159

Sales from in-house production, by product category (1,000 t)

	1-3/17	%	1-3/16	%	10-12/16	%	2016	%
Middle distillates*	1,501	46	1,394	45	1,652	46	6,590	46
Light distillates**	1,071	33	1,006	32	1,185	33	4,706	33
Heavy fuel oil	389	12	435	14	414	11	1,594	11
Base oils	109	3	119	4	109	3	461	3
Other products	192	6	155	5	245	7	965	7
TOTAL	3,263	100	3,109	100	3,605	100	14,316	100

* Diesel, jet fuel, heating oil
** Motor gasoline, gasoline components, LPG

Sales from in-house production, by market area (1,000 t)

	1-3/17	%	1-3/16	%	10-12/16	%	2016	%
Baltic Sea area*	1,944	60	1,871	60	1,831	51	8,037	56
Other Europe	1,062	33	1,077	35	1,376	38	4,596	32
North America	126	4	88	3	236	7	1,198	8
Other areas	131	4	73	2	162	4	485	3

* Finland, Sweden, Estonia, Latvia, Lithuania, Poland, Denmark

Renewable Products

Key financials

	1-3/17	1-3/16	10-12/16	2016
Revenue, MEUR	699	584	870	2,690
EBITDA, MEUR	118	174	189	628
Comparable EBITDA, MEUR	107	104	176	578
Comparable operating profit, MEUR	80	80	146	469
IFRS operating profit, MEUR	91	150	158	518
Net assets, MEUR	1,844	1,828	1,811	1,811
Return on net assets*, %	25.5	21.3	28.6	28.6
Comparable return on net assets*, %	26.0	24.1	25.9	25.9

* Last 12 months

Variance analysis, MEUR

	1-3
Comparable operating profit, 2016	80
Sales volumes	3
Reference margin	33
Additional margin	-35
Currency exchange	5
Fixed costs	-5
Others	-2
Comparable operating profit, 2017	80

Key drivers

	1-3/17	1-3/16	10-12/16	2016
FAME - Palm oil price differential*, USD/ton	230	160	264	194
SME - Palm oil price differential**, USD/ton	181	125	321	222
Reference margin, USD/ton	271	224	338	268
Additional margin***, USD/ton	125	194	127	210
Comparable sales margin, USD/ton	286	288	335	348
Biomass-based diesel (D4) RIN, USD/gal	0.96	0.76	1.06	0.91
Palm oil price****, USD/ton	662	607	669	634
Crude palm oil's share of total feedstock, %	28	23	27	19

* FAME seasonal vs. CPO BMD 3rd (Crude Palm Oil Bursa Malaysia Derivatives 3rd month futures price) + 70 $/t freight to ARA (Amsterdam-Rotterdam-Antwerp)
** SME US Gulf Coast vs. CPO BMD 3rd
***Based on standard variable production cost of USD 130/ton in 2016 and USD 110/ton in 2017 figures
**** CPO BMD 3rd

Renewable Products' comparable operating profit totaled EUR 80 million during the first quarter, which was the same as in the corresponding period of 2016. The reference margin was USD 47/ton higher than in the first quarter of 2016, which had a positive impact of EUR 33 million on the operating profit year-on-year. Our additional margin was approx. USD 70/ton lower compared to the corresponding period last year, mainly due to the expiry of the US Blender's Tax Credit. We were able to reach similar comparable sales margin year-on-year by optimizing volume allocation between our core markets. Sales volumes totaled 543,000 tons, a 2% increase on volume compared to the corresponding period last year. Sales volumes are typically lowest in the first quarter. The temporary administrative freeze of the US biofuel mandate for 2017 ended in March, and the growing mandates were reconfirmed. Clearly higher share, approx. 82% (72%) of sales volumes were allocated to the European market during the first quarter and 18% (28%) to North America. Share of 100% renewable diesel delivered to end-users was 18%. Our renewable diesel production achieved a high average utilization rate of 99% (94%) during the quarter. Feedstock optimization continued and the proportion of waste and residue inputs was 72% (75%) on average. Renewable Products' comparable return on net assets was 26.0% (24.1%) at the end of March based on the previous 12 months.

Vegetable oil prices started to decline during the first quarter. Crude palm oil (CPO) stocks were low at the beginning of the year, but higher production volumes led CPO prices on a downward trend. Soybean oil (SBO) prices declined due to improved crop outlook in South America, and the planned US anti-dumping measures against Argentinian SBO based biodiesel. European rapeseed oil (RSO) prices have been under pressure by increased availability of sun flower oil.

During the first quarter European Fatty Acid Methyl Ester (FAME) prices declined by USD 80/ton and US Soy Methyl Ester (SME) biodiesel prices by USD 150/ton, mainly reflecting the downtrend in vegetable oils. The US Renewable Identification Number (RIN) prices reflected market volatility, but after the administrative freeze on biofuel volume mandates ended in March, D4 RIN prices rose back to USD 1/gallon level. The California Low Carbon Fuel Standard (LCFS) credit prices softened to USD 80/ton level during the quarter.

Production

	1-3/17	1-3/16	10-12/16	2016
Neste Renewable Diesel, 1,000 ton	649	582	551	2,213
Other products, 1,000 ton	49	48	45	175
Utilization rate, %	99	94	88	88

Sales

	1-3/17	1-3/16	10-12/16	2016
Neste Renewable Diesel, 1,000 ton	543	531	662	2,222
Share of sales volumes to Europe, %	82	72	68	66
Share of sales volumes to North America, %	18	28	32	34

Marketing & Services

Key financials

	1-3/17	1-3/16	10-12/16	2016
Revenue, MEUR	948	776	964	3,552
EBITDA, MEUR	18	27	25	111
Comparable EBITDA, MEUR	17	27	26	112
Comparable operating profit, MEUR	11	22	19	90
IFRS operating profit, MEUR	12	22	19	89
Net assets, MEUR	212	164	196	196
Return on net assets*, %	40.6	42.7	47.3	47.3
Comparable return on net assets*, %	40.6	45.1	47.5	47.5

* Last 12 months

Variance analysis, MEUR

	1-3
Comparable operating profit, 2016	22
Sales volumes	0
Unit margins	-7
Currency exchange	1
Fixed costs	-2
Others	-3
Comparable operating profit, 2017	11

Marketing & Services' comparable operating profit was EUR 11 million (22 million) in the first quarter of 2017. Sales volumes remained at the same level year-on-year. Average unit margins were clearly lower particularly in Russia and Finland, which had a negative impact of EUR 7 million on the comparable operating profit. Stronger ruble had a positive impact of EUR 1 million on the result compared to first quarter of 2016. The fixed costs were EUR 2 million higher, and other income had EUR 3 million lower contribution year-on-year. Marketing & Services' comparable return on net assets was 40.6% (45.1%) at the end of March on a rolling 12-month basis.

Marketing & Services' markets grew modestly in Finland and more rapidly in the Baltic countries. Traffic fuel demand is seasonally lower during the winter period, and another mild winter impacted heating oil demand. Heavy duty traffic continued to recover in Finland. Increased competition in the Finnish and Russian markets has negatively impacted unit margins. Also the sluggish Russian economy has lowered consumer demand.

Sales volumes by main product categories, million liters

	1-3/17	1-3/16	10-12/16	2016
Gasoline, station sales	246	250	274	1,112
Diesel, station sales	417	403	432	1,695
Heating oil	147	154	181	620

Net sales by market area, MEUR

	1-3/17	1-3/16	10-12/16	2016
Finland	691	562	658	2,497
Northwest Russia	69	51	70	248
Baltic countries	187	163	207	777

Others

Key financials

	1-3/17	1-3/16	10-12/16	2016
Comparable operating profit, MEUR	-17	-11	2	-23
IFRS operating profit, MEUR	-17	-11	2	-11

The Others segment consists of the engineering and technology solutions company Neste Jacobs, 60/40-owned by Neste and Jacobs Engineering; Nynas, a joint venture 50/50-owned by Neste and Petróleos de Venezuela; and common corporate costs. The comparable operating profit of the Others segment totaled EUR -17 million (-11 million) in the first quarter; Nynas accounted for EUR -7 million (0 million) of this figure. Nynas' result continued to be negatively impacted by lower margins and effects of the delayed Harburg refinery start-up.

Annual General Meeting

Neste Corporation's Annual General Meeting (AGM) was held in Helsinki after the reporting period on 5 April 2017. The AGM adopted the company's Financial Statements and Consolidated Financial Statements for 2016, and discharged the Board of Directors and the President & CEO from liability for 2016. The AGM also approved the Board of Directors' proposal regarding the distribution of the company's profit for 2016, authorizing payment of a dividend of EUR 1.30 per share. The dividend was paid on 18 April 2017.

In accordance with the proposal made by the Shareholders' Nomination Board, the AGM confirmed the membership of the Board of Directors at eight members, and the following were re-elected to serve until the end of the next AGM: Mr. Jorma Eloranta, Ms. Laura Raitio, Mr. Jean-Baptiste Renard, Mr. Willem Schoeber and Mr. Marco Wirén. The following were elected as new members: Ms. Martina Flöel, Ms. Heike van de Kerkhof and Mr. Matti Kähkönen. Mr. Eloranta was re-elected as Chair and Mr. Matti Kähkönen was elected as new Vice Chair.

Convening right after the Annual General Meeting, Neste's Board of Directors elected the members of its two Committees. Jorma Eloranta was elected Chair and Heike van de Kerkhof, Matti Kähkönen and Jean-Baptiste Renard as members of the Personnel and Remuneration Committee. Marco Wirén was elected Chair and Laura Raitio, Martina Flöel, and Willem Schoeber as members of the Audit Committee.

In accordance with a proposal by the Board of Directors, PricewaterhouseCoopers Oy, were appointed as the company's Auditor, with Authorized Public Accountant Mr Markku Katajisto as the principally responsible auditor for Neste Corporation, until the end of the next AGM. Payment for their services shall be made in accordance with their invoice approved by the Company.

Shares, share trading, and ownership

Neste's shares are traded on NASDAQ Helsinki Ltd. The share price closed the quarter at EUR 36.56, up by 0.2% compared to the end of 2016. At its highest during the quarter, the share price reached EUR 37.19, while at its lowest the price stood at EUR 31.15. Market capitalization was EUR 9.4 billion as of 31 March 2017. An average of 0.75 million shares were traded daily, representing 0.3% of the company's shares.

Neste's share capital registered with the Company Register as of 31 March 2017 totaled EUR 40 million, and the total number of shares was 256,403,686. As resolved by the AGM held on 1 April 2015, the Board of Directors was authorized to purchase and/or take as security a maximum of 1,000,000 company shares using the company's unrestricted equity. At the end of March 2017, Neste held 613,545 treasury shares purchased under this authorization. The Board of Directors has no authorization to issue convertible bonds, share options, or new shares.

As of 31 March 2017, the Finnish State owned 50.1% (50.1% at the end of 2016) of outstanding shares, foreign institutions 30.1% (30.3%), Finnish institutions 10.1% (10.0%), and Finnish households 9.7% (9.6%).

Personnel

Neste employed an average of 5,067 (4,885) employees in the first quarter, of which 1,623 (1,580) were based outside Finland. As of the end of March, the company had 5,113 employees (4,878), of which 1,640 (1,575) were located outside Finland.

Health, safety, and the environment

Key figures

	1-3/17	1-3/16	2016
TRIF*	3.1	4.0	2.8
PSER**	2.3	4.6	3.1

* Total Recordable Incident Frequency, number of cases per million hours worked. Includes both Neste's and contractors' personnel.
** Process Safety Event Rate, number of cases per million hours worked.

Neste's safety performance improved compared to the corresponding period in 2016. Our occupational safety key performance indicator TRIF was better than in the first quarter of 2016, but slightly worse than the result for whole 2016. PSER, the main indicator for process safety, improved compared to both the first quarter and full-year 2016. Several initiatives are under way to ensure reaching the targets for 2017. Our long-term safety development activities continue according to the corporate-wide Way Forward to Safety program plan focusing on behavior, leadership, operational discipline, process safety and contractor safety. Short-term actions focus additionally on effective learning from incidents, using leading indicators, and managing risk effectively also in routine work.

Neste's operational environmental emissions were in substantial compliance at all sites during the first quarter. A total of two minor environmental non-compliance cases occurred at Neste's operations with limited local environmental impact only. No serious environmental incidents resulting in liability occurred at Neste's refineries or other production sites.

Neste reached the Global 100 list of the world's most sustainable companies for the 11th consecutive time. This year Neste improved its ranking from 39th to 23rd, and was considered the best performing company within the Oil and Gas Industry. In the Sustainability Yearbook 2017 of RobecoSAM, Neste was selected among the sustainability leaders in the refining & marketing sector with the distinction "Industry Mover".

Read more about the topics on Neste's website.

Main events published during the reporting period

On 17 January, Neste announced having started R&D cooperation with Bioenergy La Tuque with the objective of studying the potential of using forest residues as a raw material in biofuel production in La Tuque, Canada. The cooperation supports Neste's goals to expand the raw material selection available and increase the use of waste and residues.

On 27 January, Neste announced that the Shareholders' Nomination Board will propose to the AGM to be held on 5 April 2017 that the company's Board of Directors should comprise the following members: Mr. Jorma Eloranta should be re-elected as Chair, and Board members Ms. Laura Raitio, Mr. Jean-Baptiste Renard, Mr. Willem Schoeber and Mr. Marco Wirén should be re-elected for a further term of office. The Shareholders' Nomination Board further proposed that the Board should have eight members and that Ms. Martina Flöel (PhD, Chemistry), Ms. Heike van de Kerkhof (BSc, Eng, and MBA) and Mr. Matti Kähkönen (M.Sc. Eng) should be elected as new members. The Nomination Board further proposed that Mr. Kähkönen should be elected as the Vice Chair of the Board.

On 7 February, Neste announced that its Oil Retail business area will from now on be called Marketing & Services. Marketing & Services is one of Neste Corporation's three reporting segments. The reason for renaming the business area is the increased importance of solutions and services.

On 21 March, Neste announced that the Regulatory Freeze Pending Review by the new US administration, which was applied to the renewable fuel volume requirements for 2017, has expired. Hence, the Environmental Protection Agency (EPA) continues to implement the final ruling under the Renewable Fuel Standard (RFS) program as published on 23 November 2016. The ruling calls for increases in the renewable fuel volume requirements for 2017, and includes a volume requirement for biomass-based diesel for 2018.

On 24 March, Neste announced that it welcomes the Swedish government's draft law proposals for the emission reduction mandate for traffic fuels and the continued tax exemption for high-blend biofuels. Long-term perspective and ambitious targets provide a much needed basis for innovation and investments in the biofuels sector, while ensuring the necessary carbon emission reductions in transportation.

Potential risks

There have been no significant changes in Neste´s short-term risks or uncertainties since the end of 2016.

Key market risks affecting Neste's financial results for the next 12 months include rapid changes in global oil markets, unexpected changes in the product and feedstock prices of Oil Products and/or Renewable Products, weakening of USD against EUR, and adverse changes in the current biofuel legislation in our main markets. Any scheduled or unexpected shutdowns at Neste´s refineries would have a negative effect on Neste's financial results.

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

Outlook

Developments in the global economy have been reflected in the oil, renewable fuel, and renewable feedstock markets; and volatility in these markets is expected to continue.

Crude oil supply and demand are expected to become more balanced, which could end the growth trend in crude oil inventories. Global oil demand growth estimates for 2017 by recognized experts currently vary between 1.2 and 1.6 million bbl/d. In light of the expected refining capacity growth the global product supply and demand look relatively balanced.

Vegetable oil price differentials are expected to vary, depending on crop outlooks, weather phenomena, and variations in demand for different feedstocks. Market volatility in feedstock prices is expected to continue, which will have an impact on the Renewable Products segment's profitability.

Neste expects Oil Products' reference refining margin to be on average similar to that in 2016. Our Porvoo refinery is expected to run at a high utilization rate and to have normal planned unit maintenance, including a decoking maintenance at the Production Line 4 in the autumn. The new SDA unit is currently being started up. A major two-month turnaround at the Naantali unit is scheduled for the third quarter. We are targeting at least USD 5.5/bbl additional margin when the ongoing strategic investments in the Porvoo SDA unit and Naantali reconfiguration are completed.

Renewable Products' reference margin is expected to be higher than the average level of the year 2016. Neste continues to optimize sales margin by volume allocation between core markets, and we have attractive markets in Europe. Sales volumes of the 100% renewable diesel delivered to end-users are expected to continue growing and be close to 25% of the total sales volumes in 2017. The vegetable oil market is expected to remain volatile, and we aim to expand the use of lower-quality waste and residue feedstock. Utilization rates of our renewable diesel facilities are expected to be high. Neste is currently evaluating the feasibility of options to invest in new renewables production capacity. The options under review include locations in the US and Singapore.

In Marketing & Services the sales volumes and unit margins are expected to improve towards the summer period, supported by the previous years' seasonality pattern, and internal actions.

Our strategy implementation is proceeding well, we continue to focus on our customers and growth initiatives, and will be completing the already announced strategic investments in 2017. Therefore, we are confident that the year 2017 will be another successful one for Neste.

Reporting date for the company's second-quarter 2017 results

Neste will publish its second-quarter 2017 results in the Half Year Financial Report on 3 August 2017 at approximately 9:00 a.m. EET.

Espoo, 26 April 2017

Neste Corporation
Board of Directors

Further information:

Matti Lievonen, President & CEO, tel. +358 10 458 11
Jyrki Mäki-Kala, CFO, tel. +358 10 458 4098
Investor Relations, tel. +358 10 458 5292

Conference call

A conference call in English for investors and analysts will be held today, 27 April 2017, at 3 p.m. Finland / 1 p.m. London / 8 a.m. New York. The call-in numbers are as follows: Finland: +358 (0)9 2310 1620, rest of Europe: +44 (0)20 7136 2056, US: +1 718 354 1158, using access code 1815525. The conference call can be followed at the company's web site. An instant replay of the call will be available until 3 May 2017 at +358 (0)9 2310 1650 for Finland, +44 (0)20 3427 0598 for Europe and +1 347 366 9565 for the US, using access code 1815525.

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 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 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.

NESTE GROUP
JANUARY - MARCH 2017
The interim report is unaudited

FINANCIAL STATEMENT SUMMARY AND NOTES TO THE FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF INCOME

MEUR	Note	1-3/2017	1-3/2016	1-12/2016	Last 12 months
Revenue	3	**3,071**	2,306	11,689	12,453
Other income		**8**	19	71	60
Share of profit (loss) of joint ventures		**-6**	1	14	8
Materials and services		**-2,524**	-1,805	-9,519	-10,237
Employee benefit costs		**-91**	-83	-349	-357
Depreciation, amortization and impairments	3	**-89**	-87	-366	-368
Other expenses		**-97**	-96	-386	-386
Operating profit		**271**	254	1,155	1,172
Financial income and expenses					
Financial income		**1**	1	4	5
Financial expenses		**-11**	-17	-67	-61
Exchange rate and fair value gains and losses		**-25**	-8	-17	-33
Total financial income and expenses		**-35**	-25	-79	-89
Profit before income taxes		**236**	229	1,075	1,082
Income tax expense		**-35**	-16	-133	-152
Profit for the period		**201**	214	943	930
Profit attributable to:					
Owners of the parent		**200**	213	939	926
Non-controlling interests		**1**	1	4	4
		201	214	943	930
Earnings per share from profit attributable to the owners of the parent (in euro per share)					
Basic earnings per share		**0.78**	0.83	3.67	3.62
Diluted earnings per share		**0.78**	0.83	3.66	3.61

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MEUR	1-3/2017	1-3/2016	1-12/2016	Last 12 months
Profit for the period	**201**	214	943	930
Other comprehensive income net of tax:				
Items that will not be reclassified to profit or loss				
Remeasurements on defined benefit plans	**1**	-6	-21	-14
Items that may be reclassified subsequently to profit or loss				
Translation differences	**4**	2	6	8
Cash flow hedges				
recorded in equity	**7**	24	-20	-37
transferred to income statement	**14**	3	6	16
Net investment hedges	**0**	0	0	0
Share of other comprehensive income of investments accounted for using the equity method	**5**	7	-9	-12
Total	**30**	37	-17	-24
Other comprehensive income for the period, net of tax	**31**	31	-38	-38
Total comprehensive income for the period	**232**	245	905	892
Total comprehensive income attributable to:				
Owners of the parent	**231**	244	902	888
Non-controlling interests	**1**	1	4	4
	232	245	905	892

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MEUR	Note	31 March 2017	31 March 2016	31 Dec 2016
ASSETS				
Non-current assets				
Intangible assets	5	**88**	72	87
Property, plant and equipment	5	**3,753**	3,726	3,747
Investments in joint ventures		**214**	226	216
Non-current receivables		**55**	56	55
Deferred tax assets		**35**	33	39
Derivative financial instruments	7	**7**	10	9
Available-for-sale financial assets		**5**	5	5
Total non-current assets		**4,157**	4,128	4,157
Current assets				
Inventories		**1,699**	1,116	1,416
Trade and other receivables		**911**	827	1,034
Derivative financial instruments	7	**47**	164	48
Cash and cash equivalents		**511**	594	788
Total current assets		**3,168**	2,702	3,285
Total assets		**7,325**	6,830	7,443
EQUITY				
Capital and reserves attributable to the owners of the parent				
Share capital		**40**	40	40
Other equity	2	**3,924**	3,034	3,693
Total		**3,964**	3,074	3,733
Non-controlling interest		**23**	21	22
Total equity		**3,988**	3,095	3,755
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities		**1,115**	1,126	1,117
Deferred tax liabilities		**246**	265	246
Provisions		**54**	40	53
Pension liabilities		**134**	120	136
Derivative financial instruments	7	**2**	7	2
Other non-current liabilities		**11**	10	11
Total non-current liabilities		**1,563**	1,568	1,565
Current liabilities				
Interest-bearing liabilities		**113**	691	354
Current tax liabilities		**66**	26	40
Derivative financial instruments	7	**94**	44	164
Trade and other payables		**1,501**	1,406	1,565
Total current liabilities		**1,775**	2,167	2,123
Total liabilities		**3,338**	3,735	3,688
Total equity and liabilities		**7,325**	6,830	7,443

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MEUR	1-3/2017	1-3/2016	1-12/2016
Cash flow from operating activities			
Profit before income taxes	**236**	229	1,075
Adjustments, total	**100**	86	538
Change in working capital	**-227**	-136	-229
Cash generated from operations	**109**	179	1,385
Finance cost, net	**-52**	-42	-56
Income taxes paid	**-13**	-21	-137
Net cash generated from operating activities	**44**	117	1,193
Cash flows from investing activities			
Capital expenditure	**-99**	-71	-407
Proceeds from sales of shares in subsidiaries	**0**	0	0
Proceeds from sales of fixed assets	**4**	15	40
Changes in non-current receivables and available-for-sale financial assets	**26**	13	9
Cash flows from investing activities	**-69**	-43	-359
Cash flow before financing activities	**-25**	73	834
Cash flows from financing activities			
Net change in loans and other financing activities	**-252**	-76	-387
Dividends paid to the owners of the parent	**0**	0	-256
Dividends paid to non-controlling interests	**0**	0	-1
Cash flows from financing activities	**-252**	-76	-644
Net increase (+)/decrease (-) in cash and cash equivalents	**-277**	-2	191

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CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

MEUR	Share capital	Reserve fund	Reserve of invested unrestricted equity	Treasury shares	Fair value and other reserves	Actuarial gains and losses	Translation differences	Retained earnings	Owners of the parent	Non-controlling interests	Total equity
Total equity at 1 January 2016	40	20	1	-12	-39	-54	-59	3,186	3,084	20	3,104
Profit for the period								213	213	1	214
Other comprehensive income for the period, net of tax					35	-6	2		31		31
Total comprehensive income for the period	0	0	0	0	35	-6	2	213	244	1	245
Dividend decision								-256	-256		-256
Share-based compensation			3	2				-3	2		2
Transfer from retained earnings		1						-1	0		0
Total equity at 31 March 2016	40	20	4	-10	-4	-60	-56	3,140	3,074	21	3,095

MEUR	Share capital	Reserve fund	Reserve of invested unrestricted equity	Treasury shares	Fair value and other reserves	Actuarial gains and losses	Translation differences	Retained earnings	Owners of the parent	Non-controlling interests	Total equity
Total equity at 1 January 2016	40	20	1	-12	-39	-54	-59	3,186	3,084	20	3,104
Profit for the period								939	939	4	943
Other comprehensive income for the period, net of tax					-23	-21	6		-38		-38
Total comprehensive income for the period	0	0	0	0	-23	-21	6	939	902	4	905
Dividend decision								-256	-256	-1	-257
Share-based compensation			3	2				-2	3		3
Transfer from retained earnings		1						-1	0		0
Total equity at 31 December 2016	40	20	4	-10	-62	-75	-52	3,867	3,733	22	3,755

MEUR	Share capital	Reserve fund	Reserve of invested unrestricted equity	Treasury shares	Fair value and other reserves	Actuarial gains and losses	Translation differences	Retained earnings	Owners of the parent	Non-controlling interests	Total equity
Total equity at 1 January 2017	**40**	**20**	**4**	**-10**	**-62**	**-75**	**-52**	**3,867**	**3,733**	**22**	**3,755**
Profit for the period								**200**	**200**	**1**	**201**
Other comprehensive income for the period, net of tax					**26**	**1**	**4**		**31**		**31**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**26**	**1**	**4**	**200**	**231**	**1**	**232**
Dividend decision									**0**		**0**
Share-based compensation			**2**	**1**				**-3**	**1**		**1**
Transfer from retained earnings									**0**		**0**
Total equity at 31 March 2017	**40**	**20**	**7**	**-9**	**-36**	**-74**	**-48**	**4,065**	**3,964**	**23**	**3,988**

KEY FIGURES

	31 March 2017	31 March 2016	31 Dec 2016	Last 12 months
EBITDA, MEUR	**361**	341	1,521	1,540
Comparable EBITDA, MEUR	**293**	262	1,349	1,380
Capital employed, MEUR	**5,216**	4,912	5,226	5,216
Interest-bearing net debt, MEUR	**718**	1,223	683	-
Capital expenditure and investment in shares, MEUR	**98**	71	422	449
Return on average capital employed, after tax, ROACE %	**16.6**	16.0	16.9	16.6
Return on capital employed, pre-tax, ROCE %	**22.4**	14.9	22.6	22.4
Return on equity %	**26.3**	20.3	28.1	26.3
Equity per share, EUR	**15.50**	12.02	14.60	-
Cash flow per share, EUR	**0.17**	0.46	4.67	4.38
Earnings per share (EPS), EUR	**0.78**	0.83	3.67	3.62
Comparable earnings per share, EUR	**0.56**	0.57	3.10	3.09
Comparable net profit, MEUR	**143**	146	793	790
Equity-to-assets ratio, %	**54.6**	45.7	50.6	-
Leverage ratio, %	**15.3**	28.3	15.4	-
Gearing, %	**18.0**	39.5	18.2	-
Average number of shares	**255,730,906**	255,636,300	255,696,935	255,720,513
Outstanding number of shares at the end of the period	**255,790,141**	255,717,112	255,717,112	255,790,141
Average number of personnel	**5,067**	4,885	5,013	-

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by EU. The condensed interim report should be read in conjunction with the consolidated financial statements for the year ended 31 December 2016. The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2016. The IFRS principles require the management to make estimates and assumptions when preparing financial statements. Although these estimates and assumptions are based on the management´s best knowledge of today, the final outcome may differ from the estimated values presented in the financial statements. The figures in the tables are exact figures and consequently the sum of individual figures may deviate from the sum presented.

Any new IFRS and IFRIC changes did not have a material impact on the reported income statement, statement of financial position or notes and the Group has not applied any new standards as of 1 January 2017.

2. TREASURY SHARES

A total of 73,029 treasury shares of Neste Corporation has been on the 15th of March 2017 conveyed without consideration to the key persons participating in the Share Ownership Plan 2013 according to the terms and conditions of the plan. The directed share issue is based on the authorization of the Annual General Meeting on 1st April 2015. A total of 79 people are in the target group of the payment from the plan. The number of treasury shares after the directed share issue is 613,545 shares.

3. SEGMENT INFORMATION

Neste's operations are grouped into four reporting segments: Oil Products, Renewable Products, Marketing & Services and Others. Others segment consists of Group administration, shared service functions, Research and Technology, Neste Jacobs and Nynas AB. The performance of the reporting segments are reviewed regularly by the chief operating decision maker, Neste President & CEO, to assess performance and to decide on allocation of resources. Neste's Oil Retail business area will from now on be called Marketing & Services. The business area will include the same business operations as the Oil Retail business area did.

REVENUE **MEUR**	**1-3/2017**	1-3/2016	1-12/2016	Last 12 months
Oil Products	**2,009**	1,359	7,395	8,045
Renewable Products	**699**	584	2,690	2,804
Marketing & Services	**948**	776	3,552	3,724
Others	**55**	70	294	279
Eliminations	**-639**	-482	-2,241	-2,399
Total	**3,071**	2,306	11,689	12,453

OPERATING PROFIT **MEUR**	**1-3/2017**	1-3/2016	1-12/2016	Last 12 months
Oil Products	**182**	95	563	651
Renewable Products	**91**	150	518	459
Marketing & Services	**12**	22	89	79
Others	**-17**	-11	-11	-17
Eliminations	**3**	-2	-5	-1
Total	**271**	254	1,155	1,172

COMPARABLE OPERATING PROFIT **MEUR**	**1-3/2017**	1-3/2016	1-12/2016	Last 12 months
Oil Products	**126**	86	453	493
Renewable Products	**80**	80	469	469
Marketing & Services	**11**	22	90	79
Others	**-17**	-11	-23	-29
Eliminations	**3**	-2	-6	-1
Total	**204**	175	983	1,011

DEPRECIATION, AMORTIZATION AND IMPAIRMENTS **MEUR**	**1-3/2017**	1-3/2016	1-12/2016	Last 12 months
Oil Products	**52**	53	217	215
Renewable Products	**26**	24	109	112
Marketing & Services	**6**	5	22	23
Others	**5**	4	18	19
Eliminations	**0**	0	0	0
Total	**89**	87	366	368

CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES **MEUR**	**1-3/2017**	1-3/2016	1-12/2016	Last 12 months
Oil Products	**55**	44	249	261
Renewable Products	**28**	19	104	113
Marketing & Services	**7**	3	31	36
Others	**8**	6	38	40
Eliminations	**0**	0	0	0
Total	**98**	71	422	449

TOTAL ASSETS **MEUR**	**31 March 2017**	31 March 2016	31 Dec 2016
Oil Products	**3,715**	3,313	3,581
Renewable Products	**2,248**	2,072	2,191
Marketing & Services	**549**	438	545
Others	**503**	596	502
Unallocated assets	**636**	758	933
Eliminations	**-325**	-347	-310
Total	**7,325**	6,830	7,443

NET ASSETS **MEUR**	**31 March 2017**	31 March 2016	31 Dec 2016
Oil Products	**2,629**	2,484	2,424
Renewable Products	**1,844**	1,828	1,811
Marketing & Services	**212**	164	196
Others	**257**	7	249
Eliminations	**-11**	-10	-12
Total	**4,930**	4,474	4,667

TOTAL LIABILITIES MEUR	31 March 2017	31 March 2016	31 Dec 2016
Oil Products	**1,086**	830	1,157
Renewable Products	**404**	243	380
Marketing & Services	**337**	274	350
Others	**246**	588	253
Unallocated liabilities	**1,579**	2,137	1,845
Eliminations	**-315**	-337	-297
Total	**3,338**	3,735	3,688

RETURN ON NET ASSETS, %	31 March 2017	31 March 2016	31 Dec 2016
Oil Products	**26.2**	10.4	23.2
Renewable Products	**25.5**	21.3	28.6
Marketing & Services	**40.6**	42.7	47.3

COMPARABLE RETURN ON NET ASSETS, %	31 March 2017	31 March 2016	31 Dec 2016
Oil Products	**19.8**	14.9	18.7
Renewable Products	**26.0**	24.1	25.9
Marketing & Services	**40.6**	45.1	47.5

QUARTERLY SEGMENT INFORMATION

QUARTERLY REVENUE MEUR	1-3/2017	10-12/2016	7-9/2016	4-6/2016	1-3/2016
Oil Products	**2,009**	2,159	1,961	1,916	1,359
Renewable Products	**699**	870	640	596	584
Marketing & Services	**948**	964	925	886	776
Others	**55**	77	73	75	70
Eliminations	**-639**	-649	-564	-546	-482
Total	**3,071**	3,421	3,034	2,927	2,306

QUARTERLY OPERATING PROFIT MEUR	1-3/2017	10-12/2016	7-9/2016	4-6/2016	1-3/2016
Oil Products	**182**	126	125	218	95
Renewable Products	**91**	158	162	48	150
Marketing & Services	**12**	19	25	23	22
Others	**-17**	2	6	-8	-11
Eliminations	**3**	-3	0	-1	-2
Total	**271**	302	319	280	254

QUARTERLY COMPARABLE OPERATING PROFIT MEUR	1-3/2017	10-12/2016	7-9/2016	4-6/2016	1-3/2016
Oil Products	**126**	98	120	149	86
Renewable Products	**80**	146	124	119	80
Marketing & Services	**11**	19	25	23	22
Others	**-17**	2	-6	-8	-11
Eliminations	**3**	-3	0	-1	-2
Total	**204**	262	264	282	175

QUARTERLY DEPRECIATION, AMORTIZATION AND IMPAIRMENTS MEUR	1-3/2017	10-12/2016	7-9/2016	4-6/2016	1-3/2016
Oil Products	**52**	53	56	54	53
Renewable Products	**26**	31	26	29	24
Marketing & Services	**6**	6	5	5	5
Others	**5**	5	5	4	4
Eliminations	**0**	0	0	0	0
Total	**89**	94	93	92	87

QUARTERLY CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES MEUR	1-3/2017	10-12/2016	7-9/2016	4-6/2016	1-3/2016
Oil Products	**55**	86	54	66	44
Renewable Products	**28**	31	16	38	19
Marketing & Services	**7**	13	9	7	3
Others	**8**	16	8	8	6
Eliminations	**0**	0	0	0	0
Total	**98**	146	88	118	71

QUARTERLY NET ASSETS MEUR	1-3/2017	10-12/2016	7-9/2016	4-6/2016	1-3/2016
Oil Products	**2,629**	2,424	2,443	2,451	2,484
Renewable Products	**1,844**	1,811	1,803	1,735	1,828
Oil Retail	**212**	196	208	192	164
Others	**257**	249	249	260	7
Eliminations	**-11**	-12	-9	-10	-10
Total	**4,930**	4,667	4,693	4,628	4,474

4. RECONCILIATION OF KEY FIGURES TO IFRS FINANCIAL STATEMENTS

RECONCILIATION BETWEEN COMPARABLE OPERATING PROFIT AND OPERATING PROFIT (IFRS)

Group

MEUR	1-3/2017	1-3/2016	10-12/2016	1-12/2016
COMPARABLE OPERATING PROFIT	**204**	175	262	983
- inventory gains/losses	**42**	48	51	280
- changes in the fair value of open commodity and currency derivatives	**24**	23	-11	-118
- capital gains and losses	**3**	8	0	23
- insurance and other compensations	**0**	0	0	0
- other adjustments	**-1**	0	0	-13
OPERATING PROFIT (IFRS)	**271**	254	302	1,155

Oil Products

MEUR	1-3/2017	1-3/2016	10-12/2016	1-12/2016
COMPARABLE OPERATING PROFIT	**126**	86	98	453
- inventory gains/losses	**29**	-6	15	157
- changes in the fair value of open commodity and currency derivatives	**26**	8	12	-57
- capital gains and losses	**3**	8	0	11
- insurance and other compensations	**0**	0	0	0
- other adjustments	**-1**	0	0	0
OPERATING PROFIT (IFRS)	**182**	95	126	563

Renewable Products

MEUR	1-3/2017	1-3/2016	10-12/2016	1-12/2016
COMPARABLE OPERATING PROFIT	**80**	80	146	469
- inventory gains/losses	**13**	54	35	123
- changes in the fair value of open commodity and currency derivatives	**-2**	16	-23	-60
- capital gains and losses	**0**	0	0	0
- insurance and other compensations	**0**	0	0	0
- other adjustments	**0**	0	0	-13
OPERATING PROFIT (IFRS)	**91**	150	158	518

Marketing & Services

MEUR	1-3/2017	1-3/2016	10-12/2016	1-12/2016
COMPARABLE OPERATING PROFIT	**11**	22	19	90
- inventory gains/losses	**0**	0	0	0
- changes in the fair value of open commodity and currency derivatives	**0**	0	0	0
- capital gains and losses	**0**	0	0	0
- insurance and other compensations	**0**	0	0	0
- other adjustments	**0**	0	0	0
OPERATING PROFIT (IFRS)	**12**	22	19	89

Others

MEUR	1-3/2017	1-3/2016	10-12/2016	1-12/2016
COMPARABLE OPERATING PROFIT	**-17**	-11	2	-23
- inventory gains/losses	**0**	0	0	0
- changes in the fair value of open commodity and currency derivatives	**0**	0	0	0
- capital gains and losses	**0**	0	0	12
- insurance and other compensations	**0**	0	0	0
- other adjustments	**0**	0	0	0
OPERATING PROFIT (IFRS)	**-17**	-11	2	-11

RECONCILIATION BETWEEN COMPARABLE OPERATING PROFIT AND COMPARABLE NET PROFIT

MEUR	1-3/2017	1-3/2016	1-12/2016
COMPARABLE OPERATING PROFIT	**204**	175	983
total financial income and expenses	**-35**	-25	-79
income tax expense	**-35**	-16	-133
non-controlling interests	**-1**	-1	-4
tax on items affecting comparability	**10**	12	26
COMPARABLE NET PROFIT	**143**	146	793

RECONCILIATION OF RETURN ON AVERAGE CAPITAL EMPLOYED, AFTER TAX (ROACE), %

MEUR	31 March 2017	31 March 2016	31 Dec 2016
COMPARABLE OPERATING PROFIT, LAST 12 MONTHS	**1,011**	886	983
financial income	**5**	3	4
exchange rate and fair value gains and losses	**-33**	18	-17
income tax expense	**-152**	-66	-133
tax on other items affecting ROACE	**15**	-50	16
Comparable net profit, net of tax	**845**	791	853
Capital employed average	**5,092**	4,961	5,047
RETURN ON CAPITAL EMPLOYED, AFTER TAX (ROACE), %	**16.6**	16.0	16.9

RECONCILIATION OF EQUITY-TO-ASSETS RATIO, %

MEUR	31 March 2017	31 March 2016	31 Dec 2016
Total equity	**3,988**	3,095	3,755
Total assets	**7,325**	6,830	7,443
Advances received	**18**	60	18
EQUITY-TO-ASSETS RATIO, %	**54.6**	45.7	50.6

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

CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT MEUR	31 March 2017	31 March 2016	31 Dec 2016
Opening balance	**3,833**	3,816	3,816
Depreciation, amortization and impairments	**-89**	-87	-366
Capital expenditure	**98**	71	422
Disposals	**-4**	-4	-49
Assets classified as held for sale	**0**	0	0
Translation differences	**3**	2	10
Closing balance	**3,841**	3,798	3,833

CAPITAL COMMITMENTS MEUR	31 March 2017	31 March 2016	31 Dec 2016
Commitments to purchase property, plant and equipment	**27**	69	26
Total	**27**	69	26

6. INTEREST-BEARING NET DEBT AND LIQUIDITY

Interest-bearing net debt MEUR	31 March 2017	31 March 2016	31 Dec 2016
Short-term interest-bearing liabilities	**113**	691	354
Long-term interest-bearing liabilities	**1,115**	1,126	1,117
Interest-bearing liabilities	**1,229**	1,818	1,471
Cash and cash equivalents [1)]	**-511**	-594	-788
Interest-bearing net debt	**718**	1,223	683

[1)] includes interest-bearing receivables EUR 60 million on 31 March 2017

Liquidity, unused committed credit facilities and debt programs MEUR	31 March 2017	31 March 2016	31 Dec 2016
Cash and cash equivalents	**511**	594	788
Unused committed credit facilities	**1,650**	1,650	1,650
Total	**2,161**	2,244	2,438
In addition: Unused CP programmes (not committed)	**400**	400	400

7. DERIVATIVE FINANCIAL INSTRUMENTS

The Group has not made any significant changes in policies regarding risk management during the reporting period. Aspects of the Group´s financial risk management objective and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2016.

	31 March 2017		31 March 2016		31 Dec 2016	
Interest rate and currency derivative contracts MEUR	**Nominal value**	**Net fair value**	Nominal value	Net fair value	Nominal value	Net fair value
Interest rate swaps						
Hedge accounting	**250**	**5**	600	12	350	6
Non-hedge accounting	**0**	**0**	0	0	0	0
Currency derivatives						
Hedge accounting	**1,765**	**-14**	1,205	21	1,730	-44
Non-hedge accounting	**1,387**	**1**	787	16	1,132	-13

	31 March 2017			31 March 2016			31 Dec 2016		
Commodity derivative contracts	**Volume GWh**	**Volume million bbl**	**Net fair value MEUR**	Volume GWh	Volume million bbl	Net fair value MEUR	Volume GWh	Volume million bbl	Net fair value MEUR
Sales contracts									
Hedge accounting	**0**	**0**	**0**	0	0	0	0	0	0
Non-hedge accounting	**0**	**41**	**9**	0	27	49	0	27	-89
Purchase contracts									
Hedge accounting	**0**	**0**	**0**	0	0	0	0	0	0
Non-hedge accounting	**2,483**	**22**	**-44**	2,076	16	25	2,381	18	31

Commodity derivative contracts include oil, vegetable oil, electricity and gas derivative contracts.

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.

Carrying amounts of financial assets and liabilities by measurement categories

Financial assets and liabilities divided by categories were as follows as of March 31, 2017:

Balance sheet item	**Derivatives, hedge accounting**	**Assets/ liabilities at fair value through income statement**	**Loans and receivables**	**Available-for-sale financial assets**	**Financial liabilities measured at amortized cost**	**Carrying amounts by balance sheet item**	**Fair value**
Non-current financial assets							
Non-current receivables			55			55	
Derivative financial instruments	7	0				7	7
Available-for-sale financial assets				5		5	5
Current financial assets							
Trade and other receivables, excluding non-financial assets			904			904	
Derivative financial instruments	6	41				47	47
Cash and cash equivalents			511			511	
Carrying amount by category	14	41	1,470	5	0	1,529	59
Non-current financial liabilities							
Interest-bearing liabilities					1,115	1,115	1,170
Derivative financial instruments	2	0				2	2
Other non-current liabilities					11	11	
Current financial liabilities							
Interest-bearing liabilities					113	113	113
Derivative financial instruments	20	74				94	94
Trade and other payables, excluding non-financial liabilities					1,501	1,501	
Carrying amount by category	22	75	0	0	2,741	2,838	1,380

Financial instruments that are measured in the balance sheet at fair value are presented according to following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted price included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Inputs for the assets or liability that is not based on observable market data (unobservable inputs).

Fair value hierarchy, MEUR

Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Non-current derivative financial instruments	0	7	0	7
Non-current available-for-sale financial assets	0	0	5	5
Current derivative financial instruments	17	30	0	47

Financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Non-current derivative financial instruments	0	2	0	2
Current derivative financial instruments	8	86	0	94

During the three-month period ended 31 March 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The fair values of non-current interest-bearing liabilities that are carried at amortised cost, but for which fair value is disclosed, are determined by using the discounted cash flow method employing market interest rates or market values at the balance sheet date. Non-current interest-bearing liabilities are classified into fair value measurement hierarchy level 2.

8. RELATED PARTY TRANSACTIONS

The group has a related party relationship with its subsidiaries, joint arrangements and the entities controlled by Neste's controlling shareholder the State of Finland. Related party includes also the members of the Board of Directors, the President and CEO and other members of the Neste Executive Board (key management persons), close members of the families of the mentioned key management persons and entities controlled or jointly controlled by the mentioned key management persons or close members of those persons' families.

Parent company of the Group is Neste Corporation. The transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated during consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below. All related party transactions are on arm's length basis.

Transactions carried out with joint arrangements and other related parties	**31 March 2017**	31 March 2016	31 Dec 2016
Sales of goods and services	**34**	12	173
Purchases of goods and services	**59**	17	158
Receivables	**77**	57	82
Financial income and expenses	**0**	0	0
Liabilities	**12**	3	10

9. CONTINGENT LIABILITIES

MEUR	**31 March 2017**	31 March 2016	31 Dec 2016
Contingent liabilities			
On own behalf for commitments			
Real estate mortgages	**17**	17	17
Pledged assets	**116**	116	116
Other contingent liabilities	**34**	44	48
Total	**168**	177	182
On behalf of joint arrangements			
Pledged assets	**46**	37	46
Guarantees	**1**	1	1
Total	**47**	38	47
On behalf of others			
Guarantees	**1**	2	2
Other contingent liabilities	**0**	0	0
Total	**1**	2	2
Total	**215**	217	230

MEUR	**31 March 2017**	31 March 2016	31 Dec 2016
Operating lease liabilities			
Due within one year	**68**	65	79
Due between one and five years	**76**	59	80
Due later than five years	**78**	78	78
Total	**222**	201	237

The Group's operating lease commitments primarily relate to time charter vessels, land and office space.

Disputes and potential litigations

The dispute concerning the bio mandate penalty payment levied in 2014 by Finnish Customs, amounting approximately EUR 44 million, is closed. The Supreme Administrative Court gave its decision in March 2017 stating that the penalty payment was levied without justification. Penalty payment was already repaid in August 2015 based on the decision of Administrative Court of Helsinki.

Calculation of key figures

Calculation of key figures

EBITDA	=		Operating profit + depreciation, amortization and impairments
Comparable EBITDA	=		Comparable operating profit + depreciation, amortization and impairments
Comparable operating profit [1)]	=		Operating profit -/+ inventory gains/losses -/+ changes in the fair value of open commodity and currency derivatives -/+ capital gains/losses - insurance and other compensations -/+ other adjustments.
Items affecting comparability	=		Inventory gains/losses, changes in the fair value of open commodity and currency derivatives, capital gains/losses, insurance and other compensations and other adjustments
Comparable net profit	=		Comparable operating profit - total financial income and expense - income tax expense - non-controlling interests - tax on items affecting comparability
Return on equity (ROE), %	=	100 x	Profit before income taxes - income tax expense, last 12 months / Total equity average, 5 quarters end values
Return on capital employed, pre-tax (ROCE), %	=	100 x	Profit before income taxes + financial expenses, last 12 months / Capital employed average, 5 quarters end values
Return on average capital employed, after-tax (ROACE), %	=	100 x	Comparable operating profit + financial income + exchange rate and fair value gains and losses - income tax expense - tax on other items affecting ROACE, last 12 months / Capital employed average, 5 quarters end values
Capital employed	=		Total equity + interest bearing liabilities
Interest-bearing net debt	=		Interest-bearing liabilities - cash and cash equivalents
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, last 12 months / Average segment net assets, 5 quarters end values
Comparable return on net assets, %	=	100 x	Segment comparable operating profit, last 12 months / Average segment net assets, 5 quarters end values
Segment net assets	=		Property, plant and equipment + intangible assets + investments in joint ventures + inventories + interest-free receivables and liabilities - provisions - pension liabilities allocated to the business segment.
Research and development expenditure	=		Research and development expenditure comprise of the expenses of the Research & Technology unit serving all business areas of the Group, as well as research and technology expenses incurred in business areas, which are included in the consolidated income statement. Depreciation and amortization are included in the figure. The expenses are presented as gross, before deducting grants received.

Calculation of share-related indicators

Earnings per share (EPS)	=		Profit for the period attributable to the owners of the parent / Adjusted average number of shares during the period
Comparable earnings per share	=		Comparable net profit / Adjusted average number of shares during the period
Equity per share	=		Shareholder's equity attributable to the owners of the parent / Adjusted 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
Average share price	=		Amount traded in euros during the period / Number of shares traded during the period
Market capitalization at the end of the period	=		Number of shares at the end of the period x share price at the end of the period

Calculation of key drivers

Oil Products reference margin (USD/bbl)	=	Product value - feed cost - standard refining variable cost - sales freights
Oil Products total refining margin (USD/bbl)	=	Comparable sales margin x average EUR/USD exchange rate for the period x standard refinery yield / Refined sales volume x standard barrels per ton
Oil Products additional margin (USD/bbl)	=	Oil Products total refining margin - Oil Products reference margin
Renewable Products reference margin (USD/ton)	=	Share of sales volumes Europe x (FAME - CPO) + share of sales North America x (SME - SBO) [2]
Renewable Products comparable sales margin (USD/ton)	=	Comparable sales margin / Total sales volume
Renewable Products additional margin (USD/ton)	=	Comparable sales margin - (reference margin - standard variable production cost)

[1] In the business environment where Neste operates, commodity prices and foreign exchange rates are volatile and can cause significant fluctuations in inventory values and IFRS operating profit. Comparable operating profit eliminates both the inventory gains/losses generated by the volatility in raw material prices and changes in open derivatives, and better reflects the company's underlying operational performance. Also, it reflects Neste's operational cash flow, where the change in IFRS operating profit caused by inventory valuation is mostly compensated by changing working capital. Items affecting comparability are linked to unpredictability events of a significant nature that do not form part of normal day-to-day business. They include among others impairment losses and reversals, gains and losses associated with the combination or termination of businesses, restructuring costs, and gains and losses on the sales of assets. Only items having an impact of more than EUR 1 million on Neste's result will be classified as items affecting comparability.

[2] FAME = Fatty Acid Methyl Ester (biodiesel), CPO = Crude Palm Oil, SME = Soy Methyl Ester (biodiesel), SBO = Soybean Oil

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