

Neste Corporation  
**Interim Report**  
January-September 2016



## Neste's Interim Report for January-September 2016

### High operating profit and cash flow

#### Third quarter in brief:

- Comparable operating profit totaled EUR 264 million (EUR 281 million)
- IFRS operating profit totaled EUR 319 million (EUR 158 million)
- Oil Products' total refining margin was USD 9.40/bbl (USD 13.19/bbl)
- Renewable Products' comparable sales margin was USD 375/ton (USD 239/ton)
- Cash flow before financing activities totaled EUR 147 million (EUR 249 million)

#### January-September in brief:

- Comparable operating profit totaled EUR 721 million (EUR 574 million)
- IFRS operating profit totaled EUR 853 million (EUR 454 million)
- Cash flow before financing activities was EUR 567 million (EUR 180 million)
- Return on average capital employed (ROACE) was 18.6% over the last 12 months (2015: 16.3%)
- Leverage ratio was 21.4% at the end of September (31.12.2015: 29.4%)
- Comparable earnings per share: EUR 2.21 (EUR 1.69)
- Earnings per share: EUR 2.65 (EUR 1.37)

#### President & CEO Matti Lievonon:

"Neste's high financial performance continued, and our own successful actions were reflected in good additional margins. The reference margin in Oil Products was clearly below last year's exceptionally high level, but slightly higher than last year's level in Renewable Products. Neste recorded a comparable operating profit of EUR 264 million during the third quarter, compared to EUR 281 million in the same period last year.

Oil Products generated a comparable operating profit of EUR 120 million (EUR 178 million) during the third quarter. Reference margin averaged USD 3.9/bbl, which was USD 5.2/bbl lower than in the same period last year, and had EUR 128 million negative impact on the segment's comparable operating profit. High product inventories globally kept particularly gasoline margins low for the season. Diesel margins were stable, and started to improve towards the end of the quarter. Oil Products' additional margin was maintained at high USD 5.6/bbl level as a result of good operational performance and favorable sales structure.

Renewable Products recorded a comparable operating profit of EUR 124 million (EUR 75 million) during the third quarter. Renewable Products' reference margin was slightly higher than in the corresponding period last year. We continued to be able to achieve high additional margin by successful margin management and sales allocation. Feedstock optimization continued, and the share of waste and residue feedstocks was 79% of total inputs during the third quarter.

Oil Retail's markets were growing, and we were able to increase profits by higher sales volumes particularly in the Baltic markets. On the other hand, unit margins were lower under competitive pressure. The segment generated a comparable operating profit of EUR 25 million (EUR 27 million).

Crude oil and renewable feedstock price changes, as well as demand balances, will be reflected in the oil and renewable fuel markets. Relatively low crude oil prices are expected to continue supporting product demand.



Neste expects Oil Products' reference margin to be somewhat higher in the fourth quarter of 2016 than in the third quarter. However, ongoing maintenance work at production line 4 at the Porvoo refinery is expected to have a negative impact of approx. EUR 30 million on the segment's comparable operating profit mainly in the fourth quarter.

Renewable Products' reference margin is expected to remain at approximately the average level of the year 2015, and additional margin is expected to remain strong. Utilization rates of our renewable diesel production facilities are expected to be high.

In Oil Retail sales volumes and unit margins are expected to follow previous years' seasonality pattern.

The year has continued well, and we are confident that the year 2016 will be another successful one for Neste."



## Neste's Interim Report, 1 January - 30 September 2016

Quarterly figures are unaudited; full-year figures are audited.

Figures in parentheses refer to the corresponding period for 2015, unless otherwise stated.

### Key Figures

EUR million (unless otherwise noted)						
	7-9/16	7-9/15	4-6/16	1-9/16	1-9/15	2015
Revenue	3,034	3,023	2,927	8,268	8,372	11,131
EBITDA	411	245	372	1,125	702	1,057
Comparable EBITDA*	357	368	374	993	822	1,284
Operating profit	319	158	280	853	454	699
Comparable operating profit*	264	281	282	721	574	925
Profit before income taxes	294	158	254	778	415	634
Net profit	253	129	214	681	352	560
Comparable net profit**	206	227	214	566	432	726
Earnings per share, EUR	0.99	0.50	0.83	2.65	1.37	2.18
Comparable earnings per share**, EUR	0.80	0.89	0.84	2.21	1.69	2.84
Investments	88	81	118	277	430	536
Net cash generated from operating activities	206	322	476	799	364	743

  

	30 Sep 2016	30 Sep 2015	31 Dec 2015
Total equity	3,529	2,865	3,104
Interest-bearing net debt	964	1,593	1,291
Capital employed	5,016	4,798	4,991
Return on capital employed pre-tax (ROCE)***, %	21.6	9.5	14.7
Return on average capital employed after tax (ROACE)***, %	18.6	14.5	16.3
Equity per share, EUR	13.72	11.14	12.06
Leverage ratio, %	21.4	35.7	29.4

\*Comparable operating profit is calculated by excluding inventory gains/losses, changes in the fair value of 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 third-quarter 2016 results

Neste's revenue in the third quarter totaled EUR 3,034 million, in line with EUR 3,023 million reported in the corresponding period last year. The Group's comparable operating profit totaled EUR 264 million (EUR 281 million). Oil Products' result was negatively impacted by materially lower reference margin, but that was partly compensated by higher additional margin. Renewable Products' result improved mainly due to a significantly higher additional margin. Oil Retail had higher sales volumes, but lower unit margins year-on-year. The Others segment's comparable operating profit was lower compared to the third quarter of 2015, mainly due to Nynas' lower result.

Oil Products' third-quarter comparable operating profit was EUR 120 million (178 million), Renewable Products' EUR 124 million (75 million), and Oil Retail's EUR 25 million (27 million). The comparable operating profit of the Others segment totaled EUR -6 million (-1 million); Nynas accounted for EUR -3 million (3 million) of this figure.

The Group's IFRS operating profit was EUR 319 million (158 million), which was impacted by inventory gains totaling EUR 18 million (losses of 174 million), changes in the fair value of open commodity and currency derivatives totaling EUR 24 million (51 million), mainly related to hedging of inventories, and capital gains totaling EUR 12 million, mainly related to the sale of a minority share in Ekokem Corporation. Profit before income taxes was EUR 294 million (158 million), net profit EUR 253 million (129 million), and earnings per share EUR 0.99 (0.50).

## The Group's January-September 2016 results

Neste's revenue during the first nine months totaled EUR 8,268 million (EUR 8,372 million). Sales volumes were higher, but the revenue decrease resulted from lower oil price year-on-year. The Group's comparable operating profit was EUR 721 million (EUR 574 million). Oil Products' result was negatively impacted by reference margin, which was materially lower than during the first nine months of 2015. However, additional margin increased, and the Porvoo refinery operated at high utilization, compared to the corresponding period last year impacted by scheduled major turnaround. Renewable Products operating profit improved as a result of successful margin management, sales allocation and feedstock optimization. Oil Retail's result was positively impacted by increased sales volumes. The Others segment recorded a lower comparable operating profit compared to the first nine months of 2015, mainly due to higher common corporate costs.

Oil Products' nine-month comparable operating profit was EUR 355 million (348 million), Renewable Products' EUR 323 million (171 million), and Oil Retail's EUR 70 million (67 million). The comparable operating profit of the Others segment totaled EUR -25 million (-12 million); Nynas accounted for EUR 2 million (7 million) of this figure.

The Group's IFRS operating profit was EUR 853 million (454 million), which was impacted by inventory gains totaling EUR 229 million (losses of 171 million), and changes in the fair value of open commodity and currency derivatives totaling EUR -107 million (-22 million), mainly related to hedging of inventories. IFRS operating profit was also impacted by capital gains totaling EUR 23 million (76 million), mainly related to the sale of Ekokem shares and the sale of Neste's power plant to Kilpilahti Power Plant Ltd. Profit before income taxes was EUR 778 million (415 million), net profit EUR 681 million (352 million), and earnings per share EUR 2.65 (1.37).



	7-9/16	7-9/15	4-6/16	1-9/16	1-9/15	2015
COMPARABLE OPERATING PROFIT	264	281	282	721	574	925
- inventory gains/losses	18	-174	163	229	-171	-263
- changes in the fair value of open commodity and currency derivatives	24	51	-155	-107	-22	-15
- capital gains/losses	12	0	3	23	76	76
- insurance and other compensations	0	0	0	0	0	0
- other adjustments	0	0	-13	-13	-3	-25
OPERATING PROFIT	319	158	280	853	454	699

## 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 September, ROACE calculated over the last 12 months period was maintained over the target level, and leverage ratio continued on a downward trend.

	30 Sep 2016	30 Sep 2015	31 Dec 2015
Return on average capital employed after tax (ROACE)*, %	18.6	14.5	16.3
Leverage (net debt to capital), %	21.4	35.7	29.4

\*Last 12 months

## Cash flow, investments, and financing

Neste Group's net cash generated from operating activities totaled EUR 799 million (364 million) during the first nine months of 2016. EBITDA of the businesses continued strong, and payment of the US Blender's Tax Credit from the year 2015 is received during 2016. Working capital increased due to building up of contango inventories. Cash flow before financing activities was EUR 567 million (180 million) during January-September. The Group's net working capital in days outstanding was 30.0 days (21.1 days) on a rolling 12-month basis at the end of the third quarter.

	7-9/16	7-9/15	4-6/16	1-9/16	1-9/15	2015
EBITDA (IFRS)	411	245	372	1,125	702	1,057
Capital gains/losses	-13	0	-5	-27	-77	-77
Other adjustments	-18	-62	156	123	-2	-27
Change in working capital	-85	208	-50	-271	-131	-94
Finance cost, net	-40	-50	18	-64	-79	-88
Income taxes paid	-50	-20	-16	-86	-50	-27
Net cash generated from operating activities	206	322	476	799	364	743
Capital expenditure	-83	-145	-138	-291	-425	-505
Other investing activities	24	72	8	59	242	241
Free cash flow (Cash flow before financing activities)	147	249	346	567	180	480



Cash-out investments totaled EUR 291 million (425 million) during January-September. Maintenance investments accounted for EUR 96 million (345 million) and productivity and strategic investments for EUR 195 million (80 million). Oil Products' investments totaled EUR 184 million (374 million), with the largest single project being the Solvent Deasphalting (SDA) unit at the Porvoo refinery. Renewable Products' investments totaled EUR 72 million (24 million), mainly related to the ongoing biopropane unit investment at the Rotterdam refinery. Oil Retail's investments totaled EUR 16 million (15 million) and were mainly related to the station network. Investments in the Others segment totaled EUR 19 million (12 million) and were mainly related to IT and business infrastructure upgrade.

Interest-bearing net debt was EUR 964 million at the end of September, compared to EUR 1,291 million at the end of 2015. Net financial expenses for the first nine months were EUR 75 million (39 million). The average interest rate of borrowing at the end of September was 3.5% (3.3%) and the average maturity 3.8 years (3.8 years). The interest-bearing net debt/comparable EBITDA ratio was 0.7 (1.4) over the previous 12 months at the end of the third quarter.

The Group has a strong financial position. The leverage ratio was 21.4% (31 Dec. 2015: 29.4%), and the gearing ratio 27.3% (31 Dec. 2015: 41.6%) at the end of September.

The Group's cash and cash equivalents and committed, unutilized credit facilities amounted to EUR 2,173 million as of the end of September (31 Dec. 2015: 2,246 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 September the Group's foreign currency hedging ratio was approx. 50% for the next 12 months.

US dollar exchange rate

	7-9/16	7-9/15	4-6/16	1-9/16	1-9/15	2015
EUR/USD, market rate	1.12	1.11	1.13	1.12	1.11	1.11
EUR/USD, effective rate*	1.12	1.14	1.12	1.11	1.18	1.15

\*The effective rate includes the impact of currency hedges.

## Segment reviews

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



## Oil Products

### Key financials

	7-9/16	7-9/15	4-6/16	1-9/16	1-9/15	2015
Revenue, MEUR	1,961	2,060	1,916	5,235	5,711	7,467
EBITDA, MEUR	182	172	272	602	535	606
Comparable EBITDA, MEUR	177	231	203	519	495	655
Comparable operating profit, MEUR	120	178	149	355	348	439
IFRS operating profit, MEUR	125	119	218	438	387	389
Net assets, MEUR	2,443	2,568	2,451	2,443	2,568	2,320
Return on net assets*, %	17.9	8.5	17.5	17.9	8.5	16.2
Comparable return on net assets*, %	18.2	18.7	20.4	18.2	18.7	18.2

\*Last 12 months

### Key drivers

	7-9/16	7-9/15	4-6/16	1-9/16	1-9/15	2015
Reference refining margin, USD/bbl	3.85	9.11	5.59	4.77	8.42	7.74
Additional margin, USD/bbl	5.55	4.08	5.60	5.55	3.69	4.05
Total refining margin, USD/bbl	9.40	13.19	11.19	10.32	12.11	11.79
Urals-Brent price differential, USD/bbl	-2.38	-1.47	-2.61	-2.57	-1.55	-1.84
Urals' share of total refinery input, %	74	64	69	69	63	62

Oil Products' third-quarter comparable operating profit totaled EUR 120 million, compared to EUR 178 million in the third quarter of 2015. The reference margin was USD 5.2/bbl lower than the exceptionally high USD 9.1/bbl last year, and had EUR 128 million negative impact on comparable operating profit. Additional margin was USD 1.5/bbl higher than in the third quarter of last year, and had EUR 47 million positive impact on operating profit. The high additional margin resulted from good operational performance, favorable sales structure, and positive profit contribution from contango storing. Sales volumes were high, and had EUR 8 million positive impact on the result compared to the third quarter of 2015.

The average utilization rate of the Porvoo refinery was 92% (96%), reflecting smooth operation until the diesel production line was taken down for early maintenance in mid-September. The Naantali refinery recorded a utilization rate of 63% (76%) as a result of production optimization and continued technical limitations in certain process units. Oil Products' comparable return on net assets was 18.2% (18.7%) at the end of September over the previous 12 months.

Crude oil price was between USD 42 and USD 50/bbl during the third quarter. Anticipated balancing of physical oil market was generally seen to be pushed forward. However, OPEC talks on potential supply cuts together with lowering US oil inventories were supporting crude oil market. Just before the end of the quarter OPEC published a common view for making a production cut agreement in their November meeting, which boosted crude oil prices.

The Russian Export Blend (REB) crude averaged USD 2.4/bbl lower than Brent in the third quarter. The price differential reflected continued good supply of REB. Also continued imports of crude oil from Iraq, Iran and Saudi Arabia to Europe had a widening impact on the differential.





Reference margin environment was weak during the quarter. High gasoline inventories together with normalized refinery runs after spring maintenance season pushed gasoline margins lower in contrast to typical seasonality. Diesel margins were stable and above first half of the year levels, but high inventories were still limiting the strengthening of margins. Neste reference margin averaged USD 3.9/bbl during the third quarter.

Oil Products' nine-month comparable operating profit was EUR 355 million (348 million). During the first nine months the reference margin was USD 3.6/bbl lower than in the corresponding period last year, which had a negative impact of EUR 224 million on the result. On the other hand, additional margin was USD 1.9/bbl higher and had a positive impact of EUR 183 million year-on-year. Higher sales volumes, mainly due to the scheduled Porvoo refinery maintenance impacting the second quarter last year, had a positive impact totaling EUR 68 million on comparable operating profit. During the first nine months the segment's fixed costs were EUR 14 million higher than last year, mainly as a result of higher maintenance activities.

#### Production

	7-9/16	7-9/15	4-6/16	1-9/16	1-9/15	2015
Porvoo refinery production	2,976	2,996	3,073	8,948	7,092	9,835
Porvoo refinery utilization rate, %	92	96	97	92	74	75
Naantali refinery production	479	535	546	1,412	1,498	1,956
Naantali refinery utilization rate, %	63	76	71	65	68	62
Refinery production costs, USD/bbl	3.7	3.1	3.8	3.8	4.1	4.0
Bahrain base oil plant production (Neste's share), 1,000 ton	52	51	50	148	147	184

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

	7-9/16	%	7-9/15	%	4-6/16	%	1-9/16	%	1-9/15	%	2015	%
Middle distillates*	1,761	45	1,756	49	1,783	48	4,938	46	4,000	46	5,395	45
Light distillates**	1,352	35	1,072	30	1,163	31	3,521	33	2,633	31	3,857	33
Heavy fuel oil	381	10	315	9	364	10	1,180	11	773	9	1,122	9
Base oils	105	3	105	3	128	3	352	3	323	4	433	4
Other products	308	8	322	9	257	7	720	7	875	10	1,075	9
TOTAL	3,907	100	3,569	100	3,695	100	10,711	100	8,605	100	11,881	100

\*Diesel, jet fuel, heating oil

\*\*Motor gasoline, gasoline components, LPG (liquefied petroleum gas)

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

	7-9/16	%	7-9/15	%	4-6/16	%	1-9/16	%	1-9/15	%	2015	%
Baltic Sea area*	2,170	56	2,382	67	2,165	59	6,206	58	5,855	68	7,876	66
Other Europe	1,109	28	818	23	1,034	28	3,220	30	2,079	24	3,154	27
North America	508	13	231	6	365	10	962	9	441	5	491	4
Other areas	120	3	137	4	131	4	324	3	229	3	360	3

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



## Renewable Products

### Key financials

	7-9/16	7-9/15	4-6/16	1-9/16	1-9/15	2015
Revenue, MEUR	640	582	596	1,820	1,661	2,372
EBITDA, MEUR	188	36	77	439	85	327
Comparable EBITDA, MEUR	150	99	148	402	241	497
Comparable operating profit, MEUR	124	75	119	323	171	402
IFRS operating profit, MEUR	162	12	48	360	15	233
Net assets, MEUR	1,803	1,689	1,735	1,803	1,689	1,884
Return on net assets*, %	32.3	9.3	23.9	32.3	9.3	12.6
Comparable return on net assets*, %	31.0	17.2	28.2	31.0	17.2	21.8

\*Last 12 months

### Key drivers

	7-9/16	7-9/15	4-6/16	1-9/16	1-9/15	2015
FAME - Palm oil price differential*, USD/ton	204	252	148	170	192	211
SME - Soybean oil price differential**, USD/ton	219	78	199	178	137	118
Reference margin, USD/ton	209	194	168	176	172	182
Additional margin***, USD/ton	296	176	366	309	176	247
Comparable sales margin***, USD/ton	375	239	405	355	219	299
Biomass-based diesel (D4) RIN, USD/gal	0.99	0.62	0.84	0.86	0.78	0.73
Palm oil price****, USD/ton	612	524	645	622	584	576
Crude palm oil's share of total feedstock, %	18	23	6	16	31	31

\*FAME seasonal vs. CPO BMD 3rd (Crude Palm Oil Bursa Malaysia Derivatives 3<sup>rd</sup> month futures price) + 70 \$/t freight to ARA (Amsterdam-Rotterdam-Antwerp)

\*\*SME US Gulf Coast vs. SBO CBOT 1<sup>st</sup> (Soybean Oil Chicago Board of Trade 1<sup>st</sup> month futures price)

\*\*\*Includes impact of US BTC (Blender's Tax Credit), except in 7-9/15 and 1-9/15 figures.

\*\*\*\*CPO BMD 3rd

Renewable Products' comparable operating profit totaled EUR 124 million during the third quarter, compared to EUR 75 million in the third quarter of 2015. The reference margin averaged slightly higher than in the corresponding period last year. We were able to increase our additional margin by successful margin management, sales allocation and US Blender's Tax Credit, which was not yet in place in the third quarter of 2015. Overall feedstock costs were on an increasing trend. Higher additional margin had a positive effect totaling EUR 62 million on the result year-on-year. Sales volume, which totaled 544,000 tons, was down 5% compared to the corresponding period last year and still reflected normalization of inventories after the Rotterdam turnaround. Approximately 65% (66%) of sales volumes went to Europe during the third quarter, and 35% (34%) to North America. The production achieved an average utilization rate of 100% (99%) during the quarter. The proportion of waste and residue inputs reached 79% (75%) on average in the third quarter. Renewable Products' comparable return on net assets was 31.0% (17.2%) at the end of September based on the previous 12 months.

Crude palm oil (CPO) price continued to fall in the early third quarter reflecting anticipation of production recovery following the El Nino weather phenomena. However, since August CPO strengthened again fueled by a major surge in exports resulting in low palm oil stocks. Overall CPO price came down by USD 33/ton during the third quarter. Soy bean oil (SBO), the main substitute for CPO, declined only USD 19/ton as the global vegetable oil demand mainly concentrated on US SBO. Rapeseed oil (RSO) price increased USD 10/ton from the second



quarter, reflecting a poor crop and low stocks particularly in Europe. Reduced stocks of both CPO and RSO in producing countries have also increased market tightness.

European Fatty Acid Methyl Ester (FAME) biodiesel prices increased by USD 23/ton during the third quarter, supported by stronger RSO. US Soy Methyl Ester (SME) biodiesel price receded USD 40/ton from its previous strong level, led by weaker SBO and producer margin. Weakness in SME has been mitigated by stronger Renewable Identification Number (RIN) certificate prices fueled by the perceived ethanol blend wall and potential tightness in meeting the biofuel volume obligations for 2016. California Low Carbon Fuel Standard (LCFS) certificate prices continued to come down from the earlier peaks, but have recovered since August after greenhouse gas reduction targets for 2030 were accepted by the California State Legislature and signed into law.

Renewable Products' nine-month comparable operating profit was EUR 323 million (171 million). The reference margin during the first nine months averaged slightly above last year and had only a marginal impact on the segment's operating profit year-on-year. The result was improved by achieving a significantly higher additional margin through successful margin management, sales allocation and the US Blender's Tax Credit, which was retroactively approved for the whole year 2015 only in December 2015. The higher additional margin had a positive impact of EUR 194 million on the operating profit compared to the first nine months of 2015. Sales volumes were lower, mainly due to the Rotterdam turnaround in the second quarter, and had a negative impact of EUR 26 million on the operating profit. Fixed costs and depreciations increased by EUR 21 million year-on-year.

#### Production

	7-9/16	7-9/15	4-6/16	1-9/16	1-9/15	2015
Neste Renewable Diesel, 1,000 ton	631	622	450	1,662	1,747	2,328
Other products, 1,000 ton	50	45	37	137	119	165
Utilization rate, %	100	99	71	89	94	94

#### Sales

	7-9/16	7-9/15	4-6/16	1-9/16	1-9/15	2015
Neste Renewable Diesel, 1,000 ton	544	575	485	1,560	1,642	2,267
Share of sales volumes to Europe, %	65	66	59	65	69	69
Share of sales volumes to North America, %	35	34	41	35	31	31

#### Oil Retail

##### Key financials

	7-9/16	7-9/15	4-6/16	1-9/16	1-9/15	2015
Revenue, MEUR	925	991	886	2,587	2,850	3,748
EBITDA, MEUR	31	33	28	86	84	110
Comparable EBITDA, MEUR	31	33	28	86	84	115
Comparable operating profit, MEUR	25	27	23	70	67	84
IFRS operating profit, MEUR	25	27	23	70	67	79
Net assets, MEUR	208	190	192	208	190	184
Return on net assets*, %	44.2	33.6	44.4	44.2	33.6	38.9
Comparable return on net assets*, %	46.7	33.6	46.9	46.7	33.6	41.2

\*Last 12 months



Oil Retail's third-quarter comparable operating profit was EUR 25 million (27 million). Total sales volumes increased, particularly in the Baltic markets, and had a positive impact of EUR 1 million on the comparable operating profit year-on-year. Average unit margins decreased slightly, and lower margins had a negative impact of EUR 1 million on the segment's third-quarter comparable operating profit. Fixed costs and depreciations were approx. EUR 2 million higher year-on-year. Oil Retail's comparable return on net assets was 46.7% (33.6%) at the end of September on a rolling 12-month basis.

Oil Retail's markets are growing modestly in Finland and more rapidly in the Baltic countries. Light duty vehicle fuel demand is seasonally highest during the summer period. Heavy duty traffic continues to recover in Finland. Development of the Russian economy may impact demand.

Oil Retail's nine-month comparable operating profit was EUR 70 million (67 million). Higher sales volumes had a positive impact of EUR 4 million on the result year-on-year. Weaker ruble had a negative impact of EUR 2 million on the result in Northwest Russia compared to the corresponding period last year. Fixed costs and depreciations were approx. EUR 1 million higher year-on-year. Other income improved the result by EUR 2 million compared to the corresponding period last year.

Sales volumes by main product categories, million liters

	7-9/16	7-9/15	4-6/16	1-9/16	1-9/15	2015
Gasoline, station sales	302	309	285	837	837	1,115
Diesel, station sales	436	412	423	1,262	1,179	1,589
Heating oil	152	144	133	440	409	569

Net sales by market area, MEUR

	7-9/16	7-9/15	4-6/16	1-9/16	1-9/15	2015
Finland	645	682	624	1,837	2,034	2,642
Northwest Russia	65	68	62	178	191	255
Baltic countries	214	231	200	571	622	821

**Others**

Key financials

	7-9/16	7-9/15	4-6/16	1-9/16	1-9/15	2015
Comparable operating profit, MEUR	-6	-1	-8	-25	-12	2
IFRS operating profit, MEUR	6	-1	-8	-13	-15	0

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 third-quarter comparable operating profit of the Others segment totaled EUR -6 million (-1 million); Nynas accounted for EUR -3 million (3 million) of this figure.

The nine-month comparable operating profit for the Others segment totaled EUR -25 million (-12 million); Nynas accounted for EUR 2 million (7 million) of this figure.



## Shares, share trading, and ownership

Neste's shares are traded on NASDAQ Helsinki Ltd. The share price closed the quarter at EUR 37.94, up by 18.1% compared to the end of the second quarter. At its highest during the quarter, the share closing price reached EUR 38.59, while at its lowest the price stood at EUR 30.64. Market capitalization was EUR 9.7 billion as of 30 September 2016. An average of 0.7 million shares were traded daily, representing 0.3% of the company's shares.

Neste's share capital registered with the Company Register as of 30 September 2016 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 September 2016, Neste held 686,574 treasury shares purchased under this authorization. The Board of Directors has no authorization to issue convertible bonds, share options, or new shares.

As of 30 September 2016, the Finnish State owned 50.1% (50.1% at the end of the second quarter) of outstanding shares, foreign owners 29.3% (27.0%), Finnish institutions 10.8% (12.6%), and Finnish households 9.8% (10.3%).

## Personnel

Neste employed an average of 5,015 employees (4,930) in the third quarter, of which 1,578 (1,557) were based outside Finland. As of the end of September 2016, the company had 5,028 employees (4,887), of which 1,608 (1,591) were located outside Finland.

## Health, safety, and the environment

### Key figures

	7-9/16	7-9/15	1-9/16	1-9/15	2015
TRIF*	3.7	1.8	3.0	3.3	3.3
PSER**	2.8	1.1	3.3	2.4	2.4

\*Total Recordable Incident Frequency, number of cases per million hours worked. The figure includes both Neste's and contractors' personnel.

\*\*Process Safety Event Rate, number of cases per million hours worked.

During the third quarter Neste's safety performance improvement did not continue, and cumulatively we were still behind target for 2016. In occupational safety the cumulative TRIF was lower, but the respective PSER for process safety was higher than in the corresponding period last year. Our long-term safety development activities continue according to the corporate-wide Way Forward to Safety program plan.

Neste's operational environmental emissions were in substantial compliance at all sites. There were two minor non-compliance cases at the Porvoo refinery. No serious environmental incidents resulting in liability occurred at Neste's refineries or other production sites. An abandoned historical waste deposition area was discovered at the Naantali refinery, and investigations on potential remediation and control measures are ongoing.

Neste was included in the Dow Jones Sustainability World Index for the 10th consecutive time, this year being the only company in the European oil refining and retail sector included on the list. In this year's analysis, Neste ranks high especially with regard to water related issues, environmental reporting, as well as supply chain management.

Read more about the topics on [Neste's website](#).



## Main events published during the reporting period

On 2 September, Neste announced that the company's Shareholders' Nomination Board had been appointed with the following members: Eero Heliövaara, Director General of the Prime Minister's Office's Ownership Steering Department; Timo Ritakallio, President and CEO of Ilmarinen Mutual Pension Insurance Company; Liisa Hyssälä, Director General of Kela, and Jorma Eloranta, the Chair of Neste's Board of Directors. The Nomination Board will forward its proposals for the AGM to the Board of Directors by 31 January 2017.

On 6 September, Neste and Ikea of Sweden announced a partnership to deliver renewable, bio-based plastics. Neste and IKEA have joined forces to take leadership in renewable, bio-based materials, and invite other companies to join the initiative. The partnership includes the production of plastics and other materials utilizing Neste's renewable solutions in polymer production. The partnership combines IKEA's commitment to reduce their dependence on virgin fossil based materials and Neste's expertise in renewable solutions. The companies will work with a number of partners in the supply chain.

On 8 September, Neste announced that it will be renewing the Finnish diesel market by introducing 100% renewable diesel. Neste is planning to start selling diesel produced entirely from renewable raw materials at selected stations in Finland around the turn of the year. The new product offers environmentally conscious consumers and corporate customers a sustainable and easy solution for reducing traffic-borne emissions. Majority of the renewable raw materials the company uses consists of waste and residues.

On 13 September, Neste announced changes in the Neste Executive Board's roles and responsibilities. Tuomas Hyyryläinen was appointed Senior Vice President, Emerging Businesses Unit as of September 14, 2016. He will continue as a member of the Executive Board, reporting to President and CEO Matti Lievonon. Strategy and related operations will report to Jyrki Mäki-Kala, CFO.

On 14 September, Neste held a Capital Markets Day in London under the theme "Creating the next wave of profitable growth". The company's strategic objectives remain unchanged: be the Baltic Sea champion and grow in the global renewables markets. Neste continues its efforts to enhance Oil Products' additional margin. The target for additional margin has been raised from the earlier USD 5.0/bbl to above USD 5.5/bbl on average. Neste sees great potential in many new renewable product applications such as renewable jet fuel and bio-based chemicals, and targets to have 20% of its renewable business sales volume from these new applications by 2020. The company's ambition is to increase its renewable products capacity from the current 2.6 million tons/a further to maintain its global market leadership in drop-in solutions. The company is exploring different options for the new capacity increase program, and will give more information during the first quarter of 2017. Neste's most important financial targets are leverage and ROACE after tax, and they remain unchanged. Neste's dividend policy has been revised. The company will distribute at least 40% of the company's comparable net profit for the year in the form of dividends.

On 22 September, Neste announced that a maintenance turnaround at its diesel production line in Porvoo will be brought forward. A process disruption lead to catalyst coking in the production line, and the company decided to carry out maintenance turnaround tasks planned for spring 2017 during the next one and a half months. The maintenance work is estimated to have an approximately EUR 30 million negative impact on Neste's comparable EBIT, and be mainly booked in the final quarter in 2016.



## Potential risks

There have been no significant changes in Neste's short-term risks or uncertainties since the end of June, 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, including possible discontinuation of the US Blender's Tax Credit for the year 2017. 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.

Relatively low crude oil prices are expected to continue supporting product demand. Global oil demand growth estimates for 2016 are around 1.2 million bbl/d, and both gasoline and diesel demand are expected to continue solid growth. However, product inventories are currently high. In light of the expected refining capacity growth the global product supply and demand look reasonably balanced mid-term.

Vegetable oil price differentials are expected to vary, depending on crop outlooks, weather phenomena, and variations in demand for different feedstocks, but no fundamental changes in the drivers influencing long-term average feedstock price differentials are expected. Market volatility in feedstock prices is expected to continue, which will have an impact on the Renewable Products segment's profitability.

In 2016, Neste's effective EUR/USD exchange rate is expected to stay close to the current market rate, and the capital expenditure is estimated to be approximately EUR 450 million.

Neste expects Oil Products' reference margin to be somewhat higher in the fourth quarter of 2016 than in the third quarter. Ongoing maintenance work at the production line 4 at the Porvoo refinery, replacing a planned maintenance in spring 2017, is expected to be completed in November. The maintenance is expected to have a negative impact of EUR 30 million on the segment's comparable operating profit mainly in the fourth quarter.

Renewable Products' reference margin is expected to remain at approximately the average level of the year 2015, and the additional margin is expected to remain strong. Utilization rates of our renewable diesel production facilities are expected to be high.

In Oil Retail the sales volumes and unit margins are expected to follow the previous years' seasonality pattern.

The year has continued well, and we are confident that the year 2016 will be another successful one for Neste.



## Reporting date for the company's fourth-quarter and full-year 2016 results

Neste will publish its fourth-quarter and full-year results on 7 February 2017 at approximately 9:00 a.m. EET.

Espoo, 24 October 2016

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

### News conference and conference call

A press conference in Finnish on third-quarter 2016 results will be held today, 25 October 2016, at 11:30 a.m. EET at the company's headquarters at Keilaranta 21, Espoo. [www.neste.com](http://www.neste.com) will feature English versions of the presentation materials. A conference call in English for investors and analysts will be held on 25 October 2016 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 6937 9590, rest of Europe: +44 (0)20 3427 1903, US: +1 212 444 0896, using access code 9002176. [The conference call](#) can be followed at company's web site. A replay of the call will be available until 31 October 2016 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 9002176.

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.





Quarterly figures unaudited, full year 2015 audited

FINANCIAL STATEMENT SUMMARY AND NOTES TO THE FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF INCOME

MEUR	Note	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015	Last 12 months
<b>Revenue</b>							
Revenue	3	3,034	3,023	8,268	8,372	11,131	11,027
Other income		20	7	56	101	109	64
Share of profit (loss) of joint ventures		-3	3	4	5	27	26
Materials and services		-2,477	-2,638	-6,679	-7,291	-9,539	-8,927
Employee benefit costs		-77	-80	-253	-255	-351	-349
Depreciation, amortization and impairments	3	-93	-87	-272	-248	-358	-382
Other expenses		-87	-71	-272	-231	-320	-362
<b>Operating profit</b>		<b>319</b>	<b>158</b>	<b>853</b>	<b>454</b>	<b>699</b>	<b>1,098</b>
<b>Financial income and expenses</b>							
Financial income		1	0	3	2	2	3
Financial expenses		-14	-18	-49	-59	-84	-73
Exchange rate and fair value gains and losses		-11	17	-29	18	16	-30
<b>Total financial income and expenses</b>		<b>-25</b>	<b>0</b>	<b>-75</b>	<b>-39</b>	<b>-65</b>	<b>-101</b>
<b>Profit before income taxes</b>		<b>294</b>	<b>158</b>	<b>778</b>	<b>415</b>	<b>634</b>	<b>997</b>
Income tax expense		-41	-29	-97	-63	-74	-108
<b>Profit for the period</b>		<b>253</b>	<b>129</b>	<b>681</b>	<b>352</b>	<b>560</b>	<b>889</b>
<b>Profit attributable to:</b>							
Owners of the parent		252	128	678	350	558	886
Non-controlling interests		1	1	3	2	3	4
		<b>253</b>	<b>129</b>	<b>681</b>	<b>352</b>	<b>560</b>	<b>889</b>
<b>Earnings per share from profit attributable to the owners of the parent basic and diluted (in euro per share)</b>		<b>0.99</b>	<b>0.50</b>	<b>2.65</b>	<b>1.37</b>	<b>2.18</b>	<b>3.46</b>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MEUR	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015	Last 12 months
<b>Profit for the period</b>	<b>253</b>	<b>129</b>	<b>681</b>	<b>352</b>	<b>560</b>	<b>889</b>
<b>Other comprehensive income net of tax:</b>						
<b>Items that will not be reclassified to profit or loss</b>						
Remeasurements on defined benefit plans	-2	0	-12	6	30	13
<b>Items that may be reclassified subsequently to profit or loss</b>						
Translation differences	-6	-17	-3	3	1	-4
Cash flow hedges						
recorded in equity	0	-11	14	-61	-71	4
transferred to income statement	-1	19	4	78	97	23
Net investment hedges	0	0	0	1	1	0
Revaluation of available-for-sale financial assets	-10	0	0	0	0	0
Share of other comprehensive income of investments accounted for using the equity method	-6	-1	-5	-6	-9	-9
Total	-22	-10	11	16	20	14
<b>Other comprehensive income for the period, net of tax</b>	<b>-24</b>	<b>-10</b>	<b>-1</b>	<b>21</b>	<b>50</b>	<b>28</b>
<b>Total comprehensive income for the period</b>	<b>229</b>	<b>119</b>	<b>680</b>	<b>373</b>	<b>611</b>	<b>917</b>
<b>Total comprehensive income attributable to:</b>						
Owners of the parent	228	118	677	371	608	913
Non-controlling interests	1	1	3	2	3	4
	<b>229</b>	<b>119</b>	<b>680</b>	<b>373</b>	<b>611</b>	<b>917</b>



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

MEUR	Note	30 Sep 2016	30 Sep 2015	31 Dec 2015
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	6	79	61	71
Property, plant and equipment	6	3,715	3,817	3,745
Investments in joint ventures		209	197	220
Non-current receivables		56	5	10
Deferred tax assets		35	34	29
Derivative financial instruments	8	11	13	11
Available-for-sale financial assets		4	5	5
<b>Total non-current assets</b>		<b>4,110</b>	<b>4,131</b>	<b>4,090</b>
<b>Current assets</b>				
Inventories		1,316	1,216	1,090
Trade and other receivables		913	812	870
Derivative financial instruments	8	35	119	99
Cash and cash equivalents		523	339	596
<b>Total current assets</b>		<b>2,786</b>	<b>2,486</b>	<b>2,655</b>
<b>Assets classified as held for sale <sup>1)</sup></b>		<b>0</b>	<b>0</b>	<b>47</b>
<b>Total assets</b>		<b>6,896</b>	<b>6,618</b>	<b>6,793</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to the owners of the parent</b>				
Share capital		40	40	40
Other equity	2	3,468	2,806	3,044
<b>Total</b>		<b>3,508</b>	<b>2,846</b>	<b>3,084</b>
<b>Non-controlling interest</b>		<b>22</b>	<b>19</b>	<b>20</b>
<b>Total equity</b>		<b>3,529</b>	<b>2,865</b>	<b>3,104</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Interest-bearing liabilities		1,120	1,449	1,449
Deferred tax liabilities		255	274	265
Provisions		41	16	39
Pension liabilities		126	143	113
Derivative financial instruments	8	4	7	6
Other non-current liabilities		10	1	6
<b>Total non-current liabilities</b>		<b>1,556</b>	<b>1,890</b>	<b>1,878</b>
<b>Current liabilities</b>				
Interest-bearing liabilities		366	484	438
Current tax liabilities		50	2	21
Derivative financial instruments	8	91	74	45
Trade and other payables		1,303	1,302	1,307
<b>Total current liabilities</b>		<b>1,810</b>	<b>1,862</b>	<b>1,811</b>
<b>Total liabilities</b>		<b>3,367</b>	<b>3,752</b>	<b>3,689</b>
<b>Total equity and liabilities</b>		<b>6,896</b>	<b>6,618</b>	<b>6,793</b>

<sup>1)</sup>The assets classified as held for sale as of 31 December 2015 relate to the agreement to create a joint venture company owned by Neste, Veolia and Borealis. The transaction was completed in March 2016. More information can be found in Note 9.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

MEUR	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
<b>Cash flow from operating activities</b>					
Profit before income taxes	294	158	778	415	634
Adjustments, total	86	26	443	208	319
Change in working capital	-85	208	-271	-131	-94
<b>Cash generated from operations</b>	<b>296</b>	<b>392</b>	<b>949</b>	<b>493</b>	<b>858</b>
Finance cost, net	-40	-50	-64	-79	-88
Income taxes paid	-50	-20	-86	-50	-27
<b>Net cash generated from operating activities</b>	<b>206</b>	<b>322</b>	<b>799</b>	<b>364</b>	<b>743</b>
<b>Cash flows from investing activities</b>					
Capital expenditure	-83	-145	-291	-425	-505
Proceeds from sales of shares in subsidiaries	0	0	0	171	171
Proceeds from sales of fixed assets	0	23	40	25	26
Change in long-term receivables and other investments	24	48	20	45	44
<b>Cash flows from investing activities</b>	<b>-59</b>	<b>-73</b>	<b>-232</b>	<b>-184</b>	<b>-263</b>
<b>Cash flow before financing activities</b>	<b>147</b>	<b>249</b>	<b>567</b>	<b>180</b>	<b>480</b>
<b>Cash flows from financing activities</b>					
Net change in loans and other financing activities	-302	-303	-384	82	39
Dividends paid to the owners of the parent	0	0	-256	-166	-166
Dividends paid to non-controlling interests	-1	0	-1	-1	-1
<b>Cash flows from financing activities</b>	<b>-303</b>	<b>-303</b>	<b>-641</b>	<b>-85</b>	<b>-128</b>
<b>Net increase (+)/decrease (-) in cash and cash equivalents</b>	<b>-156</b>	<b>-54</b>	<b>-74</b>	<b>94</b>	<b>352</b>



**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
<b>Total equity at 1 January 2015</b>	40	19	0	-15	-56	-85	-61	2,800	2,641	18	2,659
Profit for the period								350	350	2	352
Other comprehensive income for the period, net of tax					12	6	4		21		21
Total comprehensive income for the period	0	0	0	0	12	6	4	350	371	2	373
Dividend decision								-166	-166	-1	-167
Share-based compensation			1	3				-4	1		1
Transfer from retained earnings		1						-1	0		0
Purchase of treasury shares									0		0
<b>Total equity at 30 September 2015</b>	40	20	1	-12	-44	-79	-57	2,979	2,846	19	2,865

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
<b>Total equity at 1 January 2015</b>	40	19	0	-15	-56	-85	-61	2,800	2,641	18	2,659
Profit for the period								558	558	3	560
Other comprehensive income for the period, net of tax					17	30	2		50		50
Total comprehensive income for the period	0	0	0	0	17	30	2	558	608	3	611
Dividend decision								-166	-166	-1	-167
Share-based compensation			1	3				-4	0		0
Transfer from retained earnings		1						-1	0		0
Purchase of treasury shares									0		0
<b>Total equity at 31 December 2015</b>	40	20	1	-12	-39	-54	-59	3,186	3,084	20	3,104

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
<b>Total equity at 1 January 2016</b>	40	20	1	-12	-39	-54	-59	3,186	3,084	20	3,104
Profit for the period								678	678	3	681
Other comprehensive income for the period, net of tax					13	-12	-3		-1		-1
Total comprehensive income for the period	0	0	0	0	13	-12	-3	678	677	3	680
Dividend decision								-256	-256	-1	-257
Share-based compensation			3	2				-2	3		3
Transfer from retained earnings		1						-1	0		0
Purchase of treasury shares									0		0
<b>Total equity at 30 September 2016</b>	40	20	4	-10	-25	-66	-61	3,605	3,508	22	3,529

**KEY FIGURES**

	30 Sep 2016	30 Sep 2015	31 Dec 2015	Last 12 months
EBITDA, MEUR	1,125	702	1,057	1,480
Comparable EBITDA, MEUR	993	822	1,284	1,455
Capital employed, MEUR	5,016	4,798	4,991	5,016
Interest-bearing net debt, MEUR	964	1,593	1,291	-
Capital expenditure and investment in shares, MEUR	277	430	536	382
Return on average capital employed, after tax, ROACE %	18.6	14.5	16.3	18.6
Return on capital employed, pre-tax, ROCE % <sup>*)</sup>	21.6	9.5	14.7	21.6
Return on equity % <sup>**)</sup>	28.0	11.9	19.7	28.0
Equity per share, EUR	13.72	11.14	12.06	-
Cash flow per share, EUR	3.12	1.42	2.91	4.61
Earnings per share (EPS), EUR	2.65	1.37	2.18	3.46
Comparable earnings per share, EUR	2.21	1.69	2.84	3.36
Comparable net profit, MEUR	566	432	726	860
Equity-to-assets ratio, %	51.3	43.4	46.1	-
Leverage ratio, %	21.4	35.7	29.4	-
Gearing, %	27.3	55.6	41.6	-
Average number of shares	255,690,471	255,556,416	255,568,717	255,668,983
Outstanding number of shares at the end of the period	255,717,112	255,605,219	255,605,219	255,717,112
Average number of personnel	5,015	4,930	4,906	-

<sup>\*)</sup> Capital employed average is calculated using last 5 quarters' end values from Q2 2016 interim report onwards. Previously calculated using the yearly opening balance and each quarter end values.

<sup>\*\*)</sup> Total equity average is calculated using last 5 quarters' end values from Q2 2016 interim report onwards. Previously calculated using the yearly opening balance and each quarter end values.

Return on equity (ROE) % published in Q1/2016 and Q2/2016 interim reports have been restated. Q1/2016 restated ROE is 20.3% (published 12.8%) and Q2/2016 restated ROE is 25.3% (published 11.2%).

**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 2015. The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2015. 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 2016.



## 2. TREASURY SHARES

A total of 111,893 treasury shares of Neste Corporation has been on the 7th of March 2016 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 86 people are in the target group of the payment from the plan. The number of treasury shares after the directed share issue is 686,574 shares.

## 3. SEGMENT INFORMATION

Neste's operations are grouped into four reporting segments: Oil Products, Renewable Products, Oil Retail 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.

REVENUE						Last 12
MEUR	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015	months
Oil Products	1,961	2,060	5,235	5,711	7,467	6,992
Renewable Products	640	582	1,820	1,661	2,372	2,531
Oil Retail	925	991	2,587	2,850	3,748	3,486
Others	73	60	217	196	267	289
Eliminations	-564	-670	-1,592	-2,046	-2,724	-2,270
<b>Total</b>	<b>3,034</b>	<b>3,023</b>	<b>8,268</b>	<b>8,372</b>	<b>11,131</b>	<b>11,027</b>

OPERATING PROFIT						Last 12
MEUR	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015	months
Oil Products	125	119	438	387	389	440
Renewable Products	162	12	360	15	233	578
Oil Retail	25	27	70	67	79	83
Others	6	-1	-13	-15	0	2
Eliminations	0	1	-2	1	-2	-5
<b>Total</b>	<b>319</b>	<b>158</b>	<b>853</b>	<b>454</b>	<b>699</b>	<b>1,098</b>

COMPARABLE OPERATING PROFIT						Last 12
MEUR	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015	months
Oil Products	120	178	355	348	439	446
Renewable Products	124	75	323	171	402	555
Oil Retail	25	27	70	67	84	88
Others	-6	-1	-25	-12	2	-10
Eliminations	0	1	-2	0	-2	-5
<b>Total</b>	<b>264</b>	<b>281</b>	<b>721</b>	<b>574</b>	<b>925</b>	<b>1,073</b>

DEPRECIATION, AMORTIZATION AND IMPAIRMENTS						Last 12
MEUR	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015	months
Oil Products	56	53	164	147	216	233
Renewable Products	26	24	79	70	95	103
Oil Retail	5	6	16	18	31	29
Others	5	4	13	12	17	18
Eliminations	0	0	0	0	0	0
<b>Total</b>	<b>93</b>	<b>87</b>	<b>272</b>	<b>248</b>	<b>358</b>	<b>382</b>

CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES						Last 12
MEUR	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015	months
Oil Products	54	64	164	384	453	232
Renewable Products	16	7	73	21	28	81
Oil Retail	9	6	18	15	37	41
Others	8	4	22	10	17	28
Eliminations	0	0	0	0	0	0
<b>Total</b>	<b>88</b>	<b>81</b>	<b>277</b>	<b>430</b>	<b>536</b>	<b>382</b>

TOTAL ASSETS						
MEUR				30 Sep	30 Sep	31 Dec
	2016	2015	2015	2016	2015	2015
Oil Products				3,433	3,521	3,300
Renewable Products				2,099	2,012	2,145
Oil Retail				525	483	439
Others				449	416	461
Unallocated assets				655	456	684
Eliminations				-265	-272	-237
<b>Total</b>				<b>6,896</b>	<b>6,618</b>	<b>6,793</b>

NET ASSETS						
MEUR				30 Sep	30 Sep	31 Dec
	2016	2015	2015	2016	2015	2015
Oil Products				2,443	2,568	2,320
Renewable Products				1,803	1,689	1,884
Oil Retail				208	190	184
Others				249	219	269
Eliminations				-9	-3	-7
<b>Total</b>				<b>4,693</b>	<b>4,663</b>	<b>4,650</b>



TOTAL LIABILITIES	30 Sep	30 Sep	31 Dec
MEUR	2016	2015	2015
Oil Products	990	953	980
Renewable Products	297	323	261
Oil Retail	317	293	255
Others	200	198	193
Unallocated liabilities	1,819	2,254	2,230
Eliminations	-256	-268	-230
<b>Total</b>	<b>3,367</b>	<b>3,752</b>	<b>3,689</b>

RETURN ON NET ASSETS, %	30 Sep	Restated <sup>1)</sup> 30 Sep	31 Dec
	2016	2015	2015
Oil Products	17.9	8.5	16.2
Renewable Products	32.3	9.3	12.6
Oil Retail	44.2	33.6	38.9

<sup>1)</sup> Calculation of Return on net assets has been changed on 31 March 2016 and the comparatives for 2015 have been restated. New Return on net assets is calculated based on last 12 months, previously based on annualized result.

COMPARABLE RETURN ON NET ASSETS, %	30 Sep	Restated <sup>1)</sup> 30 Sep	31 Dec
	2016	2015	2015
Oil Products	18.2	18.7	18.2
Renewable Products	31.0	17.2	21.8
Oil Retail	46.7	33.6	41.2

<sup>1)</sup> Calculation of Comparable return on net assets has been changed on 31 March 2016 and the comparatives for 2015 have been restated. New Comparable return on net assets is calculated based on last 12 months, previously based on annualized result.

#### QUARTERLY SEGMENT INFORMATION

##### QUARTERLY REVENUE

MEUR	7-9/2016	4-6/2016	1-3/2016	10-12/2015	7-9/2015	4-6/2015	1-3/2015
Oil Products	1,961	1,916	1,359	1,756	2,060	1,675	1,976
Renewable Products	640	596	584	711	582	583	496
Oil Retail	925	886	776	898	991	976	882
Others	73	75	70	71	60	74	62
Eliminations	-564	-546	-482	-678	-670	-704	-672
<b>Total</b>	<b>3,034</b>	<b>2,927</b>	<b>2,306</b>	<b>2,759</b>	<b>3,023</b>	<b>2,605</b>	<b>2,744</b>

##### QUARTERLY OPERATING PROFIT

MEUR	7-9/2016	4-6/2016	1-3/2016	10-12/2015	7-9/2015	4-6/2015	1-3/2015
Oil Products	125	218	95	2	119	42	226
Renewable Products	162	48	150	218	12	11	-7
Oil Retail	25	23	22	13	27	22	17
Others	6	-8	-11	15	-1	-14	0
Eliminations	0	-1	-2	-3	1	3	-3
<b>Total</b>	<b>319</b>	<b>280</b>	<b>254</b>	<b>245</b>	<b>158</b>	<b>63</b>	<b>233</b>

##### QUARTERLY COMPARABLE OPERATING PROFIT

MEUR	7-9/2016	4-6/2016	1-3/2016	10-12/2015	7-9/2015	4-6/2015	1-3/2015
Oil Products	120	149	86	91	178	14	156
Renewable Products	124	119	80	231	75	54	42
Oil Retail	25	23	22	17	27	22	17
Others	-6	-8	-11	15	-1	-14	3
Eliminations	0	-1	-2	-3	1	3	-3
<b>Total</b>	<b>264</b>	<b>282</b>	<b>175</b>	<b>352</b>	<b>281</b>	<b>78</b>	<b>215</b>

##### QUARTERLY DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

MEUR	7-9/2016	4-6/2016	1-3/2016	10-12/2015	7-9/2015	4-6/2015	1-3/2015
Oil Products	56	54	53	69	53	49	45
Renewable Products	26	29	24	24	24	24	22
Oil Retail	5	5	5	13	6	6	6
Others	5	4	4	4	4	4	4
Eliminations	0	0	0	0	0	0	0
<b>Total</b>	<b>93</b>	<b>92</b>	<b>87</b>	<b>110</b>	<b>87</b>	<b>83</b>	<b>78</b>

##### QUARTERLY CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES

MEUR	7-9/2016	4-6/2016	1-3/2016	10-12/2015	7-9/2015	4-6/2015	1-3/2015
Oil Products	54	66	44	69	64	233	87
Renewable Products	16	38	19	8	7	5	8
Oil Retail	9	7	3	23	6	5	4
Others	8	8	6	6	4	4	3
Eliminations	0	0	0	0	0	0	0
<b>Total</b>	<b>88</b>	<b>118</b>	<b>71</b>	<b>106</b>	<b>81</b>	<b>248</b>	<b>101</b>

##### QUARTERLY NET ASSETS

MEUR	7-9/2016	4-6/2016	1-3/2016	10-12/2015	7-9/2015	4-6/2015	1-3/2015
Oil Products	2,443	2,451	2,484	2,320	2,568	2,547	2,439
Renewable Products	1,803	1,735	1,828	1,884	1,689	1,814	1,930
Oil Retail	208	192	164	184	190	226	220
Others	249	260	7	269	219	201	190
Eliminations	-9	-10	-10	-7	-3	-5	-7
<b>Total</b>	<b>4,693</b>	<b>4,628</b>	<b>4,474</b>	<b>4,650</b>	<b>4,663</b>	<b>4,782</b>	<b>4,771</b>



#### 4. RECONCILIATION OF KEY FIGURES TO IFRS FINANCIAL STATEMENTS

##### RECONCILIATION BETWEEN COMPARABLE OPERATING PROFIT AND OPERATING PROFIT (IFRS)

###### Group

MEUR	7-9/2016	7-9/2015	4-6/2016	1-9/2016	1-9/2015	1-12/2015
COMPARABLE OPERATING PROFIT	264	281	282	721	574	925
inventory gains/losses	18	-174	163	229	-171	-263
changes in the fair value of open commodity and currency derivatives	24	51	-155	-107	-22	-15
capital gains and losses	12	0	3	23	76	76
insurance and other compensations	0	0	0	0	0	0
other adjustments	0	0	-13	-13	-3	-25
OPERATING PROFIT (IFRS)	319	158	280	853	454	699

###### Oil Products

MEUR	7-9/2016	7-9/2015	4-6/2016	1-9/2016	1-9/2015	1-12/2015
COMPARABLE OPERATING PROFIT	120	178	149	355	348	439
inventory gains/losses	8	-120	139	141	-67	-143
changes in the fair value of open commodity and currency derivatives	-3	61	-74	-70	30	35
capital gains and losses	0	0	3	11	76	76
insurance and other compensations	0	0	0	0	0	0
other adjustments	0	0	0	0	0	-17
OPERATING PROFIT (IFRS)	125	119	218	438	387	389

###### Renewable Products

MEUR	7-9/2016	7-9/2015	4-6/2016	1-9/2016	1-9/2015	1-12/2015
COMPARABLE OPERATING PROFIT	124	75	119	323	171	402
inventory gains/losses	10	-54	24	87	-105	-119
changes in the fair value of open commodity and currency derivatives	28	-10	-81	-37	-51	-50
capital gains and losses	0	0	0	0	0	0
insurance and other compensations	0	0	0	0	0	0
other adjustments	0	0	-13	-13	0	0
OPERATING PROFIT (IFRS)	162	12	48	360	15	233

###### Oil Retail

MEUR	7-9/2016	7-9/2015	4-6/2016	1-9/2016	1-9/2015	1-12/2015
COMPARABLE OPERATING PROFIT	25	27	23	70	67	84
inventory gains/losses	0	0	0	0	0	0
changes in the fair value of open commodity and currency derivatives	0	0	0	0	0	0
capital gains and losses	0	0	0	0	0	0
insurance and other compensations	0	0	0	0	0	0
other adjustments	0	0	0	0	0	-5
OPERATING PROFIT (IFRS)	25	27	23	70	67	79

###### Others

MEUR	7-9/2016	7-9/2015	4-6/2016	1-9/2016	1-9/2015	1-12/2015
COMPARABLE OPERATING PROFIT	-6	-1	-8	-25	-12	2
inventory gains/losses	0	0	0	0	0	0
changes in the fair value of open commodity and currency derivatives	0	0	0	0	0	0
capital gains and losses	12	0	0	12	0	0
insurance and other compensations	0	0	0	0	0	0
other adjustments	0	0	0	0	-3	-3
OPERATING PROFIT (IFRS)	6	-1	-8	-13	-15	0

##### RECONCILIATION BETWEEN COMPARABLE OPERATING PROFIT AND COMPARABLE NET PROFIT

MEUR	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
COMPARABLE OPERATING PROFIT	264	281	721	574	925
total financial income and expenses	-25	0	-75	-39	-65
income tax expense	-41	-29	-97	-63	-74
non-controlling interests	-1	-1	-3	-2	-3
tax on items affecting comparability	8	-23	20	-38	-58
COMPARABLE NET PROFIT	206	227	566	432	726

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

MEUR	30 Sep 2016	30 Sep 2015	31 Dec 2015
COMPARABLE OPERATING PROFIT, LAST 12 MONTHS	1,073	830	925
financial income	3	3	2
exchange rate and fair value gains and losses	-30	26	16
income tax expense	-108	-54	-74
tax on other items affecting ROACE	-13	-105	-74
Comparable net profit, net of tax	925	700	796
Capital employed average	4,962	4,834	4,883
RETURN ON CAPITAL EMPLOYED, AFTER TAX (ROACE), %	18.6	14.5	16.3

##### RECONCILIATION OF EQUITY-TO-ASSETS RATIO, %

MEUR	30 Sep 2016	30 Sep 2015	31 Dec 2015
Total equity	3,529	2,865	3,104
Total assets	6,896	6,618	6,793
Advances received	13	13	56
EQUITY-TO-ASSETS RATIO, %	51.3	43.4	46.1



## 5. ACQUISITIONS AND DISPOSALS

On 2 January, 2015 Neste sold all shares of Kipilahden Sähkösiirto Oy to InfraVia European Fund II, an infrastructure fund managed by InfraVia. The sale produced a capital gain of EUR 79 million for Neste in the first quarter 2015. The operations were part of the Oil Product segment.

### Assets and liabilities Kipilahden Sähkösiirto Oy

MEUR	2 Jan 2015
Property, plant and equipment	99
Trade and other receivables	8
<b>Total assets</b>	<b>107</b>
Trade and other payables	9
Deferred tax liabilities	6
<b>Total liabilities</b>	<b>15</b>
<b>Sold net assets</b>	<b>92</b>
Gain on sale	79
<b>Total consideration</b>	<b>171</b>
Cash consideration received	171
Cash and cash equivalents disposed of	0
<b>Cash inflow arising from disposal</b>	<b>171</b>

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

### CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

MEUR	30 Sep 2016	30 Sep 2015	31 Dec 2015
<b>Opening balance</b>	<b>3,816</b>	<b>3,729</b>	<b>3,729</b>
Depreciation, amortization and impairments	-272	-248	-358
Capital expenditure	277	430	536
Disposals	-32	-32	-39
Assets classified as held for sale	0	0	-47
Translation differences	6	-1	-5
<b>Closing balance</b>	<b>3,794</b>	<b>3,878</b>	<b>3,816</b>

### CAPITAL COMMITMENTS

MEUR	30 Sep 2016	30 Sep 2015	31 Dec 2015
Commitments to purchase property, plant and equipment	59	54	84
<b>Total</b>	<b>59</b>	<b>54</b>	<b>84</b>

## 7. INTEREST-BEARING NET DEBT AND LIQUIDITY

### Interest-bearing net debt

MEUR	30 Sep 2016	30 Sep 2015	31 Dec 2015
Short-term interest-bearing liabilities	366	484	438
Long-term interest-bearing liabilities	1,120	1,449	1,449
<b>Interest-bearing liabilities</b>	<b>1,487</b>	<b>1,933</b>	<b>1,888</b>
Cash and cash equivalents <sup>1)</sup>	-523	-339	-596
<b>Interest-bearing net debt</b>	<b>964</b>	<b>1,593</b>	<b>1,291</b>

<sup>1)</sup> includes interest-bearing receivables EUR 73 million on 30 September 2016

### Liquidity, unused committed credit facilities and debt programs

MEUR	30 Sep 2016	30 Sep 2015	31 Dec 2015
Cash and cash equivalents	523	339	596
Unused committed credit facilities	1,650	1,650	1,650
<b>Total</b>	<b>2,173</b>	<b>1,989</b>	<b>2,246</b>
In addition: Unused commercial paper program (uncommitted)	400	400	400



## 8. 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 2015.

Interest rate and currency derivative contracts MEUR	30 Sep 2016		30 Sep 2015		31 Dec 2015	
	Nominal value	Net fair value	Nominal value	Net fair value	Nominal value	Net fair value
Interest rate swaps						
Hedge accounting	350	7	600	15	600	13
Non-hedge accounting	0	0	0	0	0	0
Currency derivatives						
Hedge accounting	891	-1	1,036	-16	1,088	-17
Non-hedge accounting	916	-4	693	-3	996	0

Commodity derivative contracts	30 Sep 2016			30 Sep 2015			31 Dec 2015		
	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	29	-67	0	20	89	0	16	69
Purchase contracts									
Hedge accounting	0	0	0	0	0	0	0	0	0
Non-hedge accounting	2,050	11	15	2,550	14	-35	2,432	8	-6

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 September 30, 2016:

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
<b>Non-current financial assets</b>							
Non-current receivables			56			56	56
Derivative financial instruments	9	2				11	11
Available-for-sale financial assets				4		4	4
<b>Current financial assets</b>							
Trade and other receivables, excluding non-financial assets			908			908	908
Derivative financial instruments	7	27				35	35
Cash and cash equivalents			523			523	523
<b>Carrying amount by category</b>	16	29	1,486	4	0	1,537	1,537
<b>Non-current financial liabilities</b>							
Interest-bearing liabilities					1,120	1,120	1,181
Derivative financial instruments	3	1				4	4
Other non-current liabilities					10	10	10
<b>Current financial liabilities</b>							
Interest-bearing liabilities					366	366	370
Derivative financial instruments	7	84				91	91
Trade and other payables, excluding non-financial liabilities					1,303	1,303	1,303
<b>Carrying amount by category</b>	10	85	0	0	2,800	2,895	2,960

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	11	0
Non-current available-for-sale financial assets	0	0	4	4
Current derivative financial instruments	3	32	0	35
<b>Financial liabilities</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Non-current derivative financial instruments	0	4	0	4
Current derivative financial instruments	51	41	0	91

During the nine-month period ended 30 September 2016, 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.





## 9. 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. The reporting of related party transactions has been aligned.

As announced in the stock exchange release on 16 March 2016 Neste (40%), Veolia (40%) and Borealis (20%) have created a joint venture company Kilpilähti Power Plant Ltd to build a new heat and power plant in Porvoo. The plant's total investment value is approx. 400 MEUR and it is scheduled for commissioning in 2018. Neste's subsidiary, the engineering company Neste Jacobs Oy will implement connections and other infrastructure in the project to integrate the new power plant to Neste's refinery and Borealis' petrochemical plants. The new power plant's capacity is meant to serve also external customers in addition to Neste and Borealis and thus optimize the returns of all shareholders in form of net profit (Neste 40%). Kilpilähti Power Plant Ltd plans and executes the power plant operations as its own business decisions and it is operated by Veolia. Neste's transactions with Kilpilähti Power Plant Ltd consisting mainly of steam purchases and sales of heavy fuel oil, water and asphaltene, are included in the table below. Neste management has concluded following IFRS 11, that this joint arrangement is a joint venture consolidated by the equity method in Neste since Q1/2016. In March 2016, Neste's existing power plant assets were sold to the joint venture with a capital gain of 8 MEUR, which is reported in Other income (IFRS) and eliminated from Comparable EBIT. Neste has financed Kilpilähti Power Plant Ltd by converting the sales price of Neste's existing power plant to a contribution loan receivable until the new plant commissioning. In addition, Neste has pledged its shares in and the contribution loan receivable from Kilpilähti Power Plant Ltd to secure the joint venture's credit facilities. These pledges have been presented in Note 10 'Contingent liabilities'.

	30 Sep 2016	30 Sep 2015	31 Dec 2015
<b>Transactions carried out with joint arrangements and other related parties</b>			
Sales of goods and services	216	72	111
Purchases of goods and services	121	42	64
Receivables	77	6	17
Financial income and expenses	0	0	0
Liabilities	7	1	1

## 10. CONTINGENT LIABILITIES

MEUR	30 Sep 2016	30 Sep 2015	31 Dec 2015
<b>Contingent liabilities</b>			
On own behalf for commitments			
Real estate mortgages	17	17	17
Pledged assets	0	0	0
Other contingent liabilities	156	153	158
Total	173	171	175
On behalf of joint arrangements			
Pledged assets	46	0	0
Guarantees	1	1	1
Total	47	1	1
On behalf of others			
Guarantees	2	2	2
Other contingent liabilities	0	2	2
Total	2	3	3
Total	222	175	179

MEUR	30 Sep 2016	30 Sep 2015	31 Dec 2015
<b>Operating lease liabilities</b>			
Due within one year	57	44	72
Due between one and five years	77	52	61
Due later than five years	80	74	75
Total	215	170	209

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

### Other contingent liabilities

Neste Corporation has a collective contingent liability with Fortum Heat and Gas Oy of the demerged Fortum Oil and Gas Oy's liabilities based on the Finnish Companies Act's Chapter 17 Paragraph 16.6.



## Calculation of key figures

### Calculation of key figures

EBITDA	=	Operating profit + depreciation, amortization and impairments
Comparable EBITDA	=	Comparable operating profit + depreciation, amortization and impairments
Comparable operating profit <sup>1)</sup>	=	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 $\frac{\text{Profit before income taxes - income tax expense, last 12 months}}{\text{Total equity average, 5 quarters end values}^2}$
Return on capital employed, pre-tax (ROCE), %	=	100 x $\frac{\text{Profit before income taxes + financial expenses, last 12 months}}{\text{Capital employed average, 5 quarters end values}^2}$
Return on average capital employed, after-tax (ROACE), %	=	100 x $\frac{\text{Comparable operating profit + financial income + exchange rate and fair value gains and losses - income tax expense - tax on other items affecting ROACE, last 12 months}}{\text{Capital employed average, 5 quarters end values}}$
Capital employed	=	Total equity + interest bearing liabilities
Interest-bearing net debt	=	Interest-bearing liabilities - cash and cash equivalents
Leverage ratio, %	=	100 x $\frac{\text{Interest-bearing net debt}}{\text{Interest bearing net debt + total equity}}$
Gearing, %	=	100 x $\frac{\text{Interest-bearing net debt}}{\text{Total equity}}$
Equity-to-assets ratio, %	=	100 x $\frac{\text{Total equity}}{\text{Total assets - advances received}}$
Return on net assets, %	=	100 x $\frac{\text{Segment operating profit, last 12 months}}{\text{Average segment net assets, 5 quarters end values}}$
Comparable return on net assets, %	=	100 x $\frac{\text{Segment comparable operating profit, last 12 months}}{\text{Average segment net assets, 5 quarters end values}}$
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)	=	$\frac{\text{Profit for the period attributable to the owners of the parent}}{\text{Adjusted average number of shares during the period}}$
Comparable earnings per share	=	$\frac{\text{Comparable net profit for the period attributable to the owners of the parent}}{\text{Adjusted average number of shares during the period}}$
Equity per share	=	$\frac{\text{Shareholder's equity attributable to the owners of the parent}}{\text{Adjusted number of shares at the end of the period}}$
Cash flow per share	=	$\frac{\text{Net cash generated from operating activities}}{\text{Adjusted average number of shares during the period}}$
Price / earnings ratio (P/E)	=	$\frac{\text{Share price at the end of the period}}{\text{Earnings per share}}$
Dividend payout ratio, %	=	$100 \times \frac{\text{Dividend per share}}{\text{Earnings per share}}$
Dividend yield, %	=	$100 \times \frac{\text{Dividend per share}}{\text{Share price at the end of the period}}$
Average share price	=	$\frac{\text{Amount traded in euros during the period}}{\text{Number of shares traded during the period}}$
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)	=	$\frac{\text{Comparable sales margin} \times \text{average EUR/USD exchange rate for the period} \times \text{standard refinery yield}}{\text{Refined sales volume} \times \text{standard barrels per ton}}$
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) <sup>3)</sup>
Renewable Products comparable sales margin (USD/ton)	=	$\frac{\text{Comparable sales margin}}{\text{Total sales volume}}$
Renewable Products additional margin (USD/ton)	=	Comparable sales margin - (reference margin - standard variable production cost)

<sup>1)</sup> 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.

<sup>2)</sup> Total equity average and capital employed average are calculated using last 5 quarters' end values from Q2 2016 interim report onwards, previously calculated using the yearly opening balance and each quarter end values.

<sup>3)</sup> FAME = Fatty Acid Methyl Ester (biodiesel), CPO = Crude Palm Oil, SME = Soy Methyl Ester (biodiesel), SBO = Soybean Oil



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