7 February 2017

Neste Corporation
Financial Statements Release
2016

Neste's Financial Statements Release for 2016

Continued successful strategy implementation and record-high financial results 2016 - dividend proposed to be increased by 30% to EUR 1.30 per share

2016 in brief:

- Comparable operating profit totaled EUR 983 million (EUR 925 million)
- IFRS operating profit totaled EUR 1,155 million (699 million)
- Oil Products' total refining margin was USD 10.38/bbl (USD 11.79/bbl)
- Renewable Products' comparable sales margin was USD 348/ton (USD 299/ton)
- Cash flow before financing activities totaled EUR 834 million (EUR 480 million)
- Return on average capital employed (ROACE) was 16.9% (16.3%)
- Leverage ratio was 15.4% at the end of December (31.12.2015: 29.4%)
- Comparable earnings per share were EUR 3.10 (EUR 2.84)
- The Board of Directors will propose a dividend of EUR 1.30 per share (1.00), totaling EUR 332 million (EUR 256 million).

Fourth quarter in brief:

- Comparable operating profit totaled EUR 262 million (EUR 352 million)
- IFRS operating profit totaled EUR 302 million (EUR 245 million)
- Oil Products' comparable operating profit was EUR 98 million (EUR 91 million)
- Renewable Products' comparable operating profit was EUR 146 million (EUR 231 million)
- Oil Retail's comparable operating profit was EUR 19 million (EUR 17 million)
- Cash flow before financing activities was EUR 267 million (EUR 300 million)

President & CEO Matti Lievonen:

“Neste had another successful year in 2016, as we posted a comparable operating profit of EUR 983 million compared to EUR 925 million in 2015. For the first time Renewable Products had the largest full-year profit contribution, which reflects the continuing strategic transformation of the company. I am very pleased to note that all business areas improved their result from the previous year. We also generated strong cash flow and further strengthened our balance sheet. All key financial indicators showed improvement, and the return on average capital employed after tax reached 16.9%, which was over the long term target level of 15%.

Oil Products posted a comparable operating profit of EUR 453 million (EUR 439 million). Our reference margin averaged USD 4.9/bbl, which was USD 2.9/bbl lower than the exceptionally high level in 2015. Global oil product supply and demand were reasonably balanced, but high product inventories limited the upside on refining margins. Oil Products' additional margin was increased to USD 5.5/bbl level, which was USD 1.5/bbl higher than in 2015. This resulted from operational performance and successful leveraging of contango opportunities, with sales volumes back on track after the Porvoo refinery turnaround year 2015.

Renewable Products recorded a full-year comparable operating profit of EUR 469 million (EUR 402 million). Reference margin and additional margin averaged higher than in 2015. Our sales volumes reached 2.22 million tons, only 2% below the previous year, despite of the scheduled major turnaround implemented at the Rotterdam refinery in the second quarter. A slightly higher share of the sales volume was allocated to the North American market compared to 2015. In the US market the Environmental Protection Agency (EPA) finalized increased volume mandates for biomass-based diesel for 2017 and 2018 in November 2016. Feedstock optimization continued, and the share of waste and residue feedstocks was successfully expanded to 78% of total renewable inputs in 2016. Acquisition of a new feedstock pretreatment facility in the Netherlands will further enhance our capability to process lower quality wastes and residues.

In Oil Retail we were able to increase profits by growing sales volumes and improving unit margins particularly in the Baltic markets. The segment continued to improve its performance and generated a full-year comparable operating profit of EUR 90 million (EUR 84 million).

Crude oil and renewable feedstock price changes, as well as supply and demand balances, will be reflected in the oil and renewable product markets. Crude oil prices are expected to increase moderately as crude oil supply and demand is expected to become more balanced.

Neste expects Oil Products' reference refining margin to be quite similar to that in 2016 on average. Our Porvoo refinery is expected to run at a high utilization rate as only normal unit maintenances are planned. 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 after mid-2017 as the ongoing strategic investments are completed.

Renewable Products' reference margin is expected to be at approximately the average level of the year 2016. Neste continues to optimize sales allocation based on the total margin, and we have new attractive markets in Europe. For example, Norway has set a biofuel target in traffic growing from 7.5% in 2017 to 20% in 2020. California continues to be an important market for Neste. Sales volumes of the renewable diesel delivered as 100% to end-users are expected to continue growing from 15% in 2016 to 25% of the total renewable 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. The completed acquisition of the new feedstock pretreatment and storage facility in the Netherlands will support this goal. A new nameplate capacity of 2.6 million tons is effective 1 January, 2017, and utilization rates of our renewable diesel facilities are expected to be high.

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

Neste will continue to implement its global renewables growth strategy. The demand for renewable products is expected to continue growing globally. Neste's renewables capacity increase program will include both debottlenecking of the existing production capacity to 3 million tons by 2020, and building of new capacity. We are currently evaluating the feasibility of options to invest in new production capacity. The options under review include locations in the US and Singapore.

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 Financial Statements, 1 January - 31 December 2016

The Financial Statements Release is unaudited.

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

Key Figures

EUR million, unless otherwise noted

	10-12/16	10-12/15	7-9/16	2016	2015
Revenue	3,421	2,759	3,034	11,689	11,131
EBITDA	396	355	411	1,521	1,057
Comparable EBITDA*	356	462	357	1,349	1,284
Operating profit	302	245	319	1,155	699
Comparable operating profit*	262	352	264	983	925
Profit before income taxes	297	219	294	1,075	634
Net profit	262	209	253	943	560
Comparable net profit**	228	295	206	793	726
Earnings per share, EUR	1.02	0.81	0.99	3.67	2.18
Comparable earnings per share**, EUR	0.89	1.15	0.80	3.10	2.84
Investments	146	106	88	422	536
Net cash generated from operating activities	394	380	206	1,193	743

	31 Dec 2016	31 Dec 2015
Total equity	3,755	3,104
Interest-bearing net debt	683	1,291
Capital employed	5,226	4,991
Return on capital employed pre-tax (ROCE)***, %	22.6	14.7
Return on average capital employed after tax (ROACE)***, %	16.9	16.3
Equity per share, EUR	14.60	12.06
Leverage ratio, %	15.4	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 fourth-quarter 2016 results

Neste's revenue in the fourth quarter totaled EUR 3,421 million, approx. 24% over the EUR 2,759 million reported in the corresponding period last year. The revenue increase resulted from higher oil price and higher sales volumes. The Group’s comparable operating profit totaled EUR 262 million (EUR 352 million). Oil Products' result was negatively impacted by a lower reference margin and higher maintenance costs, but positively impacted by higher additional margin and sales volumes. Renewable Products' result was strong, but lower compared to the corresponding period last year, when the full-year US Blender's Tax Credit for 2015 was recorded in the quarter's comparable operating profit. Oil Retail's result was positively impacted by higher sales volume and unit margin. The Others segment's comparable operating profit was lower compared to the fourth quarter of 2015, mainly due to Nynas' lower result.

Oil Products’ fourth-quarter comparable operating profit was EUR 98 million (91 million), Renewable Products’ EUR 146 million (231 million), and Oil Retail’s EUR 19 million (17 million). The comparable operating profit of the Others segment totaled EUR 2 million (15 million); Nynas accounted for EUR 9 million (22 million) of this figure.

The Group’s IFRS operating profit was EUR 302 million (245 million), which was impacted by inventory gains totaling EUR 51 million (losses of 91 million), changes in the fair value of open commodity and currency derivatives totaling EUR -11 million (7 million), mainly related to hedging of inventories. Profit before income taxes was EUR 297 million (219 million), net profit EUR 262 million (209 million), and earnings per share EUR 1.02 (0.81).

The Group's full-year results for 2016

Neste's revenue in 2016 totaled EUR 11,689 million (EUR 11,131 million). Sales volumes increased, but the revenue was negatively impacted by a lower average oil price year-on-year. The Group’s comparable operating profit was EUR 983 million (EUR 925 million). Oil Products' result was negatively impacted by reference margin, which was materially lower than in 2015. However, our additional margin increased, and the sales volume was higher compared to last year, which was impacted by the scheduled turnaround at the Porvoo refinery. Renewable Products operating profit improved as a result of higher reference margin and additional margin. Oil Retail's result was positively impacted by increased sales volumes and unit margins. The Others segment recorded a lower comparable operating profit compared to 2015, mainly due to Nynas' lower result and higher common corporate costs.

Oil Products’ full-year comparable operating profit was EUR 453 million (439 million), Renewable Products’ EUR 469 million (402 million), and Oil Retail’s EUR 90 million (84 million). The comparable operating profit of the Others segment totaled EUR -23 million (2 million); Nynas accounted for EUR 11 million (29 million) of this figure.

The Group’s IFRS operating profit was EUR 1,155 million (699 million), which was impacted by inventory gains totaling EUR 280 million (losses of 263 million), and changes in the fair value of open commodity and currency derivatives totaling EUR -118 million (-15 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 1,075 million (634 million), net profit EUR 943 million (560 million). Comparable earnings per share were EUR 3.10 (2.84), and earnings per share EUR 3.67 (2.18). The Group's effective tax rate was 12% (12%), which is lower than the Finnish statutory tax rate 20% mainly due to lower taxation in Latvia, Lithuania, Singapore and Switzerland, where Neste has business operations. Neste's manufacturing investment in Renewable Products during 2008-2010 in Singapore is subject to tax exemption for 2010-2023 under the applicable Singapore legislation.

	10-12/16	10-12/15	7-9/16	2016	2015
COMPARABLE OPERATING PROFIT	262	352	264	983	925
- inventory gains/losses	51	-91	18	280	-263
- changes in the fair value of open commodity and currency derivatives	-11	7	24	-118	-15
- capital gains/losses	0	0	12	23	76
- insurance and other compensations	0	0	0	0	0
- other adjustments	0	-22	0	-13	-25
OPERATING PROFIT	302	245	319	1,155	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%. ROACE calculated over the last 12 months period was maintained over the target level, and leverage ratio continued on a downward trend.

	31 Dec 2016	31 Dec 2015
Return on average capital employed after tax (ROACE)*, %	16.9	16.3
Leverage ratio (net debt to capital), %	15.4	29.4

* Last 12 months.

Cash flow, investments, and financing

The Group’s net cash generated from operating activities totaled EUR 1,193 million (743 million) in 2016. The year-on-year difference was mainly attributable to the strong EBITDA generation of businesses, and received payment of the US Blender's Tax Credit from the year 2015 during 2016. Cash flow before financing activities was EUR 834 million (480 million). The Group's net working capital in days outstanding was 26.8 days (21.4 days) on a rolling 12-month basis at the end of 2016.

	10-12/16	10-12/15	7-9/16	2016	2015
EBITDA (IFRS)	396	355	411	1,521	1,057
Capital gains/losses	-1	0	-13	-28	-77
Other adjustments	-2	-26	-18	121	-27
Change in working capital	43	36	-85	-229	-94
Finance cost, net	8	-9	-40	-56	-88
Income taxes paid	-50	23	-50	-137	-27
Net cash generated from operating activities	394	380	206	1,193	743
Capital expenditure	-116	-79	-83	-407	-505
Other investing activities	-11	0	24	49	241
Free cash flow (Cash flow before financing activities)	267	300	147	834	480

Cash-out investments totaled EUR 407 million (505 million) in 2016. Maintenance investments accounted for EUR 148 million (374 million) and productivity and strategic investments for EUR 259 million (131 million). Oil Products' investments totaled EUR 257 million (437 million), with the largest single project being the Solvent Deasphalting (SDA) unit under construction at the Porvoo refinery. Renewable Products' investments totaled EUR 90 million (32 million), mainly related to the ongoing biopropane unit investment at the Rotterdam refinery. Oil Retail's investments totaled EUR 26 million (19 million) and were mainly related to the station network. Investments in the Others segment totaled EUR 35 million (17 million) and were mainly related to IT and business infrastructure upgrade.

Interest-bearing net debt was EUR 683 million as of the end of December 2016, compared to EUR 1,291 million at the end of 2015. Net financial expenses for the year were EUR 79 million (65 million). The average interest rate of borrowing at the end of December was 3.5% (3.4%) and the average maturity 3.6 (3.7) years. The interest-bearing net debt/comparable EBITDA ratio was 0.5 (1.0) over the previous 12 months at the end of the year.

The Group has a strong financial position. The leverage ratio was 15.4% (31 Dec. 2015: 29.4%), and the gearing ratio 18.2% (31 Dec. 2015: 41.6%) at the end of the year.

The Group's cash and cash equivalents and committed, unutilized credit facilities amounted to EUR 2,438 million as of the end of December (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 December the Group's foreign currency hedging ratio was slightly above 50% for the next 12 months.

US dollar exchange rate

	10-12/16	10-12/15	7-9/16	2016	2015
EUR/USD, market rate	1.08	1.09	1.12	1.11	1.11
EUR/USD, effective rate*	1.09	1.11	1.12	1.11	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

	10-12/16	10-12/15	7-9/16	2016	2015
Revenue, MEUR	2,159	1,756	1,961	7,395	7,467
EBITDA, MEUR	179	71	182	780	606
Comparable EBITDA, MEUR	151	160	177	670	655
Comparable operating profit, MEUR	98	91	120	453	439
IFRS operating profit, MEUR	126	2	125	563	389
Net assets, MEUR	2,424	2,320	2,443	2,424	2,320
Return on net assets*, %	23.2	16.2	17.9	23.2	16.2
Comparable return on net assets*, %	18.7	18.2	18.2	18.7	18.2

* Last 12 months.

Key drivers

	10-12/16	10-12/15	7-9/16	2016	2015
Reference refining margin, USD/bbl	5.19	5.71	3.85	4.88	7.74
Additional margin, USD/bbl	5.34	5.26	5.55	5.50	4.05
Total refining margin, USD/bbl	10.53	10.97	9.40	10.38	11.79
Urals-Brent price differential, USD/bbl	-2.20	-2.68	-2.38	-2.48	-1.84
Urals' share of total refinery input, %	66	65	74	68	62

Oil Products' fourth-quarter comparable operating profit totaled EUR 98 million, compared to EUR 91 million in the fourth quarter of 2015. The reference margin was USD 0.5/bbl lower than in the corresponding period last year, which had a EUR 12 million negative impact on comparable operating profit. Additional margin USD 5.3/bbl (5.3) was supported by unwinding of contango inventories, but negatively impacted by unscheduled maintenance at the Porvoo refinery. Sales volumes were, however, 0.3 million tons or 10% higher than in the fourth quarter of 2015. Fixed costs were EUR 19 million higher than in the corresponding period last year, mainly due to additional maintenance.

During the fourth quarter the average utilization rate at the Porvoo refinery was 78% (80%), and was impacted by the maintenance shutdown at the production line 4 and unscheduled maintenance in some other units. The Naantali refinery recorded an average utilization rate of 52% (45%) as a result of continued mechanical limitations in certain process units. Oil Products' comparable return on net assets was 18.7% (18.2%) at the end of December over the previous 12 months.

Crude oil prices were again volatile during 2016. After a weak start for the year the prices rose significantly towards USD 50/bbl during the first half of the year. The rise was driven by expectations of a more balanced crude oil supply and demand as markets saw low crude oil price negatively impacting upstream investment. During the second half of the year prices were trending upward mainly driven by negotiations and a later agreement between OPEC and NON-OPEC countries to cut production. In 2016 Brent price averaged USD 43.7/bbl, but at year end it was approx. USD 55/bbl – the highest level since summer 2015.

The Russian Export Blend (REB) crude averaged USD 2.5/bbl lower than Brent in 2016 and USD 2.2/bbl lower during the fourth quarter. Record production in post-soviet period and continued high exports through the Baltic ports contributed to a reasonably wide differential during the year. Also competition from Middle Eastern sour grades in the Baltic Sea and Mediterranean markets drove a wider REB differential.

Despite a weak diesel margin due to the mild winter the Neste reference refining margin started the year 2016 on a seasonally high level as gasoline storing for the summer season and a weak crude oil market had positive impact on margins. During the summer refining margins came under pressure as gasoline market started to lose its strength due to high inventory levels and the slowly recovering diesel margins were not able to compensate gasoline weakness. During the second half of the year margin recovered from the summer lows driven by refinery run cuts and autumn refinery maintenance season together with several refinery outages. On average, gasoline was the strongest part of the barrel in 2016. Neste's reference margin averaged USD 4.9/bbl in 2016, and USD 5.2/bbl during the fourth quarter.

Oil Products' full-year comparable operating profit was EUR 453 million (439 million). During 2016 the average reference refining margin was USD 2.9/bbl lower than in the previous year, which had a negative impact of EUR 235 million on the result. On the other hand, additional margin was USD 1.5/bbl higher and had a positive impact of EUR 206 million on the comparable operating profit year-on-year. Sales volumes were 20% higher compared to the year 2015, which was impacted by the scheduled major turnaround at Porvoo. Higher sales volumes increased the operating profit by EUR 69 million. The segment's fixed costs were approx. EUR 33 million higher year-on-year, mainly as a result of higher maintenance activities.

Production

	10-12/16	10-12/15	7-9/16	2016	2015
Porvoo refinery production, 1,000 ton	2,770	2,743	2,976	11,718	9,835
Porvoo refinery utilization rate, %	78	80	92	89	75
Naantali refinery production, 1,000 ton	456	458	479	1,869	1,956
Naantali refinery utilization rate, %	52	45	63	62	62
Refinery production costs, USD/bbl	5.3	3.8	3.7	4.2	4.0
Bahrain base oil plant production, (Neste's share) 1,000 ton	11	36	52	159	184

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

	10-12/16	%	10-12/15	%	7-9/16	%	2016	%	2015	%
Middle distillates*	1,652	46	1,394	43	1,761	45	6,590	46	5,395	45
Light distillates**	1,185	33	1,224	37	1,352	35	4,706	33	3,857	33
Heavy fuel oil	414	11	349	11	381	10	1,594	11	1,122	9
Base oils	109	3	110	3	105	3	461	3	433	4
Other products	245	7	200	6	308	8	965	7	1,075	9
TOTAL	3,605	100	3,277	100	3,907	100	14,316	100	11,881	100

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

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

	10-12/16	%	10-12/15	%	7-9/16	%	2016	%	2015	%
Baltic Sea area*	1,831	51	2,021	62	2,170	56	8,037	56	7,876	66
Other Europe	1,376	38	1,075	33	1,109	28	4,596	32	3,154	27
North America	236	7	50	1	508	13	1,198	8	491	4
Other areas	162	4	131	4	120	3	485	3	360	3

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

Renewable Products

Key financials

	10-12/16	10-12/15	7-9/16	2016	2015
Revenue, MEUR	870	711	640	2,690	2,372
EBITDA, MEUR	189	242	188	628	327
Comparable EBITDA, MEUR	176	256	150	578	497
Comparable operating profit, MEUR	146	231	124	469	402
IFRS operating profit, MEUR	158	218	162	518	233
Net assets, MEUR	1,811	1,884	1,803	1,811	1,884
Return on net assets*, %	28.6	12.6	32.3	28.6	12.6
Comparable return on net assets*, %	25.9	21.8	31.0	25.9	21.8

* Last 12 months.

Key drivers

	10-12/16	10-12/15	7-9/16	2016	2015
FAME - Palm oil price differential*, USD/ton	264	270	204	194	211
SME - Soybean oil price differential**, USD/ton	284	62	219	204	118
Reference margin, USD/ton	278	209	209	207	182
Additional margin***, USD/ton	187	424	296	272	247
Comparable sales margin***, USD/ton	335	503	375	348	299
Biomass-based diesel (D4) RIN, USD/gal	1.06	0.63	0.99	0.91	0.73
Palm oil price****, USD/ton	669	550	612	634	576
Crude palm oil's share of total feedstock, %	27	28	18	19	31

* 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. SBO CBOT 1st (Soybean Oil Chicago Board of Trade 1st month futures price)
*** Includes impact of US BTC (Blender's Tax Credit); full-year 2015 contribution in both 10-12/15 and 2015 figures.
**** CPO BMD 3rd

Renewable Products' comparable operating profit totaled EUR 146 million during the fourth quarter, compared to EUR 231 million in the corresponding period last year. Renewable Products' markets improved and reference margin had a positive impact of EUR 40 million on the result. Additional margin was significantly lower than in the same period last year, mainly due to the full-year US Blender's Tax Credit contribution being recorded in the fourth quarter of 2015. Lower additional margin had a negative impact of EUR 138 million on the result. Sales volumes totaled 662,000 tons, a new quarterly record and 6% increase on the sales in the corresponding period last year. Approximately 68% (70%) of sales volumes went to Europe during the fourth quarter of 2016, and 32% (30%) to North America. Renewable diesel production achieved an average capacity utilization rate of 88% (94%) during the fourth quarter, mainly due to unscheduled maintenance at the Rotterdam refinery. Feedstock mix optimization continued, and the proportion of waste and residue inputs was 69% (68%) on average. Renewable Products' comparable return on net assets was 25.9% (21.8%) at the end of December based on the previous 12 months.

During 2016 crude palm oil (CPO) oil and other vegetable oil prices were supported by low inventories globally. Severe El Nino weather phenomenon reduced palm oil production with some time lag, and as exports continued at reasonably high level, CPO inventories were drawn down. CPO price averaged 10% higher in 2016 than in the previous year. Rapeseed oil (RSO) supply was negatively impacted by the poor European rapeseed crop. Soybean oil (SBO) price got support later in the year by strong worldwide demand and continued positive outlook for the US Renewable Fuel Standard requirements in 2017.

European Fatty Acid Methyl Ester (FAME) biodiesel demand did not grow in 2016. FAME prices were on an increasing trend supported by stronger RSO, but producer margins declined. In the US market Soy Methyl Ester (SME) demand growth in 2016 was driven by increased biomass-based diesel volume obligations, need to replace ethanol due to the gasoline blendwall issue, and limitations in Brazilian ethanol supply for the advanced biofuels category. SME margins improved clearly from the previous year despite the higher SBO prices. This was also reflected in Renewable Identification Number (RIN) prices, which increased by USD 0.18/gallon (D4 RIN) on average in 2016. Overall, biodiesel and renewable diesel production benefited from the increase in the biomass-based diesel mandate and the US Blenders' Tax Credit introduced for 2016. The California Low Carbon Fuel Standard (LCFS) program progressed as expected, and the LCFS credit prices increased by approx. USD 50/ton from 2015 on average.

Renewable Products' full-year comparable operating profit was EUR 469 million (402 million). The reference margin in 2016 was higher than in the previous year, which had EUR 49 million positive impact on the segment's operating profit. The additional margin also improved through successful margin management and sales allocation, which had a positive impact of EUR 52 million year-on-year. Sales volume was 2.222 million tons in 2016, down only 2% from the record level of the previous year, despite the scheduled turnaround at the Rotterdam refinery in the second quarter. During the year 2016 approximately 66% (69%) of sales volume went to Europe and 34% (31%) to North America. Demand for renewable diesel delivered as 100% to end-users has increased steadily in Europe and North America, as it is an efficient solution to quickly reduce greenhouse gas and other emissions in existing fleets. In 2016 100% renewable diesel sales accounted for more than 15% of our total renewable diesel sales volumes. Renewable diesel production achieved an average capacity utilization rate of 88% (94%) in 2016, mainly impacted by the scheduled turnaround and other maintenance at the Rotterdam refinery. Feedstock mix optimization continued successfully, and the proportion of waste and residue inputs rose to 78% (68%) on average. Fixed costs and depreciations increased by EUR 29 million year-on-year.

Production

	10-12/16	10-12/15	7-9/16	2016	2015
Neste Renewable Diesel, 1,000 ton	551	580	631	2,213	2,328
Other products, 1,000 ton	45	51	50	175	165
Utilization rate, %	88	94	100	88	94

Sales

	10-12/16	10-12/15	7-9/16	2016	2015
Neste Renewable Diesel, 1,000 ton	662	625	544	2,222	2,267
Share of sales volumes to Europe, %	68	70	65	66	69
Share of sales volumes to North America, %	32	30	35	34	31

Oil Retail

Key financials

	10-12/16	10-12/15	7-9/16	2016	2015
Revenue, MEUR	964	898	925	3,552	3,748
EBITDA, MEUR	25	26	31	111	110
Comparable EBITDA, MEUR	26	31	31	112	115
Comparable operating profit, MEUR	19	17	25	90	84
IFRS operating profit, MEUR	19	13	25	89	79
Net assets, MEUR	196	184	208	196	184
Return on net assets*, %	47.3	38.9	44.2	47.3	38.9
Comparable return on net assets*, %	47.5	41.2	46.7	47.5	41.2

* Last 12 months.

Oil Retail's fourth-quarter comparable operating profit was EUR 19 million compared to EUR 17 million in the fourth quarter of 2015. Total sales volumes increased and had a positive impact of EUR 1 million on the comparable operating profit year-on-year. Unit margins also improved and had a positive impact of EUR 1 million. Oil Retail's comparable return on net assets was 47.5% (41.2%) at the end of 2016 on a rolling 12-month basis.

Oil Retail's markets grew modestly in Finland and more rapidly in the Baltic countries. Heavy duty traffic continued to recover in Finland. Russian economy affects consumer demand, but the ruble has stabilized.

Oil Retail's full-year comparable operating profit was EUR 90 million (84 million). Higher sales volumes had a positive impact of EUR 4 million and improved unit margins a positive impact of EUR 2 million on the segment's comparable operating profit year-on-year. The weaker ruble had a negative impact of EUR 1 million on the result in Northwest Russia compared to the previous year.

Sales volumes by main product categories, million liters

	10-12/16	10-12/15	7-9/16	2016	2015
Gasoline, station sales	274	278	302	1,112	1,115
Diesel, station sales	432	409	436	1,695	1,589
Heating oil	181	161	152	620	569

Net sales by market area, MEUR

	10-12/16	10-12/15	7-9/16	2016	2015
Finland	658	630	645	2,497	2,642
Northwest Russia	70	64	65	248	255
Baltic countries	207	199	214	777	821

Others

Key financials

	10-12/16	10-12/15	7-9/16	2016	2015
Comparable operating profit, MEUR	2	15	-6	-23	2
IFRS operating profit, MEUR	2	15	6	-11	0

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 2 million (15 million) in the fourth quarter; Nynas accounted for EUR 9 million (22 million) of this figure.

The full-year comparable operating profit for the Others segment totaled EUR -23 million (2 million); of which Nynas accounted for EUR 11 million (29 million). Nynas' result was 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 on 30 March 2016. The AGM adopted the company's Financial Statements and Consolidated Financial Statements for 2015, and discharged the Board of Directors and the President & CEO from liability for 2015. The AGM also approved the Board of Directors' proposal regarding the distribution of the company's profit for 2015, authorizing payment of a dividend of EUR 1.00 per share. The dividend was paid on 8 April 2016.

In accordance with the proposal made by the Shareholders' Nomination Board, the AGM confirmed the membership of the Board of Directors at seven members, and the following were re-elected to serve until the end of the next AGM: Mr Jorma Eloranta, Ms Maija-Liisa Friman, Ms Laura Raitio, Mr Jean-Baptiste Renard, Mr Willem Schoeber, Ms Kirsi Sormunen and Mr Marco Wirén. Mr Eloranta was re-elected as Chair and Ms Friman as Vice Chair.

Convening after the Annual General Meeting, Neste's Board of Directors elected the members of its two Committees. Jorma Eloranta was elected Chair and Maija-Liisa Friman and Jean-Baptiste Renard as members of the Personnel and Remuneration Committee. Marco Wirén was elected Chair and Laura Raitio, Willem Schoeber, and Kirsi Sormunen 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.

In accordance with a proposal by the Board of Directors, the AGM authorized the Board to decide on donations in the aggregate maximum amount of EUR 1,500,000 to be given to universities and higher education institutions. The donations can be made in one or more installments. The Board may decide on the donation beneficiaries and the amount of each donation. The authorization shall be in force until the closing of the next Annual General Meeting.

Shares, share trading, and ownership

Neste’s shares are traded on NASDAQ Helsinki Ltd. The share price closed the year 2016 at EUR 36.50, up by 32.1% compared to the end of 2015. The total shareholder return (TSR) was 35.7% (41.0%) in 2016. At its highest during 2016, the share price reached EUR 40.78, while the lowest daily closing price was EUR 25.42. Market capitalization was EUR 9.4 billion as of 31 December 2016. An average of 0.79 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 December 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 December 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 the end of the year, the Finnish State owned 50.1% (50.1% at the end of 2015) of outstanding shares, foreign institutions 30.3% (25.0%), Finnish institutions 10.1% (13.8%), and Finnish households 9.6% (11.1%).

Personnel

Neste employed an average of 5,013 (4,906) employees in 2016, of which 1,585 (1,553) were based outside Finland. As of the end of December, the company had 5,001 employees (4,856), of which 1,602 (1,577) were located outside Finland.

Health, safety, and the environment

Key figures

	10-12/16	10-12/15	2016	2015
TRIF*	3.0	3.1	2.8	3.3
PSER**	2.4	3.8	3.1	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.

Neste's safety performance improved towards the end of the year, but, however, the targets for 2016 were not reached. The occupational safety key performance indicator TRIF in 2016 was better than in the previous year. PSER, the main indicator for process safety, was higher than the target and higher than the 2015 result. Several short term initiatives have been started 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.

Neste’s operational environmental emissions were in substantial compliance at all sites during 2016. A total of 8 environmental non-compliance cases occurred at Neste's operations. All these cases were minor and had a limited environmental impact only. No serious environmental incidents resulting in liability occurred at Neste's refineries or other production sites. In December 2016 the Porvoo refinery was granted an amendedenvironmental permit pursuant to the EU Best Available Technology (BAT) requirements for oil refineries.

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. The company was also recognized as a world leader for corporate action on climate change, reaching the Climate A List of Carbon Disclosure Project (CDP). In December, Neste's actions to prevent deforestation received high score and Leadership-status also in the CDP Forests program 2016. Neste continued to be the only company in the energy sector to transparently report on its forest footprint as part of the globally acknowledged CDP Forests program.

Read more about the topics on Neste's website.

Research and development

Neste's R&D expenditure totaled EUR 41 million (41 million) in 2016. Expansion of the feedstock portfolio and broadening of the product portfolio also beyond fuel applications was continued. Participation in standardization group work has been active. The approval of the new paraffinic diesel standard EN 15940 in 2016 was an important step to larger scale use of 100% renewable diesel. Product development work has continued on renewable aviation fuel and new application areas, where e.g. cooperation with Ikea on bioplastics and with Avantherm on heat transfer fluids has been continued. Neste's patent portfolio in renewable feedstock, fuels and applications was further strengthened with new patents and patent applications.

Expansion of the renewable feedstock base continued to be a key research topic in 2016. Volume of waste and residue based renewable feedstock increased significantly summing up to annual total of 2.1 (1.9) million tons and accounted already for 78% (68%) of the total feed. Especially lower grade waste and residue feedstock, such as low quality animal fats, technical corn oil and used cooking oil quantities were increased. Improvements in renewable diesel production capacity enabled to reach total production of 2.2 (2.3) million tons despite of the scheduled Rotterdam turnaround in spring 2016. R&D also supported the development and optimization of both fossil and renewables refinery units, including selection of the most suitable catalysts for the catalytic units.

Main events published during 2016

On 16 March, Neste announced that the power plant arrangement between Neste, Veolia and Borealis was closed in the form it was announced in December 2015. In the arrangement, Neste will transfer its existing power plant to Kilpilahti Power Plant Limited (KPP). The company will build a new combined heat and power plant in Porvoo to match the needs of Neste and Borealis. Neste and Veolia both own 40% of KPP, and Borealis owns 20%. The total investment value of the power plant is about EUR 400 million. The plant, to be operated by Veolia, is scheduled for commissioning in 2018.

On 29 March, Neste announced that the name of the Neste Oil station network will change to Neste.

On 12 May, Neste announced that it had been informed of the State of Finland's proposed amendments to its ownership policy. The Government proposes a new lower limit of 33.4% for the implementation of strategic interest, which would be applied to Neste. The planned changes in the shareholding of the State of Finland will not have effects on Neste's business. The Finnish Parliament decides on ownership limits and changes in them.

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 14 September, 2016. He will continue as a member of the Executive Board, reporting to President and CEO Matti Lievonen. 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 2 November, Neste announced that to celebrate the 100th anniversary of Finland's independence, Neste will donate a total of EUR 1.5 million to Finnish universities. The donation will be split between Aalto University, Åbo Akademi, Lappeenranta University of Technology, and the University of Helsinki.

On 23 November, Neste announced that the US Environmental Protection Agency (EPA) had published the final ruling covering renewable fuel volume requirements for 2017 under the Renewable Fuel Standard (RFS) program. The final rule calls for further increases in the volume requirements above those in proposed rule published on 18 May 2016, and includes an increased volume requirement for biomass-based diesel for 2018.

On 30 November, Neste announced that the European Commission had published its proposal on the revised Renewable Energy Directive for the years 2021 through 2030. Neste welcomes EU's continuing commitment to long-term policies and ambitious climate targets. The goal of the Directive is to increase the proportion of renewable energy in Europe to 27 percent by 2030. The proposed Renewable Energy Directive introduces aviation and marine sectors to contribute to the climate effort. The proposal will next be considered by the European Council and the European Parliament.

On 15 December, Neste announced that Christian Ståhlberg, M.Sc. (Laws), had been appointed as General Counsel of Neste Corporation and member of the Neste Executive Board. He will join Neste on 1 July 2017, at the latest, and will report to President and CEO Matti Lievonen.

On 27 December, Neste announced that it had signed an agreement with Electrawinds ReFuel B.V. on the acquisition of a former biodiesel plant in Sluiskil in the Netherlands. Neste intends to use the Sluiskil plant for the storage and pre-treatment of renewable raw materials for the company's renewable diesel refineries. The aim is to complete the transaction during the first quarter of 2017. The purchase price is not disclosed.

Events after the reporting period

On 2 January, 2017, Neste announced the following change in membership in Neste's Shareholders' Nomination Board: Due to the retirement of Liisa Hyssälä, the new Director General of Kela, Elli Aaltonen, has succeeded her as a member of the Neste's Shareholders' Nomination Board on 1 January 2017.

On 27 January, 2017, 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 proposes 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 proposes that Mr. Kähkönen should be elected as the Vice Chair of the Board.

Potential risks

There have been no significant changes in Neste´s short-term risks or uncertainties since the end of 2015.

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 for 2017

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, leading to a stronger crude market. 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 quite similar to that in 2016 on average. 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. We are targeting at least USD 5.5/bbl additional margin after mid-2017 as the ongoing strategic investments in the Porvoo Solvent Deasphalting (SDA) unit and the Naantali configuration change are completed.

Renewable Products' reference margin is expected to be at approximately the average level of the year 2016. Neste continues to optimize sales allocation based on the total margin, and we have new attractive markets in Europe. For example, Norway has set a biofuel target in traffic growing from 7.5% in 2017 to 20% in 2020. California continues to be an important market for Neste. 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. The completed acquisition of the new feedstock pretreatment and storage facility in the Netherlands will support this goal. A new nameplate capacity of 2.6 million tons is effective 1 January, 2017, and utilization rates of our renewable diesel facilities are expected to be high. Our production costs have been reduced and we lower our variable production cost guidance from USD 130 to USD 110/ton.

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

Neste will continue to implement its global renewables growth strategy. The global demand for renewable products is expected to continue growing globally. Neste's renewables capacity increase program will include both debottlenecking of the existing production capacity to 3 million tons by 2020, and building of new capacity. We are currently evaluating the feasibility of options to invest in new production capacity. The options under review include locations in the US and Singapore.

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.

Dividend distribution proposal

Neste's dividend policy is to distribute at least 40 percent of its comparable net profit in the form of a dividend. The parent company's distributable equity as of 31 December 2016 amounted to EUR 1,670 million, and there have been no material changes in the company's financial position since the end of the financial year. The Board of Directors will propose to the Annual General Meeting that Neste Corporation pays a cash dividend of EUR 1.30 per share (1.00) for 2016, totaling EUR 332 million (256 million) based on the number of outstanding shares.

The proposed dividend represents a yield of 3.6% (at year-end 2016 share price of EUR 36.50) and 42% of the comparable net profit in 2016.

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

Neste will publish its first-quarter results on 27 April 2017 at approximately 9:00 a.m. EET.

Espoo, 6 February 2017

Neste Corporation
Board of Directors

Further information:

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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 2016 results will be held today, 7 February 2017, at 11:30 a.m. EET at the company's headquarters at Keilaranta 21, Espoo. www.neste.com will feature English versions of the presentation materials. A conference call in English for investors and analysts will be held on 7 February 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 1621, Europe: +44 (0)20 3427 1918, and US: +1 646 254 3360, using access code 4114183. The conference call can be followed at the company's web site. An instant replay of the call will be available until 14 February 2017 at +358 (0)9 2310 1650 for Finland, at +44 (0)20 3427 0598 for Europe, and +1 347 366 9565 for the US, using access code 4114183.

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 - DECEMBER 2016
The financial statements release is unaudited

FINANCIAL STATEMENT SUMMARY AND NOTES TO THE FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF INCOME

MEUR	Note	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Revenue	3	**3,421**	2,759	**11,689**	11,131
Other income		**14**	8	**71**	109
Share of profit (loss) of joint ventures		**10**	22	**14**	27
Materials and services		**-2,840**	-2,248	**-9,519**	-9,539
Employee benefit costs		**-96**	-96	**-349**	-351
Depreciation, amortization and impairments	3	**-94**	-110	**-366**	-358
Other expenses		**-113**	-89	**-386**	-320
Operating profit		**302**	245	**1,155**	699
Financial income and expenses					
Financial income		**2**	0	**4**	2
Financial expenses		**-18**	-25	**-67**	-84
Exchange rate and fair value gains and losses		**12**	-1	**-17**	16
Total financial income and expenses		**-4**	-26	**-79**	-65
Profit before income taxes		**297**	219	**1,075**	634
Income tax expense		**-35**	-10	**-133**	-74
Profit for the period		**262**	209	**943**	560
Profit attributable to:					
Owners of the parent		**262**	208	**939**	558
Non-controlling interests		**1**	1	**4**	3
		262	209	**943**	560
Earnings per share from profit attributable to the owners of the parent (in euro per share)					
Basic earnings per share		**1.02**	0.81	**3.67**	2.18
Diluted earnings per share		**1.02**	0.81	**3.66**	2.18

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MEUR	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Profit for the period	**262**	209	**943**	560
Other comprehensive income net of tax:				
Items that will not be reclassified to profit or loss				
Remeasurements on defined benefit plans	**-9**	25	**-21**	30
Items that may be reclassified subsequently to profit or loss				
Translation differences	**9**	-2	**6**	1
Cash flow hedges				
recorded in equity	**-33**	-10	**-20**	-71
transferred to income statement	**1**	19	**6**	97
Net investment hedges	**0**	0	**0**	1
Share of other comprehensive income of investments accounted for using the equity method	**-4**	-4	**-9**	-9
Total	**-27**	4	**-17**	20
Other comprehensive income for the period, net of tax	**-37**	29	**-38**	50
Total comprehensive income for the period	**226**	237	**905**	611
Total comprehensive income attributable to:				
Owners of the parent	**225**	237	**902**	608
Non-controlling interests	**1**	1	**4**	3
	226	237	**905**	611

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MEUR	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Intangible assets	6	**87**	71
Property, plant and equipment	6	**3,747**	3,745
Investments in joint ventures		**216**	220
Non-current receivables		**55**	10
Deferred tax assets		**39**	29
Derivative financial instruments	8	**9**	11
Available-for-sale financial assets		**5**	5
Total non-current assets		**4,157**	4,090
Current assets			
Inventories		**1,416**	1,090
Trade and other receivables		**1,034**	870
Derivative financial instruments	8	**48**	99
Cash and cash equivalents		**788**	596
Total current assets		**3,285**	2,655
Assets classified as held for sale [1)]		**0**	47
Total assets		**7,443**	6,793
EQUITY			
Capital and reserves attributable to the owners of the parent			
Share capital		**40**	40
Other equity	2	**3,693**	3,044
Total		**3,733**	3,084
Non-controlling interest		**22**	20
Total equity		**3,755**	3,104
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities		**1,117**	1,449
Deferred tax liabilities		**246**	265
Provisions		**53**	39
Pension liabilities		**136**	113
Derivative financial instruments	8	**2**	6
Other non-current liabilities		**11**	6
Total non-current liabilities		**1,565**	1,878
Current liabilities			
Interest-bearing liabilities		**354**	438
Current tax liabilities		**40**	21
Derivative financial instruments	8	**164**	45
Trade and other payables		**1,565**	1,307
Total current liabilities		**2,123**	1,811
Total liabilities		**3,688**	3,689
Total equity and liabilities		**7,443**	6,793

[1)] 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	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Cash flow from operating activities				
Profit before income taxes	**297**	219	**1,075**	634
Adjustments, total	**96**	110	**538**	319
Change in working capital	**43**	36	**-229**	-94
Cash generated from operations	**436**	366	**1,385**	858
Finance cost, net	**8**	-9	**-56**	-88
Income taxes paid	**-50**	23	**-137**	-27
Net cash generated from operating activities	**394**	380	**1,193**	743
Cash flows from investing activities				
Capital expenditure	**-116**	-79	**-407**	-505
Proceeds from sales of shares in subsidiaries	**0**	0	**0**	171
Proceeds from sales of fixed assets	**1**	1	**40**	26
Changes in non-current receivables and available-for-sale financial assets	**-11**	-1	**9**	44
Cash flows from investing activities	**-127**	-79	**-359**	-263
Cash flow before financing activities	**267**	300	**834**	480
Cash flows from financing activities				
Net change in loans and other financing activities	**-3**	-43	**-387**	39
Dividends paid to the owners of the parent	**0**	0	**-256**	-166
Dividends paid to non-controlling interests	**0**	0	**-1**	-1
Cash flows from financing activities	**-3**	-43	**-644**	-128
Net increase (+)/decrease (-) in cash and cash equivalents	**265**	257	**191**	352

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 2015	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					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
Total equity at 31 December 2015	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
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					**-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**

KEY FIGURES

	31 Dec 2016	31 Dec 2015
EBITDA, MEUR	**1,521**	1,057
Comparable EBITDA, MEUR	**1,349**	1,284
Capital employed, MEUR	**5,226**	4,991
Interest-bearing net debt, MEUR	**683**	1,291
Capital expenditure and investment in shares, MEUR	**422**	536
Return on average capital employed, after tax, ROACE %	**16.9**	16.3
Return on capital employed, pre-tax, ROCE % *)	**22.6**	14.7
Return on equity % **)	**28.1**	19.7
Equity per share, EUR	**14.60**	12.06
Cash flow per share, EUR	**4.67**	2.91
Price/earnings ratio (P/E)	**9.94**	12.66
Earnings per share (EPS), EUR	**3.67**	2.18
Comparable earnings per share, EUR	**3.10**	2.84
Comparable net profit, MEUR	**793**	726
Equity-to-assets ratio, %	**50.6**	46.1
Leverage ratio, %	**15.4**	29.4
Gearing, %	**18.2**	41.6
Dividend per share	**1.30** [1)]	1.0
Dividend payout ratio, %	**35.4** [1)]	45.8
Dividend yield, %	**3.6** [1)]	3.6
Average number of shares	**255,696,935**	255,568,717
Outstanding number of shares at the end of the period	**255,717,112**	255,605,219
Average number of personnel	**5,013**	4,906

[1)] Board of Directors proposal to the Annual General Meeting

[*)] 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.

[**)] 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.

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

MEUR	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Oil Products	**2,159**	1,756	**7,395**	7,467
Renewable Products	**870**	711	**2,690**	2,372
Oil Retail	**964**	898	**3,552**	3,748
Others	**77**	71	**294**	267
Eliminations	**-649**	-678	**-2,241**	-2,724
Total	**3,421**	2,759	**11,689**	11,131

OPERATING PROFIT

MEUR	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Oil Products	**126**	2	**563**	389
Renewable Products	**158**	218	**518**	233
Oil Retail	**19**	13	**89**	79
Others	**2**	15	**-11**	0
Eliminations	**-3**	-3	**-5**	-2
Total	**302**	245	**1,155**	699

COMPARABLE OPERATING PROFIT

MEUR	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Oil Products	**98**	91	**453**	439
Renewable Products	**146**	231	**469**	402
Oil Retail	**19**	17	**90**	84
Others	**2**	15	**-23**	2
Eliminations	**-3**	-3	**-6**	-2
Total	**262**	352	**983**	925

DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

MEUR	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Oil Products	**53**	69	**217**	216
Renewable Products	**31**	24	**109**	95
Oil Retail	**6**	13	**22**	31
Others	**5**	4	**18**	17
Eliminations	**0**	0	**0**	0
Total	**94**	110	**366**	358

CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES

MEUR	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Oil Products	**86**	69	**249**	453
Renewable Products	**31**	8	**104**	28
Oil Retail	**13**	23	**31**	37
Others	**16**	6	**38**	17
Eliminations	**0**	0	**0**	0
Total	**146**	106	**422**	536

TOTAL ASSETS

MEUR	31 Dec 2016	31 Dec 2015
Oil Products	**3,581**	3,300
Renewable Products	**2,191**	2,145
Oil Retail	**545**	439
Others	**502**	461
Unallocated assets	**933**	684
Eliminations	**-310**	-237
Total	**7,443**	6,793

NET ASSETS

MEUR	31 Dec 2016	31 Dec 2015
Oil Products	**2,424**	2,320
Renewable Products	**1,811**	1,884
Oil Retail	**196**	184
Others	**249**	269
Eliminations	**-12**	-7
Total	**4,667**	4,650

TOTAL LIABILITIES

MEUR	31 Dec 2016	31 Dec 2015
Oil Products	**1,157**	980
Renewable Products	**380**	261
Oil Retail	**350**	255
Others	**253**	193
Unallocated liabilities	**1,845**	2,230
Eliminations	**-297**	-230
Total	**3,688**	3,689

RETURN ON NET ASSETS, %

	31 Dec 2016	31 Dec 2015
Oil Products	**23.2**	16.2
Renewable Products	**28.6**	12.6
Oil Retail	**47.3**	38.9

COMPARABLE RETURN ON NET ASSETS, %

	31 Dec 2016	31 Dec 2015
Oil Products	**18.7**	18.2
Renewable Products	**25.9**	21.8
Oil Retail	**47.5**	41.2

QUARTERLY SEGMENT INFORMATION

QUARTERLY REVENUE

MEUR	10-12/2016	7-9/2016	4-6/2016	1-3/2016	10-12/2015	7-9/2015	4-6/2015	1-3/2015
Oil Products	**2,159**	**1,961**	**1,916**	**1,359**	1,756	2,060	1,675	1,976
Renewable Products	**870**	**640**	**596**	**584**	711	582	583	496
Oil Retail	**964**	**925**	**886**	**776**	898	991	976	882
Others	**77**	**73**	**75**	**70**	71	60	74	62
Eliminations	**-649**	**-564**	**-546**	**-482**	-678	-670	-704	-672
Total	**3,421**	**3,034**	**2,927**	**2,306**	2,759	3,023	2,605	2,744

QUARTERLY OPERATING PROFIT

MEUR	10-12/2016	7-9/2016	4-6/2016	1-3/2016	10-12/2015	7-9/2015	4-6/2015	1-3/2015
Oil Products	**126**	**125**	**218**	**95**	2	119	42	226
Renewable Products	**158**	**162**	**48**	**150**	218	12	11	-7
Oil Retail	**19**	**25**	**23**	**22**	13	27	22	17
Others	**2**	**6**	**-8**	**-11**	15	-1	-14	0
Eliminations	**-3**	**0**	**-1**	**-2**	-3	1	3	-3
Total	**302**	**319**	**280**	**254**	245	158	63	233

QUARTERLY COMPARABLE OPERATING PROFIT

MEUR	10-12/2016	7-9/2016	4-6/2016	1-3/2016	10-12/2015	7-9/2015	4-6/2015	1-3/2015
Oil Products	**98**	**120**	**149**	**86**	91	178	14	156
Renewable Products	**146**	**124**	**119**	**80**	231	75	54	42
Oil Retail	**19**	**25**	**23**	**22**	17	27	22	17
Others	**2**	**-6**	**-8**	**-11**	15	-1	-14	3
Eliminations	**-3**	**0**	**-1**	**-2**	-3	1	3	-3
Total	**262**	**264**	**282**	**175**	352	281	78	215

QUARTERLY DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

MEUR	10-12/2016	7-9/2016	4-6/2016	1-3/2016	10-12/2015	7-9/2015	4-6/2015	1-3/2015
Oil Products	**53**	**56**	**54**	**53**	69	53	49	45
Renewable Products	**31**	**26**	**29**	**24**	24	24	24	22
Oil Retail	**6**	**5**	**5**	**5**	13	6	6	6
Others	**5**	**5**	**4**	**4**	4	4	4	4
Eliminations	**0**	**0**	**0**	**0**	0	0	0	0
Total	**94**	**93**	**92**	**87**	110	87	83	78

QUARTERLY CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES

MEUR	10-12/2016	7-9/2016	4-6/2016	1-3/2016	10-12/2015	7-9/2015	4-6/2015	1-3/2015
Oil Products	**86**	**54**	**66**	**44**	69	64	233	87
Renewable Products	**31**	**16**	**38**	**19**	8	7	5	8
Oil Retail	**13**	**9**	**7**	**3**	23	6	5	4
Others	**16**	**8**	**8**	**6**	6	4	4	3
Eliminations	**0**	**0**	**0**	**0**	0	0	0	0
Total	**146**	**88**	**118**	**71**	106	81	248	101

QUARTERLY NET ASSETS

MEUR	10-12/2016	7-9/2016	4-6/2016	1-3/2016	10-12/2015	7-9/2015	4-6/2015	1-3/2015
Oil Products	**2,424**	**2,443**	**2,451**	**2,484**	2,320	2,568	2,547	2,439
Renewable Products	**1,811**	**1,803**	**1,735**	**1,828**	1,884	1,689	1,814	1,930
Oil Retail	**196**	**208**	**192**	**164**	184	190	226	220
Others	**249**	**249**	**260**	**7**	269	219	201	190
Eliminations	**-12**	**-9**	**-10**	**-10**	-7	-3	-5	-7
Total	**4,667**	**4,693**	**4,628**	**4,474**	4,650	4,663	4,782	4,771

4. RECONCILIATION OF KEY FIGURES TO IFRS FINANCIAL STATEMENTS

RECONCILIATION BETWEEN COMPARABLE OPERATING PROFIT AND OPERATING PROFIT (IFRS)

Group

MEUR	10-12/2016	10-12/2015	7-9/2016	1-12/2016	1-12/2015
COMPARABLE OPERATING PROFIT	262	352	264	983	925
inventory gains/losses	51	-91	18	280	-263
changes in the fair value of open commodity and currency derivatives	-11	7	24	-118	-15
capital gains and losses	0	0	12	23	76
insurance and other compensations	0	0	0	0	0
other adjustments	0	-22	0	-13	-25
OPERATING PROFIT (IFRS)	302	245	319	1,155	699

Oil Products

MEUR	10-12/2016	10-12/2015	7-9/2016	1-12/2016	1-12/2015
COMPARABLE OPERATING PROFIT	98	91	120	453	439
inventory gains/losses	15	-77	8	157	-143
changes in the fair value of open commodity and currency derivatives	12	5	-3	-57	35
capital gains and losses	0	0	0	11	76
insurance and other compensations	0	0	0	0	0
other adjustments	0	-17	0	0	-17
OPERATING PROFIT (IFRS)	126	2	125	563	389

Renewable Products

MEUR	10-12/2016	10-12/2015	7-9/2016	1-12/2016	1-12/2015
COMPARABLE OPERATING PROFIT	146	231	124	469	402
inventory gains/losses	35	-15	10	123	-119
changes in the fair value of open commodity and currency derivatives	-23	1	28	-60	-50
capital gains and losses	0	0	0	0	0
insurance and other compensations	0	0	0	0	0
other adjustments	0	0	0	-13	0
OPERATING PROFIT (IFRS)	158	218	162	518	233

Oil Retail

MEUR	10-12/2016	10-12/2015	7-9/2016	1-12/2016	1-12/2015
COMPARABLE OPERATING PROFIT	19	17	25	90	84
inventory gains/losses	0	0	0	0	0
changes in the fair value of open commodity and currency derivatives	0	0	0	0	0
capital gains and losses	0	0	0	0	0
insurance and other compensations	0	0	0	0	0
other adjustments	0	-5	0	0	-5
OPERATING PROFIT (IFRS)	19	13	25	89	79

Others

MEUR	10-12/2016	10-12/2015	7-9/2016	1-12/2016	1-12/2015
COMPARABLE OPERATING PROFIT	2	15	-6	-23	2
inventory gains/losses	0	0	0	0	0
changes in the fair value of open commodity and currency derivatives	0	0	0	0	0
capital gains and losses	0	0	12	12	0
insurance and other compensations	0	0	0	0	0
other adjustments	0	0	0	0	-3
OPERATING PROFIT (IFRS)	2	15	6	-11	0

RECONCILIATION BETWEEN COMPARABLE OPERATING PROFIT AND COMPARABLE NET PROFIT

MEUR	10-12/2016	10-12/2015	1-12/2016	1-12/2015
COMPARABLE OPERATING PROFIT	262	352	983	925
total financial income and expenses	-4	-26	-79	-65
income tax expense	-35	-10	-133	-74
non-controlling interests	-1	-1	-4	-3
tax on items affecting comparability	6	-20	26	-58
COMPARABLE NET PROFIT	228	295	793	726

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

MEUR	31 Dec 2016	31 Dec 2015
COMPARABLE OPERATING PROFIT, LAST 12 MONTHS	983	925
financial income	4	2
exchange rate and fair value gains and losses	-17	16
income tax expense	-133	-74
tax on other items affecting ROACE	16	-74
Comparable net profit, net of tax	853	796
Capital employed average	5,047	4,883
RETURN ON CAPITAL EMPLOYED, AFTER TAX (ROACE), %	16.9	16.3

RECONCILIATION OF EQUITY-TO-ASSETS RATIO, %

MEUR	31 Dec 2016	31 Dec 2015
Total equity	3,755	3,104
Total assets	7,443	6,793
Advances received	18	56
EQUITY-TO-ASSETS RATIO, %	50.6	46.1

5. ACQUISITIONS AND DISPOSALS

On 2 January, 2015 Neste sold all shares of Kilpilahden Sähkönsiirto 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 Kilpilahden Sähkönsiirto Oy

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

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

CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT MEUR	31 Dec 2016	31 Dec 2015
Opening balance	**3,816**	3,729
Depreciation, amortization and impairments	**-366**	-358
Capital expenditure	**422**	536
Disposals	**-49**	-39
Assets classified as held for sale	**0**	-47
Translation differences	**10**	-5
Closing balance	**3,833**	3,816

CAPITAL COMMITMENTS MEUR	31 Dec 2016	31 Dec 2015
Commitments to purchase property, plant and equipment	**26**	84
Total	**26**	84

7. INTEREST-BEARING NET DEBT AND LIQUIDITY

Interest-bearing net debt MEUR	31 Dec 2016	31 Dec 2015
Short-term interest-bearing liabilities	**354**	438
Long-term interest-bearing liabilities	**1,117**	1,449
Interest-bearing liabilities	**1,471**	1,888
Cash and cash equivalents [1)]	**-788**	-596
Interest-bearing net debt	**683**	1,291

[1)] includes interest-bearing receivables EUR 86 million on 31 December 2016

Liquidity, unused committed credit facilities and debt programs MEUR	31 Dec 2016	31 Dec 2015
Cash and cash equivalents	**788**	596
Unused committed credit facilities	**1,650**	1,650
Total	**2,438**	2,246
In addition: Unused commercial paper program (uncommitted)	**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	**31 Dec 2016** **Nominal value**	 **Net fair value**	31 Dec 2015 Nominal value	 Net fair value
Interest rate swaps				
Hedge accounting	**350**	**6**	600	13
Non-hedge accounting	**0**	**0**	0	0
Currency derivatives				
Hedge accounting	**1,730**	**-44**	1,088	-17
Non-hedge accounting	**1,132**	**-13**	996	0

Commodity derivative contracts	**31 Dec 2016** **Volume GWh**	 **Volume million bbl**	 **Net fair value MEUR**	31 Dec 2015 Volume GWh	 Volume million bbl	 Net fair value MEUR
Sales contracts						
Hedge accounting	**0**	**0**	**0**	0	0	0
Non-hedge accounting	**0**	**27**	**-89**	0	16	69
Purchase contracts						
Hedge accounting	**0**	**0**	**0**	0	0	0
Non-hedge accounting	**2,381**	**18**	**31**	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 December 31, 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
Non-current financial assets							
Non-current receivables			**55**			**55**	
Derivative financial instruments	**8**	**1**				**9**	**9**
Available-for-sale financial assets				**5**		**5**	
Current financial assets							
Trade and other receivables, excluding non-financial assets			**1,029**			**1,029**	
Derivative financial instruments	**2**	**46**				**48**	**48**
Cash and cash equivalents			**788**			**788**	
Carrying amount by category	**10**	**47**	**1,873**	**5**	**0**	**1,934**	**56**
Non-current financial liabilities							
Interest-bearing liabilities					**1,117**	**1,117**	**1,172**
Derivative financial instruments	**2**	**0**				**2**	**2**
Other non-current liabilities					**11**	**11**	
Current financial liabilities							
Interest-bearing liabilities					**354**	**354**	**355**
Derivative financial instruments	**46**	**118**				**164**	**164**
Trade and other payables, excluding non-financial liabilities					**1,565**	**1,565**	
Carrying amount by category	**48**	**118**	**0**	**0**	**3,047**	**3,213**	**1,694**

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	9	0	9
Non-current available-for-sale financial assets	0	0	5	5
Current derivative financial instruments	0	47	0	48

Financial liabilities	Level 1	Level 2	Level 3	Total
Non-current derivative financial instruments	0	2	0	2
Current derivative financial instruments	48	116	0	164

During the twelve-month period ended 31 December 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 Kilpilahti 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%). Kilpilahti 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 Kilpilahti 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 Kilpilahti 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 Kilpilahti Power Plant Ltd to secure the joint venture's credit facilities. These pledges have been presented in Note 10 'Contingent liabilities'.

Transactions carried out with joint arrangements and other related parties	**31 Dec 2016**	31 Dec 2015
Sales of goods and services	**173**	111
Purchases of goods and services	**158**	64
Receivables	**82**	17
Financial income and expenses	**0**	0
Liabilities	**10**	1

10. CONTINGENT LIABILITIES

MEUR	**31 Dec 2016**	31 Dec 2015
Contingent liabilities		
On own behalf for commitments		
Real estate mortgages	**17**	17
Pledged assets	**116**	116
Other contingent liabilities	**48**	42
Total	**182**	175
On behalf of joint arrangements		
Pledged assets	**46**	0
Guarantees	**1**	1
Total	**47**	1
On behalf of others		
Guarantees	**2**	2
Other contingent liabilities	**0**	2
Total	**2**	3
Total	**230**	179

MEUR	**31 Dec 2016**	31 Dec 2015
Operating lease liabilities		
Due within one year	**79**	72
Due between one and five years	**80**	61
Due later than five years	**78**	75
Total	**237**	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 [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 [2]
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 [2]
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 for the period attributable to the owners of the parent / 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) [3]
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] 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.

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

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