26 October 2017

# Neste Corporation
# **Interim Report**
# January-September 2017

# Neste's Interim Report for January-September 2017

## Excellent quarter - strong performance in all business areas

### Third quarter in brief:

- Comparable operating profit totaled EUR 350 million (EUR 264 million)
- Operating profit totaled EUR 339 million (EUR 319 million)
- Oil Products' total refining margin was USD 11.96/bbl (USD 9.40/bbl)
- Renewable Products' comparable sales margin was USD 435/ton (USD 375/ton)
- Cash flow before financing activities was EUR 283 million (EUR 147 million)

### January-September in brief:

- Comparable operating profit totaled EUR 790 million (EUR 721 million)
- Operating profit totaled EUR 875 million (EUR 853 million)
- Cash flow before financing activities was EUR 340 million (EUR 567 million)
- Return on average capital employed (ROACE) was 17.3% over the last 12 months (2016: 16.9%)
- Leverage ratio was 14.1% at the end of September (31 Dec 2016: 15.4%)
- Comparable earnings per share: EUR 2.32 (EUR 2.21)
- Earnings per share: EUR 2.60 (EUR 2.65)

### President & CEO Matti Lievonen:

"Neste's strong performance continued in the third quarter, and we are on track to deliver a very successful year 2017. Oil Products' results were supported by a healthy refining margin environment and operational performance. Renewable Products was able to exceed last year's very good performance with higher sales volumes and strong additional margin, which we indicated in our Capital Markets Day communication in September. Marketing & Services continued to improve its profitability and delivered a strong quarterly operating profit. Neste recorded a comparable operating profit of EUR 350 million during the third quarter, compared to EUR 264 million in the corresponding period of 2016.

Oil Products posted a comparable operating profit of EUR 158 million, compared to EUR 120 million in the third quarter of 2016. The refining market was strong driven by good product demand and refinery outages particularly in the US. Reference margin averaged USD 7.2/bbl, which was USD 3.3/bbl higher than in the corresponding period last year. The Porvoo refinery operated at a high 97% utilization rate. Despite the major turnaround held at the Naantali unit during the quarter, we were able to reach a solid additional margin of USD 4.8/bbl. The strategic refinery investments were completed in October, which will further support the additional margin going forward to reach our average additional margin target of at least USD 5.5/bbl.

Renewable Products recorded a comparable operating profit of EUR 171 million, compared to EUR 124 million in the third quarter of 2016. The segment was able to reach an excellent result through higher sales volumes and very successful margin management. The reference margin was over 10% higher than in the third quarter of 2016, and also the additional margin exceeded last year's high level. The share of European sales volumes was 73%, while the share of North American sales was 27%. Operational performance was high as the renewable diesel production facilities operated at 99% utilization rate. The share of waste and residue feedstock was 77% of total renewable inputs.

In Marketing & Services our sales volumes and unit margins were maintained at the previous year's third quarter level. The segment generated a comparable operating profit of EUR 27 million, compared to EUR 25 million in the third quarter of 2016.

Neste expects the Oil Products' reference refining margin to decrease from the peak levels seen during the third quarter, reflecting the end of the driving season. However, the reference margin is expected to remain strong for the season, supported by a healthy global distillates demand. The annual average reference margin for 2017 is expected to be above the previous year's level. The Porvoo refinery is expected to run at a high utilization rate, except for a scheduled four-week decoking maintenance at the Production Line 4 during the fourth quarter. At the Naantali unit the major two-month turnaround and finalization of the conversion changes were completed according to schedule in mid-October.

The Renewable Products' additional margin is expected to stay at a good level during the fourth quarter. Sales volumes of the 100% renewable diesel delivered to end-users are expected to grow from 15% in 2016 and we target to reach 25% of the total sales volumes in 2017. The vegetable oil market is expected to remain volatile, and Neste aims to expand the use of lower-quality waste and residue feedstock. Utilization rates of our renewable diesel facilities are expected to be high, except for a two-week shutdown of the Singapore refinery due to a hydrogen supplier's planned maintenance outage in November. The biopropane unit at the Rotterdam refinery is getting ready for the first product deliveries.

In Marketing & Services the sales volumes and unit margins are expected to follow the previous years' seasonality pattern.

The year has continued well, and we expect the year 2017 to be very successful for Neste."

# Neste's Interim Report, 1 January - 30 September 2017

The Interim Report is unaudited.

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

## Key Figures

EUR million (unless otherwise noted)

| | 7-9/17 | 7-9/16 | 4-6/17 | 1-9/17 | 1-9/16 | 2016 |
|---|---|---|---|---|---|---|
| Revenue | 3,229 | 3,034 | 3,280 | 9,580 | 8,268 | 11,689 |
| EBITDA | 431 | 411 | 357 | 1,148 | 1,125 | 1,521 |
| Comparable EBITDA* | 442 | 357 | 328 | 1,063 | 993 | 1,349 |
| Operating profit | 339 | 319 | 264 | 875 | 853 | 1,155 |
| Comparable operating profit* | 350 | 264 | 236 | 790 | 721 | 983 |
| Profit before income taxes | 331 | 294 | 240 | 807 | 778 | 1,075 |
| Net profit | 268 | 253 | 200 | 669 | 681 | 943 |
| Comparable net profit | 276 | 206 | 175 | 594 | 566 | 793 |
| Earnings per share, EUR | 1.04 | 0.99 | 0.78 | 2.60 | 2.65 | 3.67 |
| Comparable earnings per share**, EUR | 1.08 | 0.80 | 0.68 | 2.32 | 2.21 | 3.10 |
| Investments | 144 | 88 | 122 | 364 | 277 | 422 |
| Net cash generated from operating activities | 390 | 206 | 216 | 650 | 799 | 1,193 |

| | 30 Sep 2017 | 30 Sep 2016 | 31 Dec 2016 |
|---|---|---|---|
| Total equity | 4,120 | 3,529 | 3,755 |
| Interest-bearing net debt | 674 | 964 | 683 |
| Capital employed | 5,289 | 5,016 | 5,226 |
| Return on average capital employed after tax (ROACE), % | 17.3 | 18.6 | 16.9 |
| Equity per share, EUR | 16.11 | 13.72 | 14.60 |
| Leverage ratio, % | 14.1 | 21.4 | 15.4 |

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

** Comparable net profit is calculated by deducting 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 is based on comparable net profit.

***Last 12 months

## The Group's third-quarter 2017 results

Neste's revenue in the third quarter totaled EUR 3,229 million (3,034 million). The increase mainly resulted from higher sales prices, which had a positive impact of approx. EUR 300 million on the revenue. A weaker USD exchange rate had a negative impact of almost EUR 100 million. The Group's comparable operating profit was EUR 350 million (264 million). Oil Products' result was higher than in the third quarter of 2016, mainly due to the higher reference margin and operational performance. Renewable Products' sales volumes and reference margin were higher than last year. Marketing & Services continued to improve its performance and had a higher comparable operating profit compared to the third quarter of 2016. The Others segment's comparable operating profit also exceeded the level of the corresponding period of 2016.

Oil Products' third-quarter comparable operating profit was EUR 158 million (120 million), Renewable Products' EUR 171 million (124 million), and Marketing & Services' EUR 27 million (25 million). The comparable operating profit of the Others segment totaled EUR -2 million (-6 million); Nynas accounted for EUR 3 million (-3 million) of this figure.

The Group's operating profit was EUR 339 million (319 million), which was impacted by inventory gains of EUR 61 million (18 million), and changes in the fair value of open commodity and currency derivatives of EUR -68 million (24 million), mainly related to hedging of inventories. Profit before income taxes was EUR 331 million (294 million), and net profit EUR 268 million (253 million). Comparable earnings per share were EUR 1.08 (0.80), and earnings per share EUR 1.04 (0.99).

## The Group's January-September 2017 results

Neste's revenue during the first nine months totaled EUR 9,580 million (8,268 million). The revenue increase mainly resulted from higher sales prices, which had a positive impact of approx. EUR 1,100 million. Higher sales volumes increased the revenue by approx. EUR 200 million. The Group's comparable operating profit was EUR 790 million (721 million). Oil Products' result was positively impacted by a higher reference margin compared to the corresponding period last year. Renewable Products' higher reference margin and sales volumes compensated the effect of lower additional margin, which was mainly due to expiry of the US Blender's Tax Credit at the end of 2016. Marketing & Services' result has been negatively impacted by lower unit margins. The Others segment recorded a similar comparable operating profit as in the first nine months of 2016.

Oil Products' nine-month comparable operating profit was EUR 406 million (355 million), Renewable Products' EUR 352 million (323 million), and Marketing & Services' EUR 57 million (70 million). The comparable operating profit of the Others segment totaled EUR -24 million (-25 million); Nynas accounted for EUR -5 million (2 million) of this figure.

The Group's operating profit was EUR 875 million (853 million), which was impacted by inventory gains totaling EUR 33 million (229 million), and changes in the fair value of open commodity and currency derivatives totaling EUR 37 million (-107 million), mainly related to hedging of inventories. Profit before income taxes was EUR 807 million (778 million), and net profit EUR 669 million (681 million). Comparable earnings per share were EUR 2.32 (2.21), and earnings per share EUR 2.60 (2.65).

| | 7-9/17 | 7-9/16 | 4-6/17 | 1-9/17 | 1-9/16 | 2016 |
|---|---|---|---|---|---|---|
| COMPARABLE OPERATING PROFIT | 350 | 264 | 236 | 790 | 721 | 983 |
| - inventory gains/losses | 61 | 18 | -70 | 33 | 229 | 280 |
| - changes in the fair value of open commodity and currency derivatives | -68 | 24 | 82 | 37 | -107 | -118 |
| - capital gains/losses | 0 | 12 | 0 | 3 | 23 | 23 |
| - insurance and other compensations | 0 | 0 | 0 | 0 | 0 | 0 |
| - other adjustments | -4 | 0 | 17 | 13 | -13 | -13 |
| OPERATING PROFIT | 339 | 319 | 264 | 875 | 853 | 1,155 |

Variance analysis (comparison to corresponding period), MEUR

| | 7-9 | 1-9 |
|---|---|---|
| Comparable operating profit, 2016 | 264 | 721 |
| Sales volumes | 22 | 83 |
| Reference margin | 107 | 173 |
| Additional margin | -25 | -143 |
| Currency exchange | -21 | 5 |
| Fixed costs | -11 | -31 |
| Others | 14 | -16 |
| Comparable operating profit, 2017 | 350 | 790 |

Variance analysis by segment (comparison to corresponding period), MEUR

| | 7-9 | 1-9 |
|---|---|---|
| Group comparable operating profit, 2016 | 264 | 721 |
| Oil Products | 38 | 51 |
| Renewable Products | 47 | 28 |
| Marketing & Services | 1 | -13 |
| Others including eliminations | 0 | 2 |
| Group comparable operating profit, 2017 | 350 | 790 |

## 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 was recently revised to below 40%. At the end of September, ROACE calculated over the last 12 months was maintained over the target level, and leverage ratio remained in the targeted area.

| | 30 Sep 2017 | 30 Sep 2016 | 31 Dec 2016 |
|---|---|---|---|
| Return on average capital employed after tax (ROACE)*, % | 17.3 | 18.6 | 16.9 |
| Leverage ratio (net debt to capital), % | 14.1 | 21.4 | 15.4 |

*Last 12 months

## Cash flow, investments and financing

The Group’s net cash generated from operating activities totaled EUR 650 million (799 million) during the first nine months of 2017. The difference mainly resulted from Blender's Tax Credit payments concerning the full-year 2015 and year 2016 received during the first half of 2016. The increased finance costs also included one-off costs related to the partial repurchase of existing bonds during the second quarter. Cash flow before financing activities was EUR 340 million (567 million). The Group's net working capital in days outstanding was 30.7 days (30.0 days) on a rolling 12-month basis at the end of the third quarter.

| | 7-9/17 | 7-9/16 | 4-6/17 | 1-9/17 | 1-9/16 | 2016 |
|---|---|---|---|---|---|---|
| EBITDA | 431 | 411 | 357 | 1,148 | 1,125 | 1,521 |
| Capital gains/losses | 0 | -13 | 0 | -3 | -27 | -28 |
| Other adjustments | 69 | -18 | -81 | -34 | 123 | 121 |
| Change in working capital | -80 | -85 | 59 | -249 | -271 | -229 |
| Finance cost, net | 20 | -40 | -68 | -99 | -64 | -56 |
| Income taxes paid | -51 | -50 | -50 | -114 | -86 | -137 |
| Net cash generated from operating activities | 390 | 206 | 216 | 650 | 799 | 1,193 |
| Capital expenditure | -131 | -83 | -108 | -338 | -291 | -407 |
| Other investing activities | 24 | 24 | -26 | 28 | 59 | 49 |
| Free cash flow (Cash flow before financing activities) | 283 | 147 | 82 | 340 | 567 | 834 |

Cash-out investments were EUR 338 million (291 million) during January-September. Maintenance investments accounted for EUR 133 million (96 million) and productivity and strategic investments for EUR 205 million (195 million). Oil Products’ investments amounted to EUR 178 million (184 million), with the largest projects being the Solvent Deasphalting (SDA) unit at Porvoo refinery and the Naantali unit configuration changes. Renewable Products' investments were EUR 68 million (72 million), mainly related to the biopropane unit investment at the Rotterdam refinery. Marketing & Services' investments totaled EUR 30 million (16 million) and were focused on the retail station network. Investments in the Others segment were EUR 62 million (19 million), concentrating on ICT and business infrastructure upgrade, and the acquisition of Jacobs Engineering's stake in Neste Jacobs.

Interest-bearing net debt was EUR 674 million at the end of September, compared to EUR 683 million at the end of 2016. Net financial expenses for the first nine months were EUR 68 million (75 million). The average interest rate of borrowing at the end of September was 3.1% (3.5%) and the average maturity 4.8 (3.8) years. At the end of the third quarter the interest-bearing net debt/comparable EBITDA ratio was 0.5 (0.7) over the previous 12 months.

The leverage ratio was 14.1% (31 Dec 2016: 15.4%), and the gearing ratio 16.4% (31 Dec 2016: 18.2%). The Group has a strong financial position, which enables implementation of our growth strategy going forward while maintaining a healthy dividend distribution.

The Group's cash and cash equivalents and committed, unutilized credit facilities amounted to EUR 2,146 million as of the end of September (31 Dec 2016: 2,438 million). There are no financial covenants in the Group companies' current loan agreements.

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

US dollar exchange rate

| | 7-9/17 | 7-9/16 | 4-6/17 | 1-9/17 | 1-9/16 | 2016 |
|---|---|---|---|---|---|---|
| EUR/USD, market rate | 1.17 | 1.12 | 1.10 | 1.14 | 1.12 | 1.11 |
| EUR/USD, effective rate* | 1.13 | 1.12 | 1.10 | 1.11 | 1.11 | 1.11 |

* The effective rate includes the impact of currency hedges.

## Segment reviews

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

### Oil Products

Key financials

| | 7-9/17 | 7-9/16 | 4-6/17 | 1-9/17 | 1-9/16 | 2016 |
|---|---|---|---|---|---|---|
| Revenue, MEUR | 2,045 | 1,961 | 2,080 | 6,134 | 5,235 | 7,395 |
| EBITDA, MEUR | 251 | 182 | 182 | 666 | 602 | 780 |
| Comparable EBITDA, MEUR | 210 | 177 | 174 | 562 | 519 | 670 |
| Comparable operating profit, MEUR | 158 | 120 | 122 | 406 | 355 | 453 |
| IFRS operating profit, MEUR | 199 | 125 | 130 | 510 | 438 | 563 |
| Net assets, MEUR | 2,538 | 2,443 | 2,597 | 2,538 | 2,443 | 2,424 |
| Return on net assets*, % | 25.2 | 17.9 | 22.4 | 25.2 | 17.9 | 23.2 |
| Comparable return on net assets*, % | 20.0 | 18.2 | 18.6 | 20.0 | 18.2 | 18.7 |

* Last 12 months

Variance analysis (comparison to corresponding period), MEUR

| | 7-9 | 1-9 |
|---|---|---|
| Comparable operating profit, 2016 | 120 | 355 |
| Sales volumes | -12 | -3 |
| Reference margin | 84 | 87 |
| Additional margin | -30 | -25 |
| Currency exchange | -12 | 2 |
| Fixed costs | -4 | -21 |
| Others | 12 | 10 |
| Comparable operating profit, 2017 | 158 | 406 |

Key drivers

| | 7-9/17 | 7-9/16 | 4-6/17 | 1-9/17 | 1-9/16 | 2016 |
|---|---|---|---|---|---|---|
| Reference refining margin, USD/bbl | 7.21 | 3.85 | 5.68 | 5.94 | 4.77 | 4.88 |
| Additional margin, USD/bbl | 4.76 | 5.55 | 4.99 | 5.27 | 5.55 | 5.50 |
| Total refining margin, USD/bbl | 11.96 | 9.40 | 10.67 | 11.20 | 10.32 | 10.38 |
| Urals-Brent price differential, USD/bbl | -1.02 | -2.38 | -1.55 | -1.56 | -2.57 | -2.48 |
| Urals' share of total refinery input, % | 66 | 74 | 74 | 71 | 69 | 68 |

Oil Products' third-quarter comparable operating profit totaled EUR 158 million, compared to EUR 120 million in the third quarter of 2016. The average reference margin reflected a healthy refining market and was USD 3.3/bbl higher than in the corresponding period last year, which had a positive impact of EUR 84 million on the segment's operating profit. The additional margin, impacted by a narrower Russian crude price differential to Brent and the turnaround at the Naantali unit, was USD 0.8/bbl lower than in the third quarter of 2016. The lower additional margin had a negative impact of EUR 30 million on the segment's operating profit compared to the corresponding period last year. Our sales volumes were slightly lower than in the third quarter of 2016 due to the Naantali maintenance and timing of some export shipments. Lower sales volumes and a weaker USD exchange rate each had a negative impact of EUR 12 million on the comparable operating profit compared to the third quarter of 2016. Oil Products' comparable return on net assets was 20.0% (18.2%) at the end of September over the previous 12 months.

The use of Russian crude was 66% (74%) of total input. The average utilization rate at the Porvoo refinery was 97% (92%), which reflected very good operational performance during the third quarter. The Naantali unit recorded an average utilization rate of 36% (63%) mainly as a result of the major two-month turnaround.

During the third quarter the Brent crude oil price was trending up in a range from USD 47 to USD 59/bbl. The crude oil market was supported by the agreement between OPEC and non-OPEC countries to cut oil production. However, the relatively high oil production in Libya and Nigeria partly offset the impact of OPEC's volume reductions. The US oil rig count number came modestly down during the quarter, which also supported crude oil market. In September Hurricane Harvey closed temporarily around 25% of the US refining capacity thus impacting both crude oil market and product margins.

The Russian Export Blend (REB) crude averaged USD 1.0/bbl lower than Brent during the third quarter. Strong fuel oil margins, OPEC production cuts in heavier crude qualities, and maintenance works on the Primorsk crude pipeline system narrowed the REB price differential.

Neste reference margin was strong during the third quarter. Good oil product demand, tighter product market balances after an active refinery maintenance period, the US summer driving season supported product margins. Hurricane Harvey caused a clear spike in refining margins during early September. Both diesel and gasoline margins were materially higher compared to the third quarter of the previous year. On average gasoline was the strongest part of the barrel during the third quarter. Neste’s reference margin averaged USD 7.2/bbl in the quarter.

Oil Products' nine-month comparable operating profit was EUR 406 million (355 million). During the first nine months the reference margin was almost USD 1.2/bbl higher than in the corresponding period last year, which had a positive impact of EUR 87 million on the comparable operating profit. The lower additional margin had a negative impact of 25 million compared to the corresponding period last year. Sales volumes were in line with the first nine months of 2016. During the first nine months the segment's fixed costs were EUR 21 million higher than in the corresponding period of the previous year, mainly due to maintenance activities.

Production

| | 7-9/17 | 7-9/16 | 4-6/17 | 1-9/17 | 1-9/16 | 2016 |
|---|---|---|---|---|---|---|
| Porvoo refinery production, 1,000 ton | 3,241 | 2,976 | 3,004 | 9,242 | 8,948 | 11,718 |
| Porvoo refinery utilization rate, % | 97 | 92 | 92 | 94 | 92 | 89 |
| Naantali refinery production, 1,000 ton | 243 | 479 | 481 | 1,236 | 1,412 | 1,869 |
| Naantali refinery utilization rate, % | 36 | 63 | 63 | 56 | 65 | 62 |
| Refinery production costs, USD/bbl | 4.0 | 3.7 | 4.3 | 4.0 | 3.8 | 4.2 |
| Bahrain base oil plant production, (Neste's share) 1,000 ton | 55 | 52 | 46 | 153 | 148 | 159 |

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

| | 7-9/17 | % | 7-9/16 | % | 4-6/17 | % | 1-9/17 | % | 1-9/16 | % | 2016 | % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Middle distillates* | 1,793 | 50 | 1,761 | 45 | 1,701 | 47 | 4,996 | 48 | 4,938 | 46 | 6,590 | 46 |
| Light distillates** | 1,106 | 31 | 1,352 | 35 | 1,190 | 33 | 3,367 | 32 | 3,521 | 33 | 4,706 | 33 |
| Heavy fuel oil | 361 | 10 | 381 | 10 | 395 | 11 | 1,145 | 11 | 1,180 | 11 | 1,594 | 11 |
| Base oils | 107 | 3 | 105 | 3 | 116 | 3 | 332 | 3 | 352 | 3 | 461 | 3 |
| Other products | 219 | 6 | 308 | 8 | 244 | 7 | 655 | 6 | 720 | 7 | 965 | 7 |
| TOTAL | 3,587 | 100 | 3,907 | 100 | 3,647 | 100 | 10,495 | 100 | 10,711 | 100 | 14,316 | 100 |

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

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

| | 7-9/17 | % | 7-9/16 | % | 4-6/17 | % | 1-9/17 | % | 1-9/16 | % | 2016 | % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Baltic Sea area* | 2,110 | 59 | 2,170 | 56 | 2,044 | 56 | 6,098 | 58 | 6,206 | 58 | 8,037 | 56 |
| Other Europe | 1,210 | 34 | 1,109 | 28 | 1,309 | 36 | 3,580 | 34 | 3,220 | 30 | 4,596 | 32 |
| North America | 175 | 5 | 508 | 13 | 269 | 7 | 568 | 5 | 962 | 9 | 1,198 | 8 |
| Other areas | 93 | 3 | 120 | 3 | 25 | 1 | 249 | 2 | 324 | 3 | 485 | 3 |

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

**Renewable Products**

Key financials

| | 7-9/17 | 7-9/16 | 4-6/17 | 1-9/17 | 1-9/16 | 2016 |
|---|---|---|---|---|---|---|
| Revenue, MEUR | 793 | 640 | 828 | 2,320 | 1,820 | 2,690 |
| EBITDA, MEUR | 146 | 188 | 150 | 413 | 439 | 628 |
| Comparable EBITDA, MEUR | 198 | 150 | 128 | 433 | 402 | 578 |
| Comparable operating profit, MEUR | 171 | 124 | 101 | 352 | 323 | 469 |
| Operating profit, MEUR | 119 | 162 | 122 | 332 | 360 | 518 |
| Net assets, MEUR | 1,870 | 1,803 | 1,895 | 1,870 | 1,803 | 1,811 |
| Return on net assets*, % | 26.6 | 32.3 | 29.3 | 26.6 | 32.3 | 28.6 |
| Comparable return on net assets*, % | 27.0 | 31.0 | 24.8 | 27.0 | 31.0 | 25.9 |

* Last 12 months

Variance analysis (comparison to corresponding period), MEUR

| | 7-9 | 1-9 |
|---|---|---|
| Comparable operating profit, 2016 | 124 | 323 |
| Sales volumes | 35 | 84 |
| Reference margin | 23 | 86 |
| Additional margin | 5 | -118 |
| Currency exchange | -9 | 1 |
| Fixed costs | -6 | -20 |
| Others | -1 | -3 |
| Comparable operating profit, 2017 | 171 | 352 |

Key drivers

| | 7-9/17 | 7-9/16 | 4-6/17 | 1-9/17 | 1-9/16 | 2016 |
|---|---|---|---|---|---|---|
| FAME - Palm oil price differential*, USD/ton | 231 | 204 | 233 | 231 | 170 | 194 |
| SME - Palm oil price differential**, USD/ton | 254 | 238 | 232 | 222 | 189 | 222 |
| Reference margin, USD/ton | 290 | 260 | 278 | 280 | 239 | 268 |
| Additional margin***, USD/ton | 256 | 245 | 101 | 161 | 246 | 210 |
| Comparable sales margin, USD/ton | 435 | 375 | 270 | 331 | 355 | 348 |
| Biomass-based diesel (D4) RIN, USD/gal | 1.08 | 0.99 | 1.03 | 1.02 | 0.86 | 0.91 |
| California LCFS Credit, USD/ton | 87 | 78 | 75 | 85 | 103 | 101 |
| Palm oil price****, USD/ton | 628 | 612 | 587 | 626 | 621 | 634 |
| Crude palm oil's share of total feedstock, % | 22 | 18 | 18 | 23 | 16 | 19 |

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

Renewable Products' third-quarter comparable operating profit totaled EUR 171 million, compared to EUR 124 million in the third quarter of 2016. The reference margin was 12% higher than in the third quarter of 2016, which had a positive impact of EUR 23 million on the operating profit year-on-year. As a result of successful margin management, our additional margin slightly exceeded the level in the corresponding period last year, which was a major achievement considering the lack of the US Blender's Tax Credit during 2017. Sales volumes were 637,000 tons, approx. 17% higher than in the third quarter of 2016. Higher sales volumes had a positive impact of EUR 35 million compared to the corresponding period last year. During the third quarter approx. 73% (65%) of sales volumes were allocated to the European market and 27% (35%) to North America. The share of 100% renewable diesel delivered to end-users increased to 27% in the third quarter. Our renewable diesel production achieved an average utilization rate of 99% (100%) during the quarter. The proportion of waste and residue inputs was 77% (79%) on average. The segment's fixed costs were EUR 6 million higher than in the third quarter of 2016, mainly related to strategic growth projects. Renewable Products' comparable return on net assets was 27.0% (31.0%) at the end of September based on the previous 12 months.

Vegetable oil prices trended up during the third quarter. At the beginning of the quarter rapeseed oil (RSO) and soybean oil (SBO) prices lead the upward movement due to concerns about the European rapeseed crop and introduction of a provisional anti-subsidy tariff against Argentinian biodiesel in the US. Crude palm oil (CPO) prices also increased during the quarter as strong export volumes were seen to exceed CPO production recovery.

Margins in the conventional biodiesel production improved on both sides of the Atlantic. In Europe, Fatty Acid Methyl Ester (FAME) margin was particularly strong in July and August before the European Commission announced the lowering of anti-dumping tariffs against Argentinian Soy Methyl Ester (SME) imports. In the US, SME margins improved and remained strong despite the discussion on the US Environmental Protection Agency EPA possibly reducing the proposed biodiesel mandate level for 2018. Renewable Identification Number (RIN D4) prices peaked at around USD 1.10/gallon, but decreased during the rest of the quarter in line with stronger oil prices and the uncertainty surrounding the next year's volume mandate. The California Low Carbon Fuels Standard (LCFS) credit price increased based on a supportive demand supply balance and reconfirmation of the program's future.

Renewable Products' nine-month comparable operating profit was EUR 352 million (323 million). During the first nine months reference margin averaged higher than in the corresponding period last year and had a positive impact of EUR 86 million on the segment’s operating profit. Even though our additional margin improved significantly during the third quarter, it was still cumulatively lower compared to the first nine months of last year, mainly due to the expiry of the US Blender's Tax Credit and higher production costs. The lower additional margin had a negative impact of EUR 118 million year-on-year. Higher sales volumes had a positive impact of EUR 84 million compared to the corresponding period last year. The segment's fixed costs were EUR 20 million higher than in the first nine months of the previous year, mainly related to strategic growth projects.

Production

| | 7-9/17 | 7-9/16 | 4-6/17 | 1-9/17 | 1-9/16 | 2016 |
|---|---|---|---|---|---|---|
| Neste MY Renewable Diesel, 1,000 ton | 659 | 631 | 635 | 1,942 | 1,662 | 2,213 |
| Other products, 1,000 ton | 51 | 50 | 43 | 143 | 137 | 182 |
| Utilization rate, % | 99 | 100 | 96 | 98 | 89 | 88 |

Sales

| | 7-9/17 | 7-9/16 | 4-6/17 | 1-9/17 | 1-9/16 | 2016 |
|---|---|---|---|---|---|---|
| Neste MY Renewable Diesel, 1,000 ton | 637 | 544 | 674 | 1,854 | 1,560 | 2,222 |
| Share of sales volumes to Europe, % | 73 | 65 | 68 | 74 | 65 | 66 |
| Share of sales volumes to North America, % | 27 | 35 | 32 | 26 | 35 | 34 |

## Marketing & Services

Key financials

| | 7-9/17 | 7-9/16 | 4-6/17 | 1-9/17 | 1-9/16 | 2016 |
|---|---|---|---|---|---|---|
| Revenue, MEUR | 986 | 925 | 952 | 2,886 | 2,587 | 3,552 |
| EBITDA, MEUR | 33 | 31 | 25 | 76 | 86 | 111 |
| Comparable EBITDA, MEUR | 33 | 31 | 25 | 76 | 86 | 112 |
| Comparable operating profit, MEUR | 27 | 25 | 19 | 57 | 70 | 90 |
| Operating profit, MEUR | 27 | 25 | 19 | 57 | 70 | 89 |
| Net assets, MEUR | 304 | 208 | 204 | 304 | 208 | 196 |
| Return on net assets*, % | 34.0 | 44.2 | 37.2 | 34.0 | 44.2 | 47.3 |
| Comparable return on net assets*, % | 34.0 | 46.7 | 37.2 | 34.0 | 46.7 | 47.5 |

* Last 12 months

Variance analysis (comparison to corresponding period), MEUR

| | 7-9 | 1-9 |
|---|---|---|
| Comparable operating profit, 2016 | 25 | 70 |
| Sales volumes | 0 | 0 |
| Unit margins | 0 | -9 |
| Currency exchange | 0 | 2 |
| Fixed costs | 2 | 0 |
| Others | -1 | -7 |
| Comparable operating profit, 2017 | 27 | 57 |

Marketing & Services' comparable operating profit was EUR 27 million (25 million) in the third quarter of 2017. Sales volumes were maintained at the same level as in the corresponding period last year. Traffic fuel demand is seasonally highest during the summer period, and heavy duty traffic is recovering well in Finland. Average unit margins have normalized, but all focus markets continue to be competitive. Lower fixed costs had a positive impact of EUR 2 million on the comparable operating profit compared to the third quarter of 2016. Marketing & Services' comparable return on net assets was 34.0% (46.7%) at the end of September on a rolling 12-month basis.

Marketing & Services segment's nine-month comparable operating profit was EUR 57 million (70 million). Sales volumes were unchanged compared to the corresponding period last year. Average unit margins were clearly lower during the first half of the year, particularly in Finland and Russia, which had a negative impact of EUR 9 million on the result compared to the first nine months of the previous year. Higher depreciations and lower other income resulted in EUR 7 million lower profit contribution compared to the corresponding period last year.

Sales volumes by main product categories, million liters

| | 7-9/17 | 7-9/16 | 4-6/17 | 1-9/17 | 1-9/16 | 2016 |
|---|---|---|---|---|---|---|
| Gasoline station sales | 290 | 302 | 279 | 816 | 837 | 1,112 |
| Diesel station sales | 444 | 436 | 433 | 1,294 | 1,262 | 1,695 |
| Heating oil | 153 | 152 | 136 | 436 | 440 | 620 |

Net sales by market area, MEUR

| | 7-9/17 | 7-9/16 | 4-6/17 | 1-9/17 | 1-9/16 | 2016 |
|---|---|---|---|---|---|---|
| Finland | 712 | 645 | 679 | 2,085 | 1,837 | 2,497 |
| Northwest Russia | 72 | 65 | 76 | 217 | 178 | 248 |
| Baltic countries | 202 | 214 | 195 | 584 | 571 | 777 |

**Others**

Key financials

| | 7-9/17 | 7-9/16 | 4-6/17 | 1-9/17 | 1-9/16 | 2016 |
|---|---|---|---|---|---|---|
| Comparable operating profit, MEUR | -2 | -6 | -6 | -24 | -25 | -23 |
| IFRS operating profit, MEUR | -2 | 6 | -6 | -24 | -13 | -11 |

The Others segment consists of the engineering and technology solutions company Neste Jacobs; Nynas, a joint venture 50/50-owned by Neste and Petróleos de Venezuela; and common corporate costs. Neste acquired Jacobs Engineering's 40% stake in Neste Jacobs in September. The comparable operating profit of the Others segment totaled EUR -2 million (-6 million) in the third quarter; Nynas accounted for EUR 3 million (-3 million) of this figure.

The nine-month comparable operating profit of the Others segment totaled EUR -24 million (-25 million); Nynas accounted for EUR -5 million (2 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 36.95, up by 7.1% compared to the end of second quarter. At its highest during the quarter, the share closing price reached EUR 37.79 while at its lowest the price stood at EUR 34.51. Market capitalization was EUR 9.5 billion as of 30 September 2017. An average of 0.51 million shares were traded daily, representing 0.2% of the company’s shares.

Neste’s share capital registered with the Company Register as of 30 September 2017 totaled EUR 40 million, and the total number of shares was 256,403,686. As resolved by the AGM held on 1 April 2015, the Board of Directors was authorized to purchase and/or take as security a maximum of 1,000,000 company shares using the company's unrestricted equity. At the end of September 2017, Neste held 613,545 treasury shares purchased under this authorization. The Board of Directors has no authorization to issue convertible bonds, share options, or new shares.

As of 30 September 2017, the Finnish State owned 50.1% (50.1% at the end of the second quarter) of outstanding shares, foreign institutions 30.7% (30.6%), Finnish institutions 9.9% (9.8%), and Finnish households 9.3% (9.5%).

## Personnel

Neste employed an average of 5,284 (5,015) employees during the first nine months of 2017, of which 1,674 (1,578) were based outside Finland. At the end of September, the company had 5,366 employees (5,028), of which 1,759 (1,608) were located outside Finland.

## Environmental, Social and Governance (ESG)

Key figures

| | 7-9/17 | 7-9/16 | 1-9/17 | 1-9/16 | 2016 |
|---|---|---|---|---|---|
| TRIF* | 1.8 | 3.7 | 2.3 | 3.0 | 2.8 |
| PSER** | 2.3 | 2.8 | 2.2 | 3.3 | 3.1 |
| GHG reduction, Mton*** | 2.0 | 1.9 | 5.8 | 5.0 | 6.7 |

* Total Recordable Incident Frequency, number of cases per million hours worked. Includes both Neste's and contractors' personnel.
** Process Safety Event Rate, number of cases per million hours worked.
*** Cumulative greenhouse gas (GHG) reduction achieved with Neste's renewable diesel compared to crude oil based diesel. Calculation method complies with the EU Renewable Energy Directive (RES 2009/28/EU).

Neste's occupational safety performance, measured by the key TRIF indicator, improved during the third quarter and cumulatively in 2017 compared to the previous year. During the third quarter the main focus was on contractor safety and the Naantali unit turnaround, which was carried out without serious accidents. PSER, the main indicator for process safety, improved compared to the third quarter of 2016. Several initiatives are under way to ensure reaching the safety targets for 2017. Our long-term safety development activities continue according to the corporate-wide Way Forward to Safety program plan focusing on behavior, leadership, operational discipline, process safety and contractor safety. Short-term actions focus additionally on learning from incidents and effectiveness of the agreed actions, and during the fourth quarter particularly on good preparation for the winter period including avoiding slipping and falling accidents.

Neste produces renewable products that enable our customers to reduce their greenhouse gas (GHG) emissions. We have introduced a target of 7.0 million tons for this GHG reduction in 2017. During the first nine months we achieved 82% of our annual GHG reduction target.

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

The Neste Human Rights Principle has been developed in full and circulated among internal as well as relevant external stakeholders for consultation. The final version of the Human Rights Principle was approved in August. The Neste Code of Conduct guides us to make responsible choices in our work every day. A renewed Ethics Online system, made available at Neste's website, allows internal and external stakeholders to easily express their concerns anonymously if they find or believe that our business conditions are not in accordance with the Code of Conduct. Neste was included in the Dow Jones Sustainability Index (DJSI) World Index for the 11th consecutive time. In this year's analysis, Neste ranks high especially with regard to human rights, labor practice indicators, and in matters related to occupational health and safety. Furthermore, Neste was the best in industry in corporate governance and in water related risks.

Read more about the topics on Neste's website.

## Main events published during the reporting period

On 9 August, Neste announced that it would begin a two-month shutdown at its Naantali refinery. The major turnaround will complete the plan to implement closer integration of the operations of the two Finnish refineries under uniform management. The Finnish refinery operations of Neste consist of four production lines at the Porvoo refinery, and one in Naantali.

On 6 September, Neste announced that its Shareholders' Nomination Board had been appointed with the following members: The Chair Pekka Timonen, Director General of the Ministry of Economic Affairs and Employment; Timo Ritakallio, President and CEO of Ilmarinen Mutual Pension Insurance Company; Elli Aaltonen, Director General of the Finnish Social Insurance Institution, and Jorma Eloranta, the Chair of Neste's Board of Directors.

On 13 September, Neste announced that it collaborates with Genève Aéroport to offer sustainable and renewable solutions for aviation. Neste and Genève Aéroport are pioneering together to make flying more sustainable by starting to decarbonize aviation towards fossil neutral growth. Genève Aéroport is planning the introduction of renewable jet fuel at the Geneva International Airport; the target is that at least 1% of the annual jet fuel consumption at the airport shall be composed of renewable jet fuel starting late 2018.

On 19 September, Neste held a Capital Markets Day in London under the theme "Delivering profitable growth". Neste's long-term financial targets are leverage ratio and ROACE after tax. The leverage target was revised to below 40%. The ROACE target remains at 15%. Neste's new dividend policy is to distribute at least 50% of the company's comparable net profit for the year. The company intends to distribute the annual dividend in two installments, and this will be proposed to the Annual General Meeting 2018.

The strategic objectives remain unchanged: be the Baltic Sea champion and create global renewables growth. Neste seeks value growth in all business areas in its home markets in the Baltic Sea area. This will be reached by offering win-win solutions to customers, further improvements in operational performance and refinery transformation. Neste is the global leader in the renewable diesel market, and is committed to developing significant business from outside road transportation markets by 2020. Sales volumes of the 100% renewable diesel delivered to end-users are targeted to grow from approx. 25% in 2017 to 50% of the total sales in 2020. Neste has introduced a Green Hub concept to promote renewable jet fuel use through airport partnerships, and the first partnership was recently announced with the Geneva Airport.  Following a successful production trial, Neste aims to make the first commercial delivery of bio-based plastics during the first half of 2018.

Neste's target is to increase its renewables capacity further, and it will continue the debottlenecking of the existing capacity to 3 million tons/a by 2020.  The company will finalize the feasibility studies for a new, up to 1 million ton/a production capacity by the end of 2017. These feasibility studies include the selection of the site location as well as an updated feedstock and demand outlook. The project scope includes renewable diesel and jet fuel production as well as pretreatment enabling processing of lower-quality raw materials. Neste aims to make the final investment decision on a new production unit by the end of 2018 with a target to have it operational by 2022.

At the Capital Markets Day event the company also updated its short-term outlook. Neste expects Oil Products' reference refining margin to continue strong into the autumn and to average above the previous year's level in 2017. Global demand for oil products has continued healthy and a number of supply disruptions have recently occurred at refineries on both sides of the Atlantic.

During the second half of 2017 Renewable Products' additional margin is expected to be higher than in the first half of the year. Sales volumes of the 100% renewable diesel delivered to end-users are expected to grow and we target to reach 25% of the total sales volumes in 2017. The vegetable oil market is expected to remain volatile, and Neste aims to expand the use of lower-quality waste and residue feedstock. Utilization rates of our renewable diesel facilities are expected to be high. The biopropane unit at the Rotterdam refinery is getting ready for the first product deliveries.

On 29 September, Neste announced that it acquires Jacob Engineering's stake in Neste Jacobs Oy. Neste and Jacobs Engineering Group have agreed that Neste acquires the 40% shareholding of Jacobs in Neste Jacobs Oy. After this transaction, Neste holds all shares in Neste Jacobs. The sale and purchase agreement has been signed.

## Potential risks

There have been no significant changes in Neste´s short-term risks or uncertainties since the end of the second quarter 2017.

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

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

## Outlook

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

Global crude oil inventories are expected to stay high for the foreseeable future in spite of the OPEC production cuts as the crude oil supply is expected to remain high. Global oil demand growth estimates for 2017 by recognized experts currently vary between 1.3 and 1.6 million bbl/d. In light of the expected refining capacity growth the global product supply and demand looks 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 decrease from the peak levels seen during the third quarter, reflecting the end of the driving season. However, the reference margin is expected to remain strong for the season, supported by a healthy global distillates demand. The annual average reference margin for 2017 is expected to be above the previous year's level. The Porvoo refinery is expected to run at a high utilization rate, except for a scheduled four-week decoking maintenance at the Production Line 4 during the fourth quarter. At the Naantali unit the major two-month turnaround and finalization of the conversion changes were completed according to schedule in mid-October.

Renewable Products' additional margin is expected to stay at a good level during the fourth quarter. Sales volumes of the 100% renewable diesel delivered to end-users are expected to grow from 15% in 2016 and we target to reach 25% of the total sales volumes in 2017. The vegetable oil market is expected to remain volatile, and Neste aims to expand the use of lower-quality waste and residue feedstock. Utilization rates of our renewable diesel facilities are expected to be high, except for a two-week shutdown of the Singapore refinery due to a hydrogen supplier's planned maintenance outage in November. The biopropane unit at the Rotterdam refinery is getting ready for the first product deliveries.

In Marketing & Services the sales volumes and unit margins are expected to follow the previous years' seasonality pattern.

The year has continued well, and we expect the year 2017 to be very successful for Neste.

## Reporting date for the company's fourth-quarter and full-year 2017 results

Neste will publish its fourth-quarter and full-year results on 7 February 2018 at approximately 9:00 a.m. EET.

Espoo, 25 October 2017

Neste Corporation
Board of Directors

**Further information:**

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

**Conference call**

A conference call in English for investors and analysts will be held today, 26 October 2017, at 3 p.m. Finland / 1 p.m. London / 8 a.m. New York. The call-in numbers are as follows: Finland: +358 (0)9 2310 1620, rest of Europe: +44 (0)20 3427 1913, US: +1 646 254 3360, using access code 9532061. The conference call can be followed at the company's web site. An instant replay of the call will be available until 2 November 2017 at +358 (0)9 8171 0562 for Finland, +44 (0)20 7660 0134 for Europe and +1 719 457 0820 for the US, using access code 9532061.

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 - SEPTEMBER 2017**
*The interim report is unaudited*

**FINANCIAL STATEMENT SUMMARY AND NOTES TO THE FINANCIAL STATEMENT**

**CONSOLIDATED STATEMENT OF INCOME**

| MEUR | Note | 7-9/2017 | 7-9/2016 | 1-9/2017 | 1-9/2016 | 1-12/2016 | Last 12 months |
|---|---|---|---|---|---|---|---|
| **Revenue** | 3 | **3,229** | 3,034 | **9,580** | 8,268 | 11,689 | 13,001 |
| Other income | | **5** | 20 | **17** | 56 | 71 | 31 |
| Share of profit (loss) of joint ventures | | **4** | -3 | **-3** | 4 | 14 | 7 |
| Materials and services | | **-2,632** | -2,477 | **-7,890** | -6,679 | -9,519 | -10,730 |
| Employee benefit costs | | **-84** | -77 | **-270** | -253 | -349 | -366 |
| Depreciation, amortization and impairments | 3 | **-92** | -93 | **-273** | -272 | -366 | -367 |
| Other expenses | | **-90** | -87 | **-286** | -272 | -386 | -399 |
| **Operating profit** | | **339** | 319 | **875** | 853 | 1,155 | 1,177 |
| | | | | | | | |
| **Financial income and expenses** | | | | | | | |
| Financial income | | **1** | 1 | **3** | 3 | 4 | 4 |
| Financial expenses | | **-10** | -14 | **-63** | -49 | -67 | -81 |
| Exchange rate and fair value gains and losses | | **0** | -11 | **-7** | -29 | -17 | 5 |
| **Total financial income and expenses** | | **-9** | -25 | **-68** | -75 | -79 | -72 |
| | | | | | | | |
| **Profit before income taxes** | | **331** | 294 | **807** | 778 | 1,075 | 1,105 |
| Income tax expense | | **-63** | -41 | **-138** | -97 | -133 | -173 |
| **Profit for the period** | | **268** | 253 | **669** | 681 | 943 | 932 |
| | | | | | | | |
| **Profit attributable to:** | | | | | | | |
| Owners of the parent | | **267** | 252 | **666** | 678 | 939 | 928 |
| Non-controlling interests [1)] | | **1** | 1 | **3** | 3 | 4 | 4 |
| | | **268** | 253 | **669** | 681 | 943 | 932 |
| | | | | | | | |
| **Earnings per share from profit attributable to the owners of the parent (in euro per share) [1)]** | | | | | | | |
| Basic earnings per share | | **1.04** | 0.99 | **2.60** | 2.65 | 3.67 | 3.63 |
| Diluted earnings per share | | **1.04** | 0.99 | **2.60** | 2.65 | 3.66 | 3.62 |

[1)] Neste acquired Jacobs Engineering's 40% stake in Neste Jacobs in September 2017 and after this transaction Neste holds all shares in Neste Jacobs. Non-controlling interests include cumulative profit attributable to non-controlling interests of Neste Jacobs until the acquisition date 29 September 2017.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

| MEUR | 7-9/2017 | 7-9/2016 | 1-9/2017 | 1-9/2016 | 1-12/2016 | Last 12 months |
|---|---|---|---|---|---|---|
| **Profit for the period** | **268** | 253 | **669** | 681 | 943 | 932 |
| | | | | | | |
| **Other comprehensive income net of tax:** | | | | | | |
| | | | | | | |
| **Items that will not be reclassified to profit or loss** | | | | | | |
| Remeasurements on defined benefit plans | **-1** | -2 | **1** | -12 | -21 | -8 |
| | | | | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | | | | |
| Translation differences | **-2** | -6 | **-9** | -3 | 6 | 0 |
| Cash flow hedges | | | | | | |
| recorded in equity | **12** | 0 | **69** | 14 | -20 | 36 |
| transferred to income statement | **-15** | -1 | **-2** | 4 | 6 | -1 |
| Net investment hedges | **0** | 0 | **0** | 0 | 0 | 0 |
| Revaluation of available-for-sale financial assets | **0** | -10 | **0** | 0 | 0 | 0 |
| Share of other comprehensive income of investments accounted for using the equity method | **0** | -6 | **10** | -5 | -9 | 6 |
| Total | **-4** | -22 | **68** | 11 | -17 | 40 |
| | | | | | | |
| **Other comprehensive income for the period, net of tax** | **-6** | -24 | **69** | -1 | -38 | 32 |
| | | | | | | |
| **Total comprehensive income for the period** | **262** | 229 | **738** | 680 | 905 | 964 |
| | | | | | | |
| **Total comprehensive income attributable to:** | | | | | | |
| Owners of the parent | **261** | 228 | **735** | 677 | 902 | 960 |
| Non-controlling interests | **1** | 1 | **3** | 3 | 4 | 4 |
| | **262** | 229 | **738** | 680 | 905 | 964 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| MEUR | Note | 30 Sep 2017 | 30 Sep 2016 | 31 Dec 2016 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | 5 | **92** | 79 | 87 |
| Property, plant and equipment | 5 | **3,793** | 3,715 | 3,747 |
| Investments in joint ventures | | **221** | 209 | 216 |
| Non-current receivables | | **52** | 56 | 55 |
| Deferred tax assets | | **36** | 35 | 39 |
| Derivative financial instruments | 7 | **4** | 11 | 9 |
| Available-for-sale financial assets | | **5** | 4 | 5 |
| **Total non-current assets** | | **4,202** | 4,110 | 4,157 |
| **Current assets** | | | | |
| Inventories | | **1,565** | 1,316 | 1,416 |
| Trade and other receivables | | **963** | 913 | 1,034 |
| Derivative financial instruments | 7 | **84** | 35 | 48 |
| Cash and cash equivalents | | **496** | 523 | 788 |
| **Total current assets** | | **3,108** | 2,786 | 3,285 |
| **Total assets** | | **7,310** | 6,896 | 7,443 |
| **EQUITY** | | | | |
| **Capital and reserves attributable to the owners of the parent** | | | | |
| Share capital | | **40** | 40 | 40 |
| Other equity | 2 | **4,080** | 3,468 | 3,693 |
| **Total** | | **4,120** | 3,508 | 3,733 |
| **Non-controlling interest** | | **0** | 22 | 22 |
| **Total equity** | | **4,120** | 3,529 | 3,755 |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Interest-bearing liabilities | | **1,017** | 1,120 | 1,117 |
| Deferred tax liabilities | | **253** | 255 | 246 |
| Provisions | | **54** | 41 | 53 |
| Pension liabilities | | **132** | 126 | 136 |
| Derivative financial instruments | 7 | **0** | 4 | 2 |
| Other non-current liabilities | | **15** | 10 | 11 |
| **Total non-current liabilities** | | **1,471** | 1,556 | 1,565 |
| **Current liabilities** | | | | |
| Interest-bearing liabilities | | **152** | 366 | 354 |
| Current tax liabilities | | **58** | 50 | 40 |
| Derivative financial instruments | 7 | **92** | 91 | 164 |
| Trade and other payables | | **1,417** | 1,303 | 1,565 |
| **Total current liabilities** | | **1,719** | 1,810 | 2,123 |
| **Total liabilities** | | **3,190** | 3,367 | 3,688 |
| **Total equity and liabilities** | | **7,310** | 6,896 | 7,443 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| MEUR | 7-9/2017 | 7-9/2016 | 1-9/2017 | 1-9/2016 | 1-12/2016 |
|---|---|---|---|---|---|
| **Cash flow from operating activities** | | | | | |
| Profit before income taxes | **331** | 294 | **807** | 778 | 1,075 |
| Adjustments, total | **169** | 86 | **304** | 443 | 538 |
| Change in working capital | **-80** | -85 | **-249** | -271 | -229 |
| **Cash generated from operations** | **420** | 296 | **863** | 949 | 1,385 |
| Finance cost, net | **20** | -40 | **-99** | -64 | -56 |
| Income taxes paid | **-51** | -50 | **-114** | -86 | -137 |
| **Net cash generated from operating activities** | **390** | 206 | **650** | 799 | 1,193 |
| **Cash flows from investing activities** | | | | | |
| Capital expenditure | **-104** | -83 | **-311** | -291 | -407 |
| Transactions with non-controlling interests | **-27** | 0 | **-27** | 0 | 0 |
| Proceeds from sales of fixed assets | **0** | 0 | **4** | 40 | 40 |
| Changes in non-current receivables and available-for-sale financial assets | **24** | 24 | **23** | 20 | 9 |
| **Cash flows from investing activities** | **-107** | -59 | **-310** | -232 | -359 |
| **Cash flow before financing activities** | **283** | 147 | **340** | 567 | 834 |
| **Cash flows from financing activities** | | | | | |
| Net change in loans and other financing activities | **4** | -302 | **-284** | -384 | -387 |
| Dividends paid to the owners of the parent | **0** | 0 | **-332** | -256 | -256 |
| Dividends paid to non-controlling interests | **-13** | -1 | **-15** | -1 | -1 |
| **Cash flows from financing activities** | **-9** | -303 | **-631** | -641 | -644 |
| **Net increase (+)/decrease (-) in cash and cash equivalents** | **274** | -156 | **-291** | -74 | 191 |

**CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY**

| MEUR | Share capital | Reserve fund | Reserve of invested unrestricted equity | Treasury shares | Fair value and other reserves | Actuarial gains and losses | Translation differences | Retained earnings | Owners of the parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total equity at 1 January 2016** | 40 | 20 | 1 | -12 | -39 | -54 | -59 | 3,186 | 3,084 | 20 | 3,104 |
| Profit for the period | | | | | | | | 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 |
| **Total equity at 30 September 2016** | 40 | 20 | 4 | -10 | -25 | -66 | -61 | 3,605 | 3,508 | 22 | 3,529 |

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

| MEUR | Share capital | Reserve fund | Reserve of invested unrestricted equity | Treasury shares | Fair value and other reserves | Actuarial gains and losses | Translation differences | Retained earnings | Owners of the parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total equity at 1 January 2017** | **40** | **20** | **4** | **-10** | **-62** | **-75** | **-52** | **3,867** | **3,733** | **22** | **3,755** |
| Profit for the period | | | | | | | | **666** | **666** | **3** | **669** |
| Other comprehensive income for the period, net of tax | | | | | **77** | **1** | **-9** | | **69** | **0** | **69** |
| Total comprehensive income for the period | **0** | **0** | **0** | **0** | **77** | **1** | **-9** | **666** | **735** | **3** | **738** |
| Dividend decision | | | | | | | | **-332** | **-332** | **-15** | **-347** |
| Transactions with non-controlling interests | | | | | | | | **-17** | **-17** | **-11** | **-27** |
| Share-based compensation | | | **2** | **1** | | | | **-2** | **2** | | **2** |
| Transfer from retained earnings | | **-1** | | | | | | **1** | **0** | | **0** |
| **Total equity at 30 September 2017** | **40** | **20** | **7** | **-9** | **15** | **-74** | **-62** | **4,183** | **4,120** | **0** | **4,120** |

**KEY FIGURES**

| | **30 Sep 2017** | 30 Sep 2016 | 31 Dec 2016 | Last 12 months |
|---|---|---|---|---|
| EBITDA, MEUR | **1,148** | 1,125 | 1,521 | 1,544 |
| Comparable EBITDA, MEUR | **1,063** | 993 | 1,349 | 1,419 |
| Capital employed, MEUR | **5,289** | 5,016 | 5,226 | 5,289 |
| Interest-bearing net debt, MEUR | **674** | 964 | 683 | - |
| Capital expenditure and investment in shares, MEUR | **364** | 277 | 422 | 510 |
| Return on average capital employed, after tax, ROACE % | **17.3** | 18.6 | 16.9 | 17.3 |
| Return on equity % | **24.1** | 28.0 | 28.1 | 24.1 |
| Equity per share, EUR | **16.11** | 13.72 | 14.60 | - |
| Cash flow per share, EUR | **2.54** | 3.12 | 4.67 | 4.08 |
| Earnings per share (EPS), EUR | **2.60** | 2.65 | 3.67 | 3.63 |
| Comparable earnings per share, EUR | **2.32** | 2.21 | 3.10 | 3.21 |
| Comparable net profit | **594** | 566 | 793 | 821 |
| Equity-to-assets ratio, % | **56.6** | 51.3 | 50.6 | - |
| Leverage ratio, % | **14.1** | 21.4 | 15.4 | - |
| Gearing, % | **16.4** | 27.3 | 18.2 | - |
| Average number of shares | **255,770,613** | 255,690,471 | 255,696,935 | 255,757,128 |
| Outstanding number of shares at the end of the period | **255,790,141** | 255,717,112 | 255,717,112 | 255,790,141 |
| Average number of personnel | **5,284** | 5,015 | 5,013 | - |

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

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

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

**2. TREASURY SHARES**

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

**3. SEGMENT INFORMATION**

Neste's operations are grouped into four reporting segments: Oil Products, Renewable Products, Marketing & Services and Others. The Others segment consists of the engineering and technology solutions company Neste Jacobs; Nynas, a joint venture 50/50-owned by Neste and Petróleos de Venezuela; and common corporate costs. Neste acquired Jacobs Engineering's 40% stake in Neste Jacobs in September 2017 and after this transaction Neste holds all shares in Neste Jacobs. 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**<br>**MEUR** | **7-9/2017** | 7-9/2016 | **1-9/2017** | 1-9/2016 | 1-12/2016 | Last 12 months |
|---|---|---|---|---|---|---|
| Oil Products | **2,045** | 1,961 | **6,134** | 5,235 | 7,395 | 8,294 |
| Renewable Products | **793** | 640 | **2,320** | 1,820 | 2,690 | 3,189 |
| Marketing & Services | **986** | 925 | **2,886** | 2,587 | 3,552 | 3,850 |
| Others | **57** | 73 | **169** | 217 | 294 | 246 |
| Eliminations | **-652** | -564 | **-1,929** | -1,592 | -2,241 | -2,578 |
| Total | **3,229** | 3,034 | **9,580** | 8,268 | 11,689 | 13,001 |

| **OPERATING PROFIT**<br>**MEUR** | **7-9/2017** | 7-9/2016 | **1-9/2017** | 1-9/2016 | 1-12/2016 | Last 12 months |
|---|---|---|---|---|---|---|
| Oil Products | **199** | 125 | **510** | 438 | 563 | 636 |
| Renewable Products | **119** | 162 | **332** | 360 | 518 | 490 |
| Marketing & Services | **27** | 25 | **57** | 70 | 89 | 76 |
| Others | **-2** | 6 | **-24** | -13 | -11 | -23 |
| Eliminations | **-4** | 0 | **0** | -2 | -5 | -4 |
| Total | **339** | 319 | **875** | 853 | 1,155 | 1,177 |

| **COMPARABLE OPERATING PROFIT**<br>**MEUR** | **7-9/2017** | 7-9/2016 | **1-9/2017** | 1-9/2016 | 1-12/2016 | Last 12 months |
|---|---|---|---|---|---|---|
| Oil Products | **158** | 120 | **406** | 355 | 453 | 504 |
| Renewable Products | **171** | 124 | **352** | 323 | 469 | 497 |
| Marketing & Services | **27** | 25 | **57** | 70 | 90 | 76 |
| Others | **-2** | -6 | **-24** | -25 | -23 | -23 |
| Eliminations | **-4** | 0 | **-1** | -2 | -6 | -4 |
| Total | **350** | 264 | **790** | 721 | 983 | 1,051 |

| **DEPRECIATION, AMORTIZATION AND IMPAIRMENTS**<br>**MEUR** | **7-9/2017** | 7-9/2016 | **1-9/2017** | 1-9/2016 | 1-12/2016 | Last 12 months |
|---|---|---|---|---|---|---|
| Oil Products | **52** | 56 | **156** | 164 | 217 | 209 |
| Renewable Products | **27** | 26 | **81** | 79 | 109 | 112 |
| Marketing & Services | **6** | 5 | **19** | 16 | 22 | 25 |
| Others | **6** | 5 | **17** | 13 | 18 | 22 |
| Eliminations | **0** | 0 | **0** | 0 | 0 | 0 |
| Total | **92** | 93 | **273** | 272 | 366 | 367 |

| **CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES**<br>**MEUR** | **7-9/2017** | 7-9/2016 | **1-9/2017** | 1-9/2016 | 1-12/2016 | Last 12 months |
|---|---|---|---|---|---|---|
| Oil Products | **78** | 54 | **204** | 164 | 249 | 290 |
| Renewable Products | **23** | 16 | **75** | 73 | 104 | 106 |
| Marketing & Services | **7** | 9 | **28** | 18 | 31 | 40 |
| Others | **36** | 8 | **58** | 22 | 38 | 74 |
| Eliminations | **0** | 0 | **0** | 0 | 0 | 0 |
| Total | **144** | 88 | **364** | 277 | 422 | 510 |

| **TOTAL ASSETS**<br>**MEUR** | **30 Sep 2017** | 30 Sep 2016 | 31 Dec 2016 |
|---|---|---|---|
| Oil Products | **3,684** | 3,433 | 3,581 |
| Renewable Products | **2,180** | 2,099 | 2,191 |
| Marketing & Services | **594** | 525 | 545 |
| Others | **523** | 449 | 502 |
| Unallocated assets | **635** | 655 | 933 |
| Eliminations | **-306** | -265 | -310 |
| Total | **7,310** | 6,896 | 7,443 |

| **NET ASSETS**<br>**MEUR** | **30 Sep 2017** | 30 Sep 2016 | 31 Dec 2016 |
|---|---|---|---|
| Oil Products | **2,538** | 2,443 | 2,424 |
| Renewable Products | **1,870** | 1,803 | 1,811 |
| Marketing & Services | **304** | 208 | 196 |
| Others | **293** | 249 | 249 |
| Eliminations | **-14** | -9 | -12 |
| Total | **4,990** | 4,693 | 4,667 |

| TOTAL LIABILITIES<br>MEUR | 30 Sep 2017 | 30 Sep 2016 | 31 Dec 2016 |
|---|---|---|---|
| Oil Products | **1,146** | 990 | 1,157 |
| Renewable Products | **310** | 297 | 380 |
| Marketing & Services | **290** | 317 | 350 |
| Others | **203** | 200 | 253 |
| Unallocated liabilities | **1,505** | 1,819 | 1,845 |
| Eliminations | **-265** | -256 | -297 |
| Total | **3,190** | 3,367 | 3,688 |

| RETURN ON NET ASSETS, % | 30 Sep 2017 | 30 Sep 2016 | 31 Dec 2016 |
|---|---|---|---|
| Oil Products | **25.2** | 17.9 | 23.2 |
| Renewable Products | **26.6** | 32.3 | 28.6 |
| Marketing & Services | **34.0** | 44.2 | 47.3 |

| COMPARABLE RETURN ON NET ASSETS, % | 30 Sep 2017 | 30 Sep 2016 | 31 Dec 2016 |
|---|---|---|---|
| Oil Products | **20.0** | 18.2 | 18.7 |
| Renewable Products | **27.0** | 31.0 | 25.9 |
| Marketing & Services | **34.0** | 46.7 | 47.5 |

**QUARTERLY SEGMENT INFORMATION**

| QUARTERLY REVENUE<br>MEUR | 7-9/2017 | 4-6/2017 | 1-3/2017 | 10-12/2016 | 7-9/2016 | 4-6/2016 | 1-3/2016 |
|---|---|---|---|---|---|---|---|
| Oil Products | **2,045** | **2,080** | **2,009** | 2,159 | 1,961 | 1,916 | 1,359 |
| Renewable Products | **793** | **828** | **699** | 870 | 640 | 596 | 584 |
| Marketing & Services | **986** | **952** | **948** | 964 | 925 | 886 | 776 |
| Others | **57** | **58** | **55** | 77 | 73 | 75 | 70 |
| Eliminations | **-652** | **-638** | **-639** | -649 | -564 | -546 | -482 |
| Total | **3,229** | **3,280** | **3,071** | 3,421 | 3,034 | 2,927 | 2,306 |

| QUARTERLY OPERATING PROFIT<br>MEUR | 7-9/2017 | 4-6/2017 | 1-3/2017 | 10-12/2016 | 7-9/2016 | 4-6/2016 | 1-3/2016 |
|---|---|---|---|---|---|---|---|
| Oil Products | **199** | **130** | **182** | 126 | 125 | 218 | 95 |
| Renewable Products | **119** | **122** | **91** | 158 | 162 | 48 | 150 |
| Marketing & Services | **27** | **19** | **12** | 19 | 25 | 23 | 22 |
| Others | **-2** | **-6** | **-17** | 2 | 6 | -8 | -11 |
| Eliminations | **-4** | **0** | **3** | -3 | 0 | -1 | -2 |
| Total | **339** | **264** | **271** | 302 | 319 | 280 | 254 |

| QUARTERLY COMPARABLE OPERATING PROFIT<br>MEUR | 7-9/2017 | 4-6/2017 | 1-3/2017 | 10-12/2016 | 7-9/2016 | 4-6/2016 | 1-3/2016 |
|---|---|---|---|---|---|---|---|
| Oil Products | **158** | **122** | **126** | 98 | 120 | 149 | 86 |
| Renewable Products | **171** | **101** | **80** | 146 | 124 | 119 | 80 |
| Marketing & Services | **27** | **19** | **11** | 19 | 25 | 23 | 22 |
| Others | **-2** | **-6** | **-17** | 2 | -6 | -8 | -11 |
| Eliminations | **-4** | **0** | **3** | -3 | 0 | -1 | -2 |
| Total | **350** | **236** | **204** | 262 | 264 | 282 | 175 |

| QUARTERLY DEPRECIATION, AMORTIZATION AND IMPAIRMENTS<br>MEUR | 7-9/2017 | 4-6/2017 | 1-3/2017 | 10-12/2016 | 7-9/2016 | 4-6/2016 | 1-3/2016 |
|---|---|---|---|---|---|---|---|
| Oil Products | **52** | **52** | **52** | 53 | 56 | 54 | 53 |
| Renewable Products | **27** | **28** | **26** | 31 | 26 | 29 | 24 |
| Marketing & Services | **6** | **6** | **6** | 6 | 5 | 5 | 5 |
| Others | **6** | **6** | **5** | 5 | 5 | 4 | 4 |
| Eliminations | **0** | **0** | **0** | 0 | 0 | 0 | 0 |
| Total | **92** | **92** | **89** | 94 | 93 | 92 | 87 |

| QUARTERLY CAPITAL EXPENDITURE<br>AND INVESTMENTS IN SHARES<br>MEUR | 7-9/2017 | 4-6/2017 | 1-3/2017 | 10-12/2016 | 7-9/2016 | 4-6/2016 | 1-3/2016 |
|---|---|---|---|---|---|---|---|
| Oil Products | **78** | **71** | **55** | 86 | 54 | 66 | 44 |
| Renewable Products | **23** | **24** | **28** | 31 | 16 | 38 | 19 |
| Marketing & Services | **7** | **13** | **7** | 13 | 9 | 7 | 3 |
| Others | **36** | **14** | **8** | 16 | 8 | 8 | 6 |
| Eliminations | **0** | **0** | **0** | 0 | 0 | 0 | 0 |
| Total | **144** | **122** | **98** | 146 | 88 | 118 | 71 |

| QUARTERLY NET ASSETS<br>MEUR | 7-9/2017 | 4-6/2017 | 1-3/2017 | 10-12/2016 | 7-9/2016 | 4-6/2016 | 1-3/2016 |
|---|---|---|---|---|---|---|---|
| Oil Products | **2,538** | **2,597** | **2,629** | 2,424 | 2,443 | 2,451 | 2,484 |
| Renewable Products | **1,870** | **1,895** | **1,844** | 1,811 | 1,803 | 1,735 | 1,828 |
| Marketing & Services | **304** | **204** | **212** | 196 | 208 | 192 | 164 |
| Others | **293** | **283** | **257** | 249 | 249 | 260 | 7 |
| Eliminations | **-14** | **-10** | **-11** | -12 | -9 | -10 | -10 |
| Total | **4,990** | **4,968** | **4,930** | 4,667 | 4,693 | 4,628 | 4,474 |

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

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

**Group**

| MEUR | 7-9/2017 | 7-9/2016 | 4-6/2017 | 1-9/2017 | 1-9/2016 | 1-12/2016 |
|---|---|---|---|---|---|---|
| COMPARABLE OPERATING PROFIT | 350 | 264 | 236 | 790 | 721 | 983 |
| inventory gains/losses | 61 | 18 | -70 | 33 | 229 | 280 |
| changes in the fair value of open commodity and currency derivatives | -68 | 24 | 82 | 37 | -107 | -118 |
| capital gains and losses | 0 | 12 | 0 | 3 | 23 | 23 |
| insurance and other compensations | 0 | 0 | 0 | 0 | 0 | 0 |
| other adjustments | -4 | 0 | 17 | 13 | -13 | -13 |
| OPERATING PROFIT (IFRS) | 339 | 319 | 264 | 875 | 853 | 1,155 |

**Oil Products**

| MEUR | 7-9/2017 | 7-9/2016 | 4-6/2017 | 1-9/2017 | 1-9/2016 | 1-12/2016 |
|---|---|---|---|---|---|---|
| COMPARABLE OPERATING PROFIT | 158 | 120 | 122 | 406 | 355 | 453 |
| inventory gains/losses | 89 | 8 | -37 | 82 | 141 | 157 |
| changes in the fair value of open commodity and currency derivatives | -45 | -3 | 27 | 7 | -70 | -57 |
| capital gains and losses | 0 | 0 | 0 | 3 | 11 | 11 |
| insurance and other compensations | 0 | 0 | 0 | 0 | 0 | 0 |
| other adjustments | -4 | 0 | 17 | 12 | 0 | 0 |
| OPERATING PROFIT (IFRS) | 199 | 125 | 130 | 510 | 438 | 563 |

**Renewable Products**

| MEUR | 7-9/2017 | 7-9/2016 | 4-6/2017 | 1-9/2017 | 1-9/2016 | 1-12/2016 |
|---|---|---|---|---|---|---|
| COMPARABLE OPERATING PROFIT | 171 | 124 | 101 | 352 | 323 | 469 |
| inventory gains/losses | -29 | 10 | -34 | -49 | 87 | 123 |
| changes in the fair value of open commodity and currency derivatives | -23 | 28 | 55 | 29 | -37 | -60 |
| 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 | -13 | -13 |
| OPERATING PROFIT (IFRS) | 119 | 162 | 122 | 332 | 360 | 518 |

**Marketing & Services**

| MEUR | 7-9/2017 | 7-9/2016 | 4-6/2017 | 1-9/2017 | 1-9/2016 | 1-12/2016 |
|---|---|---|---|---|---|---|
| COMPARABLE OPERATING PROFIT | 27 | 25 | 19 | 57 | 70 | 90 |
| 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 | 0 |
| OPERATING PROFIT (IFRS) | 27 | 25 | 19 | 57 | 70 | 89 |

**Others**

| MEUR | 7-9/2017 | 7-9/2016 | 4-6/2017 | 1-9/2017 | 1-9/2016 | 1-12/2016 |
|---|---|---|---|---|---|---|
| COMPARABLE OPERATING PROFIT | -2 | -6 | -6 | -24 | -25 | -23 |
| 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 | 12 | 0 | 0 | 12 | 12 |
| insurance and other compensations | 0 | 0 | 0 | 0 | 0 | 0 |
| other adjustments | 0 | 0 | 0 | 0 | 0 | 0 |
| OPERATING PROFIT (IFRS) | -2 | 6 | -6 | -24 | -13 | -11 |

**RECONCILIATION BETWEEN COMPARABLE OPERATING PROFIT AND COMPARABLE NET PROFIT**

| MEUR | 7-9/2017 | 7-9/2016 | 1-9/2017 | 1-9/2016 | 1-12/2016 |
|---|---|---|---|---|---|
| COMPARABLE OPERATING PROFIT | 350 | 264 | 790 | 721 | 983 |
| total financial income and expenses | -9 | -25 | -68 | -75 | -79 |
| income tax expense | -63 | -41 | -138 | -97 | -133 |
| non-controlling interests | -1 | -1 | -3 | -3 | -4 |
| tax on items affecting comparability | -2 | 8 | 13 | 20 | 26 |
| COMPARABLE NET PROFIT | 276 | 206 | 594 | 566 | 793 |

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

| MEUR | 30 Sep 2017 | 30 Sep 2016 | 31 Dec 2016 |
|---|---|---|---|
| COMPARABLE OPERATING PROFIT, LAST 12 MONTHS | 1,051 | 1,073 | 983 |
| financial income | 4 | 3 | 4 |
| exchange rate and fair value gains and losses | 5 | -30 | -17 |
| income tax expense | -173 | -108 | -133 |
| tax on other items affecting ROACE | 7 | -13 | 16 |
| Comparable net profit, net of tax | 894 | 925 | 853 |
| Capital employed average | 5,163 | 4,962 | 5,047 |
| RETURN ON CAPITAL EMPLOYED, AFTER TAX (ROACE), % | 17.3 | 18.6 | 16.9 |

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

| MEUR | 30 Sep 2017 | 30 Sep 2016 | 31 Dec 2016 |
|---|---|---|---|
| Total equity | 4,120 | 3,529 | 3,755 |
| Total assets | 7,310 | 6,896 | 7,443 |
| Advances received | 35 | 13 | 18 |
| EQUITY-TO-ASSETS RATIO, % | 56.6 | 51.3 | 50.6 |

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

| CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT<br>MEUR | 30 Sep<br>2017 | 30 Sep<br>2016 | 31 Dec<br>2016 |
|---|---|---|---|
| **Opening balance** | **3,833** | 3,816 | 3,816 |
| Depreciation, amortization and impairments | **-273** | -272 | -366 |
| Capital expenditure | **337** | 277 | 422 |
| Disposals | **-10** | -32 | -49 |
| Translation differences | **-3** | 6 | 10 |
| **Closing balance** | **3,885** | 3,794 | 3,833 |

| CAPITAL COMMITMENTS<br>MEUR | 30 Sep<br>2017 | 30 Sep<br>2016 | 31 Dec<br>2016 |
|---|---|---|---|
| Commitments to purchase property, plant and equipment | **33** | 59 | 26 |
| Total | **33** | 59 | 26 |

#### 6. INTEREST-BEARING NET DEBT AND LIQUIDITY

| Interest-bearing net debt<br>MEUR | 30 Sep<br>2017 | 30 Sep<br>2016 | 31 Dec<br>2016 |
|---|---|---|---|
| Short-term interest-bearing liabilities | **152** | 366 | 354 |
| Long-term interest-bearing liabilities | **1,017** | 1,120 | 1,117 |
| **Interest-bearing liabilities** | **1,169** | 1,487 | 1,471 |
| Cash and cash equivalents [1)] | **-496** | -523 | -788 |
| **Interest-bearing net debt** | **674** | 964 | 683 |

[1)] includes interest-bearing receivables EUR 59 million on 30 September 2017

| Liquidity, unused committed credit facilities and debt programs<br>MEUR | 30 Sep<br>2017 | 30 Sep<br>2016 | 31 Dec<br>2016 |
|---|---|---|---|
| Cash and cash equivalents | **496** | 523 | 788 |
| Unused committed credit facilities | **1,650** | 1,650 | 1,650 |
| **Total** | **2,146** | 2,173 | 2,438 |
| In addition: Unused commercial paper program (uncommitted) | **400** | 400 | 400 |

## 7. DERIVATIVE FINANCIAL INSTRUMENTS

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

| Interest rate and currency derivative contracts MEUR | **30 Sep 2017** Nominal value | **30 Sep 2017** Net fair value | 30 Sep 2016 Nominal value | 30 Sep 2016 Net fair value | 31 Dec 2016 Nominal value | 31 Dec 2016 Net fair value |
|---|---|---|---|---|---|---|
| Interest rate swaps | | | | | | |
| Hedge accounting | **124** | **1** | 350 | 7 | 350 | 6 |
| Non-hedge accounting | **26** | **1** | 0 | 0 | 0 | 0 |
| Currency derivatives | | | | | | |
| Hedge accounting | **1,668** | **32** | 891 | -1 | 1,730 | -44 |
| Non-hedge accounting | **1,456** | **-10** | 916 | -4 | 1,132 | -13 |

| Commodity derivative contracts | **30 Sep 2017** Volume GWh | **30 Sep 2017** Volume million bbl | **30 Sep 2017** Net fair value MEUR | 30 Sep 2016 Volume GWh | 30 Sep 2016 Volume million bbl | 30 Sep 2016 Net fair value MEUR | 31 Dec 2016 Volume GWh | 31 Dec 2016 Volume million bbl | 31 Dec 2016 Net fair value MEUR |
|---|---|---|---|---|---|---|---|---|---|
| Sales contracts | | | | | | | | | |
| Hedge accounting | **0** | **0** | **0** | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-hedge accounting | **0** | **26** | **-53** | 0 | 29 | -67 | 0 | 27 | -89 |
| Purchase contracts | | | | | | | | | |
| Hedge accounting | **0** | **0** | **0** | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-hedge accounting | **2,565** | **18** | **25** | 2,050 | 11 | 15 | 2,381 | 18 | 31 |

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

The fair values of derivative financial instruments subject to public trading are based on market prices as of the balance sheet date. The fair values of other derivative financial instruments are based on the present value of cash flows resulting from the contracts, and, in respect of options, on evaluation models. The amounts also include unsettled closed positions. Derivative financial instruments are mainly used to manage the Group's currency, interest rate and price risk.

**Carrying amounts of financial assets and liabilities by measurement categories**

Financial assets and liabilities divided by categories were as follows as of September 30, 2017:

| Balance sheet item | Derivatives, hedge accounting | Assets/ liabilities at fair value through income statement | Loans and receivables | Available-for-sale financial assets | Financial liabilities measured at amortized cost | Carrying amounts by balance sheet item | Fair value |
|---|---|---|---|---|---|---|---|
| **Non-current financial assets** | | | | | | | |
| Non-current receivables | | | 52 | | | 52 | 52 |
| Derivative financial instruments | 2 | 2 | | | | 4 | 4 |
| Available-for-sale financial assets | | | | 5 | | 5 | 5 |
| **Current financial assets** | | | | | | | |
| Trade and other receivables, excluding non-financial assets | | | 960 | | | 960 | 960 |
| Derivative financial instruments | 37 | 47 | | | | 84 | 84 |
| Cash and cash equivalents | | | 496 | | | 496 | 496 |
| **Carrying amount by category** | 39 | 48 | 1,508 | 5 | 0 | 1,599 | 1,599 |
| | | | | | | | |
| **Non-current financial liabilities** | | | | | | | |
| Interest-bearing liabilities | | | | | 1,017 | 1,017 | 1,053 |
| Derivative financial instruments | | 0 | | | | 0 | 0 |
| Other non-current liabilities | | | | | 15 | 15 | 15 |
| **Current financial liabilities** | | | | | | | |
| Interest-bearing liabilities | | | | | 152 | 152 | 152 |
| Derivative financial instruments | 7 | 85 | | | | 92 | 92 |
| Trade and other payables, excluding non-financial liabilities | | | | | 1,417 | 1,417 | 1,417 |
| **Carrying amount by category** | 7 | 85 | 0 | 0 | 2,601 | 2,693 | 2,729 |

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 | 4 | 0 | 4 |
| Non-current available-for-sale financial assets | 0 | 0 | 5 | 5 |
| Current derivative financial instruments | 3 | 81 | 0 | 84 |

| Financial liabilities | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Non-current derivative financial instruments | 0 | 0 | 0 | 0 |
| Current derivative financial instruments | 38 | 54 | 0 | 92 |

During the nine-month period ended 30 September 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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

## 8. RELATED PARTY TRANSACTIONS

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

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

| Transactions carried out with joint arrangements and other related parties | **30 Sep 2017** | 30 Sep 2016 | 31 Dec 2016 |
|---|---|---|---|
| Sales of goods and services | **132** | 216 | 173 |
| Purchases of goods and services | **136** | 121 | 158 |
| Receivables | **76** | 77 | 82 |
| Financial income and expenses | **1** | 0 | 0 |
| Liabilities | **9** | 7 | 10 |

## 9. CONTINGENT LIABILITIES

| MEUR | **30 Sep 2017** | 30 Sep 2016 | 31 Dec 2016 |
|---|---|---|---|
| **Contingent liabilities** | | | |
| On own behalf for commitments | | | |
| Real estate mortgages | **17** | 17 | 17 |
| Pledged assets | **116** | 116 | 116 |
| Other contingent liabilities | **34** | 40 | 48 |
| Total | **168** | 173 | 182 |
| On behalf of joint arrangements | | | |
| Pledged assets | **45** | 46 | 46 |
| Guarantees | **1** | 1 | 1 |
| Total | **46** | 47 | 47 |
| On behalf of others | | | |
| Guarantees | **1** | 2 | 2 |
| Other contingent liabilities | **0** | 0 | 0 |
| Total | **1** | 2 | 2 |
| Total | **214** | 222 | 230 |

| MEUR | **30 Sep 2017** | 30 Sep 2016 | 31 Dec 2016 |
|---|---|---|---|
| **Operating lease liabilities** | | | |
| Due within one year | **54** | 57 | 79 |
| Due between one and five years | **63** | 77 | 80 |
| Due later than five years | **72** | 80 | 78 |
| Total | **189** | 215 | 237 |

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

**Disputes and potential litigations**

The previous years' bio mandate disputes are closed favourably for Neste in 2017. In March 2017 the Supreme Administrative Court decided that the penalty fee of 44 million euros paid by Neste in 2014 and received back from the Finnish Customs in August 2015 (based on the decision of the Administrative Court of Helsinki) was levied without justification. In June 2017 the Administrative Court of Helsinki decided that also the penalty payment of 17 million euros levied in 2015 was unjustified and Tax Administration returned the penalty payment to Neste in July 2017 with no intentions to appeal against the decision. Dispute regarding two shippings placed under an export procedure in 2013 is closed favorably for Neste in August 2017. The representative of Finnish state did not appeal against the administrative court about the Finnish Customs' decision not to levy excise tax, interest and additional tax totalling approximately EUR 18 million.

## Calculation of key figures

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

## Calculation of share-related indicators

| | | | |
|---|---|---|---|
| Earnings per share (EPS) | = | | Profit for the period attributable to the owners of the parent / Adjusted average number of shares during the period |
| Comparable earnings per share | = | | Comparable net profit / Adjusted average number of shares during the period |
| Equity per share | = | | Shareholder's equity attributable to the owners of the parent / Adjusted number of shares at the end of the period |
| Cash flow per share | = | | Net cash generated from operating activities / Adjusted average number of shares during the period |
| Price / earnings ratio (P/E) | = | | Share price at the end of the period / Earnings per share |
| Dividend payout ratio, % | = | 100 x | Dividend per share / Earnings per share |
| Dividend yield, % | = | 100 x | Dividend per share / Share price at the end of the period |
| Average share price | = | | Amount traded in euros during the period / Number of shares traded during the period |
| Market capitalization at the end of the period | = | | Number of shares at the end of the period x share price at the end of the period |

## Calculation of key drivers

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

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

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

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