26 April 2018

Neste Corporation
Interim Report
January-March 2018

Neste's Interim Report for January-March 2018

Excellent start for the year with all-time high quarterly profit

First quarter in brief:

- Comparable operating profit totaled EUR 401 million (EUR 204 million)
- Operating profit totaled EUR 421 million (EUR 271 million)
- Renewable Products' comparable sales margin, excluding BTC 2017, was USD 525/ton (USD 286/ton)
- Operating profit contribution of EUR 140 million from the US Blender's Tax Credit for 2017
- Oil Products' total refining margin was USD 10.16/bbl (USD 11.00/bbl)
- Cash flow before financing activities was EUR 234 million (EUR -25 million)
- Return on average capital employed (ROACE) was 20.5% over the last 12 months (2017: 17.5%)
- Leverage ratio was 3.9% at the end of March (31.12.2017: 8.7%)

President and CEO Matti Lievonen:

“Neste had an excellent start for the year. We posted a comparable operating profit of EUR 401 million, an all-time high quarterly figure. With support from a retroactive application of the US Blender's Tax Credit (BTC) for the full year 2017, the comparable operating profit was almost double compared to the EUR 204 million in the first quarter of 2017. Also without the BTC effect, Renewable Products was able to exceed the previous year's performance as a result of successful sales allocation and feedstock optimization. Oil Products' additional margin and operational performance were strong, but its result was impacted by a seasonally weak refining margin environment. Neste generated a solid cash flow of EUR 234 million, and reached a ROACE of 20.5% and 3.9% leverage ratio.

Renewable Products posted an excellent comparable operating profit of EUR 296 million (EUR 80 million). The result was also supported by the retroactive US Blender's Tax Credit (BTC) decision for the full year 2017, which had a positive impact of EUR 140 million on the comparable operating profit of this quarter. Sales volumes were 550,000 tons, slightly above the corresponding period last year. Renewable diesel demand continued strong, but our production facilities experienced some operational disturbances and reached 89% utilization rate. During the first quarter 76% of sales were allocated to the European markets and 24% to North America. The share of 100% renewable diesel delivered to end-users was 29% of total volumes. Feedstock mix optimization towards lower-quality raw materials continued successfully, and the proportion of waste and residue inputs was 81%. First delivery of renewable propane was made from the Rotterdam refinery, which is the world's first large-scale renewable propane production facility.

Oil Products posted a comparable operating profit of EUR 99 million (EUR 126 million) in the first quarter. As expected, the overall refining market started seasonally weak, and improved towards the end of the quarter. The reference margin averaged USD 4.1/bbl, which was approx. USD 0.8/bbl lower than in the corresponding period last year. Oil Products' additional margin was strong at USD 6.1/bbl, supported by good operational performance with 96% utilization rate, and contribution of the new strategic investments, such as the Porvoo Solvent Deasphalting (SDA) unit.

In Marketing & Services we were able to increase our sales volumes from the first quarter 2017 level. The markets continued to be competitive and unit margins remained similar to the corresponding period last year. The segment generated a comparable operating profit of EUR 13 million (11 million).

Renewable Products' additional margin is expected to be at a strong level in 2018. Sales volumes of the 100% renewable diesel delivered to end-users continue to grow from the levels in 2017 towards our 50% target in 2020. The vegetable oil market is expected to remain volatile, and Neste continues 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 the planned maintenance shutdowns.

Oil Products' reference margin has recovered from the low levels in the early 2018, and robust diesel and gasoline demand is expected to continue supporting the reference margin. Global oil product supply and demand are anticipated to be balanced in 2018. We expect high reliability to continue in our refinery operations, noting that several scheduled unit maintenance turnarounds will be implemented during the spring and autumn.

In Marketing & Services the sales volumes and unit margins are expected to follow the previous years' seasonality pattern. Several actions have been initiated to improve financial performance.

As a conclusion, we expect 2018 to be a strong year for Neste."

Neste's Interim Report, 1 January - 31 March 2018

The Interim Report is unaudited.

Figures in parentheses refer to the corresponding period for 2017, unless otherwise stated.

Key Figures

EUR million (unless otherwise noted)

	1-3/18	1-3/17	10-12/17	2017
Revenue	3,629	3,071	3,636	13,217
EBITDA	518	361	394	1,542
Comparable EBITDA*	499	293	409	1,472
Operating profit	421	271	296	1,171
Comparable operating profit*	401	204	311	1,101
Profit before income taxes	397	236	287	1,094
Net profit	347	201	244	914
Comparable net profit**	330	143	257	851
Earnings per share, EUR	1.36	0.78	0.96	3.56
Comparable earnings per share**, EUR	1.29	0.56	1.00	3.33
Investments	86	98	172	536
Net cash generated from operating activities	323	44	445	1,094

	31 March 2018	31 March 2017	31 Dec 2017
Total equity	4,670	3,988	4,338
Interest-bearing net debt	191	718	412
Capital employed	5,866	5,216	5,533
Return on average capital employed after tax (ROACE)***, %	20.5	16.6	17.5
Equity per share, EUR	18.26	15.50	16.96
Leverage ratio, %	3.9	15.3	8.7

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

** Comparable net profit is calculated by 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 first quarter 2018 results

Neste's revenue in the first quarter totaled EUR 3,629 million (3,071 million). The increase resulted from higher sales prices, which had a positive impact of approx. EUR 400 million, and higher sales volumes, which also had approx. EUR 400 million positive impact on the revenue. A weaker USD exchange rate had a negative impact of approx. EUR 200 million on the revenue. The Group’s comparable operating profit was EUR 401 million (204 million). Renewable Products' additional margin was significantly higher than in the first quarter of 2017, and the retroactive Blender's Tax Credit decision for the full year 2017 was accounted for in this quarter and hence supported the result. Oil Products' result was lower than in the first quarter of 2017, mainly due to lower reference margin and a weaker USD exchange rate. Marketing & Services was able to slightly increase its sales volumes while maintaining unit margins, which lead to a higher comparable operating profit compared to the first quarter of 2017. The Others segment's comparable operating profit improved from the corresponding period of 2017.

Renewable Products’ first quarter comparable operating profit was EUR 296 million (80 million), Oil Products’ EUR 99 million (126 million), and Marketing & Services' EUR 13 million (11 million). The comparable operating profit of the Others segment totaled EUR -9 million (-17 million); Nynas accounted for EUR -4 million (-7 million) of this figure.

The Group’s operating profit was EUR 421 million (271 million), which was impacted by inventory gains of EUR 32 million (42 million), and changes in the fair value of open commodity and currency derivatives totaling EUR -12 million (24 million), mainly related to hedging of inventories. Profit before income taxes was EUR 397 million (236 million), and net profit EUR 347 million (201 million). Comparable earnings per share were EUR 1.29 (0.56), and earnings per share EUR 1.36 (0.78).

	1-3/18	1-3/17	10-12/17	2017
COMPARABLE OPERATING PROFIT	401	204	311	1,101
- inventory gains/losses	32	42	-1	31
- changes in the fair value of open commodity and currency derivatives	-12	24	-13	24
- capital gains/losses	2	3	0	3
- insurance and other compensations	0	0	0	0
- other adjustments	-2	-1	-1	12
OPERATING PROFIT	421	271	296	1,171

Variance analysis (comparison to corresponding period), MEUR

	1-3
Group's comparable operating profit, 2017	204
Sales volumes	19
Reference margin	-26
Additional margin	132
Blender's Tax Credit	140
Currency exchange	-52
Fixed costs	-10
Others	-6
Group's comparable operating profit, 2018	401

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

	1-3
Group's comparable operating profit, 2017	204
Renewable Products	216
Oil Products	-27
Marketing & Services	2
Others including eliminations	7
Group's comparable operating profit, 2018	401

Financial targets

Return on average capital employed after tax (ROACE) and leverage ratio are Neste's key financial targets. ROACE figures are based on comparable results. The company's long-term ROACE target is 15%, and the leverage ratio target is below 40%. At the end of March, ROACE calculated over the last 12 months was strong 20.5%, and leverage ratio remained well in the targeted area.

	31 Mar 2018	31 Mar 2017	31 Dec 2017
Return on average capital employed after tax (ROACE)*, %	20.5	16.6	17.5
Leverage ratio (net debt to capital), %	3.9	15.3	8.7

*Last 12 months

Cash flow, investments and financing

The Group’s net cash generated from operating activities totaled EUR 323 million (44 million) in the first quarter of 2018. The difference mainly resulted from a higher EBITDA of the businesses and a smaller increase in the working capital compared to the corresponding period last year. Cash flow before financing activities was strong EUR 234 million (-25 million). The Group's net working capital in days outstanding was 30.2 days (32.1 days) on a rolling 12-month basis at the end of the first quarter.

	1-3/18	1-3/17	10-12/17	2017
EBITDA	518	361	394	1,542
Capital gains/losses	-2	-3	0	-3
Other adjustments	42	-49	-31	-82
Change in working capital	-149	-227	145	-104
Finance cost, net	-25	-25	-9	-90
Income taxes paid	-62	-13	-55	-169
Net cash generated from operating activities	323	44	445	1,094
Capital expenditure	-85	-99	-165	-502
Other investing activities	-5	30	8	36
Free cash flow (Cash flow before financing activities)	234	-25	287	628

Cash-out investments were EUR 85 million (99 million) in the first quarter. Maintenance investments accounted for EUR 59 million (30 million) and productivity and strategic investments for EUR 26 million (69 million). Renewable

Products' investments were EUR 15 million (22 million), mainly related to the completed renewable propane unit investment at the Rotterdam refinery. Oil Products' investments amounted to EUR 58 million (55 million), with the largest project being the wastewater treatment plant at the refinery in Porvoo. Marketing & Services' investments totaled EUR 4 million (10 million) and were focused on the retail station network. Investments in the Others segment were EUR 8 million (11 million), concentrating on ICT and business infrastructure upgrade.

Interest-bearing net debt was EUR 191 million at the end March, compared to EUR 412 million at the end of 2017. Net financial expenses for the quarter were EUR 24 million (35 million). The average interest rate of borrowing at the end of March was 3.2% (3.3%) and the average maturity 4.3 (4.0) years. At the end of the first quarter the interest-bearing net debt/comparable EBITDA ratio was 0.1 (0.5) over the last 12 months.

The leverage ratio was 3.9% (31 Dec 2017: 8.7%), and the gearing ratio 4.1% (31 Dec 2017: 9.5%). 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 2,654 million at the end of March (31 Dec 2017: 2,433 million). There are no financial covenants in the Group companies' current loan agreements.

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

US dollar exchange rate

	1-3/18	1-3/17	10-12/17	2017
EUR/USD, market rate	1.23	1.06	1.18	1.13
EUR/USD, effective rate*	1.19	1.10	1.15	1.12

* The effective rate includes the impact of currency hedges.

Segment reviews

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

Renewable Products

Key financials

	1-3/18	1-3/17	10-12/17	2017
Revenue, MEUR	759	699	924	3,243
EBITDA, MEUR	307	118	172	586
Comparable EBITDA, MEUR	324	107	238	671
Comparable operating profit, MEUR	296	80	209	561
Operating profit, MEUR	279	91	144	476
Net assets, MEUR	1,906	1,844	1,863	1,863
Return on net assets*, %	35.4	25.5	25.6	25.6
Comparable return on net assets*, %	41.4	26.0	30.2	30.2

* Last 12 months

Variance analysis (comparison to corresponding period), MEUR

	1-3
Comparable operating profit, 2017	80
Sales volumes	3
Reference margin	-9
Additional margin	114
Blender's Tax Credit	140
Currency exchange	-20
Fixed costs	-11
Others	-2
Comparable operating profit, 2018	296

Key drivers

	1-3/18	1-3/17	10-12/17	2017
FAME - Palm oil price differential*, USD/ton	157	230	272	242
SME - Palm oil price differential**, USD/ton	203	181	232	225
Reference margin, USD/ton	251	271	321	291
Additional margin***, excluding BTC, USD/ton	384	125	254	184
Comparable sales margin, excluding BTC, USD/ton	525	286	464	365
Biomass-based diesel (D4) RIN, USD/gal	0.78	0.96	0.96	1.01
California LCFS Credit, USD/ton	136	92	103	89
Palm oil price****, USD/ton	635	662	638	629
Crude palm oil's share of total feedstock, %	19	28	24	23

* 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 110/ton
**** CPO BMD 3rd

Renewable Products' first quarter comparable operating profit totaled EUR 296 million, compared to EUR 80 million in the first quarter of 2017. The reference margin, reflecting the general market conditions, was slightly lower than that in the first quarter of 2017. Our additional margin increased further and significantly exceeded the level in the corresponding period last year. The higher additional margin had a positive impact of EUR 114 million on the comparable operating profit year-on-year. Additionally, the retroactive US Blender's Tax Credit decided for the full year 2017 had a positive impact of EUR 140 million on the operating profit of the first quarter. Sales volumes were 550,000 tons, slightly higher than in the first quarter of 2017. The demand for renewable diesel continued strong, but our production performance was not optimal mainly due to operational disturbances caused by catalyst issues and a hydrogen supplier's outage in Singapore. During the first quarter approx. 76% (82%) of sales volumes were allocated to the European market and 24% (18%) to North America. The share of 100% renewable diesel delivered to end-users was 29% (18%) in the first quarter. First delivery of renewable propane was made from the Rotterdam refinery, which is the world's first large-scale renewable propane production facility. Our renewable diesel production had an average utilization rate of 89% (99%) during the quarter, based on an updated nominal capacity of 2.7 Mton/a. The proportion of waste and residue inputs was 81% (72%) on average. A weaker USD exchange rate had a EUR 20 million negative impact on the comparable operating profit. The segment's fixed costs were EUR 11 million higher than in the first quarter of 2017, mainly related to strategic growth projects. Renewable Products' comparable return on net assets was 41.4% (26.0%) at the end of March based on the previous 12 months.

Vegetable oil prices did not move in tandem during the first quarter. Rapeseed oil (RSO) prices dropped despite seasonal support from rapeseed methyl ester biodiesel demand. This reflected the impact of the increased Argentinian Soy Methyl Ester (SME) biodiesel imports into the EU as the anti-dumping duties have been removed. Soybean oil (SBO) price decreased marginally on the back of large US soybean stocks and strong crushing margins. On the other hand, crude palm oil (CPO) prices were supported by strong international CPO trade despite a healthy recovery in production.

Conventional biodiesel margins deteriorated on both sides of the Atlantic during the first quarter. In Europe, Fatty Acid Methyl Ester (FAME) margins were the lowest since 2013 for the corresponding period, reflecting the impact of the increased SME imports. In the US market the Blender's Tax Credit (BTC) was reintroduced retroactively for the year 2017, but decisions for 2018 have not been made. The US SME biodiesel margins have been positively impacted by the discontinuation of SME imports from Argentina as a result of higher duties.

The US Renewable Identification Number (RIN) D4 price declined amid uncertainty on renewable fuel mandates spurred by the Trump administration's talks with both refining and biofuels industry. The California Low Carbon Fuel Standard (LCFS) credit price continued to rise as further draw in the credit bank was reported. In late February the LCFS credit price was temporarily negatively impacted by some proposed adjustments in the short-term program targets.

Production

	1-3/18	1-3/17	10-12/17	2017
Neste MY Renewable Diesel, 1,000 ton	623	649	644	2,587
Other products, 1,000 ton	46	49	53	196
Utilization rate*, %	89	99	97	98

* Based on nominal capacity of 2.7 Mton/a in 2018, and 2.6 Mton/a in 2017.

Sales

	1-3/18	1-3/17	10-12/17	2017
Neste MY Renewable Diesel, 1,000 ton	550	543	713	2,567
Share of sales volumes to Europe, %	76	82	73	74
Share of sales volumes to North America, %	24	18	27	26

Oil Products

Key financials

	1-3/18	1-3/17	10-12/17	2017
Revenue, MEUR	2,453	2,009	2,355	8,490
EBITDA, MEUR	192	234	197	863
Comparable EBITDA, MEUR	156	177	146	708
Comparable operating profit, MEUR	99	126	89	495
Operating profit, MEUR	135	182	140	650
Net assets, MEUR	2,592	2,629	2,497	2,497
Return on net assets*, %	23.5	26.2	25.6	25.6
Comparable return on net assets*, %	18.2	19.8	19.5	19.5

* Last 12 months

Variance analysis (comparison to corresponding period), MEUR

	1-3
Comparable operating profit, 2017	126
Sales volumes	15
Reference margin	-17
Additional margin	18
Currency exchange	-32
Fixed costs	-9
Others	-3
Comparable operating profit, 2018	99

Key drivers

	1-3/18	1-3/17	10-12/17	2017
Reference refining margin, USD/bbl	4.09	4.92	4.93	5.68
Additional margin, USD/bbl	6.07	6.08	5.76	5.39
Total refining margin, USD/bbl	10.16	11.00	10.69	11.08
Urals-Brent price differential, USD/bbl	-1.62	-2.12	-0.89	-1.39
Urals' share of total refinery input, %	71	73	64	69

Oil Products' comparable operating profit totaled EUR 99 million (126 million) in the first quarter. As expected, the refining market started weak in the early part of the year, but improved towards the end of the quarter. Reference margin averaged at USD 4.1/bbl in the first quarter, approx. USD 0.8/bbl lower than in the corresponding period last year. The lower reference margin had a negative impact of EUR 17 million on the segment's operating profit. We achieved a strong additional margin of USD 6.1/bbl, supported by a very good operational performance and the new strategic investments being in full utilization. Our sales volumes were more than 15% higher than in the first quarter of 2017, and had a EUR 15 million positive impact on the operating profit. As a result of the increased sales volume the additional margin also had a positive impact of EUR 18 million on the segment's operating profit compared to the corresponding period last year. A weaker USD exchange rate had a negative impact of EUR 32 million on the comparable operating profit compared to the first quarter of 2017. Oil Products' comparable return on net assets was 18.2% (19.8%) at the end of March over the previous 12 months.

During the first quarter the use of Russian crude was 71% (73%) of total input. The average refinery utilization rate was 96% (89%), which reflected very good operational performance.

Brent crude oil price was volatile and traded in a range between USD 62-71/bbl during the first quarter, but closed almost at the same level where the year started at around USD 68/bbl. The crude oil market continued to be supported by the agreement between OPEC and non-OPEC countries to cut oil production, and rising geopolitical tensions. Rising crude oil production expectations particularly in the US were capping further crude oil price increases.

The Russian Export Blend (REB) crude price averaged USD 1.6/bbl lower than Brent during the first quarter. The OPEC production cuts in heavier crude qualities, and lower REB export volumes through the Baltic Sea ports compared to 2017, narrowed the price differential during the early part of the first quarter. Towards the end of the quarter decreasing REB demand following the refinery maintenance season pushed the differential to widen.

Neste reference margin was seasonally low during the first quarter. High refinery runs during late 2017 together with mild weather during the early part of the first quarter, and seasonally low gasoline demand, drove product margins lower. However, margins started to get support later in the quarter driven by strong gasoline and diesel demand and the global spring refinery maintenance season. On average diesel was the strongest part of the barrel during the first quarter, and Neste reference margin averaged USD 4.1/bbl.

Production

	1-3/18	1-3/17	10-12/17	2017
Refinery				
- Production, 1,000 ton	3,646	3,509	3,439	13,916
- Utilization rate, %	96	89	86	89
Refinery production costs, USD/bbl	4.4	3.7	5.4	4.4
Bahrain base oil plant production, (Neste's share) 1,000 ton	51	51	57	210

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

	1-3/18	%	1-3/17	%	10-12/17	%	2017	%
Middle distillates*	2,026	53	1,592	49	1,922	52	7,154	50
Light distillates**	1,247	32	1,071	33	1,269	34	4,630	33
Heavy fuel oil	293	8	299	9	251	7	1,137	8
Base oils	119	3	109	3	117	3	449	3
Other products	168	4	192	6	168	4	823	6
TOTAL	3,853	100	3,263	100	3,727	100	14,193	100

* Diesel, jet fuel, heating oil, low sulphur marine fuels
** Motor gasoline, gasoline components, LPG

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

	1-3/18	%	1-3/17	%	10-12/17	%	2017	%
Baltic Sea area*	2,203	57	1,944	60	2,200	57	8,268	58
Other Europe	1,033	27	1,062	33	1,027	35	4,606	32
North America	115	3	126	4	178	7	746	5
Other areas	501	13	131	4	323	1	572	4

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

Marketing & Services

Key financials

	1-3/18	1-3/17	10-12/17	2017
Revenue, MEUR	996	948	1,027	3,912
EBITDA, MEUR	19	18	17	93
Comparable EBITDA, MEUR	19	17	17	93
Comparable operating profit, MEUR	13	11	11	68
Operating profit, MEUR	13	12	11	69
Net assets, MEUR	259	212	280	280
Return on net assets*, %	27.9	40.6	28.7	28.7
Comparable return on net assets*, %	27.9	40.6	28.5	28.5

* Last 12 months

Variance analysis (comparison to corresponding period), MEUR

	1-3
Comparable operating profit, 2017	11
Sales volumes	1
Unit margins	0
Currency exchange	0
Fixed costs	1
Others	1
Comparable operating profit, 2018	13

Marketing & Services' comparable operating profit was EUR 13 million (11 million) in the first quarter. We were able to increase sales volumes compared to the corresponding period last year. Traffic fuel demand declined seasonally for the winter period, and heavy duty traffic continued to grow in Finland. All focus markets continued to be very competitive, and average unit margins were maintained at the same level as in the corresponding period last year. Lower fixed costs and higher other income had a positive impact of EUR 2 million on the comparable operating profit compared to the first quarter of 2017. Marketing & Services' comparable return on net assets was 27.9% (40.6%) at the end of March on a rolling 12-month basis.

Sales volumes by main product categories, million liters

	1-3/18	1-3/17	10-12/17	2017
Gasoline station sales	245	246	265	1,080
Diesel station sales	432	417	445	1,739
Heating oil	181	147	179	615

Net sales by market area, MEUR

	1-3/18	1-3/17	10-12/17	2017
Finland	732	691	736	2,820
Northwest Russia	65	69	73	290
Baltic countries	199	187	218	802

Others

Key financials

	1-3/18	1-3/17	10-12/17	2017
Comparable operating profit, MEUR	-9	-17	0	-24
Operating profit, MEUR	-9	-17	0	-24

The Others segment consists of Neste Engineering Solutions, Nynas, a joint venture owned by Neste (49.99% share) and Petróleos de Venezuela, and common corporate costs. The comparable operating profit of the Others segment totaled EUR -9 million (-17 million) in the first quarter; Nynas accounted for EUR -4 million (-7 million) of this figure.

Annual General Meeting

Neste Corporation's Annual General Meeting (AGM) was held in Helsinki after the reporting period on 5 April 2018. The AGM adopted the company's Financial Statements and Consolidated Financial Statements for 2017, and discharged the Board of Directors and the President and CEO from liability for 2017. The AGM also approved the Board of Directors' proposal regarding the distribution of the company's profit for 2017, authorizing payment of a dividend of EUR 1.70 per share. The dividend shall be paid in two installments. The first dividend installment, EUR 0.85 per share, was paid on 16 April 2018. The second installment, EUR 0.85 per share, will be paid to shareholders registered in the shareholders' register of the company maintained by Euroclear Finland Ltd on the record date for second dividend installment, which shall be Wednesday, 10 October 2018. The second dividend installment will be paid on Wednesday, 17 October 2018. The Board of Directors is authorized to set a new dividend record date and payment date for the second installment of the dividend, in case the rules and regulations on the Finnish book-entry system would be changed, or otherwise so require.

In accordance with the proposal made by the Shareholders' Nomination Board, the AGM confirmed the membership of the Board of Directors at eight members, and the following were re-elected to serve until the end of the next AGM: Ms. Martina Flöel, Mr. Matti Kähkönen, Ms. Laura Raitio, Mr. Jean-Baptiste Renard, Mr. Willem

Schoeber and Mr. Marco Wirén. The following were elected as new members: Ms. Elizabeth (Elly) Burghout and Mr. Jari Rosendal. Mr. Kähkönen was elected as Chair and Ms. Raitio as new Vice Chair.

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

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

The AGM approved the Board of Directors' proposal on authorizing the Board to decide on the conveyance of the treasury shares held by the company under the following terms:

Under the authorization, the Board shall be authorized to take one or more decisions on the conveyance of treasury shares held by the company, provided that the number of shares thereby conveyed totals a maximum of 1,000,000 shares, equivalent to approximately 0.39% of all the company's shares.

The treasury shares held by the company may be conveyed to the company's shareholders in proportion to the shares they already own or through a directed share issue that bypasses shareholders' pre-emptive rights if the company has a weighty financial reason for doing so, such as using the shares in question as consideration in possible acquisitions or in other arrangements that are part of the company's business, to finance investments, or as part of the company's incentive program.

The treasury shares held by the company may be conveyed against payment or free of charge. A directed share issue may only be made free of charge if there is a particularly weighty financial reason, in respect of the company's interests and those of all its shareholders, for doing so.

The Board shall decide on other terms and conditions of share issue. The authorization shall remain in force until 30 June 2021.

Shares, share trading, and ownership

Neste’s shares are mainly traded on NASDAQ Helsinki Ltd. The share price closed the quarter at EUR 56.60, up by 6.1% compared to the end of 2017. At its highest during the quarter, the share closing price reached EUR 61.76, while the lowest daily closing price was EUR 52.58. Market capitalization was EUR 14.5 billion as of 31 March 2018. An average of 0.58 million shares were traded daily, representing 0.2% of the company’s shares.

Neste’s share capital registered with the Company Register as of 31 March 2018 totaled EUR 40 million, and the total number of shares was 256,403,686. As resolved by the AGM held on 1 April 2015, the Board of Directors was authorized to purchase and/or take as security a maximum of 1,000,000 company shares using the company's unrestricted equity. At the end of March 2018, Neste held 573,662 treasury shares purchased under this authorization. The Board of Directors has no authorization to issue convertible bonds, share options, or new shares.

As of 31 March 2018, the Finnish State owned 49.7% (50.1% at the end of 2017) of outstanding shares, foreign institutions 33.0% (31.5%), Finnish institutions 9.1% (9.6%), and Finnish households 8.2% (8.7%).

Personnel

Neste employed an average of 5,319 (5,067) employees in the first quarter, of which 1,745 (1,623) were based outside Finland. At the end of March, the company had 5,325 employees (5,113), of which 1,742 (1,640) were located outside Finland.

Environmental, Social and Governance (ESG)

Key figures

	1-3/18	1-3/17	2017
TRIF*	1.5	3.1	2.1
PSER**	2.8	2.3	2.1
GHG reduction, Mton***	2.0	1.9	8.3

* 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 products 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 first quarter compared to the previous year. The main focus was on contractor safety and managing the winter period safely. Unfortunately, PSER, the main indicator for process safety, increased during the first quarter and was higher compared to the corresponding period in 2017. High focus on process safety continues in all of our operations in order to reach the targeted level. 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 on learning from incidents and effectiveness of the agreed actions.

Neste produces renewable products that enable our customers to reduce their greenhouse gas (GHG) emissions. During the first quarter this GHG reduction was 2.0 million tons, compared to 1.9 million tons in the corresponding period last year.

Neste’s operational environmental emissions were in substantial compliance at all sites during the first quarter. No non-compliance cases occurred at Neste's operations, and no serious environmental incidents resulting in liability occurred at Neste's refineries or other production sites.

In January 2018, Neste was ranked the second most sustainable large company in the world on the Global 100 list. This is the company’s highest-ever ranking. Neste was able to improve its ranking from the 23rd place in 2017.

Neste has published comprehensive data on its palm oil usage and supply chain in 2017 in line with its continuous commitment to transparency. Neste’s traceability dashboard presents information about Neste’s entire palm oil supply chain, from plantations to the palm oil refineries, completed with interactive maps and information on certifications, among other things. As the first company in the world, Neste published data also on its palm fatty acid distillate (PFAD) supply chain. PFAD is a processing residue consisting of degraded fats that are undesired for food production and removed during the palm oil refining process.

Read more about the topics on Neste's website.

Main events published during the reporting period

On 4 January, Neste announced that it had received an announcement pursuant to Chapter 9, Section 5 of the Securities Markets Act regarding a change in its shareholding. Prime Minister's Office had announced that its aggregate holding of shares and votes in Neste Corporation had decreased below the 50% threshold and is currently 49.74%.

On 31 January, Neste announced that the Shareholders' Nomination Board proposes to the AGM to be held on 5 April 2018 that the Vice Chair of the Board of Directors Mr. Matti Kähkönen shall be elected as the new Chair of the Board of Directors. In addition, the current Board Members Ms. Martina Flöel, Ms. Laura Raitio, Mr. Jean-Baptiste Renard, Mr. Willem Schoeber, and Mr. Marco Wirén shall be re-elected for a further term of office. The Nomination Board further proposes that Ms. Raitio shall be elected as the new Vice Chair of the Board. The Shareholders' Nomination Board further proposes that the Board shall have eight members and that Ms. Elizabeth (Elly) Burghout (BSc, Chemical Engineering) and Mr. Jari Rosendal (M.Sc. Eng.) shall be elected as new members.

On 9 February, Neste announced that Neste's Board of Directors had appointed Peter Vanacker (born 1966, M.Sc. Chem. Eng.) President and CEO of Neste as of 1 November 2018. He will join Neste on 1 September 2018 as a Senior Executive and start familiarizing himself with Neste's business and operations. Matti Lievonen, who has served as Neste Corporation's President and CEO since 2008, will act as the President and CEO of Neste until 31 October 2018 and retire at the end of the 2018 after reaching his retirement age.

On 9 February, Neste announced that the US Blender's Tax Credit (BTC) had been approved retroactively for the year 2017. The retroactive reinstatement of the BTC for 2017 will have a positive impact on Neste's comparable operating profit in the first quarter of 2018. The impact is estimated to be somewhat lower than it was in the full year 2016. The respective cash flow is expected to be received during the first half of 2018.

On 5 March, Neste announced that it will be rebuilding the wastewater treatment plant at its refinery in Porvoo, Finland. The project involves renewing the chemical and biological treatment systems of the wastewater plant, and the entire project is scheduled for completion in 2020. The changes will improve the efficiency of wastewater treatment and ensure the processing capacity. The investment, which will cost EUR 50 million, is being carried out in cooperation with Borealis Polymers Oy, the other user of the plant.

On 19 March, Neste announced that it had started up the world's first large-scale renewable propane production facility in Rotterdam in the Netherlands. The first cargo of renewable propane had been delivered to SHV Energy, who will market and sell the product to its customers across Europe as BioLPG. Neste's new facility has a production capacity of 40,000 tons per year and SHV Energy will be the exclusive distributor, supplying 160,000 tons over four years.

Potential risks

There have been no significant changes in Neste´s short-term risks or uncertainties since the end of 2017. Key market risks affecting Neste's financial results for the next 12 months include geopolitical risks, changes in the biofuel regulation, unexpected changes in the market prices, changes in the competitive situation and any scheduled or unexpected shutdowns at Neste’s refineries. 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. According to current market estimates, the US dollar is expected to stay weak in 2018.

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.

Renewable Products' additional margin is expected to be at a strong level in 2018. Sales volumes of the 100% renewable diesel delivered to end-users continue to grow from the levels in 2017 towards our 50% target in 2020. The vegetable oil market is expected to remain volatile, and Neste continues 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 planned four-week maintenance shutdown at the Rotterdam refinery in the second quarter and a nine-week major turnaround at the Singapore refinery in the fourth quarter. The Rotterdam maintenance is currently estimated to have a negative impact of approx. EUR 50 million, and the Singapore turnaround an impact of approx. EUR 80 million on the comparable operating profit.

Global oil product demand is expected to remain strong in 2018, driven by a solid macroeconomic growth, and to be reflected in both distillates and gasoline demand. Recent oil demand growth estimates for 2018 have been around 1.7 million bbl/d with distillates leading demand growth. OPEC's decision to continue its production cuts into 2018 is expected to support crude oil price and market structure also in the first half of 2018, but global crude oil inventories could still start increasing again in 2018.

Oil Products' reference margin has recovered from the low levels in the early 2018, and robust diesel and gasoline demand is expected to continue supporting the reference margin. Global oil product supply and demand are anticipated to be balanced in 2018. We expect high reliability to continue in our refinery operations, noting that several scheduled unit maintenance turnarounds will be implemented during the spring and autumn. The scheduled unit maintenances are currently estimated to have a negative impact of approx. EUR 30 million on the comparable operating profit in the second quarter, and approx. EUR 50 million during the second half of 2018.

In Marketing & Services the sales volumes and unit margins are expected to follow the previous years' seasonality pattern. Several actions have been initiated to improve financial performance.

As a conclusion, we expect 2018 to be a strong year for Neste.

Reporting date for the Half Year 2018 results

Neste will publish its Half Year Financial Report on 3 August 2018 at approximately 9:00 a.m. EET.

Espoo, 25 April 2018

Neste Corporation
Board of Directors

Further information:

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Jyrki Mäki-Kala, CFO, tel. +358 10 458 4098
Investor Relations, tel. +358 10 458 5292

Conference call

A conference call in English for investors and analysts will be held today, 26 April 2018, 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 7479 0404 rest of Europe: +44 (0)330 336 9411, US: +1 323 794 2093, using access code 1620551. The conference call can be followed at the company's website. An instant replay of the call will be available until 3 May 2018 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 1620551.

The preceding information contains, or may be deemed to contain, “forward-looking statements”. These statements relate to future events or our future financial performance, including, but not limited to, strategic plans, potential growth, planned operational changes, expected capital expenditures, future cash sources and requirements, liquidity and cost savings that involve known and unknown risks, uncertainties, and other factors that may cause Neste Corporation’s or its businesses’ actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by any forward-looking statements. In some cases, such forward-looking statements can be identified by terminology such as “may,” “will,” “could,” “would,” “should,” “expect,” “plan,” “anticipate,” “intend,” “believe,” “estimate,” “predict,” “potential,” or “continue,” or the negative of those terms or other comparable terminology. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Future results may vary from the results expressed in, or implied by, the forward-looking statements, possibly to a material degree. All forward-looking statements made in this report are based on information presently available to management and Neste Corporation assumes no obligation to update any forward-looking statements. Nothing in this report constitutes investment advice and this report shall not constitute an offer to sell or the solicitation of an offer to buy any securities or otherwise to engage in any investment activity.

NESTE GROUP
JANUARY - MARCH 2018
The interim report is unaudited

FINANCIAL STATEMENT SUMMARY AND NOTES TO THE FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF INCOME

EUR million	Note	1-3/2018	1-3/2017	1-12/2017	Last 12 months
Revenue	3, 4	**3,629**	3,071	13,217	13,775
Other income		**6**	8	22	21
Share of profit (loss) of joint ventures		**-4**	-6	1	4
Materials and services		**-2,915**	-2,524	-10,927	-11,318
Employee benefit costs		**-98**	-91	-372	-379
Depreciation, amortization and impairments	4	**-98**	-89	-371	-380
Other expenses		**-100**	-97	-399	-402
Operating profit		**421**	271	1,171	1,320
Financial income and expenses					
Financial income		**1**	1	4	4
Financial expenses		**-12**	-11	-79	-80
Exchange rate and fair value gains and losses		**-13**	-25	-2	10
Total financial income and expenses		**-24**	-35	-77	-66
Profit before income taxes		**397**	236	1,094	1,255
Income tax expense		**-50**	-35	-180	-195
Profit for the period		**347**	201	914	1,060
Profit attributable to:					
Owners of the parent		**347**	200	911	1,057
Non-controlling interests		**0**	1	3	2
		347	201	914	1,060
Earnings per share from profit attributable to the owners of the parent (in euro per share)					
Basic earnings per share		**1.36**	0.78	3.56	4.13
Diluted earnings per share		**1.35**	0.78	3.55	4.12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	1-3/2018	1-3/2017	1-12/2017	Last 12 months
Profit for the period	**347**	201	914	1,060
Other comprehensive income net of tax:				
Items that will not be reclassified to profit or loss				
Remeasurements on defined benefit plans	**0**	1	2	1
Items that may be reclassified subsequently to profit or loss				
Translation differences	**-12**	4	-15	-32
Cash flow hedges				
recorded in equity	**18**	7	69	79
transferred to income statement	**-19**	14	-15	-49
Share of other comprehensive income of investments accounted for using the equity method	**-5**	5	2	-7
Total	**-19**	30	40	-9
Other comprehensive income for the period, net of tax	**-18**	31	42	-7
Total comprehensive income for the period	**328**	232	956	1,052
Total comprehensive income attributable to:				
Owners of the parent	**328**	231	952	1,050
Non-controlling interests	**0**	1	3	2
	328	232	956	1,052

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	Note	31 March 2018	31 March 2017	31 Dec 2017
ASSETS				
Non-current assets				
Intangible assets	6	**101**	88	100
Property, plant and equipment	6	**3,840**	3,753	3,856
Investments in joint ventures		**195**	214	213
Non-current receivables		**50**	55	51
Deferred tax assets		**36**	35	35
Derivative financial instruments	8	**4**	7	4
Other financial assets		**5**	5	5
Total non-current assets		**4,231**	4,157	4,262
Current assets				
Inventories		**1,524**	1,699	1,563
Trade and other receivables		**1,228**	911	1,097
Derivative financial instruments	8	**54**	47	86
Cash and cash equivalents		**1,004**	511	783
Total current assets		**3,810**	3,168	3,530
Total assets		**8,041**	7,325	7,793
EQUITY				
Capital and reserves attributable to the owners of the parent				
Share capital		**40**	40	40
Other equity	2	**4,630**	3,924	4,298
Total		**4,670**	3,964	4,338
Non-controlling interests		**0**	23	0
Total equity		**4,670**	3,988	4,338
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities		**1,029**	1,115	1,032
Deferred tax liabilities		**267**	246	269
Provisions		**54**	54	55
Pension liabilities		**130**	134	131
Derivative financial instruments	8	**0**	2	0
Other non-current liabilities		**13**	11	17
Total non-current liabilities		**1,493**	1,563	1,504
Current liabilities				
Interest-bearing liabilities		**167**	113	163
Current tax liabilities		**29**	66	36
Derivative financial instruments	8	**85**	94	72
Trade and other payables		**1,597**	1,501	1,679
Total current liabilities		**1,878**	1,775	1,951
Total liabilities		**3,371**	3,338	3,455
Total equity and liabilities		**8,041**	7,325	7,793

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	1-3/2018	1-3/2017	1-12/2017
Cash flows from operating activities			
Profit before income taxes	**397**	236	1,094
Adjustments, total	**162**	73	363
Change in working capital	**-149**	-227	-104
Cash generated from operations	**410**	82	1,353
Finance cost, net	**-25**	-25	-90
Income taxes paid	**-62**	-13	-169
Net cash generated from operating activities	**323**	44	1,094
Cash flows from investing activities			
Capital expenditure	**-85**	-99	-475
Transactions with non-controlling interests	**0**	0	-27
Proceeds from sales of property, plant and equipment	**0**	4	5
Proceeds from sales of shares in joint arrangements	**2**	0	0
Proceeds from non-current receivables and other financial assets	**-7**	26	31
Cash flows from investing activities	**-90**	-69	-467
Cash flow before financing activities	**234**	-25	628
Cash flows from financing activities			
Net change in loans and other financing activities	**-12**	-252	-283
Dividends paid to the owners of the parent	**0**	0	-332
Dividends paid to non-controlling interests	**0**	0	-15
Cash flows from financing activities	**-12**	-252	-631
Net increase (+) / decrease (-) in cash and cash equivalents	**221**	-277	-3

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

EUR million	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 Jan 2017	40	20	4	-10	-62	-75	-52	3,867	3,733	22	3,755
Profit for the period								200	200	1	201
Other comprehensive income for the period, net of tax					26	1	4		31		31
Total comprehensive income for the period	0	0	0	0	26	1	4	200	231	1	232
Transactions with the owners in their capacity as owners											
Dividend decision									0		0
Share-based compensation			2	1				-3	1		1
Transfer from retained earnings									0		0
Total equity at 31 March 2017	40	20	7	-9	-36	-74	-48	4,065	3,964	23	3,988

EUR million	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 Jan 2017	40	20	4	-10	-62	-75	-52	3,867	3,733	22	3,755
Profit for the period								911	911	3	914
Other comprehensive income for the period, net of tax					56	2	-15		42	0	42
Total comprehensive income for the period	0	0	0	0	56	2	-15	911	952	3	956
Transactions with the owners in their capacity as owners											
Dividend decision								-332	-332	-15	-347
Transactions with non-controlling interests								-17	-17	-11	-27
Share-based compensation			2	1				-1	2		2
Transfer from retained earnings		-1						1	0		0
Total equity at 31 Dec 2017	40	20	7	-9	-6	-73	-68	4,428	4,338	0	4,338

EUR million	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 Jan 2018	**40**	**20**	**7**	**-9**	**-6**	**-73**	**-68**	**4,428**	**4,338**	**0**	**4,338**
Change in accounting policy, IFRS 2								**6**	**6**		**6**
Change in accounting policy, IFRS 9					**1**			**-2**	**-1**		**-1**
Change in accounting policy, IFRS 15								**0**	**0**		**0**
Restated total equity at 1 Jan 2018	**40**	**20**	**7**	**-9**	**-5**	**-73**	**-68**	**4,432**	**4,343**	**0**	**4,343**
Profit for the period								**347**	**347**	**0**	**347**
Other comprehensive income for the period, net of tax					**-6**	**0**	**-12**		**-18**	**0**	**-18**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**-6**	**0**	**-12**	**347**	**328**	**0**	**328**
Transactions with the owners in their capacity as owners											
Dividend decision								**0**	**0**	**0**	**0**
Share-based compensation			**2**	**1**				**-4**	**-1**		**-1**
Transfer from retained earnings		**0**					**0**		**0**		**0**
Total equity at 31 March 2018	**40**	**19**	**9**	**-9**	**-12**	**-73**	**-80**	**4,775**	**4,670**	**0**	**4,670**

KEY FIGURES

	31 March 2018	31 March 2017	31 Dec 2017	Last 12 months
EBITDA, EUR million	**518**	361	1,542	1,700
Comparable EBITDA, EUR million	**499**	293	1,472	1,678
Capital employed, EUR million	**5,866**	5,216	5,533	5,866
Interest-bearing net debt, EUR million	**191**	718	412	-
Capital expenditure and investment in shares, EUR million	**86**	98	536	525
Return on average capital employed, after tax, ROACE %	**20.5**	16.6	17.5	20.5
Return on equity %	**25.2**	26.3	22.7	25.2
Equity per share, EUR	**18.26**	15.50	16.96	-
Cash flow per share, EUR	**1.26**	0.17	4.28	5.37
Earnings per share (EPS), EUR	**1.36**	0.78	3.56	4.13
Comparable earnings per share, EUR	**1.29**	0.56	3.33	4.06
Comparable net profit	**330**	143	851	1,038
Equity-to-assets ratio, %	**58.2**	54.6	55.8	-
Leverage ratio, %	**3.9**	15.3	8.7	-
Gearing, %	**4.1**	18.0	9.5	-
Average number of shares	**255,797,674**	255,730,906	255,775,535	255,791,999
Outstanding number of shares at the end of the period	**255,830,024**	255,790,141	255,790,141	255,830,024
Average number of personnel	**5,319**	5,067	5,297	-

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. The condensed interim report should be read in conjunction with the consolidated financial statements for the year ended 31 December 2017. The accounting policies where they are different to those applied in prior periods are presented below and in Note 11 *Changes in accounting policies* . Otherwise accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2017. 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 condensed interim report is presented in million of euros unless otherwise stated. The figures in the tables are exact figures and consequently the sum of individual figures may deviate from the sum presented.

The following new IFRS standards and amendments have been adopted by the Group as of 1 January 2018:
- IFRS 9 Financial instruments
- IFRS 15 Revenue from contracts with customers
- Amendments to IFRS 2 Share-based payments

None of the new standards had a material impact on Neste's consolidated financial statements. See Note 11 *Changes in accounting policies* for more detailed explanation of the impacts.

2. TREASURY SHARES

A total of 39,883 treasury shares of Neste Corporation has been on the 15th of March 2018 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 81 people are in the target group of the payment from the plan. The number of treasury shares after the directed share issue is 573,662 shares.

3. REVENUE

REVENUE BY CATEGORY

External revenue	1-3/2018 Renewable Products	1-3/2018 Oil Products	1-3/2018 Marketing & Services	1-3/2018 Others	1-3/2018 Total	1-3/2017 Renewable Products	1-3/2017 Oil Products	1-3/2017 Marketing & Services	1-3/2017 Others	1-3/2017 Total
Fuels [1)]	**720**	**1,708**	**955**	**0**	**3,383**	623	1,316	909	0	2,848
Light distillates	**24**	**752**	**242**	**0**	**1,019**	27	609	254	0	889
Middle distillates	**695**	**869**	**712**	**0**	**2,276**	597	617	654	0	1,868
Heavy fuel oil	**0**	**87**	**1**	**0**	**88**	0	91	1	0	92
Other products	**0**	**184**	**27**	**0**	**211**	0	169	28	0	197
Other services	**0**	**6**	**3**	**26**	**35**	0	7	3	16	25
Total	**720**	**1,897**	**986**	**26**	**3,629**	623	1,492	940	16	3,071

[1)] Light distillates comprise motor gasoline, gasoline components, LPG, renewable naphtha and biopropane. Middle distillates comprise diesel, jet fuels, low sulphur marine fuels, heating oil, renewable fuels and renewable jet fuels. RINs (Renewable Identification Number), LCFS (Low Carbon Fuels Standard) credits, and BTCs (Blender's Tax Credits) are included in the corresponding fuel categories.

TIMING OF REVENUE RECOGNITION

External revenue	1-3/2018 Renewable Products	1-3/2018 Oil Products	1-3/2018 Marketing & Services	1-3/2018 Others	1-3/2018 Total	1-3/2017 Renewable Products	1-3/2017 Oil Products	1-3/2017 Marketing & Services	1-3/2017 Others	1-3/2017 Total
Goods transferred at point in time	**720**	**1,892**	**983**	**0**	**3,594**	623	1,486	937	0	3,046
Services transferred at point in time	**0**	**6**	**3**	**0**	**9**	0	0	2	0	2
Services transferred over time	**0**	**0**	**0**	**26**	**26**	0	7	0	16	22
Total	**720**	**1,897**	**986**	**26**	**3,629**	623	1,492	940	16	3,071

REVENUE BY OPERATING SEGMENT

1-3/2018	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
External revenue	**720**	**1,897**	**986**	**26**	**0**	**3,629**
Internal revenue	**40**	**556**	**10**	**39**	**-645**	**0**
Total revenue	**759**	**2,453**	**996**	**65**	**-645**	**3,629**

1-3/2017	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
External revenue	623	1,492	940	16	0	3,071
Internal revenue	75	517	8	39	-639	0
Total revenue	699	2,009	948	55	-639	3,071

REVENUE BY OPERATING DESTINATION

External revenue	1-3/2018 Renewable Products	1-3/2018 Oil Products	1-3/2018 Marketing & Services	1-3/2018 Others	1-3/2018 Total	1-3/2017 Renewable Products	1-3/2017 Oil Products	1-3/2017 Marketing & Services	1-3/2017 Others	1-3/2017 Total
Europe including Russia	**540**	**1,470**	**985**	**25**	**3,020**	507	1,377	867	13	2,764
North and South America	**179**	**105**	**0**	**0**	**285**	116	75	0	0	190
Other countries	**0**	**322**	**0**	**2**	**324**	0	41	73	3	116
Total	**720**	**1,897**	**986**	**26**	**3,629**	623	1,492	940	16	3,071

4. SEGMENT INFORMATION

Neste's operations are grouped into four reporting segments: Renewable Products, Oil Products, Marketing & Services and Others. The Others segment consists of Neste Engineering Solutions; Nynas, a joint venture owned by Neste (49.99% share) and Petróleos de Venezuela; and common corporate costs. 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	1-3/2018	1-3/2017	1-12/2017	Last 12 months
Renewable Products	**759**	699	3,243	3,304
Oil Products	**2,453**	2,009	8,490	8,934
Marketing & Services	**996**	948	3,912	3,960
Others	**65**	55	237	248
Eliminations	**-645**	-639	-2,666	-2,672
Total	**3,629**	3,071	13,217	13,775

OPERATING PROFIT	1-3/2018	1-3/2017	1-12/2017	Last 12 months
Renewable Products [1)]	**279**	91	476	664
Oil Products	**135**	182	650	604
Marketing & Services	**13**	12	69	70
Others	**-9**	-17	-24	-16
Eliminations	**2**	3	0	-1
Total	**421**	271	1,171	1,320

[1)] The retroactive US Blender's Tax Credit (BTC) decision for 2017 has a positive impact of EUR 140 million on the Renewable Products' operating profit in Q1 2018.

COMPARABLE OPERATING PROFIT	1-3/2018	1-3/2017	1-12/2017	Last 12 months
Renewable Products	**296**	80	561	777
Oil Products	**99**	126	495	469
Marketing & Services	**13**	11	68	70
Others	**-9**	-17	-24	-16
Eliminations	**2**	3	0	-1
Total	**401**	204	1,101	1,298

DEPRECIATION, AMORTIZATION AND IMPAIRMENTS	1-3/2018	1-3/2017	1-12/2017	Last 12 months
Renewable Products	**28**	26	110	111
Oil Products	**57**	52	213	218
Marketing & Services	**6**	6	25	25
Others	**7**	5	24	26
Eliminations	**0**	0	0	0
Total	**98**	89	371	380

CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES	1-3/2018	1-3/2017	1-12/2017	Last 12 months
Renewable Products	**28**	28	122	122
Oil Products	**46**	55	307	299
Marketing & Services	**4**	7	37	33
Others	**9**	8	70	71
Eliminations	**0**	0	0	0
Total	**86**	98	536	525

TOTAL ASSETS	31 March 2018	31 March 2017	31 Dec 2017
Renewable Products	**2,321**	2,248	2,255
Oil Products	**3,798**	3,715	3,827
Marketing & Services	**585**	549	585
Others	**491**	503	499
Unallocated assets	**1,140**	636	934
Eliminations	**-294**	-325	-308
Total	**8,041**	7,325	7,793

NET ASSETS	31 March 2018	31 March 2017	31 Dec 2017
Renewable Products	**1,906**	1,844	1,863
Oil Products	**2,592**	2,629	2,497
Marketing & Services	**259**	212	280
Others	**291**	257	292
Eliminations	**-8**	-11	-12
Total	**5,041**	4,930	4,920

TOTAL LIABILITIES	31 March 2018	31 March 2017	31 Dec 2017
Renewable Products	**415**	404	392
Oil Products	**1,206**	1,086	1,330
Marketing & Services	**327**	337	306
Others	**200**	246	206
Unallocated liabilities	**1,510**	1,579	1,516
Eliminations	**-286**	-315	-295
Total	**3,371**	3,338	3,455

RETURN ON NET ASSETS, %	31 March 2018	31 March 2017	31 Dec 2017
Renewable Products	**35.4**	25.5	25.6
Oil Products	**23.5**	26.2	25.6
Marketing & Services	**27.9**	40.6	28.7

COMPARABLE RETURN ON NET ASSETS, %	31 March 2018	31 March 2017	31 Dec 2017
Renewable Products	**41.4**	26.0	30.2
Oil Products	**18.2**	19.8	19.5
Marketing & Services	**27.9**	40.6	28.5

QUARTERLY SEGMENT INFORMATION

QUARTERLY REVENUE	1-3/2018	10-12/2017	7-9/2017	4-6/2017	1-3/2017
Renewable Products	**759**	924	793	828	699
Oil Products	**2,453**	2,355	2,045	2,080	2,009
Marketing & Services	**996**	1,027	986	952	948
Others	**65**	68	57	58	55
Eliminations	**-645**	-737	-652	-638	-639
Total	**3,629**	3,636	3,229	3,280	3,071

QUARTERLY OPERATING PROFIT	1-3/2018	10-12/2017	7-9/2017	4-6/2017	1-3/2017
Renewable Products	**279**	144	119	122	91
Oil Products	**135**	140	199	130	182
Marketing & Services	**13**	11	27	19	12
Others	**-9**	0	-2	-6	-17
Eliminations	**2**	1	-4	0	3
Total	**421**	296	339	264	271

QUARTERLY COMPARABLE OPERATING PROFIT	1-3/2018	10-12/2017	7-9/2017	4-6/2017	1-3/2017
Renewable Products	**296**	209	171	101	80
Oil Products	**99**	89	158	122	126
Marketing & Services	**13**	11	27	19	11
Others	**-9**	0	-2	-6	-17
Eliminations	**2**	1	-4	0	3
Total	**401**	311	350	236	204

QUARTERLY DEPRECIATION, AMORTIZATION AND IMPAIRMENTS	1-3/2018	10-12/2017	7-9/2017	4-6/2017	1-3/2017
Renewable Products	**28**	28	27	28	26
Oil Products	**57**	57	52	52	52
Marketing & Services	**6**	6	6	6	6
Others	**7**	7	6	6	5
Eliminations	**0**	0	0	0	0
Total	**98**	98	92	92	89

QUARTERLY CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES	1-3/2018	10-12/2017	7-9/2017	4-6/2017	1-3/2017
Renewable Products	**28**	47	23	24	28
Oil Products	**46**	104	78	71	55
Marketing & Services	**4**	9	7	13	7
Others	**9**	12	36	14	8
Eliminations	**0**	0	0	0	0
Total	**86**	172	144	122	98

QUARTERLY NET ASSETS	1-3/2018	10-12/2017	7-9/2017	4-6/2017	1-3/2017
Renewable Products	**1,906**	1,863	1,870	1,895	1,844
Oil Products	**2,592**	2,497	2,538	2,597	2,629
Marketing & Services	**259**	280	304	204	212
Others	**291**	292	293	283	257
Eliminations	**-8**	-12	-14	-10	-11
Total	**5,041**	4,920	4,990	4,968	4,930

5. RECONCILIATION OF KEY FIGURES TO IFRS FINANCIAL STATEMENTS

RECONCILIATION BETWEEN COMPARABLE OPERATING PROFIT AND OPERATING PROFIT

Group	**1-3/2018**	1-3/2017	10-12/2017	1-12/2017
COMPARABLE OPERATING PROFIT	**401**	204	311	1,101
inventory gains/losses	**32**	42	-1	31
changes in the fair value of open commodity and currency derivatives	**-12**	24	-13	24
capital gains and losses	**2**	3	0	3
insurance and other compensations	**0**	0	0	0
other adjustments	**-2**	-1	-1	12
OPERATING PROFIT	**421**	271	296	1,171

Renewable Products	**1-3/2018**	1-3/2017	10-12/2017	1-12/2017
COMPARABLE OPERATING PROFIT	**296**	80	209	561
inventory gains/losses	**-10**	13	-31	-80
changes in the fair value of open commodity and currency derivatives	**-7**	-2	-35	-5
capital gains and losses	**0**	0	0	0
insurance and other compensations	**0**	0	0	0
other adjustments	**0**	0	0	0
OPERATING PROFIT	**279**	91	144	476

Oil Products	**1-3/2018**	1-3/2017	10-12/2017	1-12/2017
COMPARABLE OPERATING PROFIT	**99**	126	89	495
inventory gains/losses	**41**	29	30	111
changes in the fair value of open commodity and currency derivatives	**-5**	26	22	29
capital gains and losses	**2**	3	0	3
insurance and other compensations	**0**	0	0	0
other adjustments	**-2**	-1	-1	12
OPERATING PROFIT	**135**	182	140	650

Marketing & Services	**1-3/2018**	1-3/2017	10-12/2017	1-12/2017
COMPARABLE OPERATING PROFIT	**13**	11	11	68
inventory gains/losses	**0**	0	0	0
changes in the fair value of open commodity and currency derivatives	**0**	0	0	0
capital gains and losses	**0**	0	0	0
insurance and other compensations	**0**	0	0	0
other adjustments	**0**	0	0	0
OPERATING PROFIT	**13**	12	11	69

Others	**1-3/2018**	1-3/2017	10-12/2017	1-12/2017
COMPARABLE OPERATING PROFIT	**-9**	-17	0	-24
inventory gains/losses	**0**	0	0	0
changes in the fair value of open commodity and currency derivatives	**0**	0	0	0
capital gains and losses	**0**	0	0	0
insurance and other compensations	**0**	0	0	0
other adjustments	**0**	0	0	0
OPERATING PROFIT	**-9**	-17	0	-24

RECONCILIATION BETWEEN COMPARABLE OPERATING PROFIT AND COMPARABLE NET PROFIT

	1-3/2018	1-3/2017	1-12/2017
COMPARABLE OPERATING PROFIT	**401**	204	1,101
total financial income and expenses	**-24**	-35	-77
income tax expense	**-50**	-35	-180
non-controlling interests	**0**	-1	-3
tax on items affecting comparability	**3**	10	11
COMPARABLE NET PROFIT	**330**	143	851

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

	31 March 2018	31 March 2017	31 Dec 2017
COMPARABLE OPERATING PROFIT, LAST 12 MONTHS	**1,298**	1,011	1,101
financial income	**4**	5	4
exchange rate and fair value gains and losses	**10**	-33	-2
income tax expense	**-195**	-152	-180
tax on other items affecting ROACE	**-9**	15	-1
Comparable net profit, net of tax	**1,108**	845	921
Capital employed average	**5,394**	5,092	5,266
RETURN ON CAPITAL EMPLOYED, AFTER TAX (ROACE), %	**20.5**	16.6	17.5

RECONCILIATION OF EQUITY-TO-ASSETS RATIO, %

	31 March 2018	31 March 2017	31 Dec 2017
Total equity	**4,670**	3,988	4,338
Total assets	**8,041**	7,325	7,793
Advances received	**20**	18	21
EQUITY-TO-ASSETS RATIO, %	**58.2**	54.6	55.8

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

CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	31 March 2018	31 March 2017	31 Dec 2017
Opening balance	**3,955**	3,833	3,833
Depreciation, amortization and impairments	**-98**	-89	-371
Capital expenditure	**86**	98	509
Disposals	**-1**	-4	-12
Translation differences	**-1**	3	-4
Closing balance	**3,941**	3,841	3,955

CAPITAL COMMITMENTS	31 March 2018	31 March 2017	31 Dec 2017
Commitments to purchase property, plant and equipment	**47**	27	32
Total	**47**	27	32

7. INTEREST-BEARING NET DEBT AND LIQUIDITY

Interest-bearing net debt	31 March 2018	31 March 2017	31 Dec 2017
Short-term interest-bearing liabilities	**167**	113	163
Long-term interest-bearing liabilities	**1,029**	1,115	1,032
Interest-bearing liabilities	**1,195**	1,229	1,195
Cash and cash equivalents	**-1,004**	-511	-783
Interest-bearing net debt	**191**	718	412

Liquidity, unused committed credit facilities and debt programs	31 March 2018	31 March 2017	31 Dec 2017
Cash and cash equivalents	**1,004**	511	783
Unused committed credit facilities	**1,650**	1,650	1,650
Total	**2,654**	2,161	2,433
In addition: Unused commercial paper program (uncommitted)	**400**	400	400

8. 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 2017.

Interest rate and currency derivatives	31 March 2018 Nominal value	31 March 2018 Net fair value	31 March 2017 Nominal value	31 March 2017 Net fair value	31 Dec 2017 Nominal value	31 Dec 2017 Net fair value
Interest rate swaps						
Hedge accounting	**124**	**1**	250	5	124	1
Non-hedge accounting	**26**	**1**	0	0	26	1
Currency derivatives						
Hedge accounting	**1,365**	**25**	1,765	-14	1,392	27
Non-hedge accounting	**1,253**	**0**	1,387	1	1,634	29

Commodity derivatives	31 March 2018 Volume GWh	31 March 2018 Volume million bbl	31 March 2018 Net fair value	31 March 2017 Volume GWh	31 March 2017 Volume million bbl	31 March 2017 Net fair value	31 Dec 2017 Volume GWh	31 Dec 2017 Volume million bbl	31 Dec 2017 Net fair value
Sales contracts									
Non-hedge accounting	**0**	**23**	**-61**	0	41	9	0	17	-59
Purchase contracts									
Non-hedge accounting	**2,907**	**19**	**6**	2,483	22	-44	2,865	15	18

Commodity derivative contracts include oil, vegetable oil, electricity, freight 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.

Financial assets and liabilities by measurement categories and fair value hierarchy as of March 31, 2018

Balance sheet item	Derivatives, hedge accounting	Fair value through profit or loss	Amortized cost	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets								
Non-current receivables			50	50	50			
Derivative financial instruments	2	2		4	4		4	
Other financial assets		5		5	5			5
Current financial assets								
Trade and other receivables [1)]			1,222	1,222	1,222			
Derivative financial instruments	27	27		54	54	1	54	
Cash and cash equivalents			1,004	1,004	1,004			
Financial assets	29	34	2,277	2,339	2,339			
Non-current financial liabilities								
Interest-bearing liabilities			1,029	1,029	1,058	896	162	
Derivative financial instruments		0		0	0		0	
Other non-current liabilities			13	13	13			
Current financial liabilities								
Interest-bearing liabilities			167	167	167		167	
Derivative financial instruments	2	82		85	85	12	73	
Trade and other payables			1,597	1,597	1,597			
Financial liabilities	2	83	2,806	2,891	2,920			

[1)] excluding non-financial items

There were no items in 'Fair value through other comprehensive income' category during the reporting period.

Financial instruments that are measured at fair value in the balance sheet are presented according to 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).

Interest-bearing liabilities at level 1 consist of listed bonds. The fair value of other financial instruments are not materially different from their carrying amount.

During the three-month period ended 31 March 2018, 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.

9. RELATED PARTY TRANSACTIONS

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

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

Transactions carried out with joint arrangements and other related parties	**31 March 2018**	31 March 2017	31 Dec 2017
Sales of goods and services	**77**	34	191
Purchases of goods and services	**54**	59	182
Receivables	**105**	77	84
Financial income and expenses	**0**	0	1
Liabilities	**23**	12	4

10. CONTINGENT LIABILITIES

Contingent liabilities	**31 March 2018**	31 March 2017	31 Dec 2017
On own behalf for commitments			
Real estate mortgages	**17**	17	17
Pledged assets	**116**	116	116
Other contingent liabilities	**34**	34	40
Total	**168**	168	174
On behalf of joint arrangements			
Pledged assets	**45**	46	45
Guarantees	**0**	1	1
Total	**45**	47	46
On behalf of others			
Guarantees	**1**	1	1
Other contingent liabilities	**0**	0	0
Total	**1**	1	1
Total	**214**	215	221

Operating lease liabilities	**31 March 2018**	31 March 2017	31 Dec 2017
Due within one year	**64**	68	74
Due between one and five years	**59**	76	61
Due later than five years	**70**	78	71
Total	**193**	222	206

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

11. CHANGES IN ACCOUNTING POLICIES

The impacts of adoption of *IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers* and *Amendments to IFRS 2 Share-based payments* are explained in this note.

IFRS 9 Financial instruments

The Group started to apply IFRS 9 from 1 January 2018. IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. In accordance with the IFRS 9 transitional provisions, comparative information provided continues to be presented in accordance with the Group's previous accounting policy.

Financial assets are classified in the following measurement categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification depends on used business model for managing the financial assets and the contractual terms of the cash flows. Amortized cost category consist of cash and cash equivalents, trade receivables and loan receivables where the business model is to hold the asset to collect the contractual cash flows which represent only payments of principal and interest. For assets measured at fair value, gains and losses will be recorded either in income statement or other comprehensive income. At the moment Neste does not have any instruments measured through other comprehensive income. Assets at fair value through profit or loss consist of unlisted equity investments and derivatives, which are held for trading or do not meet criteria for hedge accounting. There were no changes relating to classification and measurement of financial liabilities.

For trade receivables Neste applies the simplified expected credit loss model. Every business area uses a specific provision matrix for the trade receivables due to the different nature of the businesses. The general expected credit loss model is used for debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been significant increase in credit risk.

For certain currency derivatives the Group applies cash flow hedge accounting and for certain interest rate derivatives cash flow or fair value hedge accounting. IFRS 9 requires documentation of economic relationship between the hedged item and hedging instrument, and the hedged ratio to be the same as the one management actually uses for risk management purposes. The concrete change for hedge accounting is the time value of foreign exchange options, which is recognized into other comprehensive income in equity together with the options' intrinsic value instead of being recognized directly into income statement. Otherwise the application of hedge accounting within existing hedge accounting relationships (cash flow and fair value hedges within foreign exchange and interest rate derivatives) continues under IFRS 9 as earlier.

On the date of initial application, 1 January 2018, the financial instruments of the company were the following, with any reclassifications noted:

			Carrying Amount		
Balance sheet item	IAS 39 Measurement Category	**IFRS 9 Measurement Category**	**IFRS 9**	IAS 39	Diff.
Non-current financial assets					
Non-current receivables	Loans and receivables	Amortized cost	**51**	51	
Derivative financial instruments	Derivatives, hedge accounting	Derivatives, hedge accounting	**2**	2	
Derivative financial instruments	Assets at fair value through income statement	Fair value through profit or loss	**2**	2	
Other financial assets	Available-for-sale financial assets	Fair value through profit or loss	**5**	5	
Current financial assets					
Trade and other receivables [1)]	Loans and receivables	Amortized cost	**1,093**	1,094	1
Derivative financial instruments	Derivatives, hedge accounting	Derivatives, hedge accounting	**29**	29	
Derivative financial instruments	Assets at fair value through income statement	Fair value through profit or loss	**58**	58	
Cash and cash equivalents	Loans and receivables	Amortized cost	**783**	783	
Non-current financial liabilities					
Interest-bearing liabilities	Financial liabilities measured at amortized cost	Amortized cost	**1,032**	1,032	
Derivative financial instruments	Derivatives, hedge accounting	Derivatives, hedge accounting	**0**	0	
Derivative financial instruments	Liabilities at fair value through income statement	Fair value through profit or loss	**0**	0	
Other non-current liabilities	Financial liabilities measured at amortized cost	Amortized cost	**17**	17	
Current financial liabilities					
Interest-bearing liabilities	Financial liabilities measured at amortized cost	Amortized cost	**163**	163	
Derivative financial instruments	Derivatives, hedge accounting	Derivatives, hedge accounting	**2**	2	
Derivative financial instruments	Liabilities at fair value through income statement	Fair value through profit or loss	**70**	70	
Trade and other payables	Financial liabilities measured at amortized cost	Amortized cost	**1,679**	1,679	

[1)] excluding non-financial items

On 1 January 2018 the time value of foreign exchange options EUR 1 million was reclassified from retained earnings to other comprehensive income.

IFRS 15 Revenue from contracts with customers

The Group started to apply IFRS 15 from 1 January 2018, and applies the modified retrospective model. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity´s contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces all preceding requirements (IAS 18 Revenue and IAS 11 Construction contracts and related interpretations).

The implementation of IFRS 15 does not have a significant impact on the consolidated financial statements. Management has assessed the IFRS 15 impact on the different agreement types that are used in Neste's business areas. The majority of the Group's net sales comprise of fuel and other product sales which are mostly standard in nature, and the delivery terms have been investigated, with no major impact compared to the revenue recognition prior to the implementation of IFRS 15. Certain storage service contracts, rebates, bonuses, penalties, warranties and other special terms and conditions that deviate from the basic agreement types have also been analyzed in more detail, and these do not have an impact on Neste's revenue recognition compared to the previous accounting policy.

Some of the Group's product sales are under CIF Incoterm conditions, where the total sales price is allocated to the separate performance obligations; the first being the product and the second being the transportation (including other costs, insurance and freight). The sales price allocated to the product is recognized upon shipment, before delivery. The sales price for the transportation is recognized when the latter performance obligation has been fulfilled. However, the allocated sales price for these is a minor part of the total revenue from contracts with customers, and the postponed revenue would have been EUR 0.8 million on 31 December 2017. After the related costs the impact on the opening balance is EUR 0.0 million.

Subsidiary Neste Engineering Solutions' current revenue recognition based on the percentage of completion method is consistent with IFRS 15, as the revenue is already recognized over time.

Renewable products' RINs (Renewable Identification Number), LCFS (Low Carbon Fuels Standard) credits, and BTCs (Blender's Tax Credits) and other similar separate performance obligations have also been assessed, with no changes to the earlier revenue recognition.

Amendments to IFRS 2 Share-based payments

In June 2016, the IASB made amendments to IFRS 2 Share-based payments which clarified the effect of vesting conditions on the measurement of cash-settled share-based payment transactions, the classification of share-based payment transactions with net settlement features and the accounting for a modification of the terms and conditions that changes the classification of the transaction from cash-settled to equity-settled. The IFRS 2 amendments were endorsed by EU in February 2018.

The Group started to apply IFRS 2 amendments from 1 January 2018. As permitted by the transitional provisions, the Group has applied the new policy from that date and comparative information provided continues to be presented in accordance with the Group's previous accounting policy.

From 1 January 2018, the entire share-based payment transaction is accounted for as an equity-settled share-based payment transaction. Under the previous accounting policy, the expected tax liability to be paid to the tax authority was measured at fair value at each reporting date and recognized as a liability like a cash-settled share-based payment transaction. Under the new accounting policy, the entire transaction is measured at fair value prevailing at grant date of share-based incentive plan and the difference realized upon the settlement date is recognized in equity. On 1 January 2018 the share-based payments' taxes of EUR 6 million were reclassified from liabilities to Equity: EUR 4 million from Other non-current liabilities and EUR 2 million from Trade and other payables. There were no other changes in Neste Group due to IFRS 2 amendments.

The share-based payment expense for the 3 months from 1 January to 31 March 2018 was EUR 1 million lower than under the previous accounting policy.

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), %	=	$100 \times \frac{\text{Profit before income taxes - income tax expense, last 12 months}}{\text{Total equity average, 5 quarters end values}}$
Return on average capital employed, after-tax (ROACE), %	=	$100 \times \frac{\text{Comparable operating profit + financial income + exchange rate and fair value gains and losses - income tax expense - tax on other items affecting ROACE, last 12 months}}{\text{Capital employed average, 5 quarters end values}}$
Capital employed	=	Total equity + interest bearing liabilities
Interest-bearing net debt	=	Interest-bearing liabilities - cash and cash equivalents
Leverage ratio, %	=	$100 \times \frac{\text{Interest-bearing net debt}}{\text{Interest bearing net debt + total equity}}$
Gearing, %	=	$100 \times \frac{\text{Interest-bearing net debt}}{\text{Total equity}}$
Equity-to-assets ratio, %	=	$100 \times \frac{\text{Total equity}}{\text{Total assets - advances received}}$
Return on net assets, %	=	$100 \times \frac{\text{Segment operating profit, last 12 months}}{\text{Average segment net assets, 5 quarters end values}}$
Comparable return on net assets, %	=	$100 \times \frac{\text{Segment comparable operating profit, last 12 months}}{\text{Average segment net assets, 5 quarters end values}}$
Segment net assets	=	Property, plant and equipment + intangible assets + investments in joint ventures + inventories + interest-free receivables and liabilities - provisions - pension liabilities allocated to the business segment
Research and development expenditure	=	Research and development expenditure comprise of the expenses of the Research & Technology unit serving all business areas of the Group, as well as research and technology expenses incurred in business areas, which are included in the consolidated statement of income. Depreciation and amortization are included in the figure. The expenses are presented as gross, before deducting grants received.

Calculation of share-related indicators

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

Calculation of key drivers

Oil Products reference margin (USD/bbl)	=		Product value - feed cost - standard refining variable cost - sales freights
Oil Products total refining margin (USD/bbl)	=		$\frac{\text{Comparable sales margin x average EUR/USD exchange rate for the period x standard refinery yield}}{\text{Refined sales volume x standard barrels per ton}}$
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)	=		$\frac{\text{Comparable sales margin}}{\text{Total sales volume}}$
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 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 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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