26 October 2018

Neste Corporation
Interim Report
January-September 2018

Neste's Interim Report for January-September 2018

Excellent quarter - outstanding performance in Renewable Products

Third quarter in brief:

- Comparable operating profit totaled EUR 395 million (EUR 350 million)
- Operating profit totaled EUR 250 million (EUR 339 million)
- Renewable Products' comparable sales margin was USD 645/ton (USD 435/ton)
- Oil Products' total refining margin was USD 12.41/bbl (USD 11.96/bbl)
- Cash flow before financing activities was EUR 108 million (EUR 283 million)

January-September in brief:

- Comparable operating profit totaled EUR 1,073 million (EUR 790 million)
- Operating profit totaled EUR 842 million (EUR 875 million)
- Cash flow before financing activities was EUR 481 million (EUR 340 million)
- Return on average capital employed (ROACE) was 20.8% over the last 12 months (2017: 17.5%)
- Leverage ratio was 3.4% at the end of September (31.12.2017: 8.7%)
- Comparable earnings per share: EUR 3.35 (EUR 2.32)
- Earnings per share: EUR 2.54 (EUR 2.60)

President and CEO Matti Lievonen:

“Neste had an excellent third quarter and our financial performance continued to be strong. We posted a comparable operating profit of EUR 395 million, compared to EUR 350 million in the corresponding period last year. Renewable Products exceeded the previous year's performance as a result of a favorable market and successful margin optimization. Oil Products performed well even though the market conditions were slightly less supportive than in the third quarter of 2017. Marketing & Services had a seasonally good quarter. Neste maintained a strong ROACE of 20.8% over the last 12 months and reached a leverage ratio of 3.4%.

Renewable Products posted a comparable operating profit of EUR 228 million (EUR 171 million). The renewable diesel market continued to be favorable, and our margin optimization was successful. A higher comparable sales margin had a positive impact of EUR 115 million on the operating profit compared to the corresponding period last year. During the third quarter our renewable diesel production facilities operated at an average 93% utilization rate. Our sales volumes were 547,000 tons, about 14% lower than in the corresponding period last year. Sales volumes were impacted by the scheduled maintenance activities at the Rotterdam refinery in the second quarter, and by the preparations for the Singapore turnaround in the fourth quarter. During the third quarter 71% of volumes were sold to the European markets and 29% 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, and the proportion of waste and residue inputs was 84%.

Oil Products posted a comparable operating profit of EUR 146 million (EUR 158 million) in the third quarter. The overall refining market improved particularly in August, but started to soften thereafter as the summer driving season ended. During the third quarter the reference margin averaged USD 6.0/bbl, which was at a good level, but lower than the exceptionally high USD 7.2/bbl in the corresponding period last year. Oil Products' additional margin was again strong at USD 6.4/bbl, supported by good operational performance and the new strategic investments being in full utilization. Our refineries operated at a high average utilization rate of 97%. The refined product sales volumes were at the same level as in the third quarter of 2017. In July we announced that we are exploring ways to introduce liquefied waste plastic as a future raw material for fossil refining. That is one concrete step in our efforts towards low carbon refining.

In Marketing & Services our sales volumes and unit margins were maintained at approximately third quarter 2017 level. The markets continued to be competitive. Marketing & Services generated a comparable operating profit of EUR 24 million (EUR 27 million).

Renewable Products' additional margin is expected to be at a strong level in the fourth quarter. 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 nine-week major turnaround at the Singapore refinery in the fourth quarter. The Singapore turnaround is currently estimated to have a negative impact of approximately EUR 100 million on the comparable operating profit, mostly in the fourth quarter. The estimated result impact of the turnaround has increased mainly due to higher margins.

Global oil product supply and demand are anticipated to be balanced in 2018. Solid distillate demand outlook continues and is reflected in margins. Oil Products' reference margin is expected to be seasonally weak in the fourth quarter as gasoline margins have decreased following the end of the driving season and refinery maintenance season is approaching its end. We anticipate high reliability to continue in our refinery operations, noting that scheduled unit maintenances will be implemented during the fourth quarter. The scheduled unit maintenances are currently estimated to have a negative impact of approximately EUR 50 million on the comparable operating profit in the fourth quarter.

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

We maintain our view that we expect 2018 to be a very strong year for Neste.

As I will be stepping down as the President and CEO of Neste at the end of October, I would like to sincerely thank our personnel, customers, shareholders, the Board of Directors, and other key stakeholders for the excellent cooperation and support during my past ten years with the company. We have had an exciting journey together. Neste's future looks bright, and I am confident that the company will prosper under the leadership of Peter Vanacker. Peter has already been onboarding since 1 September, and will start as the President and CEO on 1 November."

Neste's Interim Report, 1 January - 30 September 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)

	7-9/18	7-9/17	4-6/18	1-9/18	1-9/17	2017
Revenue	3,884	3,229	3,745	11,258	9,580	13,217
EBITDA	445	431	275	1,238	1,148	1,542
Comparable EBITDA*	590	442	380	1,469	1,063	1,472
Operating profit	250	339	172	842	875	1,171
Comparable operating profit*	395	350	277	1,073	790	1,101
Profit before income taxes	229	331	154	780	807	1,094
Net profit	168	268	133	649	669	914
Comparable net profit**	305	276	223	858	594	851
Earnings per share, EUR	0.66	1.04	0.52	2.54	2.60	3.56
Comparable earnings per share**, EUR	1.19	1.08	0.87	3.35	2.32	3.33
Investments	123	144	114	324	364	536
Net cash generated from operating activities	247	390	354	925	650	1,094

	30 Sep 2018	30 Sep 2017	31 Dec 2017
Total equity	4,493	4,120	4,338
Interest-bearing net debt	159	674	412
Capital employed	5,651	5,289	5,533
Return on average capital employed after tax (ROACE)***, %	20.8	17.3	17.5
Equity per share, EUR	17.56	16.11	16.96
Leverage ratio, %	3.4	14.1	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 third quarter 2018 results

Neste's revenue in the third quarter totaled EUR 3,884 million (3,229 million). The revenue increase mainly resulted from higher sales prices. The Group’s comparable operating profit was EUR 395 million (350 million). Renewable Products' comparable operating profit was higher than in the third quarter of 2017, mainly as a result of higher sales margin. Oil Products' result was lower than in the third quarter of 2017, mainly due to a lower reference margin. Marketing & Services was able to maintain its sales volumes and margins, but had higher fixed costs, which lead to a lower comparable operating profit compared to the third quarter of 2017. The Others segment's comparable operating profit was slightly weaker than in the corresponding period of 2017.

Renewable Products’ third quarter comparable operating profit was EUR 228 million (171 million), Oil Products’ EUR 146 million (158 million), and Marketing & Services' EUR 24 million (27 million). The comparable operating profit of the Others segment totaled EUR -4 million (-2 million); Nynas accounted for EUR -3 million (3 million) of this figure.

The Group’s operating profit was EUR 250 million (339 million), which was impacted by inventory losses of EUR 8 million (gains of 61 million), and changes in the fair value of open commodity and currency derivatives totaling EUR -49 million (-68 million), mainly related to margin hedging. As a result of normal impairment testing we booked an asset writedown of EUR 86 million regarding our minority shareholding in Nynas AB. Background for this are the current US sanctions and unstable situation in Venezuela impacting Nynas' business. Profit before income taxes was EUR 229 million (331 million), and net profit EUR 168 million (268 million). Comparable earnings per share were EUR 1.19 (1.08), and earnings per share EUR 0.66 (1.04).

The Group's January-September 2018 results

Neste's revenue in the first nine months totaled EUR 11,258 million (9,580 million). The revenue increase resulted from higher sales prices, which had a positive impact of approx. EUR 1,900 million, and higher sales volumes, which had approx. EUR 200 million positive impact on the revenue. A weaker USD exchange rate had a negative impact of approx. EUR 400 million on the revenue. The Group’s comparable operating profit was EUR 1,073 million (790 million). Renewable Products' additional margin was significantly higher compared to the corresponding period of 2017, and the retroactive US Blender's Tax Credit decision for 2017 supported the first quarter result. Oil Products' result was lower than in the first nine months of 2017, mainly due to a weaker USD exchange rate and lower reference margin. At Group level the weaker USD had a negative impact totaling EUR 79 million on the comparable operating profit compared to the first nine months of 2017. Marketing & Services was able to increase its sales volumes and other income, which lead to a slightly higher comparable operating profit than in the first nine months of 2017. The Others segment's comparable operating profit was at the same level as in the corresponding period of 2017.

Renewable Products’ nine-month comparable operating profit was EUR 702 million (352 million), Oil Products’ EUR 337 million (406 million), and Marketing & Services' EUR 58 million (57 million). The comparable operating profit of the Others segment totaled EUR -24 million (-24 million); Nynas accounted for EUR -13 million (-5 million) of this figure.

The Group’s operating profit was EUR 842 million (875 million), which was impacted by inventory losses of EUR 38 million (gains of 33 million), and changes in the fair value of open commodity and currency derivatives totaling EUR -99 million (37 million), mainly related to margin hedging. In addition there was an asset writedown of EUR 86 million regarding our minority shareholding in Nynas AB. Profit before income taxes was EUR 780 million (807 million), and net profit EUR 649 million (669 million). Comparable earnings per share were EUR 3.35 (2.32), and earnings per share EUR 2.54 (2.60).

	7-9/18	7-9/17	4-6/18	1-9/18	1-9/17	2017
COMPARABLE OPERATING PROFIT	395	350	277	1,073	790	1,101
- inventory gains/losses	-8	61	-62	-38	33	31
- changes in the fair value of open commodity and currency derivatives	-49	-68	-38	-99	37	24
- capital gains/losses	0	0	0	2	3	3
- insurance and other compensations	0	0	0	0	0	0
- other adjustments	-89	-4	-5	-96	13	12
OPERATING PROFIT	250	339	172	842	875	1,171

Variance analysis (comparison to corresponding period), MEUR

	7-9	1-9
Group's comparable operating profit, 2017	350	790
Sales volumes	-50	-81
Reference margin	22	17
Additional margin	104	366
Blender's Tax Credit	0	140
Currency exchange	5	-79
Fixed costs	-7	-34
Others	-30	-45
Group's comparable operating profit, 2018	395	1,073

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

	7-9	1-9
Group's comparable operating profit, 2017	350	790
Renewable Products	57	350
Oil Products	-13	-69
Marketing & Services	-2	1
Others including eliminations	2	2
Group's comparable operating profit, 2018	395	1,073

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 September, ROACE calculated over the last 12 months was strong at 20.8%, and leverage ratio remained well in the targeted area.

	30 Sep 2018	30 Sep 2017	31 Dec 2017
Return on average capital employed after tax (ROACE)*, %	20.8	17.3	17.5
Leverage ratio (net debt to capital), %	3.4	14.1	8.7

*Last 12 months

Cash flow, investments and financing

The Group’s net cash generated from operating activities totaled EUR 925 million (650 million) during the first nine months of 2018. The difference mainly resulted from a higher EBITDA of the businesses compared to the corresponding period last year. Cash flow before financing activities was strong at EUR 481 million (340 million). The Group's net working capital in days outstanding was 25.3 days (30.7 days) on a rolling 12-month basis at the end of the third quarter.

	7-9/18	7-9/17	4-6/18	1-9/18	1-9/17	2017
EBITDA	445	431	275	1,238	1,148	1,542
Capital gains/losses	0	0	0	-2	-3	-3
Other adjustments	0	101	56	98	-52	-82
Change in working capital	-163	-80	56	-256	-249	-104
Finance cost, net	-5	-12	0	-31	-81	-90
Income taxes paid	-29	-51	-32	-122	-114	-169
Net cash generated from operating activities	247	390	354	925	650	1,094
Capital expenditure	-87	-131	-109	-281	-338	-502
Other investing activities	-53	24	-105	-163	28	36
Free cash flow (Cash flow before financing activities)	108	283	140	481	340	628

Cash-out investments were EUR 281 million (338 million) during January-September. Maintenance investments accounted for EUR 186 million (133 million) and productivity and strategic investments for EUR 95 million (205 million). Renewable Products' investments were EUR 89 million (68 million), mainly related to refinery catalyst changes and maintenance. Oil Products’ investments amounted to EUR 136 million (178 million), with the largest project being the wastewater treatment plant at the refinery in Porvoo. Marketing & Services' investments totaled EUR 16 million (30 million) and were focused on the retail station network. Investments in the Others segment were EUR 40 million (62 million), concentrating on ICT and business infrastructure upgrade.

Interest-bearing net debt was EUR 159 million at the end of September, compared to EUR 412 million at the end of 2017. Net financial expenses for the first nine months were EUR 62 million (68 million). The average interest rate of borrowing at the end of September was 3.2% (3.1%) and the average maturity 3.9 (4.8) years. At the end of the third quarter the interest-bearing net debt/comparable EBITDA ratio was 0.1 (0.5) over the last 12 months.

The leverage ratio was 3.4% (31 Dec 2017: 8.7%), and the gearing ratio 3.5% (31 Dec 2017: 9.5%). The Group's strong financial position enables implementation of our growth strategy going forward while maintaining a healthy dividend distribution.

The Group's liquid funds and committed, unutilized credit facilities amounted to EUR 2,649 million at the end of September (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 September the Group's foreign currency hedging ratio was approx. 50% of the sales margin for the next 12 months.

US dollar exchange rate

	7-9/18	7-9/17	4-6/18	1-9/18	1-9/17	2017
EUR/USD, market rate	1.16	1.17	1.19	1.19	1.11	1.13
EUR/USD, effective rate*	1.20	1.13	1.18	1.19	1.11	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

	7-9/18	7-9/17	4-6/18	1-9/18	1-9/17	2017
Revenue, MEUR	805	793	793	2,357	2,320	3,243
EBITDA, MEUR	197	146	89	593	413	586
Comparable EBITDA, MEUR	262	198	209	796	433	671
Comparable operating profit, MEUR	228	171	177	702	352	561
Operating profit, MEUR	163	119	56	499	332	476
Net assets, MEUR	1,834	1,870	1,748	1,834	1,870	1,863
Return on net assets*, %	34.8	26.6	32.2	34.8	26.6	25.6
Comparable return on net assets*, %	49.4	27.0	46.0	49.4	27.0	30.2

* Last 12 months

Variance analysis (comparison to corresponding period), MEUR

	7-9	1-9
Comparable operating profit, 2017	171	352
Sales volumes	-50	-83
Reference margin	50	63
Additional margin	65	292
Blender's Tax Credit	0	140
Currency exchange	3	-30
Fixed costs	-2	-22
Others	-7	-10
Comparable operating profit, 2018	228	702

Key drivers

	7-9/18	7-9/17	4-6/18	1-9/18	1-9/17	2017
FAME - Palm oil price differential*, USD/ton	283	231	217	219	231	242
SME - Palm oil price differential**, USD/ton	246	254	227	225	222	225
Reference margin, USD/ton	380	290	317	316	280	291
Additional margin***, excluding BTC, USD/ton	374	256	300	352	161	184
Comparable sales margin, excluding BTC, USD/ton	645	435	508	558	331	365
Biomass-based diesel (D4) RIN, USD/gal	0.42	1.08	0.53	0.58	1.02	1.01
California LCFS Credit, USD/ton	184	87	162	161	85	89
Palm oil price****, USD/ton	542	628	605	594	626	629
Crude palm oil's share of total feedstock, %	16	22	8	15	23	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' third quarter comparable operating profit totaled EUR 228 million, compared to EUR 171 million in the third quarter of 2017. The reference margin was higher than in the third quarter of 2017, and had a positive impact of EUR 50 million on the comparable operating profit. Our additional margin exceeded the level of the corresponding period last year, mainly as a result of successful sales optimization. The higher additional margin had a positive impact of EUR 65 million on the comparable operating profit year-on-year. Our sales volumes were impacted by the scheduled maintenance activities at the Rotterdam refinery in the second quarter, and by the preparations for the Singapore turnaround in the fourth quarter. Therefore, our sales volumes were 547,000 tons, which was 14% lower than in the third quarter of 2017. The lower sales volume had a negative impact of EUR 50 million on the comparable operating profit year-on-year. During the third quarter approx. 71% (73%) of the volumes were sold to the European market and 29% (27%) to North America. The share of 100% renewable diesel delivered to end-users was 29% (27%) in the third quarter. Our renewable diesel production had an average utilization rate of 93% (99%) during the quarter. The proportion of waste and residue inputs was 84% (77%) on average. Renewable Products' comparable return on net assets was 49.4% (27.0%) at the end of September based on the previous 12 months.

Both crude palm oil (CPO) and soybean oil (SBO) prices declined before stabilizing by the end of the quarter. SBO price dropped in July in response to the implementation of Chinese import tariffs against the US soybean increasing the soybean stock surplus. Palm oil price mirrored SBO price development as lower CPO exports mitigated the impact of weakening production growth. Rapeseed oil (RSO) price, in contrast, continued to be strong as the European rapeseed crop ended at the lowest level in the last 11 years due a particularly hot and dry summer.

Conventional biodiesel margins improved in Europe, but dropped in the US before rebounding at the end of the quarter. In Europe, Fatty Acid Methyl Ester (FAME) margins continued to increase despite large imports of Soy Methyl Ester (SME) from Argentina and Palm Methyl Ester (PME) from Asia. In the US, SME biodiesel margins drifted lower, but rebounded in September when discretionary blending started to take place.

The US renewable Identification Number (RIN) prices continued to decline due to stronger crude oil and weaker SBO price. Pending waivers granted to small oil refineries have also weighed negatively on D4 RIN price, which dropped to the lowest level since December 2013. The California Low Carbon Fuel Standard (LCFS) credit price continued to be strong with a new record high of over USD 190/ton as a large draw in the credit bank was expected.

Renewable Products' nine-month comparable operating profit was EUR 702 million (352 million). The reference margin was higher than in the first nine months of 2017, and had a positive impact of EUR 63 million on the comparable operating profit. Our additional margin significantly exceeded the level in the corresponding period last year. The higher additional margin had a positive impact of EUR 292 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 comparable operating profit in the first quarter. Lower sales volumes, mainly due to scheduled maintenance activities, had a negative impact of EUR 83 million, and a weaker USD a negative impact of EUR 30 million on the segment's comparable operating profit compared to the corresponding period last year. The segment's fixed costs were EUR 22 million higher than in the first nine months of the previous year, mainly related to strategic growth projects.

Production

	7-9/18	7-9/17	4-6/18	1-9/18	1-9/17	2017
Neste MY Renewable Diesel, 1,000 ton	662	659	518	1,802	1,942	2,587
Other products, 1,000 ton	63	51	43	152	143	196
Utilization rate*, %	93	99	73	85	98	98

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

Sales

	7-9/18	7-9/17	4-6/18	1-9/18	1-9/17	2017
Neste MY Renewable Diesel, 1,000 ton	547	637	589	1,686	1,854	2,567
Share of sales volumes to Europe, %	71	73	68	71	74	74
Share of sales volumes to North America, %	29	27	32	29	26	26

Oil Products

Key financials

	7-9/18	7-9/17	4-6/18	1-9/18	1-9/17	2017
Revenue, MEUR	2,661	2,045	2,534	7,649	6,134	8,490
EBITDA, MEUR	212	251	165	569	666	863
Comparable EBITDA, MEUR	206	210	150	512	562	708
Comparable operating profit, MEUR	146	158	92	337	406	495
Operating profit, MEUR	151	199	108	394	510	650
Net assets, MEUR	2,665	2,538	2,678	2,665	2,538	2,497
Return on net assets*, %	20.6	25.2	22.5	20.6	25.2	25.6
Comparable return on net assets*, %	16.4	20.0	17.0	16.4	20.0	19.5

* Last 12 months

Variance analysis (comparison to corresponding period), MEUR

	7-9	1-9
Comparable operating profit, 2017	158	406
Sales volumes	0	1
Reference margin	-28	-46
Additional margin	39	74
Currency exchange	3	-49
Fixed costs	-10	-25
Others	-16	-25
Comparable operating profit, 2018	146	337

Key drivers

	7-9/18	7-9/17	4-6/18	1-9/18	1-9/17	2017
Reference refining margin, USD/bbl	6.03	7.21	5.63	5.25	5.94	5.68
Additional margin, USD/bbl	6.39	4.76	6.12	6.17	5.27	5.39
Total refining margin, USD/bbl	12.41	11.96	11.75	11.42	11.20	11.08
Urals-Brent price differential, USD/bbl	-1.33	-1.02	-2.24	-1.73	-1.56	-1.39
Urals' share of total refinery input, %	72	66	78	74	71	69

Oil Products' comparable operating profit totaled EUR 146 million (158 million) in the third quarter. The reference margin, which reflects general market conditions, averaged USD 6.0/bbl in the third quarter. Reference margin was supported by both middle distillate and gasoline margins, but was still approx. USD 1.2/bbl lower than the very high level in the corresponding period last year. The lower reference margin had a negative impact of EUR 28 million on the comparable operating profit year-on-year. We achieved a strong additional margin of USD 6.4/bbl, supported by good operational performance and the new strategic investments being in full utilization. The higher additional margin had a positive impact of EUR 39 million on the comparable operating profit year-on-year. The segment's fixed costs were EUR 10 million higher compared to the corresponding period in 2017. Oil Products' comparable return on net assets was 16.4% (20.0%) at the end of September over the previous 12 months.

During the third quarter the use of Russian crude was 72% (66%) of total input. The average refinery utilization rate was 97% (92%), which reflected very smooth operations.

Brent crude oil price was volatile during the third quarter trading mainly between USD 70/bbl and 80/bbl. After declining close to USD 70/bbl in the mid-quarter, Brent price started to climb and closed the quarter at around USD 83/bbl. The crude oil market continued to be supported by the agreement between OPEC and non-OPEC countries to cut oil production, but also geopolitical tensions and the coming sanctions against Iran played a key role in crude oil price increase towards the end of the quarter.

The Russian Export Blend (REB) crude oil price averaged USD 1.3/bbl lower than Brent during the third quarter. REB export volumes through the Baltic Sea ports continued to be lower compared to the year 2017, and at the same time the supply of medium heavy crude oil tightened as Iranian exports to Europe were lower compared to the first half of 2018. Overall OPEC's production cuts in heavier crude qualities and strong fuel oil margins also continued to support a relatively narrow price differential during the third quarter.

Neste's reference margin increased slightly from the second quarter. The key margin drivers were the summer driving season and good middle distillate demand. Also lower European refinery runs, caused by cooling limitations in the hot and dry weather conditions, supported the margin during the latter part of the quarter. On average, diesel was the strongest part of the barrel during the third quarter, and Neste's reference margin averaged USD 6.0/bbl.

Oil Products' nine-month comparable operating profit was EUR 337 million (406 million). During the first nine months the reference margin was approx. USD 0.7/bbl lower than in the corresponding period last year, which had a negative impact of EUR 46 million on the comparable operating profit. The additional margin averaged at USD 6.2/bbl, and had a positive impact of 74 million compared to the corresponding period last year. A weaker USD exchange rate had a negative impact of EUR 49 million on the comparable operating profit compared to the corresponding period of 2017. During the first nine months the segment's fixed costs were EUR 25 million higher than in the corresponding period of the previous year, mainly due to increased costs for ICT, and maintenance activities.

Production

	7-9/18	7-9/17	4-6/18	1-9/18	1-9/17	2017
Refinery						
- Production, 1,000 ton	3,569	3,484	3,400	10,614	10,478	13,916
- Utilization rate, %	97	92	89	94	90	89
Refinery production costs, USD/bbl	4.2	4.0	5.2	4.6	4.0	4.4
Bahrain base oil plant production, (Neste's share) 1,000 ton	48	55	53	151	153	210

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

	7-9/18	%	7-9/17	%	4-6/18	%	1-9/18	%	1-9/17	%	2017	%
Middle distillates*	1,633	45	1,878	52	1,651	50	5,309	49	5,254	50	7,154	50
Light distillates**	1,294	36	1,106	31	981	29	3,522	33	3,367	32	4,630	33
Heavy fuel oil	346	10	276	8	240	7	879	8	887	8	1,137	8
Base oils	125	3	107	3	126	4	370	3	332	3	449	3
Other products	236	6	219	6	334	10	738	7	655	6	823	6
TOTAL	3,634	100	3,587	100	3,332	100	10,819	100	10,495	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)

	7-9/18	%	7-9/17	%	4-6/18	%	1-9/18	%	1-9/17	%	2017	%
Baltic Sea area*	2,163	60	2,110	59	2,172	65	6,547	61	6,098	58	8,268	58
Other Europe	1,040	29	1,210	34	956	29	3,020	28	3,580	34	4,606	32
North America	413	11	175	5	174	5	702	6	568	5	746	5
Other areas	18	1	93	3	30	1	550	5	249	2	572	4

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

Marketing & Services

Key financials

	7-9/18	7-9/17	4-6/18	1-9/18	1-9/17	2017
Revenue, MEUR	1,123	986	1,061	3,180	2,886	3,912
EBITDA, MEUR	31	33	26	76	76	93
Comparable EBITDA, MEUR	31	33	26	76	76	93
Comparable operating profit, MEUR	24	27	20	58	57	68
Operating profit, MEUR	24	27	20	58	57	69
Net assets, MEUR	275	304	254	275	304	280
Return on net assets*, %	25.1	34.0	27.3	25.1	34.0	28.7
Comparable return on net assets*, %	25.1	34.0	27.3	25.1	34.0	28.5

* Last 12 months

Variance analysis (comparison to corresponding period), MEUR

	7-9	1-9
Comparable operating profit, 2017	27	57
Sales volumes	0	1
Unit margins	0	0
Currency exchange	0	-1
Fixed costs	-3	-4
Others	1	3
Comparable operating profit, 2018	24	58

Marketing & Services' comparable operating profit was EUR 24 million (27 million) in the third quarter. We were able to maintain sales volumes at the same level compared to the corresponding period last year. Traffic fuel demand was seasonally highest during the summer period. All focus markets continued to be very competitive, and average unit margins were similar to the corresponding period last year. The segment's fixed costs were EUR 3 million higher compared to the third quarter of 2017. Marketing & Services' comparable return on net assets was 25.1% (34.0%) at the end of September on a rolling 12-month basis.

Marketing & Services segment's nine-month comparable operating profit was EUR 58 million (57 million). Sales volumes were slightly higher compared to the corresponding period last year, which had a positive impact of EUR 1 million on the comparable operating profit. Average unit margins were flat year-on-year. The other income was higher than in the corresponding period in 2017. The fixed costs were EUR 4 million higher compared to the first nine months of 2017.

Sales volumes by main product categories, million liters

	7-9/18	7-9/17	4-6/18	1-9/18	1-9/17	2017
Gasoline station sales	276	290	277	799	816	1,080
Diesel station sales	458	444	442	1,332	1,294	1,739
Heating oil	159	153	143	484	436	615

Net sales by market area, MEUR

	7-9/18	7-9/17	4-6/18	1-9/18	1-9/17	2017
Finland	823	712	766	2,320	2,085	2,820
Northwest Russia	75	72	72	212	217	290
Baltic countries	225	202	223	648	584	802

Others

Key financials

	7-9/18	7-9/17	4-6/18	1-9/18	1-9/17	2017
Comparable operating profit, MEUR	-4	-2	-11	-24	-24	-24
Operating profit, MEUR	-90	-2	-11	-110	-24	-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 -4 million (-2 million) in the third quarter; Nynas accounted for EUR -3 million (3 million) of this figure. Nynas' result was impacted by lower sales volumes and higher production costs compared to the corresponding period last year. As a result of normal impairment testing, we booked an asset writedown of EUR 86 million regarding our shareholding in Nynas AB.

The nine-month comparable operating profit of the Others segment totaled EUR -24 million (-24 million); Nynas accounted for EUR -13 (-5 million) of this figure.

Shares, share trading, and ownership

Neste’s shares are mainly traded on NASDAQ Helsinki Ltd. The share price closed the quarter at EUR 71.20, up by 6.0% compared to the end of second quarter. At its highest during the quarter, the share closing price reached EUR 76.12, while the lowest daily closing price was EUR 64.88. Market capitalization was EUR 18.3 billion as of 30 September 2018. An average of 0.42 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 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 September 2018, Neste held 573,662 treasury shares purchased under this authorization. As resolved by the AGM held on 5 April 2018, the Board of Directors was authorized to take one or more decisions on the conveyance of treasury shares held by the company totaling a maximum of 1,000,000 shares. The Board of Directors has no authorization to issue convertible bonds, share options, or new shares.

As of 30 September 2018, the Finnish State owned 44.8% (44.8% at the end of the second quarter) of outstanding shares, foreign institutions 37.3% (37.1%), Finnish institutions 10.2% (10.2%), and Finnish households 7.8% (7.9%).

Personnel

Neste employed an average of 5,485 (5,284) employees during the first nine months of 2018, of which 1,779 (1,674) were based outside Finland. At the end of September, the company had 5,432 employees (5,366), of which 1,802 (1,759) were located outside Finland.

Environmental, Social and Governance (ESG)

Key figures

	7-9/18	7-9/17	1-9/18	1-9/17	2017
TRIF*	1.4	1.8	1.7	2.3	2.1
PSER**	0.5	2.3	1.7	2.2	2.1
GHG reduction, Mton***	2.2	2.0	6.0	5.8	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 third quarter compared to the previous year. The main focus areas were improving safety awareness by safety rules training, and improving contractor safety by systematic performance evaluation and management.

PSER, the main indicator for process safety, improved compared to the previous year. High focus on process safety continues in all of our operations. Actions to improve operational performance and asset integrity are ongoing. New initiatives to improve asset integrity were launched during the period.

Our long-term safety development activities continue according to the corporate-wide Way Forward to Safety program 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 nine months this GHG reduction was 6.0 million tons, slightly higher compared to the 5.8 million tons in the corresponding period last year.

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

Read more about the topics on Neste's website.

Main events published during the third quarter

On 18 July, Neste announced that it is exploring ways to introduce liquefied waste plastic as a future raw material for fossil refining. The aim of the development project is to proceed to industrial scale trial during 2019. The company’s target is to process annually more than one million tons of waste plastic by 2030.

On 16 August, Neste announced that it is joining forces with ReNew ELP, a UK-based chemical recycling company, and Licella, an Australian technology developer, in a development project to explore the potential of using mixed waste plastic as a raw material for fuels, chemicals, and new plastics. In addition to studying liquefied waste plastic feasibility and sustainability as refinery raw material, the companies are also collaborating with the aim to facilitate regulatory acceptance for chemical recycling. The collaboration is one of the steps towards Neste's goal to introduce liquefied waste plastic as a future raw material to fossil refining, with a target to process annually more than one million ton of waste plastic by 2030.

On 21 August, Neste announced that the Swiss authorities' funding decision lead to the cancellation of the Renewable Jet Fuel project at the Geneva Airport. Geneva Airport had aspired to replace 1% of the conventional jet fuel used for aircrafts with renewable jet fuel in a pilot project with Neste. The Swiss authorities' decision not to support the Renewable Jet Fuel project at the Geneva Airport does not affect Neste's plan to bring Neste MY Renewable Jet fuel to the global market. We have announced collaboration agreements with other airports and airlines.

On 3 September, Neste announced that its acquisition of the share majority of the Dutch animal fat trader Demeter has been approved by the regulatory authorities, and the deal has been closed. Neste now owns 51 % of the shares of IH Demeter B.V., making Neste the controlling shareholder. The former owners remain as co-owners.

On 11 September, Neste announced that it had signed a Memorandum of Understanding (MOU) with Alaska Airlines. In addition to Alaska Airlines' efforts to increase fuel-efficiency and adopt innovative flight technology, the agreement will allow Neste and Alaska to work more closely together to design, create and implement solutions that lay the groundwork for the wider adoption of renewable fuels within the airline industry.

On 12 September, Neste announced that the following members had been appointed to Neste's Shareholders' Nomination Board: The Chair, Senior Financial Counsellor Jarmo Väisänen of the Ownership Steering Department in the Prime Minister's Office of Finland; President and CEO Jouko Pölönen of Ilmarinen Mutual Pension Insurance Company; Executive Vice-President Reima Rytsölä of Varma Mutual Pension Insurance Company and Matti Kähkönen, the Chair of Neste's Board of Directors.

Potential risks

There have been no significant changes in Neste´s short-term risks or uncertainties since the end of the second quarter 2018. Key market risks affecting Neste's financial results for the next 12 months include political and geopolitical risks, such as impact of the US sanctions on Nynas' business, possible trade war, 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 anticipated to continue. According to current market estimates, the US dollar in 2018 is expected to stay weaker than last year.

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 predicted 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 the fourth quarter. 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 nine-week major turnaround at the Singapore refinery in the fourth quarter. The Singapore turnaround is currently estimated to have a negative impact of approx. EUR 100 million on the comparable operating profit, mostly in the fourth quarter. The estimated result impact of the turnaround has increased mainly due to higher margins.

Global oil product demand is expected to remain strong, and recent demand growth estimates for 2018 vary between 1.4 and 1.7 million bbl/d. Global oil product supply and demand are anticipated to be balanced in 2018. Solid distillate demand outlook continues and is reflected in product margins. Oil Products' reference margin is expected to be seasonally weak in the fourth quarter as gasoline margins have decreased following the end of the driving season and refinery maintenance season is approaching its end. We anticipate high reliability to continue in our refinery operations, noting that scheduled unit maintenances will be implemented during the fourth quarter. The scheduled unit maintenances are currently estimated to have a negative impact of approx. EUR 50 million on the comparable operating profit in the fourth quarter.

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

We maintain our view that we expect 2018 to be a very strong year for Neste.

Reporting date for the company's fourth-quarter and full-year 2018 results

Neste will publish its fourth-quarter and full-year results on 6 February 2019 at approximately 9:00 a.m. EET.

Espoo, 25 October 2018

Neste Corporation
Board of Directors

Further information:

Matti Lievonen, President and 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 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 0361, rest of Europe: +44 (0)330 336 9128, US: +1 929 477 0448, using access code 6554753. The conference call can be followed at the company's website. An instant replay of the call will be available until 2 November 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 6554753.

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 2018
The interim report is unaudited

FINANCIAL STATEMENT SUMMARY AND NOTES TO THE FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF INCOME

EUR million	Note	7-9/2018	7-9/2017	1-9/2018	1-9/2017	1-12/2017	Last 12 months
Revenue	3, 4	**3,884**	3,229	**11,258**	9,580	13,217	14,894
Other income		**3**	5	**13**	17	22	19
Share of profit (loss) of joint ventures		**-2**	4	**-11**	-3	1	-6
Materials and services		**-3,258**	-2,632	**-9,434**	-7,890	-10,927	-12,471
Employee benefit costs		**-89**	-84	**-289**	-270	-372	-391
Depreciation, amortization and impairments	4, 7, 8	**-195**	-92	**-396**	-273	-371	-494
Other expenses		**-92**	-90	**-299**	-286	-399	-412
Operating profit	4	**250**	339	**842**	875	1,171	1,138
Financial income and expenses							
Financial income		**2**	1	**4**	3	4	5
Financial expenses		**-11**	-10	**-36**	-63	-79	-51
Exchange rate and fair value gains and losses		**-12**	0	**-31**	-7	-2	-26
Total financial income and expenses		**-21**	-9	**-62**	-68	-77	-72
Profit before income taxes		**229**	331	**780**	807	1,094	1,066
Income tax expense		**-60**	-63	**-131**	-138	-180	-173
Profit for the period		**168**	268	**649**	669	914	893
Profit attributable to:							
Owners of the parent		**168**	267	**649**	666	911	893
Non-controlling interests		**0**	1	**0**	3	3	0
		168	268	**649**	669	914	893
Earnings per share from profit attributable to the owners of the parent (in euro per share)							
Basic earnings per share		**0.66**	1.04	**2.54**	2.60	3.56	3.49
Diluted earnings per share		**0.66**	1.04	**2.53**	2.60	3.55	3.48

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	7-9/2018	7-9/2017	1-9/2018	1-9/2017	1-12/2017	Last 12 months
Profit for the period	**168**	268	**649**	669	914	893
Other comprehensive income net of tax:						
Items that will not be reclassified to profit or loss						
Remeasurements on defined benefit plans	**1**	-1	**1**	1	2	2
Items that may be reclassified subsequently to profit or loss						
Translation differences	**1**	-2	**-15**	-9	-15	-21
Cash flow hedges						
recorded in equity	**-3**	12	**-35**	69	69	-36
transferred to income statement	**15**	-15	**-10**	-2	-15	-23
Share of other comprehensive income of investments accounted for using the equity method	**-7**	0	**-7**	10	2	-15
Total	**6**	-4	**-67**	68	40	-95
Other comprehensive income for the period, net of tax	**7**	-6	**-66**	69	42	-93
Total comprehensive income for the period	**175**	262	**583**	738	956	800
Total comprehensive income attributable to:						
Owners of the parent	**175**	261	**583**	735	952	800
Non-controlling interests	**0**	1	**0**	3	3	0
	175	262	**583**	738	956	800

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	Note	30 Sep 2018	30 Sep 2017	31 Dec 2017
ASSETS				
Non-current assets				
Intangible assets	7	**122**	92	100
Property, plant and equipment	7	**3,825**	3,793	3,856
Investments in joint ventures	8	**99**	221	213
Non-current receivables		**100**	52	51
Deferred tax assets		**35**	36	35
Derivative financial instruments	10	**4**	4	4
Other financial assets		**5**	5	5
Total non-current assets		**4,191**	4,202	4,262
Current assets				
Inventories		**1,815**	1,565	1,563
Trade and other receivables		**1,374**	963	1,097
Derivative financial instruments	10	**31**	84	86
Current investments		**20**	0	0
Cash and cash equivalents		**979**	496	783
Total current assets		**4,220**	3,108	3,530
Total assets		**8,411**	7,310	7,793
EQUITY				
Capital and reserves attributable to the owners of the parent				
Share capital		**40**	40	40
Other equity		**4,452**	4,080	4,298
Total		**4,492**	4,120	4,338
Non-controlling interests		**2**	0	0
Total equity		**4,493**	4,120	4,338
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities		**848**	1,017	1,032
Deferred tax liabilities		**259**	253	269
Provisions		**59**	54	55
Pension liabilities		**127**	132	131
Derivative financial instruments	10	**14**	0	0
Other non-current liabilities		**12**	15	17
Total non-current liabilities		**1,319**	1,471	1,504
Current liabilities				
Interest-bearing liabilities		**310**	152	163
Current tax liabilities		**47**	58	36
Derivative financial instruments	10	**185**	92	72
Trade and other payables		**2,056**	1,417	1,679
Total current liabilities		**2,598**	1,719	1,951
Total liabilities		**3,918**	3,190	3,455
Total equity and liabilities		**8,411**	7,310	7,793

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	7-9/2018	7-9/2017	1-9/2018	1-9/2017	1-12/2017
Cash flows from operating activities						
Profit before income taxes		**229**	331	**780**	807	1,094
Adjustments, total		**215**	201	**554**	286	363
Change in working capital		**-163**	-80	**-256**	-249	-104
Cash generated from operations		**281**	452	**1,078**	845	1,353
Finance cost, net		**-5**	-12	**-31**	-81	-90
Income taxes paid		**-29**	-51	**-122**	-114	-169
Net cash generated from operating activities		**247**	390	**925**	650	1,094
Cash flows from investing activities						
Capital expenditure		**-71**	-104	**-266**	-311	-475
Acquisitions of subsidiaries, net of cash acquired	6	**-16**	0	**-16**	0	0
Transactions with non-controlling interests		**0**	-27	**0**	-27	-27
Proceeds from sales of property, plant and equipment		**-4**	0	**-4**	4	5
Proceeds from sales of shares in joint arrangements		**0**	0	**2**	0	0
Proceeds from non-current receivables and other financial assets		**-49**	24	**-161**	23	31
Cash flows from investing activities		**-140**	-107	**-444**	-310	-467
Cash flow before financing activities		**108**	283	**481**	340	628
Cash flows from financing activities						
Net change in loans and other financing activities		**-5**	4	**-69**	-284	-283
Dividends paid to the owners of the parent		**0**	0	**-217**	-332	-332
Dividends paid to non-controlling interests		**0**	-13	**0**	-15	-15
Cash flows from financing activities		**-5**	-9	**-287**	-631	-631
Net increase (+) / decrease (-) in cash and cash equivalents		**103**	274	**194**	-291	-3
Cash and cash equivalents at the beginning of the period		**875**	222	**783**	788	788
Exchange gains (+) / losses (-) on cash and cash equivalents		**1**	0	**1**	-1	-2
Cash and cash equivalents at the end of the period		**979**	496	**979**	496	783

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								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
Transactions with the owners in their capacity as owners											
Dividend decision								-332	-332	-15	-347
Transacions 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 Sep 2017	40	20	7	-9	15	-74	-62	4,183	4,120	0	4,120

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 201ℓ	**40**	**20**	**7**	**-9**	**-5**	**-73**	**-68**	**4,432**	**4,343**	**0**	**4,343**
Profit for the period								**649**	**649**	**0**	**649**
Other comprehensive income for the period, net of tax					**-52**	**1**	**-15**		**-66**	**0**	**-66**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**-52**	**1**	**-15**	**649**	**583**	**0**	**583**
Transactions with the owners in their capacity as owners											
Dividend decision								**-435**	**-435**	**0**	**-435**
Transactions with non-controlling interests										**2**	**2**
Share-based compensation			**3**	**1**				**-3**	**1**		**1**
Transfer from retained earnings		**0**					**0**		**0**		**0**
Total equity at 30 Sep 2018	**40**	**19**	**10**	**-9**	**-58**	**-72**	**-83**	**4,643**	**4,492**	**2**	**4,493**

KEY FIGURES

	30 Sep 2018	30 Sep 2017	31 Dec 2017	Last 12 months
EBITDA, EUR million	**1,238**	1,148	1,542	1,632
Comparable EBITDA, EUR million	**1,469**	1,063	1,472	1,878
Capital employed, EUR million	**5,651**	5,289	5,533	5,651
Interest-bearing net debt, EUR million	**159**	674	412	-
Capital expenditure and investment in shares, EUR million	**324**	364	536	496
Return on average capital employed, after tax, ROACE %	**20.8**	17.3	17.5	20.8
Return on equity %	**20.4**	24.1	22.7	20.4
Equity per share, EUR	**17.56**	16.11	16.96	-
Cash flow per share, EUR	**3.61**	2.54	4.28	5.35
Earnings per share (EPS), EUR	**2.54**	2.60	3.56	3.49
Comparable earnings per share, EUR	**3.35**	2.32	3.33	4.36
Comparable net profit	**858**	594	851	1,115
Equity-to-assets ratio, %	**53.6**	56.6	55.8	-
Leverage ratio, %	**3.4**	14.1	8.7	-
Gearing, %	**3.5**	16.4	9.5	-
Average number of shares	**255,819,359**	255,770,613	255,775,535	255,811,995
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	**5,485**	5,284	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 13 *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 was 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 13 *Changes in accounting policies* for more detailed explanation of the impacts.

2. TREASURY SHARES

On 15th of March 2018 a total of 39,883 treasury shares of Neste Corporation has been 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. The number of treasury shares was 573,662 shares on 30th September 2018.

3. REVENUE

REVENUE BY CATEGORY

External revenue	7-9/2018 Renewable Products	Oil Products	Marketing & Services	Others	Total	7-9/2017 Renewable Products	Oil Products	Marketing & Services	Others	Total
Fuels [1]	**739**	**1,723**	**1,083**	**0**	**3,545**	707	1,364	948	0	3,019
Light distillates	**37**	**860**	**313**	**0**	**1,210**	23	562	304	0	889
Middle distillates	**702**	**721**	**769**	**0**	**2,191**	684	814	642	0	2,140
Heavy fuel oil	**0**	**142**	**1**	**0**	**143**	0	-11	1	0	-10
Other products	**0**	**226**	**29**	**0**	**255**	0	156	28	0	184
Other services	**0**	**57**	**3**	**24**	**84**	0	6	3	18	26
Total	**739**	**2,006**	**1,115**	**24**	**3,884**	707	1,526	978	18	3,229

External revenue	1-9/2018 Renewable Products	Oil Products	Marketing & Services	Others	Total	1-9/2017 Renewable Products	Oil Products	Marketing & Services	Others	Total
Fuels [1]	**2,210**	**5,160**	**3,055**	**0**	**10,424**	2,069	4,068	2,767	0	8,904
Light distillates	**89**	**2,341**	**837**	**0**	**3,267**	71	1,809	842	0	2,722
Middle distillates	**2,121**	**2,415**	**2,214**	**0**	**6,750**	1,998	2,048	1,922	0	5,968
Heavy fuel oil	**0**	**403**	**4**	**0**	**407**	0	210	4	0	214
Other products	**0**	**588**	**89**	**0**	**676**	0	510	87	0	596
Other services	**0**	**69**	**9**	**80**	**157**	0	19	8	53	80
Total	**2,210**	**5,816**	**3,152**	**80**	**11,258**	2,069	4,596	2,862	53	9,580

[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	7-9/2018 Renewable Products	Oil Products	Marketing & Services	Others	Total	7-9/2017 Renewable Products	Oil Products	Marketing & Services	Others	Total
Goods transferred at point in time	**739**	**2,017**	**1,112**	**0**	**3,868**	707	1,539	976	0	3,222
Services transferred at point in time	**0**	**-11**	**3**	**0**	**-8**	0	-13	3	5	-6
Services transferred over time	**0**	**0**	**0**	**23**	**23**	0	0	0	13	13
Total	**739**	**2,006**	**1,115**	**24**	**3,884**	707	1,526	978	18	3,229

External revenue	1-9/2018 Renewable Products	Oil Products	Marketing & Services	Others	Total	1-9/2017 Renewable Products	Oil Products	Marketing & Services	Others	Total
Goods transferred at point in time	**2,210**	**5,816**	**3,143**	**0**	**11,169**	2,069	4,596	2,854	0	9,519
Services transferred at point in time	**0**	**0**	**9**	**1**	**10**	0	0	8	12	20
Services transferred over time	**0**	**0**	**0**	**79**	**79**	0	0	0	41	41
Total	**2,210**	**5,816**	**3,152**	**80**	**11,258**	2,069	4,596	2,862	53	9,580

REVENUE BY OPERATING SEGMENT

7-9/2018	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
External revenue	**739**	**2,006**	**1,115**	**24**	**0**	**3,884**
Internal revenue	**66**	**655**	**9**	**41**	**-771**	**0**
Total revenue	**805**	**2,661**	**1,123**	**65**	**-771**	**3,884**

7-9/2017	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
External revenue	707	1,526	978	18	0	3,229
Internal revenue	86	519	8	39	-652	0
Total revenue	793	2,045	986	57	-652	3,229

1-9/2018	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
External revenue	**2,210**	**5,816**	**3,152**	**80**	**0**	**11,258**
Internal revenue	**147**	**1,833**	**28**	**121**	**-2,129**	**0**
Total revenue	**2,357**	**7,649**	**3,180**	**201**	**-2,129**	**11,258**

1-9/2017	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
External revenue	2,069	4,596	2,862	53	0	9,580
Internal revenue	251	1,538	23	116	-1,929	0
Total revenue	2,320	6,134	2,886	169	-1,929	9,580

REVENUE BY OPERATING DESTINATION

	7-9/2018					7-9/2017				
External revenue	**Renewable Products**	**Oil Products**	**Marketing & Services**	**Others**	**Total**	Renewable Products	Oil Products	Marketing & Services	Others	Total
Europe including Russia	**501**	**1,706**	**1,115**	**22**	**3,344**	499	1,317	978	16	2,811
North and South America	**231**	**264**	**0**	**0**	**495**	204	107	0	0	311
Other countries	**8**	**36**	**0**	**1**	**45**	3	103	0	1	107
Total	**739**	**2,006**	**1,115**	**24**	**3,884**	707	1,526	978	18	3,229

	1-9/2018					1-9/2017				
External revenue	**Renewable Products**	**Oil Products**	**Marketing & Services**	**Others**	**Total**	Renewable Products	Oil Products	Marketing & Services	Others	Total
Europe including Russia	**1,505**	**4,826**	**3,152**	**75**	**9,557**	1,450	3,951	2,862	48	8,310
North and South America	**686**	**608**	**0**	**0**	**1,295**	606	402	0	0	1,008
Other countries	**19**	**382**	**0**	**5**	**406**	13	244	0	5	262
Total	**2,210**	**5,816**	**3,152**	**80**	**11,258**	2,069	4,596	2,862	53	9,580

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	7-9/2018	7-9/2017	1-9/2018	1-9/2017	1-12/2017	Last 12 months
Renewable Products	**805**	793	**2,357**	2,320	3,243	3,280
Oil Products	**2,661**	2,045	**7,649**	6,134	8,490	10,004
Marketing & Services	**1,123**	986	**3,180**	2,886	3,912	4,207
Others	**65**	57	**201**	169	237	269
Eliminations	**-771**	-652	**-2,129**	-1,929	-2,666	-2,866
Total	**3,884**	3,229	**11,258**	9,580	13,217	14,894

OPERATING PROFIT	7-9/2018	7-9/2017	1-9/2018	1-9/2017	1-12/2017	Last 12 months
Renewable Products	**163**	119	**499**	332	476	643
Oil Products	**151**	199	**394**	510	650	534
Marketing & Services	**24**	27	**58**	57	69	69
Others	**-90**	-2	**-110**	-24	-24	-110
Eliminations	**1**	-4	**1**	0	0	2
Total	**250**	339	**842**	875	1,171	1,138

COMPARABLE OPERATING PROFIT	7-9/2018	7-9/2017	1-9/2018	1-9/2017	1-12/2017	Last 12 months
Renewable Products	**228**	171	**702**	352	561	911
Oil Products	**146**	158	**337**	406	495	426
Marketing & Services	**24**	27	**58**	57	68	69
Others	**-4**	-2	**-24**	-24	-24	-23
Eliminations	**0**	-4	**1**	-1	0	2
Total	**395**	350	**1,073**	790	1,101	1,384

DEPRECIATION, AMORTIZATION AND IMPAIRMENTS	7-9/2018	7-9/2017	1-9/2018	1-9/2017	1-12/2017	Last 12 months
Renewable Products	**34**	27	**95**	81	110	123
Oil Products	**60**	52	**175**	156	213	231
Marketing & Services	**6**	6	**18**	19	25	24
Others	**94**	6	**108**	17	24	115
Eliminations	**0**	0	**0**	0	0	0
Total	**195**	92	**396**	273	371	494

CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES	7-9/2018	7-9/2017	1-9/2018	1-9/2017	1-12/2017	Last 12 months
Renewable Products	**63**	23	**128**	75	122	175
Oil Products	**35**	78	**139**	204	307	243
Marketing & Services	**7**	7	**18**	28	37	27
Others	**18**	36	**39**	58	70	51
Eliminations	**0**	0	**0**	0	0	0
Total	**123**	144	**324**	364	536	496

TOTAL ASSETS	30 Sep 2018	30 Sep 2017	31 Dec 2017
Renewable Products	**2,272**	2,180	2,255
Oil Products	**4,154**	3,684	3,827
Marketing & Services	**604**	594	585
Others	**400**	523	499
Unallocated assets	**1,241**	635	934
Eliminations	**-260**	-306	-308
Total	**8,411**	7,310	7,793

NET ASSETS	2018	2017	2017
Renewable Products	**1,834**	1,870	1,863
Oil Products	**2,665**	2,538	2,497
Marketing & Services	**275**	304	280
Others	**-4**	293	292
Eliminations	**-7**	-14	-12
Total	**4,762**	4,990	4,920

TOTAL LIABILITIES	30 Sep 2018	30 Sep 2017	31 Dec 2017
Renewable Products	**438**	310	392
Oil Products	**1,489**	1,146	1,330
Marketing & Services	**329**	290	306
Others	**405**	203	206
Unallocated liabilities	**1,510**	1,505	1,516
Eliminations	**-253**	-265	-295
Total	**3,918**	3,190	3,455

RETURN ON NET ASSETS, %	30 Sep 2018	30 Sep 2017	31 Dec 2017
Renewable Products	**34.8**	26.6	25.6
Oil Products	**20.6**	25.2	25.6
Marketing & Services	**25.1**	34.0	28.7

COMPARABLE RETURN ON NET ASSETS, %	30 Sep 2018	30 Sep 2017	31 Dec 2017
Renewable Products	**49.4**	27.0	30.2
Oil Products	**16.4**	20.0	19.5
Marketing & Services	**25.1**	34.0	28.5

QUARTERLY SEGMENT INFORMATION

QUARTERLY REVENUE	7-9/2018	4-6/2018	1-3/2018	10-12/2017	7-9/2017	4-6/2017	1-3/2017
Renewable Products	**805**	**793**	**759**	924	793	828	699
Oil Products	**2,661**	**2,534**	**2,453**	2,355	2,045	2,080	2,009
Marketing & Services	**1,123**	**1,061**	**996**	1,027	986	952	948
Others	**65**	**71**	**65**	68	57	58	55
Eliminations	**-771**	**-713**	**-645**	-737	-652	-638	-639
Total	**3,884**	**3,745**	**3,629**	3,636	3,229	3,280	3,071

QUARTERLY OPERATING PROFIT	7-9/2018	4-6/2018	1-3/2018	10-12/2017	7-9/2017	4-6/2017	1-3/2017
Renewable Products [1)]	**163**	**56**	**279**	144	119	122	91
Oil Products	**151**	**108**	**135**	140	199	130	182
Marketing & Services	**24**	**20**	**13**	11	27	19	12
Others	**-90**	**-11**	**-9**	0	-2	-6	-17
Eliminations	**1**	**-1**	**2**	1	-4	0	3
Total	**250**	**172**	**421**	296	339	264	271

[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.

QUARTERLY COMPARABLE OPERATING PROFIT	7-9/2018	4-6/2018	1-3/2018	10-12/2017	7-9/2017	4-6/2017	1-3/2017
Renewable Products	**228**	**177**	**296**	209	171	101	80
Oil Products	**146**	**92**	**99**	89	158	122	126
Marketing & Services	**24**	**20**	**13**	11	27	19	11
Others	**-4**	**-11**	**-9**	0	-2	-6	-17
Eliminations	**0**	**-1**	**2**	1	-4	0	3
Total	**395**	**277**	**401**	311	350	236	204

QUARTERLY DEPRECIATION, AMORTIZATION AND IMPAIRMENTS	7-9/2018	4-6/2018	1-3/2018	10-12/2017	7-9/2017	4-6/2017	1-3/2017
Renewable Products	**34**	**32**	**28**	28	27	28	26
Oil Products	**60**	**58**	**57**	57	52	52	52
Marketing & Services	**6**	**6**	**6**	6	6	6	6
Others	**94**	**7**	**7**	7	6	6	5
Eliminations	**0**	**0**	**0**	0	0	0	0
Total	**195**	**103**	**98**	98	92	92	89

QUARTERLY CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES	7-9/2018	4-6/2018	1-3/2018	10-12/2017	7-9/2017	4-6/2017	1-3/2017
Renewable Products	**63**	**37**	**28**	47	23	24	28
Oil Products	**35**	**57**	**46**	104	78	71	55
Marketing & Services	**7**	**8**	**4**	9	7	13	7
Others	**18**	**12**	**9**	12	36	14	8
Eliminations	**0**	**0**	**0**	0	0	0	0
Total	**123**	**114**	**86**	172	144	122	98

QUARTERLY NET ASSETS	7-9/2018	4-6/2018	1-3/2018	10-12/2017	7-9/2017	4-6/2017	1-3/2017
Renewable Products	**1,834**	**1,748**	**1,906**	1,863	1,870	1,895	1,844
Oil Products	**2,665**	**2,678**	**2,592**	2,497	2,538	2,597	2,629
Marketing & Services	**275**	**254**	**259**	280	304	204	212
Others	**-4**	**65**	**291**	292	293	283	257
Eliminations	**-7**	**-8**	**-8**	-12	-14	-10	-11
Total	**4,762**	**4,737**	**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	**7-9/2018**	7-9/2017	4-6/2018	**1-9/2018**	1-9/2017	1-12/2017
COMPARABLE OPERATING PROFIT	**395**	350	277	**1,073**	790	1,101
inventory gains/losses	**-8**	61	-62	**-38**	33	31
changes in the fair value of open commodity and currency derivatives	**-49**	-68	-38	**-99**	37	24
capital gains and losses	**0**	0	0	**2**	3	3
insurance and other compensations	**0**	0	0	**0**	0	0
other adjustments	**-89**	-4	-5	**-96**	13	12
OPERATING PROFIT	**250**	339	172	**842**	875	1,171

Renewable Products	**7-9/2018**	7-9/2017	4-6/2018	**1-9/2018**	1-9/2017	1-12/2017
COMPARABLE OPERATING PROFIT	**228**	171	177	**702**	352	561
inventory gains/losses	**-25**	-29	-66	**-102**	-49	-80
changes in the fair value of open commodity and currency derivatives	**-40**	-23	-50	**-97**	29	-5
capital gains and losses	**0**	0	0	**0**	0	0
insurance and other compensations	**0**	0	0	**0**	0	0
other adjustments	**0**	0	-4	**-4**	0	0
OPERATING PROFIT	**163**	119	56	**499**	332	476

Oil Products	**7-9/2018**	7-9/2017	4-6/2018	**1-9/2018**	1-9/2017	1-12/2017
COMPARABLE OPERATING PROFIT	**146**	158	92	**337**	406	495
inventory gains/losses	**18**	89	5	**64**	82	111
changes in the fair value of open commodity and currency derivatives	**-9**	-45	12	**-2**	7	29
capital gains and losses	**0**	0	0	**2**	3	3
insurance and other compensations	**0**	0	0	**0**	0	0
other adjustments	**-3**	-4	-1	**-6**	12	12
OPERATING PROFIT	**151**	199	108	**394**	510	650

Marketing & Services	**7-9/2018**	7-9/2017	4-6/2018	**1-9/2018**	1-9/2017	1-12/2017
COMPARABLE OPERATING PROFIT	**24**	27	20	**58**	57	68
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	**24**	27	20	**58**	57	69

Others	**7-9/2018**	7-9/2017	4-6/2018	**1-9/2018**	1-9/2017	1-12/2017
COMPARABLE OPERATING PROFIT	**-4**	-2	-11	**-24**	-24	-24
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 [1)]	**-86**	0	0	**-86**	0	0
OPERATING PROFIT	**-90**	-2	-11	**-110**	-24	-24

[1)] Neste's share in Nynas AB was tested for impairment and as a result an impairment loss of EUR 86 million was recognized. The carrying amount after the impairment is EUR 76 million.

RECONCILIATION BETWEEN COMPARABLE OPERATING PROFIT AND COMPARABLE NET PROFIT

	7-9/2018	7-9/2017	**1-9/2018**	1-9/2017	1-12/2017
COMPARABLE OPERATING PROFIT	**395**	350	**1,073**	790	1,101
total financial income and expenses	**-21**	-9	**-62**	-68	-77
income tax expense	**-60**	-63	**-131**	-138	-180
non-controlling interests	**0**	-1	**0**	-3	-3
tax on items affecting comparability	**-9**	-2	**-22**	13	11
COMPARABLE NET PROFIT	**305**	276	**858**	594	851

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

	30 Sep 2018	30 Sep 2017	31 Dec 2017
COMPARABLE OPERATING PROFIT, LAST 12 MONTHS	**1,384**	1,051	1,101
financial income	**5**	4	4
exchange rate and fair value gains and losses	**-26**	5	-2
income tax expense	**-173**	-173	-180
tax on other items affecting ROACE	**-32**	7	-1
Comparable net profit, net of tax	**1,159**	894	921
Capital employed average	**5,561**	5,163	5,266
RETURN ON CAPITAL EMPLOYED, AFTER TAX (ROACE), %	**20.8**	17.3	17.5

RECONCILIATION OF EQUITY-TO-ASSETS RATIO, %

	30 Sep 2018	30 Sep 2017	31 Dec 2017
Total equity	**4,493**	4,120	4,338
Total assets	**8,411**	7,310	7,793
Advances received	**27**	35	21
EQUITY-TO-ASSETS RATIO, %	**53.6**	56.6	55.8

6. ACQUISITIONS

In May 2018 Neste and Demeter Holding B.V. agreed that Neste acquires sole control and 51 % of the shares of the Dutch animal fats and proteins trader IH Demeter B.V. (Internationale Handelmaatschappij 'Demeter' B.V.), making Neste the controlling shareholder. The acquisition was closed on 31 August 2018 after regulatory approvals. The previous owners remained as co-owners with non-controlling interest, which have been measured at proportionate share of the net assets. The new company is called Neste Demeter B.V. and has been consolidated into Renewable Products segment.

The acquisition is an important step for Neste in its strategy of building a global waste and residue raw material platform to secure raw material availability and competitiveness. IH Demeter B.V. has a long history, and a solid track record of cooperating with Neste. With an efficient European-wide logistical setup, the company is well-positioned to serve Neste in delivering future raw material volumes to Neste's renewable product refineries.

The fair value of acquired net assets include supplier relations that have been recognized as intangible assets. The goodwill is non-deductible for income tax purposes. Transactions costs of the acquisition have been recognized as other expenses in the consolidated statement of income. The acquisition does not have material impact on Group´s net sales nor result.

Values of acquired assets and liabilities at time of acquisition:	**Recognized values**
Intangible assets	2
Property, plant and equipment	0
Inventories	28
Trade and other receivables	6
Cash and cash equivalents	0
Total assets	**37**
Interest bearing liabilities	12
Deferred tax liabilities	1
Current tax liabilities	2
Trade and other payables	19
Total liabilities	**33**
Fair value of net assets total	**4**
Consideration transferred (including adjustment to be settled in Q4/2018)	15
Proportionate share of net assets of non-controlling interests	2
Fair value of acquired net assets	-4
Goodwill	**13**

Cash flows of acquisition:	**1-9/2018**
Consideration, paid in cash	-16
Cash and cash equivalents in acquired company	0
Transaction costs of the acquisition	-1
Net cash flow on acquisition	-16

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

CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	**30 Sep 2018**	30 Sep 2017	31 Dec 2017
Opening balance	**3,955**	3,833	3,833
Depreciation, amortization and impairments	**-309**	-273	-371
Capital expenditure	**308**	337	509
Disposals	**-2**	-10	-12
Translation differences	**-5**	-3	-4
Closing balance	**3,948**	3,885	3,955

CAPITAL COMMITMENTS	**30 Sep 2018**	30 Sep 2017	31 Dec 2017
Commitments to purchase property, plant and equipment	**46**	33	32
Total	**46**	33	32

8. CHANGES IN INVESTMENTS IN JOINT VENTURES

INVESTMENTS IN JOINT VENTURES	**30 Sep 2018**	30 Sep 2017	31 Dec 2017
Opening balance	**213**	216	216
Share of profit (loss) of joint ventures	**-11**	-3	1
Share of other comprehensive income of investments accounted for using the equity method	**-7**	10	2
Impairments [1)]	**-86**	0	0
Translation differences	**-9**	-4	-8
Other changes	**0**	2	2
Closing balance	**99**	221	213

[1)] Neste's share in Nynas AB was tested for impairment and as a result an impairment loss of EUR 86 million was recognized. The carrying amount after the impairment is EUR 76 million.

9. INTEREST-BEARING NET DEBT AND LIQUIDITY

Interest-bearing net debt	**30 Sep 2018**	30 Sep 2017	31 Dec 2017
Short-term interest-bearing liabilities	**310**	152	163
Long-term interest-bearing liabilities	**848**	1,017	1,032
Interest-bearing liabilities	**1,158**	1,169	1,195
Current investments	**-20**	0	0
Cash and cash equivalents	**-979**	-496	-783
Liquid funds	**-999**	-496	-783
Interest-bearing net debt	**159**	674	412

Liquidity, unused committed credit facilities and debt programs	**30 Sep 2018**	30 Sep 2017	31 Dec 2017
Liquid funds	**999**	496	783
Unused committed credit facilities	**1,650**	1,650	1,650
Total	**2,649**	2,146	2,433
In addition: Unused commercial paper program (uncommitted)	**400**	400	400

10. 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	**30 Sep 2018** Nominal value	**30 Sep 2018** Net fair value	30 Sep 2017 Nominal value	30 Sep 2017 Net fair value	31 Dec 2017 Nominal value	31 Dec 2017 Net fair value
Interest rate swaps						
Hedge accounting	**74**	**1**	124	1	124	1
Non-hedge accounting	**26**	**0**	26	1	26	1
Currency derivatives						
Hedge accounting	**1,875**	**-28**	1,668	32	1,392	27
Non-hedge accounting	**1,497**	**-2**	1,456	-10	1,634	29

Commodity derivatives	**30 Sep 2018** Volume GWh	**30 Sep 2018** Volume million bbl	**30 Sep 2018** Net fair value	30 Sep 2017 Volume GWh	30 Sep 2017 Volume million bbl	30 Sep 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**	**17**	**-99**	0	26	-53	0	17	-59
Purchase contracts									
Non-hedge accounting	**3,131**	**14**	**-36**	2,565	18	25	2,865	15	18

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

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 September 30, 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			100	100	100			
Derivative financial instruments		4		4	4		4	
Other financial assets		5		5	5			5
Current financial assets								
Trade and other receivables [1]			1,369	1,369	1,369			
Derivative financial instruments	3	27		31	31	3	28	
Current investments			20	20	20			
Cash and cash equivalents			979	979	979			
Financial assets	3	36	2,468	2,508	2,508			
Non-current financial liabilities								
Interest-bearing liabilities			848	848	869	740	129	
Derivative financial instruments		14		14	14		14	
Other non-current liabilities			12	12	12			
Current financial liabilities								
Interest-bearing liabilities			310	310	315	153	162	
Derivative financial instruments	31	154		185	185	15	171	
Trade and other payables			2,056	2,056	2,056			
Financial liabilities	31	168	3,226	3,425	3,451			

[1] excluding non-financial items

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. Derivative financial instruments at level 1 consist of commodity derivatives which are directly valued based on exchange quatations.

During the reporting period 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.

11. 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 2018**	30 Sep 2017	31 Dec 2017
Sales of goods and services	**179**	132	191
Purchases of goods and services	**212**	136	182
Receivables	**160**	76	84
Financial income and expenses	**2**	1	1
Liabilities	**0**	9	4

12. CONTINGENT LIABILITIES

Contingent liabilities	**30 Sep 2018**	30 Sep 2017	31 Dec 2017
On own behalf for commitments			
Real estate mortgages	**26**	17	17
Pledged assets	**116**	116	116
Other contingent liabilities	**33**	34	40
Total	**175**	168	174
On behalf of joint arrangements			
Pledged assets	**45**	45	45
Guarantees	**0**	1	1
Total	**45**	46	46
On behalf of others			
Guarantees	**1**	1	1
Total	**1**	1	1
Total	**221**	214	221

Operating lease liabilities	**30 Sep 2018**	30 Sep 2017	31 Dec 2017
Due within one year	**50**	54	74
Due between one and five years	**89**	63	61
Due later than five years	**68**	72	71
Total	**206**	189	206

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

13. CHANGES IN ACCOUNTING POLICIES

Oil Products segment's inventory valuation policy has been amended during the second quarter. The weighted average method has been applied for determining Oil Products' inventory cost whereas first-in, first-out (FIFO) method was used previously. The change had an immaterial impact on Neste's consolidated financial statements (approximately EUR 1 million).

The impacts of adoption of *IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers* and *Amendments to IFRS 2 Share-based payments* as of 1 January 2018 are explained below.

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.

![NESTE]

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 - current investments
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 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)	=	$\dfrac{\text{Profit for the period attributable to the owners of the parent}}{\text{Adjusted average number of shares during the period}}$
Comparable earnings per share	=	$\dfrac{\text{Comparable net profit}}{\text{Adjusted average number of shares during the period}}$
Equity per share	=	$\dfrac{\text{Shareholder's equity attributable to the owners of the parent}}{\text{Adjusted number of shares at the end of the period}}$
Cash flow per share	=	$\dfrac{\text{Net cash generated from operating activities}}{\text{Adjusted average number of shares during the period}}$
Price / earnings ratio (P/E)	=	$\dfrac{\text{Share price at the end of the period}}{\text{Earnings per share}}$
Dividend payout ratio, %	=	$100 \times \dfrac{\text{Dividend per share}}{\text{Earnings per share}}$
Dividend yield, %	=	$100 \times \dfrac{\text{Dividend per share}}{\text{Share price at the end of the period}}$
Average share price	=	$\dfrac{\text{Amount traded in euros during the period}}{\text{Number of shares traded during the period}}$
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)	=	$\dfrac{\text{Comparable sales margin x average EUR/USD exchange rate for the period x standard refinery yield}}{\text{Refined sales volume x standard barrels per ton}}$
Oil Products additional margin (USD/bbl)	=	Oil Products total refining margin - Oil Products reference margin
Renewable Products reference margin (USD/ton)	=	70% (Europe´s share of sales volume) x (FAME - CPO) [2] + 30% (North America´s share of sales volume) x (SME - CPO + LCFS x 2) [2]
Renewable Products comparable sales margin (USD/ton)	=	$\dfrac{\text{Comparable sales margin}}{\text{Total sales volume}}$
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 RED seasonal
CPO = Crude Palm Oil Bursa Malaysia 3rd month + USD 70/ton freight to ARA (Amsterdam-Rotterdam-Antwerp)
SME = US Gulf Coast Soy Methyl Ester biodiesel mid-price
LCFS = California Low Carbon Fuel Standard Credit price

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