27 April 2016

Neste Corporation
Interim Report
January–March 2016

Neste's Interim Report for January–March 2016

Good start for the year - renewables continued strong performance and refining market followed normal seasonality

First quarter in brief:

- Comparable operating profit totaled EUR 175 million (Q1/2015: EUR 215 million)
- IFRS operating profit totaled EUR 254 (Q1/2015: EUR 233 million)
- Oil Products' total refining margin was USD 10.49/bbl (Q1/2015: USD 11.66/bbl)
- Renewable Products' comparable sales margin was USD 288/ton (Q1/2015: USD 205/ton)
- Cash flow before financing activities was EUR 73 million (Q1/2015: EUR -83 million)
- Return on average capital employed (ROACE) was 16.0% over the last 12 months (2015: 16.3%)
- Leverage ratio was 28.3% at the end of March (31.12.2015: 29.4%)

President & CEO Matti Lievonen:

"The year has started well despite the volatile market environment. Optimization of our global operations and margin management have played a key role as our internal improvement actions. Neste recorded a comparable operating profit of EUR 175 million during the first quarter, compared to EUR 215 million in the corresponding period last year, impacted by a lower Oil Products' reference margin.

Oil Products posted a comparable operating profit of EUR 86 million, compared to EUR 156 million in the first quarter of 2015. Reference margin averaged USD 4.9/bbl during the first quarter, some USD 2.6/bbl lower than a year ago, which had a EUR 56 million negative profit impact year-on-year. Gasoline margins continued as the main driver of the reference margin, while diesel margins were flat. On the average gasoline margins were high for the season, but volatile during the quarter. We have continued to build crude oil and product contango inventories during the first quarter. Overall maintenance costs increased mainly due to the earlier announced production limitations at the Porvoo refinery.

Renewable Products recorded a comparable operating profit of EUR 80 million, compared to EUR 42 million in the first quarter of 2015. Renewable Products' average reference margin remained at the same level as in the corresponding period last year. We were able to increase our additional margin significantly by successful margin management and by capturing a high share of the US Blender's Tax Credit. Sales volumes were higher than in the corresponding period last year, and a larger share of the sales were allocated to North America. The share of waste and residue feedstock was again high, 75% of total renewable inputs, in the first quarter.

In Oil Retail we were able to increase profits by growing volumes in network sales in all markets. The work focusing on our customers continues to bear fruit. The segment generated a comparable operating profit of EUR 22 million (17 million), which was a new record for the first quarter.

Crude oil and renewable feedstock price changes, as well as supply and demand balances, will be reflected in the oil and renewable fuel markets. Low crude oil prices are expected to continue supporting product demand. Neste expects Oil Products' reference margin to be supported by good gasoline margins, while diesel margins are expected to remain flat. Profits from the contango inventories will be recorded in our financials during the second half of the year, and the corresponding working capital release will improve our cash flow. Our Porvoo refinery is expected to run at high utilization rate with no major maintenance shutdowns scheduled. In the second quarter of 2015 we had a major turnaround at the Porvoo refinery, which had a negative EBIT impact of EUR 130 million.

Renewable Products' reference margin is expected to remain at approximately the year 2015 average level, and the additional margin is expected to remain strong. Utilization rates of our renewable diesel production facilities are expected to be high, excluding the scheduled turnaround at the Rotterdam refinery in the second quarter. Due to an unexpected equipment failure identified during the ongoing turnaround, it is now expected to last for nine weeks. The negative EBIT impact of the turnaround is expected to be approx. EUR 35 million. In Oil Retail the sales volumes and unit margins are expected to follow the previous years' seasonality pattern.

The year has started well, our market outlook is generally positive, and we expect good operational performance of our production facilities and businesses. Therefore, we are confident that the year 2016 will be another successful one for Neste."

Neste's Interim Report, 1 January – 31 March 2016

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

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

Key Figures

EUR million (unless otherwise noted)

	1-3/16	1-3/15	10-12/15	2015
Revenue	2,306	2,744	2,759	11,131
EBITDA	341	311	355	1,057
Comparable EBITDA*	262	292	462	1,284
Operating profit	254	233	245	699
Comparable operating profit*	175	215	352	925
Profit before income taxes	229	205	219	634
Net profit	214	181	209	560
Comparable net profit**	146	150	295	726
Earnings per share, EUR	0.83	0.70	0.81	2.18
Comparable earnings per share**, EUR	0.57	0.59	1.15	2.84
Investments	71	101	106	536
Net cash generated from operating activities	117	-185	380	743

	31 March 2016	31 March 2015	31 Dec 2015
Total equity	3,095	2,826	3,104
Interest-bearing net debt	1,223	1,714	1,291
Capital employed	4,912	5,101	4,991
Return on capital employed pre-tax (ROCE)***, %	14.8	6.7	15.1
Return on average capital employed after tax (ROACE)***, %	16.0	12.6	16.3
Equity per share, EUR	12.02	10.98	12.06
Leverage ratio, %	28.3	37.8	29.4

* Comparable operating profit is calculated by excluding inventory gains/losses, unrealized changes in the fair value of oil, vegetable oil, electricity, gas and currency derivative contracts, capital gains/losses, insurance and other compensations and other adjustments from the reported operating profit. Inventory gains/losses include changes in the fair value of all trading inventories.

** Comparable net profit for the period is calculated by excluding inventory gains/losses, unrealized changes in fair value of oil, vegetable oil, electricity, gas and currency derivative contracts, capital gains/losses, insurance and other compensations and other adjustments, net of tax, less non-controlling interests. Comparable earnings per share are based on comparable net profit.

***Last 12 months

The Group's first-quarter 2016 results

Neste's revenue in the first quarter totaled EUR 2,306 million (EUR 2,744 million). The decrease mainly resulted from lower overall sales prices due to the oil price decline. The Group’s comparable operating profit totaled EUR 175 million (EUR 215 million). Results of the Oil Products and Others segment were lower, but Renewable Products and Oil Retail improved their comparable operating profit from the first quarter of 2015. Oil Products' result was negatively impacted by lower reference margin year-on-year. Renewable Products improved as a result of successful margin management. Oil Retail's result was positively impacted by higher sales volumes in all markets. The Others segment's comparable operating profit was lower compared to the first quarter of 2015, mainly due to Nynas' lower result.

Oil Products’ first-quarter comparable operating profit was EUR 86 million (156 million), Renewable Products’ EUR 80 million (42 million), and Oil Retail’s EUR 22 million (17 million). The comparable operating profit of the Others segment totaled EUR -11 million (3 million); Nynas accounted for EUR 0 million (10 million) of this figure.

The Group’s IFRS operating profit was EUR 254 million (233 million), which was impacted by inventory gains totaling EUR 48 million (losses of 76 million), changes in the fair value of open commodity and currency derivatives totaling EUR 23 million (18 million), and capital gains of EUR 8 million (79 million), related to the sale of Neste's existing power plant to Kilpilahti Power Plant Ltd. Profit before income taxes was EUR 229 million (205 million), net profit EUR 214 million (181 million), and earnings per share EUR 0.83 (0.70).

	1-3/16	1-3/15	10-12/15	2015
COMPARABLE OPERATING PROFIT	175	215	352	925
- inventory gains/losses	48	-76	-91	-263
- changes in the fair value of open commodity and currency derivatives	23	18	7	-15
- capital gains/losses	8	79	0	76
- insurance and other compensations	0	0	0	0
- other adjustments	0	-3	-22	-25
OPERATING PROFIT	254	233	245	699

Financial targets

Return on average capital employed after tax (ROACE) and leverage ratio are Neste's key financial targets. ROACE figures are based on comparable results. The company's long-term ROACE target is 15%, and the leverage ratio target is 25-50%. At the end of March, ROACE calculated over the last 12 months was maintained over the target level, and leverage ratio continued on a downward trend.

	31 Mar 2016	31 Mar 2015	31 Dec 2015
Return on average capital employed after tax (ROACE)*, %	16.0	12.6	16.3
Leverage ratio (net debt to capital), %	28.3	37.8	29.4

*Last 12 months

Cash flow, investments, and financing

The Group’s net cash generated from operating activities totaled EUR 117 million (-185 million) in the first quarter of 2016. Working capital increased from the year-end 2015 level due to building of contango storages, but clearly less than in the first quarter of 2015, when preparations for the Porvoo refinery major turnaround were ongoing. Cash flow before financing activities was EUR 73 million (-83 million). The Group's net working capital in days outstanding was 18.1 days (22.9 days) on a rolling 12-month basis at the end of the first quarter.

	1-3/16	1-3/15	10-12/15	2015
EBITDA (IFRS)	341	311	355	1,057
Capital gains/losses	-10	-79	0	-77
Other adjustments	-15	-36	-26	-27
Change in working capital	-136	-367	36	-94
Finance cost, net	-42	-11	-9	-88
Income taxes paid	-21	-2	23	-27
Net cash generated from operating activities	117	-185	380	743
Capital expenditure	-71	-83	-79	-505
Other investing activities	28	184	0	241
Free cash flow (Cash flow before financing activities)	73	-83	300	480

Cash-out investments totaled EUR 71 million (83 million) in the first quarter of 2016. Maintenance investments accounted for EUR 20 million (60 million) and productivity and strategic investments for EUR 51 million (23 million). Oil Products’ investments totaled EUR 45 million (69 million), with the largest single project being the Solvent Deasphalting unit at Porvoo refinery. Renewable Products' investments totaled EUR 17 million (5 million), and Oil Retail's investments totaled EUR 2 million (4 million). Investments in the Others segment totaled EUR 7 million (5 million) and were mainly related to IT and business infrastructure.

Interest-bearing net debt was EUR 1,223 million as of the end of March, compared to EUR 1,291 million at the end of 2015. Net financial expenses for the quarter were EUR 25 million (28 million). The average interest rate of borrowing at the end of March was 3.4% (3.4%) and the average maturity 3.6 (3.6) years. The interest-bearing net debt/comparable EBITDA ratio was 1.0 (1.6) over the previous 12 months at the end of the first quarter.

The Group's financial position is solid. The leverage ratio was 28.3% (31 Dec. 2015: 29.4%), and the gearing ratio 39.5% (31 Dec. 2015: 41.6%).

The Group's cash and cash equivalents and committed, unutilized credit facilities amounted to EUR 2,244 million as of the end of March (31 Dec. 2015: 2,246 million). There are no financial covenants in the Group's current loan agreements.

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

US dollar exchange rate

	1-3/16	1-3/15	10-12/15	2015
USD/EUR, market rate	1.10	1.13	1.09	1.11
USD/EUR, effective rate*	1.10	1.22	1.11	1.15

* The effective rate includes the impact of currency hedges.

Segment reviews

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

Oil Products

Key financials

	1-3/16	1-3/15	10-12/15	2015
Revenue, MEUR	1,359	1,976	1,756	7,467
Comparable EBITDA, MEUR	139	201	160	655
Comparable operating profit, MEUR	86	156	91	439
IFRS operating profit, MEUR	95	226	2	389
Net assets, MEUR	2,484	2,439	2,320	2,320
Comparable return on net assets*, %	14.9	17.4	18.2	18.2

* Last 12 months

Key drivers

	1-3/16	1-3/15	10-12/15	2015
Reference margin, USD/bbl	4.87	7.45	5.71	7.74
Additional margin, USD/bbl	5.61	4.21	5.26	4.05
Total refining margin, USD/bbl	10.49	11.66	10.97	11.79
Urals-Brent price differential, USD/bbl	-2.72	-1.71	-2.68	-1.84
Urals' share of total refinery input, %	64	61	65	62

Oil Products' first-quarter comparable operating profit totaled EUR 86 million, compared to EUR 156 million in the first quarter of 2015. The operating profit was impacted by a weaker market than last year's exceptionally strong market, which was reflected in a USD 2.6/bbl lower reference margin. This decrease in the reference margin had a EUR 56 million negative impact on operating profit. Additional margin was stronger than a year ago at USD 5.6/bbl (USD 4.2), including a positive effect in currency hedging. The higher additional margin had a positive impact totaling EUR 25 million, of which the currency hedging result accounted for an increase of EUR 23 million, on the segment's operating profit compared to the corresponding period last year. A stronger USD/EUR exchange rate had a EUR 5 million positive effect on the result. Sales volumes were 2% lower than in the first quarter of 2015 at 3.1 million tons, reflecting contango inventory build-up and some operational limitations at the refineries.

The average utilization rate at the Porvoo refinery was 88% (98%), which reflected the earlier announced and other unit maintenance during the first quarter. The Naantali refinery recorded an average utilization rate of 62% (66%)

due to continued mechanical limitations in certain process units. The segment's fixed costs were EUR 10 million higher than in the first quarter of 2015, mainly as a result of the higher maintenance activities. Oil Products' comparable return on net assets was 14.9% (17.4%) at the end of March over the previous 12 months.

Crude oil price was volatile during the first quarter. Crude prices saw a multi-year bottom at below USD 30/bbl in the early part of the quarter as global commodity and equity markets were under severe pressure. After investor sentiment started to recover, Brent price increased and the quarter closed at USD 40/bbl level. OPEC talks of potential freezing of production, the falling US oil rig count, and good demand for oil were important drivers supporting crude oil price. However, crude oil supply still seemed to exceed demand and inventory levels were rising during the quarter.

The price differential between Brent and Russian Export Blend (REB) crude averaged at USD -2.7/bbl in the first quarter. The differential reflected continued good supply of both REB and alternative crudes together with Russian refinery maintenance. Also potential pressure of growing oil flows from Iraq, Iran and Saudi Arabia to Europe had a widening impact on the differential.

Reference margin was volatile during the quarter. As a result of continued good demand for gasoline, gasoline margins were again the strongest part of the barrel. Gasoline margins strengthened towards the end of the quarter with the shift to summer grade gasoline, inventory draws and anticipation of strong demand in the driving season. Diesel margins, on the other hand, were relatively weak during the quarter following ample supply and continued high inventory levels. Refining margins were supported by low utility costs and wide REB differential. Neste reference margin averaged USD 4.9/bbl during the first quarter.

Production

	1-3/16	1-3/15	10-12/15	2015
Porvoo refinery production, 1,000 ton	2,899	3,004	2,743	9,835
Porvoo refinery utilization rate, %	88	98	80	75
Naantali refinery production, 1,000 ton	388	499	458	1,956
Naantali refinery utilization rate, %	62	66	45	62
Refinery production costs, USD/bbl	3.9	3.5	3.8	4.0
Bahrain base oil plant production, (Neste's share), 1,000 ton	46	48	36	184

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

	1-3/16	%	1-3/15	%	10-12/15	%	2015	%
Middle distillates*	1,394	45	1,393	44	1,394	43	5,395	45
Light distillates**	1,006	32	1,061	33	1,224	37	3,857	33
Heavy fuel oil	435	14	301	9	349	11	1,122	9
Base oils	119	4	119	4	110	3	433	4
Other products	155	5	302	10	200	6	1,075	9
TOTAL	3,109	100	3,176	100	3,277	100	11,881	100

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

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

	1-3/16	%	1-3/15	%	10-12/15	%	2015	%
Baltic Sea area*	1,871	60	1,993	63	2,021	62	7,876	66
Other Europe	1,077	35	929	29	1,075	33	3,154	27
North America	88	3	177	6	50	1	491	4
Other areas	73	2	78	2	131	4	360	3

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

Renewable Products

Key financials

	1-3/16	1-3/15	10-12/15	2015
Revenue, MEUR	584	496	711	2,372
Comparable EBITDA, MEUR	104	64	256	497
Comparable operating profit, MEUR	80	42	231	402
IFRS operating profit, MEUR	150	-7	218	233
Net assets, MEUR	1,828	1,930	1,884	1,884
Comparable return on net assets*, %	24.1	14.7	21.8	21.8

* Last 12 months

Key drivers

	1-3/16	1-3/15	10-12/15	2015
FAME - Palm oil price differential*, USD/ton	160	140	270	211
SME - Soybean oil price differential**, USD/ton	116	174	62	118
Reference margin***, USD/ton	149	149	209	182
Additional margin****, USD/ton	270	186	424	247
Comparable sales margin****, USD/ton	288	205	503	299
Biomass-based diesel (D4) RIN, USD/gal	0.76	0.81	0.63	0.73
Palm oil price*****, USD/ton	607	624	550	576
Crude palm oil's share of total feedstock, %	23	38	28	31

* FAME seasonal vs. CPO BMD 3rd (Crude Palm Oil Bursa Malaysia Derivatives 3rd month futures price) + 70 $/t freight to ARA (Amsterdam-Rotterdam-Antwerp)
** SME US Gulf Coast vs. SBO CBOT 1st (Soybean Oil Chicago Board of Trade 1st month futures price)
***Based on standard variable production cost of USD 130/ton.
****Includes impact of US BTC (Blender's Tax Credit), except in 1-3/15.
***** CPO BMD 3rd

Renewable Products' comparable operating profit totaled EUR 80 million during the first quarter, compared to EUR 42 million in the first quarter of 2015. The reference margin averaged at the same level as in the first quarter of 2015. We were able to increase our additional margin significantly by successful margin management, sales allocation, and by capturing a high share of the US Blender's Tax Credit. The additional margin had a positive impact totaling EUR 39 million on the result year-on-year. Sales volumes totaled 531,000 tons, a 3% increase on volume compared to the corresponding period last year. Approximately 72% (78%) of sales volumes were allocated to Europe during the first quarter of 2016 and 28% (22%) to North America. Our renewable diesel production achieved an average utilization rate of 94% (97%) during the quarter. Feedstock optimization continued and the proportion of waste and residue inputs was 75% (62%) on average. Renewable Products' comparable return on net assets was 24.1% (14.7%) at the end of March based on the previous 12 months.

While crude oil prices declined in the early 2016, most vegetable oil prices got firmer led mainly by stronger crude palm oil (CPO). The CPO strength continued to be driven by drought concerns caused by the El Nino weather phenomenon and a drop in Malaysian CPO production. Soybean oil (SBO) followed the same upward trend supported by higher US demand, and a significant switch from CPO to SBO primarily in the food sector. In contrast, rapeseed oil (RSO) price weakened from the fourth quarter 2015 level. Global RSO supply is seen comfortable, and RSO demand has been declining in the biodiesel sector.

Despite the winter season and higher cold property requirements, European Fatty Acid Methyl Ester (FAME) biodiesel market showed significant weakness. It was impacted by a weaker RSO and deterioration of FAME margin. The interest for FAME was decreased due to high price premium over diesel, and larger than expected greenhouse gas (GHG) savings achieved under the new mandate scheme in Germany.

In contrast to European FAME, the US Soybean Methyl Ester (SME) price increased clearly from the fourth quarter 2015 level. The recovery of SME price was mainly driven by margin improvement supported by higher biodiesel mandate in 2016, reintroduction of the Blender's Tax Credit (BTC), and by a stronger SBO price.

Production

	1-3/16	1-3/15	10-12/15	2015
Neste Renewable Diesel, 1,000 ton	582	601	580	2,328
Other products, 1,000 ton	48	41	51	165
Utilization rate, %	94	97	94	94

Sales

	1-3/16	1-3/15	10-12/15	2015
Neste Renewable Diesel, 1,000 ton	531	513	625	2,267
Share of sales volumes to Europe, %	72	78	70	69
Share of sales volumes to North America, %	28	22	30	31

Oil Retail

Key financials

	1-3/16	1-3/15	10-12/15	2015
Revenue, MEUR	776	882	898	3,748
Comparable EBITDA, MEUR	27	23	31	115
Comparable operating profit, MEUR	22	17	17	84
IFRS operating profit, MEUR	22	17	13	79
Net assets, MEUR	164	220	184	184
Comparable return on net assets*, %	45.1	29.7	41.2	41.2

* Last 12 months

Oil Retail's first-quarter comparable operating profit was EUR 22 million (17 million) in the first quarter of 2016. Network sales volumes increased in all markets, which had a positive impact of EUR 3 million on the comparable operating profit year-on-year. Average unit margins remained at the same level. The weaker ruble had a negative impact of EUR 1 million on the result compared to first quarter of 2015. Other income improved the result by EUR 3 million year-on-year. Oil Retail's comparable return on net assets was an outstanding 45.1% (29.7%) at the end of March on a rolling 12-month basis.

Oil Retail's markets remain stable. Traffic fuel demand is seasonally lower during the winter period, and the mild winter has impacted heating oil demand. In Finland light duty vehicle traffic continues to increase, and there are some early signs of recovery in the heavy duty traffic as well. Markets in the Baltic countries are healthy and growing. The current sluggish Russian economy may impact demand, and the ruble continues to be volatile.

Sales volumes by main product categories, million liters

	1-3/16	1-3/15	10-12/15	2015
Gasoline station sales	250	241	278	1,115
Diesel station sales	403	372	409	1,589
Heating oil	154	142	161	569

Net sales by market area, MEUR

	1-3/16	1-3/15	10-12/15	2015
Finland	562	644	630	2,642
Northwest Russia	51	53	64	255
Baltic countries	163	185	199	821

Others

Key financials

	1-3/16	1-3/15	10-12/15	2015
Comparable operating profit, MEUR	-11	3	15	2
IFRS operating profit, MEUR	-11	0	15	0

The Others segment consists of the engineering and technology solutions company Neste Jacobs, 60/40-owned by Neste and Jacobs Engineering; Nynas, a joint venture 50/50-owned by Neste and Petróleos de Venezuela; and common corporate costs. The comparable operating profit of the Others segment totaled EUR -11 million (3 million) in the first quarter; Nynas accounted for EUR 0 million (10 million) of this figure.

Annual General Meeting

Neste Corporation's Annual General Meeting (AGM) was held in Helsinki on 30 March 2016. The AGM adopted the company's Financial Statements and Consolidated Financial Statements for 2015, and discharged the Board of Directors and the President & CEO from liability for 2015. The AGM also approved the Board of Directors' proposal regarding the distribution of the company's profit for 2015, authorizing payment of a dividend of EUR 1.00 per share. The dividend was paid on 8 April 2016.

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

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

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

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

Shares, share trading, and ownership

Neste's shares are traded on NASDAQ Helsinki Ltd. The share price closed the quarter at EUR 28.92, up by 6.8% compared to the end of 2015. At its highest during the quarter, the share price reached EUR 30.38, while at its lowest the price stood at EUR 25.42. Market capitalization was EUR 7.4 billion as of 31 March 2016. An average of 1.0 million shares were traded daily, representing 0.4% of the company’s shares.

Neste’s share capital registered with the Company Register as of 31 March 2016 totaled EUR 40 million, and the total number of shares was 256,403,686. As resolved by the AGM held on 1 April 2015, the Board of Directors was authorized to purchase and/or take as security a maximum of 1,000,000 company shares using the company's unrestricted equity. At the end of March 2016, Neste held 686,574 treasury shares purchased under this authorization. The Board of Directors has no authorization to issue convertible bonds, share options, or new shares.

As of 31 March 2016, the Finnish State owned 50.1% (50.1% at the end of 2015) of outstanding shares, foreign institutions 26.5% (25.0%), Finnish institutions 12.8% (13.8%), and Finnish households 10.6% (11.1%).

Personnel

Neste employed an average of 4,885 (4,827) employees in the first quarter, of which 1,580 (1,552) were based outside Finland. As of the end of March, the company had 4,878 employees (4,847), of which 1,575 (1,573) were located outside Finland.

Health, safety, and the environment

Key figures

	1-3/16	1-3/15	2015
TRIF*	4.0	4.7	3.3
PSER**	4.6	3.3	2.4

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

Neste's overall safety performance development was unsatisfactory in the first quarter, and was behind target. Long-term safety development actions focusing on Safety behavior, Operational Discipline, Contractor management and Process risk management were implemented according to corporate-wide Way Forward to Safety program plan.

For the tenth time, Neste has been chosen as one of the world's top 100 most sustainable corporations and included in the Global 100 list. In 2016, Neste ranked 39th on the list. Neste has made the list continuously for longer than any other energy company.

As the first major company, Neste published all of its crude palm oil suppliers, including all the mills and estates used to produce palm oil to Neste.

Operational environmental emissions were in substantial compliance at all sites, and there were not any non-compliance cases. No serious environmental incidents resulting in liability occurred at Neste's refineries or other production.

Read more about the topics on Neste's website.

Main events published during the reporting period

On 22 January, Neste announced that Oslo Airport is the first in the world to offer Neste's renewable aviation fuel. Lufthansa, SAS and KLM had already announced that they will be refueling their planes with aviation fuel containing a renewable component in Oslo. Neste's renewable aviation fuel is refined in Porvoo, and it meets the strict quality requirements for aviation fuels. The fuel is transported to Oslo as a 50% blend with fossil aviation fuel, and its distribution takes place via the airport's existing distribution system. Its use reduces greenhouse gas emissions by 47% when compared to fossil fuel.

On 25 January, Neste announced that the Shareholders' Nomination Board, established by Neste Corporation's Annual General Meeting (AGM) on 4 April 2013, will propose to the AGM to be held on 30 March 2016 that the company's Board of Directors should comprise the following members: Mr. Jorma Eloranta should be re-elected as Chair and Ms. Maija-Liisa Friman as Vice Chair of the Board. In addition, Board members Ms. Laura Raitio, Mr. Jean-Baptiste Renard, Mr. Willem Schoeber, Ms. Kirsi Sormunen and Mr. Marco Wirén should be re-elected for a further term of office.

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

On 29 March, Neste announced that the name of the Neste Oil station network will change to Neste. The process to change the names of stations will begin in April and will be completed in October.

Potential risks

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

Key market risks affecting Neste's financial results for the next 12 months include rapid changes in global oil markets, unexpected changes in the product and feedstock prices of Oil Products and/or Renewable Products, weakening of USD against EUR, and adverse changes in the current biofuel legislation in our main markets, including possible discontinuation of the US Blender's Tax Credit for the year 2017. Any scheduled or unexpected shutdowns at Neste´s refineries would have a negative effect on Neste's financial results.

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

Outlook

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

Low crude oil prices are expected to continue supporting product demand. Crude oil supply is expected to increase as the economic sanctions against Iran are lifted and more medium heavy crude oil will be brought to the European market in 2016. Global oil demand growth estimates for 2016 are typically at 1.2 million bbl/d level, and especially gasoline demand is expected to continue solid growth. In light of the expected refining capacity growth the global product supply and demand look reasonably balanced.

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

In 2016, Neste's effective USD/EUR exchange rate is expected to stay close to the current market rate, the Capital expenditure is estimated to be approximately EUR 400 million, and the Group's effective tax rate is expected to average approx. 20%.

Neste expects Oil Products' reference margin to be supported by good gasoline margins, while diesel margins are expected to remain flat. Profits from the existing contango inventories will be recorded in our financials during the second half of the year, and the corresponding working capital release will improve our cash flow. The Porvoo refinery is expected to run at high utilization rate with no major maintenance shutdowns scheduled. In the second quarter of 2015, Neste had a major turnaround at the Porvoo refinery.

Renewable Products' reference margin is expected to remain at approximately the average level of the year 2015, and the additional margin is expected to remain strong. Utilization rates of our renewable diesel production facilities are expected to be high, excluding the scheduled turnaround at the Rotterdam refinery in the second quarter of 2016. Due to an unexpected equipment failure identified during the ongoing turnaround, it is now expected to last for nine weeks. The negative EBIT impact of the turnaround is expected to be approx. EUR 35 million.

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

The year has started well, our market outlook is generally positive, and we expect good operational performance of our production facilities and businesses. Therefore, we are confident that the year 2016 will be another successful one for Neste.

Reporting date for the company's second-quarter 2016 results

Neste will publish its second-quarter results on 28 July 2016 at approximately 9:00 a.m. EET.

Espoo, 26 April 2016

Neste Corporation
Board of Directors

Further information:

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

News conference and conference call

A press conference in Finnish on first-quarter 2016 results will be held today, 27 April 2016, at 11:30 a.m. EET at the company's headquarters at Keilaranta 21, Espoo. www.neste.com will feature English versions of the presentation materials. A conference call in English for investors and analysts will be held on 27 April 2016 at 3 p.m. Finland / 1 p.m. London / 8 a.m. New York. The call-in numbers are as follows: Finland: +358 (0)9 6937 9590, rest of Europe: +44 (0)20 3479 5300, US: +1 646 254 3363, using access code 9536406. The conference call can be followed at the company's web site. An instant replay of the call will be available until 4 May 2016 at +358 (0)9 2310 1650 for Finland, +44 (0)20 3427 0598 for Europe and +1 347 366 9565 for the US, using access code 9536406.

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

Quarterly figures unaudited, full year 2015 audited.

FINANCIAL STATEMENT SUMMARY AND NOTES TO THE FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF INCOME

MEUR	Note	1-3/2016	1-3/2015	1-12/2015	Last 12 months
Revenue	3	**2,306**	2,744	11,131	10,693
Other income		**19**	87	109	41
Share of profit (loss) of joint ventures		**1**	8	27	20
Materials and services		**-1,805**	-2,366	-9,539	-8,978
Employee benefit costs		**-83**	-81	-351	-353
Depreciation, amortization and impairments	3	**-87**	-78	-358	-367
Other expenses		**-96**	-80	-320	-336
Operating profit		**254**	233	699	720
Financial income and expenses					
Financial income		**1**	1	2	3
Financial expenses		**-17**	-18	-84	-82
Exchange rate and fair value gains and losses		**-8**	-10	16	18
Total financial income and expenses		**-25**	-28	-65	-62
Profit before income taxes		**229**	205	634	658
Income tax expense		**-16**	-24	-74	-66
Profit for the period		**214**	181	560	593
Profit attributable to:					
Owners of the parent		**213**	180	558	591
Non-controlling interests		**1**	2	3	2
		214	181	560	593
Earnings per share from profit attributable to the owners of the parent basic and diluted (in euro per share)		**0.83**	0.70	2.18	2.31

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MEUR	1-3/2016	1-3/2015	1-12/2015	Last 12 months
Profit for the period	**214**	181	560	593
Other comprehensive income net of tax:				
Items that will not be reclassified to profit or loss				
Remeasurements on defined benefit plans	**-6**	-6	30	31
Items that may be reclassified subsequently to profit or loss				
Translation differences	**2**	19	1	-15
Cash flow hedges				
recorded in equity	**24**	-59	-71	12
transferred to income statement	**3**	34	97	66
Net investment hedges	**0**	0	1	1
Share of other comprehensive income of investments accounted for using the equity method	**7**	-5	-9	3
Total	**37**	-10	20	67
Other comprehensive income for the period, net of tax	**31**	-16	50	97
Total comprehensive income for the period	**245**	165	611	690
Total comprehensive income attributable to:				
Owners of the parent	**244**	164	608	688
Non-controlling interests	**1**	2	3	2
	245	165	611	690

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MEUR	Note	31 March 2016	31 March 2015	31 Dec 2015
ASSETS				
Non-current assets				
Intangible assets	5	**72**	61	71
Property, plant and equipment	5	**3,726**	3,698	3,745
Investments in joint ventures		**226**	202	220
Non-current receivables		**56**	50	10
Deferred tax assets		**33**	48	29
Derivative financial instruments	7	**10**	24	11
Available-for-sale financial assets		**5**	5	5
Total non-current assets		**4,128**	4,088	4,090
Current assets				
Inventories		**1,116**	1,416	1,090
Trade and other receivables		**827**	890	870
Derivative financial instruments	7	**164**	195	99
Cash and cash equivalents		**594**	561	596
Total current assets		**2,702**	3,061	2,655
Assets classified as held for sale [1]		**0**	0	47
Total assets		**6,830**	7,150	6,793
EQUITY				
Capital and reserves attributable to the owners of the parent				
Share capital		**40**	40	40
Other equity	2	**3,034**	2,766	3,044
Total		**3,074**	2,806	3,084
Non-controlling interest		**21**	20	20
Total equity		**3,095**	2,826	3,104
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities		**1,126**	1,771	1,449
Deferred tax liabilities		**265**	255	265
Provisions		**40**	19	39
Pension liabilities		**120**	161	113
Derivative financial instruments	7	**7**	5	6
Other non-current liabilities		**10**	2	6
Total non-current liabilities		**1,568**	2,214	1,878
Current liabilities				
Interest-bearing liabilities		**691**	504	438
Current tax liabilities		**26**	10	21
Derivative financial instruments	7	**44**	180	45
Trade and other payables		**1,406**	1,416	1,307
Total current liabilities		**2,167**	2,110	1,811
Total liabilities		**3,735**	4,323	3,689
Total equity and liabilities		**6,830**	7,150	6,793

1) The assets classified as held for sale as of 31 December 2015 relate to the agreement to create a joint venture company owned by Neste, Veolia and Borealis. The transaction was completed in March 2016. More information can be found in Note 8.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MEUR	1-3/2016	1-3/2015	1-12/2015
Cash flow from operating activities			
Profit before income taxes	**229**	205	634
Adjustments, total	**86**	-9	319
Change in working capital	**-136**	-367	-94
Cash generated from operations	**179**	-172	858
Finance cost, net	**-42**	-11	-88
Income taxes paid	**-21**	-2	-27
Net cash generated from operating activities	**117**	-185	743
Cash flows from investing activities			
Capital expenditure	**-71**	-83	-505
Proceeds from sales of shares in subsidiaries	**0**	171	171
Proceeds from sales of fixed assets	**15**	0	26
Proceeds from capital repayments in joint arrangements	**0**	0	0
Change in long-term receivables and other investments	**13**	13	44
Cash flows from investing activities	**-43**	101	-263
Cash flow before financing activities	**73**	-83	480
Cash flows from financing activities			
Net change in loans and other financing activities	**-76**	396	39
Purchase of treasury shares	**0**	0	0
Dividends paid to the owners of the parent	**0**	0	-166
Dividends paid to non-controlling interests	**0**	0	-1
Cash flows from financing activities	**-76**	396	-128
Net increase (+)/decrease (-) in cash and cash equivalents	**-2**	313	352

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

MEUR	Share capital	Reserve fund	Reserve of invested unrestricted equity	Treasury shares	Fair value and other reserves	Actuarial gains and losses	Translation differences	Retained earnings	Owners of the parent	Non-controlling interests	Total equity
Total equity at 1 January 2015	40	19	0	-15	-56	-85	-61	2,800	2,641	18	2,659
Profit for the period								180	180	2	181
Other comprehensive income for the period, net of tax					-29	-6	19		-16		-16
Total comprehensive income for the period	0	0	0	0	-29	-6	19	180	164	2	165
Dividend decision								0	0	0	0
Share-based compensation			1	3				-3	2		2
Transfer from retained earnings		1						-1	0		0
Purchase of treasury shares									0		0
Total equity at 31 March 2015	40	19	1	-12	-85	-91	-42	2,976	2,806	20	2,826

MEUR	Share capital	Reserve fund	Reserve of invested unrestricted equity	Treasury shares	Fair value and other reserves	Actuarial gains and losses	Translation differences	Retained earnings	Owners of the parent	Non-controlling interests	Total equity
Total equity at 1 January 2015	40	19	0	-15	-56	-85	-61	2,800	2,641	18	2,659
Profit for the period								558	558	3	560
Other comprehensive income for the period, net of tax					17	30	2		50		50
Total comprehensive income for the period	0	0	0	0	17	30	2	558	608	3	611
Dividend decision								-166	-166	-1	-167
Share-based compensation			1	3				-4	0		0
Transfer from retained earnings		1						-1	0		0
Purchase of treasury shares									0		0
Total equity at 31 December 2015	40	20	1	-12	-39	-54	-59	3,186	3,084	20	3,104

MEUR	Share capital	Reserve fund	Reserve of invested unrestricted equity	Treasury shares	Fair value and other reserves	Actuarial gains and losses	Translation differences	Retained earnings	Owners of the parent	Non-controlling interests	Total equity
Total equity at 1 January 2016	**40**	**20**	**1**	**-12**	**-39**	**-54**	**-59**	**3,186**	**3,084**	**20**	**3,104**
Profit for the period								**213**	**213**	**1**	**214**
Other comprehensive income for the period, net of tax					**35**	**-6**	**2**		**31**		**31**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**35**	**-6**	**2**	**213**	**244**	**1**	**245**
Dividend decision								**-256**	**-256**	**0**	**-256**
Share-based compensation			**3**	**2**				**-3**	**2**		**2**
Transfer from retained earnings		**1**						**-1**	**0**		**0**
Purchase of treasury shares									**0**		**0**
Total equity at 31 March 2016	**40**	**20**	**4**	**-10**	**-4**	**-60**	**-56**	**3,140**	**3,074**	**21**	**3,095**

KEY FINANCIAL INDICATORS

	31 March 2016	31 March 2015	31 Dec 2015	Last 12 months
Capital employed, MEUR	**4,912**	5,101	4,991	4,912
Interest-bearing net debt, MEUR	**1,223**	1,714	1,291	-
Capital expenditure and investment in shares, MEUR	**71**	101	536	506
Return on average capital employed, after tax, ROACE %, last 12 months	**16.0**	12.6	16.3	16.0
Return on capital employed, pre-tax, ROCE %, last 12 months	**14.8**	6.7	15.1	14.8
Return on equity %, last 12 months	**12.8**	7.5	19.5	12.8
Equity per share, EUR	**12.02**	10.98	12.06	-
Cash flow per share, EUR	**0.46**	-0.72	2.91	4.09
Equity-to-assets ratio, %	**45.7**	39.6	46.1	-
Leverage ratio, %	**28.3**	37.8	29.4	-
Gearing, %	**39.5**	60.6	41.6	-
Average number of shares	**255,636,300**	255,463,177	255,568,717	255,611,405
Outstanding number of shares at the end of the period	**255,717,112**	255,601,989	255,605,219	255,717,112
Average number of personnel	**4,885**	4,827	4,906	-

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by EU. The condensed interim report should be read in conjunction with the consolidated financial statements for the year ended 31 December 2015. The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2015. The IFRS principles require the management to make estimates and assumptions when preparing financial statements. Although these estimates and assumptions are based on the management´s best knowledge of today, the final outcome may differ from the estimated values presented in the financial statements. The figures in the tables are exact figures and consequently the sum of individual figures may deviate from the sum presented.

Any new IFRS and IFRIC changes did not have a material impact on the reported income statement, statement of financial position or notes and the Group has not applied any new standards as of 1 January 2016.

2. TREASURY SHARES

A total of 111,893 treasury shares of Neste Corporation has been on the 7th of March 2016 conveyed without consideration to the key persons participating in the Share Ownership Plan 2013 according to the terms and conditions of the plan. The directed share issue is based on the authorization of the Annual General Meeting on 1st April 2015. A total of 86 people are in the target group of the payment from the plan. The number of treasury shares after the directed share issue is 686,574 shares.

3. SEGMENT INFORMATION

Neste's operations are grouped into four reporting segments: Oil Products, Renewable Products, Oil Retail and Others. Others segment consists of Group administration, shared service functions, Research and Technology, Neste Jacobs and Nynas AB. The performance of the reporting segments are reviewed regularly by the chief operating decision maker, Neste President & CEO, to assess performance and to decide on allocation of resources.

REVENUE MEUR	1-3/2016	1-3/2015	1-12/2015	Last 12 months
Oil Products	**1,359**	1,976	7,467	6,851
Renewable Products	**584**	496	2,372	2,460
Oil Retail	**776**	882	3,748	3,642
Others	**70**	62	267	275
Eliminations	**-482**	-672	-2,724	-2,534
Total	**2,306**	2,744	11,131	10,693

OPERATING PROFIT MEUR	1-3/2016	1-3/2015	1-12/2015	Last 12 months
Oil Products	**95**	226	389	258
Renewable Products	**150**	-7	233	390
Oil Retail	**22**	17	79	84
Others	**-11**	0	0	-11
Eliminations	**-2**	-3	-2	-1
Total	**254**	233	699	720

COMPARABLE OPERATING PROFIT MEUR	1-3/2016	1-3/2015	1-12/2015	Last 12 months
Oil Products	**86**	156	439	369
Renewable Products	**80**	42	402	441
Oil Retail	**22**	17	84	89
Others	**-11**	3	2	-11
Eliminations	**-2**	-3	-2	-1
Total	**175**	215	925	886

DEPRECIATION, AMORTIZATION AND IMPAIRMENTS MEUR	1-3/2016	1-3/2015	1-12/2015	Last 12 months
Oil Products	**53**	45	216	224
Renewable Products	**24**	22	95	96
Oil Retail	**5**	6	31	30
Others	**4**	4	17	17
Eliminations	**0**	0	0	0
Total	**87**	78	358	367

CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES MEUR	1-3/2016	1-3/2015	1-12/2015	Last 12 months
Oil Products	**44**	87	453	410
Renewable Products	**19**	8	28	39
Oil Retail	**3**	4	37	36
Others	**6**	3	17	19
Eliminations	**0**	0	0	0
Total	**71**	101	536	505

TOTAL ASSETS MEUR	31 March 2016	31 March 2015	31 Dec 2015
Oil Products	**3,313**	3,581	3,300
Renewable Products	**2,072**	2,204	2,145
Oil Retail	**438**	488	439
Others	**596**	421	461
Unallocated assets	**758**	718	684
Eliminations	**-347**	-262	-237
Total	**6,830**	7,150	6,793

NET ASSETS MEUR	31 March 2016	31 March 2015	31 Dec 2015
Oil Products	**2,484**	2,439	2,320
Renewable Products	**1,828**	1,930	1,884
Oil Retail	**164**	220	184
Others	**7**	190	269
Eliminations	**-10**	-7	-7
Total	**4,474**	4,771	4,650

TOTAL LIABILITIES	31 March	31 March	31 Dec
MEUR	2016	2015	2015
Oil Products	**830**	1,142	980
Renewable Products	**243**	274	261
Oil Retail	**274**	268	255
Others	**588**	231	193
Unallocated liabilities	**2,137**	2,663	2,230
Eliminations	**-337**	-255	-230
Total	**3,735**	4,323	3,689

RETURN ON NET ASSETS, %	31 March	Restated* 31 March	31 Dec
	2016	2015	2015
Oil Products	**10.4**	4.4	16.2
Renewable Products	**21.3**	9.3	12.6
Oil Retail	**42.7**	29.7	38.9

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

COMPARABLE RETURN ON NET ASSETS, %	31 March	Restated* 31 March	31 Dec
	2016	2015	2015
Oil Products	**14.9**	17.4	18.2
Renewable Products	**24.1**	14.7	21.8
Oil Retail	**45.1**	29.7	41.2

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

QUARTERLY SEGMENT INFORMATION

QUARTERLY REVENUE

MEUR	1-3/2016	10-12/2015	7-9/2015	4-6/2015	1-3/2015
Oil Products	**1,359**	1,756	2,060	1,675	1,976
Renewable Products	**584**	711	582	583	496
Oil Retail	**776**	898	991	976	882
Others	**70**	71	60	74	62
Eliminations	**-482**	-678	-670	-704	-672
Total	**2,306**	2,759	3,023	2,605	2,744

QUARTERLY OPERATING PROFIT

MEUR	1-3/2016	10-12/2015	7-9/2015	4-6/2015	1-3/2015
Oil Products	**95**	2	119	42	226
Renewable Products	**150**	218	12	11	-7
Oil Retail	**22**	13	27	22	17
Others	**-11**	15	-1	-14	0
Eliminations	**-2**	-3	1	3	-3
Total	**254**	245	158	63	233

QUARTERLY COMPARABLE OPERATING PROFIT

MEUR	1-3/2016	10-12/2015	7-9/2015	4-6/2015	1-3/2015
Oil Products	**86**	91	178	14	156
Renewable Products	**80**	231	75	54	42
Oil Retail	**22**	17	27	22	17
Others	**-11**	15	-1	-14	3
Eliminations	**-2**	-3	1	3	-3
Total	**175**	352	281	78	215

QUARTERLY DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

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

QUARTERLY CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES

MEUR	1-3/2016	10-12/2015	7-9/2015	4-6/2015	1-3/2015
Oil Products	**44**	69	64	233	87
Renewable Products	**19**	8	7	5	8
Oil Retail	**3**	23	6	5	4
Others	**6**	6	4	4	3
Eliminations	**0**	0	0	0	0
Total	**71**	106	81	248	101

RECONCILIATION BETWEEN COMPARABLE OPERATING PROFIT AND OPERATING PROFIT

Group

MEUR	1-3/2016	1-3/2015	10-12/2015	1-12/2015
COMPARABLE OPERATING PROFIT	**175**	215	352	925
- inventory gains/losses	**48**	-76	-91	-263
- changes in the fair value of open commodity and currency derivatives	**23**	18	7	-15
- capital gains and losses	**8**	79	0	76
- insurance and other compensations	**0**	0	0	0
- other adjustments	**0**	-3	-22	-25
OPERATING PROFIT (IFRS)	**254**	233	245	699

Oil Products

MEUR	1-3/2016	1-3/2015	10-12/2015	1-12/2015
COMPARABLE OPERATING PROFIT	**86**	156	91	439
- inventory gains/losses	**-6**	-43	-76	-143
- changes in the fair value of open commodity and currency derivatives	**8**	35	5	35
- capital gains and losses	**8**	79	0	76
- insurance and other compensations	**0**	0	0	0
- other adjustments	**0**	0	-17	-17
OPERATING PROFIT (IFRS)	**95**	226	2	389

Renewable Products

MEUR	1-3/2016	1-3/2015	10-12/2015	1-12/2015
COMPARABLE OPERATING PROFIT	**80**	42	231	402
- inventory gains/losses	**54**	-32	-15	-119
- changes in the fair value of open commodity and currency derivatives	**16**	-17	1	-50
- capital gains and losses	**0**	0	0	0
- insurance and other compensations	**0**	0	0	0
- other adjustments	**0**	0	0	0
OPERATING PROFIT (IFRS)	**150**	-7	218	233

Oil Retail

MEUR	1-3/2016	1-3/2015	10-12/2015	1-12/2015
COMPARABLE OPERATING PROFIT	**22**	17	17	84
- inventory gains/losses	**0**	0	0	0
- changes in the fair value of open commodity and currency derivatives	**0**	0	0	0
- capital gains and losses	**0**	0	0	0
- insurance and other compensations	**0**	0	0	0
- other adjustments	**0**	0	-5	-5
OPERATING PROFIT (IFRS)	**22**	17	13	79

Others

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

4. ACQUISITIONS AND DISPOSALS

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

Assets and liabilities Kilpilahden Sähkönsiirto Oy

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

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

CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	**31 March**	31 March	31 Dec
MEUR	**2016**	2015	2015
Opening balance	**3,816**	3,729	3,729
Depreciation, amortization and impairments	**-87**	-78	-358
Capital expenditure	**71**	101	536
Disposals	**-4**	-1	-39
Assets classified as held for sale	**0**	0	-47
Translation differences	**2**	7	-5
Closing balance	**3,798**	3,759	3,816

CAPITAL COMMITMENTS	**31 March**	31 March	31 Dec
MEUR	**2016**	2015	2015
Commitments to purchase property, plant and equipment	**69**	77	84
Total	**69**	77	84

6. INTEREST-BEARING NET DEBT AND LIQUIDITY

Interest-bearing net debt	**31 March**	31 March	31 Dec
MEUR	**2016**	2015	2015
Short-term interest-bearing liabilities	**691**	504	438
Long-term interest-bearing liabilities	**1,126**	1,771	1,449
Interest-bearing liabilities	**1,818**	2,275	1,888
Cash and cash equivalents [1)]	**-594**	-561	-596
Interest-bearing net debt	**1,223**	1,714	1,291

[1)] includes interest-bearing receivables EUR 64 million on 31 March 2016

Liquidity, unused committed credit facilities and debt programs	**31 March**	31 March	31 Dec
MEUR	**2016**	2015	2015
Cash and cash equivalents	**594**	561	596
Unused committed credit facilities	**1,650**	1,650	1,650
Total	**2,244**	2,211	2,246
In addition: Unused CP programmes (not committed)	**400**	400	400

7. DERIVATIVE FINANCIAL INSTRUMENTS

The Group has not made any significant changes in policies regarding risk management during the reporting period. Aspects of the Group´s financial risk management objective and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2015.

Interest rate and currency derivative contracts and share forward contracts MEUR	31 March 2016 Nominal value	31 March 2016 Net fair value	31 March 2015 Nominal value	31 March 2015 Net fair value	31 Dec 2015 Nominal value	31 Dec 2015 Net fair value
Interest rate swaps						
Hedge accounting	**600**	**12**	750	20	600	13
Non-hedge accounting	**0**	**0**	0	0	0	0
Currency derivatives						
Hedge accounting	**1,205**	**21**	1,092	-66	1,088	-17
Non-hedge accounting	**787**	**16**	913	-12	996	0

Commodity derivative contracts	31 March 2016 Volume GWh	31 March 2016 Volume million bbl	31 March 2016 Net fair value MEUR	31 March 2015 Volume GWh	31 March 2015 Volume million bbl	31 March 2015 Net fair value MEUR	31 Dec 2015 Volume GWh	31 Dec 2015 Volume million bbl	31 Dec 2015 Net fair value MEUR
Sales contracts									
Hedge accounting	**0**	**0**	**0**	0	0	0	0	0	0
Non-hedge accounting	**0**	**27**	**49**	0	34	152	0	16	69
Purchase contracts									
Hedge accounting	**0**	**0**	**0**	0	0	0	0	0	0
Non-hedge accounting	**2,076**	**16**	**25**	2,676	19	-60	2,432	8	-6

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

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

Carrying amounts of financial assets and liabilities by measurement categories

Financial assets and liabilities divided by categories were as follows as of March 31, 2016:

Balance sheet item	Financial assets/liabilities at fair value through income statement: Hedge accounting	Financial assets/liabilities at fair value through income statement: Non-hedge accounting	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Carrying amounts by balance sheet item	Fair value
Non-current financial assets							
Non-current receivables			56			56	56
Derivative financial instruments	10	0				10	10
Available-for-sale financial assets				5		5	5
Current financial assets							
Trade and other receivables, excluding prepayments			823			823	823
Derivative financial instruments	31	133				164	164
Cash and cash equivalents			564			564	564
Carrying amount by category	41	133	1,443	5	0	1,622	1,622
Non-current financial liabilities							
Interest-bearing liabilities					1,126	1,126	1,166
Derivative financial instruments	4	3				7	7
Other non-current liabilities					10	10	10
Current financial liabilities							
Interest-bearing liabilities					691	691	702
Derivative financial instruments	4	40				44	44
Trade and other payables, excluding non-financial liabilities					1,406	1,406	1,406
Carrying amount by category	8	43	0	0	3,233	3,285	3,335

Financial instruments that are measured in the balance sheet at fair value are presented according to following fair value measurement hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted price included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the assets or liability that is not based on observable market data (unobservable inputs).

Fair value hierarchy, MEUR

Financial assets	Level 1	Level 2	Level 3	Total
Non-current derivative financial instruments	0	10	0	10
Current derivative financial instruments	46	118	0	164

Financial liabilities	Level 1	Level 2	Level 3	Total
Non-current derivative financial instruments	0	7	0	7
Current derivative financial instruments	12	32	0	44

During the three-month period ended 31 March 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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

8. RELATED PARTY TRANSACTIONS

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

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

As announced in the stock exchange release on 16 March 2016 Neste (40%), Veolia (40%) and Borealis (20%) have created a joint venture company Kilpilahti Power Plant Ltd to build a new heat and power plant in Porvoo. The plant's total investment value is approx. 400 MEUR and it is scheduled for commissioning in 2018. Neste's subsidiary, the engineering company Neste Jacobs Oy will implement connections and other infrastructure in the project to integrate the new power plant to Neste's refinery and Borealis' petrochemical plants. The new power plant's capacity is meant to serve also external customers in addition to Neste and Borealis and thus optimize the returns of all shareholders in form of net profit (Neste 40%). Kilpilahti Power Plant Ltd plans and executes the power plant operations as its own business decisions and it is operated by Veolia. Neste's transactions with Kilpilahti Power Plant Ltd consisting mainly of steam purchases and sales of heavy fuel oil, water and asphaltene, are included in the table below. Neste management has concluded following IFRS 11, that this joint arrangement is a joint venture consolidated by the equity method in Neste since Q1/2016. In March 2016, Neste's existing power plant assets were sold to the joint venture with a capital gain of 8 MEUR, which is reported in Other income (IFRS) and eliminated from Comparable EBIT. Neste has financed Kilpilahti Power Plant Ltd by converting the sales price of Neste's existing power plant to a contribution loan receivable until the new plant commissioning. In addition, Neste has pledged its shares in and the contribution loan receivable from Kilpilahti Power Plant Ltd to secure the joint venture's credit facilities. These pledges have been presented in Note 9 'Contingent liabilities'.

Transactions carried out with joint arrangements and other related parties	**31 March 2016**	31 March 2015	31 Dec 2015
Sales of goods and services	**12**	7	111
Purchases of goods and services	**17**	13	64
Receivables	**57**	4	17
Financial income and expenses	**0**	0	0
Liabilities	**3**	5	1

9. CONTINGENT LIABILITIES

MEUR	**31 March 2016**	31 March 2015	31 Dec 2015
Contingent liabilities			
On own behalf for commitments			
Real estate mortgages	**17**	17	17
Pledged assets	**0**	0	0
Other contingent liabilities	**160**	108	158
Total	**177**	125	175
On behalf of joint arrangements			
Pledged assets	**37**	0	0
Guarantees	**1**	1	1
Total	**38**	1	1
On behalf of others			
Guarantees	**2**	2	2
Other contingent liabilities	**0**	2	2
Total	**2**	3	3
Total	**217**	129	179

MEUR	**31 March 2016**	31 March 2015	31 Dec 2015
Operating lease liabilities			
Due within one year	**65**	56	72
Due between one and five years	**59**	48	61
Due later than five years	**78**	68	75
Total	**201**	171	209

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

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

Calculation of key financial indicators

Calculation of key financial indicators

Operating profit	=		Operating profit includes the revenue from the sale of goods and services, other income such as gain from sale of shares or non-financial assets, share of profit (loss) of joint ventures, less losses from sale of shares or non-financial assets, as well as expenses related to production, marketing and selling activities, administration, depreciation, amortization, and impairment charges. Realized and unrealized gains or losses on oil, vegetable oil, electricity, gas and currency derivative contracts together with realized gains and losses from foreign currency and oil derivative contracts hedging cash flows of commercial sales and purchases that have been recycled in the income statement, are also included in operating profit.
Comparable operating profit [1)]	=		Operating profit -/+ inventory gains/losses -/+ unrealized change in fair value of oil, vegetable oil, electricity, gas and currency derivative contracts -/+ capital gains/losses - insurance and other compensations -/+ other adjustments. Inventory gains/losses include the change in fair value of all trading inventories.
Comparable net profit	=		Profit for the period attributable to the equity holders of the company, adjusted for inventory gains/losses, unrealized gains/losses on oil, vegetable oil, electricity, gas and currency derivative contracts, capital gains/losses, insurance and other compensations and other adjustments, net of tax.
Return on equity, (ROE) %	=	100 x	Profit before taxes - taxes / Total equity average
Return on capital employed, pre-tax (ROCE) %	=	100 x	Profit before taxes + interest and other financial expenses / Capital employed average
Return on average capital employed, after-tax (ROACE) %	=	100 x	Profit for the period (adjusted for inventory gains/losses, unrealized gains/losses on oil, vegetable oil, electricity, gas and currency derivative contracts, capital gains/losses, insurance and other compensation and other adjustments, net of tax) + non-controlling interests + interest expenses and other financial expenses related to interest-bearing liabilities (net of tax) / Capital employed average
Capital employed	=		Total assets - interest-free liabilities - deferred tax liabilities - provisions
Interest-bearing net debt	=		Interest-bearing liabilities - cash and cash equivalents
Leverage ratio, %	=	100 x	Interest-bearing net debt / Interest bearing net debt + total equity
Gearing, %	=	100 x	Interest-bearing net debt / Total equity
Equity-to-assets ratio, %	=	100 x	Total equity / Total assets - advances received
Return on net assets, %	=	100 x	Segment operating profit / Average segment net assets
Comparable return on net assets, %	=	100 x	Segment comparable operating profit / Average segment net assets
Segment net assets	=		Property, plant and equipment, intangible assets, investments in joint ventures including shareholder loans, pension assets, inventories and interest-free receivables and liabilities allocated to the business segment, provisions and pension liabilities.
Research and development expenditure	=		Research and development expenditure comprise of the expenses of the Research & Technology unit serving all business areas of the Group, as well as research and technology expenses incurred in business areas, which are included in the consolidated income statement. Depreciation and amortization are included in the figure. The expenses are presented as gross, before deducting grants received.

Calculation of share-related indicators

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

[1] In the business environment where Neste operates, commodity prices and foreign exchange rates are volatile and can cause significant fluctuations in inventory values and IFRS operating profit. Comparable operating profit eliminates both the inventory gains/losses generated by the volatility in raw material prices and changes in open derivatives, and better reflects the company's underlying operational performance. Also, it reflects Neste's operational cash flow, where the change in IFRS operating profit caused by inventory valuation is mostly compensated by changing working capital.

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