26 April 2019

Neste Corporation
Interim Report
January-March 2019

Neste's Interim Report for January-March 2019

Renewable Products delivered outstanding results

First quarter in brief:

- Comparable operating profit totaled EUR 378 million (EUR 401 million)
- Operating profit totaled EUR 382 million (EUR 421 million)
- Renewable Products' comparable sales margin was USD 692/ton (USD 525/ton)
- Oil Products' total refining margin was USD 9.46/bbl (USD 10.16/bbl)
- Others segment's comparable operating profit EUR -43 million (-9 million)
- Cash flow before financing activities was EUR 8 million (EUR 234 million)
- Return on average capital employed (ROACE) was 19.8% over the last 12 months (2018: 21.1%)
- Leverage ratio was 1.6% at the end of March (31.12.2018: -1.5%)

President and CEO Peter Vanacker:

"Neste had a great start for the year as Renewable Products delivered an outstanding performance. We posted a comparable operating profit of EUR 378 million in the first quarter, compared to EUR 401 million in the corresponding period last year, which included EUR 140 million impact from the US Blender's Tax Credit 2017. Renewable Products delivered the best ever quarterly comparable operating profit as a result of successful margin optimization. Oil Products' comparable operating profit was lower than in the first quarter of 2018, mainly due to a less supportive market. Marketing & Services' financial performance reflected a normal seasonality. Neste reached a ROACE of 19.8% over the last 12 months and a leverage ratio of 1.6%.

Renewable Products posted a comparable operating profit of EUR 337 million (EUR 296 million). The renewable diesel market continued to be favorable, and our margin optimization yielded good results. A higher comparable sales margin had a positive impact of EUR 81 million on the operating profit compared to the corresponding period last year. Our sales volumes were 692,000 tons, more than 25% higher than in the corresponding period last year. During the first quarter 74% of volumes were sold to the European markets and 26% to North America. During the first quarter our renewable diesel production facilities operated at an average 99% utilization rate, based on the updated nominal capacity of 2.9 Mton/a. Feedstock mix optimization towards lower-quality raw materials continued, and the proportion of waste and residue inputs was 80%.

Oil Products posted a comparable operating profit of EUR 73 million (EUR 99 million) in the first quarter. The reference margin, reflecting the general market conditions, was impacted by a weak gasoline market and a narrow Urals-Brent differential. Neste introduced an updated reference margin calculation formula at its Capital Markets Day event, and the new formula has been applied since the beginning of the year. The lower reference margin had a negative impact of EUR 15 million on the comparable operating profit year-on-year. Oil Products' additional margin continued strong at USD 5.0/bbl, which equals USD 6.0/bbl based on the old margin formula. However, the sales volumes were lower than the exceptionally high level in the first quarter of 2018. Also the profitability of the base oils business was lower than in the corresponding period last year.

Marketing & Services posted a comparable operating profit of EUR 13 million in the first quarter, similar to the corresponding period last year (EUR 13 million).

The Others segment's comparable operating profit was EUR 34 million weaker than in the corresponding period of 2018, mainly due to the poor financial performance of Nynas. Nynas has crude oil supply problems caused by the US sanctions.

We launched an updated strategy at our Capital Markets Day in London in late February. Neste targets to become a global leader in renewable and circular solutions. The renewed long-term strategy is designed to move Neste faster and bolder to realize its sustainability aspirations while growing profitably. The new organizational structure to drive the execution of the global growth strategy will become effective on 1 May, and we are making good progress with setting it up. The first commercial agreements to supply renewable jet fuel and renewable polymers have been signed, and we expect sales volumes in these markets to gradually ramp up."

Outlook

Developments in the global economy have been reflected in the renewable fuel, feedstock and oil markets; and volatility in these markets is anticipated to continue. Vegetable oil price differentials are expected to vary, depending on crop outlooks, weather phenomena, and variations in demand for different feedstocks. Global oil product demand growth is expected to continue at a lower rate than in 2018, while global refining capacity additions are expected to grow driven by large projects in Asia and the Middle East. Based on our current estimates and a hedging rate of 80%, Neste's effective EUR/US dollar rate is expected to be within a range 1.15-1.18 in the second quarter of 2019.

Renewable Products' second-quarter sales volumes are expected to be approximately at the same level as in the first quarter of 2019, with no major changes in the sales allocation. Utilization rates of our renewable production facilities are expected to remain high in the second quarter. The raw material prices are anticipated to increase from the first quarter level. We have scheduled a catalyst change maintenance at the Rotterdam renewable products refinery in the fourth quarter.

Oil Products’ reference margin in the second quarter is expected to be higher than in the first quarter, driven by a seasonally improving gasoline market. Utilization rates of our production facilities are anticipated to remain high in the second quarter, except for normal unit maintenances. We have scheduled a four-week decoking maintenance at the Porvoo refinery Production Line 4 in September-October.

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

Neste's Interim Report, 1 January - 31 March 2019

The Interim Report is unaudited.

Figures in parentheses refer to the corresponding period for 2018, unless otherwise stated.

Neste adopted the IFRS 16 Leases standard on 1 January 2019. The impact of the standard application on the financial indicators in 2019 has been described in the Interim Report table section in Note 12. The figures for previous periods have not been restated.

Key Figures

EUR million (unless otherwise noted)

	1-3/19	1-3/18	10-12/18	2018
Revenue	3,769	3,629	3,661	14,918
EBITDA	486	518	401	1,639
Operating profit	382	421	183	1,025
Comparable operating profit*	378	401	349	1,422
Profit before income taxes	348	397	171	951
Net profit	294	347	130	779
Comparable net profit**	289	330	292	1,150
Earnings per share, EUR***	0.38	0.45	0.17	1.01
Comparable earnings per share***, EUR	0.38	0.43	0.38	1.50
Investments	98	86	124	438
Net cash generated from operating activities	100	323	528	1,452

	31 March 2019	31 March 2018	31 Dec 2018
Total equity	4,937	4,670	4,630
Interest-bearing net debt	82	191	-70
Capital employed	6,310	5,866	5,770
Return on average capital employed after tax (ROACE)****, %	19.8	20.5	21.1
Equity per share, EUR***	6.43	6.09	6.03
Leverage ratio, %	1.6	3.9	-1.5

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

*** Earnings per share, Comparable earnings per share and Equity per share have been calculated and restated based on the new total number of shares after the share issue without payment (share split) as resolved by Neste's Annual General Meeting on 2 April, 2019.

**** Last 12 months

The Group's first quarter 2019 results

Neste's revenue in the first quarter totaled EUR 3,769 million (3,629 million). The revenue increase mainly resulted from a stronger US dollar exchange rate. The Group’s comparable operating profit was EUR 378 million (401 million). Renewable Products' comparable operating profit was higher than in the first quarter of 2018, mainly as a result of higher sales volume and sales margin. Oil Products' result was lower than in the first quarter of 2018, mainly due to lower margins and sales volumes. Marketing & Services' higher unit margins were offset by lower sales volumes and higher fixed costs. The Others segment's comparable operating profit was significantly weaker than in the corresponding period of 2018, mainly due to the poor performance of Nynas, caused by the impacts of the US sanctions on the company's business.

Renewable Products’ first quarter comparable operating profit was EUR 337 million (296 million), Oil Products’ EUR 73 million (99 million), and Marketing & Services' EUR 13 million (13 million). The comparable operating profit of the Others segment totaled EUR -43 million (-9 million); Nynas' net profit accounted for EUR -31 million (-4 million) of this figure.

The Group’s operating profit was EUR 382 million (421 million), which was impacted by inventory valuation gains of EUR 71 million (32 million), and changes in the fair value of open commodity and currency derivatives totaling EUR -88 million (-12 million), mainly related to margin hedging. Profit before income taxes was EUR 348 million (397 million), and net profit EUR 294 million (347 million). Comparable earnings per share were EUR 0.38 (0.43), and earnings per share EUR 0.38 (0.45).

	1-3/19	1-3/18	10-12/18	2018
COMPARABLE OPERATING PROFIT	378	401	349	1,422
- inventory valuation gains/losses	71	32	-231	-269
- changes in the fair value of open commodity and currency derivatives	-88	-12	216	117
- capital gains/losses	0	2	0	2
- insurance and other compensations	0	0	0	0
- impairments	10	0	-112	-198
- other adjustments*	10	-2	-38	-48
OPERATING PROFIT	382	421	183	1,025

* Includes provisions for legal proceedings.

Variance analysis (comparison to corresponding period), MEUR

	1-3
Group's comparable operating profit, 2018	401
Sales volumes	77
Sales margin	58
Blender's Tax Credit	-140
Currency exchange	38
Fixed costs	-5
Others	-51
Group's comparable operating profit, 2019	378

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

	1-3
Group's comparable operating profit, 2018	401
Renewable Products	41
Oil Products	-26
Marketing & Services	0
Others including eliminations	-37
Group's comparable operating profit, 2019	378

Financial targets

Return on average capital employed after tax (ROACE) and leverage ratio are Neste's key financial targets. ROACE figures are based on comparable results. The company's long-term ROACE target is 15%, and the leverage ratio target is below 40%. At the end of March, ROACE calculated over the last 12 months was strong at 19.8%, and leverage ratio remained well in the targeted area.

	31 Mar 2019	31 Mar 2018	31 Dec 2018
Return on average capital employed after tax (ROACE)*, %	19.8	20.5	21.1
Leverage ratio (net debt to capital), %	1.6	3.9	-1.5

*Last 12 months

Cash flow, investments and financing

The Group’s net cash generated from operating activities totaled EUR 100 million (323 million) during the first quarter of 2019. The difference mainly resulted from a higher increase in working capital compared to the corresponding period last year. Cash flow before financing activities was EUR 8 million (234 million). The Group's net working capital in days outstanding was 31.1 days (30.2 days) on a rolling 12-month basis at the end of the first quarter.

	1-3/19	1-3/18	10-12/18	2018
EBITDA	486	518	401	1,639
Capital gains/losses	0	-2	-1	-3
Other adjustments	111	42	-194	-96
Change in net working capital	-401	-149	355	99
Finance cost, net	-9	-25	-6	-37
Income taxes paid	-87	-62	-29	-151
Net cash generated from operating activities	100	323	528	1,452
Capital expenditure	-71	-85	-110	-395
Other investing activities	-21	-5	-29	-187
Free cash flow (Cash flow before financing activities)	8	234	389	870

Cash-out investments were EUR 71 million (85 million) in the first quarter of 2019. Maintenance investments accounted for EUR 36 million (59 million) and productivity and strategic investments for EUR 34 million (26 million). Renewable Products' investments were EUR 14 million (15 million), mainly related to the Singapore refinery capacity expansion project. Oil Products’ investments amounted to EUR 40 million (58 million), with the largest projects being the Porvoo turnaround 2020 related investments and revamp of the waste water treatment plant. Marketing & Services' investments totaled EUR 5 million (4 million) and were focused on the retail station network. Investments in the Others segment were EUR 11 million (8 million), concentrating on IT and business infrastructure upgrade.

Interest-bearing net debt was EUR 82 million at the end of March, compared to EUR -70 million at the end of 2018. Net financial expenses for the quarter were EUR 34 million (24 million). The average interest rate of borrowing at the end of March was 2.3% (3.2%) and the average maturity 3.2 (4.3) years. As of 1 January 2019, the average interest rate and maturity no longer include leases as a result of application of IFRS 16. At the end of the first quarter the Net debt to EBITDA ratio was 0.1 (0.1) over the last 12 months.

The leverage ratio was 1.6% (31 Dec 2018: -1.5%), and the gearing ratio 1.7% (31 Dec 2018: -1.5%) at the end of March. 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 2,942 million at the end of March (31 Dec 2018: 2,860 million). There are no financial covenants in the Group companies' current loan agreements.

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

US dollar exchange rate

	1-3/19	1-3/18	10-12/18	2018
EUR/USD, market rate	1.14	1.23	1.14	1.18
EUR/USD, effective rate*	1.18	1.19	1.18	1.19

* The effective rate includes the impact of currency hedges.

Segment reviews

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

Renewable Products

Key financials

	1-3/19	1-3/18	10-12/18	2018
Revenue, MEUR	973	759	884	3,241
EBITDA, MEUR	335	307	433	1,026
Comparable operating profit, MEUR	337	296	281	983
Operating profit, MEUR	299	279	400	899
Net assets, MEUR	2,131	1,906	2,018	2,018
Return on net assets*, %	47.7	35.4	48.0	48.0
Comparable return on net assets*, %	53.1	41.4	52.4	52.4

* Last 12 months

Variance analysis (comparison to corresponding period), MEUR

	1-3
Comparable operating profit, 2018	296
Sales volumes	87
Sales margin	81
Blender's Tax Credit	-140
Currency exchange	20
Fixed costs	0
Others	-8
Comparable operating profit, 2019	337

Key drivers

	1-3/19	1-3/18	10-12/18	2018
Comparable sales margin, excluding BTC, USD/ton	692	525	715	600
Biomass-based diesel (D4) RIN, USD/gal	0.50	0.78	0.40	0.53
California LCFS Credit, USD/ton	194	136	192	168
Palm oil price*, USD/ton	537	635	505	572
Waste and residues' share of total feedstock, %	80	81	77	83

* CPO BMD 3rd, Crude Palm Oil Bursa Malaysia Derivatives 3rd month futures price

Renewable Products' first quarter comparable operating profit totaled EUR 337 million, compared to EUR 296 million in the first quarter of 2018, which also included EUR 140 million positive impact of the US Blender's Tax Credit. The comparable sales margin averaged at USD 692/ton. It was higher than in the first quarter of 2018, and had a positive impact of EUR 81 million on the comparable operating profit. Our sales volumes were 692,000 tons, which was more than 25% higher than in the first quarter of 2018. The higher sales volume had a positive impact of EUR 87 million on the comparable operating profit year-on-year. During the first quarter approx. 74% (76%) of the volumes were sold to the European market and 26% (24%) to North America. The share of 100% renewable diesel delivered to end-users was 22% (29%) in the first quarter, while the actual volumes were almost the same between the quarters. Our renewable diesel production had an average utilization rate of 99% (89%) during the quarter, based on an updated nominal capacity of 2.9 Mton/a. The proportion of waste and residue inputs was 80% (81%) on average. Renewable Products' comparable return on net assets was 53.1% (41.4%) at the end of March based on the previous 12 months.

Vegetable oils prices continued to recover in early 2019 after bottoming out in November. However, in March the price increase started to stall as stronger crude palm oil (CPO) production growth and weaker seasonal demand kept CPO inventories in producing countries at a high level. China's vegetable oil imports grew in order to compensate for the loss of domestic soybean oil (SBO) production. The first quarter average prices for both CPO and SBO were higher than in the previous quarter. On the other hand, rapeseed oil (RSO) prices separated from the vegetable oil complex, and prices declined as more normal water level on the river Rhine improved logistics, and RSO demand for biodiesel production started to reduce seasonally.

Conventional Fatty Acid Methyl Ester (FAME) biodiesel margins in Europe remained good although they declined from the exceptionally high levels in the fourth quarter. Healthy biodiesel demand combined with lower imports from Argentina, Indonesia and Malaysia helped to support margins. In the US, Soybean Methyl Ester (SME) biodiesel producer margins further deteriorated in the first quarter, as product demand weakened due to seasonality, high RIN inventories, and waivers granted to small refineries.

The US Renewable Identification Number (RIN) prices first increased in the first quarter, but then declined back to their recent lows. This was due to a stronger oil price and the biofuel volume mandate for 2019 being potentially weakened by a growing number of waivers. The government shutdown at the beginning of the year seemed to postpone any decisions on the introduction of Blender's Tax Credit (BTC) to a later date, which gave some support to RIN prices. The California Low Carbon Fuel Standard (LCFS) credit price remained stable at around USD 195/ton.

Production

	1-3/19	1-3/18	10-12/18	2018
Neste MY Renewable Diesel, 1,000 ton	713	623	566	2,368
Other products, 1,000 ton	60	46	62	214
Utilization rate*, %	99	89	80	84

* Based on nominal capacity of 2.9 Mton/a in 2019, and 2.7 Mton/a in 2018.

Sales

	1-3/19	1-3/18	10-12/18	2018
Neste MY Renewable Diesel, 1,000 ton	692	550	575	2,261
Share of sales volumes to Europe, %	74	76	73	72
Share of sales volumes to North America, %	26	24	27	28

Oil Products

Key financials

	1-3/19	1-3/18	10-12/18	2018
Revenue, MEUR	2,514	2,453	2,456	10,105
EBITDA, MEUR	165	192	-54	515
Comparable operating profit, MEUR	73	99	60	397
Operating profit, MEUR	114	135	-224	170
Net assets, MEUR	2,581	2,592	2,257	2,257
Return on net assets*, %	5.8	23.5	6.7	6.7
Comparable return on net assets*, %	14.5	18.2	15.7	15.7

* Last 12 months

Variance analysis (comparison to corresponding period), MEUR

	1-3
Comparable operating profit, 2018	99
Sales volumes	-8
Reference margin	-15
Additional margin	-8
Currency exchange	18
Fixed costs	-2
Others	-12
Comparable operating profit, 2019	73

Key drivers

	1-3/19	1-3/18	10-12/18	2018
Reference margin (old formula), USD/bbl	3.48	4.09	4.31	5.01
Reference margin (updated formula), USD/bbl	4.51	5.10	5.64	6.19
Additional margin (old formula), USD/bbl	5.98	6.07	6.17	6.17
Additional margin (updated formula), USD/bbl	4.96	5.06	4.84	5.00
Total refining margin, USD/bbl	9.47	10.16	10.48	11.18
Urals-Brent price differential, USD/bbl	-0.24	-1.62	-0.87	-1.51
Urals' share of total refinery input, %	67	71	55	69

Oil Products' comparable operating profit totaled EUR 73 million (99 million) in the first quarter. The reference margin, which reflects the general market conditions, was impacted by a weak gasoline market and a narrow Urals-Brent differential. Neste introduced an updated reference margin calculation formula at its Capital Markets Day in February, and the new formula has been applied since the beginning of the year. More information about the updated formula can be found on Neste's investor pages (link). The reference margin averaged at USD 4.5/bbl compared to USD 5.1/bbl in the first quarter of 2018. The lower reference margin had a negative impact of EUR 15 million on the comparable operating profit year-on-year. Oil Products' additional margin was strong at USD 5.0/bbl, which equals USD 6.0/bbl based on the old margin formula. The sales volumes were lower than the exceptionally high level in the first quarter of 2018. Also the profitability of the base oils business was lower than in the corresponding period last year. Oil Products' comparable return on net assets was 14.5% (18.2%) at the end of March over the previous 12 months.

During the first quarter the use of Russian crude was 67% (71%) of total input. The average refinery utilization rate was 95% (96%).

Brent crude oil price was on a rising trend during the first quarter, and rose from USD 55/bbl to USD 68/bbl, trading mainly between USD 60/bbl and 70/bbl. The crude oil market was supported by the agreement between OPEC and non-OPEC countries to cut oil production together with the falling production in Iran and Venezuela. Other support to the crude oil price came from the equity markets, which were recovering from the year end fall and helped crude oil do the same.

The Russian Export Blend (REB) crude oil price averaged only USD 0.2/bbl lower than Brent during the first quarter. The global supply of medium heavy crude oil was generally tight due to OPEC's production cuts of heavier grades and reduced exports from Iran and Venezuela. Refinery conversion investments support a tighter fuel oil market, and strong fuel oil margins narrowed the REB-Brent differential.

Neste’s reference margin averaged at a fairly low level in the first quarter, but recovered towards the end of the quarter as the weak refining margin environment pushed some refineries to cut refinery runs. The key margin drivers were the low gasoline margins affected by high inventory levels and winter season demand, together with a narrow REB-Brent differential. On average, diesel was the strongest part of the barrel during the first quarter as diesel margins were supported by relatively low inventory levels. Neste’s reference margin averaged at USD 4.5/bbl.

Production

	1-3/19	1-3/18	10-12/18	2018
Refinery				
- Production, 1,000 ton	3,449	3,646	3,346	13,959
- Utilization rate, %	95	96	76	89
Refinery production costs, USD/bbl	4.6	4.4	6.0	4.9
Bahrain base oil plant production, (Neste's share) 1,000 ton	49	51	39	190

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

	1-3/19	%	1-3/18	%	10-12/18	%	2018	%
Middle distillates*	1,765	49	2,026	53	1,810	50	7,119	49
Light distillates**	1,191	33	1,247	32	1,209	34	4,732	33
Heavy fuel oil	346	9	293	8	298	8	1,177	8
Base oils	111	3	119	3	113	3	483	3
Other products	212	6	168	4	184	5	922	6
TOTAL	3,626	100	3,853	100	3,614	100	14,433	100

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

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

	1-3/19	%	1-3/18	%	10-12/18	%	2018	%
Baltic Sea area*	2,023	56	2,203	57	2,232	62	8,770	61
Other Europe	1,152	32	1,033	27	901	25	3,930	27
North America	223	6	115	3	314	9	1,016	7
Other areas	228	6	501	13	167	5	717	5

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

Marketing & Services

Key financials

	1-3/19	1-3/18	10-12/18	2018
Revenue, MEUR	1,042	996	1,135	4,315
EBITDA, MEUR	21	19	26	101
Comparable operating profit, MEUR	13	13	19	77
Operating profit, MEUR	13	13	19	77
Net assets, MEUR	319	259	249	249
Return on net assets*, %	28.1	27.9	29.1	29.1
Comparable return on net assets*, %	28.1	27.9	29.1	29.1

* Last 12 months

Variance analysis (comparison to corresponding period), MEUR

	1-3
Comparable operating profit, 2018	13
Sales volumes	-2
Unit margins	6
Currency exchange	0
Fixed costs	-4
Others	0
Comparable operating profit, 2019	13

Marketing & Services' comparable operating profit was EUR 13 million (13 million) in the first quarter. Transportation fuel demand followed a normal seasonality pattern in the winter period. Despite the competitive markets, we were able to improve our unit margins compared to the corresponding period last year. The higher unit margins had a positive impact of EUR 6 million on the comparable operating profit. However, that was offset by the lower sales volumes and higher fixed costs compared to the first quarter of 2018. Marketing & Services' comparable return on net assets was 28.1% (27.9%) at the end of March on a rolling 12-month basis.

Sales volumes by main product categories, million liters

	1-3/19	1-3/18	10-12/18	2018
Gasoline station sales	227	245	247	1,049
Diesel station sales	430	432	441	1,764
Heating oil	180	181	185	669

Net sales by market area, MEUR

	1-3/19	1-3/18	10-12/18	2018
Finland	749	732	829	3,149
Northwest Russia	61	65	87	299
Baltic countries	232	199	219	867

Others

Key financials

	1-3/19	1-3/18	10-12/18	2018
Comparable operating profit, MEUR	-43	-9	-12	-36
Operating profit, MEUR	-43	-9	-12	-122

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 -43 million (-9 million) in the first quarter; Nynas' net profit accounted for EUR -31 million (-4 million) of this figure. Nynas has crude oil supply problems due to the US sanctions.

Annual General Meeting

Neste Corporation's Annual General Meeting (AGM) was held in Helsinki after the reporting period on 2 April 2019. The AGM adopted the company's Financial Statements and Consolidated Financial Statements for 2018, and discharged the Board of Directors and the President and CEOs from liability for 2018. The AGM also approved the Board of Directors' proposal regarding the distribution of the company's profit for 2018, authorizing payment of a dividend of EUR 2.28 per share. The dividend shall be paid in two installments.

The first installment of dividend, EUR 1.14 per share, will be paid to shareholders registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the record date for first dividend installment, which shall be Thursday, 4 April 2019. The first dividend installment was paid on Thursday, 11 April 2019.

The second installment of dividend will be paid to shareholders registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the record date for second dividend installment, which shall be Friday, 4 October 2019. The second dividend installment will be paid on Friday, 11 October 2019. As the AGM approved the Board's proposal concerning a share issue without payment, the second installment will be divided between one old and two new shares so that EUR 0.38 dividend will be paid on each share.

The Board of Directors is authorized to set a new dividend record date and payment date for the second installment of the dividend, in case the rules and regulations on the Finnish book-entry system would be changed, or otherwise so require.

The AGM also approved the Board's proposal to the AGM to enhance the liquidity of the Company's shares. In the share issue without payment, new shares will be issued to the shareholders in proportion to their holdings so that 2 new shares are issued for each share (split). In addition, in the share issue without payment, new shares will similarly be issued without payment to the Company on the basis of treasury shares held by the Company.

Based on the number of shares as at the date of this notice, a total of 512,807,372 new shares will be issued. The shares shall be issued to the shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record day of the share issue of 4 April 2019. The share issue without payment shall be executed in the book-entry system and will not require any actions by the shareholders. The new shares will generate shareholder rights as of 4 April 2019 when they have been registered in the trade register. The registration of the new shares in the shareholders' book-entry accounts is planned to occur on 5 April 2019. The new shares will not entitle their holders to the first installment of the dividend as defined above, but they will entitle to the second installment of the dividend.

In accordance with the proposal made by the Shareholders' Nomination Board, the AGM confirmed the membership of the Board of Directors at eight members, and the following were re-elected to serve until the end of the next AGM: Mr. Matti Kähkönen, Ms. Elizabeth (Elly) Burghout, Ms. Martina Flöel, Mr. Jean-Baptiste Renard, Mr. Jari Rosendal, Mr. Willem Schoeber, and Mr. Marco Wirén. Ms. Sonat Burman-Olsson was elected as a new member. Mr. Matti Kähkönen was re-elected as Chair and Mr. Marco Wirén was elected as new Vice Chair. Board member introductions can be found at the company's web site. The AGM decided to keep the remuneration to the Board unchanged.

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

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

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

Under the authorization, the Board shall be authorized to take one or more decisions on the conveyance of treasury shares held by the Company, provided that the number of shares thereby conveyed totals a maximum of 3,000,000 shares, equivalent to approximately 0.39% of all the Company's shares after the new shares to be issued in share issue without payment have been registered.

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

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

The Board shall decide on other terms and conditions of share issue. The authorization shall remain in force until 30 June 2022. The authorization shall revoke the authorization granted by the AGM on 5 April 2018 to the Board to decide on the conveyance of treasury shares.

Shares, share trading, and ownership

Neste's shares are mainly traded on NASDAQ Helsinki Ltd. The share price closed the quarter at EUR 95.00, up by 41.0% compared to the end of 2018. At its highest during the quarter, the share price reached EUR 97.16, while the lowest price was EUR 67.04. Market capitalization was EUR 24.4 billion as of 31 March 2019. An average of 0.4 million shares were traded daily, representing 0.2% of the company's shares.

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 2019, Neste held 517,629 treasury shares purchased under this authorization. The total number of shares was 256,403,686 at the end of March before the share issue without payment.

After the share issue without payment decided upon in Neste's AGM on 2 April 2019, Neste's share capital registered with the Company Register totaled EUR 40 million, and the total number of shares was 769,211,058. As resolved by the AGM held on 2 April 2019, 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 3,000,000 shares.

The Board of Directors has no authorization to issue convertible bonds, share options, or new shares.

As of 31 March 2019, the Finnish State owned directly 36.0% (36.4% at the end of 2018) of outstanding shares, foreign institutions 38.6% (37.6%), Finnish institutions 17.8% (18.3%), and Finnish households 7.6% (7.7%).

Personnel

Neste employed an average of 5,457 (5,319) employees in the first quarter, of which 1,815 (1,745) were based outside Finland. At the end of March, the company had 5,506 employees (5,325), of which 1,819 (1,742) were located outside Finland.

Environmental, Social and Governance (ESG)

Key figures

	1-3/19	1-3/18	2018
TRIF*	2.7	1.5	1.7
PSER**	2.7	2.8	2.1
GHG reduction, Mton***	2.3	2.0	7.9

* 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, was worse during the first quarter compared to the previous year. Despite of high focus on winter preparation and maintenance, almost half of the incidents were caused by slipping and falling on icy surface. New activities were defined to prevent these incidents in the future. Also actions to improve work planning and risk management were defined.

PSER, the main indicator for process safety, stayed at the same level as in the first quarter of 2018, and did not meet our target. None of the process safety incidents caused damage to people or property. High focus on process safety continues in all of our operations. New actions to improve operational performance were launched due to the recent incidents.

Our long-term safety development activities continue as planned covering the focus areas of behavior, leadership, operational discipline, process safety and contractor safety.

Neste produces renewable products that enable our customers to reduce their greenhouse gas (GHG) emissions. During the first quarter this GHG reduction was 2.3 million tons, which was higher than the 2.0 million tons in the corresponding period last year. In its Capital Markets Day on 27 February Neste introduced a new long-term target: Neste aims to reduce its customers' greenhouse gas emissions every year by at least 20 million tons CO2 equivalent by 2030.

Emissions from operations at Neste's refineries were in substantial compliance at all sites during the first 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 first quarter

On 18 January, 2019, Neste announced that the Shareholders' Nomination Board proposes to the AGM to be held on 2 April 2019 that the company's Board of Directors shall comprise the following members: The Shareholders' Nomination Board proposes that Mr. Matti Kähkönen shall be re-elected as the Chair of the Board of Directors. In addition, the current Board members Ms. Elly (Elizabeth) Burghout, Ms. Martina Flöel, Mr. Jean-Baptiste Renard, Mr. Jari Rosendal, Mr. Willem Schoeber, and Mr. Marco Wirén are proposed to be re-elected for a further term of office. The Nomination Board further proposes that Mr. Wirén shall be elected as the Vice Chair of the Board. The Shareholders' Nomination Board further proposes that the Board shall have eight members and that Ms. Sonat Burman-Olsson shall be elected as a new member.

On 22 January, Neste announced that it had been placed 3rd on the Corporate Knights 2019 Global 100 Most Sustainable Corporations list. This is Neste's second time in the top 3. It also marks the company's 13th consecutive inclusion on the Global 100 list. Neste has been included on the list continuously for longer than any other energy company in the world.

On 6 February, Neste announced that the Parliament of Finland had voted in favor of a law for gradually increasing the share of biofuels in road traffic to 30% by 2029. In addition, the Parliament had approved a law for the distribution obligation of bio-based light fuel oil. Neste shares the Finnish Government's view that we need a large amount of sustainably produced biofuels in order to reduce climate emissions fast and sufficiently enough in the next decade. We need multiple solutions for reducing emissions: energy efficiency, better traffic planning, more public transportation as well as new technologies such as electric and gas-powered vehicles.

On 19 February, Neste announced that it had decided to renew its organizational structure to drive the successful execution of its global growth strategy in renewable products. Neste's growing Renewable Products business area will be divided into three business units and one operational platform: Renewable Road Transportation, Renewable Aviation, Renewable Polymers & Chemicals, and the Renewables Platform. Various changes had been made to the responsibilities of the members of Neste's Executive Committee, and two new members had been appointed. Carl Nyberg had been appointed Executive Vice President, Renewable Road Transportation. Matti Lehmus had been appointed Executive Vice President of the Renewables Platform, covering the management and development of the renewables' production and supply chain. He is currently Executive Vice President of Neste's Oil Products business area and a member of the Executive Committee. Marko Pekkola had been appointed Executive Vice President, Oil Products business unit. All these changes will come into effect as of 1 May, 2019. Kaisa Hietala, the previous Executive Vice President of Neste's Renewable Products business area, had announced that she will continue her career outside Neste. The Board of Directors and Executive Committee expressed their warmest thanks to Kaisa Hietala, who had been an important and valuable member of Neste's change journey from an oil refining company to a global leader in renewable products.

On 27 February, Neste announced that it was holding a Capital Markets Day 2019 in London. The event was featuring presentations by President and CEO Peter Vanacker and CFO Jyrki Mäki-Kala on the company strategy, market outlook and the next steps for creating sustainable high-margin growth and cash generation. According to its renewed long-term strategy, Neste targets to become a global leader in renewable and circular solutions. The strategy is designed to move Neste faster and bolder to realize its sustainability aspirations while growing profitably. Among other things, Neste aims to reduce its customers' greenhouse gas emissions every year by at least 20 million tons CO_2 equivalent by 2030, lower its carbon footprint in production ahead of EU's climate and energy targets, broaden the company's end markets to aviation and polymers, become a solution provider for chemical recycling, expand the company's unique global waste and residue feedstock platform, continue leadership in renewable products production capacity with at least 40% market share, and outperform peers in value creation. Neste's new organizational structure announced on 19 February has been developed to support the execution of the renewed strategy and will go live on 1 May, 2019. The company's financial targets and dividend policy remain unchanged.

On 4 March, Neste announced that Sweden had announced a proposal for decarbonizing aviation as part of its ambitious target of being fossil-free by 2045. The proposal suggests that Sweden would introduce a greenhouse gas reduction mandate for aviation fuel sold in Sweden. The reduction level would be 0.8% in 2021, and gradually increase to 27% in 2030. The reduction levels are estimated to be equivalent of 1% sustainable aviation fuel in 2021, 5% in 2025 and 30% in 2030. This makes Sweden an undisputed leader in decarbonizing aviation. Norway has announced its 0.5% biofuel blending mandate for 2020. There will be enough capacity on the market to supply the anticipated volumes of renewable jet fuel to Sweden and Norway. Neste has produced first commercial scale volumes of Neste MY Renewable Jet Fuel made out of waste and residues, and there will be scaled-up volumes in the following years.

Events after the reporting period

On 4 April, Neste announced that a total of 512,807,372 new shares issued in the share issue without payment (so called split) decided upon in Neste Corporation’s Annual General Meeting on 2 April 2019 had been entered in the trade register. In the share issue without payment, new shares were issued to the shareholders without payment in proportion to their holdings so that 2 new shares were issued for each share. The total number of Neste Corporation’s shares after the share issue without payment is 769,211,058 shares.

On 15 April, Neste announced that it had entered into an agreement with Air BP, the international aviation fuel products and services supplier, to deliver sustainable aviation fuel to airline and airport customers in Sweden in 2019.

Potential risks

There have been no significant changes in Neste´s short-term risks or uncertainties since the end of 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. Outcome of legal proceedings may have an impact 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.

Reporting date for the company's Half Year 2019 results

Neste will publish its Half Year Financial Report on 25 July 2019 at approximately 9:00 a.m. EET.

Espoo, 25 April 2019

Neste Corporation
Board of Directors

Further information:

Peter Vanacker, 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 April 2019, 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 4245 0806, rest of Europe: +44 (0) 2071 928000, US: +1 631 5107495, using access code 5263426. The conference

call can be followed at the company's website. An instant replay of the call will be available until 3 May 2019 at +44 (0) 333 300 9785 for Europe and +1 917 677 7532 for the US, using access code 5263426.

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

NESTE GROUP
JANUARY - MARCH 2019
The interim report is unaudited

FINANCIAL STATEMENT SUMMARY AND NOTES TO THE FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF INCOME

EUR million	Note	1-3/2019	1-3/2018	1-12/2018	Last 12 months
Revenue	3, 4	**3,769**	3,629	14,918	15,058
Other income		**5**	6	17	16
Share of profit (loss) of joint ventures		**-30**	-4	-9	-36
Materials and services [1)]		**-3,054**	-2,915	-12,459	-12,598
Employee benefit costs		**-96**	-98	-400	-398
Depreciation, amortization and impairments [1)]	4	**-104**	-98	-614	-620
Other expenses [1)]		**-108**	-100	-429	-436
Operating profit	4	**382**	421	1,025	987
Financial income and expenses					
Financial income		**3**	1	7	9
Financial expenses [1)]		**-13**	-12	-48	-49
Exchange rate and fair value gains and losses		**-24**	-13	-34	-45
Total financial income and expenses		**-34**	-24	-75	-85
Profit before income taxes		**348**	397	951	902
Income tax expense		**-53**	-50	-172	-176
Profit for the period		**294**	347	779	726
Profit attributable to:					
Owners of the parent		**293**	347	778	724
Non-controlling interests		**1**	0	0	2
		294	347	779	726

[1)] Including the effects of applying IFRS 16. See Note 12 for further information.

Earnings per share from profit attributable to the owners of the parent (in euro per share)	1-3/2019	1-3/2018	1-12/2018	Last 12 months
Basic earnings per share	**0.38**	0.45	1.01	0.94
Diluted earnings per share	**0.38**	0.45	1.01	0.94

All share-related figures and comparison numbers have been calculated and restated based on the new total number of shares after the share issue without payment (share split) as resolved by Neste's Annual General Meeting on 2 April, 2019.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	1-3/2019	1-3/2018	1-12/2018	Last 12 months
Profit for the period	**294**	347	779	726
Other comprehensive income net of tax:				
Items that will not be reclassified to profit or loss				
Remeasurements on defined benefit plans	**-13**	0	4	-8
Items that may be reclassified subsequently to profit or loss				
Translation differences	**3**	-12	-16	-1
Cash flow hedges				
recorded in equity	**-15**	18	-53	-85
transferred to income statement	**19**	-19	7	45
Share of other comprehensive income of investments accounted for using the equity method	**20**	-5	-4	21
Total	**27**	-19	-65	-20
Other comprehensive income for the period, net of tax	**14**	-18	-61	-28
Total comprehensive income for the period	**309**	328	718	698
Total comprehensive income attributable to:				
Owners of the parent	**308**	328	717	696
Non-controlling interests	**1**	0	0	2
	309	328	718	698

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	Note	31 Mar 2019	31 Mar 2018	31 Dec 2018
ASSETS				
Non-current assets				
Intangible assets	6	**128**	101	124
Property, plant and equipment [1)]	6	**3,915**	3,840	3,737
Investments in joint ventures	7	**93**	195	106
Non-current receivables		**88**	50	87
Deferred tax assets		**43**	36	34
Derivative financial instruments	9	**9**	4	3
Other financial assets	9	**5**	5	5
Total non-current assets		**4,279**	4,231	4,095
Current assets				
Inventories		**1,612**	1,524	1,482
Trade and other receivables		**1,299**	1,228	1,231
Derivative financial instruments	9	**83**	54	206
Current investments		**146**	0	74
Cash and cash equivalents		**1,145**	1,004	1,136
Total current assets		**4,285**	3,810	4,129
Total assets	4	**8,564**	8,041	8,224
EQUITY				
Capital and reserves attributable to the owners of the parent				
Share capital		**40**	40	40
Other equity		**4,893**	4,630	4,588
Total		**4,933**	4,670	4,628
Non-controlling interests		**3**	0	2
Total equity		**4,937**	4,670	4,630
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities [1)]		**1,034**	1,029	849
Deferred tax liabilities		**253**	267	260
Provisions		**98**	54	100
Pension liabilities		**140**	130	124
Derivative financial instruments	9	**2**	0	0
Other non-current liabilities		**13**	13	14
Total non-current liabilities		**1,539**	1,493	1,347
Current liabilities				
Interest-bearing liabilities [1)]		**339**	167	291
Current tax liabilities		**34**	29	59
Derivative financial instruments	9	**127**	85	149
Trade and other payables		**1,589**	1,597	1,749
Total current liabilities		**2,088**	1,878	2,247
Total liabilities	4	**3,628**	3,371	3,594
Total equity and liabilities		**8,564**	8,041	8,224

[1)] Including the effects of applying IFRS 16. See Note 12 for further information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	1-3/2019	1-3/2018	1-12/2018
Cash flows from operating activities				
Profit before income taxes		**348**	397	951
Adjustments, total		**249**	162	590
Change in net working capital		**-401**	-149	99
Cash generated from operations		**196**	410	1,640
Finance cost, net		**-9**	-25	-37
Income taxes paid		**-87**	-62	-151
Net cash generated from operating activities [1)]		**100**	323	1,452
Cash flows from investing activities				
Capital expenditure		**-70**	-85	-380
Acquisitions of subsidiaries, net of cash acquired	6	**-1**	0	-15
Proceeds from sales of property, plant and equipment		**0**	0	2
Proceeds from sales of shares in joint arrangements		**0**	2	2
Changes in long-term receivables and other investments		**-21**	-7	-191
Cash flows from investing activities		**-92**	-90	-583
Cash flow before financing activities		**8**	234	870
Cash flows from financing activities				
Net change in loans and other financing activities		**0**	-12	-82
Dividends paid to the owners of the parent		**0**	0	-435
Cash flows from financing activities [1)]		**0**	-12	-517
Net increase (+) / decrease (-) in cash and cash equivalents		**8**	221	353
Cash and cash equivalents at the beginning of the period		**1,136**	783	783
Exchange gains (+) / losses (-) on cash and cash equivalents		**1**	-1	1
Cash and cash equivalents at the end of the period		**1,145**	1,004	1,136

[1)] Including the effects of applying IFRS 16. See Note 12 for further information.

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

EUR million	Share capital	Reserve fund	Reserve of invested unrestricted equity	Treasury shares	Fair value and other reserves	Actuarial gains and losses	Translation differences	Retained earnings	Owners of the parent	Non-controlling interests	Total equity
Total equity at 1 Jan 2018	40	20	7	-9	-6	-73	-68	4,428	4,338	0	4,338
Change in accounting policy, IFRS 2								6	6		6
Change in accounting policy, IFRS 9					1			-2	-1		-1
Change in accounting policy, IFRS 15								0	0		0
Restated total equity at 1 Jan 2018	40	20	7	-9	-5	-73	-68	4,432	4,343	0	4,343
Profit for the period								778	778	0	779
Other comprehensive income for the period, net of tax					-49	4	-16		-61		-61
Total comprehensive income for the period	0	0	0	0	-49	4	-16	778	717	0	718
Transactions with the owners in their capacity as owners											
Dividend decision								-435	-435	0	-435
Transactions with non-controlling interests									0	2	2
Share-based compensation			3	1				-1	2		2
Transfer from retained earnings		0					0	0	0		0
Total equity at 31 Dec 2018	40	19	10	-9	-55	-69	-84	4,774	4,628	2	4,630

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 2019	**40**	**19**	**10**	**-9**	**-55**	**-69**	**-84**	**4,774**	**4,628**	**2**	**4,630**
Profit for the period								**293**	**293**	**1**	**294**
Other comprehensive income for the period, net of tax					**24**	**-13**	**3**		**14**	**0**	**14**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**24**	**-13**	**3**	**293**	**308**	**1**	**309**
Transactions with the owners in their capacity as owners											
Dividend decision								**0**	**0**	**0**	**0**
Share-based compensation			**5**	**1**				**-8**	**-2**		**-2**
Transfer from retained earnings		**0**					**0**		**0**		**0**
Total equity at 31 Mar 2019	**40**	**19**	**15**	**-8**	**-31**	**-82**	**-81**	**5,059**	**4,933**	**3**	**4,937**

KEY FIGURES

	31 Mar 2019	31 Mar 2018	31 Dec 2018	Last 12 months
EBITDA, EUR million	**486**	518	1,639	1,606
Capital employed, EUR million	**6,310**	5,866	5,770	-
Interest-bearing net debt, EUR million	**82**	191	-70	-
Capital expenditure and investment in shares, EUR million	**98**	86	438	449
Return on average capital employed, after tax, (ROACE) %	**19.8**	20.5	21.1	-
Return on equity, (ROE) %	**15.8**	25.2	17.3	-
Equity per share, EUR [1]	**6.43**	6.09	6.03	-
Cash flow per share, EUR [1]	**0.13**	0.42	1.89	1.60
Earnings per share (EPS), EUR [1]	**0.38**	0.45	1.01	0.94
Comparable earnings per share, EUR [1]	**0.38**	0.43	1.50	1.44
Comparable net profit	**289**	330	1,150	1,109
Equity-to-assets ratio, %	**57.8**	58.2	56.5	-
Leverage ratio, %	**1.6**	3.9	-1.5	-
Gearing, %	**1.7**	4.1	-1.5	-
Adjusted weighted average number of shares outstanding [1]	**767,521,824**	767,393,023	767,466,142	767,497,901
Adjusted number of shares outstanding at the end of the period [1]	**767,658,171**	767,490,072	767,490,072	-
Average number of personnel	**5,457**	5,319	5,468	-

[1] All share-related figures and comparison numbers have been calculated and restated based on the new total number of shares after the share issue without payment (share split) as resolved by Neste's Annual General Meeting on 2 April, 2019. The official number of shares outstanding at the end of period 31 March 2019 (before split) was 255 886 057 and the total number of shares including treasury shares was 256 403 686.

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 2018. The accounting policies where they are different to those applied in prior periods are presented below and in Note 12 *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 2018. 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. All share-related figures and comparison numbers have been calculated and restated based on the new total number of shares after the share issue without payment (share split) as resolved by Neste's Annual General Meeting on 2 April, 2019.

The following new IFRS standards and amendments have been adopted by the Group as of 1 January 2019:
- IFRS 16 Leases

The new standard had not a material impact on Neste's consolidated financial statements. See Note 12 *Changes in accounting policies* for more detailed explanation of the impacts.

2. TREASURY SHARES

On 15 March 2019 a total of 168,099 treasury shares of Neste Corporation has been conveyed without consideration to the key persons participating in the Share Ownership Plan 2016 according to the terms and conditions of the plan. The directed share issue is based on the authorization of the Annual General Meeting on 5 April 2018. The number of treasury shares after the directed share issue is 1,552,887 shares. Numbers have been presented based on the new total number of shares after the share issue without payment (share split) as resolved by Neste's Annual General Meeting on 2 April, 2019.

3. REVENUE

REVENUE BY CATEGORY

External revenue	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
	1-3/2019					1-3/2018				
Fuels [1]	**819**	**1,620**	**1,002**	**0**	**3,441**	720	1,708	955	0	3,383
Light distillates	**21**	**695**	**224**	**0**	**940**	24	752	242	0	1,019
Middle distillates	**798**	**809**	**776**	**0**	**2,383**	695	869	712	0	2,276
Heavy fuel oil	**0**	**116**	**1**	**0**	**117**	0	87	1	0	88
Other products	**7**	**182**	**28**	**0**	**217**	0	184	27	0	211
Other services	**0**	**98**	**2**	**11**	**112**	0	6	3	26	35
Total	**825**	**1,900**	**1,032**	**11**	**3,769**	720	1,897	986	26	3,629

External revenue	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
	1-12/2018					Last 12 months				
Fuels [1]	2,942	6,691	4,147	0	13,779	3,041	6,604	4,193	0	13,838
Light distillates	130	2,930	1,110	0	4,170	126	2,873	1,093	0	4,091
Middle distillates	2,812	3,227	3,032	0	9,071	2,914	3,168	3,096	0	9,178
Heavy fuel oil	0	534	5	0	539	0	563	5	0	568
Other products	2	790	119	0	911	8	788	120	0	916
Other services	0	121	12	95	228	0	213	12	80	304
Total	2,943	7,601	4,279	95	14,918	3,049	7,604	4,325	80	15,058

[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	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
	1-3/2019					1-3/2018				
Goods transferred at point in time	**825**	**1,802**	**1,030**	**0**	**3,657**	720	1,892	983	0	3,594
Services transferred at point in time	**0**	**98**	**2**	**0**	**100**	0	6	3	0	9
Services transferred over time	**0**	**0**	**0**	**11**	**11**	0	0	0	26	26
Total	**825**	**1,900**	**1,032**	**11**	**3,769**	720	1,897	986	26	3,629

External revenue	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
	1-12/2018					Last 12 months				
Goods transferred at point in time	2,943	7,481	4,266	0	14,691	3,049	7,391	4,314	0	14,754
Services transferred at point in time	0	121	12	2	134	0	213	12	2	226
Services transferred over time	0	0	0	93	93	0	0	0	78	78
Total	2,943	7,601	4,279	95	14,918	3,049	7,604	4,325	80	15,058

REVENUE BY OPERATING SEGMENT

1-3/2019	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
External revenue	**825**	**1,900**	**1,032**	**11**	**0**	**3,769**
Internal revenue	**148**	**614**	**9**	**49**	**-821**	**0**
Total revenue	**973**	**2,514**	**1,042**	**60**	**-821**	**3,769**

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

1-12/2018	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
External revenue	2,943	7,601	4,279	95	0	14,918
Internal revenue	298	2,504	36	169	-3,007	0
Total revenue	3,241	10,105	4,315	264	-3,007	14,918

Last 12 months	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
External revenue	3,049	7,604	4,325	80	0	15,058
Internal revenue	406	2,562	35	179	-3,183	0
Total revenue	3,455	10,166	4,360	259	-3,183	15,058

REVENUE BY OPERATING DESTINATION

	1-3/2019					1-3/2018				
External revenue	**Renewable Products**	**Oil Products**	**Marketing & Services**	**Others**	**Total**	Renewable Products	Oil Products	Marketing & Services	Others	Total
Finland	**0**	**439**	**729**	**6**	**1,174**	8	414	713	19	1,154
Other Nordic countries	**420**	**321**	**8**	**1**	**750**	461	213	8	3	684
Baltic Rim	**2**	**23**	**295**	**0**	**319**	0	29	264	0	294
Other European countries	**156**	**928**	**1**	**2**	**1,087**	35	861	0	2	898
North and South America	**242**	**93**	**0**	**0**	**334**	212	113	0	0	325
Other countries	**6**	**96**	**0**	**2**	**104**	5	267	0	2	273
Total	**825**	**1,900**	**1,032**	**11**	**3,769**	720	1,897	986	26	3,629

	1-12/2018					Last 12 months				
External revenue	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
Finland	1	1,983	3,069	70	5,124	-6	2,008	3,085	57	5,143
Other Nordic countries	1,642	999	34	10	2,685	1,601	1,107	35	8	2,751
Baltic Rim	0	95	1,173	0	1,268	2	88	1,204	0	1,294
Other European countries	364	3,351	2	9	3,726	485	3,418	2	9	3,915
North and South America	914	698	0	0	1,612	944	678	0	0	1,622
Other countries	22	476	0	6	503	23	305	0	6	334
Total	2,943	7,601	4,279	95	14,918	3,049	7,604	4,325	80	15,058

4. SEGMENT INFORMATION

Neste's operations are grouped into four reporting segments: Renewable Products, Oil Products, Marketing & Services and Others. The Others segment consists of Neste Engineering Solutions; Nynas, a joint venture owned by Neste (49.99% share) and Petróleos de Venezuela; and common corporate costs. The performance of the reporting segments are reviewed regularly by the chief operating decision maker, Neste President & CEO, to assess performance and to decide on allocation of resources.

REVENUE	**1-3/2019**	1-3/2018	1-12/2018	Last 12 months
Renewable Products	**973**	759	3,241	3,455
Oil Products	**2,514**	2,453	10,105	10,166
Marketing & Services	**1,042**	996	4,315	4,360
Others	**60**	65	264	259
Eliminations	**-821**	-645	-3,007	-3,183
Total	**3,769**	3,629	14,918	15,058

OPERATING PROFIT	**1-3/2019**	1-3/2018	1-12/2018	Last 12 months
Renewable Products	**299**	279	899	919
Oil Products	**114**	135	170	149
Marketing & Services	**13**	13	77	76
Others	**-43**	-9	-122	-157
Eliminations	**-1**	2	2	0
Total	**382**	421	1,025	987

COMPARABLE OPERATING PROFIT	**1-3/2019**	1-3/2018	1-12/2018	Last 12 months
Renewable Products	**337**	296	983	1,023
Oil Products	**73**	99	397	371
Marketing & Services	**13**	13	77	76
Others	**-43**	-9	-36	-70
Eliminations	**-1**	2	2	-1
Total	**378**	401	1,422	1,399

DEPRECIATION, AMORTIZATION AND IMPAIRMENTS	**1-3/2019**	1-3/2018	1-12/2018	Last 12 months
Renewable Products	**36**	28	128	135
Oil Products	**51**	57	345	340
Marketing & Services	**8**	6	25	27
Others	**8**	7	116	118
Eliminations	**0**	0	0	0
Total	**104**	98	614	620

CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES	**1-3/2019**	1-3/2018	1-12/2018	Last 12 months
Renewable Products	**29**	28	159	160
Oil Products	**55**	46	196	204
Marketing & Services	**2**	4	28	27
Others	**12**	9	55	59
Eliminations	**0**	0	0	0
Total	**98**	86	438	449

TOTAL ASSETS	**31 Mar 2019**	31 Mar 2018	31 Dec 2018
Renewable Products	**2,541**	2,321	2,475
Oil Products	**3,827**	3,798	3,750
Marketing & Services	**682**	585	551
Others	**399**	491	401
Unallocated assets	**1,473**	1,140	1,430
Eliminations	**-358**	-294	-384
Total	**8,564**	8,041	8,224

NET ASSETS	31 Mar 2019	31 Mar 2018	31 Dec 2018
Renewable Products	**2,131**	1,906	2,018
Oil Products	**2,581**	2,592	2,257
Marketing & Services	**319**	259	249
Others	**151**	291	186
Eliminations	**0**	-8	-4
Total	**5,182**	5,041	4,706

TOTAL LIABILITIES	31 Mar 2019	31 Mar 2018	31 Dec 2018
Renewable Products	**616**	415	457
Oil Products	**1,288**	1,206	1,492
Marketing & Services	**437**	327	302
Others	**253**	200	215
Unallocated liabilities	**1,391**	1,510	1,507
Eliminations	**-358**	-286	-380
Total	**3,628**	3,371	3,594

RETURN ON NET ASSETS, %	31 Mar 2019	31 Mar 2018	31 Dec 2018
Renewable Products	**47.7**	35.4	48.0
Oil Products	**5.8**	23.5	6.7
Marketing & Services	**28.1**	27.9	29.1

COMPARABLE RETURN ON NET ASSETS, %	31 Mar 2019	31 Mar 2018	31 Dec 2018
Renewable Products	**53.1**	41.4	52.4
Oil Products	**14.5**	18.2	15.7
Marketing & Services	**28.1**	27.9	29.1

QUARTERLY SEGMENT INFORMATION

QUARTERLY REVENUE	**1-3/2019**	10-12/2018	7-9/2018	4-6/2018	1-3/2018
Renewable Products	**973**	884	805	793	759
Oil Products	**2,514**	2,456	2,661	2,534	2,453
Marketing & Services	**1,042**	1,135	1,123	1,061	996
Others	**60**	64	65	71	65
Eliminations	**-821**	-878	-771	-713	-645
Total	**3,769**	3,661	3,884	3,745	3,629

QUARTERLY OPERATING PROFIT	**1-3/2019**	10-12/2018	7-9/2018	4-6/2018	1-3/2018
Renewable Products	**299**	400	163	56	279
Oil Products	**114**	-224	151	108	135
Marketing & Services	**13**	19	24	20	13
Others	**-43**	-12	-90	-11	-9
Eliminations	**-1**	1	1	-1	2
Total	**382**	183	250	172	421

QUARTERLY COMPARABLE OPERATING PROFIT	**1-3/2019**	10-12/2018	7-9/2018	4-6/2018	1-3/2018
Renewable Products	**337**	281	228	177	296
Oil Products	**73**	60	146	92	99
Marketing & Services	**13**	19	24	20	13
Others	**-43**	-12	-4	-11	-9
Eliminations	**-1**	1	0	-1	2
Total	**378**	349	395	277	401

QUARTERLY DEPRECIATION, AMORTIZATION AND IMPAIRMENTS	**1-3/2019**	10-12/2018	7-9/2018	4-6/2018	1-3/2018
Renewable Products	**36**	33	34	32	28
Oil Products	**51**	171	60	58	57
Marketing & Services	**8**	7	6	6	6
Others	**8**	8	94	7	7
Eliminations	**0**	0	0	0	0
Total	**104**	218	195	103	98

QUARTERLY CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES	**1-3/2019**	10-12/2018	7-9/2018	4-6/2018	1-3/2018
Renewable Products	**29**	45	48	37	28
Oil Products	**55**	53	40	57	46
Marketing & Services	**2**	10	7	8	4
Others	**12**	16	18	12	9
Eliminations	**0**	0	0	0	0
Total	**98**	124	113	114	86

QUARTERLY NET ASSETS	**1-3/2019**	10-12/2018	7-9/2018	4-6/2018	1-3/2018
Renewable Products	**2,131**	2,018	1,834	1,748	1,906
Oil Products	**2,581**	2,257	2,665	2,678	2,592
Marketing & Services	**319**	249	275	254	259
Others	**151**	186	-4	65	291
Eliminations	**0**	-4	-7	-8	-8
Total	**5,182**	4,706	4,762	4,737	5,041

5. RECONCILIATION OF KEY FIGURES TO IFRS FINANCIAL STATEMENTS

RECONCILIATION BETWEEN COMPARABLE OPERATING PROFIT AND OPERATING PROFIT

Group	**1-3/2019**	1-3/2018	10-12/2018	1-12/2018
COMPARABLE OPERATING PROFIT	**378**	401	349	1,422
inventory valuation gains/losses	**71**	32	-231	-269
changes in the fair value of open commodity and currency derivatives	**-88**	-12	216	117
capital gains and losses	**0**	2	0	2
insurance and other compensations	**0**	0	0	0
impairments	**10**	0	-112	-198
other adjustments	**10**	-2	-38	-48
OPERATING PROFIT	**382**	421	183	1,025

Renewable Products	**1-3/2019**	1-3/2018	10-12/2018	1-12/2018
COMPARABLE OPERATING PROFIT	**337**	296	281	983
inventory valuation gains/losses	**8**	-10	-60	-162
changes in the fair value of open commodity and currency derivatives	**-59**	-7	179	82
capital gains and losses	**0**	0	0	0
insurance and other compensations	**0**	0	0	0
impairments	**0**	0	0	0
other adjustments	**13**	0	0	-4
OPERATING PROFIT	**299**	279	400	899

Oil Products	**1-3/2019**	1-3/2018	10-12/2018	1-12/2018
COMPARABLE OPERATING PROFIT	**73**	99	60	397
inventory valuation gains/losses	**63**	41	-171	-108
changes in the fair value of open commodity and currency derivatives	**-29**	-5	36	35
capital gains and losses	**0**	2	0	2
insurance and other compensations	**0**	0	0	0
impairments	**10**	0	-112	-112
other adjustments	**-3**	-2	-38	-44
OPERATING PROFIT	**114**	135	-224	170

Marketing & Services	**1-3/2019**	1-3/2018	10-12/2018	1-12/2018
COMPARABLE OPERATING PROFIT	**13**	13	19	77
inventory valuation 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
impairments	**0**	0	0	0
other adjustments	**0**	0	0	0
OPERATING PROFIT	**13**	13	19	77

Others	**1-3/2019**	1-3/2018	10-12/2018	1-12/2018
COMPARABLE OPERATING PROFIT	**-43**	-9	-12	-36
inventory valuation 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
impairments	**0**	0	0	-86
other adjustments	**0**	0	0	0
OPERATING PROFIT	**-43**	-9	-12	-122

RECONCILIATION BETWEEN COMPARABLE OPERATING PROFIT AND COMPARABLE NET PROFIT

	1-3/2019	1-3/2018	1-12/2018
COMPARABLE OPERATING PROFIT	**378**	401	1,422
total financial income and expenses	**-34**	-24	-75
income tax expense	**-53**	-50	-172
non-controlling interests	**-1**	0	0
tax on items affecting comparability	**-1**	3	-25
COMPARABLE NET PROFIT	**289**	330	1,150

RECONCILIATION OF RETURN ON AVERAGE CAPITAL EMPLOYED, AFTER TAX (ROACE), %	**31 Mar 2019**	31 Mar 2018	31 Dec 2018
COMPARABLE OPERATING PROFIT, LAST 12 MONTHS	**1,399**	1,298	1,422
financial income	**9**	4	7
exchange rate and fair value gains and losses	**-45**	10	-34
income tax expense	**-176**	-195	-172
tax on other items affecting ROACE	**-36**	-9	-32
Comparable net profit, net of tax	**1,152**	1,108	1,191
Capital employed average	**5,813**	5,394	5,657
RETURN ON AVERAGE CAPITAL EMPLOYED, AFTER TAX (ROACE), %	**19.8**	20.5	21.1

RECONCILIATION OF EQUITY-TO-ASSETS RATIO, %	**31 Mar 2019**	31 Mar 2018	31 Dec 2018
Total equity	**4,937**	4,670	4,630
Total assets	**8,564**	8,041	8,224
Advances received	**-28**	-20	-28
EQUITY-TO-ASSETS RATIO, %	**57.8**	58.2	56.5

RECONCILIATION OF NET WORKING CAPITAL IN DAYS OUTSTANDING	**31 Mar 2019**	31 Mar 2018	31 Dec 2018
Operative receivables	**1,264**	1,215	1,140
Inventories	**1,612**	1,524	1,482
Operative liabilities	**-1,593**	-1,600	-1,750
Net working capital	**1,283**	1,138	873
Revenue, last 12 months	**15,058**	13,775	14,918
NET WORKING CAPITAL IN DAYS OUTSTANDING	**31.1**	30.2	21.4

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

CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	31 Mar 2019	31 Mar 2018	31 Dec 2018
Opening balance	**3,861**	3,955	3,955
Change in accounting policy, IFRS 16 [1)]	**215**	0	0
Restated opening balance	**4,076**	3,955	3,955
Capital expenditure [1)]	**97**	86	422
Acquisitions	**1**	0	15
Depreciation, amortization and impairments [1)]	**-116**	-98	-498
Disposals	**-19**	-1	-27
Translation differences	**4**	-1	-7
Closing balance	**4,042**	3,941	3,861

[1)] Including the effects of applying IFRS 16. See Note 12 for further information.

CAPITAL COMMITMENTS	31 Mar 2019	31 Mar 2018	31 Dec 2018
Commitments to purchase property, plant and equipment	**431**	47	138
Total	**431**	47	138

7. CHANGES IN INVESTMENTS IN JOINT VENTURES

INVESTMENTS IN JOINT VENTURES	31 Mar 2019	31 Mar 2018	31 Dec 2018
Opening balance	**106**	213	213
Share of profit (loss) of joint ventures	**-30**	-4	-9
Share of other comprehensive income of investments accounted for using the equity method	**20**	-5	-4
Impairments	**0**	0	-86
Translation differences	**-2**	-9	-8
Other changes	**0**	0	0
Closing balance	**93**	195	106

8. INTEREST-BEARING NET DEBT AND LIQUIDITY

Interest-bearing net debt	31 Mar 2019	31 Mar 2018	31 Dec 2018
Non-current interest-bearing liabilities [1)]	**1,034**	1,029	849
Current interest-bearing liabilities [1)]	**339**	167	291
Interest-bearing liabilities	**1,373**	1,195	1,140
Current investments	**-146**	0	-74
Cash and cash equivalents	**-1,145**	-1,004	-1,136
Liquid funds	**-1,292**	-1,004	-1,210
Interest-bearing net debt	**82**	191	-70

[1)] Including the effects of applying IFRS 16. See Note 12 for further information.

Liquidity, unused committed credit facilities and debt programs	31 Mar 2019	31 Mar 2018	31 Mar 2018
Liquid funds	**1,292**	1,004	1,210
Unused committed credit facilities	**1,650**	1,650	1,650
Total	**2,942**	2,654	2,860
In addition: Unused commercial paper program (uncommitted)	**400**	400	400

9. 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 2018.

	31 Mar 2019		31 Mar 2018		31 Dec 2018	
Interest rate and currency derivatives	**Nominal value**	**Net fair value**	Nominal value	Net fair value	Nominal value	Net fair value
Interest rate swaps						
Hedge accounting	**74**	**1**	124	1	74	1
Non-hedge accounting	**26**	**0**	26	1	26	0
Currency derivatives						
Hedge accounting	**2,414**	**-27**	1,365	25	2,277	-29
Non-hedge accounting	**983**	**-8**	1,253	0	1,269	2

	31 Mar 2019			31 Mar 2018			31 Dec 2018		
Commodity derivatives	**Volume GWh**	**Volume million bbl**	**Net fair value**	Volume GWh	Volume million bbl	Net fair value	Volume GWh	Volume million bbl	Net fair value
Sales contracts									
Non-hedge accounting	**0**	**25**	**45**	0	23	-61	0	18	182
Purchase contracts									
Non-hedge accounting	**3,094**	**20**	**-48**	2,907	19	6	3,081	18	-96

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 March 31, 2019

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			88	88	88			
Derivative financial instruments	7	1		9	9		9	
Other financial assets		5		5	5			5
Current financial assets								
Trade and other receivables [1)]			1,296	1,296	1,296			
Derivative financial instruments	7	76		83	83	12	71	
Current investments			146	146	146			
Cash and cash equivalents			1,145	1,145	1,145			
Financial assets	14	82	2,675	2,771	2,771			
Non-current financial liabilities								
Interest-bearing liabilities			1,034	1,034	1,061	746	315	
Derivative financial instruments		2		2	2		2	
Other non-current liabilities			13	13	13			
Current financial liabilities								
Interest-bearing liabilities			339	339	341	150	191	
Derivative financial instruments	40	87		127	127	5	121	
Trade and other payables			1,589	1,589	1,589			
Financial liabilities	40	88	2,975	3,104	3,133			

[1)] excluding non-financial items

Financial instruments that are measured at fair value in the balance sheet and the interest-bearing liabilities 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. Derivative financial instruments at level 1 consist of commodity derivatives which are directly valued based on exchange quatations. The fair value of other financial instruments are not materially different from their carrying amount. Other financial assets in Fair value trough profit and loss -category include unlisted shares of EUR 5 million for which the fair value cannot be reliably determined.

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. During the financial period there were no financial assets classified in Fair value through other comprehensive income -category.

10. RELATED PARTY TRANSACTIONS

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

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

Transactions carried out with joint arrangements and other related parties	31 Mar 2019	31 Mar 2018	31 Dec 2018
Sales of goods and services	**55**	77	263
Purchases of goods and services	**48**	54	283
Receivables	**177**	105	167
Financial income and expenses	**1**	0	3
Liabilities	**15**	23	6

11. CONTINGENT LIABILITIES

Contingent liabilities	31 Mar 2019	31 Mar 2018	31 Dec 2018
On own behalf for commitments			
Real estate mortgages	**26**	17	26
Pledged assets	**116**	116	116
Other contingent liabilities	**29**	34	34
Total	**172**	168	177
On behalf of joint arrangements			
Pledged assets	**43**	45	45
Guarantees	**0**	0	0
Total	**43**	45	45
On behalf of others			
Guarantees	**1**	1	1
Total	**1**	1	1
Total	**216**	214	223

12. CHANGES IN ACCOUNTING POLICIES

IFRS 16 Leases

The Group started to apply IFRS 16 from 1 January 2019 with the modified retrospective approach and does not restate previous periods.

IFRS 16 Leases, issued in January 2016, sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. IFRS 16 has been endorsed by EU in November 2017 and is effective for annual periods beginning on or after 1 January 2019.

IFRS 16 supersedes IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases. The group has decided to use the exemption not to apply the new guidance to leases with a term less than twelve months or to leases for which the underlying asset value is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The Group reviewed its leasing, service and utility purchase contracts to calculate the effects of IFRS 16. Its balance sheet impact is considered insignificant proportional to the Group's total assets. Contracts consist mainly of leases related to land areas, tanks, containers and facilities. Singapore expansion project will increase the amount in 2019 and the coming years.

The effect of application of IFRS 16 is presented in the tables below. The effect of finance leases recognized in 31 December 2018 balance sheet are excluded from IFRS 16 effects, to illustrate the effect of application of the standard.

THE EFFECT OF APPLICATION OF IFRS 16 TO 1 JAN 2019 OPENING BALANCES

	31 Dec 2018	IFRS 16 adj.	1 Jan 2019
ASSETS			
Property, plant and equipment	3,737	215	3,952
Total assets	**8,224**	**215**	**8,439**
LIABILITIES			
Non-current interest-bearing liabilities	849	175	1,024
Current interest-bearing liabilities	291	41	332
Total liabilities	**3,594**	**215**	**3,809**
Total equity and liabilities	**8,224**	**215**	**8,439**

THE EFFECT OF APPLICATION OF IFRS 16 IN CONSOLIDATED STATEMENT OF INCOME

	1-3/2019
Materials and services	6
Other expenses	5
Depreciation, amortization and impairments	-9
Operating profit	**1**
Financial expenses	-4
Profit for the period	**-3**

THE EFFECT OF APPLICATION OF IFRS 16 IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 Mar 2019
ASSETS	
Property, plant and equipment	222
Total assets	**222**
EQUITY	
Net profit for the period	-3
Total equity	**-3**
LIABILITIES	
Non-current interest-bearing liabilities	184
Current interest-bearing liabilities	41
Total liabilities	**225**

THE EFFECT OF APPLICATION OF IFRS 16 IN CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	1-3/2019
Net cash generated from operating activities	8
Cash flows from financing activities	-8
Net increase (+) / decrease (-) in cash and cash equivalents	**0**

Calculation of key figures

Calculation of key figures

EBITDA	=		Operating profit + depreciation, amortization and impairments
Comparable operating profit [1)]	=		Operating profit -/+ inventory valuation gains/losses -/+ changes in the fair value of open commodity and currency derivatives -/+ capital gains/losses - insurance and other compensations + impairments -/+ other adjustments
Items affecting comparability	=		Inventory valuation gains/losses, changes in the fair value of open commodity and currency derivatives, capital gains/losses, insurance and other compensations, impairments 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
Net working capital in days outstanding	=	365 x	Net working capital / Revenue, last 12 months
Net Debt to EBITDA	=		Interest-bearing net debt / EBITDA, last 12 months
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

NESTE

Calculation of share-related indicators

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

Calculation of key drivers

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

[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 valuation 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 net 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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