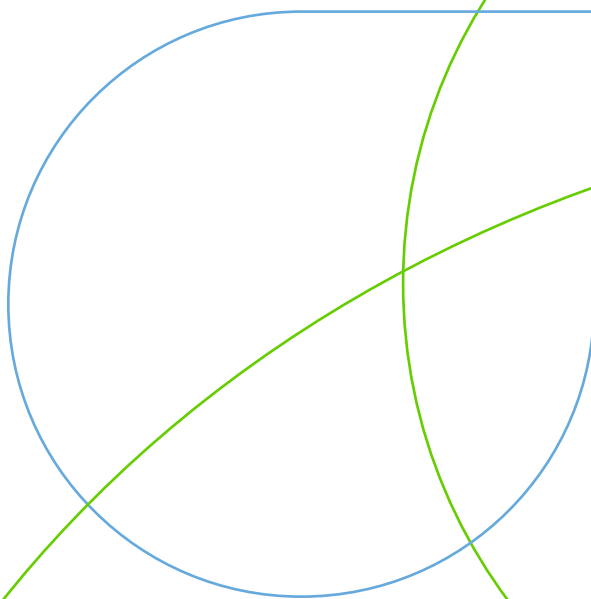


Neste Corporation
Half-Year Financial Report
January–June 2020



Neste's Half-Year Financial Report for January–June 2020

Another strong quarter in Renewable Products while Oil Products was hit by an unprecedentedly weak refining market

Second quarter in brief:

- Comparable operating profit totaled EUR 255 million (EUR 367 million)
- Operating profit totaled EUR 208 million (EUR 359 million)
- Renewable Products' comparable sales margin, including BTC, was USD 625/ton (USD 674/ton)
- Oil Products' total refining margin was USD 4.76/bbl (USD 9.42/bbl)
- Cash flow before financing activities was EUR -246 million (EUR 132 million)

January-June in brief:

- Comparable operating profit totaled EUR 663 million (EUR 746 million)
- Operating profit totaled EUR 405 million (EUR 741 million)
- Cash flow before financing activities was EUR -366 million (EUR 140 million)
- Cash-out investments were EUR 555 million (EUR 189 million)
- Return on average capital employed (ROACE) was 24.5% over the last 12 months (2019: 26.6%)
- Leverage ratio was 8.8% at the end of June (31.12.2019: -3.3%)
- Comparable earnings per share: EUR 0.76 (EUR 0.77)
- Earnings per share: EUR 0.47 (EUR 0.77)

President and CEO Peter Vanacker:

“Despite the market turbulence due to the COVID-19 pandemic, Neste's performance was solid during the second quarter. Renewable Products business proved to be very resilient and reached a new quarterly sales volume record. Oil Products' suffered from an unprecedentedly weak refining market caused by the global COVID-19 related demand destruction, and the segment was loss-making. Marketing & Services performed well in the circumstances also considering the earlier divestment of our Russian business. We posted a comparable operating profit of EUR 255 million, compared to EUR 367 million in the corresponding period last year. Neste reached a ROACE of 24.5% over the last 12 months, and had a leverage ratio of 8.8% at the end of June.

Renewable Products exceeded last year's second quarter result by posting a comparable operating profit of EUR 314 million (EUR 286 million). The renewable diesel demand remained good, and our sales volumes reached a record 773,000 tons. This new quarterly record was also supported by very good operational performance at the refineries. Our nameplate production capacity for Renewable Products has been increased to 3.2 million tons per annum. The catalyst change at the Singapore refinery had to be slightly rescheduled due to the COVID-19 related lockdown measures by the local government, but it was successfully completed in the first half of July. As expected, the feedstock markets remained very tight. That combined with the low oil product prices created some pressure on the comparable sales margin, which averaged at USD 625/ton, a still very healthy level. The share of waste and residues was 78% of the total renewable raw material inputs.

Oil Products posted a comparable operating profit of EUR -60 million (EUR 83 million) in the second quarter. The COVID-19 pandemic caused significant demand destruction globally. The reference margin, which reflects the general market conditions, was impacted by an exceptionally weak product market and unfavorable Urals-Brent differential. The reference margin averaged at USD -0.3/bbl compared to USD 6.0/bbl in the second quarter of 2019, which had a negative impact of EUR 165 million on the comparable operating profit year-on-year. Due to the COVID-19 restrictions in Finland, we were forced to postpone the scheduled Porvoo refinery major turnaround to 2021, and only critical unit maintenance was performed during the second quarter. The unit maintenance had a negative impact of approximately EUR 20 million on the comparable operating profit. Several measures have been and will be taken to improve the segment's profitability in the short term.

Marketing & Services posted a comparable operating profit of EUR 19 million (EUR 25 million) in the second quarter. Sales volumes were impacted by the COVID-19 related travel restrictions, but we were able to improve unit margins. Divestment of the Russian business had a negative impact totaling EUR 8 million on the comparable operating profit year-on-year.

The Others segment's comparable operating profit was EUR -16 million (EUR -28 million), mainly due the Nynas minority shareholding not having a negative impact on the segment's financial performance any more.

Neste continues to take the risks relating to the COVID-19 pandemic seriously. Our primary objective is to ensure the health and safety of our employees, customers, contractors and other partners as well as to ensure the continuity of our operations and secure supply of products to our customers.

Despite the market turbulence we continue to focus on our strategy execution. The Singapore renewable production capacity expansion is proceeding, but the progress in the second quarter has been negatively impacted by the lockdown measures of the local government. Our further renewables capacity expansion plans are in a pre-study phase and progress as planned. We have completed the acquisitions of Mahoney Environmental in the US and Count Terminal in the Netherlands, which are important building blocks in developing our Renewables Platform. Discussions with customers in Renewable Aviation and Renewable Polymers and Chemicals are proceeding well, and we are agreeing on new contracts and partnerships. We continue to focus on our Neste Excellence program with a target to achieve at least EUR 225 million profit improvement by the end of 2022. Unprecedented uncertainty on the further development of the COVID-19 pandemic and its impact on the global economy continues."

Outlook

Visibility in the global economic development remains very low due to the COVID-19 pandemic. As a consequence, we expect volatility in the oil products and renewable feedstock markets to remain high. Based on our current estimates and a hedging rate of 85%, Neste's effective EUR/US dollar rate is expected to be within a range 1.10-1.15 in the third quarter of 2020.

Sales volumes of renewable diesel are expected to remain relatively stable in the third quarter despite the market impacts of the COVID-19 pandemic. We expect the waste and residue feedstock markets to remain tight as their demand continues to be solid. Global availability of used cooking oil has gradually recovered during the second quarter, but still remains below pre-COVID-19 levels. The utilization rates of our renewables production facilities are expected to remain high, except for the scheduled catalyst change in one of our Porvoo units in the third quarter and at the Rotterdam refinery in the fourth quarter. These catalyst changes are estimated to have a negative impact totaling EUR 60 million on the segment's comparable operating profit during the second half of 2020.

Oil Products' third-quarter market demand is expected to improve, but still be severely reduced by the COVID-19 pandemic. The reference margin is expected to remain low and very volatile.

In Marketing & Services the COVID-19 pandemic is expected to have some negative impact on the demand and sales volumes in the third quarter.

Based upon our business continuity plans, we continue to focus on short term cost reduction activities.

Implementation of the Singapore expansion project continues. The project progress has been impacted by the nationwide stop of construction activities ordered by the Singapore government starting from mid-April due to the second wave of COVID-19 infections. The permit to re-start construction work was successfully obtained in early July, but restrictions related to the execution of works during the COVID-19 pandemic will have an impact on productivity and manpower availability. Without taking possible new waves of infections into consideration, the estimated start-up of the plant is moved from the middle of 2022 to the first quarter of 2023. The capital expenditure is estimated to be approximately EUR 100 million higher compared to the earlier communicated budget of approx. EUR 1.4 billion.

Neste expects the Group's full-year 2020 capital expenditure to be approximately EUR 850 million, excluding possible M&A. Previously the full-year capital expenditure was estimated to be approx. EUR 950 million.

Neste's Half-Year Financial Report, 1 January – 30 June 2020

The Half-Year Financial Report is unaudited.

Figures in parentheses refer to the corresponding period for 2019, unless otherwise stated.

Key Figures

EUR million (unless otherwise noted)

	4-6/20	4-6/19	1-3/20	1-6/20	1-6/19	2019
Revenue	2,572	4,057	3,270	5,842	7,826	15,840
EBITDA	333	477	326	659	963	2,731
Operating profit	208	359	197	405	741	2,229
Comparable operating profit*	255	367	408	663	746	1,962
Profit before income taxes	197	347	203	400	696	2,067
Net profit	161	294	201	362	588	1,789
Comparable net profit**	200	304	385	585	592	1,564
Earnings per share, EUR	0.21	0.38	0.26	0.47	0.77	2.33
Comparable earnings per share, EUR	0.26	0.40	0.50	0.76	0.77	2.04
Investments	352	179	260	612	277	890
Net cash generated from operating activities	61	303	193	254	403	1,456

	30 June 2020	30 June 2019	31 Dec 2019
Total equity	5,919	4,624	5,922
Interest-bearing net debt	569	279	-191
Capital employed	7,185	5,982	7,243
Return on average capital employed after tax (ROACE)***, %	24.5	21.1	26.6
Equity per share, EUR	7.70	6.02	7.71
Leverage ratio, %	8.8	5.7	-3.3

* 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.

*** Last 12 months

The Group's second quarter 2020 results

Neste's revenue in the second quarter totaled EUR 2,572 million (4,057 million). The revenue decline mainly resulted from the lower crude oil price, which had a negative impact of approx. EUR 1.1 billion, and lower sales volumes of oil products, which had a negative impact of approx. EUR 400 million on the revenue. The Group's comparable operating profit was EUR 255 million (367 million). Renewable Products' comparable operating profit was EUR 314 million (286 million), showing the segment's resilience in the turbulent market. Oil Products' comparable operating profit was EUR -60 million (83 million), mainly due to the unprecedentedly weak refining market caused by the COVID-19 pandemic. Marketing & Services comparable operating profit was EUR 19 million (25 million), mainly as a result of the divestment of the Russian business in the late 2019. The Others segment's comparable operating profit of EUR -16 million (-28 million) was better than in the corresponding period of 2019, mainly as a result of the minority shareholding in Nynas having been fully written-off in 2019.

The Group's operating profit was EUR 208 million (359 million), which was impacted by inventory valuation gains of EUR 127 million (36 million), and changes in the fair value of open commodity and currency derivatives totaling EUR -172 million (-30 million), mainly related to inventory and margin hedging. Profit before income taxes was EUR 197 million (347 million), and net profit EUR 161 million (294 million). Comparable earnings per share were EUR 0.26 (0.40), and earnings per share EUR 0.21 (0.38).

The Group's January–June 2020 results

Neste's revenue in the first six months totaled EUR 5,842 million (7,826 million). The revenue decline mainly resulted from the lower crude oil price, which had a negative impact of approx. EUR 1.6 billion, and lower sales volumes of oil products, which had a negative impact of approx. EUR 500 million on the revenue. A stronger US dollar had a positive impact of approx. EUR 100 million on the revenue. The Group's comparable operating profit was EUR 663 million (746 million). Renewable Products' six-month comparable operating profit was EUR 644 million (623 million), supported by higher sales volumes and a stronger US dollar than in the corresponding period of 2019. Oil Products' comparable operating profit was EUR 14 million (156 million), mainly due the exceptionally weak refining market and the planned refinery maintenance. Marketing & Services comparable operating profit was EUR 27 million (38 million), mainly due to lower sales volumes compared to the first half of 2019 and divestment of the Russian business. The Others segment's comparable operating profit of EUR -25 million (-71 million) was significantly better than in the corresponding period of 2019, mainly as a result of the minority shareholding in Nynas having been fully written-off in 2019.

The Group's operating profit was EUR 405 million (741 million), which was impacted by inventory valuation losses of EUR 166 million (gains of 108 million), and changes in the fair value of open commodity and currency derivatives totaling EUR -91 million (-118 million), mainly related to inventory hedging. Profit before income taxes was EUR 400 million (696 million), and net profit EUR 362 million (588 million). Comparable earnings per share were EUR 0.76 (0.77), and earnings per share EUR 0.47 (0.77).

	4-6/20	4-6/19	1-3/20	1-6/20	1-6/19	2019
COMPARABLE OPERATING PROFIT	255	367	408	663	746	1,962
- inventory valuation gains/losses	127	36	-293	-166	108	180
- changes in the fair value of open commodity and currency derivatives	-172	-30	82	-91	-118	69
- capital gains/losses	0	0	0	0	0	37
- impairments	0	-4	0	0	6	-11
- other adjustments	-1	-11	0	-1	0	-7
OPERATING PROFIT	208	359	197	405	741	2,229

Variance analysis (comparison to corresponding period), MEUR

	4-6	1-6
Group's comparable operating profit, 2019	367	746
BTC 2019 reallocation	70	110
Sales volumes	1	6
Sales margin	-180	-201
Currency exchange	13	31
Fixed costs	-19	-38
Others	3	9
Group's comparable operating profit, 2020	255	663

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

	4-6	1-6
Group's comparable operating profit, 2019	367	746
Renewable Products	28	21
Oil Products	-143	-143
Marketing & Services	-6	-11
Others including eliminations	9	50
Group's comparable operating profit, 2020	255	663

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 June, ROACE calculated over the last 12 months was strong at 24.5%, and leverage ratio remained well in the targeted area.

	30 June 2020	30 June 2019	31 Dec 2019
Return on average capital employed after tax (ROACE)*, %	24.5	21.1	26.6
Leverage ratio (net debt to capital), %	8.8	5.7	-3.3

* Last 12 months

Cash flow, investments and financing

The Group's net cash generated from operating activities totaled EUR 254 million (403 million) during the first six months of 2020. The difference mainly resulted from a lower EBITDA of the businesses. Cash flow before financing activities was EUR -366 million (140 million), mainly due to the higher capital expenditure during the first half of 2020. The Group's net working capital in days outstanding was 52.6 days (25.0 days) on a rolling 12-month basis at the end of the second quarter. The increase in net working capital in days outstanding was mainly due to the reduction in payables. The US Blender's Tax Credit (BTC) receivables from the years 2018 and 2019 were not paid during the second quarter due to administrative delays caused by the COVID-19 pandemic.

	4-6/20	4-6/19	1-3/20	1-6/20	1-6/19	2019
EBITDA	333	477	326	659	963	2,731
Capital gains/losses	0	0	0	0	0	-37
Other adjustments	219	9	-120	99	120	-77
Change in net working capital	-432	-121	37	-395	-522	-780
Finance cost, net	-19	-19	0	-19	-28	-48
Income taxes paid	-40	-42	-50	-90	-129	-333
Net cash generated from operating activities	61	303	193	254	403	1,456
Capital expenditure	-348	-119	-198	-546	-189	-568
Other investing activities	41	-53	-115	-74	-74	265
Free cash flow (Cash flow before financing activities)	-246	132	-120	-366	140	1,154

Cash-out investments were EUR 555 million (189 million) during January-June. Maintenance investments accounted for EUR 130 million (99 million) and productivity and strategic investments for EUR 425 million (90 million). Renewable Products' investments were EUR 375 million (54 million), mainly related to the Singapore refinery capacity expansion project and acquisition of Mahoney Environmental in the US. Oil Products' investments amounted to EUR 139 million (101 million), with the largest projects being the Porvoo refinery turnaround related investments. Marketing & Services' investments totaled EUR 8 million (10 million) and were focused on the retail station network. Investments in the Others segment were EUR 33 million (24 million), concentrating on IT and business infrastructure upgrade and Innovation activities.

Interest-bearing net debt was EUR 569 million at the end of June, compared to EUR -191 million at the end of 2019. Net financial expenses for the first six months were EUR 5 million (46 million). The average interest rate of borrowing at the end of June was 2.1% (2.1%) and the average maturity 2.7 (3.0) years. At the end of the second quarter the Net debt to EBITDA ratio was 0.2 (0.2) over the last 12 months.

The leverage ratio was 8.8% (31 Dec 2019: -3.3%) at the end of June. 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 2,046 million at the end of June (31 Dec 2019: 2,863 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 June the Group's foreign currency hedging ratio was approx. 50% of the sales margin for the next 12 months.

US dollar exchange rate	4-6/20	4-6/19	1-3/20	1-6/20	1-6/19	2019
EUR/USD, market rate	1.10	1.12	1.10	1.10	1.13	1.12
EUR/USD, effective rate*	1.13	1.16	1.13	1.13	1.17	1.15

* 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	4-6/20	4-6/19	1-3/20	1-6/20	1-6/19	2019
Revenue, MEUR	1,047	955	1,065	2,112	1,928	4,033
EBITDA, MEUR	212	320	469	681	655	2,013
Comparable operating profit, MEUR	314	286	329	644	623	1,599
Operating profit, MEUR	168	284	426	594	584	1,847
Net assets, MEUR	3,592	2,259	3,165	3,592	2,259	3,137
Return on net assets*, %	63.7	57.5	75.3	63.7	57.5	77.4
Comparable return on net assets*, %	55.6	57.0	60.7	55.6	57.0	67.0

* Last 12 months

Variance analysis (comparison to corresponding period), MEUR

	4-6	1-6
Comparable operating profit, 2019	286	623
BTC 2019 reallocation	70	110
Sales volumes	16	40
Sales margin	-32	-77
Currency exchange	8	20
Fixed costs	-26	-58
Others	-7	-15
Comparable operating profit, 2020	314	644

Key drivers

	4-6/20	4-6/19	1-3/20	1-6/20	1-6/19	2019
Comparable sales margin, including BTC*, USD/ton	625	674	685	655	715	733
Biomass-based diesel (D4) RIN, USD/gal	0.52	0.38	0.47	0.49	0.44	0.48
California LCFS Credit, USD/ton	201	189	206	204	191	197
Palm oil price**, USD/ton	515	499	631	573	518	522
Waste and residues' share of total feedstock, %	78	77	82	80	79	80

* Full-year BTC contribution for 2019 recorded in 10-12/19 has been reallocated to the quarters of 2019.

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

Renewable Products' second quarter comparable operating profit totaled EUR 314 million, compared to EUR 286 million in the second quarter of 2019. The renewable diesel market remained favorable despite the COVID-19 epidemic, but, as expected, the feedstock market remained very tight. The comparable sales margin, including BTC, averaged at USD 625/ton. It was lower than in the second quarter of 2019, which had a negative impact of EUR 32 million on the comparable operating profit. The BTC contribution was EUR 60 million (70 million reallocated from 2019 total) in the second quarter. Our sales volumes were 773,000 tons, and this new quarterly record was also supported by the very good operational performance at the refineries. Our nameplate capacity has now been officially increased to 3.2 million tons per annum. The start of the catalyst change at the Singapore refinery had to be slightly rescheduled due to the lockdown measures by the local authorities, but it was successfully completed in the first half of July. The higher sales volume had a positive impact of EUR 16 million on the comparable operating profit year-on-year. During the second quarter approx. 71% (65%) of the volumes were sold to the European market and 29% (35%) to North America. The share of 100% renewable diesel delivered to end-users was 27% (28%) in the second quarter. Our renewable diesel production had an average utilization rate of 90% (105%) during the quarter. The proportion of waste and residue inputs was 78% (77%) on average. The segment's fixed costs were EUR 26 million higher than in the corresponding period of 2019, mainly related to strategic growth projects and strengthening of resources. Renewable Products' comparable return on net assets was 55.6% (57.0%) at the end of June based on the previous 12 months.

Animal fat prices decreased in the first half of the second quarter. Thereafter they started to recover, following slightly lower supply due to slaughtering activity decreasing in some regions caused by the COVID-19 situation. The European Used Cooking Oil (UCO) prices corrected downwards from a high level with restaurant activity and import volumes gradually recovering. Due to further fall in crude oil prices and palm oil demand due to the COVID-19 situation, vegetable oil prices continued to drift lower until April before turning firmer in line with oil price recovery and fundamentals getting stronger.

The US Renewable Identification Number (RIN) D4 prices firmed up slightly during the quarter. The California Low Carbon Fuel Standard (LCFS) credit price dipped in April following significant fuel demand decline in California, but soon recovered close to the previous record high level slightly below the official price cap.

Renewable Products' six-month comparable operating profit was EUR 644 million (623 million). The comparable sales margin, including BTC, was lower than in the first half of 2019. The lower sales margin had a negative impact of EUR 77 million on the comparable operating profit year-on-year. The BTC contribution was EUR 112 million (110 million as reallocated from 2019 total) during the first six months. Higher sales volumes had a positive impact of EUR 40 million, and stronger US dollar a positive impact of EUR 20 million on the segment's comparable

operating profit compared to the corresponding period last year. The segment's fixed costs were EUR 58 million higher than in the first six months of the previous year, mainly related to strategic growth projects and strengthening of resources.

Production

	4-6/20	4-6/19	1-3/20	1-6/20	1-6/19	2019
Neste Renewable Diesel, 1,000 ton	717	765	795	1,512	1,477	2,872
Other products, 1,000 ton	55	52	59	121	112	219
Utilization rate*, %	90	105	101	95	102	99

* Based on nominal capacity of 3.2 Mton/a in 2020, and 2.9 Mton/a in 2019.

Sales

	4-6/20	4-6/19	1-3/20	1-6/20	1-6/19	2019
Neste Renewable Diesel, 1,000 ton	773	745	731	1,504	1,437	2,846
Share of sales volumes to Europe, %	71	65	75	73	69	67
Share of sales volumes to North America, %	29	35	25	27	31	33

Oil Products

Key financials

	4-6/20	4-6/19	1-3/20	1-6/20	1-6/19	2019
Revenue, MEUR	1,218	2,729	1,860	3,078	5,243	10,416
EBITDA, MEUR	104	142	-164	-61	307	637
Comparable operating profit, MEUR	-60	83	74	14	156	386
Operating profit, MEUR	40	76	-234	-195	191	406
Net assets, MEUR	2,579	2,564	2,439	2,579	2,564	2,313
Return on net assets*, %	0.8	4.6	2.3	0.8	4.6	16.2
Comparable return on net assets*, %	9.6	14.2	15.2	9.6	14.2	15.4

* Last 12 months

Variance analysis (comparison to corresponding period), MEUR

	4-6	1-6
Comparable operating profit, 2019	83	156
Sales volumes	2	-7
Reference margin	-165	-169
Additional margin	16	44
Currency exchange	5	11
Fixed costs	-6	-9
Others	4	-13
Comparable operating profit, 2020	-60	14

Key drivers

	4-6/20	4-6/19	1-3/20	1-6/20	1-6/19	2019
Reference margin, USD/bbl	-0.35	5.99	4.33	1.99	5.25	5.82
Additional margin, USD/bbl	5.11	3.42	6.69	5.98	4.19	4.73
Total refining margin, USD/bbl	4.76	9.42	11.03	7.97	9.44	10.56
Urals-Brent price differential, USD/bbl	-0.15	-0.56	-2.34	-1.24	-0.40	-0.85
Urals' share of total refinery input, %	67	74	74	71	70	72

Oil Products' comparable operating profit totaled EUR -60 million (83 million) in the second quarter. The COVID-19 pandemic caused unprecedented demand destruction globally, which the refining industry was not able to respond to by sufficiently adjusting its utilization rates. The reference margin, which reflects the general market conditions, was impacted by an exceptionally weak product market and a narrow, and for the most part even positive Urals-Brent differential. The reference margin averaged at USD -0.3/bbl compared to USD 6.0/bbl in the second quarter of 2019. The significantly lower reference margin had a negative impact of EUR 165 million on the comparable operating profit year-on-year. Compared to the second quarter of 2019, Oil Products' additional margin was higher and had a positive impact of EUR 16 million on the comparable operating profit. Due to the COVID-19 restrictions in Finland we were forced to postpone the scheduled Porvoo refinery major turnaround to 2021, and only critical unit maintenance was performed during the second quarter. The unit maintenance had approximately EUR 20 million negative impact on the segment's comparable operating profit. The segment's fixed costs were EUR 6 million higher than in the corresponding period last year, mainly due to scheduled maintenance. Oil Products' comparable return on net assets was 9.6% (14.2%) at the end of June over the previous 12 months.

During the second quarter the use of Russian crude was 67% (74%) of total input. The average refinery utilization rate was 67% (95%), mainly reflecting the Porvoo refinery unit maintenance works and targeted capacity reductions due to lower demand during the second quarter.

Crude oil prices were volatile during the second quarter. Brent price was trading at very low levels during April as the COVID-19 pandemic hit physical oil demand globally, and at the same time OPEC+ countries' failure to agree on new production cuts led to a price war. Later in the quarter OPEC+ reached an agreement on large scale production cuts, which together with first signs of demand recovery and the fall in US shale oil production started to support prices. Crude oil price recovered from below USD 25/bbl levels in April to above USD 40/bbl in June.

The Russian Export Blend (REB) crude averaged USD 0.1/bbl lower than Brent during the second quarter, but the price differential was narrowing and turned positive during the quarter. The OPEC+ production cuts drew significant volumes of heavy sour crude oil from the market from May onwards. This started to support Urals, and the price differential reached a level of USD 2.0/bbl higher than Brent at the end of the second quarter.

Overall the refining margins were exceptionally weak during the second quarter. The COVID-19 pandemic severely impacted physical product demand, and both diesel and gasoline margins were under pressure due to strict movement limitations in many countries. The oversupplied physical crude oil market and a wide REB differential supported margins in April, but the OPEC+ production cuts from May onwards started to put additional pressure on the margins. Towards the end of the quarter refining margins started to see some support from gradually recovering demand and lower utilization rates of the global refining capacity. On average diesel was the strongest part of the barrel during the second quarter. Neste's reference margin averaged at USD -0.3/bbl in the quarter.

Oil Products' six-month comparable operating profit was EUR 14 million (156 million). As a result of the COVID-19 pandemic's negative impacts on oil product demand, the reference margin was approx. USD 3.3/bbl lower during the first six months compared to the corresponding period last year. The lower reference margin had a negative impact of EUR 169 million on the comparable operating profit. The additional margin averaged at USD 6.0/bbl and had a positive impact of 44 million compared to the corresponding period last year. A stronger USD exchange rate had a positive impact of EUR 11 million on the comparable operating profit compared to the first half of 2019. Overall sales volumes were lower than in the first six months of 2019, mainly due to building of contango inventories and lower production as a result of refinery maintenance.

Production

	4-6/20	4-6/19	1-3/20	1-6/20	1-6/19	2019
Refinery						
- Production, 1,000 ton	2,856	3,516	3,703	6,559	6,965	13,888
- Utilization rate, %	67	95	94	80	95	93
Refinery production costs, USD/bbl	5.6	4.6	4.2	4.8	4.6	4.8
Bahrain base oil plant production, (Neste's share) 1,000 ton	36	34	46	81	83	170

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

	4-6/20	%	4-6/19	%	1-3/20	%	1-6/20	%	1-6/19	%	2019	%
Middle distillates*	1,511	48	1,818	49	1,498	45	3,009	46	3,583	48	6,985	48
Light distillates**	960	31	1,227	33	1,167	35	2,126	33	2,418	33	4,713	33
Heavy fuel oil	359	11	302	8	336	10	695	11	648	9	1,219	9
Base oils	66	2	114	3	145	4	211	3	226	3	436	3
Other products	235	8	280	7	212	6	448	7	492	7	1,066	7
TOTAL	3,131	100	3,740	100	3,358	100	6,489	100	7,366	100	14,418	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)

	4-6/20	%	4-6/19	%	1-3/20	%	1-6/20	%	1-6/19	%	2019	%
Baltic Sea area*	2,125	68	2,182	58	1,879	56	4,004	62	4,205	57	8,512	59
Other Europe	882	28	1,114	30	1,229	37	2,111	32	2,267	31	4,163	29
North America	111	4	417	11	132	4	244	4	640	9	1,169	8
Other areas	13	0	27	1	117	3	130	2	255	3	574	4

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

Marketing & Services

Key financials

	4-6/20	4-6/19	1-3/20	1-6/20	1-6/19	2019
Revenue, MEUR	664	1,064	846	1,510	2,106	4,193
EBITDA, MEUR	26	33	15	41	54	134
Comparable operating profit, MEUR	19	25	8	27	38	77
Operating profit, MEUR	19	25	8	27	38	102
Net assets, MEUR	206	315	249	206	315	235
Return on net assets*, %	34.1	28.9	33.5	34.1	28.9	35.3
Comparable return on net assets*, %	24.7	28.9	24.9	24.7	28.9	26.7

* Last 12 months

Variance analysis (comparison to corresponding period), MEUR

	4-6	1-6
Comparable operating profit, 2019	25	38
Sales volumes	-17	-27
Unit margins	5	5
Currency exchange	0	0
Fixed costs	9	16
Others	-3	-5
Comparable operating profit, 2020	19	27

Marketing & Services' comparable operating profit was EUR 19 million (25 million) in the second quarter. Transportation fuel demand suffered significantly from the COVID-19 related travel restrictions in Finland and the Baltic countries in April, but started to recover in May. Divestment of the Russian business, successfully completed in October 2019, had a negative impact totaling EUR 8 million on the comparable operating profit year-on-year. The sales volume reduction in the second quarter was mainly related to the divestment of the Russian business, and also due to the lower overall demand. We were able to improve our unit margins compared to the corresponding period last year, which had a positive impact of EUR 5 million on the comparable operating profit. The segment's fixed costs were EUR 9 million lower than in the second quarter of 2019, and the contribution of the divestment was EUR 6 million of that figure. Marketing & Services' comparable return on net assets was 24.7% (28.9%) at the end of June on a rolling 12-month basis.

Marketing & Services segment's six-month comparable operating profit was EUR 27 million (38 million). Sales volumes were materially lower compared to the corresponding period last year, which had a negative impact of EUR 27 million on the comparable operating profit. The divestment of the Russian business represented EUR 19 million of that figure. Average unit margins improved slightly, which had a positive impact of EUR 5 million on the result year-on-year. The segment's fixed costs were EUR 16 million lower compared to the first six months of 2019. The divestment resulted in EUR 12 million cost reduction during the first half of 2020.

Sales volumes by main product categories, million liters

	4-6/20	4-6/19	1-3/20	1-6/20	1-6/19	2019
Gasoline station sales	142	273	137	280	500	974
Diesel station sales	366	438	380	745	869	1,738
Heating oil	173	148	172	345	328	665

Net sales by market area, MEUR

	4-6/20	4-6/19	1-3/20	1-6/20	1-6/19	2019
Finland	506	771	664	1,170	1,519	3,064
Northwest Russia	0	76	0	0	138	245
Baltic countries	158	217	182	340	449	884

Others

Key financials

	4-6/20	4-6/19	1-3/20	1-6/20	1-6/19	2019
Comparable operating profit, MEUR	-16	-28	-9	-25	-71	-98
Operating profit, MEUR	-16	-28	-9	-25	-71	-123

The Others segment consists of Neste Engineering Solutions, Nynas, a joint venture owned by, among others, Neste (49.99% share) and Petr leos de Venezuela, as well as common corporate costs. The comparable operating profit of the Others segment totaled EUR -16 million (-28 million) in the second quarter. The result improvement was mainly due to the minority shareholding in Nynas being fully written-off in 2019 and not impacting the Others segment's financials any more. In the corresponding period of last year, our share of Nynas' net profit accounted for EUR -13 million of the comparable operating profit.

The six-month comparable operating profit of the Others segment totaled EUR -25 million (-71 million). In the corresponding period of last year our share of Nynas' net profit accounted for EUR -44 million of this figure.

Annual General Meeting

Neste Corporation's Annual General Meeting (AGM) was held at the Company's headquarters in Espoo on 18 May 2020. The AGM adopted the company's Financial Statements and Consolidated Financial Statements for 2019 and discharged the Board of Directors and the President and CEO from liability for 2019.

The AGM approved the Board of Directors' proposal regarding the distribution of the company's profit for 2019 to the effect that the first dividend installment, EUR 0.46 per share, was to be paid to shareholders registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the record date for the first dividend installment, which was 20 May 2020. The first dividend installment was paid on 28 May.

In addition, in accordance with the proposal by the Board of Directors, the AGM authorized the Board to decide, in its discretion, on the payment of a second dividend installment in a maximum amount of EUR 0.56 per share

(consisting of an ordinary dividend of EUR 0.46 and an extraordinary dividend of EUR 0.10). The authorization is valid until 30 October 2020.

The Board expects to decide upon the possible payment of a second installment of the dividend, EUR 0.56 per share at the maximum, on 22 October 2020 to the effect that the second installment would be paid to a shareholder who is registered in the Company's shareholder register maintained by Euroclear Finland Oy on the record date for the payment of second dividend installment, i.e. on 26 October 2020. The payment date of the second installment of the dividend would then be 2 November 2020.

If the Board decides on payment of a second dividend installment based on the authorization, such decision will be separately published by the Company, including the amount of and relevant record and payment dates for the second installment.

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. Sonat Burman-Olsson, Ms. Martina Flöel, Mr. Jean-Baptiste Renard, Mr. Jari Rosendal, and Mr. Marco Wirén. Mr. Nick Elmslie and Ms. Johanna Söderström were elected as new members.

Mr. Matti Kähkönen was re-elected as Chair and Mr. Marco Wirén was re-elected as Vice Chair. Board member introductions can be found at the company's web site.

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 Martina Flöel, Jean-Baptiste Renard and Johanna Söderström as members of the Personnel and Remuneration Committee. Marco Wirén was elected Chair and Sonat Burman-Olsson, Nick Elmslie and Jari Rosendal 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's proposal to the AGM to authorize the Board to purchase Company shares ('Buyback authorization') under the following terms:

Under this buyback authorization, the Board shall be authorized to decide the purchase of and/or take as security a maximum of 23,000,000 Company shares using the Company's unrestricted equity. The number of shares shall be equivalent to approximately 2.99% of the Company's total shares.

Shares may be purchased in one or more lots. The purchase price shall be at least the lowest price paid for Company shares in regulated trading at the time of purchase and no more than the highest price paid for Company shares in regulated trading at the time of purchase. In connection with the buyback of Company shares, derivative, share lending, or other agreements that are normal within the framework of capital markets may take place in accordance with legislative and regulatory requirements and at a price determined by the market. The authorization shall allow the Board to decide to purchase shares otherwise than in proportion to shareholders' current holdings (directed buyback).

Shares so purchased can be used as consideration in possible acquisitions or in other arrangements that are part of the Company's business, to finance investments, as part of the Company's incentive program, or be retained, conveyed, or cancelled by the Company.

The Board of Directors shall decide the other terms related to the buyback of Company shares. The buyback authorization shall remain in force for eighteen (18) months from the decision taken by the AGM.

The AGM approved the Board's proposal to the AGM to authorize the Board to decide on share issue under the following terms:

Under the authorization, the Board shall be authorized to take one or more decisions on the issuance of new shares and/or the conveyance of treasury shares held by the Company, provided that the number of shares thereby issued and/or conveyed totals a maximum of 23,000,000 shares, equivalent to approximately 2.99% of all the Company's shares.

The new shares may be issued and/or 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' preemptive 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 new shares may be issued and/or 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 new shares may also be issued free of charge to the Company itself.

The Board shall decide on other terms and conditions of share issue. The authorization shall remain in force until 30 June 2023. The authorization shall revoke the authorization granted by the AGM on 2 April 2019 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 second quarter at EUR 34.81, up by 12.8% compared to the end of the first quarter. At its highest during the quarter, the share price reached EUR 37.21, while the lowest share price was EUR 26.63. Market capitalization was EUR 26.8 billion as of 30 June 2020. An average of 1.5 million shares were traded daily, representing 0.2% of the company's shares.

At the end of June 2020, Neste held 1,374,418 treasury shares. Neste's share capital registered with the Trade Register totaled EUR 40 million, and the total number of shares was 769,211,058.

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

As of 30 June 2020, the State of Finland owned directly 36.0% (36.0% at the end of the first quarter) of outstanding shares, foreign institutions 39.2% (38.7%), Finnish institutions 17.1% (17.5%), and households 7.7% (7.8%).

Personnel

Neste employed an average of 4,740 (5,616) employees in the first half of the year, of which 910 (1,834) were based outside Finland. At the end of June, the company had 5,235 employees (6,003), of which 1,148 (1,891) were located outside Finland.

Environmental, Social and Governance (ESG)

Key figures

	4-6/20	4-6/19	1-6/20	1-6/19	2019
TRIF*	0.9	1.7	1.6	2.2	1.7
PSER**	2.2	0.4	2.0	1.5	1.4
GHG reduction, Mton***	2.4	2.5	5.1	4.8	9.6

* 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 incident frequency, measured by the key TRIF indicator, was lower during the second quarter compared to the corresponding period last year. Cumulative TRIF is also slightly lower than in the full year 2019. PSER, the main indicator for process safety incidents, was higher during the second quarter compared to the corresponding period last year. Also the cumulative PSER is higher compared to the full year 2019 result. Several immediate improvement actions have been defined as a result of the incident investigations to improve process safety to the targeted level.

The safety development drives continuous improvement. A lot of activities have been done and are ongoing to ensure safe and reliable operations during the COVID-19 pandemic, for example, using dedicated checklists to verify compliance to agreed practices. The occupational safety development continues with the selected focus areas: improvement of safety awareness, contractor management and co-operation, and further development of critical operation practices. High focus on process safety continues in all operations, for example, by ensuring effective process hazard analysis, asset integrity management, and by safety investments.

Neste produces renewable products that enable our customers to reduce greenhouse gas (GHG) emissions. During the second quarter of 2020 this GHG reduction was 2.4 million tons (2.5 million tons).

Emissions from operations at Neste's refineries were in substantial compliance at all sites during the second quarter. No non-compliance cases (1) occurred at Neste's operations. No serious environmental incidents resulting in liability occurred at Neste's refineries or other production sites.

During the second quarter Neste updated its investment criteria. The updated criteria make the GHG impact of all investments more transparent and set an internal price for GHG emissions.

Read more about the topics on [Neste's website](#).

Main events published during the second quarter

On 14 April, Neste announced that it has joined an alliance of cross-party political decision-makers, businesses, NGOs and other stakeholders in a call for a Green Recovery after the coronavirus (COVID-19) crisis in Europe. The alliance places the fight against climate change at the core of the economic strategy in contributing to the quick recovery of the economies and the societies in Europe.

On 24 April, Neste announced that its Board of Directors had decided to change its dividend proposal and convene the Annual General Meeting (AGM) to be held on 18 May 2020. Due to the unprecedented uncertainty related to the COVID-19 pandemic and its future impacts on Neste's business, the Board has decided to change its dividend proposal to the AGM. The Board proposes to the AGM that the originally proposed first dividend installment, EUR 0.46 per share, would be paid on 28 May 2020. In addition, the Board proposes that the AGM would authorize the Board to decide, in its discretion, on the payment of a second dividend installment in a maximum amount of EUR 0.56 per share, consisting of ordinary dividend of EUR 0.46 per share and extraordinary dividend of EUR 0.10 per share.

On 4 May, Neste announced that the acquisition of Mahoney Environmental (Mahoney), a leading collector and recycler of used cooking oil in the United States, has been approved by regulatory authorities, and the deal has been closed.

On 7 May, Neste announced that it has acquired 100% of the Dutch Count Companies BV's Count Terminal Rotterdam BV and its supporting entities, part of the First Dutch Group of Peter Goedvolk. The transaction was signed and closed on 7 May 2020. This is another important step for Neste in the execution of our growth strategy. This acquisition supports Neste's efforts to build a global renewable waste and residue raw material platform that can keep pace with the world's growing demand for renewable products.

On 19 May, Neste announced that it brings Neste MY Renewable Diesel™ to a significant number of new stations during April and May 2020 in Finland. With the expansion, Neste MY Renewable Diesel will be available at around 120 stations in growth centers as well as smaller towns.

On 27 May, Neste announced that Neste Covestro are starting a strategic cooperation in Europe to promote the use of sustainable raw materials in plastics production. Covestro will be supplied with material from renewable sources to replace a significant portion of the fossil raw materials used to date in the manufacture of polycarbonates. This type of a high-performance plastic is used, for example, in car headlamps, LED lights, electronic and medical devices and automotive glazing. Over the short term, the collaboration aims to replace several thousand tons of fossil raw materials in the production of polycarbonates with raw materials produced with Neste's renewable hydrocarbons.

On 17 June, Neste announced that Neste and Jokey, a leading international manufacturer of rigid plastic packaging, have started collaborating with a target to develop the market for rigid packaging from sustainable renewable and recycled materials for food and non-food applications. By promoting the use of more sustainable materials in packaging, such as those produced with Neste's high-quality drop-in hydrocarbons produced from renewable and recycled raw materials, the partners wish to help other companies using such rigid plastic packaging to meet their materials-related sustainability targets.

On 24 June, Neste announced that it has joined forces with McDonald's Netherlands and HAVI to create a circular economy partnership. The collaboration will see McDonald's restaurants in the Netherlands recycling the used

cooking oil from French fries into Neste MY Renewable Diesel™. The fuel will be used in HAVI trucks that deliver goods to McDonald's. In the circular economy partnership, McDonald's' supply chain partner HAVI plays a central role as the collector of the used cooking oil from all 252 Dutch McDonald's restaurants. Neste then converts this used cooking oil at its Rotterdam refinery into the renewable diesel that fuels HAVI's trucks.

Potential risks

The global COVID-19 pandemic continues to cause major risks and uncertainties for Neste's business. Key market risks affecting Neste's financial results for the next 12 months include macroeconomical, political and geopolitical risks, such as a prolonged economic recession, possible trade war, impacts of the COVID-19 pandemic on Neste's product demand, operations, or delivery of projects, changes in biofuel regulation, market prices, and competitive situation, and any scheduled or unexpected shutdowns at Neste's refineries or potential strikes. 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 third-quarter 2020 results

Neste will publish its third-quarter results on 22 October 2020 at approximately 9:00 a.m. EET.

Espoo, 22 July 2020

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, 23 July 2020, 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 3170949. The conference call can be followed at the company's [website](#). An instant replay of the call will be available until 30 July 2020 at +44 (0) 333 300 9785 for Europe and +1 866 331 1332 for the US, using access code 3170949.

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 - JUNE 2020

The half-year financial report is unaudited

FINANCIAL STATEMENT SUMMARY AND NOTES TO THE FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF INCOME

EUR million	Note	4-6/2020	Restated 4-6/2019	1-6/2020	Restated 1-6/2019	1-12/2019	Last 12 months
Revenue	3, 4	2,572	4,057	5,842	7,826	15,840	13,856
Other income		5	4	9	9	50	50
Share of profit (loss) of joint ventures		0	-13	0	-43	-52	-8
Materials and services		-2,014	-3,353	-4,739	-6,407	-12,238	-10,570
Employee benefit costs		-105	-106	-208	-202	-395	-401
Depreciation, amortization and impairments	4	-124	-118	-254	-221	-502	-534
Other expenses		-126	-112	-245	-220	-474	-500
Operating profit	4	208	359	405	741	2,229	1,893
Financial income and expenses							
Financial income		1	3	2	6	10	7
Financial expenses		-12	-12	-23	-25	-109	-108
Exchange rate and fair value gains and losses		0	-2	16	-26	-64	-21
Total financial income and expenses		-12	-11	-5	-46	-163	-122
Profit before income taxes		197	347	400	696	2,067	1,771
Income tax expense		-36	-54	-38	-107	-278	-209
Profit for the period		161	294	362	588	1,789	1,563
Profit attributable to:							
Owners of the parent		160	294	361	588	1,788	1,561
Non-controlling interests		1	-1	1	0	1	2
		161	294	362	588	1,789	1,563
Earnings per share from profit attributable to the owners of the parent (in euro per share)							
Basic earnings per share		0.21	0.38	0.47	0.77	2.33	2.03
Diluted earnings per share		0.21	0.38	0.47	0.76	2.32	2.03

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	4-6/2020	Restated 4-6/2019	1-6/2020	Restated 1-6/2019	1-12/2019	Last 12 months
Profit for the period	161	294	362	588	1,789	1,563
Other comprehensive income net of tax:						
Items that will not be reclassified to profit or loss						
Remeasurements on defined benefit plans	-1	-7	2	-19	8	30
Items that may be reclassified subsequently to profit or loss						
Translation differences	-3	-2	-5	1	45	39
Cash flow hedges						
recorded in equity	19	4	-28	-10	-26	-43
transferred to income statement	10	18	21	37	66	50
Share of other comprehensive income of investments accounted for using the equity method	0	-21	0	-1	8	9
Total	26	0	-11	27	93	55
Other comprehensive income for the period, net of tax	25	-7	-9	8	101	84
Total comprehensive income for the period	186	287	353	596	1,890	1,647
Total comprehensive income attributable to:						
Owners of the parent	185	288	351	596	1,890	1,645
Non-controlling interests	1	-1	1	0	1	2
	186	287	353	596	1,890	1,647

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	Note	30 June 2020	Restated 30 June 2019	31 Dec 2019
ASSETS				
Non-current assets				
Intangible assets	8	276	120	135
Property, plant and equipment	8	4,410	3,918	4,187
Investments in joint ventures	9	22	56	22
Non-current receivables		64	96	56
Deferred tax assets		36	46	40
Derivative financial instruments	11	2	11	7
Other financial assets	11	14	5	5
Total non-current assets		4,838	4,251	4,452
Current assets				
Inventories		1,775	1,587	1,678
Trade and other receivables		1,616	1,444	1,915
Derivative financial instruments	11	197	91	236
Current investments		47	151	19
Cash and cash equivalents		650	927	1,493
Total current assets		4,284	4,200	5,341
Assets classified as held for sale	6	14	113	0
Total assets	4	9,122	8,564	9,793
EQUITY				
Capital and reserves attributable to the owners of the parent				
Share capital		40	40	40
Other equity		5,876	4,582	5,879
Total		5,916	4,622	5,919
Non-controlling interests		4	2	2
Total equity		5,919	4,624	5,922
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities		1,065	1,057	1,080
Deferred tax liabilities		250	248	255
Provisions		100	67	93
Pension liabilities		106	148	111
Derivative financial instruments	11	3	6	1
Other non-current liabilities		21	17	21
Total non-current liabilities		1,545	1,544	1,561
Current liabilities				
Interest-bearing liabilities		201	300	242
Current tax liabilities		17	54	16
Derivative financial instruments	11	139	127	63
Trade and other payables		1,301	1,889	1,990
Total current liabilities		1,658	2,369	2,311
Liabilities related to assets held for sale		0	26	0
Total liabilities	4	3,202	3,939	3,872
Total equity and liabilities		9,122	8,564	9,793

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	4-6/2020	Restated 4-6/2019	1-6/2020	Restated 1-6/2019	1-12/2019
Cash flows from operating activities						
Profit before income taxes		197	347	400	696	2,067
Adjustments, total		355	138	358	387	550
Change in net working capital		-432	-121	-395	-522	-780
Cash generated from operations		120	364	363	561	1,837
Finance cost, net		-19	-19	-19	-28	-48
Income taxes paid		-40	-42	-90	-129	-333
Net cash generated from operating activities		61	303	254	403	1,456
Cash flows from investing activities						
Capital expenditure		-173	-119	-371	-189	-567
Acquisitions of subsidiaries	5	-175	0	-175	-1	-1
Proceeds from sales of shares in subsidiaries and business operations		-2	0	-2	0	145
Changes in long-term receivables and other investments		44	-53	-72	-74	120
Cash flows from investing activities		-307	-171	-620	-263	-302
Cash flow before financing activities		-246	132	-366	140	1,154
Cash flows from financing activities						
Net change in loans and other financing activities		-79	-40	-126	-40	-213
Dividends paid to the owners of the parent		-353	-292	-353	-292	-583
Dividends paid to non-controlling interests		0	0	0	0	-1
Cash flows from financing activities		-432	-332	-479	-331	-797
Net increase (+) / decrease (-) in cash and cash equivalents		-678	-200	-845	-191	357
Cash and cash equivalents at the beginning of the period		1,325	1,145	1,493	1,136	1,136
Exchange gains (+) / losses (-) on cash and cash equivalents		2	0	2	1	0
Cash and cash equivalents at the end of the period ¹⁾		650	945	650	945	1,493

¹⁾ Including cash and cash equivalents of EUR 18 million classified as held for sale as of 30 June 2019.

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 2019	40	19	10	-9	-55	-69	-84	4,760	4,614	2	4,616
Restated profit for the period								588	588	0	588
Other comprehensive income for the period, net of tax					26	-19	1		8	0	8
Restated total comprehensive income for the period	0	0	0	0	26	-19	1	588	596	0	596
Transactions with the owners in their capacity as owners											
Dividend decision								-583	-583	0	-583
Share-based compensation			5	1				-10	-4		-4
Transfer from retained earnings		0					0		0		0
Restated total equity at 30 June 2019	40	19	15	-8	-29	-88	-82	4,754	4,622	2	4,624

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	4,760	4,614	2	4,616
Profit for the period								1,788	1,788	1	1,789
Other comprehensive income for the period, net of tax					48	9	45		101	0	101
Total comprehensive income for the period	0	0	0	0	48	9	45	1,788	1,890	1	1,890
Transactions with the owners in their capacity as owners											
Dividend decision								-583	-583	-1	-584
Share-based compensation			6	1				-8	-1		-1
Transfer from retained earnings		0					0		0		0
Total equity at 31 Dec 2019	40	19	16	-7	-6	-60	-39	5,957	5,919	2	5,922

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 2020	40	19	16	-7	-6	-60	-39	5,957	5,919	2	5,922
Profit for the period								361	361	1	362
Other comprehensive income for the period, net of tax					-7	2	-5		-9	0	-9
Total comprehensive income for the period	0	0	0	0	-7	2	-5	361	351	1	353
Transactions with the owners in their capacity as owners											
Dividend decision								-353	-353	0	-353
Share-based compensation			0	1				-3	-2		-2
Transfer from retained earnings		0					0		0		0
Total equity at 30 June 2020	40	19	16	-7	-13	-58	-44	5,962	5,916	4	5,919

KEY FIGURES

	30 June 2020	Restated 30 June 2019	31 Dec 2019	Last 12 months
Revenue	5,842	7,826	15,840	13,856
Profit for the period	362	588	1,789	1,563
Earnings per share (EPS), EUR	0.47	0.77	2.33	2.03
Alternative performance measures				
EBITDA, EUR million	659	963	2,731	2,427
Capital employed, EUR million	7,185	5,982	7,243	-
Interest-bearing net debt, EUR million	569	279	-191	-
Capital expenditure and investment in shares, EUR million	612	277	890	1,226
Return on average capital employed, after tax, (ROACE) %	24.5	21.1	26.6	-
Return on equity, (ROE) %	28.5	19.3	35.8	-
Equity per share, EUR	7.70	6.02	7.71	-
Cash flow per share, EUR	0.33	0.53	1.90	1.70
Comparable earnings per share, EUR	0.76	0.77	2.04	2.03
Comparable net profit	585	592	1,564	1,556
Equity-to-assets ratio, %	65.4	54.2	60.8	-
Leverage ratio, %	8.8	5.7	-3.3	-
Adjusted weighted average number of shares outstanding	767,773,574	767,590,374	767,631,518	767,722,505
Adjusted number of shares outstanding at the end of the period	767,836,640	767,658,171	767,683,600	-
Average number of personnel	4,740	5,616	5,474	-

Neste presents Alternative Performance Measures to enhance comparability between financial periods as well as to reflect operational performance and financial risk level. These indicators should be examined together with the IFRS-compliant performance indicators. The detailed reasons for the use of APMs can be found on Neste's Annual Report 2019 and website www.neste.com together with the calculation of key figures.

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 2019. The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2019 except for the adoption of new and amended standards as set out below. 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.

A number of new or amended standards became applicable for the current reporting period. The group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Comparable interim figures have been restated due to the change in the inventory valuation policy in Renewable Products segment from FIFO (first-in, first-out) to weighted average during the last quarter in 2019. The change in the accounting policy was applied retrospectively and prior interim periods of 2019 have been restated accordingly.

Key accounting considerations related to COVID-19

We have assessed COVID-19 impacts by reviewing the carrying values of our balance sheet items. The review did not indicate need for asset impairments.

2. TREASURY SHARES

On 16 March 2020 a total of 153,040 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 granted by the Annual General Meeting of Shareholders on 2 April 2019. The number of treasury shares after the directed share issue is 1,374,418 shares.

3. REVENUE

REVENUE BY CATEGORY

External revenue	4-6/2020					4-6/2019				
	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
Fuels ¹⁾	1,024	740	632	0	2,397	866	1,913	1,019	0	3,798
Light distillates	22	283	159	0	464	14	885	281	0	1,180
Middle distillates	1,002	400	472	0	1,875	852	912	737	0	2,500
Heavy fuel oil	0	56	1	0	57	0	116	2	0	118
Other products	0	129	25	0	154	0	202	33	0	235
Other services	0	12	2	7	21	0	9	3	12	24
Total	1,024	881	659	7	2,572	866	2,124	1,055	12	4,057

External revenue	1-6/2020					1-6/2019				
	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
Fuels ¹⁾	2,023	1,974	1,446	0	5,443	1,684	3,625	2,021	0	7,330
Light distillates	49	864	335	0	1,248	34	1,619	505	0	2,159
Middle distillates	1,974	991	1,108	0	4,073	1,650	1,766	1,513	0	4,929
Heavy fuel oil	0	119	2	0	121	0	239	3	0	242
Other products	0	309	47	0	356	7	385	62	0	453
Other services	0	22	4	17	43	0	15	5	23	43
Total	2,023	2,305	1,498	17	5,842	1,691	4,024	2,088	23	7,826

External revenue	1-12/2019					Last 12 months				
	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
Fuels ¹⁾	3,648	7,138	4,028	0	14,814	3,986	5,487	3,454	0	12,927
Light distillates	92	3,231	1,012	0	4,336	107	2,476	843	0	3,425
Middle distillates	3,555	3,472	3,011	0	10,039	3,880	2,697	2,607	0	9,183
Heavy fuel oil	0	434	5	0	439	0	314	4	0	318
Other products	7	800	118	0	925	0	724	104	0	828
Other services	0	46	11	44	101	0	53	10	38	101
Total	3,654	7,984	4,157	44	15,840	3,986	6,264	3,567	38	13,856

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 in Renewable Products segment.

TIMING OF REVENUE RECOGNITION

External revenue	4-6/2020					4-6/2019				
	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
Goods transferred at point in time	1,024	869	657	0	2,551	866	2,115	1,052	0	4,033
Services transferred at point in time	0	12	2	0	15	0	9	3	0	12
Services transferred over time	0	0	0	7	7	0	0	0	12	12
Total	1,024	881	659	7	2,572	866	2,124	1,055	12	4,057

External revenue	1-6/2020					1-6/2019				
	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
Goods transferred at point in time	2,023	2,283	1,493	0	5,799	1,691	4,010	2,082	0	7,783
Services transferred at point in time	0	22	4	0	26	0	15	5	0	20
Services transferred over time	0	0	0	17	17	0	0	0	23	23
Total	2,023	2,305	1,498	17	5,842	1,691	4,024	2,088	23	7,826

External revenue	1-12/2019					Last 12 months				
	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
Goods transferred at point in time	3,654	7,937	4,147	0	15,739	3,986	6,211	3,558	0	13,755
Services transferred at point in time	0	46	11	2	59	0	53	10	2	65
Services transferred over time	0	0	0	42	42	0	0	0	36	36
Total	3,654	7,984	4,157	44	15,840	3,986	6,264	3,567	38	13,856

REVENUE BY OPERATING SEGMENT

	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
4-6/2020						
External revenue	1,024	881	659	7	0	2,572
Internal revenue	23	337	5	39	-403	0
Total revenue	1,047	1,218	664	45	-403	2,572
4-6/2019						
External revenue	866	2,124	1,055	12	0	4,057
Internal revenue	89	605	9	56	-758	0
Total revenue	955	2,729	1,064	68	-758	4,057
1-6/2020						
External revenue	2,023	2,305	1,498	17	0	5,842
Internal revenue	89	773	13	88	-963	0
Total revenue	2,112	3,078	1,510	105	-963	5,842
1-6/2019						
External revenue	1,691	4,024	2,088	23	0	7,826
Internal revenue	237	1,219	18	105	-1,579	0
Total revenue	1,928	5,243	2,106	128	-1,579	7,826
1-12/2019						
External revenue	3,654	7,984	4,157	44	0	15,840
Internal revenue	379	2,433	36	202	-3,049	0
Total revenue	4,033	10,416	4,193	246	-3,049	15,840
Last 12 months						
External revenue	3,986	6,264	3,567	38	0	13,856
Internal revenue	231	1,987	30	185	-2,433	0
Total revenue	4,217	8,251	3,598	223	-2,433	13,856

REVENUE BY OPERATING DESTINATION

	4-6/2020					4-6/2019				
	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
External revenue	23	244	499	6	772	1	506	752	7	1,266
Finland	322	148	0	0	470	415	325	7	1	748
Other Nordic countries	2	60	160	0	222	0	18	295	0	314
Baltic Rim	394	339	0	0	734	171	995	0	2	1,169
Other European countries	277	83	0	0	361	272	210	0	0	483
North and South America	6	7	0	0	13	6	70	0	1	77
Other countries	1,024	881	659	7	2,572	866	2,124	1,055	12	4,057
Total										
1-6/2020										
External revenue	78	652	1,150	12	1,892	1	955	1,481	13	2,449
Finland	673	343	3	0	1,019	837	644	15	2	1,498
Other Nordic countries	5	121	345	0	471	2	41	590	0	633
Baltic Rim	765	940	1	4	1,710	326	1,917	1	5	2,248
Other European countries	487	193	0	1	680	511	303	0	0	813
North and South America	15	56	0	0	71	15	165	0	3	183
Other countries	2,023	2,305	1,498	17	5,842	1,691	4,024	2,088	23	7,826
Total										
1-12/2019										
External revenue	33	2,009	2,991	25	5,058	111	1,706	2,660	23	4,501
Finland	1,386	1,188	27	2	2,602	1,222	887	14	0	2,123
Other Nordic countries	6	67	1,137	0	1,210	9	147	891	0	1,047
Baltic Rim	1,000	3,952	2	12	4,965	1,439	2,974	2	12	4,427
Other European countries	1,197	530	0	2	1,729	1,174	420	0	2	1,596
North and South America	32	239	0	4	275	32	130	0	1	163
Other countries	3,654	7,984	4,157	44	15,840	3,986	6,264	3,567	38	13,856
Total										
Last 12 months										

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 reportable segments are reviewed regularly by the chief operating decision maker, Neste President & CEO, to assess the performance and to decide on allocation of resources.

REVENUE	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019	Last 12 months
Renewable Products	1,047	955	2,112	1,928	4,033	4,217
Oil Products	1,218	2,729	3,078	5,243	10,416	8,251
Marketing & Services	664	1,064	1,510	2,106	4,193	3,598
Others	45	68	105	128	246	223
Eliminations	-403	-758	-963	-1,579	-3,049	-2,433
Total	2,572	4,057	5,842	7,826	15,840	13,856

OPERATING PROFIT	4-6/2020	Restated 4-6/2019	1-6/2020	Restated 1-6/2019	1-12/2019	Last 12 months
Renewable Products	168	284	594	584	1,847	1,857
Oil Products	40	76	-195	191	406	21
Marketing & Services	19	25	27	38	102	90
Others	-16	-28	-25	-71	-123	-77
Eliminations	-3	1	4	0	-2	2
Total	208	359	405	741	2,229	1,893

COMPARABLE OPERATING PROFIT	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019	Last 12 months
Renewable Products	314	286	644	623	1,599	1,620
Oil Products	-60	83	14	156	386	243
Marketing & Services	19	25	27	38	77	65
Others	-16	-28	-25	-71	-98	-52
Eliminations	-3	1	4	-1	-2	2
Total	255	367	663	746	1,962	1,879

DEPRECIATION, AMORTIZATION AND IMPAIRMENTS	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019	Last 12 months
Renewable Products	43	36	87	71	166	181
Oil Products	64	65	134	117	232	249
Marketing & Services	7	8	14	17	33	30
Others	10	8	19	17	71	74
Eliminations	0	0	0	0	0	0
Total	124	118	254	221	502	534

CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019	Last 12 months
Renewable Products	284	88	418	117	424	725
Oil Products	50	74	151	129	373	395
Marketing & Services	6	6	8	8	37	37
Others	13	11	35	23	56	68
Eliminations	0	0	0	0	0	0
Total	352	179	612	277	890	1,226

TOTAL ASSETS	30 June 2020	Restated 30 June 2019	31 Dec 2019
Renewable Products	4,091	2,744	3,606
Oil Products	3,535	3,800	3,927
Marketing & Services	468	638	577
Others	376	406	352
Unallocated assets	896	1,340	1,652
Eliminations	-245	-364	-322
Total	9,122	8,564	9,793

		Restated	
	30 June	30 June	31 Dec
	2020	2019	2019
NET ASSETS			
Renewable Products	3,592	2,259	3,137
Oil Products	2,579	2,564	2,313
Marketing & Services	206	315	235
Others	208	-152	214
Eliminations	-7	-8	-9
Total	6,578	4,977	5,890

		Restated	
	30 June	30 June	31 Dec
	2020	2019	2019
TOTAL LIABILITIES			
Renewable Products	789	718	757
Oil Products	1,000	1,273	1,674
Marketing & Services	323	397	406
Others	174	563	145
Unallocated liabilities	1,155	1,346	1,202
Eliminations	-238	-356	-313
Total	3,202	3,939	3,872

		Restated	
	30 June	30 June	31 Dec
	2020	2019	2019
RETURN ON NET ASSETS, %			
Renewable Products	63.7	57.5	77.4
Oil Products	0.8	4.6	16.2
Marketing & Services	34.1	28.9	35.3

		Restated	
	30 June	30 June	31 Dec
	2020	2019	2019
COMPARABLE RETURN ON NET ASSETS, %			
Renewable Products	55.6	57.0	67.0
Oil Products	9.6	14.2	15.4
Marketing & Services	24.7	28.9	26.7

QUARTERLY SEGMENT INFORMATION

QUARTERLY REVENUE	4-6/2020	1-3/2020	10-12/2019	7-9/2019	4-6/2019	1-3/2019
Renewable Products	1,047	1,065	1,081	1,025	955	973
Oil Products	1,218	1,860	2,595	2,578	2,729	2,514
Marketing & Services	664	846	1,002	1,086	1,064	1,042
Others	45	59	60	58	68	60
Eliminations	-403	-560	-686	-784	-758	-821
Total	2,572	3,270	4,053	3,961	4,057	3,769

QUARTERLY OPERATING PROFIT	4-6/2020	1-3/2020	10-12/2019	7-9/2019	4-6/2019	1-3/2019
Renewable Products	168	426	888	376	284	300
Oil Products	40	-234	141	75	76	114
Marketing & Services	19	8	36	28	25	13
Others	-16	-9	-14	-38	-28	-43
Eliminations	-3	7	-4	2	1	-1
Total	208	197	1,046	442	359	383

QUARTERLY COMPARABLE OPERATING PROFIT	4-6/2020	1-3/2020	10-12/2019	7-9/2019	4-6/2019	1-3/2019
Renewable Products	314	329	671	305	286	337
Oil Products	-60	74	117	113	83	73
Marketing & Services	19	8	11	28	25	13
Others	-16	-9	-14	-13	-28	-43
Eliminations	-3	7	-4	2	1	-1
Total	255	408	781	435	367	378

QUARTERLY DEPRECIATION, AMORTIZATION AND IMPAIRMENTS	4-6/2020	1-3/2020	10-12/2019	7-9/2019	4-6/2019	1-3/2019
Renewable Products	43	44	49	46	36	36
Oil Products	64	70	48	67	65	51
Marketing & Services	7	7	8	8	8	8
Others	10	9	11	43	8	8
Eliminations	0	0	2	-2	0	0
Total	124	129	118	162	118	104

QUARTERLY CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES	4-6/2020	1-3/2020	10-12/2019	7-9/2019	4-6/2019	1-3/2019
Renewable Products	284	134	183	125	88	29
Oil Products	50	101	174	70	74	55
Marketing & Services	6	3	23	5	6	2
Others	13	22	19	14	11	12
Eliminations	0	0	0	0	0	0
Total	352	260	399	214	179	98

QUARTERLY NET ASSETS	4-6/2020	1-3/2020	10-12/2019	7-9/2019	4-6/2019	1-3/2019
Renewable Products	3,592	3,165	3,137	2,424	2,259	2,116
Oil Products	2,579	2,439	2,313	2,819	2,564	2,581
Marketing & Services	206	249	235	319	315	319
Others	208	226	214	-102	-152	151
Eliminations	-7	2	-9	-7	-8	0
Total	6,578	6,082	5,890	5,453	4,977	5,167

5. ACQUISITIONS

Mahoney Environmental

On 1 May 2020 Neste acquired 100% of Mahoney Environmental (Mahoney) and its affiliated entities. Mahoney is a leading collector and recycler of used cooking oil in the United States. The acquisition is consolidated into Renewable Products segment.

Neste's feedstock strategy is focusing on waste and residues growth and the development of new feedstock sources. The company is targeting 100% waste and residues share by 2025. The completion of this transaction is an important step forward in delivering on Neste's growth strategy in renewables since Mahoney Environmental already has access to a substantial volume of used cooking oil with room to grow across North America. Used cooking oil is one of more than 10 different types of feedstock that Neste can use to produce renewable diesel, sustainable aviation fuel and raw materials for renewable polymers. Alongside used cooking oil collection and recycling, Mahoney also provides cooking oil equipment installation and design, fresh oil delivery and grease trap cleaning.

The fair values of the acquired net assets, based on a preliminary assessment, are presented in the table below. Based on the preliminary purchase price allocation, a portion of the purchase price was allocated to supplier and customer relations that have been recognized as intangible assets. The recognized goodwill is deductible for income tax purposes, and represents the value of acquired business knowledge and synergies. The transaction costs of the acquisition have been recognized as other expenses in the consolidated statement of income. The acquisition does not have material impact on the Group's revenue nor profit.

The purchase price was paid fully in cash and a part of it is subject to provisional adjustments which could change the final purchase price. In connection with the closing of the acquisition, the interest-bearing liabilities of the acquiree were paid off, and the related cash flow impact is presented in cash flows from financing activities.

Values of acquired assets and liabilities at time of acquisition:	Fair value
Intangible assets	24
Property, plant and equipment	31
Inventories	2
Trade and other receivables	6
Cash and cash equivalents	5
Total assets	68
Interest-bearing liabilities	20
Trade and other payables	14
Total liabilities	34
Fair value of net assets total	34
Consideration transferred	142
Fair value of acquired net assets	-34
Goodwill	108
Cash flows of acquisition:	2020
Consideration, paid in cash	-142
Cash and cash equivalents in acquiree	5
Acquiree's liabilities paid off at closing	-25
Transaction costs of the acquisition	-4
Net cash flow on acquisition	-167

Count Terminal Rotterdam

On 7 May 2020 Neste acquired 100% of the Dutch Count Companies BV's Count Terminal Rotterdam BV and its supporting entities, part of the First Dutch Group of Peter Goedvolk. The acquisition is consolidated into Renewable Products segment.

The acquisition is an important step for Neste in the execution of its growth strategy. It supports company's efforts to build a global renewable waste and residue raw material platform that can keep pace with the world's growing demand for renewable products. Count Terminal Rotterdam stores, refines and blends renewable waste and residue-based raw materials in the Rotterdam harbor area. Count Terminal Rotterdam will be the first terminal asset Neste owns for renewable feedstock aggregation, thus enabling Neste to further develop its raw material logistics for the future. The transaction will also enhance Neste's competitiveness in the global renewable waste and residue raw material market.

The fair values of the acquired net assets, based on a preliminary assessment, are presented in the table below. The goodwill is non-deductible for income tax purposes, and represents the value of synergies. The transaction costs of the acquisition have been recognized as other expenses in the consolidated statement of income. The acquisition does not have material impact on the Group's revenue nor profit

The purchase price was paid fully in cash and it is not subject to further adjustments. In connection with the closing of the acquisition, the interest-bearing liabilities of the acquiree were paid off, and the related cash flow impact is presented in cash flows from financing activities.

Values of acquired assets and liabilities at time of acquisition:	Fair value
Property, plant and equipment	48
Trade and other receivables	1
Cash and cash equivalents	0
Total assets	50
Interest-bearing liabilities	18
Deferred tax liabilities	1
Trade and other payables	1
Total liabilities	19
Fair value of net assets total	30
Consideration transferred	37
Fair value of acquired net assets	-30
Goodwill	7
Cash flows of acquisition:	2020
Consideration, paid in cash	-37
Cash and cash equivalents in acquiree	0
Acquiree's liabilities paid off at closing	-17
Transaction costs of the acquisition	-3
Net cash flow on acquisition	-57

6. ASSETS HELD FOR SALE

Assets held for sale at 30 June 2020 relate to replacing the vessels Neste and Futura with new product tankers. Neste and Futura vessels are planned to be divested within the next 12 months. The vessels are consolidated into Oil Products segment.

Assets classified as held for sale	30 June
	2020
Property, plant and equipment	14
Total	14

Assets held for sale at 30 June 2019 related to the divestment of the Regional Business Unit of Neste Engineering Solutions and subsidiary LLC Neste Saint-Petersburg.

7. RECONCILIATION OF KEY FIGURES TO IFRS FINANCIAL STATEMENTS

RECONCILIATION BETWEEN COMPARABLE OPERATING PROFIT AND OPERATING PROFIT

Group	4-6/2020	Restated		1-6/2020	Restated	
		4-6/2019	1-3/2020		1-6/2019	1-12/2019
COMPARABLE OPERATING PROFIT	255	367	408	663	746	1,962
inventory valuation gains/losses	127	36	-293	-166	108	180
changes in the fair value of open commodity and currency derivatives	-172	-30	82	-91	-118	69
capital gains and losses	0	0	0	0	0	37
impairments	0	-4	0	0	6	-11
other adjustments	-1	-11	0	-1	0	-7
OPERATING PROFIT	208	359	197	405	741	2,229

Renewable Products	4-6/2020	Restated		1-6/2020	Restated	
		4-6/2019	1-3/2020		1-6/2019	1-12/2019
COMPARABLE OPERATING PROFIT	314	286	329	644	623	1,599
inventory valuation gains/losses	-68	24	81	14	33	137
changes in the fair value of open commodity and currency derivatives	-78	-26	15	-63	-85	101
capital gains and losses	0	0	0	0	0	0
impairments	0	0	0	0	0	0
other adjustments	0	0	0	0	13	10
OPERATING PROFIT	168	284	426	594	584	1,847

Oil Products	4-6/2020	Restated		1-6/2020	Restated	
		4-6/2019	1-3/2020		1-6/2019	1-12/2019
COMPARABLE OPERATING PROFIT	-60	83	74	14	156	386
inventory valuation gains/losses	194	12	-374	-180	75	43
changes in the fair value of open commodity and currency derivatives	-94	-4	67	-27	-33	-32
capital gains and losses	0	0	0	0	0	0
impairments	0	-4	0	0	6	23
other adjustments	-1	-11	0	-1	-14	-15
OPERATING PROFIT	40	76	-234	-195	191	406

Marketing & Services	4-6/2020	Restated		1-6/2020	Restated	
		4-6/2019	1-3/2020		1-6/2019	1-12/2019
COMPARABLE OPERATING PROFIT	19	25	8	27	38	77
inventory valuation gains/losses	0	0	0	0	0	0
changes in the fair value of open commodity and currency derivatives	0	0	0	0	0	0
capital gains and losses	0	0	0	0	0	27
impairments	0	0	0	0	0	0
other adjustments	0	0	0	0	0	-3
OPERATING PROFIT	19	25	8	27	38	102

Others	4-6/2020	Restated		1-6/2020	Restated	
		4-6/2019	1-3/2020		1-6/2019	1-12/2019
COMPARABLE OPERATING PROFIT	-16	-28	-9	-25	-71	-98
inventory valuation gains/losses	0	0	0	0	0	0
changes in the fair value of open commodity and currency derivatives	0	0	0	0	0	0
capital gains and losses	0	0	0	0	0	9
impairments	0	0	0	0	0	-34
other adjustments	0	0	0	0	0	0
OPERATING PROFIT	-16	-28	-9	-25	-71	-123

RECONCILIATION BETWEEN COMPARABLE OPERATING PROFIT AND COMPARABLE NET PROFIT

	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
COMPARABLE OPERATING PROFIT	255	367	663	746	1,962
total financial income and expenses	-12	-11	-5	-46	-163
income tax expense	-36	-54	-38	-107	-278
non-controlling interests	-1	1	-1	0	-1
tax on items affecting comparability	-6	1	-34	0	43
COMPARABLE NET PROFIT	200	304	585	592	1,564

	Restated		
	30 June 2020	30 June 2019	31 Dec 2019
RECONCILIATION OF RETURN ON AVERAGE CAPITAL EMPLOYED, AFTER TAX (ROACE), %			
COMPARABLE OPERATING PROFIT, LAST 12 MONTHS	1,879	1,490	1,962
financial income	7	10	10
exchange rate and fair value gains and losses	-21	-41	-64
income tax expense	-209	-208	-278
tax on other items affecting ROACE	3	-20	35
Comparable net profit, net of tax	1,659	1,231	1,666
Capital employed average	6,777	5,838	6,275
RETURN ON AVERAGE CAPITAL EMPLOYED, AFTER TAX (ROACE), %	24.5	21.1	26.6

	Restated		
	30 June 2020	30 June 2019	31 Dec 2019
RECONCILIATION OF EQUITY-TO-ASSETS RATIO, %			
Total equity	5,919	4,624	5,922
Total assets	9,122	8,564	9,793
Advances received	-71	-28	-46
EQUITY-TO-ASSETS RATIO, %	65.4	54.2	60.8

	Restated		
	30 June 2020	30 June 2019	31 Dec 2019
RECONCILIATION OF NET WORKING CAPITAL IN DAYS OUTSTANDING			
Operative receivables	1,540	1,366	1,918
Inventories	1,775	1,587	1,678
Operative liabilities	-1,319	-1,898	-2,001
Net working capital	1,996	1,055	1,595
Revenue, last 12 months	13,856	15,370	15,840
NET WORKING CAPITAL IN DAYS OUTSTANDING	52.6	25.0	36.7

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

	30 June 2020	30 June 2019	31 Dec 2019
CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT			
Opening balance	4,322	3,861	3,861
Change in accounting policy, IFRS 16	0	215	215
Restated opening balance	4,322	4,076	4,076
Capital expenditure	428	276	890
Acquisitions	218	1	1
Depreciation, amortization and impairments	-254	-234	-497
Disposals	-10	-23	-152
Assets held for sale	-14	-63	0
Translation differences	-5	5	4
Closing balance	4,686	4,038	4,322
CAPITAL COMMITMENTS			
	30 June 2020	30 June 2019	31 Dec 2019
Commitments to purchase property, plant and equipment and intangible assets	1,274	612	754
Total	1,274	612	754

Capital commitments are mainly related to the Singapore expansion project which will extend Neste's renewable product overall capacity in Singapore.

9. CHANGES IN INVESTMENTS IN JOINT VENTURES

	30 June 2020	30 June 2019	31 Dec 2019
INVESTMENTS IN JOINT VENTURES			
Opening balance	22	106	106
Share of profit (loss) of joint ventures	0	-43	-52
Share of other comprehensive income of investments accounted for using the equity method	0	-1	8
Impairments	0	0	-36
Translation differences	0	-5	-5
Closing balance	22	56	22

10. INTEREST-BEARING NET DEBT AND LIQUIDITY

	30 June 2020	30 June 2019	31 Dec 2019
INTEREST-BEARING NET DEBT			
Non-current interest-bearing liabilities ¹⁾	1,065	1,057	1,080
Current interest-bearing liabilities ²⁾	201	300	242
Interest-bearing liabilities	1,266	1,357	1,322
Current investments	-47	-151	-19
Cash and cash equivalents	-650	-927	-1,493
Liquid funds	-696	-1,078	-1,513
Interest-bearing net debt	569	279	-191

¹⁾ Including EUR 303 million of lease liabilities at 30 June 2020 (30 June 2019: EUR 300 million, 31 Dec 2019: EUR 317 million)

²⁾ Including EUR 97 million of lease liabilities at 30 June 2020 (30 June 2019: EUR 46 million, 31 Dec 2019: EUR 102 million)

	30 June 2020	30 June 2019	31 Dec 2019
LIQUIDITY, UNUSED COMMITTED CREDIT FACILITIES AND DEBT PROGRAMS			
Liquid funds	696	1,078	1,513
Unused committed credit facilities	1,350	1,650	1,350
Total	2,046	2,728	2,863
In addition: Unused commercial paper program (uncommitted)	400	400	400

11. 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 2019.

	30 June 2020		30 June 2019		31 Dec 2019	
	Nominal value	Net fair value	Nominal value	Net fair value	Nominal value	Net fair value
Interest rate and currency derivatives						
Interest rate swaps						
Hedge accounting	0	0	74	0	0	0
Non-hedge accounting	0	0	26	0	0	0
Currency derivatives						
Hedge accounting	2,079	9	2,427	0	2,409	14
Non-hedge accounting	1,292	-4	919	5	1,602	14

	30 June 2020			30 June 2019			31 Dec 2019		
	Volume GWh	Volume million bbl	Net fair value	Volume GWh	Volume million bbl	Net fair value	Volume GWh	Volume million bbl	Net fair value
Commodity derivatives									
Sales contracts									
Non-hedge accounting	0	30	94	0	22	44	0	18	-19
Purchase contracts									
Non-hedge accounting	3,402	22	-42	2,986	21	-80	3,020	18	170

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 June 30, 2020

Balance sheet item	Fair value through OCI	Fair value through profit or loss	Amortized cost	Carrying amount	Fair value	Fair value hierarchy		
						Level 1	Level 2	Level 3
Non-current financial assets								
Non-current receivables		3	60	64	64			
Derivative financial instruments	2			2	2		2	
Other financial assets	9	5		14	14			14
Current financial assets								
Trade and other receivables ¹⁾			1,562	1,562	1,562			
Derivative financial instruments	19	178		197	197	7	190	
Current investments			47	47	47			
Cash and cash equivalents			650	650	650			
Financial assets	30	186	2,319	2,534	2,534			
Non-current financial liabilities								
Interest-bearing liabilities			1,065	1,065	1,084	739	345	
Derivative financial instruments	1	2		3	3		3	
Other non-current liabilities			21	21	21			
Current financial liabilities								
Interest-bearing liabilities			201	201	201		201	
Derivative financial instruments	11	128		139	139	26	112	
Trade and other payables			1,301	1,301	1,301			
Financial liabilities	12	130	2,588	2,729	2,748			

¹⁾ excluding non-financial items

Derivative financial instruments under Fair value through OCI-category meet criteria for hedge accounting.

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: other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: inputs for the asset or liability that is not based on observable market data.

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 quotations. Other financial assets in fair value through profit and loss category include unlisted shares of EUR 5 million for which the fair value cannot be reliably determined. Other financial assets in fair value through other comprehensive income category include unlisted shares of EUR 9 million. The fair value of other financial assets are not materially different from their carrying amount. Non-current receivables in fair value through profit and loss category include convertible loan of EUR 3 million. Its fair value belongs to level 3.

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 other financial assets than hedge accounted derivatives measured at fair value through other comprehensive income.

12. 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 Committee (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.

	30 June 2020	30 June 2019	31 Dec 2019
Transactions carried out with joint arrangements and other related parties			
Sales of goods and services	107	123	216
Purchases of goods and services	128	110	258
Receivables	102	174	102
Financial income and expenses	1	2	-54
Liabilities	20	1	19

13. CONTINGENT LIABILITIES

	30 June 2020	30 June 2019	31 Dec 2019
Contingent liabilities			
On own behalf for commitments			
Real estate mortgages	26	26	26
Other contingent liabilities	29	25	29
Total	55	51	55
On behalf of joint arrangements			
Pledged assets	39	44	31
Total	39	44	31
On behalf of others			
Guarantees	1	1	1
Total	1	1	1
Total	95	95	87

14. DISPUTES AND POTENTIAL LITIGATIONS

Some Group companies are involved in legal proceedings or disputes incidental to their business. In management's opinion, the outcome of these cases is difficult to predict but not likely to have material effect on the Group's financial position.

