5 February 2021

Neste Corporation
Financial Statements Release
2020

Neste's Financial Statements Release for 2020

Solid performance in a challenging year, significant progress in strategy implementation

Year 2020 in brief:

- Comparable operating profit totaled EUR 1,416 million (EUR 1,962 million, including EUR 142 million contribution from a retroactive US Blender's Tax Credit decision for 2018)
- Operating profit totaled EUR 828 million (EUR 2,229 million)
- Cash flow before financing activities totaled EUR 1,019 million (EUR 1,154 million)
- Return on average capital employed (ROACE) was 17.3% over the last 12 months (26.6%)
- Leverage ratio was -4.7% at the end of December (31 Dec 2019: -3.3%)
- Comparable earnings per share were EUR 1.60 (EUR 2.04)
- Earnings per share: EUR 0.93 (EUR 2.33)
- Board of Directors will propose a dividend of EUR 0.80 per share (1.02), totaling EUR 614 million (EUR 783 million)

Fourth quarter in brief:

- Comparable operating profit totaled EUR 380 million (EUR 781 million, including EUR 372 million contribution from a retroactive US Blender's Tax Credit decision for 2018 and 2019)
- Operating profit totaled EUR -2 million (EUR 1,046 million)
- Renewable Products' comparable operating profit was EUR 338 million (EUR 671 million)
- Renewable Products' comparable sales margin, including BTC, was USD 760/ton (USD 787/ton)
- Oil Products' comparable operating profit was EUR 37 million (EUR 117 million)
- Oil Products' total refining margin was USD 8.3/bbl (USD 11.4/bbl)
- Marketing & Services' comparable operating profit was EUR 15 million (EUR 11 million)

President and CEO Peter Vanacker:

"Despite the challenges and disruptions caused by the COVID-19 pandemic, 2020 was a success for Neste in many ways. We posted a solid comparable operating profit of EUR 1,416 million, compared to EUR 1,962 million in the previous year. The result of the year 2019 included a contribution of EUR 372 million from the retroactive US Blender's Tax Credit (BTC) decision for the years 2018 and 2019. The BTC contribution in 2020 was EUR 231 million. In 2020 Renewable Products proved to be very resilient with increased sales volumes and strong sales margins. Oil Products suffered from a historically weak refining market caused by the global COVID-19 related demand destruction and oversupply. This development accelerated the need to improve the long-term competitiveness of our refining business, and restructuring measures, including the closure of the Naantali refinery, were decided upon. Although Marketing & Services' demand was also impacted by the pandemic, it performed very well. We reached a ROACE of 17.3% over the last 12 months and a leverage ratio of -4.7% at the end of the year. Our cash flow before financing activities was very strong at EUR 1,019 million in 2020. The solid financial position enables implementation of our growth strategy going forward while rewarding our shareholders.

Renewable Products posted a solid full-year comparable operating profit of EUR 1,334 million (EUR 1,599 million). The renewable diesel demand remained good during the pandemic, but feedstock markets tightened during the year. Despite the higher feedstock costs, we were able to maintain our comparable sales margin at a very high level, and it averaged USD 703/ton. The optimization of market mix, feedstock mix and price premium, and successful margin hedging were important contributors to this achievement. Sales volumes were 2.97 million tons in 2020, about 4% higher than in the previous year. The increase in sales was enabled by a new annual production record. The nameplate production capacity was increased from 3.0 to 3.2 million ton/a during the second quarter as a result of successful implementation of the Neste Excellence program in our operations. The share of waste and residues increased further and averaged 83% of the total renewable material inputs in 2020. The fixed costs of the segment were EUR 62 million higher than in the previous year reflecting the strategic projects and strengthening of resources in the growing businesses.

Oil Products posted a full-year comparable operating profit of EUR 50 million (EUR 386 million). The COVID-19 pandemic resulted in significant demand destruction and an oversupply situation in global refining in 2020. The reference margin, which reflects the general market conditions, was impacted by an exceptionally weak product market. The reference margin averaged USD 0.6/bbl, which was approximately USD 5.2/bbl lower than in 2019. The lower reference margin had a negative impact of EUR 490 million on the segment's comparable operating profit year-on-year. In the challenging market conditions we were able to increase our additional margin, and it averaged USD 6.9/bbl in 2020. Substantial short-term cost reduction measures were successfully implemented.

In order to secure the long-term competitiveness of the Oil Products business we initiated co-operation negotiations on a plan to restructure our refinery operations in Finland. The co-operation negotiations were concluded in November, and as a consequence, it was decided to shut down the refinery operations in Naantali by the end of March 2021. The company will focus the Naantali site on terminal and harbor operations, as well as renew its Oil Products operating model. In the second phase of the transformation, the Porvoo refinery will be developed towards co-processing renewable and circular raw materials, and we have started the implementation of measures to bring the greenhouse gas (GHG) emissions in our production to net zero by 2035. The shutdown of the Naantali refining operations and the renewal of the Oil Products operating model will lead to approximately 370 redundancies. We will support our people in adapting to this change in several ways. These restructuring measures are expected to result in annual fixed cost savings of approximately EUR 50 million.

Marketing & Services segment generated a full-year comparable operating profit of EUR 68 million (EUR 77 million). Taking into account the divested Russian operation, which contributed EUR 16 million to the comparable operating profit in 2019, the segment improved its performance by successful margin management and cost control.

The Others segment's full-year comparable operating profit was EUR -37 million (EUR -98 million). The improvement was mainly a result of the minority shareholding in Nynas having been written-off in the third quarter of 2019. Neste sold its entire shareholding in Nynas AB in September 2020.

Despite the market turbulence, we continue to focus on strategy execution. Our strategy is built on renewable and circular solutions. We refine waste, residues and innovative raw materials into renewable fuels and sustainable feedstock for plastics and other materials. For example, our Neste MY Renewable Diesel™ is already being sold at almost 500 fuel stations in several European countries as well as in the US in California and Oregon.

Due to the COVID-19 related restrictions imposed by the local government on construction sites, the targeted start-up schedule of the Singapore renewables capacity expansion project was earlier updated to the first quarter of 2023 and the capital expenditure estimate to EUR 1.5 billion. This biggest investment in our history is proceeding according to the updated completion schedule. It will expand our annual renewables production capacity by up to 1.3 million tons with full optionality. The feasibility study phase of our next renewables capacity expansion project is progressing.

We have taken steps forward on multiple fronts and markets, and have announced many new agreements and partnerships especially in our growth areas, Renewable Aviation and Renewable Polymers and Chemicals. We also signed almost ten new acquisitions and investments in 2020. Among these were the completed acquisition of Mahoney Environmental, a collector and recycler of used cooking oil in the United States, and the pending acquisition of Bunge's refinery plant in Rotterdam to increase raw material pretreatment capacity for the production of renewable products. We also made an investment into Recycling Technologies, a specialist plastic recycling technology provider, and acquired a minority stake in Alterra Energy, an innovative chemical recycling technology company.

Our sustainable aviation fuel (SAF) is available and in commercial use by over 10 airlines globally. Neste currently has an annual capacity of 100,000 tons of SAF. With the Singapore refinery expansion on the way, and with possible additional investment into the Rotterdam refinery, we will have the capacity to produce some 1.5 million tons of SAF annually by the end of 2023.

In 2020, we launched Neste RE, a 100% renewable and recycled raw material for plastics and chemicals production. Neste RE is a product for tackling climate change through reducing the need to use virgin fossil resources, while it also provides a new solution to the end-of-life related challenges the polymers and chemicals industries are facing today. We aim to become a significant solution provider for chemical recycling and have set a target to process annually over 1 million tons of waste plastic from 2030 onwards. In the fall of 2020, we completed our first industrial-scale processing run with liquefied waste plastic, and processed 400 tons of liquefied plastic waste at our refinery in Finland.

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 challenges, we reached our best ever occupational safety performance in 2020, and our process safety was slightly ahead of target.

We are well ahead to exceed our Neste Excellence program target to achieve at least EUR 225 million profit improvement by the end of 2022 compared to the year 2018 baseline. Until the end of 2020, we have already achieved EUR 237 million improvement through Neste Excellence.

Uncertainty on the further development of the COVID-19 pandemic and its impact on the global economy continues. However, in 2021 we will continue on our journey to become a global leader in renewable and circular solutions."

Outlook

Visibility in the global economic development still remains 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 80%, Neste's effective EUR/US dollar rate is expected to be within a range 1.15-1.18 in the first quarter of 2021.

Sales volumes of renewable diesel in the first quarter are expected to be on the same level as in the previous quarter. Waste and residue markets are anticipated to remain tight as their demand continues to be robust. Following the sales contract renegotiation, the share of term sales is expected to be approx. 75% of sales volumes in 2021. Our first-quarter sales margin is expected to be lower than the very high level in the fourth quarter of 2020, but to stay healthy. We forecast that the sales margin will not be supported by similar margin hedging gains as in 2020. The hedging rate is expected to be lower than normal in the first quarter. Utilization rates of our renewables production facilities are forecasted to remain high. We have currently scheduled an approximately twelve-week major turnaround at the Porvoo refinery in the second quarter of 2021. The Porvoo turnaround is currently estimated to have a negative impact of approximately EUR 30 million on the Renewable Products segment's comparable operating profit, mainly in the second quarter. We have also scheduled a seven-week turnaround at the Singapore refinery in the third quarter, and a four-week catalyst change at the Rotterdam refinery in the fourth quarter of 2021. The Singapore turnaround is currently estimated to have a negative impact of approximately EUR 80 million, and the Rotterdam catalyst change a negative impact of approximately EUR 50 million on the segment's comparable operating profit.

Oil Products' first-quarter market demand will continue to be depressed and volatile due to several lockdowns as a result of the COVID-19 pandemic. The reference margin is also expected to remain very low and volatile. The refining operations at the Naantali refinery are planned to be closed by the end of March. We have currently scheduled an approx. twelve-week major turnaround at the Porvoo refinery in the second quarter. The Porvoo turnaround is currently estimated to have a negative impact of approx. EUR 110 million on the Oil Products segment's comparable operating profit, mainly in the second quarter.

In Marketing & Services the sales volumes and unit margins are expected to follow the previous years' seasonality pattern in the first quarter. The COVID-19 pandemic is anticipated to have some negative impact on the demand and sales volumes.

Neste estimates the Group's full-year 2021 cash-out capital expenditure to be approximately EUR 1.2 billion, excluding M&A.

Neste's Financial Statements, 1 January - 31 December 2020

The Financial Statements Release is unaudited.

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

Key Figures

EUR million (unless otherwise noted)

	10-12/20	10-12/19	7-9/20	2020	2019
Revenue	3,028	4,053	2,881	11,751	15,840
EBITDA	297	1,164	552	1,508	2,731
Operating profit	-2	1,046	425	828	2,229
Comparable operating profit*	380	781	373	1,416	1,962
Profit before income taxes	-21	1,030	407	786	2,067
Net profit	6	934	347	714	1,789
Comparable net profit**	337	704	307	1,229	1,564
Earnings per share, EUR	0.01	1.22	0.45	0.93	2.33
Comparable earnings per share**, EUR	0.44	0.92	0.40	1.60	2.04
Investments	344	399	240	1,197	890
Net cash generated from operating activities	1,307	995	497	2,057	1,456

	31 Dec 2020	31 Dec 2019
Total equity	5,929	5,922
Interest-bearing net debt	-265	-191
Capital employed	7,236	7,243
Return on average capital employed after tax (ROACE)***, %	17.3	26.6
Equity per share, EUR	7.72	7.71
Leverage ratio, %	-4.7	-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 fourth quarter 2020 results

Neste's revenue in the fourth quarter totaled EUR 3,028 million (4,053 million). The revenue decline resulted from the lower crude oil price, which had a negative impact of approx. EUR 700 million, and lower sales volumes of oil products, which had a negative impact of approx. EUR 100 million on the revenue. Additionally, the weaker US dollar had a negative impact of approx. EUR 200 million on the revenue compared to the corresponding period last year. The Group’s comparable operating profit was EUR 380 million (781 million). Renewable Products' comparable operating profit was EUR 338 million (671 million), showing continued resilience in the turbulent market. The segment’s fourth quarter 2019 figures included a contribution of EUR 372 million from the retroactive US BTC decision for the years 2018 and 2019. Oil Products' comparable operating profit was EUR 37 million (117 million) due to the continued weak refining market. Marketing & Services comparable operating profit was EUR 15 million (11 million). The Others segment's comparable operating profit was EUR -7 million (-14 million).

The Group’s operating profit was EUR -2 million (1,046 million), which was impacted by inventory valuation losses of EUR 21 million (gains of 87 million), and changes in the fair value of open commodity and currency derivatives totaling EUR -48 million (133 million), mainly related to margin and inventory hedging. Other adjustments totaling EUR -312 million were booked in the fourth quarter relating to the confirmed Naantali refinery closure. They included an asset write-down, and cost provisions for site demolition, clean-up and personnel arrangements. Profit before income taxes was EUR -21 million (1,030 million), and net profit EUR 6 million (934 million). Comparable earnings per share were EUR 0.44 (0.92), and earnings per share EUR 0.01 (1.22).

The Group's full-year 2020 results

Neste's revenue in 2020 totaled EUR 11,751 million (15,840 million). The revenue decline resulted from the lower crude oil price, which had a negative impact of approx. EUR 3.0 billion, and lower sales volumes of conventional oil products, which had a negative impact of approx. EUR 900 million on the revenue. Additionally, the weaker US dollar had a negative impact of approx. EUR 200 million on the revenue year-on-year. The Group’s comparable operating profit was EUR 1,416 million (1,962 million). Renewable Products' comparable operating profit was EUR 1,334 million (1,599 million) supported by high sales volumes and margins. The segment’s 2019 figures included the positive impact of EUR 372 million of the retroactive US BTC for 2018 and 2019, while the BTC contribution in 2020 was EUR 231 million. Oil Products' comparable operating profit was EUR 50 million (386 million), due to the exceptionally weak refining market. Marketing & Services’ comparable operating profit was EUR 68 million (77 million), and considering the divestment of the Russian business in late 2019, the segment actually improved its performance. The Others segment's comparable operating profit of EUR -37 million (-98 million) was significantly better than in the year 2019, mainly as a result of the minority shareholding in Nynas having been written-off in 2019.

The Group’s operating profit was EUR 828 million (2,229 million), which was impacted by inventory valuation losses of EUR 119 million (gains of 180 million), and changes in the fair value of open commodity and currency derivatives totaling EUR -112 million (69 million), mainly related to margin hedging. The divestment of Nynas resulted in a capital loss of EUR 42 million in the third quarter. Other adjustments totaling EUR -312 million were booked in the fourth quarter relating to the Naantali refinery closure. They included an asset write-down, and cost provisions for site demolition, clean-up and personnel arrangements. Profit before income taxes was EUR 786 million (2,067 million), and net profit EUR 714 million (1,789 million). Comparable earnings per share were EUR 1.60 (2.04), and earnings per share EUR 0.93 (2.33).

	10-12/20	10-12/19	7-9/20	2020	2019
COMPARABLE OPERATING PROFIT	380	781	373	1,416	1,962
- inventory valuation gains/losses	-21	87	68	-119	180
- changes in the fair value of open commodity and currency derivatives	-48	133	27	-112	69
- capital gains/losses	0	27	-42	-42	37
- impairments	0	23	0	0	-11
- other adjustments	-312	-6	-1	-314	-7
OPERATING PROFIT	-2	1,046	425	828	2,229

Variance analysis (comparison to corresponding period), MEUR

	10-12	1-12
Group's comparable operating profit, 2019	781	1,962
Retroactive BTC 2018 & 2019	-372	-372
BTC 2019 reallocation	64	230
Sales volumes	19	24
Sales margin	-115	-436
Currency exchange	-51	-54
Fixed costs	42	46
Others	12	17
Group's comparable operating profit, 2020	380	1,416

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

	10-12	1-12
Group's comparable operating profit, 2019	781	1,962
Renewable Products	-333	-265
Oil Products	-80	-336
Marketing & Services	4	-9
Others including eliminations	8	65
Group's comparable operating profit, 2020	380	1,416

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 December 2020, ROACE calculated over the last 12 months was 17.3%, and leverage ratio remained well below the 40% target.

	31 Dec 2020	31 Dec 2019
Return on average capital employed after tax (ROACE)*, %	17.3	26.6
Leverage ratio (net debt to capital), %	-4.7	-3.3

*Last 12 months

Cash flow, investments and financing

The Group’s net cash generated from operating activities totaled EUR 2,057 million (1,456 million) in 2020. The increase of cash mainly resulted from a lower net working capital compared to the previous year. Cash flow before financing activities was EUR 1,019 million (1,154 million), mainly due to the higher capital expenditure than in 2019. The Group's net working capital in days outstanding was 35.0 days (36.7 days) on a rolling 12-month basis at the end of 2020.

	10-12/20	10-12/19	7-9/20	2020	2019
EBITDA	297	1,164	552	1,508	2,731
Capital gains/losses	-1	-27	0	-1	-37
Other adjustments	159	-159	19	277	-77
Change in net working capital	872	181	-17	460	-780
Finance cost, net	-17	-20	-18	-54	-48
Income taxes paid	-4	-144	-38	-133	-333
Net cash generated from operating activities	1,307	995	497	2,057	1,456
Capital expenditure	-231	-222	-195	-972	-568
Other investing activities	-7	170	14	-67	265
Free cash flow (Cash flow before financing activities)	1,069	943	315	1,019	1,154

Cash-out investments excluding M&A were EUR 762 million, and totaled EUR 995 million (568 million) in 2020. Maintenance investments accounted for EUR 190 million (260 million) and productivity and strategic investments for EUR 805 million (307 million). Renewable Products' investments were EUR 670 million (230 million), mainly related to the Singapore refinery capacity expansion project, and the acquisitions made in the segment. Oil Products’ investments amounted to EUR 250 million (264 million), with the largest projects being the Porvoo refinery turnaround related investments. Marketing & Services' investments totaled EUR 17 million (23 million) and were focused on the retail station network. Investments in the Others segment were EUR 59 million (50 million), concentrating on IT and business infrastructure upgrade and innovation activities.

Interest-bearing net debt was EUR -265 million at the end of December 2020, compared to EUR -191 million at the end of 2019. Net financial expenses for the year were EUR 41 million (163 million). The average interest rate of borrowing at the end of December was 1.9% (1.9%) and the average maturity 2.1 (3.2) years. At the end of the year the Net debt to EBITDA ratio was -0.2 (-0.1).

The leverage ratio was -4.7% at the end of December 2020 (31 Dec 2019: -3.3%). 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 2,922 million at the end of December 2020 (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 December 2020 the Group's foreign currency hedging ratio was approximately 80% of the sales margin for the next 12 months.

US dollar exchange rate

	10-12/20	10-12/19	7-9/20	2020	2019
EUR/USD, market rate	1.19	1.11	1.17	1.14	1.12
EUR/USD, effective rate*	1.15	1.13	1.14	1.14	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

	10-12/20	10-12/19	7-9/20	2020	2019
Revenue, MEUR	1,084	1,081	1,074	4,270	4,033
EBITDA, MEUR	335	937	407	1,423	2,013
Comparable operating profit, MEUR	338	671	352	1,334	1,599
Operating profit, MEUR	285	888	360	1,239	1,847
Net assets, MEUR	3,470	3,137	3,695	3,470	3,137
Return on net assets*, %	36.3	77.4	57.5	36.3	77.4
Comparable return on net assets*, %	39.1	67.0	52.0	39.1	67.0

* Last 12 months

Variance analysis (comparison to corresponding period), MEUR

	10-12	1-12
Comparable operating profit, 2019	671	1,599
Retroactive BTC 2018 & 2019	-372	-372
BTC 2019 reallocation	64	230
Sales volumes	25	74
Sales margin	-20	-85
Currency exchange	-31	-33
Fixed costs	3	-62
Others	-1	-18
Comparable operating profit, 2020	338	1,334

Key drivers

	10-12/20	10-12/19	7-9/20	2020	2019
Comparable sales margin, including BTC*, USD/ton	760	787	744	703	733
Biomass-based diesel (D4) RIN, USD/gal	0.88	0.56	0.67	0.63	0.48
California LCFS Credit, USD/ton	198	206	196	200	197
Palm oil price**, USD/ton	781	604	642	645	522
Waste and residue's share of total feedstock, %	87	84	86	83	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' fourth quarter comparable operating profit totaled EUR 338 million, compared to EUR 671 million in the fourth quarter of 2019. The figure of the corresponding period last year included a positive impact of EUR 372 million from the retroactive US BTC decision concerning the whole years 2018 and 2019. The BTC contribution was EUR 63 million (64 million allocated from 2019 total) in the fourth quarter. Our sales volumes were 732,000 tons, about 6% higher than in the fourth quarter of 2019. The higher sales volume had a positive impact of EUR 25 million on the comparable operating profit year-on-year. The renewable feedstock market remained tight, but we were able to increase our comparable sales margin from the previous quarter by successful sales performance, margin optimization, and margin hedging to USD 760/ton. The sales margin was slightly lower compared to the fourth quarter of 2019, which had a negative impact of EUR 20 million on the comparable operating profit. Also the weaker US dollar had a negative impact of EUR 31 million on the comparable operating profit year-on-year. During the fourth quarter approx. 66% (60%) of the volumes were sold to the European market and 34% (40%) to North America. The share of 100% renewable diesel delivered to end-users was 33% (29%) in the fourth quarter. Our renewable diesel production had an average utilization rate of 86% (91%) during the quarter, which reflected the catalyst change implemented at the Rotterdam refinery. The average proportion of waste and residue inputs was 87% (84%). Renewable Products' comparable return on net assets was 39.1% (67.0%) at the end of December based on the previous 12 months.

Waste and residue prices were strong in early 2020 before falling in the second quarter due to COVID-19 related demand drop. During the first wave of the pandemic used cooking oil (UCO) and animal fat (AF) prices initially fell significantly before recovering during the summer and autumn. Towards the end of the year especially UCO prices increased driven by the strong vegetable oil complex and renewed stricter COVID-19 lockdowns, whereas AF price increase was more moderate. As the vegetable oils market was weak in first half of 2020 due to the demand collapse in the food and energy sectors, the price premium of waste and residues over palm oil increased. During the second half of the year palm oil market strengthened significantly due to strong demand and the La Ninã weather pattern's impact on supply, which also led to a decreasing price premium of waste and residues over palm oil. For much of 2020, palm oil price increases have outpaced those of gasoil, widening the palm oil gasoil price spread (POGO) to historically high levels.

The US Renewable Identification Number (RIN) D4 price showed a steady increase in 2020, ending the year on a strong note at over USD 1/gallon level. Most of the increase materialized in the second half of the year when soybean oil premium over heating oil surged. The California Low Carbon Fuel Standard (LCFS) credit price has been hovering around USD 200/ton with highest volatility in the first half of the year, when it reached a record-high of USD 215/ton before falling to around USD 170/ton in the middle of the first wave of COVID-19 pandemic. During the second half of 2020 LCFS price recovered and was typically approx. USD 200/ton.

Renewable Products' full-year comparable operating profit was EUR 1,334 million (1,599 million). The figure for 2019 also included a positive impact of EUR 372 million on the retroactive US BTC decided for the years 2018 and 2019. The BTC contribution was EUR 231 million (230 million) in 2020. Sales volumes were 2.97 million tons in 2020, about 4% higher than in the previous year, and enabled by a new annual production record. Higher sales volume had a positive impact of EUR 74 million on the comparable operating profit year-on-year. The comparable sales margin was strong at USD 703/ton, but slightly lower than in 2019, which had a negative impact of EUR 85 million on the comparable operating profit year-on-year. During 2020 approximately 71% (67%) of sales volume went to Europe and 29% (33%) to North America. We benefited from the optionality created by developing new markets mainly within Europe. The share of 100% renewable diesel delivered to end-users was 30% (26%) of total volumes in full-year 2020. Renewable diesel nameplate production capacity was successfully increased to 3.2 million ton/a in the second quarter, and had an average capacity utilization rate of 94% (99%) in 2020. Feedstock mix optimization continued, and the average proportion of waste and residue inputs increased to 83% (80%). A weaker USD had a negative impact of EUR 33 million on the segment's comparable operating profit compared to 2019. During 2020 the segment's fixed costs were EUR 62 million higher than in the previous year, mainly related to strategic growth projects and strengthening of resources.

Production

	10-12/20	10-12/19	7-9/20	2020	2019
Neste Renewable Diesel, 1,000 ton	719	656	762	2,993	2,872
Other products, 1,000 ton	62	49	57	239	219
Utilization rate*, %	90	91	95	94	99

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

Sales

	10-12/20	10-12/19	7-9/20	2020	2019
Neste Renewable Diesel, 1,000 ton	732	693	730	2,966	2,846
Share of sales volumes to Europe, %	66	60	72	71	67
Share of sales volumes to North America, %	34	40	28	29	33

Oil Products

Key financials

	10-12/20	10-12/19	7-9/20	2020	2019
Revenue, MEUR	1,580	2,595	1,405	6,063	10,416
EBITDA, MEUR	-59	189	148	29	637
Comparable operating profit, MEUR	37	117	-1	50	386
Operating profit, MEUR	-287	141	86	-396	406
Net assets, MEUR	1,848	2,313	2,630	1,848	2,313
Return on net assets*, %	-16.8	16.2	1.2	-16.8	16.2
Comparable return on net assets*, %	2.1	15.4	5.1	2.1	15.4

* Last 12 months

Variance analysis (comparison to corresponding period), MEUR

	10-12	1-12
Comparable operating profit, 2019	117	386
Sales volumes	1	-6
Reference margin	-151	-490
Additional margin	56	139
Currency exchange	-20	-22
Fixed costs	26	39
Others	9	3
Comparable operating profit, 2020	37	50

Key drivers

	10-12/20	10-12/19	7-9/20	2020	2019
Reference refining margin, USD/bbl	-0.72	5.49	-0.83	0.61	5.82
Additional margin, USD/bbl	9.02	5.91	6.72	6.94	4.73
Total refining margin, USD/bbl	8.30	11.40	5.89	7.55	10.56
Urals-Brent price differential, USD/bbl	-0.10	-1.54	0.10	-0.62	-0.85
Urals' share of total refinery input, %	63	73	65	68	72

Oil Products' comparable operating profit totaled EUR 37 million (117 million) in the fourth quarter. The global oil products market is still significantly oversupplied. The reference margin, which reflects general market conditions, continued to be impacted by a weak product market and a narrow Urals-Brent differential. The reference margin averaged USD -0.7/bbl compared to USD 5.5/bbl in the fourth quarter of 2019. The significantly lower reference margin had a negative impact of EUR 151 million on the comparable operating profit year-on-year. Oil Products' high additional margin was supported particularly by contango inventory profits and currency hedging. The higher additional margin had a positive impact of EUR 56 million on the comparable operating profit year-on-year. Substantial short term cost reduction measures have been implemented, and the segment's fixed costs were EUR 26 million lower compared to the fourth quarter of 2019. The weaker US dollar had a negative impact of EUR 20 million on the comparable operating profit compared to the corresponding period last year. Oil Products' comparable return on net assets was 2.1% (15.4%) at the end of December over the previous 12 months.

During the fourth quarter the use of Russian crude was 63% (73%) of total input. The average refinery utilization rate was 86% (92%), which reflected production not being maximized due to the market conditions. The production costs were USD 4.9/bbl (5.3).

Crude oil prices were very volatile during 2020, and Brent traded between USD 15/bbl and 70/bbl. Crude price was under significant pressure during the first half of the year driven by the major demand destruction caused by the COVID-19 pandemic and high oil production. In May the OPEC+ countries reached an agreement to cut oil production significantly, US shale oil production was reduced due low oil prices, and also the COVID-19 related lockdowns started to gradually ease during the summer. These drivers, together with rising equity markets and higher expectations for COVID-19 vaccines, started to give support to oil prices, and Brent crude price recovered to above USD 50/bbl level towards the year end.

The Russian Export Blend (REB) crude averaged USD 0.6/bbl lower than Brent in 2020, and USD 0.1/bbl lower during the fourth quarter. The REB-Brent price differential was volatile during 2020. From January until the end of April REB-differential was trading at clearly negative levels. After that it narrowed significantly as OPEC+ launched major production cuts, which drew heavier crudes from the market, and at the same time strong high sulphur fuel oil margins supported demand for these grades.

Overall the refining margin was at a fairly normal level between January and April, but it weakened significantly thereafter, and was negative from May onwards. COVID-19 pandemic hit oil products demand hard, and product inventories grew globally. Demand was recovering from the spring lows, but the second wave of the pandemic impacted the ongoing recovery in the fourth quarter. The European refining industry reacted to the weak margin environment by cutting refinery runs, but production was still too high compared to the underlying demand. Very weak jet fuel demand impacted middle distillate margins as refineries placed jet molecules to the diesel pool, and gasoline margins were hit by lower mobility. The narrow REB price differential was also negatively impacting Neste's refining margin. Neste reference margin only averaged USD 0.6/bbl in 2020 and USD -0.7/bbl in the fourth quarter.

Oil Products' full-year comparable operating profit was EUR 50 million (386 million). As a result of the COVID-19 pandemic's negative impact on oil product demand especially in the aviation sector and a continuing oversupply situation, the reference margin averaged USD 0.6/bbl in 2020. The reference margin was approx. USD 5.2/bbl lower than in 2019, which had a significant negative impact, EUR 490 million, on the comparable operating profit year-on-year. The additional margin was supported particularly by contango inventory profits and currency hedging and averaged USD 6.9/bbl. The higher additional margin had a positive impact of EUR 139 million compared to the previous year. A weaker USD exchange rate had a negative impact of EUR 22 million on the comparable operating profit compared to 2019. During the year 2020 the segment's fixed costs were EUR 39 million lower than in the previous year, mainly as a result of active cost savings measures.

Production

	10-12/20	10-12/19	7-9/20	2020	2019
Refinery					
- Production, 1,000 ton	2,930	3,468	3,302	12,791	13,888
- Utilization rate, %	86	92	87	84	93
Refinery production costs, USD/bbl	4.9	5.3	4.2	4.7	4.8
Bahrain base oil plant production, (Neste's share) 1,000 ton	49	49	48	178	170

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

	10-12/20	%	10-12/19	%	7-9/20	%	2020	%	2019	%
Middle distillates*	1,733	49	1,860	49	1,540	46	6,282	47	6,985	48
Light distillates**	1,250	35	1,264	33	1,133	34	4,510	34	4,713	33
Heavy fuel oil	312	9	318	8	302	9	1,309	10	1,219	9
Base oils	98	3	105	3	132	4	441	3	436	3
Other products	150	4	282	7	216	7	813	6	1,066	7
TOTAL	3,542	100	3,829	100	3,323	100	13,354	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)

	10-12/20	%	10-12/19	%	7-9/20	%	2020	%	2019	%
Baltic Sea area*	1,901	54	2,243	59	1,924	58	7,830	59	8,512	59
Other Europe	1,217	34	1,088	28	1,068	32	4,395	33	4,163	29
North America	275	8	200	5	266	8	784	6	1,169	8
Other areas	149	4	297	8	66	2	345	2	574	4

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

Marketing & Services

Key financials

	10-12/20	10-12/19	7-9/20	2020	2019
Revenue, MEUR	756	1,002	788	3,055	4,193
EBITDA, MEUR	22	43	33	96	134
Comparable operating profit, MEUR	15	11	26	68	77
Operating profit, MEUR	15	36	26	68	102
Net assets, MEUR	192	235	208	192	235
Return on net assets*, %	31.0	35.3	36.3	31.0	35.3
Comparable return on net assets*, %	31.0	26.7	26.1	31.0	26.7

* Last 12 months

Variance analysis (comparison to corresponding period), MEUR

	10-12	1-12
Comparable operating profit, 2019	11	77
Sales volumes	-6	-43
Unit margins	1	8
Currency exchange	0	0
Fixed costs	12	37
Others	-3	-11
Comparable operating profit, 2020	15	68

Marketing & Services segment’s comparable operating profit was EUR 15 million (11 million) in the fourth quarter. Our sales volumes were below the corresponding period last year, which had a negative impact of EUR 6 million on the comparable operating profit. The divestment of the Russian business in October 2019 accounted for half of the sales volume impact. The unit margins were slightly above the fourth quarter 2019 level, which had a positive impact of EUR 1 million on the comparable operating profit year-on-year. The segment's fixed costs were EUR 12 million lower compared to the fourth quarter of 2019, which also included some extraordinary items. Marketing & Services' comparable return on net assets was 31.0% (26.7%) at the end of December on a rolling 12-month basis.

Marketing & Services segment's full-year comparable operating profit was EUR 68 million (77 million). The COVID-19 pandemic and the related restrictions had a significant negative impact on fuel demand, particularly in the aviation and marine sectors. Road transportation fuel demand followed a normal seasonality pattern during the year, but the pandemic impacts were most visible in the spring and again towards the end of the year. Our sales volumes were materially lower than in the year 2019, which had a negative impact of EUR 43 million on the comparable operating profit. The divestment of the Russian business, successfully completed in October 2019, accounted for EUR 29 million of that figure. Average unit margins improved, which had a positive impact of EUR 8 million year-on-year. The segment's fixed costs were EUR 37 million lower compared to the year 2019. The savings from discontinued Russian business accounted for EUR 21 million of that figure, but also other active cost reduction measures were taken. Overall the segment improved its performance on a comparable basis.

Sales volumes by main product categories, million liters

	10-12/20	10-12/19	7-9/20	2020	2019
Gasoline, station sales	147	192	176	603	974
Diesel, station sales	399	420	414	1,559	1,738
Heating oil	168	168	154	666	665

Net sales by market area, MEUR

	10-12/20	10-12/19	7-9/20	2020	2019
Finland	585	762	597	2,352	3,064
Northwest Russia	0	28	0	0	245
Baltic countries	171	212	191	703	884

Others

Key financials

	10-12/20	10-12/19	7-9/20	2020	2019
Comparable operating profit, MEUR	-7	-14	-5	-37	-98
Operating profit, MEUR	-12	-14	-47	-84	-123

The Others segment consisted of Neste Engineering Solutions, common corporate costs, and Nynas AB joint venture until 15 September 2020, when the sale of its shares were completed. The comparable operating profit of the Others segment totaled EUR -7 million (-14 million) in the fourth quarter.

The full-year comparable operating profit of the Others segment totaled EUR -37 million (-98 million). The result improvement was mainly due to the minority shareholding in Nynas being written-off in 2019. In the year 2019 Nynas accounted for EUR -52 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 was valid until 30 October 2020.

After having considered the impact of the COVID-19 pandemic on the markets and Neste's financials, the Board of Directors on 22 October 2020 decided upon the payment of a second installment of the dividend, EUR 0.56 per share. The second dividend installment was paid to shareholders registered in the Company's shareholder register maintained by Euroclear Finland Oy on the record date for the payment of second dividend installment, which was 26 October 2020. The second dividend installment was paid on 2 November 2020.

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 year at EUR 59.16, up by 90.7% compared to the end of 2019. The total shareholder return (TSR) was 94.0% (41.5%) in 2020. At its highest during 2020, the share price reached EUR 60.14, while the lowest price was EUR 20.37. Market capitalization was EUR 45.5 billion as of 31 December 2020. An average of 1.35 million shares were traded daily, representing 0.2% of the company's shares.

At the end of December 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 31 December 2020, the State of Finland owned directly 35.9% (36.0% at the end of 2019) of outstanding shares, foreign institutions 40.2% (38.1%), Finnish institutions 16.4% (18.2%), and households 7.5% (7.8%).

Personnel

Neste employed an average of 4,833 (5,474) employees during 2020, of which 1,035 (1,680) were based outside Finland. At the end of December the company had 4,825 employees (4,413), of which 1,228 (749) were located outside Finland.

Environmental, Social and Governance (ESG)

Key figures

	10-12/20	10-12/19	2020	2019
TRIF*	1.4	1.0	1.3	1.7
PSER**	0.7	1.0	1.6	1.4
GHG emission reduction, Mton***	2.4	2.2	10.0	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) emission 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, improved during 2020. Fourth-quarter safety performance was lower than in the fourth quarter of 2019. The full-year TRIF 1.3 is the best ever annual result recorded and better than the target for 2020.

PSER, the main indicator for process safety incidents, was lower than the 2019 result in the fourth quarter, but the full-year PSER result 1.6 was slightly higher than 2019. However, the target for 2020 was reached.

Strong focus on safety performance and culture continued. The COVID-19 pandemic created many additional challenges during 2020. Effective risk management work was carried out with special safety measures to ensure the safety and continuity of our operations. The occupational safety development focused on contractor safety management and construction site safety improvements. High focus on process safety continues in all operations, for example, by ensuring effective process safety risk management, improving high risk work processes, and by process safety improvement investments. The long-term safety development activities continue with earlier defined focus areas of behavior, leadership, operational discipline, process safety, contractor safety, and effective learning from incidents.

Neste produces renewable products that enable our customers to reduce their GHG emissions. In 2020 this GHG reduction was 10.0 million tons, which is higher compared to the 9.6 million tons in the previous year and a new record.

Emissions from operations at Neste's refineries were in substantial compliance at all sites during 2020. A total of 2 (3) minor non-compliance cases occurred at Neste's operations with limited local environmental impact only. No serious environmental incidents resulting in liability occurred at Neste's refineries or other production sites.

Neste was included in the Dow Jones Sustainability World Index for the 14th consecutive time in 2020. In January 2020, Neste was ranked the third most sustainable company in the world on the Global 100 list. On the CDP Climate Change 2020 assessment Neste achieved the Leadership level with A- rating.

In 2020 we committed to new ambitious climate targets as part of the company strategy: To help our customers reduce their GHG emissions with our renewable and circular solutions by at least 20 million tons annually by 2030; and to reach carbon neutral production by 2035. Implementation of the strategy has started and, for example, Neste updated its investment criteria during 2020. The criteria make GHG impact of all investments visible and set an internal price for GHG emissions.

The updated Supplier Code of Conduct was implemented in 2020. Also, Neste's Sustainability Policy was updated in 2020 showing our commitment to operate sustainably and our ambition to continuously improve our performance in this area.

We continued our palm fatty acid distillate (PFAD) supply chain mapping efforts in collaboration with palm oil suppliers and sustainability specialists from the Consortium of Resource Experts (CORE). Also, in 2020, our global Supplier Sustainability Portal (SSP) was taken fully into use for new renewable suppliers' onboarding globally. In 2020, Neste developed the system for processing external grievances related to supply chain, putting in place a transparent mechanism, process flow and proper channel to relevant key stakeholders. We established a Sustainability Investigations Group for the grievance review process. During 2020 Neste developed virtual supplier audits and we were able to continue conducting audits even during the exceptional times.

In 2020, we continued to conduct human rights due diligence within our supply chains and operations to prevent, mitigate and, where necessary, remediate adverse human rights impacts. We also completed two major human rights assessments focused on modern slavery, with Forced Labor and Vulnerable Groups selected as a material topic in Neste's 2020 Materiality Assessment.

Raising awareness of and training on the Code of Conduct and its topics are central elements of the Neste compliance program. In 2020 e-learning courses included a targeted advanced e-learning on Competition law compliance and an e-learning on Anti-Money Laundering. In 2020, we issued an Anti-Money Laundering and Counter-Terrorist Financing (CTF) Standard detailing Neste's guidance and process related to preventing anti-money laundering risks.

Read more about the topics on Neste's website.

Innovation

Neste's innovation expenditure totaled EUR 61 million (54 million) in 2020. The growth was largely driven by boosting efforts in developing new innovation business platforms and by higher R&D investments into strategic areas of current renewables businesses. The R&D laboratories were in full operation during the whole year taking necessary precautions due to the pandemic situation.

The new Innovation business platforms, focusing on new feedstock pools such as lignocellulose, algae, municipal waste, carbon dioxide and renewable electricity utilization, gained momentum during 2020, developing co-operations and preparing for technology demonstrations. An example is the equity investment and cooperation with the company Sunfire on high temperature electrolysis to demonstrate the technology of renewable hydrogen production at Neste Rotterdam site, a project that receives funding from the EU.

In 2020 work continued to expand the use of waste and residue feedstock, and over 2.9 million tons of waste and residue feedstock was used during the year. Significant technical advances were identified and realized to further increase the feedstock pretreatment capacity. Novel technical concepts to increase the use of advanced feedstock were also developed actively and the work will continue in the coming years.

Chemical recycling was advanced by exploring and developing waste plastic liquefaction and upgrading technologies together with partners. Examples are the collaboration and equity investments into Recycling Technologies and Alterra Energy, which are both plastic liquefaction technology providers. Neste's target is to utilize more than 1 million tons of waste plastic feedstock by 2030. The first commercial scale test run was successfully conducted in 2020 by upgrading 400 tons of liquefied packaging and mixed waste plastic into high quality recycled feedstock for petrochemical industry uses, e.g. for the production of new plastics.

Technical expertise was systematically developed and used to support production and sales of new products such as sustainable aviation fuel, Neste RE renewable and recycled polymers and chemicals, as well as low sulphur marine fuels.

In 2020 Neste received a conditional EUR 20 million funding from Business Finland for the next 5 years to develop sustainable and globally scalable raw materials and technology solutions for transportation fuels and the production of chemicals and polymers together with partners. Strategic cooperation with Aalto University, Åbo Akademi and VTT - The Technical Research Centre Finland continued in 2020, as well as with international partners mainly in Europe and the USA. Several new collaboration partners were identified and are expected to lead to further cooperation in 2021.

Main events published during 2020

On 31 January, Neste announced that the Shareholders' Nomination Board proposes to the AGM to be held on 7 April 2020 that the company's Board of Directors shall comprise the following members: The Nomination Board proposes that Mr. Matti Kähkönen shall be re-elected as the Chair of the Board of Directors. In addition, the current members of the Board Ms. Sonat Burman-Olsson, Ms. Martina Flöel, Mr. Jean-Baptiste Renard, Mr. Jari Rosendal, and Mr. Marco Wirén are proposed to be re-elected for a further term of office. The Nomination Board proposes that Mr. Wirén shall be elected as the Vice Chair of the Board. The Nomination Board further proposes that the Board of Directors shall have eight members and that Mr. Nick Elmslie and Ms. Johanna Söderström shall be elected as new members.

On 5 March, Neste announced that it had signed a new agreement with Finnair which will gradually and considerably increase Finnair's use of sustainable aviation fuel in its operations. The new partnership will be a key contributing factor in Finnair's long-term target of carbon neutrality. Sustainable aviation fuels are a key part of the long-term solution for reducing the CO2 footprint of aviation, as they reduce the CO2 emissions by up to 80% compared to fossil fuels.

On 6 March, Neste announced that it had acquired a minority stake in the German cleantech company Sunfire GmbH. Sunfire is a leading developer of high-temperature electrolysis technology. The company's patented technology allows the production of renewable hydrogen as well as the direct conversion of water and CO2 into raw material for petrochemical products.

On 9 March, Neste and Mirova, a pioneer impact investor in the natural capital space and an affiliate of Natixis Investment Managers, announced a combined EUR 10 million investment into Recycling Technologies Ltd, a specialist plastic recycling technology provider. The aim is to accelerate the development of chemical recycling and foster the transition to a circular economy for plastic.

On 10 March, Neste announced that Borealis has started to produce polypropylene (PP) based on Neste-produced renewable feedstock in its production facilities in Kallo and Beringen, Belgium. This marks the first time that Borealis has replaced fossil fuel-based feedstock in its large-scale commercial production of PP.

On 10 March, Neste announced that it has agreed to acquire 100% of Mahoney Environmental, a collector and recycler of used cooking oil in the United States, and its affiliated entities. The transaction supports Neste in its effort to build a global waste and residue raw material platform that can keep pace with the world’s growing demand for renewable products. It will also enhance Neste’s competitiveness in the global waste and residue raw material market.

On 12 March, Neste announced that it was holding a Capital Markets Day 2020 as a webcast. It featured presentations by President and CEO Peter Vanacker as well as senior management on subjects such as the company's strategy, market outlook and the next steps for creating profitable growth through renewable and circular solutions. Neste’s ambition to become a global leader in renewable and circular solutions is unchanged. The vision statement has been renewed as “Leading the way towards a sustainable future together”. The company continues to focus on its strategy implementation in the current volatile market environment. In Renewable Road Transportation, Neste has maintained a strong presence in its key markets and successfully opened new markets. The global climate targets set a high ambition for sustainable solutions in transportation, and the global renewable diesel demand is expected to exceed 20 million ton/a by 2030. In Renewable Aviation, passengers are looking for tangible solutions to make flying more sustainable. Neste started the commercial sales of Sustainable Aviation Fuel (SAF) in 2019. In Renewable Polymers and Chemicals, Neste has started to create a new business through transforming plastics and chemicals value chains. The Singapore renewables capacity expansion project is on track, and it is scheduled to be up and running in mid-2022. The company is targeting investment decision capability on the next worldscale production capacity by the end of 2021 and production start-up in 2025. Neste expects the global waste and residue availability to grow to over 35 million tons by 2030. Its feedstock strategy is focused on waste and residues growth and development of new feedstock sources. Neste is targeting 100% waste and residues share of its total renewables inputs by 2025. The role of the Innovation unit at Neste is to ensure the growth of the current businesses and to create new business platforms for further growth in renewable and circular solutions. The unit’s focus is on scalable and sustainable sources of renewable carbon and their required technologies. According to its role, Oil Products focuses on cash generation and capturing transformation opportunities. The company is currently investigating opportunities in co-processing, HVO expansion and retrofitting of the refinery to improve the profitability and reduce handprint emissions. Based upon a detailed potential analysis, Neste is committed to reaching carbon neutral production by 2035. The comparable EBIT improvement targets for Neste Excellence program have been upgraded from EUR 100 million to EUR 225 million by the end of 2022, and from EUR 200 million to EUR 300 million by 2030.

On 18 March, Neste announced that based on the rapid development of the COVID-19 pandemic, the Finnish Government has on 16 March 2020 announced a general limit of ten persons to all public gatherings. Neste takes the risk relating to COVID-19 very seriously. Due to these reasons, the company has decided to postpone its Annual General Meeting which was originally scheduled to be held on 7 April 2020, to a later date which will be announced separately.

On 23 March, Neste announced that its Porvoo refinery major turnaround 2020 has to be delayed due to the coronavirus situation. The Government of Finland has declared a state of emergency in Finland due to the COVID-19 outbreak. In this exceptional situation, the company's primary objective is to ensure the health and safety of its employees, customers, contractors and other external partners as well as to ensure the continuity of its refinery operations and secure supply of products to its customers. For the above-mentioned reasons that are beyond Neste's control, the turnaround will need to be executed in phases. Based on the current estimate, only the most business critical maintenance works and regulatory inspections can be executed in April - June 2020, instead of the planned major turnaround. Regarding the rest of the maintenance works and investments, the planning of the turnaround will be restarted. The new execution schedule will be defined by the end of the third quarter of 2020. Previously, the company estimated the negative impact of the original scope of the major turnaround to be EUR 220 million on the company's comparable operating profit for 2020. The estimated negative impact of the first phase of the turnaround is approximately EUR 85 million on the company's comparable operating profit mainly in the second quarter 2020 bearing in mind, however, that the current business environment is exceptional and creates uncertainty. The rest of the turnaround works are expected to be finalized in 2021.

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 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 and 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 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.

On 6 July, Neste announced that it will increase the use of wind power at its Finnish production sites to nearly 30%. Neste is committed to reaching carbon neutral production by 2035. As part of this effort, the company is increasing the use of renewable electricity at its production sites in Finland and has signed a wind power agreement with Ilmatar, a wind power company.

On 7 July, Neste announced that it has delivered the first batch of sustainable aviation fuel (SAF) to San Francisco International Airport (SFO) via pipeline, where it will be used by major airlines committed to reducing carbon emissions. Neste is the first company to deliver sustainable aviation fuel, under its brand name Neste MY Renewable Jet Fuel™, to SFO using existing multi-product pipeline infrastructure.

On 13 August, Neste announced that it is supplying Alaska Airlines, American Airlines and JetBlue Airways with sustainable aviation fuel for flights from San Francisco International Airport (SFO). The low-carbon and high-quality fuel will contribute to each airline's efforts to reach their climate goals.

On 19 August, Neste announced that Neste and Air bp have signed an agreement to offer an increased volume of sustainable aviation fuel to airport customers in 2020 and 2021. The volume is five times larger than that supplied by the businesses in 2019. Air bp will make the Neste-produced SAF available at selected airports in Europe, with deliveries to airports including Stockholm (ARN) and Oslo (OSL) expected to begin in the coming weeks.

On 14 September, Neste announced that the following members have been appointed to Neste's Shareholders' Nomination Board: The Chair, Director General Kimmo Viertola of the Ownership Steering Department in the Prime Minister's Office of Finland; Deputy CEO, Investments Reima Rytsölä of Varma Mutual Pension Insurance Company; Director General Outi Antila of The Social Insurance Institution of Finland and Matti Kähkönen, the Chair of Neste's Board of Directors. The Nomination Board is responsible for drafting and presenting proposals covering the remuneration and number of members of the Board of Directors and for presenting candidates as potential Board members to the AGM. The Nomination Board will forward its proposals for the AGM to the Board of Directors by 31 January 2021.

On 14 September, Neste announced that it plans to restructure its refinery operations in Finland and starts co-operation negotiations. In order to ensure the competitiveness of the Oil Products business, Neste is planning to restructure its refinery operations in Porvoo and Naantali, Finland. The company is exploring the shutdown of its refinery operations in Naantali and focusing the Naantali site on the terminal and harbor operations, as well as transforming the Porvoo refinery operations to co-processing renewable and circular raw materials. To initiate the transformation, the company will start cooperation negotiations in the Oil Products business unit and its supporting functions in Finland. If implemented, the plans would mean up to 470 redundancies, including possible outsourcing. The decisions on the measures and impacts on the various functions, personnel groups and locations will be made after the negotiations have been concluded. The planned changes are expected to result in annual fixed cost savings of approximately EUR 50 million.

On 16 September, Neste announced that Neste AB had sold its 49.99% shareholding in Nynas AB to Bitumina Industries Ltd on 15 September. Nynas is a Swedish manufacturer and marketer of naphthenic specialty oils and bitumen products. The Bitumina Group is a vertically integrated specialty Bitumen company which has expanded its business on a global scale.

On 23 September, Neste announced that it has signed an agreement with Shell to increase the supply of sustainable aviation fuel. In a move which anticipates increasing desire from airlines to reduce emissions, Neste and Shell Aviation have entered into a sustainable aviation fuel (SAF) supply agreement. This agreement significantly increases the supply and availability of SAF for the aviation industry with effect from October 2020. It brings together Neste's expertise in the production and supply of renewable diesel and SAF with Shell Aviation's world-class credentials in supplying and managing fuel around the world.

On 22 October, Neste announced that after having considered the impact of the COVID-19 pandemic on the markets and Neste's financials, its Board of Directors had decided upon the payment of a second installment of the dividend, EUR 0.56 per share, consisting of ordinary dividend of EUR 0.46 and extraordinary dividend of EUR 0.10 per share.

On 26 October, Neste announced that it is entering a sustainable aviation fuel (SAF) supply agreement with All Nippon Airways (ANA), Japan's largest airline. This groundbreaking partnership will see ANA become the first airline to use SAF on flights departing from Japan and also represents Neste's first SAF supply to an Asian airline. Initial operations will begin from October 2020 as ANA plans SAF-fueled flights from both Haneda International airport and Narita International Airport. The delivery of the SAF was made possible through collaboration and close coordination on logistics between Neste and the Japanese trading house Itochu Corporation.

On 27 November, Neste announced a strategic partnership with Royal DSM to create high performance materials made from sustainable feedstock. In the new strategic collaboration, DSM Engineering Materials will start replacing a significant portion of the fossil feedstock used in the manufacture of its high performance polymers portfolio with feedstock produced from recycled waste plastics and/or 100% bio-based hydrocarbons. These polymers are used, for example, in the automotive, electronics and packaging industries.

On 30 November, Neste announced that the co-operation negotiations to restructure its refinery operations in Finland have been concluded. As a consequence, the company has decided to shut down its refinery operations in Naantali by the end of March 2021. The company will focus the Naantali site on the terminal and harbor operations, as well as renew its Oil Products operating model. In the second phase of the transformation, the Porvoo refinery will be developed towards co-processing renewable and circular raw materials. The shutdown of the Naantali refining operations and the renewal of the Oil Products operating model will lead to approximately 370 redundancies. These measures are expected to result in annual fixed cost savings of approximately EUR 50 million.

On 1 December, Neste announced that it has acquired a minority stake in Aircraft Fuel Supply B.V. (AFS). AFS is the owner and operator of the Amsterdam Airport Schiphol fuel storage company. Through its share in AFS, Neste is able to offer to airlines operating at the Schiphol Airport in the Netherlands ongoing supply of Neste MY Sustainable Aviation Fuel™ with immediate effect.

On 11 December, Neste announced that its Board of Directors has approved the commencement of a new plan period within the share-based long-term incentive scheme for Neste's key employees. The scheme comprises a Performance Share Plan (also "PSP") targeted to Neste's management and selected key employees and a Restricted Share Plan (also "RSP") which serves as a complementary structure for specific situations. Similarly to earlier plan periods, relative total shareholder return (TSR) of the Company's share is set as a performance measure in the PSP 2021-2023. In addition to drive Neste strategy and leadership in sustainability, the Board of Directors has set the Company's Combined Greenhouse Gas (GHG) Impact as a new performance measure. The Combined GHG Impact includes GHG emission reductions achieved with Neste renewable products by customers (GHG Handprint of Renewable Products) and GHG emissions from Neste production (Production GHG Footprint).

On 21 December, Neste announced that it has successfully completed its first industrial-scale processing run with liquefied waste plastic in Finland. The processing run marks a very important milestone with regards to Neste's strategic aims of driving circular economy and replacing crude oil use at its own refineries. Neste's target is to process over 1 million tons of waste plastic annually from 2030 onwards.

Events published after the reporting period

On 4 January 2021, Neste announced that it had acquired (on 29 December 2020) a minority stake in Alterra Energy, an innovative chemical recycling technology company. Neste's equity investment supports Alterra Energy's expansion. The collaboration between the companies will include joint technology development and global technology licensing, enabling the partners to collaborate in commercializing Alterra Energy's proprietary thermochemical liquefaction technology in Europe.

On 29 January 2021, Neste announced that the Shareholders' Nomination Board proposes to the AGM to be held on 30 March 2021 that Mr. Matti Kähkönen shall be re-elected as the Chair of the Board of Directors. In addition, the current members of the Board, Ms. Sonat Burman-Olsson, Mr. Nick Elmslie, Ms. Martina Flöel, Mr. Jean-Baptiste Renard, Mr. Jari Rosendal, Ms. Johanna Söderström and Mr. Marco Wirén are proposed to be re-elected for a further term of office. The Nomination Board proposes that Mr. Wirén shall be re-elected as the Vice Chair of the Board. Further, subject to the approval of the AGM of a proposal for amending the Articles of Association to the effect that the maximum number of Board members is increased from eight to ten, the Nomination Board proposes that the Board of Directors shall have nine members and that Mr. John Abbott shall be elected as a new member. The Nomination Board has simultaneously requested the Board of Directors to propose to the AGM that the Articles of Association are amended as set out above.

Potential risks

The global COVID-19 pandemic continues to cause major risks and uncertainties for Neste's business. Key risks affecting Neste's financial results for the next 12 months include macroeconomical, regulatory and geopolitical risks, such as a prolonged economic recession, possible trade tensions, 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.

Dividend distribution proposal

Neste's dividend policy is to distribute at least 50% of its comparable net profit in the form of a dividend. The parent company's distributable equity as of 31 December 2020 amounted to EUR 2,657 million, and there have been no material changes in the company's financial position since the end of the financial year. The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.80 per share (1.02), totaling EUR 614 million (783 million), shall be paid on the basis of the approved balance sheet for 2020. The dividend shall be paid in two installments.

The first installment of dividend, EUR 0.40 per share, will be paid to shareholders registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the record date for the first dividend installment, which shall be 1 April 2021. The Board proposes to the AGM that the first dividend installment would be paid on 12 April 2021. The second installment of dividend, EUR 0.40 per share, will be paid to shareholders registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the record date for the second dividend installment, which shall be 5 October 2021. The Board proposes to the AGM that the second dividend installment would be paid on 12 October 2021. The Board of Directors is authorized to set a new dividend record date and payment date for the second installment of the dividend, in case the rules and regulations on the Finnish book-entry system would be changed, or otherwise so require.

The proposed dividend represents a yield of 1.4% (at year-end 2020 share price of EUR 59.16) and 50% of the comparable net profit in 2020.

Reporting date for the company's first-quarter 2021 results

Neste will publish its first-quarter results on 29 April 2021 at approximately 9:00 a.m. EET.

Espoo, 4 February 2021

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, 5 February 2021, 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 2311 3291, rest of Europe: +44 (0) 20 7192 8338, US: +1 646 741 3167, using access code 6398619. The conference call can be followed at the company's website. An instant replay of the call will be available until 12 February 2021 at +44 (0) 3333 009785 for Europe and +1 866 331 1332 for the US, using access code 6398619.

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 - DECEMBER 2020
The financial statements release is unaudited

FINANCIAL STATEMENT SUMMARY AND NOTES TO THE FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF INCOME

EUR million	Note	10-12/2020	10-12/2019	1-12/2020	1-12/2019
Revenue	3, 4	**3,028**	4,053	**11,751**	15,840
Other income		**4**	29	**17**	50
Share of profit (loss) of joint ventures	5, 9	**1**	-1	**-38**	-52
Materials and services		**-2,385**	-2,670	**-9,253**	-12,238
Employee benefit costs		**-136**	-101	**-431**	-395
Depreciation, amortization and impairments	4	**-299**	-118	**-680**	-502
Other expenses		**-214**	-146	**-538**	-474
Operating profit	4	**-2**	1,046	**828**	2,229
Financial income and expenses					
Financial income		**1**	2	**4**	10
Financial expenses		**-11**	-11	**-45**	-109
Exchange rate and fair value gains and losses		**-9**	-7	**0**	-64
Total financial income and expenses		**-19**	-16	**-41**	-163
Profit before income taxes		**-21**	1,030	**786**	2,067
Income tax expense		**26**	-96	**-72**	-278
Profit for the period		**6**	934	**714**	1,789
Profit attributable to:					
Owners of the parent		**5**	934	**712**	1,788
Non-controlling interests		**1**	0	**2**	1
		6	934	**714**	1,789
Earnings per share from profit attributable to the owners of the parent (in euro per share)					
Basic earnings per share		**0.01**	1.22	**0.93**	2.33
Diluted earnings per share		**0.01**	1.21	**0.93**	2.32

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	10-12/2020	10-12/2019	1-12/2020	1-12/2019
Profit for the period	**6**	934	**714**	1,789
Other comprehensive income net of tax:				
Items that will not be reclassified to profit or loss				
Remeasurements on defined benefit plans	**-3**	34	**-6**	8
Net change of other investments at fair value	**0**	0	**5**	0
Items that may be reclassified subsequently to profit or loss				
Translation differences	**-7**	42	**4**	45
Cash flow hedges				
recorded in equity	**67**	30	**73**	-26
transferred to income statement	**-19**	13	**-12**	66
Share of other comprehensive income of investments accounted for using the equity method	**0**	-1	**12**	8
Total	**41**	84	**77**	93
Other comprehensive income for the period, net of tax	**38**	118	**76**	101
Total comprehensive income for the period	**43**	1,052	**790**	1,890
Total comprehensive income attributable to:				
Owners of the parent	**43**	1,051	**788**	1,890
Non-controlling interests	**1**	0	**2**	1
	43	1,052	**790**	1,890

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets	8	**264**	135
Property, plant and equipment	8	**4,477**	4,187
Investments in associates and joint ventures	9	**56**	22
Non-current receivables		**61**	56
Deferred tax assets		**35**	40
Derivative financial instruments	11	**3**	7
Other financial assets	11	**32**	5
Total non-current assets		**4,928**	4,452
Current assets			
Inventories		**1,829**	1,678
Trade and other receivables		**1,208**	1,915
Derivative financial instruments	11	**260**	236
Current investments		**20**	19
Cash and cash equivalents		**1,552**	1,493
Total current assets		**4,869**	5,341
Assets classified as held for sale	6	**17**	0
Total assets	4	**9,815**	9,793
EQUITY			
Capital and reserves attributable to the owners of the parent			
Share capital		**40**	40
Other equity		**5,885**	5,879
Total		**5,925**	5,919
Non-controlling interests		**4**	2
Total equity		**5,929**	5,922
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities		**1,050**	1,080
Deferred tax liabilities		**222**	255
Provisions		**232**	93
Pension liabilities		**111**	111
Derivative financial instruments	11	**1**	1
Other non-current liabilities		**21**	21
Total non-current liabilities		**1,638**	1,561
Current liabilities			
Interest-bearing liabilities		**257**	242
Current tax liabilities		**7**	16
Derivative financial instruments	11	**111**	63
Trade and other payables		**1,872**	1,990
Total current liabilities		**2,247**	2,311
Liabilities related to assets held for sale		**0**	0
Total liabilities	4	**3,886**	3,872
Total equity and liabilities		**9,815**	9,793

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	**10-12/2020**	10-12/2019	**1-12/2020**	1-12/2019
Cash flows from operating activities					
Profit before income taxes		**-21**	1,030	**786**	2,067
Adjustments, total		**476**	-52	**997**	550
Change in net working capital		**872**	181	**460**	-780
Cash generated from operations		**1,328**	1,158	**2,244**	1,837
Finance cost, net		**-17**	-20	**-54**	-48
Income taxes paid		**-4**	-144	**-133**	-333
Net cash generated from operating activities		**1,307**	995	**2,057**	1,456
Cash flows from investing activities					
Capital expenditure		**-195**	-222	**-762**	-567
Acquisitions of subsidiaries	5	**0**	0	**-175**	-1
Acquisitions of associates and joint ventures		**-35**	0	**-35**	0
Proceeds from sales of shares in subsidiaries and business operations		**0**	122	**-2**	145
Proceeds from sales of property, plant and equipment		**1**	0	**1**	0
Changes in long-term receivables and other investments		**-7**	47	**-66**	120
Cash flows from investing activities		**-237**	-52	**-1,039**	-302
Cash flow before financing activities		**1,069**	943	**1,019**	1,154
Cash flows from financing activities					
Net change in loans and other financing activities		**-28**	-13	**-177**	-213
Dividends paid to the owners of the parent		**-430**	-292	**-783**	-583
Dividends paid to non-controlling interests		**-1**	0	**-1**	-1
Cash flows from financing activities		**-459**	-305	**-961**	-797
Net increase (+) / decrease (-) in cash and cash equivalents		**611**	637	**57**	357
Cash and cash equivalents at the beginning of the period		**944**	857	**1,493**	1,136
Exchange gains (+) / losses (-) on cash and cash equivalents		**-2**	-2	**2**	0
Cash and cash equivalents at the end of the period [1]		**1,552**	1,493	**1,552**	1,493

[1] Including cash and cash equivalents of EUR 1 million classified as held for sale as of 31 December 2020. See Note 6 for further information.

CONSOLIDATED STATEMENT OF CHANGES IN 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
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								**712**	**712**	**2**	**714**
Other comprehensive income for the period, net of tax					**77**	**-6**	**4**		**76**	**0**	**76**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**77**	**-6**	**4**	**712**	**788**	**2**	**790**
Transactions with the owners in their capacity as owners											
Dividend decision								**-783**	**-783**	**-1**	**-784**
Share-based compensation			**0**	**1**				**1**	**2**		**2**
Transfer from retained earnings		**0**					**0**		**0**		**0**
Total equity at 31 Dec 2020	**40**	**20**	**16**	**-7**	**71**	**-66**	**-35**	**5,886**	**5,925**	**4**	**5,929**

KEY FIGURES

	31 Dec 2020	31 Dec 2019
Revenue	**11,751**	15,840
Profit for the period	**714**	1,789
Earnings per share (EPS), EUR	**0.93**	2.33
Alternative performance measures		
EBITDA, EUR million	**1,508**	2,731
Capital employed, EUR million	**7,236**	7,243
Interest-bearing net debt, EUR million	**-265**	-191
Capital expenditure and investment in shares, EUR million	**1,197**	890
Return on average capital employed, after tax, (ROACE) %	**17.3**	26.6
Return on equity, (ROE) %	**11.8**	35.8
Equity per share, EUR	**7.72**	7.71
Cash flow per share, EUR	**2.68**	1.90
Price/earnings ratio (P/E)	**63.75**	13.32
Comparable earnings per share, EUR	**1.60**	2.04
Comparable net profit	**1,229**	1,564
Equity-to-assets ratio, %	**61.1**	60.8
Leverage ratio, %	**-4.7**	-3.3
Dividend per share	**0.80** [1)]	1.02
Dividend payout ratio, %	**86.2** [1)]	43.8
Dividend yield, %	**1.4** [1)]	3.3
Adjusted weighted average number of shares outstanding	**767,370,423**	767,151,336
Adjusted number of shares outstanding at the end of the period	**767,836,640**	767,683,600
Average number of personnel	**4,833**	5,474

[1)] Board of Directors proposal to the Annual General Meeting.

Neste presents Alternative Performance Measures (APM) 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 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 presented total figure.

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.

Key accounting considerations related to COVID-19 pandemic

The Group has assessed the impacts of COVID-19 pandemic by reviewing the carrying values of the balance sheet items. After write-downs related to Naantali refinery closure, the review did not indicate need for asset impairments. COVID-19 pandemic did not have an effect on the Group's liquid funds and committed unutilized credit facilities.

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	10-12/2020 Renewable Products	Oil Products	Marketing & Services	Others	Total	10-12/2019 Renewable Products	Oil Products	Marketing & Services	Others	Total
Fuels [1]	**1,037**	**1,082**	**725**	**0**	**2,844**	1,041	1,778	964	0	3,782
Light distillates	**21**	**518**	**174**	**0**	**713**	30	796	220	0	1,047
Middle distillates	**1,016**	**475**	**550**	**0**	**2,041**	1,011	877	743	0	2,631
Heavy fuel oil	**0**	**89**	**1**	**0**	**89**	0	104	1	0	105
Other products	**0**	**142**	**23**	**0**	**164**	0	206	26	0	232
Other services	**0**	**11**	**3**	**6**	**20**	0	24	3	12	38
Total	**1,037**	**1,234**	**750**	**6**	**3,028**	1,041	2,008	992	12	4,053

External revenue	1-12/2020 Renewable Products	Oil Products	Marketing & Services	Others	Total	1-12/2019 Renewable Products	Oil Products	Marketing & Services	Others	Total
Fuels [1]	**4,114**	**3,933**	**2,927**	**0**	**10,975**	3,648	7,138	4,028	0	14,814
Light distillates	**97**	**1,820**	**720**	**0**	**2,636**	92	3,231	1,012	0	4,336
Middle distillates	**4,017**	**1,813**	**2,204**	**0**	**8,034**	3,555	3,472	3,011	0	10,039
Heavy fuel oil	**0**	**300**	**4**	**0**	**304**	0	434	5	0	439
Other products	**0**	**604**	**94**	**0**	**698**	7	800	118	0	925
Other services	**0**	**41**	**9**	**28**	**78**	0	46	11	44	101
Total	**4,114**	**4,578**	**3,031**	**28**	**11,751**	3,654	7,984	4,157	44	15,840

[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	10-12/2020 Renewable Products	Oil Products	Marketing & Services	Others	Total	10-12/2019 Renewable Products	Oil Products	Marketing & Services	Others	Total
Goods transferred at point in time	**1,037**	**1,223**	**748**	**0**	**3,008**	1,041	1,984	990	0	4,014
Services transferred at point in time	**0**	**11**	**3**	**0**	**14**	0	24	3	0	27
Services transferred over time	**0**	**0**	**0**	**6**	**6**	0	0	0	11	11
Total	**1,037**	**1,234**	**750**	**6**	**3,028**	1,041	2,008	992	12	4,053

External revenue	1-12/2020 Renewable Products	Oil Products	Marketing & Services	Others	Total	1-12/2019 Renewable Products	Oil Products	Marketing & Services	Others	Total
Goods transferred at point in time	**4,114**	**4,537**	**3,021**	**0**	**11,673**	3,654	7,937	4,147	0	15,739
Services transferred at point in time	**0**	**41**	**9**	**1**	**52**	0	46	11	2	59
Services transferred over time	**0**	**0**	**0**	**26**	**26**	0	0	0	42	42
Total	**4,114**	**4,578**	**3,031**	**28**	**11,751**	3,654	7,984	4,157	44	15,840

REVENUE BY OPERATING SEGMENT

10-12/2020	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
External revenue	**1,037**	**1,234**	**750**	**6**	**0**	**3,028**
Internal revenue	**47**	**346**	**6**	**34**	**-433**	**0**
Total revenue	**1,084**	**1,580**	**756**	**40**	**-433**	**3,028**

10-12/2019	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
External revenue	1,041	2,008	992	12	0	4,053
Internal revenue	40	587	9	49	-686	0
Total revenue	1,081	2,595	1,002	60	-686	4,053

1-12/2020	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
External revenue	**4,114**	**4,578**	**3,031**	**28**	**0**	**11,751**
Internal revenue	**156**	**1,485**	**24**	**149**	**-1,813**	**0**
Total revenue	**4,270**	**6,063**	**3,055**	**177**	**-1,813**	**11,751**

1-12/2019	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
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

REVENUE BY OPERATING DESTINATION

	10-12/2020					10-12/2019				
External revenue	**Renewable Products**	**Oil Products**	**Marketing & Services**	**Others**	**Total**	Renewable Products	Oil Products	Marketing & Services	Others	Total
Finland	**74**	**333**	**576**	**5**	**988**	33	518	744	5	1,300
Other Nordic countries	**286**	**169**	**0**	**0**	**456**	201	248	4	0	453
Baltic Rim	**28**	**27**	**173**	**0**	**228**	4	9	243	0	257
Other European countries	**292**	**490**	**0**	**0**	**782**	393	1,076	0	5	1,474
North and South America	**347**	**167**	**0**	**1**	**515**	402	108	0	1	511
Other countries	**11**	**48**	**0**	**0**	**59**	8	49	0	0	58
Total	**1,037**	**1,234**	**750**	**6**	**3,028**	1,041	2,008	992	12	4,053

	1-12/2020					1-12/2019				
External revenue	**Renewable Products**	**Oil Products**	**Marketing & Services**	**Others**	**Total**	Renewable Products	Oil Products	Marketing & Services	Others	Total
Finland	**169**	**1,260**	**2,313**	**21**	**3,763**	33	2,009	2,991	25	5,058
Other Nordic countries	**1,287**	**691**	**4**	**0**	**1,982**	1,386	1,188	27	2	2,602
Baltic Rim	**36**	**181**	**712**	**0**	**930**	6	67	1,137	0	1,210
Other European countries	**1,509**	**1,809**	**2**	**4**	**3,323**	1,000	3,952	2	12	4,965
North and South America	**1,089**	**512**	**0**	**2**	**1,603**	1,197	530	0	2	1,729
Other countries	**24**	**125**	**0**	**0**	**150**	32	239	0	4	275
Total	**4,114**	**4,578**	**3,031**	**28**	**11,751**	3,654	7,984	4,157	44	15,840

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, common corporate costs, and Nynas AB joint venture until 15 September 2020 when its sale of shares was completed. 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	**10-12/2020**	10-12/2019	**1-12/2020**	1-12/2019
Renewable Products	**1,084**	1,081	**4,270**	4,033
Oil Products	**1,580**	2,595	**6,063**	10,416
Marketing & Services	**756**	1,002	**3,055**	4,193
Others	**40**	60	**177**	246
Eliminations	**-433**	-686	**-1,813**	-3,049
Total	**3,028**	4,053	**11,751**	15,840

OPERATING PROFIT	**10-12/2020**	10-12/2019	**1-12/2020**	1-12/2019
Renewable Products	**285**	888	**1,239**	1,847
Oil Products	**-287**	141	**-396**	406
Marketing & Services	**15**	36	**68**	102
Others	**-12**	-14	**-84**	-123
Eliminations	**-3**	-4	**1**	-2
Total	**-2**	1,046	**828**	2,229

COMPARABLE OPERATING PROFIT	**10-12/2020**	10-12/2019	**1-12/2020**	1-12/2019
Renewable Products	**338**	671	**1,334**	1,599
Oil Products	**37**	117	**50**	386
Marketing & Services	**15**	11	**68**	77
Others	**-7**	-14	**-37**	-98
Eliminations	**-3**	-4	**1**	-2
Total	**380**	781	**1,416**	1,962

DEPRECIATION, AMORTIZATION AND IMPAIRMENTS	**10-12/2020**	10-12/2019	**1-12/2020**	1-12/2019
Renewable Products	**50**	49	**184**	166
Oil Products	**229**	48	**425**	232
Marketing & Services	**7**	8	**28**	33
Others	**14**	11	**43**	71
Eliminations	**0**	2	**0**	0
Total	**299**	118	**680**	502

CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES	**10-12/2020**	10-12/2019	**1-12/2020**	1-12/2019
Renewable Products	**232**	183	**804**	424
Oil Products	**85**	174	**307**	373
Marketing & Services	**12**	23	**26**	37
Others	**15**	19	**60**	56
Eliminations	**0**	0	**0**	0
Total	**344**	399	**1,197**	890

TOTAL ASSETS	**31 Dec 2020**	31 Dec 2019
Renewable Products	**3,998**	3,606
Oil Products	**3,402**	3,927
Marketing & Services	**476**	577
Others	**349**	352
Unallocated assets	**1,839**	1,652
Eliminations	**-249**	-322
Total	**9,815**	9,793

NET ASSETS	31 Dec 2020	31 Dec 2019
Renewable Products	**3,470**	3,137
Oil Products	**1,848**	2,313
Marketing & Services	**192**	235
Others	**149**	214
Eliminations	**-6**	-9
Total	**5,653**	5,890

TOTAL LIABILITIES	31 Dec 2020	31 Dec 2019
Renewable Products	**825**	757
Oil Products	**1,600**	1,674
Marketing & Services	**339**	406
Others	**206**	145
Unallocated liabilities	**1,160**	1,202
Eliminations	**-243**	-313
Total	**3,886**	3,872

RETURN ON NET ASSETS, %	31 Dec 2020	31 Dec 2019
Renewable Products	**36.3**	77.4
Oil Products	**-16.8**	16.2
Marketing & Services	**31.0**	35.3

COMPARABLE RETURN ON NET ASSETS, %	31 Dec 2020	31 Dec 2019
Renewable Products	**39.1**	67.0
Oil Products	**2.1**	15.4
Marketing & Services	**31.0**	26.7

QUARTERLY SEGMENT INFORMATION

QUARTERLY REVENUE	10-12/2020	7-9/2020	4-6/2020	1-3/2020	10-12/2019	7-9/2019	4-6/2019	1-3/2019
Renewable Products	**1,084**	**1,074**	**1,047**	**1,065**	1,081	1,025	955	973
Oil Products	**1,580**	**1,405**	**1,218**	**1,860**	2,595	2,578	2,729	2,514
Marketing & Services	**756**	**788**	**664**	**846**	1,002	1,086	1,064	1,042
Others	**40**	**32**	**45**	**59**	60	58	68	60
Eliminations	**-433**	**-418**	**-403**	**-560**	-686	-784	-758	-821
Total	**3,028**	**2,881**	**2,572**	**3,270**	4,053	3,961	4,057	3,769

QUARTERLY OPERATING PROFIT	10-12/2020	7-9/2020	4-6/2020	1-3/2020	10-12/2019	7-9/2019	4-6/2019	1-3/2019
Renewable Products	**285**	**360**	**168**	**426**	888	376	284	300
Oil Products	**-287**	**86**	**40**	**-234**	141	75	76	114
Marketing & Services	**15**	**26**	**19**	**8**	36	28	25	13
Others	**-12**	**-47**	**-16**	**-9**	-14	-38	-28	-43
Eliminations	**-3**	**0**	**-3**	**7**	-4	2	1	-1
Total	**-2**	**425**	**208**	**197**	1,046	442	359	383

QUARTERLY COMPARABLE OPERATING PROFIT	10-12/2020	7-9/2020	4-6/2020	1-3/2020	10-12/2019	7-9/2019	4-6/2019	1-3/2019
Renewable Products	**338**	**352**	**314**	**329**	671	305	286	337
Oil Products	**37**	**-1**	**-60**	**74**	117	113	83	73
Marketing & Services	**15**	**26**	**19**	**8**	11	28	25	13
Others	**-7**	**-5**	**-16**	**-9**	-14	-13	-28	-43
Eliminations	**-3**	**0**	**-3**	**7**	-4	2	1	-1
Total	**380**	**373**	**255**	**408**	781	435	367	378

QUARTERLY DEPRECIATION, AMORTIZATION AND IMPAIRMENTS	10-12/2020	7-9/2020	4-6/2020	1-3/2020	10-12/2019	7-9/2019	4-6/2019	1-3/2019
Renewable Products	**50**	**47**	**43**	**44**	49	46	36	36
Oil Products	**229**	**63**	**64**	**70**	48	67	65	51
Marketing & Services	**7**	**7**	**7**	**7**	8	8	8	8
Others	**14**	**10**	**10**	**9**	11	43	8	8
Eliminations	**0**	**0**	**0**	**0**	2	-2	0	0
Total	**299**	**127**	**124**	**129**	118	162	118	104

QUARTERLY CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES	10-12/2020	7-9/2020	4-6/2020	1-3/2020	10-12/2019	7-9/2019	4-6/2019	1-3/2019
Renewable Products	**232**	**155**	**284**	**134**	183	125	88	29
Oil Products	**85**	**71**	**50**	**101**	174	70	74	55
Marketing & Services	**12**	**5**	**6**	**3**	23	5	6	2
Others	**15**	**9**	**13**	**22**	19	14	11	12
Eliminations	**0**	**0**	**0**	**0**	0	0	0	0
Total	**344**	**240**	**352**	**260**	399	214	179	98

QUARTERLY NET ASSETS	10-12/2020	7-9/2020	4-6/2020	1-3/2020	10-12/2019	7-9/2019	4-6/2019	1-3/2019
Renewable Products	**3,470**	**3,695**	**3,592**	**3,165**	3,137	2,424	2,259	2,116
Oil Products	**1,848**	**2,630**	**2,579**	**2,439**	2,313	2,819	2,564	2,581
Marketing & Services	**192**	**208**	**206**	**249**	235	319	315	319
Others	**149**	**189**	**208**	**226**	214	-102	-152	151
Eliminations	**-6**	**-5**	**-7**	**2**	-9	-7	-8	0
Total	**5,653**	**6,718**	**6,578**	**6,082**	5,890	5,453	4,977	5,167

5. ACQUISITIONS AND DISPOSALS

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 are presented in the table below. Based on 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 are included in 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. 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	143
Fair value of acquired net assets	-34
Goodwill	**109**

Cash flows of acquisition:	1-12/2020
Consideration, paid in cash	-143
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 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 are included in 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:	**1-12/2020**
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**

Alterra Energy LLC

On December 29, 2020 Neste acquired a minority stake in Alterra Energy LLC, an innovative chemical recycling technology company. The collaboration between Neste and Alterra includes joint technology development and enables commercializing Alterra's proprietary thermochemical liquefaction technology in Europe. Neste management has classified Alterra as an associate and is presented under Investments in associates and joint ventures.

Disposals

Neste AB has sold its 49.99% shareholding in joint venture Nynas AB to Bitumina Industries Ltd on 15 September 2020. Total consideration is subject to provisional adjustments which could change the final consideration. Loss on sales is presented as share of profit (loss) of joint ventures in the consolidated statement of income.

Sale of shares of Nynas AB	**Recognized values**
Total consideration	0
Sold net assets	0
Translation differences and share of other comprehensive income related to disposal (reclassified from equity)	-42
Loss on sale	**-42**
Net cash flow of the disposal	**0**

6. ASSETS HELD FOR SALE

Neste and Futura vessels

The assets classified as held for sale as of 31 December 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	Neste and Futura vessels 2020
Property, plant and equipment	14
Total	14

LPG cylinder business and stake in Oy Innogas Ab

The assets classified as held for sale as of 31 December 2020 relate to the sale of Neste's liquefied petroleum gas (LPG) cylinder business and Neste's share of the bottling plant Oy Innogas Ab operating in Kilpilahti. In the transaction, Oy Linde Gas Ab (formerly AGA) acquires Neste's LPG business, i.e. related agreements and assets, and Neste's 50 percent shareholding in the previously co-owned Oy Innogas Ab. Transaction was completed in January 2021. Classified liquefied petroleum gas (LPG) cylinder business and Oy Innogas Ab are part of the Marketing & Services segment.

Assets classified as held for sale	LPG cylinder business and stake in Oy Innogas Ab 2020
Inventories	3
Cash and cash equivalents	1
Total	4

7. RECONCILIATION OF KEY FIGURES TO IFRS FINANCIAL STATEMENTS

RECONCILIATION BETWEEN COMPARABLE OPERATING PROFIT AND OPERATING PROFIT

Group	10-12/2020	10-12/2019	7-9/2020	1-12/2020	1-12/2019
COMPARABLE OPERATING PROFIT	**380**	781	373	**1,416**	1,962
inventory valuation gains/losses	**-21**	87	68	**-119**	180
changes in the fair value of open commodity and currency derivatives	**-48**	133	27	**-112**	69
capital gains and losses	**0**	27	-42	**-42**	37
impairments	**0**	23	0	**0**	-11
other adjustments [1]	**-312**	-6	-1	**-314**	-7
OPERATING PROFIT	**-2**	1,046	425	**828**	2,229

[1] Other adjustments totaling EUR -312 million were booked in the fourth quarter relating to the Naantali refinery closure. They included an asset write-down, and cost provisions for site demolition, clean-up and personnel arrangements.

Renewable Products	10-12/2020	10-12/2019	7-9/2020	1-12/2020	1-12/2019
COMPARABLE OPERATING PROFIT	**338**	671	352	**1,334**	1,599
inventory valuation gains/losses	**-9**	74	5	**10**	137
changes in the fair value of open commodity and currency derivatives	**-44**	146	2	**-105**	101
capital gains and losses	**0**	0	0	**0**	0
impairments	**0**	0	0	**0**	0
other adjustments	**0**	-3	0	**0**	10
OPERATING PROFIT	**285**	888	360	**1,239**	1,847

Oil Products	10-12/2020	10-12/2019	7-9/2020	1-12/2020	1-12/2019
COMPARABLE OPERATING PROFIT	**37**	117	-1	**50**	386
inventory valuation gains/losses	**-12**	13	62	**-130**	43
changes in the fair value of open commodity and currency derivatives	**-4**	-12	25	**-7**	-32
capital gains and losses	**0**	0	0	**0**	0
impairments	**0**	23	0	**0**	23
other adjustments	**-308**	0	-1	**-310**	-15
OPERATING PROFIT	**-287**	141	86	**-396**	406

Marketing & Services	10-12/2020	10-12/2019	7-9/2020	1-12/2020	1-12/2019
COMPARABLE OPERATING PROFIT	**15**	11	26	**68**	77
inventory valuation gains/losses	**0**	0	0	**0**	0
changes in the fair value of open commodity and currency derivatives	**0**	0	0	**0**	0
capital gains and losses	**0**	27	0	**0**	27
impairments	**0**	0	0	**0**	0
other adjustments	**0**	-3	0	**0**	-3
OPERATING PROFIT	**15**	36	26	**68**	102

Others	10-12/2020	10-12/2019	7-9/2020	1-12/2020	1-12/2019
COMPARABLE OPERATING PROFIT	**-7**	-14	-5	**-37**	-98
inventory valuation gains/losses	**0**	0	0	**0**	0
changes in the fair value of open commodity and currency derivatives	**0**	0	0	**0**	0
capital gains and losses	**0**	0	-42	**-42**	9
impairments	**0**	0	0	**0**	-34
other adjustments	**-5**	0	0	**-5**	0
OPERATING PROFIT	**-12**	-14	-47	**-84**	-123

RECONCILIATION BETWEEN COMPARABLE OPERATING PROFIT AND COMPARABLE NET PROFIT

	10-12/2020	10-12/2019	**1-12/2020**	1-12/2019
COMPARABLE OPERATING PROFIT	**380**	781	**1,416**	1,962
total financial income and expenses	**-19**	-16	**-41**	-163
income tax expense	**26**	-96	**-72**	-278
non-controlling interests	**-1**	0	**-2**	-1
tax on items affecting comparability	**-50**	35	**-71**	43
COMPARABLE NET PROFIT	**337**	704	**1,229**	1,564

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

	31 Dec 2020	31 Dec 2019
COMPARABLE OPERATING PROFIT, LAST 12 MONTHS	**1,416**	1,962
financial income	**4**	10
exchange rate and fair value gains and losses	**0**	-64
income tax expense	**-72**	-278
tax on other items affecting ROACE	**-77**	35
Comparable net profit, net of tax	**1,271**	1,666
Capital employed average	**7,326**	6,275
RETURN ON AVERAGE CAPITAL EMPLOYED, AFTER TAX (ROACE), %	**17.3**	26.6

RECONCILIATION OF EQUITY-TO-ASSETS RATIO, %

	31 Dec 2020	31 Dec 2019
Total equity	**5,929**	5,922
Total assets	**9,815**	9,793
Advances received	**-104**	-46
EQUITY-TO-ASSETS RATIO, %	**61.1**	60.8

RECONCILIATION OF NET WORKING CAPITAL IN DAYS OUTSTANDING

	31 Dec 2020	31 Dec 2019
Operative receivables	**1,179**	1,918
Inventories	**1,829**	1,678
Operative liabilities	**-1,883**	-2,001
Net working capital	**1,125**	1,595
Revenue, last 12 months	**11,751**	15,840
NET WORKING CAPITAL IN DAYS OUTSTANDING	**35.0**	36.7

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

CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	31 Dec 2020	31 Dec 2019
Opening balance	**4,322**	3,861
Change in accounting policy, IFRS 16	**0**	215
Restated opening balance	**4,322**	4,076
Capital expenditure	**964**	890
Acquisitions	**219**	1
Depreciation, amortization and impairments [1]	**-680**	-497
Disposals	**-48**	-152
Assets held for sale	**-14**	0
Translation differences	**-22**	4
Closing balance	**4,741**	4,322

[1] Including EUR 167 million of asset write-down relating to the Naantali refinery closure.

COMMITMENTS	31 Dec 2020	31 Dec 2020
Commitments to purchase property, plant and equipment and intangible assets	**616**	754
Other commitments	**10**	0
Total	**626**	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 ASSOCIATES AND JOINT VENTURES

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES	31 Dec 2020	31 Dec 2019
Opening balance	**22**	106
Share of profit (loss) of joint ventures [1]	**-38**	-52
Share of other comprehensive income of investments accounted for using the equity method [1]	**12**	8
Investments [2]	**35**	0
Impairments	**0**	-36
Translation differences [1]	**26**	-5
Other changes	**0**	1
Closing balance	**56**	22

[1] Including the effect of the sale of Nynas AB shares. See Note 5 Acquisitions and disposals for more information.

[2] Neste acquired 40% share of Alterra Energy LLC. See Note 5 Acquisitions and disposals for more information.

10. INTEREST-BEARING NET DEBT AND LIQUIDITY

INTEREST-BEARING NET DEBT	31 Dec 2020	31 Dec 2019
Non-current interest-bearing liabilities [1]	**1,050**	1,080
Current interest-bearing liabilities [2]	**257**	242
Interest-bearing liabilities	**1,307**	1,322
Current investments	**-20**	-19
Cash and cash equivalents	**-1,552**	-1,493
Liquid funds	**-1,572**	-1,513
Interest-bearing net debt	**-265**	-191

[1] Including EUR 289 million of lease liabilities at 31 December 2020 (31 Dec 2019: EUR 317 million)

[2] Including EUR 114 million of lease liabilities at 31 December 2020 (31 Dec 2019: EUR 102 million)

LIQUIDITY, UNUSED COMMITTED CREDIT FACILITIES AND DEBT PROGRAMS	31 Dec 2020	31 Dec 2019
Liquid funds	**1,572**	1,513
Unused committed credit facilities	**1,350**	1,350
Total	**2,922**	2,863
In addition: Unused commercial paper program (uncommitted)	**400**	400

11. FINANCIAL INSTRUMENTS

No significant changes were made to the Group's risk management policies 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 2019.

	31 Dec 2020		31 Dec 2019	
Interest rate and currency derivatives	**Nominal value**	**Net fair value**	Nominal value	Net fair value
Currency derivatives				
Hedge accounting	**3,057**	**93**	2,409	14
Non-hedge accounting	**1,212**	**32**	1,602	14

	31 Dec 2020			31 Dec 2019		
Commodity derivatives	**Volume GWh**	**Volume million bbl**	**Net fair value**	Volume GWh	Volume million bbl	Net fair value
Sales contracts						
Non-hedge accounting	**0**	**22**	**-79**	0	18	-19
Purchase contracts						
Non-hedge accounting	**3,258**	**18**	**104**	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 December 31, 2020

Balance sheet item	**Fair value through OCI**	**Fair value through profit or loss**	**Amortized cost**	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Non-current financial assets								
Non-current receivables			61	61	61			
Derivative financial instruments	0	3		3	3	0	3	
Other financial assets	27	5		32	32			32
Current financial assets								
Trade and other receivables [1]		4	1,193	1,197	1,197			
Derivative financial instruments	108	152		260	260	1	260	
Current investments			20	20	20			
Cash and cash equivalents			1,552	1,552	1,552			
Financial assets	136	163	2,826	3,125	3,125			
Non-current financial liabilities								
Interest-bearing liabilities			1,050	1,050	1,072	742	330	
Derivative financial instruments	1	0		1	1		1	
Other non-current liabilities			21	21	21			
Current financial liabilities								
Interest-bearing liabilities			257	257	257		257	
Derivative financial instruments	14	97		111	111	23	88	
Trade and other payables			1,872	1,872	1,872			
Financial liabilities	15	98	3,199	3,312	3,334			

[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 quatations. Other financial assets in fair value through profit and loss category include unlisted shares of EUR 5 million. Other financial assets in fair value through other comprehensive income category include unlisted shares of EUR 27 million. Fair values are determined in accordance of IFRS 13.

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.

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.

Transactions carried out with joint arrangements and other related parties	**31 Dec 2020**	31 Dec 2019
Sales of goods and services	**273**	216
Purchases of goods and services	**170**	258
Receivables	**90**	102
Financial income and expenses	**2**	-54
Liabilities	**1**	19

13. CONTINGENT LIABILITIES

Contingent liabilities	**31 Dec 2020**	31 Dec 2019
On own behalf for commitments		
Real estate mortgages	**26**	26
Other contingent liabilities	**62**	29
Total	**88**	55
On behalf of joint arrangements		
Pledged assets	**40**	31
Total	**40**	31
On behalf of others		
Guarantees	**1**	1
Total	**1**	1
Total	**128**	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.

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