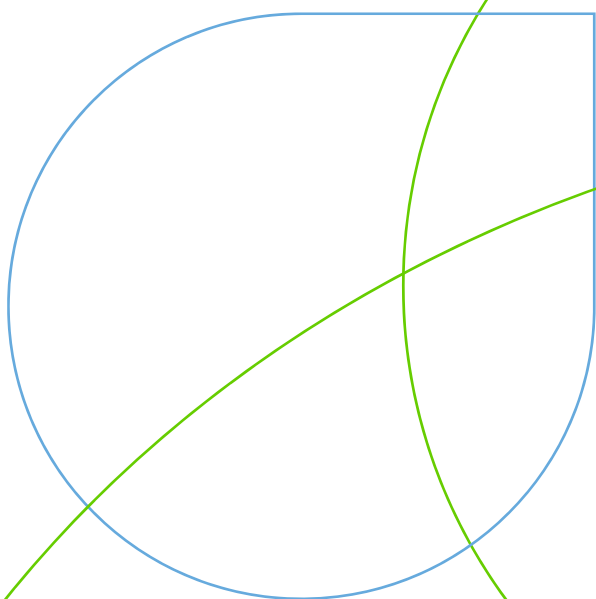


Neste Corporation
Half-Year Financial Report
January-June 2019



Neste's Half-Year Financial Report for January-June 2019

Strong result supported by record sales in Renewable Products

Second quarter in brief:

- Comparable operating profit totaled EUR 367 million (EUR 277 million)
- Operating profit totaled EUR 358 million (EUR 172 million)
- Renewable Products' comparable sales margin was USD 568/ton (USD 508/ton)
- Oil Products' total refining margin was USD 9.42/bbl (USD 11.75/bbl)
- Marketing & Services' comparable operating profit was EUR 25 million (EUR 20 million)
- Cash flow before financing activities was EUR 132 million (EUR 140 million)

January-June in brief:

- Comparable operating profit totaled EUR 746 million (EUR 679 million)
- Operating profit totaled EUR 740 million (EUR 592 million)
- Cash flow before financing activities was EUR 140 million (EUR 373 million)
- Cash-out investments were EUR 189 million (EUR 194 million)
- Return on average capital employed (ROACE) was 21.1% over the last 12 months (2018: 21.1%)
- Leverage ratio was 5.7% at the end of June (31.12.2018: -1.5%)
- Comparable earnings per share: EUR 0.77 (EUR 0.72)
- Earnings per share: EUR 0.76 (EUR 0.63)

President and CEO Peter Vanacker:

"Neste's solid financial performance continued. We posted a comparable operating profit of EUR 367 million in the second quarter, compared to EUR 277 million in the corresponding period last year. Renewable Products' quarterly sales and production volumes were the highest ever. Oil Products' comparable operating profit was lower than in the second quarter of 2018, mainly due to a less supportive market. Marketing & Services improved its performance, and the segment's comparable operating profit was the highest ever second-quarter result. Neste reached a ROACE of 21.1% over the last 12 months, and had a leverage ratio of 5.7% at the end of June.

Renewable Products posted a comparable operating profit of EUR 286 million (EUR 177 million). The renewable diesel market continued to be favorable, but feedstock prices increased as communicated earlier. Our sales volumes were 745,000 tons, and this new quarterly record was also supported by the excellent operational performance at the refineries. The higher sales volume had a positive impact of EUR 79 million on the comparable operating profit year-on-year. The comparable sales margin averaged at USD 568/ton, which was 12% higher compared to the corresponding period last year, leading to a positive impact of EUR 32 million on the operating profit. During the second quarter 65% of volumes were sold to the European markets and 35% to North America. During the quarter our renewable diesel production facilities operated at a very high average utilization rate of 105%, based on the nominal capacity of 2.9 Mton/a. The share of waste and residues was 77% of the total renewable raw material inputs.

Oil Products posted a comparable operating profit of EUR 83 million (EUR 92 million) in the second quarter. The reference margin continued to be impacted by a weak product market and a narrow Urals-Brent price differential. The lower reference margin had a negative impact of EUR 18 million on the comparable operating profit year-on-year. Compared to the second quarter of 2018, Oil Products' additional margin was burdened by a lower currency hedging result, higher utility costs and the narrow Urals-Brent price differential, and it averaged at USD 3.4/bbl. A stronger US dollar rate improved the comparable operating profit by EUR 14 million year-on-year. Sales volumes were higher and had a positive impact of EUR 19 million on the comparable operating profit compared to the corresponding period 2018.

Marketing & Services posted a comparable operating profit of EUR 25 million (EUR 20 million) in the second quarter. It was the best ever second-quarter performance for the segment, mainly as a result of improved unit margins.

The Others segment's comparable operating profit was EUR -28 million (EUR -11 million), mainly due to the weak financial performance of Nynas. Nynas continues to struggle with crude oil supply problems caused by the US sanctions against Venezuela.

We are making good progress in our strategy execution. The Singapore renewable production capacity expansion is proceeding as planned. The first commercial deliveries of renewable jet fuel and renewable polymers have taken place, and we expect sales volumes in these markets to slowly ramp up. We also continue to focus on our Operational Excellence program with a target to achieve at least EUR 100 million profit improvements by the end of 2022. Recruitment of the key people is ongoing, and we have nominated Ms. Mercedes Alonso as the new Executive Committee member responsible for Renewable Polymers and Chemicals.

Neste targets to become a global leader in renewable and circular solutions. In order to focus on our strategic priorities, we have agreed to divest our Russian fuel retail business to PJSC Tatneft. We have also agreed to create a strategic partnership with engineering consultancy services company Rejlers, which will strengthen the delivery capability and improve the focus of Neste Engineering Solutions (NES). As part of the partnership agreement, Rejlers will acquire the Regional Business Unit of NES. The divestments are subject to normal regulatory approvals."

Outlook

Developments in the global economy have been reflected in the renewable fuel, feedstock and oil markets; and volatility in these markets is anticipated to continue. Vegetable oil price differentials are expected to vary, depending on crop outlooks, weather phenomena, and variations in demand for different feedstocks. Global oil product demand growth is expected to continue at a lower rate than in 2018, while global refining capacity additions are expected to grow driven by large projects in Asia and the Middle East. Based on our current estimates and a hedging rate of approx. 80%, Neste's effective EUR/USD rate is expected to be within a range 1.14-1.16 in the third quarter of 2019.

Renewable Products' sales volumes and utilization rates of our production facilities are expected to remain high in the third quarter. We have scheduled a catalyst change at the Rotterdam renewable products refinery in the fourth quarter. The catalyst change is currently estimated to have a negative impact of approx. EUR 50 million on the segment's comparable operating profit in the fourth quarter.

Oil Products' third-quarter reference margin is expected to be higher than in the first half of the year, driven by a seasonally stronger product market and refinery outages. Utilization rates of our production facilities are anticipated

to remain high in the third quarter, except for normal unit maintenances. We have scheduled a four-week decoking maintenance at the Porvoo refinery Production Line 4 in September-October. The scheduled maintenance is currently estimated to have a negative impact of approx. EUR 15 million on the segment's comparable operating profit, mainly in the fourth quarter.

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

Neste's Half-Year Financial Report, 1 January - 30 June 2019

The Half-Year Financial Report is unaudited.

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

Neste adopted the IFRS 16 Leases standard on 1 January 2019. The impact of the standard application on the financial indicators in 2019 has been described in the Half-Year Financial Report table section Note 14. The figures for previous periods have not been restated.

Key Figures

EUR million (unless otherwise noted)

	4-6/19	4-6/18	1-3/19	1-6/19	1-6/18	2018
Revenue	4,057	3,745	3,769	7,826	7,374	14,918
EBITDA	476	275	486	961	793	1,639
Operating profit	358	172	382	740	592	1,025
Comparable operating profit*	367	277	378	746	679	1,422
Profit before income taxes	346	154	348	694	551	951
Net profit	293	133	294	587	480	779
Comparable net profit**	304	223	289	592	553	1,150
Earnings per share***, EUR	0.38	0.17	0.38	0.76	0.63	1.01
Comparable earnings per share***, EUR	0.40	0.29	0.38	0.77	0.72	1.50
Investments	179	114	98	277	201	438
Net cash generated from operating activities	303	354	100	403	677	1,452

	30 June 2019	30 June 2018	31 Dec 2018
Total equity	4,637	4,315	4,630
Interest-bearing net debt	279	264	-70
Capital employed	5,994	5,466	5,770
Return on average capital employed after tax (ROACE)****, %	21.1	20.8	21.1
Equity per share, EUR***	6.04	5.62	6.03
Leverage ratio, %	5.7	5.8	-1.5

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

** Comparable net profit is calculated by deducting total financial income and expense, income tax expense, non-controlling interests and tax on items affecting comparability from the reported comparable operating profit. Comparable earnings per share is based on comparable net profit.

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

**** Last 12 months

The Group's second quarter 2019 results

Neste's revenue in the second quarter totaled EUR 4,057 million (3,745 million). The revenue increase mainly resulted from higher sales volumes. The Group's comparable operating profit was EUR 367 million (277 million). Renewable Products' comparable operating profit was higher than in the second quarter of 2018, mainly as a result of higher sales volumes and sales margin. Oil Products' result was lower than in the second quarter of 2018, mainly due to lower margins. Marketing & Services' higher unit margins drove improvement in the segment's comparable operating profit year-on-year. The Others segment's comparable operating profit continued to be weaker than in the corresponding period of 2018, mainly due to the poor performance of Nynas, which was caused by the impacts of the US sanctions on the company's business.

Renewable Products' second quarter comparable operating profit was EUR 286 million (177 million), Oil Products' EUR 83 million (92 million), and Marketing & Services' EUR 25 million (20 million). The comparable operating profit of the Others segment totaled EUR -28 million (-11 million); Nynas' net profit accounted for EUR -13 million (-5 million) of this figure.

The Group's operating profit was EUR 358 million (172 million), which was impacted by inventory valuation gains of EUR 36 million (losses of 62 million), and changes in the fair value of open commodity and currency derivatives totaling EUR -30 million (-38 million), mainly related to margin hedging. The contractual dispute in relation to the marketing of the joint venture base oil plant in Bahrain has been resolved. Profit before income taxes was EUR 346 million (154 million), and net profit EUR 293 million (133 million). Comparable earnings per share were EUR 0.40 (0.29), and earnings per share EUR 0.38 (0.17).

The Group's January-June 2019 results

Neste's revenue in the first six months totaled EUR 7,826 million (7,374 million). The increase resulted from higher sales volumes, which had a positive impact of approx. EUR 300 million, and a stronger USD exchange rate, which also had a positive impact of approx. EUR 300 million on the revenue. Lower sales prices resulting from a lower oil price had a negative impact of approx. EUR 200 million on the revenue. The Group's comparable operating profit was EUR 746 million (679 million). Renewable Products' sales volumes and sales margin were higher compared to the corresponding period of 2018. Renewable Products' 2018 result was also supported by the positive impact of the retroactive US Blender's Tax Credit decision. Oil Products' comparable operating profit was lower than in the first six months of 2018, mainly due to weaker refining margins. Marketing & Services was able to increase its unit margins, which lead to a higher comparable operating profit compared to the first six months of 2018. The Others segment's comparable operating profit was significantly lower than in the corresponding period of 2018, mainly due to the poor performance of Nynas, caused by the impacts of the US sanctions on the company's business.

Renewable Products' six-month comparable operating profit was EUR 623 million (473 million), Oil Products' EUR 156 million (191 million), and Marketing & Services' EUR 38 million (33 million). The comparable operating profit of the Others segment totaled EUR -71 million (-20 million); Nynas accounted for EUR -44 million (-10 million) of this figure.

The Group's operating profit was EUR 740 million (592 million), which was impacted by inventory valuation gains of EUR 107 million (losses of 30 million), and changes in the fair value of open commodity and currency derivatives totaling EUR -118 million (-50 million), mainly related to margin hedging. Profit before income taxes was EUR 694

million (551 million), and net profit EUR 587 million (480 million). Comparable earnings per share were EUR 0.77 (0.72), and earnings per share EUR 0.76 (0.63).

	4-6/19	4-6/18	1-3/19	1-6/19	1-6/18	2018
COMPARABLE OPERATING PROFIT	367	277	378	746	679	1,422
- inventory valuation gains/losses	36	-62	71	107	-30	-269
- changes in the fair value of open commodity and currency derivatives	-30	-38	-88	-118	-50	117
- capital gains/losses	0	0	0	0	2	2
- insurance and other compensations	0	0	0	0	0	0
- impairments	-4	0	10	6	0	-198
- other adjustments	-11	-5	10	0	-7	-48
OPERATING PROFIT	358	172	382	740	592	1,025

Variance analysis (comparison to corresponding period), MEUR

	4-6	1-6
Group's comparable operating profit, 2018	277	679
Sales volumes	98	175
Sales margin	-9	49
Blender's Tax Credit	0	-140
Currency exchange	30	68
Fixed costs	-8	-13
Others	-21	-72
Group's comparable operating profit, 2019	367	746

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

	4-6	1-6
Group's comparable operating profit, 2018	277	679
Renewable Products	109	149
Oil Products	-9	-35
Marketing & Services	5	5
Others including eliminations	-15	-52
Group's comparable operating profit, 2019	367	746

Financial targets

Return on average capital employed after tax (ROACE) and leverage ratio are Neste's key financial targets. ROACE figures are based on comparable results. The company's long-term ROACE target is 15%, and the leverage ratio target is below 40%. At the end of June, ROACE calculated over the last 12 months was strong at 21.1%, and leverage ratio remained well in the targeted area.

	30 Jun 2019	30 Jun 2018	31 Dec 2018
Return on average capital employed after tax (ROACE)*, %	21.1	20.8	21.1
Leverage ratio (net debt to capital), %	5.7	5.8	-1.5

*Last 12 months

Cash flow, investments and financing

The Group's net cash generated from operating activities totaled EUR 403 million (677 million) during the first six months of 2019. The difference mainly resulted from an increase in working capital, driven by a stronger capacity output, compared to the corresponding period last year. Cash flow before financing activities was EUR 140 million (373 million). The Group's net working capital in days outstanding was 25.4 days (22.0 days) on a rolling 12-month basis at the end of the second quarter.

	4-6/19	4-6/18	1-3/19	1-6/19	1-6/18	2018
EBITDA	476	275	486	961	793	1,639
Capital gains/losses	0	0	0	0	-2	-3
Other adjustments	9	56	111	120	98	-96
Change in net working capital	-120	56	-401	-521	-93	99
Finance cost, net	-19	0	-9	-28	-26	-37
Income taxes paid	-42	-32	-87	-129	-94	-151
Net cash generated from operating activities	303	354	100	403	677	1,452
Capital expenditure	-119	-109	-71	-189	-194	-395
Other investing activities	-53	-105	-21	-74	-110	-187
Free cash flow (Cash flow before financing activities)	132	140	8	140	373	870

Cash-out investments were EUR 189 million (194 million) during January-June. Maintenance investments accounted for EUR 99 million (124 million) and productivity and strategic investments for EUR 90 million (70 million). Renewable Products' investments were EUR 54 million (50 million), mainly related to the Singapore refinery capacity expansion project. Oil Products' investments amounted to EUR 101 million (113 million), with the largest projects being the Porvoo turnaround 2020 related investments and revamp of the waste water treatment plant. Marketing & Services' investments totaled EUR 10 million (10 million) and were focused on the retail station network. Investments in the Others segment were EUR 24 million (22 million), concentrating on IT and business infrastructure upgrade.

Interest-bearing net debt was EUR 279 million at the end of June, compared to EUR -70 million at the end of 2018. Net financial expenses for the first six months were EUR 46 million (41 million). The average interest rate of borrowing at the end of June was 2.1% (3.2%) and the average maturity 3.0 (4.3) years. As of 1 January 2019, the average interest rate and maturity no longer include leases as a result of application of IFRS 16. At the end of the second quarter the Net debt to EBITDA ratio was 0.2 (0.2) over the last 12 months.

The leverage ratio was 5.7% (31 Dec 2018: -1.5%), and the gearing ratio 6.0% (31 Dec 2018: -1.5%) at the end of June. The Group's strong financial position enables implementation of our growth strategy going forward while maintaining a healthy dividend distribution.

The Group's liquid funds and committed, unutilized credit facilities amounted to EUR 2,728 million at the end of June (31 Dec 2018: 2,860 million). There are no financial covenants in the Group companies' current loan agreements.

In accordance with the hedging policy, Neste hedges a large part of its net foreign currency exposure for the next 12 months, mainly using forward contracts and currency options. The most important hedged currency is the US

dollar. At the end of June the Group's foreign currency hedging ratio was approx. 50% of the sales margin for the next 12 months.

US dollar exchange rate

	4-6/19	4-6/18	1-3/18	1-6/19	1-6/18	2018
EUR/USD, market rate	1.12	1.19	1.23	1.13	1.21	1.18
EUR/USD, effective rate*	1.16	1.18	1.19	1.17	1.18	1.19

* The effective rate includes the impact of currency hedges.

Segment reviews

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

Renewable Products

Key financials

	4-6/19	4-6/18	1-3/19	1-6/19	1-6/18	2018
Revenue, MEUR	955	793	973	1,928	1,552	3,241
EBITDA, MEUR	319	89	335	654	396	1,026
Comparable operating profit, MEUR	286	177	337	623	473	983
Operating profit, MEUR	284	56	299	583	336	899
Net assets, MEUR	2,273	1,748	2,131	2,273	1,748	2,018
Return on net assets*, %	57.3	32.2	47.7	57.3	32.2	48.0
Comparable return on net assets*, %	56.6	46.0	53.1	56.6	46.0	52.4

* Last 12 months

Variance analysis (comparison to corresponding period), MEUR

	4-6	1-6
Comparable operating profit, 2018	177	473
Sales volumes	79	166
Sales margin	32	113
Blender's Tax Credit	0	-140
Currency exchange	15	35
Fixed costs	-10	-9
Others	-8	-15
Comparable operating profit, 2019	286	623

Key drivers

	4-6/19	4-6/18	1-3/19	1-6/19	1-6/18	2018
Comparable sales margin, excluding BTC, USD/ton	568	508	692	628	516	600
Biomass-based diesel (D4) RIN, USD/gal	0.38	0.53	0.50	0.44	0.66	0.53
California LCFS Credit, USD/ton	189	162	194	191	149	168
Palm oil price*, USD/ton	499	605	537	518	620	572
Waste and residues' share of total feedstock, %	77	92	80	79	86	83

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

Renewable Products' second quarter comparable operating profit totaled EUR 286 million, compared to EUR 177 million in the second quarter of 2018. Our sales volumes were 745,000 tons, and this new quarterly record was also supported by the excellent operational performance at the refineries. The higher sales volume had a positive impact of EUR 79 million on the comparable operating profit year-on-year. The comparable sales margin was impacted by higher feedstock prices and a different sales allocation compared to the first quarter of 2019. We also leveraged on the excellent capacity output to position ourselves in new markets. The timing changes implemented in California's Low Carbon Fuel Standard (LCFS) credit generation had a negative impact of EUR 5 million on the comparable operating profit compared to the first quarter of 2019. The comparable sales margin averaged at USD 568/ton. It was 12% higher than in the second quarter of 2018, and had a positive impact of EUR 32 million on the comparable operating profit. During the second quarter approx. 65% (68%) of the volumes were sold to the European market and 35% (32%) to North America. The share of 100% renewable diesel delivered to end-users was 28% (34%) in the second quarter, while the actual volume was slightly higher year-on-year. Our renewable diesel production had a very high average utilization rate of 105% (73%) during the quarter. This is based on the updated nominal capacity of 2.9 Mton/a. The share of waste and residue inputs was 77% (92%) on average. Renewable Products' comparable return on net assets was 56.6% (46.0%) at the end of June based on the previous 12 months.

Vegetable oil prices decreased in the second quarter. Early in the quarter crude palm oil (CPO) resisted the downward pressure, but was thereafter impacted by the weakness in soybean oil (SBO) due to the stalling China-US trade negotiations, and an upward revision of South American soybean production estimate. Price premiums for most waste and residue materials over CPO strengthened due to CPO weakness and strong demand for waste and residues.

In Europe conventional Fatty Acid Methyl Ester (FAME) biodiesel margins remained healthy due to most EU Member States increasing demand to comply with the Renewable Energy Directive requirement of 10% renewable fuels blend in road transportation by 2020. This was despite higher biodiesel imports from Indonesia, Malaysia and Argentina. In the US, Soybean Methyl Ester (SME) biodiesel margins improved marginally from the first quarter, but remained depressed. This was due to high biodiesel and RIN inventories, lack of Blender's Tax Credit, and the small refinery waivers granted by the US Environmental Protection Agency (EPA) negatively impacting demand.

The US Renewable Identification Number (RIN) D4 prices remained depressed as the potential waivers continued to weigh negatively on the market, and the possible reset of the federal Renewable Fuel Standard has created uncertainty going forward. The California LCFS credit price dropped at the beginning of the second quarter in response to a credit inventory build released in April, but recovered back to previous high levels after that.

Renewable Products' six-month comparable operating profit was EUR 623 million (473 million). The comparable sales margin was substantially higher than that in the first half of 2018. The higher sales margin had a positive

impact of EUR 113 million on the comparable operating profit year-on-year. Significantly higher sales volumes had a positive impact of EUR 166 million, and stronger US dollar a positive impact of EUR 35 million on the segment's comparable operating profit compared to the corresponding period last year. The first six months of 2018 also included a positive impact of EUR 140 million from the retroactive US Blender's Tax Credit decided for the full year 2017. The segment's fixed costs were EUR 9 million higher than in the first six months of the previous year, mainly related to strategic growth projects.

Production

	4-6/19	4-6/18	1-3/19	1-6/19	1-6/18	2018
Neste Renewable Diesel, 1,000 ton	765	518	713	1,477	1,141	2,368
Other products, 1,000 ton	52	43	60	112	89	214
Utilization rate*, %	105	73	99	102	81	84

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

Sales

	4-6/19	4-6/18	1-3/19	1-6/19	1-6/18	2018
Neste Renewable Diesel, 1,000 ton	745	589	692	1,437	1,139	2,261
Share of sales volumes to Europe, %	65	68	74	69	72	72
Share of sales volumes to North America, %	35	32	26	31	28	28

Oil Products

Key financials

	4-6/19	4-6/18	1-3/19	1-6/19	1-6/18	2018
Revenue, MEUR	2,729	2,534	2,514	5,243	4,987	10,105
EBITDA, MEUR	142	165	165	307	357	515
Comparable operating profit, MEUR	83	92	73	156	191	397
Operating profit, MEUR	76	108	114	191	243	170
Net assets, MEUR	2,564	2,678	2,581	2,564	2,678	2,257
Return on net assets*, %	4.6	22.5	5.8	4.6	22.5	6.7
Comparable return on net assets*, %	14.2	17.0	14.5	14.2	17.0	15.7

* Last 12 months

Variance analysis (comparison to corresponding period), MEUR

	4-6	1-6
Comparable operating profit, 2018	92	191
Sales volumes	19	12
Reference margin	-18	-33
Additional margin	-23	-31
Currency exchange	14	33
Fixed costs	8	6
Others	-9	-21
Comparable operating profit, 2019	83	156

Key drivers

	4-6/19	4-6/18	1-3/19	1-6/19	1-6/18	2018
Reference margin (old formula), USD/bbl	5.15	5.63	3.48	4.32	4.86	5.01
Reference margin (updated formula), USD/bbl	5.99	6.79	4.51	5.25	5.95	6.19
Additional margin (old formula), USD/bbl	4.26	6.12	5.98	5.12	6.03	6.17
Additional margin (updated formula), USD/bbl	3.42	4.95	4.96	4.19	4.94	5.00
Total refining margin, USD/bbl	9.42	11.75	9.47	9.44	10.89	11.18
Urals-Brent price differential, USD/bbl	-0.56	-2.24	-0.24	-0.40	-1.93	-1.51
Urals' share of total refinery input, %	74	78	67	70	75	69

Oil Products' comparable operating profit totaled EUR 83 million (92 million) in the second quarter. The reference margin, which reflects the general market conditions, was impacted by a weak product market and a narrow Urals-Brent differential. The reference margin averaged at USD 6.0/bbl compared to USD 6.8/bbl in the second quarter of 2018. The lower reference margin had a negative impact of EUR 18 million on the comparable operating profit year-on-year. Compared to the second quarter of 2018, Oil Products' additional margin was burdened by a lower currency hedging result, higher utility costs and the narrow Urals-Brent differential, and it averaged at USD 3.4/bbl. A stronger US dollar rate improved the comparable operating profit by EUR 14 million year-on-year. Sales volumes were higher and had a positive impact of EUR 19 million on the comparable operating profit compared to the corresponding period 2018. Profitability of the base oils business has stayed lower than in the corresponding period last year. Oil Products' comparable return on net assets was 14.2% (17.0%) at the end of June over the previous 12 months.

During the second quarter the use of Russian crude was 74% (78%) of total input. The average refinery utilization rate was 95% (89%).

Brent crude oil price was volatile during the second quarter, and traded between USD 60 and USD 75/bbl. The crude oil market was supported by rising geopolitical tensions, the US sanctions against Iran, and the agreement between OPEC and non-OPEC countries to cut oil production. Trade war fears between China and the US were partly mitigating geopolitical price risk premium as investors were assessing the potential impact of trade war to the global economy and crude oil demand.

The Russian Export Blend (REB) crude oil price averaged USD 0.6/bbl lower than Brent during the second quarter. The global supply of medium heavy crude oil was generally tight due to OPEC's production cuts of heavier grades and fallen exports from Iran and Venezuela. During early April and May, REB was trading at a premium to Brent due to organic chloride contamination of REB in the Druzhba pipeline, which caused refinery issues in Central Eastern Europe and increased demand for the unimpacted Primorsk loadings. In June the negative REB price differential widened significantly due to low refining margins and as export volumes increased.

Neste's reference margin averaged at a fairly modest level in the second quarter. The key margin drivers were the narrow REB-Brent differential during April-May, low diesel margins affected by the mild winter earlier in the year, and lack of demand support from the global economy. On average, gasoline was the strongest part of the barrel during the second quarter as gasoline margin was supported by unexpected refinery outages in the US. Neste's reference margin averaged at USD 6.0/bbl.

Oil Products' six-month comparable operating profit was EUR 156 million (191 million). During the first six months the reference margin was approx. USD 0.6/bbl lower than in the corresponding period last year, which had a negative impact of EUR 33 million on the comparable operating profit. The additional margin averaged at USD

4.2/bbl and had a negative impact of 31 million compared to the corresponding period last year. The additional margin was burdened by a materially lower currency hedging result year-on-year. A stronger USD exchange rate had a positive impact of EUR 33 million on the comparable operating profit compared to the first half of 2018. Overall sales volumes were higher than in the first six months of 2018. Profitability of the base oils business was lower than in the corresponding period last year.

Production

	4-6/19	4-6/18	1-3/19	1-6/19	1-6/18	2018
Refinery						
- Production, 1,000 ton	3,516	3,400	3,449	6,965	7,045	13,959
- Utilization rate, %	95	89	95	95	92	89
Refinery production costs, USD/bbl	4.6	5.2	4.6	4.6	4.8	4.9
Bahrain base oil plant production, (Neste's share) 1,000 ton	34	53	49	83	103	190

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

	4-6/19	%	4-6/18	%	1-3/19	%	1-6/19	%	1-6/18	%	2018	%
Middle distillates*	1,818	49	1,651	50	1,765	49	3,583	48	3,677	51	7,119	49
Light distillates**	1,227	33	981	29	1,191	33	2,418	33	2,228	31	4,732	33
Heavy fuel oil	302	8	240	7	346	9	648	9	533	7	1,177	8
Base oils	114	3	126	4	111	3	226	3	245	3	483	3
Other products	280	7	334	10	212	6	492	7	502	7	922	6
TOTAL	3,740	100	3,332	100	3,626	100	7,366	100	7,185	100	14,433	100

* Diesel, jet fuel, heating oil, low sulphur marine fuels

** Motor gasoline, gasoline components, LPG

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

	4-6/19	%	4-6/18	%	1-3/19	%	1-6/19	%	1-6/18	%	2018	%
Baltic Sea area*	2,182	58	2,172	65	2,023	56	4,205	57	4,375	61	8,770	61
Other Europe	1,114	30	956	29	1,152	32	2,267	31	1,989	28	3,930	27
North America	417	11	174	5	223	6	640	9	289	4	1,016	7
Other areas	27	1	30	1	228	6	255	3	531	7	717	5

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

Marketing & Services

Key financials

	4-6/19	4-6/18	1-3/19	1-6/19	1-6/18	2018
Revenue, MEUR	1,064	1,061	1,042	2,106	2,057	4,315
EBITDA, MEUR	33	26	21	54	45	101
Comparable operating profit, MEUR	25	20	13	38	33	77
Operating profit, MEUR	25	20	13	38	33	77
Net assets, MEUR	315	254	319	315	254	249
Return on net assets*, %	28.9	27.3	28.1	28.9	27.3	29.1
Comparable return on net assets*, %	28.9	27.3	28.1	28.9	27.3	29.1

* Last 12 months

Variance analysis (comparison to corresponding period), MEUR

	4-6	1-6
Comparable operating profit, 2018	20	33
Sales volumes	0	-1
Unit margins	7	12
Currency exchange	0	0
Fixed costs	-2	-6
Others	0	0
Comparable operating profit, 2019	25	38

Marketing & Services' comparable operating profit was EUR 25 million (20 million) in the second quarter. Transportation fuel demand followed a normal seasonality pattern towards the summer period. However, heavy traffic volumes continued to gradually decline in Finland. We were able to improve our unit margins compared to the corresponding period last year, which had a positive impact of EUR 7 million on the comparable operating profit. The segment's fixed costs were EUR 2 million higher than in the second quarter of 2018. Marketing & Services' comparable return on net assets was 28.9% (27.3%) at the end of June on a rolling 12-month basis.

Marketing & Services segment's six-month comparable operating profit was EUR 38 million (33 million). Average unit margins improved, which had a positive impact of EUR 12 million on the result year-on-year. Sales volumes were slightly lower compared to the corresponding period last year, which had a negative impact of EUR 1 million on the comparable operating profit. The fixed costs were EUR 6 million higher compared to the first six months of 2018.

Sales volumes by main product categories, million liters

	4-6/19	4-6/18	1-3/19	1-6/19	1-6/18	2018
Gasoline station sales	273	277	227	500	522	1,049
Diesel station sales	438	442	430	869	874	1,764
Heating oil	148	143	232	328	325	669

Net sales by market area, MEUR

	4-6/19	4-6/18	1-3/19	1-6/19	1-6/18	2018
Finland	771	766	749	1,519	1,497	3,149
Northwest Russia	76	72	61	138	137	299
Baltic countries	217	223	232	449	423	867

Others

Key financials

	4-6/19	4-6/18	1-3/19	1-6/19	1-6/18	2018
Comparable operating profit, MEUR	-28	-11	-43	-71	-20	-36
Operating profit, MEUR	-28	-11	-43	-71	-20	-122

The Others segment consists of Neste Engineering Solutions, Nynas, a joint venture owned by Neste (49.99% share) and Petr leos de Venezuela, and common corporate costs. The comparable operating profit of the Others segment totaled EUR -28 million (-11 million) in the second quarter; Nynas' net profit accounted for EUR -13 million (-5 million) of this figure. Nynas continues to have crude oil supply problems due to the US sanctions against Venezuela.

The six-month comparable operating profit of the Others segment totaled EUR -71 million (-20 million); Nynas accounted for EUR -44 (-10 million) of this figure.

Shares, share trading, and ownership

Neste's shares are mainly traded on NASDAQ Helsinki Ltd. The share price closed the second quarter at EUR 29.84, down by 5.8% compared to the end of the first quarter. At its highest during the quarter, the share price reached EUR 33.33, which is a new all-time high level. The lowest share price during the second quarter was EUR 27.95. Market capitalization was EUR 23.0 billion as of 30 June 2019. An average of 1.4 million shares were traded daily, representing 0.2% of the company's shares.

As resolved by the AGM held on 1 April 2015, the Board of Directors was authorized to purchase and/or take as security a maximum of 1,000,000 company shares using the company's unrestricted equity. At the end of June 2019, Neste held 1,552,887 treasury shares purchased under this authorization. This number of shares had been tripled by the share issue without payment decided upon in Neste's AGM on 2 April 2019.

At the end of June 2019, Neste's share capital registered with the Trade Register totaled EUR 40 million, and the total number of shares was 769,211,058. As resolved by the AGM held on 2 April 2019, the Board of Directors was authorized to take one or more decisions on the conveyance of treasury shares held by the Company totaling a maximum of 3,000,000 shares.

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

As of 30 June 2019, the State of Finland owned directly 36.0% (36.0% at the end of the first quarter) of outstanding shares, foreign institutions 38.3% (38.6%), Finnish institutions 18.0% (17.8%), and Finnish households 7.7% (7.6%).

Personnel

Neste employed an average of 5,616 (5,438) employees in the first half of the year, of which 1,834 (1,770) were based outside Finland. At the end of June, the company had 6,003 employees (5,725), of which 1,891 (1,806) were located outside Finland.

Environmental, Social and Governance (ESG)

Key figures

	4-6/19	4-6/18	1-6/19	1-6/18	2018
TRIF*	1.7	2.2	2.2	2.0	1.7
PSER**	0.4	1.9	1.5	2.3	2.1
GHG reduction, Mton***	2.5	1.8	4.8	3.8	7.9

* Total Recordable Incident Frequency, number of cases per million hours worked. Includes both Neste's and contractors' personnel.

** Process Safety Event Rate, number of cases per million hours worked.

*** Cumulative greenhouse gas (GHG) reduction achieved with Neste's renewable products compared to crude oil based diesel. Calculation method complies with the EU Renewable Energy Directive (RES 2009/28/EU).

Neste's occupational safety performance, measured by the key TRIF indicator, was better during the second quarter compared to the previous year. The cumulative TRIF is still higher than in the first six months of 2018 due to a higher accident rate at our contractors in the first quarter. The improvement actions defined during the first quarter, with a special focus on contractor management, have been actively implemented.

PSER, the main indicator for process safety, improved significantly compared to the second quarter of 2018. Also the cumulative PSER is better than in the corresponding period of 2018. High focus on process safety continues in all operations, for example, by ensuring effective process hazard analysis in all operations

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

Neste produces renewable products that enable our customers to reduce their greenhouse gas (GHG) emissions. During the second quarter this GHG reduction was 2.5 million tons, which was higher than the 1.8 million tons in the corresponding period last year.

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

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

Main events published during the second quarter

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

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

On 23 May, Neste announced that it had agreed with VTT on strategic cooperation which fosters the joint use and development of research infrastructures in Finland. The cooperation aims at strengthening Finnish expertise in bio and circular economy as well as developing cleaner fuel solutions. The strategic cooperation of Neste and VTT is based on two separate investment decisions. Neste is currently building a vehicle testing facility in Porvoo, Finland and VTT has decided to invest in a research infrastructure for catalytic processes at its Bioruukki pilot centre in Espoo, Finland. The agreements signed will allow Neste and VTT to use these research infrastructures in their future projects.

On 6 June, Neste announced that it had signed a Memorandum of Understanding on a joint sustainable fuel initiative with the Port Authority of New York & New Jersey (PANYNJ). The partners will be working together to facilitate the use of sustainable transportation fuels at Port Authority facilities and in its fleet vehicles and equipment, including renewable aviation fuel, renewable diesel, renewable propane and other sustainable fuel products.

On 18 June, Neste announced jointly with LyondellBasell, the first parallel production of bio-based polypropylene and bio-based low-density polyethylene at a commercial scale. The joint project used Neste's renewable hydrocarbons derived from sustainable bio-based raw materials, such as waste and residue oils. The project successfully produced several thousand tons of bio-based plastics, which are approved for the production of food packaging and being marketed by LyondellBasell.

On 19 June, Neste announced that Neste Engineering Solutions has agreed to create a strategic partnership with engineering consultancy services company Rejlers. The partnership strengthens delivery capability and improves the focus of Neste Engineering Solutions. As part of the partnership agreement, Rejlers will acquire the Regional Business Unit of Neste Engineering Solutions and the parties will make a long-term cooperation agreement. The Regional Business Unit of Neste Engineering Solutions consists of personnel and operations in Turku, Kotka, Oulu, Sweden and the UAE, except for NAPCON Business Unit. The transaction is subject to the approval of the competition authority which was estimated to take 1-4 months.

On 28 June, Neste announced that Mercedes Alonso, (M.Sc. Chem), has been appointed as Executive Vice President for Renewable Polymers and Chemicals of Neste Corporation and member of the Neste Executive Committee. She will join Neste in September 2019, at the latest, and will report to President and CEO Peter Vanacker. She will also be the Managing Director of Neste Germany GmbH. Mercedes Alonso will transfer to Neste from LyondellBasell.

Events after the reporting period

On 5 July, Neste announced that it had signed an agreement to sell its fuel retail business consisting of 75 fuel stations and a terminal in St. Petersburg region to PJSC Tatneft, one of the leading integrated oil and gas companies in Russia. The divestment has no impact on Neste's Marketing & Services' operations in Finland and the Baltic countries. Neste targets to become a global leader in renewable and circular solutions. The divestment of Russian fuel retail business will enable us to focus on our strategic priorities. The completion of the divestment is subject to the approval of the Russian competition authorities and the transaction is estimated to be completed by the end of 2019.

Potential risks

There have been no significant changes in Neste's short-term risks or uncertainties since the end of the first quarter 2019. Key market risks affecting Neste's financial results for the next 12 months include political and geopolitical risks, such as impact of the US sanctions on Nynas' business, possible trade war, changes in the biofuel regulation, unexpected changes in the market prices, changes in the competitive situation and any scheduled or unexpected shutdowns at Neste's refineries. Outcome of legal proceedings may have an impact on Neste's financial results.

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

Reporting date for the company's third-quarter 2019 results

Neste will publish its third-quarter results on 25 October 2019 at approximately 9:00 a.m. EET.

Espoo, 24 July 2019

Neste Corporation
Board of Directors

Further information:

Peter Vanacker, President and CEO, tel. +358 10 458 11
Jyrki Mäki-Kala, CFO, tel. +358 10 458 4098
Investor Relations, tel. +358 10 458 5292

Conference call

A conference call in English for investors and analysts will be held today, 25 July 2019, at 3 p.m. Finland / 1 p.m. London / 8 a.m. New York. The call-in numbers are as follows: Finland: +358 (0)9 4245 0806, rest of Europe: +44 (0) 2071 928000, US: +1 631 5107495, using access code 6370196. The conference call can be followed at the company's [website](#). An instant replay of the call will be available until 1 August 2019 at +44 (0) 333 300 9785 for Europe and +1 917 677 7532 for the US, using access code 6370196.

The preceding information contains, or may be deemed to contain, "forward-looking statements". These statements relate to future events or our future financial performance, including, but not limited to, strategic plans, potential growth, planned operational changes, expected capital expenditures, future cash sources and requirements,

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

NESTE GROUP
JANUARY - JUNE 2019
The half-year financial report is unaudited
FINANCIAL STATEMENT SUMMARY AND NOTES TO THE FINANCIAL STATEMENT
CONSOLIDATED STATEMENT OF INCOME

EUR million	Note	4-6/2019	4-6/2018	1-6/2019	1-6/2018	1-12/2018	Last 12 months
Revenue	3, 4	4,057	3,745	7,826	7,374	14,918	15,370
Other income		4	4	9	10	17	16
Share of profit (loss) of joint ventures		-13	-5	-43	-8	-9	-44
Materials and services ¹⁾		-3,354	-3,261	-6,408	-6,175	-12,459	-12,692
Employee benefit costs		-106	-102	-202	-200	-400	-402
Depreciation, amortization and impairments ¹⁾	4	-118	-103	-221	-201	-614	-635
Other expenses ¹⁾		-112	-107	-220	-207	-429	-441
Operating profit	4	358	172	740	592	1,025	1,173
Financial income and expenses							
Financial income		3	2	6	2	7	10
Financial expenses ¹⁾		-12	-13	-25	-25	-48	-49
Exchange rate and fair value gains and losses		-2	-6	-26	-19	-34	-41
Total financial income and expenses		-11	-18	-46	-41	-75	-79
Profit before income taxes		346	154	694	551	951	1,094
Income tax expense		-54	-21	-107	-71	-172	-209
Profit for the period		293	133	587	480	779	885
Profit attributable to:							
Owners of the parent		294	133	587	480	778	885
Non-controlling interests		-1	0	0	0	0	1
		293	133	587	480	779	885

¹⁾ Including the effects of applying IFRS 16. See Note 14 for further information.

Earnings per share from profit attributable to the owners of the parent (in euro per share)

Basic earnings per share	0.38	0.17	0.76	0.63	1.01	1.15
Diluted earnings per share	0.38	0.17	0.76	0.62	1.01	1.15

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	4-6/2019	4-6/2018	1-6/2019	1-6/2018	1-12/2018	Last 12 months
Profit for the period	293	133	587	480	779	885
Other comprehensive income net of tax:						
Items that will not be reclassified to profit or loss						
Remeasurements on defined benefit plans	-7	0	-19	0	4	-15
Items that may be reclassified subsequently to profit or loss						
Translation differences	-2	-4	1	-16	-16	1
Cash flow hedges						
recorded in equity	4	-50	-10	-32	-53	-31
transferred to income statement	18	-6	37	-25	7	69
Share of other comprehensive income of investments accounted for using the equity method	-21	5	-1	0	-4	-5
Total	0	-54	27	-73	-65	35
Other comprehensive income for the period, net of tax	-7	-55	8	-73	-61	20
Total comprehensive income for the period	286	79	595	407	718	905
Total comprehensive income attributable to:						
Owners of the parent	287	79	594	407	717	904
Non-controlling interests	-1	0	0	0	0	1
	286	79	595	407	718	905

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	Note	30 June 2019	30 June 2018	31 Dec 2018
ASSETS				
Non-current assets				
Intangible assets	7	120	106	124
Property, plant and equipment ¹⁾	7	3,918	3,846	3,737
Investments in joint ventures	8	56	193	106
Non-current receivables		96	99	87
Deferred tax assets		44	35	34
Derivative financial instruments	10	11	6	3
Other financial assets	10	5	5	5
Total non-current assets		4,250	4,288	4,095
Current assets				
Inventories		1,601	1,485	1,482
Trade and other receivables		1,444	1,232	1,231
Derivative financial instruments	10	91	23	206
Current investments		151	11	74
Cash and cash equivalents		927	875	1,136
Total current assets		4,214	3,627	4,129
Assets classified as held for sale	5	113	0	0
Total assets	4	8,576	7,916	8,224
EQUITY				
Capital and reserves attributable to the owners of the parent				
Share capital		40	40	40
Other equity		4,595	4,275	4,588
Total		4,635	4,315	4,628
Non-controlling interests		2	0	2
Total equity		4,637	4,315	4,630
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities ¹⁾		1,057	996	849
Deferred tax liabilities		248	264	260
Provisions		67	55	100
Pension liabilities		148	129	124
Derivative financial instruments	10	6	4	0
Other non-current liabilities		17	12	14
Total non-current liabilities		1,544	1,459	1,347
Current liabilities				
Interest-bearing liabilities ¹⁾		300	154	291
Current tax liabilities		54	18	59
Derivative financial instruments	10	127	173	149
Trade and other payables		1,889	1,795	1,749
Total current liabilities		2,369	2,141	2,247
Liabilities related to assets held for sale	5	26	0	0
Total liabilities	4	3,939	3,600	3,594
Total equity and liabilities		8,576	7,916	8,224

¹⁾ Including the effects of applying IFRS 16. See Note 14 for further information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	4-6/2019	4-6/2018	1-6/2019	1-6/2018	1-12/2018
Cash flows from operating activities						
Profit before income taxes		346	154	694	551	951
Adjustments, total		138	177	387	339	590
Change in net working capital		-120	56	-521	-93	99
Cash generated from operations		364	386	561	797	1,640
Finance cost, net		-19	0	-28	-26	-37
Income taxes paid		-42	-32	-129	-94	-151
Net cash generated from operating activities ¹⁾		303	354	403	677	1,452
Cash flows from investing activities						
Capital expenditure		-119	-109	-189	-194	-380
Acquisitions of subsidiaries, net of cash acquired	7	0	0	-1	0	-15
Proceeds from sales of property, plant and equipment		0	0	0	0	2
Proceeds from sales of shares in joint arrangements		0	0	0	2	2
Changes in long-term receivables and other investments		-53	-105	-74	-112	-191
Cash flows from investing activities		-171	-214	-263	-304	-583
Cash flow before financing activities		132	140	140	373	870
Cash flows from financing activities						
Net change in loans and other financing activities		-40	-52	-40	-65	-82
Dividends paid to the owners of the parent		-292	-217	-292	-217	-435
Cash flows from financing activities ¹⁾		-332	-270	-331	-282	-517
Net increase (+) / decrease (-) in cash and cash equivalents		-200	-130	-191	91	353
Cash and cash equivalents at the beginning of the period		1,145	1,004	1,136	783	783
Exchange gains (+) / losses (-) on cash and cash equivalents		0	1	1	0	0
Cash and cash equivalents at the end of the period ²⁾		945	875	945	875	1,136

¹⁾ Including the effects of applying IFRS 16. See Note 14 for further information.

²⁾ Including cash and cash equivalents of 18 EUR million classified as held for sale as of 30 June 2019. See Note 5 for more information

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

EUR million	Share capital	Reserve fund	Reserve of invested unrestricted equity	Treasury shares	Fair value and other reserves	Actuarial gains and losses	Translation differences	Retained earnings	Owners of the parent	Non-controlling interests	Total equity
Total equity at 1 Jan 2018	40	20	7	-9	-6	-73	-68	4,428	4,338	0	4,338
Change in accounting policy, IFRS 2								6	6		6
Change in accounting policy, IFRS 9					1			-2	-1		-1
Change in accounting policy, IFRS 15								0	0		0
Restated total equity at 1 Jan 2018	40	20	7	-9	-5	-73	-68	4,432	4,343	0	4,343
Profit for the period								480	480	0	480
Other comprehensive income for the period, net of tax					-57	0	-16		-73	0	-73
Total comprehensive income for the period	0	0	0	0	-57	0	-16	480	407	0	407
Transactions with the owners in their capacity as owners											
Dividend decision								-435	-435	0	-435
Share-based compensation			2	1				-3	0		0
Transfer from retained earnings		0					0		0		0
Total equity at 30 June 2018	40	19	9	-9	-63	-73	-83	4,474	4,315	0	4,315

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

EUR million	Share capital	Reserve fund	Reserve of invested unrestricted equity	Treasury shares	Fair value and other reserves	Actuarial gains and losses	Translation differences	Retained earnings	Owners of the parent	Non-controlling interests	Total equity
Total equity at 1 Jan 2019	40	19	10	-9	-55	-69	-84	4,774	4,628	2	4,630
Profit for the period								587	587	0	587
Other comprehensive income for the period, net of tax					26	-19	1		8	0	8
Total comprehensive income for the period	0	0	0	0	26	-19	1	587	594	0	595
Transactions with the owners in their capacity as owners											
Dividend decision								-583	-583	0	-583
Share-based compensation			5	1				-10	-4		-4
Transfer from retained earnings		0					0		0		0
Total equity at 30 June 2019	40	19	15	-8	-29	-88	-82	4,767	4,635	2	4,637

KEY FIGURES

	30 June 2019	30 June 2018	31 Dec 2018	Last 12 months
EBITDA, EUR million	961	793	1,639	1,807
Capital employed, EUR million	5,994	5,466	5,770	-
Interest-bearing net debt, EUR million	279	264	-70	-
Capital expenditure and investment in shares, EUR million	277	201	438	514
Return on average capital employed, after tax, (ROACE) %	21.1	20.8	21.1	-
Return on equity, (ROE) %	19.2	23.3	17.3	-
Equity per share, EUR ¹⁾	6.04	5.62	6.03	-
Cash flow per share, EUR ¹⁾	0.53	0.88	1.89	1.54
Earnings per share (EPS), EUR ¹⁾	0.76	0.63	1.01	1.15
Comparable earnings per share, EUR ¹⁾	0.77	0.72	1.50	1.55
Comparable net profit	592	553	1,150	1,189
Equity-to-assets ratio, %	54.2	54.7	56.5	-
Leverage ratio, %	5.7	5.8	-1.5	-
Gearing, %	6.0	6.1	-1.5	-
Adjusted weighted average number of shares outstanding ¹⁾	767,590,374	767,441,816	767,466,142	767,539,811
Adjusted number of shares outstanding at the end of the period ¹⁾	767,658,171	767,490,072	767,490,072	-
Average number of personnel	5,616	5,438	5,468	-

¹⁾ All share-related figures and comparison numbers have been calculated and restated based on the new total number of shares after the share issue without payment (share split) as resolved by Neste's Annual General Meeting on 2 April, 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim report has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The condensed interim report should be read in conjunction with the consolidated financial statements for the year ended 31 December 2018. The accounting policies where they are different to those applied in prior periods are presented below and in Note 14 *Changes in accounting policies*. Otherwise accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2018. The IFRS principles require the management to make estimates and assumptions when preparing financial statements. Although these estimates and assumptions are based on the management's best knowledge of today, the final outcome may differ from the estimated values presented in the financial statements. The condensed interim report is presented in million of euros unless otherwise stated. The figures in the tables are exact figures and consequently the sum of individual figures may deviate from the sum presented. All share-related figures and comparison numbers have been calculated and restated based on the new total number of shares after the share issue without payment (share split) as resolved by Neste's Annual General Meeting on 2 April, 2019.

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

- IFRS 16 Leases

The new standard had not a material impact on Neste's consolidated financial statements. See Note 14 *Changes in accounting policies* for more detailed explanation of the impacts.

2. TREASURY SHARES

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

3. REVENUE

REVENUE BY CATEGORY

External revenue	4-6/2019					4-6/2018				
	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
Fuels ¹⁾	866	1,913	1,019	0	3,798	751	1,729	1,017	0	3,497
Light distillates	14	885	281	0	1,180	27	729	282	0	1,038
Middle distillates	852	912	737	0	2,500	723	826	733	0	2,282
Heavy fuel oil	0	116	2	0	118	0	175	2	0	176
Other products	0	202	33	0	235	0	178	32	0	210
Other services	0	9	3	12	24	0	5	3	30	38
Total	866	2,124	1,055	12	4,057	751	1,913	1,052	30	3,745

External revenue	1-6/2019					1-6/2018				
	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
Fuels ¹⁾	1,684	3,625	2,021	0	7,330	1,471	3,437	1,972	0	6,880
Light distillates	34	1,619	505	0	2,159	52	1,481	524	0	2,057
Middle distillates	1,650	1,766	1,513	0	4,929	1,419	1,695	1,445	0	4,558
Heavy fuel oil	0	239	3	0	242	0	261	3	0	264
Other products	7	385	62	0	453	0	362	59	0	421
Other services	0	15	5	23	43	0	11	6	56	73
Total	1,691	4,024	2,088	23	7,826	1,471	3,810	2,038	56	7,374

External revenue	1-12/2018					Last 12 months				
	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
Fuels ¹⁾	2,942	6,699	4,147	0	13,788	3,156	6,887	4,196	0	14,238
Light distillates	130	2,971	1,110	0	4,211	113	3,109	1,091	0	4,313
Middle distillates	2,812	3,312	3,032	0	9,156	3,043	3,384	3,100	0	9,526
Heavy fuel oil	0	416	5	0	421	0	394	5	0	399
Other products	2	877	119	0	999	8	901	122	0	1,030
Other services	0	24	12	95	132	0	28	11	62	101
Total	2,943	7,601	4,279	95	14,918	3,164	7,815	4,329	62	15,370

¹⁾ Light distillates comprise motor gasoline, gasoline components, LPG, renewable naphtha and biopropane. Middle distillates comprise diesel, jet fuels, low sulphur marine fuels, heating oil, renewable fuels and renewable jet fuels. RINs (Renewable Identification Number), LCFS (Low Carbon Fuels Standard) credits, and BTCs (Blender's Tax Credits) are included in the corresponding fuel categories.

TIMING OF REVENUE RECOGNITION

External revenue	4-6/2019					4-6/2018				
	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
Goods transferred at point in time	866	2,115	1,052	0	4,033	751	1,907	1,049	0	3,707
Services transferred at point in time	0	9	3	0	12	0	5	3	1	9
Services transferred over time	0	0	0	12	12	0	0	0	29	29
Total	866	2,124	1,055	12	4,057	751	1,913	1,052	30	3,745

External revenue	1-6/2019					1-6/2018				
	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
Goods transferred at point in time	1,691	4,010	2,082	0	7,783	1,471	3,799	2,031	0	7,301
Services transferred at point in time	0	15	5	0	20	0	11	6	1	18
Services transferred over time	0	0	0	23	23	0	0	0	55	55
Total	1,691	4,024	2,088	23	7,826	1,471	3,810	2,038	56	7,374

External revenue	1-12/2018					Last 12 months				
	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
Goods transferred at point in time	2,943	7,577	4,266	0	14,787	3,164	7,788	4,317	0	15,269
Services transferred at point in time	0	24	12	2	38	0	28	11	1	40
Services transferred over time	0	0	0	93	93	0	0	0	61	61
Total	2,943	7,601	4,279	95	14,918	3,164	7,815	4,329	62	15,370

REVENUE BY OPERATING SEGMENT

	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
4-6/2019						
External revenue	866	2,124	1,055	12	0	4,057
Internal revenue	89	605	9	56	-758	0
Total revenue	955	2,729	1,064	68	-758	4,057
4-6/2018						
External revenue	751	1,913	1,052	30	0	3,745
Internal revenue	42	621	9	41	-713	0
Total revenue	793	2,534	1,061	71	-713	3,745
1-6/2019						
External revenue	1,691	4,024	2,088	23	0	7,826
Internal revenue	237	1,219	18	105	-1,579	0
Total revenue	1,928	5,243	2,106	128	-1,579	7,826
1-6/2018						
External revenue	1,471	3,810	2,038	56	0	7,374
Internal revenue	82	1,177	19	80	-1,358	0
Total revenue	1,552	4,987	2,057	136	-1,358	7,374
1-12/2018						
External revenue	2,943	7,601	4,279	95	0	14,918
Internal revenue	298	2,504	36	169	-3,007	0
Total revenue	3,241	10,105	4,315	264	-3,007	14,918
Last 12 months						
External revenue	3,164	7,815	4,329	62	0	15,370
Internal revenue	453	2,546	35	194	-3,228	0
Total revenue	3,617	10,361	4,364	256	-3,228	15,370

REVENUE BY OPERATING DESTINATION

External revenue	4-6/2019					4-6/2018				
	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
Finland	1	506	1,481	13	2,001	1	422	747	23	1,194
Other Nordic countries	415	325	15	2	758	438	281	8	3	729
Baltic Rim	0	18	590	0	609	0	20	296	0	316
Other European countries	171	995	1	5	1,172	61	879	1	2	943
North and South America	272	210	0	0	483	245	232	0	0	477
Other countries	6	70	0	3	79	6	79	0	2	86
Total	866	2,124	2,088	23	5,100	751	1,913	1,052	30	3,745
1-6/2019										
External revenue	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
Finland	1	955	1,481	13	2,449	5	824	1,461	42	2,332
Other Nordic countries	837	644	15	2	1,498	903	496	15	6	1,420
Baltic Rim	2	41	590	0	633	0	50	561	0	610
Other European countries	326	1,917	1	5	2,248	96	1,746	1	4	1,848
North and South America	511	303	0	0	813	459	346	0	0	805
Other countries	15	165	0	3	183	7	348	0	4	359
Total	1,691	4,024	2,088	23	7,826	1,471	3,810	2,038	56	7,374
1-12/2018										
External revenue	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
Finland	4	1,986	3,069	70	5,130	0	2,117	3,089	41	5,247
Other Nordic countries	1,640	998	34	10	2,682	1,574	1,146	34	6	2,760
Baltic Rim	0	95	1,173	0	1,268	2	86	1,203	0	1,291
Other European countries	363	3,349	2	9	3,723	593	3,520	2	10	4,124
North and South America	913	698	0	0	1,611	965	654	0	0	1,619
Other countries	23	475	0	6	504	31	293	0	5	329
Total	2,943	7,601	4,279	95	14,918	3,164	7,815	4,329	62	15,370
Last 12 months										
External revenue	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
Finland	4	1,986	3,069	70	5,130	0	2,117	3,089	41	5,247
Other Nordic countries	1,640	998	34	10	2,682	1,574	1,146	34	6	2,760
Baltic Rim	0	95	1,173	0	1,268	2	86	1,203	0	1,291
Other European countries	363	3,349	2	9	3,723	593	3,520	2	10	4,124
North and South America	913	698	0	0	1,611	965	654	0	0	1,619
Other countries	23	475	0	6	504	31	293	0	5	329
Total	2,943	7,601	4,279	95	14,918	3,164	7,815	4,329	62	15,370

4. SEGMENT INFORMATION

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

	4-6/2019	4-6/2018	1-6/2019	1-6/2018	1-12/2018	Last 12 months
REVENUE						
Renewable Products	955	793	1,928	1,552	3,241	3,617
Oil Products	2,729	2,534	5,243	4,987	10,105	10,361
Marketing & Services	1,064	1,061	2,106	2,057	4,315	4,364
Others	68	71	128	136	264	256
Eliminations	-758	-713	-1,579	-1,358	-3,007	-3,228
Total	4,057	3,745	7,826	7,374	14,918	15,370

	4-6/2019	4-6/2018	1-6/2019	1-6/2018	1-12/2018	Last 12 months
OPERATING PROFIT						
Renewable Products	284	56	583	336	899	1,146
Oil Products	76	108	191	243	170	118
Marketing & Services	25	20	38	33	77	81
Others	-28	-11	-71	-20	-122	-173
Eliminations	1	-1	0	1	2	1
Total	358	172	740	592	1,025	1,173

	4-6/2019	4-6/2018	1-6/2019	1-6/2018	1-12/2018	Last 12 months
COMPARABLE OPERATING PROFIT						
Renewable Products	286	177	623	473	983	1,132
Oil Products	83	92	156	191	397	362
Marketing & Services	25	20	38	33	77	81
Others	-28	-11	-71	-20	-36	-87
Eliminations	1	-1	-1	1	2	1
Total	367	277	746	679	1,422	1,490

	4-6/2019	4-6/2018	1-6/2019	1-6/2018	1-12/2018	Last 12 months
DEPRECIATION, AMORTIZATION AND IMPAIRMENTS						
Renewable Products	36	32	71	60	128	139
Oil Products	65	58	117	114	345	348
Marketing & Services	8	6	17	12	25	29
Others	8	7	17	14	116	119
Eliminations	0	0	0	0	0	0
Total	118	103	221	201	614	635

	4-6/2019	4-6/2018	1-6/2019	1-6/2018	1-12/2018	Last 12 months
CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES						
Renewable Products	88	37	117	65	159	211
Oil Products	74	57	129	104	196	221
Marketing & Services	6	8	8	11	28	25
Others	11	12	23	21	55	58
Eliminations	0	0	0	0	0	0
Total	179	114	277	201	438	514

	30 June 2019	30 June 2018	31 Dec 2018
TOTAL ASSETS			
Renewable Products	2,758	2,126	2,475
Oil Products	3,800	3,928	3,750
Marketing & Services	638	575	551
Others	406	502	401
Unallocated assets	1,338	1,085	1,430
Eliminations	-364	-300	-384
Total	8,576	7,916	8,224

	30 June 2019	30 June 2018	31 Dec 2018
NET ASSETS			
Renewable Products	2,273	1,748	2,018
Oil Products	2,564	2,678	2,257
Marketing & Services	315	254	249
Others	-152	65	186
Eliminations	-8	-8	-4
Total	4,991	4,737	4,706
TOTAL LIABILITIES			
Renewable Products	718	378	457
Oil Products	1,273	1,250	1,492
Marketing & Services	397	321	302
Others	563	436	215
Unallocated liabilities	1,346	1,507	1,507
Eliminations	-356	-291	-380
Total	3,939	3,600	3,594
RETURN ON NET ASSETS, %			
Renewable Products	57.3	32.2	48.0
Oil Products	4.6	22.5	6.7
Marketing & Services	28.9	27.3	29.1
COMPARABLE RETURN ON NET ASSETS, %			
Renewable Products	56.6	46.0	52.4
Oil Products	14.2	17.0	15.7
Marketing & Services	28.9	27.3	29.1

QUARTERLY SEGMENT INFORMATION

QUARTERLY REVENUE	4-6/2019	1-3/2019	10-12/2018	7-9/2018	4-6/2018	1-3/2018
Renewable Products	955	973	884	805	793	759
Oil Products	2,729	2,514	2,456	2,661	2,534	2,453
Marketing & Services	1,064	1,042	1,135	1,123	1,061	996
Others	68	60	64	65	71	65
Eliminations	-758	-821	-878	-771	-713	-645
Total	4,057	3,769	3,661	3,884	3,745	3,629

QUARTERLY OPERATING PROFIT	4-6/2019	1-3/2019	10-12/2018	7-9/2018	4-6/2018	1-3/2018
Renewable Products	284	299	400	163	56	279
Oil Products	76	114	-224	151	108	135
Marketing & Services	25	13	19	24	20	13
Others	-28	-43	-12	-90	-11	-9
Eliminations	1	-1	1	1	-1	2
Total	358	382	183	250	172	421

QUARTERLY COMPARABLE OPERATING PROFIT	4-6/2019	1-3/2019	10-12/2018	7-9/2018	4-6/2018	1-3/2018
Renewable Products	286	337	281	228	177	296
Oil Products	83	73	60	146	92	99
Marketing & Services	25	13	19	24	20	13
Others	-28	-43	-12	-4	-11	-9
Eliminations	1	-1	1	0	-1	2
Total	367	378	349	395	277	401

QUARTERLY DEPRECIATION, AMORTIZATION AND IMPAIRMENTS	4-6/2019	1-3/2019	10-12/2018	7-9/2018	4-6/2018	1-3/2018
Renewable Products	36	36	33	34	32	28
Oil Products	65	51	171	60	58	57
Marketing & Services	8	8	7	6	6	6
Others	8	8	8	94	7	7
Eliminations	0	0	0	0	0	0
Total	118	104	218	195	103	98

QUARTERLY CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES	4-6/2019	1-3/2019	10-12/2018	7-9/2018	4-6/2018	1-3/2018
Renewable Products	88	29	45	48	37	28
Oil Products	74	55	53	40	57	46
Marketing & Services	6	2	10	7	8	4
Others	11	12	16	18	12	9
Eliminations	0	0	0	0	0	0
Total	179	98	124	113	114	86

QUARTERLY NET ASSETS	4-6/2019	1-3/2019	10-12/2018	7-9/2018	4-6/2018	1-3/2018
Renewable Products	2,273	2,131	2,018	1,834	1,748	1,906
Oil Products	2,564	2,581	2,257	2,665	2,678	2,592
Marketing & Services	315	319	249	275	254	259
Others	-152	151	186	-4	65	291
Eliminations	-8	0	-4	-7	-8	-8
Total	4,991	5,182	4,706	4,762	4,737	5,041

5. ASSETS HELD FOR SALE

Neste has agreed to sell The Regional Business Unit of Neste Engineering Solutions and LLC Neste Saint-Petersburg. Both planned divestments are classified as assets held for sale in the consolidated statement of financial position.

The Regional Business Unit of Neste Engineering Solutions

The assets and liabilities held for sale at 30 June 2019 relate to Neste Engineering Solutions agreeing to create strategic partnership with engineering consultancy services company Rejlers. As part of the partnership agreement, Rejlers will acquire the Regional Business Unit of Neste Engineering Solutions and the parties will make a long-term cooperation agreement. The Regional Business Unit of Neste Engineering Solutions consists of personnel and operations in Turku, Kotka, Oulu, Sweden and UAE, except for NAPCON Business Unit. The transaction is subject to the approval of the competition authority which is estimated to take 1-4 months. The operations are part of the Others segment.

	The Regional Business Unit of Neste Engineering Solutions
	30 June 2019
Assets classified as held for sale	
Intangible assets	9
Non-current receivables	1
Trade and other receivables	3
Cash and cash equivalents	3
Total	16
Liabilities related to assets held for sale	
Trade and other payables	2
Total	2

LLC Neste Saint-Petersburg

The assets and liabilities held for sale at 30 June 2019 relate to Neste Corporation signed agreement to sell its fuel retail business consisting of 75 fuel stations and a terminal in St. Petersburg region to PJSC Tatneft, one of the leading integrated oil and gas companies in Russia. The completion of the divestment is subject to the approval of the Russian competition authorities and the transaction is estimated to be completed by the end of 2019. The operations are part of the Marketing & Services segment.

	LLC Neste Saint-Petersburg
	30 June 2019
Assets classified as held for sale	
Property, plant and equipment	54
Inventories	17
Trade and other receivables	10
Cash and cash equivalents	15
Total	96
Liabilities related to assets held for sale	
Interest-bearing liabilities	6
Deferred tax liabilities	1
Trade and other payables	16
Total	24

6. RECONCILIATION OF KEY FIGURES TO IFRS FINANCIAL STATEMENTS

RECONCILIATION BETWEEN COMPARABLE OPERATING PROFIT AND OPERATING PROFIT

Group	4-6/2019	4-6/2018	1-3/2019	1-6/2019	1-6/2018	1-12/2018
COMPARABLE OPERATING PROFIT	367	277	378	746	679	1,422
inventory valuation gains/losses	36	-62	71	107	-30	-269
changes in the fair value of open commodity and currency derivatives	-30	-38	-88	-118	-50	117
capital gains and losses	0	0	0	0	2	2
insurance and other compensations	0	0	0	0	0	0
impairments	-4	0	10	6	0	-198
other adjustments	-11	-5	10	0	-7	-48
OPERATING PROFIT	358	172	382	740	592	1,025

Renewable Products	4-6/2019	4-6/2018	1-3/2019	1-6/2019	1-6/2018	1-12/2018
COMPARABLE OPERATING PROFIT	286	177	337	623	473	983
inventory valuation gains/losses	24	-66	8	32	-76	-162
changes in the fair value of open commodity and currency derivatives	-26	-50	-59	-85	-58	82
capital gains and losses	0	0	0	0	0	0
insurance and other compensations	0	0	0	0	0	0
impairments	0	0	0	0	0	0
other adjustments	0	-4	13	13	-4	-4
OPERATING PROFIT	284	56	299	583	336	899

Oil Products	4-6/2019	4-6/2018	1-3/2019	1-6/2019	1-6/2018	1-12/2018
COMPARABLE OPERATING PROFIT	83	92	73	156	191	397
inventory valuation gains/losses	12	5	63	75	46	-108
changes in the fair value of open commodity and currency derivatives	-4	12	-29	-33	7	35
capital gains and losses	0	0	0	0	2	2
insurance and other compensations	0	0	0	0	0	0
impairments	-4	0	10	6	0	-112
other adjustments	-11	-1	-3	-14	-3	-44
OPERATING PROFIT	76	108	114	191	243	170

Marketing & Services	4-6/2019	4-6/2018	1-3/2019	1-6/2019	1-6/2018	1-12/2018
COMPARABLE OPERATING PROFIT	25	20	13	38	33	77
inventory valuation gains/losses	0	0	0	0	0	0
changes in the fair value of open commodity and currency derivatives	0	0	0	0	0	0
capital gains and losses	0	0	0	0	0	0
insurance and other compensations	0	0	0	0	0	0
impairments	0	0	0	0	0	0
other adjustments	0	0	0	0	0	0
OPERATING PROFIT	25	20	13	38	33	77

Others	4-6/2019	4-6/2018	1-3/2019	1-6/2019	1-6/2018	1-12/2018
COMPARABLE OPERATING PROFIT	-28	-11	-43	-71	-20	-36
inventory valuation gains/losses	0	0	0	0	0	0
changes in the fair value of open commodity and currency derivatives	0	0	0	0	0	0
capital gains and losses	0	0	0	0	0	0
insurance and other compensations	0	0	0	0	0	0
impairments	0	0	0	0	0	-86
other adjustments	0	0	0	0	0	0
OPERATING PROFIT	-28	-11	-43	-71	-20	-122

RECONCILIATION BETWEEN COMPARABLE OPERATING PROFIT AND COMPARABLE NET PROFIT

	4-6/2019	4-6/2018	1-6/2019	1-6/2018	1-12/2018
COMPARABLE OPERATING PROFIT	367	277	746	679	1,422
total financial income and expenses	-11	-18	-46	-41	-75
income tax expense	-54	-21	-107	-71	-172
non-controlling interests	1	0	0	0	0
tax on items affecting comparability	1	-16	0	-13	-25
COMPARABLE NET PROFIT	304	223	592	553	1,150

RECONCILIATION OF RETURN ON AVERAGE CAPITAL EMPLOYED, AFTER TAX (ROACE), %	30 June	30 June	31 Dec
	2019	2018	2018
COMPARABLE OPERATING PROFIT, LAST 12 MONTHS	1,490	1,340	1,422
financial income	10	4	7
exchange rate and fair value gains and losses	-41	-14	-34
income tax expense	-209	-176	-172
tax on other items affecting ROACE	-20	-24	-32
Comparable net profit, net of tax	1,231	1,130	1,191
Capital employed average	5,838	5,444	5,657
RETURN ON AVERAGE CAPITAL EMPLOYED, AFTER TAX (ROACE), %	21.1	20.8	21.1
RECONCILIATION OF EQUITY-TO-ASSETS RATIO, %	30 June	30 June	31 Dec
	2019	2018	2018
Total equity	4,637	4,315	4,630
Total assets	8,576	7,916	8,224
Advances received	-28	-20	-28
EQUITY-TO-ASSETS RATIO, %	54.2	54.7	56.5
RECONCILIATION OF NET WORKING CAPITAL IN DAYS OUTSTANDING	30 June	30 June	31 Dec
	2019	2018	2018
Operative receivables	1,366	1,171	1,140
Inventories	1,601	1,485	1,482
Operative liabilities	-1,898	-1,798	-1,750
Net working capital	1,069	858	873
Revenue, last 12 months	15,370	14,240	14,918
NET WORKING CAPITAL IN DAYS OUTSTANDING	25.4	22.0	21.4

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

	30 June 2019	30 June 2018	31 Dec 2018
CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT			
Opening balance	3,861	3,955	3,955
Change in accounting policy, IFRS 16 ¹⁾	215	0	0
Restated opening balance	4,076	3,955	3,955
Capital expenditure ¹⁾	276	201	422
Acquisitions	1	0	15
Depreciation, amortization and impairments ¹⁾	-234	-201	-498
Disposals	-23	-1	-27
Assets classified as held for sale	-63	0	0
Translation differences	5	-3	-7
Closing balance	4,038	3,951	3,861

¹⁾ Including the effects of applying IFRS 16. See Note 14 for further information.

	30 June 2019	30 June 2018	31 Dec 2018
CAPITAL COMMITMENTS			
Commitments to purchase property, plant and equipment	612	40	138
Total	612	40	138

8. CHANGES IN INVESTMENTS IN JOINT VENTURES

	30 June 2019	30 June 2018	31 Dec 2018
INVESTMENTS IN JOINT VENTURES			
Opening balance	106	213	213
Share of profit (loss) of joint ventures	-43	-8	-9
Share of other comprehensive income of investments accounted for using the equity method	-1	0	-4
Impairments	0	0	-86
Translation differences	-5	-12	-8
Other changes	0	0	0
Closing balance	56	193	106

9. INTEREST-BEARING NET DEBT AND LIQUIDITY

	30 June 2019	30 June 2018	31 Dec 2018
INTEREST-BEARING NET DEBT			
Non-current interest-bearing liabilities ¹⁾	1,057	996	849
Current interest-bearing liabilities ¹⁾	300	154	291
Interest-bearing liabilities	1,357	1,150	1,140
Current investments	-151	-11	-74
Cash and cash equivalents	-927	-875	-1,136
Liquid funds	-1,078	-886	-1,210
Interest-bearing net debt	279	264	-70

¹⁾ Including the effects of applying IFRS 16. See Note 14 for further information.

	30 June 2019	30 June 2018	31 Dec 2018
LIQUIDITY, UNUSED COMMITTED CREDIT FACILITIES AND DEBT PROGRAMS			
Liquid funds	1,078	886	1,210
Unused committed credit facilities	1,650	1,650	1,650
Total	2,728	2,536	2,860
In addition: Unused commercial paper program (uncommitted)	400	400	400

10. FINANCIAL INSTRUMENTS

The Group has not made any significant changes in policies regarding risk management during the reporting period. Aspects of the Group's financial risk management objective and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2018.

	30 June 2019		30 June 2018		31 Dec 2018	
	Nominal value	Net fair value	Nominal value	Net fair value	Nominal value	Net fair value
Interest rate and currency derivatives						
Interest rate swaps						
Hedge accounting	74	0	74	1	74	1
Non-hedge accounting	26	0	26	1	26	0
Currency derivatives						
Hedge accounting	2,427	0	1,632	-33	2,277	-29
Non-hedge accounting	919	5	1,291	-32	1,269	2

	30 June 2019			30 June 2018			31 Dec 2018		
	Volume GWh	Volume million bbl	Net fair value	Volume GWh	Volume million bbl	Net fair value	Volume GWh	Volume million bbl	Net fair value
Commodity derivatives									
Sales contracts									
Non-hedge accounting	0	22	44	0	17	-81	0	18	182
Purchase contracts									
Non-hedge accounting	2,986	21	-80	3,110	17	-5	3,081	18	-96

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

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

Financial assets and liabilities by measurement categories and fair value hierarchy as of June 30, 2019

Balance sheet item	Derivatives, hedge accounting	Fair value through profit or loss	Amortized cost	Carrying amount		Level 1	Level 2	Level 3
				Fair value	Fair value			
Non-current financial assets								
Non-current receivables			96	96	96			
Derivative financial instruments	5	7		11	11		11	
Other financial assets		5		5	5			5
Current financial assets								
Trade and other receivables ¹⁾			1,439	1,439	1,439			
Derivative financial instruments	12	79		91	91	7	84	
Current investments			151	151	151			
Cash and cash equivalents			927	927	927			
Financial assets	16	90	2,613	2,719	2,719			
Non-current financial liabilities								
Interest-bearing liabilities			1,057	1,057	1,092	754	338	
Derivative financial instruments		6		6	6		6	
Other non-current liabilities			17	17	17			
Current financial liabilities								
Interest-bearing liabilities			300	300	301	149	152	
Derivative financial instruments	16	110		127	127	2	125	
Trade and other payables			1,889	1,889	1,889			
Financial liabilities	16	117	3,263	3,396	3,432			

¹⁾ excluding non-financial items

Financial instruments that are measured at fair value in the balance sheet and the interest-bearing liabilities are presented according to fair value measurement hierarchy:

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

Level 2: other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

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

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

During the reporting period there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements. During the financial period there were no other financial assets than hedge accounted derivatives measured at fair value through other comprehensive income.

11. RELATED PARTY TRANSACTIONS

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

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

	30 June 2019	30 June 2018	31 Dec 2018
Transactions carried out with joint arrangements and other related parties			
Sales of goods and services	123	99	263
Purchases of goods and services	110	159	283
Receivables	174	135	167
Financial income and expenses	2	1	3
Liabilities	1	7	6

12. CONTINGENT LIABILITIES

	30 June 2019	30 June 2018	31 Dec 2018
Contingent liabilities			
On own behalf for commitments			
Real estate mortgages	26	26	26
Pledged assets	0	116	116
Other contingent liabilities	25	34	34
Total	51	176	177
On behalf of joint arrangements			
Pledged assets	44	45	45
Guarantees	0	0	0
Total	44	45	45
On behalf of others			
Guarantees	1	1	1
Total	1	1	1
Total	95	222	223

13. DISPUTES AND POTENTIAL LITIGATIONS

Neste has been engaged in arbitration with the Bahrain base oil joint operation partners concerning a contractual dispute. The dispute has been resolved during the second quarter.

14. CHANGES IN ACCOUNTING POLICIES

IFRS 16 Leases

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

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

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

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

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

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

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

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

	1-6/2019
Materials and services	11
Other expenses	10
Depreciation, amortization and impairments	-19
Operating profit	3
Financial expenses	-5
Profit for the period	-3

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

	30 Jun 2019
ASSETS	
Property, plant and equipment	244
Total assets	244
EQUITY	
Net profit for the period	-3
Total equity	-3
LIABILITIES	
Non-current interest-bearing liabilities	203
Current interest-bearing liabilities	43
Total liabilities	246

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

	1-6/2019
Net cash generated from operating activities	17
Cash flows from financing activities	-17
Net increase (+) / decrease (-) in cash and cash equivalents	0

Calculation of key figures

Calculation of key figures

EBITDA	=	Operating profit + depreciation, amortization and impairments
Comparable operating profit ¹⁾	=	Operating profit +/- inventory valuation gains/losses +/- changes in the fair value of open commodity and currency derivatives +/- capital gains/losses - insurance and other compensations + impairments +/- other adjustments
Items affecting comparability	=	Inventory valuation gains/losses, changes in the fair value of open commodity and currency derivatives, capital gains/losses, insurance and other compensations, impairments and other adjustments
Comparable net profit	=	Comparable operating profit - total financial income and expense - income tax expense - non-controlling interests - tax on items affecting comparability
Return on equity (ROE), %	=	$100 \times \frac{\text{Profit before income taxes} - \text{income tax expense, last 12 months}}{\text{Total equity average, 5 quarters end values}}$
Return on average capital employed, after-tax (ROACE), %	=	$100 \times \frac{\text{Comparable operating profit} + \text{financial income} + \text{exchange rate and fair value gains and losses} - \text{income tax expense} - \text{tax on other items affecting ROACE, last 12 months}}{\text{Capital employed average, 5 quarters end values}}$
Capital employed	=	Total equity + interest bearing liabilities
Interest-bearing net debt	=	Interest-bearing liabilities - cash and cash equivalents - current investments
Leverage ratio, %	=	$100 \times \frac{\text{Interest-bearing net debt}}{\text{Interest bearing net debt} + \text{total equity}}$
Gearing, %	=	$100 \times \frac{\text{Interest-bearing net debt}}{\text{Total equity}}$
Equity-to-assets ratio, %	=	$100 \times \frac{\text{Total equity}}{\text{Total assets} - \text{advances received}}$
Net working capital in days outstanding	=	$365 \times \frac{\text{Net working capital}}{\text{Revenue, last 12 months}}$
Net Debt to EBITDA	=	$\frac{\text{Interest-bearing net debt}}{\text{EBITDA, last 12 months}}$
Return on net assets, %	=	$100 \times \frac{\text{Segment operating profit, last 12 months}}{\text{Average segment net assets, 5 quarters end values}}$
Comparable return on net assets, %	=	$100 \times \frac{\text{Segment comparable operating profit, last 12 months}}{\text{Average segment net assets, 5 quarters end values}}$
Segment net assets	=	Property, plant and equipment + intangible assets + investments in joint ventures + inventories + interest-free receivables and liabilities - provisions - pension liabilities allocated to the business segment

Calculation of share-related indicators

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

Calculation of key drivers

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

¹⁾ In the business environment where Neste operates, commodity prices and foreign exchange rates are volatile and can cause significant fluctuations in inventory values and operating profit. Comparable operating profit eliminates both the inventory valuation gains/losses generated by the volatility in raw material prices and changes in open derivatives, and better reflects the company's underlying operational performance. Also, it reflects Neste's operational cash flow, where the change in operating profit caused by inventory valuation is mostly compensated by changing net working capital. Items affecting comparability are linked to unpredictability events of a significant nature that do not form part of normal day-to-day business. They include among others impairment losses and reversals, gains and losses associated with the combination or termination of businesses, restructuring costs, and gains and losses on the sales of assets. Only items having an impact of more than EUR 1 million on Neste's result will be classified as items affecting comparability.

