7 February 2020

Neste Corporation
Financial Statements Release
2019

Neste's Financial Statements Release for 2019

Outstanding year 2019 - Dividend proposal EUR 0.92 per share plus an extraordinary dividend of EUR 0.10 per share

Year 2019 in brief:

- Comparable operating profit totaled EUR 1,962 million (EUR 1,422 million)
- Comparable operating profit contribution totaling EUR 372 million (EUR 140 million) from the retroactive US Blender's Tax Credit (BTC) decision
- Operating profit totaled EUR 2,229 million (EUR 1,022 million)
- Cash flow before financing activities totaled EUR 1,154 million (EUR 870 million)
- Return on average capital employed (ROACE) was 26.6% over the last 12 months (21.1%)
- Leverage ratio was -3.3% at the end of December (31 Dec 2018: -1.5%)
- Comparable earnings per share were EUR 2.04 (EUR 1.50)
- Earnings per share: EUR 2.33 (EUR 1.01)
- Board of Directors will propose a dividend of EUR 0.92 per share (0.76), totaling EUR 706 million (EUR 583 million), plus an extraordinary dividend of EUR 0.10 per share, totaling EUR 77 million

Fourth quarter in brief:

- Comparable operating profit totaled EUR 781 million (EUR 349 million)
- Operating profit totaled EUR 1,046 million (EUR 183 million)
- Renewable Products' comparable operating profit was EUR 671 million (EUR 281 million)
- Comparable operating profit contribution totaling EUR 372 million (EUR 0 million) from the retroactive US Blender's Tax Credit (BTC) decision
- Renewable Products' comparable sales margin, excluding BTC, was USD 684/ton (USD 715/ton)
- Oil Products' comparable operating profit was EUR 117 million (EUR 60 million)
- Oil Products' total refining margin was USD 11.4/bbl (USD 10.5/bbl)
- Marketing & Services' comparable operating profit was EUR 11 million (EUR 19 million)

President and CEO Peter Vanacker:

“Year 2019 was Neste’s best ever. We posted a record-high comparable operating profit of EUR 1,962 million, compared to EUR 1,422 million in 2018. Renewable Products exceeded the previous year's high performance by significantly higher sales volumes, further improved sales margin, and the retroactive US Blender’s Tax Credit (BTC) decision for the years 2018 and 2019. Oil Products' financial performance was almost at the previous year’s level in a less supportive margin environment. Marketing & Services segment’s comparable operating profit was the same as in 2018. We reached a strong ROACE of 26.6% over the last 12 months and a leverage ratio of -3.3% at the end of the year. Our cash flow before financing activities was EUR 1,154 million in 2019. The strong financial position enables implementation of our growth strategy going forward while maintaining a healthy dividend distribution.

Renewable Products posted an outstanding full-year comparable operating profit of EUR 1,599 million (983 million). The renewable diesel market continued favorable, but feedstock markets tightened during the year. Despite higher feedstock costs, we were able to increase our average comparable sales margin by over 7% to USD 644/ton in

2019, which had a positive impact of EUR 93 million on the comparable operating profit. Our sales volumes were 2.85 million tons in 2019, more than 25% higher than in previous year. The increase in sales was enabled by a new annual production record. The capacity was increased from 2.7 to 3 million ton/a during the year as a result of successful implementation of Neste Excellence program in our operations. Higher sales volumes had a positive impact of EUR 335 million on the comparable operating profit year-on-year. Additionally, the retroactive US BTC decided for the years 2018 and 2019 had a positive impact of EUR 372 million on the comparable operating profit in the fourth quarter, compared to the EUR 140 million BTC impact for the year 2017 recorded in the first quarter of 2018. The share of waste and residues averaged at 80% of the total renewable material inputs in 2019.

Oil Products posted a full-year comparable operating profit of EUR 386 million (EUR 397 million). The reference margin, reflecting the general market conditions, and particularly the Urals-Brent price differential were quite volatile during 2019. The reference margin averaged at USD 5.8/bbl, which was approx. USD 0.4/bbl lower than in 2018. Our additional margin averaged at USD 4.7/bbl in 2019, almost at the same level as in the previous year. The additional margin was supported by our good operational performance, but burdened by a lower currency hedging result and higher utility costs compared to 2018. During the year 2019, the segment's fixed costs were EUR 23 million lower than in the previous year due to our Neste Excellence program efforts.

Marketing & Services segment generated a full-year comparable operating profit of EUR 77 million (EUR 77 million). The divestment of the Russian operations was completed at the end of October 2019, and Marketing & Services can now focus on its core markets.

The Others segment’s full-year comparable operating profit was EUR -98 million (EUR -36 million). The significant loss was mainly due to the poor performance of the minority owned Nynas, which has been impacted by the US sanctions. As our shareholding and loan receivables from Nynas were fully written-off in the third quarter, it will not have an impact on the Others segment’s financial performance going forward.

The year 2019 was a year of growth, change and consistent strategy execution. We expanded our global reach with new offices in Düsseldorf, Amsterdam, Shanghai, and Melbourne, and strengthened our presence in Houston and Singapore.

In Singapore, we started the construction of our EUR 1.4 billion expansion project to increase our production of renewable jet fuel and other renewable products. This biggest investment in our history is on track. It will expand our annual renewable capacity by up to 1.3 million tons in Singapore, and extend our total renewable product capacity to 4.5 million tons annually in 2022.

We have entered into new markets with our renewable and circular solutions. In road transportation, Neste MY Renewable Diesel™ is now sold in all the Baltic countries, and the Netherlands and Oregon in the US, in addition to our existing offering in Finland, Sweden and California.

In our Renewable Aviation business, we have moved from feasibility study to execution and ramped up our capacity to produce up to 100,000 tons of renewable jet fuel. With further production expansion on the way, we will have the capacity to produce over 1 million tons of renewable jet fuel globally in 2022. In 2019, we also started continuous supply to Air BP, Lufthansa and KLM to support these industry players in reducing aviation-related emissions. In the Renewable and Polymers business, we have partnered with actors like LyondellBasell and Borealis to do the first-ever commercial-scale production of bio-based plastics from renewable material.

We achieved excellent financial results with the best ever process safety performance in 2019. In 2020, we will continue on our journey to become a global leader in renewable and circular solutions. In all our business units, we look forward to new and continued partnerships, collaboration and initiatives with leading companies and brand owners. We want to execute our growth strategy faster, bolder, and together."

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 be lower than the refining capacity additions in 2020. Based on our current estimates and a hedging ratio of 80%, Neste's effective EUR/US dollar rate is expected to be within a range 1.12-1.14 in the first quarter of 2020.

Demand for renewable diesel is expected to remain strong in the first quarter due to the continuously growing biofuel mandates in 2020. Waste and residue feedstock markets are expected to continue tight. Utilization rates of our renewables production facilities are expected to remain high. We have scheduled the next four-week catalyst change at the Singapore refinery in the second quarter of 2020 and at the Rotterdam refinery in the fourth quarter of 2020. A catalyst change maintenance is currently estimated to have a negative impact of approx. EUR 50 million on the segment's comparable operating profit. Neste will implement a scheduled approx. eleven-week major turnaround at the Porvoo refinery in the second quarter of 2020. The Porvoo turnaround is currently estimated to have a negative impact of approx. EUR 40 million on the Renewable Products segment's comparable operating profit, mainly in the second quarter. The US Blender's Tax Credit approved in December 2019 is now in place for the year 2020. The expansion of the renewables businesses will increase the segment's fixed costs.

Oil Products' first-quarter reference margin is expected to be low due to the warm weather, coronavirus outbreak, and the IMO2020 bunker fuel regulation not yet supporting the middle distillates margin. Utilization rates of our production facilities are anticipated to remain high in the first quarter. We will implement a scheduled approx. eleven-week major turnaround at the Porvoo refinery in the second quarter of 2020. The Porvoo turnaround is currently estimated to have a negative impact of approx. EUR 180 million on the segment's comparable operating profit, mainly in the second quarter.

In Marketing & Services the sales volumes and unit margins are expected to follow the previous years' seasonality pattern in the first quarter. The divestment of the Russian operations completed in the fourth quarter of 2019 is estimated to reduce the segment's full-year comparable operating profit by EUR 16 million compared to 2019.

As described above, the announced eleven-week turnaround at the Porvoo refinery is estimated to have a negative impact on comparable operating profit totaling EUR 220 million. We estimate the Group's full-year 2020 capital expenditures to reach approx. EUR 1.2 billion, of which the Porvoo turnaround will be approx. EUR 450 million, Singapore capacity expansion approx. EUR 600 million, and the balance being normal strategic, productivity and maintenance investments.

Neste's Financial Statements, 1 January - 31 December 2019

The Financial Statements Release is unaudited.

Inventory valuation policy of the Renewable Products segment has been amended from FIFO (first-in, first-out) to weighted average during the last quarter of 2019. The change had an approximately EUR 15 million impact on Neste's balance sheet.[1)] Respective figures for 2019 and 2018 have been restated.

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

Key Figures

EUR million (unless otherwise noted)

	10-12/19	10-12/18	7-9/19	2019	2018
Revenue	4,053	3,661	3,961	15,840	14,918
EBITDA	1,164	401	605	2,731	1,636
Operating profit	1,046	183	442	2,229	1,022
Comparable operating profit*	781	349	435	1,962	1,422
Profit before income taxes	1,030	171	341	2,067	947
Net profit	934	129	267	1,789	775
Comparable net profit**	704	292	268	1,564	1,150
Earnings per share, EUR	1.22	0.17	0.35	2.33	1.01
Comparable earnings per share**, EUR	0.92	0.38	0.35	2.04	1.50
Investments	399	124	214	890	438
Net cash generated from operating activities	995	528	58	1,456	1,452

	31 Dec 2019	31 Dec 2018
Total equity	5,922	4,616
Interest-bearing net debt	-191	-70
Capital employed	7,243	5,756
Return on average capital employed after tax (ROACE)***, %	26.6	21.1
Equity per share, EUR	7.71	6.01
Leverage ratio, %	-3.3	-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.

*** Last 12 months

[1)] See Note 14 Changes in accounting policies for more detailed explanation of the impacts.

The Group's fourth quarter 2019 results

Neste's revenue in the fourth quarter totaled EUR 4,053 million (3,661 million). Higher sales volumes had a positive impact of approx. EUR 300 million and a stronger USD exchange rate a positive impact of approx. EUR 100 million on the revenue compared to the corresponding period last year. The Group's comparable operating profit was EUR 781 million (349 million). Renewable Products' comparable operating profit EUR 671 million (281 million) was significantly higher than in the fourth quarter of 2018, mainly as a result of the retroactive US BTC decision for the years 2018 and 2019, and higher sales volumes. Oil Products' comparable operating profit EUR 117 million (60 million) was higher than in the corresponding period of 2018, mainly due to higher additional margin and lower maintenance costs. Marketing & Services comparable operating profit was EUR 11 million (19 million), mainly as a result of lower sales volumes and higher fixed costs compared to the fourth quarter of 2018. The Others segment's comparable operating profit EUR -14 million (-12 million) was slightly weaker than in the corresponding period of 2018.

The Group's operating profit was EUR 1,046 million (183 million), which was impacted by inventory valuation gains of EUR 87 million (losses of 232 million), and changes in the fair value of open commodity and currency derivatives totaling EUR 133 million (216 million), mainly related to margin hedging. In addition there were capital gains of EUR 27 million (0 million), mainly related to the divestment of the Russian operations of Marketing & Services. Profit before income taxes was EUR 1,030 million (171 million), and net profit EUR 934 million (129 million). Comparable earnings per share were EUR 0.92 (0.38), and earnings per share EUR 1.22 (0.17).

The Group's full-year 2019 results

Neste's revenue in 2019 totaled EUR 15,840 million (14,918 million). The revenue increase mainly resulted from higher sales volumes and a stronger USD exchange rate, each of which had a positive impact of approx. EUR 500 million on the revenue year-on-year. The Group's comparable operating profit was EUR 1,962 million (1,422 million). Renewable Products' comparable operating profit increased to EUR 1,599 million (983 million) due to significantly higher sales volumes compared to 2018, and the EUR 372 million impact of the retroactive US BTC decision for 2018 and 2019 . Oil Products' comparable operating profit of EUR 386 million (397 million) was slightly lower than in 2018, mainly due to a lower reference margin. Marketing & Services' comparable operating profit of EUR 77 million (77 million) was supported by higher unit margins, but the increase was offset by the impact of higher fixed costs. The Others segment's comparable operating profit of EUR -98 million (-36 million) was significantly lower than in the year 2018, mainly due to the poor performance of Nynas, which was caused by the impacts of the US sanctions.

The Group's operating profit was EUR 2,229 million (1,022 million), which was impacted by inventory valuation gains of EUR 180 million (losses of 273 million), and changes in the fair value of open commodity and currency derivatives totaling EUR 69 million (117 million), mainly related to margin hedging. In addition there were capital gains of EUR 37 million (2 million), mainly related to the divestments of the Regional Business Unit of Neste Engineering Solutions and the Russian operations of Marketing & Services. As a result of normal impairment testing, we booked an asset write-off of EUR 34 million regarding our shareholding in Nynas in the third quarter. A revision of EUR 30 million was made to the asset writedown regarding Neste Oil Bahrain W.L.L. in the fourth quarter. Profit before income taxes was EUR 2,067 million (947 million), and net profit EUR 1,789 million (775 million). Comparable earnings per share were EUR 2.04 (1.50), and earnings per share EUR 2.33 (1.01).

	10-12/19	10-12/18	7-9/19	2019	2018
COMPARABLE OPERATING PROFIT	781	349	435	1,962	1,422
- inventory valuation gains/losses	87	-232	-15	180	-273
- changes in the fair value of open commodity and currency derivatives	133	216	54	69	117
- capital gains/losses	27	0	9	37	2
- impairments	23	-112	-40	-11	-198
- other adjustments	-6	-38	-1	-7	-48
OPERATING PROFIT	1,046	183	442	2,229	1,022

Variance analysis (comparison to corresponding period), MEUR

	10-12	1-12
Group's comparable operating profit, 2018	349	1,422
Sales volumes	78	331
Sales margin	22	47
Blender's Tax Credit (BTC)	372	232
Currency exchange	19	115
Fixed costs	-7	-39
Others	-53	-145
Group's comparable operating profit, 2019	781	1,962

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

	10-12	1-12
Group's comparable operating profit, 2018	349	1,422
Renewable Products	390	617
Oil Products	57	-11
Marketing & Services	-8	0
Others including eliminations	-7	-66
Group's comparable operating profit, 2019	781	1,962

Financial targets

Return on average capital employed after tax (ROACE) and leverage ratio are Neste's key financial targets. ROACE figures are based on comparable results. The company's long-term ROACE target is 15%, and the leverage ratio target is below 40%. At the end of December 2019, ROACE calculated over the last 12 months was strong at 26.6%, and leverage ratio remained well below the 40% target.

	31 Dec 2019	31 Dec 2018
Return on average capital employed after tax (ROACE)*, %	26.6	21.1
Leverage ratio (net debt to capital), %	-3.3	-1.5

*Last 12 months

Cash flow, investments and financing

The Group's net cash generated from operating activities totaled EUR 1,456 million (1,452 million) in 2019. The cash flow was higher than in the previous year despite the significant increase in net working capital and higher income taxes paid. Cash flow before financing activities was EUR 1,154 million (870 million). The Group's net working capital in days outstanding was 36.7 days (21.0 days) on a rolling 12-month basis at the end of 2019. The increase in net working capital in days outstanding was mainly due to the US BTC receivables booked at the end of December 2019.

	10-12/19	10-12/18	7-9/19	2019	2018
EBITDA	1,164	401	605	2,731	1,636
Capital gains/losses	-27	-1	-9	-37	-3
Other adjustments	-159	-194	-39	-77	-96
Change in net working capital	181	356	-439	-780	103
Finance cost, net	-20	-6	-1	-48	-37
Income taxes paid	-144	-29	-60	-333	-151
Net cash generated from operating activities	995	528	58	1,456	1,452
Capital expenditure	-222	-110	-157	-568	-395
Other investing activities	170	-29	169	265	-187
Free cash flow (Cash flow before financing activities)	943	389	71	1,154	870

Cash-out investments were EUR 568 million (395 million) in 2019. Maintenance investments accounted for EUR 260 million (253 million) and productivity and strategic investments for EUR 307 million (142 million). Renewable Products' investments were EUR 230 million (139 million), mainly related to the Singapore refinery capacity expansion project. Oil Products' investments amounted to EUR 264 million (178 million), with the largest projects being the Porvoo refinery turnaround 2020 related investments and revamp of the waste water treatment plant. Marketing & Services' investments totaled EUR 23 million (23 million) and were focused on the retail station network. Investments in the Others segment were EUR 50 million (55 million), concentrating on IT and business infrastructure upgrade.

Interest-bearing net debt was EUR -191 million at the end of December 2019, compared to EUR -70 million at the end of 2018. Net financial expenses for the year were EUR 163 million (75 million). The financial expenses for 2019 include a write-off of EUR 59 million related to a shareholder loan receivable from Nynas. Additionally, financial expenses of EUR 36 million resulted from changes in the fair value and currency exchange rates related to precious metals loans. The average interest rate of borrowing at the end of December was 1.9% (3.4%) and the average maturity 3.2 (3.7) years. At the end of the year the Net debt to EBITDA ratio was -0.1 (0.0) over the last 12 months.

The leverage ratio was -3.3% at the end of December 2019 (31 Dec 2018: -1.5%). 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 2,863 million at the end of December 2019 (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 December 2019 the Group's foreign currency hedging ratio was approximately 50% of the sales margin for the next 12 months.

US dollar exchange rate

	10-12/19	10-12/18	7-9/19	2019	2018
EUR/USD, market rate	1.11	1.14	1.11	1.12	1.18
EUR/USD, effective rate*	1.13	1.18	1.14	1.15	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

	10-12/19	10-12/18	7-9/19	2019	2018
Revenue, MEUR	1,081	884	1,025	4,033	3,241
EBITDA, MEUR	937	433	421	2,013	1,023
Comparable operating profit, MEUR	671	281	305	1,599	983
Operating profit, MEUR	888	400	376	1,847	895
Net assets, MEUR	3,137	2,002	2,424	3,137	2,002
Return on net assets*, %	77.4	48.1	64.0	77.4	48.1
Comparable return on net assets*, %	67.0	52.8	56.9	67.0	52.8

* Last 12 months

Variance analysis (comparison to corresponding period), MEUR

	10-12	1-12
Comparable operating profit, 2018	281	983
Sales volumes	73	335
Sales margin	-16	93
Blender's Tax Credit (BTC)	372	232
Currency exchange	12	61
Fixed costs	-35	-63
Others	-15	-42
Comparable operating profit, 2019	671	1,599

Key drivers

	10-12/19	10-12/18	7-9/19	2019	2018
Comparable sales margin, excluding BTC, USD/ton	684	715	635	644	600
Biomass-based diesel (D4) RIN, USD/gal	0.56	0.40	0.46	0.48	0.53
California LCFS Credit, USD/ton	206	192	198	197	168
Palm oil price*, USD/ton	604	505	492	522	572
Waste and residue's share of total feedstock, %	84	77	81	80	83

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

Renewable Products' fourth quarter comparable operating profit totaled EUR 671 million, compared to EUR 281 million in the fourth quarter of 2018. The retroactive US BTC decision concerning the years 2018 and 2019 had a positive impact of EUR 372 million on the comparable operating profit. Our sales volumes were 693,000 tons, over 20% higher than in the fourth quarter of 2018. The higher sales volume had a positive impact of EUR 73 million on the comparable operating profit year-on-year. The renewable feedstock market remained tight, but we were able to increase our comparable sales margin by successful sales performance from the third quarter 2019 level of USD 635/ton to USD 684/ton. The slightly lower sales margin compared to the fourth quarter of 2018 had a negative impact of EUR 16 million on the comparable operating profit year-on-year. During the fourth quarter approx. 60% (73%) of the volumes were sold to the European market and 40% (27%) to North America. The share of 100% renewable diesel delivered to end-users was 29% (28%) in the fourth quarter. Our renewable diesel production had an average utilization rate of 91% (80%) during the quarter, which reflected the catalyst change implemented at the Rotterdam refinery. The average proportion of waste and residue inputs was 84% (77%). The segment’s fixed costs were EUR 35 million higher than in the corresponding period of the previous year, mainly related to strategic growth projects and strengthening of resources. Renewable Products’ comparable return on net assets was 67.0% (52.8%) at the end of December based on the previous 12 months.

In 2019, animal fat prices increased in Europe, Australia and New Zealand due to higher demand globally and particularly in China. European Used Cooking Oil (UCO) price increase was also supported by robust demand. Vegetable oil prices drifted downward during the first half of 2019 led by soybean oil (SBO). The vegetable oil price trend reversed during the second half of the year driven by a poor rape seed oil (RSO) crop, high demand, and a crude palm oil (CPO) price surge in the fourth quarter. The CPO price increase resulted from a combination of a slowdown in CPO production growth and strong demand.

The US Renewable Identification Number (RIN) D4 price was impacted by SBO price development, and the negative impact of the biofuel mandate waivers granted to small refineries. D4 RIN price started to recover during the second half of the year, but declined again as a result of the BTC decision in December. The California Low Carbon Fuel Standard (LCFS) credit price increased during the year and peaked at USD 208/ton reflecting the strong demand resulting from the increasingly stringent GHG reduction targets in the state.

Renewable Products' full-year comparable operating profit was EUR 1,599 million (983 million). Sales volumes were 2.85 million tons in 2019, more than 25% higher than in previous year, and enabled by a new annual production record. Higher sales volume had a positive impact of EUR 335 million on the comparable operating profit year-on-year. The comparable sales margin was also higher than in 2018, and had a positive impact of EUR 93 million on the comparable operating profit year-on-year. The retroactive US BTC decided for the years 2018 and 2019 had a positive impact of EUR 372 million on the comparable operating profit in the fourth quarter, compared to the EUR 140 million BTC impact for 2017 recorded in the first quarter of 2018 results. During 2019 approximately 67% (72%) of sales volume went to Europe and 33% (28%) to North America. The share of 100% renewable diesel delivered to end-users was 26% (30%) of total volumes in full-year 2019. Renewable diesel production had a high capacity utilization rate of 99% (84%) in 2019, and the capacity was successfully increased to 3 million ton/a during the year. Feedstock mix optimization continued, and the average proportion of waste and residue inputs was 80% (83%). A stronger USD had a positive impact of EUR 61 million on the segment's comparable operating profit compared to 2018. During 2019 the segment's fixed costs were EUR 63 million higher than in the previous year, mainly related to strategic growth projects and strengthening of resources.

Production

	10-12/19	10-12/18	7-9/19	2019	2018
Neste Renewable Diesel, 1,000 ton	656	566	739	2,872	2,368
Other products, 1,000 ton	49	62	58	219	214
Utilization rate*, %	91	80	101	99	84

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

Sales

	10-12/19	10-12/18	7-9/19	2019	2018
Neste Renewable Diesel, 1,000 ton	693	575	716	2,846	2,261
Share of sales volumes to Europe, %	60	73	70	67	72
Share of sales volumes to North America, %	40	27	30	33	28

Oil Products

Key financials

	10-12/19	10-12/18	7-9/19	2019	2018
Revenue, MEUR	2,595	2,456	2,578	10,416	10,105
EBITDA, MEUR	189	-54	142	637	515
Comparable operating profit, MEUR	117	60	113	386	397
Operating profit, MEUR	141	-224	75	406	170
Net assets, MEUR	2,314	2,257	2,819	2,314	2,257
Return on net assets*, %	16.2	6.7	1.6	16.2	6.7
Comparable return on net assets*, %	15.4	15.7	12.8	15.4	15.7

* Last 12 months

Variance analysis (comparison to corresponding period), MEUR

	10-12	1-12
Comparable operating profit, 2018	60	397
Sales volumes	10	1
Reference margin	-4	-34
Additional margin	41	-12
Currency exchange	7	53
Fixed costs	20	23
Others	-18	-42
Comparable operating profit, 2019	117	386

Key drivers

	10-12/19	10-12/18	7-9/19	2019	2018
Reference refining margin, USD/bbl	5.49	5.64	7.30	5.82	6.19
Additional margin, USD/bbl	5.91	4.84	4.76	4.73	5.00
Total refining margin, USD/bbl	11.40	10.48	12.07	10.56	11.18
Urals-Brent price differential, USD/bbl	-1.54	-0.87	-1.05	-0.85	-1.51
Urals' share of total refinery input, %	73	55	73	72	69

Oil Products' comparable operating profit totaled EUR 117 million (60 million) in the fourth quarter. The reference margin, which reflects general market conditions, averaged at USD 5.5/bbl in the fourth quarter. It was almost on the same level as in the corresponding period 2018. Our good operational performance and marine fuel sales supported the additional margin, which averaged at USD 5.9/bbl. The higher additional margin had a positive impact of EUR 41 million on the comparable operating profit year-on-year. The segment's fixed costs were EUR 20 million lower compared to the fourth quarter of 2018, mainly as a result of lower maintenance activities. Profitability of the base oils business was lower, and the segment’s depreciations were higher than in the corresponding period last year. Oil Products' comparable return on net assets was 15.4% (15.7%) at the end of December over the previous 12 months.

During the fourth quarter the use of Russian crude was 73% (55%) of total input. The average refinery utilization rate was 92% (76%), which reflected good operational performance. The production costs were USD 5.3/bbl (6.0).

Crude oil prices were volatile during 2019, and Brent traded in a range between USD 55/bbl and USD 75/bbl. Crude price trended up from the first quarter until the early part of the second quarter to a level of USD 75/bbl. From the late second quarter until the end of the third quarter crude oil market was volatile, but mostly on a lowering trend. The impact of a weakening global economy outlook and lowering demand estimates overweighed the impact of rising geopolitical tensions between the US and Iran. During the fourth quarter crude oil market got support from positive expectations on a trade agreement between the US and China. Brent price was USD 66/bbl at the end of the year and averaged USD 64.2/bbl in 2019.

The Russian Export Blend (REB) crude averaged USD 0.8/bbl lower than Brent in 2019, and USD 1.5/bbl lower during the fourth quarter. During 2019 the global supply of medium heavy crude oil was generally tight due to OPEC's production cuts of heavier grades and lower export volumes from Iran and Venezuela. During early April and May, REB was trading at a premium over Brent due to organic chloride contamination in the Druzhba pipeline. Towards the year end very low high sulphur fuel oil margins started to widen the REB differential.

Reference margin trended upwards from the low levels in early 2019 until October, as refinery run cuts and later the spring refinery maintenance season, summer driving season and unexpected refinery outages gave support to the margin. Overall the refining margins were at fairly modest levels during the first half of 2019. In the second half of the year margins increased due to a refinery explosion in the US in late June, and the attack to Saudi Arabian oil facilities in September. The trend turned negative during the fourth quarter as expectations on marine gasoil demand increase due to the IMO2020 regulation became weaker, and investors were closing speculative positions in gasoil. Also the tight physical crude oil market and very low heavy sulphur fuel oil margins impacted refining margin negatively. In December refining margins started to recover driven by a widening REB-Brent differential and higher middle distillate margins. On average diesel was the strongest part of the barrel in 2019. Neste’s reference margin averaged USD 5.8/bbl in 2019, and USD 5.5/bbl during the fourth quarter.

Oil Products' full-year comparable operating profit was EUR 386 million (397 million). During 2019 the reference margin was approx. USD 0.4/bbl lower than in 2018, which had a negative impact of EUR 34 million on the comparable operating profit. The additional margin averaged at USD 4.7/bbl, and had a negative impact of EUR 12 million compared to the previous year. A stronger USD exchange rate had a positive impact of EUR 53 million on the comparable operating profit compared to 2018. During the year 2019 the segment's fixed costs were EUR 23 million lower than in the previous year, mainly as a result of improved operational performance. Profitability of the base oils business was significantly lower than in 2018 due to a challenging base oils market.

Production

	10-12/19	10-12/18	7-9/19	2019	2018
Refinery					
- Production, 1,000 ton	3,468	3,346	3,465	13,888	13,959
- Utilization rate, %	92	76	89	93	89
Refinery production costs, USD/bbl	5.3	6.0	4.6	4.8	4.9
Bahrain base oil plant production, (Neste's share) 1,000 ton	49	39	39	170	190

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

	10-12/19	%	10-12/18	%	7-9/19	%	2019	%	2018	%
Middle distillates*	1,860	49	1,810	50	1,542	48	6,985	48	7,119	49
Light distillates**	1,264	33	1,209	34	1,032	32	4,713	33	4,732	33
Heavy fuel oil	318	8	298	8	252	8	1,219	9	1,177	8
Base oils	105	3	113	3	105	3	436	3	483	3
Other products	282	7	184	5	292	9	1,066	7	922	6
TOTAL	3,829	100	3,614	100	3,223	100	14,418	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)

	10-12/19	%	10-12/18	%	7-9/19	%	2019	%	2018	%
Baltic Sea area*	2,243	59	2,232	62	2,064	64	8,512	59	8,770	61
Other Europe	1,088	28	901	25	809	25	4,163	29	3,930	27
North America	200	5	314	9	328	10	1,169	8	1,016	7
Other areas	297	8	167	5	22	1	574	4	717	5

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

Marketing & Services

Key financials

	10-12/19	10-12/18	7-9/19	2019	2018
Revenue, MEUR	1,002	1,135	1,086	4,193	4,315
EBITDA, MEUR	43	26	36	134	101
Comparable operating profit, MEUR	11	19	28	77	77
Operating profit, MEUR	36	19	28	102	77
Net assets, MEUR	235	249	319	235	249
Return on net assets*, %	35.3	29.1	28.8	35.3	29.1
Comparable return on net assets*, %	26.7	29.1	28.8	26.7	29.1

* Last 12 months

Variance analysis (comparison to corresponding period), MEUR

	10-12	1-12
Comparable operating profit, 2018	19	77
Sales volumes	-4	-5
Unit margins	1	16
Currency exchange	0	0
Fixed costs	-6	-12
Others	1	1
Comparable operating profit, 2019	11	77

Marketing & Services segment’s comparable operating profit was EUR 11 million (19 million) in the fourth quarter. Transportation fuel demand followed a normal seasonality pattern towards the winter period. Heavy traffic volumes continued to gradually decline in Finland. Our sales volumes were below the corresponding period last year, which had a negative impact of EUR 4 million on the comparable operating profit. The unit margins were slightly above the fourth quarter 2018 level, which had a positive impact of EUR 1 million on the comparable operating profit year-on-year. The segment's fixed costs were EUR 6 million higher compared to the fourth quarter of 2018, partly due to some extraordinary items. Marketing & Services' comparable return on net assets was 26.7% (29.1%) at the end of December on a rolling 12-month basis. The divestment of the Russian operations was completed in October.

Marketing & Services segment's full-year comparable operating profit was EUR 77 million (77 million). Average unit margins improved, which had a positive impact of EUR 16 million year-on-year. Our sales volumes were lower than in the year 2018, and it had a negative impact of EUR 5 million on the comparable operating profit. The segment's fixed costs were EUR 12 million higher compared to the full-year 2018, mainly due to changes in Group cost allocation, advertising costs and strategic project costs.

Sales volumes by main product categories, million liters

	10-12/19	10-12/18	7-9/19	2019	2018
Gasoline, station sales	192	247	282	974	1,049
Diesel, station sales	420	441	450	1,738	1,764
Heating oil	168	185	171	665	669

Net sales by market area, MEUR

	10-12/19	10-12/18	7-9/19	2019	2018
Finland	762	829	784	3,064	3,149
Northwest Russia	28	87	79	245	299
Baltic countries	212	219	222	884	867

Others

Key financials

	10-12/19	10-12/18	7-9/19	2019	2018
Comparable operating profit, MEUR	-14	-12	-13	-98	-36
Operating profit, MEUR	-14	-12	-38	-123	-122

The Others segment consists of Neste Engineering Solutions, Nynas, a joint venture owned by Neste (49.99% share) and Petróleos de Venezuela (PdVSA), and common corporate costs. The comparable operating profit of the Others segment totaled EUR -14 million (-12 million) in the fourth quarter. Nynas' operations have been severely impacted by the sanctions imposed on the majority-owner, Venezuela's state-run PdVSA. Nynas AB filed for company reorganization on 13 December 2019. With this action Nynas' Board of Directors is aiming to find a long-term solution to secure the operations of Nynas. As Neste's shareholding in Nynas and the shareholder loan receivable were fully written-off during the third quarter of 2019, Nynas' result did not have an impact on our Others segment's financials in the fourth quarter.

The full-year comparable operating profit of the Others segment totaled EUR -98 million (-36 million); Nynas accounted for EUR -52 (-12 million) of this figure.

Annual General Meeting

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

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

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

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

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

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

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

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

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

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

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

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

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

Shares, share trading, and ownership

Neste’s shares are mainly traded on NASDAQ Helsinki Ltd. The share price closed the year at EUR 31.02, up by 38.2% compared to the end of 2018. The total shareholder return (TSR) was 41.5% (29.4%) in 2019. At its highest during 2019, the share price reached EUR 33.33, while the lowest price was EUR 22.19. Market capitalization was EUR 23.9 billion as of 31 December 2019. An average of 1.23 million shares were traded daily, representing 0.2% of the company’s shares.

At the end of December 2019, Neste held 1,527,458 treasury shares. The number of shares was tripled by the share issue without payment decided upon in Neste’s AGM on 2 April 2019.

At the end of December 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 31 December 2019, the State of Finland owned directly 36.0% (36.4% at the end of 2018) of outstanding shares, foreign institutions 38.1% (37.6%), Finnish institutions 18.2% (18.3%), and households 7.8% (7.7%).

Personnel

Neste employed an average of 5,474 (5,468) employees in 2019, of which 1,680 (1,787) were based outside Finland. At the end of December, the company had 4,413 employees (5,413), of which 749 (1,820) were located outside Finland.

Environmental, Social and Governance (ESG)

Key figures

	10-12/19	10-12/18	2019	2018
TRIF*	1.0	1.7	1.7	1.7
PSER**	1.0	2.8	1.4	2.1
GHG emission reduction, Mton***	2.2	1.9	9.6	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) emission reduction achieved with Neste's renewable products compared to crude oil based diesel. Calculation method complies with the EU Renewable Energy Directive (RES 2009/28/EU).

Neste's occupational safety incident frequency, measured by the key TRIF indicator, was maintained at the year 2018 level. The safety performance improved markedly in the fourth quarter. The full-year TRIF 1.7 equals the best annual result recorded, but the target for 2019 was not reached due to a number of contractor incidents.

PSER, the main indicator for process safety incidents, was lower compared to the full-year and fourth quarter of 2018. The full-year PSER result 1.4 was the best ever at Neste, and a significant improvement from 2018. The target for 2019 was reached.

The occupational safety development continued actively with focus on contractor management and co-operation, managing winter conditions, and construction site safety improvements. High focus on process safety continues in all operations, for example, by ensuring effective process hazard analysis and by process safety improvement investments. Also the long-term safety development activities continue focusing on behavior, leadership, operational discipline, process safety, contractor safety, and effective learning from incidents.

Neste produces renewable products that enable our customers to reduce their greenhouse gas (GHG) emissions. During the 2019 this GHG reduction was 9.6 million tons, which is higher compared to the 7.9 million tons in the previous year and a new record.

Emissions from operations at Neste’s refineries were in substantial compliance at all sites during 2019. A total of 3 (2) minor non-compliance cases occurred at Neste's operations with limited local environmental impact only. No serious environmental incidents resulting in liability occurred at Neste's refineries or other production sites.

Neste was included in the Dow Jones Sustainability World Index for the 13th consecutive time in 2019. In January 2019, Neste was ranked the third most sustainable company in the world on the Global 100 list. Neste also reached the leading performers’ A List based on the CDP Climate Change assessment.

Neste's Supplier Code of Conduct was updated in 2019 to ensure its correspondence with existing norms and regulations as well as stakeholder expectations and needs. The Neste Supplier Sustainability Due Diligence Framework was developed in 2019 when a new Principle on Renewable Products (RP) Supplier Sustainability Approval was approved.

In 2019, we continued our palm fatty acid distillate (PFAD) supply chain mapping efforts in collaboration with palm oil suppliers and sustainability specialists from the Consortium of Resource Experts (CORE). We continued developing our Supplier Sustainability Portal to digitalize renewable raw material supplier evaluation, monitoring, and engagement.

In 2019, Neste improved and strengthened the human rights criteria used in the self-assessment questionnaire for onboarding new raw materials suppliers, and in the audit checklists for Neste-led site visits to review supplier sustainability practices. These criteria align with the updated Neste Supplier Code of Conduct.

During 2019 Neste's Anti-Corruption Principle was renewed, and a total of 3,500 employees completed Neste's Anti-Corruption e-learning, which summarizes requirements of the renewed Neste Anti-Corruption Principle. All new employees were required to complete a Code of Conduct online training.

Read more about the topics on Neste's website.

Innovation

A new Innovation organization was established in the spring 2019 to enhance strategy implementation with material growth in overall resources. In addition to a strong core R&D, Neste Innovation now comprises three new business platforms and dedicated units to drive discovery and external collaboration. New business platforms focus on new fuels and chemicals solutions with lignocellulose, algae, municipal solid waste and with renewable electricity as the primary energy sources. This accelerates renewal and the development of new sustainable businesses for Neste, while maintaining the ability to drive the strong growth ambitions of the current renewable road transportation, aviation and polymers and chemicals businesses. In 2019, the commercialization of renewable jet fuel, low sulphur marine fuel and new bio-based plastics and chemicals was successfully supported.

Neste's innovation expenditure totaled EUR 54 million (48 million) in 2019. Key achievements were the continued expansion of the renewable feedstock portfolio towards lower quality waste and residues, and a successful capacity creep at the existing renewable production sites. In 2019, Neste used 2.8 million tons of waste and residue feedstock and, in particular, increased the use of used cooking oil. The capacity creep at the production sites increased the overall production capacity by over 200,000 ton/a.

Technology development for utilizing waste plastic as feedstock was progressed with external partners along the chemical recycling value circle, with the target to utilize more than 1 million tons of waste plastic feedstock in 2030. The work focused on establishing partnerships with waste management companies and validating waste plastic liquefaction technologies.

In 2019, Neste Innovation doubled its external research expenditure and pursued to establish more strategic co-operation with external partners, key universities and institutes. For example, strategic research co-operations were formed with Aalto University, Åbo Akademi and VTT - The Technical Research Centre of Finland, and several new and on-going international co-operations with academic and industrial partners were started or continued, respectively.

Main events published during 2019

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

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

On 19 February, Neste announced that it had decided to renew its organizational structure to drive the successful execution of its global growth strategy in renewable products. Neste's growing Renewable Products business area was divided into three business units and one operational platform: Renewable Road Transportation, Renewable Aviation, Renewable Polymers & Chemicals, and the Renewables Platform. Various changes were made to the responsibilities of the members of Neste's Executive Committee, and two new members were appointed. Carl Nyberg was appointed Executive Vice President, Renewable Road Transportation. Matti Lehmus was appointed Executive Vice President of the Renewables Platform, covering the management and development of the renewables' production and supply chain. He was Executive Vice President of Neste's Oil Products business area and a member of the Executive Committee. Marko Pekkola was appointed Executive Vice President, Oil Products business unit. All these changes came into effect as of 1 May, 2019.

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

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

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 center in Espoo, Finland. The agreements signed will allow Neste and VTT to use these research infrastructures in their future projects.

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.

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.

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 was estimated to be completed by the end of 2019.

On 31 July, Neste announced that following up from the EUR 1.4 billion investment to expand its renewable products production capacity in Singapore, the company held a foundation stone ceremony to officially mark the extension of the new production line. The construction started at the beginning of the year. The Singapore expansion marks an important step in the execution of our growth strategy for renewables globally and the beginning for the world's most unique and advanced refinery for renewables. The Singapore expansion will extend Neste's renewable product overall capacity in Singapore by up to 1.3 million tons per annum, bringing the total renewable product capacity close to 4.5 million tons annually in 2022. Neste's target is to start up the new production line in Singapore during the first half of 2022.

On 2 August, Neste announced that Thorsten Lange, (M.Sc. Banking and Auditing), has been appointed as Executive Vice President for Renewable Aviation of Neste Corporation and member of the Neste Executive

Committee. He will join Neste on February 2020, at the latest, and will report to President and CEO Peter Vanacker. Thorsten Lange will transfer to Neste from Lufthansa Group.

On 15 August, Neste announced that it helps shipping companies to respond to the tightening regulation on sulphur dioxide emissions by offering them a new IMO2020-compliant marine fuel. The Neste Marine™ 0.5, containing maximum 0.5% sulphur, will be introduced to the market during the fourth quarter of 2019. By choosing Neste's low-sulphur fuel, shipping companies will have a solution, which is easy to switch to, and guarantees immediate compliance with the global sulphur cap.

On 18 September, Neste announced that the following members have been appointed to Neste's Shareholders' Nomination Board: The Chair, Director General Kimmo Viertola of the Ownership Steering Department in the Prime Minister's Office of Finland; Deputy CEO, Investments, Reima Rytsölä of Varma Mutual Pension Insurance Company; President and CEO Jouko Pölönen of Ilmarinen Mutual Pension Insurance Company and Matti Kähkönen, the Chair of Neste's Board of Directors. In line with a decision taken by the Annual General Meeting held on 4 April 2013, the Shareholders' Nomination Board consists of four members, three of which shall be appointed by the company's three largest shareholders as of the first weekday in September, who shall appoint one member each, with the Chair of Neste's Board of Directors serving as the fourth member.

On 20 September, Neste announced that it opens an office in Shanghai and starts renewable raw material sourcing operations in China. Neste will purchase renewable waste and residue raw materials from local collectors in the East Coast of China, especially in the regions around Shanghai, but later on also in other big cities. Neste's Shanghai office is registered as a fully-owned subsidiary of Neste.

On 2 October, Neste announced that it, and Lufthansa, one of the leading airlines in Europe, strengthen their collaboration regarding the development of renewable solutions for aviation. As part of the collaboration, Lufthansa will use Neste's sustainable aviation fuel, blended with fossil jet fuel on flights departing from Frankfurt. The first batch of sustainable aviation fuel was delivered to Lufthansa earlier this year.

On 7 October, Neste announced that it opens a new office in Düsseldorf, Germany, to serve as the global hub for its Renewable Polymers and Chemicals business unit. The business unit will provide the plastics and chemicals industries globally with solutions derived from biomass and chemically recycled plastic waste, enabling sustainability-oriented companies to reduce their dependence on crude oil and reach their own sustainability targets.

On 8 October, Neste announced that it takes a stronger foothold in the Netherlands. The company had opened a new office in Hoofddorp, in greater Amsterdam which will serve as the global hub for the growing Renewable Aviation business. Neste was also launching Neste MY Renewable Diesel™ to climate-conscious fleet customers.

On 14 October, Neste announced that Minna Aila, (LL.M) has been appointed as Senior Vice President for Sustainability, Public Affairs, Communications and Brand Marketing and member of the Neste Executive Committee. She will join Neste on April 2020, at the latest, and will report to President and CEO Peter Vanacker. Simo Honkanen, Senior Vice President of Neste's Sustainability, Public Affairs, Communications and Brand Marketing, will retire in April 2020. He has worked in the company since 2006.

On 16 October, Neste announced that it was entering into strategic co-operation for the production of renewable polypropylene (PP) with Borealis, a leading provider of innovative polyolefin solutions. The co-operation will enable

Borealis to start using Neste's 100% renewable propane produced with Neste's proprietary NEXBTL™ technology as renewable feedstock at its facilities in Belgium, starting end of 2019.

On 22 October, Neste announced that one concrete example of Neste's climate work is its new long-term agreement on wind power with a leading clean-energy company Fortum. The total capacity of the agreement is more than 60 MW, and the energy produced will correspond to around 20% of the electricity consumption at the Neste Porvoo and Naantali sites. The wind power deliveries are expected to begin in early 2021.

On 23 October, Neste announced that it had signed an agreement to collaborate in the development of chemical recycling of plastic waste with REMONDIS, one of the world's largest privately owned recycling, service and water companies. The companies will focus on developing and accelerating chemical recycling with a target to reach an annual capacity to process over 200,000 tons of waste plastic.

On 12 November, Neste announced that it was joining forces with Ravago, the world's leading distributor and recycler of polymers, to develop chemical recycling of plastic waste with the aim to reach significant industrial scale. Neste and Ravago have set a joint target to reach an annual capacity to process over 200,000 tons of waste plastic.

On 10 December, Neste announced that KLM had purchased sustainable aviation fuel (SAF) for flights out of Amsterdam Airport Schiphol. The sustainable aviation fuel is produced by Neste from used cooking oil and will reduce CO_2 emissions by up to 80% compared to fossil kerosene. This purchase is the next step in the use of sustainable fuel as it is the first time the fuel will be supplied using the existing infrastructure at Schiphol. Furthermore, Neste is joining KLM's Corporate BioFuel Programme. In doing so, Neste will reduce the CO_2 emissions of its own business travel on KLM flights by 100%.

On 19 December, Neste announced that it had signed a new EUR 1.2 billion multi-currency revolving credit facility (RCF) with a syndicate of 13 core relationship banks. The new facility refinances the Group's existing EUR 1.5 billion facility dated April 2014, and will be used for general corporate purposes. The facility has a tenor of 5 years with two 1-year extension options. The margin under the RCF will be adjusted based on Neste's progress to meet its greenhouse gas emission reduction target.

On 21 December, Neste announced that the US Blender's Tax Credit (BTC) had been approved retroactively for the years 2018 and 2019, as well as for the years 2020–2022. For said years, qualified biofuel blenders in the US are eligible for a Blender's Tax Credit of $1.00 per gallon of biodiesel or renewable diesel used in the blending process. The retroactive reinstatement of the BTC for 2018 and 2019 will have a positive impact on Neste's comparable operating profit in the last quarter of 2019. Cash flow relating to the BTC for 2018 and 2019 is expected to be mostly received during the first half of 2020.

Events after the reporting period

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

Potential risks

There have been no significant changes in Neste’s short-term risks or uncertainties since the end of 2018.

Key market risks affecting Neste's financial results for the next 12 months include macroeconomical, political and geopolitical risks, such as impact of the US sanctions on Nynas' business, possible trade war, possible impacts of the coronavirus outbreak, changes in the biofuel regulation, market prices, and competitive situation, and any scheduled or unexpected shutdowns at Neste’s refineries or potential strikes. Outcome of legal proceedings may have an impact on Neste's financial results.

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

Dividend distribution proposal

Neste's dividend policy is to distribute at least 50% of its comparable net profit in the form of a dividend. The parent company's distributable equity as of 31 December 2019 amounted to EUR 3,180 million, and there have been no material changes in the company’s financial position since the end of the financial year. The Board of Directors will propose to the Annual General Meeting that Neste Corporation pays a cash dividend of EUR 0.92 per share (0.76) for 2019, totaling EUR 706 million (583 million) based on the number of outstanding shares, plus an extraordinary dividend of EUR 0.10 per share, totaling EUR 77 million. The Board of Directors will also propose that the annual dividend shall be paid in two installments.

The first installment of dividend, EUR 0.46 per share, will be paid to shareholders registered in the shareholders’ register of the Company maintained by Euroclear Finland Ltd on the record date for the first dividend installment, which shall be Thursday, 9 April 2020. The Board proposes to the AGM that the first dividend installment would be paid on Monday, 20 April 2020. The second installment of dividend, EUR 0.46 per share, and the extraordinary dividend of EUR 0.10 per share, will be paid to shareholders registered in the shareholders’ register of the Company maintained by Euroclear Finland Ltd on the record date for the second dividend installment, and the extraordinary dividend, which shall be Tuesday, 13 October 2020. The Board proposes to the AGM that the second dividend installment, and the extraordinary dividend would be paid on Tuesday, 20 October 2020. The Board of Directors is authorized to set a new dividend record date and payment date for the second installment of the dividend, and the extraordinary dividend, in case the rules and regulations on the Finnish book-entry system would be changed, or otherwise so require.

The proposed annual dividend and the extraordinary dividend together represent a yield of 3.3% (at year-end 2019 share price of EUR 31.02) and 50% of the comparable net profit in 2019, and an increase of 34% compared to the total dividend distributed in the previous year.

Reporting date for the company's first-quarter 2020 results

Neste will publish its first-quarter results on 24 April 2020 at approximately 9:00 a.m. EET.

Espoo, 6 February 2020

Neste Corporation
Board of Directors

Further information:

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

Conference call

A conference call in English for investors and analysts will be held today, 7 February 2020, at 3 p.m. Finland / 1 p.m. London / 8 a.m. New York. The call-in numbers are as follows: Finland: +358 (0)9 4245 0806, rest of Europe: +44 (0) 20 7192 8000, US: +1 631 510 7495, using access code 8897665. The conference call can be followed at the company's website. An instant replay of the call will be available until 14 February 2020 at +44 (0) 3333 009785 for Europe and +1 866 331 1332 for the US, using access code 8897665.

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

NESTE GROUP
JANUARY - DECEMBER 2019
The financial statements release is unaudited

FINANCIAL STATEMENT SUMMARY AND NOTES TO THE FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF INCOME

EUR million	Note	10-12/2019	Restated [3] 10-12/2018	1-12/2019	Restated [3] 1-12/2018
Revenue	3, 4	**4,053**	3,661	**15,840**	14,918
Other income		**29**	4	**50**	17
Share of profit (loss) of joint ventures		**-1**	1	**-52**	-9
Materials and services [1]		**-2,670**	-3,025	**-12,238**	-12,462
Employee benefit costs		**-101**	-111	**-395**	-400
Depreciation, amortization and impairments [1]	4	**-118**	-218	**-502**	-614
Other expenses [1]		**-146**	-129	**-474**	-429
Operating profit	4	**1,046**	183	**2,229**	1,022
Financial income and expenses					
Financial income		**2**	3	**10**	7
Financial expenses [1] [2]		**-11**	-12	**-109**	-48
Exchange rate and fair value gains and losses		**-7**	-3	**-64**	-34
Total financial income and expenses		**-16**	-12	**-163**	-75
Profit before income taxes		**1,030**	171	**2,067**	947
Income tax expense		**-96**	-41	**-278**	-172
Profit for the period		**934**	129	**1,789**	775
Profit attributable to:					
Owners of the parent		**934**	129	**1,788**	775
Non-controlling interests		**0**	0	**1**	0
		934	129	**1,789**	775

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

[2] Including EUR 59 million write-down of loan receivable from Nynas in the third quarter 2019.

[3] The Group has amended the inventory valuation policy in Renewable Products segment during the last quarter in 2019 and the comparatives for 2018 have been restated. See Note 14 for further information.

Earnings per share from profit attributable to the owners of the parent (in euro per share)	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Basic earnings per share	**1.22**	0.17	**2.33**	1.01
Diluted earnings per share	**1.21**	0.17	**2.32**	1.01

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	10-12/2019	Restated 10-12/2018	1-12/2019	Restated 1-12/2018
Profit for the period	**934**	129	**1,789**	775
Other comprehensive income net of tax:				
Items that will not be reclassified to profit or loss				
Remeasurements on defined benefit plans	**34**	3	**8**	4
Items that may be reclassified subsequently to profit or loss				
Translation differences	**42**	-1	**45**	-16
Cash flow hedges				
recorded in equity	**30**	-18	**-26**	-53
transferred to income statement	**13**	17	**66**	7
Share of other comprehensive income of investments accounted for using the equity method	**-1**	4	**8**	-4
Total	**84**	2	**93**	-65
Other comprehensive income for the period, net of tax	**118**	5	**101**	-61
Total comprehensive income for the period	**1,052**	134	**1,890**	715
Total comprehensive income attributable to:				
Owners of the parent	**1,051**	134	**1,890**	714
Non-controlling interests	**0**	0	**1**	0
	1,052	134	**1,890**	715

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	Note	31 Dec 2019	Restated 31 Dec 2018	Restated 1 Jan 2018
ASSETS				
Non-current assets				
Intangible assets	7	**135**	124	100
Property, plant and equipment [1)]	7	**4,187**	3,737	3,856
Investments in joint ventures	8	**22**	106	213
Non-current receivables		**56**	87	51
Deferred tax assets		**40**	35	36
Derivative financial instruments	10	**7**	3	4
Other financial assets	10	**5**	5	5
Total non-current assets		**4,452**	4,096	4,264
Current assets				
Inventories		**1,678**	1,467	1,551
Trade and other receivables		**1,915**	1,231	1,096
Derivative financial instruments	10	**236**	206	86
Current investments		**19**	74	0
Cash and cash equivalents		**1,493**	1,136	783
Total current assets		**5,341**	4,113	3,517
Total assets	4	**9,793**	8,210	7,781
EQUITY				
Capital and reserves attributable to the owners of the parent				
Share capital		**40**	40	40
Other equity		**5,879**	4,574	4,292
Total		**5,919**	4,614	4,332
Non-controlling interests		**2**	2	0
Total equity		**5,922**	4,616	4,332
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities [1)]		**1,080**	849	1,032
Deferred tax liabilities		**255**	260	269
Provisions		**93**	100	55
Pension liabilities		**111**	124	131
Derivative financial instruments	10	**1**	0	0
Other non-current liabilities		**21**	14	14
Total non-current liabilities		**1,561**	1,347	1,500
Current liabilities				
Interest-bearing liabilities [1)]		**242**	291	163
Current tax liabilities		**16**	59	36
Derivative financial instruments	10	**63**	149	72
Trade and other payables		**1,990**	1,749	1,677
Total current liabilities		**2,311**	2,247	1,948
Total liabilities	4	**3,872**	3,594	3,448
Total equity and liabilities		**9,793**	8,210	7,781

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	10-12/2019	Restated 10-12/2018	1-12/2019	Restated 1-12/2018
Cash flows from operating activities					
Profit before income taxes		**1,030**	171	**2,067**	947
Adjustments, total		**-52**	36	**550**	590
Change in net working capital		**181**	356	**-780**	103
Cash generated from operations		**1,158**	562	**1,837**	1,640
Finance cost, net		**-20**	-6	**-48**	-37
Income taxes paid		**-144**	-29	**-333**	-151
Net cash generated from operating activities [1]		**995**	528	**1,456**	1,452
Cash flows from investing activities					
Capital expenditure		**-222**	-110	**-567**	-380
Acquisitions of subsidiaries		**0**	0	**-1**	-15
Proceeds from sales of shares in subsidiaries and business operations	5	**122**	0	**145**	0
Proceeds from sales of property, plant and equipment		**0**	1	**0**	2
Proceeds from sales of shares in joint arrangements		**0**	0	**0**	2
Changes in long-term receivables and other investments		**47**	-30	**120**	-191
Cash flows from investing activities		**-52**	-139	**-302**	-583
Cash flow before financing activities		**943**	389	**1,154**	870
Cash flows from financing activities					
Net change in loans and other financing activities		**-13**	-13	**-213**	-82
Dividends paid to the owners of the parent		**-292**	-217	**-583**	-435
Dividends paid to non-controlling interests		**0**	0	**-1**	0
Cash flows from financing activities [1]		**-305**	-230	**-797**	-517
Net increase (+) / decrease (-) in cash and cash equivalents		**637**	159	**357**	353
Cash and cash equivalents at the beginning of the period		**857**	979	**1,136**	783
Exchange gains (+) / losses (-) on cash and cash equivalents		**-1**	-1	**0**	0
Cash and cash equivalents at the end of the period		**1,493**	1,136	**1,493**	1,136

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

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

EUR million	Share capital	Reserve fund	Reserve of invested unrestricted equity	Treasury shares	Fair value and other reserves	Actuarial gains and losses	Translation differences	Retained earnings	Owners of the parent	Non-controlling interests	Total equity
Total equity at 1 Jan 2018	40	20	7	-9	-6	-73	-68	4,428	4,338	0	4,338
Change in accounting policy, IFRS 2								6	6		6
Change in accounting policy, IFRS 9					1			-2	-1		-1
Change in accounting policy, IFRS 15								0	0		0
Change in accounting policy, inventories								-11	-11		-11
Restated total equity at 1 Jan 2018	40	20	7	-9	-5	-73	-68	4,421	4,332	0	4,332
Profit for the period								775	775	0	775
Other comprehensive income for the period, net of tax					-49	4	-16		-61	0	-61
Total comprehensive income for the period	0	0	0	0	-49	4	-16	775	714	0	715
Transactions with the owners in their capacity as owners											
Dividend decision								-435	-435		-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	4,760	4,614	2	4,616

EUR million	Share capital	Reserve fund	Reserve of invested unrestricted equity	Treasury shares	Fair value and other reserves	Actuarial gains and losses	Translation differences	Retained earnings	Owners of the parent	Non-controlling interests	Total equity
Total equity at 1 Jan 2019	**40**	**19**	**10**	**-9**	**-55**	**-69**	**-84**	**4,760**	**4,614**	**2**	**4,616**
Profit for the period								**1,788**	**1,788**	**1**	**1,789**
Other comprehensive income for the period, net of tax					**48**	**9**	**45**		**101**	**0**	**101**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**48**	**9**	**45**	**1,788**	**1,890**	**1**	**1,890**
Transactions with the owners in their capacity as owners											
Dividend decision								**-583**	**-583**	**-1**	**-584**
Share-based compensation			**6**	**1**				**-8**	**-1**		**-1**
Transfer from retained earnings		**0**					**0**		**0**		**0**
Total equity at 31 Dec 2019	**40**	**19**	**16**	**-7**	**-6**	**-60**	**-39**	**5,957**	**5,919**	**2**	**5,922**

KEY FIGURES

	31 Dec 2019	Restated 31 Dec 2018
Revenue	**15,840**	14,918
Profit for the period	**1,789**	775
Earnings per share (EPS), EUR [1]	**2.33**	1.01
Alternative performance measures		
EBITDA, EUR million	**2,731**	1,636
Capital employed, EUR million	**7,243**	5,756
Interest-bearing net debt, EUR million	**-191**	-70
Capital expenditure and investment in shares, EUR million	**890**	438
Return on average capital employed, after tax, (ROACE) %	**26.6**	21.1
Return on equity, (ROE) %	**35.8**	17.3
Equity per share, EUR [1]	**7.71**	6.01
Cash flow per share, EUR [1]	**1.90**	1.89
Price/earnings ratio (P/E)	**13.32**	22.24
Comparable earnings per share, EUR [1]	**2.04**	1.50
Comparable net profit	**1,564**	1,150
Equity-to-assets ratio, %	**60.8**	56.4
Leverage ratio, %	**-3.3**	-1.5
Dividend per share	**1.02** [2]	0.76
Dividend payout ratio, %	**43.8** [2]	75.3
Dividend yield, %	**3.3** [2]	3.4
Adjusted weighted average number of shares outstanding [1]	**767,631,518**	767,466,142
Adjusted number of shares outstanding at the end of the period [1]	**767,683,600**	767,490,072
Average number of personnel	**5,474**	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.

[2] Board of Directors proposal to the Annual General Meeting. 2019 key figures include extraordinary dividend.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim report has been prepared in accordance with IAS 34 *Interim Financial Reporting* . The condensed interim report should be read in conjunction with the consolidated financial statements for the year ended 31 December 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.

The Group has amended the inventory valuation policy in Renewable Products segment from FIFO (first-in, first-out) to weighted average during the last quarter in 2019 and the comparatives for 2018 have been restated. See Note 14 *Changes in accounting policies* for more detailed explanation of the impacts.

2. TREASURY SHARES

On 15 March 2019 and on 23 September 2019 a total of 193,528 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 1,527,458 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	10-12/2019 Renewable Products	Oil Products	Marketing & Services	Others	Total	10-12/2018 Renewable Products	Oil Products	Marketing & Services	Others	Total
Fuels [1]	**1,041**	**1,778**	**964**	**0**	**3,782**	732	1,488	1,092	0	3,313
Light distillates	**30**	**796**	**220**	**0**	**1,047**	41	607	273	0	921
Middle distillates	**1,011**	**877**	**743**	**0**	**2,631**	691	873	818	0	2,382
Heavy fuel oil	**0**	**104**	**1**	**0**	**105**	0	9	1	0	10
Other products	**0**	**206**	**26**	**0**	**232**	2	289	31	0	322
Other services	**0**	**24**	**3**	**12**	**38**	0	8	3	15	27
Total	**1,041**	**2,008**	**992**	**12**	**4,053**	734	1,785	1,126	15	3,661

External revenue	1-12/2019 Renewable Products	Oil Products	Marketing & Services	Others	Total	1-12/2018 Renewable Products	Oil Products	Marketing & Services	Others	Total
Fuels [1]	**3,648**	**7,138**	**4,028**	**0**	**14,814**	2,942	6,699	4,147	0	13,788
Light distillates	**92**	**3,231**	**1,012**	**0**	**4,336**	130	2,971	1,110	0	4,211
Middle distillates	**3,555**	**3,472**	**3,011**	**0**	**10,039**	2,812	3,312	3,032	0	9,156
Heavy fuel oil	**0**	**434**	**5**	**0**	**439**	0	416	5	0	421
Other products	**7**	**800**	**118**	**0**	**925**	2	877	119	0	999
Other services	**0**	**46**	**11**	**44**	**101**	0	24	12	95	132
Total	**3,654**	**7,984**	**4,157**	**44**	**15,840**	2,943	7,601	4,279	95	14,918

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

TIMING OF REVENUE RECOGNITION

External revenue	10-12/2019 Renewable Products	Oil Products	Marketing & Services	Others	Total	10-12/2018 Renewable Products	Oil Products	Marketing & Services	Others	Total
Goods transferred at point in time	**1,041**	**1,984**	**990**	**0**	**4,014**	734	1,777	1,123	0	3,634
Services transferred at point in time	**0**	**24**	**3**	**0**	**27**	0	8	3	1	12
Services transferred over time	**0**	**0**	**0**	**11**	**11**	0	0	0	15	15
Total	**1,041**	**2,008**	**992**	**12**	**4,053**	734	1,785	1,126	15	3,661

External revenue	1-12/2019 Renewable Products	Oil Products	Marketing & Services	Others	Total	1-12/2018 Renewable Products	Oil Products	Marketing & Services	Others	Total
Goods transferred at point in time	**3,654**	**7,937**	**4,147**	**0**	**15,739**	2,943	7,577	4,266	0	14,787
Services transferred at point in time	**0**	**46**	**11**	**2**	**59**	0	24	12	2	38
Services transferred over time	**0**	**0**	**0**	**42**	**42**	0	0	0	93	93
Total	**3,654**	**7,984**	**4,157**	**44**	**15,840**	2,943	7,601	4,279	95	14,918

REVENUE BY OPERATING SEGMENT

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

10-12/2018	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
External revenue	734	1,785	1,126	15	0	3,661
Internal revenue	151	671	9	48	-878	0
Total revenue	884	2,456	1,135	64	-878	3,661

1-12/2019	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
External revenue	**3,654**	**7,984**	**4,157**	**44**	**0**	**15,840**
Internal revenue	**379**	**2,433**	**36**	**202**	**-3,049**	**0**
Total revenue	**4,033**	**10,416**	**4,193**	**246**	**-3,049**	**15,840**

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

REVENUE BY OPERATING DESTINATION

	10-12/2019					10-12/2018				
External revenue	**Renewable Products**	**Oil Products**	**Marketing & Services**	**Others**	**Total**	Renewable Products	Oil Products	Marketing & Services	Others	Total
Finland	**33**	**518**	**744**	**5**	**1,300**	2	634	806	9	1,451
Other Nordic countries	**201**	**248**	**4**	**0**	**453**	386	202	9	2	600
Baltic Rim	**4**	**9**	**243**	**0**	**257**	0	7	310	0	317
Other European countries	**393**	**1,076**	**0**	**5**	**1,474**	115	762	1	3	880
North and South America	**402**	**108**	**0**	**1**	**511**	226	89	0	0	314
Other countries	**8**	**49**	**0**	**0**	**58**	5	93	0	1	99
Total	**1,041**	**2,008**	**992**	**12**	**4,053**	734	1,785	1,126	15	3,661

	1-12/2019					1-12/2018				
External revenue	**Renewable Products**	**Oil Products**	**Marketing & Services**	**Others**	**Total**	Renewable Products	Oil Products	Marketing & Services	Others	Total
Finland	**33**	**2,009**	**2,991**	**25**	**5,058**	4	1,986	3,069	70	5,130
Other Nordic countries	**1,386**	**1,188**	**27**	**2**	**2,602**	1,640	998	34	10	2,682
Baltic Rim	**6**	**67**	**1,137**	**0**	**1,210**	0	95	1,173	0	1,268
Other European countries	**1,000**	**3,952**	**2**	**12**	**4,965**	363	3,349	2	9	3,723
North and South America	**1,197**	**530**	**0**	**2**	**1,729**	913	698	0	0	1,611
Other countries	**32**	**239**	**0**	**4**	**275**	23	475	0	6	504
Total	**3,654**	**7,984**	**4,157**	**44**	**15,840**	2,943	7,601	4,279	95	14,918

4. SEGMENT INFORMATION

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

REVENUE	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Renewable Products	**1,081**	884	**4,033**	3,241
Oil Products	**2,595**	2,456	**10,416**	10,105
Marketing & Services	**1,002**	1,135	**4,193**	4,315
Others	**60**	64	**246**	264
Eliminations	**-686**	-878	**-3,049**	-3,007
Total	**4,053**	3,661	**15,840**	14,918

OPERATING PROFIT	10-12/2019	10-12/2018	1-12/2019	Restated 1-12/2018
Renewable Products	**888**	400	**1,847**	895
Oil Products	**141**	-224	**406**	170
Marketing & Services	**36**	19	**102**	77
Others	**-14**	-12	**-123**	-122
Eliminations	**-4**	1	**-2**	2
Total	**1,046**	183	**2,229**	1,022

COMPARABLE OPERATING PROFIT	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Renewable Products	**671**	281	**1,599**	983
Oil Products	**117**	60	**386**	397
Marketing & Services	**11**	19	**77**	77
Others	**-14**	-12	**-98**	-36
Eliminations	**-4**	1	**-2**	2
Total	**781**	349	**1,962**	1,422

DEPRECIATION, AMORTIZATION AND IMPAIRMENTS	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Renewable Products	**49**	33	**166**	128
Oil Products	**48**	171	**232**	345
Marketing & Services	**8**	7	**33**	25
Others	**11**	8	**71**	116
Eliminations	**2**	0	**0**	0
Total	**118**	218	**502**	614

CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Renewable Products	**183**	45	**424**	159
Oil Products	**174**	53	**373**	196
Marketing & Services	**23**	10	**37**	28
Others	**19**	16	**56**	55
Eliminations	**0**	0	**0**	0
Total	**399**	124	**890**	438

TOTAL ASSETS	31 Dec 2019	Restated 31 Dec 2018
Renewable Products	**3,606**	2,459
Oil Products	**3,928**	3,750
Marketing & Services	**577**	551
Others	**352**	401
Unallocated assets	**1,652**	1,432
Eliminations	**-322**	-384
Total	**9,793**	8,210

NET ASSETS	31 Dec 2019	Restated 31 Dec 2018
Renewable Products	**3,137**	2,002
Oil Products	**2,314**	2,257
Marketing & Services	**235**	249
Others	**213**	186
Eliminations	**-9**	-4
Total	**5,890**	4,691

TOTAL LIABILITIES	31 Dec 2019	Restated 31 Dec 2018
Renewable Products	**757**	457
Oil Products	**1,673**	1,492
Marketing & Services	**406**	302
Others	**147**	215
Unallocated liabilities	**1,202**	1,507
Eliminations	**-313**	-380
Total	**3,872**	3,594

RETURN ON NET ASSETS, %	31 Dec 2019	Restated 31 Dec 2018
Renewable Products	**77.4**	48.1
Oil Products	**16.2**	6.7
Marketing & Services	**35.3**	29.1

COMPARABLE RETURN ON NET ASSETS, %	31 Dec 2019	Restated 31 Dec 2018
Renewable Products	**67.0**	52.8
Oil Products	**15.4**	15.7
Marketing & Services	**26.7**	29.1

QUARTERLY SEGMENT INFORMATION

QUARTERLY REVENUE	10-12/2019	7-9/2019	4-6/2019	1-3/2019	10-12/2018	7-9/2018	4-6/2018	1-3/2018
Renewable Products	**1,081**	**1,025**	**955**	**973**	884	805	793	759
Oil Products	**2,595**	**2,578**	**2,729**	**2,514**	2,456	2,661	2,534	2,453
Marketing & Services	**1,002**	**1,086**	**1,064**	**1,042**	1,135	1,123	1,061	996
Others	**60**	**58**	**68**	**60**	64	65	71	65
Eliminations	**-686**	**-784**	**-758**	**-821**	-878	-771	-713	-645
Total	**4,053**	**3,961**	**4,057**	**3,769**	3,661	3,884	3,745	3,629

		Restated	Restated	Restated	Restated	Restated	Restated	Restated
QUARTERLY OPERATING PROFIT	**10-12/2019**	**7-9/2019**	**4-6/2019**	**1-3/2019**	10-12/2018	7-9/2018	4-6/2018	1-3/2018
Renewable Products	**888**	**376**	**284**	**300**	400	160	56	280
Oil Products	**141**	**75**	**76**	**114**	-224	151	108	135
Marketing & Services	**36**	**28**	**25**	**13**	19	24	20	13
Others	**-14**	**-38**	**-28**	**-43**	-12	-90	-11	-9
Eliminations	**-4**	**2**	**1**	**-1**	1	1	-1	2
Total	**1,046**	**442**	**359**	**383**	183	246	171	422

QUARTERLY COMPARABLE OPERATING PROFIT	10-12/2019	7-9/2019	4-6/2019	1-3/2019	10-12/2018	7-9/2018	4-6/2018	1-3/2018
Renewable Products [1)]	**671**	**305**	**286**	**337**	281	228	177	296
Oil Products	**117**	**113**	**83**	**73**	60	146	92	99
Marketing & Services	**11**	**28**	**25**	**13**	19	24	20	13
Others	**-14**	**-13**	**-28**	**-43**	-12	-4	-11	-9
Eliminations	**-4**	**2**	**1**	**-1**	1	0	-1	2
Total	**781**	**435**	**367**	**378**	349	395	277	401

[1)] The retroactive US Blender's Tax Credit (BTC) decision for 2018 and 2019 had a positive impact of EUR 372 million on the Renewable Products' operating profit in Q4 2019.

QUARTERLY DEPRECIATION, AMORTIZATION AND IMPAIRMENTS	10-12/2019	7-9/2019	4-6/2019	1-3/2019	10-12/2018	7-9/2018	4-6/2018	1-3/2018
Renewable Products	**49**	**46**	**36**	**36**	33	34	32	28
Oil Products	**48**	**67**	**65**	**51**	171	60	58	57
Marketing & Services	**8**	**8**	**8**	**8**	7	6	6	6
Others	**11**	**43**	**8**	**8**	8	94	7	7
Eliminations	**2**	**-2**	**0**	**0**	0	0	0	0
Total	**118**	**162**	**118**	**104**	218	195	103	98

QUARTERLY CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES	10-12/2019	7-9/2019	4-6/2019	1-3/2019	10-12/2018	7-9/2018	4-6/2018	1-3/2018
Renewable Products	**183**	**125**	**88**	**29**	45	48	37	28
Oil Products	**174**	**70**	**74**	**55**	53	40	57	46
Marketing & Services	**23**	**5**	**6**	**2**	10	7	8	4
Others	**19**	**14**	**11**	**12**	16	18	12	9
Eliminations	**0**	**0**	**0**	**0**	0	0	0	0
Total	**399**	**214**	**179**	**98**	124	113	114	86

		Restated	Restated	Restated	Restated	Restated	Restated	Restated
QUARTERLY NET ASSETS	**10-12/2019**	**7-9/2019**	**4-6/2019**	**1-3/2019**	10-12/2018	7-9/2018	4-6/2018	1-3/2018
Renewable Products	**3,137**	**2,424**	**2,259**	**2,116**	2,002	1,819	1,736	1,896
Oil Products	**2,314**	**2,819**	**2,564**	**2,581**	2,257	2,665	2,678	2,592
Marketing & Services	**235**	**319**	**315**	**319**	249	275	254	259
Others	**213**	**-102**	**-152**	**151**	186	-4	65	291
Eliminations	**-9**	**-7**	**-8**	**0**	-4	-7	-8	-8
Total	**5,890**	**5,453**	**4,977**	**5,167**	4,691	4,747	4,726	5,030

5. DISPOSALS

Regional Business Unit of Neste Engineering Solutions

In June 2019 Neste Engineering Solutions 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 acquired the Regional Business Unit of Neste Engineering Solutions and the parties made 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 entire personnel of the Regional Business Unit transferred to Rejlers with current terms and conditions of employment valid at the time of the transfer. They continue to work with their current projects of Neste Engineering Solutions and other customers. The operations were part of the Others segment. The disposal was closed on 30 September 2019 after the approval of the competition authority.

Assets and liabilities of the Regional Business Unit of Neste Engineering Solutions	**Recognized values**
Intangible assets	9
Non-current receivables	1
Deferred tax assets	1
Trade and other receivables	3
Cash and cash equivalents	2
Total assets	**15**
Trade and other payables	6
Total liabilities	**6**
Sold net assets	**9**
Total consideration [1)]	19
Sold net assets	-9
Translation differences related to disposal (reclassified from equity)	-1
Gain on sale	**9**
Cash consideration received during 2019	22
Cash and cash equivalents disposed of	-2
Net cash flow 1-12/2019	**20**
Cash consideration to be returned during the first quarter 2020	-2
Total net cash flow	**18**

[1)] Total consideration includes transaction costs and adjustments

LLC Neste Saint-Petersburg

In July 2019 Neste Corporation announced that it had signed an agreement to sell its fuel retail business consisting of 75 fuel stations and a terminal in North-Western Russia to PJSC Tatneft, one of the leading integrated oil and gas companies in Russia. The divestment of Russian fuel retail business enables to focus on the strategic priorities. The divestment had no impact on Neste's Marketing & Services' operations in Finland and the Baltic countries. The operations were part of the Marketing & Services segment. The transaction received the approval of the Russian competition authorities on 4 October and was closed on 31 October.

Assets and liabilities of LLC Neste Saint-Petersburg	**Recognized values**
Property, plant and equipment	55
Inventories	13
Trade and other receivables	9
Cash and cash equivalents	24
Total assets	**100**
Interest-bearing liabilities	6
Deferred tax liabilities	1
Trade and other payables	13
Total liabilities	**21**
Sold net assets	**79**
Total consideration [1)]	149
Sold net assets	-79
Translation differences related to disposal (reclassified from equity)	-42
Gain on sale	**27**
Cash consideration received	149
Cash and cash equivalents disposed of	-24
Net cash flow	**125**

[1)] Total consideration includes transaction costs

6. RECONCILIATION OF KEY FIGURES TO IFRS FINANCIAL STATEMENTS

RECONCILIATION BETWEEN COMPARABLE OPERATING PROFIT AND OPERATING PROFIT

Group	**10-12/2019**	10-12/2018	7-9/2019	**1-12/2019**	1-12/2018
COMPARABLE OPERATING PROFIT	**781**	349	435	**1,962**	1,422
inventory valuation gains/losses	**87**	-232	-15	**180**	-273
changes in the fair value of open commodity and currency derivatives	**133**	216	54	**69**	117
capital gains and losses	**27**	0	9	**37**	2
impairments	**23**	-112	-40	**-11**	-198
other adjustments	**-6**	-38	-1	**-7**	-48
OPERATING PROFIT	**1,046**	183	442	**2,229**	1,022

Renewable Products	**10-12/2019**	10-12/2018	7-9/2019	**1-12/2019**	1-12/2018
COMPARABLE OPERATING PROFIT	**671**	281	305	**1,599**	983
inventory valuation gains/losses	**74**	-60	30	**137**	-165
changes in the fair value of open commodity and currency derivatives	**146**	179	40	**101**	82
capital gains and losses	**0**	0	0	**0**	0
impairments	**0**	0	0	**0**	0
other adjustments	**-3**	0	0	**10**	-4
OPERATING PROFIT	**888**	400	376	**1,847**	895

Oil Products	**10-12/2019**	10-12/2018	7-9/2019	**1-12/2019**	1-12/2018
COMPARABLE OPERATING PROFIT	**117**	60	113	**386**	397
inventory valuation gains/losses	**13**	-171	-45	**43**	-108
changes in the fair value of open commodity and currency derivatives	**-12**	36	13	**-32**	35
capital gains and losses	**0**	0	0	**0**	2
impairments	**23**	-112	-6	**23**	-112
other adjustments	**0**	-38	-1	**-15**	-44
OPERATING PROFIT	**141**	-224	75	**406**	170

Marketing & Services	**10-12/2019**	10-12/2018	7-9/2019	**1-12/2019**	1-12/2018
COMPARABLE OPERATING PROFIT	**11**	19	28	**77**	77
inventory valuation gains/losses	**0**	0	0	**0**	0
changes in the fair value of open commodity and currency derivatives	**0**	0	0	**0**	0
capital gains and losses	**27**	0	0	**27**	0
impairments	**0**	0	0	**0**	0
other adjustments	**-3**	0	0	**-3**	0
OPERATING PROFIT	**36**	19	28	**102**	77

Others	**10-12/2019**	10-12/2018	7-9/2019	**1-12/2019**	1-12/2018
COMPARABLE OPERATING PROFIT	**-14**	-12	-13	**-98**	-36
inventory valuation gains/losses	**0**	0	0	**0**	0
changes in the fair value of open commodity and currency derivatives	**0**	0	0	**0**	0
capital gains and losses	**0**	0	9	**9**	0
impairments	**0**	0	-34	**-34**	-86
other adjustments	**0**	0	0	**0**	0
OPERATING PROFIT	**-14**	-12	-38	**-123**	-122

RECONCILIATION BETWEEN COMPARABLE OPERATING PROFIT AND COMPARABLE NET PROFIT

	10-12/2019	10-12/2018	**1-12/2019**	1-12/2018
COMPARABLE OPERATING PROFIT	**781**	349	**1,962**	1,422
total financial income and expenses	**-16**	-12	**-163**	-75
income tax expense	**-96**	-41	**-278**	-172
non-controlling interests	**0**	0	**-1**	0
tax on items affecting comparability	**35**	-3	**43**	-26
COMPARABLE NET PROFIT	**704**	292	**1,564**	1,150

RECONCILIATION OF RETURN ON AVERAGE CAPITAL EMPLOYED, AFTER TAX (ROACE), %	**31 Dec 2019**	31 Dec 2018
COMPARABLE OPERATING PROFIT, LAST 12 MONTHS	**1,962**	1,422
financial income	**10**	7
exchange rate and fair value gains and losses	**-64**	-34
income tax expense	**-278**	-172
tax on other items affecting ROACE	**35**	-33
Comparable net profit, net of tax	**1,666**	1,191
Capital employed average	**6,275**	5,646
RETURN ON AVERAGE CAPITAL EMPLOYED, AFTER TAX (ROACE), %	**26.6**	21.1

RECONCILIATION OF EQUITY-TO-ASSETS RATIO, %	**31 Dec 2019**	31 Dec 2018
Total equity	**5,922**	4,616
Total assets	**9,793**	8,210
Advances received	**-46**	-28
EQUITY-TO-ASSETS RATIO, %	**60.8**	56.4

RECONCILIATION OF NET WORKING CAPITAL IN DAYS OUTSTANDING	**31 Dec 2019**	31 Dec 2018
Operative receivables	**1,918**	1,140
Inventories	**1,678**	1,467
Operative liabilities	**-2,001**	-1,750
Net working capital	**1,595**	858
Revenue, last 12 months	**15,840**	14,918
NET WORKING CAPITAL IN DAYS OUTSTANDING	**36.7**	21.0

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

CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	**31 Dec 2019**	31 Dec 2018
Opening balance	**3,861**	3,955
Change in accounting policy, IFRS 16 [1]	**215**	0
Restated opening balance	**4,076**	3,955
Capital expenditure [1]	**890**	422
Acquisitions	**1**	15
Depreciation, amortization and impairments [1]	**-497**	-498
Disposals	**-152**	-27
Translation differences	**4**	-7
Closing balance	**4,322**	3,861

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

CAPITAL COMMITMENTS	**31 Dec 2019**	31 Dec 2018
Commitments to purchase property, plant and equipment and intangible assets	**754**	138
Total	**754**	138

8. CHANGES IN INVESTMENTS IN JOINT VENTURES

INVESTMENTS IN JOINT VENTURES	**31 Dec 2019**	31 Dec 2018
Opening balance	**106**	213
Share of profit (loss) of joint ventures	**-52**	-9
Share of other comprehensive income of investments accounted for using the equity method	**8**	-4
Impairments	**-36**	-86
Translation differences	**-5**	-8
Closing balance	**22**	106

9. INTEREST-BEARING NET DEBT AND LIQUIDITY

INTEREST-BEARING NET DEBT	**31 Dec 2019**	31 Dec 2018
Non-current interest-bearing liabilities [1]	**1,080**	849
Current interest-bearing liabilities [1]	**242**	291
Interest-bearing liabilities	**1,322**	1,140
Current investments	**-19**	-74
Cash and cash equivalents	**-1,493**	-1,136
Liquid funds	**-1,513**	-1,210
Interest-bearing net debt	**-191**	-70

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

LIQUIDITY, UNUSED COMMITTED CREDIT FACILITIES AND DEBT PROGRAMS	**31 Dec 2019**	31 Dec 2018
Liquid funds	**1,513**	1,210
Unused committed credit facilities	**1,350**	1,650
Total	**2,863**	2,860
In addition: Unused commercial paper program (uncommitted)	**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.

	31 Dec 2019		31 Dec 2018	
Interest rate and currency derivatives	**Nominal value**	**Net fair value**	Nominal value	Net fair value
Interest rate swaps				
Hedge accounting	**0**	**0**	74	1
Non-hedge accounting	**0**	**0**	26	0
Currency derivatives				
Hedge accounting	**2,409**	**14**	2,277	-29
Non-hedge accounting	**1,602**	**14**	1,269	2

	31 Dec 2019			31 Dec 2018		
Commodity derivatives	**Volume GWh**	**Volume million bbl**	**Net fair value**	Volume GWh	Volume million bbl	Net fair value
Sales contracts						
Non-hedge accounting	**0**	**18**	**-19**	0	18	182
Purchase contracts						
Non-hedge accounting	**3,020**	**18**	**170**	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 December 31, 2019

Balance sheet item	**Derivatives, hedge accounting**	**Fair value through profit or loss**	**Amortized cost**	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Non-current financial assets								
Non-current receivables		4	52	56	56			
Derivative financial instruments	7	0		7	7		7	
Other financial assets		5		5	5			5
Current financial assets								
Trade and other receivables [1)]			1,911	1,911	1,911			
Derivative financial instruments	21	214		236	236	0	236	
Current investments			19	19	19			
Cash and cash equivalents			1,493	1,493	1,493			
Financial assets	28	223	3,476	3,727	3,727			
Non-current financial liabilities								
Interest-bearing liabilities			1,080	1,080	1,110	749	361	
Derivative financial instruments	0	1		1	1		1	
Other non-current liabilities			21	21	21			
Current financial liabilities								
Interest-bearing liabilities			242	242	242		242	
Derivative financial instruments	14	49		63	63	6	57	
Trade and other payables			1,990	1,990	1,990			
Financial liabilities	14	50	3,333	3,397	3,427			

[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 quatations. 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. Non-current receivables in fair value through profit and loss category include convertible loan of EUR 4 million. Its fair value belongs to level 3.

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

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.

Transactions carried out with joint arrangements and other related parties	**31 Dec 2019**	31 Dec 2018
Sales of goods and services	**216**	263
Purchases of goods and services	**258**	283
Receivables	**102**	167
Financial income and expenses [1]	**-54**	3
Liabilities	**19**	6

[1] Including EUR 59 million write-down of loan receivable from Nynas

12. CONTINGENT LIABILITIES

Contingent liabilities	**31 Dec 2019**	31 Dec 2018
On own behalf for commitments		
Real estate mortgages	**26**	26
Pledged assets	**0**	116
Other contingent liabilities	**29**	34
Total	**55**	177
On behalf of joint arrangements		
Pledged assets	**31**	45
Guarantees	**0**	0
Total	**31**	45
On behalf of others		
Guarantees	**1**	1
Total	**1**	1
Total	**87**	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. Settlement has also been reached in the dispute in respect of which Neste Oil Bahrain W.L.L. obtained a disadvantageous tax judgement in December 2018. The dispute has been resolved during the last quarter.

14. CHANGES IN ACCOUNTING POLICIES

Change in inventory valuation policy

The Group has amended the inventory valuation policy in Renewable Products segment from FIFO (first-in, first-out) to weighted average during the last quarter in 2019 and the comparatives for 2018 have been restated. The change had EUR 15 million impact on Neste's inventory valuation at 31.12.2018. Applying the new accounting policy provides more reliable and relevant information by improving and standardizing the calculation process and enabling more detailed analyzes.

THE EFFECT OF CHANGE IN INVENTORY VALUATION POLICY TO 1 JAN 2019 OPENING BALANCES

	31 Dec 2018	Change in inventory valuation	1 Jan 2019
ASSETS			
Deferred tax assets	34	2	35
Inventories	1,482	-15	1,467
Total assets	**8,224**	**-14**	**8,210**
EQUITY			
Retained earnings	4,588	-14	4,574
Total equity	**4,630**	**-14**	**4,616**
Total equity and liabilities	**8,224**	**-14**	**8,210**

THE EFFECT OF CHANGE IN INVENTORY VALUATION POLICY IN CONSOLIDATED STATEMENT OF INCOME

	1-12/2018
Materials and services	4
Operating profit	**4**
Income tax expense	0
Profit for the period	**3**

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. Payments related to these lease agreements remain as costs in income statement. 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, vessels, machinery and equipment, tanks, containers and facilities. Singapore expansion project increased the amount in 2019 and will increase in 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	**8,210**	**215**	**8,425**
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	**8,210**	**215**	**8,425**

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

	1-12/2019
Materials and services	45
Other expenses	34
Depreciation, amortization and impairments	-68
Operating profit	**11**
Financial expenses	-13
Profit for the period	**-2**

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

	31 Dec 2019
ASSETS	
Property, plant and equipment	316
Total assets	**316**
EQUITY	
Net profit for the period	-2
Total equity	**-2**
LIABILITIES	
Non-current interest-bearing liabilities	220
Current interest-bearing liabilities	99
Total liabilities	**319**

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

	1-12/2019
Net cash generated from operating activities	69
Cash flows from financing activities	-69
Net increase (+) / decrease (-) in cash and cash equivalents	**0**

www.neste.com