3 August 2018

Neste Corporation
Half-Year Financial Report
January-June 2018

Neste's Half-Year Financial Report for January-June 2018

Strong financial performance continued - Renewables leading the way

Second quarter in brief:

- Comparable operating profit totaled EUR 277 million (EUR 236 million)
- Operating profit totaled EUR 172 million (EUR 264 million)
- Renewable Products' comparable sales margin was USD 508/ton (USD 270/ton)
- Oil Products' total refining margin was USD 11.75/bbl (USD 10.67/bbl)
- Cash flow before financing activities was EUR 140 million (EUR 82 million)

January-June in brief:

- Comparable operating profit totaled EUR 679 million (EUR 439 million)
- Operating profit totaled EUR 592 million (EUR 536 million)
- Cash flow before financing activities was EUR 373 million (EUR 58 million)
- Return on average capital employed (ROACE) was 20.8% over the last 12 months (2017: 17.5%)
- Leverage ratio was 5.8% at the end of June (31.12.2017: 8.7%)
- Comparable earnings per share: EUR 2.16 (EUR 1.24)
- Earnings per share: EUR 1.88 (EUR 1.56)

President and CEO Matti Lievonen:

“Neste's strong financial performance continued in the second quarter. We posted a comparable operating profit of EUR 277 million, compared to EUR 236 million in the corresponding period last year. Renewable Products was again able to exceed the previous year's performance as a result of successful sales allocation and feedstock optimization, despite the scheduled maintenance activities. Oil Products' result was impacted by a weaker USD exchange rate year-on-year and a lower sales volume due to scheduled unit maintenances. The weaker USD had a negative impact totaling EUR 33 million on the Group's comparable operating profit compared to the second quarter of 2017. Neste reached a strong ROACE of 20.8% over the last 12 months and a leverage ratio of 5.8%.

Renewable Products posted a comparable operating profit of EUR 177 million (EUR 101 million). The renewable diesel market remained favorable in Europe and North America. Our additional margin was significantly higher than in the corresponding period last year, which had a positive impact of EUR 112 million on the operating profit. During the second quarter we implemented a scheduled five-week maintenance at the Rotterdam refinery, and our production facilities operated at an average 73% utilization rate. The negative impact of the Rotterdam maintenance on operating profit was approximately EUR 60 million, of which approximately 60% materialized in the second quarter. The remaining profit impact will materialize in the third quarter. Due to the scheduled maintenance activities our sales volumes were 589,000 tons, approximately 13% lower than in the corresponding period last year. During the second quarter 68% of sales were allocated to the European markets and 32% to North America. The share of 100% renewable diesel delivered to end-users was record-high 34% of total volumes. Feedstock mix optimization towards lower-quality raw materials continued successfully, and the proportion of waste and residue inputs was 92%. In May Neste agreed to acquire the share majority of IH Demeter B.V., a Dutch trader of animal fats and proteins. This is an important step for Neste in our strategy of building a global waste and residue raw material platform to secure raw material availability and competitiveness. Neste's cooperation with IKEA is also making progress as the first commercial scale pilot production of renewable, bio-based polypropylene plastic will start during the fall of 2018. In June there were positive developments in the regulatory area supporting Neste's strategy, as a preliminary agreement was reached on the post-2020 EU Renewable Energy Directive (RED II). Also the US Environmental Protection Agency (EPA) released its renewable fuel volume requirement proposal showing growth for 2019 and 2020.

Oil Products posted a comparable operating profit of EUR 92 million (EUR 122 million) in the second quarter. The overall refining market improved seasonally towards the summer period. The reference margin averaged USD 5.6/bbl, which was slightly lower than in the corresponding period last year. Oil Products' additional margin was strong at USD 6.1/bbl, supported by the new strategic investments being in full utilization. Our sales volumes were lower than in the second quarter of 2017, mainly due to the scheduled refinery unit maintenances. The negative impact of these maintenance activities was approximately EUR 30 million on the second-quarter operating profit. A weaker USD had a negative impact of EUR 19 million on the comparable operating profit year-on-year.

In Marketing & Services we were able to maintain our sales volumes at the second quarter 2017 level. The markets continued to be competitive, but average unit margins were slightly higher than in the corresponding period last year. The segment generated a comparable operating profit of EUR 20 million (EUR 19 million).

Renewable Products' additional margin is expected to be at a strong level in 2018. Sales volumes of the 100% renewable diesel delivered to end-users continue to grow from the levels in 2017 towards our 50% target in 2020. The vegetable oil market is expected to remain volatile, and Neste continues to expand the use of lower-quality waste and residue feedstock. Utilization rates of our renewable diesel facilities are expected to be high, except for a planned nine-week major turnaround at the Singapore refinery in the fourth quarter.

Global oil product supply and demand are anticipated to be balanced in 2018. Lower distillate inventories compared to last year are likely to support diesel margins. Oil Products' reference margin is expected to continue at a similar level on average as in the first half of 2018. We anticipate high reliability to continue in our refinery operations, noting that scheduled unit maintenances will be implemented in the autumn.

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

As a conclusion, we expect 2018 to be a very strong year for Neste."

Neste's Half-Year Financial Report, 1 January - 30 June 2018

The Half-Year Financial Report is unaudited.

Figures in parentheses refer to the corresponding period for 2017, unless otherwise stated.

Key Figures

EUR million (unless otherwise noted)

	4-6/18	4-6/17	1-3/18	1-6/18	1-6/17	2017
Revenue	3,745	3,280	3,629	7,374	6,351	13,217
EBITDA	275	357	518	793	717	1,542
Comparable EBITDA*	380	328	499	879	621	1,472
Operating profit	172	264	421	592	536	1,171
Comparable operating profit*	277	236	401	679	439	1,101
Profit before income taxes	154	240	397	551	477	1,094
Net profit	133	200	347	480	402	914
Comparable net profit**	223	175	330	553	318	851
Earnings per share, EUR	0.52	0.78	1.36	1.88	1.56	3.56
Comparable earnings per share**, EUR	0.87	0.68	1.29	2.16	1.24	3.33
Investments	114	122	86	201	220	536
Net cash generated from operating activities	354	216	323	677	260	1,094

	30 June 2018	30 June 2017	31 Dec 2017
Total equity	4,315	3,898	4,338
Interest-bearing net debt	264	947	412
Capital employed	5,466	5,067	5,533
Return on average capital employed after tax (ROACE)***, %	20.8	16.2	17.5
Equity per share, EUR	16.87	15.15	16.96
Leverage ratio, %	5.8	19.6	8.7

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

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

*** Last 12 months

The Group's second quarter 2018 results

Neste's revenue in the second quarter totaled EUR 3,745 million (3,280 million). The increase resulted from higher sales prices, which had a positive impact of approx. EUR 800 million on the revenue. Lower sales volumes due to scheduled maintenance activities had a negative impact of approx. EUR 100 million, and a weaker USD exchange rate had a negative impact of approx. EUR 200 million on the revenue. The Group's comparable operating profit was EUR 277 million (236 million). Renewable Products' comparable operating profit was significantly higher than in the second quarter of 2017, mainly as a result of higher additional margin. Oil Products' result was lower than in the second quarter of 2017, mainly due to a weaker USD exchange rate and lower sales volumes. The scheduled maintenance activities in Renewable Products and Oil Products had a negative impact of approx. EUR 70 million on the operating profit. Marketing & Services was able to increase its unit margins, which lead to a higher comparable operating profit compared to the second quarter of 2017. The Others segment's comparable operating profit was weaker than in the corresponding period of 2017, mainly due to Nynas' lower result.

Renewable Products' second quarter comparable operating profit was EUR 177 million (101 million), Oil Products' EUR 92 million (122 million), and Marketing & Services' EUR 20 million (19 million). The comparable operating profit of the Others segment totaled EUR -11 million (-6 million); Nynas accounted for EUR -5 million (-1 million) of this figure.

The Group's operating profit was EUR 172 million (264 million), which was impacted by inventory losses of EUR 62 million (70 million), and changes in the fair value of open commodity and currency derivatives totaling EUR -38 million (82 million), mainly related to margin hedging. Profit before income taxes was EUR 154 million (240 million), and net profit EUR 133 million (200 million). Comparable earnings per share were EUR 0.87 (0.68), and earnings per share EUR 0.52 (0.78).

The Group's January-June 2018 results

Neste's revenue in the first six months totaled EUR 7,374 million (6,351 million). The increase resulted from higher sales prices, which had a positive impact of approx. EUR 1,200 million, and higher sales volumes despite the scheduled maintenance activities, which had approx. EUR 200 million positive impact on the revenue. A weaker USD exchange rate had a negative impact of approx. EUR 400 million on the revenue. The Group's comparable operating profit was EUR 679 million (439 million). Renewable Products' additional margin was significantly higher compared to the corresponding period of 2017, and the retroactive US Blender's Tax Credit decision in February supported the first half year result. Oil Products' result was lower than in the first six months of 2017, mainly due to a weaker USD exchange rate and lower reference margin. At Group level the weaker USD had a negative impact totaling EUR 84 million on the comparable operating profit compared to the first half of 2017. Marketing & Services was able to increase its sales volumes and unit margins, which lead to a higher comparable operating profit compared to the first six months of 2017. The Others segment's comparable operating profit improved from the corresponding period of 2017.

Renewable Products' six-month comparable operating profit was EUR 473 million (181 million), Oil Products' EUR 191 million (248 million), and Marketing & Services' EUR 33 million (31 million). The comparable operating profit of the Others segment totaled EUR -20 million (-23 million); Nynas accounted for EUR -10 million (-8 million) of this figure.

The Group's operating profit was EUR 592 million (536 million), which was impacted by inventory losses of EUR 30 million (28 million), and changes in the fair value of open commodity and currency derivatives totaling EUR

-50 million (105 million), mainly related to margin hedging. Profit before income taxes was EUR 551 million (477 million), and net profit EUR 480 million (402 million). Comparable earnings per share were EUR 2.16 (1.24), and earnings per share EUR 1.88 (1.56).

	4-6/18	4-6/17	1-3/18	1-6/18	1-6/17	2017
COMPARABLE OPERATING PROFIT	277	236	401	679	439	1,101
- inventory gains/losses	-62	-70	32	-30	-28	31
- changes in the fair value of open commodity and currency derivatives	-38	82	-12	-50	105	24
- capital gains/losses	0	0	2	2	3	3
- insurance and other compensations	0	0	0	0	0	0
- other adjustments	-5	17	-2	-7	16	12
OPERATING PROFIT	172	264	421	592	536	1,171

Variance analysis (comparison to corresponding period), MEUR

	4-6	1-6
Group's comparable operating profit, 2017	236	439
Sales volumes	-49	-31
Reference margin	21	-5
Additional margin	129	261
Blender's Tax Credit	0	140
Currency exchange	-33	-84
Fixed costs	-17	-27
Others	-9	-15
Group's comparable operating profit, 2018	277	679

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

	4-6	1-6
Group's comparable operating profit, 2017	236	439
Renewable Products	77	293
Oil Products	-30	-57
Marketing & Services	1	3
Others including eliminations	-6	0
Group's comparable operating profit, 2018	277	679

Financial targets

Return on average capital employed after tax (ROACE) and leverage ratio are Neste's key financial targets. ROACE figures are based on comparable results. The company's long-term ROACE target is 15%, and the leverage ratio target is below 40%. At the end of June, ROACE calculated over the last 12 months was strong at 20.8%, and leverage ratio remained well in the targeted area.

	30 Jun 2018	30 Jun 2017	31 Dec 2017
Return on average capital employed after tax (ROACE)*, %	20.8	16.2	17.5
Leverage ratio (net debt to capital), %	5.8	19.6	8.7

*Last 12 months

Cash flow, investments and financing

The Group's net cash generated from operating activities totaled EUR 677 million (260 million) during the first six months of 2018. The difference mainly resulted from a higher EBITDA of the businesses and a smaller increase in working capital compared to the corresponding period last year. Cash flow before financing activities was strong at EUR 373 million (58 million). The Group's net working capital in days outstanding was 22.0 days (29.3 days) on a rolling 12-month basis at the end of the second quarter.

	4-6/18	4-6/17	1-3/18	1-6/18	1-6/17	2017
EBITDA	275	357	518	793	717	1,542
Capital gains/losses	0	0	-2	-2	-3	-3
Other adjustments	56	-104	42	98	-153	-82
Change in working capital	56	59	-149	-93	-168	-104
Finance cost, net	0	-45	-25	-26	-70	-90
Income taxes paid	-32	-50	-62	-94	-63	-169
Net cash generated from operating activities	354	216	323	677	260	1,094
Capital expenditure	-109	-108	-85	-194	-207	-502
Other investing activities	-105	-26	-5	-110	4	36
Free cash flow (Cash flow before financing activities)	140	82	234	373	58	628

Cash-out investments were EUR 194 million (207 million) during January-June. Maintenance investments accounted for EUR 124 million (76 million) and productivity and strategic investments for EUR 70 million (130 million). Renewable Products' investments were EUR 50 million (46 million), mainly related to the Rotterdam refinery catalyst change and maintenance. Oil Products' investments amounted to EUR 113 million (117 million), with the largest project being the wastewater treatment plant at the refinery in Porvoo. Marketing & Services' investments totaled EUR 10 million (22 million) and were focused on the retail station network. Investments in the Others segment were EUR 22 million (21 million), concentrating on ICT and business infrastructure upgrade. The Other investing activities include Neste's 49.99% participation as a shareholder in the refinancing of Nynas' SEK 1,100 million bond in June.

Interest-bearing net debt was EUR 264 million at the end of June, compared to EUR 412 million at the end of 2017. Net financial expenses for the first six months were EUR 41 million (59 million). The average interest rate of borrowing at the end of June was 3.2% (3.1%) and the average maturity 4.3 (5.0) years. At the end of the second quarter the interest-bearing net debt/comparable EBITDA ratio was 0.2 (0.7) over the last 12 months.

The leverage ratio was 5.8% (31 Dec 2017: 8.7%), and the gearing ratio 6.1% (31 Dec 2017: 9.5%). The Group has a strong financial position, which 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 2,536 million at the end of June (31 Dec 2017: 2,433 million). There are no financial covenants in the Group companies' current loan agreements.

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

US dollar exchange rate

	4-6/18	4-6/17	1-3/18	1-6/18	1-6/17	2017
EUR/USD, market rate	1.19	1.10	1.23	1.21	1.08	1.13
EUR/USD, effective rate*	1.18	1.10	1.19	1.18	1.10	1.12

* The effective rate includes the impact of currency hedges.

Segment reviews

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

Renewable Products

Key financials

	4-6/18	4-6/17	1-3/18	1-6/18	1-6/17	2017
Revenue, MEUR	793	828	759	1,552	1,527	3,243
EBITDA, MEUR	89	150	307	396	267	586
Comparable EBITDA, MEUR	209	128	324	534	235	671
Comparable operating profit, MEUR	177	101	296	473	181	561
Operating profit, MEUR	56	122	279	336	213	476
Net assets, MEUR	1,748	1,895	1,906	1,748	1,895	1,863
Return on net assets*, %	32.2	29.3	35.4	32.2	29.3	25.6
Comparable return on net assets*, %	46.0	24.8	41.4	46.0	24.8	30.2

* Last 12 months

Variance analysis (comparison to corresponding period), MEUR

	4-6	1-6
Comparable operating profit, 2017	101	181
Sales volumes	-36	-33
Reference margin	22	13
Additional margin	112	227
Blender's Tax Credit	0	140
Currency exchange	-13	-32
Fixed costs	-8	-19
Others	0	-3
Comparable operating profit, 2018	177	473

Key drivers

	4-6/18	4-6/17	1-3/18	1-6/18	1-6/17	2017
FAME - Palm oil price differential*, USD/ton	217	233	157	187	232	242
SME - Palm oil price differential**, USD/ton	227	232	203	215	206	225
Reference margin, USD/ton	317	278	251	285	275	291
Additional margin***, excluding BTC, USD/ton	300	101	384	341	112	184
Comparable sales margin, excluding BTC, USD/ton	508	270	525	516	277	365
Biomass-based diesel (D4) RIN, USD/gal	0.53	1.03	0.78	0.66	1.00	1.01
California LCFS Credit, USD/ton	162	75	136	149	84	89
Palm oil price****, USD/ton	605	587	635	620	625	629
Crude palm oil's share of total feedstock, %	8	18	19	14	23	23

* FAME (Fatty Acid Methyl Ester) seasonal vs. CPO BMD 3rd (Crude Palm Oil Bursa Malaysia Derivatives 3rd month futures price) + 70 $/t freight to ARA (Amsterdam-Rotterdam-Antwerp)
** SME (Soy Methyl Ester) US Gulf Coast vs. CPO BMD 3rd + 70 $/t freight to ARA
*** Based on standard variable production cost of USD 110/ton
**** CPO BMD 3rd

Renewable Products' second quarter comparable operating profit totaled EUR 177 million, compared to EUR 101 million in the second quarter of 2017. The reference margin was higher than in the second quarter of 2017, and had a positive impact of EUR 22 million on the operating profit. Our additional margin significantly exceeded the level of the corresponding period last year. The higher additional margin had a positive impact of EUR 112 million on the comparable operating profit year-on-year. The demand for renewable diesel continued strong, but our production was limited by scheduled maintenance activities at the Rotterdam refinery. Therefore, our sales volumes were 589,000 tons, which was approx. 13% lower than in the second quarter of 2017. The lower sales volume had a negative impact of EUR 36 million on the operating profit. During the second quarter approx. 68% (68%) of the sales were allocated to the European market and 32% (32%) to North America. The share of 100% renewable diesel delivered to end-users was 34% (22%) in the second quarter. Our renewable diesel production had an average utilization rate of 73% (96%) during the quarter, mainly reflecting the scheduled maintenance in Rotterdam. The proportion of waste and residue inputs was 92% (81%) on average. A weaker USD exchange rate had a EUR 13 million negative impact on the comparable operating profit. The segment's fixed costs were EUR 8 million higher than in the second quarter of 2017, mainly related to strategic growth projects. Renewable Products' comparable return on net assets was 46.0% (24.8%) at the end of June based on the previous 12 months.

In vegetable oils both crude palm oil (CPO) and soybean oil (SBO) prices declined. SBO prices continued to decrease as the US-China trade tensions threatened US soybean stock surplus to increase while soybean crushing margins showed further strength. Palm oil price dropped as a result of weaker exports, partially explained by the reintroduction of a Malaysian export tax, in addition to being impacted by the weakness of SBO. Rapeseed oil (RSO) price, in contrast, gained strength due to the deteriorating rapeseed crop prospects in Europe.

Conventional biodiesel margins improved on both sides of the Atlantic during the second quarter. In Europe, Fatty Acid Methyl Ester (FAME) margins increased significantly in response to the shutdown of numerous production units, as a result of substantial Soy Methyl Ester (SME) imports from Argentina entering the EU market. In the US, margins also recovered boosted by weak SBO and stronger domestic demand making up for the loss of SME imports from Argentina.

The US Renewable Identification Number (RIN) prices declined due to larger than normal amount of biofuel volume waivers granted to small oil refineries. The lack of transparency of the decision making process for granting these waivers pushed the D4 RIN price to a 32 month low. The constructive volume mandate proposal for 2019 released by the Environmental Protection Agency (EPA) towards the end of the quarter was not sufficient to reverse the RIN price development. The California Low Carbon Fuel Standard (LCFS) credit continued to strengthen as the market anticipated a larger draw in the credit bank in 2018 compared to the previous year. By June, the LCFS credit price reached a new high of over USD 180/ton.

Renewable Products' six-month comparable operating profit was EUR 473 million (181 million). The reference margin, reflecting the general market conditions, was slightly higher than that in the first half of 2017. Our additional margin significantly exceeded the level in the corresponding period last year. The higher additional margin had a positive impact of EUR 227 million on the comparable operating profit year-on-year. Additionally, the retroactive US Blender's Tax Credit decided for the full year 2017 had a positive impact of EUR 140 million on the operating profit in the first quarter. Lower sales volumes, mainly due to scheduled maintenance activities, had a negative impact of EUR 33 million, and a weaker USD a negative impact of EUR 32 million on the segment's comparable operating profit compared to the corresponding period last year. The segment's fixed costs were EUR 19 million higher than in the first six months of the previous year, mainly related to strategic growth projects.

Production

	4-6/18	4-6/17	1-3/18	1-6/18	1-6/17	2017
Neste MY Renewable Diesel, 1,000 ton	518	635	623	1,141	1,283	2,587
Other products, 1,000 ton	43	43	46	89	92	196
Utilization rate*, %	73	96	89	81	97	98

* Based on nominal capacity of 2.7 Mton/a in 2018, and 2.6 Mton/a in 2017.

Sales

	4-6/18	4-6/17	1-3/18	1-6/18	1-6/17	2017
Neste MY Renewable Diesel, 1,000 ton	589	674	550	1,139	1,217	2,567
Share of sales volumes to Europe, %	68	68	76	72	74	74
Share of sales volumes to North America, %	32	32	24	28	26	26

Oil Products

Key financials

	4-6/18	4-6/17	1-3/18	1-6/18	1-6/17	2017
Revenue, MEUR	2,534	2,080	2,453	4,987	4,089	8,490
EBITDA, MEUR	165	182	192	357	416	863
Comparable EBITDA, MEUR	150	174	156	306	352	708
Comparable operating profit, MEUR	92	122	99	191	248	495
Operating profit, MEUR	108	130	135	243	312	650
Net assets, MEUR	2,678	2,597	2,592	2,678	2,597	2,497
Return on net assets*, %	22.5	22.4	23.5	22.5	22.4	25.6
Comparable return on net assets*, %	17.0	18.6	18.2	17.0	18.6	19.5

* Last 12 months

Variance analysis (comparison to corresponding period), MEUR

	4-6	1-6
Comparable operating profit, 2017	122	248
Sales volumes	-14	1
Reference margin	-1	-18
Additional margin	17	35
Currency exchange	-19	-51
Fixed costs	-6	-15
Others	-6	-8
Comparable operating profit, 2018	92	191

Key drivers

	4-6/18	4-6/17	1-3/18	1-6/18	1-6/17	2017
Reference refining margin, USD/bbl	5.63	5.68	4.09	4.86	5.30	5.68
Additional margin, USD/bbl	6.12	4.99	6.07	6.03	5.52	5.39
Total refining margin, USD/bbl	11.75	10.67	10.16	10.89	10.82	11.08
Urals-Brent price differential, USD/bbl	-2.24	-1.55	-1.62	-1.93	-1.83	-1.39
Urals' share of total refinery input, %	78	74	71	75	73	69

Oil Products' comparable operating profit totaled EUR 92 million (122 million) in the second quarter. Reference margin averaged at USD 5.6/bbl in the second quarter, approximately the same level as in the corresponding period last year. Despite of the scheduled unit maintenances, we achieved a strong additional margin of USD 6.1/bbl, supported by the new strategic investments being in full utilization. The higher additional margin had a positive impact of EUR 17 million on the comparable operating profit year-on-year. Mainly due to the refinery maintenances, our sales volumes were 11% lower than in the second quarter of 2017, and had a EUR 14 million negative impact on the segment's comparable operating profit. A weaker USD exchange rate had a negative impact of EUR 19 million on the comparable operating profit compared to the second quarter of 2017. Oil Products' comparable return on net assets was 17.0% (18.6%) at the end of June over the previous 12 months.

During the second quarter the use of Russian crude was 78% (74%) of total input. The average refinery utilization rate was 89% (88%), which reflected the scheduled unit maintenances.

Brent crude oil price was on a rising trend during the second quarter and rose from USD 64/bbl towards USD 80/bbl. The crude oil market continued to be supported by the agreement between OPEC and non-OPEC countries to cut oil production, strong global demand growth and rising geopolitical tensions.

The Russian Export Blend (REB) crude price averaged USD 2.2/bbl lower than Brent during the second quarter. European refinery maintenance season widened the differential during the early part of the second quarter, but the differential narrowed again towards the end of the quarter as European refineries were coming back from maintenance, and REB export volumes through the Baltic Sea ports were lower compared to 2017. OPEC's production cuts in heavier crude qualities also influenced the differential during the second quarter.

Neste's reference margin increased seasonally from the first quarter as global refinery maintenance season, good middle distillate demand and start of the driving season supported margins. However, towards the end of the quarter margins lost momentum, as high US refinery runs, rising gasoline inventories and fears of higher crude oil price negatively impacting gasoline demand had a dampening effect. On average, diesel was the strongest part of the barrel during the second quarter, and Neste's reference margin averaged USD 5.6/bbl.

Oil Products' six-month comparable operating profit was EUR 191 million (248 million). During the first six months the reference margin was approx. USD 0.4/bbl lower than in the corresponding period last year, which had a negative impact of EUR 18 million on the comparable operating profit. The additional margin averaged at USD 6.0/bbl and had a positive impact of 35 million compared to the corresponding period last year. Overall sales volumes were higher than in the first six months of 2017, but the positive result impact was offset by a less favorable product mix. A weaker USD exchange rate had a negative impact of EUR 51 million on the comparable operating profit compared to the first half of 2017. During the first six months the segment's fixed costs were EUR 15 million higher than in the corresponding period of the previous year, mainly due to increased group charges for ICT, and maintenance activities.

Production

	4-6/18	4-6/17	1-3/18	1-6/18	1-6/17	2017
Refinery						
- Production, 1,000 ton	3,400	3,485	3,646	7,045	6,994	13,916
- Utilization rate, %	89	88	96	92	89	89
Refinery production costs, USD/bbl	5.2	4.3	4.4	4.8	4.0	4.4
Bahrain base oil plant production, (Neste's share) 1,000 ton	53	46	51	103	98	210

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

	4-6/18	%	4-6/17	%	1-3/18	%	1-6/18	%	1-6/17	%	2017	%
Middle distillates*	1,651	50	1,784	49	2,026	53	3,677	51	3,376	49	7,154	50
Light distillates**	981	29	1,190	33	1,247	32	2,228	31	2,261	33	4,630	33
Heavy fuel oil	240	7	312	9	293	8	533	7	611	9	1,137	8
Base oils	126	4	116	3	119	3	245	3	225	3	449	3
Other products	334	10	244	7	168	4	502	7	436	6	823	6
TOTAL	3,332	100	3,647	100	3,853	100	7,185	100	6,909	100	14,193	100

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

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

	4-6/18	%	4-6/17	%	1-3/18	%	1-6/18	%	1-6/17	%	2017	%
Baltic Sea area*	2,172	65	2,044	56	2,203	57	4,375	61	3,988	58	8,268	58
Other Europe	956	29	1,309	36	1,033	27	1,989	28	2,371	34	4,606	32
North America	174	5	269	7	115	3	289	4	395	6	746	5
Other areas	30	1	25	1	501	13	531	7	156	2	572	4

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

Marketing & Services

Key financials

	4-6/18	4-6/17	1-3/18	1-6/18	1-6/17	2017
Revenue, MEUR	1,061	952	996	2,057	1,900	3,912
EBITDA, MEUR	26	25	19	45	43	93
Comparable EBITDA, MEUR	26	25	19	45	43	93
Comparable operating profit, MEUR	20	19	13	33	31	68
Operating profit, MEUR	20	19	13	33	31	69
Net assets, MEUR	254	204	259	254	204	280
Return on net assets*, %	27.3	37.2	27.9	27.3	37.2	28.7
Comparable return on net assets*, %	27.3	37.2	27.9	27.3	37.2	28.5

* Last 12 months

Variance analysis (comparison to corresponding period), MEUR

	4-6	1-6
Comparable operating profit, 2017	19	31
Sales volumes	0	1
Unit margins	1	2
Currency exchange	0	-1
Fixed costs	-2	-1
Others	1	2
Comparable operating profit, 2018	20	33

Marketing & Services' comparable operating profit was EUR 20 million (19 million) in the second quarter. We were able to maintain sales volumes compared to the corresponding period last year. Traffic fuel demand increased seasonally for the summer period. All focus markets continued to be very competitive, but average unit margins were slightly higher than in the corresponding period last year. The segment's fixed costs were EUR 2 million higher compared to the second quarter of 2017. Marketing & Services' comparable return on net assets was 27.3% (37.2%) at the end of June on a rolling 12-month basis.

Marketing & Services segment's six-month comparable operating profit was EUR 33 million (31 million). Sales volumes were slightly higher compared to the corresponding period last year, which had a positive impact of EUR 1 million on the comparable operating profit. Average unit margins were partly normalized, which had a positive impact of EUR 2 million on the result year-on-year. The fixed costs were EUR 1 million higher compared to the first six months of 2017.

Sales volumes by main product categories, million liters

	4-6/18	4-6/17	1-3/18	1-6/18	1-6/17	2017
Gasoline station sales	277	279	245	522	525	1,080
Diesel station sales	442	433	432	874	850	1,739
Heating oil	143	136	181	325	283	615

Net sales by market area, MEUR

	4-6/18	4-6/17	1-3/18	1-6/18	1-6/17	2017
Finland	766	679	732	1,497	1,370	2,820
Northwest Russia	72	76	65	137	145	290
Baltic countries	223	195	199	423	382	802

Others

Key financials

	4-6/18	4-6/17	1-3/18	1-6/18	1-6/17	2017
Comparable operating profit, MEUR	-11	-6	-9	-20	-23	-24
Operating profit, MEUR	-11	-6	-9	-20	-23	-24

The Others segment consists of Neste Engineering Solutions, Nynas, a joint venture owned by Neste (49.99% share) and Petróleos de Venezuela, and common corporate costs. The comparable operating profit of the Others segment totaled EUR -11 million (-6 million) in the second quarter; Nynas accounted for EUR -5 million (-1 million) of this figure. Nynas' result was impacted by lower sales volumes and higher production costs compared to the corresponding period last year.

The six-month comparable operating profit of the Others segment totaled EUR -20 million (-23 million); Nynas accounted for EUR -10 (-8 million) of this figure.

Shares, share trading, and ownership

Neste’s shares are mainly traded on NASDAQ Helsinki Ltd. The share price closed the quarter at EUR 67.20, up by 18.7% compared to the end of first quarter. At its highest during the quarter, the share closing price reached EUR 71.20, while the lowest daily closing price was EUR 53.84. Market capitalization was EUR 17.2 billion as of 30 June 2018. An average of 0.58 million shares were traded daily, representing 0.2% of the company’s shares.

Neste’s share capital registered with the Company Register as of 30 June 2018 totaled EUR 40 million, and the total number of shares was 256,403,686. As resolved by the AGM held on 1 April 2015, the Board of Directors was authorized to purchase and/or take as security a maximum of 1,000,000 company shares using the company's unrestricted equity. At the end of June 2018, Neste held 573,662 treasury shares purchased under this authorization. As resolved by the AGM held on 5 April 2018, 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 1,000,000 shares. The Board of Directors has no authorization to issue convertible bonds, share options, or new shares.

As of 30 June 2018, the Finnish State owned 44.8% (49.7% at the end of the first quarter) of outstanding shares, foreign institutions 37.1% (33.0%), Finnish institutions 10.2% (9.1%), and Finnish households 7.9% (8.2%).

Personnel

Neste employed an average of 5,438 (5,204) employees in the first half of the year, of which 1,770 (1,647) were based outside Finland. At the end of June, the company had 5,725 employees (5,526), of which 1,806 (1,703) were located outside Finland.

Environmental, Social and Governance (ESG)

Key figures

	4-6/18	4-6/17	1-6/18	1-6/17	2017
TRIF*	2.2	2.5	2.0	2.6	2.1
PSER**	1.9	1.4	2.3	1.8	2.1
GHG reduction, Mton***	1.8	1.9	3.8	3.8	8.3

* Total Recordable Incident Frequency, number of cases per million hours worked. Includes both Neste's and contractors' personnel.
** Process Safety Event Rate, number of cases per million hours worked.
*** Cumulative greenhouse gas (GHG) reduction achieved with Neste's renewable products compared to crude oil based diesel. Calculation method complies with the EU Renewable Energy Directive (RES 2009/28/EU).

Neste's occupational safety performance, measured by the key TRIF indicator, improved during the second quarter compared to the previous year. The main focus continued on contractor safety with systematic performance evaluation and management, and it had an improving trend.

PSER, the main indicator for process safety, improved compared to the first quarter but was still higher compared to the corresponding period in 2017. High focus on process safety continues in all of our operations in order to reach the targeted level. Actions to improve operational performance and asset integrity are ongoing. For example, several improvements were implemented at the Rotterdam refinery during its maintenance shutdown.

Our long-term safety development activities continue according to the corporate-wide Way Forward to Safety program focusing on behavior, leadership, operational discipline, process safety and contractor safety. Short-term actions focus on learning from incidents and effectiveness of the agreed actions.

Neste produces renewable products that enable our customers to reduce their greenhouse gas (GHG) emissions. During the first six months this GHG reduction was 3.8 million tons, which was at the same level compared to the corresponding period last year.

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

Read more about the topics on Neste's website.

Main events published during the second quarter

On 25 May, Neste announced that it had agreed to acquire the sole control and 51% of the shares of IH Demeter B.V., a Dutch trader of animal fats and proteins. The current owners shall remain as co-owners. The transaction is subject to regulatory approvals.

On 7 June, Neste announced that Neste and IKEA are now able to utilize renewable residue and waste raw materials as well as sustainably-produced vegetable oils in the production of plastic products. The pilot at commercial scale starts during the fall 2018. It will be the first large-scale production of renewable, bio-based polypropylene plastic globally.

On 11 June, Neste announced changes in its Executive Board. Tuomas Hyyryläinen, Senior Vice President of Neste’s Emerging Businesses and a member of the Executive Board, had announced that he will leave for another company. Hyyryläinen will continue in his current position until the end of August 2018. Osmo Kammonen, Senior Vice President of Communications and Brand Marketing and a member of the Executive Board, will retire in August 2018.

On 14 June, Neste announced that it was satisfied with the preliminary agreement on the EU Renewable Energy Directive (RED II). The trialogue negotiations between the European Council, the European Parliament and the European Commission on the post-2020 EU Renewable Energy Directive (RED II) took place in Strasbourg on 13 June.

On 18 June, Neste announced that it will be collaborating with Dallas Fort Worth International Airport (DFW) in an effort to reduce air pollution, especially carbon dioxide emissions, from aircraft at DFW. Both parties share the view that environmental awareness is growing globally and actions to combat climate change are needed in aviation, the fastest growing means of transport in the world today.

On 27 June, Neste announced that it welcomes the US EPA’s proposal on renewable fuel volume requirements. The US Environmental Protection Agency (EPA) announced its proposal covering the renewable fuel volume requirements for 2019 under the Renewable Fuel Standard (RFS) program on 26 June. The proposal calls for an almost 600 million gallon increase in the advanced biofuel category in 2019, from the current 4.29 billion gallons to 4.88 billion gallons in 2019. The biomass-based diesel standard for 2019 was already set in 2017. However, the EPA proposes an over 15% increase in the biomass-based diesel category in 2020 from 2.1 billion gallons to 2.43 billion gallons.

Potential risks

There have been no significant changes in Neste´s short-term risks or uncertainties since the end of the first quarter 2018. Key market risks affecting Neste's financial results for the next 12 months include geopolitical risks, such as impact of sanctions on Nynas' business, possible trade war, changes in the biofuel regulation, unexpected changes in the market prices, changes in the competitive situation and any scheduled or unexpected shutdowns at Neste’s refineries. For more detailed information on Neste's risks and risk management, please refer to the Annual Report and the Notes to the Financial Statements.

Outlook

Developments in the global economy have been reflected in the oil, renewable fuel, and renewable feedstock markets; and volatility in these markets is anticipated to continue. According to current market estimates, the US dollar in 2018 is expected to stay weaker than last year.

Vegetable oil price differentials are expected to vary, depending on crop outlooks, weather phenomena, and variations in demand for different feedstocks. Market volatility in feedstock prices is predicted to continue, which will have an impact on the Renewable Products segment's profitability.

Renewable Products' additional margin is expected to be at a strong level in 2018. Sales volumes of the 100% renewable diesel delivered to end-users continue to grow from the levels in 2017 towards our 50% target in 2020. The vegetable oil market is expected to remain volatile, and Neste continues to expand the use of lower-quality waste and residue feedstock. Utilization rates of our renewable diesel facilities are expected to be high, except for a planned nine-week major turnaround at the Singapore refinery in the fourth quarter. The Singapore turnaround is currently estimated to have a negative impact of approx. EUR 80 million on the comparable operating profit.

Global oil product demand is expected to remain strong in 2018, driven by a solid macroeconomic growth. Recent oil demand growth estimates for 2018 vary between 1.4 and 1.9 million bbl/d with distillates leading the growth. Global oil product supply and demand are anticipated to be balanced in 2018. Lower distillate inventories compared to last year are likely to support diesel margins. Oil Products' reference margin is expected to continue at a similar level on average as in the first half of 2018. We anticipate high reliability to continue in our refinery operations, noting that scheduled unit maintenances will be implemented in the autumn. The scheduled unit maintenances are currently estimated to have a negative impact of approx. EUR 50 million during the second half of 2018, mainly in the fourth quarter.

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

As a conclusion, we expect 2018 to be a very strong year for Neste.

Reporting date for the company's third-quarter 2018 results

Neste will publish its third-quarter 2018 results on 26 October 2018 at approximately 9:00 a.m. EET.

Espoo, 2 August 2018

Neste Corporation
Board of Directors

Further information:

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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, 3 August 2018, 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 7479 0361, rest of Europe: +44 (0)330 336 9125, US: +1 646 828 8193, using access code 4610564. The conference call can be followed at the company's website. An instant replay of the call will be available until 10 August 2018 at +358 (0)9 8171 0562 for Finland, +44 (0)20 7660 0134 for Europe and +1 719 457 0820 for the US, using access code 4610564.

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

NESTE GROUP
JANUARY - JUNE 2018
The half-year financial report is unaudited

FINANCIAL STATEMENT SUMMARY AND NOTES TO THE FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF INCOME

EUR million	Note	4-6/2018	4-6/2017	1-6/2018	1-6/2017	1-12/2017	Last 12 months
Revenue	3, 4	**3,745**	3,280	**7,374**	6,351	13,217	14,240
Other income		**4**	4	**10**	12	22	20
Share of profit (loss) of joint ventures		**-5**	-1	**-8**	-7	1	0
Materials and services		**-3,261**	-2,734	**-6,175**	-5,258	-10,927	-11,845
Employee benefit costs		**-102**	-94	**-200**	-186	-372	-386
Depreciation, amortization and impairments	4	**-103**	-92	**-201**	-181	-371	-391
Other expenses		**-107**	-99	**-207**	-195	-399	-410
Operating profit		**172**	264	**592**	536	1,171	1,228
Financial income and expenses							
Financial income		**2**	1	**2**	2	4	4
Financial expenses		**-13**	-43	**-25**	-54	-79	-50
Exchange rate and fair value gains and losses		**-6**	18	**-19**	-7	-2	-14
Total financial income and expenses		**-18**	-24	**-41**	-59	-77	-59
Profit before income taxes		**154**	240	**551**	477	1,094	1,168
Income tax expense		**-21**	-40	**-71**	-75	-180	-176
Profit for the period		**133**	200	**480**	402	914	993
Profit attributable to:							
Owners of the parent		**133**	199	**480**	399	911	992
Non-controlling interests		**0**	1	**0**	2	3	1
		133	200	**480**	402	914	993
Earnings per share from profit attributable to the owners of the parent (in euro per share)							
Basic earnings per share		**0.52**	0.78	**1.88**	1.56	3.56	3.88
Diluted earnings per share		**0.52**	0.78	**1.87**	1.56	3.55	3.87

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	4-6/2018	4-6/2017	1-6/2018	1-6/2017	1-12/2017	Last 12 months
Profit for the period	**133**	200	**480**	402	914	993
Other comprehensive income net of tax:						
Items that will not be reclassified to profit or loss						
Remeasurements on defined benefit plans	**0**	2	**0**	2	2	-1
Items that may be reclassified subsequently to profit or loss						
Translation differences	**-4**	-12	**-16**	-7	-15	-24
Cash flow hedges						
recorded in equity	**-50**	50	**-32**	57	69	-21
transferred to income statement	**-6**	-1	**-25**	12	-15	-53
Share of other comprehensive income of investments accounted for using the equity method	**5**	5	**0**	10	2	-8
Total	**-54**	42	**-73**	72	40	-105
Other comprehensive income for the period, net of tax	**-55**	44	**-73**	75	42	-106
Total comprehensive income for the period	**79**	244	**407**	476	956	887
Total comprehensive income attributable to:						
Owners of the parent	**79**	243	**407**	474	952	886
Non-controlling interests	**0**	1	**0**	2	3	1
	79	244	**407**	476	956	887

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	Note	30 June 2018	30 June 2017	31 Dec 2017
ASSETS				
Non-current assets				
Intangible assets	6	**106**	93	100
Property, plant and equipment	6	**3,846**	3,767	3,856
Investments in joint ventures		**193**	217	213
Non-current receivables		**99**	54	51
Deferred tax assets		**35**	36	35
Derivative financial instruments	8	**6**	5	4
Other financial assets		**5**	5	5
Total non-current assets		**4,288**	4,176	4,262
Current assets				
Inventories		**1,485**	1,567	1,563
Trade and other receivables		**1,232**	976	1,097
Derivative financial instruments	8	**23**	137	86
Current investments		**11**	0	0
Cash and cash equivalents		**875**	222	783
Total current assets		**3,627**	2,901	3,530
Total assets		**7,916**	7,077	7,793
EQUITY				
Capital and reserves attributable to the owners of the parent				
Share capital		**40**	40	40
Other equity	2	**4,275**	3,835	4,298
Total		**4,315**	3,875	4,338
Non-controlling interests		**0**	23	0
Total equity		**4,315**	3,898	4,338
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities		**996**	1,021	1,032
Deferred tax liabilities		**264**	246	269
Provisions		**55**	55	55
Pension liabilities		**129**	131	131
Derivative financial instruments	8	**4**	2	0
Other non-current liabilities		**12**	13	17
Total non-current liabilities		**1,459**	1,468	1,504
Current liabilities				
Interest-bearing liabilities		**154**	148	163
Current tax liabilities		**18**	55	36
Derivative financial instruments	8	**173**	37	72
Trade and other payables		**1,795**	1,471	1,679
Total current liabilities		**2,141**	1,711	1,951
Total liabilities		**3,600**	3,179	3,455
Total equity and liabilities		**7,916**	7,077	7,793

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	**4-6/2018**	4-6/2017	**1-6/2018**	1-6/2017	1-12/2017
Cash flows from operating activities					
Profit before income taxes	**154**	240	**551**	477	1,094
Adjustments, total	**177**	12	**339**	85	363
Change in working capital	**56**	59	**-93**	-168	-104
Cash generated from operations	**386**	311	**797**	393	1,353
Finance cost, net	**0**	-45	**-26**	-70	-90
Income taxes paid	**-32**	-50	**-94**	-63	-169
Net cash generated from operating activities	**354**	216	**677**	260	1,094
Cash flows from investing activities					
Capital expenditure	**-109**	-108	**-194**	-207	-475
Transactions with non-controlling interests	**0**	0	**0**	0	-27
Proceeds from sales of property, plant and equipment	**0**	0	**0**	4	5
Proceeds from sales of shares in joint arrangements	**0**	0	**2**	0	0
Proceeds from non-current receivables and other financial assets	**-105**	-26	**-112**	0	31
Cash flows from investing activities	**-214**	-134	**-304**	-203	-467
Cash flow before financing activities	**140**	82	**373**	58	628
Cash flows from financing activities					
Net change in loans and other financing activities	**-52**	-36	**-65**	-288	-283
Dividends paid to the owners of the parent	**-217**	-332	**-217**	-332	-332
Dividends paid to non-controlling interests	**0**	-2	**0**	-2	-15
Cash flows from financing activities	**-270**	-370	**-282**	-623	-631
Net increase (+) / decrease (-) in cash and cash equivalents	**-130**	-288	**91**	-565	-3
Cash and cash equivalents at the beginning of the period	**1,004**	511	**783**	788	788
Exchange gains (+) / losses (-) on cash and cash equivalents	**1**	-1	**0**	-1	-2
Cash and cash equivalents at the end of the period	**875**	222	**875**	222	783

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 2017	40	20	4	-10	-62	-75	-52	3,867	3,733	22	3,755
Profit for the period								399	399	2	402
Other comprehensive income for the period, net of tax					80	2	-7		75		75
Total comprehensive income for the period	0	0	0	0	80	2	-7	399	474	2	476
Transactions with the owners in their capacity as owners											
Dividend decision								-332	-332	-2	-334
Share-based compensation			2	1				-2	1		1
Transfer from retained earnings		-1						1	0		0
Total equity at 30 June 2017	40	20	7	-9	18	-72	-60	3,933	3,875	23	3,898

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 2017	40	20	4	-10	-62	-75	-52	3,867	3,733	22	3,755
Profit for the period								911	911	3	914
Other comprehensive income for the period, net of tax					56	2	-15		42	0	42
Total comprehensive income for the period	0	0	0	0	56	2	-15	911	952	3	956
Transactions with the owners in their capacity as owners											
Dividend decision								-332	-332	-15	-347
Transactions with non-controlling interests								-17	-17	-11	-27
Share-based compensation			2	1				-1	2		2
Transfer from retained earnings		-1						1	0		0
Total equity at 31 Dec 2017	40	20	7	-9	-6	-73	-68	4,428	4,338	0	4,338

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

KEY FIGURES

	30 June 2018	30 June 2017	31 Dec 2017	Last 12 months
EBITDA, EUR million	**793**	717	1,542	1,618
Comparable EBITDA, EUR million	**879**	621	1,472	1,730
Capital employed, EUR million	**5,466**	5,067	5,533	5,466
Interest-bearing net debt, EUR million	**264**	947	412	-
Capital expenditure and investment in shares, EUR million	**201**	220	536	517
Return on average capital employed, after tax, ROACE %	**20.8**	16.2	17.5	20.8
Return on equity %	**23.3**	24.8	22.7	23.3
Equity per share, EUR	**16.87**	15.15	16.96	-
Cash flow per share, EUR	**2.65**	1.02	4.28	5.91
Earnings per share (EPS), EUR	**1.88**	1.56	3.56	3.88
Comparable earnings per share, EUR	**2.16**	1.24	3.33	4.25
Comparable net profit	**553**	318	851	1,086
Equity-to-assets ratio, %	**54.7**	55.3	55.8	-
Leverage ratio, %	**5.8**	19.6	8.7	-
Gearing, %	**6.1**	24.3	9.5	-
Average number of shares	**255,813,939**	255,760,687	255,775,535	255,801,942
Outstanding number of shares at the end of the period	**255,830,024**	255,790,141	255,790,141	255,830,024
Average number of personnel	**5,438**	5,204	5,297	-

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 2017. The accounting policies where they are different to those applied in prior periods are presented below and in Note 11 *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 2017. 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.

The following new IFRS standards and amendments was adopted by the Group as of 1 January 2018:
- IFRS 9 Financial instruments
- IFRS 15 Revenue from contracts with customers
- Amendments to IFRS 2 Share-based payments

None of the new standards had a material impact on Neste's consolidated financial statements. See Note 11 *Changes in accounting policies* for more detailed explanation of the impacts.

2. TREASURY SHARES

A total of 39,883 treasury shares of Neste Corporation has been on the 15th of March 2018 conveyed without consideration to the key persons participating in the Share Ownership Plan 2013 according to the terms and conditions of the plan. The directed share issue is based on the authorization of the Annual General Meeting on 1st April 2015. A total of 81 people are in the target group of the payment from the plan. The number of treasury shares after the directed share issue is 573,662 shares.

3. REVENUE

REVENUE BY CATEGORY

External revenue	4-6/2018 Renewable Products	4-6/2018 Oil Products	4-6/2018 Marketing & Services	4-6/2018 Others	4-6/2018 Total	4-6/2017 Renewable Products	4-6/2017 Oil Products	4-6/2017 Marketing & Services	4-6/2017 Others	4-6/2017 Total
Fuels [1]	**751**	**1,729**	**1,017**	**0**	**3,497**	739	1,388	910	0	3,037
Light distillates	**27**	**729**	**282**	**0**	**1,038**	21	639	284	0	944
Middle distillates	**723**	**826**	**733**	**0**	**2,282**	718	617	625	0	1,960
Heavy fuel oil	**0**	**175**	**2**	**0**	**176**	0	131	1	0	133
Other products	**0**	**178**	**32**	**0**	**210**	0	184	31	0	214
Other services	**0**	**5**	**3**	**30**	**38**	0	6	3	20	29
Total	**751**	**1,913**	**1,052**	**30**	**3,745**	739	1,578	944	20	3,280

External revenue	1-6/2018 Renewable Products	1-6/2018 Oil Products	1-6/2018 Marketing & Services	1-6/2018 Others	1-6/2018 Total	1-6/2017 Renewable Products	1-6/2017 Oil Products	1-6/2017 Marketing & Services	1-6/2017 Others	1-6/2017 Total
Fuels [1]	**1,471**	**3,437**	**1,972**	**0**	**6,880**	1,362	2,704	1,819	0	5,885
Light distillates	**52**	**1,481**	**524**	**0**	**2,057**	48	1,248	537	0	1,833
Middle distillates	**1,419**	**1,695**	**1,445**	**0**	**4,558**	1,314	1,234	1,280	0	3,828
Heavy fuel oil	**0**	**261**	**3**	**0**	**264**	0	222	3	0	224
Other products	**0**	**362**	**59**	**0**	**421**	0	353	59	0	412
Other services	**0**	**11**	**6**	**56**	**73**	0	13	6	36	54
Total	**1,471**	**3,810**	**2,038**	**56**	**7,374**	1,362	3,070	1,884	36	6,351

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

TIMING OF REVENUE RECOGNITION

External revenue	4-6/2018 Renewable Products	4-6/2018 Oil Products	4-6/2018 Marketing & Services	4-6/2018 Others	4-6/2018 Total	4-6/2017 Renewable Products	4-6/2017 Oil Products	4-6/2017 Marketing & Services	4-6/2017 Others	4-6/2017 Total
Goods transferred at point in time	**751**	**1,907**	**1,049**	**0**	**3,707**	739	1,571	941	0	3,251
Services transferred at point in time	**0**	**5**	**3**	**1**	**9**	0	13	3	7	24
Services transferred over time	**0**	**0**	**0**	**29**	**29**	0	-7	0	12	6
Total	**751**	**1,913**	**1,052**	**30**	**3,745**	739	1,578	944	20	3,280

External revenue	1-6/2018 Renewable Products	1-6/2018 Oil Products	1-6/2018 Marketing & Services	1-6/2018 Others	1-6/2018 Total	1-6/2017 Renewable Products	1-6/2017 Oil Products	1-6/2017 Marketing & Services	1-6/2017 Others	1-6/2017 Total
Goods transferred at point in time	**1,471**	**3,799**	**2,031**	**0**	**7,301**	1,362	3,057	1,878	0	6,297
Services transferred at point in time	**0**	**11**	**6**	**1**	**18**	0	13	6	7	26
Services transferred over time	**0**	**0**	**0**	**55**	**55**	0	0	0	28	28
Total	**1,471**	**3,810**	**2,038**	**56**	**7,374**	1,362	3,070	1,884	36	6,351

REVENUE BY OPERATING SEGMENT

4-6/2018	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
External revenue	**751**	**1,913**	**1,052**	**30**	**0**	**3,745**
Internal revenue	**42**	**621**	**9**	**41**	**-713**	**0**
Total revenue	**793**	**2,534**	**1,061**	**71**	**-713**	**3,745**

4-6/2017	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
External revenue	739	1,578	944	20	0	3,280
Internal revenue	89	503	8	38	-638	0
Total revenue	828	2,080	952	58	-638	3,280

1-6/2018	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
External revenue	**1,471**	**3,810**	**2,038**	**56**	**0**	**7,374**
Internal revenue	**82**	**1,177**	**19**	**80**	**-1,358**	**0**
Total revenue	**1,552**	**4,987**	**2,057**	**136**	**-1,358**	**7,374**

1-6/2017	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
External revenue	1,362	3,070	1,884	36	0	6,351
Internal revenue	165	1,020	16	77	-1,277	0
Total revenue	1,527	4,089	1,900	112	-1,277	6,351

REVENUE BY OPERATING DESTINATION

	4-6/2018					4-6/2017				
External revenue	**Renewable Products**	**Oil Products**	**Marketing & Services**	**Others**	**Total**	Renewable Products	Oil Products	Marketing & Services	Others	Total
Europe including Russia	**508**	**1,764**	**1,051**	**28**	**3,351**	493	1,305	1,016	19	2,833
North and South America	**242**	**109**	**0**	**0**	**352**	246	292	0	0	537
Other countries	**1**	**39**	**0**	**2**	**42**	0	-20	-72	1	-90
Total	**751**	**1,913**	**1,052**	**30**	**3,745**	739	1,578	944	20	3,280

	1-6/2018					1-6/2017				
External revenue	**Renewable Products**	**Oil Products**	**Marketing & Services**	**Others**	**Total**	Renewable Products	Oil Products	Marketing & Services	Others	Total
Europe including Russia	**1,048**	**3,233**	**2,037**	**52**	**6,371**	1,001	2,682	1,883	31	5,597
North and South America	**422**	**215**	**0**	**0**	**637**	361	366	0	0	728
Other countries	**1**	**362**	**1**	**4**	**367**	0	21	1	4	26
Total	**1,471**	**3,810**	**2,038**	**56**	**7,374**	1,362	3,070	1,884	36	6,351

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	**4-6/2018**	4-6/2017	**1-6/2018**	1-6/2017	1-12/2017	Last 12 months
Renewable Products	**793**	828	**1,552**	1,527	3,243	3,268
Oil Products	**2,534**	2,080	**4,987**	4,089	8,490	9,388
Marketing & Services	**1,061**	952	**2,057**	1,900	3,912	4,069
Others	**71**	58	**136**	112	237	261
Eliminations	**-713**	-638	**-1,358**	-1,277	-2,666	-2,747
Total	**3,745**	3,280	**7,374**	6,351	13,217	14,240

OPERATING PROFIT	**4-6/2018**	4-6/2017	**1-6/2018**	1-6/2017	1-12/2017	Last 12 months
Renewable Products	**56**	122	**336**	213	476	599
Oil Products	**108**	130	**243**	312	650	582
Marketing & Services	**20**	19	**33**	31	69	71
Others	**-11**	-6	**-20**	-23	-24	-21
Eliminations	**-1**	0	**1**	3	0	-2
Total	**172**	264	**592**	536	1,171	1,228

COMPARABLE OPERATING PROFIT	**4-6/2018**	4-6/2017	**1-6/2018**	1-6/2017	1-12/2017	Last 12 months
Renewable Products	**177**	101	**473**	181	561	854
Oil Products	**92**	122	**191**	248	495	439
Marketing & Services	**20**	19	**33**	31	68	71
Others	**-11**	-6	**-20**	-23	-24	-21
Eliminations	**-1**	0	**1**	3	0	-2
Total	**277**	236	**679**	439	1,101	1,340

DEPRECIATION, AMORTIZATION AND IMPAIRMENTS	**4-6/2018**	4-6/2017	**1-6/2018**	1-6/2017	1-12/2017	Last 12 months
Renewable Products	**32**	28	**60**	54	110	116
Oil Products	**58**	52	**114**	104	213	223
Marketing & Services	**6**	6	**12**	12	25	25
Others	**7**	6	**14**	11	24	27
Eliminations	**0**	0	**0**	0	0	0
Total	**103**	92	**201**	181	371	391

CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES	**4-6/2018**	4-6/2017	**1-6/2018**	1-6/2017	1-12/2017	Last 12 months
Renewable Products	**37**	24	**65**	52	122	135
Oil Products	**57**	71	**104**	126	307	285
Marketing & Services	**8**	13	**11**	20	37	28
Others	**12**	14	**21**	22	70	69
Eliminations	**0**	0	**0**	0	0	0
Total	**114**	122	**201**	220	536	517

TOTAL ASSETS	**30 June 2018**	30 June 2017	31 Dec 2017
Renewable Products	**2,126**	2,234	2,255
Oil Products	**3,928**	3,725	3,827
Marketing & Services	**575**	532	585
Others	**502**	491	499
Unallocated assets	**1,085**	415	934
Eliminations	**-300**	-320	-308
Total	**7,916**	7,077	7,793

NET ASSETS	30 June 2018	30 June 2017	31 Dec 2017
Renewable Products	**1,748**	1,895	1,863
Oil Products	**2,678**	2,597	2,497
Marketing & Services	**254**	204	280
Others	**65**	283	292
Eliminations	**-8**	-10	-12
Total	**4,737**	4,968	4,920

TOTAL LIABILITIES	30 June 2018	30 June 2017	31 Dec 2017
Renewable Products	**378**	339	392
Oil Products	**1,250**	1,128	1,330
Marketing & Services	**321**	327	306
Others	**436**	208	206
Unallocated liabilities	**1,507**	1,485	1,516
Eliminations	**-291**	-310	-295
Total	**3,600**	3,179	3,455

RETURN ON NET ASSETS, %	30 June 2018	30 June 2017	31 Dec 2017
Renewable Products	**32.2**	29.3	25.6
Oil Products	**22.5**	22.4	25.6
Marketing & Services	**27.3**	37.2	28.7

COMPARABLE RETURN ON NET ASSETS, %	30 June 2018	30 June 2017	31 Dec 2017
Renewable Products	**46.0**	24.8	30.2
Oil Products	**17.0**	18.6	19.5
Marketing & Services	**27.3**	37.2	28.5

QUARTERLY SEGMENT INFORMATION

QUARTERLY REVENUE	4-6/2018	1-3/2018	10-12/2017	7-9/2017	4-6/2017	1-3/2017
Renewable Products	**793**	**759**	924	793	828	699
Oil Products	**2,534**	**2,453**	2,355	2,045	2,080	2,009
Marketing & Services	**1,061**	**996**	1,027	986	952	948
Others	**71**	**65**	68	57	58	55
Eliminations	**-713**	**-645**	-737	-652	-638	-639
Total	**3,745**	**3,629**	3,636	3,229	3,280	3,071

QUARTERLY OPERATING PROFIT	4-6/2018	1-3/2018	10-12/2017	7-9/2017	4-6/2017	1-3/2017
Renewable Products [1)]	**56**	**279**	144	119	122	91
Oil Products	**108**	**135**	140	199	130	182
Marketing & Services	**20**	**13**	11	27	19	12
Others	**-11**	**-9**	0	-2	-6	-17
Eliminations	**-1**	**2**	1	-4	0	3
Total	**172**	**421**	296	339	264	271

[1)] The retroactive US Blender's Tax Credit (BTC) decision for 2017 has a positive impact of EUR 140 million on the Renewable Products' operating profit in Q1 2018.

QUARTERLY COMPARABLE OPERATING PROFIT	4-6/2018	1-3/2018	10-12/2017	7-9/2017	4-6/2017	1-3/2017
Renewable Products	**177**	**296**	209	171	101	80
Oil Products	**92**	**99**	89	158	122	126
Marketing & Services	**20**	**13**	11	27	19	11
Others	**-11**	**-9**	0	-2	-6	-17
Eliminations	**-1**	**2**	1	-4	0	3
Total	**277**	**401**	311	350	236	204

QUARTERLY DEPRECIATION, AMORTIZATION AND IMPAIRMENTS	4-6/2018	1-3/2018	10-12/2017	7-9/2017	4-6/2017	1-3/2017
Renewable Products	**32**	**28**	28	27	28	26
Oil Products	**58**	**57**	57	52	52	52
Marketing & Services	**6**	**6**	6	6	6	6
Others	**7**	**7**	7	6	6	5
Eliminations	**0**	**0**	0	0	0	0
Total	**103**	**98**	98	92	92	89

QUARTERLY CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES	4-6/2018	1-3/2018	10-12/2017	7-9/2017	4-6/2017	1-3/2017
Renewable Products	**37**	**28**	47	23	24	28
Oil Products	**57**	**46**	104	78	71	55
Marketing & Services	**8**	**4**	9	7	13	7
Others	**12**	**9**	12	36	14	8
Eliminations	**0**	**0**	0	0	0	0
Total	**114**	**86**	172	144	122	98

QUARTERLY NET ASSETS	4-6/2018	1-3/2018	10-12/2017	7-9/2017	4-6/2017	1-3/2017
Renewable Products	**1,748**	**1,906**	1,863	1,870	1,895	1,844
Oil Products	**2,678**	**2,592**	2,497	2,538	2,597	2,629
Marketing & Services	**254**	**259**	280	304	204	212
Others	**65**	**291**	292	293	283	257
Eliminations	**-8**	**-8**	-12	-14	-10	-11
Total	**4,737**	**5,041**	4,920	4,990	4,968	4,930

5. RECONCILIATION OF KEY FIGURES TO IFRS FINANCIAL STATEMENTS

RECONCILIATION BETWEEN COMPARABLE OPERATING PROFIT AND OPERATING PROFIT

Group	**4-6/2018**	4-6/2017	1-3/2018	**1-6/2018**	1-6/2017	1-12/2017
COMPARABLE OPERATING PROFIT	**277**	236	401	**679**	439	1,101
inventory gains/losses	**-62**	-70	32	**-30**	-28	31
changes in the fair value of open commodity and currency derivatives	**-38**	82	-12	**-50**	105	24
capital gains and losses	**0**	0	2	**2**	3	3
insurance and other compensations	**0**	0	0	**0**	0	0
other adjustments	**-5**	17	-2	**-7**	16	12
OPERATING PROFIT	**172**	264	421	**592**	536	1,171

Renewable Products	**4-6/2018**	4-6/2017	1-3/2018	**1-6/2018**	1-6/2017	1-12/2017
COMPARABLE OPERATING PROFIT	**177**	101	296	**473**	181	561
inventory gains/losses	**-66**	-34	-10	**-76**	-20	-80
changes in the fair value of open commodity and currency derivatives	**-50**	55	-7	**-58**	52	-5
capital gains and losses	**0**	0	0	**0**	0	0
insurance and other compensations	**0**	0	0	**0**	0	0
other adjustments	**-4**	0	0	**-4**	0	0
OPERATING PROFIT	**56**	122	279	**336**	213	476

Oil Products	**4-6/2018**	4-6/2017	1-3/2018	**1-6/2018**	1-6/2017	1-12/2017
COMPARABLE OPERATING PROFIT	**92**	122	99	**191**	248	495
inventory gains/losses	**5**	-37	41	**46**	-8	111
changes in the fair value of open commodity and currency derivatives	**12**	27	-5	**7**	53	29
capital gains and losses	**0**	0	2	**2**	3	3
insurance and other compensations	**0**	0	0	**0**	0	0
other adjustments	**-1**	17	-2	**-3**	16	12
OPERATING PROFIT	**108**	130	135	**243**	312	650

Marketing & Services	**4-6/2018**	4-6/2017	1-3/2018	**1-6/2018**	1-6/2017	1-12/2017
COMPARABLE OPERATING PROFIT	**20**	19	13	**33**	31	68
inventory gains/losses	**0**	0	0	**0**	0	0
changes in the fair value of open commodity and currency derivatives	**0**	0	0	**0**	0	0
capital gains and losses	**0**	0	0	**0**	0	0
insurance and other compensations	**0**	0	0	**0**	0	0
other adjustments	**0**	0	0	**0**	0	0
OPERATING PROFIT	**20**	19	13	**33**	31	69

Others	**4-6/2018**	4-6/2017	1-3/2018	**1-6/2018**	1-6/2017	1-12/2017
COMPARABLE OPERATING PROFIT	**-11**	-6	-9	**-20**	-23	-24
inventory gains/losses	**0**	0	0	**0**	0	0
changes in the fair value of open commodity and currency derivatives	**0**	0	0	**0**	0	0
capital gains and losses	**0**	0	0	**0**	0	0
insurance and other compensations	**0**	0	0	**0**	0	0
other adjustments	**0**	0	0	**0**	0	0
OPERATING PROFIT	**-11**	-6	-9	**-20**	-23	-24

RECONCILIATION BETWEEN COMPARABLE OPERATING PROFIT AND COMPARABLE NET PROFIT

	4-6/2018	4-6/2017	1-6/2018	1-6/2017	1-12/2017
COMPARABLE OPERATING PROFIT	**277**	236	**679**	439	1,101
total financial income and expenses	**-18**	-24	**-41**	-59	-77
income tax expense	**-21**	-40	**-71**	-75	-180
non-controlling interests	**0**	-1	**0**	-2	-3
tax on items affecting comparability	**-16**	4	**-13**	14	11
COMPARABLE NET PROFIT	**223**	175	**553**	318	851

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

	30 June 2018	30 June 2017	31 Dec 2017
COMPARABLE OPERATING PROFIT, LAST 12 MONTHS	**1,340**	965	1,101
financial income	**4**	4	4
exchange rate and fair value gains and losses	**-14**	-6	-2
income tax expense	**-176**	-152	-180
tax on other items affecting ROACE	**-24**	16	-1
Comparable net profit, net of tax	**1,130**	828	921
Capital employed average	**5,444**	5,123	5,266
RETURN ON CAPITAL EMPLOYED, AFTER TAX (ROACE), %	**20.8**	16.2	17.5

RECONCILIATION OF EQUITY-TO-ASSETS RATIO, %

	30 June 2018	30 June 2017	31 Dec 2017
Total equity	**4,315**	3,898	4,338
Total assets	**7,916**	7,077	7,793
Advances received	**20**	33	21
EQUITY-TO-ASSETS RATIO, %	**54.7**	55.3	55.8

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

CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	30 June 2018	30 June 2017	31 Dec 2017
Opening balance	**3,955**	3,833	3,833
Depreciation, amortization and impairments	**-201**	-181	-371
Capital expenditure	**201**	220	509
Disposals	**-1**	-9	-12
Translation differences	**-3**	-3	-4
Closing balance	**3,951**	3,860	3,955

CAPITAL COMMITMENTS	30 June 2018	30 June 2017	31 Dec 2017
Commitments to purchase property, plant and equipment	**40**	51	32
Total	**40**	51	32

7. INTEREST-BEARING NET DEBT AND LIQUIDITY

Interest-bearing net debt	30 June 2018	30 June 2017	31 Dec 2017
Short-term interest-bearing liabilities	**154**	148	163
Long-term interest-bearing liabilities	**996**	1,021	1,032
Interest-bearing liabilities	**1,150**	1,169	1,195
Current investments	**-11**	0	0
Cash and cash equivalents	**-875**	-222	-783
Liquid funds	**-886**	-222	-783
Interest-bearing net debt	**264**	947	412

Liquidity, unused committed credit facilities and debt programs	30 June 2018	30 June 2017	31 Dec 2017
Liquid funds	**886**	222	783
Unused committed credit facilities	**1,650**	1,650	1,650
Total	**2,536**	1,872	2,433
In addition: Unused commercial paper program (uncommitted)	**400**	400	400

8. 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 2017.

Interest rate and currency derivatives	**30 June 2018** Nominal value	**30 June 2018** Net fair value	30 June 2017 Nominal value	30 June 2017 Net fair value	31 Dec 2017 Nominal value	31 Dec 2017 Net fair value
Interest rate swaps						
Hedge accounting	**74**	**1**	124	1	124	1
Non-hedge accounting	**26**	**1**	26	1	26	1
Currency derivatives						
Hedge accounting	**1,632**	**-33**	1,668	34	1,392	27
Non-hedge accounting	**1,291**	**-32**	1,121	23	1,634	29

Commodity derivatives	**30 June 2018** Volume GWh	**30 June 2018** Volume million bbl	**30 June 2018** Net fair value	30 June 2017 Volume GWh	30 June 2017 Volume million bbl	30 June 2017 Net fair value	31 Dec 2017 Volume GWh	31 Dec 2017 Volume million bbl	31 Dec 2017 Net fair value
Sales contracts									
Non-hedge accounting	**0**	**17**	**-81**	0	36	62	0	17	-59
Purchase contracts									
Non-hedge accounting	**3,110**	**17**	**-5**	2,531	19	-17	2,865	15	18

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

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

Financial assets and liabilities by measurement categories and fair value hierarchy as of June 30, 2018

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			99	99	99			
Derivative financial instruments	1	5		6	6		6	
Other financial assets		5		5	5			5
Current financial assets								
Trade and other receivables [1]			1,226	1,226	1,226			
Derivative financial instruments	1	22		23	23	1	22	
Current investments			11	11	11			
Cash and cash equivalents			875	875	875			
Financial assets	3	31	2,211	2,245	2,245			
Non-current financial liabilities								
Interest-bearing liabilities			996	996	1,028	899	129	
Derivative financial instruments		4		4	4		4	
Other non-current liabilities			12	12	12			
Current financial liabilities								
Interest-bearing liabilities			154	154	154		154	
Derivative financial instruments	34	139		173	173	7	166	
Trade and other payables			1,795	1,795	1,795			
Financial liabilities	34	143	2,957	3,134	3,166			

[1] excluding non-financial items

There were no items in 'Fair value through other comprehensive income' category during the reporting period.

Financial instruments that are measured at fair value in the balance sheet are presented according to fair value measurement hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted price included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the assets or liability that is not based on observable market data (unobservable inputs).

Interest-bearing liabilities at level 1 consist of listed bonds. The fair value of other financial instruments are not materially different from their carrying amount.

During the six-month period ended 30 June 2018, 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.

9. RELATED PARTY TRANSACTIONS

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

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

Transactions carried out with joint arrangements and other related parties	**30 June 2018**	30 June 2017	31 Dec 2017
Sales of goods and services	**99**	84	191
Purchases of goods and services	**159**	111	182
Receivables	**135**	76	84
Financial income and expenses	**1**	0	1
Liabilities	**7**	10	4

10. CONTINGENT LIABILITIES

Contingent liabilities	**30 June 2018**	30 June 2017	31 Dec 2017
On own behalf for commitments			
Real estate mortgages	**26**	17	17
Pledged assets	**116**	117	116
Other contingent liabilities	**34**	34	40
Total	**176**	169	174
On behalf of joint arrangements			
Pledged assets	**45**	38	45
Guarantees	**0**	1	1
Total	**45**	39	46
On behalf of others			
Guarantees	**1**	1	1
Total	**1**	1	1
Total	**222**	209	221

Operating lease liabilities	**30 June 2018**	30 June 2017	31 Dec 2017
Due within one year	**56**	58	74
Due between one and five years	**57**	71	61
Due later than five years	**69**	74	71
Total	**182**	203	206

The Group's operating lease commitments primarily relate to time charter vessels, land and office space.

11. CHANGES IN ACCOUNTING POLICIES

Oil Products segment's inventory valuation policy has been amended during the second quarter. The weighted average method has been applied for determining Oil Products' inventory cost whereas first-in, first-out (FIFO) method was used previously. The change had an immaterial impact on Neste's consolidated financial statements (approximately EUR 1 million).

The impacts of adoption of *IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers* and *Amendments to IFRS 2 Share-based payments* as of 1 January 2018 are explained below.

IFRS 9 Financial instruments

The Group started to apply IFRS 9 from 1 January 2018. IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. In accordance with the IFRS 9 transitional provisions, comparative information provided continues to be presented in accordance with the Group's previous accounting policy.

Financial assets are classified in the following measurement categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification depends on used business model for managing the financial assets and the contractual terms of the cash flows. Amortized cost category consist of cash and cash equivalents, trade receivables and loan receivables where the business model is to hold the asset to collect the contractual cash flows which represent only payments of principal and interest. For assets measured at fair value, gains and losses will be recorded either in income statement or other comprehensive income. At the moment Neste does not have any instruments measured through other comprehensive income. Assets at fair value through profit or loss consist of unlisted equity investments and derivatives, which are held for trading or do not meet criteria for hedge accounting. There were no changes relating to classification and measurement of financial liabilities.

For trade receivables Neste applies the simplified expected credit loss model. Every business area uses a specific provision matrix for the trade receivables due to the different nature of the businesses. The general expected credit loss model is used for debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been significant increase in credit risk.

For certain currency derivatives the Group applies cash flow hedge accounting and for certain interest rate derivatives cash flow or fair value hedge accounting. IFRS 9 requires documentation of economic relationship between the hedged item and hedging instrument, and the hedged ratio to be the same as the one management actually uses for risk management purposes. The concrete change for hedge accounting is the time value of foreign exchange options, which is recognized into other comprehensive income in equity together with the options' intrinsic value instead of being recognized directly into income statement. Otherwise the application of hedge accounting within existing hedge accounting relationships (cash flow and fair value hedges within foreign exchange and interest rate derivatives) continues under IFRS 9 as earlier.

On the date of initial application, 1 January 2018, the financial instruments of the company were the following, with any reclassifications noted:

			Carrying Amount		
Balance sheet item	IAS 39 Measurement Category	**IFRS 9 Measurement Category**	**IFRS 9**	IAS 39	Diff.
Non-current financial assets					
Non-current receivables	Loans and receivables	Amortized cost	**51**	51	
Derivative financial instruments	Derivatives, hedge accounting	Derivatives, hedge accounting	**2**	2	
Derivative financial instruments	Assets at fair value through income statement	Fair value through profit or loss	**2**	2	
Other financial assets	Available-for-sale financial assets	Fair value through profit or loss	**5**	5	
Current financial assets					
Trade and other receivables [1]	Loans and receivables	Amortized cost	**1,093**	1,094	1
Derivative financial instruments	Derivatives, hedge accounting	Derivatives, hedge accounting	**29**	29	
Derivative financial instruments	Assets at fair value through income statement	Fair value through profit or loss	**58**	58	
Cash and cash equivalents	Loans and receivables	Amortized cost	**783**	783	
Non-current financial liabilities					
Interest-bearing liabilities	Financial liabilities measured at amortized cost	Amortized cost	**1,032**	1,032	
Derivative financial instruments	Derivatives, hedge accounting	Derivatives, hedge accounting	**0**	0	
Derivative financial instruments	Liabilities at fair value through income statement	Fair value through profit or loss	**0**	0	
Other non-current liabilities	Financial liabilities measured at amortized cost	Amortized cost	**17**	17	
Current financial liabilities					
Interest-bearing liabilities	Financial liabilities measured at amortized cost	Amortized cost	**163**	163	
Derivative financial instruments	Derivatives, hedge accounting	Derivatives, hedge accounting	**2**	2	
Derivative financial instruments	Liabilities at fair value through income statement	Fair value through profit or loss	**70**	70	
Trade and other payables	Financial liabilities measured at amortized cost	Amortized cost	**1,679**	1,679	

[1] excluding non-financial items

On 1 January 2018 the time value of foreign exchange options EUR 1 million was reclassified from retained earnings to other comprehensive income.

IFRS 15 Revenue from contracts with customers

The Group started to apply IFRS 15 from 1 January 2018, and applies the modified retrospective model. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity´s contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces all preceding requirements (IAS 18 Revenue and IAS 11 Construction contracts and related interpretations).

The implementation of IFRS 15 does not have a significant impact on the consolidated financial statements. Management has assessed the IFRS 15 impact on the different agreement types that are used in Neste's business areas. The majority of the Group's net sales comprise of fuel and other product sales which are mostly standard in nature, and the delivery terms have been investigated, with no major impact compared to the revenue recognition prior to the implementation of IFRS 15. Certain storage service contracts, rebates, bonuses, penalties, warranties and other special terms and conditions that deviate from the basic agreement types have also been analyzed in more detail, and these do not have an impact on Neste's revenue recognition compared to the previous accounting policy.

Some of the Group's product sales are under CIF Incoterm conditions, where the total sales price is allocated to the separate performance obligations; the first being the product and the second being the transportation (including other costs, insurance and freight). The sales price allocated to the product is recognized upon shipment, before delivery. The sales price for the transportation is recognized when the latter performance obligation has been fulfilled. However, the allocated sales price for these is a minor part of the total revenue from contracts with customers, and the postponed revenue would have been EUR 0.8 million on 31 December 2017. After the related costs the impact on the opening balance is EUR 0.0 million.

Subsidiary Neste Engineering Solutions' current revenue recognition based on the percentage of completion method is consistent with IFRS 15, as the revenue is already recognized over time.

Renewable products' RINs (Renewable Identification Number), LCFS (Low Carbon Fuels Standard) credits, and BTCs (Blender's Tax Credits) and other similar separate performance obligations have also been assessed, with no changes to the earlier revenue recognition.

Amendments to IFRS 2 Share-based payments

In June 2016, the IASB made amendments to IFRS 2 Share-based payments which clarified the effect of vesting conditions on the measurement of cash-settled share-based payment transactions, the classification of share-based payment transactions with net settlement features and the accounting for a modification of the terms and conditions that changes the classification of the transaction from cash-settled to equity-settled. The IFRS 2 amendments were endorsed by EU in February 2018.

The Group started to apply IFRS 2 amendments from 1 January 2018. As permitted by the transitional provisions, the Group has applied the new policy from that date and comparative information provided continues to be presented in accordance with the Group's previous accounting policy.

From 1 January 2018, the entire share-based payment transaction is accounted for as an equity-settled share-based payment transaction. Under the previous accounting policy, the expected tax liability to be paid to the tax authority was measured at fair value at each reporting date and recognized as a liability like a cash-settled share-based payment transaction. Under the new accounting policy, the entire transaction is measured at fair value prevailing at grant date of share-based incentive plan and the difference realized upon the settlement date is recognized in equity. On 1 January 2018 the share-based payments' taxes of EUR 6 million were reclassified from liabilities to Equity: EUR 4 million from Other non-current liabilities and EUR 2 million from Trade and other payables. There were no other changes in Neste Group due to IFRS 2 amendments.

The share-based payment expense for the 3 months from 1 January to 31 March 2018 was EUR 1 million lower than under the previous accounting policy.

Calculation of key figures

Calculation of key figures			
EBITDA	=		Operating profit + depreciation, amortization and impairments
Comparable EBITDA	=		Comparable operating profit + depreciation, amortization and impairments
Comparable operating profit [1)]	=		Operating profit -/+ inventory gains/losses -/+ changes in the fair value of open commodity and currency derivatives -/+ capital gains/losses - insurance and other compensations -/+ other adjustments
Items affecting comparability	=		Inventory gains/losses, changes in the fair value of open commodity and currency derivatives, capital gains/losses, insurance and other compensations and other adjustments
Comparable net profit	=		Comparable operating profit - total financial income and expense - income tax expense - non-controlling interests - tax on items affecting comparability
Return on equity (ROE), %	=	100 x	Profit before income taxes - income tax expense, last 12 months / Total equity average, 5 quarters end values
Return on average capital employed, after-tax (ROACE), %	=	100 x	Comparable operating profit + financial income + exchange rate and fair value gains and losses - income tax expense - tax on other items affecting ROACE, last 12 months / Capital employed average, 5 quarters end values
Capital employed	=		Total equity + interest bearing liabilities
Interest-bearing net debt	=		Interest-bearing liabilities - cash and cash equivalents - current investments
Leverage ratio, %	=	100 x	Interest-bearing net debt / Interest bearing net debt + total equity
Gearing, %	=	100 x	Interest-bearing net debt / Total equity
Equity-to-assets ratio, %	=	100 x	Total equity / Total assets - advances received
Return on net assets, %	=	100 x	Segment operating profit, last 12 months / Average segment net assets, 5 quarters end values
Comparable return on net assets, %	=	100 x	Segment comparable operating profit, last 12 months / Average segment net assets, 5 quarters end values
Segment net assets	=		Property, plant and equipment + intangible assets + investments in joint ventures + inventories + interest-free receivables and liabilities - provisions - pension liabilities allocated to the business segment
Research and development expenditure	=		Research and development expenditure comprise of the expenses of the Research & Technology unit serving all business areas of the Group, as well as research and technology expenses incurred in business areas, which are included in the consolidated statement of income. Depreciation and amortization are included in the figure. The expenses are presented as gross, before deducting grants received.

Calculation of share-related indicators

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

Calculation of key drivers

Oil Products reference margin (USD/bbl)	=	Product value - feed cost - standard refining variable cost - sales freights
Oil Products total refining margin (USD/bbl)	=	$\frac{\text{Comparable sales margin x average EUR/USD exchange rate for the period x standard refinery yield}}{\text{Refined sales volume x standard barrels per ton}}$
Oil Products additional margin (USD/bbl)	=	Oil Products total refining margin - Oil Products reference margin
Renewable Products reference margin (USD/ton)	=	70% (Europe´s share of sales volume) x (FAME - CPO) [2] + 30% (North America´s share of sales volume) x (SME - CPO + LCFS x 2) [2]
Renewable Products comparable sales margin (USD/ton)	=	$\frac{\text{Comparable sales margin}}{\text{Total sales volume}}$
Renewable Products additional margin (USD/ton)	=	Comparable sales margin - (reference margin - standard variable production cost)

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

[2] FAME = Fatty Acid Methyl Ester biodiesel RED seasonal
CPO = Crude Palm Oil Bursa Malaysia 3rd month + USD 70/ton freight to ARA (Amsterdam-Rotterdam-Antwerp)
SME = US Gulf Coast Soy Methyl Ester biodiesel mid-price
LCFS = California Low Carbon Fuel Standard Credit price

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