Neste Oil in 2014

President & CEO Matti Lievonen: "New products in a key role in our growth and renewal, on which our future will be built upon"

We are seeking growth in renewable feedstock-based markets

The only way is forward

Significant positive development in safety

Aiming to achieve a capability to use only waste in renewable diesel production

The produced NEXBTL diesel achieved a 5.6 million ton reduction in CO_2 emissions

Two Finnish refineries operating as a single entity in the future

Dividend proposal for 2014 is EUR

0.65

per share

Aiming to be the number one supplier of fuel solutions in the Baltic Sea region

Neste Oil was Finland's biggest exporter in 2014

Comparable operating profit totaled EUR

583

million

Neste Oil again one of the world's most sustainable companies

Neste Oil joins Global Compact

Neste Oil in 2014

Neste Oil is a refining and marketing company specializing in high-quality fuels for cleaner traffic. We produce all the most important oil products and are the world's leading producer of renewable diesel.Our aim is to be the leading supplier of fuel solutions in the Baltic Sea region and to grow in the renewable feedstock-based global market. Our customers include oil companies and other companies both in Finland and abroad, as well as consumers in Finland, the Baltic countries and the St. Petersburg region in Russia. Our revenue for 2014 amounted to EUR 15.0 billion. Neste Oil shares are listed on the NASDAQ Helsinki.

Year 2014 in figures

We set new strategic objectives

President & CEO Matti Lievonen: "New products in a key role in our growth and renewal, on which our future will be built upon"

Comparable operating profit totaled EUR 583 million

Strategy implementation in 2014

Return on average capital employed (ROACE) 10.1%

CEO's review

Dear reader,

Our field of business is experiencing significant change, which reflects on us in several ways as well. Demand for energy is growing strongly, but the growth is taking place mainly outside Europe. Alternative forms of energy are being developed and taking into use. Slowing down climate change and, on the other hand, satisfying the ever growing need for energy are the great global challenges for the sector.

Neste Oil has one solution to the energy sector's challenges. Our goal is to generate strong results, even in the challenging circumstances of the future. Competitive capability arises from versatile development of the company, and sustainable operations. It is possible to respond to the challenges presented by the market by doing things consistently, and by listening to the customers.

2014 was a diverse year for Neste Oil. At the beginning of the year, we had the previous year's good performance in our minds, as well as the turning of the Renewable Fuels business towards sustainable financial success. However, it soon became clear that the year would present a lot of challenges, many of which were associated with general market factors beyond our control. We decided to accept the challenge. We focused on things that we knew we could influence by our own doings.

Better result by focusing on what we do

We launched a program to strengthen our position. First, we aimed to find ways of increasing even more profitable sales, and second, we sought operating methods that allowed us to reduce our costs. We requested the best experts in the field, in other words our employees, to submit development ideas.

I am proud to tell you that we have significantly improved our comparable operating profit through our development measures. The greatest thing about this success is that we achieved it through activity that engaged our entire personnel. We will continue to apply this approach in 2015 as well, and I believe that we will continue to find more opportunities.

Significant investments and restructuring in Finland

2014 was a year of significant investment decisions and structural reforms. We decided to consolidate our refinery operations in Naantali and Porvoo into an operating model managed as a single entity. The reform will be complete in early 2017.

The reform translates into increased efficiency, especially as we will invest over EUR 200 million in feed pre-treatment in Porvoo and some EUR 60 million in projects to make the process more efficient in Naantali as part of the arrangement. In addition, we are investing approximately EUR 250 million in energy-efficient power plant units with a lower environmental load in Kilpilahti, Porvoo. Similar to the previous decade, we will continue to be one of the biggest industrial investors in Finland.

The changes that have taken place in our operations also required our organization to undergo adjustment. In the summer, we revised the Group and business structure and management teams so as to better reflect our new operating model. In the fall, the changes and need for personnel adjustments began to influence our company more extensively. As the result of statutory employer-employee negotiations towards the end of the year, 203 Neste Oil employees had to or will have to leave the company. However, most of the need for adjustments can be covered with voluntary arrangements and retirement packages.

Desired development in safety

One of the most pleasant developments in 2014 was the improvement of both personnel safety and process safety. Personnel safety improved from the previous year, but contractor safety in particular still requires special attention. Process safety must also be developed; it is in the interest of personnel, the environment, and finances. Work to improve both areas of safety continues every day.

Growth in renewable feedstock-based markets

Cost management and restructuring are important, but they do not generate new business. That requires new solutions offering special value to our customers. In order to be able to develop such solutions, we have listened to our customers' wishes and market requirements, and have formulated solutions for their implementation.

Oil companies rarely launch genuinely new products. Neste Oil has been different. We have been able to renew our offering and launch completely new products in recent years. In 2014, our new products included premium-quality Futura fuels in the Baltic countries, low-sulfur bunker fuel and windscreen washing fluid that utilizes nanotechnology. We are currently investing in the production of a new biopropane product in Rotterdam.

Leading operator in the Baltic Sea region

In addition to products, we developed our services. We have set our goal to be the number one in our industry in the Baltic Sea region. The significance of renewable products will grow. Despite this, most of the products on the market will remain conventional oil products for the foreseeable future. Therefore, we must create service solutions that are cost-efficient and meet customer needs. In 2014, we particularly focused on improving logistics solutions. Examples of this are giving up our own shipping operations to achieve more efficient logistical solutions and strengthening the terminal capacity in Sweden, for example.

Growth from renewable feedstock-based markets

In 2014, we achieved growth in the renewable feedstock-based markets - another of our strategic goals. In fact, we have progressed in the development of bio-based chemicals. We want to become a significant, prominant producer. New products are a key part of our growth and renewal, which will build the future of Neste Oil.

Seeking access to new growth areas requires courage. For an organization to be courageous, it must have diverse expertise and the ability to change. We do use a lot of time and resources to train and engage the entire personnel. In this way, we have been successful in changing our operating methods and increasing accountability at all levels. All of this is at the core of our success, and our Board of Directors has also strongly encouraged it.

Neste Oil's Board of Directors decided to propose changing our company name to Neste. The new name reflects the change that the company is going through and the new fields we are aiming to move on to.

The only way is forward!

The world does not look any better at the beginning of 2015 than a year ago from Neste Oil's point of view. The raw material market has once again proven its ability to surprise, as the price of crude oil, for example, has decreased by one half in a year. Market uncertainty is continuing, and the situation is no longer determined by economic regularities alone; political decisions play an increasingly important role. Similarly to last year, we will continue to focus on things that we can influence in 2015. We will develop our operating methods, products and services further so as to continue being a competitive partner for our customers and a profitable investment for our shareholders.

2014 was a challenging year, but also a successful one. I would like to extend my thanks to everyone who made our success possible. In particular, I would like to thank our customers and employees who have taken part in the development of our operations with great enthusiasm and success.

The only way is forward!

Matti Lievonen

Strategy

Cleaner solutions are found from the core of our strategy. Moving from place to place and transportations are essential part of living and society's operations. Moving cannot be stopped, so we need to create new solutions for it.

Our high-quality and lower-emission renewable products offer our customers a possibility to decrease the carbon footprint from their own operations and fulfill legislative obligations related to the use of renewable energy. We want to be our customers' partner that does not only offer products but a solution. The comprehensive solutions defined in cooperation with our customers create added value to our customers, their customers, and us.

New strategic targets

In 2014, we defined two new strategic targets:

1. **We want to be Baltic Sea downstream champion.**

   The Baltic region is our home market where we want to strengthen our position further. The strong competitiveness of our refinery is based on its advanced production structure and excellent location, considering our customer base and feedstock procurement. NEXBTL renewable diesel makes our product offering unique to consumers, business customers, and fuel distributors.

2. **We want to grow in the global renewable feedstock-based markets.**

   We are the world's largest producer of renewable diesel. We are able to refine NEXBTL diesel based on our proprietary technology from over ten different renewable feedstocks globally in our four production units. We are now stepping into a new stage. We are seeing interesting growth opportunities also outside the fuel market. We are enthusiastic about bio-based chemistry products that can replace fossil ones.

Heritage

- Our pioneering nature was born from our expertise in harsh conditions

Forces of change

- Competition is intensifying
- Regulatory uncertainty is continuing
- Feedstock availability is a challenge
- Technological developments are a risk, but are opening up opportunities

Strategic choices

Our two strategic targets are based on our competitive advantages:

- We want to be Baltic Sea downstream champion
- We want to grow in global renewable feedstock-based markets

Value Creation Programs

- Profitable Growth
- Productivity
- Renewable Feedstock
- Customer Focus

Way Forward

- Focus on customers
- Improve cross-functional cooperation
- Give and take responsibility
- Value good results and react when needed
- We work safely and professionally always, everywhere

Added value for customers

- Helping people enjoy staying on the move worldwide

Vision

- The preferred partner for cleaner traffic fuel solutions

Values

- Responsibility
- Innovation
- Cooperation
- Excellence

Megatrends

Megatrends are global forces of change. They are challenges for us on the one hand, but on the other they offer new business opportunities. Neste Oil, with its chosen strategy, can contribute to the development of the world around us and can do its part to create a more environmentally sound future.

Increasing demand for energy

The world population is expected to grow to 8–10.5 billion by 2050. Energy consumption will grow substantially, as economic growth raises standards of living. People are moving to cities. They travel and consume more. In order to respond to the growing demand for energy, we need to find ways to use natural resources more efficiently and to increase the use of renewable energy sources. Electricity that has been produced with water, wind and sun energy as well as biofuels are examples of this. On the other hand, new oil deposits, such as shale oil, may have a profound impact on the structure of global energy supply.

Climate change

Growing greenhouse gas emissions are a cause of global climate warming. Traffic is one of the largest sources of greenhouse gas emissions. Substitution of fossil fuels with renewable fuels is an efficient tool to reduce greenhouse gas emissions.
The growth in the use of renewable energy sources is expected to outpace the growth in fossil energy sources. Consumers are increasingly environmentally conscious and more demanding in their purchasing decisions. Products and services are required to demonstrate a sustainable value chain from sourcing of feedstocks to sales to end customers. Recycling and reuse are on a growing trend.

Technological development

With the help of modern engine technology, people and goods can move more efficiently from one location to another, saving energy and producing lower emissions. Moreover, technological development facilitates the use of wider range of renewable feedstocks for fuel production. Emerging feedstocks include waste and residues, which have not been available for fuel use before.

Digitalization

Customers want service regardless of time and place. This is increasingly moving purchases and customer service to digital channels. Companies that are able to transfer their services online and to develop them to meet customer needs, are well positioned to create competitive advantage and even new businesses.

Strategy implementation 2014

In addition to day-to-day operations, Neste Oil implements its strategy through Value Creation Programs. The programs aim to increase collaboration and focus activities on what is essential for the development of the entire company. All programs have ambitious and measurable objectives monitored regularly by the company's management and Board of Directors. The Way Forward way of working, which is based on our values and guides our daily work, is an integral part of the implementation of our strategy.

Read more about Way Forward.

Value Creation Programs 2014

Value creation and maintenance	Target	Successes in 2014
Profitable Growth	• Neste Oil achieves business targets and creates profitable growth and new opportunities in all business areas.	• We launched a low-sulfur bunker fuel meeting the EU's Sulfur Directive, which will come into force in 2015. • We began sales at the Södertälje terminal in Sweden and Plains Richmond terminal in California to better serve our local customers. • Neste Futura fuels were successfully launched in the Baltic and Russian markets. In addition, the Neste Pro diesel fuel was launched in Lithuania. • New Miljöklass 1 diesel fuel with high NEXBTL content was developed for the Swedish market. • We began the sales of new low carbon NEXBTL diesel in the Ontario market in Canada. • Sales of NEXBTL diesel were expanded to new end user groups, such as boating, mines, and events (Flow Festival). • The NEXBTL product range was expanded with isoalkane, which can be used as a feedstock in the chemical industry instead of thin mineral oil.

Value creation and maintenance	Target	Successes in 2014
Productivity	• Neste Oil improves production efficiency and safety at all Neste Oil refineries. • Cost efficiency and agility in the logistics network and operations to meet changing business needs.	• Operations at the Singapore and Rotterdam refineries achieved 125% production of nominal capacity at best. • The approval process of new crude oils was shortened from weeks to days. • Tall oil pitch was established as a feedstock in Naantali. • We made the procurement of hydrogen more efficient and increased our capacity by signing a long-term agreement with Aga, which will build a new hydrogen plant. • Measures to adopt a single refinery operating model were commenced. • We published a plan to divest Kilpilahti electricity distribution network. • We increased the logistical efficiency of renewable products through improved terminal solutions and planning and procurement of intercontinental transport.

Value creation and maintenance	Target	Successes in 2014
Renewable Feedstock	• Improve the availability of competitive feedstock, processing capabilities, and the market and customer acceptability of renewable raw materials to ensure profitable growth. • Increase the use of waste and residues as feedstock	• The number of approved feedstocks was increased further in 2014 with regard to customers and markets so that we can use our extensive feedstock portfolio globally. • Used cooking oil (UCO) was added to Neste Oil's renewable feedstock portfolio. • In addition to existing ISCC-DE, ISCC-EU, ISCC Plus and RSPO-RED certificates, NEXBTL produced at Neste Oil's Rotterdam refinery was granted the HVO Verification Scheme certificate. • Second commercial algae off-take agreement was signed. • The technological readiness for the production of microbial oil was proven at the microbial oil pilot plant. The results will be utilized in future research on the utilization of agricultural and forestry waste and residue streams.

Value creation and maintenance	Target	Successes in 2014
Customer Focus	• Neste Oil creates value together with customers and strengthens the company's customer-focused mindset.	• New operating models were adopted in the management of key customer accounts, allowing us and our customers to together find mutually beneficial solutions to create added value, such as various logistical solutions and new premium and special products. • We revised our organizational structure to serve our customers even better. • New harmonized metrics for monitoring customer satisfaction were adopted throughout the Group. • As part of our customer focus and personnel development program, we launched competence reviews of sales personnel and various development measures to serve our customers even better.

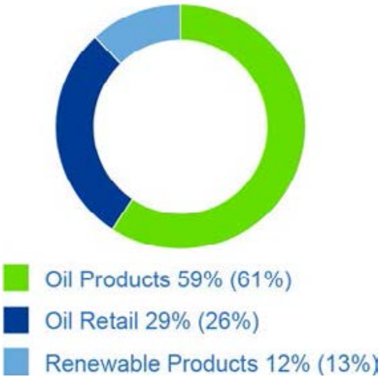
Business areas in brief

Neste Oil's business operations are divided into three business areas: Oil Products, Renewable Products, and Oil Retail. There are four reporting segments: Oil Products, Renewable Products, Oil Retail, and Others.

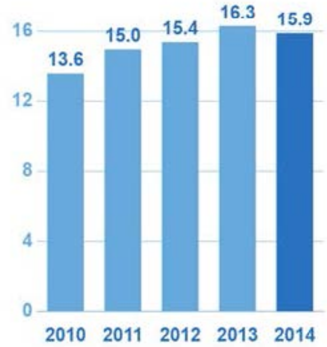
Business area	Oil Products	Renewable Products	Oil Retail
Business	• Sales of petroleum products to wholesale customers	• Sales of NEXBTL renewable diesel, NEXBTL renewable aviation fuel, and NEXBTL renewable naphtha to B-to-B and wholesale customers	• Sales of petroleum and renewable products to end-users and distributors
Revenue	• EUR 11,285 million	• EUR 2,269 million	• EUR 4,294 million
Comparable operating profit	• EUR 285 million	• EUR 239 million	• EUR 68 million
Share of Neste Oil's revenue	• 59%	• 12%	• 29%
Personnel	• 1,721	• 255	• 1,356
Main market areas	• Europe and North America	• Europe and North America	• Finland and the Baltic Rim
Customers	• Oil companies and businesses marketing oil, lubricants and fuel products	• Oil companies and other wholesale customers	• Consumers via the Neste Oil station network and fleet users, aviation, marine, industrial and agricultural customers, heating customers, and distributors
Capacity	• 15 million t/a	• 2 million t/a. Our target is to increase the capasity to 2.3 million tons in 2015, and to 2.6 million tons by 2017.	• 786 stations in Finland • 248 stations in Northwest Russia, Estonia, Latvia and Lithuania
Strategic role	• To maximize the cash flow provided by selling the products of Neste Oil refines • To generate profitable growth on the expanding market for premium-quality base oil	• To generate profitable growth on the expanding market for premium-quality renewable products	• To act as a marketing channel for Neste Oil's products • To maximize cash flow generated by product sales • To leverage market potential in the Baltic Sea region

Business area	Oil Products	Renewable Products	Oil Retail
Strengths	• Premium-quality products • Ability to supply customers with traffic fuel solutions flexibly and reliably • One of Europe's most advanced refineries at Porvoo • Feedstock flexibility	• Premium-quality products that are suitable for existing distribution systems, engines or processes and enable substituting fossil products with renewable ones flexibly • Reliable production technology that offers a high degree of feedstock flexibility and enables the use of a wide range of sustainably produced raw materials • Global customer base and supply chain	• Premium-quality products • Strong brand • Extensive station network • Competitive unit costs • Value-added customer solutions
Key drivers for business	• Economic growth • Growing demand for energy • Growing demand for petroleum products • Tougher lubricant requirements and the shift to premium-quality base oil • Developments in engine technology	• Climate change and emissions reduction • Mandated use of renewable energy, especially in Europe and the US • Energy security and reducing society's dependence on crude oil	• Growth in traffic and transport • Motorists' growing service-related expectations • Growing number of cars on the road • Developments in engine technology • New cars and fuels (e.g. biofuels and electric cars)
Market position	• Strong position in the wholesale market around the Baltic • Leading global supplier of Group III base oils	• The leading producer of renewable diesel • Significant market share in Europe and North America	• Leading position in traffic fuels in Finland • One of the largest operators in the field in Estonia, Latvia, Lithuania and the St. Petersburg area in Northwest Russia
Most significant competitors	• Other advanced refiners in Russia, Northwest Europe, and the Middle East	• US-based Dynamic Fuels and Diamond Green Diesel • In Europe; ENI and UPM, when it begins production • Producers of conventional biodiesel	• In Finland: ABC, St1, and Lukoil (operates in Finland as Teboil) • In the Baltic countries and Northwest Russia: Statoil and Lukoil

Revenue by reporting segment, %



Total production, million tons



Oil Products

We produce and sell all the most important oil products to a global customer base. In accordance with the market demand our aim is to increase the share of middle distillates and other products providing high added-value in our production, and we want to grow profitably in the global base oil market. We continuously develop premium-quality products and related services for our customers. In addition to our extensive product portfolio and high product quality, our customers benefit from flexible logistics solutions.

Two Finnish refineries will become a single entity

We maintained our strong position in the Baltic Sea region

Low-sulfur marine fuel for the benefit of the environment and customers

Neste Oil introduced marine diesel oil that has a sulfur content of less than 0.1%.

Read more ►

We strengthened our position in the Baltic wholesale market

Aiming to increase the production volume of middle distillates

Key figures	2014	2013	2012
Revenue, EUR million	11,285	13,041	13,764
IFRS operating profit, EUR million	-110	286	491
Comparable operating profit, EUR million	285	275	396
Net assets, EUR million	2,160	2,163	2,252
Comparable return on net assets (RONA)*, %	12.4	11.6	16.6
Capital expenditure, EUR million	209	146	180

*Rolling 12 months

Case: Low-sulfur marine fuel

case Low-sulfur marine fuel – development work for the benefit of the environment and customers

The EU Sulfur Directive entered into force at the beginning of 2015. The Directive prescribes a maximum sulfur limit of 0.1% for marine fuels in the Baltic Sea, the North Sea, and the English Channel. The Sulfur Directive is to be extended in 2020 to cover other EU coastal regions where the maximum permissible sulfur content will be 0.5%. The goal of the UN International Maritime Organization (IMO) is to have the sulfur content of marine fuels limited to 0.5% on all the world's seas by 2025.

In December 2014, we introduced a totally new type of marine fuel to the market. This new type of marine diesel oil (MDO) has a sulfur content of less than 0.1%, making it compliant with the requirements of the EU Sulfur Directive that entered into force in 2015.

Neste Oil has been working on a low-sulfur marine fuel for a couple of years now. The preliminary investigation project was initiated in 2012 to survey the marine fuel markets in Finland and in the Baltic Sea region. We also investigated the types of products that our refineries are capable of producing and how the product could be distributed to customers. The plans became more specific in the course of 2014, and we put a lot of efforts into introducing the product to the market. Challenges were overcome across team boundaries in sales, product development, logistics and production alike.

During the development phase, the suitability and operability of the low-sulfur marine fuel were tested in several vessels and on different ship engines. This successful work has all the time been done in cooperation with customers.

The low-sulfur marine fuel created as a result of the development work is a fuel of significantly higher quality and higher degree of processing than the heavy fuel oil commonly used in ships which has a sulfur content of one per cent. Compared to that, the advantages of Neste Oil's low-sulfur marine fuel include cleaner engines, longer maintenance intervals and smaller particle emissions.

In December 2014, we signed partnership agreements with Finnlines and Tallink Grupp under which we will supply low-sulfur marine fuel to several of the companies' ships. The fuel will be distributed to the customers' ships either by tanker trucks or by a bunkering vessel. Ship-to-ship distribution of fuel, or bunkering, is a totally new fuel distribution method in Finland. The advantage of bunkering is the possibility to supply large quantities of fuel quickly. All deliveries – irrespective of the distribution method – will be handled safely and efficiently.

Achievements in 2014

Our targets	Achievements in 2014	What next?
Maintain Neste Oil's leading position in the Baltic region	• Neste Oil retained its strong position in the Baltic, which accounted for approximately 65% of petroleum product sales. • We strengthened our position in the Baltic wholesale market in particular. • We launched new customer solutions to meet biomandate requirements.	• Further strengthen Neste Oil's position in the Baltic region by developing our customer offering. • Develop new solutions to respond to biolegislation development. • Develop the product and service offering related to bunker fuels to match new legislation.
Improve operational efficiency and strengthen the additional margin by increasing refineries' availability and decreasing safety and quality incidents	• The additional margin remained stable even though the availability of refineries fell short of the target • Total recordable injury frequency (TRIF) decreased from the previous year to 2.7 (4.2). • Number of delivery incidents decreased	• Ensure the improvement of refineries' availability with an extensive program (including a preventive maintenance program) • Continue the work to decrease the number of safety and quality incidents
Strengthen long-term competitiveness by responding to market changes and customer needs	• We decided to organize our Finnish refineries into a single entity • We made an investment decision to build a feedstock pre-treatment unit in Porvoo and are investigating the structural change of the Naantali refinery • With the changes, we pursue an improvement in our product distribution and cost-efficiency (production of heavy fuel oil will decrease by 25% while the production volume of middle distillates increases) • We made a decision on building a new hydrogen unit in collaboration with an external partner.	• We will implement the agreed investments and changes in operational methods as planned, paying particular attention to change management. • We will determinedly develop the flexibility of our feedstock use in order to ensure our capability of taking advantage of future opportunities.
Benefiting from the growth in the base oil market	• Sales in North America and Europe increased 26 tons.	• We will continue developing our operations to meet our customers' needs even better.

Renewable Products

We are the world's biggest producer of renewable diesel and a pioneer in renewable fuels. We are seeking growth in the global renewable feedstock-based market, and will expand our renewable product portfolio outside traffic solutions. Renewable diesel is produced at the Porvoo, Singapore, and Rotterdam refineries. Currently, the product family based on our proprietary NEXBTL technology includes NEXBTL diesel and NEXBTL aviation fuel suitable for use as fuel, as well as renewable NEXBTL naphtha, NEXBTL propane and NEXBTL isoalkane suitable for use in the chemical industry.

Successful market openings

Utilization rate of renewable diesel production capacity reached 125%

Aiming to increase NEXBTL production capacity

Our goal is to increase production capacity to exceed 2.3 million tons in 2015.

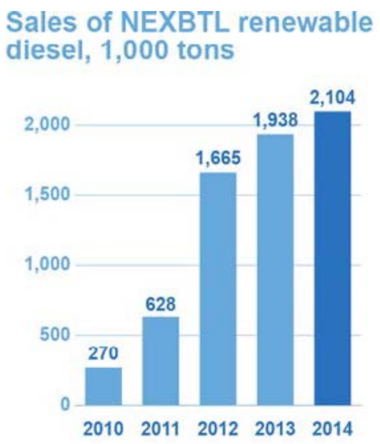
Read more ►

New biopropane plant to Rotterdam

The share of waste and residues grew to 62%

Key Figures	2014	2013	2012
Revenue, EUR million	2,269	2,493	2,163
IFRS operating profit, EUR million	207	252	-183
Comparable operating profit, EUR million	239	273	-56
Net assets, EUR million	1,923	1,768	1,860
Comparable return on net assets (RONA)*, %	13.3	15.2	-2.8
Capital expenditure, EUR million	29	17	51

*Rolling 12 months



Case: Uusiutuvat tuotteet

Aiming to increase NEXBTL production capacity

Our goal is to gradually increase the production capacity of the NEXBTL production units in Porvoo, Rotterdam, and Singapore refineries so that the production capacity will exceed 2.3 million tons in 2015. This means a 16 percent increase compared to the 2014 nominal capacities.

"We believe that we will achieve this goal. A corresponding level was already reached in 2014 with a number of different feedstock mixtures during test drives and short production periods. This is why we believe that it is possible to achieve the production capacity growth target with only marginal additional investments aimed at removing production bottlenecks", says Timo Sarikkola, Neste Oil's Vice President, Development.

At the same time, we are also working to improve production plants' capability to process increasing amounts of waste- and residue-based raw materials of a challenging quality.

	Production capacity in 2014	Production capacity target for 2015
Porvoo, production lines NEXBTL 1 and 2	380,000 t/a	380,000 t/a*
Singapore	800,000 t/a	1,000,000 t/a
Rotterdam	800,000 t/a	1,000,000 t/a
Total	1,940,000 t/a	2,380,000 t/a

* = During spring 2015, a major turnaround will be carried out at the Porvoo refinery. The NEXBTL production capacity will also be out of use during the turnaround.

Achievements in 2014

Our targets	Achievements in 2014	What next?
Improve the profitability of the business by increasing capacity of refineries, extending the customer base, and opening new markets.	• Sales volumes rose to 2.1 (1.9) million tons. • We started the sales of NEXBTL diesel in the Dutch, Malaysian, Luxembourg, Norwegian, and Lithuanian markets. • Biofuel legislation advanced in Poland so that the opening of the market for NEXBTL can be expected in 2015. • Utilization rate of renewable diesel production capacity reached 125%. • We increased the logistical efficiency of renewable products through improved terminal solutions and planning of intercontinental transport. • Boeing tested our renewable NEXBTL aviation fuel as a 15% blend.	• We will continue developing key market segments in all continents and provide solutions for growing biomandate requirements. • Our aim is to increase our renewable diesel production capacity to 2.3 million tons by 2015 and to 2.6 million tons by 2017. • We will bring biopropane to the markets in 2016. • We continue improving logistics. • We invest in developing renewable fuel solutions for the aviation industry.
Flexible feedstock base and ensuring its sustainability and acceptability	• We added used cooking oil to our feedstock portfolio. The usage of waste and residue-based inputs increased to 2.57 (2.32) million tons. This accounted for approximately 62% (52) of total renewable feedstock usage. • The European Commission and the Finnish Energy Authority approved Neste Oil's sustainability verification scheme (HVO Verification Scheme). • We sold the first batch of NEXBTL diesel certified in accordance with our proprietary sustainability scheme. • Our independent collaboration partner The Forest Trust (TFT) published the first report concerning mills supplying palm oil to Neste Oil and the surrounding plantations that are not included in our own supply chain, but which supply oil to the same mills from which we procure certified palm oil. • 100% of the crude palm oil used by Neste Oil is certified and traced.	• Our aim is to reach the capability of utilizing 100% waste and residues as feedstock by 2017. • We will continue to ensure the sustainability and acceptability of feedstock. • We will maintain the 100% certification and traceability level for crude palm oil. • We will continue the implementation and development of our own sustainability verification scheme. • We will continue cooperation with TFT to develop sustainable operating models in the palm oil industry. • We will develop the monitoring of social aspects, such as labor rights and human rights, in our supply chain.

Our targets	Achievements in 2014	What next?
Commercialization of new product applications	• We decided to build a biopropane production unit in Rotterdam. The annual production volume of the unit is 30,000–40,000 tons, and the sales will begin in late 2016. • We launched the renewable NEXBTL isoalkane, which can be utilized in diverse applications in the chemical industry. • We promoted the adoption of renewable aviation fuels by taking part in the ITAKA project and the "Bioport for jet fuels in the Netherlands" initiative, aiming to support the commercialization and use of renewable aviation fuel.	• Our aim is to increase the business in global renewable raw material-based markets, such as bioplastics. • We actively take part in the development of renewable aviation fuel solutions.

Oil Retail

Neste Oil's Oil Retail is a significant marketer and seller of cleaner fuels and oil products in Finland, the St. Petersburg region in Northwest Russia, Estonia, Latvia, and Lithuania. In 2014, Neste Oil had a network of 1,034 stations in the Baltic Sea region, which is a key marketing channel for our premium-quality cleaner products. Our aim is to increase the sales volume through our network, maintain our premium position in Northwest Russia, and to create a competitive edge through quick and easy service.

Neste Pro Diesel to the Lithuanian market

Network of 1,034 stations in the Baltic Sea region

Comparanle return on net assets increased to 27.6%

Vision is to be market leader in Finland and the Baltic countries

Key figures	2014	2013	2012
Revenue, EUR million	4,294	4,532	4,895
IFRS operating profit, EUR million	68	120	58
Comparable operating profit, EUR million	68	77	58
Net assets, EUR million	201	255	345
Comparable return on net assets* (RONA), %	27.6	26.4	17.3
Capital expenditure, EUR million	18	31	36
Total sales**, 1,000 m^3	4,086	4,000	4,160

* rolling 12 months

** includes both station and terminal sales in Baltic countries

Achievements in 2014

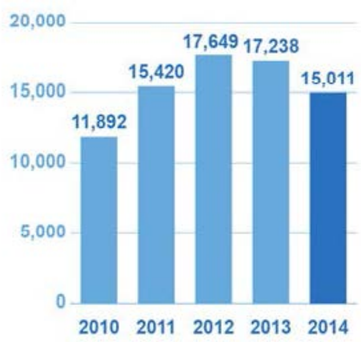
Our targets	Achievements in 2014	What next?
Improve comparable return on net assets	• Comparable return on net assets increased to 27.6% (26.4%).	• Continue measures aimed at ensuring a good return on net assets, e.g. by developing the station network and optimizing inventory levels
Grow the business profitably	• The number of our stations increased in Finland, the Baltic countries, and in St. Petersburg. • New customer accounts gained in Finland and internationally. • We launched Neste Pro Diesel on the Lithuanian market. • We launched Neste Futura fuels on the Baltic and Russian markets. • New marketing unit began its operations. • We investigated the opportunities provided by digitalization to improve the customer experience and the efficiency of operations. • We renewed our sales activities by developing customer account management models and procedures.	• Increase sales to current customers and identify new customer segments. • Extend our understanding of customers and markets and continue developing products and services to provide an excellent customer experience for different customer segments. • Develop pricing practices to optimize sales and profitability.
Improve operational efficiency by developing our processes	• New IT systems were introduced in Finland.	• Commission the new IT systems in Latvia and Lithuania. • Improve efficiency by measures such as further reducing unit costs and optimizing the station network.

Key figures

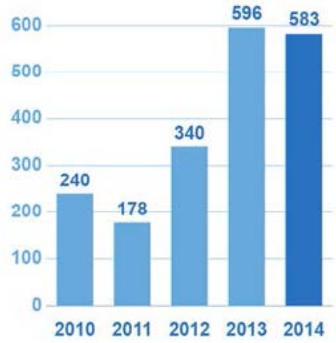
	2014	2013	Change, %
Income statement, EUR million			
Revenue	**15,011**	17,238	-13
Operating profit	**150**	632	-76
Comparable operating profit	**583**	596	-2
Profit before income tax	**78**	561	-86
Profitability, %			
Return on equity (ROE)	**2.1**	19.2	-89
Return on capital employed, pre-tax (ROCE)	**3.3**	13.4	-75
Return on average capital employed, after tax (ROACE)	**10.1**	11.7	-14
Financing and financial position			
Total equity, EUR million	**2,659**	2,924	-9
Interest-bearing net debt, EUR million	**1,621**	1,252	29
Capital employed, EUR million	**4,526**	4,682	-3
Equity-to-assets ratio, %	**41.0**	41.6	-1
Leverage ratio, %	**37.9**	30.0	26
Net cash from operating activities, EUR million	**248**	839	-70
Share-related indicators			
Earnings per share (EPS), EUR	**0.22**	2.04	-89
Dividend per share, EUR	**0.65** [1)]	0.65	0
Dividend payout ratio	**290.4** [1)]	31.8	813
Comparable dividend payout ratio	**40.7**	34.3	19
Share price at the end of the year, EUR	**20.06**	14.37	40
Average share price, EUR	**15.77**	13.06	21
Highest share price, EUR	**20.32**	17.33	17
Lowest share price, EUR	**13.24**	10.13	31
Market capitalization at the end of the year, EUR million	**5,143**	3,685	40
Other indicators			
Equity per share, EUR	**10.34**	11.36	-9
Cash-out investments, EUR million	**272**	214	27
Average number of personnel	**4,989**	5,097	-2
R&D expenditure, EUR million	**40**	40	0
Refining margin, USD/bbl	**9.83**	9.60	2
Total Recordable Injury Frequency per million hours worked (TRIF)	**2.7**	4.2	-36

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

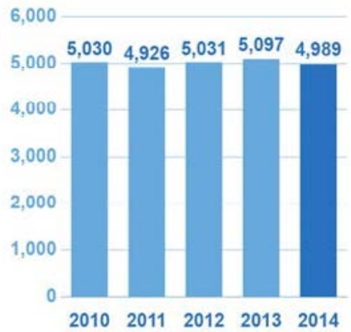
Revenue, EUR million



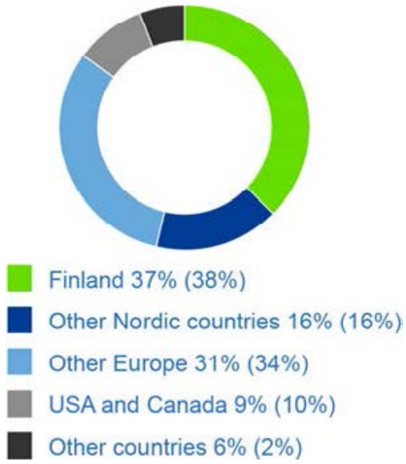
Comparable operating profit, EUR million



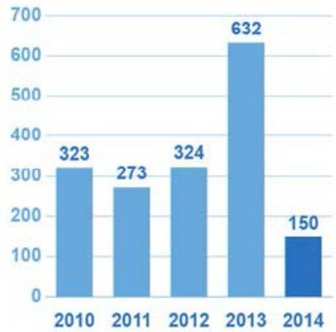
Personnel (average)



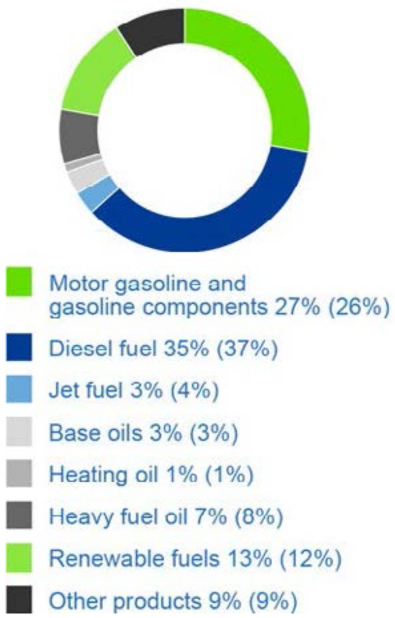
Sales by region from in-house production, %



Operating profit, EUR million



Sales by product from in-house production, %



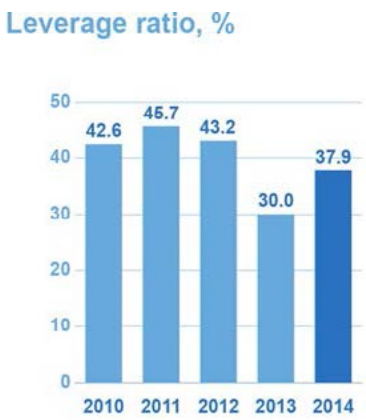
Neste Oil in 2014 ► Financial targets

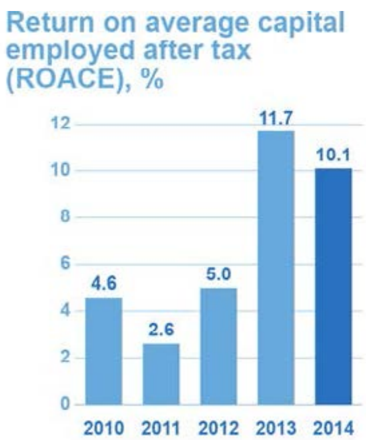
Financial targets

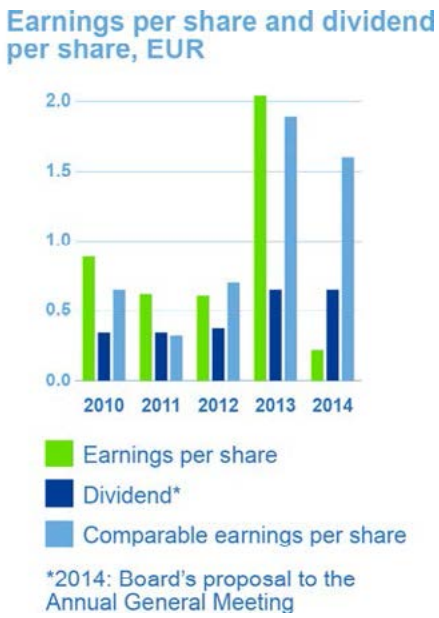
Neste Oil's key financial targets are to achieve:

- A leverage ratio of 25–50%
- A return on average capital employed after tax (ROACE) of at least 15% annually over the long term.

In line with our dividend policy, we aim to pay a dividend equivalent to at least a third of the company's comparable net profit.





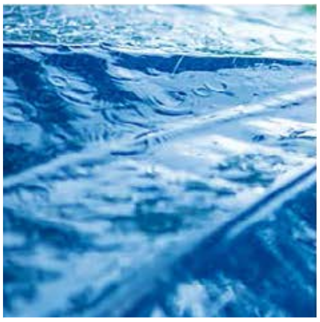


Sustainability

Sustainability is an essential part of our strategy. Our cleaner premium-quality solutions offer customers an easy and cost-efficient way to reduce their carbon footprint. We continuously improve also our operations in order to reduce their environmental impact and to better ensure the sustainability of our supply chain. In addition, we aim to promote sustainable practices in our industry, also outside our own supply chain.

Neste Oil again one of the world's most responsible companies

Significant positive development in safety



Neste Oil joins Global Compact

The NEXBTL diesel produced achieved a 5.6 million ton reduction in CO_2 emissions

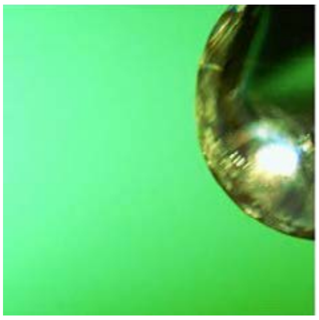
Report from Finnwatch brought up shortcomings in the supply chain

Sustainability in figures

Sustainability Management and Strategy

Sustainability is one of Neste Oil's four values and part of everything we do. However, sustainability is not only our way of operating, it is part of our business. It is at the core of our strategy. Sustainability is also one of the factors influencing the remuneration of the management. Our sustainability is crystallized in the six focus areas of our Sustainable Way program.

Neste Oil again one of the world's most responsible companies



Sustainability KEY FIGURES

Sustainability is part of management remu-neration

Materiality assessment of sustainability updated

Managing sustainability

Neste Oil's approach to sustainability is based on the company's values and is guided by its Code of Conduct, Sustainability Policy, and Sustainability Principles.

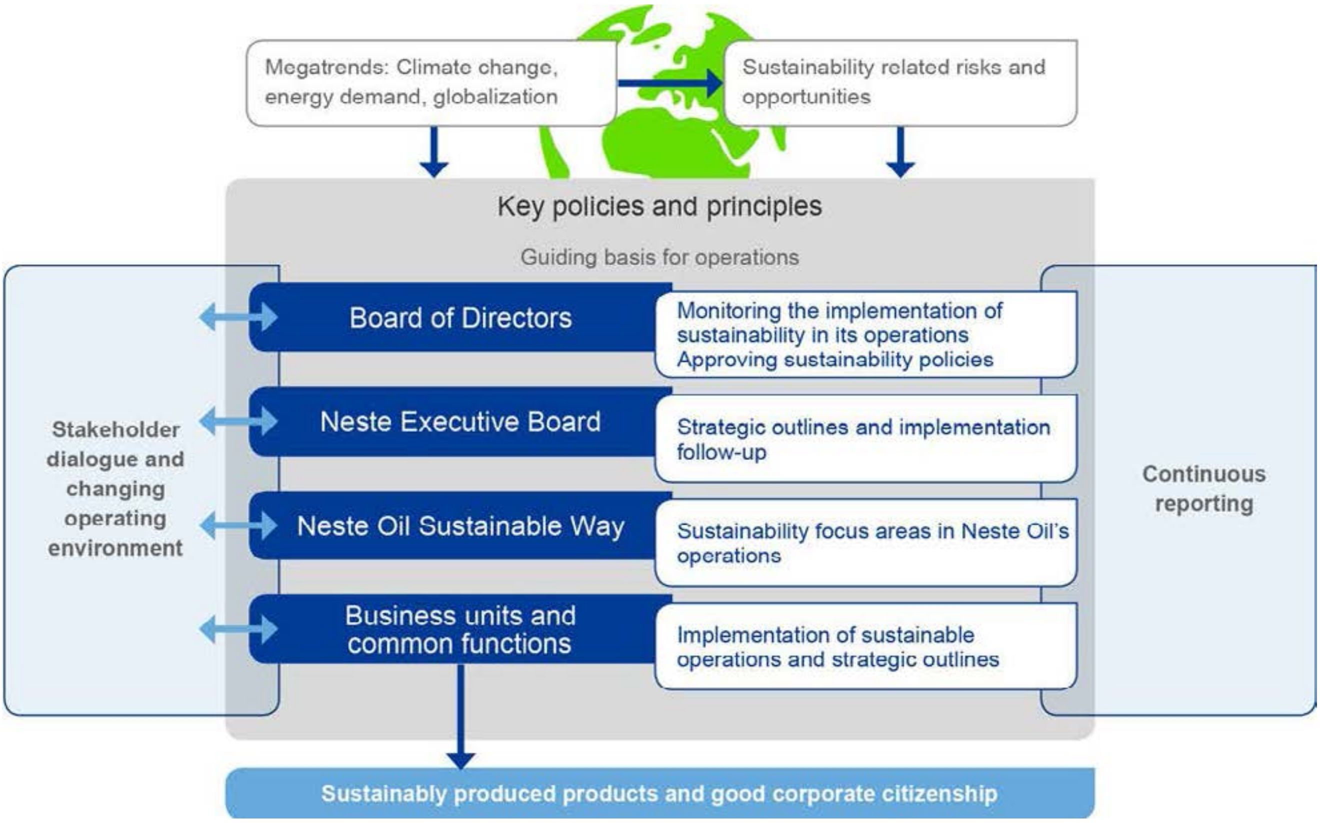
Learn more about the policies and principles underpinning Neste Oil's sustainability.

Neste Oil's sustainability program defines six focus areas which form the foundation of the sustainability work carried out by the company. These focus areas are:

- Cleaner solutions
- Safety
- Our people
- Society
- Climate and resource efficiency, and
- Sustainable supply chain

Sustainability work is steered by the Senior Vice President, Sustainability and Public Affairs, who is a member of the Neste Executive Board. The Board of Directors approves policies covering sustainability and monitors how Neste Oil performs in terms of sustainability. The Neste Executive Board is responsible for outlining the company's strategic approach to sustainability and monitoring how sustainability is reflected in business units and support function operations. Matters related to sustainability are reviewed regularly by the Board of Directors, the Neste Executive Board, and the management teams of the Sustainability and HSEQ organization, business areas, and production plants.

Managing sustainability



Performance in the sustainability area is one of the factors determining the incentives paid to management and other personnel, and how well the company performs in terms of injury frequency, for example, will affect the bonus paid to the President & CEO for 2014.

Managing safety, and the environment

Neste Oil's People and Safety organization is responsible for the company's safety and environmental management systems. The unit's area of responsibility covers people safety, process and product safety, environmental impact, and environmental protection at Group level. Safety specialists are responsible for supporting safety work in line organizations.

Incident-free operations play a central role in managing environmental impact effectively. All measures taken to promote, for example, operational reliability also help improve environmental protection.

Safety responsibilities

Who?	How?	What?
Corporate Management	**Quarterly Management Meeting**	• overview of Group performance • implementation of strategy and annual targets • resource management
Business Area	**Monthly Management Meeting**	• Business Area performance and monitoring • decision on corrective actions • preventive and corrective actions
Site/unit	**Periodical Review Meetings**	• creating unit safety plans • unit safety follow-up and improvement • preventive and corrective actions • monitoring safe ways to work
Teams, individuals	**Continuous Safety Work**	• observing and enforcing safe behaviour • task risk assessments • safety discussions

Improving safety performance is one of strategic focus areas

Improving Neste Oil's safety performance is one of the company's strategic focus areas. Safety work is implemented by Neste Oil's 12 Key Safety Elements, which form an important part of the company's safety management system and act as a framework for Group-wide operating practices. Safety-related activities are monitored and developed through the company's safety management system.

HR management

Systems related to HR management are the responsibility of the HR organization and the Senior Vice President, HR and safety, who is a member of the Neste Executive Board. A group of management and employee representatives is responsible for regularly reviewing and updating HR management guidelines. Neste Oil's long-term HR management goal is to develop the company's strategic expertise and performance management practices and promote operations in line with the Way Forward operating model.

Read more about Way Forward operating model.

Sustainability goals

Sustainability Focus Area	Long-term goal	What next?
Cleaner solutions	• We create added value to our continuously expanding customer base with our cleaner traffic fuels and non-traffic applications.	• We continue to further promote the use of chemicals based on NEXBTL diesel in non-traffic solutions, such as in bioplastics. • We continue working to develop products with a smaller impact on the environment.

Sustainability Focus Area	Long-term goal	What next?
Safety	• By creating a strong safety culture we ensure that our people work safely and our operations stay always at a good level.	• PSER < 2.7 • TRIF < 2.7 • The number of preventive measures will be 28,000.

Sustainability Focus Area	Long-term goal	What next?
Our people	• We are an admired employer and enable business success with our value-adding way of working, inspiring leadership, and talented employees.	• We will monitor the new job description classification, and evaluate how it works. • We will monitor the functionality of the new short-term incentive system, and develop it based on our observations. • The new HR IT system will be introduced during 2015. • We continue implementing Neste Oil's wellbeing at work plan. • We continue implementing 'Way Forward' as a more integral part of the business and HR processes. • We encourage people to try job rotation.

Sustainability Focus Area	Long-term goal	What next?
Society	• We create long-term business success and value to our external stakeholders by operating ethically and profitably.	• We continue working to achieve our long-term ROACE target. • We continue to encourage stakeholder involvement, and participate more actively in debate. • We continue developing how we report our tax contribution. • We continue providing expert information.

Climate and resource efficiency

Sustainability Focus Area	Long-term goal	What next?
Climate and resource efficiency	• We are a global leader in refining waste and residues into high-quality traffic fuels and non-traffic applications.	• Our target is to reach the capability to use exclusively waste and residue in the production of renewable diesel by 2017. • Continue operations that will help us to achieve our energy saving target. • We continue identifying opportunities to reduce greenhouse gas emissions in our own operations. • Based on the review of the current situation related to BAT, we will begin preparations for possible actions. • We continue operating within the terms of our environmental permits, and modify operations where needed to comply with new regulations.

Sustainable supply chain

Sustainability Focus Area	Long-term goal	What next?
Sustainable supply chain	• We set a new standard for sustainability in supply chain by taking advantage of voluntary and proactive measures that support our business growth.	• We continue using only certified crude palm oil also in the future. • We continue to ensure the traceability of our renewable raw materials. • We extend cooperation with selected crude oil suppliers.

Sustainability policies and principles

The key policies and principles covering sustainability at Neste Oil are:

- Neste Oil's Code of Conduct
- Sustainability Policy
- Sustainability Principles for Biofuels
- Human Resources Policy
- No-Deforestation and Responsible Sourcing Guidelines for Renewable Feedstock

Updating process of our sustainability policy was started in 2014 and the update will be finished during 2015.

Materiality assessment

Neste Oil's materiality matrix covers the company's key sustainability themes from the perspective of its business and stakeholders.

Materiality assessment updated

We updated our sustainability materiality matrix during fall 2014 and early 2015. The update was conducted as follows:

1. Neste Oil's sustainability experts evaluated the important themes for the company and stakeholders on the basis of business knowledge, and results from stakeholder surveys.
2. The importance of the different themes was evaluated in an internal workshop, with sustainability experts and experts from other sectors.
3. The Executive Board gave their feedback and the materiality matrix was adjusted accordingly.
4. Stakeholder representatives were invited to a meeting where they had the opportunity to give feedback on the updated materiality matrix.
5. The materiality matrix was shared for a review with the Board of Directors and Neste Executive Board.

Increased importance of economic responsibility, human rights, and material efficiency

In the new materiality assessment, themes related to economic responsibility and material efficiency are given a clearly greater emphasis than in the assessment made in 2012. For material efficiency, the use of waste and residues is considered particularly relevant from the point of view of both the company and stakeholders.

Human rights also are given a greater emphasis than before in the updated assessment. This is due to, for instance, increasing awareness of social viewpoints in addition to environmental issues in the supply chain.

New topics included in the materiality assessment were also smallholders in the supply chain, and publication of tax contribution.

Offering cleaner solutions and products to the clients continues as one of the most important themes of our sustainability work, both from the point of view of our stakeholders and our business.

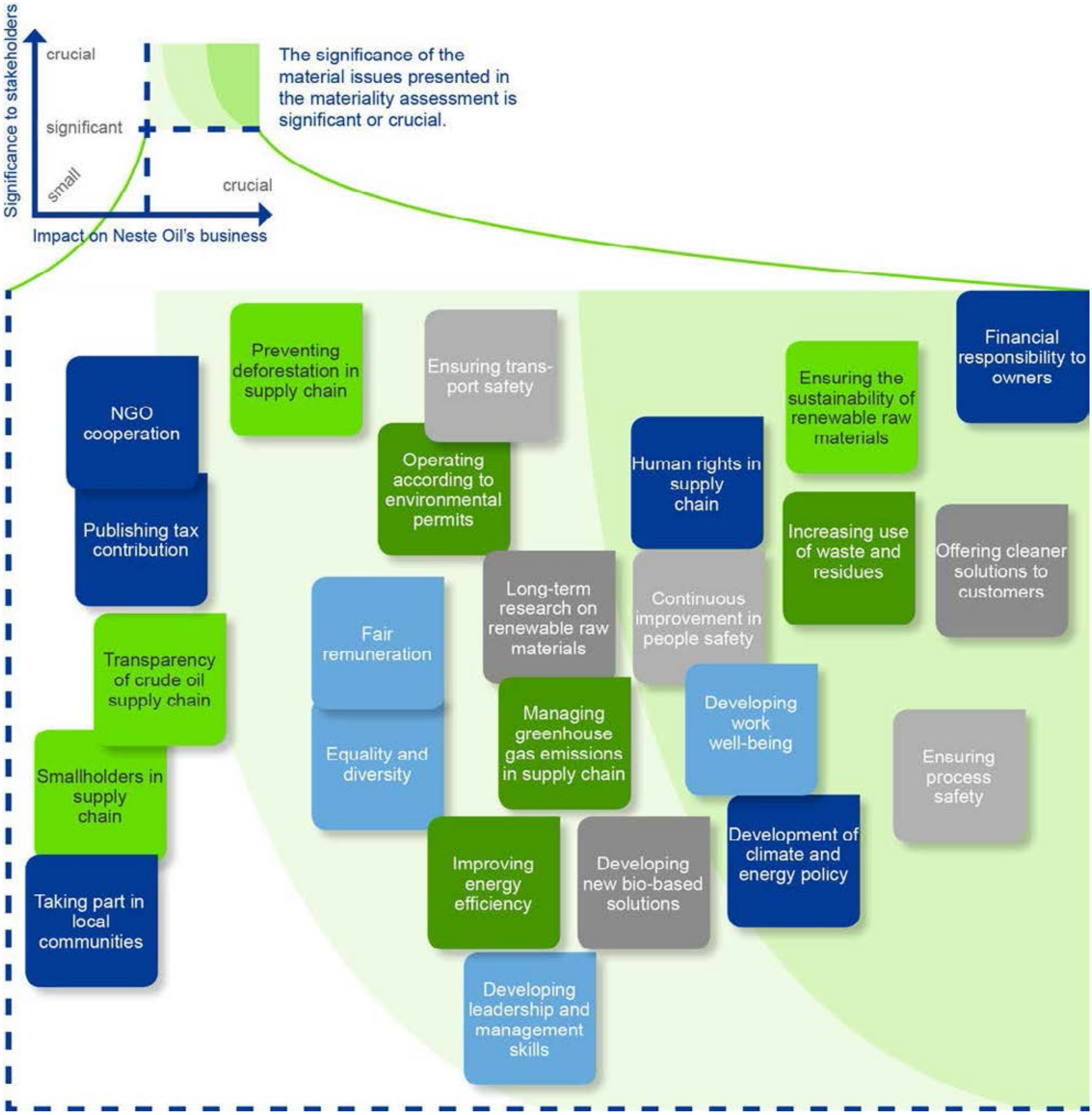
Stakeholder feedback for the materiality assessment

In February 2015 we arranged a stakeholder event where our chosen stakeholders had the opportunity to give feedback concerning our updated materiality assessment. Stakeholders represented in the event were e.g. NGOs and other organizations, student unions, investors, and owners. According to the discussions economic responsibility is seen as an important aspect of sustainability work also among our stakeholders. The feedback that we received also strengthened our understanding of the importance of social issues in supply chain.

Stakeholders would have given more emphasis to political positioning in climate issues in the materiality assessment. In addition, they would like to see Neste Oil including customer perspective more integrally in the company's way of seeing the value chain. In the future Neste Oil should pay more attention to advising the customers on sustainability issues and providing them information to support sustainable decision-making.

The feedback from stakeholders will be utilized when planning sustainability operations, and during future update of the matrix.

Materiality assessment



Key focus areas

Risks and opportunities

A number of sustainability-related risks are associated with Neste Oil's operations. Risk management aims to identify, for example, these threats and support defining preventive measures. As Neste Oil does not have any oil exploration or drilling activities, this reduces our exposure to direct environmental risks significantly.

Sustainability is a business opportunity

Sustainability signifies opportunities for Neste Oil. Renewable fuels are one of the most significant means of responding to the growing need for energy in traffic, and therefore it brings growth potential for our business. NEXBTL technology, developed by us, offers growth also in other areas than traffic, for instance in the chemical industry.

Risk	Performance in 2014	Preventive measures	Sustainability focus area
Procurement of refinery feedstocks and reputation risk associated with palm oil	• No issues related to environmental aspects. • Finnish NGO Finnwatch discovered shortcomings related to labor rights while doing field observation in one of our palm oil suppliers plantation.	• We only use traced and certified palm oil • We initiated actions to improve monitoring social issues better in our supply chain. • Open communication and reporting. • We cooperate closely with, for example with TFT (The Forest Trust), an organization focused on preventing deforestation.	• Sustainable supply chain
People and process safety	• People safety performance improved clearly. We reached targets both in people and process safety.	• Clear safety rules. • We carried out a large safety training package. • We pay increasing attention especially on contractor safety.	• Safety

Risk	Performance in 2014	Preventive measures	Sustainability focus area
Environmental impact of refining and transportation	• No major environmental or transport-related incidents.	• We continued environmental monitoring required in environmental permissions. • We continuously do inspections to our fleets and train personnel taking care of our transportations.	• Climate and resource efficiency
Product liability	• We supplied our customers with both statutory and voluntary product information.	• We ensure that our clients have access to all the necessary and up-to-date information related to product safety.	• Cleaner solutions
Amendments to environmental legislation and legislation on renewable fuels	• There were no legislative amendments that would have a negative impact on Neste Oil's operations.	• We participate actively in discussion on amendments to legislation, and offer our expertise to support decisions.	• Society

Certified management systems

Our operations are guided by plant-, business area- and function-specific certified operating systems, which correspond to the environmental, health- and safety-related, and quality standards issued by ISO and OHSAS. Internal and external audits, conducted by an independent operator, are used to assess the effectiveness of the systems.

A total of 69 (77) internal audits were carried out in 2014 and 26 (23) certification audits. One (2) accreditation audits were also carried out.

All of Neste Oil's renewable diesel refineries have RSPO (Roundtable on Sustainable Palm Oil) certificates, and they have been approved by EPA (the U.S. Environmental Protection Agency). The Rotterdam refinery and Finnish energy security storage operations were audited in 2014, ands they will receive quality, environment, and security requirement (ISO9001, ISO14001 and OHSAS18001) certificates.

Learn more about the certification of our production facilities and raw materials.

Other Neste Oil certificates:

- ISPS certificate (International Ships and Port facility Security Code), security of ports and ships
- FPC certificate (Factory Production Control Certificate for Bitumen and Bituminous Binders), production of bitumen

Since we withdrew from shipping operations in spring 2014, a new service provider is responsible for ISM certificates (International Safety Management System of Ships).

Sustainability ratings

A number of outside bodies review Neste Oil's performance in the sustainability area through the ratings and indices they produce and maintain. We monitor our ranking in these ratings and strive to develop our operations on the basis of the feedback we receive.

Neste Oil was included in the following reviews, amongst others, in 2014:

- The Global 100, ranked 31 (6)
- Dow Jones Sustainability Index, Neste Oil was selected for inclusion in DJSI World for the eighth year in succession
- CDP Forest (prev. Forest Footprint Disclosure)
- CDP, disclosure score: 87/B (72/C)
- Storebrand Sustainable Development Fund
- STOXX® Global ESG Leaders

Sustainability key figures

CLEANER SOLUTIONS	2014	2013	2012
Produced renewable NEXBTL diesel (million tons)	**2.1**	1.9	1.8
Emission reduction achieved with NEXBTL diesel compared to fossil diesel, (%)	**40–90**	40–90	40–90
SAFETY			
Process safety incidents per million hours worked, (PSER)	**3.0**	3.0	5.9
Total Recordable Injury Frequency per million hours worked (TRIF)	**2.7**	4.2	3.6
Lost Workday Injury Frequency per million hours worked, (LWIF)	**2.0**	2.9	1.5
Preventive safety measures*	**29,384**	30,064	30,286
*includes observation tours, safety inspections, and near miss reporting			
OUR PEOPLE			
Number of employees, average	**4,989**	5,097	5,031
Sick leave (%)	**2.8**	3.0	3.1
Training-related investments (EUR million)	**3.1**	3.5	3.6
Job rotation (%)	**9.1**	8.4	8.0
Permanent employees (%)	**96.2**	96.3	95.3
SOCIETY			
Corporate income tax (EUR million)	**21**	94	59
Salaries and remuneration (EUR million)	**267**	271	253
ROACE (return on average capital employed after tax, %)	**10.1**	11.7	5.0
Charity and sponsorship (EUR million)	**1.0**	1.0	1.0
Cash-out investments (EUR million)	**272**	214	292
Cleantech net sales (EUR billion)	**2.3**	2.5	2.2
CLIMATE AND RESOURCE EFFICIENCY			
New raw materials introduced	**1**	3	1
Use of waste-based raw materials (Mt/a)	**1.60**	1.20	0.74
Carbon dioxide amissions (t/a)			
Direct, scope 1	**3,166,700**	3,556,200	3,469,700
Indirect, scope 2	**418,900**	444,500	489,200
Indirect emissions, scope 3	**49,000,000**	45,900,000	45,639,380
Reduction in greenhouse gas emissions achieved with produced NEXBTL renewable diesel (tons)	**5,600,000**	4,800,000	3,981,502

SUSTAINABILITY SUPPLY CHAIN			
The share of certified crude palm oil (%)	**100**	100	91
Supplier audits by an external party	**39**	29	26
The amount of smallholders in supply chain	**40,000**	54,000	9,000
Traceability of renewable raw materials to production plant or plantation (%)	**100**	100	100

Sustainability ► Neste Oil Sustainable Way

Neste Oil Sustainable Way

Cleaner solutions

We provide cleaner solutions to our customer in traffic and industrial field.

Read more

Safety

We are working hard to prevent all accidents.

Read more

Our people

We want to be an admired employer and to offer our skilled people challenging tasks.

Read more

Society

We create well-being for our stakeholders and are engaged in an active dialogue with them.

Read more

Climate and resource efficiency

We use resources efficiently and aim to reduce our environmental impact.

Read more

Sustainable supply chain

We ensure that every step of our supply chain meets our strict sustainability requirements.

Read more

Sustainability ► Neste Oil Sustainable Way ► Cleaner solutions

Cleaner solutions

With our cleaner solutions both business customers and consumers can reduce their carbon footprint and pipeline emissions. NEXBTL renewable diesel is our most efficient way of combating climate change. In addition to cleaner traffic fuels, we offer solutions to the needs of, for example, the chemical industry and even electricity generation.

Renewable diesel to power 2.8 million cars

Low-sulfur bunker fuel launched

NEXBTL diesel significantly reduced Flow Festival's carbon footprint
Neste Oil was one of the environmental partners of the Flow Festival held in Helsinki.

Product carbon footprint closely monitored

NEXBTL renewable aviation fuel tested by Boeing

What were our targets?	Achievements	What next?
Developing new product applications	• We introduced NEXBTL renewable isoalkane, which is suitable for use as a raw material in the chemical industry.	• We continue to further develop the use of chemicals based on NEXBTL diesel in non-traffic solutions, such as in bioplastics.
Continue launching premium-quality products with a smaller impact on the environment	• We introduced low-sulfur bunker fuel. We launched Neste Pro Diesel on the Lithuanian markets.	• We continue working to develop products with a smaller smaller impact on the environment.

Cleaner and safe products

In accordance with our strategy, we offer our customers solutions that place less burden on the environment. Our renewable and oil products offer consumers and business customers' cleaner solutions for transport and traffic. We also offer renewable solutions to the needs of the chemical industry, among others.

Our products are based on careful R&D work to ensure their safe use and their compatibility with customer requirements.

Most of the products sold by Neste Oil are classified as hazardous, and therefore it is important to ensure the safe handling of products throughout their life cycle. We also make sure that the information needed for handling the product safely is readily available to our customers, and that our products meet the requirements of national and international legislation.

Renewable diesel for millions of cars

The use of our NEXBTL renewable diesel makes it possible to reduce carbon dioxide emissions by 40–90% throughout the whole product life cycle when compared to fossil diesel. We produced enough NEXBTL diesel in 2014 to power around 2.8 (2.6) million cars for a year. The reduction in emissions that could be achieved through NEXBTL renewable diesel produced in 2014 totaled to 5,6 (4,8) million tons, which is equivalent to approx. 48% of the annual greenhouse gas emissions from road traffic in Finland.

Read more about the reduction in emissions achieved through NEXBTL use.

Low-sulfur bunker fuel launched

We launched a new low-sulfur bunker fuel that meets the requirements of the new EU Sulfur Directive in 2014. The new fuel will significantly reduce sulfur and particle emissions in marine transport. We will supply the product to Tallink Grupp's and Finnlines' vessels, among others. The product will be sold both on the domestic market in Finland and for export.

Neste Pro Diesel in the Lithuanian market

In 2014, we also initiated sales of Neste Pro Diesel that has NEXBTL diesel as one component, on the Lithuanian market. Neste Pro Diesel contains at least 15% renewable diesel, allowing consumers to easily reduce their carbon footprint. Previously, the product was available only in Finland.

Read more about the reduction in greenhouse gas emissions through NEXBTL

Renewable alternative to propane

In 2014, we announced a decision to build a biopropane plant to our Rotterdam refinery. The project was launched immediately, and the aim is to start biopropane sales at the end of 2016. The product is equivalent to fossil propane with regard to its properties, but places less of a burden on the environment. We will supply all biopropane produced in Rotterdam to the Dutch energy company SHV Energy. Replacing fossil fuels with biopropane will result in significantly lower carbon dioxide emissions.

NEXBTL renewable aviation fuel tested by Boeing

Airplane manufacturer Boeing successfully tested our NEXBTL aviation fuel as a component of its aviation fuel in 2014. The test flight was made with a Boeing 787 Dreamliner in the United States, and renewable diesel accounted for 15% of the fuel for the second engine of the plane. Boeing is planning to continue testing the fuel. Aviation is one of our target markets.

Products' carbon footprint

With our renewable products, our customers can significantly reduce the carbon footprint from their own actions.

Flow Festival reduces carbon footprint by using NEXBTL

In 2014, Helsinki-based Flow Festival reduced its carbon footprint by using our NEXBTL renewable diesel in electricity generation. Use of the product resulted in a 22 ton drop in emissions during the event. This is equivalent to the amount of emissions generated by flying nearly three times around the world.

Read more about the use of NEXBTL at Flow.

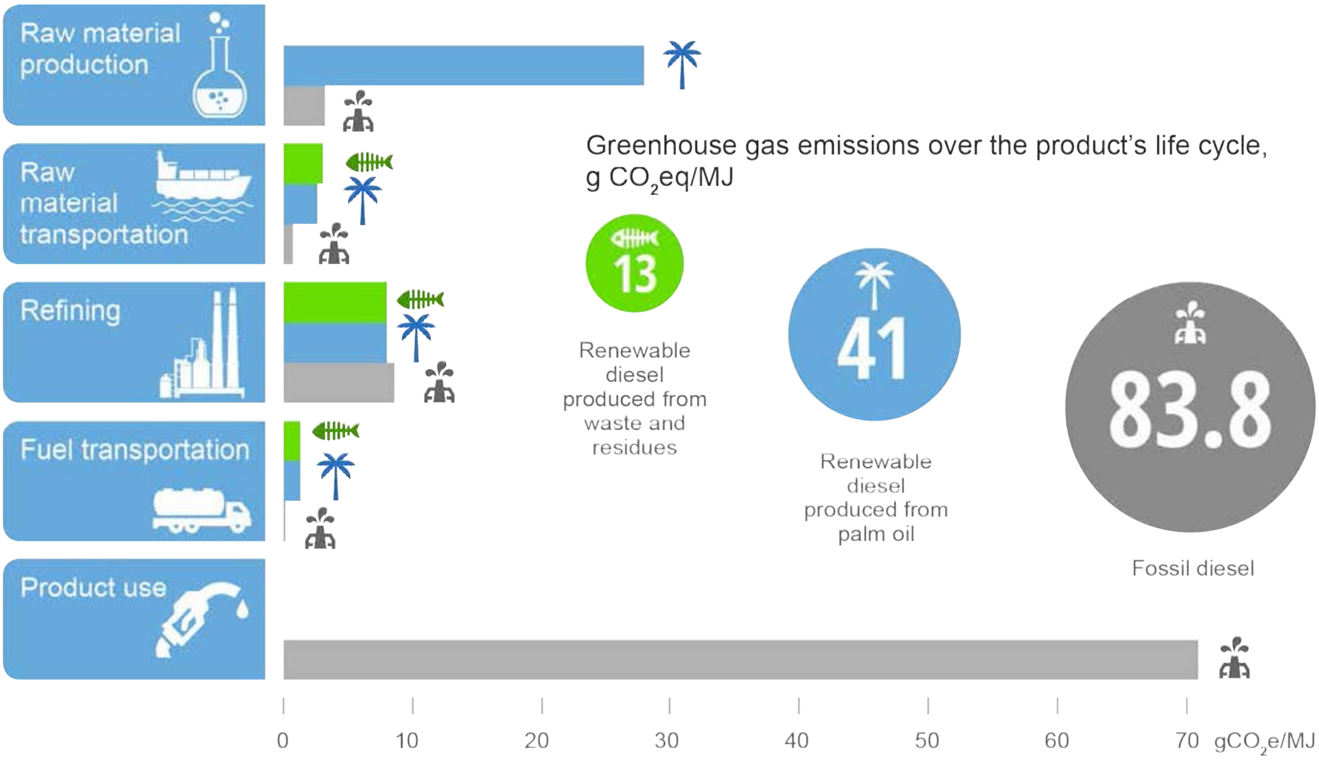
Product's carbon footprint closely monitored throughout the entire life cycle

We calculate the carbon footprint of our products over their entire life cycle, from the raw material production to their end-use. The majority of the greenhouse gas emissions associated with renewable diesel are generated during raw material production and are linked to factors such as fertilizer usage.

We continuously develop greenhouse gas calculations on the basis of international standards and legislation. Our methods have been verified by independent, third-party experts as meeting the strict quality standards required for biofuels.

Raw material	Emission reduction
Waste and residues (e.g. waste animal fat, waste fish fat, palm fatty acid distillate, PFAD)	85–90%
Crude palm oil	51%
Other vegetable oils (eg. rapeseed and camelina oil)	42–55%

Greenhouse gas emissions throughout product life cycle



Greenhouse gas balances have been calculated in accordance with the method defined in the RED directive.

Raw material production

Greenhouse gases generated in raw material production (e.g.):

- Crude oil extraction and flaring
- Using fertilizers in renewable raw material production
- Methane released from wastewater during palm oil production. The amount of methane can be significantly reduced by capturing it at mills.

Raw material transportation

Greenhouse gases generated in raw material transportation (e.g.):

- Fuel usage during marine, rail, and road shipment
- To reduce fuel consumption at sea, basic tanker speed has been reduced to 13.5 knots. Ships' hulls and propellers are cleaned of growth that reduces ship speed.

Refining

Greenhouse gases generated in refining (e.g.):

- Energy production
- Burning fuel in furnaces
- Hydrogen production
- Part of the carbon dioxide generated during production is recovered for re-use

Fuel transportation

Greenhouse gases generated in fuel transportation (e.g.):

- Fuel usage in marine, rail, and road shipments
- Emissions from road shipments are reduced by measures such as optimizing load levels.
- Engine efficiency and the condition of machinery affect emission levels, for example.

Product use

Greenhouse gases generated in product use (e.g.):

- Emissions released when using renewable fuels are carbon-neutral, as their CO_2 is bound to the biomass used to produce them
- The majority of the life cycle emissions of fossil fuels are generated when they are used

NEXBTL diesel significantly reduced Flow Festival's carbon footprint

In 2014, Neste Oil was one of the environmental partners of the Flow Festival held in Helsinki. The company helped the event reduce its carbon footprint by delivering NEXBTL diesel made from fully renewable raw materials for electricity production. By using NEXBTL, greenhouse gas emissions can be reduced by 40–90% compared to using fossil diesel.

Using NEXBTL diesel does not require any modifications to the aggregates used in electricity production, since its consistency corresponds to that of fossil diesel.

40 percent lower emissions

NEXBTL diesel was used to produce 45% of the festival's electricity. By using the product, the event managed to lower its greenhouse gas emissions by 22 tons, and the emissions decreased by about 40% compared to previous years.

"We are constantly looking for ways to reduce our carbon footprint, and NEXBTL is a good solution for that," Flow Festival's Production Manager Emilia Mikkola says.

A product made out of waste supports the idea of sustainable electricity production

At the Flow Festival, sustainable development is taken into account in all the arrangements. The festival's cooperation partners also have to meet tight environmental requirements.

Emilia says cooperation with Neste Oil was effortless.

"We were extremely satisfied with NEXBTL diesel, and its delivery. It is especially good that the product has been made entirely out of waste, which supports the idea of sustainable electricity production," Emilia says.

"We hope that renewable diesel produced from waste will be available also in future," she continues.

Flow wants to continue the successful cooperation with Neste Oil also in 2015.

Sustainability ► Neste Oil Sustainable Way ► Safety

Safety

Safety is a number one priority in our operations. Our employees and partners work under challenging conditions, and therefore the importance of safety is emphasized. We want to be among the best European oil companies in terms of safety. Our safety vision is crystallized in three things: we work safely and professionally always and everywhere, the only way is towards zero injuries, and we want to go home healthy after a safe working day.

Number of incidents decreased significantly:

2.7 incidents per million hours worked

Our Process Safety Events Rate (PSER) was 3.0

Safety at the Porvoo turnaround

The largest turnaround in the company's history will take place at Neste Oil's Porvoo refinery in 2015.

Read more ►

Implementation of an extensive online safety training

Record at the Singapore refinery:

over 2 million hours without incidents

What were our targets?	Achievements in 2014	What next?
Reduce the number of process safety incidents (PSER <3.0)	• The target was achieved. PSER was 3.0 (3.0).	• PSER < 2.7
Reduce Total Recordable Injury Frequency (TRIF) to 3.3	• The target was not achieved. TRIF was 2.7 (4.2).	• TRIF < 2.7*
Carry out at least 30,000 preventive measures	• We carried out 29,400 (30,064) reported preventive measures. ** Decline in number of measures was mainly due to withdrawing from shipping operations.	• The number of preventive measures was 28,000. We will pay special attention to more efficient use of the reports.

* Neste Oil's long-term target is zero accidents.
** Includes observation tours, safety inspections, and near miss reporting.

Process safety

With good process safety, we can ensure that our refineries and related units operate without incident, and prevent both personnel from being exposed to danger and the environment from being polluted. Process safety is based on identifying process-related risks in advance and preventing accidents.Our aim is to be among the best European oil refiners in terms of process safety.

Continuous auditing

Process safety is reviewed using internal audits and official inspections. Neste Oil’s insurers also carry out insurance audits at the company’s refineries, reviewing plant safety from various perspectives, such as the condition and appropriateness of equipment, equipment separation principles, fire safety, competencies of the operational personnel and operational procedures.

Cooperation with the authorities at refinery locations is an important part of process safety. Communication and preparedness planning is continuous with local rescue departments, for example.

Good development in process safety

Neste Oil measures its process safety performance using CONCAWE-defined PSER (Process Safety Events Rate). These define process safety levels by measuring the number of incidents that take place in production processes per million man-hours worked. We measure process safety incidents at all our production sites and terminals.

A total of 20 (19) PSEs took place in 2014, and the process safety events rate (PSER) was 3.0 (3.0). Our PSER target set for 2014 was < 3.0. Our goal for 2015 is < 2.7.

Process safety as part of the management's and business functions' work

All of our refineries, terminals and ports adopted a process safety management system as part of the refineries' management board work in 2014. The development work will continue with the development of process safety monitoring indicators, among other things. The systematic way of working has made safety even more integral part of management work.

Safety was also brought closer to business operations in 2014. Change management training was provided for all employees of the Oil Products business, with the aim of improving the ability of those working in the various business functions to identify changes that may have effects on production at a later date, for example.

We continued the project to review the compatibility of the structural materials and process conditions, such as temperature, compared to the current material recommendations at the Porvoo and Naantali refineries in 2014. As part of their training, operators working at the refinery make refining unit fire risk reviews and site cards containing information concerning the units' firefighting equipment in an effort to improve fire safety.

Several changes with which the structural materials of oil refining processes will better match the process conditions will be made during the turnaround in 2015. The production plants in Finland continued to survey the criticality of equipment from the points of view of safety and business. The four-year project to prepare a criticality classification is halfway through. The classification covering all equipment in all production sites is scheduled for completion in 2016. The criticality classification of equipment guides the maintenance, maintenance scheduling and training at our refineries.

Read more about the Porvoo turnaround and its safety preparations.

Case: Major turnaround 2015 in Porvoo

Safety at the major turnaround in Porvoo

The largest turnaround in the company's history will take place at Neste Oil's Porvoo refinery in April–June 2015. During turnarounds, taking place once every 4–5 years, a refinery's production lines are shutdown for equipment maintenance, inspection, and replacement.

The implementation phase of the spring turnaround with the refinery shutdowns and ramp-ups will take a few months, but its planning was already at full steam a few years ago. Antti Nissinen, the Project Manager of the turnaround, emphasizes that comprehensive planning is the key to a successful and safe turnaround.

"During the turnaround, there will be several contractors and a total of approximately 5,000 people working in the refinery area. From the safety point of view, it is important that the coordination of work has been planned carefully and cooperation between contractors is good. Everyone must be aware of how to take others into account in their own operations. Safety is not a separate matter, but an integral part of all activities," says Nissinen.

Turnaround turns the refinery into a major construction site

The refinery becomes a huge construction site during the turnaround, which results in specific safety requirements.

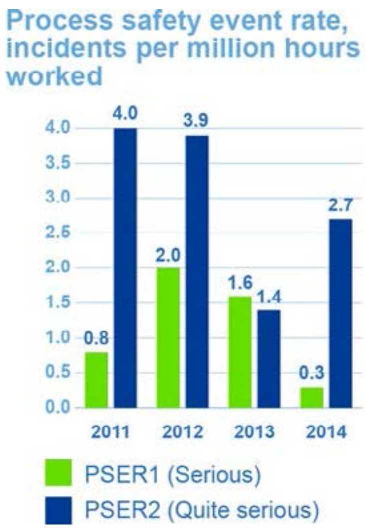
"During the turnaround, the safety regulations concerning construction sites must also be met. The safety and environmental requirements of the turnaround were already presented to the contractors in the tendering phase. We require our contractors to have their own safety plans, which are jointly reviewed. Everyone must be committed to the common safety rules," Jarkko Hupanen, Turnaround Safety Manager, says.

During the turnaround, safety will be measured by the number of safe turnaround days, i.e. how many days have been worked without accidents, leaks or fires. In addition, a certain number of safety observations and reports are included in the requirements for a safe turnaround day.

Employee training is an important part of preventive safety work

Training employees who will be taking part in the turnaround is also an important part of preventive safety work.

"We have invested even more resources than before in training and in planning its structure. We aim to increasingly make use of various training methods, such as interactive online training," Hupanen says. "The best thing is that we always learn something from every turnaround," he continues.



People safety

Neste Oil's safety vision is based on the conviction that all accidents are preventable. Safety culture is constantly developed across the company, both among Neste Oil's own personnel and those of its contractors. The development work focuses on improving safe behavior and people's risk and safety awareness in particular.

Records were broken in people safety

Record periods without accidents were reached in several functions during 2014. Both Oil Retail and the Singapore refinery worked for over two million hours without injuries. In addition, the Porvoo refinery broke the previous record of 360 days without fires ignited by hot work. Determined development work has taken place to prevent hot work fires, including the training of fire guards, developing the requirements for protection, and auditing hot work sites.

Neste Oil's people safety reporting covers refineries, terminals, offices and retail country companies that are either wholly or majority owned by Neste Oil. Safety data reporting also covers service providers, contractors, and haulage partners.

People safety performance	2014	2013	2012
TRIF (Total Recordable Injury Frequency per million hours worked)	2.7	4.2	3.6
LWIF (Lost Workday Injury Frequency per million hours worked)	2.0	2.9	1.5

Tens of thousands of preventive safety measures are carried out annually at Neste Oil, including safety discussion meetings, safety observation tours, and HSSE safety inspections. We want to increasingly focus on preventive safety measures, and therefore the number of preventive safety measures was increased from 28,000 to 30,000 in 2014. In 2014 we did 29,400 (30,064) preventive safety measures. The decrease is mainly due to giving up our own shipping operations. Preventive measures affected the company's own and contractor personnel a total of 61,000 (64,500) times in 2014.

In 2014, we added the possibility to report risk factors that can cause an accident in addition to reporting accidents that have already happened. The company also adopted a new procedure to guide last minute risk assessment. The expansion of incident reporting and the development of risk assessment aim to prevent accidents in an even more effective manner.

In 2014, we developed the utilization of data from preventive safety measures by analyzing reports from tens of thousands of safety observation tours. Based on the analyses, we can increasingly direct safety measures and focal points to the right areas. We also analyzed near miss reports. The further development of analysis usage is continued.

In order to improve personal safety, the use and number of personal gas detectors has been increased at all refineries, making it possible to detect harmful gas level or lack of oxygen earlier, thereby avoiding exposure.

	2014	2013	2012
Safety observation tours	25,100	26,300	27,643
Safety discussions	3,700	3,600	2,925
HSSE safety inspections	833	766	1,480
Near miss reports	2,300	3,000	1,163

Safety development program also takes contractors into consideration

Neste Oil launched an extensive safety development program in 2013, with contractor safety as one of the focus areas. The development of contractor safety aims to increasingly ensure the safety of contractors' operations, improve collaboration and develop selection and supervision of contractors. A tool for reporting contractor safety was developed in 2014, and the data collected with it is utilized in monthly safety discussions between Neste Oil and the contractors.

Workplace reviews ensure safe working conditions

Hazardous chemicals are handled in Neste Oil's operations. We ensure the healthiness and safety of the working environment through technical safety measures, appropriate protection, and readily available safety data sheets.

Working conditions are monitored with regular workplace reviews and occupational hygiene measurements. A total of 10 (6) workplace reviews and 36 (34) occupational hygiene studies were carried out in 2014. With regard to workplace reviews, our development activities particularly focus on monitoring the corrective measures defined on the basis of the reviews and the implementation method of the reviews.

The EU's REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) framework places extensive requirements on the manufacturers, importers, and users of chemical substances in terms of registration, permitting, and usage. REACH requirements are taken into account in procurement and sales contracts, R&D, and risk management practices at Neste Oil's refineries. All chemical substances produced and imported by Neste Oil have been registered in accordance with REACH requirements.

Developing safety competencies

Neste Oil has made safety an increasingly integral part of the training provided to managers and supervisors. A safety leadership feedback tool was adopted in 2014 to collect feedback concerning supervisors' safety management from employees and co-workers. Based on the feedback report, supervisors can develop their safety leadership competencies. The feedback is also reviewed in team training and development discussions. The tool was adopted at the Porvoo and Naantali refineries in 2014. The tool will be commissioned in Singapore and Rotterdam in 2015. Neste Oil also has an up and running training initiative to ensure the competencies of the refineries' shift workers.

Extensive e-training related to the new Life Saving rules

We published new Life Saving Rules at the beginning of 2014. The rules aim to increase the safety awareness of the personnel and to make safe operation in everyday situations easier. An online training course for the rules was arranged in 2014. The training included the following themes; working at height, confined spaces, equipment isolation, work permit, and traffic hazards.

The entire training was mandatory for people working in production sites, terminals, and Oil Retail. The part concerning traffic hazards was compulsory for all personnel. The Life Saving Rules online training will also be made mandatory for contractors.

In 2014, 2,956 persons did the compulsory part to all personnel and 2,620 did the entire training. The training received positive feedback from the personnel.

Transport safety

Ensuring the safety of transport-related operations is an important part of Neste Oil's activities. Neste Oil recognizes the risks associated with the transportation of its feedstocks and products, and works to reduce these risks by maintaining high equipment standards and ensuring that personnel have the expertise they need.

Transportation in 2014

In 2014, 88% of the fossil feedstocks used at our refineries were transported by sea, 9% by rail, and the rest by road. Of the renewable raw materials 97% was transported by sea and the rest by road or via pipelines.

Neste Oil specified the key environmental aspects of its logistics in 2014, i.e. how the company recognizes and monitors the environmental impacts of its logistics operations, such as emissions into air, water, and soil.

Road shipments

We use haulage contractors to handle our road shipments. A total of 22 (23) haulage partners and 180 (184) vehicles and 320 (320) drivers, were used to carry Neste Oil products and feedstocks in 2014. Our partners are committed to complying with our safety guidelines and rules, and our contracts include a separate appendix concerning safety.

A total of 0.02 (0.03) traffic accidents involving Neste Oil tanker trucks per 100,000 kilometers took place in Finland in 2014; the equivalent figure for accidents overseas was also 0.02 (0.02). The total amount of accidents in Finland was 4 (8) and 1 (1) abroad. A total of 27,043,000 (28,680,000) kilometers were covered carrying Neste Oil cargoes in 2014. We focused on preventive safety measures in 2014 and carried out more than 400 observation rounds related to road transport.

Neste Oil has its own vehicle standard that exceeds the requirements of road traffic legislation, specifying the properties required from vehicles taking care of our transports. We updated the standard in 2014. Among other things, rearview cameras were added as a requirement in the update.

In addition to annual inspections, the trucks used by our haulage contractors are also subject to European Truck Safety Control inspection. This especially focuses on the vehicle bodies and the special structures of tank vehicles. The inspections previously only concerned Finland and Russia, but they were extended to also cover the Baltic countries in 2014. In 2014, the safety inspection focused particularly on the seals of the gas recovery system. We also carried out occupational hygiene tests, reviewing the emissions in the driver's working atmosphere. We will continue researching working environment materials and the gaskets on the basis of the results.

All tanker trucks used by Neste Oil in Finland are fitted with a tachograph for monitoring areas such as speed and driver behavior, including acceleration and braking. Drivers are supplied with a report detailing how they drive to help make them safer on the road.

Neste Oil and its haulage contractors annually train the drivers that handle the company's cargoes. In 2014, we organized vocational qualification training for all drivers that handle our transports, extensively reviewing the safety matters associated with fuel transports, such as working in a terminal and unloading.

Neste Oil also works closely with the authorities and agencies in the industry, such as the Police, the Finnish Transport Safety Agency (Trafi), and the Finnish Petroleum and Biofuels Association to harmonize overall road transport performance and improve safety.

Rail shipments

Neste Oil does not own any rail freight cars or locomotives, and uses the VR Group to handle its rail shipments. We are responsible for the safety and maintenance of the rail tracks we own. Neste Oil owns and operates a total of eight rail-connected terminals in Finland, Tallinn in Estonia, and Riga in Latvia.

Neste Oil has been awarded a safety permit as required by the Finnish Transport Safety Agency from all companies operating private rail lines in Finland.

No serious incidents or near misses occurred in our rail operations in Finland during 2014. We report all incidents and the investigations that follow to the Transport Safety Agency. For serious safety events, we also carry out our own internal investigations. One serious incident occurred in terminal area in

Riga to a passing train. We participated the incident's investigation and will implement the lessons learned to all our terminals.

The rail safety management system introduced at Neste Oil in 2013 was expanded in 2014 to cover reserve stocks which are owned by the National Emergency Supply Agency but operated by Neste Oil, in addition to Neste Oil's own storage facilities.

In 2014, we developed the safety of rail logistics by making risks assessments at all our Finnish locations involving rail functions. The assessments reviewed errors by individuals that might lead to process safety events, leakages, fire, or emissions. We will annually monitor the progress of the measures defined on the basis of the assessments.

In 2014, we adopted the change management methods previously only used at refineries in our terminals. With these methods, we can even better prevent accidents resulting from minor technical changes and new procedures.

Marine shipments

Neste Oil uses its own, time-chartered fleet, and voyage chartered vessels to handle its marine shipments. In the end of 2014, our fleet consisted of 23 tankers under our commercial control. In addition, hundreds of transportations were covered by voyage chartered vessels. All the vessels used by us on the Baltic Sea are ice-strengthened.

Shipping operations carried out by vessels managed by us did not result in any significant seaborne emissions during 2014, nor did these vessels suffer any fires or run aground.

In April 2014, we outsourced most of our fleet and our ship management operations. Following the restructuring of operations, we were left with three vessels, of which we will divest ourselves from at a later date.

As a result of outsourcing the ship management functions, we are responsible for the commercial operation of the vessels used by us, but their safety is the responsibility of their crewing and ship management companies in accordance with their safety management systems.

Neste Oil Group's ship vetting function is responsible for reviewing and approving tankers chartered from other companies. Navidom Oy, a new company set up to manage the vessel assets in connection with the outsourcing of shipping operations, monitors the safety and quality of chartered vessels by guiding cooperation and by auditing vessels and the companies responsible for them. The audits ensure that the vessels meet Neste Oil's proprietary safety principles, which exceed the industry and statutory requirements. In addition, the safety management system is audited by way of regular inspections by various authorities and customers, i.e. other oil companies.

We actively cooperate with various authorities and safety agencies by participating in salvaging and oil spill response exercises, among other activities.

Our people

We believe that skilled employees are a competitive advantage. Therefore, manager coaching and developing of our employees are of prime importance to us. Work must feel good and do good!

Neste Latvia recognized for equality

Changes in operations require personnel restructuring

Way Forward persons as examples of the right kind of attitude

A Way Forward person is selected among Neste Oil employees every month.

Read more ►

Personnel survey:

We offer good opportunities for personal development

Customer perspective more integrated in personnel training

What were our targets?	Achievements in 2014	What next?
Introduce new job description model, and job grade system across the Group	• The new job description model, and job grade system were introduced.	• We will monitor the new classification, and evaluate how it works.
Introduce new short-term incentive system	• New short-term incentive system was introduced.	• We will monitor the functionality of the system, and develop it based on our observations. • We will pilot a new performance management model in Singapore.
Going forward with the HR system revamp	• The planning stage of the revamp was finalized, but the project did not reach the implementation phase in 2014.	• The system will be introduced during 2015.
Develop wellbeing at work	• Wellbeing at work was discussed amongst the teams, and in development discussions. • We organized workgroup discussions on wellbeing at work.	• Continue implementing Neste Oil's wellbeing at work plan.
Promoting 'Way Forward' way of working	• We continued to implement the 'Way Forward' operating model, launched in 2013, including it in the HR processes.	• Continue implementing 'Way Forward' as a more integral part of the business and HR processes.
6–8% of personnel takes part in job rotation every year	• 9.1% (8.4%) of personnel took part in job rotation.	• Neste Oil encourages people to try job rotation.

Way Forward – our way of working

Introduced at Neste Oil in 2013, the Way Forward operating model originated in our will to remain competitive in the changing operating environment. In the Way Forward, we particularly focus on our way of working in relation to being able to respond to the requirements of our industry and to reach our strategic objectives.

The Way Forward is based on Neste Oil's values, and it has been defined on the basis of a organization culture survey. The underlying idea of the Way Forward is to develop Neste Oil into a more profitable, a more customer-focused, safer company where personnel enjoy their work and feel fulfilled.

The aim is to incorporate the principles of the Way Forward into all business and HR processes so that they will even better support business objectives. Our purpose is to make the Way Forward part of everything we do and link it closely with people's personal, team and company-level procedures and objectives.

Made commitments reviewed in performance and development discussions

During fall 2013 and spring 2014, every Neste Oil employee gave a personal commitment related to one of the Way Forward's focal areas: customer focus, improving cooperation, safety, and taking and giving responsibility. The commitments made in 2014 and their fulfillment were reviewed in the performance and development discussions. If necessary, the personal commitments were also updated.

The focal areas of the Way Forward were also included in aptitude assessments and in the orientation of new employees during 2014.

Acting in line with the Way Forward is also rewarded

Neste Oil rewards a person or team that has excelled at work on a quarterly basis. The quarterly rewards were based on the implementation of the Way Forward in the winner's activities in 2014. In addition, Neste Oil employees can nominate a Way Forward Person from among them who follows the new guideline in an exemplary manner. The selection of the Way Forward Person and success stories in the intranet are a popular concept among employees.

Read more about how Way Forward Persons are selected.

Case: Way Forward

Way Forward persons as examples of the right kind of attitude

The Way Forward operating model based on Neste Oil's values launched in 2013 has influenced everyone's work. All Neste Oil employees have made Way Forward commitments with which they pursue to make concrete changes in their ways of working.

As of the beginning of 2014, a Way Forward person has been selected among Neste Oil employees every month. These people have acted in compliance with the company's values and the Way Forward principles and have succeeded in fulfilling their commitments particularly well. All Neste Oil employees can nominate Way Forward persons, and the aim of the selection is to highlight good examples. In October 2014, the honorary title of Way Forward person was awarded to two persons for the first time; Human Resources Developer Lasse Poukka and Competence Developer Tommi Leppänen.

Recognition for successful work in the field of safety

Tommi and Lasse were responsible for training related to Neste Oil's new Life Saving Rules and the adoption of these rules. They consider their choice as Way Forward persons as a fine display of appreciation and a sign that particularly this project was executed successfully.

"Cooperation is one of our company's values, and that is probably what they wanted to emphasize in our case," Tommi says.

Lasse and Tommi extend their gratitude for the success of the project also to other people.

"One should bear in mind that a big team aiming at a common goal was involved in this project. There was lot of people from the Naantali and Porvoo refineries and from various organizational levels. The quality would not have been as good if there would have been only the two of us," said Leppänen and Poukka laughing.

Wellbeing at work

We believe that wellbeing at work is fundamental to the company's success. We think that the keys to meaningful work and wellbeing at work are found in the development of an individual's competencies, a motivating atmosphere that encourages development, a safe working environment and good health. We aim to improve everyone's daily work by paying particular attention to management and managerial work, and by developing an encouraging culture and workplace skills throughout our organization.

A good balance between work and other life also has a significant effect on wellbeing at work. At Neste Oil, supervisors are responsible for monitoring the hours put in by the members of their teams, and they are encouraged to discuss time management and priorities with their people. Flexible working hours and working from home provide additional freedom for personnel with jobs that can benefit from these practices. We also offer personnel leisure time activities, such as clubs and gyms.

Ways of promoting wellbeing at work and occupational health at Neste Oil:

- Personnel survey and analyzing its results in an empowering way
- Regular performance and development discussions
- Emphasis on managerial work and competence development
- Regular feedback
- Integrated occupational health care: check-ups, preventive health-related advice, and medical care
- Culture that encourages development
- Measures concerning the safety and comfort of the workplace
- Sickness and insurance cover
- Early rehabilitation and Neste Oil's rehabilitation courses
- Guidance on alcohol and drug abuse and access to appropriate care
- Early support model
- Reassignment to alternative work
- Employee club activities
- Support for leisure time activities
- Encouraging personnel to adopt a healthy life style and various health promotion campaigns

Wellbeing at work is the result of daily work

Neste Oil continued the implementation of the wellbeing at work plan in 2014. The program aims to make wellbeing at work an integral part of day-to-day operations of employees and teams. A wellbeing at work leaflet intended for use as a tool in wellbeing at work reviews, discussions in teams and one-on-one performance discussions was handed over to all Neste Oil employees.

Neste Oil paid particular attention to the development of good workplace skills in 2014. Team discussions in which employees could discuss their views of good workplace skills, such as completing work, renewal, and appreciation of others and their work, were organized at the Naantali refinery, for example.

Early support model guidelines were renewed

Neste Oil uses an early support model aimed at identifying factors that might undermine people's ability to do their job, discuss about them at an early stage and address them before they become a real problem. We updated the early support guidelines in 2014, making the model an even clearer part of day-to-day managerial work and performance management.

Instead of sick leave, the new guidelines aim to primarily pay attention to earlier signs of impaired wellbeing at work and ability to work. An electronic tool for monitoring sick leaves and early care discussions has been developed to support the model. Early support training to improve managers' discussion skills will be organized in 2015-2016, and the model will be adopted in all Neste Oil countries.

Alternative work and reassignment help in continuing work

Neste Oil's aim is to continuously reduce the amount of sick leave taken by personnel by developing working conditions and making use of various alternative solutions. Personnel injured in accidents at work, for example, are offered alternative work during their recovery. If an employee cannot continue in their current duties due to health reasons, we attempt to modify their job descriptions or reassign them permanently to more suitable duties.

Four people were successfully reassigned or had their job descriptions changed in 2014.

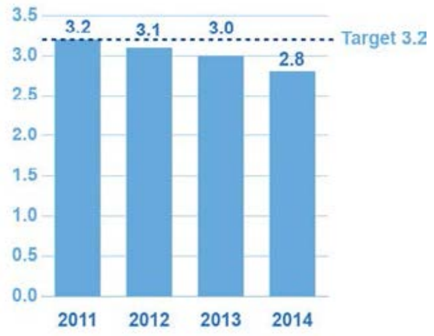
Occupational health care supports wellbeing

Neste Oil's occupational health care focuses on the prevention, caring for, and following up of work-related illnesses. The number of cases of work-related illnesses and diseases continues to remain low. No work-related illnesses were reported in 2014.

Occupational health care services are provided at Neste Oil's main locations in Finland (Porvoo, Espoo, and Naantali) by the company's own occupational health care units. Occupational health care at other locations in Finland and overseas is sourced from external service providers. Services in Finland are supplemented through voluntary membership of the Enerkemi Insurance Fund and the Kilpilahti Sickness Fund.

An electronic medical check-up practice is in use at Neste Oil, improving the appropriate targeting of medical check-ups. When invited to a medical check-up, each employee responds to a questionnaire based on which the employee can personally assess their need for follow-up measures or support.

Sick leave, %



Developing people's skills and expertise

We continuously develop the competencies of our personnel to match the changing needs of our business operations and the overall business environment. The development of employees' professional and strategic competencies supports our achieving short- and long-term business goals as well as promoting work satisfaction.

Development at work is supported with regular performance and development discussions and mentoring and development programs.

Safety is a significant part of the professional skill of Neste Oil employees, and we have increasingly invested in safety training in recent years.

Read more about Neste Oil's safety training.

Development discussions and job rotation help people progress in their careers

Twice a year, all Neste Oil employees have performance and development discussions with their supervisors, setting motivating targets, evaluating performance, and reviewing issues related to employees' personal development. The aim is to harmonize the setting of targets and to develop performance management with, for example, an HR system that is under development, scheduled for adoption during 2015.

Performance and development discussions covered 81% (82%) of personnel in 2014, excluding service station personnel in Russia.

Job rotation is also used in HR development and in committing personnel to the company. Needs and willingness related to job rotation are surveyed in the development discussions, and job rotation is jointly planned with the supervisor. In 2014, 9.1% (8.4%) of employees switched to new jobs. The long-term target for annual job rotation is 6–8%.

Customer perspective increasingly involved in development activities

All of Neste Oil's development programs increasingly emphasized the customer perspective in 2014, and training was adapted to better match business needs. For example, in 2014 we underlined the development of the skills of those working in the customer interface in sales.

We have been paying particular attention to supervisory work for years. In fact, Neste Oil offers development programs for both new and more experienced managers. In 2014, a separate version of the development program for new managers was customized for supervisors working in the Russian terminals.

In addition to supervisors, customized training is offered to specialists and those with project management responsibilities. Successful implementation of projects is critical as the success of Neste Oil's strategy is being supported by a number of significant projects. In 2014, all of our specialists in Singapore completed the specialist training program.

There are both Finnish and global versions of all of Neste Oil's development programs. The programs are closely linked to our Way Forward initiative.

Read more about the Way Forward initiative.

Training opportunities also guaranteed for shift workers

Work often takes place in shifts at Neste Oil's refineries, and we want to ensure that shift workers also have access to regular training. Therefore, we have included training days in each work shift calendar. Training days have been in use in Porvoo for several years now, and they were also adopted at the Naantali refinery in 2014. The training programs focus on matters related to the daily work of production personnel, such as product chains, safety, and information systems.

Vocational qualifications available to production personnel – same opportunity offered to maintenance personnel soon

Vocational qualification groups are active in production at the Naantali and Porvoo refineries, developing competencies through diverse skills tests and exercises. In 2014, we prepared the content of a similar vocational qualification and launching a degree group in maintenance. The completion of vocational qualifications and special vocational qualifications is tied to the new salary system based on skills and its development, adopted at the refineries in 2013.

Participation in Neste Oil's training programs (number of participants)	2014	2013	2012
Training for new managers	54	69	87
Extended management training	45	72	71
Specialist training	65	110	38
Project management training	57	35	27

Training-related investments, MEUR	2014	2013	2012
	3.1	3.5	3.6

Equality and diversity

Equality and diversity are taken into consideration in Neste Oil's HR Policy and in the Group's recruitment and remuneration principles. In line with our HR Policy, we give all employees equal rights regardless of their gender, ethnic origin, age, religious beliefs, and political convictions. We are committed to respecting human rights and valuing all of our employees as individuals. No cases of discrimination were reported during 2014.

Learn about Neste Oil's HR Policy.

Equality issues and the equal and fair treatment of all personnel form an integral part of Neste Oil's Code of Conduct, which was published in 2010. The aim of the Code, which forms part of Neste Oil's management system, is to help personnel act ethically in their day-to-day work and to increase their understanding of what constitutes appropriate behavior in terms of Neste Oil's values. Personnel have had the opportunity to learn more about the Code through a number of channels, including an online game; and familiarizing people with the Code and what it entails forms part of the induction program provided for all new employees.

Learn more about Neste Oil's Code of Conduct.

Neste Oil monitors gender distribution based on the composition of its employees, management, management groups, and the membership of the Board of Directors. The age distribution, educational level, and remuneration of employees are also monitored. Employees' ethnic origins or nationalities are not monitored.

Equality plans drafted for all countries

Neste Oil's equality principles cover the underlying principles and practical measures used to develop equality between men and women across the company. Outside Finland, company policies comply with local legislation and requirements aimed at promoting greater equality between men and women.

Neste Oil's equality plan is updated annually, and in addition to a long-term plan, it also features topical themes for each year. In 2014, the focus was on increasing awareness related to remuneration systems and equality. One of the measures to promote awareness was to include themes related to equality in the training program for new managers.

The equality principles apply to all of our locations globally. During 2014, we prepared local equality plans in Switzerland and Latvia, and our aim is to draft similar plans for all of the countries in which we operate. In addition to the Group-level procedures, the country-specific equality plans take into consideration the local conditions in each country.

Our equality work was recognized in Latvia in 2014, as Neste Oil was awarded an official recognition of excellence as the company with the highest level of gender equality in the country's sustainability index.

Read more about our the recognition we received in Latvia.

Number of women in the Executive Team increased – Kaisa Hietala appointed as business area EVP

The number of women in our Executive Team increased in 2014 with the appointment of Kaisa Hietala as Executive Vice President, Renewable Products business area.

9.3% (8.5%) of women working for Neste Oil served as managers and supervisors. The share of working as managers or supervisors was 14.6% (12.3%).

Proportion of women on the Board of Directors and management teams	2014	2013	2012
Board of Directors	42.9	42.9	42.9
Neste Executive Board	20.0	11.1	11.1
Senior management teams in business areas and common functions	24.0	28.6	32.9

Salary equality in practice

Neste Oil regularly monitors the ratio between the average basic salaries of women and men working full-time and belonging to upper white-collar, white-collar, and blue-collar employee categories in Finland. Statistics collected in 2014 showed that this ratio varied between 93% and 110% (92–114%), depending on the responsibilities of the people concerned and the category of employee.

Promoting equality and diversity in recruitment

The principles followed by Neste Oil in its recruitment form part of the company’s management system, and are followed in all the countries where Neste Oil operates in accordance with local legislation. We recruit personnel based on their experience, expertise, skills, and values; and we are committed to guaranteeing all applicants equal opportunities and fair and equal treatment during the recruitment process. Recruitment is also used to promote diversity across the company.

Diversity of personnel is a future competitive advantage

Neste Oil believes that a diverse employee pool will be a competitive advantage in the future, both in terms of its businesses and in the competition for the best possible talent. Our aim is to ensure that local personnel are primarily responsible for our activities in all of the countries in which we operate. This gives Neste Oil access to valuable expertise in the local business world and local culture, and helps us increase the effectiveness of our operations.

Employees are seen as individuals at Neste Oil and are encouraged to identify and develop their individual strengths . People’s individuality and the factors that most motivate them are taken into account in areas such as management training programs, which focus on coaching approach. The goal of this approach is to improve managers’ abilities to get the most out of the different individuals in their teams and to help their teams succeed.

Freedom of association

In accordance with ILO conventions and standards, all of Neste Oil’s personnel have the right to organize themselves and to belong to associations. No threats to this right were identified in any area of operations during 2014. Not all personnel in all countries are covered by collective bargaining agreements. 70.8% (90.2%) of personnel came within the scope of these types of agreements in 2014.

Remuneration

We want to reward our employees for good performance and we believe that fair remuneration motivates people to excellent performance. Therefore, remuneration and its fairness are important to us, and we aim to continuously develop the process to be more transparent.

We apply and observe the requirements of local employment legislation and collective bargaining agreements that determine things such as minimum wages and supplements such as overtime pay wherever we operate.

In order to be able to help their team members in remuneration issues, the managers are kept informed about local collective bargaining agreements and remuneration systems as part of their management training.

Overall remuneration at Neste Oil covers elements such as the following:

Basic salary: monthly salary and agreed supplements

Flexible component: performance incentives, recognition for excellent performance, share-based incentives, Personnel Fund (in Finland)

Additional benefits: fringe benefits, health care, insurance cover, other benefits

Career development opportunities: training and professional development, feedback, and recognition.

Transparency and uniformity are highlighted in new remuneration principles

Neste Oil's Group-wide employee remuneration principles were updated during 2013, and they were used for the entire year in 2014 for the first time.

With the remuneration principles, we promote implementation of the company’s strategy, encourage personnel to perform well in their jobs and pay increasing attention on the transparency of remuneration and uniformity of the principles. These principles are applied wherever Neste Oil operates within the framework of local collective bargaining agreements, national labor markets, and the local competitive environment. The new remuneration principles support the implementation of the new Way Forward way of working introduced in 2013.

Read more about Way Forward.

Neste Oil’s senior executives do not come within the scope of collective bargaining agreements, and are covered instead by senior management remuneration principles.

Learn more about the senior management remuneration principles from our Remuneration Statement 2014.

Updates in remuneration and classifying job descriptions

Neste Oil adopted a system for classifying job descriptions that was revised in 2013, and adopted new job classifications increasing the consistency of remuneration in 2014. The more comprehensive classification and definition of tasks make management work and remuneration assessments easier. We will monitor the new classification and assess its functionality at the end of 2015.

Revised short-term incentive scheme improves transparency and equality

All personnel are covered by Neste Oil’s incentive systems. The main short-term incentive is the annual performance-based incentive system, and its updated version was deployed in 2014. The reform improved both the transparency and equality of remuneration.

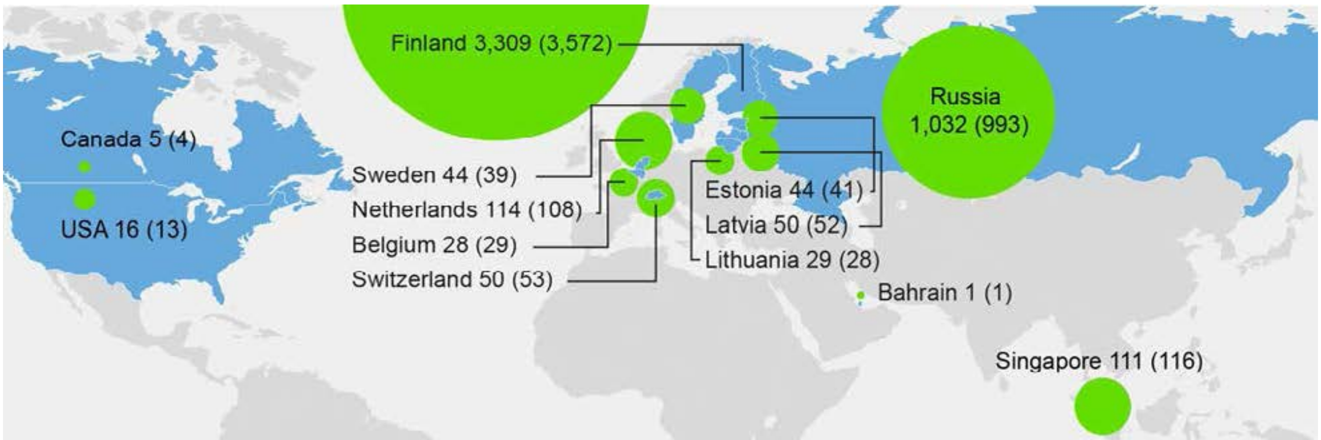
The revamped system gives greater emphasis to the Group's overall financial performance, as remuneration is tied to Neste Oil's overall financial performance. The number of personal targets was increased in the remuneration of employees working in specialist duties.

The Personnel Fund represents Neste Oil’s main long-term incentive and covers the Group’s employees in Finland, except for those included in the scope of the share incentive schemes. Currently similar funds do not exist in other countries where Neste Oil operates.

Fringe benefits

In addition to salary, Neste Oil aims to offer its employees competitive fringe benefits in line with local market practices, such as – in the cases of Finland – comprehensive health care, a Personnel Fund, and an insurance fund. The pension arrangement of Dutch employees was revised in 2014 so that the employer will be increasingly liable for the costs in the future. In other respects, employment-related benefits remained unchanged.

Neste Oil employees in 2014



Neste Oil's hiring rate in respect of permanent employees was 9.3% (9.9%) in 2014, and the leaving rate 15.6% (9.6%).

According to HR survey our employees are committed

Neste Oil carries out an HR survey covering the entire personnel every other year. Based on the results of the survey, we develop our operations in terms of both business and personnel.

According to the survey made at the turn of 2013/2014, the employees believe in the company's future and consider their opportunities for personal development to be good. Compared to previous surveys, the indices of employee commitment and performance had developed favorably. The survey was sent to a total of 3,127 employees, and the response rate was good, 81.8%.

The results of the survey were reviewed under the leadership of supervisors in teams, and amongst other areas, concrete measures to develop well-being at work and management were pursued on the basis of them. The supervisors were trained to be able to discuss the results in their teams in as involving a way as possible and to integrate well-being at work even more closely to everyday work.

New HR system in development – harmonizing practices further

Neste Oil is currently developing a new HR system with the aim of harmonizing HR practices and setting personnel goals. Preparatory work related to the new system was carried out during 2014. The work to revise the system will continue in 2015.

Changes in personnel structure in 2014

Changes in our operations created a need also to modify our personnel resources. The employee-employer negotiations held in fall 2014 resulted in reduction of 203 people. A major part of the reduction need was covered by voluntary arrangements.

Read more about the changes in our operations and personnel.

Personnel by personnel group as of 31 December 2014, %

- Management and upper white-collar 35.1% (31.4%)
- White-collar 21.1% (20.5%)
- Blue-collar 43.8% (41.6%)
- Sea personnel 0.0% (6.6%)

Personnel by segment as of 31 December 2014, %

- Oil Products 35.6% (40.1%)
- Renewable Products 5.3% (5.1%)
- Oil Retail 28.1% (26.4%)
- Neste Jacobs 15.8% (13.8%)
- Research and Technology 4.8% (4.6%)
- Other common functions 10.5% (10.1%)

Educational background of employees as of 31 December 2014, %

- Technical or natural sciences 46.4% (40.7%)
- Commercial and law 12.0% (12.2%)
- Social sciences and humanities 1.5% (0.9%)
- Logistics or transport 1.7% (2.0%)
- Others 13.7% (16.1%)
- Information not available 24.7% (28.1%)*

* Information not available e.g. on employees in Russia.

Educational level of employees as of 31 December 2014, %

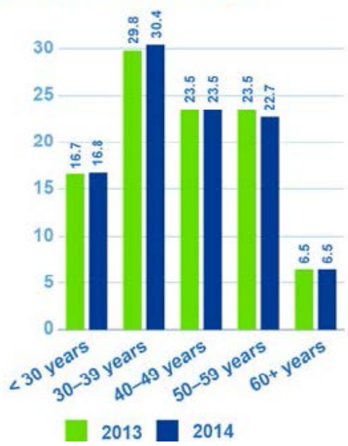
- Compulsory education 4.9% (9.0%)
- Vocational degree or high school 27.9% (30.3%)
- Bachelor's degree or equivalent 39.2% (36.8%)
- Master's degree or equivalent 23.5% (20.6%)
- Doctorate/licenciate 1.6% (1.4%)
- Information not available 3.0% (1.9%) *

* Information not available on all employees.

Length of employment of employees as of 31 December 2014, %

- Less than 5 years 37.7% (35.5%)
- 5–9 years 22.8% (24.0%)
- 10–14 years 8.4% (7.8%)
- 15–19 years 7.0% (6.8%)
- 20–24 years 4.7% (6.5%)
- 25–29 years 8.1% (7.6%)
- 30+ years 11.3% (11.6%)

Breakdown by age as of 31 December 2014, %



Gender ratio as of 31 December 2014, %

Men 65.3% (66.8%)
Women 34.7% (33.2%)

Type of employment contract as of 31 December 2014, %

Permanent 96.2% (96.3%)
Temporary 3.8% (3.7%)

Type of employment according to working hours as of 31 December 2014, %

Full-time 97.1% (98.0%)
Part-time 2.9% (2.0%)

Changes in operations modify personnel needs

2014 was a year of major changes for Neste Oil. In June, the company adjusted its organizational structure with the aim of clarifying and streamlining the business units' management and improving the company's customer focus and ability to react to market changes. Significant re-arrangements to increase the efficiency of operations were announced in October.

The biggest operational change was the integration of refinery operations at Porvoo and Naantali into a single refinery entity. The new operating model is due to be complete at the end of 2016.

"Given the substantial overcapacity in the oil refining sector in Europe, we need to look at a broad range of solutions for improving our competitiveness and securing the foundation of our future operations and growth," says Neste Oil's President & CEO, Matti Lievonen.

Outsourcing the energy operations at the company's Porvoo refinery, i.e. power plant and electricity distribution system, is being planned.

Changes have impacts on personnel needs as well

Structural changes in the organization and future business needs also reflect in the personnel and the volume of resources needed. In October 2014, Neste Oil reported the need to reduce a total of 250 employees, primarily in Finland. As the result of statutory employer-employee negotiations, the need for personnel reductions decreased to 203 employees. The reductions will take place in 2014–2016.

The reduced employees are provided with relocation training, including counseling and support related to job seeking. In addition, change training and support was offered to all employees.

"The negotiations were carried out in good spirits, and a major part of the reduction need was resolved through voluntary retirement arrangements. The changes in operations also have impacts on the required competence. The measures we have taken will create new future career paths requiring new kinds of skills," says Hannele Jakosuo-Jansson, Senior Vice President, Human Resources and Safety.

Sustainability ► Neste Oil Sustainable Way ► Society

Society

A competitive and profitable company does good both for its owners and for the society. We listen to our stakeholders' feedback and aim to develop our operations accordingly.




Return on average capital employed (ROACE)

10.1%

Neste Oil joins Global Compact

Use of waste and residue in biofuel production is recycling

The EU Renewable Energy Directive encourages the use of waste and residues in biofuel production.

Read more ►

Tax footprint 2014

Increasing attention to social issues in the supply chain

What were our targets?	Achievements in 2014	What next?
Increase ROACE (Return on Average Capital Employed, after tax) to at least 15% in the long-run	• ROACE was 10.1% (11.7 %).	• Continue working to achieve our long-term ROACE target.
Involving stakeholders, and active stakeholder cooperation	• The Stakeholder Advisory Panel convened two times. • We cooperated with NGO Finnwatch when they studied the sustainability of palm oil sourcing by Finnish companies. • Discussions with NGOs continued in Europe, the US, and Asia. • We continued collaboration with The Forest Trust (TFT), an organization focused on preventing deforestation.	• Continue to encourage stakeholder involvement, and participate more actively in debate.
Provide wider reporting on Neste Oil's tax footprint	• We published our tax strategy and tax information to the same extent as in 2013.	• Continue developing how we report our tax contribution.
Make our expertise available to decision-makers	• We were involved in the drafting of statutes in Europe and the US, for example, by providing our expert opinion.	• Continue providing expertise.

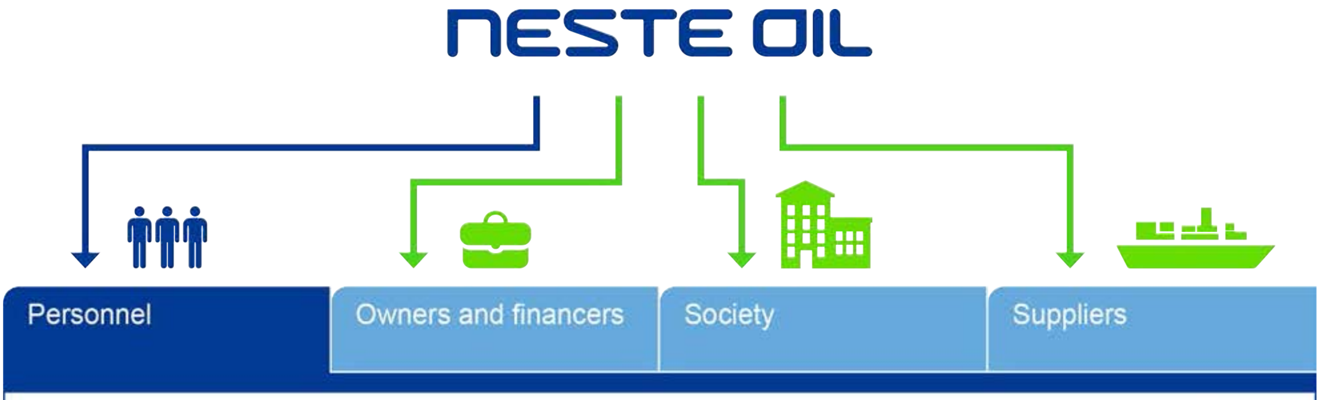
Economic contribution

For Neste Oil, financial sustainability means taking care of profitability and competitiveness. By operating profitably and competitively, we make ourselves a profitable investment, a significant employer, a reliable partner and a good corporate citizen.

We are the biggest company in Finland in terms of net sales, and growth in the Renewable Products business has also made us one of the biggest cleantech companies in the country. Our cleantech net sales amounted to EUR 2.3 (2.5) billion in 2014. Globally, we employ approximately 5,000 people.

Our financial impact by stakeholder group in 2014

Upon the preparation of annual accounts 2014 some presentation changes were made retrospectively for 2013 figures.



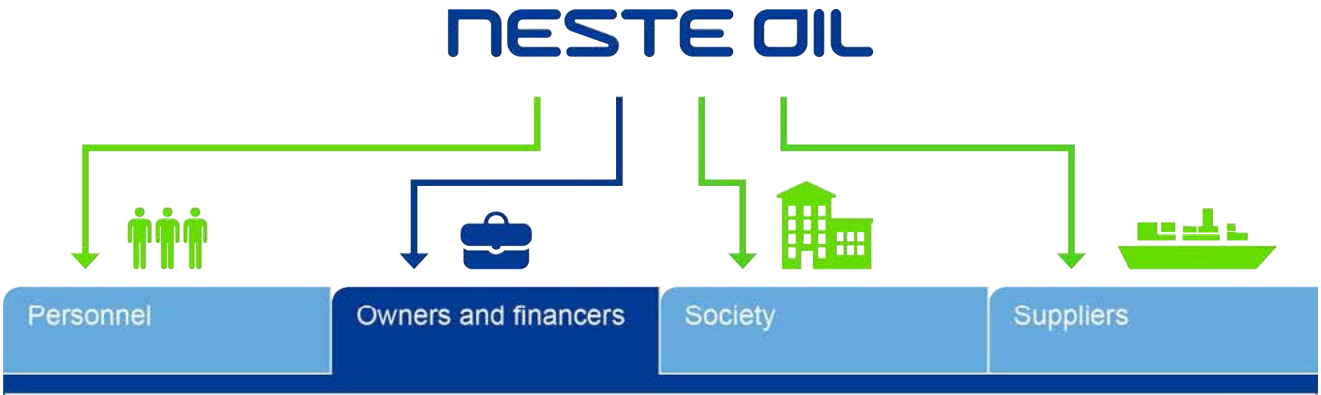
Personnel

Direct impact (EUR million)	2014	2013	2012
Salaries and remuneration	267	271	253
Other personnel expenses	72	83	86
Training investments*	3.1	3.5	3.6
Income tax paid by the personnel to Finland	64.1	58.8	56.2

* included in Other personnel expenses

Indirect impact

- Salaries paid by Neste Oil contribute to operating countries consumer expenditure and national GDP.
- Taxes paid by personnel contribute to maintaining the prosperity of society.
- HR development initiatives, such as job rotation and training programs, increase the expertise of Neste Oil's employees and enhance their competitiveness on the job market.



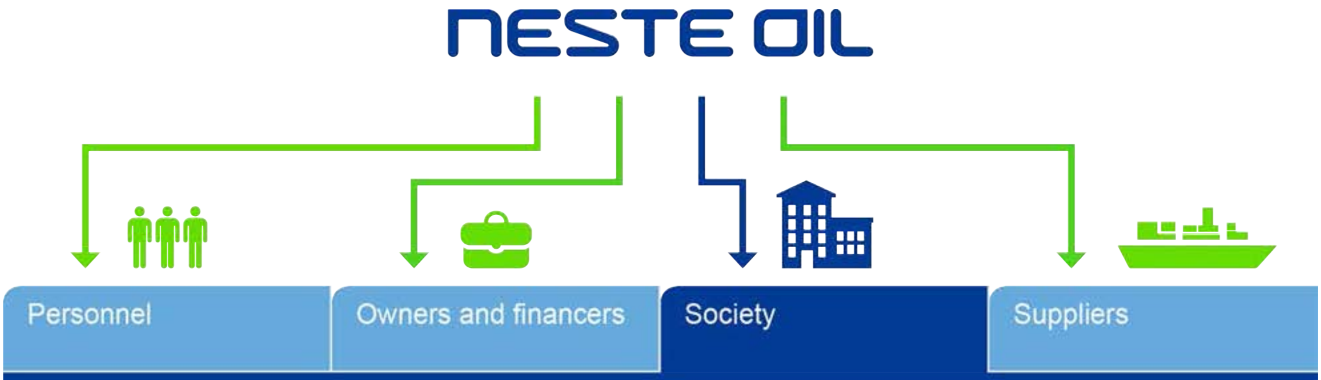
Owners and financers

Direct impact (EUR million)	2014	2013	2012
Dividends	166*	167	97
Interest and financial expenses	75	81	87

* Board proposal to the AGM

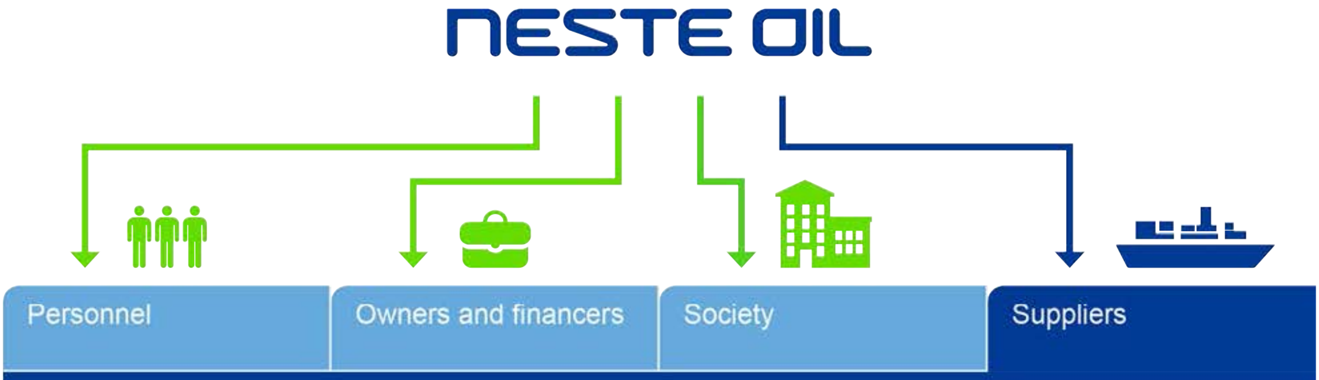
Indirect impact

- Shareholders benefit through possible increases in the value of the shares they hold and the dividends they receive.
- Dividends paid for the shares owned by the state help maintain society's services.



Society

Direct impact (EUR million)	2014	2013	2012
Corporate income tax	21	94	59
Excise taxes	1,942	1,684	2,261
Environmental tax	22	24	22
Charity work and sponsorship	1	1	1
Cash-out investments	272	214	292



Suppliers

Direct impact (EUR million)	2014	2013	2012
Purchases of refinery feedstocks	13,319	15,091	15,960
Others (e.g. goods and services)	938	909	790

Indirect impact

- Working with partners to develop their operations helps create new business opportunities for them
- Thanks to the stable income offered by Neste Oil, partners can provide employment for their employees and purchase products and services

Combating the gray economy

Neste Oil contributes to efforts aimed at combating the gray economy and takes part in initiatives such as the Finnish Tax Administration's Raksa project covering the construction industry. As part of its collaboration with this project, Neste Oil has supplied the tax authorities with information on its contractors. Neste Oil adds people's individual tax numbers to their staff cards. Contractors are not granted access permits to Neste Oil sites unless they provide their tax numbers. Everyone working for Neste Oil in Finland has been registered with the Public Register of Tax Numbers.

Considerable impact on Finnish society and exports

Our operations have a considerable impact on the Finnish society. The taxes and tax-like charges paid by us support the maintenance of society and its services. We are also a significant collector of fuel and value added taxes in Finland.

We are the biggest exporter in Finland, and our refining operations have an annual positive impact of approximately EUR 2 billion on Finland's trade balance, compared to a theoretical situation in which no refineries are present in Finland and all petroleum products are imported.

See Neste Oil's tax contribution.

Stockpile fee and Oil Pollution Compensation Fund

We pay strategic stockpile fees on the fuels we sell to the Finnish National Emergency Supply Agency and oil protection fees on the crude oil that we import. The National Emergency Supply Agency is responsible for securing society's needs in the event of emergencies, while the Oil Pollution Compensation Fund, managed by the Ministry of the Environment, is responsible for acquiring equipment to deal with possible oil spills and for reimbursing people affected by spills when the cause of an incident is unknown, or the party responsible is unable to pay the compensation in question.

Tax contribution

As a part of its general policy of open communications Neste Oil has published voluntary tax information beyond legal requirements already for several years. Our current tax contribution (tax foot print) has been compiled taken into account the relevant issues of confidentiality, business rationale, and cost-efficiency.

We are committed to following a relevant legal framework, as well as OECD Transfer Pricing Guidelines. Taxes and duties are paid, collected, remitted, and reported in accordance with all relevant local laws and regulations.

We believe in a fair and consistent tax system. Whenever we comment on tax laws or changes in practices, we focus especially on fairness, clarity, feasibility, and overall reasonability.

We have active companies in a couple of low tax jurisdictions because of sound business reasons. The captive insurance company in Guernsey pays corporate income tax in Finland according to Finnish tax laws. The income derived from shipping joint ventures in Bermuda is taxed according to Finnish tax laws in Finland only when the funds are repatriated to Finland.

Tax strategy

Our tax strategy is to support the company's business decisions by providing efficient tax optimization solutions and to ensure their proper implementation from a tax perspective. Tax planning reflects changes that take place in the company's businesses and our overall strategy.

Tax management

Our President & CEO is ultimately responsible for making decisions regarding tax management. Major tax planning implications and decisions are only implemented after approval by the Board of Directors.

Our operational tax organization is divided into Head office tax organization and local country financial organizations outside Finland.

High-quality tax compliance is the cornerstone of our approach to tax management. We complete tax returns carefully in accordance with relevant tax laws and regulations and file them by the due dates without unnecessary delay. In all communication with the tax authorities we are acting honestly in a respectful and professional manner.

Taxes of 2013–2014	2014	2014	2014		2013	2013	2013
Taxes borne, MEUR	Finland	Other countries	Group in total		Finland	Other countries	Group in total
Corporate income tax	3	18	21		76	18	94
Real estate tax	1	6	7		1	6	7
Employer's charges	41	7	48		43	7	50

Taxes of 2013–2014	2014 Finland	2014 Other countries	2014 Group in total		2013 Finland	2013 Other countries	2013 Group in total
Environmental taxes	22	0	22		23	1	24
Customs duty	2	12	14		2	1	3
Total taxes borne, MEUR	**69**	**43**	**112**		**145**	**33**	**178**
Taxes collected, MEUR							
VAT/GST, remitted	1,034	186	1,220		997	214	1,211
Excise taxes	1,693	249	1,942		1,480	204	1,684
Withholding taxes	77	10	87		69	8	77
Employee's social security	14	3	17		15	3	18
Total taxes collected, MEUR	**2,818**	**448**	**3,266**		**2,561**	**429**	**2,990**
Total taxes borne and collected, MEUR	**2,887**	**491**	**3,378**		**2,706**	**462**	**3,168**
Revenue	9,312	5,699	15,011		10,525	6,713	17,238
Earnings before taxes	-112	190	78		296	265	561
Personnel (on average)	3,477	1,512	4,989		3,645	1,452	5,097

Taxes presented in the tax table include such material taxes and levies which we are liable to pay or collect according to local law. Levies are divided by type and by split between Finland and other countries. From a materiality point of view the table introduces the key feature of our global tax contribution illustrating the significance of Finland and volume of indirect taxes. Other countries are grouped in order to keep competition-related business information confidential. In the absence of the consistent global concept of public aid, we have not included public aid received in the report. This said, we have received a Blender's Tax Credit of 89 MEUR which will be received from the government of the United States in 2015.

Such taxes or levies which are included in the purchase price of a product or a service are not reported in this overview unless we are liable to report such tax or levy. If a foreign Group company was liable to pay tax in Finland, such tax is reported among Finland in our figures, and not in corresponding foreign figures. This tax footprint report is disclosed in the Sustainability section of Neste Oil's online Annual Report 2014, and it is part of the quantitative sustainability performance information on which external assurance is provided at a limited assurance level.

Key term definitions:

Corporate income tax – All current taxes that are based on the taxable profit of a company during the respective calendar year and current tax adjustments for prior years (deferred taxes are excluded).

Customs duty – Legislative duties levied on imports and exports payable to EU or to governments in other customs territories during a fiscal year.

Environmental taxes – Taxes and levies imposed for environmental reasons.

Excise taxes – Taxes collected for certain products delivered for consumption or taken into use for the periods of a fiscal year. Excise duties include strategic stockpile fees.

Real estate tax – Any taxes and duties paid based on ownership, possess, or usage of real estates as defined in respective legislation.

Taxes – Material, compulsory taxes, duties, charges, and levies payable to government and governmental body. Furthermore, statutory pension payments are included in employer's charges and employee's social security regardless of whether the payee is a government or governmental body.

Taxes borne – Taxes that the Group is obliged to pay to governments and governmental bodies on its own behalf.

Taxes collected – Taxes which the Group is obliged to pay to governments and governmental bodies on behalf of another person or corporation, such as withholding taxes collected from the salary of personnel.

VAT/GST, remitted – Net amount amounting to VAT payable less the VAT deductible remitted to governments for the VAT periods of a fiscal year. VAT includes similar sales taxes.

Withholding taxes – Tax charged on salaries, dividends, royalties and interest on behalf of individual or corporation.

Stakeholders

Customers

What people expect of Neste Oil	Interactive channels	Examples of how we responded to these expectations in 2014	Stakeholder comment
• High-quality, safe products • Reliable deliveries and good availability • Sustainable operations throughout the supply chain • Lower-emission products and solutions fulfilling biomandate requirements • Competitive pricing	• Customer service channels (e.g. helpline, web site feedback, lubricant advice) • Customer satisfaction surveys • Personal interaction with sales staff • Brand survey • Facebook accounts • Group Twitter account • Group LinkedIn profile	• In 2014, using Neste Oil products, our customers were able to reduce their greenhouse gas emissions by approx. 5.6 (4.8) million tons, equivalent to about 48% of traffic-related greenhouse gas emissions in Finland. • We introduced new products with a smaller impact on the environment, such as low-sulfur bunker fuel. • We continued developing our supply chain to ensure reliable deliveries. • We ensure the sustainability of every phase of our supply chain. • A total of 2,070 audits or check-ups were performed at our stations to ensure ongoing high standards of customer experience.	 "In 2013, SHV Energy defined its sustainability strategy as 'Better–Cleaner–Together.' We sincerely believe that superiority or cleanliness cannot be achieved alone. That is why we are extremely pleased with our strategic partnership with Neste Oil, with which we are developing possibilities related to biopropane. Neste Oil helped us turn our BioPropane idea into reality. Our shared journey has already proved the power of our partnership, and the prospects are good for the years to come." **Fulco van Lede** **Management Board Member** **SHV Energy**

Personnel and dealers

What people expect of Neste Oil	Interactive channels	Examples of how we responded to these expectations in 2014	Stakeholder comment
• Fair remuneration that encourages people to perform well • A workplace that promotes people's wellbeing and safety • Opportunities for people to develop their expertise and enjoy exciting career paths • Involvement • Trainee positions	• Innovation system • Personnel survey • Performance and development discussions • Intranet • Quarterly performance updates and staff strategy sessions • Dealer days • Extranet for dealers • Student visits • Recruitment fairs • Careers account on Twitter • Employer image studies • Summer intern studies	• We introduced renewed remuneration principles that improve transparency. • We introduced a new job grade system, which improves consistency in remuneration. • We continued to implement the 'Way Forward' operating model, launched in 2013, and include it in HR processes. • We organized numerous internal manager training courses and other training. • We continued implementing our wellbeing at work plan. • We offered comprehensive occupational healthcare cover. • We supported job rotation and relocation. • We offered summer internships to over 300 young people. • Summer trainees gave Neste Oil 4.3 (4.4) points out of five in the annual summer trainee survey. • We took part in the 'Responsible Summer Job' campaign in Finland.	 "I started at Neste Oil as a summer trainee in 2008. Summer jobs led first to a diploma project, and later to a permanent position. Over the past few years, I have been given the opportunity to grow, and learn new things while working with extremely varying tasks. It has been a pleasure to notice that the company urges employees to job rotation to accumulate diverse work experience. It has also been rewarding to be involved in creating new business around renewable products." **Turkka Saari** **Manager** **Strategy Development**

Owners and investors

What people expect of Neste Oil	Interactive channels	Examples of how we responded to these expectations in 2014	Stakeholder comment
• Good overall return on the company's share • Good loan repayment performance • Sufficient and reliable information for making investment decisions • Sustainable operations • Good risk management	• Press conferences on the company's financial results • Annual General Meeting • Capital Markets Day • Meetings with investors and analysts • Conference calls with investors and analysts • Surveys	• We paid our owners a dividend of EUR 0.65 per share from 2013. • Our most important financial target, return on average capital employed, after tax (ROACE), was 10.1% (11.7%). • We held a Capital Markets Day in London. • We regularly met investors and analysts. • We operated in accordance with the law and statutory regulations, and our Code of Conduct.	 "Sustainability megatrends, such as climate change and availability of oil, mean future challenges to the industry to which well-managed companies are preparing already in advance. We value that Neste Oil has addressed these challenges and strived to turn them into possibilities from the perspective of their own business and at the same time developed the sustainability of its practices. We have been pleased with Neste Oil's open approach to sustainability issues. The communication between the company and its shareholders has been very easy." **Tiina Landau** **Advisor, Responsible investment** **Ilmarinen**

Decision-makers and the authorities

What people expect of Neste Oil	Interactive channels	Examples of how we responded to these expectations in 2014	Stakeholder comment
• Compliance with the law and statutory regulations • Reliable and sufficient reporting • A good taxpayer	• Visits to Neste Oil locations • Personal meetings • Permit application processes • Joint crisis response exercises • Brand survey • Stakeholder Advisory Panel	• We operated in compliance with the law and statutory regulations in all our countries of operation. • Our income taxes totaled EUR 21 (94) million. Read more about our taxes. • We engaged in active dialogue with decision-makers and officials on matters affecting our industry.	 "From the point of view of the authorities, cooperation with Neste Oil has gone extremely well, and the oil leak at the Kajaani oil storage facility has been handled with sufficient resources by experts. I am extremely pleased with the way Neste Oil has, from the beginning, involved the people in the affected area in discussions and to make observations. As far as I recall, I have not received feedback where Neste Oil's way or willingness to take care of the problem would have been questioned. Communication regarding the incident has also been clear and timely." **Juha Määttä** **Senior Inspector** **Kainuu ELY Centre**

Local communities

What people expect of Neste Oil	Interactive channels	Examples of how we responded to these expectations in 2014	Stakeholder comment
• Effective management of the environmental impact associated with our plants • Support for and donations to the local community • Open and timely communication	• Outreach events for people living near Neste Oil's refineries in Finland • Collaboration with other companies based close to our sites • Open door days at our refineries • Magazines and newsletters distributed to the surrounding community • Facebook site maintained by the Naantali refinery • Meetings with local municipal leaders • Electronic communication channels (web site) for giving feedback	• We continued to constantly monitor the environmental impact of our operations, and ensure that we operate within the terms of our environmental permits. • We distributed newsletters to people living near our plants. • Incidents at our Porvoo and Naantali sites were communicated to local people via sms, email, our refinery helplines, and the joint web site maintained by companies in the Kilpilahti area in Porvoo. • Local people were updated about incidents at Porvoo and Naantali sites 33 (37) times in 2014. There were no incidents that required local communities to be informed in Singapore and Rotterdam.	 "The Me & MyCity learning concept aims to simulate local entrepreneurship, economy, and society for school children. Neste Oil is the first chemical company involved in the project, enabling operations of the Finland Proper Me & MyCity in Turku, and the cooperation has truly enriched our operations." **Tomi Alakoski** **Executive Director** **Me & MyCity**

Partners

What people expect of Neste Oil	Interactive channels	Examples of how we responded to these expectations in 2014	Stakeholder comment
• Reasonable level of revenue, and fair treatment • Opportunity to develop their operations and collaboration with Neste Oil • Sustainable operations by Neste Oil • Joint R&D projects	• Continuous interaction, meetings, and visits • Training courses • Audits • Research consortia and joint teams • Annual feedback questionnaire • Seminars and conferences	• Our experts helped palm oil smallholders in Indonesia to develop their operations, and enabled them to have their production certified. • We participated in a number of international research projects on algae oil.	 "Neste Oil has shared us their experience and enlightened us on the reality of managing sustainability issues; saving us from reinventing the wheel. We have been encouraged to work on our strengths and explore areas for continuous improvement. Neste Oil has been the most helpful in facilitating our engagements with stakeholders whom we are unfamiliar – NGOs and civil societies included. For the support and trust we have had from Neste Oil, we'll strive harder on the path of continuous improvement." **Sin Chuan Eng** **Head of Sustainability (Plantations)** **Kuala Lumpur Kepong Berhad**

Media

What people expect of Neste Oil	Interactive channels	Examples of how we responded to these expectations in 2014	Stakeholder comment
• Open, reliable, and up-to-date communication on topical issues • Availability of personnel to answer questions	• Background meetings with journalists • Media events and interviews • Visits to our sites • Facebook channel: Neste Oil Bensis • Group Twitter account • Direct contact with media representatives • Web site • LinkedIn profile	• Corporate Communications responded to media enquiries, and helped journalists contact someone suitable to answer their questions. • We offered possibilities for interviewing our people. • We organized background meetings for 116 (65) journalists. • Our personnel provided expert input for a number of articles on subjects of interest to the general public. • We organized visits to our sites for the media and other groups.	 “Neste Oil was very cooperative when I wanted to familiarize myself with production of palm oil for a TV documentary. When making the documentary, plantations in Neste Oil's supply chain did not use child labor, but the other plantation of its cooperation partners, multinational companies, did. Neste Oil should pressurize its cooperation partners to develop their certification regarding social issues.” **Ari Lehikoinen** **Journalist** **YLE (Finnish braodcasting company)**

Organisations

What people expect of Neste Oil	Interactive channels	Examples of how we responded to these expectations in 2014	Stakeholder comment
• Sustainable operations and transparency • Sustainable use of palm oil • Continuous development of our operations • Active participation in debate on matters important to society and concrete actions to move things forward • Sharing our expertise	• Meetings with representatives of different organizations • Joint exercises, in areas such as oil spill response • Conferences and seminars	• We continued collaboration with The Forest Trust (TFT) to help prevent deforestation, and secure the sustainable production of renewable raw materials. We cooperated in the setting up of workshops to assist our palm oil suppliers in the development of practices, and policies, amongst other activities. • We cooperated with Finnwatch when they did a report on palm oil sourcing by Finnish companies. • We were actively involved in the activities of numerous industry organizations, such as the Finnish Petroleum and Biofuels Association, and the Chemical Industry Federation of Finland. • We are an active member of the Roundtable on Sustainable Palm Oil (RSPO). • We continued to support the work of Borneo Child Aid in promoting the education and welfare of children in Malaysia. • We met with various environmental organizations critical of our operations.	 "The Finnwatch report revealed shortcomings related to labour rights in Neste Oil's supply chain. During the preparation of the Finnwatch report, Neste Oil acted openly and provided us a substantial amount of information." **Sonja Vartiala** **Executive Director** **Finnwatch** Read more about the Finnwatch report.

Stakeholder dialogue in 2014

We actively engage in dialogue with our various stakeholders and strive to take into account their expectations in our operations. We see stakeholder feedback as very valuable, also when it is not positive. Constructive criticism and the raising of issues provide opportunities for developing our operations.

Stakeholder dialogue takes place at many levels. Overall responsibility for stakeholder engagement lies with the company's Senior Vice President, Communications and Brand Marketing; Senior Vice President, Sustainability and Public Affairs; Vice President, Investor Relations; Senior Vice President, Human Resources and Safety; the Executive Vice Presidents of Neste Oil's business areas; and numerous experts across the company.

We encourage dialogue in social media

We are engaged with our stakeholders on a daily basis through a variety of communication and interaction channels. We encourage all company employees to take part in discussion on social media, among other channels. We organized several trainings on social media for our employees in 2014. Neste Oil has several social media channels in use that offer our stakeholders an easy way to reach us.

Read more about how our stakeholders can be in contact with us.

NGO's field visit to palm oil plantations

Finnwatch, a Finnish NGO that investigates the global impact of corporate activity, approached us in summer 2014, wishing to visit a few of palm oil supplier IOI Group's plantations in Malaysia. We provided Finnwatch with access to the plantations of their choice in cooperation with the supplier. Finnwatch published a report detailing their observations at the plantations in September 2014.

Read more about the results of Finnwatch's report and our actions taken on the basis of them.

Read what Sonja Vartiala from Finnwatch thinks about our cooperation.

Cooperation to develop the sustainability of palm oil production

We continued our cooperation with The Forest Trust (TFT) that focuses on preventing de-forestation in 2014. During the cooperation, we have actively committed ourselves to seeking concrete ways to preventing deforestation together with palm oil producers and other stakeholders.

Read more about the progress of our cooperation with TFT in 2014.

Personnel reduction generated discussion among personnel

The adjustment of Neste Oil personnel to match the needs of the new organizational model generated significant amount of discussion among the company's personnel in 2014. The issue was discussed with the personnel in accordance with the Finnish Act on Co-operation within Undertakings. We arranged several personnel events that focused on the matter. We communicated the news and openly answered media and employee questions on the subject. We also arranged several informational media events.

Read more about the statutory employer-employee negotiations.

EU's new climate decision and waste directive topical in 2014

EU leaders decided on a new climate objective for the EU Member States in October 2014. The new objective set was to cut greenhouse gas emissions by 40% as compared to the level of 1990 by 2030. In addition, the meeting decided to increase the use of renewable energy to 27% of the EU's total energy consumption. The meeting also requested the European Commission to propose ways to reduce traffic emissions, such as by using renewable fuels. The policy of promoting the use of renewable traffic fuels was important, but setting separate emissions objectives for traffic at the EU level would be the clearest option.

Read more about Neste Oil's viewpoint concerning waste hierarchy.

We support legislators and other decision-makers in their work by making our specialist expertise and knowledge available on industry-related matters, and we aim to be an active participant in dialogue in both Finland and in an international context. We are committed to the EU's good advocacy practices by registering with the EU's Transparency Register.

Case: Waste hierarcy

Use of waste and residue in biofuel production is recycling

The European Union's Renewable Energy Directive (RED) encourages the use of waste and residues in biofuel production. However, the EU waste regulations seem to prefer the use of animal fats in cosmetics rather than in production of biofuels, that reduce carbon dioxide emissions.

Waste hierarchy – from no waste to landfill waste

Activities in which no waste is generated rank the highest in the EU's waste hierarchy. Material-efficient production is such an activity. At the second level, waste from the operation can be reused, at the third level recycled into other products, and at the fourth level recovered and incinerated to produce energy. At the lowest level, the waste ends up in a landfill.

Use of waste in biofuel production is interpreted as recovery

According to the EU's interpretation, the usage of waste as feedstock in biofuel production is not recycling, but recovery.

"In our view, the use of waste as a raw material for fuels and chemicals should be considered recycling. This would support the development and more extensive use of renewable energy solutions. This would seem logical as biofuels meet the EU's renewable energy criteria and significantly reduce traffic emissions," says Pekka Tuovinen, Neste Oil' s Director, Sustainability.

Sustainability ► Neste Oil Sustainable Way ► Society ► Human rights

Human rights

Respect for human rights is included in Neste Oil's Sustainability principles for biofuels, Sustainability policy and Code of Conduct. Our personnel can learn about the ethical rules by playing an interactive game, among other methods.

We are committed to observing the human rights principles of the United Nations' Declaration of Human Rights and the International Labor Organization (ILO). The same respect for human rights is also required from all our partners.

Neste Oil does not tolerate harassment, discrimination, child labor, forced labor or exploitation in any form. The most central aspect of human rights in our own operations is the promotion of equality.

Joining Global Compact strengthens our commitment to human rights

Human rights and labor rights are a key area of development in Neste Oil's sustainability work. In 2014, we strengthened our commitment to the implementation of these rights in our supply chain by joining the UN's Global Compact sustainability initiative.

Six of the ten Global Compact principles concern human rights and labor rights. We will define how we will monitor the realization of the principles in our operations in early 2015.

Finnwatch report raised shortcomings related to the implementation of labor rights

Finnwatch published a report detailing how various Finnish companies source their palm oil, including Neste Oil's supply chain, in September 2014. The report highlighted shortcomings related to the realization of workers' rights in a plantation of our Malaysian palm oil supplier, IOI Group.

After learning of the findings, we immediately took action to establish what happened and to remedy the situation. We have discussed the findings and IOI's corrective measures on several occasions with the company's representatives. Also the RSPO and ISCC certification schemes have re-audited all of the plantations mentioned in the report. According to ISCC's findings there were not any actual violations at these plantations. They did find, however, that some of IOI's procedures only barely meet the certification requirements. RSPO's process is still on-going.

Based on the matters that emerged in the audits, the operations of the certification organizations will also be developed. The ISCC will establish a working group aiming to improve the audit procedures of social questions. Neste Oil will take part in the working group's activities. In order to influence the development of certification, we are also involved in the human rights working group of RSPO.

In order to deepen our understanding on the social issues and related stakeholder activity in the palm oil industry we started cooperation with an international organization focused on social rights in early 2015. The aim of this cooperation is to increase the capability to take social aspects into account in our supply chain more efficiently.

Read Finnwatch's Sonja Vartiala's thoughts about cooperation with us.

Enhanced monitoring of labor rights in our own operating chain

Human rights and labor rights are part of the due diligence and certification criteria included in our selection process of raw material suppliers. In order to enhance the monitoring of our own supply chain, we have commenced development work to make our practices more strict with regard to social questions, such as human rights and labor rights. Our aim is to finish the development project during the first half of 2015.

Read more about the sustainability requirements for our raw material suppliers.

NGO viewpoint: Sonja Vartiala

case Labor rights at palm oil plantations – an NGO's point of view

"Finnwatch, a Finnish human rights organization focusing on corporate responsibility, investigated the realization of labor rights at the plantations of the IOI Group, Neste Oil's Malaysian palm oil supplier, in 2014. The Finnwatch report published in September revealed several severe shortcomings related to working conditions at IOI's plantations, such as salaries under the minimum wage, limitations to the right to strike and professional organization and problems related to recruitment. It should be noted that Neste Oil was the only one among the surveyed companies that traced all of the crude palm oil it uses to the plantations using mass balance and segregation tracing methods.

IOI Group has prepared the first action program to address some of the problems raised in our report. We are still waiting for Neste Oil to provide information about the concrete measures with which it will ensure the realization of labor rights throughout its supply chain. We consider it likely that the problems observed with IOI Group are also common at other Malaysian plantations.

Good cooperation, but room for improvement in openness

During the preparation of the Finnwatch report, Neste Oil acted openly and provided a substantial amount of information to Finnwatch. The company also encouraged the IOI Group to provide Finnwatch people with access to individual plantations. Nevertheless, there is reason to remark that Neste Oil still has a lot to do in relation to increasing the openness of its operations. In spite of years of criticism by NGOs, the company has still not published all of its palm oil suppliers or information concerning individual plantations supplying palm oil to Neste Oil. By keeping their supply chain secret, Nest Oil maintains a contrary position in regard to the Finnish Government resolution on ownership policy that encourages companies to pay attention to the transparency of supply chains.

Room for development in monitoring with regard to labor rights

Neste Oil has prepared extensive policies on corporate responsibility from ecological and social points of view. In spite of these policies, Neste Oil has exclusively relied on international palm oil certification systems in the monitoring of labor rights. According to the Finnwatch report, it is obvious that these certifications are not, in their current form, sufficient to guarantee the rights of employees. Neste Oil should improve its policies in relation to the monitoring of working conditions and should also pay more attention to human rights in the audit systems it uses. Neste Oil and the certification systems it uses should commit to the international principles of labor rights in the production of palm oil prepared by NGOs.

Even though the Finnwatch report published in fall 2014 focused on labor rights, it also briefly touched the subject of tax responsibility in palm oil production. Company tax responsibility is a growing international trend that Neste Oil should also increasingly acknowledge in the future. In addition, Neste Oil should prepare responsibility guidelines on the payment of taxes and start publishing an extensive country-by-country tax report."

Sonja Vartiala,
Executive Director,
Finnwatch

Involvement in organizations and joint projects

Trade associations

- European Biodiesel Board (EBB)
- CONCAWE, the oil companies' European association for environment, health, and safety in oil refining
- Europia (European Petroleum Industry Association)
- ASFE (Alliance for Synthetic Fuels in Europe)
- Chemical Industry Federation of Finland
    - Neste Oil's President & CEO has chaired the Federation's Board since the beginning of 2013
- Finnish Petroleum and Biofuels Association
    - A Neste Oil representative is the Vice Chair of the Federation's Board
- Cleantech Finland
- CLEEN (Cluster for Energy and Environment)
- European Energy Forum (EEF), an organization promoting open discussion and development in the enrgy industry
- Canadian Renewable Fuels Association (CRFA), an organization promoting the use of renewable fuels in traffic
- European Committee of Standardization (CEN)
- ASTM International (former American Society for Testing and Materials)
- Oil Companies International Marine Forum (OCIMF), an organization promoting safety of marine transportation and environmental responsibility.

Sustainable production and use of feedstocks

- Roundtable on Sustainable Palm Oil (RSPO), an international organization and certification system promoting palm oil's sustainable production and use.
- Roundtable on Sustainable Biomaterials (RSB), an organization promoting sustainable use of biomass and biomaterials
- Round Table on Responsible Soy (RTRS), an organization promoting responsible soy production

In addition to various organizations, Neste Oil also participates in a number of joint initiatives every year.

Aviation initiatives

- European Aviation Biofuels Flightpath
    - aimed at increasing the use of aviation biofuel to 2 million t/a by 2020.
- ITAKA (Initiative Towards Sustainable Kerosene for Aviation)
    - aimed at promoting the commercialization and use of renewable aviation fuel in Europe.
- A Dutch 'Bioport for jet fuels in the Netherlands' initiative aimed at promoting the use of sustainably produced biofuel in aviation.

Safety initiatives

- Neste Oil is one sponsor company in a joint initiative on developing systematic ways of improving the total safety of personnel in companies.

Sustainability and environmental initiatives

- Voluntary initiative 'Responsible Care' by the global chemical industry aimed at supporting sustainable development in the industry.
- Climate Leadership Council
  - The purpose of the Council is to affect the Finnish businesses' and research organizations' competitiveness and ability to respond to the threats posed by climate change and the scarcity of natural resources.

Support for communities

Charity and sponsorship at Neste Oil is based on the company's sponsorship principles. When selecting what to sponsor, particular attention is given to how closely a potential partner shares similar values to Neste Oil's own. Neste Oil does not sponsor political parties, religious movements, or company clubs. Neste Oil spent a total EUR 1 (1) million on charity work and sponsorship in 2014.

Neste Oil Rally has a positive impact in and around Jyväskylä

Neste Oil has been the main sponsor of the Finnish World Rally Championship event since 1994. A study carried out by the event's organizer AKK Sports showed that the Neste Oil Rally generated a direct financial benefit of over EUR 14 million for the Jyväskylä region. The event has also had a very positive impact on the town's overall image.

Other sponsorships in sports in 2014:

- Espoo Blues: ice hockey team from Espoo
- Oulun Kärpät: ice hockey team from Oulu
- Solo skipper Ari Huusela: we joined solo skipper Ari Huusela's support team for the Route du Rhum single-handed transatlantic race

Taking part in reducing the carbon footprint of Flow Festival

We were an environmental partner of Helsinki's Flow Festivalin 2014. We helped the festival to decrease their carbon footprint by providing them with NEXBTL renewable diesel used in electricity generation.

Read more about the Flow Festival cooperation.

Special emphasis on children and young people

Neste Oil has in recent years particularly focused on supporting activities linked to children and young people. By supporting a range of activities, we aim to increase the wellbeing of young people and children, to offer them challenging activities, and to help them enjoy sport and staying on the move.

The following received support in 2014:

- Tukikummit ry: promoting the wellbeing of young people
- Finnish Figure Skating Association: proactive support to help prevent young national team skaters aged between 10 and 15 from being injured
- Millennium Youth Camp: encouraging young people to learn more about science and promoting the concept of sustainable development among future scientists
- Chemistry Lab Gadolin: an action-based learning environment for schoolchildren to facilitate studies in chemistry
- Espoo Blues Juniors: long-term support for junior ice hockey players
- Borneo Child Aid: enabling 265 Malaysian children annually to attend school
- Lastenklinikoiden kummit and Espoo Blues: Neste Oil donated EUR 100 for every goal scored by the Espoo Blues ice hockey team in a home game during the 2013–2014 season to the

- children's wards at Jorvi Hospital in Espoo via Lastenklinikoiden kummit
- The MyCity project in Turku: a study module on society, working life, and entrepreneurship for sixth-grade pupils

Support for innovation

Research and development activities play an important role in Neste Oil's businesses, which is why they are also seen as worthy of sponsorship support.

Activities sponsored in 2014:

- Millennium Technology Prize: the world's biggest technology prize, awarded to innovations that enrich people's everyday lives and promote sustainable development
- World Cultural Council Academic Summit: An event that supports universities in taking part in the creation of knowledge, jobs, and wellbeing in society

Supporting local sports and arts activities

Neste Oil promotes the dynamism of local communities by supporting sports and arts activities in locations where its operations are based. The company donated EUR 57,000 to local volunteer work associated with children and young people in 2014.

Activities sponsored in 2014:

- FC Futura: football club from Porvoo
- Summer Sounds in Porvoo: music event in Porvoo, where the company has a refinery
- Naantali Music Festival: music event in Naantali, where the company has a refinery
- Local volunteer work among children and young people

Charity in place of Christmas presents

Instead of giving Christmas presents to customers, Neste Oil has been making donations to various charities for several years. In an annual online poll, our stakeholders can decide how the donated sum gets divided between different recipients. In 2014, the recipients were Unicef, the Finnish Red Cross and Plan. The donation totaled EUR 15,000.

Sustainability ► Neste Oil Sustainable Way ► Climate and resource efficiency

Climate and resource efficiency

We aim to make more out of less! The best way to act for the good of the environment is to make material-efficient choices and operate in accordance with the conditions of the environmental permits.

Renewable diesel from waste to power over 1.7 million cars

Aiming to achieve capability to use only waste in renewable diesel production

A new pre-treatment unit in Porvoo

The new unit will significantly improve material efficiency.

Read more ▸

Oil refining is top class in material efficiency!

Challenging Finland to accelerate climate measures in the Climate Leadership Council

CO_2 → CO_2

What were our targets?	Achievements in 2014	What next?
Significantly increase the use of waste and residue feedstock	• Waste and residue accounted for 62.0% (52.6%) of our renewable inputs in 2014. • We added used cooking oil to our feedstock base.	• Our target is to reach the capability to use exclusively waste and residue in the production of renewable diesel by 2017.
Continue progressing towards our energy saving target (660 GWh by 2016)	• In 2014, we achieved 91% (80%) of the target set for 2016.	• Continue operations that will help us to achieve our energy saving target.
Improve energy efficiency through investments and enhanced refinery operations	• Measures executed in 2014 result in an annual energy saving of about 76 GWh.	• Continue improving energy efficiency by investments and developing refinery operating.
Reduce greenhouse gas emissions in our operations in a cost-effective manner	• We recovered 131,000 (156,500) tons of CO_2 at the Porvoo refinery. • We bought the first batches of crude palm oil that had been produced at a mill equipped with methane recovery. • We made an investment decision concerning the installation of a CO_2 recovery and liquefaction plant at the Singapore refinery.	• We continue identifying opportunities to reduce greenhouse gas emissions in our own operations.
Monitor changes in environmental legislation and permitting practices, and assess their potential impact	• We started the evaluation of our current operations in relation to the new Best Available Technology (BAT) requirements.	• Based on the review of the current situation, we will begin preparations for possible actions.
Comply with stricter environmental permit requirements	• We succeeded to operate within the terms of our environmental permits, except for separate incidents with minor impact.	• Continue operating within the terms of our environmental permits, and modify operations where needed to comply with new regulations.

Climate

Neste Oil aims to reduce traffic-related greenhouse gas and other emissions and contributes to combating climate change by producing cleaner traffic fuel solutions. The spearhead of the company's climate goals is reducing greenhouse gas emissions with the use of renewable diesel. We also continuously measure the emissions to air from our own operations and reports on them in detail. We also take part in curbing climate change through participation in organizations.

Read more about the emissions of Neste Oil's operations and their management

Involved in challenging Finland to take faster environmental action

In 2014, Neste Oil joined the Climate Leadership Council, which aims to enhance Finland's ability to seize the business opportunities provided by climate change and to ensure the sufficiency of natural resources. Other members include Sitra, Fortum, KONE, Outotec, Caverion, and ST1.

Read more about the Climate Leadership Council

Performance in carbon and forest footprint assessments improved

Neste Oil reports on its carbon footprint in accordance with the criteria established by the Carbon Disclosure Project, and forest footprint through the CDP Forest program.

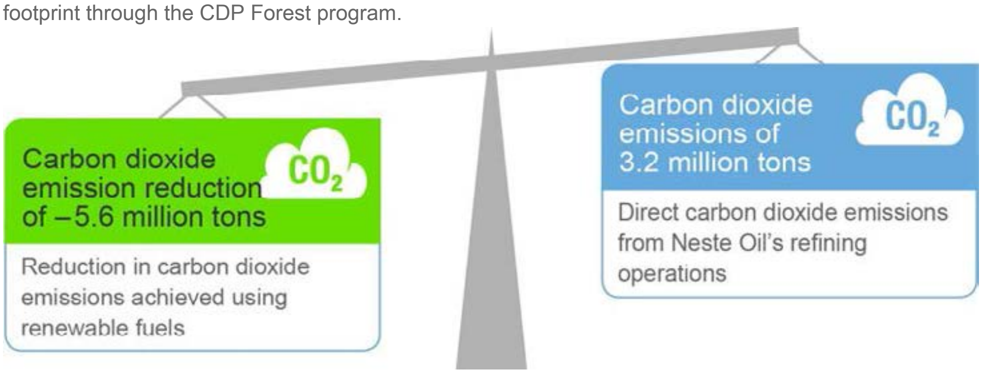
Our performance in terms of disclosure of information improved from 72 to 87 (scale of 0–100), which is a good result on the Nordic level. Climate performance is ranked A–E, and Neste Oil's classification improved from C to B.

The CDP Forest program measures the use of commodities that cause the risk of deforestation and how well companies are aware of the risks of their operations. We are one of the few companies in the energy industry to report through the CDP Forest program.

Read more about CDP and CDP Forest

Positive net climate impact

Neste Oil is one of the biggest emitters of carbon dioxide in Finland, but at the same time, our customers reduce emissions through the use of NEXBTL renewable diesel more than the amount caused by the company's entire production. The direct greenhouse gas emissions from Neste Oil's operations were 3.2 (3.6) million tons in 2014, and the reduction in emissions through renewable diesel produced by the company was 5.6 (4.8) million tons. The achieved reduction in emissions equaled approx. 48% of the annual greenhouse gas emissions of road traffic in Finland. In addition to growth in production volumes, the increase in the reduction of emissions was primarily due to increased use of waste and residues.



Energy efficiency

Neste Oil's goal is to reduce its energy consumption, particularly in refining and logistics. Enhancing cost efficiency and low-emission refining are key drivers for improving energy efficiency.

Energy consumption	2014	2013	2012
Total energy consuption, TWh	12.7	14.11*	14.24*
Fuels and natural gas (incl. own fuels used in energy production)	91.5%	91.4%	90.5%
Purchased electricity	6.1%	6.4%	6.9%
Purchased heat	2.4%	2.2%	2.6%

*Energy consumption figures from 2013 ans 2012 include also Neste Shipping.

Neste Oil is committed to Finland's national energy efficiency action program, which is designed to help combat climate change in line with Finland's national climate and energy strategy. Our national energy efficiency program covers the Porvoo and Naantali refineries and terminals in Finland. Our key target in Finland is to decrease energy consumption by 660 GWh by 2016. This is equivalent to the annual electrical energy needed to heat 35,800 homes, 120 m^2 and four family members (source: Vattenfall). As of the end of 2014, 91% (80%) of the energy-saving target set for 2016 has been achieved.

Monitoring energy efficiency at Neste Oil refineries

An international energy efficiency index is used as the measure for energy efficiency at Neste Oil's oil refineries in Porvoo and Naantali. The Porvoo refinery was given a value of 84.4 (84.0) in 2014, while the Naantali refinery received a value of 98.3 (96.3).

Due to differences in the refining process, the energy efficiency of our renewable fuel plants is measured by kW/ton of output. In 2014, the indicator score was 227 kWh/ton for the Rotterdam refinery and 239 kWh/ton in Singapore.

Development measures taken at our refineries in 2014 will result in an annual energy saving of approx. 76 GWh. Energy efficiency was mainly improved by operational actions, like changing the method of running the compressors at the Rotterdam refinery.

Energy efficiency improved in turnarounds

Refinery equipment is maintained and renewed in regular turnarounds. New equipment often features better efficiency ratios and insulation, which allows decreasing energy consumption. The turnaround at the Singapore refinery in 2014 included modifications of hot oil furnace and the replacement of heat exchangers.

The aim of the turnaround at the Porvoo refinery in 2015 is to deploy new crude oil distillation unit process furnaces. Their deployment is estimated provide annual energy savings of approximately 50 GWh. In addition, the waste heat boiler in the reforming unit will be replaced in the turnaround.

New utility management system facilitates more efficient use of energy

A new utility management system was introduced at Neste Oil's Porvoo and Naantali refineries in 2014. The new system's hourly process unit-specific monitoring allows for the more efficient use of utilities, such as electricity, steam, water or fuels used in energy production. The new system is an excellent tool whose consumption data make it possible to develop the processes and operations to be more cost and energy efficient. In the future, the goal is to review the possibilities for adopting the system in our other production plants as well.

Power plant project increases energy production efficiency and decreases environmental impact

Neste Oil is planning to make a EUR 250 million investment to renew power generation at the Porvoo refinery in collaboration with Veolia and Borealis. The power plant investment will increase the efficiency of energy production and mitigate environmental impact. The intention is to make a final decision on the project in spring 2015; the completion of the new power plant is scheduled for 2017.

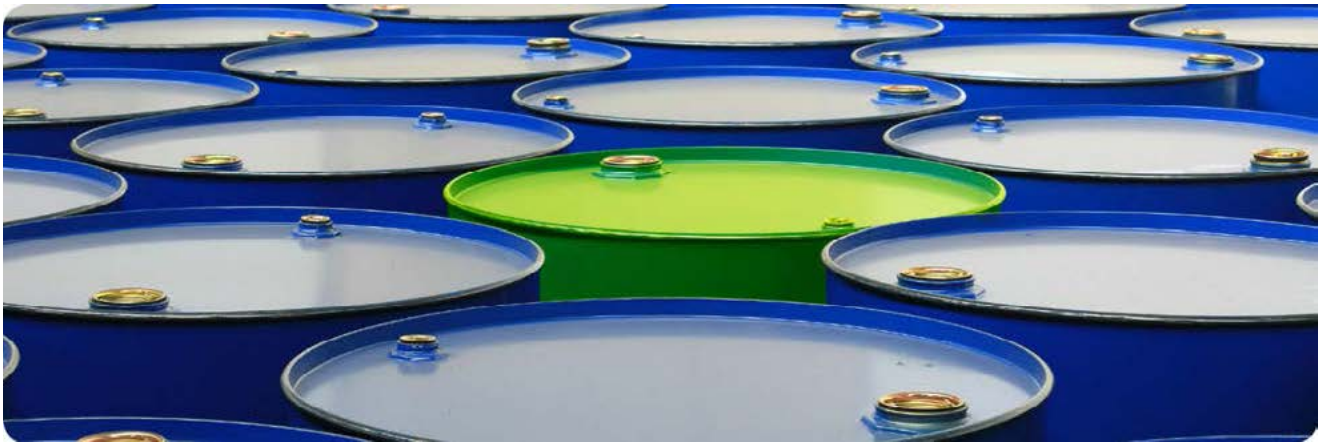
Energy efficiency in transportation and station network

The terminals used by Neste Oil's tanker trucks, together with the loads they carry, are designed to be as efficient as possible in terms of energy usage.

In addition to production, we have prepared energy efficiency programs for our station network in Finland, the Baltic countries, and Russia. The aim of the program in relation to the station yards in Finland is to reduce electricity consumption by 25% by 2020 in comparison to 2007 levels. New lighting technology is one of the means used in pursuing the savings. In 2014, we began a switchover to LED lighting at stations owned by Neste Oil in Finland. In 2015, the project will also cover the stations for heavy traffic and stations of owner-merchants. In the Baltic countries and Russia, the lighting changes aimed were almost completed in 2014.

The aim of the energy efficiency program for the station network in the Baltic countries and Northwest Russia is to reduce electricity consumption by 20% (6,800 MWh) compared to 2010 levels by 2020.

Material efficiency



Neste Oil aims to continuously improve its material efficiency. We seek new raw materials and actively develop our production to be more efficient.

Capability to use only waste and residues

Neste Oil aims to have capability to use only waste and residues in renewable diesel production by 2017. We have launched development projects at the Singapore and Rotterdam refineries to test whether waste and residual feedstocks of inferior quality can be utilized.

We have been able to significantly increase the usage of waste and residues. In 2014, waste and residues made up 62.0% (52.6) of the feedstocks of our renewable diesel.

Read more about our raw material use in 2014.

Increasing range of waste and residue feedstocks

We can use inferior animal and fish fat not suitable for human consumption and waste and residue streams of vegetable oil production, such as palm fatty acid distillate (PFAD). We procure waste feedstocks globally. In 2014, we expanded our waste feedstock range to include used cooking oil (UCO).

In 2014, we also tested the use of recycled lubricants as feedstock for traffic fuels. Previously, we have found that tall oil pitch is a suitable feedstock for traffic fuels. Tall oil pitch is waste whose utilization in the production of traffic fuels has not been possible until now; previously, it was disposed of through combustion. Neste Oil has a test license to utilize these raw materials until 2017.

Oil refining has top-class material efficiency!

Oil refining is highly efficient in terms of material usage, as virtually all raw materials used can be re-utilized. Crude oil can be utilized in a variety of ways, and a very small fraction goes to waste. The process also generates very little waste, as any product not meeting the quality requirements can be returned to the process and refined once more.

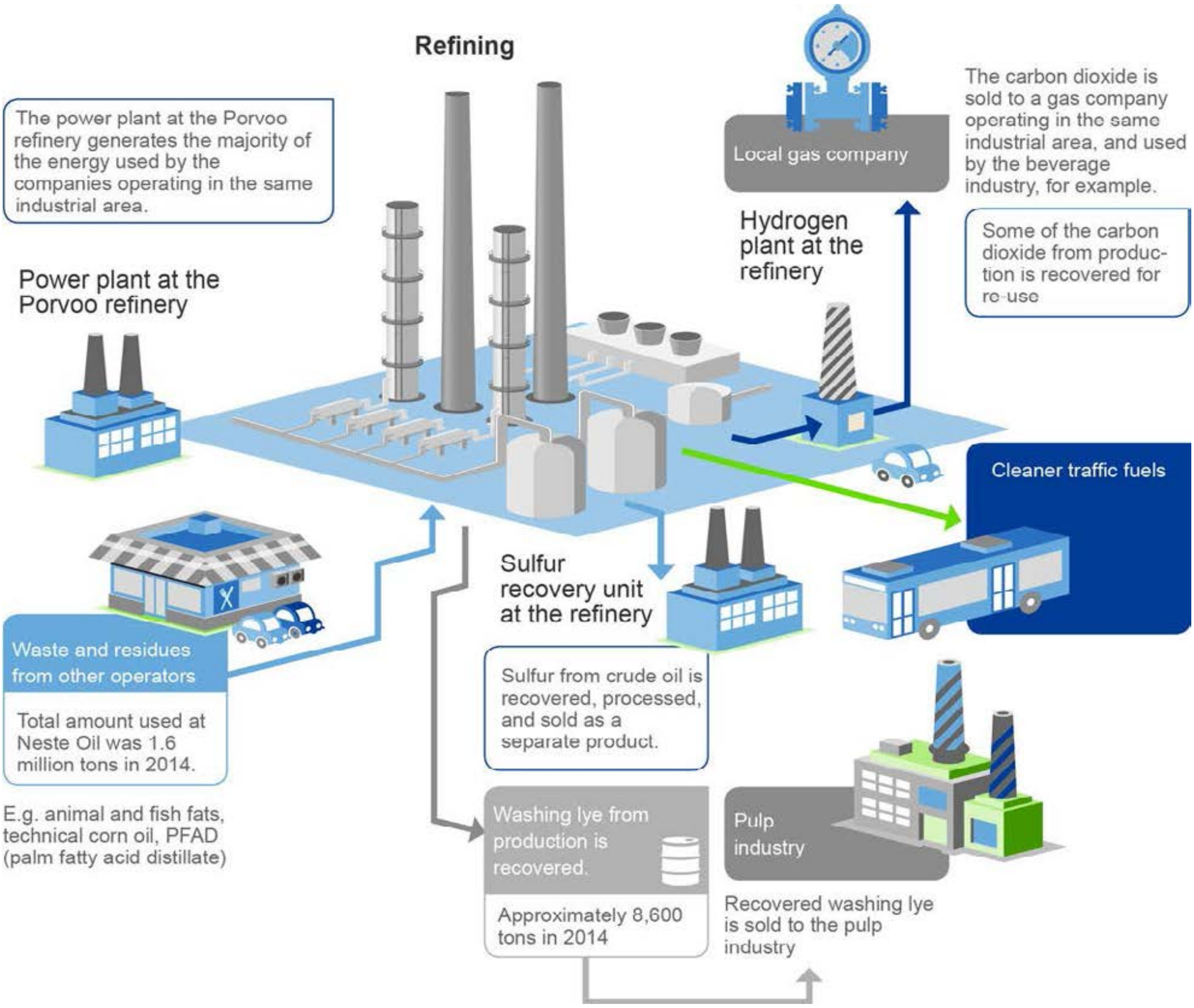
Material efficiency can be measured with the e-factor figure in which the weight of the waste generated is divided by the weight of the product output. The e-factor related to oil refining at Porvoo and Naantali refineries is under 0.01, while in the chemical industry, for example, the figure varies between 5 and 50. Similar efficiency is challenging to achieve in any other industry.

Biopropane production begins in Rotterdam – from a sidestream of renewable diesel into a new product

Neste Oil decided in 2014 to build a biopropane unit at its refinery in Rotterdam. The plan is to begin biopropane production by the end of 2016.

The biopropane production process utilizes sidestream gases from the production of NEXBTL diesel, from which propane will be separated for further use. Biopropane can replace the use of fossil fuels, thereby significantly reducing carbon dioxide emissions. The unit's biopropane production is expected to total 30,000–40,000 t/a. Biopropane is suitable for use in existing liquefied petroleum gas (LPG) applications. Neste Oil is the world's first company to make an agreement concerning the sale of biopropane.

Material efficiency in production, case Porvoo refinery



Case: Porvoo pre-treatment unit

More with less with the new pre-treatment unit!

In 2014, Neste Oil decided to build a new feedstock pre-treatment unit (SDA) at the Porvoo refinery. The new unit will significantly improve material efficiency, as it allows for the use of less external additional feedstocks. In diesel production, for example, the imports of vacuum gasoil will reduce by approximately 30%. Thus, more with less!

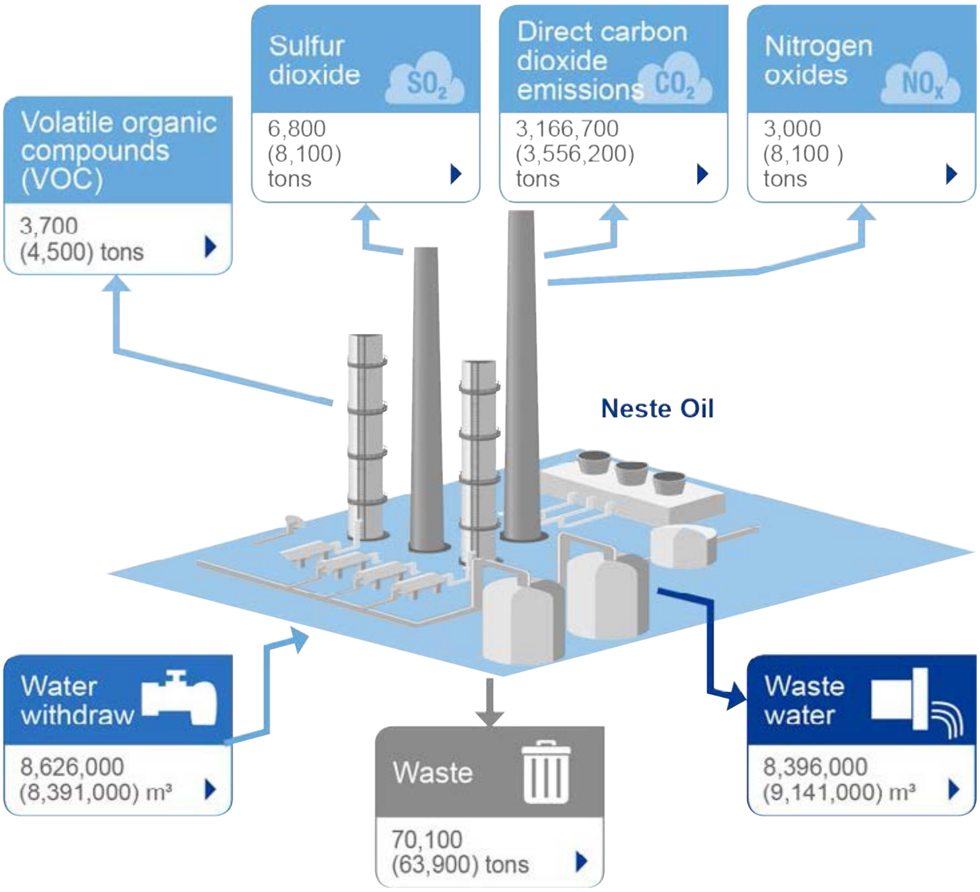
"With the new pretreatment unit, we can utilize crude oil more efficiently and produce products from a lower amount of feedstocks," says Varpu Markkanen, Business Development Manager at Neste Oil.

The lower need for feedstocks also translates into lower transport volumes.

"The decrease in transports naturally saves fuel and reduces their environmental impact," Varpu says.

The unit is estimated to be operational during 2017.

Operational environmental impact



Environmental and emission permits

The operations of Neste Oil's refineries in the European Union (Porvoo, Naantali, and Rotterdam) are regulated by statutory environmental permits issued by the local authorities in accordance with EU legislation. These place limits on the amount of emissions that can be released, for example, and set out requirements for reducing emissions, monitoring, and reporting. Neste Oil's refinery in Singapore is regulated by local environmental legislation. All Neste Oil refineries have valid environmental permits.

Environmental permit policy will incorporate the Best Available Technology (BAT) principle, under which the conditions of permits and the limits set out in them must be based on levels that can be achieved using the best available technology. Use of the BAT principle became compulsory in the EU during 2014, with a transition period of four years to make the changes required by the new regulations. Neste Oil has begun to assess its current operations in terms of the new BAT requirements.

Environmental permit-related incidents in 2014

Location	Event	Impact
Rotterdam	Waste water quality over 24 h emission limit value	Minor*
Rotterdam	Waste water quality over 24 h emission limit value	Minor*
Naantali	Waste water quality over emission limit	Minor*
Rotterdam	Waste water quality over 24 h emission limit value	Minor*
Porvoo	Vapor recovery unit out of use	Minor*
Kokkola	Vapor recovery unit out of use	Minor*
Rotterdam	Waste water quality over 24 h emission limit value	Minor*
Hamina	Obligatory reporting not done	No environmental impacts

*Minor = Emission did not result in damage to the environment.

In addition, during 2014 there were some disruptions at the sulphur units which resulted in increased sulphur emissions. In order to improve the reliability of sulphur units some actions will be taken in 2015.

Emissions trading

Carbon dioxide emissions released by Neste Oil's Porvoo and Naantali refineries come within the scope of the EU's Emissions Trading System. The renewable diesel refineries in Rotterdam and Singapore, in contrast, are not covered by the emissions trading scheme. Plants coming within the scope of the scheme require an emissions permit, and an independent third party annually verifies the monitoring carried out at Neste Oil's sites and the company's reporting. The Energy Authority granted new emissions permits to the Porvoo and Naantali refineries for 2013–2020.

Neste Oil procures the majority of the additional emission allowances it needs through the EU's Emissions Trading System. Some of its allowances have been covered through a commitment to invest a maximum of EUR 5 million in GreenStream's Climate Opportunity Fund; this investment will give Neste Oil access to at least 264,000 emission allowances for the 2013–2020 trading period. Companies operating in sectors susceptible to the risk of carbon leakage and meeting the reference level set by the EU also have the opportunity to receive free emission allowances. Not all installations have the possibility to receive free allowances. The number of free allowances is annually reduced during the 2013–2020 trading period following a decision by the European Commission.

Air

The major airborne emissions generated by Neste Oil's refining operations comprise carbon dioxide, nitrogen oxides, sulfur dioxide, volatile organic hydrocarbons, and particulates.

Direct, indirect, and consequential carbon dioxide emissions

The majority of Neste Oil's direct emissions (scope 1) of CO_2 are refining-related and generated at the Porvoo refinery. Refining-related CO_2 emissions are largely formed in energy generation, coke combustion, when burning fuel in fired heaters and in hydrogen production. Indirect CO_2 emissions (scope 2) are mainly produced when consuming grid electricity that Neste Oil buys to power its operations. The majority of the company's scope 3 emissions, not included in the direct or in-direct CO_2 emissions, are related to the end use of products sold by Neste Oil and the goods and services the company purchases.

Scope 3 emissions (t/a)	2014	2013	2014
	CO_2, tons	CO_2, tons	Change, %
Purchased goods and services*	4,900,000	4,600,000	10.0
Capital goods	Not relevant	Not relevant	0.0
Fuel- and energy-related activities	-	-	0.0
Upstream transportation and distibution	Not relevant	Not relevant	0.0
Waste generated in operations	Not relevant	Not relevant	0.0
Business travel	Not relevant	Not relevant	0.0
Employee commuting	Not relevant	Not relevant	0.0
Upstream leased assets	-	-	0.0
Downstream transportation and distribution	Not relevant	Not relevant	0.0
Processing of sold products	-	-	0.0
Use of sold products**	43,700,000	40,700,000	89.2
End-of-life treatment of sold products***	400,000	600,000	0.8

Scope 3 emissions (t/a)	2014	2013	2014
Downstream leased assets	Not relevant	Not relevant	0.0
Franchsises	-	-	0.0
Investments	-	-	0.0
Total	**49,000,000**	**45,900,000**	**100**

2013

* Purchased goods and services: The calculation includes fossil and renewable raw materials used in Neste Oil's production. The largest single source of feedstock-related greenhouse gas emissions comes from the production of the crude oil that Neste Oil buys. Secondary data was used to determine emission coefficients for crude oil and hydrogen. Other emission figures are based on actual emission coefficients, in accordance with the requirements of the Renewable Energy Directive (2009/28/EC). Emissions related to bought-in services and chemicals are not included in the figure. The emissions from services is considered low. The calculations of chemical-related emissions will be developed in the future.

** Use of sold of products: The calculation includes emissions generated during the use of products Neste Oil has sold from its own production. The calculation does not cover emissions generated during the use of products Neste Oil has bought and retailed. The majority of traffic fuel-related greenhouse gas emissions are generated when fuels are used in traffic.

*** End of life treatment of sold products: The calculation includes emissions generated during the end of life treatment of solvents, lubricants, and naphtha produced by Neste Oil. Literary sources have been used as end-of-life emission factors.

Increasing amount of CO_2 captured

Neste Oil's Porvoo refinery captures CO_2 produced during the refining process and sells the gas to a company located in the industrial area. A total of 131,000 (156,000) tons of CO_2 was recovered in 2014.

In 2014, we also started up the construction of a CO_2 capture and liquefaction unit at our renewable diesel refinery in Singapore. The unit is due for completion at the end of 2015. Once the plant is complete, it will process 40,000 tons of CO_2-rich gas to the capture unit.

Read more about the CO_2 capture unit in Singapore

Emissions to air in 2013 (t/a)	2014	2013	2012*
Direct carbon dioxide (CO_2) emissions/ scope 1			
Porvoo	2,769,000	2,882,500	2,826,800
Naantali	322,300	340,500	307,000
Rotterdam	67,200	55,600	57,300
Singapore	6,100	7,600	8,100
Marine transportation	- **	267,700	267,800
Others	2,100	2,300	2,700
Total	3,166,700	3,556,200	3,469,700

Emissions to air in 2013 (t/a)	2014	2013	2012*
Indirect carbon dioxide (CO_2) emissions/ scope 2			
Porvoo	206,500	218,700	214,500
Naantali	66,600	65,500	65,600
Rotterdam	64,000	63,200	104,900
Singapore	57,100	71,300	76,000
Others	24,700	25,800	28,200
Total	418,900	444,500	489,200
Volatile organic compounds (VOC)	3,700	4,500	5,200
Nitrogen oxides (NOx)	3,000	8,100	8,600
Sulfur dioxides (SO_2)	6,800	8,100	8,200
Particulates	220	400	540

* Figures from 2012 have been updated after the reporting period.
** Neste Oil sold its own fleet in 2014.

Considerably less volatile organic compound emissions to air

A vapor recovery unit was commissioned at the Porvoo refinery harbor at the beginning of 2014, making it possible to recover volatile organic compounds (VOC) released into the air during the loading of light products. The vapor recovery unit will cut Porvoo harbor VOC emissions to approximately one-third. As a result of the lower emissions, the employees of the harbor will also have a healthier working environment. The diffuse VOC emissions monitored at Rotterdam refinery were very low in 2014.

Reducing NO_x emissions succeeded at Porvoo refinery

Nitrogen oxide (NO_x) emissions from Neste Oil's refining operations during 2014 were 2,400 tons and sulfur dioxide emissions (SO_2) 6,600 tons. Measurements did not identify any cases where threshold limits were exceeded.

The Porvoo and Naantali refineries, which concentrate on conventional oil refining operations, are Neste Oil's only major sources of sulfur dioxide emissions. At the refineries, sulfur dioxide emissions are controlled and reduced by recovery plants and by using gas rather than oil in furnaces and fired heaters.

Catalyst changes succeeded in reducing NO_x emissions by approximately 70% in the gasoline production unit at Porvoo refinery. The gasoline production unit is one of the largest individual sources of NO_x emissions at Porvoo refinery, so the achieved reduction in emissions is also significant from the point of view of the overall emissions of Porvoo refinery.

SO_2 emissions from the Naantali refinery can be monitored with the analyzers that are installed in the main stacks. Due to the low utilization rate of the refinery, SO_2 emissions were low in 2014.

Air quality measurement system renewed in Porvoo

Neste Oil monitors ambient air quality throughout the Kilpilahti area. Air quality measurements are made at three measurement stations in the Kilpilahti and Porvoo area, and they aim to investigate the impacts of industrial emissions on air quality. In 2014, we renewed the air quality measurement system. The system is more reliable than the previous one and meets the current requirements for the availability of air quality measurement data.

Taking part in developing ways to reduce methane emissions in palm oil production

The production of palm oil, one of the feedstocks of renewable diesel, generates a lot of organic material that decomposes into methane and carbon dioxide over time. In 2014, we took part in development work to promote the adoption of various methods to reduce methane emissions at palm oil mills. Currently, only a fraction of the mills have methane recapture systems.

We do not own any palm oil plantations or mills, but we are actively engaged in distributing know-how through diverse visits and training schemes and by investigating means of funding recovery systems.

Water

Water and steam are used in Neste Oil's refining operations. The refineries' water consumption is constantly monitored in terms of parameters such as water usage and its efficiency, and cooling water and wastewater management. No direct targets for water usage have been set, as usage forms an integral part of refining processes, safety, and energy consumption. Nevertheless, we aim to minimize water consumption whenever possible, especially when doing maintenance and reconstruction.

We also take water issues into account when selecting renewable inputs and suppliers. The company's palm oil suppliers, for example, are required to engage in regular water usage monitoring. Our experts also actively monitor water research related to different crops and agricultural areas.

	2014	2013	2012
Water usage *) (m^3/a)	8,626,000	8,391,000	7,430,000
Wastewater (m^3/a)	8,396,000	9,141,000	9,904,000

*) Excluding cooling water

Where does the water we use come from and where does it go?

The sources of the water Neste Oil uses are:

- the River Maas in Rotterdam
- the River Mustijoki in Porvoo and
- the River Kokemäenjoki in Naantali.

In Singapore all consumed water is purchased from local water and steam providers. Original water sources are recycled wastewater, desalinated seawater, harvested rainwater, and surface water purchased from Malaysia.

Water balance calculations have been produced for Neste Oil's refineries covering the inputs and outputs at these sites and the volumes of their most important water flows.

Read more about the water cycle on our website.

Wastewater treatment at Neste Oil's refineries

Treated wastewater is discharged into waterways at the Porvoo, Naantali, and Rotterdam refineries. Before being discharged into waterways, all wastewater passes through on-site treatment plants featuring physical-chemical and biological processes. Following pretreatment, wastewater from the Singapore refinery is directed into a local Public Utilities Board treatment plant. The pre-treatment of wastewater discharged to sewers was enhanced in Singapore in 2014, and the measures will continue in 2015.

New aerators for chemical and biological treatment were installed at the Naantali wastewater treatment plant at the beginning of 2014, increasing the effectiveness of the wastewater treatment process. In addition, a project to increase wastewater treatment buffer capacity is underway at the Naantali refinery. The project began in 2014 and will be completed in spring 2015. The buffer capacity will be increased by converting an old oily water storage tank into a buffer tank. Modernization was carried out at the Porvoo refinery wastewater treatment plant in 2014.

Waterborne emissions (t/a)*	2014	2013	2012
Oil	1.4	1.4	3.6
Chemical oxygen demand (COD)	392	497	306
Nitrogen	44	49	49
Phosphorus	1.9	1.4	2.5

* The figures concern Neste Oil's Porvoo, Naantali and Rotterdam refineries from which treated wastewater is discharged into waterways.

Regular monitoring of waterways

Neste Oil has monitored the water quality of the sea areas off its refineries in Finland for many years in collaboration with outside experts. Monitoring covers water quality, the organisms found on or near the seabed, and local fisheries. The authorities are responsible for monitoring marine conditions in Rotterdam, and the operator of the wastewater treatment plant in Singapore.

In 2014, a survey of the spreading of wastewater and its impact on water quality in the sea area in front of the refinery was carried out at the Porvoo refinery. The results indicated that impacts mainly concern the waters of the port. A new method with which the impacts of wastewater could be investigated from the bottom sediment to surface water was employed.

The emission limits of wastewater measured at the Rotterdam refinery was exceeded twice during 2014, but no significant environmental impact occurred.

Soil and biodiversity

Neste Oil continuously monitors the groundwater and soil at its refineries in Finland, and strives to prevent contamination as a result of its operations. Immediate action is taken in cases of spills or releases.

Groundwater monitoring and reporting of any cases where soil becomes contaminated are required under the environmental permits covering Neste Oil's refineries and most retail stations in Finland. Our other refineries are also able to prepare soil reports. The renewable refinery sites in Rotterdam and Singapore were thoroughly surveyed prior to their construction, and there was not nor have there been any significant indications of contamination.

A soil investigation is always carried out at the Porvoo and Naantali refineries whenever construction work is undertaken, and any contaminated soil is removed for treatment. Our refineries also have long-term soil response programs in place to remove contaminants from the soil in storage tank areas during maintenance work on containment dikes. A containment dike is a secondary reservoir surrounding a tank with the aim of protecting the surroundings in case of an incident. The containment dike response program at the Porvoo refinery will continue until 2019. In Naantali, a corresponding program is due to run until 2028. With such response programs, we improve our environmental and people safety.

Our objective is that no contaminants migrate out of our sites via groundwater. Groundwater monitoring has taken place at the Porvoo and Naantali refineries and the Hamina terminal since the 1990s, and a groundwater monitoring program is in place at the base oil plant in Bahrain, in which Neste Oil owns a minority.

The City of Helsinki made a claim for Neste Oil to pay for cleaning up marine sediments adjacent to the old oil harbor at Laajasalo in 2013. We have responded negatively to the claim, as the soil on land was cleaned up in 2004 and 2010 to the satisfaction of the City. Neste Oil used to have a fuel storage facility and lubricant plant in the area. Investigation of the matter will continue in cooperation with the authorities.

Retail stations are also included in the scope of soil monitoring

We also monitor the condition and quality of the soil in and around Neste Oil's retail stations. Soil studies are carried out when stations are closed or major modification work is carried out.

Our stations automatically send an alarm in the event of an incident to an external service provider, who is responsible for immediately responding and investigating the situation. In 2014, the remote monitoring system covered 75% of the company's stations. We continuously aim to increase remote monitoring.

A new multi-layer technical structure for secondary containment was introduced at several Neste Oil stations in 2014 located in groundwater protection areas to even better protect the groundwater and soil at these sites.

Natural soil clean-up work began in Kajaani

An oil leak took place in spring 2012 at the National Emergency Supply Agency's oil storage facility in Kajaani that is operated by Neste Oil. The experts consulted estimated that the size of the contaminated area had decreased to approximately 5% of the original area in 2014. Most of the oil has evaporated or naturally biodegrated, and a risk assessment of the area came to the conclusion that rapid clean-up is not called for. Instead of remediation by excavation, the Kainuu Centre for Economic Development, Transport and the Environment (ELY Centre) approved Neste Oil's proposal for Monitored Natural Attenuation (MNA) of the soil in spring 2014. The MNA, started in June 2014, is to be monitored until 2017. In 2014, the Finnish Environmental Institute carried out the analyses and monitoring in the MNA project.

We promote a diverse natural environment at production sites

Nature conservation areas or protected sites are located close to the Porvoo and Naantali refineries, such as the Stormossen bog (75 hectares), which is part of the European Natura 2000 network of nature conservation sites, and the Vanto rare oak tree area in Naantali. We always take areas such as these into account in our operations and strive to protect them alongside the rest of the environment around refineries.

There are no areas of protected forestland in the vicinity of Neste Oil's refineries in Rotterdam or Singapore.

Uninterrupted, incident-free refinery operations are the best way of reducing the impact of Neste Oil's activities on the environment, as emissions into the water, the air and the soil from our refineries stay minimal during normal operations.

Case: Bioindicators

case Bioindicators highlight the health of the environment

In 2014, Neste Oil's Porvoo refinery was once again included in the Uusimaa region bioindicator survey to investigate air quality and the ecologic state of the environment. These surveys have been carried out once every five years at the Porvoo and Naantali refineries since the 1980s.

Bioindicators refer to species, such as lichens and mosses, whose structure or growth changes due to impurities in the air.

The state of the environment has improved compared to previous decades

According to the bioindicator surveys carried out close by Neste Oil refineries, the state of the environment has clearly improved in spite of the growth in traffic and population levels compared to the 1980s and 1990s. In particular, sulfur recovery at the Porvoo refinery has improved air quality and also reduced tree needle loss. In addition, the ambient air sulfur dioxide concentrations observed at all of Neste Oil's continuous measurement stations in 2014 were clearly below the air quality limit values.

"The amount of lichens has increased, and the number of areas with impoverished lichen species diversity has decreased. On the other hand, obvious damage was observed in lichen species growing in the vicinity of the Porvoo refinery," says Juha Heijari, Environment Specialist at Neste Oil.

Nitrogen emissions have decreased even though growth in traffic and population levels does expand the possible area of impact.

"We aim to continuously reduce air pollutant emissions of our own operations and to develop products to minimize climate impact," Heijari says.

In all, the state of bioindicators is better in the Porvoo region than the Uusimaa region on average.

Waste

Waste (t/a)*	2014	2013	2012**
Conventional waste	12,100	11,900	13,000
Recycled waste	33,800	33,100	59,000
Hazardous waste	24,200	18,900	14,100
Total	**70,100**	**63,900**	**86,100**

* Excludes contaminated soil

** Figures for 2012 have been updated after the reporting period.

Refining waste

The majority of Neste Oil's waste, over 90%, is refining-related and generated at the company's refineries. The company's goal is to steadily reduce the amount of operating waste and to promote waste recycling. Waste management at Neste Oil's refineries is continually being developed and aims to identify new ways of making use of waste and residues. The primary goal is to recycle waste as material, and secondarily to use it for energy purposes.

The majority of the waste generated at the Rotterdam refinery is organic in nature and is exported off-site for use as compost or in the production of biogas. In addition to general waste, the Singapore refinery generates other types of waste, primarily spent bleaching clay, sludge, and oil-contaminated water, which is sent out for treatment to external licensed waste collectors in line with local legislation. Part of the spent bleaching clay is sent to incineration and part of it is sent for compost.

Reusing packaging

The majority of the products produced by Neste Oil are delivered to customers in bulk in dedicated tanks, rather than in consumer packaging. A number of products intended for consumers – such as lubricants, anti-freeze, windshield wash fluid, and bottled gas in Finland – are supplied in retail packaging. The packaging used for these products is covered by Finland's statutory recycling regulations. Neste Oil handles its packaging recovery obligations in this area through an agreement with the Environmental Register of Packaging PYR Ltd., which manages recycling on a centralized basis.

A plastic collection pilot was begun at the Porvoo refinery in 2014, collecting all plastic waste generated at the refinery's supply store and investigating reuse opportunities for it.

Office waste

Paper waste is collected and recycled at all Neste Oil offices. The company's single largest office, the head office in Espoo, has been involved in the WWF's Green Office program since 2008. Neste Oil has set an annual goal to reduce their amount of mixed and secure ICT waste by 5%. In 2014, we were able to reduce mixed convential waste by approx. 7% and secure IT waste by 19%.

The principles behind the Green Office program are also followed at the company's offices in Porvoo whenever possible.

Waste volumes at Neste Oil's head office (t/a)	2014	2013	2012
Mixed conventional waste	7.4	8.0	7.6
Secure ICT waste	25.2	30.9	29.2

The amount of waste decreased considerably – landfill site was closed down as unnecessary

This is something you wish you would hear more often; the amount of waste decreases so significantly that a landfill site can be closed down as unnecessary! This is what happened in Sipoo, when the Mömossen landfill, governed by Itä-Uudenmaan Jätehuolto, was closed down in 2007.

The amount of waste decreased by 90 per cent!

From the mid-1990s, Neste Oil used to deliver its industrial waste for a decade to the Mömossen landfill, where there was a separate site for industrial waste. Over the years, the waste formation was able to be prevented more and more and when Neste Oil also managed to improve the efficiency of recycling, the amount of landfill waste started to decrease.

"Our calculations showed that the landfill waste had decreased by about 90 per cent since the 1990s! With the development, we considered the landfill an unnecessary and expensive solution and decided to find a new solution for the final safe disposal of our waste. We deliver hazardous waste to Ekokem for treatment. Currently, we accumulate, in fact, only about 10 per cent of the amount of waste we did a decade ago!" says environmental specialist Kai Larnimaa at Neste Oil.

From a landfill to a landscaped area

After the Mömossen landfill was closed down, the area was landscaped. Neste Oil is committed to pay for the follow-up monitoring of the landfill site for 30 years. The follow-up monitoring ensures that the old landfill does not cause any hazards to health or the environment.

Sustainable supply chain

We aim to set a new standard for the sustainability in the supply chain. We will do so by utilizing voluntary and proactive ways that support the growth of our business. Our sustainability criteria for the renewable raw material suppliers are extremely strict.

40,000 smallholders in the supply chain

We know the origin of all our renewable raw materials

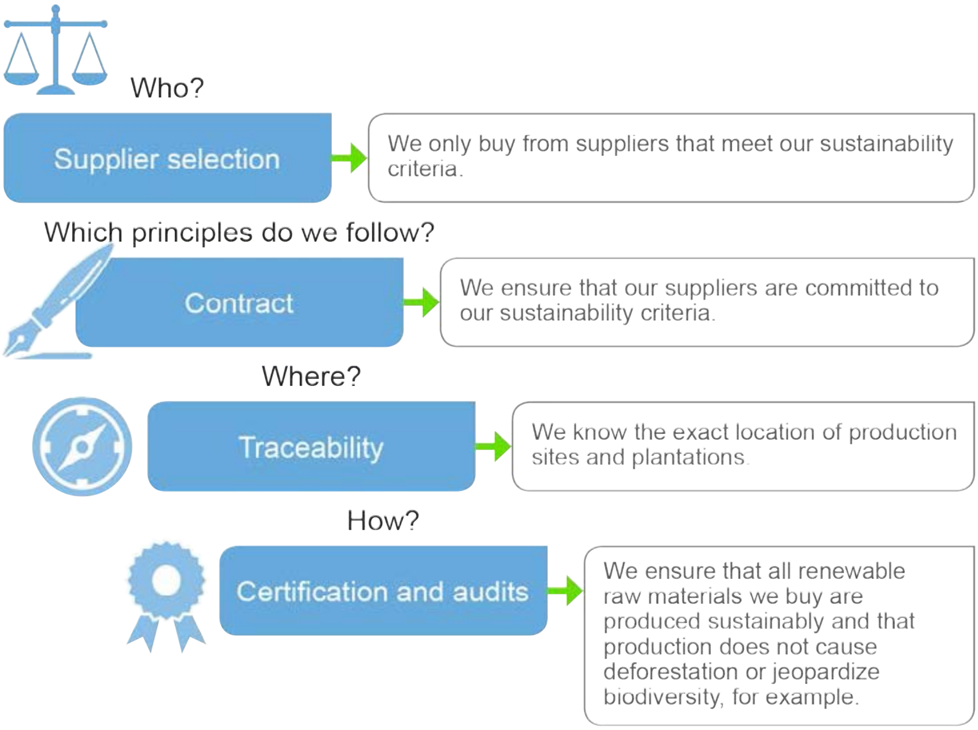
Making palm oil more sustainable – cooperation with TFT advances
Neste Oil cooperates with an organization focused on preventing deforestation.
Read more ►

No-Deforestation collaboration with TFT proceeds

The share of waste and residues was 62% of total renewable feedstocks

What were our targets?	Achievements in 2014	What next?
100% of the crude palm oil we use is certified	• 100% of the crude palm oil used was certified in 2014.	• Continue using only certified crude palm oil also in the future.
All the renewable raw materials we use can be traced back to their origin	• All the renewable raw materials we used could be traced back to their origin. • In cooperation with TFT, we reviewed the operations of palm oil plantations that are not included in our own supply chain, but which make deliveries to mills that are included in our supply chain.	• Ensure the continued traceability of our renewable inputs.
Develop how we monitor the carbon footprint of fossil fuels	• We familiarized ourselves with the emission data of our most important crude oil suppliers, and began cooperation in this area.	• Extend cooperation with selected crude oil suppliers.

Ways to ensure sustainability in supply chain



Supplier selection

- A due diligence assessment is carried out on all potential suppliers. This assessment with three phases includes a credit review, security and reputation review, and sustainability review. Assessment covers areas such as:
  - Governance, corruption, legal cases, possible suspected criminal activity
  - Operating practices and policies
  - Background information of plantations and facilities
  - Potential concerns highlighted by NGOs
- The decision whether the supplier meets Neste Oil's requirements is made based on the assessment.

Contract

- We require our palm oil suppliers to be members of the RSPO (Roundtable on Sustainable Palm Oil). Members commit themselves to acting sustainably in areas such as respecting human rights and protecting rainforest areas.
- Suppliers must also commit themselves to Neste Oil's own strict sustainability criteria, including its:
  - Sustainability Policy, Sustainability Principles for Biofuels, and No-Deforestation and Responsible Sourcing Guidelines
  - Sales contracts include strict terms and conditions covering the sustainability of suppliers' operations

Traceability

- All the renewable raw materials used by Neste Oil are traced back to the plant or plantation.
- Neste Oil has detailed maps of its suppliers' plantations and historical data on the use of these plantations.

Certification and audits

- All of Neste Oil's renewable products have comprehensive documentation covering the entire supply chain that can be used to verify the sustainability of its production.
- Certifications and audits are used to verify that:

– Production is not linked to cultivation in disputed areas (such as high carbon stock areas and rainforests).

– The GHG reduction offered by products over their entire life cycle is calculated correctly.

– Biodiversity or endangered species are not jeopardized as a result of production.

– Production is not linked to land seizures.

– Human rights are not infringed.

Legislation and market requirements

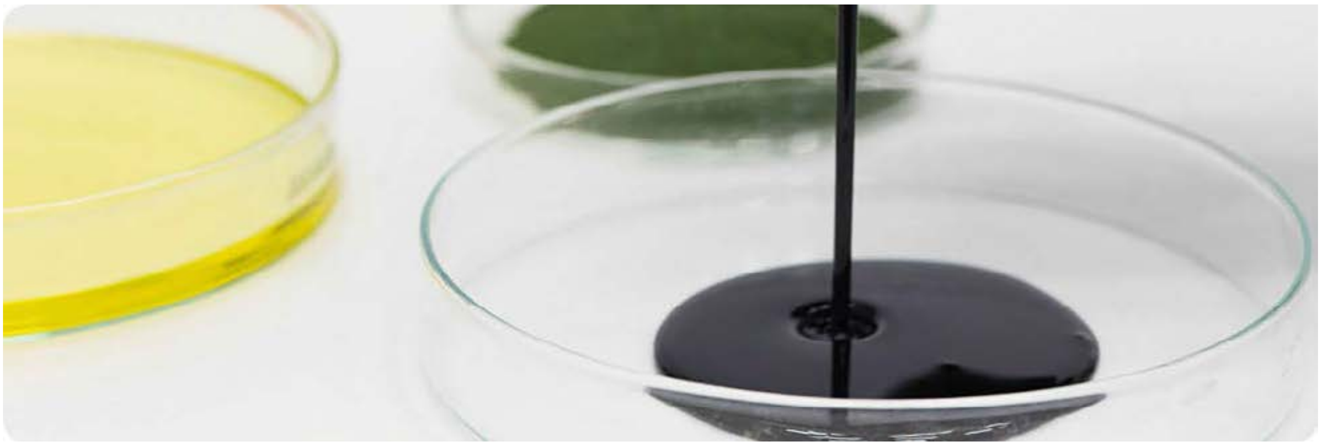
The production of renewable fuels is strictly regulated by EU legislation. The most significant from the production point of view is the Renewable Energy Directive (RED), which requires producers of renewable fuels to show that:

- Feedstocks can be traced back to where they were grown or to the plant where they were produced.
- The product results in a minimum 35% reduction in greenhouse gas emissions over its life cycle compared to fossil fuels. This will increase to a minimum of 50% from 2017 onwards.
- Sustainability criteria are met throughout the supply chain.

Biofuel legislation in the US also requires that raw materials can be traced back to where they were grown or produced. To comply with the criteria established for advanced fuels, a product must be capable of yielding a greenhouse gas emission reduction of at least 50%. Refineries producing renewable fuels must also be approved by the Environmental Protection Agency (EPA) before they can supply renewable fuel to the US market. All of Neste Oil's renewable fuel refineries are EPA-approved.

Read more about the traceability of Neste Oil's renewable raw materials.

Raw material use 2014



Neste Oil uses both fossil and renewable raw materials in its production. Sustainability is an important factor guiding our procurement of raw materials. We only source responsibly produced renewable materials that can be traced back to where they were grown or produced.

Most fossil raw materials come from Russia

The majority of the crude oil used by us comes from Russia. The proportion of Russian crude compared to our total crude oil purchases was 72% (81%). 68% (72%) of all the fossil feedstocks used at our refineries were sourced from Russia.

More than ten renewable raw materials in the portfolio

Our proprietary NEXBTL technology allows the use of almost any vegetable oil or waste fat in the production of renewable diesel.

Waste and residue materials suitable for renewable diesel production:

- waste animal fat
- waste fish fat
- vegetable oil fatty acid distillates, such as palm fatty acid distillate (PFAD)
- technical corn oil
- used cooking oil
- spent bleaching earth oil

Vegetable oils suitable for refining renewable diesel:

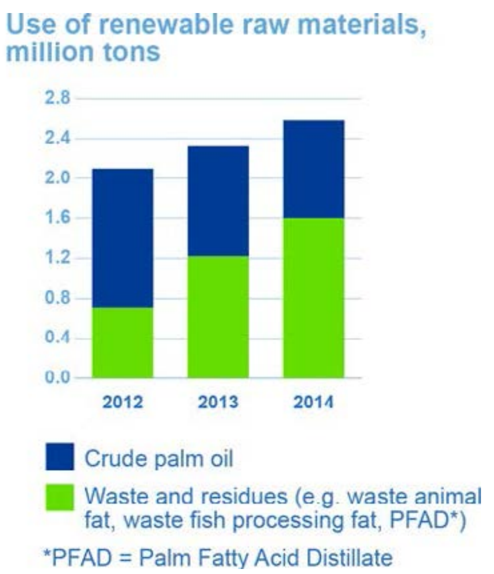
- crude palm oil
- rapeseed oil
- soybean oil
- jatropha oil
- camelina oil

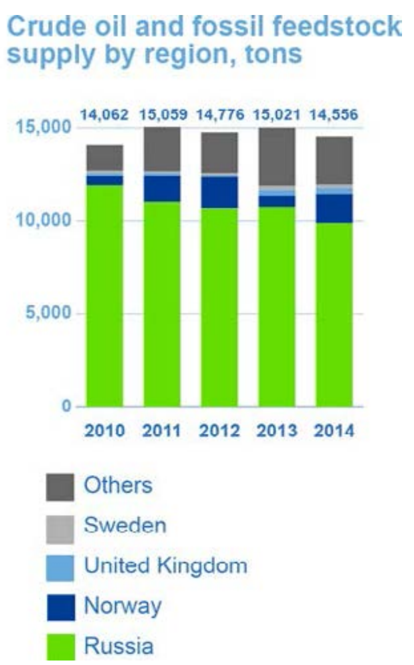
Proportion of waste and residues in raw material usage is increasing

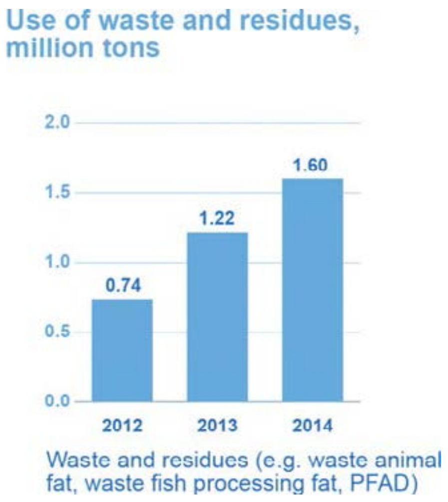
In 2014, the volume of raw materials used by us in refining renewable diesel increased along with increased production volumes and totaled 2.6 million tons (2.3). The proportion of waste and residues of the total usage of raw materials increased on the previous year and was 62.0% (52.6%). In 2014, we expanded our waste and residue raw material base with used cooking oil.

Use of renewable raw materials, % and Mt

Feedstock	2014	2013	2012
Crude palm oil	38.0% (0.97 Mt)	47.4% (1.1 Mt)	64.5% (1.36 Mt)
Waste and residues (e.g. waste animal fat, waste fish fat, vegetable oil fatty acid distillates, such as PFAD, technical corn oil)	62.0% (1.60 Mt)	52.6% (1.22 Mt)	35.1% (0.74 Mt)
Other types of vegetable oil (e.g. rapeseed and camelina oils)	0.0% (0.00 Mt)	0.0% (0.0002 Mt)	0.3% (0.0007 Mt)
Total	2.57 Mt	2.32 Mt	2.11 Mt







Sustainability ► Neste Oil Sustainable Way ► Sustainable supply chain ► Raw material suppliers

Raw material suppliers

Renewable raw materials directly from producer companies

Neste Oil sources the renewable raw materials it uses mainly directly from producer companies without intermediaries. We do not own any plantations growing these materials or operate any plants producing them. Renewable raw materials were sourced from a total of 38 (45) suppliers during 2014.

In 2014, we sourced crude palm oil from a total of six (8) suppliers, including Wilmar, Golden Agri, Asian Agri, and IOI Group. In addition, we purchased palm oil from approximately 40,000 (54,000) smallholders organized as cooperatives in Indonesia.

We aim to continuously increase the share of waste and residues in the total use of renewable raw materials. During the year, we sourced waste and residues from a total of 38 suppliers.

Majority of crude oil from Russia

Neste Oil primarily sources fossil crude oil from Russia. Most of the crude oil used by us is supplied to our refineries via the Primorsk oil terminal in Russia. The oil is transported to Primorsk via a pipe network carrying oil from oil fields located around Russia. In 2014, we also sourced crude oil from Kazakhstan, Norway, United Kingdom, Denmark, and North Africa. We had a total of 25 (22) crude oil suppliers in 2014.

Read more about the traceability of Neste Oil's raw materials.

Being selected as a supplier is not to be taken for granted - strict criteria used when selecting suppliers

Neste Oil decides which raw material suppliers it uses in accordance with its Supplier Compliance principles. All raw material suppliers are required to pass a due diligence process as part of the selection. Due diligence assessments are also carried out on existing suppliers if they add a new raw materials to their offering or if there is a significant change in the supply chain. Neste Oil did due diligence assessments on 39 suppliers of renewable raw materials in 2014. Two suppliers were rejected.

Suppliers also go through a security check conducted by our Security Unit. Security checks review areas such as good governance, corruption, unresolved legal claims and other possible factors that might contravene Neste Oil's policies and principles. We give suppliers the opportunity to correct shortcomings in their operations that are revealed during the security check process.

In addition, a comprehensive sustainability survey of potential suppliers is carried out as part of the selection process, covering areas such as operating practices and policies, a supplier's ability to certify its production and any concerns that NGOs might have about their activities.

After selection, we continue monitoring our feedstock suppliers. Certified suppliers are annually audited by an independent, third-party body, and also we review the supply chain and its sustainability as part of our own suppliers audits.

Absolute commitment to sustainability principles is required

We require all of our palm oil suppliers to be members of the RSPO (Roundtable on Sustainable Palm Oil), which requires its members to commit themselves to respecting human rights and protecting rainforest areas. Suppliers must also commit themselves to our Sustainability Policy, Sustainability Principles for Biofuels, and No-Deforestation and Responsible Sourcing Guidelines for Renewable Feedstock.

Read more about Neste Oil's No-deforestation and Responsible Sourcing Guidelines for Renewable Feedstock.

Traceability

All of the renewable raw materials used by Neste Oil are traced back to the plantations and production plants from which they originate. Vegetable oils are traced back to plantations and waste and residues to the place they are produced, typically production facilities. Traceability ensures that renewable raw materials are sustainably produced and that production has not infringed anyone's human rights or endangered rainforests or carbon-rich areas, such as wetlands and peat land.

Palm oil only from carefully selected plantations

Neste Oil sources crude palm oil directly from carefully selected producer companies without intermediaries. The avoidance of intermediaries provides us a better understanding of the origin of raw materials than is custom in the industry.

In 2014, we sourced crude palm oil from 212 (212) plantations an 57 (65) mills. Our agreements specify all of the plantations that deliver crude palm oil to us. We know the exact locations of all plantations included in our supply chain, as well as their history. Our suppliers' operations are not located on protected land, nor do they have plans to extend their operations. None of the plantations in our supply chain are involved in open land disputes.

Cooperation with TFT has advanced to field verifications

We began cooperating with TFT (The Forest Trust), an organization focused on preventing deforestation in 2013. The cooperation aimed at developing the sustainability of the palm oil industry has proceeded to field verifications and workshops with palm oil suppliers. The workshops arranged in 2014 reviewed the gaps and risks observed in the risk assessment concerning our palm oil suppliers conducted by TFT. The risk assessment was completed in early 2014. In the workshops the suppliers were advised on how to establish policies and principles and how to implement sustainable procedures.

Read more about the progress of the TFT collaboration.

Methods used in tracing renewable feedstocks

Neste Oil uses the mass balance and segregation methods approved by the EU and US authorities for tracing renewable raw materials. When palm oil is sourced by using the mass balance principle, it is possible that the certified palm oil purchased by us may become mixed with raw materials purchased by others at mills or coastal storage facilities. However, the total amount of certified raw material purchased by us is verified by using accurate accounting. This ensures that we always receive the amount of certified palm oil that we have contracted for. An independent third party verifies the correctness of the mass balance system. Feedstock batches are physically monitored throughout their journey from the plantation to the customer, and all of the supply chain phases are documented.

In comparison to mass balance, when using segregation method our palm oil never comes into physical contact with raw materials purchased by other buyers.

Tracing the origin of crude oil

Neste Oil does not engage in oil exploration or production, and as a result we only have limited potential to influence crude oil production. To ensure the quality and sustainability of the crude oil we use, we aim to employ as direct supply chain as possible. We know the country of origin and typically the production areas of the crude oil that we buy. We closely monitor the environmental reporting of crude oil producers and are engaged in dialogue with a number of major producers about the sustainability of crude production.

Countries of origin of raw materials used in production in 2014

Feedstock	Origin
Crude palm oil	Malaysia and Indonesia
Waste and residues (e.g. waste animal fat, waste fish fat, vegetable oil fatty acid distillates, such as PFAD, technical corn oil, spent bleaching earth oil)	Australasia, South America, Europe, Southeast Asia, North America
Other types of vegetable oil (e.g. rapeseed and camelina oils)	South and North America, Europe
Crude oil	Russia, Kazakstan, Norway, United Kingdom, Denmark, and North Africa

Case: Cooperation with TFT

Making palm oil more sustainable – cooperation with TFT advances

In 2013, Neste Oil started cooperating with TFT (The Forest Trust), an organization focused on preventing deforestation. The aim of the cooperation is to develop sustainable production of palm oil in the entire industry.

First risk assessment done – no high risks found

TFT completed a desktop risk assessment analysis of Neste Oil's palm oil suppliers in early 2014. The assessment was done on the basis of public sources, procurement information provided by Neste Oil, and information received from palm oil suppliers. The results of the risk assessments were reviewed with individual suppliers.

"The TFT gave us positive feedback on our supply chain management, and the survey found that the risks related to deforestation or other sustainability-related matters are not high, and our suppliers are highly willing to cooperate in order to make the industry better," says Adrian Suharto, Sustainability Manager, Singapore.

Cooperation proceeds – field verifications and workshops

Based on the risks and gaps between the current and the eligible situation found in the risk assessment, field verifications were conducted at specific palm oil mills in 2014.

Where gaps and risks were identified, there were also workshops arranged with the suppliers.

"In the workshops the suppliers are given recommendations on how to move forward with establishing policies, sustainable procedures and principles. They are also guided to create an appropriate implementation plan within a schedule designed just for their operations", says Adrian.

The issues addressed in the workshops were based on Neste Oil's No-Deforestation and Responsible Sourcing Policy. We published our No-Deforestation and Responsible Sourcing Policy in 2013. From our suppliers Wilmar and GAR have also published their own policies similar to ours, but also our other palm oil suppliers have plans to establish sustainability policies.

Important to engage stakeholders to sustainability work

According to Neste Oil's principles, it is very important for raw material suppliers, including smallholders, to take part in sustainable ways of working.

"We encourage raw material suppliers to develop the sustainability of their operations. Instead of just telling them to operate sustainably, we give them advice and guidance on good practices," says Adrian.

Next, we aim to address the social issues of the supply chain, which have not been reviewed yet within the cooperation.

"We are currently talking to various stakeholders in the industry to formulate an understanding on the complexity of the issue."

Read the TFT report.

Read more about our No -Deforestation and Responsible Sourcing Guidelines for Renewable Feedstock.

Read more about the TFT's operations.

Certified raw materials and production plants

Compliance with the sustainability criteria that cover the entire renewable fuel production chain is verified in the European Union using certification systems approved by the European Commission. These include, for example, International Sustainability and Carbon Certification (ISCC EU), covering any type of feedstock, and the RSPO-RED system for palm oil. These systems define what constitutes sustainable operations and the criteria to be used for establishing said operations, together with the supply chain documentation required. In all, Neste Oil uses six different certification systems. The criteria covering the sustainability of renewable fuels in the US are set by the Environmental Protection Agency (EPA).

Certification systems used by Neste Oil

	ISCC DE	ISCC EU	ISCC PLUS	RSPO RED	RSPO SCCS	HVO SCHEME
Neste Oil Corporation	X	X				
Neste Renewable Fuels Oy (Porvoo)	X	X	X	X	X	
Neste Renewable Fuels Oy (Rotterdam)	X	X	X	X	X	X
Neste Oil (Suisse) S.A.	X	X				
Neste Oil Singapore Pte Ltd	X	X	X	X	X	

All crude palm oil used is certified

All the crude palm oil used by Neste Oil in its renewable diesel production is certified. Crude palm oil is certified in accordance with the ISCC or RSPO-RED systems. Unlike many companies for example in the food industry, Neste Oil does not buy certificates from the world market, but always sources its certified crude palm oil directly from producer companies. All of the mills supplying crude palm oil to Neste Oil are ISCC- or RSPO-certified.

All of the animal fat used in our products is certified in the European market, which guarantees the free movement of the feedstocks within the EU. Products delivered to the United States are approved according to EPA criteria.

We purchase and sell ethanol and ethers that are verified according to a certification system approved by the European Commission. Ethanol and ethers are blended into, for example, in the gasoline sold in the Finnish market. Our ethanol and ether trading office is located in Geneva, Switzerland.

Neste Oil's sustainability verification system adopted

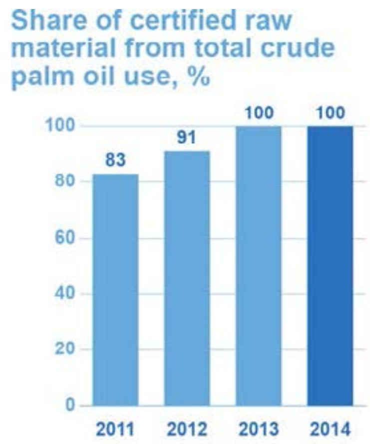
Neste Oil has developed its own sustainability verification system (HVO Verification Scheme) to support the verification process of the sustainable production of renewable feedstocks. The European Commission approved the scheme as one of the EU's official systems for verifying sustainability in early 2014. The system meets the strict requirements for biofuels set by EU legislation and enables the utilization of an increasing number of waste and residues in processing. Similarly to other certification systems used by Neste Oil, an independent third party audits the HVO Verification Scheme system. The first certificates under our scheme were granted in 2014.

All renewable diesel production plants are certified and EPA-approved

All Neste Oil's refineries producing renewable NEXBTL diesel have certificates approved by the European Commission and EPA approval. The certificates and EPA approvals are proof that the production of renewable diesel and sourcing of raw materials comply with the EU's Renewable Energy Directive (RED) and the regulations of the EPA. In addition, they certify that the NEXBTL diesel produced by Neste Oil is suitable for fulfilling the biomandate requirements in the EU Member States and the US. Our renewable diesel refinery in Rotterdam was awarded the HVO Verification Scheme certificate in 2014.

Sustainability scheme approved by the Finnish Energy Authority

The European Union's RES (Renewable Energy Sources) Directive requires all biofuel producers to hold sustainability certificates for proving the sustainable production of the biofuel batches. In order to receive the sustainability certificate, Finnish biofuel producers must seek the approval of the Finnish Energy Authority for their sustainability system. The Energy Authority approved Neste Oil's sustainability scheme in 2014. The system will be verified annually.



Reporting principles

Neste Oil is committed to the principles of the AA1000APS (2008) standard covering inclusivity, materiality, and responsiveness. The 2014 Sustainability Report is the sixth to have been compiled in accordance with the G3 guidelines (version 3.0) of the Global Reporting Initiative (GRI).

Neste Oil's 2013 combined Annual Report and Sustainability Report was published online on 6 March 2014.

Reporting principles and guidelines

Neste Oil's financial reporting complies with international IFRS accounting requirements, while corporate governance reporting complies with relevant national legislation and the Finnish Corporate Governance Code covering listed companies. The presentation of environmental costs and liabilities is based on Finnish accounting legislation. Financial indicator data is based on audited figures. Personnel figures are calculated in accordance with the Finnish Accounting Board's general guidelines for annual reports. CONCAWE principles are used in calculating safety-related injury frequency figures.

Changes in previously reported figures and accounting principles are shown alongside the corresponding key figures. Definitions of the indicators reported, together with the calculation principles and formulas used, are presented in the Principles for calculating key indicators.

Reporting scope

The reporting period covered in the Sustainability Report is the same as that followed in the Annual Report: 1 January – 31 December 2014.

Safety and environmental reporting for 2014 covers all the refineries owned by Neste Oil in Finland and overseas in which the company has a greater than 50% holding. Reporting on safety and environmental matters also covers all of Neste Oil's terminals, its offices, and the country companies responsible for Oil Retail operations. Due to re-arrangements in shipping operations and divestment of subsidiary Neste LPG, the mentioned functions were no longer part of the reporting in 2014. Neste Oil does not report environmental data for locations where it occupies only part of an office building; these locations include Neste Oil's offices in Houston, Toronto, and Oulu.

Reporting on safety matters also covers service providers, contractors, and the road and marine transportation of Neste Oil's products and feedstocks. In all other respects, reporting covers all aspects of Neste Oil Corporation's activities and those of companies in which Neste Oil has a greater than 50% holding. No changes in the scope of reporting took place during 2014 compared to 2013.

In addition to the corporate Sustainability Report, the Porvoo and Naantali refineries publish regular newsletters for residents in the surrounding areas covering the local impact of Neste Oil's operations. These newsletters can also be read online, in Finnish, at Neste Oil's web site.

Reporting tools and practices

Neste Oil collects data on environmental and safety indicators using a HSEQ reporting tool that supports Neste Oil's monthly reporting and annual GRI G3 reporting. Personnel data is sourced from Neste Oil's HR systems. Neste Oil also continues to use various other reporting tools for collecting the data needed for its sustainability reporting.

Assurance

An independent third party, PricewaterhouseCoopers Oy, has assured Neste Oil's Finnish-language numerical sustainability information and checked congruence between the Finnish and English versions' numerical sustainability information. PricewaterhouseCoopers has also checked that Neste Oil's reporting meets GRI's Application Level B+ requirements.

Read the assurance report here.

Principles for calculating key indicators

Group-level performance indicators include the parent company and companies where the parent company holds more than 50% of shares. Associate companies are not included in the calculations.

Environment

Energy

The energy consumption figures cover Neste Oil's refineries, terminals, offices, the company's own station business, and time-chartered ships. The figures are based on data provided by these units.

Water withdrawal

Water withdrawal volumes are based on the company's own measurements or on invoicing.

Wastewater discharges

Neste Oil reports wastewater volumes, chemical oxygen consumption (COD), as well as oil, nitrogen, and phosphorus releases. The figures are calculated on the basis of refinery- or terminal-specific data based on sampling or continuous metering. The figures do not include the loading values of wastewater treated in municipal or other external wastewater treatment plants.

CO_2 emissions

The emission factors compliant with the fuel classification published by Statistics Finland were used for the calculations of scope 1 and scope 2 emissions. The country-specific factors compliant with the GHG protocol were used as the consumption factors for bought-in electricity and heat. The calculations of scope 3 emissions are based on information from the raw material purchasing and sales. Information from public sources and Neste Oil's own calculations have been used as scope 3 emission factors. Scope 3 calculations are based on principles of GHG protocol (Corporate standard).

Safety

Accident frequency

Accidents at work resulting in absence from work, disability, or medical treatment are included in the accident frequency figures. The formula for calculating accident frequency (number of accidents at work per million working hours): total number of accidents at work * 1,000,000 / hours worked. The calculation includes the company's own personnel, contractors and service providers working at Neste Oil’s sites.

Hours worked

The hours worked by all employees and service providers during the period under review. When recording the working hours of service providers, an estimate (e.g. accounting hours) can be used if the accurate number of hours is not known.

Accidents at work

Accidents that occur at work/while performing work duties or moving about in the workplace area.

LWI (Lost Workday Injury)

The number of accidents at work resulting in a minimum of one day's absence from work.

TRI (Total Recordable Injuries)

All recorded accidents at work: the number of accidents at work resulting in absence from work, disability, or medical treatment.

PSE1 (Process Safety Event)

An unplanned and uncontrolled release of any material from a process resulting in consequences according to the PSE1 classification. The consequences may be:

1. an accident at work resulting in absence from work (LWI, RWI) or fatality
2. a fire or explosion causing direct costs (not production losses) in excess of EUR 25,000
3. evacuation, seeking shelter indoors
4. a leak exceeding the reporting threshold within a certain time, with the limit values according to CONCAWE
5. a release through the emergency discharge system with the above consequences

PSE2 (Process Safety Event)

An unplanned and uncontrolled release of any material from a process resulting in consequences according to the PSE2 classification. The consequences may be:

1. an accident at work requiring medical treatment (MTC)
2. a fire or explosion causing direct costs (not production losses) in excess of EUR 2,500
3. a leak exceeding the reporting threshold within a certain time, with the limit values according to CONCAWE
4. a release through the emergency discharge system with the above consequences

HSEQ (Health, Safety, Environment, Quality)

Health, safety, environment and quality.

HR

Reporting of personnel numbers

Personnel numbers are calculated as headcount and include, as a rule, employees classified as active and inactive. Unless otherwise specified, personnel numbers are reported as of December 31.

Number of permanent employees leaving the company

The number of permanent employees leaving the company from Jan 1 to Dec 31. / the number of permanent employees on Dec 31. (Including all reasons for ending employment).

Number of permanent empoyees joining the company

The number of newly hired permanent employees from Jan 1 to Dec 31. / the number of permanent employees on Dec 31.

Training costs

Training costs include external training-related costs, such as the fees of external trainers and participation fees for external training events, but not, for example, the salaries of participants or the company's own trainers.

Proportion of female and male managers

Number of female managers on Dec 31 / total number of female employees on Dec 31.

Number of male managers on Dec 31 / total number of male employees on Dec 31.

Job rotation

Number of employees changing their job during the period Jan 1 to Dec 31 / number of employees on Dec 31.

Sick leave percentage

Percentage of absences due to illness, a doctor's appointment, or medical treatment of the company's own personnel.

Formula for calculating the sick leave percentage: Number of hours of absence due to illness / theoretical number of regular working hours x 100.

GRI content index

PricewaterhouseCoopers Oy has checked our reporting and has confirmed it to be Application Level B+.

	GRI content	Included	Links
	1. Strategy and Analysis		
1.1	CEO's statement	Yes	**CEO's review**
1.2	Key impacts, risks and opportunities	Yes	**Risks and opportunities**
	2. Organizational Profile		
2.1	Name of the organization	Yes	**Neste Oil 2014**
2.2	Primary brands, products and services	Yes	**Business areas in brief**
2.3	Operational structure	Yes	**Business areas in brief** **Financial Statements 2014, Group companies on 31 December 2013**
2.4	Location of organization's headquarters	Yes	**Contacts**
2.5	Number of countries and location of operations	Yes	**Financial Statements 2014, Segment information**
2.6	Nature of ownership and legal form	Yes	**Financial Statements 2014, General information**
2.7	Markets served	Yes	**Business areas in brief**
2.8	Scale of the reporting organization	Yes	**Key figures**
2.9	Significant changes regarding size, structure or ownership	Yes	**Reporting principles**
2.10	Awards received in the reporting period	Yes	**Sustainability ratings**
	3. Reporting Principles		
	Report profile		
3.1	Reporting period	Yes	**Reporting principles**
3.2	Date of most recent report	Yes	**Reporting principles**
3.3	Reporting cycle	Yes	**Reporting principles**
3.4	Contact point for questions regarding the report	Yes	**Contacts**
	Report scope and boundary		
3.5	Process for defining report content (materiality, prioritizing topics and stakeholders using the report)	Yes	**Materiality assessment**
3.6	Boundary of the report	Yes	**Reporting principles**
3.7	Limitations on the report's scope or boundary	Yes	**Reporting principles**
3.8	Basis for reporting subsidiaries, joint ventures, leased facilities, outsourced operations and other entities affecting comparability	Yes	**Reporting principles**
3.9	Data measurement techniques and bases of calculations	Yes	**Reporting principles** **Principles for calculating key indicators**
3.10	Explanation of re-statements	Yes	**Principles for calculating key indicators**
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods	Yes	**Principles for calculating key indicators**
	GRI content index		
3.12	GRI content index	Yes	**GRI index**
	Assurance		
3.13	Assurance policy and practice	Yes	**Independent assurance report**

	4. Governance, Commitments and Engagement		
	Governance		
4.1	Governance structure of the organisation	Yes	**Corporate Governance Statement 2014**
4.2	Position of the Chairman of the Board	Yes	**Corporate Governance Statement 2014, Board of Directors**
4.3	Independence of the Board members	Yes	**Corporate Governance Statement 2014, Board of Directors**
4.4	Mechanism for shareholder and employee consultation	Yes	**Corporate Governance Statement 2014**
4.5	Impact of organisation's performance on executive compensation (inc. social and environmental performance)	Yes	**Remuneration Report 2014**
4.6	Processes for avoiding conflicts of interest	Yes	**Corporate Governance Statement 2014, Board of Directors**
4.7	Processes for determining Board members' expertise in strategic management and sustainability	Yes	**Members of the Board of Directors**
4.8	Implementation of mission and values statements, code of conduct and other principles	Yes	**Sustainability principles and policies** **Neste Oil's sustainability policy**
4.9	Procedures of the Board for overseeing management of sustainability performance, including risk management	Yes	**Managing sustainability** **Risk management**
4.10	Processes for evaluating the Board's performance	Yes	**Corporate Governance Statement 2014, Board of Directors**
	Commitments to External Initiatives		
4.11	Addressing precautionary approach	Yes	**Risk management**
4.12	Voluntary charters and other initiatives	Yes	**Participation in organizations and joint projects** **Sustainability policy**
4.13	Memberships in associations	Yes	**Participation in organizations and joint projects**
	Stakeholder Engagement		
4.14	List of stakeholder groups	Yes	**Stakeholders**
4.15	Identification and selection of stakeholders	Yes	**Stakeholder dialogue in 2014**
4.16	Approaches to stakeholder engagement	Yes	**Stakeholders**
4.17	Key topics raised through stakeholder engagement	Yes	**Stakeholders**
	Economic Performance Indicators		
	Management approach to economic responsibility	Yes	**Financial targets** **Society** **Managing sustainability** **Sustainability principles and policies**
	Economic Performance		
EC1*	Direct economic value generated and distributed	Yes	**Financial contribution**
EC2*	Financial implications, risks and opportunities due to climate change	Partly	**Climate** **Sustainability related risks and opportunities**
EC3*	Coverage of defined benefit plan obligations	Yes	**Remuneration** **Financial Statements 2014, Post-employment and other long term benefits** **Review by the Board of Director, Shares, share trading, and ownership**
EC4*	Significant subsidies received from government	Yes	**Tax contribution 2014** **Financial Statements 2014, Other income**
	Market presence		

EC5	Entry level wage compared to local minimum wage	Partly	**Remuneration**
EC6*	Policy, practices and spending on local suppliers	No	
EC7*	Local hiring procedures and proportion of local senior management	Partly	**Equality and diversity**
	Indirect Economic Impacts		
EC8*	Development and impact of infrastructure investments provided for public benefit	No	
EC9	Significant indirect economic impacts	Yes	**Financial contribution**
	Environmental Performance Indicators		
	Management approach to environmental responsibility	Yes	**Climate and resource efficiency** **Managing sustainability** **Sustainability principles and policies**
	Materials		
EN1*	Materials used by weight or volume	Partly	**Material efficiency**
E2*	Recycled materials used	No	
	Energy		
EN3*	Direct energy consumption	Partly	**Energy efficiency**
EN4*	Indirect energy consumption	Partly	**Energy efficiency**
EN5	Energy saved due to conservation and efficiency improvements	Yes	**Energy efficiency**
EN6	Initiatives to provide energy-efficient or renewable energy based products and services	Partly	**Energy efficiency**
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	No	
	Water		
EN8*	Total water withdrawal by source	Partly	**Water**
EN9	Water sources significantly affected by withdrawal of water	Partly	**Water**
EN10	Percentage and total volume of water recycled and reused	Partly	**Water**
	Biodiversity		
EN11*	Location and size of land holdings in areas of high biodiversity	Yes	**Soil and biodiversity**
EN12*	Description of significant impact of activities, products, and services on biodiversity	Partly	**Soil and biodiversity**
EN13	Habitats protected or restored	Partly	**Soil and biodiversity**
EN14	Managing impacts on biodiversity	Partly	**Soil and biodiversity**
EN15	Species with extinction risk with habitats in areas affected by operations	No	
	Emissions, Effluents and Waste		
EN16*	Total direct and indirect greenhouse gas emissions	Yes	**Air**
EN17*	Other relevant indirect greenhouse gas emissions	Yes	**Air**
EN18	Initiatives to reduce greenhouse gas emissions	Yes	**Material efficiency**
EN19*	Emissions of ozone-depleting substances	Yes	Ozone-depleting substances have been removed from production and extinction systems in 1990s.
EN20*	NOx, SOx, and other significant air emissions	Yes	**Air**
EN21*	Total water discharge by quality and destination	Yes	**Water**
EN22*	Total amount of waste by type and disposal method	Yes	**Waste**
EN23*	Total number and volume of significant spills	Yes	No spills during the reporting year

EN24	Transported, imported, exported, or treated hazardous waste	No	
EN25	Water bodies and habitats affected by discharges of water	Partly	**Water**
	Products and Services		
EN26*	Mitigating environmental impacts of products and services	Yes	**Climate** **Cleaner and safer products**
EN27*	Percentage of products sold and their packaging materials reclaimed by category	No	
	Compliance		
EN28*	Significant fines and sanctions for non-compliance with environmental regulations	Yes	**Environmental and emission permits** No such cases during reporting period.
	Transport		
EN29	Environmental impacts of transportation	Yes	**Products' carbon footprint** **Air**
	Overall		
EN30	Total environmental protection expenditures and investments	No	
	Social Performance Indicators		
	Labor Practices and Decent Work		
	Management approach to labor practices and decent work	Yes	**Personnel** **Managing sustainability**
	Employment		
LA1*	Total workforce by employment type, employment contract and region	Yes	**Neste Oil employees in 2014**
LA2*	Total number and rate of employee turnover by age group, gender and region	Partly	**Neste Oil employees in 2014**
LA3	Benefits to full-time employees that are not provided to temporary or part-time employees	No	
	Labor/Management Relations		
LA4*	Coverage of collective bargaining agreements	Yes	**Equality and diversity**
LA5*	Minimum notice period regarding operational changes	Yes	Neste Oil follows local legislation.
	Occupational Health and Safety		
LA6	Percentage of employees represented in joint health and safety committees	No	
LA7*	Rates of injury, occupational diseases, lost days, fatalities and absenteeism	Partly	**People safety**
LA8*	Education and prevention programmes regarding serious diseases	Partly	**Wellbeing at work**
LA9	Health and safety topics covered in formal agreements with trade unions	No	
	Training and Education		
LA10*	Average training hours per year per employee	No	
LA11	Programmes for skills management and lifelong learning	Yes	**Developing people’s skills and expertise**
LA12	Employees receiving regular performance and career development reviews	Yes	**Developing people’s skills and expertise**
	Diversity and Equal Opportunity		
LA13*	Composition of governance bodies and breakdown of employees	Yes	**Equality and diversity**

LA14*	Ratio of basic salary of men to women by employee category	Partly	**Equality and diversity**
	Human Rights		
	Management approach to human rights	Yes	**Human rights** **Managing sustainability** **Sustainability principles and policies** **Equality and diversity**
	Investment and procurement practices		
HR1*	Investment agreements that include human rights clauses or that have undergone human rights screening	No	
HR2*	Suppliers and contractors that have undergone human rights screening and actions taken	Yes	**Raw material suppliers**
HR3	Employee training on policies and procedures concerning human rights relevant to operations	No	
	Non-discrimination		
HR4*	Incidents of discrimination and actions taken	Yes	**Equality and diversity** No such cases during reporting period.
	Freedom of association and collective bargaining		
HR5*	Operations identified in which the right to exercise freedom of association or collective bargaining may be at significant risk and actions taken to support these rights	Yes	**Equality and diversity**
	Child labor		
HR6*	Operations identified as having significant risk for child labor and measures taken to contribute to the elimination of child labor	Yes	**Human rights**
	Forced and compulsory labor		
HR7*	Operations identified as having significant risk for forced or compulsory labor and measures taken to contribute to the elimination of forced or compulsory labor	Yes	**Human rights**
	Security practices		
HR8	**Human rights related training for security personnel**	No	
	Indigenous rights		
HR9	**Incidents involving rights of indigenous people and actions taken**	No	
	Society		
	Management approach to society	Yes	**Society**
	Community		
SO1*	**Programs and practices that assess and manage impacts of operations on communities**	No	
	Corruption		
SO2*	Percentage and total number of business units analyzed for corruption risks	No	
SO3*	Percentage of employees trained in anti-corruption policies and procedures	Partly	**Neste Oil Code of Conduct**
SO4*	Actions taken in response to incidents of corruption	No	
	Public Policy		
SO5*	Public policy positions and participation in public policy development and lobbying	Yes	**Case waste hierarchy**
SO6	Contributions to political parties, politicians and related institutions	Yes	**Support for communities**

SO7	Legal actions for anti-competitive behaviour, anti-trust, and monopoly	Yes	No such cases during reporting period.
	Compliance		
SO8*	Significant fines and sanctions for non-compliance with laws and regulations	Yes	No such cases during reporting period.
	Product Responsibility		
	Management approach to product responsibility	Yes	**Cleaner solutions** **Managing sustainability** **Sustainability policies and principes**
	Customer Health and Safety		
PR1*	Assessment of health and safety impacts of products	Partly	**Cleaner and safer products**
PR2	Non-compliance with regulations concerning health and safety impacts of products	Yes	No such cases during reporting period
	Product and Service Labeling		
PR3*	Product information required by procedures	Partly	**Cleaner and safer products**
PR4	Non-compliance with regulations concerning product information and labelling	Yes	No such cases during reporting period
PR5	Practices related to customer satisfaction and results of customer satisfaction surveys	Partly	**Stakeholders**
	Marketing Communications		
PR6*	Adherence to laws, standards and voluntary codes related to marketing communications, advertising, promotion and sponsorship	No	
PR7	Non-compliance with regulations and voluntary codes concerning marketing communications, advertising, promotion, and sponsorship	Yes	No such cases during reporting period.
	Customer Privacy		
PR8	Complaints regarding breaches of customer privacy and losses of customer data	No	
	Compliance		
PR9*	Fines for non-compliance concerning the provision and use of products and services	Yes	No such cases during reporting period.

* GRI Core indicator

Independent Assurance Report

(Translation from the Finnish original)

To the Management of Neste Oil Corporation

We have been engaged by the Management of Neste Oil Corporation (hereinafter also the Company) to perform a limited assurance engagement on the numeric information on economic, social and environmental responsibility for the reporting period 1 January 2014 to 31 December 2014, disclosed in the "Sustainability" section of Neste Oil Corporation's online Annual Report 2014 (hereinafter Sustainability information).

Furthermore, the assurance engagement has covered Neste Oil Corporation's adherence to the AA1000 AccountAbility Principles with moderate (limited) level of assurance.

Management's responsibility

The Management of Neste Oil Corporation is responsible for preparing the Sustainability information in accordance with the Reporting criteria as set out in the Company's reporting instructions and the G3 Sustainability Reporting Guidelines of the Global Reporting Initiative.

The Management of Neste Oil Corporation is also responsible for the Company's adherence to the AA1000 AccountAbility Principles of inclusivity, materiality and responsiveness as set out in the AccountAbility's AA1000 AccountAbility Principles Standard 2008.

Practitioner's responsibility

Our responsibility is to express a conclusion on the Sustainability information and on the Company's adherence to the AA1000 AccountAbility Principles based on our work performed. Our assurance report has been prepared in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to Neste Oil Corporation for our work, for this report, or for the conclusions that we have reached.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance whether any matters come to our attention that cause us to believe that the Sustainability information has not been prepared, in all material respects, in accordance with the Reporting criteria.

In addition, we have conducted our work in accordance with the AA1000 Assurance Standard 2008. For conducting a Type 2 assurance engagement as agreed with the Company, this Standard requires planning and performing of the assurance engagement to obtain moderate (limited) assurance on whether any matters come to our attention that cause us to believe that Neste Oil Corporation does not adhere, in all material respects, to the AA1000 AccountAbility Principles and that the Sustainability information is not reliable, in all material respects, based on the Reporting criteria.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. An assurance engagement involves performing procedures to obtain evidence about the amounts and other disclosures in the Sustainability information, and about the Company's adherence to the AA1000 AccountAbility Principles. The procedures selected depend on the practitioner's judgement, including an assessment of the risks of material misstatement of the Sustainability information and an assessment of the risks of the Company's material nonadherence to the AA1000 AccountAbility Principles. Our work consisted of, amongst others, the following procedures:

- Interviewing senior management of the Company.
- Interviewing employees from various organisational levels of the Company with regards to materiality, stakeholder expectations, meeting of those expectations, as well as stakeholder engagement.
- Assessing stakeholder inclusivity and responsiveness based on the Company's documentation and internal communication.
- Assessing the Company's defined material sustainability topics as well as assessing the Sustainability informationbased on these topics.
- Performing a media analysis and an internet search for references to the Company during the reporting period.
- Visiting the Company's Head Office as well as one site in Finland.
- Interviewing employees responsible for collecting and reporting the information presented in the Sustainability information at the Group level and at the site level (the Netherlands, Singapore and Finland).
- Assessing how Group employees apply the reporting instructions and procedures of the Company.
- Testing the accuracy and completeness of the information from original documents and systems on a sample basis.
- Testing the consolidation of information and performing recalculations on a sample basis.

Conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that Neste Oil Corporation does not adhere, in all material respects, to the AA1000 AccountAbility Principles.

Furthermore nothing has come to our attention that causes us to believe that Neste Oil Corporation's Sustainability information has not been prepared, in all material respects, in accordance with the Reporting criteria, or that the Sustainability information is not reliable, in all material respects, based on the Reporting criteria.

When reading our assurance report, the inherent limitations of accuracy and completeness of sustainability information should be taken into consideration.

Observations and recommendations

Based on our work described in this report, we provide the following observations and recommendations in relation to Neste Oil Corporation's adherence to the AA1000 AccountAbility Principles. These observations and recommendations do not affect the conclusions presented earlier.

- **Regarding Inclusivity**: Neste Oil Corporation has processes in place for stakeholder inclusivity and engagement. We recommend that the Company further develops the systematic management of stakeholder engagement, particularly with central coordination and support in terms of its content, yet enabling flexibility at the local level.
- **Regarding Materiality**: Neste Oil Corporation has a systematic process in place to evaluate and determine the materiality of sustainability topics. The Company updated its sustainability materiality assessment during autumn 2014 and early 2015. We recommend that the Company continues the development work within the focus areas of the sustainability program as planned, and in this work pays special attention to the feedback received from the stakeholders on the updated materiality assessment.
- **Regarding Responsiveness**: Neste Oil Corporation has processes in place for responding to stakeholder needs and concerns. We recommend that the Company strengthens its sustainability activities and communications especially towards customers. Furthermore, we recommend that the Company continues to enhance its transparency also in other areas where the stakeholder interest has increased according to the updated materiality assessment.

Practitioner's independence and qualifications

We comply with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the IESBA (the International Ethics Standards Board for Accountants).

Our multi-disciplinary team of corporate responsibility and assurance specialists possesses the requisite skills and experience within financial and non-financial assurance, corporate responsibility strategy and management, social and environmental issues, as well as knowledge of the energy industry, to undertake this assurance engagement.

Helsinki, 27 February 2015

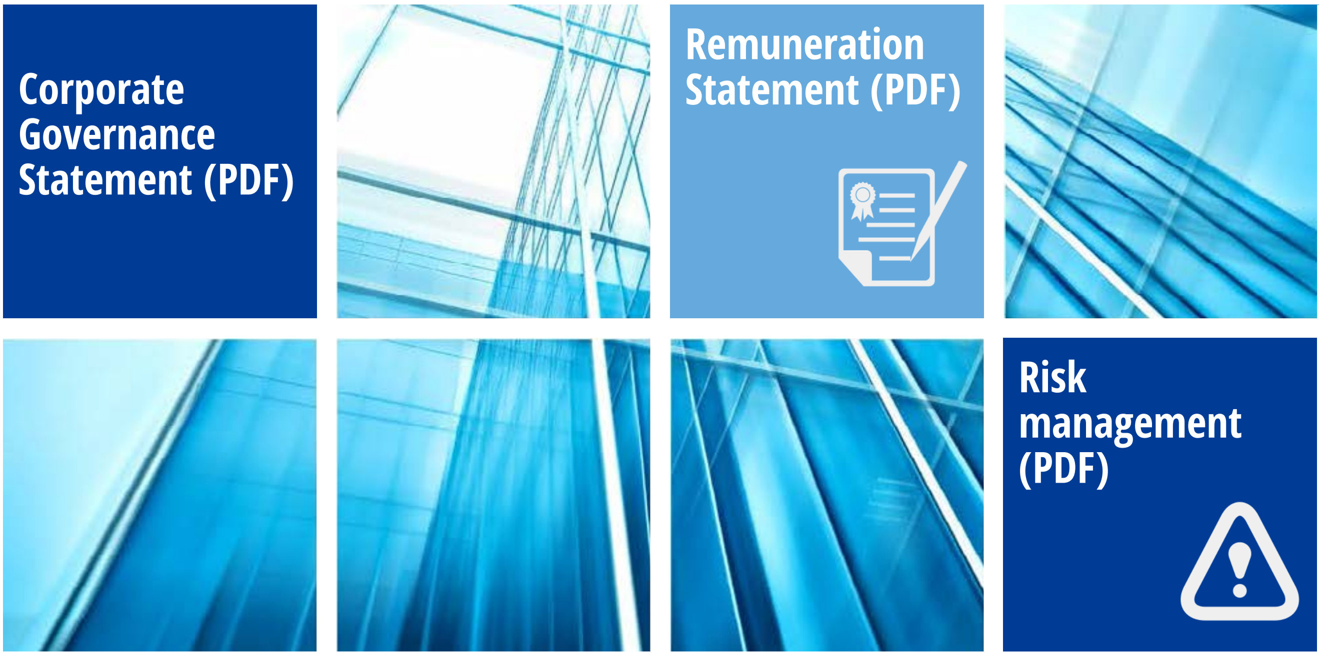
PricewaterhouseCoopers Oy

Sirpa Juutinen	Maj-Lis Steiner
Partner	Director, Authorised Public Accountant
Sustainability & Climate Change	Assurance Services

AA1000
Licensed Assurance Provider
000-29

Governance

Neste Oil observes good corporate governance practices in accordance with the laws and regulations applicable to Finnish listed companies, the Company's own Articles of Association, and the Finnish 2010 Corporate Governance Code. Neste Oil also complies with the rules of NASDAQ Helsinki Ltd, where it is listed, and the rules and regulations of the Finnish Financial Supervisory Authority.



Corporate Governance Statement 2014

This Corporate Governance Statement has been prepared pursuant to Recommendation 54 of the Corporate Governance Code 2010 and Chapter 7, Section 7 of the Securities Markets Act, and Section 7 of the Ministry of Finance's Decree on the Regular Duty of Disclosure of an Issuer of a Security. The Corporate Governance Statement is issued separately from the Review by the Board of Directors and can be consulted online at www.nesteoil.com/Investors.

Regulatory framework

Neste Oil observes good corporate governance practices in accordance with the laws and regulations applicable to Finnish listed companies, the Company's own Articles of Association, and the Finnish 2010 Corporate Governance Code. The Corporate Governance Code can be found at www.cgfinland.fi. Neste Oil also complies with the rules of NASDAQ OMX Helsinki Ltd, where it is listed, and the rules and regulations of the Finnish Financial Supervisory Authority.

Neste Oil's Audit Committee has reviewed the Corporate Governance Statement, and the Company's Auditor, PricewaterhouseCoopers Oy, has monitored that it has been issued and that the description of the main features of the internal control and risk management related to the financial reporting process included in the statement matches the Financial Statements.

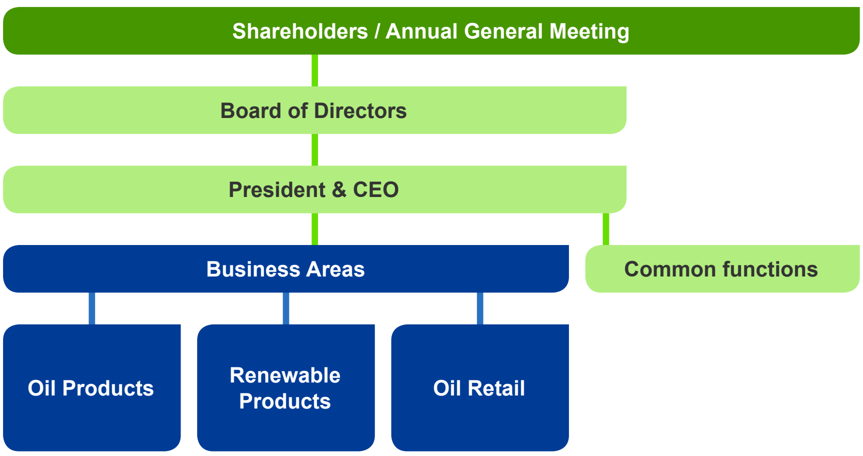
Neste Oil issues consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, the Securities Markets Act, as well as the appropriate Financial Supervisory Authority standards, and NASDAQ OMX Helsinki Ltd.'s rules. The Review by the Board of Directors and the Parent Company's Financial Statements are prepared in accordance with the Finnish Accounting Act and the opinions and guidelines of the Finnish Accounting Board.

Governance bodies

The control and management of Neste Oil is split between the Annual General Meeting of Shareholders (AGM), the Board of Directors, and the President & Chief Executive Officer. Ultimate decision-making authority lies with shareholders at the AGM. The latter appoints the members of the Board of Directors and the Company Auditor. The Board of Directors is responsible for Neste Oil's strategy and overseeing and monitoring the Company's business. The President & CEO, assisted by the Neste Executive Board (NEB), is responsible for managing the Company's business and implementing its strategic and operational targets.

Neste Oil's headquarters are located in Espoo, Finland.

Neste Oil's Governance Bodies



Annual General Meeting

Under the Finnish Companies Act, shareholders exercise their decision-making power at General Meetings of Shareholders, and attend meetings in person or through an authorized representative. Each share entitles the holder to one vote.

Shareholders at the Annual General Meeting take decisions on matters including:

- the adoption of the Financial Statements
- the distribution of profit for the year detailed in the Balance Sheet
- discharging the members of the Board of Directors and the President & CEO from liability, and
- the election and remuneration of the Chair, the Vice Chair and the members of the Board of Directors and the Auditor.

The Annual General Meeting is held annually before the end of June. An Extraordinary General Meeting addressing specific matters can be held, when considered necessary by the Board of Directors, or when requested in writing by the Company's Auditor or by shareholders representing at least one-tenth of all Company shares.

Under the Articles of Association, an invitation to the Annual General Meeting shall be delivered to shareholders by publishing it on the Company's website www.nesteoil.com no earlier than two months and no later than three weeks prior to a meeting, but at least nine days before the record date set for the meeting under the terms of the Companies Act. In addition, the Company shall publish details on the date and location of the meeting, together with the address of the Company's website, in one or more newspapers within the same period of time. Neste Oil is not aware of any shareholders' agreements regarding the Company's shares.

2014

The 2014 AGM was held in Helsinki on Thursday 3 April and adopted the Parent Company's Financial Statements and the Consolidated Financial Statements for 2013 and discharged the Board of Directors, and the President and CEO from liability for 2013. The AGM also approved the Board of Directors' proposal regarding the distribution of the Company's profit for 2013, sanctioning payment of a dividend of EUR 0.65 per share. This was paid to all shareholders included in the register of shareholders maintained by Euroclear Finland on the record date set for payment of the dividend, which was 8 April 2014. The payment was made on 15 April 2014. The AGM also decided the composition of the Board of Directors and the remuneration to be paid to the members of the Board of Directors, and appointed the Company Auditor.

Shareholders' Nomination Board

Following the proposal by the Board of Directors, the 2013 AGM decided to establish a permanent Shareholders' Nomination Board to be responsible for drafting and presenting proposals covering the remuneration and number of members of the Company's Board of Directors and for presenting candidates as potential Board members to the AGM and to an Extraordinary General Meeting of Shareholders where needed. The Shareholders' Nomination Board shall also be responsible for identifying successors for existing Board members.

The Shareholders' Nomination Board shall consist of four (4) members, three of which shall be appointed by the Company's three largest shareholders, who shall appoint one member each. The Chair of the Company's Board of Directors shall serve as the fourth member.

The Company's largest shareholders entitled to elect members to the Shareholders' Nomination Board shall be determined annually on the basis of the registered holdings in the Company's list of shareholders held by Euroclear Finland Ltd. as of the first weekday in September in the year concerned. The Chair of the Company's Board of Directors shall request each of the three largest shareholders established on this basis to nominate one member to the Shareholders' Nomination Board. In the event that a shareholder does not wish to exercise his or her right to appoint a representative, it shall pass to the next-largest shareholder who would not otherwise be entitled to appoint a member.

The Chair of the Board of Directors shall convene the first meeting of the Shareholders' Nomination Board, which will be responsible for electing a Chair from among its members; the Shareholders' Nomination Board's Chair shall be responsible for convening subsequent meetings. When the Shareholders' Nomination Board has been selected, the Company will issue a release to this effect.

The Shareholders' Nomination Board shall serve until further notice, unless the AGM decides otherwise. Its members shall be elected annually and their term of office shall end when new members are elected to replace them.

The Shareholders' Nomination Board shall forward its proposals for the AGM to the Company's Board of Directors annually by 31 January, prior to the holding of the AGM. Proposals intended for a possible Extraordinary General Meeting shall be forwarded to the Company's Board of Directors in time for them to be included in the invitation to the meeting sent out to shareholders.

Composition of the Shareholders' Nomination Board prior to the 2015 AGM

On 8 September 2014, the following members were appointed to Neste Oil's Shareholders' Nomination Board: Eero Heliövaara, Director General of the Prime Minister's Office's Ownership Steering Department (Chair); Timo Ritakallio, Deputy CEO of Ilmarinen Mutual Pension Insurance Company; Reima Rytsölä, Chief Investment Officer of Varma Mutual Pension Insurance

Company; and Jorma Eloranta, the Chair of Neste Oil's Board of Directors.

The above mentioned Shareholders' Nomination Board convened 5 times and presented its proposal covering the members of the Board of Directors and the remuneration to be paid to them on 20 January 2015.

Activities

The Shareholders' Nomination Board drafts proposals for the following AGM on the following:

- the number of members of the Board of Directors
- the Chair, the Vice Chair and the members of the Board of Directors, and
- the remuneration to be paid to the Chair, the Vice Chair, and the members of the Board of Directors.

Shareholders' Nomination Board members:

Eero Heliövaara

M.Sc. (Econ.) and M.Sc. (Eng.). Chair of the Shareholders' Nomination Board.
Born 1956.

Director General of the Ownership Steering Department, Prime Minister´s Office. Member of the Boards of Paulig Ltd, Foundation for the Finnish Cancer Institute, HLD Healthy Life Devices Oy, and Solidium Oy. Chair of the Shareholders' Nomination Board of Neste Oil Corporation, Finnair Corporation, and Fortum Corporation.

Timo Ritakallio

LL.M., MBA. Member of the Shareholders' Nomination Board.
Born 1962.

Deputy CEO, Ilmarinen Mutual Pension Insurance Company (President & CEO as of 1 February 2015). Vice-chairman of the Board of Directors of Outotec Oyj, member of the Board of Directors of Technopolis Plc and Securities Market Association. Chair of the Remuneration Board of Technopolis and member of the Audit Committee of Outotec Corporation.

Member of the Nomination Boards of Neste Oil Corporation, Elisa Corporation, Tieto Corporation, Suominen Corporation, Tikkurila Corporation, Kemira Corporation, VVO Group plc, Oriola-KD Corporation, Ekokem Oy and Orion Corporation.

Reima Rytsölä

M.Sc. (Pol.Sc.), University of Helsinki, CEFA (1998), Svenska handelshögskolan, AMP (2010), Harvard Business School.
Member of the Nomination Board.
Born 1969.

Chief Investment Officer of Varma Mutual Pension Insurance, Member of the Board of VVO Group plc. Member of Nomination Boards of Neste Oil Corporation, Uponor Corporation, Tikkurila Group, Suominen Corporation, Elisa Corporation and Componenta Corporation.

Composition of the Shareholders' Nomination Board prior to the 2014 AGM

The Shareholders' Nomination Board responsible for preparing the 2014 AGM comprised Eero Heliövaara, Director General of the Prime Minister's Office's Ownership Steering Department; Timo Ritakallio, Deputy CEO of Ilmarinen Mutual Pension Insurance Company; Mikko Koivusalo, Vice President, Capital Markets, Varma Mutual Pension Insurance Company; and Jorma Eloranta, the Chair of Neste Oil's Board of Directors.

The Shareholders' Nomination Board convened five times and presented its proposal covering the members of the Board of Directors and the remuneration to be paid to them on 22 January 2014.

Board of Directors

In accordance with Neste Oil's Articles of Association, the Board of Directors has between five and eight members, which are elected at the AGM for a period of office that extends to the following AGM.

Activities

The Board shall meet as frequently as necessary, with approximately 9 to 12 regular meetings annually, all scheduled in advance. In addition, extraordinary meetings, if requested by a Board member or the President & CEO, shall be convened by the Chair, or, if the Chair is prevented from attending, by the Vice Chair, or if deemed necessary by the Chair. The Board constitutes a quorum if more than half of its members are present. The Board is responsible for preparing an operating plan for itself for its period of office between Annual General Meetings, to include a timetable of meetings and the most important matters to be addressed at each meeting. The Board evaluates its performance annually to determine whether it is functioning effectively after the end of each financial year.

Duties

The Board's responsibilities and duties are defined in detail in the Board's Charter and cover the following main areas:

- being responsible for the administration and appropriate organization of the operations of the Neste Oil Group in compliance with relevant legislation and regulations, the Company's Articles of Association, and instructions provided by the Annual General Meeting
- approving of the strategy of Neste Oil and being responsible for supervising and steering its business
- deciding on Neste Oil's key operating principles
- confirming the annual performance plan
- approving the annual financial statements and interim reports
- deciding on major investments and divestments
- confirming Neste Oil's values and most important policies and overseeing their implementation
- appointing the President & CEO and his or her immediate subordinates and deciding on their remuneration

- confirming the Neste Executive Board's and Neste Oil's organizational and operational structure at senior management level, and
- determining the Company's dividend policy to be followed when making a proposal regarding dividends to the AGM
- being responsible for its duties in accordance with the Limited Liability Companies Act, Articles of Association and other charters.

A member of the Board of Directors may not take part in decision-making in matters regarding (i) agreements between such member and any entity within the Neste Oil Group, (ii) agreements between any entity within the Neste Oil Group and third parties where such member has a material interest in the matter which may conflict with the interest of Neste Oil or any other entity within the Neste Oil Group, and (iii) agreements between any entity within the Neste Oil Group and a legal entity which such member may represent, either individually or together with any other person; provided, however, that this point (iii) does not apply where the party contracting with Neste Oil is a company within the Neste Oil Group. The term 'agreement' as used here includes litigation or other legal proceedings arising from or relating to such agreements.

2014

The 2014 AGM confirmed the membership of the Board of Directors at seven members, and the following were re-elected to serve until the end of the next AGM: Mr Jorma Eloranta, Ms Maija-Liisa Friman, Mr Per-Arne Blomquist, Ms Laura Raitio, Mr Willem Schoeber, and Ms Kirsi Sormunen. Mr Jean-Baptiste Renard was elected as a new Board member. Mr Eloranta was re-elected as Chair and Ms Friman as Vice Chair.

Mr Michiel Boersma's membership in the Board of Directors ended at the AGM held on 3 April 2014.

The Board met 14 times in 2014 and attendance percentage was 100%. It its work in 2014, the Board of Directors concentrated on monitoring the company's financial performance and position, supervised the implementation of the strategy and made decisions related to matters such as the production structure of refineries and securing their competitiveness, monitored the implementation of the special efficiency program targeting variable and fixed costs, and monitored measures to improve the availability of production plants. The Board of Directors focused on developing risk management and making investment plans, as well as assessing investments made. The Board of Directors also monitored increasing the flexibility of the feedstock base for renewable products and raising the capacity of renewable diesel production plants. In addition, the Board of Directors paid attention to improving safety and took care of its other tasks pursuant to the charter.

Details on the independent status of members, their role in committee work, and their attendance at meetings can be found in the following table.

Board of Directors, 31 December 2014

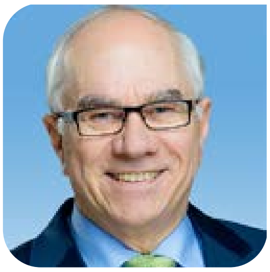
	Position	Born	Education	Main Occupation	Independent of the company	Independent of majorshare-holders	Personnel and Remuneration Committee	Audit Committee	Attendance at meetings: Board	Attendance at meetings: Committees
Jorma Eloranta	Chair	1951	M.Sc. (Tech) Dr. (Tech.) h.c.	Non-Executive Director	•	•	•		100%	100%
Maija-Liisa Friman	Vice Chair	1952	M.Sc. (Chem. Eng.)	Non-Executive Director	•	•	•		100%	100%
Per-Arne Blomquist	Member	1962	B.Sc. (Econ.)	CFO	•	•		•	100%	100%
Laura Raitio	Member	1962	(Lic.Tech.)	CEO of Diacor terveyspalvelut Oy	•	•	•		100%	100%
Jean-Baptiste Renard	Member	1961	M.Sc. (Eng.)	Non-Executive Director	•	•		•	100%	100%
Willem Schoeber	Member	1948	Dr. (Tech.)	Non-Executive Director	•	•		•	100%	100%
Kirsi Sormunen	Jäsen	1957	M.Sc. (Econ.)	Non-Executive Director	•	•		•	100%	100%
Board of Directors, 1 January–3 April 2014*										
Michiel Boersma*	Member	1947	Ph.D. (Chem. Tech.)	Non-Executive Director	•	•		•		

* Mr Michiel Boersma's membership in the Board of Directors ended at the AGM held on 3 April 2014.

The shareholdings of members of the Board of Directors are presented on the company's web site. The remuneration paid to the members of the Board of Directors are detailed in the Remuneration Statement 2014.

Members of the Board of Directors

Jorma Eloranta



Chair of the Board. Member of the Board since 2011. Independent member.

(born 1951)

M.Sc. (Tech.)
Doctor of Science in Technology h.c.

President and CEO of Metso Corporation 2004–2011.

President and CEO of Kvaerner Masa-Yards 2001–2003.

President and CEO of Patria Industries Group 1997–2000.

Deputy Chief Executive of Finvest and Jaakko Pöyry Group 1996.

President of Finvest 1985–1995.

Chair of the Boards of Suominen Corporation and Uponor Corporation.

Chair of the Board and President of Pienelo Oy.

Vice Chair of Finnish Fair Foundation and member of the Board of Cargotec Corporation.

Chair of Neste Oil's Personnel and Remuneration Committee. Member of the Shareholders' Nomination Board of Neste Oil Corporation and Suominen Corporation. Expert member of the Shareholders' Nomination Board of Uponor Corporation.

Maija-Liisa Friman

Vice Chair of the Board. Member of the Board since 2010. Independent member.

(born 1952)

M.Sc. (Chem. Eng)

President and CEO of Aspocomp Group Oyj 2004–2007.

Managing Director of Vattenfall Oy in 2000–2004 and Managing Director of Gyproc Oy 1993–2000.

Chair of the Boards of Ekokem and Helsinki Deaconess Institute Foundation.

Member of the Boards of Finnair, Talvivaara and LKAB.

Chair of the Audit Committees of Finnair and Talvivaara.

Partner of Boardman Oy.

Member of Neste Oil's Personnel and Remuneration Committee.

Per-Arne Blomquist

Member of the Board since 2013. Independent member.

(born 1962)

B.Sc (Econ.)

CFO & Executive Vice President Dometic Group since 2014.

CFO & Executive Vice President of TeliaSonera AB 2008–2013.

CEO TeliaSonera 2013. CFO & Executive Vice President of the SEB Group 2006–2008 and as Chief Group Controller & Head of Group Finance 2001–2006.

CFO & Executive Vice President at Halogen AB 2000–2001.

Several managerial positions at Telia AB during 1997–2000 and several positions at Alfa Laval Group during 1989–1997.

Member of the Board of Djurgården Hockey AB. Chair of Neste Oil's Audit Committee. Chair of Freedom Finance Nordic Group.

Laura Raitio

Member of the Board since 2011. Independent member.

(born 1962)

M.Sc. (Chem. Eng.), Lic. Tech. (forest products technology)

CEO of Diacor terveyspalvelut Oy 2014–.

Executive Vice President, Building and Energy 2009–2014 and Member of the Executive Management Team 2006–2014, Ahlstrom Corporation.

Ahlstrom's Senior Vice President, Marketing (sales network, human resources, communications and marketing) 2006–2008.

Ahlstrom's Vice President and General Manager for Wallpaper & Poster, Pre-impregnated Decor, Abrasive Base in Osnabrück, Germany 2002–2005.

Managing Director of Ahlstrom Kauttua Oy 2001–2002.

Several managerial positions within Ahlstrom's specialty paper business since 1990.

Member of Neste Oil's Personnel and Remuneration Committee.

Jean-Baptiste Renard

Member of the Board since 2014. Independent member.

(born 1961)

M.Sc. (Eng.) an engineering diploma in petroleum economics from the French Petroleum Institute (IFP).

Founder and CEO, 2PR Consulting, independent energy expert and consultant.

Several positions at BP 1986–2010; Regional Group Vice President for Europe and Southern Africa BP Plc 2006–2010, Group Vice President, Business Marketing and New Markets, and member of Downstream Executive Committee BP Plc 2003–2006.

Non-Executive Director of Masana Petroleum Solutions, President of the Alumni Association of IFP School (French Petroleum Institute), Founding and Supervisory Board Member of Investir & +, an investment fund for social entrepreneurship; pro bono consulting for social entrepreneurs. Member of Neste Oil's Audit Committee.

Willem Schoeber

Member of the Board since 2013. Independent member.

(born 1948)

Dr. (Chem. Eng.)

Former member of the Management Board of EWE AG, responsible for power generation and international business 2010–2013.

Chair of the Management Board at swb AG (Bremen), 2007–2011.

Several positions at Royal Dutch Shell Group's companies 1977–2007, in particular in oil refining. Chair of the Boards of Directors of EWE Turkey Holding AŞ, Bursagaz AŞ and Kayserigaz AŞ. Member of the supervisory board of Gasunie N.V. Member of Neste Oil's Audit Committee.

Kirsi Sormunen

Member of the Board since 2013. Independent member.

(born 1957)

M.Sc. (Econ.)

Vice President, Corporate Responsibility at Nokia Corporation until December 2013.

Vice President, Head of Sustainability 2009–2012, Vice President, Head of Environmental Affairs 2004–2009 and Vice President, Strategy Development at Nokia Corporation 2003–2004.

Also served as Senior Vice President of Finance, Control & Planning for Nokia Americas at Nokia Inc., Irving, Texas 1999–2003, Senior Vice President of Finance & Control at Nokia Telecommunications 1995–1999, and Vice President & Group Treasurer Head of Global Treasury activities at Nokia Group 1993–1995.

Several positions within Nokia Group's Treasury functions since 1982.

Member of the Board of DNA Ltd and member of the Board of Directors of Sitra, The Finnish Innovation Fund. Member of Neste Oil's Audit Committee.

Board committees

The Board has established an Audit Committee, which has four members, and a Personnel and Remuneration Committee, which has three members. A quorum exists when more than two members, including the Chair, are present. All members are elected from amongst the members of the Board for a one-year term. The tasks and responsibilities of each committee are defined in their charters, which are approved by the Board. The schedule and frequency of committee meetings are determined by the Chair and committee members. Committees meet at least twice a year. Each committee reports regularly on its meetings to the Board. Reports include a summary of the matters addressed and the measures undertaken. Each committee conducts an annual self-evaluation of its performance and submits a report to the Board.

Audit Committee

Under its Charter, the Audit Committee shall consist of a minimum of three Board members that are independent of the Company and its subsidiaries and at least one of whom shall be independent of Neste Oil's major shareholders. Members are required to have sufficient knowledge of accounting practices and the preparation of financial statements and other qualifications that the Board deems necessary. The Audit Committee is permitted to use external consultants and experts when deemed necessary.

Duties

The responsibilities and duties of the Audit Committee are defined in detail in the Charter approved by the Board and cover the following main areas:

- monitoring the Company's financial statement reporting process, and, as appropriate, interim reports
- supervising the financial reporting process
- monitoring the efficiency of the Company's internal control, internal audit, and risk management systems
- monitoring the most material risks of the Company and ensuring the proper management of the risks of the Company
- reviewing ICT structure
- reviewing the Company's Corporate Governance Statement, which includes a description of the main features of the internal control and the risk management systems pertaining to the financial reporting process
- monitoring the statutory audit of the Financial Statements and Consolidated Financial Statements
- evaluating the independence of the Company's Statutory Auditor, particularly the provision of related services to the company to be audited
- preparing the proposal or recommendation for resolution on the election of the Statutory Auditor
- reviewing all the material reports produced by the Statutory Auditor addressed to the Company or its subsidiaries
- evaluating the Company's compliance with laws and regulations
- approving internal audit policy and reviewing the annual plan for Internal Audit and internal audit reports, and
- monitoring the Company's financial position.

2014

The Audit Committee until 3 April 2014 comprised Per-Arne Blomquist (Chair), Michiel Boersma, Laura Raitio, and Kirsi Sormunen.

Starting from 3 April March 2014, the Audit Committee comprised Per-Arne Blomquist (Chair), Jean-Baptiste Renard, Willem Schoeber, and Kirsi Sormunen.

During 2014, the Audit Committee convened 7 times and the attendance rate was 100%. In addition to its normal duties, the Committee concentrated on monitoring and development work regarding financial reporting, risk management and the investment process, as well as monitoring the management of the market risks associated with the expansion of the Renewable Products business. In addition, the Committee focused on developing of ICT systems and selection of the provider of the platform for the enterprise resource planning (ERP).

Personnel and Remuneration Committee

The Personnel and Remuneration Committee consists of the Chair of the Board and at least two non-executive members of the Board.

Duties

The responsibilities and duties of the Personnel and Remuneration Committee are defined in detail in its Charter approved by the Board and cover the following main areas:

- preparing the appointments of key executive personnel and making proposals to the Board on compensation and incentive systems for key personnel
- preparing and proposing to the Board the appointments of the President & CEO and the members of the Neste Executive Board, and the terms and conditions of their employment, and
- monitoring and evaluating the performance of the President & CEO and the members of the Neste Executive Board.

2014

The Personnel and Remuneration Committee until 3 April 2014 comprised Jorma Eloranta (Chair), Maija-Liisa Friman, and Willem Schoeber. Starting from 3 April 2014, the Personnel and Remuneration Committee comprised Jorma Eloranta (Chair), Maija-Liisa Friman, and Laura Raitio.

In 2014, the Committee convened 9 times, and the attendance rate was 100%. In addition to the normal duties coming within the scope of its Charter, the Personnel and Remuneration Committee concentrated on discussing, reviewing, and developing the Company's remuneration principles and disclosure. The Committee also monitored the functioning of short and long-term incentive plans to ensure that they supported the achievement of the objectives and helped improve the Company's performance. The Committee also monitored the organization change, statutory employer-employee negotiations fall 2014 and the talent development and succession planning among key personnel.

President & CEO

Neste Oil's President & CEO, Matti Lievonen (b.1958, B.Sc. (Eng.), eMBA), manages the Company's business operations in accordance with the Finnish Companies Act and instructions issued by the Board of Directors. The President & CEO shall oversee the executive management of the company in accordance with instructions and orders given by the Board of Directors and is responsible for ensuring that the Company's accounts are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

The President & CEO is appointed by the Board of Directors, which evaluates the performance of the President & CEO annually and approves his remuneration on the basis of a proposal by the Personnel and Remuneration Committee.

Information on the remuneration and shareholdings of the President & CEO can be found in the Remuneration Statement 2014.

Neste Executive Board

The Neste Executive Board (NEB) assists the President & CEO in managing the Company and in the deployment of the Company's strategic and operational goals. Members are appointed by the Board of Directors. The NEB meets regularly, on average once a month. Information on the remuneration and shareholdings of the members of the NEB can be found in the Remuneration Statement 2014.

2014

The Neste Executive Board comprised ten members and The Executive Board met 14 times in 2014. The Neste Executive Board (NEB) focused on cash flow management by monitoring and guiding investments and working capital and by establishing a special efficiency program targeting variable and fixed costs. The Executive Board boosted the implementation of the strategy by implementing decisions related to issues including the production structure of refineries and securing their competitiveness, and took measures to improve the availability of production plants. The Executive Board also worked to increase the utilization of renewable feedstocks, especially waste and residues, and to increase the capacity of renewable diesel refineries. In addition, the Executive Board continued measures to improve safety and change the operating methods with the Way Forward initiative.

Members of the Neste Executive Board

Matti Lievonen

President & CEO, Chair of the Neste Executive Board

(born 1958)

B.Sc. (Eng.), eMBA. President & CEO since 1 December 2008

Joined the company in 2008.

Served as President of the Fine and Speciality Papers Division at UPM-Kymmene Corporation, and in a number of other senior positions at UPM (1986–2008), and prior to that at ABB. Member of UPM-Kymmene's Executive Board 2002–2008.

Chair of the Board of Nynas AB.

Vice Chair of the Board of the Chemical Industry Federation of Finland.

Member of the Board of SSAB AB.

Chair of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company and Member of the Advisory Board of National Emergency Supply Agency.

Member of the Supervisory Board of The Finnish Fair Corporation.

Matti Lehmus

Executive Vice President, Oil Products. Member of the Neste Executive Board since 2009.

(born 1974)

M.Sc. (Eng.), eMBA

Joined the company in 1997.

Responsible for the Oil Products business area. Previously served as Executive Vice President of the Oil Products and Renewables business area (2011–2014), Executive Vice President of the Oil Products business area (2009–2010), Vice President of the Base Oils business in the Specialty Products Division (2007–2009), Vice President of Oil Refining Business Development (2007) and Gasoline Exports and Trading Manager (2004–2007) in the Oil Refining Division.

Vice Chair of the Board of the Finnish Petroleum & Biofuels Association.

Kaisa Hietala

Executive Vice President, Renewable Products. Member of the Neste Executive Board as of 16 June 2014.

(born 1971)

M.Sc.(Physics), Finland and M.Sc.(Env.Sc.), UK

Joined the company in 1998. Responsible for the Renewable Products business area. Served in several positions at Neste Oil, most recently as Vice President of the Renewable Fuels business (2011–2014), Vice President of Supply in Singapore (2009–2011), Commercial Director in Singapore (2008), and Feedstock Manager in the Renewable Fuels Business operations (2006–2008).

Antti Tiitola

Executive Vice President, Oil Retail. Member of the Neste Executive Board as of 8 October 2014.

(born 1967)

Commercial college graduate

Joined the company in October 2014.

Responsible for Oil Retail business area in Finland and the Baltic Rim, direct sales, and LPG.

Served previously as Senior Vice President in Passenger traffic division of VR-Group Ltd (2012–2014), Managing Director of Lidl Finland (2000–2011), and in several marketing related positions in Örum Oy Ab (1992–2000).

Member of the Board of Broman Group Oy, Raisio Oyj, and Verkkokauppa.com Oyj.

Member of the Board of the Finnish Petroleum & Biofuels Association and the German-Finnish Chamber of Commerce.

Simo Honkanen

Senior Vice President, Sustainability and Public Affairs. Member of the Neste Executive Board since 2009.

(born 1958)

M.Sc. (Econ.)

Joined the company in 2006.
Responsible for the Sustainability and Public Affairs activities. Served previously as Vice President, Marketing, Raw Material Procurement, and Stakeholder Relations in the Renewable Fuels division (2008–2009), Vice President, New Ventures in the Components Division (2006–2007) and prior to that as Strategy Director in Shell Finland; Marketing Director, Retail in Shell Benelux and France; and in several other managerial positions in Finland and Sweden (1985–2005).

Tuomas Hyyryläinen

Senior Vice President, Strategy and New Ventures. Member of the Neste Executive Board since 2012.

(born 1977)

M.Sc. (Econ.)

Joined the company in 2012. Responsible for Strategy, New Ventures, Market Intelligence and M&A operations.

Previously served as Vice President for Strategy at F-Secure and served in various strategy- and business development-related positions at Nokia.

Member of the Board of Directors of Nynas AB.

Hannele Jakosuo-Jansson

Senior Vice President, Human Resources and Safety. Member of the Neste Executive Board since 2006.

(born 1966)

M.Sc. (Eng.)

Joined the company in 1990. Responsible for the Group's Human Resources and Safety corporate functions. Served as Laboratory and Research Manager at the Technology Center (1998–2004) and Vice President, Human Resources at Oil Refining (2004–2005).

Member of the Board of Directors of Munksjö.

Osmo Kammonen

Senior Vice President, Communications and Brand Marketing. Member of the Neste Executive Board since 2004.

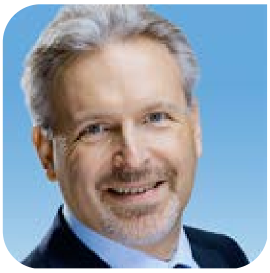
(born 1959)

M.Sc. (Laws)

Joined the company in 2004. Responsible for the Group's Communications and Brand Marketing.

Served as Senior Vice President, Corporate Communications and Investor Relations; and Communications Manager in various companies in the electronics, engineering, construction materials, and forest products industries.

Lars Peter Lindfors



Senior Vice President, Technology. Member of the Neste Executive Board since 2009.

(born 1964)

Ph.D. (Tech.), MBA

Joined the company in 2007. Responsible for Research & Development, Investment Management, Information Technology, Procurement, and Business Processes. Served previously as Senior Vice President, Technology and Strategy (2009–2012), Vice President for the company's Research and Technology unit (2007–2009), Executive Vice President, Renewal and Development at Perstorp Group (2004–2007), Executive Vice President, R&T&D at Perstorp Group (2001–2004), and prior to that at Neste as R&D Manager and various other positions.

Member of the Boards of the Fortum Foundation, Finnish Foundation for Technology Promotion and Neste Jacobs.

Jyrki Mäki-Kala

Chief Financial Officer. Member of the Neste Executive Board since 2013.

(born 1961)

M.Sc. (Econ.)

Joined the company on 6 May 2013. Responsible for the Group's financial management, investor relations, and risk management. Chair of the Board of Directors of Neste Jacobs.

Served in various business and corporate financial positions at Kemira (2005–2013).

Previously worked for Finnish Chemicals.

Matti Hautakangas*

General Counsel and Secretary to the Neste Executive Board, the Board of Directors, the Audit Committee, and the Shareholders' Nomination Board.

(born 1963)

M.Sc. (Laws)

Joined the company in 2003. Responsible for the Group's legal affairs. Secretary to the Neste Executive Board, Board of Directors, and the Audit Committee since 2004 and to the Shareholders' Nomination Board since 2013.

Served previously as Legal Counsel, Oil Refining (2003–2004) and as an attorney-at-law at Procopé & Hornborg Law Offices Ltd. (1994–2003).

* Not a member of the Neste Executive Board

Ilkka Poranen acted as a Senior Vice President, Production, until June 2014, and Sakari Toivola as Executive Vice President, Oil Retail, until October 2014.

Neste Executive Management Board

The Neste Executive Management Board (NEMB) is responsible for leading and setting operational business targets and monitoring progress on achieving them.

2014

The Neste Executive Management Board comprised the President & CEO, business area Executive Vice Presidents, the CFO and the Senior Vice President, Strategy and New Ventures. The NEMB met 12 times in 2014.

The Senior Vice President, Production and Logistics was member in The Neste Executive Management Board until June 2014.

Company Auditor

The Annual General Meeting elects an Auditor annually, which must be an auditing company approved by the Finnish Central Chamber of Commerce. The Auditor's term of office ends at the end of the next AGM following election.

The Auditor is responsible for auditing the Company's accounts, its financial statements, the Review by the Board of Directors, and Neste Oil's administration. The Auditor's Report covers the Review by the Board of Directors, the Consolidated Financial Statements, and the Parent Company's Financial Statements, and can be found in the Financial Statements section of the Annual Report.

2014

Ernst & Young Oy served as Neste Oil's Auditor until 3 April 2014, with Anna-Maija Simola, Certified Public Accountant, as principally responsible auditor. PricewaterhouseCoopers Oy was elected as the company's Auditor on 3 April 2014, with Authorized Public Accountant Mr Markku Katajisto as the principally responsible auditor for Neste Oil Corporation, until the end of the next AGM.

Fees charged by the statutory auditors, EUR 1,000

Fees charged by the statutory auditor, PwC, EUR, 1,000	2014	2013
Audit fees	751	–
Other	698	–
Total	1,449	

Fees charged by the former statutory auditor, EY, EUR, 1,000	2014	2013
Audit fees	250	1,052
Other	232	392
Total	482	1,444

Internal Audit

The Internal Audit Unit supports Neste Oil's Board of Directors, the Board's Audit Committee, and management in overseeing the Company's activities and securing its operations by carrying out internal audits and providing consultative assistance. The goal of Internal Audit is to generate added value by making recommendations designed to improve the Company's operations. Internal Audit is an independent function and its activities are based on international professional internal audit standards and rules of ethics.

The central task of Internal Audit is to audit the operations of Neste Oil's units and functions on a regular basis and evaluate their internal controls, risk management, and administrative practices. The areas to be audited are determined by the projected financial and operational risks concerned. Internal Audit can also carry out special assignments on behalf of management or the Board of Directors' Audit Committee.

Internal Audit reports to the Board of Directors' Audit Committee and administratively to the President & CEO. The Audit Committee is responsible for approving the Internal Audit Charter and Internal Audit's operating plan. As a staff function, Internal Audit does not have any direct authority over the activities it reviews.

Misconduct

Preventing misconduct in the Company's operations is critical for Neste Oil. Continuous efforts are made to identify and evaluate the risks associated with possible misconduct.

Neste Oil observes a number of principles and guidelines to prevent and deal with misconduct. These cover misuse of assets, systems, or a person's position within the Company aimed at benefiting one or more people either directly or indirectly. Regulations cover areas including:

- fraudulent financial reporting
- unauthorized use of Company assets
- income or assets acquired fraudulently or illegally, and
- evading costs or responsibilities using fraudulent or illegal means, and costs generated in a fraudulent or illegal way.

Regulations also include principles covering how supply, purchase, and service contracts should be negotiated. The Neste Oil Code of Conduct defines the general approach that every Company employee is expected to follow.

Should employees notice or suspect misconduct, they can inform their manager or supervisor, the head of Internal Audit, the head of the Group's Corporate Security Unit, Human Resources personnel, or anonymously via an online tool. Internal Audit is responsible for evaluating cases that are reported and investigating them thoroughly if appropriate. Legal Affairs is responsible for any legal action taken in response. Misconduct and suspected misconduct is reported to the Board of Directors' Audit Committee.

2014

Internal Audit focused on securing regulatory compliance and overseas operations during 2014. Conducting of two audits was outsourced. To gain additional assurance about the level of internal controls in Neste Oil, Internal Audit carried out a control self-assessment study in the company. COSO-model was used as a basis for the study.

No cases of misconduct were found in 2014 that would have had a material impact on the Company's financial performance.

Read more about internal communications related to the Code of Conduct in the Sustainability section of the Annual Report.

Insider guidelines

Neste Oil complies with the Insider Guidelines of NASDAQ OMX Helsinki Ltd. that came into force as of 1 July 2013. The Company has also approved its own Guidelines for Insiders, which are stricter in some areas. The Company's closed window, for example, exceeds minimum NASDAQ OMX Helsinki requirements.

The Company's Guidelines for Insiders are updated regularly and are available to all personnel. The Company arranges training on insider guidelines for personnel and expects that its guidelines are followed. The Company supervizes compliance with insider guidelines by checking disclosed information with those concerned annually. The Company's General Counsel is responsible for the coordination and supervision of insider matters. The head of each common function or business area is responsible for supervising insider matters within his or her organization.

The members of the Board of Directors and the President & CEO, the Company's main responsible auditor, and the members of the Neste Executive Board and its secretary have all been classified as insiders subject to a declaration requirement. The holdings of Company securities by such insiders are filed in the public Insider Register, which can be consulted at the Company's web site. A public register is maintained in the insider register system of Euroclear Finland Ltd.

The Company has also designated certain other executives, as well as certain individuals responsible for the Company's finances, financial reporting, and communications, who receive insider information on a regular basis due to their position or duties, together with various other people who otherwise work for the Company and receive inside information on a regular basis, as permanent Company-specific insiders.

Permanent insiders may not trade in any Company securities during the period from the closing date of an interim or annual accounting period to the date of publication of the interim report or financial statements bulletin for that period. The minimum period concerned is always 28 days prior to the date of publication of the interim report or the financial statements bulletin ('closed window'). The publication dates of interim reports and financial statements bulletins are shown in the financial calendar at nesteoil.com/investors.

Individuals who participate in the development and preparation of projects that involve insider information, such as mergers and acquisitions, are considered project-specific insiders. Such people are included in a separate register of Project-Specific Insiders maintained by the Company's Legal Department.

Main features of internal control and risk management systems pertaining to the financial reporting process

Objectives

The objective of internal control in Neste Oil is to ensure efficient implementation of the Company's strategy and effective operations, assure compliance with both internal instructions and laws and regulations, ensure reliable financial reporting, and prevent fraud and other misconduct.

The main responsibility for internal control lies with the line organizations of business areas and common functions. Identifying the main risks of processes and defining adequate control points are essential to ensure an appropriate level of control. In addition to daily monitoring, line organizations are responsible for evaluating their level of internal control by reviewing and assessing their processes, and develop their systems by taking corrective actions as needed. Line management also has primary responsibility for organizing sufficient controls to ensure compliance with the Company's overall management practices, policies, principles, and instructions.

Neste Oil's internal control framework is based on the COSO (The Committee of Sponsoring Organizations of the Treadway Commission) framework.

Roles and responsibilities

Under the Finnish Companies Act, the Board of Directors is responsible for ensuring that there is adequate control over the Company's accounts and finances. Responsibility for arranging this control is delegated to the President & CEO, who is required to ensure that the Company's accounts are in compliance with the law and that its financial management have been arranged in a reliable manner.

The heads of business areas and common functions are responsible for establishing and maintaining appropriate, up-to-date, effective and adequate controls in their operations. Responsibility for the practical implementation of this is delegated to each organizational level. Managers at each of these levels are responsible for implementing corporate principles and instructions in their organization, and for assessing the effectiveness of controls.

To ensure sufficient control and support to the line organization, Neste Oil's controllers have an independent role in controlling their business line. In certain areas, such as credit and counterparty risks, the Finance Department has risk control responsibility. In respect of financial reporting, Finance has a key role in control activities.

Internal Audit has the overall responsibility for evaluating that internal control processes and procedures operate adequately and effectively.

The Audit Committee oversees the Company's finances, financial reporting, risk management, and internal auditing as part of the company's corporate governance.

Control environment

Neste Oil's values and management system are the foundation of the control environment. With respect to financial reporting control environment covers:

- the President & CEO and corporate management are responsible for emphasizing the importance of ethical principles and correct financial reporting
- the Audit Committee, appointed by the Board of Directors, is responsible for overseeing the financial reporting process and related controls
- clearly defined financial reporting roles, responsibilities, and authorities provide a clear framework for everyone, and
- the structure of the organization and the resources allocated within it (segregation of duties, adequate financial reporting competencies recruited and retained) are designed to provide effective control over financial reporting.

Risk assessment

As a prerequisite for risk assessment, the organization's objectives need to be established. With respect to financial reporting, the general objective is to have reliable reporting and ensure that transactions are recorded and reported completely and correctly.

Based on risk assessment, the requirement for internal control has been included in the Principle and Instruction for Control of Financial Reporting-documentation.

Furthermore, the most significant risks run by the Company are inventorised, quantified and discussed systematically in the Audit Committee and the Board of Directors.

Control activities

Control activities are instructions, guidelines and procedures established and executed to help ensure that the actions identified by management to address the relevant risks are carried out effectively. Policies and other principles to be followed are documented in Neste Oil's management system. The most important areas from the standpoint of financial reporting are included in the Controller's Manual.

Neste Oil's entity-level and process-level control activities with respect to reliable financial reporting are described in the Principle and Instruction for Control over Financial Reporting- documentation. These establish the minimum control requirements covering also control activities related to transactions in relevant processes as well as controls carried out as part of the monthly reporting process.

Internal communications

Information and communication systems enable Neste Oil's personnel to capture information on management and internal controls. With respect to financial reporting, this means that personnel have access to adequate information and communication regarding accounting and reporting principles.

The main means of communicating the relevant matters for appropriate financial reporting are the Controller's Manuals for controllers at common function and business areas. These contain instructions covering accounting principles, planning, forecasting and reporting.

Monitoring

Monitoring enables the management, the Board of Directors and the Audit Committee to determine whether the other components of the internal controls are functioning as they should and to ensure that internal control deficiencies are identified and communicated in a timely manner to those parties responsible for taking corrective action, and to management and the Board as appropriate.

Effective controls are based on monitoring, whether they are in mitigating the identified risks. The efficacy of controls is monitored regularly as part of management activities, as the efficacy of controls can diminish over time due to changes in the operating environment that affect the risks that controls are designed to mitigate, or due to changes in the controls themselves caused by changes in processes, IT systems or personnel.

2014

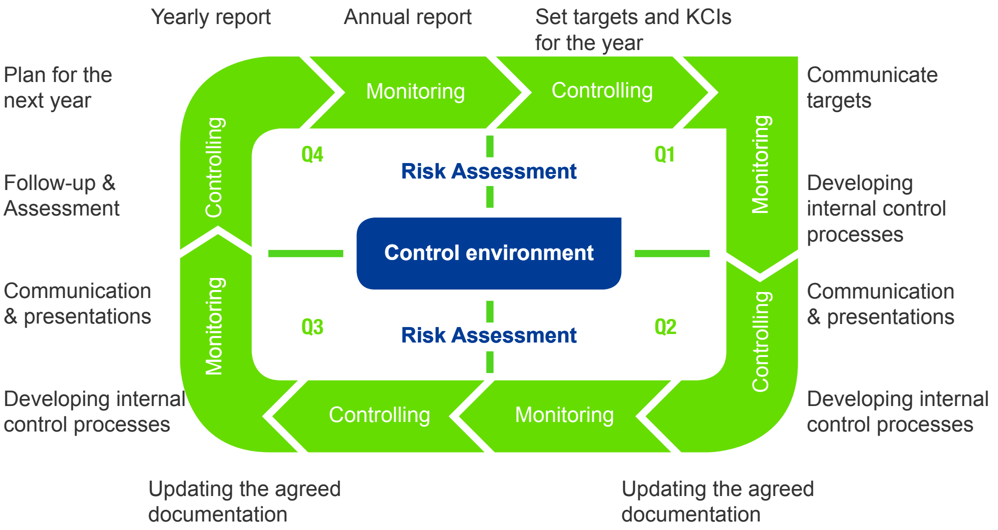
In 2014, the focus areas of internal controls development were implementation of financial reporting related systems, strengthening of closing of accounts related controls and monitoring activities.

As for the systems implementation, the most significant ones were the renewal of the Group reporting system and to extend the usage of common ERP in the major sales companies.

In 2013, the common global financial applications and processes were implemented in the Group companies. This enabled to strengthen and formalize the closing of accounts related controls in the Group companies this year.

The main project related to monitoring activities concentrated on the development and implementation of control indicators of the reporting process. A self-assessment survey of internal controls was conducted in the summer.

Annual internal control process



Performance Management Process

The Neste Oil Performance Management Process plays an essential role in helping the Group attain its strategic goals and reinforcing its performance-driven mindset.

Performance management comprises daily management, through which individuals, teams, units and the company can reach their goals. Performance management is used to ensure that everybody knows the values and objectives of our company, and the purpose of our business. The objective is to ensure that each employee of Neste Oil knows their short- and long-term tasks and objectives, and what kind of competence is needed to reach these objectives.

Individual and team objectives are based on Neste Oil's strategy and own unit's priorities. When performance management is successful, everyone understands how their own performance is linked to the achievement of the business objectives. The way of working is according to jointly agreed principles based on our values. Good performance is rewarded. There is a clear link between well-being at work and good performance management.

The objective is that every employee of Neste Oil commits to acting in accordance with the performance development process, i.e.

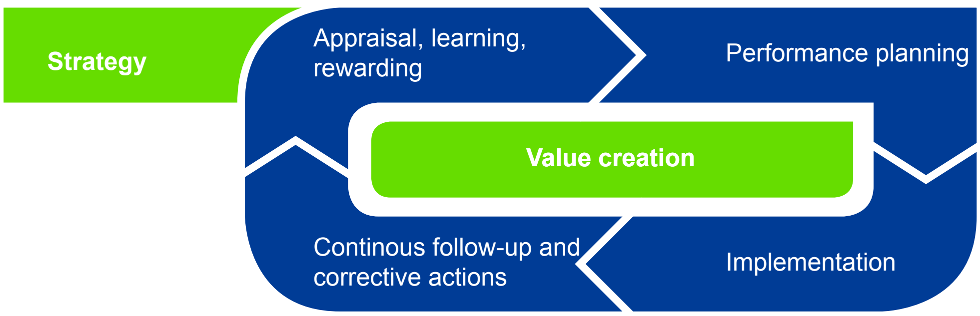
- sets challenging objectives and follows how they are achieved
- offers feedback
- evaluates achieved results
- develops operational methods and own competence
- participates actively in performance and development discussions

From a financial reporting point of view, Neste Oil's Performance Management Process consists of a monthly Management Reporting Process and a quarterly Performance Review Process.

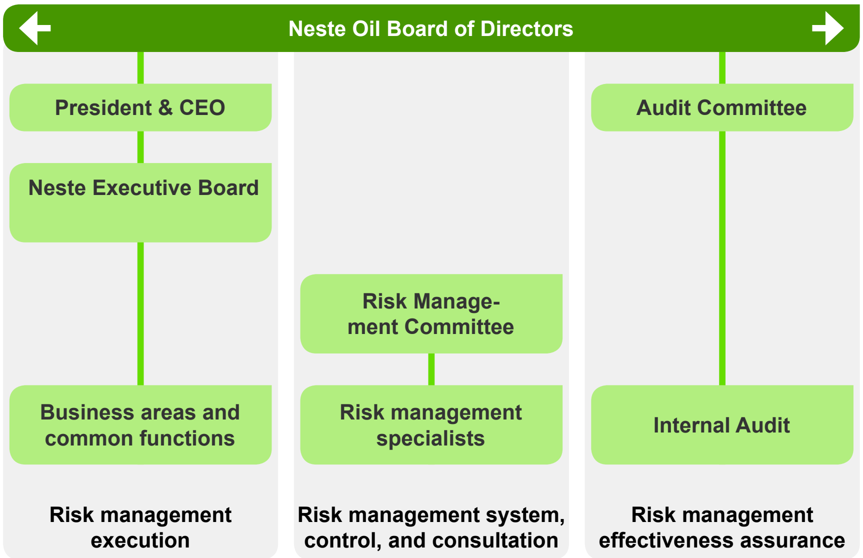
At Group level, results and information in management reporting and performance reviews are compared to strategic goals and business plans and to analyses and planned corrective actions throughout the year.

Business areas and common functions follow a similar approach, but emphasize a more detailed analysis and definition of corrective actions, as well as continuous improvement and prioritization of actions and development projects.

Performance management



Risk management



Due to the extent, diversity, and nature of Neste Oil's business activities and areas, company's business, personnel, assets, and environment are exposed to a wide range of operational risks. From the financial risk point of view, risk management is steered by risk appetite, risk tolerance, and risk management opportunities. In the areas of safety and environment risks, Neste Oil focuses on active prevention of risks. Neste Oil promotes a risk-aware culture in all areas of the company's decision-making.

The objective, framework, and process of risk management

The Corporate Risk Management Policy and Principles approved by the Board of Directors define the risk management principles for managing the risks associated with the Group's strategic and operational targets and those of its business areas and common functions. The Board is also responsible for approving Neste Oil's Treasury Risk Policy and Credit and Counterparty Risk Management Principles. Business areas and corporate common functions have additional principles and procedures related to risk management, approved by the President & CEO or a member of the Neste Executive Board.

Continuous operational activities are involved in tackling risks in functions such as Finance, Human Resources and Safety, and ICT, as well as those related to corporate reputation, legal affairs, technology and investments.

Neste Oil's Risk Management Policy emphasizes:

- the awareness and proactive management of risks
- the value of risk management in enhancing opportunities and reducing threats, and thereby gaining competitive advantage
- the importance of sufficient risk treatment and risk control, particularly in respect of HSEQ and sustainability, and
- the benefits of managing risks as an integrated part of planning, decision-making, and operational processes with a defined structure of roles and responsibilities.

Neste Oil's risk management framework is based on three risk assessment elements:

1. an Enterprise Risk Management (ERM) process that provides a systematic approach to identifying threats and opportunities related to strategic targets and performance plans
2. risk manuals for specific risk disciplines. Risk manuals and defined processes cover areas such as credit and counterparty risk principles, price risk management principles and instructions, treasury principles and instructions, reputation risk management principles, and proprietary trading manuals and instructions, and
3. risk awareness across the organization, based on proactive thinking and behavior among individual employees.

Risk management is handled through these three elements by following the basic risk management process.

Risk management governance

The Board of Directors is responsible for setting the Group's risk appetite and approving the Corporate Risk Management Policy and Principles.

Risk management governance is based on the 'three lines of defense' model, which distinguishes between:

1. business areas and common functions owning and managing risk
2. risk management specialists responsible for controlling, consulting, and developing systems, and
3. the Audit Committee, which provides independent assurance of the overall efficacy of the Company's risk management.

Risk management line responsibility

As part of the first line of defense, the President & CEO, supported by the Neste Executive Board, has overall responsibility for the management of risks, particularly in risks that threaten the Company's strategy and performance plans, as well as investments and new business models. Management and personnel in Neste Oil's business areas and common functions are responsible for assessing and managing risks related to planning, decision-making, and operational processes in their particular areas.

Risk management control and consultation

The second line of defense comprises the Risk Management Committee steered by the Chief Financial Officer provides a comprehensive understanding of the overall risks the organization faces, supported by the risk management specialists within the Treasury and Risk Management function and other common functions and business areas.

The Risk Management Committee steers the development of risk management principles, tools and processes.

The Committee assesses the state of risk management processes, control and compliance and reviews the efficacy of different risk management disciplines, especially in price, currency rates, proprietary trading, and counterparty risks.

Risk Management specialists are responsible for controlling special risk disciplines, consulting and facilitating risk management processes and developing risk management systems.

Risk management effectiveness assurance

The third line of defense, led by the Audit Committee, is designed to provide independent assurance on the efficacy of governance and risk management systems. Internal Audit plays a key role in the third line of defense and provides assurance to the Audit Committee.

Risk reporting

Corporate risk reporting to the Board of Directors, the Audit Committee, the President & CEO, and the Neste Executive Board takes place according to the following main principles:

- risks threatening strategic and performance plan targets are reported as part of the corporate planning process
- risk treatments are reported through the Risk Management Committee as part of the corporate review process, and
- reporting on the overall financial risk situation is provided as part of monthly reporting

Risk relating to Neste Oil's business

The nature of the oil refining industry, regardless of the feedstocks used, exposes Neste Oil to market, counterparty, contratual, credit, and operational risks, as well as other risks in areas such as sustainability, health, safety and the environment, IT and security, and general political and regulatory issues.

In particular, risks related to legislation, technology, and intellectual property rights, as well as feedstock supply, are likely to be of greater significance in renewable fuels than in traditional oil refining. Any of the above risks, either alone or jointly, may have a materially adverse effect on Neste Oil's business, financial status, operational result, and future prospects.

Changes in the refining margins of petroleum products and renewable fuels may also have a materially adverse effect on Neste Oil. The company's financial result is primarily affected by the price differential or margin between refined product prices and the price of the crude oil, vegetable oil, and other feedstocks used in refining.

The cost of the feedstocks Neste Oil acquires and the price at which it can ultimately sell its products depend on a variety of factors largely beyond the company's control. Historically, refining margins have been volatile and are likely to continue to remain so in the future. Future volatility in refining margins may have a material adverse effect on Neste Oil's business, financial status, operational result, and future prospects.

Major risks and uncertainties related to Neste Oil's business:	Mitigation actions include but are not limited to:
Feedstock price	
The volatility of feedstock prices exposes Neste Oil's inventory value and EBIT to price risks under IFRS accounting. The comparable EBIT that Neste Oil reports is not exposed to this risk, as it is based on current cost valuation.	From a risk management perspective, Neste Oil's inventory consists of two components; base inventory and transaction position. The latter is hedged using oil and vegetable oil derivatives. See: Financial Statements, Note 3 (Commodity price risks).
Feedstock price differences	
Changes caused by supply and demand related to the price differentials of specific crude grades (such as the price differential between Russian Export Blend and Brent crude). Crude oil may also be exposed to adverse short-term physical market strength.	Crude oil exposure is sometimes reduced by 'locking' the following crude oil differentials: between Brent Dated and Brent Future/Forward contract and between Urals and Brent Dated. Fixed price premiums on supply contracts or use of commodity derivatives.
Margin	
Uncertainty related to the development of the world economy, which impacts demand for petroleum products generally and diesel fuel in particular. Development of global oil refining capacity and, in particular, capacity in the products refined by Neste Oil. Changes in the costs related to alternative ways of fulfilling regulated biomandates. Fluctuations between crude oil and product prices, as well as price differentials between vegetable oil and renewable fuel prices. Changes in demand for different base oil product quality groups and changes in global base oil refining capacity.	Neste Oil hedges the components of its refining margins with derivative transaction instruments. Hedging transactions concentrate on the components of Neste Oil's total refining margin. See: Financial Statements, Note 3 (Refining margin risk). Neste Oil monitors the development of worldwide refining capacity and aims to develop the structure of its own refining capacity. Neste Oil's research and technology activities develop the company's products and technology and aim to extend the range of raw materials that Neste Oil can use in its processes.
Product price premiums	
Availability of price arbitrage for refined products between different geographical markets. Changes in the mandatory product specifications used by the EU and governmental authorities for refined products, such as the EU Fuel Quality Directive. Pricing and other actions taken by competitors that impact the market.	Long-term sales contracts Commodity derivative contracts are used to manage price arbitrage. Neste Oil aims to make an active contribution to the development of product specifications and legislation in its key market areas. Neste Oil has a strong retail network around the Baltic, which provides a captive market for its refining operations.
Sales volumes	
Pace of the implementation of renewable fuel legislation, such as the EU Renewable Energy Directive (RED), national regulations, and the United States Renewable Fuel Standard (RFS-2). Operational availability of Neste Oil's refineries.	Neste Oil aims to make an active contribution to the development of product specifications and legislation in its key market areas. High levels of operational availability are promoted through preventive maintenance and safety work at all the Company's refineries.
Exchange rate	
Trading in commodities and refined products mainly takes place in US dollars, which exposes Neste Oil to USD/Euro exchange rate volatility.	Neste Oil limits the uncertainties resulting from changes in foreign exchange rates by hedging its currency risks in contracted and forecasted cash flows and balance sheet exposures. See: Financial Statements, Note 3 (Foreign exchange risk).

Major risks and uncertainties related to Neste Oil's business:	Mitigation actions include but are not limited to:
Costs	
Changes in the cost and availability of logistics services for feedstocks and refined products. Changes in environmental and other regulations that could require Neste Oil to make substantial investments without necessarily increasing the capacity or operational efficiency of its refineries. Changes in the cost of capital.	Neste Oil aims to link its environmental investments to productivity investments and cooperates constructively with all its stakeholders. Neste Oil is exposed to interest rate risk primarily through its interest-bearing net debt. See: Financial Statements, Note 3 (Interest rate risk).
Hazard risk	
Hazard risk is defined as the risk of financial losses arising from events leading to the damage of physical or intellectual assets, business interruption, personnel injuries, or environmental, product, or other liabilities. Risks in the area of marine transportation may, if realized, have a major cost effect.	High levels of operational excellence are promoted through instructions and principles covering areas such as process-, product- and personnel safety, security, marine risk management, change management, crisis management, and business continuity management. In addition to preventive risk management measures, major hazard risks are covered by insurance policies.
Credit and counterparty risk	
Credit and counterparty risk arises from sales, hedging, and trading transactions, as well as cash investments. Risk is linked to the potential failure of counterparties to meet their contractual payment obligations, and depends on the creditworthiness of counterparties and the size of the exposure concerned.	Credit risk limits are set at Group level, designated by different levels of authorization and delegated to Neste Oil's business areas. Counterparties are screened and evaluated in respect of their creditworthiness to decide whether open credit lines are acceptable or whether collateral or other credit enhancements such as letters of credit, bank guarantees, or Parent Company guarantees have to be posted. See: Financial Statements, Note 3 (Credit and counterparty risk).

More information on market, foreign exchange, and interest rate risks, and how they are mitigated can be found in the Financial Statements Note 3 section of the Annual Report.

More information on environmental and safety risks can be found in Neste Oil's Sustainability section of the Annual Report.

Risk management focus in 2014

During 2014, Neste Oil developed among all the use of risk assessment tools, preparedness to sanction-regulated environment and compliancy with European Markets Infrastructure Regulation on OTC derivatives, central counterparties and trade repositories (EMIR).

Risk assessment tools built to identify, assess and manage the risks especially in major investments and refinery turnarounds matured and established a generally accepted tool status as a part of project management.

The political crisis in Ukraine increased general uncertainty in the European energy market, but did not materially impact Neste Oil's oil and gas supply. In order to secure business continuity, preparedness plans were updated, counterparty check processes were reviewed and financial sanctions awareness and processes were strengthened.

Reporting start date for derivatives under EMIR regulation was 12 February 2014. This required changes to Neste Oil's derivatives management related ICT systems and processes. These requirements were revised on 1 December 2014. Regulatory changes in the countries were Neste Oil operates is monitored and work with the changing derivatives regulation requirements is expected to continue.

Neste Oil Remuneration Statement 2014

Letter from the Chair of the Personnel and Remuneration Committee

Dear Shareholder,

The last year was one of transition and renewal at Neste Oil. Major changes to our organisational structure, announced by the President & CEO in June 2014, required a number of revisions to the management responsibilities of our Neste Executive Board (NEB) members during the year. We were also pleased to welcome two new additions to the NEB; Kaisa Hietala, in June 2014, and Antti Tiitola, who joined in October 2014.

The main focus of the reorganisation was the streamlining of the Oil Products and Renewable Products business areas. Both these businesses took direct control of their respective production operations and the Oil Products business area additionally absorbed logistics. The Production & Logistics function, which had previously existed as an autonomous unit, was subsequently dissolved.

In recognition of her efforts in transforming the profitability of the Renewable Products business area, Kaisa Hietala, was appointed as its new Executive Vice President (EVP) in June. Matti Lehmus, who previously represented both the Oil and Renewable Products business areas on the NEB, remained as the EVP of Oil Products with additional responsibility for the logistics and production operations.

As a result of the reorganisation, Ilkka Poranen, who had served on the NEB for five years as the Senior Vice President in charge of the Production & Logistics business area, took on new responsibilities at Neste Jacobs as EVP, Delivery and member of the Executive Board. We would like to thank him for his notable contribution over the years and wish him success in his new important role.

After seven years' dedicated service on the Neste Executive Board as EVP of Oil Retail, Sakari Toivola retired. We are very thankful for his significant contribution and welcome his successor, Antti Tiitola.

We believe that these operational and personnel changes will help us to build on our recent successes. Our organisational structure is now more streamlined and better aligned with our future strategic direction and will enable us to concentrate our efforts on meeting our customers' needs.

Continuing with the theme of reorganisation, the Personnel and Remuneration Committee has recently undertaken a fundamental review of its approach to remuneration reporting. This is mainly in response to proposals from the European Commission to introduce standardised remuneration reporting and binding shareholder votes on directors' remuneration policy within the next years.

Our remuneration disclosures have traditionally followed the guidelines contained in the 2010 Corporate Governance Code for Finnish listed companies; as well as the recommendations of the Ownership Steering Department of the Prime Minister's Office for the remuneration of executive management in Finnish state-owned companies (August 2012).

In keeping with our aim to set the standards for transparent and clear disclosure, our report demonstrates how our executive remuneration outcomes are strongly tied to the performance of the Company. We also describe how our remuneration programs are designed to incentivise our senior management to meet our strategic goals, and to align their interests with those of our owners, customers and Neste Oil's wider stakeholders.

Neste Executive Board (NEB) and Board of Directors' remuneration is presented separately as before. However, we have further divided our NEB remuneration disclosures into sections on policy and outcomes. The report is split into the following four sections:

1. Letter from the Chair of the Personnel and Remuneration Committee. This section highlights the key activities and decisions undertaken by the Personnel and Remuneration Committee during the year.

2. Neste Oil Executive Remuneration Policy Report. This section explains how the executive remuneration policy, including performance criteria, will be used to determine the remuneration of the President & CEO, and members of the Neste Executive Board over future financial years. It also discusses the remuneration principles which apply to our senior managers.

3. Neste Oil Executive Annual Remuneration Report. This section presents a comprehensive explanation of the remuneration outcomes for Neste Oil's President & CEO and the rest of the Executive Board, in light of the Company's financial and operating performance over the last reporting year.

4. Neste Oil Board Remuneration Review. This section discloses the remuneration paid to Neste Oil's Board of Directors during the last financial period. The Shareholders' Nomination Board is responsible for presenting its proposals for the remuneration of Neste Oil's Board of Directors to the Annual General Meeting for approval. Whilst the Chair of Neste Oil's Board of Directors is a member of the Shareholders' Nomination Board, he does not participate in either proposing or deciding his own remuneration, nor does he participate in the Nomination Board's proposal of a Chair of the Board for the AGM.

We hope that you will find our new report format to be helpful and we welcome your comments and feedback (corpcomviestinta@nesteoil.com) so that we may continue to improve our standards of reporting in future.

Jorma Eloranta

Chair of the Personnel and Remuneration Committee

Neste Oil Executive Remuneration Policy Report

Principles guide our performance

We review the Company's remuneration principles as necessary, around every two years. During the year, the Board reaffirmed, on the basis of the Committee's recommendations, the guiding principles for performance and reward which were introduced at the beginning of 2014. These underpin remuneration programs across the Group and are founded on the two platforms of "fairness" and "pay for performance."

We aim to recognise and reward high performance and responsible behaviour in support of the attainment of the Group's strategic targets and the long-term sustainability of the business.

Underpinning our Group remuneration philosophy are the following four guiding principles:

1. Ensure the execution of our strategy – We aim to chart a clear path forward by executing our corporate strategy and sharing our business objectives.

2. Drive performance and value based behaviour – We aim to drive individual, team and business results by rewarding excellence, development and value based behaviours.

3. Encourage individual and team accountability – We promote clear targets and a focus on continuous performance improvement. We make this possible by maintaining an ongoing dialogue with our personnel and welcoming their feedback.

4. Be fair and transparent – We run performance and total rewards processes ethically and with integrity, and support this with clear communication.

Remuneration principles for the Neste Executive Board and senior management

Based on the preparations of Personnel and Remuneration Committee, the Board takes into account the following objectives in determining the remuneration for the Executive Board and senior managers:

- Remuneration should be sufficient to attract and retain senior management with the requisite skills and experience to ensure that we meet our strategic goals, but at the same time make financial sense from the Company's point of view so as not to jeopardize its competitive cost structure.
- To operate effectively in a global context, remuneration should be fair and competitive within the international markets the Company operates. Salaries and other components of pay should be based on local market conditions and be sufficient to attract key management talent.
- Remuneration should maintain appropriate proportions of fixed and performance-related pay, to help to drive performance over the short and longer term, to maintain a flexible cost base, and to avoid creating incentives for excessive risk-taking.
- Remuneration should also to guide and encourage for the achievement of challenging strategic, operational and financial targets.
- Senior management interests should align with those of the Company and its broad base of domestic and international stakeholders.
- The senior management remuneration policy should be consistent with the global remuneration applied to Neste Oil employees worldwide.
- Neste Oil will always endeavour to treat senior managers and personnel equally and impartially, regardless of their gender, national origin, age, religion, political opinion, or other similar factors.

Remuneration is set according to the "grandfather principle" whereby the pay of any individual is subject to the approval of a manager's manager. No individual may decide matters relating to their own remuneration.

External advisers

In the design of our 2013 long-term incentive plan (LTI) the Committee received advice from remuneration consultants PCA and Mercer. Mercer also provided assistance with the re-design of the 2014 short-term incentive plan (STI) for group employees and senior managers, excluding Neste Executive Board (NEB) members.

Summary of Remuneration Policy for the Neste Executive Board

The Neste Executive Board's remuneration policy consists of the following key elements:

Remuneration element	Description and operation
Base salary	Fixed salary which includes taxable fringe benefits (car and phone). CEO's salary EUR 55 039 month as of 1.1.2013.
Insurances	The members have private accident, life and disability insurance, business travel, directors' and officers' liability insurance. The NEB members may participate in the sickness fund (in Finland).
Additional Pension	CEO: Defined benefit (DB) plan approved in 2008, based on a retirement age of 60 years and 60% of retirement salary. NEB members: DB plan based on a retirement age of 60 or 62 (up to 60% of retirement salary) or, for those who have started after 1.1.2009, additional defined contribution (DC) pension scheme (based on retirement age of 62 or 63). (Retirement salary for DB schemes is calculated on the basis of the average monthly salary and related statutory pension insurance contributions over the ten years prior to retirement. New DB plans are no longer made.)
Short-term incentives (STI)	Based on the attainment of annual financial and non-financial measures. Maximum award value of 40% of salary delivered in cash in March after the end of the performance year. CEO: For 2014, 85% based on group financial targets – EBIT comparable, Return on Average Capital Employed (ROACE%), 15% based on group safety target – Total Recordable Injury Frequency (TRIF). NEB members with business or common function responsibility: 50% group, 40% business unit or function, 10% team/personal targets.
Long-term share-based incentives (LTI)*	Based on the attainment of three year financial and share price performance targets for Neste Oil. Awards will vest in one tranche after three years, partly in shares and partly in cash. The cash element will cover taxes and other tax related costs. 2015–2017 plan* earnings criteria: 75% Group cumulative comparable free cash flow and 25% of total return of Neste Oil shares relative to a peer group of 10 oil industry companies. Award for CEO will be vary between 0–100% of annual salary (target 40%), for NEB members between 0–80% of salary (target 40%). Should the amount of total incentive awarded to executives exceed 120% of annual salary, the excess amount of STI and LTI shares vesting in any one year will be cut to maintain this limit.
Shareholding restriction	CEO and NEB members are not permitted to sell or transfer their shares for a three year period after vesting. During the 'lock up' period, shares may be subject to forfeiture on termination, at the discretion of the Board of Directors.
Claw back	Claw back provisions apply to LTI and STI plan awards in exceptional circumstances such as misconduct or misstatement of financial results.
Share ownership guidelines	CEO and NEB members must accumulate and maintain a shareholding which is equivalent to their annual fixed salary. Until this threshold is met, participants must retain 100% of vested incentive shares (~50% for 2010 LTI plan). Once shareholding requirement is reached, the shareholding restriction period may be cut from three years to one year.
Service contracts and loss of office payments	Notice period for both the company and the CEO and NEB members: 6 months. In the event of termination by the Company the CEO is entitled to Severance payment equivalent to 18 months' salary. NEB members are entitled for 6 months' severance payments. Change of control terms are same as for termination.

***2013–2015** plan earnings criteria: 75% Group cumulative comparable free cash flow (cash flow after maintenance investments, tax, interest, asset sale proceeds, and net gains/losses on inventory) and 25% comparable operating profit of Renewable Products business area.

2014–2016 plan earnings criteria: 75% Group cumulative comparable free cash flow and 25% total return of Neste Oil shares relative to a peer group of 10 oil industry peers.

Supplementary information

Benchmarking approach: The Personnel and Remuneration Committee reviews market benchmark data from Finnish and where necessary, international industrial companies of a similar size and complexity to Neste Oil when setting total remuneration packages for the CEO and the members of the NEB. This is used more as a guide than a direct determinant of pay levels. Other factors considered include an individual's role and experience, as well as company and personal performance.

Shareholder alignment: The Company's largest shareholder, the Finnish State, issued guidelines for the remuneration of executives within state-owned listed companies in August 2012. Neste Oil's Board of Directors has deemed it as only correct to take these guidelines into consideration, along with the interests of its wider shareholder base, when determining the remuneration policy for its senior executives.

Neste Oil Executive Annual Remuneration Report

The year in review

We measure the success of our Executive Board by how well Neste Oil achieves its strategic and financial targets. Building on the strong performance of our Renewable Products business in 2013, the business continued to perform well across most functions in 2014.

We consider that the interests of our Executive Board members should be aligned with the Company and its shareholders. Our financial result and other achievements during 2014 will mean that incentives of short term and long-term incentive programs in 2015 are higher than in many previous years.

Short-term incentives (STI)

In 2013, EBIT comparable grew by 70% year-on-year as a result of the significant turnaround in the profitability of the Renewable Product business, a strong performance in Oil Product business area, and a record year for the Oil Retail business area.

This meant that the Group far exceeded the element of the 2013 STI plan determined by financial measures (based on EBIT comparable and ROACE%). Further taking into account performance against business area, unit and personal goals, the Board of Directors awarded above target level payments for the President & CEO and NEB members for the 2013 performance year, though awards still remained well within the maximum allowable STI limit of 40% of salary.

Long-term incentives (LTI)

Neste Oil's 2010 long-term incentive program ran in three year plans from 2010 to 2012, 2011 to 2013 and 2012 to 2014. Awards were granted based 50% on the attainment of Renewable Product's sales volumes and 50% on the TSR performance of Neste Oil shares relative to the Dow Jones Nordic Return Index.

In 2014, the 2011 to 2013 LTI plan vested at 64.6% of the maximum, due to the continued success of the Renewable Product's strategy and the relative performance of Neste Oil shares. The criteria for the last period (2012–2014) of the original LTI 2010 program, were fully met: The sales volume targets were exceeded and the share price continued to improve relative to the index. As a result, a total reward corresponds to 414,509 Company shares, of which 95,992 shares are awarded in 2015 to President &CEO and current NEB members. The number of shares delivered to President & CEO and NEB members after taxes is 46,142 (shown in table share incentive rewards).

The 2013 long-term incentive program operates three plans starting in 2013, 2014 and 2015 and performance targets for these plans are shown in the policy table. If the targets set for the cycles are met, the aggregate value of shares to be paid out will likely be EUR 3.5 million. If the targets are exceeded, the maximum value of share awards will be EUR 7 million per plan.

Remuneration paid to the President & CEO and NEB Members as of 31 December 2014

	President & CEO		NEB Members (in aggregate)	
EUR	**2014**	**2013**	**2014**	**2013**
Annual remuneration				
Base salary	666,867	674,567	1,741,154	1,691,265
Taxable benefits [(1)]	25,500	25,500	119,293	119,339
Annual incentive (STI plan)	228,962	143,652	648,225	323,931
Total annual remuneration	**921,329**	**843,719**	**2,508,772**	**2,134,535**
Vested longterm remuneration				
LTI 2010: 2011–2013 Plan [(2)]	803,897	249,357	1,625,696	499,439
Additional pension (insurance contributions)	**618,700**	**525,143**	**620,110**	**523,799**
Total remuneration	**2,343,926**	**1,618,219**	**4,754,578**	**3,157,773**

[(1)] Members of the NEB receive taxable car and mobile phone benefits as part of their fixed salary. For the President & CEO, the value of benefits include: EUR 25,020 for a car and EUR 480 for phone.

[(2)] Total taxable value of LTI payments including transfer tax. Earned during three year earning period (2011–2013). The paid long term awards do not, for any earning year, exceed the annual gross salary of the year in question.

Remuneration of personnel

Group short-term incentives. Neste Oil wants to ensure that its employees have the opportunity to share in the company's success and excellent performance of its personnel. Group STI scheme is in place in all countries and incentives will be paid on the basis of the set goals.

For the 2013 performance year, Neste Oil was able to fund a pay out of EUR 24.3 million (19.6 million) in performance-based incentives for our managers and employees in the spring of 2014 (including pension and social insurance contributions).

The company's short-term incentive system for the personnel was changed at the beginning of 2014. The personnel's target incentive is determined according to the job grade and posting country, being 4–20% of the basic salary at an annual level. The final incentive is determined by the company's result multiplier which, depending on the company's comparable operating profit, ranges between 0 and 1.5 if the threshold value has been exceeded. As a result, the incentive is determined according to the company's financial situation.

Personnel Fund. Neste Oil offers to permanent and fixed term employees based in Finland an entitlement to a profit share award through its' Personnel Fund after six months continuous service. The profit share earnings paid into the Fund are distributed equally between members. Whilst the scheme is intended to build up participation over the long-term, part of the award can be withdrawn each year as Neste Oil shares or cash. Note that person who participate in the group's LTI plans, will not be entitled to profit share award, during the plans' earning periods.

The Board of Directors sets the earnings criteria for the profit share award annually. For 2013 and 2014, this was tied to Neste Oil's comparable operating profit. As a result of our strong results in 2013, Neste Oil increased its contributions to the Personnel Fund to EUR 4.4 million a 55% increase on the award for 2012 of EUR 2.9 million.

Vested LTI plan share awards

Share incentive awards for the Neste Executive Board

Name	Position	NEB member since	Distributed shares of LTI Plans 2013 (1) (shares delivered in 2014)	2014 (2) (shares delivered in 2015)
Matti Lievonen	President & CEO	2008	25,064	14,823
Matti Lehmus	EVP, Oil Products	2009	8,164	5,466
Kaisa Hietala (3)	EVP, Renewable Products	2014	–	3,168
Sakari Toivola (4)	Former EVP, Oil Retail	2007	7,298	4,206
Antti Tiitola (5)	EVP. Oil Retail	2014	–	–
Simo Honkanen	SVP, Sustainability & Public Affairs	2009	5,834	3,376
Tuomas Hyyryläinen	SVP, Strategy & New Ventures	2012	–	3,878
Hannele Jakosuo-Jansson	SVP, Human Resources & Safety	2006	6,786	3,928
Osmo Kammonen	SVP, Communications & Brand Marketing	2004	6,751	3,876
Lars Peter Lindfors	SVP, Technology	2009	7,521	4,397
Jyrki Mäki-Kala	CFO	2013	–	3,230
Ilkka Poranen (6)	Former SVP, Production & Logistics	2009	6,639	3,599

(1) 2013 column refers to shares awarded in respect of the 2011–2013 plan and paid in spring 2014. Table shows the net number of shares distributed after taxes.

(2) 2014 column refers to shares awarded in respect of the 2012–2014 LTI plan and paid in 2015. Table shows the net number of shares after taxes and other statutory payments. The maximum incentive payable for any earning period under the terms of the plan cannot exceed a participant's annual fixed gross salary in any given year. Shares are covered by a restriction period and a share ownership requirement (see remuneration policy table for details).

(3) Appointed to NEB 16 June 2014.

(4) Left NEB on 7 October 2014 to retire later.

(5) Appointed to NEB, in place of Sakari Toivola, on 8 October 2014.

(6) Left NEB on 16 June 2014, following dissolution of the Production & Logistics function.

Executive share ownership

A major principle of our executive remuneration policy is to ensure that there is strong alignment between the interests of Neste Oil executives and those of its shareholders.

Our executive share ownership policy requires that the President & CEO, and the members of the NEB, build up and maintain shareholdings which are equivalent to their annual salary. Until this threshold is met, participants must retain 100% of vested incentive shares, net of tax (~50% for 2010 LTI plan).

The President & CEO, and NEB members, are not permitted to sell or transfer any vested LTI plan shares for a three year period after vesting. Once the share ownership requirements have been met, the additional share holding period may be reduced from three years to one year.

The following table shows shareholdings of the current members of the Neste Executive Board.

Shareholdings of the Neste Executive Board as of 31 December 2014			Shareholdings [4]	
Name	Position	NEB member since	2014	2013
Matti Lievonen	President & CEO	2008	35,976	27,912
Matti Lehmus [1]	EVP, Oil Products	2009	17,819	9,655
Kaisa Hietala [2]	EVP, Renewable Products	2014	14,224	–
Antti Tiitola [3]	EVP, Oil Retail	2014	5,000	–
Simo Honkanen	SVP, Sustainability & Public Affairs	2009	11,760	5,962
Tuomas Hyyryläinen	SVP, Strategy & New Ventures	2012	–	–
Hannele Jakosuo-Jansson	SVP, Human Resources & Safety	2006	13,330	6,544
Osmo Kammonen	SVP, Communications & Marketing	2004	18,566	11,815
Lars Peter Lindfors	SVP, Technology	2009	11,831	4,310
Jyrki Mäki-Kala	CFO	2013	7,500	7,500

(1) Following the restructuring effective 16 June 2014, Matti Lehmus was appointed EVP, Oil Products. He was previously responsible for Oil Products & Renewables.

(2) Following the restructuring effective 16 June 2014, Kaisa Hietala was appointed to the Neste Executive Board as EVP, Renewable Products.

(3) Antti Tiitola was appointed as Executive Vice President, Oil Retail on 8 October 2014.

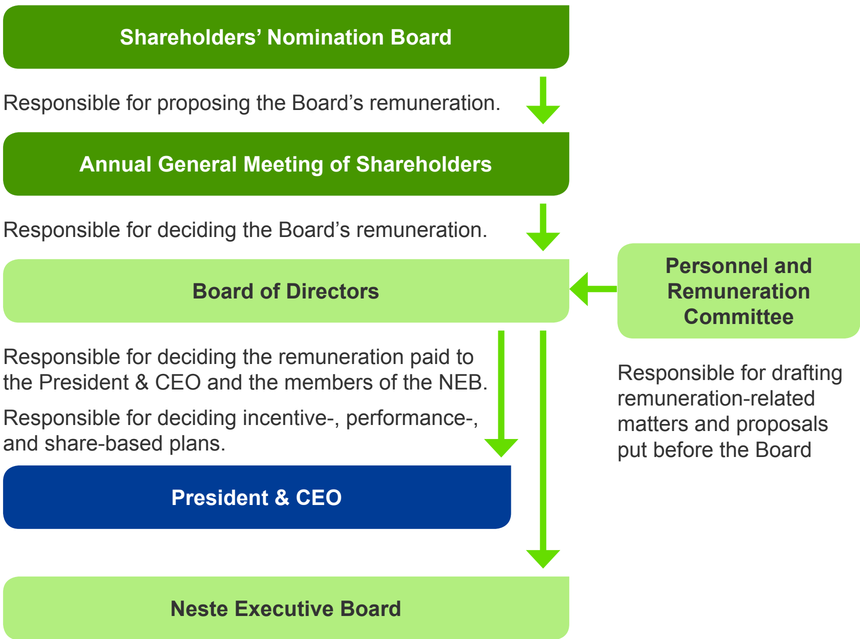
(4) Note that shareholdings includes vested LTI performance shares which are subject to lock up for three years. If employee leaves the company within this period, some shares may be subject to forfeiture at the discretion of the Committee.
The amount includes also the shares bought by NEB member.

Neste Oil Board Remuneration Review

Remuneration governance

Remuneration-related discussion and decision-making at Neste Oil involves the Shareholders' Nomination Board, the Annual General Meeting of Shareholders, the Board of Directors, and the Board's Personnel and Remuneration Committee. The Shareholders' Nomination Board is responsible for presenting a proposal covering the remuneration payable to the Board of Directors to the AGM; while the Board of Directors is responsible for making decisions on remuneration and incentive arrangements for senior management and key personnel based on proposals made by its Personnel and Remuneration Committee. The decision-making process, which is outlined in the chart below, guarantees that decisions are fair and unbiased.

The decision-making process in remuneration-related matters



Remuneration of the Board of Directors

The Annual General Meeting (AGM) is responsible for remuneration matters related to the Board of Directors. The AGM in 2014 decided to keep the fees payable to the Board unchanged as follows:

- Chair, EUR 66,000 a year
- Vice Chair, EUR 49,200 a year
- Members, EUR 35,400 a year.

In addition, members participating in Board meetings and meetings convened by the Board's committees receive a payment of EUR 600 per meeting, together with their traveling costs, in accordance with the Company's travel policy. A payment of double this, EUR 1,200 per meeting, is made to Board members living outside Finland.

Board members are not covered by the Company's remuneration systems and do not receive any performance or share-related payments.

Remuneration paid to Members of the Board as of 31 December 2014

	Annual Board Fees (EUR)		Meeting attendance fees (EUR)	
	2014	2013	2014	2013
Jorma Eloranta	66,000	66,000	12,600	10,200
Maija-Liisa Friman	49,200	49,200	12,600	10,200
Per-Arne Blomquist	35,400	26,550	22,800	18,000
Michiel Boersma (1)	8,850	35,400	3,600	22,800
Laura Raitio	35,400	35,400	12,000	11,400
Jean-Baptiste Renard (2)	26,550	–	19,200	–
Willem Schoeber	35,400	26,550	24,000	16,800
Kirsi Sormunen	35,400	26,550	11,400	9,000

(1) Michiel Boersma served for the agreed maximum time allowed and left the Board of Directors on 3 April 2014.

(2) Annual Board fees paid to Members of the Board was EUR 35,400. Jean-Baptiste Renard joined the Board on 3 April 2014 and received remuneration for the period between 3 April and 31 December 2014. Meeting attendance fees include travel costs for attending meetings.

Investor information

Neste Oil shares are traded on NASDAQ Helsinki under the trading code NES1V.HE. The company had 72,989 (80,371) shareholders as of the end of 2014. The Finnish State owned 50.1% (50.1) of shares, international institutions 25.1% (17.2), Finnish institutions 12.5% (17.8), and Finnish households 12.3% (14.9).

Dividend proposal is EUR 0.65 per share

The Annual General Meeting will be on April 1, 2015

Interim Reports in 2015

Investor site online:
www.nesteoil.com/investors

Annual General meeting

Neste Oil Corporation's Annual General Meeting will be held on Wednesday, 1 April 2015 at 11.00 am EET at Messukeskus at Messuaukio 1, 00521 Helsinki

Registration

Registration and the distribution of voting papers will begin at 10.00 am. Shareholders wishing to participate in the Annual General Meeting should inform the company by 4.00 pm on 27 March 2015 at the latest by:

- visiting www.nesteoil.com and following the instructions given there, or
- phoning +358 (0)20 770 6862 (Monday-Friday, 9.00 am-4.00 pm EET), or
- faxing +358 (0)10 458 5440, or
- writing to Neste Oil Corporation, Annual General Meeting, POB 95, FI-00095 Neste Oil.

Holders of proxies are requested to forward them when stating their wish to participate, ensuring that they reach the company by 4.00 pm on 27 March 2015 at the latest.

Dividend payment in 2015

20 march 2015: AGM record date
7 April 2015: Dividend payment record date
14 April 2015: Dividend payable

The Board of Directors will propose to the AGM that a dividend of EUR 0.65 per share shall be paid for the financial year ending 31 December 2014.

Interim reports in 2015:

Neste Oil Corporation will publish financial reports in 2015 as follows:

- Interim Report January-March 2015: 24 April 2015
- Interim Report January-June 2015: 5 August 2015
- Interim Report January-September 2015: 23 October 2015

Interim Reports are published in Finnish and English and can be downloaded at www.nesteoil.com/investors.

Contact information

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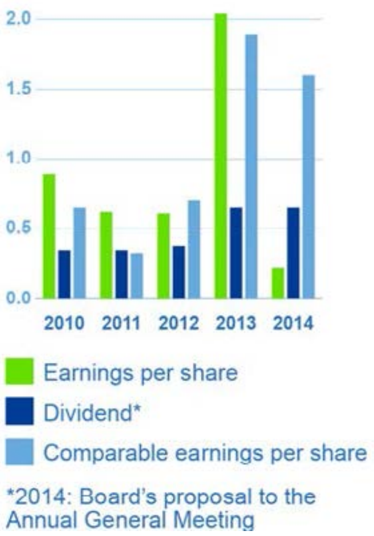
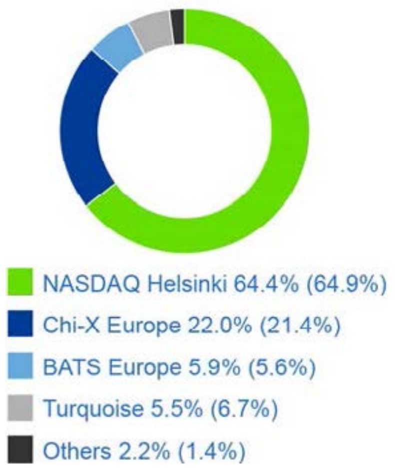
Earnings per share and dividend per share, EUR

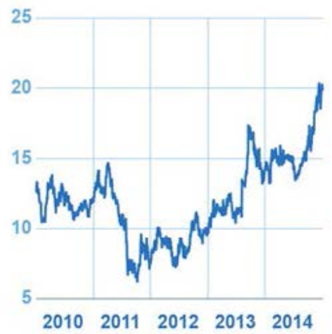


Shareholders' total return on their investments, index

Trading volumes of Neste Oil's shares 2014, %



Share performance, EUR



Financials

Comparable operating profit totaled EUR 583 million

Return on average capital employed (ROACE)

10.1%

Comparable earnings per share was EUR

1.60

Leverage ratio was

37.9%

Review by the board of directors 2014

Neste Oil's comparable operating profit totaled EUR 583 million compared to EUR 596 million in 2013. Oil Products' reference refining margin started low, but improved during the second half of the year, and averaged almost at 2013 level. European demand for petroleum products continued soft and additional refining capacity was brought on-line in the Middle East and Asia. Crude oil price declined significantly during the second half of the year, which caused inventory losses and impacted our cash flow. In Renewable Products business the sales volumes of NEXBTL renewable diesel were record high, but the market conditions were clearly less favorable than in 2013. Reintroduction of the US Blender's Tax Credit (BTC) for 2014 impacted the result positively. Utilization rates of the renewable diesel production capacity averaged 102% in 2014 despite of a major eight-week turnaround in Singapore in the fall. In 2014 the use of waste- and residue-based feedstock was further increased to over 60% of the total renewable inputs. Oil Retail's performance declined compared to the previous year, mainly due to lower unit margins in Finland and Northwest Russia. The Board of Directors will propose a dividend of EUR 0.65 per share (0.65) for 2014, totaling EUR 166 million (167 million).

Figures in parentheses refer to the full-year financial statements for 2013, unless otherwise noted.

The Group's results for 2014

Neste Oil's revenue in 2014 totaled EUR 15,011 million (17,238 million). This decline year-on-year mainly resulted from lower overall market prices, which had an impact of EUR 1.2 billion, lower trading activity, and lower sales volume in Oil Products. The Group's comparable operating profit for the year was EUR 583 million, only slightly below the 596 million reported in 2013. Oil Products' full-year comparable operating profit was 4% higher than in 2013. The Renewable Products' result was strong, but it could not reach the record levels of 2013. Oil Retail's result was also somewhat lower than in 2013 due to lower margins. The Others segment improved significantly compared to 2013, but remained negative. The Group's fixed costs came in at EUR 654 million (693 million), a decrease that was mainly caused by the disposal of Shipping, and internal performance improvement actions.

Oil Products' full-year comparable operating profit was EUR 285 million (275 million), Renewable Products' EUR 239 million (273 million), and Oil Retail's EUR 68 million (77 million). The comparable operating profit of the Others segment totaled EUR –7 million (–31 million), of which Nynas accounted for EUR 11 million (–10 million).

The Group's full-year IFRS operating profit was EUR 150 million (632 million), which was impacted by inventory losses totaling EUR 492 million (19 million), changes in the fair value of open oil derivatives totaling EUR 74 million (4 million), and non-recurring items totaling EUR –16 million (51 million) mainly related to restructuring charges. Pre-tax profit was EUR 78 million (561 million), and profit for the period EUR 60 million (524 million). Comparable earnings per share were EUR 1.60 (1.89), and earnings per share EUR 0.22 (2.04). The Group's effective tax rate was 23.2% (6.6%).

Group key figures, MEUR

	2014	2013
COMPARABLE OPERATING PROFIT	583	596
– inventory gains/losses	–492	–19
– changes in the fair value of open oil derivatives	74	4
– non–recurring items	–16	51
– capital gains/losses	–2	43
– insurance and other compensations	0	13
– others	–14	–5
IFRS OPERATING PROFIT	150	632

Revenue

	2014	2013
Oil Products	11,285	13,041
Renewable Products	2,269	2,493
Oil Retail	4,294	4,532
Others	238	206
Eliminations	–3,075	–3,034
Total	15,011	17,238

Comparable operating profit

	2014	2013
Oil Products	285	275
Renewable Products	239	273
Oil Retail	68	77
Others	–7	–31
Eliminations	–3	2
Total	583	596

IFRS operating profit

	2014	2013
Oil Products	–110	286
Renewable Products	207	252
Oil Retail	68	120
Others	–13	–26
Eliminations	–3	0
Total	150	632

Financial targets

Return on average capital employed after tax (ROACE) and leverage ratio are Neste Oil'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 25–50%.

	31 Dec 2014	31 Dec 2013
Return on average capital employed after tax (ROACE)*, %	10.1	11.7
Leverage (net debt to capital), %	37.9	30.0

* Last 12 months

Cash flow, investments, and financing

Neste Oil Group's net cash from operating activities totaled EUR 248 million (839 million) in 2014. The year-on-year difference was mainly attributable to the effect of declining oil price to the IFRS operating profit and cash flow. The inventory valuation loss amounted to EUR 492 million, and a cash flow decrease of EUR 133 million resulted from changes in year-end working capital levels. Cash flow before financing activities and taxes was EUR –59 million (759 million). Cash flow was impacted by higher capital expenditures in 2014 compared to 2013. Group's net working capital in days outstanding was 13.2 days (11.5 days) on a rolling 12-month basis at the end of 2014.

Cash-out investments totaled EUR 272 million (214 million) in 2014. Maintenance investments accounted for EUR 201 million (169 million) and productivity and strategic investments for EUR 71 million (45 million). Oil Products' investments totaled EUR 209 million (146 million), with the largest single project being the isomerization unit under construction at Porvoo. Renewable Products' investments totaled EUR 29 million (17 million). Oil Retail's investments totaled EUR 18 million (31 million) and were mainly related to the station network. Investments in the Others segment totaled EUR 16 million (20 million) and were related to IT and business infrastructure.

Interest-bearing net debt was EUR 1,621 million as of the end of December 2014, compared to EUR 1,252 million at the end of 2013. Net financial expenses for the year were EUR 72 million (71 million). The average interest rate of borrowing at the end of December was 3.6% and the average maturity 2.7 years. The interest-bearing net debt/comparable EBITDA ratio was 1.8 (1.4) over the previous 12 months at the end of the year.

The Group's balance sheet is strong. The equity-to-assets ratio was 41.0% (31 Dec. 2013: 41.6%), the leverage ratio 37.9% (31 Dec. 2013: 30.0%), and the gearing ratio 60.9% (31 Dec. 2013: 42.8%).

The Group's cash and cash equivalents and committed, unutilized credit facilities amounted to EUR 1,849 million as of the end of December (31 Dec. 2013: 2,156 million). There are no financial covenants in the Group's current loan agreements.

In accordance with its hedging policy, Neste Oil has hedged the majority 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.

US dollar exchange rates

	2014	2013
USD/EUR, market rate	1.33	1.33
USD/EUR, hedged	1.34	1.30

Segment reviews

Neste Oil's businesses are grouped into four reporting segments:
Oil Products, Renewable Products, Oil Retail, and Others

Oil Products

Key financials

	2014	2013
Revenue, MEUR	11,285	13,041
Comparable EBITDA, MEUR	478	460
Comparable operating profit, MEUR	285	275
IFRS operating profit, MEUR	–110	286
Net assets, MEUR	2,160	2,163
Comparable return on net assets, %	12.4	11.6

Key drivers

	2014	2013
Reference refining margin, USD/bbl	4.73	4.80
Additional margin, USD/bbl	5.10	4.80
Total refining margin, USD/bbl	9.83	9.60
Urals-Brent price differential	–1.71	–1.02
Urals' share of total refinery input, %	56	63

Crude oil prices were trading in a narrow range around USD 110/bbl over the first half of the year. They came under significant pressure during the second half of 2014 as faster than expected growth in the US oil production together with the OPEC countries' decision not to cut production drove global oil markets to excess supply. Also the weak demand growth prospects had a negative impact on crude oil price. In 2014 the Brent price averaged approx. USD 100/bbl, but closed the year just above USD 50/bbl – the lowest figure since 2009.

The price differential between Brent and Russian Export Blend (REB) crude averaged USD –1.7/bbl in 2014 and USD –1.5/bbl during the fourth quarter. High crude supply levels and low utilization rates at European refineries contributed to this reasonably wide differential during the year.

The reference refining margin started low in early 2014 as a result of growing product imports from the US and the Middle East to Europe. Towards the summer the seasonal pick up in gasoline market and the refinery maintenance period had a positive impact on margins. During the second half of the year the reference margin got support from falling crude oil prices, weak physical oil market, wide Urals-Brent price differential, and strong gasoline margins due to seasonably high demand and production outages in the US. Diesel export volumes from the US to Europe fell short of expectations, which also improved the margin. On average, middle distillates remained the strongest part of the barrel both during the fourth quarter and the whole year. Neste Oil's reference margin averaged USD 4.7/bbl in 2014 and USD 5.6/bbl during the fourth quarter.

Oil Products' full-year comparable operating profit was EUR 285 million (275 million). The average reference refining margin during 2014 was roughly at the previous year's level. Neste Oil's additional margin increased by USD 0.3/bbl and had a EUR 10 million impact on the comparable operating profit. Sales volumes were 3% lower compared to the year 2013, which reduced the operating profit by EUR 13 million. The segment's fixed costs were EUR 10 million lower than in 2013. Base oils business and the insurance compensation for the Porvoo hydrogen unit damage contributed positively to the operating profit.

Production

	2014	2013
Porvoo refinery production, 1,000 ton	11,274	12,016
Porvoo refinery utilization rate, %	84	87
Naantali refinery production, 1,000 ton	1,959	2,147
Naantali refinery utilization rate, %	71	78
Refinery production costs, USD/bbl	4.9	4.8
Bahrain base oil plant production (Neste Oil's share), 1,000 ton	143	151

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

	2014	%	2013	%
Middle distillates*	6,204	46	6,729	48
Light distillates**	4,575	34	4,550	32
Heavy fuel oil	1,091	8	1,253	9
Base oils	469	3	436	3
Other products	1,201	9	1,121	8
Total	13,540	100	14,088	100

* Diesel, jet fuel, heating oil

** Motor gasoline, gasoline components, LPG

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

	2014	%	2013	%
Baltic Sea area*	8,872	65	9,035	64
Other Europe	3,060	23	3,933	28
North America	847	6	843	6
Other areas	761	6	276	2

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

Renewable Products

Key financials

	2014	2013
Revenue, MEUR	2,269	2,493
Comparable EBITDA, MEUR	335	371
Comparable operating profit, MEUR	239	273
IFRS operating profit, MEUR	207	252
Net assets, MEUR	1,923	1,768
Comparable return on net assets, %	13.3	15.2

Key drivers

	2014	2013
FAME - Palm oil price differential*, USD/ton	231	356
SME - Soybean oil price differential**, USD/ton	199	389
Reference margin, USD/ton	221	371
Additional margin***, USD/ton	227	127
Biomass-based diesel (D4) RIN, USD/gal	0.53	0.65
Palm oil price****, USD/ton	733	768
Crude palm oil's share of total feedstock, %	38	48

* FAME seasonal vs. CPO BMD 3rd (Crude Palm Oil Bursa Malaysia Derivatives 3rd month futures price) + 70 $/t freight to ARA (Amsterdam–Rotterdam–Antwerp)

** SME US Gulf Coast vs. SBO CBOT 1st (Soybean Oil Chicago Board of Trade 1st month futures price)

*** Includes full impact of US BTC (Blender's Tax Credit) in 10–12/14 and 2014

**** CPO BMD 3rd

Crude palm oil (CPO) prices declined 5% versus 2013, but the decline was smaller than in mineral oil prices. Abnormal weather conditions in the CPO producing areas such as droughts during first half of 2014 and exceptional flooding in December reduced the competitiveness of CPO in comparison with soybean oil (SBO). SBO prices dropped almost 20% due to a historically high soybean crop in Latin America and in the US. As a result SBO/CPO price difference narrowed significantly from USD 240/ton level to below USD 80/ton. Rapeseed oil (RSO) prices also showed a large decline of 16% versus 2013 as favorable weather conditions allowed Europe to have a very good rapeseed crop.

Due to relatively stable European biodiesel mandates and weaker mineral oil prices, European Fatty Acid Methyl Ester prices (FAME) declined 14% year-on-year. In the US, soy methyl ester (SME) price declined 28% versus 2013 primarily due to the uncertainty regarding the US 2014 biofuels mandate. The US Environmental Protection Agency (EPA) announced in November that the mandate decision had been delayed and would be officially released during the course of 2015. As the price spread between SME and SBO was reduced by almost half, the US SME producers' margins turned negative on average.

Renewable Products' full-year comparable operating profit was EUR 239 million (273 million). The significantly lower reference margin during 2014 had a negative impact of EUR 217 million on the segment's operating profit year-on-year. This was partly compensated for by higher additional margin, which had a positive impact of EUR 145 million on the operating profit, and higher sales volume, which had a positive impact of EUR 37 million. The reintroduction of the US Blender's Tax Credit for 2014 contributed EUR 89 million to the additional margin.

Production

	2014	2013
NEXBTL, 1,000 ton	2,111	1,896
Other products, 1,000 ton	144	132
Utilization rate, %	102	91

Sales

	2014	2013
NEXBTL, 1,000 ton	2,104	1,938
Share of sales volumes to Europe and APAC, %	73	56
Share of sales volumes to North America, %	27	44

Oil Retail

Key financials

	2014	2013
Revenue, MEUR	4,294	4,532
Comparable EBITDA, MEUR	94	105
Comparable operating profit, MEUR	68	77
IFRS operating profit, MEUR	68	120
Net assets, MEUR	201	255
Comparable return on net assets, %	27.6	26.4

Oil Retail's markets remain competitive. Traffic fuel demand is seasonally higher during the summer period and declines towards winter. Demand for both gasoline and diesel is on a downward trend in Finland, while the markets in the Baltic countries and Northwest Russia are gradually growing.

Oil Retail's full-year comparable operating profit was EUR 68 million (77 million). Lower unit margins weakened the result by EUR 9 million year-on-year mostly in Northwest Russia and Finland. The weaker ruble had a negative impact of EUR 3 million on the result in Northwest Russia compared to the previous year. Higher sales volumes and lower fixed costs improved the segment's comparable operating profit by EUR 5 million from the year 2013. Net assets declined year-on-year due to lower ruble and working capital.

Sales volumes by main product categories, million liters

	2014	2013
Gasoline station sales	1,134	1,151
Diesel station sales	1,526	1,491
Heating oil	600	635

Net sales by market area, MEUR

	2014	2013
Finland	3,022	3,239
Northwest Russia	335	361
Baltic countries	929	900

Others

Key financials

	2014	2013
Comparable operating profit, MEUR	–7	–31
IFRS operating profit, MEUR	–13	–26

The Others segment consists of the engineering and technology solutions company Neste Jacobs, 60/40-owned by Neste Oil and Jacobs Engineering; Nynas, a joint venture 50/50-owned by Neste Oil and Petróleos de Venezuela; and common corporate costs.

The full-year comparable operating profit for the Others segment totaled EUR –7 million (–31 million); of which Nynas accounted for EUR 11 million (–10 million).

Shares, share trading, and ownership

Neste Oil's shares are traded on NASDAQ Helsinki Ltd. The share price closed the year 2014 at EUR 20.06, up by 39.6% compared to the end of 2013. The total shareholder return (TSR) was 44.1% (51.0%) in 2014. At its highest during 2014, the share price reached EUR 20.32, while at its lowest the price stood at EUR 13.24. Market capitalization was EUR 5.1 billion as of 31 December 2014. An average of 0.9 million shares were traded daily, representing 0.4% of the company's shares.

Neste Oil's share capital registered with the Company Register as of 31 December 2014 totaled EUR 40 million, and the total number of shares outstanding was 256,403,686. As resolved by the AGM held on 3 April 2014, the Board of Directors was authorized to purchase and/or take as security a maximum of 2,000,000 company shares using the company's unrestricted equity. At the end of December 2014, Neste Oil held 1,000,000 treasury shares purchased under this authorization. The Board of Directors has no authorization to issue convertible bonds, share options, or new shares.

As of the end of the year, the Finnish State owned 50.1% (50.1% at the end of 2013) of outstanding shares, foreign institutions 25.1% (17.2%), Finnish institutions 12.5% (17.8%), and Finnish households 12.3% (14.9%).

Largest shareholders as of 31 December 2014

Shareholder	Shares	% of shares
Prime Minister´s Office of Finland	128,458,247	50.10%
Ilmarinen Mutual Pension Insurance Company	3,652,849	1.42%
Varma Mutual Pension Insurance Company	3,090,514	1.21%
The Social Insurance Institution of Finland, KELA	2,648,424	1.03%
The State Pension Fund	2,090,000	0.82%
The City of Kurikka	1,550,875	0.60%
Elo Pension Company	1,483,107	0.58%
Neste Oil Oyj	1,000,000	0.39%
OP-Delta Fund	875,000	0.34%
Schweizer Nationalbank	754,390	0.29%
OP-Focus Non-UCITS Fund	731,362	0.29%
OP-Finland Value Fund	457,475	0.18%
Nordea Life Assurance Finland Oy	425,495	0.17%
Sigrid Jusélius Foundation	423,000	0.16%
Nordea Fennia Fund	350,000	0.14%
Alhopuro Eero Sakari	348,400	0.14%
The Finnish Cultural Foundation	301,366	0.12%
Oy H. Kuningas & Co Ab	300,000	0.12%
Wipunen varainhallinta oy	300,000	0.12%
Fennia Life Insurance Company Ltd	294,012	0.11%
20 largest owners total	149,534,516	58.32%
Nominee registrations	63,064,590	24.60%
Others	43,804,580	17.08%
Number of shares, total	256,403,686	100.00%

Breakdown of share ownership as of 31 December 2014

By the number of shares owned

No. of shares	No. of shareholders	% of shareholders	Total no. of shares	% of shares
1 – 100	26,630	36.5%	1,498,280	0.6%
101 – 500	31,364	43.0%	7,955,031	3.1%
501 – 1,000	8,122	11.1%	6,272,233	2.4%
1,001 – 5,000	5,984	8.2%	12,293,525	4.8%
5,001 – 10,000	513	0.7%	3,764,304	1.5%
10,001 – 50,000	291	0.4%	5,833,715	2.3%
50,001 – 100,000	34	0.0%	2,455,735	1.0%
100,001 – 500,000	35	0.0%	7,553,757	2.9%
500,001 –	16	0.0%	208,777,106	81.4%
Total	**72,989**	**100.0%**	**256,403,686**	**100.0%**
of which nominee registrations	10		63,064,590	

By shareholder category

	% of shares
State of Finland	50.1%
Non-Finnish shareholders	25.1%
Households	12.3%
General government	6.0%
Financial and insurance companies	2.2%
Corporations	2.3%
Non-profit organizations	2.1%
Total	**100.0%**

Corporate governance

The control and management of Neste Oil Corporation is divided between shareholders, the Board of Directors, and the President & Chief Executive Officer. The General Meeting of Shareholders appoints the Board of Directors based on a proposal made by the AGM Nomination Board. The term of office of the Board of Directors will expire at the end of the next Annual General Meeting following its election. Neste Oil's President & CEO is appointed and expelled by the Board of Directors.

Changes to the company's Articles of Association can be made at the General Meeting of Shareholders based on a proposal by the Board of Directors.

Neste Oil's Annual General Meeting (AGM) was held in Helsinki on 3 April 2014. The AGM adopted the company's financial statements and consolidated financial statements for 2013 and discharged the Board of Directors and the President & CEO from liability for 2013. The AGM also approved the Board of Directors' proposal regarding the distribution of the company's profit for 2013. A dividend of EUR 0.65 per share was paid on 15 April 2014.

In accordance with the proposal made by the Shareholders' Nomination Board, the AGM confirmed the membership of the Board of Directors at seven members, and the following were re-elected to serve until the end of the next AGM: Mr. Jorma Eloranta, Ms. Maija-Liisa Friman, Mr. Per-Arne Blomquist, Ms. Laura Raitio, Mr. Willem Schoeber, and Ms. Kirsi Sormunen. Mr. Jean-Baptiste Renard was elected as a new Board member. Mr. Eloranta was re-elected as Chair and Ms. Friman as Vice Chair. The AGM decided to keep the remuneration paid to Board members unchanged.

Convening after the Annual General Meeting, the Board of Directors elected the members of its two Committees. Jorma Eloranta was elected Chair and Maija-Liisa Friman and Ms. Laura Raitio as members of the Personnel and Remuneration Committee. Per-Arne Blomquist was elected Chair and Jean-Baptiste Renard, Willem Schoeber, and Kirsi Sormunen as members of the Audit Committee.

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

In accordance with a proposal by the Board of Directors, the Company's Articles of Association were amended as follows:

a. Remove the requirement contained in Article 4 that a person who has reached the age of 68 cannot be elected to the Board of Directors and keep Article 4 otherwise unchanged.

b. Amend Article 10 to read as follows:

"10 § Notice of a General Meeting of Shareholders

Notices convening a General Meeting of Shareholders are issued by the Board of Directors. Notices shall be delivered by publishing them on the Company's Web site no earlier than two (2) months and no later than three (3) weeks prior to a meeting and at least nine (9) days prior to the record date set for the meeting. In addition, the Company shall publish details on the date and location of the meeting, together with the address of the Company's Web site, in one or more newspapers within the same period of time.

To participate in a General Meeting of Shareholders, a shareholder must register with the Company by the date specified in the notice, which date shall not be earlier than ten (10) days before the General Meeting of Shareholders. Since the Company's shares are included in the book-entry system, the provisions of the Finnish Companies Act concerning the right to participate in General Meetings of Shareholders shall also be taken into account.

The General Meetings of Shareholders shall be held in Espoo, Helsinki, or Vantaa."

In accordance with a proposal by the Board of Directors, the AGM authorized the Board to decide the purchase of the Company's own shares ('Buyback authorization') under the following terms:

Under this authorization, the Board shall be authorized to decide the purchase of and/or take as security a maximum of 2,000,000 Company shares using the Company's unrestricted equity. The number of shares shall be equivalent to approximately 0.78% of the Company's total shares.

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

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

The Board of Directors shall decide the other terms related to the buyback of Company shares. The Buyback authorization shall remain in force for eighteen (18) months from the decision taken by the AGM. In accordance with a proposal by the Board of Directors, the AGM authorized the Board to decide the conveyance of the treasury shares held by the Company under the following terms:

Under this authorization, the Board shall be authorized to take one or more decisions concerning the distribution of the treasury shares held by the Company, with the proviso that the number of shares thereby conveyed totals a maximum of 2,000,000 shares, equivalent to approximately 0.78% of all the Company's shares.

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

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

The Board will also be responsible for the other terms and conditions of a share issue. The authorization shall remain in force until 30 June 2017.

Neste Oil's Corporate Governance Statement is issued as a separate document.

Personnel

Neste Oil employed an average of 4,989 (5,097) employees in 2014, of which 1,512 (1,452) were based outside Finland. As of the end of 2014, the company had 4,833 employees (5,049), of which 1,524 (1,477) were located outside Finland.

Health, safety, and the environment

Neste Oil's safety performance developed positively in 2014. Improvement in safety performance was supported by a development program focused on safety leadership and increasing safety awareness among Neste Oil employees and contractors.

People safety performance improved clearly during 2014. The total recordable injury frequency (TRIF, number of incidents per million hours worked) was 2.7 (4.2).The figure includes both Neste Oil's own and contractors' personnel. The corporate target for 2014 was below 3.3. TRIF related to Neste Oil's own personnel improved from 3.4 (2013) to 1.4 as the contractor TRIF stayed at the same level compared to previous year. Process safety level improved slightly. Process Safety Events Rate (PSER) remained at 3.0, but the severity of incidents was lower. The corporate PSER target for 2014 was 3.0.

Operational environmental emissions were in substantial compliance at all sites. Permitted levels were exceeded eight times, but all were of a minor nature. No serious environmental incidents resulting in liability occurred at Neste Oil's refineries or other production facilities in 2014.

European biofuels market is regulated by the European Renewable Energy Directive (RED). Neste Oil's internal procedures are in compliance with the directive's requirements, and the company's sustainability verification scheme was approved by the European Commission in January 2014.

In April 2014, The Forest Trust (TFT), a non-profit organization focused on preventing deforestation, released its first report on verification of Neste Oil's No-deforestation guidelines among the palm oil suppliers. The verification covers risk assessment of supply chain and goes beyond Neste Oil's own operations to identify potential sustainability risks linked to the company's suppliers. According to the report, Neste Oil has done an excellent job in due diligence and supplier vetting; none of the mills selling certified raw material to Neste Oil was identified as having a high risk for undesirable land use change.

The 100% palm oil certification rate reached in 2013 was continued in 2014. Neste Oil retained its position in a number of sustainability indexes during 2014, and was included in the Dow Jones Sustainability World Index (DJSI World) for the eighth year in succession and on The Global 100 list of the world's most sustainable companies for the ninth year in succession. For the first time, the company was also included in the more demanding Dow Jones Sustainability Europe Index. Neste Oil was also rated among the top performers in the oil & gas sector by CDP Forest, which reviews industries using forest risk commodities.

Research and development

Broadening both the renewable and fossil feedstock base has been a key research topic in 2014. In addition, exploring growth opportunities beyond the current product portfolio, even beyond traffic fuels, has been a new growing area of interest. In 2014 the new product launches comprised a low sulphur marine fuel and the high quality Futura branded fuels in the Baltic countries and Russia. Efficiency improvements at the company's oil refineries and renewable refineries continued as a key focus area of technology development. Neste Oil's R&D expenditure totaled EUR 40 million (40 million) in 2014. As in the previous years, majority of the R&D expenditure was devoted to feedstock research. In 2014 the waste and residue based feedstock increased by more than 30% to 1.6 (1.2) million tons and accounted already for 62% (52%) of the total NEXBTL feed. At the same time the overall NEXBTL production volume increased to 2.1 (1.9) million tons. Especially lower grade waste and residue feedstock e.g. used cooking oil and low quality animal fat quantities were increased.

Main events published during 2014

On 20 February, Neste Oil announced that it had agreed on a business transfer under which Neste Oil will transfer the ship management functions of Neste Shipping to Norwegian-based OSM Group AS. The outsourcing of ship management functions is part of Neste Oil's plan to exit the shipping business announced on 19 September 2013.

On 28 April, Neste Oil and AGA announced that they had signed a long-term hydrogen supply agreement covering Neste Oil's Porvoo refinery, under which AGA will invest in a new hydrogen production unit at the refinery.

On 29 April, Neste Oil announced that it had completed the arrangements to sell its key vessels to companies owned by Finland's National Emergency Supply Agency and Ilmarinen and outsource its ship management functions to OSM Ship Management Finland Oy.

On 30 April, Neste Oil announced that it had signed a new EUR 1.5 billion multi-currency revolving credit facility with a syndicate of 20 core relationship banks. The new facility refinances the Group's existing EUR 1.5 billion facility dating from December 2010, and will be used for general corporate purposes.

On 12 May, Neste Oil announced that Diesel Production Line 4 at the Porvoo refinery would be shut down for maintenance because of an unexpected mechanical failure in one of the line's process units.

On 29 August, Neste Oil announced that it expected repair work on the damaged hydrogen unit at Porvoo would take until the end of October and that the incident was likely to have an impact totaling approximately EUR 60 million on the company's comparable operating profit. The improved oil products market was expected to contribute some EUR 30 million by way of compensating for this impact. Neste Oil revised its guidance, stating that it expected its comparable operating profit for 2014 to come in at under EUR 400 million.

On 8 September, Neste Oil announced that the company's Shareholders' Nomination Board had been appointed, with the following members: Eero Heliövaara, Director General of the Prime Minister's Office's Ownership Steering Department (Chair); Timo Ritakallio, Deputy CEO of Ilmarinen Mutual Pension Insurance Company; Reima Rytsölä, Chief Investment Officer of Varma Mutual Pension Insurance Company; and Jorma Eloranta, the Chair of Neste Oil's Board of Directors.

On 10 September, Neste Oil announced that it is to build a biopropane unit at its refinery in Rotterdam. The project started immediately and the plan is to begin sales of biopropane at the end of 2016. The total value of the investment is approximately EUR 60 million.

On 11 September, Neste Oil held a Capital Markets Day in London and highlighted the company's goal of being the Baltic Sea downstream champion and growing in global renewable feedstock-based markets. Neste Oil is targeting a strong cash flow to facilitate investments in improving productivity and growth, reduce its debt, and ensure stable dividends. Investors were also updated about plans to extend the NEXBTL product family into completely new applications outside traffic fuels. New NEXBTL applications are expected to develop into a significant business by the end of the decade. Neste Oil's financial targets and dividend policy remain unchanged.

On 7 October, Neste Oil announced that it is to make major investments in Finland, integrate the operations of its Finnish refineries, and reduce personnel. Neste Oil is planning to initiate a major development program to rationalize its operations. Investments totaling approx. EUR 500 million are to be made in growth and optimizing production at the Porvoo and Naantali refineries in Finland. The plan is to closely integrate refinery operations at Porvoo and Naantali to achieve better operational and cost efficiency. The impact of these changes, together with changes already implemented, are expected to reduce Neste Oil's labor requirement by approx. 250 employees, primarily in Finland. Neste Oil issued an invitation to personnel to take part in statutory employer-employee negotiations covering these changes. Neste Oil was also investigating the future of the electricity distribution system at the Porvoo refinery. The project to modernize energy generation at the Porvoo refinery has been modified and the plan now is to implement the power plant investment, valued at more than EUR 250 million, through a joint venture with Veolia and Borealis.

On 26 November, Neste Oil announced that it had completed the statutory employer-employee negotiations commenced on 7 October, 2014. As the result of the negotiations, Neste Oil's personnel will be reduced by 203 employees in Finland by the end of 2016.

On 18 December; Neste Oil announced that it had agreed to sell all shares of Kilpilahden Sähkönsiirto Oy to InfraVia European Fund II, an infrastructure fund managed by InfraVia. The sale will produce a capital gain of approximately EUR 80 million for Neste Oil. The transaction was expected to be completed during the first quarter of 2015. The Neste Oil's decision to investigate the future of the electricity distribution network at the Porvoo refinery was first announced on 7 October 2014.

On 20 December, Neste Oil announced that the company had revised its guidance and now expected the Group's full-year comparable operating profit to be above EUR 550 million in 2014. Previously the company expected it to be above EUR 400 million. The revised guidance was a result of better than expected business performance during the fourth quarter, as well as an insurance compensation for the Porvoo refinery hydrogen unit damage, and reintroduction of the Blender's Tax Credit (BTC) in the US.

Events after the reporting period

On 20 January, Neste Oil announced that the Shareholders' Nomination Board, established by Neste Oil Corporation's Annual General Meeting (AGM), will propose to the AGM to be held on 1 April 2015 that the company's Board of Directors should comprise the following members: Mr. Jorma Eloranta should be re-elected as Chair and Ms. Maija-Liisa Friman as Vice Chair of the Board. In addition, Board members Ms. Laura Raitio, Mr. Jean-Baptiste Renard, Mr. Willem Schoeber, and Ms. Kirsi Sormunen should be re-elected for a further term of office. The Shareholders' Nomination Board's candidate to serve as a new Board member is Marco Wirén.

Potential risks

The oil market has been and is expected to continue to be very volatile. Oil refiners are exposed to a variety of political and economic trends and events, as well as natural phenomena that affect the short- and long-term supply of and demand for the products that they produce and sell. The political crisis in Ukraine has increased general uncertainty in the European energy market, but has not materially impacted oil and gas supply.

Uncertainty continues to be focused on the development of the world economy, which is likely to have a material impact on the demand for petroleum products generally and diesel fuel in particular.

Sudden and unplanned outages at Neste Oil's production units or facilities continue to represent an inherent operational risk.

Rapid and large changes in feedstock and product prices may lead to significant inventory gains or losses, or changes in working capital, and may have a material impact on the company's IFRS operating profit and net cash from operations.

The implementation of biofuel legislation in the EU, North America, and other key market areas may influence the speed at which the demand for these fuels develops. Over the longer term, failure to protect Neste Oil's proprietary technology or the introduction and implementation of competing technologies may have a negative impact on the company's results. Margins in the Renewable Products business can be volatile in various markets due to rapidly changing feedstock and product prices, and affect the profitability of the business as a result.

Over the longer term, access to funding and rising capital costs, as well as challenges in procuring and developing new competitive and reasonably priced raw materials, may impact the company's results.

The key market drivers for Neste Oil's financial performance are refining margins, the price differential between Russian Export Blend (REB) and Brent crude, the USD/EUR exchange rate, the price differentials between different vegetable oils and between vegetable and mineral oils, and biodiesel margins.

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

Risk management

Neste Oil recognizes that risk is an integral and unavoidable component of its business and is characterized by both threat and opportunity. Neste Oil uses risk management in order to enhance opportunities and reduce threats, thus gaining competitive advantage. Risk management is a central part of Neste Oil's management system, and its importance has only grown as the oil market has been and is expected to continue very volatile. Neste Oil aims to manage the impact of risks on its operations through a range of risk management strategies. The Corporate Risk Management Policy and Principles approved by the Board of Directors define the principles to be used for managing the risks associated with the strategic and operational targets of the Group as a whole and its business areas and common functions.

Business areas and common functions have additional principles, instructions, and procedures related to risk management, approved by the President & CEO.

Risk management in the area of strategic and operational management aims at recognizing risks on a rolling basis, assessing and prioritizing them on a consistent basis, and managing them proactively.

For more detailed information on Neste Oil's risks and risk management, please refer to the company's Corporate Governance Statement, which has been published as a separate document, and to the note 3 of Financial Statements for 2014.

Outlook

Developments in the global economy have been reflected in the oil, renewable fuel, and renewable feedstock markets; and volatility in these markets is expected to continue.

Global oil demand is anticipated to continue increasing, but growth estimates are generally slightly below 1 million bbl/d for 2015. The forward reference refining margin is currently reasonably strong. However, the refining capacity growth of more than 1 million bbl/d in Asia and Middle East is expected to create some pressure on global product supply demand balance particularly during the second half of the year. Transatlantic supply demand balance is also dependent on the planned and unplanned refinery shutdowns. Gasoline margins are currently supported by contango buying, and the coming driving season typically supports gasoline market in the spring. Middle distillate imports from Russia, the Middle East, and the US are expected to remain on a high level also in 2015.

Vegetable oil price differentials are expected to vary, depending on crop outlooks, weather phenomena, and variations in demand for different feedstocks, but no fundamental changes in the drivers influencing long-term average feedstock price differentials are expected. Feedstock prices have been on a downward trend, but vegetable oil price differentials have remained narrower than the historical average. Market volatility in feedstock and oil prices is expected to continue, which will have an impact on the Renewable Products segment's profitability.

In 2015, the Group's investments are expected to total approx. EUR 450 million, including some EUR 100 million for a major turnaround at the Porvoo refinery. The Porvoo turnaround is scheduled to start in April 2015 and is expected to last for approx. 8 weeks. Product inventory of approx. EUR 200 million is planned to be built in anticipation of the turnaround. The turnaround is expected to have an approx. EUR 70 million negative impact on Oil Products segment's comparable operating profit.

Crude oil price changes, supply and demand balances, together with uncertainties related to political decision-making on biofuel mandates, the US Blender's Tax Credit and other incentives will be reflected in the oil and renewable fuel markets.

Based on the above, Neste Oil expects the Group's full-year 2015 comparable operating profit to be robust, although probably lower than that reached in 2014.

Dividend distribution proposal

Neste Oil's dividend policy is to distribute at least one third of its comparable net profit in the form of a dividend. The parent company's distributable equity as of 31 December 2014 amounted to EUR 1,123 million, and there have been no material changes in the company's financial position since the end of the financial year. The Board of Directors will propose to the Annual General Meeting that Neste Oil Corporation pays a cash dividend of EUR 0.65 per share (0.65) for 2014, totaling EUR 166 million (167 million) based on the number of outstanding shares.

The proposed dividend represents a yield of 3.2% (at year-end 2014 share price of EUR 20.06) and 41% of the comparable net profit in 2014.

Key financial indicators

		2014	Restated 2013	2012
Income statement				
Revenue	EUR million	15,011	17,238	17,649
Operating profit	EUR million	150	632	324
- of revenue	%	1.0	3.7	1.8
Comparable operating profit	EUR million	583	596	340
Profit before income taxes	EUR million	78	561	233
- of revenue	%	0.5	3.3	1.3
Profitability				
Return on equity (ROE)	%	2.1	19.2	6.3
Return on capital employed, pre-tax (ROCE)	%	3.3	13.4	6.6
Return on average capital employed, after tax (ROACE)	%	10.1	11.7	5.0
Financing and financial position				
Interest-bearing net debt	EUR million	1,621	1,252	1,935
Leverage ratio	%	37.9	30.0	43.2
Gearing	%	60.9	42.8	76.2
Equity-to-assets ratio	%	41.0	41.6	34.4
Other indicators				
Capital employed	EUR million	4,526	4,682	4,885
Capital expenditure and investments in shares	EUR million	418	214	292
- of revenue	%	2.8	1.2	1.7
Research and development expenditure	EUR million	40	40	42
- of revenue	%	0.3	0.2	0.2
Average number of personnel		4,989	5,097	5,031

Share-related indicators				
Earnings per share (EPS)	EUR	0.22	2.04	0.61
Equity per share	EUR	10.34	11.36	9.86
Cash flow per share	EUR	0.97	3.28	1.83
Price/earnings ratio (P/E)		89.62	7.04	15.97
Dividend per share	EUR	0,65 [1)]	0.65	0.38
Dividend payout ratio	%	290,4 [1)]	31.8	62.1
Dividend yield	%	3,2 [1)]	4.5	3.9
Share prices				
At the end of the period	EUR	20.06	14.37	9.77
Average share price	EUR	15.77	13.06	9.08
Lowest share price	EUR	13.24	10.13	7.28
Highest share price	EUR	20.32	17.33	11.11
Market capitalization at the end of the period	EUR million	5,143	3,685	2,505
Trading volumes				
Number of shares traded	1,000	233,793	241,467	259,007
In relation to weighted average number of shares	%	91	94	101
Average number of shares		255,532,039	255,967,244	255,918,686
Number of shares at the end of the period		255,403,686	255,982,212	255,918,686

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

Calculation of key financial indicators

Calculation of key financial indicators

Operating profit	=	Operating profit includes the revenue from the sale of goods and services, other income such as gain from sale of shares or non-financial assets, share of profit (loss) of joint ventures, less losses from sale of shares or non-financial assets, as well as expenses related to production, marketing and selling activities, administration, depreciation, amortization, and impairment charges. Realized and unrealized gains or losses on oil, vegetable oil, electricity and gas derivative contracts together with realized gains and losses from foreign currency and oil derivative contracts hedging cash flows of commercial sales and purchases that have been recycled in the income statement, are also included in operating profit.
Comparable operating profit	=	Operating profit −/+ inventory gains/losses −/+ non-recurring items − unrealized change in fair value of oil, vegetable oil, electricity and gas derivative contracts. Inventory gains/losses include the change in fair value of all trading inventories.
Comparable net profit	=	Profit for the period attributable to the equity holders of the company, adjusted for inventory gains/losses, non-recurring items and unrealized gains/losses on oil, vegetable oil, electricity and gas derivative contracts, net of tax.
Return on equity, (ROE) %	=	$100 \times \frac{\text{Profit before taxes − taxes}}{\text{Total equity average}}$
Return on capital employed, pre-tax (ROCE) %	=	$100 \times \frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Capital employed average}}$
Return on average capital employed, after-tax (ROACE) %	=	$100 \times \frac{\text{Profit for the period (adjusted for inventory gains/losses, non-recurring items and unrealized gains/losses on oil, vegetable oil, electricity and gas derivative contracts, net of tax) + non-controlling interests + interest expenses and other financial expenses related to interest-bearing liabilities (net of tax)}}{\text{Capital employed average}}$
Capital employed	=	Total assets − interest-free liabilities − deferred tax liabilities − provisions
Interest-bearing net debt	=	Interest-bearing liabilities − cash and cash equivalents
Leverage ratio, %	=	$100 \times \frac{\text{Interest-bearing net debt}}{\text{Interest bearing net debt + total equity}}$
Gearing, %	=	$100 \times \frac{\text{Interest-bearing net debt}}{\text{Total equity}}$
Equity-to-assets ratio, %	=	$100 \times \frac{\text{Total equity}}{\text{Total assets − advances received}}$
Return on net assets, %	=	$100 \times \frac{\text{Segment operating profit}}{\text{Average segment net assets}}$
Comparable return on net assets, %	=	$100 \times \frac{\text{Segment comparable operating profit}}{\text{Average segment net assets}}$
Segment net assets	=	Property, plant and equipment, intangible assets, investments in joint ventures including shareholder loans, pension assets, inventories and interest-free receivables and liabilities allocated to the business segment, provisions and pension liabilities
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 income statement. 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)	=	$\frac{\text{Profit for the period attributable to the equity holders of the company}}{\text{Adjusted average number of shares during the period}}$
Comparable earnings per share	=	$\frac{\text{Comparable net profit for the period attributable to the equity holders of the company}}{\text{Adjusted average number of shares during the period}}$
Equity per share	=	$\frac{\text{Shareholder's equity attributable to the equity holders of the company}}{\text{Adjusted average number of shares at the end of the period}}$
Cash flow per share	=	$\frac{\text{Net cash generated from operating activities}}{\text{Adjusted average number of shares during the period}}$
Price / earnings ration (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
Trading volume	=	Number of shares traded during the period, and number of shares traded during the period in relation to the weighted average number of shares during the period

Consolidated Statement of Income

MEUR	Note	1 Jan–31 Dec 2014	Restated* 1 Jan–31 Dec 2013
Revenue	**4,7**	15,011	17,238
Other income	**8**	57	79
Share of profit (loss) of joint ventures	**19**	7	-9
Materials and services	**9**	-13,932	-15,597
Employee benefit costs	**10**	-339	-354
Depreciation, amortization and impairments	**11**	-330	-323
Other expenses	**12**	-324	-402
Operating profit		150	632
Financial income and expenses	**13**		
Financial income		4	2
Financial expenses		-75	-81
Exchange rate and fair value gains and losses		-1	8
Total financial income and expenses		-72	-71
Profit before income taxes		78	561
Income tax expense	**14**	-18	-37
Profit for the period		60	524
Attributable to:			
Owners of the parent		57	523
Non-controlling interests		3	1
		60	524
Earnings per share from profit attributable to owners of the parent (in EUR per share)	**15**		
Basic		0.22	2.04
Diluted		0.22	2.04

*The Group has adopted the new IFRS 11 Joint Arrangements standard on 1 January 2014 and the comparatives for 2013 have been restated. Upon the preparation of annual accounts 2014, some presentation changes were made retrospectively in 2013 and 2014: the product swaps previously included in Revenue are now netted with the corresponding expenses in Materials and services based on IAS 18 and additionally some other sales related expenses (e.g. freights), previously included in 'Other expenses', are presented now in 'Materials and services' in 2013 and 2014. Please see notes 7, 9 and 12.

The notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

MEUR	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Profit for the period	60	524
Other comprehensive income:		
Items that will not be reclassified to profit or loss, net of tax		
Remeasurements on defined benefit plans	-55	-1
Items that may be reclassified subsequently to profit or loss, net of tax		
Translation differences	-30	-33
Cash flow hedges		
recorded in equity	-48	10
transferred to income statement	1	-19
Net investment hedges	0	0
Share of other comprehensive income of investments accounted for using the equity method	-9	-1
Total	-86	-43
Other comprehensive income for the period, net of tax	-141	-44
Total comprehensive income for the period	-81	480
Total comprehensive income attributable to:		
Owners of the parent	-84	479
Non-controlling interests	3	1
	-81	480

Consolidated Statement of Financial Position

MEUR	Note	31 Dec 2014	Restated 31 Dec 2013	Restated 1 Jan 2013
ASSETS				
Non-current assets				
Intangible assets	**18**	62	62	61
Property, plant and equipment	**17**	3,667	3,743	3,871
Investments in joint ventures	**19**	195	224	241
Non-current receivables	**20,21**	50	3	3
Deferred tax assets	**28**	55	29	46
Derivative financial instruments	**20,25**	25	22	37
Available-for-sale financial assets	**20,21**	5	4	4
Total non-current assets		4,058	4,087	4,263
Current assets				
Inventories	**22**	1,055	1,468	1,464
Trade and other receivables	**23**	887	947	1,155
Derivative financial instruments	**20,25**	144	34	57
Cash and cash equivalents	**24**	246	506	409
Total current assets		2,333	2,955	3,085
Assets classified as held for sale	**5**	103	0	52
Total assets		6,494	7,043	7,401
EQUITY				
Capital and reserves attributable to owners of the parent	**26**			
Share capital		40	40	40
Other equity		2,601	2,868	2,484
Total		2,641	2,908	2,524
Non-controlling interests		18	16	16
Total equity		2,659	2,924	2,540
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities	**20,27**	1,245	1,586	1,977
Deferred tax liabilities	**28**	265	266	340
Provisions	**29**	21	37	27
Pension liabilities	**30**	155	93	99
Derivative financial instruments	**20,25**	5	7	6
Other non-current liabilities	**20,27**	1	7	7
Total non-current liabilities		1,691	1,996	2,456
Current liabilities				
Interest-bearing liabilities	**20,27**	622	171	357
Current tax liabilities	**27**	4	49	40
Derivative financial instruments	**20,25**	128	25	47
Trade and other payables	**20,27**	1,388	1,877	1,927
Total current liabilities		2,141	2,122	2,371
Liabilities related to assets held for sale	**5**	2	0	33
Total liabilities		3,835	4,119	4,861
Total equity and liabilities		6,494	7,043	7,401

The notes are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

MEUR	Note	1 Jan−31 Dec 2014	Restated 1 Jan−31 Dec 2013
Cash flows from operating activities			
Profit before income taxes		78	561
Adjustments for			
Share of profit (loss) of joint ventures	**19**	-7	9
Depreciation and amortization	**11**	330	323
Other non-cash income and expenses		-72	6
Financial expenses - net	**13**	72	71
Profit/loss from disposal of fixed assets and shares	**8**	2	-49
		402	921
Change in working capital			
Decrease (+)/increase (−) in trade and other receivables		92	145
Decrease (+)/increase (−) in inventories		406	-6
Decrease (−)/increase (+) in trade and other payables		-531	-39
Change in working capital		-33	100
		369	1,021
Interest and other finance cost paid		-70	-86
Interest income received		3	4
Dividends received		0	0
Realized foreign exchange gains and losses		22	-16
Income taxes paid		-77	-84
		-121	-182
Net cash generated from operating activities		248	839
Cash flows from investing activities			
Purchases of property, plant and equipment		-261	-200
Purchases of intangible assets	**18**	-11	-14
Purchases of other shares		0	0
Proceeds from sale of subsidiaries, net of cash disposed	**6**	0	75
Proceeds from capital repayments in joint arrangements	**19**	18	0
Proceeds from sale of property, plant and equipment		4	2
Changes in non-current receivables		-56	57
Cash flows from investing activities		-306	-80
Cash flow before financing activities		-59	759
Cash flows from financing activities			
Payment of (−) / proceeds from (+) current interest-bearing liabilities		102	-144
Proceeds from non-current interest-bearing liabilities		258	8
Repayments of non-current interest-bearing liabilities		-383	-421
Purchase of treasury shares		-15	0
Dividends paid to the owners of the parent		-167	-97
Dividends paid to non-controlling interests		0	-1
Cash flows from financing activities		-205	-655
Net decrease (−)/increase (+) in cash and cash equivalents		-263	104
Cash and cash equivalents at beginning of the period		506	410
Exchange gains (+)/losses (−) on cash and cash equivalents		3	-8
Cash and cash equivalents at end of the period	**24**	246	506

The notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

MEUR	Note	Share capital	Reserve fund	Fair value and other reserves	Translation differences	Actuarial gains and losses	Treasury shares	Retained earnings	**Owners of the parent**	Non-controlling interests	**Total equity**
Total equity at 1 January 2013		40	18	10	2	-29	0	2,483	**2,524**	16	**2,540**
Profit for the period								523	**523**	1	**524**
Other comprehensive income for the period				-10	-33	-1	0		**-44**		**-44**
Total comprehensive income for the period		0	0	-10	-33	-1	0	523	**479**	1	**480**
Dividend paid								-97	**-97**	-1	**-98**
Share-based compensation								2	**2**		**2**
Transfer from retained earnings			0					0	**0**		**0**
Total equity at 31 December 2013	**26**	40	18	0	-31	-30	0	2,911	**2,908**	16	**2,924**

MEUR	Note	Share capital	Reserve fund	Fair value and other reserves	Translation differences	Actuarial gains and losses	Treasury shares	Retained earnings	**Owners of the parent**	Non-controlling interests	**Total equity**
Total equity at 1 January 2014		40	18	0	-31	-30	0	2,911	**2,908**	16	**2,924**
Profit for the period								57	**57**	3	**60**
Other comprehensive income for the period				-56	-30	-55			**-141**		**-141**
Total comprehensive income for the period		0	0	-56	-30	-55	0	57	**-84**	3	**-81**
Dividend paid								-167	**-167**	0	**-167**
Share-based compensation								-1	**-1**		**-1**
Transfer from retained earnings			1					-1	**0**		**0**
Purchase of treasury shares							-15		**-15**		**-15**
Total equity at 31 December 2014	**26**	40	19	-56	-61	-85	-15	2,800	**2,641**	18	**2,659**

The notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

Neste Oil Corporation (the Company) is a Finnish public limited liability company domiciled in Espoo, Finland. The Company is listed on the NASDAQ OMX Helsinki. The address of its registered office is Keilaranta 21, P.O. Box 95, 00095 Neste Oil, FINLAND.

Neste Oil Corporation and its subsidiaries (together referred to as the Neste Oil Group) is a refining and marketing company focused on advanced, cleaner traffic fuels. The Group's refineries and other production facilities, together with its network of service stations and other retail outlets in Finland and the Baltic Rim area, supply both domestic and export markets with gasoline, diesel fuel, aviation fuel, marine fuel, heating oil, heavy fuel oil, base oil, lubricant, traffic fuel component, solvent, liquefied petroleum gas, bitumen and NExBTL renewable diesel based on Neste Oil's proprietary technology. Neste Oil's supply and distribution chain includes a tanker fleet for carrying crude oil and other feedstock imports and refined product exports. As an oil refiner, Neste Oil is a leading manufacturer of environmentally benign petroleum products.

The Board of Directors has approved these consolidated financial statements for issue on 3 February 2015.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations applicable to companies reporting under IFRS as adopted by the European Union. The notes to the consolidated financial statements also include compliance with the Finnish accounting and corporate legislation. The consolidated financial statements have been prepared under the historic cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through the comprehensive income statement.

The consolidated financial statements are presented in millions 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.

New standards, amendments and interpretations adopted by the Group

The following standards have been adopted by the Group for the financial year beginning on 1 January 2014:

IFRS 10 Consolidated Financial Statement and IFRS 11 Joint Arrangements

The Group has adopted the new IFRS 10 Consolidated Financial Statement and IFRS 11 Joint Arrangements as of 1 January 2014. Under IFRS 11 there are two types of joint arrangements: joint ventures and joint operations. The IFRS 11 standard only permits the equity method in consolidation of joint ventures and requires that a joint operator accounts for its share of the joint operations assets, liabilities, revenue, expenses and cash flow. The Group's joint ventures are consolidated using the equity method and therefore the adoption of IFRS 11 did not change their accounting treatment. For joint operations the Group no longer uses the equity method but instead consolidates its share of the joint operations assets, liabilities, revenues, expenses and cash flow on a line-by-line basis. The joint operations have an immaterial impact on the Group's financial position. The comparative information for 2013 has been restated according to the transition rules.

IFRS 12 Disclosure of Interests in Other Entities

The standard includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 28 and IAS 31. These disclosures related to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The Group has updated disclosures according to the standard's requirements.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

New standards, amendments and interpretations not yet adopted

Certain new interpretations, amendments to existing standards or new standards have been published. The Group intends to adopt these standards on 1 January 2015 or when they become effective.

IFRS 9 Financial instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through income statement. The basis of classification depends on the entity´s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through income statement with the irrevocable option at interception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through income statement. IFRS 9 relaxes the requirements for hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the hedged ratio to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The complete version of IFRS 9 was issued in July 2014, but is not yet endorsed by EU. The standard is effective for annual periods beginning on after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9 impact.

IFRS 15 Revenue from contracts with customers

IFRS 15 was issued in May 2014. 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 existing requirements (IAS 18 Revenue and IAS 11 Construction contracts and related interpretations). The standard is effective for annual periods beginning on or after 1 January 2017. The standard is not yet endorsed by EU. Early adoption is permitted. The Group is yet to assess the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Use of estimates and assumptions

The preparation of consolidated financial statements in conformity with International Accounting Standard requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of income and expenses during the reporting period.

The estimates and assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. They are continuously evaluated. The actual results may differ from these estimates. The most significant estimates relate to the following:

Intangible assets and property, plant and equipment acquired in a business combination

Assets and liabilities acquired in business combinations are measured at their fair values at the date of acquisition. The fair values on which cost allocation is based are determined by reference to market values to the extent they are available. If market values are not available the valuation is based on discounted future cash flows. The measurement of intangible assets, in particular, is based on the present values of future cash flows and requires management estimates regarding future cash flows and the use of assets.

Impairment test

The amounts recoverable from cash generating units' operating activities are determined based on value in use calculations. These calculations are based on estimated future cash flows approved by the Group's management, covering a period of five years. Preparation of these estimates requires management to make assumptions relating to future expectations. The main assumptions used relate to the estimated future operating cash flows and the discount rates.

Income tax

The Group has deferred tax assets and liabilities which are expected to be realised through the income statement over the extended periods of time in the future. In calculating the deferred tax items, the Group is required to make certain assumptions and estimates regarding the future tax consequences attributable to differences between the carrying amounts of assets and liabilities as recorded in the financial statements and their tax basis.

Employee benefits

Pension calculations under defined benefit plans in compliance with IAS 19 include the factors that rely on management estimates: discount rate used in calculating pension expenses and obligations for the period, rate of salary increase and the rate of future discretionary bonuses decided by the insurance company. Changes in these assumptions can significantly impact the amounts of pension liability and future pension expenses. The assumptions used are presented in Note 30 Employee benefit obligations.

Provisions

The existence of criteria for recognising provisions and the amounts of provisions are determined based on estimates of the existence and amount of the obligation. Estimates may differ from the actual future amount of the obligation and with respect to the existence of the obligation.

Critical judgements in applying accounting policies

The Group's management makes judgements concerning the adoption and application of accounting policies to the financial statements. The management has used its judgement in the process of applying the Group's accounting policies when, for example, determining provisions for restructuring, classifying leases and classifying asset as held for sale.

Consolidation

Subsidiaries

The consolidated financial statements cover the parent company, Neste Oil Corporation, and all those companies in which Neste Oil Corporation has the power to govern financial and operating policies and controls, directly or indirectly, them. Subsidiaries and structured entities are fully consolidated from the date on which control is transferred to the Group, and are no longer consolidated when that control ceases.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the date of acquisition. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Intercompany transactions, balances, and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Non-controlling interests are presented in the consolidated balance sheets within equity, separate from the equity attributable to shareholders. Non-controlling interests are separately disclosed in the consolidated statements of income. Where necessary, subsidiaries’ accounting policies have been modified to ensure consistency with Group policies.

Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures or joint operations.

Joint ventures are accounted for using the equity method. Joint operations are consolidated for its share of the assets, liabilities, revenues, expenses and cash flow on a line-by-line basis. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint arrangements are eliminated to the extent of the Group’s interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Associates

Associated companies are entities over which the Group has significant influence but not control, and generally involve a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by using the equity method as described above in ´Joint arrangements´ paragraph.

Segment reporting

The Group's operations are divided into four operating segments: Oil Products, Renewable Products, Oil Retail and Others. The performance of the reporting segments are reviewed regularly by the chief operating decision maker, Neste Oil President & CEO, to assess performance and to decide on allocation resources.

The accounting policies applicable to the segment reporting are the same as those used for establishing the Group consolidated financial statements.

Non-current assets and disposal groups held for sale

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value, less costs to sell, if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

The assets are not depreciated after classifying as held for sale.

Foreign currency translation

(a) Presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euros, which is the Company's presentation currency.

(b) Transactions in foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

(c) Group companies

The results and financial position of all the Group entities (none of which uses a hyperinflationary economy currency) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

• assets and liabilities are translated at the closing rate quoted on the relevant balance sheet date;
• income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
• all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and currency instruments designated as hedges of such investments, are booked to shareholders' equity. When a foreign operation is sold, exchange differences are recognized in the income statement as part of the gain or loss on the sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the entity in question and translated at the closing rate.

Revenue recognition

Revenue from the sale of goods is recorded in the consolidated statement of income when the significant risks and rewards related to the ownership of the goods have been transferred to the buyer. Revenue from services is recorded when services have been provided. Revenue is recorded for the exchange of goods only when dissimilar goods are exchanged. Sales under fixed price engineering and construction contracts are recorded on a percentage-of-completion basis by recognizing the revenue according to the work hours incurred. Provisions for losses are made when identified and the amounts can be reliably estimated. Sales of technology licences are recognised when the risks and rewards are transferred to the buyer.

Revenue will be recognised as gross method when an entity is acting as a principal and it has exposure to the significant risks and rewards associated with the sale of goods. The amounts collected on behalf of the principal are not revenue; instead, revenue is the amount of commission.

Revenue includes sales from actual operations, less discounts, indirect taxes such as value added tax and excise tax payable by the manufacturer, and statutory stockpiling fees. Excise taxes included in the retail price of petroleum products according to prevailing legislation in some countries are included in product sales. The corresponding amount is included in the purchase price of petroleum products and included in 'Materials and services' in the income statement.

Revenue from activities outside normal operations is reported in other income. This includes recurring items such as capital gains on disposal of other non-current assets and rental income.

Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and that the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognized in the consolidated statement of income in 'Other income' over the period necessary to match them with the costs that they are intended to compensate. Investment grants related to acquisitions of property, plant and equipment and intangible assets are deducted from the cost of the asset in question in the statement of financial position and recognized as income on a systematic basis over the useful life of the asset in the form of reduced depreciation expense.

Borrowing costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except if they are directly attributable to the construction of an asset that meets the determined criteria, in which case they are capitalized as part of the cost of that asset. These criteria are that the borrowing costs incurred for the construction of a major initial investment, such as a new production facility.

Income taxes

The Group's income tax expenses include taxes of Group companies calculated on the basis of the taxable profit for the period, with adjustments for previous periods, as well as the change in deferred income taxes. For items recognized directly in equity or other comprehensive income, the income tax effect is similarly recognized. Management judgment is required in determining the income tax expense and deferred tax assets.

Deferred income taxes are stated using the balance sheet liability method, to reflect the net tax effect of temporary differences between the financial reporting and tax bases of assets and liabilities. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is determined using tax rates that are in force at the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Research and development

Research expenditure is recognized as an expense as incurred and included in other operating expenses in the consolidated statement of income. Expenditure on development activities is capitalized only when it relates to new products that are technically and commercially feasible. The majority of the Group's development expenditure does not meet the criteria for capitalization and are recognized as expenses as incurred.

Property, plant and equipment

Property, plant, and equipment mainly comprise oil refineries and other production plants and storage tanks, marine fleet, and retail station network infrastructure and equipment. Property, plant, and equipment are stated at historical cost in the balance sheet, less depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items in question. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges related to foreign currency purchases of property, plant, and equipment. Assets acquired through the acquisition of a new subsidiary are stated at their fair value at the date of acquisition.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs for major periodic overhauls at oil refineries and other production plants on a 3-5 year cycle are capitalized when they occur and then depreciated during the shutdown cycle, i.e. the time between shutdowns. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land areas are not depreciated. The bottom of crude oil rock inventory is included in other tangible assets and is depreciated according to possible usage of the crude oil. Depreciation on tangible assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings and structures, including terminals	20–40 years
Production machinery and equipment, including special spare parts	15–20 years
Marine fleet	15–20 years
Retail station network intrastructure and equipment	5–15 years
Other equipment and vehicles	3–15 years
Other tangible assets	20–40 years

The residual values and useful lives of assets are reviewed, and adjusted where appropriate, at each balance sheet date. The carrying amount of an asset is written down immediately to its recoverable amount if the former amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in 'Other income' or 'Other expenses' in the consolidated statement of income.

Intangible assets

Intangible assets are stated at historical cost and amortized on a straight-line method over expected useful lives. Intangible assets comprise the following:

Computer software

Computer software licences are capitalized on the basis of the costs incurred to acquire and introduce the software in question. Costs are amortized over their estimated useful lives (three to five years). Costs associated with developing or maintaining computer software programs are recognized as an expense.

Trademarks and licences

Trademarks and licences have a definite useful life and are carried at cost less accumulated amortization. They are amortized over their estimated useful lives (three to ten years).

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Separately recognized goodwill is tested annually for impairment and carried at cost, less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing, using those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Emission allowances

Emission allowances, which are purchased to cover future periods deficit are accounted for as intangible assets and measured at cost, and emission allowances received free of charge are accounted for at nominal value, i.e. at zero.

A provision is recognized to cover the obligation to buy emission allowances if emission allowances received free of charge and purchased emission allowances intended to cover the deficit do not cover actual emissions. The provision is measured at its probable settlement amount. The difference between emissions made and emission allowances received, as well as any change in the probable amount of the provision, are reflected in the operating profit.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the income statement to the extent that the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets

The Group classifies financial assets in the following categories: financial assets at fair value through income statement, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired.

Derivatives are recognized on the date on which the Group commits to purchase or sell the asset known as the trade date. Purchases and sales of financial assets are recognized on the settlement date. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through income statement are subsequently carried at fair value. Unlisted equity securities, for which fair value cannot be measured reliably, are recognized at cost less impairment. Loans and receivables are carried at amortized cost, using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of assets in 'financial assets at fair value through income statement' category are included in the income statement in the period in which they arise. The Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired at each balance sheet date.

Financial assets at fair value through income statement

The assets in this category are financial assets held for trading, and include derivative financial instruments, if they are held for trading or do not meet the criteria for hedge accounting as defined under IAS 39. Assets in this category are classified as current assets if they are held for trading or are expected to be realized within 12 months of the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other category and consist of shares in unlisted companies. They are included in non-current assets unless management intends to dispose of the asset within 12 months of the balance sheet date. Gains or losses on the sale of available-for-sale financial assets are included in 'Other income' or 'Other expenses'.

Leases

Finance leases

Lease arrangements that transfer substantially all the risks and rewards related to a leased asset to the lessee are classified as finance lease. Finance leases are capitalized at the commencement of the lease term at the lower of the fair value of the leased property or the present value of the minimum lease payments, as determined at the inception of the lease. Lease payments are allocated between the reduction of the outstanding liability and finance charges. The corresponding rental obligations, net of finance charges, are included in interest-bearing liabilities according to their maturities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Assets acquired under finance leases are depreciated over the useful life of the asset or the lease term, whichever is the shortest.

An arrangement that does not take the legal form of a lease but conveys a right to use an asset if the arrangement conveys to the purchaser (lessee) the right to control the use of the underlying asset. Determining whether an arrangement is, or contains, a lease are based on IFRIC interpretation 4.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Inventories

Inventories are stated at either cost or net realizable value, whichever is the lowest. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs, and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventories held for trading purposes are measured at fair value less selling expenses. Standard spare parts are carried as inventory and recognised in profit or loss as consumed.

Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default in payments are considered as indicators that a trade receivable is impaired. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted the effective interest rate. The amount of the loss is recognized in the consolidated statement of income within 'Other expenses'.

The Group could reduce its counterparty risks by selling trade receivables to the third party e.g. bank. The sale of the receivables essentially transfers ownership of the receivables to the bank, indicating it to obtain all of the rights associated with the receivables. The Group receives the advance from the bank at the time of sale. Fees and other expenses are deducted from the payment.

Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated statement of financial position at cost. Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term, highly liquid investments with original maturities of three months or less.

Provisions

A provision is recognized in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that the obligation will result in payment, and the amount of payment can be estimated reliably. Provisions can arise from environmental risks, litigation, restructuring plans or onerous contracts. Environmental provisions are recorded based on current interpretations of environmental laws and regulations when the conditions referred to above are met. The Group has asset retirement obligations recorded in the consolidated statement of financial position.

Where there are a number of similar obligations, the likelihood that an outflow of resources will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Financial liabilities

Financial liabilities are recognized initially as net proceeds less any transaction costs incurred, and subsequently at amortized cost. Any difference between net proceeds and nominal amount is recognized as interest cost over the period of the borrowing, using the effective interest method. Bank overdrafts are shown in current liabilities on the balance sheet. Derivative financial instruments are categorized as held for trading and included in financial liabilities at fair value through income statement, unless they are designated as hedges as defined in IAS 39. Liabilities are included in non-current liabilities, except for items with maturities less than 12 months after the balance sheet date.

Employee benefits

Pension obligations

The Group has pension arrangements in different countries, which are generally funded through insurance companies. Pension schemes consist of both defined benefit and defined contribution plans.

Contributions to the defined contribution plans are charged directly to the statement of income in the year to which these contributions relate. In defined contribution plans, the Group has no legal or contractive obligations to pay further contributions in case the payment recipient is unable to pay the retirement benefits. All arrangements that do not fulfill these conditions are considered defined benefit plans.

In defined benefit plans, after the Group has paid the amount for the period, an excess or deficit may result. The defined benefit obligation represents the present value of future cash flows from payable benefits, which is calculated for by using the projected unit credit method. The discount rate assumed in calculating the present value of the pension obligation is based on the market yield of high-quality corporate bonds (AA-rated) with appropriate maturities. Pension costs are recognized in the consolidated statement of income so as to spread the current service cost over the service lives of employees based on actuarial calculations. The net interest are included as part of finance cost component in the consolidated statement of income.

The liability (or asset) recognized in the consolidation statements of financial position is the pension obligation at the closing date less the fair value of plan assets. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Actuarial valuations for the Group's defined benefit pension plans are performed annually.

Share-based payments

The Share-based incentive plans are accounted for as a share based transaction. The portion of the earned reward (approximately 50%) for which the participants will receive shares is accounted for as an equity settled transaction, and the portion of the earned reward to be settled in cash to cover tax and other charges payable by the participants (approximately 50%), is accounted for as a cash settled transaction. The earned reward is entered into the income statement spread over the earnings period and restriction period. In respect of the equity settled portion, the amounts recognized in the consolidated statement of income are accumulated in equity; and in respect of the cash settled portion, a respective liability is entered into the balance sheet. The liability is measured at fair value at each reporting date, and the respective change in the fair value is reflected in operating profit in the consolidated statement of income.

Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognized at fair value on the date a contract is entered into and are subsequently re-measured at their fair value. The method of recognizing any resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivative financial instruments as either:
(1) hedges of highly probable forecast transactions (cash flow hedges);
(2) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or
(3) hedges of net investments in foreign operations.
The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Hedge accounting for each type of hedge is described in more detail in Note 3.

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges are recognized in equity/other comprehensive income. Any gain or loss relating to the ineffective portion is recognized immediately in the income statement. Amounts accumulated in equity are reclassified in the income statement in the periods when the hedged item affects the income statement, e.g. when a forecasted sale, that is being hedged, takes place. The gain or loss relating to the effective portion of the foreign exchange derivative contracts hedging of the future USD-sales are recorded within revenue. When the forecast transaction that is being hedged results in the recognition of a property, plant and equipment, the gain or loss is included in the cost of the asset. The amounts are ultimately recognized in depreciation in the income statement. Interest element of interest rate swaps hedging variable rate interest-bearing liabilities is recognized in the income statement within 'financial expenses', and the change in fair value of the hedging instrument is accumulated in equity/other comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of income.

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in the consolidated statement of income in 'financial income and expenses', together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk compensating the effect.

Derivative financial instruments that do not qualify for hedge accounting

Some commodity, currency and interest rate derivative contracts do not qualify for hedge accounting, although these instruments are largely held for economic hedging purposes. Any movements in the fair value of these contracts are recognized in the income statement in operating profit for commodity derivative contracts and in 'financial income and expenses' concerning financial instruments related to financing activities.

Definitions

Operating profit

Operating profit includes the revenue from the sale of goods and services, other income such as gains on sale of shares or non-financial assets, less losses from the sale of shares or non-financial assets, as well as expenses related to production, marketing, and selling activities, administration, depreciation, amortization, and impairment charges. Realized and unrealized gains or losses on oil, vegetable oil, electricity and gas derivative contracts together with realized gains and losses from foreign currency and oil derivative contracts hedging cash flows of commercial sales and purchases that have been recycled in the income statement, are also included in the operating profit.

Comparable operating profit

Comparable operating profit is calculated by excluding inventory gains/losses, non-recurring items, and unrealized changes in the fair value of oil, vegetable oil, electricity and gas derivative contracts from the reported operating profit. Inventory gains/losses include the change in fair value of all trading inventories.

In 2014 Neste Oil has revised the method used to calculate its comparable operating profit and switched to using non-recurring items. The change will mean that comparable operating profit will reflect the underlying operating result of the company and its segments more accurately and will make comparing Neste Oil's profitability over different periods of time as transparent as possible.

Non-recurring items 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 Oil's result will be classified as non-recurring items. This change in accounting practice will not affect Neste Oil's consolidated IFRS result. Neste Oil has started using the revised method for calculating its comparable operating profit from the Q3 2014 interim report onwards.

Segment net assets

Segment net assets include property, plant and equipment, intangible assets, investments in joint ventures including shareholder loans, pension assets, inventories and interest-free receivables and liabilities allocated to the business segment as well as provisions and pension liabilities.

Return on net assets, %

Return on net assets is calculated by dividing segment operating profit with average segment net assets.

Comparable return on net assets, %

Comparable return on net assets is calculated by dividing segment comparable operating profit with average segment net assets.

3 Financial risk management

Risk management principles

Neste Oil recognizes that risk is an integral and unavoidable component of its business and is characterized by both threat and opportunity. Risks are generally managed at source, within the Group's business areas and common functions. A number of risk management strategies have been developed to address the impact of the risks related to Neste Oil's business activities. The Neste Oil Corporate Risk Management Policy with the related Corporate Risk Management Principles, approved by the Board of Directors, defines risk management governance, responsibilities and processes for communicating and reporting risks and risk management.

The documents define detailed principles covering strategic risks, market risks, including counterparty risks, operational and functional risks, including risks involving human safety, and legal liabilities. The Corporate Risk Management Policy and Principles complement Neste Oil's other management principles and instructions. The Treasury Principles and the Credit and Counterparty Risk Management Principles are also approved by the Board of Directors. The Board of Directors' Audit Committee regularly reviews and monitors financial risk management policy, principles, risk limits, and other risk management activities.

The management of financially related risks aims to reduce the volatility in earnings and cashflow, and the balance sheet, while securing effective and competitive financing for the Group.

Risk management organization

Neste Oil's Group Treasury and Risk Management unit and risk management professionals in business areas are responsible for controlling special risk disciplines, consulting and facilitating risk management processes and developing risk management systems.

In addition, Treasury & Risk Management is responsible for managing foreign exchange, credit and counterparty, interest rate, liquidity, and refinancing risks as well as insurance management.

The two business areas, Oil Products and Renewable Products, are responsible of managing their price risks, i.e. hedging their refining margin, refinery inventory price risk, price risks associated with utilities, renewable market related credits (such as RIN’s) and the obligation to return emission allowanced. Oil Products and Renewable Products business areas also enters into derivative transactions for proprietary trading purposes within authorized risk limits.

The Group Treasury and Risk Management unit is organized within Neste Oil's Finance function, headed by the Chief Financial Officer and it works in close cooperation with the Group's business areas.

Risk Management Committee monitors the risk management process and compliance. Neste Oil's risk management reporting is coordinated by the Chief Financial Officer. Major Group-level risks are reported to the Board of Directors, the Audit Committee, the Risk Management Committee, the President & Chief Executive Officer, and other corporate management as part of the strategy and planning process. A report on the market and financing risks of reporting segments and the Group is included in the monthly management report.

Market risks

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of a business. The primary commodity price risks that the Group is exposed to include; crude oil, oil products, renewable feedstocks and renewable diesel prices that could adversely affect the value of the Group’s financial assets, liabilities or expected future cash flows. As the pricing currency used in the oil market is U.S. dollar and Neste Oil operates and reports in Euro, also this factor exposes Neste Oil's business to short-term transaction risks and longer-term economic currency risks. In accordance with the Group risk management principles the Group enters into various derivatives transactions for risk management purposes. The positions are monitored and managed on a daily basis according to the above mentioned risk management principles.

1. Commodity price risks

The main commodity price risks Neste Oil faces on its businesses are related to market prices for crude oil, renewable feedstocks and other feedstocks, as well as refined petroleum and renewable products. These prices are subject to significant fluctuations resulting from a periodic over-supply and supply tightness in various regional markets, coupled with fluctuations in demand.

Neste Oil's results of operations in any given period are principally driven by the demand for and prices of oil and renewable products relative to the supply and cost of raw materials. These factors, combined with Neste Oil's own consumption of raw materials and output of refined products, drive operational performance and cash flows in Oil Products and Renewable Products, which are Neste Oil's largest business areas in terms of revenue, profits and net assets.

Neste Oil divides the commodity price risks affecting Neste Oil’s revenue, profits and net assets into two main categories; inventory price risk and refining margin risk.

Inventory price risk

From a price risk management perspective, Neste Oil's refinery inventory consists of two components. The first and largest component remains relatively constant over time and is referred to as the 'base inventory'. The second and daily fluctuating component is the amount of inventories differing from the base inventory level and at Neste Oil it is called 'transaction position'.

The base inventory is the minimum level of stocks with which can reasonably be assured that the refineries can be kept in operation and the deliveries are not compromised. It comprises inventories at the refineries and within supply chain. The base inventory includes the minimum level of stocks that Neste Oil is required to maintain under Finnish laws and regulations.

The role of price risk management involved in the logistics is particularly present in the Renewable Products' business due to market practices on the feedstocks pricing and longer sea voyages. In the Renewable Products' business the price risk related base inventory is higher than the physical inventory and is approximately one third of the annual renewables refining capacity used. In the traditional oil refining the base inventory is approximately one tenth of the total annual fossil fuel refining capacity.

The base inventory creates a risk in Neste Oil's income statement and balance sheet inasmuch as Neste Oil applies the FIFO method for measuring the cost of goods sold, raw materials and inventories. Hedging operations related to price risk do not target the base inventory. Instead, Neste Oil's inventory risk management policies target the 'transaction position' inasmuch as these stocks create cash flow risks depending on the relationships between feedstocks purchases, refinery production and refined petroleum product sales over any given period.

According to the Neste Oil risk management principle any open exposures of the transaction position are hedged without delay.

In hedging the transaction position, derivative financial instruments are used. Because of the differences between the qualities of the underlying feedstocks for which derivative financial instruments can be sold and purchased, and the actual quality of Neste Oil's feedstocks, the business will remain exposed to some degree of basis risk. The basis risk is typically higher in the Renewables business due to the nature of feedstocks pool and limited availability of hedging instruments.

Refining margin risk

As the total refining margin is an important determinant of Oil Products business area's earnings, its fluctuations constitute a significant risk.

In the traditional oil refining business the refining margin at risk is a function of the revenue from sold petroleum products and the cost of raw materials together with other costs. Neste Oil's exposure to low refining margins in the traditional oil refining is partly offset by its high conversion refineries.

Neste Oil is exposed to greater margin volatility in the Renewable Products' business compared to that in the fossil fuel refining. In Renewables business the refining margin is mainly a function of the renewable fuels sale price received and feedstocks used. The underlying indices used in the renewable diesel pricing are primarily oil products or conventional biodiesel related. Product prices fluctuate regionally depending on the nature of biomandates, local supply and demand, and fossil fuel prices. In Europe renewable fuels price is mainly determined by the price of local biodiesel price. Typical biodiesel qualities are Fatty Acid Methyl Ester (FAME) or Rapeseed-Oil Methyl Ester (RME). In the North America the local biodiesel reference and typical renewable fuels pricing driver is, including the value of the Renewable Identification Number (RIN), Soy Methyl Ester (SME). Cost of feedstocks depends on feedstocks selection and is typically derived from different vegetable oils and fats. Feedstock prices are mainly driven by supply and demand balances, crop forecasts and regional weather. In the Renewables business area, operational activities are the primary means of mitigating the margin volatility.

With the aim of securing its margin and cash flow, Neste Oil has defined margin hedging principles for its main refining businesses. In the fossil fuel refining business the hedging ratios used, measured as percentage of annual production volume, are typically moderate. In the Renewable Products' business the targeted hedge ratios are typically higher. Hedge ratios can however be expected to fluctuate over the time. The hedge ratio for renewable business is measured and monitored as percentage of the quarterly sales volumes.

In hedging the refining margin, derivative financial instruments are used. Hedging transactions are targeted at the components of Neste Oil's total refining margin, based on its forecasted or committed sales and refinery production, which are exposed to international market price fluctuations. Because of the differences between the qualities of the underlying feedstocks and refined petroleum products for which derivative financial instruments can be sold and purchased, and the actual quality of Neste Oil's feedstocks and refined petroleum products in any given period, the business will remain exposed to some degree of basis risk. The basis risk is typically higher in the Renewable Products' business than in the fossil fuel refining due to the nature of the feedstocks selection and limited availability of hedging instruments.

The exposure to open positions of oil derivative contracts as of 31 December 2014 (2013) is summarized in Note 25.

2. Foreign exchange risk

As the pricing currency used in the oil industry is the U.S. dollar and Neste Oil operates and reports in euro, this factor, among others, exposes Neste Oil's business to short-term transaction and longer-term economic currency risks.

The objective of foreign exchange risk management in Neste Oil is to limit the uncertainty created by changes in foreign exchange rates on the future value of cash flows and earnings, and in the Group's balance sheet. Generally, this is done by hedging currency risks in contracted and forecasted cash flows and balance sheet exposures (referred to as transaction exposure) as well as the equity of non-euro zone subsidiaries (referred to as translation exposure).

Transaction exposure

In general, all business areas hedge their transaction exposure related to highly probable future cash flows. Net foreign currency cash flows are forecasted over a 12-month period on a rolling basis, and hedged on average 80% for the first six months and 40% for the following six months for the fossil fuel businesses and on average 60% for the first six months and 25% of the next three months for the renewable business. Deviations from this risk-neutral benchmark position are subject to separate approvals set by the Treasury Principles. The most important hedged currency is the U.S. dollar. Other material hedged currencies are Malaysian Ringgit (MYR), Swedish Crown (SEK) and Singapore Dollar (SGD).

The Group's net exposure is managed through the use of forward contracts and options. All transactions are made for hedging purposes and the majority is also hedge accounted for according to IFRS. Business areas are responsible for forecasting net foreign currency cash flows, while Group Treasury & Risk Management is responsible for implementing hedging transactions.

Neste Oil has several currency-denominated assets and liabilities in its balance sheet, such as foreign currency loans, deposits, net working capital and cash in other currencies than home currency. The principle is to hedge this balance sheet exposure fully using forward contracts and options. Similarly to commodity price risk management, the foreign exchange transaction hedging targets inventories in excess of the base inventory. Open exposures are allowed based on risk limits set by the Treasury Principles. The largest and most volatile item in terms of balance sheet exposure is net working capital. Since many of the Group's business transactions, sales of products and services and purchases of crude oil and other feedstock are linked to the U.S. dollar, the daily exposure of net working capital is hedged as part of the balance sheet hedge in order to neutralize the effect of volatility in EUR/USD exchange rate. During 2014, the daily balance sheet exposure fluctuated between approximately EUR 211 million and 1,144 million. Group Treasury & Risk Management is responsible for consolidating various balance sheet items and carrying out hedging transactions. Foreign exchange risk is estimated by measuring the impact of currency rate changes based on historical volatility.

The nominal and fair values of the outstanding foreign exchange derivative contracts as of 31 December 2014 (2013) are summarized in Note 25.

Translation exposure

Group Treasury & Risk Management is responsible for managing Neste Oil's translation exposure. This consists of net investments in foreign subsidiaries, joint ventures, and associated companies. Although the main principle is to leave translation exposure unhedged, Neste Oil may seek to reduce the volatility in equity in the consolidated balance sheet through hedging transactions. Forward contracts are used to hedge translation exposure. Any hedging decisions are made by Group Treasury & Risk Management. The total non-euro-denominated equity of the Group's subsidiaries and associated companies was EUR 410 million as of 31 December 2014 (2013: EUR 482 million), and the exposures and hedging ratios are summarized in the following table.

Group translation exposure	**2014**			**2013**		
MEUR	**Net investment**	**Hedge**	**Hedge %**	**Net investment**	**Hedge**	**Hedge %**
USD	50	0	0%	50	0	0%
SEK	176	0	0%	207	0	0%
CAD	105	0	0%	101	0	0%
RUB	48	0	0%	71	0	0%
LTL	31	0	0%	31	0	0%
Other	0	0	0%	22	0	0%
	410	0	0%	482	0	0%

3. Interest rate risk

Neste Oil is exposed to interest rate risk mainly through its interest-bearing net debt. The objective of the Company's interest rate risk management is to limit the volatility of interest expenses in the income statement. The risk-neutral benchmark duration for the net debt portfolio is 12 months, and duration can vary between six and 36 months. In addition to duration Neste Oil uses a flow risk limitation.

Interest rate derivatives have been used to adjust the duration of the net debt portfolio. The Group's interest rate risk management is handled by Group Treasury & Risk Management. The nominal and fair values of the outstanding interest rate derivative contracts as of 31 December 2014 (2013) are summarized in Note 25.

The following table summarizes the re-pricing of the Group's interest-bearing debt.

Period in which re-pricing occurs	**within 1 year**	**1 year – 5 years**	**> 5 years**	**Total**
Financial instruments with floating interest rate				
Financial liabilities				
Loans from financial institutions	372	0	0	372
Finance lease liabilities	56	0	0	56
Bonds	0	50	0	50
Effect of interest rate swaps	500	-500	0	0
Financial instruments with fixed interest rate				
Bonds	301	971	0	1,272
Other loans	0	0	33	33
Finance lease liabilities	0	9	74	83
	1,229	530	107	1,866

The table below shows the nominal values of the Group's interest-bearing debt by currency as of 31 December 2014 and 2013, in millions of euros.

MEUR	**2014**	**2013**
EUR	1,646	1,628
SGD	84	51
USD	136	79
	1,866	1,758

4. Key sensitivities to market risks

Sensitivity of operating profit to market risks arising from the Group's operations

Due to the nature of its operations, the Group's financial performance is sensitive to the market risks described above. The following table details the approximate impact that movements in the Group's key price and currency exposures would have on its operating profit for 2015 (2014), based on assumptions regarding the Group's reference market and operating conditions, but excluding the impact of hedge transactions.

Approximate impact on operating profit (IFRS), excluding hedges		**2015**	**2014**
+/− 10% in the EUR/USD exchange rate	EUR million	−82 / + 101	−99 / + 121
+/− USD 1.00/barrel in total refining margin	USD million	+/− 105	+/− 110
+/− USD 10/barrel in crude oil price [1)]	USD million	+/− 70	+/− 70
+/− USD 100/t in Renewable Products raw material price [1)]	USD million	+/− 80	+/− 80
+/− USD 50/t in Renewable Products refining margin [2)]	USD million	+/− 100	+/− 100

[1)] Inventory gains/losses excluded from comparable operating profit [2)] Based on name-plate capacity

Sensitivity to market risks arising from financial instruments as required by IFRS 7

The following analysis, required by IFRS 7, is intended to illustrate the sensitivity of the Group's profit for the period and equity to changes in oil prices, the EUR/USD exchange rate, the USD/MYR exchange rate, and interest rates, resulting from financial instruments, such as financial assets and liabilities and derivative financial instruments, as defined by IFRS, included in the balance sheet as of 31 December 2014 (2013). Financial instruments affected by the above market risks include working capital items, such as trade and other receivables and trade and other payables, interest-bearing liabilities, deposits, cash and cash equivalents, and derivative financial instruments. When cash flow hedge accounting is applied, the change in the fair value of derivative financial instruments is assumed to be recorded fully in equity.

The following assumptions were made when calculating the sensitivity to the change in oil prices:
• the flat price variation for oil derivative contracts of crude oil, refined oil products and vegetable oil is assumed to be +/- 10%
• the sensitivity related to oil derivative contracts held for hedging refinery oil inventory position is included; the underlying physical oil inventory position is excluded from the calculation, since inventory is not a financial instrument
• the sensitivity related to oil derivative contracts held for hedging expected future refining margin is included; the underlying expected refining margin position is excluded from the calculation
• the sensitivity related to oil derivative contracts for the price difference between various petroleum product qualities is excluded from the calculation, as the price variation of these contracts is assumed to be zero
• the sensitivity related to oil derivative contracts for the time spread of crude oil and petroleum products is excluded from the calculation, as the price variation of these contracts is assumed to be zero

The following assumptions were made when calculating the sensitivity to changes in the EUR/USD exchange rate:
• the variation in EUR/USD-rate is assumed to be +/− 10%
• the position includes USD-denominated financial assets and liabilities, such as interest-bearing liabilities, deposits, trade and other receivables, trade and other liabilities, and cash and cash equivalents, as well as derivative financial instruments
• the position excludes USD-denominated future cash flows

The following assumptions were made when calculating the sensitivity to changes in the USD/MYR exchange rate:
• the variation in USD/MYR-rate is assumed to be +/− 10%
• the position includes MYR-denominated derivative financial instruments
• the position excludes MYR-denominated future cash flows

The following assumptions were applied when calculating the sensitivity to changes in interest rates:
• the variation of interest rate is assumed to be a 1% parallel shift in the interest rate curve
• the interest rate risk position includes interest-bearing liabilities, interest-bearing receivables, and interest rate swaps, however cash on bank account is excluded
• the income statement is affected by changes in the interest rates of floating-rate financial instruments, excluding those derivative financial instruments that are designated as and qualifying for cash flow hedges, which are recorded directly in equity.

The sensitivity analysis presented in the following table may not be representative, since the Group's exposure to market risks also arises from other balance sheet items than financial instruments, such as inventories. As the sensitivity analysis does not take into account future cash flows, which the Group hedges in significant volumes, it only reflects the change in fair value of hedging instruments. In addition, the size of the exposure sensitive to changes in the EUR/USD exchange rate varies significantly, so the position on the balance sheet date may not be representative for the financial period on average. Equity in the following table includes items recorded directly in equity. Items affecting the income statement are not included in equity.

		2014		2013	
Sensitivity to market risks arising from financial instruments as required by IFRS 7		**Income statement**	**Equity**	**Income statement**	**Equity**
+/− 10% change in oil price [1]	EUR million	−/+ 4	+/− 0	−/+ 8	+/− 0
+/− 10% change in EUR/USD exchange rate	EUR million	+ 59 / − 68	+ 25 / − 34	+ 59 / − 74	+ 38 / − 34
1% parallel shift in interest rates	EUR million	+/− 7	+/− 0	+/− 7	+/− 0
+/− 10% change in USD/MYR exchange rate	EUR million	+/− 0	+/− 29	+/− 0	+/− 28

[1] includes crude oil, refined oil products and vegetable oil derivatives

5. Hedge accounting

The Group uses foreign currency derivative contracts to reduce the uncertainty created by changes in foreign exchange rates on the future cash flows of forecasted future sales and earnings, as well as in Neste Oil's balance sheet. Foreign exchange derivative contracts have been designated as hedges of forecasted transactions, e.g. cash flow hedges, net investment hedges, or as derivative financial instruments not meeting hedge accounting criteria. The Group uses foreign exchange forward contracts and options as hedging instruments.

With the aim of securing a certain refining margin per barrel, the Group may hedge its refining margin using commodity derivative contracts. Certain commodity derivative contracts have been designated as hedges of forecasted transactions, e.g. cash flow hedges.

The Group uses interest rate derivatives and its variations e.g. callable swaps to reduce the volatility of interest expenses in the income statement and by adjusting the duration of the debt portfolio. Interest rate derivative contracts have been designated as hedges of forecasted transactions, e.g. cash flow hedges, hedges of the fair value of recognized assets or liabilities, or as derivative financial instruments not meeting hedge accounting criteria. The Group uses interest rate swaps as hedging instruments.

Cash flow hedges

Derivative financial contracts that meet the qualifications for hedge accounting are designated as cash flow hedges. Such contracts are e.g. certain commodity derivative contracts hedging refining margin, foreign currency derivative contracts hedging USD-sales, feedstock purchases priced in MYR or capital expenditure denominated in foreign currencies for the next twelve months, and interest rate swaps directly linked to underlying variable interest funding transactions maturing in 2018.

The effective portion of the changes in the fair value of the derivative financial instruments that are designated as and qualify for cash flow hedges are recognized in equity/other comprehensive income. However, changes in the time value of foreign currency options are booked in the income statement. Any gain or loss relating to the ineffective portion is recognized immediately in the income statement. In 2014 and 2013 the ineffective portion has been immaterial. Testing is conducted on a quarterly basis to review the effectiveness of hedging transactions.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects the income statement, e.g. when a forecasted sale, that is being hedged, takes place. The gain or loss relating to the effective portion of the foreign exchange derivative contracts hedging of the future USD-sales are recorded within sales. This is expected to take place within the next 12 months from the balance sheet date. The gain or loss to the effective portion of the foreign exchange derivative contracts hedging of the MYR based purchases are booked into equity/other comprehensive income until transferred to the inventory as part of raw-material purchase costs according to IAS 2. When the forecast transaction, which is being hedged results in the recognition of property, plant and equipment, the gain or loss is included in the cost of the asset. The amounts are ultimately recognized in depreciation in the income statement. Interest element of interest rate swaps hedging variable rate interest-bearing liabilities is recognized in the income statement within finance costs, and the change in fair value of the hedging instrument is accumulated in equity/ other comprehensive income. Movements in hedging reserve are presented in the statement of comprehensive income.

Fair value hedges

Certain interest rate swaps are designated as fair value hedges. Changes in the fair value of the derivative financial instruments designated and qualifying as fair value hedges, and which are highly effective, are recorded in the income statement, together with any changes in the fair value of the hedged assets or liabilities attributable to the hedged risk compensating the effect. The ineffective portion is also recognized in the income statement.

Items recognized in the income statement	**2014**	**2013**
gain or loss on the hedging instrument	5	-16
gain or loss on the hedging instrument	-5	16

Hedges of net investments in foreign entities

Hedges of the net investments in foreign operations are accounted for in a similar way to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity/ other comprehensive income, while any gain or loss relating to the ineffective portion is recognized immediately in the income statement. Gains and losses accumulated in equity /other comprehensive income are included in the income statement when the foreign operation is disposed of. Exposures as per 31.12.2014 and hedging ratios are summerized in the table 'Group translation exposure'

Liquidity and refinancing risks

Liquidity risk is defined as financial distress or extraordinarily high financing costs arising due to a shortage of liquid funds in a situation where business conditions unexpectedly deteriorate and require financing. The objective of liquidity risk management is to maintain sufficient liquidity and to ensure that it is available fast enough to avoid uncertainty related to financial distress at all times.

Neste Oil's principal source of liquidity is expected to be cash generated from operations. In addition, the Group seeks to reduce liquidity and refinancing risks by maintaining a diversified maturity profile in its loan portfolio. Certain other limits have also been set to minimize liquidity and refinancing risks. The Group must always have access to unutilized, committed credit facilities to cover all loans maturing within the next 12 months and any potential forecasted negative free cash flow. Unutilized committed credit facilities must always amount to at least EUR 500 million. In addition, total short-term financing shall not account for more than 30% of the total interest-bearing liabilities.

The average loan maturity as of 31 December 2014 was 2.7 years. The most important financing programs in place are:
• Revolving multicurrency credit facility (committed), EUR 1,500 million
• Overdraft facilities (committed), EUR 150 million
• Domestic commercial paper program (uncommitted), EUR 400 million

As of 31 December 2014, the Company had cash and cash equivalents and committed, unutilized credit facilities totaling EUR 1,849 million at its disposal.

Cash and cash equivalents and committed unutilized credit facilities	**2014**	**2013**
Floating rate		
– cash and cash equivalents	246	506
– overdraft facilities, expiring within one year	103	150
– revolving credit facility, expiring within one year	0	0
– revolving credit facility, expiring beyond one year	1,500	1,500
	1,849	2,156

The contractual maturity of interest-bearing liabilities as of 31 December 2014 is presented in the following table.

	2015 1)	2016	2017	2018	2019	2020–	Total
Bonds and debentures	361	356	279	66	424	0	1,486
- less finance charges	61	45	27	16	16	0	164
Repayment of bonds and debentures	301	311	252	50	408	0	1,322
Loans from financial institutions	267	12	52	13	18	10	372
- less finance charges	2	1	1	1	0	0	5
Repayment of loans from financial institutions	265	11	51	12	18	10	367
Finance lease liabilities	67	13	14	13	13	182	302
- less finance charges	13	12	12	11	10	105	163
Repayment of finance lease liabilities	54	1	2	2	3	77	139
Other liabilities	2	3	3	4	18	29	59
- less finance charges	2	3	3	3	3	7	21
Repayment of other long-term liabilities	0	0	0	1	15	22	38
Interest rate swaps							
- less finance charges	-12	-10	-3	-1	-2	0	-28

1) Repayments in 2015 are included in current liabilities in the balance sheet

Finance charges are primarily interest expenses. The contractual maturities of derivative financial instruments are included in Note 25.

The contractual maturity of interest-bearing liabilities as of 31 December 2013 is presented in the following table.

	2014 1)	2015	2016	2017	2018	2019–	Total
Bonds and debentures	59	360	345	277	66	416	1,523
- less finance charges	59	60	45	27	16	16	223
Repayment of bonds and debentures	0	300	300	250	50	400	1,300
Loans from financial institutions	166	52	8	47	7	17	297
- less finance charges	2	1	1	1	0	0	5
Repayment of loans from financial institutions	164	51	7	46	7	17	292
Finance lease liabilities	20	40	37	15	15	196	323
- less finance charges	14	13	12	12	12	110	173
Repayment of finance lease liabilities	6	27	25	3	3	86	150
Other liabilities	0	0	0	0	1	3	4
- less finance charges	0	0	0	0	0	0	0
Repayment of other long-term liabilities	0	0	0	0	1	3	4
Interest rate swaps							
- less finance charges	-11	-12	-9	-2	-1	-2	-37

1) Repayments in 2014 are included in current liabilities in the balance sheet

Credit and counterparty risk

Credit and counterparty risk arises from sales, hedging and trading transactions as well as from cash investments. The risk arises from the potential failure of counterparty to meet its contractual payment obligations, and the risk depends on the creditworthiness of the counterparty as well as the size of the exposure. The objective of credit and counterparty risk management is to minimize the losses incurred as a result of a counterparty not fulfilling its obligations. The management principles for credit and counterparty risk are covered in the Neste Oil Credit and Counterparty Risk Management Principles approved by the Board of Directors.

The amount of risk is quantified as the expected loss to Neste Oil in the event of a default by counterparty. Credit risk limits are set at the Group level, designated by different levels of authorization and delegated to Neste Oil's business areas, which are responsible for counterparty risk management within these limits. When determining the credit lines for sales contracts for oil deliveries, counterparties are screened and evaluated vis-à-vis their creditworthiness to decide whether an open credit line is acceptable or collateral for example letter of credit, bank guarantee or parent company guarantee have to be posted. In the event, that a collateral is required the credit risk is evaluated based on a financial evaluation of the party posting the collateral. If appropriate in terms of the potential credit risk associated with a specific customer, advance payment is required before delivery of products or services. In addition, Neste Oil may reduce its counterparty risk by e.g. selling trade receivables.

The credit lines for counterparties are divided into two categories according to contract type: physical sales contracts and derivative contracts. Credit lines are restricted in terms of the time horizon associated with the payment and credit exposure risk. In determining counterparty credit limits, two levels of delegation are used: authority mandates to the rated counterparties by the general rating agencies and authority mandates related to unrated counterparties. For OTC (over-the-counter) derivative financial instrument contracts, Neste Oil has negotiated framework agreements in the form of an ISDA (International Swaps and Derivatives Association, Inc.) Master Agreement with the main counterparties concerning commodity, emissions, currency and interest rate derivative financial instruments. These contracts permit netting and allow for termination of the contract on the occurrence of certain events of defaults and termination events. Some of these agreements concerning commodity derivatives include Credit Support Annexes with the aim of reducing credit and counterparty risk by requiring margin call deposits in the form of cash or letter of credit for balances exceeding the mutually agreed limit.

Neste Oil reduces credit risk by executing treasury transactions only with approved counterparties. All counterparties are rated with the minimum counterparty credit rating requirement being BBB (S&P). Foreign subsidiaries may have bank accounts in unrated financial institutions. In order to decrease credit risk associated with local banks used by subsidiaries in foreign countries, the subsidiaries are required to deposit their excess cash balances with the Group Treasury on an ongoing basis.

As to counterparty risk management vis-à-vis insurance companies for Neste Oil Group, the minimum credit rating requirement for the insurers and/or reinsurers is A− (S&P).

As of the balance sheet date, the biggest receivable balances were from the customers in the Scandinavian wholesale markets. In addition, the Group has a large number of different counterparties on the international markets. As to the range of the counterparties, the most significant types are mainly large international oil companies and financial institutions. However, the Group's exposure to unexpected credit losses within one reporting segment may increase with the concentration of credit risk through a number of counterparties operating in the same industry sector or geographical area, which may be adversely affected by changes in economic, political or other conditions. These risks are reduced by taking geographical risks into consideration in decisions on creditworthiness.

Vis-à-vis counterparties to the contracts comprising the derivative financial instruments exposure as at 31 December 2014, approximately 100% of the counterparties or their parent companies related to commodity derivative contracts have investment grade rating from Standard & Poor's, Moody's or Fitch. Respectively, Group Treasury & Risk Management had an exposure for currency and interest rate derivative contracts as at 31 December 2014 with banks, of which all have investment grade rating at a minimum. Derivative transactions are also done through exchange, which reduces credit risk.

The following table shows an analysis of trade receivables by age. 54% of the trade receivables portfolio exposure is from counterparties or their parent companies having credit rating BBB− (S&P) minimum. 46% consists of trade receivables from the counterparties not having credit rating, most of it comprising from a large number of corporate and private customers. With respect to undue trade receivables, there were no indications as of 31 December 2014 that the counterparties would not meet their obligations.

Analysis of trade receivables by age	**2014**	**2013**
Undue trade receivables [1]	718	832
Trade receivables 1–30 days overdue	49	37
Trade receivables 31–60 days overdue	3	2
Trade receivables more than 60 days overdue	2	5
	773	876

[1] Includes EUR 2 million of trade receivables related to Assets held for sale in 2014, as disclosed in Note 5.

The Group makes an ISDA master netting agreement or an other netting agreement with each derivative counterparty. Based on the agreement sales and purchase invoices / payments are netted and in certain credit events all outstanding transactions under the ISDA agreement are terminated and either Neste Oil or the counterparty pays the netted amount.

Financial impact of netting for instruments subject to an enforceable master netting agreement (or similar)

31 Dec 2014	Gross amount of recognized financial instruments	Related liabilities or assets subject to Master netting agreements	Net exposure
Financial assets			
Derivatives	169	95	74
Trade receivables	20	7	13
Financial liabilities			
Derivatives	133	95	38
Trade payables	8	7	1

31 Dec 2013	Gross amount of recognized financial instruments	Related liabilities or assets subject to Master netting agreements	Net exposure
Financial assets			
Derivatives	56	24	32
Trade receivables	4	3	1
Financial liabilities			
Derivatives	32	24	8
Trade payables	5	3	2

Capital risk management

The Group's objective when managing capital is to secure a capital structure that ensures access to capital markets at all times despite the volatile nature of the industry in which Neste Oil operates. Despite the fact that the Group does not have a public credit rating, the Group's target is to have a capital structure equivalent to that of other refining and marketing companies with a public investment grade rating. The capital structure of the Group is reviewed by the Board of Directors on a regular basis.

The Group monitors its capital on the basis of leverage ratio, the ratio of interest-bearing net debt to interest-bearing net debt plus total equity. Interest-bearing net debt is calculated as interest-bearing liabilities less cash and cash equivalents.

Over the cycle, the Group's leverage ratio is likely to fluctuate, and it is the Group's objective to maintain the leverage ratio within the range of 25−50%. The leverage ratio as of 31 December 2014 and 2013 was as follows:

	2014	**2013**
Total interest-bearing liabilities	1,866	1,758
Cash and cash equivalents	246	506
Interest-bearing net debt	1,621	1,252
Total equity	2,659	2,924
Interest-bearing net debt and total equity	4,280	4,176
Leverage ratio	37.9%	30.0%

4 Segment information

Neste Oil´s business structure

The Group's operations are built around three business areas and seven common functions. Business areas act as profit centers and are responsible for their customers, products, and business development. Business areas are: Oil Products, Renewable Products, and Oil Retail. The common functions are: Finance, Human Resources and Safety, Sustainability and Public Affairs, Technology, Strategy and New Ventures, Communication and Brand Marketing and Legal Affairs.

Operating segments

The Group's operations are divided into four operating segments: Oil Products, Renewable Products, Oil Retail and Others. The performance of the reporting segments are reviewed regularly by the chief operating decision maker, Neste Oil President & CEO, to assess performance and to decide on allocation of resources.

Operating segments are engaged in following key business activities:

Oil Products segment markets and sells gasoline, diesel fuel, light and heavy fuel oil, aviation fuel, base oils, liquefied petroleum gas and other oil products and services which are related to them to domestic and international wholesale markets. Neste Shipping's chartering operations are included in the Oil Products segment.

Renewable Products segment markets and sells NEXBTL renewable diesel based on Neste Oil's proprietary technology to domestic and international wholesale markets.

Oil Retail segment markets and sells petroleum products and associated services directly to end-users, of which the most important are private motorists, industry, transport companies, farmers, and heating oil customers. Traffic fuels are marketed through Neste Oil’s own service station network and direct sales.

Others segment consists of Group administration, shared service functions, Research and Technology, Neste Jacobs and Nynas AB (publ).

Operating segments presented above don't include any segments which are formed from aggregating two or more smaller segments.

The segments' operating results are measured based on comparable operating profit and return on comparable net assets. The accounting policies applicable to the segment reporting are the same as those used for establishing the Group consolidated financial statements as described in 'Summary of significant accounting policies'. All inter-segment transactions are on arm's length basis and are eliminated in consolidation. Segment operating profit include realized gains and losses from foreign currency and oil derivative contracts hedging cash flows of commercial sales and purchases that have been recycled in the income statement. The 'other expenses' included in the income statement for each business segment includes the following major items:

Oil Products: maintenance, rents, and other property costs and insurance premiums, change in the fair value of open oil derivative positions
Renewable Products: repairs and maintenance, research, storage charges, rents, other property costs, change in the fair value of open oil derivative positions
Oil Retail: rents and other property costs and maintenance, marketing costs

Segment operating assets and liabilities comprise of assets and liabilities utilized in the segments' business operations. Assets consist primarily of property, plant and equipment, intangible assets, investments in joint ventures including shareholder loans, inventories and receivables. They exclude deferred taxes, interest-bearing receivables, and derivative financial instruments designated as hedges of forecasted future cash flows. Segment operating liabilities comprise operating liabilities, pension liabilities, and provisions; and exclude items such as current and deferred taxes, interest-bearing liabilities, and derivative financial instruments designated as hedges of forecasted future cash flows.

Group's customer structure in 2014 and 2013 did not result in any major concentration in any given geographical area or operating segment.

Information about the Group's operating segments as of and for the years ended 31 December 2014 and 2013 is presented in the following tables:

2014	**Oil Products**	**Renewable Products**	**Oil Retail**	**Others**	**Eliminations**	**Group**	**Note**
External revenue	8,883	1,788	4,289	51	0	15,011	
Internal revenue	2,401	481	5	187	-3,075	0	
Total revenue	11,285	2,269	4,294	238	-3,075	15,011	**7**
Other income	47	1	3	24	-18	57	**8**
Share of profit (loss) of joint ventures	2	0	0	6	0	7	**19**
Materials and services	-10,876	-1,860	-4,084	-46	2,934	-13,932	**9**
Employee benefit costs	-157	-27	-34	-123	2	-339	**10**
Depreciation, amortization and impairments	-193	-96	-26	-15	0	-330	**11**
Other expenses	-219	-79	-85	-96	154	-324	**12**
Operating profit	-110	207	68	-13	-3	150	
Financial income and expense						-72	**13**
Profit before taxes						78	
Income taxes						-18	**14**
Profit for the period						60	
Comparable operating profit	285	239	68	-7	-3	583	
Inventory gains/losses	-381	-111	0	0	0	-492	
Changes in the fair value of open oil derivatives	-5	79	0	0	0	74	
Non recurring items	-9	0	0	-6	0	-16	
capital gains and losses	-4	0	0	3	0	-2	
insurance and other compensation	0	0	0	0	0	0	
others	-5	0	0	-9	0	-14	
Operating profit	-110	207	68	-13	-3	150	
Capital expenditure and investments in shares	276	113	19	18	-9	418	
Segment operating assets	3,249	2,198	471	239	-278	5,879	
Investments in joint ventures	16	0	0	179	0	195	**19**
Deferred tax assets						55	**28**
Unallocated assets						365	
Total assets	3,264	2,198	472	418	-278	6,494	
Segment operating liabilities	1,104	276	271	228	-273	1,605	
Deferred tax liabilities						265	**28**
Unallocated liabilities						1,965	
Total liabilities	1,104	276	271	228	-273	3,835	
Segment net assets	2,160	1,923	201	190	-6	4,469	
Return on net assets, %	-4.8	11.5	27.5	-5.3			
Comparable return on net assets, %	12.4	13.3	27.6	-2.7			

2013	Oil Products	Renewable Products	Oil Retail	Others	Eliminations	Group	Note
External revenue	10,449	2,235	4,523	30	0	17,238	
Internal revenue	2,592	258	9	176	-3,034	0	
Total revenue	13,041	2,493	4,532	206	-3,034	17,238	**7**
Other income	15	1	52	31	-20	79	**8**
Share of profit (loss) of joint ventures	3	0	0	-12	0	-9	**19**
Materials and services	-12,174	-1,986	-4,306	-23	2,893	-15,597	**9**
Employee benefit costs	-171	-27	-37	-121	2	-354	**10**
Depreciation, amortization and impairments	-185	-98	-28	-13	1	-323	**11**
Other expenses	-243	-131	-93	-94	158	-402	**12**
Operating profit	286	252	120	-26	0	632	
Financial income and expense						-71	**13**
Profit before taxes						561	
Income taxes						-37	**14**
Profit for the period						524	
Comparable operating profit	275	273	77	-31	2	596	
Inventory gains/losses	16	-35	0	0	0	-19	
Changes in the fair value of open oil derivatives	-10	14	0	0	0	4	
Non recurring items	5	0	43	5	-2	51	
capital gains and losses	0	0	44	1	-2	43	
insurance and other compensation	6	0	0	7	0	13	
others	-1	0	-1	-3	0	-5	
Operating profit	286	252	120	-26	0	632	
Capital expenditure and investments in shares	142	21	31	20	0	214	
Segment operating assets	3,690	2,043	556	226	-292	6,223	
Investments in joint ventures	31	0	0	193	0	224	**19**
Deferred tax assets						29	**28**
Unallocated assets						567	
Total assets	3,721	2,043	556	419	-292	7,043	
Segment operating liabilities	1,558	275	301	160	-290	2,004	
Deferred tax liabilities						266	**28**
Unallocated liabilities						1,849	
Total liabilities	1,558	275	301	160	-290	4,119	
Segment net assets	2,163	1,768	255	259	-2	4,443	
Return on net assets, %	12.1	14.0	41.2	-9.8			
Comparable return on net assets, %	11.6	15.2	26.4	-11.7			

Upon the preparation of annual accounts 2014, some presentation changes were made retrospectively in 2013 and 2014: the product swaps previously included in Revenue are now netted with the corresponding expenses in Materials and services based on IAS 18 and additionally some other sales related expenses (e.g. freights), previously included in 'Other expenses', are presented now in 'Materials and services' in 2013 and 2014.

Geographical information

The Group operates production facilities in Finland, Singapore, Netherlands and Bahrain and retail selling network in Finland, North-West Russia, Estonia, Latvia and Lithuania. The following table provides information of the Group's revenue by geographical area, irrespective of the origin of the goods or services, and non-current assets and capital expenditure by geographical area.

Revenue is allocated based on the country in which the customer is located. Non-current assets and capital expenditure are allocated based on where the assets are located. Non-current assets comprise of intangible assets, property, plant and equipment and investments in joint ventures including shareholder loans. 'Other Nordic countries' include Sweden, Norway, Denmark and Iceland. 'Baltic rim' includes Estonia, Latvia, Lithuania, Russia and Poland. The Group's activities in this geographical area comprise mainly of retail activities in the mentioned countries.

2014	Finland	Other Nordic countries	Baltic rim	Other European countries	North and South America	Other countries	Group
Revenue by destination	5,849	2,024	1,768	2,979	1,966	424	15,011
Non-current assets	2,373	179	104	630	0	640	3,924
Capital expenditure	380	0	10	6	0	21	418

2013	Finland	Other Nordic countries	Baltic rim	Other European countries	North and South America	Other countries	Group
Revenue by destination	6,583	2,402	1,730	3,602	2,661	260	17,238
Non-current assets	2,354	193	136	673	0	673	4,029
Capital expenditure	176	0	21	8	0	9	214

5 Assets held for sale

The assets and liabilities related to Kilpilahden Sähkönsiirto Oy have been presented as held for sale following the approval of the Group's management on 18 December 2014 to sell all shares of Kilpilahden Sähkönsiirto Oy to InfraVia European Fund II, an infrastructure fund managed by InfraVia. The transaction was completed on 2 January 2015. The operations are part of the Oil Products segment.

Assets classified as held for sale

	2014
Property, plant and equipment	99
Trade and other receivables	4
Total	103

Liabilities related to assets held for sale

	2014
Trade and other payables	2
Total	2

There were no assets classified as held for sale on 31 December 2013.

6 Acquisitions and disposals

Acquisitions

No acquisitions took place in financial periods 2014 and 2013.

Disposals

In the first quarter 2014 Neste Oil sold its 100% interest in its subsidiary Neste LPG AB. The sale was completed on 31 March 2014 and capital gain amounting to EUR 2 million resulting from the transaction has been included in the consolidated financial statements. The operations were part of the Oil Retail segment.

Assets and Liabilities of Neste LPG AB

MEUR	31 March 2014
Inventories	0
Trade and other receivables	0
Cash and cash equivalents	3
Total assets	3
Provisions	3
Trade and other payables	0
Total liabilities	3
Sold net assets	0
Gain on disposal	2
Total consideration	3
Cash consideration received	3
Cash and cash equivalents disposed of	3
Cash inflow arising from disposal	0

On April 2, 2013 Neste Oil sold its 100% interest in its subsidiary Neste Polska Sp. z o.o. A capital gain amounting to EUR 48 million resulting from the transaction has been included in the consolidated financial statement. The operations were part of the Oil Retail segment.

Assets and Liabilities of Neste Polska Sp. z o.o.

MEUR	2 April 2013
Property, plant and equipment	38
Inventories	5
Trade and other receivables	5
Cash and cash equivalents	12
Total assets	60
Provisions	2
Trade and other payables	19
Total liabilities	21
Sold net assets	39
Gain on disposal	48
Total consideration	87
Cash consideration received	87
Cash and cash equivalents disposed of	12
Cash inflow arising from disposal	75

7 Analysis of revenue by category

	2014	2013
Sale of goods	14,865	17,029
Revenue from services	149	138
Royalty income	0	0
Other	-2	71
	15,011	17,238

Sale of goods include product sales from the Group's own refineries, other production facilities and retail stations as well as other sale of petroleum products, feedstock, raw materials and oil trading. Excise taxes included in the retail selling price of finished oil products are included in product sales.

Oil trading included in Sale of goods comprise of revenue from physical trading activities conducted on international and regional markets by taking delivery of and selling petroleum products and raw materials within a short period of time for the purpose of generating a profit from short term fluctuations in product and raw material prices and margins.

Net gains/losses on financial instruments related to sales, designated as cash flow hedges, are included in Revenue amounting to EUR −5 million (2013: 24 million).

Upon the preparation of annual accounts 2014, some presentation changes were made retrospectively in 2013 and 2014: the product swaps previously included in Revenue are now netted with the corresponding expenses in Materials and services based on IAS 18:

	2013
Reported 2013	17,462
Presentation of product swap	-230
First time adoption of IFRS 11	7
Restated 2013	17,238

Revenue from services mainly comprises revenue from the chartering services and Neste Jacobs, which is included in the Others segment.

8 Other income

	2014	2013
Gain on sale of subsidiaries	2	48
Capital gains on disposal of other non-current assets	0	1
Rental income	4	4
Government grants	6	8
Insurance compensations	39	6
Other	6	13
	57	79

Government grants relate mainly to the shipping operations, which is entitled to apply for certain grants based on Finnish legislation. EUR 2 million (2013: EUR 4 million) of the amount is included in 'Trade and other receivables' in the consolidated statement of financial position. This amount relating to operations in the financial period ended 31 December is applied for and received during the following financial period. The Group believes that it has fulfilled all the conditions related to the grants recognized in the income statement. 2014 insurance compensation relates to Porvoo refinery hydrogen unit damage.

9 Materials and services

	2014	2013
Change in product inventories	231	68
Materials and supplies		
Purchases	13,469	15,582
Change in inventories	177	-82
External services	54	29
	13,932	15,597

Purchases include excise taxes included in the retail selling price of petroleum products.

Upon the preparation of annual accounts 2014, some presentation changes were made retrospectively in 2013 and 2014: the product swaps previously included in Revenue are now netted with the corresponding expenses in Materials and services based on IAS 18 and additionally some other sales related expenses (e.g. freights), previously included in 'Other expenses', are presented now in 'Materials and services' in 2013 and 2014.

	2013
Reported 2013	15,424
Presentation of product swap	-230
Presentation changes of sales related other costs	401
First time adoption of IFRS 11	3
Restated 2013	15,597

Net gains/losses on financial instruments related to purchases designated as cash flow hedges are included in Materials and supplies. In 2014 those amounted to EUR 3 million (2013: 0 million).

10 Employee benefit costs

	2014	2013
Wages, salaries	267	271
Social security costs	22	25
Pension costs-defined contribution plans	37	41
Pension costs-defined benefit plans	5	7
Other costs	8	9
	339	354

Number of personnel (average)	**2014**	**2013**
Oil Products	1,866	2,097
Renewable Products	259	261
Oil Retail	1,355	1,313
Others	1,509	1,426
	4,989	5,097

11 Depreciation, amortization and impairment charges

	2014	2013
Depreciation of property, plant, and equipment		
Buildings and structures	69	68
Machinery and equipment	239	232
Other tangible assets	14	15
	321	315
Amortization of intangible assets	9	8
Depreciation, amortization and impairment charges total	330	323

12 Other expenses

	2014	2013
Operating leases and other property costs	43	49
Repairs and maintenance	121	129
Services	79	78
Insurance	17	19
Other	64	127
	324	402

Operating leases include rents for land, premises, machinery and equipment. Services include planning- and consulting services, IT-services and other services. Other expenses include travel expenses, HSE and advertising costs.

Upon the preparation of annual accounts 2014, some presentation changes were made retrospectively in 2013 and 2014: some other sales related expenses (e.g. freights), previously included in 'Other expenses', are presented now in 'Materials and services' in 2013 and 2014.

	2013
Reported 2013	800
Presentation changes of sales related other costs	-401
First time adoption of IFRS 11	3
Restated 2013	402

Fees charged by the statutory auditor, PwC	**EUR thousands**	**2014**	**2013**
Audit fees		751	0
Auditor's mandatory opinions		11	0
Tax advisory		352	0
Other advisory services		334	0
		1,449	0

Fees charged by the previous statutory auditor, EY	**EUR thousands**	**2014**	**2013**
Audit fees		250	1,052
Auditor's mandatory opinions		9	6
Tax advisory		46	150
Other advisory services		177	236
		482	1,444

13 Financial income and expenses

	2014	2013
Financial income		
Dividend income on available-for-sale investments	0	0
Interest income from loans and receivables	3	2
Other financial income	0	0
	4	2
Financial expenses		
Interest expenses for financial liabilities at amortized cost	-65	-78
Interest rate derivatives, non-hedge accounted	0	5
Interest rate derivatives, hedge accounted	0	0
Other financial expenses	-10	-8
	-75	-81
Exchange rate and fair value gains and losses		
Loans and receivables	-11	26
Other	4	-7
Foreign exchange derivatives, non-hedge accounted	6	-11
	-1	8
Financial cost − net	-72	-71

Net gains/losses on financial instruments included in operating profit	**2014**	**2013**
Foreign exchange rate and oil derivative financial instruments designated as cash flow hedges	-7	24
Non-hedge accounted foreign exchange rate, commodity derivative instruments	75	14
	67	38

Net gains/losses include realized and unrealized gains and losses on derivative financial instruments. Financial instruments held for trading purposes include also the net result of physical trading transactions for those contracts that meet the criteria specified in IAS 39.5-6. Non-hedge accounted derivative financial instruments include net result of transactions entered into for hedging purposes amounting to EUR 70 million (2013: EUR 10 million), and transactions entered into for trading purposes amounting to EUR 5 million (2013: EUR 3 million).

Net gains/losses on financial instruments related to sales, designated as cash flow hedges, are included in Revenue (note 7). Net gains/losses on financial instruments related to purchases designated as cash flow hedges and net gains/losses on non-hedge accounted financial instruments are included in Materials and services (note 9).

14 Income tax expense

The major components of tax expenses are presented in the following table:

	2014	2013
Current tax expense	19	95
Adjustments recognized for current tax for prior periods	2	-1
Change in deferred taxes	-3	-57
	18	37

The difference between income taxes at the statutory tax rate in Finland and income taxes recognized in the consolidated income statement is reconciled in the following table.

	2014	2013
Profit before tax	78	561
Hypothetical income tax calculated at Finnish tax rate 20% (2013: 24.5%)	-16	-138
Differences in tax rates in other countries	18	36
Tax exempt income	3	15
Non-deductible expenses	-1	-2
Depreciation difference and untaxed reserves	-19	0
Taxes for prior periods	-2	1
Net results of joint ventures	1	-2
Realisability of deferred tax assets	1	-5
Effect of change of Finnish corporate income tax rate	0	55
Other	-3	3
Tax charge in the consolidated income statement	-18	-37

The Group's effective income tax rate was 23.2% (2013: 6.64%).

The tax (charge)/credit relating to components of other comprehensive income:

	2014		
	Before tax	Tax (charge) / credit	After tax
Remeasurements of defined benefit plans	-68	14	-55
Translation differences	-30	0	-30
Cash flow hedges			
recorded in equity	-58	10	-48
transferred to income statement	1	0	1
Net investment hedges	0	0	0
Share of other comprehensive income of investments accounted for using the equity method	-9	0	-9
Other comprehensive income	-164	23	-141
Current tax		0	
Deferred tax		23	
		23	

	2013		
	Before tax	Tax (charge) / credit	After tax
Remeasurements of defined benefit plans	1	-2	-1
Translation differences	-33	0	-33
Cash flow hedges			
recorded in equity	13	-2	10
transferred to income statement	-24	4	-19
Net investment hedges	0	0	0
Share of other comprehensive income of investments accounted for using the equity method	-1	0	-1
Other comprehensive income	-44	0	-44
Current tax		0	
Deferred tax		0	
		0	

15 Earnings per share

Basic and diluted earnings per share are calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the year. Since the Company has not granted any options, there is no dilution. The average number of shares has been adjusted with treasury shares, 1,000,000 shares (2013: 421,474), as described in note 26.

	2014	2013
Profit attributable to owners of the parent, MEUR	57	523
Weighted average number of ordinary shares in issue (thousands)	255,532	255,967
Earnings per share basic and diluted (euro per share)	0.22	2.04

16 Dividend per share

The dividends paid in 2014 were EUR 0.65 per share, totalling EUR 167 million (2013: EUR 0.38 per share, totalling EUR 97 million). A dividend of EUR 0.65 per share will be proposed at the Annual General Meeting on 1 April 2015, corresponding to total dividends of EUR 166 million for 2014. This dividend is not reflected in the financial statements.

17 Property, plant and equipment

2014	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Assets under construction	Total
Gross carrying amount at 1 January 2014	76	2,146	4,051	206	173	6,652
Exchange differences	-5	-29	-13	0	-2	-49
Additions	0	63	98	120	126	407
Disposals	0	-32	-75	-5	-9	-120
Reclassifications	1	2	7	0	-11	-1
Reclassified as non-current asset held for sale	0	-51	-75	0	-25	-151
Gross carrying amount at 31 December 2014	72	2,101	3,991	321	253	6,738
Accumulated depreciation and impairment losses at 1 January 2014	0	739	2,054	116	0	2,909
Exchange differences	0	-12	-7	0	0	-19
Disposals	0	-9	-75	-6	0	-90
Reclassifications	0	0	0	0	0	0
Depreciation for the period	0	69	239	14	0	321
On non-current assets reclassified as held for sale	0	-12	-40	0	0	-52
Accumulated depreciation and impairment losses at 31 December 2014	0	776	2,171	124	0	3,071
Carrying amount at 1 January 2014	76	1,407	1,997	90	173	3,743
Carrying amount at 31 December 2014	72	1,325	1,820	197	253	3,667

2013	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Assets under construction	Total
Gross carrying amount at 1 January 2013	76	2,092	3,972	193	153	6,486
Change in accounting policy (IFRS11)	0	0	2	0	0	2
Gross carrying amount at 1 January 2013	76	2,092	3,974	193	153	6,488
Exchange differences	-2	-9	-5	-1	-1	-18
Additions	2	64	84	14	36	200
Disposals	0	-3	-12	0	-3	-18
Reclassifications	0	2	10	0	-12	0
Gross carrying amount at 31 December 2013	76	2,146	4,051	206	173	6,652
Accumulated depreciation and impairment losses at 1 January 2013	0	678	1,837	102	0	2,617
Exchange differences	0	-4	-2	-1	0	-7
Disposals	0	-3	-13	0	0	-16
Reclassifications	0	0	0	0	0	0
Depreciation for the period	0	68	232	15	0	315
Accumulated depreciation and impairment losses at 31 December 2013	0	739	2,054	116	0	2,909
Carrying amount at 1 January 2013	76	1,414	2,137	91	153	3,871
Carrying amount at 31 December 2013	76	1,407	1,997	90	173	3,743

Finance leases

Machinery and equipment include assets where the Group is a lessee under a finance lease as specified in the following table.

	2014	2013
Gross carrying amount	235	235
Accumulated depreciation	94	81
Carrying amount	141	154

Capitalized borrowing costs

During 2014 borrowing cost amounting to EUR 1.2 million were capitalized related to the Oil Products investment. They are included in 'Property, Plant and Equipment'. The Group's average interest rate of borrowings for each month was applied as the capitalization rate, which resulted in average capitalization rate of 3.3% in 2014.

Borrowing costs amounting to EUR 0.5 million were capitalized related to investment projects in 2013.

18 Intangible assets

2014	Goodwill	Other intangible assets	Total
Gross carrying amount at 1 January 2014	11	163	174
Exchange differences	0	0	0
Additions	0	11	11
Disposals	0	-10	-10
Reclassifications	0	1	1
Gross carrying amount at 31 December 2014	11	164	175
Accumulated amortization and impairment losses at 1 January 2014	0	112	112
Exchange differences	0	0	0
Disposals	0	-6	-6
Reclassifications	0	0	0
Amortization for the period	0	9	9
Accumulated amortization and impairment losses at 31 December 2014	0	113	113
Carrying amount at 1 January 2014	11	51	62
Carrying amount at 31 December 2014	11	50	62

2013	Goodwill	Other intangible assets	Total
Gross carrying amount at 1 January 2013	11	154	165
Exchange differences	0	0	0
Additions	0	14	14
Disposals	0	-5	-5
Reclassifications	0	0	0
Gross carrying amount at 31 December 2013	11	163	174
Accumulated amortization and impairment losses at 1 January 2013	0	104	104
Exchange differences	0	0	0
Disposals	0	0	0
Reclassifications	0	0	0
Amortization for the period	0	8	8
Accumulated amortization and impairment losses at 31 December 2013	0	112	112
Carrying amount at 1 January 2013	11	50	61
Carrying amount at 31 December 2013	11	51	62

Emission allowances

Neste Oil's Porvoo and Naantali refineries come under the European Union's greenhouse gas emission trading system, and were granted a total of 18.7 million tons emission allowances for the period 2013−2020. Emission allowances, which are purchased to cover future periods deficit are accounted for as intangible assets and measured at cost, and emission allowances received free of charge are accounted for at nominal value, i.e. at zero.

A provision is recognized to cover the obligation to buy emission allowances if emission allowances received free of charge and purchased emission allowances intended to cover the deficit do not cover actual emissions. The provision is measured at its probable settlement amount. The difference between emissions made and emission allowances received, as well as the change in the probable amount of the provision, are reflected in operating profit.

As at 31 December 2014 estimated obligation to purchase emission allowances were reflected in the balance sheet of Neste Oil in provisions amounting to EUR 1.6 million (2013 intangible asset EUR 4.0 million). The actual amount of CO_2 emissions in 2014 were 3.1 million tons (2013: 3.3 million tons). The Group has traded emission allowances for net amount of 0.5 million tons during the financial period ended 31 December 2014 (2013: −0.2 million tons).

Impairment test of goodwill

Goodwill is allocated to Group's cash-generating units (CGU's). From 10 identified CGU's goodwill is allocated to the following: Traffic Fuels within Oil Products segment and Neste Jacobs sub-group within Others segment.

A segment-level summary of the goodwill allocation is presented below:

	2014	2013
Oil Products	2	2
Other	9	9
	11	11

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial plans approved by the management covering a period of three years. The discount rate used is 6.9%, representing the WACC specified for the business area in question after tax, which is adjusted by tax effects in connection with the test. The WACC formula inputs are risk-free rate of return, market risk premium, industry-specific beta factor, target capital structure, borrowing cost and country risks. Cash flows beyond the three-year period are extrapolated by using 1.0% nominal growth rate.

The key assumptions used for the plans in Neste Jacobs are the demand and the price level for engineering and project management services, as well as the billability rate. The key assumptions used in the impairment test are the billability rate affecting the EBITDA, and the discount rate. A reasonably possible change in the key assumptions would not create a situation in which the carrying amounts of the cash generating units would exceed their recoverable amounts.

19 Investments in joint ventures

Carrying amount	2014	2013
At 1 January	224	241
Share of profits of joint ventures	7	-9
Translation differences	-10	-7
Share of other comprehensive income of investments accounted for using the equity method	-9	-1
Capital repayments in joint ventures	-18	0
At 31 December	195	224

The impact of the adoption of IFRS 11 has resulted in a reduction of EUR 1 million in the carrying amount. The impact of the joint operations is immaterial.

The Group's interest in its principle joint ventures at 31 December, all of which are unlisted, are listed in the following table:

	Country of incorporation	Nature of the relationship	2014 % interest held	2013 % interest held
Glacia Limited	Bermuda	Note 1	50.00	50.00
Lacus Ltd.	Bermuda	Note 2	0.00	50.00
Nynas AB (publ)	Sweden	Note 3	49.99	49.99
Terra Ltd.	Bermuda	Note 2	0.00	50.00

Note 1: Glacia Limited is a joint venture company owned on a 50/50 basis by Neste Oil and Stena Maritime AG (part of the Stena Group). The company owns an Aframax-size crude tanker, which joined the Neste Oil fleet in January 2007. Neste Oil has entered into a 10-year time charter contract with the joint venture for the vessel of which 2 years remain.

Note 2: Lacus Ltd. and Terra Ltd. were liquidated and companies owned product tankers were sold in 2014.

Note 3: Nynas AB (publ) is a Swedish company that specializes in marketing and producing bitumen in Europe and naphthenics globally. Neste Oil Owns 49.99% of the shares of the company. The remaining 50.01% of the shares of Nynas is owned by a subsidiary of a Venezuelan oil company, Petróleos de Venezuela S.A. Nynas AB (publ) is governed as a 50/50 owned joint venture, although the other party owns the majority of the company's total share capital.

Joint ventures have been consolidated using the equity method.

Summarized financial information in respect of the Group's joint ventures is set out in the following table:

2014	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Profit/loss
Glacia Limited	35	17	17	4	9	4
Nynas AB (publ)	462	914	550	469	1,927	16

2013	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Profit/loss
Glacia Limited	34	12	17	4	8	3
Lacus Ltd.	26	9	17	3	5	1
Nynas AB (publ)	412	666	482	233	2,254	-35
Terra Ltd.	26	11	17	3	6	2

The financial statements of Nynas AB (publ) are not published within the Group's reporting timetable. Nynas AB (publ) 2014 financial information above is based on 30 September 2014 published interim report. The share of profits of other joint ventures for 2014 is consolidated based on the companies' preliminary results for the financial period.

Transactions carried out with joint arrangements are disclosed in Note 32.

Contingent liabilities relating to the Group's interest in the joint arrangements are disclosed in Note 34.

20 Carrying amounts of financial assets and liabilities by measurement categories

Financial assets and liabilites divided by categories were as follows as of December 31:

2014 Balance sheet item	Financial assets/liabilities at fair value through income statement: Hedge accounting	Financial assets/liabilities at fair value through income statement: Non-hedge accounting	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Carrying amounts by balance sheet item	Fair value	Note
Non-current financial assets								
Non-current receivables			50			50		**21**
Derivative financial instruments	25	0				25	25	**25**
Available-for-sale financial assets				5		5		**21,25**
Current financial assets								
Trade and other receivables *			875			875		
Derivative financial instruments	3	141				144	144	**25**
Cash and cash equivalents			246			246		**24**
Carrying amount by category	28	141	1,171	5	0	1,345	169	
Non-current financial liabilities								
Interest-bearing liabilities					1,245	1,245	1,305	**27**
Derivative financial instruments	5	1				5	5	**25**
Other non-current liabilities					1	1		**27**
Current financial liabilities								
Interest-bearing liabilities					622	622	626	**27**
Derivative financial instruments	50	77				128	128	**25**
Trade and other payables **					1,388	1,388		**27**
Carrying amount by category	55	78	0	0	3,255	3,389	2,064	

* excluding prepayments

** excluding non-financial liabilities

2013 Balance sheet item	Financial assets/liabilities at fair value through income statement: Hedge accounting	Financial assets/liabilities at fair value through income statement: Non-hedge accounting	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Carrying amounts by balance sheet item	Fair value	Note
Non-current financial assets								
Non-current receivables			3			3		**21**
Derivative financial instruments	22					22	22	**25**
Available-for-sale financial assets				4		4		**21,25**
Current financial assets								
Trade and other receivables *			946			946		
Derivative financial instruments	18	16	0			34	34	**25**
Cash and cash equivalents			506			506		**24**
Carrying amount by category	40	16	1,455	4	0	1,515	56	
Non-current financial liabilities								
Interest-bearing liabilities					1,586	1,586	1,643	**27**
Derivative financial instruments	5	2				7	7	**25**
Other non-current liabilities					7	7		**27**
Current financial liabilities								
Interest-bearing liabilities					171	171		**27**
Derivative financial instruments	8	17				25	25	**25**
Trade and other payables **					1,877	1,877		**27**
Carrying amount by category	13	19	0	0	3,641	3,673	1,675	

* excluding prepayments

** excluding non-financial liabilities

Financial instruments that are measured in the balance sheet at fair value are presented according to following 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).

2014 Fair value hierarchy

Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Non-current derivative financial instruments				
Interest rate derivatives	0	25	0	25
Currency derivatives	0	0	0	0
Commodity derivatives	0	0	0	0
Available-for-sale financial assets	0	0	5	5
Non-current financial assets	0	25	5	30
Current derivative financial instruments				
Interest rate derivatives	0	1	0	1
Currency derivatives	0	3	0	3
Commodity derivatives	27	113	0	140
Current financial assets	27	117	0	144
Total financial assets	27	142	5	174

Financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Non-current derivative financial instruments				
Interest rate derivatives	0	5	0	5
Currency derivatives	0	0	0	0
Commodity derivatives	0	1	0	1
Non-current financial liabilities	0	6	0	6
Current derivative financial instruments				
Interest rate derivatives	0	0	0	0
Currency derivatives	0	63	0	63
Commodity derivatives	28	37	0	65
Current financial liabilities	28	100	0	128
Total financial liabilities	28	106	0	134

During the financial period 2014 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. Available for sale financial assets consist of shares in unlisted companies of EUR 5 million (2013: EUR 4 million), for which the fair value cannot be reliably determined. These assets are measured at cost less possible impairment.

2013 Fair value hierarchy

Financial assets	Level 1	Level 2	Level 3	Total
Non-current derivative financial instruments				
Interest rate derivatives	0	22	0	22
Currency derivatives	0	0	0	0
Commodity derivatives	0	0	0	0
Available-for-sale financial assets	0	0	4	4
Non-current financial assets	0	22	4	26
Current derivative financial instruments				
Interest rate derivatives	0	0	0	0
Currency derivatives	0	21	0	21
Commodity derivatives	1	12	0	13
Current financial assets	1	33	0	34
Total financial assets	1	55	4	60

Financial liabilities	Level 1	Level 2	Level 3	Total
Non-current derivative financial instruments				
Interest rate derivatives	0	5	0	5
Currency derivatives	0	0	0	0
Commodity derivatives	0	2	0	2
Non-current financial liabilities	0	7	0	7
Current derivative financial instruments				
Interest rate derivatives	0	0	0	0
Currency derivatives	0	9	0	9
Commodity derivatives	3	13	0	16
Current financial liabilities	3	22	0	25
Total financial liabilities	3	29	0	32

During the financial period 2013 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.

Fair values of non-current interest-bearing liabilities that are carried at amortised cost, but for which fair value is disclosed, are determined by using the discounted cash flow method employing market interest rates or market values at the balance sheet date. Non-current interest-bearing liabilities are classified into fair value measurement hierarchy level 2.

21 Non-current receivables and available-for-sale financial assets

Non-current receivables	Carrying amount 2014	2013
Non-current interest-bearing receivables	1	1
Other non-current receivables	49	2
	50	3

Carrying amounts of loan receivables are measured at amortized cost using the effective interest rate method. Fair values are not materially different from the carrying amounts. The maximum exposure to credit risk at the reporting date is the carrying amount of the loan receivables.

Available-for-sale financial assets	Carrying amount 2014	2013
At 1 January	4	4
Additions	0	0
At 31 December	5	4

Available-for-sale financial assets are investments in unlisted companies, and are measured at cost less possible impairment, because their fair value cannot be reliably measured in the absence of an active market.

22 Inventories

	2014	2013
Materials and supplies	381	560
Finished products and goods	666	902
Other inventories	8	6
	1,055	1,468

Cumulative inventory losses due to oil price changes amounted EUR 492 million (2013: EUR 19 million) of which EUR 127 million (2013: EUR 7 million) consisted of inventory write downs recorded at the end of the period.

23 Current trade and other receivables

	Carrying amount	
	2014	2013
Trade receivables	771	877
Other receivables	57	45
Advances paid	6	5
Accrued income and prepaid expenses	53	20
	887	947

The carrying amounts of current receivables are reasonable approximations of their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of the trade and other receivables. Impairment of trade receivables amounted to EUR 2 million (2013: EUR 3 million).

Analysis of trade receivables by age is presented in Note 3, Financial risk management, section 'Credit and counterparty risk'.

Trade receivables were not sold to the third party during 2014. During 2013 trade receivables were sold to the third party, but the volume of the sold trade receivables was not substantial.

24 Cash and cash equivalents

Cash and cash equivalents include the following:

	2014	2013
Cash at bank and in hand	246	457
Short term bank deposits	0	49
Total	246	506

The maximum exposure to credit risk at the reporting date is the carrying amount of the cash and cash equivalents.

25 Derivative financial instruments

Nominal values of interest rate and currency derivative contracts	2014			2013		
	Remaining maturities			Remaining maturities		
	< 1 year	1–5 years	Total	< 1 year	1–6 years	Total
Derivative financial instruments designated as cash flow hedges						
Interest rate swaps [1]	50	0	50	0	50	50
Forward foreign exchange contracts	748	0	748	657	0	657
Currency options						
- Purchased	189	0	189	196	0	196
- Written	188	0	188	192	0	192
	1,175	0	1,175	1,045	50	1,095
Derivative financial instruments designated as fair value hedges						
Interest rate swaps [1]	700	0	700	0	700	700
	700	0	700	0	700	700
Non-hedge accounting derivative financial instruments						
Interest rate swaps [1]	0	0	0	50	0	50
Forward foreign exchange contracts	804	0	804	391	0	391
	804	0	804	441	0	441

[1] Interest rate swaps mature in 5 years.

Forward foreign exchange contracts are gross settled and all due within 12 months. Contractual cash outflows of these are EUR 1,566 million (2013: EUR 1,054 million) and inflows EUR 1,516 million (2013: EUR 1,063 million).

Volumes of commodity derivative contracts	2014			2013		
	Volume million bbl			Volume million bbl		
	Remaining maturities			Remaining maturities		
	< 1 year	1–3 years	Total	< 1 year	1–3 years	Total
Commodity derivative contracts designated as cash flow hedges [2]						
Futures and forwards						
- Sales contracts	0	0	0	0	0	0
	0	0	0	0	0	0
Non-hedge accounting commodity derivative contracts excl. electricity and gas derivatives [3]						
Futures and forwards						
- Sales contracts	8	0	8	7	0	7
- Purchase contracts	8	0	8	9	0	9
	16	0	16	16	0	16
	Volume GWh			Volume GWh		
	Remaining maturities			Remaining maturities		
	< 1 year	1–3 years	Total	< 1 year	1–3 years	Total
Non-hedge accounting electricity and gas derivative contracts						
Futures and forwards						
- Purchase contracts	1,592	1,099	2,691	957	670	1,627
	1,592	1,099	2,691	957	670	1,627

[2] Commodity derivative contracts with hedge accounting status are oil derivatives.

[3] Commodity derivative contracts with non-hedge accounting status include oil and vegetable oil derivative contracts. They consist of trading derivative contracts and cash flow hedges without hedge accounting status.

Fair values of derivative financial instruments

	Fair value 2014				Fair value 2013			
Interest rate and currency derivative contracts	Positive < 1 year	Positive 1–5 years	Negative < 1 year	Negative 1–5 years	Positive < 1 year	Positive 1–7 years	Negative < 1 year	Negative 1–7 years
Derivative financial instruments designated as cash flow hedges								
Interest rate swaps [1]	0	0	0	5	0	0	0	4
Forward foreign exchange contracts	1	0	42	0	13	0	8	0
Currency options								
- Purchased	0	0	2	0	2	0	0	0
- Written	0	0	7	0	3	0	0	0
	2	0	50	5	18	0	8	4
Derivative financial instruments designated as fair value hedges								
Interest rate swaps [1]	1	25	0	0	0	22	0	1
	1	25	0	0	0	22	0	1
Non-hedge accounting derivative financial instruments								
Interest rate swaps [1]	0	0	0	0	0	0	0	0
Forward foreign exchange contracts	1	0	12	0	3	0	1	0
	1	0	12	0	3	0	1	0

[1] Interest rate swaps mature in 5 years.

	Fair value 2014				Fair value 2013			
Commodity derivative contracts	Positive < 1 year	Positive 1–3 years	Negative < 1 year	Negative 1–3 years	Positive < 1 year	Positive 1–3 years	Negative < 1 year	Negative 1–3 years
Commodity derivative contracts designated as cash flow hedges [2]								
Futures and forwards								
- Sales contracts	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
Non-hedge accounting commodity derivative contracts [3]								
Futures and forwards								
- Sales contracts	138	0	3	0	1	0	9	0
- Purchase contracts	2	0	62	1	12	0	7	2
	140	0	65	1	13	0	16	2

[2] Commodity derivative contracts with hedge accounting status are oil derivatives.

[3] Commodity derivative contracts with non-hedge accounting status include oil, vegetable oil, electricity and gas derivative contracts. They consist of trading derivative contracts and cash flow hedges without hedge accounting status.

	2014				2013			
	Assets		**Liabilities**		**Assets**		**Liabilities**	
Balance sheet reconciliation	**Current**	**Non-current**	**Current**	**Non-current**	**Current**	**Non-current**	**Current**	**Non-current**
Derivative financial instruments	144	25	128	5	34	22	25	7

Fair value estimations

Derivative financial instruments are initially recognized and subsequently re-measured at their fair values i.e. at the price which could be used if market participants made an orderly transaction at the measurement date. The fair values are determined using a variety of methods and financial valuation techniques, and assumptions are based on market quotations on the relevant balance sheet date.

The fair values of the interest rate swaps are the present values of the estimated future cash flows. Foreign exchange forward contracts are calculated using the valuation model and the market rates at the balance sheet date. The fair value of currency options are calculated using market rates at the balance sheet date and by using the Black and Scholes option valuation model.

The fair value of exchange traded oil commodity futures and option contracts is determined using the forward exchange market quotations as per 31 December 2014. The fair value of over-the-counter oil derivative contracts is calculated using the net present value of the forward derivative contracts quoted market prices as per 31 December 2014.

26 Equity

Share capital

Neste Oil's share capital registered with the Trade Register as of 31 December 2014 totalled EUR 40,000,000, divided into 256,403,686 shares of equal value. The nominal value of one share is not determined.

	Number of shares, 1,000	Treasury shares, 1,000	Outstanding shares, 1,000
1 January 2013	256,404	0	256,404
31 December 2013	256,404	0	256,404
1 January 2014	256,404	0	256,404
Purchase of treasury shares		-1,000	-1,000
31 December 2014	256,404	-1,000	255,404

Treasury shares

Neste Oil has entered into an agreement with a third party service provider concerning the administration of the share-based management share performance arrangement for key management personnel. As part of the agreement, the service provider purchased a total of 500,000 Neste Oil shares in February 2007 in order to hedge part of Neste Oil's cash flow risk in relation to the possible future payment of the rewards, which will take place partly in Neste Oil shares and partly in cash during 2013, 2014 and 2015. Despite the legal form of the hedging arrangement, it has been accounted for as if the share purchases had been conducted directly by Neste Oil, as required by IFRS 2, Share based payments and IFRS 10 Consolidation. The consolidated balance sheet and the consolidated changes in total equity reflect the substance of the arrangement with a deduction amounting to EUR 12 million in equity. This amount represents the consideration paid for the shares by the third party service provider. As at 31 December 2013 there were 421,474 shares accounted for as treasury shares. In March 2014 Neste Oil decided to assign 202,391 shares held by the third party service provider. At the date of the transfer, the value of the shares was EUR 3 million. In November 2014 Neste Oil terminated an agreement with the third party service provider. The remaining own shares totaling 219,083 were sold and EUR 4 million was returned into equity. This amount represents the value of the shares sold by the third party service provider.

In the Annual General Meeting on 3 April 2014 the Board of Directors was authorized to decide the purchase of and/or take as security a maximum of 2,000,000 company shares using the company's unrestricted equity. As of 31 December 2014 Neste Oil Corporation held a total of 1,000,000 treasury shares, and the acquisition cost of EUR 15 million, including transaction costs, has been deducted from equity.

Other reserves

Reserve fund comprises of restricted reserves other than share capital.

Fair value and other reserves include the effective portion of the change in fair value of derivative financial instruments that are designated as and qualify for cash flow hedges, amounts recognized directly in equity concerning available-for-sale investments, and concerning equity settled share based payments, the amount corresponding to the expense recognized in the income statement.

Translation differences include exchange differences arising from the translation of the net investment in foreign entities on consolidation, change in the fair value of currency instruments designated as hedges of the net investment, and exchange differences resulting from the translation of income statement of foreign entities at the average exchange rates and balance sheet at the closing rates.

27 Non-current and current liabilities

Non-current liabilities	Carrying amount 2014	2013
Bonds	1,021	1,315
Loans from financial institutions	103	124
Finance lease liabilities	85	144
Other loans	37	3
Other non-current liabilities	0	3
Accruals and deferred income	1	4
Non-current liabilities total	1,246	1,593
of which interest-bearing	1,245	1,586

The carrying amounts of non-current liabilities are measured at amortized cost using the effective interest rate method and the fair values are determined by using the discounted cash flow method employing market interest rates or market values at the balance sheet date. The fair value of the bonds was EUR 1,081 million (2013: EUR 1,372 million). The fair values of other non-current liabilities are not materially different from their carrying amounts.

Current liabilities	Carrying amount 2014	2013
Bonds	301	0
Loans from financial institutions	218	164
Finance lease liabilities	55	7
Advances received	12	12
Trade payables	914	1,435
Other current liabilities	403	314
Current tax liabilities	4	49
Accruals and deferred expenses	106	116
Current liabilities total	2,013	2,097
of which interest-bearing	622	171

The carrying amounts of current interest-free liabilities are reasonable approximations of their fair value. The carrying amounts of current interest-bearing liabilities are measured at amortized cost using the effective interest rate method.

Re-pricing periods of the Group's interest-bearing debt is disclosed in Note 3, Financial risk management, section 'Market risk'.

The future minimum lease payments of finance lease liabilities and their present value in the balance sheet

	2014			2013		
	Minimum lease payments	Future finance charges	Present value of minimum lease payments	Minimum lease payments	Future finance charges	Present value of minimum lease payments
Amounts payable under finance lease:						
Within one year	68	14	54	19	12	7
Between one and five years	67	53	14	108	46	62
More than 5 years	164	93	71	182	101	81
Total amounts payable	299	160	139	309	159	150

Finance lease liabilities arise from bareboat agreements on crude oil tankers Tempera and Mastera delivered in 2002 and 2003 that are classified as finance lease agreements under IAS 17. The lease term for Tempera has been agreed on the amendment made in 2014 to 13 years ending on 15th October, 2015. The lease term for Mastera is also 13 years as agreed on the amendment made on year 2012, and in addition the lessee having a call option to purchase the leased asset in the 12th and 13th year of the lease period.

In addition, finance lease liabilities arise from two finance lease agreements for the Singapore production plant. The agreements of Singapore plant are made with two local companies that provide utilities and jetty- and storage services that are used by the production facility. The major assets under these agreements are a jetty used for loading and discharging of vessels, a pipeline for off-gas produced as a side product in the production process, and product tanks used for storing of the end product. The leasing contracts are 30 and 15 years long.

28 Deferred income taxes

The movement in deferred tax assets and liabilities during 2014:

	at 1 Jan 2014	Charged to Income Statement	Charged in Equity	Exchange rate differences and other changes	Assets held for sale	at 31 Dec 2014
Deferred tax assets						
Tax loss carried forward	4	10	0	0	0	14
Provisions	2	2	0	0	0	4
Pensions	19	-1	14	0	0	31
Other temporary differences	4	2	0	0	0	6
Total deferred tax assets	29	12	14	0	0	55
Deferred tax liabilities						
Depreciation difference and untaxed reserves	248	7	0	0	-6	250
Finance leases	4	-2	0	0	0	2
Capitalized interest	13	-1	0	0	0	12
Other temporary differences	1	11	-11	0	0	1
Total deferred tax liabilities	266	16	-11	0	-6	265

The movement in deferred tax assets and liabilities during 2013:

	at 1 Jan 2013	Charged to Income Statement	Charged in Equity	Exchange rate differences and other changes	Assets held for sale	at 31 Dec 2013
Deferred tax assets						
Tax loss carried forward	9	-5	0	0	0	4
Provisions	2	0	0	0	0	2
Pensions	25	-4	-2	0	0	19
Other temporary differences	10	-6	0	0	0	4
Total deferred tax assets	46	-15	-2	0	0	29
Deferred tax liabilities						
Depreciation difference and untaxed reserves	307	-59	0	0	0	248
Finance leases	5	-1	0	0	0	4
Capitalized interest	17	-4	0	0	0	13
Other temporary differences	11	-8	-2	0	0	1
Total deferred tax liabilities	340	-72	-2	0	0	266

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred tax assets and liabilities in the same jurisdictions amounting to EUR 1 million (2013: EUR 2 million) have been netted in the balance sheet.

In 2014, a deferred tax asset of EUR 12 million was recognized on the parent company's taxable loss and a deferred tax asset totaling EUR 2.3 million was recognized on subsidiaries taxable losses. Loss carry forwards can be utilized against future taxable profits in the next 10 years in Finland. Deferred tax asset of EUR 4.3 million was utilized in 2014.

Deferred tax assets	**2014**	**2013**
Deferred tax liability to be recovered after more than 12 months	48	22
Deferred tax asset to be recovered within 12 months	7	7
	55	29

Deferred tax liabilities	**2014**	**2013**
Deferred tax liability to be recovered after more than 12 months	263	266
Deferred tax liability to be recovered within 12 months	2	0
	265	266

Deferred tax assets are recognized for tax loss carry forwards to the extent that realization of the related tax benefit through the future taxable profits is probable. The deferred tax liability on undistributed earnings of subsidiaries has been recognized except where distribution of the earnings is controlled by the Group, and is not probable within foreseeable future.

29 Provisions

	Environmental provisions	Restructuring provisions	Provision to return emission allowances	Other provisions	Total
At 1 January 2014	33	4	0	0	37
Charged to income statement					
Additional provisions	1	8	2	1	12
Amounts used during the period	-2	-3	0	0	-5
Changes in estimates in ARO provisions included in assets	-22	0	0	0	-22
At 31 December 2014	10	9	2	1	21

	Environmental provisions	Restructuring provisions	Provision to return emission allowances	Other provisions	Total
At 1 January 2013	27	0	0	0	28
Charged to income statement					
Additional provisions	6	4	0	0	11
Amounts used during the period	-1	-1	0	0	-2
At 31 December 2013	33	4	0	0	37

	2014	**2013**
Current provisions	1	15
Non-current provisions	20	22
	21	37

The nature of certain of Group's businesses exposes the Group to risks of environmental costs and potential contingent liabilities. The risks arising from the manufacture, use, storage, disposal and maritime and inland transport as well as sale of materials that may be considered to be contaminants when released into environment. Liability may arise also through the acquisition, ownership or operation of properties or businesses.

Environmental provisions consists mostly from Group's asset retirement obligations (ARO). The Group recognizes a provision for the decommissioning costs of an oil installation to the extent that Group is obliged to rectify damage already caused. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date or transfer to a third party. The provisions are to be discounted, where the effect of the time value of money is material.

Based on IAS 37, in addition to the provisions recognized, there are some off-balance-sheet contingent liabilities for which the future potential outcome (timing, costs) cannot be estimated reliably.

The exchange rate difference relating to the Group's provisions is immaterial.

30. Employee benefit obligations

The Group has several pension arrangements in different countries. Pension cover is based on the legislation and agreement in force in each country. Finnish statutory pensions are accounted for as a defined contribution plan in the consolidated financial statements.

The Group has defined benefit pension plans in Finland, Belgium and Switzerland. The largest plans are in Finland, which account for 96% (2013: 98%) of the Group's total defined benefit pension obligation and 94% of the Group's total plan assets. The voluntary pension plan in Finland accounting for most of this has been closed since 1 January 1994. The insured supplementary pension scheme consists of defined benefit group pension insurances, which are very similar in structure, with the exception of retirement age and pension accrual rules.

Other long-term employee benefits are long-service remunerations, which is accounted for as an unfunded defined benefit plan in accordance to IAS 19.

Characteristics of the post-employment defined benefit plans in Finland

In Finland the Group has voluntary pension plan for certain group of employees to fulfill an aggregated benefit after retirement. The voluntary pension plan is managed in insurance company.

The voluntary plan's benefit is based on the aggregated benefits determined by the insurance contract. The voluntary benefit is the difference between aggregated benefits and compulsory benefits. The aggregated benefits are at most 60% or 66% of the supplementary pension salary depending on the plan. The supplementary pension salary is calculated based on last 10 years' salaries prior to the pension event adjusted by the index level. The benefits in the plans are old age and disability pensions, survivors' pensions for widows and children, and funeral grants. Old-age pension ages are 60, 62 and 65 years. In some pension schemes, pension cover also includes the right to early old-age pension retirement ages.

The insurance company collects premiums on yearly basis from the employer. The future premiums are adjusted so that the old-age pension will be fully funded until retirement. The disability and survivor's pension are also financed by risk premiums collected during the employment period. The premiums with fixed discount rate 2.5% are based on the last known salary without any assumptions on future salary increases. The insurance company guarantees to the assets in the plan the same interest yield they have used in calculating the premiums.

The employer finances the index-linkage by paying an additional premium covering the index increase in the year. Discretionary bonuses from the insurance company will lower the index premium. The insurance company decides annually the amount of the bonus.

The Group has insured benefits index increases each year as the benefits have been increased. If the insurance company's granted bonus index does not covers annual index increase, the insurance company collects a premium from the employer to cover the increase. The insurance company's bonus index varies on yearly basis.

Risks associated with defined benefit plans

Through its defined benefit pension plans the Group is exposed to a number of risks. The employer´s defined benefit obligations pension liability depends on the discount rate which is determined to yield of corporate bonds as at the reporting date. Decrease (increase) in used discount rate increase (decrease) the defined benefits obligations. However, decrease (increase) in used discount rate yield also increases (decrease) the fair value of the assets partially offsetting the total impact of change in yield on the net defined benefit pension liability.

The benefit of the plans is tied to the future benefit increase, which depends on inflation and common salary index. Higher inflation increases the benefit increase, which leads to an increase in liabilities and annual payments to the insurance company.

If the active employee's salary increases more than the common salary index, the amount of promised benefit and the benefit obligation increases together with annual payments to life insurance company.

The longevity risk is borne by the insurance company in case the actual mortality differs from the assumed. Possible adjustments in mortality assumption have an effect to employer's liability according to IFRS. The insurance company bears completely the mortality risk on accrued benefits. The employers have mortality risk only if the insurance company will raise its future benefit accruals premiums because of mortality adjustment.

Defined benefit plans

Cost of defined benefit plans	2014	2013
Service cost	5	7
Net interest (+expense/−income)	3	2
Remeasurements related to other long-term remulations	1	0
Defined benefit cost recognized in the consolidated statement of income	9	9

Remeasurements of defined benefit plans	2014	2013
Actuarial gains/losses:		
Changes in demographic assumptions	0	0
Changes in financial assumptions	-116	46
Return on plan assets, excluding amounts included in net interest expense	45	-42
Experience adjustments	2	-3
Total remeasurements recognized in other comprehensive income	-69	1

Amounts recognized in the consolidated statement of financial position	2014	2013
Present value of funded defined benefit obligations	513	396
Present value of unfunded defined benefit obligations	8	8
Fair value of plan assets	-366	-311
Net defined benefit liablity	155	93

Changes in fair value of plan assets	2014	2013
January 1	311	345
Interest income	11	9
Return on plan assets (excluding amounts included in net interest expense)	44	-42
Employer contributions	16	15
Benefits paid	-17	-16
December 31	366	311

The assets are the responsibility of the insurance company and a part of the insurance company's investment assets. The distribution in categories is not possible to provide.

Changes in the present value of the defined benefit obligation	2014		2013	
	Funded	Unfunded	Funded	Unfunded
January 1	396	8	435	9
Current service cost	7	1	7	0
Curtailments	-1	0	0	0
Interest cost	14	0	12	0
Actuarial gains (−) / losses (+)	114	1	-42	-1
Settlements	-1	-1	0	0
Benefits paid	-16	-1	-16	0
December 31	513	8	396	8

The expected contributions to be paid to the defined benefit plans in 2015 are EUR 16 million.

Significant actuarial assumptions	2014	2013
Discount rate, %		
Finland	1.65%	3.5%
Other countries	1.60%	2.3–3.25%
Future salary increase, %		
Finland	3.5%	3.5%
Other countries	1.5–2.0%	1.5–2.0%
Insurance company's bonus index, %		
Finland	0.0%	0.5%
Other countries	0.0%	
Future benefit increase, %		
Finland	2.1%	2.1%
Other countries	0.0%	1.0%

Sensitivity analysis of significant actuarial assumptions

Reasonably possible changes at the reporting date to one of the weighted principal assumptions, while holding all other assumptions constant, would have affected the defined benefit obligation as shown below:

Assumptions	Change in assumption		Impact on the defined benefit pension obligation 2014	2013
Discount rate				
	0.25% increase	EUR million	–18	–16
	0.25% decrease	EUR million	19	17
Future salary increase				
	0.25% increase	EUR million	5	4
	0.25% decrease	EUR million	–5	–4
Future benefit increase				
	0.25% increase	EUR million	16	10
	0.25% decrease	EUR million	–15	–10

–0.25% increase/decrease in the discount rate would lead to a decrease/increase of 3.7%/3.9% in the defined benefit obligation.
–0.25% increase/decrease in the rate of salary increase would lead to a increase/decrease of 1.1%/1.0% in the defined benefit obligation.
–0.25% increase/decrease in the rate of pension index would lead to a increase/decrease of 3.2%/3.0% in the defined benefit obligation.

The above sensitivity analysis may not be representative of the actual impact of change. If more than one assumption is changed simultaneously, the combined impact of changes would not necessarily be the same as the sum of the individual change. If the assumptions change to a different level compared to that presented above, the effect on the defined benefit obligation may not be linear.

Maturity profile of the undiscounted defined benefit obligation

	2014
Within the next 12 months (next annual reporting period)	25
Between 1 and 5 years	106
Between 5 and 10 years	133
Beyond 10 years	417
Total expected payments	681

The average duration of the defined benefit pension obligation at the end of the reporting period is 16 years.

31 Share-based payments

Share-based incentive plan as of 1 January 2010

The Board of Directors decided in December 2009 to establish a new share-based incentive plan for the Group's key personnel. The aim of the plan was to align the objectives of the owners and key personnel of Neste Oil: e.g. increasing the value of the Company and committing key personnel to the Company by offering them a competitive reward plan based on holding Company shares. The plan has included three three-year earning periods beginning of 2010, 2011 and 2012.

The Board of Directors has decided the earnings criteria and targets to be met as well as the maximum level of the payable reward for each earning period. The earning criteria for the plans have been the same, the sales volume at Renewable Products and total shareholder return on Company share in relation to the Dow Jones Nordic Return Index. Incentives from first earning period were paid in 2013 and from second earning period in 2014 made by partly in Company shares. Payments from the last earning period will be made in March 2015. The maximum level of payable reward may not exceed the annual gross salary of the year in question during any earning year. The portion to be paid in cash will cover taxes and tax-related costs arising from the reward. The plan prohibits the transfer of shares within three years from the end of the earning period, i.e. the length of the plan is six years for each share allocation. Even after this, key personnel must hold 50% of the shares received on the basis of the plan as long as the value of the shares held in total corresponds to their annual gross salary. This obligation to own shares is valid as long as the employment or service in the Group continues.

The maximum amount of reward for key personnel for Plan 2012−2014 equals the value of 1,098,000 Neste Oil shares, of which 952,000 shares were allocated as at 31 December 2014. The maximum reward for the members of the Corporate Executive Board equaled the value of 340,000 shares, of which the maximum reward for the President & CEO equaled the value of 100,000 shares. Based on Neste Oil's share price at 31 Dec 2014 the estimated reward would equal the value of approximately 350,000 shares.

Earnings period of share-based incentive plan 2011−2013 ended 31 December 2013. Part of the earning criteria was met resulting in the delivery of shares to the participants in March 2014. A gross reward of 411,655 shares equaling to EUR 6.4 million was delivered to the participants. The net amount of shares delivered totaled 202,391 shares and the rest of the reward was paid in cash to cover taxes and any tax related costs. The fair value of the share as at delivery date was 15.4355 euros. The members of Company's Executive Board (in March 2014) received a gross reward equaling to 156,218 shares.

Earnings period of share-based incentive plan 2010−2012 ended 31 December 2012. Part of the earning criteria was met resulting in the delivery of shares to the participants in March 2013. A gross reward of 128,340 shares equaling to EUR 1.4 million was delivered to the participants. The net amount of shares delivered totaled 63,526 shares and the rest of the reward was paid in cash to cover taxes and any tax related costs. The fair value of the share as at delivery date was 10.9977 euros. The members of Company's Executive Board received a gross reward equaling to 67,580 shares.

Share-based incentive plan as of 1 January 2013

Neste Oil's Board of Directors decided on 13 December 2012 to establish a new long-term share-based incentive plan for the Group's senior management and nominated key personnel. The aim of the plan is to align the objectives of the company's owners and key personnel to increase the company's value and to commit key personnel to the company through an incentive system based on ownership of Neste Oil shares. The Board is responsible for annually selecting the members of Neste Oil's senior management entitled to participate in this long-term incentive plan.

The plan includes three individual share plans, each with a three-year earning period. The first share plans started in 2013, the second share plans started in 2014 and the third will start in 2015. The Board of Directors will decide on the earning criteria and targets to be applied, as well as the maximum level of incentive payable for each earning period, either annually or for the entire earning period. The earning criteria for the earning period 2013−2015 are the Group's comparable free cash flow and the comparable operating profit of Renewable Products. The earning criteria for the earning period 2014-2016 is the Group's cumulative comparable free cash flow (75%) and total return by Group's share related to a peer group of 10 oil industry peers (25%). Any possible payments will be made partly in Company shares and partly in cash in 2016, 2017, and 2018. The proportion to be paid in cash will cover taxes and other tax-related costs. The target long-term incentive for the President & CEO and the other members of the Neste Executive Board (NEB) will be 40% of individuals' annual fixed salary on average. The maximum long-term incentive for the President & CEO will be 100% of his annual fixed salary and 80% for the other members of the NEB. The combined amount of incentives paid based on target-level earnings under the long-term incentive program that has now been decided on, together with the incentive paid on the annual short-term program, may not exceed 60% of participants' annual fixed salary in any given year. In addition, the combined amount of incentives to be paid based on maximum-level earnings under the short-term program and this new long-term incentive program may not exceed 120% of participants' annual fixed salary in any given year.

Participants shall not be entitled to sell or transfer the shares they receive as incentives during a restriction period following the end of the earning period. The length of this period will be three years in respect of the President and CEO and the other members of the Neste Executive Board, and one year in respect of other participants.

The following tables summarize the terms and the assumptions used in accounting for the performance share plan:

Grant dates and prices	**Plan 2014–2016**	**Plan 2013–2015**	**Plan 2012–2014**	**Plan 2011–2013**	**Plan 2010–2012**
Grant dates	1 Feb 2014	10 Feb 2013	2 Jan 2012	3 Jan 2011	4 Jan 2010
Grant prices, euros			6.70	10.81	11.50
Share price as at grant date, euros			8.10	12.21	12.70

Term of the plan	**Plan 2014–2016**	**Plan 2013–2015**	**Plan 2012–2014**	**Plan 2011–2013**	**Plan 2010–2012**
Beginning of earnings period	1 Jan 2014	1 Jan 2013	1 Jan 2012	1 Jan 2011	1 Jan 2010
End of earnings period	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
End of restriction period	31 Mar 2018/ 31 Mar 2020	31 Mar 2017/ 31 Mar 2019	1 Jan 2018	1 Jan 2017	1 Jan 2016

Assumptions used in calculating the value of the reward	**Plan 2014–2016**	**Plan 2013–2015**	**Plan 2012–2014**	**Plan 2011–2013**	**Plan 2010–2012**
Amount of granted shares at the beginning of the period, maximum reward			990,000	712,000	128,340
Amount of shares granted during the period, maximum reward			10,000	0	0
Expired during the period			0	-295,823	0
Amount of granted shares at the end of the period, maximum reward			1,000,000	416,177	128,340
Number of persons at the end of the reporting year	91	91	66	0	0
Share price at the end of the reporting period, euros	20.06	20.06	20.06	20.06	20.06
Estimated rate of realization of the earnings criteria, %	36%	90%	100%	65%	20%
Estimated termination rate before the end of the restriction period, %	10%	10%	5%	0%	0%

The grant price, i.e. fair value at grant date, has been determined as follows: grant price equals the share price as at grant date deducted by expected dividends payable during the three year earning period.

The expense included in the income statement is specified in the following table:

	2014	**2013**
Expense arising from equity-settled share-based payment transactions	2	2
Expense arising from cash-settled share-based payment transactions	5	6
Total expense arising from share-based payment transactions	7	8

The liability recognized in the balance sheet related to share based payments amounted to EUR 7 million (2013: EUR 8 million). The expense to be recognized during the financial periods 2014-2019 is estimated as 31 December 2014 to amount to EUR 27 million. The actual amount may differ from this estimate.

32 Related party transactions

The Group is controlled by the State of Finland, which owns 50.1% of the Company's shares. The remaining 49.9% of shares are widely held.

The group has a related party relationship with its subsidiaries, joint arrangements (Note 33) and the entities controlled by Neste Oil's controlling shareholder the State of Finland. Related party includes also the 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 Oil 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 transactions between Neste Oil and other companies controlled by the State of Finland are on an arm's length basis. The reporting of related party transactions has been aligned.

Transactions carried out with related parties

2014	Sales of goods and services	Purchases of goods and services	Receivables	Financial income and expense	Liabilities
Joint arrangements	150	99	5	0	8
	150	99	5	0	8

2013	Sales of goods and services	Purchases of goods and services	Receivables	Financial income and expense	Liabilities
Joint arrangements	146	109	58	0	61
	146	109	58	0	61

There were no material transactions with key management persons or entities controlled by them.

The major part of business between Neste Oil and its joint venture, Nynas, comprises sales of bitumen production from the Naantali refinery to Nynas based on a long term agreement. Process oils were sold from the Porvoo refinery to Nynas.

Board of Directors and key management compensation

EUR thousand	2014	2013
Salaries and other short-term employee benefits	3,840	3,380
Statutory pensions	222	175
Supplementary pensions	1,239	1,049
Share-based payments	2,430	749
Total (Including statutory pensions)	7,731	5,353

Key management consists of President and CEO and other members of the Neste Executive Board. There were no outstanding loan receivables from key management on 31 December 2014 or 31 December 2013.

The amounts of share participations granted to the President and CEO and other members of the Neste Executive Board based on Managament Performance Share Arrangements have been disclosed in Note 31, Share based payments.

Compensation to President and CEO and members of the Neste Executive Board

	President and CEO		Members of the Neste Executive Board	
EUR thousand	**2014**	**2013**	**2014**	**2013**
Annual remuneration				
Base salary	667	675	1,741	1,691
Taxable benefits	26	26	119	119
Annual incentive (STI plan)	229	144	648	324
Total annual remuneration	921	844	2,509	2,135
Vested long term remuneration				
Pension (insurance contributions)	619	525	620	524
2011–2013 Plan	804	249	1,626	499
Total remuneration	2,344	1,618	4,754	3,158

Compensation to the Board of Directors

EUR thousand	**2014**	**2013**
Board of Directors at 31 December 2014		
Jorma Eloranta	79	76
Maija-Liisa Friman	62	59
Per-Arne Blomquist	58	44
Laura Raitio	47	47
Jean-Baptiste Renard, as of 3 April 2014	46	0
Willem Schoeber	59	43
Kirsi Sormunen	47	36
Former Board members		
Michiel Boersma until 3 April 2014	12	58
Nina Linander	0	14
Hannu Ryöppönen	0	14
Markku Tapio	0	11
Board of Directors, all members total	410	402

Compensation to the Board of Directors include annual remuneration and meeting fee paid to each member of the Board for each meeting attended as well as for any meetings of the Board committees attended. Board members are not covered by the Company's remuneration systems and do not receive any performance- or share-related payments.

Should the Company decide to give notice of termination, the President & CEO shall be entitled to his salary during the six-month period of notice, together with a severance payment equivalent to 18 months' salary.

The retirement age of the President & CEO is 60 years, and his pension is based on a defined benefit plan. The pension paid is 60% of his or her retirement salary, equivalent to a monthly salary calculated on the basis of statutory pension insurance contributions made over the previous 10 years. The pension is insured by an insurance company, and insurance contributions paid during 2014 totaled EUR 619 thousand (2013: EUR 525 thousand). Net liability of defined benefit plan on 31 December 2014 was EUR 796 thousand (2013: EUR 192 thousand). Statutory pension insurance contributions in 2014 were EUR 65 thousand (2013: EUR 55 thousand).

Net liability of defined benefit plans of former Presidents and CEOs on 31 December 2014 were EUR 1,955 thousand (2013: EUR 1,555 thousand).

33 Group companies on 31 December 2014

Subsidiaries	Group holding %	Country of incorporation
Kiinteistö Oy Espoon Keilaranta 21	100.00%	Finland
Kilpilahden Sähkönsiirto Oy	100.00%	Finland
LLC Neste Saint-Petersburg	100.00%	Russia
Navidom Oy	50.00%	Finland
Neste Canada Inc.	100.00%	Canada
Neste Eesti AS	100.00%	Estonia
Neste Jacobs Aktiebolag	100.00%	Sweden
Neste Jacobs Oy	60.00%	Finland
Neste Markkinointi Oy	100.00%	Finland
Neste Oil AB	100.00%	Sweden
Neste Oil Bahrain W.L.L.	100.00%	Bahrain
Neste Oil Components Finance B.V.	100.00%	The Netherlands
Neste Oil Finance B.V.	100.00%	The Netherlands
Neste Oil Insurance Limited	100.00%	Guernsey
Neste Oil Netherlands B.V.	100.00%	The Netherlands
Neste Oil N.V.	100.00%	Belgium
Neste Oil Singapore Pte. Ltd.	100.00%	Singapore
Neste Oil (Suisse) S.A.	100.00%	Switzerland
Neste Oil US, Inc.	100.00%	USA
Neste Renewable Fuels Oy	100.00%	Finland
Neste Shipping Oy	100.00%	Finland
Neste USA, L.L.C.	100.00%	USA
SIA Neste Latvija	100.00%	Latvia
UAB Neste Lietuva	100.00%	Lithuania
US Active Oy	100.00%	Finland

Associated companies	Group holding %	Country of incorporation
Neste Arabia Co. Ltd.	48.00%	Saudi Arabia

Joint arrangements	Group holding %	Country of incorporation
A/B Svartså Vattenverk - Mustijoen Vesilaitos O/Y	40.00%	Finland
Bahrain Lube Base Oil Company B.S.C. (Closed)	45.00%	Bahrain
Glacia Limited	50.00%	Bermuda
Nemarc Shipping Oy	50.00%	Finland
NSE Biofuels Oy Ltd	50.00%	Finland
Nynas AB (publ)	49.99%	Sweden
Oy Innogas Ab	50.00%	Finland
Porvoon Alueverkko Oy	33.33%	Finland
Tahkoluodon Polttoöljy Oy	31.50%	Finland
Tapaninkylän Liikekeskus Oy	40.03%	Finland
Vaskiluodon Kalliovarasto Oy	50.00%	Finland

Specification of financial information on subsidiaries with material non-controlling interests

	Neste Jacobs Oy		Navidom Oy	
	2014	2013	2014	2013
Proportion of shares held by non-controlling interests	40.00%	40.00%	50.00%	0.00%
Current assets	62	52	0	0
Non-current assets	4	1	0	0
Current liabilities	28	21	0	0
Non-current liabilities	0	0	0	0
Revenue	123	90	1	0
Expenses	114	84	1	0
Profit for the period	8	5	0	0
Dividends paid to non-controlling interests	0	1	0	0
Cash flows from operating activities	9	4	0	0
Cash flows from investing activities	-7	-3	0	0
Cash flows from financing activities	-1	-2	0	0

Structured entities

In 2014, Neste Oil has treated the sold vessels’ sale-and-leaseback agreements made with Ilmarinen Mutual Pension Insurance Company and Finland's National Emergency Supply Agency as structured entities. As a part of these arrangements, Neste Oil guarantees the vessels’ residual value and certain return on the investors’ investments.

34 Contingencies and commitments

Contingent liabilities	2014 Value of collateral	2013 Value of collateral
On own behalf for commitments		
Real estate mortgages	17	17
Pledged assets	0	0
Other contingent liabilities	107	16
Total	125	33
On behalf of joint arrangements		
Guarantees	1	1
Total	1	1
On behalf of others		
Guarantees	1	2
Other contingent liabilities	2	3
Total	3	5
	129	39

Operating lease liabilities	2014	2013
Due within one year	53	58
Due between one and five years	48	82
Due later than five years	64	66
	164	206

Operating leases

Lease rental expenses amounting to EUR 21 million (2013: EUR 22 million) relating to the lease (under operating leases) of property, plant and equipment are included in the income statement in other expenses.

Commitments	2014	2013
Commitments for purchase of property, plant and equipment	51	36
	51	36

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

The Group's take-or-pay contracts relate to hydrogen supply agreements. Agreements include volume based hydrogen purchase obligation. The total fixed fees payable under the agreements during 2011−2026 as at 31 December 2014 are presented in the table below.

Fixed fees payable under take-or-pay contracts	2014	2013
Payable	16	15
Payable after the financial period	175	188
Total payable	192	203

Other contingent liabilities

Neste Oil Corporation has a collective contingent liability with Fortum Heat and Gas Oy related to liabilities of the demerged Fortum Oil and Gas Oy based on Chapter 17 Paragraph 16.6 of the Finnish Companies Act.

35 Disputes and potential litigations

Finnish Customs has levied a penalty payment totaling approximately EUR 44 million on Neste Oil because they see that Finnish biofuel mandate requirements were not met in 2009 and 2010. Biofuel mandate legislation requires that companies distributing liquid fuels must provide the appropriate energy content specified for biofuels in the fuel that they supply for use by customers. The legislation in question is intended to increase the use of biofuels and thereby reduce emissions. Neste Oil has supplied the amount of biofuels required by legislation in 2009 and 2010. Neste Oil disputes Finnish Customs' interpretation and believes that it complied with the requirements according to the legislation in force at the time. The disagreement between Neste Oil and Finnish Customs covers how the legislation on biofuel mandate should be interpreted. Neste Oil has appealed the Finnish Customs' decision and considers the penalty payment unjustified. The penalty payment was paid in January 2014, when it impacted the company's cash flow. The payment is presented in long term receivable in the consolidated statement of financial position as of December 2014.

In March 2014, Neste Oil received a U.S. customs ruling regarding the classification under the Harmonized Tariff Schedule for the code and corresponding duty rate for a certain product Neste Oil imported into a foreign country, including prior entries from the years 2009-2014. This classification was different than the one utilized by Neste Oil and has a higher duty rate, which could have an effect on some of the import entries dependent upon any Free Trade Agreement between the countries. Neste Oil disputes the classification ruling and believes the classification originally utilized was appropriate considering the product’s chemical composition and the applicable explanatory notes to the Harmonized Tariff Schedule. Neste Oil has filed an appeal againts such classification ruling seeking to align it with those of other global jurisdictions. If the classification ruling is ultimately upheld, Neste Oil could be required to pay additional duties with an estimated impact of EUR 9 million which has not been reported as a provision in the consolidated financial statements as of 31 December 2014.

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

36 Events after the balance sheet date

Neste Oil sold all shares of Kilpilahden Sähkönsiirto Oy to InfraVia European Fund II, an infrastructure fund managed by InfraVia.The transaction was completed 2 January 2015. The sale produce a capital gain of approximately EUR 80 million for Neste Oil in the first quarter 2015. In connection with the transaction, the parties agreed that Neste Oil will supply the operating and maintenance services needed in electricity distribution and offered to Kilpilahden Sähkönsiirto Oy for two years.

Parent Company Income Statement

MEUR	Note	1 Jan – 31 Dec 2014	Restated* 1 Jan – 31 Dec 2013
Revenue	2	10,255	11,593
Change in product inventories		-201	-20
Other operating income	3	48	21
Materials and services	4	-9,739	-10,823
Personnel expenses	5	-205	-198
Depreciation, amortization and write-downs	6	-146	-140
Other operating expenses	7	-222	-224
Operating profit/loss		-208	209
Financial income and expenses	8	59	17
Profit/loss before extraordinary items		-149	226
Extraordinary items	9	204	161
Profit before appropriations and taxes		55	387
Appropriations	10	-4	-10
Income tax expense	11	14	-73
Profit for the year		64	304

*Upon the preparation of annual accounts 2014, some presentation changes were made retrospectively in 2013: the product swaps previously included in Revenue are now netted with the corresponding expenses in Materials and services and additionally some sales related other expenses (e.g. freights), previously included in 'Other operating expenses', are presented now in 'Materials and services' in 2013 and 2014.

Parent Company Balance Sheet

MEUR	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Fixed assets and other long-term investments	**12,13**		
Intangible assets		43	43
Tangible assets		1,628	1,639
Other long-term investments		2,497	2,547
		4,169	4,229
Current assets			
Inventories	**14**	486	843
Long-term receivables	**15**	36	88
Short-term receivables	**16**	838	817
Cash and cash equivalents		8	358
		1,368	2,106
Total assets		5,536	6,335
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	**17**		
Share capital		40	40
Other funds		-15	0
Retained earnings		1,073	938
Profit for the year		64	304
		1,163	1,282
Accumulated appropriations	**18**	903	928
Provisions for liabilities and charges	**19**	12	2
Liabilities	**20**		
Long-term liabilities		1,886	2,332
Short-term liabilities		1,572	1,791
		3,458	4,123
Total equity and liabilities		5,536	6,335

Parent Company Cash Flow Statement

MEUR	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Cash flows from operating activities		
Profit before extraordinary items	-149	226
Depreciation, amortization and write-downs	146	140
Other non-cash income and expenses	22	6
Financial income and expenses	-59	-17
Divesting activities, net	0	-1
Operating cash flow before change in working capital	-41	354
Change in working capital		
Decrease (+)/increase (–) in interest-free receivables	46	238
Decrease (+)/increase (–) in inventories	357	-20
Decrease (–)/increase (+) in interest-free liabilities	-425	-98
Change in working capital	-22	120
Cash generated from operations	-63	474
Interest and other financial expenses paid, net	-55	-68
Dividends received	125	89
Income taxes paid	-40	-63
Realized foreign exchange gains and losses	14	-15
Net cash from operating activities	-18	417
Cash flows from investing activities		
Capital expenditure	-205	-152
Proceeds from sale of fixed assets	3	1
Investments in shares in subsidiaries	-31	0
Investments in shares in other shares	0	0
Proceeds from shares in subsidiaries	150	50
Change in other investments, increase (–)/decrease (+)	33	207
Net cash used in investing activities	-50	106
Cash flow before financing activities	-68	523
Cash flows from financing activities		
Purchase of treasury shares	-15	0
Proceeds from long-term liabilities	145	410
Payments of long-term liabilities	-404	-465
Change in short-term liabilities	-2	-243
Dividends paid	-167	-97
Group contributions, net	161	-130
Cash flow from financing activities	-283	-525
Net increase (+)/decrease (–) in cash and cash equivalents	-351	-3
Cash and cash equivalents at the beginning of the period	358	361
Cash and cash equivalents at the end of the period	8	358
Net increase (+)/decrease (–) in cash and cash equivalents	-351	-3

Notes to the Parent Company Financial Statements

1 Accounting policies

The financial statements of Neste Oil Corporation (Parent company) are prepared in accordance with Finnish GAAP. The financial statements are presented in millions of euros unless otherwise stated.

Revenue

Revenue include sales revenues from actual operations less discounts, indirect taxes such as value added tax and excise tax payable by the manufacturer and statutory stockpiling fees. Trading sales include the value of physical deliveries and the net result of derivative financial instruments.

Other operating income

Other operating income includes gains on the sales of fixed assets and contributions received as well as all other operating income not related to the sales of products or services, such as rents.

Foreign currency items

Transactions denominated in foreign currencies have been valued using the exchange rate at the date of the transaction. Receivables and liabilities denominated in foreign currencies outstanding on the balance sheet date have been valued using the exchange rate quoted on the balance sheet date. Exchange rate differences have been entered in the income statement. Net exchange rate differences relating to financing have been entered in financial income or expenses.

Derivative financial instruments

Neste Oil uses derivative financial instruments mainly to hedge oil price, foreign exchange and interest rate exposures.

Oil commodity derivative contracts hedging future cash flow are booked once the underlying exposure occurs. Unrealized losses on derivatives held for trading purposes are booked immediately, but gains are booked only at maturity or when the open exposure is closed with a similar instrument.

There are two different types of foreign exchange derivative contracts: hedges for future cash flow and hedges of balance sheet items. Gains or losses on derivative financial instrument that hedge future cash flows are recognized once the underlying income or expense occurs. Derivative financial instruments used to hedge balance sheet items e.g. bank accounts, loans or receivables are valued employing the exchange rate quoted on the balance sheet date, and gains or losses are recognized in the income statement. The interest element on all forward contracts is accrued. Option premiums are treated as advances paid or received until the option matures.

Gains or losses for derivative financial instrument used to hedge the interest rate risk exposure are accrued over the period to maturity and are recognized as an adjustment to the interest income or expense of the underlying liabilities.

Fixed assets and depreciation

The balance sheet value of fixed assets consists of historical costs less depreciation according to plan and other possible write-offs, plus revaluation permitted by local regulations. Fixed assets are depreciated using straight-line depreciation based on the expected useful life of the asset. Land areas are not depreciated. The depreciation is based on the following expected useful lives:

Buildings and structures	20–40 years
Production machinery and equipment, including special spare parts	15–20 years
Other equipment and vehicles	3–15 years
Other tangible assets	20–40 years
Intangible assets	3–10 years

Inventories

Inventories have been valued on the FIFO principle at the lower of direct acquisition cost or market value, taking into account the impact of possible hedging operations. The cost of finished goods and work in progress comprises raw materials, direct labor and other direct costs. A share of production overhead costs (based on normal operating capacity) has been recognized in inventory value in the financial period.

Standard spare parts are carried as inventory and recognized in profit or loss as consumed.

Research and development

Research and development expenditures are expensed as incurred with the exception of investments in buildings and equipment.

Pension expenses

An external pension insurance company manages the pension plan.The pension expenses are booked to income statement during the year they occur.

Extraordinary items

Extraordinary items consist of received or given group contributions from or to Neste Oil Group companies.

Deferred taxes

Deferred taxes are determined on the basis of temporary differences between the financial statement and tax bases of assets and liabilities. Deferred income tax is determined using tax rates that have been enacted at the balance sheet date and are expected to apply.

Provisions

Foreseeable future expenses and losses that have no corresponding revenue and which Neste Oil Corporation is committed or obliged to settle, and whose monetary value can reasonably be assessed, are entered as expenses in the income statement and included as provisions in the balance sheet. These items include expenses relating to the pension liabilities, guarantee obligations, restructuring provisions, expenses relating to the future clean-up of proven environmental damage and obligation to return emission allowances. Provisions are recorded based on management estimates of the future obligation.

2 Revenue

Revenue by segment	2014	2013
Oil Products	10,210	11,547
Renewable Products	0	2
Oil Retail	0	0
Other	112	111
Eliminations	-66	-67
	10,255	11,593

Revenue by market area	2014	2013
Finland	4,683	5,374
Other Nordic countries	1,463	1,779
Baltic countries, Russia and Poland	949	789
Other European countries	2,079	2,589
North and South America	723	707
Other countries	359	355
	10,255	11,593

Upon the preparation of annual accounts 2014, some presentation changes were made retrospectively in 2013: the product swaps previously included in Revenue are now netted with the corresponding expenses in Materials and services:

	2013
Reported 2013	11,823
Presentation of product swap	-230
Restated 2013	11,593

3 Other operating income

	2014	2013
Rental income	7	8
Gain on sale of intangible and tangible assets	0	1
Insurance compensations	39	6
Government grants	2	2
Other	1	4
	48	21

4 Materials and services

	2014	2013
Materials and supplies		
Purchases during the period	9,574	10,866
Change in inventories	159	-47
	9,733	10,818
External services	6	5
	9,739	10,823

Upon the preparation of annual accounts 2014, some presentation changes were made retrospectively in 2013: the product swaps previously included in Revenue are now netted with the corresponding expenses in Materials and services and additionally some sales related other expenses (e.g. freights), previously included in 'Other operating expenses', are presented now in 'Materials and services' in 2013 and 2014:

	2013
Reported 2013	10,973
Presentation of product swap	-230
Presentation changes of sales related other expenses	81
Restated 2013	10,823

5 Personnel expenses

	2014	2013
Wages, salaries and remunerations	158	149
Indirect employee costs		
Pension costs	36	38
Other indirect employee costs	11	11
	205	198

Sales and remuneration

Key management compensations are presented in Note 32 in the Neste Oil Group consolidated financial statements.

Average number of employees	2014	2013
White-collar	1,334	1,267
Blue-collar	1,095	1,046
	2,429	2,313

6 Depreciation, amortization and write-downs

	2014	2013
Depreciation according to plan	143	140
Write-offs	2	0
Write-down of tangible fixed assets	0	0
	146	140

7 Other operating expenses

	2014	2013
Operating leases and other property costs	17	18
Repairs and maintenance	89	87
Other	115	119
	222	224

Upon the preparation of annual accounts 2014, some presentation changes were made retrospectively in 2013: some sales related other expenses (e.g. freights), previously included in 'Other operating expenses', are presented now in 'Materials and services' in 2013 and 2014.

	2013
Reported 2013	305
Presentation changes of sales related other expenses	-81
Restated 2013	224

Other operating expenses include losses on sales of tangible assets and write-offs of fixed assets in progress	1	0

Fees charged by the statutory auditor, PwC

EUR thousands	2014	2013
Audit fees	248	0
Auditor's mandatory opinions	10	0
Tax advisory	62	0
Other advisory services	328	0
	648	0

Fees charged by the statutory auditor, EY

EUR thousands	2014	2013
Audit fees	81	357
Auditor's mandatory opinions	7	6
Tax advisory	44	90
Other advisory services	86	193
	218	646

8 Financial income and expenses

	2014	2013
Dividend income		
From Group companies	125	89
From associated companies	0	0
From others	0	0
Dividend income total	125	89
Interest income from long-term loans and receivables		
From Group companies	1	0
From others	0	0
Interest income from long-term loans and receivables total	1	0
Other interest and financial income		
From Group companies	0	1
Other	0	0
Other interest and financial income total	1	1
Write-downs on long-term investments	-3	-3
Interest expenses and other financial expenses		
To Group companies	-2	-3
Other	-59	-67
Interest expenses and other financial expenses total	-61	-70
Exchange rate differences	-3	0
Financial income and expenses total	59	17

Total interest income and expenses	**2014**	**2013**
Interest income	1	1
Interest expenses	-52	-62
Net interest expenses	-51	-61

9 Extraordinary items

	2014	2013
Group contributions		
Group contributions received	204	161
	204	161

10 Appropriations

Change in depreciation difference	**2014**	**2013**
Difference between depreciation according to plan and depreciation in taxation	-4	-10

11 Income tax expense

	2014	2013
Income taxes on regular business operations	1	35
Income taxes on extraordinary items	0	39
Taxes for prior periods	0	0
Change in deferred tax assets	-14	-1
	-14	73

12 Fixed assets and long-term investments

Change in acquisition cost 2014

Intangible assets	Goodwill	Other intangible assets	Total
Acquisition cost as of 1 January 2014	1	116	116
Increases	0	12	12
Decreases	0	12	12
Business transfer to Kilpilahden Sähkönsiirto Oy	0	0	0
Transfers between items	0	0	0
Acquisition cost as of 31 December 2014	1	116	117
Accumulated depreciation, amortization and write-downs as of 1 January 2014	1	73	74
Accumulated depreciation, amortization and write-downs of decreases and transfers	0	6	6
Business transfer to Kilpilahden Sähkönsiirto Oy	0	0	0
Depreciation and amortization for the period	0	6	6
Accumulated depreciation, amortization and write-downs as of 31 December 2014	1	73	74
Balance sheet value as of 31 December 2014	0	43	43
Balance sheet value as of 31 December 2013	0	43	43

Tangible assets	Land areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and construction in progress	Total
Acquisition cost as of 1 January 2014	25	1,140	2,232	84	132	3,613
Increases	0	46	65	3	103	217
Decreases	0	2	11	0	3	17
Business transfer to Kilpilahden Sähkönsiirto Oy	0	47	64	0	19	129
Transfers between items	0	0	0	0	0	0
Acquisition cost as of 31 December 2014	25	1,137	2,222	86	213	3,685
Accumulated depreciation, amortization and write-downs as of 1 January 2014	0	541	1,429	33	0	2,005
Accumulated depreciation, amortization and write-downs of decreases and transfers	0	0	10	0	0	10
Business transfer to Kilpilahden Sähkönsiirto Oy	0	11	38	0	0	49
Depreciation, amortization and write downs for the period	0	33	105	2	0	139
Accumulated depreciation, amortization and write-downs as of 31 December 2014	0	563	1,486	35	0	2,084
Revaluations	6	22	0	0	0	28
Balance sheet value as of 31 December 2014	31	596	737	51	213	1,628
Balance sheet value as of 31 December 2013	31	623	803	50	132	1,639

Balance sheet value of machinery and equipments used in production	705

Other long-term investments	Shares in group companies	Receivables from group companies	Shares in associated companies	Receivables from associated companies	Other shares and holdings	Other receivables	Total
Acquisition cost as of 1 January 2014	2,527	5	1	0	4	11	2,547
Increases	37	18	0	0	0	44	99
Decreases	119	19	0	0	0	10	148
Acquisition cost as of 31 December 2014	2,445	4	0	0	4	44	2,497
Accumulated depreciation, amortization and write-downs as of 1 January 2014	0	0	0	0	0	0	0
Accumulated depreciation, amortization and write-downs as of 31 December 2014	0	0	0	0	0	0	0
Balance sheet value as of 31 December 2014	2,445	4	0	0	4	44	2,497
Balance sheet value as of 31 December 2013	2,527	5	1	0	4	11	2,547

Interest-bearing and interest-free receivables	2014	2013
Interest-bearing receivables	4	5
Interest-free receivables	44	11
	48	16

13 Revaluations

	Revaluations as of Jan 1, 2014	Increases	Decreases	Revaluations as of Dec 31, 2014
Land areas	6	0	0	6
Buildings	24	0	2	22
	30	0	2	28

Policies and principles for revaluations and evaluation methods

The revaluations are based on fair values at the moment of revaluation.

Deferred taxes have not been booked on revaluations.

14 Inventories

	2014	2013
Raw materials and supplies	186	344
Products/finished goods	292	493
Advance payments on inventories	8	6
	486	843
Replacement value of inventories	487	850
Book value of inventories	486	843
Difference	0	7

15 Long-term receivables

	2014	2013
Long-term advance payments	4	0
Receivables from Group companies		
Other long-term receivables	16	86
Deferred tax assets	16	2
	36	88

16 Short-term receivables

	2014	2013
Trade receivables	302	367
Receivables from Group companies		
Trade receivables	252	258
Other receivables	207	160
Accrued income and prepaid expenses	2	2
Total	461	420
Receivables from associated companies		
Trade receivables	0	0
Other receivables	0	1
Total	0	1
Other receivables	33	17
Accrued income and prepaid expenses	43	12
	838	817

Short-term accrued income and prepaid expenses	**2014**	**2013**
Accrued interest	5	5
Accrued taxes	12	0
Other	27	8
	44	13

17 Changes in shareholders' equity

	2014	2013
Share capital at 1 January	40	40
Share capital at 31 December	40	40
Other funds at 1 January	0	0
Purchase of treasury shares	-15	0
Other funds at 31 December	-15	0
Retained earnings at 1 January	1,242	1,035
Dividends paid	-167	-97
Reversal of revaluation	-2	0
Profit for the year	64	304
Retained earnings at 31 December	1,138	1,242
Distributable equity	1,123	1,242

18 Accumulated appropriations

	2014	2013
Depreciation difference	903	928

19 Provisions for liabilities and charges

	2014			2013		
	Restructuring provisions	Provision for environment	Total	Restructuring provisions	Provision for environment	Total
Provisions as of 1 January	0	2	2	0	1	1
Increase	8	2	10	0	1	1
Decrease	0	0	0	0	0	0
Provisions as of 31 December	8	3	12	0	2	2

20 Liabilities

Long-term liabilities	2014	2013
Bonds	995	1,294
Loans from financial institutions	77	124
Liabilities to Group companies		
Other long-term liabilities	808	903
Other long-term liabilities	3	5
Accruals and deferred income	2	6
	1,886	2,332

Interest-bearing liabilities due after five years	2014	2013
Bonds	0	398
Loans from financial institutions	10	17
Liabilities to Group companies	758	858
	768	1,273

Short-term liabilities	2014	2013
Bonds	300	0
Loans from financial institutions	106	165
Advances received	2	0
Trade payables	588	997
Liabilities to Group companies		
Advances received	0	0
Trade payables	85	116
Other short-term liabilities	89	139
Accruals and deferred income	0	0
Total	175	255
Liabilities to associated companies		
Trade payables	3	8
Other short-term liabilities	0	0
Total	3	8
Other short-term liabilities	305	261
Accruals and deferred income	93	105
	1,572	1,791

Short-term accruals and deferred income	2014	2013
Salaries and indirect employee costs	50	49
Accrued interests	26	26
Accrued taxes	0	28
Other short-term accruals and deferred income	18	2
	94	105

Interest-bearing and interest-free liabilities	2014	2013
Long-term liabilities		
Interest-bearing liabilities	1,126	2,324
Interest-free liabilities	2	8
	1,128	2,332
Short-term liabilities		
Interest-bearing liabilities	406	304
Interest-free liabilities	1,166	1,487
	1,572	1,791

21 Contingent liabilities

Contingent liabilities	2014	2013
Operating lease liabilities		
Due within a year	3	3
Due after a year	4	5
	7	8
Contingent liabilities given on own behalf		
Real estate mortgages	17	17
Pledged assets	0	0
Other contingent liabilities	7	2
	23	19
Contingent liabilities given on behalf of Group companies		
Guarantees	164	323
	164	323
Contingent liabilities given on behalf of associated companies		
Guarantees	1	1
	1	1
Contingent liabilities given on behalf of others		
Guarantees	1	2
	1	2
Contingent liabilities total	197	353

22 Derivative financial instruments

Interest and currency derivative contracts and share forward contracts	2014 Contract or notional value	2014 Fair value	2014 Not recognized as an income	2013 Contract or notional value	2013 Fair value	2013 Not recognized as an income
Interest rate swaps	750	22	-5	800	17	-4
Forward foreign exchange contracts	2,125	-29	-17	1,452	11	10
Currency options						
Purchased	142	-1	0	196	2	2
Written	140	-5	-5	192	3	3

Oil and freight derivative contracts	2014 Volume million bbl	2014 Fair value	2014 Not recognized as an income	2013 Volume million bbl	2013 Fair value	2013 Not recognized as an income
Sales contracts	13	182	182	6	-11	-11
Purchase contracts	14	-142	-137	8	10	10

The fair values of foreign exchange currency derivative contracts are based on market values at the balance sheet date. The fair values of interest rate swaps are the present values of the estimated future cash flows and the fair values of currency options are calculated with option valuation model.

The fair value of exchange traded oil commodity futures and option contracts are based on the forward exchange market quotations at the balance sheet date. The fair value of over-the-counter oil commodity derivative contracts is based on the net present value of the forward contracts quoted market prices at the balance sheet date. Physical sales and purchase agreements within trading activities are treated as derivatives and reported in the 'Derivative financial instruments' table.

23 Other contingent liabilities

Real estate investments

The Company is obliged to adjust VAT deductions made from real estate investments if the taxable utilization of real estate will decrease during a 10 years control period.

24 Shares and holdings

	Country of incorporation	No of shares	Holding-%	Book value 31 Dec 2014 EUR thousands
Subsidiary shares				
Kiinteistö Oy Espoon Keilaranta 21	Finland	16,000	100.00	39,725
Kilpilahden Sähkönsiirto Oy	Finland	2,600	100.00	68,575
LLC Neste Saint-Petersburg	Russia	10	100.00	58,427
Navidom Oy	Finland	50	50.00	1
Neste Eesti AS	Estonia	10,000	100.00	5,927
Neste Jacobs Oy	Finland	2,100	60.00	438
Neste Markkinointi Oy	Finland	210,560	100.00	51,467
Neste Oil AB	Sweden	2,000,000	100.00	23,972
Neste Oil Components Finance B.V.	The Netherlands	40	100.00	8,022
Neste Oil Finance B.V.	The Netherlands	26,090	100.00	19,177
Neste Oil Insurance Limited	Guernsey	7,000,000	100.00	3,000
Neste Oil N.V.	Belgium	4,405,414	99.99	414,753
Neste Oil (Suisse) S.A.	Switzerland	200	100.00	62
Neste Oil US, Inc.	USA	2,000	100.00	19,528
Neste Renewable Fuels Oy	Finland	200	100.00	1,676,901
Neste Shipping Oy	Finland	101	100.00	55,452
				2,445,427
Associated companies				
A/B Svartså Vattenverk – Mustijoen Vesilaitos O/Y	Finland	14	40.00	124
Neste Arabia Co. Ltd.	Saudi-Arabia	480	48.00	156
Porvoon Alueverkko Oy	Finland	40	33.33	7
Tahkoluodon Polttoöljy Oy	Finland	630	31.50	5
Vaskiluodon Kalliovarasto Oy	Finland	330	50.00	7
				299
Other shares and holdings				
CLEEN Oy	Finland	100		100
East Office of Finnish Industries Oy	Finland	1		10
Ekokem Oyj	Finland	75,000	2.13	125
Kiinteistö Oy Anttilankaari 8	Finland	51		545
Kiinteistö Oy Himoksen Aurinkopaikka	Finland	51		457
Kiinteistö Oy Katinkullan Hiekkaniemi	Finland	102		903
Kiinteistö Oy Katinkultaniemi	Finland	51		398
Kiinteistö Oy Kuusamon Tähti 1	Finland	51		457
Kiinteistö Oy Laavutieva	Finland	51		311
Kiinteistö Oy Lapinniemi & Osakeyhtiö Lapinniemi	Finland	24		125
Posintra Oy	Finland	190		34
				3,465
Telephone shares				
Elisa Oyj	Finland	1		0
Pietarsaaren Seudun Puhelin Oy	Finland	3		1
Osuuskunta PPO	Finland	1		0
Savonlinnan Puhelinosuuskunta SPY	Finland	1		1
				2
Connection fees				63
Total				2,449,256

25 Disputes and potential litigations

Finnish Customs has levied a penalty payment totaling approximately EUR 44 million on Neste Oil because Finnish biofuel mandate requirements were not met in 2009 and 2010. Biofuel mandate legislation requires that companies distributing liquid fuels must provide the appropriate energy content specified for biofuels in the fuel that they supply for use by customers. The legislation in question is intended to increase the use of biofuels and thereby reduce emissions. Neste Oil has supplied the amount of biofuels required by legislation in 2009 and 2010. Neste Oil disputes Finnish Customs' interpretation and believes that it complied with the requirements according to the legislation in force at the time. The disagreement between Neste Oil and Finnish Customs covers how the legislation on biofuel mandate should be interpreted. Neste Oil has appealed the Finnish Customs' decision and considers the penalty payment unjustified and it will not affect the company's result or balance sheet for 2013. The penalty payment was paid in January 2014, when it impact the company's cash flow. The payment is presented in long term receivable in balance sheet as of December 2014.

Proposal for the distribution of earnings and signing of the Review by the Board of Directors and the Financial Statements

The parent company's distributable equity as of 31 December 2014 stood at EUR 1,123 million. The Board of Directors proposes Neste Oil Corporation to pay a dividend of EUR 0.65 per share for 2014, totalling EUR 166 million, and that any remaining distributable funds be allocated to retained earnings.

Espoo, 3 February 2015

Jorma Eloranta

Per-Arne Blomquist	Maija-Liisa Friman
Laura Raitio	Jean-Baptiste Renard
Willem Schoeber	Kirsi Sormunen

Matti Lievonen
President and CEO

Auditor's Report (Translation from the Finnish Original)

To the Annual General Meeting of Neste Oil Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Neste Oil Oyj for the year ended 31 December, 2014. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other Opinions

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki 3 February 2015

PricewaterhouseCoopers Oy

Authorised Public Accountants

Markku Katajisto

Authorised Public Accountant

Quarterly segment information

Revenue

MEUR	10–12/2014	7–9/2014	4–6/2014	1–3/2014	10–12/2013	7–9/2013	4–6/2013	1–3/2013
Oil Products	**2,652**	**2,879**	**3,124**	**2,630**	3,398	3,425	2,952	3,266
Renewable Products	**575**	**560**	**603**	**531**	732	713	535	513
Oil Retail	**1,046**	**1,153**	**1,076**	**1,019**	1,120	1,174	1,085	1,153
Others	**63**	**58**	**60**	**58**	49	51	54	52
Eliminations	**-785**	**-803**	**-759**	**-728**	-783	-784	-700	-767
Total	**3,552**	**3,846**	**4,104**	**3,510**	4,516	4,579	3,926	4,217

Operating profit

MEUR	10–12/2014	7–9/2014	4–6/2014	1–3/2014	10–12/2013	7–9/2013	4–6/2013	1–3/2013
Oil Products	**-181**	**11**	**46**	**13**	93	104	10	79
Renewable Products	**153**	**20**	**2**	**32**	93	116	34	9
Oil Retail	**8**	**26**	**20**	**15**	15	29	65	11
Others	**-6**	**-1**	**2**	**-8**	-14	0	0	-12
Eliminations	**-2**	**-3**	**-1**	**2**	-2	0	3	-1
Total	**-27**	**53**	**69**	**55**	185	249	112	86

Comparable operating profit

MEUR	10–12/2014	7–9/2014	4–6/2014	1–3/2014	10–12/2013	7–9/2013	4–6/2013	1–3/2013
Oil Products	109	110	33	33	67	67	30	111
Renewable Products	**141**	**52**	**31**	**15**	94	120	33	26
Oil Retail	**8**	**26**	**20**	**15**	15	29	22	11
Others	**-2**	**4**	**2**	**-10**	-11	0	-8	-12
Eliminations	-2	-3	-1	2	-2	1	4	-1
Total	**254**	**190**	**85**	**55**	163	217	81	135