Neste in 2015

We create responsible choices every day

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More information at www.neste.com

More information in this PDF

The only way is forward

Comparable operating profit EUR **925** million

Our divided proposal is EUR **1.00** per share

The produced NEXBTL diesel achieved a **6.4** million tons reduction in GHG emission

Return on average capital employed (ROACE) EUR **16.3** million

We increased our production capacity in renewable products by **20%**

Oil Product's comparable operating profit increased to EUR **439** million

Investments EUR **505** million

The use of waste and residue at record level: **68%** of renewable raw materials

Oil Retail's comparable operating profit record high EUR **84** million

Every day, Neste does more with less. As we continue to pioneer the renewable solutions and oil industry, we keep on rethinking conventional models. We make the most of existing resources and search out new, low-carbon feedstocks from materials like waste and residues. We are already the world's largest producer of renewable diesel and we see interesting growth opportunities also outside the fuel market.

Year 2015 at Neste was eventful and full of great moments! Take a look back with us and how we moved forward in 2015.

A successful and inspiring year is behind us – new things ahead

What would you single out as being among the highlights of 2015?

2015 was an astonishing year for us, both financially and from the point of view of reforming our operating culture. Changing the name from Neste Oil to Neste symbolizes the reform of our business and an approach to development that looks forward. Our vision, *Creating responsible choices every day* challenges and inspires us to continuous improvement.

All of our business operations achieved excellent results. In Oil Products, the development of crude oil prices and refining margins were favorable to us. We successfully implemented the biggest turnover in our history at the Porvoo refinery in all respects. Safety clearly improved compared to the previous turnover, and we kept to the schedule and budget.

In Renewable Products, we achieved significant breakthroughs. The share of waste and residues increased to 68% of raw materials. Major global brands, such as UPS, Google, and cities such as the City of San Francisco and the City of Oakland have adopted our products. We have also begun to develop products based on renewable raw materials for non-traffic applications with our cooperation partners, such as biochemicals and biosolvents.

In Oil Retail, we launched a low-sulfur marine fuel, which has been a success in the Baltic Sea region. All of our retail markets, including Russia, prospered.

We have been using our Way Forward operating method for a few years, and we have made great progress during that time. Our employees have grown with the challenges. We dare to grab new opportunities and take them forward in a long-term, uncompromising way. People take responsibility, communicate and cooperate. Thanks to the development of our operating methods, we have been able to utilize the opportunities provided by the markets, and all Neste people deserve thanks for this.

We have big potential regarding product development activity, both in-house in cooperation with Neste Jacobs, universities and research institutions. We have significant R&D personnel resources and related knowhow at our disposal. We are creating something new, which makes us stand out from our competitors. This, and the new additions, have brought us positive public attention.

Why did the company change its name?

The name change illustrates how we are looking into the future and going forward. We are still a refining company, but also much more besides. Services and renewable products provide us with more added value and make us stand out from our competitors. Our growth objectives are also related to other products based on renewable materials, such as biochemicals and bioplastics.

Our employees took the name change very positively. People have noticed that we are a different company to before. Our vision is inspiring, opening almost unlimited opportunities for product and service development, new business and customers. It is also challenging, and we must redeem it every day.

We can make a contribution and we are committed to do so. We have sustainable solutions to offer to our customers and society. Our story is true and verifiable: the solutions we produce can reduce greenhouse gas emissions from traffic by over six million tons a year. The vision encourages, concrete things convince. This is the core of our sustainable business.

How is the Way Forward approach visible in the company's operations?

In addition to cooperation and taking responsibility, it has increased our understanding of customers. Successful business requires that customers are at the heart of it all. We have trained our personnel and changed our organizational structure in a customer-oriented way. We are all, starting from the top management, at our customers' service, listening to their needs and improvement proposals. This way, we can offer even better products and services.

Safety has always been important to us, and last year we further enhanced management's input in safety-related matters. We carried out safety rounds and talked with people. I believe that this has now been understood better than before. Safety is part of our corporate culture and the Neste professional identity. Safety is also a question of profitability and reputation.

How would you assess last year from the point of view of sustainability?

Sustainability is one of Neste's four values. It is an operating method that supports business, not one that destroys it.

We realize sustainability through our operations. By launching the production of renewable traffic fuels, we were also acting against our own traditional business. However, we saw the direction in which the world is going, and we wanted to be at the forefront, to create the change and shape our industry instead of being merely reactive.

Strategic sustainability has opened up significant new business opportunities for us.

Future orientation is an inspiring strategic starting point, and I believe that this is the very reason why we are successful in recruiting talented people. An inspiring workplace is a good place to work.

The international climate agreement signed in Paris in December offers opportunities, but it also obligates Neste and all companies to consider their own role in combatting climate change and solving the challenges of sustainability. Every company should also proactively consider these questions, not only in order to meet requirements set by politicians and the authorities.

In December, we made a human rights commitment concerning the entire Group. In addition to that, we have worked extensively to promote labor rights in our own supply chains. I believe that you can make a difference by being an example.

Sustainability also includes us taking care of our employees, but we also carry our own responsibility for the well-being of our subcontractors' employees. Financial success gives us an opportunity for investments and creating new jobs.

What does 2016 look like?

We want to further boost the use of waste and residues as raw material for renewable fuels so that low-quality raw materials can be used to make high-quality products. At the refineries, we are aiming to improve profitability. One cannot overemphasize the importance of customer orientation and customer relationship management. We are seeking growth from new business in biochemicals and biosolvents.

We will continue our good safety work within the Way Forward approach and take managerial work at Neste increasingly in a mentoring direction.

Our aim is to be a good and inspiring workplace for our employees and a partner that creates new things to our customers. By creating new business and growing responsibly, we can provide added value to shareholders and other stakeholders.

Matti Lievonen

“ 2015 was an astonishing year for us, both financially and from the point of view of reforming our operating culture.

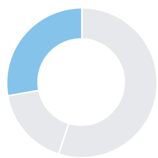
01 Strategy

We have two strategic targets

Achievements with our customers

Business areas in brief

Our operations are divided into three business areas

	Main market areas	Share of Neste's revenue (%)	Capacity	Customers	Strengths
Oil Products Oil Products offers solutions that are based on high-quality low-carbon alternatives as well as petroleum products and services.	Baltic Sea region and other Europe. Also North America.	 55 (59%)	15 million t/a. **Total production, million tons** 	Oil companies and businesses marketing oil, lubricants, and fuel products.	• Premium-quality products • Low-carbon solutions • Advanced refinery assets • Feedstock flexibility • Flexible and reliable supply of traffic fuel solutions
Renewable Products Renewable Products offers NEXBTL renewable diesel and other renewable applications, such as solvents and plastics.	Europe and North America.	 17 (12%)	2.4 million t/a.	Oil companies, retailers, other wholesale customers such as fleets and municipalities.	• Premium-quality renewable products suitable for existing engines, distribution systems, and processes • Reliable production technology offering raw material flexibility • Global supply chain and customer base
Oil Retail Oil Retail is an important marketing channel for the company's wide selection of own high-quality products.	Finland, the Baltic Rim, and the St. Petersburg area in the Northwest Russia.	 28 (29%)	790 stations in Finland and 258 in Northwest Russia, Estonia, Latvia, and Lithuania. Altogether 1,048 stations.	Consumers, fleets, aviation, marine, industrial, and agricultural customers, heating customers, and distributors.	• Premium-quality products • Strong brand • Extensive station network • Value-adding customer solutions

	Key business drivers	Market position	Most significant competitors
Oil Products	• Economic growth resulting in growing demand for energy and petroleum products • Tougher lubricants requirements and shift to premium-quality base oils • Tougher oil product quality requirements	Strong position in the wholesale market in the Baltic Sea region and leading global supplier of Group III base oils	Advanced refiners in Russia, Northwest Europe, and the Middle East
Renewable Products	• Climate change and emission reductions • Mandated use of renewable energy (especially in Europe and the US) • Energy security and reducing dependency on crude oil	Global leader in renewable diesel	• Other renewable diesel producers in US and Europe • Conventional biodiesel producers
Oil Retail	• Developments in the volume of traffic and transport • Motorists' growing expectations related to services	Leading position in Finland. One of the largest operators in Estonia, Latvia, Lithuania, and in the St. Petersburg area in Northwest Russia.	• Finland: ABC, St1, and Lukoil (operates as Teboil in Finland) • Baltic countries and Northwest Russia: Statoil and Lukoil

Business areas in figures 2015

	2015	2014	2013
Revenue			
Oil Products	7,467	11,285	13,041
Renewable Products	2,372	2,269	2,493
Oil Retail	3,748	4,294	4,532
Comparable operating profit			
Oil Products	439	285	275
Renewable Products	402	239	273
Oil Retail	84	68	77
IFRS operating profit			
Oil Products	389	–110	286
Renewable Products	233	207	252
Oil Retail	79	68	120
Net assets			
Oil Products	2,920	2,160	2,163
Renewable Products	1,884	1,923	1,768
Oil Retail	184	201	255
Comparable return on net assets (RONA)			
Oil Products	18.2	12.4	11.6
Renewable Products	21.8	13.3	15.2
Oil Retail	41.2	27.6	26.4
Capital expenditure			
Oil Products	453	209	146
Renewable Products	28	29	17
Oil Retail	37	18	31

Vision:

“Creating responsible choices every day

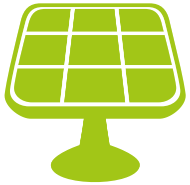
From Neste Oil to Neste

Our company has changed remarkably during recent years and to reflect this change we decided to change the company's name from Neste Oil to Neste in 2015. The word “Oil” no longer gave the right overall impression of the company. In recent years, Neste has mostly grown through the production of renewable fuels and we have become the world's largest producer of NEXBTL renewable diesel. Our aim is also to grow as a producer of other products based on renewable raw materials, such as various bio-based products for the chemical industry.

Renewed vision takes us forward

We are not a traditional oil company anymore which also underpins our renewed vision “Creating responsible choices every day”. We are offering our customers choices that have the power to make the world a better place to live in.

Megatrends



Energy

The expected increase in world population to 8–10.5 billion by 2050, combined with significant economic growth in emerging economies will result in substantially increasing energy consumption. As standards of living increase, people want to travel and consume more. To be able to respond to the growing energy demand, we need to use natural resources more efficiently and increase the use of renewable energy, such as solar and biofuels. Increasing energy demand will pose challenges also to security of supply as resources are scattered around the globe.

Climate change

Global warming caused by growing greenhouse gas emissions is gaining even more importance. Societies will need to adopt mutually agreed goals to limit the effects of climate change to sustainable levels. Energy use must be evolved accordingly. As traffic is one of the largest sources of greenhouse gas emissions, substituting fossil fuels with renewable fuels is an efficient way to reduce these emissions. Combating climate change has also become a policy priority and several countries, including EU member states, the United States, and China have committed themselves to targets related to reducing greenhouse gas emissions.

Individuals

There is almost unlimited amount of information available. People are increasingly aware of environmental and other sustainability aspects related to their consumption and they demand sustainable alternatives for their daily products and services. Customers increasingly demand sustainable value chains from the raw material production to end use. In developed countries, consuming has changed from purchasing necessary goods to acquiring a certain lifestyle, thus creating your identity.

Technology

Technological development has resulted in more efficient operations in various fields of life and business. For example in transportation, modern engine technology enables people and goods to move with less energy and emissions, all around the world. Developments in process technology enable using larger scale of innovative energy sources, for example waste and residues that are used as raw material for renewable fuels.

Digitalization

Digitalization challenges companies to adjust their business and operating models by blurring the boundary between digital and physical activities. Developments in the area of digitalization offer companies opportunities to restructure their operations, add integration to supply chains, and engage with customers to offer them even better value. Digitalization has also shaped consumer behavior; people want to have choices in services and goods regardless of time and place. Companies that are able to meet the new digitalized customer needs are well-positioned to beat their competitors and even create new businesses.

“Two strategic targets

Neste has two strategic targets that drive the company’s business and operations. We want to be the champion in our home markets in the Baltic Sea area and we seek growth in the global renewable markets.

In addition to renewable fuels, we are enthusiastic about renewable solutions we can offer to chemical industry. Our renewable products can replace fossil raw materials for example in production of plastics, paints and glues.

1. Baltic Sea Champion

Focus on	Achievements in 2015	Next steps
Customer's preferred choice	• We offered our customers a unique selection of premium-quality fuel solutions combining fossil and renewable components that also help them reduce their GHG emissions. • Our customers were able to reduce 6.4 million tons of GHG emissions with our fuel solutions. • We extended our customer offering in Sweden by delivering 100% NEXBTL renewable diesel to our Swedish customers. • We continued developing our low-sulfur marine fuel product offering and related logistics solutions. • In Retail, we renewed our organizational structure to serve customers even better in all markets. • 16 new stations opened in 2015. • We decided to direct focus on further improving the concept and services of our station network with our long-term partner Kesko. • In the beginning of 2016 we launched the first version of new Neste consumer mobile application offering information e.g. about stations and traffic. • As a part of developing our web services we launched a new websites in Estonia, Latvia, Lithuania, and Russia in 2015.	• We continue developing our offering and solutions to meet changing customer needs and biolegislation development. • Implementing the station network concept development project within the planned schedule. • We continue developing our digital services in order to further enhance our customer experience. • We continue working to further improve customer delivery performance and minimize quality non-conformances.
Operational excellence and optimizing Neste's value chain	• Total recordable injury frequency (TRIF) was 3.3. • Utilization rate of Porvoo refinery was 75% and of Naantali refinery 62%. • Major turnaround successfully executed at the Porvoo refinery. • Isomerization unit that improves the quality of produced gasoline was started at the Porvoo refinery in June. • Preparations for the integration of Naantali and Porvoo refineries to operate as one entity in order to improve competitiveness were started. Integration will improve product mix and crude flexibility. • Increased captive sales via Neste's own station network in the Baltics.	• TRIF target for 2016 is 2.1. Our long-term target is zero accidents. • Safety development program focused on e.g. contractor and process management to be implemented. • Improvement program focusing on production's reliability to be implemented in the Finnish refineries. • Integration of Finnish refineries will be completed in 2017. • We will continue to further improve our feedstock flexibility. • We work to maximize captive sales via our own station network.

2. Global renewable growth

Focus on	Achievements in 2015	Next steps
Strengthening our position in core renewable diesel markets committed to fighting climate change	• New customer openings for NEXBTL renewable diesel in new customer segments such as fleet use (e.g. Google and UPS) and municipalities (e.g. City of Oakland and San Francisco). • 100% NEXBTL renewable diesel became available for consumers under customers' own brands in e.g. Sweden, Austria, and California. • Renewable Products' annual production capacity increased by 20% to 2.4 Mt. • Utilization rate was 94% in Renewable Products' refineries. • We achieved technical capability to use only waste and residues for producing NEXBTL renewable diesel. • In 2015, waste and residues proportion of the raw materials increased to 68%. • Construction of Bio-LPG unit started in Rotterdam.	• We continue developing key market segments and further expand to new customer segments. • Target is to increase production capacity to 2.6. Mt/a by 2017. • We continue extending our renewable raw material base to lower-grades of waste and residues. • Bio-LPG sales will begin in late 2016. • The first turnaround at the Rotterdam refinery will be done in Spring 2016.
Developing significant business from non-road traffic fuel markets by the end of the decade	• We started a process to apply for ASTM approval for renewable aviation fuel together with Boeing. • New partnerships with Total Fluides and HSC Group in renewable solvents. • We developed new business model for bioplastics and started negotiations on cooperation related to replacing fossil components with renewable ones in plastic products with the world's leading consumer brands. • We agreed to create a joint venture company to build a new combined heat and power plant in Porvoo refinery. • We sold Kilpilahti's electricity distribution network.	• We continue to develop our renewable solvents business together with our clients and cooperation partners. • We continue to develop our renewable fuel solutions for the aviation industry together with our clients and cooperation partners. • We will continue developing bioplastics business model and deepen negotiations with potential customers.

Achievements with our customers

UPS and Google cut emissions with NEXBTL renewable diesel

Renewable diesel

Delivery company UPS and technology company Google started using NEXBTL renewable diesel in their fleets in 2015. UPS uses Neste's NEXBTL renewable diesel in its US fleet and Google in its personnel shuttle buses in Silicon Valley, California. Both UPS and Google aim to reduce their carbon emissions and NEXBTL renewable diesel offers an easy way to reach that goal as it can reduce greenhouse gas emissions up to 90% compared to fossil diesel and is completely compatible with the current engines and distribution systems.

Cooperation with Total Fluides turns paints and coatings renewable

Renewable solvents

In 2015, Neste and Total Fluides started collaboration in the area of NEXBTL renewable isoalkane. Total Fluides will use Neste's NEXBTL renewable isoalkane as feedstock in producing and developing innovative bio-based solvents and technical fluids. The cooperation enables Total Fluides to market a new line of renewable fluids for numerous applications such as paints and coatings, printing ink fluids, emollients for cosmetics and many others industrial and automotive fluids.

Marine emission requirements tightened, Neste offered a solution

Low sulfur bunker fuel

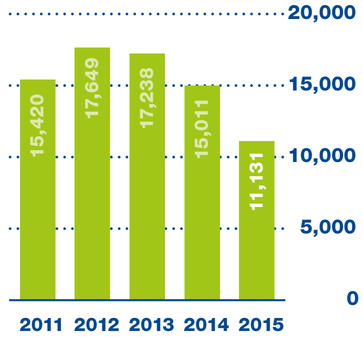
The new EU Sulfur Directive came into force at the beginning of 2015. This required shipping companies to find a way to reduce their sulfur emissions. Tallink Grupp decided to solve this challenge by starting to use Neste's low sulfur marine fuel that had been developed to comply with the requirements of the new directive. Neste started supplying low sulphur marine diesel to Tallink Grupp's ferries that make port calls in Finland in early 2015. Tallink Grupp has been pleased with the technical quality of the product and Neste's expertise in logistics and reliability as a supplier.

Key figures

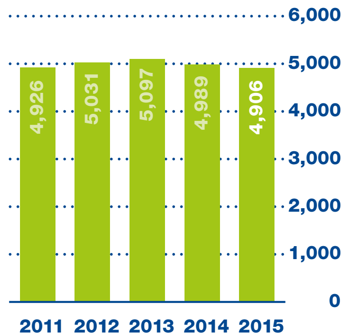
Income statement, EUR million	2015	2014	Chane, %
Revenue	11,131	15,011	–25.85
Operating profit	699	150	366.00
Comparable operating profit	925	583	58.66
Profit before income taxes	634	78	712.82
Profitability, %			
Return on equity (ROE), %	19.5	2.1	828.57
Return on capital employed, pre-tax (ROCE), %	15.1	3.3	357.58
Return on average capital employed, after tax (ROACE), %	16.3	10.1	61.39
Financing and financial position			
Total equity, EUR million	3,104	2,659	16.74
Interest-bearing net debt, EUR million	1,291	1,621	–20.36
Capital employed, EUR million	4,991	4,526	10.27
Equity-to-assets ratio, %	46.1	41.0	12.44
Leverage ratio, %	29.4	37.9	–22.43
Net cash generated from operating activities, EUR million	743	248	199.60
Share-related indicators			
Earnings per share (EPS), EUR	2.18	0.22	890.91
Equity per share, EUR	12.06		16.63
Dividend per share, EUR	1.00 [1)]	0.65	53.85
Dividend payout ratio	45.8 [1)]	290.4	–84.23
Dividend per comparable earninngs per share, %	35.2 [1)]	40.7	–13.35
Price/earnings ratio (P/E)	12.66		
Share price at the end of the period, EUR	27.63	20.06	37.74
Average share price, EUR	23.54	15.77	49.28
Highest share price, EUR	27.70	20.32	36.32
Lowest share price, EUR	19.91	13.24	50.38
Market capitalization at the end of the period, EUR million	7,084	5,143	37.74
Other indicators			
Cash-out investments, EUR million	505	272	85.66
Average number of personnel	4,906	4,989	–1.66
Research and development expenditure, EUR million	41	40	2.50
Total refining margin, USD/bbl	11.79	9.83	19.94
Total Recordable Injury Frequency per million hours worked (TRIF)	3.3	2.7	22.22

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

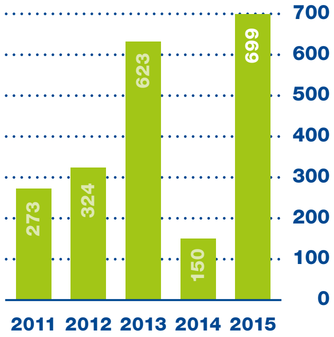
Revenue, EUR million



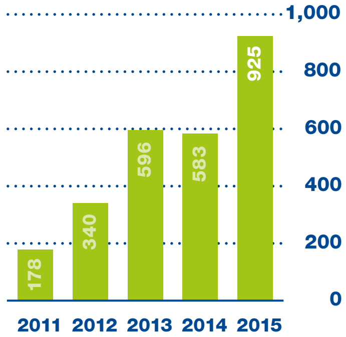
Personnel (average)



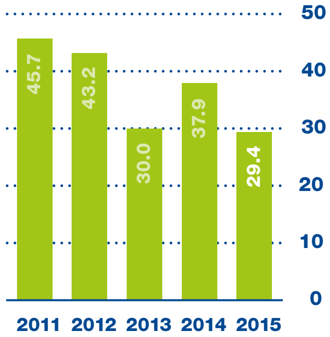
Operating profit, EUR million



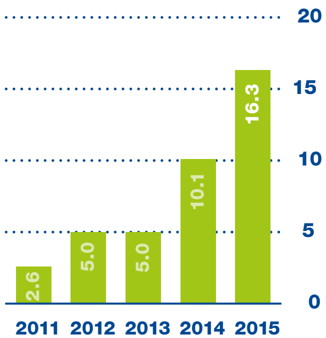
Comparable operating profit, EUR million



Leverage ratio, %



Return on average capital employed after tax (ROACE), %



Sales by region from in-house production (%)

- Finland 40% (37%)
- Other Nordic countries 14% (16%)
- Other Europe 34% (31%)
- USA & Canada 8% (9%)
- Other countries 3% (6%)

Sales by product from in-house production, %

- Diesel fuel 34% (35%)
- Motor gasoline and gasoline components 26% (27%)
- Jet fuel 4% (3%)
- Base oils 3% (3%)
- Heating oil 0% (1%)
- Heavy fuel oil 8% (7%)
- Renewable fuels 16% (13%)
- Other products 9% (9%)

Financial targets

1. A leverage ratio of

25–50%

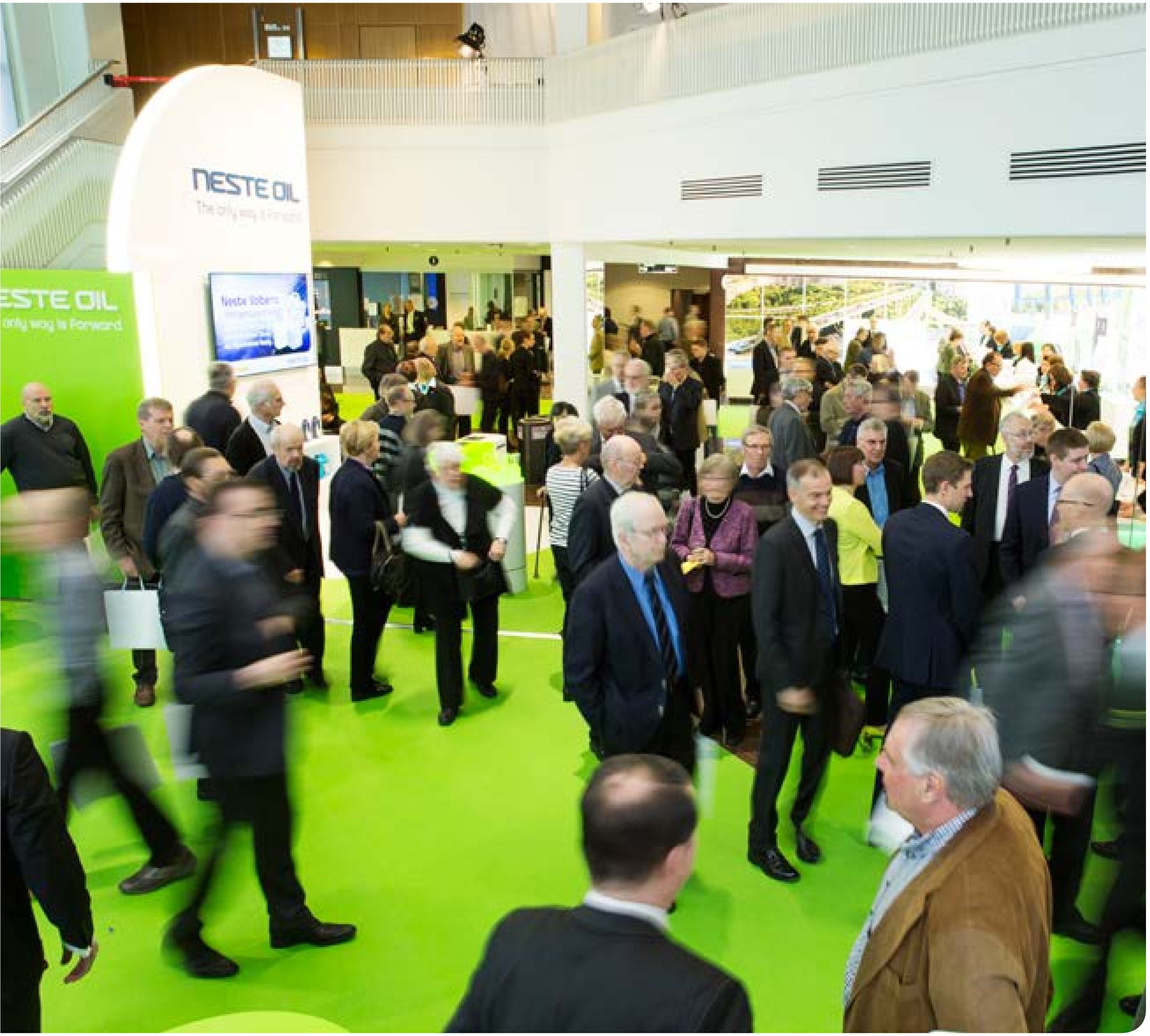
2. ROACE of at least

15%

annually over the long term.

Neste's dividend policy is to distribute at least **one third** of its comparable net profit as dividend.

Information for investors



Neste shares are traded on NASDAQ Helsinki under the trading code NESTE. The company had 69,242 (72,989) shareholders as of the end of 2015.

Annual General meeting

Neste Corporation's Annual General Meeting will be held on Wednesday, 30 March 2016 at 1 pm EET at Messukeskus at Messuaukio 1, 00521 Helsinki. Registration and the distribution of voting papers will begin at 12.00 am. Shareholders wishing to participate in the Annual General Meeting should inform the company by 4 pm on 23 March 2016 at the latest by:

- visiting www.neste.com and following the instructions given there
- phoning +358 (0)20 770 6862 (Monday–Friday, 9.00 am–4.00 pm EET)
- faxing +358 (0)10 458 5440, or
- writing to Neste Corporation, Annual General Meeting, POB 95, FI-00095 Neste.

Holders of proxies are requested to forward them when stating their wish to participate, ensuring that they reach the company by 4 pm on 23 March 2016 at the latest.

Dividend payment in 2016

- 16 March 2016: AGM record date
- 1 April 2016: Dividend payment record date
- 8 April 2016: Dividend payable

The Board of Directors will propose to the AGM that a dividend of EUR 1.00 per share shall be paid for the financial year ending 31 December 2015.

Interim reports in 2016

Neste Corporation will publish financial reports in 2016 as follows:

- Interim Report January–March 2016: 27 April 2016
- Interim Report January–June 2016: 28 July 2016
- Interim Report January–September 2016: 25 October 2016

Interim Reports are published in Finnish and English and can be downloaded at www.neste.com/investors.

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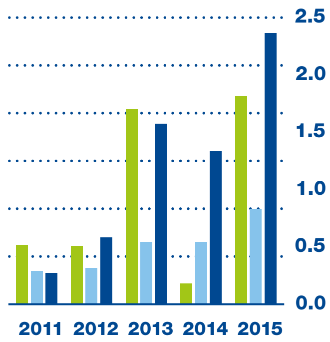
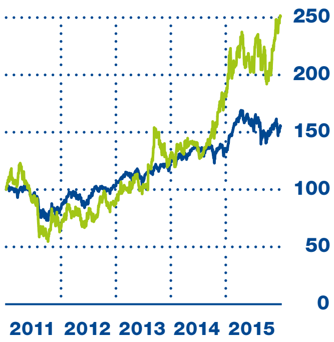
Shareholder structure, %

Earnings per share and dividend per share, EUR

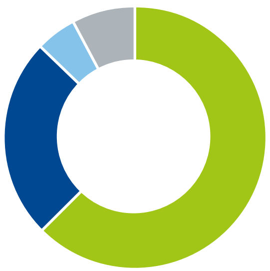


*2015: Board's proposal to the Annual General Meeting

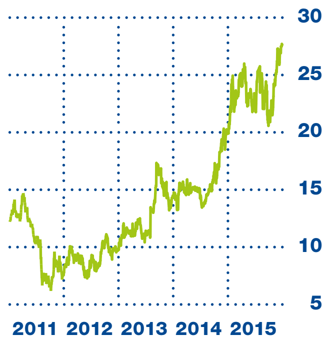
Shareholders' total return (indexed)



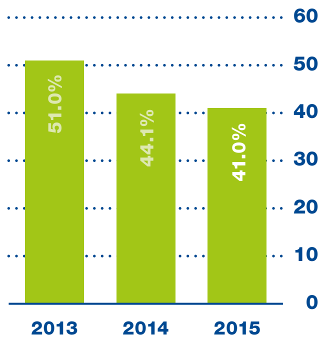
Neste share's trading volumes in 2015, %



Neste's share performance 2011–2015, EUR



Total shareholder return, %



02 Sustainability

Our essential sustainability themes

Sustainability reporting

Managing sustainability

"We have specified our reporting on sustainability work based on feedback received from stakeholders. In 2015 we focused on climate and resource efficiency, and sustainable supply chain. In addition, sustainability of own operations, such as safety questions as well as the well-being and development of our employees, are of paramount importance to us.

Simo Honkanen
Senior Vice President,
Sustainability and Public Affairs

Our crude palm oil supply chain includes **53,000** small holders

The proportion of certified palm oil **100%** from known source

Energy savings corresponding to the annual energy consumption of up to **3,000** one-family houses through furnace operation

2015, we had **262** totally safe days

Sustainability is one of Neste's four values and part of everything we do. It is at the core of our strategy and part of the management incentive system. We promote responsible business by offering sustainable solutions to the needs of customers and society and by operating as transparently as possible throughout our supply chain.

Sustainability-related 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 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. Sustainability issues are reviewed regularly by the Board of Directors, the Neste Executive Board, and the management teams of the sustainability organization, business areas, and production plants.

The sustainability management policy was specified further in fall 2015 by expanding the area of responsibility of the Public Relations steering group to also cover sustainability-related matters. The Sustainability and Public Relations steering group prepares guidelines related to the company's sustainability work and discusses matters that do not require the decision of the Neste Executive Board. The group is comprised of the directors responsible for sustainability and public relations, business management and a representative of the communications function. The group convenes between two and four times a year.

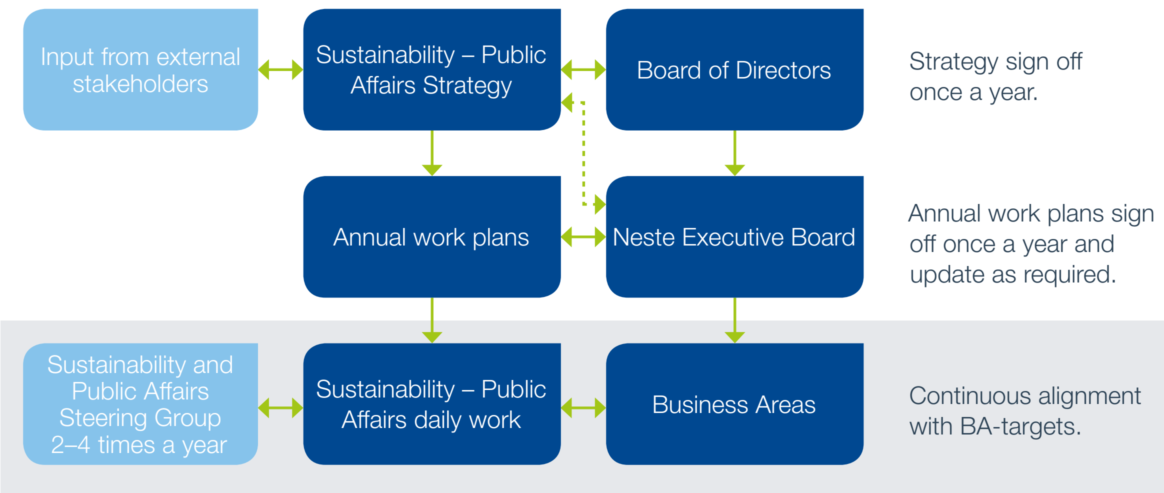
Lean more about the policies and principles underpinning Neste's sustainability.

Certified management systems

Neste's key sustainability-related policies and principles are as follows:

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

Sustainability and Public Affairs Governance's approach



Sustainability policies and principles

Sustainability at Neste is based on the requirements of our business and international recommendations as well as agreements that we are committed to, such as the UN Global Compact and the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work. Our work is guided by our Code of Conduct, Sustainability Policy and Sustainability Principles.

Neste's Executive Board ratified the group-wide Neste Human Rights Commitment in December 2015. In accordance with it, we are committed to complying with the principles of the United Nations' Universal Declaration of Human Rights and the ILO's fundamental Principles and Rights at Work. We aim to contribute to our partners also complying with corresponding principles.

The Human Rights Commitment is published on the group website.

The Neste Executive Board ratified Neste's Suppliers Code of Conduct in December 2015. They specify the basic requirements we expect our suppliers to follow and implement in everything they do. A supplier's ability to meet the requirements of the Code of Conduct is considered a significant factor when Neste decides on commencing or continuing a business relationship with that supplier. The basic requirements require that suppliers comply with all applicable laws, regulations and international human rights and labor conventions, among other things.

We will begin discussions on the Code of Conduct with our existing suppliers in phases. In the future, they will be an inseparable part of all subcontracting and cooperation agreements signed by Neste.

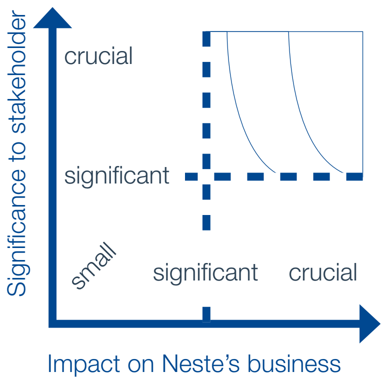
Materiality assessment

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

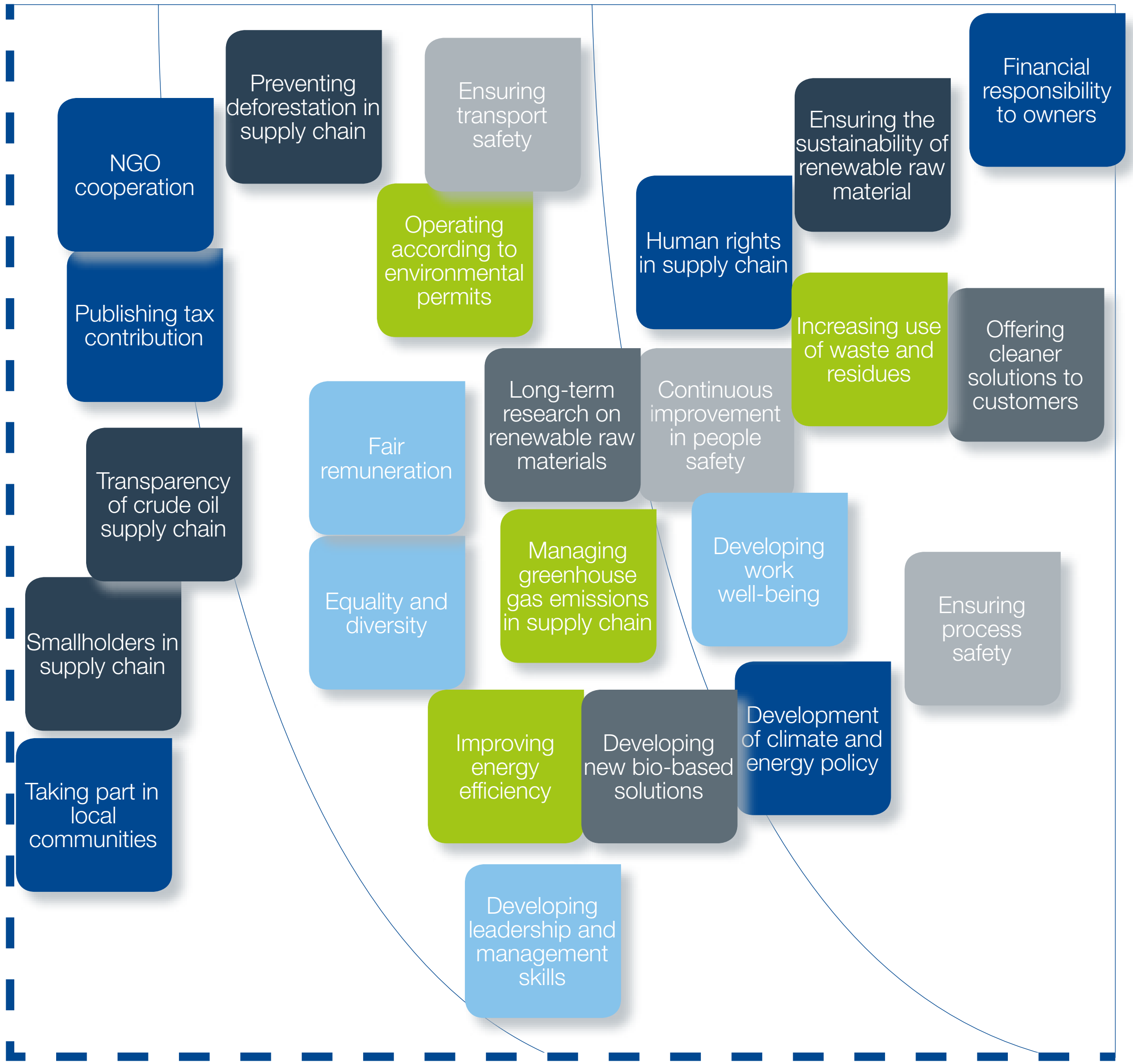
We update our materiality assessment once every two years. The most recent update took place during fall 2014 and early 2015. Economic sustainability, themes related to material efficiency and human rights were emphasized considerably more than before, which was taken into account in the focal points of sustainability reporting. We will update the materiality assessment the next time in 2016.

Key focus areas

- Cleaner solutions
- Society
- Safety
- Climate & resource efficienc
- Our people
- Sustainable supply chain



The significance of the material issues presented in the materiality assessment is significant or crucial



Stakeholder dialogue

We aim for active dialogue with our key stakeholders. We detail our operations and their effects, objectives and risks, as well as listening to our stakeholders with regard to their opinions concerning our operating methods.

Our aim is to enhance our understanding of the challenges and opportunities related to the business environment and sustainability.

Managing stakeholder engagement

Stakeholder dialogue is part of everyday work and management. We regularly review our stakeholders' views of our operations, organize events and meetings, and take part in seminars and events significant for our industry and business operations.

Overall responsibility for stakeholder engagement lies with the company's Senior Vice President, Sustainability and Public Affairs, Senior Vice President, Communications and Brand Marketing and Vice President, Investor Relations. The themes related to stakeholder management are discussed in the Sustainability and Public Relations steering group.

Our stakeholders emphasize finances, supply chain and climate-related matters

In February 2015, we organized a stakeholder workshop in which the representatives of key stakeholder groups gave feedback on the materiality assessment updated by the company's experts. Based on the discussion in the event, stakeholders consider financial sustainability a key area of sustainability work. In addition, they expect Neste to increasingly pay attention to the social aspects of the supply chain. The company is also expected to provide unambiguous guidelines on its climate policy. The stakeholders encourage us to include the customer perspective in our value chain mindset and provide our customers with information to support sustainable decision-making.

Social questions and supervision of interests

In supervising our interests, we act openly and aim to be trustworthy, interactive partners. Our work with social questions and supervision of interests is based on providing high-quality information to decision-makers and diverse interest groups to support their decisions.

We focus on the supervision of interests related to renewable fuels in Finland, the European Union and the United States. With regard to oil products, we influence through the FuelsEurope trade association at the EU level and the Finnish Petroleum and Biofuels Association in Finland.

Our most important stakeholders from our operation point of view are:

- customers
- personnel
- owners and investors
- dealers
- raw material suppliers
- organizations
- local communities
- decision-makers and authorities
- universities and research institutions
- the media

In 2015, Neste closely participated in developing biofuel legislation in Finland and the European Union. We have exchanged views with members of the European Parliament and their assistants on the mitigating effects of biofuels on climate emissions, sustainability and feedstock base. We are also active in the European Energy Forum operating within the European Parliament.

Besides biofuels, important discussion themes have included circular economy, resource efficiency and reducing carbon dioxide emissions from traffic. We hope that binding low-carbon goals will be set for traffic fuels at the level of the European Union also after 2020.

In its plenary session in April 2015, the European Parliament approved a directive proposal aiming to mitigate any potential indirect land use changes due to the production of biofuels (ILUC directive). The directive is associated with the regulation of Neste's rawmaterial base, and therefore we have been closely monitoring the preparation of the directive.

In the United States, we have been monitoring the development of federal legislation and legislation in California. Significant questions at the federal level include the taxation of biofuels and annual distribution obligations of biofuels, which are ratified annually. The reform of environmental legislation in the state of California began in mid-2015. We have provided information on questions related to the supply chains of various raw materials, for example, to the Californian authorities and environmental organizations.

In Finland, before the parliamentary elections in 2015, we communicated themes related to climate, energy, traffic and environmental policy significant to Neste to different parties. We have particularly emphasized questions related to the future of biofuels. The same topics have also been discussed with the new government and key ministries.

Cooperation to increase the sustainability of the supply chain

During 2015, we conducted a field survey focusing on social questions concerning immigrant workers in Malaysian palm oil plantations in cooperation with Business for Social Responsibility (BSR). BSR is a non-profit organization dedicated to helping its network of more than 250 member companies to develop sustainable business strategies and solutions.

In November, the findings of the field survey was reviewed together with palm oil suppliers in a social and labor workshop organized by Neste. Read more for our sustainable supply chain on page 35.

Human rights have been strongly present in the Neste Executive Board as well. In a seminar organized in November, the Executive Board discussed the matter and the significance of human rights to Neste based on keynote speeches by experts. At the same time, a foundation was laid for Neste's commitment to human rights.

Global climate agreement provides opportunities and obligations for businesses

The international Paris climate conference in December 2015 signed a binding and extensive agreement with far-reaching consequences for businesses, governments and private individuals. Neste considers the adoption of the climate agreement an extremely positive step forward. The agreement provides opportunities, but it also obliges businesses to consider their own role in combating climate change.

As a technology leader and the world's largest producer of NEXBTL renewable diesel, Neste encourages governments and businesses to seize the opportunities provided by sustainably produced advanced biofuels to remove carbon from road, aviation and marine fuels. Renewable raw materials can also replace fossil oil in other uses, such as plastics.

Safety across organizational boundaries

We are engaged in global cooperation with service providers and contractors to promote safety. We arrange seminars and events with industrial companies in the nearby areas and utilize the HSE Network online service to actively distribute information. We audit the safety management of suppliers and organize joint observation rounds and safety discussions for the management of service providers.

Customers

The customer's expectations and needs are at the core of our operations. We want to be the company that solves the customer's challenges and provides added value to the customer through competence. Read more about the achievements with our customers on page 15.

> "We aim for active dialogue with our key stakeholders.

Examples of dialogue with stakeholders in 2015

Non-governmental organizations

Event on labor rights, Espoo, February

We organized an event on labor rights together with non-governmental organizations (NGOs) and labor rights experts at our head office. The aim of the event was to listen to the views of stakeholders and exchange thoughts on matters of key importance to Neste. The discussion was preceded by keynote speeches on international conventions, living wage and immigrant employees' rights.

Our dialogue with Finnwatch, a Finnish NGO focusing on human rights and global corporate responsibility has been continuing in 2015. We have been focusing particularly on our engagement program with producers, authorities and civil society organizations on labor rights and migrant workers in the palm oil industry in Malaysia.

Suppliers of raw materials

Workshop on the implementation of labor rights in supply chains, Malaysia, November

The workshop was organized for Neste's partners, and keynote speakers included experts from the ILO, International Organization of Migration (IOM), trade unions, certification body, NGO and the Malaysian labor office.

Read more about the workshop in Malaysia.

Investors

Capital Markets Day, London, September

The aim of the Capital Market Day was to provide investors, shareholders and analysts with information on the company's strategy, future outlook, development of operations and achievements in 2015. According to a survey conducted after the event, 45% of the respondents stated that they had a very clear understanding of the factors inluencing the company's development during the next three to five years. The Capital Markets Day will also be organized in 2016.

Personnel

Strategy coffees

Members of the Executive Board toured the company's offices introducing the strategy and the new vision. The visits took place in September and October, and they covered all of our locations. The terminals' strategy events were arranged as videoconferences.

Read more about our strategy coffees of 2015 on page 55.

Safety promises

In 2015, we organized safety workshops with the company's Board of Directors, the Executive Board and the management teams of several functions, discussing the role and significance of the management in safety management. In the workshops, the teams have made their own safety promises concerning the kind of safety behavior they commit to and that the team wants to take forward.

Media

Neste's CEO & President and representatives of communications regularly meets editorial boards of Finnish financial media. The events provide background information on the company's situation and discuss topical themes of significance to the company.

Local communities

Open house at the refinery, Naantali, August

We invited the neighbors of Naantali refinery to attend a traditional Neighbor Party in August. A record audience of approximately 400 neighbors visited the refinery during the day. In addition to tours, we also distributed information on the change of the production structure to enter into force in 2017. A Neighbor Party is organized once every two years.

Meetings with the administration of the Cities of Naantali and Raisio, April and December

We regularly exchange views with the administrations of the cities on topical questions. This year, the change of the production structure in Naantali as of 2017 was particularly on the agenda.

Porvoo refinery's 50th anniversary, Porvoo, September

Around a hundred representatives of stakeholders and their hosts attended the refinery's anniversary party at the Porvoo Art Factory. The guests included representatives of the City, customers and former Neste employees. Prime Minister Juha Sipilä attended the celebration as a guest of honor.

Companies' cooperation group, Porvoo refinery

A cooperation group of representatives of companies operating in the Kilpilahti area convenes four times a year to share topical information related to safety and environment.

World Port Day in Rotterdam

In September, Neste Rotterdam refinery took part in World Port Day. People from around Rotterdam were invited to visit the port and its companies. In Neste's renewable fuels refinery, 20 volunteers guided people and answered their questions. The day was a huge success for all participants.

Decision-maker survey, Porvoo and Naantali, December

Neste regularly investigates the views of the stakeholders of the Porvoo and Naantali refineries on the environmental performance of the production plants and the reliability of communications through interviews. Local municipal decision-makers, representatives of the media, neighbors of the plants and people living in Porvoo and Naantali are interviewed for the survey. Of the respondents, 83% consider local communication very or quite reliable. According to the survey, the company's environmental image has improved in terms of the speed of communication about incidents and maintenance, for example. Neste is considered to be a good employer locally. The respondents consider odor and noise the most significant negative aspects caused by the production plants; however, they are felt to have decreased significantly since 2011. Approximately 30% of the respondents did not find any negative aspects connected with the operation of the plants.

Neste's sustainability reporting 2015

Content of reporting

Neste is committed to the principles of AA1000APS (2008) standard consisting of inclusivity, materiality, and responsiveness. The 2015 Sustainability Report was prepared in accordance with the GRI (Global Reporting Initiative) G4 guidelines where applicable for the first time. We are also developing our reporting in accordance with the requirements of the European Union's directive on the reporting of non-financial information. With our report, we also meet the requirements of international indices.

In the stakeholder discussions held in 2015, two themes have repeatedly emerged: climate and resource efficiency, and the sustainability of the supply chain. Therefore, our reporting focuses on aspects related to these two areas to provide more diverse information on them. Due to the nature of our business, safety questions are important to us, as is the equal and fair treatment of our employees. Therefore, we also report the key indicators related to safety and personnel.

Neste published its 2014 Annual Report and the Sustainability Report included in it on March 3, 2015 as an online annual report.

Reporting principles and guidelines

Financial reporting complies with the international IFRS accounting standards, and governance-related reporting complies with the legislation on listed companies and the Finnish Corporate Governance Code. The disclosure of environmental costs and liabilities is based on the Finnish Accounting Act. The reported financial indicators are based on audited information. The general guideline issued by the Accounting Board on the preparation of review by the Board of Directors is followed in calculating the personnel-related figures. Calculations related to safety-related accident frequency rates comply with the calculation principles of CONCAWE (The oil companies' European association for environment, health and safety in refining and distribution).

Changes to information disclosed in previous years or calculation principles are disclosed in connection with the indicators in question. The definitions, calculation principles and formulas of reported indicators are presented separately under "Principles for calculating the key indicators".

Scope of the report

Similarly to the Annual Report, the reporting period of the Sustainability Report is the financial year, January 1–December 31, 2015.

The safety and environmental reporting for 2015 covers the refineries in Finland and abroad in which the company has a holding of over 50%. In addition to them, safety and environmental reporting covers the company's terminals, offices and country-specific retail companies.

The company does not report environmental information on sites in which the company only has part of the premises of an office building in its use. Such sites include the company's offices in Houston, Toronto, Oulu and Vilnius. The reporting of safety information also covers service providers and contractors. Otherwise, reporting covers all of the operations of Neste Corporation and the operations of companies in which Neste has a holding of over 50%.

In addition to the Group-level Sustainability Report, the Porvoo and Naantali refineries publish regular newsletters for residents in the surrounding areas covering local impacts of the operations. They are also available on the company's website.

Reporting systems

Neste collects environmental and safety information with the HSEQ reporting tool that supports Neste's monthly and annual reporting. Personnel-related indicators are also available from the HR systems. The company also has other reporting tools for collecting information required for sustainability reporting.

Assurance

The Annual Report 2015 contains general standard disclosures of the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines, and the economic, social and environmental indicators of the Finnish report have been verified and checked congruence between the Finnish and English versions' numerical sustainability information by an independent third party PricewaterhouseCoopers Oy.

Commitments to external initiatives

Neste joined the UN Global Compact initiative in 2014 and published its first monitoring report in October 2015. The report focuses particularly on human rights, which have been at the center of Neste's sustainability work in recent years. We have included the newest follow-up report in our annual report.

Neste's first Communication on Progress report was published in 2015 and is available on the website.

We are included in the following sustainability indices (link to the web):

- The Global 100
- Dow Jones Sustainability Index
- CDP Forest
- CDP Climate Change
- Storebrand Sustainable Development Fund
- STOXX Global ESG Leaders

"Our main sustainability themes are climate and resource efficiency, sustainable supply chain, and sustainability of our operations.

Our essential sustainability themes

Climate and resource efficiency

Management description

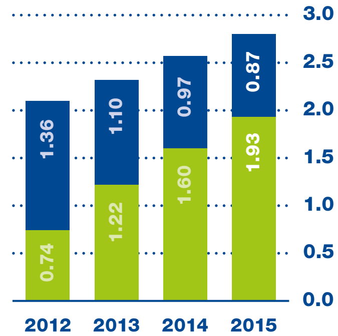
Neste's climate and resource efficiency is managed in a business-oriented way. The goals and emphases of business operations are discussed on pages 13–14 of this report.

Matters related to sustainability are reviewed regularly by the Board of Directors, the Neste Executive Board, and the management teams of the sustainability organization, business areas, and production plants.

Our operations are guided by certified management systems

Our operations are guided by plant-, business area- and function-specific certified management 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.

Use of renewable raw materials, million tons

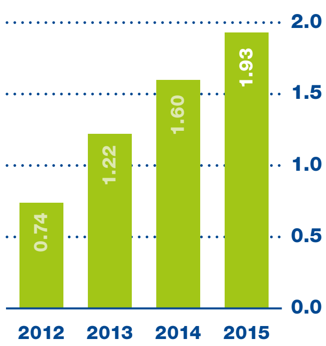


Crude palm oil
Waste and residues (e.g. waste animal fat. waste fish processing fat. PFAD*)

* PFAD = Palm Fatty Acid Distillate

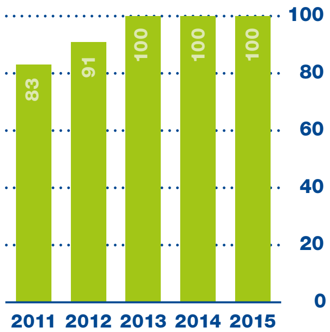
Read more about the certifications of our production plants and raw materials.

Use of waste and residues in refining, million tons



Waste and residues (waste animal fat, waste fish processing fat, PFAD, stearin)

Use of certified crude palm oil, %



All of Neste's NEXBTL renewable diesel production facilities have ISCC (International Sustainability and Carbon Certification) or RSPO (Roundtable on Sustainable Palm Oil) certificates, and they have been approved by the U.S. Environmental Protection Agency (EPA). The Rotterdam production plant and the security of supply warehouses of the Finnish operations were audited during 2014, and they were granted certificates for quality, environmental and safety requirements (ISO9001, ISO14001 and OHSAS18001) similarly to the other locations.

Climate impacts of our products

The most essential climate impacts of our products are caused by emissions of greenhouse gases, especially carbon dioxide. Greenhouse gas emissions are generated during the different phase of the lifecycle of the product (such as gasoline and diesel). The majority, approximately 85%, of the carbon footprint of crude oil-based traffic fuels is caused when the vehicle uses the fuel. A minor part of the carbon footprint arises from the production of crude oil and refining of fuels; including transports, production accounts for approximately 15% of the carbon footprint.

The benefit of a renewable traffic fuel arises when used as fuel in a vehicle. The combustion emissions of NEXBTL renewable diesel amount to zero, as the renewable raw material absorbs the same amount of carbon dioxide as is released upon combustion. NEXBTL renewable fuels can reduce greenhouse gas emissions by up to 90% compared to fossil fuels.

The reductions of greenhouse gas emissions through the use of NEXBTL renewable fuels produced by Neste are higher than the greenhouse gas emissions caused by Neste's own operations, that is, product refining and transports, as a whole.

Lesser impacts are caused by nitrogen dioxide, sulfur and particle emissions, among others. However, they may have a major impact on the air quality in cities. During the lifecycle of a fuel, nitrogen dioxide emissions are caused in energy production, transport and fuel use. Today, fuels are practically sulfur-free, so their use no longer causes sulfur emissions. Particle filters of vehicles and other technologies have considerably reduced particle emissions.

Crude oil is a valuable and limited natural resource. It is important to utilize raw materials efficiently. In the modern complicated oil refining process, crude oil can be fully utilized, and practically no waste is generated. It is important for us to "make more from less", and that the final products are premium-quality. The new engine technology in vehicles has lowered remarkably the fuel comsumption. This development challenges the quality requirement of the fuel also. Only premium-quality fuels can work in modern vehicle engines and lower the emissions.

Our low-carbon, eco-efficient solutions

By combining renewable raw materials with oil-based products, we can help our customers to meet and exceed the statutory requirements for the use of bio fuels imposed on them. Our product portfolio also includes products made of 100% renewable raw materials.

The reliability of the supply chain and safety of production and logistics chain are an inseparable part of our sustainable offering. We continuously develop the energy and material efficiency of our production processes through a systematic energy efficiency program. Key availability indicators include the refinery utilization rate and number of incidents. The new safety indicator Safe Days reports the number of days on which we had no process or other safety incidents or environmental deviations. Our safety programs are discussed in more detail under "Sustainability of our operations".

Efficient and reliable operation of our refineries also reduces particle and other emissions into air. High-quality, energy-efficient production is cost-effective and generates less waste.

> "Close environmental monitoring and open communications undertaken over **40 years** in Porvoo refinery.

Leading player of renewable products

Our main goal is to increase the use of waste and residue raw materials in producing NEXBTL renewable diesel in a profitable and customer-oriented way. In our R&D activities, we invest in researching and testing renewable future raw materials. We choose the raw materials we research based on their aptitude, price and availability. We consider customers' needs, regulations and our own sustainability principles when choosing raw materials.

Thanks to technical development measures, all of our production plans can also utilize lower-grade waste and residue raw materials, and therefore growth of the use in their share of the raw material input for NEXBTL renewable diesel increased to 68% in 2015.

Our measures to mitigate greenhouse gas emissions

The carbon footprint of NEXBTL renewable diesel depends on the raw materials used. A fuel made from waste and residues, such as animal fat or residues of the vegetable oil industry, has the lowest lifecycle greenhouse gas emissions. Neste has further increased the share of waste and residues of renewable fuel raw materials. This is also the most significant measure in 2015 to reduce greenhouse gas emissions. A renewable residue raw material, tall oil pitch, has also been fed to the conventional production line in Naantali besides fossil feedstock. The authorities have extended the bio pilot program operation permit to 2016 and 2017.

In the production of vegetable oils, greenhouse gas emissions are particularly caused by fertilizing. We primarily use the crude palm oil of the vegetable oils, since it causes lower lifecycle emissions compared to other industrially farmed oil plants when produced sustainably. Treating the wastewaters of the pressing plant usually causes the highest lifecycle greenhouse gas emissions in the production of palm oil. In 2015, Neste increased the share of crude palm oil in the production of which this greenhouse gas emission has been recovered. More than 28% of the crude palm oil used was already from the compression plants whose climate effect has been cut with the recovery of the methane.

Approximately 100,000 tons of carbon dioxide was recovered at the Porvoo refinery for use in the beverage industry, for example. Neste cooperates with AGA in the recovery.

> “
> In 2015, the share of waste and residues was
> **68%**
> of the renewable raw materials.

Climate Partner

We joined the City of Helsinki's Climate Partners network in March 2015. The network is part of the climate work carried out by the city, striving to reduce greenhouse gas emissions by 30 percent by year 2020. In addition to commitments, the network aims to strengthen the competitiveness of companies, identify new business opportunities and promote cooperation between the network members. When joining the network, we announced the following goals:

- The NEXBTL renewable diesel produced by us in 2015 will reduce greenhouse gas emissions by 6.0 million metric tons.
- By 2017, we will have the ability to use 100% waste and residues as raw material.
- The NEXBTL renewable diesel produced by us in 2017 will reduce greenhouse gas emissions by 7.0 million metric tons.

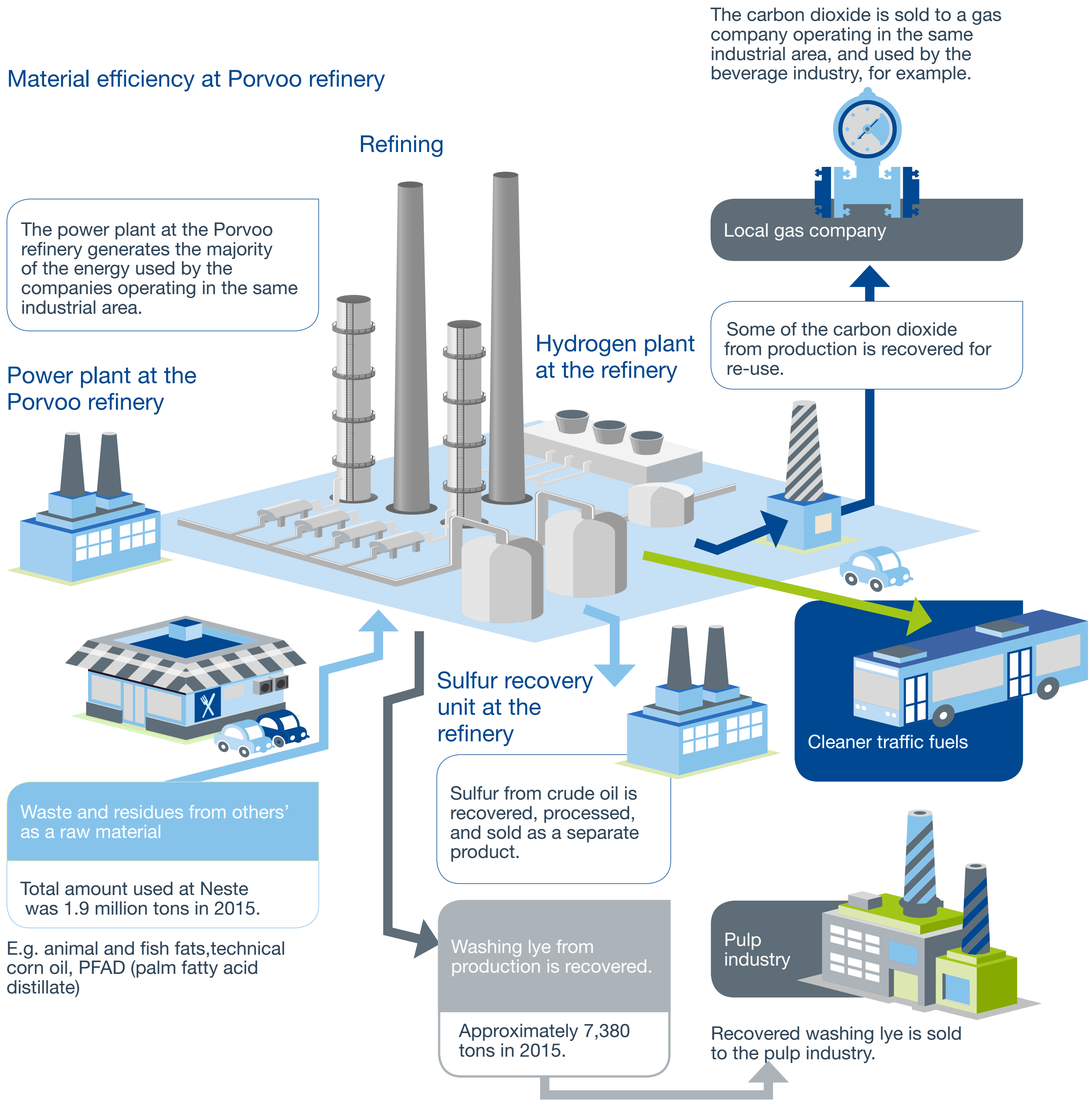
The goal realted to the ability to use 100% waste and residues as raw material was achieved already in 2015.

We will decrease the number of incidents and deploy new technology

The Porvoo refinery has a Leak/No-leak method, also known as Screening Range Approach, to detect diffuse VOC emissions and investigate leaks. The method includes annual VOC measurement and inspection rounds. In addition, each process unit has one or several fixed gas detectors that give an alarm in case of hydrocarbon, hydrogen sulfide or hydrogen leaks.

New Optical Gas Imaging technology to detect hydrocarbon leaks was tested at the Naantali and Porvoo refineries in 2014 and 2015. The decision on deploying the technology will be made in 2016.

In spring 2015, we modernized the sulfur recovery plant automation system at the Porvoo refinery. The investment, valued at EUR 26 million, is expected to significantly decrease operational incidents, which in turn will reduce accidental emissions. Further, we shall increase our desulphurization capacity by investing in oxygen enrichment technology.



Construction of SDA unit commenced

In 2015, we decided on constructing a new SDA (Solvent De-Asphalting) unit and asphaltene pelletizer, which is an integral part of the unit, in the area of production line 4 (PL4) at the Porvoo refinery. The aim of the SDA unit is to decrease the share of asphaltene in the base oil unit supply.

The new unit enables to decrease the production of heavy fuel oil and inrease the production of diesel, among other things. Even larger share of crude oil can be converted into high value and high quality fuels whose emissions during their use are lower than those of heavy fuel oil.

The largest excavation work of the SDA unit was completed early in the fall, and the foundation stone was laid in September. The EUR 200 million project is due for completion in 2017.

Biopropane investment about to be completed

We have invested in a biopropane recovery unit at the Rotterdam refinery. Biopropane will be included in our portfolio of renewable products at the end of 2016. It can be used in the production of plastics and energy, among other uses.

Carbon dioxide recovery plant will increase resource efficiency in Singapore

A carbon dioxide recovery and fluidization unit was completed at Neste's renewable diesel refinery in Singapore at the end of 2015. The investment will further increase the resource efficiency of the plant. We supply an average of 40,000 tons of carbon dioxide-containing crude gas to the plant per year. The plant was constructed by National Oxygen Pte Ltd (NOX), a wholly-owned subsidiary of Taiyo Nippon Sanso, which will utilize the recovered carbon dioxide as its raw material.

We are preparing for new BAT requirements

According to the Best Available Technology (BAT) principle, the regulations and restrictions of environmental permits must be based on emission levels achieved by using the best available technology. The application of the European Union's BAT requirements for oil refineries became effective in 2014, and operators have four years to make the changes required by the new regulations. We have begun preparations to fulfil the new BAT requirements. The company will submit BAT permit applications concerning the Porvoo and Naantali refineries to the authorities during the first half of 2016.

More information about Neste's energy efficiency improving on page 53.

"We will reduce energy consumption by **660** GWh by the year 2016.

Climate and resource efficiency

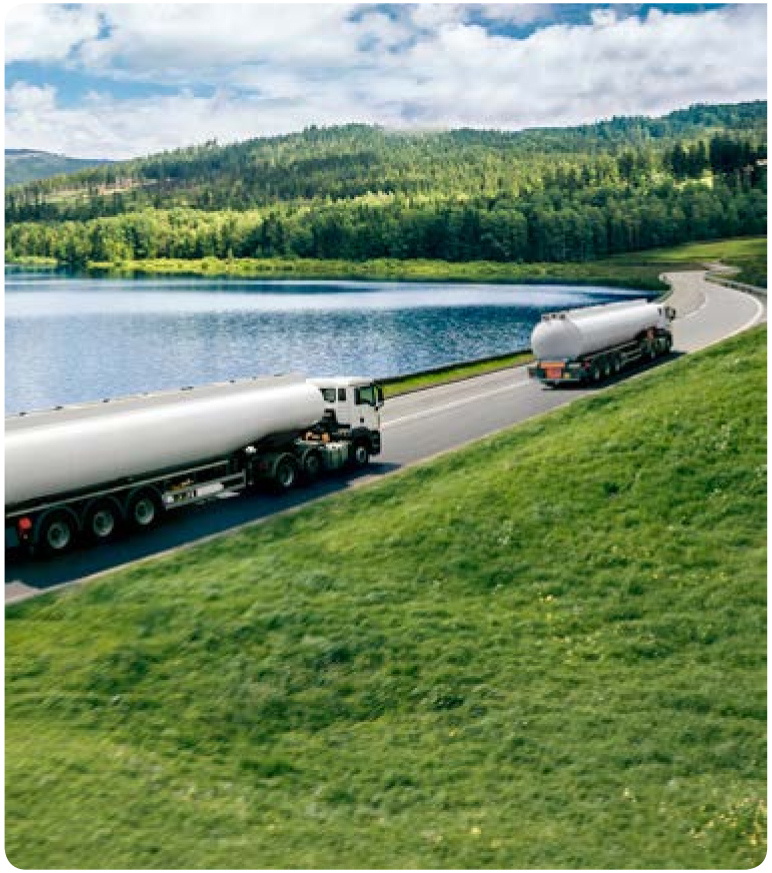
Target	Achievements in 2015	Long-term targets
We will reduce energy consumption by a total of 660 GWh by 2016.	Energy consumption in 2015 was 10,2 TWh.	We will continue implementing measures that promote the savings targets.
Our aim is to reach the ability to exclusively use waste and residues in NEXBTL renewable diesel production by 2017.	We already reached the ability to exclusively use waste and residues in our production of NEXBTL renewable diesel in 2015.	We will maintain the ability to exclusively use waste and residue feedstocks in the production of renewable diesel.
The NEXBTL renewable diesel produced by us will reduce greenhouse gas emissions by 6.0 million metric tons by 2015.	The NEXBTL renewable diesel produced by us reduced greenhouse gas emissions by 6.4 million metric tons.	The NEXBTL renewable diesel produced by us will reduce greenhouse gas emissions by 7.0 million metric tons by 2017.

Achievements in 2015 Achieved Partly achieved Not achieved

Sustainable supply chain

Management description

Neste's supply chain is managed by company's sustainability policies and principles. Read more on page 22.



Cooperation to develop the sustainability of the supply chain

To meet the expectations of social responsibility and sustainability in the supply chain in particular, Neste commenced a social study in Malaysia in spring 2015 together with the international Business for Social Responsibility (BSR) organization.

The study focusing on social and labor rights helped us to understand the situation of migrant workers in particular in Malaysia. The aim is to develop the assessment of Neste's social risks and social sustainability within the supply chain.

The study took place on plantations of two palm oil companies located in Sabah on Borneo Island and Johor in Peninsular Malaysia. A team consisting of Neste and BSR experts surveyed the situation of local and migrant workers using a social assessment questionnaire developed during a preliminary research phase. Foreign and local employees, as well as the local and central managements were interviewed during the field study.

The results of the survey were utilized in a workshop on the social responsibility of the palm oil industry and labor rights organized by Neste in Malaysia in November 2015. The workshop focused on working conditions, ethical recruitment, child welfare, employee engagement and complaint systems. The situation of migrant workers was also discussed. The workshop brought together palm oil suppliers, NGOs, as well as representatives of international government organizations and the Malaysian labor office.

The observations from the study and the results of the workshop will be utilized in developing Neste's social responsibility standards and the Supplier Code of Conduct, as well as human rights due diligence process. The first phase of the plan, the company's Human Rights Commitment, was approved by Neste Executive Board in December 2015. We have taken an important step towards complying with the UN Guiding Principles on Business and Human Rights (UNGP). Next, the Executive Board will discuss a proposal on how Neste fulfils its responsibility for respecting human rights. A corporate wide Human Rights Impact Assessment will take place in spring 2016.

"We only buy from suppliers that meet our sustainability criteria.

Mini seminar on human rights

In order to increase our awareness of human rights, we organized discussions on labor rights together with NGOs and labor experts at our head office in February 2015. The aim of the event was to listen to the views of stakeholders and exchange thoughts on matters of key importance to Neste. The discussion was preceded by keynote speeches on international conventions, living wage and immigrant employees' rights.

Cooperation to combat the destruction of rainforests continues

In our No-Deforestation and Responsible Sourcing Guidelines for Renewable Feedstock, we are committed to ensure that the raw materials used by us do not cause direct or indirect losses in high carbon stock forest areas. In addition to our own supply chain, we want to promote the application of similar policies throughout the palm oil industry. Therefore in 2013 we started cooperation with The Forest Trust (TFT) specialized in preventing the deforestation of tropical rainforests. In 2014, the cooperation proceeded to field audits and workshops with palm oil suppliers with in the supply chain, advising the suppliers in preparing policies and implementing sustainable operating methods.

In 2015, we continued the development especially with suppliers that do not yet have policies or guidelines related to the prevention of deforestation. We have helped companies to make risk analyses and arranged training and workshops to promote good practices related to our commitments.

All of the renewable raw materials used by Neste can be traced back to the plantation or production site within an EU-certified mass balance system. To increase the transparency of the supply chain, we have also surveyed third parties suppliers within our supply chain in cooperation with TFT. We also strive to have farmers who work with our raw material suppliers to comply with the approved practices although they do not to us. By the end of 2015, all our biggest palm oil suppliers committed to the no-deforestation principles in their procurement from third parties.

Ensuring the sustainability of suppliers

Neste 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 audits are also carried out on existing suppliers if they add a new raw material to their offering or if there is a significant change in the supply chain.

During the audit we review good corporate governance, corruption, open legal disputes and any other matters to ensure that supplier's operations do not conflict with Neste's policies and operating principles.

In addition, a comprehensive sustainability review of potential suppliers is carried out as part of the selection process, covering areas

Ways to ensure sustainability in supply chain

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 continuously monitor our raw material suppliers. An independent third party annually audits the certified suppliers and where necessary our in-house supplier audits also review the supply chain and its sustainability.

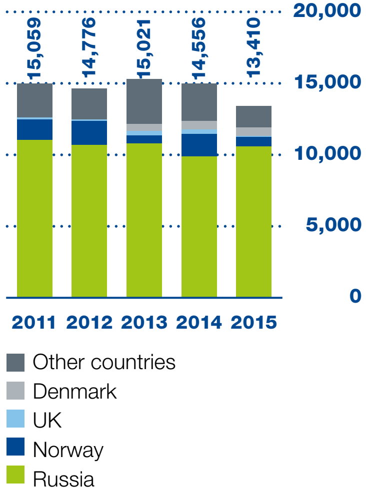
We require all of our palm oil suppliers to be members of the Roundtable on Sustainable Palm Oil (RSPO), which requires its members to commit themselves to respecting human rights and protecting forest areas. Suppliers must also commit themselves to Neste's Sustainability Policies, its Sustainability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

Increasing the share of smallholders

Our crude palm oil supply chain includes approximately 53,000 Indonesian smallholders organized as cooperatives. Our aim is to increase the share of independent smallholders in our procurement.

We have reviewed suitable areas for a project to develop small-scale palm oil plantations with IDH, a Dutch organization that promotes the sustainability of supply chains. The project aims to link the crude palm oil producer, financiers (IDH) and the buyer, i.e. Neste. The target is to

Crude oil and fossil feedstock sources by region, tons



help smallholders in creating a sustainable market and guide them in access to the market. The project has advanced to the implementation phase.

Traceability of crude oil

Neste primarily purchases fossil crude oil from Russia, and most of the crude oil we use is supplied to our refineries from the Primorsk oil terminal. The oil is transported to Primorsk via a network of pipelines carrying oil from oil fields located around Russia. In 2015, we also sourced crude oil from Kazakhstan, Norway, the United Kingdom, Denmark, Algeria and Angola.

We purchase crude oil both as spot batches and from contractual suppliers: oil producers, dealers and major oil companies. We source most of our crude oil from 10–15 suppliers.

As the crude oil sourced by us from Russia comes from fields located across the country via a pipework, it is difficult to trace the origin of the oil batch accurately.

All potential crude oil suppliers undergo a two-phase assessment that includes a financial review and a security review.

Neste does not purchase crude oil from Arctic sea area or conflict areas.

Sustainable supply chain

Target	Achievements in 2015	Long-term targets
100% of the crude palm oil we use is certified by 2015.	This goal was already met in 2013. (Achieved)	We will continue to only use certified crude palm oil.
All the renewable feedstocks we use can be traced back to their origin.	• All the renewable inputs we used were traced back to their origin. (Achieved) • All of our major suppliers also committed to adhering to the No-Deforestation Guideline in their procurement from third parties.	We will also ensure the continued traceability of renewable rawmaterial in the future.
Developing the assessment of Neste's social risks and social sustainability in the supply chain.	• We conducted a survey focused on the social issues of migrant workers working at Malaysian palm oil plantations in cooperation with Business for Social Responsibility (BSR). (Partly achieved) • We organized a discussion event on labor rights for NGOs. • The company's human rights commitment was approved by the Group's Executive Board.	• The development of Neste's social norms and Supplier Code of Conduct and preparation and implementation of an action plan concerning human rights and labor rights. • A company wide Human Rights Impact Assessment will take place in spring 2016. • Updating the supplier's sustainability assessment.

Achievements in 2015 Achieved Partly achieved Not achieved

Sustainability of our operations

Personnel

Description of HR management

Neste's HR policy is built on the company's business strategy, which lays the foundations for all development work. The Way Forward way of working launched in 2013 supports business-oriented management in line with the company's values and development of shared ways of working. Way Forward particularly focuses on developing our ways of working so that we can respond to the requirements and changes of our industry and achieve our strategic goals. The underlying idea is to develop Neste into an increasingly customer-oriented, profitable and safe company that allows employees to develop their skills, as well as to feel well – and to be well.

Neste's HR policy is described on the company's website.

The principles of the Way Forward way of working are as follows:

- We focus on customers
- We improve cooperation
- We give and take responsibility
- We value good results and react when needed
- We work cost-effectively
- We work safely and professionally: always and everywhere

"Way Forward helps make Neste even more customer-oriented, profitable and safe.

Business result – indicator of HR management

Way Forward is about making a long-term, comprehensive change in ways of working. Its implementation is illustrated by indicators of management and well-being at work, safety indicators and, above all, the result and development of the company's business.

Our employees are motivated and committed to their work. This is demonstrated by the low external turnover, excellent level of internal job rotation and willingness to accept new challenges, as well as employees' interest in developing their own competence. With the new way of working, we want to encourage everyone to take responsibility for joint development-related matters and inspire Neste people to adopt an open culture of conversation and feedback.

Development of supervisory work and leadership

The development of personnel is based on Neste's strategic objectives, from which personal and team-specific goals have been derived. Supervisors are responsible for making sure that each Neste employee knows their own role in producing added value and implementing the company's strategy, and that they receive sufficient support and tools for their work. We offer line and project supervisors customized development and training programs. In 2015, we have emphasized customer orientation, safety management and feedback culture in our programs.

In fall 2015, we and Aalto EE together launched the NEXWave development program supporting the implementation of Neste's strategy, change and growth. The program covers about 130 people from different business areas and shared functions. The aim of the program is to strengthen our understanding of the value forming and increasing of business and to identify and develop growth opportunities through a customer-oriented way of working.

Personnel by personnel group as of 31 December 2015, %

- Management and upper white-collar 38.3% (35.1%)
- White-collar 19.4% (21.1%)
- Blue-collar 42.3% (43.8%)

Personnel by segment as of 31 December 2015, %

- Oil Products 33.6% (35.6%)
- Renewable Products 5.5% (5.3%)
- Oil Retail 27.6% (28.1%)
- Neste Jacobs 19.1% (15.8%)
- Research and Technology 4.5% (4.8%)
- Other common functions 9.7% (10.5%)

Educational level of employees as of 31 December 2015, %

- Compulsory education 3.9% (6.2%)
- Vocational degree or high school 37.7% (31.7%)
- Bachelor's degree or equivalent 18.8% (35.4%)
- Master's degree or equivalent 20.8% (22.2%)
- Doctorate/licenciate 1.9% (2.0%)
- Information not available* 17.1% (2.6%)

Educational backround of employees as of 31 December 2015, %

- Technical or natural sciences 52.2% (58.9%)
- Commercial and law 13.8% (15.3%)
- Social sciences and humanities 1.1% (1.9%)
- Logistics or transport 2.0% (2.2%)
- General education and others 15.8% (17.4%)
- Information not available* 15.1% (4.3%)

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

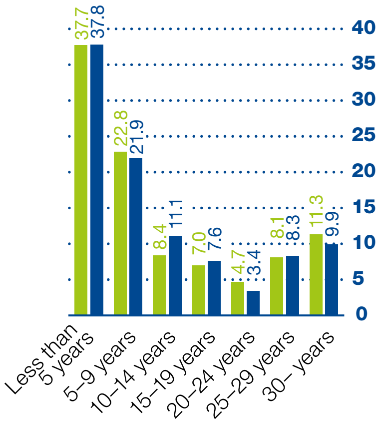
Our performance management will be reformed

Performance management is a key tool of supervisory work. We aim to incorporate it into daily work and management. In the first phase of the project, we reformed the performance and development discussions. In the future, we will utilize a value-based discussion model that checks goals several times a year.

New system to support supervisory work

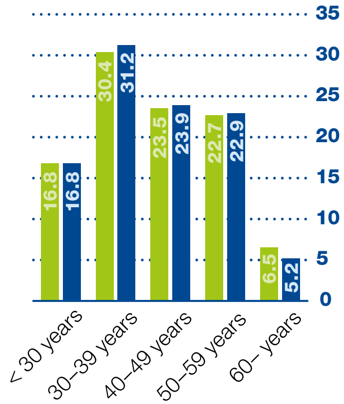
Neste's HR management reform creates a global system used by all units of the company. It supports daily management and brings efficiency and transparency to supervisory tasks. The new system also supports the on-going change in the performance management culture. It is fundamental that employees take an active role and are responsible for ensuring their own performance and development.

Length of employment of employees as of 31 December 2015, %



2014
2015

Breakdown by age as of 31 December 2015, %

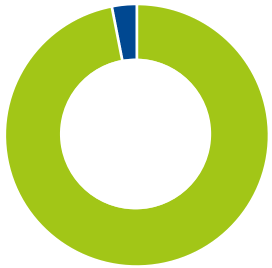


2014
2015

Gender ratio as of 31 December 2015, %

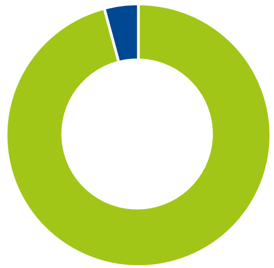
Men 64.9% (65.3%)
Women 35.1% (34.7%)

Type of employment according to working hours as of 31 December 2015, %



Full-time 96.7% (97.1%)
Part-time 3.3% (2.9%)

Type of employment contract as of 31 December 2015, %



Permanent 95.6% (96,2%)
Temporary 4.4% (3,8%)

Safety

Description of safety management

We work safely and professionally, always and everywhere, in accordance with the Way Forward way of working. Safe behavior is a central part of our high level of competence and professional identity. Safe operation is also part of good business and risk management.

Safety management is part of all business management and an integral part of daily supervisory work. In our view, we are all responsible for the safety of everyone working for us, securing the company's property and looking after our environment. Safe ways of working and processes support the company in achieving its strategic targets. Moreover, our operations are guided by legislation, regulations and the expectations of our stakeholders, such as investors.

Safety management starts at the top

Way Forward to Safety is a long-term safety development program in which all Neste people take part, all the way to the senior management. In 2015, we focused on management practices and supervisory work. We organized safety workshops with the company's Board of Directors, the Executive Board and the management teams of several functions, discussing the role and significance of the management in safety management. In 2016, the work will continue in the units' management teams and with the entire personnel. The aim is that every Neste employee feels a professional responsibility for safety in general and can return home safely after a safe day at work.

Read how we ensure safety of our transports on page 54.

Neste Safety Principles

"Safety promise of the company's Executive Board: Together we will make safety visible every day – no compromises.

The systems and practices of the safety development program are comprised of the following areas

1. Safety behavior and accountability
2. Operational discipline
3. Contractor safety
4. Process risk management

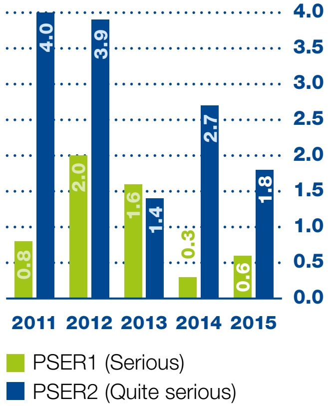
Safety starts with everyone of us. The development of the organization is supported by safety principles related to the personal behavior of people, which we have reviewed in workshops with the management and employees.

In the workshops, the teams have made their own safety promises concerning the kind of safety behavior they commit to and they want to take forward. The workshops will continue in 2016.

Aiming for zero accidents

In accordance with our vision, our aim is to have zero accidents and safety incidents. In 2015, we adopted a new indicator monitored at the company level. The Safe Days indicator indicates the number of days on which we had zero accidents, process safety events, fires, traffic accidents or environmental incidents.

Process safety event rate



In 2015, we had **262** safe days.

Sustainability of our operations

Target	Achievements in 2015	Long-term targets
Reducing Total Recordable Injury Frequency (TRIF) to <2.7 by 2015.	TRIF 3.3	Aiming for zero accidents.
At least 28,000 preventive safety measures by 2015.	30,700 preventive safety measures	We want to retain the achieved level and we concentrate on to develop the quality and effectiveness of the measures.
Decreasing the number of process safety events (PSER) to <2.7 by 2015.	PSER 1.8	Aiming for zero safety incidents.

Achievements in 2015 Achieved Partly achieved Not achieved

Our financial impact by stakeholder group

Personnel

Direct impact (EUR million)	2015	2014	2013
Salaries and remuneration	271	267	271
Other personnel expenses	80	72	83
Training investments*	3.4	3.1	3.5
Income tax paid by the personnel to Finland	72.92	64.1	58.8

*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.

Society

Direct impact (EUR million)	2015	2014	2013
Corporate income tax	55	21	94
Excise taxes	2,061	1,942	1,684
Environmental tax	21	22	24
Charity work and sponsorship	1	1	1

Neste's tax footprint

Owners and financers

Direct impact (EUR million)	2015	2014	2013
Dividends	256*	166	167
Interest and financial expenses	84	75	81

*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.

Suppliers

Direct impact (EUR million)	2015	2014	2013
Cash-out investments	505	272	214
Purchases of refinery feedstocks	9,016	13,319	15,091
Others (e.g. goods and services)	842	938	909

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.

Key figures

Climate and resource efficiency

	2015	2014	2013	2012
Emission limits and overruns Deviations from environmental permits	6	8	7	N/A
Emissions into the air, tons				
– CO_2 Scope 1 direct carbon dioxide emissions	2,935,000	3,166,700	3,556,200	3,469,700
– CO_2 Scope 2 indirect carbon dioxide emissions	452,900	418,900	444,500	489,200
– CO_2 Scope 3				
– goods and services purchased	4,300,000	4,900,000	4,600,000	4,600,000
– end use of products sold	37,600,000	43,700,000	40,700,000	40,500,000
– final disposal of products sold	400,000	400,000	600,000	308,000
– transport and distribution	270,000	Not relevant	Not relevant	
– VOCs	3,760	3,700	4,500	5,200
– NO_x	2,300	3,000	8,100	8,600
– SO_2	7,800	6,800	8,100	8,200
– Particulate matter	180	220	400	540
Energy use				
– Total energy consuption, TWh	10.2	12.7	14.11*	14.24*
– Fuels and natural gas, %	86.5	91.5	91.4	90.5
– Purchased electricity, %	7.9	6.1	6.4	6.9
– Purchased heat, %	5.6	2.4	2.2	2.6
Water				
– Water intake m³/year	8,378,000	8,626,000	8,391,000	7,430,000
– Wastewater m³/year	9,068,000	8,396,000	9,141,000	9,904,000
Emissions into water				
– emissions of oil into water, tons	2	1	1	4
– chemical oxygen demand, tons	398	392	497	306
– emissions of nitrogen into water, tons	62	44	49	49
– emissions of phosphorus into water, tons	2	2	1	3

* Neste Shipping included also in total consumption of the years 2013 and 2012.

	2015	2014	2013	2012
Waste, tons				
– Ordinary waste for disposal	6,900	12,100	11,900	13,000
– Waste for reuse	58,700	33,800	33,100	59,000
– Hazardous waste for disposal	20,800	24,200	18,900	14,100
Reduction of emissions	40–90%	40–90%	40–90%	40–90%
Number and magnitude of significant releases	1/1m³	N/A	1/30m³	1/20m³
Use of renewable raw materials (million tons)	2.8	2.6	2.3	2.1
Use of certified crude palm oil, %	100	100	100	91
GHG reduction achieved through NEXBTL diesel, million tons	6.4	5.6	4.8	4.0
Carbon dioxide recovered, tons	115,000	131,000	156,500	156,000
Use of waste and residue feedstocks in refining, million tons	1.9	1.6	1.2	0.74
Washing lye sold, tons	7,380	8,600	9,500	N/A
Monetary value of significant fines related to violations of environmental legislation and regulations and number of non-monetary sanctions	No fines or sanctions during reporting period	No fines or sanctions during reporting period	No fines or sanctions during reporting period	No fines or sanctions during reporting period

Sustainable supply chain

	2015	2014	2013
Share of certified raw material from total crude palm oil use	853 KT / 100%	100%	100%
Renewable raw material suppliers	43	38	45
Smallholders	53,249	40,000	54,000
Palm oil suppliers	7	6	8
Plantations	165	212	212
Pressing plants	51	57	65
Due Diligence assessments and results	Total amount of due diligence assessments 35, which 30 is approved and 5 is on process.	–	–

GRI Index and UN Global Compact

Neste continues to support the ten principles of the United Nations Global Compact (UNGC) in the areas of human rights, labour rights, environment and promoting zero tolerance against corruption. We are proud to celebrate our first year in the United Nations Global Compact. In order to better communicate our performance related to the ten principles, this report serves as our Communication on Progress (COP) for the UNGC. The GRI Content Index indicates which section in the report describes our performance regarding each principle.

	GRI Content index	Reporting	Global Compact Principles
	General standard disclosures		
	STRATEGY AND ANALYSIS		
G4-1	CEO's Review	p. 5–6	
	Organizational profile		
G4-3	The name of the organization	p. 4	
G4-4	The primary brands, products, and services	p. 8	
G4-5	Report the location of the organization's headquarters	Espoo	
G4-6	The number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	Finland, Sweden, Estonia, Latvia, Lithuania, Russia, United States, Singapore, the Netherlands, Bahrain, Switzerland	
G4-7	The nature of ownership and legal form	p. 19	
G4-8	The markets served	p. 8	
G4-9	The scale of the organization	p. 16	
G4-10	Total number of personnel and workforce by employment type, region and gender.	p. 39	6
G4-11	Percentage of total employees covered by collective bargaining agreements	3,343 persons	3
G4-12	Describe the organization's supply chain	p. 35–37	
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	No major changes.	
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	Neste's 2015 Global Compact Communication on Progress, Oct 2014 – Oct 2015. Principle 7.	7
		Risk management	

	GRI Content index	Reporting	Global Compact Principles
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	Sustainability policies and principles Human Rights Commitment Certificates (on the website) Involvement in organizations and joint projects Certificates, p. 30 Climate Leadership Council	
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization holds a position on the governance body, participates in projects or committees, provides substantive funding beyond routine membership duess, and views membership as strategic	Involvement in organizations and joint projects	
	Identified material aspects and boundaries		
G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents	p. 28–29, 49–50, Financial Statements 2015	
G4-18	The process for defining the report content and the Aspect Boundaries	p. 21–24, 28–29	
G4-19	List of all the material Aspects identified in the process for defining report content	p. 23–24	
G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements	p. 21, 24, 28–29	
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	p. 21, 24, 28–29	
	Stakeholder engagement		
G4-24	A list of stakeholder groups engaged by the organization	p. 24	
G4-25	The basis for identification and selection of stakeholders with whom to engage	p. 24	

	GRI Content index	Reporting	Global Compact Principles
G4-26	The organization's approach to stakeholder engagement	p. 24	
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	p. 24–27	
	Report profile		
G4-28	Reporting period (such as fiscal or calendar year) for information provided	p. 29	
G4-29	Date of most recent previous report	p. 28	
G4-30	Reporting cycle (such as annual, biennial)	p. 28	
G4-31	The contact point for questions regarding the report or its contents	Sustainability, Safety, and Environment contacts Neste Publications	
G4-32	GRI Content	GRI-index, p. 45–48	
G4-33	The organization's policy and current practice with regard to seeking external assurance for the report	p. 51–52	
	Governance		
G4-34	The governance structure of the organization, including committees of the highest governance body	p. 57–60, 64–66, 70–72	
	Ethics and integrity		
G4-56	The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Our values Way Forward	10

Specific standard disclosures

NESTE MATERIAL TOPIC: Sustainability of our operations

	ECONOMIC		
	Material aspect: Economic performance		
G4-DMA	Generic Disclosures on Management Approach	p. 10, 13–14	
G4-EC1	Direct economic value generated and distributed	p. 17, 43	
G4-EC3	Coverage of the organization's defined benefit plan obligations	Financial Statements 2015	
G4-EC4	Financial assistance received from government	Re-instatement of US Blender's Tax Credit supports Neste's result Tax Strategy Tax footprint Neste Corporation Financial Statements, 4 February 2016	
	Material aspect: Indirect economic impacts		
G4-DMA	Generic Disclosures on Management Approach	p. 10, 13–14	
G4-EC8	Significant indirect economic impacts, including the extent of impacts	p. 43	
	Tax footprint	Tax Strategy	
		Tax footprint	

NESTE MATERIAL TOPIC: Climate and resource efficiency

	GRI Content index	Reporting	Global Compact Principles
	CATEGORY: ENVIRONMENTAL		
	Environmental impacts of our operations	p. 30–37, 44 NaapuriSanomat, Naantali, Reports only in Finnish Kilpilahti, Ympäristön tilan seuranta, Reports only in Finnish	7, 8, 9
	Material aspect: Energy		
G4-DMA	Generic Disclosures on Management Approach	p. 30	
G4-EN3	Energy consumption within the organization	p. 34, 44	7, 8
G4-EN5	Energy intensity	p. 44, 53	8
G4-EN6	Reduction of energy consumption	p. 34, 53	8, 9
	Material aspect: Water		
G4-DMA	Generic Disclosures on Management Approach	p. 30	
G4-EN8	Total water withdrawal by source	p. 44, withdrawal not reported by source	7, 8
	Material aspect: Biodiversity		
	Soil and biodiversity	p. 36 NaapuriSanomat, Naantali, Reports only in Finnish Kilpilahti, Ympäristön tilan seuranta, Reports only in Finnish No-Deforestation and Responsible Sourcing Guidelines for Renewable Feedstock	
	Material aspect: Emissions		
G4-DMA	Generic Disclosures on Management Approach	p. 30	
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	p. 44	7, 8
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	p. 44	7, 8
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	p. 44	7, 8
G4-EN19	Reduction of greenhouse gas (GHG) emissions	p. 32, 44	8, 9
G4-EN20	Emissions of ozone-depleting substances (ODS)	Ozone-depleting substances have been removed from production and extinction systems in 1990s.	7, 8
G4-EN21	NOX, SOX, and other significant air emissions	p. 44	7, 8

	GRI Content index	Reporting	Global Compact Principles
	Environmental emissions and permits, sanctions for non-compliance with environmental regulations	p. 44	
	Greenhouse gases recovered	p. 44	
	Greenhouse gas emissions throughout product life cycle: The reduction in greenhouse gas emissions that could be achieved through NEXBTL renewable diesel produced in 2015	p. 4, 13, 44	
	Material aspect: Effluents and waste		
G4-DMA	Generic Disclosures on Management Approach	p. 30	
G4-EN22	Total water discharge by quality and destination	p. 44	8
G4-EN23	Total weight of waste by type and disposal method	p. 44	8
G4-EN24	Total number and volume of significant spills	p. 44	8
	Material aspect: Products and services		
G4-DMA	Generic Disclosures on Management Approach	p. 10, 13–14	
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	p. 30–37 LED lights halve the electricity bill in Neste Oil's stations	7, 8, 9
	Use of renewable raw-materials	p. 30–32, 34, 44	8, 9
	Material aspect: Compliance		
G4-DMA	Generic Disclosures on Management Approach	p. 70–71	
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No such cases during reporting period.	8
	Material aspect: Transportation		
G4-DMA	Generic Disclosures on Management Approach	p. 54 Safe transport by road, sea, and rail	
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	p. 44, 54 Included in requirements for transport contractors	8
	Environmental impacts of raw-material logistics	p. 44, 54 Included in requirements for transport contractors Innovative marine technology	

Category: Social

NESTE MATERIAL TOPIC: Our people

	GRI Content index	Reporting	Global Compact Principles
	SUB-CATEGORY: Labor practices and decent work		
G4-DMA	Generic Disclosures on Management Approach	p. 38	
	Material aspect: Employment		
G4-DMA	Generic Disclosures on Management Approach	p. 38	
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	p. 40 (partly) Leaving rate 10.6% Hiring rate 9.2%.	6
	Material aspect: Labor/management relations		
G4-DMA	Generic Disclosures on Management Approach	p. 38	
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Neste follows local legislation.	3
	Material aspect: Occupational health and safety		
G4-DMA	Generic Disclosures on Management Approach	p. 38	
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	p. 42 (partly) Sick leave percentage 2.6%.	
	Preventive safety measures	p. 41–42	
	Material aspect: Training and education		
G4-DMA	Generic Disclosures on Management Approach	p. 38	
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	p. 39, Total number of participants in Neste trainings 187, Training investement 3.4 M€.	
	Material aspect: Diversity and equal opportunity		
G4-DMA	Generic Disclosures on Management Approach	p. 39	
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	p. 58–61, 64–66	6
	Material aspect: Equal remuneration for women and men		
G4-DMA	Generic Disclosures on Management Approach	p. 80–83	
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	91–113%	6

NESTE MATERIAL TOPIC: Sustainable supply chain

	GRI Content index	Reporting	Global Compact Principles
	SUB-CATEGORY: Human rights		1
	Material aspect: Non-discrimination		
G4-DMA	Generic Disclosures on Management Approach	p. 22, 35	
G4-HR3	Total number of incidents of discrimination and corrective actions taken	No reported discrimination cases during reporting period.p. 22 Equality and diversity	

	GRI Content index	Reporting	Global Compact Principles
	Material aspect: Freedom of association and collective bargaining		
G4-DMA	Generic Disclosures on Management Approach	p. 21–22	
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	p. 26, 35–37 No-Deforestation and Responsible Sourcing Guidelines for Renewable Feedstock The new law of the Jungle? Finnwatch 2015	3
	Material aspect: Child labor		
G4-DMA	Generic Disclosures on Management Approach	p. 21–22	
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	No-Deforestation and Responsible Sourcing Guidelines for Renewable Feedstock Human rights in the supply chain	5
	Material aspect: Forced or compulsory labor		
G4-DMA	Generic Disclosures on Management Approach	p. 21–22	
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	No-Deforestation and Responsible Sourcing Guidelines for Renewable Feedstock Human rights in the supply chain	4
	Material aspect: Supplier human rights assessment		
G4-DMA	Generic Disclosures on Management Approach	p. 21–22	
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	p. 36, 44	2

NESTE MATERIAL TOPIC: Sustainable supply chain

	GRI Content index	Reporting	Global Compact Principles
	SUB-CATEGORY: Society		
	Material aspect: Public policy		
G4-DMA	Generic Disclosures on Management Approach	p. 21–22	
G4-SO6	Total value of political contributions by country and recipient/beneficiary	Neste does not give political contributions.	10
	Material aspect: Anti-competitive behaviour		
G4-DMA	Generic Disclosures on Management Approach	Neste Code of Conduct	
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	No such cases during the reporting period.	
	Material aspect: Compliance		
G4-DMA	Generic Disclosures on Management Approach	p. 57, 71	
G4-SO8	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	No such cases during the reporting period.	

NESTE MATERIAL TOPIC: Sustainable supply chain

	GRI Content index	Reporting	Global Compact Principles
	SUB-CATEGORY: Society		
	Material aspect: Public policy		
G4-DMA	Generic Disclosures on Management Approach	p. 21–22	
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	No such cases during the reporting period.	
	Material aspect: Product and service labeling		
G4-DMA	Generic Disclosures on Management Approach	p. 21–22	
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	No such cases during the reporting period.	
	Material aspect: Marketing communications		
G4-DMA	Generic Disclosures on Management Approach	p. 21–22	
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	No such cases during the reporting period.	
	Material aspect: Compliance		
G4-DMA	Generic Disclosures on Management Approach	p. 21–22	
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	No such cases during the reporting period.	

NESTE MATERIAL TOPIC: Sustainable supply chain

	GRI Content index	Reporting	Global Compact Principles
	Crude oil and fossil feedstock sources by region	p. 37	
	Share of the certified crude palm oil	p. 31	
	Number of suppliers of the renewable raw-materials	p. 44	
	Total number of palm oil smallholders supplying Neste	p. 44	
	Number of palm oil suppliers	p. 44	
	Number of palm oil plantations	p. 44	
	Number of mills supplying palm oil to Neste	p. 44	

Principles for calculating the key indicators

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

Environment

Energy

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

Water withdrawal

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

Waste water discharges

Neste reports the waste water volumes, chemical oxygen consumption as well as the 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 waste water treated in municipal or other external waste water treatment plants.

Carbon dioxide emissions (CO_2)

The emission factors compliant with the fuel classification published by Statistics Finland were used for the calculations with regard to scope 1 and 2 carbon dioxide emissions. The country-specific factors compliant with the GHG protocol were used as the consumption factors for bought-in electricity and heat. The calculation of Scope 3 emissions is based on sales and supply data. Information available from public sources and Neste's in-house calculation data have been used as the emission factors. Scope 3 calculation is based on the principles of the GHG protocol (Corporate standard).

Safety

Total recordable injury 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 in-house personnel, contractors and service providers working at Neste's sites.

Safe day

A day without a TRI accident, process safety events, fire or ignition, breach of environmental permit or traffic accident.

Hours worked

The hours worked by the whole personnel and the 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.

Workplace accidents

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, including non-toxic and non-flammable materials from a process, resulting in consequences according to the PSE1 classification. Possible consequences:

1. Workplace accident leading to absence (LWI, RWI) and/or fatality.
2. Fires or explosions with direct expenses (excluding loss of production) higher than EUR 25,000.
3. Evacuation or taking cover indoors.
4. A leak exceeding the reporting threshold during a certain period, threshold according to CONCAWE (European Oil Company Organisation for Environment, Health and Safety).
5. A pressure relief device (PRD) discharge with above mentioned consequences.

PSE2 (Process Safety Event)

An unplanned and uncontrolled release of any material, including non-toxic and non-flammable materials from a process, resulting in consequences according to the PSE2 classification. Possible consequences:

1. Workplace accident requiring medical treatment (MTC).
2. Fires or explosions with direct expenses (excluding loss of production) higher than EUR 2,500.
3. A leak exceeding the reporting threshold during a certain period, threshold according to CONCAWE
4. A pressure relief device (PRD) discharge with above mentioned consequences.

HSEQ (Health, Safety, Environment, Quality)

Health, safety, environment and quality.

Personnel

Reporting of personnel numbers

The personnel numbers are calculated as numbers of employees, and include, as a rule, all personnel with active or dormant contracts of employment. Hourly paid employees are not included as their numbers of working hours vary greatly and their number in proportion to other employees is very small. Unless otherwise specified, the personnel numbers are reported as at December 31.

Number of permanent employees leaving the company

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

Number of permanent employees joining the company

The number of employees entering a permanent contract of employment from Jan 1 to Dec 31. / the number of permanent employees on Dec 31.

Training costs

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

Independent Practitioner's Assurance Report

(Translation from the Finnish original)

To the Management of Neste Corporation

We have been engaged by the Management of Neste 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 2015 to 31 December 2015, disclosed in the "Sustainability" section of Neste Corporation's Annual Report "Neste in 2015" (hereinafter Sustainability information).

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

Management's responsibility

The Management of Neste 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 G4 Sustainability Reporting Guidelines of the Global Reporting Initiative where applicable. The Management of Neste Corporation is also responsible for such internal control as the management determines is necessary to enable the preparation of the Sustainability information that is free from material misstatement, whether due to fraud or error.

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

Practitioner's independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

PricewaterhouseCoopers Oy applies international standard on quality control ISQC1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's responsibility

Our responsibility is to express a limited assurance conclusion on the Sustainability information and on the Company's adherence to the AA1000 AccountAbility Principles based on the procedures we have performed and the evidence we have obtained. 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 Corporation for our work, for this report, or for the conclusions that we have reached.

We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Sustainability information is free from material misstatement.

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, the AA1000AS (2008) 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 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 reporting based 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.
- 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.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Neste Corporation's Sustainability information for the reporting period ended 31 December 2015 is not properly prepared, in all material respects, in accordance with the Reporting criteria.

Furthermore nothing has come to our attention that causes us to believe that Neste Corporation does not adhere, in all material respects, to the AA1000 AccountAbility Principles.

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 the procedures we have performed and the evidence we have obtained, we provide the following observations and recommendations in relation to Neste Corporation's adherence to the AA1000 AccountAbility Principles. These observations and recommendations do not affect the conclusions presented earlier.

- **Regarding Inclusivity:** Neste Corporation has processes in place for continuous stakeholder inclusivity and engagement. The Company has also engaged stakeholders to receive feedback on its materiality assessment and reporting. We recommend that the Company further develops dialogue and engagement with the different stakeholders both at group level and on respective geographical areas. We recommend the Company to continue the stakeholder engagement and to further promote it with the suppliers.
- **Regarding Materiality:** Neste Corporation has a systematic process in place to assess and define the materiality of sustainability topics. The Company has updated its materiality assessment, based on which also the reporting has been developed. We recommend that the Company continues to monitor the material topics both from the viewpoint of the stakeholder expectations as well as from the perspective of business and other impacts assessing the possibe changes in them and, if necessary, updating the materiality analysis accordingly.
- **Regarding Responsiveness:** Neste Corporation has processes in place for identifying and communicating stakeholder needs to the decision making process of the Company. We recommend that the Company continues focusing on the material sustainability topics including investors' expectations for ESG -reporting.

Helsinki, 4 March 2016

PricewaterhouseCoopers Oy

Sirpa Juutinen
Partner
Sustainability & Climate Change

AA1000
Licensed Assurance Provider
000-29

Case gallery

case

We are improving energy efficiency in a systematic and long-term manner

Neste's energy use management is based on the company's energy efficiency principle, defining the goals for energy efficiency activities. The aim is to reduce greenhouse gas emissions in a cost-effective manner. The largest and most significant locations for Neste with regard to energy use are the different production plants. Neste participates in a joint venture company, which is building a combined heat and power plant in Porvoo for the needs of Neste's refinery and Borealis' petrochemical production. The power plant produces steam and energy more safely, efficiently and far more cleanly.

We are committed to the energy industry action plan in accordance with the national energy efficiency agreement, aiming to prevent climate change in accordance with Finland's national climate and energy strategy. The key objective of the agreement is to implement energy efficiency measures with annual cumulative energy savings of 660 GWh by 2016. The savings target corresponds to the annual energy consumption of 35,800 electrically heated one-family houses. As part of the energy efficiency agreement, we have adopted an Energy Efficiency System (EES). The energy efficiency agreement covers our refineries in Porvoo and Naantali, as well as the terminals in Finland. Their energy consumption and energy efficiency measures will be annually reported.

The Singapore and Rotterdam refineries have their own energy efficiency programs based on the local national energy efficiency programs.

Energy savings corresponding to the annual energy consumption of up to 3,000 one-family houses through furnace operation

Major furnace test runs were carried out at the Porvoo refinery during fall 2015. The aim of the test runs was to optimize the operating conditions of the biggest process furnaces, thereby increasing the efficiency of fuel use in the refinery furnaces. Based on the results of the test runs, operating windows will be specified for the furnaces, making the operation of the furnaces as energy-effective as possible. According to preliminary estimates, the annual savings potential from increasing the efficiency of furnace operation can amount up to 40–60 GWh, corresponding to the annual energy consumption of 2,000–3,000 electrically heated one-family homes.

The turnover also improved energy efficiency

Regular refinery turnovers involve replacing and servicing equipment at the refineries. New systems usually offer better efficiency and insulations, making it possible to decrease energy consumption. During the major turnover at the Porvoo refinery in spring 2015, the biggest energy-savings were achieved by replacing the furnaces of the crude oil distilling unit and enhancement of the reforming unit. The reforming unit produces premium-quality gasoline.

Safety of transport

case

External partners take care of most of our transportation. We manage transport-related risks by ensuring that our transport fleet is in order and that both our own and our partners' employees know how to act safely.

Road transport

Our partners undertake to comply with our safety guidelines and rules. Our contracts include a separate appendix focusing on safety.

Neste has a vehicle standard that exceeds the requirements of the Road Traffic Decree and specifies the properties required of vehicles used to transport goods for us. We set safety objectives for carriers and regularly monitor them. All safety incidents are investigated.

In addition to annual vehicle inspections, the transport fleets of our contractual carriers undergo safety inspections (the oil industry's joint European Truck Safety Control). The inspection focuses specifically on the chassis of the vehicles and special tank truck structures.

In addition to carriers, we cooperate closely with the authorities and significant parties, such as the police, the Finnish Transport Safety Agency (Trafi) and the Finnish Petroleum and Biofuels Association to help road transport operations develop in a more harmonized and safe direction.

Rail transport

Neste's rail transport is carried out by VR. We are responsible for the safety and maintenance of the railway tracks we own. We own and manage a total of eight rail-connected terminals in Finland, Tallinn in Estonia, and Riga in Latvia. Our safety management system covers the terminals with regard to the functions for which we are responsible.

Neste has been awarded the safety permit required from parties operating railway lines in Finland by the Finnish Transport Safety Agency.

Marine transport

In 2014, we completed the outsourcing of shipping operations. We are responsible for the commercial operation of the vessels we use, but their safety is the responsibility of the ship management companies that handle their safety management systems.

Neste's ship vetting function is responsible for reviewing and approving tankers chartered from other companies. Navidom Oy, a new company established in connection with the outsourcing of shipping functions, monitors the levels of safety and quality relating to chartered vessels by guiding cooperation and auditing the vessels and the companies responsible for their management. The audits ensure that the vessels meet industry requirements as well as Neste's in-house safety principles, which exceed the statutory requirements.

In addition, the safety management systems are audited through regular audits by various authorities and customers, i.e. other oil companies.

We have separate safety guidelines and practices for terminal functions, which our chartered vessels must follow.

case Roadshow among our people

Neste meets current and potential investors several times a year and also organizes a capital market day at least once a year for them and analysts. The investor meetings are often called "roadshows": getting on the road to introduce the company, its activities and its results to key target groups.

A separate "roadshow", strategy cafe, is organized every year for Neste's most important target group: the company's personnel. The events organized at the company's largest units review the company's strategy and what concrete action it requires. In previous years, the CEO got on the road, but in 2015, the tour was carried out by members of the Executive Board in pairs.

The strategy cafes focused on Neste's new vision and corporate-level strategy. Another purpose of the events is to offer a platform for dialogue and employees' questions. In 2015, for example, the program included a panel discussion for which questions were collected from the employees.

After the strategy cafes, the functions arranged events that discussed and reviewed the company's strategy from their own points of view in more detail.

The strategy cafes are organized annually after the summer holidays. In 2015, they took place in September and October.

Governance

Regulatory framework

Risk reporting

Corporate Governance Statement 2015

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.neste.com/Investors.

Regulatory framework

Neste 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 also complies with the rules of NASDAQ Helsinki Ltd, where it is listed, and the rules and regulations of the Finnish Financial Supervisory Authority.

Neste'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 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 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 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

Neste's Governance Bodies

Board of Directors is responsible for Neste's strategy and overseeing and monitoring the Company's business. The Board of Directors appoints the President & CEO. 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's headquarters are located in Espoo, Finland.

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 approval 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.neste.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 is not aware of any shareholders' agreements regarding the Company's shares.

2015

The 2015 AGM was held in Helsinki on Wednesday 1 April and adopted the Parent Company's Financial Statements and the Consolidated Financial Statements for 2014 and discharged the Board of Directors, and the President and CEO from liability for 2014. The AGM also approved the Board of Directors' proposal regarding the distribution of the Company's profit for 2014, 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 7 April 2015. The payment was made on 14 April 2015. 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 Chair, Vice Chair and members at the Board 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 annually determined 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, the right 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 2016 AGM

On 3 September 2015, the following members were appointed to Neste's Shareholders' Nomination Board: Eero Heliövaara, Director General of the Prime Minister's Office's Ownership Steering Department (Chair); Mikko Mursula, Chief Investment Officer of Ilmarinen Mutual Pension Insurance Company; Reima Rytsölä, Chief Investment Officer of Varma Mutual Pension Insurance Company; and Jorma Eloranta, the Chair of Neste's Board of Directors.

The above mentioned Shareholders' Nomination Board convened 4 times and presented its proposal covering the members of the Board of Directors and the remuneration to be paid to them on 25 January 2016.

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, Finnair, and Fortum.

Mikko Mursula

M.Sc. (Econ.), Helsinki School of Economics, 1992, Member of the Shareholders' Nomination Board.
Born 1966.

Chief Investment Officer of Ilmarinen Mutual Pension Insurance. Member of the Nomination Boards of Neste, Metso, Outotec, Suominen, Munksjö, Oriola KD and Ekokem.

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.

Executive Vice-President, Investments in Varma Mutual Pension Insurance, Member of the Board of VVO Group. Member of Nomination Boards of Neste, Uponor, Tikkurila, Suominen, Elisa and Componenta.

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

The Shareholders' Nomination Board responsible for preparing the 2015 AGM comprised 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's Board of Directors.

The 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.

Board of Directors

In accordance with Neste'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 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 and being responsible for supervising and steering its business
- deciding on Neste'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'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's organizational and operational structure at senior management level
- determining the Company's dividend policy to be followed when making a proposal regarding dividends to the AGM, and
- being responsible for its other 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 Group, (ii) agreements between any entity within the Neste Group and third parties where such member has a material interest in the matter which may conflict with the interest of Neste or any other entity within the Neste Group, and (iii) agreements between any entity within the Neste 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 is a company within the Neste Group. The term 'agreement' as used here includes litigation or other legal proceedings arising from or relating to such agreements.

2015

The 2015 AGM confirmed the membership of the Board of Directors as being comprised of seven members, and the following were re-elected to serve until the end of the next AGM: Mr Jorma Eloranta, Ms Maija-Liisa Friman, Ms Laura Raitio, Mr Jean-Baptiste Renard, Mr Willem Schoeber, and Ms Kirsi Sormunen. Mr Marco Wirén was elected as a new Board member. Mr Eloranta was re-elected as Chair and Ms Friman as Vice Chair.

Mr Per-Arne Blomquist's membership in the Board of Directors ended at the AGM held on 1 April 2015.

The Board met 13 times in 2015 and attendance percentage was 93%. In its work in 2015, the Board of Directors focused on monitoring the company's financial performance and status, oversaw strategy execution and evaluated the changes in the operational environment and their impact on company strategy. The Board made decisions related to refinery development and securing competitiveness. The decisions concerned, for example, the Porvoo refinery maintenance turnaround and the thermal and electrical power plant built as a joint venture. The Board paid attention to safety improvement and monitored the measures taken to improve production unit availability and to develop operating methods. The Board also monitored the increasing flexibility in the renewable product raw material base. In addition, the Board paid attention to improving risk control 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 2015

	Position	Born	Education	Main Occupation	Independent of the company	Independent of major shareholders	Personnel and Remuneration Committee	Audit Committee	Attendance in meetings: Board	Attendance in 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%
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	•	•		•	90%	100%
Kirsi Sormunen	Member	1957	M.Sc. (Econ.)	Non-Executive Director	•	•		•	100%	100%
Marco Wirén	Member	1966	M.Sc. (Econ.)	Executive Vice President, CFO	•	•		•	90%	100%

Board of Directors, 1 January–1 April 2015*

	Position	Born	Education	Main Occupation	Independent of the company	Independent of major shareholders	Personnel and Remuneration Committee	Audit Committee	Attendance in meetings: Board	Attendance in meetings: Committees
Per-Arne Blomquist	Member	1962	B.Sc. (Econ.)	CFO	•	•		•	66%	100%

* Per-Arne Blomquist's membership in the Board of Directors ended at the AGM held on 1 April 2015.

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 2015.

Members of the Board of Directors

Jorma Eloranta

M.Sc. (Tech.)
Dr. (Tech.) h.c.
Born in 1951
Chair of the Board
Member of the Board since 2011
Independent member

President and CEO of Metso 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 and Uponor. Chair of the Board and President of Pienelo. Vice Chair of Finnish Fair Foundation and member of the Board of Cargotec. Member of the Shareholders' Nomination Board of Neste and Suominen. Expert member of the Shareholders' Nomination Board of Uponor. Chair of Neste's Personnel and Remuneration Committee.

Maija-Liisa Friman

M.Sc. (Chem. Eng.)
Born in 1952
Vice Chair of the Board
Member of the Board since 2010
Independent member

President and CEO of Aspocomp Group Plc 2004–2007. Managing Director of Vattenfall in 2000–2004 and Managing Director of Gyproc 1993–2000. Chair of the Board of Helsinki Deaconess Institute Foundation. Member of the Boards of Finnair, LKAB and Securities Market Association. Chair of the Audit Committee of Finnair. Partner of Boardman. Member of Neste's Audit Committee.

Laura Raitio

M.Sc. (Chem. Eng.), Lic. Tech. (forest products technology)
Born in 1962
Member of the Board since 2011
Independent member

CEO of Diacor Medical Services 2014–. Executive Vice President, Building and Energy 2009–2014 and Member of the Executive Management Team 2006–2014, Ahlstrom. 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 2001–2002. Several managerial positions within Ahlstrom's specialty paper business since 1990. Member of the Boards of Boardman, Suominen and Terveyspalvelu-alan Liitto. Member of Neste's Personnel and Remuneration Committee.

Jean-Baptiste Renard

M.Sc. (Eng) an engineering diploma in petroleum economics from the French Petroleum Institute (IFP)
Born in 1961
Member of the Board since 2014
Independent member

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 (South-Africa), President of the Alumni Association of IFP School (French Petroleum Institute), Non-Executive Director of IFP Training; pro bono consulting for social entrepreneurs. Supervisory Board Member of Entreprendre&+. Member of Neste's Personnel and Remuneration Committee.

Willem Schoeber

Dr. (Chem. Eng.)
Born in 1948
Member of the Board since 2013
Independent member

Independent business consultant. Former Chair of the boards of directors of EWE Turkey Holding AŞ, Bursagaz AŞ and Kayserigaz AŞ 2010–2015. 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. Member of the supervisory board of Gasunie N.V. Member of Neste's Audit Committee.

Kirsi Sormunen

M.Sc. (Econ.).
Born in 1957
Member of the Board since 2013
Independent member

Vice President, Corporate Responsibility at Nokia 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 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 and member of the Board of Directors of Sitra, The Finnish Innovation Fund. Member of Neste's Audit Committee.

Marco Wirén

M.Sc. (Econ.)
Born in 1966
Member of the Board since 2015
Independent member

Executive Vice President and Chief Financial Officer Wärtsilä since 2013. SSAB, Executive Vice President and CFO 2008–2013; SSAB, Vice President Business control 2007–2008; Eltel Networks, CFO and VP Business Development 2002–2007; NCC, VP Business Development and Group Controller 1995–2001. Chair of Neste'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'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 and risk management processes 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 processes to ensure 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 and credit position.

2015

The Audit Committee until 1 April 2015 comprised Per-Arne Blomquist (Chair), Jean-Baptiste Renard, Willem Schoeber and Kirsi Sormunen.

Starting from 1 April 2015, the Audit Committee comprised Marco Wirén (Chair), Maija-Liisa Friman, Willem Schoeber and Kirsi Sormunen.

During 2015, the Audit Committee convened 5 times and the attendance rate was 100%. In addition to its tasks pursuant to the Charter, the Audit Committee focused on financial reporting and risk control, and monitored market risk control related to renewable fuel business growth. The Audit Committee also focused on the development of ICT systems and upgrading the 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:

- Developing and monitoring effective remuneration policies that are line with the value creation for shareholders and with the overall external remuneration market. Making proposals to the Board on compensation and incentive systems for key personnel.
- Evaluating the appropriate performance management, succession planning and talent development processes and programs. 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. Evaluation of the human resources strategy to ensure that appropriately talented and trained people are available to achieve the business strategy.

2015

The Personnel and Remuneration Committee until 1 April 2015 comprised Jorma Eloranta (Chair), Maija-Liisa Friman and Laura Raitio.

Starting from 1 April 2015, the Personnel and Remuneration Committee comprised Jorma Eloranta (Chair), Laura Raitio and Jean-Baptiste Renard.

In 2015, the Committee convened 8 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 specially the design of the new LTI program. 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 focused on Neste's management review and succession planning practices and on the talent development and succession planning among key personnel.

President & CEO

Neste'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 2015.

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 2015.

2015

The Neste Executive Board comprised ten members and met 12 times in 2015. NEB focused on cash flow management by monitoring and guiding investments and working capital and by implementing an efficiency program targeting variable and fixed costs. NEB made strategy execution more effective by making decisions related to refinery development and the securing of competitiveness. The decisions concerned, for example, the Porvoo refinery maintenance turnaround and the thermal and electrical power plant built as a joint venture. NEB continued its work in order to improve safety, change operating methods, improve the availability of production units and to promote more customer-oriented operations.

Members of the Neste Executive Board

Matti Lievonen

President & CEO, Chair of the Neste Executive Board

B.Sc. (Eng.), eMBA
Born in 1958
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

M.Sc. (Eng.), eMBA
Born in 1974
Member of the Neste Executive Board since 2009

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

Kaisa Hietala

Executive Vice President, Renewable Products

M.Sc. (Physics), Finland and M.Sc. (Env.Sc.), UK
Born in 1971
Member of the Neste Executive Board since 2014

Joined the company in 1998. Responsible for the Renewable Products business area. Served in several positions at Neste, 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

Commercial college graduate
Born in 1967
Member of the Neste Executive Board since 2014

Joined the company in 2014. Responsible for Oil Retail Business Area in Finland and the Baltic Rim. 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 Finnish Petroleum & Biofuels Association, and German–Finnish Chamber of Commerce.

Simo Honkanen

Senior Vice President, Sustainability and Public Affairs

M.Sc. (Econ.)
Born in 1958
Member of the Neste Executive Board since 2009

Joined the company in 2006. Responsible for the Sustainability and Public Affairs activities. Served previously as Vice President, Marketing, Stakeholder Relations and Raw Material Procurement 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

M.Sc. (Econ.)
Born in 1977
Member of the Neste Executive Board since 2012

Joined the company in 2012. Responsible for Strategy, New Ventures, Market Intelligence, and M&A operations. Served as Senior Vice President, Strategy (2012–2014). Prior to that 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

M.Sc. (Eng.)
Born in 1966
Member of the Neste Executive Board since 2006

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

Osmo Kammonen

Senior Vice President, Communications and Brand Marketing

M.Sc. (Laws)
Born in 1959
Member of the Neste Executive Board since 2004

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

Ph.D. (Tech.), MBA
Born in 1964
Member of the Neste Executive Board since 2009.

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

Jyrki Mäki-Kala

Chief Financial Officer

M.Sc. (Econ.)
Born in 1961
Member of the Neste Executive Board since 2013.

Joined the company in 2013. Responsible for the Group's financial management, investor relations, and risk management. Served in various business and corporate financial positions at Kemira (2005–2013). Previously worked for Finnish Chemicals. Chair of the Board of Directors of Neste Jacobs.

Matti Hautakangas

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

M.Sc. (Laws)
Born in 1963

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.

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.

2015

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 2015.

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'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.

2015

PricewaterhouseCoopers Oy served as Neste's Auditor until 1 April 2015, with Authorized Public Accountant Mr Markku Katajisto as the principally responsible auditor. PricewaterhouseCoopers Oy was re-elected as the company's Auditor on 1 April 2015, until the end of the next AGM.

Fees charged by the statutory auditors

Fees charged by the statutory auditor, PwC, EUR, 1,000	2015	2014
Audit fees	990	751
Other	1,517	698
Total	2,507	1,449

Fees charged by the former statutory auditor, EY, EUR, 1,000 *	2015	2014
Audit fees	–	250
Other	–	232
Total	–	482

* Ernst & Young Oy served as Neste's Auditor until 3 April 2014.

Internal Audit

Neste internal audit is an independent, objective assurance and consulting activity designed to add value and improve the operations of Neste. As a component in the corporate governance process, it supports the organization by systematic risk and assurance based approach to evaluate and improve the effectiveness of risk management and control and governance processes. Internal Audit evaluates the actualization of objectives, financial effectiveness, safeguarding of assets and compliance of laws and regulations. In the scope of each audit project Internal Audit assures also that the organizational structure and governance model enables efficient decision-making and steering system including clear roles and responsibilities and key policies and guidelines. In addition, the adequate monitoring systems and reporting practices are in the scope of audit.

Neste's Internal Audit is responsible of creating and executing the annual audit plan, proposing findings, recommendations and continuous improvement actions that add value for NESTE and mitigate risks in its operations. Neste's strategic and operative objectives and risks of businesses and functions related to them are the key elements of audit execution. To assure effective and efficient and value adding process internal audit co-operates actively with other Neste's assurance service functions and top management and shares best practices from process and governance point of view.

Internal Audit is also responsible for conducting special assignments on behalf of management or the Board of Directors' Audit Committee. As part of audits internal audit assesses that the values and code of conduct determined by Neste top management are complied. Neste has internal ethical online system where personnel can anonymously report misconducts and Internal Audit is responsible for evaluating and investigating cases. The possible irregularities or misconducts are investigated and reported regularly to the Board of Directors' Audit Committee.

Neste's Internal audit follows the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. Internal Audit reports directly to Board of Directors' Audit Committee and administratively to the President & CEO. The Board of Directors is responsible for approving Internal Audit Charter and annual audit plan. Internal Audit Charter includes the determination regarding Internal audit position, operational model, process and reporting lines. Internal Audit has at least annually a non-executive meeting with the Audit Committee members and the Audit Committee Chairman. Neste's Head of Internal Audit is responsible for the internal audit operations, and manages in-house internal audit resources and operates as the coordinator towards outsourced service providers.

2015

Internal Audit function continued co-operation with other Neste assurance and service functions to enhance creation of risk based, effective and efficient audit, compliance and risk management activities.

Neste internal audit continued operating with co-sourcing model using audit resources and experts effectively in order to achieve audit related objectives. Neste's key business processes, projects and risk areas were analyzed as focus areas during the year 2015 including for example ICT information security, major ICT projects and inventory management.

Compliance function

Neste conducts its business and operates in compliance with applicable laws, regulations and widely accepted practices for good corporate governance. Neste's Code of Conduct sets the core requirements for its employees to follow. It is the responsibility of every employee to conduct his/her business activities and operations in compliance with these provisions. Compliance in Neste not only seeks adherence to formal laws and regulations but also promotes the integrity of company, its businesses and employees.

The purpose of Neste's Compliance function, established in 2015, is to strengthen the effectiveness of compliance within the company. It supports Neste's management in maintaining and developing the company's compliance practices. Compliance function works in close collaboration with Neste's Business areas, Common functions and other internal assurance organizations, in particular the Risk Management and the Internal Audit functions. Compliance function is headed by the Chief Compliance Officer (CCO), who reports to Neste's Chief Financial Officer.

2015

Compliance function focused on setting the foundation for the new activity. Steps were taken to establish the working procedures for a senior management level Compliance Committee and a company-wide Compliance Liaison Network. The purpose of these bodies is to strengthen Neste's compliance management in general and to increase awareness and information sharing on compliance related matters.

Insider administration procedures

As part of compliance in Neste, the Company complies with the Insider Guidelines of NASDAQ Helsinki Ltd. that came into force as of 1 December 2015. The Company has also approved its own Guidelines for Insiders, which are more strict in some areas. The Company's closed window, for example, exceeds minimum NASDAQ Helsinki requirements.

The Company's Guidelines for Insiders are regularly updated and are available to all personnel. The Company arranges training on insider guidelines for personnel and expects that its guidelines are followed. The Company supervises 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 insider 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 neste.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 over financial reporting at Neste is to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statement in accordance with applicable laws and regulations and internal requirements of control activities.

The system of internal control related to financial reporting in the Neste Corporation is based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Control environment

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 Internal control in Neste is based on the Corporate structure whereby the operations are organized into business areas and services functions. The heads of business areas and finance function are responsible for establishing and maintaining appropriate, up-to-date, effective and adequate internal control over financial reporting. To ensure sufficient control in business areas, the Neste controllers network has a key role in developing internal control system and reporting practices. In some key areas Corporate Finance department has centralized control responsibility.

Neste's values and management system containing formal Code of Conduct are the foundation of the control environment. The President & CEO and corporate management are responsible for emphasizing the importance of ethical principles and correct financial reporting. The structure of the organization and the resources allocated within it are designed to provide effective control over financial reporting and segregation of duties.

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. The assessment of risk includes risks related to fraud.

Based on risk assessment, the requirement for internal control has been included in the Principle and Instruction for Control over Financial Reporting-documentation which are to be obeyed in Neste Corporation.

Control activities

Neste control activities include instructions, guidelines and procedures to ensure that the actions identified by management to address the relevant risks are carried out effectively. The Controller's manual is the most important guideline related to financial reporting systems and practices. Neste'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. The other key risk and process level policies and guidelines are documented in Neste's management system.

Communication

The Neste Corporate level communication practices support completeness and correctness of financial reporting. Neste personnel have access to adequate information and communication regarding accounting and reporting principles and guidelines. The main means of communicating the relevant matters for appropriate financial reporting are the Controllers' Manual and financial portal for controllers at common function and business areas. These contain instructions covering accounting principles, forecasting and reporting.

Neste Business areas make regular financial and management reports to the management review, including analysis and comments of financial performance. The Neste Executive Board receives financial reports monthly. Interim Reports are reviewed in Audit Committee meetings, and thereafter by Board of Directors.

Monitoring

The effectiveness of the controls is regularly monitored as part of management, as a control that was initially effective can become ineffective due to changes in the operating environment. Changes can also take place in the controls due to changed processes, IT systems or personnel.

The Board of Directors and the Audit Committee regularly review the financial performance including reviewing whether there is an adequate level of process to evaluate the risks and effectiveness of controls related to financial reporting process in all level of the organization. The Audit Committee oversees the Company's finances, financial reporting, risk management, and internal auditing as part of the Company's corporate governance. Internal control deficiencies are communicated in a timely manner to those parties responsible for taking corrective action, and to management and the Board as appropriate.

Corporate Internal Audit assesses annually the operational model and practices of internal control over financial reporting of Neste as part of business and process level audits.

2015

In 2015, the focus areas of internal controls development were the global design of a new ERP system (Enterprise Resource Planning system), monitoring, evidences and update of controls related instructions.

As for a global design of a new ERP system, the project was set up to develop processes and controls for Oil Products and Renewable products including finance. This project is significant for Neste since when implemented, it is expected to bring more efficient and controlled reporting process.

Monitoring was further developed related to control indicators related findings as also instructed in Principle and Instruction for Control over Financial Reporting documentation.

The theme for control activities in 2015 was the evidence for controls. It was raised to the agenda for the financial processes to review and further develop this area.

The Principle and Instruction for Control over Financial Reporting documentation which belong to Neste Management System documentation were reviewed and updated during the spring to meet the requirements e.g. set by Renewable Products business area.

Annual internal control process

COFR = Control over Financial Reporting
KCI = Key Control Indicator

Performance Management Process

The Neste Performance Management Process plays an essential role in helping the Group attain its strategic goals and reinforcing its performance-driven mindset. In 2015 Neste has taken a step change in developing our performance leadership towards a more agile model supporting daily operations.

Performance management comprises of daily leadership, through which individuals, teams, units and the Company can reach selected strategic priorities and develop organizational capability. Performance leadership is used to ensure that everyone knows the values and objectives of the Company, and their short- and long-term objectives, and what kind of competence is needed to reach these objectives.

Individual and team objectives are based on Neste strategy and way of working. There is a clear link between well-being at work and good leadership performance.

The key elements in the Neste performance leadership approach are, i.e.

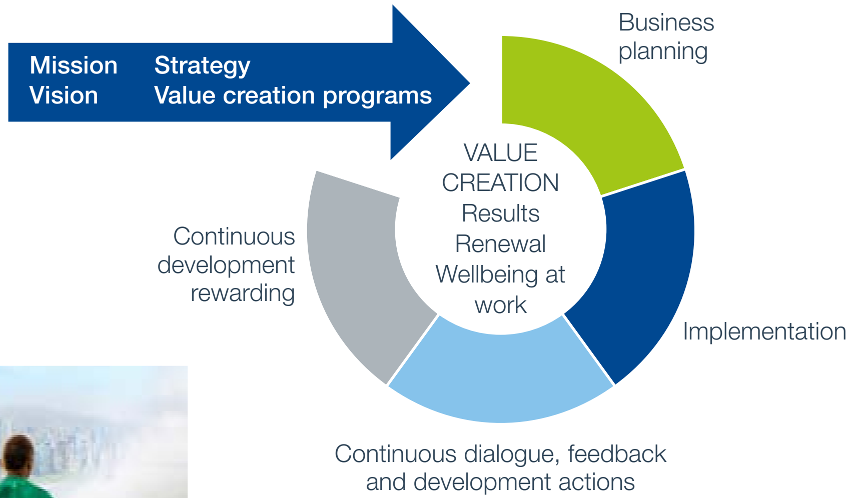
- setting challenging objectives and following them through
- asking for and giving feedback
- evaluating one's own performance and results
- developing ways of working and taking responsibility of own competence development
- actively engaging in one-to-one discussions to support performance and development

From a financial reporting point of view, Neste 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 Process



Leading performance in daily work

Risk management

Risk management objectives and scope

Neste considers risk management as an integral part of daily management processes and good corporate governance. Risk is an unavoidable component of running the business and is characterized by both opportunity and threat. Systematic risk management practices are the means to ensure that Neste is successful in reaching the set strategic targets and business objectives and is able to maintain continuous operations in the changing business environment.

Neste's risk management practices can be characterized by the following statements:

- The company emphasizes risk aware culture and proactive management of risks.
- Risk management is a continuous process that is designed to add value to the company.
- Purpose of risk management is to analyze and manage all opportunities and threats that the company may encounter. By exploiting opportunities and reducing threats, Neste gains competitive advantage.
- Risks are managed as an integrated part of planning, decision making and operational processes with a defined structure of roles and responsibilities.
- Sufficiency of risk treatment actions and controls is monitored in a systematic way.

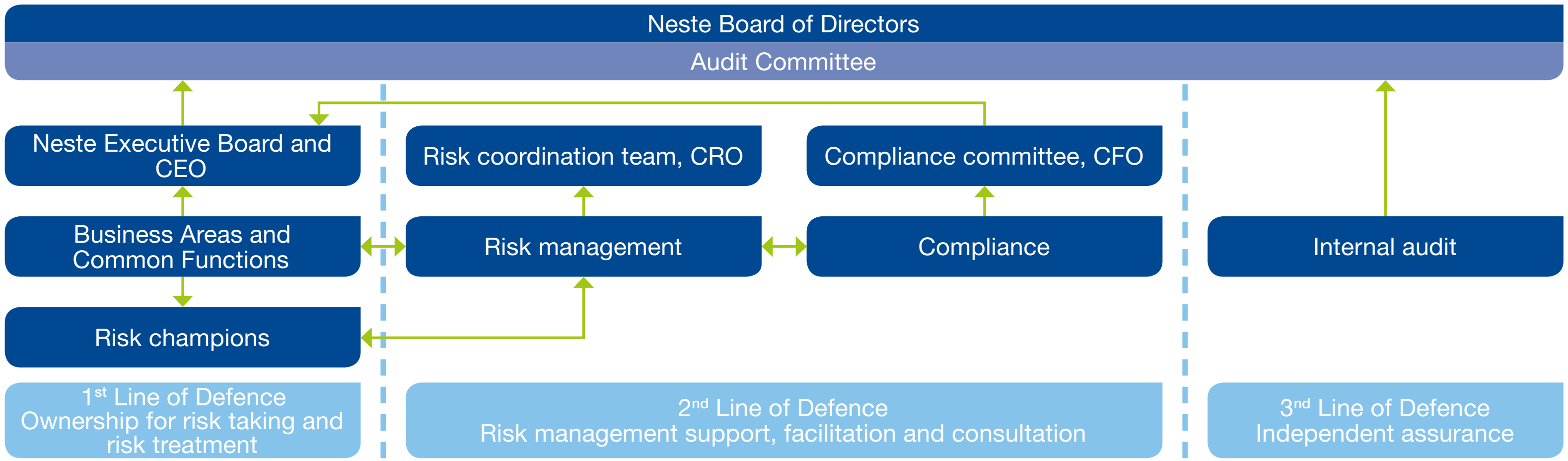
Risk management framework and principles

Framework and principles for risk management have been defined in Neste Corporate risk management policy, that has been approved by the Board of Directors. The policy is supplemented by risk management principles, guidelines and instructions for specific risk disciplines.

Neste's Risk Management has been implemented and maintained in accordance with the International Standard for risk management ISO 31000:2009.

In Neste's risk model, risks are classified into external, strategic and more operational risks that are mostly preventable.

- External risks consist of exposures that cannot be fully influenced or controlled by Neste. Main risk classes are changes in the external environment and risks in the extended enterprise.
- Strategic risks relate to strategic choices, strategy implementation and risks in planning and execution of major projects. Strategic risks typically contain both upside and downside risk potential.
- Third category of risks consists of various risk classes that arise within the organization and are mostly controllable. In general, Neste does not get strategic benefits from taking these risks.



Risk governance

Neste Board of Directors has the ultimate responsibility for risk oversight and is in this role responsible e.g. for setting the Group's risk appetite and for approving the Risk Management Policy.

Practical implementation, development and monitoring of the risk management process is based on the three lines of defense model. The model distinguishes between:

1st Line of Defense

As a part of the first line of defense, Neste CEO and Neste Executive Board have the overall responsibility for proper risk management.

In practice, business areas and common functions are owning and managing risks with the help from a dedicated network of risk champions. Role of the risk champions is to represent different risk disciplines and to ensure that risk discussions are embedded into everyday management routines.

2nd Line of Defense

Role of the actors in the 2nd line of defense is to provide risk management support, facilitation and consultation.

Compliance Committee, headed by the CFO, aims at increasing management oversight on compliance related issues within the Group. The Committee also ascertains adequacy of mitigation actions in higher risk compliance areas.

Risk coordination team, supporting the CRO, acts as a working group that aims to ascertain effective and efficient risk management practices within Neste. The team steers the development of risk management principles, tools and processes.

Corporate risk management team is responsible for confirming that risk management activities are carried out consistently. Corporate risk management also drives overall development of risk management practices and tools.

3rd Line of Defense

Internal Audit evaluates effectiveness and efficiency of corporate level risk governance model and related risk management processes, including the effectiveness of internal controls and other risk treatment actions in the scope of each audit.

Internal audit also provides recommendations for improvement areas.

Risk reporting

Risk reporting aims at transparent, consistent and comprehensive communication of risk status in different areas.

Communication regarding the most important risk issues takes place along the strategic planning and performance management cycle.

Formal risk reporting is directed to business management teams, Neste Executive Board, Audit Committee and Board of Directors. Corporate risk management team is responsible for aggregating risk information for reporting to different internal and external audiences.

Risks relating to Neste's business

In the pursuit of its objectives and targets, Neste is exposed to different risk factors that stem from the external environment, internal decision making, operating processes and systems in use.

Due to the different nature of Neste's businesses, main risk factors vary between the units. In particular, risks relating to legislation, technology, and intellectual property rights, as well as feedstock supply, are likely to be of greater emphasis in the Renewable Products business than in traditional oil refining.

The most significant risk factors relate to the below mentioned areas. Any one of the risks, either singly or in the aggregate, may have a material adverse effect on Neste's business, financial condition, operational results and future prospects.

External risks – Geopolitical

During the last few years, the uncertain world economy and geopolitical tensions have had an effect on Neste's key markets and the oil market in general.

In addition, geopolitical tensions may have an adverse impact on Neste's business. For example, trade sanctions or similar actions against Russia could limit Neste's access to Russian crude oil and other feedstocks.

External risks – Laws and regulation

Changing regulation presents both an opportunity and threat to Neste's business. Neste's operations and products are subject to extensive regulation (e.g. environmental, health & safety, sustainability). On the other hand, especially Renewable Products business is benefiting from increased support for biofuels and renewable fuels (e.g. requirements that relate to renewable content in diesel and gasoline). Changes in regulation especially in the EU and US may influence the speed at which the demand for renewable products develops.

Risks relating to strategic choices and strategy implementation

Main part of strategic risks relate to the viability of made strategic choices and risks in strategy implementation. Opportunities and threats may arise from changes in the competitive landscape or from internal decision making and use of technology.

Neste's competitive position in the selected key markets is good. According to the current estimate, Neste's proprietary NEXBTL renewable diesel production technology is the leading commercially proven technology to produce high-quality diesel from renewable feedstocks. However, there is no assurance that this competitive position will continue as new players enter the market or current competitors develop their technologies. In addition to development of alternative diesel production technologies, evolution of engine technologies can be faster than expected.

Continued contributions of Neste's senior management and personnel are vital for the company's success. Due to fierce competition for employees, there is a risk that Neste may not be able to recruit and retain highly skilled employees that are needed for strategy deployment and successful operations in the future.

Business continuity risks

Neste's business is dependent to a significant extent on its wholly-owned fossil fuel refineries in Finland (Porvoo and Naantali) and its renewable diesel refineries in Singapore and the Netherlands (Rotterdam). Neste's conventional oil refineries are scheduled to have a major maintenance turnaround every five years. The scheduled and any unexpected shutdowns affect continuity of refining operations.

The vessels chartered to Neste or owned by Neste are subject to inherent risks like maritime disaster, damage to environment and loss of, or damage to cargo and property. Such events can be caused by multiple factors, such as adverse weather conditions or mechanical failures.

Neste has insurances in place to reduce the financial impact of property damage, business interruption, and maritime disasters. However, insurances do not cover all potential losses and Neste could therefore be seriously harmed by operational catastrophes or deliberate sabotage.

Market risks

The oil market has been and is expected to continue to be very volatile. General turbulence in the oil markets may result in unexpected swings in crude oil and feedstock prices.

The financial results of Neste are primarily affected by the price differential, or margin, between refined petroleum and renewable product prices; and the prices for crude oil, different vegetable oils and other feedstock used. Historically, refining margins have been volatile and they are likely to continue to be so in the future. Main factors that may affect the refining margins include:

- changes in aggregate demand and supply for feedstocks and products,
- changes in demand and supply for specific feedstocks and products,
- feedstock and product price fluctuations,
- evolution of worldwide refining capacity, and in particular development of refining capacity that relates to petroleum and renewable products similar to Neste.

As a part of management of risks relating to fluctuations in commodity prices, Neste uses derivative instruments to protect its position.

Neste is exposed to foreign exchange risks due to the fact that most of sales are denominated in US dollars, whereas operating expenses (except purchase of feedstock) are recorded in euros. Neste limits the uncertainties relating to changes in foreign exchange rates by hedging its currency risks in contracted and forecasted cash flows and balance sheet exposures.

More information on market risks can be found in the Financial Statements Note 3 section of the Annual Report.

Credit risk

Credit and counterparty risk arises from sales, hedging, and trading transactions, as well as cash investments. The risk is linked to the potential failure of a counterparty to meet its contractual payment obligations, and is therefore dependent on the creditworthiness of the counterparty and the size of the exposure concerned.

In order to manage the risk, Neste has implemented systematic controls for counterparty screening and monitoring.

Risk management focus in 2015

During 2015, development of project risk assessment tools was continued and risk management team facilitated several special risk assessments (e.g. major investments, refinery turnarounds). Developed methods and tools were used also in other areas such as facilitation of regulatory risk assessments.

Risk identification in connection to strategy work and performance planning was performed according to the defined Enterprise Risk Management (ERM) process.

Follow-up on energy market and derivatives related regulatory changes continued. Their potential impacts on Neste were reviewed and preparations initiated for upcoming requirements for example in relation to Markets Abuse Directive (MAD), Regulation on Wholesale Energy Market Integrity and Transparency (REMIT) and Markets in Financial Instruments Directive (MiFID 2).

Neste Remuneration Statement 2015

Letter from the Chair of the Personnel and Remuneration Committee

Dear shareholder

In our report published in spring 2015 I described how Neste had reshaped its organization on the senior management level during the previous year. In this letter I am able to report to you that the objectives set for this reshaping have been achieved. The company has now been able to respond more dynamically to the constantly changing market situation – an ability that has certainly played a role in our continuing good financial performance in 2015.

One of the objectives of Neste's corporate strategy that was approved in spring 2015 is to develop business based on renewable raw materials and to identify product segments and customers also outside fuel applications. This is very ambitious, because under this strategy Neste is – once again – pioneering new markets for renewable products. Continuous development of our present business in terms of, for example, safety and the availability of our refineries, requires strong expertise and focus on our evolving tasks from our senior management and the company's entire personnel.

It is the task of the Personnel and Remuneration Committee to ensure from its part that the company commands the expertise it needs to execute the strategy, and to support this ability through incentives and rewards. It is to this end that the Committee prepared and the Board of Directors approved in December 2015 an initiative for establishing a new share-based incentive plan for 2016 and onward. In addition, the Committee has regularly monitored how the targets of earlier share-based incentive plans, the 2015 short-term incentive plans and the personnel fund have been achieved, and what their forecasts are, and prepared for setting targets for 2016. Following its annual timeline, the committee has also examined the total remuneration of the senior management in light of internal and external benchmarks.

It is not the company's objective to be the salary leader, but it must be able to compete for the skilled workforce and efficient senior management. Salaries and incentive plans form one part of the whole that is used to achieve this. Right selection of key individuals, the use of performance reviews and performance-based incentives as well as job rotation, succession planning and the competence and appropriate rewarding of the entire personnel are our key to success – now and in the future. We feel that the policy definitions and decisions we have made in the field of remuneration have contributed to the company's continuing success.

The base salary of the company's CEO was previously raised on 1 January 2012. Over the past few years the company's profitability has increased considerably, and its corporate structure has become more diversified and more international. The Board of Directors has felt that the CEO's role in this positive trend has been substantial, and the CEO has received positive feedback for his performance from the Board. This positive development is reflected in the competitive performance-based rewards earned by the CEO and our key personnel through both the short-term and long-term share-based incentive plans and the trend continues also in 2016. In step with this, the company's share price has roughly doubled over the past three years, and we have been able to pay dividends to shareholders in compliance with our dividends policy without compromising our growth and the development of our business. And this is exactly how well-thought incentive plans should work.

Neste's Board of Directors has also taken the State of Finland's incentive guidelines into account. In 2015, for example, the maximum limits, which are defined in relation to the base salaries specified in the guidelines, limited the share incentive amounts considerably as the reward may not exceed the fixed annual base salary during any earning year. Increases of base salaries have also been very moderate.

The company has, through its annual short-term incentive system alone, paid its senior management and entire personnel approximately EUR 24 million in 2014 and in 2015. The entire personnel have achieved their unit-level and personal performance targets commendably. On average, rewards have exceeded target levels in all personnel categories.

Based on the record results for 2015, the company will pay more short-term incentives in 2016 than ever before. The criteria of the incentive program for the 2013–2015 earning period were also fully met: the targets were exceeded in cumulative comparable free cash flow, and the comparable operating profit of the Renewable Products business area clearly exceeded the target set in December 2012. Therefore, the key persons will receive the maximum rewards under the terms and conditions of the program.

The salary and remuneration report is divided into four sections as follows:

1. **Letter from the Chair of the Personnel and Remuneration Committee**. This section highlights the key remuneration related activities and decisions undertaken by the Personnel and Remuneration Committee during the year. The Personnel and Remuneration Committee reports to the Board of Directors, which makes the final decisions concerning the proposals made by the Committee.
2. **Neste Executive Remuneration Policy Report.** This section explains how the executive remuneration policy and performance criteria are used to determine the remuneration of the President & CEO and members of the Neste Executive Board over future financial years. It also describes the remuneration principles that apply to our senior managers.
3. **Neste Executive Annual Remuneration Report.** This section presents a full report on the remuneration of Neste's President & CEO and the members of the Executive Board in light of the company's financial and operative performance over the latest reporting year.
4. **Neste's Board of Directors Remuneration Review.** This section describes the remuneration paid to Neste's Board of Directors during the latest financial period and how remuneration levels have developed over the recent years. The Shareholders' Nomination Board submits proposals on the remuneration of Neste's Board of Directors to the Annual General Meeting for approval. Whilst the Chair of Neste'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 for the Chair of the Board for the AGM.

We have received positive feedback concerning the new reporting procedures introduced in 2014, and we will continue developing our reporting procedures further in the future.

We are happy to receive comments and feedback on the reporting (corpcomviestinta@neste.com) to be able to improve our reporting further.

Jorma Eloranta
Chair of the Personnel and Remuneration Committee
jorma.eloranta@neste.com

Neste Executive Remuneration Policy Report

Principles guide our performance

We review the company's remuneration principles as necessary approximately every two years. The performance and reward principles introduced in the beginning of 2014 were applied unchanged as no updates were found necessary in 2015. They underpin the remuneration programs across the group and are founded on the two platforms of fairness and pay for performance.

We want to recognize and reward high performance and responsible behavior 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 behavior** – We aim to drive results on the individual, the team and the business-unit level by rewarding excellence, development and value based behavior.
3. **Encourage individual and team accountability** – We promote clear targets and a focus on continuous improvement of our performance. We make this possible by maintaining ongoing dialogue with our personnel and welcoming their feedback.
4. **Be fair and transparent** – We run our 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 proposal submitted by the 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, yet at the same time make financial sense from the company's point of view so as not to jeopardize its competitive cost structure.

For the company to operate effectively in a global context, remuneration should be fair and competitive within the international markets where the company operates. Salaries and other pay components should be based on local market conditions and be sufficient to attract key management talent.

To help drive performance in the short and the long term, to maintain a flexible cost base, and to avoid creating incentives for excessive risk-taking, an appropriate proportion between fixed and performance-based pay should be maintained in incentive plans.

Remuneration should also guide and encourage 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 employees worldwide.

Neste always treats to senior managers and personnel equally and impartially, regardless of their gender, national origin, age, religion, political opinion, and other comparable factors.

Remuneration is defined 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 advisors

The Personnel and Remuneration Committee received advice for the planning work of the new 2016 long-term share-based incentive plan from incentive consultants of Alexander Finance Corporate. Incentive consultants from PCA and Mercer were consulted in the planning of the 2013 long-term share-based incentive plans.

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 telephone). CEO's salary is EUR 55,039 per month as of 1.1.2012.
Insurance	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 up to 60% of retirement salary or, for those who have started after 1 January 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	Based on the attainment of annual financial and non-financial measures. Maximum award value is 40% of salary paid in cash in March after the end of the performance year. CEO (2015): 90% based on group financial targets – EBIT comparable, Return on Average Capital Employed (ROACE%); 10% based on group safety target – Total Recordable Injury Frequency (TRIF). NEB members with business area responsibility (2015): 50% group, 50% business unit targets. NEB members with common function responsibility: 80% group, 20% function targets.
New long-term share-based incentives (2016)	Based on the attainment of three-year financial and share price performance targets for Neste. 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-like costs. 2016–2018* earnings criteria: 75% cumulative comparable free cash flow and 25% of total return of Neste shares relative to the STOXX Europe 600 Index. Allocation for CEO (share based) will be vary between 0–100% of annual salary (target level is 40%) at December 2015 salary and share price information. Awards for NEB members are between 0–80% of annual 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.

Remuneration element	Description and operation
Shareholding restriction	CEO and NEB members are not permitted to sell or transfer their shares for a period of three years after vesting. During this 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 after tax (~50% for 2010 LTI plan). Once this shareholding requirement is reached, the shareholding restriction period may be cut by decision of the Board.
Service contracts and loss of office payments	Notice period for both the company and the CEO and NEB members is 6 months. In the event of termination by the company, the CEO is entitled to severance payment equivalent to 18 months' salary in addition to salary for notice period. NEB members are entitled for 6 months' severance payments. Change of control terms are same as for termination.

* **Long-term stock incentive plan 2013: 2013–2015** plan earnings criteria are 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 the Renewable Products business area. **2014–2016 and 2015–2017** plans earnings criteria are 75% group cumulative comparable free cash flow and 25% total return of Neste 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 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 each individual's role and experience, as well as company and personal performance.

Shareholder alignment: The Company's largest shareholder, the State of Finland, issued guidelines for the remuneration of executives within state-owned listed companies in August 2012. Neste's Board of Directors has deemed it 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 Executive Annual Remuneration Report

The year in review

We measure the success of our Executive Board by how well Neste achieves its strategic and financial targets.

In 2015, Neste's financial result was a record high, and the company achieved an excellent return on equity. Neste also made progress with regard to its strategic objectives. The company's position in the Baltic Sea region strengthened as Neste utilized all of its business areas better than before. Combining premium-quality fossil and renewable products with Neste services, such as logistics, turned out to be a competitive solution to customer needs. The company set a new record in the sales of renewable products. Focusing sales on carefully selected markets and customers was the key to success. Oil Retail obtained a considerable new customer base with the same method.

We see that the interests of our Executive Board members should be aligned with the company and its shareholders. Our financial result and other achievements during 2015 will mean that incentives of short term and long-term incentive programs in 2016 are higher than in many previous years. Share incentives paid under the long-term incentive program 2013–2015 are realized at allocated near-maximum levels under the terms and conditions of the programme.

Short-term incentives (STI) 2014 paid in 2015

In 2014, comparable operating profit and return on average capital employed (ROACE) after tax remained on the same commendable levels as in 2013. After the turning point of 2013, our Renewable Products business has produced good results. In Oil Products, comparable operating profit increased slightly from 2013, while the comparable operating profit of the Oil Retail business area decreased slightly from the record levels seen in 2013.

As a result, the group exceeded the financial goals of the 2014 short-term incentive plan, which are based on comparable operating profit and ROACE figures. Taking the business- and unit-level performance targets also into account, the Board of Directors awarded the CEO and the NEB rewards at above-target levels for performance year 2014. On average, however, the rewards were lower than in 2013, and remained clearly within the maximum limits of the short-term incentives (40% of annual salary).

Long-term incentives (LTI)

Neste's 2010 long-term incentive program ran in three-year plan cycles from 2010 to 2012, 2011 to 2013 and 2012 to 2014. Awards were based 50% on the attainment of Renewable Product's sales volume target and 50% on the TSR performance of Neste shares relative to the Dow Jones Nordic Return Index. In the latest cycle, 2012–2014, earnings criteria were achieved in full: sales volume targets were exceeded, and the share price continued to improve relative to the index. As a result, total reward for 2015 corresponds to 414,509 company shares, of which 95,992 shares are paid to President & CEO and current NEB members. The number of shares paid to the President & CEO and the NEB members after tax is 46,142.

The 2013 long-term incentive program consists of three plans that started in 2013, 2014 and 2015. In the first cycle, 2013–2015, earnings criteria were achieved in full: targets set for group cumulative comparable free cash flow were exceeded, and the comparable operating profit of the Renewable Products business exceeded the target set in December 2012. As a result, total reward for 2016 corresponds to 232,482 Company shares, of which 76,769 shares are awarded to President & CEO and current NEB members. The number of shares paid to President & CEO and NEB members after tax is 36,314.

The performance targets for the cycles that started in 2014–2016 are shown in the table. In case the cycle targets are achieved, shares corresponding to EUR 3.5 million are paid at target level for each cycle. If target levels are achieved, maximum value of share incentives is EUR 7 million per cycle. The rewards to be paid on the basis of the performance period 2016–2018 of the new LTI program correspond to the value of an approximate maximum total of 273,000 Neste Corporation shares.

Remuneration paid to the President & CEO and NEB Members as of 31 December 2015

	CEO		NEB members (in aggregate)	
EUR	2015	2014	2015	2014
Annual remuneration				
Base salary	667,623	666,867	1,860,683	1,741,154
Taxable benefits [1)]	17,040	25,500	113,992	119,293
Annual incentive (STI plan) [2)]	221,501	228,962	505,950	648,225
Total annual remuneration	**906,164**	**921,329**	**2,480,625**	**2,508,772**
Vested long-term remuneration				
LTI 2010: 2012–2014 and 2011–2013 plans [3)]	716,954	803,897	1,538,552	1,625,696
Additional pension	**824,019**	**618,700**	**462,914**	**620,110**
Total remuneration	**2,447,137**	**2,343,926**	**4,483,091**	**4,754,578**

[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 comprises: EUR 16,560 for car and EUR 480 for telephone.

[2)] 2016 payments: CEO EUR 260,337 and NEB members EUR 683,492.

[3)] Total taxable value of LTI payments awarded (including transfer tax). The long-term awards paid for any year cannot exceed the annual gross salary of the year in question. To build commitment, share-based incentive programs are multi-year systems. It is possible that an award is paid several years after the beginning of the earning period. On the payment date, the rules that were accepted when the plan was set up and which complied with the Government's shareholder control guidelines that were valid at the time but may differ from the Cabinet Finance Committee's position valid on the payment date will be followed. In 2014 and 2015, share-based incentive awards were delivered on the basis of the plan set up in 2009. The table presents the taxable total value of the award including transfer tax earned in earning period (2011–2013 and 2012–2014). The long term awards do not, for any earning year, exceed the annual fixed salary of the year in question.

Remuneration of personnel

Group short-term incentives. Neste wants to ensure that its employees have the opportunity to share in the company's success and excellent performance of its personnel. A group STI scheme is in place in all countries, and incentives are paid on the basis of the set goals.

For the 2014 performance year, Neste was able to fund a payout of EUR 23.5 million (24.3 million) in performance-based incentives for senior managers and employees in the spring of 2015 (including pension and social insurance contributions).

The Company's short-term incentive system for the personnel was updated in the beginning of 2014. The personnel's target incentive is determined according to the job grade and posting country, and is 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 offers employees based in Finland an entitlement to a profit share award through its personnel fund after six months of 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 in cash. Note, however, that employees who participate in group LTI plans will not be entitled to profit share awards during the earning period of the plan.

The Board of Directors sets the earning criteria for the profit share award annually. For 2014 and 2015, the award was tied to Neste's comparable operating profit. In 2014, the company's personnel fund contribution was EUR 2.6 million (4.4 million). The comparable operating profit result was on nearly equal level in both 2013 and 2014, but due to the more challenging target levels set for 2014, the total sum decreased by approximately 40%. Based on excellent comparable operating profit 2015, the contribution to personel fund will be 5.7 million euros in 2016.

Vested LTI plan share awards

Share incentive awards for the Neste Executive Board

Name	Position	NEB member since	Distributed shares of LTI Plans 2014 [1] reward 2015	2015 [2] reward 2016
Matti Lievonen	CEO	2008	14,823	10,458
Kaisa Hietala	EVP, Renewable Products	2014	3,168	2,569
Matti Lehmus	EVP, Oil Products	2009	5,466	3,997
Antti Tiitola	EVP, Oil Retail	2014	–	1,183
Simo Honkanen	SVP, Sustainability and Public Relations	2009	3,376	2,473
Tuomas Hyyryläinen	SVP, Strategy & New Ventures	2012	3,878	2,840
Hannele Jakosuo-Jansson	SVP, Human Resources & Safety	2006	3,928	2,718
Osmo Kammonen	SVP, Communications & Brand Marketing	2004	3,876	2,833
Lars Peter Lindfors	SVP, Technology	2009	4,397	3,023
Jyrki Mäki-Kala	CFO	2013	3,230	4,217

[1] The 2014 column refers to share incentives paid in spring 2015 for the earning period 2012–2014. The table gives the net amount of shares transferred after tax.

[2] The 2015 column refers to share incentives awarded and to be paid in 2016 for the earning period 2013–2015. The figures indicate the net amount of shares after tax and other statutory payments.

The maximum combined sum of short- and long-term incentives paid is 120% of annual fixed gross salary. Shares are subject to holding period restrictions and ownership requirements (for more information see remuneration table).

Executive share ownership

A major principle of our executive remuneration policy is to ensure that there is strong alignment between the interests of Neste 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 period of three years after vesting. Once the share ownership requirements have been met, the restriction period may be cut from three years to one year at the board's decision.

The following table shows the current shareholdings of members of the Neste Executive Board.

Shareholdings of the Neste Executive Board as of 31 December 2015

			Shareholdings [1]	
Name	Position	NEB member since	2015	2014
Matti Lievonen	CEO	2008	50,799	35,976
Kaisa Hietala	EVP, Renewable Products	2014	14,224	14,224
Matti Lehmus	EVP, Oil Products	2009	23,285	17,819
Antti Tiitola	EVP, Oil Retail	2014	5,000	5,000
Simo Honkanen	SVP, Sustainability and Public Relations	2009	15,136	11,760
Tuomas Hyyryläinen	SVP, Strategy & New Ventures	2012	3,878	–
Hannele Jakosuo-Jansson	SVP, Human Resources & Safety	2006	17,258	13,330
Osmo Kammonen	SVP, Communications & Brand Marketing	2004	17,442	18,566
Lars Peter Lindfors	SVP, Technology	2009	14,828	11,831
Jyrki Mäki-Kala	CFO	2013	7,000	7,500

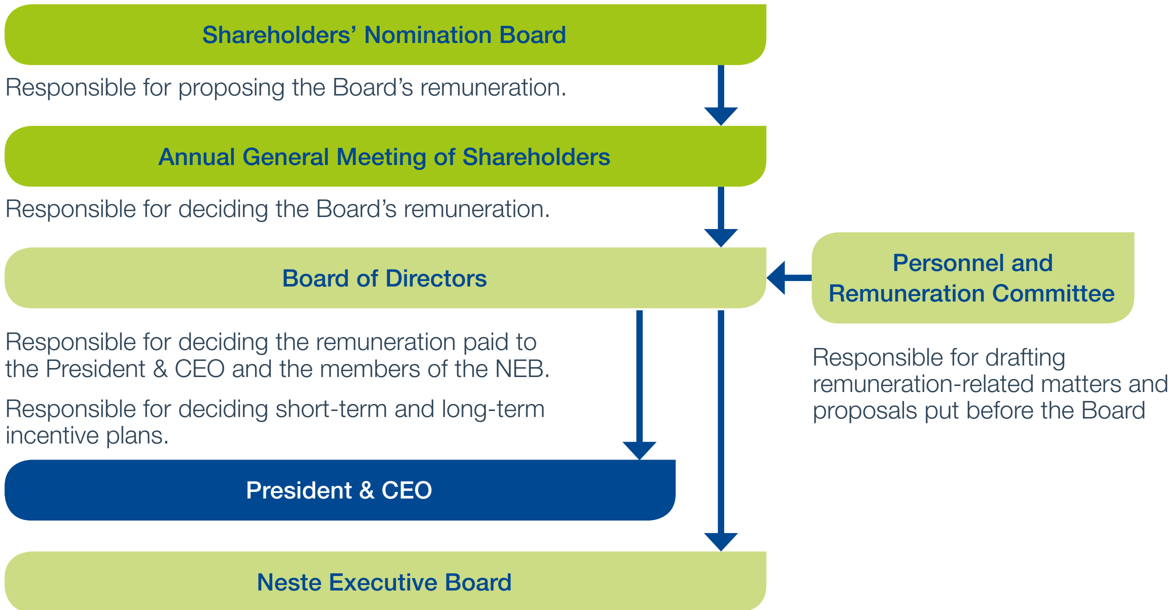
[1] Shareholdings include shares paid under the long-term incentive plan subject to a three-year prohibition of sale. In case of an employee leaving the company during this period, the Board of Directors may, at its discretion, decide to recover the shares. The figure also includes the shares personally obtained by the employee (if any).

Neste's Board of Directors Remuneration Review

Remuneration governance

Remuneration-related discussion and decision-making at Neste 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 submits a proposal concerning 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. In 2015, the AGM 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 in addition to travel costs as specified in 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 within the scope of the company's incentive systems and do not receive any performance or share-related payments.

The remuneration paid to Neste's Board of Directors has been changed once since the establishment of Neste Oil: in the Annual General Meeting of 2008. The Shareholders' Nomination Board unanimously proposed an increase to the Annual General Meeting in 2015, but the State of Finland did not approve the proposition in the AGM and, consequently, no increase was carried out. The Company's Board of Directors did not participate in the preparatory process or the decision-making in any way.

The remuneration paid to members of the company's Board of Directors has developed as follows since the establishing of Neste Oil.

According to the decision made by the Annual General Meeting of 22 March 2006:

Chair	EUR 55,000 a year
Vice chair	EUR 42,000 a year
Members	EUR 30,000 a year

According to the decision made by the Annual General Meeting of 14 March 2008:

Chair	EUR 66,000 a year
Vice chair	EUR 49,200 a year
Members	EUR 35,400 a year

The amounts have remained unchanged since 2008.

Remuneration paid to members of the board as of 31 December 2015

	Annual board fees (EUR)		Meeting attendance fees (EUR)	
	2015	2014	2015	2014
Jorma Eloranta	66,000	66,000	13,200	12,600
Per-Arne Blomquist [1)]	8,850	35,400	3,600	22,800
Maija-Liisa Friman	49,200	49,200	11,400	12,600
Laura Raitio	35,400	35,400	13,200	12,000
Jean-Baptiste Renard	35,400	26,550	24,000	19,200
Willem Schoeber	35,400	35,400	20,400	24,000
Kirsi Sormunen	35,400	35,400	11,400	11,400
Marco Wirén [2)]	26,550	–	8,400	–

[1)] Per-Arne Blomquist's term in the Board of Directors ended on 1.4.2015.

[2)] Marco Wirén joined the Board of Directors on 1.4.2015, and has been remunerated for the period 1.4.–31.12.2015. The meeting attendance fees do not include travel expenses.

04 Review by the Board of Directors

Review by the Board of Directors 2015

Neste's comparable operating profit totaled EUR 925 million, almost 60% higher than the EUR 583 million in 2014. The Group's IFRS operating profit was EUR 699 million (150 million). The company generated an excellent result despite the largest major turnaround in the history of the Porvoo refinery, and all business areas improved their performance. Crude oil prices continued to decline, which reduced the revenue in 2015, but the margin environment remained favorable. A Stronger US dollar had a positive impact on the result. The company generated solid cash flow, and the return on average capital employed exceeded the long term target level of 15%. Oil Products' reference refining margins were supported by a particularly strong gasoline market, which was mainly driven by demand growth in the low oil price environment. The scheduled major turnaround at the Porvoo refinery, which was successfully completed in June, had a negative impact [of EUR 130 million] on the operating profit. Renewable Products' average reference margin was lower than in 2014, but we were able to grow our additional margin. The segment's sales volumes reached a new record of 2.267 million tons, an 8% increase from the previous year. In the US the Environmental Protection Agency (EPA) finalized growing volume mandates for biomass-based diesel, and the Blender's Tax Credit (BTC) was reinstated retroactively for 2015 and in advance for 2016. The Oil Retail segment was able to increase profits by growing sales volumes and improving unit margins. The Board of Directors will propose a dividend of EUR 1.00 per share (0.65) for 2015, totaling EUR 256 million (166 million).

Figures in parentheses refer to the full-year financial statements for 2014, unless otherwise noted.

The Group's results for 2015

Neste's revenue in 2015 totaled EUR 11,131 million (15,011 million). The decrease resulted from lower overall sales prices caused by the oil price decline, which had a negative impact of EUR 5.0 billion, and lower sales volumes, mainly due to the scheduled Porvoo refinery turnaround, which had a negative impact of EUR 0.6 billion. The change in USD/EUR exchange rate had a positive impact of EUR 1.6 billion on the revenue year-on-year. The Group's comparable operating profit for the year was EUR 925 million, almost 60% higher than the 583 million reported in 2014. Oil Products' comparable operating profit was positively impacted by higher reference margins and a favorable USD/EUR exchange rate, which more than compensated for the negative impact of the scheduled major turnaround at the Porvoo refinery and lower additional margin. In Renewable Products we improved our comparable operating profit mainly as a result of higher sales volume, higher additional margin and a favorable USD/EUR exchange rate. Oil Retail's result was also clearly higher than in 2014 due to higher sales volumes and unit margins. The Others segment improved significantly compared to 2014, mainly due to Nynas performance. The Group's fixed costs were EUR 668 million (654 million), an increase that was mainly caused by higher personnel and ERP system implementation costs.

Oil Products' full-year comparable operating profit was EUR 439 million (285 million), Renewable Products' EUR 402 million (239 million), and Oil Retail's EUR 84 million (68 million). The comparable operating profit of the Others segment totaled EUR 2 million (–7 million), of which Nynas accounted for EUR 29 million (11 million).

The Group's full-year IFRS operating profit was EUR 699 million (150 million), which was impacted by inventory losses totaling EUR 263 million (492 million), changes in the fair value of open oil derivatives totaling EUR –15 million (74 million), and non-recurring items totaling EUR 52 million (–16 million), mainly related to the capital gain from the disposal of the Porvoo electricity grid. Pre-tax profit was EUR 634 million (78 million), and profit for the period EUR 560 million (60 million). Comparable earnings per share were EUR 2.84 (1.60), and earnings per share EUR 2.18 (0.22). The Group's effective tax rate was 12% (23%). Effective tax rate, which was lower than in the previous year, is a result of the booked tax-exempt items during the calendar year, such as the sale proceeds of the shares of Kilpilahden Sähkönsiirto Oy, and the profits generated from Neste's different countries of operation.

Group key figures, MEUR

	2015	2014
Comparable operating profit	925	583
– inventory gains/losses	–263	–492
– changes in the fair value of open oil derivatives	–15	74
– non-recurring items	52	–16
– capital gains/losses	76	–2
– insurance and other compensations	0	0
– others	–25	–14
IFRS operating profit	699	150

Revenue

	2015	2014
Oil Products	7,467	11,285
Renewable Products	2,372	2,269
Oil Retail	3,748	4,294
Others	267	238
Eliminations	–2,724	–3,075
Total	11,131	15,011

Comparable operating profit

	2015	2014
Oil Products	439	285
Renewable Products	402	239
Oil Retail	84	68
Others	2	–7
Eliminations	–2	–3
Total	925	583

IFRS operating profit

	2015	2014
Oil Products	389	–110
Renewable Products	233	207
Oil Retail	79	68
Others	0	–13
Eliminations	–2	–3
Total	699	150

Financial targets

Return on average capital employed after tax (ROACE) and leverage ratio are Neste's key financial targets. ROACE figures are based on comparable results. The company's long-term ROACE target is 15% and the leverage ratio target is 25–50%. The ROACE target was reached for the first time under the current corporate set-up, and leverage ratio was comfortably at the lower end of the target range.

	31 Dec 2015	31 Dec 2014
Return on average capital employed after tax (ROACE)*, %	16.3	10.1
Leverage ratio (net debt to capital), %	29.4	37.9

* Last 12 months

Cash flow, investments, and financing

The Group's net cash from operating activities totaled EUR 743 million (248 million) in 2015. The year-on-year difference was mainly attributable to the strong EBITDA generation of businesses. Cash flow before financing activities was EUR 480 million (–59 million). The Group's net working capital in days outstanding was 21.4 days (13.2 days) on a rolling 12-month basis at the end of 2015.

	2015	2014
EBITDA (IFRS)	1,057	480
Capital gains/losses	–77	2
Other adjustments	–27	–80
Change in working capital	–94	–33
Finance cost, net	–88	–44
Income taxes paid	–27	–77
Net cash from operating activities	743	248
Capital expenditure	–505	–272
Other investing activities	241	–34
Free cash flow (Cash flow before financing activities)	480	–59

Cash-out investments totaled EUR 505 million (272 million) in 2015. Maintenance investments accounted for EUR 374 million (201 million) and productivity and strategic investments for EUR 131 million (71 million). Oil Products' investments totaled EUR 437 million (209 million), with the largest projects being the major turnaround and the Solvent Deasphalting (SDA) unit under construction at the Porvoo refinery. Renewable Products' investments totaled EUR 32 million (29 million). Oil Retail's investments totaled EUR 19 million (18 million) and were mainly related to the station network. Investments in the Others segment totaled EUR 17 million (16 million) and were mainly related to R&D and business infrastructure.

Interest-bearing net debt was EUR 1,291 million as of the end of December 2015, compared to EUR 1,621 million at the end of 2014. Net financial expenses for the year were EUR 65 million (72 million). The average interest rate of borrowing at the end of December was 3.4% (3.6%) and the average maturity 3.7 (2.7) years.

The interest-bearing net debt/comparable EBITDA ratio was 1.0 (1.8) over the previous 12 months at the end of the year.

The Group has a very solid financial position. The leverage ratio was 29.4% (31 Dec. 2014: 37.9%), and the gearing ratio 41.6% (31 Dec. 2014: 60.9%).

The Group's cash and cash equivalents and committed, unutilized credit facilities amounted to EUR 2,246 million as of the end of December (31 Dec. 2014: 1,849 million). There are no financial covenants in the Group's current loan agreements.

In accordance with our hedging policy, Neste hedges the majority of the net foreign currency exposure for the next 12 months, mainly using forward contracts and currency options. The most important hedged currency is the US dollar. At the end of December the Group's foreign currency hedging ratio was below 50% for the next 12 months.

US dollar exchange rate	2015	2014
USD/EUR, market rate	1.11	1.33
USD/EUR, effective rate*	1.15	1.32

* The effective rate includes the impact of currency hedges.

Segment reviews

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

Oil Products

Key financials

	2015	2014
Revenue, MEUR	7,467	11,285
Comparable EBITDA, MEUR	655	478
Comparable operating profit, MEUR	439	285
IFRS operating profit, MEUR	389	–110
Net assets, MEUR	2,320	2,160
Comparable return on net assets, %	18.2	12.4

Key drivers

	2015	2014
Reference refining margin, USD/bbl	7.74	4.73
Additional margin, USD/bbl	4.05	5.10
Total refining margin, USD/bbl	11.79	9.83
Urals-Brent price differential	–1.84	–1.72
Urals' share of total refinery input, %	62	57

Crude oil prices were highly volatile during 2015. After a really weak start for the year the prices rose towards USD 70/bbl during the first half of the year. The rise was driven by expectations of a more balanced crude oil supply and demand. Prices, however, came under significant pressure during the second half of 2015 as the agreement on nuclear energy with Iran took further positive steps indicating increasing crude volumes from Iran during 2016. This together with concerns about the Chinese economy, a clear message from OPEC not to cut production, and an oversupplied crude oil market kept crude oil prices on a falling trend. In 2015 Brent price averaged USD 53.6/bbl, but at year end it was at approx. USD 36/bbl – the lowest level since 2004.

The price differential between Brent and Russian Export Blend (REB) crude averaged USD –1.8/bbl in 2015 and USD –2.7/bbl during the fourth quarter. Oversupply in all major crude qualities contributed to a reasonably wide differential during the year. Also signs of Saudi Arabian crude oil volumes entering the Baltic Sea market drove a wider REB differential.

The reference refining margin started the year 2015 on a good level as a result of growing product demand and weak crude oil market. Towards the summer, the market got further support from the seasonal pick up in gasoline market and from the refinery maintenance period, which drove gasoline and refining margins to multi-year highs. During the second half of the year growing supply of diesel sent diesel margins onto a weakening trend, but reference margins were still high on a seasonally adjusted base. On average, gasoline was the strongest part of the barrel in 2015 after many years of diesel domination. Fuel oil was again the weakest due to low demand. Neste's reference margin averaged USD 7.7/bbl in 2015, and USD 5.7/bbl during the fourth quarter.

Oil Products' full-year comparable operating profit was EUR 439 million (285 million). The average reference refining margin during 2015 was USD 3.0/bbl higher than in the previous year, which had a positive impact of EUR 282 million on the result. Neste's additional margin was USD 1.1/bbl lower, mainly reflecting the lower crude oil price environment and the scheduled major turnaround at the Porvoo refinery during the second quarter, which had a negative impact of EUR 130 million on the comparable operating profit. Sales volumes were 12% lower compared to the year 2014, which reduced the operating profit by EUR 92 million. Stronger USD/EUR exchange rate had EUR 140 million positive effect on the result. Higher depreciations, transfer of Shipping activities' result in 2015 to additional margin, and other charges had a negative impact totaling approx. EUR 45 million on the comparable operating profit year-on-year.

Production

	2015	2014
Porvoo refinery production, 1,000 ton	9,835	11,274
Porvoo refinery utilization rate, %	75	84
Naantali refinery production, 1,000 ton	1,956	1,964
Naantali refinery utilization rate, %	62	71
Refinery production costs, USD/bbl	4.0	5.0
Bahrain base oil plant production (Neste's share), 1,000 ton	184	158

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

	2015	%	2014	%
Middle distillates*	5,395	45	6,204	46
Light distillates**	3,857	33	4,575	34
Heavy fuel oil	1,122	9	1,091	8
Base oils	433	4	469	3
Other products	1,075	9	1,201	9
TOTAL	11,881	100	13,540	100

* Diesel, jet fuel, heating oil

** Motor gasoline, gasoline components, LPG

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

	2015	%	2014	%
Baltic Sea area*	7,876	66	8,872	65
Other Europe	3,154	27	3,060	23
North America	491	4	847	6
Other areas	360	3	761	6

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

Renewable Products

Key financials

	2015	2014
Revenue, MEUR	2,372	2,269
Comparable EBITDA, MEUR	497	335
Comparable operating profit, MEUR	402	239
IFRS operating profit, MEUR	233	207
Net assets, MEUR	1,884	1,923
Comparable return on net assets, %	21.8	13.3

Key drivers

	2015	2014
FAME – Palm oil price differential [1], USD/ton	211	231
SME – Soybean oil price differential [2], USD/ton	118	199
Reference margin [3], USD/ton	182	221
Additional margin [4], USD/ton	247	227
Comparable sales margin [4], USD/ton	299	278
Biomass-based diesel (D4) RIN, USD/gal	0.73	0.53
Palm oil price [5], USD/ton	576	733
Crude palm oil's share of total feedstock, %	31	38

[1] FAME seasonal vs. CPO BMD 3rd (Crude Palm Oil Bursa Malaysia Derivatives 3rd month futures price) + 70 $/t freight to ARA (Amsterdam–Rotterdam–Antwerp)

[2] SME US Gulf Coast vs. SBO CBOT 1st (Soybean Oil Chicago Board of Trade 1st month futures price)

[3] Based on standard variable production cost of USD 130/ton in 2015 and USD 170/ton in 2014.

[4] Includes full impact of US BTC (Blender's Tax Credit)

[5] CPO BMD 3rd

The biodiesel market was quite challenging in 2015. With crude oil prices continuing their decline, vegetable oil premiums over gasoil saw multi-year highs. Despite record-high stocks in both Indonesia and Malaysia, crude palm oil (CPO) prices remained relatively steady at USD 540/ton.

Regulatory developments in both the European Union and the US, however, have been quite supportive to biofuel producers. In the EU a 7% cap on food crop-based biofuels was introduced within the 10% overall target for renewable energy in transport. While this leaves some room for both conventional as well as non-food based biofuel production to increase, the key feature of the agreement is that it provides certainty for the industry up to 2020. In the US market, the sentiment was positive after the Environmental Protection Agency (EPA) released higher-than-expected renewable volume obligations for 2015 and 2016 under the Renewable Fuels Standard at the end of November. This was also reflected in increased Renewable Identification Number (RIN) prices. Overall, biodiesel and renewable diesel production is likely to benefit from the increase in the biomass-based diesel mandate. The reinstatement of the USD 1.00/gallon Blenders' Tax Credit for 2015 and 2016 is expected to act as an additional driver for biodiesel and renewable diesel demand in the US throughout 2016.

Renewable Products' full-year comparable operating profit was EUR 402 million (239 million). Timing of margin management was successful, and the higher additional margin had a positive impact of EUR 43 million on the segment's operating profit. Stronger US dollar had a positive impact of EUR 88 million, and higher sales volumes a positive impact of EUR 44 million on the segment's result year-on-year. Sales volumes reached a new record of 2.267 million tons, an 8% increase from the previous year. During the year 2015 approximately 69% (73%) of sales volumes went to Europe and Asia-Pacific and 31% (27%) to North America. Renewable diesel production achieved an average capacity utilization rate of 94% (102%) in 2015, based on the updated 2.4 Mton/a (2.0 Mton/a) nominal capacity. Feedstock mix optimization continued successfully and the proportion of waste and residue inputs rose to 68% (62%) on average.

Production

	2015	2014
NEXBTL, 1,000 ton	2,328	2,111
Other products, 1,000 ton	165	144
Utilization rate*, %	94	102

* Figures in 2015 based on 2.4 Mton/a nominal capacity (2.0 Mton/a in 2014).

Sales

	2015	2014
NEXBTL, 1,000 ton	2,267	2,104
Share of sales volumes to Europe and APAC, %	69	73
Share of sales volumes to North America, %	31	27

Oil Retail

Key financials

	2015	2014
Revenue, MEUR	3,748	4,294
Comparable EBITDA, MEUR	115	94
Comparable operating profit, MEUR	84	68
IFRS operating profit, MEUR	79	68
Net assets, MEUR	184	201
Comparable return on net assets, %	41.2	27.6

Oil Retail's markets remain stable. In Finland light duty vehicle traffic continues to increase, but heavy duty traffic is flat year-on-year. Markets in the Baltic countries are healthy and growing. The current sluggish Russian economy affects demand and the ruble continues to be volatile.

Oil Retail's full-year comparable operating profit was EUR 84 million (68 million). Improved unit margins had a positive impact of EUR 19 million, and higher sales volume a positive impact of EUR 5 million on the segment's comparable operating profit. The weaker ruble had a negative impact of EUR 6 million on the result in Northwest Russia compared to the previous year.

Sales volumes by main product categories, million liters

	2015	2014
Gasoline station sales	1,115	1,134
Diesel station sales	1,589	1,526
Heating oil	569	600

Net sales by market area, MEUR

	2015	2014
Finland	2,642	3,022
Northwest Russia	255	335
Baltic countries	821	929

Others

Key financials

	2015	2014
Comparable operating profit, MEUR	2	–7
IFRS operating profit, MEUR	0	–13

The Others segment consists of the engineering and technology solutions company Neste Jacobs, 60/40-owned by Neste and Jacobs Engineering; Nynas, a joint venture 50/50-owned by Neste and Petróleos de Venezuela; and common corporate costs. The full-year comparable operating profit for the Others segment totaled EUR 2 million (–7 million); of which Nynas accounted for EUR 29 million (11 million). The common corporate costs increased by EUR 9 million from 2014.

Shares, share trading, and ownership

Neste's shares are traded on NASDAQ Helsinki Ltd. The share price closed the year 2015 at EUR 27.63, up by 37.7% compared to the end of 2014. The total shareholder return (TSR) was 41.0% (44.1%) in 2015. At its highest during 2015, the share price reached EUR 27.70, while the lowest daily closing price was EUR 19.91. Market capitalization was EUR 7.1 billion as of 31 December 2015. An average of 0.85 million shares were traded daily, representing 0.3% of the company's shares.

Neste's share capital registered with the Company Register as of 31 December 2015 totaled EUR 40 million, and the total number of shares was 256,403,686. As resolved by the AGM held on 1 April 2015, the Board of Directors was authorized to purchase and/or take as security a maximum of 1,000,000 company shares using the company's unrestricted equity. At the end of December 2015, Neste held 798,467 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 2014) of outstanding shares, foreign institutions 25.0% (25.1%), Finnish institutions 13.8% (12.5%), and Finnish households 11.1% (12.3%).

Largest shareholders as of 31 December 2015

Shareholder	Shares	% of shares
Prime Minister´s Office of Finland	128,458,247	50.10%
Ilmarinen Mutual Pension Insurance Company	6,567,849	2.56%
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	2,605,000	1.02%
The City of Kurikka	1,550,875	0.60%
Elo Mutual Pension Insurance Company	1,221,107	0.48%
Nordea Fennia Fund	908,000	0.35%
Schweizerische Nationalbank	839,917	0.33%
Neste Corporation	798,467	0.31%
Nordea Life Assurance Finland Ltd.	763,205	0.30%
Nordea Pro Finland Fund	685,000	0.27%
Säästöpankki Kotimaa Mutual Fund	547,500	0.21%
Danske Finnish Institutional Equity Fund	525,874	0.21%
OP-Delta Mutual Fund	480,000	0.19%
Veritas Pension Insurance Company Ltd.	425,199	0.17%
Sigrid Jusélius Foundation	423,000	0.17%
OP Henkivakuutus Ltd.	409,537	0.16%
Danske Invest Finnish Equity Fund	361,301	0.14%
Alhopuro Eero Sakari	348,400	0.14%
20 largest owners total	153,657,416	59.93%
Nominee registrations	62,652,050	24.44%
Others	40,094,220	15.64%
Number of shares, total	256,403,686	100.00%

Breakdown of share ownership as of 31 December 2015

By the number of shares owned

No. of shares	No. of shareholders	% of shareholders	Total no. of shares	% of shares
1 – 100	26,141	37.8%	1,437,751	0.6%
101 – 500	29,545	42.7%	7,454,349	2.9%
501 – 1 000	7,344	10.6%	5,645,716	2.2%
1,001 – 5,000	5,410	7.8%	10,906,776	4.3%
5,001 – 10,000	457	0.7%	3,303,631	1.3%
10,001 – 50,000	261	0.4%	5,062,732	2.0%
50,001 – 100,000	37	0.1%	2,593,252	1.0%
100,001 – 500,000	29	0.0%	6,858,645	2.7%
500,001 –	18	0.0%	213,140,834	83.1%
Total	**69,242**	**100.0%**	**256,403,686**	**100.0%**
of which nominee registrations	12		62,652,050	

By shareholder category

	% of shares
State of Finland	50.1%
Non-Finnish shareholders	25.0%
Households	11.1%
General government	7.4%
Financial and insurance companies	2.6%
Corporations	1.9%
Non-profit organizations	1.9%
Total	100.0%

Corporate governance

The control and management of Neste 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'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's Annual General Meeting (AGM) was held in Helsinki on 1 April 2015. The AGM adopted the company's Financial Statements and Consolidated Financial Statements for 2014 and discharged the Board of Directors and the President & CEO from liability for 2014. The AGM also approved the Board of Directors' proposal regarding the distribution of the company's profit for 2014, authorizing payment of a dividend of EUR 0.65 per share. The dividend was paid on 14 April 2015.

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, Ms. Laura Raitio, Mr. Jean-Baptiste Renard, Mr. Willem Schoeber, and Ms. Kirsi Sormunen. Mr Marco Wirén was elected as a new Board member. Jorma Eloranta was re-elected as Chair and Maija-Liisa Friman as Vice Chair. The AGM decided to keep the remuneration of Board members unchanged.

Convening after the Annual General Meeting, the Neste's Board of Directors elected the members of its two Committees. Jorma Eloranta was elected Chair and Laura Raitio and Jean-Baptiste Renard as members of the Personnel and Remuneration Committee. Marco Wirén was elected Chair and Maija-Liisa Friman, 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 principally responsible auditor for Neste Corporation, until the end of the next AGM. Payment for their services shall be made in accordance with their invoice approved by the Company.

In accordance with a proposal by the Board of Directors, the AGM amended the Company's Articles of Association 1 § as follows:

"1 § Company Name and Domicile

The company name of the Company is Neste Oyj, Neste Abp in Swedish, and Neste Corporation in English. The Company is domiciled in Espoo."

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 Buyback authorization, the Board shall be authorized to decide the purchase of and/or take as security a maximum of 1,000,000 Company shares using the Company's unrestricted equity. The number of shares shall be equivalent to approximately 0.39% 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 2018.

Neste's Corporate Governance Statement is issued as a separate document.

Personnel

Neste employed an average of 4,906 (4,989) employees in 2015, of which 1,553 (1,512) were based outside Finland. As of the end of December, the company had 4,856 employees (4,833), of which 1,577 (1,524) were located outside Finland.

Health, safety, and the environment

Neste's safety performance in 2015 remained close to the level established during the past few years. Safety was supported by an extensive development program focused on leadership and key operational areas among Neste employees and contractors.

People safety performance regressed partly due to the Porvoo refinery major turnaround, but was nevertheless better than in the last turnaround year five years ago. The total recordable injury frequency (TRIF, number of incidents per million hours worked) was 3.3 (2.7). The figure includes both Neste's own and contractors' personnel. TRIF related to Neste's own personnel was 2.2 as the contractor TRIF stayed at the same level compared to previous year. The corporate target for 2015 was below 2.7. Process safety improved, and the Process Safety Events Rate (PSER, number of process safety events per million hours worked) was 2.4 (3.0). The corporate PSER target for 2015 was 2.7.

Operational environmental emissions were substantially in compliance at all sites. Permitted levels were exceeded six times, but all were of a minor nature. No serious environmental incidents resulting in liability occurred at Neste's refineries or other production facilities in 2015. Successful corrective actions were taken at the Naantali refinery in Finland to get emissions into air in compliance and to respond to smell complaints.

In 2015 Neste continued verifying the implemention of the company's No-deforestation guidelines among the palm oil suppliers. The verification carried out in cooperation with The Forest Trust (TFT) covers risk assessment of supply chain and goes beyond Neste's own operations to identify potential sustainability risks linked to the company's suppliers. By the end of 2015, all the main suppliers had adopted no-deforestation policies.

The 100% palm oil sustainability certification rate reached in 2013 was continued in 2015. Neste retained its position in a number of sustainability indexes during 2015, and was included in the Dow Jones Sustainability World Index (DJSI World) and on The Global 100 list of the world's most sustainable companies for the ninth year in succession. In the CDP Forest 2015, Neste was the only company in energy sector to report its forest footprint.

In promoting better practices in labor issues in Malaysia, Neste hired BSR (Business for Social Responsibility) to carry out a desktop study on social issues in palm industry, and arranged a social/labor workshop that was attended by all suppliers and several stakeholders in South-East Asia. Neste also updated its human rights commitment.

In combating climate change, Neste has signed the Paris Pledge for Action, which demonstrates that non-governmental actors are ready to play their part in supporting the objectives of the Paris Agreement.

Research and development

Neste's R&D expenditure totaled EUR 41 million (40 million) in 2015. In addition to continuing work on feedstock expansion, significant R&D efforts were devoted in 2015 to broadening the current product portfolio beyond fuel applications. Suitability of NEXBTL isoalkanes for different commercial applications was studied broadly, e.g. for paints and coatings. Development work continued on renewable aviation fuel and low sulphur marine fuels. Introduction of high renewable content diesel fuel grades in the US and Sweden was technically supported. To support current and future business, Neste's patent portfolio in renewable fuels and applications was strengthened with new patents and patent applications.

Expansion of the fossil and renewable feedstock base continued to be a key research topic in 2015. Numerous new crude oils were accepted for commercial use. The use of waste and residue based renewable feedstock increased by 20% to 1.9 (1.6) million tons and accounted already for 68% (62%) of the total feed. At the same time the overall renewable diesel production volume increased by 10% to 2.3 (2.1) million tons. Especially lower grade waste and residue feedstock, such as used cooking oil and low quality animal fat quantities were increased. Long term research focused on new feedstock with focus on algae oil and on lignocellulose based feedstock such as forest and agricultural residues. More than 40 renewable fuel technologies for next generation feedstock were evaluated and benchmarked against each other. The most promising technologies were selected for further study and are being developed towards commercial use in-house and with partners.

Main events published during 2015

On 4 February, Neste announced that Neste Oil's Board of Directors will propose to the Annual General Meeting (AGM) that the company's name be changed to Neste Corporation. The change would communicate the changes in the company's business and the company's seeking of growth from products other than conventional oil products. The proposal for the name change was processed as an amendment of the Articles of Association during the AGM of Neste Oil on 1 April 2015.

On 10 March, Neste announced that it had issued a EUR 500 million bond. The 7-year bond carries a coupon of 2.125%. The bond offering was clearly oversubscribed and the bonds were allocated to approximately 150 investors. The proceeds of the offering will be used for refinancing and general corporate purposes.

On 21 April, Neste announced that it had revised its guidance as a result of the strong performance during the first quarter and based on the current market outlook for the remainder of the year. The company now estimated the Group's full-year 2015 comparable operating profit to remain robust and to be higher than that reached in 2014.

On 16 June, Neste announced that its Porvoo refinery was back in production after the scheduled maintenance turnaround. Starting in April, the turnaround was the largest in the history of the refinery, and it will help ensure the refinery's good performance and safety for the next five years. The turnaround was expected to have a negative impact of approximately EUR 130 million on the Oil Products segment's comparable operating profit.

On 16 June, Neste announced that it will sell the product vessels Purha and Jurmo to Swedish shipping company Rederi AB Donsötank. The ships will be handed over to its new owner in September 2015. The sale was based on Neste's decision to divest its shipping operations, announced in fall 2013. Neste has now sold all the vessels it fully owns.

On 4 August, Neste announced that it had decided to invest about EUR 60 million in the Naantali refinery production. The investments are connected to the program announced in October 2014 with which Neste will develop the refineries in Porvoo and Naantali as one unit to improve the competitiveness of its refinery operations.

On 21 August, Neste 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); Mikko Mursula, Chief Investment Officer of Ilmarinen Mutual Pension Insurance Company; Reima Rytsölä, Executive Vice-President, Investments of Varma Mutual Pension Insurance Company; and Jorma Eloranta, the Chair of Neste's Board of Directors. The Nomination Board will forward its proposals for the AGM to the Board of Directors by 31 January 2016.

On 15 September, Neste held a Capital Markets Day in London and highlighted its strategy based on a renewed vision "Creating responsible choices every day". The vision sets the direction for the company's ambition to grow and offer its customers low carbon solutions. Neste's strategic targets remain unchanged: be the Baltic Sea champion and grow in the global renewable markets. The company aims to have 20% of its renewable business sales volume from non-traffic applications by 2020. It also targets to generate EUR 100 million additional EBIT in Renewable Products, including the non-traffic applications, by 2020. Neste is determined to generate shareholder value and strong cash flow to support investments in improved productivity and opportunities for growth, to optimize debt, and to ensure favorable dividend distribution. Neste's financial targets and dividend policy remain unchanged.

On 4 November, Neste announced that it will work together with Boeing, the world's largest aircraft manufacturer, to promote and accelerate the commercialization of renewable aviation fuel. The companies will work toward American Society for Testing and Materials (ASTM) fuel standard approval allowing the commercial use of high freezing point renewable aviation fuel by airlines. The goal is also to gain widespread market acceptance for renewable aviation fuels, and to progress sustainability accreditation efforts.

On 1 December, Neste announced that it welcomes the US Environmental Protection Agency's (EPA) renewable fuel volume requirements. The EPA published the final ruling covering renewable fuel volume requirements retrospectively for 2014 and prospectively for 2015 and 2016. Neste's NEXBTL renewable diesel meets the requirements of an advanced biofuel in the biomass-based diesel category (D4). Volume requirements for biomass-based diesel for 2015, 2016, and 2017 are higher than the ones proposed by the EPA in May 2015.

On 9 December, Neste announced that its Porvoo refinery is expected to run with a utilization rate of about 70% until mid-January due to an equipment malfunction. The malfunction had decreased the refinery's utilization rate since November. The malfunctioning air cooler is new: it was installed in the refinery's maintenance turnaround that ended in June. Neste estimated that the issue will cause a production loss of a several tens of millions of euros. However, due to the high refining margins at the beginning of the quarter, the refinery's lower utilization rate did not have an impact on the company's outlook for 2015.

On 15 December, Neste announced that Neste, Veolia and Borealis have agreed to create a joint venture company to build a new combined heat and power plant and produce and supply steam and other utilities to Neste's refinery and Borealis' petrochemical plant in Porvoo, Finland. The company, Kilpilahti Power Plant Limited (KPP) will be owned 40% each by Neste and Veolia and 20% by Borealis. Neste will contribute its required equity share in KPP by transferring the current power plant to the joint venture company. The arrangement is subject to financing deals which are expected to take place during the first quarter of 2016. KPP will build new steam and power generation assets running on side streams from the refineries as well as natural gas. The total investment is expected to be around 400 million euros.

On 21 December, Neste announced that the US Blender's Tax Credit (BTC) had been approved retroactively for the year 2015 and prospectively for 2016. In the US qualified biofuel blenders are eligible for a Blender's Tax Credit of $1.00 per gallon of biodiesel or renewable diesel used in the blending process. The retroactive reinstatement of the BTC was expected to improve Neste's comparable operating profit by more than EUR 100 million in 2015, and the respective cash flow was expected to be received during the first half of 2016.

Events after the reporting period

On 25 January, 2016, Neste announced that the Shareholders' Nomination Board, established by Neste Corporation's Annual General Meeting (AGM) on 4 April 2013, will propose to the AGM to be held on 30 March 2016 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, Ms. Kirsi Sormunen and Mr. Marco Wirén should be re-elected for a further term of office.

Potential risks

During the last few years, the uncertain world economy and geopolitical tensions have had an effect on general business conditions in markets where Neste operates. Also the oil market has been and is expected to continue to be very volatile.

Key market drivers affecting Neste's financial results include refining margin, feedstock price differences and the USD/EUR exchange rate.

Price differential, or margin, is calculated as a difference between refined petroleum and renewable product prices; and the prices for crude oil, different vegetable oils and other feedstock used. General turbulence in the oil markets may result in unexpected swings in crude oil and feedstock prices that are one factor contributing to the margin. Other factors include changes in supply and demand conditions, product price fluctuations and evolution of worldwide refining capacity. Historically, refining margins have been volatile and are likely to be so also in the future.

In addition to the above described refining margin risk, rapid and large changes in feedstock and product prices may also lead to significant inventory gains or losses, or changes in working capital, and may therefore have a material impact on the company's IFRS operating profit and net cash from operations.

Changes in laws and unpredictable regulation present a potential risk area especially for the Renewable Products business. Changing biofuel legislation in the EU, North America and other key markets may influence the speed at which the demand for renewable products develops. Over the longer term, failure to protect Neste's proprietary technology, or the introduction and implementation of competing technologies may have a negative impact on the company's result.

Neste's business is dependent to a significant extent on its wholly-owned oil refineries in Finland and its renewable diesel refineries in Singapore and in Rotterdam, the Netherlands. Any scheduled or unexpected shutdowns at these refineries will have an adverse effect on Neste's business, financial condition, operational results and future prospects.

Over the longer term, access to funding and rising capital costs may impact the company's results.

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

Risk management

Neste considers risk management as an integral part of daily management processes and good corporate governance. Risk is recognized as an unavoidable component of running the business and is characterized by both opportunity and threat. Systematic risk management practices are the means to ensure that Neste is successful in reaching the set strategic targets and business objectives and is able to maintain continuous operations in the changing business environment.

Framework and principles for risk management in Neste have been defined in Corporate Risk Management Policy, which is approved by the Board of Directors. The policy is supplemented by risk management principles, guidelines and instructions for specific risk disciplines.

Neste's Risk Management has been implemented and maintained in accordance with the International Standard for risk management ISO 31000:2009. Communication regarding the most important risk issues takes place along the strategic planning and performance management cycle.

Formal risk reporting is directed to business management teams, Neste Executive Board, Audit Committee and Board of Directors.

For more detailed information on Neste'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 2015.

Outlook for 2016

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.

Low crude oil prices are expected to continue supporting product demand. Crude oil supply is expected to increase as the economic sanctions against Iran are lifted and more medium heavy crude oil will be brought to the European market in 2016. Global oil demand growth estimates for 2016 have been increased to a level of 1.2–1.4 million bbl/d, as especially gasoline demand is expected to continue solid growth. In light of the expected refining capacity growth the global product supply and demand look reasonably balanced.

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. Market volatility in feedstock prices is expected to continue, which will have an impact on the Renewable Products segment's profitability.

In 2016, Neste's effective USD/EUR exchange rate is expected to stay close to the current market rate, the capital expenditure is estimated to be approximately EUR 400 million, and the Group's effective tax rate is expected to average approx. 20%.

Neste expects Oil Products' reference refining margin to continue to be supported by relatively good gasoline margins. The Porvoo refinery is expected to run at high utilization rate with no major maintenance outages scheduled.

Renewable Products' reference margin is expected to remain at approximately the average level of the year 2015. Utilization rates of our renewable diesel production facilities are expected to be high, excluding the seven-week scheduled turnaround at the Rotterdam refinery in April-May 2016.

In Oil Retail the sales volumes and unit margins are expected to follow the previous years' seasonality pattern.

As communicated in the third quarter interim report on 23 October 2015, Neste has discontinued giving numerical result guidance to be consistent with industry practice.

Dividend distribution proposal

Neste'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 2015 amounted to EUR 1,411 million, and there have been no material changes in the company's financial position since the end of the financial year. The Board of Directors will propose to the Annual General Meeting that Neste Corporation pays a cash dividend of EUR 1.00 per share (0.65) for 2015, totaling EUR 256 million (166 million) based on the number of outstanding shares.

The proposed dividend represents a yield of 3.6% (at year-end 2015 share price of EUR 27.63) and 35% of the comparable net profit in 2015.

05 Financial statements

Key financial indicators

		2015	2014	2013
Income statement				
Revenue	EUR million	11,131	15,011	17,238
Operating profit	EUR million	699	150	632
– of revenue	%	6.3	1.0	3.7
Comparable operating profit	EUR million	925	583	596
Profit before income taxes	EUR million	634	78	561
– of revenue	%	5.7	0.5	3.3
Profitability				
Return on equity (ROE)	%	19.5	2.1	19.2
Return on capital employed, pre-tax (ROCE)	%	15.1	3.3	13.4
Return on average capital employed, after tax (ROACE)	%	16.3	10.1	11.7
Financing and financial position				
Interest-bearing net debt	EUR million	1,291	1,621	1,252
Leverage ratio	%	29.4	37.9	30.0
Gearing	%	41.6	60.9	42.8
Equity-to-assets ratio	%	46.1	41.0	41.6
Other indicators				
Capital employed	EUR million	4,991	4,526	4,682
Capital expenditure and investments in shares	EUR million	536	418	214
– of revenue	%	4.8	2.8	1.2
Research and development expenditure	EUR million	41	40	40
– of revenue	%	0.4	0.3	0.2
Average number of personnel		4,906	4,989	5,097
Share-related indicators				

		2015	2014	2013
Earnings per share (EPS)	EUR	2.18	0.22	2.04
Equity per share	EUR	12.06	10.34	11.36
Cash flow per share	EUR	2.91	0.97	3.28
Price/earnings ratio (P/E)		12.66	89.62	7.04
Dividend per share	EUR	1.0 [1]	0.65	0.65
Dividend payout ratio	%	45.8 [1]	290.4	31.8
Dividend yield	%	3.6 [1]	3.2	4.5
Share prices				
At the end of the period	EUR	27.63	20.06	14.37
Average share price	EUR	23.54	15.77	13.06
Lowest share price	EUR	19.91	13.24	10.13
Highest share price	EUR	27.70	20.32	17.33
Market capitalization at the end of the period	EUR million	7,084	5,143	3,685
Trading volumes				
Number of shares traded	1 000	213,855	233,793	241,467
In relation to weighted average number of shares	%	84	91	94
Average number of shares		255,568,717	255,532,039	255,967,244
Outstanding number of shares at the end of the period		255,605,219	255,403,686	255,982,212

[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 [1]	=		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 ×	Profit before taxes – taxes / Total equity average
Return on capital employed, pre-tax (ROCE) %	=	100 ×	Profit before taxes + interest and other financial expenses / Capital employed average
Return on average capital employed, after-tax (ROACE) %	=	100 ×	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) / 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 ×	Interest-bearing net debt / Interest bearing net debt + total equity
Gearing, %	=	100 ×	Interest-bearing net debt / Total equity
Equity-to-assets ratio, %	=	100 ×	Total equity / Total assets – advances received
Return on net assets, %	=	100 ×	Segment operating profit / Average segment net assets
Comparable return on net assets, %	=	100 ×	Segment comparable operating profit / 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)	=		Profit for the period attributable to the equity holders of the company / Adjusted average number of shares during the period
Comparable earnings per share	=		Comparable net profit for the period attributable to the equity holders of the company / Adjusted average number of shares during the period
Equity per share	=		Shareholder's equity attributable to the equity holders of the company / Adjusted average number of shares at the end of the period
Cash flow per share	=		Net cash generated from operating activities / Adjusted average number of shares during the period
Price / earnings ratio (P/E)	=		Share price at the end of the period / Earnings per share
Dividend payout ratio, %	=	100 ×	Dividend per share / Earnings per share
Dividend yield, %	=	100 ×	Dividend per share / Share price at the end of the period
Average share price	=		Amount traded in euros during the period / 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

[1)] In the business environment where Neste operates, commodity prices and foreign exchange rates are volatile and can cause significant fluctuations in inventory values and IFRS operating profit. Comparable operating profit eliminates both the inventory gains/losses generated by the volatility in raw material prices and changes in open derivatives, and better reflects the company's underlying operational performance. Also, it reflects Neste's operational cash flow, where the change in IFRS operating profit caused by inventory valuation is mostly compensated by changing working capital.

Consolidated statement of income

MEUR	Note	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Revenue	4, 7	11,131	15,011
Other income	8	109	57
Share of profit (loss) of joint ventures	19	27	7
Materials and services	9	–9,539	–13,932
Employee benefit costs	10	–351	–339
Depreciation, amortization and impairments	11	–358	–330
Other expenses	12	–320	–324
Operating profit		699	150
Financial income and expenses	13		
Financial income		2	4
Financial expenses		–84	–75
Exchange rate and fair value gains and losses		16	–1
Total financial income and expenses		–65	–72
Profit before income taxes		634	78
Income tax expense	14	–74	–18
Profit for the period		560	60
Attributable to:			
Owners of the parent		558	57
Non-controlling interests		3	3
		560	60
Earnings per share from profit attributable to owners of the parent basic and diluted (in EUR per share)	15	2.18	0.22

Consolidated statement of comprehensive income

MEUR	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Profit for the period	560	60
Other comprehensive income, net of tax:		
Items that will not be reclassified to profit or loss, net of tax		
Remeasurements on defined benefit plans	30	–55
Items that may be reclassified subsequently to profit or loss, net of tax		
Translation differences	1	–30
Cash flow hedges		
recorded in equity	–71	–48
transferred to income statement	97	1
Net investment hedges	1	0
Share of other comprehensive income of investments accounted for using the equity method	–9	–9
Total	20	–86
Other comprehensive income for the period, net of tax	50	–141
Total comprehensive income for the period	611	–81
Total comprehensive income attributable to:		
Owners of the parent	608	–84
Non-controlling interests	3	3
	611	–81

The notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position

MEUR	Note	31 Dec 2015	31 Dec 2014
ASSETS			
Non-current assets			
Intangible assets	18	71	62
Property, plant and equipment	17	3,745	3,667
Investments in joint ventures	19	220	195
Non-current receivables	20, 21	10	50
Deferred tax assets	28	29	55
Derivative financial instruments	20, 25	11	25
Available-for-sale financial assets	20, 21	5	5
Total non-current assets		4,090	4,058
Current assets			
Inventories	22	1,090	1,055
Trade and other receivables	23	870	887
Derivative financial instruments	20, 25	99	144
Cash and cash equivalents	24	596	246
Total current assets		2,655	2,333
Assets classified as held for sale	5	47	103
Total assets		6,793	6,494

MEUR	Note	31 Dec 2015	31 Dec 2014
EQUITY			
Capital and reserves attributable to owners of the parent	26		
Share capital		40	40
Other equity		3,044	2,601
Total		3,084	2,641
Non-controlling interests		20	18
Total equity		3,104	2,659
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	20, 27	1,449	1,245
Deferred tax liabilities	28	265	265
Provisions	29	39	21
Pension liabilities	30	113	155
Derivative financial instruments	20, 25	6	5
Other non-current liabilities	20, 27	6	1
Total non-current liabilities		1,878	1,691
Current liabilities			
Interest-bearing liabilities	20, 27	438	622
Current tax liabilities	27	21	4
Derivative financial instruments	20, 25	45	128
Trade and other payables	20, 27	1,307	1,388
Total current liabilities		1,811	2,141
Liabilities related to assets held for sale	5	0	2
Total liabilities		3,689	3,835
Total equity and liabilities		6,793	6,494

The notes are an integral part of these consolidated financial statements.

Consolidated cash flow statement

MEUR	Note	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Cash flows from operating activities			
Profit before income taxes		634	78
Adjustments for			
Share of profit (loss) of joint ventures	19	–27	–7
Depreciation and amortization	11	358	330
Other non-cash income and expenses		0	–72
Financial expenses – net	13	65	72
Profit/loss from disposal of fixed assets and shares	8	–77	2
		953	402
Change in working capital			
Decrease (+)/increase (–) in trade and other receivables		16	92
Decrease (+)/increase (–) in inventories		–37	406
Decrease (–)/increase (+) in trade and other payables		–74	–531
Change in working capital		–94	–33
		858	369
Interest and other finance cost paid		–74	–70
Interest income received		3	3
Dividends received		0	0
Realized foreign exchange gains and losses		–18	22
Income taxes paid		–27	–77
		–115	–121
Net cash generated from operating activities		743	248

MEUR	Note	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Cash flows from investing activities			
Purchases of property, plant and equipment		–491	–261
Purchases of intangible assets	18	–13	–11
Purchases of other shares		0	0
Proceeds from sale of subsidiaries, net of cash disposed	6	171	0
Proceeds from capital repayments in joint arrangements	19	0	18
Proceeds from sale of property, plant and equipment		26	4
Changes in non-current receivables		44	–56
Cash flows from investing activities		–263	–306
Cash flow before financing activities		480	–59
Cash flows from financing activities			
Payment of (–) / proceeds from (+) current interest-bearing liabilities		–99	102
Proceeds from non-current interest-bearing liabilities		528	258
Repayments of non-current interest-bearing liabilities		–390	–383
Purchase of treasury shares		0	–15
Dividends paid to the owners of the parent		–166	–167
Dividends paid to non-controlling interests		–1	0
Cash flows from financing activities		–128	–205
Net decrease (–)/increase (+) in cash and cash equivalents		352	–263
Cash and cash equivalents at beginning of the period		246	506
Exchange gains (+)/losses (–) on cash and cash equivalents		–1	3
Cash and cash equivalents at end of the period	24	596	246

The notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

MEUR	Note	Share capital	Reserve fund	Reserve of invested unrstricted equity	Treasury shares	Fair value and other reserves	Actuarial gains and losses	Translation differences	Retained earnings	Owners of the parent	Non-controlling interests	Total equity
Total equity at 1 January 2014		40	18	0	0	0	–30	–31	2,911	**2,908**	16	**2,924**
Profit for the period									57	**57**	3	**60**
Other comprehensive income for the period						–56	–55	–30		**–141**		**–141**
Total comprehensive income for the period		0	0	0	0	–56	–55	–30	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	0	–15	–56	–85	–61	2,800	**2,641**	18	**2,659**
Total equity at 1 January 2015		40	19	0	–15	–56	–85	–61	2,800	**2,641**	18	**2,659**
Profit for the period									558	**558**	3	**560**
Other comprehensive income for the period						17	30	2		**50**		**50**
Total comprehensive income for the period		0	0	0	0	17	30	2	558	**608**	3	**611**
Dividend paid									–166	**–166**	–1	**–167**
Share-based compensation				1	3				–4	**0**		**0**
Transfer from retained earnings			1						–1	**0**		**0**
Purchase of treasury shares										**0**		**0**
Total equity at 31 December 2015	26	40	20	1	–12	–39	–55	–59	3,186	**3,084**	20	**3,104**

The notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. General information

Neste 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, FINLAND.

Neste Corporation and its subsidiaries (together referred to as the Group) is a forerunner in oil refining and renewable solutions. Neste offers its customers cleaner traffic solutions and industrial products based on cutting-edge research. 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 components, solvent, liquefied petroleum gas, and bitumen as well as NEXBTL renewable diesel and other renewable products based on Neste's proprietary technology. Neste's customers benefit not only from the high quality products, but also from the comprehensive supply and logistics services that Neste can provide. As an oil refiner, Neste is a leading manufacturer of high-quality fuels for cleaner traffic.

The Board of Directors has approved these consolidated financial statements for issue on 3 February 2016.

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 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 2015:

IFRIC 21 Levies

The Group has applied IFRIC 21 Levies as of 1 January 2015. IFRIC 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 'Provisions'. It also addresses the accounting for a liability to pay a levy whose timing and amount is certain. The Group has identified certain land and property taxes in the scope of IFRIC 21. This restatement did not impact the year 2014 cumulative figures.

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 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 inception to present changes in fair value in other comprehensive income not to be recycled. 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 has not yet been endorsed by the EU. The standard is effective for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The Group is assessing impacts of IFRS 9 with focus on the possibility to extend the application of Hedge Accounting within commodity derivative contracts. Based on this assessment the Group will consider possible early adoption.

IFRS 15 Revenue from contracts with customers

IFRS 15 was issued in May 2014. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces all 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 2018. The standard is not yet endorsed by the EU. Early adoption is permitted. Early assessment of IFRS 15 has shown that the implementation of IFRS 15 does not have a significant impact on the Group's income statement. Notes to the financial statements must be updated to reflect the standard requirements. The Group's assessment of the standard impact is under further investigation.

IFRS 16 Leases

IFRS 16 Leases, issued in January 2016, sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. IFRS 16 supersedes IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. In lessor accounting IFRS 16 substantially carries forward requirements in IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. The Group shall assess the effects of application of IFRS 16 to operating leases presented in note 34 Contingencies and commitments.

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.

Estimates and judgements requiring management estimation

The preparation of Consolidated Financial Statements in conformity with the International Accounting Standard requires the Group's management to make estimates and assumptions which have an impact on reported 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. In addition, management judgement may be required in applying the accounting principles, for example, classifying assets as held for sale.

These estimates, assumptions and judgements are based on management's historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual amounts may differ significantly from the estimates used in the financial statements. The Group follows the changes in estimates, assumptions and the factors affecting them by using multiple internal and external sources of information. Possible changes in estimates and assumptions are recognized in the financial period the estimate or assumption is changed. The most significant estimates relate to the following:

Inventories

Inventories are measured at the lower value of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

Impairment testing

Intangible assets and property, plant and equipment are always tested for impairment, when there is any indication of impairment. When the recoverable amount of an asset is less than the carrying amount, an impairment loss is recognized as an expense immediately and the carrying amount is reduced to the asset's recoverable amount.

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 three 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 discount rates.

Taxes

Determination of income taxes and deferred tax assets and liabilities and the amount of deferred tax asset to be recognized requires management judgement.

The Group has deferred tax assets and liabilities which are expected to be realized through the income statement over 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.

More information regarding taxes is presented in note 14, Income tax expense and in note 28, Deferred income taxes.

Employee benefits

Pension calculations under defined benefit plans in compliance with IAS 19 include the factors that rely on management estimates: the discount rate used in calculating pension expenses and obligations for the period, the 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 recognizing provisions and the amounts of provisions are determined based on estimates of the existence and amount of the obligation. The amount to be recorded is the best estimate of the cost required to settle the obligation at the reporting date. The estimate of the financial impact of the past event requires management judgement, which is based on similar events occurred in the past, and where applicable, the opinion of external experts. Estimates may differ from the actual future amount of the obligation and with respect to the existence of the obligation.

The most significant provisions in the statement of financial position relate to environmental liabilities. Environmental provisions are based on management's best estimate of remediation costs. The restructuring provision is recognized when the Group has prepared a detailed restructuring plan and published it. More information regarding provisions is presented in note 29, Provisions.

Structured entities

Management uses judgement when determining the accounting treatment of the structured entities. In addition to the voting rights or similar rights the management considers other factors such as the nature of the arrangement, contractual arrangements and level of influence with the structured entities.

Consolidation

Subsidiaries

The consolidated financial statements cover the parent company, Neste Corporation, and all those companies in which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group, and are no longer consolidated when that control ceases.

Acquired or established subsidiaries are accounted for by using the acquisition method. The consideration transferred and the identifiable asset acquired and liabilities assumed in the acquired company are measured at the fair value at acquisition date. The consideration transferred includes any assets transferred by the acquirer, liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. Any contingent consideration related to the business combination is measured at fair value at the acquisition date and it is classified as either liability or equity. Contingent consideration classified as liability is re-measured at its fair value at the end of each reporting period and the subsequent changes to fair value are recognized in profit or loss. Contingent consideration classified as equity is not subsequently re-measured. The consideration transferred does not include any transactions accounted for separately from the acquisition. Acquisition-related costs are expensed as incurred.

All intra-group transactions, receivables, liabilities and unrealized margins, as well as distribution of profits within the Group, are eliminated in the preparation of consolidated financial statements. The result for the period and items recognized in other comprehensive income are allocated to the equity holders of the company and non-controlling interests and presented in the statement of income and statement of other comprehensive income. Non-controlling interests are presented separately from the equity allocated to the equity holders of the company. Comprehensive income is allocated to the equity holders of the company and to non-controlling interests even in situations where the allocation would result in the non-controlling interests' share being negative, unless non-controlling interests have an exemption not to meet obligations which exceed the non-controlling interests' investment in the company.

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in the carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities.

Joint arrangements

A joint arrangement is an arrangement in which two or more parties have joint control. Joint arrangements are arrangements in which the sharing of control has been contractually agreed between two or more parties. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures or joint operations.

Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities relating to the arrangement. Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

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 recognized at cost and adjusted thereafter to recognize 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 recognize 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. Unrealized 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.

Structured entities

The Group engages business activities with structured entities which are designed to achieve a specific business purpose. A structured entity is one that has been set up so that any voting rights or similar rights are not the dominant factor in deciding who controls the entity. An example is when voting rights relate only to administrative tasks and the relevant activities are directed by contractual arrangements.

Structured entities are consolidated when the substance of the relationship between the Group and the structured entities indicate that the structured entities are controlled by the Group. The extent of the Group's interests to unconsolidated structured entities will vary depending on the type of structured entities. Entities are not consolidated because the Group does not control them through voting rights, contract, funding agreements, or other means.

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 is reviewed regularly by the chief operating decision maker, Neste 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 and sale is considered highly probable.

The assets are not depreciated after being classified 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 licenses are recognized when the risks and rewards are transferred to the buyer.

Revenue will be recognized 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.

Blender's tax credit (BTC) is recognized in revenue if the Government of the United States will make decision to grant it. It is made annually. Blender's tax credit is an incentive given to fuel blenders to use more renewable fuel by making the bio mandates less costly to achieve.

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. In respect of the deferred tax liability on undistributed foreign earnings, the amount recorded is based on expected circumstances and management expectations regarding the profit distribution. 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 fulfills tight criteria e.g. development 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. The Group owns station network infrastructure with the exception of dealer stations. 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 on 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 infrastructure 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, except goodwill, are stated at historical cost and amortized in a straight-line method over expected useful lives. Intangible assets comprise the following:

Computer software

Computer software licenses are capitalized on the basis of the costs incurred to acquire and introduce the software in question. The costs include the software development employee costs and professional fees arising directly bringing the asset to its working condition. Capitalization depends also on the technology used e.g. cloud services are not capitalized. Costs are amortized over their estimated useful lives (three to five years). Costs associated with updates or maintaining computer software programs are recognized as an expense.

Trademarks and licenses

Trademarks and licenses 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 recorded in intangible assets and measured at cost, and emission allowances received free of charge are recorded in their 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 is 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 recognized in profit or loss as consumed.

Trade receivables

Trade receivables are recognized initially at fair value. A provision for impairment of trade receivables is established for receivables over 90 days overdue, or 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. Impairment for doubtful trade receivables are based on a periodic review of outstanding amounts, including an analysis of historical bad debt, customer creditworthiness, past due amounts and changes in customer payment terms. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the loss is recognized in the consolidated statement of income within 'Other expenses'. When the trade receivables are sold to a third party, the Group receives the purchase price, less a discount for commission and fees. These fees are booked to financial expenses. The Group derecognizes a trade receivable when the contractual rights to the cash flows from the asset expire, or it transfers the asset and substantially all the related risks and rewards to the third party.

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 recognized 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 recognized as an 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. Fees of revolving credit facility are capitalized and amortized over the period of the facility.

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 are 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 is included as part of the 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. 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 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.

3. Financial risk management

Financial risk management principles

Neste Board of Directors has approved the Corporate risk management policy. This policy together with the related principles and instructions defines the framework for financial risk management within Neste. Mandates and limits that are applicable to financial risks have been defined in the risk management policy.

For more information regarding Neste's risk management, please refer to the risk management section in the annual 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 the U.S. dollar and Neste operates and reports in Euro, also this factor exposes Neste's business to short-term transaction risks and longer-term economic currency risks. In accordance with 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 faces in 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'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'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's largest business areas in terms of revenue, profits and net assets.

Neste divides the commodity price risks affecting Neste'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'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 it is called 'transaction position'.

The base inventory is the minimum level of stocks which can reasonably assure the continuous operation of the refineries and preventing deliveries from being compromised. It comprises inventories at the refineries and within the supply chain. The base inventory includes the minimum level of stocks that Neste is required to maintain under Finnish laws and regulations.

The role of price risk management in logistics is particularly present in the Renewable Products' business due to market practices in feedstock 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 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's income statement and balance sheet inasmuch as Neste 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'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 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 quality of the underlying feedstocks for which derivative financial instruments can be sold and purchased and the actual quality of Neste's feedstocks, the business will remain exposed to some degree of basis risk. Basis risk is typically higher in the Renewables business due to the nature of the feedstock 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's exposure to low refining margins in traditional oil refining is partly offset by its high conversion refineries.

Neste is exposed to greater margin volatility in the Renewable Products' business compared to that in fossil fuel refining. In the Renewables business, the refining margin is mainly a function of the renewable fuel sale price received and the feedstocks used. The underlying indices used in renewable diesel pricing are primarily oil products or conventional biodiesel related. Product prices fluctuate regionally depending on the nature of bio mandates, local supply and demand, and fossil fuel prices. In Europe, the price of renewable fuels is determined mainly by the price of the local biodiesel price. Typical biodiesel qualities are Fatty Acid Methyl Ester (FAME) or Rapeseed-Oil Methyl Ester (RME). In North America, the local biodiesel reference and typical renewable fuel pricing driver is Soy Methyl Ester (SME), on which the value of the Renewable Identification Number (RIN) has a direct impact. The 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 margin volatility.

With the aim of securing its margin and cash flow, Neste 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 time. The hedge ratio for renewable business is measured and monitored as a 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'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'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 2015 (2014) 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 operates and reports in Euro, this factor is one that exposes Neste's business to short-term transaction and longer-term economic currency risks.

The objective of foreign exchange risk management in Neste 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 70% for the first six months and 30% of the next three months for the renewable business. Deviations from the risk-neutral benchmark position are allowed in line with the limits set by treasury principles. The most important hedged currency is the U.S. dollar. Other material hedged currencies are the 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 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 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 2015, the daily balance sheet exposure fluctuated between approximately EUR 440 million and 985 million (2014: 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 2015 (2014) are summarized in Note 25.

Translation exposure

Group Treasury & Risk Management is responsible for managing Neste'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 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 284 million as of 31 December 2015 (2014: EUR 410 million) and the exposures and hedging ratios are summarized in the following table.

Group translation exposure	2015			2014		
MEUR	Net investment	Hedge	Hedge %	Net investment	Hedge	Hedge %
USD	17	0	0%	50	0	0%
SEK	174	0	0%	176	0	0%
CAD	55	0	0%	105	0	0%
RUB	38	0	0%	48	0	0%
LTL	0	0	0%	31	0	0%
Other	0	0	0%	0	0	0%
	284	0	0%	410	0	0%

3. Interest rate risk

Neste 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 uses 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 2015 (2014) 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	213	0	0	213
Finance lease liabilities	22	0	0	22
Bonds	0	50	0	50
Effect of interest rate swaps	250	–250	0	0
Financial instruments with fixed interest rate				
Bonds	310	650	500	1,460
Other loans	2	30	19	51
Finance lease liabilities	0	3	89	92
	797	483	608	1,888

The table below shows the nominal values of the Group's interest-bearing debt by currency as of 31 December 2015 and 2014, in millions of Euros.

MEUR	2015	2014
EUR	1,703	1,646
SGD	87	84
USD	98	136
	1,888	1,866

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 2016 (2015), 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		2016	2015
+/–10% in the EUR/USD exchange rate	EUR million	–105/+129	–82/+101
+/– USD 1.00/barrel in total refining margin	USD million	+/–110	+/–105
+/– USD 10/barrel in crude oil price [1]	USD million	+/–85	+/–70
+/– USD 100/t in Renewable Products raw material price [1]	USD million	+/–105	+/–80
+/– USD 50/t in Renewable Products refining margin [2]	USD million	+/–120	+/–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 2015 (2014). 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 in bank accounts 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 balance sheet items other 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, which are recorded directly in equity. Items affecting the income statement are not included in equity.

		2015		2014	
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	–/+4	–/+0
+/– 10% change in EUR/USD exchange rate	EUR million	+57/–67	+25/–33	+59/–68	+25/–34
1% parallel shift in interest rates	EUR million	+/–4	+/–0	+/–7	+/–0
+/– 10% change in USD/MYR exchange rate	EUR million	+/–0	+/–7	+/–0	+/–29

[1] Includes crude oil, refined oil products and vegetable oil derivatives

5. Hedge accounting

Neste applies hedge accounting to certain currency derivatives and interest rate derivatives. 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 sales and earnings, as well as in Neste'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 to reduce the volatility of interest expenses in the income statement. In addition, Neste reduces the volatility 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, or as hedges of the fair value of recognized assets or liabilities. 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 and feedstock purchases priced in MYR 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 2015 and 2014, 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. Accrued interest 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	2015	2014
Gain or loss on the hedging instrument	–10	5
Gain or loss on the hedged item	10	–5

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'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 total interest-bearing liabilities.

The average loan maturity as of 31 December 2015 was 3.7 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 2015, the Group had cash and cash equivalents and committed, unutilized credit facilities totaling EUR 2,246 million at its disposal.

Cash and cash equivalents and committed unutilized credit facilities	2015	2014
Floating rate		
– cash and cash equivalents	596	246
– overdraft facilities, expiring within one year	150	103
– revolving credit facility, expiring beyond one year	1,500	1,500
	2,246	1,849

Tables below present the maturity profile of the Group's financial liabilities based on contractual payments

Maturity profile of financial liabilities based on contractual payments 31.12.2015	2016 [1]	2017	2018	2019	2020	2021–	Total
Other than derivatives							
Trade payables	**787**	**0**	**0**	**0**	**0**	**0**	**787**
Bonds and debentures	**355**	**287**	**77**	**427**	**11**	**521**	**1,678**
– less interest expenses	55	37	27	27	11	21	178
Repayment of bonds and debentures	300	250	50	400	0	500	1,500
Loans from financial institutions	**110**	**56**	**16**	**21**	**7**	**3**	**213**
– less interest expenses	1	1	1	0	0	0	3
Repayment of loans from financial institutions	109	55	15	21	7	3	210
Finance lease liabilities	**38**	**15**	**15**	**14**	**14**	**175**	**271**
– less interest expenses	13	12	12	11	11	98	157
Repayment of finance lease liabilities	25	3	3	3	3	77	114
Other liabilities	**4**	**4**	**4**	**36**	**2**	**26**	**76**
– less interest expenses	4	4	4	3	1	6	22
Repayment of other long-term liabilities	0	0	0	33	1	20	54
Other than derivatives together	**1,294**	**362**	**112**	**498**	**34**	**725**	**3,025**
Commodities	21	2	0	0	0	0	23
Interest rate swaps: Inflow (–)	–10	–3	–1	–3	0	0	–17
Gross settled forward foreign exchange contracts							
– Inflow (–)	–1,325	0	0	0	0	0	–1,325
– Outflow	1,337	0	0	0	0	0	1,337

[1] Repayments in 2016 are included in current liabilities in the balance sheet.

Maturity profile of financial liabilities based on contractual payments 31.12.2014	2015 [1]	2016	2017	2018	2019	2020–	Total
Other than derivatives							
Trade payables	**916**	**0**	**0**	**0**	**0**	**0**	**916**
Bonds and debentures	**361**	**356**	**279**	**66**	**424**	**0**	**1,486**
– less interest expenses	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 interest expenses	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 interest expenses	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 interest expenses	2	3	3	3	3	7	21
Repayment of other long-term liabilities	0	0	0	1	15	22	38
Other than derivatives together	**1,613**	**384**	**348**	**96**	**473**	**221**	**3,135**
Commodities	65	0	0	0	0	0	65
Interest rate swaps: Inflow (–)	–12	–10	–3	–1	–2	0	–28
Gross settled forward foreign exchange contracts							
– Inflow (–)	–1,516	0	0	0	0	0	–1,516
– Outflow	1,566	0	0	0	0	0	1,566

[1] Repayments in 2015 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 the 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 Credit and Counterparty Risk Management Principles approved by the Board of Directors.

The amount of risk is quantified as the expected loss to Neste 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'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, a letter of credit, bank guarantee or parent company guarantee has to be posted. In the event that collateral is required 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 may reduce its counterparty risks by selling trade receivables to the third party e.g. the bank. The sale of the receivables essentially transfers the title, benefits and interest in the trade receivables to the bank, indicating the bank to obtain all of the rights associated with the receivables. The sale and transfer shall be without guarantee from the seller in respect of the buyer's creditworthiness and with limited recourse to the seller. The seller receives the purchase price from the bank at the time of sale. Fees and other expenses are deducted from the payment or invoiced separately.

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 rated counterparties by general rating agencies and authority mandates related to unrated counterparties. For OTC (over-the-counter) derivative financial instrument contracts, Neste 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 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 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 on 31 December 2015, 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 2015 with banks, of which all have investment grade rating at a minimum. Commodity derivative transactions are also done through exchange, which reduces credit risk.

The following table shows an analysis of trade receivables by age. Of the trade receivables portfolio exposure, 49% is from counterparties or their parent companies having credit rating BBB– (S&P) minimum; 51% consists of trade receivables from the counterparties not having credit rating, most of it comprising from a large number of corporate and private customers.

Analysis of trade receivables by age	2015	2014
Undue trade receivables [1]	730	718
Trade receivables 1–30 days overdue	38	49
Trade receivables 31–60 days overdue	1	3
Trade receivables more than 60 days overdue	5	6
Trade receivables total	774	777
Credit loss provision	–3	–4
Trade receivables – Net	771	773

[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 another 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 or the counterparty pays the netted amount.

Financial impact of netting for instruments subject to an enforceable master netting agreement (or similar)

31 Dec 2015	Gross amount of recognized financial instruments	Related liabilities or assets subject to Master netting agreements	Net exposure
Financial assets			
Derivatives	110	26	84
Trade receivables	24	5	19
Financial liabilities			
Derivatives	51	26	25
Trade payables	6	5	1

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

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 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 2015 and 2014 was as follows:

	2015	2014
Total interest-bearing liabilities	1,888	1,866
Cash and cash equivalents	596	246
Interest-bearing net debt	1,291	1,621
Total equity	3,104	2,659
Interest-bearing net debt and total equity	4,395	4,280
Leverage ratio	29.4%	37.9%

4. Segment information

Neste's business structure

The Group's operations are built around three business areas and seven common functions. The 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 President & CEO, to assess performance and to decide on allocation of resources.

Operating segments are engaged in the following key business activities:

Oil Products segment produces, markets and sells an extensive range of premium-quality traffic fuels and other high value-added petroleum products to a global customer base. The product range includes gasoline, diesel fuel, aviation fuel, marine fuel, heating oil, heavy fuel oil, base oil, lubricant, traffic fuel component, solvent, liquefied petroleum gas and bitumen. Neste Shipping's chartering operations are included in the Oil Products segment.

Renewable Products segment produces, markets and sells NEXBTL renewable diesel and NEXBTL renewable aviation fuel based on Neste's proprietary technology to domestic and international wholesale markets. Renewable diesel is produced at the Porvoo, Singapore, and Rotterdam refineries

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 Group'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).

The operating segments presented above do not 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: repairs and maintenance, rents, research, other property costs and insurance premiums

Renewable Products: repairs and maintenance, rents, research, other property costs and insurance premiums

Oil Retail: repairs and maintenance, rents, other property costs and 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, 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 2015 and 2014 did not result in any major concentration in any given geographical area or operating segment.

Definitions

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.

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's result will be classified as non-recurring items. This change in accounting practice will not affect Neste's consolidated IFRS result.

Comparable return on net assets, %

Comparable return on net assets is calculated by dividing segment comparable operating profit with average segment net assets.

Segment net assets

Segment net assets include property, plant and equipment, intangible assets, investments in joint ventures, 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.

Information about the Group's operating segments as of and for the years ended 31 December 2015 and 2014 is presented in the following tables:

2015	Oil Products	Renewable Products	Oil Retail	Others	Eliminations	Group	Note
External revenue	5,406	1,946	3,709	69	0	11,131	
Internal revenue	2,061	426	40	198	–2,724	0	
Total revenue	7,467	2,372	3,748	267	–2,724	11,131	7
Other income	101	1	4	20	–18	109	8
Share of profit (loss) of joint ventures	2	0	0	26	0	27	19
Materials and services	–6,602	–1,930	–3,528	–56	2,578	–9,539	9
Employee benefit costs	–148	–31	–34	–139	2	–351	10
Depreciation, amortization and impairments	–216	–95	–31	–17	0	–358	11
Other expenses	–215	–84	–81	–101	161	–320	12
Operating profit	389	233	79	0	–2	699	
Financial income and expense						–65	13
Profit before taxes						634	
Income taxes						–74	14
Profit for the period						560	
Comparable operating profit	439	402	84	2	–2	925	
Inventory gains/losses	–143	–119	0	0	0	–263	
Changes in the fair value of open oil derivatives	35	–50	0	0	0	–15	
Non recurring items	59	0	–5	–3	0	52	
capital gains and losses	76	0	0	0	0	76	
insurance and other compensation	0	0	0	0	0	0	
others	–17	0	–5	–3	0	–25	
Operating profit	389	233	79	0	–2	699	
Capital expenditure and investments in shares	453	28	37	17	0	536	
Segment operating assets	3,282	2,145	439	260	–237	5,889	
Investments in joint ventures	18	0	0	201	0	220	19
Deferred tax assets						29	28
Unallocated assets						655	
Total assets	3,300	2,145	439	461	–237	6,793	
Segment operating liabilities	980	261	255	193	–230	1,459	
Deferred tax liabilities						265	28
Unallocated liabilities						1,965	
Total liabilities	980	261	255	193	–230	3,689	
Segment net assets	2,320	1,884	184	269	–7	4,650	
Return on net assets, %	16.2	12.6	38.9	–0.2			
Comparable return on net assets, %	18.2	21.8	41.2	1.1			

2014	Oil Products	Renewable Products	Oil Retaili	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			

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. '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.

2015	Finland	Other Nordic countries	Baltic rim	Other Eurpean coutries	North and South America	Other countries	Group
Revenue by destination	4,529	1,477	1,232	2,248	1,506	139	11,131
Non-current assets	2,535	201	96	614	0	589	4,036
Capital expenditure	507	0	9	18	0	2	536

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

5. Assets held for sale

The assets classified as held for sale as of 31 December 2015 relate to the 15 December 2015 stock exchange release, which informed that Neste, Veolia and Borealis have agreed to create a joint venture company to build a new combined heat and power plant and produce and supply steam and other utilities to Neste's refinery and Borealis' petrochemical plant in Porvoo, Finland. The company, Kilpilahti Power Plant Limited will be owned 40% each by Neste and Veolia and 20% by Borealis. Neste will contribute its required equity share in Kilpilahti Power Plant Limited by transferring the current power plant to the joint venture company. The current power plant is classified as held for sale at 31 December 2015. The arrangement is subject to financing deals which are expected to take place during the first quarter of 2016. Classified power plant is part of the Oil Products segment.

Assets classified as held for sale	2015
Property, plant and equipment	47
Inventories	1
Total	47

In 2014, 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. More information regarding the transaction is presented in note 6.

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

6. Acquisitions and disposals

Acquisitions

No acquisitions took place in financial periods 2015 and 2014.

Disposals

On 2 January 2015 Neste sold all shares of Kilpilahden Sähkönsiirto Oy to InfraVia European Fund II, an infrastructure fund managed by InfraVia. The sale produced a capital gain of EUR 79 million for Neste in the first quarter 2015. The sold operations were part of the Oil Product segment.

Assets and Liabilities of Kilpilahden Sähkönsiirto Oy

MEUR	2 Jan 2015
Property, plant and equipment	99
Trade and other receivables	8
Total assets	107
Trade and other payables	9
Deferred tax liabilities	6
Total liabilities	15
Sold net assets	92
Gain on disposal	79
Total consideration	171
Cash consideration received	171
Cash and cash equivalents disposed of	0
Cash inflow arising from disposal	171

In the first quarter 2014 Neste 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 Mar 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

7. Analysis of revenue by category

	2015	2014
Sale of goods	10,946	14,865
Revenue from services	182	149
Royalty income	2	0
Other	1	–2
	11,131	15,011

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 –82 million (2014: EUR –5 million).

Revenue from services mainly comprises revenue from the chartering services and Neste Jacobs, which is included in the Others segment.

8. Other income

	2015	2014
Gain on sale of subsidiaries	79	2
Capital gains on disposal of other non-current assets	1	0
Rental income	17	4
Government grants	7	6
Insurance compensations	0	39
Other	5	6
	109	57

Government grants relate mainly to the shipping operations, which are entitled to apply for certain grants based on Finnish legislation. EUR 1 million (2014: EUR 2 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 damage to the Porvoo refinery hydrogen unit.

9. Materials and services

	2015	2014
Materials and supplies	9,508	13,469
Change in inventories	–31	409
External services	61	54
	9,539	13,932

Materials and supplies include excise taxes included in the retail selling price of petroleum products.

Net gains/losses on financial instruments related to purchases designated as cash flow hedges are included in Materials and supplies. In 2015 those amounted to EUR 38 million (2014: EUR 3 million).

10. Employee benefit costs

	2015	2014
Wages, salaries	271	267
Social security costs	27	22
Pension costs-defined contribution plans	37	37
Pension costs-defined benefit plans	8	5
Other costs	8	8
	351	339

Number of personnel (average)	2015	2014
Oil Products	1,725	1,866
Renewable Products	263	259
Oil Retail	1,353	1,355
Others	1,565	1,509
	4,906	4,989

11. Depreciation, amortization and impairment charges

	2015	2014
Depreciation of property, plant, and equipment		
Buildings and structures	82	69
Machinery and equipment	243	239
Other tangible assets	22	14
	347	321
Amortization of intangible assets	11	9
Depreciation, amortization and impairment charges total	358	330

12. Other expenses

	2015	2014
Operating leases and other property costs	42	43
Repairs and maintenance	109	121
Services	88	79
Insurance	17	17
Other	65	64
	320	324

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.

Fees charged by the statutory auditor, PwC, EUR thousands	2015	2014
Audit fees	990	751
Auditor's mandatory opinions	19	11
Tax advisory	181	352
Other advisory services	1,317	334
	2,507	1,449

Other advisory services include for example the fee relating to the sale of Kilpilahden Sähkönsiirto Oy in 2015.

13. Financial income and expense

	2015	2014
Financial income		
Dividend income on available-for-sale investments	0	0
Interest income from loans and receivables	2	3
Other financial income	0	0
	2	4
Financial expenses		
Interest expenses for financial liabilities at amortized cost	–77	–65
Interest rate derivatives, non-hedge accounted	0	0
Interest rate derivatives, hedge accounted	0	0
Other financial expenses	–6	–10
	–84	–75
Exchange rate and fair value gains and losses		
Loans and receivables	24	–11
Other	6	4
Foreign exchange derivatives, non-hedge accounted	–13	6
	16	–1
Financial cost – net	–65	–72

Net gains/losses on financial instruments included in operating profit	2015	2014
Foreign exchange rate and oil derivative financial instruments designated as cash flow hedges	–120	–7
Non-hedge accounted foreign exchange rate, commodity derivative instruments	37	75
	–83	67

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 some of the contracts that can be settled net in cash and are not entered into and held for the purpose of the receipt or delivery in accordance with expected purchase, sale or usage requirements. Non-hedge accounted derivative financial instruments include net result of transactions entered into for hedging purposes amounting to EUR 34 million (2014: EUR 70 million), and transactions entered into for trading purposes amounting to EUR 3 million (2014: EUR 5 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:

	2015	2014
Current tax	56	19
Adjustments recognized for current tax for prior periods	–1	2
Change in deferred taxes	19	–3
	74	18

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:

	2015	2014
Profit before tax	634	78
Hypothetical income tax calculated at Finnish tax rate 20.00% (2014: 20.00%)	–127	–16
Differences in tax rates in other countries	35	18
Tax exempt income	18	3
Non-deductible expenses	–1	–1
Tax on undistributed earnings [1]	–4	–19
Taxes for prior periods	1	–2
Net results of joint ventures	5	1
Realisability of deferred tax assets	–1	1
Other	0	–3
Tax charge in the consolidated income statement	–74	–18

[1] The line Tax on undistributed earnings has been renamed (earlier: Depreciation difference and untaxed reserves) in order to give more precise information on tax bookings.

The Group's effective income tax rate was 11.64% (2014: 23.20%).

The tax (charge)/credit relating to components of other comprehensive income:

2015	Before tax	Tax (charge) / credit	After tax
Remeasurements of defined benefit plans	–38	8	–31
Translation differences	–1	0	–1
Cash flow hedges			
recorded in equity	–85	14	–71
transferred to income statement	117	–20	97
Net investment hedges	1	0	1
Share of other comprehensive income of investments accounted for using the equity method	–9	0	–9
Other comprehensive income	–15	1	–14
Current tax		0	
Deferred tax		1	
		1	

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	

15. Earnings per share

Basic 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. The average number of shares has been adjusted with treasury shares, 798,467 shares (2014: 1,000,000), as described in Note 26. Diluted earnings per share reflect the impact of the share-based incentive plans.The Company has not granted any options.

	2015	2014
Profit attributable to owners of the parent, MEUR	558	57
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (thousands)	255,569	255,532
Number of ordinary shares, including treasury shares, used as the denominator in calculating diluted earnings per share (thousands)	256,404	256,404
Earnings per share basic and diluted (euro per share)	2.18	0.22

16. Dividend per share

The dividends paid in 2015 were EUR 0.65 per share, totalling EUR 166 million (2014: EUR 0.65 per share, totalling EUR 167 million). A dividend of EUR 1.00 per share will be proposed at the Annual General Meeting on 30 March 2016, corresponding to total dividends of EUR 256 million for 2015. This dividend is not reflected in the financial statements.

17. Property, plant and equipment

2015	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Assets under construction	Total
Gross carrying amount at 1 January 2015	72	2,101	3,991	321	253	6,738
Exchange differences	–1	–5	–2	0	0	–9
Additions	2	90	365	34	32	523
Disposals	–1	–8	–254	–46	–13	–322
Reclassifications	0	34	41	12	–94	–7
Classified as assets held for sale	0	–23	–134	0	–13	–170
Gross carrying amount at 31 December 2015	73	2,189	4,005	321	165	6,753
Accumulated depreciation and impairment losses at 1 January 2015	0	776	2,171	124	0	3,071
Exchange differences	0	–3	–1	0	0	–4
Disposals	0	–8	–228	–46	0	–282
Reclassifications	0	0	0	0	0	0
Depreciation for the period	0	82	243	22	0	347
On assets classified as held for sale	0	–12	–111	0	0	–123
Accumulated depreciation and impairment losses at 31 December 2015	0	835	2,073	100	0	3,008
Carrying amount at 1 January 2015	72	1,325	1,820	197	253	3,667
Carrying amount at 31 December 2015	73	1,353	1,932	221	165	3,745

Capital expenditure in the turnaround at the Porvoo refinery totalled EUR 116 million. The scheduled major turnaround was implemented during the second quarter of 2015. The capitalization related to the turnaround is included in Machinery 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
Classified as assets 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 assets classified 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

Finance leases

Machinery and equipment include assets where the Group is a lessee under a finance lease as specified in the following table:

	2015	2014
Gross carrying amount	173	235
Accumulated depreciation	67	94
Carrying amount	106	141

Capitalized borrowing costs

During 2015 borrowing costs amounting to EUR 2.4 million were capitalized related mainly to Oil Products investments. 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 3.5% in 2015.

18. Intangible assets

2015	Goodwill	Other intangible assets	Total
Gross carrying amount at 1 January 2015	11	163	175
Exchange differences	0	0	0
Additions	0	13	13
Disposals	0	–2	–2
Reclassifications	0	7	7
Gross carrying amount at 31 December 2015	11	182	193
Accumulated amortization and impairment losses at 1 January 2015	0	113	113
Exchange differences	0	0	0
Disposals	0	–2	–2
Reclassifications	0	0	0
Amortization for the period	0	11	11
Accumulated amortization and impairment losses at 31 December 2015	0	122	122
Carrying amount at 1 January 2015	11	50	62
Carrying amount at 31 December 2015	11	60	71

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

Emission allowances

Neste'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 2015 there was no estimated obligation to purchase emission allowances in the balance sheet of Neste (2014 provision EUR 1.6 million). The actual amount of CO2 emissions in 2015 were 2.9 million tons (2014: 3.1 million tons). The Group has traded emission allowances for net amount of 1.2 million tons during the financial period ended 31 December 2015 (2014: 0.5 million tons).

Impairment test of goodwill

Goodwill is allocated to Group's cash-generating units (CGU's). From 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:

	WACC%	2015	2014
Oil Products	6.2	2	2
Other	6.0	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. Cash flows beyond the three-year period are extrapolated by using 1.0% nominal growth rate.

The discount rates represent 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. WACC rates are specified for each of the cash generating units separately in the table above. WACC% and growth rate are used purely for the impairment testing.

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.

The key assumptions for the plans in Oil Products are the demand and the margin level for oil products.

Sensitivity analysis: A decrease of 10% in cash flows or 2%-points increase does in the discount rate 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	2015	2014
At 1 January	195	224
Share of profits of joint ventures	27	7
Translation differences	6	–10
Share of other comprehensive income of investments accounted for using the equity method	–9	–9
Capital repayments in joint ventures	0	–18
Other changes	1	0
At 31 December	220	195

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	2015 % interest held	2014 % interest held
Glacia Limited	Bermuda	Note 1	50.00	50.00
Nynas AB (publ)	Sweden	Note 2	49.99	49.99

Note 1: Glacia Limited is a joint venture company owned on a 50/50 basis by Neste and Stena Maritime AG (part of the Stena Group). The company owns an Aframax-size crude tanker, which joined the Neste fleet in January 2007. Neste has entered into a 10-year time charter contract with the joint venture for the vessel of which 1 year remain.

Management has classified this ownership as a joint venture because the arrangements are structured through separate vehicle which legal form (limited liability company) separates the assets and liabilities of the arrangement from the assets and liabilities of its shareholders, and are directed so that the relevant activities of the company require unanimous consent from all shareholders.

Note 2: Nynas AB (publ) is a Swedish company that specializes in marketing and producing bitumen in Europe and naphthenics globally. Neste 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.

Management has classified this ownership as a joint venture because the arrangement is structured through a separate vehicle which legal form separates its assets and liabilities from the assets and liabilities of its shareholders, and that the terms and conditions of the shareholders' agreement or other facts and circumstances do not give Neste or Petróleos de Venezuela S.A. rights to the assets and obligations for the liabilities of Nynas AB (publ).

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:

	Glacia Limited		Nynas AB (publ)	
	2015	2014	2015	2014
Non-current assets	37	35	520	462
Current assets				
Cash and cash equivalents	21	17	37	108
Other current asset (excl. Cash and cash equivalents)	0	0	602	805
Total current assets	21	17	639	914
Non-current liabilities				
Non-current financial liabilities (excl. Trade payables and provisions)	0	17	437	444
Other non-current liabilities	0	0	69	106
Total non-current liabilities	0	17	506	550
Current liabilities				
Current financial liabilities (excl. Trade payables and provisions)	20	4	161	354
Other current liabilities	0	0	91	116
Total current liabilities	20	4	251	469
Net assets	37	31	402	357
Revenue	10	9	1,937	1,927
Depreciation, amortization and impairments	3	3	0	0
Interest income	0	0	3	5
Interest expense	0	0	36	28
Income tax expense	0	0	15	17
Profit/loss	4	3	51	12

Reconciliation of summarized financial information

Reconciliation of the summarized financial information presented to the carrying amount of its interest in the joint venture.

	Glacia Limited		Nynas AB (publ)	
Summarized financial information	2015	2014	2015	2014
Opening net assets 1 January	31	26	357	385
Profit for the period	4	3	51	12
Other comprehensive income	2	2	–7	–40
Closing net assets	37	31	402	357
Interest in joint venture @ 50%	18	15	201	178
Carrying value	18	15	201	178

The financial statements of Nynas AB (publ) are not published within the Group's reporting timetable. Nynas AB (publ) 2015 and 2014 financial information above is based on 30 September 2015 and 30 September 2014 published interim reports. The share of profits of Glacia Limited for 2015 is consolidated based on the companys' 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:

	Financial assets/liabilities at fair value through income statement							
2015 Balance sheet item	Hedge accounting	Non-hedge accounting	Loans and receivables	Available-for-sale financial	Financial liabilities measured at amortized cost	Carrying amounts by balance sheet item	Fair value	Note
Non-current financial assets								
Non-current receivables			10			10		21
Derivative financial instruments	11	0				11	11	25
Available-for-sale financial assets				5		5		21, 25
Current financial assets								
Trade and other receivables [1]			868			868		
Derivative financial instruments	8	91				99	99	25
Cash and cash equivalents			596			596		24
Carrying amount by category	19	91	1,475	5	0	1,589	110	
Non-current financial liabilities								
Interest-bearing liabilities					1,449	1,449	1,482	27
Derivative financial instruments	4	2				6	6	25
Other non-current liabilities					6	6		27
Current financial liabilities								
Interest-bearing liabilities					438	438	445	27
Derivative financial instruments	20	26				45	45	25
Trade and other payables [2]					1,307	1,307		27
Carrying amount by category	23	27	0	0	3,200	3,251	1,978	

[1] excluding prepayments

[2] excluding non-financial liabilities

2014 Balance sheet item	Financial assets/liabilities at fair value through income statement: Hedge accounting	Non-hedge accounting	Loans and receivables	Available -for-sale financial	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 [1]			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 [2]					1,388	1,388		27
Carrying amount by category	55	78	0	0	3,255	3,389	2,064	

[1] excluding prepayments

[2] 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).

2015 Fair value hierarchy

Financial assets	Level 1	Level 2	Level 3	Total
Non-current derivative financial instruments				
Interest rate derivatives	0	11	0	11
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	11	5	16
Current derivative financial instruments				
Interest rate derivatives	0	5	0	5
Currency derivatives	0	7	0	7
Commodity derivatives	39	47	0	87
Current financial assets	39	60	0	99
Total financial assets	39	71	5	115

Financial liabilities	Level 1	Level 2	Level 3	Total
Non-current derivative financial instruments				
Interest rate derivatives	0	4	0	4
Currency derivatives	0	0	0	0
Commodity derivatives	0	0	0	0
Non-current financial liabilities	0	4	0	4
Current derivative financial instruments				
Interest rate derivatives	0	0	0	0
Currency derivatives	0	24	0	24
Commodity derivatives	0	23	0	23
Current financial liabilities	0	47	0	47
Total financial liabilities	0	51	0	51

During the financial period 2015 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 (2014: EUR 5 million), for which the fair value cannot be reliably determined. These assets are measured at cost less possible impairment.

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.

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 2015	2014
Non-current interest-bearing receivables	1	1
Other non-current receivables	10	49
	10	50

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	2015	2014
At 1 January	5	4
Additions	0	0
At 31 December	5	5

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

	2015	2014
Materials and supplies	417	381
Finished products and goods	667	666
Other inventories	7	8
Classified as assets held for sale	–1	0
	1,090	1,055

Cumulative inventory losses due to oil price changes amounted EUR 263 million (2014: EUR 492 million) of which EUR 86 million (2014: EUR 127 million) consisted of inventory write downs recorded at the end of the period.

23. Current trade and other receivables

	Carrying amount 2015	2014
Trade receivables	771	771
Other receivables	59	57
Advances paid	11	6
Accrued income and prepaid expenses	29	53
	870	887

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. Credit loss of trade receivables amounted to EUR 1 million (2014: EUR 2 million).

Analysis of trade receivables by age is presented in Note 3, Financial risk management, section 'credit and counterparty risk'.

The trade receivables were sold to the third party during 2015, but the volume of the sold trade receivables was not substantial. In 2014 trade receivables were not sold to the third party.

24. Cash and cash equivalents

Cash and cash equivalents include the following:

	2015	2014
Cash at bank and in hand	596	246
Short term bank deposits	0	0
Total	596	246

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	2015			2014		
	Remaining maturities			Remaining maturities		
	< 1 year	1–4 years	Total	< 1 year	1–5 years	Total
Derivative financial instruments designated as cash flow hedges						
Interest rate swaps [1]	0	50	50	0	50	50
Forward foreign exchange contracts	522	0	522	748	0	748
Currency options						
– Purchased	283	0	283	189	0	189
– Written	283	0	283	188	0	188
	1,088	50	1,138	1,125	50	1,175
Derivative financial instruments designated as fair value hedges						
Interest rate swaps [1]	250	300	550	150	550	700
	250	300	550	150	550	700
Non-hedge accounting derivative financial instruments						
Interest rate swaps [1]	0	0	0	0	0	0
Forward foreign exchange contracts	821	0	821	804	0	804
Currency options						
– Purchased	175	0	175	0	0	0
– Written	0	0	0	0	0	0
	996	0	996	804	0	804

[1] Interest rate swaps mature in 4 years.

Volumes of commodity derivative contracts	2015			2014		
	Remaining maturities			Remaining maturities		
Volume million bbl	< 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	16	0	16	8	0	8
– Purchase contracts	8	0	8	8	0	8
	24	0	24	16	0	16

Volume GWh	2015 Remaining maturities < 1 year	2015 Remaining maturities 1–3 years	2015 Total	2014 Remaining maturities < 1 year	2014 Remaining maturities 1–3 years	2014 Total
Non-hedge accounting electricity and gas derivative contracts						
Futures and forwards						
– Purchase contracts	1,548	884	2,432	1,592	1,099	2,691
	1,548	884	2,432	1,592	1,099	2,691

[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 2015**				**Fair value 2014**			
	Positive		Negative		Positive		Negative	
Interest rate and currency derivative contracts”	< 1 year	1–4 years	< 1 year	1–4 years	< 1 year	1–5 years	< 1 year	1–5 years
Derivative financial instruments designated as cash flow hedges								
Interest rate swaps [1]	0	0	0	4	0	0	0	5
Forward foreign exchange contracts	1	0	15	0	1	0	42	0
Currency options								
– Purchased	0	0	3	0	0	0	2	0
– Written	1	0	2	0	0	0	7	0
	3	0	20	4	2	0	50	5
Derivative financial instruments designated as fair value hedges								
Interest rate swaps [1]	5	11	0	0	1	25	0	0
	5	11	0	0	1	25	0	0
Non-hedge accounting derivative financial instruments								
Interest rate swaps [1]	0	0	0	0	0	0	0	0
Forward foreign exchange contracts	4	0	3	0	1	0	12	0
Currency options								
– Purchased	0	0	1	0	0	0	0	0
– Written	0	0	0	0	0	0	0	0
	4	0	4	0	1	0	12	0

[1] Interest rate swaps mature in 4 years.

Commodity derivative contracts	Fair value 2015 Positive < 1 year	1–3 years	Negative < 1 year	1–3 years	Fair value 2014 Positive < 1 year	1–3 years	Negative < 1 year	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	72	0	3	0	138	0	3	0
– Purchase contracts	15	0	19	2	2	0	62	1
	87	0	22	2	140	0	65	1

[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.

Balance sheet reconciliation	2015 Assets Current	Non-current	Liabilities Current	Non-current	2014 Assets Current	Non-current	Liabilities Current	Non-current
Derivative financial instruments	99	11	45	6	144	25	128	5

Fair value estimations

Derivative financial instruments are initially recognized and subsequently re-measured at their fair values i.e.the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participant and the measurement 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 commodity futures and option contracts is determined using the forward exchange market quotations as per 31 December 2015. The fair value of over-the-counter derivative contracts is calculated using the net present value of the forward derivative contracts quoted market prices as per 31 December 2015.

26. Equity

Share capital

The Parent Company's share capital registered with the Trade Register as of 31 December 2015 totalled EUR 40,000,000, divided into 256,403,686 shares of equal value. The nominal value of one share is not determined. There have been no changes in share capital in 2015 or 2014.

	Number of shares, 1,000	Treasury shares, 1,000	Outstanding shares, 1,000
1 January 2015	256,404	–1,000	255,404
Purchase of treasury shares		0	0
Transfer of treasury shares		202	202
31 December 2015	256,404	–798	255,605
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

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. During year 2014 the Group acquired a total of 1,000,000 treasury shares, and the acquisition cost of EUR 15 million was deducted from equity. In the Annual General Meeting on 1 April 2015 the Board of Directors was authorized to decide on the purchase of and/or take as security a maximum of 1,000,000 company shares using the company's unrestricted equity. On 5 March 2015, 198,303 treasury shares of Neste Corporation have been conveyed without consideration to 63 key persons participating in the share-based incentive plan 2010 according to the terms and conditions of the plan. On 15 September 2015, 3,230 treasury shares have been conveyed without consideration to one key person participating in the share-based incentive plan 2010 according to the terms and conditions of the plan. After these two directed share issues the total amount of treasury shares is 798,467 shares. The acquisition cost including transaction costs, has been deducted from equity. The total number of the company's shares is 256,403,686 shares.

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

	Carrying amount	
Non-current liabilities	2015	2014
Bonds	1,205	1,021
Loans from financial institutions	101	103
Finance lease liabilities	89	85
Other loans	54	37
Other non-current liabilities	0	0
Accruals and deferred income	6	1
Non-current liabilities total	1,455	1,246
of which interest-bearing	1,449	1,245

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 1,238 million (2014: EUR 1,081 million) of which EUR 1,188 million belong to level 1 and 50 million to level 2. The fair values of other non-current liabilities are not materially different from their carrying amounts.

	Carrying amount	
Current liabilities	2015	2014
Bonds	305	301
Loans from financial institutions	108	218
Finance lease liabilities	25	55
Advances received	56	12
Trade payables	787	914
Other current liabilities	340	403
Current tax liabilities	21	4
Accruals and deferred expenses	123	106
Current liabilities total	1,766	2,013
of which interest-bearing	438	622

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 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 311 million (2014: EUR 306 million) of which EUR 311 million belong to level 1.

The fair values of other current liabilities are not materially different from their carrying amounts.

Re-pricing periods of the Group's interest-bearing debt is disclosed in Note 3, Financial risk management, section 'Market risk'.

Listed bond issues

Issued/Maturity	Interest basis	Interest rate, %	Effective interest, %	Currency	Nominal million	Carrying amount EUR million
2009/2016	Fixed	6.0000	6.0965	EUR	300	305
2012/2017	Fixed	4.0000	4.0650	EUR	250	252
2012/2019	Fixed	4.0000	4.0780	EUR	400	407
2015/2022	Fixed	2.1250	2.2080	EUR	500	496
Total outstanding carrying amount 31 December 2015						1,460

In addition private placement (2011/2018) of EUR 50 million with floating interest

The future minimum lease payments of finance lease 'liabilities and their present value in the balance sheet

	2015			2014		
Amounts payable under finance lease:	Minimum lease payments	Future finance charges	Present value of minimum lease payments	Minimum lease payments	Future finance charges	Present value of minimum lease payments
Within one year	38	13	25	68	14	54
Between one and five years	73	53	20	67	53	14
More than 5 years	157	87	70	164	93	71
Total amounts payable	268	153	115	299	160	139

Finance lease liabilities arise from bareboat agreement on crude oil tanker Tempera delivered in 2002 that is classified as finance lease agreement under IAS 17. The lease term for Tempera has been extended by 6 months in the amendment made in 2015 to end on 15th April 2016. In May Neste announced that it will sell Tempera in 2016.

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 2015 is presented in the following table:

	at 1 Jan 2015	Charged to Income Statement	Charged in Equity	Exchange rate differences and other changes	Assets held for sale	at 31 Dec 2015
Deferred tax assets						
Tax loss carried forward	14	–12	0	0	0	2
Provisions	4	–2	0	0	0	2
Pensions	31	–1	–8	0	0	23
Other temporary differences	6	–4	0	0	0	2
Total deferred tax assets	55	–19	–8	0	0	29
Deferred tax liabilities						
Depreciation difference and untaxed reserves	232	16	0	–6	0	242
Tax on undistributed earnings [1]	19	–6	0	0	0	12
Finance leases	2	–1	0	0	0	1
Capitalized interest	12	–1	0	0	0	11
Other temporary differences	1	–8	6	0	0	–1
Total deferred tax liabilities	265	0	6	–6	0	265

The movement in deferred tax assets and liabilities during 2014 is presented in the following table:

	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	–11	0	0	–6	231
Tax on undistributed earnings [1]	0	19	0	0	0	19
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

[1] Tax on undistributed earnings is presented as a separete line item (previously: included in Depreciation difference and untaxed reserves) in order to give more precise information on the deferred tax liabilities.

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 amounting to EUR 8 million (2014: EUR 1 million) have been netted in the balance sheet.

Deferred tax assets are recognized for tax loss carryforwards and other unused tax credits to the extent that the utilization of the related tax benefit through future taxable profits is probable. At the end of 2015, a deferred tax asset of EUR 2 million has been recognized cumulatively on the subsidiaries' taxable losses. The tax losses may be carried forward indefinitely.

There are altogether EUR 2 million (2014: EUR 0 million) tax loss carryforwards and other unused tax credits for which no deferred tax asset is recognized and their expiry dates are between 2017 and 2025.

A deferred tax liability has been recognized for undistributed earnings of subsidiaries where income taxes would be payable upon distribution.

Deferred tax assets	2015	2014
Deferred tax asset to be recovered after more than 12 months	25	48
Deferred tax asset to be recovered within 12 months	3	7
	29	55

Deferred tax liabilities	2015	2014
Deferred tax liability to be recovered after more than 12 months	264	263
Deferred tax liability to be recovered within 12 months	1	2
	265	265

29. Provisions

	Environmental provisions	Restructuring provisions	Provision to return emission allowances	Other provisions	Total
At 1 January 2015	10	9	2	1	21
Charged to income statement					
Additional provisions	28	0	0	0	28
Amounts used during the period	–1	–5	–2	–1	–9
Reversed unused provisions	–1	0	0	0	–1
At 31 December 2015	36	3	0	0	39

	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

	2015	2014
Current provisions	1	1
Non-current provisions	39	20
	39	21

The nature of certain 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 the environment. Liability may arise also through the acquisition, ownership or operation of properties or businesses.

Environmental provisions consists mostly of the 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 on 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% (2014: 96%) of the Group's total defined benefit pension obligation and 98% 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 the 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 cover the 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 a yield of corporate bonds as at the reporting date. A decrease (increase) in used discount rates increase (decrease) the defined benefits obligations. However, a decrease (increase) in the 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 on the employer's liability according to IFRS. The insurance company bears completely the mortality risk on accrued benefits. The employers have a 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	2015	2014
Service cost	8	5
Net interest (+expense/–income)	2	3
Remeasurements related to other long-term remulations	0	1
Defined benefit cost recognized in the consolidated statement of income	11	9

Remeasurements of defined benefit plans	2015	2014
Actuarial gains/losses:		
Changes in demographic assumptions	–3	0
Changes in financial assumptions	60	–116
Return on plan assets, excluding amounts included in net interest expense	–22	45
Experience adjustments	3	2
Total remeasurements recognized in other comprehensive income	38	–69

Amounts recognized in the consolidated statement of financial position	2015	2014
Present value of funded defined benefit obligations	451	513
Present value of unfunded defined benefit obligations	8	8
Fair value of plan assets	–346	–366
Net defined benefit liablity	113	155

Changes in fair value of plan assets	2015	2014
January 1	366	311
Interest income	6	11
Return on plan assets (excluding amounts included in net interest expense)	–22	44
Employer contributions	15	16
Benefits paid	–19	–17
December 31	346	366

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	2015		2014	
	Funded	Unfunded	Funded	Unfunded
January 1	513	8	396	8
Current service cost	8	1	7	1
Curtailments	0	0	–1	0
Interest cost	8	0	14	0
Actuarial gains (–)/ losses (+)	–60	0	114	1
Settlements	–1	0	–1	–1
Benefits paid	–17	–1	–16	–1
December 31	451	8	513	8

The expected contributions to be paid to the defined benefit plans in 2016 are EUR 13 million.

Significant actuarial assumptions	2015	2014
Discount rate, %		
Finland	2.13%	1.65%
Other countries	0.9–1.9%	1.60%
Future salary increase, %		
Finland	2.6–3.1%	3.5%
Other countries	1.5–2.5%	1.5–2.0%
Insurance company’s bonus index, %		
Finland	0.0%	0.0%
Other countries	0.0%	0.0%
Future benefit increase, %		
Finland	0–1.8%	2.1%
Other countries	0.0%	0.0%

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 2015	2014
Discount rate				
	0.25% increase	EUR million	–14	–18
	0.25% decrease	EUR million	15	19
Future salary increase				
	0.25% increase	EUR million	4	5
	0.25% decrease	EUR million	–4	–5
Future benefit increase				
	0.25% increase	EUR million	13	16
	0.25% decrease	EUR million	–12	–15

- 0.25% increase/decrease in the discount rate would lead to a decrease/increase of 3.4%/3.5% in the defined benefit obligation.
- 0.25% increase/decrease in the rate of salary increase would lead to a increase/decrease of 1.0%/1.0% in the defined benefit obligation.
- 0.25% increase/decrease in the rate of pension index would lead to a increase/decrease of 2.9%/2.8% 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

	2015
Within the next 12 months (next annual reporting period)	20
Between 1 and 5 years	90
Between 5 and 10 years	116
Beyond 10 years	392
Total expected payments	619

The average duration of the defined benefit pension obligation at the end of the reporting period is 14 years.

31. Share-based payments

Share-based incentive plan as of 1 January 2013

The 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 Group's shares. The Board is responsible for annually selecting the members of Group'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 share plans have started in 2013, 2014, and 2015. The Board of Directors have decided on the earning criteria and targets to be applied, as well as the maximum level of incentive payable for each earning period and for the entire earning period. The earning criteria for the earning period 2013–2015 are the Group's comparable free cash flow (75%) and the comparable operating profit of Renewable Products (25%). The earning criteria for the earning periods 2014–2016 and 2015–2017 is the Group's cumulative comparable free cash flow (75%) and total return by the 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.

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: 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 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 were the same, the sales volume at Renewable Products and total shareholder return on Company share in relation to the Dow Jones Nordic Return Index. As incentives, shares have been delivered to participants after all three earning periods in 2013, 2014 and 2015. The maximum level of participants' reward has not exceeded the annual gross salary of the year in question during any earning year. The portion paid in cash has covered taxes 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.

Earnings period of share-based incentive plan 2012–2014 ended 31 December 2014. The earning criteria was met fully resulting in the delivery of shares to the participants in 2015. A gross reward of 414,843 shares equaling to EUR 9.7 million was delivered to the participants. The net amount of shares delivered totaled 201,533 shares and the rest of the reward was paid in cash to cover taxes. The fair value of the share as at delivery date was 23,2776 euros. The members of Company's Executive Board received a gross reward equaling to 46,142 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. The fair value of the share as at delivery date was 15.4355 euros. The members of Company's Executive Board 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. The restriction period for this earning period will end January 1, 2016.

The following tables summarize the terms and the assumptions used in accounting for the performance share plan:

Grant dates and prices	Plan 2015–2017	Plan 2014–2016	Plan 2013–2015	Plan 2012–2014	Plan 2011–2013	Plan 2010–2012
Grant dates	11 Feb 2015	01 Feb 2014	10 Feb 2013	02 Jan 2012	03 Jan 2011	04 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						
Beginning of earnings period	01 Jan 2015	01 Jan 2014	01 Jan 2013	01 Jan 2012	01 Jan 2011	01 Jan 2010
End of earnings period	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
End of restriction period	31 Mar 2019/ 31 Mar 2021	31 Mar 2018/ 31 Mar 2020	31 Mar 2017/ 31 Mar 2019	01 Jan 2018	01 Jan 2017	01 Jan 2016

Assumptions used in calculating the value of the reward						
Amount of granted shares at the beginning of the period, maximum reward	0	2,281,678	5,914,520	1,000,000	416,177	128,340
Granted during the period	3,195,100	0	0	0	0	0
Released during the period	0	–34,827	–54,752	–2,244	0	0
Cancelled during the period	–15,000	0	0	0	0	0
Forfeited during the period	–115,000	–201,423	–171,553	–4,621	0	0
Adjusted during the period	2,329,476	2,965,936	669,195	–585,157	0	0
Amount of granted shares at the end of the period, maximum reward	5,394,576	5,011,364	6,357,410	407,978	416,177	128,340
Number of persons at the end of the reporting year	85	87	85	65	0	0
Share price at the end of the reporting period, euros	27.63	27.63	27.63	23.28	15.44	11.00
Estimated rate of realization of the earnings criteria, %	88%	88%	100%	100%	65%	20%
Estimated termination rate before the end of the restriction period, %	10%	10%	10%	0%	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:

	2015	2014
Expense arising from equity-settled share-based payment transactions	3	2
Expense arising from cash-settled share-based payment transactions	2	5
Total expense arising from share-based payment transactions	5	7

The liability recognized in the balance sheet related to share based payments amounted to EUR 5 million (2014: EUR 7 million). The expense to be recognized during the financial periods 2016–2019 is estimated as 31 December 2015 to amount to EUR 10 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'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 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 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

2015	Sales of goods and services	Purchases of goods and services	Receivables	Financial income and expense	Liabilities
Joint arrangements	111	64	17	0	1
	111	64	17	0	1

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

There were no material transactions with key management persons or entities controlled by them.

The major part of business between Neste 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	2015	2014
Salaries and other short-term employee benefits	3,785	3,840
Statutory pensions	220	222
Supplementary pensions	1,287	1,239
Share-based payments	2,256	2,430
Total (Including statutory pensions)	7,547	7,731

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 2015 or 31 December 2014.

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	2015	2014	2015	2014
Annual remuneration				
Base salary	668	667	1,861	1,741
Taxable benefits	17	26	114	119
Annual incentive (STI plan)	222	229	506	648
Total annual remuneration	906	921	2,481	2,509
Vested long term remuneration				
Supplementary pension (insurance contributions)	824	619	463	620
2012–2014 Plan	717	804	1,539	1,626
Total remuneration	2,447	2,344	4,482	4,754

Compensation to the Board of Directors

EUR thousand	2015	2014
Board of Directors at 31 December 2015		
Jorma Eloranta	79	79
Maija-Liisa Friman	61	62
Laura Raitio	49	47
Jean-Baptiste Renard	59	46
Willem Schoeber	56	59
Kirsi Sormunen	47	47
Marco Wirén, as of 1 April 2015	35	0
Former Board members		
Per-Arne Blomquist, until 1 April 2015	12	58
Michiel Boersma, until 3 April 2014	0	12
Board of Directors, all members total	398	410

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 2015 totaled EUR 824 thousand (2014: EUR 619 thousand). Net liability of defined benefit plan on 31 December 2015 was EUR 487 thousand (2014: EUR 796 thousand). Statutory pension insurance contributions in 2015 were EUR 66 thousand (2014: EUR 65 thousand).

Net liability of defined benefit plans of former Presidents and CEOs on 31 December 2015 were EUR 1,297 thousand (2014: EUR 1,955 thousand).

33. Group companies on 31 December 2015

Subsidiaries	Group holding %	Country of incorporation
Kiinteistö Oy Espoon Keilaranta 21	100.00%	Finland
Kilpilahden Voimalaitos Oy [1]	100.00%	Finland
LLC Neste Saint-Petersburg	100.00%	Russia
Navidom Oy	50.00%	Finland
Neste (Suisse) S.A.	100.00%	Switzerland
Neste AB	100.00%	Sweden
Neste Affiliate B.V.	100.00%	The Netherlands
Neste Canada Inc.	100.00%	Canada
Neste Components B.V.	100.00%	The Netherlands
Neste Eesti AS	100.00%	Estonia
Neste Insurance Limited	100.00%	Guernsey
Neste Jacobs Aktiebolag	100.00%	Sweden
Neste Jacobs Oy	60.00%	Finland
Neste Markkinointi Oy	100.00%	Finland
Neste N.V.	100.00%	Belgium
Neste Netherlands B.V.	100.00%	The Netherlands
Neste Oil Bahrain W.L.L.	100.00%	Bahrain
Neste Renewable Fuels Oy	100.00%	Finland
Neste Shipping Oy	100.00%	Finland
Neste Singapore Pte. Ltd.	100.00%	Singapore
Neste US, Inc.	100.00%	USA
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

[1] Neste, Veolia and Borealis have agreed to create a joint venture company Kilpilahden Voimalaitos Oy. At 31 December 2015 Kilpilahden Voimalaitos Oy is 100% owned subsidiary classified as held for sale. The joint venture arrangement is expected to take place during the first quarter of 2016.

Associated companies	Group holding %	Country of incorporation
Neste Arabia Co. Ltd.	48.00%	Saudi Arabia

Joint arrangements	Group holding %	Classification	Country of incorporation
A/B Svartså Vattenverk – Mustijoen Vesilaitos O/Y	40.00%	Joint Operation	Finland
Bahrain Lube Base Oil Company B.S.C. (Closed)	45.00%	Joint Operation	Bahrain
Glacia Limited	50.00%	Joint Venture	Bermuda
Nemarc Shipping Oy	50.00%	Joint Venture	Finland
NSE Biofuels Oy Ltd	50.00%	Joint Venture	Finland
Nynas AB (publ)	49.99%	Joint Venture	Sweden
Oy Innogas Ab	50.00%	Joint Operation	Finland
Porvoon Alueverkko Oy	33.33%	Joint Operation	Finland
Tahkoluodon Polttoöljy Oy	31.50%	Joint Operation	Finland
Tapaninkylän Liikekeskus Oy	40.03%	Joint Operation	Finland
Vaskiluodon Kalliovarasto Oy	50.00%	Joint Operation	Finland

Specification of financial information on subsidiaries with material non-controlling interests

	Neste Jacobs Oy		Navidom Oy	
	2015	2014	2015	2014
Proportion of shares held by non-controlling interests	40.00%	40.00%	50.00%	50.00%
Current assets	71	62	0	0
Non-current assets	5	4	0	0
Current liabilities	33	28	0	0
Non-current liabilities	0	0	0	0
Revenue	137	124	1	1
Profit for the period	8	8	0	0
Dividends paid to non-controlling interests	1	0	0	0
Cash flows from operating activities	4	9	0	0
Cash flows from investing activities	–1	–7	0	0
Cash flows from financing activities	–3	–1	0	0

Unconsolidated structured entities

In 2015, Neste sold its shares of KED Oy (former Kilpilahden Sähkönsiirto Oy) to InfraVia European Fund II, an infrastructure fund managed by InfraVia. After the sale Neste does not have direct or indirect investment in KED Oy. KED Oy is responsible for high- and medium-voltage electricity distribution in the Kilpilahti industrial area where Neste's Porvoo refinery is situated. In addition to Neste, KED Oy's customers include other companies operating in the area.

As the Kilpilahti electricity distribution network requires significant investments, Neste selected InfraVia as its electricity distribution partner to contribute to the effective implementation of the investments and, therefore, secure reliable electricity distribution in Kilpilahti.

Under the contractual arrangements with KED Oy Neste is involved and supports the KED Oy in different ways and it can be considered that Neste has possibility to influence the investments made by KED Oy. KED Oy distributes electricity to Neste and Neste remains to be the main user of the capacity of the electricity distribution network. KED Oy operates on a land leased from Neste for 30 years with an option to extend the lease. In connection with the transaction, the parties agreed that Neste will supply the operating and maintenance services needed in electricity distribution and offered to KED Oy for two years. Neste has also repurchase option of the shares of KED Oy valid for two years in case of a substantial breach of the share purchase agreement. Neste has not provided any financial support or other significant support to KED Oy without contractual obligation.

Based on the factors described above Neste has determined that it has significant influence over KED Oy and treats KED Oy as unconsolidated structured entity in its consolidated financial statements. Management has assessed the company's exposure to losses by considering the nature of Neste's involvement in KED Oy, and KED Oy's significance to Neste from an operative perspective. Neste's exposure is mainly dependent upon the effective operation of the distribution network.

Consolidated structured entities

In 2014, Neste 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 guarantees the vessels' residual value and certain return on the investors' investments.

34. Contingencies and commitments

Contingent liabilities	2015 Value of collateral	2014 Value of collateral
On own behalf for commitments		
Real estate mortgages	17	17
Pledged assets	0	0
Other contingent liabilities	158	107
Total	175	125
On behalf of joint arrangements		
Guarantees	1	1
Total	1	1
On behalf of others		
Guarantees	2	1
Other contingent liabilities	2	2
Total	3	3
	179	129

Operating lease liabilities	2015	2014
Due within one year	72	53
Due between one and five years	61	48
Due later than five years	75	64
	209	164

Operating leases

Lease rental expenses amounting to EUR 21 million (2014: EUR 21 million) relating to the lease (under operating leases) of property, plant and equipment are included in the income statement in other expenses.

Commitments	2015	2014
Commitments for purchase of property, plant and equipment	84	51
	84	51

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 2015 are presented in the table below.

Fixed fees payable under take-or-pay contracts	2015	2014
Payable	16	16
Payable after the financial period	159	175
Total payable	176	192

Other contingent liabilities

Neste 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

In 2014 Finnish Customs has levied a penalty payment totaling approximately EUR 44 million on the Group because they saw that Finnish biofuel mandate requirements were not met in 2009 and 2010. Neste has supplied the amount of biofuels required by legislation in 2009 and 2010. Neste 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 and Finnish Customs covers how the legislation on biofuel mandate should be interpreted. Neste appealed against the Finnish Customs' interpretation before the Administrative Court of Helsinki, which made its decision in June 2015. According to Court's decision, Finnish Customs should not have ordered a penalty payment, because Neste had not neglected its duty to report to the authority or erred in the biofuel mandate reporting. Finnish Customs have appealed against the decision before the Supreme Administrative Court. Despite the appeal, Finnish Customs has returned penalty payment to Neste in August 2015.

In March 2014, Neste 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 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 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 has filed an appeal against such classification ruling seeking to align it with those of other global jurisdictions. If the classification ruling is ultimately upheld, Neste could be required to pay additional duties with an estimated impact of EUR 12 million which has not been reported as a provision in the consolidated financial statements as of 31 December 2015.

In February 2015 the District Court of Helsinki has given its ruling in the long-pending fairway due dispute in favor of shipping companies who took action on the issue. Neste Shipping is one of the shipping companies party to the action and as a result of the court ruling will receive approximately EUR 23 million from the Finnish state as a refund for unjustifiably collected fairway dues for 2001–2004, if the ruling of the District Court becomes legally valid. The sum also includes interest for the time elapsed. The Finnish state has appealed the ruling of the District Court to the Court of Appeals. According to the ruling, in breach of EU legislation, the Finnish state was charging higher fairway dues from international traffic than domestic traffic. Consequently, traffic between Finland and other Member States was discriminated against when compared with internal traffic in Finland.

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

No significant events took place in the Group after the balance sheet date.

Parent company income statement

MEUR	Note	1 Jan –31 Dec 2015	1 Jan–31 Dec 2014
Revenue	2	6,366	10,255
Change in product inventories		17	–201
Other operating income	3	126	48
Materials and services	4	–5,636	–9,739
Personnel expenses	5	–220	–205
Depreciation, amortization and write-downs	6	–172	–146
Other operating expenses	7	–324	–222
Operating profit/loss		157	–208
Financial income and expenses	8	151	59
Profit/loss before extraordinary items		307	–149
Extraordinary items	9	202	204
Profit before appropriations and taxes		509	55
Appropriations	10	–27	–4
Income tax expense	11	–32	14
Profit for the year		450	64

Parent company balance sheet

MEUR	Note	31 Dec 2015	31 Dec 2014
ASSETS			
Fixed assets and other long-term investments	12, 13		
Intangible assets		47	43
Tangible assets		1,776	1,628
Other long-term investments		2,382	2,497
		4,205	4,169
Current assets			
Inventories	14	562	486
Long-term receivables	15	52	36
Short-term receivables	16	853	838
Cash and cash equivalents		557	8
		2,024	1,368
Total assets		6,229	5,536
SHAREHOLDERS’ EQUITY AND LIABILITIES			
Shareholders’ equity	17		
Share capital		40	40
Invested non-restricted equity fund		5	0
Retained earnings		957	1,058
Profit for the year		450	64
		1,451	1,163
Accumulated appropriations	18	931	903
Provisions for liabilities and charges	19	5	12
Liabilities	20		
Long-term liabilities		2,281	1,886
Short-term liabilities		1,561	1,572
		3,842	3,458
Total equity and liabilities		6,229	5,536

Parent company cash flow statement

MEUR	1 Jan – 31 Dec 2015	1 Jan – 31 Dec 2014
Cash flows from operating activities		
Profit before extraordinary items	307	–149
Depreciation, amortization and write-downs	172	146
Other non-cash income and expenses	–31	22
Financial income and expenses	–151	–59
Divesting activities, net	–103	0
Operating cash flow before change in working capital	194	–41
Change in working capital		
Decrease (+)/increase (–) in interest-free receivables	97	46
Decrease (+)/increase (–) in inventories	–76	357
Decrease (–)/increase (+) in interest-free liabilities	–61	–425
Change in working capital	–40	–22
Cash generated from operations	154	–63
Interest and other financial expenses paid, net	–54	–55
Dividends received	223	125
Income taxes paid	0	–40
Realized foreign exchange gains and losses	–31	14
Net cash from operating activities	292	–18
Cash flows from investing activities		
Capital expenditure	–341	–205
Proceeds from sale of fixed assets	3	3
Investments in shares in subsidiaries	0	–31
Investments in shares in other shares	0	0
Proceeds from shares in subsidiaries	171	150
Change in other investments, increase (–)/decrease (+)	14	33
Net cash used in investing activities	–153	–50
Cash flow before financing activities	139	–68

MEUR	1 Jan – 31 Dec 2015	1 Jan – 31 Dec 2014
Cash flows from financing activities		
Purchase of treasury shares	0	–15
Proceeds from long-term liabilities	747	145
Payments of long-term liabilities	–401	–404
Change in short-term liabilities	25	–2
Dividends paid	–166	–167
Group contributions, net	204	161
Cash flow from financing activities	410	–283
Net increase (+)/decrease (–) in cash and cash equivalents	549	–351
Cash and cash equivalents at the beginning of the period	8	358
Cash and cash equivalents at the end of the period	557	8
Net increase (+)/decrease (–) in cash and cash equivalents	549	–351

Notes to the Parent Company Financial Statements

1. Accounting policies

The financial statements of Neste Corporation (Parent company) are prepared in accordance with Finnish GAAP. The 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.

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. Revenue is recorded for the exchange of goods only when dissimilar goods are exchanged.

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

Company uses derivative financial instruments mainly to hedge oil price, foreign exchange and interest rate exposures.

Derivative contracts hedging future cash flow and qualifying for hedge accounting are booked once matured and the underlying exposure occurs. Derivative financial instruments used to hedge balance sheet items e.g. bank accounts, loans or receivables as well as derivatives hedging future cash flow but no qualifying for hedge accounting are recognized at fair value and gains or losses are recognized in the income statement. 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 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 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	2015	2014
Oil Products	6,313	10,210
Renewable Products	3	0
Oil Retail	0	0
Other	123	112
Eliminations	–73	–66
	6,366	10,255

Revenue by market area	2015	2014
Finland	3,363	4,683
Other Nordic countries	701	1,463
Baltic countries, Russia and Poland	600	949
Other European countries	1,388	2,079
North and South America	245	723
Other countries	69	359
	6,366	10,255

3. Other operating income

	2015	2014
Rental income	20	7
Gain on sale of intangible and tangible assets	0	0
Gain on sale of shares	103	0
Insurance compensations	0	39
Government grants	1	2
Other	3	1
	126	48

4. Materials and services

	2015	2014
Materials and supplies		
Purchases during the period	5,683	9,574
Change in inventories	–54	159
	5,629	9,733
External services	7	6
	5,636	9,739

5. Personnel expenses

	2015	2014
Wages, salaries and remunerations	167	158
Indirect employee costs	0	0
Pension costs	39	36
Other indirect employee costs	14	11
Wages and salaries capitalized in fixed assets	–1	0
	220	205

Salaries and remuneration

Key management compensations are presented in Note 32 in the Neste Group consolidated financial statements.

Average number of employees	2015	2014
White-collar	1,257	1,334
Blue-collar	1,060	1,095
	2,317	2,429

6. Depreciation, amortization and write-downs

	2015	2014
Depreciation according to plan	165	143
Write-offs	6	2
Write-down of tangible fixed assets	1	0
	172	146

7. Other operating expenses

	2015	2014
Operating leases and other property costs	17	17
Repairs and maintenance	177	89
Other	130	115
	324	222

Other operating expenses include losses on sales of tangible assets and write-offs of fixed assets in progress	0	1

Fees charged by the statutory auditor, PwC EUR thousands	2015	2014
Audit fees	344	248
Auditor's mandatory opinions	5	10
Tax advisory	29	62
Other advisory services	1,291	328
	1,669	648

Fees charged by the statutory auditor, EY EUR thousands	2015	2014
Audit fees	0	81
Auditor's mandatory opinions	0	7
Tax advisory	0	44
Other advisory services	0	86
	0	218

8. Financial income and expenses

	2015	2014
Dividend income		
From Group companies	223	125
From associated companies	0	0
From others	0	0
Dividend income total	223	125
Interest income from long-term loans and receivables		
From Group companies	0	1
From others	0	0
Interest income from long-term loans and receivables total	0	1
Other interest and financial income		
From Group companies	0	0
Other	0	0
Other interest and financial income total	0	1
Write-downs on long-term investments	0	–3
Interest expenses and other financial expenses		
To Group companies	–3	–2
Other	–56	–59
Interest expenses and other financial expenses total	–59	–61
Exchange rate differences	–13	–3
Financial income and expenses total	151	59

Total interest income and expenses	2015	2014
Interest income	0	1
Interest expenses	–53	–52
Net interest expenses	–53	–52

9. Extraordinary items

	2015	2014
Group contributions		
Group contributions received	202	204
Total	202	204

10. Appropriations

Change in depreciation difference	2015	2014
Difference between depreciation according to plan and depreciation in taxation	–27	–4

11. Income tax expense

	2015	2014
Income taxes on regular business operations	59	1
Income taxes on extraordinary items	–40	0
Taxes for prior periods	0	0
Change in deferred tax assets	14	–14
	32	–14

12. Fixed assets and long-term investments

Change in acquisition cost 2015

Intangible assets	Goodwill	Other intangible assets	Total
Acquisition cost as of 1 January 2015	1	116	117
Increases	0	12	12
Decreases	0	0	0
Transfers between items	0	0	0
Acquisition cost as of 31 December 2015	1	127	128
Accumulated depreciation, amortization and write-downs as of 1 January 2015	1	73	74
Accumulated depreciation, amortization and write-downs of decreases and transfers	0	0	0
Depreciation and amortization for the period	0	8	8
Accumulated depreciation, amortization and write-downs as of 31 December 2015	1	81	82
Balance sheet value as of 31 December 2015	0	47	47

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

Change in acquisition cost 2015

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 2015	25	1,137	2,222	86	213	3,685
Increases	0	62	236	22	0	321
Decreases	0	6	32	0	10	48
Transfers between items	0	0	67	0	–67	0
Acquisition cost as of 31 December 2015	25	1,193	2,494	108	136	3,957
Accumulated depreciation, amortization and write-downs as of 1 January 2015	0	563	1,486	35	0	2,084
Accumulated depreciation, amortization and write-downs of decreases and transfers	0	6	32	0	0	38
Depreciation, amortization and write downs for the period	0	34	122	7	0	163
Accumulated depreciation, amortization and write-downs as of 31 December 2015	0	591	1,577	42	0	2,209
Revaluations	6	22	0	0	0	28
Balance sheet value as of 31 December 2015	31	624	918	66	136	1,776
Balance sheet value of machinery and equipments used in production						872

Change in acquisition cost 2014

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 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 2015	2,445	4	0	0	4	44	2,497
Increases	0	0	0	0	0	0	0
Decreases	69	2	0	0	0	44	115
Acquisition cost as of 31 December 2015	2,377	1	0	0	4	0	2,382
Accumulated depreciation, amortization and write-downs as of 1 January 2015	0	0	0	0	0	0	0
Accumulated depreciation, amortization and write-downs as of 31 December 2015	0	0	0	0	0	0	0
Balance sheet value as of 31 December 2015	2,377	1	0	0	4	0	2,382

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		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

Interest-bearing and interest-free receivables	2015	2014
Interest-bearing receivables	2	4
Interest-free receivables	0	44
	2	48

13. Revaluations

	Revaluations as of Jan 1 2015	Increases	Decreases	Revaluations as of Dec 31 2015
Land areas	6	0	0	6
Buildings	22	0	0	22
Total	28	0	0	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

	2015	2014
Raw materials and supplies	247	186
Products/finished goods	309	292
Advance payments on inventories	6	8
	562	486
Replacement value of inventories	562	487
Book value of inventories	562	486
Difference	0	0

15. Long-term receivables

	2015	2014
Long-term advance payments	3	4
Receivables from Group companies		
Other long-term receivables	47	16
Deferred tax assets	2	16
	52	36

16. Short-term receivables

	2015	2014
Trade receivables	261	302
Receivables from Group companies		
Trade receivables	212	252
Other receivables	207	207
Accrued income and prepaid expenses	3	2
Total	423	461
Receivables from associated companies		
Trade receivables	0	0
Other receivables	0	0
Total	0	0
Other receivables	35	33
Accrued income and prepaid expenses	134	43
	853	838

Short-term accrued income and prepaid expenses	2015	2014
Accrued interest	4	5
Accrued taxes	0	12
Derivative financial instruments	121	0
Other	13	26
	137	44

17. Changes in shareholders' equity

	2015	2014
Share capital at 1 January	40	40
Share capital at 31 December	40	40
Invested non-restricted equity fund at 1 January	0	0
Transfer of treasury shares	5	0
Invested non-restricted equity fund at 31 December	5	0
Retained earnings at 1 January	1,123	1,242
Dividends paid	–166	–167
Reversal of revaluation	0	–2
Transfer/Purchase of treasury shares	0	–15
Profit for the year	450	64
Retained earnings at 31 December	1,406	1,123
Distributable equity	1,411	1,123

18. Accumulated appropriations

	2015	2014
Depreciation difference	931	903

19. Provisions for liabilities and charges

	2015			2014		
	Restruc-turing provisions	Provision for enviroment	Total	Restruc-turing provisions	Provision for enviroment	Total
Provisions as of 1 January	8	3	12	0	2	2
Increase	0	0	0	8	2	10
Decrease	5	2	7	0	0	0
Provisions as of 31 December	3	2	5	8	3	12

20. Liabilities

Long-term liabilities	2015	2014
Bonds	1,194	995
Loans from financial institutions	70	77
Liabilities to Group companies		
Other long-term liabilities	1,010	808
Other long-term liabilities	3	3
Accruals and deferred income	4	2
	2,281	1,886

Interest-bearing liabilities due after five years	2015	2014
Bonds	497	0
Loans from financial institutions	3	10
Liabilities to Group companies	1,010	758
	1,510	768

Shor-term liabilities	2015	2014
Bonds	300	300
Loans from financial institutions	7	106
Advances received	41	2
Trade payables	480	588
Liabilities to Group companies		
Advances received	1	0
Trade payables	84	85
Other short-term liabilities	166	89
Accruals and deferred income	0	0
Total	251	175
Liabilities to associated companies		
Trade payables	0	3
Other short-term liabilities	0	0
Total	0	3
Other short-term liabilities	297	305
Accruals and deferred income	186	93
	1,561	1,572

Short-term accruals and deferred income	2015	2014
Salaries and indirect employee costs	59	50
Accrued interests	27	26
Accrued taxes	7	0
Derivative financial instruments	92	18
Other short-term accruals and deferred income	0	0
	186	94

Interest-bearing and interest-free liabilities	2015	2014
Long-term liabilities		
Interest-bearing liabilities	2,277	1,884
Interest-free liabilities	4	2
	2,281	1,886
Short-term liabilities		
Interest-bearing liabilities	469	406
Interest-free liabilities	1,093	1,166
	1,561	1,572

21. Contingent liabilities

Contingent liabilities	2015	2014
Operating lease liabilities		
Due within a year	3	3
Due after a year	3	4
	5	7
Contingent liabilities given on own behalf		
Real estate mortgages	17	17
Pledged assets	0	0
Other contingent liabilities	14	7
	31	23
Contingent liabilities given on behalf of Group companies		
Guarantees	102	164
	102	164
Contingent liabilities given on behalf of associated companies		
Guarantees	1	1
	1	1
Contingent liabilities given on behalf of others		
Guarantees	2	1
	2	1
Contingent liabilities total	141	197

22. Derivative financial instruments

	2015			2014		
Interest and currency derivative contracts and share forward contracts	Contract or notional value	Fair value	Not reconized as an income	Contract or notional value	Fair value	Not recognized as an income
Interest rate swaps	600	13	–4	750	22	–5
Forward foreign exchange contracts	1,689	–1	–3	2,125	–29	–17
Currency options						
Purchased	751	–2	0	142	–1	0
Written	401	1	0	140	–5	–5

	2015			2014		
Oil derivative contracts	Volume million bbl	Fair value	Not recognized as an income	Volume million bbl	Fair value	Not recognized as an income
Sales contracts	21	52	0	13	182	182
Purchase contracts	12	–22	0	14	–142	–137

	2015			2014		
Electricity and gas derivative contracts	Volume GWh	Fair value	Not recognized as an income	Volume GWh	Fair value	Not recognized as an income
Sales contracts	834	3	0	503	1	1
Purchase contracts	2,432	–8	0	2,691	–4	–4

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 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 commodity derivative contracts is based on the net present value of the forward contracts quoted market prices at the balance sheet date.

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 2015 EUR thousands
Subsidiary shares				
Kiinteistö Oy Espoon Keilaranta 21	Finland	16,000	100.00	39,725
Kilpilahden Voimalaitos Oy	Finland	1	100.00	3
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 AB	Sweden	2,000,000	100.00	23,972
Neste Components Finance B.V.	The Netherlands	40	100.00	8,022
Neste Affiliate B.V.	The Netherlands	26,090	100.00	19,177
Neste Insurance Limited	Guernsey	7,000,000	100.00	3,000
Neste N.V.	Belgium	4,405,414	99.99	414,753
Neste (Suisse) S.A.	Switzerland	200	100.00	62
Neste 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
				2,376,855
Associated companies				
A/B Svartså Vattenverk – Mustijoen Vesilaitos O/Y	Finland	14	40.00	124
Neste Arabia Co. Ltd.	Saudi-Arabia	480	48.00	0
Porvoon Alueverkko Oy	Finland	40	33.33	7
Tahkoluodon Polttoöljy Oy	Finland	630	31.50	5
Vaskiluodon Kalliovarasto Oy	Finland	330	50.00	7
				143
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				2,380,528

25. Disputes and potential litigations

In 2014 Finnish Customs has levied a penalty payment totaling approximately EUR 44 million on the company because they saw that Finnish biofuel mandate requirements were not met in 2009 and 2010. Neste has supplied the amount of biofuels required by legislation in 2009 and 2010. Neste 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 and Finnish Customs covers how the legislation on biofuel mandate should be interpreted. Neste appealed against the Finnish Customs' interpretation before the Administrative Court of Helsinki, which made its decision in June 2015. According to Court's decision, Finnish Customs should not have ordered a penalty payment, because Neste had not neglected its duty to report to the authority or erred in the biofuel mandate reporting. Finnish Customs have appealed against the decision before the Supreme Administrative Court. Despite the appeal, Finnish Customs has returned penalty payment to Neste in August 2015.

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 2015 stood at EUR 1,411 million.

The Board of Directors proposes Neste Corporation to pay a dividend of EUR 1.00 per share for 2015, totalling EUR 256 million, and that any remaining distributable funds be allocated to retained earnings.

Espoo, 3 February 2016

Jorma Eloranta

Maija-Liisa Friman | Laura Raitio

Jean-Baptiste Renard | Willem Schoeber

Kirsi Sormunen | Marco Wirén

Matti Lievonen
President and CEO

Auditor's Report (Translation from the Finnish original)

To the Annual General Meeting of Neste Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Neste Oyj for the year ended 31 December, 2015. 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.

Espoo 3 February 2016

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Katajisto
Authorised Public Accountant

Quarterly segment information

Revenue

MEUR	10–12/2015	7–9/2015	4–6/2015	1–3/2015	10–12/2014	7–9/2014	4–6/2014	1–3/2014
Oil Products	1,756	2,060	1,675	1,976	2,652	2,879	3,124	2,630
Renewable Products	711	582	583	496	575	560	603	531
Oil Retail	898	991	976	882	1,046	1,153	1,076	1,019
Others	71	60	74	62	63	58	60	58
Eliminations	–678	–670	–704	–672	–785	–803	–759	–728
Total	2,759	3,023	2,605	2,744	3,552	3,846	4,104	3,510

Operating profit

MEUR	10–12/2015	7–9/2015	4–6/2015	1–3/2015	10–12/2014	7–9/2014	4–6/2014	1–3/2014
Oil Products	2	119	42	226	–180	11	46	12
Renewable Products	218	12	11	–7	154	20	3	30
Oil Retail	13	27	22	17	8	26	20	14
Others	15	–1	–14	0	–5	–1	2	–8
Eliminations	–3	1	3	–3	–2	–3	–1	2
Total	245	158	63	233	–25	54	70	50

Comparable operating profit

MEUR	10–12/2015	7–9/2015	4–6/2015	1–3/2015	10–12/2014	7–9/2014	4–6/2014	1–3/2014
Oil Products	91	178	14	156	110	111	33	32
Renewable Products	231	75	54	42	142	53	32	12
Oil Retail	17	27	22	17	8	26	20	14
Others	15	–1	–14	3	–2	5	2	–11
Eliminations	–3	1	3	–3	–2	–3	–1	2
Total	352	281	78	215	256	191	86	50