

The only way
is forward

NESTE OIL

FINANCIAL STATEMENTS	3	Parent company financial statements	67
Key financial indicators	3	Parent Company Income Statement	67
Calculation of key financial indicators	4	Parent Company Balance Sheet	68
Consolidated financial statements	6	Parent Company Cash Flow Statement	69
Consolidated Statement of Income	6	Notes to the Parent Company Financial Statements	70
Consolidated Statement of Comprehensive Income	7	1. Accounting policies	70
Consolidated Statement of Financial Position	8	2. Revenue	72
Consolidated Cash Flow Statement	9	3. Other operating income	72
Consolidated Statement of Changes in Equity	10	4. Materials and services	72
Notes to the Consolidated Financial Statements	11	5. Personnel expenses	73
1. General information	11	6. Depreciation, amortization and write-downs	73
2. Summary of significant accounting policies	11	7. Other operating expenses	73
3. Financial risk management	21	8. Financial income and expenses	74
4. Segment information	30	9. Extraordinary items	74
5. Assets held for sale	33	10. Appropriations	74
6. Acquisitions and disposals	34	11. Income tax expense	75
7. Analysis of revenue by category	35	12. Fixed assets and long-term investments	75
8. Other income	35	13. Revaluations	76
9. Materials and services	36	14. Inventories	77
10. Employee benefit costs	36	15. Long-term receivables	77
11. Depreciation, amortization and impairment charges	37	16. Short-term receivables	77
12. Other expenses	37	17. Changes in shareholders' equity	78
13. Financial income and expenses	38	18. Accumulated appropriations	78
14. Income tax expense	39	19. Provisions for liabilities and charges	78
15. Earnings per share	40	20. Liabilities	79
16. Dividend per share	40	21. Contingent liabilities	80
17. Property, plant and equipment	41	22. Derivative financial instruments	81
18. Intangible assets	42	23. Other contingent liabilities	81
19. Investments in joint ventures	44	24. Shares and holdings	82
20. Carrying amounts of financial assets and liabilities by measurement categories	45	25. Disputes and potential litigations	83
21. Non-current receivables and available-for-sale financial assets	48	Proposal for the distribution of earnings and signing of the Review by the Board of Directors and the Financial Statements	84
22. Inventories	49	Auditor's Report (Translation from the Finnish Original)	85
23. Current trade and other receivables	49	Quarterly segment information	86
24. Cash and cash equivalents	49		
25. Derivative financial instruments	50		
26. Equity	52		
27. Non-current and current liabilities	53		
28. Deferred income taxes	54		
29. Provisions	55		
30. Employee benefit obligations	56		
31. Share-based payments	59		
32. Related party transactions	61		
33. Group companies on 31 December 2014	63		
34. Contingencies and commitments	65		
35. Disputes and potential litigations	66		
36. Events after the balance sheet date	66		

Key financial indicators

		2014	Restated 2013	2012
Income statement				
Revenue	EUR million	15,011	17,238	17,649
Operating profit	EUR million	150	632	324
- of revenue	%	1.0	3.7	1.8
Comparable operating profit	EUR million	583	596	340
Profit before income taxes	EUR million	78	561	233
- of revenue	%	0.5	3.3	1.3
Profitability				
Return on equity (ROE)	%	2.1	19.2	6.3
Return on capital employed, pre-tax (ROCE)	%	3.3	13.4	6.6
Return on average capital employed, after tax (ROACE)	%	10.1	11.7	5.0
Financing and financial position				
Interest-bearing net debt	EUR million	1,621	1,252	1,935
Leverage ratio	%	37.9	30.0	43.2
Gearing	%	60.9	42.8	76.2
Equity-to-assets ratio	%	41.0	41.6	34.4
Other indicators				
Capital employed	EUR million	4,526	4,682	4,885
Capital expenditure and investments in shares	EUR million	418	214	292
- of revenue	%	2.8	1.2	1.7
Research and development expenditure	EUR million	40	40	42
- of revenue	%	0.3	0.2	0.2
Average number of personnel		4,989	5,097	5,031
Share-related indicators				
Earnings per share (EPS)	EUR	0.22	2.04	0.61
Equity per share	EUR	10.34	11.36	9.86
Cash flow per share	EUR	0.97	3.28	1.83
Price/earnings ratio (P/E)		89.62	7.04	15.97
Dividend per share	EUR	0.65 ¹⁾	0.65	0.38
Dividend payout ratio	%	290.4 ¹⁾	31.8	62.1
Dividend yield	%	3.2 ¹⁾	4.5	3.9
Share prices				
At the end of the period	EUR	20.06	14.37	9.77
Average share price	EUR	15.77	13.06	9.08
Lowest share price	EUR	13.24	10.13	7.28
Highest share price	EUR	20.32	17.33	11.11
Market capitalization at the end of the period	EUR million	5,143	3,685	2,505
Trading volumes				
Number of shares traded	1,000	233,793	241,467	259,007
In relation to weighted average number of shares	%	91	94	101
Average number of shares		255,532,039	255,967,244	255,918,686
Number of shares at the end of the period		255,403,686	255,982,212	255,918,686

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

Calculation of key financial indicators

Calculation of key financial indicators

Operating profit	=	Operating profit includes the revenue from the sale of goods and services, other income such as gain from sale of shares or non-financial assets, share of profit (loss) of joint ventures, less losses from sale of shares or non-financial assets, as well as expenses related to production, marketing and selling activities, administration, depreciation, amortization, and impairment charges. Realized and unrealized gains or losses on oil, vegetable oil, electricity and gas derivative contracts together with realized gains and losses from foreign currency and oil derivative contracts hedging cash flows of commercial sales and purchases that have been recycled in the income statement, are also included in operating profit.
Comparable operating profit	=	Operating profit +/- inventory gains/losses +/- non-recurring items - unrealized change in fair value of oil, vegetable oil, electricity and gas derivative contracts. Inventory gains/losses include the change in fair value of all trading inventories.
Comparable net profit	=	Profit for the period attributable to the equity holders of the company, adjusted for inventory gains/losses, non-recurring items and unrealized gains/losses on oil, vegetable oil, electricity and gas derivative contracts, net of tax.
Return on equity, (ROE) %	=	$100 \times \frac{\text{Profit before taxes} - \text{taxes}}{\text{Total equity average}}$
Return on capital employed, pre-tax (ROCE) %	=	$100 \times \frac{\text{Profit before taxes} + \text{interest and other financial expenses}}{\text{Capital employed average}}$
Return on average capital employed, after-tax (ROACE) %	=	$100 \times \frac{\text{Profit for the period (adjusted for inventory gains/losses, non-recurring items and unrealized gains/losses on oil, vegetable oil, electricity and gas derivative contracts, net of tax)} + \text{non-controlling interests} + \text{interest expenses and other financial expenses related to interest-bearing liabilities (net of tax)}}{\text{Capital employed average}}$
Capital employed	=	Total assets - interest-free liabilities - deferred tax liabilities - provisions
Interest-bearing net debt	=	Interest-bearing liabilities - cash and cash equivalents
Leverage ratio, %	=	$100 \times \frac{\text{Interest-bearing net debt}}{\text{Interest bearing net debt} + \text{total equity}}$
Gearing, %	=	$100 \times \frac{\text{Interest-bearing net debt}}{\text{Total equity}}$
Equity-to-assets ratio, %	=	$100 \times \frac{\text{Total equity}}{\text{Total assets} - \text{advances received}}$
Return on net assets, %	=	$100 \times \frac{\text{Segment operating profit}}{\text{Average segment net assets}}$
Comparable return on net assets, %	=	$100 \times \frac{\text{Segment comparable operating profit}}{\text{Average segment net assets}}$
Segment net assets	=	Property, plant and equipment, intangible assets, investments in joint ventures including shareholder loans, pension assets, inventories and interest-free receivables and liabilities allocated to the business segment, provisions and pension liabilities
Research and development expenditure	=	Research and development expenditure comprise of the expenses of the Research & Technology unit serving all business areas of the Group, as well as research and technology expenses incurred in business areas, which are included in the consolidated income statement. Depreciation and amortization are included in the figure. The expenses are presented as gross, before deducting grants received.

Calculation of share-related indicators

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

Consolidated Statement of Income

MEUR	Note	Restated*	
		1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Revenue	4,7	15,011	17,238
Other income	8	57	79
Share of profit (loss) of joint ventures	19	7	-9
Materials and services	9	-13,932	-15,597
Employee benefit costs	10	-339	-354
Depreciation, amortization and impairments	11	-330	-323
Other expenses	12	-324	-402
Operating profit		150	632
Financial income and expenses	13		
Financial income		4	2
Financial expenses		-75	-81
Exchange rate and fair value gains and losses		-1	8
Total financial income and expenses		-72	-71
Profit before income taxes		78	561
Income tax expense	14	-18	-37
Profit for the period		60	524
Attributable to:			
Owners of the parent		57	523
Non-controlling interests		3	1
		60	524
Earnings per share from profit attributable to owners of the parent (in EUR per share)	15		
Basic		0.22	2.04
Diluted		0.22	2.04

*The Group has adopted the new IFRS 11 Joint Arrangements standard on 1 January 2014 and the comparatives for 2013 have been restated. Upon the preparation of annual accounts 2014, some presentation changes were made retrospectively in 2013 and 2014: the product swaps previously included in Revenue are now netted with the corresponding expenses in Materials and services based on IAS 18 and additionally some other sales related expenses (e.g. freights), previously included in 'Other expenses', are presented now in 'Materials and services' in 2013 and 2014. Please see notes 7, 9 and 12.

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

Consolidated Statement of Comprehensive Income

MEUR	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Profit for the period	60	524
Other comprehensive income:		
Items that will not be reclassified to profit or loss, net of tax		
Remeasurements on defined benefit plans	-55	-1
Items that may be reclassified subsequently to profit or loss, net of tax		
Translation differences	-30	-33
Cash flow hedges		
recorded in equity	-48	10
transferred to income statement	1	-19
Net investment hedges	0	0
Share of other comprehensive income of investments accounted for using the equity method	-9	-1
Total	-86	-43
Other comprehensive income for the period, net of tax	-141	-44
Total comprehensive income for the period	-81	480
Total comprehensive income attributable to:		
Owners of the parent	-84	479
Non-controlling interests	3	1
	-81	480

Consolidated Statement of Financial Position

MEUR	Note	31 Dec 2014	Restated 31 Dec 2013	Restated 1 Jan 2013
ASSETS				
Non-current assets				
Intangible assets	18	62	62	61
Property, plant and equipment	17	3,667	3,743	3,871
Investments in joint ventures	19	195	224	241
Non-current receivables	20,21	50	3	3
Deferred tax assets	28	55	29	46
Derivative financial instruments	20,25	25	22	37
Available-for-sale financial assets	20,21	5	4	4
Total non-current assets		4,058	4,087	4,263
Current assets				
Inventories	22	1,055	1,468	1,464
Trade and other receivables	23	887	947	1,155
Derivative financial instruments	20,25	144	34	57
Cash and cash equivalents	24	246	506	409
Total current assets		2,333	2,955	3,085
Assets classified as held for sale	5	103	0	52
Total assets		6,494	7,043	7,401
EQUITY				
Capital and reserves attributable to owners of the parent	26			
Share capital		40	40	40
Other equity		2,601	2,868	2,484
Total		2,641	2,908	2,524
Non-controlling interests		18	16	16
Total equity		2,659	2,924	2,540
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities	20,27	1,245	1,586	1,977
Deferred tax liabilities	28	265	266	340
Provisions	29	21	37	27
Pension liabilities	30	155	93	99
Derivative financial instruments	20,25	5	7	6
Other non-current liabilities	20,27	1	7	7
Total non-current liabilities		1,691	1,996	2,456
Current liabilities				
Interest-bearing liabilities	20,27	622	171	357
Current tax liabilities	27	4	49	40
Derivative financial instruments	20,25	128	25	47
Trade and other payables	20,27	1,388	1,877	1,927
Total current liabilities		2,141	2,122	2,371
Liabilities related to assets held for sale	5	2	0	33
Total liabilities		3,835	4,119	4,861
Total equity and liabilities		6,494	7,043	7,401

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

Consolidated Cash Flow Statement

MEUR	Note	1 Jan–31 Dec 2014	Restated 1 Jan–31 Dec 2013
Cash flows from operating activities			
Profit before income taxes		78	561
Adjustments for			
Share of profit (loss) of joint ventures	19	-7	9
Depreciation and amortization	11	330	323
Other non-cash income and expenses		-72	6
Financial expenses - net	13	72	71
Profit/loss from disposal of fixed assets and shares	8	2	-49
		402	921
Change in working capital			
Decrease (+)/increase (-) in trade and other receivables		92	145
Decrease (+)/increase (-) in inventories		406	-6
Decrease (-)/increase (+) in trade and other payables		-531	-39
Change in working capital		-33	100
		369	1,021
Interest and other finance cost paid		-70	-86
Interest income received		3	4
Dividends received		0	0
Realized foreign exchange gains and losses		22	-16
Income taxes paid		-77	-84
		-121	-182
Net cash generated from operating activities		248	839
Cash flows from investing activities			
Purchases of property, plant and equipment		-261	-200
Purchases of intangible assets	18	-11	-14
Purchases of other shares		0	0
Proceeds from sale of subsidiaries, net of cash disposed	6	0	75
Proceeds from capital repayments in joint arrangements	19	18	0
Proceeds from sale of property, plant and equipment		4	2
Changes in non-current receivables		-56	57
Cash flows from investing activities		-306	-80
Cash flow before financing activities		-59	759
Cash flows from financing activities			
Payment of (-) / proceeds from (+) current interest-bearing liabilities		102	-144
Proceeds from non-current interest-bearing liabilities		258	8
Repayments of non-current interest-bearing liabilities		-383	-421
Purchase of treasury shares		-15	0
Dividends paid to the owners of the parent		-167	-97
Dividends paid to non-controlling interests		0	-1
Cash flows from financing activities		-205	-655
Net decrease (-)/increase (+) in cash and cash equivalents		-263	104
Cash and cash equivalents at beginning of the period		506	410
Exchange gains (+)/losses (-) on cash and cash equivalents		3	-8
Cash and cash equivalents at end of the period	24	246	506

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

Consolidated Statement of Changes in Equity

MEUR	Note	Share capital	Reserve fund	Fair value and other reserves	Translation differences	Actuarial gains and losses	Treasury shares	Retained earnings	Owners of the parent	Non-controlling interests	Total equity
Total equity at 1 January 2013		40	18	10	2	-29	0	2,483	2,524	16	2,540
Profit for the period								523	523	1	524
Other comprehensive income for the period				-10	-33	-1	0		-44		-44
Total comprehensive income for the period		0	0	-10	-33	-1	0	523	479	1	480
Dividend paid								-97	-97	-1	-98
Share-based compensation								2	2		2
Transfer from retained earnings			0					0	0		0
Total equity at 31 December 2013	26	40	18	0	-31	-30	0	2,911	2,908	16	2,924
Total equity at 1 January 2014		40	18	0	-31	-30	0	2,911	2,908	16	2,924
Profit for the period								57	57	3	60
Other comprehensive income for the period				-56	-30	-55			-141		-141
Total comprehensive income for the period		0	0	-56	-30	-55	0	57	-84	3	-81
Dividend paid								-167	-167	0	-167
Share-based compensation								-1	-1		-1
Transfer from retained earnings			1					-1	0		0
Purchase of treasury shares							-15		-15		-15
Total equity at 31 December 2014	26	40	19	-56	-61	-85	-15	2,800	2,641	18	2,659

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

Notes to the Consolidated Financial Statements

1 General information

Neste Oil Corporation (the Company) is a Finnish public limited liability company domiciled in Espoo, Finland. The Company is listed on the NASDAQ OMX Helsinki. The address of its registered office is Keilaranta 21, P.O. Box 95, 00095 Neste Oil, FINLAND.

Neste Oil Corporation and its subsidiaries (together referred to as the Neste Oil Group) is a refining and marketing company focused on advanced, cleaner traffic fuels. The Group's refineries and other production facilities, together with its network of service stations and other retail outlets in Finland and the Baltic Rim area, supply both domestic and export markets with gasoline, diesel fuel, aviation fuel, marine fuel, heating oil, heavy fuel oil, base oil, lubricant, traffic fuel component, solvent, liquefied petroleum gas, bitumen and NExBTL renewable diesel based on Neste Oil's proprietary technology. Neste Oil's supply and distribution chain includes a tanker fleet for carrying crude oil and other feedstock imports and refined product exports. As an oil refiner, Neste Oil is a leading manufacturer of environmentally benign petroleum products.

The Board of Directors has approved these consolidated financial statements for issue on 3 February 2015.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations applicable to companies reporting under IFRS as adopted by the European Union. The notes to the consolidated financial statements also include compliance with the Finnish accounting and corporate legislation. The consolidated financial statements have been prepared under the historic cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through the comprehensive income statement.

The consolidated financial statements are presented in millions of euros unless otherwise stated. The figures in the tables are exact figures and consequently the sum of individual figures may deviate from the sum presented.

New standards, amendments and interpretations adopted by the Group

The following standards have been adopted by the Group for the financial year beginning on 1 January 2014:

IFRS 10 Consolidated Financial Statement and IFRS 11 Joint Arrangements

The Group has adopted the new IFRS 10 Consolidated Financial Statement and IFRS 11 Joint Arrangements as of 1 January 2014. Under IFRS 11 there are two types of joint arrangements: joint ventures and joint operations. The IFRS 11 standard only permits the equity method in consolidation of joint ventures and requires that a joint operator accounts for its share of the joint operations assets, liabilities, revenue, expenses and cash flow. The Group's joint ventures are consolidated using the equity method and therefore the adoption of IFRS 11 did not change their accounting treatment. For joint operations the Group no longer uses the equity method but instead consolidates its share of the joint operations assets, liabilities, revenues, expenses and cash flow on a line-by-line basis. The joint operations have an immaterial impact on the Group's financial position. The comparative information for 2013 has been restated according to the transition rules.

IFRS 12 Disclosure of Interests in Other Entities

The standard includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 28 and IAS 31. These disclosures related to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The Group has updated disclosures according to the standard's requirements.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

New standards, amendments and interpretations not yet adopted

Certain new interpretations, amendments to existing standards or new standards have been published. The Group intends to adopt these standards on 1 January 2015 or when they become effective.

IFRS 9 Financial instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through income statement. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through income statement with the irrevocable option at interception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through income statement. IFRS 9 relaxes the requirements for hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the hedged ratio to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The complete version of IFRS 9 was issued in July 2014, but is not yet endorsed by EU. The standard is effective for annual periods beginning on after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9 impact.

IFRS 15 Revenue from contracts with customers

IFRS 15 was issued in May 2014. Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces all existing requirements (IAS 18 Revenue and IAS 11 Construction contracts and related interpretations). The standard is effective for annual periods beginning on or after 1 January 2017. The standard is not yet endorsed by EU. Early adoption is permitted. The Group is yet to assess the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Use of estimates and assumptions

The preparation of consolidated financial statements in conformity with International Accounting Standard requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of income and expenses during the reporting period.

The estimates and assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. They are continuously evaluated. The actual results may differ from these estimates. The most significant estimates relate to the following:

Intangible assets and property, plant and equipment acquired in a business combination

Assets and liabilities acquired in business combinations are measured at their fair values at the date of acquisition. The fair values on which cost allocation is based are determined by reference to market values to the extent they are available. If market values are not available the valuation is based on discounted future cash flows. The measurement of intangible assets, in particular, is based on the present values of future cash flows and requires management estimates regarding future cash flows and the use of assets.

Impairment test

The amounts recoverable from cash generating units' operating activities are determined based on value in use calculations. These calculations are based on estimated future cash flows approved by the Group's management, covering a period of five years. Preparation of these estimates requires management to make assumptions relating to future expectations. The main assumptions used relate to the estimated future operating cash flows and the discount rates.

Income tax

The Group has deferred tax assets and liabilities which are expected to be realised through the income statement over the extended periods of time in the future. In calculating the deferred tax items, the Group is required to make certain assumptions and estimates regarding the future tax consequences attributable to differences between the carrying amounts of assets and liabilities as recorded in the financial statements and their tax basis.

Employee benefits

Pension calculations under defined benefit plans in compliance with IAS 19 include the factors that rely on management estimates: discount rate used in calculating pension expenses and obligations for the period, rate of salary increase and the rate of future discretionary bonuses decided by the insurance company. Changes in these assumptions can significantly impact the amounts of pension liability and future pension expenses. The assumptions used are presented in Note 30 Employee benefit obligations.

Provisions

The existence of criteria for recognising provisions and the amounts of provisions are determined based on estimates of the existence and amount of the obligation. Estimates may differ from the actual future amount of the obligation and with respect to the existence of the obligation.

Critical judgements in applying accounting policies

The Group's management makes judgements concerning the adoption and application of accounting policies to the financial statements. The management has used its judgement in the process of applying the Group's accounting policies when, for example, determining provisions for restructuring, classifying leases and classifying asset as held for sale.

Consolidation*Subsidiaries*

The consolidated financial statements cover the parent company, Neste Oil Corporation, and all those companies in which Neste Oil Corporation has the power to govern financial and operating policies and controls, directly or indirectly, them. Subsidiaries and structured entities are fully consolidated from the date on which control is transferred to the Group, and are no longer consolidated when that control ceases.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the date of acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Intercompany transactions, balances, and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Non-controlling interests are presented in the consolidated balance sheets within equity, separate from the equity attributable to shareholders. Non-controlling interests are separately disclosed in the consolidated statements of income. Where necessary, subsidiaries' accounting policies have been modified to ensure consistency with Group policies.

Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures or joint operations.

Joint ventures are accounted for using the equity method. Joint operations are consolidated for its share of the assets, liabilities, revenues, expenses and cash flow on a line-by-line basis. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint arrangements are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Associates

Associated companies are entities over which the Group has significant influence but not control, and generally involve a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by using the equity method as described above in 'Joint arrangements' paragraph.

Segment reporting

The Group's operations are divided into four operating segments: Oil Products, Renewable Products, Oil Retail and Others. The performance of the reporting segments are reviewed regularly by the chief operating decision maker, Neste Oil President & CEO, to assess performance and to decide on allocation resources.

The accounting policies applicable to the segment reporting are the same as those used for establishing the Group consolidated financial statements.

Non-current assets and disposal groups held for sale

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value, less costs to sell, if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

The assets are not depreciated after classifying as held for sale.

Foreign currency translation

(a) Presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euros, which is the Company's presentation currency.

(b) Transactions in foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

(c) Group companies

The results and financial position of all the Group entities (none of which uses a hyperinflationary economy currency) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate quoted on the relevant balance sheet date;
- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and currency instruments designated as hedges of such investments, are booked to shareholders' equity. When a foreign operation is sold, exchange differences are recognized in the income statement as part of the gain or loss on the sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the entity in question and translated at the closing rate.

Revenue recognition

Revenue from the sale of goods is recorded in the consolidated statement of income when the significant risks and rewards related to the ownership of the goods have been transferred to the buyer. Revenue from services is recorded when services have been provided. Revenue is recorded for the exchange of goods only when dissimilar goods are exchanged. Sales under fixed price engineering and construction contracts are recorded on a percentage-of-completion basis by recognizing the revenue according to the work hours incurred. Provisions for losses are made when identified and the amounts can be reliably estimated. Sales of technology licences are recognised when the risks and rewards are transferred to the buyer.

Revenue will be recognised as gross method when an entity is acting as a principal and it has exposure to the significant risks and rewards associated with the sale of goods. The amounts collected on behalf of the principal are not revenue; instead, revenue is the amount of commission.

Revenue includes sales from actual operations, less discounts, indirect taxes such as value added tax and excise tax payable by the manufacturer, and statutory stockpiling fees. Excise taxes included in the retail price of petroleum products according to prevailing legislation in some countries are included in product sales. The corresponding amount is included in the purchase price of petroleum products and included in 'Materials and services' in the income statement.

Revenue from activities outside normal operations is reported in other income. This includes recurring items such as capital gains on disposal of other non-current assets and rental income.

Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and that the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognized in the consolidated statement of income in 'Other income' over the period necessary to match them with the costs that they are intended to compensate. Investment grants related to acquisitions of property, plant and equipment and intangible assets are deducted from the cost of the asset in question in the statement of financial position and recognized as income on a systematic basis over the useful life of the asset in the form of reduced depreciation expense.

Borrowing costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except if they are directly attributable to the construction of an asset that meets the determined criteria, in which case they are capitalized as part of the cost of that asset. These criteria are that the borrowing costs incurred for the construction of a major initial investment, such as a new production facility.

Income taxes

The Group's income tax expenses include taxes of Group companies calculated on the basis of the taxable profit for the period, with adjustments for previous periods, as well as the change in deferred income taxes. For items recognized directly in equity or other comprehensive income, the income tax effect is similarly recognized. Management judgment is required in determining the income tax expense and deferred tax assets.

Deferred income taxes are stated using the balance sheet liability method, to reflect the net tax effect of temporary differences between the financial reporting and tax bases of assets and liabilities. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is determined using tax rates that are in force at the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Research and development

Research expenditure is recognized as an expense as incurred and included in other operating expenses in the consolidated statement of income. Expenditure on development activities is capitalized only when it relates to new products that are technically and commercially feasible. The majority of the Group's development expenditure does not meet the criteria for capitalization and are recognized as expenses as incurred.

Property, plant and equipment

Property, plant, and equipment mainly comprise oil refineries and other production plants and storage tanks, marine fleet, and retail station network infrastructure and equipment. Property, plant, and equipment are stated at historical cost in the balance sheet, less depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items in question. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges related to foreign currency purchases of property, plant, and equipment. Assets acquired through the acquisition of a new subsidiary are stated at their fair value at the date of acquisition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs for major periodic overhauls at oil refineries and other production plants on a 3-5 year cycle are capitalized when they occur and then depreciated during the shutdown cycle, i.e. the time between shutdowns. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land areas are not depreciated. The bottom of crude oil rock inventory is included in other tangible assets and is depreciated according to possible usage of the crude oil. Depreciation on tangible assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings and structures, including terminals	20-40 years
Production machinery and equipment, including special spare parts	15-20 years
Marine fleet	15-20 years
Retail station network 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 are stated at historical cost and amortized on a straight-line method over expected useful lives. Intangible assets comprise the following:

Computer software

Computer software licences are capitalized on the basis of the costs incurred to acquire and introduce the software in question. Costs are amortized over their estimated useful lives (three to five years). Costs associated with developing or maintaining computer software programs are recognized as an expense.

Trademarks and licences

Trademarks and licences have a definite useful life and are carried at cost less accumulated amortization. They are amortized over their estimated useful lives (three to ten years).

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Separately recognized goodwill is tested annually for impairment and carried at cost, less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing, using those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Emission allowances

Emission allowances, which are purchased to cover future periods deficit are accounted for as intangible assets and measured at cost, and emission allowances received free of charge are accounted for at nominal value, i.e. at zero.

A provision is recognized to cover the obligation to buy emission allowances if emission allowances received free of charge and purchased emission allowances intended to cover the deficit do not cover actual emissions. The provision is measured at its probable settlement amount. The difference between emissions made and emission allowances received, as well as any change in the probable amount of the provision, are reflected in the operating profit.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the income statement to the extent that the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets

The Group classifies financial assets in the following categories: financial assets at fair value through income statement, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired.

Derivatives are recognized on the date on which the Group commits to purchase or sell the asset known as the trade date. Purchases and sales of financial assets are recognized on the settlement date. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through income statement are subsequently carried at fair value. Unlisted equity securities, for which fair value cannot be measured reliably, are recognized at cost less impairment. Loans and receivables are carried at amortized cost, using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of assets in 'financial assets at fair value through income statement' category are included in the income statement in the period in which they arise. The Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired at each balance sheet date.

Financial assets at fair value through income statement

The assets in this category are financial assets held for trading, and include derivative financial instruments, if they are held for trading or do not meet the criteria for hedge accounting as defined under IAS 39. Assets in this category are classified as current assets if they are held for trading or are expected to be realized within 12 months of the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other category and consist of shares in unlisted companies. They are included in non-current assets unless management intends to dispose of the asset within 12 months of the balance sheet date. Gains or losses on the sale of available-for-sale financial assets are included in 'Other income' or 'Other expenses'.

Leases*Finance leases*

Lease arrangements that transfer substantially all the risks and rewards related to a leased asset to the lessee are classified as finance lease. Finance leases are capitalized at the commencement of the lease term at the lower of the fair value of the leased property or the present value of the minimum lease payments, as determined at the inception of the lease. Lease payments are allocated between the reduction of the outstanding liability and finance charges. The corresponding rental obligations, net of finance charges, are included in interest-bearing liabilities according to their maturities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Assets acquired under finance leases are depreciated over the useful life of the asset or the lease term, whichever is the shortest.

An arrangement that does not take the legal form of a lease but conveys a right to use an asset if the arrangement conveys to the purchaser (lessee) the right to control the use of the underlying asset. Determining whether an arrangement is, or contains, a lease are based on IFRIC interpretation 4.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Inventories

Inventories are stated at either cost or net realizable value, whichever is the lowest. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs, and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventories held for trading purposes are measured at fair value less selling expenses. Standard spare parts are carried as inventory and recognised in profit or loss as consumed.

Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default in payments are considered as indicators that a trade receivable is impaired. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted the effective interest rate. The amount of the loss is recognized in the consolidated statement of income within 'Other expenses'.

The Group could reduce its counterparty risks by selling trade receivables to the third party e.g. bank. The sale of the receivables essentially transfers ownership of the receivables to the bank, indicating it to obtain all of the rights associated with the receivables. The Group receives the advance from the bank at the time of sale. Fees and other expenses are deducted from the payment.

Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated statement of financial position at cost. Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term, highly liquid investments with original maturities of three months or less.

Provisions

A provision is recognized in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that the obligation will result in payment, and the amount of payment can be estimated reliably. Provisions can arise from environmental risks, litigation, restructuring plans or onerous contracts. Environmental provisions are recorded based on current interpretations of environmental laws and regulations when the conditions referred to above are met. The Group has asset retirement obligations recorded in the consolidated statement of financial position.

Where there are a number of similar obligations, the likelihood that an outflow of resources will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Financial liabilities

Financial liabilities are recognized initially as net proceeds less any transaction costs incurred, and subsequently at amortized cost. Any difference between net proceeds and nominal amount is recognized as interest cost over the period of the borrowing, using the effective interest method. Bank overdrafts are shown in current liabilities on the balance sheet. Derivative financial instruments are categorized as held for trading and included in financial liabilities at fair value through income statement, unless they are designated as hedges as defined in IAS 39. Liabilities are included in non-current liabilities, except for items with maturities less than 12 months after the balance sheet date.

Employee benefits

Pension obligations

The Group has pension arrangements in different countries, which are generally funded through insurance companies. Pension schemes consist of both defined benefit and defined contribution plans.

Contributions to the defined contribution plans are charged directly to the statement of income in the year to which these contributions relate. In defined contribution plans, the Group has no legal or contractive obligations to pay further contributions in case the payment recipient is unable to pay the retirement benefits. All arrangements that do not fulfill these conditions are considered defined benefit plans.

In defined benefit plans, after the Group has paid the amount for the period, an excess or deficit may result. The defined benefit obligation represents the present value of future cash flows from payable benefits, which is calculated for by using the projected unit credit method. The discount rate assumed in calculating the present value of the pension obligation is based on the market yield of high-quality corporate bonds (AA-rated) with appropriate maturities. Pension costs are recognized in the consolidated statement of income so as to spread the current service cost over the service lives of employees based on actuarial calculations. The net interest are included as part of finance cost component in the consolidated statement of income.

The liability (or asset) recognized in the consolidation statements of financial position is the pension obligation at the closing date less the fair value of plan assets. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Actuarial valuations for the Group's defined benefit pension plans are performed annually.

Share-based payments

The Share-based incentive plans are accounted for as a share based transaction. The portion of the earned reward (approximately 50%) for which the participants will receive shares is accounted for as an equity settled transaction, and the portion of the earned reward to be settled in cash to cover tax and other charges payable by the participants (approximately 50%), is accounted for as a cash settled transaction. The earned reward is entered into the income statement spread over the earnings period and restriction period. In respect of the equity settled portion, the amounts recognized in the consolidated statement of income are accumulated in equity; and in respect of the cash settled portion, a respective liability is entered into the balance sheet. The liability is measured at fair value at each reporting date, and the respective change in the fair value is reflected in operating profit in the consolidated statement of income.

Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognized at fair value on the date a contract is entered into and are subsequently re-measured at their fair value. The method of recognizing any resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivative financial instruments as either:

- (1) hedges of highly probable forecast transactions (cash flow hedges);
- (2) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or
- (3) hedges of net investments in foreign operations.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Hedge accounting for each type of hedge is described in more detail in Note 3.

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges are recognized in equity/other comprehensive income. Any gain or loss relating to the ineffective portion is recognized immediately in the income statement. Amounts accumulated in equity are reclassified in the income statement in the periods when the hedged item affects the income statement, e.g. when a forecasted sale, that is being hedged, takes place. The gain or loss relating to the effective portion of the foreign exchange derivative contracts hedging of the future USD-sales are recorded within revenue. When the forecast transaction that is being hedged results in the recognition of a property, plant and equipment, the gain or loss is included in the cost of the asset. The amounts are ultimately recognized in depreciation in the income statement. Interest element of interest rate swaps hedging variable rate interest-bearing liabilities is recognized in the income statement within 'financial expenses', and the change in fair value of the hedging instrument is accumulated in equity/other comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of income.

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in the consolidated statement of income in 'financial income and expenses', together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk compensating the effect.

Derivative financial instruments that do not qualify for hedge accounting

Some commodity, currency and interest rate derivative contracts do not qualify for hedge accounting, although these instruments are largely held for economic hedging purposes. Any movements in the fair value of these contracts are recognized in the income statement in operating profit for commodity derivative contracts and in 'financial income and expenses' concerning financial instruments related to financing activities.

Definitions

Operating profit

Operating profit includes the revenue from the sale of goods and services, other income such as gains on sale of shares or non-financial assets, less losses from the sale of shares or non-financial assets, as well as expenses related to production, marketing, and selling activities, administration, depreciation, amortization, and impairment charges. Realized and unrealized gains or losses on oil, vegetable oil, electricity and gas derivative contracts together with realized gains and losses from foreign currency and oil derivative contracts hedging cash flows of commercial sales and purchases that have been recycled in the income statement, are also included in the operating profit.

Comparable operating profit

Comparable operating profit is calculated by excluding inventory gains/losses, non-recurring items, and unrealized changes in the fair value of oil, vegetable oil, electricity and gas derivative contracts from the reported operating profit. Inventory gains/losses include the change in fair value of all trading inventories.

In 2014 Neste Oil has revised the method used to calculate its comparable operating profit and switched to using non-recurring items. The change will mean that comparable operating profit will reflect the underlying operating result of the company and its segments more accurately and will make comparing Neste Oil's profitability over different periods of time as transparent as possible.

Non-recurring items are linked to unpredictability events of a significant nature that do not form part of normal day-to-day business. They include among others impairment losses and reversals, gains and losses associated with the combination or termination of businesses, restructuring costs, and gains and losses on the sales of assets. Only items having an impact of more than EUR 1 million on Neste Oil's result will be classified as non-recurring items. This change in accounting practice will not affect Neste Oil's consolidated IFRS result. Neste Oil has started using the revised method for calculating its comparable operating profit from the Q3 2014 interim report onwards.

Segment net assets

Segment net assets include property, plant and equipment, intangible assets, investments in joint ventures including shareholder loans, pension assets, inventories and interest-free receivables and liabilities allocated to the business segment as well as provisions and pension liabilities.

Return on net assets, %

Return on net assets is calculated by dividing segment operating profit with average segment net assets.

Comparable return on net assets, %

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

3 Financial risk management

Risk management principles

Neste Oil recognizes that risk is an integral and unavoidable component of its business and is characterized by both threat and opportunity. Risks are generally managed at source, within the Group's business areas and common functions. A number of risk management strategies have been developed to address the impact of the risks related to Neste Oil's business activities. The Neste Oil Corporate Risk Management Policy with the related Corporate Risk Management Principles, approved by the Board of Directors, defines risk management governance, responsibilities and processes for communicating and reporting risks and risk management.

The documents define detailed principles covering strategic risks, market risks, including counterparty risks, operational and functional risks, including risks involving human safety, and legal liabilities. The Corporate Risk Management Policy and Principles complement Neste Oil's other management principles and instructions. The Treasury Principles and the Credit and Counterparty Risk Management Principles are also approved by the Board of Directors. The Board of Directors' Audit Committee regularly reviews and monitors financial risk management policy, principles, risk limits, and other risk management activities.

The management of financially related risks aims to reduce the volatility in earnings and cashflow, and the balance sheet, while securing effective and competitive financing for the Group.

Risk management organization

Neste Oil's Group Treasury and Risk Management unit and risk management professionals in business areas are responsible for controlling special risk disciplines, consulting and facilitating risk management processes and developing risk management systems.

In addition, Treasury & Risk Management is responsible for managing foreign exchange, credit and counterparty, interest rate, liquidity, and refinancing risks as well as insurance management.

The two business areas, Oil Products and Renewable Products, are responsible of managing their price risks, i.e. hedging their refining margin, refinery inventory price risk, price risks associated with utilities, renewable market related credits (such as RIN's) and the obligation to return emission allowance. Oil Products and Renewable Products business areas also enters into derivative transactions for proprietary trading purposes within authorized risk limits.

The Group Treasury and Risk Management unit is organized within Neste Oil's Finance function, headed by the Chief Financial Officer and it works in close cooperation with the Group's business areas.

Risk Management Committee monitors the risk management process and compliance. Neste Oil's risk management reporting is coordinated by the Chief Financial Officer. Major Group-level risks are reported to the Board of Directors, the Audit Committee, the Risk Management Committee, the President & Chief Executive Officer, and other corporate management as part of the strategy and planning process. A report on the market and financing risks of reporting segments and the Group is included in the monthly management report.

Market risks

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of a business. The primary commodity price risks that the Group is exposed to include; crude oil, oil products, renewable feedstocks and renewable diesel prices that could adversely affect the value of the Group's financial assets, liabilities or expected future cash flows. As the pricing currency used in the oil market is U.S. dollar and Neste Oil operates and reports in Euro, also this factor exposes Neste Oil's business to short-term transaction risks and longer-term economic currency risks. In accordance with the Group risk management principles the Group enters into various derivatives transactions for risk management purposes. The positions are monitored and managed on a daily basis according to the above mentioned risk management principles.

1. Commodity price risks

The main commodity price risks Neste Oil faces on its businesses are related to market prices for crude oil, renewable feedstocks and other feedstocks, as well as refined petroleum and renewable products. These prices are subject to significant fluctuations resulting from a periodic over-supply and supply tightness in various regional markets, coupled with fluctuations in demand.

Neste Oil's results of operations in any given period are principally driven by the demand for and prices of oil and renewable products relative to the supply and cost of raw materials. These factors, combined with Neste Oil's own consumption of raw materials and output of refined products, drive operational performance and cash flows in Oil Products and Renewable Products, which are Neste Oil's largest business areas in terms of revenue, profits and net assets.

Neste Oil divides the commodity price risks affecting Neste Oil's revenue, profits and net assets into two main categories; inventory price risk and refining margin risk.

Inventory price risk

From a price risk management perspective, Neste Oil's refinery inventory consists of two components. The first and largest component remains relatively constant over time and is referred to as the 'base inventory'. The second and daily fluctuating component is the amount of inventories differing from the base inventory level and at Neste Oil it is called 'transaction position'.

The base inventory is the minimum level of stocks with which can reasonably be assured that the refineries can be kept in operation and the deliveries are not compromised. It comprises inventories at the refineries and within supply chain. The base inventory includes the minimum level of stocks that Neste Oil is required to maintain under Finnish laws and regulations.

The role of price risk management involved in the logistics is particularly present in the Renewable Products' business due to market practices on the feedstocks pricing and longer sea voyages. In the Renewable Products' business the price risk related base inventory is higher than the physical inventory and is approximately one third of the annual renewables refining capacity used. In the traditional oil refining the base inventory is approximately one tenth of the total annual fossil fuel refining capacity.

The base inventory creates a risk in Neste Oil's income statement and balance sheet inasmuch as Neste Oil applies the FIFO method for measuring the cost of goods sold, raw materials and inventories. Hedging operations related to price risk do not target the base inventory. Instead, Neste Oil's inventory risk management policies target the 'transaction position' inasmuch as these stocks create cash flow risks depending on the relationships between feedstocks purchases, refinery production and refined petroleum product sales over any given period.

According to the Neste Oil risk management principle any open exposures of the transaction position are hedged without delay.

In hedging the transaction position, derivative financial instruments are used. Because of the differences between the qualities of the underlying feedstocks for which derivative financial instruments can be sold and purchased, and the actual quality of Neste Oil's feedstocks, the business will remain exposed to some degree of basis risk. The basis risk is typically higher in the Renewables business due to the nature of feedstocks pool and limited availability of hedging instruments.

Refining margin risk

As the total refining margin is an important determinant of Oil Products business area's earnings, its fluctuations constitute a significant risk.

In the traditional oil refining business the refining margin at risk is a function of the revenue from sold petroleum products and the cost of raw materials together with other costs. Neste Oil's exposure to low refining margins in the traditional oil refining is partly offset by its high conversion refineries.

Neste Oil is exposed to greater margin volatility in the Renewable Products' business compared to that in the fossil fuel refining. In Renewables business the refining margin is mainly a function of the renewable fuels sale price received and feedstocks used. The underlying indices used in the renewable diesel pricing are primarily oil products or conventional biodiesel related. Product prices fluctuate regionally depending on the nature of biomandates, local supply and demand, and fossil fuel prices. In Europe renewable fuels price is mainly determined by the price of local biodiesel price. Typical biodiesel qualities are Fatty Acid Methyl Ester (FAME) or Rapeseed-Oil Methyl Ester (RME). In the North America the local biodiesel reference and typical renewable fuels pricing driver is, including the value of the Renewable Identification Number (RIN), Soy Methyl Ester (SME). Cost of feedstocks depends on feedstocks selection and is typically derived from different vegetable oils and fats. Feedstock prices are mainly driven by supply and demand balances, crop forecasts and regional weather. In the Renewables business area, operational activities are the primary means of mitigating the margin volatility.

With the aim of securing its margin and cash flow, Neste Oil has defined margin hedging principles for its main refining businesses. In the fossil fuel refining business the hedging ratios used, measured as percentage of annual production volume, are typically moderate. In the Renewable Products' business the targeted hedge ratios are typically higher. Hedge ratios can however be expected to fluctuate over the time. The hedge ratio for renewable business is measured and monitored as percentage of the quarterly sales volumes.

In hedging the refining margin, derivative financial instruments are used. Hedging transactions are targeted at the components of Neste Oil's total refining margin, based on its forecasted or committed sales and refinery production, which are exposed to international market price fluctuations. Because of the differences between the qualities of the underlying feedstocks and refined petroleum products for which derivative financial instruments can be sold and purchased, and the actual quality of Neste Oil's feedstocks and refined petroleum products in any given period, the business will remain exposed to some degree of basis risk. The basis risk is typically higher in the Renewable Products' business than in the fossil fuel refining due to the nature of the feedstocks selection and limited availability of hedging instruments.

The exposure to open positions of oil derivative contracts as of 31 December 2014 (2013) is summarized in Note 25.

2. Foreign exchange risk

As the pricing currency used in the oil industry is the U.S. dollar and Neste Oil operates and reports in euro, this factor, among others, exposes Neste Oil's business to short-term transaction and longer-term economic currency risks.

The objective of foreign exchange risk management in Neste Oil is to limit the uncertainty created by changes in foreign exchange rates on the future value of cash flows and earnings, and in the Group's balance sheet. Generally, this is done by hedging currency risks in contracted and forecasted cash flows and balance sheet exposures (referred to as transaction exposure) as well as the equity of non-euro zone subsidiaries (referred to as translation exposure).

Transaction exposure

In general, all business areas hedge their transaction exposure related to highly probable future cash flows. Net foreign currency cash flows are forecasted over a 12-month period on a rolling basis, and hedged on average 80% for the first six months and 40% for the following six months for the fossil fuel businesses and on average 60% for the first six months and 25% of the next three months for the renewable business. Deviations from this risk-neutral benchmark position are subject to separate approvals set by the Treasury Principles. The most important hedged currency is the U.S. dollar. Other material hedged currencies are Malaysian Ringgit (MYR), Swedish Crown (SEK) and Singapore Dollar (SGD).

The Group's net exposure is managed through the use of forward contracts and options. All transactions are made for hedging purposes and the majority is also hedge accounted for according to IFRS. Business areas are responsible for forecasting net foreign currency cash flows, while Group Treasury & Risk Management is responsible for implementing hedging transactions.

Neste Oil has several currency-denominated assets and liabilities in its balance sheet, such as foreign currency loans, deposits, net working capital and cash in other currencies than home currency. The principle is to hedge this balance sheet exposure fully using forward contracts and options. Similarly to commodity price risk management, the foreign exchange transaction hedging targets inventories in excess of the base inventory. Open exposures are allowed based on risk limits set by the Treasury Principles. The largest and most volatile item in terms of balance sheet exposure is net working capital. Since many of the Group's business transactions, sales of products and services and purchases of crude oil and other feedstock are linked to the U.S. dollar, the daily exposure of net working capital is hedged as part of the balance sheet hedge in order to neutralize the effect of volatility in EUR/USD exchange rate. During 2014, the daily balance sheet exposure fluctuated between approximately EUR 211 million and 1,144 million. Group Treasury & Risk Management is responsible for consolidating various balance sheet items and carrying out hedging transactions. Foreign exchange risk is estimated by measuring the impact of currency rate changes based on historical volatility.

The nominal and fair values of the outstanding foreign exchange derivative contracts as of 31 December 2014 (2013) are summarized in Note 25.

Translation exposure

Group Treasury & Risk Management is responsible for managing Neste Oil's translation exposure. This consists of net investments in foreign subsidiaries, joint ventures, and associated companies. Although the main principle is to leave translation exposure unhedged, Neste Oil may seek to reduce the volatility in equity in the consolidated balance sheet through hedging transactions. Forward contracts are used to hedge translation exposure. Any hedging decisions are made by Group Treasury & Risk Management. The total non-euro-denominated equity of the Group's subsidiaries and associated companies was EUR 410 million as of 31 December 2014 (2013: EUR 482 million), and the exposures and hedging ratios are summarized in the following table.

Group translation exposure	2014			2013		
	Net investment	Hedge	Hedge %	Net investment	Hedge	Hedge %
MEUR						
USD	50	0	0%	50	0	0%
SEK	176	0	0%	207	0	0%
CAD	105	0	0%	101	0	0%
RUB	48	0	0%	71	0	0%
LTL	31	0	0%	31	0	0%
Other	0	0	0%	22	0	0%
	410	0	0%	482	0	0%

3. Interest rate risk

Neste Oil is exposed to interest rate risk mainly through its interest-bearing net debt. The objective of the Company's interest rate risk management is to limit the volatility of interest expenses in the income statement. The risk-neutral benchmark duration for the net debt portfolio is 12 months, and duration can vary between six and 36 months. In addition to duration Neste Oil uses a flow risk limitation.

Interest rate derivatives have been used to adjust the duration of the net debt portfolio. The Group's interest rate risk management is handled by Group Treasury & Risk Management. The nominal and fair values of the outstanding interest rate derivative contracts as of 31 December 2014 (2013) are summarized in Note 25.

The following table summarizes the re-pricing of the Group's interest-bearing debt.

Period in which re-pricing occurs	within 1 year	1 year – 5 years	> 5 years	Total
Financial instruments with floating interest rate				
Financial liabilities				
Loans from financial institutions	372	0	0	372
Finance lease liabilities	56	0	0	56
Bonds	0	50	0	50
Effect of interest rate swaps	500	-500	0	0
Financial instruments with fixed interest rate				
Bonds	301	971	0	1,272
Other loans	0	0	33	33
Finance lease liabilities	0	9	74	83
	1,229	530	107	1,866

The table below shows the nominal values of the Group's interest-bearing debt by currency as of 31 December 2014 and 2013, in millions of euros.

MEUR	2014	2013
EUR	1,646	1,628
SGD	84	51
USD	136	79
	1,866	1,758

4. Key sensitivities to market risks

Sensitivity of operating profit to market risks arising from the Group's operations

Due to the nature of its operations, the Group's financial performance is sensitive to the market risks described above. The following table details the approximate impact that movements in the Group's key price and currency exposures would have on its operating profit for 2015 (2014), based on assumptions regarding the Group's reference market and operating conditions, but excluding the impact of hedge transactions.

Approximate impact on operating profit (IFRS), excluding hedges		2015	2014
+/- 10% in the EUR/USD exchange rate	EUR million	-82 / + 101	-99 / + 121
+/- USD 1.00/barrel in total refining margin	USD million	+/- 105	+/- 110
+/- USD 10/barrel in crude oil price ¹⁾	USD million	+/- 70	+/- 70
+/- USD 100/t in Renewable Products raw material price ¹⁾	USD million	+/- 80	+/- 80
+/- USD 50/t in Renewable Products refining margin ²⁾	USD million	+/- 100	+/- 100

¹⁾ Inventory gains/losses excluded from comparable operating profit ²⁾ Based on name-plate capacity

Sensitivity to market risks arising from financial instruments as required by IFRS 7

The following analysis, required by IFRS 7, is intended to illustrate the sensitivity of the Group's profit for the period and equity to changes in oil prices, the EUR/USD exchange rate, the USD/MYR exchange rate, and interest rates, resulting from financial instruments, such as financial assets and liabilities and derivative financial instruments, as defined by IFRS, included in the balance sheet as of 31 December 2014 (2013). Financial instruments affected by the above market risks include working capital items, such as trade and other receivables and trade and other payables, interest-bearing liabilities, deposits, cash and cash equivalents, and derivative financial instruments. When cash flow hedge accounting is applied, the change in the fair value of derivative financial instruments is assumed to be recorded fully in equity.

The following assumptions were made when calculating the sensitivity to the change in oil prices:

- the flat price variation for oil derivative contracts of crude oil, refined oil products and vegetable oil is assumed to be +/- 10%
- the sensitivity related to oil derivative contracts held for hedging refinery oil inventory position is included; the underlying physical oil inventory position is excluded from the calculation, since inventory is not a financial instrument
- the sensitivity related to oil derivative contracts held for hedging expected future refining margin is included; the underlying expected refining margin position is excluded from the calculation
- the sensitivity related to oil derivative contracts for the price difference between various petroleum product qualities is excluded from the calculation, as the price variation of these contracts is assumed to be zero
- the sensitivity related to oil derivative contracts for the time spread of crude oil and petroleum products is excluded from the calculation, as the price variation of these contracts is assumed to be zero

The following assumptions were made when calculating the sensitivity to changes in the EUR/USD exchange rate:

- the variation in EUR/USD-rate is assumed to be +/- 10%
- the position includes USD-denominated financial assets and liabilities, such as interest-bearing liabilities, deposits, trade and other receivables, trade and other liabilities, and cash and cash equivalents, as well as derivative financial instruments
- the position excludes USD-denominated future cash flows

The following assumptions were made when calculating the sensitivity to changes in the USD/MYR exchange rate:

- the variation in USD/MYR-rate is assumed to be +/- 10%
- the position includes MYR-denominated derivative financial instruments
- the position excludes MYR-denominated future cash flows

The following assumptions were applied when calculating the sensitivity to changes in interest rates:

- the variation of interest rate is assumed to be a 1% parallel shift in the interest rate curve
- the interest rate risk position includes interest-bearing liabilities, interest-bearing receivables, and interest rate swaps, however cash on bank account is excluded
- the income statement is affected by changes in the interest rates of floating-rate financial instruments, excluding those derivative financial instruments that are designated as and qualifying for cash flow hedges, which are recorded directly in equity.

The sensitivity analysis presented in the following table may not be representative, since the Group's exposure to market risks also arises from other balance sheet items than financial instruments, such as inventories. As the sensitivity analysis does not take into account future cash flows, which the Group hedges in significant volumes, it only reflects the change in fair value of hedging instruments. In addition, the size of the exposure sensitive to changes in the EUR/USD exchange rate varies significantly, so the position on the balance sheet date may not be representative for the financial period on average. Equity in the following table includes items recorded directly in equity. Items affecting the income statement are not included in equity.

		2014		2013	
Sensitivity to market risks arising from financial instruments as required by IFRS 7		Income statement	Equity	Income statement	Equity
+/- 10% change in oil price ¹⁾	EUR million	-/+ 4	+/- 0	-/+ 8	+/- 0
+/- 10% change in EUR/USD exchange rate	EUR million	+ 59 / - 68	+ 25 / - 34	+ 59 / - 74	+ 38 / - 34
1% parallel shift in interest rates	EUR million	+/- 7	+/- 0	+/- 7	+/- 0
+/- 10% change in USD/MYR exchange rate	EUR million	+/- 0	+/- 29	+/- 0	+/- 28

¹⁾ includes crude oil, refined oil products and vegetable oil derivatives

5. Hedge accounting

The Group uses foreign currency derivative contracts to reduce the uncertainty created by changes in foreign exchange rates on the future cash flows of forecasted future sales and earnings, as well as in Neste Oil's balance sheet. Foreign exchange derivative contracts have been designated as hedges of forecasted transactions, e.g. cash flow hedges, net investment hedges, or as derivative financial instruments not meeting hedge accounting criteria. The Group uses foreign exchange forward contracts and options as hedging instruments.

With the aim of securing a certain refining margin per barrel, the Group may hedge its refining margin using commodity derivative contracts. Certain commodity derivative contracts have been designated as hedges of forecasted transactions, e.g. cash flow hedges.

The Group uses interest rate derivatives and its variations e.g. callable swaps to reduce the volatility of interest expenses in the income statement and by adjusting the duration of the debt portfolio. Interest rate derivative contracts have been designated as hedges of forecasted transactions, e.g. cash flow hedges, hedges of the fair value of recognized assets or liabilities, or as derivative financial instruments not meeting hedge accounting criteria. The Group uses interest rate swaps as hedging instruments.

Cash flow hedges

Derivative financial contracts that meet the qualifications for hedge accounting are designated as cash flow hedges. Such contracts are e.g. certain commodity derivative contracts hedging refining margin, foreign currency derivative contracts hedging USD-sales, feedstock purchases priced in MYR or capital expenditure denominated in foreign currencies for the next twelve months, and interest rate swaps directly linked to underlying variable interest funding transactions maturing in 2018.

The effective portion of the changes in the fair value of the derivative financial instruments that are designated as and qualify for cash flow hedges are recognized in equity/other comprehensive income. However, changes in the time value of foreign currency options are booked in the income statement. Any gain or loss relating to the ineffective portion is recognized immediately in the income statement. In 2014 and 2013 the ineffective portion has been immaterial. Testing is conducted on a quarterly basis to review the effectiveness of hedging transactions.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects the income statement, e.g. when a forecasted sale, that is being hedged, takes place. The gain or loss relating to the effective portion of the foreign exchange derivative contracts hedging of the future USD-sales are recorded within sales. This is expected to take place within the next 12 months from the balance sheet date. The gain or loss to the effective portion of the foreign exchange derivative contracts hedging of the MYR based purchases are booked into equity/other comprehensive income until transferred to the inventory as part of raw-material purchase costs according to IAS 2. When the forecast transaction, which is being hedged results in the recognition of property, plant and equipment, the gain or loss is included in the cost of the asset. The amounts are ultimately recognized in depreciation in the income statement. Interest element of interest rate swaps hedging variable rate interest-bearing liabilities is recognized in the income statement within finance costs, and the change in fair value of the hedging instrument is accumulated in equity/ other comprehensive income. Movements in hedging reserve are presented in the statement of comprehensive income.

Fair value hedges

Certain interest rate swaps are designated as fair value hedges. Changes in the fair value of the derivative financial instruments designated and qualifying as fair value hedges, and which are highly effective, are recorded in the income statement, together with any changes in the fair value of the hedged assets or liabilities attributable to the hedged risk compensating the effect. The ineffective portion is also recognized in the income statement.

Items recognized in the income statement	2014	2013
gain or loss on the hedging instrument	5	-16
gain or loss on the hedging instrument	-5	16

Hedges of net investments in foreign entities

Hedges of the net investments in foreign operations are accounted for in a similar way to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity/ other comprehensive income, while any gain or loss relating to the ineffective portion is recognized immediately in the income statement. Gains and losses accumulated in equity /other comprehensive income are included in the income statement when the foreign operation is disposed of. Exposures as per 31.12.2014 and hedging ratios are summarized in the table 'Group translation exposure'

Liquidity and refinancing risks

Liquidity risk is defined as financial distress or extraordinarily high financing costs arising due to a shortage of liquid funds in a situation where business conditions unexpectedly deteriorate and require financing. The objective of liquidity risk management is to maintain sufficient liquidity and to ensure that it is available fast enough to avoid uncertainty related to financial distress at all times.

Neste Oil's principal source of liquidity is expected to be cash generated from operations. In addition, the Group seeks to reduce liquidity and refinancing risks by maintaining a diversified maturity profile in its loan portfolio. Certain other limits have also been set to minimize liquidity and refinancing risks. The Group must always have access to unutilized, committed credit facilities to cover all loans maturing within the next 12 months and any potential forecasted negative free cash flow. Unutilized committed credit facilities must always amount to at least EUR 500 million. In addition, total short-term financing shall not account for more than 30% of the total interest-bearing liabilities.

The average loan maturity as of 31 December 2014 was 2.7 years. The most important financing programs in place are:

- Revolving multicurrency credit facility (committed), EUR 1,500 million
- Overdraft facilities (committed), EUR 150 million
- Domestic commercial paper program (uncommitted), EUR 400 million

As of 31 December 2014, the Company had cash and cash equivalents and committed, unutilized credit facilities totaling EUR 1,849 million at its disposal.

Cash and cash equivalents and committed unutilized credit facilities	2014	2013
Floating rate		
– cash and cash equivalents	246	506
– overdraft facilities, expiring within one year	103	150
– revolving credit facility, expiring within one year	0	0
– revolving credit facility, expiring beyond one year	1,500	1,500
	1,849	2,156

The contractual maturity of interest-bearing liabilities as of 31 December 2014 is presented in the following table.

	2015 ¹⁾	2016	2017	2018	2019	2020–	Total
Bonds and debentures	361	356	279	66	424	0	1,486
- less finance charges	61	45	27	16	16	0	164
Repayment of bonds and debentures	301	311	252	50	408	0	1,322
Loans from financial institutions	267	12	52	13	18	10	372
- less finance charges	2	1	1	1	0	0	5
Repayment of loans from financial institutions	265	11	51	12	18	10	367
Finance lease liabilities	67	13	14	13	13	182	302
- less finance charges	13	12	12	11	10	105	163
Repayment of finance lease liabilities	54	1	2	2	3	77	139
Other liabilities	2	3	3	4	18	29	59
- less finance charges	2	3	3	3	3	7	21
Repayment of other long-term liabilities	0	0	0	1	15	22	38
Interest rate swaps							
- less finance charges	-12	-10	-3	-1	-2	0	-28

¹⁾ Repayments in 2015 are included in current liabilities in the balance sheet

Finance charges are primarily interest expenses. The contractual maturities of derivative financial instruments are included in Note 25.

The contractual maturity of interest-bearing liabilities as of 31 December 2013 is presented in the following table.

	2014 ¹⁾	2015	2016	2017	2018	2019–	Total
Bonds and debentures	59	360	345	277	66	416	1,523
- less finance charges	59	60	45	27	16	16	223
Repayment of bonds and debentures	0	300	300	250	50	400	1,300
Loans from financial institutions	166	52	8	47	7	17	297
- less finance charges	2	1	1	1	0	0	5
Repayment of loans from financial institutions	164	51	7	46	7	17	292
Finance lease liabilities	20	40	37	15	15	196	323
- less finance charges	14	13	12	12	12	110	173
Repayment of finance lease liabilities	6	27	25	3	3	86	150
Other liabilities	0	0	0	0	1	3	4
- less finance charges	0	0	0	0	0	0	0
Repayment of other long-term liabilities	0	0	0	0	1	3	4
Interest rate swaps							
- less finance charges	-11	-12	-9	-2	-1	-2	-37

¹⁾ Repayments in 2014 are included in current liabilities in the balance sheet

Credit and counterparty risk

Credit and counterparty risk arises from sales, hedging and trading transactions as well as from cash investments. The risk arises from the potential failure of counterparty to meet its contractual payment obligations, and the risk depends on the creditworthiness of the counterparty as well as the size of the exposure. The objective of credit and counterparty risk management is to minimize the losses incurred as a result of a counterparty not fulfilling its obligations. The management principles for credit and counterparty risk are covered in the Neste Oil Credit and Counterparty Risk Management Principles approved by the Board of Directors.

The amount of risk is quantified as the expected loss to Neste Oil in the event of a default by counterparty. Credit risk limits are set at the Group level, designated by different levels of authorization and delegated to Neste Oil's business areas, which are responsible for counterparty risk management within these limits. When determining the credit lines for sales contracts for oil deliveries, counterparties are screened and evaluated vis-à-vis their creditworthiness to decide whether an open credit line is acceptable or collateral for example letter of credit, bank guarantee or parent company guarantee have to be posted. In the event, that a collateral is required the credit risk is evaluated based on a financial evaluation of the party posting the collateral. If appropriate in terms of the potential credit risk associated with a specific customer, advance payment is required before delivery of products or services. In addition, Neste Oil may reduce its counterparty risk by e.g. selling trade receivables.

The credit lines for counterparties are divided into two categories according to contract type: physical sales contracts and derivative contracts. Credit lines are restricted in terms of the time horizon associated with the payment and credit exposure risk. In determining counterparty credit limits, two levels of delegation are used: authority mandates to the rated counterparties by the general rating agencies and authority mandates related to unrated counterparties. For OTC (over-the-counter) derivative financial instrument contracts, Neste Oil has negotiated framework agreements in the form of an ISDA (International Swaps and Derivatives Association, Inc.) Master Agreement with the main counterparties concerning commodity, emissions, currency and interest rate derivative financial instruments. These contracts permit netting and allow for termination of the contract on the occurrence of certain events of defaults and termination events. Some of these agreements concerning commodity derivatives include Credit Support Annexes with the aim of reducing credit and counterparty risk by requiring margin call deposits in the form of cash or letter of credit for balances exceeding the mutually agreed limit.

Neste Oil reduces credit risk by executing treasury transactions only with approved counterparties. All counterparties are rated with the minimum counterparty credit rating requirement being BBB (S&P). Foreign subsidiaries may have bank accounts in unrated financial institutions. In order to decrease credit risk associated with local banks used by subsidiaries in foreign countries, the subsidiaries are required to deposit their excess cash balances with the Group Treasury on an ongoing basis.

As to counterparty risk management vis-à-vis insurance companies for Neste Oil Group, the minimum credit rating requirement for the insurers and/or reinsurers is A- (S&P).

As of the balance sheet date, the biggest receivable balances were from the customers in the Scandinavian wholesale markets. In addition, the Group has a large number of different counterparties on the international markets. As to the range of the counterparties, the most significant types are mainly large international oil companies and financial institutions. However, the Group's exposure to unexpected credit losses within one reporting segment may increase with the concentration of credit risk through a number of counterparties operating in the same industry sector or geographical area, which may be adversely affected by changes in economic, political or other conditions. These risks are reduced by taking geographical risks into consideration in decisions on creditworthiness.

Vis-à-vis counterparties to the contracts comprising the derivative financial instruments exposure as at 31 December 2014, approximately 100% of the counterparties or their parent companies related to commodity derivative contracts have investment grade rating from Standard & Poor's, Moody's or Fitch. Respectively, Group Treasury & Risk Management had an exposure for currency and interest rate derivative contracts as at 31 December 2014 with banks, of which all have investment grade rating at a minimum. Derivative transactions are also done through exchange, which reduces credit risk.

The following table shows an analysis of trade receivables by age. 54% of the trade receivables portfolio exposure is from counterparties or their parent companies having credit rating BBB- (S&P) minimum. 46% consists of trade receivables from the counterparties not having credit rating, most of it comprising from a large number of corporate and private customers. With respect to undue trade receivables, there were no indications as of 31 December 2014 that the counterparties would not meet their obligations.

Analysis of trade receivables by age	2014	2013
Undue trade receivables ¹⁾	718	832
Trade receivables 1–30 days overdue	49	37
Trade receivables 31–60 days overdue	3	2
Trade receivables more than 60 days overdue	2	5
	773	876

¹⁾ Includes EUR 2 million of trade receivables related to Assets held for sale in 2014, as disclosed in Note 5.

The Group makes an ISDA master netting agreement or an other netting agreement with each derivative counterparty. Based on the agreement sales and purchase invoices / payments are netted and in certain credit events all outstanding transactions under the ISDA agreement are terminated and either Neste Oil or the counterparty pays the netted amount.

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

	Gross amount of recognized financial instruments	Related liabilities or assets subject to Master netting agreements	Net exposure
31 Dec 2014			
Financial assets			
Derivatives	169	95	74
Trade receivables	20	7	13
Financial liabilities			
Derivatives	133	95	38
Trade payables	8	7	1

31 Dec 2013	Gross amount of recognized financial instruments	Related liabilities or assets subject to Master netting agreements	Net exposure
Financial assets			
Derivatives	56	24	32
Trade receivables	4	3	1
Financial liabilities			
Derivatives	32	24	8
Trade payables	5	3	2

Capital risk management

The Group's objective when managing capital is to secure a capital structure that ensures access to capital markets at all times despite the volatile nature of the industry in which Neste Oil operates. Despite the fact that the Group does not have a public credit rating, the Group's target is to have a capital structure equivalent to that of other refining and marketing companies with a public investment grade rating. The capital structure of the Group is reviewed by the Board of Directors on a regular basis.

The Group monitors its capital on the basis of leverage ratio, the ratio of interest-bearing net debt to interest-bearing net debt plus total equity. Interest-bearing net debt is calculated as interest-bearing liabilities less cash and cash equivalents.

Over the cycle, the Group's leverage ratio is likely to fluctuate, and it is the Group's objective to maintain the leverage ratio within the range of 25–50%. The leverage ratio as of 31 December 2014 and 2013 was as follows:

	2014	2013
Total interest-bearing liabilities	1,866	1,758
Cash and cash equivalents	246	506
Interest-bearing net debt	1,621	1,252
Total equity	2,659	2,924
Interest-bearing net debt and total equity	4,280	4,176
Leverage ratio	37.9%	30.0%

4 Segment information

Neste Oil's business structure

The Group's operations are built around three business areas and seven common functions. Business areas act as profit centers and are responsible for their customers, products, and business development. Business areas are: Oil Products, Renewable Products, and Oil Retail. The common functions are: Finance, Human Resources and Safety, Sustainability and Public Affairs, Technology, Strategy and New Ventures, Communication and Brand Marketing and Legal Affairs.

Operating segments

The Group's operations are divided into four operating segments: Oil Products, Renewable Products, Oil Retail and Others. The performance of the reporting segments are reviewed regularly by the chief operating decision maker, Neste Oil President & CEO, to assess performance and to decide on allocation of resources.

Operating segments are engaged in following key business activities:

Oil Products segment markets and sells gasoline, diesel fuel, light and heavy fuel oil, aviation fuel, base oils, liquefied petroleum gas and other oil products and services which are related to them to domestic and international wholesale markets. Neste Shipping's chartering operations are included in the Oil Products segment.

Renewable Products segment markets and sells NEXBTL renewable diesel based on Neste Oil's proprietary technology to domestic and international wholesale markets.

Oil Retail segment markets and sells petroleum products and associated services directly to end-users, of which the most important are private motorists, industry, transport companies, farmers, and heating oil customers. Traffic fuels are marketed through Neste Oil's own service station network and direct sales.

Others segment consists of Group administration, shared service functions, Research and Technology, Neste Jacobs and Nynas AB (publ).

Operating segments presented above don't include any segments which are formed from aggregating two or more smaller segments.

The segments' operating results are measured based on comparable operating profit and return on comparable net assets. The accounting policies applicable to the segment reporting are the same as those used for establishing the Group consolidated financial statements as described in 'Summary of significant accounting policies'. All inter-segment transactions are on arm's length basis and are eliminated in consolidation. Segment operating profit include realized gains and losses from foreign currency and oil derivative contracts hedging cash flows of commercial sales and purchases that have been recycled in the income statement. The 'other expenses' included in the income statement for each business segment includes the following major items:

Oil Products: maintenance, rents, and other property costs and insurance premiums, change in the fair value of open oil derivative positions

Renewable Products: repairs and maintenance, research, storage charges, rents, other property costs, change in the fair value of open oil derivative positions

Oil Retail: rents and other property costs and maintenance, marketing costs

Segment operating assets and liabilities comprise of assets and liabilities utilized in the segments' business operations. Assets consist primarily of property, plant and equipment, intangible assets, investments in joint ventures including shareholder loans, inventories and receivables. They exclude deferred taxes, interest-bearing receivables, and derivative financial instruments designated as hedges of forecasted future cash flows. Segment operating liabilities comprise operating liabilities, pension liabilities, and provisions; and exclude items such as current and deferred taxes, interest-bearing liabilities, and derivative financial instruments designated as hedges of forecasted future cash flows.

Group's customer structure in 2014 and 2013 did not result in any major concentration in any given geographical area or operating segment.

Information about the Group's operating segments as of and for the years ended 31 December 2014 and 2013 is presented in the following tables:

2014	Oil Products	Renewable Products	Oil Retail	Others	Eliminations	Group	Note
External revenue	8,883	1,788	4,289	51	0	15,011	
Internal revenue	2,401	481	5	187	-3,075	0	
Total revenue	11,285	2,269	4,294	238	-3,075	15,011	7
Other income	47	1	3	24	-18	57	8
Share of profit (loss) of joint ventures	2	0	0	6	0	7	19
Materials and services	-10,876	-1,860	-4,084	-46	2,934	-13,932	9
Employee benefit costs	-157	-27	-34	-123	2	-339	10
Depreciation, amortization and impairments	-193	-96	-26	-15	0	-330	11
Other expenses	-219	-79	-85	-96	154	-324	12
Operating profit	-110	207	68	-13	-3	150	
Financial income and expense						-72	13
Profit before taxes						78	
Income taxes						-18	14
Profit for the period						60	
Comparable operating profit	285	239	68	-7	-3	583	
Inventory gains/losses	-381	-111	0	0	0	-492	
Changes in the fair value of open oil derivatives	-5	79	0	0	0	74	
Non recurring items	-9	0	0	-6	0	-16	
capital gains and losses	-4	0	0	3	0	-2	
insurance and other compensation	0	0	0	0	0	0	
others	-5	0	0	-9	0	-14	
Operating profit	-110	207	68	-13	-3	150	
Capital expenditure and investments in shares	276	113	19	18	-9	418	
Segment operating assets	3,249	2,198	471	239	-278	5,879	
Investments in joint ventures	16	0	0	179	0	195	19
Deferred tax assets						55	28
Unallocated assets						365	
Total assets	3,264	2,198	472	418	-278	6,494	
Segment operating liabilities	1,104	276	271	228	-273	1,605	
Deferred tax liabilities						265	28
Unallocated liabilities						1,965	
Total liabilities	1,104	276	271	228	-273	3,835	
Segment net assets	2,160	1,923	201	190	-6	4,469	
Return on net assets, %	-4.8	11.5	27.5	-5.3			
Comparable return on net assets, %	12.4	13.3	27.6	-2.7			

2013	Oil Products	Renewable Products	Oil Retail	Others	Eliminations	Group	Note
External revenue	10,449	2,235	4,523	30	0	17,238	
Internal revenue	2,592	258	9	176	-3,034	0	
Total revenue	13,041	2,493	4,532	206	-3,034	17,238	7
Other income	15	1	52	31	-20	79	8
Share of profit (loss) of joint ventures	3	0	0	-12	0	-9	19
Materials and services	-12,174	-1,986	-4,306	-23	2,893	-15,597	9
Employee benefit costs	-171	-27	-37	-121	2	-354	10
Depreciation, amortization and impairments	-185	-98	-28	-13	1	-323	11
Other expenses	-243	-131	-93	-94	158	-402	12
Operating profit	286	252	120	-26	0	632	
Financial income and expense						-71	13
Profit before taxes						561	
Income taxes						-37	14
Profit for the period						524	
Comparable operating profit	275	273	77	-31	2	596	
Inventory gains/losses	16	-35	0	0	0	-19	
Changes in the fair value of open oil derivatives	-10	14	0	0	0	4	
Non recurring items	5	0	43	5	-2	51	
capital gains and losses	0	0	44	1	-2	43	
insurance and other compensation	6	0	0	7	0	13	
others	-1	0	-1	-3	0	-5	
Operating profit	286	252	120	-26	0	632	
Capital expenditure and investments in shares	142	21	31	20	0	214	
Segment operating assets	3,690	2,043	556	226	-292	6,223	
Investments in joint ventures	31	0	0	193	0	224	19
Deferred tax assets						29	28
Unallocated assets						567	
Total assets	3,721	2,043	556	419	-292	7,043	
Segment operating liabilities	1,558	275	301	160	-290	2,004	
Deferred tax liabilities						266	28
Unallocated liabilities						1,849	
Total liabilities	1,558	275	301	160	-290	4,119	
Segment net assets	2,163	1,768	255	259	-2	4,443	
Return on net assets, %	12.1	14.0	41.2	-9.8			
Comparable return on net assets, %	11.6	15.2	26.4	-11.7			

Upon the preparation of annual accounts 2014, some presentation changes were made retrospectively in 2013 and 2014: the product swaps previously included in Revenue are now netted with the corresponding expenses in Materials and services based on IAS 18 and additionally some other sales related expenses (e.g. freights), previously included in 'Other expenses', are presented now in 'Materials and services' in 2013 and 2014.

Geographical information

The Group operates production facilities in Finland, Singapore, Netherlands and Bahrain and retail selling network in Finland, North-West Russia, Estonia, Latvia and Lithuania. The following table provides information of the Group's revenue by geographical area, irrespective of the origin of the goods or services, and non-current assets and capital expenditure by geographical area.

Revenue is allocated based on the country in which the customer is located. Non-current assets and capital expenditure are allocated based on where the assets are located. Non-current assets comprise of intangible assets, property, plant and equipment and investments in joint ventures including shareholder loans. 'Other Nordic countries' include Sweden, Norway, Denmark and Iceland. 'Baltic rim' includes Estonia, Latvia, Lithuania, Russia and Poland. The Group's activities in this geographical area comprise mainly of retail activities in the mentioned countries.

2014	Finland	Other Nordic countries	Baltic rim	Other European countries	North and South America	Other countries	Group
Revenue by destination	5,849	2,024	1,768	2,979	1,966	424	15,011
Non-current assets	2,373	179	104	630	0	640	3,924
Capital expenditure	380	0	10	6	0	21	418

2013	Finland	Other Nordic countries	Baltic rim	Other European countries	North and South America	Other countries	Group
Revenue by destination	6,583	2,402	1,730	3,602	2,661	260	17,238
Non-current assets	2,354	193	136	673	0	673	4,029
Capital expenditure	176	0	21	8	0	9	214

5 Assets held for sale

The assets and liabilities related to Kilpilahden Sähkönsiirto Oy have been presented as held for sale following the approval of the Group's management on 18 December 2014 to sell all shares of Kilpilahden Sähkönsiirto Oy to InfraVia European Fund II, an infrastructure fund managed by InfraVia. The transaction was completed on 2 January 2015. The operations are part of the Oil Products segment.

Assets classified as held for sale

	2014
Property, plant and equipment	99
Trade and other receivables	4
Total	103

Liabilities related to assets held for sale

	2014
Trade and other payables	2
Total	2

There were no assets classified as held for sale on 31 December 2013.

6 Acquisitions and disposals

Acquisitions

No acquisitions took place in financial periods 2014 and 2013.

Disposals

In the first quarter 2014 Neste Oil sold its 100% interest in its subsidiary Neste LPG AB. The sale was completed on 31 March 2014 and capital gain amounting to EUR 2 million resulting from the transaction has been included in the consolidated financial statements. The operations were part of the Oil Retail segment.

Assets and Liabilities of Neste LPG AB

MEUR	31 March 2014
Inventories	0
Trade and other receivables	0
Cash and cash equivalents	3
Total assets	3
Provisions	3
Trade and other payables	0
Total liabilities	3
Sold net assets	0
Gain on disposal	2
Total consideration	3
Cash consideration received	3
Cash and cash equivalents disposed of	3
Cash inflow arising from disposal	0

On April 2, 2013 Neste Oil sold its 100% interest in its subsidiary Neste Polska Sp. z o.o. A capital gain amounting to EUR 48 million resulting from the transaction has been included in the consolidated financial statement. The operations were part of the Oil Retail segment.

Assets and Liabilities of Neste Polska Sp. z o.o.

MEUR	2 April 2013
Property, plant and equipment	38
Inventories	5
Trade and other receivables	5
Cash and cash equivalents	12
Total assets	60
Provisions	2
Trade and other payables	19
Total liabilities	21
Sold net assets	39
Gain on disposal	48
Total consideration	87
Cash consideration received	87
Cash and cash equivalents disposed of	12
Cash inflow arising from disposal	75

7 Analysis of revenue by category

	2014	2013
Sale of goods	14,865	17,029
Revenue from services	149	138
Royalty income	0	0
Other	-2	71
	15,011	17,238

Sale of goods include product sales from the Group's own refineries, other production facilities and retail stations as well as other sale of petroleum products, feedstock, raw materials and oil trading. Excise taxes included in the retail selling price of finished oil products are included in product sales.

Oil trading included in Sale of goods comprise of revenue from physical trading activities conducted on international and regional markets by taking delivery of and selling petroleum products and raw materials within a short period of time for the purpose of generating a profit from short term fluctuations in product and raw material prices and margins.

Net gains/losses on financial instruments related to sales, designated as cash flow hedges, are included in Revenue amounting to EUR -5 million (2013: 24 million).

Upon the preparation of annual accounts 2014, some presentation changes were made retrospectively in 2013 and 2014: the product swaps previously included in Revenue are now netted with the corresponding expenses in Materials and services based on IAS 18:

	2013
Reported 2013	17,462
Presentation of product swap	-230
First time adoption of IFRS 11	7
Restated 2013	17,238

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

8 Other income

	2014	2013
Gain on sale of subsidiaries	2	48
Capital gains on disposal of other non-current assets	0	1
Rental income	4	4
Government grants	6	8
Insurance compensations	39	6
Other	6	13
	57	79

Government grants relate mainly to the shipping operations, which is entitled to apply for certain grants based on Finnish legislation. EUR 2 million (2013: EUR 4 million) of the amount is included in 'Trade and other receivables' in the consolidated statement of financial position. This amount relating to operations in the financial period ended 31 December is applied for and received during the following financial period. The Group believes that it has fulfilled all the conditions related to the grants recognized in the income statement. 2014 insurance compensation relates to Porvoo refinery hydrogen unit damage.

9 Materials and services

	2014	2013
Change in product inventories	231	68
Materials and supplies		
Purchases	13,469	15,582
Change in inventories	177	-82
External services	54	29
	13,932	15,597

Purchases include excise taxes included in the retail selling price of petroleum products.

Upon the preparation of annual accounts 2014, some presentation changes were made retrospectively in 2013 and 2014: the product swaps previously included in Revenue are now netted with the corresponding expenses in Materials and services based on IAS 18 and additionally some other sales related expenses (e.g. freights), previously included in 'Other expenses', are presented now in 'Materials and services' in 2013 and 2014.

	2013
Reported 2013	15,424
Presentation of product swap	-230
Presentation changes of sales related other costs	401
First time adoption of IFRS 11	3
Restated 2013	15,597

Net gains/losses on financial instruments related to purchases designated as cash flow hedges are included in Materials and supplies. In 2014 those amounted to EUR 3 million (2013: 0 million).

10 Employee benefit costs

	2014	2013
Wages, salaries	267	271
Social security costs	22	25
Pension costs-defined contribution plans	37	41
Pension costs-defined benefit plans	5	7
Other costs	8	9
	339	354
Number of personnel (average)	2014	2013
Oil Products	1,866	2,097
Renewable Products	259	261
Oil Retail	1,355	1,313
Others	1,509	1,426
	4,989	5,097

11 Depreciation, amortization and impairment charges

	2014	2013
Depreciation of property, plant, and equipment		
Buildings and structures	69	68
Machinery and equipment	239	232
Other tangible assets	14	15
	321	315
Amortization of intangible assets	9	8
Depreciation, amortization and impairment charges total	330	323

12 Other expenses

	2014	2013
Operating leases and other property costs	43	49
Repairs and maintenance	121	129
Services	79	78
Insurance	17	19
Other	64	127
	324	402

Operating leases include rents for land, premises, machinery and equipment. Services include planning- and consulting services, IT-services and other services. Other expenses include travel expenses, HSE and advertising costs.

Upon the preparation of annual accounts 2014, some presentation changes were made retrospectively in 2013 and 2014: some other sales related expenses (e.g. freights), previously included in 'Other expenses', are presented now in 'Materials and services' in 2013 and 2014.

	2013
Reported 2013	800
Presentation changes of sales related other costs	-401
First time adoption of IFRS 11	3
Restated 2013	402

Fees charged by the statutory auditor, PwC	EUR thousands	2014	2013
Audit fees		751	0
Auditor's mandatory opinions		11	0
Tax advisory		352	0
Other advisory services		334	0
		1,449	0

Fees charged by the previous statutory auditor, EY	EUR thousands	2014	2013
Audit fees		250	1,052
Auditor's mandatory opinions		9	6
Tax advisory		46	150
Other advisory services		177	236
		482	1,444

13 Financial income and expenses

	2014	2013
Financial income		
Dividend income on available-for-sale investments	0	0
Interest income from loans and receivables	3	2
Other financial income	0	0
	4	2
Financial expenses		
Interest expenses for financial liabilities at amortized cost	-65	-78
Interest rate derivatives, non-hedge accounted	0	5
Interest rate derivatives, hedge accounted	0	0
Other financial expenses	-10	-8
	-75	-81
Exchange rate and fair value gains and losses		
Loans and receivables	-11	26
Other	4	-7
Foreign exchange derivatives, non-hedge accounted	6	-11
	-1	8
Financial cost – net	-72	-71
Net gains/losses on financial instruments included in operating profit	2014	2013
Foreign exchange rate and oil derivative financial instruments designated as cash flow hedges	-7	24
Non-hedge accounted foreign exchange rate, commodity derivative instruments	75	14
	67	38

Net gains/losses include realized and unrealized gains and losses on derivative financial instruments. Financial instruments held for trading purposes include also the net result of physical trading transactions for those contracts that meet the criteria specified in IAS 39.5-6. Non-hedge accounted derivative financial instruments include net result of transactions entered into for hedging purposes amounting to EUR 70 million (2013: EUR 10 million), and transactions entered into for trading purposes amounting to EUR 5 million (2013: EUR 3 million).

Net gains/losses on financial instruments related to sales, designated as cash flow hedges, are included in Revenue (note 7). Net gains/losses on financial instruments related to purchases designated as cash flow hedges and net gains/losses on non-hedge accounted financial instruments are included in Materials and services (note 9).

14 Income tax expense

The major components of tax expenses are presented in the following table:

	2014	2013
Current tax expense	19	95
Adjustments recognized for current tax for prior periods	2	-1
Change in deferred taxes	-3	-57
	18	37

The difference between income taxes at the statutory tax rate in Finland and income taxes recognized in the consolidated income statement is reconciled in the following table.

	2014	2013
Profit before tax	78	561
Hypothetical income tax calculated at Finnish tax rate 20% (2013: 24.5%)	-16	-138
Differences in tax rates in other countries	18	36
Tax exempt income	3	15
Non-deductible expenses	-1	-2
Depreciation difference and untaxed reserves	-19	0
Taxes for prior periods	-2	1
Net results of joint ventures	1	-2
Realisability of deferred tax assets	1	-5
Effect of change of Finnish corporate income tax rate	0	55
Other	-3	3
Tax charge in the consolidated income statement	-18	-37

The Group's effective income tax rate was 23.2% (2013: 6.64%).

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

	2014		
	Before tax	Tax (charge) / credit	After tax
Remeasurements of defined benefit plans	-68	14	-55
Translation differences	-30	0	-30
Cash flow hedges			
recorded in equity	-58	10	-48
transferred to income statement	1	0	1
Net investment hedges	0	0	0
Share of other comprehensive income of investments accounted for using the equity method	-9	0	-9
Other comprehensive income	-164	23	-141
Current tax		0	
Deferred tax		23	
		23	

	2013		
	Before tax	Tax (charge) / credit	After tax
Remeasurements of defined benefit plans	1	-2	-1
Translation differences	-33	0	-33
Cash flow hedges			
recorded in equity	13	-2	10
transferred to income statement	-24	4	-19
Net investment hedges	0	0	0
Share of other comprehensive income of investments accounted for using the equity method	-1	0	-1
Other comprehensive income	-44	0	-44
Current tax		0	
Deferred tax		0	
		0	

15 Earnings per share

Basic and diluted earnings per share are calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the year. Since the Company has not granted any options, there is no dilution. The average number of shares has been adjusted with treasury shares, 1,000,000 shares (2013: 421,474), as described in note 26.

	2014	2013
Profit attributable to owners of the parent, MEUR	57	523
Weighted average number of ordinary shares in issue (thousands)	255,532	255,967
Earnings per share basic and diluted (euro per share)	0.22	2.04

16 Dividend per share

The dividends paid in 2014 were EUR 0.65 per share, totalling EUR 167 million (2013: EUR 0.38 per share, totalling EUR 97 million). A dividend of EUR 0.65 per share will be proposed at the Annual General Meeting on 1 April 2015, corresponding to total dividends of EUR 166 million for 2014. This dividend is not reflected in the financial statements.

17 Property, plant and equipment

2014	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Assets under construction	Total
Gross carrying amount at 1 January 2014	76	2,146	4,051	206	173	6,652
Exchange differences	-5	-29	-13	0	-2	-49
Additions	0	63	98	120	126	407
Disposals	0	-32	-75	-5	-9	-120
Reclassifications	1	2	7	0	-11	-1
Reclassified as non-current asset held for sale	0	-51	-75	0	-25	-151
Gross carrying amount at 31 December 2014	72	2,101	3,991	321	253	6,738
Accumulated depreciation and impairment losses at 1 January 2014	0	739	2,054	116	0	2,909
Exchange differences	0	-12	-7	0	0	-19
Disposals	0	-9	-75	-6	0	-90
Reclassifications	0	0	0	0	0	0
Depreciation for the period	0	69	239	14	0	321
On non-current assets reclassified as held for sale	0	-12	-40	0	0	-52
Accumulated depreciation and impairment losses at 31 December 2014	0	776	2,171	124	0	3,071
Carrying amount at 1 January 2014	76	1,407	1,997	90	173	3,743
Carrying amount at 31 December 2014	72	1,325	1,820	197	253	3,667

2013	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Assets under construction	Total
Gross carrying amount at 1 January 2013	76	2,092	3,972	193	153	6,486
Change in accounting policy (IFRS11)	0	0	2	0	0	2
Gross carrying amount at 1 January 2013	76	2,092	3,974	193	153	6,488
Exchange differences	-2	-9	-5	-1	-1	-18
Additions	2	64	84	14	36	200
Disposals	0	-3	-12	0	-3	-18
Reclassifications	0	2	10	0	-12	0
Gross carrying amount at 31 December 2013	76	2,146	4,051	206	173	6,652
Accumulated depreciation and impairment losses at 1 January 2013	0	678	1,837	102	0	2,617
Exchange differences	0	-4	-2	-1	0	-7
Disposals	0	-3	-13	0	0	-16
Reclassifications	0	0	0	0	0	0
Depreciation for the period	0	68	232	15	0	315
Accumulated depreciation and impairment losses at 31 December 2013	0	739	2,054	116	0	2,909
Carrying amount at 1 January 2013	76	1,414	2,137	91	153	3,871
Carrying amount at 31 December 2013	76	1,407	1,997	90	173	3,743

Finance leases

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

	2014	2013
Gross carrying amount	235	235
Accumulated depreciation	94	81
Carrying amount	141	154

Capitalized borrowing costs

During 2014 borrowing cost amounting to EUR 1.2 million were capitalized related to the Oil Products investment. They are included in 'Property, Plant and Equipment'. The Group's average interest rate of borrowings for each month was applied as the capitalization rate, which resulted in average capitalization rate of 3.3% in 2014.

Borrowing costs amounting to EUR 0.5 million were capitalized related to investment projects in 2013.

18 Intangible assets

2014	Goodwill	Other intangible assets	Total
Gross carrying amount at 1 January 2014	11	163	174
Exchange differences	0	0	0
Additions	0	11	11
Disposals	0	-10	-10
Reclassifications	0	1	1
Gross carrying amount at 31 December 2014	11	164	175
Accumulated amortization and impairment losses at 1 January 2014	0	112	112
Exchange differences	0	0	0
Disposals	0	-6	-6
Reclassifications	0	0	0
Amortization for the period	0	9	9
Accumulated amortization and impairment losses at 31 December 2014	0	113	113
Carrying amount at 1 January 2014	11	51	62
Carrying amount at 31 December 2014	11	50	62

2013	Goodwill	Other intangible assets	Total
Gross carrying amount at 1 January 2013	11	154	165
Exchange differences	0	0	0
Additions	0	14	14
Disposals	0	-5	-5
Reclassifications	0	0	0
Gross carrying amount at 31 December 2013	11	163	174
Accumulated amortization and impairment losses at 1 January 2013	0	104	104
Exchange differences	0	0	0
Disposals	0	0	0
Reclassifications	0	0	0
Amortization for the period	0	8	8
Accumulated amortization and impairment losses at 31 December 2013	0	112	112
Carrying amount at 1 January 2013	11	50	61
Carrying amount at 31 December 2013	11	51	62

Emission allowances

Neste Oil's Porvoo and Naantali refineries come under the European Union's greenhouse gas emission trading system, and were granted a total of 18.7 million tons emission allowances for the period 2013–2020. Emission allowances, which are purchased to cover future periods deficit are accounted for as intangible assets and measured at cost, and emission allowances received free of charge are accounted for at nominal value, i.e. at zero.

A provision is recognized to cover the obligation to buy emission allowances if emission allowances received free of charge and purchased emission allowances intended to cover the deficit do not cover actual emissions. The provision is measured at its probable settlement amount. The difference between emissions made and emission allowances received, as well as the change in the probable amount of the provision, are reflected in operating profit.

As at 31 December 2014 estimated obligation to purchase emission allowances were reflected in the balance sheet of Neste Oil in provisions amounting to EUR 1.6 million (2013 intangible asset EUR 4.0 million). The actual amount of CO₂ emissions in 2014 were 3.1 million tons (2013: 3.3 million tons). The Group has traded emission allowances for net amount of 0.5 million tons during the financial period ended 31 December 2014 (2013: -0.2 million tons).

Impairment test of goodwill

Goodwill is allocated to Group's cash-generating units (CGU's). From 10 identified CGU's goodwill is allocated to the following: Traffic Fuels within Oil Products segment and Neste Jacobs sub-group within Others segment.

A segment-level summary of the goodwill allocation is presented below:

	2014	2013
Oil Products	2	2
Other	9	9
	11	11

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial plans approved by the management covering a period of three years. The discount rate used is 6.9%, representing the WACC specified for the business area in question after tax, which is adjusted by tax effects in connection with the test. The WACC formula inputs are risk-free rate of return, market risk premium, industry-specific beta factor, target capital structure, borrowing cost and country risks. Cash flows beyond the three-year period are extrapolated by using 1.0% nominal growth rate.

The key assumptions used for the plans in Neste Jacobs are the demand and the price level for engineering and project management services, as well as the billability rate. The key assumptions used in the impairment test are the billability rate affecting the EBITDA, and the discount rate. A reasonably possible change in the key assumptions would not create a situation in which the carrying amounts of the cash generating units would exceed their recoverable amounts.

19 Investments in joint ventures

Carrying amount	2014	2013
At 1 January	224	241
Share of profits of joint ventures	7	-9
Translation differences	-10	-7
Share of other comprehensive income of investments accounted for using the equity method	-9	-1
Capital repayments in joint ventures	-18	0
At 31 December	195	224

The impact of the adoption of IFRS 11 has resulted in a reduction of EUR 1 million in the carrying amount. The impact of the joint operations is immaterial.

The Group's interest in its principle joint ventures at 31 December, all of which are unlisted, are listed in the following table:

	Country of incorporation	Nature of the relationship	2014 % interest held	2013 % interest held
Glacia Limited	Bermuda	Note 1	50.00	50.00
Lacus Ltd.	Bermuda	Note 2	0.00	50.00
Nynas AB (publ)	Sweden	Note 3	49.99	49.99
Terra Ltd.	Bermuda	Note 2	0.00	50.00

Note 1: Glacia Limited is a joint venture company owned on a 50/50 basis by Neste Oil and Stena Maritime AG (part of the Stena Group). The company owns an Aframax-size crude tanker, which joined the Neste Oil fleet in January 2007. Neste Oil has entered into a 10-year time charter contract with the joint venture for the vessel of which 2 years remain.

Note 2: Lacus Ltd. and Terra Ltd. were liquidated and companies owned product tankers were sold in 2014.

Note 3: Nynas AB (publ) is a Swedish company that specializes in marketing and producing bitumen in Europe and naphthenics globally. Neste Oil Owns 49.99% of the shares of the company. The remaining 50.01% of the shares of Nynas is owned by a subsidiary of a Venezuelan oil company, Petróleos de Venezuela S.A. Nynas AB (publ) is governed as a 50/50 owned joint venture, although the other party owns the majority of the company's total share capital.

Joint ventures have been consolidated using the equity method.

Summarized financial information in respect of the Group's joint ventures is set out in the following table:

2014	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Profit/loss
Glacia Limited	35	17	17	4	9	4
Nynas AB (publ)	462	914	550	469	1,927	16

2013	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Profit/loss
Glacia Limited	34	12	17	4	8	3
Lacus Ltd.	26	9	17	3	5	1
Nynas AB (publ)	412	666	482	233	2,254	-35
Terra Ltd.	26	11	17	3	6	2

The financial statements of Nynas AB (publ) are not published within the Group's reporting timetable. Nynas AB (publ) 2014 financial information above is based on 30 September 2014 published interim report. The share of profits of other joint ventures for 2014 is consolidated based on the companies' preliminary results for the financial period.

Transactions carried out with joint arrangements are disclosed in Note 32.

Contingent liabilities relating to the Group's interest in the joint arrangements are disclosed in Note 34.

20 Carrying amounts of financial assets and liabilities by measurement categories

Financial assets and liabilities divided by categories were as follows as of December 31:

2014 Balance sheet item	Financial assets/liabilities at fair value through income statement			Available- for-sale financial assets	Financial liabilities measured at amortized cost	Carrying amounts by balance sheet item	Fair value	Note
	Hedge accounting	Non-hedge accounting	Loans and receivables					
Non-current financial assets								
Non-current receivables			50			50		21
Derivative financial instruments	25	0				25	25	25
Available-for-sale financial assets				5		5		21,25
Current financial assets								
Trade and other receivables *			875			875		
Derivative financial instruments	3	141				144	144	25
Cash and cash equivalents			246			246		24
Carrying amount by category	28	141	1,171	5	0	1,345	169	
Non-current financial liabilities								
Interest-bearing liabilities					1,245	1,245	1,305	27
Derivative financial instruments	5	1				5	5	25
Other non-current liabilities					1	1		27
Current financial liabilities								
Interest-bearing liabilities					622	622	626	27
Derivative financial instruments	50	77				128	128	25
Trade and other payables **					1,388	1,388		27
Carrying amount by category	55	78	0	0	3,255	3,389	2,064	

* excluding prepayments

** excluding non-financial liabilities

2013 Balance sheet item	Financial assets/liabilities at fair value through income statement			Available- for-sale financial assets	Financial liabilities measured at amortized cost	Carrying amounts by balance sheet item	Fair value	Note
	Hedge accounting	Non-hedge accounting	Loans and receivables					
Non-current financial assets								
Non-current receivables			3			3		21
Derivative financial instruments	22					22	22	25
Available-for-sale financial assets				4		4		21,25
Current financial assets								
Trade and other receivables *			946			946		
Derivative financial instruments	18	16	0			34	34	25
Cash and cash equivalents			506			506		24
Carrying amount by category	40	16	1,455	4	0	1,515	56	
Non-current financial liabilities								
Interest-bearing liabilities					1,586	1,586	1,643	27
Derivative financial instruments	5	2				7	7	25
Other non-current liabilities					7	7		27
Current financial liabilities								
Interest-bearing liabilities					171	171		27
Derivative financial instruments	8	17				25	25	25
Trade and other payables **					1,877	1,877		27
Carrying amount by category	13	19	0	0	3,641	3,673	1,675	

* excluding prepayments

** excluding non-financial liabilities

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

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

Level 2: inputs other than quoted price included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the assets or liability that is not based on observable market data (unobservable inputs).

2014 Fair value hierarchy

Financial assets	Level 1	Level 2	Level 3	Total
Non-current derivative financial instruments				
Interest rate derivatives	0	25	0	25
Currency derivatives	0	0	0	0
Commodity derivatives	0	0	0	0
Available-for-sale financial assets	0	0	5	5
Non-current financial assets	0	25	5	30
Current derivative financial instruments				
Interest rate derivatives	0	1	0	1
Currency derivatives	0	3	0	3
Commodity derivatives	27	113	0	140
Current financial assets	27	117	0	144
Total financial assets	27	142	5	174

Financial liabilities	Level 1	Level 2	Level 3	Total
Non-current derivative financial instruments				
Interest rate derivatives	0	5	0	5
Currency derivatives	0	0	0	0
Commodity derivatives	0	1	0	1
Non-current financial liabilities	0	6	0	6
Current derivative financial instruments				
Interest rate derivatives	0	0	0	0
Currency derivatives	0	63	0	63
Commodity derivatives	28	37	0	65
Current financial liabilities	28	100	0	128
Total financial liabilities	28	106	0	134

During the financial period 2014 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements. Available for sale financial assets consist of shares in unlisted companies of EUR 5 million (2013: EUR 4 million), for which the fair value cannot be reliably determined. These assets are measured at cost less possible impairment.

2013 Fair value hierarchy

Financial assets	Level 1	Level 2	Level 3	Total
Non-current derivative financial instruments				
Interest rate derivatives	0	22	0	22
Currency derivatives	0	0	0	0
Commodity derivatives	0	0	0	0
Available-for-sale financial assets	0	0	4	4
Non-current financial assets	0	22	4	26
Current derivative financial instruments				
Interest rate derivatives	0	0	0	0
Currency derivatives	0	21	0	21
Commodity derivatives	1	12	0	13
Current financial assets	1	33	0	34
Total financial assets	1	55	4	60

Financial liabilities	Level 1	Level 2	Level 3	Total
Non-current derivative financial instruments				
Interest rate derivatives	0	5	0	5
Currency derivatives	0	0	0	0
Commodity derivatives	0	2	0	2
Non-current financial liabilities	0	7	0	7
Current derivative financial instruments				
Interest rate derivatives	0	0	0	0
Currency derivatives	0	9	0	9
Commodity derivatives	3	13	0	16
Current financial liabilities	3	22	0	25
Total financial liabilities	3	29	0	32

During the financial period 2013 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Fair values of non-current interest-bearing liabilities that are carried at amortised cost, but for which fair value is disclosed, are determined by using the discounted cash flow method employing market interest rates or market values at the balance sheet date. Non-current interest-bearing liabilities are classified into fair value measurement hierarchy level 2.

21 Non-current receivables and available-for-sale financial assets

Non-current receivables	Carrying amount	
	2014	2013
Non-current interest-bearing receivables	1	1
Other non-current receivables	49	2
	50	3

Carrying amounts of loan receivables are measured at amortized cost using the effective interest rate method. Fair values are not materially different from the carrying amounts. The maximum exposure to credit risk at the reporting date is the carrying amount of the loan receivables.

Available-for-sale financial assets	Carrying amount	
	2014	2013
At 1 January	4	4
Additions	0	0
At 31 December	5	4

Available-for-sale financial assets are investments in unlisted companies, and are measured at cost less possible impairment, because their fair value cannot be reliably measured in the absence of an active market.

22 Inventories

	2014	2013
Materials and supplies	381	560
Finished products and goods	666	902
Other inventories	8	6
	1,055	1,468

Cumulative inventory losses due to oil price changes amounted EUR 492 million (2013: EUR 19 million) of which EUR 127 million (2013: EUR 7 million) consisted of inventory write downs recorded at the end of the period.

23 Current trade and other receivables

	Carrying amount	
	2014	2013
Trade receivables	771	877
Other receivables	57	45
Advances paid	6	5
Accrued income and prepaid expenses	53	20
	887	947

The carrying amounts of current receivables are reasonable approximations of their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of the trade and other receivables. Impairment of trade receivables amounted to EUR 2 million (2013: EUR 3 million).

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

Trade receivables were not sold to the third party during 2014. During 2013 trade receivables were sold to the third party, but the volume of the sold trade receivables was not substantial.

24 Cash and cash equivalents

Cash and cash equivalents include the following:

	2014	2013
Cash at bank and in hand	246	457
Short term bank deposits	0	49
Total	246	506

The maximum exposure to credit risk at the reporting date is the carrying amount of the cash and cash equivalents.

25 Derivative financial instruments

Nominal values of interest rate and currency derivative contracts	2014			2013		
	Remaining maturities			Remaining maturities		
	< 1 year	1–5 years	Total	< 1 year	1–6 years	Total
Derivative financial instruments designated as cash flow hedges						
Interest rate swaps ¹⁾	50	0	50	0	50	50
Forward foreign exchange contracts	748	0	748	657	0	657
Currency options						
- Purchased	189	0	189	196	0	196
- Written	188	0	188	192	0	192
	1,175	0	1,175	1,045	50	1,095
Derivative financial instruments designated as fair value hedges						
Interest rate swaps ¹⁾	700	0	700	0	700	700
	700	0	700	0	700	700
Non-hedge accounting derivative financial instruments						
Interest rate swaps ¹⁾	0	0	0	50	0	50
Forward foreign exchange contracts	804	0	804	391	0	391
	804	0	804	441	0	441

¹⁾ Interest rate swaps mature in 5 years.

Forward foreign exchange contracts are gross settled and all due within 12 months. Contractual cash outflows of these are EUR 1,566 million (2013: EUR 1,054 million) and inflows EUR 1,516 million (2013: EUR 1,063 million).

Volumes of commodity derivative contracts	2014			2013		
	Volume million bbl			Volume million bbl		
	Remaining maturities			Remaining maturities		
	< 1 year	1–3 years	Total	< 1 year	1–3 years	Total
Commodity derivative contracts designated as cash flow hedges ²⁾						
Futures and forwards						
- Sales contracts	0	0	0	0	0	0
	0	0	0	0	0	0
Non-hedge accounting commodity derivative contracts excl. electricity and gas derivatives ³⁾						
Futures and forwards						
- Sales contracts	8	0	8	7	0	7
- Purchase contracts	8	0	8	9	0	9
	16	0	16	16	0	16
	Volume GWh			Volume GWh		
	Remaining maturities			Remaining maturities		
	< 1 year	1–3 years	Total	< 1 year	1–3 years	Total
Non-hedge accounting electricity and gas derivative contracts						
Futures and forwards						
- Purchase contracts	1,592	1,099	2,691	957	670	1,627
	1,592	1,099	2,691	957	670	1,627

²⁾ Commodity derivative contracts with hedge accounting status are oil derivatives.

³⁾ Commodity derivative contracts with non-hedge accounting status include oil and vegetable oil derivative contracts. They consist of trading derivative contracts and cash flow hedges without hedge accounting status.

Fair values of derivative financial instruments

	Fair value 2014				Fair value 2013			
	Positive		Negative		Positive		Negative	
Interest rate and currency derivative contracts	< 1 year	1–5 years	< 1 year	1–5 years	< 1 year	1–7 years	< 1 year	1–7 years
Derivative financial instruments designated as cash flow hedges								
Interest rate swaps ¹⁾	0	0	0	5	0	0	0	4
Forward foreign exchange contracts	1	0	42	0	13	0	8	0
Currency options								
- Purchased	0	0	2	0	2	0	0	0
- Written	0	0	7	0	3	0	0	0
	2	0	50	5	18	0	8	4
Derivative financial instruments designated as fair value hedges								
Interest rate swaps ¹⁾	1	25	0	0	0	22	0	1
	1	25	0	0	0	22	0	1
Non-hedge accounting derivative financial instruments								
Interest rate swaps ¹⁾	0	0	0	0	0	0	0	0
Forward foreign exchange contracts	1	0	12	0	3	0	1	0
	1	0	12	0	3	0	1	0

¹⁾ Interest rate swaps mature in 5 years.

	Fair value 2014				Fair value 2013			
	Positive		Negative		Positive		Negative	
Commodity derivative contracts	< 1 year	1–3 years	< 1 year	1–3 years	< 1 year	1–3 years	< 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	138	0	3	0	1	0	9	0
- Purchase contracts	2	0	62	1	12	0	7	2
	140	0	65	1	13	0	16	2

²⁾ Commodity derivative contracts with hedge accounting status are oil derivatives.

³⁾ Commodity derivative contracts with non-hedge accounting status include oil, vegetable oil, electricity and gas derivative contracts. They consist of trading derivative contracts and cash flow hedges without hedge accounting status.

	2014				2013			
	Assets		Liabilities		Assets		Liabilities	
Balance sheet reconciliation	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Derivative financial instruments	144	25	128	5	34	22	25	7

Fair value estimations

Derivative financial instruments are initially recognized and subsequently re-measured at their fair values i.e. at the price which could be used if market participants made an orderly transaction at the measurement date. The fair values are determined using a variety of methods and financial valuation techniques, and assumptions are based on market quotations on the relevant balance sheet date.

The fair values of the interest rate swaps are the present values of the estimated future cash flows. Foreign exchange forward contracts are calculated using the valuation model and the market rates at the balance sheet date. The fair value of currency options are calculated using market rates at the balance sheet date and by using the Black and Scholes option valuation model.

The fair value of exchange traded oil commodity futures and option contracts is determined using the forward exchange market quotations as per 31 December 2014. The fair value of over-the-counter oil derivative contracts is calculated using the net present value of the forward derivative contracts quoted market prices as per 31 December 2014.

26 Equity

Share capital

Neste Oil's share capital registered with the Trade Register as of 31 December 2014 totalled EUR 40,000,000, divided into 256,403,686 shares of equal value. The nominal value of one share is not determined.

	Number of shares, 1,000	Treasury shares, 1,000	Outstanding shares, 1,000
1 January 2013	256,404	0	256,404
31 December 2013	256,404	0	256,404
1 January 2014	256,404	0	256,404
Purchase of treasury shares		-1,000	-1,000
31 December 2014	256,404	-1,000	255,404

Treasury shares

Neste Oil has entered into an agreement with a third party service provider concerning the administration of the share-based management share performance arrangement for key management personnel. As part of the agreement, the service provider purchased a total of 500,000 Neste Oil shares in February 2007 in order to hedge part of Neste Oil's cash flow risk in relation to the possible future payment of the rewards, which will take place partly in Neste Oil shares and partly in cash during 2013, 2014 and 2015. Despite the legal form of the hedging arrangement, it has been accounted for as if the share purchases had been conducted directly by Neste Oil, as required by IFRS 2, Share based payments and IFRS 10 Consolidation. The consolidated balance sheet and the consolidated changes in total equity reflect the substance of the arrangement with a deduction amounting to EUR 12 million in equity. This amount represents the consideration paid for the shares by the third party service provider. As at 31 December 2013 there were 421,474 shares accounted for as treasury shares. In March 2014 Neste Oil decided to assign 202,391 shares held by the third party service provider. At the date of the transfer, the value of the shares was EUR 3 million. In November 2014 Neste Oil terminated an agreement with the third party service provider. The remaining own shares totaling 219,083 were sold and EUR 4 million was returned into equity. This amount represents the value of the shares sold by the third party service provider.

In the Annual General Meeting on 3 April 2014 the Board of Directors was authorized to decide the purchase of and/or take as security a maximum of 2,000,000 company shares using the company's unrestricted equity. As of 31 December 2014 Neste Oil Corporation held a total of 1,000,000 treasury shares, and the acquisition cost of EUR 15 million, including transaction costs, has been deducted from equity.

Other reserves

Reserve fund comprises of restricted reserves other than share capital.

Fair value and other reserves include the effective portion of the change in fair value of derivative financial instruments that are designated as and qualify for cash flow hedges, amounts recognized directly in equity concerning available-for-sale investments, and concerning equity settled share based payments, the amount corresponding to the expense recognized in the income statement.

Translation differences include exchange differences arising from the translation of the net investment in foreign entities on consolidation, change in the fair value of currency instruments designated as hedges of the net investment, and exchange differences resulting from the translation of income statement of foreign entities at the average exchange rates and balance sheet at the closing rates.

27 Non-current and current liabilities

Non-current liabilities	Carrying amount	
	2014	2013
Bonds	1,021	1,315
Loans from financial institutions	103	124
Finance lease liabilities	85	144
Other loans	37	3
Other non-current liabilities	0	3
Accruals and deferred income	1	4
Non-current liabilities total	1,246	1,593
of which interest-bearing	1,245	1,586

The carrying amounts of non-current liabilities are measured at amortized cost using the effective interest rate method and the fair values are determined by using the discounted cash flow method employing market interest rates or market values at the balance sheet date. The fair value of the bonds was EUR 1,081 million (2013: EUR 1,372 million). The fair values of other non-current liabilities are not materially different from their carrying amounts.

Current liabilities	Carrying amount	
	2014	2013
Bonds	301	0
Loans from financial institutions	218	164
Finance lease liabilities	55	7
Advances received	12	12
Trade payables	914	1,435
Other current liabilities	403	314
Current tax liabilities	4	49
Accruals and deferred expenses	106	116
Current liabilities total	2,013	2,097
of which interest-bearing	622	171

The carrying amounts of current interest-free liabilities are reasonable approximations of their fair value. The carrying amounts of current interest-bearing liabilities are measured at amortized cost using the effective interest rate method.

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

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

	2014			2013		
	Minimum lease payments	Future finance charges	Present value of minimum lease payments	Minimum lease payments	Future finance charges	Present value of minimum lease payments
Amounts payable under finance lease:						
Within one year	68	14	54	19	12	7
Between one and five years	67	53	14	108	46	62
More than 5 years	164	93	71	182	101	81
Total amounts payable	299	160	139	309	159	150

Finance lease liabilities arise from bareboat agreements on crude oil tankers Tempera and Mastera delivered in 2002 and 2003 that are classified as finance lease agreements under IAS 17. The lease term for Tempera has been agreed on the amendment made in 2014 to 13 years ending on 15th October, 2015. The lease term for Mastera is also 13 years as agreed on the amendment made on year 2012, and in addition the lessee having a call option to purchase the leased asset in the 12th and 13th year of the lease period.

In addition, finance lease liabilities arise from two finance lease agreements for the Singapore production plant. The agreements of Singapore plant are made with two local companies that provide utilities and jetty- and storage services that are used by the production facility. The major assets under these agreements are a jetty used for loading and discharging of vessels, a pipeline for off-gas produced as a side product in the production process, and product tanks used for storing of the end product. The leasing contracts are 30 and 15 years long.

28 Deferred income taxes

The movement in deferred tax assets and liabilities during 2014:

	at 1 Jan 2014	Charged to Income Statement	Charged in Equity	Exchange rate differences and other changes	Assets held for sale	at 31 Dec 2014
Deferred tax assets						
Tax loss carried forward	4	10	0	0	0	14
Provisions	2	2	0	0	0	4
Pensions	19	-1	14	0	0	31
Other temporary differences	4	2	0	0	0	6
Total deferred tax assets	29	12	14	0	0	55
Deferred tax liabilities						
Depreciation difference and untaxed reserves	248	7	0	0	-6	250
Finance leases	4	-2	0	0	0	2
Capitalized interest	13	-1	0	0	0	12
Other temporary differences	1	11	-11	0	0	1
Total deferred tax liabilities	266	16	-11	0	-6	265

The movement in deferred tax assets and liabilities during 2013:

	at 1 Jan 2013	Charged to Income Statement	Charged in Equity	Exchange rate differences and other changes	Assets held for sale	at 31 Dec 2013
Deferred tax assets						
Tax loss carried forward	9	-5	0	0	0	4
Provisions	2	0	0	0	0	2
Pensions	25	-4	-2	0	0	19
Other temporary differences	10	-6	0	0	0	4
Total deferred tax assets	46	-15	-2	0	0	29
Deferred tax liabilities						
Depreciation difference and untaxed reserves	307	-59	0	0	0	248
Finance leases	5	-1	0	0	0	4
Capitalized interest	17	-4	0	0	0	13
Other temporary differences	11	-8	-2	0	0	1
Total deferred tax liabilities	340	-72	-2	0	0	266

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred tax assets and liabilities in the same jurisdictions amounting to EUR 1 million (2013: EUR 2 million) have been netted in the balance sheet.

In 2014, a deferred tax asset of EUR 12 million was recognized on the parent company's taxable loss and a deferred tax asset totaling EUR 2.3 million was recognized on subsidiaries taxable losses. Loss carry forwards can be utilized against future taxable profits in the next 10 years in Finland. Deferred tax asset of EUR 4.3 million was utilized in 2014.

Deferred tax assets	2014	2013
Deferred tax liability to be recovered after more than 12 months	48	22
Deferred tax asset to be recovered within 12 months	7	7
	55	29
Deferred tax liabilities	2014	2013
Deferred tax liability to be recovered after more than 12 months	263	266
Deferred tax liability to be recovered within 12 months	2	0
	265	266

Deferred tax assets are recognized for tax loss carry forwards to the extent that realization of the related tax benefit through the future taxable profits is probable. The deferred tax liability on undistributed earnings of subsidiaries has been recognized except where distribution of the earnings is controlled by the Group, and is not probable within foreseeable future.

29 Provisions

	Environmental provisions	Restructuring provisions	Provision to return emission allowances	Other provisions	Total
At 1 January 2014	33	4	0	0	37
Charged to income statement					
Additional provisions	1	8	2	1	12
Amounts used during the period	-2	-3	0	0	-5
Changes in estimates in ARO provisions included in assets	-22	0	0	0	-22
At 31 December 2014	10	9	2	1	21

	Environmental provisions	Restructuring provisions	Provision to return emission allowances	Other provisions	Total
At 1 January 2013	27	0	0	0	28
Charged to income statement					
Additional provisions	6	4	0	0	11
Amounts used during the period	-1	-1	0	0	-2
At 31 December 2013	33	4	0	0	37

	2014	2013
Current provisions	1	15
Non-current provisions	20	22
	21	37

The nature of certain of Group's businesses exposes the Group to risks of environmental costs and potential contingent liabilities. The risks arising from the manufacture, use, storage, disposal and maritime and inland transport as well as sale of materials that may be considered to be contaminants when released into environment. Liability may arise also through the acquisition, ownership or operation of properties or businesses.

Environmental provisions consists mostly from Group's asset retirement obligations (ARO). The Group recognizes a provision for the decommissioning costs of an oil installation to the extent that Group is obliged to rectify damage already caused. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date or transfer to a third party. The provisions are to be discounted, where the effect of the time value of money is material.

Based on IAS 37, in addition to the provisions recognized, there are some off-balance-sheet contingent liabilities for which the future potential outcome (timing, costs) cannot be estimated reliably.

The exchange rate difference relating to the Group's provisions is immaterial.

30. Employee benefit obligations

The Group has several pension arrangements in different countries. Pension cover is based on the legislation and agreement in force in each country. Finnish statutory pensions are accounted for as a defined contribution plan in the consolidated financial statements.

The Group has defined benefit pension plans in Finland, Belgium and Switzerland. The largest plans are in Finland, which account for 96% (2013: 98%) of the Group's total defined benefit pension obligation and 94% of the Group's total plan assets. The voluntary pension plan in Finland accounting for most of this has been closed since 1 January 1994. The insured supplementary pension scheme consists of defined benefit group pension insurances, which are very similar in structure, with the exception of retirement age and pension accrual rules.

Other long-term employee benefits are long-service remunerations, which is accounted for as an unfunded defined benefit plan in accordance to IAS 19.

Characteristics of the post-employment defined benefit plans in Finland

In Finland the Group has voluntary pension plan for certain group of employees to fulfill an aggregated benefit after retirement. The voluntary pension plan is managed in insurance company.

The voluntary plan's benefit is based on the aggregated benefits determined by the insurance contract. The voluntary benefit is the difference between aggregated benefits and compulsory benefits. The aggregated benefits are at most 60% or 66% of the supplementary pension salary depending on the plan. The supplementary pension salary is calculated based on last 10 years' salaries prior to the pension event adjusted by the index level. The benefits in the plans are old age and disability pensions, survivors' pensions for widows and children, and funeral grants. Old-age pension ages are 60, 62 and 65 years. In some pension schemes, pension cover also includes the right to early old-age pension retirement ages.

The insurance company collects premiums on yearly basis from the employer. The future premiums are adjusted so that the old-age pension will be fully funded until retirement. The disability and survivor's pension are also financed by risk premiums collected during the employment period. The premiums with fixed discount rate 2.5% are based on the last known salary without any assumptions on future salary increases. The insurance company guarantees to the assets in the plan the same interest yield they have used in calculating the premiums.

The employer finances the index-linkage by paying an additional premium covering the index increase in the year. Discretionary bonuses from the insurance company will lower the index premium. The insurance company decides annually the amount of the bonus.

The Group has insured benefits index increases each year as the benefits have been increased. If the insurance company's granted bonus index does not covers annual index increase, the insurance company collects a premium from the employer to cover the increase. The insurance company's bonus index varies on yearly basis.

Risks associated with defined benefit plans

Through its defined benefit pension plans the Group is exposed to a number of risks. The employer's defined benefit obligations pension liability depends on the discount rate which is determined to yield of corporate bonds as at the reporting date. Decrease (increase) in used discount rate increase (decrease) the defined benefits obligations. However, decrease (increase) in used discount rate yield also increases (decrease) the fair value of the assets partially offsetting the total impact of change in yield on the net defined benefit pension liability.

The benefit of the plans is tied to the future benefit increase, which depends on inflation and common salary index. Higher inflation increases the benefit increase, which leads to an increase in liabilities and annual payments to the insurance company.

If the active employee's salary increases more than the common salary index, the amount of promised benefit and the benefit obligation increases together with annual payments to life insurance company.

The longevity risk is borne by the insurance company in case the actual mortality differs from the assumed. Possible adjustments in mortality assumption have an effect to employer's liability according to IFRS. The insurance company bears completely the mortality risk on accrued benefits. The employers have mortality risk only if the insurance company will raise its future benefit accruals premiums because of mortality adjustment.

Defined benefit plans

Cost of defined benefit plans	2014	2013
Service cost	5	7
Net interest (+expense/–income)	3	2
Remeasurements related to other long-term remulations	1	0
Defined benefit cost recognized in the consolidated statement of income	9	9

Remeasurements of defined benefit plans	2014	2013
Actuarial gains/losses:		
Changes in demographic assumptions	0	0
Changes in financial assumptions	-116	46
Return on plan assets, excluding amounts included in net interest expense	45	-42
Experience adjustments	2	-3
Total remeasurements recognized in other comprehensive income	-69	1

Amounts recognized in the consolidated statement of financial position	2014	2013
Present value of funded defined benefit obligations	513	396
Present value of unfunded defined benefit obligations	8	8
Fair value of plan assets	-366	-311
Net defined benefit liability	155	93

Changes in fair value of plan assets	2014	2013
January 1	311	345
Interest income	11	9
Return on plan assets (excluding amounts included in net interest expense)	44	-42
Employer contributions	16	15
Benefits paid	-17	-16
December 31	366	311

The assets are the responsibility of the insurance company and a part of the insurance company's investment assets. The distribution in categories is not possible to provide.

Changes in the present value of the defined benefit obligation

	2014		2013	
	Funded	Unfunded	Funded	Unfunded
January 1	396	8	435	9
Current service cost	7	1	7	0
Curtailments	-1	0	0	0
Interest cost	14	0	12	0
Actuarial gains (-) / losses (+)	114	1	-42	-1
Settlements	-1	-1	0	0
Benefits paid	-16	-1	-16	0
December 31	513	8	396	8

The expected contributions to be paid to the defined benefit plans in 2015 are EUR 16 million.

Significant actuarial assumptions	2014	2013
Discount rate, %		
Finland	1.65%	3.5%
Other countries	1.60%	2.3–3.25%
Future salary increase, %		
Finland	3.5%	3.5%
Other countries	1.5–2.0%	1.5–2.0%
Insurance company's bonus index, %		
Finland	0.0%	0.5%
Other countries	0.0%	
Future benefit increase, %		
Finland	2.1%	2.1%
Other countries	0.0%	1.0%

Sensitivity analysis of significant actuarial assumptions

Reasonably possible changes at the reporting date to one of the weighted principal assumptions, while holding all other assumptions constant, would have affected the defined benefit obligation as shown below:

Assumptions	Change in assumption		Impact on the defined benefit pension obligation	
			2014	2013
Discount rate				
	0.25% increase	EUR million	-18	-16
	0.25% decrease	EUR million	19	17
Future salary increase				
	0.25% increase	EUR million	5	4
	0.25% decrease	EUR million	-5	-4
Future benefit increase				
	0.25% increase	EUR million	16	10
	0.25% decrease	EUR million	-15	-10

—0.25% increase/decrease in the discount rate would lead to a decrease/increase of 3.7%/3.9% in the defined benefit obligation.

—0.25% increase/decrease in the rate of salary increase would lead to a increase/decrease of 1.1%/1.0% in the defined benefit obligation.

—0.25% increase/decrease in the rate of pension index would lead to a increase/decrease of 3.2%/3.0% in the defined benefit obligation.

The above sensitivity analysis may not be representative of the actual impact of change. If more than one assumption is changed simultaneously, the combined impact of changes would not necessarily be the same as the sum of the individual change. If the assumptions change to a different level compared to that presented above, the effect on the defined benefit obligation may not be linear.

Maturity profile of the undiscounted defined benefit obligation

	2014
Within the next 12 months (next annual reporting period)	25
Between 1 and 5 years	106
Between 5 and 10 years	133
Beyond 10 years	417
Total expected payments	681

The average duration of the defined benefit pension obligation at the end of the reporting period is 16 years.

31 Share-based payments

Share-based incentive plan as of 1 January 2010

The Board of Directors decided in December 2009 to establish a new share-based incentive plan for the Group's key personnel. The aim of the plan was to align the objectives of the owners and key personnel of Neste Oil: e.g. increasing the value of the Company and committing key personnel to the Company by offering them a competitive reward plan based on holding Company shares. The plan has included three three-year earning periods beginning of 2010, 2011 and 2012.

The Board of Directors has decided the earnings criteria and targets to be met as well as the maximum level of the payable reward for each earning period. The earning criteria for the plans have been the same, the sales volume at Renewable Products and total shareholder return on Company share in relation to the Dow Jones Nordic Return Index. Incentives from first earning period were paid in 2013 and from second earning period in 2014 made by partly in Company shares. Payments from the last earning period will be made in March 2015. The maximum level of payable reward may not exceed the annual gross salary of the year in question during any earning year. The portion to be paid in cash will cover taxes and tax-related costs arising from the reward. The plan prohibits the transfer of shares within three years from the end of the earning period, i.e. the length of the plan is six years for each share allocation. Even after this, key personnel must hold 50% of the shares received on the basis of the plan as long as the value of the shares held in total corresponds to their annual gross salary. This obligation to own shares is valid as long as the employment or service in the Group continues.

The maximum amount of reward for key personnel for Plan 2012–2014 equals the value of 1,098,000 Neste Oil shares, of which 952,000 shares were allocated as at 31 December 2014. The maximum reward for the members of the Corporate Executive Board equaled the value of 340,000 shares, of which the maximum reward for the President & CEO equaled the value of 100,000 shares. Based on Neste Oil's share price at 31 Dec 2014 the estimated reward would equal the value of approximately 350,000 shares.

Earnings period of share-based incentive plan 2011–2013 ended 31 December 2013. Part of the earning criteria was met resulting in the delivery of shares to the participants in March 2014. A gross reward of 411,655 shares equaling to EUR 6.4 million was delivered to the participants. The net amount of shares delivered totaled 202,391 shares and the rest of the reward was paid in cash to cover taxes and any tax related costs. The fair value of the share as at delivery date was 15.4355 euros. The members of Company's Executive Board (in March 2014) received a gross reward equaling to 156,218 shares.

Earnings period of share-based incentive plan 2010–2012 ended 31 December 2012. Part of the earning criteria was met resulting in the delivery of shares to the participants in March 2013. A gross reward of 128,340 shares equaling to EUR 1.4 million was delivered to the participants. The net amount of shares delivered totaled 63,526 shares and the rest of the reward was paid in cash to cover taxes and any tax related costs. The fair value of the share as at delivery date was 10.9977 euros. The members of Company's Executive Board received a gross reward equaling to 67,580 shares.

Share-based incentive plan as of 1 January 2013

Neste Oil's Board of Directors decided on 13 December 2012 to establish a new long-term share-based incentive plan for the Group's senior management and nominated key personnel. The aim of the plan is to align the objectives of the company's owners and key personnel to increase the company's value and to commit key personnel to the company through an incentive system based on ownership of Neste Oil shares. The Board is responsible for annually selecting the members of Neste Oil's senior management entitled to participate in this long-term incentive plan.

The plan includes three individual share plans, each with a three-year earning period. The first share plans started in 2013, the second share plans started in 2014 and the third will start in 2015. The Board of Directors will decide on the earning criteria and targets to be applied, as well as the maximum level of incentive payable for each earning period, either annually or for the entire earning period. The earning criteria for the earning period 2013–2015 are the Group's comparable free cash flow and the comparable operating profit of Renewable Products. The earning criteria for the earning period 2014–2016 is the Group's cumulative comparable free cash flow (75%) and total return by Group's share related to a peer group of 10 oil industry peers (25%). Any possible payments will be made partly in Company shares and partly in cash in 2016, 2017, and 2018. The proportion to be paid in cash will cover taxes and other tax-related costs. The target long-term incentive for the President & CEO and the other members of the Neste Executive Board (NEB) will be 40% of individuals' annual fixed salary on average. The maximum long-term incentive for the President & CEO will be 100% of his annual fixed salary and 80% for the other members of the NEB. The combined amount of incentives paid based on target-level earnings under the long-term incentive program that has now been decided on, together with the incentive paid on the annual short-term program, may not exceed 60% of participants' annual fixed salary in any given year. In addition, the combined amount of incentives to be paid based on maximum-level earnings under the short-term program and this new long-term incentive program may not exceed 120% of participants' annual fixed salary in any given year.

Participants shall not be entitled to sell or transfer the shares they receive as incentives during a restriction period following the end of the earning period. The length of this period will be three years in respect of the President and CEO and the other members of the Neste Executive Board, and one year in respect of other participants.

The following tables summarize the terms and the assumptions used in accounting for the performance share plan:

Grant dates and prices	Plan 2014–2016	Plan 2013–2015	Plan 2012–2014	Plan 2011–2013	Plan 2010–2012
Grant dates	1 Feb 2014	10 Feb 2013	2 Jan 2012	3 Jan 2011	4 Jan 2010
Grant prices, euros			6.70	10.81	11.50
Share price as at grant date, euros			8.10	12.21	12.70

Term of the plan	Plan 2014–2016	Plan 2013–2015	Plan 2012–2014	Plan 2011–2013	Plan 2010–2012
Beginning of earnings period	1 Jan 2014	1 Jan 2013	1 Jan 2012	1 Jan 2011	1 Jan 2010
End of earnings period	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
End of restriction period	31 Mar 2018/ 31 Mar 2020	31 Mar 2017/ 31 Mar 2019	1 Jan 2018	1 Jan 2017	1 Jan 2016

Assumptions used in calculating the value of the reward	Plan 2014–2016	Plan 2013–2015	Plan 2012–2014	Plan 2011–2013	Plan 2010–2012
Amount of granted shares at the beginning of the period, maximum reward			990,000	712,000	128,340
Amount of shares granted during the period, maximum reward			10,000	0	0
Expired during the period			0	-295,823	0
Amount of granted shares at the end of the period, maximum reward			1,000,000	416,177	128,340
Number of persons at the end of the reporting year	91	91	66	0	0
Share price at the end of the reporting period, euros	20.06	20.06	20.06	20.06	20.06
Estimated rate of realization of the earnings criteria, %	36%	90%	100%	65%	20%
Estimated termination rate before the end of the restriction period, %	10%	10%	5%	0%	0%

The grant price, i.e. fair value at grant date, has been determined as follows: grant price equals the share price as at grant date deducted by expected dividends payable during the three year earning period.

The expense included in the income statement is specified in the following table:

	2014	2013
Expense arising from equity-settled share-based payment transactions	2	2
Expense arising from cash-settled share-based payment transactions	5	6
Total expense arising from share-based payment transactions	7	8

The liability recognized in the balance sheet related to share based payments amounted to EUR 7 million (2013: EUR 8 million). The expense to be recognized during the financial periods 2014–2019 is estimated as 31 December 2014 to amount to EUR 27 million. The actual amount may differ from this estimate.

32 Related party transactions

The Group is controlled by the State of Finland, which owns 50.1% of the Company's shares. The remaining 49.9% of shares are widely held.

The group has a related party relationship with its subsidiaries, joint arrangements (Note 33) and the entities controlled by Neste Oil's controlling shareholder the State of Finland. Related party includes also the the members of the Board of Directors, the President and CEO and other members of the Neste Executive Board (key management persons), close members of the families of the mentioned key management persons and entities controlled or jointly controlled by the mentioned key management persons or close members of those persons' families.

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

Transactions carried out with related parties

2014	Sales of goods and services	Purchases of goods and services	Receivables	Financial income and expense	Liabilities
Joint arrangements	150	99	5	0	8
	150	99	5	0	8

2013	Sales of goods and services	Purchases of goods and services	Receivables	Financial income and expense	Liabilities
Joint arrangements	146	109	58	0	61
	146	109	58	0	61

There were no material transactions with key management persons or entities controlled by them.

The major part of business between Neste Oil and its joint venture, Nynas, comprises sales of bitumen production from the Naantali refinery to Nynas based on a long term agreement. Process oils were sold from the Porvoo refinery to Nynas.

Board of Directors and key management compensation

EUR thousand	2014	2013
Salaries and other short-term employee benefits	3,840	3,380
Statutory pensions	222	175
Supplementary pensions	1,239	1,049
Share-based payments	2,430	749
Total (Including statutory pensions)	7,731	5,353

Key management consists of President and CEO and other members of the Neste Executive Board. There were no outstanding loan receivables from key management on 31 December 2014 or 31 December 2013.

The amounts of share participations granted to the President and CEO and other members of the Neste Executive Board based on Management Performance Share Arrangements have been disclosed in Note 31, Share based payments.

Compensation to President and CEO and members of the Neste Executive Board

EUR thousand	President and CEO		Members of the Neste Executive Board	
	2014	2013	2014	2013
Annual remuneration				
Base salary	667	675	1,741	1,691
Taxable benefits	26	26	119	119
Annual incentive (STI plan)	229	144	648	324
Total annual remuneration	921	844	2,509	2,135
Vested long term remuneration				
Pension (insurance contributions)	619	525	620	524
2011–2013 Plan	804	249	1,626	499
Total remuneration	2,344	1,618	4,754	3,158

Compensation to the Board of Directors

EUR thousand	2014	2013
Board of Directors at 31 December 2014		
Jorma Eloranta	79	76
Maija-Liisa Friman	62	59
Per-Arne Blomquist	58	44
Laura Raitio	47	47
Jean-Baptiste Renard, as of 3 April 2014	46	0
Willem Schoeber	59	43
Kirsi Sormunen	47	36
Former Board members		
Michiel Boersma until 3 April 2014	12	58
Nina Linander	0	14
Hannu Ryöppönen	0	14
Markku Tapio	0	11
Board of Directors, all members total	410	402

Compensation to the Board of Directors include annual remuneration and meeting fee paid to each member of the Board for each meeting attended as well as for any meetings of the Board committees attended. Board members are not covered by the Company's remuneration systems and do not receive any performance- or share-related payments.

Should the Company decide to give notice of termination, the President & CEO shall be entitled to his salary during the six-month period of notice, together with a severance payment equivalent to 18 months' salary.

The retirement age of the President & CEO is 60 years, and his pension is based on a defined benefit plan. The pension paid is 60% of his or her retirement salary, equivalent to a monthly salary calculated on the basis of statutory pension insurance contributions made over the previous 10 years. The pension is insured by an insurance company, and insurance contributions paid during 2014 totaled EUR 619 thousand (2013: EUR 525 thousand). Net liability of defined benefit plan on 31 December 2014 was EUR 796 thousand (2013: EUR 192 thousand). Statutory pension insurance contributions in 2014 were EUR 65 thousand (2013: EUR 55 thousand).

Net liability of defined benefit plans of former Presidents and CEOs on 31 December 2014 were EUR 1,955 thousand (2013: EUR 1,555 thousand).

33 Group companies on 31 December 2014

Subsidiaries	Group holding %	Country of incorporation
Kiinteistö Oy Espoon Keilaranta 21	100.00%	Finland
Kilpilahden Sähkönsiirto Oy	100.00%	Finland
LLC Neste Saint-Petersburg	100.00%	Russia
Navidom Oy	50.00%	Finland
Neste Canada Inc.	100.00%	Canada
Neste Eesti AS	100.00%	Estonia
Neste Jacobs Aktiebolag	100.00%	Sweden
Neste Jacobs Oy	60.00%	Finland
Neste Markkinointi Oy	100.00%	Finland
Neste Oil AB	100.00%	Sweden
Neste Oil Bahrain W.L.L.	100.00%	Bahrain
Neste Oil Components Finance B.V.	100.00%	The Netherlands
Neste Oil Finance B.V.	100.00%	The Netherlands
Neste Oil Insurance Limited	100.00%	Guernsey
Neste Oil Netherlands B.V.	100.00%	The Netherlands
Neste Oil N.V.	100.00%	Belgium
Neste Oil Singapore Pte. Ltd.	100.00%	Singapore
Neste Oil (Suisse) S.A.	100.00%	Switzerland
Neste Oil US, Inc.	100.00%	USA
Neste Renewable Fuels Oy	100.00%	Finland
Neste Shipping Oy	100.00%	Finland
Neste USA, L.L.C.	100.00%	USA
SIA Neste Latvija	100.00%	Latvia
UAB Neste Lietuva	100.00%	Lithuania
US Active Oy	100.00%	Finland

Associated companies	Group holding %	Country of incorporation
Neste Arabia Co. Ltd.	48.00%	Saudi Arabia

Joint arrangements	Group holding %	Country of incorporation
A/B Svartså Vattenverk - Mustijoen Vesilaitos O/Y	40.00%	Finland
Bahrain Lube Base Oil Company B.S.C. (Closed)	45.00%	Bahrain
Glacia Limited	50.00%	Bermuda
Nemarc Shipping Oy	50.00%	Finland
NSE Biofuels Oy Ltd	50.00%	Finland
Nynas AB (publ)	49.99%	Sweden
Oy Innogas Ab	50.00%	Finland
Porvoon Alueverkko Oy	33.33%	Finland
Tahkoluodon Polttoöljy Oy	31.50%	Finland
Tapaninkylän Liikekeskus Oy	40.03%	Finland
Vaskiluodon Kalliovarasto Oy	50.00%	Finland

Specification of financial information on subsidiaries with material non-controlling interests

	Neste Jacobs Oy		Navidom Oy	
	2014	2013	2014	2013
Proportion of shares held by non-controlling interests	40.00%	40.00%	50.00%	0.00%
Current assets	62	52	0	0
Non-current assets	4	1	0	0
Current liabilities	28	21	0	0
Non-current liabilities	0	0	0	0
Revenue	123	90	1	0
Expenses	114	84	1	0
Profit for the period	8	5	0	0
Dividends paid to non-controlling interests	0	1	0	0
Cash flows from operating activities	9	4	0	0
Cash flows from investing activities	-7	-3	0	0
Cash flows from financing activities	-1	-2	0	0

Structured entities

In 2014, Neste Oil has treated the sold vessels' sale-and-leaseback agreements made with Ilmarinen Mutual Pension Insurance Company and Finland's National Emergency Supply Agency as structured entities. As a part of these arrangements, Neste Oil guarantees the vessels' residual value and certain return on the investors' investments.

34 Contingencies and commitments

	2014	2013
Contingent liabilities	Value of collateral	Value of collateral
On own behalf for commitments		
Real estate mortgages	17	17
Pledged assets	0	0
Other contingent liabilities	107	16
Total	125	33
On behalf of joint arrangements		
Guarantees	1	1
Total	1	1
On behalf of others		
Guarantees	1	2
Other contingent liabilities	2	3
Total	3	5
	129	39

	2014	2013
Operating lease liabilities		
Due within one year	53	58
Due between one and five years	48	82
Due later than five years	64	66
	164	206

Operating leases

Lease rental expenses amounting to EUR 21 million (2013: EUR 22 million) relating to the lease (under operating leases) of property, plant and equipment are included in the income statement in other expenses.

	2014	2013
Commitments		
Commitments for purchase of property, plant and equipment	51	36
	51	36

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

The Group's take-or-pay contracts relate to hydrogen supply agreements. Agreements include volume based hydrogen purchase obligation. The total fixed fees payable under the agreements during 2011–2026 as at 31 December 2014 are presented in the table below.

	2014	2013
Fixed fees payable under take-or-pay contracts		
Payable	16	15
Payable after the financial period	175	188
Total payable	192	203

Other contingent liabilities

Neste Oil Corporation has a collective contingent liability with Fortum Heat and Gas Oy related to liabilities of the demerged Fortum Oil and Gas Oy based on Chapter 17 Paragraph 16.6 of the Finnish Companies Act.

35 Disputes and potential litigations

Finnish Customs has levied a penalty payment totaling approximately EUR 44 million on Neste Oil because they see that Finnish biofuel mandate requirements were not met in 2009 and 2010. Biofuel mandate legislation requires that companies distributing liquid fuels must provide the appropriate energy content specified for biofuels in the fuel that they supply for use by customers. The legislation in question is intended to increase the use of biofuels and thereby reduce emissions. Neste Oil has supplied the amount of biofuels required by legislation in 2009 and 2010. Neste Oil disputes Finnish Customs' interpretation and believes that it complied with the requirements according to the legislation in force at the time. The disagreement between Neste Oil and Finnish Customs covers how the legislation on biofuel mandate should be interpreted. Neste Oil has appealed the Finnish Customs' decision and considers the penalty payment unjustified. The penalty payment was paid in January 2014, when it impacted the company's cash flow. The payment is presented in long term receivable in the consolidated statement of financial position as of December 2014.

In March 2014, Neste Oil received a U.S. customs ruling regarding the classification under the Harmonized Tariff Schedule for the code and corresponding duty rate for a certain product Neste Oil imported into a foreign country, including prior entries from the years 2009-2014. This classification was different than the one utilized by Neste Oil and has a higher duty rate, which could have an effect on some of the import entries dependent upon any Free Trade Agreement between the countries. Neste Oil disputes the classification ruling and believes the classification originally utilized was appropriate considering the product's chemical composition and the applicable explanatory notes to the Harmonized Tariff Schedule. Neste Oil has filed an appeal against such classification ruling seeking to align it with those of other global jurisdictions. If the classification ruling is ultimately upheld, Neste Oil could be required to pay additional duties with an estimated impact of EUR 9 million which has not been reported as a provision in the consolidated financial statements as of 31 December 2014.

In addition some Group companies are involved in legal proceedings or disputes incidental to their business. In management's opinion, the outcome of these cases is difficult to predict but not likely to have material effect on Group's financial position.

36 Events after the balance sheet date

Neste Oil sold all shares of Kilpilahden Sähkönsiirto Oy to InfraVia European Fund II, an infrastructure fund managed by InfraVia. The transaction was completed 2 January 2015. The sale produced a capital gain of approximately EUR 80 million for Neste Oil in the first quarter 2015. In connection with the transaction, the parties agreed that Neste Oil will supply the operating and maintenance services needed in electricity distribution and offered to Kilpilahden Sähkönsiirto Oy for two years.

Parent Company Income Statement

MEUR	Note	1 Jan – 31 Dec 2014	Restated* 1 Jan – 31 Dec 2013
Revenue	2	10,255	11,593
Change in product inventories		-201	-20
Other operating income	3	48	21
Materials and services	4	-9,739	-10,823
Personnel expenses	5	-205	-198
Depreciation, amortization and write-downs	6	-146	-140
Other operating expenses	7	-222	-224
Operating profit/loss		-208	209
Financial income and expenses	8	59	17
Profit/loss before extraordinary items		-149	226
Extraordinary items	9	204	161
Profit before appropriations and taxes		55	387
Appropriations	10	-4	-10
Income tax expense	11	14	-73
Profit for the year		64	304

*Upon the preparation of annual accounts 2014, some presentation changes were made retrospectively in 2013: the product swaps previously included in Revenue are now netted with the corresponding expenses in Materials and services and additionally some sales related other expenses (e.g. freights), previously included in 'Other operating expenses', are presented now in 'Materials and services' in 2013 and 2014.

Parent Company Balance Sheet

MEUR	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Fixed assets and other long-term investments	12,13		
Intangible assets		43	43
Tangible assets		1,628	1,639
Other long-term investments		2,497	2,547
		4,169	4,229
Current assets			
Inventories	14	486	843
Long-term receivables	15	36	88
Short-term receivables	16	838	817
Cash and cash equivalents		8	358
		1,368	2,106
Total assets		5,536	6,335
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	17		
Share capital		40	40
Other funds		-15	0
Retained earnings		1,073	938
Profit for the year		64	304
		1,163	1,282
Accumulated appropriations	18	903	928
Provisions for liabilities and charges	19	12	2
Liabilities	20		
Long-term liabilities		1,886	2,332
Short-term liabilities		1,572	1,791
		3,458	4,123
Total equity and liabilities		5,536	6,335

Parent Company Cash Flow Statement

MEUR	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Cash flows from operating activities		
Profit before extraordinary items	-149	226
Depreciation, amortization and write-downs	146	140
Other non-cash income and expenses	22	6
Financial income and expenses	-59	-17
Divesting activities, net	0	-1
Operating cash flow before change in working capital	-41	354
Change in working capital		
Decrease (+)/increase (–) in interest-free receivables	46	238
Decrease (+)/increase (–) in inventories	357	-20
Decrease (–)/increase (+) in interest-free liabilities	-425	-98
Change in working capital	-22	120
Cash generated from operations	-63	474
Interest and other financial expenses paid, net	-55	-68
Dividends received	125	89
Income taxes paid	-40	-63
Realized foreign exchange gains and losses	14	-15
Net cash from operating activities	-18	417
Cash flows from investing activities		
Capital expenditure	-205	-152
Proceeds from sale of fixed assets	3	1
Investments in shares in subsidiaries	-31	0
Investments in shares in other shares	0	0
Proceeds from shares in subsidiaries	150	50
Change in other investments, increase (–)/decrease (+)	33	207
Net cash used in investing activities	-50	106
Cash flow before financing activities	-68	523
Cash flows from financing activities		
Purchase of treasury shares	-15	0
Proceeds from long-term liabilities	145	410
Payments of long-term liabilities	-404	-465
Change in short-term liabilities	-2	-243
Dividends paid	-167	-97
Group contributions, net	161	-130
Cash flow from financing activities	-283	-525
Net increase (+)/decrease (–) in cash and cash equivalents	-351	-3
Cash and cash equivalents at the beginning of the period	358	361
Cash and cash equivalents at the end of the period	8	358
Net increase (+)/decrease (–) in cash and cash equivalents	-351	-3

Notes to the Parent Company Financial Statements

1 Accounting policies

The financial statements of Neste Oil Corporation (Parent company) are prepared in accordance with Finnish GAAP. The financial statements are presented in millions of euros unless otherwise stated.

Revenue

Revenue include sales revenues from actual operations less discounts, indirect taxes such as value added tax and excise tax payable by the manufacturer and statutory stockpiling fees. Trading sales include the value of physical deliveries and the net result of derivative financial instruments.

Other operating income

Other operating income includes gains on the sales of fixed assets and contributions received as well as all other operating income not related to the sales of products or services, such as rents.

Foreign currency items

Transactions denominated in foreign currencies have been valued using the exchange rate at the date of the transaction. Receivables and liabilities denominated in foreign currencies outstanding on the balance sheet date have been valued using the exchange rate quoted on the balance sheet date. Exchange rate differences have been entered in the income statement. Net exchange rate differences relating to financing have been entered in financial income or expenses.

Derivative financial instruments

Neste Oil uses derivative financial instruments mainly to hedge oil price, foreign exchange and interest rate exposures.

Oil commodity derivative contracts hedging future cash flow are booked once the underlying exposure occurs. Unrealized losses on derivatives held for trading purposes are booked immediately, but gains are booked only at maturity or when the open exposure is closed with a similar instrument.

There are two different types of foreign exchange derivative contracts: hedges for future cash flow and hedges of balance sheet items. Gains or losses on derivative financial instrument that hedge future cash flows are recognized once the underlying income or expense occurs. Derivative financial instruments used to hedge balance sheet items e.g. bank accounts, loans or receivables are valued employing the exchange rate quoted on the balance sheet date, and gains or losses are recognized in the income statement. The interest element on all forward contracts is accrued. Option premiums are treated as advances paid or received until the option matures.

Gains or losses for derivative financial instrument used to hedge the interest rate risk exposure are accrued over the period to maturity and are recognized as an adjustment to the interest income or expense of the underlying liabilities.

Fixed assets and depreciation

The balance sheet value of fixed assets consists of historical costs less depreciation according to plan and other possible write-offs, plus revaluation permitted by local regulations. Fixed assets are depreciated using straight-line depreciation based on the expected useful life of the asset. Land areas are not depreciated. The depreciation is based on the following expected useful lives:

Buildings and structures	20–40 years
Production machinery and equipment, including special spare parts	15–20 years
Other equipment and vehicles	3–15 years
Other tangible assets	20–40 years
Intangible assets	3–10 years

Inventories

Inventories have been valued on the FIFO principle at the lower of direct acquisition cost or market value, taking into account the impact of possible hedging operations. The cost of finished goods and work in progress comprises raw materials, direct labor and other direct costs. A share of production overhead costs (based on normal operating capacity) has been recognized in inventory value in the financial period.

Standard spare parts are carried as inventory and recognized in profit or loss as consumed.

Research and development

Research and development expenditures are expensed as incurred with the exception of investments in buildings and equipment.

Pension expenses

An external pension insurance company manages the pension plan. The pension expenses are booked to income statement during the year they occur.

Extraordinary items

Extraordinary items consist of received or given group contributions from or to Neste Oil Group companies.

Deferred taxes

Deferred taxes are determined on the basis of temporary differences between the financial statement and tax bases of assets and liabilities. Deferred income tax is determined using tax rates that have been enacted at the balance sheet date and are expected to apply.

Provisions

Foreseeable future expenses and losses that have no corresponding revenue and which Neste Oil Corporation is committed or obliged to settle, and whose monetary value can reasonably be assessed, are entered as expenses in the income statement and included as provisions in the balance sheet. These items include expenses relating to the pension liabilities, guarantee obligations, restructuring provisions, expenses relating to the future clean-up of proven environmental damage and obligation to return emission allowances. Provisions are recorded based on management estimates of the future obligation.

2 Revenue

Revenue by segment	2014	2013
Oil Products	10,210	11,547
Renewable Products	0	2
Oil Retail	0	0
Other	112	111
Eliminations	-66	-67
	10,255	11,593

Revenue by market area	2014	2013
Finland	4,683	5,374
Other Nordic countries	1,463	1,779
Baltic countries, Russia and Poland	949	789
Other European countries	2,079	2,589
North and South America	723	707
Other countries	359	355
	10,255	11,593

Upon the preparation of annual accounts 2014, some presentation changes were made retrospectively in 2013: the product swaps previously included in Revenue are now netted with the corresponding expenses in Materials and services:

	2013
Reported 2013	11,823
Presentation of product swap	-230
Restated 2013	11,593

3 Other operating income

	2014	2013
Rental income	7	8
Gain on sale of intangible and tangible assets	0	1
Insurance compensations	39	6
Government grants	2	2
Other	1	4
	48	21

4 Materials and services

	2014	2013
Materials and supplies		
Purchases during the period	9,574	10,866
Change in inventories	159	-47
	9,733	10,818
External services	6	5
	9,739	10,823

Upon the preparation of annual accounts 2014, some presentation changes were made retrospectively in 2013: the product swaps previously included in Revenue are now netted with the corresponding expenses in Materials and services and additionally some sales related other expenses (e.g. freights), previously included in 'Other operating expenses', are presented now in 'Materials and services' in 2013 and 2014:

	2013
Reported 2013	10,973
Presentation of product swap	-230
Presentation changes of sales related other expenses	81
Restated 2013	10,823

5 Personnel expenses

	2014	2013
Wages, salaries and remunerations	158	149
Indirect employee costs		
Pension costs	36	38
Other indirect employee costs	11	11
	205	198

Sales and remuneration

Key management compensations are presented in Note 32 in the Neste Oil Group consolidated financial statements.

Average number of employees	2014	2013
White-collar	1,334	1,267
Blue-collar	1,095	1,046
	2,429	2,313

6 Depreciation, amortization and write-downs

	2014	2013
Depreciation according to plan	143	140
Write-offs	2	0
Write-down of tangible fixed assets	0	0
	146	140

7 Other operating expenses

	2014	2013
Operating leases and other property costs	17	18
Repairs and maintenance	89	87
Other	115	119
	222	224

Upon the preparation of annual accounts 2014, some presentation changes were made retrospectively in 2013: some sales related other expenses (e.g. freights), previously included in 'Other operating expenses', are presented now in 'Materials and services' in 2013 and 2014.

	2013
Reported 2013	305
Presentation changes of sales related other expenses	-81
Restated 2013	224

Other operating expenses include losses on sales of tangible assets and write-offs of fixed assets in progress

	1	0
--	---	---

Fees charged by the statutory auditor, PwC

EUR thousands	2014	2013
Audit fees	248	0
Auditor's mandatory opinions	10	0
Tax advisory	62	0
Other advisory services	328	0
	648	0

Fees charged by the statutory auditor, EY

EUR thousands	2014	2013
Audit fees	81	357
Auditor's mandatory opinions	7	6
Tax advisory	44	90
Other advisory services	86	193
	218	646

8 Financial income and expenses

	2014	2013
Dividend income		
From Group companies	125	89
From associated companies	0	0
From others	0	0
Dividend income total	125	89
Interest income from long-term loans and receivables		
From Group companies	1	0
From others	0	0
Interest income from long-term loans and receivables total	1	0
Other interest and financial income		
From Group companies	0	1
Other	0	0
Other interest and financial income total	1	1
Write-downs on long-term investments	-3	-3
Interest expenses and other financial expenses		
To Group companies	-2	-3
Other	-59	-67
Interest expenses and other financial expenses total	-61	-70
Exchange rate differences	-3	0
Financial income and expenses total	59	17
Total interest income and expenses	2014	2013
Interest income	1	1
Interest expenses	-52	-62
Net interest expenses	-51	-61

9 Extraordinary items

	2014	2013
Group contributions		
Group contributions received	204	161
	204	161

10 Appropriations

	2014	2013
Change in depreciation difference		
Difference between depreciation according to plan and depreciation in taxation	-4	-10

11 Income tax expense

	2014	2013
Income taxes on regular business operations	1	35
Income taxes on extraordinary items	0	39
Taxes for prior periods	0	0
Change in deferred tax assets	-14	-1
	-14	73

12 Fixed assets and long-term investments

Change in acquisition cost 2014

Intangible assets	Goodwill	Other intangible assets	Total
Acquisition cost as of 1 January 2014	1	116	116
Increases	0	12	12
Decreases	0	12	12
Business transfer to Kilpilahden Sähkönsiirto Oy	0	0	0
Transfers between items	0	0	0
Acquisition cost as of 31 December 2014	1	116	117
Accumulated depreciation, amortization and write-downs as of 1 January 2014	1	73	74
Accumulated depreciation, amortization and write-downs of decreases and transfers	0	6	6
Business transfer to Kilpilahden Sähkönsiirto Oy	0	0	0
Depreciation and amortization for the period	0	6	6
Accumulated depreciation, amortization and write-downs as of 31 December 2014	1	73	74
Balance sheet value as of 31 December 2014	0	43	43
Balance sheet value as of 31 December 2013	0	43	43

Tangible assets	Land areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and construction in progress	Total
Acquisition cost as of 1 January 2014	25	1,140	2,232	84	132	3,613
Increases	0	46	65	3	103	217
Decreases	0	2	11	0	3	17
Business transfer to Kilpilahden Sähkösiirto 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 Sähkösiirto Oy	0	11	38	0	0	49
Depreciation, amortization and write downs for the period	0	33	105	2	0	139
Accumulated depreciation, amortization and write-downs as of 31 December 2014	0	563	1,486	35	0	2,084
Revaluations	6	22	0	0	0	28
Balance sheet value as of 31 December 2014	31	596	737	51	213	1,628
Balance sheet value as of 31 December 2013	31	623	803	50	132	1,639
Balance sheet value of machinery and equipments used in production						705

Other long-term investments	Shares in group companies	Receivables from group companies	Shares in associated companies	Receivables from associated companies	Other shares and holdings	Other receivables	Total
Acquisition cost as of 1 January 2014	2,527	5	1	0	4	11	2,547
Increases	37	18	0	0	0	44	99
Decreases	119	19	0	0	0	10	148
Acquisition cost as of 31 December 2014	2,445	4	0	0	4	44	2,497
Accumulated depreciation, amortization and write-downs as of 1 January 2014	0	0	0	0	0	0	0
Accumulated depreciation, amortization and write-downs as of 31 December 2014	0	0	0	0	0	0	0
Balance sheet value as of 31 December 2014	2,445	4	0	0	4	44	2,497
Balance sheet value as of 31 December 2013	2,527	5	1	0	4	11	2,547

Interest-bearing and interest-free receivables	2014	2013
Interest-bearing receivables	4	5
Interest-free receivables	44	11
	48	16

13 Revaluations

	Revaluations as of Jan 1, 2014	Increases	Decreases	Revaluations as of Dec 31, 2014
Land areas	6	0	0	6
Buildings	24	0	2	22
	30	0	2	28

Policies and principles for revaluations and evaluation methods

The revaluations are based on fair values at the moment of revaluation.

Deferred taxes have not been booked on revaluations.

14 Inventories

	2014	2013
Raw materials and supplies	186	344
Products/finished goods	292	493
Advance payments on inventories	8	6
	486	843
Replacement value of inventories	487	850
Book value of inventories	486	843
Difference	0	7

15 Long-term receivables

	2014	2013
Long-term advance payments	4	0
Receivables from Group companies		
Other long-term receivables	16	86
Deferred tax assets	16	2
	36	88

16 Short-term receivables

	2014	2013
Trade receivables	302	367
Receivables from Group companies		
Trade receivables	252	258
Other receivables	207	160
Accrued income and prepaid expenses	2	2
Total	461	420
Receivables from associated companies		
Trade receivables	0	0
Other receivables	0	1
Total	0	1
Other receivables	33	17
Accrued income and prepaid expenses	43	12
	838	817
Short-term accrued income and prepaid expenses	2014	2013
Accrued interest	5	5
Accrued taxes	12	0
Other	27	8
	44	13

17 Changes in shareholders' equity

	2014	2013
Share capital at 1 January	40	40
Share capital at 31 December	40	40
Other funds at 1 January	0	0
Purchase of treasury shares	-15	0
Other funds at 31 December	-15	0
Retained earnings at 1 January	1,242	1,035
Dividends paid	-167	-97
Reversal of revaluation	-2	0
Profit for the year	64	304
Retained earnings at 31 December	1,138	1,242
Distributable equity	1,123	1,242

18 Accumulated appropriations

	2014	2013
Depreciation difference	903	928

19 Provisions for liabilities and charges

	2014			2013		
	Restructuring provisions	Provision for environment	Total	Restructuring provisions	Provision for environment	Total
Provisions as of 1 January	0	2	2	0	1	1
Increase	8	2	10	0	1	1
Decrease	0	0	0	0	0	0
Provisions as of 31 December	8	3	12	0	2	2

20 Liabilities

Long-term liabilities	2014	2013
Bonds	995	1,294
Loans from financial institutions	77	124
Liabilities to Group companies		
Other long-term liabilities	808	903
Other long-term liabilities	3	5
Accruals and deferred income	2	6
	1,886	2,332
Interest-bearing liabilities due after five years	2014	2013
Bonds	0	398
Loans from financial institutions	10	17
Liabilities to Group companies	758	858
	768	1,273
Short-term liabilities	2014	2013
Bonds	300	0
Loans from financial institutions	106	165
Advances received	2	0
Trade payables	588	997
Liabilities to Group companies		
Advances received	0	0
Trade payables	85	116
Other short-term liabilities	89	139
Accruals and deferred income	0	0
Total	175	255
Liabilities to associated companies		
Trade payables	3	8
Other short-term liabilities	0	0
Total	3	8
Other short-term liabilities	305	261
Accruals and deferred income	93	105
	1,572	1,791
Short-term accruals and deferred income	2014	2013
Salaries and indirect employee costs	50	49
Accrued interests	26	26
Accrued taxes	0	28
Other short-term accruals and deferred income	18	2
	94	105
Interest-bearing and interest-free liabilities	2014	2013
Long-term liabilities		
Interest-bearing liabilities	1,126	2,324
Interest-free liabilities	2	8
	1,128	2,332
Short-term liabilities		
Interest-bearing liabilities	406	304
Interest-free liabilities	1,166	1,487
	1,572	1,791

21 Contingent liabilities

Contingent liabilities	2014	2013
Operating lease liabilities		
Due within a year	3	3
Due after a year	4	5
	7	8
Contingent liabilities given on own behalf		
Real estate mortgages	17	17
Pledged assets	0	0
Other contingent liabilities	7	2
	23	19
Contingent liabilities given on behalf of Group companies		
Guarantees	164	323
	164	323
Contingent liabilities given on behalf of associated companies		
Guarantees	1	1
	1	1
Contingent liabilities given on behalf of others		
Guarantees	1	2
	1	2
Contingent liabilities total	197	353

22 Derivative financial instruments

	2014			2013		
	Contract or notional value	Fair value	Not recognized as an income	Contract or notional value	Fair value	Not recognized as an income
Interest and currency derivative contracts and share forward contracts						
Interest rate swaps	750	22	-5	800	17	-4
Forward foreign exchange contracts	2,125	-29	-17	1,452	11	10
Currency options						
Purchased	142	-1	0	196	2	2
Written	140	-5	-5	192	3	3

	2014			2013		
	Volume million bbl	Fair value	Not recognized as an income	Volume million bbl	Fair value	Not recognized as an income
Oil and freight derivative contracts						
Sales contracts	13	182	182	6	-11	-11
Purchase contracts	14	-142	-137	8	10	10

The fair values of foreign exchange currency derivative contracts are based on market values at the balance sheet date. The fair values of interest rate swaps are the present values of the estimated future cash flows and the fair values of currency options are calculated with option valuation model.

The fair value of exchange traded oil commodity futures and option contracts are based on the forward exchange market quotations at the balance sheet date. The fair value of over-the-counter oil commodity derivative contracts is based on the net present value of the forward contracts quoted market prices at the balance sheet date. Physical sales and purchase agreements within trading activities are treated as derivatives and reported in the 'Derivative financial instruments' table.

23 Other contingent liabilities

Real estate investments

The Company is obliged to adjust VAT deductions made from real estate investments if the taxable utilization of real estate will decrease during a 10 years control period.

24 Shares and holdings

	Country of incorporation	No of shares	Holding-%	Book value 31 Dec 2014 EUR thousands
Subsidiary shares				
Kiinteistö Oy Espoon Keilaranta 21	Finland	16,000	100.00	39,725
Kilpilahden Sähkösiirto Oy	Finland	2,600	100.00	68,575
LLC Neste Saint-Petersburg	Russia	10	100.00	58,427
Navidom Oy	Finland	50	50.00	1
Neste Eesti AS	Estonia	10,000	100.00	5,927
Neste Jacobs Oy	Finland	2,100	60.00	438
Neste Markkinointi Oy	Finland	210,560	100.00	51,467
Neste Oil AB	Sweden	2,000,000	100.00	23,972
Neste Oil Components Finance B.V.	The Netherlands	40	100.00	8,022
Neste Oil Finance B.V.	The Netherlands	26,090	100.00	19,177
Neste Oil Insurance Limited	Guernsey	7,000,000	100.00	3,000
Neste Oil N.V.	Belgium	4,405,414	99.99	414,753
Neste Oil (Suisse) S.A.	Switzerland	200	100.00	62
Neste Oil US, Inc.	USA	2,000	100.00	19,528
Neste Renewable Fuels Oy	Finland	200	100.00	1,676,901
Neste Shipping Oy	Finland	101	100.00	55,452
				2,445,427
Associated companies				
A/B Svartså Vattenverk – Mustiojen Vesilaitos OY	Finland	14	40.00	124
Neste Arabia Co. Ltd.	Saudi-Arabia	480	48.00	156
Porvoon Alueverkko Oy	Finland	40	33.33	7
Tahkoluodon Polttoöljy Oy	Finland	630	31.50	5
Vaskiluodon Kalliovarasto Oy	Finland	330	50.00	7
				299
Other shares and holdings				
CLEEN Oy	Finland	100		100
East Office of Finnish Industries Oy	Finland	1		10
Ekokem Oyj	Finland	75,000	2.13	125
Kiinteistö Oy Anttilankaari 8	Finland	51		545
Kiinteistö Oy Himoksen Aurinkopaikka	Finland	51		457
Kiinteistö Oy Katinkullan Hiekkaniemi	Finland	102		903
Kiinteistö Oy Katinkultaniemi	Finland	51		398
Kiinteistö Oy Kuusamon Tähti 1	Finland	51		457
Kiinteistö Oy Laavutieva	Finland	51		311
Kiinteistö Oy Lapinniemi & Osakeyhtiö Lapinniemi	Finland	24		125
Posintra Oy	Finland	190		34
				3,465
Telephone shares				
Elisa Oyj	Finland	1		0
Pietarsaaren Seudun Puhelin Oy	Finland	3		1
Osuuskunta PPO	Finland	1		0
Savonlinnan Puhelinosuuskunta SPY	Finland	1		1
				2
Connection fees				63
Total				2,449,256

25 Disputes and potential litigations

Finnish Customs has levied a penalty payment totaling approximately EUR 44 million on Neste Oil because Finnish biofuel mandate requirements were not met in 2009 and 2010. Biofuel mandate legislation requires that companies distributing liquid fuels must provide the appropriate energy content specified for biofuels in the fuel that they supply for use by customers. The legislation in question is intended to increase the use of biofuels and thereby reduce emissions. Neste Oil has supplied the amount of biofuels required by legislation in 2009 and 2010. Neste Oil disputes Finnish Customs' interpretation and believes that it complied with the requirements according to the legislation in force at the time. The disagreement between Neste Oil and Finnish Customs covers how the legislation on biofuel mandate should be interpreted. Neste Oil has appealed the Finnish Customs' decision and considers the penalty payment unjustified and it will not affect the company's result or balance sheet for 2013. The penalty payment was paid in January 2014, when it impact the company's cash flow. The payment is presented in long term receivable in balance sheet as of December 2014.

Proposal for the distribution of earnings and signing of the Review by the Board of Directors and the Financial Statements

The parent company's distributable equity as of 31 December 2014 stood at EUR 1,123 million. The Board of Directors proposes Neste Oil Corporation to pay a dividend of EUR 0.65 per share for 2014, totalling EUR 166 million, and that any remaining distributable funds be allocated to retained earnings.

Espoo, 3 February 2015

Jorma Eloranta

Per-Arne Blomquist

Maija-Liisa Friman

Laura Raitio

Jean-Baptiste Renard

Willem Schoeber

Kirsi Sormunen

Matti Lievonen
President and CEO

Auditor's Report (Translation from the Finnish Original)

To the Annual General Meeting of Neste Oil Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Neste Oil Oyj for the year ended 31 December, 2014. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements

and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other Opinions

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki 3 February 2015

PricewaterhouseCoopers Oy

Authorised Public Accountants

Markku Katajisto

Authorised Public Accountant

Quarterly segment information

Revenue

MEUR	10-12/2014	7-9/2014	4-6/2014	1-3/2014	10-12/2013	7-9/2013	4-6/2013	1-3/2013
Oil Products	2,652	2,879	3,124	2,630	3,398	3,425	2,952	3,266
Renewable Products	575	560	603	531	732	713	535	513
Oil Retail	1,046	1,153	1,076	1,019	1,120	1,174	1,085	1,153
Others	63	58	60	58	49	51	54	52
Eliminations	-785	-803	-759	-728	-783	-784	-700	-767
Total	3,552	3,846	4,104	3,510	4,516	4,579	3,926	4,217

Operating profit

MEUR	10-12/2014	7-9/2014	4-6/2014	1-3/2014	10-12/2013	7-9/2013	4-6/2013	1-3/2013
Oil Products	-181	11	46	13	93	104	10	79
Renewable Products	153	20	2	32	93	116	34	9
Oil Retail	8	26	20	15	15	29	65	11
Others	-6	-1	2	-8	-14	0	0	-12
Eliminations	-2	-3	-1	2	-2	0	3	-1
Total	-27	53	69	55	185	249	112	86

Comparable operating profit

MEUR	10-12/2014	7-9/2014	4-6/2014	1-3/2014	10-12/2013	7-9/2013	4-6/2013	1-3/2013
Oil Products	109	110	33	33	67	67	30	111
Renewable Products	141	52	31	15	94	120	33	26
Oil Retail	8	26	20	15	15	29	22	11
Others	-2	4	2	-10	-11	0	-8	-12
Eliminations	-2	-3	-1	2	-2	1	4	-1
Total	254	190	85	55	163	217	81	135