

A close-up photograph of a young child wearing a bright blue hooded raincoat. The child is outdoors in the rain, with their mouth wide open and tongue sticking out, enjoying the weather. Raindrops are visible as streaks around the child's face. The background is a blurred green, suggesting foliage.

Neste Corporation

Annual General Meeting 2019

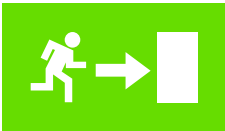
2 April 2019

NESTE

Safety information

If you need **first aid**, contact the staff. We have paramedics present.

Fire alarms will be announced through the PA system. The staff will guide you outdoors through the nearest safe exits.



The assembly point is the outdoor parking area.
Follow the instructions from the staff.

Neste's Annual Report 2018 can be read online at the Corporation's website at www.neste.com/annualreport.
Financial Statements including notes, Corporate Governance Statement, and Neste Remuneration Statement are included in the Annual Report.

Agenda

1. Opening of the meeting
2. Calling the meeting to order
3. Election of the examiners of the minutes and the supervisors for counting of votes
4. Establishing the legality of the meeting
5. Recording the attendance at the meeting and the voting list
6. Presentation of the Financial Statements for 2018, including also the Consolidated Financial Statements, the Review by the Board of Directors, and the Auditor's Report 2
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 - Summary of the Corporate Governance Statement 2018 . . 37
 - Excerpts from the Neste Remuneration Statement 2018 . . 49
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9. Discharging the members of the Board of Directors and the President and CEO from liability
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Point 6 on the agenda

Presentation of the Financial Statements for 2018, including also the Consolidated Financial Statements, the Review by the Board of Directors, and the Auditor's Report

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- Excerpts from the Neste Remuneration Statement 2018 . . . 49

Year 2018 in brief

| | |
|-----------|--|
| 14,918 M€ | Revenue |
| 1,422 M€ | Comparable operating profit |
| 2.28 € | Our dividend proposal for 2018 per share |
| 21.1% | Return on average capital employed after tax (ROACE) |
| 438 M€ | Investments |
| -1.5% | Leverage ratio |
| 83% | The approximate share of waste and residues in the renewable raw materials |
| 7.9 Mt | Our renewable products helped reduce greenhouse gas emissions |
| 314 | Safe days |
| 5,468 | Average number of personnel |

Neste helps transport and cities, aviation, polymers and chemicals customers make their business more sustainable.

The year 2018 took us further on our journey of creating a healthier planet for our children. We are one of the global leaders in renewable products produced from waste and residues and strengthen our position with new achievements, exciting announcements, and a major investment in Singapore.

Neste's strategy is guided by our purpose to create a healthier planet for our children and our vision of creating responsible choices every day.

Neste is committed to combating climate change and driving circular economy. We are in the business of helping transport and cities, aviation, polymers and chemicals customers make their business more sustainable. With our renewable products and solutions, we help our customers to reducing their greenhouse gas emissions and replacing fossil crude oil with renewable and recycled raw materials.

Read more about our strategy, revisited in February 2019, at www.neste.com



Business areas

Renewable Products

Offers renewable diesel, renewable jet fuel, renewable propane, renewable solvents, and raw materials for bioplastics.

Capacity 2.9 million tons per year.

Our renewable products help customers to reduce their carbon footprint by up to 90%.

| MEUR | 2018 | 2017 | 2016 |
|---|-------|-------|-------|
| Revenue | 3,241 | 3,243 | 2,690 |
| Comparable operating profit | 983 | 561 | 469 |
| Operating profit | 899 | 476 | 518 |
| Net assets | 2,018 | 1,863 | 1,811 |
| Comparable return on net assets (RONA) | 52.4 | 30.2 | 25.9 |
| Capital expenditure and investments in shares | 159 | 122 | 104 |

Oil Products

Offers sustainable solutions that are based on high-quality oil products and related services.

Capacity 14 million tons per year.

We are known for our reliability and flexibility when it comes to the supply of fuel solutions. We are also exploring ways to introduce liquefied waste plastic as a future raw material for fossil refining.

| MEUR | 2018 | 2017 | 2016 |
|---|--------|-------|-------|
| Revenue | 10,105 | 8,490 | 7,395 |
| Comparable operating profit | 397 | 495 | 453 |
| Operating profit | 170 | 650 | 563 |
| Net assets | 2,257 | 2,497 | 2,424 |
| Comparable return on net assets (RONA) | 15.7 | 19.5 | 18.7 |
| Capital expenditure and investments in shares | 196 | 307 | 249 |

Marketing & Services

Driven by the best customer experience, our Marketing & Services business area offers sustainable solutions for the needs of consumers and a wide variety of B2B customers.

Our station network of over 1,000 stations covers five countries in the Baltic Sea region: Finland, Estonia, Latvia, Lithuania and Northwest Russia.

We utilize data, insight and digitalization to support growth, quality and efficiency. We seek to develop a diverse range of services as part of our offering and to be where the customers are – in the mobile sphere.

| MEUR | 2018 | 2017 | 2016 |
|---|-------|-------|-------|
| Revenue | 4,315 | 3,912 | 3,552 |
| Comparable operating profit | 77 | 68 | 90 |
| Operating profit | 77 | 69 | 89 |
| Net assets | 249 | 280 | 196 |
| Comparable return on net assets (RONA) | 29.1 | 28.5 | 47.5 |
| Capital expenditure and investments in shares | 28 | 37 | 31 |

Financial targets



A leverage ratio of below

40%



ROACE of at least

15%

annually over the long-term



Our dividend policy is to
distribute at least

50%

of our comparable
net profit as dividend

| | 2018 | 2017 | Change, % |
|---|--------------------|--------|-----------|
| Income statement | | | |
| Revenue, MEUR | 14,918 | 13,217 | 13 |
| Operating profit, MEUR | 1,025 | 1,171 | -12 |
| Comparable operating profit, MEUR | 1,422 | 1,101 | 29 |
| Profit before income taxes, MEUR | 951 | 1,094 | -13 |
| EBITDA, MEUR | 1,639 | 1,542 | 6 |
| Comparable net profit, MEUR | 1,150 | 851 | 35 |
| Profitability, % | | | |
| Return on equity (ROE), % | 17.3 | 22.7 | -24 |
| Return on average capital employed, after tax (ROACE), % | 21.1 | 17.5 | 21 |
| Financing and financial position | | | |
| Total equity, MEUR | 4,630 | 4,338 | 7 |
| Interest-bearing net debt, MEUR | -70 | 412 | -117 |
| Leverage ratio, % | -1.5 | 8.7 | -117 |
| Gearing, % | -1.5 | 9.5 | -116 |
| Equity-to-assets ratio, % | 56.5 | 55.8 | 1 |
| Net cash generated from operating activities, MEUR | 1,452 | 1,094 | 33 |
| Other indicators | | | |
| Capital employed, MEUR | 5,770 | 5,533 | 4 |
| Capital expenditure and investment in shares, MEUR | 438 | 536 | -18 |
| Research and development expenditure, MEUR | 48 | 44 | 9 |
| Average number of personnel | 5,468 | 5,297 | 3 |
| Total refining margin, USD/bbl | 11.18 | 11.08 | 1 |
| Total Recordable Injury Frequency per million hours worked (TRIF) | 1.7 | 2.1 | -19 |
| Share-related indicators | | | |
| Earnings per share (EPS), EUR | 3.04 | 3.56 | -15 |
| Comparable earnings per share, EUR | 4.50 | 3.33 | 35 |
| Equity per share, EUR | 18.09 | 16.96 | 7 |
| Cash flow per share, EUR | 5.68 | 4.28 | 33 |
| Price/earnings ratio (P/E) | 22.15 | 14.99 | 48 |
| Dividend per share, EUR | 2.28 ¹⁾ | 1.7 | 34 |
| Dividend payout ratio, % | 75.0 ¹⁾ | 47.8 | 57 |
| Dividend yield, % | 3.4 ¹⁾ | 3.2 | 6 |
| Dividend per comparable earnings per share, % | 50.6 ¹⁾ | 51.1 | -1 |
| Share price at the end of the period, EUR | 67.36 | 53.35 | 26 |
| Average share price, EUR | 65.17 | 38.34 | 70 |
| Lowest share price, EUR | 52.12 | 31.15 | 67 |
| Highest share price, EUR | 76.54 | 54.05 | 42 |
| Market capitalization at the end of the period, MEUR | 17,271 | 13,679 | 26 |

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



Review by the Board of Directors

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Review by the Board of Directors 2018

Neste had a very strong year in 2018. We posted a record-high comparable operating profit of EUR 1,422 million compared to EUR 1,101 million in the previous year. The Group's operating profit was EUR 1,025 million (1,171 million). We generated a strong cash flow and reached a low leverage ratio at the end of the year. The return on average capital employed reached 21.1%, which exceeds our long term target of 15%. Renewable Products exceeded the previous year's high performance as result of a favorable market and successful sales margin optimization. The segment's sales volumes were lower than in 2017 due to the scheduled maintenances at our Rotterdam and Singapore facilities. Implementation of the renewables growth strategy continued successfully. As an example, the share of 100% renewable diesel delivered to end-users increased from 25% to 30% of total volumes, and the average proportion of waste and residue inputs increased to 83% in 2018. We also took an important step in implementation of the growth strategy, when the final investment decision on the Singapore production capacity expansion was taken in December. In 2018 Oil Products' performance was impacted by a less supportive refining margin environment and a weaker dollar compared to 2017. Marketing & Services were able to maintain their sales volumes at the previous year's level and improve the unit margins in a competitive market. The Board of Directors will propose a dividend of EUR 2.28 per share (1.70) for 2018, totaling EUR 583 million (435 million).

Figures in parentheses refer to the financial statements for 2017, unless otherwise noted.

The Group's results for 2018

Neste's revenue in 2018 totaled EUR 14,918 million (13,217 million). The revenue increase resulted from higher sales prices, which had a positive impact of approx. EUR 2,100 million, and lower sales volumes, which had approx. EUR 100 million negative impact on the revenue. A weaker USD exchange rate had a negative impact of approx. EUR 300 million on the revenue. The Group's comparable operating profit was EUR 1,422 million (1,101 million). Renewable Products' sales margin was significantly higher compared to 2017, and the retroactive US Blender's Tax Credit decision for 2017 supported the first quarter result. Oil Products' result was lower than in 2017, mainly due to a weaker USD exchange rate and lower reference margin. Marketing & Services was able to increase its unit margins and other income, which lead to a higher comparable operating profit than in the previous year. The Others segment's comparable operating profit was lower than in the year 2017, mainly due to Nynas' weaker result.

Renewable Products' full-year comparable operating profit was EUR 983 million (561 million), Oil Products' EUR 397 million (495 million), and Marketing & Services' EUR 77

million (68 million). The comparable operating profit of the Others segment totaled EUR –36 million (–24 million); Nynas accounted for EUR –12 million (–2 million) of this figure.

The Group's operating profit was EUR 1,025 million (1,171 million), which was impacted by inventory valuation losses of EUR 269 million (gains of 31 million), and changes in the fair value of open commodity and currency derivatives totaling EUR 117 million (24 million), mainly related to margin hedging. In addition there were asset writedowns totaling EUR 198 million regarding our minority shareholding in Nynas AB during the third quarter and in Neste Oil Bahrain W.L.L. during the fourth quarter. Neste is currently engaged in arbitration with the Bahrain base oil joint operation partners concerning a contractual dispute. Profit before income taxes was EUR 951 million (1,094 million), and net profit EUR 779 million (914 million). Comparable earnings per share were EUR 4.50 (3.33), and earnings per share EUR 3.04 (3.56).

Group key figures, MEUR

| | 2018 | 2017 |
|--|-------|-------|
| Comparable operating profit | 1,422 | 1,101 |
| – inventory valuation gains/losses | –269 | 31 |
| – changes in the fair value of open commodity and currency derivatives | 117 | 24 |
| – capital gains/losses | 2 | 3 |
| – insurance and other compensations | 0 | 0 |
| – impairments | –198 | 0 |
| – other adjustments ¹⁾ | –48 | 12 |
| Operating profit | 1,025 | 1,171 |

¹⁾ Includes provisions for legal proceedings.

Revenue

| | 2018 | 2017 |
|----------------------|--------|--------|
| Renewable Products | 3,241 | 3,243 |
| Oil Products | 10,105 | 8,490 |
| Marketing & Services | 4,315 | 3,912 |
| Others | 264 | 237 |
| Eliminations | -3,007 | -2,666 |
| Total | 14,918 | 13,217 |

Comparable operating profit

| | 2018 | 2017 |
|----------------------|-------|-------|
| Renewable Products | 983 | 561 |
| Oil Products | 397 | 495 |
| Marketing & Services | 77 | 68 |
| Others | -36 | -24 |
| Eliminations | 2 | 0 |
| Total | 1,422 | 1,101 |

Operating profit

| | 2018 | 2017 |
|----------------------|-------|-------|
| Renewable Products | 899 | 476 |
| Oil Products | 170 | 650 |
| Marketing & Services | 77 | 69 |
| Others | -122 | -24 |
| Eliminations | 2 | 0 |
| Total | 1,025 | 1,171 |

Financial targets

Return on average capital employed after tax (ROACE) and leverage ratio are Neste's key financial targets. ROACE figures are based on comparable results. The company's long-term ROACE target is 15%, and the leverage ratio target is below 40%. At the end of December, ROACE calculated over the last 12 months was strong at 21.1%, and leverage ratio remained well below the 40% target.

| | 31 Dec 2018 | 31 Dec 2017 |
|--|-------------|-------------|
| Return on average capital employed after tax (ROACE) ¹⁾ , % | 21.1 | 17.5 |
| Leverage ratio (net debt to capital), % | -1.5 | 8.7 |

¹⁾ Last 12 months

Cash flow, investments, and financing

The Group's net cash generated from operating activities totaled EUR 1,452 million (1,094 million) in 2018. The difference mainly resulted from cash released from net working capital and a higher EBITDA of the businesses compared to the previous year. Cash flow before financing activities was EUR 870 million (628 million). The Group's net working capital in days outstanding was 21.4 days (26.9 days) on a rolling 12-month basis at the end of 2018.

| | 2018 | 2017 |
|--|-------|-------|
| EBITDA | 1,639 | 1,542 |
| Capital gains/losses | -3 | -3 |
| Other adjustments | -96 | -82 |
| Change in net working capital | 99 | -104 |
| Finance cost, net | -37 | -90 |
| Income taxes paid | -151 | -169 |
| Net cash generated from operating activities | 1,452 | 1,094 |
| Capital expenditure | -395 | -502 |
| Other investing activities | -187 | 36 |
| Free cash flow (Cash flow before financing activities) | 870 | 628 |

Cash-out investments were EUR 395 million (502 million) in 2018. Maintenance investments accounted for EUR 253 million (214 million) and productivity and strategic investments for EUR 142 million (288 million). Renewable Products' investments were EUR 139 million (92 million), mainly related to the Singapore capacity expansion project and refinery catalyst changes and maintenance. Oil Products' investments amounted to EUR 178 million (299 million), with the largest project being the wastewater treatment plant at the refinery in Porvoo. Marketing & Services' investments totaled EUR 23 million (40 million) and were focused on the retail station network. Investments in the Others segment were EUR 55 million (72 million), concentrating on IT and business infrastructure upgrade.

Interest-bearing net debt was EUR -70 million at the end of December 2018, compared to EUR 412 million at the end of 2017. Net financial expenses for the year were EUR 75 million (77 million). The average interest rate of borrowing at the end of December was 3.4% (3.3%) and the average maturity 3.7 (4.5) years. At the end of the year the Net debt to EBITDA ratio was 0.0 (0.3) over the last 12 months.

The leverage ratio was -1.5% (31 Dec 2017: 8.7%), and the gearing ratio -1.5% (31 Dec 2017: 9.5%) at the end of December 2018. The Group's strong financial position enables implementation of our growth strategy going forward while maintaining a healthy dividend distribution.

The Group's liquid funds and committed, unutilized credit facilities amounted to EUR 2,860 million at the end of December 2018 (31 Dec 2017: 2,433 million). There are no financial covenants in the Group companies' current loan agreements.

In accordance with the hedging policy, Neste hedges a large part of its net foreign currency exposure for the next 12 months, mainly using forward contracts and currency options. The most important hedged currency is the US dollar. At the end of December 2018 the Group's foreign currency hedging ratio was approx. 50% of the sales margin for the next 12 months.

US dollar exchange rate

| | 2018 | 2017 |
|---------------------------------------|------|------|
| EUR/USD, market rate | 1.18 | 1.13 |
| EUR/USD, effective rate ¹⁾ | 1.19 | 1.12 |

¹⁾ The effective rate includes the impact of currency hedges.

Segment reviews

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

Renewable Products

Key financials

| | 2018 | 2017 |
|---|-------|-------|
| Revenue, MEUR | 3,241 | 3,243 |
| EBITDA, MEUR | 1,026 | 586 |
| Comparable operating profit, MEUR | 983 | 561 |
| Operating profit, MEUR | 899 | 476 |
| Net assets, MEUR | 2,018 | 1,863 |
| Return on net assets ¹⁾ , % | 48.0 | 25.6 |
| Comparable return on net assets ¹⁾ , % | 52.4 | 30.2 |

¹⁾ Last 12 months

Key drivers

| | 2018 | 2017 |
|--|------|------|
| FAME – Palm oil price differential ¹⁾ , USD/ton | 330 | 242 |
| SME – Palm oil price differential ²⁾ , USD/ton | 231 | 225 |
| Reference margin, USD/ton | 400 | 291 |
| Additional margin ³⁾ , USD/ton | 310 | 184 |
| Comparable sales margin, USD/ton | 600 | 365 |
| Biomass-based diesel (D4) RIN, USD/gal | 0.53 | 1.01 |
| California LCFS Credit, USD/ton | 168 | 89 |
| Palm oil price ⁴⁾ , USD/ton | 572 | 629 |
| Palm oil's share of total feedstock, % | 17 | 24 |

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

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

³⁾ Based on standard variable production cost of USD 110/ton

⁴⁾ CPO BMD 3rd

Vegetable oil prices were under downward pressure during 2018. Palm oil (CPO) was leading the overall vegetable oil complex down as CPO inventories were increasing. This was mainly due to stronger than expected production growth in Indonesia and a major demand reduction induced by increased import tax in India. Even the acceleration of Indonesian biodiesel mandate implementation during the fourth quarter was not able to curb the decline, and CPO price reached a new record low level in November. Soybean oil (SBO) price was also brought down as SBO competes directly with CPO in the food sector. China's implementation of 25% imports tariffs on US soybeans amid trade war escalation triggered a downward move in SBO price by mid-year. During the second half of 2018, SBO price remained relatively stable. While dropping in early 2018, rapeseed oil (RSO) price resisted the downward pressure during the second half of the year as RSO supply was limited by the summer drought and logistics problems due to low water levels in Central European rivers and channels. However, towards the end of year RSO started to decline.

European FAME biodiesel producers' margins were very low in early 2018, but recovered to healthy levels for the rest of the year. The margins were boosted by larger than normal spring maintenance in biodiesel production, and by strong demand combined with limited availability, particularly during the winter period in the fourth quarter. US SME biodiesel producers' margins remained positive throughout the year, supported by the end of SME imports from Argentina. SME producers' margins declined in the fourth quarter as anticipation of a retroactive BTC implementation lead to overproduction.

The US Renewable Identification Number (RIN) D4 price peaked in February at 84 cents per gallon before turning on a continuous downtrend through October. That was impacted by the gradual decline in SBO price, and the negative impact of the biofuel mandate waivers granted to small refineries. D4 RIN price started to rebound just before the year end as

crude oil and oil product prices came down. On the other hand, the California Low Carbon Fuel Standard (LCFS) price increased during the year reflecting the difficulty to fulfill the increasingly stringent GHG reduction targets in the state.

Renewable Products' full-year comparable operating profit was EUR 983 million (561 million). The comparable sales margin was significantly higher than in 2017, and had a positive impact of EUR 512 million on the comparable operating profit year-on-year. Additionally, the retroactive US Blender's Tax Credit decided for the full year 2017 had a positive impact of EUR 140 million on the comparable operating profit in the first quarter. Sales volumes were 2.26 million tons in 2018, approx. 12% lower than in previous year, mainly due to the scheduled maintenance at the Rotterdam and Singapore refineries. Lower sales volumes had a negative impact of EUR 169 million on the segment's comparable operating profit year-on-year. During 2018 approximately 72% (74%) of sales volume went to Europe and 28% (26%) to North America. The share of 100% renewable diesel delivered to end-users increased to 30% (25%) of total volumes in full-year 2018. Renewable diesel production had a capacity utilization rate of 84% (98%) in 2018, impacted by the scheduled maintenance. Feedstock mix optimization continued successfully, and the average proportion of waste and residue inputs was 83% (76%). A weaker USD had a negative impact of EUR 21 million on the segment's comparable operating profit compared to the year 2017. During 2018 the segment's fixed costs were EUR 24 million higher than in the previous year, mainly related to strategic growth projects.

Production

| | 2018 | 2017 |
|--------------------------------------|-------|-------|
| Neste MY Renewable Diesel, 1,000 ton | 2,368 | 2,587 |
| Other products, 1,000 ton | 214 | 196 |
| Utilization rate, % | 84 | 98 |

Sales

| | 2018 | 2017 |
|--|-------|-------|
| Neste Renewable Diesel, 1,000 ton | 2,261 | 2,567 |
| Share of sales volumes to Europe, % | 72 | 74 |
| Share of sales volumes to North America, % | 28 | 26 |

Oil Products

Key financials

| | 2018 | 2017 |
|---|--------|-------|
| Revenue, MEUR | 10,105 | 8,490 |
| EBITDA, MEUR | 515 | 863 |
| Comparable operating profit, MEUR | 397 | 495 |
| Operating profit, MEUR | 170 | 650 |
| Net assets, MEUR | 2,257 | 2,497 |
| Return on net assets ¹⁾ , % | 6.7 | 25.6 |
| Comparable return on net assets ¹⁾ , % | 15.7 | 19.5 |

¹⁾ Last 12 months

Key drivers

| | 2018 | 2017 |
|---|-------|-------|
| Reference refining margin, USD/bbl | 5.01 | 5.68 |
| Additional margin, USD/bbl | 6.17 | 5.39 |
| Total refining margin, USD/bbl | 11.18 | 11.08 |
| Urals-Brent price differential, USD/bbl | -1.51 | -1.39 |
| Urals' share of total refinery input, % | 69 | 69 |

Crude oil prices were volatile during 2018, and Brent traded in a range between USD 50/bbl and USD 86/bbl. Crude price trended up from the first quarter until the end of the third quarter. During that period crude oil market was supported by the agreement between OPEC and non-OPEC countries to cut oil production, and also geopolitical tensions impacted the crude oil price. Towards the end of the third quarter the coming sanctions against Iran played a key role in crude oil price increasing further to USD 85/bbl level. However, during the fourth quarter crude oil price came under heavy pressure as the crude oil demand growth outlook became more uncertain, higher price was boosting investments in crude supply, and the global equity markets were weakening. In December the OPEC and non-OPEC countries made a decision to continue the supply cuts, but it was not sufficient to stabilize crude prices. In 2018 Brent price averaged USD 71.7/bbl.

The Russian Export Blend (REB) crude averaged USD 1.5/bbl lower than Brent in 2018, and USD 0.9/bbl lower during the fourth quarter. The OPEC production cuts in heavier crude qualities, lower REB export volumes through the Baltic Sea ports compared to 2017, and sanctions against Iran were the key drivers of REB price during 2018. Towards the end of the fourth quarter the sanctions against Iran drove REB price differential to Brent to very narrow levels.

Reference margin trended upwards during the first half of 2018 driven by good product demand and global spring refinery maintenance season. During the summer season high US

refinery runs, rising gasoline inventories, and concerns of higher crude oil price negatively impacting gasoline demand, had a dampening effect on the reference margin. Reference margin spiked in August driven by the hot and dry weather conditions, which caused cooling limitations for many European refineries. Weather related factors played a role also later in the year as low water levels in the river Rhine boosted reference margin in November. Reference margin weakened towards the end of the year as high refinery utilization rates in the US and seasonally weaker gasoline demand drove lower gasoline cracks, and narrowing REB differential negatively impacted refining margins. On average diesel was the strongest part of the barrel in 2018. Neste's reference margin averaged USD 5.0/bbl in 2018, and USD 4.3/bbl during the fourth quarter.

Oil Products' full-year comparable operating profit was EUR 397 million (495 million). During 2018 the reference margin was approx. USD 0.7/bbl lower than in 2017, which had a negative impact of EUR 61 million on the comparable operating profit. The additional margin averaged at USD 6.2/bbl, and had a positive impact of 81 million compared to the previous year. A weaker USD exchange rate had a negative impact of EUR 41 million on the comparable operating profit compared to 2017. During the year 2018 the segment's fixed costs were EUR 53 million higher than in the previous year, mainly due to increased costs for maintenance activities, and planning of the Porvoo refinery major turnaround in 2020.

Production

| | 2018 | 2017 |
|--|--------|--------|
| Refinery | | |
| – Production, 1,000 ton | 13,959 | 13,916 |
| – Utilization rate, % | 89 | 89 |
| Refinery production costs, USD/bbl | 4.9 | 4.4 |
| Bahrain base oil plant production (Neste's share), 1,000 ton | 190 | 210 |

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

| | 2018 | % | 2017 | % |
|----------------------------------|--------|-----|--------|-----|
| Middle distillates ¹⁾ | 7,119 | 49 | 7,154 | 50 |
| Light distillates ²⁾ | 4,732 | 33 | 4,630 | 33 |
| Heavy fuel oil | 1,177 | 8 | 1,137 | 8 |
| Base oils | 483 | 3 | 449 | 3 |
| Other products | 922 | 6 | 823 | 6 |
| Total | 14,433 | 100 | 14,193 | 100 |

¹⁾ Diesel, jet fuel, heating oil, low sulphur marine fuels

²⁾ Motor gasoline, gasoline components, LPG

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

| | 2018 | % | 2017 | % |
|-------------------------------|-------|----|-------|----|
| Baltic Sea area ¹⁾ | 8,770 | 61 | 8,268 | 58 |
| Other Europe | 3,930 | 27 | 4,606 | 32 |
| North America | 1,016 | 7 | 746 | 5 |
| Other areas | 717 | 5 | 572 | 4 |

¹⁾ Finland, Sweden, Estonia, Latvia, Lithuania, Poland, Denmark

Marketing & Services

Key financials

| | 2018 | 2017 |
|---|-------|-------|
| Revenue, MEUR | 4,315 | 3,912 |
| EBITDA, MEUR | 101 | 93 |
| Comparable operating profit, MEUR | 77 | 68 |
| Operating profit, MEUR | 77 | 69 |
| Net assets, MEUR | 249 | 280 |
| Return on net assets ¹⁾ , % | 29.1 | 28.7 |
| Comparable return on net assets ¹⁾ , % | 29.1 | 28.5 |

¹⁾ Last 12 months

Marketing & Services segment's full-year comparable operating profit was EUR 77 million (68 million). Sales volumes were maintained at the previous year's level. Average unit margins improved, which had a positive impact of EUR 5 million year-on-year. Also the other income was higher than in 2017, which had a positive impact of EUR 5 million on the comparable operating profit. The segment's fixed costs were EUR 1 million higher compared to the full-year 2017.

Sales volumes by main product categories, million liters

| | 2018 | 2017 |
|-------------------------|-------|-------|
| Gasoline, station sales | 1,049 | 1,080 |
| Diesel, station sales | 1,764 | 1,739 |
| Heating oil | 669 | 615 |

Net sales by market area, MEUR

| | 2018 | 2017 |
|------------------|-------|-------|
| Finland | 3,149 | 2,820 |
| Northwest Russia | 299 | 290 |
| Baltic countries | 867 | 802 |

Others

| | 2018 | 2017 |
|-----------------------------------|------|------|
| Comparable operating profit, MEUR | -36 | -24 |
| Operating profit, MEUR | -122 | -24 |

The Others segment consists of Neste Engineering Solutions, Nynas, a joint venture owned by Neste (49.99% share) and Petróleos de Venezuela, and common corporate costs. The full-year comparable operating profit of the Others segment totaled EUR -36 million (-24 million); Nynas accounted for EUR -12 (-2 million) of this figure. Nynas' result was impacted by lower sales volumes and higher production costs compared to the previous year. As a result of normal impairment testing, we booked an asset writedown of EUR 86 million regarding our shareholding in Nynas AB during the third quarter.

Shares, share trading, and ownership

Neste's shares are mainly traded on NASDAQ Helsinki Ltd. The share price closed the year at EUR 67.36, up by 26.3% compared to the end of 2017. The total shareholder return (TSR) was 29.4% (49.7%) in 2018. At its highest during 2018, the share price reached EUR 76.54, while the lowest price was EUR 52.12. Market capitalization was EUR 17.3 billion as of 31 December 2018. An average of 0.51 million shares were traded daily, representing 0.2% of the company's shares.

Neste's share capital registered with the Company Register as of 31 December 2018 totaled EUR 40 million, and the total number of shares was 256,403,686. As resolved by the AGM held on 1 April 2015, the Board of Directors was authorized to purchase and/or take as security a maximum of 1,000,000 company shares using the company's unrestricted equity. At the end of December 2018, Neste held 573,662 treasury shares purchased under this authorization. As resolved by the AGM held on 5 April 2018, the Board of Directors was authorized to take one or more decisions on the conveyance of treasury shares held

by the company totaling a maximum of 1,000,000 shares. The Board of Directors has no authorization to issue convertible bonds, share options, or new shares.

As of 31 December 2018, the State of Finland owned directly 36.4% (50.1% at the end of 2017) of outstanding shares, foreign institutions 37.6% (31.5%), Finnish institutions 18.3% (9.6%), and Finnish households 7.7% (8.7%).

Largest shareholders as of 31 December 2018

| Shareholder | Shares | % of shares |
|---|-------------|-------------|
| State of Finland / Prime Minister's Office | 93,438,038 | 36.44% |
| Valtion Kehitysyhtiö Vake Oy (State Business Development Company) | 21,298,041 | 8.31% |
| Ilmarinen Mutual Pension Insurance Company | 4,077,877 | 1.59% |
| Varma Mutual Pension Insurance Company | 3,450,486 | 1.35% |
| The Finnish Social Insurance Institution | 2,648,424 | 1.03% |
| The State Pension Fund | 1,600,000 | 0.62% |
| City of Kurikka | 1,550,875 | 0.60% |
| Elo Mutual Pension Insurance Company | 1,399,000 | 0.55% |
| OP-Finland | 1,153,152 | 0.45% |
| Schweizerische Nationalbank | 716,734 | 0.28% |
| Neste Oyj | 573,662 | 0.22% |
| Sigrid Jusélius Foundation | 370,000 | 0.14% |
| Alhopuro Eero Sakari | 362,600 | 0.14% |
| Finnish Cultural Foundation | 303,113 | 0.12% |
| Säästöpankki Kotimaa Mutual Fund | 287,500 | 0.11% |
| Nordea Pro Finland Fund | 286,675 | 0.11% |
| XACT Nordic 30 (UCITS ETF) | 266,912 | 0.10% |
| Seligson & Co OMX Helsinki 25 Exchange Traded Fund (ETF) | 257,933 | 0.10% |
| Evli Finland Select Fund | 225,000 | 0.09% |
| Danske Finnish Institutional Equity Fund | 223,000 | 0.09% |
| 20 largest owners total | 134,489,022 | 52.45% |
| Nominee registered | 95,059,518 | 37.07% |
| Others | 26,855,146 | 10.48% |
| Number of shares, total | 256,403,686 | 100.00% |

Breakdown of share ownership as of 31 December 2018

By the number of shares owned

| No. of shares | No. of shareholders | % of shareholders | Total no. of shares | % of shares |
|--------------------------------|---------------------|-------------------|---------------------|-------------|
| 1–100 | 28,142 | 46.1% | 1,362,053 | 0.5% |
| 101–500 | 23,727 | 38.9% | 5,737,818 | 2.2% |
| 501–1,000 | 5,077 | 8.3% | 3,831,861 | 1.5% |
| 1,001–5,000 | 3,633 | 6.0% | 7,224,365 | 2.8% |
| 5,001–10,000 | 271 | 0.4% | 1,922,907 | 0.8% |
| 10,001–50,000 | 160 | 0.3% | 3,347,656 | 1.3% |
| 50,001–100,000 | 25 | 0.0% | 1,916,430 | 0.8% |
| 100,001–500,000 | 20 | 0.0% | 4,379,537 | 1.7% |
| 500,001– | 16 | 0.0% | 226,681,059 | 88.4% |
| Total | 61,071 | 100.0% | 256,403,686 | 100.0% |
| of which nominee registrations | 11 | | 95,059,518 | 37.1% |

By the owner sector

| | % of shares |
|-----------------------------------|-------------|
| Central government ¹⁾ | 44.7% |
| Non-Finnish shareholders | 37.6% |
| Households | 7.7% |
| General government | 5.9% |
| Financial and insurance companies | 1.8% |
| Corporations | 1.0% |
| Non-profit organizations | 1.3% |
| Total | 100.0% |

¹⁾ Includes both State of Finland and Valtion Kehitysyhtiö Vake Oy.

Corporate governance

The control and management of Neste Corporation is divided between shareholders, the Board of Directors, and the President and Chief Executive Officer (CEO). The General Meeting of Shareholders appoints the Board of Directors based on a proposal made by the Shareholders' Nomination Board. The term of office of the Board of Directors will expire at the end of the next Annual General Meeting of Shareholders (AGM) following its election. Neste's President and CEO is appointed and expelled by the Board of Directors.

Changes to the company's Articles of Association can be made at the General Meeting of Shareholders based on a proposal by the Board of Directors.

Neste Corporation's Annual General Meeting (AGM) was held in Helsinki on 5 April 2018. The AGM adopted the company's Financial Statements and Consolidated Financial Statements for 2017, and discharged the Board of Directors and the President and CEO from liability for 2017. The AGM also approved the Board of Directors' proposal regarding

the distribution of the company's profit for 2017, authorizing payment of a dividend of EUR 1.70 per share in two installments. The first dividend installment, EUR 0.85 per share, was paid on 16 April 2018, and the second installment, EUR 0.85 per share, was paid on 17 October 2018.

In accordance with the proposal made by the Shareholders' Nomination Board, the AGM confirmed the membership of the Board of Directors at eight members, and the following were re-elected to serve until the end of the next AGM: Ms. Martina Flöel, Mr. Matti Kähkönen, Ms. Laura Raitio, Mr. Jean-Baptiste Renard, Mr. Willem Schoeber and Mr. Marco Wirén. The following were elected as new members: Ms. Elizabeth (Elly) Burghout and Mr. Jari Rosendal. Mr. Kähkönen was elected as Chair and Ms. Raitio as new Vice Chair.

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

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

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

Under the authorization, the Board shall be authorized to take one or more decisions on the conveyance of treasury shares held by the company, provided that the number of shares thereby conveyed totals a maximum of 1,000,000 shares, equivalent to approximately 0.39% of all the company's shares.

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

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

The Board shall decide on other terms and conditions of share issue. The authorization shall remain in force until 30 June 2021.

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

Research and development

Neste's R&D expenditure totaled EUR 48 million (44 million) in 2018. Expansion of the feedstock portfolio was continued, feedstock pretreatment and purification technologies further developed, and operations of the feedstock hub in Sluiskil, the Netherlands, supported. Research on waste plastic based feedstock for chemical recycling made progress with the ambition level concretized to use more than 1 Mton/a of liquefied waste plastic as refinery feedstock by 2030. Broadening of the product portfolio was done with special focus on renewable aviation fuel, low sulphur marine fuels, and new bio-based chemicals and chemically recycled plastics. Neste's patent portfolio in renewable feedstock, fuels and chemical applications was further strengthened with record high number of new patents and patent applications.

R&D supported activities for further expanding the feedstock portfolio in Renewable Products production towards higher share of lower quality waste and residue feedstock such as used cooking oils. It also supported capacity debottlenecking and maintenance cycle optimization at the production sites. Key priority was to provide validation information on the NEXBTL technology improvements included into the design of the Singapore capacity expansion project. Technology development for utilizing waste plastic as refinery feedstock was enhanced with selected external partners along the waste plastics to fuels and chemicals value chain.

R&D pursued to establish more strategic co-operations with external partners, key universities and institutes. For example, a strategic research co-operation with Aalto University was announced in the autumn.

Main events published during 2018

On 4 January, Neste announced that it had received an announcement pursuant to Chapter 9, Section 5 of the Securities Markets Act regarding a change in its shareholding. Prime Minister's Office had announced that its aggregate holding of shares and votes in Neste Corporation had decreased below the 50% threshold and was currently 49.74%.

On 9 February, Neste announced that Neste's Board of Directors had appointed Peter Vanacker President and CEO of Neste as of 1 November 2018. He will join Neste on 1 September 2018 as a Senior Executive and start familiarizing himself with Neste's business and operations. Matti Lievonon, who has served as Neste Corporation's President and CEO since 2008, acted as the President and CEO of Neste until 31 October 2018 and retired at the end of the 2018 after reaching his retirement age.

On 9 February, Neste announced that the US Blender's Tax Credit (BTC) had been approved retroactively for the year 2017. The retroactive reinstatement of the BTC for 2017 will have a positive impact on Neste's comparable operating profit in the first quarter of 2018. The impact is estimated to be somewhat lower than it was in the full year 2016. The respective cash flow is expected to be received during the first half of 2018.

On 19 March, Neste announced that it had started up the world's first large-scale renewable propane production facility in Rotterdam in the Netherlands. The first cargo of

renewable propane had been delivered to SHV Energy, who will market and sell the product to its customers across Europe as BioLPG. Neste's new facility has a production capacity of 40,000 tons per year.

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

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

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

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

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

On 18 July, Neste announced that it is exploring ways to introduce liquefied waste plastic as a future raw material for fossil refining. The aim of the development project is to proceed to industrial scale trial during 2019. The company's target is to process annually more than one million tons of waste plastic by 2030.

On 3 September, Neste announced that its acquisition of the share majority of the Dutch animal fat trader Demeter has been approved by the regulatory authorities, and the deal has been closed. Neste now owns 51% of the shares of IH Demeter B.V., making Neste the controlling shareholder. The former owners remain as co-owners.

On 11 September, Neste announced that it had signed a Memorandum of Understanding (MOU) with Alaska Airlines. In addition to Alaska Airlines' efforts to increase fuel-efficiency and adopt innovative flight technology, the agreement will allow Neste and Alaska to work more closely together to design, create and implement solutions that lay the groundwork for the wider adoption of renewable fuels within the airline industry.

On 12 September, Neste announced that the following members had been appointed to Neste's Shareholders' Nomination Board: The Chair, Senior Financial Counsellor Jarmo Väisänen of the Ownership Steering Department in the Prime Minister's Office of Finland; President and CEO Jouko Pölönen of Ilmarinen Mutual Pension Insurance Company; Executive Vice-President Reima Rytölä of Varma Mutual Pension Insurance Company and Matti Kähkönen, the Chair of Neste's Board of Directors.

On 11 October, Neste announced that Neste and Air BP, the international aviation fuel products and services supplier, had entered into an agreement to explore opportunities to increase the supply and availability of sustainable aviation fuel for airline customers.

On 1 November, Neste announced that Peter Vanacker had started as the President and CEO. He joined Neste in September 2018 as a Senior Executive and since then had familiarized himself with Neste's business and operations.

On 6 November, Neste announced that Neste and Clariant, a world leader in specialty chemicals, have signed an agreement for a new partnership to join forces in developing and making new sustainable material solutions accessible to a variety of industries. In the first phase of the partnership, companies will start replacing fossil-based ethylene and propylene used in Clariant's top-quality hot-melt adhesives, with monomers derived from renewable feedstock. In a later phase, the companies will also develop other sustainable additive solutions derived from renewable raw materials for plastics and coatings applications.

On 7 November, Neste announced that it is launching Neste MY Renewable Diesel for the Swedish transport market. It is made from 100% renewable raw materials and emits up to 90% less greenhouse gas emissions compared to conventional fossil diesel. Neste MY Renewable Diesel in Sweden is aimed initially at the transport industry and other business customers and is sold via the distributors Swea Energi, Biofuel Express, Ecobränsle, Colabitoil and Energifabriken. The fuel can easily replace traditional diesel in private cars as well.

On 13 November, Neste announced that it was satisfied with the European Parliament's voting on the EU post-2020 Renewable Energy Directive (RED II). As expected, the Parliament supports the EU-wide overall target of 32% for renewables in 2030, and the binding target of minimum 14% for renewables in transport in 2030. The Renewable Energy Directive creates a predictable investment environment for biofuels. The proposal needs to be formally approved by the Council before final publication.

On 3 December, Neste announced that the US Environmental Protection Agency (EPA) had published the final ruling covering renewable fuel volume requirements under the Renewable Fuel Standard (RFS) program for 2019, and biomass-based diesel for 2020. The final ruling increases requirements for biomass-based diesel from the 2019 standard by 330 million gallons for 2020. Neste MY Renewable Diesel also competes for the additional advanced biofuel volumes for 2019 which will increase by 630 million gallons over the 2018 standard.

On 5 December, Neste announced that it had received a notification under Chapter 9, Section 5 of the Finnish Securities Markets Act, according to which the total holding of

Valtion kehitysyhtiö Vake Oy (State Business Development Company) of the shares and votes of Neste Corporation had risen above the threshold of 5% and was 8.31%. To Neste Corporation's knowledge, Valtion kehitysyhtiö Vake Oy is 100% controlled by the State of Finland.

On 11 December, Neste announced that the Board of Directors of Neste Corporation had decided on the establishment of new share-based long-term incentive schemes for selected members of the Company's management and selected key employees. The decision includes a Performance Share Plan (also "PSP") as the main structure and a Restricted Share Plan (also "RSP") as a complementary structure for specific situations.

On 12 December, Neste announced that it had made the final investment decision on additional renewable products production capacity in Singapore. The decision is based on a growing global market demand for low-carbon solutions in transport and cities, aviation, polymers and chemicals. The investment worth approximately EUR 1.4 billion will extend Neste's renewable product overall capacity in Singapore by up to 1.3 million tons per annum, bringing the total renewable product capacity close to 4.5 million tons annually in 2022. The company's target is to start up the new production line during the first half of 2022.

Events after the reporting period

On 18 January, 2019, Neste announced that the Shareholders' Nomination Board proposes to the AGM to be held on 2 April 2019 that the company's Board of Directors shall comprise the following members: The Shareholders' Nomination Board proposes that Mr. Matti Kähkönen shall be re-elected as the Chair of the Board of Directors. In addition, the current Board members Ms. Ely (Elizabeth) Burghout, Ms. Martina Flöel, Mr. Jean-Baptiste Renard, Mr. Jari Rosendal, Mr. Willem Schoeber, and Mr. Marco Wirén are proposed to be re-elected for a further term of office. The Nomination Board further proposes that Mr. Wirén shall be elected as the Vice Chair of the Board. The Shareholders' Nomination Board further proposes that the Board shall have eight members and that Ms. Sonat Burman-Olsson shall be elected as a new member.

Risk Management

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

Neste's risk management framework and processes are aligned with the internationally recognized best practices: COSO Enterprise Risk Management framework and the International Standard for risk management ISO 31000:2009. Framework and principles for risk management have been defined in Neste Corporate risk management policy that has been approved by the Board of Directors.

Risk management policy is supplemented by risk management principles, guidelines and instructions for specific risk disciplines. Communication regarding the most important risk

issues takes place along the strategic planning and performance management cycle. Formal risk reporting is directed to business management and function management teams, Neste Executive Board, Audit Committee, and the Board of Directors.

Risks relating to Neste's business

There have not been any significant changes in Neste's short-term risks or uncertainties since the end of 2017.

Key risks affecting Neste's financial results for the next 12 months include political and geopolitical risks, possible trade war, changes in the biofuel regulation, unexpected changes in the market prices, changes in the competitive situation and any scheduled or unexpected shutdowns at Neste's refineries. Outcome of legal proceedings may have an impact on Neste's financial results.

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

Sustainability risks

Neste's most significant sustainability risks can be categorized as follows:

Risk of adverse environmental impact from emissions to air and water

Neste is subject to a wide array of laws and regulations aiming at safe operations and reduced environmental footprint. In addition, transitioning to a lower-carbon economy entails additional requirements that affect Neste's way to manage refining assets and puts more emphasis on efficient use of different utilities, such as water and energy. In order to ensure continuous compliance with the applicable laws and regulations, Neste has implemented certified management systems that reflect the international standards issued by ISO and OHSAS.

Risk of leaks, explosions and other chemical hazards

Due to their nature, Neste's operations carry an inherent risk of fires, explosions, leaks or other hazards that can result into soil, groundwater or seawater contamination. Especially maritime accidents would at worst have a catastrophic impact on the surrounding environment. Neste has implemented systematic risk management actions to minimize the probability of chemical hazards. Actions taken include ship vetting, systematic safety procedures, partner selection and performance management, and training in own operations.

Risk of adverse environmental footprint from procurement of raw materials for refining

Main raw materials used in Neste's refineries include various vegetable oils, waste and residue fats and diverse crude oils. During the past years, use of palm oil has created a reputational risk as sustainability of palm oil sourcing has caused public discussion and concerns both from NGOs' and customers' side. Neste is committed to ensuring

sustainable palm oil sourcing and has implemented several measures to improve transparency in its supply chain.

Risk of process safety incidents or accidents

Neste has implemented comprehensive safety rules and procedures, and is committed to continuously develop the safety practices covering leadership, competence development, performance management and learning from experience.

Potential adverse human rights impacts

Neste has made policy commitments in the form of Neste Human Rights Commitment and Human Rights Principles and taken several initiatives to ensure proper management of human rights related risks. During 2015–2017 Neste conducted social and labour studies of the palm oil industry in Malaysia and Indonesia. In 2016, a corporate-wide human rights impact assessment was conducted. Assessment identified health and safety issues as a salient human rights risk in Neste's operations. In the supply chain, forced labor, conditions of employment, as well as social and economic development especially regarding land issues are the most at risk. Neste started a group-wide implementation program on human and labor rights to fulfil compliance to its Human Rights Commitment and Principles. In 2018, a human rights due diligence process was initiated to evaluate the strength of internal policies, management processes and operating procedures in selected functions.

Suppliers are subject to due diligence procedures, and are required to comply with Neste Supplier Code of Conduct. Neste has improved and strengthened criteria in self-assessment questionnaire and audit checklists for evaluating and understanding human rights risk in renewable raw material supply chain. Neste has strengthened the understanding risks related to human rights during planning and execution of projects.

Risk of corruption and bribery

Risks of corruption and bribery are typically treated as inherent risks of the oil and gas sector due to its global nature, contractual relationships with local governments, and involvement in complex networks with various suppliers and contractors. Neste has stated a zero tolerance to any form of corruption and bribery. As a preventive measure, Neste has developed a compliance program which includes policy statements (Code of Conduct, Anti-corruption Principle), dedicated eLearning packages, as well as Ethics Online for reporting of suspected misconduct. Neste's counterparties are required to comply with Supplier Code of Conduct and compliance clearance. The Compliance clearance covers the following: trade sanctions, politically exposed persons, money laundering, corruption and bribery.

Environment, Social and Governance (ESG)

Neste fulfills the requirements in the EU Directive on disclosure of non-financial and diversity information, and the changes made in the Finnish Accounting Act. In addition, Neste reports

according to the GRI (Global Reporting Initiative) Standards where applicable. For more on Neste's sustainability, see Neste's Annual Report and Neste's website.

Business model

Neste employed an average of 5,468 (5,297) employees in 2018, of which 1,787 (1,693) were based outside Finland. At the end of December, the company had 5,413 employees (5,339), of which 1,820 (1,758) were located outside Finland. Neste produces a wide variety of traditional oil products and is the world's largest producer of renewable diesel. Our target is to become the preferred partner as a provider of sustainable chemicals and plastics solutions for forerunner brands, and we are exploring ways to utilize liquefied plastic waste to replace crude oil in the production of fuels, chemicals, and new plastics.

Neste's business areas are Renewable Products, Oil Products, and Marketing & Services. Neste has integrated sustainability into its business strategy in order to secure long-term success of its business. Neste's purpose is to leave a healthier planet for future generations, and its vision is to create responsible choices every day.

Our sustainably-produced solutions are our most significant contribution to the implementation of the Paris Agreement, as well as, the United Nations' Sustainable Development Goals (SDG) on "Climate Action" (SDG 13) and "Sustainable Cities and Communities" (SDG 11). Neste creates value for society by helping its customers reduce climate emissions by developing cleaner solutions for transportation, aviation, and marine uses, as well as bio-based solutions from renewable raw materials for the chemical and plastics industries. Neste's NEXBTL refining technology enables flexible use of various renewable raw materials including low-quality waste and residue oils and fats. We believe that a strong focus on circular economy, particularly our smart utilization of waste and residue raw materials continue to provide us a steady basis for business growth also in the future. Securing the supply of renewable raw materials is considered essential for the success of Neste's growth strategy. Neste is also focused on providing excellent customer service, as well as flexible and reliable customer solutions.

Neste's value creation is also based on its global business model for raw material sourcing and product sales, in-depth knowledge of regulations and customer requirements for both fossil and renewable products, as well as continuous innovation and development of products and solutions. Non-financial assets, e.g. production, sales and sourcing expertise, are an essential part of Neste's value creation. Substantial effort is put into maintaining and developing the skills base within the company. We are investing in developing our corporate culture to deeply ingrain customer satisfaction, safety and operational efficiency into our day-to-day operations. Please see Neste's value creation map in our Sustainability report.

See also: Outlook

Materiality

This ESG report focuses on the most material sustainability topics for Neste and its stakeholders in relation to value creation and risk management. Neste conducts a materiality assessment once every two years. The most recent assessment was conducted in spring 2018 with altogether 161 responses received from internal and external stakeholders via interviews and a web-based survey. We selected 28 representatives of our key stakeholders to be interviewed. The materiality assessment identified nine material topics that provide the framework for our sustainability agenda. The materiality matrix describes the significance of these key sustainability topics from the point of view of our business operations and stakeholders.

Neste's nine material topics relate to the following four themes of the non-financial reporting requirements: *Environmental matters* identified as material for Neste include Protecting biodiversity and preventing deforestation, Resource efficiency, as well as Safety and incident-free operation. Material issues relating to the following three themes *Social and employee matters*, *Respect for human rights*, and *Anti-corruption and anti-bribery* are Human rights, Fair and equal employment, as well as Safety and incident-free operation. The following material topics are linked to all four themes: Economic responsibility, Good corporate citizenship and ethics, Low-carbon solutions, as well as Sustainability of raw materials.

Policies and principles

Neste's key sustainability policies and principles are Code of Conduct, Sustainability Policy, Supplier Code of Conduct, No-Deforestation and Responsible Sourcing Guidelines for Renewable Feedstock, Anti-Corruption Principle, and Human Rights Principle.

Environmental matters

All of Neste's refineries and the company-managed security stockpiles have been certified in accordance with the requirements of the ISO 9001, ISO 14001 and OHSAS 18001 standards. All of Neste's renewable products refineries have EU compliant International Sustainability and Carbon Certification (ISCC), as well as Roundtable on Sustainable Palm Oil (RSPO) and Hydrotreated Vegetable Oil (HVO) Scheme certificates. In the United States, the sustainability of Neste's renewable fuels is monitored based on the Environmental Protection Agency's (EPA) sustainability requirements. We procure renewable raw materials only from suppliers who meet our strict criteria and fully comply with the regulatory requirements for biofuels in our key markets. All suppliers of renewable raw materials must pass a due diligence process related to sustainability of the raw material production.

Potential crude oil suppliers undergo a two-phase assessment that includes a financial review and a compliance assessment based on risk review. Neste's Supplier Code of Conduct defines the basic requirements Neste requires its suppliers to adhere to. Neste's supplier contracts contain strict audit terms. Neste's key policies and principles concerning environmental matters related to sourcing of renewable raw materials are No-Deforestation

and Responsible Sourcing Guidelines for Renewable Feedstock, as well as Sustainability Principles for Biofuels. In 2017, Neste started to renew its No-Deforestation and Responsible Sourcing Guidelines for Renewable Feedstock and renamed them as Neste Responsible Sourcing Principle. The implementation of the guidelines will start in 2019. All of Neste's palm oil suppliers are committed to no deforestation policies, and extended those to cover also their third party suppliers, since 2015. All the palm oil we have used has been fully traceable to the plantation level since 2007, and 100% certified since 2013.

Social and employee matters

Neste's Gender Equality and Non-Discrimination Principles, and Neste's Equality Plan follow the Finnish legislation on equality. Neste promotes equality e.g. by ensuring that it follows non-discriminatory procedures in recruitment, task distribution, access to training, and remuneration. Implementation of the Equality Plan is monitored by the company's Equality and Non-Discrimination Working Group.

Neste aims at zero accidents and incidents. We believe that all accidents and incidents can be prevented. We continuously develop people safety and the safety of our assets through improving working conditions and asset integrity, and by improving the knowledge and awareness of Neste's, its contractors', and other partners' personnel on aspects affecting safety. Following the renewal of our corporate-level Health, Safety and Environment (HSE) management system and 15 HSE principles, Neste developed an audit model for the HSE principles and instructions, and started the audit processes in the second half of 2018.

Neste's key policies and principles concerning social and employee matters are Human Resources Policy, Gender Equality and Non-Discrimination Principle, Neste Global Pay Principles, Senior Management Remuneration Principles, Global Employee Benefits Principle, and Recruitment Principles.

See also: Diversity of the Board of Directors in the Annual Report

Respect for human rights

Neste is committed to respect human rights and requires the same from all partners. Neste committed to the United Nations Guiding Principle (UNGP) by publishing our Human Rights Commitment in 2015. Following the 2016 corporate-wide human rights impact assessment, in 2018 Neste initiated a human rights due diligence (HRDD) process across relevant internal departments and units to evaluate their preparedness to follow and promote internal policies, management processes and operating procedures. Neste's key policies and principles concerning human rights are Neste Human Rights Commitment and Neste Human Rights Principle.

Anti-corruption and bribery matters

Neste and its management are committed to conducting company's global operations ethically and with integrity. As stated in the company's Code of Conduct, Neste has zero tolerance for corruption of any kind in connection with Neste's operations, whether

committed by Neste employees or third parties acting on behalf of Neste. Neste also requires that its external business partners acting for or on behalf of the company are aware of and share the commitment to zero tolerance for corruption. Neste's key policies and principles concerning anti-corruption and bribery are Code of Conduct, Anti-Corruption Principle, and Supplier Code of Conduct.

Outcomes and key performance indicators

Neste's sustainability policies, and principles apply to the company as a whole and guide all its operations. In addition, international conventions and commitments underlie Neste's work. In 2018, Neste was included in the Dow Jones Sustainability World Index for the 12th consecutive time. Neste was included both in the DJSI World and DJSI Europe. The industry's best scores in climate strategy, environmental reporting, and water-related risks contributed to the company's inclusion among the top performers. In January 2018, Neste was ranked the second most sustainable company in the world on the Global 100 list. This was the company's highest-ever ranking. In 2019, Neste placed 3rd on the Global 100 list while also reaching the leading performers' A List based on the CDP Climate Change assessment.

Environmental matters

In 2018, we updated our Neste Traceability Dashboard to provide exact coordinates to the palm oil plantations in Neste's supply chain. We also introduced data on our palm fatty acid distillate (PFAD) supply chain. By the end of 2017, we had mapped 96% of our PFAD supply chain to the palm oil mills supplying the palm oil refineries where PFAD is extracted during vegetable oil refining. In 2018, we continued our PFAD supply chain mapping efforts in collaboration with palm oil suppliers and sustainability specialist from the Consortium of Resource Experts (CORE). With CORE, we continued conducting risk assessments of palm oil mills that supply palm oil to refineries where PFAD is extracted as a processing residue. We continued developing a new Supplier Sustainability Portal to digitalize renewable raw material supplier evaluation, monitoring, and engagement, and released its first version in December 2018.

Emissions from operations at Neste's refineries were in substantial compliance at all sites during 2018. A total of two minor non-compliance cases occurred in Neste's operations with very limited local environmental impact. No serious environmental incidents resulting in liability occurred at Neste's refineries or other production sites. Efforts to improve environmental management during 2018 contributed to the performance improvement.

Key figures

| | 2018 | 2017 |
|--|---|--|
| Emission limits and overruns: All deviations from environmental permits. Target: Halve the number of incidents within Oil Products (OP) in 2018 compared to the average number of incidents in 2016–2017. Long-term target for OP and Renewable Products (RP): zero permit violations. | Permit violations: 2, of which 2 in OP | Permit violations: 10, of which 7 in OP (2016 all: 8, OP: 6) |
| Energy efficiency, energy saving measures GWh Target: Reduce Neste's energy consumption by 500 GWh during 2017–2025 | 57 | 4 |
| GHG reduction achieved with Neste's renewable fuels compared to crude oil based diesel, million tons. ¹⁾ Target: To reach 14 Mt GHG reduction by 2023. | 7.9 | 8.3 |
| The number of potential renewable raw material suppliers' Due Diligence (DD) and their outcome. ²⁾ | Total: 87 New approved suppliers: 41 All approved: 52 Pending: 35 Failed: 0 | Total: 91 Approved: 46 Ongoing: 44 Failed: 1 |

¹⁾ Cumulative greenhouse gas (GHG) reduction achieved with Neste's renewable fuels compared to crude oil based diesel. Calculation method complies with the EU Renewable Energy Directive (2009/28/EC). Neste updates regularly its GHG emission factors according to the updates in legislation and in the certification schemes.

²⁾ All figures except "New approved suppliers" include existing suppliers, which undergo a DD process every 5 years.

Social and employee matters

Neste selects a specific focus area each year for its annual Equality Plan implementation. In 2018, we focused on pay equity and on setting indicators to regularly measure progress related to equality both at the corporate and business area levels. We additionally started using more rigorous statistical analysis methods to measure progress related to equality also at the sites outside of Finland.

A discrimination case at one of our service stations in Finland revealed deficiencies in our station network operations. In addition to taking full responsibility and openly communicating about the incidence, we started arranging diversity training for Neste station workers and partners to ensure that our customers, personnel, and other stakeholders are always treated equally and with respect.

Neste's occupational safety performance (TRIF, or rate of accidents requiring medical treatment per million hours worked, including contractors) improved compared to 2017. The annual TRIF result 1.7 was the best ever at Neste, and the target for 2018 was reached.

Process safety performance (PSER, or rate of process safety events per million hours worked) remained at the 2017 level. However, we did not meet our PSER target for 2018. Making substantial improvements in process safety remains a top priority for Neste.

Our long-term safety development activities continue focusing on behavior, leadership, operational discipline, process safety, and contractor safety. The key items in process

safety are investments in asset integrity, ensuring comprehensive and effective process hazard analysis and actions in all operations, and continuous development of safety-critical operations.

Key figures

| | 2018 | 2017 |
|---|--|--|
| TRIF ¹⁾ target: 2.0 for 2018 and 1.5 for 2019 Long-term target: Zero accidents | 1.7 | 2.1 |
| PSER ²⁾ target: 1.7 for 2018 and 1.5 for 2019 Long-term target: Zero safety deviations | 2.1 | 2.1 |
| New employee hires and employee turnover. | Leaving rate of permanent employees 11.4%. Hiring rate of permanent employees 10.9%. | Leaving rate of permanent employees 9.8%. Hiring rate of permanent employees 13.8%. |
| Employee engagement Target: Maintain a good level of employee engagement. | Neste-level employee engagement survey scheduled for early 2019. | In a brief internal pulse survey conducted in 2017, 86% of employees had clear understanding of Neste's strategy and 92% of employees believed in company's outstanding future. Strategy results remained strong, 13 percentage points above global benchmark. Safety results also exceeded global benchmark and improved by 3 percentage points from 2016 survey. |

¹⁾ Total Recordable Incident Frequency, number of cases per million hours worked. The figure includes both Neste's and contractors' personnel. Hours worked for own personnel in December is an estimate based on actual working hours from January to November 2018. Estimation error is irrelevant.

²⁾ Process Safety Event Rate, number of cases per million hours worked. Hours worked for own personnel in December is an estimate based on actual working hours from January to November 2018. Estimation error is irrelevant.

Respect for human rights

Following the 2016 corporate-wide human rights impact assessment, Neste initiated a human rights due diligence (HRDD) process across relevant internal departments and units to evaluate their preparedness to follow and promote internal policies, management processes, and operating procedures. The HRDD process was kickstarted with three internal groups, beginning with human rights workshops. This is followed by gap assessments to evaluate internal capacity and preparedness to mitigate potential human rights impacts.

For supply chain, we improved and strengthened the human rights criteria in the self-assessment questionnaire and audit checklists for evaluating human rights risks and supplier's sustainability performance in general. This will allow us to gain a deeper understanding of the risk areas to be managed. It also helps suppliers to gain insights and improve their sustainability performance.

Neste has organized annual supplier workshops since 2015 to share key observations from the human rights impact assessments in the palm oil supply chain, for capacity building, to communicate Neste's expectations, and to engage with Neste's suppliers and other key stakeholders. In April 2018, in addition to our raw material suppliers, also their suppliers, so-called third-party suppliers, attended the workshop for the first time. The suppliers visited our Singapore refinery and we shared information regarding Neste's requirements regarding human rights, traceability, and Neste Responsible Sourcing Principle.

Key figures

| | 2018 | 2017 |
|--|--|---|
| Managing human rights risks in renewable raw material supply chain Target: To strengthen the human rights criteria in monitoring and measuring suppliers' performance on social (and other sustainability) issues with the digital supplier management system, Supplier Sustainability Portal | Improved and strengthened criteria in self-assessment questionnaire and audit checklists for evaluating human rights risk in supply chain. | Gaps were identified in the management of human rights risks in supply chain. |
| Internal capacity to manage human rights risks Target for 2019: Most critical functions have initiated human rights due diligence process to evaluate and strengthen internal capacity to mitigate potential negative human rights impacts. | Three internal groups attended human rights workshops and we are in the process of conducting gap assessments. | Planning and preparation work to implement recommendations from the corporate-level human rights impact assessment in 2016 in relevant internal groups. |

Anti-corruption and bribery matters

During 2018, employees were reminded about and encouraged to use Neste's whistleblowing system Ethics Online. Ethics Online is available both for employees' and external stakeholders. A total of 13 suspected misconducts were reported during 2018, and a majority of these reports came via the whistleblowing system. Proven misconduct leading to legal actions and process improvements was identified in two of the completed investigations, while no misconduct was found in eight completed investigations. Three cases are still under investigation. Three reports concerned a suspected misconduct by a third party in connection with Neste's operations. Neste's Ethics Committee (later named as Investigations Group) investigated the received reports and reported the number of cases per category to the Board of Directors' Audit Committee and to the Ethics and Compliance Committee consisting of Neste Executive Group members, Chief Compliance Officer, and Head of Internal Audit. During 2018, all new employees were required to complete Code of Conduct online training. Trainings on anti-corruption, competition law compliance, and trade sanction compliance were conducted with defined target groups, such as sales and procurement teams. Prevention of corruption by Neste's business partners was strengthened by the acquisition of a counterparty screening tool, Counterparty Catalyst, which will be implemented in all Neste's operations during 2019.

Key figures

| | 2018 | 2017 |
|---|--|--|
| Number of suspected misconducts reported in person or via the whistleblowing system to the Investigations Group. Target: To further encourage employees and external stakeholders to report observed or suspected misconducts. | A total of 13 suspected misconducts were reported, in the following categories: Discrimination and harassment 2, asset misuse 1, tax misconduct 2, fraud 4, conflict of interest 1, human resources related 2, and 1 belongs to category "other". Two misconducts lead to legal actions and process improvements and three cases are still under investigation. | A total of 13 suspected misconducts were reported. |

Read more about the topics on Neste's website.

Outlook

Developments in the global economy have been reflected in the renewable fuel, feedstock and oil markets; and volatility in these markets is anticipated to continue. Vegetable oil price differentials are expected to vary, depending on crop outlooks, weather phenomena, and variations in demand for different feedstocks. Global oil product demand growth is expected to continue at a lower rate than in 2018, while global refining capacity additions are expected to grow driven by large projects in Asia and the Middle East. Based on our current estimates and a hedging rate of 80%, Neste's effective EUR/US dollar rate is expected to be within a range 1.17–1.19 in the first quarter of 2019.

Renewable Products' first-quarter sales volumes are expected to be higher than in the fourth quarter of 2018, with no major changes in the sales allocation. Utilization rates of our renewable production facilities are expected to be high in the first quarter. The scheduled Singapore refinery turnaround, which was completed during the fourth quarter, is estimated to have a negative EBIT impact of EUR 15 million in the first quarter 2019.

Oil Products' reference margin is expected to be low in the first quarter, driven by a weak gasoline market, but to strengthen towards the end of the quarter. Utilization rates of our production facilities are anticipated to be high in the first quarter.

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

Dividend distribution proposal

Neste's dividend policy is to distribute at least 50 percent of its comparable net profit in the form of a dividend. The parent company's distributable equity as of 31 December 2018 amounted to EUR 2,181 million, and there have been no material changes in the company's financial position since the end of the financial year. The Board of Directors will propose to the Annual General Meeting that Neste Corporation pays a cash dividend of EUR 2.28 per share (1.70) for 2018, totaling EUR 583 million (435 million) based on the number of outstanding shares. The Board of Directors will also propose that the annual dividend shall be paid in two installments. The first installment of dividend, EUR 1.14 per share, would be paid to shareholders registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the record date for the first dividend installment, which shall be Thursday, 4 April 2019. The Board proposes to the AGM that the first dividend installment would be paid on Thursday, 11 April 2019.

The second installment of the dividend shall be paid in October 2019. The Board of Directors will propose to the Annual General Meeting a share issue without payment (share split). If the Board's proposal is approved, the second installment will be divided between one old and two new shares so that EUR 0.38 will be paid for each share. If the AGM does not approve the share issue without payment proposed by the Board, the second installment will be paid in the same manner as the first, i.e. EUR 1.14 per share. The second installment of dividend would be paid to shareholders registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the record date for the second dividend installment, which shall be Friday, 4 October 2019. The Board proposes to the AGM that the second dividend installment would be paid on Friday, 11 October 2019. The Board of Directors is authorized to set a new dividend record date and payment date for the second installment of the dividend, in case the rules and regulations on the Finnish book-entry system would be changed, or otherwise so require.

The proposed dividend represents a yield of 3.4% (at year-end 2018 share price of EUR 67.36) and 51% of the comparable net profit in 2018, and an increase of 34% compared to the dividend distributed in the previous year.

Key Figures

| Income statement | | 2018 | 2017 | 2016 |
|-----------------------------|-------------|--------|--------|--------|
| Revenue | EUR million | 14,918 | 13,217 | 11,689 |
| Operating profit | EUR million | 1,025 | 1,171 | 1,155 |
| – of revenue | % | 6.9 | 8.9 | 9.9 |
| Comparable operating profit | EUR million | 1,422 | 1,101 | 983 |
| Profit before income taxes | EUR million | 951 | 1,094 | 1,075 |
| – of revenue | % | 6.4 | 8.3 | 9.2 |
| EBITDA | EUR million | 1,639 | 1,542 | 1,521 |
| Comparable net profit | EUR million | 1,150 | 851 | 793 |

Profitability

| | | | | |
|---|---|------|------|------|
| Return on equity (ROE) | % | 17.3 | 22.7 | 28.1 |
| Return on average capital employed, after tax (ROACE) | % | 21.1 | 17.5 | 16.9 |

Financing and financial position

| | | | | |
|---------------------------|-------------|------|------|------|
| Interest-bearing net debt | EUR million | –70 | 412 | 683 |
| Leverage ratio | % | –1.5 | 8.7 | 15.4 |
| Gearing | % | –1.5 | 9.5 | 18.2 |
| Equity-to-assets ratio | % | 56.5 | 55.8 | 50.6 |

Other indicators

| | | | | |
|---|-------------|-------|-------|-------|
| Capital employed | EUR million | 5,770 | 5,533 | 5,226 |
| Capital expenditure and investments in shares | EUR million | 438 | 536 | 422 |
| – of revenue | % | 2.9 | 4.1 | 3.6 |
| Research and development expenditure | EUR million | 48 | 44 | 41 |
| – of revenue | % | 0.3 | 0.3 | 0.4 |
| Average number of personnel | | 5,468 | 5,297 | 5,013 |

| Share-related indicators | | 2018 | 2017 | 2016 |
|---|-------------|--------------------|-------------|-------------|
| Earnings per share (EPS) | EUR | 3.04 | 3.56 | 3.67 |
| Comparable earnings per share | EUR | 4.50 | 3.33 | 3.10 |
| Equity per share | EUR | 18.09 | 16.96 | 14.60 |
| Cash flow per share | EUR | 5.68 | 4.28 | 4.67 |
| Price/earnings ratio (P/E) | | 22.15 | 14.99 | 9.94 |
| Dividend per share | EUR | 2.28 ¹⁾ | 1.70 | 1.30 |
| Dividend payout ratio | % | 75.0 ¹⁾ | 47.8 | 35.4 |
| Dividend yield | % | 3.4 ¹⁾ | 3.2 | 3.6 |
| Share prices | | | | |
| Closing share price | EUR | 67.36 | 53.35 | 36.50 |
| Average share price | EUR | 65.17 | 38.34 | 32.25 |
| Lowest share price | EUR | 52.12 | 31.15 | 25.42 |
| Highest share price | EUR | 76.54 | 54.05 | 40.78 |
| Market capitalization | EUR million | 17,271 | 13,679 | 9,359 |
| Trading volumes | | | | |
| Number of shares traded | 1,000 | 127,161 | 160,467 | 200,351 |
| – of weighted average number of shares | % | 50 | 63 | 78 |
| Weighted average number of shares outstanding | | 255,822,047 | 255,775,535 | 255,696,935 |
| Number of shares outstanding at the end of the period | | 255,830,024 | 255,790,141 | 255,717,112 |

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

Reconciliation of key figures to IFRS Financial Statements

Reconciliation between comparable operating profit and operating profit is presented in Note 4, Segment information in the Annual Report.

Reconciliation between comparable operating profit and comparable net profit

| EUR million | 2018 | 2017 | 2016 |
|---|-------|-------|------|
| Comparable operating profit | 1,422 | 1,101 | 983 |
| IS Total financial income and expenses | -75 | -77 | -79 |
| IS Income tax expense | -172 | -180 | -133 |
| IS Non-controlling interests | 0 | -3 | -4 |
| Tax on items affecting comparability | -25 | 11 | 26 |
| Comparable net profit | 1,150 | 851 | 793 |

Reconciliation of return on average capital employed, after tax (ROACE), %

| EUR million | 2018 | 2017 | 2016 |
|---|-------|-------|-------|
| Comparable operating profit, last 12 months | 1,422 | 1,101 | 983 |
| IS Financial income | 7 | 4 | 4 |
| IS Exchange rate and fair value gains and losses | -34 | -2 | -17 |
| IS Income tax expense | -172 | -180 | -133 |
| Tax on other items affecting ROACE | -32 | -1 | 16 |
| Comparable net profit, net of tax | 1,191 | 921 | 853 |
| Capital employed average | 5,657 | 5,266 | 5,047 |
| Return on average capital employed, after tax (ROACE), % | 21.1 | 17.5 | 16.9 |

Reconciliation of equity-to-assets ratio, %

| EUR million | 2018 | 2017 | 2016 |
|----------------------------------|-------|-------|-------|
| BS Total equity | 4,630 | 4,338 | 3,755 |
| BS Total assets | 8,224 | 7,793 | 7,443 |
| Advances received | -28 | -21 | -18 |
| Equity-to-assets ratio, % | 56.5 | 55.8 | 50.6 |

Reconciliation of net working capital in days outstanding

| EUR million | 2018 | 2017 | 2016 |
|--|--------|--------|--------|
| Operative receivables | 1,140 | 1,093 | 996 |
| BS Inventories | 1,482 | 1,563 | 1,416 |
| Operative liabilities | -1,750 | -1,683 | -1,552 |
| Net working capital | 873 | 973 | 859 |
| IS Revenue | 14,918 | 13,217 | 11,689 |
| Net working capital in days outstanding | 21.4 | 26.9 | 26.8 |

Calculation of key figures

Calculation of key figures

| | | |
|--|---------|--|
| EBITDA | = | Operating profit + depreciation, amortization and impairments |
| Comparable operating profit ¹⁾ | = | Operating profit –/+ inventory valuation gains/losses –/+ changes in the fair value of open commodity and currency derivatives –/+ capital gains/losses – insurance and other compensations + impairments –/+ other adjustments |
| Items affecting comparability | = | Inventory valuation gains/losses, changes in the fair value of open commodity and currency derivatives, capital gains/losses, insurance and other compensations, impairments and other adjustments |
| Comparable net profit | = | Comparable operating profit – total financial income and expense – income tax expense – non-controlling interests – tax on items affecting comparability |
| Return on equity (ROE), % | = 100 × | $\frac{\text{Profit before income taxes – income tax expense, last 12 months}}{\text{Total equity average, 5 quarters end values}}$ |
| Return on average capital employed, after-tax (ROACE), % | = 100 × | $\frac{\text{Comparable operating profit + financial income + exchange rate and fair value gains and losses – income tax expense – tax on other items affecting ROACE, last 12 months}}{\text{Capital employed average, 5 quarters end values}}$ |
| Capital employed | = | Total equity + interest bearing liabilities |
| Interest-bearing net debt | = | Interest-bearing liabilities – cash and cash equivalents – current investments |
| Leverage ratio, % | = 100 × | $\frac{\text{Interest-bearing net debt}}{\text{Interest-bearing net debt + total equity}}$ |
| Gearing, % | = 100 × | $\frac{\text{Interest-bearing net debt}}{\text{Total equity}}$ |
| Equity-to-assets ratio, % | = 100 × | $\frac{\text{Total equity}}{\text{Total assets – advances received}}$ |
| Net working capital in days outstanding | = 365 × | $\frac{\text{Net working capital}}{\text{Revenue, last 12 months}}$ |
| Net Debt to EBITDA | = | $\frac{\text{Interest-bearing net debt}}{\text{EBITDA, last 12 months}}$ |
| Return on net assets, % | = 100 × | $\frac{\text{Segment operating profit, last 12 months}}{\text{Average segment net assets, 5 quarters end values}}$ |
| Comparable return on net assets, % | = 100 × | $\frac{\text{Segment comparable operating profit, last 12 months}}{\text{Average segment net assets, 5 quarters end values}}$ |
| Segment net assets | = | Property, plant and equipment + intangible assets + investments in joint ventures + inventories + interest-free receivables and liabilities – provisions – pension liabilities allocated to the business segment |

Calculation of share-related indicators

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

Calculation of key drivers

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

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

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



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Consolidated Statement of Income

| EUR million | Note | 1 Jan–31 Dec 2018 | 1 Jan–31 Dec 2017 |
|--|------|-------------------|-------------------|
| Revenue | 4, 5 | 14,918 | 13,217 |
| Other income | 6 | 17 | 22 |
| Share of profit (loss) of joint ventures | 15 | –9 | 1 |
| Materials and services | 7 | –12,459 | –10,927 |
| Employee benefit costs | 8 | –400 | –372 |
| Depreciation, amortization and impairments | | –614 | –371 |
| Other expenses | 9 | –429 | –399 |
| Operating profit | | 1,025 | 1,171 |
| Financial income and expenses | 10 | | |
| Financial income | | 7 | 4 |
| Financial expenses | | –48 | –79 |
| Exchange rate and fair value gains and losses | | –34 | –2 |
| Total financial income and expenses | | –75 | –77 |
| Profit before income taxes | | 951 | 1,094 |
| Income tax expense | 11 | –172 | –180 |
| Profit for the period | | 779 | 914 |
| Profit attributable to: | | | |
| Owners of the parent | | 778 | 911 |
| Non-controlling interests | | 0 | 3 |
| | | 779 | 914 |
| Earnings per share from profit attributable to owners of the parent (in euro per share) | 12 | | |
| Basic earnings per share | | 3.04 | 3.56 |
| Diluted earnings per share | | 3.03 | 3.55 |

Consolidated Statement of Comprehensive Income

| EUR million | 1 Jan–31 Dec 2018 | 1 Jan–31 Dec 2017 |
|--|-------------------|-------------------|
| Profit for the period | 779 | 914 |
| Other comprehensive income net of tax: | | |
| Items that will not be reclassified to profit or loss | | |
| Remeasurements on defined benefit plans | 4 | 2 |
| Items that may be reclassified subsequently to profit or loss | | |
| Translation differences | –16 | –15 |
| Cash flow hedges | | |
| recorded in equity | –53 | 69 |
| transferred to income statement | 7 | –15 |
| Share of other comprehensive income of investments accounted for using the equity method | –4 | 2 |
| Total | –65 | 40 |
| Other comprehensive income for the period, net of tax | –61 | 42 |
| Total comprehensive income for the period | 718 | 956 |
| Total comprehensive income attributable to: | | |
| Owners of the parent | 717 | 952 |
| Non-controlling interests | 0 | 3 |
| | 718 | 956 |

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

Consolidated Statement of Financial Position

| EUR million | Note | 31 Dec 2018 | 31 Dec 2017 |
|----------------------------------|--------|-------------|-------------|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | 13 | 124 | 100 |
| Property, plant and equipment | 14 | 3,737 | 3,856 |
| Investments in joint ventures | 15 | 106 | 213 |
| Non-current receivables | 17 | 87 | 51 |
| Deferred tax assets | 11 | 34 | 35 |
| Derivative financial instruments | 16, 19 | 3 | 4 |
| Other financial assets | 17 | 5 | 5 |
| Total non-current assets | | 4,095 | 4,262 |
| Current assets | | | |
| Inventories | 18 | 1,482 | 1,563 |
| Trade and other receivables | 17 | 1,231 | 1,097 |
| Derivative financial instruments | 16, 19 | 206 | 86 |
| Current investments | 17 | 74 | 0 |
| Cash and cash equivalents | 17 | 1,136 | 783 |
| Total current assets | | 4,129 | 3,530 |
| Total assets | | 8,224 | 7,793 |

| EUR million | Note | 31 Dec 2018 | 31 Dec 2017 |
|--|--------|-------------|-------------|
| EQUITY | | | |
| Capital and reserves attributable to the owners of the parent | | | |
| Share capital | 20 | 40 | 40 |
| Other equity | | 4,588 | 4,298 |
| Total | | 4,628 | 4,338 |
| Non-controlling interests | | 2 | 0 |
| Total equity | | 4,630 | 4,338 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Interest-bearing liabilities | 21 | 849 | 1,032 |
| Deferred tax liabilities | 11 | 260 | 269 |
| Provisions | 22 | 100 | 55 |
| Pension liabilities | 23 | 124 | 131 |
| Derivative financial instruments | 16, 19 | 0 | 0 |
| Other non-current liabilities | 21 | 14 | 17 |
| Total non-current liabilities | | 1,347 | 1,504 |
| Current liabilities | | | |
| Interest-bearing liabilities | 21 | 291 | 163 |
| Current tax liabilities | | 59 | 36 |
| Derivative financial instruments | 16, 19 | 149 | 72 |
| Trade and other payables | 21 | 1,749 | 1,679 |
| Total current liabilities | | 2,247 | 1,951 |
| Total liabilities | | 3,594 | 3,455 |
| Total equity and liabilities | | 8,224 | 7,793 |

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

Consolidated Cash Flow Statement

| EUR million | Note | 1 Jan–31 Dec 2018 | 1 Jan–31 Dec 2017 |
|--|-------|-------------------|-------------------|
| Cash flows from operating activities | | | |
| Profit before income taxes | | 951 | 1,094 |
| Adjustments for | | | |
| Share of profit (loss) of joint ventures | 4, 15 | 9 | –1 |
| Depreciation, amortization and impairments | 4 | 614 | 371 |
| Other non-cash income and expenses | | –105 | –81 |
| Financial expenses – net | 10 | 75 | 77 |
| Profit / loss from disposal of fixed assets and shares | 6 | –3 | –3 |
| Cash flow before change in net working capital | | 1,541 | 1,457 |
| Change in net working capital | | | |
| Decrease (+) / increase (–) in trade and other receivables | | –44 | –111 |
| Decrease (+) / increase (–) in inventories | | 83 | –155 |
| Decrease (–) / increase (+) in trade and other payables | | 60 | 162 |
| Change in net working capital | | 99 | –104 |
| Cash generated from operations | | 1,640 | 1,353 |
| Interest and other finance cost paid | | –47 | –93 |
| Interest income received | | 5 | 5 |
| Realized foreign exchange gains and losses | | 6 | –3 |
| Income taxes paid | | –151 | –169 |
| Finance cost and income taxes paid | | –188 | –259 |
| Net cash generated from operating activities | | 1,452 | 1,094 |

| EUR million | Note | 1 Jan–31 Dec 2018 | 1 Jan–31 Dec 2017 |
|---|------|-------------------|-------------------|
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | | –347 | –447 |
| Purchases of intangible assets | 13 | –34 | –28 |
| Acquisitions of subsidiaries, net of cash acquired | 27 | –15 | 0 |
| Transactions with non-controlling interests | | 0 | –27 |
| Proceeds from sales of property, plant and equipment | | 2 | 5 |
| Proceeds from sales of shares in joint arrangements | | 2 | 0 |
| Changes in long-term receivables and other investments | | –191 | 31 |
| Cash flows from investing activities | | –583 | –467 |
| Cash flow before financing activities | | 870 | 628 |
| Cash flows from financing activities | | | |
| Payment of (–) / proceeds from (+) current interest-bearing liabilities | | –18 | 8 |
| Proceeds from non-current interest-bearing liabilities | | 0 | 401 |
| Repayments of non-current interest-bearing liabilities | | –64 | –692 |
| Dividends paid to the owners of the parent | | –435 | –332 |
| Dividends paid to non-controlling interests | | 0 | –15 |
| Cash flows from financing activities | | –517 | –631 |
| Net decrease (–) / increase (+) in cash and cash equivalents | | 353 | –3 |
| Cash and cash equivalents at beginning of the period | | 783 | 788 |
| Exchange gains (+) / losses (–) on cash and cash equivalents | | 0 | –2 |
| Cash and cash equivalents at end of the period | 17 | 1,136 | 783 |

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

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Neste Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Neste Oyj (business identity code 1852302-9) for the year ended 31 December 2018. The financial statements comprise:

- the consolidated statement of financial position, statement of income, statement of comprehensive income, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 9 to the Financial Statements.

Our Audit Approach

Overview



As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

| | |
|--|--|
| Overall group materiality | € 50 million (previous year € 50 million) |
| How we determined it | Approximately 5% of profit before tax (previous year approximately 5% of profit before tax) |
| Rationale for the materiality benchmark applied | We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in auditing standards. |

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

The scope included the refineries and operations in Finland, Switzerland, Singapore, the Netherlands, Sweden and the USA, covering the most significant companies in the Renewable Products, Oil Products and Marketing & Services segments. We obtained, through our audit procedures at the aforementioned reporting units, combined with additional procedures at the Group level, sufficient and appropriate evidence regarding the financial information of the Group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group

How our audit addressed the key audit matter

Timing of revenue recognition

Refer to note 5 in the financial statements

The group has several different revenue streams, under the Renewable Products, Oil Products, and Marketing & Services segments.

In both the Renewable Products and Oil Products segments, the company has deliveries, which can be considered individually significant. We consider there to be a risk of misstatement of the financial statements related to transactions occurring close to the year-end, as transactions could be recorded in the wrong financial period (cut-off). The Marketing & Services segment's revenues consist of several small transactions, with short payment terms, low complexity and significant automation, therefore resulting in a lower risk related to cut-off.

Accordingly, we focused our work on cut-off in the Renewable Products and Oil Products segments.

In order to address the risk of misstatement related to cut-off in revenue recognition, we tested balances recognised in the company's balance sheet and, tested individual transactions occurring either immediately before or after the year end.

We performed tests of details on the accrued revenue and accounts receivable balances recognised in the balance sheet at the year end.

Our tests of detail focused on transactions occurring within proximity of the year end in the Renewable Products and Oil Products segments, obtaining evidence to support the appropriate timing of revenue recognition, based on terms and conditions set out in sales contracts and delivery documents or system generated reports.

Key audit matter in the audit of the group

The valuation of inventories

Refer to note 18 in the financial statements

The company has significant inventory balances in both the Renewable Products and Oil Products segments. The inventory is valued at the lower of cost or net realisable value.

While the Renewable Products' main finished product, Renewable Diesel, is produced using a wide range of different feedstocks, the finished products in the Oil Products segment are refined from one type of input, being crude oil. We focused on the valuation of Renewable Products given the higher degree of complexity involved in the underlying inventory valuation calculations, as this introduces a higher risk of error.

The cost of inventory in the Renewable Products segment reflects purchase prices, which are impacted by the market prices of different feedstocks, such as waste and residues and vegetable oils, as well as the mix of feedstocks purchased.

The net realisable value of the inventory reflects management's best estimate of the likely sales prices, which depend on a number of different factors, and expected sales mix by feedstock.

How our audit addressed the key audit matter

We focused our procedures around the Renewable Products inventories. The valuation of Renewable Products inventory at cost is determined based on the assumption that goods are sold on in the same order in which they were purchased (the FIFO principle).

We compared the cost of raw materials and pre-treated products to purchase invoices, verifying the application of the FIFO principle and application of the appropriate purchase prices.

We tested the cost of the finished products by tracing the purchase cost of the used raw materials to purchase invoices. We also verified that the capitalised production costs were based on actual refining costs and thereby appropriate.

Our testing of the net realisable value covered raw materials, pre-treated products and finished products. We compared raw materials and pre-treated products to relevant market prices where these were available. Where no readily available market price could be found, we performed a compound level comparison to the respective compound's repurchase price or the average purchase price based on the latest purchases. We compared finished products to a weighted average of sales made or agreed during the last month of the year. We verified that the principle of valuing inventory at the lower of cost or net realisable value was appropriately applied.

Key audit matter in the audit of the group

System environment and internal controls

The group has a fragmented system environment, reflecting the different nature of the different operating segments. The group is in the process of implementing a new ERP system, with significant system rollouts occurring during 2018 and forward.

The ERP rollout together with the fragmented system environment introduce risks related to system access, change management and data transfer between the different systems, and we have accordingly designated this as a focus area in the audit.

Management has mitigated this risk by means of manual controls.

How our audit addressed the key audit matter

Our response to testing the ERP rollout included both the testing of the controls surrounding implementation as well as testing the migration of income statement and balance sheet balances between legacy systems and the new system. Our response to the risks related to the fragmented system environment includes both the test of IT and business process controls. We also performed sufficient tests of details as part of our audit.

We tested the company's controls around access and change management related to key IT systems. The scope of testing included the new ERP system.

We also tested the company's controls around system interfaces, and the transfer of data from one system to another.

We noted certain weaknesses related to access controls to certain key systems. We have reported these control weaknesses to management, and included sufficient tests of detail in our audit response in order to sufficiently mitigate the related risks in our audit.

Key audit matter in the audit of the group

Disputes and potential litigations Refer to notes 4 and 29 in the financial statements

As reported in note 31, the group is involved in a few legal proceedings. The accounting treatment of, and amounts to be recorded for claims depend on the merits of the claim as well as if a court judgement exists. In the case of arbitrations, management assesses whether the group will be liable to compensate the opponent. Provisions are recorded for cases, where management considers it likely that the group will be liable to compensate the opponent. Following a court judgement in a tax case, the group has in 2018 recorded an impairment, which has been disclosed in notes 4 and 29.

Management judgement is involved in assessing the accounting for claims, and in particular in considering the probability of a claim being successful and we have accordingly designated this as a focus area of the audit. The risk related to the claims is mainly associated with the completeness of the disclosure, and the completeness of the provisions in the financial statements.

How our audit addressed the key audit matter

We obtained external confirmations directly from Neste's legal advisors in order to evaluate the disclosures and provisions recorded. We discussed the cases with management. We read the minutes of the board meetings, and inspected the company's legal expenses, in order to ensure that all cases have been identified. We tested the recorded impairment by reviewing the group's calculations and consolidation adjustments. We reviewed the disclosures for completeness based on our procedures detailed above.

Key audit matter in the audit of the group

Biofuel credits in the USA

Refer to notes 5 and 18 in the financial statements

Neste has sales operations in the USA, which are mainly focused in California.

Neste earns biofuel credits related to the import and sale of renewable fuels in the US and California in the form of RINs (Renewable Identification Number) and LCFs (California Low Carbon Credit).

RINs and LCFs are accounted for as government grants upon receipt of the product inventory in the USA, and are accounted for as inventory to the extent they have been separated from the physical goods, which happens when renewable fuel is blended with fossil fuel.

We identified the biofuel credits in the USA as an area of focus in the audit as there is a risk related to the valuation of these.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

How our audit addressed the key audit matter

Our testing of the biofuel credits included verification of the balances against the systems administered by the EPA (Environmental Protection Agency) and verification of balances against purchase and sales contracts.

Our testing of the valuation of these included:

- Comparing the valuation of RINs and LCFs accounted for as inventory to quoted market prices, assessing the reasonability of the difference taking into account market conditions
- Comparing the value of RINs and LCFs against historical sales prices obtained by Neste

In addition, we agreed the calculated balances to the accounting records, verifying that these had been accounted for in line with Neste's accounting policy.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

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, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment

We were first appointed as auditors by the annual general meeting on 3 April 2014. Our appointment represents a total period of uninterrupted engagement of 5 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Statements

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 5 February 2019

PricewaterhouseCoopers Oy

Authorised Public Accountants

Markku Katajisto

Authorised Public Accountant (KHT)



Summary of the Corporate Governance Statement 2018

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Summary of the Corporate Governance Statement 2018

The Corporate Governance Statement has been prepared pursuant to the 2015 Corporate Governance Code, Chapter 7, Section 7 of the Securities Markets Act, as well as Section 7 of the Ministry of Finance's Decree on the Regular Duty of Disclosure of an Issuer of a Security. The Corporate Governance Statement is issued separately from the Review by the Board of Directors and it can be found at www.neste.com/investors.

Regulatory framework

Neste Corporation ("Neste" or the "Company") observes good corporate governance practices in accordance with the laws and regulations applicable to Finnish listed companies, the Company's own Articles of Association, and the Finnish 2015 Corporate Governance Code. The Corporate Governance Code can be found at cgfinland.fi/en/. Neste also complies with the rules of Nasdaq Helsinki Ltd, where it is listed, and the rules and regulations of the Finnish Financial Supervisory Authority.

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

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

Governance Bodies

The control and management of Neste is split between the Annual General Meeting of Shareholders (AGM), the Board of Directors, and the President and Chief Executive Officer. Ultimate decision-making authority lies with shareholders at the AGM which appoints the members of the Board of Directors and the Auditor. The Board of Directors is responsible for Neste's strategy and overseeing and

monitoring the Company's business. The Board of Directors appoints the President and CEO. The President and CEO, assisted by the Neste Executive Board (NEB)* and Neste Executive Management Board (NEMB), is responsible for managing the Company's business and implementing its strategic and operational targets.

Neste's headquarters are located in Espoo, Finland.

* 1 January 2019 onwards Neste Executive Board (NEB) is referred to as Executive Committee.

Neste's Governance Bodies



Annual General Meeting

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

Shareholders at the AGM make decisions on matters including:

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

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

Under the Articles of Association, an invitation to a General Meeting of Shareholders shall be delivered to shareholders by publishing it on the Company's website www.neste.com no earlier than two months, and no later than three weeks prior to a meeting, but at least nine days before the record date set for the meeting under the terms of the Companies Act. In addition, the Company shall publish details on the date and location of the meeting, together with the address of the Company's website, in one or more newspapers within the same period of time.

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

2018

The 2018 AGM was held in Helsinki on Thursday, 5 April 2018 and adopted the Parent Company's Financial Statements and the Consolidated Financial Statements

for 2017, and discharged the Board of Directors, and the President and CEO from liability for 2017. The AGM also approved the Board of Directors' proposal regarding the distribution of the Company's profit for 2017, sanctioning payment of a dividend of EUR 1.70 per share. The dividend was paid in two installments.

The first installment of dividend, EUR 0.85 per share, was paid to shareholders registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the record date for first dividend installment, which was Monday, 9 April 2018. The first dividend installment was on Monday, 16 April 2018.

The second installment of dividend, EUR 0.85 per share, was paid to shareholders registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the record date for second dividend installment, which was Wednesday, 10 October 2018. The second dividend installment was paid on Wednesday, 17 October 2018.

The AGM also decided the composition of the Board of Directors and the remuneration to be paid to the members of the Board of Directors, and appointed the Auditor.

Shareholders' Nomination Board

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

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

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

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

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

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

Composition of the Shareholders' Nomination Board prior to the 2019 AGM

On 12 September 2018, the following members were appointed to Neste's Shareholders' Nomination Board: The Chair, Senior Financial Counsellor Jarmo Väisänen of the Ownership Steering Department in the Prime Minister's

Office of Finland; President and CEO Jouko Pölönen of Ilmarinen Mutual Pension Insurance Company; Executive Vice-President and Chief Investment Officer Reima Rytsölä of Varma Mutual Pension Insurance Company and Matti Kähkönen, the Chair of Neste's Board of Directors.

The Shareholders' Nomination Board convened 6 times and presented its proposal covering the members of the Board of Directors and the remuneration to be paid to them on 18 January 2019.

Activities

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

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

The nomination process of the Shareholders' Nomination Board, its composition, and activities are detailed in its Charter.

Shareholders' Nomination Board members

Jarmo Väisänen

Lic.Pol.Sc. (Economics), Chair of the Shareholders' Nomination Board since 12 September 2018.
Born in 1951.

Senior Financial Counsellor of the Ownership Steering Department in the Prime Minister's Office of Finland. Chairman of the Board of State Security Networks Ltd. Member of the Board of Gasum Ltd. Member of the Board of State Development Company VAKE Ltd. Member of the Board of Baltic Connector Ltd.

Holdings in Neste Corporation on 31 December 2018:
0 shares. ¹⁾

Prime Minister's Office: 93,438,038 shares. ²⁾

Jouko Pölönen

eMBA, M.Sc. (Econ. & Bus. Adm.), Member of the Shareholders' Nomination Board.

Born in 1970.

President and CEO, Ilmarinen Mutual Pension Insurance Company. Finance Finland FFI, Member of the Board and Chairman of the Employment Pension Executive Committee. Vice Chairman of The Finnish Pension Alliance TELA. Member of the Board of The Finnish Foundation for Share Promotion.

Holdings in Neste Corporation on 31 December 2018:
0 shares. ¹⁾

Ilmarinen Mutual Pension Insurance Company: 4,077,877 shares. ²⁾

Reima Rytsölä

M.Soc.Sc., CEFA, AMP, Member of the Shareholders' Nomination Board.

Born in 1969.

Executive Vice-President and Chief Investment Officer, Varma Mutual Pension Insurance Company. Member of the Board of Oy HYY-Yhtiöt Ab. Member of the Board of Kojamo Plc. Member of the Board of Nordea Funds Oy. Member of the Board of Foundation for the Finnish Cancer Institute.

Holdings in Neste Corporation on 31 December 2018:
0 shares. ¹⁾

Varma Mutual Pension Insurance Company 3,450,486 shares. ²⁾

Matti Kähkönen

M.Sc. (Engineering), Member of the Shareholders' Nomination Board.

born in 1956

Senior Advisor, Metso Corporation. Chair of the Board of Neste Oyj. Member of the Board of The Research Institute of the Finnish Economy (EVA/ETLA), Chair of the TT fund of the Confederation of Finnish Industries, and Chair of the super advisory board of the Ilmarinen Mutual Pension

Insurance Company. Chair of Neste's Personnel and Remuneration Committee.

Holdings in Neste Corporation on 31 Dec 2018: 2,270 shares ¹⁾

Holdings in Neste Corporation on 31 December 2018:

¹⁾ Own holdings and controlled entities.

²⁾ Shareholder's holdings represented by the member of the Shareholders' Nomination Board.

The members of the Shareholders' Nomination Board appointed on 12 September 2018 attended meetings in 2018–2019 as follows:

| | Attendance |
|-----------------------|------------|
| Jarmo Väisänen | 6/6 |
| Jouko Pölönen | 6/6 |
| Reima Rytsölä | 5/6 |
| Matti Kähkönen | 6/6 |

The meeting on 18 January 2019 which accepted the proposals for the 2019 AGM was attended by all members of the Shareholders' Nomination Board.

Composition of the Shareholders' Nomination Board prior to the 2018 AGM

The Shareholders' Nomination Board responsible for preparing the 2018 AGM comprised of Pekka Timonen, Director General of the Ministry of Economic Affairs and Employment; Timo Ritakallio, President and CEO of Ilmarinen Mutual Pension Insurance Company; Elli Aaltonen, Director General of Kela and Jorma Eloranta, the Chair of Neste's Board of Directors.

The Shareholders' Nomination Board convened four times and presented its proposal covering the members of the Board of Directors and the remuneration to be paid to them on 30 January 2018.

Board of Directors

In accordance with Neste's Articles of Association, the Board of Directors has between five and eight members,

which are elected at the AGM for a period of office that extends to the following AGM.

Diversity of the Board of Directors

In planning the composition of a skilled, competent, experienced, and effective Board of Directors from the viewpoint of diversity, the Shareholders' Nomination Board also follows the following diversity principles defined by the Company.

A cooperative and functional Board of Directors requires diversity for it to be able to respond to the requirements set out in Neste's business and strategic objectives and to support and challenge the company's operational management in a proactive and constructive manner. Significant factors concerning the composition of the Board of Directors include a variety of competences that complement the other members of the Board, education and experience in different professional and industrial fields and in business operations and management existing in different development phases, as well as the personal qualities of each member, all of which add diversity to the Board of Directors. The diversity of the Board of Directors is also supported by experience in industrial fields and markets that are strategically significant for Neste, experience and abilities in technologies and the international operating environment, and a diverse age and gender distribution so that both genders are always adequately represented in the Board of Directors. In considering the composition of the Board of Directors, it is important to pay attention to Neste's current and evolving needs, and to ensure that the Board of Directors, as a whole, enables the current and future business development of Neste, which diversity also supports.

Neste's 2018 Board of Directors was composed of 8 members, all of whom hold a university-level degree, and two of whom have a doctorate. All of these degrees are from different fields, with technical fields being in the majority. Each member of the Board of Directors has international work experience in different types of positions, and has worked or is working in the Board of Directors or management of listed or unlisted companies. Three

members have worked in managerial positions at major international oil companies. The Board of Directors is also diverse in terms of cultural backgrounds: its members come from five different countries and speak five different native languages. Women comprise 38% of all members of the Board of Directors. With regard to age, the members of the Board of Directors are divided evenly between 52 and 70 years of age. The duration of the terms of office of the Board members is divided as follows: four members have been on the Board of Directors for more than four years, while four members have been on the Board of Directors for less than four years.

Activities of the Board of Directors

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

Duties of the Board of Directors

The Board's responsibilities and duties are defined in detail in the board-approved Charter.

A member of the Board of Directors may not take part in decision-making in matters regarding (i) agreements between such member and any entity within the Neste Group, (ii) agreements between any entity within the Neste Group and third parties where such member has a material interest in the matter which may conflict with the interest of Neste or any other entity within the Neste Group, and (iii) agreements between any entity within the Neste Group and a legal entity which such member may represent, either

individually or together with any other person; provided however, that this point (iii) does not apply where the party contracting with Neste is a company within the Neste Group. The term 'agreement' as used here includes litigation or other legal proceedings arising from or relating to such agreements.

2018

The 2018 AGM confirmed the membership of the Board of Directors at eight members, and the following were re-elected to serve until the end of the next AGM: Ms. Martina Flöel, Mr. Matti Kähkönen, Ms. Laura Raitio, Mr. Jean-Baptiste Renard, Mr. Willem Schoeber and Mr. Marco Wirén. The following were elected as new members: Ms. Elizabeth (Elly) Burghout and Mr. Jari Rosendal. Mr. Matti Kähkönen was elected as Chair and Ms. Laura Raitio was elected as new Vice Chair.

The Board convened 13 times in 2018. The attendance rate at the meetings was 100%. The Board focused in 2018, pursuant to an agenda approved by the Board, on the development of the Company's long-term strategy and ensuring continued performance development. An important milestone was reached on 8 February 2018 when the appointment of a new President and CEO of the Company was announced as the outcome of the related successor planning which had been another important focus area of the Board and the Personnel and Remuneration Committee. The final investment decision concerning additional production capacity in Singapore was announced on 12 December 2018, and the Board has closely monitored the preparations for such decision, including also certain related initiatives, such as increase of flexibility of the renewable product material base and development of the business in various renewable product solutions, including renewable aviation fuel and renewable polymers and chemicals. In addition to such agenda and matters set out in the Board Charter, the Board has monitored the company's operational and financial performance and risk control, engaged in discussions with management on developing the business strategy and approved their base strategic approach, overseen strategy

execution and evaluated the changes in the long-term operational environment and their impact on the Company's business operations from e.g. a sustainability perspective. The Board also paid continued attention to the development of the Company's safety culture, including close monitoring of safety initiatives and indicators.

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

Board of Directors, 31 December 2018

| | Position | Born | Education | Main Occupation | Independent of the company | Independent of major shareholders | Personnel and Remuneration Committee | Audit Committee | Attendance at meetings | |
|----------------------------------|------------|------|-----------------|---|----------------------------|-----------------------------------|--------------------------------------|-----------------|------------------------|------------|
| | | | | | | | | | Board | Committees |
| Matti Kähkönen | Chair | 1956 | M.Sc. (Eng.) | Non-Executive Director | • | • | • | | 13/13 | 11/11 |
| Elizabeth (Elly) Burghout | Member | 1954 | BSc (Chem.Eng.) | Non-Executive Director | • | • | • | | 10/10 | 11/11 |
| Martina Flöel | Member | 1960 | PhD (Chem.) | Non-Executive Director | • | • | | • | 13/13 | 6/6 |
| Laura Raitio | Vice Chair | 1962 | Lic.Tech. | Non-Executive Director | • | • | • | | 13/13 | 9/11 |
| Jean-Baptiste Renard | Member | 1961 | M.Sc. (Eng.) | Non-Executive Director | • | • | • | | 13/13 | 11/11 |
| Jari Rosendal | Member | 1965 | M.Sc. (Eng.) | President and CEO of Kemira | | • | | • | 10/10 | 5/5 |
| Willem Schoeber | Member | 1948 | Dr. (Tech.) | Non-Executive Director | • | • | | • | 13/13 | 6/6 |
| Marco Wirén | Member | 1966 | M.Sc. (Econ.) | President of Wärtsilä Energy and Executive Vice President of Wärtsilä | • | • | | • | 13/13 | 6/6 |

The shareholdings of the members of the Board of Directors are presented next to their CVs. The remuneration paid to the members of the Board of Directors are detailed in the Remuneration Statement in the Annual Report.

Members of the Board of Directors 2018

Matti Kähkönen



(born in 1956)
M.Sc. (Engineering)
Chair of the Board since 2018
Member of the Board of Directors since 2017
Independent member

Senior Advisor, Metso Corporation 2017–. President and CEO, Metso Corporation 2011–2017. Executive Vice President and Deputy to the CEO, Metso Corporation 2010–2011. President, Mining and Construction Technology, Metso Corporation 2008–2011. President, Metso Minerals 2006–2008. President, Metso Automation 2001–2006. President, Metso Automation, Field Systems Division 1999–2001. Prior to year 1999, various managerial and development positions in Neles-Jamesbury and Rauma-Repola.

Mr. Kähkönen also holds various positions of trust. He is board member of The Research Institute of the Finnish Economy (EVA/ETLA), Chair of the TT fund of the Confederation of Finnish Industries, and Chair of the super advisory board of the Ilmarinen Mutual Pension Insurance Company, among others. Chair of Neste's Personnel and Remuneration Committee.

Holdings in Neste Corporation on 31 Dec 2018: 2,270 shares ¹⁾

Elizabeth (Elly) Burghout



(born in 1954)
BSc, Chemical Engineering
Member of the Board since 2018
Independent member

Senior Director of Global Technology and Innovation, Specialties at Sabic in 2016–2017. Various General Manager positions at Sabic in 2007–2016. Various managerial positions at GE Plastics in 1996–2007. Prior to year 1996, various managerial and specialist positions in different organizations. Member of the Board of Sabic Petrochemicals BV, 2010–2014. Member of the Board of Sabic Fibre Reinforced Thermoplastics, 2014–2017. Member of Neste's Personnel and Remuneration Committee.

Holdings in Neste Corporation on 31 Dec 2018: 0 shares ¹⁾

Martina Flöel



(born in 1960)
M.Sc. (Chemistry), PhD (Chemistry)
Member of the Board of Directors since 2017
Independent member

CEO of Oxea 2007–2016. Managing Director and EVP, Europe of European Oxo in 2003–2007. Vice President Oxo Chemicals, Celanese Chemicals 2000–2003. Plant Manager Böhlen, Celanese Chemicals 1998–2000. Prior to year 1998, various managerial and directorial positions in the Hoechst Group. Independent member of the Sasol Board of Directors 2018–. Member of Neste's Audit Committee.

Holdings in Neste Corporation on 31 Dec 2018: 0 shares ¹⁾

Laura Raitio



(born in 1962)
M.Sc. (Chem. Eng.), Lic. Tech. (forest products technology)
Vice Chair of the Board since 2018
Member of the Board of Directors since 2011
Independent member

CEO of Diacor Medical Services 2014–2017. Executive Vice President, Building and Energy 2009–2014 and Member of the Executive Management Team 2006–2014, Ahlstrom. Ahlstrom's Senior Vice President, Marketing (sales network, human resources, communications and marketing) 2006–2008. Ahlstrom's Vice President and General Manager for Wallpaper & Poster, Pre-impregnated Decor, Abrasive Base in Osnabrück, Germany 2002–2005. Managing Director of Ahlstrom Kauttua 2001–2002. Several managerial positions within Ahlstrom's specialty paper business since 1990. Member of the Board of Suominen Corporation and Raute Corporation and Chair of the Board of Helsinki Deaconess Institute. Member of Neste's Personnel and Remuneration Committee.

Holdings in Neste Corporation on 31 Dec 2018: 1,500 shares ¹⁾

¹⁾ Holdings in Neste Corporation: own holdings and controlled entities.

Jean-Baptiste Renard



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

Founder and CEO, 2PR Consulting, independent energy expert and consultant. Several positions at BP 1986–2010; Regional Group Vice President for Europe and Southern Africa BP Plc 2006–2010, Group Vice President, Business Marketing and New Markets, and member of Downstream Executive Committee BP Plc 2003–2006. Non-Executive Director of Masana Petroleum Solutions (South-Africa); Non-Executive Director of IFP Training (France); Non-Executive Director of CLH (Spain); pro bono consulting for social entrepreneurs. Supervisory Board Member of Entrepreneurs+. Advisory Board Member of IFP School; Member of Neste's Personnel and Remuneration Committee.

Holdings in Neste Corporation on 31 Dec 2018: 7,650 shares ¹⁾

Jari Rosendal



(born in 1965)
M.Sc. (Eng.)
Member of the Board of Directors since 2018
Independent of major shareholders. Not independent of the company based on an interlocking control relationship set out in Recommendation 10.f of the Finnish Corporate Governance Code: Jari Rosendal is the President and CEO of Kemira Corporation, and Kaisa Hietala is a member of the Board of Directors of Kemira Corporation, member of the Neste Executive Board and Executive Vice President, Renewable Products

President and CEO at Kemira since 2014. Various President and directorial positions, including as Member of the Executive Board, at Outotec Oyj in 2003–2014. Various managerial and expert positions in the Outokumpu's Technology Group in Finland and the United States 1989–2003. Member of the Board of Directors and Audit Committee, Uponor Oyj, 2012–2018. Member of the Board of Directors since 2015– and Chairman of the Board of Directors, Chemical Industry Federation of Finland, 2017–2018. Member of the Board of Directors, CEFIC, 2014–. Member of the Board of Directors, Confederation of Finnish Industries (EK), 2017–2018. Member of the Board of Directors, 2011– and Chairman of the Board of Directors, Finnish Association of Mining and Metallurgical Engineers, 2017–. Member of Neste's Audit Committee.

Holdings in Neste Corporation on 31 Dec 2018: 0 shares ¹⁾

Willem Schoeber



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

Independent business consultant. Chair of the Boards of Directors of EWE Turkey Holding AŞ, Bursagaz AŞ and Kayserigaz AŞ 2010–2015. Member of the Management Board of EWE AG, responsible for power generation and international business (Turkey and Poland) 2010–2013. Chair of the Management Board at swb AG (Bremen) 2007–2011. Several positions at Royal Dutch Shell Group's companies 1977–2007, in particular in oil refining. Member of the Supervisory Board of Gasunie N.V. (Groningen) since 2013 and Member of the Board of Directors of Societatea Energetica "Electrica" S.A. (Bucharest) since 2016. Member of Neste's Audit Committee.

Holdings in Neste Corporation on 31 Dec 2018: 2,000 shares ¹⁾

Marco Wirén



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

President, Wärtsilä Energy & Executive Vice President, Wärtsilä Corporation, since October 2018. Wärtsilä Corporation, Executive Vice President and Chief Financial Officer Wärtsilä 2013–2018. SSAB, Executive Vice President and CFO 2008–2013; SSAB, Vice President Business control 2007–2008; Eitel Networks, CFO and Vice President Business Development 2002–2007; NCC, Vice President Business Development and Group Controller 1995–2001. Member of the Board of Management of Wärtsilä Corporation since 2013. Chair of Neste's Audit Committee.

Holdings in Neste Corporation on 31 Dec 2018: 1,000 shares ¹⁾

¹⁾ Holdings in Neste Corporation: own holdings and controlled entities.

President and CEO

Neste's President and CEO since 1 November 2018, Peter Vanacker (b.1966, MSc, Chemical Engineering, Polymers Engineering), manages the Company's business operations in accordance with the Finnish Companies Act and instructions issued by the Board of Directors. The President and CEO shall oversee the executive management of the company in accordance with instructions and orders given by the Board of Directors, and is responsible for ensuring that the Company's accounts are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Neste's former President and CEO (2008–2018) Matti Lievonen (b.1958, B.Sc. (Eng.), eMBA) retired as Vanacker started in his position as Neste's President and CEO.

The President and CEO is appointed by the Board of Directors, which evaluates the performance of the President and CEO annually and approves his remuneration on the basis of a proposal by the Personnel and Remuneration Committee. Information on the remuneration of the President and CEO can be found in the 2018 Remuneration Statement in the Annual Report.

Neste Executive Board

The Neste Executive Board (NEB) assists the President and CEO in managing the Company and in the deployment of the Company's strategic and operational goals. Members are appointed by the Board of Directors. The NEB meets regularly, on average once a month. Information on the remuneration of the members of the NEB can be found in the 2018 Remuneration Statement in the Annual Report.

2018

The Neste Executive Board comprised eleven members during the months of January to August, and nine members during the months of September to December. The NEB had 13 meetings during 2018, and also met outside such meetings in relation to specific themes. Peter Vanacker was appointed President and CEO of the Company on 8 February 2018 and assumed such duties as of 1 November 2018. He joined Neste in September 2018 as a Senior Executive and since then familiarized himself with Neste's business and operations. In addition to supporting the President and CEO in the fulfillment of his general duties, the NEB focused on the implementation of the strategy by advancing the company's growth program for renewable products, including preparations for the final investment decision concerning additional production capacity in Singapore, which was announced on 12 December 2018, as well as initiatives to develop the flexibility of the renewable raw material base and renewable solutions, such as renewable aviation fuels and renewable polymers and chemicals. Alongside with strategy execution, the NEB also continued its work to improve the Company's financial performance and operational excellence. In addition, safety development, cyber security matters, R&D matters, development of investment processes as well as the program for reforming the Company's ERP system were given special attention during the year.

Members of the Neste Executive Committee 2018

Peter Vanacker



(born 1966)
President and CEO, Chair of the Neste Executive Committee
MSc, Chemical Engineering, Polymers Engineering
President and CEO since 1 November 2018

Joined the company in 2018. Served as CEO of the CABB Group GmbH 2015–2018 as well as CEO of the Treofan Group GmbH 2012–2015. Worked as Executive Vice President and Member of the Executive Board of Bayer MaterialScience (today Covestro AG) 2003–2012 with responsibility for the global Polyurethanes business and as Chief Marketing and Innovation Officer. Before that had several directorial and managerial positions in Belgium, Brazil, US and Germany at Bayer since 1990.

Holdings in Neste Corporation on 31 Dec 2018: 0 shares. ¹⁾

Kaisa Hietala²⁾



(born 1971)
Executive Vice President, Renewable Products
M.Sc. (Physics), Finland and M.Phil. (Env.Sc.), UK
Member of the Neste Executive Board since 2014

Joined the company in 1998. Responsible for the Renewable Products business area. Served in several positions at Neste, most recently as Vice President of the Renewable Fuels business 2011–2014, Vice President of Supply and Commercial Director in Singapore 2008–2011 and Feedstock Manager in the Renewable Fuels Business operations 2006–2008. Member of the Board of Kemira Oyj. Member of Sustainability Supervisory Board of Aalto University and Supervisory Board of Oulu University.

Holdings in Neste Corporation on 31 Dec 2018: 5,543 shares. ¹⁾

Matti Lehmus



(born 1974)
Executive Vice President, Oil Products
M.Sc. (Eng.), eMBA
Member of the Neste Executive Committee since 2009

Joined the company in 1997. Responsible for the Oil Products business area. Previously served as Executive Vice President of the Oil Products and Renewables business area 2011–2014, Executive Vice President of the Oil Products business area 2009–2010, Vice President of the Base Oils business in the Specialty Products Division 2007–2009, Vice President of Oil Refining Business Development (2007¹⁾ and Gasoline Exports and Trading Manager 2004–2007 in the Oil Refining Division. Chair of the Board of Chemical Industry Federation of Finland. Member of Confederation of Finnish Industries.

Holdings in Neste Corporation on 31 Dec 2018: 11,922 shares. ¹⁾

Panu Kopra



(born 1972)
Executive Vice President, Marketing & Services
BBA, MBA
Member of the Neste Executive Committee since 2016

Joined the company in 1996. Responsible for Marketing & Services business area. Previously served as Vice President in Oil Retail, Sales in Finland and Baltic Rim 2014–2015, Vice President in Oil Retail Russia and Baltic Rim 2010–2014, General Manager in St. Petersburg Russia 2009, Business Development Manager in Renewable Products 2007–2008, Sales Director 2006, General Manager in Latvia 2003–2005 and in several other positions in the company.

Holdings in Neste Corporation on 31 Dec 2018: 3,989 shares. ¹⁾

²⁾ Left the company 19 February 2019

¹⁾ Holdings in Neste Corporation: own holdings and controlled entities.

Simo Honkanen



(born 1958)
Senior Vice President,
Sustainability and Public Affairs
M.Sc. (Econ.)
Member of the Neste Executive Committee
since 2009

Joined the company in 2006. Responsible for the Sustainability and Public Affairs activities. Served previously as Vice President, Marketing, Stakeholder Relations and Raw Material Procurement in the Renewable Fuels division 2008–2009, Vice President, New Ventures in the Components Division 2006–2007. Prior to that various positions in Finland and abroad in Shell. Member of the Board of the Smart & Clean Foundation, Member of the Board of Maj and Tor Nessling Foundation.

Holdings in Neste Corporation on
31 Dec 2018: 9,586 shares. ¹⁾

Hannele
Jakosuo-Jansson

(born 1966)
Senior Vice President,
Human Resources and Safety
M.Sc. (Eng.)
Member of the Neste Executive Committee
since 2006

Joined the company in 1990. Responsible for the Group's Human Resources and Safety corporate functions. Served as Vice President, Human Resources at Oil Refining 2004–2005 and Laboratory and Research Manager at the Technology Center 1998–2004. Member of the Board of Directors of Ahlstrom-Munksjö, Neste Engineering Solutions (NES), Nynas, and LUKE (Natural Resources Institute Finland).

Holdings in Neste Corporation on
31 Dec 2018: 13,193 shares. ¹⁾

Lars Peter Lindfors



(born 1964)
Senior Vice President, Technology
Ph.D. (Tech.), MBA
Member of the Neste Executive Committee
since 2009

Joined the company in 2007. Responsible for Research & Development, Information Technology, Procurement, and Business Processes. Served previously as Senior Vice President, Technology and Strategy 2009–2012, Vice President for the company's Research and Technology unit 2007–2009, Executive Vice President, Renewal and Development at Perstorp Group 2004–2007, Executive Vice President, R&T&D at Perstorp Group 2001–2004, and prior to that at Neste as R&D Manager and various other positions. Member of the Board of the Fortum Foundation, Finnish Foundation for Technology Promotion, Svenska Tekniska Vetenskapsakademin, Tresearch and Neste Engineering Solutions.

Holdings in Neste Corporation on
31 Dec 2018: 9,663 shares. ¹⁾

Jyrki Mäki-Kala



(born 1961)
Chief Financial Officer
M.Sc. (Econ.)
Member of the Neste Executive Committee
since 2013

Joined the company in 2013. Responsible for the Group's strategy, financial management, investor relations, and risk management. Served in various business and corporate financial positions at Kemira 2005–2013. Previously worked for Finnish Chemicals 1988–2005. Member of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company. Member of Board of Nynas AB.

Holdings in Neste Corporation on
31 Dec 2018: 11,000 shares. ¹⁾

¹⁾ Holdings in Neste Corporation: own holdings and controlled entities.

Christian Ståhlberg



(born 1974)

General Counsel

LL.M.

Member of the Neste Executive Committee since 2017

Joined the company in 2017. Responsible for the Group's legal affairs. Secretary to the Neste Executive Committee, the Board of Directors, the Audit Committee, the Shareholders' Nomination Board and to the Stakeholder Advisory Panel. Served previously as General Counsel of Rettig Group Ltd 2015–2017, Director, Legal in Pohjola Bank plc 2011–2014, Senior Legal Counsel in Neste Oil Corporation 2007–2011 and Senior Associate in Roschier Attorneys Ltd 1998–2007.

Holdings in Neste Corporation on 31 Dec 2018: 0 shares. ¹⁾

Matti Lievonen

– retired 31 December 2018

(born 1958)

President and CEO, Chair of the Neste Executive Committee until the end of October 2018

B.Sc. (Eng.), eMBA

D.Sc. (Tech.) h.c.

President and CEO between 2008–2018

Osmo Kammonen

– retired in August 2018

(born 1959)

Senior Vice President, Communications and Brand Marketing until August 2018

M.Sc. (Laws)

Member of the Neste Executive Committee between 2004–2018

Tuomas Hyryläinen

– moved to another company after August 2018

(born 1977)

Senior Vice President, Emerging Businesses business unit until August 2018

M.Sc. (Econ.)

Member of the Neste Executive Committee between 2012–2018

¹⁾ Holdings in Neste Corporation: own holdings and controlled entities.



Excerpts From the Neste Remuneration Statement 2018

Remuneration paid to members of the Board

| | Annual board fees (EUR) | | Meeting attendance fees (EUR) | |
|---------------------------|-------------------------|--------|-------------------------------|--------|
| | 2018 | 2017 | 2018 | 2017 |
| Jorma Eloranta | 16,500 | 66,000 | 4,200 | 11,400 |
| Matti Kähkönen | 61,800 | 36,900 | 15,600 | 10,200 |
| Elizabeth (Elly) Burghout | 26,550 | – | 18,600 | – |
| Martina Flöel | 35,400 | 26,550 | 25,800 | 14,400 |
| Jari Rosendal | 26,550 | – | 10,200 | – |
| Laura Raitio | 45,750 | 35,400 | 15,600 | 12,000 |
| Jean-Baptiste Renard | 35,400 | 35,400 | 25,200 | 18,600 |
| Willem Schoeber | 35,400 | 35,400 | 25,800 | 16,200 |
| Marco Wirén | 35,400 | 35,400 | 19,800 | 12,000 |

The meeting attendance fees include also meeting fees paid due to special tasks set by the Board of Directors, but not travel expenses.

Details of the shareholdings of the Board of Directors are shown in the Annual Report on pages 76-77. These shares are personally acquired.

Summary of Remuneration Policy for the Neste Executive Board

The Neste Executive Board's remuneration policy consists of the following key elements:

| Remuneration element | Purpose and link to strategy | Description and operation |
|---|--|--|
| Base salary | To provide a core level of reward for the role | Fixed salary which includes taxable fringe benefits (car and telephone). Peter Vanacker EUR 75,020 per month. |
| Insurances | To protect Neste Executive Board (NEB) members in the performance of their duties | The NEB members have private accident, life and disability insurance, business travel, directors' and officers' liability insurances. The NEB members may participate in the sickness fund (in Finland). |
| Additional pension | To provide a competitive retirement benefit in line with local market practices | Peter Vanacker: The retirement age according to the Finnish Employee's Pension Act (TyEL), no additional pension scheme. NEB members: DB plan based on a retirement age of 60 (up to 60% of retirement salary) or, for those who have started after 1 January 2009, a defined contribution (DC) pension scheme (based on retirement age of 62, 63 or as prescribed under Finnish pension legislation). Retirement salary for DB schemes is calculated based on the average monthly salary and related statutory pension insurance contributions over the ten years prior to retirement. DC pension allocation is 16% of annual fixed base salary. New additional pension schemes are no longer made. |
| Short-term incentives | To reward and incentivize improvements in short-term financial and operational performance and support the delivery of the business strategy | Based on the attainment of annual financial and non-financial measures. Maximum award value is 40% of annual fixed base salary. President and CEO: KPIs are group financial targets (comparable Group EBIT, comparable Free Cash Flow and group safety targets [Total Recordable Injury Frequency per million hours worked, TRIF, including contractors] and Process Safety Event Rate per million hours worked [PSER]). NEB members with business area responsibility: a combination of group and business area specific financial and safety measures (for example comparable EBIT, comparable Free Cash Flow, TRIF and/or PSER). For NEB members with common function responsibility based on Group comparable EBIT, comparable Free Cash Flow, TRIF, PSER and specific strategic measures of the function in question. |
| Long-term share-based incentives | To drive long-term sustainable growth and align the interests of executives with shareholders | LTI 2016: Based on the attainment of three-year financial and share price performance targets for Neste. For award cycles commencing in 2017 and 2018, 75% of the awards are based on cumulative comparable free cash flow and 25% are based on the total return of Neste shares relative to the STOXX Europe 600 Index. Awards vest in one tranche after three years, partly in shares and partly in cash. The cash element will cover taxes and other tax-like costs. The award for President and CEO varies between 0–100% of annual salary, based on performance and share price appreciation. Awards for NEB members vary between 0–80% of annual salary. Target award levels for both the President and CEO and NEB members are 30% of salary. Should the amount of total incentive awarded to executives (STI + LTI) exceed 120% of annual salary, the excess amount of LTI shares vesting in any one year will be cut to maintain this limit. LTI 2019: Based on the attainment of three-year share price performance targets for Neste. For award cycle commencing in 2019, 100% of the awards are based on the total return of Neste shares compared to the STOXX Europe 600 Index. Awards vest in one tranche after three years, partly in shares and partly in cash. The cash element will cover taxes and other tax-like costs. Should the amount of total incentive awarded to executives (STI + LTI) exceed 120% of annual salary, the excess amount of LTI shares vesting in any one year will be cut to maintain this limit. |

| Remuneration element | Purpose and link to strategy | Description and operation |
|--|---|--|
| Claw back | To ensure pay for performance | Claw back provisions apply to LTI and STI plan awards in exceptional circumstances such as misconduct or misstatement of financial results. |
| Share ownership guidelines | To encourage executives to build a meaningful shareholding in Neste | President and CEO and NEB members must accumulate and maintain a shareholding which is equivalent to their annual fixed salary. Until this threshold is met, participants must retain 50% of vested incentive shares after tax. |
| Service contracts and loss of office payments | To ensure clear contractual terms are followed | <p>Peter Vanacker: Both parties have a six-month period of notice. Should the Company terminate the President and CEO's agreement, the Company is required to pay six month's salary and a separate severance pay equivalent to six month's salary.</p> <p>NEB members are entitled for 6 months' severance payments. Change of control terms are same as for termination.</p> |

Supplementary information

Benchmarking approach: The Personnel and Remuneration Committee reviews market benchmark data from Finnish and, where necessary, international industrial companies of a similar size and complexity to Neste when setting total remuneration packages for the President and CEO and the members of the NEB. This is used more as a guide than a direct determinant of pay levels. Other factors considered include each individual's role and experience, as well as Company and personal performance.

Shareholder alignment: The Company's largest shareholder, the State of Finland, issued updated Government Resolution on State-ownership Policy in 2016. Neste's Board of Directors has deemed it correct to take these guidelines into consideration, along with the interests of its wider shareholder base, when determining the remuneration policy for its senior executives.

Remuneration paid to the President and CEO and the NEB members

| EUR | President and CEO | | | NEB members (in aggregate) | |
|--|-------------------------------------|--------------------------------------|---------------------|----------------------------|------------------|
| | 2018 Peter Vanacker (1.11.2018–) | 2018 Matti Lievonen (–31.10.2018) | 2017 Matti Lievonen | 2018 | 2017 |
| Annual remuneration | | | | | |
| Base salary ¹⁾ | 150,000 | 582,234 | 667,328 | 1,980,085 | 1,973,276 |
| Taxable benefits ²⁾ | 40 | 18,050 | 21,660 | 108,089 | 106,501 |
| Annual incentive (STI plan) ³⁾ | – | 251,945 | 237,521 | 641,434 | 593,753 |
| Total annual remuneration | 150,040 | 852,229 | 926,509 | 2,729,607 | 2,673,530 |
| Vested long-term remuneration ⁴⁾ | | | | | |
| LTI 2016: 2015–2017 plan | | 553,504 | | 1,245,352 | |
| LTI 2013: 2014–2016 plan | – | | 597,228 | | 1,398,859 |
| Additional pension (see page 96 of the Annual Report) | – | 1,092,041 | 1,191,415 | 443,582 | 490,707 |
| Total remuneration | 150,040 | 2,497,774 | 2,715,152 | 4,418,541 | 4,563,096 |

¹⁾ Base salary amount includes vacation pay.

²⁾ Members of the NEB receive taxable car and mobile phone benefits as part of their fixed salary.

³⁾ 2018 figures relate to performance in 2017. 2017 figures relate to performance in 2016. 2019 payments, based on performance in 2018: the President and CEO EUR 256,471 (Matti Lievonen) and NEB members EUR 516,125.

⁴⁾ Total taxable value of LTI payments awarded (including transfer tax).

Vested share incentive awards for the Neste Executive Board

| Name | Position | NEB member since | 2018 ¹⁾ (paid 2019) | 2017 ²⁾ (paid 2018) |
|-------------------------|--|------------------|-----------------------------------|-----------------------------------|
| Matti Lievonen | The President and CEO | 2008 | 3,171 | 4,068 |
| Kaisa Hietala | EVP, Renewable Products | 2014 | 1,238 | 1,402 |
| Panu Kopra | EVP, Marketing & Services | 2016 | 1,005 | 740 |
| Matti Lehmus | EVP, Oil Products | 2009 | 1,399 | 1,612 |
| Simo Honkanen | SVP, Sustainability and Public Affairs | 2009 | 785 | 771 |
| Hannele Jakosuo-Jansson | SVP, Human Resources and Safety | 2006 | 1,024 | 1,121 |
| Lars Peter Lindfors | SVP, Technology | 2009 | 1,008 | 1,121 |
| Jyrki Mäki-Kala | CFO | 2013 | 1,376 | 1,612 |
| Christian Ståhlberg | General Counsel | 2017 | – | – |

¹⁾ The 2018 column refers to share incentives to be paid in spring 2019 for the earning period 2016–2018. The figures indicate the net amount of shares after tax and other statutory payments.

²⁾ The 2017 column refers to share incentives paid in 2018 for the earning period 2015–2017. The figures indicate the net amount of shares after tax and other statutory payments.

Shareholdings¹⁾ of the Neste Executive Board 31 December 2018

| Name | Position | NEB member since | 2018 | 2017 |
|-------------------------|--|------------------|--------|--------|
| Peter Vanacker | The President and CEO (1.11.2018–) | 2018 | – | – |
| Kaisa Hietala | EVP, Renewable Products | 2014 | 5,543 | 10,000 |
| Panu Kopra | EVP, Marketing & Services | 2016 | 3,989 | 5,849 |
| Matti Lehmus | EVP, Oil Products | 2009 | 11,922 | 16,810 |
| Simo Honkanen | SVP, Sustainability and Public Affairs | 2009 | 9,586 | 19,519 |
| Hannele Jakosuo-Jansson | SVP, Human Resources and Safety | 2006 | 13,193 | 17,072 |
| Lars Peter Lindfors | SVP, Technology | 2009 | 9,663 | 14,063 |
| Jyrki Mäki-Kala | CFO | 2013 | 11,000 | 14,013 |
| Christian Ståhlberg | General Counsel | 2017 | – | – |

¹⁾ The figure also includes the shares personally acquired by the executive (if any). In case of an executive leaving the Company during restriction period, the Board of Directors may, at its discretion, decide to recover the shares. On 31 December 2018 all NEB members exceeded the ownership requirement, except Christian Ståhlberg, who started in 2017 and Peter Vanacker, who started in 2018.

Point 8 on the agenda

Use of the profit shown in the Balance Sheet and deciding on the payment of dividend

The Board of Directors proposes to the AGM that a total dividend of EUR 2.28 per share be paid on the basis of the approved balance sheet for 2018. The dividend shall be paid in two installments.

The first installment of dividend, EUR 1.14 per share, will be paid to shareholders registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the record date for first dividend installment, which shall be Thursday, 4 April 2019. The Board proposes to the AGM that the first dividend installment would be paid on Thursday, 11 April 2019.

The second installment of dividend will be paid to shareholders registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the record date for second dividend installment, which shall be Friday, 4 October 2019. The Board proposes to the AGM that the second dividend installment would be paid on Friday, 11 October 2019. If the AGM approves the Board's proposal concerning a share issue without payment in accordance with section 15, the second instalment will be divided between one old and two new shares so that EUR 0.38 will be paid on each share. If the AGM does not approve the share issue without payment proposed by the Board, the second instalment will be paid in the same manner as the first, i.e. EUR 1.14 per share.

The Board of Directors is authorized to set a new dividend record date and payment date for the second installment of the dividend, in case the rules and regulations on the Finnish book-entry system would be changed, or otherwise so require.

Dividend policy

Neste's dividend policy, updated in September 2017, is to distribute at least 50% of its comparable net profit as dividend.

Dividend payment in 2019

- 23 March 2019: AGM record date
- 4 April 2019: Dividend payment record date for the first installment
- 11 April 2019: Dividend payable for the first installment
- 4 October 2019: Dividend payment record date for the second installment
- 11 October 2019: Dividend payable for the second installment

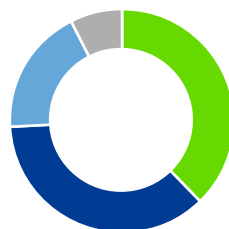
Interim reports in 2019

Neste Corporation will publish financial reports in 2019 as follows:

- Interim Report January–March 2019:
26 April 2019
- Half Year Financial Report January–June 2019:
25 July 2019
- Interim Report January–September 2019:
25 October 2019

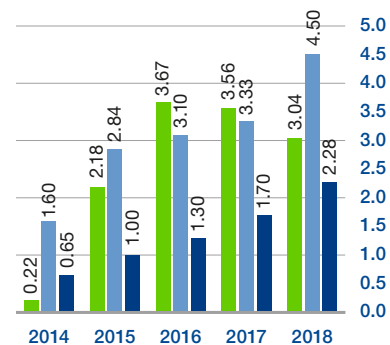
Interim Reports are published in Finnish and English and can be downloaded at www.neste.com/investors.

Shareholder structure on 31 December 2018, %



- Non-Finnish Shareholders 37.6% (31.5%)
- Finnish State 36.4% (50.1%)
- Finnish institutions 18.3% (9.6%)
- Households 7.7% (8.7%)

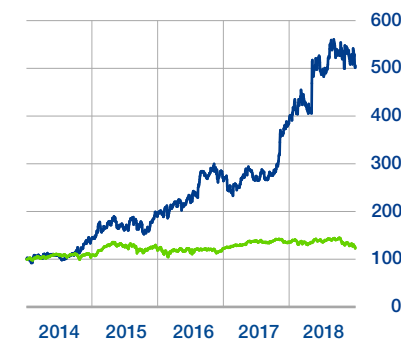
Earnings per share and dividend per share, EUR



- Earnings per share
- Comparable earnings per share
- Dividend per share*

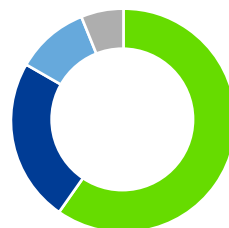
*2018: Board's proposal to the Annual General Meeting

Shareholders' total return, indexed



- Total revenue from Neste share (index)
- STOXX Nordic Return (index)

Neste share's trading volumes in 2018, %

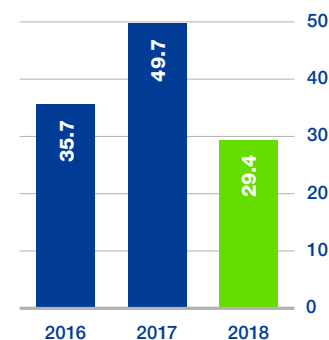


- Nasdaq Helsinki 59.5% (59.2%)
- Chi-X Europe 23.7% (26.5%)
- BATS Europe 10.4% (7.0%)
- Turquoise 6.3% (7.3%)

Neste's share performance 2014–2018, EUR



Total shareholder return, %



Point 10 on the agenda

Deciding the remuneration of the members of the Board of Directors

The Shareholders' Nomination Board shall, according to its charter, agree unanimously on the proposals to be put before the AGM. The Shareholders' Nomination Board did not make a unanimous proposal for the remuneration paid to the Board of Directors for their following term of office. The Chair of the Nomination Board has notified the Nomination Board and the Company that at the AGM, the State of Finland will propose that the remuneration shall remain unchanged.

The remuneration currently paid to the Board of Directors is as follows:

- Chair, EUR 66,000/year
- Vice Chair, EUR 49,200/year
- Member, EUR 35,400/year.

In addition to the annual fee, members of the Board of Directors would receive a meeting fee of EUR 600 for each meeting held in the member's home country and EUR 1,200 for each meeting held in another country, plus compensation for expenses pertaining to the Company's travel guidelines. The meeting fee for telephone meetings will be paid according to the fee payable for meetings held in each member's home country.

Point 11 on the agenda

Deciding the number of members of the Board of Directors

The Shareholders' Nomination Board proposes that the Board shall have eight members.

Point 12 on the agenda

Election of the Chair, the Vice Chair, and the members of the Board of Directors

The Shareholders' Nomination Board proposes that Mr. Matti Kähkönen shall be re-elected as the Chair of the Board of Directors. In addition, the current Board members Ms. Elly (Elizabeth) Burghout, Ms. Martina Flöel, Mr. Jean-Baptiste Renard, Mr. Jari Rosendal, Mr. Willem Schoeber, and Mr. Marco Wirén are proposed to be re-elected for a further term of office. The Nomination Board further proposes that Mr. Wirén shall be elected as the Vice Chair of the Board.

The Shareholders' Nomination Board further proposes that Ms. Sonat Burman-Olsson shall be elected as a new member.

All of those concerned have given their consent to serving on the Board and are considered to be independent of the company and its major shareholders.

Ms. Laura Rautio will leave Neste's Board of Directors after serving eight years in the Board.

Shareholders' Nomination Board's proposal for the composition of Neste's Board of Directors

Matti Kähkönen



(born in 1956)
M.Sc. (Engineering)
Chair of the Board since 2018
Member of the Board of Directors since 2017
Independent member

Senior Advisor, Metso Corporation 2017–. President and CEO, Metso Corporation 2011–2017. Executive Vice President and Deputy to the CEO, Metso Corporation 2010–2011. President, Mining and Construction Technology, Metso Corporation 2008–2011. President, Metso Minerals 2006–2008. President, Metso Automation 2001–2006. President, Metso Automation, Field Systems Division 1999–2001. Prior to year 1999, various managerial and development positions in Neles-Jamesbury and Rauma-Repola.

Mr. Kähkönen also holds various positions of trust. He is board member of The Research Institute of the Finnish Economy (EVA/ETLA), Chair of the TT fund of the Confederation of Finnish Industries, and Chair of the super advisory board of the Ilmarinen Mutual Pension Insurance Company, among others. Chair of Neste's Personnel and Remuneration Committee.

Holdings in Neste Corporation on 31 Dec 2018: 2,270 shares ¹⁾

Elizabeth (Elly) Burghout



(born in 1954)
BSc, Chemical Engineering
Member of the Board since 2018
Independent member

Senior Director of Global Technology and Innovation, Specialties at Sabic in 2016–2017. Various General Manager positions at Sabic in 2007–2016. Various managerial positions at GE Plastics in 1996–2007. Prior to year 1996, various managerial and specialist positions in different organizations. Member of the Board of Sabic Petrochemicals BV, 2010–2014. Member of the Board of Sabic Fibre Reinforced Thermoplastics, 2014–2017. Member of Neste's Personnel and Remuneration Committee.

Holdings in Neste Corporation on 31 Dec 2018: 0 shares ¹⁾

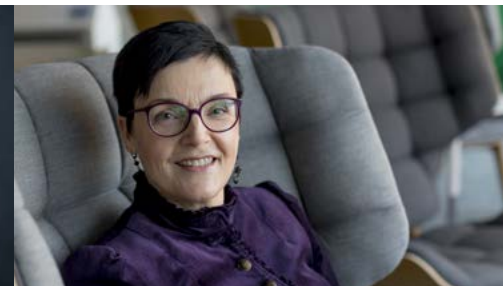
Sonat Burman-Olsson



(born 1958)
M.Sc. Economics, Paris, France; Executive MBA, Uppsala, Sweden; Strategic Management training in Oxford and Harvard
Independent member

President & CEO, COOP Sverige, 2014–2017. Deputy CEO and CFO, ICA Gruppen, 2007–2014. Various presidential and directorial positions at Electrolux Group 1995–2007. Prior to year 1995 directorial positions at British Petroleum Sweden and Siemens in Sweden. Member of the Board of Postnord, 2018–. Member of the Board of Lantmännen, 2018–. Member of the Board of iZettle, 2017–. Member of the Board of Lindab, 2011–.

Martina Flöel



(born in 1960)
M.Sc. (Chemistry), PhD (Chemistry)
Member of the Board of Directors since 2017
Independent member

CEO of Oxea 2007–2016. Managing Director and EVP, Europe of European Oxo in 2003–2007. Vice President Oxo Chemicals, Celanese Chemicals 2000–2003. Plant Manager Böhlen, Celanese Chemicals 1998–2000. Prior to year 1998, various managerial and directorial positions in the Hoechst Group. Independent member of the Sasol Board of Directors 2018–. Member of Neste's Audit Committee.

Holdings in Neste Corporation on 31 Dec 2018: 0 shares ¹⁾

¹⁾ Holdings in Neste Corporation: own holdings and controlled entities.

Jean-Baptiste Renard



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

Founder and CEO, 2PR Consulting,
independent energy expert and consultant.
Several positions at BP 1986–2010;
Regional Group Vice President for Europe
and Southern Africa BP Plc 2006–2010,
Group Vice President, Business Marketing
and New Markets, and member of
Downstream Executive Committee BP Plc
2003–2006. Non-Executive Director of
Masana Petroleum Solutions (South-Africa);
Non-Executive Director of IFP Training
(France); Non-Executive Director of CLH
(Spain); pro bono consulting for social
entrepreneurs. Supervisory Board Member
of Entrepreneurs+. Advisory Board Member
of IFP School; Member of Neste's Personnel
and Remuneration Committee.

Holdings in Neste Corporation on
31 Dec 2018: 7,650 shares ¹⁾

Jari Rosendal



(born in 1965)
M.Sc. (Eng.)
Member of the Board of Directors since 2018
Independent member

President and CEO at Kemira since 2014.
Various President and directorial positions,
including as Member of the Executive Board, at
Outotec Oyj in 2003–2014. Various managerial
and expert positions in the Outokumpu's
Technology Group in Finland and the United
States 1989–2003. Member of the Board of
Directors and Audit Committee, Uponor Oyj,
2012–2018. Member of the Board of Directors
since 2015– and Chairman of the Board of
Directors, Chemical Industry Federation of
Finland, 2017–2018. Member of the Board of
Directors, CEFIC, 2014–. Member of the Board
of Directors, Confederation of Finnish Industries
(EK), 2017–2018. Member of the Board of
Directors, 2011– and Chairman of the Board
of Directors, Finnish Association of Mining and
Metallurgical Engineers, 2017–. Member of
Neste's Audit Committee.

Holdings in Neste Corporation on
31 Dec 2018: 0 shares ¹⁾

Willem Schoeber



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

Independent business consultant. Chair
of the Boards of Directors of EWE Turkey
Holding AŞ, Bursagaz AŞ and Kayserigaz
AŞ 2010–2015. Member of the Management
Board of EWE AG, responsible for power
generation and international business
(Turkey and Poland) 2010–2013. Chair of
the Management Board at swb AG (Bremen)
2007–2011. Several positions at Royal
Dutch Shell Group's companies 1977–2007,
in particular in oil refining. Member of
the Supervisory Board of Gasunie N.V.
(Groningen) since 2013 and Member of the
Board of Directors of Societatea Energetica
"Electrica" S.A. (Bucharest) since 2016.
Member of Neste's Audit Committee.

Holdings in Neste Corporation on
31 Dec 2018: 2,000 shares ¹⁾

Marco Wirén



(born in 1966)
M.Sc (Econ.)
Vice Chair of the Board
**Member of the Board of Directors
since 2015**
Independent member

President, Wärtsilä Energy & Executive
Vice President, Wärtsilä Corporation,
since October 2018. Wärtsilä Corporation,
Executive Vice President and Chief Financial
Officer Wärtsilä 2013–2018. SSAB, Executive
Vice President and CFO 2008–2013; SSAB,
Vice President Business control 2007–2008;
Eitel Networks, CFO and Vice President
Business Development 2002–2007; NCC,
Vice President Business Development and
Group Controller 1995–2001. Member
of the Board of Management of Wärtsilä
Corporation since 2013. Chair of Neste's
Audit Committee.

Holdings in Neste Corporation on
31 Dec 2018: 1,000 shares ¹⁾

¹⁾ Holdings in Neste Corporation: own holdings and controlled entities.

Point 13 on the agenda

Deciding the remuneration of the Auditor

The Board proposes, on the recommendation of the Audit Committee, to the AGM that the Auditor's fee shall be paid as invoiced and approved by the Company.

Point 14 on the agenda

Election of the Auditor

The Board proposes, on the recommendation of the Audit Committee, that the AGM would elect PricewaterhouseCoopers Oy, Authorized Public Accountants, as the Company's Auditor. PricewaterhouseCoopers Oy has announced that it will appoint Mr. Markku Katajisto, Authorized Public Accountant, as the principally responsible auditor. The Auditor's term of office shall end at the closure of the next AGM.

Point 15 on the agenda

Share issue without payment (share split)

The Board of Directors proposes to the AGM that in order to enhance the liquidity of the Company's shares, new shares shall be issued to the shareholders without payment in proportion to their holdings so that 2 new shares are issued for each share (split). In addition, in the share issue without payment, new shares will similarly be issued without payment to the Company on the basis of treasury shares held by the Company. Based on the number of shares as at the date of this notice, a total of 512,807,372 new shares will be issued. The shares shall be issued to the shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record day of the share issue of 4 April 2019. The share issue without payment shall be executed in the book-entry system and will not require any actions by the shareholders. The new shares will generate shareholder rights as of 4 April 2019 when they have been registered in the trade register. The registration of the new shares in the shareholders' book-entry accounts is planned to occur on 5 April 2019. The new shares will not entitle their holders to the first instalment of the dividend as defined in section 8 above, but they will entitle to the second instalment of the dividend as referred to in the same section.

Point 16 on the agenda

Authorizing the Board of Directors to decide on the conveyance of treasury shares

The Board proposes that the AGM would authorize the Board to decide on the conveyance of the treasury shares held by the Company under the following terms:

Under the authorization, the Board shall be authorized to take one or more decisions on the conveyance of treasury shares held by the Company, provided that the number of shares thereby conveyed totals a maximum of 3,000,000 shares, equivalent to approximately 0.39% of all the Company's shares after the new shares to be issued in share issue without payment pursuant to section 15 have been registered.

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

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

The Board shall decide on other terms and conditions of share issue. The authorization shall remain in force until 30 June 2022. The authorization shall revoke the authorization granted by the AGM on 5 April 2018 to the Board to decide on the conveyance of treasury shares. However, the proposal of the Board in accordance with this section 16 is conditional upon the approval of the Board's proposal on the share issue without payment in accordance with section 15. If the AGM does not approve the Board's proposal on the share issue without payment in accordance with section 15, the authorization granted by the AGM on 5 April 2018 to the Board to decide on the conveyance of treasury shares, shall remain in force.

Point 17 on the agenda

Closing of the meeting

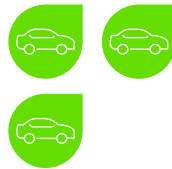
Sustainability highlights 2018

Climate

2018

The amount of greenhouse gas emissions our customers reduced with our renewable products

7.9 Mt



equaling the annual emissions From 3 million passenger cars or

the annual carbon footprint of 1.2 million average EU citizens.

Target

2023



Circular economy



Waste and residues accounted for

83%

of our total raw material usage to produce renewable products.

We aim at processing

>1 Mt

of plastic waste annually from 2030, onwards



All our units producing renewables have a technical capability to run

100%

on waste and residues.



Our annual R&D expenditure totaled

48 MEUR

the majority of which is used to research and test future raw materials.

People



314

safe days in 2018, 16 more than in 2017 (298).



Volunteer work at Neste

749

employees donated working hours to

84

good causes



In 2019,
we were ranked
the 3rd most
sustainable
company in the
world on the
Global 100 list.

NESTE

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Download our Annual Report 2018 at
www.neste.com/annualreport