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*This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.*

# Auditor's Report

To the Annual General Meeting of Neste Corporation

## **Report on the Audit of the Financial Statements**

### **Opinion**

We have audited the financial statements of Neste Corporation (business identity code 1852302-9) for the year ended December 31, 2022. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, 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 financial statements in Finland and comply with statutory requirements.

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

### **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 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.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 9 to the consolidated financial statements.

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

### **Materiality**

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the 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. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
<p><b>Martinez Renewables Joint Arrangement (reference to the note 2: accounting policies and notes 14, 18 and 30 in the consolidated financial statements)</b></p> <p>During 2022 Neste finalized a transaction to establish a joint arrangement (Martinez Renewables) for production of renewable fuels together with Marathon Petroleum.</p> <p>At the time of making the investment, Neste made the interpretation to treat the establishment and initial investment into the joint arrangement as an asset acquisition. After the initial investment, Neste classified the joint arrangement as a joint operation reflecting that Neste and Marathon Petroleum have a joint control over the arrangement's relevant activities, and that the production output will be divided evenly between Neste and Marathon Petroleum.</p> <p>As a result of the joint operation classification, Neste recognizes its 50% share of Martinez Renewables' assets, liabilities, revenues and expenses.</p> <p>Neste capital expenditure into Martinez Renewables impacting in 2022 cash flow was 753 M€. The impact to Neste's property, plant and equipment at the year end was 853 M€.</p> <p>Due to the nature of unusual transaction as well as its' monetary significance, joint arrangement is considered as a key audit matter.</p>	<p>Our audit procedures related to Martinez Renewables joint arrangement included:</p> <ul style="list-style-type: none"> <li>— Evaluating the structure of the transaction and the accounting policies applied in relation to the IFRS-standards.</li> <li>— Involving our valuation specialists to assist us in evaluating methodologies and underlying assumptions applied by the management in the purchase price calculation.</li> <li>— Providing instructions to the auditors of joint operation to carry out appropriate controls testing and substantive procedures relating to property, plant and equipment.</li> <li>— Evaluating the findings reported by the auditors of joint operation including discussion with the auditors.</li> </ul> <p>In addition, we have assessed the appropriateness of the Group's disclosures in respect of the transaction and the joint arrangement.</p>

## **Biofuel credits (reference to notes 5 and 18 in the consolidated financial statements)**

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Renewable Products revenue includes income deriving from biofuel credits which Neste earns its sales operations especially in the USA. Neste's biofuel credits relate to the import and sale of renewable fuels in the USA in the form of Renewable Identification Number (RINs) and Low Carbon Fuel Standard (LCFSs) and Blenders Tax Credits (BTC).

RINs and LCFSs are accounted for as government grants upon receipt of the product inventory in the USA and are recognized as a revenue when biofuel credits are sold to a third party. RINs and LCFSs 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.

As there is a risk relating to accuracy of biofuel credits it has been considered as a key audit matter.

Our audit procedures related to biofuel credits included:

- Evaluating the appropriateness of the accounting policies applied when recording biofuel credits in relation to underlying IFRS principles.
- Evaluation of the process for registering biofuel credits and for reconciling balances to the eligible credits.
- Comparing of the registered balances against the systems administered by the Environmental Protection Agency (EPA) in the USA.

In addition, our test of details included the following procedures to confirm accuracy of biofuel credits:

- Testing of revenue recognition on a sample basis based on the sales agreements and system generated documents.
- Comparing the valuation of RINs and LCFSs accounted for as inventory to quoted market prices.
- Comparing of the value of the BTC to that confirmed by the authorities in the USA.

## **Valuation of inventories (reference to note 18 in the consolidated financial statements)**

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The company has significant inventory balances both in the Renewable Products and Oil Products segments. The inventory is valued at the lower of cost or net realizable value. The cost of inventory in the Renewable Products segment reflects purchase prices, which are impacted by the market prices of different feedstocks as well as the mix of feedstocks purchased.

Inventory management, stocktaking routines and costing of inventories are underlying key factors in determining the value of inventories.

Due to complexity of the inventory valuation calculations for Renewable Products the valuation of inventories in Renewable Product segment is considered as a key audit matter.

Our audit procedures related to valuation of Renewable Products' inventories included:

- Evaluating the appropriateness of the accounting policies applied in relation to IFRS standards.
- Testing of controls over inventory management and valuation.
- Performing substantive audit procedures in order to test the accuracy of inventory valuation at the lower of cost or net realization value at reporting date by testing on a sample basis accuracy of relevant components related to valuation.

In addition, we have assessed the appropriateness of the Group's disclosures in respect of inventory valuation.

## **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 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 the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism 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 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**

#### **Information on our audit engagement**

We were first appointed as auditors by the Annual General Meeting on March 30, 2021 and our appointment represents a total period of uninterrupted engagement of 2 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 and 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 February 7, 2023

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*Authorised Public Accountant, KHT*