Annual Report 2013

Financial Statements

NESTE OIL

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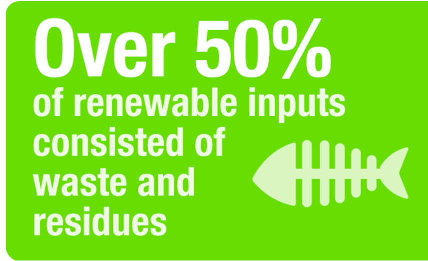

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Financial statements

Comparable operating profit totaled EUR

604

million

Return on average capital employed (ROACE)

11.8%

Leverage ratio was

30%

Comparable earnings per share was EUR

1.92

Key financial indicators

		2013	2012	2011
Income statement				
Revenue	EUR million	**17,462**	17,853	15,420
Operating profit	EUR million	**632**	324	273
- of revenue	%	**3.6**	1.8	1.8
Comparable operating profit	EUR million	**604**	355	178
Profit before income taxes	EUR million	**561**	233	206
- of revenue	%	**3.2**	1.3	1.3
Profitability				
Return on equity (ROE)	%	**19.2**	6.3	6.6
Return on capital employed, pre-tax (ROCE)	%	**13.4**	6.6	5.9
Return on average capital employed, after tax (ROACE)	%	**11.8**	5.0	2.6
Financing and financial position				
Interest-bearing net debt	EUR million	**1,252**	1,935	2,080
Leverage ratio	%	**30.0**	43.2	45.7
Gearing	%	**42.8**	76.2	84.3
Equity-to-assets ratio	%	**41.6**	34.4	34.0
Other indicators				
Capital employed	EUR million	**4,681**	4,885	4,850
Capital expenditure and investments in shares	EUR million	**214**	292	364
- of revenue	%	**1.2**	1.6	2.4
Research and development expenditure	EUR million	**40**	42	42
- of revenue	%	**0.2**	0.2	0.3
Average number of personnel		**5,097**	5,031	4,926

Share-related indicators				
Earnings per share (EPS)	EUR	**2.04**	0.61	0.62
Equity per share	EUR	**11.36**	9.86	9.58
Cash flow per share	EUR	**3.28**	1.83	0.77
Price/earnings ratio (P/E)		**7.04**	15.97	12.61
Dividend per share	EUR	**0.65** [1]	0.38	0.35
Dividend payout ratio	%	**31.8** [1]	62.1	56.5
Dividend yield	%	**4.5** [1]	3.9	4.5
Share prices				
At the end of the period	EUR	**14.37**	9.77	7.81
Average share price	EUR	**13.06**	9.08	10.22
Lowest share price	EUR	**10.13**	7.28	6.19
Highest share price	EUR	**17.33**	11.11	14.70
Market capitalization at the end of the period	EUR million	**3,685**	2,505	2,003
Trading volumes				
Number of shares traded	1,000	**241,467**	259,007	285,178
In relation to weighted average number of shares	%	**94**	101	111
Average number of shares		**255,967,244**	255,918,686	255,918,686
Number of shares at the end of the period		**255,982,212**	255,918,686	255,918,686

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

Calculation of key financial indicators

Calculation of key financial indicators

Indicator			Definition
Operating profit	=		Operating profit includes the revenue from the sale of goods and services, other income such as gain from sale of shares or non-financial assets, share of profit (loss) of associates and joint ventures, less losses from sale of shares or non-financial assets, as well as expenses related to production, marketing and selling activities, administration, depreciation, amortization, and impairment charges. Realized and unrealized gains or losses on oil, freight and electricity derivative contracts together with realized gains and losses from foreign currency and oil derivative contracts hedging cash flows of commercial sales and purchases that have been recycled in the income statement, are also included in operating profit.
Comparable operating profit	=		Operating profit -/+ inventory gains/losses -/+ gains/losses from sale of shares and non-financial assets including disposals of business - unrealized change in fair value of oil, freight and electricity derivative contracts. Inventory gains/losses include the change in fair value of all trading inventories.
Return on equity, (ROE) %	=	100 x	Profit before taxes - taxes / Total equity average
Return on capital employed, pre-tax (ROCE) %	=	100 x	Profit before taxes + interest and other financial expenses / Capital employed average
Return on average capital employed, after-tax (ROACE) %	=	100 x	Profit for the period (adjusted for inventory gains/losses, gains/losses from sale of shares and non-financial assets and unrealized gains/ losses on oil, freight and electricity derivative contracts, net of tax) + non-controlling interests + interest expenses and other financial expenses related to interest-bearing liabilities (net of tax) / Capital employed average
Capital employed	=		Total assets - interest-free liabilities - deferred tax liabilities - provisions
Interest-bearing net debt	=		Interest-bearing liabilities - cash and cash equivalents
Leverage ratio, %	=	100 x	Interest-bearing net debt / Interest bearing net debt + total equity
Gearing, %	=	100 x	Interest-bearing net debt / Total equity
Equity-to-assets ratio, %	=	100 x	Total equity / Total assets - advances received
Return on net assets, %	=	100 x	Segment operating profit / Average segment net assets

Comparable return on net assets, % $= 100 \times \frac{\text{Segment comparable operating profit}}{\text{Average segment net assets}}$

Segment net assets = Property, plant and equipment, intangible assets, investment in associates and joint ventures including shareholder loans, pension assets, inventories and interest-free receivables and liabilities allocated to the business segment, provisions and pension liabilities.

Research and development expenditure = Research and development expenditure comprise of the expenses of the Research & Technology unit serving all business areas of the Group, as well as research and technology expenses incurred in business areas, which are included in the consolidated income statement. Depreciation and amortization are included in the figure. The expenses are presented as gross, before deducting grants received.

Calculation of share-related indicators

Earnings per share (EPS) $= \frac{\text{Profit for the period attributable to the equity holders of the company}}{\text{Adjusted average number of shares during the period}}$

Equity per share $= \frac{\text{Shareholder's equity attributable to the equity holders of the company}}{\text{Adjusted average number of shares at the end of the period}}$

Cash flow per share $= \frac{\text{Net cash generated from operating activities}}{\text{Adjusted average number of shares during the period}}$

Price / earnings ratio (P/E) $= \frac{\text{Share price at the end of the period}}{\text{Earnings per share}}$

Dividend payout ratio, % $= 100 \times \frac{\text{Dividend per share}}{\text{Earnings per share}}$

Dividend yield, % $= 100 \times \frac{\text{Dividend per share}}{\text{Share price at the end of the period}}$

Average share price $= \frac{\text{Amount traded in euros during the period}}{\text{Number of shares traded during the period}}$

Market capitalization at the end of the period = Number of shares at the end of the period x share price at the end of the period

Trading volume = Number of shares traded during the period, and number of shares traded during the period in relation to the weighted average number of shares during the period

Consolidated income statement

MEUR	Note	1 Jan–31 Dec 2013	Restated 1 Jan–31 Dec 2012
Revenue	4, 7	**17,462**	17,853
Other income	8	**79**	98
Share of profit (loss) of associates and joint ventures	19	**-9**	-3
Materials and services	9	**-15,424**	-16,186
Employee benefit costs	10	**-353**	-339
Depreciation, amortization and impairments	11	**-323**	-332
Other expenses	12	**-800**	-767
Operating profit		**632**	324
Financial income and expenses	13		
Financial income		**2**	3
Financial expenses		**-81**	-87
Exchange rate and fair value gains and losses		**8**	-7
Total financial income and expenses		**-71**	-91
Profit before income taxes		**561**	233
Income tax expense	14	**-37**	-74
Profit for the period		**524**	159
Attributable to:			
Owners of the parent		**523**	157
Non-controlling interests		**1**	2
		524	159
Earnings per share from profit attributable to owners of the parent (in EUR per share)	15		
Basic		**2.04**	0.61
Diluted		**2.04**	0.61

Consolidated statement of comprehensive income

MEUR	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Profit for the period	524	159
Other comprehensive income:		
Items that will not be reclassified to profit or loss, net of tax		
Remeasurements on defined benefit plans	-1	-29
Items that may be reclassified subsequently to profit or loss, net of tax		
Translation differences	-33	10
Cash flow hedges		
recorded in equity	10	-50
transferred to income statement	-19	84
Net investment hedges	0	-1
Hedging reserves in associates and joint ventures	-1	-1
Total	-43	42
Other comprehensive income for the period, net of tax	-44	13
Total comprehensive income for the period	480	172
Total comprehensive income attributable to:		
Owners of the parent	479	170
Non-controlling interests	1	2
	480	172

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

Consolidated balance sheet

MEUR	Note	31 Dec 2013	Restated 31 Dec 2012	Restated 1 Jan 2012
ASSETS				
Non-current assets				
Intangible assets	**18**	**62**	61	55
Property, plant and equipment	**17**	**3,741**	3,869	3,968
Investments in associates and joint ventures	**19**	**225**	242	239
Non-current receivables	**20, 21**	**3**	3	16
Deferred tax assets	**28**	**29**	46	52
Derivative financial instruments	**20, 25**	**22**	37	19
Available-for-sale financial assets	**20, 21**	**4**	4	4
Total non-current assets		**4,086**	4,262	4,353
Current assets				
Inventories	**22**	**1,468**	1,464	1,457
Trade and other receivables	**20, 23**	**946**	1,154	1,045
Derivative financial instruments	**20, 25**	**34**	57	59
Cash and cash equivalents	**24**	**506**	409	304
Total current assets		**2,954**	3,084	2,865
Assets classified as held for sale	**5**	**-**	52	56
Total assets		**7,040**	7,398	7,274
EQUITY				
Capital and reserves attributable to owners of the parent	**26**			
Share capital		**40**	40	40
Other equity		**2,868**	2,484	2,404
Total		**2,908**	2,524	2,444
Non-controlling interests		**16**	16	14
Total equity		**2,924**	2,540	2,458

LIABILITIES					
Non-current liabilities					
Interest-bearing liabilities	**20,**	**27**	**1,586**	1,977	1,891
Deferred tax liabilities		**28**	**266**	340	331
Provisions		**29**	**37**	27	22
Pension liabilities		**30**	**93**	99	57
Derivative financial instruments	**20,**	**25**	**7**	6	12
Other non-current liabilities		**27**	**7**	7	9
Total non-current liabilities			**1,996**	2,456	2,322
Current liabilities					
Interest-bearing liabilities	**20,**	**27**	**171**	357	493
Current tax liabilities	**20,**	**27**	**49**	40	26
Derivative financial instruments	**20,**	**25**	**25**	47	88
Trade and other payables	**20,**	**27**	**1,875**	1,925	1,872
Total current liabilities			**2,120**	2,369	2,479
Liabilities related to assets held for sale		**5**	**-**	33	15
Total liabilities			**4,116**	4,858	4,816
Total equity and liabilities			**7,040**	7,398	7,274

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

Consolidated cash flow statement

MEUR	Note	1 Jan–31 Dec 2013	Restated 1 Jan–31 Dec 2012
Cash flows from operating activities			
Profit for the period		**524**	159
Adjustments for			
Income tax	**14**	**37**	74
Share of profit (loss) of associates and joint ventures	**19**	**9**	3
Depreciation and amortization	**11**	**323**	332
Other non-cash income and expenses		**6**	43
Financial expenses - net	**13**	**71**	91
Profit/loss from disposal of fixed assets and shares	**8**	**-49**	-46
		921	656
Change in working capital			
Decrease (+)/increase (–) in trade and other receivables		**145**	-106
Decrease (+)/increase (–) in inventories		**–6**	13
Decrease (–)/increase (+) in trade and other payables		**–39**	49
Change in working capital		**100**	-44
		1,021	612
Interest and other finance cost paid		**-86**	-86
Interest income received		**4**	0
Dividends received		**0**	0
Realized foreign exchange gains and losses		**-16**	-20
Income taxes paid		**-84**	-38
		-182	-144
Net cash generated from operating activities		**839**	468

Cash flows from investing activities			
Purchases of property, plant and equipment	**17**	**-200**	-269
Purchases of intangible assets	**18**	**-14**	-22
Purchases of other shares		**0**	-1
Proceeds from sale of subsidiaries, net of cash disposed	**6**	**75**	-
Proceeds from capital repayments in associates and joint ventures	**19**	**-**	2
Proceeds from sale of property, plant and equipment		**2**	79
Proceeds from sale of other shares		**-**	0
Changes in non-current receivables		**57**	3
Net cash used in investing activities		**-80**	-208
Cash flow before financing activities		**759**	260
Cash flows from financing activities			
Payment of (–) / proceeds from (+) current interest-bearing liabilities		**-144**	-173
Proceeds from non-current interest-bearing liabilities		**8**	1,022
Repayments of non-current interest-bearing liabilities		**-421**	-914
Dividends paid to the owners of the parent		**-97**	-90
Dividends paid to non-controlling interests		**-1**	0
Net cash used in financing activities		**-655**	-155
Net decrease (–)/increase (+) in cash and cash equivalents		**104**	105
Cash and cash equivalents at beginning of the period		**410**	304
Exchange gains (+)/losses (–) on cash and cash equivalents		**-8**	1
Cash and cash equivalents at end of the period	**24**	**506**	410

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

Consolidated statement of changes in equity

MEUR	Note	Share capital	Reserve fund	Fair value and other reserves	Translation differences	Actuarial gains and losses	Retained earnings	Owners of the parent	Non-controlling interests	Total equity
Total equity at 31 December 2011		40	15	-23	-7	0	2,428	2,453	14	2,467
Change in accounting policy (IAS 19)							-9	-9		-9
Total equity at 1 January 2012		40	15	-23	-7	0	2,419	2,444	14	2,458
Dividend paid							-90	-90	0	-90
Share-based compensation							0	0		0
Transfer from retained earnings			3				-3	0		0
Total comprehensive income for the year				33	9	-29	157	170	2	172
Total equity at 31 December 2012	**26**	40	18	10	2	-29	2,483	2,524	16	2,540

MEUR	Note	Share capital	Reserve fund	Fair value and other reserves	Translation differences	Actuarial gains and losses	Retained earnings	Owners of the parent	Non-controlling interests	Total equity
Total equity at 1 January 2013		**40**	**18**	**10**	**2**	**-29**	**2,483**	**2,524**	**16**	**2,540**
Dividend paid							**-97**	**-97**	**-1**	**-98**
Share-based compensation							**2**	**2**		**2**
Transfer from retained earnings			**0**				**0**	**0**		**0**
Total comprehensive income for the year				**-10**	**-33**	**-1**	**523**	**479**	**1**	**480**
Total equity at 31 December 2013	**26**	**40**	**18**	**0**	**-31**	**-30**	**2,911**	**2,908**	**16**	**2,924**

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

1 General information

Neste Oil Corporation (the Company) is a Finnish public limited liability company domiciled in Espoo, Finland. The Company is listed on the NASDAQ OMX Helsinki.

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

The Board of Directors has approved these consolidated financial statements for issue on 3 February 2014.

2 Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC Interpretations as adopted by the European Union. The notes to the consolidated financial statements also include compliance with the Finnish accounting and corporate legislation. The consolidated financial statements have been prepared under the historic cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through the income statement. The consolidated financial statements are presented in millions of euros unless otherwise stated.

New and amended standards adopted by the Group

The following standards have been adopted by the Group for the fist time for the financial year beginning on or after 1 January 2013:

Amendments to IAS 1 Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (effective 1 July 2012)

The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment effected presentation only and has no impact on the Group's financial position or performance.

Amendments to IAS 12 Income Taxes - Deferred tax: Recovery of Underlying Assets (effective 1 January 2013)

The amendment provides a practical approach for measuring deferred tax assets and liabilities when investment property is fair valued under IAS 40. The Group does not have investment properties and therefore the amendment does not have an impact on the Group's consolidated financial statements.

IAS 19 Employee Benefits (Revised) (effective 1 January 2013)

As of January 1, 2013, the Group has adopted retrospectively the revised IAS 19 Employee Benefits standard. The opening statement of financial position of the earliest comparative period presented (1 January 2012) as well as Group and segment information for 2012 has been restated in compliance with the requirements of the revised standard.

The changes on the Group's accounting policies are the following: to immediately recognise all past service costs and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

As a result, the Group's operating and comparable operating profit for 2012 increased by EUR 3 million, as the net interest cost related to employee benefits are now reported under financial items. The impact on the Group's net profit for 2012 was not material. Unrecognized actuarial gains and losses was charged to equity as at 1 January 2012 along with consequential tax impact. As a result, the Group's equity in the opening balance for 2012 reduced by EUR 9 million. The Group's equity of 31 December 2012 reduced by EUR 38 million, comprising a EUR 51 million increase in actuarial losses and related deferred tax assets of EUR 13 million. The Group's defined benefit liability increased to EUR 99 million.

Sensitivity disclosures and the maturity for the defined benefit obligation for comparative period (year ended 31 December 2012) have not been provided. IAS 19 disclosures are presented in Note 30.

Amendments to IAS 36 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. (effective 1 January 2014)

This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory until 1 January 2014, however the Group has decided to early adopt the amendment as of 1 January 2013.

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendment) (effective 1 January 2013)

These amendments require an entity to disclose information about rights to set-off and related arrangements. The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 'Financial Instruments: Presentation'. The disclosures also apply the recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments has not impact the Group's financial position or performance.

IFRS 13 Fair Value Measurement (effective 1 January 2013)

The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. Application of IFRS 13 has not materially impact the fair value measurements of the Group.

Annual improvements to IFRS.

Certain new interpretations, amendments to existing standards or new standards have been published. The Group intends to adopt these standards on 1 January 2014 or when they become effective.

IFRS 10 Consolidated Financial Statement

The standard replaces the portion of IAS 27 'Consolidated and Separate Financial Statements' that addresses the accounting for consolidated financial statements. The new standard establishes a single control model that applies to all entities including special purpose entities. The changes will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent. The standard becomes effective for annual periods beginning on or after 1 January 2014.

IFRS 11 Joint Arrangements

The standard replaces IAS 31 'Interests in Joint Ventures' and SIC-13 'Jointly-controlled Entities - Non-monetary Contributions by Ventures'. The new standard changes accounting treatment of jointly controlled entities. Jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method only. The Group's joint ventures are accounted for by using the equity method of accounting and therefore this has no significant impact on the Group's financial position. The standard becomes effective for annual periods beginning on or after 1 January 2014.

IFRS 12 Disclosure of Interests in Other Entities

The standard includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 28 and IAS 31. These disclosures related to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard becomes effective for annual periods beginning on or after 1 January 2014.

Use of estimates and assumptions

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

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

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

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

Impairment test

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

Employee benefits

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

Provisions

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

Critical judgements in applying accounting policies

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

Consolidation

Subsidiaries

The consolidated financial statements cover the parent company, Neste Oil Corporation, and all those companies in which Neste Oil Corporation has the power to govern financial and operating policies and holds, directly or indirectly, more than 50% of voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group, and are no longer consolidated when that control ceases.

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

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

Associates, joint ventures and jointly controlled assets

Associated companies are entities over which the Group has significant influence but not control, and generally involve a shareholding of between 20% and 50% of voting rights. Joint ventures are entities over which the Group has contractually agreed to share the power to govern the financial and operating policies of that entity with another company or companies. The Group’s interests in associates and joint ventures are accounted for by the equity method of accounting.

Identifiable assets acquired and liabilities and contingent liabilities assumed in the investment in associates and joint ventures are measured initially at their fair value at the date of acquisition. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the joint venture acquired, the difference is recognized directly in the income statement.

The Group’s share of the post-acquisition profits or losses after tax of its associates and joint ventures is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group’s share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

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

In respect of interest of jointly controlled assets the Group recognises its share of the jointly controlled assets and liabilities as well as its part of any income or expenses incurred. Because the assets, liabilities, income and expenses are recognised in the financial statements of the Group, no adjustments of other consolidation procedures are required.

Segment reporting

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

Until 20 December 2010 the reportable segments of the Group were presented in line with the Company's internal organisational and reporting structure adopted as of 1 April 2009. At the time business areas also represented the reporting segments. On 20 December 2010 the Group reorganised its operations so that the Oil Products and Renewable Fuels business areas were merged to create one business area Oil Products and Renewables. Financial reporting has remained unchanged.

The segments' operating results are measured based on comparable operating profit and return on comparable net assets.
In 2012 the Group updated the method used to calculate its comparable operating profit to provide a better reflection of operational performance in its Oil Products business, by switching from a monthly average pricing method to a daily based pricing method when adjusting calculated inventory gains and losses.

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

Non-current assets and disposal groups held for sale

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

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

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

• assets and liabilities are translated at the closing rate quoted on the relevant balance sheet date;

• income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

• all resulting exchange differences are recognized as a separate component of equity.

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

Revenue recognition

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

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

Revenue includes sales from actual operations and exchange rate differences on trade receivables, less discounts, indirect taxes such as value added tax and excise tax payable by the manufacturer, and statutory stockpiling fees. Where forward sale and purchase contracts for crude oil or oil products have been determined to be for trading purposes, the associated sales and purchases are reported net within sales whether or not physical delivery has occurred. Excise taxes included in the retail price of petroleum products according to prevailing legislation in some countries are included in product sales. The corresponding amount is included in the purchase price of petroleum products and included in 'Materials and services' in the income statement.

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

Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and that the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognized in the income statement in 'Other income' over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant, and equipment are deducted from the acquisition cost of the asset and recognized as income by reducing the depreciation charge of the asset they relate to.

Borrowing costs

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

Income taxes

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

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

Research and development

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

Property, plant and equipment

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

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

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

Buildings and structures, including terminals	20–40 years
Production machinery and equipment, including special spare parts	15–20 years
Marine fleet	15–20 years
Retail station network infrastructure and equipment	5–15 years
Other equipment and vehicles	3–15 years
Other tangible assets	20–40 years

The residual values and useful lives of assets are reviewed, and adjusted where appropriate, at each balance sheet date. The carrying amount of an asset is written down immediately to its recoverable amount if the former amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in 'Other income' or 'Other expenses' in the consolidated income statement.

Intangible assets

Intangible assets are stated at historical cost and amortized on a straight-line method over expected useful lives. Intangible assets comprise the following:

Computer software

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

Trademarks and licences

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

Goodwill

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

Emission allowances

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

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

Impairment of non-financial assets

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

Financial assets

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

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

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

Financial assets at fair value through income statement

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

Loans and receivables

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

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

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

Available-for-sale financial assets

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

Leases

Finance leases

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

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

Operating leases

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

Inventories

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

Cash and cash equivalents

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

Provisions

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

Financial liabilities

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

Employee benefits

Pension obligations

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

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

In defined benefit plans, after the Group has paid the amount for the period, an excess or deficit may result. The pension obligation represents the present value of future cash flows from payable benefits. The present value of pension obligations has been calculated using the Projected Unit Credit Method. Pension costs are expensed during employee's service lives based on actuarial calculations. The discount rate assumed in calculating the present value of the pension obligations is based on the market yield of high-quality corporate bonds (AA-rated) that have similar maturity terms to those of the related pension liability. The net interest are included as part of finance cost component in profit or loss.

Actuarial gains and losses are recognised immediately in other comprehensive income. The liability or asset recognized in the balance sheet is the defined benefit obligation at the balance sheet date less the fair value of plan assets.

Share-based payments

Expenses related to share-based payments are recorded in the income statement and a respective liability is recognized in the balance sheet for share-based payments settled in cash. The liability recognized in the balance sheet is measured at fair value at each reporting date. For transactions settled in equity, an increase corresponding to the expense in the income statement is entered in shareholders' equity.

Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognized at fair value on the date a contract is entered into and are subsequently re-measured at their fair value. The method of recognizing any resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivative financial instruments as either: (1) hedges of highly probable forecast transactions (cash flow hedges); (2) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or (3) hedges of net investments in foreign operations. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Hedge accounting for each type of hedge is described in more detail in Note 3.

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

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in the income statement in 'financial income and expenses', together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk compensating the effect. If derivative financial instruments do not qualify for hedge accounting, any movement in fair value is recognized in the income statement.

Derivative financial instruments that do not qualify for hedge accounting

Some oil, freight and electricity derivative contracts do not qualify for hedge accounting, although these instruments are largely held for economic hedging purposes. Oil derivative contracts are also held for trading purposes. Certain currency and interest rate derivative contracts also do not qualify for hedge accounting. For derivative financial instruments that do not qualify for hedge accounting, any movement in fair value is recognized in the income statement in operating profit for oil, freight and electricity derivative contracts and in 'financial income and expenses' concerning derivative financial instruments related to financing activities.

Definitions

Operating profit

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

Comparable operating profit

Comparable operating profit is calculated by excluding inventory gains/losses, gains/losses from sale of shares and non-financial assets including disposals of business, and unrealized changes in the fair value of oil, freight and electricity derivative contracts from the reported operating profit. Inventory gains/losses include the change in fair value of all trading inventories. In 2012 the Group updated the method used to calculate its comparable operating profit to provide a better reflection of operational performance in its Oil Products business, by switching from a monthly average pricing method to a daily based pricing method when adjusting calculated inventory gains and losses.

Segment net assets

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

Return on net assets, %

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

Comparable return on net assets, %

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

3 Financial risk management

Risk management principles

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

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

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

Risk management organization

The Corporate Risk Management and risk management professionals in business areas and common functions are responsible for controlling special risk disciplines, consulting and facilitating risk management processes and developing risk management systems.

Neste Oil's Group Treasury is responsible for managing foreign exchange, credit and counterparty, interest rate, liquidity, and refinancing risks as well as insurance management. The price risk management i.e. hedging of the Group's refining margin and refinery inventory price risk is also organized in Group Treasury. In addition, Group Treasury coordinates the management of the price risk associated with utilities and the obligation to return emission allowances, and provides price hedging services.

The Corporate Risk Management and Group Treasury units are organized within Neste Oil's Finance function, headed by the Chief Financial Officer and both units work in close cooperation with the Group's business areas.

Oil Products and Renewables business area and other functions to a smaller degree enter into derivative contracts to limit the price risk associated with certain physical oil and freight contracts. Oil Products and Renewables business area also enters into derivative transactions for proprietary trading purposes within authorized risk limits.

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

Market risks

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

1. Commodity price risks

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

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

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

Inventory price risk

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

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

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

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

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

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

Refining margin risk

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

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

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

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

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

The exposure to open positions of oil derivative contracts as of 31 December 2013 (2012) is summarized in Note 25.

2. Foreign exchange risk

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

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

Transaction exposure

In general, all business areas hedge their transaction exposure related to highly probable future cash flows. Net foreign currency cash flows are forecasted over a 12-month period on a rolling basis, and hedged on average 80% for the first six months and 40% for the following six months for the fossil fuel businesses and on average 60% for the first six months and 25% of the next three months for the renewable business. Deviations from this risk-neutral benchmark position are subject to separate approvals set by the Treasury Principles. The most important hedged currency is the U.S. dollar. Other material hedged currencies are Malaysian Ringgit (MYR) and Swedish Crown (SEK). Singapore Dollar (SGD) is expected to become a material hedged currency in 2014.

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

Neste Oil has several currency-denominated assets and liabilities in its balance sheet, such as foreign currency loans, deposits, net working capital and cash in other currencies than home currency. The principle is to hedge this balance sheet exposure fully using forward contracts and options. Open exposures are allowed based on risk limits set by the Treasury Principles. The largest and most volatile item in terms of balance sheet exposure is net working capital. Since many of the Group's business transactions, sales of products and services and purchases of crude oil and other feedstock are linked to the U.S. dollar, the daily exposure of net working capital is hedged as part of the balance sheet hedge in order to neutralize the effect of volatility in EUR/USD exchange rate. During 2013, the daily balance sheet exposure fluctuated between approximately EUR 151 million and 635 million. Similarly to commodity price risk management, the foreign exchange transaction hedging targets inventories in excess the base inventory. Group Treasury is responsible for consolidating various balance sheet items and carrying out hedging transactions. Foreign exchange risk is estimated by measuring the impact of currency rate changes based on historical volatility.

The table below shows the nominal values of the Group's interest-bearing debt by currency as of 31 December 2013 and 2012, in millions of euros.

MEUR	2013	2012
EUR	1,628	2,181
SGD	51	86
USD	79	67
Other	-	-
	1,758	2,334

The nominal and fair values of the outstanding foreign exchange derivative contracts as of 31 December 2013 (2012) are summarized in Note 25.

Translation exposure

Group Treasury is responsible for managing Neste Oil's translation exposure. This consists of net investments in foreign subsidiaries, joint ventures, and associated companies. Although the main principle is to leave translation exposure unhedged, Neste Oil may seek to reduce the volatility in equity in the consolidated balance sheet through hedging transactions. Forward contracts are used to hedge translation exposure. Any hedging decisions are made by Group Treasury. The total non-euro-denominated equity of the Group's subsidiaries and associated companies was EUR 482 million as of 31 December 2013 (2012: EUR 500 million), and the exposures and hedging ratios are summarized in the following table.

Group translation exposure	2013			2012		
MEUR	Net investment	Hedge	Hedge %	Net investment	Hedge	Hedge %
USD	50	-	0%	61	-	0%
SEK	207	-	0%	222	-	0%
CAD	101	-	0%	80	-	0%
RUB	71	-	0%	77	-	0%
LTL	31	-	0%	34	-	0%
Other	22	-	0%	26	-	0%
	482	-	0%	500	-	0%

3. Interest rate risk

Neste Oil is exposed to interest rate risk mainly through its interest-bearing net debt. The objective of the Company's interest rate risk management is to limit the volatility of interest expenses in the income statement. The risk-neutral benchmark duration for the net debt portfolio is 12 months, and duration can vary between six and 36 months. Interest rate derivatives have been used to adjust the duration of the net debt portfolio. The Group's interest rate risk management is handled by Group Treasury. The nominal and fair values of the outstanding interest rate derivative contracts as of 31 December 2013 (2012) are summarized in Note 25.

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

MEUR

Period in which re-pricing occurs	within 1 year	1 year - 5 years	> 5 years	Total
Financial instruments with floating interest rate				
Financial liabilities				
Loans from financial institutions	292	0	0	292
Finance lease liabilities	4	50	0	54
Bonds	0	50	0	50
Effect of interest rate swaps	650	-450	-200	0
Financial instruments with fixed interest rate				
Bonds	0	872	394	1,266
Finance lease liabilities	0	13	83	96
	946	535	277	1,758

4. Key sensitivities to market risks

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

Due to the nature of its operations, the Group's financial performance is sensitive to the market risks described above. The following table details the approximate impact that movements in the Group's key price and currency exposures would have on its operating profit for 2014 (2013), based on assumptions regarding the Group's reference market and operating conditions, but excluding the impact of hedge transactions.

Approximate impact on operating profit (IFRS), excluding hedges [1)]

		2014	2013
+/– 10% in the EUR/USD exchange rate	EUR million	− 99 / + 121	**− 98 / + 120**
+/– USD 1.00/barrel in total refining margin	USD million	+/– 110	**+/– 105**
+/– USD 10/barrel in crude oil price	USD million	+/– 100	**+/– 100**
+/– USD 100/t in palm oil price	USD million	+/– 55	**+/– 55**
+/– USD 50/t in Renewable Fuels refining margin	USD million	+/– 100	**+/– 100**

[1)] Inventory gains/losses excluded from comparable operating profit

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

The following analysis, required by IFRS 7, is intended to illustrate the sensitivity of the Group's profit for the period and equity to changes in oil prices, the EUR/USD exchange rate, the USD/MYR exchange rate, and interest rates, resulting from financial instruments, such as financial assets and liabilities and derivative financial instruments, as defined by IFRS, included in the balance sheet as of 31 December 2013 (2012). Financial instruments affected by the above market risks include working capital items, such as trade and other receivables and trade and other payables, interest-bearing liabilities, deposits, cash and cash equivalents, and derivative financial instruments. When cash flow hedge accounting is applied, the change in the fair value of derivative financial instruments is assumed to be recorded fully in equity.

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

• the flat price variation for oil derivative contracts of crude oil, refined oil products and vegetable oil is assumed to be +/- 10%

• the sensitivity related to oil derivative contracts held for hedging refinery oil inventory position is included; the underlying physical oil inventory position is excluded from the calculation, since inventory is not a financial instrument

• the sensitivity related to oil derivative contracts held for hedging expected future refining margin is included; the underlying expected refining margin position is excluded from the calculation

• the sensitivity related to oil derivative contracts for the price difference between various petroleum product qualities is excluded from the calculation, as the price variation of these contracts is assumed to be zero

• the sensitivity related to oil derivative contracts for the time spread of crude oil and petroleum products is excluded from the calculation, as the price variation of these contracts is assumed to be zero

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

• the variation in EUR/USD-rate is assumed to be +/– 10%

• the position includes USD-denominated financial assets and liabilities, such as interest-bearing liabilities, deposits, trade and other receivables, trade and other liabilities, and cash and cash equivalents, as well as derivative financial instruments

• the position excludes USD-denominated future cash flows

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

the variation in USD/MYR-rate is assumed to be +/– 10%

• the position includes MYR-denominated derivative financial instruments

• the position excludes MYR-denominated future cash flows

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

• the variation of interest rate is assumed to be a 1% parallel shift in the interest rate curve

• the interest rate risk position includes interest-bearing liabilities, interest-bearing receivables, and interest rate swaps

• the income statement is affected by changes in the interest rates of floating-rate financial instruments, excluding those derivative financial instruments that are designated as and qualifying for cash flow hedges, which are recorded directly in equity.

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

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

		2013		2012	
		Income statement	**Equity**	Income statement	Equity
+/– 10% change in oil price [1)]	EUR million	**–/+ 8**	**+/– 0**	+/– 9	–/+ 7
+/– 10% change in EUR/USD exchange rate	EUR million	**+ 59 / – 74**	**+ 38 / – 34**	+ 63 / – 79	+ 42 / – 39
1% parallel shift in interest rates	EUR million	**+/– 7**	**+/– 0**	+/– 9	+/– 0
+/– 10% change in USD/MYR exchange rate	EUR million	**+/– 28**	**+/– 0**	+/– 8	+/– 0

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

5. Hedge accounting

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

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

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

Cash flow hedges

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

The effective portion of the changes in the fair value of the derivative financial instruments that are designated as and qualify for cash flow hedges are recognized in equity/other comprehensive income. However, changes in the time value of foreign currency options are booked in the income statement. Any gain or loss relating to the ineffective portion is recognized immediately in the income statement. In 2013 and 2012 the ineffective portion has been immaterial. Retrospective testing is conducted on a quarterly basis to review the effectiveness of hedging transactions.

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

Fair value hedges

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

Items recognized in the income statement

MEUR	**2013**	2012
gain or loss on the hedging instrument	**-16**	18
gain or loss on the hedged item	**16**	-18

Hedges of net investments in foreign entities

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

Liquidity and refinancing risks

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

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

The average loan maturity as of 31 December 2013 was 3.7 years. The most important financing programs in place are:

• Revolving multicurrency credit facility (committed), EUR 1,500 million

• Overdraft facilities (committed), EUR 150 million

• Domestic commercial paper program (uncommitted), EUR 400 million

As of 31 December 2013, the Company had cash and cash equivalents and committed, unutilized credit facilities totaling EUR 2,156 million at its disposal.

Cash and cash equivalents and committed unutilized credit facilities

MEUR	2013	2012
Floating rate		
– cash and cash equivalents	**506**	410
– overdraft facilities, expiring within one year	**150**	150
– revolving credit facility, expiring within one year	**0**	75
– revolving credit facility, expiring beyond one year	**1,500**	1,500
	2,156	2,135

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

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

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

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

The contractual maturity of interest-bearing liabilities as of 31 December 2012 is presented in the following table.

MEUR	2013 [1)]	2014	2015	2016	2017	2018–	Total
Bonds and debentures	**59**	60	359	345	277	482	1,582
- less finance charges	**59**	60	59	45	27	32	282
Repayment of bonds and debentures	**0**	0	300	300	250	450	1,300
Loans from financial institutions	**359**	372	52	8	48	24	863
- less finance charges	**5**	8	1	1	1	1	17
Repayment of loans from financial institutions	**354**	364	51	7	47	23	846
Finance lease liabilities	**21**	22	42	39	16	223	363
- less finance charges	**15**	15	14	13	13	130	200
Repayment of finance lease liabilities	**6**	7	28	26	3	93	163
Interest rate swaps							
- less finance charges	**-3**	-9	-10	-8	-2	-2	-34

[1)] Repayments in 2013 are included in current liabilities in the balance sheet

Credit and counterparty risk

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

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

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

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

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

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

The Group follows the credit and counterparty guidelines in review and follow-up process of the credit limits daily. The impact of the financial market conditions to the Group's counterparties with regard to the associated credit risk are also assessed in the process, by taking into account all available information about counterparties, their financial situation and business activities. Balances due from a single sales transaction to a counterparty with open credit line may amount to approximately EUR 7.5–8 million due to the nature of the oil business, where cargoes including large volumes of refined oil products, for example 10,000 tons, are sold as one transaction. For this example, oil product price is based on a crude oil price of USD 110/barrel representing the price level prevailing at the turn of the financial period 2013/2014.

Vis-à-vis counterparties to the contracts comprising the derivative financial instruments exposure as at 31 December 2013, approximately 92% of the counterparties or their parent companies related to commodity derivative contracts have investment grade rating from Standard & Poor's, Moody's or Fitch. Respectively, Group Treasury had an exposure for currency and interest rate derivative contracts as at 31 December 2013 with banks, of which all have investment grade rating at a minimum. Derivative transactions are also done through exchange, which reduces credit risk.

The following table shows an analysis of trade receivables by age. 43% of the trade receivables portfolio exposure is from counterparties or their parent companies having credit rating BBB– (S&P) minimum. 57% consists of trade receivables from the counterparties not having credit rating, most of it comprising from a large number of corporate and private customers. With respect to undue trade receivables, there were no indications as of 31 December 2013 that the counterparties would not meet their obligations.

Analysis of trade receivables by age

MEUR	2013	2012
Undue trade receivables	**832**	961
Trade receivables 1–30 days overdue	**37**	47
Trade receivables 31–60 days overdue	**2**	0
Trade receivables more than 60 days overdue	**5**	0
	876	1,008

Capital risk management

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

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

Over the cycle, the Group's leverage ratio is likely to fluctuate, and it is the Group's objective to maintain the leverage ratio within the range of 25–50%. The leverage ratio as of 31 December 2013 and 2012 was as follows:

MEUR	2013	2012
Total interest-bearing liabilities [1)]	**1,758**	2,345
Cash and cash equivalents [2)]	**506**	410
Interest-bearing net debt	**1,252**	1,935
Total equity	**2,924**	2,540
Interest-bearing net debt and total equity	**4,176**	4,475
Leverage ratio	**30.0%**	43.2%

[1)] Includes EUR 11 million of interest-bearing liabilities related to Assets held for sale in 2012, as disclosed in Note 5.

[2)] Includes EUR 1 million of cash and cash equivalents related to Assets held for sale in 2012, as disclosed in Note 5.

4 Segment information

Neste Oil´s business structure

The Group's operations are built around two business areas and eight common functions. Business areas act as profit centers and are responsible for their customers, products, and business development. Business areas are: Oil Products and Renewables, and Oil Retail. The common functions are: Production & Logistics, Finance, Strategy, Human Resources, Sustainability and HSEQ, Technology, Communications, Marketing and Public Affairs, and Legal Affairs. Production & Logistics is responsible for operating the production facilities of Oil Products and Renewables. The result and net assets of Production & Logistics are accounted within reporting segments Oil Products and Renewable Fuels.

Operating segments

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

Operating segments are engaged in following key business activities:

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

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

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

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

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

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

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

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

Oil Retail: rents and other property costs and maintenance

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

Group's customer structure in 2013 and 2012 did not result in any major concentration in any given geographical area or operating segment.

Information about the Group's operating segments as of and for the years ended 31 December 2013 and 2012 is presented in the following tables:

MEUR

2013	Oil Products	Renewable Fuels	Oil Retail	Others	Eliminations	Group	Note
External revenue	10,680	2,235	4,519	28	-	17,462	
Internal revenue	2,591	258	9	176	-3,034	0	
Total revenue	13,271	2,493	4,528	204	-3,034	17,462	7
Other income	15	1	52	31	-20	79	8
Share of profit of associates and joint ventures	3	-	0	-12	-	-9	19
Materials and services	-12,083	-1,845	-4,246	-21	2,771	-15,424	9
Employee benefit costs	-171	-27	-36	-121	2	-353	10
Depreciation, amortization and impairments	-185	-98	-28	-13	1	-323	11
Other expenses	-564	-272	-150	-94	280	-800	12
Operating profit	286	252	120	-26	0	632	
Financial income and expense						-71	13
Profit before taxes						561	
Income taxes						-37	14
Profit for the period						524	
Comparable operating profit	280	273	76	-27	2	604	
Changes in the fair value of open oil and freight derivative positions	-10	14	0	-	-	4	
Inventory gains/losses	16	-35	-	-	-	-19	
Sales gains/losses	0	-	44	1	-2	43	
Operating profit	286	252	120	-26	0	632	
Capital expenditure and investments in shares	142	21	31	20	-	214	17, 18
Segment operating assets	3,690	2,043	554	224	-292	6,219	
Investment in associates and joint ventures	31	-	1	193	-	225	19
Deferred tax assets						29	28
Unallocated assets						567	
Total assets	3,721	2,043	555	417	-292	7,040	
Segment operating liabilities	1,558	275	301	158	-290	2,002	
Deferred tax liabilities						266	28
Unallocated liabilities						1,848	
Total liabilities	1,558	275	301	158	-290	4,116	
Segment net assets	2,163	1,768	255	259	-2	4,443	
Return on net assets, %	12.1	14.0	41.2	-9.8			
Comparable return on net assets, %	11.8	15.2	26.1	-10.2			

MEUR

2012	Oil Products	Renewable Fuels	Oil Retail	Others	Eliminations	Group	Note
External revenue	10,991	1,938	4,888	36	-	17,853	
Internal revenue	2,773	225	7	163	-3,168	0	
Total revenue	13,764	2,163	4,895	199	-3,168	17,853	**7**
Other income	70	18	5	23	-18	98	**8**
Share of profit of associates and joint ventures	3	-	0	-6	-	-3	**19**
Materials and services	-12,455	-2,005	-4,627	-21	2,922	-16,186	**9**
Employee benefit costs	-166	-26	-34	-115	2	-339	**10**
Depreciation, amortization and impairments	-187	-99	-33	-13	0	-332	**11**
Other expenses	-538	-234	-148	-109	262	-767	**12**
Operating profit [1)]	491	-183	58	-42	0	324	
Financial income and expense						-91	**13**
Profit before taxes						233	
Income taxes						-74	**14**
Profit for the period						159	
Comparable operating profit	396	-56	58	-43	0	355	
Changes in the fair value of open oil and freight derivative positions	6	-22	0	1	-	-15	
Inventory gains/losses	44	-105	-	-	-	-61	
Sales gains/losses	45	-	0	0	-	45	
Operating profit [1)]	491	-183	58	-42	0	324	
Capital expenditure and investments in shares	180	51	36	25	-	292	**17, 18**

[1)] The operating profit of Others segment includes a write-off related to an IT project amounting to EUR 14 million.

	Oil Products	Renewable Fuels	Oil Retail	Others	Eliminations	Group	Note
Segment operating assets	3,819	2,134	676	204	-286	6,547	
Investment in associates and joint ventures	28	-	1	213	-	242	**19**
Deferred tax assets						46	**28**
Unallocated assets						563	
Total assets	3,847	2,134	677	417	-286	7,398	
Segment operating liabilities	1,596	274	332	154	-282	2,074	
Deferred tax liabilities						340	**28**
Unallocated liabilities						2,444	
Total liabilities	1,596	274	332	154	-282	4,858	
Segment net assets	2,252	1,860	345	260	-3	4,714	
Return on net assets, %	20.6	-9.3	17.3	-15.7			
Comparable return on net assets, %	16.6	-2.8	17.3	-16.0			

Geographical information

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

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

MEUR

2013	Finland	Other Nordic countries	Baltic rim	Other European countries	North and South America	Other countries	Group
Revenue by destination	**6,807**	**2,402**	**1,730**	**3,602**	**2,661**	**260**	**17,462**
Non-current assets	**2,353**	**193**	**136**	**673**	**0**	**673**	**4,028**
Capital expenditure	**176**	**0**	**21**	**8**	**0**	**9**	**214**

2012	Finland	Other Nordic countries	Baltic rim	Other European countries	North and South America	Other countries	Group
Revenue by destination	7,524	2,687	1,844	3,952	1,465	381	17,853
Non-current assets	2,402	213	180	707	0	709	4,211
Capital expenditure	226	0	25	32	0	9	292

5 Assets held for sale

There were no assets classified as held for sale in 2013.

In 2012, the assets and liabilities held for sale relate to Neste Oil's operating activities in Poland. In December 2012 Neste Oil signed an agreement that Shell Polska Sp. z o.o. bought Neste Oil's station network (Neste Polska Sp. z o.o.) in Poland. The transaction was closed on 2 April 2013. The sold operations were part of the Oil Retail segment.

Assets classified as held for sale

MEUR	2012
Property, plant and equipment	39
Other assets	12
Cash and cash equivalents	1
Total	**52**

Liabilities related to assets as held for sale

MEUR	2012
Interest-bearing liabilities	11
Other liabilities	22
Total	**33**

6 Acquisitions and disposals

Acquisitions

No acquisitions took place in financial periods 2013 and 2012.

Disposals

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

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

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

On January 19, 2012 Neste Oil sold its 50% holding in an iso-octane production plant in Edmonton, Canada to Canadian-based Keyera Corporation. A capital gain amounting to EUR 45 million resulting from the transaction has been included in the consolidated financial statements.

Assets and Liabilities of Neste Oil´s 50% Holding in Iso-Octane production plant.

MEUR	19 January 2012
Property, plant and equipment	28
Inventories	27
Trade and other receivables	3
Cash and cash equivalents	0
Total assets	58
Trade and other payables	9
Total liabilities	9
Sold net assets	49
Gain on disposal	45
Total consideration	94
Cash consideration received	94
Cash and cash equivalents disposed of	-
Cash inflow arising from disposal	94

7 Analysis of revenue by category

MEUR	2013	2012
Sale of goods	**17,253**	17,676
Revenue from services	**138**	158
Royalty income	**0**	1
Other	**71**	18
	17,462	17,853

Sale of goods include product sales from the Group's own refineries, other production facilities and retail stations as well as other sale of petroleum products, feedstock, raw materials and oil trading. Excise taxes included in the retail selling price of finished oil products amounting to EUR 1,343 million (2012: EUR 1,446 million) are included in product sales. The corresponding amount is included in 'Materials and services', Note 9.

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

Revenue from product exchanges included in 'Sale of goods' amounted to EUR 230 million (2012: EUR 204 million).

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

8 Other income

MEUR	2013	2012
Gain on sale of subsidiaries	**48**	-
Capital gains on disposal of other non-current assets	**1**	46
Rental income	**4**	5
Government grants	**8**	8
Other	**18**	39
	79	98

Government grants relate mainly to the shipping operations, which is entitled to apply for certain grants based on Finnish legislation. EUR 4 million (2012: EUR 4 million) of the amount is included in 'Trade and other receivables' in the consolidated balance sheet. This amount relating to operations in the financial period ended 31 December is applied for and received during the following financial period. The Group believes that it has fulfilled all the conditions related to the grants recognized in the income statement.

In 2012 other income included compensation for production losses amounting to EUR 17 million.

9 Materials and services

MEUR	2013	2012
Change in product inventories	**68**	-5
Materials and supplies		
Purchases	**15,412**	16,137
Change in inventories	**-82**	25
External services	**26**	29
	15,424	16,186

Purchases include excise taxes included in the retail selling price of petroleum products amounting to EUR 1,343 million (2012: EUR 1,446 million). The corresponding amount is included in 'Revenue', Note 7.

10 Employee benefit costs

MEUR	2013	2012
Wages, salaries	**270**	253
Social security costs	**25**	23
Pension costs-defined contribution plans	**41**	39
Pension costs-defined benefit plans	**7**	14
Other costs	**10**	10
	353	339

Number of personnel (average)

	2013	2012
Oil Products	**2,097**	2,085
Renewable Fuels	**261**	260
Oil Retail	**1,313**	1,316
Others	**1,426**	1,370
	5,097	5,031

11 Depreciation, amortization and impairment charges

MEUR	2013	2012
Depreciation of property, plant, and equipment		
Buildings and structures	**68**	65
Machinery and equipment	**232**	239
Other tangible assets	**15**	19
	315	323
Amortization of intangible assets	**8**	9
Depreciation, amortization and impairment charges total	**323**	332

12 Other expenses

MEUR	2013	2012
Operating leases and other property costs	**92**	102
Freights relating to sales	**256**	242
Repairs and maintenance	**129**	117
Services	**75**	83
Other	**248**	223
	800	767

Operating leases include rents for land, premises, machinery and equipment as well as time charter vessels.

Services include planning- and consulting services, IT-services and other services.

Other expenses include selling expenses, insurance premiums and unrealized changes in the fair value of open oil and freight derivative positions when negative.

A write-off related to an IT project amounting to EUR 22 million was included in services and other costs in 2012.

Fees charged by the statutory auditor

EUR thousands	2013	2012
Audit fees	**1,052**	1,077
Auditor's mandatory opinions	**6**	7
Tax advisory	**150**	14
Other advisory services	**236**	331
	1,444	1,429

13 Financial income and expenses

MEUR	2013	2012
Financial income		
Dividend income on available-for-sale investments	**0**	0
Interest income from loans and receivables	**2**	3
Other financial income	**0**	0
	2	3
Financial expenses		
Interest expenses for financial liabilities at amortized cost	**-78**	-84
Interest rate derivatives, hedge accounted	**0**	0
Interest rate derivatives, non-hedge accounted	**5**	4
Other financial expenses	**-8**	-7
	-81	-87
Exchange rate and fair value gains and losses		
Loans and receivables	**26**	0
Other	**-7**	-6
Foreign exchange derivatives, non-hedge accounted	**-11**	-1
	8	-7
Financial cost - net	**-71**	-91

Net gains/losses on financial instruments included in operating profit

MEUR	2013	2012
Foreign exchange rate and oil derivative financial instruments designated as cash flow hedges	**24**	-108
Non-hedge accounted foreign exchange rate, commodity derivative instruments	**14**	-27
	38	-135

Net gains/losses include realized and unrealized gains and losses on derivative financial instruments. Financial instruments held for trading purposes include also the net result of physical trading transactions for those contracts that meet the criteria specified in IAS 39.5–6. Non-hedge accounted derivative financial instruments include net result of transactions entered into for hedging purposes amounting to EUR 11 million (2012: EUR –32 million), and transactions entered into for trading purposes amounting to EUR 3 million (2012: EUR 5 million).

Aggregate exchange differences charged/credited to the income statement

MEUR	2013	2012
Revenue	**-4**	8
Materials and services	**20**	-2
	16	6

14 Income tax expense

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

MEUR	2013	2012
Current tax expense	95	53
Adjustments recognized for current tax for prior periods	-1	6
Change in deferred taxes	-57	15
	37	74

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

MEUR	2013	2012
Profit before tax	561	233
Hypothetical income tax calculated at Finnish tax rate 24.5% (2012: 24.5%)	-138	-57
Effect of different tax rates of foreign subsidiaries	8	6
Tax exempt income	53	4
Non-deductible expense	-12	-19
Taxes for prior periods	1	-3
Net results of associated companies	-2	-1
Tax losses without deferred tax asset	-6	-1
Effect of change of Finnish corporate income tax rate	55	-
Tax losses for prior periods without deferred tax asset	1	-
Adjustment to deferred tax assets	-	-2
Adjustment to deferred tax liabilities	-	2
Other	3	-3
Tax charge in the consolidated income statement	-37	-74

The Group's effective income tax rate was 6.64% (2012: 31.91%). The effective tax rate is lower than the Finnish corporate income tax rate of 24.5%. The change of the Finnish corporate income tax rate from 24.5% into 20% from the beginning of 2014 had a material effect on the Group's income tax charge. This was mainly due to the write-down of the deferred tax liability recognized on depreciation difference. Furthermore, tax exempt income and differences in foreign tax rates decreased the effective tax rate.

15 Earnings per share

Basic and diluted earnings per share are calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the year. Since the Company has not granted any options, there is no dilution. The average number of shares has been adjusted with treasury shares, 421,474 shares (2012: 485,000), as described in note 26.

	2013	2012
Profit attributable to owners of the parent, MEUR	**523**	157
Weighted average number of ordinary shares in issue (thousands)	**255,967**	255,919
Earnings per share basic and diluted (euro per share)	**2.04**	0.61

16 Dividend per share

The dividends paid in 2013 were EUR 0.38 per share, totalling EUR 97 million (2012: EUR 0.35 per share, totalling EUR 90 million). A dividend of EUR 0.65 per share will be proposed at the Annual General Meeting on 3 April 2014, corresponding to total dividends of EUR 167 million for 2013. This dividend is not reflected in the financial statements.

17 Property, plant and equipment

MEUR

2013	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Assets under construction	Total
Gross carrying amount at 1 January 2013	76	2,092	3,972	193	153	6,486
Exchange differences	-2	-9	-5	-1	-1	-18
Additions	2	64	84	14	36	200
Disposals	0	-3	-12	0	-3	-18
Reclassifications	0	2	10	0	-12	0
Gross carrying amount at 31 December 2013	76	2,146	4,049	206	173	6,650
Accumulated depreciation and impairment losses at 1 January 2013	-	678	1,837	102	-	2,617
Exchange differences	-	-4	-2	-1	-	-7
Disposals	-	-3	-13	0	-	-16
Reclassifications	-	0	0	0	-	0
Depreciation for the period	-	68	232	15	-	315
Accumulated depreciation and impairment losses at 31 December 2013	-	739	2,054	116	-	2,909
Carrying amount at 1 January 2013	76	1,414	2,135	91	153	3,869
Carrying amount at 31 December 2013	76	1,407	1,995	90	173	3,741

MEUR

2012	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Assets under construction	Total
Gross carrying amount at 1 January 2012	94	2,031	3,912	160	150	6,347
Exchange differences	2	8	3	0	0	13
Additions	2	51	138	8	70	269
Disposals	0	-34	-18	0	-5	-57
Reclassifications	-6	68	-34	27	-62	-7
Reclassified as non-current asset held for sale	-16	-32	-29	-2	0	-79
Gross carrying amount at 31 December 2012	76	2,092	3,972	193	153	6,486
Accumulated depreciation and impairment losses at 1 January 2012	-	660	1,635	84	-	2,379
Exchange differences	-	3	3	0	-	6
Disposals	-	-33	-18	0	-	-51
Reclassifications	-	1	-1	0	-	0
Depreciation for the period	-	65	239	19	-	323
On non-current assets reclassified as held for sale	-	-18	-21	-1	-	-40
Accumulated depreciation and impairment losses at 31 December 2012	-	678	1,837	102	-	2,617
Carrying amount at 1 January 2012	94	1,371	2,277	76	150	3,968
Carrying amount at 31 December 2012	76	1,414	2,135	91	153	3,869

Finance leases

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

MEUR	2013	2012
Gross carrying amount	235	234
Accumulated depreciation	81	68
Carrying amount	154	166

Capitalized borrowing costs

During 2013 borrowing cost amounting to EUR 0.5 million were capitalized related to the Oil Products investment. They are included in 'Property, Plant and Equipment'. The Group's average interest rate of borrowings for each month was applied as the capitalization rate, which resulted in average capitalization rate of 3.5% in 2013.

Borrowing costs related to investment projects were not capitalized during the financial period 2012.

18 Intangible assets

MEUR

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

MEUR

2012	Goodwill	Other intangible assets	Total
Gross carrying amount at 1 January 2012	11	143	154
Exchange differences	-	0	0
Additions	-	22	22
Disposals	-	-18	-18
Reclassifications	-	7	7
Reclassified as non-current asset held for sale	-	0	0
Gross carrying amount at 31 December 2012	11	154	165
Accumulated amortization and impairment losses at 1 January 2012	-	99	99
Exchange differences	-	0	0
Disposals	-	-4	-4
Reclassifications	-	0	0
Amortization for the period	-	9	9
On non-current assets reclassified as held for sale	-	0	0
Accumulated amortization and impairment losses at 31 December 2012	-	104	104
Carrying amount at 1 January 2012	11	44	55
Carrying amount at 31 December 2012	11	50	61

Emission allowances

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

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

As at 31 December 2013 Intangible assets include emission allowances amounting to EUR 4.0 million (2012: EUR 6.7 million). The actual amount of CO_2 emissions in 2013 were 3.3 million tons (2012: 3.1 million tons). The Group has traded emission allowances for net amount of –0.2 million tons during the financial period ended 31 December 2013 (2012: 1.4 million tons).

Impairment test of goodwill

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

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

MEUR	2013	2012
Oil Products	2	2
Other	9	9
	11	11

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial plans approved by the management covering a period of three years. The discount rate used is 7.0%, representing the WACC specified for the business area in question after tax, which is adjusted by tax effects in connection with the test. The WACC formula inputs are risk-free rate of return, market risk premium, industry-specific beta factor, target capital structure, borrowing cost and country risks. Cash flows beyond the three-year period are extrapolated by using 2.5 percent nominal growth rate.

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

19 Investments in associates and joint ventures

MEUR	2013	2012
Carrying amount		
At 1 January	**242**	239
Share of profits of joint ventures	**-9**	-3
Capital repayments in joint ventures	**-**	-2
Translation differences	**-7**	9
Hedging reserves in joint ventures	**-1**	-1
At 31 December	**225**	242

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

	Country of incorporation	2013 % interest held	2012 % interest held
Glacia Limited	Bermuda	**50.00**	50.00
Lacus Ltd.	Bermuda	**50.00**	50.00
Nynas AB	Sweden	**49.99**	49.99
Terra Ltd.	Bermuda	**50.00**	50.00

Glacia Limited is a joint venture company owned on a 50/50 basis by Neste Oil and Stena Maritime AG (part of the Stena Group). The company owns an Aframax-size crude tanker, which joined the Neste Oil fleet in January 2007. Neste Oil has entered into a 10-year time charter contract with the joint venture for the vessel of which 3 years remain.

Lacus Ltd. ja Terra Ltd. are two joint venture companies owned on a 50/50 basis by Neste Oil and Concordia Maritime AG (part of the Stena Group). Both companies own one Panamax-size product tankers delivered in January and February 2007. Neste Oil has entered into a 10-year time charter contract with the joint ventures for the vessels of which 3 years remain.

Nynas AB (formerly AB Nynäs Petroleum) is a Swedish company that specializes in marketing and producing bitumen in Europe and naphthenics globally. The sales volumes, including side products, amounted to 3.0 million tons in total in 2013. Neste Oil Owns 49.99% of the shares of the company. The remaining 50.01% of the shares of Nynas is owned by a subsidiary of a Venezuelan oil company, Petróleos de Venezuela S.A. Nynas AB is governed as a 50/50 owned joint venture, although the other party owns the majority of the company's total share capital.

Joint ventures have been consolidated using the equity method.

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

MEUR

2013	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Profit/loss
Glacia Limited	**34**	**12**	**17**	**3**	**8**	**3**
Lacus Ltd.	**26**	**9**	**17**	**3**	**5**	**1**
Terra Ltd.	**26**	**11**	**17**	**3**	**6**	**2**

2012	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Profit/loss
Glacia Limited	38	17	29	3	8	3
Lacus Ltd.	28	8	20	3	6	2
Nynas AB	447	723	82	663	2,812	-4
Other Joint Ventures	28	9	20	2	6	2
Terra Ltd.	6	5	1	7	16	0

The financial statements of Nynas AB are not published within the Group's reporting timetable. The share of profits of joint ventures for 2013 is consolidated based on the company's preliminary results for the financial period.

The financial statements of the Group's other joint ventures are not published within the Group's reporting timetable. The summarized financial information presented above, is from the latest published financial statements of the joint ventures concerned (2012).

Transactions carried out with associates and joint ventures are disclosed in Note 32.

20 Carrying amounts of financial assets and liabilities by measurement categories

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

MEUR

	Financial assets/liabilities at fair value through income statement							
2013 Balance sheet item	**Hedge accounting**	**Non-hedge accounting**	**Loans and receivables**	**Available-for -sale financial assets**	**Financial liabilities measured at amortized cost**	**Carrying amounts by balance sheet item**	**Fair value**	**Note**
Non-current financial assets								
Non-current receivables	-	-	3	-	-	3	-	21
Derivative financial instruments	22	-	-	-	-	22	22	25
Available-for-sale financial assets	-	-	-	4	-	4	-	21
Current financial assets								
Trade and other receivables	-	-	946	-	-	946	-	23
Derivative financial instruments	18	16	-	-	-	34	34	25
Carrying amount by category	40	16	949	4	-	1,009	56	
Non-current financial liabilities								
Interest-bearing liabilities	-	-	-	-	1,586	1,586	1,643	27
Derivative financial instruments	5	2	-	-	-	7	7	25
Other non-current liabilities	-	-	-	-	7	7	-	27
Current financial liabilities								
Interest-bearing liabilities	-	-	-	-	171	171	-	27
Current tax liabilities	-	-	-	-	49	49	-	27
Derivative financial instruments	8	17	-	-	-	25	25	25
Trade and other payables	-	-	-	-	1,875	1,875	-	27
Carrying amount by category	13	19	-	-	3,688	3,720	1,675	

MEUR

2012 Balance sheet item	Financial assets/liabilities at fair value through income statement							
	Hedge accounting	Non-hedge accounting	Loans and receivables	Available-for -sale financial assets	Financial liabilities measured at amortized cost	Carrying amounts by balance sheet item	Fair value	Note
Non-current financial assets								
Non-current receivables	-	-	3	-	-	3	-	**21**
Derivative financial instruments	37	-	-	-	-	37	37	**25**
Available-for-sale financial assets	-	-	-	4	-	4	-	**21**
Current financial assets								
Trade and other receivables	-	-	1,154	-	-	1,154	-	**23**
Derivative financial instruments	30	27	-	-	-	57	57	**25**
Carrying amount by category	67	27	1,157	4	-	1,255	94	

Non-current financial liabilities								
Interest-bearing liabilities	-	-	-	-	1,977	1,977	2,032	**27**
Derivative financial instruments	6	-	-	-	-	6	6	**25**
Other non-current liabilities	-	-	-	-	7	7	-	**27**
Current financial liabilities								
Interest-bearing liabilities	-	-	-	-	357	357	-	**27**
Current tax liabilities	-	-	-	-	40	40	-	**27**
Derivative financial instruments	13	34	-	-	-	47	47	**25**
Trade and other payables	-	-	-	-	1,925	1,925	-	**27**
Carrying amount by category	19	34	-	-	4,306	4,359	2,085	

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

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

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

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

2013 Fair value hierarchy

Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Non-current derivative financial instruments	**-**	**22**	**-**	**22**
Current derivative financial instruments	**1**	**33**	**-**	**34**

Financial liabilities				
Non-current derivative financial instruments	**-**	**7**	**-**	**7**
Current derivative financial instruments	**3**	**22**	**-**	**25**

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

2012 Fair value hierarchy

Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Non-current derivative financial instruments	-	37	-	37
Current derivative financial instruments	8	49	-	57

Financial liabilities				
Non-current derivative financial instruments	-	6	-	6
Current derivative financial instruments	3	44	-	47

During the financial period 2012 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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

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

Non-current receivables	Carrying amount	
MEUR	**2013**	2012
Non-current interest-bearing receivables	**1**	0
Other non-current receivables	**2**	3
	3	3

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

Available-for-sale financial assets

MEUR	**2013**	2012
At 1 January	**4**	4
Additions	**0**	0
Disposals	**0**	0
At 31 December	**4**	4

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

22 Inventories

MEUR	**2013**	2012
Materials and supplies	**560**	488
Finished products and goods	**902**	969
Other inventories	**6**	7
	1,468	1,464

Write downs of inventories amounted to EUR 7 million as at 31 December 2013 (2012: EUR 40 million).

23 Current trade and other receivables

	Carrying amount	
MEUR	**2013**	2012
Trade receivables	**876**	1,008
Other receivables	**45**	114
Advances paid	**5**	6
Accrued income and prepaid expenses	**20**	26
	946	1,154

The carrying amounts of current receivables are reasonable approximations of their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of the trade and other receivables. Impairment of trade receivables amounted to EUR 3 million (2012: EUR 4 million).

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

The trade receivables were sold to the third party during 2012 and 2013. The volume of the sold trade receivables was not substantial.

24 Cash and cash equivalents

Cash and cash equivalents include the following:

MEUR	**2013**	2012
Cash at bank and in hand	**457**	383
Short term bank deposits	**49**	26
Total	**506**	409
Cash and cash equivalents included in Assets held for sale	**-**	1
Total	**506**	410

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

25 Derivative financial instruments

Nominal values of interest rate and currency derivative contracts and share forward contracts

	2013			2012		
	Remaining maturities			Remaining maturities		
	< 1 year	**1–6 years**	**Total**	< 1 year	1–7 years	Total
Derivative financial instruments designated as cash flow hedges						
Interest rate swaps [1]	**-**	**50**	**50**	-	50	50
Forward foreign exchange contracts	**657**	**-**	**657**	646	-	646
Currency options						
- Purchased	**196**	**-**	**196**	113	-	113
- Written	**192**	**-**	**192**	92	-	92
	1,045	**50**	**1,095**	851	50	901
Derivative financial instruments designated as fair value hedges						
Interest rate swaps [1]	**-**	**700**	**700**	-	700	700
	-	**700**	**700**	-	700	700
Non-hedge accounting derivative financial instruments						
Interest rate swaps [1]	**50**	**-**	**50**	230	50	280
Forward foreign exchange contracts	**391**	**-**	**391**	993	-	993
	441	**-**	**441**	1,223	50	1,273

[1] Interest rate swaps mature in 6 years.

Volumes of commodity derivative contracts

	2013			2012		
	Volume million bbl			Volume million bbl		
	Remaining maturities			Remaining maturities		
	< 1 year	**1–3 years**	**Total**	< 1 year	1–3 years	Total
Commodity derivative contracts designated as cash flow hedges [2]						
Futures and forwards						
- Sales contracts	**-**	**-**	**-**	14	-	14
	-	**-**	**-**	14	-	14
Non-hedge accounting commodity derivative contracts excl. electricity derivatives [3]						
Futures and forwards						
- Sales contracts	**7**	**-**	**7**	7	-	7
- Purchase contracts	**9**	**-**	**9**	17	-	17
	16	**-**	**16**	24	-	24

	Volume GWh Remaining maturities			Volume GWh Remaining maturities		
	< 1 year	1–3 years	Total	< 1 year	1–3 years	Total
Non-hedge accounting electricity derivative contracts						
Futures and forwards						
- Purchase contracts	957	670	1,627	-	-	-
	957	670	1,627	-	-	-

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

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

Fair values of derivative financial instruments

	Fair value 2013				Fair value 2012			
	Positive		Negative		Positive		Negative	
Interest rate and currency derivative contracts and share forward contracts	< 1 year	1–6 years	< 1 year	1–6 years	< 1 year	1–7 years	< 1 year	1–7 years
Derivative financial instruments designated as cash flow hedges								
Interest rate swaps [1]	-	-	-	4	-	-	-	6
Forward foreign exchange contracts	13	-	8	-	18	-	1	-
Currency options								
- Purchased	2	-	0	-	1	-	1	-
- Written	3	-	-	-	1	-	-	-
	18	-	8	4	20	-	2	6
Derivative financial instruments designated as fair value hedges								
Interest rate swaps [1]	-	22	-	1	-	37	-	-
	-	22	-	1	-	37	-	-
Non-hedge accounting derivative financial instruments								
Interest rate swaps [1]	-	-	0	-	-	-	4	0
Forward foreign exchange contracts	3	-	1	-	8	-	5	-
	3	-	1	-	8	-	9	0

[1] Interest rate swaps mature in 6 years.

MEUR	Fair value 2013				Fair value 2012			
	Positive		Negative		Positive		Negative	
Commodity derivative contracts	< 1 year	1–3 years	< 1 year	1–3 years	< 1 year	1–3 years	< 1 year	1–3 years
Commodity derivative contracts designated as cash flow hedges [2)]								
Futures and forwards								
- Sales contracts	-	-	-	-	10	-	11	-
	-	-	-	-	10	-	11	-
Non-hedge accounting commodity derivative contracts [3)]								
Futures and forwards								
- Sales contracts	1	-	9	-	7	-	7	-
- Purchase contracts	12	-	7	2	12	-	18	-
	13	-	16	2	19	-	25	-

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

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

	2013				2012			
	Assets		Liabilities		Assets		Liabilities	
Balance sheet reconciliation	Current	Non–current	Current	Non–current	Current	Non–current	Current	Non–current
Derivative financial instruments	34	22	25	7	57	37	47	6

Fair value estimations

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

The fair values of the interest rate swaps and their variations are the present values of the estimated future cash flows. Changes in the fair value of interest rate swaps and their variations are reported either in equity or in the income statement depending on whether they qualify for hedge accounting. Foreign exchange forward contracts are calculated using the valuation model and the market rates at the balance sheet date. The fair value of currency options are calculated using market rates at the balance sheet date and by using the Black and Scholes option valuation model. Changes in the fair value of foreign currency derivative contracts are reported either in equity or in income statement depending on whether they qualify for hedge accounting.

The fair value of exchange traded oil commodity futures and option contracts is determined using the forward exchange market quotations as per 31 December 2013. The fair value of over-the-counter oil and freight derivative contracts is calculated using the net present value of the forward derivative contracts quoted market prices as per 31 December 2013. Changes in the fair value of oil commodity derivative contracts are reported either in equity or in the income statement depending on whether they qualify for hedge accounting.

26 Equity

Share capital

Neste Oil's share capital registered with the Trade Register as of 31 December 2013 totalled EUR 40,000,000, divided into 256,403,686 shares of equal value. The nominal value of one share is not determined.

	Number of shares, 1,000	Share capital MEUR
Registered at 1 January 2013	256,404	40
Registered at 31 December 2013	256,404	40
Registered at 1 January 2012	256,404	40
Registered at 31 December 2012	256,404	40

Treasury shares

Neste Oil has entered into an agreement with a third party service provider concerning the administration of the share-based management share performance arrangement for key management personnel. As part of the agreement, the service provider purchased a total of 500,000 Neste Oil shares in February 2007 in order to hedge part of Neste Oil's cash flow risk in relation to the possible future payment of the rewards, which will take place partly in Neste Oil shares and partly in cash during 2013, 2014 and 2015. Despite the legal form of the hedging arrangement, it has been accounted for as if the share purchases had been conducted directly by Neste Oil, as required by IFRS 2, Share based payments and SIC-12, Consolidation - Special purpose entities. The consolidated balance sheet and the consolidated changes in total equity reflect the substance of the arrangement with a deduction amounting to EUR 12 million in equity. This amount represents the consideration paid for the shares by the third party service provider. In March 2013 Neste Oil decided to assign 63,526 shares held by the third party service provider. At the date of the transfer, the value of the shares was EUR 0.7 million. During the financial period 2012 no shares were assigned. As at 31 December 2013 there were 421,474 shares (2012: 485,000 shares) accounted for as treasury shares.

Other reserves

Reserve fund comprises of restricted reserves other than share capital.

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

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

27 Non-current and current liabilities

	Carrying amount	
Non-current liabilities	**2013**	2012
Bonds	**1,315**	1,330
Loans from financial institutions	**124**	487
Finance lease liabilities	**144**	158
Other loans	**3**	2
Other non-current liabilities	**3**	5
Accruals and deferred income	**4**	2
Non-current liabilities total	**1,593**	1,984
of which interest-bearing	**1,586**	1,977

The carrying amounts of non-current liabilities are measured at amortized cost using the effective interest rate method and the fair values are determined by using the discounted cash flow method employing market interest rates or market values at the balance sheet date. The fair value of the bonds was EUR 1,372 million (2012: EUR 1,384 million). The fair values of other non-current liabilities are not materially different from their carrying amounts.

	Carrying amount	
Current liabilities	**2013**	2012
Loans from financial institutions	**164**	342
Finance lease liabilities	**7**	7
Advances received	**12**	13
Trade payables	**1,433**	1,370
Other current liabilities	**314**	440
Current tax liabilities	**49**	40
Accruals and deferred expenses	**116**	110
Current liabilities total	**2,095**	2,322
of which interest-bearing	**171**	357

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

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

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

	2013			2012		
MEUR	**Minimum lease payments**	**Future finance charges**	**Present value of minimum lease payments**	Minimum lease payments	Future finance charges	Present value of minimum lease payments
Amounts payable under finance lease:						
Within one year	**19**	**12**	**7**	20	13	7
Between one and five years	**108**	**46**	**62**	126	58	68
More than 5 years	**182**	**101**	**81**	201	111	90
Total amounts payable	**309**	**159**	**150**	347	182	165

Finance lease liabilities arise from bareboat agreements on crude oil tankers Tempera and Mastera delivered in 2002 and 2003 that are classified as finance lease agreements under IAS 17. The lease terms are 13 years for both vessels as agreed on the amendment made on year 2012, and in addition the lessee having a call option to purchase the leased assets in the 12th and 13th year of the lease period. Minimum lease payments in each agreement include option prices as terminal payments.

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

28 Deferred income taxes

The movement in deferred tax assets and liabilities during 2013:

MEUR	at 1 Jan 2013	Charged to Income Statement	Charged in Equity	Exchange rate differences and other changes	Assets held for sale	at 31 Dec 2013
Deferred tax assets						
Tax loss carried forward	9	-5	-	-	-	4
Provisions	2	0	-	-	-	2
Pensions [1)]	25	-4	-2	-	-	19
Other temporary differences	10	-6	-	-	-	4
Total deferred tax assets	46	-15	-2	-	-	29

MEUR	at 1 Jan 2013	Charged to Income Statement	Charged in Equity	Exchange rate differences and other changes	Assets held for sale	at 31 Dec 2013
Deferred tax liabilities						
Depreciation difference and untaxed reserves	286	-50	-	-	-	236
Excess of book basis over tax basis of property, plant and equipment	21	-9	-	-	-	12
Finance leases	5	-1	-	-	-	4
Capitalized interest	17	-4	-	-	-	13
Other temporary differences	11	-8	-2	-	-	1
Total deferred tax liabilities	340	-72	-2	-	-	266

The movement in deferred tax assets and liabilities during 2012:

MEUR	at 1 Jan 2012	Charged to Income Statement	Charged in Equity	Exchange rate differences and other changes	Assets held for sale	at 31 Dec 2012
Deferred tax assets						
Tax loss carried forward	15	-6	-	-	-	9
Provisions	4	-1	-	-	-1	2
Pensions [1)]	13	3	9	-	-	25
Cash flow hedges	13	-3	-10	-	-	0
Other temporary differences	7	5	-	-1	-1	10
Total deferred tax assets	52	-2	-1	-1	-2	46
Deferred tax liabilities						
Depreciation difference and untaxed reserves	282	4	-	-	-	286
Excess of book basis over tax basis of property, plant and equipment	19	2	-	-	-	21
Finance leases	5	0	-	-	-	5
Capitalized interest	18	-1	-	-	-	17
Other temporary differences	7	6	-2	-	-	11
Total deferred tax liabilities	331	11	-2	-	-	340

[1)] Restated

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred tax assets and liabilities in the same jurisdictions amounting to EUR 2 million (2012: EUR 2 million) have been netted in the balance sheet.

Deferred tax assets	**2013**	2012
Deferred tax asset to be recovered after more than 12 months	**22**	28
Deferred tax asset to be recovered within 12 months	**7**	18
	29	46

Deferred tax liabilities	**2013**	2012
Deferred tax liability to be recovered after more than 12 months	**266**	331
Deferred tax liability to be recovered within 12 months	**0**	9
	266	340

Deferred tax assets are recognized for tax loss carry forwards to the extent that realization of the related tax benefit through the future taxable profits is probable.

The deferred tax liability on undistributed earnings of subsidiaries has not been recognized in the consolidated balance sheet because distribution of the earnings is controlled by the Group, and such distribution, which will realize a relevant tax effect, is not probable within foreseeable future.

The change of the Finnish corporate income tax rate from 24.5% into 20% as of the beginning of 2014 had a total effect of EUR 55 million on deferred tax assets and liabilities.

29 Provisions

	Environmental provisions	Restructuring provisions	Other provisions	Total
At 1 January 2013	**7**	**0**	**20**	**27**
Charged to income statement				
Additional provisions	3	5	4	12
Amounts used during the period	-1	-1	0	-2
Reversed unused provisions	0	-	-	0
At 31 December 2013	**9**	**4**	**24**	**37**

	2013	2012
Current provisions	15	9
Non-current provisions	22	18
	37	27

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

30 Post-employment and other long term benefits

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

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

The group also operates a long-service benefit scheme, which is accounted for as an unfunded defined benefit plan in accordance to IAS 19.

Characteristics of the post-employed defined benefit plans in Finland

The employer has arranged a voluntary post-employed benefit plan in an insurance company to the certain group of employees within the plan, to fulfill a aggregated benefit after retirement.

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

The insurance company collects premiums on yearly basis from the employer. The future premiums are adjusted so that the old age benefit will be fully funded until retirement. The disability and survivor's benefits are also financed by risk premiums collected during the employment period. The premiums with fixed discount rate 3.5% are based on the last known salary without any assumptions on future salary increases. The insurance company guarantees to the assets in the plan the same interest yield they have used in calculating the premiums.

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

Risks to which the plan exposes the employer

The employer´s pension liability depends on the yield of corporate bonds as at the reporting date. According to IAS 19 decrease (increase) in yields increases (decreases) the pension liabilities. However, decrease (increase) in yield also increases (decrease) the fair value of the assets partially offsetting the total impact of change in yield on the net defined benefit pension liability.

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

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

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

The insurance company is responsible for the following actuarial risks: the life expectancy, mortality, and onset of disability of the insured.

Defined benefit plans

Cost of defined benefit plans

MEUR	2013	Restated 2012
Current service cost	**7**	14
Net interest expense on benefit obligation	**2**	3
Total pension expenses recorded in income statement	**9**	17

Service cost and net interest expense for the current financial year totaled EUR 7 million (2012: EUR 14 million) and EUR 2 million (2012: EUR 3 million) respectively for pension plans in Finland.

Remeasurements of defined benefit plans

MEUR	2013	Restated 2012
Actuarial gains/losses:		
Changes in demographic assumptions	**-**	0
Changes in financial assumptions	**46**	-90
Return on plan assets, excluding amounts included in net interest expense	**-42**	57
Experience adjustments	**-3**	-5
Total remeasurements recorded in other comprehensive income	**1**	-38

Remeasurements recorded in other comprehensive income for the current financial year totaled EUR 1 million (2012: EUR –38 million) for pension plans in Finland.

Amounts recognized in the balance sheet

MEUR	2013	Restated 2012
Present value of funded obligations	**396**	435
Present value of unfunded obligations	**8**	9
Fair value of plan assets	**-311**	-345
Net liablity (+) / asset (–)	**93**	99

Changes in fair value of plan assets

MEUR	2013	2012
January 1	**345**	278
Interest income	**9**	12
Return on plan assets (excluding amounts included in net interest expense)	**-42**	57
Employer contributions	**15**	14
Benefits paid	**-16**	-16
December 31	**311**	345

The assets are the responsibility of the insurance company and a part of the insurance company's investment assets. The distribution in categories is not possible to provide. The actual return on plan assets was EUR –33 million (2012: EUR 69 million)

The fair value of the assets has not materially changed due to the adoption of IFRS 13.

Changes in the present value of the defined benefit obligation

MEUR	2013		Restated 2012	
	Funded	**Unfunded**	Funded	Unfunded
January 1	**435**	**9**	335	0
Current service cost	**7**	**0**	6	9
Interest cost	**12**	**0**	15	-
Actuarial changes arising from changes in actuarial assumptions	**-42**	**-1**	95	-
Benefits paid	**-16**	**0**	-16	-
December 31	**396**	**8**	435	9

The present value of the defined benefit obligation is determined annually by independent actuaries using the project unit credit method. Actuarial assumptions are required for this purpose.

The principal actuarial assumptions used in determining net defined benefit pension obligation

	2013	Restated 2012
Discount rate		
Finland	**3.5%**	2.4–2.7%
Other countries	**2.3–3.25%**	2.0–3.0%
Rate of salary increase		
Finland	**3.5%**	3.5%
Other countries	**1.5–2.0%**	1.5–2.0%
Insurance company's index rate		
Finland	**0.5%**	0.8%
Other countries	**-**	-
Pension index rate		
Finland	**2.1%**	2.1%
Other countries	**1.0%**	0.0%

A quantitative sensitivity analysis for significant assumptions as at 31 December 2013 is as shown below:

Assumptions	Sensitivity Level	Impact on the net defined benefit pension obligation	
Discount rate			
	0.25% increase	EUR million	-4
	0.25% decrease	EUR million	5
Rate of salary increase			
	0.25% increase	EUR million	4
	0.25% decrease	EUR million	-4
Insurance company's index rate			
	0.25% increase	EUR million	-9
	0.25% decrease	EUR million	9
Pension index rate			
	0.25% increase	EUR million	10
	0.25% decrease	EUR million	-10

The discount rate, salary increase, insurance company's index and pension index were identified as significant actuarial assumptions. The following impacts on the defined benefit obligation are to be expected:

- A 0.25% increase/decrease in the discount rate would lead to a decrease/increase of 3.2% in the defined benefit obligation.
- A 0.25% increase/decrease in the rate of salary increase would lead to a increase/decrease of 1.1% in the defined benefit obligation.
- A 0.25% increase/decrease in the rate of pension index would lead to a decrease/increase of 2.7% in the defined benefit obligation.

The maturity profile of the future benefit payments which are the basis for the calculated defined benefit pension obligations:

	2013
Within the next 12 months (next annual reporting period)	**18**
Between 1 and 5 years	**109**
Between 5 and 10 years	**121**
Beyond 10 years	**433**
Total expected payments	**681**

The average duration of the defined benefit pension obligation at the end of the reporting period is 13 years.

31 Share-based payments

Share-based incentive plan as of 1 January 2010

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

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

The maximum amount of reward for key personnel for Plan 2012–2014 equals the value of 1,098,000 Neste Oil shares, of which 990,000 shares were allocated as at 31 December 2013. The maximum reward for the members of the Neste Executive Board equaled the value of 390,000 shares, of which the maximum reward for the President & CEO equaled the value of 100,000 shares.

The maximum amount of reward for key personnel for Plan 2011–2013 equals the value of 842,000 Neste Oil shares, of which 712,000 shares were allocated as at 31 December 2013. The maximum reward for the members of the Neste Executive Board equaled the value of 305,000 shares, of which the maximum reward for the President & CEO equaled the value of 80,000 shares.

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

Share-based incentive plan as of 1 January 2013

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

The plan includes three individual share plans, each with a three-year earning period. The first share plans started in 2013 and it will be followed by plans starting in 2014 and 2015. The Board of Directors will decide on the earning criteria and targets to be applied, as well as the maximum level of incentive payable for each earning period, either annually or for the entire earning period. The earning criteria for the first earning period 2013–2015 are the Group’s comparable free cash flow and the comparable operating profit of Renewable Fuels. The earning criteria for the earning period 2014–2016 are the Group's comparable free cash flow and the relative total shareholder return of ten Neste Oil peer group oil companies. Any possible payments will be made partly in Company shares in 2016, 2017, and 2018, and partly in cash. Participants shall not be entitled to sell or transfer the shares they receive as incentives during a restriction period following the end of the earning period. The length of this period will be three years in respect of the President and CEO and the other members of the Neste Executive Board, and one year in respect of other participants.

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

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

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

Assumptions used in calculating the value of the reward	Plan 2013–2015	Plan 2012–2014	Plan 2011–2013	Plan 2010–2012
Amount of granted shares at the beginning of the period, maximum reward	-	1,018,000	740,000	630,000
Amount of shares granted during the period, maximum reward	-	10,000	-	-
Forfeited during the period	-	-38,000	-28,000	-15,000
Expired during the period	-	-	-	-486,660
Amount of granted shares at the end of the period, maximum reward	-	990,000	712,000	128,340
Number of participants at the end of the financial period	93	65	50	34
Share price at the end of the financial period, euros	14.37	14.37	14.37	14.37
Estimated rate of realization of the earnings criteria, %	75%	100%	64%	20%
Estimated termination rate before the end of the restriction period, %	10%	10%	0%	0%

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

Accounting treatment

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

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

MEUR	**2013**	2012
Expense arising from equity-settled share-based payment transactions	**2**	0
Expense arising from cash-settled share-based payment transactions	**6**	1
Total expense arising from share-based payment transactions	**8**	1

The liability recognized in the balance sheet related to share based payments amounted to EUR 8 million (2012: EUR 2 million). The expense to be recognized during the financial periods 2014–2019 is estimated as 31 December 2013 to amount to EUR 21 million. The actual amount may differ from this estimate.

Hedging

The Group hedges its exposure to the share price development during the time period between the grant date and the delivery date. The hedging arrangement is accounted for as treasury shares and has been described in detail in Note 26.

32 Related party transactions

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

The group has a related party relationship with its subsidiaries, associates, joint ventures (Note 33) and with the members of the Board of Directors, the President and CEO and other members of the Neste Executive Board (key management persons), close members of the families of the mentioned key management persons and entities controlled or jointly controlled by the mentioned key management persons or close members of those persons' families.

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

Transactions carried out with related parties

2013	Sales of goods and services	Purchases of goods and services	Receivables	Financial income and expense	Liabilities
Associates	**-**	**-**	**0**	**-**	**-**
Joint ventures	**121**	**89**	**8**	**0**	**12**
	121	**89**	**8**	**0**	**12**

2012	Sales of goods and services	Purchases of goods and services	Receivables	Financial income and expense	Liabilities
Associates	0	-	0	-	0
Joint ventures	102	90	6	0	15
	102	90	6	0	15

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

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

Key management compensation

EUR thousand	2013	2012
Salaries and other short-term employee benefits	**3,605**	3,453
Statutory pensions	**175**	177
Supplementary pensions	**1,049**	760
Share-based payments	**749**	-
Total	**5,578**	4,390

Key management consists of the members of the Board of Directors, President and CEO and other members of the Neste Executive Board. Key management compensation includes termination benefits. There were no outstanding loan receivables from key management on 31 December 2013 or 31 December 2012.

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

Compensation to President and CEO and Board of Directors

EUR thousand	**2013**	2012
Matti Lievonen, President and CEO	**844**	862
Board of Directors at 31 December 2013		
Jorma Eloranta, chairman as of 28 March 2012	**76**	73
Maija-Liisa Friman, vice chairman as of 28 March 2012	**59**	57
Per-Arne Blomquist, as of 4 April 2013	**44**	-
Michiel Boersma	**58**	58
Laura Raitio	**47**	46
Willem Schoeber, as of 4 April 2013	**43**	-
Kirsi Sormunen, as of 4 April 2013	**36**	-
Former Board members		
Timo Peltola, chairman until 28 March 2012	**-**	19
Nina Linander, until 4 April 2013	**14**	58
Hannu Ryöppönen, until 4 April 2013	**14**	57
Markku Tapio, until 4 April 2013	**11**	47
Board of Directors, all members total	**402**	415

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

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

The retirement age of the President & CEO is 60 years, and his pension is based on a defined benefit plan. The pension paid is 60% of his or her retirement salary, equivalent to a monthly salary calculated on the basis of statutory pension insurance contributions made over the previous 10 years. The pension is insured by an insurance company, and insurance contributions paid during 2013 totaled EUR 525 thousand (2012: EUR 464 thousand). Net liability of defined benefit plan on 31 December 2013 was EUR 192 thousand. Statutory pension insurance contributions in 2013 were EUR 55 thousand. (2012: EUR 56 thousand).

Net liability of defined benefit plans of former Presidents and CEOs on 31 December 2013 were EUR 1,155 thousand.

33 Group companies on 31 December 2013

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

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

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

34 Contingencies and commitments

Contingent liabilities

MEUR	2013 Value of collateral	2012 Value of collateral
On own behalf for commitments		
Real estate mortgages	**17**	26
Pledged assets	**0**	1
Other contingent liabilities	**16**	12
Total	**33**	39
On behalf of associates and joint ventures		
Guarantees	**1**	1
Total	**1**	1
On behalf of others		
Guarantees	**2**	1
Other contingent liabilities	**3**	3
Total	**5**	4
	39	44

Operating lease liabilities

MEUR	2013	2012
Due within one year	**58**	69
Due between one and five years	**82**	116
Due later than five years	**66**	79
	206	264

Operating leases

Lease rental expenses amounting to EUR 65 million (2012: EUR 76 million) relating to the lease (under operating leases) of property, plant and equipment are included in the income statement in other expenses.

Commitments

MEUR	2013	2012
Commitments for purchase of property, plant and equipment	**36**	10
	36	10

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

The Group's take-or-pay contracts relate to hydrogen supply agreements. Agreements include volume based hydrogen purchase obligation. The total fixed fees payable under the agreements during 2011–2026 as at 31 December 2013 are presented in the table below.

Fixed fees payable under take-or-pay contracts

MEUR	2013	2012
Payable	**15**	16
Payable after the financial period	**188**	211
Total payable	**203**	227

Other contingent liabilities

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

35 Disputes and potential litigations

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

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

36 Events after the balance sheet date

No significant events took place in the Group after the balance sheet date.

Parent company income statement

MEUR	Note	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Revenue	2	**11,823**	11,992
Change in product inventories		**-20**	-97
Other operating income	3	**21**	16
Materials and services	4	**-10,973**	-10,939
Personnel expenses	5	**-198**	-183
Depreciation, amortization and write-downs	6	**-140**	-142
Other operating expenses	7	**-304**	-332
Operating profit		**209**	315
Financial income and expenses	8	**17**	-65
Profit before extraordinary items		**226**	250
Extraordinary items	9	**161**	-130
Profit before appropriations and taxes		**387**	120
Appropriations	10	**-10**	-7
Income tax expense	11	**-73**	-24
Profit for the year		**304**	89

Parent company balance sheet

MEUR	Note	31 Dec 2013	31 Dec 2012
ASSETS			
Fixed assets and other long-term investments	**12, 13**		
Intangible assets		**43**	39
Tangible assets		**1,639**	1,638
Other long-term investments		**2,547**	2,607
		4,229	4,284
Current assets			
Inventories	**14**	**843**	823
Long-term receivables	**15**	**88**	231
Short-term receivables	**16**	**817**	992
Cash and cash equivalents		**358**	361
		2,106	2,407
Total assets		**6,335**	6,691
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	**17**		
Share capital		**40**	40
Retained earnings		**938**	947
Profit for the year		**304**	89
		1,282	1,076
Accumulated appropriations	**18**	**928**	917
Provisions for liabilities and charges	**19**	**2**	1
Liabilities	**20**		
Long-term liabilities		**2,332**	2,339
Short-term liabilities		**1,791**	2,358
		4,123	4,697
Total equity and liabilities		**6,335**	6,691

Parent company cash flow statement

MEUR	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Cash flows from operating activities		
Profit before extraordinary items	**226**	250
Depreciation, amortization and write-downs	**140**	142
Other non-cash income and expenses	**6**	7
Financial income and expenses	**-17**	65
Divesting activities, net	**-1**	0
Operating cash flow before change in working capital	**354**	464
Change in working capital		
Decrease (+)/increase (–) in interest-free receivables	**238**	-80
Decrease (+)/increase (–) in inventories	**-20**	28
Decrease (–)/increase (+) in interest-free liabilities	**-98**	61
Change in working capital	**120**	9
Cash generated from operations	**474**	473
Interest and other financial expenses paid, net	**-68**	-64
Dividends received	**89**	18
Income taxes paid	**-63**	1
Realized foreign exchange gains and losses	**-15**	-23
Group contributions, net	**-130**	-31
Net cash from operating activities	**287**	374
Cash flows from investing activities		
Capital expenditure	**-152**	-183
Proceeds from sale of fixed assets	**1**	3
Investments in shares in subsidiaries	**0**	0
Investments in shares in other shares	**0**	-1
Proceeds from shares in subsidiaries	**50**	0
Proceeds from sale of other shares	**0**	0
Change in other investments, increase (–)/decrease (+)	**207**	-94
Net cash used in investing activities	**106**	-275
Cash flow before financing activities	**393**	99

Cash flows from financing activities		
Proceeds from long-term liabilities	**410**	1,039
Payments of long-term liabilities	**-465**	-908
Change in short-term liabilities	**-243**	-11
Dividends paid	**-97**	-90
Cash flow from financing activities	**-395**	30
Net increase (+)/decrease (–) in cash and cash equivalents	**-3**	130
Cash and cash equivalents at the beginning of the period	**361**	231
Cash and cash equivalents at the end of the period	**358**	361
Net increase (+)/decrease (–) in cash and cash equivalents	**-3**	130

1 Accounting policies

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

Revenue

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

Other operating income

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

Foreign currency items

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

Derivative financial instruments

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

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

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

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

Fixed assets and depreciation

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

The depreciation is based on the following expected useful lives:

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

Inventories

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

Research and development

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

Pension expenses

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

Extraordinary items

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

Deferred taxes

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

Provisions

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

2 Revenue

Revenue by segment

MEUR	2013	2012
Oil Products	**11,778**	11,945
Renewable Fuels	**2**	0
Oil Retail	**0**	0
Other	**111**	114
Eliminations	**-68**	-67
	11,823	11,992

Revenue by market area

MEUR	2013	2012
Finland	**5,604**	6,424
Other Nordic countries	**1,779**	1,981
Baltic countries, Russia and Poland	**789**	681
Other European countries	**2,589**	1,873
North and South America	**707**	860
Other countries	**355**	173
	11,823	11,992

3 Other operating income

MEUR	2013	2012
Rental income	**8**	9
Gain on sale of intangible and tangible assets	**1**	0
Insurance compensations	**6**	2
Government grants	**2**	3
Other	**4**	2
	21	16

4 Materials and services

MEUR	**2013**	2012
Materials and supplies		
Purchases during the period	**11,015**	10,992
Change in inventories	**-47**	-59
	10,968	10,933
External services	**5**	6
	10,973	10,939

5 Personnel expenses

MEUR	**2013**	2012
Wages, salaries and remunerations	**149**	137
Indirect employee costs		
Pension costs	**38**	36
Other indirect employee costs	**11**	10
	198	183

Salaries and remuneration

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

Average number of employees

	2013	2012
Oil Products	**1,578**	1,558
Other	**735**	729
	2,313	2,287

6 Depreciation, amortization and write-downs

MEUR	2013	2012
Depreciation according to plan	**140**	142
Write-offs	**0**	0
	140	142

7 Other operating expenses

MEUR	2013	2012
Operating leases and other property costs	**18**	20
Freights relating to sales	**74**	86
Repairs and maintenance	**87**	88
Other	**125**	138
	304	332
Other operating expenses include losses on sales of tangible assets and write-offs of fixed assets in progress	**0**	15

Fees charged by the statutory auditor

EUR thousands	2013	2012
Audit fees	**357**	349
Auditor's mandatory opinions	**6**	5
Tax advisory	**90**	8
Other advisory services	**193**	279
	646	641

8 Financial income and expenses

MEUR	2013	2012
Dividend income		
From Group companies	89	18
From associated companies	0	-
From others	0	0
Dividend income total	89	18
Interest income from long-term loans and receivables		
From Group companies	0	1
From others	0	0
Interest income from long-term loans and receivables total	0	1
Other interest and financial income		
From Group companies	1	5
Other	0	0
Other interest and financial income total	1	5
Write-downs on long-term investments	-3	-
Interest expenses and other financial expenses		
To Group companies	-3	-4
Other	-67	-75
Interest expenses and other financial expenses total	-70	-79
Exchange rate differences	0	-10
Financial income and expenses total	17	-65

Total interest income and expenses

MEUR	2013	2012
Interest income	1	6
Interest expenses	-62	-72
Net interest expenses	-61	-66

9 Extraordinary items

MEUR	2013	2012
Group contributions		
Group contributions received	161	35
Group contributions given	-	-165
	161	-130

10 Appropriations

Change in depreciation difference

MEUR	2013	2012
Difference between depreciation according to plan and depreciation in taxation	-10	-7

11 Income tax expense

MEUR	2013	2012
Income taxes on regular business operations	35	54
Income taxes on extraordinary items	39	-32
Change in deferred tax assets	-1	2
	73	24

12 Fixed assets and long-term investments

Change in acquisition cost 2013, MEUR

Intangible assets	Goodwill	Other intangible assets	Total
Acquisition cost as of 1 January 2013	1	108	109
Increases	-	12	12
Decreases	-	4	4
Transfers between items	-	0	0
Acquisition cost as of 31 December 2013	1	116	117
Accumulated depreciation, amortization and write-downs as of 1 January 2013	1	69	70
Accumulated depreciation, amortization and write-downs of decreases and transfers	0	0	0
Depreciation and amortization for the period	0	4	4
Accumulated depreciation, amortization and write-downs as of 31 December 2013	1	73	74
Balance sheet value as of 31 December 2013	-	43	43
Balance sheet value as of 31 December 2012	-	39	39

Tangible assets	Land areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and construction in progress	Total
Acquisition cost as of 1 January 2013	25	1,085	2,168	80	120	3,478
Increases	0	55	66	4	13	138
Decreases	0	0	1	0	1	2
Transfers between items	0	0	0	0	0	0
Acquisition cost as of 31 December 2013	25	1,140	2,232	84	132	3,614
Accumulated depreciation, amortization and write-downs as of 1 January 2013	0	510	1,329	32	-	1,871
Accumulated depreciation, amortization and write-downs of decreases and transfers	0	0	1	0	-	1
Depreciation, amortization and write downs for the period	0	32	101	2	-	135
Accumulated depreciation, amortization and write-downs as of 31 December 2013	0	542	1,430	34	-	2 005
Revaluations	6	24	-	-	-	30
Balance sheet value as of 31 December 2013	31	623	803	50	132	1 639
Balance sheet value as of 31 December 2012	31	600	839	48	120	1,638

Balance sheet value of machinery and equipments used in production	772

Other long-term investments	Shares in group companies	Receivables from group companies	Shares in associated companies	Receivables from associated companies	Other shares and holdings	Other receivables	Total
Acquisition cost as of 1 January 2013	2,579	11	1	0	4	12	2,607
Increases	0	0	0	0	0	0	0
Decreases	52	6	0	0	0	2	60
Acquisition cost as of 31 December 2012	2,527	5	1	0	4	10	2,547
Accumulated depreciation, amortization and write-downs as of 1 January 2013	-	-	-	0	0	0	0
Accumulated depreciation, amortization and write-downs as of 31 December 2013	-	-	-	0	0	0	0
Balance sheet value as of 31 December 2013	2,527	5	1	0	4	10	60
Balance sheet value as of 31 December 2012	2,579	11	1	0	4	12	2,607

Interest-bearing and interest-free receivables

MEUR	2013	2012
Interest-bearing receivables	5	12
Interest-free receivables	11	12
	16	24

13 Revaluations

MEUR	Revaluations as of Jan 1, 2013	Revaluations as of Dec 31, 2013
Land areas	6	6
Buildings	24	24
	30	30

Policies and principles for revaluations and evaluation methods

The revaluations are based on fair values at the moment of revaluation. Deferred taxes have not been booked on revaluations.

14 Inventories

MEUR	2013	2012
Raw materials and supplies	**344**	306
Products/finished goods	**493**	512
Advance payments on inventories	**6**	5
	843	823
Replacement value of inventories	**850**	824
Book value of inventories	**843**	823
Difference	**7**	1

15 Long-term receivables

MEUR	2013	2012
Receivables from Group companies		
Other long-term receivables	**86**	230
Deferred tax assets	**2**	1
	88	231

16 Short-term receivables

MEUR	2013	2012
Trade receivables	**367**	490
Receivables from Group companies		
Trade receivables	**258**	364
Other receivables	**160**	35
Accrued income and prepaid expenses	**2**	2
Total	**420**	401
Receivables from associated companies		
Trade receivables	**0**	0
Other receivables	**1**	1
Total	**1**	1
Other receivables	**17**	80
Accrued income and prepaid expenses	**12**	20
	817	992

Short-term accrued income and prepaid expenses

MEUR	2013	2012
Accrued interest	**5**	6
Accrued taxes	**-**	1
Other	**8**	15
	13	22

17 Changes in shareholders' equity

MEUR	2013	2012
Share capital at 1 January	**40**	40
Share capital at 31 December	**40**	40
Retained earnings at 1 January	**1,035**	1,036
Dividends paid	**-97**	-90
Profit for the year	**304**	89
Retained earnings at 31 December	**1,242**	1,035
Distributable equity	**1,242**	1,035

18 Accumulated appropriations

MEUR	2013	2012
Depreciation difference	**928**	917

19 Provisions for liabilities and charges

MEUR	Provision for environment	Total
Provisions as of 1 January 2013	**1**	**1**
Increase	**1**	**1**
Decrease	**0**	**0**
Provisions as of 31 December 2013	**2**	**2**

20 Liabilities

Long-term liabilities

MEUR	**2013**	2012
Bonds	**1,294**	1,292
Loans from financial institutions	**124**	487
Liabilities to Group companies		
Other long-term liabilities	**903**	551
Other long-term liabilities	**5**	7
Accruals and deferred income	**6**	2
	2,332	2,339

Interest- bearing liabilities due after five years

MEUR	**2013**	2012
Bonds	**398**	447
Loans from financial institutions	**17**	23
Liabilities to Group companies	**858**	511
	1,273	981

Short-term liabilities

MEUR	**2013**	2012
Loans from financial institutions	**165**	342
Advances received	**0**	1
Trade payables	**997**	1,022
Liabilities to Group companies		
Advances received	**0**	0
Trade payables	**116**	107
Other short-term liabilities	**139**	422
Accruals and deferred income	**0**	0
Total	**255**	529
Liabilities to associated companies		
Trade payables	**8**	2
Other short-term liabilities	**0**	0
Total	**8**	2
Other short-term liabilities	**261**	368
Accruals and deferred income	**105**	94
	1,791	2,358

Short-term accruals and deferred income

MEUR	2013	2012
Salaries and indirect employee costs	**49**	42
Accrued interests	**26**	29
Accrued taxes	**28**	18
Other short-term accruals and deferred income	**2**	5
	105	94

Interest-bearing and interest-free liabilities

MEUR	2013	2012
Long-term liabilities		
Interest-bearing liabilities	**2,324**	2,332
Interest-free liabilities	**8**	7
	2,332	2,339
Short-term liabilities		
Interest-bearing liabilities	**304**	608
Interest-free liabilities	**1,487**	1,750
	1,791	2,358

21 Contingent liabilities

Contingent liabilities

MEUR	2013	2012
Operating lease liabilities		
Due within a year	3	3
Due after a year	5	4
	8	7
Contingent liabilities given on own behalf		
Real estate mortgages	17	24
Pledged assets	0	1
Other contingent liabilities	2	2
	19	27
Contingent liabilities given on behalf of Group companies		
Real estate mortgages	-	2
Guarantees	323	238
	323	240
Contingent liabilities given on behalf of associated companies		
Guarantees	1	1
	1	1
Contingent liabilities given on behalf of others		
Guarantees	2	1
	2	1
Contingent liabilities total	353	276

22 Derivative financial instruments

Interest and currency derivative contracts and share forward contracts

MEUR	2013			2012		
	Contract or notional value	Fair value	Not recognized as an income	Contract or notional value	Fair value	Not recognized as an income
Interest rate swaps	800	17	-4	1,030	26	-6
Forward foreign exchange contracts	1,452	11	10	1,945	15	11
Currency options						
Purchased	196	2	2	113	0	0
Written	192	3	3	92	2	2

Oil and freight derivative contracts

	2013			2012		
	Volume million bbl	Fair value	Not recognized as an income	Volume million bbl	Fair value	Not recognized as an income
Sales contracts	6	-11	-11	19	13	13
Purchase contracts	8	10	10	17	-10	-10

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

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

23 Other contingent liabilities

Real estate investments

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

24 Shares and holdings

	Country of incorporation	No of shares	Holding-%	Book value 31 Dec 2013 EUR thousands
Subsidiary shares				
Kiinteistö Oy Espoon Keilaranta 21	Finland	16,000	100.00	39,725
Kilpilahden Sähkönsiirto Oy	Finland	2,500	100.00	3
LLC Neste Saint-Petersburg	Russia	10	100.00	58,427
Neste Eesti AS	Estonia	10,000	100.00	5,927
Neste Jacobs Oy	Finland	2,100	60.00	438
Neste Markkinointi Oy	Finland	210,560	100.00	51,467
Neste Oil AB	Sweden	2,000,000	100.00	23,972
Neste Oil BR Ltd	Belarus	1	100.00	-
Neste Oil Components Finance B.V.	The Netherlands	40	100.00	8,022
Neste Oil Finance B.V.	The Netherlands	26,090	100.00	19,177
Neste Oil Holding (U.S.A.), Inc.	USA	1,000	100.00	18,428
Neste Oil Insurance Limited	Guernsey	7,000,000	100.00	3,000
Neste Oil N.V.	Belgium	4,405,414	99.99	414,753
Neste Oil (Suisse) S.A.	Switzerland	200	100.00	62
Neste Oil US, Inc.	USA	1,000	100.00	1,100
Neste Renewable Fuels Oy	Finland	200	100.00	1,826,901
Neste Shipping Oy	Finland	101	100.00	55,452
				2,526,854
Associated companies				
A/B Svartså Vattenverk - Mustijoen Vesilaitos O/Y	Finland	14	40.00	124
Neste Arabia Co. Ltd.	Saudi-Arabia	480	48.00	156
Porvoon Alueverkko Oy	Finland	40	33.33	7
Tahkoluodon Polttoöljy Oy	Finland	630	31.50	490
Vaskiluodon Kalliovarasto Oy	Finland	330	50.00	17
				794

Other shares and holdings				
CLEEN Oy	Finland	100		100
East Office of Finnish Industries Oy	Finland	1		10
Ekokem Oy Ab	Finland	75,000	2.13	125
Kiinteistö Oy Anttilankaari 8	Finland	51		545
Kiinteistö Oy Himoksen Aurinkopaikka	Finland	51		457
Kiinteistö Oy Katinkullan Hiekkaniemi	Finland	102		903
Kiinteistö Oy Katinkultaniemi	Finland	51		398
Kiinteistö Oy Kuusamon Tähti 1	Finland	51		457
Kiinteistö Oy Laavutieva	Finland	51		311
Kiinteistö Oy Lapinniemi & Osakeyhtiö Lapinniemi	Finland	24		125
Posintra Oy	Finland	190		34
				3,465
Telephone shares				
Kymen Puhelin Oy	Finland	1		0
Pietarsaaren Seudun Puhelin Oy	Finland	3		1
Osuuskunta PPO	Finland	1		-
Savonlinnan Puhelinosuuskunta SPY	Finland	1		1
				2
Connection fees				65
Total				2,531,179

25 Disputes and potential litigations

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

26 Separated Financial Statements

Separation according to Electricity Market Act

Neste Oil Corporation has separated electricity network operations from other operations in accounting according to Chapter 12 of Electricity Market Act (588/2013) since the act came into force 1 September 2013.

Electricity network operation covers owning a company's distribution network, electricity distribution and other related activities in Kilpilahti, Porvoo since the act came into force. Other operations include the company's oil refining operations for the entire financial period.

Separated financial statements have been prepared on the basis of company's general accounting and separate calculation in internal accounting. Revenues of Electricity network operations includes electricity transfer fees. Expenses and income have been allocated based on origin or if not applicable, a proportional allocation key has been used. Depreciation have been calculated in accordance with the existing depreciation plan.

Balance sheet items have been allocated based on origin or if not applicable, a proportional allocation key have been used. Only assets that have been considered to be necessary to carry out electricity network operations have been included in separated balance sheet. Share capital has been allocated in proportion to fixed assets and other long-term investments and long-term liabilities in proportion to fixed assets and inventories. Separated balance sheet has been balanced using other short-term liabilities.

Separated Income Statement

MEUR	Electricity network operations 1 Sep–31 Dec 2013	Other operations 1 Jan–31 Dec 2013
Revenue	2	11,821
Internal revenue	4	-4
Change in product inventories	-	-20
Other operating income	-	21
Materials and services	0	-10,969
Network losses	-1	-
Cost of upstream network	-2	-
Personnel expenses	0	-198
Depreciation, amortization and write-downs	-2	-138
Other operating expenses	-1	-304
Operating profit	0	209
Financial income and expenses	0	17
Profit before extraordinary items	0	226
Extraordinary items	-	161
Profit before appropriations and taxes	0	387
Appropriations	0	-10
Income tax expense	0	-73
Profit for the year	0	304

Separated Balance Sheet

MEUR	Electricity network operations 31 Dec 2013	Other operations 31 Dec 2013
ASSETS		
Fixed assets and other long-term investments		
Intangible assets	-	43
Tangible assets	77	1,562
Other long-term investments	-	2,547
	77	4,152
Current assets		
Inventories	0	843
Long-term receivables	-	88
Short-term receivables	0	817
Cash and cash equivalents	-	358
	0	2,106
Total assets	77	6,258
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	1	39
Retained earnings	-	938
Profit for the year	0	304
	1	1,281
Accumulated appropriations	30	898
Provisions for liabilities and charges	-	2
Liabilities		
Long-term liabilities	35	2,297
Short-term liabilities	11	1,780
	46	4,077
Total equity and liabilities	77	6,258
Return on capital employed	3.5%	

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

The parent company's distributable equity as of 31 December 2013 stood at EUR 1,242 million.

The Board of Directors proposes Neste Oil Corporation to pay a dividend of EUR 0.65 per share for 2013, totalling EUR 167 million, and that any remaining distributable funds be allocated to retained earnings.

Espoo, 3 February 2014

Jorma Eloranta

Per-Arne Blomquist

Michiel Boersma

Maija-Liisa Friman

Laura Raitio

Willem Schoeber

Kirsi Sormunen

Matti Lievonen

President & CEO

Auditor’s report

To the Annual General Meeting of Neste Oil Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Neste Oil Corporation for the financial period 1.1. - 31.12.2013. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company’s balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the President and CEO

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

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

Opinion on the consolidated financial statements

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

Opinion on the company’s financial statements and the report of the Board of Directors

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

Other opinions

We support that the financial statements 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 of the parent company and the President and CEO should be discharged from the liability for the financial period audited by us.

Espoo, February 3, 2014

Ernst & Young Oy
Authorized Public Accountant Firm

ANNA-MAIJA SIMOLA
Anna-Maija Simola
Authorized Public Accountant

Quarterly segment information

Revenue

MEUR	10-12/2013	7-9/2013	4-6/2013	1-3/2013	10-12/2012	7-9/2012	4-6/2012	1-3/2012
Oil Products	3,492	3,476	2,996	3,307	3,607	3,389	3,224	3,544
Renewable Fuels	732	713	535	513	505	597	595	466
Oil Retail	1,116	1,174	1,085	1,153	1,258	1,266	1,181	1,190
Others	47	51	54	52	45	48	54	52
Eliminations	-783	-784	-700	-767	-818	-795	-757	-798
Total	4,604	4,630	3,970	4,258	4,597	4,505	4,297	4,454

Operating profit

MEUR	10-12/2013	7-9/2013	4-6/2013	1-3/2013	10-12/2012	7-9/2012	4-6/2012	1-3/2012
Oil Products	93	104	10	79	128	248	-80	195
Renewable Fuels	93	116	34	9	-43	-73	-59	-8
Oil Retail	15	29	65	11	5	23	15	15
Others	-14	0	0	-12	-40	2	3	-7
Eliminations	-2	0	3	-1	2	-4	6	-4
Total	185	249	112	86	52	196	-115	191

Comparable operating profit

MEUR	10-12/2013	7-9/2013	4-6/2013	1-3/2013	10-12/2012	7-9/2012	4-6/2012	1-3/2012
Oil Products	72	67	30	111	116	154	49	77
Renewable Fuels	94	120	33	26	-2	-19	-33	-2
Oil Retail	14	29	22	11	5	23	15	15
Others	-14	0	-1	-12	-42	3	3	-7
Eliminations	-2	1	4	-1	0	-2	6	-4
Total	164	217	88	135	77	159	40	79