NESTE

Annual Report 2023

Financials

Financial Statements

Consolidated Statement of Income

EUR million	Note	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Revenue	4, 5	22,926	25,707
Other income	6	55	54
Share of profit (loss) of associates and joint ventures	15	1	2
Materials and services	7	-19,098	-21,648
Employee benefit costs	8	-642	-545
Depreciation, amortization and impairments	4	-866	-638
Other expenses	9	-695	-522
Operating profit		1,682	2,410
Financial income and expenses	10		
Financial income		45	9
Financial expenses		-122	-60
Exchange rate and fair value gains and losses		-9	-80
Total financial income and expenses		-86	-131
Profit before income taxes		1,596	2,279
Income tax expense	11	-160	-388
Profit for the period		1,436	1,891
Profit attributable to			
Owners of the parent		1,433	1,888
Non-controlling interests		3	3
		1,436	1,891
Earnings per share from profit attributable to owners of the parent (in euro per share)	12		
Basic earnings per share		1.87	2.46
Diluted earnings per share		1.87	2.46

Consolidated Statement of Comprehensive Income

EUR million	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Profit for the period	1,436	1,891
Other comprehensive income net of tax		
Items that will not be reclassified to profit or loss		
Remeasurements on defined benefit plans	11	18
Net change of other investments at fair value	-3	-5
Total	8	13
Items that may be reclassified subsequently to profit or loss		
Translation differences	-66	-56
Cash flow hedges		
recorded in equity	50	19
transferred to income statement	-85	90
Share of other comprehensive income of investments accounted for using the equity method	-4	17
Total	-105	70
Other comprehensive income for the period, net of tax	-97	82
Total comprehensive income for the period	1,339	1,973
Total comprehensive income attributable to:		
Owners of the parent	1,336	1,970
Non-controlling interests	3	3
	1,339	1,973

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

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Consolidated Statement of Financial Position

EUR million	Note	31 Dec 2023	31 Dec 2022
ASSETS			
Non-current assets			
Goodwill	13	496	401
Intangible assets	13	185	169
Property, plant and equipment	14	7,786	6,570
Investments in associates and joint ventures	15	58	63
Non-current receivables	17	126	103
Deferred tax assets	11	127	59
Derivative financial instruments	16, 19	26	5
Other financial assets	17	54	44
Total non-current assets		8,858	7,413
Current assets			
Inventories	18	3,366	3,648
Trade and other receivables	17	1,913	2,138
Current tax assets		76	40
Derivative financial instruments	16, 19	190	406
Current investments	17	5	0
Cash and cash equivalents	17	1,575	1,271
Total current assets		7,125	7,504
Total assets		15,983	14 917

EUR million	Note	31 Dec 2023	31 Dec 2022
EQUITY			
Capital and reserves attributable to the owners of the parent	20		
Share capital		40	40
Other equity		8,423	8,282
Total		8,463	8,322
Non-controlling interests		0	5
Total equity		8,463	8,327
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	21	3,487	1,964
Deferred tax liabilities	11	317	336
Provisions	22	187	200
Pension liabilities	23	93	119
Derivative financial instruments	16, 19	6	12
Other non-current liabilities	21	42	43
Total non-current liabilities		4,132	2,674
Current liabilities			
Interest-bearing liabilities	21	581	651
Current tax liabilities		15	43
Derivative financial instruments	16, 19	212	200
Trade and other payables	21	2,580	3,022
Total current liabilities		3,388	3,916
Total liabilities		7,520	6,590
Total equity and liabilities		15,983	14,917

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

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Consolidated Cash Flow Statement

EUR million	Note	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Cash flows from operating activities			
Profit before income taxes		1,596	2,279
Adjustments for			
Share of profit (loss) of associates and joint ventures	4, 15	-1	-2
Depreciation, amortization and impairments	4	866	638
Other non-cash income and expenses		109	-53
Financial expenses - net	10	86	131
Profit / loss from disposal of fixed assets and shares		0	0
Cash flow before change in net working capital		2,656	2,994
Change in net working capital			
Decrease (+) / increase (-) in trade and other receivables		99	-322
Decrease (+) / increase (-) in inventories		261	-1,037
Decrease (-) / increase (+) in trade and other payables		-338	2
Change in net working capital		21	-1,357
Cash generated from operations		2,677	1,637
Interest and other finance cost paid		-109	-59
Interest income received		34	6
Realized foreign exchange gains and losses		-17	11
Income taxes paid		-307	-398
Finance cost and income taxes paid		-398	-440
Net cash generated from operating activities		2,279	1,197

EUR million	Note	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Cash flows from investing activities			
Purchases of property, plant and equipment		-1,403	-1,670
Purchases of intangible assets	13	-27	-73
Acquisitions of subsidiaries		-176	-14
Proceeds from sales of shares in subsidiaries, joint arrangements and business operations		0	157
Proceeds from capital repayments in joint arrangements	15	0	13
Proceeds from sales of property, plant and equipment		0	30
Changes in long-term receivables and other financial assets		78	-31
Cash flows from investing activities		-1,528	-1,588
Cash flow before financing activities		751	-390
Cash flows from financing activities			
Payment of (-) / proceeds from (+) current interest-bearing liabilities		-380	260
Proceeds from non-current interest-bearing liabilities		1,591	899
Repayments of non-current interest-bearing liabilities		-209	-407
Repayments of lease liabilities		-254	-157
Transactions with non-controlling interests		-18	0
Dividends paid to the owners of the parent		-1,168	-630
Dividends paid to non-controlling interests		-3	-2
Cash flows from financing activities		-441	-37
Net decrease (-) / increase (+) in cash and cash equivalents		311	-427
Cash and cash equivalents at beginning of the period		1,271	1,696
Exchange gains (+) / losses (-) on cash and cash equivalents		-7	3
Cash and cash equivalents at end of the period	17	1,575	1,271

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

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Consolidated Statement of Changes in Equity

EUR million	Note	Share capital	Reserve fund	Reserve of invested unrestricted equity	Treasury shares	Fair value and other reserves	Actuarial gains and losses	Translation differences	Retained earnings	Owners of the parent	Non-controlling interests	Total equity
Total equity at 1 January 2023		40	7	16	-5	98	-78	-66	8,309	**8,322**	5	**8,327**
Profit for the period									1,433	**1,433**	3	**1,436**
Other comprehensive income for the period, net of tax						-43	11	-66		**-97**	0	**-97**
Total comprehensive income for the period		0	0	0	0	-43	11	-66	1,433	**1,336**	3	**1,339**
Transactions with the owners in their capacity as owners												
Dividend decision									-1,168	**-1,168**	-3	**-1,171**
Transactions with non-controlling interests									-27	**-27**	-4	**-31**
Share-based compensation					1				0	**1**		**1**
Transfer from retained earnings			0						0	**-1**		**-1**
Total equity at 31 December 2023	20	40	7	16	-5	56	-67	-131	8,548	**8,463**	0	**8,463**

EUR million	Note	Share capital	Reserve fund	Reserve of invested unrestricted equity	Treasury shares	Fair value and other reserves	Actuarial gains and losses	Translation differences	Retained earnings	Owners of the parent	Non-controlling interests	Total equity
Total equity at 1 January 2022		40	19	16	-6	-22	-96	-10	7,040	**6,981**	4	**6,985**
Profit for the period									1,888	**1,888**	3	**1,891**
Other comprehensive income for the period, net of tax						120	18	-56		**82**	0	**82**
Total comprehensive income for the period		0	0	0	0	120	18	-56	1,888	**1,970**	3	**1,973**
Transactions with the owners in their capacity as owners												
Dividend decision									-630	**-630**	-2	**-632**
Share-based compensation					1				-1	**0**		**0**
Transfer from retained earnings			-12					0	12	**0**		**0**
Total equity at 31 December 2022	20	40	7	16	-5	98	-78	-66	8,309	**8,322**	5	**8,327**

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

Notes to the Consolidated Financial Statements

1 General information

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

Neste Corporation and its subsidiaries (together referred to as Neste) create sustainable solutions for transport, business, and consumer needs. Neste's wide range of renewable and circular solutions enable its customers to reduce climate emissions. Neste is the world's largest producer of renewable diesel and sustainable aviation fuel refined from waste and residue, developing chemical recycling to combat the plastic waste challenge. Sustainably-produced solutions are Neste's most significant contribution to the implementation of the Paris Agreement, as well as the United Nations' Sustainable Development Goals (SDG). Neste is also a technologically advanced refiner of high-quality oil products. Neste wants to be a reliable partner with widely valued expertise, research, and sustainable operations.

Neste's customers benefit not only from the high-quality products, but also from the comprehensive supply and logistics services that Neste can provide in Finland and abroad. Neste's refineries are located in Finland, the Netherlands and Singapore. Additionally, Neste has a joint operation together with Marathon Petroleum to produce renewable diesel in the United States. Neste has a network of service stations and other retail outlets in Finland and the Baltic countries.

The Board of Directors has approved these consolidated financial statements for issue on 7th of February 2024.

2 Accounting policies

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

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations applicable to companies reporting under IFRS as adopted by the European Union. The consolidated financial statements also include compliance with Finnish accounting and corporate legislation. The consolidated financial statements have been prepared under the historical cost convention unless otherwise stated in the Neste's accounting policies.

The consolidated financial statements are presented in million euros unless otherwise stated. The figures in the tables are subject to rounding, which may cause some rounding inaccuracies in aggregate column and row totals.

Neste discloses its accounting policies in conjunction with each Note to provide enhanced understanding of each accounting area. The following symbols **IS**, **OCI**, **BS**, and **CF** are used to show which amounts in the Notes can be reconciled to consolidated statement of income (**IS**), consolidated statement of comprehensive income (**OCI**), consolidated statement of financial position (**BS**) or consolidated cash flow statement (**CF**).

New standards, significant amendments and interpretations adopted by Neste

Neste applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. These amendments did not have a material impact on the consolidated financial statements of Neste. Neste has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The following new standards and amendments became effective as of 1 January 2023 (unless otherwise stated):

- Disclosure of Accounting Policies – Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements
- Definition of Accounting Estimates – Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 Income Taxes
- International Tax Reform — Pillar Two Model Rules – Amendments to IAS 12 Income Taxes

Neste has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 Income Taxes from 1 January 2023. The impact relates only to disclosure of the deferred tax assets and liabilities recognized in Note 11 Income taxes.

Neste has prepared for the adoption of minimum tax rules (Pillar 2) in the beginning of 2024. More information about the impacts can found in Note 11 Income taxes.

New standards, amendments and interpretations not yet adopted

Certain new interpretations, amendments to existing standards or new standards have been published. Neste intends to adopt these standards when they become effective.

There are no IFRS or IFRIC interpretations that are not yet effective and that would be expected to have a material impact on Neste.

Estimates and judgements requiring management estimation

The preparation of consolidated financial statements in conformity with the International Accounting Standard as adopted by EU requires Neste's management to make estimates and assumptions which have an impact on reported assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of income and expenses during the reporting period. In addition, management judgement may be required in applying the accounting principles, for example, classifying assets as held for sale.

These estimates, assumptions and judgements are based on management's historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual amounts may differ significantly from the estimates used in the financial statements.

Neste follows the changes in estimates, assumptions and the factors affecting them by using multiple internal and external sources of information. Possible changes in estimates and assumptions are recognized in the financial period the estimate or assumption is changed.

The sources of uncertainty which have been identified as most significant estimates by Neste are presented in connection to the items considered to be affected.

Visibility in the global economy continues to be low due to high inflation, reduced economic growth expectations and continued geopolitical uncertainty. We expect volatility in the oil products and renewable feedstock markets to remain high. Neste has assessed the impacts of war in Ukraine by reviewing the carrying values of the balance sheet items, which did not indicate a need for asset impairments. Neste does not have fixed assets in Russia nor in Ukraine. Neste's financial position remained strong. Changes in the macroeconomic environment have been taken into account by updating the interest rate, discount rate and inflation assumptions to reflect the current situation. More information can be found in the Notes 3 Financial risk management, 13 Goodwill and Intangible assets and 23 Employee benefit obligations.

Climate related topics

Climate commitments are part of Neste's corporate strategy. Neste has a two-pronged approach to combating climate change. Neste enables our customers to reduce their greenhouse gas (GHG) emissions with renewable and circular products. At the same time, Neste is committed to reducing our own carbon footprint. These two climate performance indicators are included in the long-term incentives for Neste's key personnel. More information in Note 24 Share-based payments.

The financial impacts of the climate-related matters have been booked in the financial statements in accordance with accounting policies. For example, investments to the Renewable Products segment are mainly EU taxonomy aligned capital expenditure.

Climate change poses both business risks and opportunities to Neste. Risks associated with the transition to a lower-carbon economy may entail changes for Neste. Policy and legal risks include, but are not limited to, less favorable development of greenhouse gas emissions pricing, unforeseen regulatory development for GHG reductions, and the acceptability of reduction technologies. Relevant market risks are stakeholder and customer attitudes moving in a less favorable direction, shifts in our products' supply and demand and services and raw materials, increased raw material or utilities costs and scarcity of renewable raw materials.

The adaptability and resilience of Neste's strategy to climate change also creates opportunities by contributing to the transition to a lower-carbon economy. Neste's strategy has been influenced by opportunities related to renewable and circular products, and we see that increasing global climate ambitions and related regulations continue to increase the demand for our renewable and circular products.

The risks and opportunities described above have been taken into account in the goodwill impairment testing of the Renewable Products Cash Generating Unit. More information in Note 13 Goodwill and Intangible assets.

Neste uses green finance in accordance with its Green Finance Framework to further the achievement of climate targets. During 2023, Neste issued three green bonds. More information in Note 21 Financial liabilities.

Climate-related matters do not have material impact on provisions. More information in Note 22 Provisions.

Consolidation

Subsidiaries

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

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

Changes in non-controlling interest without losing control, due to changes in ownership interest of a subsidiary, are accounted for as equity transactions. Subsidiaries are treated as 100% owned subsidiaries, if Neste has an obligation to redeem the remaining non-controlling interest within an agreed period. Thus, the share of the non-controlling interest is not recognized in the statement of financial position and the non-controlling shareholders' share of the financial year's profit is included until the recognition of the obligation. The obligation is measured at fair value and recorded as a liability in the consolidated statement of financial position.

All intra-group transactions, receivables, liabilities and unrealized margins, as well as distribution of profits within Neste, are eliminated in the preparation of consolidated financial statements.

The result for the period and items recognized in other comprehensive income are allocated to the equity holders of the parent company and non-controlling interests and presented in the statement of income and statement of other comprehensive income. Non-controlling interests are presented separately from the equity allocated to the equity holders of the company. Other comprehensive income is allocated to the equity holders of the parent company and to non-controlling interests even in situations where the allocation would result in the non-controlling interests' share being negative, unless non-controlling interests have an exemption not to meet obligations which exceed the non-controlling interests' investment in the company.

Joint arrangements

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

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

Neste finalized a transaction to establish a joint arrangement, called Martinez Renewables, for production of renewable fuels together with Marathon Petroleum in 2022. Through the transaction, Neste obtained a 50% interest in Martinez Renewables. At the time of making the investment, Neste made the interpretation to treat the establishment and initial investment into the joint arrangement as an asset acquisition. After the initial investment, Neste classified the joint arrangement as a joint operation as Neste and Marathon Petroleum have a joint control over the arrangement's relevant activities, and the production output will be divided evenly between Neste and Marathon Petroleum. As a result of the joint operation classification, Neste recognizes its 50% share of Martinez Renewables' assets, liabilities, revenues and expenses.

The investments into Martinez Renewables in 2022 resulted in EUR 753 million capital expenditure in investing cash flow. The impact to Neste's balance sheet at year-end 2022 is presented in Note 14 Property, plant and equipment, Note 18 Inventories and Note 29 Leases. Martinez Renewables did not have other material impacts to Neste's balance sheet or income statement.

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

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

Associates

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

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Structured entities

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

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

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

Foreign currency translation

(a) Presentation currency

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

(b) Transactions in foreign currencies

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

(c) Group companies

The results and financial position of all Neste 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 in other comprehensive income.

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 recognized in other comprehensive income and allocated to the translation differences in equity. When a foreign operation is partially disposed of, sold, or liquidated, translation differences accrued in equity are recognized in the income statement as part of the gain or loss on the sale/liquidation. 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.

3 Financial risk management

Financial risk management principles

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

For more information regarding Neste's risk management principles and key risk areas, please refer to the risk management section in the annual report.

Market risks

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of a business. For Neste, the main types of market risks are commodity price risk, foreign exchange risk and interest rate risk. These are specified in more detail in the following sections. In accordance with the Corporate risk management policy, various derivatives transactions are executed to mitigate exposure to risk. The positions are monitored and managed on a daily basis.

1. Commodity price risks

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

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

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

Inventory price risk

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

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

The base inventory creates a risk in Neste's income statement and balance sheet since Neste applies the weighted average method for measuring the cost of goods sold, raw materials and inventories. Hedging operations related to price risk do not target the base inventory. Instead, Neste's inventory risk management policies target the 'transaction position' in as much as these stocks create cash flow risks depending on the relationships between feedstock purchases, refinery production and refined petroleum product sales over any given period. According to the Neste risk management policy, open exposures of the transaction position are hedged without delay when the underlying pricing-in or pricing-out occurs if existing hedging instruments provide appropriate hedging efficiency.

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

If crude or oil product markets are in contango where current forward prices are higher than current spot prices, Neste has the capability to build physical contango storages from time to time. These storages are excluded from the transaction position and are hedged separately.

Refining margin risk

Neste is exposed to a greater margin volatility in the Renewable Products segment compared to that of fossil fuel refining. In the Renewables business, the refining margin is mainly an outcome of the renewable product sale price received and the cost of feedstocks used. The underlying price quotations used in renewable diesel pricing are primarily related to oil products. Premiums over pricing indices fluctuate regionally depending on the nature of bio mandates and incentives, local supply and demand, and fossil fuel prices. In North America, Soy Methyl Ester (SME) is an important price driver through its link to Renewable Identification Number (RIN) prices. The cost of feedstocks depends on feedstock 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 Renewable Products segment, operational activities and margin hedges are the primary means of mitigating margin volatility.

Refining margin is an important determinant of Oil Products segment's earnings. Its fluctuations constitute a significant risk. The refining margin risk is a result of the revenue from sold petroleum products and the cost of raw materials together with other costs. Neste's exposure to low refining margins in traditional oil refining is partly offset by its high-conversion refinery capacity.

With the aim of securing its margin and cash flow, Neste has defined margin hedging principles for its main refining businesses. In the Renewable Products segment, the targeted hedge ratios are typically higher and can be expected to fluctuate over time. In the fossil fuel business, the hedge ratios are typically moderate.

Both Oil and Renewable Product segments' margins are also exposed to utility price risk that mainly arises from consumption of electricity and natural gas. Neste has also defined principles for hedging these exposures. In hedging the refining margin and utility price risks, commodity derivatives are used. Just as in transaction position hedging, also when hedging the refining margin and utility risks, the business will remain exposed to a certain degree of basis risk that comes from the differences between actual qualities of feedstocks and products and qualities of available hedging arrangements.

The exposure to open positions of commodity derivative contracts is summarized in Note 19 Derivative financial instruments. Neste does not apply IFRS hedge accounting for commodity hedging positions.

2. Foreign exchange risk

As the underlying currency of Neste's main markets is the U.S. Dollar, and Neste operates and reports in Euro, this factor is one that exposes Neste's business to currency risk. The objective of foreign exchange risk management in Neste is to limit the uncertainty created by changes in foreign exchange rates on the future value of cash flows and earnings, and in the balance sheet. Generally, foreign exchange risk can be managed by hedging currency risks in contracted and forecast cash flows and balance sheet exposures (referred to as transaction exposure) as well as the equity of non-euro-based subsidiaries (referred to as translation exposure).

Transaction exposure

In general, all reporting segments hedge their transaction exposure related to highly probable future cash flows. Net foreign currency cash flows are forecast over a 12-month period on a rolling basis and hedged on average 70% for the first six months and 30% of the next six months for the Renewable business and on average 80% for the first six months and 40% for the following six months for the fossil fuel business. Deviations from the benchmark hedging ratio are allowed in line with the limits set by the Corporate risk management policy. The most important hedged currency is the U.S. dollar. Other currencies to which Neste is exposed to are the Swedish crown (SEK), the Chinese renminbi (CNY), the Singapore dollar (SGD), the Australian dollar (AUD). Neste'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. The reporting segments are responsible for forecasting net foreign currency cash flows, while Group Treasury & Risk Management is responsible for implementing hedging transactions. In addition to the above-mentioned foreign currency hedging programs, Neste has continued to hedge material currency exposures related to investments.

Neste has several currency-denominated assets and liabilities in its balance sheet, such as foreign currency loans, deposits, net working capital and cash in other currencies than home currency. The principle is to hedge this balance sheet exposure fully using forward contracts. Similarly to commodity price risk management, the foreign exchange transaction hedging targets inventories in excess of the base inventory. Open exposures are allowed based on risk limits set by the Corporate risk management policy. The largest and most volatile item in terms of balance sheet exposure is net working capital. Since many of the Neste'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 2023, the daily balance sheet exposure fluctuated between approximately USD 827 million and 2,322 million (2022: USD 1,346 million and 3,429 million).

USD transaction exposure under hedge accounting

MUSD	31 Dec 2023	31 Dec 2022
Net exposure, 12 months	6,096	6,269
Hedging, 12 months (forward)	2,795	3,182
Average rate of hedging	1.089	1.050

Group Treasury & Risk Management is responsible for consolidating various balance sheet items and carrying out hedging transactions. The exposure to open positions of foreign exchange derivative contracts is summarized in Note 19 Derivative financial instruments.

Translation exposure

Group Treasury & Risk Management is responsible for managing Neste's translation exposure. This consists of net investments in foreign subsidiaries and joint ventures. Although the main principle is to leave translation exposure unhedged, Neste may seek to reduce the volatility in equity in the consolidated balance sheet through hedging transactions. Any hedging decisions are made by Group Treasury & Risk Management. At the end of 2023, the most important translation exposures were: U.S. dollar EUR 3,106 million and Swedish Crown EUR 87 million (2022: U.S dollar EUR 2,747 million, Swedish Crown EUR 89 million). Neste has not hedged the exposures in 2023 or 2022.

3. Interest rate risk

Neste is exposed to interest rate risk mainly through its interest-bearing net debt. The objective of the interest rate risk management is to limit the volatility of interest expenses in the income statement. The benchmark duration for the debt portfolio is 12 months, and the duration can vary between six and 96 months. As of 31 December 2023, the duration was 34 months (2022: 29 months). In addition to duration, Neste has defined a limitation for interest flow risk.

Interest rate derivatives are used to adjust the duration of the debt portfolio. Neste's interest rate risk management is handled by Group Treasury & Risk Management. The nominal and fair values of the outstanding interest rate derivative contracts as of 31 December 2023 (2022) are summarized in Note 19.

The re-pricing period of interest-bearing liabilities occurs 2023	Within 1 year	1 year–5 years	> 5 years	Total
Financial instruments with floating interest rate				
Loans from financial institutions	759	0	0	759
Other loans	1	0	0	1
Effect of interest rate swaps	550	0	0	550
Financial instruments with fixed interest rate				
Bonds	201	496	1,614	2,311
Lease liabilities	199	370	398	967
Other loans	30	0	0	30
Effect of interest rate swaps	0	0	-550	-550
	1,740	866	1,462	4,068

The re-pricing period of interest-bearing liabilities occurs 2022	Within 1 year	1 year–5 years	> 5 years	Total
Financial instruments with floating interest rate				
Loans from financial institutions	776	0	0	776
Other loans	34	0	0	34
Financial instruments with fixed interest rate				
Bonds	0	400	495	895
Commercial paper liabilities	346	0	0	346
Lease liabilities	111	135	289	535
Other loans	0	30	0	30
	1,266	565	784	2,616

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, Neste's financial performance is sensitive to the market risks described above. The following table details the approximate impact that movements in the Neste's key price and currency exposures would have on its operating profit for 2024 (2023), assuming normal market and operating conditions and with following assumptions on sensitivities:

- Hedging transactions are excluded
- The sensitivity of each factor in the table is individual, assuming other factors to remain constant, i.e., the ceteris paribus principle
- The sensitivity in the EUR/USD exchange rate is based on exposure forecast
- The sensitivity in the Oil Product total refining margin is based on forecast volumes, representing an impact from change of 1 USD/barrel
- The sensitivity in the Oil Products crude oil price is based on impacts through inventory gains / losses and changes in utility and freight costs
- The sensitivity in the Renewable Products refining margin is based on nameplate capacity at end of 2023, representing an impact from a change of 50 USD/ton

Approximate impact on operating profit, excluding hedges		2024	2023
+/- 10% in the EUR/USD exchange rate	EUR million	-502/+613	-534/+653
+/- USD 1.00/barrel in Oil Products total refining margin	USD million	+/-80	+/-90
+/- USD 10/barrel in crude oil price for Oil Products [1]	USD million	+/-110	+/-115
+/- USD 50/t in Renewable Products refining margin [2]	USD million	+/-270	+/-170

[1] Inventory gains/losses excluded from comparable EBITDA
[2] Based on name-plate capacity

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

The following analysis, required by IFRS 7, is intended to illustrate the sensitivity of Neste's profit for the period and equity to changes in oil prices, the EUR/USD 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 2023 (2022). Financial instruments affected by the above market risks include net working capital items, such as trade and other receivables and trade and other payables, interest-bearing liabilities, deposits, liquid funds, 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 price variation for oil derivative contracts of crude oil, refined oil products and vegetable oil is assumed to be +/- 20%
- 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

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

- The variation in the 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 payables, and liquid funds, as well as derivative financial instruments
- The position excludes USD-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 (excluding leases), interest-bearing receivables, and interest rate swaps, however liquid funds are excluded
- The income statement is affected by changes in the interest rates of floating-rate financial instruments except 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 Neste's exposure to market risks also arises from balance sheet items other than financial instruments, such as inventories. As the sensitivity analysis does not take into account future cash flows, which Neste hedges in significant volumes, it only reflects the change in fair value of hedging instruments. In addition, the size of the exposure sensitive to changes in the EUR/USD exchange rate varies significantly, so the position on the balance sheet date may not be representative for the financial period on average. Equity in the following table includes items which are recorded directly in equity. Items affecting the income statement are not included in equity.

		2023		2022	
Sensitivity to market risk arising from financial instruments as required by IFRS 7		**Income statement**	**Equity**	**Income statement**	**Equity**
+/- 20% change in oil price [1]	EUR million	+/- 37	+/- 0	-/+27	+/-0
+/- 10% change in EUR/USD exchange rate	EUR million	+144/-176	+197/-197	+175/-214	+219/-218
+/- 1% parallel shift in interest rates	EUR million	-/+8	+/-0	-/+6	+/-0

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

Liquidity and refinancing risks

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

Neste's principal source of liquidity is expected to be cash generated from operations. In addition, Neste 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 amount of short-term financing is limited to the greater of the following: EUR 500 million or 30% of total interest-bearing liabilities. Unused committed credit facilities together with cash must always be at a minimum EUR 700 million and sufficient to cover all forecasted negative free cash flows and interest-bearing liabilities maturing within the next 12-month period.

The average loan maturity as of 31 December 2023 was 5.1 years (2022: 2.5 years). The most important financing programs in place are committed revolving multicurrency credit agreement of EUR 1,200 million, other committed revolving credit agreements totaling EUR 550 million, committed overdraft facilities totaling EUR 150 million and uncommitted domestic commercial paper program of EUR 400 million.

Liquid funds and committed unutilized credit facilities	31 Dec 2023	31 Dec 2022
Liquid funds	1,580	1,271
Overdraft facilities, expiring within one year	150	150
Revolving credit facility, expiring beyond one year [1]	1,750	1,450
Total	3,480	2,871
In addition: unused commercial paper program (uncommitted)	400	54

[1] EUR 1,200 million revolving credit agreement dated 18 December, 2019 for general corporate purposes. The agreement has a tenor of five years with two one-year extension options. The margin under the agreement will be adjusted based on Neste's progress to meet its greenhouse gas emission reduction target. EUR 250 million revolving credit agreement dated 23 December 2022, EUR 175 million revolving credit agreement dated 20 April 2023 and EUR 125 million revolving credit agreement dated 28 April 2023 for general corporate purposes with a tenor of three years and two one-year extension options.

Maturity profile of financial liabilities based on contractual payments 31 Dec 2023	2024	2025	2026	2027	2028	2029–	Total
Trade payables and other liabilities	2,433	10	2	2	2	24	2,473
Interest-bearing liabilities							
Bonds [1]	201	0	0	0	500	1,600	2,301
Loans from financial institutions	149	6	506	98	0	0	759
Lease liabilities [2]	199	145	98	70	58	398	967
Other loans	32	0	0	0	0	0	32
Interest of lease liabilities	50	41	36	32	28	310	497
Interest of other liabilities	91	95	82	72	68	195	604
Total	3,154	297	723	274	655	2,528	7,633
Commodity derivatives	203	6	0	0	0	0	209
Gross settled forward foreign exchange contracts							
- inflow (-)	-770	0	0	0	0	0	-770
- outflow	779	0	0	0	0	0	779
Derivatives total	212	6	0	0	0	0	219

[1] Refer to Note 21 Financial liabilities for further information
[2] Refer to Note 29 Leases for further information

Maturity profile of financial liabilities based on contractual payments 31 Dec 2022	2023	2024	2025	2026	2027	2028–	Total
Trade payables and other liabilities	2,879	13	13	1	1	14	2,922
Interest-bearing liabilities							
Bonds [1]	0	400	0	0	0	500	900
Loans from financial institutions	162	6	506	6	98	0	777
Commercial paper liabilities	346	0	0	0	0	0	346
Lease liabilities [2]	111	72	37	16	10	289	535
Other loans	34	30	0	0	0	0	64
Interest of lease liabilities	30	27	24	22	21	282	405
Interest of other liabilities	36	32	14	7	7	4	99
Total	3,597	580	594	52	136	1,089	6,048
Commodity derivatives	157	12	0	0	0	0	169
Gross settled forward foreign exchange contracts							
- inflow (-)	-1,683	-3	0	0	0	0	-1,686
- outflow	1,725	3	0	0	0	0	1,728
Derivatives total	199	12	0	0	0	0	211

[1] Refer to Note 21 Financial liabilities for further information
[2] Refer to Note 29 Leases for further information

Credit and counterparty risk

Counterparty risk arises from all business relationships, where Neste is exposed to the counterparty's failure to perform according to Neste's requirements and contractual commitments. The risk arises especially from sales, supply, hedging and trading transactions as well as from cash investments. Risk magnitude depends on the size of the business exposure and creditworthiness of the counterparty. The objective of counterparty and credit risk management is to prevent and minimize the losses incurred as a result of a counterparty not fulfilling its obligations. Limits, mandates and management principles for counterparty and credit risk are covered in the Corporate risk management policy and separate principle and instruction-level documents. Credit risk limits are set at the Group level, designated by different levels of authorization and delegated to Neste's reporting segments, which are responsible for counterparty risk management within these limits.

When determining the credit lines for sales contracts, counterparties are screened and evaluated vis-à-vis their creditworthiness to decide whether an open credit line is acceptable or collateral, for example, a letter of credit, bank guarantee or parent company guarantee has to be posted. In the event that collateral is required credit risk is evaluated based on a financial evaluation of the party posting the collateral. If appropriate in terms of the potential credit risk associated with a specific customer, advance payment is required before delivery of products or services. In addition, Neste may reduce its counterparty risks by selling trade receivables to a third party, e.g., the bank.

Neste risk management policy divides credit lines for counterparties into following categories according to contract type: physical sales transactions, derivative transactions, and financial transactions. In each of the categories counterparty credit limits and decision making mandates are determined separately for counterparties rated by general rating agencies and unrated counterparties. For OTC (over-the-counter) derivative financial instrument contracts, Neste has negotiated framework agreements in the form of the ISDA (International Swaps and Derivatives Association) master agreement with the main counterparties concerning commodity, emission allowance, 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 include Credit Support Annexes (CSA) 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. At the end of December 2023, Neste had received EUR 1 million in cash collateral (2022: EUR 34 million) and EUR 0 million letter of credit (2022: EUR 0 million) due to CSA agreements. Neste had issued EUR 35 million in cash collateral (2022: EUR 27 million) and EUR 0 million letter of credit (2022: EUR 0 million) due to CSA agreements.

	31 Dec 2023				31 Dec 2022			
	Financial assets		Financial liabilities		Financial assets		Financial liabilities	
Financial impact of netting for instruments subject to an enforceable master netting agreement (or similar)	Derivatives	Trade receivables	Derivatives	Trade payables	Derivatives	Trade receivables	Derivatives	Trade payables
Gross amount of recognized financial instruments	217	0	219	23	411	51	211	8
Related liabilities or assets subject to master netting agreements	120	0	120	0	165	0	165	0
CSA agreements	1	0	35	0	34	0	27	0
Net exposure	96	0	64	23	212	51	19	8

Neste subsidiaries are required to deposit their excess cash balances with the Group Treasury on an ongoing basis in order to provide sufficient visibility and management of Neste's cash balance and risks associated with it.

As for counterparty risk management, the minimum credit rating requirement for companies providing insurance for Neste Group is defined in the insurance principles.

Neste has a large number of different international counterparties. As to the range of counterparties, the most significant types are primarily large international oil companies and financial institutions. Neste'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 concentration risks into consideration in credit decisions.

Counterparties to contracts comprising derivative financial instruments exposure on 31 December 2023: over 85% of the counterparties or their parent companies related to commodity derivative contracts have investment-grade rating from an established international credit rating agency. Respectively, Group Treasury & Risk Management had an exposure for currency and interest rate derivative contracts as of 31 December 2023 with banks, of which all have investment-grade rating at a minimum. Commodity derivative transactions are also done through exchange, which reduces credit risk.

Neste assesses expected credit losses and calculates impairment loss from trade receivables based on historical credit loss experience combined with current conditions and forward-looking macroeconomic analysis. Analysis is conducted utilizing industry outlook and economic forecasts from various data sources. Neste has chosen a cautious expected credit loss calculation as indicated by the low level of actual historical credit losses compared to the expected credit loss provision. The receivables have been divided in aging buckets and segments depending on business area and geographic region, in addition to which they are assessed case by case. Impairment loss from trade receivables for the period is EUR 17 million (2022: EUR 12 million). Recognized credit loss of trade receivables amounts to EUR 1 million (2022: EUR 8 million).

Analysis of trade receivables by age	31 Dec 2023	Probability of Credit Loss, %	31 Dec 2022	Probability of Credit Loss, %
not past due	1,263	0–0.04%	1,552	0–0.04%
1–30 days overdue	179	0.01–4%	89	0.01–4%
31–60 days overdue	47	5–43%	6	5–43%
61–90 days overdue	17	10–55%	3	10–55%
91–180 days overdue [1]	73	25–100%	8	25–100%
more than 180 days overdue [1]	43	100%	31	100%
Trade receivables total	1,622		1,688	
Impairment loss	-17		-12	
Trade receivables – Net	1,605		1,675	

[1] Blender's Tax Credit receivables from the US tax authorities on 31.12.2023 were total EUR 156 million, of which EUR 64 million 91–180 days overdue and EUR 19 million more than 180 days overdue.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indications that there is no reasonable expectation of recovery may be, e.g., a debtor failing to engage in a repayment plan with the company, or a debtor failing to make contractual payments more than 180 days past due. However, the write-offs are interpreted case by case and thus if there is a high probability that the receivable is still paid, no write-off is made. For all bankruptcies and debt restructurings, Neste makes an immediate write off. Where trade receivables or contract assets have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss as a reversal of the write-off.

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Capital risk management

Neste's objective when managing capital is to secure a capital structure that ensures access to capital markets at all times despite the business cycle of the industry in which Neste operates. Neste seeks to maintain a capital structure equivalent to a strong investment-grade rating. The capital structure of Neste is reviewed by the Board of Directors on a regular basis.

Neste 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 liquid funds. Over the cycle, Neste's leverage ratio is likely to fluctuate, and it is Neste's objective to maintain the leverage ratio below 40%.

The leverage ratio	31 Dec 2023	31 Dec 2022
Total interest-bearing liabilities	4,068	2,615
Liquid funds	1,580	1,271
Interest-bearing net debt	2,488	1,344
Total equity	8,463	8,327
Interest-bearing net debt and total equity	10,952	9,671
Leverage ratio	22.7%	13.9%

Reconciliation of interest-bearing net debt	Cash and cash equivalents	Liquid investments	Lease liabilities	Borrowings	Total
Net debt as at 1 January 2023	-1,271	0	535	2,080	1,344
Cash flows	-327	-5	-254	1,033	447
New lease liabilities	0	0	765	0	765
Acquisitions and disposals	0	0	1	6	7
Foreign exchange differences	24	0	-8	-19	-3
Other non-cash movements	0	0	-72	0	-72
Net debt as at 31 December 2023	-1,575	-5	967	3,101	2,488

Reconciliation of interest-bearing net debt	Cash and cash equivalents	Liquid investments	Lease liabilities	Borrowings	Total
Net debt as at 1 January 2022	-1,581	-135	444	1,313	41
Cash flows	440	135	-157	754	1,173
New lease liabilities	0	0	253	0	253
Acquisitions and disposals	-2	0	0	6	3
Foreign exchange differences	-14	0	12	8	6
Other non-cash movements	-115	0	-17	0	-132
Net debt as at 31 December 2022	-1,271	0	535	2,080	1,344

4 Segment information

Accounting policy

Neste's operations are divided into four operating segments: Renewable Products, Oil Products, Marketing & Services, and Others. The performance of the reporting segments is reviewed regularly by the chief operating decision-maker, Neste's President & CEO, to assess performance and to decide on allocation of resources. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The segments' operating results are measured based on comparable EBITDA and comparable return on net assets. The accounting policies applicable to the segment reporting are the same as those used in the Neste's consolidated financial statements. All inter-segment transactions are on an arm's length basis and are eliminated in consolidation. Segment operating profit includes realized gains and losses from foreign currency and commodity derivative contracts hedging cash flows of commercial sales and purchases that have been recycled in the consolidated statement of income.

Segment operating assets and liabilities consist of assets and liabilities utilized in the segments' business operations. Assets consist primarily of property, plant and equipment, goodwill, intangible assets, investments in associates and joint ventures, inventories and operative receivables. They exclude current and deferred taxes, interest-bearing receivables, and derivative financial instruments designated as hedges of forecasted future cash flows. Segment operative liabilities consist of operative liabilities, pension liabilities, current and non-current lease 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.

Neste's business structure

On 1 November 2023, Neste announced plans to simplify its organizational structure to secure the execution of its growth strategy with improved efficiency and to strengthen its long-term competitiveness. The changes in organizational structure have on impact on Neste's segment reporting. Neste's operations are built around three business areas and five common functions. The business areas act as profit centers and are responsible for their customers, products, and business development. Business areas are: Renewable Products, Oil Products, and Marketing & Services. The common functions are: Renewables Supply Chain and Sustainability, Technology and Projects, Finance, Strategy and IT, HR, Safety and Communications and Legal. The common functions are responsible for supporting business areas and other organizations, and ensure their cost efficiency, transparency, and harmonization of processes across the company, and for overseeing the use and sufficiency of Neste's resources.

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Operating segments

Operating segments are engaged in the following key business activities:

The Renewable Products segment produces, markets and sells renewable diesel, sustainable aviation fuel and solutions, renewable solvents as well as feedstock for bioplastics based on Neste's proprietary technology to domestic and international wholesale markets. Renewable diesel is currently produced at our refineries in Finland, the Netherlands and Singapore entirely from renewable raw materials with an annual nameplate capacity of approximately 3.3 million tons. Neste's Singapore refinery expansion and joint operation with Marathon Petroleum in Martinez, California, will increase Neste's total production nameplate capacity of renewable products to 5.5 million tons in 2024. When completed, Neste's Rotterdam refinery capacity expansion project will further increase the company's total production capacity of renewable products to 6.8 million tons by the end of 2026. This will help Neste to meet the increasing global demand for renewable and circular products. The Renewable Products segment is assessed to contain taxonomy-eligible and -aligned economic activities based on the climate delegated act of the taxonomy regulation. These taxonomy-aligned activities represent solutions for climate change mitigation and are well in line with Neste's ambitious climate commitments.

Neste's calculations for climate related key indicators and the EU Taxonomy eligibility and alignment figures are mainly based on Renewable Products segment figures. More information about sustainability at Neste including climate related matters can be found both in the Sustainability report and the Non-Financial Information Statement in the Review by the Board of Directors.

The Oil Products segment produces, markets and sells an extensive range of low-carbon solutions that are based on high-quality oil products and related services to a global customer base. The product range includes diesel, gasoline, aviation and marine fuels, light and heavy fuel oils, gasoline components, special fuels, such as small-engine gasoline, solvents, liquid gases, and bitumens. Oil products are refined at the Neste Finland Refinery in Porvoo. Crude oil refining capacity is ca. 10 million tons per year. Neste Shipping's chartering operations are included in the Oil Products segment.

Neste has in December 2023 completed the strategic study launched in September 2022, and begins a gradual transformation of its crude oil refinery in Porvoo, Finland into a leading renewable and circular solutions refining hub. The planned transformation will proceed in phases, and requires multiple separate investment decisions during the next decade before targeted completion in the mid 2030s. Neste expects the long-term capacity potential after the transformation to be about 3 million tons of renewable and circular products, such as renewable diesel, sustainable aviation fuel and both renewable and circular feedstock for the polymers and chemicals industry. The total investment estimate for the transformation roadmap is approximately EUR 2.5 billion.

The Marketing & Services segment markets and sells cleaner fuels and oil 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's own service station network and direct sales.

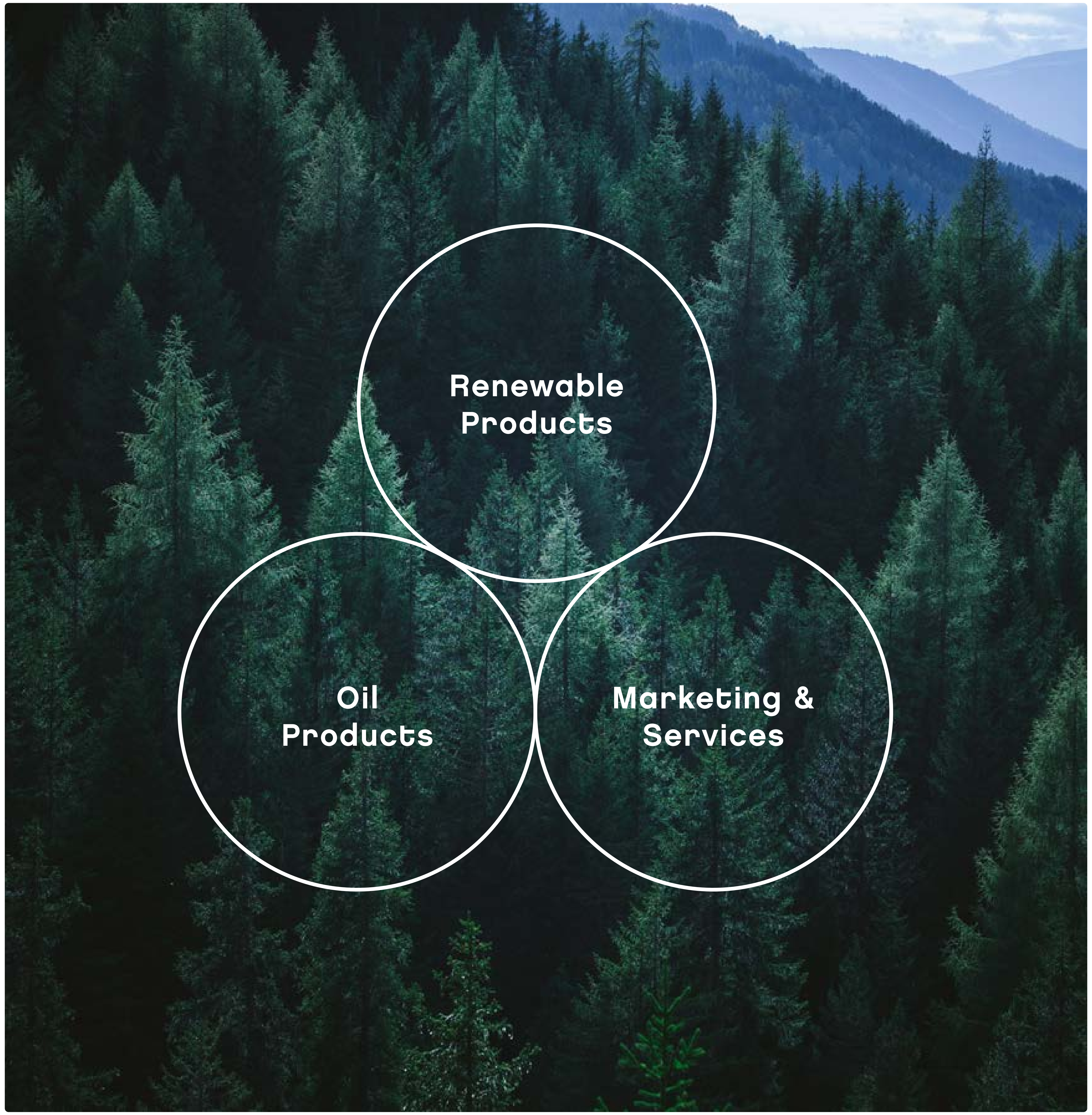
The Others segment consists of the Engineering Solutions and common corporate costs.

The operating segments presented above do not include any segments which are formed by aggregating two or more smaller segments.

The 'other expenses' included in the consolidated statement of income for each business segment includes the following major items:

- **Renewable Products:** repairs and maintenance, planning and consulting services, rents and other property costs, travel-, HSE- and marketing costs, and insurance premiums.
- **Oil Products:** repairs and maintenance, planning and consulting services, rents and other property costs, travel- and HSE costs and insurance premiums.
- **Marketing & Services:** repairs and maintenance, rents and other property costs and marketing costs.

Neste's customer structure in 2023 and 2022 did not result in any major concentration in any given geographical area or operating segment.



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Information about Neste's operating segments as of and for the years ended December 31, 2023 and 2022 is presented in the following tables:

2023	Renewable Products [1]	Oil Products	Marketing & Services	Others	Eliminations	Group	Note
IS External revenue	8,212	9,566	5,123	26	0	22,926	
Internal revenue	254	3,720	45	75	-4,094	0	
IS Total revenue	8,466	13,285	5,168	100	-4,094	22,926	5
IS Other income	12	16	4	46	-23	55	6
IS, CF Share of profit (loss) of associates and joint ventures	-4	5	0	0	0	1	15
IS Materials and services	-6,624	-11,548	-4,945	-14	4,033	-19,098	7
IS Employee benefit costs	-282	-146	-32	-181	0	-642	8
IS, CF Depreciation, amortization and impairments	-480	-307	-33	-46	0	-866	
IS Other expenses	-519	-238	-77	54	85	-695	9
IS Operating profit [1]	568	1,068	84	-41	2	1,682	
IS Financial income and expense						-86	10
IS Profit before income taxes						1,596	
IS Income tax expense						-160	11
IS Profit for the period						1,436	
Comparable EBITDA	1,906	1,434	118	-2	2	3,458	
inventory valuation gains/losses	-784	-43	0	0	0	-827	
changes in the fair value of open commodity and currency derivatives	-73	-25	0	0	0	-98	
capital gains and losses	0	5	0	2	0	7	
other adjustments	0	4	-1	5	0	8	
EBITDA	1,049	1,375	117	5	2	2,548	
IS, CF Depreciation, amortization and impairments	-480	-307	-33	-46	0	-866	
IS Operating profit	568	1,068	84	-41	2	1,682	

[1] The US Blender's Tax Credit (BTC) contribution was EUR 417 million on the Renewable Products' operating profit in 2023.

2023	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Group	Note
Capital expenditure and investments in shares	1,915	336	38	61	0	2,351	
Segment operating assets	9,242	3,824	647	480	-397	13,794	
BS Investments in associates and joint ventures	33	25	0	0	0	58	15
BS Deferred tax assets						127	11
Unallocated assets						2,004	
BS Total assets	9,275	3,849	647	480	-397	15,983	
Segment operating liabilities	2,046	1,521	473	384	-387	4,037	
BS Deferred tax liabilities						317	11
Unallocated liabilities						3,166	
BS Total liabilities	2,046	1,521	473	384	-387	7,520	
Segment net assets	8,069	2,384	236	104	-11	10,783	
Return on net assets, %	7.5	42.6	34.6				
Comparable return on net assets, %	18.9	45.0	35.2				

2022	Renewable Products [1]	Oil Products	Marketing & Services	Others	Eliminations	Group	Note
IS External revenue	9,640	10,223	5,818	26	0	25,707	
Internal revenue	265	4,373	58	120	-4,816	0	
IS Total revenue	9,905	14,596	5,876	147	-4,816	25,707	5
IS Other income	14	21	5	32	-19	54	6
IS, **CF** Share of profit (loss) of associates and joint ventures	-5	6	0	0	0	2	15
IS Materials and services	-8,025	-12,657	-5,651	-48	4,733	-21,648	7
IS Employee benefit costs	-200	-125	-29	-193	2	-545	8
IS, **CF** Depreciation, amortization and impairments	-282	-282	-29	-46	0	-638	
IS Other expenses	-362	-222	-75	38	98	-522	9
IS Operating profit [1]	1,046	1,337	98	-70	-1	2,410	
IS Financial income and expense						-131	10
IS Profit before income taxes						2,279	
IS Income tax expense						-388	11
IS Profit for the period						1,891	
Comparable EBITDA	1,762	1,654	126	-4	-1	3,537	
inventory valuation gains/losses	-299	-53	0	0	0	-352	
changes in the fair value of open commodity and currency derivatives	-135	4	0	0	0	-131	
capital gains and losses	0	10	0	0	0	10	
other adjustments	0	4	1	-20	0	-16	
EBITDA	1,328	1,619	127	-24	-1	3,048	
IS, **CF** Depreciation, amortization and impairments	-282	-282	-29	-46	0	-638	
IS Operating profit	1,046	1,337	98	-70	-1	2,410	

[1] The US Blender's Tax Credit (BTC) contribution was EUR 312 million on the Renewable Products' operating profit in 2022.

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2022	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Group	Note
Capital expenditure and investments in shares	1,952	180	24	62	0	2,218	
Segment operating assets	7,856	4,469	704	351	-458	12,922	
BS Investments in associates and joint ventures	38	25	0	0	0	63	15
BS Deferred tax assets						59	11
Unallocated assets						1,873	
BS Total assets	7,894	4,493	704	351	-458	14,917	
Segment operating liabilities	1,909	1,866	529	221	-444	4,081	
BS Deferred tax liabilities						336	11
Unallocated liabilities						2,174	
BS Total liabilities	1,909	1,866	529	221	-444	6,590	
Segment net assets	6,433	2,652	227	141	-14	9,440	
Return on net assets, %	18.6	46.6	40.8				
Comparable return on net assets, %	26.6	48.0	40.5				

Geographical information

Neste operates production facilities in Finland, Singapore, the Netherlands and in the USA and its retail sales network in Finland, Estonia, Latvia and Lithuania. The following table provides information on Neste's revenue, which is allocated based on the country of destination, irrespective of the origin of the goods or services, and non-current assets and capital expenditure, which are allocated based on where the assets are located.

Non-current assets consist of goodwill, intangible assets, property, plant and equipment and investments in associates and joint ventures. 'Other Nordic countries' includes Sweden, Norway, Denmark and Iceland. 'Baltic rim' includes Estonia, Latvia, Lithuania and Poland. Neste's activities in this geographical area consists mainly of retail activities in the aforementioned countries.

2023	Finland	Other Nordic countries	Baltic rim	Other European countries	North and South America [1]	Other countries	Group
IS Revenue by destination	6,515	3,278	1,715	4,775	6,437	205	22,926
Non-current assets	2,578	2	78	1,779	2,022	2,065	8,525
Capital expenditure	415	3	11	774	814	334	2,351

2022	Finland	Other Nordic countries	Baltic rim	Other European countries	North and South America [1]	Other countries	Group
IS Revenue by destination	8,459	4,348	1,850	5,131	5,685	234	25,707
Non-current assets	2,504	0	79	1,360	1,353	1,906	7,203
Capital expenditure	239	0	9	424	1,077	468	2,218

[1] Mainly related to the USA.

5 Revenue

Accounting policy

Revenue from contracts with customers is recognized when or as Neste satisfies a performance obligation by transferring control of a promised good or service to a customer. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service, either over time or at a point in time. Neste principally satisfies its performance obligations at a point in time. The amounts of revenue recognized relating to performance obligations satisfied over time are not significant.

When, or as, a performance obligation is satisfied, Neste recognizes as revenue the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which Neste expects to be entitled in exchange for the promised goods or services. The transaction price is allocated to the performance obligations in the contract based on the standalone selling prices of the goods or services promised.

Timing for revenue recognized at a point in time is typically when control has been transferred based on the delivery terms used. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Revenue recognized over time is measured in accordance with the input method (progress measured based on costs incurred) when the outcome of the contract can be estimated reliably. Neste uses an input method in measuring progress of the services because there is a direct relationship between Neste's effort and the transfer of service to the customer. When the outcome cannot be reliably determined, the costs arising are expensed in the same financial period in which they occur, but the revenue is recorded only to the extent that the company will receive an amount corresponding to actual costs. Any losses are expensed immediately.

Some of Neste's contracts may involve elements of variable considerations, such as rebates, bonuses or penalties. The variable consideration is estimated by using either the expected value or the most likely amount –method, depending on the type of variable element and related contractual terms and conditions. Amount of variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal of revenue does not occur later.

Neste provides its customers with standard payment terms. If extended payment terms exceeding one year are offered to customers, the invoiced amount is discounted to its present value and interest income is recognized over the credit term.

Revenue is presented net of indirect sales taxes such as value added tax and statutory stockpiling fees, penalties and discounts.

Low Carbon Fuels Standard credits (LCFS) and Renewable Identification Numbers (RINs) are recognized in revenue. Blender's Tax Credit (BTC) impacts Revenue and Materials and services and is recognized if the Government of the United States decide to grant it. The decision is made annually. Blender's Tax Credit is an incentive given to fuel blenders to use more renewable fuel by making the bio mandates less costly to achieve. In case Neste's customers are blenders, the BTC credit value is included in the sale price and recognized in revenue. The Blender's Tax Credit received directly from the US tax authorities are recognized as deduction of costs in materials and services.

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Revenue by category	2023					2022				
External revenue	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
Fuels [1]	7,522	9,162	5,003	0	21,687	8,629	9,538	5,679	0	23,846
Middle distillates	7,383	5,141	3,986	0	16,510	8,467	5,283	4,559	0	18,309
Light distillates	139	3,404	1,012	0	4,556	162	3,570	1,116	0	4,848
Heavy fuel oil	0	616	5	0	620	0	685	5	0	690
Other products	685	338	107	0	1,129	1,008	605	129	0	1,742
Other services	5	66	12	26	109	4	80	9	26	119
IS Total	8,212	9,566	5,123	26	22,926	9,640	10,223	5,818	26	25,707

[1] Light distillates comprise motor gasoline, gasoline components, LPG, renewable naphtha, and biopropane. Middle distillates comprise diesel, jet fuels, low sulfur marine fuels, heating oil, renewable fuels, and sustainable aviation fuels. RINs (Renewable Identification Number), LCFS (Low Carbon Fuels Standard) credits, and BTCs (Blender's Tax Credits) are included in the corresponding fuel categories in the Renewable Products segment.

Fuels category includes product sales from the Neste'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 1,523 million (2022: EUR 1,575 million) are included in the Middle distillates amount. The corresponding amount is included in the purchase price of petroleum products and included in Materials and Services, in Note 7.

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

Net gains/losses on financial instruments related to sales designated as cash flow hedges are included in revenue amounting to EUR 108 million (2022: EUR -250 million).

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

Timing of revenue recognition	2023					2022				
External revenue	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
Goods transferred at point in time	8,207	9,499	5,110	0	22,816	9,637	10,143	5,809	0	25,589
Services transferred at point in time	5	66	12	1	84	4	80	9	1	93
Services transferred over time	0	0	0	25	25	0	0	0	25	25
IS Total	8,212	9,566	5,123	26	22,926	9,640	10,223	5,818	26	25,707

Revenue by operating segment 2023	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
External revenue	8,212	9,566	5,123	26	0	22,926
Internal revenue	254	3,720	45	75	-4,094	0
IS Total revenue	8,466	13,285	5,168	100	-4,094	22,926

Revenue by operating segment 2022	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
External revenue	9,640	10,223	5,818	26	0	25,707
Internal revenue	265	4,373	58	120	-4,816	0
IS Total revenue	9,905	14,596	5,876	147	-4,816	25,707

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Revenue by operating destination	2023					2022				
External revenue	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
Finland	406	2,021	4,063	26	6,515	352	3,547	4,536	24	8,459
Other Nordic countries	2,175	1,101	2	0	3,278	2,930	1,416	2	0	4,348
Baltic Rim	40	620	1,055	0	1,715	73	500	1,278	0	1,850
Other European countries	1,984	2,789	3	0	4,775	2,399	2,729	2	1	5,131
North and South America [1]	3,444	2,993	0	0	6,437	3,685	2,000	0	1	5,685
Other countries	163	42	0	0	205	202	31	0	1	234
IS Total	8,212	9,566	5,123	26	22,926	9,640	10,223	5,818	26	25,707

[1] Mainly related to the USA.

6 Other income

Accounting policy

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

	2023	2022
Gain on sale of subsidiaries, joint arrangements and business operations	0	9
Capital gains on disposal of other non-current assets	0	2
Rental income	7	14
Government grants	20	16
Insurance compensations	6	0
Other	22	13
IS Other income	55	54

Government grants relate mainly to innovation subsidies, and grants to shipping operations, which are entitled to apply for certain grants based on Finnish legislation. More information on sales of subsidiaries, joint arrangements and business operations is presented in Note 27 Acquisitions and disposals.

7 Materials and services

Accounting policy

Blender's Tax Credit (BTC) impacts revenue, and materials and services and is recognized if the Government of the United States decide to grant it. The decision is made annually. Blender's Tax Credit is an incentive given to fuel blenders to use more renewable fuel by making the bio mandates less costly to achieve. In case Neste's customers are blenders, the BTC credit value is included in sales price and recognized in Revenue. The Blender's Tax Credit received directly from the US tax authorities are recognized as deduction of costs in Materials and services.

	2023	2022
Materials and supplies	18,752	22,530
Change in inventories	279	-963
External services	66	81
IS Materials and services	19,098	21,648

Materials and supplies include excise taxes included in the retail selling price of petroleum products amounting to EUR 1,523 million (2022: EUR 1,575 million). The corresponding amount is included in Revenue in Note 5.

The net result of non-hedge accounted commodity and foreign exchange derivatives amounted to EUR -288 million (2022: EUR -581 million). Net gains/losses on derivative instruments related to purchases designated as cash flow hedges amounted to EUR 1 million (2022: EUR 0 million). Both above-mentioned items are included in Materials and supplies.

Materials and supplies also include EUR 14 million (2022: 38 million) of expenses related to lease contracts which are accounted for as an expense on a straight-line basis over the lease term. Refer to Note 29 Leases for further information.

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8 Employee benefit costs

	2023	2022
Wages and salaries	531	449
Social security costs	30	24
Share-based payments	7	5
Pension costs - defined contribution plans	69	60
Pension costs - defined benefit plans	4	5
Wages and salaries capitalized in fixed assets	-20	-15
Other costs	21	17
IS Employee benefit costs	642	545

Wages, salaries and other compensation for key management are presented in Note 25 Related party transactions. Share-based payments are described in Note 24 Share-based payments and defined benefit plans in Note 23 Employee benefit obligations.

Number of personnel (average)	2023	2022
Renewable Products	1,983	1,528
Oil Products	1,257	1,217
Marketing & Services	412	398
Others	2,366	2,101
	6,018	5,244

9 Other expenses

	2023	2022
Repairs and maintenance	184	130
Services	289	201
Rents and other property costs	48	39
Insurances	48	36
Other	126	117
IS Other expenses	695	522

Services include planning and consulting services, IT services, research and lab services and other services.

Rents and other property costs include EUR 13 million (2022: EUR 27 million) of expenses related to lease contracts which are accounted for as an expense on a straight-line basis over the lease term. Refer to Note 29 Leases for further information.

Other expenses include travel expenses, HSE and advertising costs.

Research expenditure is recognized as an expense as incurred and included in other expenses in the consolidated statement of income.

Fees charged by the statutory auditor	2023	2022
Authorised Public Accountants	KPMG	KPMG
Auditor's fees	1.6	1.6
Tax advisory	0.8	0.4
Other advisory services	0.3	0.5
	2.7	2.5

The statutory audit fees of KPMG Oy Ab included fees of 694 thousand euros for audit and 35 thousand euros for auditor's statements. Non-audit services to entities of Neste Group were 1,002 thousand euros (2022: 935 thousand euros) in total during the financial year 2023. These services included 707 thousand euros (2022: 410 thousand euros) of tax advisory and 295 thousand euros (2022: 526 thousand euros) of other advisory services.

10 Financial income and expenses

	2023	2022
Financial income		
Interest income from financial assets at amortized cost	45	9
	45	9
Financial expenses		
Interest expenses for financial liabilities/receivables at amortized cost		
Lease liabilities	-50	-24
Other liabilities	-68	-29
Interest rate derivatives, fair value hedge accounted	-1	0
Write-downs of loan receivables	0	-3
Other financial expenses	-3	-4
	-122	-60
Exchange rate and fair value gains and losses		
Financial instruments at amortized cost	9	-8
Financial instruments at fair value through profit or loss	-18	-72
	-9	-80
IS Total financial income and expenses	-86	-131

Net gains/losses on financial instruments included in operating profit and fixed assets	2023	2022
Foreign exchange derivatives, hedge accounted [1]		
Included in revenue	108	-250
Included in materials and services	1	0
Included in fixed assets	-6	118
Foreign exchange derivatives, non-hedge accounted		
Included in materials and services	14	-84
Commodity derivatives, non-hedge accounted		
Included in materials and services	-302	-495
	-186	-711

[1] The recognized ineffectiveness was EUR 0 million (2022: EUR 1 million).

11 Income taxes

Accounting policy

Neste's income tax expenses include taxes of group companies calculated on the basis of the taxable profit for the period, with adjustments for previous periods, as well as the change in deferred income taxes. In respect of the deferred tax liability on undistributed foreign earnings, the amount recorded is based on expected circumstances and management expectations regarding the profit distribution. For items recognized directly in equity or other comprehensive income, the income tax effect is similarly recognized.

If adjustments regarding uncertain tax positions (IFRIC 23) are made in situations where it is not likely that the tax authority and/or the court would accept a certain tax treatment, Neste will choose a method of recording the liability that best describes the realization of the uncertainty.

Deferred income taxes are stated using the balance sheet liability method, to reflect the net tax effect of temporary differences between the financial reporting and tax bases of assets and liabilities. Deferred 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 on 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.

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 are recognized for tax loss carryforwards and other unused tax credits to the extent that the utilization of the related tax benefit through future taxable profits is probable.

According to IAS 12 paragraph 4A and 88A the Group has applied a temporary mandatory exception to neither recognise nor disclose information about deferred tax assets and liabilities arising from Pillar Two income taxes.

Estimates and judgements requiring management estimation

Liabilities and assets are recognised with respect to income tax amounts when management is expecting to pay and recover, respectively. Management has chosen not to discount non-current tax balances.

Neste has deferred tax assets and liabilities which are expected to be realized through the income statement over extended periods of time in the future. Neste management has made certain assumptions regarding future tax consequences and used certain estimates when calculating differences between carrying amounts of assets and liabilities and their tax bases. Key assumptions underlying tax calculations include e.g. likelihood that recoverability periods for tax loss carryforwards will not change, and that existing tax laws and rates remain unchanged into the foreseeable future. At each balance sheet date deferred tax assets are assessed for recoverability and when circumstances indicate that it is no longer probable that deferred tax assets can be recovered, balances are reduced to their recoverable amounts.

Several Neste countries, including Finland, have adopted the new Pillar Two rules into national law in 2023. The Group is in the process of assessing the exposure to the Pillar Two income taxes arising from legislation. Based on the preliminary assessment, the Group has identified some potential exposure to Pillar Two income taxes on profits earned in Estonia, Ireland, Singapore, Switzerland and the USA where the expected effective tax rate will probably be less than 15% due to the lower statutory tax rates, tax incentives and tax exempt income. However, as all of the conditions and circumstances affecting the applicability of Pillar Two legislation cannot be known, the quantitative impact of the potential top-up tax arising from the enacted legislation is not yet reasonably estimable. The Group continues to assess the impact of the Pillar Two legislation on its financials.

The major components of income tax expense	2023	2022
Current tax	296	405
Adjustments recognized for current tax for prior periods	-56	-1
Change in deferred taxes	-81	-16
IS Income tax expense	160	388

The reconciliation of income taxes	2023	2022
IS Profit before income taxes	1,596	2,279
Hypothetical income tax calculated at Finnish tax rate 20%	-319	-456
Differences in tax rates in other countries	68	71
Non-deductible expenses and other permanent differences	-2	-3
Tax exempt income	78	0
Tax on undistributed earnings	-2	-1
Taxes for prior periods	53	1
Realisability of deferred tax assets	-38	0
Other	4	-1
IS Income tax expense	-160	-388
Effective tax rate, %	10	17

Neste's effective tax rate was lower than the Finnish statutory tax rate (20%) mainly due to lower taxation for Neste operations in Estonia, Lithuania, Singapore, Switzerland and the USA. A significant portion of the lower tax rate relates to the USA where Neste has according to US tax legislation treated the blender's tax credit in part as tax exempt income for corporate income tax purposes from 2023 onwards. As a result, Neste has amended its corporate income tax returns for 2019-2021 to reflect the tax exempt treatment as well as filed the tax returns for 2022 accordingly. The major part of the prior year taxes in 2023 relates to these amendments. The increase in realisability of deferred taxes mainly relates to the valuation allowance established for the deferred tax asset on tax loss carryforwards in the USA, which has increased due to the corporate income tax return amendments and the increase in tax losses.

Additionally, Neste's Renewables Products operations in Singapore is subject to tax exemption until 2023 and concessionary tax rate until 2033 under the applicable Singapore legislation.

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Changes in deferred tax assets and liabilities 2023	On 1 Jan 2023	Charged to Income Statement	Charged in Other comprehensive income	Acquisitions / Disposals	Exchange rate differences, assets held for sale and other changes	On 31 Dec 2023
Tax loss carried forward	61	219	0	0	0	280
Provisions	33	2	0	0	0	34
Pensions	24	-3	-3	0	0	18
Fixed assets	116	75	0	0	0	191
Derivative financial instruments	2	0	0	0	0	2
Other temporary differences	25	6	1	0	0	32
Total deferred tax assets	260	300	-2	0	0	557
Netting against liabilities	-201	-229	0	0	0	-431
BS Deferred tax assets	59	70	-2	0	0	127
Tax on undistributed earnings	9	2	0	0	0	11
Fixed assets	454	77	0	0	0	531
Derivative financial instruments	17	9	-10	0	0	17
Investments in partnerships	50	130	0	0	0	181
Other temporary differences	7	0	0	0	1	8
Total deferred tax liabilities	537	219	-10	0	1	747
Netting against assets	-201	-229	0	0	0	-431
BS Deferred tax liabilities	336	-11	-10	0	1	317

Changes in deferred tax assets and liabilities 2022	On 1 Jan 2022	Charged to Income Statement	Charged in Other comprehensive income	Acquisitions / Disposals	Exchange rate differences, assets held for sale and other changes	On 31 Dec 2022
Tax loss carried forward	5	55	0	0	0	61
Provisions	35	-2	0	0	0	33
Pensions	30	-1	-4	0	0	24
Fixed assets	107	9	0	0	0	116
Derivative financial instruments	8	1	-8	0	0	2
Other temporary differences	13	12	0	0	0	25
Total deferred tax assets	197	75	-12	0	0	260
Netting against liabilities	-153	-48	0	0	0	-201
BS Deferred tax assets	45	26	-12	0	0	59
Tax on undistributed earnings	9	0	0	0	0	9
Fixed assets	434	20	0	0	0	454
Derivative financial instruments	15	-13	16	0	0	17
Investments in partnerships	0	50	0	0	0	50
Other temporary differences	4	1	0	2	0	7
Total deferred tax liabilities	462	57	16	2	0	537
Netting against assets	-153	-48	0	0	0	-201
BS Deferred tax liabilities	309	9	16	2	0	336

There are in total EUR 806 million (2022: EUR 26 million) of tax loss carryforwards for which no deferred tax asset is recognised. Expiry dates are between 2023 and 2026 for EUR 2 million (2022: EUR 2 million) and no expiry for EUR 805 million (2022: EUR 24 million). The increase in tax loss carryforwards for which no deferred tax asset is recognised relates to the valuation allowance established for the deferred tax asset on tax losses in the USA.

The increase in tax loss carryforwards, where deferred tax asset is recognised, relates mainly to start-up phase of joint operation Martinez Renewables LLC and its accelerated tax depreciations as well as the tax losses recognised in other US operations. Investments in partnerships includes temporary differences in joint operation Martinez Renewables LLC.

The increase in deferred tax assets and liabilities of fixed assets relates mainly to increase in IFRS16 lease agreements.

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

Deferred tax recognized relating to components of other comprehensive income:

	2023		
	Before tax	Tax (charge) / credit	After tax
OCI Remeasurements of defined benefit plans	14	-3	11
OCI Net change of other investments at fair value	-4	1	-3
OCI Translation differences	-66	0	-66
Cash flow hedges			
OCI recorded in equity	57	-7	50
OCI transferred to income statement	-102	17	-85
OCI Share of other comprehensive income of investments accounted for using the equity method	-4	0	-4
OCI Other comprehensive income	-105	8	-97

	2022		
	Before tax	Tax (charge) / credit	After tax
OCI Remeasurements of defined benefit plans	22	-4	18
OCI Net change of other investments at fair value	-5	0	-5
OCI Translation differences	-56	0	-56
Cash flow hedges			
OCI recorded in equity	1	18	19
OCI transferred to income statement	131	-41	90
OCI Share of other comprehensive income of investments accounted for using the equity method	17	0	17
OCI Other comprehensive income	110	-28	82

12 Earnings per share and dividend per share

Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to owners of the parent by the weighted average number of shares outstanding during the year. The dilutive effect of equity settled share-based payments is included in the computation of diluted earnings per share.

	2023	2022
IS Profit for the period attributable to owners of the parent, EUR million	1,433	1,888
Weighted average number of shares outstanding during the year (thousands)	768,176	768,060
IS Basic earnings per share (euro per share)	1.87	2.46
Effect of share-based incentive plans (thousands)	260	486
Diluted weighted average number of shares during the year (thousands)	768,436	768,546
IS Diluted earnings per share (euro per share)	1.87	2.46

Dividend per share

The dividends paid in 2023 were EUR 1.52 per share, totaling EUR 1,168 million (2022: EUR 0.82 per share, totaling EUR 630 million). A dividend of EUR 1.20 per share, totaling approximately EUR 922 million are proposed at the Annual General Meeting on 27 March 2024. This dividend is not recognized in the financial statements.

13 Goodwill and intangible assets

Accounting policy

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

Computer software

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

Trademarks and licenses

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Neste's share of the net identifiable assets of the acquired business, subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Separately recognized goodwill is tested for impairment and carried at cost, less accumulated impairment losses. Impairment testing is done annually and whenever there is an indication that the asset may be impaired. 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.

The discount rates used in impairment testing of goodwill represent the WACC specified for the business area in question after tax, which is adjusted by tax effects in connection with the test. The WACC formula inputs are risk-free rate of return, market risk premium, industry-specific beta factor, target capital structure, borrowing cost and country risks. WACC rates are specified for each of the cash generating units separately. WACC% and growth rate are used purely for the impairment testing.

The key assumption used for the estimated cash flows in Renewable Products is sales margin.

Emission allowances

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

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

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the consolidated statement of income 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 are reviewed for possible reversal of impairment recognised in prior periods at each reporting date.

Estimates and judgements requiring management estimation

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

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

The climate related assumptions in the calculations include the demand increase in the Renewable Products, which is positively affecting the sales margin and nominal growth rate assumptions.

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2023	Goodwill	Other intangible assets	Total
Gross carrying amount on 1 January	402	470	873
Exchange rate differences	-9	-3	-12
Acquisitions	104	43	147
CF Additions	0	27	27
Disposals	0	-1	-1
Reclassifications	0	1	1
Gross carrying amount on 31 December	498	537	1,035
Accumulated amortization and impairment losses on 1 January	2	301	303
Exchange rate differences	0	0	0
Disposals	0	-1	-1
Amortization and impairments for the period	0	53	53
Accumulated amortization and impairment losses on 31 December	2	352	354
BS Carrying amount on 1 January 2023	401	169	570
BS Carrying amount on 31 December 2023	496	185	681

2022	Goodwill	Other intangible assets	Total
Gross carrying amount on 1 January	362	410	772
Exchange rate differences	11	2	14
Acquisitions	7	4	10
CF Additions	22	51	73
Disposals	0	-9	-9
Reclassifications	1	13	14
Gross carrying amount on 31 December	402	470	873
Accumulated amortization and impairment losses on 1 January	0	256	256
Exchange rate differences	0	0	0
Disposals	0	-5	-5
Amortization for the period	2	50	52
Accumulated amortization and impairment losses on 31 December	2	301	303
BS Carrying amount on 1 January 2022	362	154	516
BS Carrying amount on 31 December 2022	401	169	570

Impairment test of goodwill

Goodwill is allocated to Neste's cash-generating units (CGUs). From identified CGU's goodwill is allocated to the Renewable Products cash-generating unit which is equal with the Renewable Products segment.

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

	WACC%	2023	2022
Renewable Products	8.1	496	401
BS Goodwill		496	401

A decrease of 20% in sales margin or 4%-points increase in the discount rate would not create a situation in which the carrying amounts of the cash-generating units would exceed their recoverable amounts. Cash flows beyond the three-year period are extrapolated by using 2.0% nominal growth rate.

14 Property, plant and equipment

Accounting policy

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

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

Land areas are not depreciated. The bottom of crude oil rock inventory and precious metals in catalysts used in production process are included in other tangible assets and are depreciated according to possible usage. 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
Machinery and equipment:	
Production machinery and equipment	15–20 years
Marine fleet	15–20 years
Retail station network infrastructure and equipment	5–15 years
Other equipment and vehicles	3–15 years
Other tangible assets	20–40 years

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

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, a major initial investment, such as a new production facility, form part of the cost of that asset. Other borrowing costs are recognized as an expense.

Research exprenditure is recognised as an expense as incurred and included in other expences in the consolidated statement of income. Expenditure on development activities is capitalized only when it fulfills strict criteria e.g., development relates to new products that are both technically and commercially feasible. The majority of Neste's development expenditure does not meet the criteria for capitalization and are recognized as expenses as incurred.

Leases

Neste assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee, Neste recognizes the right-of-use asset on the balance sheet as property, plant and equipment at a value equivalent to the initial measurement of the lease liability adjusted for lease prepayments, lease incentives, initial direct costs and any restoration obligations at the commencement date of the lease.

Right-of-use assets are depreciated on a straight-line basis over the lease term of the assets. Right-of-use assets are assessed for impairment in line with the accounting policy for impairment of property, plant and equipment, intangible assets, and goodwill (see Note 13 Goodwill and intangible assets).

Refer to Note 29 Leases for further information.

2023	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Assets under construction	Total
Gross carrying amount on 1 January	363	2,654	5,557	567	2,595	11,736
Exchange rate differences	-2	-1	-24	-11	-19	-56
Additions	30	106	620	600	777	2,132
Acquisitions	1	17	10	0	2	29
Disposals	-37	-17	-15	-146	7	-208
Reclassifications	-5	878	1,094	98	-2,087	-22
Gross carrying amount on 31 December	349	3,637	7,242	1,108	1,274	13,610
Accumulated depreciation and impairment losses on 1 January	46	1,300	3,527	262	32	5,166
Exchange rate differences	0	0	-3	-4	0	-8
Disposals	-8	-12	-39	-67	0	-126
Reclassifications	2	0	-24	0	0	-22
Depreciation and write downs for the period	15	119	527	150	2	813
Accumulated depreciation and impairment losses on 31 December	54	1,407	3,988	341	33	5,824
BS Carrying amount on 1 January 2023	318	1,354	2,030	305	2,563	6,570
BS Carrying amount on 31 December 2023	295	2,230	3,254	767	1,241	7,786

The carrying amount of assets under construction on 31 December 2023 includes mainly assets related to the ongoing expansion project in the Netherlands. Property, plant and equipment includes right-of-use (ROU) assets where Neste is a lessee as specified in Note 29 Leases.

2022	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Assets under construction	Total
Gross carrying amount on 1 January	287	2,679	5,593	518	1,310	10,387
Exchange rate differences	0	1	-31	5	-36	-62
Additions	91	32	264	100	1,654	2,141
Acquisitions	0	0	0	0	0	0
Disposals	-15	-80	-594	-89	-4	-780
Reclassifications	0	22	304	1	-328	-2
Assets held for sale	0	0	21	31	0	52
Gross carrying amount on 31 December	363	2,654	5,557	567	2,595	11,736
Accumulated depreciation and impairment losses on 1 January	38	1,287	3,715	186	10	5,235
Exchange rate differences	0	0	0	2	0	3
Disposals	-7	-85	-564	-38	0	-694
Reclassifications	3	2	3	0	0	8
Depreciation and write downs for the period	12	96	367	89	22	586
Assets held for sale	0	0	6	22	0	28
Accumulated depreciation and impairment losses on 31 December	46	1,300	3,527	262	32	5,166
BS Carrying amount on 1 January 2022	249	1,392	1,879	332	1,300	5,152
BS Carrying amount on 31 December 2022	318	1,354	2,030	305	2,563	6,570

Property, plant and equipment on 31 December 2022 includes an increase of EUR 853 million from joint operation Martinez Renewables and it is mainly included in assets under construction and machinery and equipment. Additionally, the carrying amount of assets under construction includes mainly assets related to expansion projects in Singapore and in the Netherlands. Property, plant and equipment includes right-of-use (ROU) assets where Neste is a lessee as specified in Note 29 Leases.

Capitalized borrowing costs

During 2023 borrowing costs amounting to EUR 22 million (2022: EUR 3 million) were capitalized related to the expansion project in the Netherlands. They are included in property, plant and equipment. Neste's average interest rate of borrowings for each month was applied as the capitalization rate, which was 3.2% in 2023 (2022: 1.3%).

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15 Investments in associates and joint ventures

Carrying amount	2023	2022
On 1 January	63	60
IS, CF Share of profit (loss) of associates and joint ventures	1	2
OCI Share of other comprehensive income of investments accounted for using the equity method	-4	17
Translation differences	-1	1
CF Capital repayments	0	-13
Dividends	0	-15
Investments	0	12
Other changes	0	-1
BS On 31 December	58	63

Neste's interest and nature of of the relationship in its principle associates and joint ventures at 31 December, all of which are unlisted, are listed in the following table:

	Nature of the relationship	Country of incorporation	2023 % interest held	2022 % interest held
Alterra Energy LLC	Associated company [1)]	USA	40.00	40.00
Glacia Limited	Joint Venture [2)]	Bermuda	0.00	0.00
Kilpilahti Power Plant Ltd	Joint Venture [3)]	Finland	40.00	40.00

1) Alterra Energy LLC is a US-based, chemical recycling technology company. The cooperation between Neste and Alterra includes joint technology development and commercialization of the technology.
Management has classified Alterra as an associated company due to the significant influence that Neste has in the company.

2) Glacia Limited was a joint venture company owned on a 50/50 basis by Neste and Stena Maritime AG (part of the Stena Group). Glacia Limited was liquidated in 2022.

3) Kilpilahti Power Plant Ltd is a joint venture company that produces and supplies steam and other utilities to Neste´s refinery and Borealis´ petrochemical plant in Porvoo, Finland. The joint venture is owned 40% each by Neste and Veolia and 20% by Borealis.
Management has classified this ownership as a joint venture because the arrangement is structured through a separate vehicle, the legal form of which separates its assets and liabilities of its shareholders and it is directed so that the relevant activities of the company require unanimous consent from all parties sharing control. The new power plant´s capacity is also meant to serve external customers in addition to Neste and Borealis and thus optimize the returns of all shareholders in form of net profit. Management has also taken into account that Kilpilahti Power Plant Ltd plans and executes the power plant operations as its own business decisions which are operated by Veolia.

Associates and joint ventures have been consolidated using the equity method.

The Martinez Renewables joint arrangement together with Marathon Petroleum has been classified as a joint operation since 2022, and more information of 2022 effects has been presented in Note 2 Accounting Policies, Note 14 Property, plant and equipment, Note 18 Inventories and Note 29 Leases.

Summarized financial information in respect of Neste's associates and joint ventures are set out in the following table:

	Alterra Energy LLC		Kilpilahti Power Plant Ltd		Glacia Limited
	2023	2022	2023	2022	2022
Non-current assets	36	37	532	518	0
Current assets					
Cash and cash equivalents	2	10	5	23	0
Other current assets (excl. cash and cash equivalents)	1	0	90	116	0
Total current assets	3	10	95	139	0
Non-current liabilities					
Non-current financial liabilities (excl. trade payables and provisions)	11	7	510	500	0
Other non-current liabilities	0	0	21	17	0
Total non-current liabilities	11	7	531	517	0
Current liabilities					
Current financial liabilities (excl. trade payables and provisions)	0	0	31	31	0
Other current liabilities	2	2	37	92	0
Total current liabilities	2	2	68	123	0
Net assets	25	38	29	17	0
Revenue	5	34	306	458	2
Depreciation, amortization and impairments	2	2	13	8	1
Interest income	0	0	2	0	0
Interest expense	0	0	14	8	0
Income tax expense	0	0	0	0	0
Profit/loss	-11	20	-3	-6	0

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Reconciliation of summarized financial information

Reconciliation of the summarized financial information presented to the carrying amount of its interest in the associates and joint ventures.

	Alterra Energy LLC		Kilpilahti Power Plant Ltd		Glacia Limited
	2023	2022	2023	2022	2022
Opening net assets 1 January	96	86	61	10	43
Investment in associate/joint venture	0	30	0	0	0
Profit for the period	-11	-11	13	9	6
Other comprehensive income	-2	6	-11	43	-3
Capital repayments	0	-15	0	0	-15
Dividends	0	0	0	0	-30
Other changes	0	0	-1	-1	0
Closing net assets 31 December	82	96	62	61	0
Interest in joint venture	33	38	25	24	0
Carrying value	33	38	25	24	0

The share of profits of associates and joint ventures are consolidated based on the companys' preliminary results for the financial period.

Transactions carried out with associates and joint ventures are disclosed in Note 25 Related party transactions. Contingent liabilities relating to the Neste's interest in the associates and joint ventures are disclosed in Note 28 Contingencies and commitments.

16 Financial assets and liabilities by measurement categories

Neste classifies financial assets and liabilities according to IFRS 9. Accounting policies, classification criterias and other information relating to financial assets and liabilities can be found in Notes 17 Financial assets and 21 Financial liabilities.

Derivative financial instruments under Fair value through OCI -category meet criteria for hedge accounting. Derivative financial instruments are initially recognized at fair value on the trade date and are subsequently re-measured at their fair value on the balance sheet date. The fair values of the foreign exchange forward and the interest rate swap contracts are calculated as the present values of the future cash flows and the fair values of foreign exchange options by using the Black and Scholes option pricing model. The fair value of the exchange traded commodity derivatives is based on exchange market quotations and the fair value of over-the-counter commodity derivative contracts is based on the net present value of cash flows. The fair value of all derivatives is calculated using the observable market inputs for currency and interest rates, volatilities and commodity price quotations on the closing date. Derivative contracts are included in current assets or liabilities, except derivatives maturities over 12 months after the balance sheet date, which are classified as non-current assets or liabilities. More information relating to derivative financial instruments can be found in Note 19 Derivative financial instruments.

31 Dec 2023 Balance sheet item	Fair value through OCI	Fair value through profit or loss	Amortized cost	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets								
BS Non-current receivables			126	126	126			
BS Derivative financial instruments		26		26	26	0	26	
BS Other financial assets	46	8		54	54			54
Current financial assets								
Trade and other receivables [1]			1,872	1,872	1,872			
BS Derivative financial instruments	52	138		190	190	37	153	
BS Current investments			5	5	5			
BS Cash and cash equivalents			1,575	1,575	1,575			
Financial assets	98	173	3,578	3,848	3,848			
Non-current financial liabilities								
BS Interest-bearing liabilities			3,487	3,487	3,503	2,125	1,377	
BS Derivative financial instruments		6		6	6		6	
Other non-current liabilities [1]		22	18	40	40			22
Current financial liabilities								
BS Interest-bearing liabilities			581	581	579	199	380	
BS Derivative financial instruments	4	208		212	212	40	172	
Trade and other payables [1]		9	2,424	2,433	2,433			9
Financial liabilities	4	246	6,509	6,759	6,773			

[1] Excluding non-financial items

Financial instruments that are measured at fair value in the balance sheet and the interest-bearing liabilities are presented according to fair value measurement hierarchy:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: inputs for the assets or liability that is not based on observable market data.

Interest-bearing liabilities at level 1 consist of listed bonds. Derivative financial instruments at level 1 consist of commodity derivatives which are directly valued based on exchange quotations. Other financial assets in fair value through profit and loss category include unlisted other investments of EUR 8 million. Other financial assets in fair value through other comprehensive income category include unlisted shares of EUR 46 million. Other financial liabilities in fair value through profit and loss category mainly consist contingent considerations of acquisition made in ended financial year and prior years. Fair values are determined in accordance of IFRS 13. During the year 2023 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.

31 Dec 2022 Balance sheet item	Fair value through OCI	Fair value through profit or loss	Amortized cost	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets								
BS Non-current receivables			103	103	103			
BS Derivative financial instruments		5		5	5		5	
BS Other financial assets	37	7		44	44			44
Current financial assets								
Trade and other receivables [1]			2,101	2,101	2,101			
BS Derivative financial instruments	120	287		406	406	17	389	
BS Current investments			0	0	0			
BS Cash and cash equivalents			1,271	1,271	1,271			
Financial assets	157	298	3,475	3,930	3,930			
Non-current financial liabilities								
BS Interest-bearing liabilities			1,964	1,964	1,880	811	1,070	
BS Derivative financial instruments	0	12		12	12		12	
Other non-current liabilities [1]		17	26	43	43			17
Current financial liabilities								
BS Interest-bearing liabilities			651	651	651		651	
BS Derivative financial instruments	29	170		200	200	41	159	
Trade and other payables [1]		9	2,870	2,879	2,879			9
Financial liabilities	29	208	5,511	5,749	5,665			

[1] Excluding non-financial items

During the year 2022 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.

17 Financial assets

Accounting policy

Financial assets are classified in the following measurement categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification depends on used business model for managing the financial assets and the contractual terms of the cash flows. Assets are classified as current assets, except for maturities over 12 months after balance sheet date, which are classified as non-current assets. Purchases and sales of financial assets are recognized on the settlement date (excluding derivatives, Note 19 Derivative financial instruments). 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.

Amortized cost category consists of liquid funds, trade receivables and loan receivables where the business model is to hold the asset to collect the contractual cash flows which represent only payments of principal and interest. Financial assets recognized at amortized cost are valued using the effective interest method.

Assets at fair value through profit or loss consists of equity investments (and derivatives which do not meet the criteria for hedge accounting). The investments in unlisted companies are measured at their fair value according to IFRS 13. Gains or losses of the equity investments are included in financial income and expenses.

Other financial assets in fair value through other comprehensive income category include unlisted shares which are not held for trading. These are strategic investments and Neste considers this classification to be more relevant.

Liquid funds

Liquid funds consists of cash and cash equivalents and current investments. Cash and cash equivalents includes cash in hand, deposits held at banks, and other highly liquid investments with original maturities of three months or less. Current investments includes deposits held at banks and other liquid investments including money market funds with original maturities from 3 to 12 months.

Impairment

The general expected credit loss model is used for debt instruments carried at amortized cost and the impairment is recognized through profit or loss. The credit loss is recognized based on individual assessment of receivable. The simplified expected credit loss model is applied for trade receivables according to IFRS 9. Every business area uses a specific provision matrix for the trade receivables due to the different nature of the businesses. The business area impairment process is based on historical credit loss experience combined with current conditions and forward looking macroeconomic analysis. The impairment or credit loss is recognized in the consolidated statement of income within other expenses.

Liquid funds	2023	2022
BS Current investments	5	0
BS, **CF** Cash and cash equivalents	1,575	1,271
Liquid Funds	1,580	1,271

The maximum exposure to credit risk is the carrying amount of the liquid funds. Note 3 Financial risk management sets out more information about credit risk. The impairment of liquid funds has not been recognized because the amount is immaterial.

Trade and other receivables	2023	2022
Trade receivables	1,605	1,675
Other receivables	248	422
Advances paid	14	4
Accrued income and prepaid expenses	47	36
BS Trade and other receivables	1,913	2,138
Trade and other receivables excluding non-financial items	1,872	2,101

Due to the nature of short-term trade and other receivables their carrying amount is expected to be equal to their fair value. The maximum exposure to credit risk is the carrying amount of the trade and other receivables. Analysis of trade receivables by age, information about the impairment and credit losses are presented in Note 3 Financial risk management, section 'credit and counterparty risk'.

Non-current financial assets	2023	2022
Non-current interest-bearing receivables	107	82
Other non-current receivables	18	20
BS Non-current receivables	126	103
BS Other financial assets	54	44

The fair value of non-current financial receivables is not materially different from the carrying amount which is also the maximum exposure to credit risk. No impairment losses have been recognized as there are no significant credit risks associated with the receivables. Other financial assets consist of unlisted shares.

18 Inventories

Accounting policy

Inventories are stated at either cost or net realizable value, whichever is the lowest. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs, and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventories held for trading purposes are measured at fair value less selling expenses. Standard spare parts are carried as inventory and recognized in profit or loss as consumed. RIN (Renewable Identification Number) and LCFS (Low Carbon Fuels Standard) credits are accounted for as government grants upon receipt of the product inventory in the USA and are accounted for as inventory. RINs and LCFSs are included in Finished products and goods -category.

Estimates and judgements requiring management estimation

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

	2023	2022
Materials and supplies	1,416	1,560
Finished products and goods	1,949	2,085
Other inventories	1	3
BS Inventories	3,366	3,648

Write-downs included the inventories at the end of the period were EUR 122 million (2022: EUR 245 million). In 2022 additions to inventories included EUR 48 million from joint operation Martinez Renewables.

19 Derivative financial instruments

Accounting policy

The derivative instruments are mainly held for economic hedging purposes although most of the derivatives do not qualify for hedge accounting. Changes in the fair value of derivatives, for which hedge accounting is not applied, are recognized in the income statement either in operating profit or financial income and expenses, depending on the underlying hedged item. Impact to the income statement from the derivatives is presented in Note 10 Financial income and expenses.

When hedge accounting is applied to the derivative contracts, the method of recognizing any resulting gain or loss depends on the nature of the item being hedged. Neste designates certain derivative financial instruments as either hedges of highly probable forecast transactions (cash flow hedges); or hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges); or hedges of net investments in foreign operations.

The effective portion of the changes in the fair value of derivative financial instruments that are designated and qualified as cash flow hedges are recognized in equity. Amounts accumulated in equity hedging future sales are recorded within revenue, or in case of capital expenditure as part of acquisition cost, when future cash flows of the hedged item occur. Forward points in currency forwards and time value of options are transaction related and thus recognized in equity and reclassified either to the income statement or adjusting the hedged item according to hedging relationship. In cash flow hedges the critical terms in hedged item and hedging instruments are the same and hedge ratio is 1:1. Any potential gain or loss relating to the ineffective portion is recognized immediately in the income statement. Accured interest of interest rate swaps hedging floating rate interest-bearing liabilities is recognized in the income statement within financial expenses. If a forecast transaction is no longer expected to occur, the cumulative gain or loss reported in equity is immediately transferred to the income statement.

Certain interest rate swaps are designated as fair value hedges. Changes in the fair value of interest rate swaps that are designated and qualified 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 attributable to the hedged risk compensating the effect. Any gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Neste documents at the inception of the transaction the relationship between hedging instrument and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Neste also documents its assessment, both at hedge inception and on an ongoing basis quarterly, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items.

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	31 Dec 2023					31 Dec 2022				
	Nominal value by maturity		Fair Value			Nominal value by maturity		Fair Value		
	< 1 year	> 1 year	Positive	Negative	Net	< 1 year	> 1 year	Positive	Negative	Net
Foreign exchange rate derivatives										
Foreign exchange derivatives, forwards	2,861	0	52	4	48	3,754	3	115	29	86
Foreign exchange options										
Purchased	0	0	0	0	0	84	0	5	0	5
Written	0	0	0	0	0	84	0	0	0	0
Derivatives designated as cash flow hedges	2,861	0	52	4	48	3,922	3	120	29	90
Interest rate swaps	0	550	26	0	26	0	0	0	0	0
Derivatives designated as fair value hedges	0	550	26	0	26	0	0	0	0	0
Foreign exchange derivatives, forwards	1,849	0	19	6	14	3,083	0	104	13	91
Non-hedge accounting derivatives	1,849	0	19	6	14	3,083	0	104	13	91
Commodity derivatives										
Oil and vegetable oil derivatives										
Sold forwards, million bbl	24	0	105	26	79	25	0	65	67	-2
Purchased forwards, million bbl	25	0	14	122	-109	19	0	59	67	-8
Electricity and gas derivatives										
Sold forwards, GWh	0	0	0	0	0	18	0	2	0	2
Purchased forwards, GWh	2,236	794	1	61	-60	1,996	620	62	36	26
Non-hedge accounting derivatives			119	209	-90			188	169	18
Derivatives Total			217	219	-2			411	211	200
of which										
BS Non-current derivative financial instruments			26	6	20			5	12	-7
BS Current derivative financial instruments			190	212	-22			406	200	207

Neste uses foreign exchange, interest rate and commodity derivatives to manage market risks (Note 3 Financial risk management). Hedge accounting is not applied to commodity derivatives, although these are mainly held for economic hedging purposes. Commodity derivatives include oil, vegetable oil, freight, electricity and gas contracts. Neste uses forwards as hedging instruments for commodities.

Neste has designated certain foreign currency and interest rate derivatives as hedges of future transactions i.e., as cash flow hedges. Such contracts are, e.g., foreign exchange derivatives hedging USD- and SEK-sales for the next twelve months according to the Corporate risk management policy or hedging investment costs in Singapore refinery (Note 3 Financial risk management). Interest rate swaps are designated as fair value hedges. The result of these hedging instruments recognized in the income statement was EUR 26 million (2022: EUR 0 million) and of hedged item EUR -27 million (2022: EUR 0 million).

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20 Equity

Share capital

The Parent Company's share capital registered with the Trade Register as of 31 December 2023 totalled EUR 40,000,000, divided into 769,211,058 shares of equal value. Neste Oyj has one class of shares and each share entitles a shareholder to one vote at the Annual General Meeting. The nominal value of one share is not determined. The share capital is fully paid. There have been no changes in share capital in 2023 or 2022.

	Number of shares, 1,000	Treasury shares, 1,000	Outstanding shares, 1,000
1 January 2023	769,211	-1,128	768,083
Transfer of treasury shares	0	117	117
31 December 2023	769,211	-1,011	768,200
1 January 2022	769,211	-1,242	767,969
Transfer of treasury shares	0	114	114
31 December 2022	769,211	-1,128	768,083

Treasury shares

On 22 May 2023 Neste Corporation has transferred 4,267 treasury shares without consideration as a share reward to a key person participating in the Performance Share Plan 2020–2022 and in the Restricted Share Plan 2020–2022 of the share-based incentive program 2019 in accordance with the terms and conditions of the program. The transfer of own shares is implemented as a directed share issue without consideration based on the authorization granted by the Annual General Meeting of Shareholders on 18 May 2020. The number of treasury shares after the transfer is 1,011,311 shares.

On 15 March 2023 Neste Corporation has transferred a total of 211,310 treasury shares without consideration as a share reward to the participants of the Performance Share Plan 2020–2022 and in the Restricted Share Plan 2020–2022 of the share-based incentive program 2019 in accordance with the terms and conditions of the program. The transfer of own shares is implemented as a directed share issue without consideration based on the authorization granted by the Annual General Meeting of Shareholders on 18 May 2020. The number of treasury shares after the transfer is 1,015,578 shares.

On 15 March 2022 a total of 113,774 treasury shares of Neste Corporation has been conveyed without consideration to the key persons participating in the earning period 2019–2021 of the share-based incentive program 2019 according to the terms and conditions of the program. The directed share issue without payment is based on the authorization granted by the Annual General Meeting of Shareholders on 18 May 2020. The number of treasury shares after the directed share issue is 1,127,888 shares.

Other reserves

Reserve fund comprises of restricted reserves other than share capital.

The reserve of invested unrestricted equity includes other equity-related investments and that part of the share subscription price that has not specifically been allocated to share capital.

Fair value and other reserves mainly consist of fair value reserves that 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 other financial assets, and concerning equity settled share based payments, the amount corresponding to the expense recognized in the consolidated statement of income.

Actuarial gains and losses includes the remeasurements of defined benefit plans and net change of other investments at fair value, which are recognised in other comprehensive income.

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.

21 Financial liabilities

Accounting policy

Financial liabilities are classified at amortized cost (except derivative financial liabilities whose accounting policy is presented at Note 19 Derivative financial instruments). Financial liabilities measured at amortized cost are recognized initially at fair value, net of transaction costs and subsequently measured at amortized cost using the effective interest method. Liabilities are recognised on the date when the entity becomes a party to the contractual provisions of the instrument. Any difference between net proceeds and nominal amount is recognized as interest cost over the period of the borrowing using the effective interest method. Financial liabilities are included in non-current liabilities, except for items with maturities less than 12 months after the balance sheet date, which are included in current liabilities. A financial liability is derecognized when the related obligation is discharged, cancelled or expires.

Bank overdrafts are recorded in current liabilities on the balance sheet. Fees of revolving credit facility are capitalized and amortized over the period of the facility.

The fair values of the listed bonds are driven from market quotations. The fair values of other interest-bearing liabilities at amortized cost are determined by using the discounted cash flow method employing market interest rates at the balance sheet date.

Non-current financial liabilities	2023	2022
Bonds [1]	2,110	895
Loans from financial institutions [2]	609	615
Lease liabilities [3]	768	425
Other loans	0	30
Other non-current liabilities	40	43
Total	3,527	2,007
BS of which interest-bearing	3,487	1,964
Other non-financial items included to other non-current liabilities	2	0

Current financial liabilities	2023	2022
Bonds	201	0
Loans from financial institutions	149	161
Commercial paper liabilities	0	346
Lease liabilities [3]	199	110
Other loans	32	34
Advances received	21	119
Trade payables	1,728	2,021
Other current liabilities	684	738
Total	3,014	3,530
BS of which interest-bearing	581	651
Other non-financial items included to trade and other payables	148	144

[1] On 6 March 2023, Neste announced that it invites the holders of its EUR 400 million 1.50 per cent notes due June 2024 to tender their notes for cash on the terms and conditions set out in the tender offer memoratum. On 14 March, Neste accepted purchase of EUR 199 million in aggregate nominal amount of the notes pursuant to the tender offer.

In March 2023, Neste issued EUR 500 million green bond with 6-year maturity and a EUR 500 million green bond with 10-year maturity under its EMTN (Euro Medium Term Note) programme established on 6 March 2023, and will pay a fixed coupon of 3.875% and 4.250%, respectively. The proceeds from the issues will be applied for eligible projects and assets as set out in Neste Corporation's Green Finance Framework.

In November 2023, Neste issued a EUR 600 million green bond with 7.5-year maturity under its EMTN (Euro Medium Term Note) programme established on 6 March 2023 as supplemented by the supplement dated 9 November 2023, and will pay a fixed coupon of 3.875 per cent. Neste Corporation will apply for the listing of the bond on Euronext Dublin. The proceeds from the issue will be applied for Eligible Projects and Assets as set out in Neste Corporation's Green Finance Framework.

[2] Neste has signed a EUR 500 million green term loan agreement in June 2022. The proceeds of the loan will be used to finance Eligible Assets and Projects in accordance with Neste's Green Finance Framework. The loan has a tenor of 3 years with two 1-year extension options.

[3] Refer to Note 29 Leases.

The fair values of financial liabilities can be found in Note 16. Re-pricing periods of interest-bearing liabilities are disclosed in Note 3, Financial risk management, section 'Market risk'.

Listed bond issues

Issued/Maturity	Interest basis	Interest rate, %	Currency	Nominal amount	Carrying amount
2017/2024	Fixed	1.500	EUR	201	201
2021/2028	Fixed	0.750	EUR	500	496
2023/2029	Fixed	3.875	EUR	500	498
2023/2031	Fixed	3.875	EUR	600	605
2023/2033	Fixed	4.250	EUR	500	511
Total				2,301	2,311

22 Provisions

Accounting policy

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

A provision is recognized in the consolidated statement of financial position when Neste 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. Neste has asset retirement obligations recorded in the consolidated statement of financial position.

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

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

Estimates and judgements requiring management estimation

The existence of criteria for recognizing provisions and the amounts of provisions are determined based on estimates. The amount to be recorded is the best estimate of the cost required to settle the obligation at the reporting date or transfer to a third party. The estimate of the financial impact of the past event requires management judgement, which is based on similar events occurred in the past, and where applicable, the opinion of external experts. Estimates may differ from the actual future amount of the obligation and with respect to the existence of the obligation. In addition to the provisions recognized, there are some off-balance-sheet contingent liabilities for which the future potential outcome (timing, costs) cannot be estimated reliably.

The most significant provisions in the consolidated statement of financial position relate to environmental liabilities. Environmental provisions are based on management's best estimate of remediation costs. The restructuring provision is recognized when Neste has prepared a detailed restructuring plan and published it.

	Environmental provisions	Restructuring provisions	Provision to return emission allowances	Other provisions	Total
BS **On 1 January 2023**	187	0	0	13	200
Additions	23	0	68	5	95
Amounts used during the period	-10	0	-68	-7	-85
Reversed unused provisions	-1	0	0	0	-1
Changes in the discount rate and inflation assumption	-22	0	0	0	-22
BS **On 31 December 2023**	177	0	0	10	187

	Environmental provisions	Restructuring provisions	Provision to return emission allowances	Other provisions	Total
BS **On 1 January 2022**	199	2	0	9	210
Additions	5	0	57	9	71
Amounts used during the period	-7	-1	-58	-2	-68
Reversed unused provisions	-1	-1	2	-3	-3
Changes in the discount rate and inflation assumption	-10	0	0	0	-10
BS **On 31 December 2022**	187	0	0	13	200

Environmental provisions consists mostly of Neste's asset retirement obligations (ARO) that are related to retail stations and refineries. In the next five years is expected EUR 100 million of ARO obligations to be realised and the rest of the obligations are mainly expected to be realised in 30–50 years. Neste recognizes a provision for the decommissioning costs of an oil installation to the extent that Neste is obliged to rectify damage already caused. The provisions are to be discounted, where the effect of the time value of money is material.

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

Emission allowances

Neste Finland Refinery in Porvoo comes under the European Union's greenhouse gas emission trading system, and was granted a total of 2.0 million tons emission allowances for 2023. In addition to refinery operations Neste purchases allowances to cover certain emissions of the local partners who provide utility services to Neste. A provision is recognized to cover the obligation to buy emission allowances if emission allowances received free of charge and purchased emission allowances intended to cover the deficit do not cover actual emissions. 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.

As at 31 December 2023 there was no estimated obligation to purchase emission allowances in the balance sheet of Neste (31.12.2022 EUR 0 million). The actual amount of CO_2 emissions in 2023 were 2.9 million tons (2022: 2.8 million tons). The Group has traded emission allowances for net amount of 0.8 million tons during the financial period ended 31 December 2023 (2022: 0.7 million tons).

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23 Employee benefit obligations

Accounting policy

Neste has pension arrangements in different countries, which are generally funded through insurance companies. Pension cover is based on the legislation and agreement in force in each country. Pension schemes consist of both defined benefit and defined contribution plans. Finnish statutory pensions are accounted for as a defined contribution plan in the consolidated financial statements.

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, Neste has no legal or contractive obligations to pay further contributions in case the payment recipient is unable to pay the retirement benefits. All arrangements that do not fulfill these conditions are considered defined benefit plans.

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

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

Estimates and judgements requiring management estimation

Accounting for defined benefit pensions and other long-term employee benefits involves making significant estimates when measuring Neste's pension expenses and obligations. The assumptions that are the most significant to the amounts reported are the discount rate, the rate of salary increase and future benefit increase. Changes in these assumptions could result in significant changes to the carrying amount of Neste's pension liability and future pension expenses.

Neste has defined benefit pension plans in Finland, Switzerland and the Netherlands. The largest plans are in Finland, which account for 93% (2022: 95%) of Neste's total defined benefit pension obligation and 92% (2022: 94%) of Neste's total plan assets. The voluntary pension plan in Finland accounting for most of this has been closed since 1 January 1994. The insured supplementary pension scheme consists of defined benefit group pension insurances, which are very similar in structure, with the exception of retirement age and pension accrual rules.

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

Characteristics of the post-employment defined benefit plans in Finland

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

The voluntary plan's benefit is based on the aggregated benefits determined by the insurance contract. The voluntary benefit is the difference between aggregated benefits and compulsory benefits calculated at the age 63 in the old age plan. The aggregated benefits are at most 60% or 66% of the supplementary pension salary depending on the plan. The supplementary pension salary is calculated based on the last 10 years' salaries prior to the pension event adjusted by the index level. The benefits in the plans are old age and disability pensions, survivors' pensions for widows and children, and funeral grants. Old-age pension ages are 60, 62 and 65 years. In some pension schemes the pension cover also includes the right to early old-age pension retirement ages.

The insurance company collects premiums on a yearly basis from the employer. The future premiums are adjusted so that the old-age pension will be fully funded until retirement. The disability and survivor's pension are also financed by risk premiums collected during the employment period. The premiums with fixed discount rate 1.5% are based on the last known salary without any assumptions on future salary increases. The insurance company guarantees the same interest yield to the assets in the plan, as the one they have used in calculating the premiums.

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

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

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Risks associated with defined benefit plans

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

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

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

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

Defined benefit plans

Cost of defined benefit plans	2023	2022
Service cost	4	5
Net interest (+expense/-income)	4	1
Defined benefit cost recognized in the consolidated statement of income	7	6

Remeasurements of defined benefit plans	2023	2022
Actuarial gains/losses		
Changes in demographic assumptions	2	-3
Changes in financial assumptions	30	105
Return on plan assets, excluding amounts included in net interest expense	-15	-70
Experience adjustments	-4	-11
Total remeasurements recognized in other comprehensive income	12	22

Amounts recognized in the consolidated statement of financial position	2023	2022
Present value of funded defined benefit obligations	354	385
Present value of unfunded defined benefit obligations	7	7
Fair value of plan assets	-268	-273
BS Net defined benefit liability	93	119

Changes in fair value of plan assets	2023	2022
January 1	273	350
Interest income	8	3
Return on plan assets (excluding amounts included in net interest expense)	-15	-71
Employer contributions	21	11
Benefits paid	-20	-20
December 31	268	273

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

Changes in the present value of the defined benefit obligation	2023 Funded	2023 Unfunded	2022 Funded	2022 Unfunded
January 1	385	7	488	8
Current service cost	3	1	4	1
Interest cost	12	0	4	0
Actuarial gains (-)/ losses (+)	-27	-1	-92	-1
Settlements	0	0	0	0
Benefits paid	-19	-1	-18	-1
December 31	354	7	385	7

The expected contributions to be paid to the defined benefit plans in 2024 are EUR 19 million.

Significant actuarial assumptions (presented as weighted average)	2023	2022
Discount rate, %		
Finland	3.70%	3.20%
Other countries	1.57%	1.83%
Future salary increase, %		
Finland	3.45%	3.74%
Other countries	1.09%	1.11%
Future benefit increase, %		
Finland	2.49%	2.78%
Other countries	0.00%	0.00%

Sensitivity analysis of significant actuarial assumptions

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

Assumptions	Change in assumption		Impact on the defined benefit pension obligation 2023	Impact on the defined benefit pension obligation 2022
Discount rate				
	0.50% increase	EUR million	-16	-20
	0.50% decrease	EUR million	18	22
Future salary increase				
	0.50% increase	EUR million	1	1
	0.50% decrease	EUR million	-1	-1
Future benefit increase				
	0.50% increase	EUR million	17	20
	0.50% decrease	EUR million	-16	-19

- 0.50% increase /decrease in the discount rate would lead to a decrease /increase of 4.4% /4.9% in the defined benefit obligation.
- 0.50% increase /decrease in the rate of salary increase would lead to a increase /decrease of 0.3% /0.3% in the defined benefit obligation.
- 0.50% increase /decrease in the rate of pension index would lead to a increase /decrease of 4.7% /4.3% in the defined benefit obligation.

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

Maturity profile of the undiscounted defined benefit obligation	2023
Within the next 12 months	24
Between 1 and 5 years	94
Between 5 and 10 years	106
Beyond 10 years	360
Total	584

The average duration of the defined benefit pension obligation at the end of the reporting period is 12 years.

24 Share-based payments

Accounting policy

Neste's share-based incentive plans include a net settlement feature, i.e., share-based payments are settled net in shares after withholding taxes, and thus they are accounted for as fully equity settled plans. The compensation expense for the shares is recognized as an employee benefit expense evenly during the required service period whereas the compensation expense resulting from the cash portion is recognized as an employee benefit expense on accrual basis between grant and payment date. The entire transaction is measured at fair value prevailing on the grant date of the share-based incentive plan and the amounts recognized in the consolidated statement of income are accumulated in equity. The difference realized upon the settlement date is also accounted for against equity.

The purpose of Neste's share-based long-term incentive plans is to drive long-term sustainable growth and align the interests of executives with shareholders. The Board annually selects the members of Neste's senior management and other key employees to participate in the long-term incentive plans.

Neste applies a share ownership policy to the members of the Neste Executive Committee (ExCo). According to the policy, each member of the ExCo is expected to retain in his/her ownership at least half of the shares received under the share-based incentive programs of Neste until the value of his/her share ownership in Neste corresponds to at least his/her annual gross base salary.

The amount of rewards payable to participants based on Neste's long-term incentive scheme is limited by a share price development-based pay cap, the level of which the Board of Directors sets. The level of the pay cap in the ongoing plans is two times the share price which prevailed at the beginning of the plan period. If Neste share price more than doubles during the plan, the exceeding value of the payable rewards will not be paid to the plan participants.

Share-based incentive plan as of 1 January 2022

The Board of Directors of Neste Corporation decided on 9 February 2022 to establish a new share-based long-term incentive scheme for selected members of Neste's management and key employees. The decision includes a Performance Share Plan (PSP) as the main structure and a Restricted Share Plan (RSP) as a complementary structure for specific situations.

The Performance Share Plan consists of three annually commencing individual performance share plans, each with a three-year performance period, followed by the payment of the potential share reward. The three plans commence as of the beginning of the years 2022, 2023 and 2024. The commencement of each individual plan is, however, subject to a separate Board approval in each case.

The potential reward will be paid in shares of Neste (deducted with the applicable payroll tax), provided that the performance target set by the Board of Directors is achieved. For award plan cycles commenced in 2022 (PSP 2022–2024) and 2023 (PSP 2023–2025), the performance measures are relative total shareholder return and Neste's combined greenhouse gas (GHG) impact. The combined GHG impact includes GHG emission reductions achieved with Neste renewable products by customers and GHG emissions from Neste production.

The Restricted Share Plan consists of annually commencing individual restricted share plans and Neste may during the plan period grant fixed share rewards to individually selected key employees. The rewards are paid at the latest after the end of the restriction period during H1 of the fourth year of the individual plan. The rewards are paid in listed shares of Neste Corporation (deducted with the applicable payroll tax). A precondition for the payment of the share reward based on the Restricted Share Plan is that the employment or service of the individual with Neste continues until the payment date of the reward.

Share-based incentive plan as of 1 January 2019

The Board of Directors of Neste Corporation decided on 12 December 2018 to establish a new share-based long-term incentive scheme for selected members of Neste's management and key employees. The decision included a Performance Share Plan as the main structure and a Restricted Share Plan as a complementary structure for specific situations.

The Performance Share Plan consists of three annually commencing individual performance share plans, each with a three-year performance period, followed by the payment of the potential share reward. The three plans commence in the years 2019, 2020 and 2021.

The potential reward will be paid in shares of Neste (deducted with the applicable payroll tax), provided that the performance target set by the Board of Directors is achieved. For award plan cycles commenced in 2019 (PSP 2019–2021) and 2020 (PSP 2020–2022), relative total shareholder return of Neste's share compared to STOXX Europe 600 index is set as a performance measure. In the PSP 2021–2023 plan, in addition to the relative total shareholder return of Neste's share, Neste's combined greenhouse gas (GHG) impact is also set as a performance measure. The combined GHG impact includes GHG emission reductions achieved with Neste renewable products by customers and GHG emissions from Neste production.

The Restricted Share Plan consists of annually commencing individual restricted share plans, each with a three-year retention period after which the share rewards granted within the plan will be paid to the participants in shares of Neste (deducted with the applicable payroll tax). The commencement of each individual plan is subject to a separate Board approval. A precondition for the payment of the share reward based on the Restricted Share Plan is that the employment relationship of the individual participant with Neste continues until the payment date of the reward.

For the 2019–2021 LTI plan cycle a gross reward of 246,390 shares equaling EUR 9.8 million were awarded to the participants of the plan. The net amount of shares delivered totalled 113,774 shares and the rest of the reward was paid in cash to cover taxes and other regulatory charges. The fair value of the share as at delivery date was EUR 39.76 (15.3.2022). The members of Neste's Executive Committee received a gross reward equaling to 62,515 shares.

For the 2020–2022 LTI plan cycle a gross reward of 259,529 shares equaling EUR 10.9 million were awarded to the participants of the plan. The net amount of shares delivered totalled 116,577 shares and the rest of the reward was paid in cash to cover taxes and other regulatory charges. The fair value of the share as at delivery date was EUR 42.24 (15.3.2023) and EUR 37.48 (22.5.2023). The members of Neste's Executive Committee received a gross reward equaling to 86,020 shares.

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More specific information on the share-based incentive plans is presented in the following tables.

Plan	Long-Term Incentive Plan 2022				Long-Term Incentive Plan 2019			
Type	Share allocation				Share allocation			
Instrument	PSP 2023–2025	RSP 2023–2025	PSP 2022–2024	RSP 2022–2024	PSP 2021–2023	RSP 2021–2023	PSP 2020–2022	RSP 2020–2022
Grant dates	11 Jan 2023	1 Sep 2023	11 Feb 2022	11 May 2022	13 Jan 2021	21 Jan 2021	20 Feb 2020	1 Apr 2022
Grant prices, euros	40.36	30.06	35.14	36.58	57.81	59.82	35.72	41.68
Share price as at grant date, euros	44.98	34.07	37.97	39.40	60.94	62.64	38.91	45.17
Beginning of earnings period	1 Jan 2023	1 Jan 2023	1 Jan 2022	1 Jan 2022	1 Jan 2021	1 Jan 2021	1 Jan 2020	1 Apr 2022
End of earnings period	31 Dec 2025	31 Mar 2026	31 Dec 2024	31 Mar 2025	31 Dec 2023	31 Dec 2023	31 Dec 2022	31 Mar 2023
Vesting date	31 Mar 2026	31 Mar 2026	31 Mar 2025	31 Mar 2025	31 Mar 2024	31 Mar 2024	31 Mar 2023	31 Mar 2023

Changes during the period, share allocation	Shares	Shares	Shares	Shares	Shares	Shares	Shares	Shares
Outstanding at the beginning of the reporting period, pcs	0	0	346,270	89,500	197,034	21,000	247,817	6,000
Granted during the period	348,235	1,500	6,557	10,800	1,275	2,000	5,712	0
Forfeited during the period	21,633	0	28,756	8,500	17,864	0	0	0
Excercised during the period	0	0	0	0	0	0	253,529	6,000
Outstanding at the end of the period, pcs	326,602	1,500	324,071	91,800	180,445	23,000	0	0
Number of persons at the end of the reporting year	135	1	128	50	116	11	0	0
Share price at the end of the reporting period, euros	32.21	32.21	32.21	32.21	32.21	32.21	42.24	42.24
Estimated rate of realization of the earnings criteria, %	56%	100%	35%	100%	40%	100%	61%	100%
Estimated termination rate before the end of the restriction period, %	10%	0%	10%	10%	10%	0%	0%	0%

Fair value determination

The fair value of share-based incentives have been determined at grant date and the fair value is expensed until vesting. The grant price, i.e., fair value as of the grant date, has been determined as follows: grant price equals the share price as at grant date deducted by expected dividends payable during the earning period. For plans under the Long-Term Incentive Plan 2019 and 2022, which include market based criteria, the fair value estimation is calculated using the Monte Carlo simulation with Geometric Brownian Motion. The simulation requires some parameters, such as volatility and the risk-free rate to be estimated.

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

	2023	2022
Expense arising from equity-settled share-based payment transactions	7	5
Total expense arising from share-based payment transactions	7	5

At the end of the period the estimated future cash payments to be paid to the tax authorities from share-based payments are EUR 8 million (2022: EUR 10 million).

25 Related party transactions

Neste is controlled by the State of Finland, which owns 44.2% of the company's shares. The remaining 55.8% of shares are widely held.

Neste has a related party relationship with its subsidiaries, associates, joint arrangements and the entities controlled by Neste's controlling shareholder, the State of Finland. Related parties also include the members of the Board of Directors, the President and CEO and other members of the Neste Executive Committee (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.

Subsidiaries, associates and joint arrangements are presented in Note 26 Group companies.

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

Transactions carried out with related parties

2023	Sales of goods and services	Purchases of goods and services	Financial income and expense	Receivables	Liabilities
Joint ventures	161	153	5	144	9
Other related parties	99	103	0	1	0
	260	256	5	145	9

2022	Sales of goods and services	Purchases of goods and services	Financial income and expense	Receivables	Liabilities
Joint ventures	314	260	3	158	22
Other related parties	116	243	0	3	0
	430	503	3	160	22

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

The major part of business between Neste and its joint ventures was with Kilpilahti Power Plant Ltd. Neste's transactions with Kilpilahti Power Plant Ltd consisted mainly of steam purchases and sales of heavy fuel oil, water and asphaltene. The steam supply agreement includes a fixed annual fee of EUR 45 million until 2037.

Board of Directors and key management compensation

EUR thousand	2023	2022
Salaries and other short-term employee benefits	6,482	5,895
Statutory pensions	919	819
Supplementary pensions	555	511
Share-based payments	3,585	1,961
Total (Including statutory pensions)	11,541	9,186

Key management consists of President and CEO and other members of the Neste Executive Committee. There were no outstanding loan receivables from key management on 31 December 2023 or 31 December 2022.

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

	President and CEO				Members of the Neste Executive Committee	
EUR thousand	2023	Matti Lehmus	Peter Vanacker	Total 2022	2023	2022
Annual remuneration						
Base salary	981	626	443	1,069	2,842	2,892
Taxable benefits	16	11	0	11	140	110
Annual incentive (STI plan)	424	0	261	261	1,384	826
Total annual remuneration	1,420	637	704	1,341	4,367	3,829
Vested long term remuneration						
Supplementary pension (insurance contributions)	146	95	0	95	409	416
Share-based incentive plan	448	0	0	0	3,138	1,961
Total remuneration	2,014	731	704	1,436	7,913	6,205

Compensation to the Board of Directors

EUR thousand	2023	2022
Board of Directors at 31 December 2023		
Matti Kähkönen	119	124
John Abbott	76	75
Nick Elmslie	75	76
Just Jansz, since 30 March 2022	73	59
Heikki Malinen, since 28 March 2023	64	0
Eeva Sipilä, since 30 March 2022	79	55
Johanna Söderström	74	83
Kimmo Viertola, since 28 March 2023	67	0
Former Board members		
Martina Flöel, until 28 March 2023	2	75
Jean-Baptiste Renard, until 30 March 2022	0	14
Jari Rosendal, until 31 July 2023	61	69
Marco Wirén, until 28 March 2023	4	94
Board of Directors, all members total	695	725

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. Compensation to the Board of Directors in 2022 includes three months of annual remuneration related to Board membership 2021–2022 and entire annual remuneration for Board membership 2022–2023. Figures in 2023 include annual remuneration for Board membership 2023-2024. Hence, the compensation in 2023 is not completely comparable to the compensation in 2022.

The CEO's notice of termination period is 6 months on both sides. Should the company decide to give notice of termination, the President & CEO shall be entitled to his salary during the 6 months period of notice, together with a severance payment equivalent to 6 months' salary. The supplementary pension of the President and CEO is a defined contribution (DC) plan with an annual contribution of 16% of the annual fixed salary and retirement age of 62 years.

Net liability of defined benefit plans of former Presidents and CEOs on 31 December 2023 were EUR 1,348 thousand (2022: EUR 1,692 thousand).

26 Group companies

Subsidiaries	Group holding %	Country of incorporation
B J B, LLC	100.00%	USA
Kiinteistö Oy Espoon Keilaranta 21	100.00%	Finland
Mahoney Environmental Solutions, LLC	100.00%	USA
Mahoney Transportation Services LLC	100.00%	USA
Navidom Oy	50.00%	Finland
NERM Solutions India Private Limited (new)	100.00%	India
Neste (Shanghai) Trading Company Limited	100.00%	China
Neste (Suisse) S.A.	100.00%	Switzerland
Neste AB	100.00%	Sweden
Neste Affiliate B.V.	100.00%	The Netherlands
Neste Asia Pacific Pte. Ltd	100.00%	Singapore
Neste Australia Pty Ltd	100.00%	Australia
Neste Belgium NV	100.00%	Belgium
Neste Brazil LTDA (new)	100.00%	Brazil
Neste Canada Inc.	100.00%	Canada
Neste Components B.V.	100.00%	The Netherlands
Neste Demeter B.V. [1)]	80.00%	The Netherlands
Neste Eesti AS	100.00%	Estonia
Neste Germany GmbH	100.00%	Germany
Neste Insurance Limited	100.00%	Guernsey
Neste Italy S.R.L.	100.00%	Italy
Neste Markkinointi Oy	100.00%	Finland
Neste Netherlands B.V.	100.00%	The Netherlands
Neste Pretreatment Rotterdam B.V.	100.00%	The Netherlands
Neste Renewable Products Inc.	100.00%	USA
Neste Renewable Solutions US, Inc.	100.00%	USA
Neste RPC Solutions US, Inc.	100.00%	USA
Neste Shipping Oy	100.00%	Finland
Neste Singapore Pte. Ltd.	100.00%	Singapore
Neste Spain S.L.	100.00%	Spain
Neste Terminal Rotterdam B.V.	100.00%	The Netherlands
Neste US, Inc.	100.00%	USA
Neste USA, L.L.C.	100.00%	USA
Neste Walco Limited	100.00%	Ireland
SIA Neste Latvija	100.00%	Latvia
Sterling Logistics, LLC	100.00%	USA
UAB Neste Lietuva	100.00%	Lithuania

Associates	Group holding %	Country of incorporation
Alterra Energy LLC	40.00%	USA
Neste Arabia Co. Ltd. (inactive)	48.00%	Saudi Arabia

Joint arrangements	Group holding %	Classification	Country of incorporation
A/B Svartså Vattenverk - Mustijoen Vesilaitos O/Y	40.00%	Joint Operation	Finland
Kilpilahti Power Plant Ltd	40.00%	Joint Venture	Finland
Martinez Renewables LLC	50.00%	Joint Operation	USA

1) Neste increased its ownership in its subsidiary Neste Demeter on November 1, 2023 and the entity has been treated as a 100% owned subsidiary in the Group. In addition, Neste has an obligation to redeem the remaining non-controlling interest of Neste Demeter within an agreed period, thus the share of the non-controlling interest has not been recognised in the statement of financial position. The obligation has been measured at fair value and recorded as a liability in the consolidated statement of financial position. Furthermore, the non-controlling shareholders' share of the financial year's profit includes the cumulative profit attributable to Neste Demeter's non-controlling shareholders until the acquisition date of November 1, 2023.

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

	Navidom Oy	
	2023	2022
Proportion of shares held by non-controlling interests	50.00%	50.00%
Current assets	0	0
Non-current assets	0	0
Current liabilities	0	0
Non-current liabilities	0	0
Revenue	1	1
Profit for the period	0	0
Dividends paid to non-controlling interests	0	0
Cash flows from operating activities	0	0
Cash flows from investing activities	0	0
Cash flows from financing activities	0	0

Unconsolidated structured entities

In 2015, Neste sold its shares of Aurora Kilpilahti Oy (former Kilpilahden Sähkönsiirto Oy). After the sale Neste does not have direct In 2015, Neste sold its shares of Aurora Kilpilahti Oy (former Kilpilahden Sähkönsiirto Oy). After the sale Neste does not have direct or indirect investment in the company. Aurora Kilpilahti Oy is responsible for high- and medium-voltage electricity distribution in the Kilpilahti industrial area where Neste Finland Refinery in Porvoo is situated. In addition to Neste, Aurora Kilpilahti Oy's customers include other companies operating in the area.

Under the contractual arrangements with Aurora Kilpilahti Oy Neste has been supplying small and decreasing part of the operating services needed in electricity distribution. It can be considered that Neste has the possibility to influence only limited development investments made by Aurora Kilpilahti Oy. Aurora Kilpilahti Oy distributes electricity to Neste and Neste remains to be the main user of the capacity of the electricity distribution network. Aurora Kilpilahti Oy operates on land leased from Neste for 30 years with an option to extend the lease. Neste has not provided any financial support or other significant support to Aurora Kilpilahti Oy without contractual obligation.

Based on the factors described above Neste has determined that it has limited influence though no control over Aurora Kilpilahti Oy and treats the company as unconsolidated structured entity in its consolidated financial statements. Management has assessed the company's exposure to losses by considering the nature of Neste's involvement in Aurora Kilpilahti Oy, and the company's significance to Neste from an operative perspective. Neste's exposure is mainly dependent upon the efficient operation of the distribution network.

Consolidated structured entities

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

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27 Acquisitions and disposals

Acquisitions

2023

On 13 January 2023, Neste acquired SeQuential Environmental Services, LLC, and Pure SQ, LLC from Crimson Renewable Energy Holdings, LLC. Through the transaction, Neste acquired used cooking oil collection and aggregation business in US West Coast.

The fair value of acquired net assets are presented in the table below. Based on purchase price allocation, a portion of the purchase price was allocated to supplier and customer relations that have been recognized as intangible assets. The recognized goodwill represents the value of acquired business knowledge and synergies, and is deductible for income tax purposes. The purchase price was paid fully in cash and includes approximately EUR 18 million of contingent consideration. The final amount of the contingent consideration depends on how certain targets are achieved during 2023. The transaction costs of the acquisition are included in other expenses in the consolidated statement of income. The acquisition does not have a material impact on the Group´s revenue nor profit.

Assets and liabilities	**Fair value**
Intangible assets	43
Property, plant and equipment	29
Inventories	3
Trade and other receivables	2
Total assets	77
Interest-bearing liabilities	6
Trade and other payables	10
Total liabilities	16
Fair value of acquired net assets	61
Consideration transferred	165
Fair value of acquired net assets	-61
Goodwill	104

Cash flows of the acquisition	**2023**
Consideration, paid in cash	-165
Acquiree's liabilities paid off at closing	-1
Transaction costs of the acquisition	-1
Net cash flow on acquisition	-167

SeQuential Environmental Services, LLC, and Pure SQ, LLC merged into their sistercompany Mahoney Environmental Solutions, LLC, in 31 December 2023.

Other business combinations

No other business combinations took place in financial period 2023.

2022

No major acquisitions took place in financial period 2022.

Other business combinations

In 2022 Neste has made smaller business combinations that are immaterial individually. These business combinations also include the acquisition of Walco Foods published in 2022. The aggregated fair values of the acquired net assets are presented in the table below. Based on purchase price allocations, a portion of the purchase price was allocated to supplier and customer relations that have been recognized as intangible assets. The recognized goodwill is deductible for income tax purposes, and represents the value of acquired business knowledge and synergies. The business combinations do not have a material impact to Neste's revenue nor result. The purchase prices were paid fully in cash.

Values of acquired assets and liabilities at time of acquisition	Fair value
Intangible assets	13
Property, plant and equipment	3
Inventories	0
Trade and other receivables	14
Cash and cash equivalents	2
Total assets	33
Interest-bearing liabilities	6
Provisions	0
Trade and other payables	4
Total liabilities	11
Fair value of acquired net assets	22
Consideration transferred	51
Fair value of contingent consideration	0
Fair value of acquired net assets	-22
Goodwill	30

Cash flows of acquisition	2022
Consideration, paid in cash	-51
Transaction costs of the acquisition	0
Net cash flow on acquisition	-51

Disposals

2023

No major disposals took place in financial period 2023.

2022

On 1 April 2022 Neste sold its existing base oils business to Chevron Global Energy Inc., a wholly owned subsidiary of Chevron Corporation. The transaction includes the NEXBASE™ brand, associated qualifications and approvals, and related sales and marketing business. As part of the divestment, the parties also agreed on a long-term offtake for Neste's base oils supply from Porvoo, Finland. In connection with the divestment, Neste has also completed the exit of its base oils joint arrangement with Bahrain Petroleum Company and Nogaholding. Base oils business was consolidated as part of the Oil Products segment.

Assets and liabilities	Recognized values
Property, plant and equipment	9
Deferred tax assets	2
Inventories	83
Trade and other receivables	70
Cash and cash equivalents	21
Total assets	185
Deferred tax liabilities	1
Pension liabilities	2
Interest-bearing liabilities	8
Current tax liabilities	3
Trade and other payables	3
Total liabilities	18
Sold net assets	167
Total consideration [1)]	176
Sold net assets	-167
Gain on sale	9
Cash consideration received	176
Cash and cash equivalents disposed of	-21
Net cash flow	156

[1)] Transaction costs are included in total consideration

28 Contingencies and commitments

Contingent liabilities	Value of collateral 2023	Value of collateral 2022
On own behalf for commitments		
Real estate mortgages	26	26
Other contingent liabilities	24	49
Total	50	75
On behalf of joint arrangements		
Pledged assets	114	89
Total	114	89
On behalf of others		
Guarantees	1	1
Total	1	1
	164	164

The pledged assets on behalf of joint arrangements are granted to the secured creditors as continuing security for due and punctual payment, discharge and performance of all or any part of the secured obligations of Kilpilahti Power Plant Ltd. The pledged assets mean all shareholder loan receivables, all contribution loan receivables and the shares of Kilpilahti Power Plant Ltd. The security period ends on the date on which all the secured obligations have been unconditionally and irrevocably paid and discharged in full.

Commitments	2023	2022
Commitments for purchase of property, plant and equipment and intangible assets	710	810
Other commitments	8	8
Total	718	818

Capital commitments are mainly related to an expansion project in the refinery in Rotterdam which will extend Neste's renewable products overall capacity.

Take-or-pay contracts

Neste has long-term supply agreements related to hydrogen, nitrogen, steam, natural gas and electricity. These agreements are generally take-or-pay by nature. In addition to minimum purchase obligations, agreements normally include termination fees if the contract is being terminated early. The probability of such circumstances is cosidered to be low.

29 Leases

Accounting policy

Neste assesses at contract inception whether a contract is, or contains, a lease, i.e., if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Neste as a lessee

Neste has lease contracts for various land areas, vessels, tanks, containers, facilities and other equipment used in its operations. Lease contracts are made for fixed periods of 1 to 60 years. Some leases include an option to extend the lease for an additional period after the end of the contract term or terminate the contract during the lease term.

Neste recognises a leased asset and a lease liability at the lease commencement date, except for short-term leases and leases of low-value assets.

i) Right-of-use assets

Neste recognises right-of-use assets on the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, any restoration obligations and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. If ownership of the leased asset transfers to Neste at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Neste's right-of-use assets are included in Property, plant and equipment (see Note 14 Property plant and equipment).

ii) Lease liabilities

At the commencement date of the lease, Neste recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option that is reasonably certain to be exercised by Neste and payments of penalties for terminating the lease, if the lease term reflects Neste exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, Neste uses interest rate implicit in the lease if readily determinable and if not, Neste uses its incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Neste's lease liabilities are included in Interest-bearing liabilities (see Note 21 Financial liabilities).

iii) Short-term leases and leases of low-value assets

Neste applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Neste as a lessor

At inception of a lease contract, Neste makes an assessment whether the lease is a finance lease or an operating lease. If the lease substantially transfers all the risks and rewards incidental to ownership of the asset, it is considered to be a finance lease; if not, the lease is considered to be an operating lease. Neste has a minor amount of operating lease contracts, whereby the lease payments are recognised on a straight-line basis over the lease term and is included in other income in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Estimates and judgements requiring management estimation

Neste determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Neste has several lease contracts that include extension and termination options. Neste's management applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, Neste's management reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Neste's management applies judgement also for estimating the term of lease agreements in effect until further notice. The management's estimates are based on the company's strategic situation and market conditions, as well the costs that would incur if the leased asset would be replaced by another asset.

Amounts recognized in the balance sheet

The balance sheet shows the following amounts relating to leases:

Right-of-use assets	Note	2023	2022
Land		230	249
Buildings and constructions		49	45
Machinery and equipment		237	152
Other tangible assets		467	108
Total assets included in property, plant and equipment	14	983	553
Lease liabilities			
Non-current interest-bearing liabilities		768	425
Current interest-bearing liabilities		199	110
Total liabilities included in interest-bearing liabilities	21	967	535

Additions to the right-of-use assets during the 2023 financial year were EUR 780 million (2022: EUR 300 million) and it included EUR 79 million from joint operation Martinez Renewables (2022: EUR 111 million).

The maturity analysis of lease liabilities is disclosed in Note 3 Financial risk management.

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

Depreciation charge of right-of-use assets	Note	2023	2022
Land		15	14
Buildings and constructions		14	13
Machinery and equipment		82	48
Other tangible assets		143	87
	14	255	163
Interest expense (included in finance cost)	10	50	24
Expense relating to short-term leases (included in materials and services)	7	14	38
Expense relating to short-term leases (included in other expenses)	9	8	5
Expense relating to leases of low-value assets (included in other expenses)	9	1	0
Variable lease payments not included in lease liabilities (included in materials and services)	7	0	0
Variable lease payments not included in lease liabilities (included in other expenses)	9	4	21

30 Disputes and potential litigations

Neste is involved in legal proceedings and disputes incidental to its business. In management's opinion, the outcome of these cases is difficult to predict but not likely to have material effect on the Neste's financial position.

31 Events after the balance sheet date

On 30 January, Neste announced that the Porvoo refinery processes will be brought into a safe state for the duration of the political strike announced to take place on 1 and 2 February 2024.

Parent company income statement

EUR million	Note	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Revenue	2	15,768	19,231
Change in product inventories		-235	367
Other operating income	3	31	28
Materials and services	4	-13,173	-17,075
Personnel expenses	5	-355	-275
Depreciation, amortization and write-downs	6	-211	-248
Other operating expenses	7	-509	-445
Operating profit/loss		1,317	1,583
Financial income and expenses	8	27	385
Financial income and expenses total		27	385
Profit/loss before appropriations and taxes		1,343	1,967
Appropriations	9	97	-49
Income tax expenses	10	-262	-291
Profit for the year		1,178	1,628

Parent company balance sheet

EUR million	Note	31 Dec 2023	31 Dec 2022
ASSETS			
Fixed assets and other long-term investments	11, 12		
Intangible assets		116	123
Tangible assets		1,878	1,886
Other long-term investments		4,071	3,404
Fixed assets and other long-term investments total		6,064	5,413
Current assets			
Inventories	13	1,518	1,914
Long-term receivables	14	64	43
Short-term receivables	15	2,702	3,349
Cash and cash equivalents		1,328	806
Current assets total		5,611	6,113
Total assets		11,676	11,526
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	16		
Share capital		40	40
Other funds and reserves			
Invested non-restricted equity fund		19	19
Fair value reserve		24	69
Other funds and reverses total		43	88
Retained earnings		2,649	2,189
Profit for the year		1,178	1,628
Shareholders' equity total		3,911	3,945
Accumulated appropriations	17	1,163	1,140
Provisions for liabilities and charges	18	103	117
Liabilities	19		
Long-term liabilities		2,823	1,969
Short-term liabilities		3,676	4,355
Liabilities total		6,499	6,324
Total equity and liabilities		11,676	11,526

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25

Parent company cash flow statement

EUR million	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Cash flows from operating activities		
Profit/loss before approriations and taxes	1,343	1,967
Adjustments:		
Depreciation, amortization and write-downs	211	248
Other non-cash income and expenses [1]	119	-99
Financial income and expenses	-27	-385
Divesting activities, net	0	-13
Operating cash flow before change in working capital	1,647	1,719
Change in working capital		
Decrease (+)/increase (-) in interest-free receivables	499	-824
Decrease (+)/increase (-) in inventories	396	-615
Decrease (-)/increase (+) in interest-free liabilities	-969	-49
Change in working capital	-74	-1,487
Cash generated from operations	1,573	232
Interest and other financial expenses paid, net	-35	-16
Dividends received	122	420
Income taxes paid	-257	-306
Realized foreign exchange gains and losses, net	-20	-33
Net cash from operating activities	1,384	297

EUR million	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Cash flows from investing activities		
Capital expenditure	-148	-185
Proceeds from sale of fixed assets	0	0
Investments in shares in subsidiaries	-810	-1,014
Investments in shares in other shares	-1	-1
Proceeds from shares in subsidiaries	0	17
Proceeds from other shares	0	0
Change in other investments, increase (-)/decrease (+)	182	13
Net cash used in investing activities	-777	-1,170
Cash flow before financing activities	607	-873
Cash flows from financing activities		
Proceeds from long-term liabilities	1,671	899
Payments of long-term liabilities	-209	-491
Change in short-term liabilities	-380	248
Dividends paid	-1,168	-630
Group contributions, net	0	128
Cash flow from financing activities	-86	155
Net increase (+)/decrease (-) in cash and cash equivalents	521	-719
Cash and cash equivalents at the beginning of the period	806	1,492
Cash and cash equivalent increases from merger	0	33
Cash and cash equivalents at the end of the period	1,328	806
Net increase (+)/decrease (-) in cash and cash equivalents	521	-719

[1] Other non-cash income and expenses consists of change in FX derivatives, change in commodity derivatives, change in provisions and adjustments to realized FX gains/losses.

1 Accounting policies

The financial statements of Neste Corporation (Parent company) are prepared in accordance with Finnish GAAP. The financial statements are presented in millions of euros unless otherwise stated. The figures in the tables are exact figures and consequently the sum of individual figures may deviate from the sum presented.

Neste Oyj prepares separate natural gas sale and network financial statements that is published in Neste Oyj's consolidated financial statements.

Visibility in the global economy continues to be low due to high inflation, reduced economic growth expectations and continued geopolitical uncertainty. We expect volatility in the oil products and renewable feedstock markets to remain high. Neste Oyj does not have subsidiaries in Russia nor in Ukraine. Neste Oyj's financial position remained strong.

Revenue

Revenue include sales revenues from actual operations less discounts, indirect taxes such as value added tax and excise tax payable by the manufacturer and statutory stockpiling fees. Revenue is recognised on accrual accounting basis.

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 gains and losses related to operative items are recognized as adjustments to operative income and expenses in the income statement. Net exchange rate differences related to financial items are reported under financial income and expenses.

Financial assets and liabilities

Derivative financial instruments are initially recognised at fair value on the trade date and are subsequently re-measured at their fair value on the balance sheet date. Other financial assets and liabilities are measured at amortized cost and recognized initially at fair value on the settlement date.

Loans and receivables consist of cash and cash equivalents, loans granted together with trade and other receivables. Other financial liabilities include interest-bearing liabilities together with trade and other payables. Due to the nature of short-term trade and other receivables their carrying amount is expected to be equal to their fair value.

Changes in the fair value of derivatives, for which hedge accounting is not applied, are recognized in the income statement. The effective portion of the changes in the fair value of derivative financial instruments that are designated and qualified as cash flow hedges are recognized in equity.

Derivative financial instruments

The company uses derivative financial instruments mainly to hedge commodity price, foreign exchange and interest rate exposures. Derivatives not qualified for hedge accounting are recognized in the income statement either in operating profit or financial income and expenses, depending on the underlying hedged item.

Current investments

Current investments includes deposits held at banks and other liquid investments with original maturities from three months to 12 months.

Hedge accounting

The company applies hedge accounting on certain forward foreign exchange contracts, options and interest rate derivatives.

Fair value hedges

The company applies fair value hedge accounting to reduce exposure to fair value fluctuations of interest-bearing liabilities due to changes in interest rates. Changes in fair value of derivatives designated and qualifying as fair value hedges, together with any changes in the fair value of hedged liabilities attiributable to the hedged risk, are recognized in financial income and expenses.

Cash flow hedges

The company applies cash flow hedge accounting to reduce exposure of currency and interest rates fluctuations. The result of foreign currency derivative contracts hedging future cash flows and qualifying for hedge accounting is recognized once matured and when the hedged item affects the income statement. Gains or losses for interest rate swaps 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 other long-term investments

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
Goodwill and Intangible assets [1]	3–10 years

[1] Intangible assets include capitalized development expenditures

Investments in subsidiaries and other companies are measured at acquisition cost, or fair value in case the fair value is lower than cost.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25

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

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

Cash pool receivables/liabilities
Cash pool items are presented as short-term receivables or liabilities.

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

Appropriations
Appropriations consist of received or given group contributions from or to Neste Group companies and depreciation above the plan.

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

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

2 Revenue

Revenue by segment	2023	2022
Renewable Products	4,985	5,918
Oil Products	10,582	13,149
Marketing & Services	-7	-2
Other	208	165
	15,768	19,231

Revenue by market area	2023	2022
Finland	4,668	5,813
Other Nordic countries	2,867	3,859
Baltic Rim	1,465	1,846
Other European countries	4,770	5,843
North and South America	1,420	1,202
Other countries	578	669
	15,768	19,231

3 Other operating income

	2023	2022
Rental income	3	5
Gain on sale of intangible and tangible assets	0	0
Gain on sale of subsidiary shares	0	13
Insurance compensations	7	0
Government grants	14	7
Other	7	4
Other operating income total	31	28

4 Materials and services

	2023	2022
Materials and supplies		
Purchases during the period	12,420	16,800
Change in inventories	162	-247
	12,581	16,552
External services	592	523
Materials and services total	13,173	17,075

5 Personnel expenses

	2023	2022
Wages, salaries and remunerations	286	221
Restructuring provisions related to Naantali refining operations closure [1)]	0	-1
Indirect employee costs		
Pension costs	69	49
Other indirect employee costs	12	9
Wages and salaries capitalized in fixed assets	-11	-4
Personnel expenses total	355	275

[1)] Includes reversed unused provision of Naantali refinery closure in 2022.

Salaries and remuneration

Key management compensations are presented in Note 25 in the Neste Group consolidated financial statements.

Average number of employees	2023	2022
White-collar	2,919	2,081
Blue-collar	743	729
	3,661	2,810

6 Depreciation, amortization and write-downs

	2023	2022
Depreciation according to plan	207	216
Write-offs	4	32
Depreciations, amortization and write-downs total	211	248

7 Other operating expenses

	2023	2022
Operating leases and other property costs	19	26
Repairs and maintenance	117	102
Planning and consulting services	40	58
IT services	149	105
Other	183	155
Other operating expenses total	509	445

Fees charged by the statutory auditor

EUR thousands	2023	2022
Authorised Public Accountants	KPMG	KPMG
Auditor's fees	680	604
Tax advisory	204	1
Other advisory services	295	141
	1,179	746

8 Financial income and expenses

	2023	2022
Dividend income		
From Group companies	122	420
Dividend income total	122	420
Interest income from long-term loans and receivables		
From Group companies	1	7
From others	5	4
Interest income from long-term loans and receivables total	6	11
Other interest and financial income		
From Group companies	18	3
Other	39	5
Gain on merger	0	0
Other interest and financial income total	57	7
Write-downs on long-term investments		
Write-downs on long-term investments (receivables)	0	-3
Return of write-downs on long-term investments [1]	0	45
Write-drowns of other long-term investments	0	-5
Write-downs on long-term investments total	0	37
Interest expenses and other financial expenses		
To Group companies	-46	-10
Other	-76	-22
Interest expenses and other financial expenses total	-122	-33
Exchange rate differences	-36	-58
Financial income and expenses total	27	385

[1] Consists of Neste Bahrain's loan receivables repayment

Total interest income and expenses	2023	2022
Interest income	62	18
Interest expenses	-120	-29
Net interest expenses	-57	-11

9 Appropriations

	2023	2022
Change in depreciation difference		
Difference between depreciation according to plan and depreciation in taxation	-23	-49
Group contributions		
Group contributions received	120	0
Appropriations total	97	-49

10 Income tax expense

	2023	2022
Income taxes on regular business operations	261	291
Taxes for prior periods	-1	0
Change in deferred tax assets	3	0
Income tax expense total	262	291

11 Fixed assets and long-term investments

Intangible assets	Goodwill	Other intangible assets	Total
Acquisition cost as of 1 January 2023	1	358	359
Increases	0	24	24
Decreases	0	0	0
Transfers between items	0	0	0
Acquisition cost as of 31 December 2023	1	382	383
Accumulated amortization and write-downs as of 1 January 2023	1	235	236
Amortization for the period	0	32	32
Accumulated amortization and write-downs as of 31 December 2023	1	266	268
Balance sheet value as of 31 December 2023	0	116	116

Intangible assets	Goodwill	Other intangible assets	Total
Acquisition cost as of 1 January 2022	1	303	304
Increases	0	52	52
Decreases	0	-6	-6
Transfers between items	0	5	5
Increases from merger	0	4	4
Acquisition cost as of 31 December 2022	1	358	359
Accumulated amortization and write-downs as of 1 January 2022	1	200	201
Amortization for the period	0	31	31
Amortization for the period from merger	0	4	4
Accumulated amortization and write-downs as of 31 December 2022	1	235	236
Balance sheet value as of 31 December 2022	0	123	123

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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 2023	26	1,453	3,323	102	167	5,072
Increases	0	23	32	1	116	172
Decreases	0	0	-14	0	-1	-15
Transfers between items	0	10	66	1	-78	0
Acquisition cost as of 31 December 2023	26	1,487	3,408	103	204	5,228
Accumulated depreciation and write-downs as of 1 January 2023	0	840	2,323	50	0	3,213
Accumulated depreciation and write-downs of decreases and transfers	0	0	-12	0	0	-11
Depreciation and write-downs for the period	0	39	135	2	0	176
Accumulated depreciation and write-downs as of 31 December 2023	0	879	2,446	51	0	3,377
Revaluations	6	21	0	0	0	27
Balance sheet value as of 31 December 2023	31	629	961	52	204	1,878
Balance sheet value of machinery and equipments used in production						961

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 2022	26	1,487	3,676	102	109	5,400
Increases	0	1	18	0	106	125
Decreases	0	-37	-392	-22	-22	-472
Transfers between items	0	3	18	22	-26	17
Increases from merger	0	0	3	0	0	3
Acquisition cost as of 31 December 2022	26	1,453	3,323	102	167	5,072
Accumulated depreciation and write-downs as of 1 January 2022	0	835	2,567	48	0	3,451
Accumulated depreciation and write-downs of decreases and transfers	0	-34	-391	0	0	-425
Depreciation and write downs for the period	0	39	144	2	0	185
Write-downs of Naantali refining operations closure	0	0	3	0	0	3
Accumulated depreciation and write-downs as of 31 December 2022	0	840	2,323	50	0	3,213
Revaluations	6	21	0	0	0	27
Balance sheet value as of 31 December 2022	31	634	1,000	53	167	1,886
Balance sheet value of machinery and equipments used in production						736

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 2023	3,130	170	7	82	21	3	3,413
Increases	810	0	0	26	1	0	837
Decreases	0	-170	0	-1	0	0	-171
Acquisition cost as of 31 December 2023	3,939	0	7	107	23	3	4,079
Accumulated depreciation and write-downs as of 1 January 2023	0	0	0	0	5	3	8
Decreases	0	0	0	0	0	0	0
Accumulated depreciation and write-downs as of 31 December 2023	0	0	0	0	5	3	8
Balance sheet value as of 31 December 2023	3,939	0	7	107	17	0	4,071

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 2022	2,145	39	7	37	20	3	2,251
Increases	1,306	284	0	69	2	2	1,663
Decreases	-322	-153	0	-24	0	-1	-501
Acquisition cost as of 31 December 2022	3,130	170	7	82	21	3	3,413
Accumulated depreciation and write-downs as of 1 January 2022	0	0	0	0	0	0	0
Decreases	0	0	0	0	5	3	8
Accumulated depreciation and write-downs as of 31 December 2022	0	0	0	0	5	3	8
Balance sheet value as of 31 December 2022	3,130	170	7	82	16	0	3,404

Interest-bearing and interest-free receivables, EUR million	2023	2022
Interest-bearing receivables	107	252
	107	252

12 Revaluations

	Revaluations as of Jan 1 2023	Increases	Decreases	Revaluations as of Dec 31 2023
Land areas	6	0	0	6
Buildings	21	0	0	21
Revaluations total	27	0	0	27

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.

13 Inventories

	2023	2022
Raw materials and supplies	687	848
Products/finished goods	831	1,066
Advance payments on inventories	0	1
Inventories total	1,518	1,914
Replacement value of inventories	1,607	1,968
Book value of inventories	1,518	1,914
Difference	89	54

14 Long-term receivables

	2023	2022
Long-term receivables from others		
Long-term advance payments	16	19
Other receivables	32	17
Deferred tax assets	16	7
Long-term receivables total	64	43

15 Short-term receivables

	2023	2022
Receivables from Group companies		
Trade receivables	712	998
Loan receivables	85	4
Group contribution receivables	120	0
Other receivables	588	667
Accrued income and prepaid expenses	127	120
Total	1,633	1,789
Receivables from associated companies		
Trade receivables	22	51
Other receivables	0	0
Total	22	51
Receivables from others		
Trade receivables	666	773
Loan receivables	0	0
Other receivables	170	287
Accrued income and prepaid expenses	211	448
Total	1,047	1,509
Short-term receivables total	2,702	3,349

Short-term accrued income and prepaid expenses, EUR million	2023	2022
Accrued interest	6	0
Derivative financial instruments	280	521
Current investments	5	0
Other	48	47
Total	338	568

16 Changes in shareholders' equity

	2023	2022
Share capital at 1 January	40	40
Share capital at 31 December	40	40
Fair value reserve at 1 January	69	-32
Increases	3,265	5,100
Decreases	-3,310	-5,000
Fair value reserve at 31 December	24	69
Restricted shareholders equity	64	109
Invested non-restricted equity fund at 1 January	19	19
Invested non-restricted equity fund at 31 December	19	19
Retained earnings at 1 January	3,817	2,819
Dividends paid	-1,168	-630
Profit for the year	1,178	1,628
Retained earnings at 31 December	3,827	3,817
Non-restricted shareholders equity	3,847	3,836
Capitalized development expenditure	12	12
Distributable equity	3,835	3,824

The amount of own shares is presented in the group's consolidated financial statements in Note 20.

17 Accumulated appropriations

	2023	2022
Depreciation difference	1,163	1,140

18 Provisions for liabilities and charges

	2023				2022			
	at 1 Jan	Increase	Decrease	at 31 Dec	at 1 Jan	Increase	Decrease	at 31 Dec
Restructuring provisions	0	0	0	0	2	0	1	0
Provision for environment	1	0	0	1	1	0	0	1
Provision for environment for Naantali refining operations closure	111	0	12	99	112	4	5	111
Other provisions	4	3	4	3	0	4	0	4
Total	117	3	16	103	115	8	6	117

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19 Liabilities

Long-term liabilities	2023	2022
Bonds	2,110	895
Loans from financial institutions	609	615
Advanced payments	18	18
Liabilities to Group companies		
Other long-term liabilities	80	429
Accruals and deferred income	6	12
Long-term liabilities total	2,823	1,969

Interest-bearing liabilities due after five years	2023	2022
Loans from financial institutions	93	94
Bonds	1,587	495
	1,680	589

Short-term liabilities	2023	2022
Bonds	201	0
Loans from financial institututions	6	5
Advances received	11	25
Trade payables	689	890
Liabilities to Group companies		
Advances received	0	0
Trade payables	692	661
Other short-term liabilities	1,119	1,317
Accruals and deferred income	71	119
Total	1,881	2,097
Liabilities to associated companies		
Trade payables	9	22
Total	9	22
Other short-term liabilities	530	1,014
Accruals and deferred income	348	301
Short-term liabilities total	3,676	4,355

Short-term accruals and deferred income	2023	2022
Salaries and indirect employee costs	95	90
Accrued interests	43	9
Derivative financial instruments	277	317
Other short-term accruals and deferred income	4	4
	419	420

Interest-bearing and interest-free liabilities	2023	2022
Long-term liabilities		
Interest-bearing liabilities	2,799	1,936
Interest-free liabilities	24	33
	2,823	1,969
Short-term liabilities		
Interest-bearing liabilities	1,322	1,695
Interest-free liabilities	2,354	2,660
	3,676	4,355

Listed bond issues

Issued/Maturity	Interest basis	Interest rate, %	Currency	Nominal, million	Carrying amount, EUR million
2017/2024	Fixed	1.500	EUR	201	201
2021/2028	Fixed	0.750	EUR	500	496
2023/2029	Fixed	3.875	EUR	500	498
2023/2031	Fixed	3.875	EUR	600	605
2023/2033	Fixed	4.250	EUR	500	511
Total outstanding carrying amount 31 December 2023				2,301	2,311

20 Contingent liabilities

Contingent liabilities	2023	2022
Contingent liabilities given on own behalf		
Real estate mortgages	26	26
Pledged assets	0	0
Other contingent liabilities	23	27
Total	47	52
Contingent liabilities given on behalf of Group companies		
Guarantees	206	409
Total	206	409
Contingent liabilities given on behalf of associated companies		
Pledged assets	114	89
Total	114	89
Contingent liabilities given on behalf of others		
Guarantees	1	1
Total	1	1

Other contingent liabilities

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.

Operating lease liabilities	2023	2022
Due within a year	10	22
Due after a year	8	19
Total	19	41

Capital commitments	2023	2022
Commitments for purchase of property, plant and equipment and intangible assets	100	38
Other commitments	8	8
Total	108	46

21 Derivative financial instruments

	31 Dec 2023					31 Dec 2022				
	Nominal value by maturity		Fair Value			Nominal value by maturity		Fair Value		
	< 1 year	> 1 year	Positive	Negative	Net	< 1 year	> 1 year	Positive	Negative	Net
Foreign exchange derivatives										
Foreign exchange derivatives, forwards	1,944	0	33	3	30	2,984	0	99	18	81
Foreign exchange options										
Purchased	0	0	0	0	0	84	0	5	0	5
Written	0	0	0	0	0	84	0	0	0	0
Derivatives designated as cash flow hedges	1,944	0	33	3	30	3,153	0	104	18	86
Interest rate swaps	0	550	26	0	26	0	0	0	0	0
Derivatives designated as fair value hedges	0	550	26	0	26	0	0	0	0	0
Foreign exchange derivatives, forwards	2,766	0	38	7	31	3,853	3	119	24	96
Intra-group forward foreign exchange contracts	1,350	0	5	22	-17	1,550	3	24	20	4
Currency options										
Purchased	0	0	0	0	0	0	0	0	0	0
Written	0	0	0	0	0	0	0	0	0	0
Intra-group currency options										
Purchased	0	0	0	0	0	0	0	0	0	0
Written	0	0	0	0	0	0	0	0	0	0
Non-hedge accounting	4,117	0	43	29	15	5,403	6	143	43	100

	31 Dec 2023					31 Dec 2022				
	Nominal value by maturity		Fair Value			Nominal value by maturity		Fair Value		
	< 1 year	> 1 year	Positive	Negative	Net	< 1 year	> 1 year	Positive	Negative	Net
Commodity derivatives [1]										
Oil and vegetable oil derivatives										
Sold forwards, million bbl	25	0	74	26	48	25	0	65	66	-1
Purchased forwards, million bbl	25	0	13	122	-109	18	0	59	67	-8
Intra-group oil and vegetable oil derivatives										
Sold forwards, million bbl	11	0	33	17	16	11	0	32	36	-4
Purchased forwards, million bbl	11	0	35	29	6	12	0	37	27	10
Electricity and gas derivatives										
Sold forwards, GWh	0	0	0	0	0	18	0	2	0	2
Purchased forwards, GWh	2,172	767	1	57	-57	1,996	620	62	36	26
Intra-group electricity and gas derivatives										
Sold forwards, GWh	1,282	531	54	0	54	1,328	489	34	38	-4
Non-hedge accounting	3,526	1,298	210	252	-42	3,408	1,109	291	270	21
Derivatives Total			312	283	29			538	332	206
of which										
Current derivative financial instruments			280	277	3			521	317	204
Non-current derivative financial instruments			32	6	26			17	15	2

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

Fair value estimations

Derivative financial instruments are initially recognized and subsequently re-measured at their fair values i.e.the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participant and the measurement date.

The fair value of exchange traded commodity futures and option contracts is determined using the forward exchange market quotations as per last business day of financial year. The fair value of over-the-counter derivative contracts is calculated using the net present value of the forward derivative contracts quoted market prices as per last business day of financial year.

Fair value hierarchy of derivatives, EUR million	**2023**				**2022**			
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Non-current derivative financial instruments								
Interest rate derivatives	0	26	0	26	0	0	0	0
Currency derivatives	0	0	0	0	0	0	0	0
Commodity derivatives	0	6	0	6	0	17	0	17
Other financial assets	0	0	0	0	0	0	0	0
Current derivative financial instruments								
Currency derivatives	0	76	0	76	0	247	0	247
Commodity derivatives	69	134	0	204	32	242	0	274
Financial liabilities								
Non-current derivative financial instruments								
Currency derivatives	0	0	0	0	0	0	0	0
Commodity derivatives	0	6	0	6	0	15	0	15
Current derivative financial instruments								
Currency derivatives	0	31	0	31	0	62	0	62
Commodity derivatives	71	175	0	246	54	201	0	255

Financial instruments that are measured in the balance sheet at fair value are presented according to following fair value measurement hierachy:
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 liablity that is not based on obervable market data (unobservable inputs).

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25

22 Shares and holdings

	Country of incorporation	No of shares	Holding -%
Subsidiary shares			
Kiinteistö Oy Espoon Keilaranta 21	Finland	16,000	100.00
Navidom Oy	Finland	50	50.00
Neste (Suisse) S.A.	Swizerland	200	100.00
Neste AB	Sweden	2,000,000	100.00
Neste Affiliate B.V.	Netherlands	26,090	100.00
Neste Belgium NV	Belgium	615	100.00
Neste Canada	Canada	30,000	100.00
Neste Components Finance B.V.	Netherlands	40	100.00
Neste Eesti AS	Estonia	10,000	100.00
Neste Germany GmbH	Germany	25,000	100.00
Neste Insurance Limited	Guernsey	7,000,000	100.00
Neste Italy S.R.L.	Italy	1	100.00
Neste Markkinointi Oy	Finland	210,560	100.00
Neste Netherlands B.V.	Netherlands	18,000	100.00
Neste Pretreatment Rotterdam B.V.	Netherlands	18,000	100.00
Neste Renewable Products Inc	USA	5,000	100.00
Neste Renewable Solutions US. Inc.	USA	1,000	100.00
Neste RPC Solutions US. Inc.	USA	1,000	100.00
Neste Shipping Oy	Finland	101	100.00
Neste Singapore Pte. Ltd.	Singapore	1,727,535,875	100.00
Neste US. Inc.	USA	1,000	100.00
Neste Spain S.L.	Spain	3,000	100.00
Associated companies			
A/B Svartså Vattenverk - Mustijoen Vesilaitos O/Y	Finland	14	40.00
Kilpilahti Powerplant Ltd.	Finland	20,000	40.00
Neste Arabia Co. Ltd.	Saudi Arabia	480	48.00

	Country of incorporation	No of shares
Other shares and holdings		
Circularise B.V.	Netherlands	9,586
CLEEN Oy	Finland	100
Kiinteistö Oy Anttilankaari 8	Finland	51
Kiinteistö Oy Himoksen Aurinkopaikka	Finland	51
Kiinteistö Oy Katinkullan Hiekkaniemi	Finland	102
Kiinteistö Oy Katinkultaniemi	Finland	51
Kiinteistö Oy Kotkan Klubi	Finland	30
Kiinteistö Oy Kuusamon Tähti 1	Finland	51
Kiinteistö Oy Laavutieva	Finland	51
Kiinteistö Oy Lapinniemi & Osakeyhtiö Lapinniemi	Finland	24
Posintra Oy	Finland	190
Recycling Technologies Ltd.	United Kingdom	3,122,666
St Laurence Golf Oy, B-osake	Finland	3
Sunfire GmbH	Germany	264,121
Telephone shares		
Elisa Oyj	Finland	1
Osuuskunta PPO	Finland	1
Pietarsaaren Seudun Puhelin Oy	Finland	3
Savonlinnan Puhelinosuuskunta SPY	Finland	1

23 Disputes and potential litigations

Neste Corporation is involved in legal proceedings and disputes incidental to its business. In management's opinion, the outcome of these cases is difficult to predict but not likely to have material effect on the Neste's financial position.

24 Unbundling of natural gas network operations

INCOME STATEMENT	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Revenue	9	9
Other operating income		
Utility income	7	4
Materials and services	0	0
External services		
Network service fees	-16	-13
Personnel expenses		
Wages, salaries and remunerations	0	0
Depreciation, amortization and write-downs		
Depreciation according to the plan		
Planned depreciation of natural gas network assets	0	0
Other operating expenses	0	-1
Operating loss	0	0
Financial income and expenses	0	0
Loss before appropriations and taxes	0	0
Loss for the year	0	0

BALANCE SHEET	31 Dec 2023	31 Dec 2022
ASSETS		
Fixed assets and other long-term investments		
Tangible assets		
Tangible assets of natural gas network	0	0
	0	0
Current assets		
Inventories	0	0
Receivables		
Long-term receivables	0	0
Short-term receivables		
Trade receivables	3	2
Other receivables	0	0
Cash and cash equivalents	0	0
	3	2
Total assets	3	2
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	0	0
Other funds and reserves	0	0
Retained earnings	-1	-1
Loss for the year	0	0
	-1	-1
Accumulated appropriations	0	0
Provisions for liabilities and charges	0	0
Long-term liabilities		
Short-term liabilities	0	0
Short-term interest-fee liabilities		
Other short-term liabilities	4	3
	4	3
Total equity and liabilities	3	2

Accounting policies

According to the Natural Gas Market Act, business transactions and balance sheet items are booked in to the income statements and balance sheets of businesses in accordance with the accrual principle. The netting of VAT receivables and payables occur at the company level. The remaining balance sheet difference will be equalized in the balance sheet to the point 'Other short-term liabilities'.

Natural gas network's fixed assets net investments

Tangible assets	Natural gas network
Acquisition cost as of 1 January 2023	0
Increases	0
Decreases	0
Acquisition cost as of 31 December 2023	0
Accumulated depreciation and write-downs as of 1 January 2023	0
Depreciation and write-downs for the period	0
Accumulated depreciation and write-downs as of 31 December 2023	0
Balance sheet value as of 31 December 2023	0

Tangible assets	Natural gas network
Acquisition cost as of 1 January 2022	0
Increases	0
Decreases	0
Acquisition cost as of 31 December 2022	0
Accumulated depreciation and write-downs as of 1 January 2022	0
Depreciation and write-downs for the period	0
Accumulated depreciation and write-downs as of 31 December 2022	0
Balance sheet value as of 31 December 2022	0

Natural gas network's return on investment

	2023	2022
Return on investment, %	-5.74	-2.58

25 Unbundling of natural gas network operations

INCOME STATEMENT	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Revenue	105	236
Other operating income		
Utility income	78	109
Materials and services		
Materials, supplies and goods		
Purchases during the period	-184	-345
Personnel expenses		
Wages, salaries and remunerations	0	0
Depreciation, amortization and write-downs	0	0
Other operating expenses	0	0
Operating loss/profit	-1	0
Financial income and expenses	0	0
Loss/profit before appropriations and taxes	-1	0
Loss/profit for the year	-1	0

BALANCE SHEET	31 Dec 2023	31 Dec 2022
ASSETS		
Fixed assets and other long-term investments	0	0
Current assets		
Inventories	0	0
Receivables		
Long-term receivables	0	0
Short-term receivables		
Trade receivables	25	38
Other receivables	1	0
Cash and cash equivalents	9	0
	35	38
Total assets	35	38
SHAREHOLDERS’ EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	0	0
Other funds and reserves	0	0
Retained earnings	5	4
Loss/profit for the year	-1	0
	4	5
Accumulated appropriations	0	0
Provisions for liabilities and charges	0	0
Liabilities		
Long-term liabilities	0	0
Short-term liabilities		
Short-term interest-fee liabilities		
Trade payables	31	31
Other short-term liabilities	0	2
	31	33
Total equity and liabilities	35	38

Accounting policies

According to the Natural Gas Market Act, business transactions and balance sheet items are booked in to the income statements and balance sheets of businesses in accordance with the accrual principle. The netting of VAT receivables and payables occur at the company level. The remaining balance sheet difference will be equalized in the balance sheet to the point 'Cash and cash equivalents'.

Currency derivatives

Realized and unrealized gains and losses on currency derivatives related to the sale of natural gas are booked in the materials and services group on the income statement in the sale of natural gas.

The effect of financial instruments in the income statement	2023	2022
Materials and services; Derivatives		
Realized gain	0	0
Realized loss	0	0
Unrealized loss	0	0

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 2023 stood at EUR 3,835 million. The Board of Directors proposes Neste Corporation to pay a dividend of EUR 1.20 per share for 2023, totalling EUR 922 million, and that any remaining distributable funds be allocated to retained earnings.

Espoo, 7 February 2024

Matti Kähkönen

John Abbott

Nick Elmslie

Just Jansz

Heikki Malinen

Eeva Sipilä

Johanna Söderström

Kimmo Viertola

Matti Lehmus
President and CEO

The Auditor's Note

A report on the audit performed has been issued today.

Helsinki, 7 February 2024

KPMG Oy Ab
Authorised Public Accountants

Leenakaisa Winberg
Authorized Public Accountant

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

Auditor's Report

To the Annual General Meeting of Neste Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Neste Corporation (business identity code 1852302-9) for the year ended December 31, 2023. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

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

Basis for Opinion

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

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

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

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

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

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

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Martinez Renewables Joint Arrangement **(reference to the note 2: accounting policies and note 26 in the consolidated financial statements)**	
During 2022 Neste finalized a transaction to establish a joint arrangement (Martinez Renewables) for production of renewable fuels together with Marathon Petroleum. At the time of making the investment, Neste made the interpretation to treat the establishment and initial investment into the joint arrangement as an asset acquisition. After the initial investment, Neste classified the joint arrangement as a joint operation reflecting that Neste and Marathon Petroleum have a joint control over the arrangement's relevant activities, and that the production output will be divided evenly between Neste and Marathon Petroleum. As a result of the joint operation classification, Neste recognizes its 50% share of Martinez Renewables' assets, liabilities, revenues and expenses. Due to the significant impact on Neste growth strategy and unusual nature of the joint operations arrangement, it is considered as a key audit matter.	Our audit procedures related to Martinez Renewables joint arrangement operation included: • Evaluating the accounting policies applied in relation to the IFRS standards. • Providing instructions to the auditors of joint operation to carry out appropriate controls testing and substantive procedures. • Evaluating the findings reported by the auditors of joint operation including discussion with the auditors. • On going communications with the management regarding arrangements over the joint arrangement's governance model. In addition, we have assessed the appropriateness of the Group's disclosures in respect of the transaction and the joint arrangement operation.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Biofuel credits **(reference to notes 5 and 18 in the consolidated financial statements)**	
Renewable Products revenue includes income deriving from biofuel credits which Neste earns its sales operations especially in the USA. Neste's biofuel credits relate to the import and sale of renewable fuels in the USA in the form of Renewable Identification Number (RINs) and Low Carbon Fuel Standard (LCFSs) and Blenders Tax Credits (BTC). RINs and LCFSs are accounted for as government grants upon receipt of the product inventory in the USA and are recognized as a revenue when biofuel credits are sold to a third party. RINs and LCFSs are accounted for as inventory to the extent they have been separated from the physical goods, which happens when renewable fuel is blended with fossil fuel. As there is a risk relating to accuracy of biofuel credits it has been considered as a key audit matter.	Our audit procedures related to biofuel credits included: • Evaluating the appropriateness of the accounting policies applied when recording biofuel credits in relation to underlying IFRS principles. • Evaluation of the process for registering biofuel credits and for reconciling balances to the eligible credits. • Comparing of the registered balances against the systems administered by the Environmental Protection Agency (EPA) in the USA. In addition, our test of details included the following procedures to confirm accuracy of biofuel credits: • Testing of revenue recognition on a sample basis based on the sales agreements and system generated documents. • Comparing the valuation of RINs and LCFSs accounted for as inventory to quoted market prices. • Comparing of the value of the BTC to that confirmed by the authorities in the USA.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Valuation of inventories **(reference to note 18 in the consolidated financial statements)**	
The company has significant inventory balances both in the Renewable Products and Oil Products segments. The inventory is valued at the lower of cost or net realizable value. The cost of inventory in the Renewable Products segment reflects purchase prices, which are impacted by the market prices of different feedstocks as well as the mix of feedstocks purchased. Inventory management, stocktaking routines and costing of inventories are underlying key factors in determining the value of inventories. Due to complexity of the inventory valuation calculations for Renewable Products the valuation of inventories in Renewable Product segment is considered as a key audit matter.	Our audit procedures related to valuation of Renewable Products' inventories included: • Evaluating the appropriateness of the accounting policies applied in relation to IFRS standards. • Testing of controls over inventory management and valuation. • Performing substantive audit procedures in order to test the accuracy of inventory valuation at the lower of cost or net realization value at reporting date by testing on a sample basis accuracy of relevant components related to valuation. In addition, we have assessed the appropriateness of the Group's disclosures in respect of inventory valuation.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on March 30, 2021 and our appointment represents a total period of uninterrupted engagement of 3 years.

Other Information

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

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

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

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

Other Opinions Based on Statutory Law

Based on our audit, it is our responsibility to express an opinion on the matters required by the Finnish Natural Gas Market Act Chapter 13, Section 64.

The unbundled income statements, balance sheets and the supplementary information of the natural gas business operations are prepared in accordance with the Finnish Natural Gas Market Act and the rules and regulations issued thereunder.

Other Statements

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

Helsinki February 7, 2024
KPMG OY AB

LEENAKAISA WINBERG
Authorised Public Accountant, KHT