Neste
Q2 2023

Matti Lehmus | President and CEO | 27 July 2023

Contents

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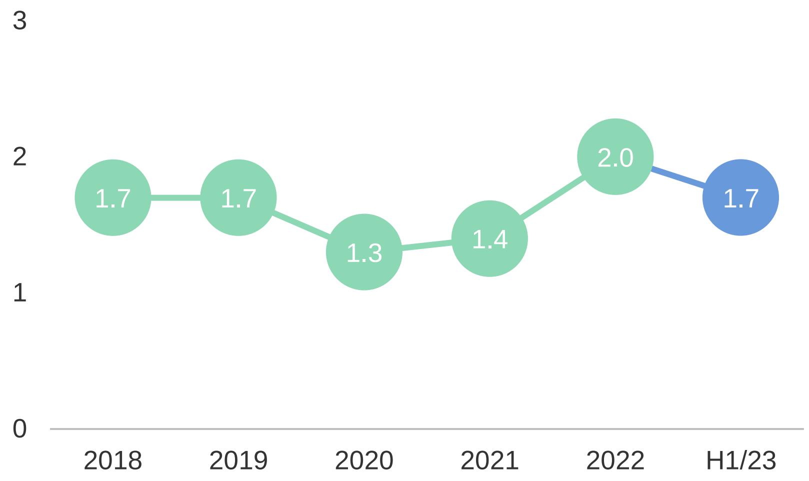
Growth projects ramping up

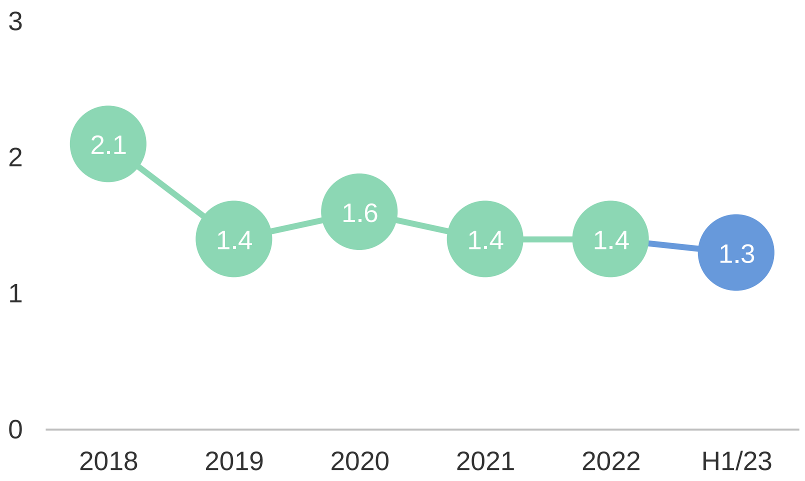
- Group comparable EBITDA EUR 784 (1,085) million
- Renewable Products’ comparable sales margin 800 USD/ton and sales volume growth +17% y-o-y
- Total refining margin 16.7 USD/bbl in Oil Products supported particularly by gasoline margins
- Marketing & Services performed well despite inventory losses
- Growth strategy implementation continues – H2/23 focus on the ramp up of our new capacities at Singapore and Martinez and on the value creation from our global business platform

Strong focus on improving safety performance continues

Total Recordable Incident Frequency (TRIF), per million hours worked

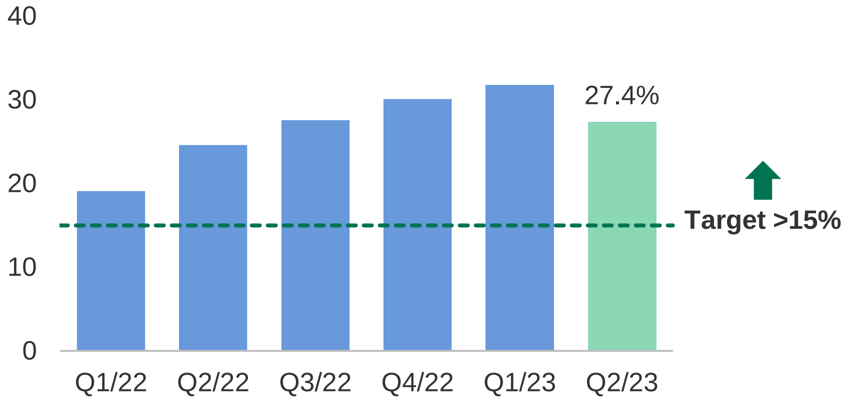


Process Safety Event Rate (PSER), per million hours worked



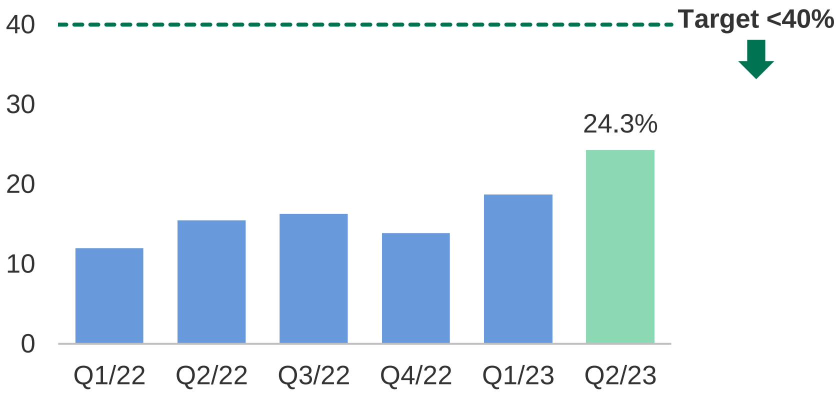
Solid financial position

Comparable ROACE, rolling 12 months, %



- At the end of June, Comparable ROACE was 27.4%, which clearly exceeds our target of over 15%

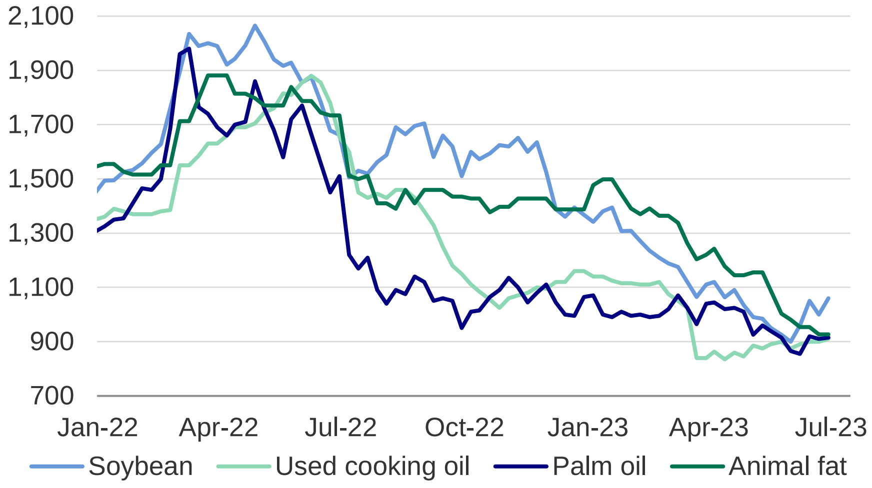
Leverage, %



- Leverage ratio remains well below our target of below 40% and totalled 24.3% in Q2/23

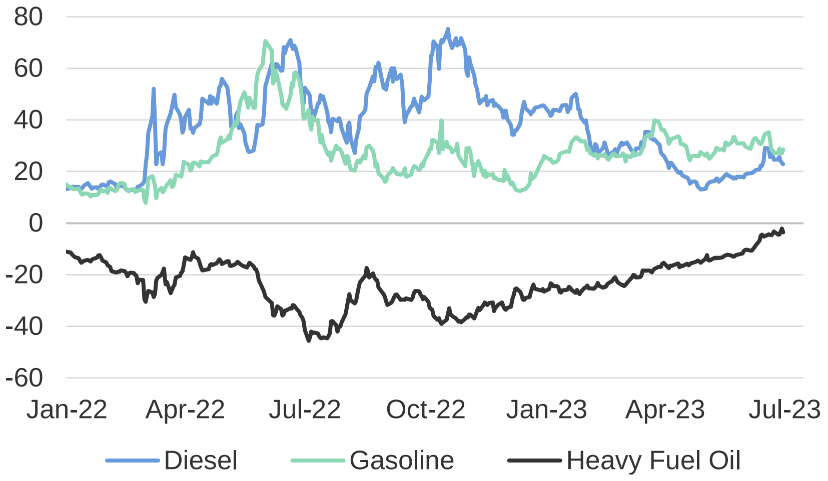
Business environment highlights

Veg oil and selected waste and residue prices[1], USD/ton



- In Q2/23, waste and residue prices stayed relatively stable or lower compared to Q1/23

Product margins (price differential vs. Brent), USD/bbl



- Key utility prices were lower in Q2/23 compared to Q1/23
- Overall, the refining margin was weaker than in the first quarter. Market was volatile but key product margins were still above long term averages.

Source: Oil World, The Jacobsen, Argus UCO CIF ARA, Platts

Group financials Q2 2023

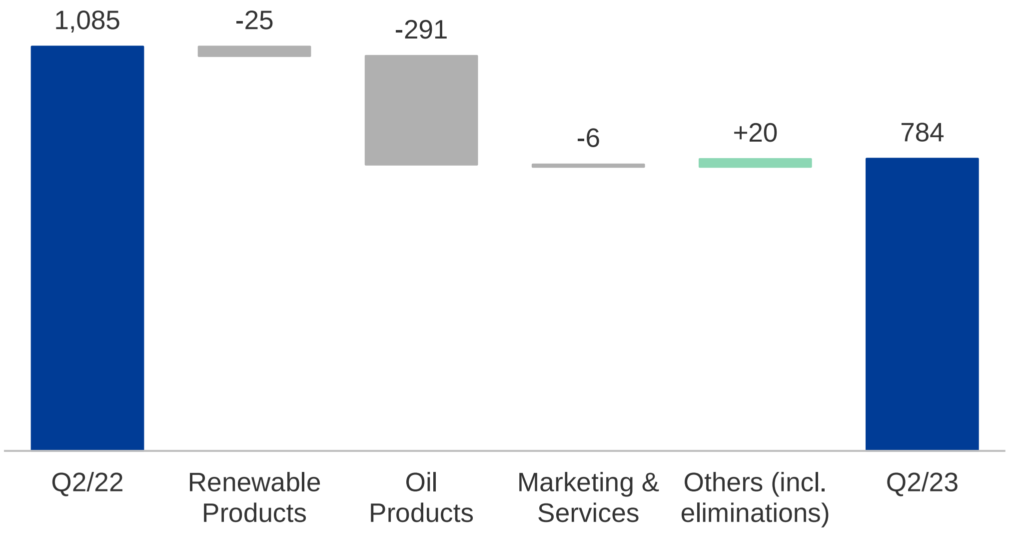
Group financials Q2/2023

Comparable EBITDA at EUR 784 (1,085) million, Oil Products’ margins have normalized from their highs in Q2/2022

MEUR	Q2/23	Q2/22	H1/23	H1/22	2022
Revenue	5,351	7,039	10,649	12,562	25,707
EBITDA	523	927	986	1,843	3,048
Comparable EBITDA	784	1,085	1,614	1,663	3,537
Renewable Products	513	538	928	957	1,762
Oil Products	239	529	632	667	1,654
Marketing & Services	29	35	52	67	126
Others (incl. eliminations)	4	-17	2	-28	-5
Operating profit	312	769	597	1,532	2,410
Cash flow before financing activities	-24	-8	-126	-968	-390
Comparable earnings per share, EUR	0.63	0.96	1.35	1.41	3.04

Comparable EBITDA on a good level in Q2, mainly impacted y-o-y by lower refining margins in Oil Products

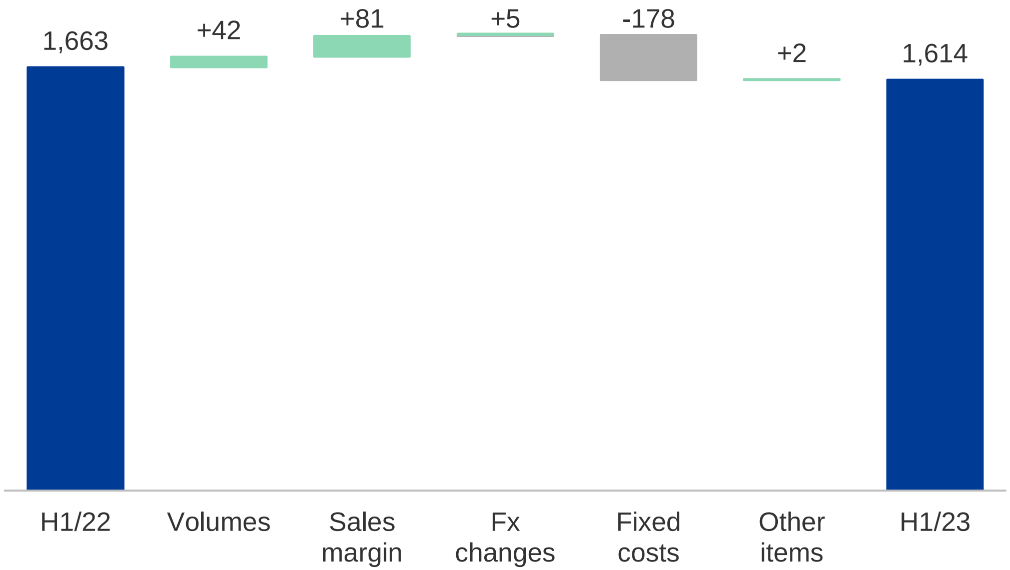
Group comparable EBITDA by segments Q2/23 vs. Q2/22, MEUR



- Group comparable EBITDA EUR 784 (1,085) million
- Renewable Products' comp. EBITDA EUR 513 million (538 million), driven by higher sales volume, but reflecting costs related to the ramp up of the new production line in Singapore and a higher amount of sales from the Martinez joint operation with a lower margin
- Oil Products' comp. EBITDA EUR 239 million (529 million), as refining margins have been normalizing y-o-y
- Marketing & Services comp. EBITDA EUR 29 million (35 million)

H1/2023 result driven by higher volumes and higher sales margins, offset by growth-related fixed cost increase

Group comparable EBITDA H1/23 vs. H1/22, MEUR



- Renewable Products' six-month comp. EBITDA was EUR 928 million (957 million), mainly impacted by a higher sales margin and increased fixed costs
- Oil Products' comp. EBITDA was EUR 632 million (667 million), mainly impacted by increased sales volumes but slightly lower margins and increased fixed costs
- Marketing & Services comp. EBITDA was EUR 52 million (67 million), unit margins on a good level, previous year supported by inventory profits vs. inventory loss in 2023

H1/2023 cash flow improving clearly y-o-y

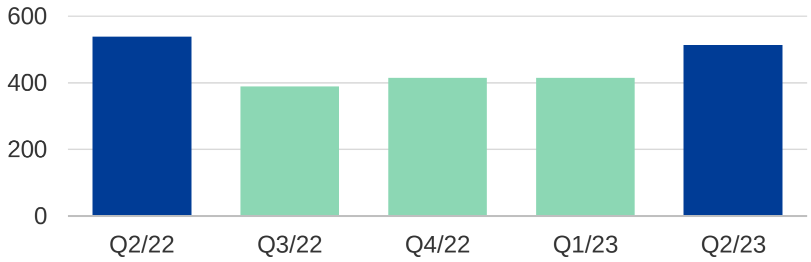
Effective NWC management y-o-y, NWC in days outstanding 38.7 (56.4) days on a rolling 12-month basis at the end of Q2

MEUR	Q2/23	Q2/22	Q1/23	H1/23	H1/22	2022
EBITDA	523	927	463	986	1,843	3,048
Capital gains/losses	0	6	0	0	2	0
Other adjustments	-36	375	180	144	167	-55
Change in net working capital	3	-997	-209	-205	-2,305	-1,357
Net finance costs	-33	-12	-23	-56	-25	-42
Income taxes paid	-40	-46	-34	-74	-67	-398
Net cash generated from operating activities	**418**	**254**	**377**	**794**	**-385**	**1,197**
Capital expenditure	-395	-233	-550	-945	-428	-1,757
Other investing activities	-46	-29	71	25	-155	170
Cash flow before financing activities	**-24**	**-8**	**-102**	**-126**	**-968**	**-390**

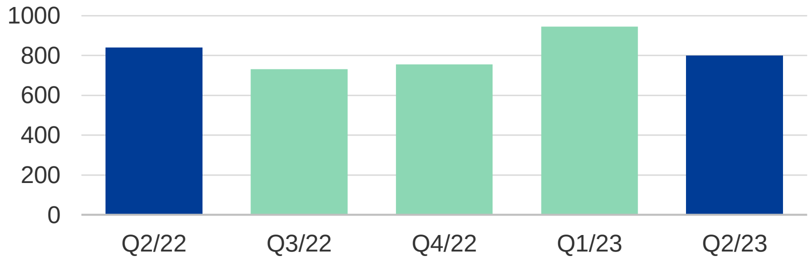
Q2 2023
Segment reviews

Solid performance continued in Renewable Products

Comparable EBITDA, MEUR



Comparable sales margin[1], USD/ton

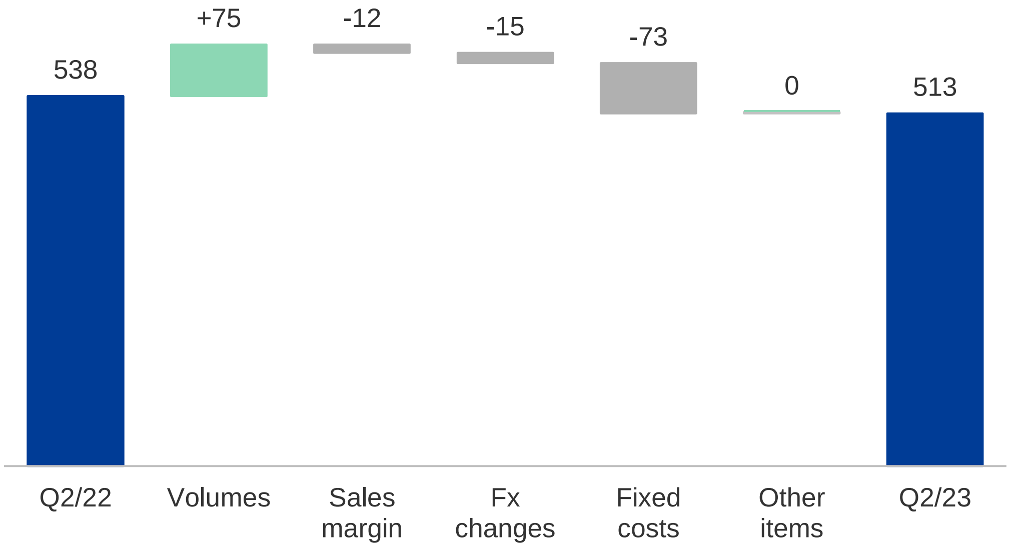


- Comparable EBITDA EUR 513 (538) million
- Comparable sales margin[1] USD 800/ton (841)
- Comparable RONA[2] 21.0% (30.3%)
- Sales volume for RD 905 (780) ktons and SAF 40 (28) ktons, share of Europe 60% (71%), US 40% (29%)
- High share of waste and residue feedstock at 96% (96%)
- Investments EUR 356 (203) million
- Utilization rate 107% (103%)

1) Comparable sales margin calculation formula has been adjusted effective 1 January 2023; and the figures for 2022 restated
2) Last 12 months

Higher fixed costs offset by higher volumes

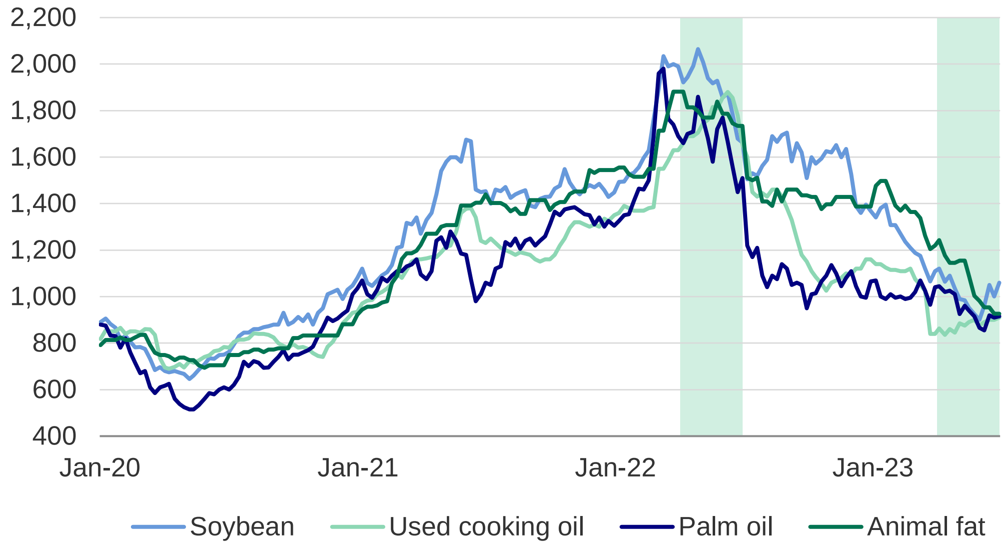
Comparable EBITDA Q2/23 vs. Q2/22, MEUR



- Record-high sales volumes
- Lower sales margin had a negative impact of EUR 12 million
- Weaker US dollar had a negative impact of EUR 15 million y-o-y
- Segment’s fixed costs were EUR 73 million higher y-o-y

Waste and residue feedstock prices continued to decline

Vegetable oil and selected waste and residue prices[1], USD/ton

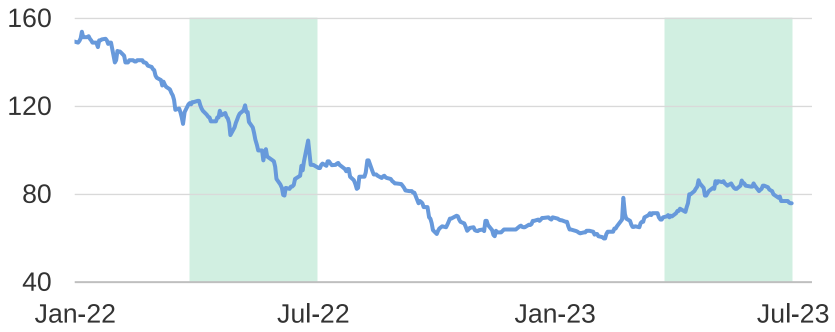


- Vegetable oil prices continued to decrease throughout the quarter
- Waste and residue feedstock price developments followed vegetable oil prices, but varied depending on the market area
- Growing RD capacity in the US increased the price level compared to EU and APAC

1) Quotations in NWE
Source: Oil World, The Jacobsen, Argus UCO CIF ARA

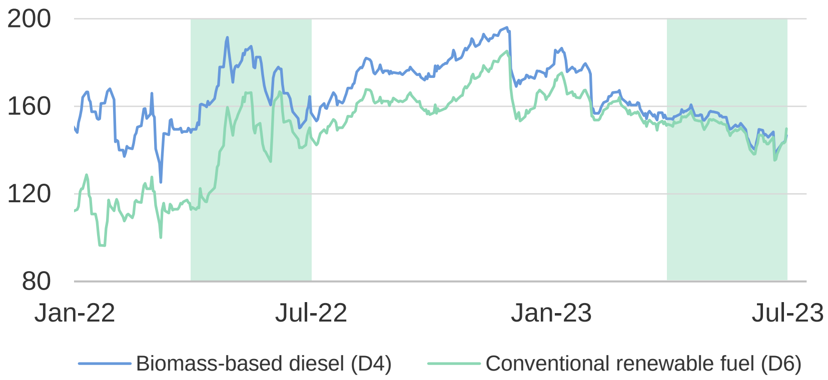
Key market drivers in the US market

California Low Carbon Fuel Standard, LCFS credit price, USD/ton



- LCFS credit price first recovered, but retraced slightly towards the end of the quarter as future targets are still being reassessed by CARB
- Q2/23 California LCFS credit USD 81/ton (104)

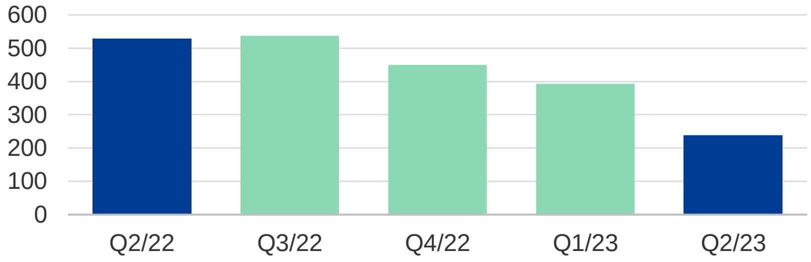
RIN prices, US cent/gal



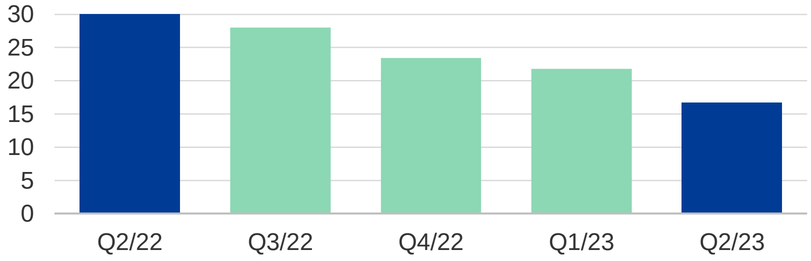
- D4 RIN fell towards the end of the quarter, reflecting the final renewable volume obligation set for 2023 and 2024
- Q2/23 D4 RIN USD 1.51/gal (1.70)

Oil product margins more normalized y-o-y

Comparable EBITDA, MEUR



Total refining margin, USD/bbl

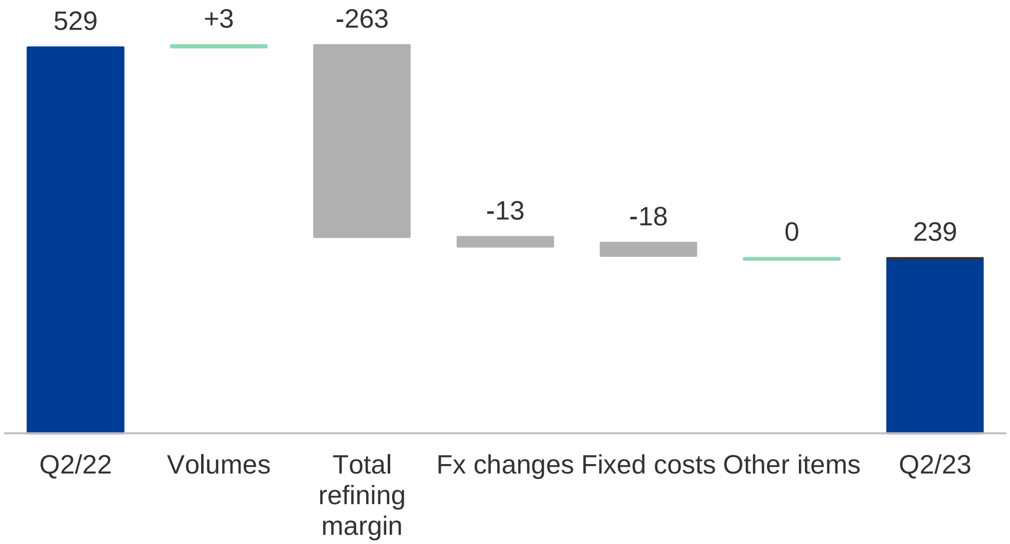


- Comparable EBITDA EUR 239 (529) million
- Total refining margin USD 16.7/bbl (30.0)
- Comparable RONA[1] 46.9% (25.0%)
- Sales volume 2.8 Mtons (2.8)
- Investments EUR 23 (9) million
- Refinery average utilization rate 86% (89%)
- Refinery production costs USD 6.3/bbl (6.8)

1) Last 12 months

Oil product margins normalizing to a lower level

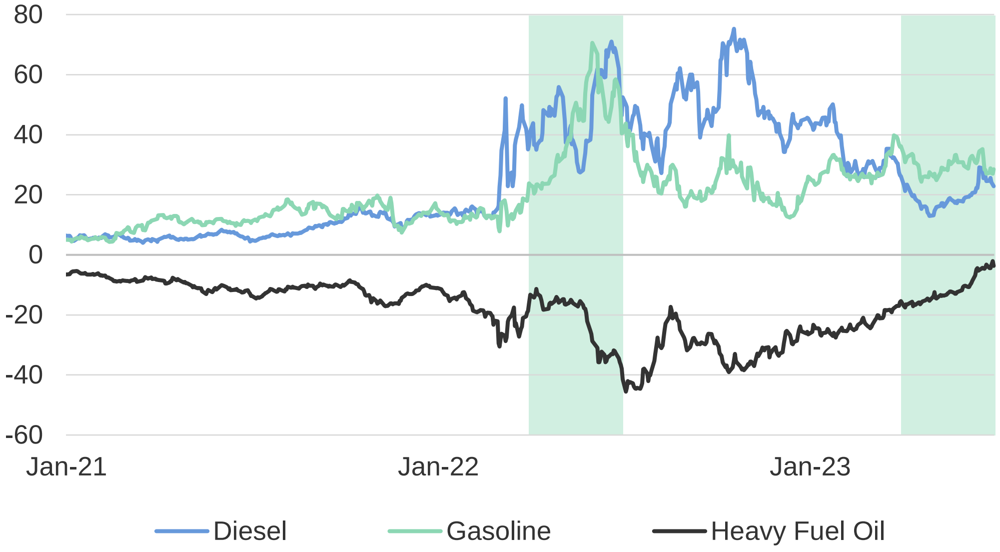
Comparable EBITDA Q2/23 vs. Q2/22, MEUR



- Total refining margin decreased towards a more normalized level
- Sales volumes were stable y-o-y
- Higher fixed costs

Healthy margins – gasoline higher than diesel

Product margins (price differential vs. Brent), USD/bbl

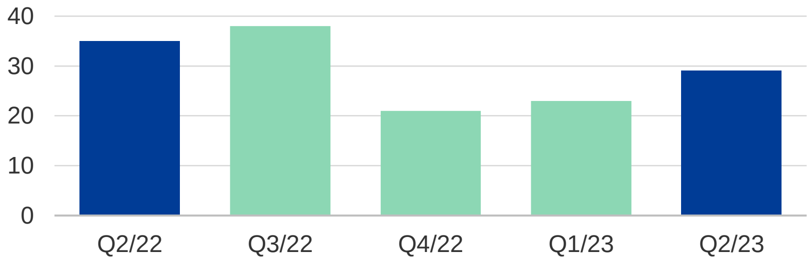


- The lower diesel margin in Q2 was driven by the weakening industrial demand outlook. Physical demand was under pressure in Europe and markets were impacted with the slow industrial recovery in China.
- Gasoline margin was supported by the summer driving season and refinery outages in Europe and USA. US gasoline demand was still healthy despite the weakening economic outlook which kept inventories at tight levels and supported European cracks.

Source: Platts

Marketing & Services performed well

Comparable EBITDA, MEUR



Sales volumes by main product categories, million liters

	4-6/23	4-6/22	1-6/23	1-6/22	2022
Gasoline station sales	162	154	300	284	600
Diesel station sales	397	405	788	793	1,620
Heating oil	170	160	381	381	907

- Comparable EBITDA EUR 29 (35) million
- Sales volumes increased y-o-y, supported mainly by the improved market share in Finland and the recovering aviation sector
- Unit margins were on a good level, however decreasing from prior year's exceptional levels
- Comparable RONA[1] 31.8% (41.2%)
- Higher fixed costs y-o-y
- Investments EUR 3 (2) million

1) Last 12 months

Current topics

Growth strategy implementation continues

- Focus on Singapore expansion production ramp-up continues − SAF production scheduled to start in Q3
- Martinez Renewables Phase II (pretreatment) and Phase III (nameplate capacity expansion) targeted to start up by year-end
- Rotterdam SAF optionality project to start up in early 2024 and Rotterdam Capacity Growth project progressing for startup by mid-2026
- Continued focus on waste and residue feedstock growth

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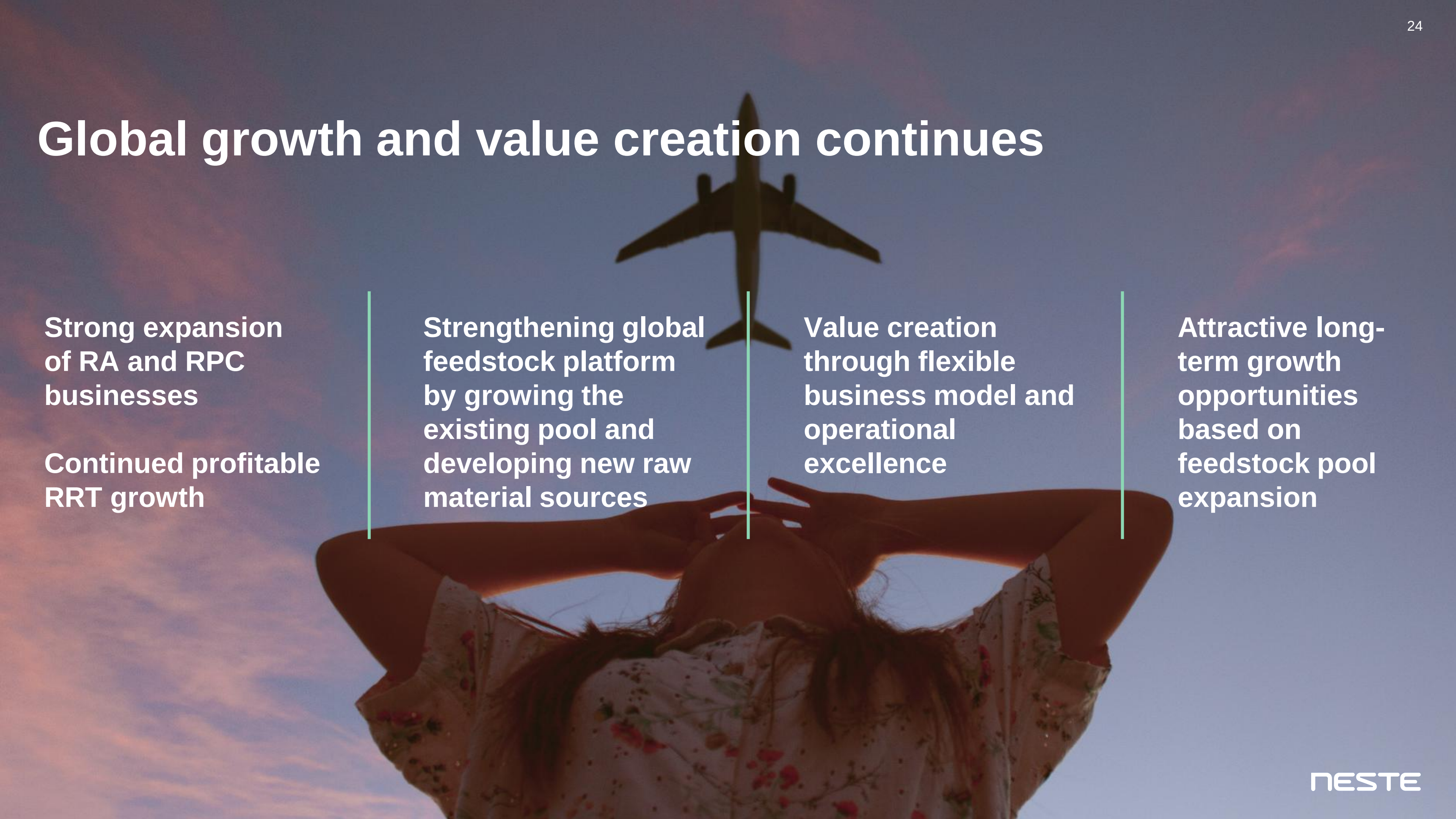


Global growth and value creation continues

Strong expansion of RA and RPC businesses

Continued profitable RRT growth

Strengthening global feedstock platform by growing the existing pool and developing new raw material sources

Value creation through flexible business model and operational excellence

Attractive long-term growth opportunities based on feedstock pool expansion

Outlook

Outlook

Visibility in the global economy continues to be low due to high inflation, reduced economic growth expectations and continued geopolitical uncertainty. Volatility in oil products and renewable feedstock markets expected to continue

Renewable Products

- RD and SAF sales volume in Q3 expected to be somewhat lower than in Q2, affected by the continued repair works in the new production line in July, after which the ramp-up of the capacity expansion continues
- The sales volume impact from the repair works of the new production line in Q2 and Q3 is estimated to be approx. 230,000 tons for H2/2023 versus plan. Ramp-up of the production of the Singapore expansion expected to be completed by the end of the year and renewable diesel and SAF sales volumes to grow after Q3
- The sales volume for H2/2023 also affected by a planned 5-week maintenance shutdown in the Singapore existing production line which is currently estimated to have a negative impact of approx. EUR 85 million on the segment’s comparable EBITDA
- Q3 comparable sales margin expected to remain very strong and to be in the range of USD 800–900/ton
- Fixed costs in Q3 expected to be approx. EUR 15 million higher than in Q2
- 4-week maintenance shutdown at the Rotterdam refinery scheduled for Q4 with an estimated negative impact of approx. EUR 65 million on the segment’s comp. EBITDA

Oil Products

- Market expected to remain volatile
- Q3 total refining margin expected to be slightly higher than in Q2
- Sales volumes in Q3 expected to remain high, supported by the summer driving season

Marketing & Services

- Sales volumes and unit margins expected to follow the previous years' seasonality pattern in Q3
- Slowing economy expected to have some negative impact on the overall demand

Other topics

- Based on the current estimates and a FX hedging rate of approx. 88%, Neste's effective EUR/US dollar rate is expected to be within the range of 1.06–1.07 in Q3
- Group’s FY2023 cash-out capital expenditure excl. M&A estimated to be approx. EUR 1.6–1.7 billion

Appendix

Renewable Products’ comparable EBITDA calculation

	Q2/22	Q3/22	Q4/22	2022	Q1/23	Q2/23
Total RP sales volume, kton[1]	831	720	808	3,127	678	957
Comparable sales margin, USD/ton[2]	**841**	**732**	**755**	**779**	**945**	**800**
Comparable sales margin, MEUR	657	523	598	2,314	598	703
Fixed costs, MEUR	-119	-135	-189	-558	-184	-192
Comparable EBITDA, MEUR	**538**	**389**	**415**	**1,762**	**415**	**513**

1) Renewable Products sales volume includes RD, SAF and other products
2) Comparable sales margin calculation formula has been adjusted effective 1 January 2023 and the figures for 2022 restated

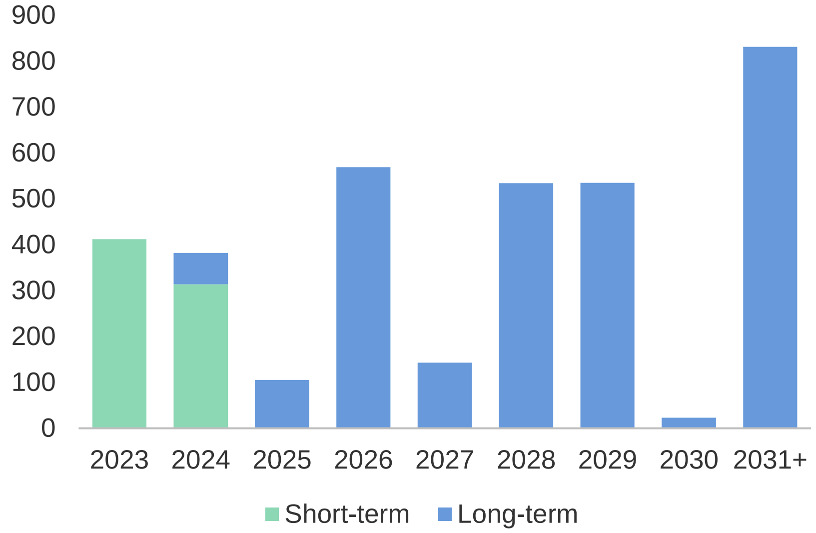
Oil Products’ refinery production costs

		Q2/22	Q3/22	Q4/22	2022	Q1/23	Q2/23
Refined products	million barrels	22.3	22.2	20.3	87.1	21.3	21.3
Exchange rate	EUR/USD	1.07	1.01	1.02	1.05	1.07	1.09
Utilities costs*	MEUR	97.7	109.4	113.3	428.7	102.4	68.9
	USD/bbl	4.7	5.0	5.7	5.2	5.2	3.5
Fixed costs	MEUR	45.7	41.7	62.5	190.9	49.7	55.6
	USD/bbl	2.2	1.9	3.1	2.3	2.5	2.8
External cost sales	MEUR	-0.3	-0.3	-0.4	-1.5	-0.5	-0.5
	USD/bbl	0.0	0.0	0.0	0.0	0.0	0.0
Total*	MEUR	143.2	150.8	175.4	618.1	151.6	124.0
	USD/bbl	6.8	6.8	8.8	7.5	7.7	6.3

* Figure for 1–3/23 has been corrected

Liquidity and maturity profile

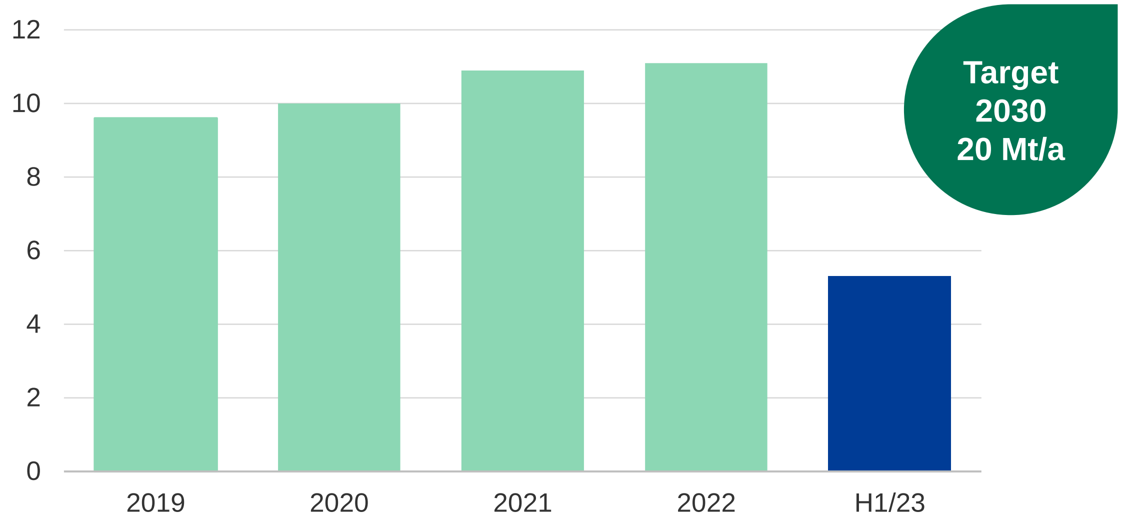
Maturity profile, MEUR



- Group's liquidity EUR 2,939 million at the end of June
  - Liquid funds EUR 1,039 million
  - Unused committed credit facilities EUR 1,900 million
- Average interest rate for interest-bearing liabilities was 3.4% and maturity 4.7 years at the end of June
- No financial covenants in Group companies' existing loan agreements

Sustainability highlights Q2 2023

GHG emission reduction achieved with Neste's renewable products[1], Mtons



- In May, Neste was selected to the initial target validation group for science-based targets (SBTs) for nature by the Science Based Targets Network (SBTN)
- In June, Neste was awarded with the Platinum EcoVadis Medal, which places Neste among the top 1% of companies assessed by EcoVadis.
- In Q2, Neste expanded the living wage gap assessments to the company's own employees across global operations, using data provided by the Fair Wage Network.

1) Annual greenhouse gas (GHG) reduction achieved with Neste's renewable products compared to 100% crude oil based fuel. Calculation method complies with the EU Renewable Energy Directive II (EU) 2018/2001 and the California LCFS methodology, which has been applied in the GHG reporting for volumes sold in the US since the beginning of 2022.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Change runs on renewables