



Neste Q4 2023

Matti Lehmus | President and CEO | 8 February 2024

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Key takeaways

- Strong results in all business units in Q4/23
- In Renewable Products, we were able to optimize our sales and feedstock sourcing in a more challenging market environment
- Oil Products reached a good total refining margin level with solid operational performance, in spite of lower product margins
- Increase in cash flow before financing activities was a clear highlight, supported by successful working capital management

Key figures Q4 and 2023

**Q4
2023**

Group comparable
EBITDA, EUR m

797 (894)

Sales volume,
renewable products, ton

870 (808)

Comparable sales
margin, USD/ton

813 (755)

Cash flow before
financing activities

475 (596)

Total refining margin,
USD/bbl

18.9 (23.5)

**FY
2023**

Group comparable
EBITDA, EUR m

3,458 (3,537)

Sales volume,
renewable products, ton

3,382 (3,127)

Comparable sales
margin, USD/ton

863 (779)

Cash flow before
financing activities

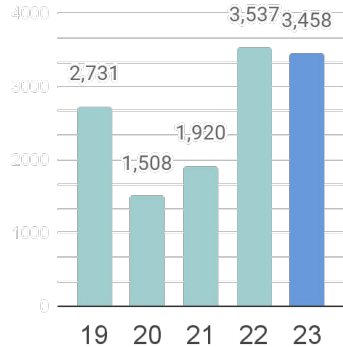
751 (-390)

Total refining margin,
USD/bbl

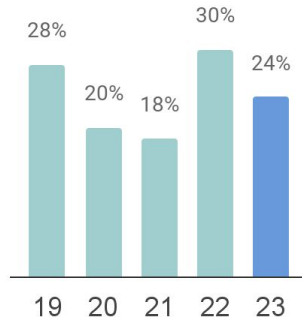
21.1 (23.4)

Key figures for 2023

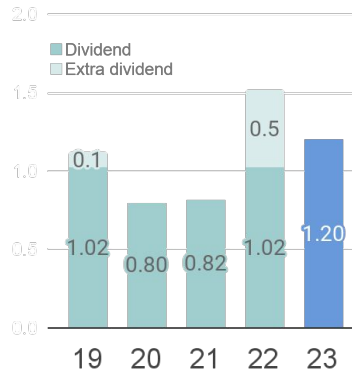
Comparable EBITDA, EUR million



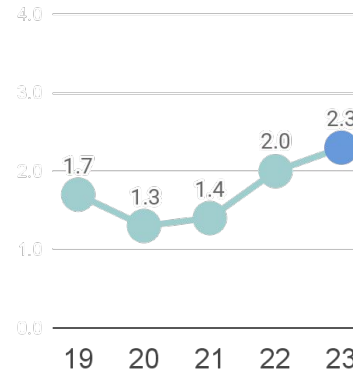
Comparable ROACE, after tax, %



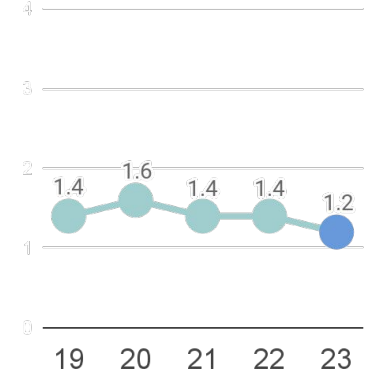
Dividend¹, EUR/share



Total Recordable Incident Frequency (TRIF)², per million hours worked



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



1) Proposal by the Board of Directors to the AGM

2) Including new organizational units in the US, for example Mahoney Environmental from 2023 onwards

Group highlights from 2023

Laying the foundation for value creation in key markets

- Expansion of renewable production capabilities
- Strengthening of SAF supply chain

Strengthening our renewable feedstock platform

- Continued acquisitions and organic growth

Progress in long term growth initiatives

- Porvoo refinery transformation roadmap
- First chemical recycling investment

Efficiency improvement

- Simplified organization structure
- Neste Excellence program

Key market environment drivers in Q4

		Avg, Q4/23	Change, % QoQ	Change, % YoY
Macro drivers¹⁾	Crude oil price (USD/bbl)	84.0	-3%	-5%
	Diesel price (USD/ton)	841	-5%	-19%
Renewable feedstock costs²⁾	Used cooking oil (USD/ton)	872	-9%	-20%
	Soybean oil (USD/ton)	1148	-21%	-26%
	Animal fat (USD/ton)	1119	+3%	-20%
Renewable US credit prices³⁾	California LCFS (USD/ton)	69	-8%	+5%
	RIN D4 (US cent/gal)	84	-40%	-54%
Oil product margins⁴⁾	Diesel (USD/bbl)	30.6	-11%	-42%
	Gasoline (USD/bbl)	16.7	-47%	-25%
	HFO (USD/bbl)	-13.7	-150%	+58%

Comments

- US renewable credit price levels, especially RINs and LCFS declined towards year-end. Also the European renewable diesel spot premium levels and bioticket prices weakened during the second half of the year
- Renewable feedstock prices also decreased during Q4, supporting the sales margin
- Product cracks decreased versus previous quarter in Oil Products

Segment reviews



Renewable Products: Highlights from 2023

Ready for growth in SAF and renewable polymers & chemicals

- Global supply chain and sales channels established in SAF
- SAF production started in Singapore
- Multiple strategic partnerships in renewable polymers & chemicals

Renewable diesel markets expanded

- Continuing the expansion of customer base both in road and off-road applications
- Enabling sales margin optimization

Important regulation developing

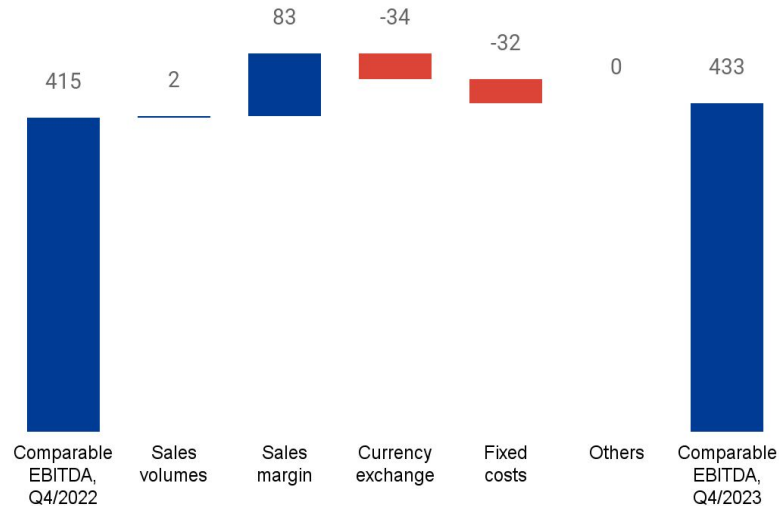
- RED III & Refuel EU Aviation
- The long-term commitment to combat climate change remains strong

Global feedstock platform further strengthened

- Continued geographical growth
- Continuing the expansion of the UCO collection platform

Solid performance in Renewable Products in Q4/23

Comparable EBITDA Q4/23 vs. Q4/22, MEUR

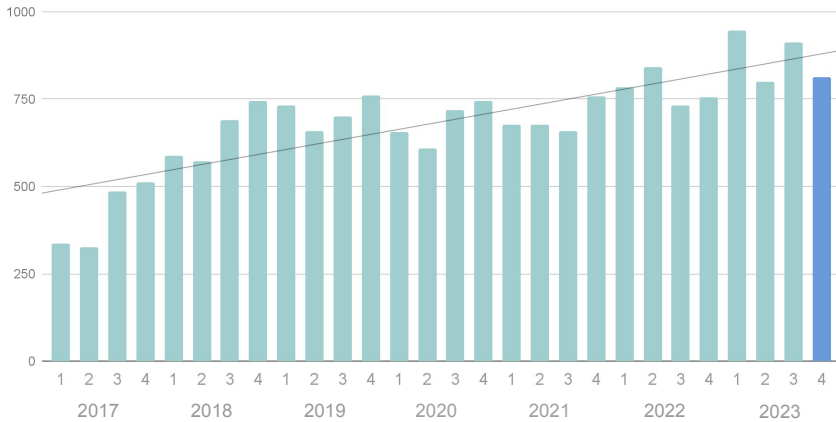


Comments

- Sales volumes increased to 870 kton (808)
- European market app. 61% (66) and North America app. 39% (34%)
- Sales margin reached USD 813 (755)/ton
 - Positive impact from hedging
 - Lower feedstock costs
 - Lower production costs
 - Weaker RIN level
- Utilization rate at 102% (75)
- Fixed costs increased year-over-year in line with growth strategy, focus on efficiency going forward

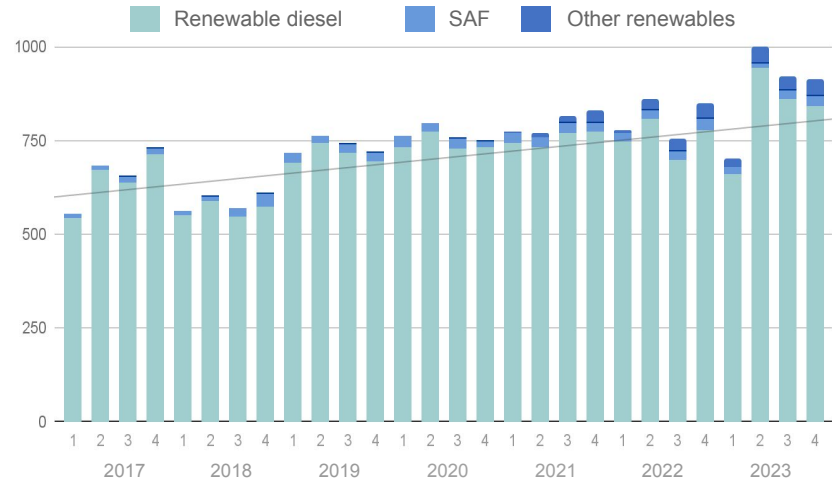
Ending 2023 with strong margins and increasing volumes

Comparable sales margin¹⁾, USD/ton



- Very strong margin level throughout 2023
- Continuously creating additional value from the unique competitive advantages in the end-to-end value chain

Renewables volume, quarterly, ktons



- Sales volumes reached 870 ktons in Q4/23
- SAF will become a more visible part of total sales volumes from Q2/24 onwards

1) Including joint ventures

Renewable Products: Focus areas in 2024

Value capture through end-to-end optimization

- Optimizing the value chain, from feedstock to end-customers
- Commercial speed to market
- Global platform providing opportunities for margin maximization

Growing the SAF business

- SAF sales expected to support margins and to reach 0.5-1.0 Mt/a
- Demand momentum driven by upcoming Refuel EU aviation

Full capacity ramp-up of new facilities

- Singapore and Martinez full capacity
- Starting SAF production in Rotterdam
- Rotterdam expansion execution and learnings from previous projects
- Clear efficiency improvement

Continued feedstock growth

- Continuing to expand the feedstock potential both geographically and by vertical integration
- Continue expanding the feedstock mix both short-term and long-term

Oil Products: Highlights from 2023

Strong margins in a volatile market environment

- Refining margins continued on a historically high level, driven by gasoline and diesel margins
- Neste was able to capitalize on the margin opportunities in a volatile market environment
- Natural gas price level normalized

Safety and operational improvement

- Safety program with visible results leading to good safety performance in Oil Products
- Utilization rate increased to 88 (85)%

Decision to transform Porvoo into renewables and circular solutions hub

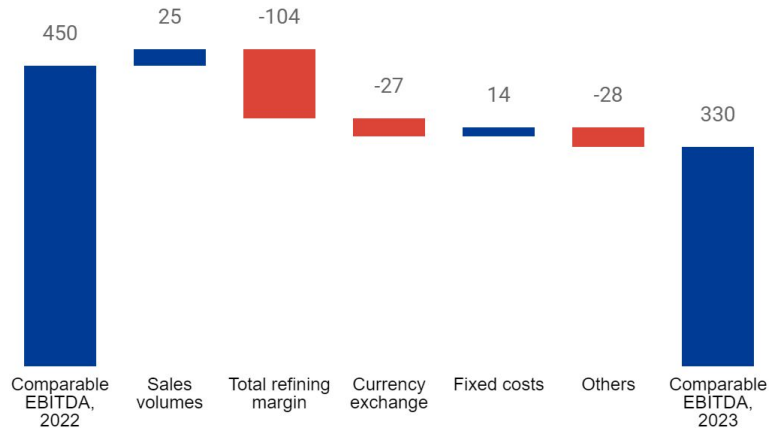
- Gradual decision-making and execution
- Investment execution started for the liquified waste plastics upgrading unit
- Renewable co-processing capacity doubled from previous year

Neste Excellence driving efficiency

- Major benefits achieved in Neste Excellence, both in production and supply chain optimization
- Optimizing inventory levels with significant net working capital impact
- Improvements in cost efficiency

Solid performance in Oil Products in a weaker market in Q4/23. Product margins normalized compared to Q4/22

Comparable EBITDA Q4/23 vs. Q4/22, MEUR



- Oil Products sales volume increased to 3,178 kton (3,039 kton) driven by middle distillates
- Total refining margin was impacted by weaker gasoline and diesel product margins
- Utility costs decreased driven by lower natural gas and electricity price
- Weaker US dollar had a negative impact of EUR -27 million y-o-y
- Refinery's average utilization rate 92% (78%)
- Segment fixed costs were EUR 14 million lower y-on-y

Total refining margin, USD/bbl

	10-12/23	10-12/22	7-9/23	2023	2022
Total refining margin, USD/bbl	18.9	23.5	26.9	21.1	23.4

Oil Products: Focus areas in 2024

Porvoo turnaround execution

- Execution safely and in schedule during Q2/24
- Estimated total capex of EUR 390 million

Porvoo Transformation

- Concrete steps with chemical recycling and co-processing
- Project taken forward by separate decisions
- Green hydrogen project reaching final investment decision readiness

Continuing the solid operational performance

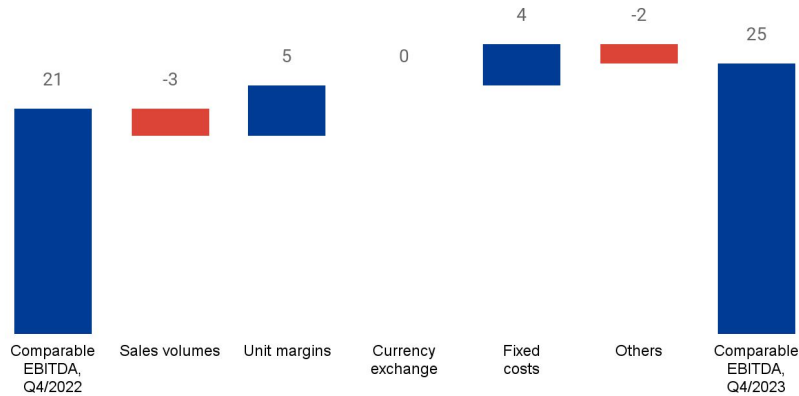
- Maintaining high utilization rates at the Porvoo refinery
- Optimizing the feedstock slate and product mix

Neste Excellence driving efficiency

- Actions focusing on optimization, availability and net working capital optimization continue
- Targeting further improvements in fixed cost efficiency

Marketing & Services: Strong margins supporting Q4/2023

Comparable EBITDA, Q4/23 vs. Q4/22, MEUR



Sales volumes by main product categories, million litres

	10-12/23	10-12/22	7-9/23	2023	2022
Gasoline station sales	153	149	167	620	600
Diesel station sales	405	414	397	1,590	1,620
Heating oil	232	293	180	793	907

Comments

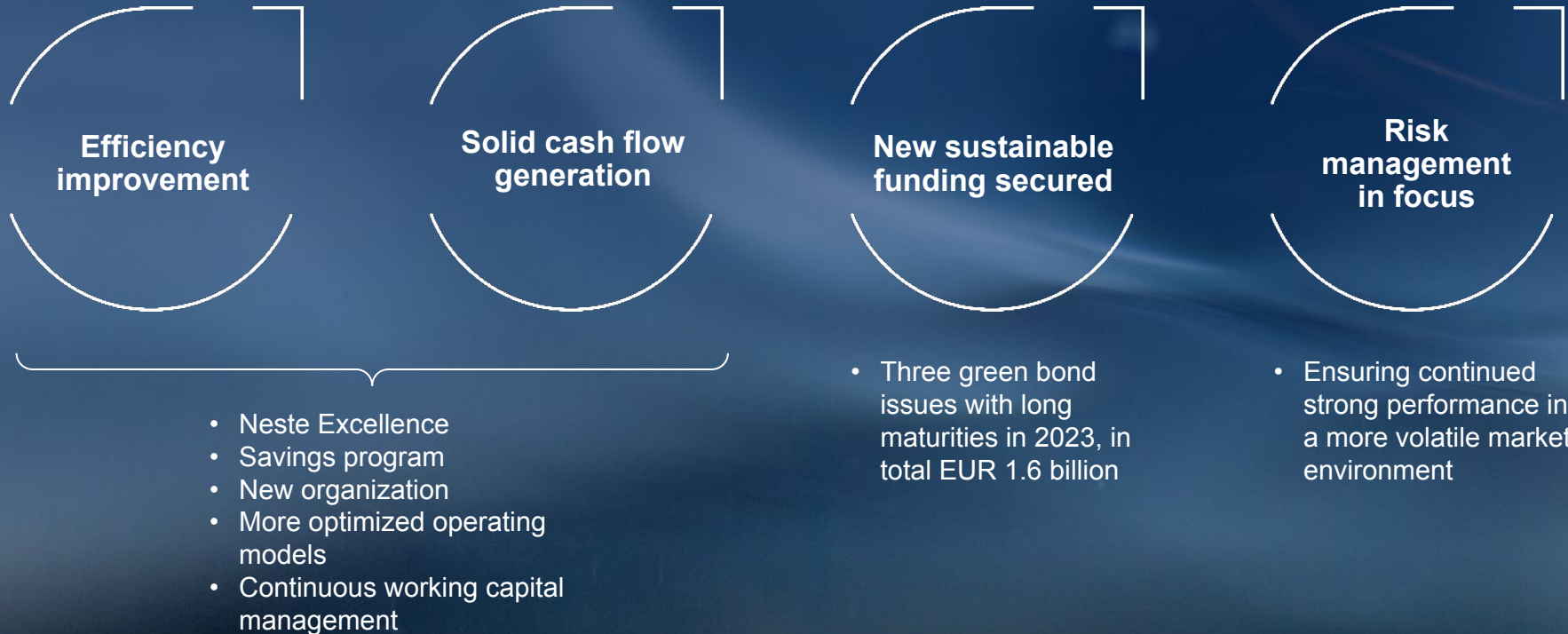
- Sales volumes decreased year-over-year, mainly driven by heating oil and diesel overall demand
- Unit margins were on a higher level compared to the previous year
- Fixed costs lower than in Q4/2022 due to successful efficiency measures

1) Last 12 months

Group financials

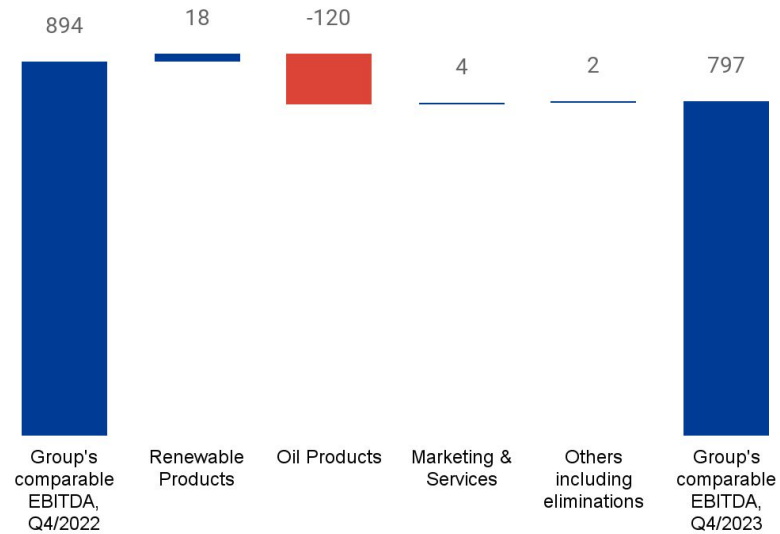
An aerial photograph of a multi-lane highway interchange. The highway has several lanes in each direction, with a large white truck and several cars visible. The road is bordered by green grass and dense trees. The text "Group financials" is overlaid on the left side of the image.

Strong financials lay the foundation for profitable growth

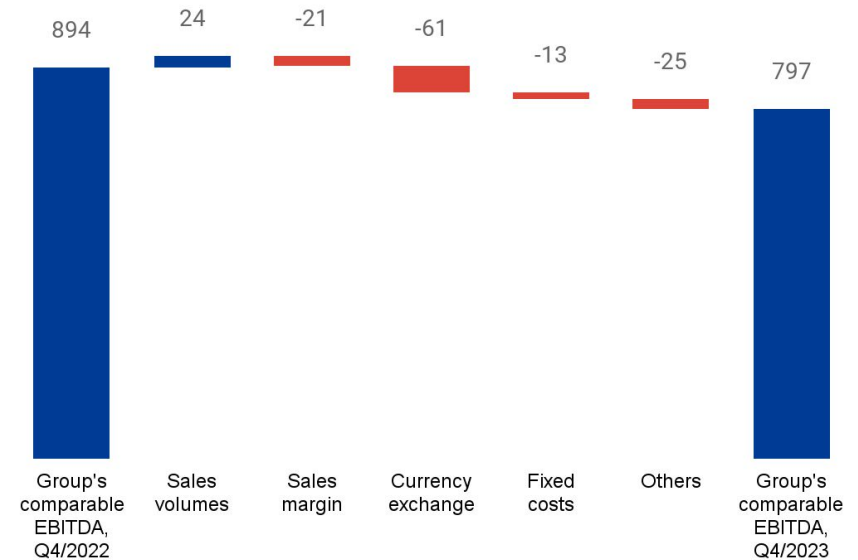


Strong performance in Group and all businesses in Q4/23

Group comparable EBITDA, by segments, Q4

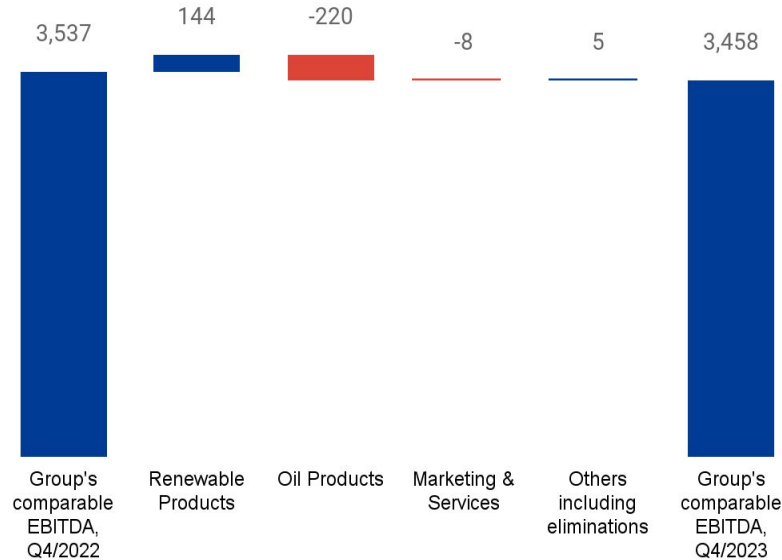


Group comparable EBITDA, by driver, Q4

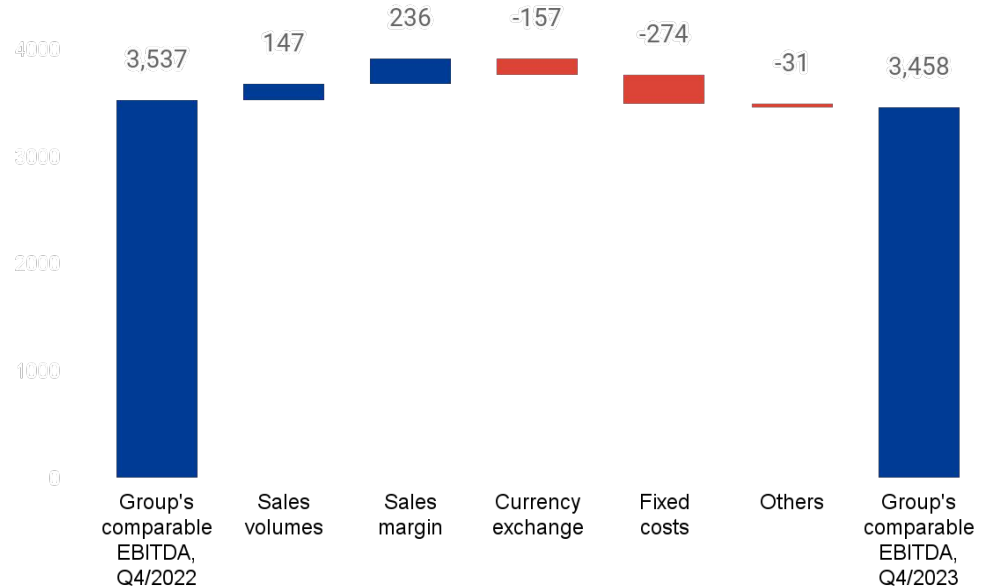


Strong full-year result in a year of capacity ramp-ups

Group comparable EBITDA, by segments, FY2023

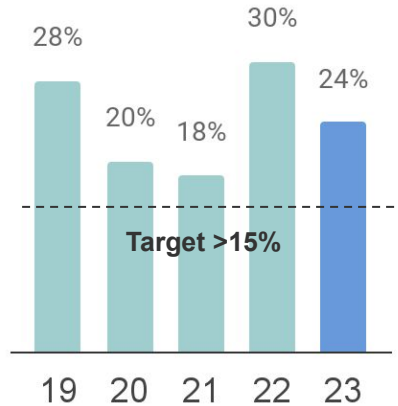


Group comparable EBITDA, by driver, FY2023

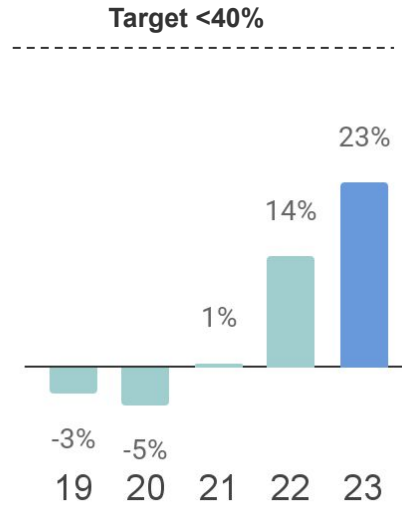


Comfortably meeting the Group's financial targets

Comparable ROACE, after tax, %



Leverage, net debt to capital, %

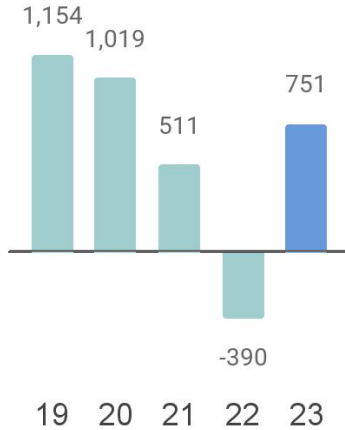


Comments

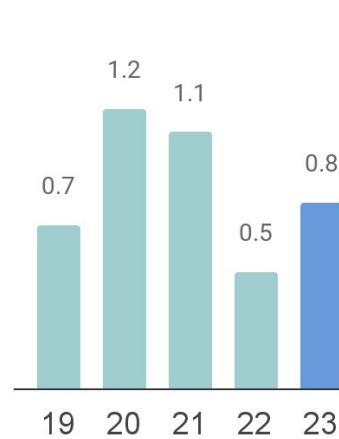
- Comparable return on average capital employed after tax (Comparable ROACE) and leverage ratio are Neste's key financial targets
- The company's long-term Comparable ROACE target is over 15%, and the leverage ratio target is below 40%
- At the end of December 2023, Comparable ROACE calculated over the last 12 months was 23.9%, and leverage 22.7%, both comfortably meeting the financial target levels

Significant improvement in cash flow generation in 2023

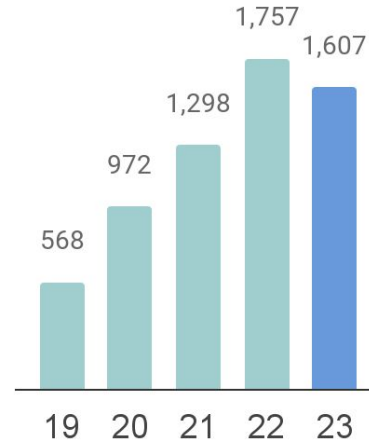
Cash flow before financing activities, EUR million



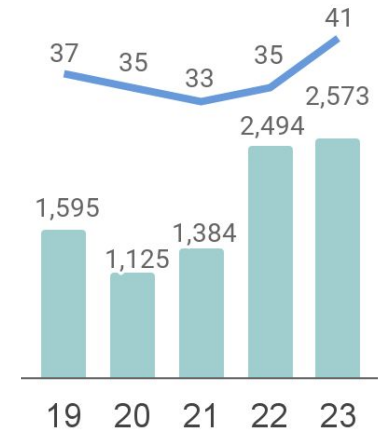
Cash conversion¹⁾



Capital expenditure, EUR million



Net working capital, EUR million and in days outstanding



1) Cash flow from operations / Comparable EBITDA

A man and a young boy are sitting on the back of a dark SUV in a field at sunset. The man is holding a camera and looking at it with the boy. The background shows a vast landscape with mountains and a sunset sky. The text "Market outlook and guidance" is overlaid in white on the image.

Market outlook and guidance

Summary of Neste's FY 2024 outlook

Guidance

Renewable Products	Oil Products
Sales volume expected to increase to approximately 4.4 Mt (+/-10%) (incl. 0.5-1.0 Mt SAF)	Sales volume lower than in 2023, impacted by the planned Porvoo major turnaround in the second quarter
Sales margin USD 600-800/ton	Total refining margin lower than in 2023

Short term market outlook

We expect market volatility in Renewable Products and Oil Products to remain high

In Renewable Products, bioticket and renewable credit prices have decreased to a lower level in early 2024 compared to 2023

In Oil Products, the refining market has stayed relatively stable during the beginning of 2024

Additional information

Location	Q1	Q2	Q3	Q4
Porvoo		2 months		
Singapore			6 weeks	8 weeks
Rotterdam			4 weeks	

Scheduled maintenance in 2024

In Oil Products, the Porvoo major turnaround is scheduled for the second quarter with an estimated capex of EUR 390 million and a comparable EBITDA impact of approximately EUR 190 million for Oil Products and EUR 40 million for Renewable Products.

The fixed costs growth trend is expected to level out compared to 2023 due to cost saving and efficiency measures.

The Group's full-year 2024 cash-out capital expenditure excluding M&A is estimated to be approximately EUR 1.4–1.6 billion. The share of maintenance and strategic capex is expected to represent approximately 40% and 60%, respectively, as the Porvoo major turnaround increases maintenance capex.

Taking charge of change

Our strategy is to deliver outstanding value
with renewable and circular solutions

Rapid growth in
aviation as well as
polymers and
chemicals sectors

Expansion of global
feedstock base

**Profitable
growth**

Increased
optionality
in feedstocks,
products & markets

Increased cost
competitiveness

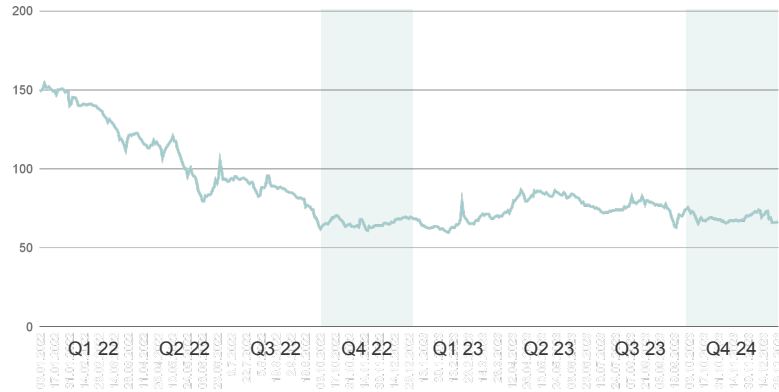
Efficiency



Appendix

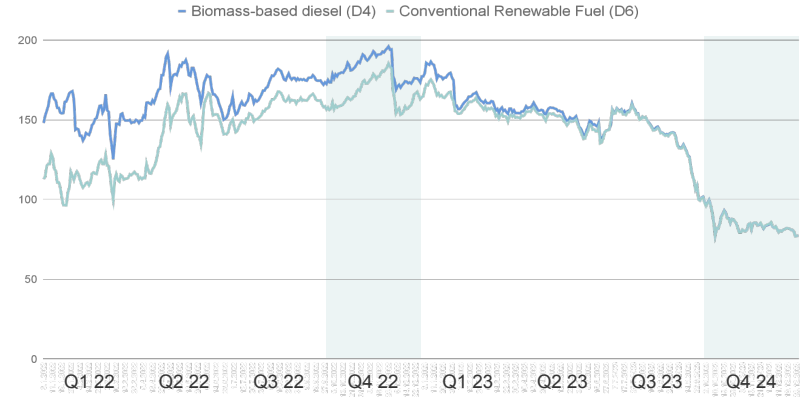
Renewable Products: Key market drivers in the US market

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



- LCFS credit price was quite stable during the quarter
- Average Q4/23 California LCFS credit USD 69/ton (66)

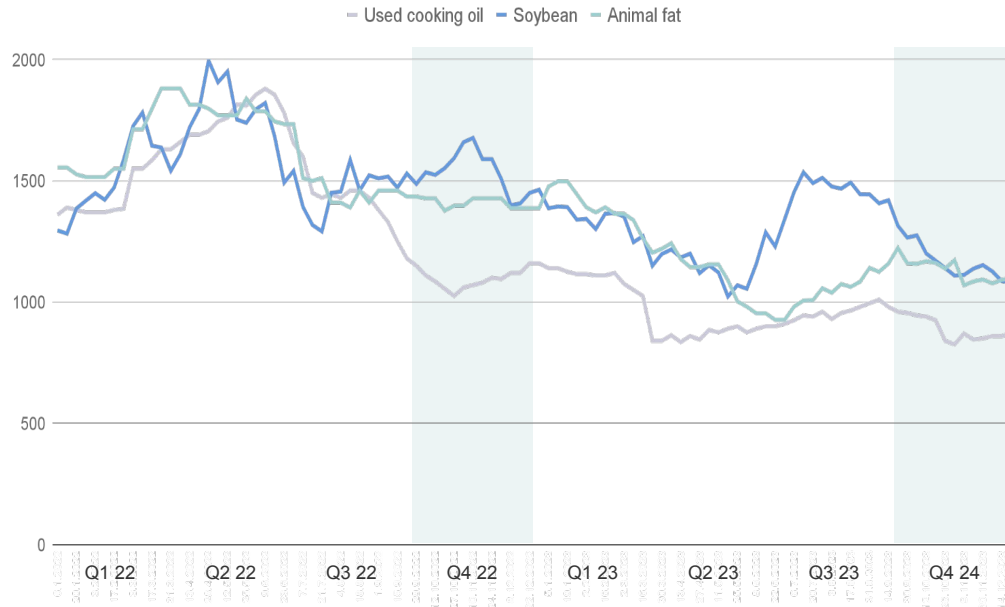
RIN prices, US cent/gal



- Rapid drop in RIN prices at the beginning of Q4. 0.6 USD/RIN price drop means around -350 USD/t in the value of renewable diesel US sales for Neste
- Q4/23 D4 RIN USD 0.84/gal (1.82)

Vegetable oil and W&R prices decreasing in Q4/23

Vegetable oil and selected waste and residue prices¹, USD/ton



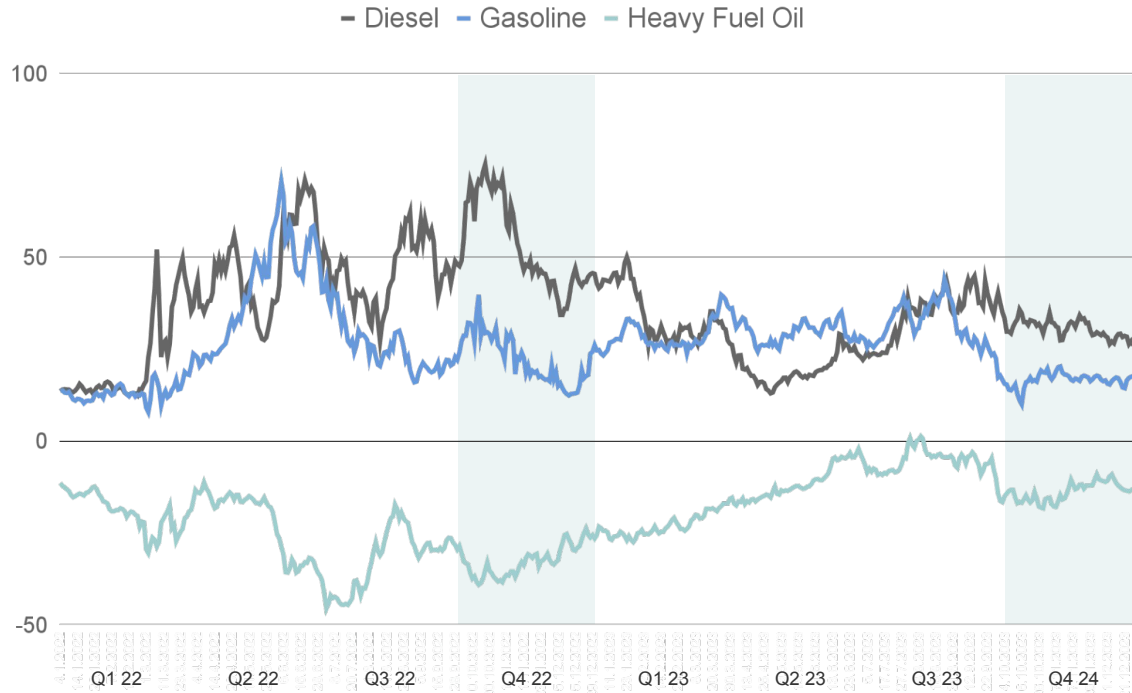
Comments

- Soybean oil price continued to decline in Q4/23
- Used cooking oil and animal fat prices came down on the back of US prices following the soybean oil trend

1) Source: AF (US) - The Jacobsen, UCO (EU) - Argus, SBO (US) - Reuters

Oil Products: Key product margins

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



Comments

- Margins were lower year-over-year
- Diesel remained the strongest part of the barrel in Q4/23
- Volatility expected to continue

Group financials Q4/2023

Comparable EBITDA totaled EUR 3,458 million (EUR 3,537 million)

MEUR	Q4/23	Q4/22	Q3/23	2023	2022
Revenue	6,303	6,562	5,973	22,926	25,707
EBITDA	672	748	889	2,548	3,048
Comparable EBITDA	797	894	1,047	3,458	3,537
Renewable Products	433	415	545	1,906	1,762
Oil Products	330	450	472	1,434	1,654
Marketing & Services	25	21	42	118	126
Others (incl. eliminations)	10	8	-12	0	-5
Operating profit	415	589	669	1,682	2,410
Cash flow before financing activities	475	596	403	751	-390
Comparable earnings per share, EUR	0.66	0.84	0.88	2.88	3.04

Cash flow before financing activities improved markedly y-o-y, despite substantial continuing growth investments

MEUR	Q4/23	Q4/22	Q3/23	2023	2022
EBITDA	672	748	889	2,548	3,048
Capital gains/losses	0	0	0	0	0
Other adjustments	-225	-304	190	108	-55
Change in net working capital	495	601	-268	21	-1,357
Net finance costs	-38	-8	4	-91	-42
Income taxes paid	-213	-298	-19	-307	-398
Net cash generated from operating activities	690	740	796	2,279	1,197
Capital expenditure	-416	-446	-246	-1,607	-1,757
Other investing activities	201	302	-147	79	170
Cash flow before financing activities	475	596	403	751	-390

Renewable Products' comparable EBITDA calculation

		Q4/22	2022	Q1/23	Q2/23	Q3/23	Q4/23	2023
Total RP sales volume	kton ¹	808	3,127	678	957	883	870	3,382
Comparable sales margin	USD/ton²	755	779	945	800	912	813	863
Comparable sales margin	MEUR	598	2,314	598	703	741	657	2,699
Fixed costs	MEUR	-189	-558	-184	-192	-194	-221	-791
Comparable EBITDA	MEUR	415	1,762	415	513	545	433	1,906

1) Renewable Products sales volume includes RD, SAF and other products

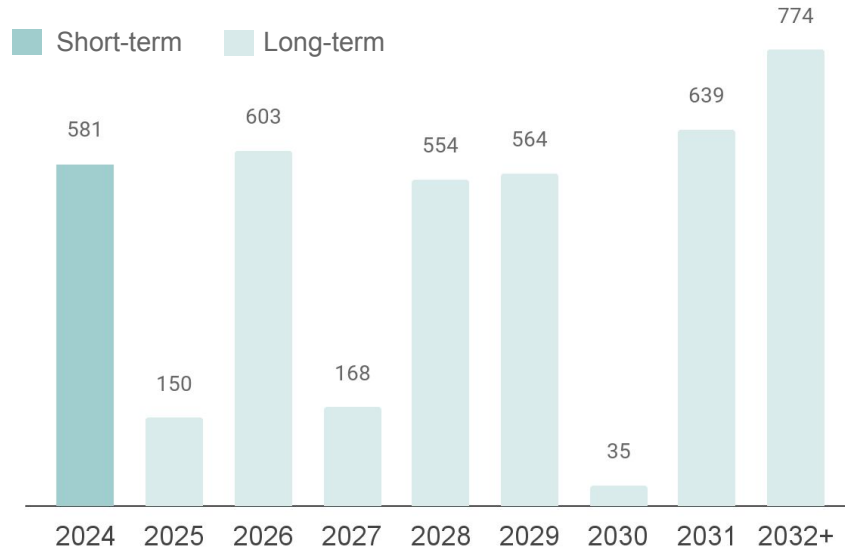
2) Comparable sales margin calculation formula has been adjusted effective 1 January 2023 and the figures for 2022 restated

Oil Products' refinery production costs

		Q4/22	2022	Q1/23	Q2/23	Q3/23	Q4/23	2023
Refined products	million bbls	20.3	87.1	21.3	21.3	22.3	22.6	87.5
Exchange rate	EUR/USD	1.02	1.05	1.07	1.09	1.09	1.08	1.08
Utilities costs	MEUR	113.3	428.7	102.4	68.9	74.5	74.0	319.8
	USD/bbl	5.7	5.2	5.2	3.5	3.6	3.5	4.0
Fixed costs	MEUR	62.5	190.9	49.7	55.6	52.8	57.0	215.1
	USD/bbl	3.1	2.3	2.5	2.8	2.6	2.7	2.7
External cost sales	MEUR	-0.4	-1.5	-0.5	-0.5	-0.5	-0.5	-1.9
	USD/bbl	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	MEUR	175.4	618.1	151.6	124.0	126.9	130.5	533
	USD/bbl	8.8	7.5	7.7	6.3	6.2	6.2	6.6

Liquidity and maturity profile of loan portfolio

Maturity profile, MEUR



- Group's liquidity EUR 3,480 million at the end of December
 - Liquid funds EUR 1,580 million
 - Unused committed credit facilities EUR 1,900 million
- Average interest rate for interest-bearing liabilities was 3.6% and maturity 5.1 years at the end of December
- No financial covenants in Group companies' existing loan agreements