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+++ presentation

Operator^ Good day, and thank you for standing by. Welcome to the Quarter 1 Neste Corporation Earnings conference Call. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions)

I'd now like to hand the conference over to your speaker today, Juha-Pekka Kekäläinen. Please go ahead.

Juha-Pekka Kekäläinen^ Thank you, and good afternoon, ladies and gentlemen, and welcome to this conference call to discuss Neste's first quarter results published this morning. I'm Juha-Pekka Kekäläinen, Head of Neste IR. And here with me on the call are President and CEO, Peter Vanacker; CFO, Jyrki Mäki-Kala; and the business unit heads, Matti Lehmus of Renewables platform; Marko Pekkola of Oil Products; and Panu Kopra of Marketing & Services. We will be referring to the presentation that can

be found on our website. Please pay attention to the disclaimer since we will be making forward-looking statements in this call.

And with these remarks, I would like to hand over to our CEO, Peter Vanacker, to start with the presentation. Peter, please go ahead.

Peter Z. E. Vanacker^ Thank you very much, JP, and good afternoon to all of you around the world. Also on my behalf. I know it's a very busy results today, this day, and I appreciate you for joining us to discuss our first quarter 2021 results. And as you can see, I mean, our people have done, again, in Q1, an excellent job in all the areas in our business. Of course, the uncertainty caused by the COVID-19 pandemic still continues, but the vaccination schemes are proceeding and giving people new hope. Under these circumstances, we are very pleased to be able to share with you our good overall performance in the first quarter.

The year 2021 started in the same way as the last one ended. Our Renewable Products continue to be very resilient but the challenging markets in Oil Products continues. At the group level, we posted a comparable operating profit of EUR 302 million. The 2 main deviations to last year's results were the weak performance of Oil Products, which represented EUR 82 million of the difference and a weaker U.S. dollar, which had a EUR 57 million overall impact. In the first quarter, our Renewable Products was able to deliver a healthy sales margin with high production and sales volumes. As expected, the feedstock markets remain tight, and feedstock prices continued their way up. We've been able to increase our sales prices for 2021, and the sales allocation worked very well as a result of our sales optimization model. Hence, we were able to deliver a healthy sales margin of USD 699 per ton, although the hedging the markets -- the margin hedging contribution was lower than in 2020. I consider this to be an excellent achievement.

Also, our production made a new quarterly record of 829,000 tons due to the very high operational performance. The Oil Products continue to suffer from a very weak refining market, that is, as you know, caused by the global pandemic-related demand destruction and oversupply. The reference margin that is reflecting the general market conditions averaged only USD 0.90 per barrel in the first quarter. It was about USD 3.4 ton lower than in the previous year, which had a negative impact of EUR 59 million on the comparable operating profit year-on-year. Also, the sales volumes were some 18% lower than in the first quarter of 2020 due to the weak demand and preparations for the Porvoo major turnaround. Substantial cost reduction measures have been successfully taken in Oil Products.

Our Marketing & Services segments performed very well. Sales volumes were still impacted by the COVID-19 pandemic, but we were able to improve unit margins, partly supported by inventory gains. Marketing & Services has also continued to do well in managing their cost basis. As always, we continue to focus on our strategy execution, and I will come back to that at the end of the presentation.

Neste continues to take the risks related to the COVID-19 pandemic seriously. Our primary objective is to ensure the health and safety of

our employees, customers and other partners as well as to ensure the continuity of our operations and secure supply of products. This is particularly important during the Porvoo turnaround and in the Singapore capacity expansion projects. We are performing mass testing during the Porvoo turnaround with already more than 24,000 tests done as of today. Our occupational safety performance was very good in the first quarter, and the total recordable incident frequency was 0.7 incidents by 1 million hours. The process safety event rates was a disappointing 5.9%, and several actions have been taken in the organizations having the biggest challenges. Our systematic safety work continues every day.

Despite the challenges in Oil Products, our financial position remains solid. We reached an after-tax ROACE of 15.3% on a rolling 12-month basis, exceeding the 15% target. At the end of March, our leverage ratio was 7.8%, and this solid financial position enables the implementation of our growth strategy going forward.

Now with these initial remarks, let me hand over to Jyrki to discuss the financials in more detail. Jyrki?

Jyrki Mikael Mäki-Kala^ Yes. Thank you, Peter, and good afternoon. Like Peter already mentioned in his opening, quarter 1, continue the same road, where quarter 4 2020 ended. Renewable Products with solid performance with healthy margins, and Oil Products still suffer the weak market. Let's look at the financial figures.

Our revenue in this quarter followed very much the quarter 1 2020, corresponding by reaching EUR 3.1 billion, basically with higher sales prices in the background. Our IFRS EBITDA was much better than last year, and that is mainly coming through the higher inventory prices in both RP and OP. Our main P&L KPI, comparable EBIT, was EUR 106 million lower than 2020 first quarter, and I will describe this difference via the bridges with the next few slides.

Our cash flow before financing, it was clearly negative by EUR 645 million, and it basically has 2 elements. We had a higher working capital of roughly EUR 800 million compared to the year-end and also our cash capital expenditures in quarter 1 2021 was close to EUR 500 million compared, for example, 2020 first quarter of roughly EUR 300 million.

A little bit about working capital. These 3 elements in the working capital in inventory is basically why the working capital was higher. It was really about higher product and inventory prices. We were building some contangos also this year, 2021, and certainly, we were making preparation for the Porvoo turnaround 2021, and all these elements meant EUR 450 million. Certainly, some of these will be gained back during the year, but we'll see that later 2021. We had higher receivables coming from the higher product prices and, of course, the increased Blender's Tax Credit quarter-on-quarter is adding receivables in our balance sheet. And then slightly lower trade payables, but that is more like a timing issue, nothing more.

If you look to CapEx, is certainly the biggest CapEx is in our quarter 1 was Singapore turnaround and of course, the M&A acquisition concerning

the Rotterdam [Bunge]. If we then look the first bridges, meaning the -- by business area. And like discussed already and mentioned here, the Renewables really sold its resilience with both higher sales volumes and sales margin. Their EUR 36 million lower comp EBIT came mainly from currency rate relating to U.S. dollar and slightly higher fixed cost and depreciation. In Oil Products, basically, the biggest element inside was the total margin. It was EUR 78 million lower, and of course, the lower sales volumes had an impact, like mentioned already earlier. But on the other hand, their fixed costs were lower. And of course, depreciation as the Naantali refinery permanent shutdown took place at the end of quarter 1. And also remembering here that the Marketing & Services basically doubled their quarter 1 2020 comparable EBIT, so an excellent achievement.

But then if we look the item then relating to P&L items, the next slide. And here, you basically see 3 negative elements why this EUR 106 million lower comp EBIT came through. We are talking about volumes, mainly relating to Oil Products, and Marko Pekkola will certainly talk more about those. Sales margin, that was around Oil Products. Total refining margin was lower. FX changes overall, that hit basically both RP and OP. And then we have the 2 positive items. We have had a very tight focus on fixed cost in the quarter 1. And in other items, as an example, we had a very strong quarter with the base oil business.

But this word, basically, I then leave the floor to Matti Lehmus, who will continue to talk about the solid renewable products.

Matti Lehmus^ Thank you, Jyrki. Good afternoon also on my behalf. So indeed, the Renewable Products had a solid EBIT level of EUR 294 million, some 10% below previous year's first quarter. And for me, this reflects, again, a strong operational performance in spite of increasing feedstock prices. I note that the sales margin was at a healthy level of $699 per ton, slightly actually above last year's Q1. And behind that, we have the fact that the feedstock market was tight, but we were successful in optimizing our sales performance.

The sales volume was at a good stable level of 743 kilotons, very close to the previous quarter, which reflects solid demand. However, from the operational performance, I would like to highlight, in particular, the record high production volume of 829 kilotons, implying a 104% utilization, and this is really a good demonstration of the result of our continuous improvement efforts in our production.

The final one I would raise from this slide is that our feedstock optimization continues. The share of waste and residue increased again by 3% versus the previous quarter and now reaching 90%. And I'm very happy with the trend and the continued development of our global waste and residue sourcing capabilities. So overall, good quarter.

If you briefly look at the waterfall, I would briefly comment that the comparison towards Q1 2020 illustrates that the result year-on-year was supported by a slightly higher volume and slightly higher sales margin, with these 2 drivers having an overall positive impact of EUR 15 million. The most significant change, though, was the FX change as the U.S. dollar

weakened from $1.10 last year to $1.21 in this first quarter, and this had a EUR 37 million impact. This was partially mitigated by our FX hedges, which are included in the margin in this picture.

And finally, from the waterfall, I would mention that our fixed costs were EUR 6 million higher than in Q1 of last year. And this is driven mainly by our increasing staff and support function costs as we prepare for our upcoming growth projects.

If we then turn to the feedstock prices. I would characterize the Q1 feedstock markets by a very steep increase of vegetable oils, and this was led especially by soybean oil in the U.S. Demand for vegetable oils has been solid and weather has impacted the short-term production. So for example, for palm oil, the La Niña phenomenon has been there, and this has led to low inventories. It's worth mentioning that the forward market for veg oils is backward dated as the production outlook, for example, for palm oil is viewed constructive for the rest of the year.

As in previous quarter, also the waste and residue markets continued to be tight. Following the vegetable oils market movement, animal fat, used cooking oil prices increased significantly across all regions. And if I take 1 example for used cooking oil, the supply continues to be impacted by the COVID situation, and we estimate it to be approximately 80% of the pre-COVID supply level globally.

If we then turn to the products market, especially the U.S., I would like to make following highlights. So the LCFS credit averaged $195 per ton in the first quarter, which is just a few dollars below the previous quarter. The more significant move was in the D4 RIN values, which clearly strengthened over the quarter from $0.88 per gallon in the previous quarter to $1.20 per gallon. And they have continued to increase also in April. The RIN market values responded to the soybean oil price rally in the first quarter.

Finally, I would like to comment on the sales margin development in the first quarter. And if I compare the development versus the previous quarter, I would highlight 3 main factors. So the first one is that the average feedstock price increased significantly. But at the same time, we had a very good sales performance and also increases in product-related market prices, such as diesel or RINs, and these were a significant driver in compensating the feedstock price increase and together mitigated more than 50% of the impact. The sales performance included, for example, price premium increases, but also a very successful continued geographical sales mix optimization with a continued high share of U.S. sales at 35%.

The third factor I would like to mention is that the contribution from margin hedging was positive. It mitigated approximately 20% of the feedstock price increase. However, it's also good to note that the impact from margin hedging was clearly lower than in the previous quarter.

In general, it's good to note that the sales margin in the first quarter was again supported by a very good operational performance, no unplanned

shutdowns. So we had, again, a very high utilization of 104% in our production.

With these words, I hand over to Marko Pekkola, who will discuss the Oil Products results.

Marko Pekkola^ Thank you, Matti. I'll comment on the Oil Products. First quarter dominated again by the continued weak and oversupplied market, resulting comparable EBIT totaling out to minus EUR 8 million compared to the EUR 74 million last year. During the quarter, the reference margin was low, only USD 0.9 per barrel and sales volumes were 18% lower compared to the Q1 2020 due to the weak demand preparation for the Porvoo turnaround and Naantali refinery closure. Refinery utilization rates were 83% mainly due to the market condition.

Moving then on to the EBIT bridge between Q1 '21 and '20, where the impact of exceptionally weak product market and lower sales is visible. These are the negative impact of EUR 97 million on the comparable operating profit year-on-year. Additional margin and a weaker U.S. dollar had a negative impact of EUR 39 million. Main positive impacts in Q1 '21. EUR 55 million came from successfully implemented short-term cost reduction measures and improved profitability of specialty product business, lower depreciation related to the Naantali closure and an insurance compensation.

When having a look at the markets that we could see the continued impact of COVID-19 pandemic on physical product demand and low margin, especially in diesel during the quarter. Urals-Brent differential was very volatile but improved during the quarter, averaging on the level of minus $1.50 per barrel for the quarter. When taking a look at our margin performance, our total refining margin was low at $6.7 per barrel. Additional margin was supported by currency hedging but negatively impacted by other things like retroactive adjustment related to the SAP system implementation. Production -- refinery production costs were higher than 2020 due to increased natural gas and emission right price -- emissions rights prices.

All in all, strategy execution in Oil Products is proceeding and the announced closure of Naantali refinery operations were successfully completed and transforming Porvoo refinery operations to coal processing. Renewable and circular raw materials will proceed after the turnaround of execution. Turnaround execution is proceeding as planned according to the strict health and security plant due to the pandemic to ensure safety for all the people joining to the turnaround.

With these comments, I would like to then hand over to Panu to talk about marketing initiatives.

Panu Kopra^ Thank you, Marko. This is Panu Kopra speaking. All in all, Q1 was very good, rock-solid in Marketing & Services unit. We actually -- like Jyrki said, we actually more than doubled our results compared to last year. Outstanding results was outcome of relevant cost control and excellent network pricing. Our return on net assets was more than 35%, which is indeed in retail, a very healthy level. Unfortunately, still,

aviation and marine volumes are low. Gasoline also slightly behind the last year, but diesel volumes even a bit higher than the last year.

We have expanded Neste MY's availability to more than 130 stations, and now we have started active marketing of Neste MY here in Finland. First, results of advertising campaigns are promising and the awareness of Neste MY in Finland has increased. However, it is not yet there where it should be. And therefore, we continue to work hard to get Neste MY even more well known.

This was shortly about Q1 in Marketing & Services, handing over back to Peter.

Peter Z. E. Vanacker^ Thank you, Panu. Let's now move on to the current topics. The very good progress on our strategy implementation has, of course, continued. The Singapore renewable capacity expansion project is proceeding according to the renewed schedule. We currently have about 4,000 people working at the site and in our workshops. We continue to take all precautions and follow the development of the COVID-19 situation in Singapore very closely. The Bunge refinery acquisition in Rotterdam was completed in March. It will increase our pretreatment capability for renewables productions in time for the next capacity expansion step in Europe.

After a thorough study phase, Rotterdam was chosen as the location for the possible next world scale renewable production facility. We are now focusing on the detailed engineering and the preparation for the final investment decision later this year or early 2022. A final investment decision has been made on a 500,000-ton SAF, Sustainable Aviation Fuel, optionality project in Rotterdam. This about EUR 190 million project will be completed by the end of 2023,and further strengthen our leadership position in the sustainable aviation market by enabling the production of at least 1.5 million tons of SAF by the end of 2023 globally.

In March, we established a Green Finance Framework and successfully issued the first EUR 500 million green bond under the framework. The funds are planned to be used primarily for the ongoing Singapore capacity expansion project. During the first quarter, several commercial agreements have been signed in both renewable aviation and renewable polymers and chemicals.

In the area of efficiency, the shutdown of the refinery operations at Naantali were successfully completed in March. A lot of short-term cost reduction measures have been successfully implemented. Preparations have been made for the Porvoo refinery major turnaround to ensure safety, efficiency and productivity of the refinery for years to come. And as you know, this is currently ongoing in Porvoo.

In the area of innovation, our applications for renewable hydrogen and lignofuels have been invited for the second rounds of the European Innovation Fund applications. Four research and co-innovation projects in the Neste lead ecosystem have been approved by Business Finland and will receive approximately EUR 8 million funding. This funding from Business Finland is for the research partners. These are the universities and

research institutes in our [victory] ecosystem. These are just some of the highlights that I wanted to mention. We have a clear strategy and continue moving ahead.

As an outlook for the second quarter, we see the following. The sales volumes for renewable diesel in the second quarter are expected to be on the same level as in the previous quarter. The waste and residue markets are anticipated to remain tight, and we expect continued lockdowns in several countries. Sales margin is expected to remain healthy. The margin will not be supported by similar hedging gains as in 2020, and the hedging rate is expected to be lower than normal. Utilization rates of our renewable production facilities are forecasted to remain high in the second quarter, except for the scheduled Porvoo refinery turnaround, which is estimated to have a negative impact of EUR 30 million on the segment's comparable EBIT.

In the second quarter, Oil Products market demand will continue to be depressed due to several extended lockdowns as a result of the COVID-19 pandemic. The reference margin is expected to remain low and volatile. The scheduled 12-week major turnaround at the Porvoo refinery is expected to have a negative impact of EUR 110 million of the segment's comparable operating profit, mainly in the second quarter.

In Marketing & Services, the sales volumes and unit margins are expected to follow the previous year's seasonality pattern in the second quarter. Some negative impact on demand and sales volumes is also anticipated due to the ongoing COVID-19 pandemic.

Some other topics, 2021. Our strategic projects proceed as planned with the Singapore expansion and Porvoo turnaround being the major projects. Our cash-out capital expenditure is still estimated to be approximately EUR 1.2 billion in 2021, and that excludes M&A.

Regarding the Renewable Products. We have currently scheduled a 7-week turnaround at the Singapore refinery in the third quarter, which is estimated to have a negative impact of approximately EUR 80 million on the comparable EBIT. Additionally, we have scheduled a 4-week catalyst change at the Rotterdam refinery in the fourth quarter, which is estimated to have a negative impact of approximately EUR 50 million on the comparable EBIT.

This concludes the presentation, and we are now happy to take your questions.

+++ q-and-a

Operator^ (Operator Instructions) And your first question comes from the line of Nick Konstantakis from Exane.

Nikolaos Konstantakis^ Three, if I could, please, and starting with the margin and your healthy guidance. Obviously, it's pretty wide range, $600, $700 a ton on the upper end today. Can you just help us understand the moving parts, Q-on-Q, including feedstocks? How much of the hedging

goes away, seasonality? Just trying to understand if sales in the second quarter would be in the upper or the lower end of the range.

Secondly, very good operational performance you flagged on the Renewable Products, good utilization. You're going into catalyst changes usually or sometimes you have some surprises for us in terms of [deposit making]. I know you have already achieved your 200,000 target, but is there any room for a further surprise there before [similar to come in stream]?

Matti Kahkonen^ Yes. Nick, this is Matti. Thanks for the questions. So I will start first with the margin question. And first, looking back at Q1. Indeed, we came at $699 per ton, which is at the upper end of the $600 to $700 per ton range. If you look at Q1, I would, indeed, what I mentioned in my speech, also say that yes, feedstock prices clearly increased. And at the same time, we were able to have, let's say, compensation from the fact that we had very good sales performance. And at the same time, also product market prices, such as the diesel quotes, such as the RIN quotes moved upward, and this mitigated more than half of the impact of the feedstocks. And also then our margin hedging, even though it was a lower level than last year, had a positive impact and helped mitigate some of the impacts.

If you look at Q2, we are not giving any other guidance than saying that we expect to be in the healthy range. If you look at some of the drivers, you can, of course, see that the feedstock market is expected to remain tight. Hence, it's well possible that average feedstock prices could continue on an increasing trend. At the same time, it's clear that we will continue our sales optimization, both in terms of geographic sales mix and the premia. And it's also good to know that this product market parameters play an important role. So for example, RINs currently are higher than the Q1 average as also the feedstocks have increased. And then we do not have any major changes in the hedging level expected.

The second question was on the operational performance. And exactly like you pointed out, if you look at the history, we have very systematically been able to creep the capacity and also in the first quarter, very good operational performance so that we reached even 104% utilization rate. It's, of course, a continuous effort. At the same time, it's clear that the low-hanging fruits have already been taken advantage of. But it's something we will continue looking for every opportunity.

Operator^ And your next question comes from the line of Joshua Stone at Barclays.

Joshua Eliot Dweck Stone^ Three questions, please. Firstly, just on the hedging gains you mentioned in 1Q. Are you able to quantify that a bit more? And you said no major changes in the hedging level. So are we tracking similar hedging gains for 2Q, do you think?

And then secondly, on the sales allocation. Are you able to increase your sales to the U.S. to take advantage of higher prices over there? I'm just thinking if you -- are you restricted in any way from the term contracts you've locked into perhaps in Europe?

And then just the last question is on the regulatory announcements. And do you have any insights on potential timings for any announcements, either from the U.S. or European governments, on mandates?

Matti Lehmus^ So thanks, Josh. I'll start with the hedging and the sales allocation question. So on the hedging, we haven't quantified, like you know, the exact impact. I mean just to give you a feeling, I mentioned that while feedstock prices increased significantly in the first quarter, the fact that we had hedging of roughly 35% in place of the total sales mitigated roughly 20% of that impact. I mean that gives you some tools to make an estimate. And like mentioned, indeed, in the second quarter, the level is only slightly higher on the hedging ratio. And then, of course, the hedging result will also depend on the market movements. That's clear.

On the sales allocation, I would just say that it's always something where our sales team has worked very systematically to create that optionality. When it comes then specifically to the question whether we could further increase sales share of the U.S., it's good to note that we also have a high share of term sales in place. So that is, of course, something that sets a limitation to how much we can optimize. But obviously, something where we continue fine-tuning the share depending on the market.

Peter Z. E. Vanacker^ Yes. Joshua, thanks. I mean very good questions as usual. Let me give a couple of comments on the regulatory side.

You know that there is, of course, a lot happening both in Europe as well as in the United States. If I go a bit, I mean, into the countries. I mean, Sweden has moved ahead, and now the proposal is in front of the Parliament on that ambitious greenhouse gas reduction targets, which is 65.7% by 2030 for diesel and then the updated road map and so on. We expect that, that will be voted in the parliament during the session in June 2021, of course.

There are other countries like Germany and the Netherlands, they have already indicated very concrete ambitious mandates. I mean, for 2030, Germany plans, I mean, 22% greenhouse gas reduction mandate by 2030. Netherlands actually also even above that. I mean, 27%. So you see that these numbers are substantially above what currently is being defined in the Renewable Energy Directive II. RED II is enforceable during the course of this year. So we will see that, that will continue to drive, I mean, demand in Europe.

You also know that RED II is reopened for a revision to meet, and you saw also that there was an agreement on the greenhouse gas emission reduction target by 2030 between the Parliament and the commission. So that minimum 55%, which in reality, is actually more 57%, if you look into the details, that has been confirmed. And now, of course, that RED II needs to be changed because if you do a bottom-up analysis of all the communicated targets that the member states have, you already come above 20% by 2030. We are pleading for 26%. I've mentioned that in previous calls. And we hear some rumors that such a percentage is being taken very seriously. But of course, there is lots of DGs currently involved in

these discussions. I hope that we will see during the course of 2021 some more clarity in what direction this is going.

Of course, there needs to be an alignment then with Parliament and counsel. So that may take a little bit more time. So that the final outcome could be, I don't know, 2024, something like that. But the direction is clear. The direction is not going down, but the direction is actually going up to meet that minimum 55%.

In aviation, lots going on as well. In Europe, we expect, I mean, that rather sooner than later, which could be Q3 that there will be more news coming out from the commission on a regulation or a directive for a mandate. We are anticipating that, as you saw from our announcement this morning. So we are proceeding with having taken the final investment decision in our Board meeting yesterday. We are proceeding with the investments to build up that optionality in having 500,000 tons, which is a bit higher than what we originally were looking at, but having done, I mean, through the detailed engineering, we believe we can get 500,000 tons out of the existing Rotterdam capacity.

If I go to the United States, also there, lots of discussions ongoing. You probably noticed that now in the Washington state, both the Senate and the House have now agreed upon the installation of a cap-and-trade system and immediately also connected to that, which was the first time in history that the state actually decided this in combination. So the LCFS credit system has been approved, and that is now expected to start at the beginning of 2023. And probably starting with a low percentage, like we saw in Oregon, 0.5%, and then the legislation aims at reaching 10% carbon intensity reduction by 2031. There is further discussion ongoing on a state level for road transportation. New Mexico, New York, Massachusetts and Canada is still working on the federal LCFS bill. So that could eventually also be implemented in 2023. So also here, the direction is very clear that it is moving, and the Biden administration has made, I mean, very clear statements on carbon intensity reduction for the United States.

On the aviation sector, the opt-ins in the LCFS is also included in Washington state in this bill with an opt-in and a multiplier, just like in California. So that is creating demand. But also on a federal level, there is quite a lot of discussion actually ongoing. There are different mechanisms that are being discussed: mechanisms on a tax level; mechanisms on a dedicated Blender's Tax Credit, I mean, for aviation; as well as mechanisms that are more going into the direction of mandates. We don't expect, I mean, to see because this goes a little bit slower. Anything, I mean, during the next couple of months, quarters, but who knows? Maybe, I mean, towards the end of this year or the beginning of next year.

Operator^ And your next question comes from the line of Iiris Theman from Carnegie.

Iiris Theman^ This is Iiris Theman from Carnegie. I think I have a couple of questions. So still on your sales margin, as you guided, you

remain healthy. Is it fair to assume that there is not going to be a big drop quarter-over-quarter?

And then secondly, does your sales margin assume that waste feedstock prices will start to decrease in late Q2? Or how are you able to keep your sales margin at a healthy level as several Phase 2 feedstock prices are up still more than 10% in Q2 so far quarter-over-quarter?

And then thirdly, how do you expect new tax to impact you? Or is it going to have any impact?

Peter Z. E. Vanacker^ Yes. Let me just make a couple of comments, and then, of course, if Matti wants to add to that. I mean he already leveraged and give a bit of an explanation on the sales margin. I mean, Iiris, it's very clear that, of course, I mean, we are still, I would say, relatively early, I mean, in the quarter. So we have not -- the full visibility on what is happening in the waste and residue, it continues to be, of course, very expensive. But also, I would say, a bit volatile and lots depend, of course, on the availability of the waste and residue with the current lockdowns that are going on. So I'm rather careful in the sales margin and keeping it at that the level, as we said, I mean, healthy.

Managing the expectations also here a little bit because lots of things, I mean, can still happen during Q2. I believe, I mean, with Q1, we have again, yes, proven that our model, how we are running the business and margin management. As, I would say, the only company that has such a global footprint that we can steer more to Central Europe, we can steer more to the United States or we can steer more, let's say, to the Northern European. And we will continue to do that to maximize, let's say, our margin and then try to offset.

Matti also gave already a comment on the hedging. Hedging continues to be, of course, very expensive, yes? So we have been very prudent in building up those hedging positions. That prudency has led, I mean, in Q1 to some help in offsetting these high waste and residue costs. The sales performance, Matti said, has impacted -- I mean mitigated about 50% of that impact coming out of feedstock. The margin hedge impacted approximately, I mean, 20% of that feedstock price increase. So that gives you a little bit of an indication, maybe also, I mean, for your model. But I'm again, repeating very prudent on the sales margin for Q2. And we rather don't predict, let's say, very healthy because there is a lot, I mean, still happening in this market.

And then as we said, I mean, in previous calls, also, if we are looking at the second half of the year, of course, not a full visibility for the second half of the year, but you see that palm oil, gas oil should come down in terms of the differential. That's why we have not built up a strong hedging position. I mean we have a little bit for the second half of the year out of prudency, but nothing more than that. As it continues to -- we continue to receive, I mean, the message is that the palm oil harvest seem to be delayed, but very good. And then the same also on the soybean side, delayed in South America, but seems to be very good. So the soybean oil price spike that you are seeing today is probably factoring

in, I mean, the availability, very good demand on one hand side, in China, India. And on the other hand side, I mean, still not really -- I mean, South America hitting the market as that is coming with a certain delay.

On taxonomy, I mean, we're very pleased. I mean, with the outcome of the taxonomy. Of course, as you can imagine, we worked, I mean, very hard on this. And if you look at the taxonomy, there is a much better alignment with RED II. In terms of road transportation, biofuels, it's not 100% alignment, but it's a very good alignment with RED II. That means that, for us, I mean, the waste and residue-based biofuels will be counted for as sustainable.

Another element on taxonomy is that biofuels are not considered to be transitional. I think that was a very big and important gain, I would say, I mean, for us and the entire industry, that it is now being considered as one of the solutions long term to reduce greenhouse gas emissions.

And then -- and third point that I would like to point towards is that, as you know, we worked a lot on the waste and residue-based polymers as well as chemical recycling, so a circular bioeconomy by combining these factors, and this is being recognized and will be fully accounted for in the taxonomy. So in the future, all the renewable hydrocarbons that we are selling to polymers and chemicals as well as all the things that we are undertaking in the chemical recycling will be accounted for as sustainable based upon the taxonomy.

Operator^ And the next question comes from the line of Artem Beletski at SEB.

Artem Beletski^ This is Artem from SEB. Actually have 3 to be asked related to renewables. So first, starting with feedstock. So basically, over recent years, you have been heavily investing on this side, basically doing more vertical integration. When it comes to your internal cost inflation relating to feedstock, do you see basically same changes as public quotes on the market? Or you see inflation less significant on your side?

Then the other question is related to geographical mix. So indeed, in Q1, your sales to Nordics has increased and reduced in Central Europe. Is it more sort of a structural change or just quarterly volatility? How we should think about it?

And maybe lastly, on these strong production volumes of renewables in Q1. Do you have any time line when you might come back with basically updating nameplate capacity, which is currently 3.2 million tons?

Matti Lehmus^ Yes. Artem, thank you for the questions. And I'll start with your feedstock question. So obviously, how I would describe our feedstock strategy is that we, first of all, have built a very global platform, which enables us to look into different regions. And then you like, you know, we have also a large variety of waste and residue feedstocks that we are using, more than 10 different feedstocks

currently, which again means that we can also optimize the mix. So I would say the most important lever for us to optimize the feedstock is indeed in using this flexibility and then adapting our sourcing to the market situation at any moment. That's really, I think, where we can optimize the feedstock mix.

On the sales mix, I think Peter alluded to it in his previous answer very well. I think it's an important part of our business model that we have the flexibility to look at different regions, different customer segments. So it's not something that will stay structurally fixed forever. We can always fine-tune that mix. And that's actually something we do continuously when we plan our forward-looking sales. And then finally, on production, typically, we have only updated nameplate capacities after having a more extended period of increased production. So of course, it's very promising what we saw in the first quarter, but we will continue driving sustained performance like that in the coming quarters.

Operator^ And your next question comes from the line of Erwan Kerouredan at RBC.

Erwan Kerouredan^ Congratulations on a robust quarter. I've got 2 questions on feedstock and one on SAF. On feedstock and waste and residues and palm oil, can you clarify to what extent the situation in India impacts and whether it impacts any of your feedstock? That's my first question.

And the second question is on palm oil. The share of palm oil and feedstock further reduces. Are we keeping 2025 as a phase-out target year? And what are the odds of like bringing this year earlier? Like 2023 for Eni, for example.

My question on SAF is on the economics. You recently referred to a 3 to 4x premium versus jet fuel -- regular jet fuel when it comes to prices. Are you optimistic on a like short term, like near-term reduction of that premium? And if so, what are the drivers? These are my questions.

Matti Lehmus^ Thank you for the questions. It's Matti Lehmus. I'll start with the first 2 ones. So let me first start on the feedstock. Obviously, I mean, when I -- when we commented on the palm oil, on the soybean oil, it's a very global picture where the global weather phenomenon, the harvest outlook has a big impact. When we look at the significance of India, where we unfortunately have a very difficult COVID situation at the moment, it is, of course, something which may have some impacts, for example, on demand level going forward, but that really depends on how the COVID situation unfolds. So hopefully, the situation is better soon.

On the question on palm oil, like you correctly noted, we have been increasing again the share of waste and residue in our mix. In this first quarter, we were now at 90%. And we have, indeed, in our last year's CMD stated that target to be 100% waste and residues by 2025. So you can clearly see that by that time, we would have phased out palm oil. Of course, if you look at the speed and where we are now, we will see whether there are opportunities to do it earlier.

Peter Z. E. Vanacker^ Yes, and I want to also highlight this. I mean, this has been a major achievement because we have been growing our production volumes on one hand side and reducing, let's say, the share of crude palm oil or increasing the percentage on waste and residues. So this is double whammy, so to say. We've also said, I mean, by 2025, which is at the latest. And as you see, I mean, this is a bit typical, I mean, for the culture that we have in the company. We work on items, we implement them, and then we talk about them. So you may expect the same. And here, rest assured, we are working towards the Capital Markets Day in September. If we have a change in our wording, then you will hear it at the Capital Markets Day. That's a promise.

On SAF 3 to 4x premium versus kerosene. Of course, that always depends on how expensive, I mean, oil-based kerosene actually is. We -- as said, I mean, we do see some very good opportunities and very good movements in this market, albeit, of course, still at low volumes because, first of all, the depressed situation that the aviation industry is in and then on the other hand side, of course, we only have 100,000 tons of capacity available, and we continue -- these are expensive molecules as we have alluded to, I mean, in previous calls, as we don't have the right economics yet. We will have them, I mean, when the Singapore facility is up and running. But we see very good movement on the regulatory side.

And some opportunities that if you look at these investments in Rotterdam, with the final investment decision that we took, well, if you think it through, then you may assume that we have seen a very positive business case. Otherwise, we would not invest, I mean, EUR 190 million in this. So that gives you a little bit of an indication in how we see the opportunities also in terms of our margin management, so that this is then not at the expense of the margins that we can realize in renewable diesel.

Operator^ And your next question comes from the line of Henri Patrick (sic) [Henri Patricot] at UBS.

Henri Jerome Dieudonne Marie Patricot^ I have 2 questions, please. The first one is a follow-up on another point you mentioned just on sustainable aviation fuel and investment in Rotterdam. I was just wondering if you can give us a sense of whether you've secured kind of some sales agreement, some significant volumes, which, I mean, it makes me more comfortable to invest in Rotterdam with higher capacity as well? Or if you expect rather the mandates to come through?

And then secondly, you mentioned that you have some -- you're putting in some container trades. So I was wondering if you can give us a sense of how significant they'll likely to be over last year.

Peter Z. E. Vanacker^ Okay. Thank you. Let me take, I mean, again, the question on the investment on Rotterdam for sustainable aviation fuel. We have always been a front-runner at Neste. It has been our history, and we have created them in the market for renewable diesel. And this is the same attitude that we have in sustainable aviation fuel. So this is not

an investment that is based because we have now long-term sales contracts, I mean, in place.

Actually, as you see from the press release, that capacity would only be available towards the end of 2023, we said the second half of 2023. Yes, so you can't sign, I mean, sales contracts, I mean, in the beginning of 2021 that would start, I mean, then, let's say, 2024. But we believe it's extremely important also in creating this market that we lead by example, and that we are actually demonstrating to the regulators that the industry is following, even if today, the regulation is not clear yet in terms of, for example, mandates that are in place.

Of course, I mean, if we look at what we have done during the last couple of years, you know that we have 15 customers. Our business-to-business model is proceeding quite well, which means, in this case, that is the business model I'm referring to whereby we have leading OEMs, leading consultancy companies that are directly in contact with us because they want to reduce their scope 3 emissions when people start flying again. And as such, the physical product is split up from the certificates. And these companies would then buy the certificates and the physical product, of course, would then be supplied to the airlines.

So we see good traction on that. We see good traction, of course, also from the partners that we have, where we are selling our SAF, and these are Air BP and Shell. We see also very good traction, I mean, from the site of the airlines at this point in time, funded mainly out of sustainability budgets or leveraging upon the current regulation that is in place, so-called the opt-ins, the multipliers that you have on an LCFS side in California, Oregon and in the future, Washington. And then in Europe on the RED II or, for example, in countries like in the Netherlands, where you have a biocredit system, which can also be used, I mean, for SAF.

Marko Pekkola^ And Marko here. I can comment then on the contango cases. We have good storage capacity in that sense to do it. And I would divide it into 2 areas. That, one, we would be doing over the crude side whenever the contango or the market is in contango. Also depending on the market structure, and same applies also then on the product side. So whenever there are the possibilities. So we are following up the market and whenever possible, but possible to do that as well.

Peter Z. E. Vanacker^ But it's very clear, I mean that we don't have the same situation in terms of potential, I mean, for contango deals like we have seen, I mean, in 2021. That may change, of course. We don't have a crystal ball on this. But I want to manage the expectations a little bit also here as we got some very interesting benefits when we unwind it, I mean, our contango deals towards the end of 2020.

Operator^ And your next question comes from the line of Peter Low at Redburn.

Peter James Low^ The first question was just on the California LCFS. It seems to have pulled back a bit in recent weeks. It's quite hard to find much market commentary on it out there as market participants appreciate

your view on kind of what's caused that pullback and how you think that develops going forward.

And then the second one was just to kind of reconfirm the hedging structure you're using this year. I was a little bit surprised you had a positive hedging result in the quarter. As I thought the gain on the feedstock side of the hedge would have been offset by higher diesel prices. Can you just confirm that the way you're hedging is the same as last year, i.e., effectively getting long vegetable oil and short gas oil prices?

Matti Lehmus^ Yes. Thank you. This is Matti answering. So first, a couple of comments on the LCFS. So indeed, like you know, there is a system behind where the carbon intensity reduction changes over time. We had last year a target of 7.5%. That has now gone up to 8.25% from the beginning of the year. And the target is to reach then 20% in 2030. So that in itself, of course, means there is a growing need for reducing the carbon intensity.

At the same time, of course, if looking back at last autumn, for example, it's clear that the COVID situation has had then impacts on the gasoline and diesel demand, and that has been lower. And our read of the situation is that this short-term situation with lower demand has been, of course, led to a situation where there is less deficits being created than you would otherwise had. And indeed, like you said, the recent LCFS price has now been, I think, around 175 in the recent history.

Then there was the question on the hedging strategy. And indeed, our hedging strategy has not changed. We continue to have the same approach that we basically want to use a proxy hedge that is based on vegetable oil on one hand, as a proxy for our feedstocks. And here, we typically use palm oil as an instrument. And then on the other hand, we use gas oil typically as an instrument to reflect the petroleum complex movements. So that is the logic of our hedging strategy. And I emphasize, it's not a perfect hedge, of course, neither on the product, nor on the feedstock side, it's exact, but it -- the assumption is it reflects the movements so that it has a hedging impact.

Peter Z. E. Vanacker^ But it shows you also a little bit, Peter, I mean, the quality of how we are dealing with this and the specialists in our organization. And then, of course, in the decision-making, Matti, Jyrki and myself are deeply involved in that. So we have been able, I mean, to leverage, if we had a -- even if it was a very small period of time where you had some little decreases. I mean, in the palm oil, gas oil differential, we were able then to quickly execute, I mean, some hedges. So we're really having our -- the expertise and then our finger on the pulse that we actually lock in whenever we can when we see that this is going to be beneficial. So it worked out very well, I must say.

Operator^ And your next question comes from the line of Henry Tarr at Berenberg.

Henry Michael Tarr^ Two questions, really. One on the waste and residue side. As you say, you're now up to sort of 90% waste and residues for the

quarter. How much of that feedstock that you're using do you think you have sort of privileged access to? Or is it a captive in some way via your networks that you've built or vertical integration versus how much essentially you're sort of buying on spot? I guess that's the first question.

And then on the second question. For the term sales and the premium, it looks as though you obviously managed to increase the premium through the negotiations last year. How much -- what's the -- within those term negotiations, is there any hedge to exposure to movements in the spread? So what's -- is it linked to either the diesel price or the raw material prices moving, and so in some way, you get compensated for that spread moving?

Peter Z. E. Vanacker^ Yes. Maybe on the waste and residue side, I mean, 90%. Sorry to disappoint you on this one, Henry, but you can imagine as this is a core element of our strategy in going more upstream and being very fast and bold, that we are keeping that very close to us how much is captive and how much are we buying on a spot market. The only thing that I want to refer again to is if you looked at our yearly reports in 2020, then you could see that we have increased, I mean, from 50 -- so 40, 50 suppliers, I mean, to more than 400 suppliers. That gives you a little bit of an indication on how we are dealing with that. Of course, you know about the Mahoney situation, more than 40,000 restaurants that we are collecting from. And we've also said strategically, it's a core element. So therefore, we keep on looking further, I mean, on opportunities and expanding this. It's not just the collection part, but it's the whole supply chain around it.

On the term sales, if I understand, I mean, your question right, then, of course, yes, our sales team has done an excellent job, I mean, in the negotiations, while on one hand side, keeping the customer intimacy, and the relationship as strategic partners on the other hand side, have been able to substantially increase our sales prices. A multitude, I mean, the vast majority, I would say, of these term deals, they have a link, I mean, to fossil-based diesel prices because that is what is relevant, of course, I mean, for our customers because normally, that is what they are buying and replacing them by renewable diesel.

Operator^ And your next question comes from the line of Sasikanth Chilukuru at Morgan Stanley.

Sasikanth Chilukuru^ I had one question left, please. I just wanted to understand now that you have selected Rotterdam as the location for your next possible renewable diesel plant, and at the time of the announcement, the cost differential between Rotterdam and Porvoo was highlighted as one of the key reasons for choosing Rotterdam, I just wanted to check whether does this eliminate now Porvoo as a potential future renewable diesel plant option? Or is it still economical? Or is it still available as an option for the future growth?

Peter Z. E. Vanacker^ Thanks, Sasikanth, for your question. It's clear that all our attention currently is going in the renewable area to building up the Singapore capacity, flexibilizing the capacity that we

currently have in Rotterdam with that 0.5 million tons of SAF, plus we have some other investments in Rotterdam that we are currently undertaking as well. Plus then, of course, I mean, preparing the detailed engineering for readiness for the final investment decision on the world scale facility.

Our current strategy, I mean, for Porvoo, is that we are moving Porvoo to make it one of the most sustainable refineries, at least, I mean, in Europe, by going to scope 1 and scope 2 emissions, net 0 by 2035. And then undertaking quite a lot of actions and projects that we are currently in study phases in terms of co-processing. So this can be co-processing, so replacing crude oil by waste and residues. And that, of course, portfolio of waste and residues may includes, as we have said before, liquefied waste plastic. It may include, of course, lignocellulosic, so residues that are coming out of the forests. So that's the current focus. And I must say, 80 projects, something like that, we have ongoing on the net 0 side. And then we have somewhere between 10 and 20 projects ongoing on the co-processing side. That keeps our organization extremely busy.

Operator^ And your next question comes from the line of Matthew Blair at Tudor, Pickering, Holt.

Matthew Blair^ First question is on the D4 RIN in the U.S. You mentioned that it's moved up in April. But it looks like it just hasn't been keeping up with the entire feedstock costs. I was hoping you could just walk through that and if you have any insights on why that might be and what the implications are.

And then the second question is on -- you're crafting a pretty unique position here in SAF, but there are some competitors on the horizon. As you look across the industry, how long do you see your advantage persisting? Should we think about this as like a 1- to 2-year head start? Or is this something that you can maintain for, call it, the next 5 to 10 years?

Matti Lehmus^ Yes, thank you for the question. So I'll start with the default RINs. Let's say, just as a general comment, like you observed, obviously, it seems like there is a -- the increasing RIN price is reflecting the very steep price moves on the soybean oil side, in particular in the U.S. And that is, if you look at the first quarter, for example, where it seems that the RIN price has reflected that movement. If you think of the difference or, let's say, just looking at why it's not following immediately, it's, of course, also good to note that the soybean is short-term future, whereas the RIN doesn't have a time bar. So that is, of course, one thing that probably the RIN market also takes into account. So it can't follow all the short-term movements of the soybean market.

Peter Z. E. Vanacker^ And your second question on SAF competition. Let me, first of all, I mean, again, outline the size of the opportunity. Pre-pandemic kerosene consumption was 55 million tons in Europe, 340 million tons approximately on a global basis. A 1% mandate in Europe would lead them into a bit more than 0.5 million tons of demand. You can

do the math, I mean, if it would go up, I mean, to 5%. And then I have not talked about the B2B business models or I have not talked about the opt-in mechanisms and so on. So this is a huge market opportunity.

We have been and want to be, of course, continue to be the first mover in creating these markets. This gives us, of course, I mean, the customer intimacy. But also, I mean, there is a lot of things that need to be done along the value chain, including then also the supply chain setup to get access, I mean, to the airports. It is very clear as this market opportunity is, of course, enormous and the pressure on the aviation industry will continue to increase to directly reduce their greenhouse gas emissions that we will not be alone in this market. And actually, we may not be alone in this market because you would get into a monopolistic situation, which eventually, as history shows, is not good, I mean, to accelerate the implementation or the construction, let's say, of mandates. If there would only be one that can offer the products, you can imagine what the regulators -- what they're thinking would be.

So yes, of course, I mean, we see some other companies moving, and we're not unhappy about that. But if you look at how many companies are moving in that, then it's clear, it's just a very limited amount of companies that are moving ahead with announcements that they would invest. And of course, this has a bit to do, chicken and the egg. Some other companies probably are waiting until there is regulation and mandates, I mean, in place and then would eventually start moving into that direction. Of course, then you still need to build up, I mean, the capacity after you have taken the decision. So I believe we have a unique chance to be a market leader on sustainable aviation fuel and continue to build up not just the opportunity to grow, but also this optionality between diesel, sustainable aviation fuel and renewable hydrocarbons for polymers and chemicals.

Operator^ And your next question comes from the line of Matt Lofting at JPMorgan.

Matthew Peter Charles Lofting^ Two quick ones, please. First on hedging, apologies if you gave the numbers earlier, and I missed it. But looking beyond Q2, which sounds like the ratio is broadly similar to Q1, could you be more specific in terms of where the hedge ratios currently sit and whether they change relative to your last update with the full year's?

And then secondly, just coming back to the earlier comments around waste and residue. Understood that any structural or longer-term guidance changes will wait until September. I just wondered if there was anything, let's say, quarter-specific in the feedstock mix in Q1 around the sort of the step-up to 90%. Or is 90% plus now a sort of a base level that we should think about looking forward?

Peter Z. E. Vanacker^ Yes. On the hedging, I mean, beyond Q2, if that was your question, Matt. I mean, Q2, we said, I mean, it's Matti already alluded to that, approximately on the same level in terms of hedging percentages in Q1. The -- we have some hedging position for the second half of the year but it is substantially lower than what we have in Q1 and Q2 due to the fact that if we look at all the indicators, we take the

assumption, we don't have the crystal ball, but we take the assumption that the palm oil versus gas oil differential would not widen in the second half, but on the contrary, would eventually decrease.

On the waste and residue structure, I mean, we are working, I mean, towards that target of being 100% waste from residue. Of course, we do that in little steps, so 90% in Q1 was a very good number that we had. Will it be 91% or 92%, I mean, then when we move, let's say, over the entire year, it's possible. I mean, we continue to work on it, but I would not make any promises now.

Operator^ And your next question comes from the line of Henri Parkkinen at OP Finance.

Henri Parkkinen^ I still have two quick questions. First of all, about the overall market growth in Renewable Products. What do you expect regarding 2021? How much this overall market will grow?

And the second one is related to your presentation, Page number 19, and it's about Oil Products additional margin. The refinery production costs were up by some $1.40 per barrel. And if I understood it correctly, part of this was related to higher CO2 emission rights prices. I wonder if you could give a little bit more detail what impact -- was it small or a big part of this $1.40 per barrel increase in costs?

Matti Lehmus^ Yes. Thank you, Henri. This is Matti first on the question on renewable diesel demand outlook for '21. So I think we've earlier estimated that the global renewable diesel demand growth could be in the range of 1.5 million to 2 million tons in 2021. And just in a way, given the continued impact of the pandemic on traffic, on people movements, we would probably currently estimate that the demand growth would be in the low end of that range. And at the same time, it's probably good to know if you look at just supply and demand, that in the same way, if you look at supply growth this year, we would assume that both demand and supply growth are quite balanced because also here, we have seen some delays in some projects. So the overall picture looks quite balanced.

Marko Pekkola^ And then Marko here. I can, Henri, comment on the additional margin and then the emission right price impact. The other thing there is, is that that's one element there impacting to the additional margin. And then the other one is on the natural gas prices comparing to the Q1 2020. And I think that they are on the same volume impacting the additional margin -- or in that sense of the production cost, what we are reporting there. So both impacting [the other].

Operator^ And your next question comes from the line of Monika Rajoria at Societe General.

Monika Rajoria^ My question is regarding the feedstock sourcing. So you alluded to the fact that you continue to build that. Could you just give us some more color? Can we expect any more M&As going forward this year?

Matti Lehmus^ Yes, Monika, Matti. Thanks for the question. So I would refer to the general strategy that we have to expand our feedstock

sourcing. So we are, of course, in the existing markets that we are active in, continuously looking to develop our aggregation capability to grow the platforms that we have like Mahoney in the U.S. This is part of the work. And in parallel, in some of the markets, which -- where we have, over the last years, entered like, for example, last year, we announced China as being one of the markets, we continue here also developing both the partnerships that we have and our capabilities for the collection. So these are important parts.

And I would say the third element is that we, of course, continue working on continuously developing our pretreatment capabilities, enabling more difficult feedstocks, lower quality feedstocks. This is something that happens in, let's say, cooperation between production, between our innovation department, which is also an important lever. So it's all these 3 things that we are doing.

Operator^ Our next question comes from the line of Michael Alsford at Citigroup.

Michael James Alsford^ I've just got a couple of housekeeping questions, if I could, left. Firstly, fixed costs in Renewable Products increased, I guess, as you guided. I just wondered whether you can give a bit more color as to whether you think that will continue to increase given work planned at Rotterdam and for the SAF and also the world scale facility?

And then just secondly, on Oil Products. Again, you've guided to the EUR 110 million EBIT impact from the turnaround. I know it's difficult given COVID, clearly, to give a precise number. But as a base case, what do you think is the split of the impact between 2Q and 3Q?

Matti Lehmus^ Yes, Michael. I'll start first on the renewable diesel question on the fixed cost. So like you have noted, with the development of our resources and the supporting functions to support our upcoming road projects, the fixed costs were increased in Q1 versus the previous quarter. And I would say it's expected that this type of trend will continue also in the coming quarters as we are continuing to build up the resources and supporting functions for all the upcoming growth projects.

Marko Pekkola^ And then coming back on the impacts for the OP or the impacts. I think mostly, it would be, of course, taken into -- the volatility into account, but mostly it could be the hit on Q2.

Michael James Alsford^ Would 80/20 be a good base case, would you say?

Marko Pekkola^ Not to give exact numbers, but yes. It's really hard to estimate, but I would be -- would be landing around those numbers.

Peter Z. E. Vanacker^ Yes, Michael. And of course, I mean, the first and foremost that is of importance is executing this turnaround in a safe, and of course, that means also healthy way. We do have the pandemic also in Finland. We have all the precautions. I alluded to 24,000 tests. I mean, mass testing and so on and so on that we are undertaking. But the first criteria is safety. So if that leads, I mean, to the fact that we don't have a 12-week shutdown, but it's a 14-week shutdown, then so be

it. But we need to execute this shutdown in a safe way and take into consideration that this is a huge undertaking, seeing the current pandemic.

We're well prepared. I mean, we talk all the measures that we have. But still, I mean, I want to make sure that you understand that as well that this is not now, okay, 12 weeks and then whatever your assumption, is 80-20 in Q2, Q3 in terms of the impact. There is a chance, of course, that it's more than 12 weeks.

Operator^ And there are currently no further questions.

Peter Z. E. Vanacker^ Okay. Very good. As usual, excellent questions and very active participation. So thank you very much, I mean, for that. So of course, I mean, as I just, and at the last question, I said that the pandemic is not over yet, but we see already positive signs in many areas. For us, I mean, the second quarter will be a turnaround quarter. You can add the numbers up. I mean, then you come to EUR 140 million impact if that would be all, I mean, in Q2. And as I said, then we will focus on the safe implementation of the Porvoo major turnarounds.

But of course, I mean, we continue to push forward, like we have done, I mean, during the last year, so on our chosen strategy and on the journey to become a global leader in renewable and circular solutions. And of course, if we have M&A activities, to come back to Monika's question, then we will then definitely, at the right time, communicate them. So thank you very much, I mean, for your continued interest in our company. Stay safe and, above all, healthy. Goodbye.

Operator^ That does conclude the conference for today. Thank you for participating. You may all disconnect.