



# Q2 2020

Peter Vanacker | President and CEO

NESTE

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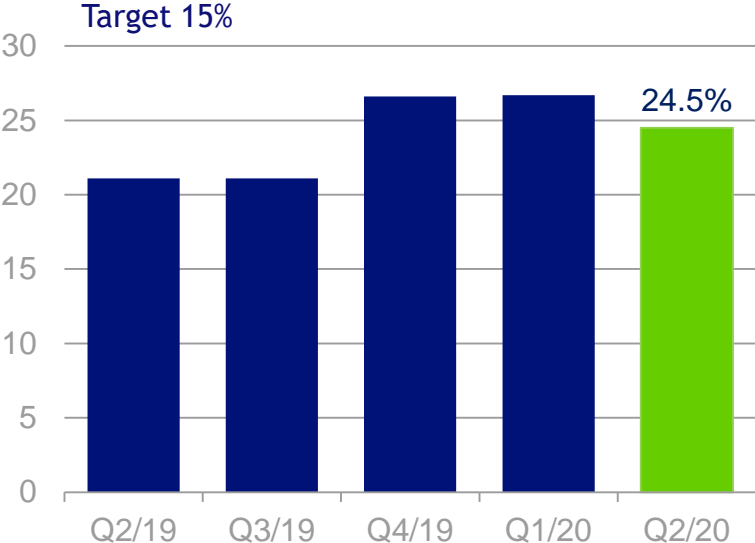
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## Solid quarter despite market turbulence due to COVID-19

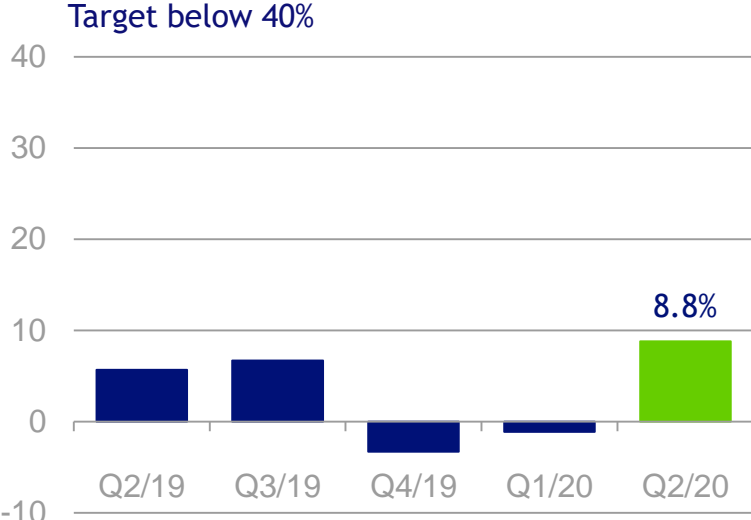
- Group comparable EBIT 255 MEUR
- Another strong quarter in Renewable Products
- Oil Products hit by an unprecedentedly weak refining market
- Marketing & Services performed well in challenging market
- Focus on strategy execution


# Strong financial position visible in financial targets

ROACE, rolling 12 months, %



Leverage, %





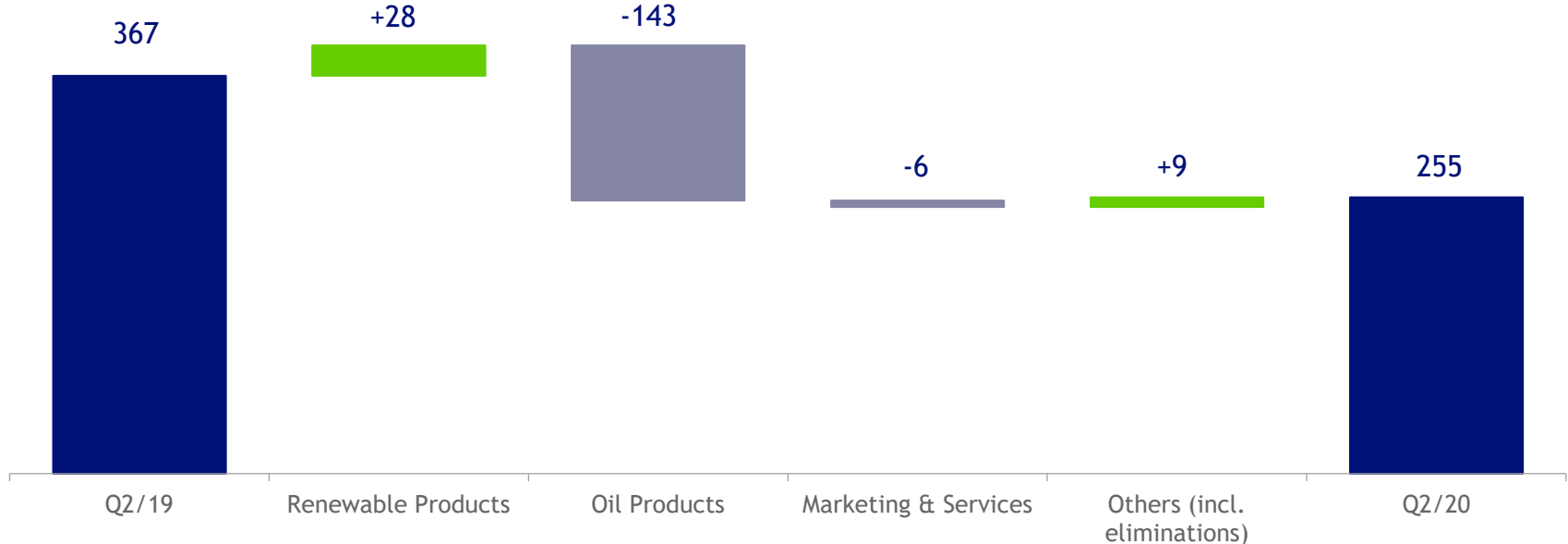
Q2 2020  
Group financials

# Group financials Q2/20

MEUR	Q2/20	Q2/19	H1/20	H1/19	2019
Revenue	2,572	4,057	5,842	7,826	15,840
EBITDA	333	477	659	963	2,731
Comparable operating profit	255	367	663	746	1,962
Renewable Products	314	286	644	623	1,599
Oil Products	-60	83	14	156	386
Marketing & Services	19	25	27	38	77
Others (incl. eliminations)	-18	-27	-21	-71	-100
Operating profit	208	359	405	741	2,229
Cash flow before financing activities	-246	132	-366	140	1,154
Comparable earnings per share, EUR	0.26	0.40	0.76	0.77	2.04

# Group result burdened by exceptionally weak refining market

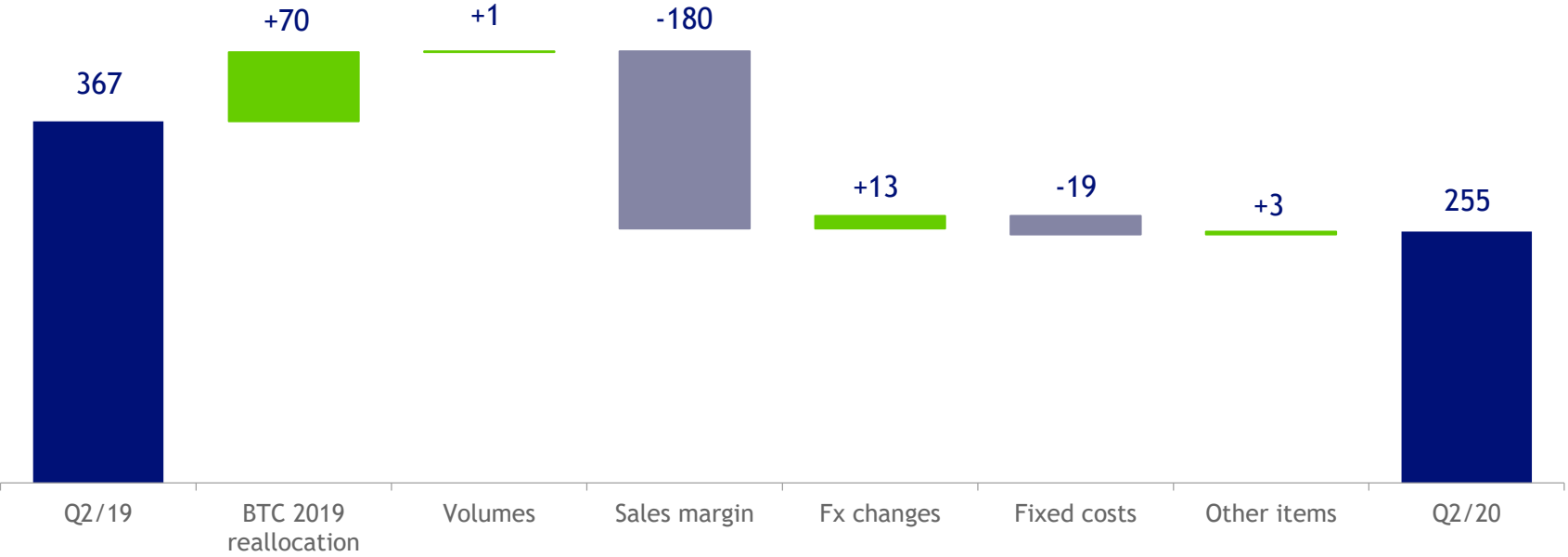
Group comparable EBIT by segments Q2/20 vs. Q2/19, MEUR





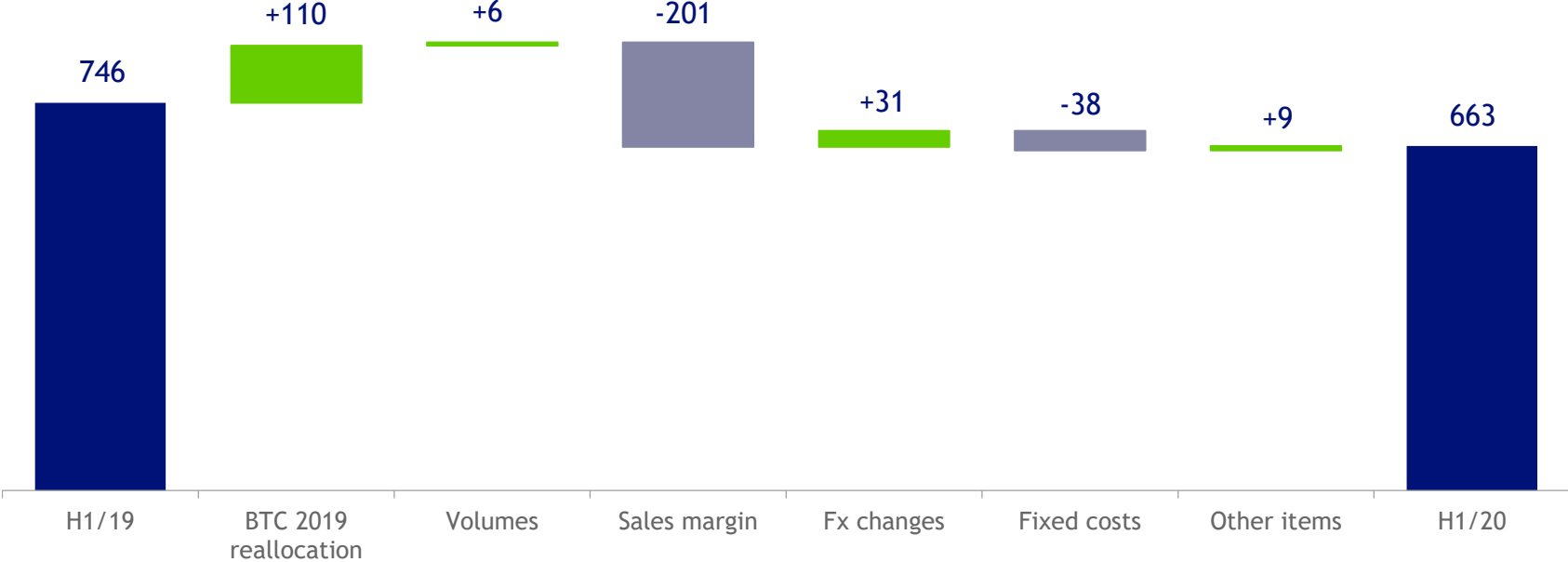
# Results impacted by margin pressure

Group comparable EBIT Q2/20 vs. Q2/19, MEUR



# Solid half-year result in a challenging market environment

Group comparable EBIT H1/20 vs. H1/19, MEUR

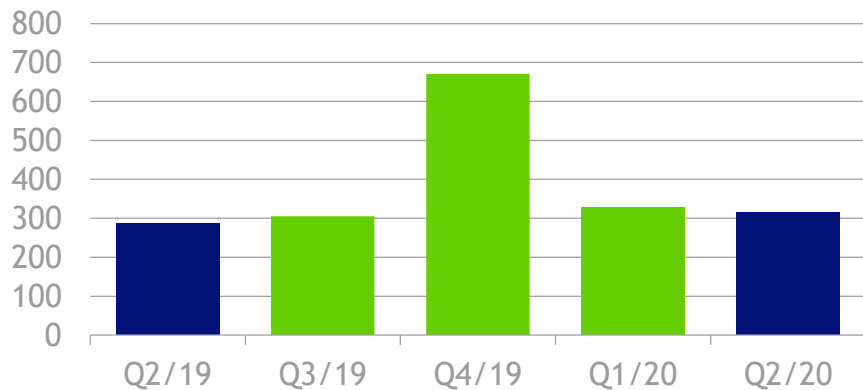


The background is a vibrant green bokeh effect, with soft, out-of-focus light spots scattered across the frame. A large, thin white circle is centered on the page, partially overlapping the text and the bokeh. In the upper right quadrant, a close-up of a pen nib is visible, with a single drop of ink at its tip. The overall aesthetic is clean, modern, and nature-inspired.

# Q2 2020 Segment reviews

# Another strong quarter for Renewable Products

## Comparable EBIT, MEUR



MEUR	Q2/20	Q2/19	2019
Revenue	1,047	955	4,033
Comparable EBIT	314	286	1,599
Net assets	3,592	2,259	3,137

- Comparable EBIT 314 MEUR (286)
- Comparable sales margin USD 625/ton (674), including BTC
- Record-high sales volume 773 kton (745), share of Europe 71% (65%)
- Production volume 717 kton (765)
- Share of waste and residues feedstock 78% (77%)
- Investments 274 MEUR (40)
- Comparable RONA\* 55.6% (57.0%)

\* Last 12 months

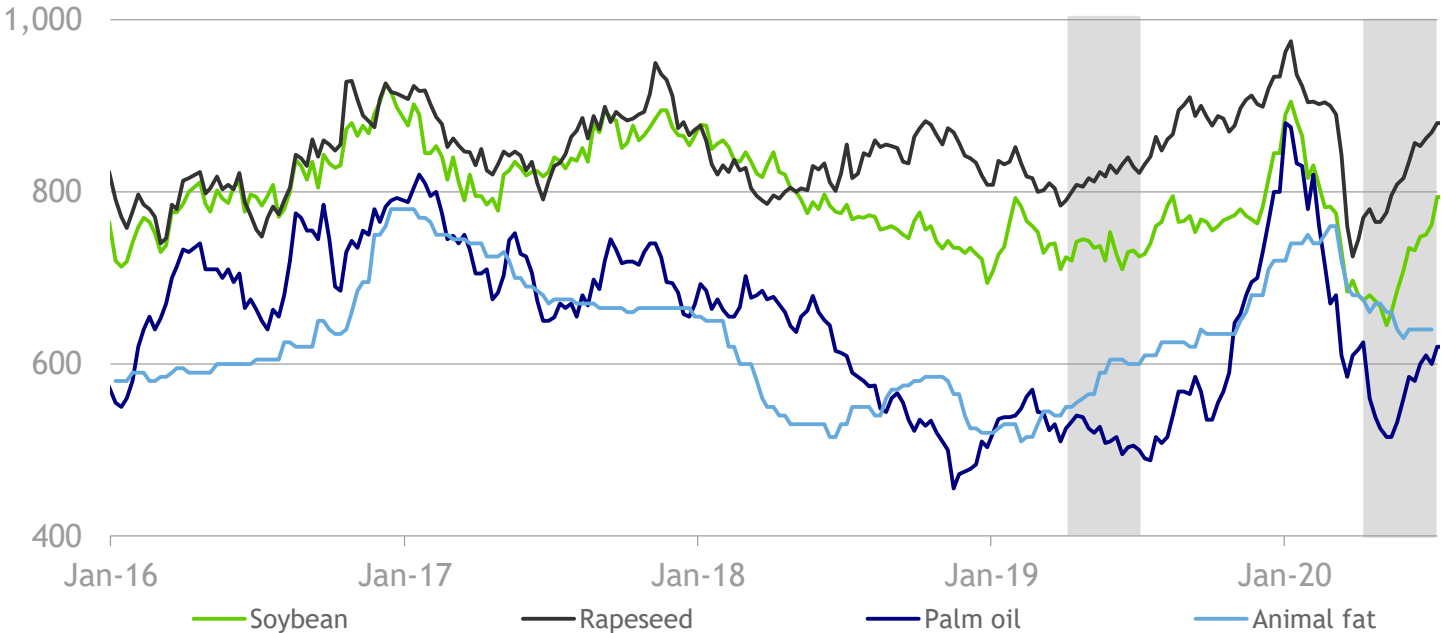
# Record-high sales volumes and stronger USD offset lower margin

Comparable EBIT Q2/20 vs. Q2/19, MEUR



# Feedstock market tightened

Vegetable oil and animal fat prices\*, USD/ton



\*Quotations in NWE, source: Oil World, The Jacobsen

# US margins supported by LCFS credit and RIN prices

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



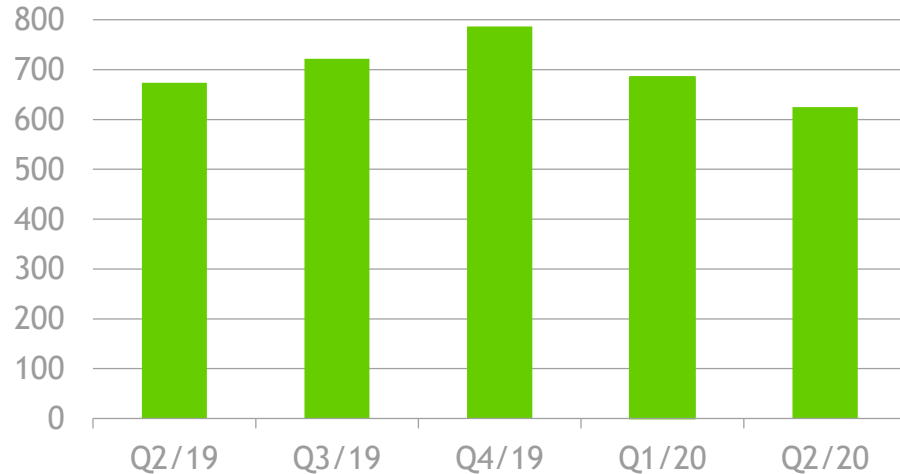
RIN prices, US cent /gal



— Biomass-based diesel (D4)  
— Conventional renewable fuel (D6)

# Sales margin at very healthy level

Renewable Products comp. sales margin,  
including BTC, USD/ton



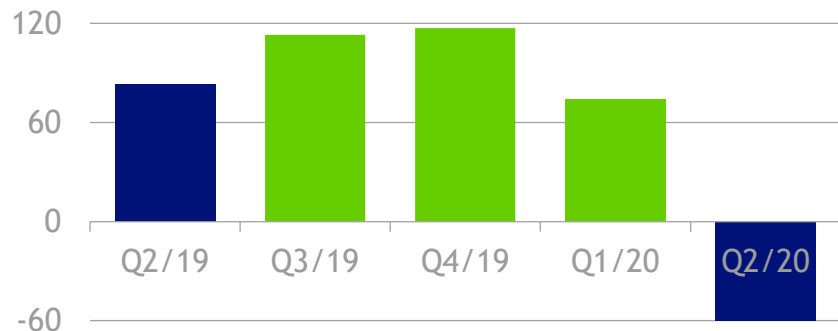
- Comparable sales margin USD 625/ton (674), including BTC\*
- California LCFS credit USD 201/ton (189)
- D4 RIN USD 0.52/gal (0.38)
- Sales of 100% Neste MY diesel 27% (28%)
- Utilization rate 90% (105%)

\* Retrospective BTC 2019 allocated to quarters



# Oil Products result impacted by unprecedentedly weak market and scheduled Porvoo refinery unit maintenance

## Comparable EBIT, MEUR



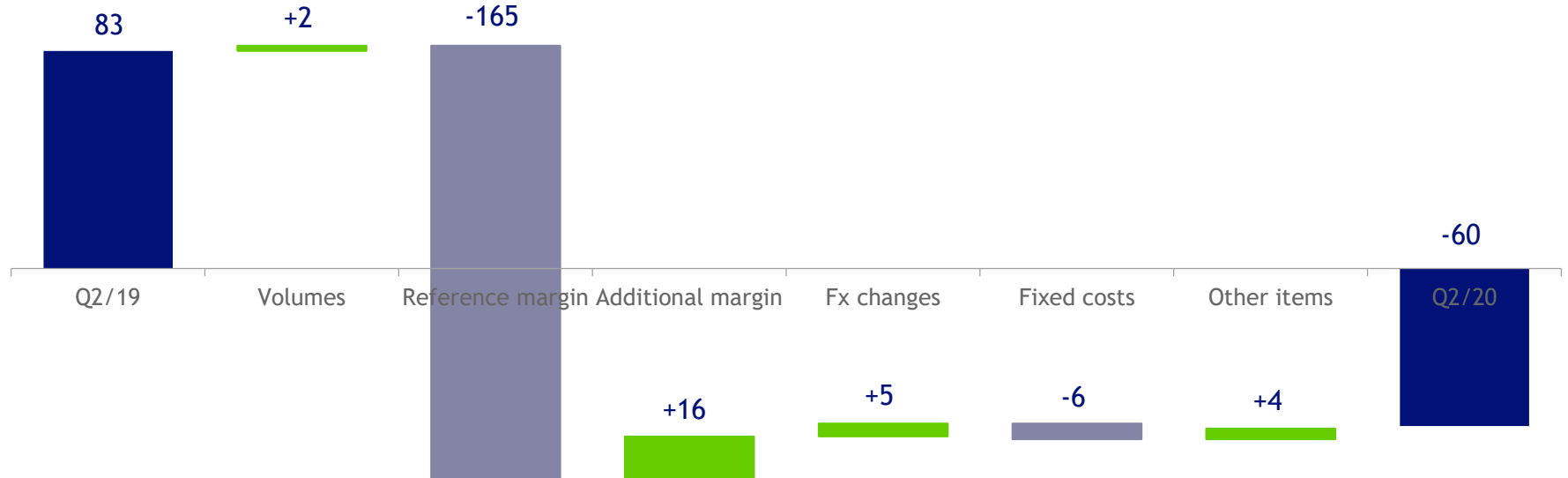
MEUR	Q2/20	Q2/19	2019
Revenue	1,218	2,729	10,416
Comparable EBIT	-60	83	386
Net assets	2,579	2,564	2,313

- Comparable EBIT -60 MEUR (83)
- Sales volume 3.1 Mton (3.7)
- Refinery average utilization rate 67% (95%)
- Scheduled Porvoo unit maintenance EBIT impact approx. -20 MEUR
- Urals' share of feed 67% (74%)
- Investments 58 MEUR (61)
- Comparable RONA\* 9.6% (14.2%)

\* Last 12 months

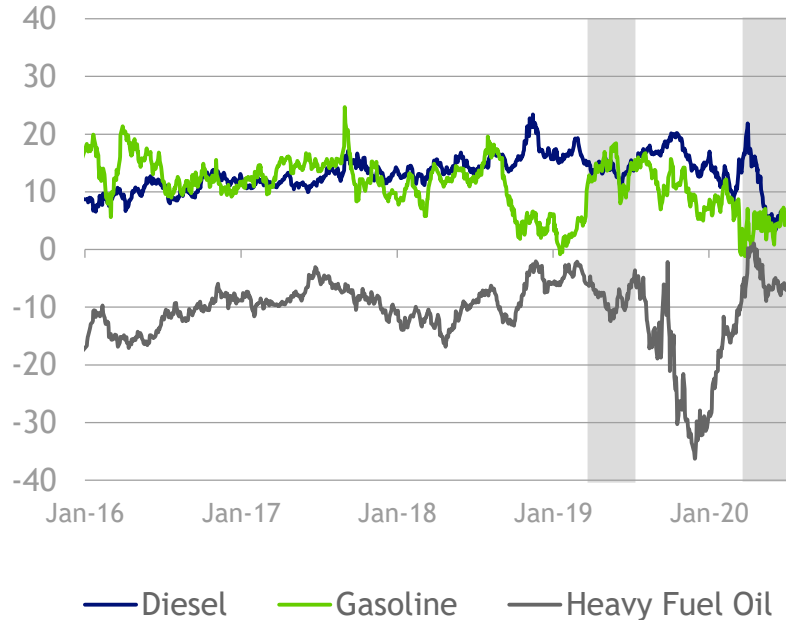
# Oil Products' result hit by exceptionally weak refining market

Comparable EBIT Q2/20 vs. Q2/19, MEUR



# Low product margins and unfavorable Urals-Brent differential

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

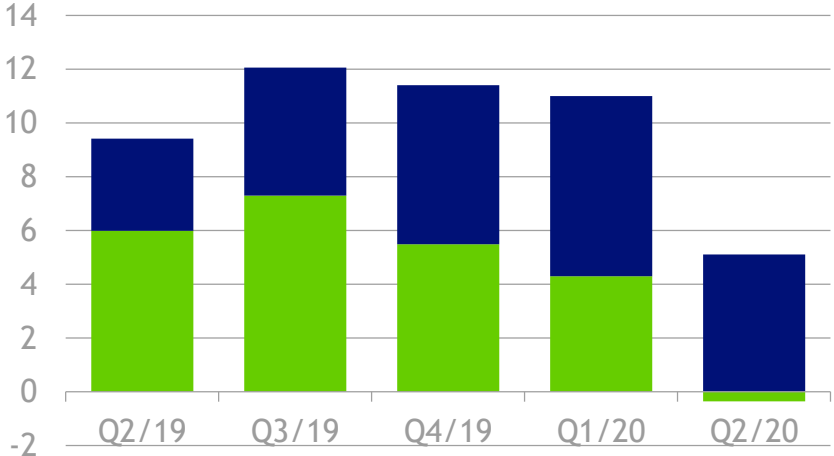


Urals vs. Brent price differential, USD/bbl



# Weak market visible in reference margin

Total refining margin, USD/bbl

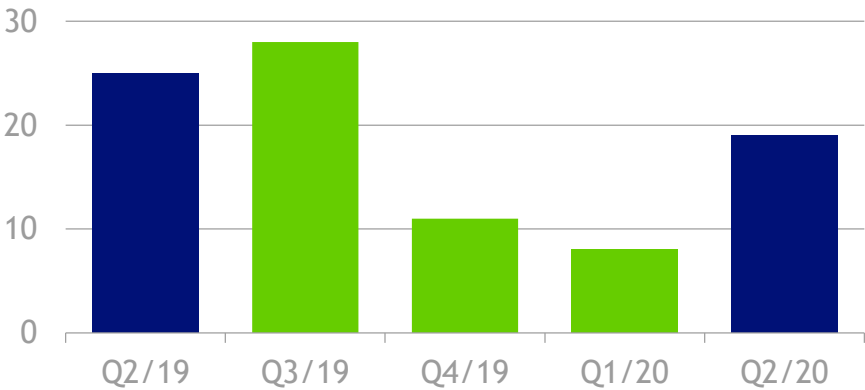


- Total refining margin USD 4.8/bbl (9.4)
- Reference margin USD -0.3/bbl (6.0)
- Additional margin USD 5.1/bbl (3.4)
- Refinery production costs USD 5.6/bbl (4.6)

■ Reference margin  
■ Additional margin

# Marketing & Services performed well in a challenging market

Comparable EBIT, MEUR



- Comparable EBIT 19 MEUR (25)
- Russian business sold in Q3/19; EBIT impact -8 MEUR in Q2/20
- Unit margins improved
- Sales volumes declined due to COVID-19
- Lower fixed costs
- Investments 4 MEUR (5)
- Comparable RONA\* 24.7% (28.9%)

MEUR	Q2/20	Q2/19	2019
Revenue	664	1,064	4,193
Comparable EBIT	19	25	77
Net assets	206	315	235

\* Last 12 months



# Current topics

# Focusing on strategy implementation

## Focus areas

## Progress during Q2

Scale up faster and bolder



- Singapore expansion project proceeding but delayed due to lockdown measures by local government
- Acquisitions of Mahoney Environmental and Count Terminals completed
- Expansion of Neste MY distribution in Finland and Sweden
- Circular economy partnership with McDonald's and HAVI in the Netherlands
- Discussions with customers and partners in Renewable Aviation and Polymers and Chemicals proceeding well

Drive efficiency in operations



- Business continuity plans focus on short-term cost reduction activities
- Neste Excellence: RP capacity increased to 3.2 Mton/a

Increase innovations



- Neste was awarded 20 MEUR RDI funding from Business Finland to boost innovation activities in renewable and circular solutions

# Segment outlook for Q3/2020

## RENEWABLE PRODUCTS

### MARKET

Sales volumes for Renewable Diesel expected to remain relatively stable in Q3. Feedstock markets expected to remain tight.

### UTILIZATION RATE

Utilization rates expected to remain high in Q3, except for scheduled catalyst change at one of the Porvoo units.

## OIL PRODUCTS

### MARGIN

Market demand expected to improve, but be still severely reduced due to the COVID-19 pandemic.

Reference margin also expected to remain low and very volatile.

## MARKETING & SERVICES

### SALES VOLUMES

Still some negative impact on demand and sales volumes in Q3 due to COVID-19 pandemic.



# Other 2020 topics

## RENEWABLE PRODUCTS

- Scheduled catalyst change at Rotterdam refinery in Q4
- Total EBIT impact of Rotterdam and Porvoo catalyst changes estimated at -60 MEUR

## SINGAPORE EXPANSION

- Singapore expansion progress to be impacted by COVID-19 related restrictions
- Estimated start-up moved from mid-2022 to Q1/2023
- CAPEX estimated to increase by 100 MEUR from earlier communicated 1.4 BEUR

## GROUP CAPEX

- Capital expenditures in 2020 expected to be reduced from previously estimated approx. 950 MEUR to approx. 850 MEUR, excluding possible M&A



# Appendix

## Renewable Products comparable EBIT calculation

	Q1/19	Q2/19	Q3/19	Q4/19	2019	Q1/20	Q2/20
Sales volume, kton	692	745	716	693	2,846	731	773
<b>Comparable sales margin, including BTC, USD/ton</b>	<b>756</b>	<b>674</b>	<b>722</b>	<b>787</b>	<b>733</b>	<b>685</b>	<b>625</b>
Comparable sales margin, MEUR	461	447	465	493	1,866	454	439
Fixed costs, MEUR	-50	-55	-59	-81	-246	-81	-82
Depreciations, MEUR	-36	-36	-46	-49	-166	-44	-43
Reallocation of BTC 2019, MEUR	-40	-70	-56	-64			
<b>BTC 2019 &amp; 2018, MEUR (added back)</b>				<b>372</b>	<b>142</b>		
<b>Comparable EBIT, MEUR</b>	<b>337</b>	<b>286</b>	<b>305</b>	<b>671</b>	<b>1,599</b>	<b>329</b>	<b>314</b>

# Refinery production costs, Porvoo & Naantali

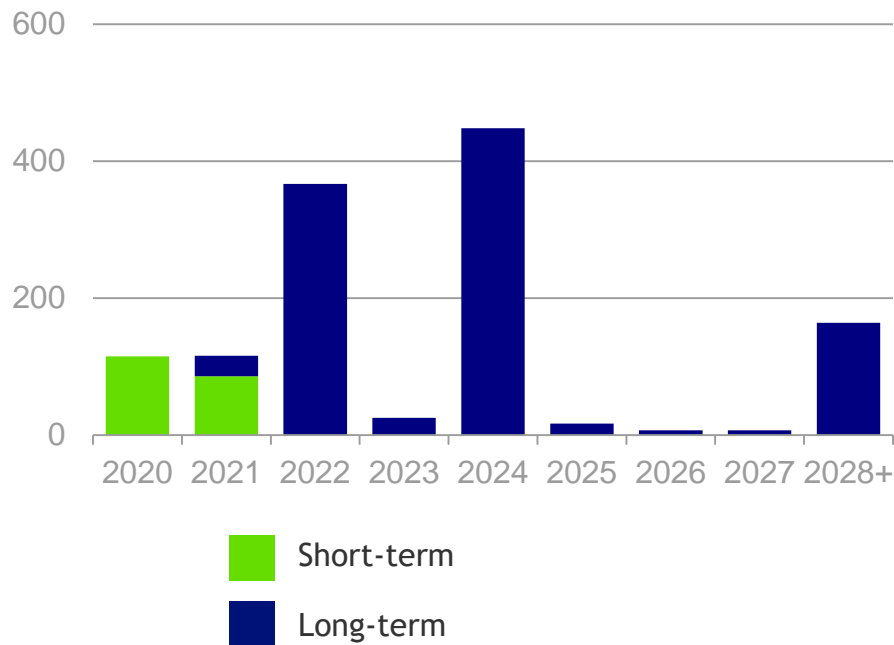
		Q2/19	Q3/19	Q4/19	2019	Q1/20	Q2/20
Refined products	Million barrels	27.5	26.9	27.9	109.2	29.7	23.0
Exchange rate	EUR/USD	1.12	1.11	1.11	1.12	1.10	1.10
Utilities costs	MEUR	50.6	49.8	58.5	211.4	49.7	41.3
	USD/bbl	2.1	2.1	2.3	2.2	1.8	2.0
Fixed costs	MEUR	62.1	61.2	75.9	256.4	63.3	76.6
	USD/bbl	2.5	2.5	3.0	2.6	2.4	3.7
External cost sales	MEUR	-0.4	-0.3	-0.3	-1.5	-0.4	-0.3
	USD/bbl	0.0	0.0	0.0	0.0	0.0	0.0
Total	MEUR	112.2	110.7	134.2	466.3	112.5	117.6
	USD/bbl	4.6	4.6	5.3	4.8	4.2	5.6

# Cash flow

MEUR	Q2/20	Q2/19	Q1/20	H1/20	H1/19	2019
EBITDA	333	477	326	659	963	2,731
Capital gains/losses	0	0	0	0	0	-37
Other adjustments	219	9	-120	99	120	-77
Change in net working capital	-432	-121	37	-395	-522	-780
Net finance costs	-19	-19	0	-19	-28	-48
Income taxes paid	-40	-42	-50	-90	-129	-333
<b>Net cash generated from operating activities</b>	<b>61</b>	<b>303</b>	<b>193</b>	<b>254</b>	<b>403</b>	<b>1,456</b>
Capital expenditure	-348	-119	-198	-546	-189	-568
Other investing activities	41	-53	-115	-74	-74	265
<b>Cash flow before financing activities</b>	<b>-246</b>	<b>132</b>	<b>-120</b>	<b>-366</b>	<b>140</b>	<b>1,154</b>

# Liquidity & maturity profile

MEUR



- Group's liquidity EUR 2,046 million at end of June 2020
  - Liquid funds EUR 696 million
  - Unused committed credit facilities EUR 1,350 million
- Average interest rate for interest-bearing liabilities was 2.1% and maturity 2.7 years at end of June
- No financial covenants in Group companies' existing loan agreements

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