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Operator^ Good day, and welcome to the Neste Q1 2018 Corporation's Earning Conference Call. Today's call is being recorded. And at this time, I would like to turn the conference over to Mr. Juha-Pekka Kekalainen. Please go ahead, sir.

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 earlier today. I'm Juha-Pekka Kekalainen, Head of Neste's IR. And with me here today are President and CEO, Matti Lievonen; CFO, Jyrki Maki-Kala; and the business area heads, Kaisa Hietala of Renewable Products, Matti Lehmus 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 as always we will be making forward-looking statements in this conference call. And with these remarks, I would like to hand over to our CEO, Matti Lievonen, to start with the presentation. Matti, please go ahead.

Matti Lievonen^ Thank you, Juha-Pekka. Good afternoon and welcome. If you could see us, you'd might see that there is smiling faces and it's not only that we had an excellent start for the year, but it was the continuation from the last year. So this good continuation by doing good profits is really a good thing.

So we posted the quarterly result EUR 401 million and that was the highest what we have ever done in the quarter basis. It was supported with EUR 140 million Blenders Tax Credit. But if you look at the business environment also, so we are pretty confident because the feedstocks for RP, Renewal Products, is heading to the right direction, so low-carbon credit standard in California also is a healthy level. And the markets are good and that's the one part of that we could post excellent additional margin in Renewal Products in the first quarter, as we did also fourth quarter and in the third quarter last year. So it's a good continuation of the hard work what we are doing.

Then the Oil Products, I think that there was good and solid financials, but also the operations. So the operation was in the high level, good utilization. Of course we was hit about the lower reference margin the year before. But good operational performance is a payoff and that has been also continued from the last year. So the things, what we have done at the operational side and improving the operational efficiency has been also seeing now in the result.

Marketing & Services, small improvement, not so much in Finland; Finland is a very competitive environment, but small improvement in Russia and then the Baltics was very much the level what we have had in recent years. Also that we posted good strong free cash flow and you need to remember there is not this Blenders Tax Credit inside yet, so it's a good achievement.

So all in all, if we look at today's Neste position and our financials, so very strong performance. Our return of capital employed after tax rolling 12 months, 20.5%; the leverage, 3.9%. So all in all, I could accept that we smile a bit here. But we know that there is hard work still to do, but very pleased at what we could really deliver in the first quarter. And as I mentioned that it's a continuation, and I believe that these sort of good waves are going forward.

And I like now to turn my turn to Jyrki Maki-Kala who is the CFO, and he will go through the financials.

Jyrki Mäki-Kala^ Thank you, Matti, and welcome also on my behalf. Let's go a little bit deeper with the group level financials. The BAs will talk a little bit more about their figures then later on. But if you look to quarter 1 results overall, I think that we had a very healthy top line growth also in the background coming from prices and coming also from the volumes, and have a negative effect coming out of the U.S. dollar getting weaker, but overall very strong top line.

The EBITDA which is normally not so much on the radar, I think it gives you a good feeling why our free cash flow was also so strong. So we had more than EUR 500 million EBITDA in the first quarter. So it was a good start and quite also from a cash flow point of view.

Our 3 businesses, basically they all improved their profitability compared to quarter 4 2017, but also especially Renewable Products and Oil Products, they had a very, very good quarter coming from their own doings. I'll go a little bit more deeper what I mean by that, and it gives a feeling that in many ways why the profitability was so strong.

Matti already mentioned about the cash flow, the EUR 234 million in the free cash flow. And remember, there was a negative impact of EUR 149 million of net working capital, and that was basically the Blenders Tax Credit. So we get this EUR 140 million mainly in quarter 2. So from a cash flow point of view, I think we had an excellent first quarter, because it was really coming out of the good operative things, what we had done also with our working capital. Comparable earnings, very strong, EUR 1.29 million after one quarter.

There's one additional slide here now about how our business has developed by quarters. And if you look at quarter 1 with this green bar there and think about if you take the BTC away, it was EUR 261 million and it was roughly 30% higher than quarter 1 2017. And if you look at the trend, what is there, so you are seeing that our quarterly earnings are getting also more balanced between each other during the history, if you look for the last 2 to 3 years. So I think that is a good thing also in terms of why we made this kind of free cash flow in our quarter 1 figures.

From EBIT's point of view, why we basically doubled our EBIT compared to 2017 first quarter, is coming very strongly from the Renewable Products. We have talked about the BTC, the EUR 140 million. But in addition to that one, we had a EUR 76 million improvement in their profit compared to the previous year. So it was really coming out of the things, what is in our hands, what we are operating in our refineries in the marketplace, et cetera; so very strong performance.

Oil Products basically gets a hit from the marketplace reference margin, but also the U.S. dollar was not favoring their operation. So in many ways, a very, very strong thing and if you look in details what it means by line item, this quarter 1 bridge, you have these 3 green items there. Volumes, very strong volumes in Oil Products really made a great achievement volume-wise. RP also had a slightly higher sales volume in quarter 1 compared to previous year. And then the big thing that's adding so much, both businesses had good operations, so they really improved that so much, and roughly EUR 140 million came from Renewable Products and EUR 18 million came from Oil Products. And then we had the BTC, so it was not just the BTC that made the quarter. It was really the things what we are doing with our operations worldwide.

The FX changes, this the gross figure, minus EUR 52 million. You will see that that would have been there if we would not have the hedges in place. So the 1.19 FX rate certainly is there inside the additional margins, both with RP and OP. So we saw that the hedging, what we are doing systematically, is a very positive thing with our financials.

And I think that was more or less a brief story about the group level financials concerning quarter 1, and I then hand over to Kaisa Hietala to talk about our Renewable Products.

Kaisa Hietala^ Thank you, Jyrki. Good afternoon, everybody also on my behalf. What a great day for Neste and it's really great to be here today to discuss the Renewable Products result in Q1 2018.

It was an excellent quarter for Renewable Products. First of all, of course, like we communicated at the beginning of February, the positive retroactive decision of the Blenders Tax Credit was boosting our result considerably. But then on top of that, like Jyrki explained, we continued our program to improve our additional margin, and now we have reached levels which I think-- I mean these are record-levels from Renewable Products. And this was mainly due to the good optimization between raw material sourcing and sales allocation. So great, great big thanks to the team, I mean great achievement.

Our sales volumes was slightly higher than last year. And maybe this was a bit surprising. We did have some refinery disturbances, both in Singapore and in Rotterdam. And there was some seasonality in fact also from the U.S. market since there was some anticipation at the end of the year that the BTC might be retroactively introduced and therefore many of the customers were optimizing their volumes between these two years, 2017 and 2018. But all in all, if we compare to last year, the sales volume was good.

Our sales allocation to Europe was slightly lower than last year, but still if I compare to Q4 2017, this is now showing that the share of sales to North America was slightly lower and describing or showing the seasonality which we are seeing there.

Share of waste and residues remained high at 81%. And we did the first renewable propane deliveries from Rotterdam. So finally we have a great unit up and running and our customer, SHV, has started the marketing of the product and we have received great feedback on this product. First of its kind in the world and now introduced as a new a product to our customers. EUR 50 million investment, mainly related to finalizing the biopropane unit, but also into our growth programs, and comparable return on net assets now more than 40%.

If we then look into the bridge between Q1 last year and Q1 this year, here you can see the impact of the BTC very clearly, but also you will see the additional margin impact. And the additional margin contains lots of our own activities over the whole value chain, so not only those market parameters which are not part of the reference margin, but also the whole optimization. Where do we buy raw materials? When do we buy them? Which raw materials we are using, and eventually to which markets and customers and segments we are selling the products?

All right, if we then look into the markets, and first the European market, biodiesel market; and here you can see the impact very clearly. You can see the impact of changing regulation. Europe decided to take away import duties for Argentinian and Indonesian biodiesel, and that has been deteriorating the biodiesel margins. And at the same time if we look at the feedstock prices, it is visualizing the downtrend of the feedstock market, slightly below the levels that we saw last year this time, especially for tallow which is an important raw material for us.

The U.S. biodiesel market has been extremely volatile. It's sort of like last year there was lots of volatility due to the new president, and the new administration and related topics. This volatility still continues and now there are several drivers. First of all, U.S.A. decided to set import duties for Argentinian biodiesel at the end of last year and that is then impacting the availability of biofuels, and I think this is one of the drivers for the low carbon fuel standard tickets, LCFS ticket or the credit prices. But then also there was lots of discussion and some decisions made around the renewable fuel standard, mainly the fact that the Environmental Protection Agency had granted waivers for small refiners so that they do not need to fulfill the renewable fuel standard mandates and this has been then deteriorating especially the D6 ethanol RIN prices.

So let's see how the situation continues in U.S.A., but it's good to keep in mind that one of the key drivers for Neste is the low carbon fuel standard where we have seen very positive elements. There is a new proposal now on the table and this new proposal is introducing even higher targets and mandates for 2030, very positive news for us.

Then finally if we look into the additional margin analysis, our comparable sales margin when excluding the impact of the BTC, was $525 per ton. Reference margin was slightly lower than last year at this time. And then the additional margin, of course, was covering a majority of the total and was clearly improving from last year and still very well improving from Q4 last year.

Let me finalize by saying a couple of words about the utilization rate. 89% looks as a low number, however, we have been updating the nominal capacity of our production platforms and we are moving from 2.6 million tons to 2.7 million tons this year. This is part of the Capacity [CRE] Program. So the utilization which we will be reporting this year is based on this new nominal capacity of 2.7 million tons. And we did have problems with our hydrogen partner in Singapore and then also in Rotterdam. We were having problems with one of our catalysts and now getting closer to the Rotterdam turnaround we will be then changing the catalyst as was planned.

So this was about the Renewable Products, and I would like to now hand over to Matti Lehmus to discuss Oil Products. Matti, please.

Matti Lehmus^ Thank you. Good afternoon also on my behalf and I'll start with a comment that indeed Oil Products had a good solid quarter. And I would characterize it by saying that the market was seasonally not so strong, but at the same time we have very good operational performance.

And just looking at the numbers, one thing to start with is that the refinery system was running at a very high utilization of 96%. This now covers both Porvoo and Naantali systems and I have to say that I'm particularly happy about the fact that it is now the fourth quarter in a row where we can say that there were actually very limited unplanned shutdowns and very long-standing work we have done on reliability clearly is paying off here. That also then means that the sales volume was very high in the first quarter at 3.9 million tons, clearly higher, almost 600,000 tons higher than in the first quarter last year. And this is a combination of refineries running very well, but also we did not build any contangos. We were able to optimize our inventory, so it also reflects successful inventory management. Finally it's good to note that with this operational performance and the relatively seasonally weak market, we were able to still come with a very good solid EBIT of EUR 99 million, which is down from EUR 126 million last year.

If you then look at the waterfall, the picture is quite clear. First of all, the reference margin was at $4.1 per barrel in the first quarter, down from $4.9 last year. And this has had a EUR 17 million impact on our results. The other one that you can see in the gray figures is that the FX, the weakening of the dollar from 1.06 last year in the first quarter to now 1.23, means that there was a calculated impact of EUR 32 million on the Oil Products result. And of course here important to note that the hedging, on the other hand, softened that impact and that is included that hedging result also in the additional margin.

But even taking that into account, I have to state that the additional margin performance was good, $6.1 additional margin in spite of a very high sales volume means that we were also very successful in not having any unplanned maintenance. We had good sales premia, also talking into account that it was winter, some special qualities. And also we had, for example, the SDA unit running very well, which supports the product mix. And that is all reflected then in the additional margin positive contribution versus last year and the higher sales volume impact of EUR 15 million.

Then a few comments on the market, and perhaps as I stated earlier, the overall reference margin at $4.1 is quite typical for this time of the year, not so strong. This compares to last year's average of $5.7. And behind that is of course a combination of winter season, gasoline demand being seasonally low also winter qualities. But also it's fair to note that, for example, European refineries were running very hard at the end of last year in a relatively strong market. And we saw utilization rates of more than 90%, which is high for Europe. And what this meant then in the first quarter is that diesel was actually the strong part of the barrel, roughly $13 per barrel, so still strengthening. We also see that diesel inventories have continued declining. But gasoline, in particular, was weaker than last year and also weaker than the fourth quarter at $10 per barrel. And here in a way we don't see a very clear inventory trend. Actually, the inventories were relatively flat over the quarter. And then now of course we can note that with the start of the maintenance season in March also now in April, margins have clearly recovered and also gasoline in particular is benefiting from a switch to the summer season.

My second comment would be on the Urals versus Brent price differential. The quarter average $1.6 per barrel differential, and here how I would describe it is that we basically are seeing the effect of the cuts, meaning that the OPEC cuts also have a strengthening impact on the Urals.

We have seen that the volumes through the Baltics have declined by roughly 10% to 15% versus last year. But we were also seeing that especially in March-April, the shutdown season clearly widened that differential and the moment, for example, we are seeing a differential clearly over $3 per barrel. So that is clearly linked with the shutdown season. So all in all, I would say that we are now going in a relative balanced situation from an inventory perspective into the summer season and it looks quite balanced from a product and inventory perspective for the coming quarters.

Finalizing then some comments on the total refining margin and like it was discussed earlier, even having this $4.1 reference margin, the strong additional margin of $6.1 per barrel meant that we able again to keep a total refining margin of more than $10 per barrel. And I think this is particularly valuable now that the sales volumes are so high. It actually reflects the fact that even with higher export volumes, we're able to maintain this level. And looking then on the other hand at the refinery production costs, here you can see that we had a slightly higher level than a year ago at $4.4 per barrel, and here the increase in crude price also natural gas is starting to reflect in some upward price pressure on the barrel production cost.

And I'll finalize with a comment of looking at this year, we expect and I expect the utilization and the availability to continue to be very good and at the same time it is the year between 2 major turnarounds, 2015 and 2020, which means that we naturally have a number of unit turnarounds, both in spring now in the second quarter, for example the FCC units later in the third and fourth quarter, for example, on production line 4. And that means that the impact of plant shutdowns is slightly higher than what we had last year on this year's result.

With these comments, I hand over to Panu Kopra to talk about Marketing & Services for the quarter.

Panu Kopra^ Thank you, Matti. Hello. This is Panu Kopra speaking shortly about Marketing & Services first 3 months. Indeed, there was a slight improvement compared to last year. However, the result is not yet there where we want it should be, so not good enough, not yet.

We had tough competition in Finland where the margins were very low. However, I'm satisfied that the sales volumes, they increased and this went up by 50 million liters, and heating oil up by more than 20%. So that volume development, we're quite satisfied then, even though the gasoline was almost flat.

In addition to those healthy volumes, we can be satisfied with the number of new customers. We gained more than 4,000 new customers during the first 3 months of the year. At the same time, Net Promoter score developed to right direction. And we continued to develop our services for our customers. As an example, the mobile application, there are now more than 100,000 end users who have downloaded the app and the volumes are also growing all the time sold by this mobile app. And it seems that the loyalty of those app users is extremely high and that we can be very satisfied.

So all in all, we continue all the time to focus also on the future, improving our financial results, keeping the number of customers and keeping them satisfied. Now back to Matti Lievonen.

Matti Lievonen^ Thank you, Panu. A few words about the outlook for 2018, when I say that the smiling faces here and Kaisa said that we're very proud, so that's exactly where we are. And when listening to these segment outlooks out of the first quarter, so we are pretty confident that we will post a strong year for Neste 2018.

The market's parameters, as we heard, is in place. So demand in Oil Production is going 0.7 million barrels per diesel, 0.4 gasoline. Then in our main markets for Renewables, there is a good strong growth and also this over 100% Renewable Neste MY sales is increasing also. That's a good sign. We have opened a new outlet for our products to marine purposes. This aviation is going forward, biopropane that we are doing our first industrial-scale bioplastic deliveries second half of the year, so very positive things. And as said, also the operations are doing well.

So if you look at then the segment outlook, so Renewable Products, we expect that the additional margin to be a strong level. So earlier it was a good level. Now it's a strong level. And I'm sure that you are asking from Kaisa several times, what does that mean, the strong level. It means that it's a strong level.

Utilization rate, we described that already in the last what we reported. We will have Rotterdam 4 week shutdown, as Kaisa mentioned. So we are changing the catalyst. And I must say I'm very proud at how we are run. So we have been extending the catalyst lifetime very much. And now we are on the limit. And it's sometimes good to test the limits, push the limits. So we suffered a bit in the first quarter and then also a bit in the second quarter. But turnaround will come in good timing. And then we will have this 9 weeks major turnaround in the Singapore refinery in quarter 4.

We also like to highlight, it's probably not exact for this effect to EBIT, but this EBIT is EUR 50 million for Rotterdam and EUR 80 million for Singapore turnaround. And it's really that it's quite also true that this all was in our plan. So it's not extra. It's not something new. But it was in our plans when we gave our guidelines and outlook for 2018.

And the Oil Products, and Matti Lehmus told, so there is good runs. We have more of these unit shutdowns, but also the reference margin it has been recovered from the low levels in early 2018. And as I mentioned, there's a good demand. And I think that there is also possibilities. But it's always possibilities, if there is some hiccups in the refining industry, we could see the higher reference margin as we saw last year. So high utilization, good reliability, but we will have this unit maintenance and here also we like to highlight that this EUR 30 million is in the springtime and then quarter 2, and then EUR 50 million in second half of the year, and probably that's more in the third and then fourth quarter more.

And then in Marketing & Services, it's always very dull what I'm saying. But we expect to follow previous years' seasonality pattern. And we have initiated action that we improve our financial performance and I'm very confident that we can do it.

And then I have been almost 10 years here and keeping this and we have focused during this 10 years' time very much safety. And here I'm proud to say that our safety figures is all-time low, so we are doing a good job there. Operational excellence, I must say also the operational excellence is improving. So last we were probably from the Oil Products side and the Renewable side, the best cash flow as our CFO told, cash flow is good. And then we are heading to a cash flow year once again. And then with customer satisfaction, Net Promoter scorecard, so very positive trend and welcome to Neste premises. And you can see it because that's very public also to outside people on how we are doing with customer satisfaction and Net Promoter scorecard.

By these words, I open the discussion. Thank you.

Juha-Pekka Kekäläinen^ Operator, we are now ready for the questions.

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Operator^ (Operator Instructions) And we can take our first question from Mehdi Ennebati from Societe Generale.

Mehdi Ennebati^ I will ask 2 questions please. The first one is about the maintenance impact at Rotterdam. So you say the impact will be EUR 50 million. However, if I look at the last time you've made maintenance at Rotterdam, it was in the second quarter of 2016, you positively surprised by posting additional margins at a record high, probably because you cut the sales to the least profitable customers. So I wanted to know if that kind of impact could happen again or did your renewable business change so much in 2 years that we shouldn't expect that kind of impact anymore, justifying why you are providing this EUR 50 million negative impact? The second question is again about the Renewable Products division. Can you tell us what has been the trend regarding the feedstock average price in the first quarter versus the previous quarter and if you think you could keep the same level of average feedstock price or even maybe keep improving it in the coming quarter? And can you also tell us if the startup of the Sluiskil Plant played a key role on lowering your feedstock average price during the first quarter?

Kaisa Hietala^ Three questions, let me take first the Rotterdam maintenance or the Rotterdam shutdown, which we are starting in 1 month's time. You are right. In 2016 we were positively surprising the market by having a higher additional margin during the quartile when Rotterdam was down. And now the situation has changed, as you anticipated. We have been changing our sales allocation and also our sales structure. And therefore the current estimate which we published today, EUR 50 million EBIT impact, 5-0, EUR 50 million; this is now calculated with the current market parameters. So it's an approximate number and it's including the maintenance cost itself and the lost sales volumes. So we decided that it's better to give this number because the reference from the 2016 has changed so much. Second question was about the feedstock price, what kind of a trend for average feedstock price we have had between the quartiles and basically how could we open up that topic a bit more. And here I just have to disappoint you again. Unfortunately this is in the core of our competitive advantage. We are not sharing our feedstock pool in detail, nor the price levels of different raw materials. But clearly if you look at the overall feedstock price trends, the veg oils and the tallow, the trend has been positive for Neste. And then there was the one question regarding?

Mehdi Ennebati^ Sorry, excuse me, just on the feedstock, do you think the trend will continue?

Kaisa Hietala^ The feedstock market has been very volatile, if you look at the [cracks] and we are not forecasting feedstock prices. We are forecasting our additional margin. And it's always a combination of feedstock and end customer, what kind of good combinations can we build, either geographically or with the different product sales or with the different segments where we are selling. And it's all about reducing greenhouse gas emissions. So the greenhouse gas footprint of each feedstock and eventually the sold product has a big meaning in this. And then last comment?

Mehdi Ennebati^ And this will-- just on Sluiskil Plant, even though it's a relatively small plant, does it play a key role on increasing your margins naturally?

Kaisa Hietala^ Sluiskil is our first additional pretreatment unit. And this is part of our program to increase our pretreatment capabilities. We are happy with the plant. It's processing well. And we have been able to take in more lower-quality feedstock because of Sluiskil. That's the reality. But as you said, the size of the plant is not covering the whole production volume which we have. But it's a good start for our program and we have been learning a lot.

Operator^ We can now take our next question from Josh Stone from Barclays.

Joshua Eliot Dweck Stone^ I've got 3 questions please on the Renewable Products division. Firstly, the maintenance impacts that you've helpfully provided for Rotterdam and Singapore, does that adjust for inventory that you normally sell during the second and fourth quarter, just on that? Secondly, you did talk about some disruptions during this quarter at Rotterdam and Singapore. I don't know if you're able to just give a sense of the magnitude of that, whether you can define a volume impact or better yet an earnings impact associated with that. And then lastly if I look at the Renewable Products revenues at just under EUR 759 million, if I strip out the Blenders Tax Credit from that, it would imply revenues were down year-on-year and I wondered if that's the right calculation to do and if there's an explanation for that.

Kaisa Hietala^ The shutdown in Rotterdam and the major turnaround in Singapore, yes, they are reducing our sales volume this year and especially the Rotterdam shutdown, which is taking place now in Q2 is already now impacting our sales volume. Because we want to maintain sales to our customers even during the turnaround, so we are adjusting our inventory levels to be able to maintain the sales in Q2 and in Q3. Then the Singapore major turnaround has a slightly different profile, because the turnaround is taking place very close to the year-end. And this means that while we are reserving sales volumes already in Q3 to cover the sales in Q4, even though we have a turnaround, the sales impact will also be visible in Q1 2019, so not fully in 2018 but also in 2019. So this was the first questions around how the turnarounds are impacting our inventory levels in Q2 and Q3.

Joshua Eliot Dweck Stone^ And I could I quickly follow up on that? So on the EUR 80 million you estimate, is that for 4Q and 1Q 2019 then?

Kaisa Hietala^ The EUR 80 million, 8-0, EUR 80 million EBIT impact is for this year, 2018.

Joshua Eliot Dweck Stone^ Okay.

Kaisa Hietala^ And then there was a second question regarding what has been the magnitude of the production problems we had now in Q1. The hydrogen disruption in Singapore, it's always a very serious issue, I mean from a safety point of view and also from the process safety point of view. But that was a couple of days. So that impact was not that material, but still we consider this a very serious incident. Then what problems that we're having in Rotterdam, were not really sort of one-off type of things. But it was related to what utilization rate we could run the Rotterdam refinery when we started to see that the catalyst was having problems and what kind of an end product we were then able to produce. But all in all, the impact, I think it's sort of visible in our production volumes. But I wouldn't call it as considerably large. And then there was a third question regarding the revenue of the renewables.

Jyrki Mäki-Kala^ Talking about the BTC 2017, what we basically booked in our quarter 1 figures and the BTC, the Blender's Tax Credit, is basically divided in two different sections, the one that you get from the federal and then the other one what you get from customers. And it's basically roughly said, how it's been paid is 50-50. So basically the question to your comments, so basically revenue were more or less at the same level as 2017 first quarter, no big change.

Operator^ We can now take our next question from Henri Patricot from UBS.

Henri Jerome Dieudonne Marie Patricot^ Two questions from me, the first one on Renewable Products. I just want to confirm in the first quarter on the additional margin. You've mentioned some one-offs, but actually some negative one-offs with the production issues that you have. Were there any other positive one-offs, perhaps, which impacted the quarter, or was it a quite routine quarter? And then secondly on the Oil Products side, we've seen quite attractive diesel cracks on the forward curve, close to $19 per barrel in 2020. Is that something that you're looking to lock in, in one way or another or that you would consider doing in the future?

Kaisa Hietala^ The first question was about the additional margin in Renewable Products in Q1. I mentioned the negative one-offs like the Singapore hydrogen disruption. Positive one-offs, I wouldn't say that there were sort of one-offs. Of course the BTC, but on top of that, it was just a good performance I mean throughout the value chain, very good optimization. And also maybe it's good to highlight that many of our term contracts are starting in January. And like you remember last year when we were reporting Q3 results, I commented that we have made structural changes to our sales allocation and how do we sell, and what do we sell and so on. And many of those improvements were also now implemented to our term sales contracts, but no sort of special one-offs on top of the BTC.

Matti Lehmus^ This is Matti Lehmus. The second question on the long-term 2020 diesel outlook and margin outlook; it's fully correct what you're saying. I think the outlook for the IMO impact when the bunkers move to lower sulfur is starting to also show in the forwards. We are seeing that in particular the diesel margin forwards are strong for 2020 and also the whole reference margin forwards clearly are stronger than what we have seen in 2017 now at the moment. So clearly there is this anticipation of a positive impact on the reference margin on diesel in particular. We have typically not hedged forwards in any significant quantities, and at least so far we have not put any long-term hedges in place. I remain confident that the market looks strong for 2020 and we'll see as we come closer.

Henri Jerome Dieudonne Marie Patricot^ Okay, so you consider that the actual cracks would be higher by 2020 or (inaudible) win to go deep..

Matti Lehmus^ It's early days to say. But I think it's important that also the market now reacts to the fact that there clearly is an anticipation and also fundamentals why 2020 should be a very strong year for diesel and I share that view and at the same time we have not seen it as necessary to hedge anything.

Matti Lievonen^ It's Matti Lievonen here. It's related to IMO specification. And there has been a discussion at how much these sulfur things are taking by mechanical out or to people using a scrapper or the fuel. And in fact, we have a very good person in our board and he knows very well that what the scrapper industry will be in the future. And his view is, as many of analysts also are thinking that scrapper is not the answer. So it's the physical fuel that will take the major part of that change. So we are really seeing that it's very positive for us when we are going towards 2020. And all this investment, what we have done now during the last 2 years, so we have invested over EUR 300 million in these things that we could really benefit the future changes. So we're very confident and positive.

Henri Jerome Dieudonne Marie Patricot^ And just one follow-up for Kaisa on the term contracts that you mentioned. Can you give us an idea of how much of the total volumes they represent?

Kaisa Hietala^ It's roughly half and half. There is a very good and active spot market for renewable diesel as well. But still we have some of our most loyal customers are term customers.

Henri Jerome Dieudonne Marie Patricot^ Okay and out of that 50% on term contracts, how much was renewed at the start of January?

Kaisa Hietala^ We are not going into those details. I mean it's an annual process.

Operator^ We can now take our next question from Michael Alsford from Citi.

Michael J Alsford^ Just taking a bit of a high-level of the outlook that you've provided on Renewable Products, obviously you've upped the guidance to be strong level from good level. I just wondered if you could just perhaps just give a bit more as to what's driving that change here. What's the key drivers of that difference in guidance please? And then secondly just on the renewable expansion plans, I was just wondering whether you can give us an update as to sort of progress there and whether you're on track for sort of FID at the end of the year or could it be sooner? If you could give more color on that, that would be great.

Kaisa Hietala^ First question was that what is driving our view that we are upgrading from our additional margin view from the good level to the strong level. Well, basically, of course, it's based also on our market view. But it's also based on the sales structure that we have put together for this year via the term versus spot contracts. It's also based on our capability to source even lower-quality raw materials and source also through wider networks. And then everything in between, our utilization, our sort of production logistic cost, and so on; so it is driven by the whole value chain. And we are not sort of breaking that into pieces and explaining those different elements separately. The second question was about our renewable growth plans. We are progressing well. We maintain our target to make the final investment decision at the end of the year and the work has started very well, the detailed engineering. And we have full teams now up and running. And at the moment we maintain our target timeline and we'll get back to you the latest at the end of the year.

Operator^ We will now take our next question from Matt Lofting from JP Morgan.

Matthew Peter Charles Lofting^ Two points, if I could, please. First, just coming back to Renewables and the additional margin. I mean Kaisa, you talked about sales allocation optimization earlier as sort of one of the sort of positive deltas. And I guess on a headline geographical basis, the swing between sort of Europe versus U.S. in terms of sort target geographical markets doesn't seem to have changed greatly. So I just wondered if you could flesh out the underlying nature of some of the optimization on the sales allocation side and give us a sense of quantification in terms of how much you think that has contributed on a standalone basis to the additional margin uplift that we've seen in the first quarter. And then second, just on U.S. RIN prices, notable sort of step down or trend down in pricing during the latter part of the quarter, all else equal if that persists, if you could give us a sense of how you think that impacts the margin outlook second quarter and beyond.

Kaisa Hietala^ First question was about the additional margin and the sort of underlying nature of our sales allocation. We are not publishing more detailed information regarding our sales allocation other than the one which is the split between Europe and North America. But maybe there is one topic which I would like to highlight, as it has become already sort of a tradition for us to start to report the share of the 100% renewable diesel sales. And this is an important step for Neste. I mean we reached 30%, roughly 30% in Q4. So 30% of our total renewable sales was sold at 100%, Neste MY Renewable Diesel and not blended in any fossil diesel. So it was used as a pure renewable fuel. Here in Finland, also in other Nordic countries and especially in California; and this is part of our branding campaign. We really want to put the Neste name and the Neste stamp on a sustainable renewable product. And this has been driving our sales allocation. Many of our customers nowadays they are looking for a solution to use 100% non-fossil fuels. And if you follow our press releases, you notice that we are now moving from the fleet and municipality customers also to marine customers and the first ferry companies have now started to announce the fact that they are switching overnight from fossil diesel to renewable diesel. So that driver is important for us. And the share of the 100%, the Neste MY Renewable Diesel sales in Q1 was 29%, so very close to what we achieved in Q4. So the trend is exactly what we want it to be and our long-term target is 50% by 2020. Then there was the second question regarding RIN prices, U.S. RIN prices and also the LCFS prices. As said during my presentation, there has been quite a lot of volatility in RIN prices. If you go back to the graphs which you were able to look during my presentation, it's pretty obvious that the RIN prices started to increase at the end of last year when the U.S.A. decided to stop the imports from Argentina, the biodiesel imports from Argentina. But then there was these first decisions coming out from EPA stating that they are giving waivers for small refineries in U.S.A. that they do not need to fulfill the renewable fuel standard mandates. And that was then swinging RIN prices down quite dramatically, especially the D6 RIN, which is the ethanol RIN. And then renewable diesel which is our product, is generating the D4 RIN and there we have seen the downward trend following the D6 due to this regulatory uncertainty. But then at the same time, I think it's good to remember that the RINs are not a subsidy. But it's really a traded credit. It's a mechanism that the obligated parties in U.S.A., they can choose either to blend physical bio products or renewal products into their pool and fulfill the mandate, or buy the ticket. And this mechanism is functioning and it's sort of like an active trading platform. So that's good to remember that RINs can be sold. It can be attached to the physical product, but can also be sold separately. But the uncertainty seems to continue and the volatility seems to continue, so let's see how the market develops. Then there was also a request to comment on the LCFS price. It took quite a major hit in late February and I think it was the first reaction from the market when the local air resource board, which is the authority responsible for the low carbon fuel standard in California, and they announced that they are adjusting or they made a proposal to adjust the future target levels for the LCFS program. And they took a short-term level down from 10% to 8%, but then they were introducing increasing a longer-term target, so from 18% to 20% by 2030. And what we have seen after the commenting period which is ongoing by the way, we have seen that after the first sort of reaction, the LCFS market has recovered well and we are seeing record high ticket prices in California.

Operator^ We can now take our next question from Sasikanth Chilukuru from Morgan Stanley.

Sasikanth Chilukuru^ This is Sasikanth Chilukuru from Morgan Stanley. I have 2 questions, please. The first was regarding your view on the current capital structure, actually, the leverage they show has now reached 3.9%. That's well below your long-term ceiling level of 40%. I was just wondering whether you think this is optimal, particularly that you'll get the benefit of the BTC cash flow next quarter. Would you consider an additional return to shareholders including special dividends or share buybacks or do you post the higher investments or M&A activity? The second question I had was just a clarification on the impact of the turnaround activities. You are kind of highlighting for the Singapore turnaround later this year, it will impact 1Q '19 as well. Will it be similar to the EUR 80 million or higher or less than that?

Jyrki Mäki-Kala^ This is Jyrki Maki-Kala. The first question was about the leverage on our position and the cash point of view. And I think that we are very clearly the cash allocation policy what we are following. We have the dividend policy, the minimum level; the 50% of our comparable earnings per share. We have the CapEx, what we are doing and now getting closer to the Singapore expansion that will be decided later this year. I think that we have stated also that we are focusing on M&A in the terms of what are there in the marketplace. We would be very happy to see if our EBITDA versus debt is at the level of 1 to 1, because I think that is basically kind of level what operation normally takes place. But we are happy with the strong cash flow position. I like to have EUR 1 billion in our bank account so that's not a problem. But we are ready for the steps going forward in that sense.

Kaisa Hietala^ Then there was a question regarding the Singapore turnaround and what potentially would be the EBIT impact in Q1 2019. That's definitely lower than what we are seeing in Q4. I mean some spillover effect, because the inventories are lower due to the turnaround at the end of the year, but it is also the typical low season, the Q1. So we will see when we get closer to the actual turnaround and consider then the impact on Q1, but definitely lower than what we are seeing now in Q4.

Operator^ (Operator Instructions) We will take our next question from Peter Low from Redburn.

Peter Low^ Thanks for taking my 2 questions. The first was just on refining. The additional margin was absolutely flat year-over-year, despite the startup of the SDA unit. I was just wondering if you could give us some color on how much that unit is actually contributing and whether you expect that to grow as we move through 2018. The second was on renewable sales allocation again. I guess based on the information we can see in the first quarter, such as weak biodiesel pricing and then conversely the strong LCFS credit price in California, we perhaps would have expected the sales mix to shift more towards the U.S. sequentially. Can you help us understand why that didn't really happen?

Matti Lehmus^ This is Matti Lehmus first on the Oil Products additional margin. And you're fully right. We had the same additional margin, $6.1 now than we had a year ago in the first quarter. Within that, the SDA unit actually has performed really well. It's performed really well from running now at 100%, but I can also confirm like we guided, for example, at Capital Markets Day that we expect this investment to pay itself in 4 years. That is definitely something that we are on track on. So within the additional margin of $6.1, now we do see that positive impact of the SDA unit as expected. At the same time, it's good to note what I commented on also earlier that our sales volume was clearly higher and when we sell more volumes, it also means some of the volumes go to exports. So this, for example, is another factor which on the other hand lowers the additional margin now in the first quarter 2018. But to be very clear, the SDA unit has also financially performed exactly we planned.

Peter Low^ Very clear.

Kaisa Hietala^ And Peter, then there was a question from you regarding the sales allocation and sort of like looking at the reference margins and looking at the LCFS, say, market developments. You would have expected the sales mix to be more towards North America. Well, I think there are two reasons. First of all, there are very good and profitable markets in Europe for Neste Renewable Diesel. And secondly, we saw quite a many of our customers maximizing their volumes at the end of the year, because they were anticipating the BTC to be retroactively implemented and this was then visible during Q1. But roughly our typical share, sales share between Europe and North America has been 70% to Europe and roughly 30% to North America in average.

Matti Lehmus^ Peter, just adding one comment on my SDA comment earlier, you asked also about the outlook. And I would come back to the fundamental logic of this unit, let's say reducing our fuel or increasing our diesel output. So referring to our comments earlier, for example, on the IMO outlook, in a future where diesel would be stronger fuel or potentially weaker, this would obviously further support the profitability of the SDA unit. So looking forward I see that there is potential that profitability could grow.

Operator^ Thank you. There are no further questions in the phone queues at this time. So I'd like to hand the call back to our hosts for any additional or closing remarks.

Juha-Pekka Kekäläinen^ Thank you, operator. This is Juha-Pekka Kekaianen again. As there are no further questions, we thank you very much for your attention and active participation. Neste's second quarter results will be published in our half-year financial report on the 3rd of August. Until then, thank you and good-bye.

Operator^ Thank you. That will conclude today's call. Ladies and gentlemen, you may now disconnect.