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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Q4 2019 Neste Corporation Earnings Conference call. (Operator Instructions) I must advise you that this conference is being recorded today, Friday the 7th of February 2020.

And I'm now going to turn the conference over to your speaker today, Juha-Pekka Kekäläinen. Please go ahead, sir.

Juha-Pekka Kekäläinen ***Neste Oyj - VP of IR***

Thank you, and good afternoon, ladies and gentlemen, and welcome to this conference call to discuss Neste's fourth quarter and full year results published this morning. I'm Juha-Pekka Kekäläinen, Head of Neste's IR. And with me here are President and CEO, Peter Vanacker; CFO, Jyrki Mäki-Kala; and the Business Unit Head, 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 there since we will be making forward-looking statements in this call.

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 ***Neste Oyj - President, CEO & Chairman of the Executive Board***

Yes. Thanks, everybody. Thanks, JP. Very good afternoon also on my behalf, and we are really pleased to be able to share with you Neste's outstanding performance in the fourth quarter and in the year 2019 as a whole.

So let's have a look at Slide #4. Year 2019 was Neste's best ever and our full year comparable EBIT was above EUR 1.9 billion, which is 38% higher than in 2018. If we compare the comparable EBIT of the years 2019 and 2018 by excluding the Blender's Tax Credit impact from both, we improved by EUR 308 million, and this was an excellent achievement.

We also had a strong free cash flow, over EUR 1.1 billion, and the working capital projects to manage that in the fourth quarter were very successful. The renewable diesel market continue to be favorable and the feedstock markets remained tight in the fourth quarter, but we were able to improve our sales allocation and pricing compared to the previous quarter. As a result, our comparable sales margin increased to USD 684 per ton in Q4 and average USD 644 per ton in 2019, which we consider an excellent level.

Renewables Products' results were also boosted by record high sales volumes, 2.85 million tons, which is more than 25% higher than in the previous year. This was enabled by the new annual production record as a result of the successful implementation of the Neste Excellence program in our operations.

The retroactive BTC decision for the years 2018 and '19 boosted our results by EUR 372 million in the fourth quarter. And I would like to emphasize, however, that the Renewables Products' comparable EBIT improved by EUR 384 million in 2019, also excluding the BTC impact.

Oil Products had a strong result in a less supportive market, and its full year comparable operating profit was almost at 2018 level. The reference margin, reflecting the general market conditions, was lower than in the year before. And our good operational performance supported the results and lowered the fixed cost. The long awaited IMO 2020 bunker fuel regulation caused market volatility towards the end of the year, but the middle distillate margin boost was not yet visible.

The Marketing & Services segment had a challenging fourth quarter in a competitive market. However, it maintains its full year comparable operating profit at the previous year's level. And after the divestment of our Russian operation, which was completed in October, Marketing & Services can now fully focus on its core captive markets.

We also continue to focus on safety. Our occupational safety performance remained at the 2018 level, mainly due to a number of incidents that happened at our contractors. Total recordable incident frequency was 1.7 and is the best annual result reached, but we did not meet our 2019 targets. I'm very pleased about the fact that we have made very good progress and also invested in process safety. The process safety event rates result of 1.4 for 2019 was the best ever in Neste's history.

In 2019, we made excellent progress in our strategic implementation, and I will come back to that at the end of the presentation. As you noticed, the Board of Directors is proposing a dividend of EUR 0.92 per share and an extraordinary dividend of EUR 0.10 per share, and this will be up to the AGM convening on the 7th of April to decide.

Looking at Slide #5. The very strong performance is also visible in our financial targets. We reached a record high after-tax ROACE of 26.6% in 2019, again clearly exceeding the 15% target. Our leverage ratio was minus 3.3% at the end of the year. As stated before, the strong financial position enables the implementation of our growth strategy going forward, while maintaining a healthy dividend distribution.

And with these opening remarks, I would like to hand over to Jyrki to discuss the financials in more detail.

Jyrki Mikael Mäki-Kala *Neste Oyj - CFO & Member of the Executive Board*

Okay. Thank you, Peter. If you think about 2019, it was really a year of pushing the new strategy that we presented in Capital Markets Day in February into actions, and at the same time, delivering an outstanding, you can call it stellar, financials for 2019. And the 2 financial targets that were presented, it was clearly, we met the target, and actually both of them were the best-ever annual figures what we have delivered as Neste.

You remember at the year-end 2019, we got the confirmation about the BTC, so we have booked the '18 and '19 figures. And this year, 2020 and the coming years, '21 and '22 are the first years that -- when you start the year, you have the BTC in place. So it will be now in our figures for 2021 and '22.

But if you look now the financials, the first page with the figures, if you think about the quarter 4, it was really powered by the booked EUR 372 million BTC. But if we take that out, you can see that we improved by EUR 60 million quarter-on-quarter compared to 2018, and it is an improvement of 17% as well.

We don't talk so much about the revenues. But if you look the full year revenues comparing '18 and '19, you see that we grew 6% in revenues on an annual basis, even though the crude oil prices dropped nearly 10%. So actually, also on the top line, from the volume point of view, it's also very visible in the revenues.

We have the IFRS EBITDA. It's important for us, this EUR 2.7 billion because that is the basis for our free cash flow. And this EUR 2.7 billion, it was 67% higher than previous year. If we look the comparable operating profit, the full year figures, that is our key performance indicator basically, it improved 38% compared to 2018. And if we exclude the BTC impact from '18 and '19, the operational improvement was great at 24%.

Renewable Products was clearly the driver for the outstanding performance. Their 2019 comp EBIT EUR 1.599 billion was higher than the total Neste strong comp EBIT of previous year.

Oil Products, like I already mentioned, it delivered the same comp EBIT in '18, but in a totally different and difficult market conditions. If you look, for example, the weaker Urals-Brent differential, it was 44% lower in 2019.

Marketing & Services, basically the same comp EBIT in '18 without the quarter 3 divestiture of the Russian business. So excellent result also in that point. The Others, clearly, has the biggest negative impact year-on-year result, and they are basically -- Nynas has the biggest impact, EUR 52 million compared to 2018.

IFRS operating profit for the first time in Neste's history above EUR 2 billion level, minor improvement to 2018, 118%. Our free cash flow, EUR 1.154 billion, again, one of the best and an outstanding result. And like I mentioned earlier, it was not just the financial performance but it was also the net working capital management, especially during the quarter 4, that enabled to deliver this kind of cash flow figures. And remember that the BTC, what we receive, it had no impact on free cash flow 2019. It will have an impact on 2020.

All this mentioned, what is here, you see the comparable earnings per share, EUR 2.04 per share, and if you divide that by 2, which is basically the dividend policy for Neste, you enter to the figure, EUR 1.02, which is exactly the compound of the proposed dividend and the extraordinary dividend, EUR 1.02.

If we move to the next page, just seeing where the 2019 fourth quarter figures came from, you see very clearly that it is Renewable Products. But if we exclude the EUR 372 million booked for quarter 4, you'll see that actually, it was Oil Products that made the biggest improvement in quarter-on-quarter figures, delivering this EUR 57 million higher comparable operating profit. Remember that there was no turnaround with OP during quarter 4 2019.

If we go a little bit more into details with the quarter 4 and seeing where the improvement is coming from, of course it's covered by the EUR 372 million BTC. But if we exclude that and come back to the EUR 60 million improvement in comp EBIT improvement of 17%, if you look at the volume side, that is very clearly coming out of the renewable side, roughly EUR 73 million, actually 20% higher volumes than previous year, even though they had a catalyst change in Rotterdam.

Oil Products' volumes were higher than 2018, also remembering that there was no PL4 maintenance in Porvoo 2019. Sales margin improvement, one of the key figures also with our profitability, in this quarter, it came from Oil Products, really higher -- 9% higher refining margin. Renewables sales margin was slightly lower than 2018. And remember, the quarter 4 sales margin in 2018 was the highest ever quarterly sales margin.

FX changes. These are the market price changes not affecting the hedging. It was a positive by EUR 19 million during this quarter. And then the Others, basically, is minus EUR 53 million needs a bit more explanation. We had these accounting changes coming out of the leases, IFRS 16 et cetera, higher depreciation and some internal fixed cost inside. So nothing special in that sense, when talking about quarter-on-quarter.

And then the last page of the bridge calculation, looking at the full year figures. You have here, basically, 4 positive things and 2 slightly negative ones. Of course the renewables, overall, affecting the positive EUR 331 million positive impact from the volumes, actually that is renewable story. Affecting BTC, you see the EUR 232 million improvement that is basically talking about BTC what we received in 2018 and then comparing that to 2019 figures.

FX was positive, again mainly U.S. dollar by EUR 115 million, but this is the market price changes, hedging figures are then inside the sales margin. And then it, basically, overall, come back to the figure of the sales margin EUR 47 million, and this is basically positive EUR 93 million from renewables and negative EUR 46 million from Oil Products. Oil Products had roughly EUR 0.62 lower total refining margin year-on-year.

And then we have the big figure here, the minus EUR 145 million negative comparing these 2 years. The biggest element here is the Nynas profitability, EUR 40 million lower when comparing these 2 years. And then we have the depreciation and accounting changes coming out of the IFRS, EUR 55 million. And then some lower profitability, for example with our base oil business, and some group nonallocated cost, as we are, for example, investing lot with innovation.

All in all, what this means at the end of the day, we met this 26.6% ROACE and negative leverage, and we think about these 2 years, excluding really the BTC impact, the positive growth in our comp EBIT was 22%. So very positive figures, very high financial results talking about 2019.

And now I leave the word to Matti Lehmus to cover the Renewable Products story. Matti?

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Thank you, Jyrki. So good afternoon to everybody. And I'll also start with the comment that I'm very pleased with the strong performance of the renewables in the fourth quarter. We achieved a record EBIT of EUR 671 million. And even excluding the BTC, this was a very strong result of EUR 299 million.

Another highlight from the fourth quarter is that the sales margin was at USD 684 per ton, and this is indeed up by almost USD 50 per ton from the previous quarter. The sales volume also continued at a high level of 693 kilotons, and this is in spite of the Rotterdam catalyst turnaround. And I have to say that it's the combination of both executing very well this turnaround, quicker than in previous years, and at the same time we had also prepared well in the third quarter, with very smooth production at that time. So we were able to smoothen the volume impact of the turnaround.

I also note here that the waste and residue share up went -- went up to 84%, which is the result of a good feedstock mix optimization. And all this means that we did reach, in the full year 2019, a return on net assets of 67% in the renewables.

A couple of quick comments on the waterfall related to the EBIT. And the comment I would make is that, of course, compared to the fourth quarter of 2018, the main driver for the EBIT increase is the BTC. This is a total of EUR 372 million, which is a very significant driver. The other big driver is that the volume growth increased sales volume by more than 20%, 118 kilotons, which had a EUR 73 million impact. And this is indeed result of 2 things: shorter turnaround execution in Rotterdam. We had in both this year and last year a turnaround, but also the higher nameplate capacity as we have been able to create the capacity during the year.

The sales margin impact year-on-year is actually quite limited between the fourth quarters. The sales margin decreased slightly from the very high level in the fourth quarter, and we now -- we're at USD 684 per ton.

Final comment on the bridge would be that our fixed costs were EUR 35 million higher. And as commented also in earlier quarters, this is a result of the strategic projects and the new business growth. So that explains the fixed cost increase.

Then a couple of comments on the market, and I would like to start with the feedstock market comments. So probably the main market highlight in the fourth quarter is the steep price increase of crude palm oil. The quarterly average price increased by almost 20% versus the third quarter. And like you can see in the chart, the absolute price during the fourth quarter increased by more than USD 200 per ton. And this very significant market move was driven by very robust demand outlook for palm oil for 2020, and at the same time, some more cautious production growth estimates.

It's perhaps worth noting that currently crude palm oil price is back to below USD 700 per ton. So the market volatility has been very high in the beginning of the year. The waste and residue markets, I would comment that they continue to be tight in the fourth quarter, and the market prices continued their increasing trend that we had also observed in the previous quarters. And this is, for example, true for animal fat for used cooking oil, and it basically reflects the very solid demand for these streams. It's also good to know, and it's visible in the chart, that the price movements were less steep than what we have observed for crude palm oil.

If we then take a look at the U.S. market, I would comment first the Californian market and the LCFS. And it is noteworthy here that the LCFS credit prices continue to be very strong, and the average price level increased to USD 206 per ton, which is up roughly 4% from the previous quarter. And this trend is driven by a robust demand outlook for credit with carbon intensity reduction targets for 2020 again increasing, now to 7.5%.

Then turning to the RINs. It's good to know that the market dynamic in the fourth quarter was very strongly influenced by the BTC. In the first part of the quarter, the RIN prices first increased, very clearly driven by high BTC uncertainty. But when the BTC decision actually was taken in December, the RINs very quickly reacted and decreased to below $0.50 a gallon, and this is for the D4 RINs now. And this now means, of course, that the market will have to find a new equilibrium with the certainty of the BTC. Also, currently RINs -- D4 RINs are slightly below $0.50.

And my final comments are on the sales margin. And I'm, first of all, very pleased with the sales margin development. We were able to increase it by USD 49 per ton versus the previous quarter, to reach a level of USD 684 per ton. And there's probably 2 main drivers for this positive development. Firstly, I would say that our sales performance was very good. We achieved price increases in a number of markets, driven by a robust demand outlook for 2020 with increasing mandates. And in parallel, also the sales allocation was very successful. And we were able to build on the systematic work that we did throughout 2019 to open new markets and that supported the sales allocation optimization.

Secondly, it's good to note that while feedstock prices were increasing, we were able to mitigate this impact to a large extent by successful supply performance and margin hedging.

Finally, I would like to highlight that in spite of a turnaround quarter in Rotterdam, utilization rates were at a good level of 91%, clearly higher than in the fourth quarter 2018, where we also had a turnaround in Rotterdam. And this, again, reflects the well-executed catalyst turnaround in Rotterdam and the higher nameplate capacity, in general.

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

Marko Pekkola ***Neste Oyj - EVP of Oil Products Business Unit***

Okay. Thank you, Matti. I'll comment then on the Oil Products fourth quarter, starting with the strong comparable EBIT. We came in with EUR 117 million as a result of good operational performance and strong additional margin. Our sales volumes were on a good level, being 5% higher than comparing to Q4 2018. Our refineries utilization rates were on planned 92% level, clearly higher than compared to Q4 last year.

The Urals' share of fourth quarter was at the level of 73%, which is a normal long-term level. Investments were higher compared to Q4 2018 due to ongoing investments and preparations for the major turnaround in Porvoo during the second quarter of this year.

Moving on then to the EBIT bridge between Q4 '19 and '18. Higher sales volumes had a positive impact of EUR 10 million versus Q4 2018. The reference margin averaged at USD 5.50 per barrel, pretty similar level to the USD 5.6 per barrel last year. Additional margin was on good level, being USD 5.9 per barrel, supported by good operational performance and marine fuel sales and higher than USD 4.8 per barrel last year.

Higher additional margin had a positive impact of EUR 41 million on the comparable EBIT compared to last year. And the good operational performance is also visible in the fixed cost, which had a positive impact of EUR 20 million versus Q4 2018. In the Others, EUR 18 million is mainly reflected to the lower profitability of our base oil business.

If we then -- let's then have a look at the markets, where we could see a lot of volatility as it tells us, especially in Urals-Brent differential and the expected impact to high sulfur fuel oil before the start of IMO 2020. The expected IMO 2020 impact on diesel margin did not materialize during Q4 '19, and margin volatility was quite comparable to Q4 2018.

Gasoline track faced normal seasonality during Q4 '19. And the Urals-Brent differential saw a lot of variation during Q4 2019, mainly due to lower delivery program through the Baltic Sea export terminals in November and approaching start of IMO 2020. Urals-Brent differential averaged at minus USD 1.5 per barrel compared to minus USD 0.9 in Q4 2018.

During 2019, the global supply of medium heavy crude oil was generally tight due to OpEx production cuts of heavier grades and then lower export volumes from Iran and Venezuela. Based on market expectations on IMO 2020, widening of Urals-Brent differential could well take place by taking into account the insecurity, possible slowdown of the global economy and impacts of possible coronavirus. These remains to be seen.

Distillate margins started to decline in November, averaged at being USD 16.3 per barrel for Q4, very much on the same level as in third quarter 2019, but then again, lower than Q4 2018 when it was USD 17.9. Then when -- moving forward, when taking a look at our margin performance, our total refining margin was on a good level, supported by strong additional margin in Q4 2019. And as already highlighted, a great work in our operations with the support from marine fuel sales and a slightly improved reference margin towards the end of the quarter delivered a solid result.

And now I would like to hand over to Panu to talk about Marketing & Services.

Panu Kopra ***Neste Oyj - Executive VP of Marketing & Services and Member of Executive Board***

Good afternoon. This is Panu Kopra speaking. Q4 was not so easy for Marketing & Services. Like said, we closed the deal of sales of assets in Northwest Russia, which indeed was a good achievement, but obviously had a negative impact to comparable EBIT for the rest of year compared to previous years.

In additions that we had some external and some internal challenges, which had a negative impact to our sales volumes and increased our fixed cost quite a lot compared to 2018. And the increase of fixed costs mainly were due to some one-offs, group allocations, some project cost related to strategy execution and timing of maintenance and marketing costs.

In spite of the challenges, customer satisfaction stayed at satisfactory level. B2B average Net Promoter Score was 58; and B2C, a bit less than 50. As always, we continue to work hard for an even better customer experience.

Neste MY is now available in most of the Finnish cities and in all Baltic countries. We can see and feel the growing demand and interest from both consumers and B2B customers. Also, the awareness of Neste MY in Finland has doubled during the last year. All in all, solid performance for the entire year, but not so good last 3 months in Marketing & Services.

Handing over to Peter.

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

Thank you very much, Panu. And you can only imagine, I mean, that I am extremely proud on our people. There was excellent management during 2019, excellent focus, and that translates also into quite a lot of progress we have made on our strategy implementation.

As discussed earlier, we have grouped the key programs in 3 execution areas. Let me list them: first of all, scaling up faster and bolder; secondly, to drive efficiency in operations; and thirdly, to increase innovation.

The Singapore renewables capacity expansion project is proceeding as planned, within budget and on time. The project also recently achieved a milestone of 2 million hours worked without a safety incident. A new sales agreement on sustainable aviation fuel has been signed with KLM for deliveries at the Schiphol Airport and others were being negotiated. We are ready for continued supply of renewable aviation fuel with the largest production capability in the industry at 100,000 tons per annum. And we expect sales volumes in this new application area to gradually ramp up since we are seeing a growing acceptance to set blending mandates in several countries. The EU's new Green Deal is in the making and it will also have ambitions to reduce the carbon footprint of aviation.

We are extending our global reach and feedstock sourcing and have opened a new office in Australia, and it will complement our existing sourcing network by focusing on waste animal fats and other waste and residue materials in this area. In renewable polymers and chemicals, we have agreed on a strategic operation with one of the industry leaders, Borealis, for production of renewable polypropylene, and the biopropane that is produced at our Rotterdam refinery will be used for this purpose.

We have also recently announced collaboration on chemical recycling of waste plastic with REMONDIS and Ravago, who are leaders in the plastics recycling fields. And joint efforts are needed to tackle the global waste plastic issue and make use of this valuable material. We're also well on track to exceed the targets that we have set during the last Capital Markets Day for our Neste Excellence program, and that is to improve our EBIT by EUR 100 million by the end of 2022.

In the area of innovation, we have established 2 new business platforms, which are renewable hydrogen and Power-to-X. We have also initiated a pilot project with partners at the Rotterdam refinery to evaluate an electrolyzer for the technology to produce renewable hydrogen, and the innovation offers us exciting new opportunities to build upon in the medium and long term. These are just some of the highlights I wanted to mention, and we have a clear strategy and are moving ahead consistently.

Looking at the next page. As an outlook for the first quarter, we see the following: demand for renewable diesel is expected to remain strong in the first quarter, as new higher mandates are in place in many areas this year; the waste and residue feedstock markets are expected to continue to be tight; utilization rates of our renewable production facilities are expected to remain high as well; auto products first quarter reference margin is expected to be low, and that is due to the warm weather, the coronavirus outbreak and the IMO bunker fuel regulation that is not yet supporting the middle distillate margins. Overall, the coronavirus issue increases uncertainty in many areas. Utilization rates of our production facilities are anticipated to remain high in the first quarter in expectation for the coming major turnarounds in Q2.

In Marketing & Services, the sales volumes and unit margins were expected to follow the previous year's seasonality pattern in the fourth quarter. In the winter period, there is always a low season in the retail business. It's worthwhile noting that the missing Russian operations will mean some EUR 16 million lower full year EBIT for the segment versus 2019.

Now let's discuss the Porvoo refinery major turnaround in 2020 a bit more. We discussed this already in October, but again want to highlight the significance of this major turnaround that will be, as said, implemented during the second quarter of 2020.

It will be an approximately 11-week turnaround and something that takes place every 5 years. The turnaround includes maintenance and also many investments in the area of operational excellence and safety. This is the most extensive turnaround ever, and it is also a major scheduling exercise, with thousands of professionals that will work safely at the sites. It's good to remember that it will impact both Oil Products' and Renewable Products' production at the site, and we are currently keeping our estimation that the turnaround will have a negative EBIT impact totaling EUR 220 million and approximately EUR 180 million of that is in the Oil Products business and approximately EUR 40 million of that is in the Renewable Products, mainly in the second quarter. This turnaround will ensure the competitiveness of our Porvoo facility for many years to come, and I will elaborate a bit on the CapEx requirements on the following slides.

We have very significant projects on the way and want to highlight the CapEx needs for the year 2020. Our group capital expenditure is estimated to be at the level of EUR 1.2 billion in 2020, and that is the highest annual figure in Neste's history. We plan to spend approximately EUR 600 million during 2020 in the Singapore expansion and EUR 450 million in the Porvoo major turnarounds, and the balance will go to normal strategic productivity and maintenance investments.

But as a reminder, I wanted to point out that the following elements will negatively impact our results in 2020 when we compare them to 2019. First of all, as already mentioned, the 11-week turnaround in Porvoo with a EUR 220 million EBIT impact. There will be no retroactive BTC like we had in 2019 for the year 2018, and that means approximately EUR 140 million EBIT impact compared to 2019, if we compare the year 2020 to 2019. We will also have 2 catalystic changes in Renewable Products and 2 catalystic changes add up to

EUR 100 million EBIT impact. So if you would compare that we had one catalystic change in 2019, then the delta is EUR 50 million. And we also, as alluded before, we sold the Northwest Russian Marketing & Services business, and that delivered last year EUR 16 million EBIT.

Now we will host a Capital Markets Day again in London very soon, on the 12th of March, and it will cover an update on our strategy, execution and our ambitions going forward. You should already have received an invitation, but more information can be found out from our IR team.

I wish you all warmly a welcome to this event. It will be very interesting, I promise you that.

And this concludes then, from our side, the presentation. And we would be happy now to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Mehdi Ennebati from Bank of America.

Mehdi Ennebati ***BofA Merrill Lynch, Research Division - Research Analyst***

So I will ask 2 questions, please. The first one regarding your Renewable Products' margin. So during the last 3 years, I noticed a very high correlation between the basket of waste feedstock price and your comparable sales margins. And the price of that basket of feedstock is increasing significantly since December. So did that really impact your fourth quarter results? So I wanted to know if, in that context, you expect your first quarter renewable project margins to remain as high as in the fourth quarter? Thanks to strong demand for your product, or hedging or whatever? And yes, if you can guide us on that, given that we are in the middle of the first quarter, meaning that you are -- you already have a precise idea on your first quarter margins?

Second question regards with your Singapore operations. So I wanted to know if you have been impacted by the measures taken by Asian countries, especially Singapore, to fight the coronavirus, in terms of feedstock supply or travel ban or even the building of your new plant?

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Yes. Thank you, Mehdi. This is Matti Lehmus. So I'll first answer on the margin question. So first of all, I commented in my review just a while ago, if I look at the fourth quarter, there were 2 main drivers why the margin was improving versus the third quarter, and this was indeed positive sales performance both in terms of pricing in anticipation of good demand in 2020 with increasing mandates, and also the sales allocation. The other factor was that in spite of an increasing feedstock price, we were able to mitigate largely this impact by good supply performance and the hedging of our margin. We obviously don't give guidance on the first quarter margin. What I would just comment as general drivers is that we see that the demand growth continues to be robust and supportive because the mandates are now growing, and they are in place for 2020. And at the same time, my comment that we also see that the feedstock market continues to be tight, both for vegetable oils and for waste and residues. But this is basically the dynamic within which we are operating in the first quarter.

The other question was on Singapore operations and the impact of the coronavirus. So the comment I would make is that we obviously have very carefully followed the situation, and we are giving guidance to our organization, both in Singapore, in Shanghai, how to deal with the situation. It has so far, in Singapore, not had any significant impact on our operations.

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

Yes, we were extremely fast also. I mean, when the news came out that there was an outbreak on the coronavirus in Wuhan, then immediately we had a steering committee on the project in Singapore with all the respective -- responsible people. And we had -- even before Singapore was implementing any measures, we had implemented measures from our side. And as usual in such an important project, you also have a hospital, so -- that we have built together with our contractors. So we have actually immediately already, in the beginning of January, increased, I mean, all the measures in the hospital as such.

On a corporate level, we had immediately also given out restrictions, no traveling back and forward to China. And we had also given restrictions in terms of general traveling as well as we have increased, I mean, all disinfectants in all of our facilities. So I think we have just done whatever we could to get this under control.

Operator

Your next question comes from the line of Erwan Kerouredan from RBC.

Erwan Kerouredan ***RBC Capital Markets, Research Division - Assistant VP***

I will have 2, please. So one on feedstock, can you give more color as to why -- or remind us why animal fat is less cheap than the other feedstock? And the second question is on the focus area, number two, driving efficiency in operations. Can you give more color as to how it's applied across the different divisions within Neste?

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Okay. Thank you. I'll take the first question, which was on the animal fat. And I would actually highlight what I said in my review also, that when you look at the price movements of vegetable oils, and in particular, crude palm oil, it was quite an exceptionally fast move and a big move that we had in the fourth quarter. So if you look at the chart, the price of palm oil moved by more than USD 200 per ton during the fourth quarter. The fact that also waste and residues prices increased follows from their [old] supply-demand logic. We did have an increasing price trend, but it was not as pronounced as we had for palm oil.

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

Okay. Coming to your question on Neste Excellence, remember, the CMD last year, we have talked about that we were about to launch a program on operational excellence. In the meantime, we have the team fully on board, and that team has started working to at least exceed our targets that we have set. And I repeat, that was at least EUR 100 million by 2022 and at least EUR 200 million by 2030 of EBIT improvements. The big improvements that we made already in 2019 were the majority in the renewable products area, and they lead to the fact that how do we operate the facilities, and they created the additional capacity. But in addition to that, also that we have already very good EBIT improvements that were related to the OP business, especially the OP business. So we will continue to ramp that up in 2020. We've performed a full value analyses already in our site in Porvoo. And we are now doing the same in Neste Engineering Solutions as well as in our site in Naantali, and there is a whole plan deployment also for 2020. And we can definitely also talk about that more during the Capital Markets Day.

Operator

Your next question comes from the line of Nick Konstantakis from Exane.

Nikolaos Konstantakis ***Exane BNP Paribas, Research Division - Analyst of Oil and Gas***

Two questions from me, if I could, please. Perhaps the first one is more of a CMD question, so I apologize for that, but with the catalyst change now completed in Rotterdam, how have the plants been performing? Do we get an incremental step closer to the EUR 3.2 million capacity target?

And the second one has to do with personnel. I mean, it's been a big year of change in terms of people. Can you give us an idea of underlying within renewable products, how many people have you incrementally hired? And if you could, what functions and/or what geographies?

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Okay. Thank you for the questions. So first one on catalyst performance. And like we have communicated earlier, actually the work of debottlenecking our existing capacity, it's a continuous effort. And we have already communicated that our target is to grow from the current 3 million ton nameplate capacity was to 3.2 million in -- by 2022. And that is actually something that is continuously happening. Like discussed earlier, it is actually typically a number of small things that we are doing as we go. So our target is also, this year, to find some ways to continuously creep our capacity. Like pointed out by our CEO, at the same time it's good to note we have 2 catalyst turnaround -- catalyst change turnarounds this year, 1 in Singapore and 1 in Rotterdam. That's something that is in our plans.

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

Yes. With regard -- I mean, to people, we have about, in 2019, done quite some transformation. As we explained by, on one hand side, selling the Russian business, on the other hand side, having integrated Neste Engineering Solutions and having sold a big part of that, that was not strategic for us. So different locations to Rejlers. If you add that up, there were approximately 1,500 people that have left the company through those sales. On the other hand side, we have started staffing in the renewable platform that is in Singapore but also started up staffing on asset teams. We also increased the personnel in innovation, and we increased our personnel by building up the new business units, polymers and chemicals and Renewable Aviation. So in total, there are approximately 500 people that were added on that part of the business. So you have 1,500 people leaving with that business that left us. And we had hired during 2019, around 500 people. We can talk about that also a bit more during the Capital Markets Day, because this is still work in progress. The new organization is not fully built yet, but we have advanced very well.

Operator

Your next question comes from the line of Henri Patricot from UBS.

Henri Jerome Dieudonne Marie Patricot ***UBS Investment Bank, Research Division - Associate Director and Equity Research Analyst***

I have 3 questions, please. For the first 2, I'd like to come back to the question around the margin in the fourth quarter in renewable products. I'm wondering if you can give us a sense of the relative importance of the drivers that you mentioned, so sales allocation and the [kind of work] around feedstocks in particular, or importantly, hedging was during the quarter?

And secondly, can you give us an idea of the shape of the margin for the quarter? Was it improving through the quarter as we got closer to 2020 and the higher mandates in Europe kick in? And then a more financial question around the dividend and the fact that you mentioned that part of it is a special dividend. So if you can talk about why you make this distinction and where the special dividend could be a -- the new tool for you going forward?

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Yes. Henri, I'll start with this, the margin in the fourth quarter, your question on the relative importance of the drivers. How I would describe it is that through our supply performance and the margin hedging that we do, we were able to mitigate most of the feedstock price increase. And then, in a way, if you look at the fact that we were able to increase actually the sales margin by USD 50 per ton, this is largely driven by sales performance, pricing and sales allocation. So that's how I would describe the relative importance of the drivers.

On the shape of the margin, I actually don't have any detailed analysis of that by month. I think it's clearly something that is driven very much by the market and no particular comments on the shape of the margin. On the dividend...

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

Henri, you asked a question on the dividend. Jyrki, if...

Jyrki Mikael Mäki-Kala ***Neste Oyj - CFO & Member of the Executive Board***

Yes. Thank you, Peter. It's really, if you remember the -- Neste's dividend policy, it's minimum of 50% of the comparable earnings per share that is leading to this level of 1.02. But if you think about the 2019 performance and what is, let's say truly 2019, you can divide the BTC impact, basically coming out of the retro 2018 also as a figure that basically represent more or less the thinking behind this EUR 0.10 extra dividend. So basically, that's kind of the thinking. So we are paying these 2 dividends. The first one, the regular one in 2 steps, and then this extraordinary dividend in October 2020. So that's basically how the thinking is. So we are following strictly the Neste policy with EUR 0.2 -- EUR 1.02 dividend per share kind of approach.

Operator

Your next question comes from the line of Michael Alsford from Citi.

Michael J Alsford ***Citigroup Inc, Research Division - Director***

I would like to follow up actually on the last question on the dividend. It's nice to see an increase to shareholders in terms of dividend. But I was just wondering why the extraordinary dividend you proposed is only EUR 0.1 per share. That's what? EUR 77 million business is sitting at net cash. That doesn't include the recovery of the BTC for the reinstatement years. So I just wondered why only EUR 77 million and not more? Could you perhaps give the rationale behind that?

And then just secondly, on renewable products. I was just interested in getting a bit of a more of an understanding on the sales allocation strategy. It was interesting to see much more of a pivot towards sales into North America this quarter. I was wondering whether you could just elaborate a little bit more on that and whether we should see that trend continuing or whether we will see [it] back in Europe, given the rising mandates we expect in key countries?

Jyrki Mikael Mäki-Kala ***Neste Oyj - CFO & Member of the Executive Board***

Okay. Talking about the dividend. If you think about the figure, what we received from 2018, that we booked for 2019 BTC, it gives EUR 142 million. So if you divide that by 2, it's EUR 71 million. So actually, we are delivering a dividend a little bit more than the BTC, EUR 77 million versus EUR 71 million. That's basically -- that is simple mathematics. So that's kind of the thinking.

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Okay. And this is Matti answering the question on the renewable product sales allocation. It's a correct observation that in the fourth quarter, we had quite a high share of sales to the -- to North America with 40%. This is very simply linked to the fact that we had a catalyst turnaround in Rotterdam. So because of this turnaround, we had lower share to Europe than usually.

Michael J Alsford ***Citigroup Inc, Research Division - Director***

Great. And if you don't mind, a quick follow-up. I was just wondering, you obviously mentioned pricing was good in fourth quarter. I know, clearly, we're seeing, I think, a tightening demand-supply balance into 2020 with the rising mandates. I'm just wondering if you can try and quantify how much would you say was in the prices that were in fourth quarter or should we expect pricing to continue to increase through this year?

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Well, like we always do, we optimize pricing continuously. We also optimize the sales allocation continuously. So I would say that we will have to see this year what can be done.

Yes. And again, I want to point to the volatile markets and still waste and residues to our trading quite high, as we alluded to, also in a bit of the guidance that we gave for Q1.

Operator

Your next question comes from the line of Pasi Vaisanen from Nordea Bank.

Pasi Väisänen ***Nordea Markets, Research Division - Senior Analyst of Utilities and Energy***

This is Pasi from Nordea. Well, can you actually give us some light for your road map when looking at the kind of new units after the Singapore? And secondly, actually, after sales volumes up or down in variables we're looking at this year by taking into account all the maintenance you have actually announced. And lastly, actually, how much this kind of comparable margin improved by direct maintenance in the fourth quarter? So what's the kind of the U.S. market drivers, to say a few U.S. market drivers behind the margin, [but a] result of tons of volumes in the fourth quarter?

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Okay. Pasi, this is Matti. So on the road map, I would say that we will, I'm sure, come back with some more comments during the Capital Markets Day. We obviously continue working on a number of studies, but more in the Capital Markets Day. On the volume outlook 2020, I mean obviously, the question came earlier. We're continuously working on our reliability. We continue working on continuous capacity creep and at the same time, we have more turnarounds planned for 2020 than we had in 2019 because we have 2 of the major world-scale sites, having that catalyst turnaround. We'll see like how the exact balance goes out, but it's both of these drivers affecting the volume.

The final question was on the fourth quarter and the importance of the U.S. margin within the sales margin. I actually don't have that exact breakup. What you can see from the charts I showed earlier, that in the fourth quarter, we basically had the LCFS strengthening. We also had, in the first 2 months of the quarter, also the RINs appreciating. So that, of course, was helpful for the U.S.

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

And as you follow it very closely, Pasi, I mean, the LCFS credits have hit the ceiling right now.

Operator

Your next question comes from the line of Thomas Adolff from Crédit Suisse.

Thomas Yoichi Adolff ***Crédit Suisse AG, Research Division - Head of European Oil & Gas Equity Research and Director***

Three questions for me, please. The first 2 on the renewables side. What was the -- what is and was the extent of the margin hedges in terms of volumes as well as duration?

And then secondly, just on the Blender's Tax Credit, you've made this nice year-on-year comparison on the impact. But I wonder whether the visibility that we now have for the next 3 years, whether that actually incentivizes the industry as a whole in the U.S. to simply produce more, and therefore there's more supply, and therefore an impact on the margins? So maybe making that comparison that you've done may not necessarily be valid.

And then finally, just going back to the balance sheet and the capital framework, your target leverage is to be below 40%. You are clearly in negative territory. And even with your CapEx guidance of about EUR 1.2 billion, you're going to generate positive free cash flow. So the question, of course, is what can we expect from Neste going forward? Are you going to have many more projects you're investing in? Or should we think of an updated shareholder distribution policy at the upcoming Capital Markets Day?

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Thomas, it's Matti start with -- I'll start with the question on the margin hedging. So we are indeed hedging our renewables margin. Our target with this hedging is to reduce the short-term margin volatility. And the approach that we do is that we basically hedge the price differential between vegetable oils and some selected fossil oil products. The logic behind this approach is that the vegetable oil price movements are assumed to reflect our average feedstock price movement. And on the other hand the fossil oil products, quite typically, our pricing is linked to some fossil oil product. So what that means is this is not a perfect hedge, but it helps to smoothen the volatility. And our target is to typically hedge around 50% to 70% of our margin exposure. And we typically have a duration of roughly 1 year. So that's on the hedging.

On the BTC, I think it's a very good question. And how I would comment is that now with the visibility on the BTC for the next years, it of course means that the market will find a new equilibrium. And what we saw immediately in December when the decision came out is that, for example, the D4 RINs decreased. At the same time, for example, some of the vegetable oil prices went up. And I think it's -- from my perspective, something where the market will find a new equilibrium, taking into account that there is no certainty on the BTC.

So -- and then you asked also, I mean, what to do with heavy -- or healthy -- sorry, balance sheet. Yes. I mean, of course, we are extremely happy that we have a healthy balance sheet, and that enables us, of course, also to do these big investments. And Singapore alone, as you know, is EUR 1.4 billion. Then on top of that comes such a big turnarounds. We have no intention, yes, to change our dividend policy. We have maintained it like we did even before my time. But let's talk on the Capital Markets Day, and we will -- we have always good ideas, so to say.

Operator

The next question comes from the line of Joshua Stone from Barclays.

Joshua Eliot Dweck Stone ***Barclays Bank PLC, Research Division - Analyst***

I've got 3 questions, please. First, just a follow-up on the feedstock costs. You talked about mitigating all of the feedstock price increase. You talked about supply performance and margin hedging. You then followed up more details on hedging. So my question is given the feedstock market is still pretty tight, will -- do you think you'll be able to continue to mitigate that indicator by the same math as you did in the fourth quarter?

And then secondly, partly related to that, the middle distillate price has fallen quite sharply since start of the year. Is that something you're fully hedged against as well? Or actually, did you put hedges in on distillates when distillate prices were much higher at the end of last year, and therefore it isn't something we should be worried about? So any details around the impact from falling distillate price would be helpful. And then more broadly, thinking about geographies and new markets in 2020, where would you say you're most excited about selling renewable diesel in 2020?

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Joshua, it's Matti. I'll start with the hedging. I mean like I commented in the fourth quarter, we were able to mitigate, to a large extent, the impact of increasing feedstock prices through our hedging and the good supply performance. I also just explained that we have a target to typically hedge around 50% to 70%. So I think going forward, we will be working on this and continue according to the hedging strategy that we have. The other question was on the Middle East. And as I assume this went in the direction of oil products. So Marko, please?

Joshua Eliot Dweck Stone ***Barclays Bank PLC, Research Division - Analyst***

Sorry. Sorry, I meant on renewable products side. I didn't make that clear.

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Yes. I mean, if I comment on that, then like I explained, our hedging approach, we typically hedge the vegetable oils and on the other hand, some fossil oil products. So it is always the margin that we are intending to hedge.

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

And then you had a question also on the geography. I mean we are, of course, I mean always very excited people, Joshua, on all the markets. And I think what we did very well last year, remember the discussion that we had in Q2 that we prepared some in new markets and build up our access to those new markets, that has been now very successfully implemented. So we are, of course, excited about the European market, but we are also excited about markets like Oregon that are, albeit still at a relatively low level in terms of volumes, but the credits are also starting to trade quite interestingly.

And then another market is, of course, in Canada, that we also see as with quite some positive developments. But I alluded to also a bit in my opening remarks that we do see already very good discussions ongoing with regards to renewable jet fuel. It's clear that Norway is now implementing this first level of mandates. Sweden, Finland, France are discussing mandates to be put into legislation. Proposals are on the table, and we also see very positive momentum, for example in the Netherlands, but also in Brussels.

Operator

Your next question comes from the line of Artem Beletski from SEB.

Artem Beletski ***SEB, Research Division - Analyst***

Yes. This is Artem from SEB. Three questions from my side. When it comes to sales allocation, maybe still on Central Europe where your sales was record high in Q4, is it basically growth within the market what you have been mentioning previously? Or is it new market openings what you have done basically during the quarter?

Then the question -- the other question is relating to your renewable jet fuel capacity, which is 100 kilotons right now. Do you think that you need to increase it, let's say during this or next year, in light of new deals what you have been signing recently?

And the last one is really relating to modeling purposes and looking at Singapore expansion in the year '22. Should we assume any significant volume contributions from the expansion? Maybe you should -- you can shed some light on that one.

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Okay. This is Matti. So first on the sales allocation in Europe, I think we have been commenting in earlier quarters that we have been quite systematically doing work to open different markets. And I think the situation is now good. I mean we are basically active in most of the markets that we see, and that means that we basically focus on serving these markets rather than now having to open new markets still as we go. On the RJF, we indeed have a capacity already today to produce more than 100 kilotons. I think the important message here is that with the Singapore expansion, we will be then creating a capability to produce very flexibly much larger amounts up to 1 million tons. So that will serve the growth. And on the Singapore expansion '22, that was the third question. Our aim is to start up the unit mid of the year. So that obviously means that we are able then to sell during the second half of the year and to ramp up sales during that period.

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

Artem, I mean you know that the 100 KT that we currently have available in terms of capacity for RJF is, of course, part of the total 3 million tons of nameplate capacity in the renewable area. So it's not on top of the 3 million tons, it's part of it. And as we have also said before, we continue to run our value optimization model. So here, in the renewable aviation area, our positioning in the year 2020 is continuing like in 2019 in getting, albeit at small volumes, but multiple customers that start buying. So our target is not now push RJF to achieve the full 100 KT capacity output, but rather continue to build up the footprints, supply chain, customer portfolio and so on. So all in the context to be understood. When we then have, in the second half of 2022, the capacity of Singapore up and running, then we have up to 1 million tons, as Matti said, in Singapore on renewable jet fuel capacity and eventually, even above 1 million tonnes if we would also sell the 100 KT of capacity that we currently have.

Operator

Your next question comes from the line of Peter Low from Redburn.

Peter James Low ***Redburn (Europe) Limited, Research Division - Research Analyst***

Just a couple of follow-ups, actually. In renewables, is there any direct relationship between your pricing formulas and feedstock costs? And I think we've had this question before, but just try it again, is there a risk, as you've already raised prices in 4Q, your margins are now squeezed, given that feedstock costs have continued to rise? And then the second was a follow-up on renewable aviation fuel. Is it fair to assume that the margins there will be higher than renewable diesel? Otherwise you would just continue to produce the renewable diesel rather than flex the capacity to aviation fuel.

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Yes. So this is Matti Lehmus. The first question, I mean I would emphasize, like in any other product, the most important thing on the renewable diesel pricing is supply and demand. So this is, of course, the main driver for the pricing. And like commented earlier, through, for example, the hedging, we can then also, let's say control the margin volatility. Can you repeat the question on the RJF, please?

Peter James Low ***Redburn (Europe) Limited, Research Division - Research Analyst***

Sure. It was -- should we assume that the margins on renewable aviation fuel is higher on a per ton basis than for renewable diesel? Because I guess if it wasn't, why would you not just continue to produce renewable diesel with that capacity?

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

Yes. It's a good question, Peter. And here we are, as I said before, in market preparation and getting traction and demonstrating that these volumes are available and can flow, which is extremely important also to convince the authorities, build up the trust to convince them to put the right mandates in place. It's clear that our strategy to go to the market is that we have set based upon current oil prices, RJF is about 3x as expensive than the fossil-based kerosene. And if you would look into the details with the current setup that we have, which is of course working with external partners in doing the final steps to produce the products as well as storing the product, the whole supply chain, this is, of course, not an ideal supply chain. The ideal supply chain will only be there when we have the Singapore facility fully up and running. So you can make a bit your calculation already. That means that this is a more expensive supply chain that we currently have.

Operator

Your next question comes from the line of Monika Rajoria from Societe Generale.

Monika Rajoria ***Societe Generale Cross Asset Research - Equity Analyst***

I have 2 questions, please. The first one is on the impact of China on the Neste's feedstock sourcing. So as we know, China is a key feedstock market, and can we expect the waste residues pricing to get higher because of the current lockdown and restrictions in trade and travel?

And the second question is on the industrial union strikes that are planned for Monday. So can you give us an update on that? Do we expect any material impact from the strikes on the oil products' EBIT or on the retail EBIT, given that Neste's supply is about 40% of diesel to Finland?

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Yes. Thank you. So first, the question on China and the impact of the coronavirus situation. So obviously, I mean one observation is that the situation of course has some impacts on the overall commodity markets. So basically, all commodities have, in the last weeks, reacted with a downward price movement. But if you more look at it from a fundamental supply/demand perspective, I would say that there is of course a chance, it's too early to say, but that this situation could have some impact, for example, on the used cooking oil export volumes out of China in the short term, obviously. From Neste perspective, as we only started our sourcing activities half a year ago, the impact is limited.

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

On the strike that you alluded to, this is off the table. We are extremely pleased. And our people, together with the chemical federation, together with the union representatives, have found an agreement that is official. It has been also yesterday in the newspaper and other news here in Finland. So we're extremely pleased that we have found common ground, and we're able to mitigate that risk. Of course we continue to monitor very closely what eventually could happen in other sectors in Finland. But very clear the chemical side has been resolved, and therefore there will not be a strike.

Operator

Your next question comes from the line of Peter Testa from One Investments.

Peter Testa ***One Investments S.A.G.L. - Analyst***

Just a couple of questions, please. The first one is just looking at some of the changes in mix that happened during the quarter. I know you made the point on the U.S. percentage changing because of Rotterdam, but with 91% utilization and a 14-point change in mix, there seems to be a bit more going on in the mix in the U.S. And also, looking at the feedstock mix with a significant change or increase in, say, renewable source feedstock, I was just wondering if you could give some sort of sense as -- so we -- how we understand how you manage things? What drove these outcomes?

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Yes. I mean -- this is Matti Lehmus. So just repeating my earlier comment that the fact that we had a higher than usual share of sales to the North American market, it was really driven by the fact that we had the Rotterdam turnaround. I -- we -- there is no other main driver for that change in the percentage.

Peter Testa ***One Investments S.A.G.L. - Analyst***

Okay. And the feedstock mix, the waste and residue going from 77% to 84% just year-over-year or sequentially quite a big increase. Just understanding, is that a reaction to the high palm oil price and your flexibility allowed you to use other materials? Or were there other factors?

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Yes. This is indeed a continuous optimization that we do. We obviously, like you know, have more than 10 different feedstocks that we are able to use. And then depending on the sales allocation and the feedstock market moves, we're continuously optimizing. So this was a result of that optimization.

Peter Testa ***One Investments S.A.G.L. - Analyst***

Okay. And then on the visibility now that you have on the BTC or the industry has in the BTC, there's also a lot of export flows that go around away from you, South America, Southeast Asia. Would you expect more of these flows to be attracted into the U.S. market as a result of that which may, say, change the supply there, but decrease the supply in Europe? I mean if you can give some thoughts as to how you think the supply in different main geographies might be affected by this visibility?

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

If I make a quick comment, I mean like I pointed out earlier, I would say we are in a, let's say, a situation where the BTC is now there -- the transparency is there for the coming years, and the market will find a new equilibrium. And that is exactly what is happening and what happened already in December when the BTC came out. I think it's also one to watch closely whether or not this affects utilization rates or export or import flows.

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

I would add to that. I mean, also -- and point you towards closely looking. This is now a bit a paradigm shift that we have. I mean you know that BTC was granted -- the majority was granted in the last years, retroactively. And now there is this proactive (sic) [prospective]. So you saw immediately that the RINs reacted heavily and reduced. So one cannot just take BTC as a given and say nothing else is going to happen in those markets. On the other hand side, of course it's highly complex as well. You cannot just look at the RINs. And there has been the whole debate and discussion and actually, also a lawsuit was lost by the EPA on small refinery exemptions. So that will also have a certain influence on how does the RINs then behave and what does that do, I mean, to the business in the United States. So it really is difficult. And therefore Matti's words were absolutely right. I mean the market will have to find a new equilibrium.

Peter Testa ***One Investments S.A.G.L. - Analyst***

Okay. But at this stage, it's not really clear for your [stand a] what the big flow trends might be after that renewing of equilibrium?

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

No. That's not clear yet.

Peter Testa ***One Investments S.A.G.L. - Analyst***

Okay. And the last question was just on the Brent-Ural spread volatility. We've seen some quite big moves and some cases could be quite helpful to yourselves given your position in Brent-Ural. Can you give some thoughts as to how that might help you manage some of the volatility that we've seen in the middle distillate prices or lack of IMO presence of enhanced margin in the middle distillate area, please?

Marko Pekkola ***Neste Oyj - EVP of Oil Products Business Unit***

Okay. Yes, this is Marko. Well, as we can say -- as we could -- as we see that the Urals share is, like on the long-term or the normal long-term level of more than 70%. And of course, it has impacted our margins. But I guess now or -- at the moment, the insecurity on the market or whether it's the warm weather now at the moment, what has been the impact and also then the possible slowdown and even the impact from the coronavirus. And so in that sense, it remains to be seen that, that the -- what the impacts will be then on the Urals bid. Hard to estimate.

Operator

Your next question comes from the line of [Radik Pendra] from [Millennium].

Unidentified Analyst

Two questions. Firstly, just -- I guess you will talk about this in the CMD, but what are your thoughts on M&A, especially in the waste supply chain? Could you want to -- I mean, improve your backward integration and therefore also create bottlenecks for your competitors? That's the first question.

The second question is a very simple question. Could you help me understand how is pricing working in your business? Because in the last 3 years, raws have gone down. And obviously your margins have gone up. And part of it is because of LCFS. But now raws are going up and your margins are still going up. So can you just help me understand what's going on, because I genuinely don't understand. And obviously, this is a big compliment to you guys.

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

Thanks for the compliment. Matti, you want to...

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Yes. I mean...

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

The M&A. Sorry. The first one was on the M&A side. And remember what we said on the Capital Markets Day last year. We said that we are looking at all different avenues to strengthen our position upstream, which means in the waste and residue. I know what you currently have seen is that we have set up legal entities in different countries to go more upstream because we didn't find any adequate partners or we didn't find anybody that eventually we could buy. Let me put you a little bit more to waiting that we -- in the next Capital Markets Day that we also talk a little bit more in detail about our strategy.

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

And then this is Matti, on the pricing question. And indeed, it's, of course, complicated. How I would comment, of course, important to understand is that we are selling to a large number of countries. And because there is also very often a regulatory element that is different from country to country, it also means that the pricing schemes can be different. I'll just take example. If you look at California, you have, for example, the LCFS, which is an important mechanism. In Europe, you, for example, have a number of countries where there are also tickets nowadays that reflect the renewable value. So there are very different pricing mechanisms from country to country. And one, anyway, I think that is there, that there is also quite typically, like I commented earlier, some linked to fossil oil product in addition to these credit elements.

Operator

Your next question comes from the line of Sasikanth Chilukuru from Morgan Stanley.

Sasikanth Chilukuru ***Morgan Stanley, Research Division - Research Associate***

I had a couple of follow-ups, actually. I just wanted to understand what the actual impact of the catalyst change in the Rotterdam refinery that was performed in 4Q in 2019 was? The guidance was that it would impact EUR 50 million -- it would impact negatively by EUR 50 million. I just wanted to understand what -- if it was able -- if you can be able to quantify what the actual impact turned out to be? And the second question was just regarding the cash flow related to the retroactive BTC effect. I was just wondering if you had the number for that, that we would expect, like, in 2020?

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Okay. I can start with the catalyst question. I think the order of magnitude is correct, what we were communicating as the impact. Something of course good to notice, that as we were able to build inventories in the third quarter, we were still able to sell good sales volume also in the fourth quarter. So that impact is probably then divided between quarters.

Jyrki Mikael Mäki-Kala ***Neste Oyj - CFO & Member of the Executive Board***

Yes. And the cash flow impact coming out of the BTC that we booked in December last year, most of the EUR 372 million will be received by the end of quarter 2, because part of that is coming from state and part of that is coming from the customer. So that's basically how it will -- so it will impact the full year cash flow certainly by EUR 372 million.

Operator

We have a final question from the line of Thomas Adolff from Crédit Suisse.

Thomas Yoichi Adolff ***Crédit Suisse AG, Research Division - Head of European Oil & Gas Equity Research and Director***

Sorry. Just a follow-up question. I just wanted to go back to renewable products and the sales. And I recall that couple of quarters ago, you mentioned that about 60% is on term and 40% on spot. And I wondered whether it's still the 60-40 split? And when we think kind of sequentially from 3Q to 4Q, which part actually contributed a bit more to the top line or the sales margin?

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Thanks for the question. So fully correct. We have commented earlier that the share has been around 60-40. It's probably, if I look at the share of term sales, it's been going slightly up now when we go into 2020. And I don't have actually the split, whether what the margin contribution was between spot and term.

Operator

There are no further questions, please continue.

Juha-Pekka Kekäläinen ***Neste Oyj - VP of IR***

Okay. Thank you. This is Juha-Pekka Kekäläinen again. As there are no further questions, we thank you very much for your attention and active participation. Neste's first quarter results will be published on the 24th of April. Until then, thank you, and goodbye.

Operator

That does conclude our conference for today. Thank you for participating. You may all now disconnect.