

The background is a vibrant green with a bokeh effect of light spots. A large, thin white circle is centered on the page, partially overlapping the text and the NESTE logo.

# Q2 2019

Peter Vanacker | President and CEO

**NESTE**





## CONTENTS

1. Q2 2019 review
2. Group financials
3. Segment reviews
4. Current topics
5. Appendix

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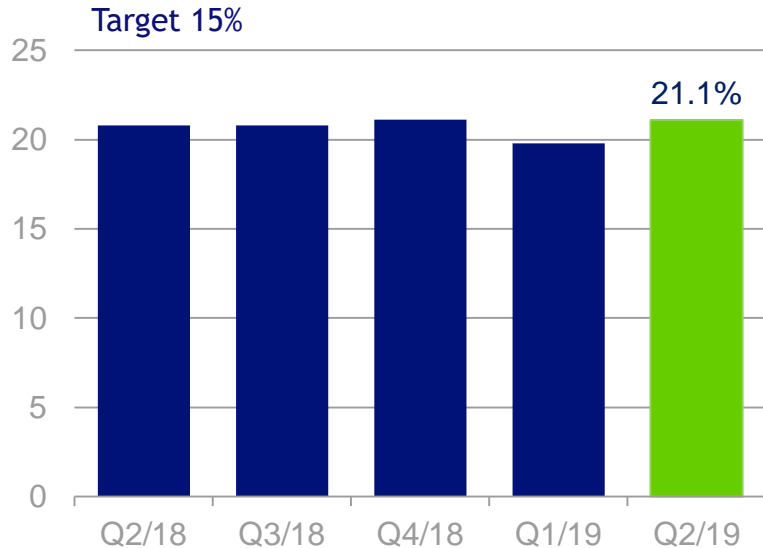


## Strong results supported by record sales in Renewable Products

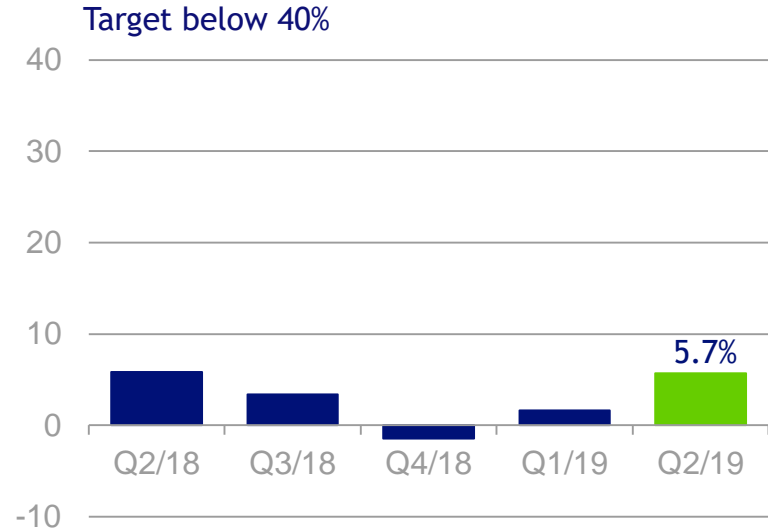
- Group comparable EBIT 367 MEUR
- Record high quarterly sales volumes and production in Renewable Products
- Oil Products impacted by weak refining market
- Marketing & Services posted all-time high Q2 comparable EBIT
- Good progress in strategy implementation

# Solid performance in financial targets

ROACE, rolling 12 months, %



Leverage, %



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Q2 2019  
Group financials

# Group financials Q2/19

MEUR	Q2/2019	Q2/2018	H1/2019	H1/2018	2018
Revenue	4,057	3,745	7,826	7,374	14,918
EBITDA	476	275	961	793	1,639
Comparable operating profit	367	277	746	679	1,422
Renewable Products	286	177	623	473	983
Oil Products	83	92	156	191	397
Marketing & Services	25	20	38	33	77
Others (incl. eliminations)	-27	-12	-71	-19	-34
Operating profit	358	172	740	592	1,025
Cash flow before financing activities	132	140	140	373	870
Comparable earnings per share, EUR	0.40	0.29	0.77	0.72	1.50

# Result improvement driven by Renewable Products

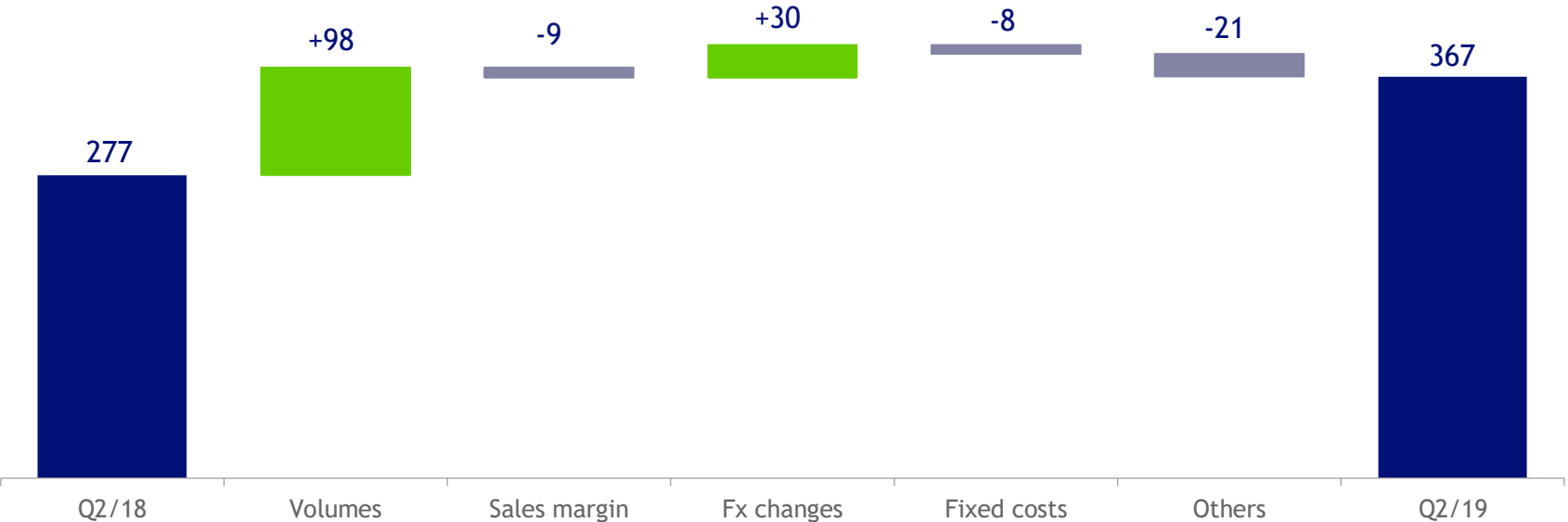
Group comparable EBIT by segments Q2/18 vs. Q2/19, MEUR





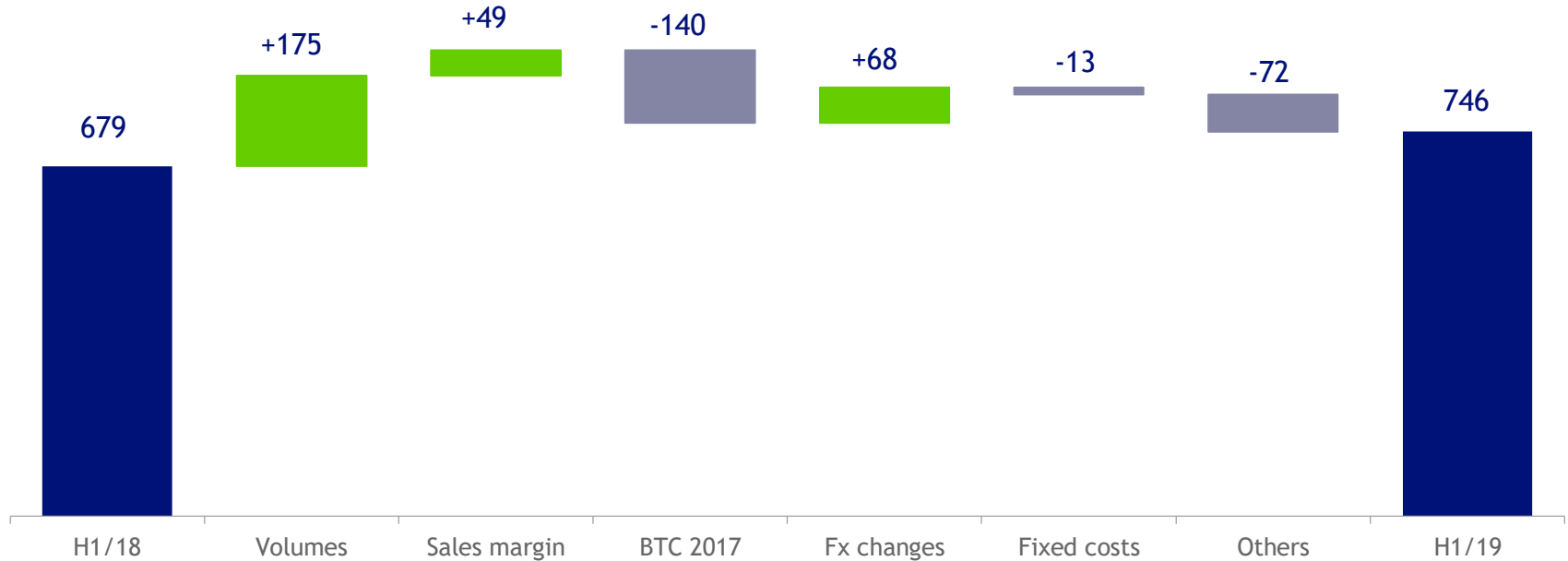
# Q2 result driven by strong volumes

Group comparable EBIT Q2/18 vs. Q2/19, MEUR



# Half-year result boosted by higher volumes and margins

Group comparable EBIT H1/18 vs. H1/19, MEUR



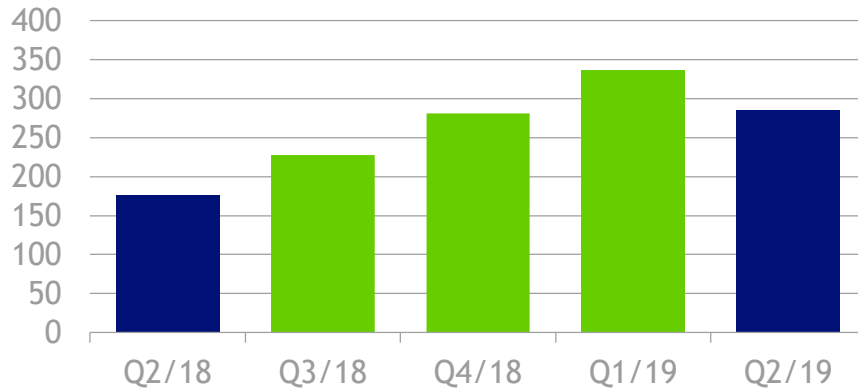


Q2 2019  
Segment reviews



# Renewable Products' result substantially higher year-on-year

## Comparable EBIT, MEUR



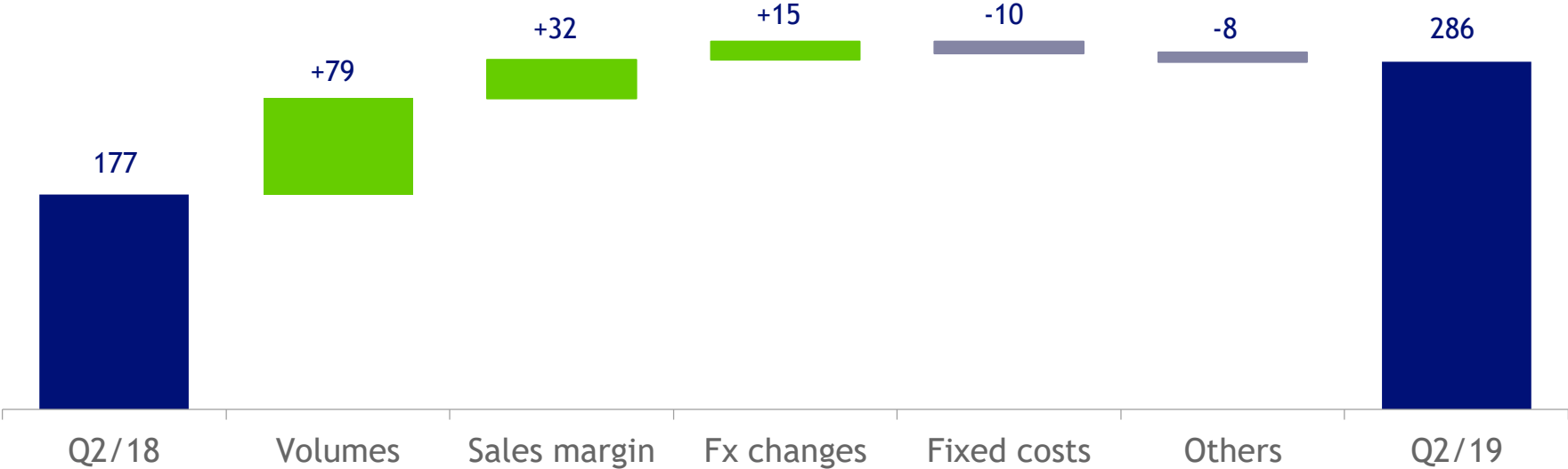
- Comparable EBIT 286 MEUR (177)
- Record-high sales volume 745 kton (589); share of Europe 65% (68%)
- Production volume 765 kton (518)
- Share of waste and residues feedstock 77% (92%)
- Investments 40 MEUR (36)
- Comparable RONA\* 56.6% (46.0%)

MEUR	Q2/19	Q2/18	2018
Revenue	955	793	3,241
Comparable EBIT	286	177	983
Net assets	2,273	1,748	2,018

\* Last 12 months

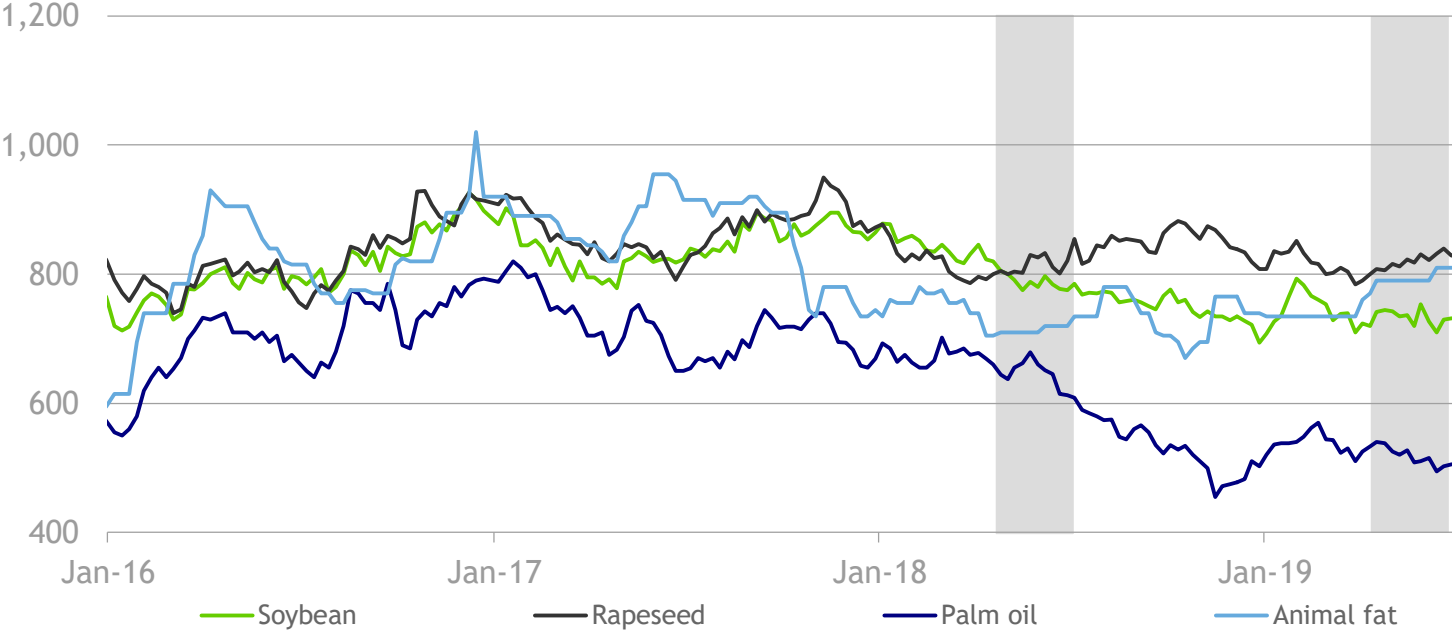
# Higher sales volumes supported solid result

Comparable EBIT Q2/18 vs. Q2/19, MEUR



# Raw material price spreads widened

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



\*Quotations in NWE, source: Oil World



# US margins supported by strong LCFS credit prices

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



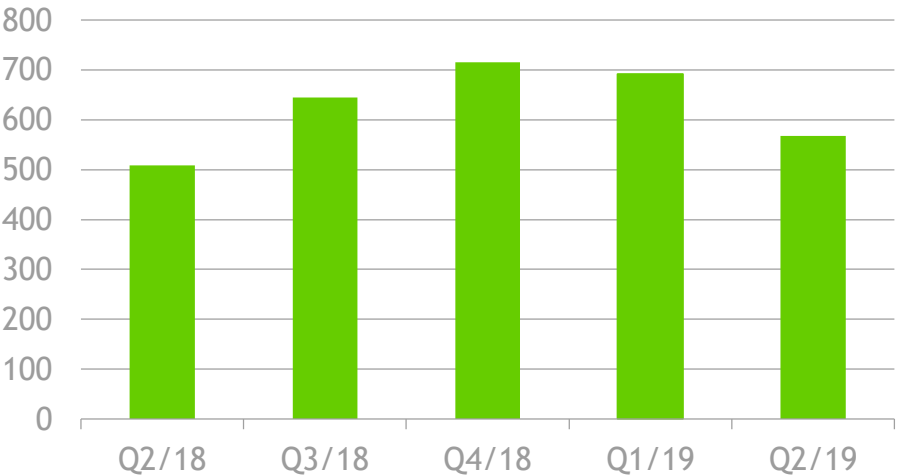
RIN prices, US cent /gal



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

# Margin impacted by higher raw material costs and entry to new markets

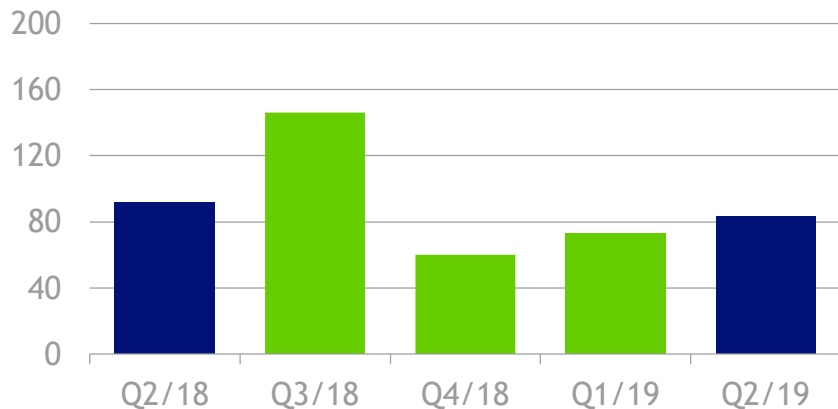
Renewable Products comparable sales margin, USD/ton



- Comparable sales margin USD 568/ton (508)
- California LCFS credit USD 189/ton (162)
- D4 RIN USD 0.38/gal (0.53)
- Sales of 100% Neste MY diesel 209 kton (200)
- High utilization rate 105% (73%)

# Oil Products' result impacted by lower margins

## Comparable EBIT, MEUR



- Comparable EBIT 83 MEUR (92)
- Sales volume 3.7 Mton (3.3)
- Refinery utilization rate 95% (89%)
- Urals' share of feed 74% (78%)
- Investments 61 MEUR (54)
- Comparable RONA\* 14.2% (17.0%)

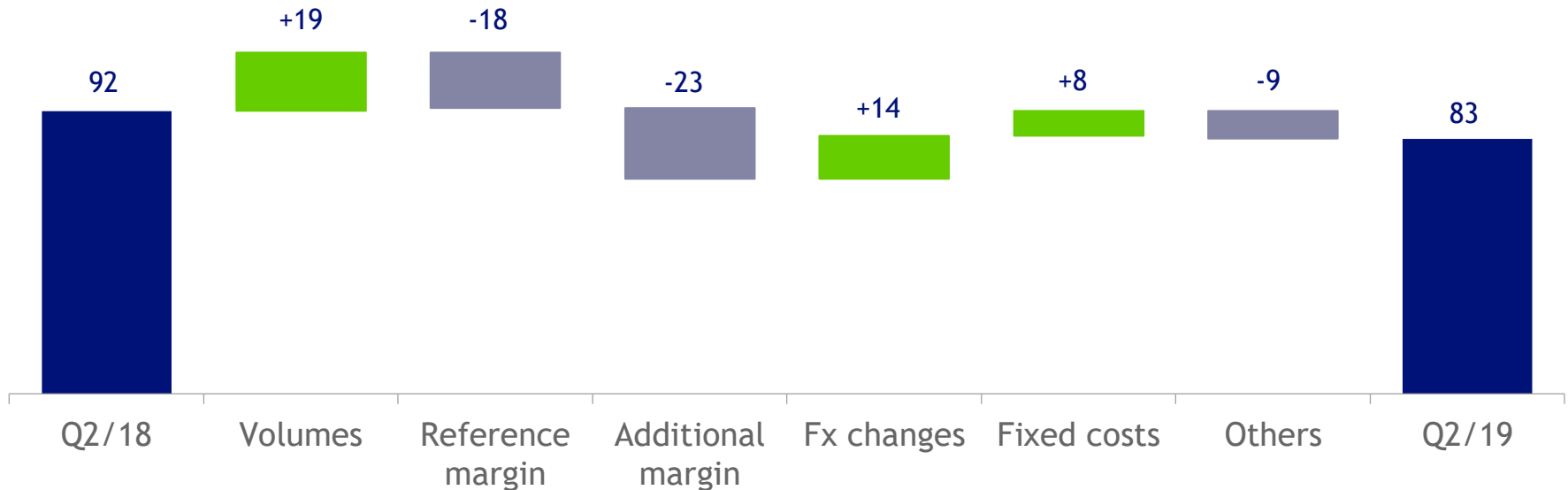
MEUR	Q2/19	Q2/18	2018
Revenue	2,729	2,534	10,105
Comparable EBIT	83	92	397
Net assets	2,564	2,678	2,257

\* Last 12 months



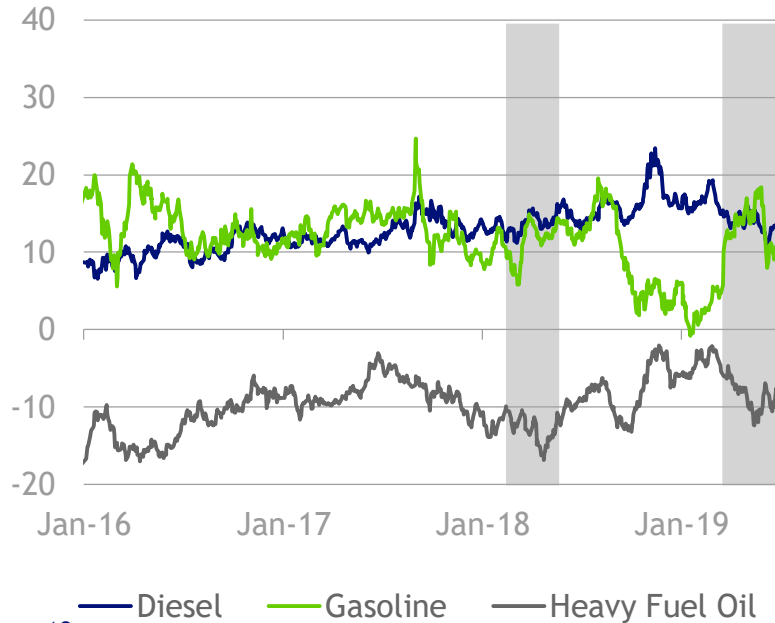
# Weaker markets led to lower results

Oil Products comparable EBIT Q2/18 vs. Q2/19, MEUR



# Volatile gasoline margin and narrow Urals-Brent differential

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

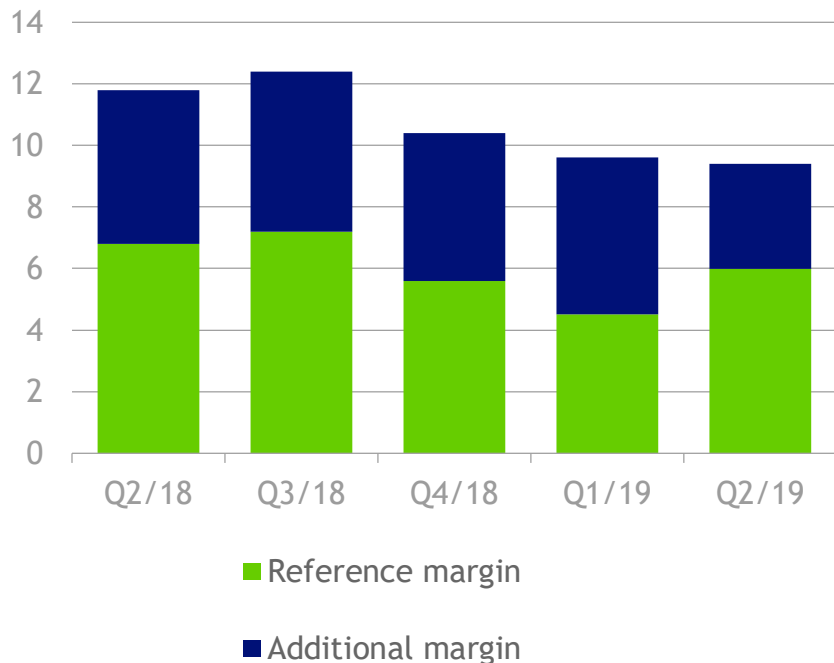


Urals vs. Brent price differential, USD/bbl



# Total refining margin continued at Q1 level

Total refining margin, USD/bbl

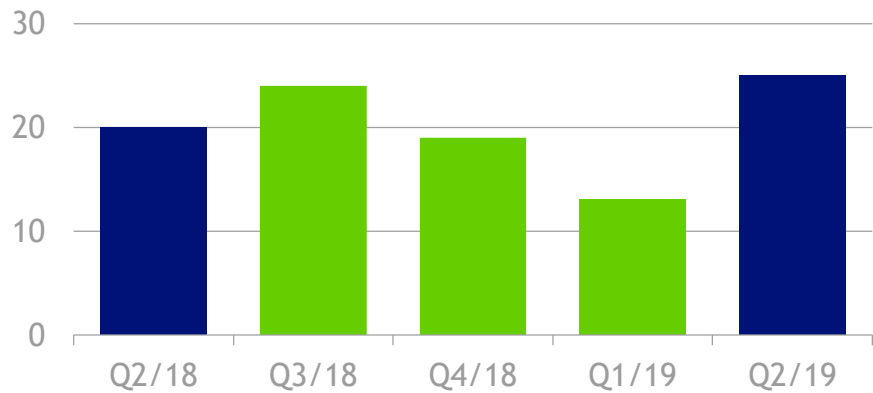


- Total refining margin USD 9.4/bbl (11.8)
- Reference margin\* USD 6.0/bbl (6.8)
- Additional margin\* USD 3.4/bbl (5.0)
- Refinery production costs USD 4.6/bbl (5.2)

\* Updated reference margin formula

# Marketing & Services all-time high Q2 performance

## Comparable EBIT, MEUR



- Comparable EBIT 25 MEUR (20)
- Sales volumes maintained year-on-year
- Unit margins clearly improved
- Investments 5 MEUR (6)
- Comparable RONA\* 28.9% (27.3%)

MEUR	Q2/19	Q2/18	2018
Revenue	1,064	1,061	4,315
Comparable EBIT	25	20	77
Net assets	315	254	249

\* Last 12 months



# Current topics

# Good progress in strategy implementation

## Focus areas

Scale up faster and bolder



## Progress during Q2

- Singapore expansion project proceeding as planned
- First commercial deliveries of Renewable Jet Fuel and Renewable Polymers have taken place
- Recruitment of key people ongoing; Mercedes Alonso appointed as EVP Renewable Polymers & Chemicals
- Divestment of Russian fuel retail business to Tatneft
- Strategic partnership with Rejlers to improve delivery capability and focus of Neste Engineering Solutions

Drive efficiency in operations



- Record-high production in Renewable Products
- Well on track to meet operational excellence targets

Increase innovations



- Strategic co-operation with VTT to develop innovative solutions
- Several international partnerships progressing



# Segment outlook for Q3/2019

## RENEWABLE PRODUCTS

### SALES VOLUMES

Sales volumes in Q3 expected to remain high.

### UTILIZATION RATE

Utilization rates expected to remain high in Q3. Scheduled catalyst change at Rotterdam refinery in Q4. EBIT impact of catalyst change currently estimated at approx. EUR -50 million in Q4.

## OIL PRODUCTS

### MARGIN

Reference margin in Q3 is expected to be higher than in H1/19, driven by a seasonally stronger product market and refinery outages.

### UTILIZATION RATE

Utilization rates of our production facilities anticipated to remain high in Q3, except for normal unit maintenances. Scheduled four-week decoking maintenance at Porvoo Production Line 4 in Sep-October with total EBIT impact of approx. EUR -15 million, mainly in Q4.

## MARKETING & SERVICES

### UNIT MARGINS AND SALES VOLUMES

Unit margins and sales volumes expected to follow previous years' seasonality pattern in Q3.



# Appendix

## Renewable Products comparable EBIT calculation

	Q2/18	Q3/18	Q4/18	2018	Q1/19	Q2/19
Sales volume, kton	589	547	575	2,261	692	745
<b>Comparable sales margin, \$/ton</b>	<b>508</b>	<b>645</b>	<b>715</b>	<b>600</b>	<b>692</b>	<b>568</b>
Comparable sales margin, MEUR	251	303	361	1289	422	377
Fixed costs, MEUR	46	41	46	184	50	55
Depreciations, MEUR	32	34	33	128	36	36
<b>Comparable EBIT, MEUR</b>	<b>177</b>	<b>228</b>	<b>281</b>	<b>983</b>	<b>337</b>	<b>286</b>

# Refinery production costs, Porvoo & Naantali

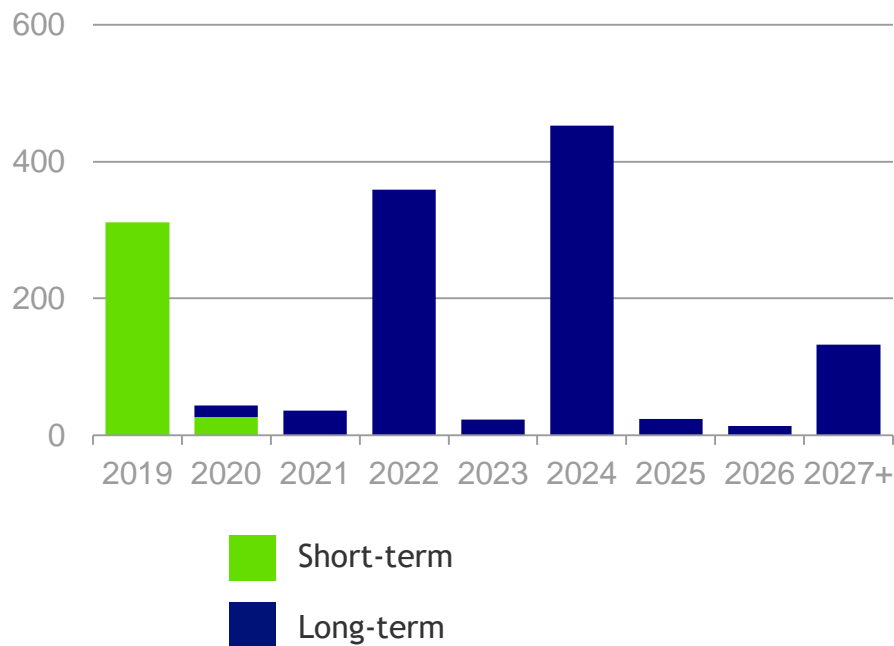
		Q2/18	Q3/18	Q4/18	2018	Q1/19	Q2/19
Refined products	Million barrels	26.4	28.0	25.9	108.8	26.9	27.5
Exchange rate	EUR/USD	1.19	1.16	1.14	1.18	1.14	1.12
Utilities costs	MEUR	45.6	44.9	48.9	184.8	52.6	50.6
	USD/bbl	2.1	1.9	2.1	2.0	2.2	2.1
Fixed costs	MEUR	71.2	58.9	88.8	276.4	57.2	62.1
	USD/bbl	3.2	2.4	3.9	3.0	2.4	2.5
External cost sales	MEUR	-1.8	-1.8	-1.9	-7.6	-0.5	-0.4
	USD/bbl	-0.1	-0.1	-0.1	-0.1	0.0	0.0
Total	MEUR	114.9	101.9	135.8	453.6	109.2	112.2
	USD/bbl	5.2	4.2	6.0	4.9	4.6	4.6

# Cash flow

MEUR	Q2/19	Q2/18	Q1/19	H1/19	H1/18	2018
EBITDA	476	275	486	961	793	1,639
Capital gains/losses	0	0	0	0	-2	-3
Other adjustments	9	56	111	120	98	-96
Change in net working capital	-120	56	-401	-521	-93	99
Net finance costs	-19	0	-9	-28	-26	-37
Income taxes paid	-42	-32	-87	-129	-94	-151
<b>Net cash generated from operating activities</b>	<b>303</b>	<b>354</b>	<b>100</b>	<b>403</b>	<b>677</b>	<b>1,452</b>
Capital expenditure	-119	-109	-71	-189	-194	-395
Other investing activities	-53	-105	-21	-74	-110	-187
<b>Cash flow before financing activities</b>	<b>132</b>	<b>140</b>	<b>8</b>	<b>140</b>	<b>373</b>	<b>870</b>

# Liquidity & maturity profile

MEUR



- Group's liquidity EUR 2,728 million at end of June 2019
  - Liquid funds EUR 1,078 million
  - Unused committed credit facilities EUR 1,650 million
- Average interest rate for interest-bearing liabilities was 2.1% and maturity 3.0 years at end of June\*
- No financial covenants in Group companies' existing loan agreements

\*Average interest rate for interest-bearing liabilities and average maturity exclude leases since 1 Jan 2019.



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