

# Financial Statements 2016

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# Agenda

- 1 Year 2016
- 2 Financials 2016
- 3 Segment reviews
- 4 Current topics
- 5 Appendix

# Disclaimer

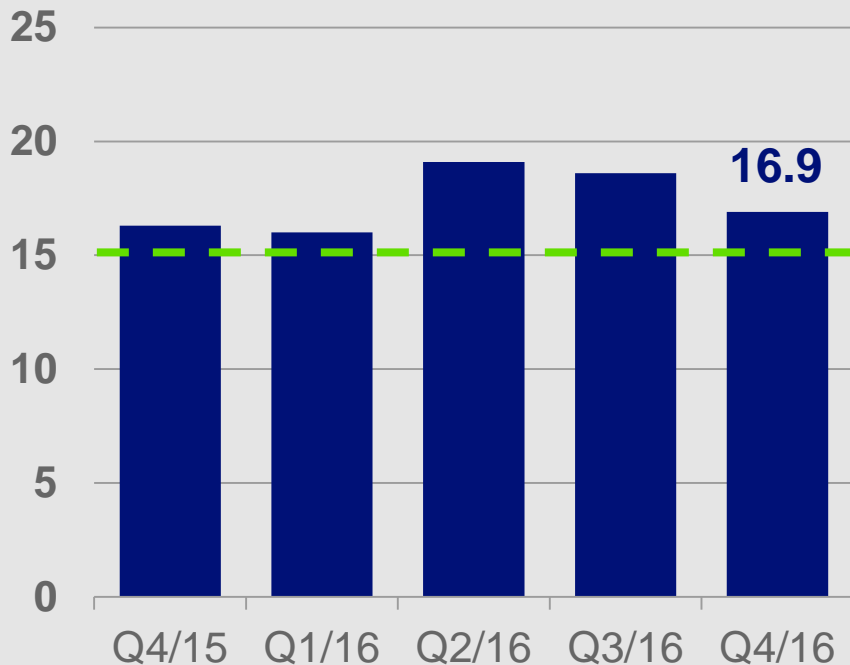
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# Continued successful strategy implementation and record-high results

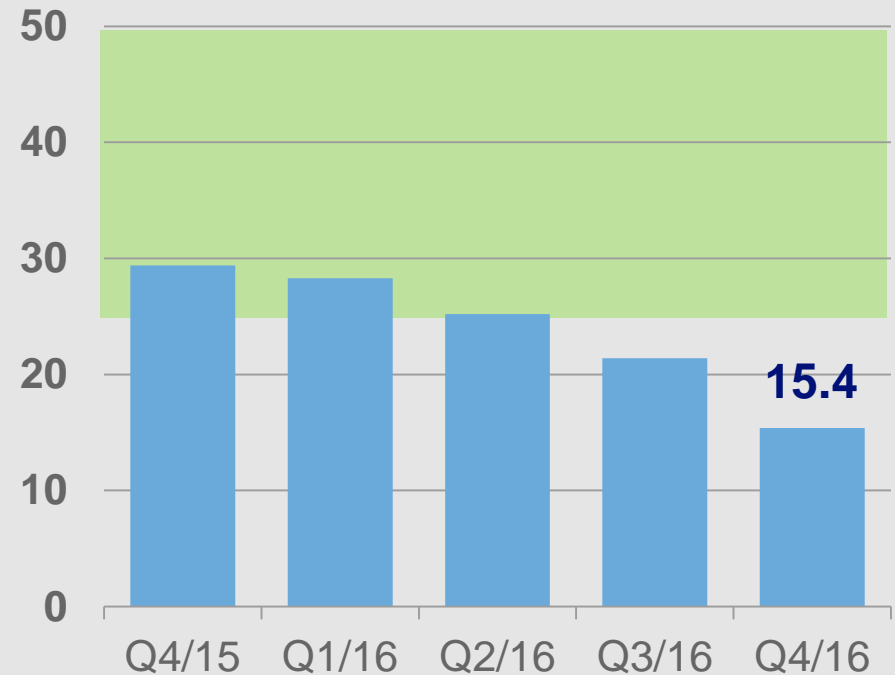
- Comparable EBIT EUR 983 million (925)
- Renewable Products largest profit contributor
- Strong cash flow
- Dividend proposed to be increased by 30% to EUR 1.30 per share

# Solid performance in financial targets

ROACE, rolling 12 months, %



Leverage, %



# Financials 2016

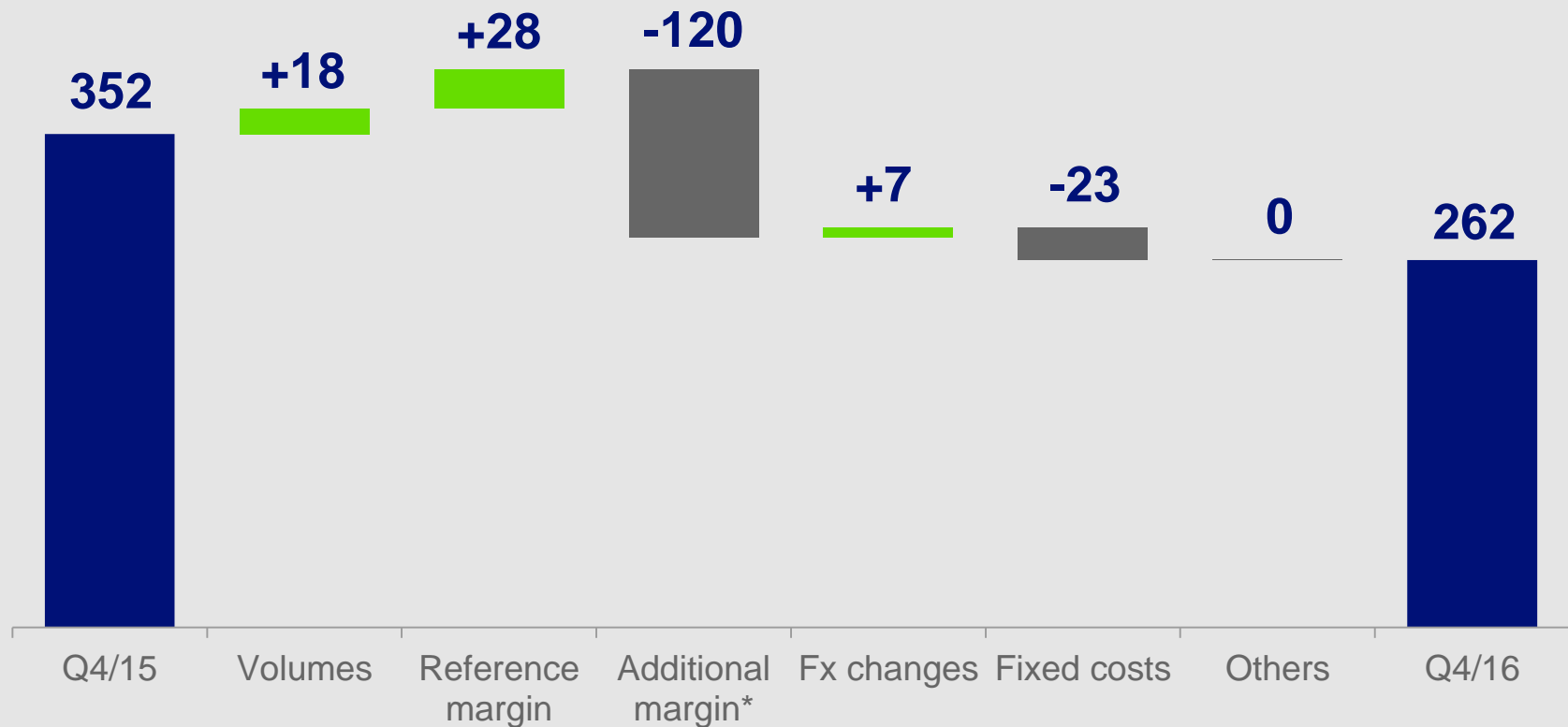


# Group financials 2016

MEUR	2016	2015	Q4/16	Q4/15
Revenue	11,689	11,131	3,421	2,759
Comparable EBITDA	1,349	1,284	356	462
IFRS EBITDA	1,521	1,057	396	355
Comparable operating profit	983	925	262	352
Oil Products	453	439	98	91
Renewable Products	469	402	146	231
Oil Retail	90	84	19	17
Others (incl. eliminations)	-29	0	-1	12
IFRS operating profit	1,155	699	302	245
Cash flow before financing activities	834	480	267	300
Comparable earnings per share, EUR	3.10	2.84	0.89	1.15

# Additional margin impacted by timing difference in US Blender's Tax Credit

## Group comparable EBIT Q4/15 vs. Q4/16, MEUR



\* Q4/15 included full-year 2015 BTC impact



# Strong additional margin compensated normalized refining market

Group comparable EBIT 2015 vs. 2016, MEUR

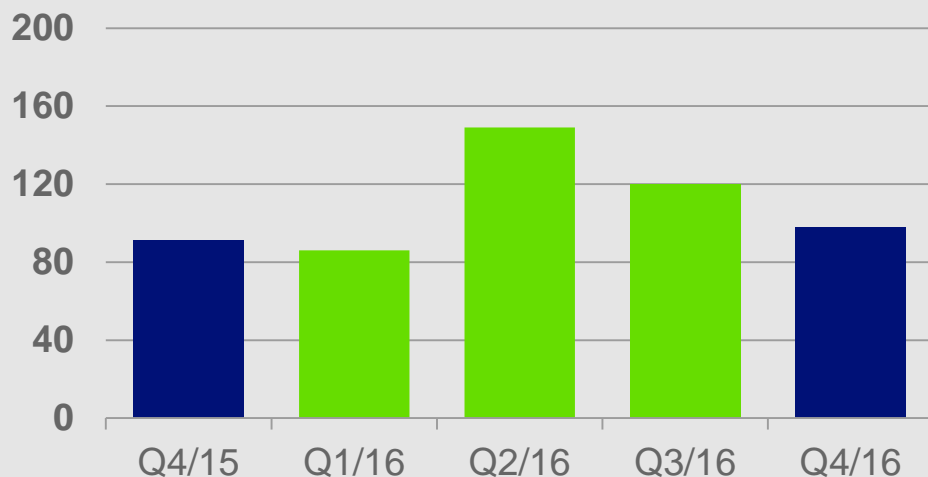


# Segment reviews 2016



# Solid performance in Oil Products

## Oil Products comparable EBIT, MEUR



MEUR	Q4/16	Q4/15	2016	2015
Revenue	2,159	1,756	7,395	7,467
Comparable EBIT	98	91	453	439
Net assets	2,424	2,320	2,424	2,320

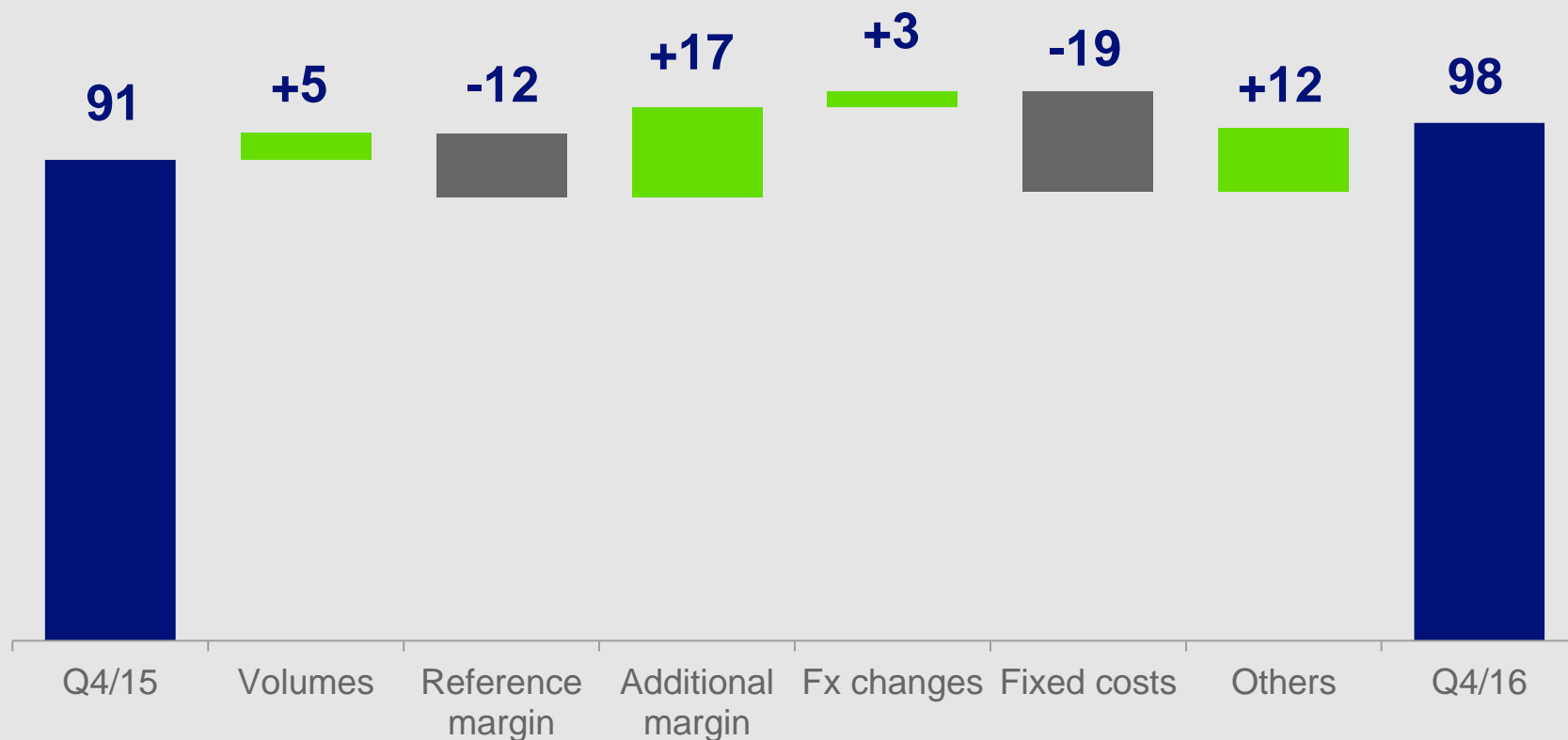
## Highlights 2016

- Comparable EBIT 453 MEUR (439 MEUR)
- Sales volume 14.3 Mton (11.9)
- Share of Baltic Sea area sales 56% (66%)
- Urals' share of feed 68% (62%)
- Investments 257 MEUR (437 MEUR)
- RONA\* 18.7% (18.2%)

\* Comparable RONA rolling 12 months

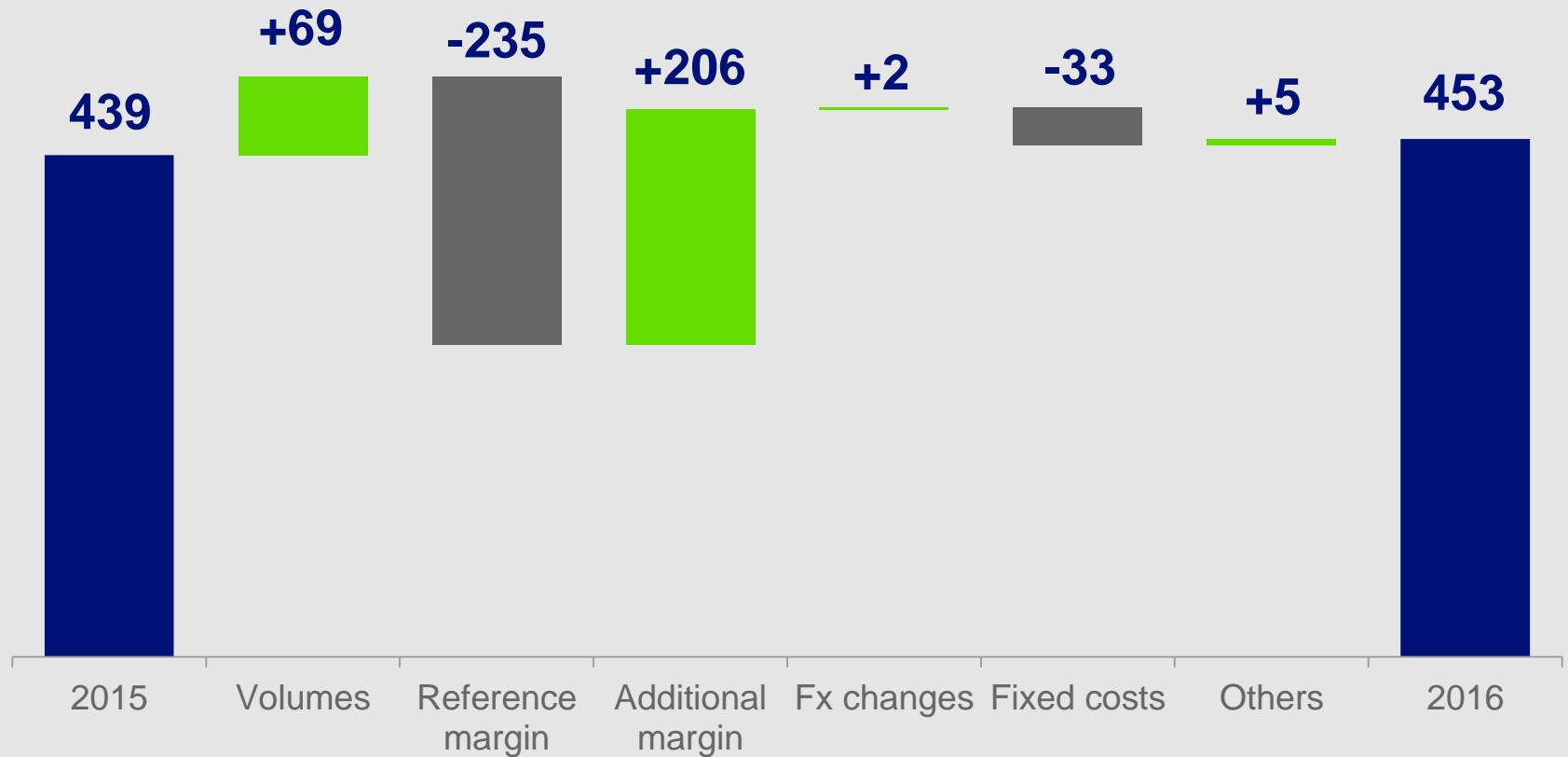
# Good quarterly result

## Oil Products comparable EBIT Q4/15 vs. Q4/16, MEUR



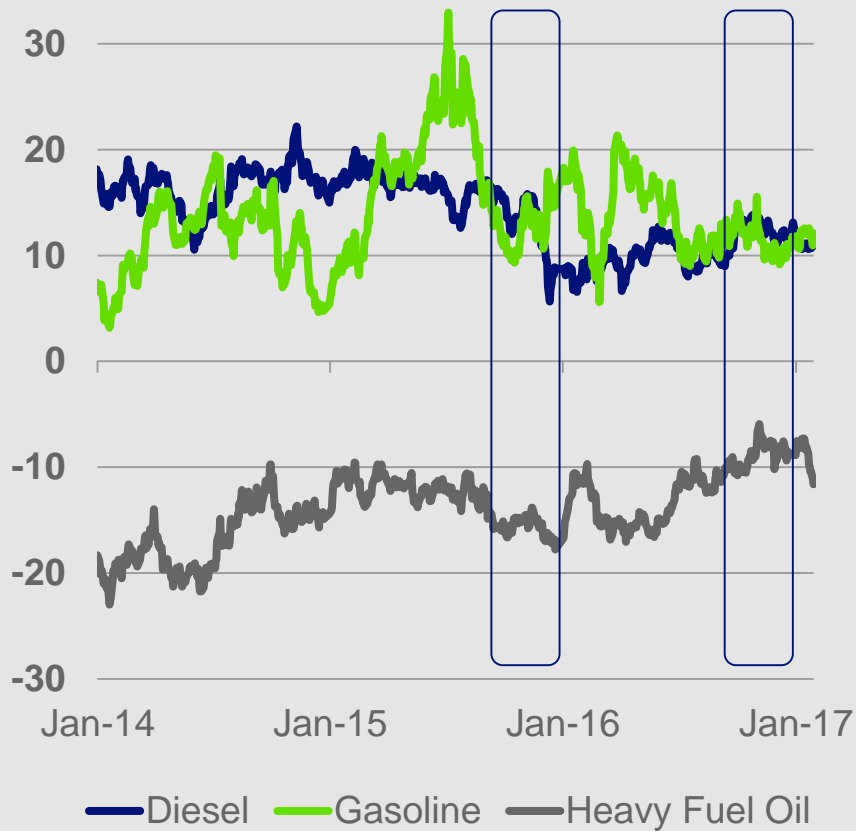
# Higher additional margin and sales volume in normalized refining market

## Oil Products comparable EBIT 2015 vs. 2016, MEUR

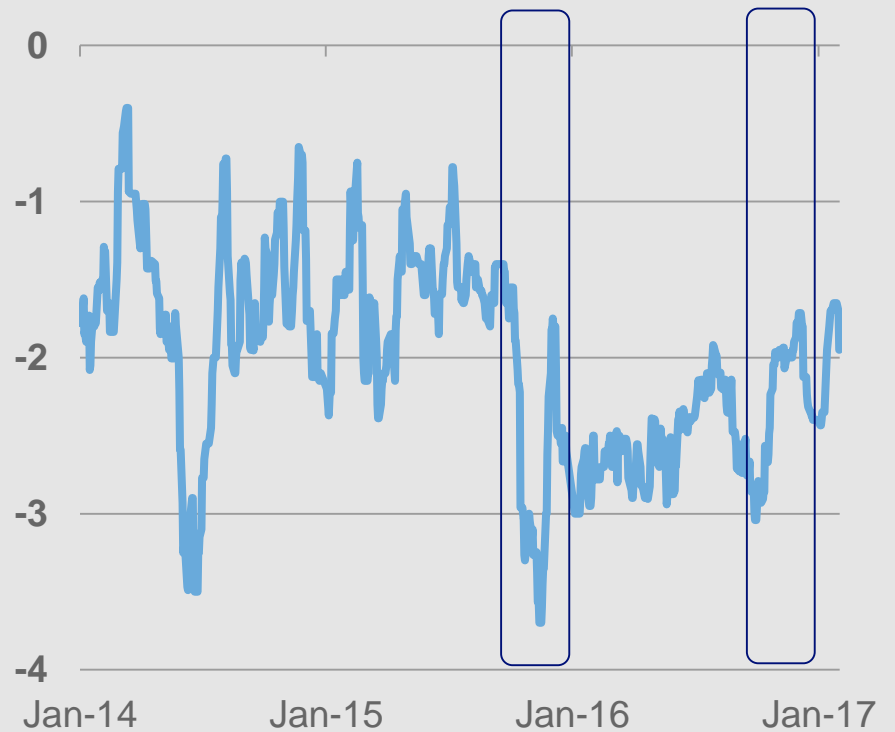


# Product margins stabilized mid-2016

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

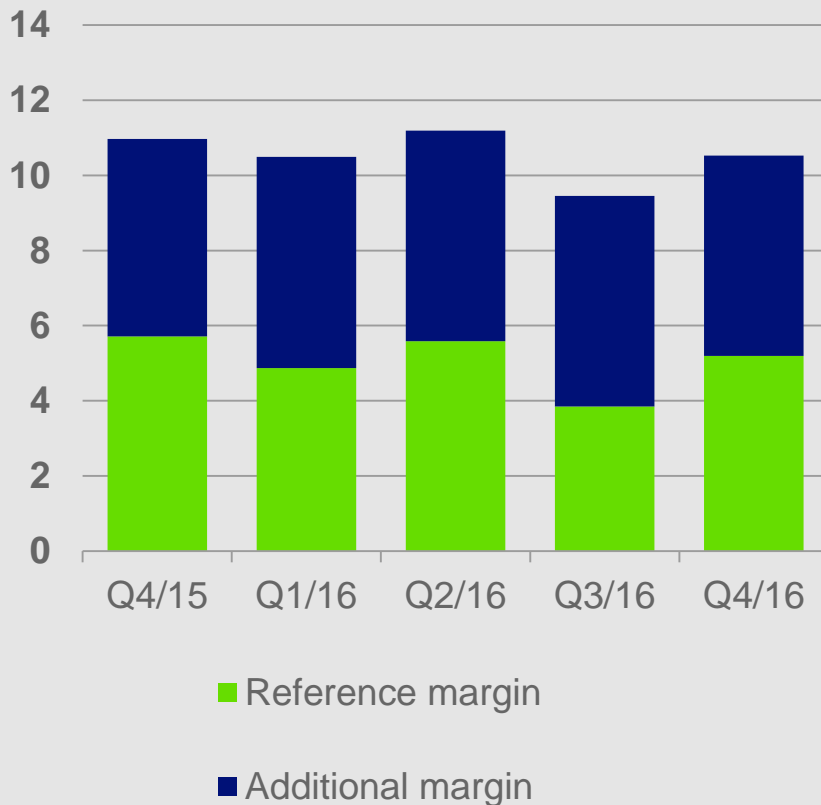


**Urals vs. Brent price differential,  
USD/bbl**



# Total refining margin at good level

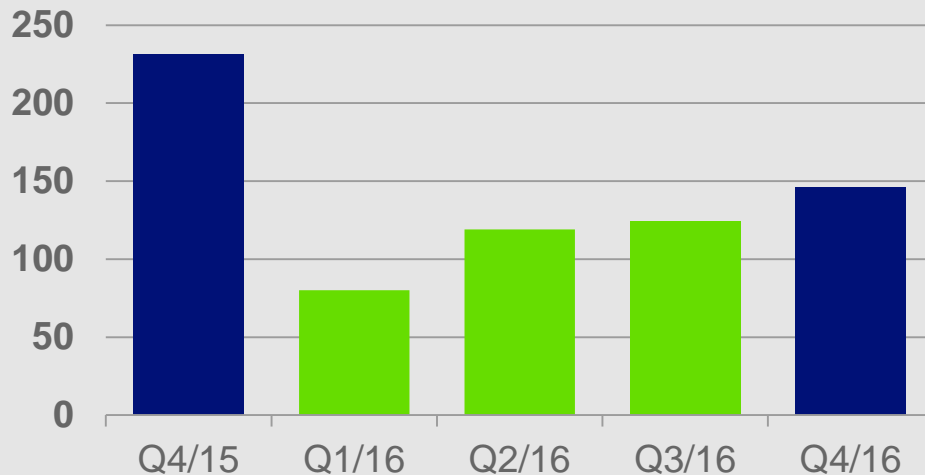
Total refining margin, USD/bbl



- Total refining margin USD 10.38/bbl (11.79) in 2016
- Reference margin USD 4.88/bbl (7.74) in 2016
- Additional margin USD 5.50/bbl (4.05) in 2016
- Additional margin positively impacted by operational performance and contango profits
- Porvoo average utilization rate 89% (75%) in 2016
- Refinery production costs USD 4.2/bbl (4.0) in 2016

# Renewable Products' growth continued

## Renewable Products comparable EBIT, MEUR



MEUR	Q4/16	Q4/15	2016	2015
Revenue	870	711	2,690	2,372
Comparable EBIT	146	231	469	402
Net assets	1,811	1,884	1,811	1,884

## Highlights 2016

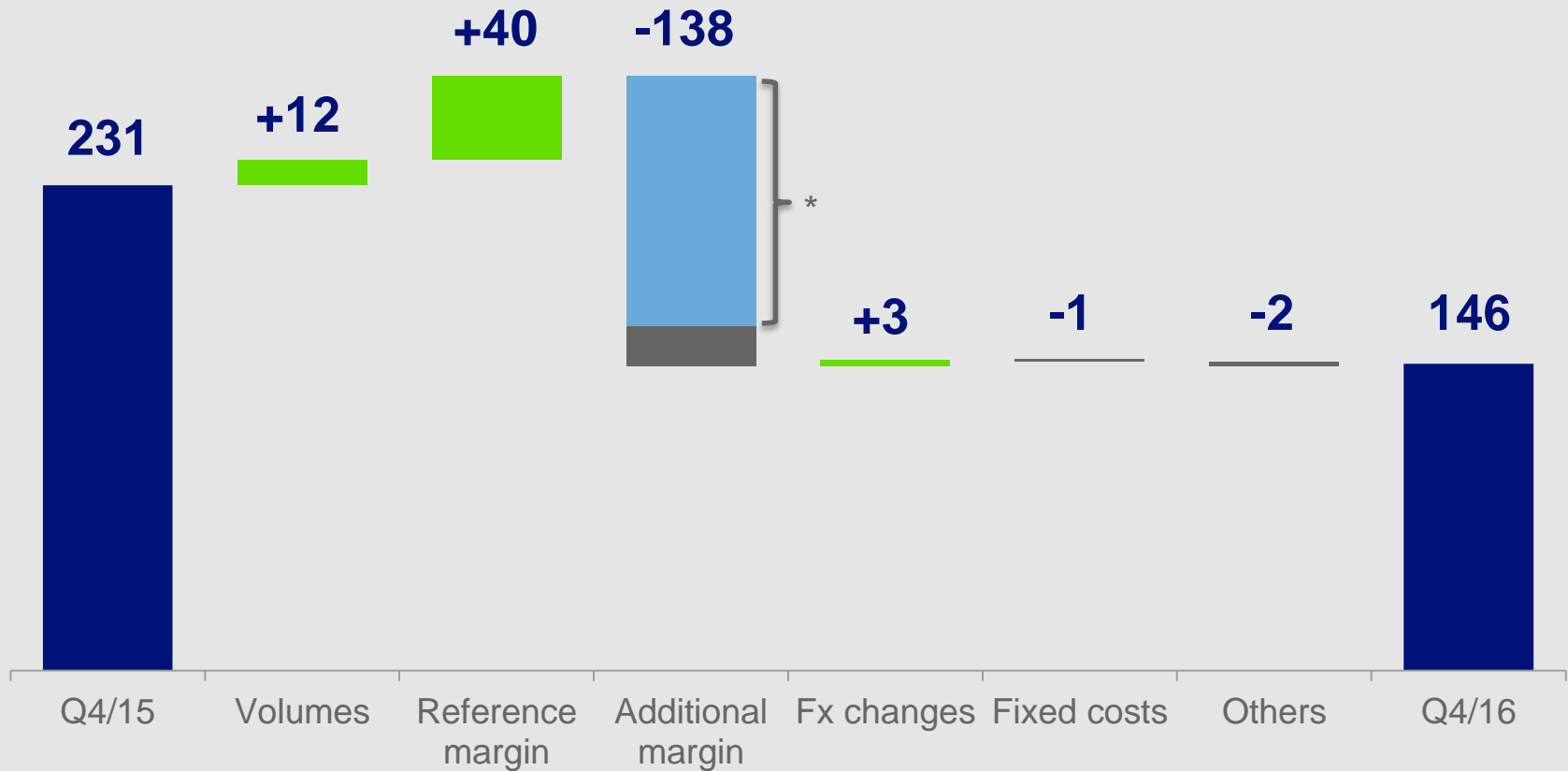
- Comparable EBIT 469 MEUR (402 MEUR)
- Sales volume 2.222 Mton (2.267); share of North America 34% (31%)
- Additional margin supported by successful sales allocation and margin management
- Share of waste and residues feedstock 78% (68%)
- Investments 90 MEUR (32 MEUR)
- RONA\* 25.9% (21.8%)

\* Comparable RONA rolling 12 months



# Strong quarter on comparable basis

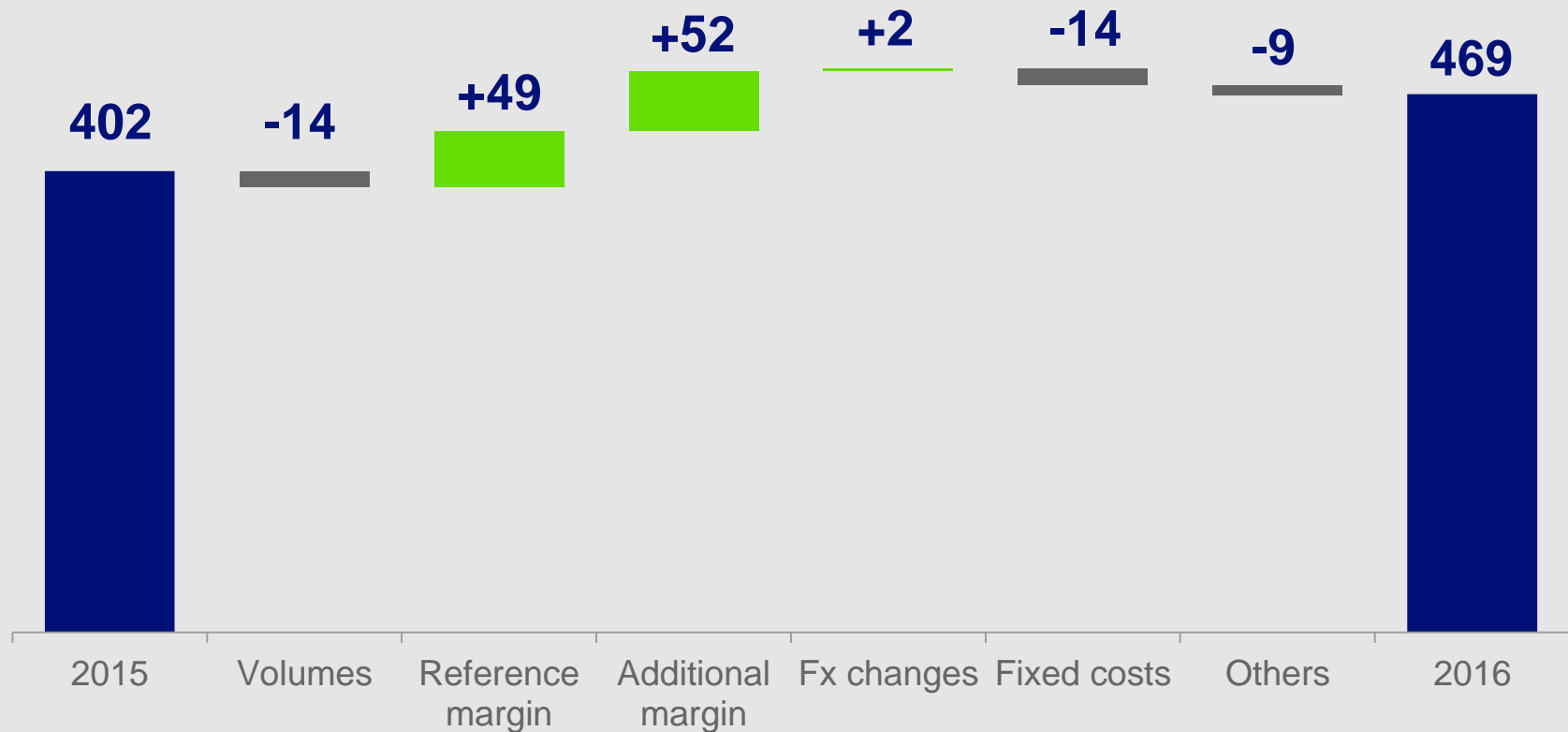
## Renewable Products comparable EBIT Q4/15 vs. Q4/16, MEUR



\* Impact of BTC timing difference

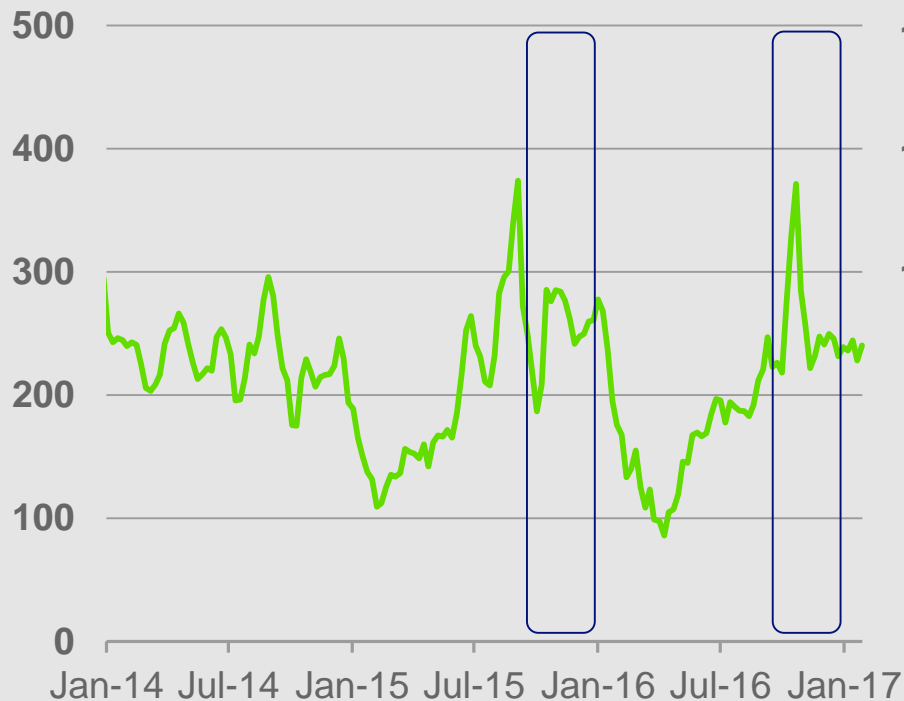
# Favorable market and successful margin management in Renewables

## Renewable Products comparable EBIT 2015 vs. 2016, MEUR

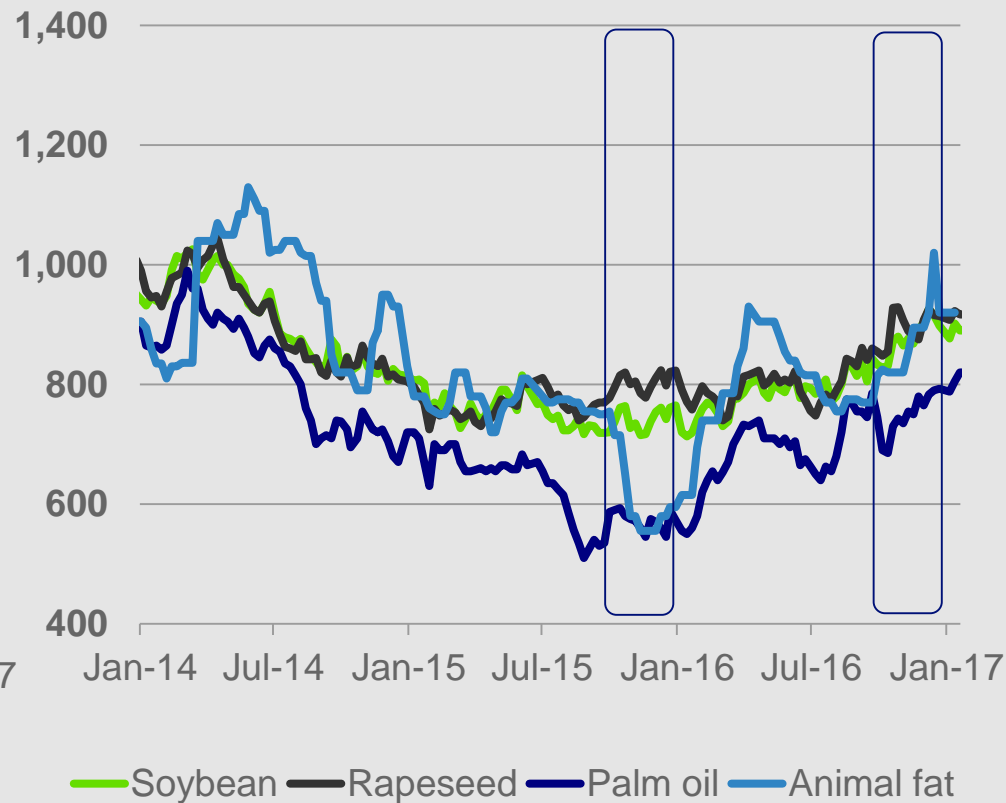


# European biodiesel margins impacted by higher feedstock prices

**FAME RED Seasonal vs. Palm oil price\* differential, USD/ton**



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



\* Including \$70/ton freight

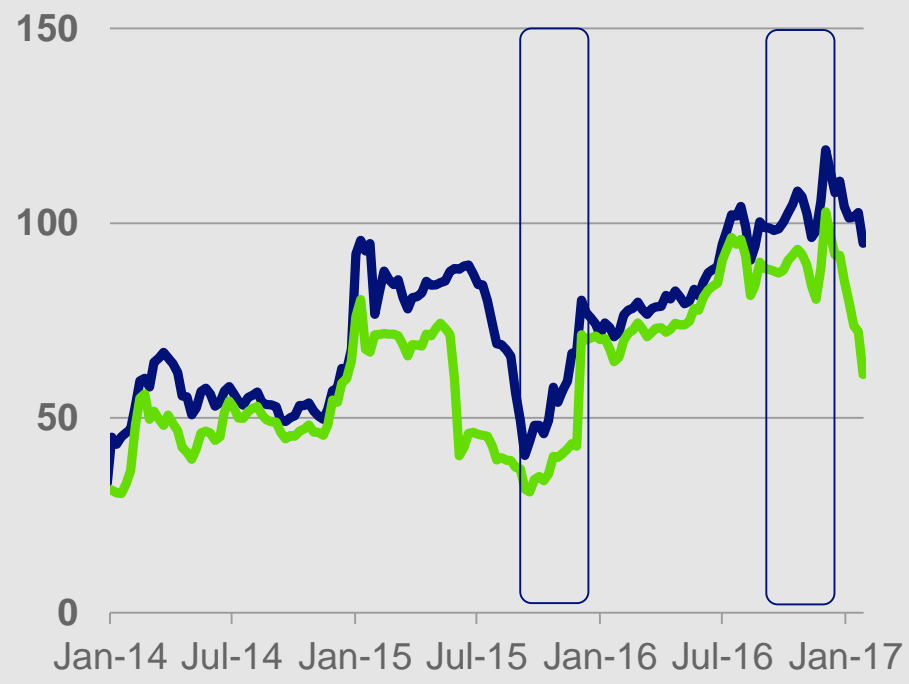
\*\*Quotations in NWE, source: Oil World

# Favorable US market supported by mandate volume growth

**SME vs. Soybean oil price differential, USD/ton**



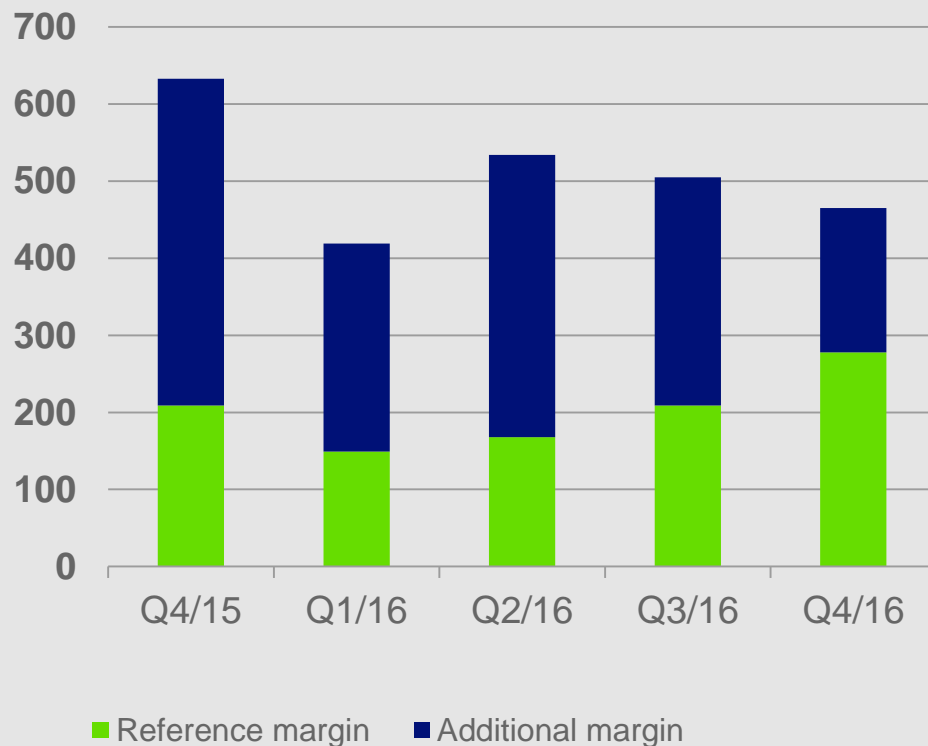
**Biodiesel RIN, US cent /gal**



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

# Reference and additional margin averaged above 2015 level

## Renewable Products margins, USD/ton



- Reference margin  
USD 207/ton (182) in 2016
- Additional margin  
USD 272/ton (247) in 2016
- Utilization rate 88% (94%) in 2016
- Lower production costs;  
variable cost guidance from  
USD 130 to USD 110/ton

# New reference margin calculation implemented

## Previous margin model

Share of sales volume (EU) x  
(FAME-CPO) +  
Share of sales volume (North  
America) x (SME-SBO)

FAME = FAME RED Seasonal  
CPO = Crude Palm Oil Bursa Malaysia 3rd month +  
USD 70/ton freight to NWE  
SME = Gulf Coast SME mid-price  
SBO = CBOT Soybean oil 1st month

**Average reference margin 2016: USD 207/ton**

## New margin model

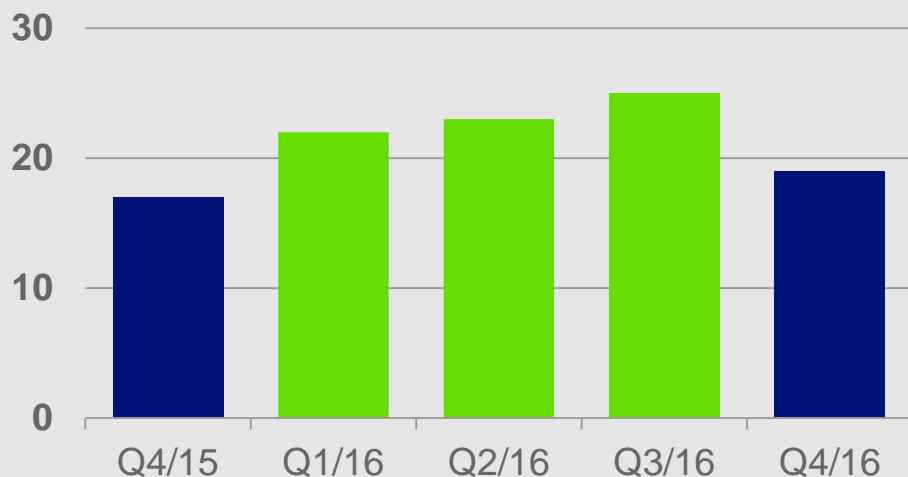
70% of sales volume (EU) x  
(FAME-CPO) +  
30% of sales volume (NA) x  
(SME-CPO + LCFS x 2)

FAME = FAME RED Seasonal  
CPO = Crude Palm Oil Bursa Malaysia 3rd month +  
USD 70/ton freight to NWE  
SME = Gulf Coast SME mid-price  
LCFS = California Low Carbon Fuel Standard  
Credit price

**Average reference margin 2016: USD 268/ton**

# Successful year in Oil Retail

## Oil Retail comparable EBIT, MEUR



MEUR	Q4/16	Q4/15	2016	2015
Revenue	964	898	3,552	3,748
Comparable EBIT	19	17	90	84
Net assets	196	184	196	184

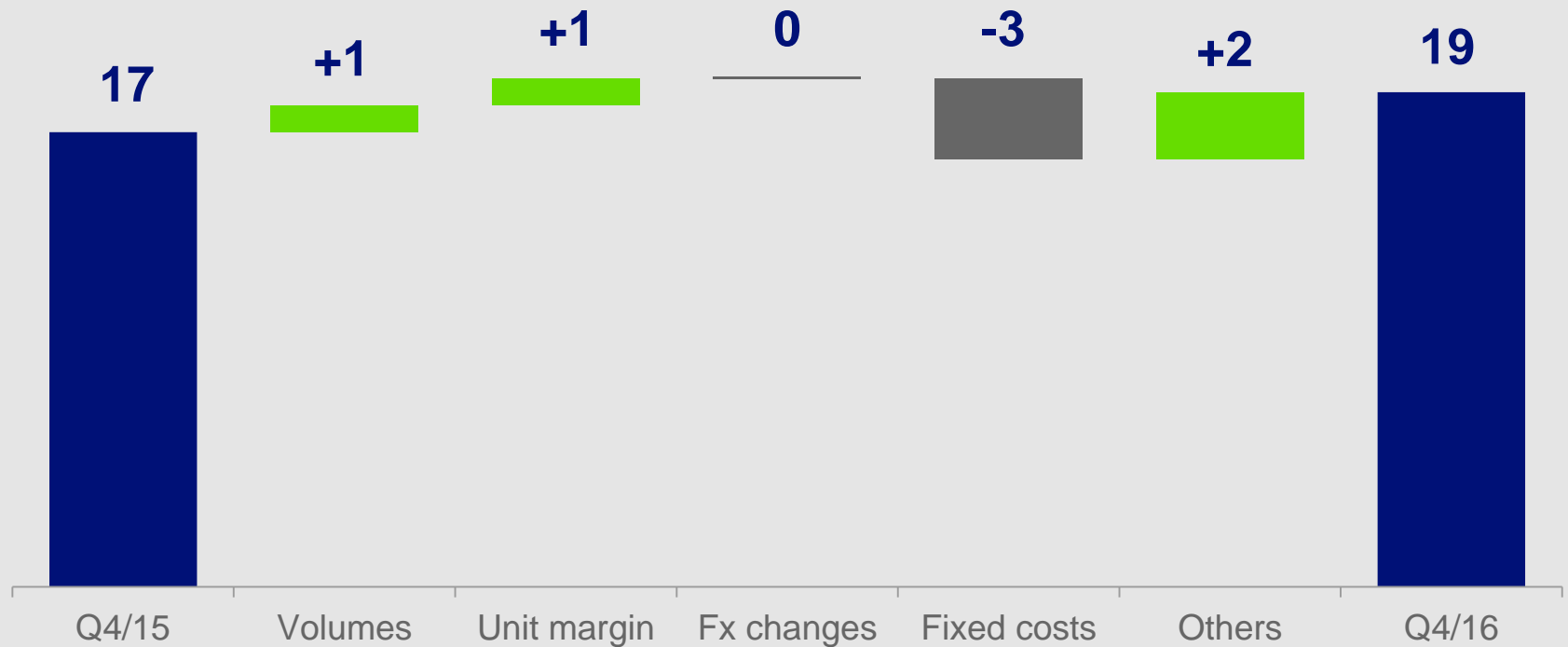
## Highlights 2016

- Comparable EBIT 90 MEUR (84 MEUR)
- Sales volumes increased particularly in Baltic markets
- Heavy traffic continues to recover in Finland
- Investments 26 MEUR (19 MEUR)
- RONA\* 47.5% (41.2%)

\* Comparable RONA rolling 12 months

# Increased volumes and unit margins

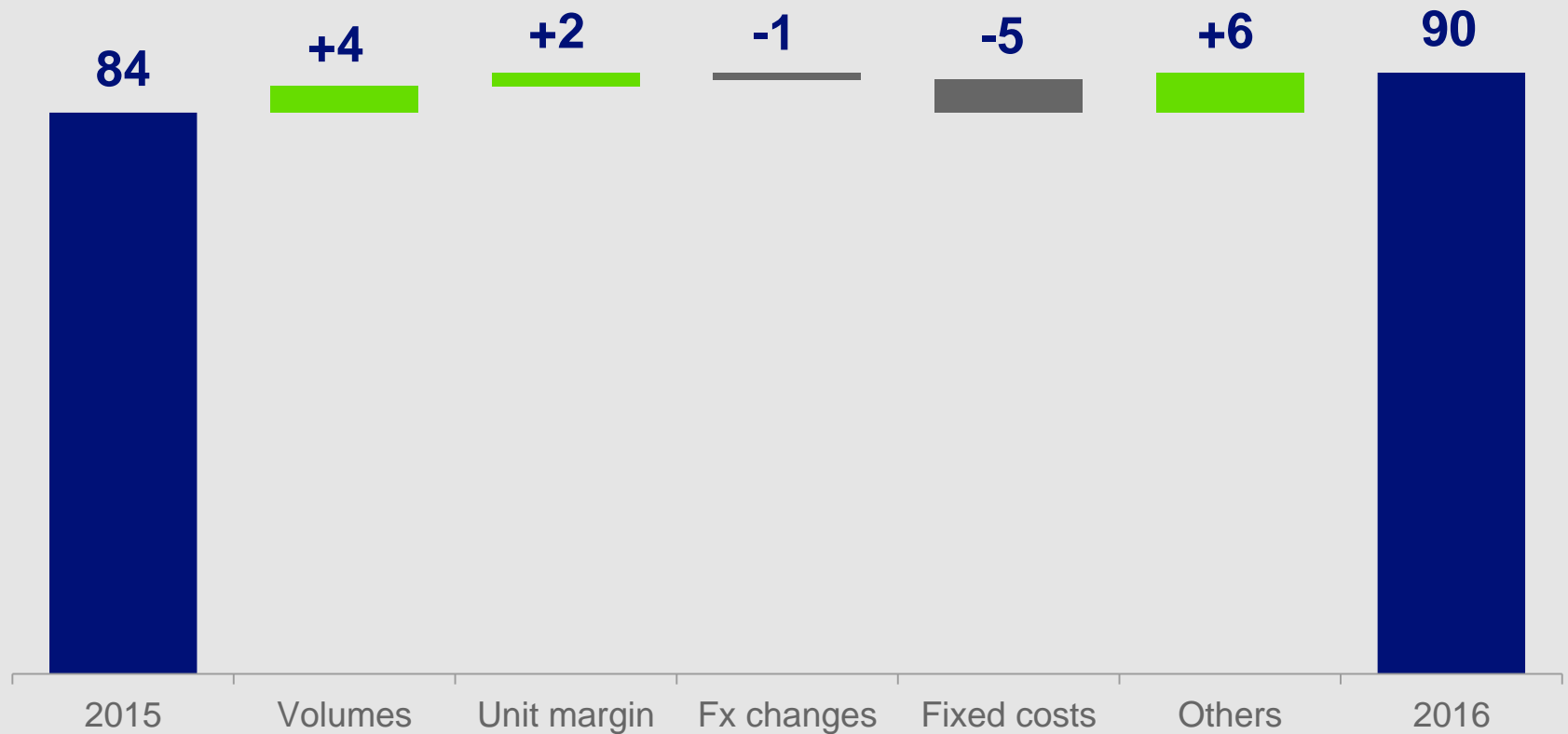
## Oil Retail comparable EBIT Q4/15 vs. Q4/16, MEUR





# Oil Retail continued to improve

Oil Retail comparable EBIT 2015 vs. 2016, MEUR



# Current topics



# Outlook for 2017

- Strategy implementation proceeding well
- Focus on customers and growth initiatives continues
- We are confident that year 2017 will be another successful one for Neste

# Segment outlook for 2017

## Oil Products

Margin	Utilization rate
Reference margin expected to be quite similar to 2016 on average. Additional margin targeted USD 5.5/bbl after already announced strategic investments completed.	Porvoo refinery expected to run at high utilization with normal unit maintenances. Naantali unit scheduled for major two month turnaround in Q3.

## Renewable Products

Margin	Utilization rate
Reference margin expected to be at approximately average level of year 2016. Total margin to be supported by optimizing sales to new attractive markets such as Norway, sales of 100% renewable diesel, and use of lower quality feedstock.	Utilization rates expected to be high. New nameplate capacity 2.6 Mton/a since January 2017.

## Oil Retail

Unit margins and sales volumes
Expected to follow previous years' seasonality pattern.

# Global renewables growth continues



- Capacity increase program to include
  - Debottlenecking of existing capacity to 3 Mton/a by 2020
  - Feasibility of building new capacity currently evaluated; location options include US and Singapore
- Sluiskil pre-treatment capacity acquisition completed as part of renewables growth program

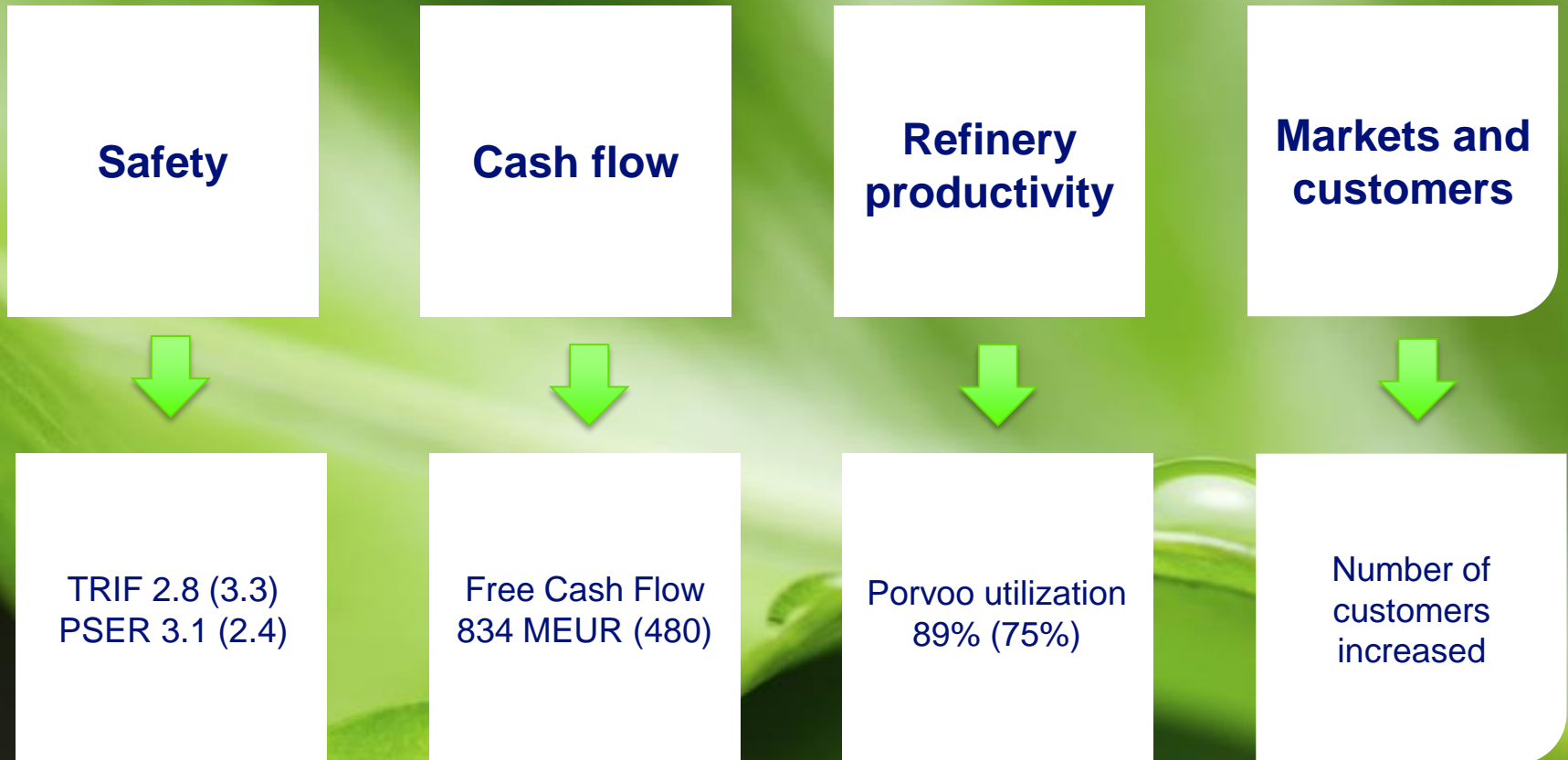


# Market and customer highlights 2016



- Over 15% of Renewable Diesel as 100% fuel for end use
- Several cities in California have chosen Renewable Diesel for their fleets
- Launch of Neste MY Renewable Diesel for consumers in Finland
- Norway introduced biofuel target of 7.5% and growing to 20% by 2020
- Delivering low-sulfur marine fuel for multiple cruise companies

# We focus on



# Appendix





# Renewable Products comparable EBIT calculation

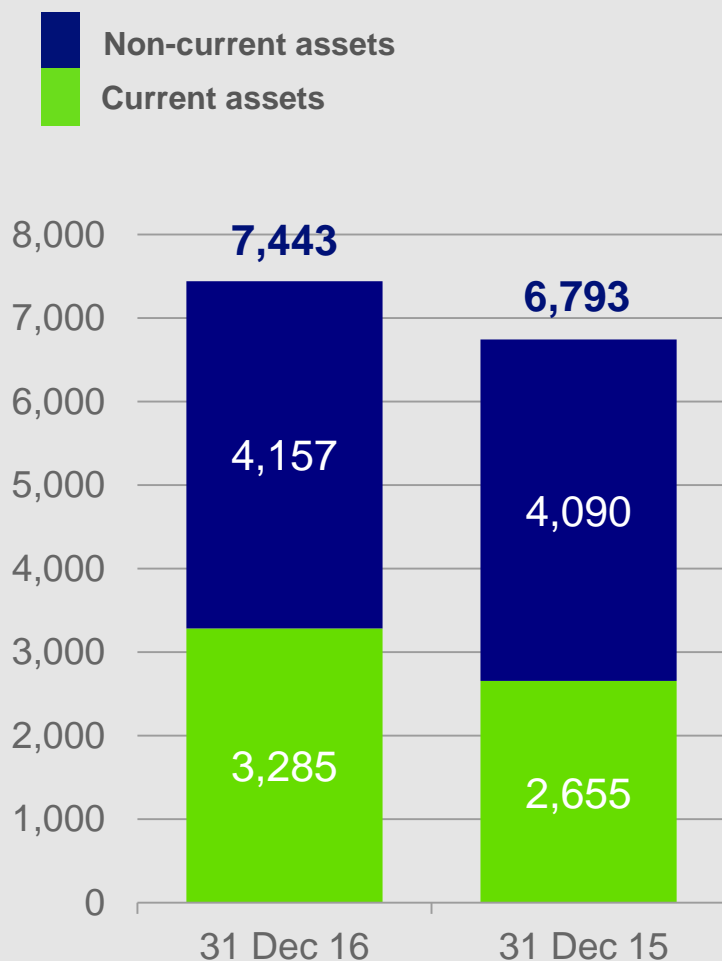
	Q1/16	Q2/16	Q3/16	Q4/16	2016
Sales volume, kt	531	485	544	662	2,222
Reference margin, \$/ton	149	168	209	278	207
<b>New reference margin, \$/ton</b>	<b>224</b>	<b>232</b>	<b>260</b>	<b>338</b>	<b>268</b>
Additional margin, \$/ton	270	366	296	187	272
<b>New additional margin, \$/ton</b>	<b>194</b>	<b>303</b>	<b>245</b>	<b>127</b>	<b>210</b>
Variable production costs, \$/ton	130	130	130	130	130
<b>Comparable sales margin, \$/ton</b>	<b>288</b>	<b>405</b>	<b>375</b>	<b>335</b>	<b>348</b>
Comparable sales margin, MEUR	139	174	183	206	701
Fixed costs, MEUR	35	28	33	34	129
Depreciations, MEUR	24	29	26	31	110
<b>Comparable EBIT, MEUR</b>	<b>80</b>	<b>119</b>	<b>124</b>	<b>146</b>	<b>469</b>

# Refinery production costs, Porvoo & Naantali

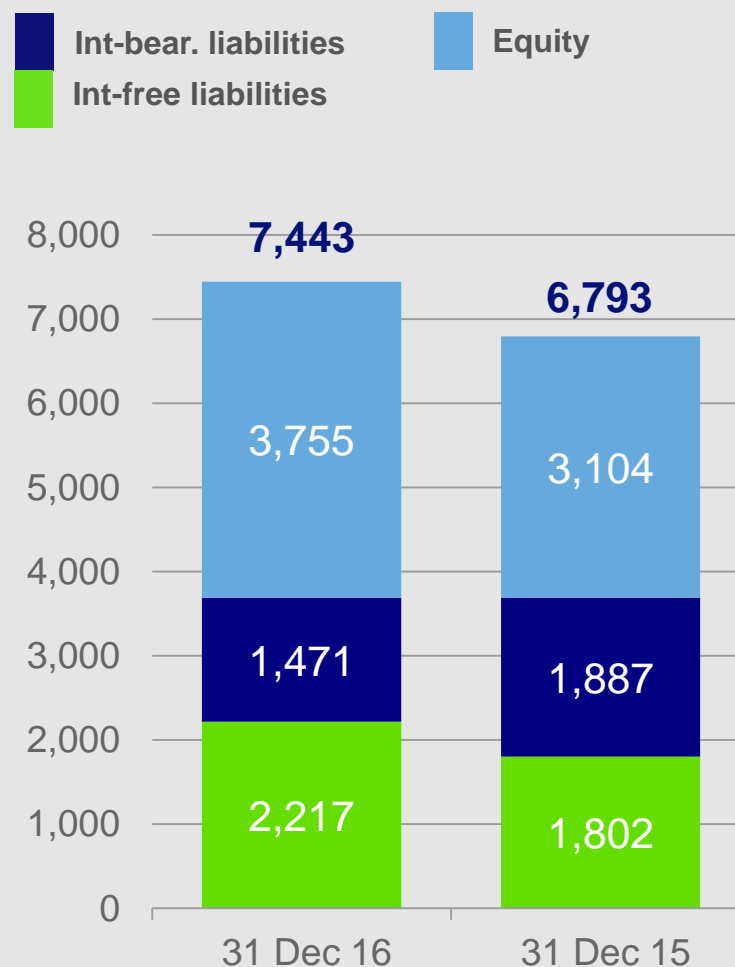
		Q4/15	2015	Q1/16	Q2/16	Q3/16	Q4/16	2016
<b>Refined products</b>	Million barrels	25.4	92.6	25.6	28.2	26.8	25.0	105.6
<b>Exchange rate</b>	EUR/USD	1.09	1.11	1.10	1.13	1.12	1.08	1.11
<b>Utilities costs</b>	EUR million	30.9	130.6	37.1	38.3	38.9	44.4	158.6
	USD/bbl	1.3	1.6	1.6	1.5	1.6	1.9	1.7
<b>Fixed costs</b>	EUR million	63.4	228.2	58.7	60.1	54.1	82.2	255.1
	USD/bbl	2.7	2.7	2.5	2.4	2.3	3.6	2.7
<b>External cost sales</b>	EUR million	-5.2	-21.1	-5.7	-3.7	-3.2	-4.3	-16.9
	USD/bbl	-0.2	-0.3	-0.2	-0.1	-0.1	-0.2	-0.2
<b>Total</b>	EUR million	89.1	337.8	90.1	94.7	89.7	122.3	396.8
	USD/bbl	3.8	4.0	3.9	3.8	3.7	5.3	4.2

# Balance sheet

## Total assets



## Total equity & liabilities



# Cash flow

MEUR	Q4/16	Q4/15	Q3/16	2016	2015
EBITDA (IFRS)	396	355	411	1,521	1,057
Capital gains/losses	-1	0	-13	-28	-77
Other adjustments	-2	-26	-18	121	-27
Change in working capital	43	36	-85	-229	-94
Net finance costs	8	-9	-40	-56	-88
Taxes	-50	23	-50	-137	-27
Net cash generated from operating activities	394	380	206	1,193	743
Capital expenditure	-116	-79	-83	-407	-505
Other investing activities	-11	0	24	49	241
Cash flow before financing activities	267	300	147	834	480

# Liquidity & maturity profile

MEUR



- Total liquidity at the end of December 2016 was EUR 2,838 million
  - Cash and cash equivalents totalled EUR 788 million
  - Unused committed credit facilities totalled EUR 1,650 million
  - Unused CP programmes (not committed) totalled EUR 400 million
- Average interest rate for interest-bearing liabilities was 3.5%\* and maturity 3.6 years at the end of December
- No financial covenants in Group companies' existing loan agreements

\*Average interest rate for interest-bearing liabilities excluding finance leases was 2.8%



**The only way  
is forward.**

**NESTE**