

# Second Quarter result 2014

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5 August 2014

**NESTE OIL**



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# Q2/14 Group financials

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# Performance improvement actions started to bear fruit

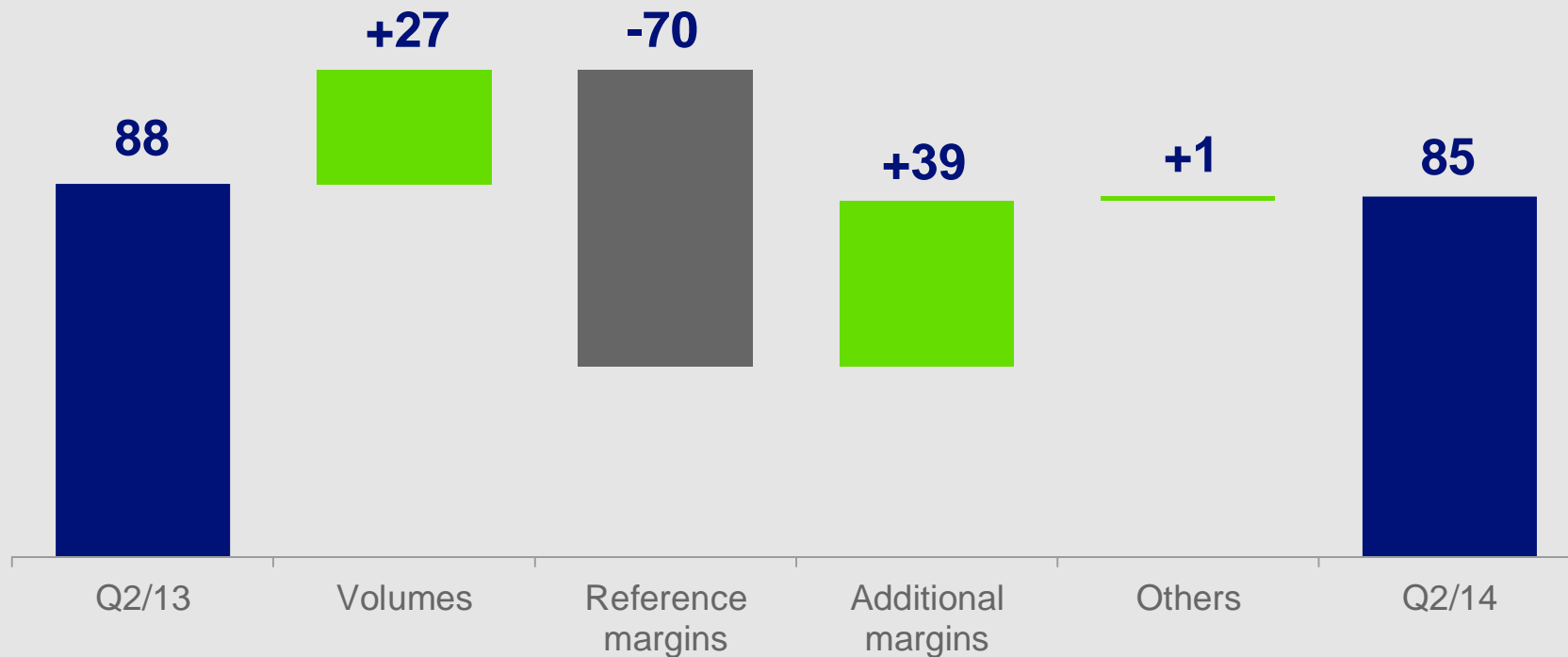
- Performance improved by own actions
- Earnings improved 55% from Q1
- Challenging markets continued
- Positive volume development in all businesses

# Group financials Q2/14

MEUR	Q2/2014	Q2/2013
<b>Revenue</b>	<b>4,248</b>	<b>3,970</b>
<b>Comparable EBITDA</b>	<b>167</b>	<b>169</b>
<b>Comparable operating profit</b>	<b>85</b>	<b>88</b>
Oil Products	33	30
Renewable Products	31	33
Oil Retail	20	22
Others (incl. eliminations)	1	3
<b>IFRS operating profit</b>	<b>69</b>	<b>112</b>
<b>Net cash from operations</b>	<b>219</b>	<b>312</b>
<b>Comparable earnings per share, EUR</b>	<b>0.20</b>	<b>0.23</b>

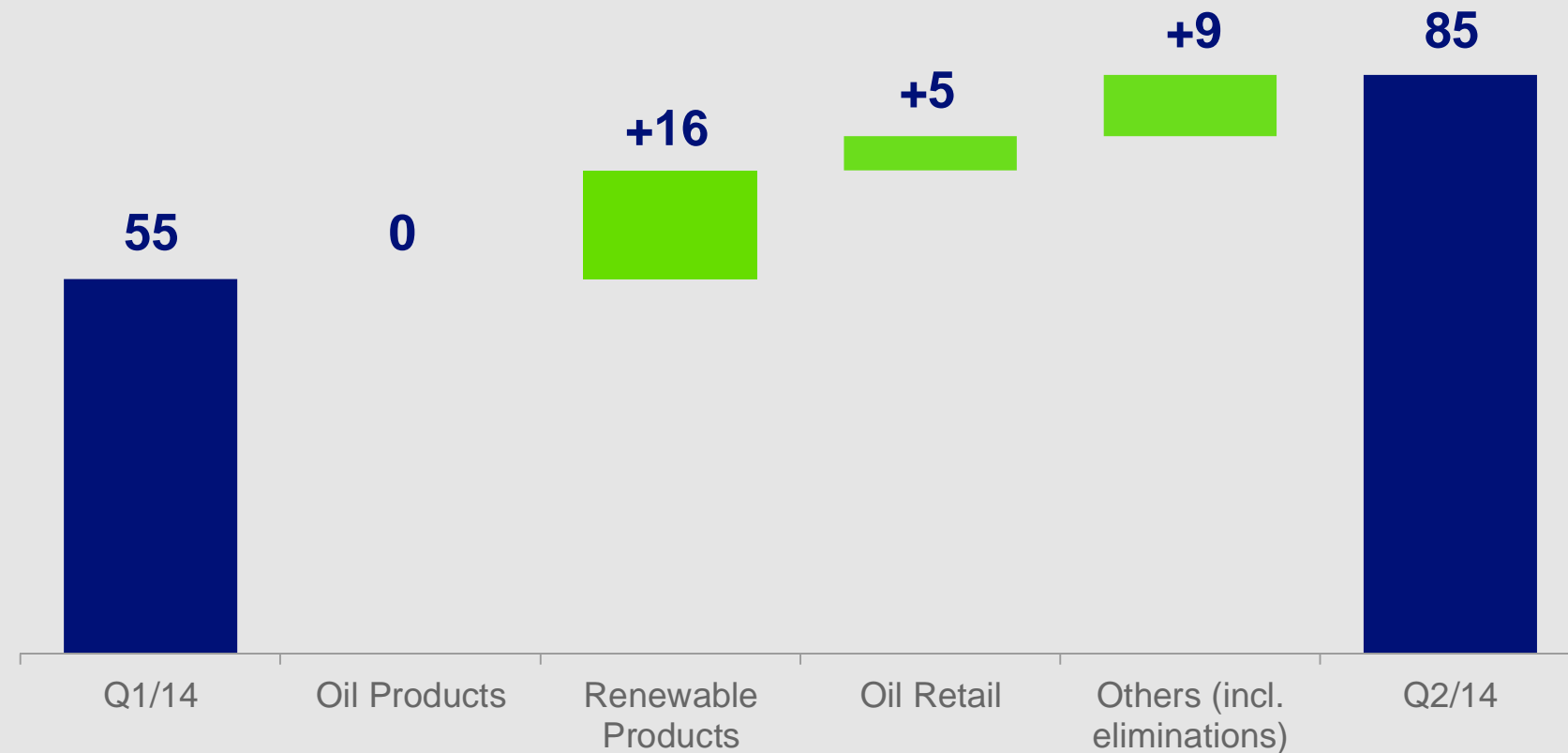
# Earnings level maintained in challenging markets

Group comparable EBIT Q2/13 vs. Q2/14, MEUR



# Comparable EBIT improved by 55%

Group comparable EBIT Q1/14 vs. Q2/14, MEUR





# January-June 2014 review

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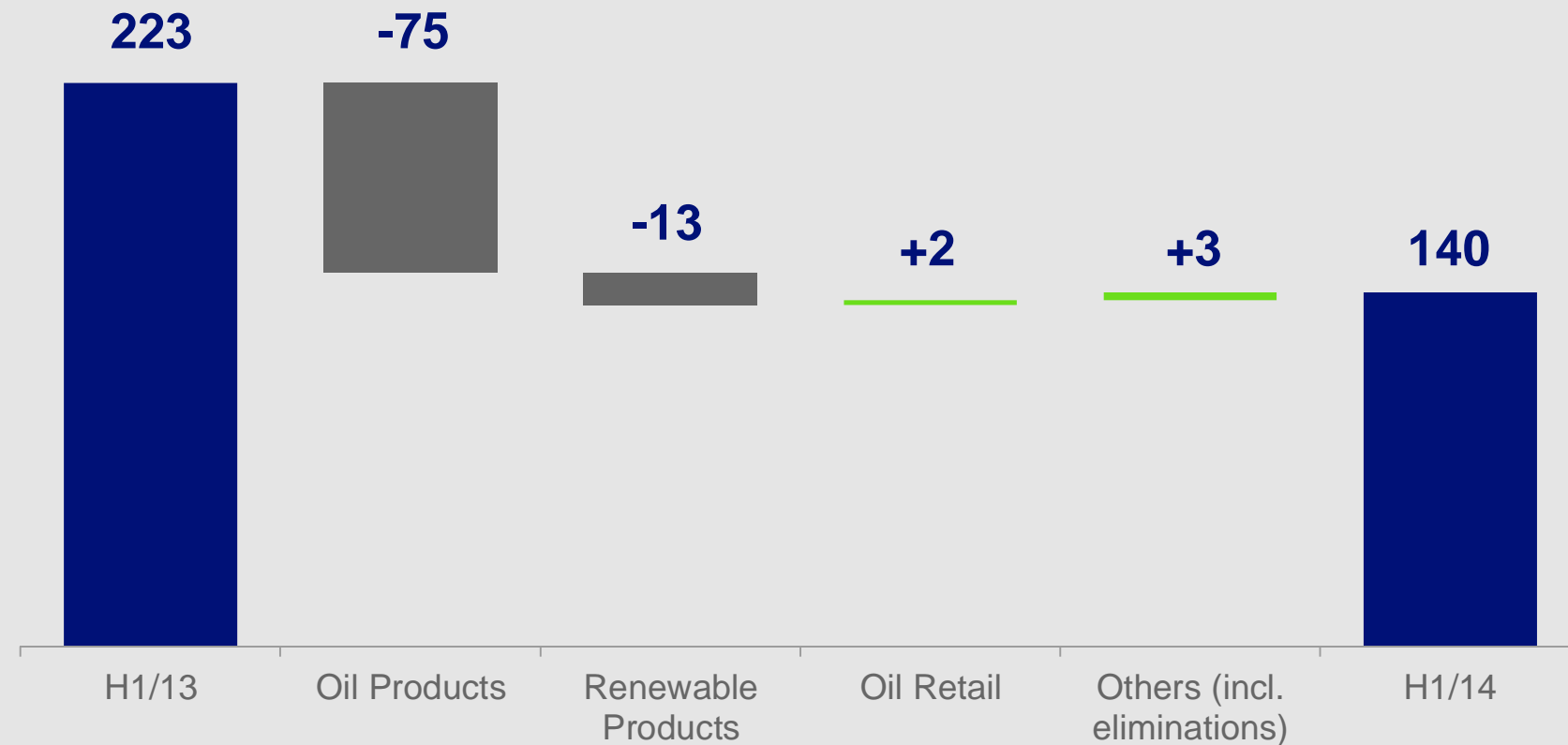


# Group financials H1/14

MEUR	H1/2014	H1/2013
<b>Revenue</b>	<b>7,902</b>	<b>8,228</b>
<b>Comparable EBITDA</b>	<b>303</b>	<b>384</b>
<b>Comparable operating profit</b>	<b>140</b>	<b>223</b>
Oil Products	66	141
Renewable Products	46	59
Oil Retail	35	33
Others (incl. eliminations)	-7	-10
<b>IFRS operating profit</b>	<b>124</b>	<b>198</b>
<b>Net cash from operations</b>	<b>41</b>	<b>207</b>
<b>Comparable earnings per share, EUR</b>	<b>0.31</b>	<b>0.56</b>

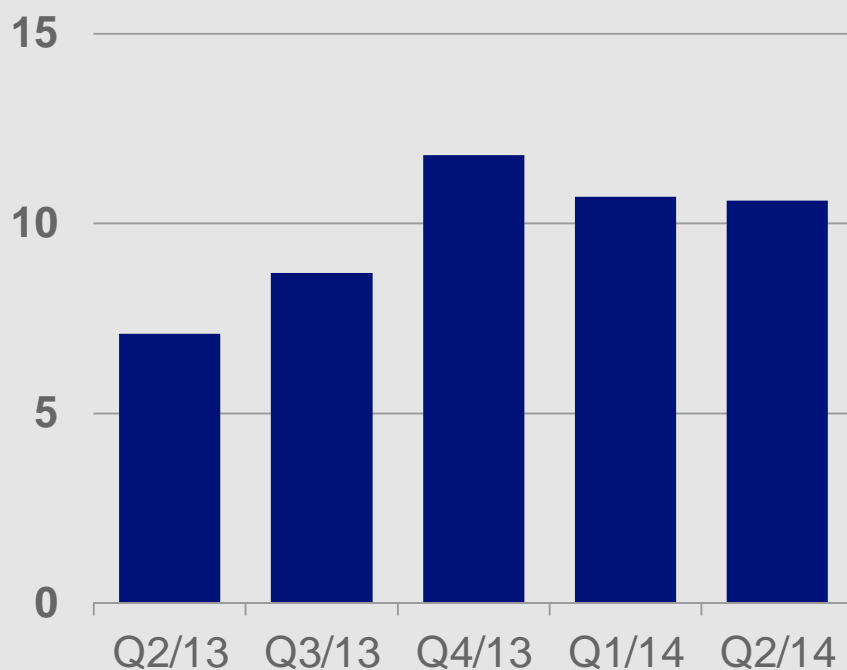
# H1 impacted by weak refining margins

Group comparable EBIT H1/13 vs. H1/14, MEUR

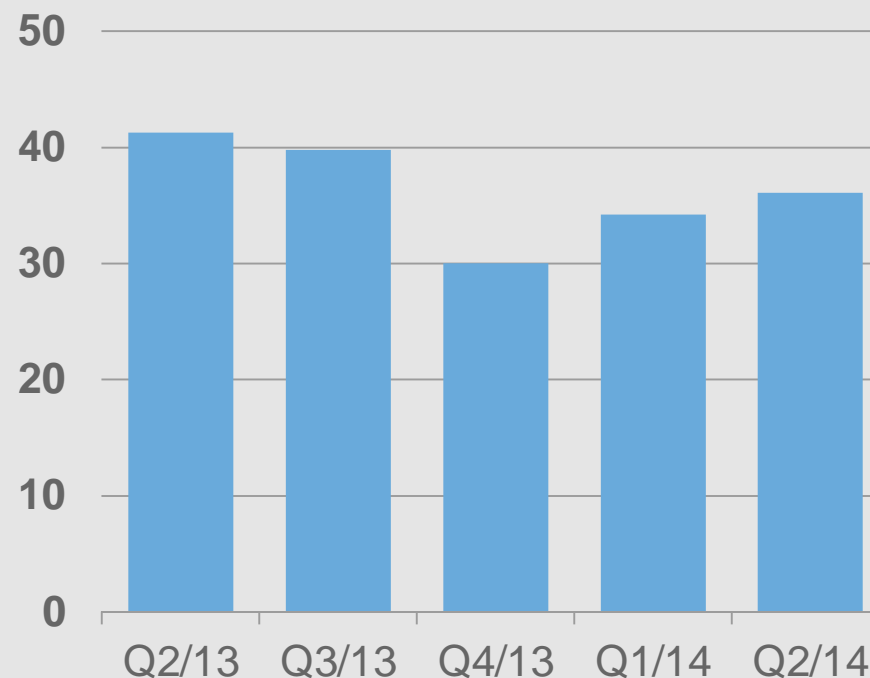


# Key financial targets at solid levels

ROACE, rolling 12 months, %



Leverage, %



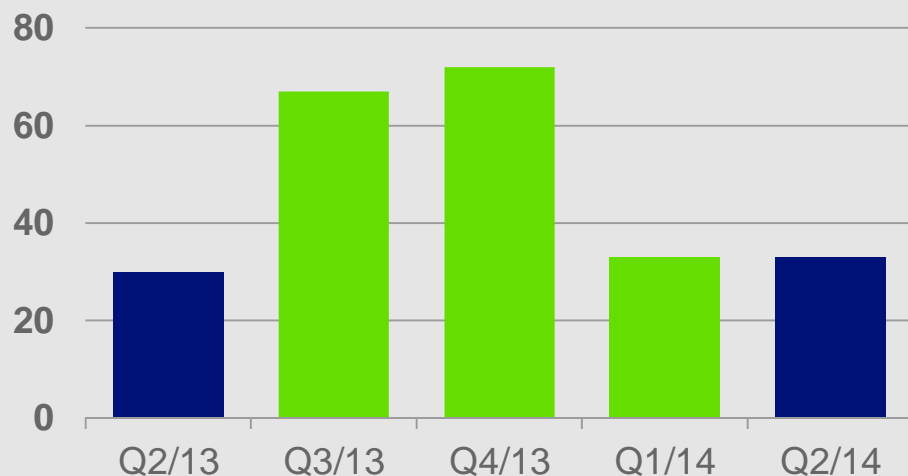
# Q2/14 segment reviews

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# Oil Products impacted by unscheduled maintenance

## Comparable EBIT, MEUR

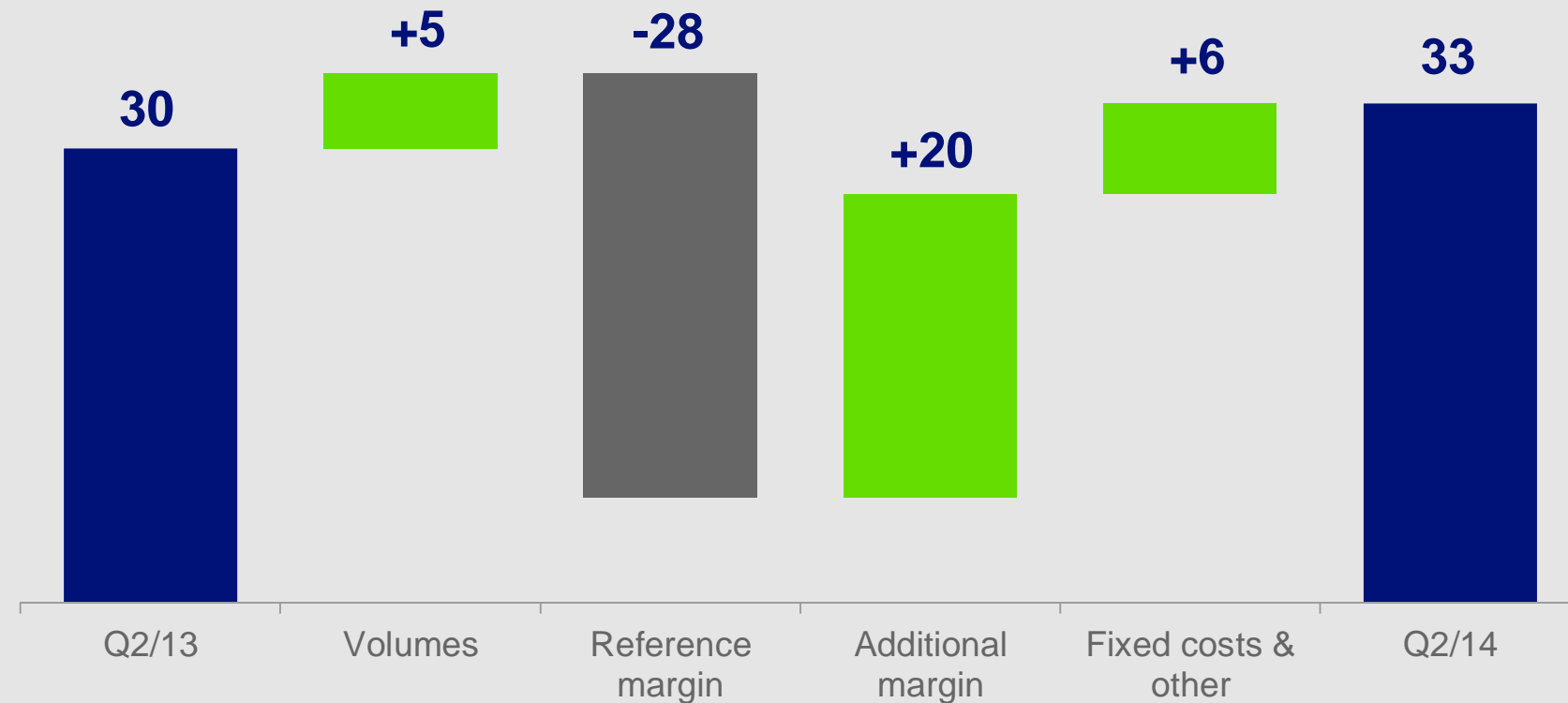


MEUR	Q2/14	Q2/13	2013
Revenue	3,268	2,996	13,271
Comparable EBIT	33	30	280
Net assets	2,278	2,358	2,163

- Earnings impacted by weaker markets year-on-year
- Unscheduled 40-day maintenance outage at Porvoo PL4
- Base Oils contribution improved

# Weak market compensated by improved additional margin

Oil Products comparable EBIT Q2/13 vs. Q2/14, MEUR

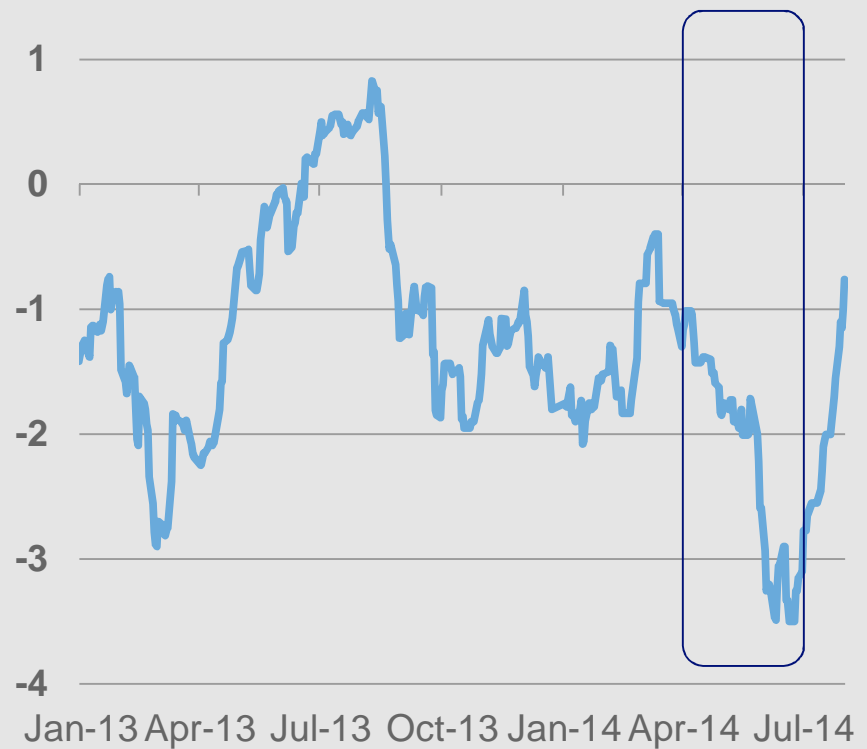


# High imports to Europe burdened diesel margins

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



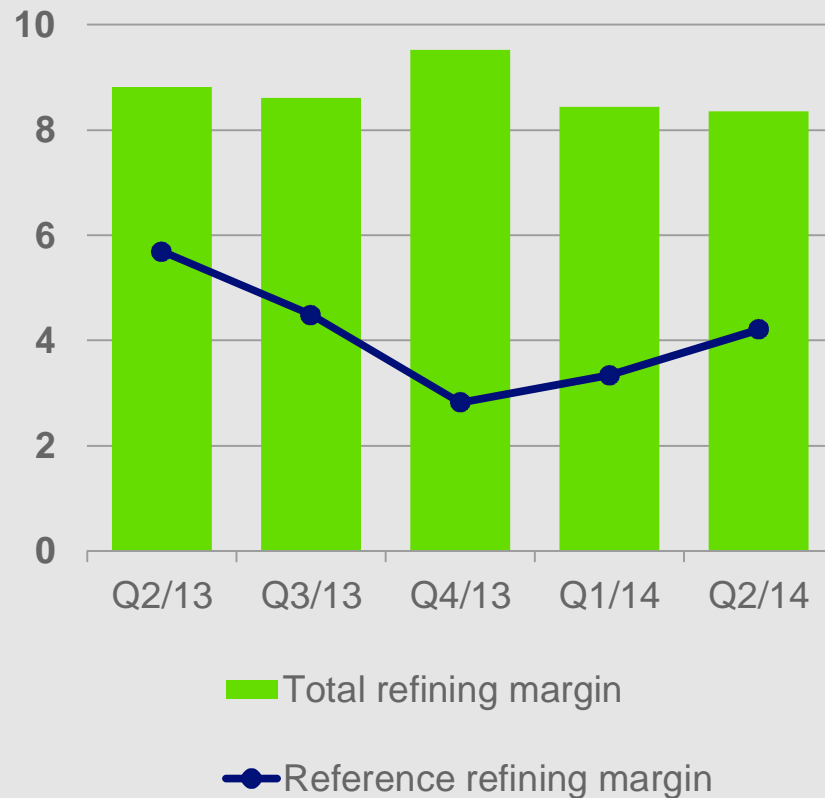
Urals vs. Brent price differential, USD/bbl





# Total refining margin stable

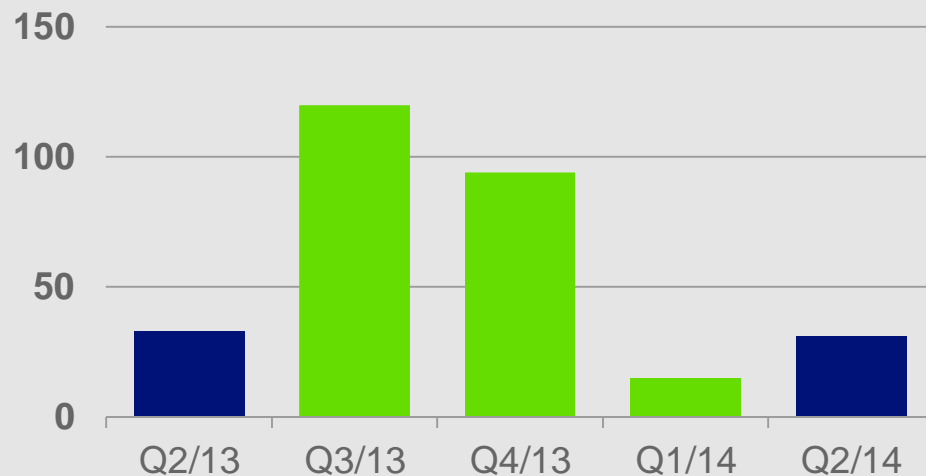
Neste Oil refining margins, USD/bbl



- Reference margin USD 4.2/bbl impacted by weak middle distillate margins
- Successful sales mix supported additional margin USD 4.1/bbl despite unscheduled maintenance shutdown

# Renewable Products performance satisfactory in challenging markets

## Comparable EBIT, MEUR

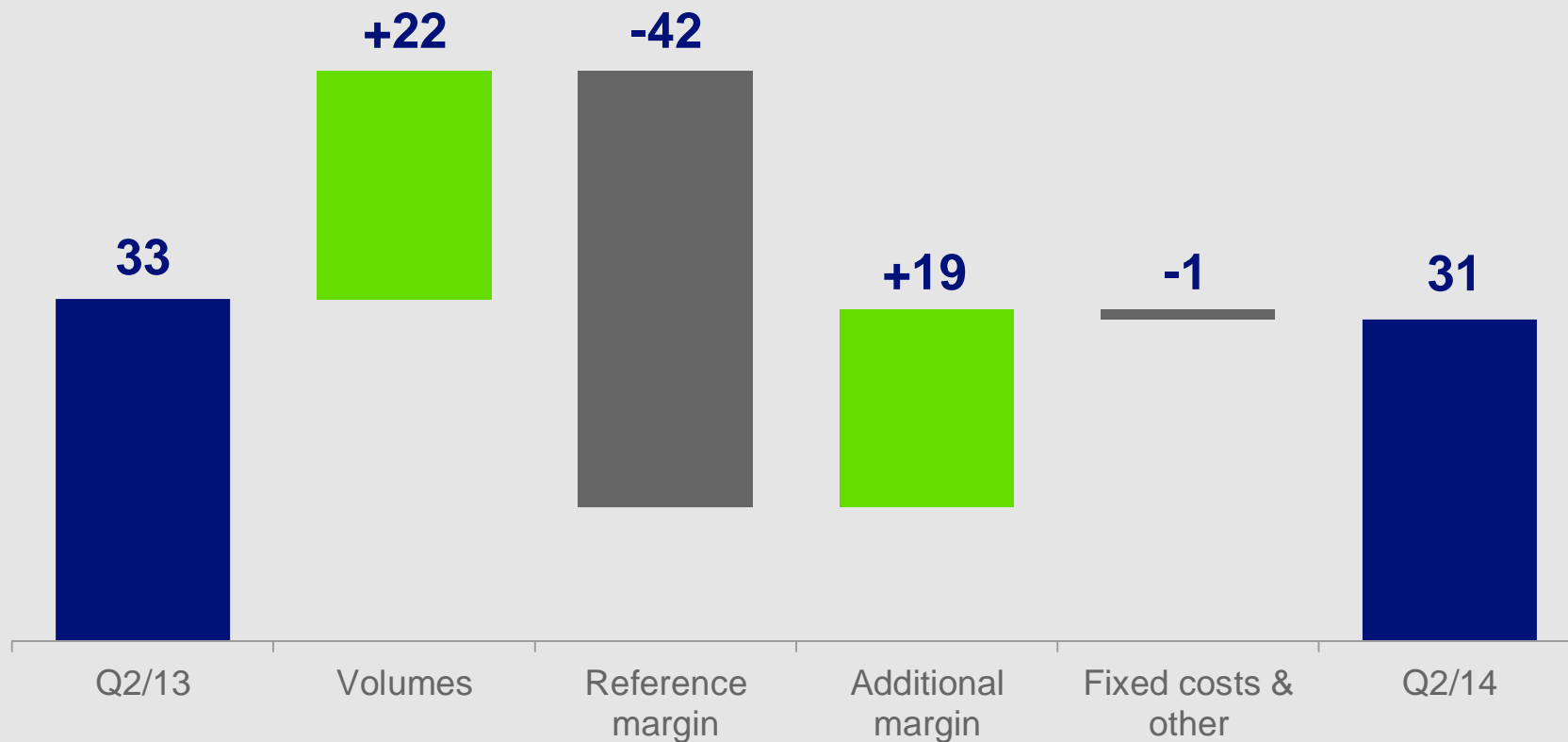


MEUR	Q2/14	Q2/13	2013
Revenue	603	535	2,493
Comparable EBIT	31	33	273
Net assets	1,777	1,768	1,768

- Additional margin improved significantly year-on-year
- High sales volumes  
561,000 tons
- Full capacity utilization at 102% rate
- 34% of sales volumes to North America
- Share of waste and residue feedstock record-high 66%

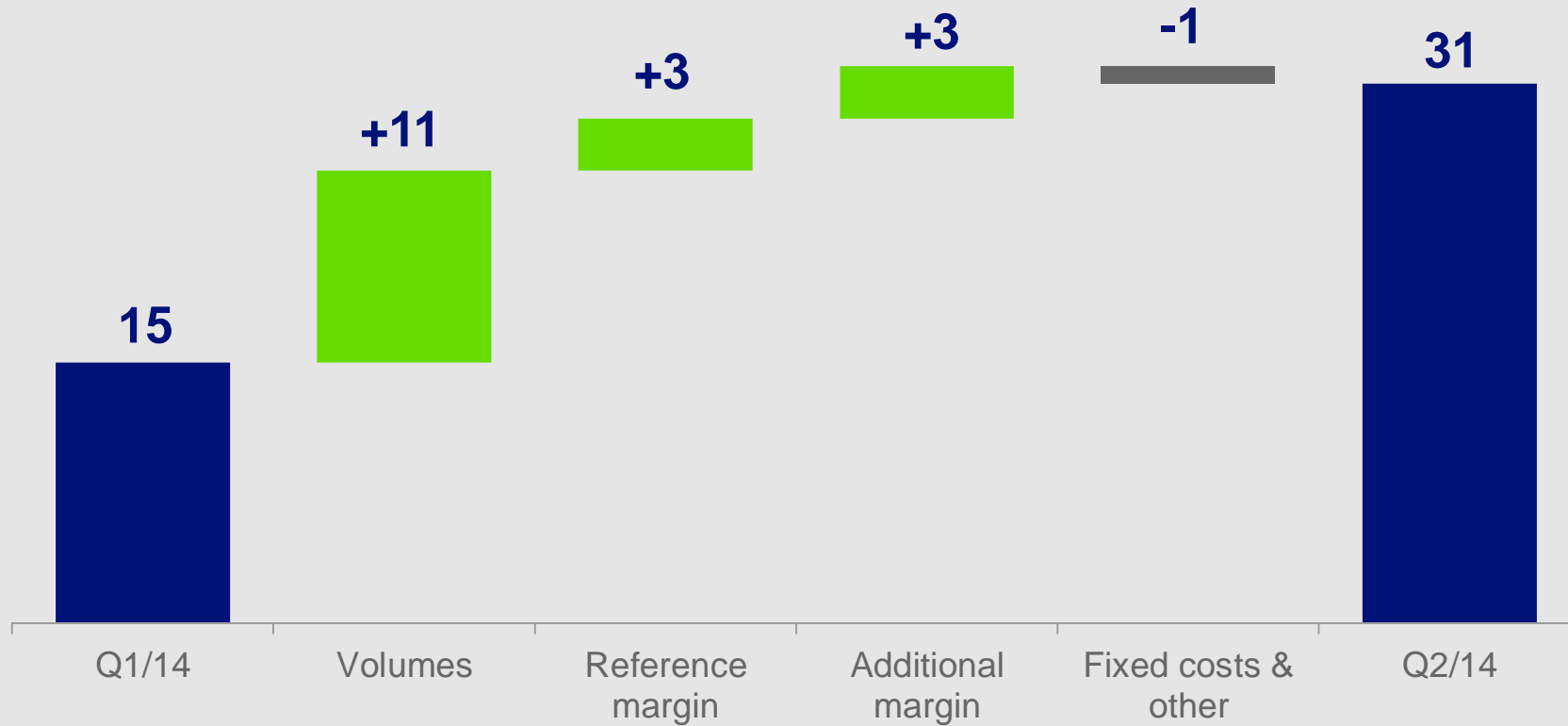
# Low reference margin compensated by sales volumes and additional margin

Renewable Products comparable EBIT Q2/13 vs. Q2/14, MEUR



# Performance improved by own actions

Renewable Products comparable EBIT Q1/14 vs. Q2/14, MEUR

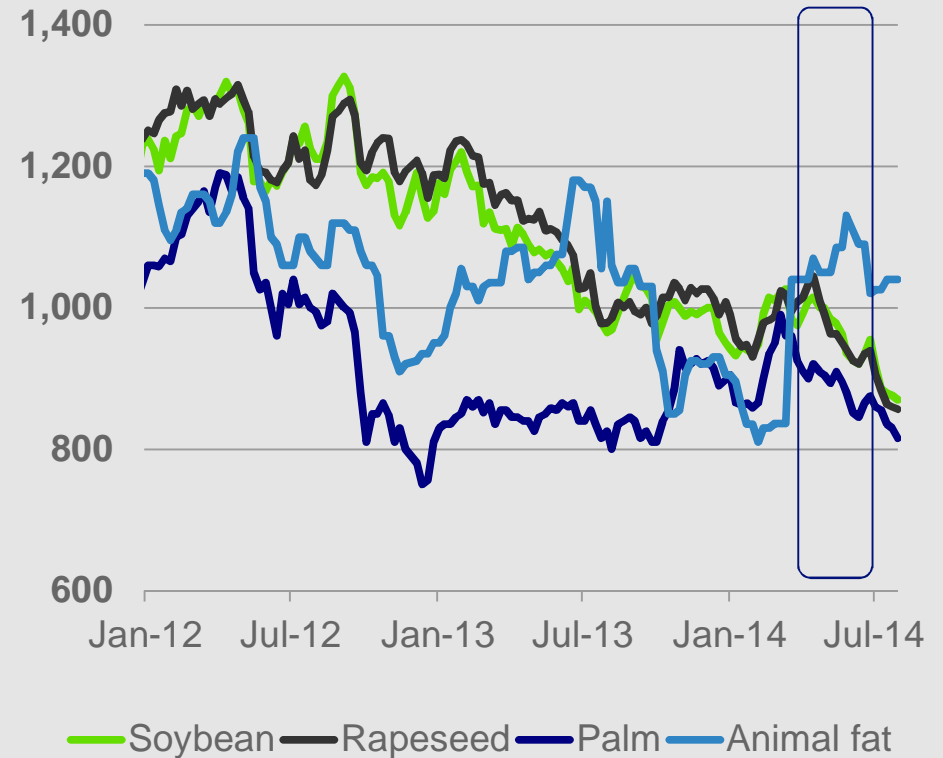


# European market slow

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



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



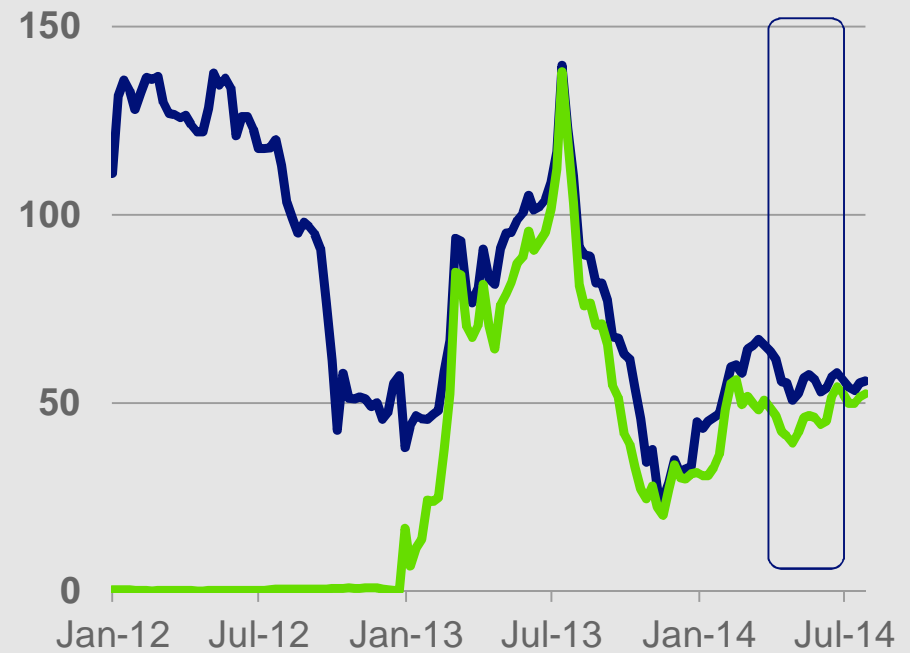
\* Including \$70/ton freight  
 \*\*Quotations in NWE, source: Oil World

# Regulatory uncertainty impacted North American market

SME vs. Soybean oil price differential, USD/ton



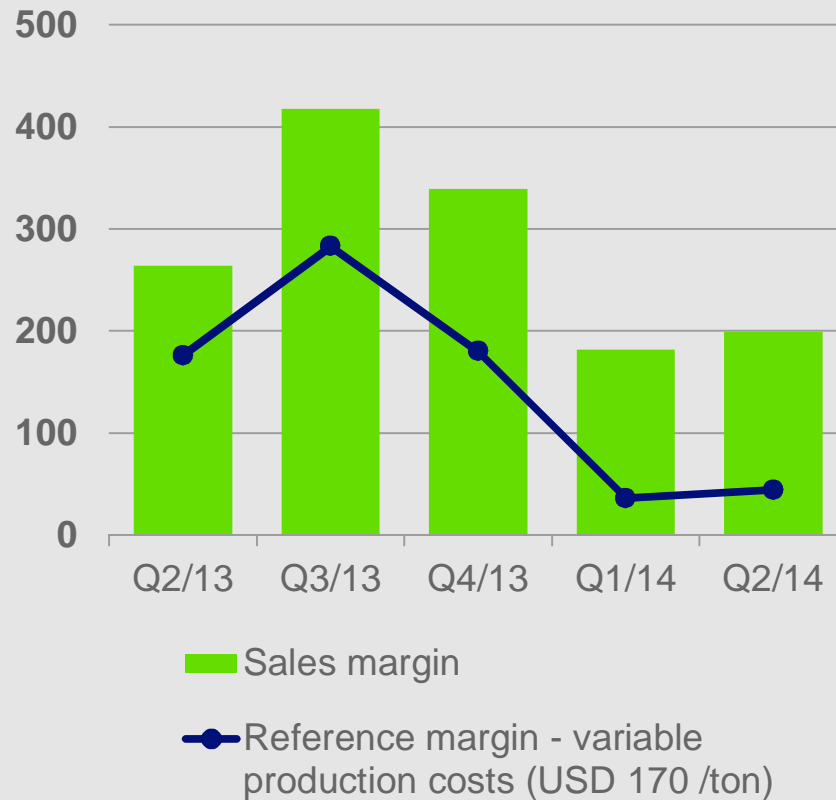
Biodiesel RIN, US cent /gal



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

# Strong additional margin

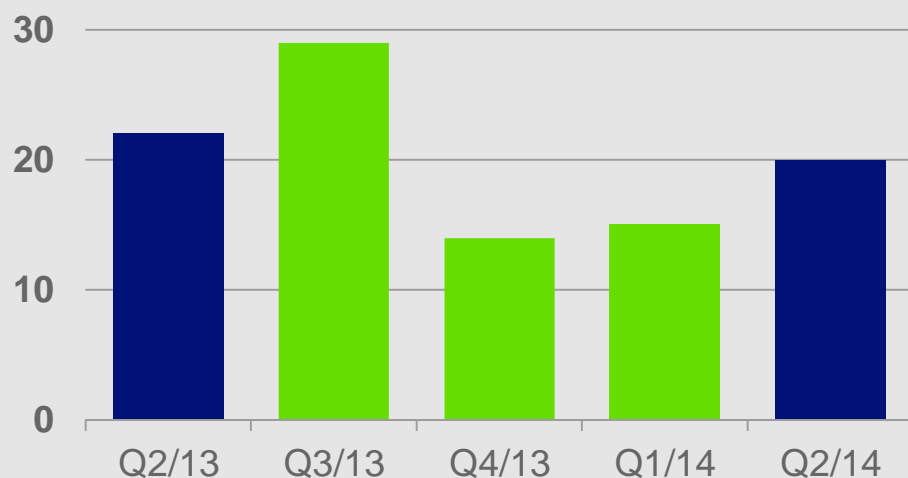
Renewable Products margins, USD/ton



- Low reference margin as both European and North American markets remained under pressure
- Strong additional margin USD 155/ton supported by
  - high utilization rates
  - quality premium
  - high share of waste & residues

# Oil Retail's station sales growing

## Comparable EBIT, MEUR



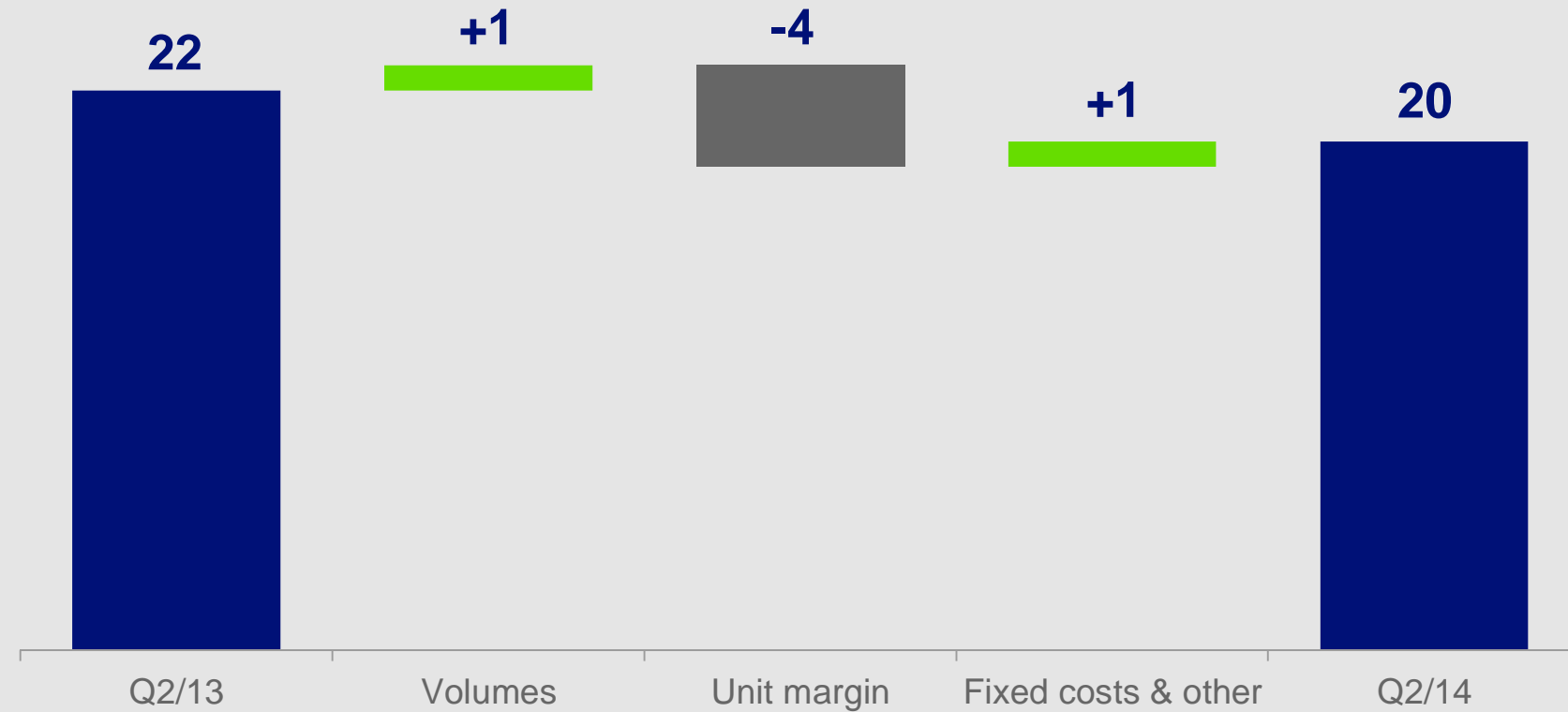
MEUR	Q2/14	Q2/13	2013
Revenue	1,076	1,085	4,532
Comparable EBIT	20	22	76
Net assets	252	265	255

- Station sales volumes growing in all markets
- 11 new stations
- Successful introduction of Neste Futura brand in Baltic countries and Russia increasing sales volumes
- Unit margins at good levels despite weaker ruble



# Good earnings level maintained

Oil Retail comparable EBIT Q2/13 vs. Q2/14, MEUR



# Oil Retail's markets remained stable

- Traffic fuel demand seasonally higher during summer
- Gasoline and diesel demand on downward trend in Finland
- Baltic and Northwest Russian markets growing gradually

# Current topics

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# Full-year result outlook at lower end of the guidance range

- Group's full-year comparable operating profit expected to be EUR 450 million +/- 10% in 2014
  - reference refining margin expected to average USD 3.5/bbl instead of USD 4.0/bbl in 2014
  - full-year comparable operating profit is likely to be at the lower end of the guidance range
  - performance improvement initiatives supporting earnings by at least MEUR 50 million in 2014
- Reintroduction of US Blender's Tax Credit for biofuels would have positive impact
- Singapore NEXBTL refinery to be taken down for eight-week major turnaround during Q3 and Q4

# Updating our organization

- Renewable Fuels renamed to Renewable Products
- Oil Products and Renewable Products to be led by their own Executive Vice Presidents
  - Oil Products:  
EVP Matti Lehmus
  - Renewable Products:  
EVP Kaisa Hietala
- Antti Tiitola to succeed EVP Sakari Toivola as the Head of Oil Retail by end of 2014
- Production & Logistics to be part of the businesses
- Reporting segments will remain
  - Oil Products
  - Renewable Products
  - Oil Retail
  - Others



# We focus on



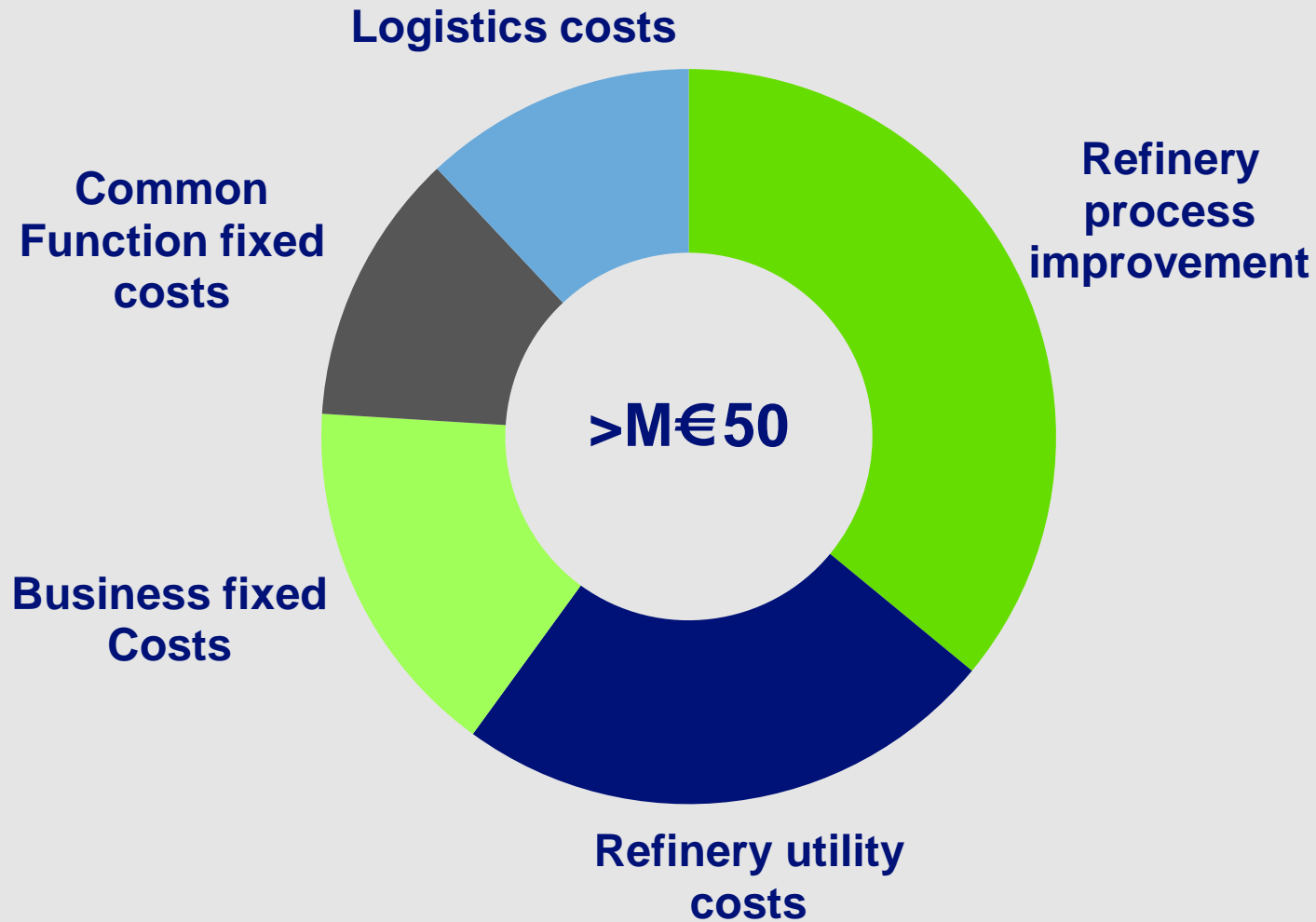
Safety

Cash flow

Refinery  
productivity

Renewable  
Products  
markets and  
customers

# Increasing profitability by at least MEUR 50 in 2014



# Capital Markets Day

- Neste Oil will host a Capital Markets Day in London on 11 September 2014
- Program will cover an update on Neste Oil's operations and strategy
- More information on [nesteoil.com/investors](http://nesteoil.com/investors)





# Thank you.

Matti Lievonen, President & CEO

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# Appendix

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# Renewable Products EBIT calculation

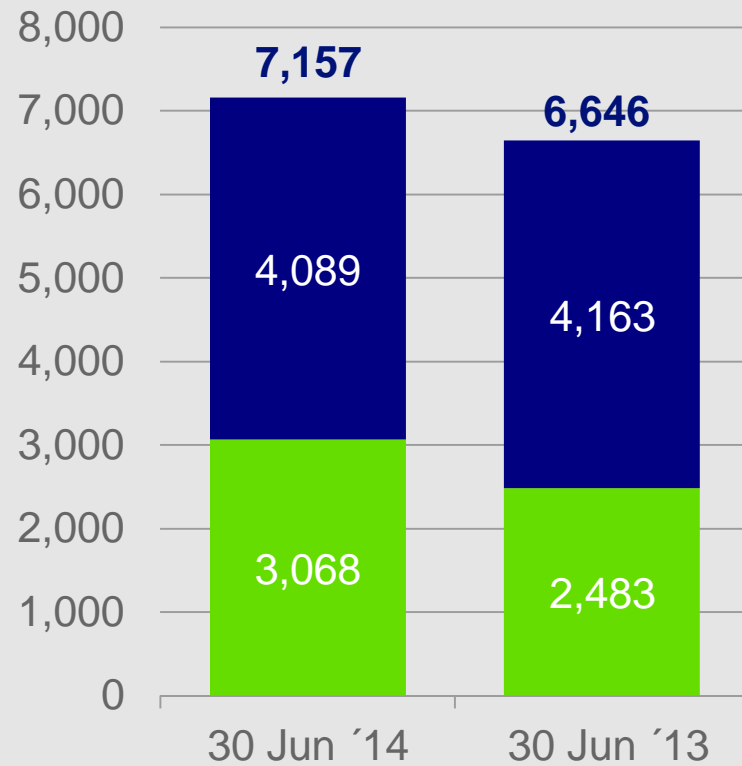
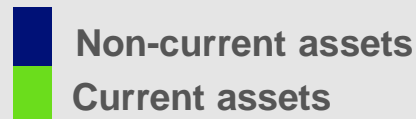
	Q1/13	Q2/13	Q3/13	Q4/13	2013	Q1/14	Q2/14
Sales volume, kt	385	411	532	599	1928	488	561
Reference margin, \$/ton	365	346	453	350	371	206	214
Additional margin, \$/ton	66	88	135	159	127	146	155
Variable production costs, \$/ton	170	170	170	170	170	170	170
<b>Comparable sales margin, \$/ton</b>	<b>261</b>	<b>264</b>	<b>418</b>	<b>338</b>	<b>328</b>	<b>182</b>	<b>200</b>
Comparable sales margin, MEUR	76	83	168	150	477	65	84
Fixed costs, MEUR	25	25	24	32	106	26	29
Depreciations, MEUR	25	25	24	24	98	24	24
<b>Comparable EBIT, MEUR</b>	<b>26</b>	<b>33</b>	<b>120</b>	<b>94</b>	<b>273</b>	<b>15</b>	<b>31</b>

# Refinery production costs, Porvoo & Naantali

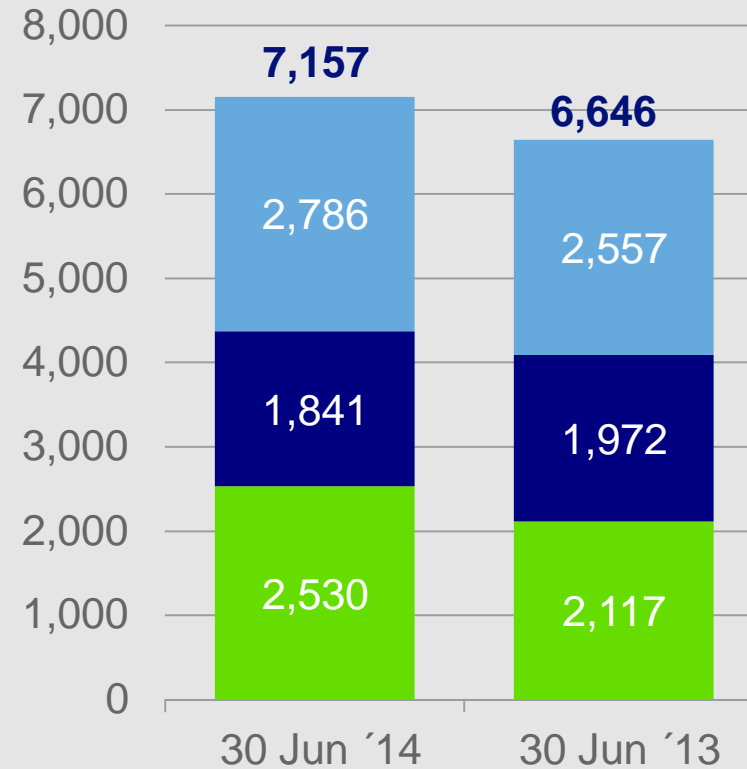
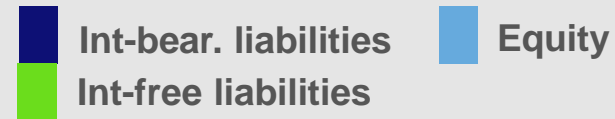
		Q1/13	Q2/13	Q3/13	Q4/13	2013	Q1/14	Q2/14
<b>Refined Products</b>	Million Barrels	26.7	24.7	28.8	26.6	106.9	25.3	26.2
<b>Exchange Rate</b>	EUR/USD	1.32	1.31	1.33	1.36	1.33	1.37	1.37
<b>Utilities costs</b>	EUR Million	62.8	58.8	58.0	61.6	241.3	55.6	56.9
	\$/bbl	3.1	3.1	2.7	3.1	3.0	3.0	3.0
<b>Fixed costs</b>	EUR Million	52.8	73.1	51.5	59.9	237.3	55.9	60.5
	\$/bbl	2.6	3.9	2.4	3.1	3.0	3.0	3.2
<b>External sales</b>	EUR Million	-23.9	-23.1	-21.3	-22.0	-90.3	-23.5	20.1
	\$/bbl	-1.2	-1.2	-1.0	-1.1	-1.1	-1.3	-1.1
<b>Total</b>	EUR Million	91.7	108.8	88.3	99.5	388.3	88.0	97.3
	\$/bbl	4.5	5.8	4.1	5.1	4.8	4.8	5.1

# Balance sheet

## Total assets



## Total equity & liabilities

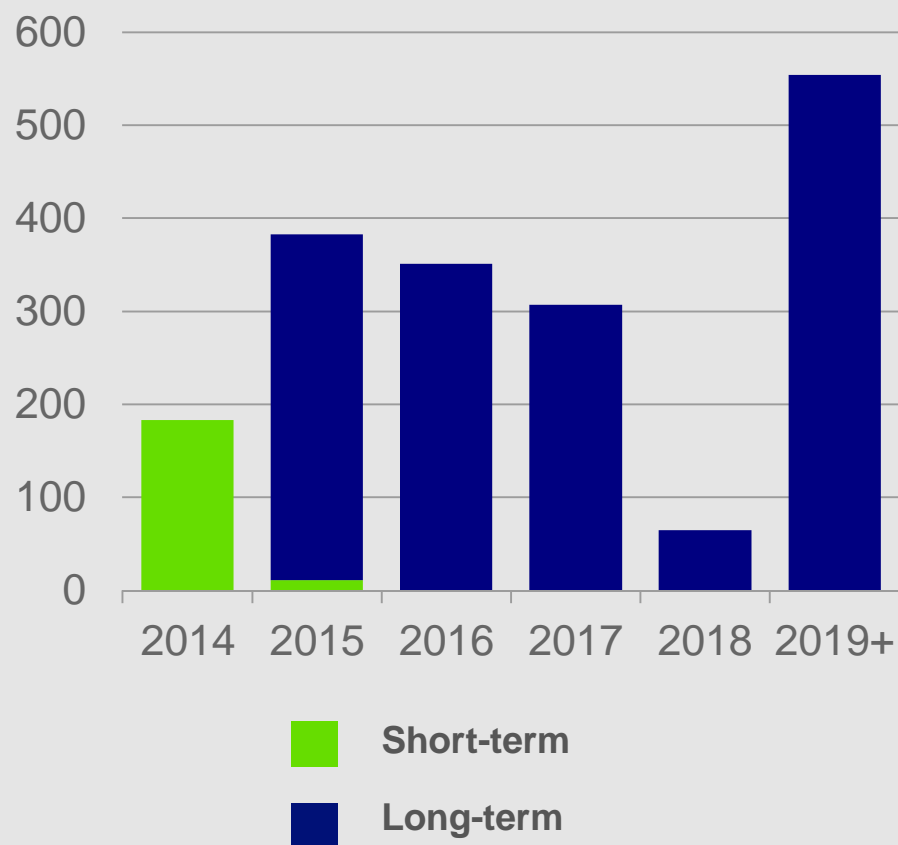


# Cash flow

MEUR	Q2/14	Q2/13	Q1/14	H1/14	H1/13	2013
Profit before taxes	47	96	38	85	161	561
Adjustments total	116	52	101	217	178	360
Change in working capital	103	223	-287	-185	-49	100
<b>Cash from operations</b>	<b>266</b>	<b>371</b>	<b>-148</b>	<b>117</b>	<b>290</b>	<b>1,021</b>
Net finance costs	-11	-27	-10	-21	-28	-98
Taxes	-36	-32	-20	-56	-55	-84
<b>Net cash from operations</b>	<b>219</b>	<b>312</b>	<b>-178</b>	<b>41</b>	<b>207</b>	<b>839</b>
Capital expenditure and investments in shares	-63	-66	-43	-105	-100	-214
Other	15	71	-46	-31	115	134
<b>Cash flow before financing activities</b>	<b>172</b>	<b>317</b>	<b>-267</b>	<b>-95</b>	<b>222</b>	<b>759</b>
Net change in loans	92	-230	-67	25	-359	-557
Dividends paid	-167	-97	-	-167	-97	-98
<b>Net increase/decrease in cash</b>	<b>97</b>	<b>-10</b>	<b>-334</b>	<b>-238</b>	<b>-234</b>	<b>104</b>

# Liquidity & maturity profile

**MEUR**



- Total liquidity at the end of June 2014 was EUR 2,179 million
  - Cash and cash equivalents totalled EUR 269 million
  - Unused committed credit facilities totalled EUR 1,650 million
  - Unused CP programmes (not committed) totalled EUR 260 million
- Average interest rate 3.7% and maturity 3.4 years at the end of June
- No financial covenants in Group's existing loan agreements