



# Neste

# Capital Markets Day

15 September 2015

London

**NESTE**

# Agenda

12:30	Growing ambitions	Matti Lievonen, CEO
13:00	Baltic Sea champion	Matti Lehmus, EVP, Oil Products
		Antti Tiitola, EVP, Oil Retail
14:00	Break	
14:20	Global renewable growth	Kaisa Hietala, EVP, Renewable Products
		Tuomas Hyyryläinen, SVP, Strategy and New Ventures
15:20	Healthy financials supporting growth ambition	Jyrki Mäki-Kala, CFO
15:45	General Q&A	
16:00	Concluding remarks	Matti Lievonen, CEO
16:15	Cocktails	

# Disclaimer

The following information contains, or may be deemed to contain, “forward-looking statements”. These statements relate to future events or our future financial performance, including, but not limited to, strategic plans, potential growth, planned operational changes, expected capital expenditures, future cash sources and requirements, liquidity and cost savings that involve known and unknown risks, uncertainties and other factors that may cause Neste Corporation’s or its businesses’ actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by any forward-looking statements. In some cases, such forward-looking statements can be identified by terminology such as “may,” “will,” “could,” “would,” “should,” “expect,” “plan,” “anticipate,” “intend,” “believe,” “estimate,” “predict,” “potential,” or “continue,” or the negative of those terms or other comparable terminology. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Future results may vary from the results expressed in, or implied by, the following forward-looking statements, possibly to a material degree. All forward-looking statements made in this presentation are based on information presently available to management and Neste Corporation assumes no obligation to update any forward-looking statements. Nothing in this presentation constitutes investment advice and this presentation shall not constitute an offer to sell or the solicitation of an offer to buy any securities or otherwise to engage in any investment activity.

# Speakers



**Matti Lievonon**  
(born 1958)

**President & CEO, Chair of the Neste Executive Board**  
B.Sc. (Eng.), eMBA.

President & CEO since 2008.

Joined the company in 2008. Served as President of the Fine and Speciality Papers Division at UPM-Kymmene Corporation, and in a number of other senior positions at UPM (1986–2008), and prior to that at ABB. Member of UPM-Kymmene’s Executive Board 2002–2008. Chair of the Board of Nynas AB. Vice Chair of the Board of the Chemical Industry Federation of Finland. Member of the Board of SSAB AB. Chair of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company and Member of the Advisory Board of National Emergency Supply Agency. Member of the Supervisory Board of The Finnish Fair Corporation.



**Jyrki Mäki-Kala**  
(born 1961)

**Chief Financial Officer**  
M.Sc. (Econ.)

Member of the Neste Executive Board since 2013.

Joined the company in 2013. Responsible for the Group’s financial management, investor relations, and risk management. Chair of the Board of Directors of Neste Jacobs. Served in various business and corporate financial positions at Kemira (2005–2013). Previously worked for Finnish Chemicals.

# Speakers



**Matti Lehmus**  
(born 1974)

**Executive Vice President, Oil Products**  
M.Sc. (Eng.), eMBA.

Member of the Neste Executive Board since 2009.

Joined the company in 1997. Responsible for the Oil Products business area. Previously served as Executive Vice President of the Oil Products and Renewables business area (2011–2014), Executive Vice President of the Oil Products business area (2009–2010), Vice President of the Base Oils business in the Specialty Products Division (2007–2009), Vice President of Oil Refining Business Development (2007) and Gasoline Exports and Trading Manager (2004–2007) in the Oil Refining Division. Vice Chair of the Board of the Finnish Petroleum & Biofuels Association.



**Kaisa Hietala**  
(born 1971)

**Executive Vice President, Renewable Products**  
M.Sc.(Physics), Finland and M.Sc.(Env.Sc.), UK

Member of the Neste Executive Board since 2014.

Joined the company in 1998. Responsible for the Renewable Products business area. Served in several positions at Neste, most recently as Vice President of the Renewable Fuels business (2011–2014), Vice President of Supply in Singapore (2009–2011), Commercial Director in Singapore (2008), and Feedstock Manager in the Renewable Fuels Business operations (2006-2008).

# Speakers



## **Antti Tiitola**

(born 1967)

### **Executive Vice President, Oil Retail**

Commercial college graduate

Member of the Neste Executive Board since 2014.

Joined the company in October 2014. Responsible for Oil Retail Business Area in Finland and the Baltic Rim. Served previously as Senior Vice President in Passenger traffic division of VR-Group Ltd (2012–2014), Managing Director of Lidl Finland (2000–2011), and in several marketing related positions in Örum Oy Ab (1992–2000). Member of the Board of Broman Group Oy, Raisio Oyj, and Verkkokauppa.com Oyj. Member of the Board of Finnish Petroleum & Biofuels Association, and German-Finnish Chamber of Commerce.



## **Tuomas Hyryläinen**

(born 1977)

### **Senior Vice President, Strategy and New Ventures**

M.Sc. (Econ.)

Member of the Neste Executive Board since 2012.

Joined the company in 2012. Responsible for strategy, New Ventures, Market Intelligence, and M&A operations. Previously served as Vice President for Strategy at F-Secure and served in various strategy- and business development-related positions at Nokia. Member of the Board of Directors of Nynas AB.



# Growing ambitions

Matti Lievonen, President & CEO

**NESTE**



Our vision

**Creating  
responsible  
choices every  
day**



# On track with our promises

## Creating growth

- Capacity increase in Renewable Products
- Progress and new openings in biochemicals, e.g. cooperation with Total Fluides
- Low-sulphur bunker fuel introduced
- Bio-LPG unit under construction in Rotterdam

## Enhancing competitiveness

- SDA unit investment in Porvoo
- Isomerization unit completed
- Converting Porvoo and Naantali refineries to operate as one entity
- Organizational restructuring
- Reduced production costs
- Reduced fixed costs

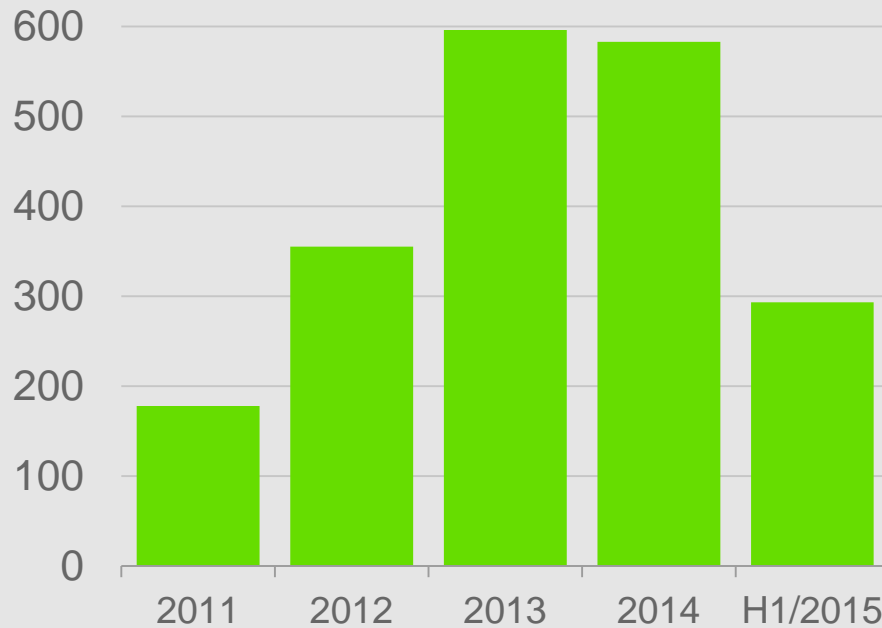
## Focusing on strategy

### Outsourcing non-core assets:

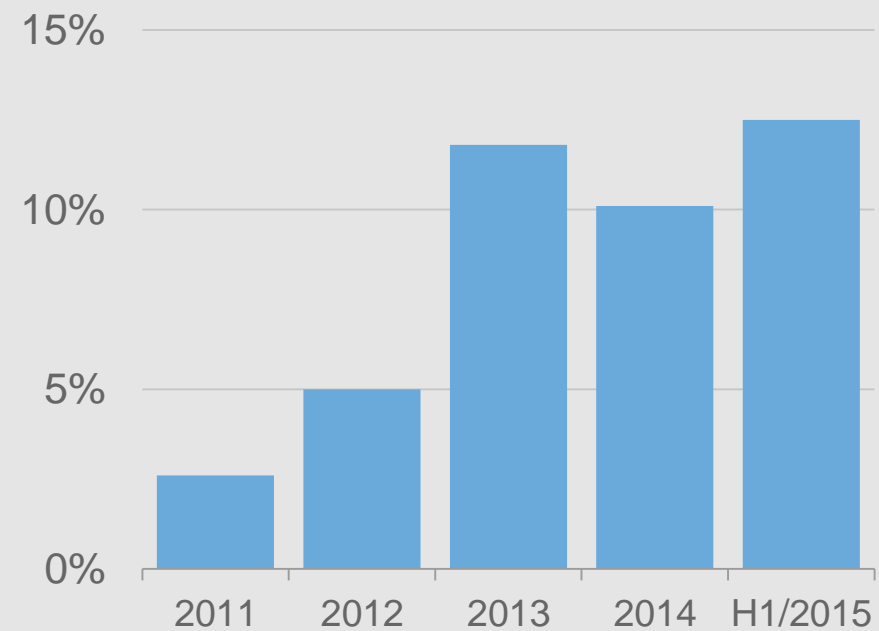
- Kilpilahti electricity grid company sold
- Powerplant joint venture
- Outsourcing of shipping operations finalized
- Outsourcing of hydrogen unit

# Strategy implementation visible in financial performance

**Comparable EBIT, MEUR**

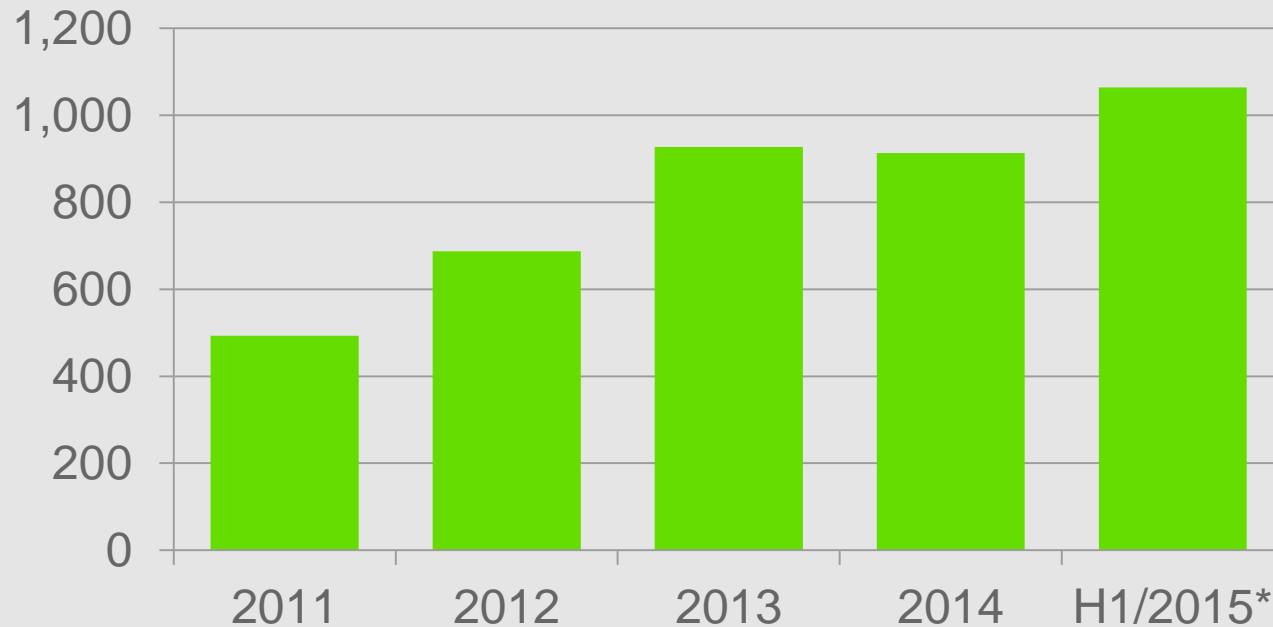


**ROACE, % (rolling 12 months)**



# Strong cash flow supported by over EUR 1 billion EBITDA

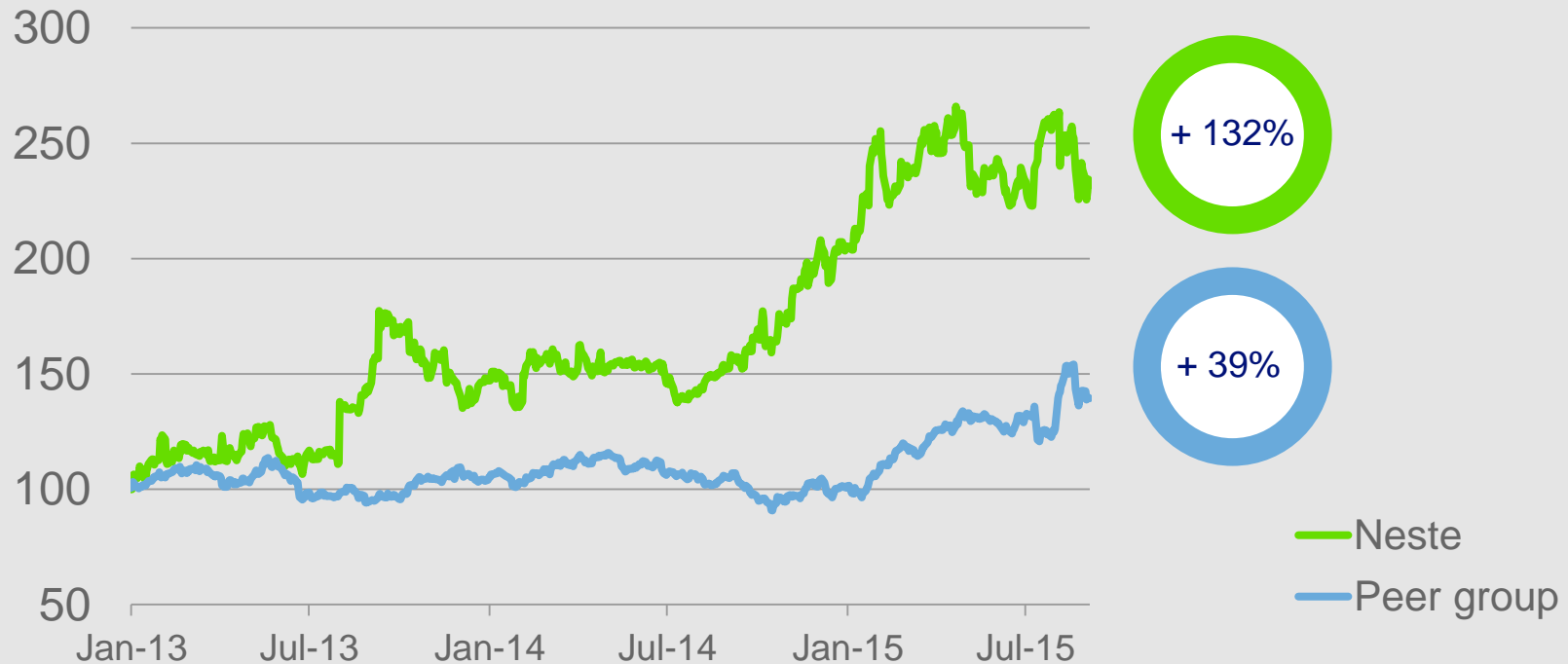
## Comparable EBITDA, MEUR



\* rolling 12 months as of 30 June 2015

# Outperforming the peers

## Relative share price peer group\* index average



\*Peer group: ERG, Hellenic Petroleum, Lotos, MOL, Motor Oil Hellas, PKN Orlen, Saras, Tesoro, Tupras, Valero Energy

# Current supporting trends in the market

Oil product demand recovered

Strong gasoline margin

Lower crude oil price improving refining profitability

US EPA's volume proposal to add predictability on biofuel markets

EU has set new GHG emission and renewable energy targets for 2030

Stronger US dollar

# Challenges to be addressed

Refining  
overcapacity in  
Europe

Increasing  
diesel imports  
to Europe

Oversupply of  
traditional  
biodiesel

Protectionism  
impacting  
biofuel markets

# Competitive advantages underpin our success in changing markets

## Current advantages

- Complex capacity and high conversion
- Logistical advantage
- Ability to offer renewable fuel solutions to meet regulatory and market requirements
- Feedstock optimization ability
- Technology know-how
- Supply chain and sustainability excellence

## New advantages required

- Commercial excellence
- Optimization across the value chain
- Product creation and go-to-market capabilities

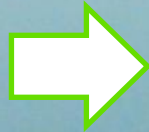
# Moving forward with strategic objectives

**Baltic Sea  
champion**



- Competitive advantage from integrated value chain
- Refinery long-term competitiveness
- Operational performance step change

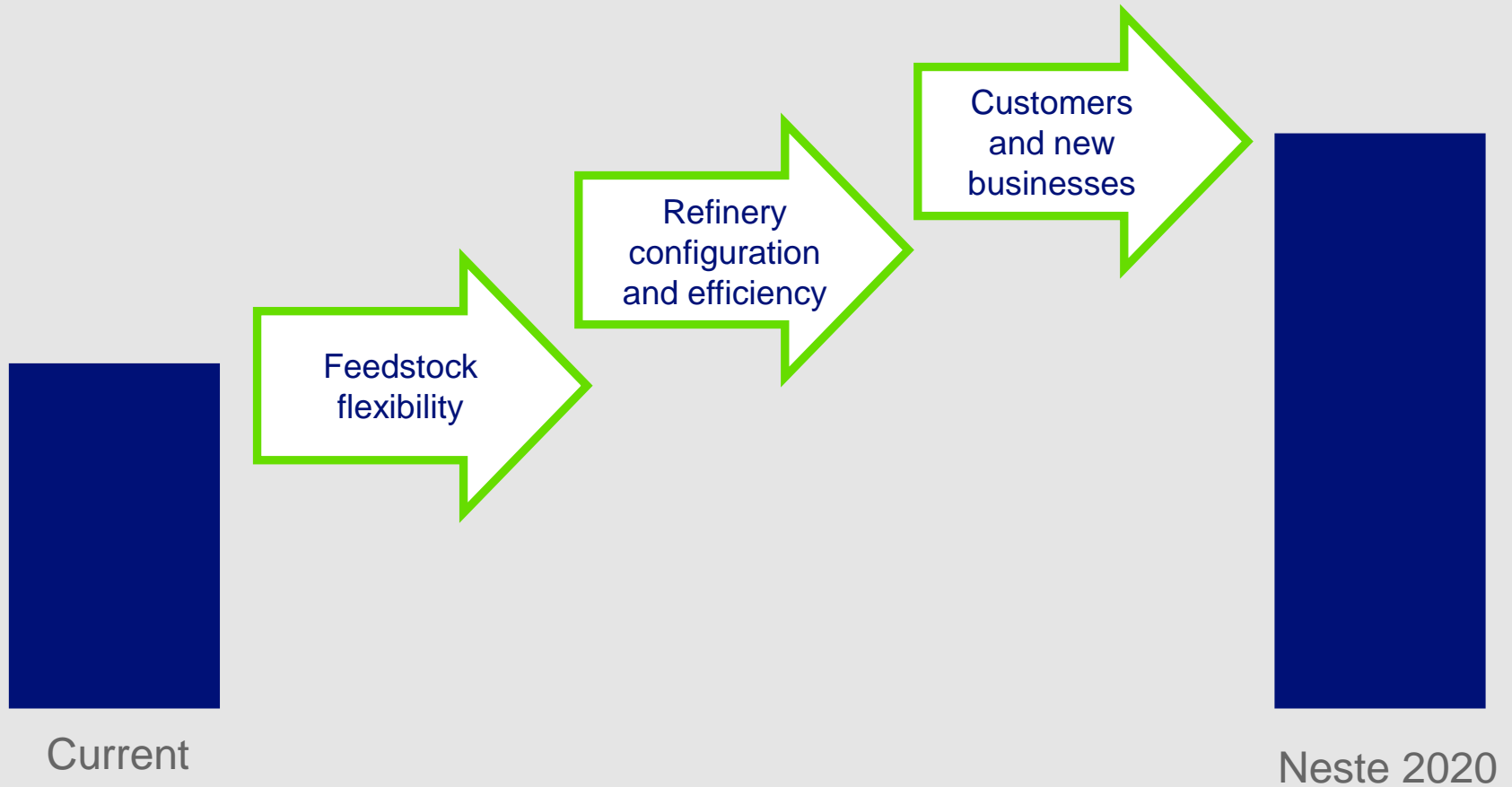
**Global renewable  
growth**



- Focus on existing core markets within traffic fuels
- Leverage NEXBTL platform for growth in new markets and applications



# Strategy implementation creating value growth



# Consistent cash allocation strategy

Investing in  
productivity and  
opportunities for  
growth

Optimizing  
leverage

Paying out  
favorable  
dividends

# Short-term outlook

- Reference refining margin has continued strong and current forward prices indicate reasonably high margin levels for Q4 as well.
- Renewable Products' reference margin has improved as result of healthier European market.
- Porvoo refinery back at high utilization after major turnaround.
- Renewable diesel refineries running at high production rates.

- Neste is adjusting the way it gives guidance to be in line with industry practice.
- Neste will continue to provide information on short-term market outlook and its own operational performance.
- Neste will discontinue providing numerical result guidance from the beginning of 2016.

# Strategic objectives creating growth and shareholder value



**Baltic Sea  
champion**

**Global  
renewable  
growth**



# Baltic Sea champion

Matti Lehmus, EVP, Oil Products

Antti Tiitola, EVP, Oil Retail

# Baltic Sea champion - Our ambition

**Leading provider of low carbon solutions  
in the Baltic Sea markets**

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graph TD; A[Leading provider of low carbon solutions in the Baltic Sea markets] --> B[Value growth by stepping up operational performance and refinery asset productivity]; A --> C[Customers' preferred choice with unique offering of fossil and renewable solutions];
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Value growth by  
stepping up operational  
performance and  
refinery asset  
productivity

Customers' preferred  
choice with unique  
offering of fossil and  
renewable solutions



# Baltic Sea champion

Oil Products - Rising ambition for asset productivity and customer value growth

# Delivering on targets

## Performance improvement focusing on costs and availability

- Major turnaround in Porvoo completed as planned in Q2/2015
- One refinery operating model implemented
- Production costs decreased to level of 3.5 USD/bbl

## Asset development implementation

- Isomerization investment completed mid-2015
- Outsourcing of electricity grid completed
- Decisions made on strategic investments to increase refinery competitiveness

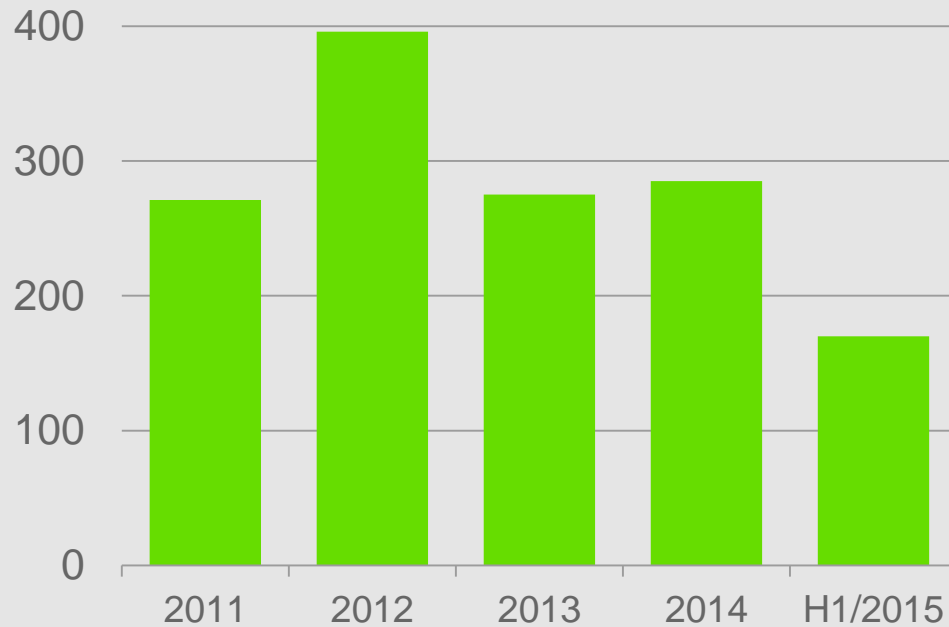
## Baltic Sea market position

- Baltic Sea sales volumes slightly decreased
- New products and services launched e.g. low-sulphur marine fuels
- Cross-business cooperation increased

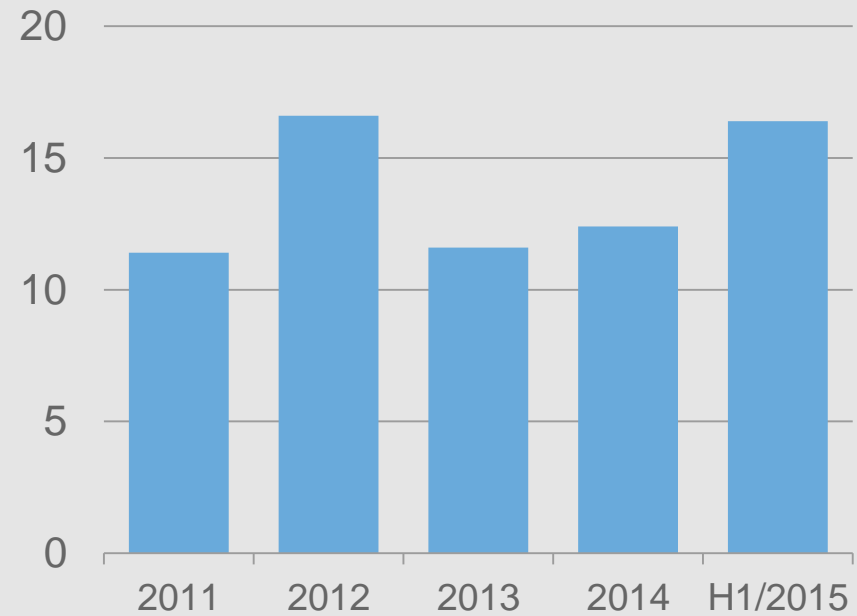


# Solid profitability in various market conditions

Comparable EBIT, MEUR



Comparable RONA\*, %



\*rolling 12 months

# Several market trends supporting our refining business in 2015



Lower crude oil price level

Strong oil product demand growth

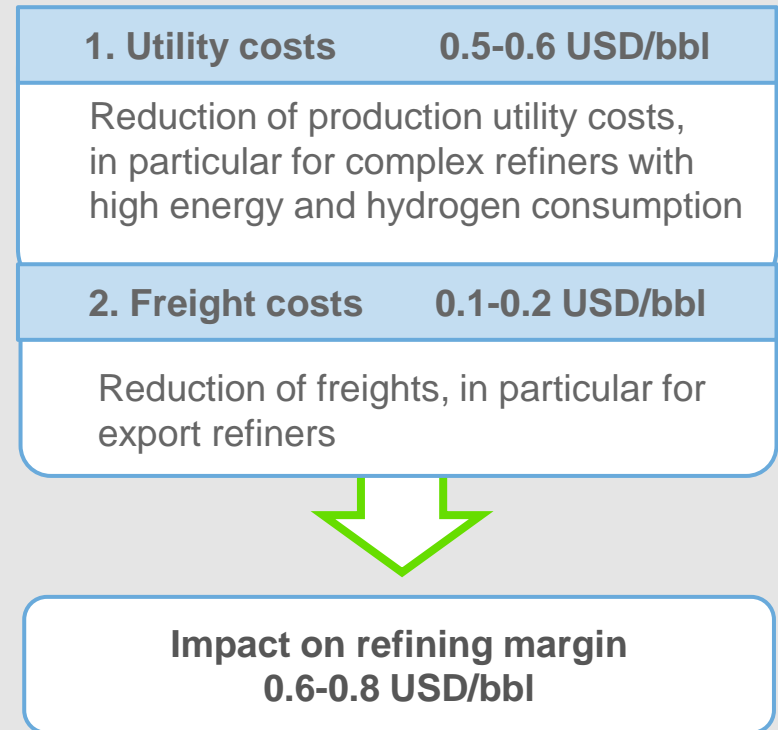
EUR/USD exchange rate

# Lower crude oil price supporting refining margins through reduced cost

Brent crude oil price, USD/bbl

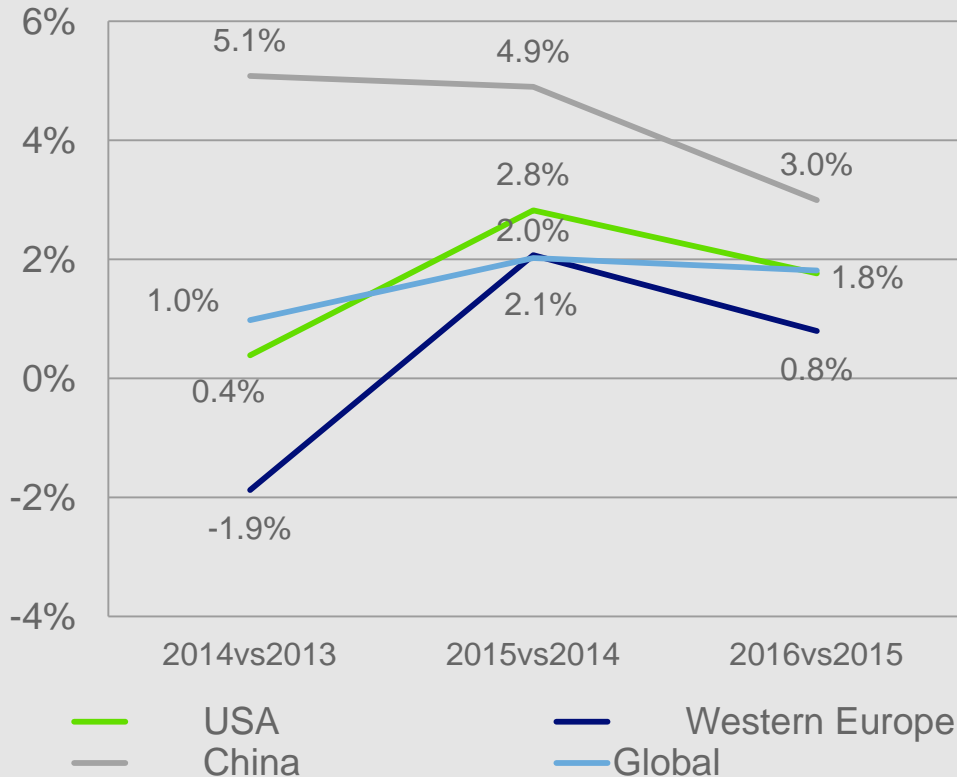


Impact of 50 USD/bbl decrease in crude oil price to refining margin of a complex NWE refiner

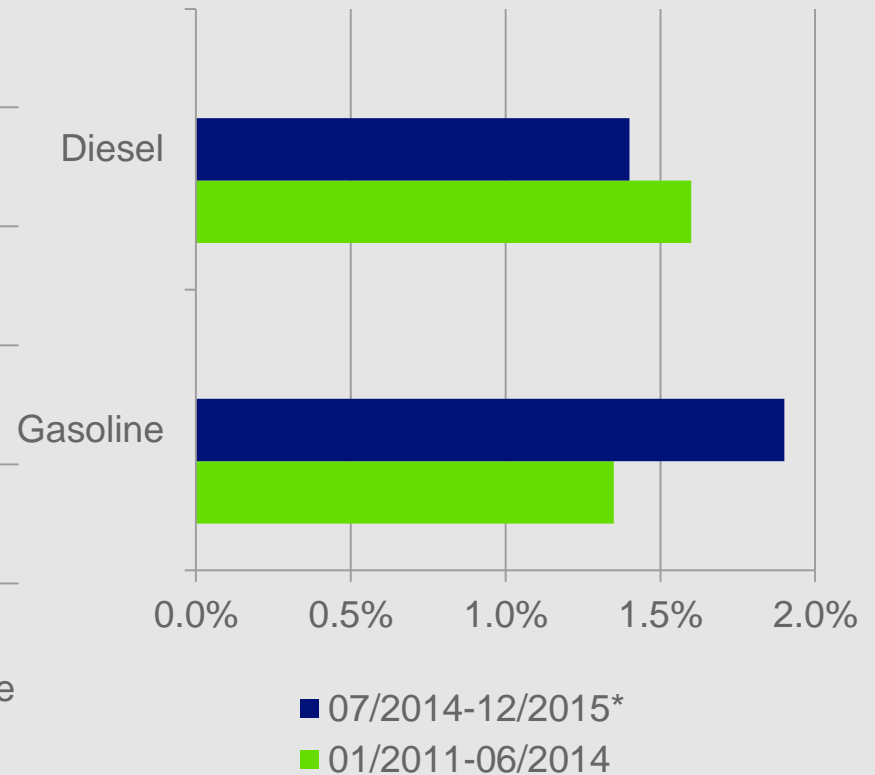


# Lower crude oil price has driven greater product demand growth

**Total product demand growth by region\***



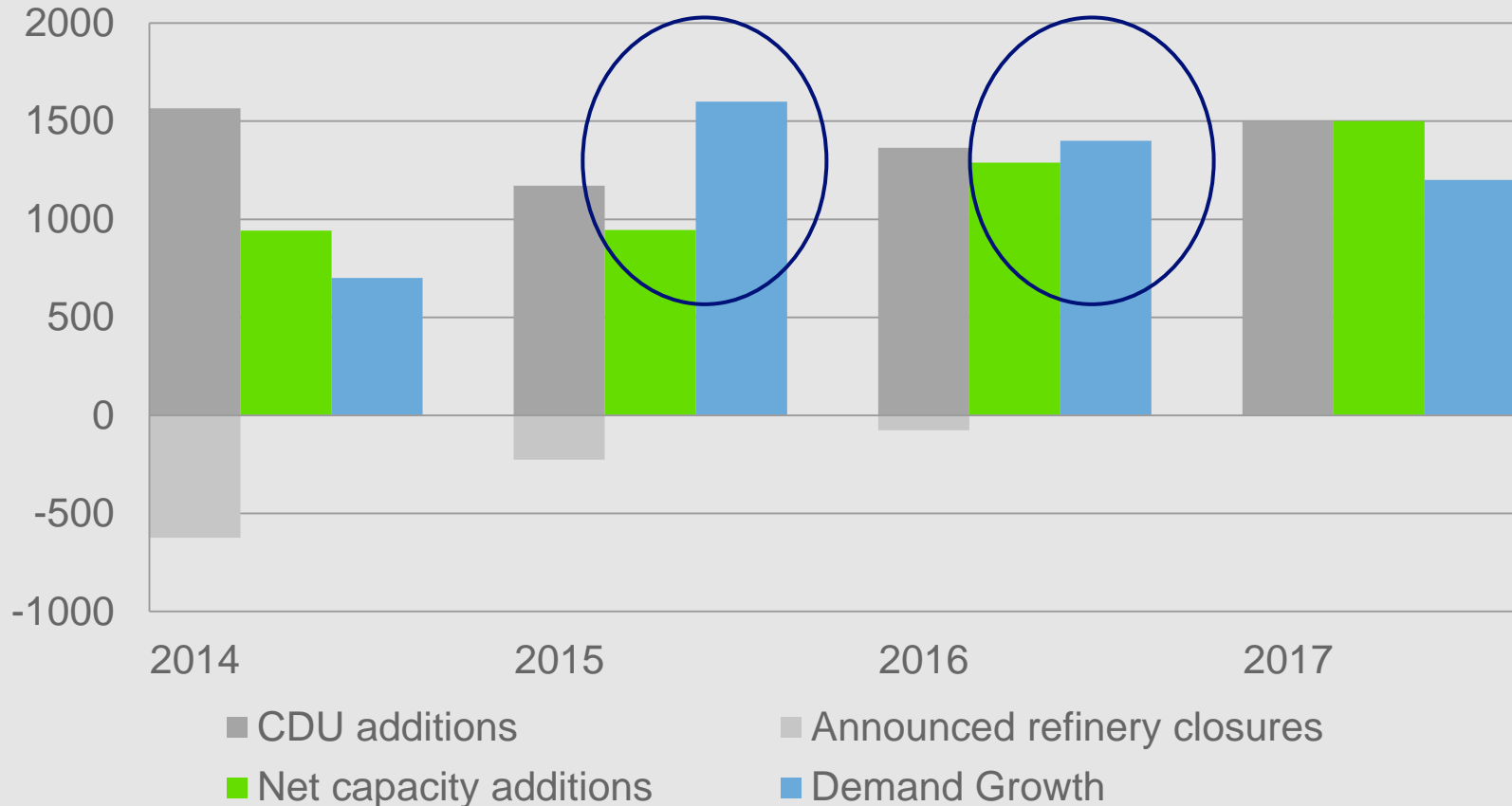
**Gasoline vs. diesel demand growth (year-on-year)**



\* Forecast for 2015-2016  
Source: Pira, WoodMackenzie

# Increased demand outlook improves refined product balance

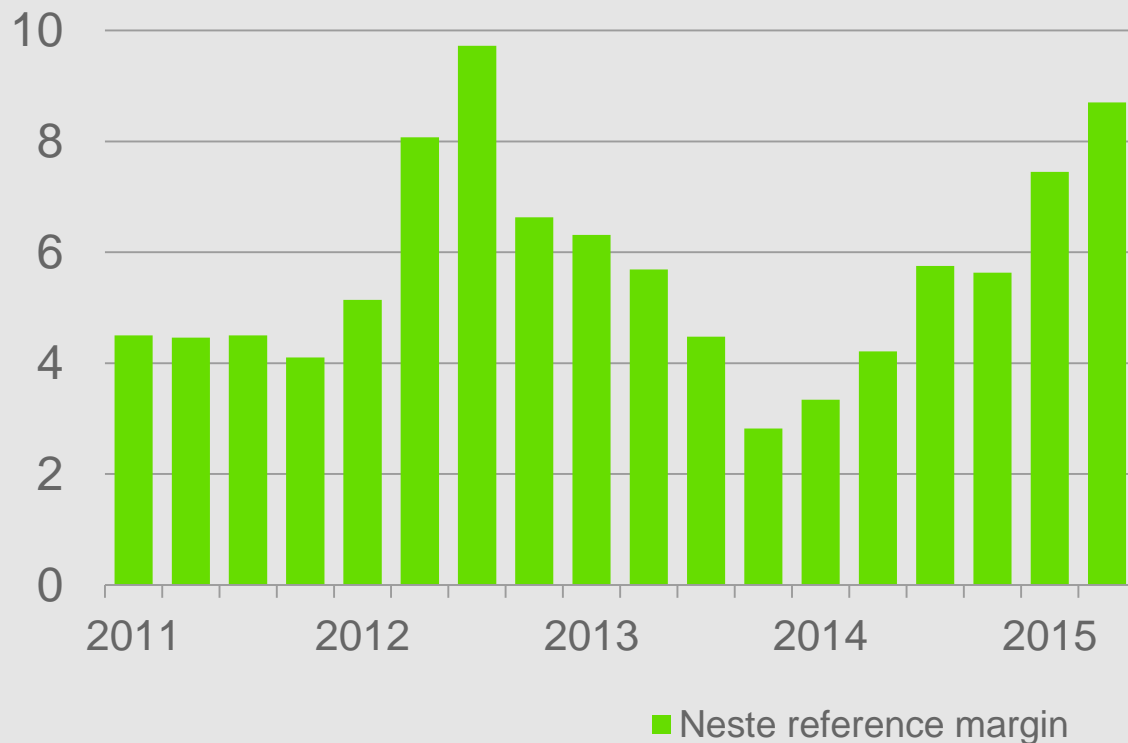
Global refining capacity and demand growth, kbpd



Source: International Energy Agency (IEA)

# Neste reference margin has been very strong in 2015

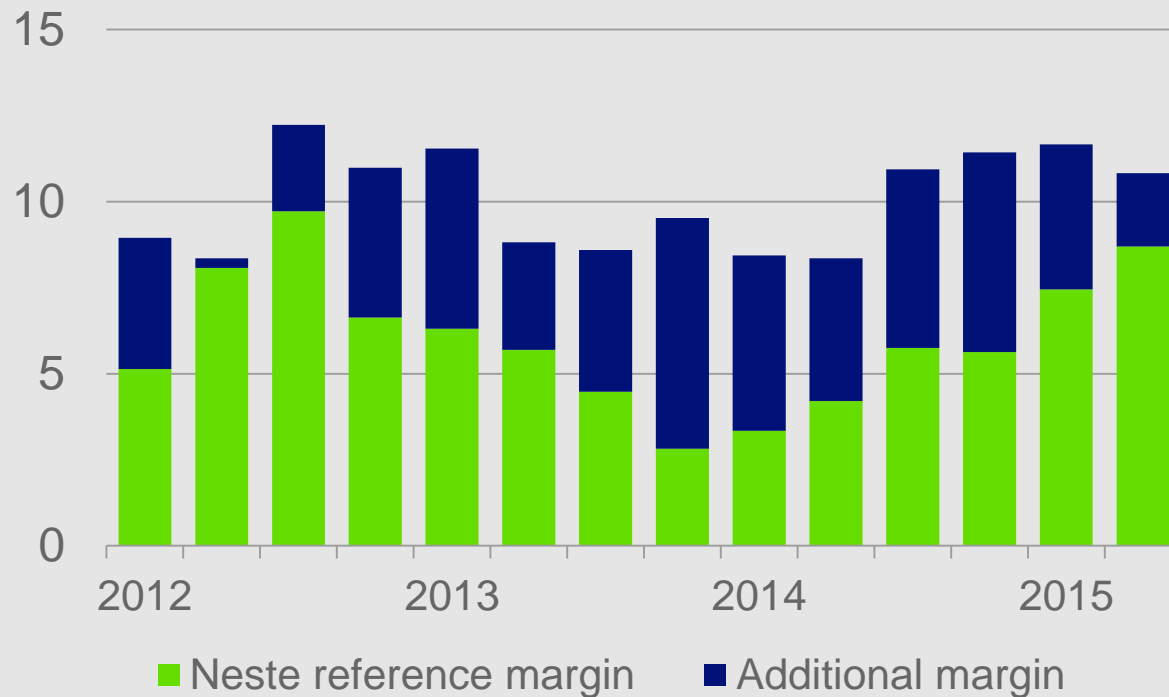
Neste reference margin, USD/bbl



Reference margin averages	
2011	USD 4.4/bbl
2012	USD 7.4/bbl
2013	USD 4.8/bbl
2014	USD 4.7/bbl
H1/2015	USD 8.1/bbl

# Focus on strengthening additional margin

**Neste total refining margin, USD/bbl**



Additional margin averages	
2012	USD 2.7/bbl
2013	USD 4.8/bbl
2014	USD 5.1/bbl
H1/2015	USD 3.2/bbl*

\* Impacted by the Porvoo major turnaround in Q2/2015 and lower crude price level compared to 2014

## Crude oil price level impact on additional margin:

+/- USD 50 /bbl change impacts additional margin by +/- USD 1/bbl

# Unchanged target of higher than 5 USD/bbl additional margin

**Operational performance improvement**

Focus on production costs, availability and safety performance

**Asset development**

Focus on managing baseload capex and high-return productivity investments

**Market position development**

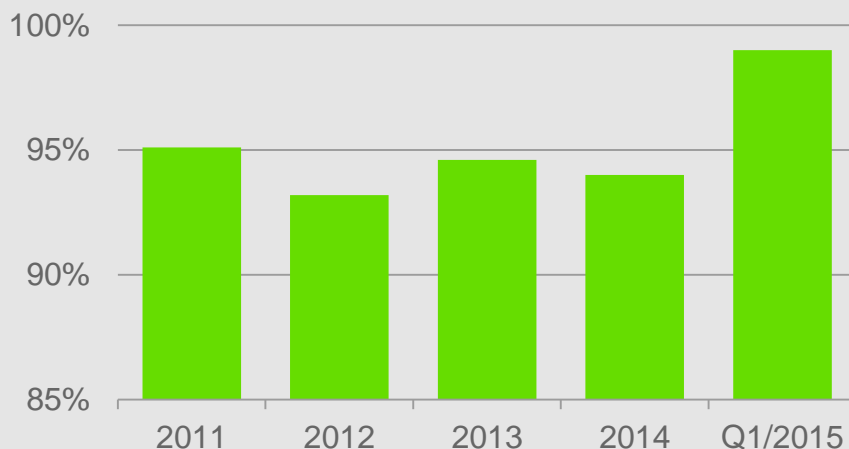
Focus on solutions to our customers in the Baltic Sea area



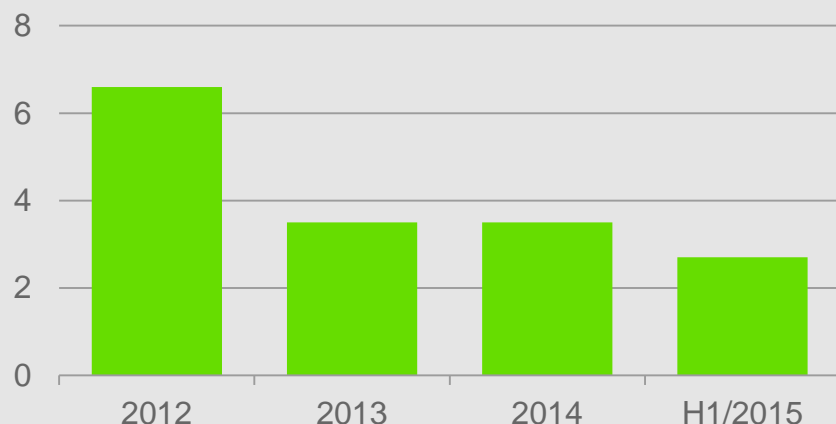
# Availability improvement to support additional margin growth

## Oil Products' operational availability\* 2011-15, %

(\*excluding annualized major turnaround impacts)



## Oil Products' Process Safety Event Rate (PSER)



- Average 94% during 2012-14
- Preventive maintenance program launched to improve refinery availability
- Continued baseload maintenance investments to maintain infrastructure



1% unit increase in availability corresponds to approx. 15 MEUR profit impact

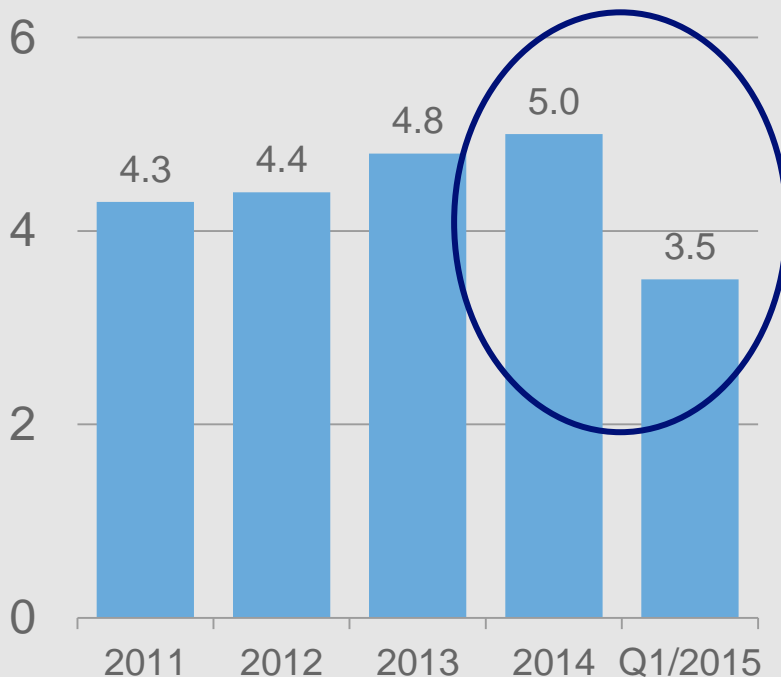
- PSER level reduced to < 3.5 after 2012
- Systematic implementation of improved process risk management procedure to drive decrease in process safety event rate

# Focusing on production costs

## – good level achieved in early 2015

### Production costs

Porvoo and Naantali refineries, USD/bbl



- Utility costs impacted by lower energy costs
- Systematic energy efficiency improvement
- Higher availability supporting maintenance cost control



EUR 0.1/bbl change in production cost corresponds to 10 MEUR/a EBIT impact

# Asset development program addresses market trends and drives additional margin

**Porvoo residue cracker feed pre-treatment (SDA) (mid-2017)**

CAPEX 200 MEUR

Expected payback < 4 years



Increasing crude oil flexibility and fuel oil conversion to diesel

**Naantali configuration change (mid-2017)**

CAPEX 60 MEUR

Expected payback < 5 years



Decreasing production costs and maintenance capex level

**Porvoo isomerization (mid-2015)**

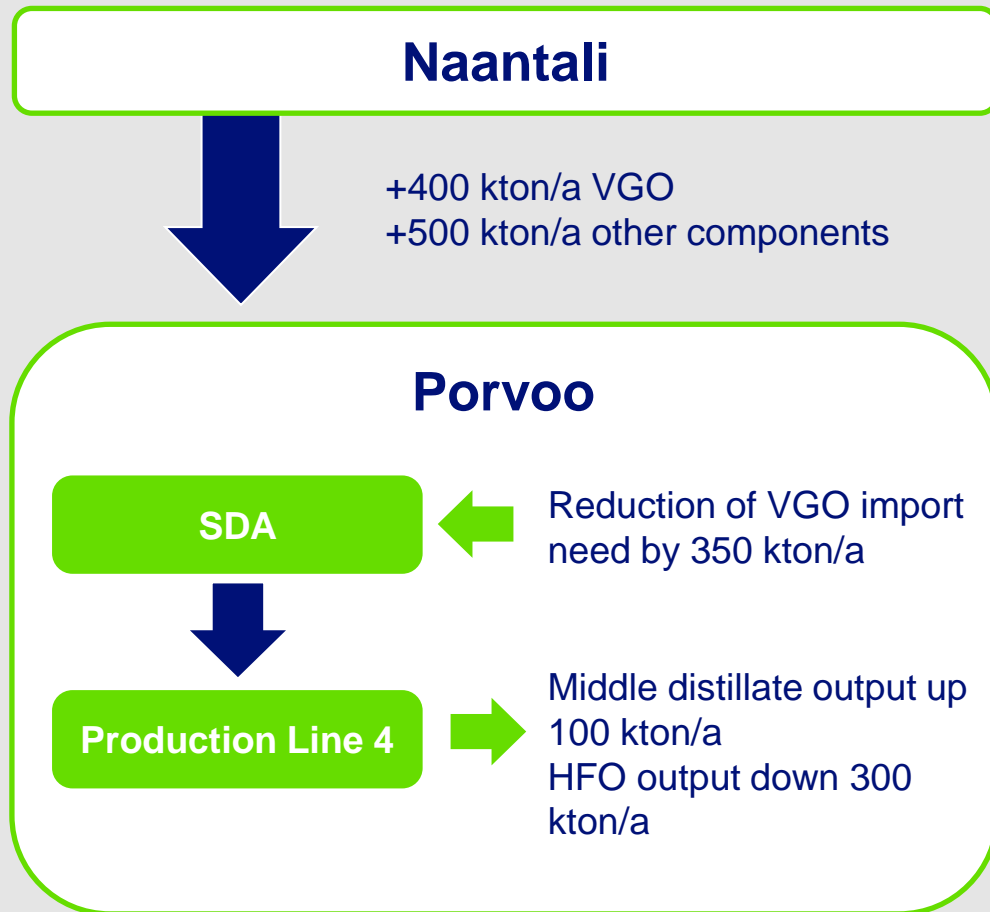
CAPEX 80 MEUR

Expected payback < 3 years



Converting naphtha and other streams to high quality gasoline components

# One Refinery concept integrates Porvoo and Naantali refineries to drive competitiveness



## Naantali configuration change

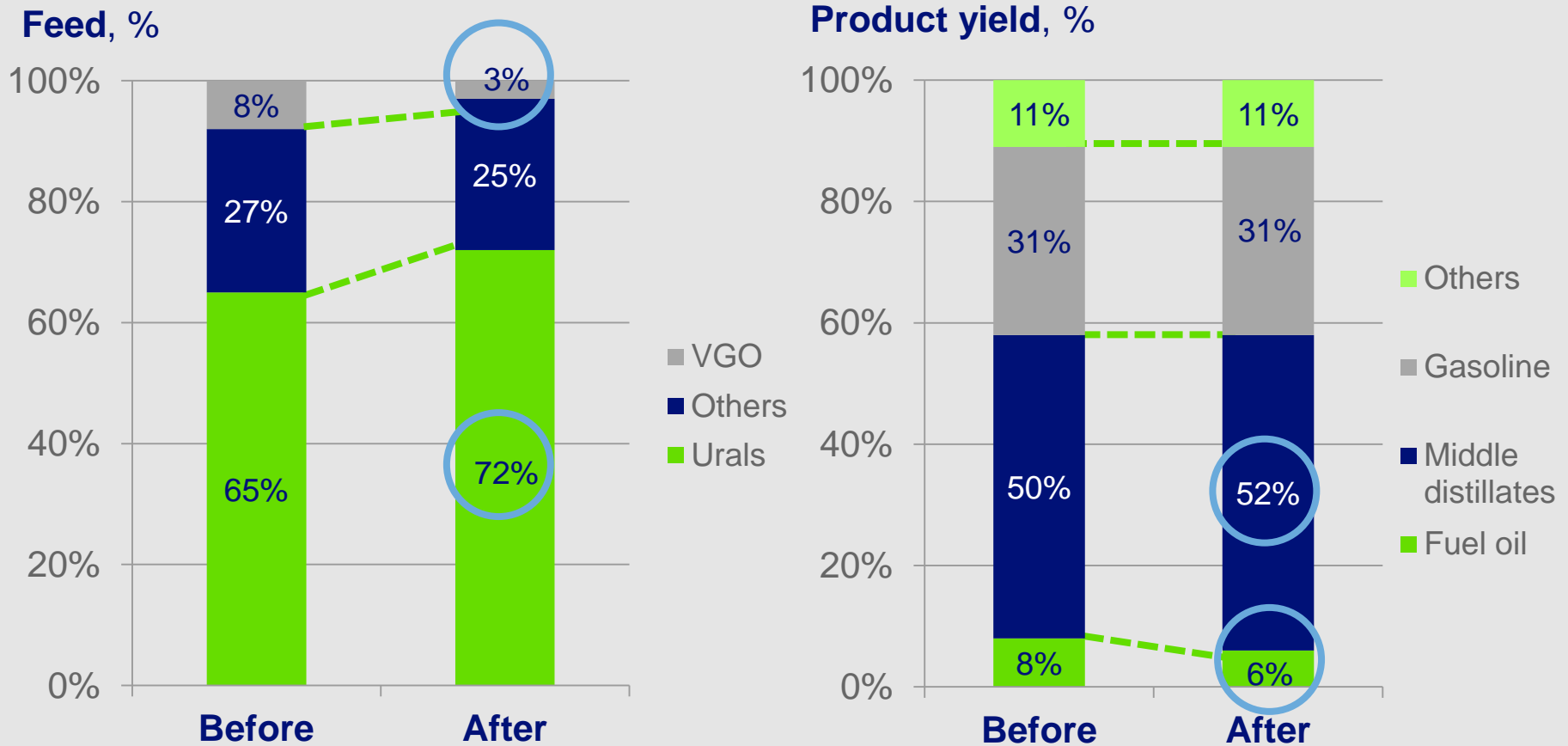
- Closing of some process units
- Increasing feedstock transfers to Porvoo
- Lower operating costs

## SDA investment at Porvoo (Pretreatment unit for PL4)

- Higher conversion ratio and longer turnaround cycle in PL4
- Reduced need of VGO imports
- Reduced heavy fuel oil output
- Increased crude flexibility

# Asset development program enables a step change in feedstock flexibility and conversion

Feedstock and product balance in a typical market before and after announced investments



# Asset development program also focuses on optimization of capital employed

## Outsourcing or divesting non-core assets

### Outsourcing of shipping

- Outsourcing of strategic shipping fleet mid-2014
- Ship divestment program completed mid-2015

### Outsourcing of selected utility infrastructure

- Porvoo electricity grid sold to InfraVia in Q1/2015
- Outsourcing of 100 MEUR hydrogen unit investment - over-the fence agreement with Aga-Linde in Q2/2014

### Outsourcing of power plant modernization to JV

- Project targeted to be implemented as JV with Borealis and Veolia with expected investment >300 MEUR

## Rigorous management of maintenance capex

### Capex prioritization process implemented

Targeting to reduce baseload maintenance capex by 5% over the maintenance cycle

# Customer focus drives profit growth

**Focus on key customers**

**Differentiated offering combining fossil and renewable products and related services**

**Focus on growth opportunities**

- Biomandate growth
- Premium products
- Low-sulphur marine fuels

**Close cooperation between business areas to enable value chain optimization**



# Baltic Sea champion

Oil Retail – Becoming the customers' preferred choice



# Baltic Sea champion - Our ambition

**Leading provider of low carbon solutions  
in the Baltic Sea markets**



Value growth by  
stepping up operational  
performance and  
refinery asset  
productivity

Customers' preferred  
choice with unique  
offering of fossil and  
renewable solutions

# Delivering on targets

Fast and convenient customer experience

- Logistics renewal resulted in significant cost savings from mid-2015
- Backcourt development project started in Finland, roll-out in 2016-17

Superior sales and marketing

- New organizational structure from April to serve customers better in all markets
- New customer acquisition model in use since February 2015; 1000 new SME customers

Stronger network

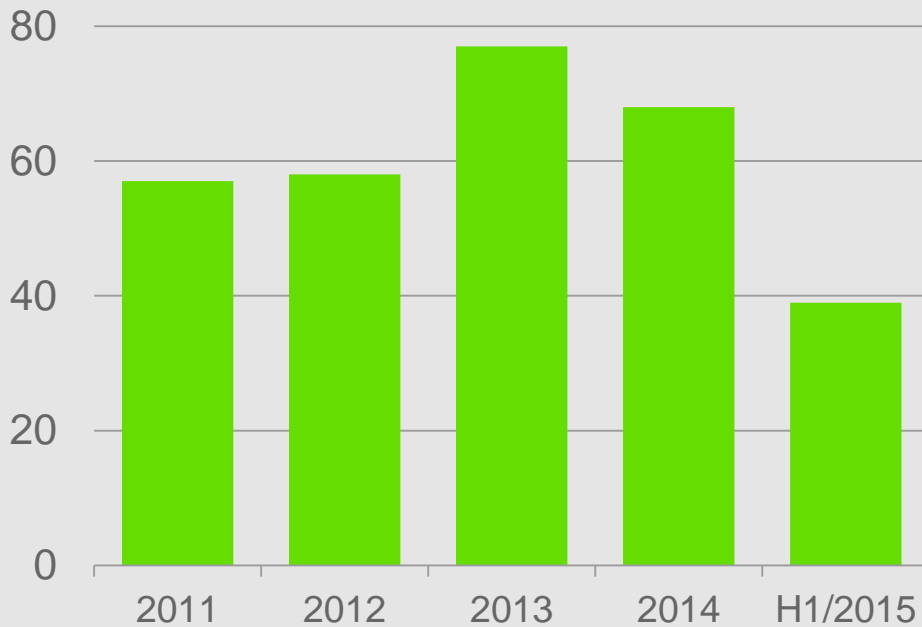
- Network investment continuing; several new stations opened in 2015
- Pipeline created to manage strategic network portfolio

Maximizing captivity

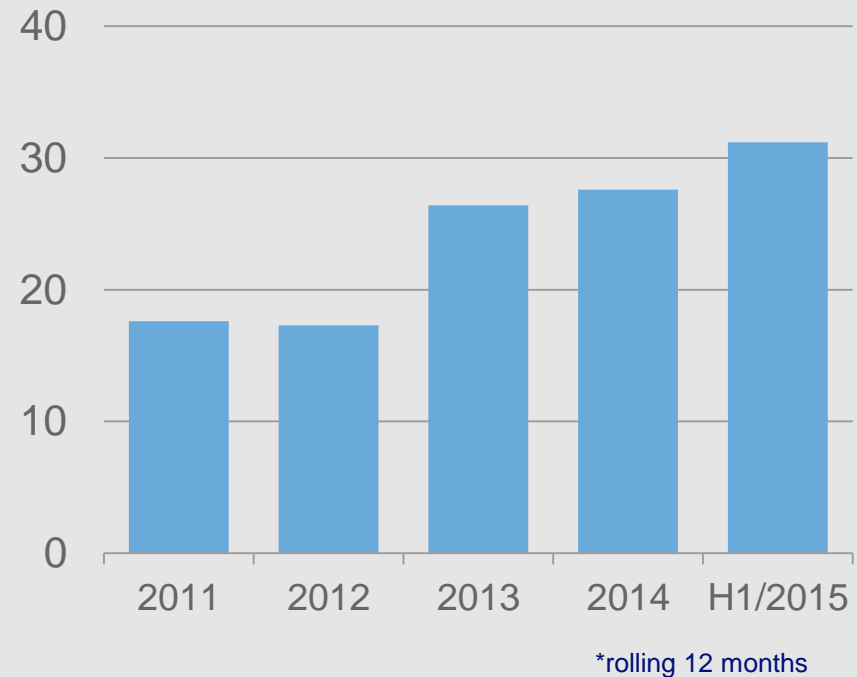
- Very good progress in captive sales in the Baltics
- New bunker business opened successfully from the beginning of 2015

# High returns on light assets

**Comparable EBIT, MEUR**



**Comparable RONA\*, %**



# Diesel-driven market growth

## Finland

- Overall road transportation remains flat
- Longer term growth in diesel
- Tight pricing continues in both B2B and B2C

## Russia

- Current sluggish economy effects demand
- Volatile ruble

## Baltics

- Good GDP growth has positive impact on demand
- Upward trend in diesel
- Changes in competitor structure

# Focusing on strategy implementation

Continuous network development, active sales, and targeted marketing

Growing captive volumes and optimized group value creation

Differentiation through premium product development

Leading brand position in Northwest Russia

Strong offering with renewed backcourt concept

Taking full advantage of bunker market potential

# Well on track with Baltic Sea champion strategy



Performance improvement and asset development

Baltic Sea market position development

Maximizing value chain potential

A decorative graphic in the top right corner consists of several overlapping circles in shades of green and blue. One of the larger circles contains a photograph of a rural landscape with a road, a fence, and rolling hills under a clear sky.

# Global renewable growth

Kaisa Hietala, EVP, Renewable Products

Tuomas Hyyryläinen, SVP, Strategy and New Ventures

# Global renewable growth - Our ambition

**Growth in global renewable feedstock-based markets**

```
graph TD; A[Growth in global renewable feedstock-based markets] --> B[Maintain global leadership in renewable diesel market]; A --> C[Develop significant business from non-traffic fuel markets by end of the decade];
```

Maintain global leadership  
in renewable diesel  
market

Develop significant  
business from non-traffic  
fuel markets by end of the  
decade



# Competitive advantage through unique value chain

**Flexible  
feedstock  
supply**

**Global supply  
chain**

**Drop-in  
solutions for  
customers**

# Delivering on targets

## Feedstock flexibility

- Share of waste and residues increased to 67% in Q2 2015
- 100% waste and residue technical processing capability in place

## Productivity growth

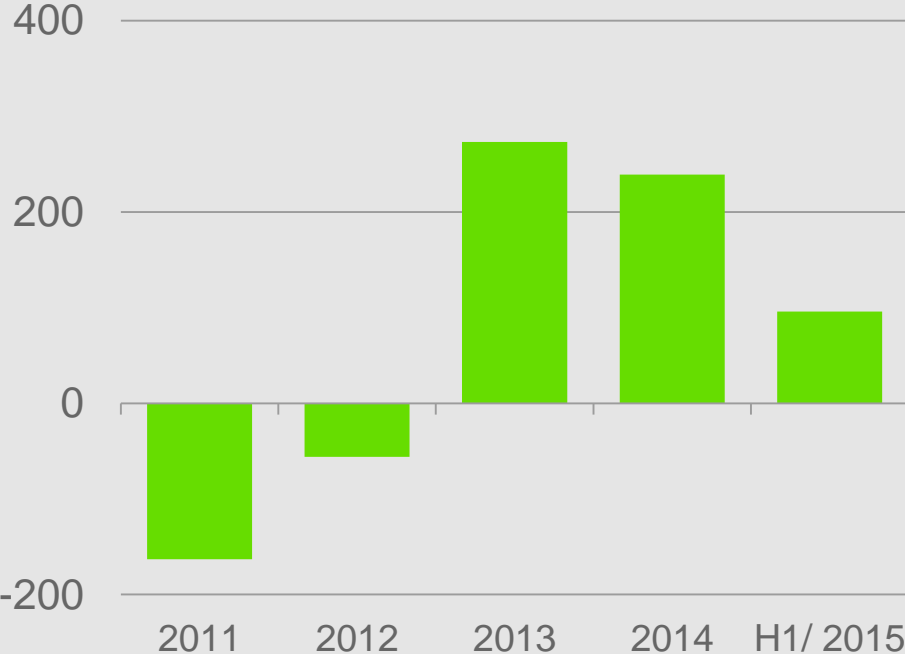
- Capacity upgraded to 2.4 million tons
- First major turnaround successfully carried out in Singapore

## Product value maximization

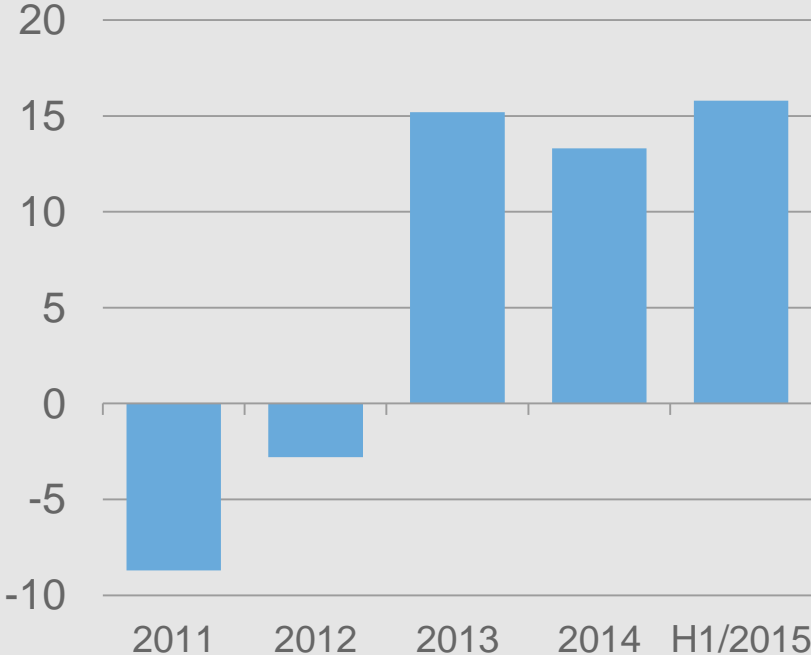
- New markets opened, such as Norway and UK
- New customer segments developed, e.g. City of San Francisco, Google and, UPS
- Construction of Bio-LPG unit progressing in Rotterdam

# Solid business profitability

### Comparable EBIT, MEUR



### Comparable RONA\*, %



\* rolling 12 months

# Positive progress in biofuel markets

Overcapacity in first generation biodiesel remains

Feedstock price volatility continues

Protectionism impacting free trade of biofuels

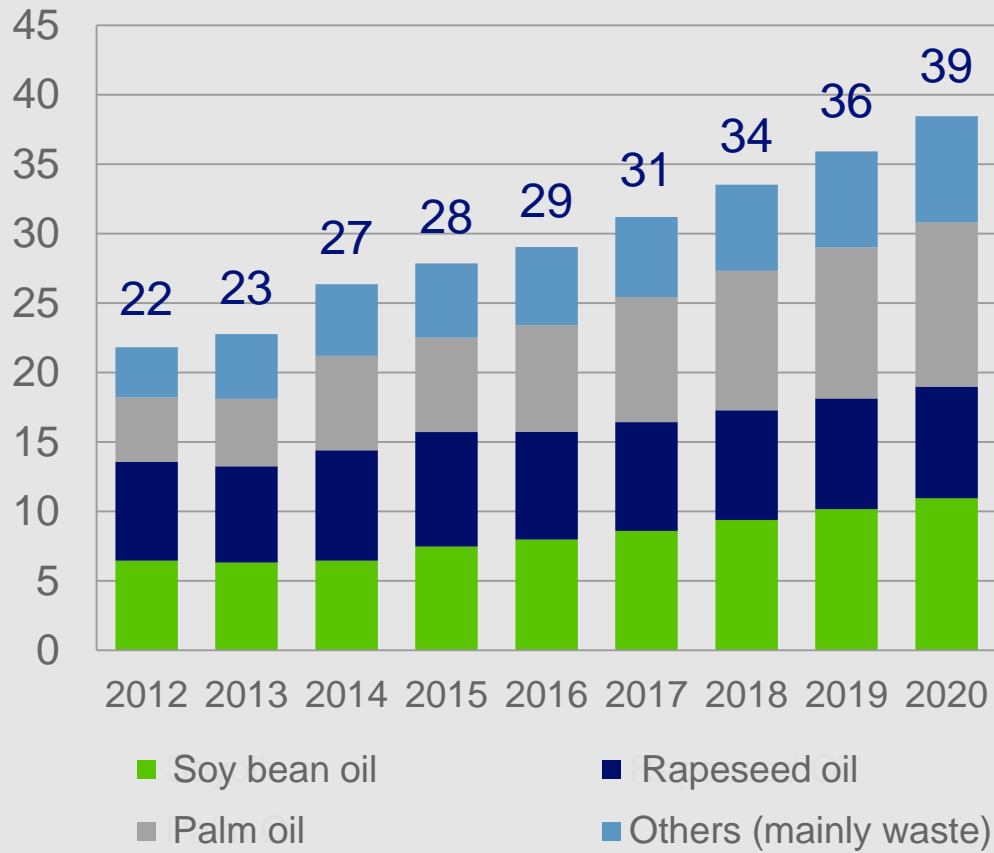
Positive regulatory developments in key markets

100% pure HVO gaining more approvals and winning markets

GHG criteria widely introduced for new segments like municipality fleets

# Vegetable oils dominating global biodiesel feedstock pool

World biodiesel production by feedstock, Mton/a

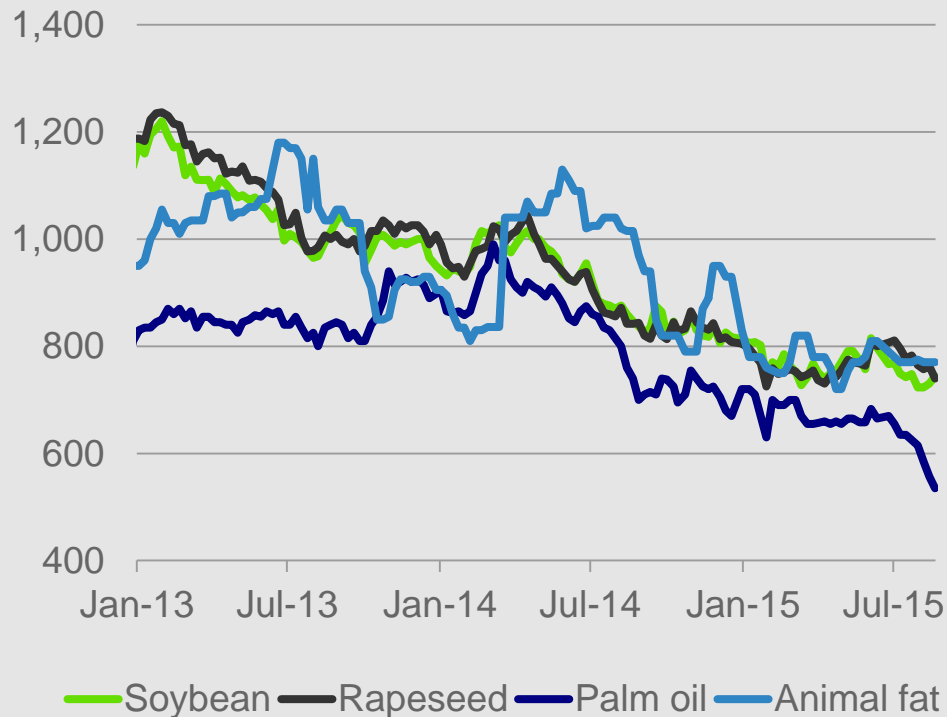


- Soybean oil mainly used in North America, rapeseed oil in Europe
- Crude palm oil growth primarily in Asia
- In EU crop feedstock based biodiesel to be capped at 7%
- Share of waste and residues gradually growing

Sources: LMC, USDA, Neste estimate

# Feedstock price volatility continues

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

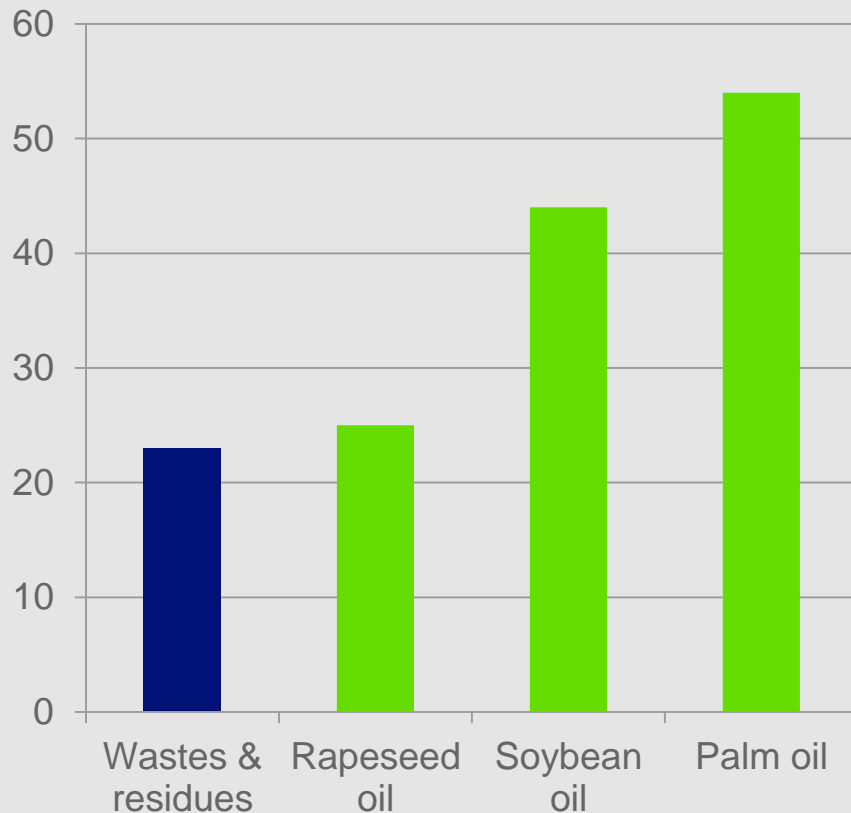


\* Including \$70/ton freight

- Vegetable oil prices often move as one complex
- Food demand and oleochemical use driving longer term price trends
- Regional weather patterns and crop outlooks cause global price volatility
- Oil price development sets limits for palm oil and animal fat use for energy

# Waste and residues availability supports Neste's feedstock strategy

Global feedstock availability, Mton/a

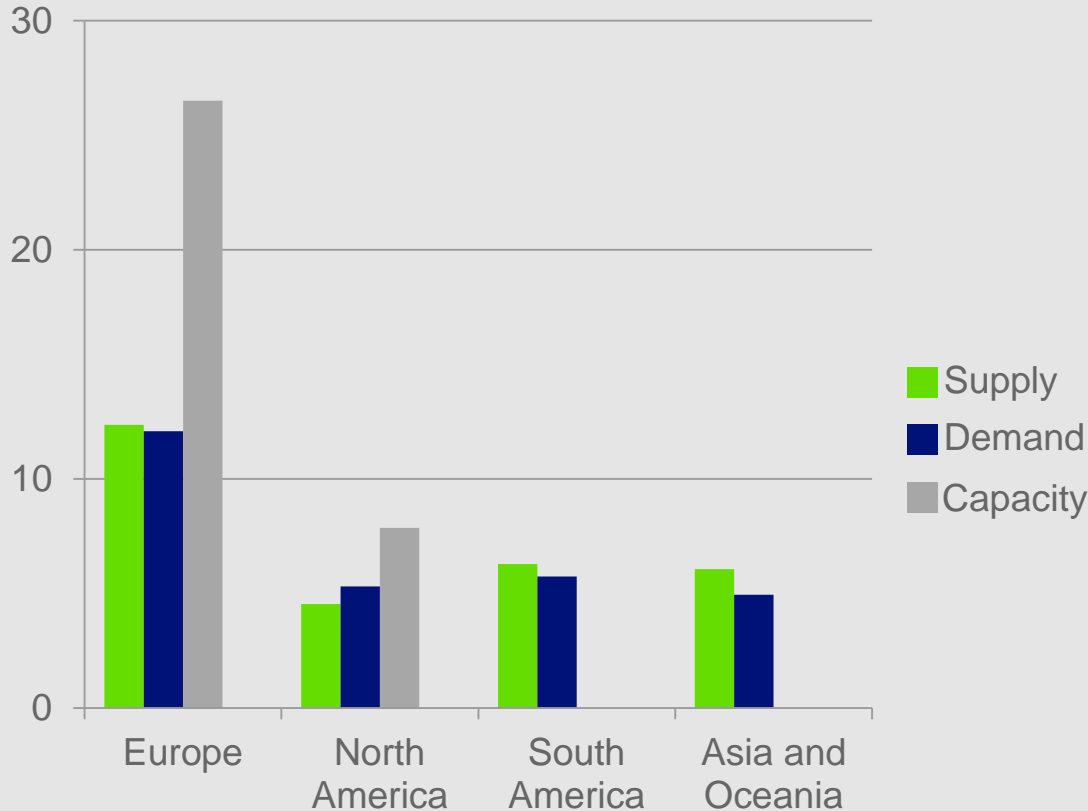


- Currently waste and residue volumes suitable for Neste approx. 20 million tons
- Increasing availability further by expanding processing capability towards lower quality waste and residue
- Latest additions to Neste's waste and residue pool are used cooking oils, low-quality animal fats, and sludge oils

Sources: IMCD, Oil World, Ecofys, Neste estimates

# Global biodiesel demand and supply in balance

**Biodiesel demand, supply, and capacity 2015,**  
million tons



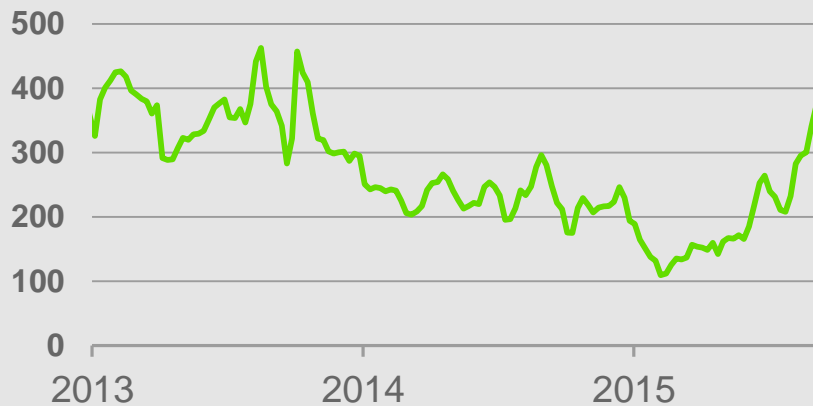
Sources: Licht, EIA, Eurostat, Kingsman

- EU biodiesel production capacity 26 Mton/a; utilization rate 45-50% in 2015
- US biodiesel production capacity 7 Mton/a; utilization rate approx. 70% in 2015
- Biodiesel utilization rates trending up as demand increases
- Consolidation and closures over the past years have reduced real capacity

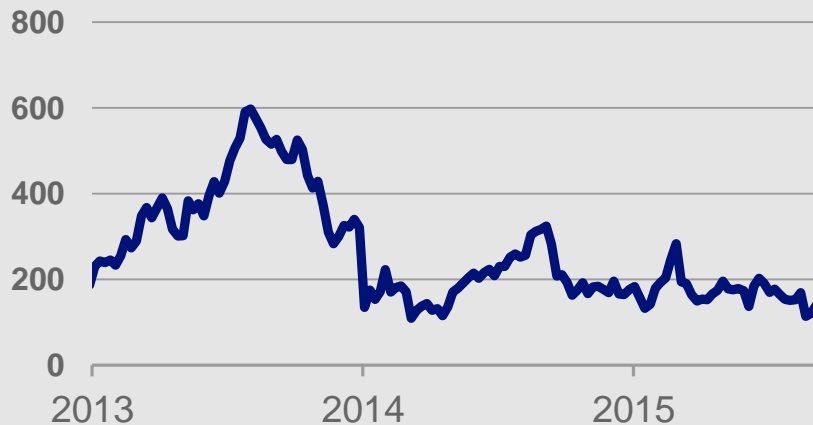


# Reference margins have room for improvement

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



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



- Feedstock price volatility and feedstock availability impact margins
- Difference between summer and winter biodiesel grades creates seasonal volatility in Europe
- Integrated animal feed producers and independent biodiesel producers have different economics
- US Blender's Tax Credit (BTC) is an additional margin element (on-off)

# Positive development in regulation

## US

### Regulation up to 2017

- EPA's proposal for biomass-based diesel 1.6 Bgal in 2014 with 0.1 Bgal annual growth until 2017
- Reintroduction of BTC uncertain

### Longer term outlook

- RFS targets firmly in place until 2022
- State policies and incentives, especially in California, expected to have more significance

## EUROPE

### Regulation up to 2020

- 10% overall target firmly in place
- Final ILUC directive agreed in April 2015 – 7% cap for crop-based biofuels

### Longer term outlook

- EU committed to 40% GHG reduction and renewable energy target of 27% by 2030

# Emerging local competition provides further support for biofuels

## Emerging HVO competitors

### ENI

- Conversion of Venice refinery to HVO production plant completed in 2014
- Planned conversion of Gela refinery to HVO production plant



### TOTAL

- Conversion of La Mede refinery to HVO production by 2017
- Conversion of Dunkirk refinery by 2017 (not HVO)



### PREEM

- Plan to double biofuel production in 2015



### UPM

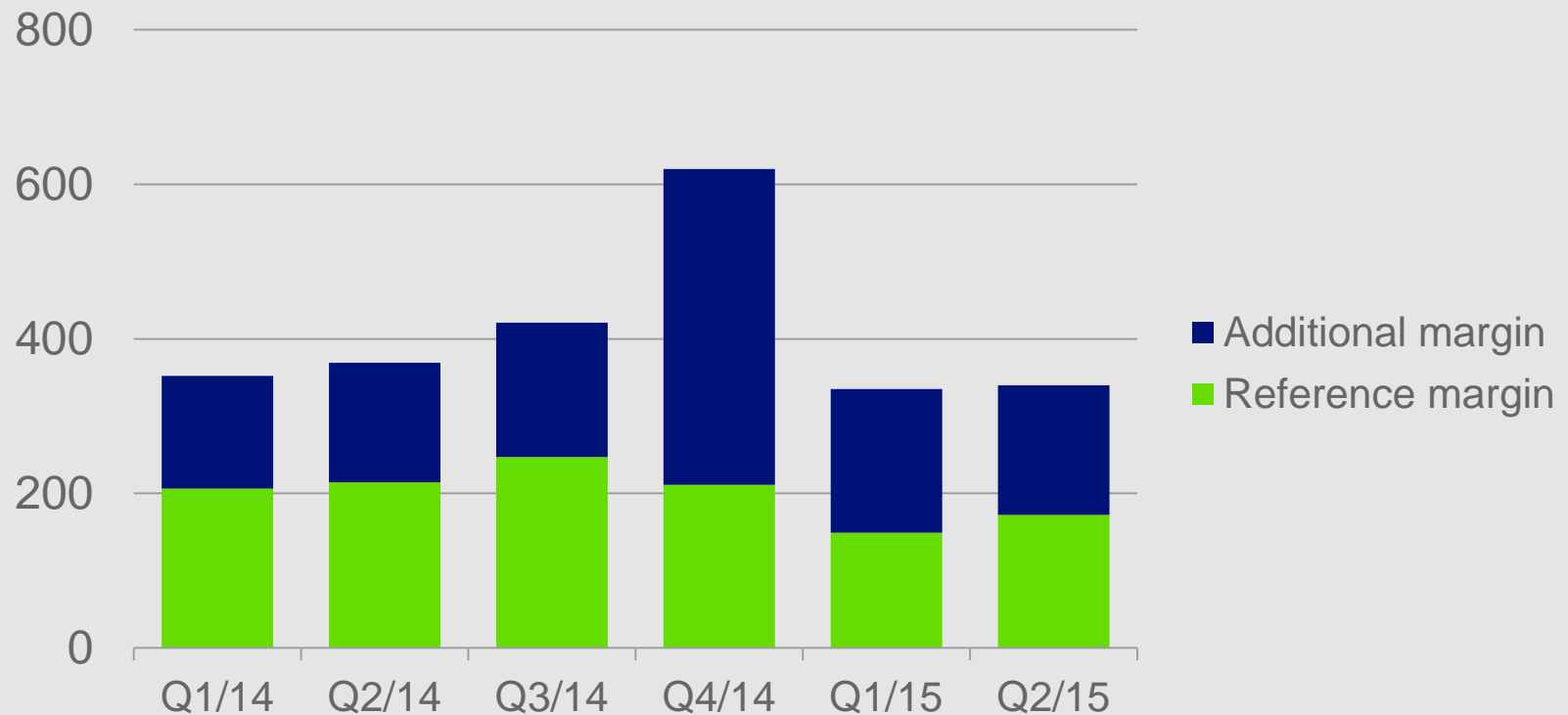
- Commercial production of HVO from tall oil in Finland since Q1/2015



Total potential capacity approx. 2 Mton/a

# Leveraging global platform for strong additional margin

Renewable Products margins, USD/ ton



# Driving additional margin increase

**Feedstock flexibility**

**Productivity growth**

**Product value maximization**

Expand feedstock mix to even lower grades of waste and residues e.g. animal fats

Increase production capacity to 2.6 million tons by 2017

Further expand to new customer segments e.g. fleets, municipalities, and aviation

# Most potential long-term opportunities in traffic fuels

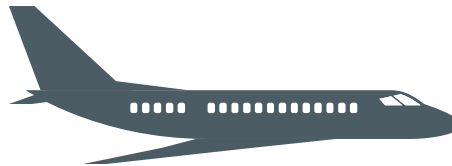
## Heavy traffic

- Diesel not easily replaced with electric vehicles, particularly in long haul fleets
- Standardization of paraffinic fuels will increase potential for 100% and other high blends



## Aviation

- Aviation expected to grow significantly and the industry is committed to GHG reduction targets
- Biodiesel not feasible in aviation
- Global jet fuel market 260 Mton/a in 2014



## Military use

- Requirement for long shelf-life beneficial for HVO relative to biodiesel
- Strong security of supply argument
- E.g. US has ambitious targets for bio in military use



# New high value adding go-to-market models

## Retailers and distributors

- 100% HVO diesel available under customers' own brands in selected European markets, such as Austria and Sweden, as well as in California

## Fleets and municipalities

- NEXBTL offers significant GHG reduction opportunities for fleets and municipalities
- UPS, Google, and City of San Francisco have chosen renewable diesel



# Global renewable growth - Our ambition

**Growth in global renewable feedstock-based markets**

```
graph TD; A["Growth in global renewable feedstock-based markets"] --> B["Maintain global leadership in renewable diesel market"]; A --> C["Develop significant business from non-traffic fuel markets by end of the decade"];
```

Maintain global leadership  
in renewable diesel  
market

Develop significant  
business from non-traffic  
fuel markets by end of the  
decade

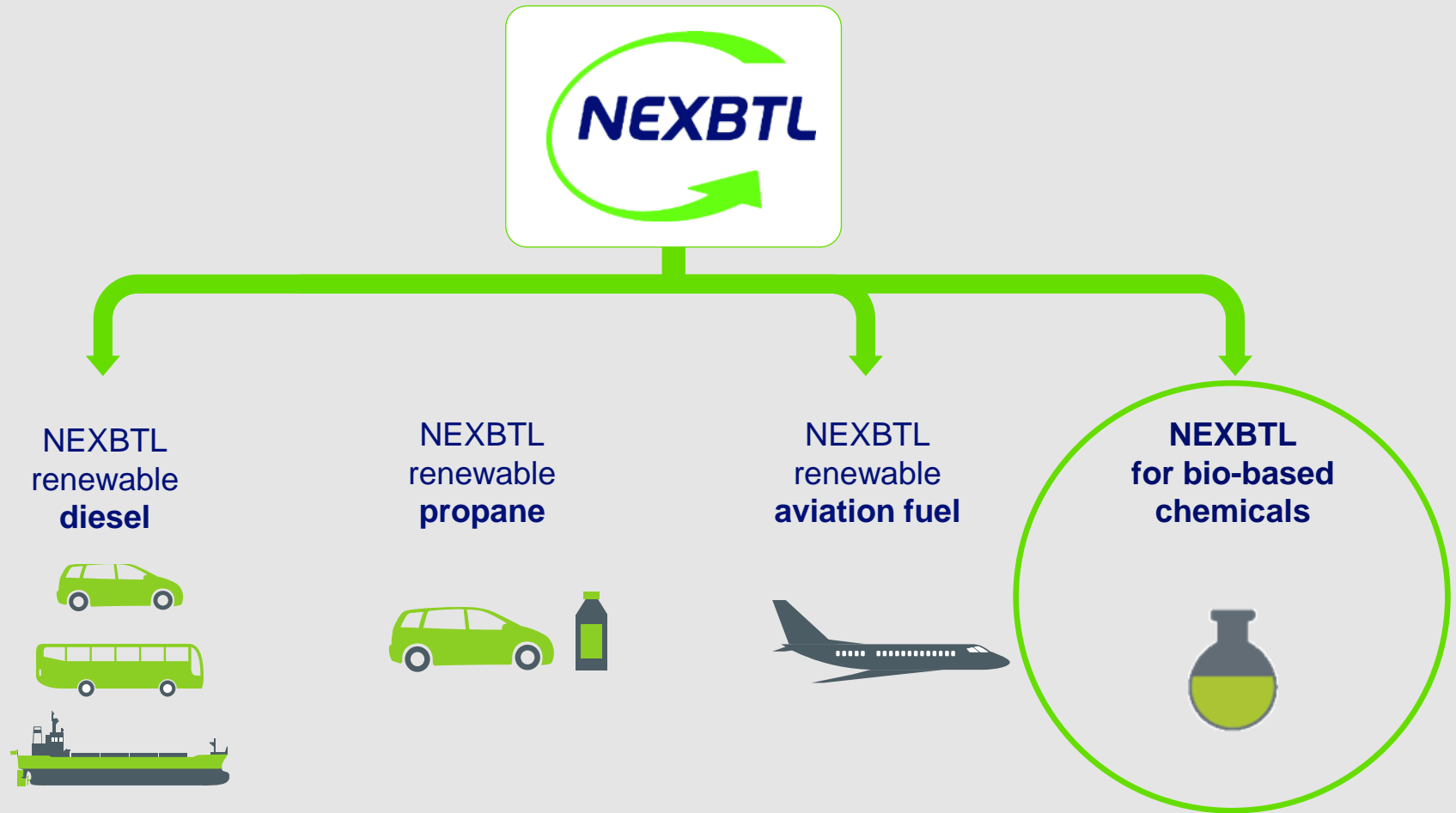




# Growth outside traffic fuels

Tuomas Hyyryläinen,  
SVP, Strategy and New Ventures

# Ambition to grow in bio-based chemicals, distillates, and plastics

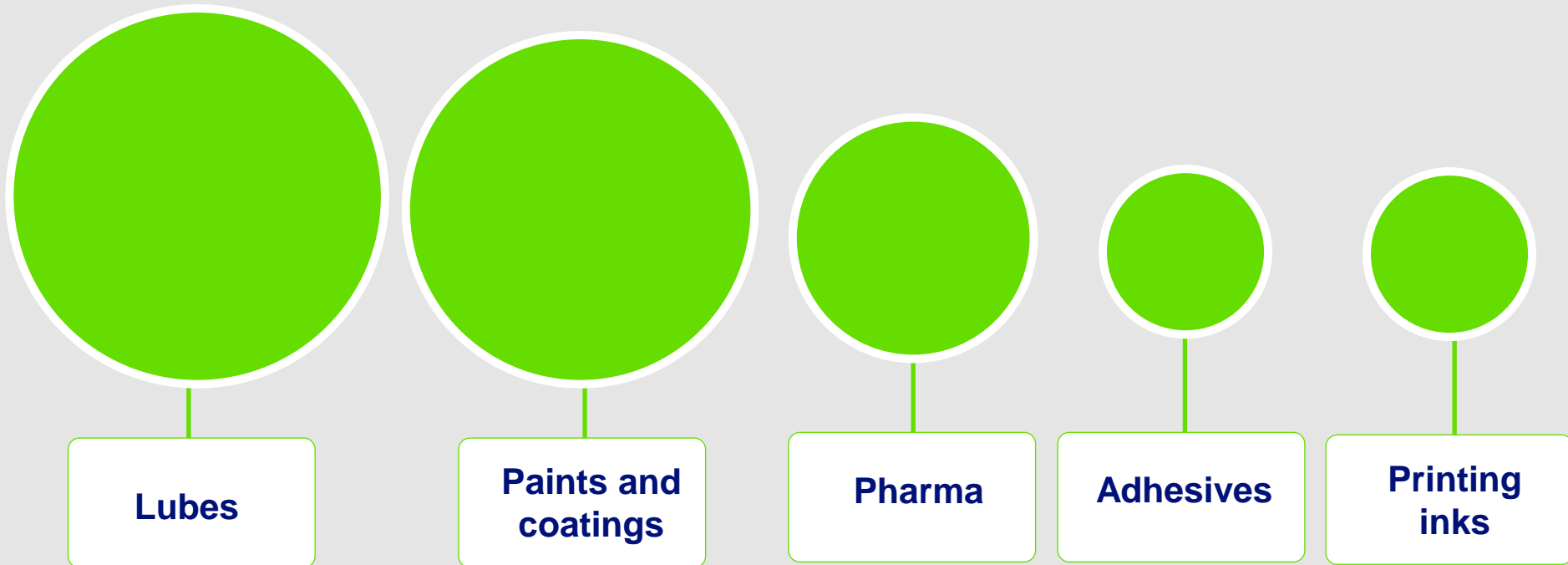


# Idea of 'drop-in' turned into another sound business opportunity

9 billion  
USD

Bio-solvents market is expected to reach USD 9 billion and over 3 million tons by 2020.

# Addressing the biggest value-adding applications with distinct advantages



# Two major partnerships announced in bio-based solvents and technical fluids

## Neste and HCS Group to form an extensive partnership for renewable distillates

17 JUNE 2015 **RELEASES AND NEWS**

Neste and HCS Group to form an extensive partnership for renewable distillates

Neste Corporation  
Press Release  
17 June 2015 at 3:00 pm (EET)

**Neste and HCS Group to form an extensive partnership for renewable distillates**



## Neste and Total Fluides to cooperate on bio-based solvents and technical fluids

09 JUNE 2015 **RELEASES AND NEWS**

Neste and Total Fluides to cooperate on bio-based solvents and technical fluids

Neste Corporation  
Press release  
9 June 2015 at 11:30 a.m. (EET)

**Neste and Total Fluides to cooperate on bio-based solvents and technical fluids**

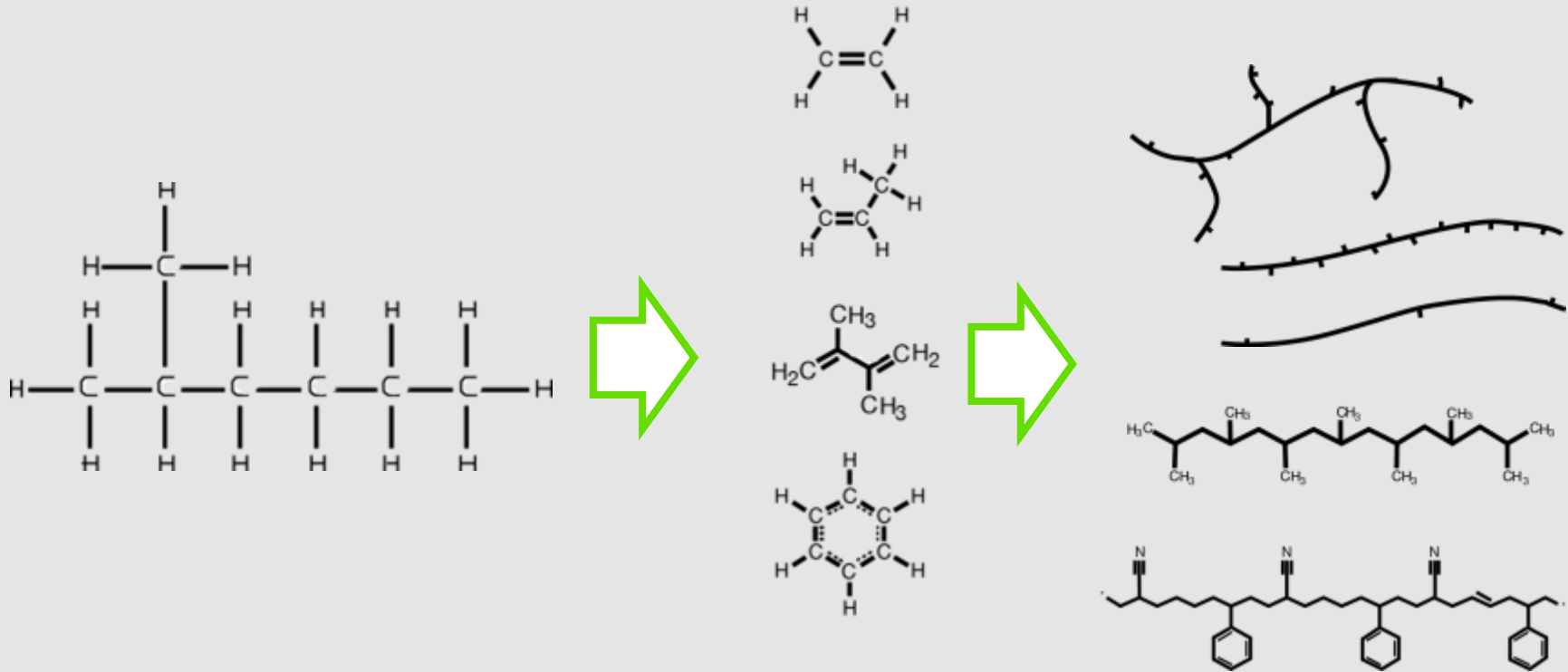



# Significant business potential in bioplastics when done right

10  
billion  
USD

Market size of selected biopolymer application areas by 2018

# Solution to make biopolymer that is identical to fossil polymers






Plastic has become  
a symbol of waste.

When people talk about plastic they talk about a cheap, throwaway culture of waste.



An ostrich is shown in profile, standing on a sandy dune. The ostrich has black feathers on its body and neck, with white feathers on its head and neck. Its long, pinkish legs are visible. The background consists of rolling sand dunes under a clear blue sky.

Major actions  
are necessary  
to make our  
resources last  
in the future

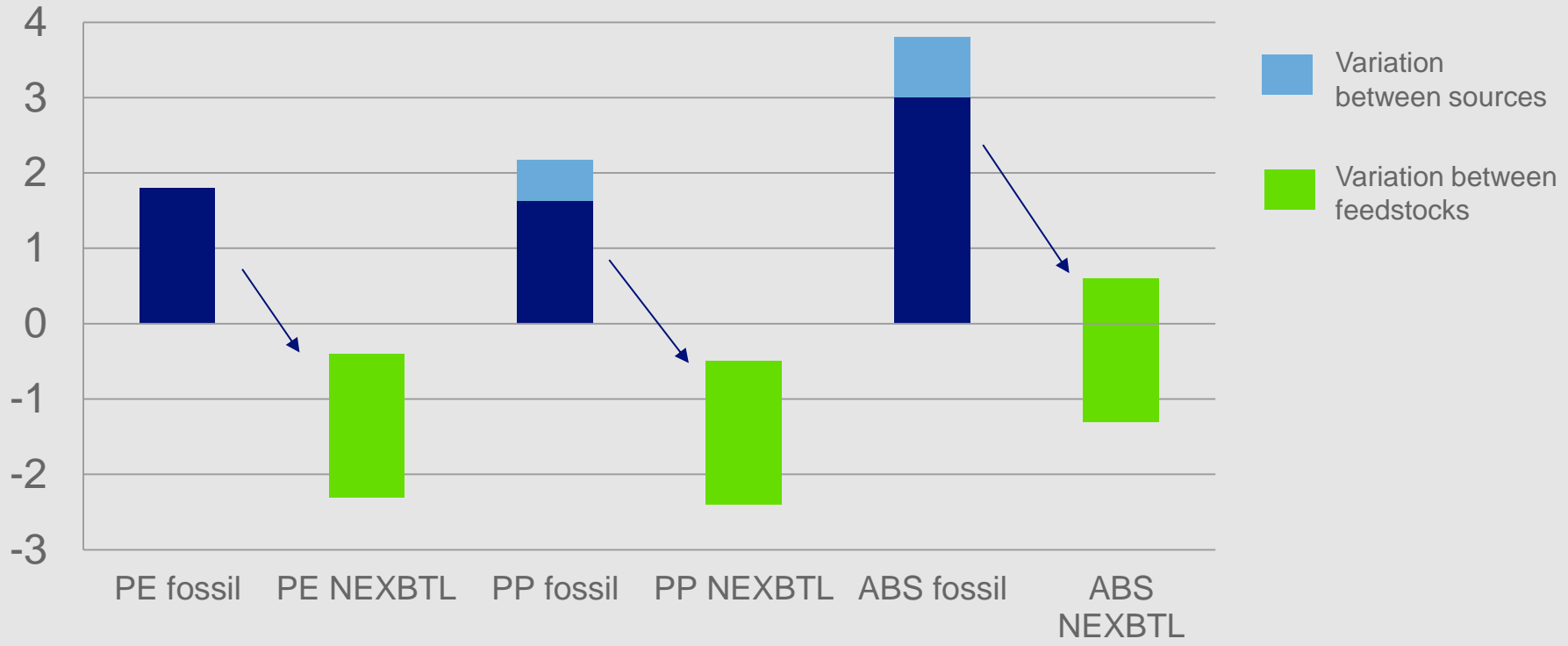


Our solution is easy to integrate into existing operations.

What we offer would not require changes to the existing equipment or add complexity to process.

# Global warming potential of polymers can be clearly reduced

Global warming potential (GWP) 100 for selected polymers, kgCO<sub>2e</sub>/kg



\*Calculated based on average data

# New business model for Neste



Entering  
non-regulated  
markets

Enhanced  
continuity  
through  
cooperation  
with  
customers

Create  
optionality for  
NEXBTL  
volumes for  
future growth

Partnerships  
with leading  
brand owners

# Making new applications a significant part of our renewables business

A close-up photograph of a person wearing a white lab coat. They are using a pipette to transfer a clear liquid into a silver metal canister. The background is a blurred wooden surface.

**20% by 2020**

# Global renewable growth

Capability to  
use high share  
of waste and  
residue  
feedstocks

Capacity  
increase

Expanding to  
new drop-in  
solutions

**Targeting to generate additional 100 MEUR EBIT by 2020**

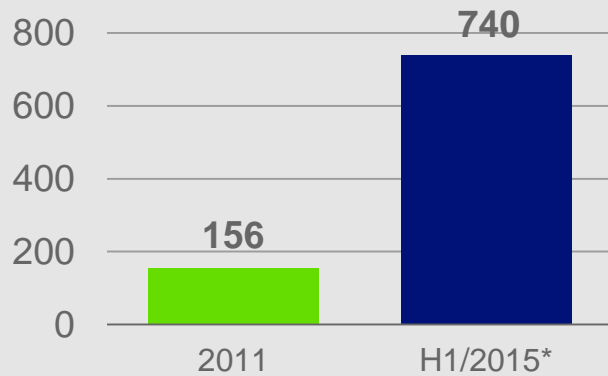


# Healthy financials supporting growth ambition

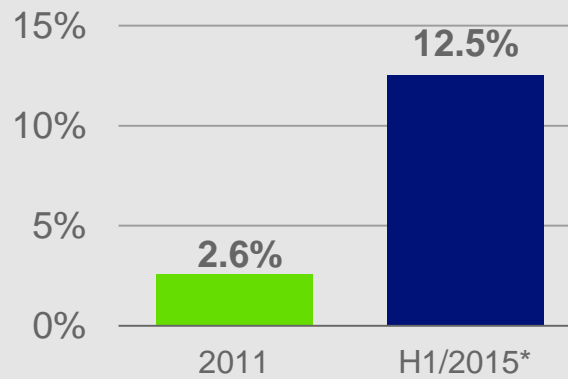
Jyrki Mäki-Kala, CFO

# Visible improvement in financial performance

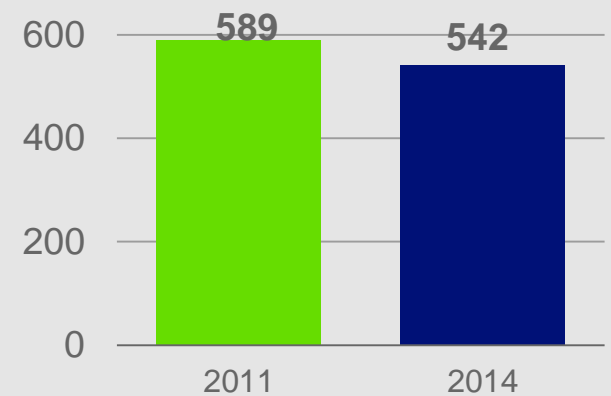
### Comparable EBIT, MEUR



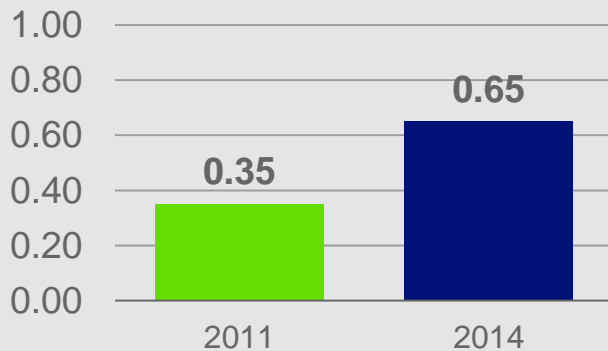
### ROACE, %



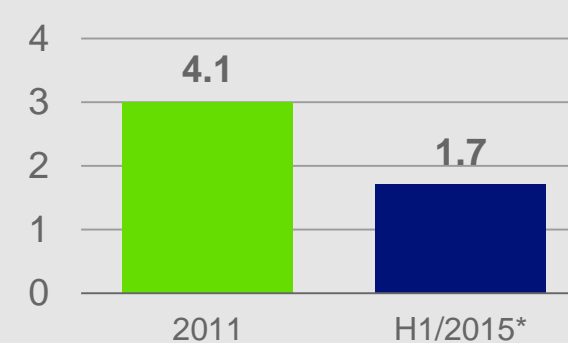
### Net working capital, MEUR



### Dividend per share, EUR



### Net debt/ Comparable EBITDA



\* rolling 12 months

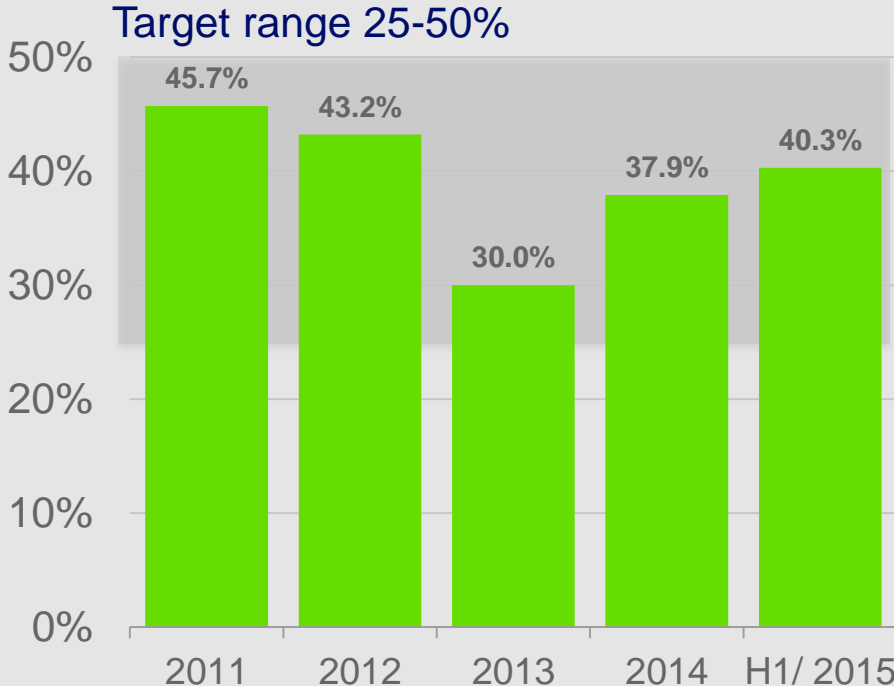


# Quantum leap in ROACE

**ROACE, %**



**Leverage, %**



\* rolling 12 months

# Profitability improvement shown clearly in ROACE change

Change in ROACE between 2011 – H1 2015



# On track to reach 15% ROACE target

## Areas of improvement

- Growth in all businesses
- Performance improvement in all areas
- Continuous working capital management
- Focused capital expenditures
- Fixed asset management



## Progress in last 12 months

- Capacity creep in Renewable Products, isomerization and long-term asset development in Oil Products
- Lower fixed costs, ERP decision
- Higher additional margins
- Stable net working capital and inventory management
- One Refinery Concept introduced
- Porvoo major turnaround 2015
- Asset restructuring; outsourcing of shipping, Porvoo electricity grid, power plant, and new hydrogen unit

# Key topics on CFO's agenda

## Focused performance management

- Capex with good returns
- Fixed costs management
- Process development (ERP)

## Strong balance sheet

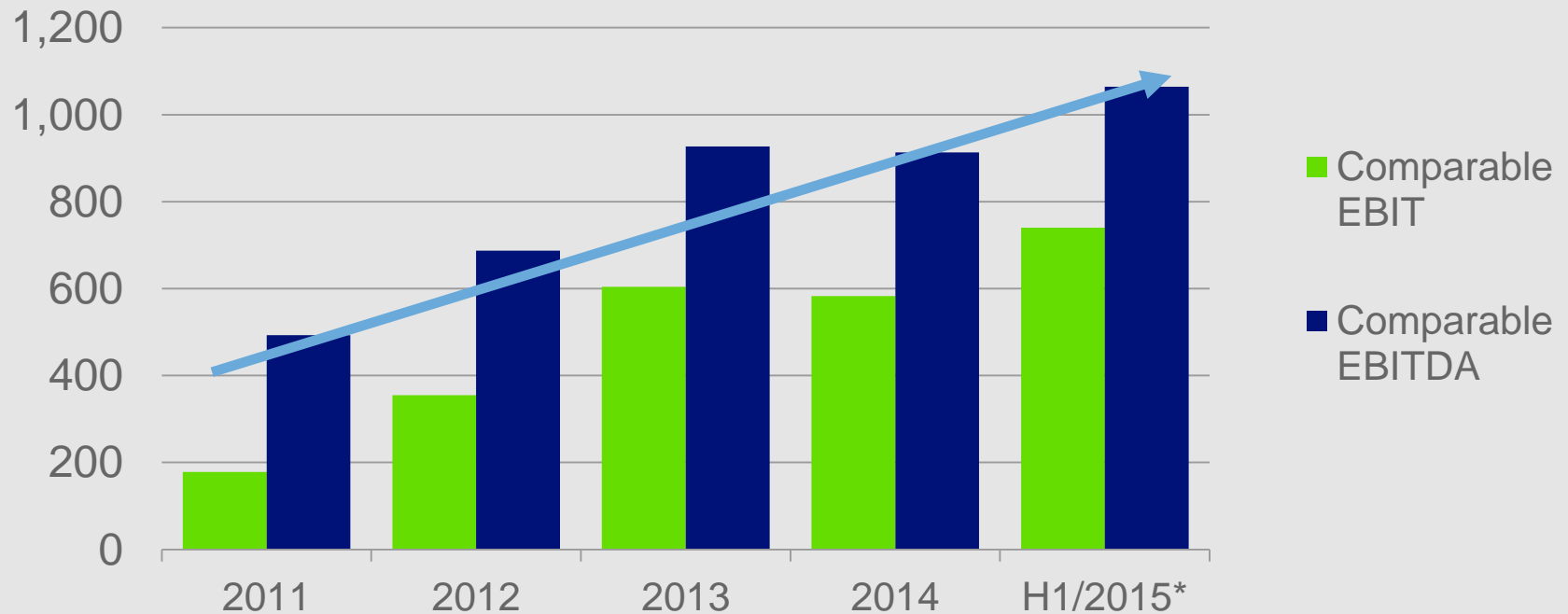
- Net working capital management
- Capex management
- Asset restructuring

## Solid free cash flow

- P&L and capital employed management
- Tax management
- Optimal debt structure

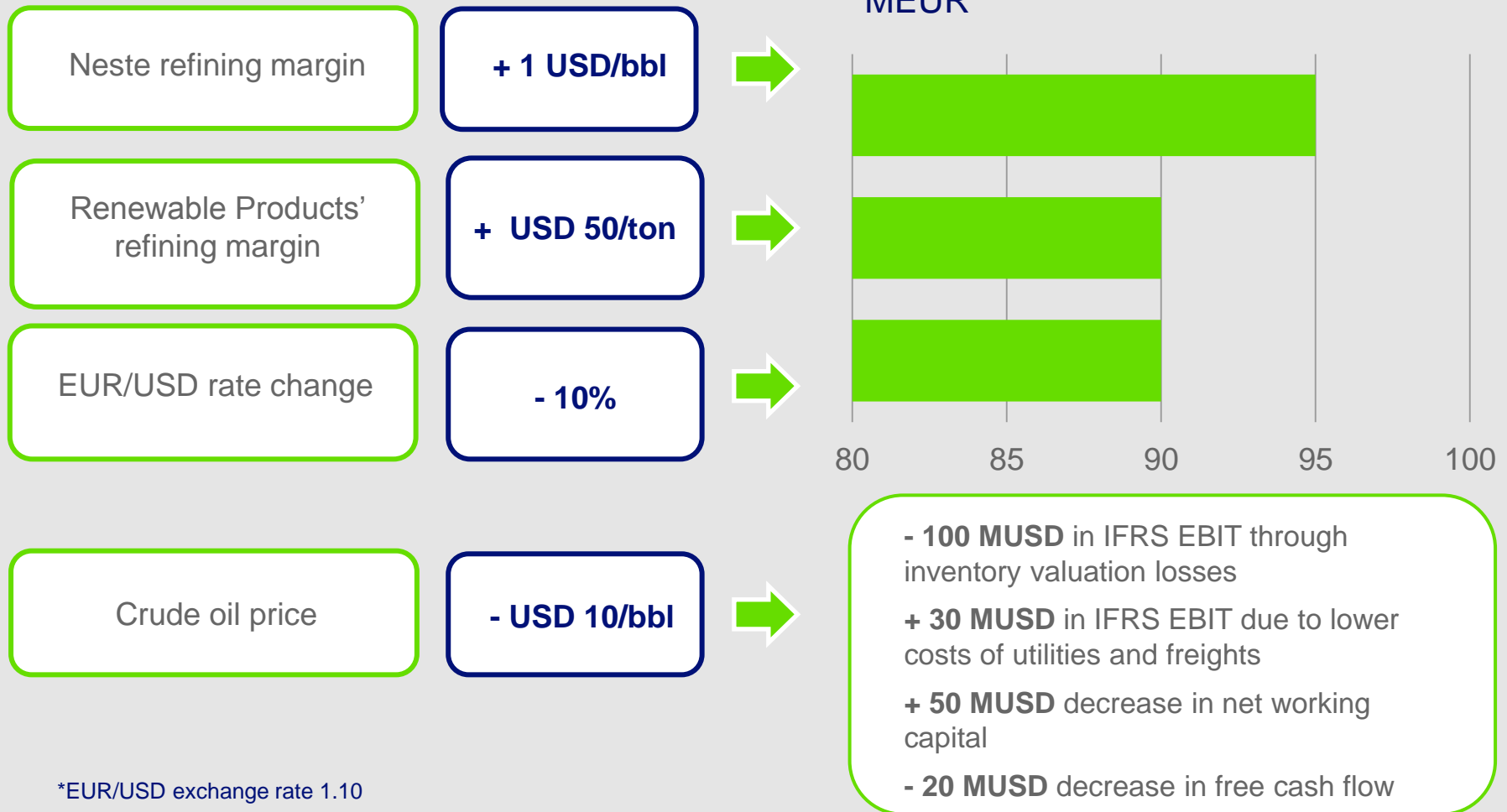
# Strong EBITDA providing basis for good cash flow

## Comparable EBITDA and EBIT, MEUR



\* rolling 12 months as of 30 June 2015

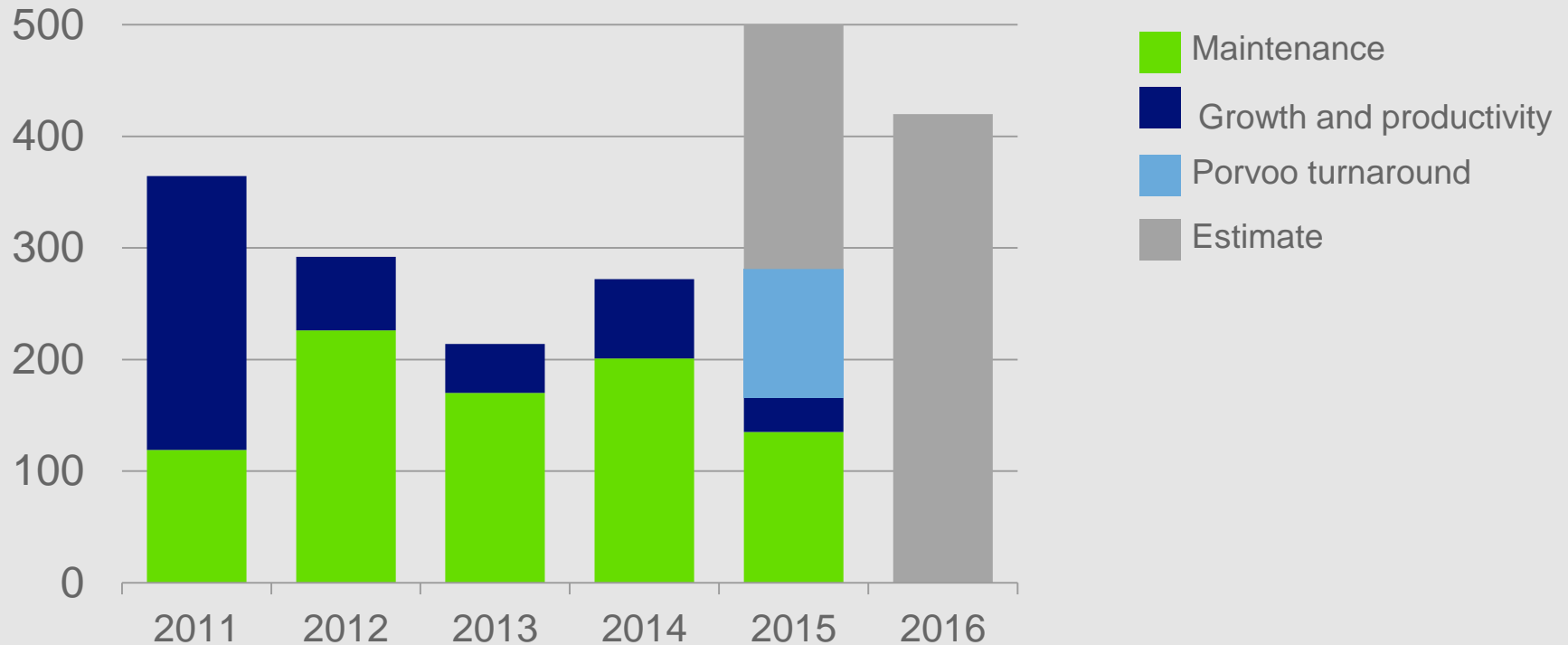
# Sensitivity impact on EBIT



\*EUR/USD exchange rate 1.10

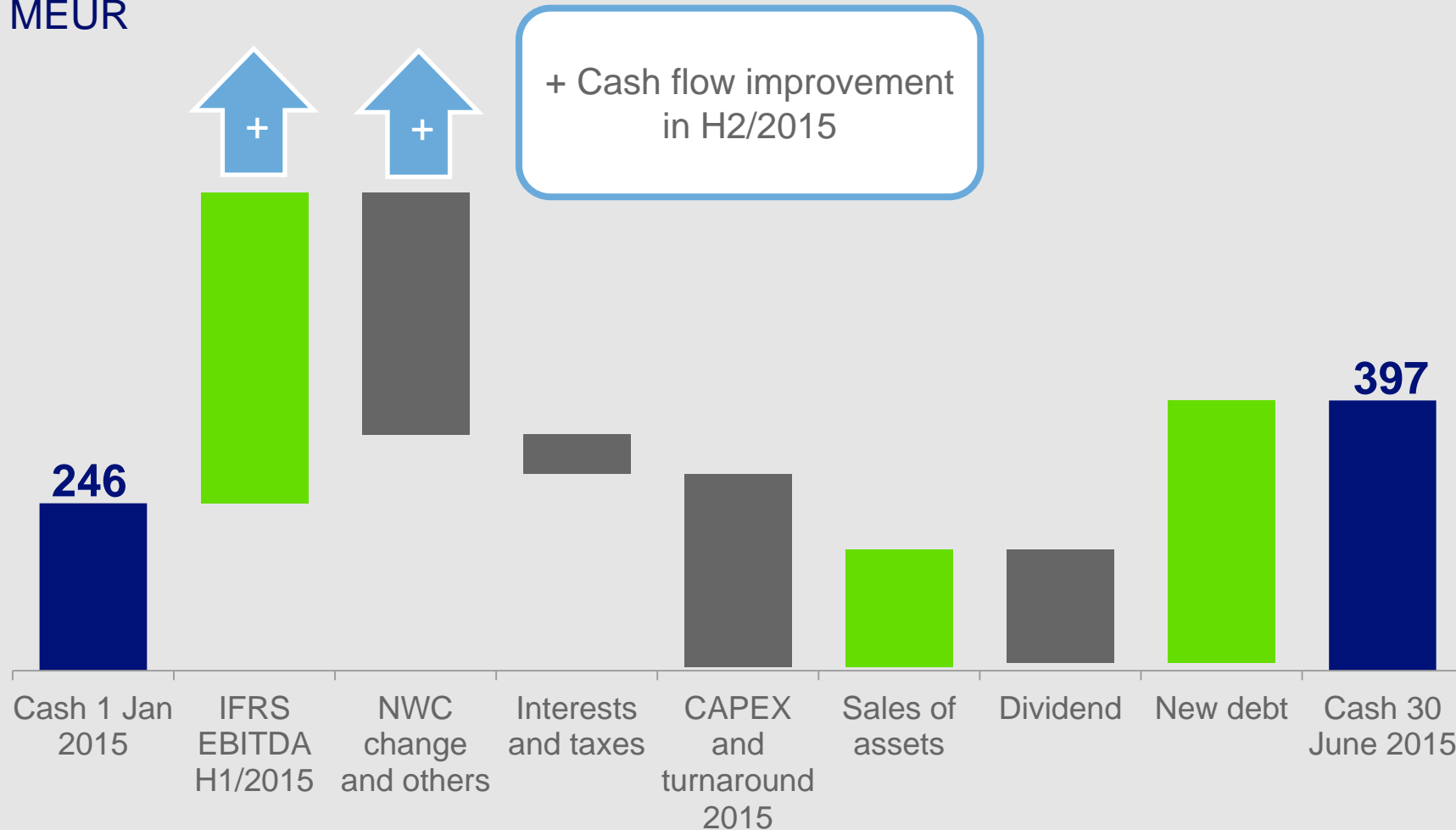
# Near-term investments focusing on growth and productivity

## Capex, MEUR



# Expecting stronger cash flow for second half of 2015

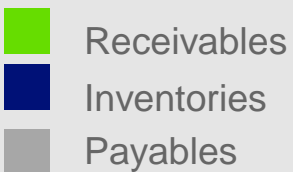
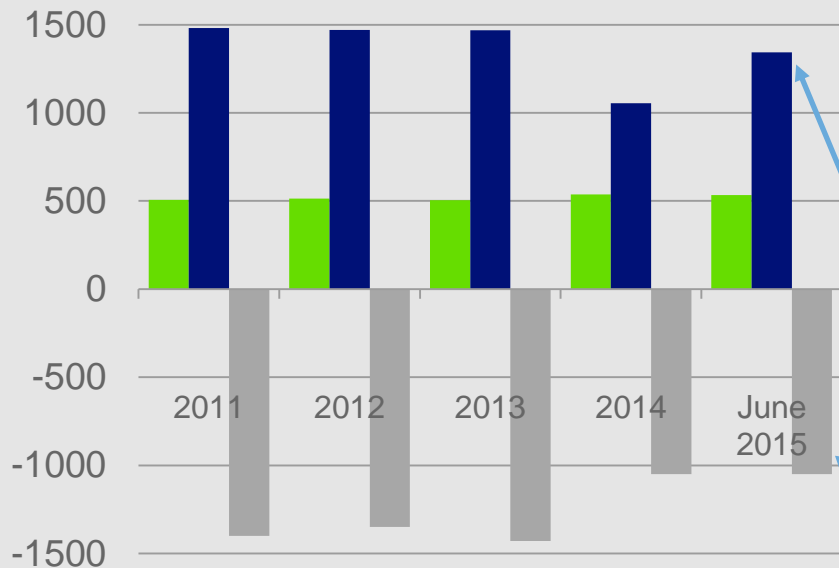
MEUR



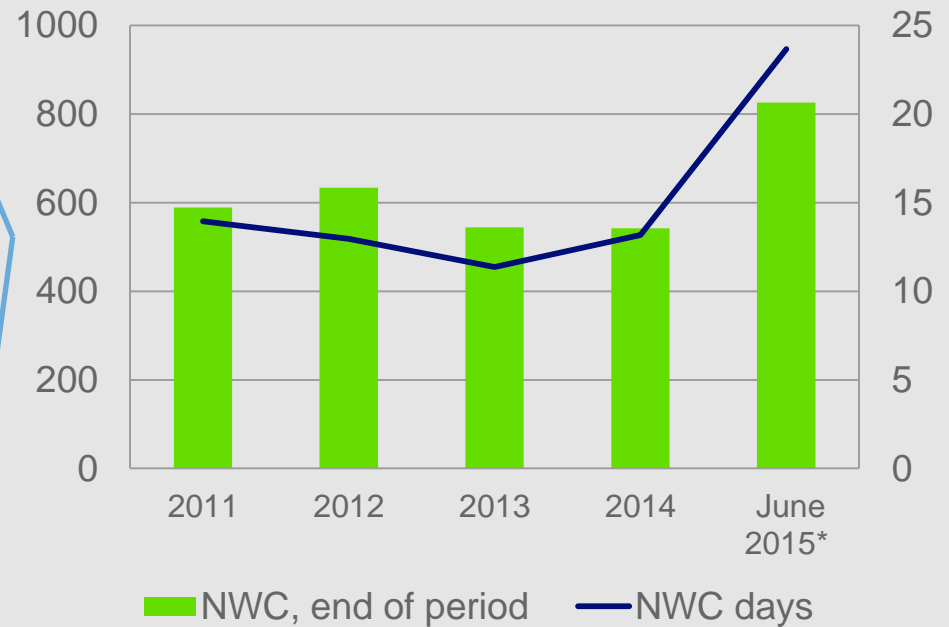


# Net working capital to decrease by unwinding contango storages

**Net working capital items, MEUR**



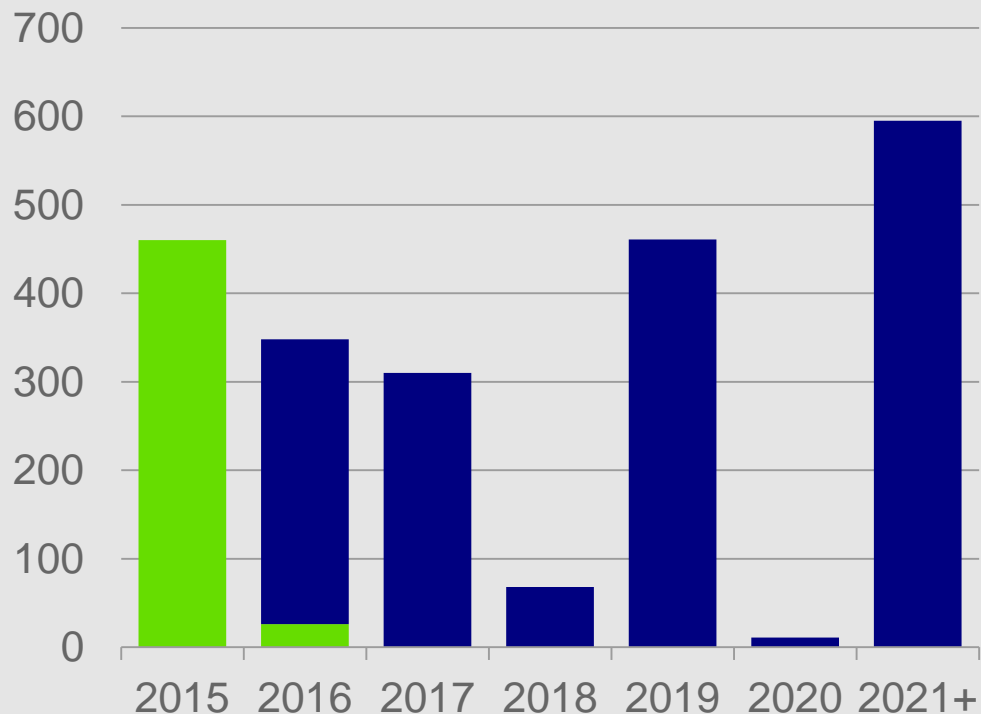
**Net working capital, MEUR and days outstanding**



\* rolling 12 months as of 30 June 2015

# Good liquidity position

## Maturity profile, MEUR



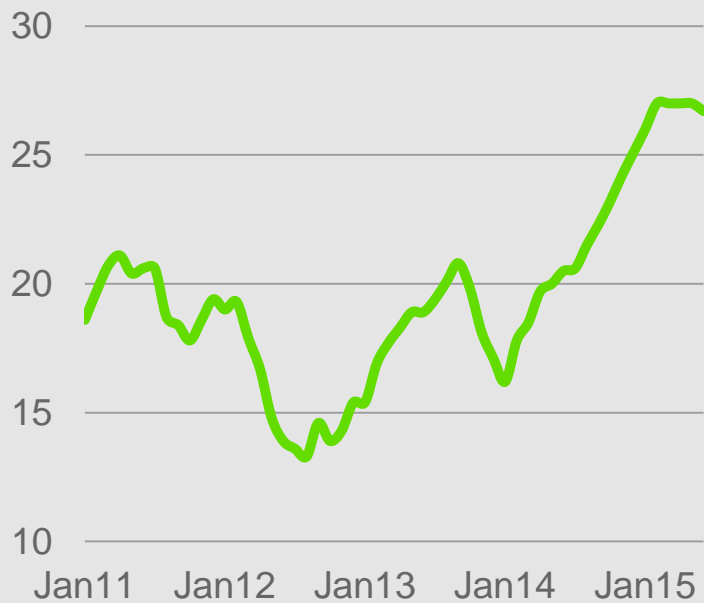
## Liquidity

- Total liquidity 2,447 MEUR\*
  - Cash 397 MEUR
  - Unused possibilities facilities 2,050 MEUR
- Current interest rate 3.4%\*
- No financial covenants in Group's existing loan agreements
- We continue to actively follow capital market opportunities including possible 2016 and/or 2017 bond buy-back

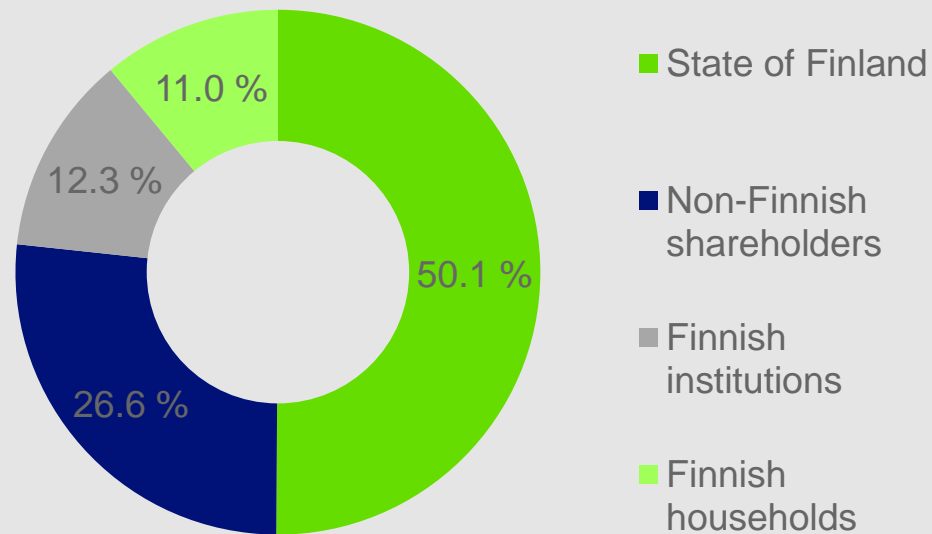
\*as of 30 June 2015

# About 50% of free float owned by non-Finnish shareholders

## Share of non-Finnish owners, %

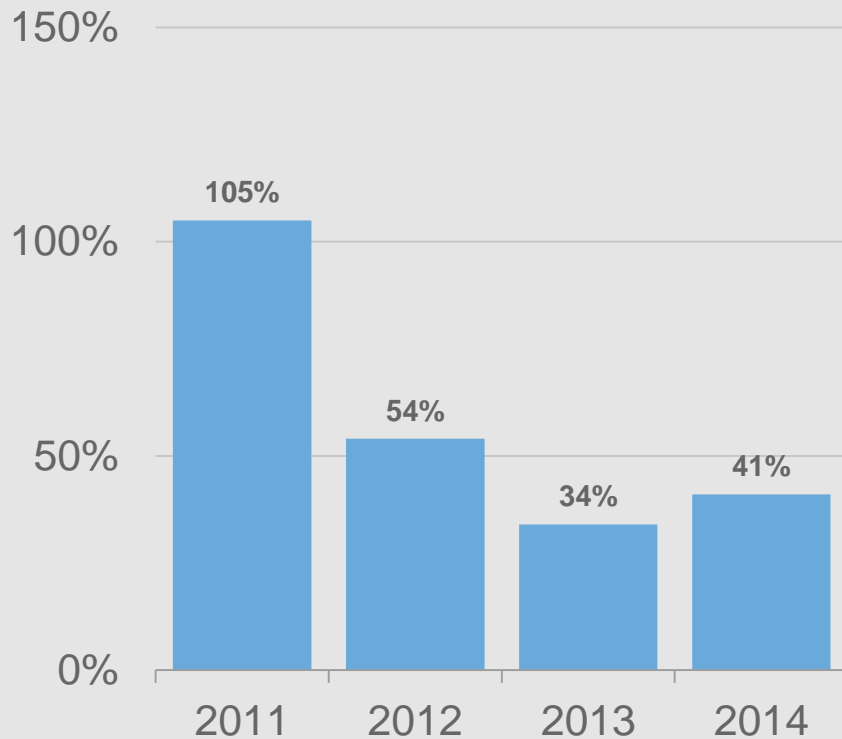


## Ownership structure as of June 30, 2015

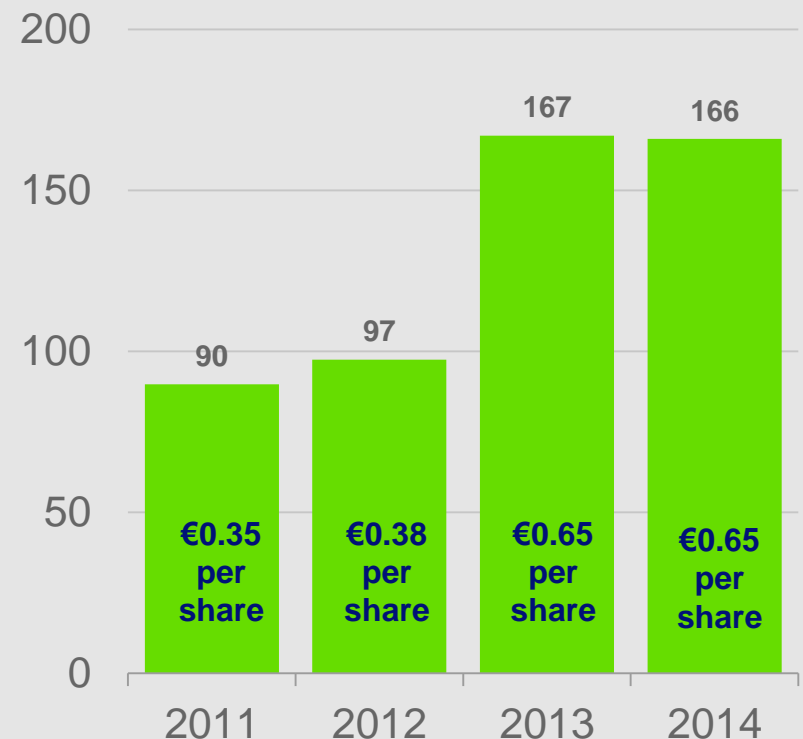


# Dividend policy maintained - at least 1/3 of comparable net profit

Pay out from comparable net profit, %



Dividends paid, MEUR



# Healthy financials as an enabler



Growth

Favorable  
dividend  
distribution

The background features a collage of overlapping circles in shades of blue and green. On the right side, there is a photograph of an industrial staircase with a person walking on it. The number '1-36' is visible on the wall next to the stairs.

# Concluding remarks

Matti Lievonen, President & CEO

**NESTE**

# Strategic objectives creating growth and shareholder value



**Baltic Sea  
champion**

**Global  
renewable  
growth**

# Well on track with Baltic Sea champion strategy



Performance improvement and asset development

Baltic Sea market position development

Maximizing value chain potential



# Global renewable growth

Capability to  
use high share  
of waste and  
residue  
feedstocks

Capacity  
increase

Expanding to  
new drop-in  
solutions

**Targeting to generate additional 100 MEUR EBIT by 2020**

# Healthy financials as an enabler



Growth

Favorable  
dividend  
distribution



Our vision

**Creating  
responsible  
choices every  
day**

# Abbreviations

<b>ABS</b>	Acrylonitrile butadiene styrene	<b>JV</b>	Joint venture
<b>B2B</b>	Business to business	<b>KBPD</b>	Thousand barrels per day
<b>B2C</b>	Business to consumers	<b>KTPA</b>	Thousand tons per year
<b>BBL</b>	Barrel	<b>LPG</b>	Liquefied petroleum gas
<b>BTC</b>	Blender's Tax Credit in the US	<b>NWC</b>	Net working capital
<b>CAPEX</b>	Capital expenditure	<b>NWE</b>	Northwest Europe
<b>CDU</b>	Crude distillation unit	<b>PE</b>	Polyethylene
<b>EPA</b>	US Environmental Protection Agency	<b>PP</b>	Polypropylene
<b>ERP</b>	Enterprise Resource Planning	<b>PSER</b>	Process Safety Event Rate (per million hours worked)
<b>FAME</b>	Fatty Acid Methyl Ester, biodiesel	<b>RFS</b>	Renewable Fuel Standard in the US
<b>GDP</b>	Gross domestic product	<b>ROACE</b>	Return on average capital employed after tax
<b>GHG</b>	Greenhouse gas	<b>RONA</b>	Return on net assets
<b>GWP</b>	Global warming potential	<b>SDA</b>	Solvent deasphalting unit
<b>HVO</b>	Hydrotreated vegetable oil	<b>SME</b>	Small and medium-sized enterprises
<b>ILUC</b>	Indirect Land-Use Change	<b>SME</b>	Soybean Methyl Ester, biodiesel
		<b>VGO</b>	Vacuum gasoil