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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Q1 2024 Neste Corporation earnings conference call and webcast. (Operator Instructions) I would now like to turn the conference over to your speaker, Anssi Tammilehto. Please go ahead, sir.

Anssi Tammilehto - *Neste Oyj - VP of IR*

Thank you, and good afternoon, ladies and gentlemen. Welcome to this conference call to discuss Neste's first quarter results published this morning. I am Anssi Tammilehto, Head of IR at Neste. Here with me on the call are President and CEO, Matti Lehmus; our CFO, Martti Ala-Härkönen; and the business unit heads, Katja Wodjereck, of Renewable Products and Markku Korvenranta of Oil Products. We will be referring to the presentation that can be found on our website. And as always, please pay attention to the disclaimer since we will be making forward-looking statements in this call.

With these remarks, I would like to hand over to our President and CEO, Matti Lehmus, to start with the presentation. Matti, please go ahead.

Matti Lehmus - *Neste Oyj - President & CEO*

Thank you. And a very good afternoon also on my behalf. It's great to have you all participating in the call. As we anticipated in our previous quarterly earnings call, the market in renewables was clearly more challenging in the first quarter, both in the U.S. and in Europe. In this weaker market environment, we have kept our focus on our resilient strategy and on our competitive advantages to defend margins.

So, moving to the first slide. Our group comparable EBITDA was EUR 551 million in the first quarter. This is one-third lower than last year despite growth in renewable sales volume. One key driver for the lower result is the lower renewable sales margin of $562 per ton, which compares to last year's average of $863 per ton. The margin in the first quarter reflects the lower bioticket prices and renewable sales premiums versus last year and also the renegotiated annual term contracts as the old contracts expired at the end of the year.

On a year-on-year basis, the sales volumes grew in Renewable Products but were slightly below the previous quarter's level due to the SAF inventory buildup and preparation for upcoming maintenance turnarounds and also the seasonally lower demand at the beginning of the year.

In Oil Products, good operational performance and high utilization rates supported our performance, and we achieved a total refining margin of $20.4 per barrel in the first quarter. This is a good achievement, noting that the refining margin was slightly higher than in the previous quarter.

Our cash flow in the first quarter was impacted by the inventory buildup before the Porvoo refinery's major turnaround in the second quarter and in renewables and was negative.

During the first quarter, we also finalized the organizational simplification and restructuring, and we expect this to lead to a cost saving of EUR 50 million annually going forward. I note that we have prepared for a more challenging market environment in renewables and are well positioned to capture and to leverage our competitive advantages also in this market.

When looking at the key market indicators, the change in the renewables market is well visible. In the U.S., the average RIN credit price weakened by 31% versus the previous quarter and versus one year ago, the change is 65%. Also in Europe, renewable price premiums continued to weaken during the first quarter and are at a clearly lower level than last year. I note that on the feedstock side, the average feedstock prices weakened slightly, approximately 2% on average.

In Oil product margins, gasoline strengthened versus the previous quarter with inventory levels for both gasoline and diesel on a relatively low level.

So, moving forward, I would state that we continue to actively pursue our strategic priorities and to support the business performance improvement through our own activities. Our strategy remains resilient also in the current renewables market, built around, first of all, a strong position in the growing SAF market, secondarily, creating value through our competitive advantages in feedstocks and global sales optimization. And finally, a strong positioning in all key markets, positioning us well for the long-term growth in the renewable and circular market. We also continue to focus on operational excellence and cost efficiency to strengthen our long-term competitiveness. So with these words, I'm handing over to Katja Wodjereck, who will go through the renewal products performance in the first quarter.

Katja Wodjereck - *Neste Oyj - EVP of Renewable Products Business Unit*

Thank you, Matti. Good afternoon also on my behalf. Let's go through the results and market updates for Renewable Products.

2024 has started in a challenging market environment. We have been preparing for this for the last 10 years already and strengthened our global platform both on the feedstock production, product optionality side; and secondly, by mastering world-class optimization on a continuous basis. Let's zoom into the first quarter.

Comparable EBITDA was EUR 242 million and below previous year's level. This result was mainly impacted by sales volume results at a year-over-year growth to 849 kt and a weaker market resulting in a sales margin of USD 562 per metric ton. Our sales volume were impacted by seasonally lower demand, the buildup of our SAF inventories and our preparation for the upcoming turnarounds in 2024. Our sales were quite evenly balanced between Europe and North American markets, and we continued to optimize our full value chain in the weaker markets.

Our sales margin is clearly at a lower level than what we saw last year. As we have highlighted for a long time already, the market has been impacted by the additional capacity, especially in the U.S. but also in Europe. In addition, the Martinez joint operation had a diluting impact on our margin also in the first quarter, and we are working on several improvement areas to enhance the profitability.

We move to the next slide on our focus areas for 2024, they center around four pillars. Our end-to-end optimization, providing competitive advantage also in this market situation. Continuation of focus on growing our SAF business. We see positive momentum building specifically stowards the end of the year. Our focus on finalizing the ramp-ups and new projects in our sites of Singapore, Rotterdam and through our JV in the U.S. and in addition, execute on our cost and efficiency improvement plan. And every player in this business has to have both access and the capability to process feedstock.

Last but not least, we have been seeing positive regulatory developments in the Netherlands, but are also awaiting the final decisions, for example, in countries such as Germany. Our strategy remains -- we continue to grow in selected feedstocks and markets by various means. Thank you, and over to Markku.

Markku Korvenranta - *Neste Oyj - EVP of Oil Products Business Unit*

Thanks, Katja. Good afternoon all. A quick update from Oil Products. We had a solid performance with good operational availability while preparing for the turnaround, which started at the beginning of April. The quarter was also affected by the harsh winter conditions in January and the political strikes in February and March. In Q1 '24, gasoline and diesel cracks were stronger than longer-term historical averages, driven mainly by geopolitical disruptions and effective refining capacity growth lagging behind the demand growth contributed to the tighter supply-demand balance.

Now let's look at the EBITDA Bridge comparing Q1 '24 to the year before. The EBITDA was EUR 115 million lower at EUR 278 million. The key driver was the sales volume with EUR 73 million negative effect. The lower sales was caused by the combination of turnaround preparation and the strikes. Total refining margin was USD 20.4 per barrel compared to USD 21.8 per barrel the year before. This drop resulted in a EUR 25 million reduction in the EBITDA. Noteworthy, however, is that the total refining margin was $1.5 per barrel better than in the Q4 last year. This was driven by the strong gasoline margin.

Finally, the combined effect of fixed cost, FX and others is negative EUR 18 million. Now let's look at the Oil Products 2024 focus areas. The successful safe and timely execution of the major turnaround in April, May '24 is the main priority to the Oil Product organization. The turnaround preparation and the start went well. The wintery weather conditions over the last couple of days did affect the mechanical works, but we are now fully up to speed again.

The value of operational performance and optimization excellence is highlighted in the current positive yet volatile market environment. In Porvoo transformation, we are taking concrete steps forward. Green hydrogen process will be reaching final investment decision readiness during the year. Further, we are growing chemical recycling and co-processing capability.

Finally, within Neste Excellence program, improvements in availability, net working capital and cost efficiency continue to be targeted. In particular, we see encouraging short-term energy efficiency improvement potential. Now handing back to Matti.

Matti Lehmus - *Neste Oyj - President & CEO*

Thank you, Markku. And I will shortly cover the Marketing & Services, commenting that our profitability realized at previous year's level at EUR 23 million comparable EBITDA. And I also note that our market share remained at a high level and sales volumes increased slightly year-on-year in spite of the strike in Finland, which had impacts on the distribution.

But with these short comments, I hand it to our CFO, Martti Ala-Härkönen, to discuss the financials.

Martti Ala-Härkönen - *Neste Oyj - CFO and Executive VP of Finance, Strategy & IT*

Thank you, Matti, and let's now take a more detailed view on some of the key financials for the first quarter. First, a reminder to some of our focus areas from financial as well as financing perspective. I will start with efficiency improvement, which is an important profitability lever for this year as well as going forward. We continue our Neste Excellence program, which is targeting over EUR 350 million of sustainable EBIT value creation by 2026 with the year 2022 acting as the baseline, and we are currently well on that track.

A couple of examples of this. In March, we completed our organizational change program, a process which started last November with the introduction of our new sharpened organization structure to enhance our long-term competitiveness. Through the new streamline organization, we will achieve approximately EUR 50 million of sustainable savings in fixed costs going forward. We will see this year our fixed cost growth rate leveling out. At the same time, we have continued to fine-tune our operating models across all our businesses to make them more optimized in cost as well as net working capital management and overall, also continued working capital management program.

I want to here also highlight the work we continue to execute in the area of risk management. Successful risk management, combined with our continuous focus on global optimization across feedstocks, products and markets continues to be a vital cornerstone of our strategy and naturally so, also, of course, in a more volatile market environment.

Let's then turn to our first quarter result bridges by business segment as well as by business driver.

When first looking at the first quarter comparison bridge by business segment, on the left-hand side, we can see that while our comparable EBITDA, like said, reached a level of EUR 551 million in the first quarter compared to EUR 830 million last year, the result decline year-on-year came mainly from Renewable Products' sales margin where market prices were weak, particularly in renewable diesel. In Oil Products, the total refining margin remained healthy and like Markku said, was up from the fourth quarter of last year. And like said, the Oil Products EBITDA decline year-on-year comes mainly from the sales volume side. There was an impact there, both from the Porvoo major turnaround and somewhat also from the political strikes in Finland during the quarter.

Looking at the comparison by driver year-on-year, on the right-hand side, the impact from the lower Oil Products volumes were, by and large, offset by higher sales volumes in Renewable Products. However, the lower sales margin of Renewable Products is nevertheless the largest group level driver also in this graph.

Then a short look at our financial targets. At the end of March, our Comparable ROACE, calculated over the last 12 months was 20.1% and leverage 27.9%, both of them well meeting our financial target levels. Our solid financial position enables the continued implementation of our strategy going forward. Then looking at our cash flow, I want to highlight that our first quarter cash flow was impacted by inventory buildup, mostly related to the upcoming maintenance turnarounds as well as by the buildup of our SAF inventories like we had communicated. And more precisely, our inventories were up by about EUR 700 million in the first quarter compared to the end of last year, impacting negatively our net working capital and cash flow. Good to note though that there was, at the same time, a positive impact from lower receivables by about EUR 300 million.

Our cash flow before financing activities was a negative EUR 340 million in the first quarter compared to minus EUR 102 million year-over-year. Our cash out investments totaled about EUR 300 million in the first quarter, main projects being, for example, our Rotterdam expansion project and our SAF project in Rotterdam. On a positive note, the group's net working capital in days outstanding was 33 days on a rolling 12-month basis at the end of the quarter, lower than the level of 41 days at the end of last year.

Finally, amidst of the current weak renewables market, it's important to highlight that our strategy remains resilient in a more challenging market environment. Our disciplined growth CAPEX is built around the following three pillars, which you see in the graph, then being also sources of distinctive competitive advantage for Neste.

First, we focus on the most high-margin projects in renewable and circular solutions to create future value that is SAF, chemical recycling, renewable polymers and chemicals as well as highest return innovation opportunities. And this year, of course, of particular importance is the ramp-up of our SAF sales volume. Our SAF sales are expected to increase from the second quarter onwards, growing toward the end of the year. Second, we will continue to grow in sustainable raw materials, increase our diversity in feedstocks as well as the level of supply security. We have a particular emphasis on growing the so-called challenging, that is more difficult to process type of, waste and residue feedstock base in Renewable Products. And third, in order to continuously strengthen our global competitive position, we continue to invest, for example, in our productivity, product optionality and pretreatment capabilities.

Then combining our disciplined growth CAPEX with prioritized maintenance investments to ensure operational reliability and safety, our target is to continuously deliver attractive returns and achieve a strong cash conversion. A strong cash conversion is, of course, also a foundation for our dividend policy with a target to provide a competitive and over time growing dividend as well as for being able to further invest in profitable growth going forward. This ends the financial review, and I will hand it back to our CEO. Matti, please.

Matti Lehmus - *Neste Oyj - President & CEO*

Thank you, Martti. So, let's take a look at our outlook for the full year 2024. In general, we expect the geopolitical situation to result in continued volatility. In the renewables, we expect the average sales margin for the full year to be in the range of $600 to $800 per ton. And for SAF, we expect the sales volume to increase from the second quarter onwards and to grow quarter-by-quarter toward the end of the year. We expect the annual SAF sales volume to be in the range of 0.5 million ton to 1 million ton.

There are no changes in our scheduled maintenance in 2024. And for the Singapore new line, full capacity is expected to be reached after the scheduled turnaround in the first quarter as we expect to remove the remaining capacity limitations during this turnaround. In Martinez, the unit is currently operating at slightly under 50% utilization rate and work is ongoing to prepare repairs and to ensure safe and reliable operations.

Looking then at the longer-term picture, as we noted in our analyst day in March, the long-term demand outlook in renewable and circular solutions has strengthened compared to our view a year ago. We expect the renewable diesel, SAF and naphtha demand to grow to more than 50 million tons by 2030 with sustainable aviation fuel leading to long-term growth.

The long-term demand development is supported by recent regulatory developments, for example, in the European Union, the Renewable Energy Directive three and the refuel Aviation directive were passed last autumn.

As European demand growth is expected to pick up again next year, we would also expect global utilization rates to start gradually increasing after this year. So, I want to conclude that our strategy remains extremely clear, and we continue to focus on profitable growth with a focus on feedstock and most attractive markets and in parallel on continuous efficiency improvement.

This ends the presentation, and we are now ready to take your questions. Thank you.

QUESTIONS AND ANSWERS

Operator

Thank you, sir. (Operator Instructions) We are now going to proceed with our first question and the questions come from the line of Erwan Kerouredan from RBC.

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

I've got three, please. First, on the RP sales mix. So, the share going to Europe like went down, so it's 51% now versus 61% last quarter. How much of that is redirected Sweden volumes? That's my first question. Second question is on the premia. So, the European premia significantly lower year-on-year. Are these premia now fixed given the term negotiations? Or is it just a 1Q thing? And then the last question I have is really on hedging. Can you confirm that there's no obvious impact on the first quarter? And should we expect a positive contribution in the next quarters? So, these are my three questions.

Matti Lehmus - *Neste Oyj - President & CEO*

Yes. Thank you. And perhaps I can start and Katja, please add to my comments. So, I'll start with your question on the Renewable Products sales mix. It's a correct observation that our share of sales to North America has grown. It was at 51%. And in a way, we are, of course, after, let's say, in the process of renegotiating our terms and allocating our sales, we have looked for the best mix of different markets. And as a result, we expect indeed this share of sales to the U.S. to be somewhat higher this year. We will also note, if you look at it from a market demand growth perspective that the North American market is the market this year where the growth is the strongest, in Europe the growth is lower because of the Swedish decision, for example.

On the question on the Renewable Products sales premia in Europe, it is correct that these premia have come down if you look at the different market indicators clearly from last year's level. When we look at this year, we have, of course, also termed up a share of our sales. For the renewable diesel, this is relatively high this share, close to 80%. But at the same time, there, of course, also remains then an exposure to the spot market with the remaining volume.

And briefly on the hedging, I would say, in the first quarter, the hedging impact overall on the margin was relatively small. And also, going forward, we, at the moment, don't expect any major impact on the results going into next quarters. But this, of course, depends on the market development.

Martti Ala-Härkönen - *Neste Oyj - CFO and Executive VP of Finance, Strategy & IT*

I could add there Erwan that for the Q1 hedging like you said, no obvious impact and like Matti said, a neutral impact. Just that if you break down the total you realize margin hedging was slightly positive, but then the utility hedges gave a negative. So that netting out, both impacting on the comparable sales margin was neutral.

Katja Wodjereck - *Neste Oyj - EVP of Renewable Products Business Unit*

Erwan to add on the first initial question on the split. We're indeed very balanced with 50% to 55% towards the U.S. volume. So, we're continuously globally optimizing as well. But indeed, the term deals are significant, high share of that as well.

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

The 50 to 55 is for one, Katja?

Katja Wodjereck - *Neste Oyj - EVP of Renewable Products Business Unit*

That's for the U.S., yes 52. So half-half. It's practically half-half today. So we were on a positive note of we were able to really place all the volumes that were hit, but today, half-half, and we're globally optimizing the spot and the term deals, they obviously flow depending on how they were closed with.

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

And just a quick follow-up. Are you right to assume that the Netherlands -- you're not assuming that the Netherlands will influence the premia in Europe and drive demand and influence the premia?

Katja Wodjereck - *Neste Oyj - EVP of Renewable Products Business Unit*

Yes. I would say, I think the Netherlands first of all it's a positive. We're seeing around 300 to 400 additional volumes that will come in additional demand, we would be able to get a significant share of that. And then obviously, pricing will flow with the renewable diesel pricing that is out there in the market currently.

Operator

And the questions come from the line of Matthew Blair from TPH.

Matthew Robert Lovseth Blair - *Tudor, Pickering, Holt & Co. Securities, LLC, Research Division - MD of Refiners, Chemicals & Renewable Fuels Research*

We've noticed that European spot SAF premiums relative to RD have come down recently. Do you have any thoughts on this? And is this impacting your term discussions on SAF volumes? And then my second question is on the upcoming PTC in the U.S., which was scheduled for 2025. Have you heard any think about a potential delay to 2026? And when it does come into effect, eventually, what does this mean for your Singapore volumes that you historically have sent to California? Thank you.

Katja Wodjereck - *Neste Oyj - EVP of Renewable Products Business Unit*

If you look at the reporting lines, and I think you guys all monitor as it has been coming down on the SAF side. We, however, look at it in a way that the market is still not very liquid. There's not a sizable enough move, but obviously, it gives a certain trend line to a certain way, it is correct what we have been seeing. I would probably also say when it comes to the term deals, there is an enormous amount of activities that we're currently undergoing for us, driving the sales volume up quarter-over-quarter and really towards the end of the year second half in a big theme that's one of the absolute key priorities. And we're looking at everything. We're looking at current customers. We're looking at new customers, term deals to extend, but also new ones. So that's really an ongoing process.

Matti Lehmus - *Neste Oyj - President & CEO*

Thank you. On the second question on the switch to the producers tax credit in the U.S. My understanding is that currently, there is a very clear decision with the IRA that this would happen in 2025. We are also still waiting for all the final criteria to be defined. And that's, of course, the starting point. Obviously, as it's a political decision, and then it would be a separate decision if there were any delays. If I look at the impact, well, it's clear, it's a producers tax credit that is aimed at local producers. So, we would expect it not to be, Singapore not to be eligible for this one. We would, at the same time, expect that our joint operation in California Martinez would be eligible. I know that at the same time, based on the IRA details we have at the moment it is lower than the BTC. So, it is linked to the carbon intensity. But regardless, we would expect it to be lower than the $0.01 per gallon. So obviously, then the impact for Singapore would become part of our global optimization like always. Singapore continues to be a very competitive place to produce, but it would not be eligible with today's decisions. And something that is then, of course, interesting to follow whether there is an impact on the RINs, for example, if this tax credit level changes next year. And just correcting $1 per gallon, not $0.01 per gallon.

Operator

Thank you. We are now going to proceed with our next question. And the questions come from the line of Henri Patricot from UBS.

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

Two questions, please, on the renewal products margin. Just firstly, the very near term. Can you give us an idea of how the margin has moved in April? So far seems to be pretty close to first quarter, but just to check out if there's been an improvement already. And then expanding that to the guidance for the full year because you were obviously below the lower end of the range in the first quarter, but you've kept the upper end of the range, $800 per ton unchanged, which implies that you see a possible scenario where your margin goes close to 900 per ton for the rest of the year. Can you give us a sense of what such a scenario would look like? I assume, for instance, there would be if you have SAF sales close to 1 million ton rather than 0.5 million ton. Any other indication you can give us as to what we need to play out for your margin to be close to this sort of level and you ending up at the upper end of the range for the full year? Thank you.

Matti Lehmus - *Neste Oyj - President & CEO*

Thank you, Henry. Perhaps I'll take the second question on the guidance. And exactly like your comment, we have not changed our guidance. The average margin for the full year, we expect to be in the range of EUR 600 million to EUR 800 million. Clearly, I mean, what we are focusing on is, of course, those areas where we can support the margin performance. We are, like you heard from Katja, of course, putting a high focus on buildup of the SAF sales. This is an important part of our strategy, and we expect the SAF sales to grow quarter by quarter. The second important one, we are, of course, focusing through our general business model is that we really look at the optimization of feedstock and sales in this global position that we have and as the market moves. These are both important drivers regardless of the exact market dynamics. And then I just note, obviously, in general, it's clear that the renewable margin is also sensitive to some market parameters. The absolute diesel price is important. The development of the feedstock prices is important. This is, of course, a general sensitivity that we have. But from our perspective, clear. On the short-term market, Katja, you can just comment any changes in early April.

Katja Wodjereck - *Neste Oyj - EVP of Renewable Products Business Unit*

Henry, thank you for your question. First of all, a similar trend line that we're currently seeing now there has not been any fundamental market changes if we look what happened now in the first quarter, both in the U.S. and in Europe. I would also highlight it's a bit of a seasonality impact when it comes to volume. And then internally, obviously, we're preparing for the turnaround, but we're planning for higher volume on the SAF side already. That's really one of the ongoing things.

Operator

Thank you. We are now going to proceed with our next question. The questions come from the line of Artem Beletski from SEB.

Artem Beletski - *SEB, Research Division - Analyst*

I also have three to be asked. So, the first one is really relating to SAF volumes, and I appreciate your comments relating to volume growth quarter-by-quarter. But could you provide some further color, for example, looking at Q2 and what type of pickup we should be anticipating? So is it fair to look, for example, at production volumes, which were clearly high in Q1. So, is it a good proxy or not? Then the second one is really relating to hedge rates and could you comment on the outlook for the rest of the year? And the last one is on topic mentioned by Katja when it comes to German regulatory situation, so you are monitoring some potential changes there. So, what it is in particular? Is it really upstream emission reduction discussion ongoing there or, for example, HVO sales at gas stations and so on. So please these three questions from my side.

Matti Lehmus - *Neste Oyj - President & CEO*

Thanks Artem. Perhaps I'll start, and Katja again please add then also. If I start on the SAF perhaps looking at it more from the production angle just reminding that, as we have communicated, we started the production of SAF, also for SAF in the fourth quarter. We have now in the first quarter been ramping up that production and at the same time building the inventories. So, this, of course, enables from a production perspective then increasing sales in the second quarter. It's good to note that when you look into the second half, it is our plan that the Rotterdam SAF optionality project starts up in the third quarter. And that means then that after the third quarter also, that can support from a production capability perspective the SAF sales growth. And like you heard from Katja, we are currently very active in, of course, at the same time, doing the commercial work of selling these additional volumes. But this is why we also said it will come quarter-by-quarter.

If I just continue on the hedging, just noting in the first quarter our average hedging ratio for the margin was around 40%. For the full year 2024 for the remainder, it's somewhat lower. I think we are close to 28%. And I think the second quarter is somewhere there in between 34%. So, this is the level. And like we have explained also in earlier calls, we have part of that is then using, let's say, palm oil gas oil type instruments. Some is using more soybean oil type heating oil-type instruments for the U.S. So, it's a combination of both.

Martti Ala-Härkönen - *Neste Oyj - CFO and Executive VP of Finance, Strategy & IT*

Maybe still to add that overall, we are at somewhat lower level of hedging than we've used to be, and that comes also from partially from the illiquidity of the market. And of course, the market prices are also on a low level so where it makes sense or not to hedge. So that's been taken into account in our current hedging ratios going forward.

Matti Lehmus - *Neste Oyj - President & CEO*

And then there was a third question on the regulatory development. I'll make a high-level comment, but then give it to Katja for the more specifics on Germany.

I mean, one interesting one this year, but next year in particular, is that how different European member states implement the renewable energy directive into the national legislation. The Netherlands was, of course, a decision that was already made this year that is linked to it. But we are following closely how that then happens in the other member states, and we expect it to happen during this year and next year. And perhaps, Katja, you can comment on Germany on some of the specifics.

Katja Wodjereck - *Neste Oyj - EVP of Renewable Products Business Unit*

I think there is -- indeed, there is quite a lot of exciting thing happens not only on the voluntary side, but also on the mandated side. So, in Germany, we expect kind of in the next couple of days, if you look at rate around 7 to 14 days, there's an expectation for the final decision to practically get HVO on the pump that it has been a long time outstanding. So, we look forward when that gets finalized. And in terms of volume market, the current estimates are around that, that would open up an additional from a market perspective 400 kt per year, but that's currently the calculation that we have. It remains to be seen the exact amount market.

Operator

We are now going to proceed with our next question. The questions come from the line of Sasikanth Chilukuru from Morgan Stanley.

Sasikanth Chilukuru - *Morgan Stanley, Research Division - Equity Analyst*

I had two please. The first was also going back to the renewable sales margin and the full year guidance. I just wanted to put the question in a way that if the current conditions were to prevail throughout the year, can you achieve the lower end of the range, the $600 per ton purely by the higher contribution of sales. I was just wondering if there was any expectation of conditions improving from year on baked into the lower end of that guidance range? The second was on the Martinez plant. The plant is still running at less than 50% of nameplate capacity. I was just wondering when can we expect the work to start on it and for the plant to reach full capacity now? Are there any additional costs associated with the work and if it has been operational at 100% capacity in 1Q, would have diluted the margins further than the $560 per ton?

Matti Lehmus - *Neste Oyj - President & CEO*

Thank you, Sasikanth. I'll perhaps start with the answering. This is Matti. So, on the renewable sales margin guidance, I mean, just reiterating what I also said in the earlier question it's good to note, it is the average sales margin over '24 that we are guiding, and we are saying we expect it to be in the range between $600 to $800 per ton. And obviously, I mean, what we are focusing is those activities where we can support the margin, whether it's the SAF sales growth, whether it's the feedstock optimization, the sales optimization, but we just, in general note that the margin is also sensitive to some market parameters but that's, of course, then to be seen in which direction they move.

On Martinez, perhaps a couple of comments. I mean, the situation is very much similar to what we had in our previous quarter. So, the unit -- the Martinez operation is running at slightly under 50% capacity utilization rate. And we are still waiting for also the authorities to give a go ahead so that the repairs can be executed. At the same time, obviously, there's a lot of work ongoing by our partner to prepare those repairs. So that once that is available, this can be executed. And the target, of course, is that by the end of the year, this unit could reach again its full capacity.

Obviously, also, it will have some cost, the fact that we have to do repairs will be reflected in some additional costs that come to the repair costs.

Martti Ala-Härkönen - *Neste Oyj - CFO and Executive VP of Finance, Strategy & IT*

Yes, that will unfortunately be a couple of tens of millions of euros in fixed cost our estimate. Some of that was already in Q1, but it will come more we assume now during the second quarter, so that we cannot escape.

Operator

We are now going to proceed with our next question. And the questions come from the line of Michele Della Vigna Goldman Sachs.

Michele Della Vigna - *Goldman Sachs Group, Inc., Research Division - Head of Natural Resources Research & MD*

I just wanted to re-ask a couple of questions on the SAF market. So, first of all, we've got the mandatory blending in the EU starting at the beginning of 2025. I was wondering if you had a view of when the distributors will really start to buy in larger volumes ahead of that. Should we assume that start of the beginning of the fourth quarter to be fully prepared for the January 2025 blending? And then secondly, I was wondering, in terms of new countries announcing a mandatory blending, if you're seeing any development? We were waiting, I think, for the U.K. to also put a mandatory blending for '25, but I'm not entirely sure if that has been passed yet or if it was just a proposal. It would be great if you can just run us through which other regions could provide more SAF demand upside. Thank you.

Katja Wodjereck - *Neste Oyj - EVP of Renewable Products Business Unit*

Thank you for the question. Maybe I'll start with the first one on the time line when to expect because as you rightly said, the RefuelEU is going to expect it to hit in 1st of January next year. I cannot give a full answer to this, but there is an expectation that obviously towards the year end, the demand side would need to get ready and different distributors would prepare for that. And we're clearly seeing a high dialogue on the customer side as well. As I said before, we're very much out there talking to existing but also to new customers. So, there is an expectation that really as we get closer to the year end, a lot of distributors will need to get ready for that.

Towards your question on the U.K., that is really some exciting use because you rightly pointed out the U.K. is looking into a mandate that would be even higher than what the RefuelEU is currently looking at. They're looking at 6% by 2030, the U.K. is currently looking at 10%. It's not finally through. I think there has been some headlines today that it could progress further, but still to remain to be finally closed.

And then other countries, we looked at Switzerland as well. Switzerland is just in the final discussions as well to adopt the RefuelEU mandate level. So we're talking again, they're looking now at 2% 2025 and then 6% 2030, that would be in line with the RefuelEU and that's one of the additional opportunity. So, as I said, there's a lot of exciting things happening on the mandatory. But also, I have to say on the voluntary side. We're pretty out there and voluntary customers, direct airlines, there's a lot of discussions currently going on.

Operator

We are now going to take our next question. The questions come from the line of Peter Low from Redburn Atlantic.

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

You mentioned the underlying environment was similar to 1Q, so far in April. Does that mean we should be assuming a 2Q margin towards the lower end of the guidance range as things stand? And to what extent do you have visibility on where the 2Q margin might come in? And then just on the voluntary SAF demand point that you just mentioned, you said you're beginning to have a lot of conversations. What do you think has to happen to kind of get those customers over the line and to begin actually kind of buying those volumes from you? Thanks.

Matti Lehmus - *Neste Oyj - President & CEO*

Thanks, Peter. It's Matti here. I can take the first question. So obviously, as you are aware, we are giving guidance only for the full year. So not giving any specifics for the second quarter. I mean, noting what we have said that what the key drivers are that we are working on to support the margin. It's the growth in the SAF that happens quarter-by-quarter. It's also a reality that the market in the first weeks of April has not really changed. So, from that angle, it's clear that in the second half of the year, we would expect the margin to be then higher than in the first half, but that's as far as we can comment.

On the voluntary demand, Katja you can add.

Katja Wodjereck - *Neste Oyj - EVP of Renewable Products Business Unit*

I think towards your question on the finishing line, I mean the full Rotterdam Q3 is coming online and Singapore. So, we're in the preparation really in terms of -- but the preparation and obviously leads as well to getting them on the fence line. So on the aviation side, it really, I would say it is going as planned.

Operator

We are now going to proceed with our next question. And the questions come from the line of Katherine O'Sullivan from Citi.

Katherine O'Sullivan - *Citigroup Inc., Research Division - Analyst*

A follow-up on Martinez first. You mentioned in your prepared remarks that it has a dilutive impact in 1Q. Any indication of the magnitude of that dilutive impact in the sales margin? And is it feasible to consider upgrades to the facility which could minimize the impact, particularly as the greenfield production credit will favor a lower carbon intensity fuel. And then secondly, just a follow-up on U.S. regulation. You mentioned that you're still waiting to hear on specifics for the greenfield production credit. When do you expect that to be finalized? Is it later this year, a particular quarter?

Matti Lehmus - *Neste Oyj - President & CEO*

Thanks Kate, for the specific question on Martinez first. And indeed, we commented it also in our annual report and in the prepared remarks that it has a dilutive impact on our sales margin. Obviously, first of all, the unit is at the moment only running at less than 50%, but also, we obviously don't have the full operation optimized yet. And order of magnitude in the first quarter it had a 10% diluting impact on the sales margin. And this is something we will have to focus on going forward, ramp up the unit, but also at the same time, really work on the optimization of the performance for that unit. And the question then whether it needs some further upgrades, etc., is something we will need to look at going forward.

On the U.S. regulation, obviously, the question was asked earlier. At the moment, we have a very clear time line coming from the EPA. The new credit is supposed to, let's say, kick in 1st of January next year. So, from that angle, we would expect, of course, to hopefully have all the details being defined during this year, but I don't have any exact time line.

Katherine O'Sullivan - *Citigroup Inc., Research Division - Analyst*

And just on the optimization, you discussed the potential optimization on Martinez. Would you see that being more feasible applying it to the feedstock side or product side? Say, for example, SAF.

Matti Lehmus - *Neste Oyj - President & CEO*

No, I was referring specifically to feedstocks. This unit is focused on renewable diesel. So, creating SAF capability would take a separate investment decision and construction project, which is, of course, a longer project. But this is something we have spoken, it's a good observation. It has a clear diluting impact. And with the volume growth, this is, of course, something that is good to note.

Operator

We are now going to proceed with our next question. And the questions come from the Giacomo Romeo from Jefferies International.

Giacomo Romeo - *Jefferies LLC, Research Division - Equity Analyst*

Thank you. The first question is just checking whether you were surprised not to see a stronger price reaction on European prices following what there have been some policy tailwinds in the Netherlands. And obviously, it looks like as we talked about the Germany, in Germany, we could see some volume uplift. But yet in prices, Europe are not yet -- haven't really showed a significant improvement relative to the first part of the year. The other question is just trying to understand how you're thinking about your hedging policy as you move into 2025 in the context of the lower prices you're seeing. Are you expecting to scale this down further? How are you thinking about that?

Matti Lehmus - *Neste Oyj - President & CEO*

Sorry, can you repeat the last question?

Giacomo Romeo - *Jefferies LLC, Research Division - Equity Analyst*

Yes. The other question is around hedging policy in 2025 in the context of lower prices, whether you're thinking of scaling it down further, given where prices are at the moment?

Matti Lehmus - *Neste Oyj - President & CEO*

Thank you. If I comment on both, I mean, obviously, like Katja noted, it's positive if you see regulatory demand that increases demand like we had the Netherlands decision. At the same time, the market has been weak in the first quarter, there has been ample supply. So, we have not seen a big immediate impact of that decision. Obviously, we continue monitoring the different regulations in the different member states. That is, of course, an important driver looking, for example, also at the next years.

In terms of the hedging policy, I think we have a clear policy in place. As you will remember, we basically target that we have higher hedging rate in the first quarter and then subsequently, it goes lower for the following quarters. We have some flexibility what the exact hedging level is. Historically, we were as high as 50% or close to it. Now we have been more like 30%.

But this is, of course, something we then need to decide depending on the market forward and the market outlook.

Martti Ala-Härkönen - *Neste Oyj - CFO and Executive VP of Finance, Strategy & IT*

So, no decisions done on that side, but we are continuously reviewing, of course, also the hedging market and what makes sense so -- but no decisions on that side concerning 2025.

Operator

We are now going to take our next question. The questions come from the line of Henry Tarr from Berenberg.

Henry Michael Tarr - *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

Two questions for me, please. One is just on the inventory buildup that we've seen. Should we be thinking that might unwind through Q2, Q3? Or is there any timing on that? And then the second question, sorry to come back to it, but just the sales margin again in Renewable Products. Was the environment in Q2 was the delivered margin broadly in line with what you were expecting when you set the guidance? Or was it slightly weaker than you were expecting given the environment?

Martti Ala-Härkönen - *Neste Oyj - CFO and Executive VP of Finance, Strategy & IT*

I can comment on the first one on the inventory buildup. So, you can see it, observing the balance sheet that like I mentioned, that our inventories were up actually by $712 million. Now it was $4.08 billion. And that was because of the turnarounds and the SAF inventory buildup. Also, our DIO was -- we are, of course, following the different turn rates was up. I do foresee that we should have our inventory, we will target to balance that out, particularly in the second half of the year from the third quarter onwards -- third and fourth quarter. And particularly fourth quarter, typically, we optimize most on the inventory side. But of course, we have higher volumes as well, so to say, so to speak, when we get all the SAF up and running, etc.

Matti Lehmus - *Neste Oyj - President & CEO*

And a short comment on the sales margin question. I mean like I commented earlier, obviously, we are focusing on the things we can do ourselves, like SAF, like feedstock and sales optimization, but it's also good to note that our margin is sensitive to some key market parameters. And obviously, in the first weeks of April, the market hasn't really changed. So, it's something we continue monitoring. Hopefully, the market will eventually recover.

Operator

We are now going to our next question. And the questions come from the line of Derrick Whitfield from Stifel.

Derrick Lee Whitfield - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD of E&P & Senior Analyst*

I have two questions. First, to clarify the previous Martinez optimization question. Do you expect Marathon will be in a position to increase its allocation to waste and residue feedstocks by year-end? And second question is, did you anticipate the passing of the Netherlands biofuel mandate in your sales mix expectations for 2024?

Matti Lehmus - *Neste Oyj - President & CEO*

If I comment briefly on the questions. So, on the Martinez optimization, I think the key focus is now to, first of all, get all the units up and running once we havethe go ahead for that. But in parallel, then also to enable really using more waste and residues. And then, of course, also build up all the logistics and the commercial capabilities. And this is something that both parents have to do. It will be a gradual process, but the interests are obviously aligned. It's also clear, it will not happen overnight. So, it's a process that we need to focus on going forward.

In the Netherlands, I mean, it's clear that we have different type of regulation that has not been passed. This one had been in preparation already for some time. So, from that angle, I think it was our base assumption that it would be passed like it now has.

Operator

We are now going to proceed with our next question. the questions come from the line of Paul Redman from BNP Paribas.

Paul Redman - *BNP Paribas Exane, Research Division - Research Analyst*

I just have two questions. The first is we talk a lot about the upside here to margins potentially SAF regulation upside, Germany, Netherlands, LCFS credit, for example. What are the risks of the downside? Matti, you seem to keep mentioning market parameters. What parameters are you talking about that you're worried about potentially downside on margins from here? I'm essentially trying to work out are margins bottomed out at this point? And then secondly, how underpinned is the 0.5 million tons per annum of SAF sales? You mentioned on this call about talking to new customers, voluntary demand. I'm trying to work out whether that's upside on 0.5 million tons per annum because the 0.5 is already underpinned or whether you need these deals to happen to get to 0.5 million tons per annum?

Matti Lehmus - *Neste Oyj - President & CEO*

Perhaps I can start with the risk question. It's, of course, clear that there are also always different type of risks. I mean, if I take a couple of the obvious ones that I referred to earlier, if we look at the fact that, for example, feedstock price development is an important driver for the margin, and it can, of course, go either way. So, it is also a risk if there is a clear increase in the prices. In the same way, one can look at the general diesel absolute price level. Our pricing is very typically linked to that one on the renewable diesel side. So, if that decreases, it is, of course, also a risk. And then you have, of course, the risks of, for example, unplanned shutdowns or other types of risks that are related to our targets for the year. But it just comes to the general observation that the margin is quite sensitive to a number of parameters, which, of course, can go either way.

Katja Wodjereck - *Neste Oyj - EVP of Renewable Products Business Unit*

And Paul, on the SAF side, the market is really developing and we're part of developing it now because, I mean, it's still below $1 million and now it's going to be significantly up and then continue year-over-year. So, to your question, if this is at on that's part of developing that market to the expected numbers that we announced 0.5 million to 1 million, and that's what we're working towards to.

Operator

We are now going to proceed with our next question and the questions come from the line of Matt Lofting from JPMorgan.

Matthew Peter Charles Lofting - *JPMorgan Chase & Co, Research Division - VP*

Two, please. First, if you just take a step back and look at the first quarter in terms of the sort of the outturn, the numbers that you published. I'd love to hear your sort of perception on how that compared with your expectations for the first quarter earlier in the year in the context that I think during the sort of the pre-call and prior to that, the inference was that the year had pretty much started as Neste had expected? And then secondly, just coming back to the Netherlands and the mandate increase there. And I think you said earlier that it's expected to be retrospective for the full year '24. How swiftly do you expect that impact to begin to feed through on the market and low carbon premiums in Europe when you think about the second quarter and into the second half of '24?

Matti Lehmus - *Neste Oyj - President & CEO*

Thanks, Matt. I'll start with the first question. And I mean, I more look at it, I had it in my opening presentation. If you look at just a bit at the trend of the different market drivers during the first quarter, I mean, it's clear that, for example, RIN prices actually continued weakening during the quarter, if I compare it to where we were in the beginning of the year. And also, one could say that on the European renewable diesel side, the premia were also weakening still during the first quarter. So, from that angle, I think it's something that continued happening in the first quarter. It was a weak quarter.

We have also, in a way, seen that the demand level in the first quarter was seasonally weak, and this is, of course, something that was also reflected in the first quarter. So that's how I would describe it. I mean it's also something that happened during the quarter, these trends. For the Netherlands, Katja.

Katja Wodjereck - *Neste Oyj - EVP of Renewable Products Business Unit*

Yes, it's a little bit difficult to say exactly when the mandate volumes monthly or weekly now when this is going to come in. I think on the good side is that the Netherlands are already taking a couple of hundred metric tons of biofuels that are moving already. So, the whole distribution, the setup is already there. So, I would probably say expect this rather soon to see materialize, but I cannot give any concrete numbers here. We don't know exactly when throughout the year.

Martti Ala-Härkönen - *Neste Oyj - CFO and Executive VP of Finance, Strategy & IT*

I could perhaps still add to the Q1 outturn. So of course, when we were in early February with our last year results, we probably waited a little bit better margin outturn for renewables for the first quarter. We acknowledged already then that the market is highly volatile. On the positive side, I think our operational performance as such on the renewables side was as expected. And then also at the very end of the quarter, we had some postponed sales in a way to which impacted a bit on the sales volume. But otherwise, it was sort of as expected throughout the quarter.

Operator

We are now going to proceed with our next question. And the questions come from the line of Anish Kapadia from Palissy Advisors.

Anish Kapadia - *Palissy Advisors Limited - Director & Head of Energy*

First question is on refining margins in terms of how things are trending Q2 today with obviously lower diesel cracks. And I think those are around consensus around $15 Neste refining margin for the remainder of the year. So how you're thinking about that? The second one was just going back to the blenders tax credit. Based on my calculations, I think you're getting about $100 to $125 in terms of your current sales for blenders tax credit. I was just wondering that in terms of your single digit volumes into the U.S. Is that a kind of a good number to kind of estimate in terms of what you'd expect the impact to be for 2025? And then just a final one in terms of where kind of the profitability is at the moment and the earnings are. With the weaknesses you've seen year-to-date, will that have any impact in terms of your ability to kind of pay the same dividend or grow the dividend this year?

Markku Korvenranta - *Neste Oyj - EVP of Oil Products Business Unit*

Thanks for the question. So based on the current forward markets, both gasoline and diesel cracks are pricing lower levels in Q2 versus Q1. However, market is highly volatile, driven by increased geopolitical risk and unclear economic outlook. The middle distillate inventory, geopolitical events, together with the potential summer heat waves can have a significant impact on the market and mitigate the weakness in the industrial diesel demand. More uncertainty, but today's market situation points towards lower margins in the second compared to the first quarter.

Martti Ala-Härkönen - *Neste Oyj - CFO and Executive VP of Finance, Strategy & IT*

But like you mentioned Markku last year, there were some bigger of the heat waves, some problems with some of the refineries, which a little bit surprised even us that it helped the pricing particularly in the third quarter. It remains to be seen how this year goes.

Matti Lehmus - *Neste Oyj - President & CEO*

I'll take the second question on the BTC and then the switch next year to this CFPC, the BTC actually is $1 per gallon. When you convert it into dollars per ton, it is roughly $340 per ton. When we then again look at the CFPC that will start next year based on the IRA, it is linked to the carbon intensity. So, it's not possible to give an exact number. But looking at where typical feedstocks are in our expectation would range from 0 to roughly $200 per ton. So still lower than the $340 per ton that we currently have for the blenders tax credit.

And then on the dividend, I mean, obviously, at the moment, we are just in the April month. So, I would just refer, I mean, we have a very clear dividend policy. It says that we pay a competitive dividend that is growing over time. This is, of course, something then that the Board will need to look into when we are at that time of the year.

Operator

We are now going to proceed with our next question. The questions come from the line of Christopher Kuplent Bank of America.

Christopher Kuplent - *BofA Securities, Research Division - Head of European Energy Equity Research*

I've got rather boring questions left on your scheduled maintenance. When do you think you'll be in a position to talk to us a little bit about the earnings impact of what you're planning and there's quite a bit in the second half? And as far as your second quarter maintenance shutdown is concerned, you gave that earnings guidance quite a while ago. And to the earlier point we discussed, refining margins have since come down quite a bit. Do you think there is also downside risk to that EBITDA loss that you are guiding for the second quarter from that scheduled maintenance?

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Matti Lehmus - *Neste Oyj - President & CEO*

Thank you for the question. I'll start with the question first on the scheduled maintenance in the second half of the year. Obviously, what we have given is the information when the scheduled maintenance takes place and how long they are. You will remember in the third quarter, we have the Singapore first line. We have the Rotterdam. And then in the fourth quarter, we have the second line in Singapore with the 8-week. The exact economical impact, I think it's, of course, depending then also on the margin level at the time. From the duration you can, of course, already make your scenarios because you can then see what the volume impact is.

At the same time, I also note like we commented, we are, of course, typically also building inventories then ahead of these turnarounds. So the actual impact is being spread over several quarters. That's how we typically do it. But then in a way, Markku, perhaps you can comment on this Oil product specific or Porvoo specific questions.

Markku Korvenranta - *Neste Oyj - EVP of Oil Products Business Unit*

Thanks for the good question. So basically, when we made these estimates, we were looking at the market -- backwardated market conditions, so some of the declines that we've seen and potentially going to see in the second quarter was already built into our initial estimate on the absolute EBITDA impact as indicated in the previous call.

Operator

We are now going to take our last question. And the questions come from the line of Naish Cui from Barclays.

Naisheng Cui - *Barclays Bank PLC, Research Division - Research Analyst*

Thanks for saving me for the last. Three questions, if that's okay. The first one is on safety data. I just want to ask a number on Page 4 of your presentation, TRIF. I understand Neste is a good operator. But the trend has been discouraging, your safety data has been deteriorating for the last four years. And in Q1, that 2.5 is worse compared to 2023. I just wonder if you can help me understand why? Is this a structural issue? Or do you have any action point to change this trend? Then my second question is on the renewed sales contract discount. I think you explained earlier, Matti, that Q1 margin is lower. Part of the reason is because you had a discount versus last year on those 80% term negotiation. Can you tell us what is the discount you get for 2024 versus 2023? Then my last question is on soft sales volume. I think it's a very deliberate decision. You're saying, "Oh, I'm building inventory, I'm going to increase the volume Q-on-Q. why is that? Can't you find any demand this quarter? I mean in Q1?

Matti Lehmus - *Neste Oyj - President & CEO*

Thank you for the three questions. If I start with the -- this is Matti, with the safety question. And indeed, thank you for noting that the -- if I look at the safety performance in the first quarter, we can see that on the process safety, which we follow through this PSER, we were basically, let's say, the trend was in line with last year's performance, and we had good operational performance here. On the occupational safety that we measure through this total recordable injury frequency, it went up from last year's average of 2.3 to 2.5.

Here, I note one structural thing is that we have added, last year actually already, all the acquired entities, which is, of course, a lot of personnel that is involved in the collection of used cooking oil, for example. In North America, we have beginning of this year, also added the acquisitions we did during last year. This is one of the areas where we are working hard to really drive an improvement in the safety performance and to avoid these finger injuries or slippery or the type of injuries that you have when you move these containers of used cooking oil. It is a very important area.

And in general, we put a high emphasis on our systematic safety programs. We are, in particular, focusing, of course, on contractor safety. We are focusing on high-risk incident prevention in particular. So we have a number of initiatives that we are systematically driving forward. Without these new entities, the TRIF would be clearly on a lower level also in the first quarter.

On the term sales question, I mean, I can't quantify it exactly, but of course, what is good to understand that when you look at the term contracts that were in place for the year 2023, these were negotiated in autumn 2022. And then, of course, when we again look at the term contracts that are now in place, they were negotiated during the latter part of 2023. So of course, term negotiations always reflect also the market at the time. And in that sense, this very clear decrease of the premia is also something that is visible in the term contracts. But I don't have an exact number. It reflects this general decrease in premia that we have seen.

And on the SAF sales volume, I'll just make one comment and let Katja then add. One thing to observe is, of course, that as an important part of the SAF sales is to also be able to supply different airports. It means that we need to create the supply chains to the different airports. It also means that we need to build up the inventories in that supply chain. So that is just a thing that needs to be in place before the sales can actually start. But anything else you want to add.

Katja Wodjereck - *Neste Oyj - EVP of Renewable Products Business Unit*

There's nothing to add, Matti. That's exactly one of the reasons. So, we're really getting ready for this, and that's why we're building up the inventories to be then at full scale as the quarters progress and then specifically second half kicks in that we are then really ready to supply reliably and safe to our customers.

Operator

We have no further questions at this time. I will now hand back to you for closing remarks.

Matti Lehmus - *Neste Oyj - President & CEO*

Thank you very much. So, I want to thank you all for the excellent questions and for joining this conference call. I would conclude by stating that in a more challenging renewables market, we will continue to execute our strategy. We will focus on execution, and we will build on our competitive strengths to maximize our performance. Thank you. Have a good day. Stay safe.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you all for participating.
