Neste Interim Report Q1 2025 Conference Call Transcript

Anssi Tammilehto: Good afternoon, everybody. Welcome to discuss Neste's Q1 '25 results that were published this morning. My name is Anssi Tammilehto. I'm the senior vice president of strategy, M&A, and Investor Relations. Here with me on the call today are our president and CEO, Heikki Malinen, and our CFO, Eeva Sipilä. During this call, it's good to note that we will be making forward-looking statements in the presentation. Please make sure that you are familiar with the disclaimer, also. The agenda is as follows. First, we will go through the Q1 in brief, discussed by Heikki, then the financial performance by Eeva Sipilä. Then, last but not least, the topicals and outlook by Heikki again. Finally, we will also have time for your questions, and we are happy to have a discussion with all of you. With these remarks, happy to hand over to Heikki Malinen. Thank you.

Heikki Malinen: Thank you, Anssi, and good afternoon. Good morning, everybody. Welcome also on my behalf to this call. First of all, let me thank Anssi for the great work he did as interim CFO. Really appreciated Anssi jumping into this role at short notice, and he did an excellent job. Thank you, Anssi. Very appreciative. It's also my pleasure to welcome Eeva. You will see her in a moment here. I'm very happy that Eeva is joining the team. Together, we will then work with you all to tell the Neste story and hopefully provide you with a good perspective on the company and our business. Eeva is a great CFO. She's very smart. She's tough. She has a lot of relevant experience, and she will be a great addition to the Neste team. This is my first full quarterly release. I started in mid-October, as you know. It's a real pleasure to now start to tell you also the full story.

Now let's go to the first slide, and at Neste, we always start our presentations with safety. If you look at this slide, it basically has two pieces of information. On the left-hand side, you can see data on our total recordable incident frequency rate. It basically tells you about employee safety, what is happening on that side. Then on the right-hand side, you see process safety, which is very relevant information when you look at the refining industry. A couple of observations. First of all, on the left-hand side, you can see that this line has been going up. That is, of course, not good performance. The data actually includes two businesses. If we look at our businesses, we have the refining business, which is the bulk of Neste, but we also have a feedstock sourcing collection in the United States, which is primarily Mahoney. Mahoney is a logistics business, not refining, and the Mahoney data tweaks this number upwards. If I just look at the refining side of the business, the figure was about 1.7 for Q1. 1.7 actually for refining is not great. First quarter performance would be much more in the 1.0-1.2 area. We have a lot of work at Neste to improve not only to bring the whole curve down with Mahoney included, but also then improve our refinery people's safety.

On the right-hand side, you can see the data on the process. I'm very happy with the results. We ended up with zero. The way we track this is that if there are no tier one or two incidents, then you basically get down to this level. Our refineries ran well in the first quarter, and we really did not have any major process incidents. That was from my standpoint, at least, it was a very good result indeed.

Then, if we go to the numbers. Comparable EBITDA of 210 million, I am, of course, not pleased with the overall level of profitability. It is not at all where it needs to be. As you know, we are working very hard towards improving that. However, we did have a number of things we did right. As I said, our operational production was solid in our refineries, and I was pleased that our renewable sales volume increased. On the SAF side, I saw good momentum in our sales activities in the first quarter, and it gives me a good feeling for 2025 on SAF sales. Of course, we're being helped by the fact that, in EU, the ReFuelEU legislation is now coming into force. You have seen the data on the margins. Our sales margin went up to 310. It was helped by the fact that our refineries are running well and full, and we were able to get a bit of a lift off on our sales side. Also, as you know, we have started hard work on reducing our costs, and there is more coming from that end.

It is usually a seasonally cold winter up here in the north. I'm disappointed. We were looking for some bitterly cold winter weather to sell our winter products, but unfortunately, it was very mild, and hence, both on the Marketing & Services side and on the Oil Products side, we did not succeed in selling as much winter grades as we had hoped to do.

The four things we're really working on here are shown here on this chart. First of all, of course, the profit improvement program is built on the operational performance. I already talked about our refineries. We had a high level of utilization. Basically, I would say we were trying to run full in our refineries, and that is how we see the business from our standpoint. We have these refineries. We need to be low-cost, competitive and then run refineries and sell the volume. That is the way we look at our business. But to support our competitiveness, of course, we have kicked off the performance improvement program. You heard a lot of the details in our Capital Markets Update in February. That is very high on my agenda. We are very committed to this 350 million run rate improvement. I'll come back to that a bit later in my presentation. I was pleased that we were able to officially get the SAF investment in Rotterdam. Line number one is complete, and we are now ready to supply EU-based production of SAF for our customers out of Rotterdam. We are good to go, and production has started. Then, of course, the big thing at Neste is the new huge investment in Rotterdam to build a second line. You heard last time how the timeline had to be changed, and the costs have increased, but basically, we are now moving according to that revised schedule and budget according to plan, and I'm staying very close to the project and monitoring it regularly, and also visiting Rotterdam regularly to stay on top of that.

When I started at Neste, I talked about the importance of our customers and how critical it is that we have good reliability, so that when customers order, they can for sure get the products they have ordered. I'm happy to tell you briefly about one customer story we have. We're developing a good relationship with DHL. DHL is a great company. It's a world leader in global express parcels. It's a fantastic business, and I'm very proud that DHL has been ready to cooperate with Neste. We are joining together our forces to provide low-carbon fuel for their fantastic company. There is more information about this coming later. But, anyway, this is the main story on DHL, and I hope to tell you more customer cases in the coming quarters.

Then, coming to our performance improvement program. The main message for you this quarter is that our annualized run rate improvement that we achieved in the first quarter is 52 million. Eeva will go through this in detail, and as we move forward, we will open more the granularity of what we are achieving concretely so that you get a sense of what progress we're making. But, anyway, if you make note of this 52 million, the work has now started.

On the commercial side, we are downsizing and sharpening our terminal network. We're taking costs out on the logistics side. We have done a number of, let's say, optimizations, changing also some of our buying criteria to be able to be more competitive on the buying side. That will yield results.

The refining area is, of course, a big potential area for value creation. We started the refinery piece a bit later than the rest. We will be, I would say, a step further in Q2 to talk more about the specifics, once the initial phase of that fairly comprehensive work has been finalized.

On the external cost side, we have a big spend bucket. We now have a good procurement team, and they are working hard to find alternative sources of procurement. We’ve become a better company at tendering and also looking for ways how we can also stop spending, where the spending is not critical for the business as it stands today.

Then, finally, on the organizational front, we did announce our employee negotiations in February to reduce our headcount. We have completed those negotiations. I feel that the negotiations were professionally run. They were done on time. I want to thank especially our employee representatives for the good collaboration to get this fairly complicated matter done in a professional way. Thank you to our shop stewards for their professional approach. Anyway, that is now done. The new organization comes into effect on May 1st. That part of the performance improvement program can be noted as having been completed and closed.

Then it is time to move on to the financial performance. This is where I would like to hand it over to Eeva. She will go through the figures, and then I will come back with some of my own commentary, a bit about regulatory topics. I'll talk a bit about the markets a bit more broadly from a macro perspective. Then I will give you the outlook, and we will take your questions afterwards. Eeva, it's all yours.

Thank you, Heikki. Good afternoon, on my behalf as well. Great to be a part of the Neste team and with you all today. I'll start with this reference graph. It illustrates the development of the renewable diesel margins. You see well that the Q1 was weak. This was especially driven by high feedstock costs at a time when the sales prices were under pressure. Now we were able to capture a margin of 310 US dollars per ton sales margin in our full renewables business, obviously, including both the renewable diesel and SAF. This was really thanks to the production running well, as Heikki mentioned, and a very successful optimization on the various fronts from our team. Now, just a reminder that when you look at this reference margin, note that we have used, as earlier, a fixed sales ratio between European Union and North American sales of 60/40. Sixty for the European Union, and the real sales distribution, be it for us or any other industry player, will obviously vary between the quarters.

For Q1, our group's comparable EBITDA was €210 million. Now the biggest contribution came from Oil Products, €120 million, Renewable Products delivered €72 million, and Marketing & Services 17. I'll come back to the segments in more detail shortly.

Our performance improvement plan is delivering its first results, even though it was just started a few months ago. This is something we're obviously following very closely. We will be reporting to you all on a continuous basis. As Heikki already mentioned, €52 million of a run rate was achieved by the end of the first quarter. Now, good to understand that if you want to get a quarterly run rate or quarterly outcome of that, then you can divide 52 by four and you get 13. In the first quarter, however, we only had a six million outcome, not the 13. This is really due to the program starting only midway in the quarter. Heikki also mentioned the important milestone of the operating model simplification. Now that those savings will be delivered as of Q2 onwards, 65 million in total. I would say about a majority of them during Q2, but obviously some of those savings will also come into realization only in the later months. As the negotiations were concluded, we were able to book the one-off provision as restructuring in our end-of-March balance sheet. This 24 million is visible in the notes in the back.

Moving then to the segments. Renewable Products. The recovery of production volumes during the quarter was very important for us. As you can see, it supported the recovery very well also in our sales margin. Now, in an environment where the feedstock costs and sales prices are pressuring our margins from both sides, you see this on the right-hand side graph very well, going the full history from 2020 onwards. I'd clearly say that we did better than expected on our optimization to reach the 310.

We sold relatively low volumes in the US as the European market was clearly more attractive. We mostly sold SAF in the US market during the quarter. Now, overall, SAF volumes of 130 kilotons were still on the light side. As expected, though, and this is driven by the annual mandate structure, which drives a more back-end loaded behavior from our customers. We would expect to see sales volumes increase in the second half of the year.

Moving to Oil Products. Refining margins continued to normalize if you look at the sort of longer trend or year over year. Compared to the previous quarter, there the main contributor to a decrease in the refining margin was really the mild winter Heikki already mentioned. We missed good volumes from the middle distillates, be it then heating oil or winter grade diesel. Overall sales volumes were also seasonally low. We, of course, expect to improve as we go into the busier driving season now that spring and summer are coming to our home markets. Utilization rate in our operations was solid also in this segment, and an important achievement.

In Marketing & Services, our third segment, the main points are very similar to those of the Oil Products. Sales volumes were seasonally a bit on the low side, and then combined with a mild winter this had a negative mix impact on our margins. Comparable EBITDA was €70 million for the quarter. Now, despite the lower market demand and certainly a competitive market environment, our performance in terms of market share was solid during the quarter.

Moving to cash flow. Our cash flow in the quarter was negative €225 million. Now we needed to normalize our inventories coming out of the outages in the fourth quarter and abnormally low inventory levels. This obviously affected the net working capital in part of the cash flow. Now we are at a level where we are more comfortable in being able to both optimize and serve our customers with the precision that they expect and we want to do. Now, good to know that working capital is part of our performance improvement program. We will be looking at many ways to optimize our performance, also in this area, even though we talk more about the EBITDA side of the program, this will increasingly be part of our communication in the quarters to come.

Now, related to cash flow, after financing activities, I'd just like to highlight two main achievements in the quarter. We issued a new green bond of €700 million in the quarter. The cash flow impact is slightly less, as part of those proceeds were used to pay back previous debt. Not visible in the cash flow or in the quarter as such but coming just after the close of the quarter was the refinancing of our revolving credit facility. We also raised the facility slightly to €1.3 billion.

Then on the investment side, now, as communicated earlier, we are running Neste with very tight capital discipline. CapEx decreased in Q1 as planned and is expected to be as guided in February, around €1.2 billion for the full year. The Rotterdam capacity growth investment is really the one main project we have ongoing this year, and also in '26. Thereafter, as communicated earlier, we expect to be focused on maintenance-type investments only, and that will obviously then ease the pressure on our cash flow, and enable us to strengthen the balance sheet, which is a nice bridge to the financial targets.

Again, nothing new on this slide, but just to reiterate our focus on delivering the performance improvement, EBITDA savings, as well as, we are focused on ensuring the leverage of around 40 percent. With that, I'd like to hand it back to Heikki.

Heikki Malinen: Thank you, Eeva. Let's go through a couple of topicals and outlook matters here. Let me first start with a couple of comments on mandates. Obviously, in our RP business, regulatory issues, mandates are crucial for increasing the demand for renewable fuels. At Neste, of course, we welcome the fact that we have the ReFuelEU coming now into effect. The objective is, of course, that in 2030 we will go from two percent to six percent. I think from Neste's standpoint, I just want to communicate that of course, as Neste is investing heavily within the European Union to add SAF capacity, we expect that European policymakers will work from their side to safeguard a level playing field and also ensure the competitiveness of European industrial companies. We at Neste are doing our part, and of course, we welcome any efforts from the Commission to do theirs. We really need a predictable operating environment to ensure these investments create value then also for our shareholders.

On the tariff side, a lot happened in the month of April, as we all know. I guess the main feeling at Neste here, as we look at what we have read from different sources, is simply that the direct impacts of these tariffs are expected to be fairly limited for this company. RD, SAF, and most of the oil products are actually exempt from the announced tariffs. Singapore has a free trade agreement with the United States. I think these basically set up situation that is actually pretty reasonable given the things that are ongoing. On the feedstock side, what we are seeing is that the United States has implemented tariffs, which, of course, will impact, for example, UCO coming from China and going into the United States. That does not impact our Singapore business negatively. In the United States, in Martinez, of course, we have Neste's own Mahoney operations, which can also provide also feedstock from domestic sources. From the standpoint of our operations, the US market is open for Neste. Our decision whether we sell from Singapore to the West coast or into the Gulf area or even up into Canada, which of course, is a separate market not related to US circumstances. But, anyway, whether we ship to the East or whether we ship then from the West is purely an economic question. We are constantly looking at the margin differentials. Then, based on that, we will take our own commercial decisions very tactically and in an agile manner. Singapore's location is good in that respect.

If we then look at the opportunities and uncertainties in our business at the moment. Of course, the thing we're working on and where we would like to see progress is a decrease in the cost of feedstock. We have seen some signs, especially on Chinese UCO, coming down, maybe roughly five percent. However, that is clearly not enough. In Indonesia, we see export restrictions on feedstocks. A combination of both of those is, at the moment, still keeping the feedstock prices too high vis-à-vis where the selling prices are.

The US renewable fuel incentives and obligations are critical for anyone producing these products. Our view is that it is a gradual process. We will see some of these incentives come back in different forms during the course of the year. I think we're not terribly pessimistic about it. It's just a matter of time. Of course, the loss of the BTC, per se, that is a fact that we will probably not see that in its current form be replaced with anything else.

If we look at the European side, I want to just mention, the way I look at the situation is that Germany, among others, is now basically borrowing €1 trillion and investing in infrastructure and also defense. However, these euros are ultimately also going to flow into logistics and into increasing investment. Germany being a large part of the European market and also a very important market for renewables, that should be a longer-term positive boost.

Then I already talked about the need for the EU to work on these SAF anti-dumping matters.

On the uncertainties, of course, as I already talked about a moment ago, there's a lot of uncertainty about the US margins. We need to constantly be agile in terms of where we ship from Singapore. The global macro situation is, of course, challenging. I think the base case, as we see it, is that a US recession of some form is coming. Some parts of Europe have already been in recession for multiple quarters. We will then need to see whether the US recession is a moderate and short one, or something a bit longer, but time will tell.

Then, finally, geopolitical tensions and unpredictable trade policies are creating their own challenges. However, I think net, I think the outlook from our side is clearly weighted more towards the opportunity side than the uncertainty side, in spite of all the news headlines you see out there.

Then, on the market outlook, the uncertainty in global trade and geopolitics and their impact on the global market outlook are causing volatility. Markets for both renewable fuels and oil products are sensitive to oil price development. The market in renewable fuels is expected to remain oversupplied in 2025.

Then, if we look at our guidance, which basically is unchanged from the last quarter. I won't read it line by line because it is basically unchanged. I'll just leave it here for your attention. That in itself is our presentation. I think it's now a good moment to go to Q&A. Please, let's get started.

Operator: If you wish to ask a question, please dial Pound Key five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial Pound Key six on your telephone keypad. The next question comes from Alejandro Vigil from Santander. Please go ahead.

Alejandro Vigil: Hello. Thank you for taking my questions. The first question is about the company's leverage. It is now very close to the 40 percent threshold. I'm wondering if you are planning any divestments or considering some joint ventures to reduce the burden of CapEx that you have for the next year and a half? The second question is about feedstock, if you are. How you see it in terms of demand and supply, the access to feedstock, and particularly are you considering new sources of supply? Can you create new sources of supply to offset this inflation we are seeing in feedstock? Thank you.

Heikki Malinen: Maybe if I start with those, and then Eeva, please continue. I think of leveraging, as Eva said, so we have that 40 percent target, as we said earlier in February, of course, it's possible that for a short period of time, we may be going over that. I think that's not critical here. The 40 percent is really critical in terms of the ceiling for us in general. We have a plan. We're working hard on delivering the results. Obviously, it's a fact that we have an attractive portfolio of assets, but we are not considering any divestments. We believe in our plan, and we believe in our ability to take us through this phase here. Now, in terms of the demand, supply, and feedstock in particular. Yes, we are working to look at other feedstocks besides, you know, of course, UCO and animal fat. There are different types of novel vegetable oils. There are also other micro pockets of feedstock that we are researching. The reality, though, in this business, and I think this is where Neste has an advantage, is that the more complexity you bring into the mix, the blend of feedstock, the more challenging it is going to be for the pre-treatment. I urge you to understand that this is not a simple exercise of taking the sort of cocktail, a mix of feedstocks, and just putting them into the refinery process. There's a lot of value that can be created by doing this. Neste is good, but it is not simple. I think for us short term, of course, the big thing is we need to get the UCO price down. Hopefully, we will start seeing that in the course of 2025, let's see. But Eeva, anything you would like to comment on the balance sheet subject?

Eeva Sipilä: No, I think you commented well. I think the quicker impact to ensure our leverage stays in the target zone is really the cost savings and the work we can do on the working capital.

Alejandro Vigil: Okay. Thank you.

Operator: The next question comes from Derrick Whitfield from Texas Capital. Please go ahead.

Derrick Whitfield: Good afternoon, all, and thank you for taking my questions. I have two. With my first question with respect to the performance program on page 13 of your presentation. Would you expect rateable improvements between now and Q4 '26, or can we see a couple of periods with more pronounced step changes? My second question, regarding your commentary on oversupplied markets for 2025, how do the global supply-demand balances, in your view, projected for 2026 with the benefit of ReFuelEU and potentially a 5.25 billion gallon RVO in the US? Thanks.

Heikki Malinen: Maybe if you want to take the first and see how that flows through.

Eeva Sipilä: Sure. Derrick, on the performance improvement. Indeed, I wouldn't say it is necessarily fully linear. I think we've seen some low-hanging fruit coming into fruition now in Q1. Now, obviously, Q2 will also be supported by the organizational change, which is rather, even if it's not all the people leave immediately, it's obviously a big step. That will support the Q2. There may be areas where getting going takes a bit longer, and hence on that. However, I think the target is so high on 350 that we need to sort of be pushing this in every quarter in a visible way.

Heikki Malinen: Right. Derrick, then in terms of your question about demand and supply, I think, of course, the oversupply for 2025 is a fact. Making these forecasts, as I said in the capital markets update, is, of course, challenging. It is based on a lot of assumptions, but I think at least in our own planning, we are thinking that we will continue to see this oversupply being there for some time. Ultimately, it will balance, but we don't think it's going to disappear just overnight. I think it's a good assumption that going to '26 we will probably see something. But as said, it all depends on the assumptions you make. We are focusing on the plan to get ourselves through that '26 period, even if we have that oversupply there. But as said, it depends on the assumptions, and I don't think we want to say more about it at this stage.

Operator: The next question comes from Henri Patricot from UBS, please go ahead.

Henri Patricot: Yes. Thank you for the update. Two questions, please, from my side. The first one, I wanted to come back to the Renewable Products' margin improvement, quarter on quarter. Because if I look at some of the macro drivers and the loss of the BTC, that would seem to imply a fairly large drop quarter on quarter. Well, despite that, we had only a small drop. Or if we compare to the adjusted number that you gave in Q4, because the actual margin was $240 per ton. However, you mentioned at the time that the outages have a negative impact of around $100 per ton. Just wondering, looking back with that $100 per ton, actually a greater negative in Q4 or can you expand on some of the positive developments in the first quarter that we don't see just looking at the macro drivers? Then secondly, I wanted to come back on the SAF comments that you made because the sales volumes have improved year on year, but are down, quarter on quarter. You said that a lot of the sales actually went to the US. You're particularly expecting quite a sharp increase in European SAF demand for the rest of the year, but very limited sales for the time being. Is that fair? Any comment you can make about how things are going in the second quarter so far?

Heikki Malinen: Thank you. Maybe you could start with the first one. The margin. I'll comment on this off.

Eeva Sipilä: Sure. Indeed, on the margin, I think it is a good idea to compare the Q4 without the outages. It gives you a more stable trend. Now, what I would say is that in this business, when we really abruptly were running down, the positive impact of now being able to have a solid quarter, obviously was significant. Sometimes these types of abrupt changes were too bad in Q4, and now maybe a bit of an extra boost on that. Then again, also, good to note that obviously this is a business optimization and not always the publicly known quotes are fully comparable. There are a lot of things that go into the mix. As I mentioned, we were positive ourselves also on being able to exceed our own expectations in that front.

Heikki Malinen: On the SAF side, we came into the year with fairly low inventory levels. Yes. In fact, the first volumes out of Singapore have been more stewarded into the US market, but Europe is very critical here. We have made a number of customer contracts for this year, and we look forward to allocating more volume into the European market based on the mandates we now have. As I said earlier, Rotterdam is now producing at nameplate on a daily basis as of the end of March. We will also now start getting, then the annual capacity out of there is about half a million. All of that Rotterdam volume will also be allocated to the EU. From that standpoint, I would say we believe that all the tonnage we can now produce out of Neste would seem to be the case that we can sell that in terms of SAF.

Henri Patricot: Great. Thank you.

Operator: The next question comes from Sasikanth Chilukuru from Morgan Stanley. Please go ahead.

Sasikanth Chilukuru: Hi. Thanks for taking my questions. I have two, please. The first was on the renewable product sales margin. This quarter, we've seen around a $56 per ton premium over the reference margin. I was just wondering how we should be thinking about this premium. What are the key factors that have influenced it? Is Q1 indicative of the premium that we should be thinking about going forward if the current market conditions were to persist? The second was related to, again, the Singapore plant. If you could highlight what the utilization rate of the Singapore plant specifically was in Q1, if possible? You talked about the SAF sales, but I was just wondering if there were any other RP sales also directed to the US market in Q1. If so, whether there were margin accretive or dilutive effects.

Heikki Malinen: Do you want to take the margin first, and I'll comment on the utilization?

Eeva Sipilä: Sure. Yes. As mentioned, the premium was strong in the Q1 based on that it really incorporates that full optimization value that we do in the company. With now the market situation being so dynamic as it is, I would be a bit cautious in the short term. I mean, obviously, we have high-cost inventory on the feedstock side, basically, as Heikki mentioned earlier in the presentation, we've seen a very modest decrease so far, and hopefully, something to come. However, I think that's more than a second-half issue. Certainly, going into Q2, I would be a bit cautious. Then let's see if the world around us settles in one way or the other, so that it would be a bit easier to comment more on this.

Heikki Malinen: In terms of Singapore utilization, we were on RP overall, we were just below 80 percent. You need to remember that when we produce SAF, our overall tonnage comes down a little bit because there are some production losses due to the configuration of the manufacturing process. In terms of SAF, we get somewhat less volume. However, anyway, we've now been running a so-called integration mode. We have two lines there. That basically allows us to drive up and push the SAF volume to the max. I'm sorry if I couldn't hear the end of your second question regarding the US. Could you repeat that, please?

Sasikanth Chilukuru: Just wondering for the sales that have been directed to the US market, if there were any on the renewable diesel side, and also if these sales to US were margin accretive or dilutive.

Heikki Malinen: Yes. We don't sell anything if, it has to be margin accretive. We don't sell anything at a negative margin. Yes, we did sell some, but at very modest levels. You have to be extremely agile and monitor when the ARBs are open. If they are open, we will take advantage of them, but the volumes were very small.

Sasikanth Chilukuru: Thank you.

Operator: The next question comes from Artem Beletski from SEB. Please go ahead.

Artem Beletski: Yes. Hi. Thank you for taking my questions. I actually have three to be asked. The first one is related to RP and the production outlook for Q2 and ahead. I think looking at Q1 numbers, they were quite good, but you have been normalizing inventory. Is it a good proxy for what you are doing right now in terms of production? The second one is related to Martinez. You have commented that Martinez was dilutive in Q1. I think that makes sense given quite tough market conditions in the US during the quarter, but could you maybe comment on whether you have made some further progress, what comes, the feedstock, and how you have been performing on that end. The last one is related to US opportunities to sell volumes from Singapore. I think, looking at UCO prices, we have seen the Chinese prices are coming down, but are going up in the US. It should provide some opportunities for you. How do you see the market and basically import opportunities?

Heikki Malinen: If I start, thank you Artem, for your three questions. Your first question was about the RP production outlook. Yes, indeed. Obviously, as we discussed, our inventory levels were very low as we got into the first quarter. We, of course, will be trying to run full in our refineries. That is the intention. We believe that we have competitive assets. They were built to produce product, and that is what we are doing. I think the main question really is simply that: how can we get the maximum SAF out of it? I said, for example, in Singapore, it requires this integration mode. There are some practical process issues we're working on. I can't give you an exact figure for Q2, unfortunately. However, I think you were right that we had the low inventories.

Then on Martinez. Look, the way the thing is on Martinez, the refinery is in a great place. It's in the middle of a very important market. I think fundamentally, the regulatory outlook in California has been good, and we believe that the incentives that we have in that area will be gradually coming during the course of 2025. We had our production issues in Martinez. It's my understanding that those are basically been solved. However, there is still potential in the refinery to become more efficient on the logistics side, even better in terms of feedstock utilization. The management in the refinery has its work cut out.

On the matter of feedstock. We are providing our share of feedstock supply. We own half of the refinery. We can provide feedstock out of Mahoney and other sources. Feedstock prices, of course, are going to rise if the tariffs go up. That is something that the business then has to manage locally.

Then, to your question about US exports out of Singapore. Yes. As you mentioned, UCO prices have fallen a bit, whereas the US prices have gone up. The spread is widening. As I mentioned earlier, if there is a positive enough ARB, we will sell, and that is almost a day-to-day situation. Our salespeople are following that, and we will lock that in. At the moment, there is an opportunity. If the spread continues to widen, there will hopefully be a bit more upside in sales volume, also going in RD. But as I said, our primary focus for Singapore is to ramp up the SAF side because that is still ultimately the future and the spearhead of Neste. Hopefully, that gave you enough color about where we are. Thank you.

Artem Beletski: Yes, absolutely. Thank you.

Operator: The next question comes from Matthew Blair from TPH. Please go ahead.

Matthew Blair: Thank you and good morning. Good afternoon. I have three questions here. The first, maybe sticking with Martinez. Could you talk about the 45Z capture at Martinez in Q1? Some other companies have mentioned that because the standards came out in the middle of January, things weren't really optimized for Q1, and things should look better for Q2. Does that hold for Martinez? The second question is, do you have a view on the implementation date for the new California LCFS targets? Do you think they'll be backdated to the start of 2025, or is this looking more likely a January 1st, 2026 start? Finally, you mentioned that US sales in the quarter were mostly SAF. Could you talk about just your overall sales by region here: is the US a more attractive market for SAF at the moment than Europe? Thank you.

Heikki Malinen: Okay. First of all, in terms of the Martinez situation and the tax incentives. Basically, there was nothing much to book home for Q1. Unfortunately that there was nothing there, hopefully later. On the LCFS, we believe it is going to come. It could be more shifted towards the end of the year, maybe early ‘26, but we believe it is coming. We'll just have to be patient with that. Then, in terms of US SAF - European SAF comparison. How should I put it, I think, both markets are strategically important to us. We are trying to serve both markets, and I would say we're not taking at this stage big strategic decisions regarding whether it is the US or Europe. We want to serve all of our customers and ramp up our production as rapidly as we can. Especially, but we also don't forget that in ‘27, we will be getting a huge amount of new capacity from Rotterdam number two. We already need to be building the space for ourselves when Rotterdam two comes online. Both markets are important. We need to have multiple customers to take on this volume.

Matthew Blair: Great. Thank you.

Operator: The next question comes from Peter Low from Redburn Atlantic. Please go ahead. The next question comes from Adnan Dhanani from RBC. Please go ahead.

Adnan Dhanani: Hi. Thanks for taking my questions. Two from me, please. Just on the first one, on ReFuelEU. A number of airlines recently pushed back against the mandates. I just wanted to get your thoughts on that. If you think there's any risk of a rollback or easing in those mandates, particularly given the broader macro environment and the second one on the CFPC credit, I understand that you've booked a contingent asset for the credit this quarter. Just what is your latest understanding of the guidelines there? What do you need to see from the regulators? Do you have more conviction in including that in your results, and just any thoughts on the timing of that? Thank you.

Heikki Malinen: If I take the ReFuel first, and then Eeva, you take the 40 million. Yes, it is, you are correct that a couple of airlines have, let's say, raised the question about the timing or magnitude of the 2030 mandate. That is the six percent. Our Neste view is very clear.

Climate change needs to be mitigated. The European Union has been very clear, as well as member states in their intention to decarbonize air travel. We have an over 360 million ton kerosene market. SAF market is just a drop in the bucket. We are going to make a very strong argument that the mandate holds. We will also continue to argue for a linear progression into 2030. We are happy to work with our customers to solve their climate change problems or challenges. However, we are definitely of the view that 2030 will hold. That is what we are working towards.

Eeva Sipilä: Then, regarding the CFPC. Indeed, we didn't book any benefit from that, although we do think that we would be eligible based on some of today's knowledge, with a €30-40 million size of the value. Then, how will we proceed? Well, I think it's really around clarity on let's say the details in a way that we obviously don't want to be going back and forth rather wait and let's see if we get a bit more clarity during Q2, and then we'd obviously sort of act on that, and if not, then we'd, as I said, rather wait into Q3.

Heikki Malinen: I still have to come back to you, if I may, just on this SAF matter and ReFuel. You also need to recognize that we have customers who are also looking at voluntary buying. Even last year, and we were coming into this year, not all buying was mandated. There is also voluntary buying. I think that many of the large customers are very committed to making sure that they are gradually reducing their emissions. Yes, a couple of airlines might have made some comments, but we believe that the movement is definitely upward in terms of volume growth.

Adnan Dhanani: Great. Thank you.

Operator: The next question comes from Peter Low from Redburn Atlantic. Please go ahead.

Peter Low: I'll take my question. The first one was just that there has been a lot of volatility in oil and diesel prices this quarter, which could flow through to your term contract sales. Can you talk at all about your hedging position, to what extent that could protect you against that? Then the second was just a clarifying question on the renewable products utilization rate. Should we assume that the 79 percent utilization rate is at that level because that's the extent of the volumes that you're able to profitably place into the market, or were there any other operational reasons that it was not higher? Thanks.

Heikki Malinen: Okay. Do you want to first comment on the hedging?

Eeva Sipilä: Sure. Indeed, as we sort of raised in the quarterly report, the volatility in the oil markets is obviously something that has an impact on us. We haven't changed our hedging per se. We continue in a way to hedge. However, of course, with all this volatility, it's not a guarantee that we would be protected on that. It is certainly a risk that you are right to raise because that's a bit in a way what we've obviously seen also in the Q1, and not a new topic per se. Let's see where the market goes in the coming months.

Heikki Malinen: Hey, on your question about the utilization level. Basically, we have the refining piece in the performance improvement program. We see opportunity further to extract more value out of these refineries, very granular stuff around becoming even better at risk based maintenance, predictive maintenance, little things, but big things when they add up in terms of volume. I'm actually of the view that we have more upside potential in terms of how much volume we can get out of these refineries. But I don't want to give you a number yet until we get the refinery work complete, and then we get some concreteness on that. However, as said, I thought it was a good quarter given the performance of 2024, but we need to get more out of the refineries. That's the objective for the rest of the year and into '26 so stay tuned.

Operator: The next question comes from Paul Redman from BNP Paribas. Please go ahead.

Paul Redman: Hi, and thank you very much for the time, guys. Two questions from me. The first one was just on sales volumes and margins in Q2 '25. I just wanted to ask about your sales volume this year, how much was on pre-agreed contracts versus sold on a spot basis? Just following on from that, you're talking about being cautious about Q2 '25 margins. Could you just give me a few of the moving parts that might raise that caution? Is there anything in this quarter that may not be booked next quarter, for example? Then secondly, just on Mahoney, is there any way you can give us some guidance on this business kind of EBITDA generation, or how it supports margin generation? We can understand this business a little bit more. I'm assuming in a type of feedstock market, this business is an even better performer.

Heikki Malinen: If I take questions one and three, and you talk about Q2 margins. Let me do one and three, and then you do two. In terms of the sales for '25 you could roughly say that maybe two-thirds are term and one-third is spot. Usually, we would have had historically, it's my understanding, the term piece would have been higher. However, at the moment, for 2025, it seems about two-thirds term, one-third spot. Then, in terms of the question about Mahoney, we haven't really disclosed any financial figures. Basically, it is a business where we collect different types of molecules from 90,000 kitchens in the United States. It's a logistics business. Obviously, when feedstock prices rise, it will be accretive to the results of that business. But I think there's also a broader role, and that is a strategic role of having this feedstock collection pool, because it gives us longer term strategic optionality. Whatever then Neste might do in the future, that is another angle, which is more strategic rather than short-term financial. Would you like to comment on the second question, which was about margins.

Eeva Sipilä: Sure, Paul. I think there is cautiousness mainly comes from the fact that the feedstock prices, we haven't really seen a material change there. Obviously, as said, we would hope and in a way expect one. However, just realistically, we don't want to give you a too optimistic view on that. I think the other moving piece is obviously related to the tax credits in the US. As said, we didn't book anything. As I replied to a previous question, there is a possibility that we would have more clarity already during Q2, and obviously, that could have a positive impact. Then, we will, of course, report that separately. You can see the underlying. However, those are maybe the main things. Then just otherwise referring to the very dynamic environment around us that we need to just be able to align and be very agile on. We have a good team optimizing, but it's certainly a challenging environment.

Operator: The next question comes from Pasi Väisänen from Nordea. Please go ahead.

Pasi Väisänen: Thanks. This is Pasi from Nordea. When looking at your comparable margin of 310 in the first quarter, what was the positive effect coming from hedging, which was included in this margin? Secondly, were you now selling more to Sweden than before, and was the sales to Sweden actually the reason for your improved sales optimization during the first quarter? Maybe lastly, when looking at the global supply-demand balance. What will be the sustainable margins for the industry or for Neste when this global balance has been reached? For example, something like 500 or 550 in terms of margin. Thanks.

Heikki Malinen: Let me just - maybe I'll start with the last one, which is easy to answer at this stage, because I'm not going to give you an answer simply at this stage. I don't think we can for sure say what a sustainable margin is long-term and from what point. If we have a point of view on that we want to share, that will come back to that. In terms of the Swedish market, of course, the Nordics is important for us. We do business in Finland and the Baltics, but we also sell into Sweden. Without going into more detail, let me just say that the Swedish market is important. We have a lot of big customers there, and we did have some opportunities in Q1 to sell more to those. However, I won't really go into detail. On the hedging, would you like to comment on the hedging?

Eeva Sipilä: I was looking at our report because I think you can find the numbers as such on that. We had a slight positive on the inventory valuation, then against currency was negative, so not a big impact really. If you look at those two net, and indeed there's a table, it's mainly related to renewables that table information.

Pasi Väisänen: Okay. Great. Thanks.

Operator: The next question comes from Nash Cui from Barclays. Please go ahead.

Nash Cui: Hey, good afternoon. May I ask two questions as well, please? The number one is on feedstock. I wonder if you could give the feedstock mix for this quarter, please. In terms of UCO, fat, and the PFAD? And also relating to feedstock, I wonder if you can let us know your hedging position for both Q1 and also going into Q2, please. Then my second question is on gearing. I think you mentioned that you are not too concerned about the gearing to pass or go beyond 40 percent temporarily because you have a plan. I just wonder if you could expand that. How is this 40 percent set? Is that arbitrary, or does it relate to credit? Thank you.

Heikki Malinen: Thank you for your questions. There are a lot of insightful questions you had there. I am not exactly sure how much detail we gave out in terms of the feedstock mix. Do you have that? Can you--

Eeva Sipilä: Well, we have the share of waste and residues reported separately in the report, and that was 97 percent. Basically, almost all of the feedstock was that, somewhat up from the fourth quarter.

Heikki Malinen: However, if I can, in terms of the actual mix of UCO, animal fats, novel vegetable oils, obviously, when you look at the just as more of a context for those who don't follow this industry. Ultimately, when we run these refineries, it is a blend usually of different things. When you blend these feedstocks, there are certain chemical limits or operating parameters that you need to focus on or achieve. That is setting the right balance between UCO and novel vegetable oil or animal fat. It is not only a cost optimization question on what feedstock is cheaper and expensive, but it's also a chemistry question that you need to factor in. But of course, UCO is a big part and then you have animal fat. Novel vegetable oil is -usually the other are very small parts. UCO is the bulk, usually. Then on the gearing. Maybe I'll hand it over to the CFO, who can comment on the gearing, the 40 percent, and our plan. If you would like to elaborate on anything else beyond what we have said earlier, and the funding, I guess, or the credit question.

Eeva Sipilä: Sure. The leverage target we have is to have leverage below 40 percent. We are quite close to that target, as you see. Obviously, in this environment where our financial performance is still weak, combined with the Rotterdam investment, there is no quick way to improve that ratio. We are focused on delivering on the performance improvement. Of course, every million saved on the EBITDA helps. Then, as I mentioned earlier, in my presentation, the working capital is obviously part of our overall optimization. Just to give you an example of something that saves both cost and inventories, as we are looking into our terminal network, whether we need all of them, we don't think we do. Just in reducing the amount of terminals, we obviously reduce our lease costs, but also reduce the inventory by definition. Those actions are very important, and I think we wanted to be proactive and early in the year on the funding needs and have successfully completed the bond as well as the RCF. In that sense, we're rather comfortable, certainly from a liquidity point of view going forward.

Nash Cui: Thank you very much.

Operator: The next question comes from Julia Bocharnikova from Goldman Sachs. Please go ahead.

Julia Bocharnikova: Hi. Thank you for taking my questions. I have two. First is on Singapore plant. Can you give any comments on utilization rate of Singapore renewable diesel lines, specifically in Q1, and whether these volumes were redirected to Europe? The second one is on REDIII directive. I wonder if you've seen any developments in terms of transposition of REDIII into national regulation of EU countries, as formal deadline is May 21st. Thank you.

Heikki Malinen: In Singapore, as I mentioned earlier on the utilization or the production of RD, the volumes to the United States were very limited. The European market for RD is short. The volume that we have produced has been coming to the European Union. However, I want to come back that SAF is the primary thing we're focusing on. Any residual capacity we have, then, and it's coming from the line number one in Singapore, would then be directed either into the United States or Europe, depending on what is more economically sensible. That is the case. Then on the REDIII, I don't have really anything new to report on that. We will continue our public advocacy work. We've actually done good work in that area. I will hopefully be able to report something on that after Q2. My own personal focus has been very much in Q1 now to get these programs underway and get rapid execution. I haven't really spent personally much time on PA, but it is obviously important and will be higher on my agenda as I see that this performance improvement program starts generating results here. Good. Thank you.

Julia Bocharnikova: Thank you.

Operator: The next question comes from Kai Ye Loh from Jefferies. Please go ahead.

Kai Ye Loh: Thank you for taking my questions. Just one quickly, you mentioned you are going to resume your export only if the ARB is reopened in the US from your Singapore facility. My quick question is, do you remind us on the economics of the exports into the US. Also, do you see any pressure from exporting the volumes that are not exported to the US into Europe, and how would it evolve going into Q2? Thank you.

Heikki Malinen: Thank you very much. Obviously, I think there was one of your colleagues who asked about whether they are accretive. We don't sell at a negative margin. Of course, the more margin we have there, of course, the US market in California is a huge market. It does absorb these volumes. There is a market for the product, so the volume can be sold. It's purely a matter of do we make a reasonable profit on that. We will sell if the margin is bigger than it was in the past. Now, in terms of Europe, again, as I said, Europe is short. We have been able to find a lot of customers here, more customers. We've added new customers. But the focus is on SAF. Then the RD is really residual to fill up the refinery. There's nothing really more I can add at this stage, unfortunately.

Kai Ye Loh: Thank you. I appreciate.

Operator: There are no more questions at this time. I hand the conference back to the speakers for any closing comments.

Heikki Malinen: Thank you very much for your attention today. It's been a good conversation. You always challenge us with your good questions. Thank you for the time that you've taken to focus on Neste today. As a summary, really, from my standpoint, as CEO of the company, the three things we're focusing on here predominantly now are delivering on the performance improvement program. I'm really happy with the start. I'm very close to it myself, so I think we've had a good start, and I'm very happy that we were able to get the people part of that, the fourth module, pretty much complete very quickly in six weeks. That part is not done, and we can move on with the new organization. Then on Rotterdam, of course, the expansion program continues, I'm staying very close to that. We are on schedule and on budget based on the revised information we gave you. Then I said on SAF, we can sell the volume we now have, and our salespeople are actively finding new customers, and I'm happy also with the start on SAF in 2025.

With those words and with Eeva, we will then come back to you again at the end of the second quarter. I wish you all a very good May 1st celebration if you are into that kind of stuff. Thank you very much.

Eeva Sipilä: Thank you.