

# Neste Capital Markets Day

12 March 2020



NESTE

# CMD 2020: Creating profitable growth through renewable and circular solutions

## Agenda

12:00

### Opening

Juha-Pekka Kekäläinen

### Group Strategy

Peter Vanacker

### Renewable Road Transportation

Matti Lehmus

### Renewable Aviation

Thorsten Lange

### Renewable Polymers & Chemicals

Peter Vanacker

### Renewables Platform

Matti Lehmus

### Q&A

14:00

### Break

14:15

### Oil Products

Marko Pekkola

### Innovation

Lars Peter Lindfors

### Financials

Jyrki Mäki-Kala

### Q&A

### Concluding remarks

Peter Vanacker

15:30

### Program ends

# Disclaimer

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

# Creating profitable growth through renewable and circular solutions

**PETER VANACKER**  
President and CEO



# Speakers



**Peter Vanacker**

President and CEO



**Matti Lehmus**

EVP, Renewables Platform



**Thorsten Lange**

EVP, Renewable Aviation



**Marko Pekkola**

EVP, Oil Products



**Lars Peter Lindfors**

SVP, Innovation



**Jyrki Mäki-Kala**

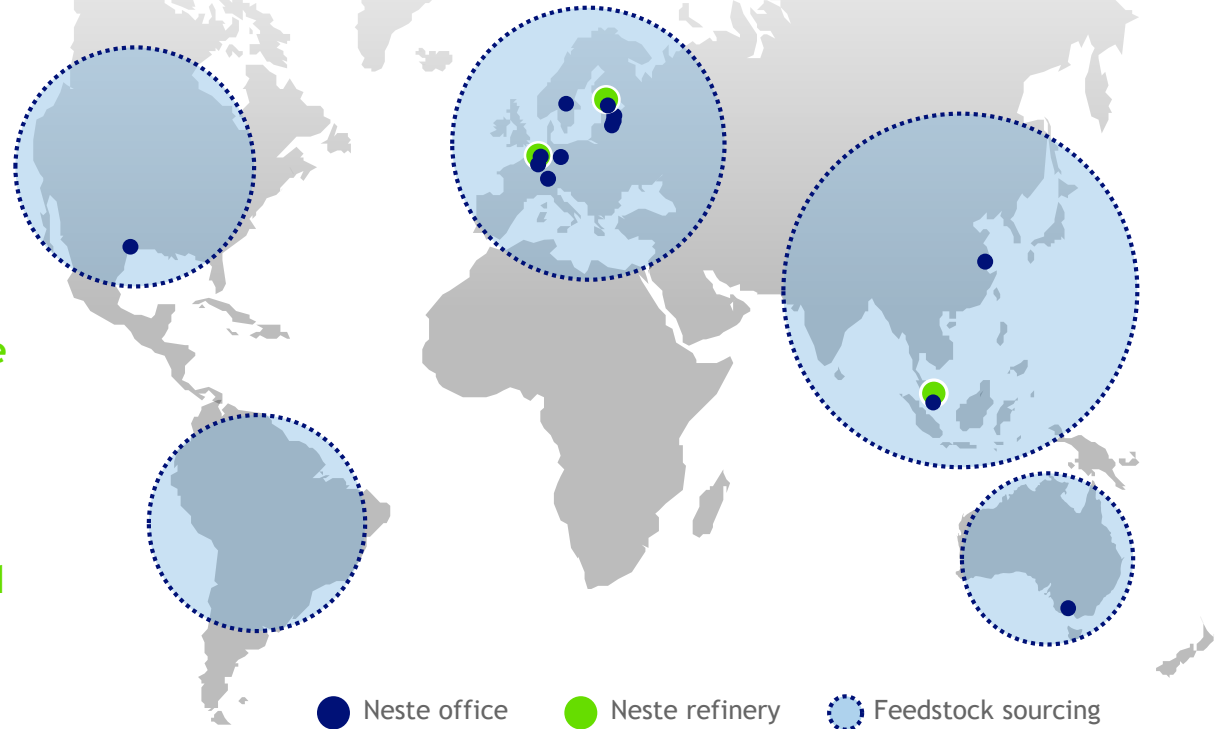
Chief Financial Officer



# Creating a healthier planet for our children

# Our ambition is to become global leader in renewable and circular solutions

- 1. Expanded global reach with new offices**  
in Düsseldorf, Amsterdam, Shanghai and Melbourne
- 2. Strengthened our presence**  
in Houston and Singapore
- 3. Global business hubs for renewable aviation and renewable polymers and chemicals**  
in the Netherlands and Germany





# RENEWABLE ROAD TRANSPORTATION

**We have opened new markets.**

Neste MY Renewable Diesel is now sold in Finland, Sweden, all the Baltic countries, the Netherlands and California and Oregon in the US



A view from an airplane window looking out over a runway. The wing of the aircraft is visible on the left side of the frame. The runway is paved and has yellow markings. In the background, there is a line of trees under a blue sky with scattered white clouds.

# RENEWABLE AVIATION

**We have moved from feasibility to execution.**  
Capacity of sustainable aviation fuel has been  
ramped up to 100,000 tons

# RENEWABLE POLYMERS AND CHEMICALS

**We are creating a new business.**

The first-ever commercial-scale production of bio-based plastics from renewable materials has been successfully implemented

# Our commitment to safety continues

Total Recordable Injury Frequency  
per million hours worked



Process Safety Event Rate  
per million hours worked



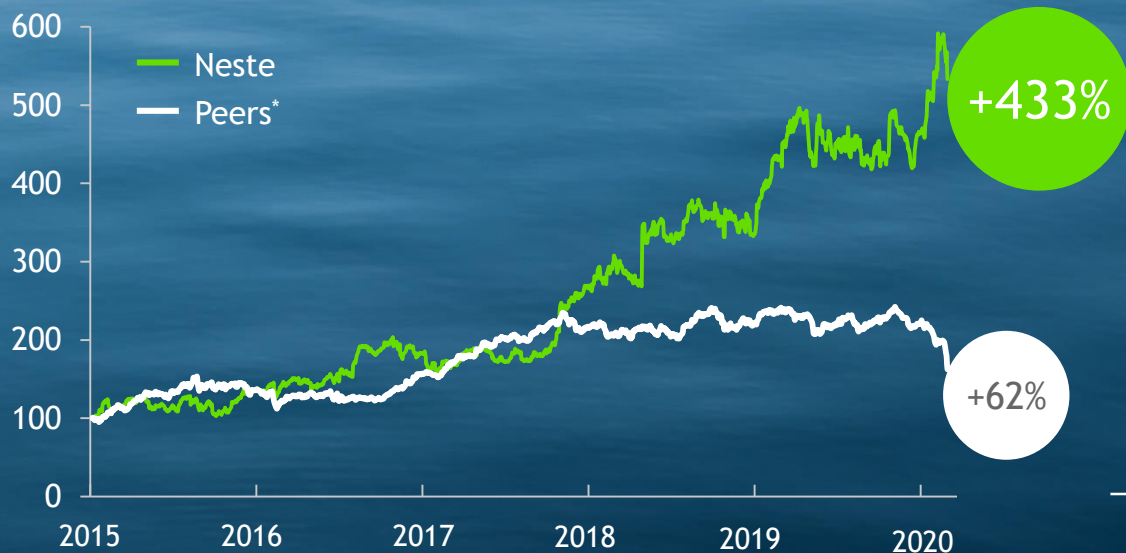
# Record high profitability

Group comparable EBIT, MEUR

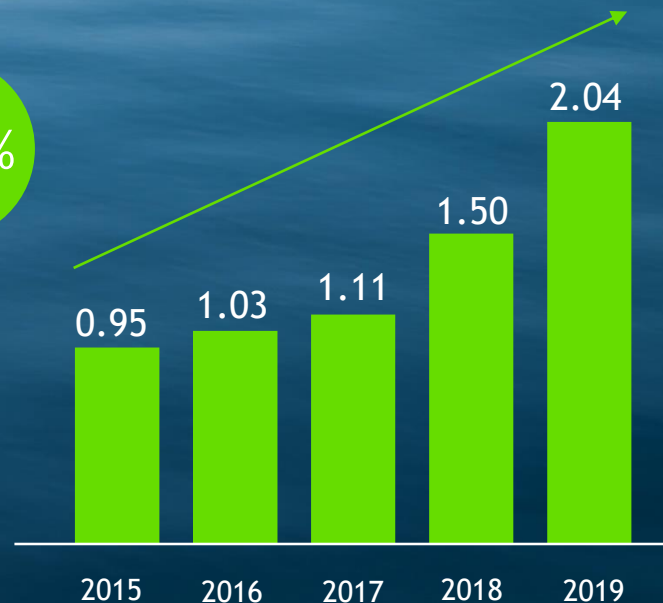


# Continued to outperform peers and deliver strong EPS growth

Share price performance, Jan 2015=100



Comparable earnings per share, EUR



# Record high dividends in 2019

Dividend policy unchanged:  
at least 50% of comparable  
net profit

\* Proposal to the Annual General Meeting: EUR 0.92 + EUR 0.10 extraordinary dividend

2018

Per share

0.76

EUR

Total

583

MEUR

2019\*

Per share

1.02

EUR

Total

783

MEUR



care  
have courage  
cooperate



OUR NEW VISION

Leading the way  
towards a sustainable  
future together





# Our climate commitments

## HANDPRINT

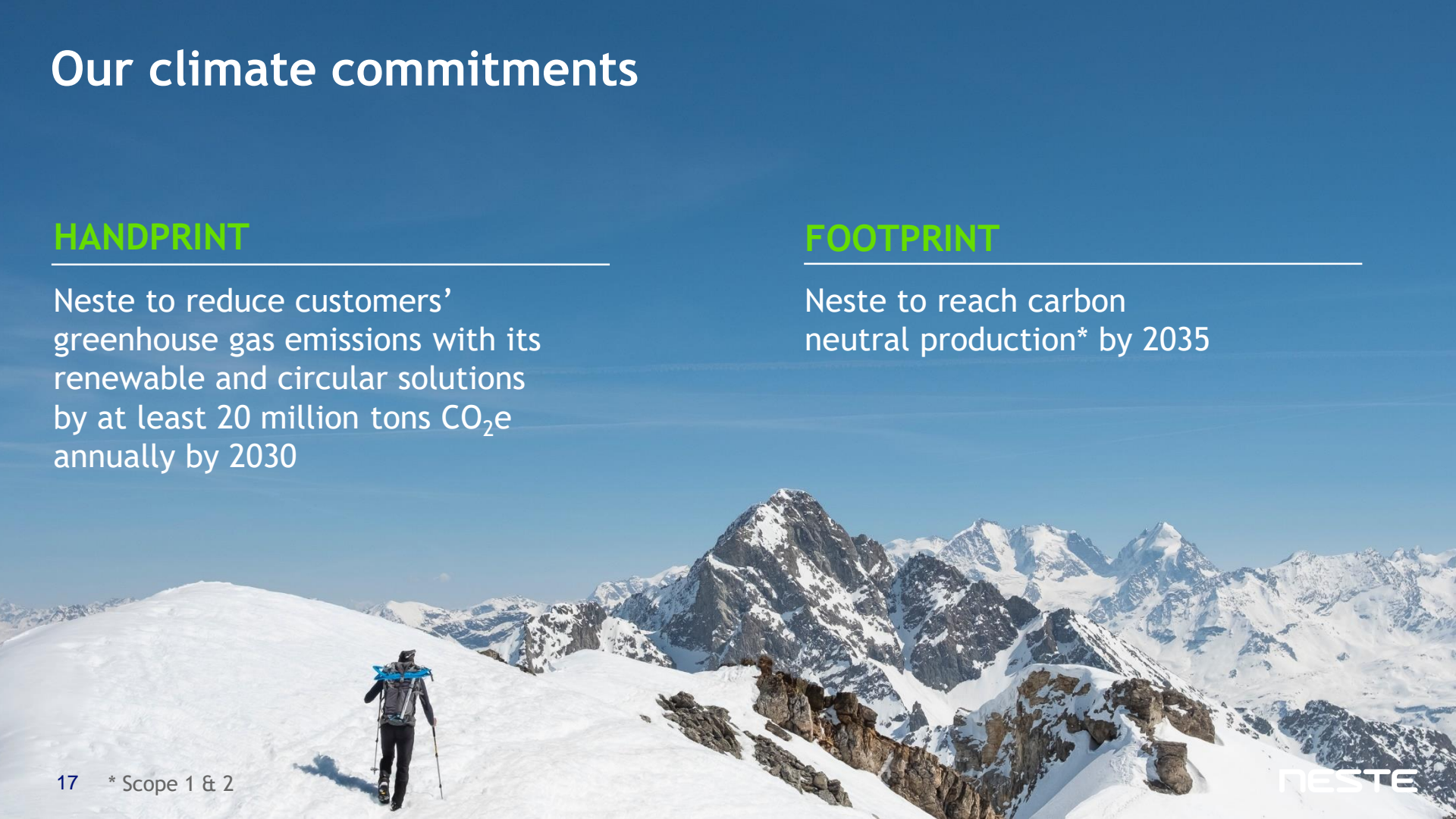
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Neste to reduce customers' greenhouse gas emissions with its renewable and circular solutions by at least 20 million tons CO<sub>2</sub>e annually by 2030

## FOOTPRINT

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Neste to reach carbon neutral production\* by 2035



# We are set to become a global leader in renewable and circular solutions with a strong focus on innovation



# Creating profitable growth through renewable and circular solutions

SUMMARY

Excellent safety and profitability track record

Great progress in strategy execution

Strong position for our second wave of growth and transformation

Creating future solutions through innovation

An aerial photograph of a two-lane asphalt road with yellow double lines, curving through a dense, lush green forest. A dark-colored car is driving on the road. The overall scene is vibrant and natural. On the right side of the image, there are several overlapping white circles of varying sizes, some of which are partially cut off by the edge of the frame.

# Fueling the future of sustainable road transportation

**MATTI LEHMUS**  
Executive Vice President,  
Renewables Platform

**NESTE**

# Growing trend in global road transportation towards 2030



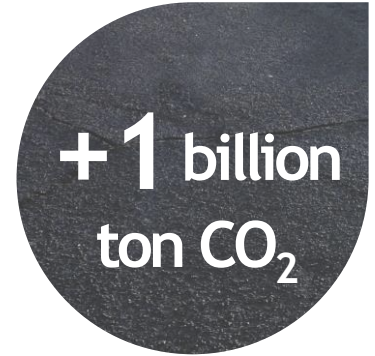
Road transportation fuel demand



Still less than 10% of all passenger cars



Heavy-duty transportation diesel demand +15%

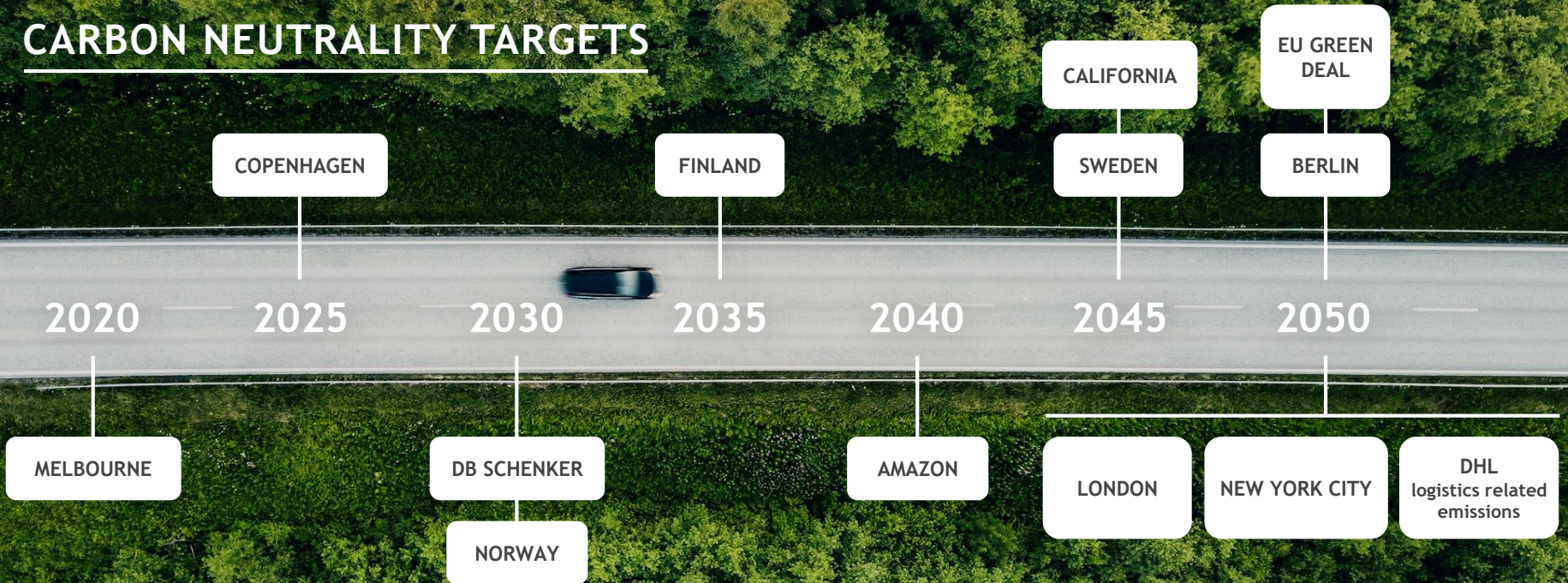


Road use ~80% of transportation emissions

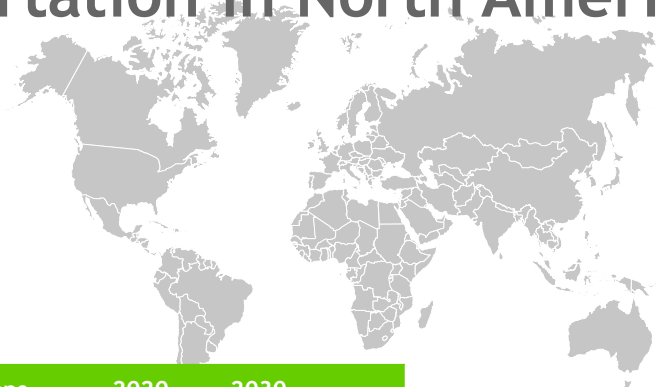
Note: all figures compared to 2018  
Sources: WoodMackenzie, OECD, IEA, EIA

# Global climate targets set a high ambition for sustainable solutions in transportation






## CARBON NEUTRALITY TARGETS



# High ambition level to reduce emissions in transportation in North America and Europe






## NORTH AMERICA






Carbon intensity reductions	2020	2030
 <b>British Columbia</b>	10%	20%
 <b>Oregon</b>	2.5%	10% *2025
 <b>California</b>	7.5%	20%
 <b>Canada</b>		10-12% *Ambition
 <b>United States</b>	Ongoing efforts in Washington State and New York to pass Clean Fuels Programs in the near term	

1) Volumetric mandate. 2) GHG reduction mandate for diesel. 3) Energy content based mandate. 4) 2030 ambition for renewables share for road and rail

## NORDICS

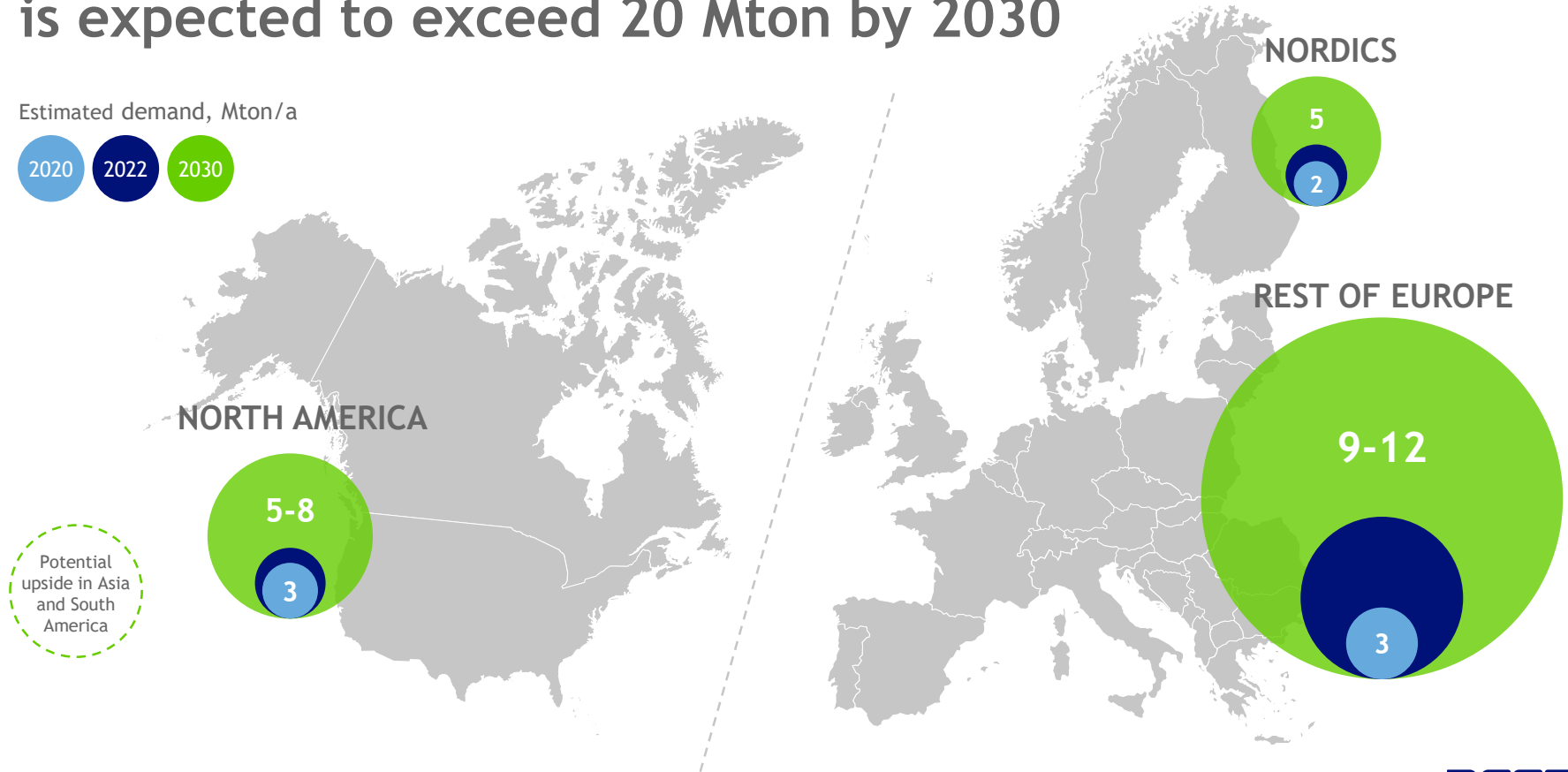
Mandate obligations	2020	2030
 <b>Norway</b> <sup>1</sup>	20%	40% *Ambition
 <b>Sweden</b> <sup>2</sup>	21%	65.7% *Ambition
 <b>Finland</b> <sup>3</sup>	20%	30%

## REST OF EUROPE

	2020 Mandate	2030 Ambition
 <b>France</b> <sup>3,4</sup>	8%	15%
 <b>Italy</b> <sup>3,4</sup>	9%	22%
 <b>Netherlands</b> <sup>3</sup>	16.4%	1.4 Mton
 <b>Spain</b> <sup>3,4</sup>	8.5%	28%
 <b>EU RED II</b> <sup>4</sup>		14%

# Global renewable diesel demand is expected to exceed 20 Mton by 2030

Estimated demand, Mton/a





# Efficient margin optimization through the combination of strategic sales channels and flexible outlets

## WHOLESALE AND RETAILERS

**Sustainable solutions** for efficient mandate fulfillment

**Customer-centric** approach with deep structured customer relationships

Wide customer base enabling **flexibility to optimize** sales throughout markets

## PROGRESSIVE CITIES, MUNICIPALITIES FLEETS AND BRAND OWNERS

Reaching key end-user segments in selected markets through **branding**

Network of highly committed **channel partners** driving branded sales growth

Drive awareness and demand through **thought leadership** and communication

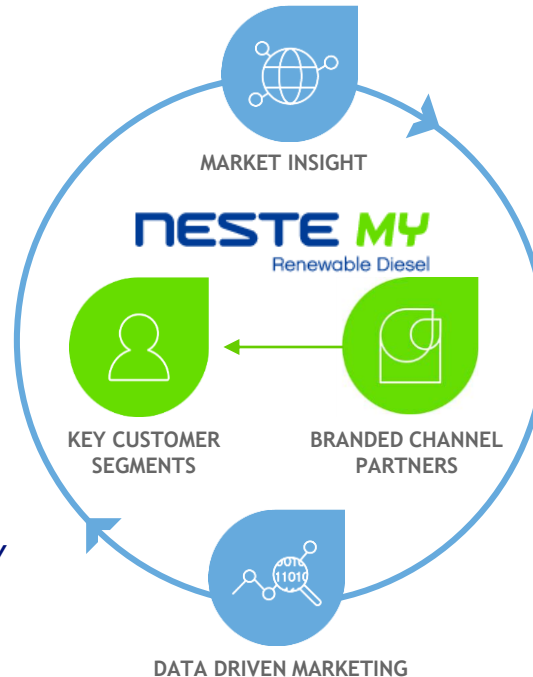
**NESTE MY**  
Renewable Diesel

# Strong presence in key markets with channel partner approach

PROGRESSIVE CITIES, MUNICIPALITIES, FLEETS AND BRAND OWNERS

**KEY CUSTOMER SEGMENTS**  
transportation buyers high  
**commitment towards sustainability**

**DATA DRIVEN MARKETING**  
identify, reach and engage  
with potential key customers  
and drive demand for Neste MY



**MARKET INSIGHT**  
recognize target segments and  
customers with higher value  
potential

**BRANDED CHANNEL PARTNERS**  
selected based on their **access** and  
**capability to serve key customer segments**

# Fueling the future of sustainable road transportation

SUMMARY

Uniquely positioned to **optimize** across global markets

**Customer-centric** approach and leader in **sustainable** solutions

**Branded** offering with **partners** and **data-driven** approach



# Building a solid foundation for sustainable aviation

THORSTEN LANGE  
Executive Vice President  
Renewable Aviation

# Passengers are looking for tangible solutions to make flying more sustainable

Aviation industry responsible for **2-3%** of global GHG emissions <sup>1</sup>

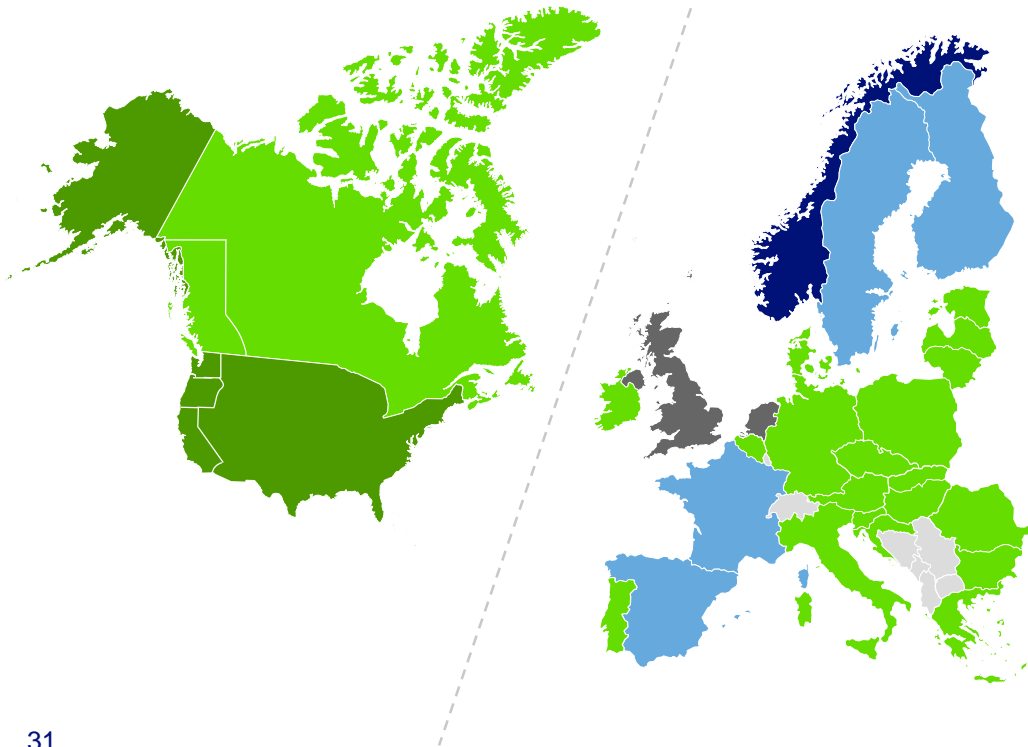
Air travel passengers will double in next **15-20** years <sup>2</sup>

**50+%** of air travelers are concerned about CO<sub>2</sub> <sup>3</sup>

# Neste has started commercial sales of Sustainable Aviation Fuel since 2019



# Regulatory changes starting to happen - creating sustainable fuel demand



## AVIATION SPECIFIC BLENDING OBLIGATIONS:

- Provide demand certainty
- Not cannibalizing road side market

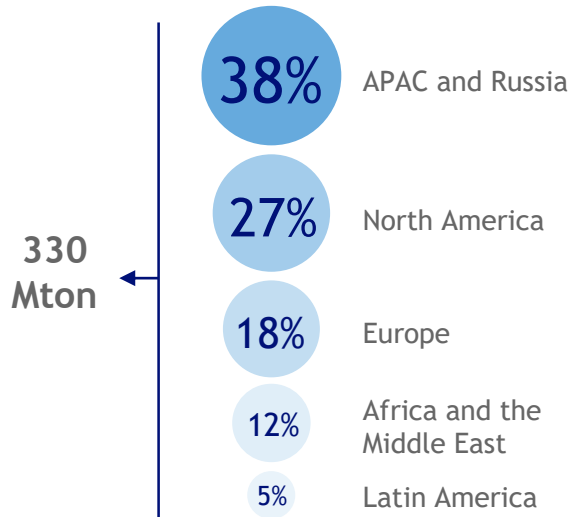
## OPT-IN SCHEMES TO FULFILL ROAD TRANSPORT MANDATES:

- Enable fast scale up of SAF demand

- Mandate introduced in 2020
- Plans to introduce a mandate in the future (2021-2025) & Opt-in schemes to be implemented from 2021 onwards (e.g. EU RED II)
- Plans to introduce a mandate in the future (2021-2025) & Aviation opt-in for road transport mandates in place
- Aviation opt-in for road transport mandates in place
- Opt-in schemes to be implemented from 2021 onwards (e.g. EU RED II and Canada Clean Fuel Standard)

# SAF demand expected to grow substantially starting with first mandates in Europe

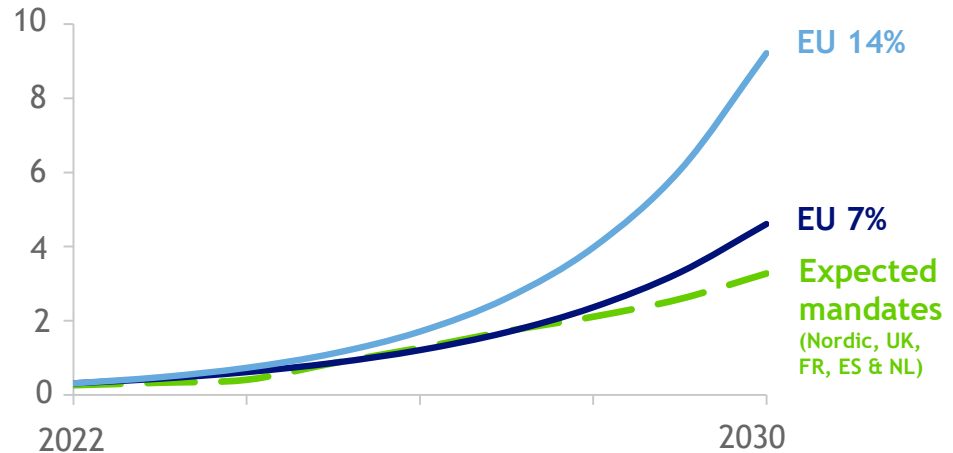
## Current jet fuel demand



Source: WoodMackenzie

## Case example: mandate-driven SAF demand potential in Europe (Mton/a) <sup>1</sup>

Scenarios where all EU countries implement an SAF mandate at a given blend percentage



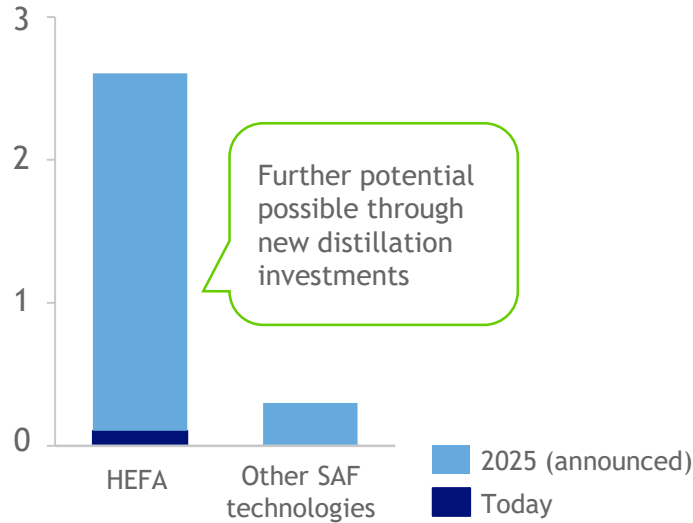
Source: Neste internal expert estimation.

1. Total EU jet fuel demand in 2030 estimated to be 66 Mton. Source: WoodMackenzie



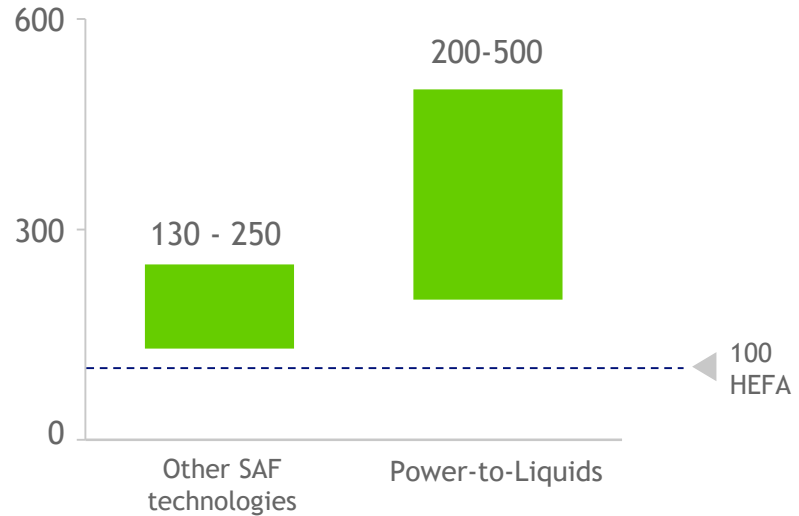
# HEFA jet fuel best placed SAF option due to high availability and economical scalability

## HEFA and other SAF current and future availability (Mton/a)



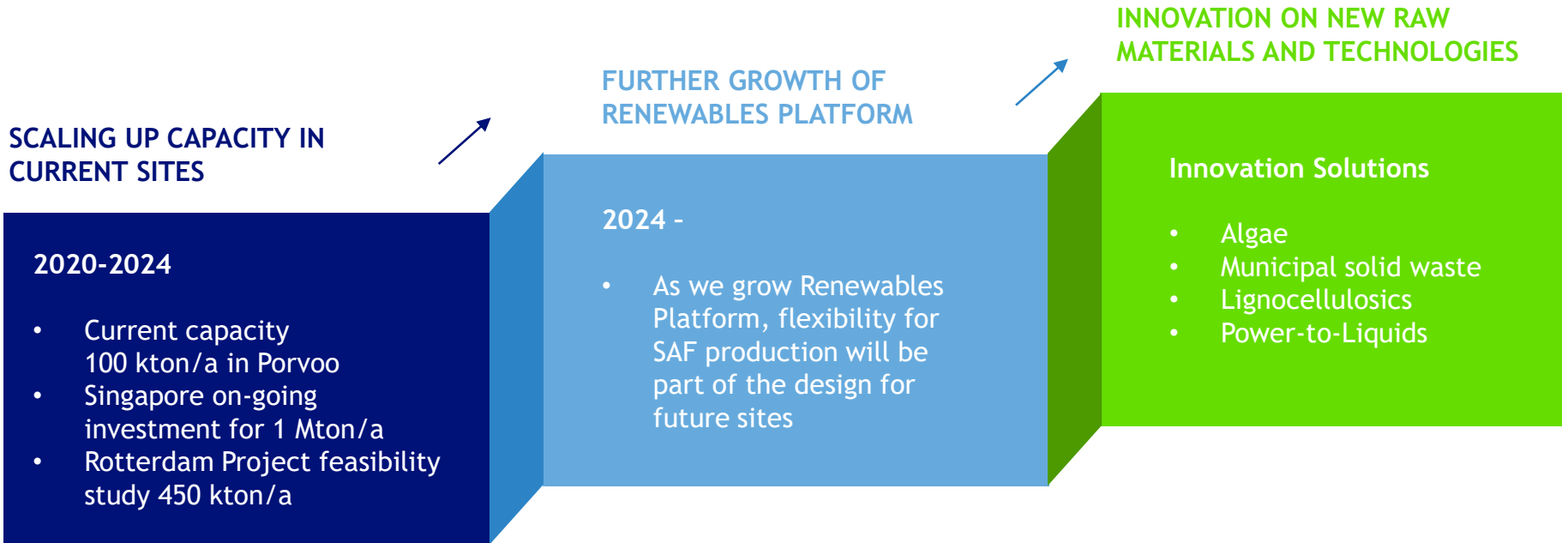
Source: Neste based on public announcements and IEA (2019).

## SAF indexed production cost range (EUR)



Note: Other SAF technologies include gasification + Fischer-Tropsch and Alcohol-to-Jet. Source: Neste based on ICCT (2019), IEA (2019) and others.

# Neste SAF production capacity to exceed 1 Mton in 2022 with continuous new feedstock innovation to provide optionality for growth



# Neste is uniquely positioned to develop and capture the SAF market opportunity

SUMMARY

**Superior  
supply  
capability**

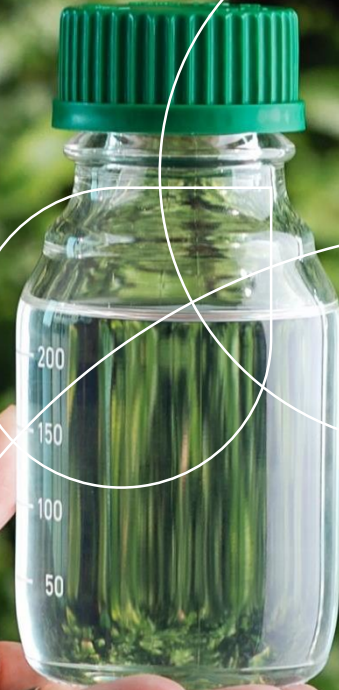
**Sustainability  
know-how**

**Flexibility  
and  
optimization**

**Collaborative  
approach**

# Creating new business through transforming plastics & chemicals value chains

PETER VANACKER  
President and CEO



NESTE

# Demand for sustainable chemicals and polymers is growing, driven by consumers, governments, and brand owners

## Stakeholders driving the demand for renewable polymers



### Public/consumer awareness

- Is increasing with high media attention and campaigns



### Regulatory pressure

- EU ban on single-use plastic products
- European Green Deal - roadmap for becoming climate-neutral by 2050



### Brand owners' commitment

- Continues to build up through sustainability pledges of industry players



## Examples of brand owners' commitment



**100% recyclable,**

reusable or compostable packaging by 2025



**100% recyclable,**

reusable or compostable packaging by 2025

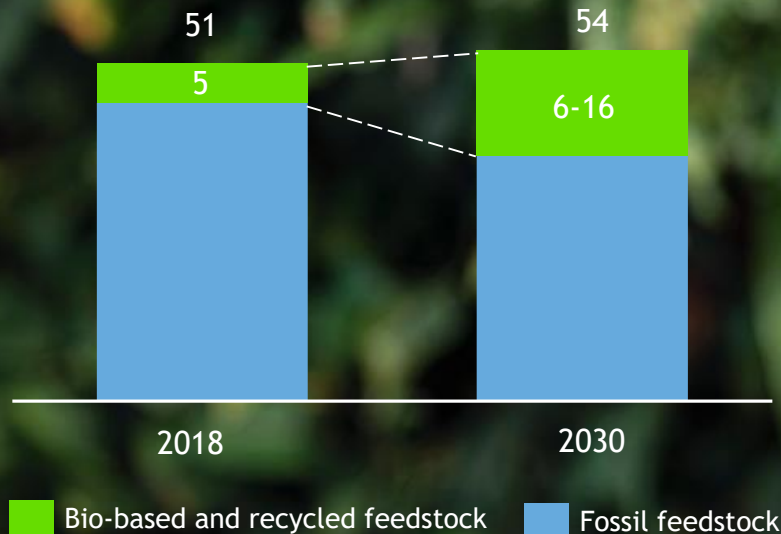


**100% renewable**

or recycled plastics in the long-term

# All sustainable solutions needed to support sustainable growth of polymers market

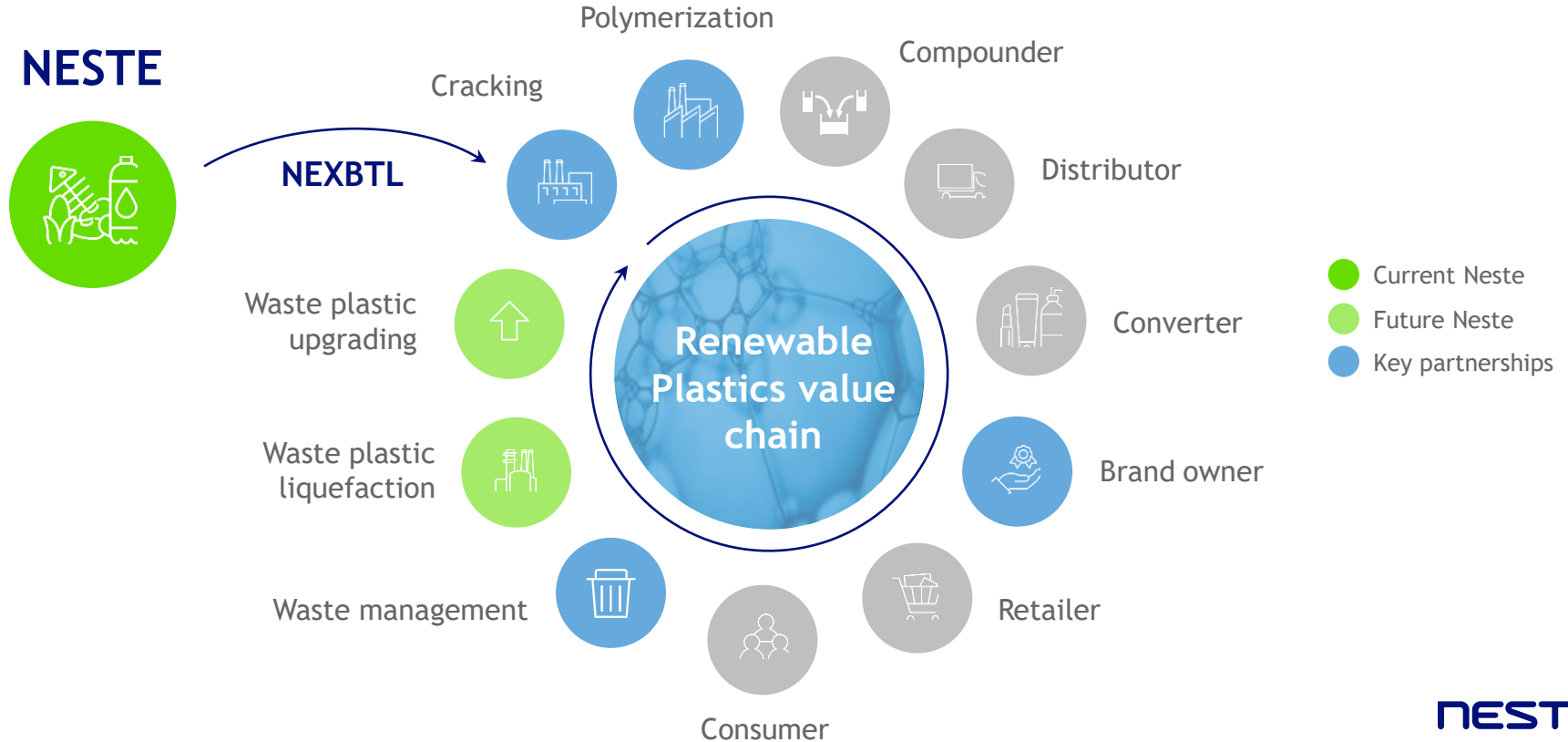
European polymer demand (Mton/a)



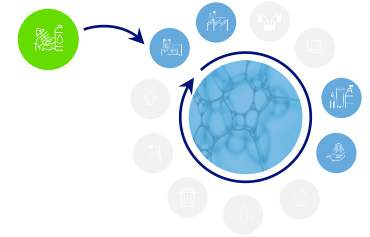
Neste contribution starts with Renewable Hydrocarbons, complemented by the expansion to chemical recycling of waste plastics.



# Neste extending its sustainability promise to chemicals and plastics - both renewable and recycled



# Drop-in solution for renewable polymers proven at commercial scale and ramping up to the demand of leading brands



## Achievements with partners

	World's first commercial scale production of bio-based polypropylene from Neste renewable hydrocarbons
	World's first commercial scale production of propylene from bio-propane
	Introduction of 11 new additives based on Neste renewable hydrocarbons
	Collaboration to produce renewable plastics
	Product launch of cling film with bio-based based content
	Collaboration to produce sustainable packaging solutions

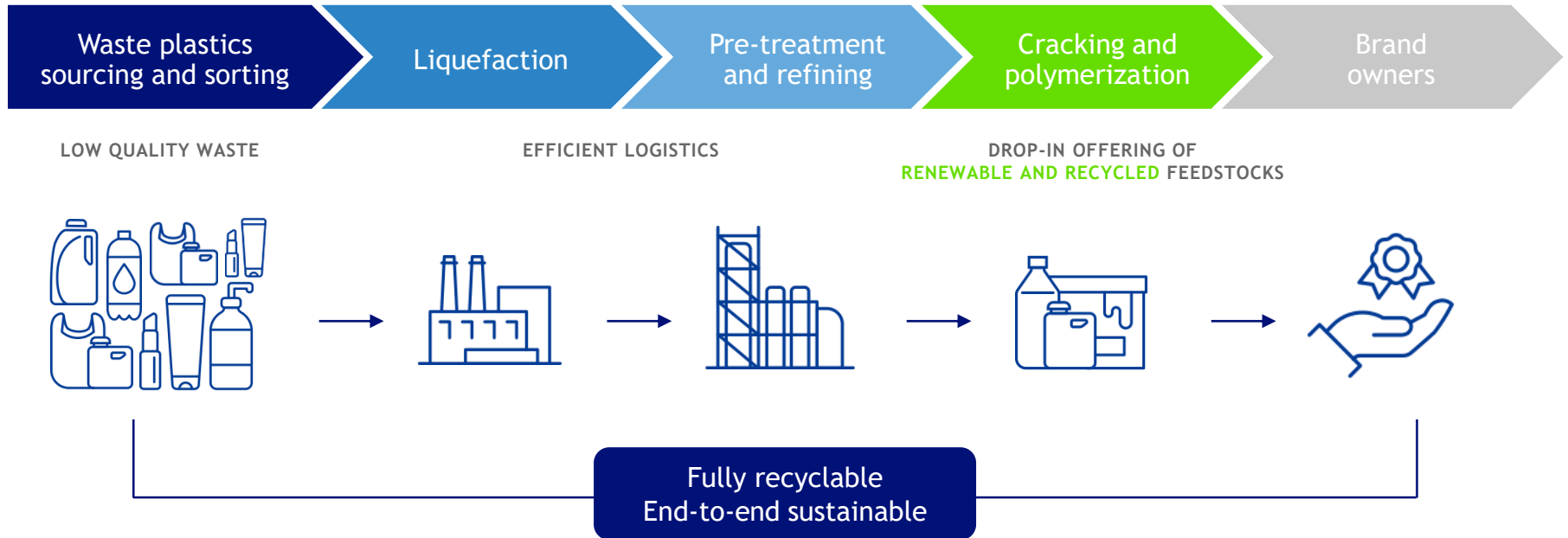


## Strong pipeline going forward

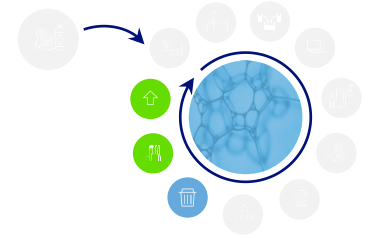
- Developing additional partnerships and moving to regular business with current partners
- Continued brand owner pull for drop-in solutions
- Expansion of offering for polymer and chemical industry



# Neste's expertise in upgrading feedstocks gives us a competitive advantage in the fast-developing chemical recycling market



# Supply of liquefied plastics streams being built through partnerships with recyclers and technology developers



## Announced partnerships with recyclers targeting capacity of >400kton/a combined

- Optimizing solid feedstock targeting difficult-to-recycle waste plastics streams
- Optimizing cross value chain logistics from feedstocks to refinery upgrading
- Aligned strategic ambition to build-up chemical recycling with speed and at scale

**REMONDIS**<sup>®</sup>



## Technology development focused on accelerating first industrial demonstrations and scale-up

- Plastics liquefaction technologies not yet mature for industrial roll-out
- Several technologies on the verge of industrial demonstration
- Neste supporting technology developers to accelerate reaching of industrial maturity and capacity build-up
- Neste and Mirova back Recycling Technologies to accelerate transition to circular economy for plastic

# Neste will continue building value chains and developing new solutions with partners

SUMMARY

Established position as preferred sustainability partner for brand owners

Ramping up value chain collaboration in renewable polymers

Chemical recycling development and capacity build-up



# Growing the unique global feedstock and production platform for renewables

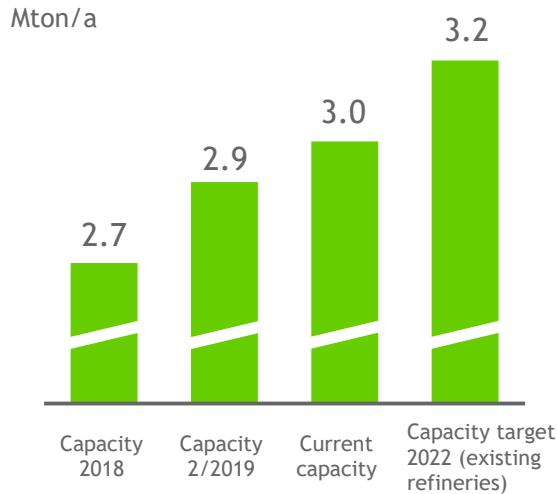
**MATTI LEHMUS**  
Executive Vice President,  
Renewables Platform

**NESTE**

# Neste Excellence progressing well with over 100 MEUR comparable EBIT improvement achieved in Renewables in 2019

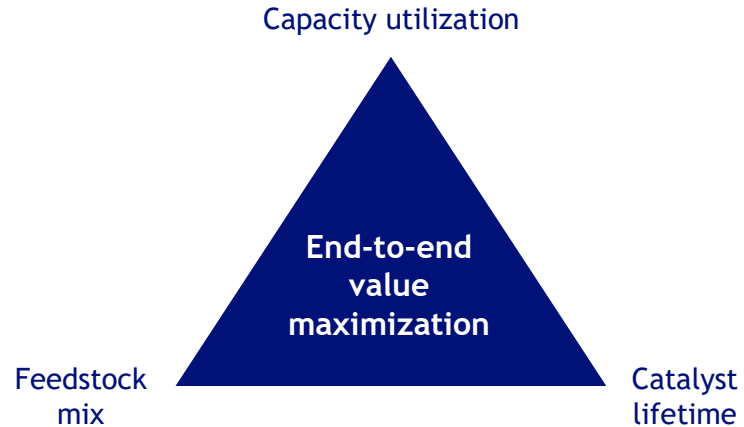
## Capacity creep of existing facilities

- Targeting further production capacity by another 200 kton/a by 2022



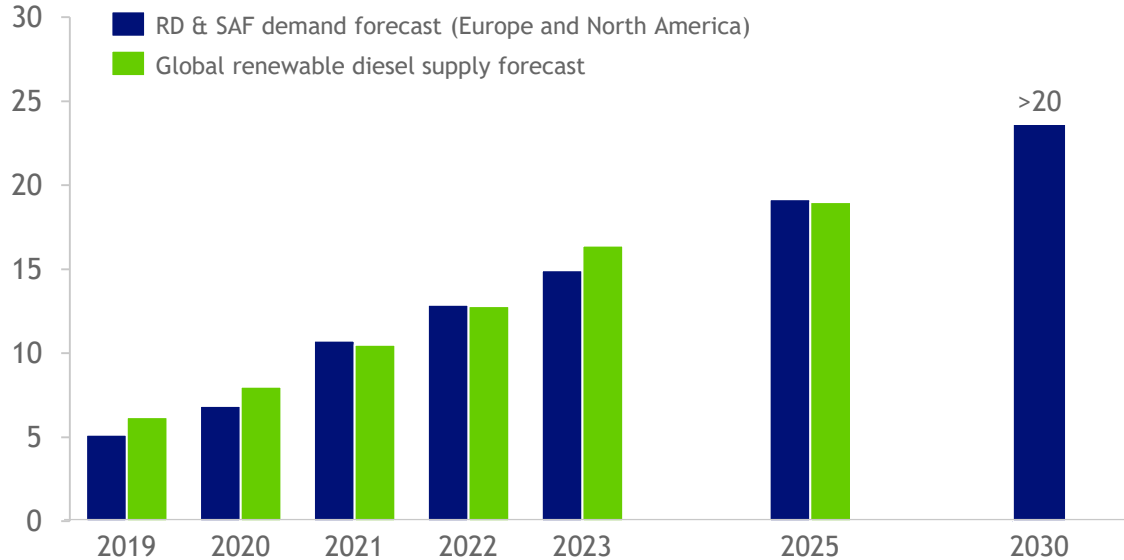
## Catalyst lifecycle optimization and turnaround execution

- Optimized combination of catalyst cycle lengths, feedstock mix and process operating conditions ~25 MEUR/a value creation achieved in 2019
- Structurally reduced outage time for catalyst change



# Renewable diesel and SAF demand to exceed 20 Mton/a by 2030

## Global RD supply and demand outlook (Mton/a)



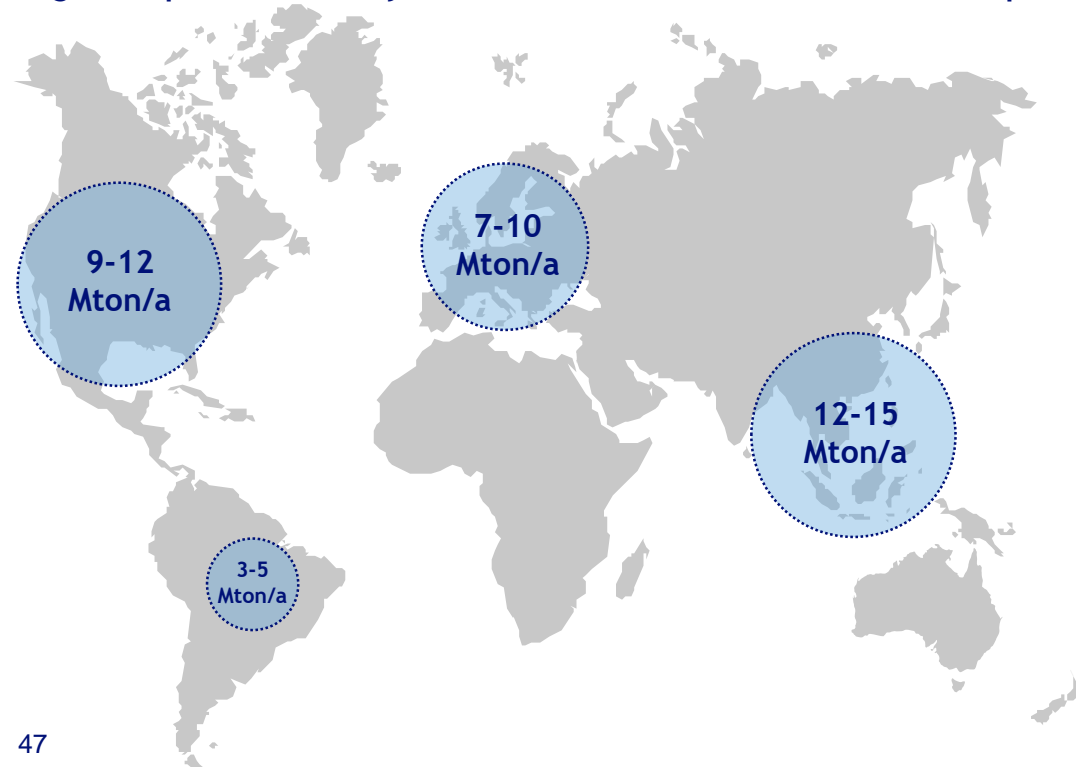
Source: RD supply forecast based on projects currently announced - a number of projects still subject to final investment decision  
Demand forecast based on Neste analysis of existing and proposed regulation

Global demand  
**average growth  
more than 15%/a**

Upside demand  
potential via  
**new geographies and  
applications e.g.  
renewable polymers  
and chemicals**

# Waste and residue feedstock availability to grow to over 35 Mton/a by 2030

## Regional split of currently identified waste and residue feedstock pool 2030



### Existing feedstock pool growth to ~35 Mton

- Increased collection and aggregation rates
- Improved pretreatment technologies

2030

### Significant waste and residue growth potential via new technologies

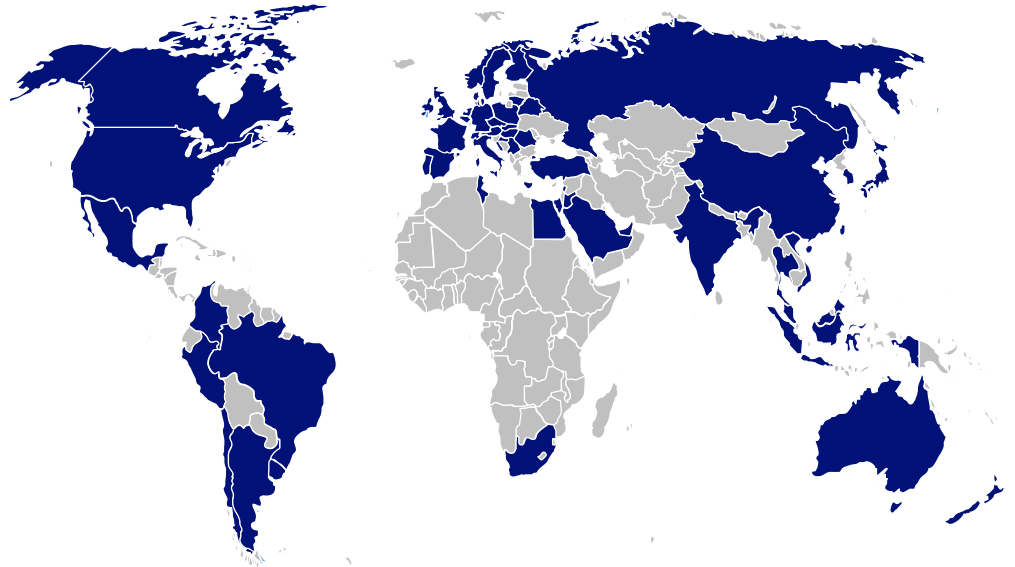
- E.g. lignocellulosics, municipal solid waste, algae oils

# Neste waste and residue supply growth driven by strategic development program - record volume of 2.9 Mton processed 2019

## Global feedstock supply footprint growth in 2019

- Continuous expansion of global aggregation terminal network
- Establishing local presence in China and Australia
- Continuous expansion of NesteDemeter JV activities
- More than **10 different feedstock types** - largest waste and residues feedstock categories currently
  1. **Animal fats**
  2. **Used cooking oils**
  3. **Residues from vegetable oil processing**

## Waste and Residues sourcing countries 2019





# Global waste & residues growth program to drive competitiveness - animal fat, UCO and vegetable oil prices on an increasing trend

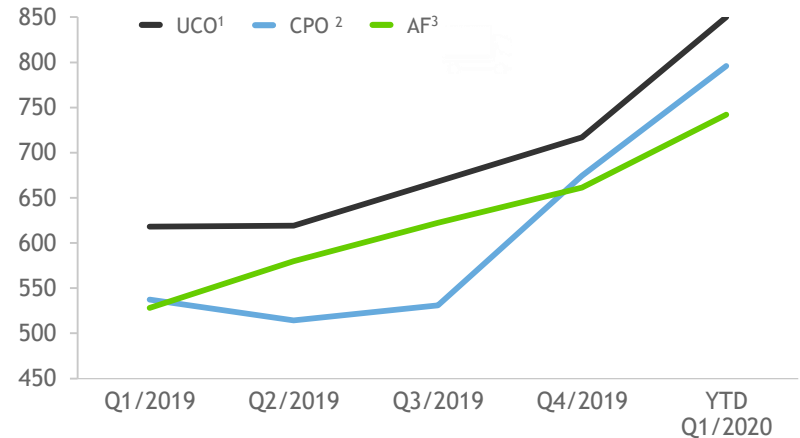
## Focus areas 2020

Continued organic growth in existing markets

Geographic expansion by entering new markets (e.g. Eastern Europe & South America)

M&A opportunities across waste and residue value chain

## Feedstock price development



1) Source: Argus Media Ltd\*; UCO CIF ARA USD/t

2) Source: Refinitiv; Crude Palm Oil, CIF Rotterdam USD/t

3) Source: The Jacobsen; Pure Beef Tallow (10% FFA, 99%)

# Strengthening our global waste and residues position - acquisition of Mahoney Environmental strengthens North American UCO footprint

## Description of Mahoney

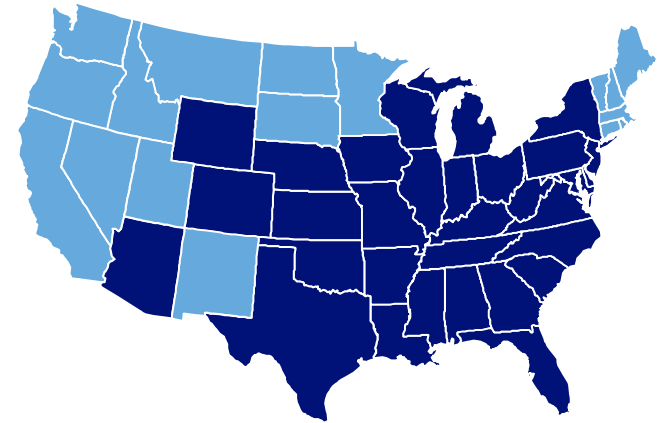
- Mahoney is the 3rd largest collector of used cooking oil in the US serving 37 000+ customer locations in the central and eastern United States
- Services and equipment for UCO recycling, fresh oil delivery and liquid waste processing
- Headquartered in Joliet, Illinois, the company operates 7 processing plants and has almost 300 employees

## Strategic fit with Neste

- Vertical integration in value chain to ensure strategic access to substantial UCO volume in North America
- Growth platform for used cooking oil collection and aggregation
- Possibility to optimize supply chain efficiency for minimized carbon intensity

## Mahoney operations map

- Own collection
- Collection via partners



# Neste feedstock strategy focused on waste and residues growth and development of new feedstock sources

## Feedstock strategy focus areas

Expanding range of waste and residues with low carbon intensity

Diversification of feedstock pool, including RED II Annex IXA feedstocks and new technologies

Development of novel vegetable oils from advanced agricultural concepts - importance expected to grow longer term

Targeting 100% waste and residues share by 2025

Share of new types of feedstock expected to grow towards 2030

# Progressing with development of our production platform

## Singapore expansion project execution

Project **on budget and on schedule** for startup by mid-2022

2.7 Mhours **without safety incidents**



## Rotterdam sustainable aviation fuel feasibility study

Feasibility study **ongoing** for **450 kton/a SAF production** capability by 2023 as part of existing capacity

## Prestudies for capacity growth options

Production capacity and **pretreatment capability growth** beyond 2022

## Systematic development of project execution capability

**Strengthening resourcing** in engineering, production and development

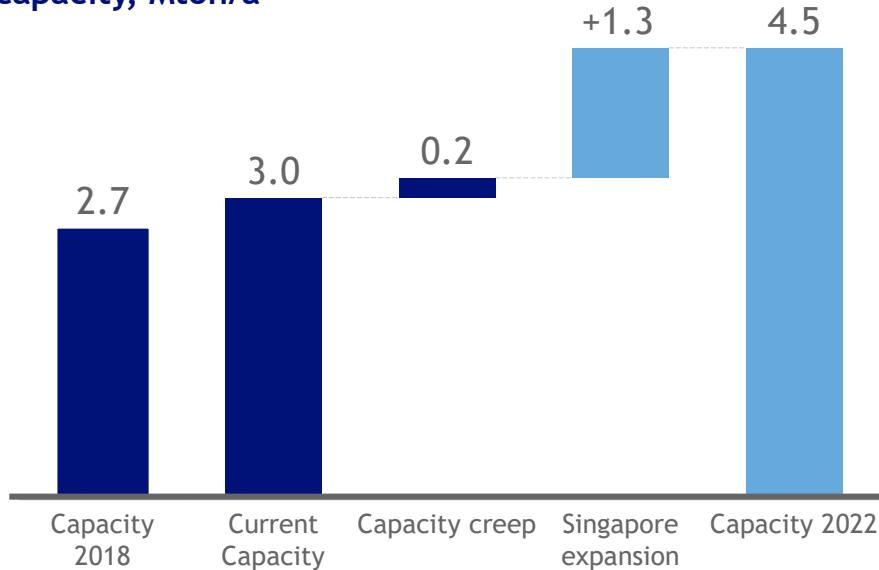
# Developing capacity growth roadmap beyond Singapore expansion

Proven track record

Ongoing capacity expansion

Future capacity expansion projects

Neste renewables production capacity, Mton/a



- Engineering studies ongoing for several different **worldscale site options globally**, including current sites and selected new locations
- Evaluation of **commercial and technical criteria**
- Targeting **investment decision** by **end of 2021** and the next **production startup in 2025**

≥ 20 Mton CO<sub>2</sub>-eq saved for our customers by 2030

Maintaining global leadership in growing market

# Unique competitive advantages enable global sales margin optimization

## Sales margin optimization



Global feedstock mix



Geographic sales allocation



Global production optimization

## Strategic sales optimization



Renewable Diesel



Sustainable Aviation Fuel

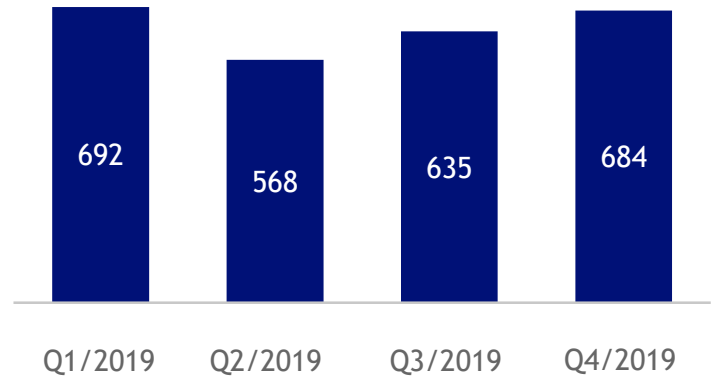


Renewable Polymers and Chemicals

## Margin hedging to reduce volatility

- Hedging with selected vegetable oil and fossil oil product instruments
- Typical hedging duration one year
- Typical hedging ratio approximately 50% of sales volume

Sales margin (excluding BTC) in USD/ton



# Unique position to create value and growth in renewables

SUMMARY

Growth and diversification of global feedstock pool

Maintaining global leadership in growing renewables market

Continuous improvement of operations to drive value creation

A photograph of two workers in high-visibility yellow and blue safety gear, including hard hats and ear protection, working on a large industrial structure. The worker in the foreground is wearing a vest with the 'NESTE' logo. The background shows a clear blue sky and the structural elements of the facility.

# Solid cash generation and transformation opportunities in Oil Products

MARKO PEKKOLA  
Executive Vice President, Oil Products



# Positioned to benefit from market volatility and aiming at transformation

An aerial, high-angle photograph of a long suspension bridge stretching across a vast, deep blue ocean. The bridge's two tall towers and the suspension cables are visible, creating a strong vertical and horizontal structure. The water is a rich, dark blue, and the sky is a lighter blue with some wispy clouds. The perspective is from directly above the bridge, looking down its length towards the horizon.

## Well positioned for market changes

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Strong Net Cash Margin position providing a good basis for competitiveness

Optimized refinery configuration creating opportunities to benefit from volatility in challenging market environment

## Transformation

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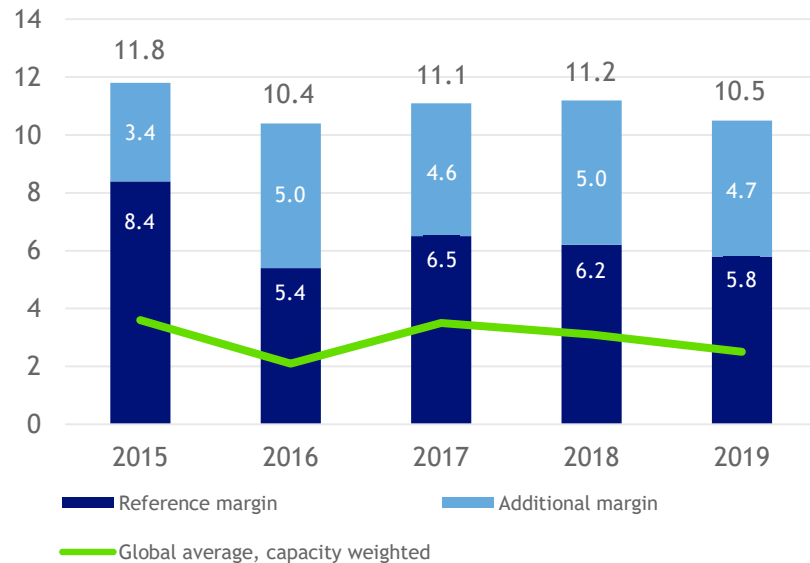
Proven track record on improving operational performance and reconfiguring assets

Reducing carbon emissions of production, aiming for carbon neutral production by 2035

Co-processing of liquefied waste plastics and renewable feedstock, new HVO production and retrofitting under investigation

# Solid margin development and alternatives for future pathways

## Margin development, USD/bbl



### SOLID CASH GENERATION CAPABILITY

- Top quartile refiner in net cash margin and configuration
- Differentiation on premium margin

### MARGIN IMPROVEMENT POTENTIAL

- 0.5% marine bunker fuel is ready and ongoing business expected to impact margin positively
- Material potential validated through Neste Excellence program

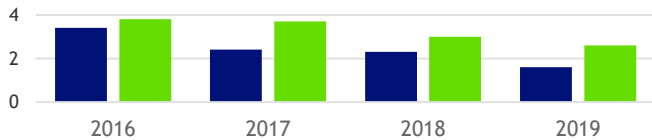
### ROADMAP FOR RENEWAL

- Co-processing, HVO expansion and retrofitting under investigation to improve profitability and reduce handprint emissions

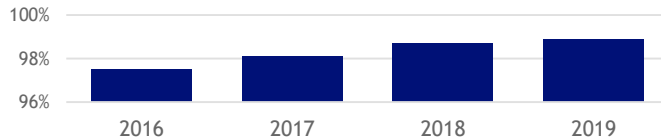
# Potential to capture 50 MEUR/a comparable EBIT improvement through Neste Excellence by 2030

## Proven track record on Neste Excellence

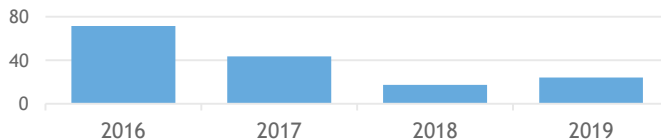
Safety - PSER & TRIF



Customer Delivery Performance (%)



Unplanned production losses (EUR)<sup>1</sup>



## Comparable EBIT IMPACT

>25  
MEUR  
by end of 2022

>50  
MEUR  
by 2030

## Activities providing major part of the impact

Overall  
supply chain  
optimization

Production  
availability  
improvement

Maintenance  
efficiency

# Porvoo refinery major turnaround in Q2 2020 progressing according to plan

DURATION APPROX. 11 WEEKS

Porvoo TA2020 ensuring continued competitiveness through high safety and reliability

Investments  
Catalyst changes  
Maintenance work  
Inspections & tests  
TA infrastructure

Estimated financial impacts 2020  
Oil Products -180 MEUR<sup>1</sup>  
Renewable Products -40 MEUR<sup>1</sup>  
Capex 450 MEUR

# Oil Products climate actions: replacing fossil feedstock and achieving emission reductions



## 2.7 Mton GHG savings

HANDPRINT

### STUDYING OPPORTUNITIES TO REDUCE CUSTOMERS' CO<sub>2</sub> EMISSIONS

- 1 Mton **recycled** and 1 Mton **renewable feeds** by 2030
- Utilization of refinery **excess heat** in district heating



## 3.2 Mton GHG savings

FOOTPRINT

### CARBON NEUTRAL PRODUCTION BY 2035

- Switching to **renewable electricity and steam**
- Increasing **energy efficiency**
- **Developing roadmap** to reach carbon neutrality target

# Solid cash generation and capturing transformation opportunities

SUMMARY

Solid cash generation

Material improvement potential through Neste Excellence

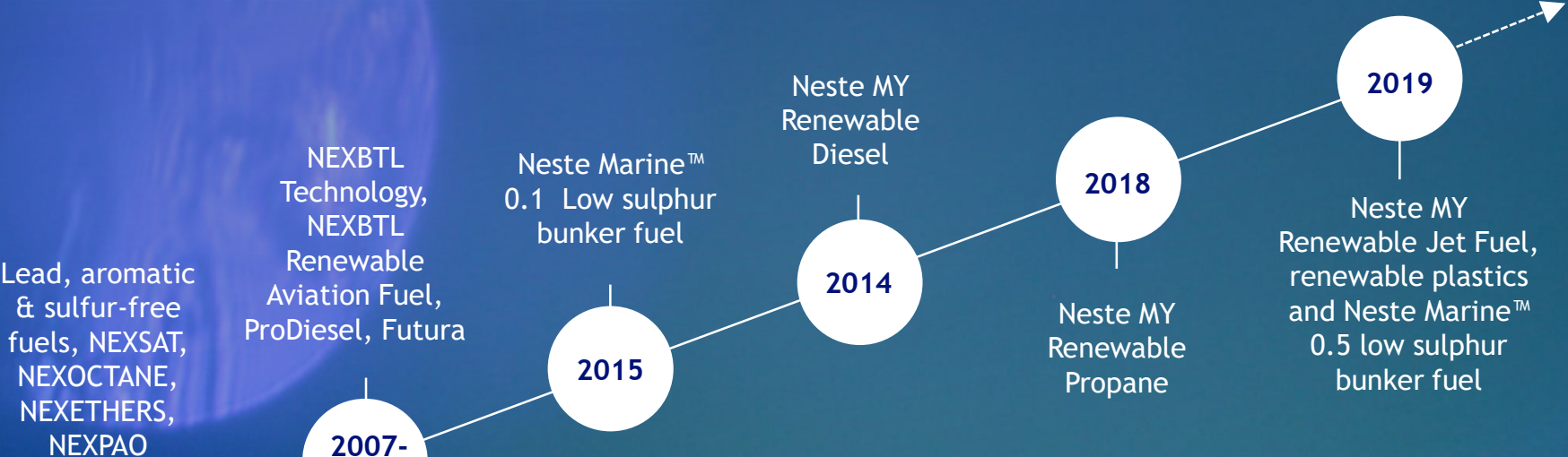
Capturing transformation opportunities



# Transformation and growth through innovation

LARS PETER LINDFORS  
Senior Vice President, Innovation

# Innovation has led to cleaner top-notch solutions through the years



INNOVATION  
**25%**  
OF PERSONNEL

**>1100**  
PROFESSIONALS



# Increased focus on innovation

**Feedstocks**  
Low quality  
High flexibility

**World-class  
technologies  
and know-how**

**Solutions**  
High quality  
Sustainable & drop-in

## ROLE OF INNOVATION

# Ensuring growth of current businesses and creating new business platforms for further growth in renewable and circular solutions

Focus on scalable and sustainable waste carbon and required technologies

Extensive collaboration with research and value chain partners

Seize new opportunities through investing in first-of-a-kind plants and equities in start-ups

# Future feedstocks are scalable wastes & residues



Waste oils  
and fats



Waste  
plastics



Lignocellulosics



Municipal  
waste



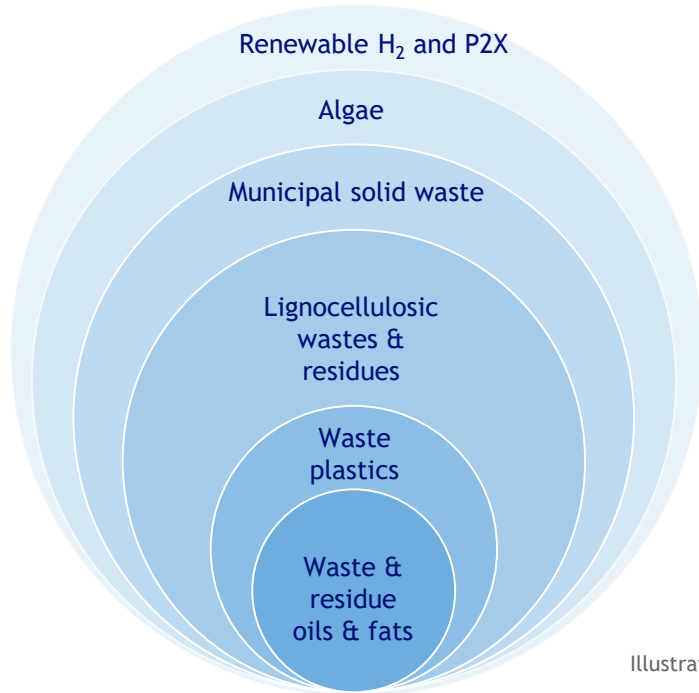
Algae



CO<sub>2</sub>

# Building new business platforms for growth

Estimated feedstock potential beyond 2040 (illustrative)



New feedstock pools can **multiply the GHG reduction** impact in fuels and chemicals

**New technologies and business models** can capture opportunities based on new feedstock pools

Illustrative based on IEA, UNDP, Correa et al 2019 and others

# Business platform: Lignocellulosic fuels, chemicals and materials

## OVERVIEW

Utilizing vast volumes  
of forestry and agricultural waste

Technologies becoming  
ready for commercialization

Attractive outlook  
for regulatory support

Fuels belong to 'advanced biofuel'  
subtarget under European RED II

## KEY HIGHLIGHTS AT NESTE

**Renewable fuels** project in La Tuque,  
Quebec proceeding, preparing for  
Environmental Impact Assessment

**Technology licensing** and cooperation  
discussions on-going

**Prioritization** on-going of lignocellulosic  
business opportunities and locations globally

# Business platform: Scalable feedstocks for aviation fuels

## OVERVIEW

Demand for renewable aviation fuels is growing

Algae and Municipal Solid Waste are scalable feedstock sources detached from land use

Fuels belong to 'advanced biofuel' subtarget under European RED II

## KEY HIGHLIGHTS AT NESTE

Partnerships are being developed, aiming for scalable business models covering the entire value chains

### Algae:

Neste is in the process of valorization of algae biomass to fuel and beyond

### Municipal Solid Waste:

Multiple pilot projects are under evaluation with partners globally

# Business platform: Renewable H<sub>2</sub> and Power-to-X

## OVERVIEW

Rapid growth and cost reduction in renewable electricity drives the development of renewable H<sub>2</sub> and Power-to-X

Renewable H<sub>2</sub> and Power-to-X enable production of sustainable fuels and chemicals detached from biomass and utilizing CO<sub>2</sub> as feedstock

## KEY HIGHLIGHTS AT NESTE

Neste has acquired a stake in Sunfire, a leading technology developer of high-temperature electrolysis

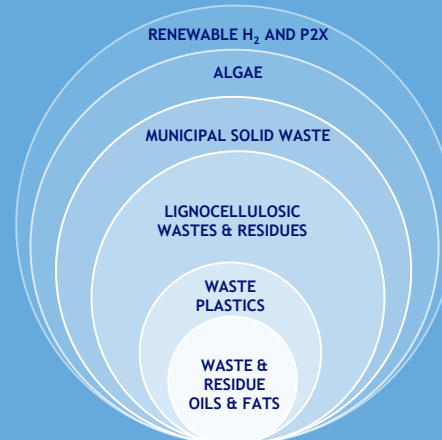
MULTIPLHY EU project\* has been started, focusing on demonstration of renewable H<sub>2</sub> production and integration to refinery at our Rotterdam site

A study for CO<sub>2</sub> reduction at the Porvoo site has been started, focusing on carbon capture & storage

# Business platforms and related feedstock pools will play an important role in reducing dependence on crude oil

Estimated potential for liquid fuel feedstocks beyond 2040 (illustrative)

## GLOBAL OIL DEMAND FOR TRANSPORT IN 2040



Illustrative based on IEA, UNDP, Correa et al 2019 and others



# A broader and bolder approach to Innovation

SUMMARY

Scaling up activities based on a long track record of successful innovations

Enabling existing businesses to grow and building new platforms for growth

Converting scalable carbon sources into preferred solutions

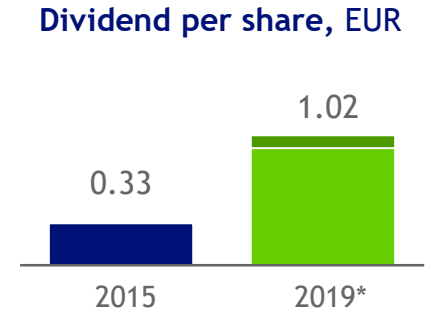
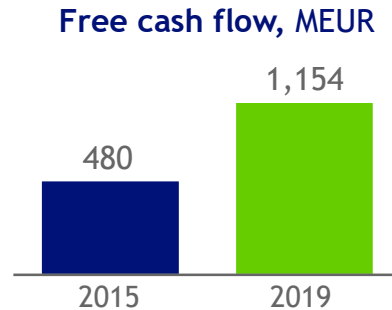
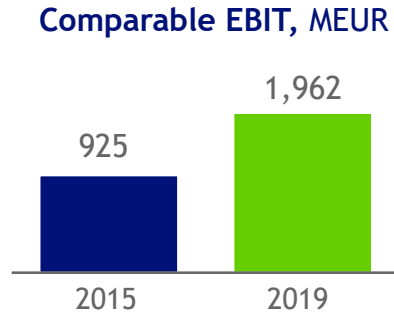
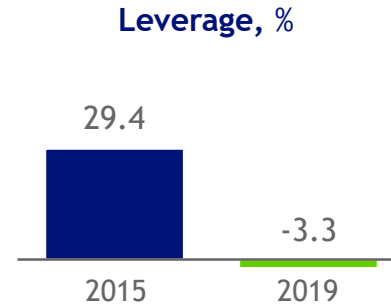
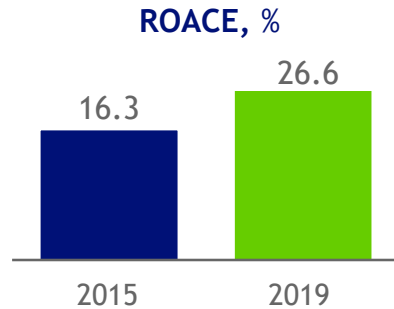
# Sustainable high-margin growth and cash generation

JYRKI MÄKI-KALA  
CFO



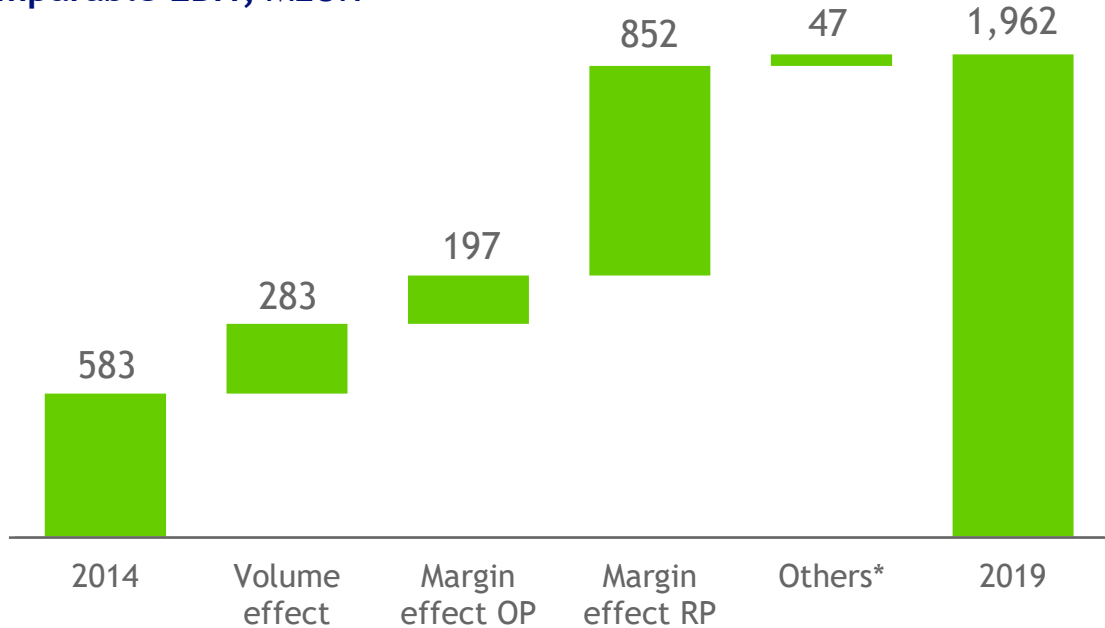
NESTE

# Continued improvements in financial performance



# Value-added through margin and volume development

## Comparable EBIT, MEUR



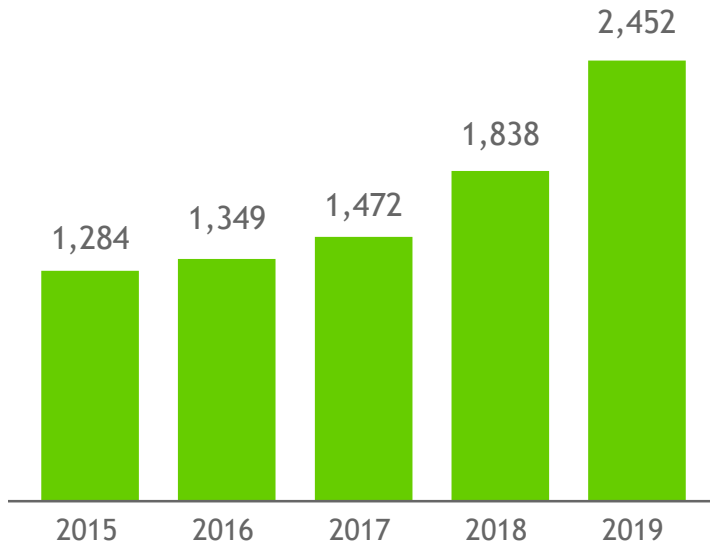
Over EUR 1.0 billion margin improvement over the period

Substantial volume effect mainly from Renewables

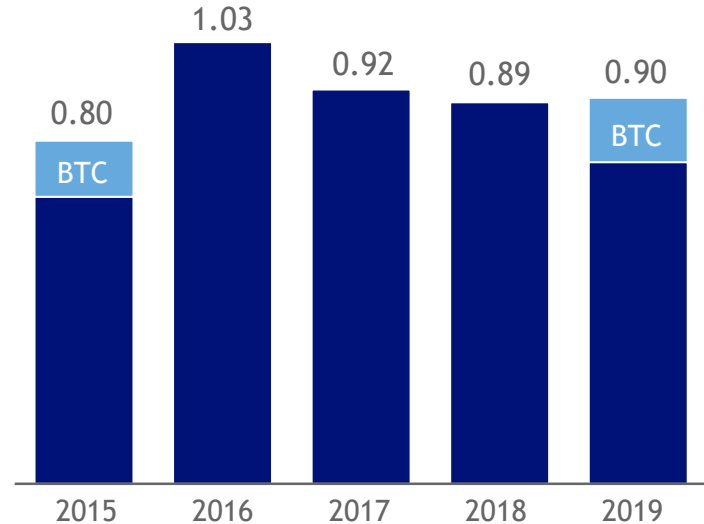
Year 2014 used as the starting point due to Porvoo 2015 TA

# Cash conversion has been kept at good level despite growth activities

## Comparable EBITDA, MEUR



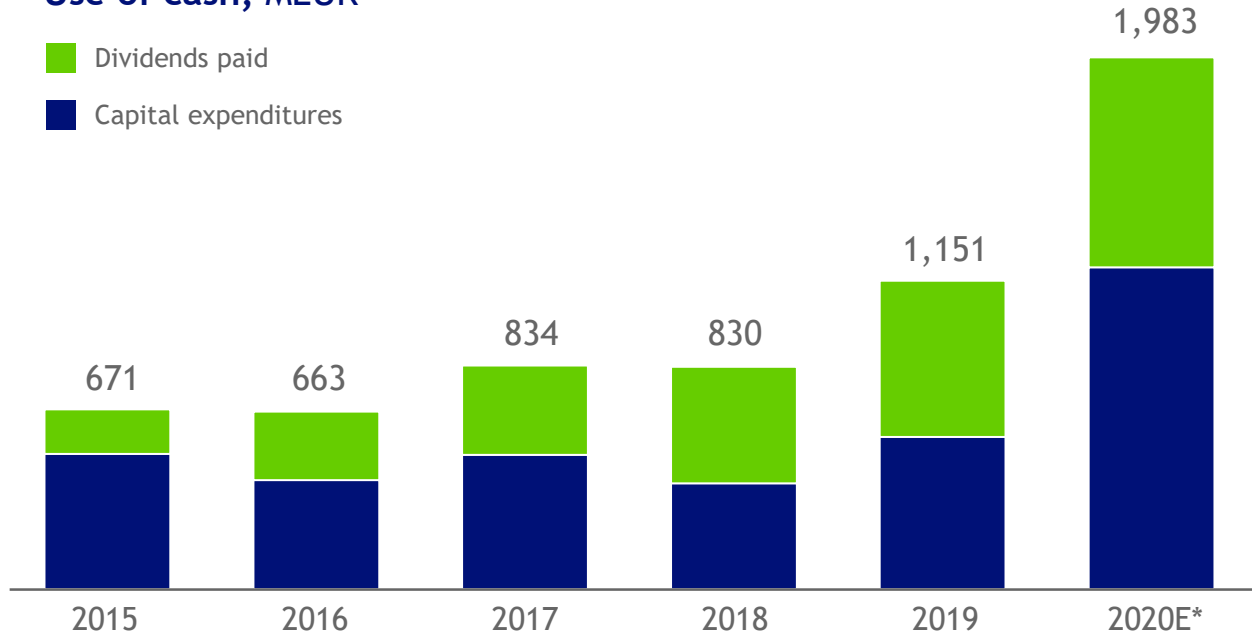
## Cash Conversion, (Cash flow from operations\* / Comparable EBITDA)



# Cash allocation policy with focus on Capex and Dividends

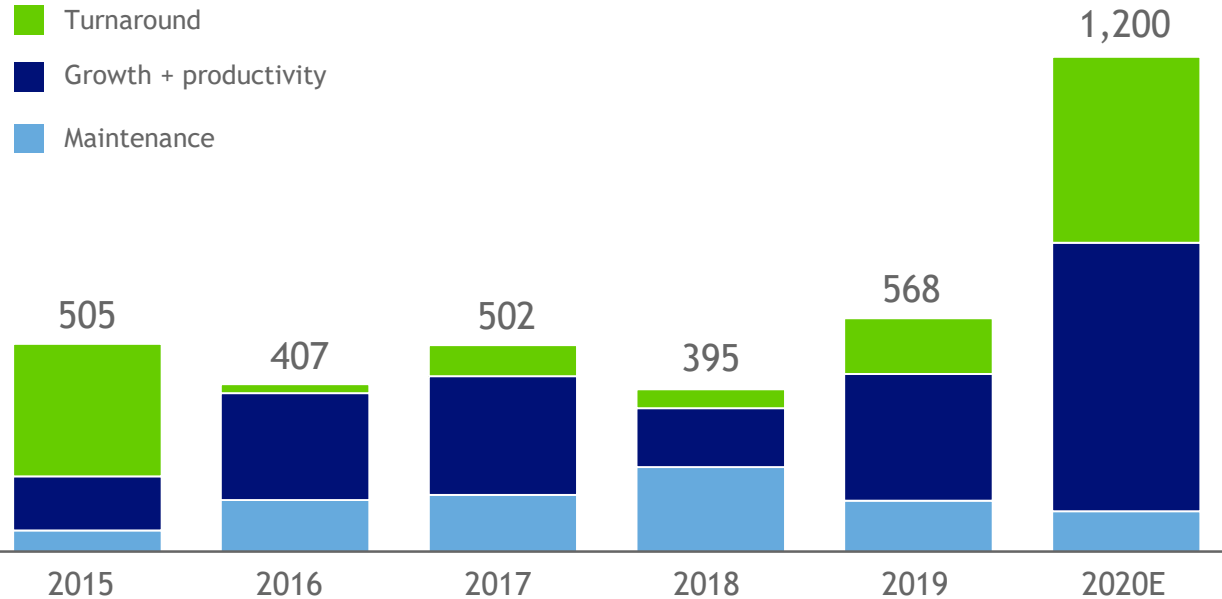
## Use of cash, MEUR

- Dividends paid
- Capital expenditures



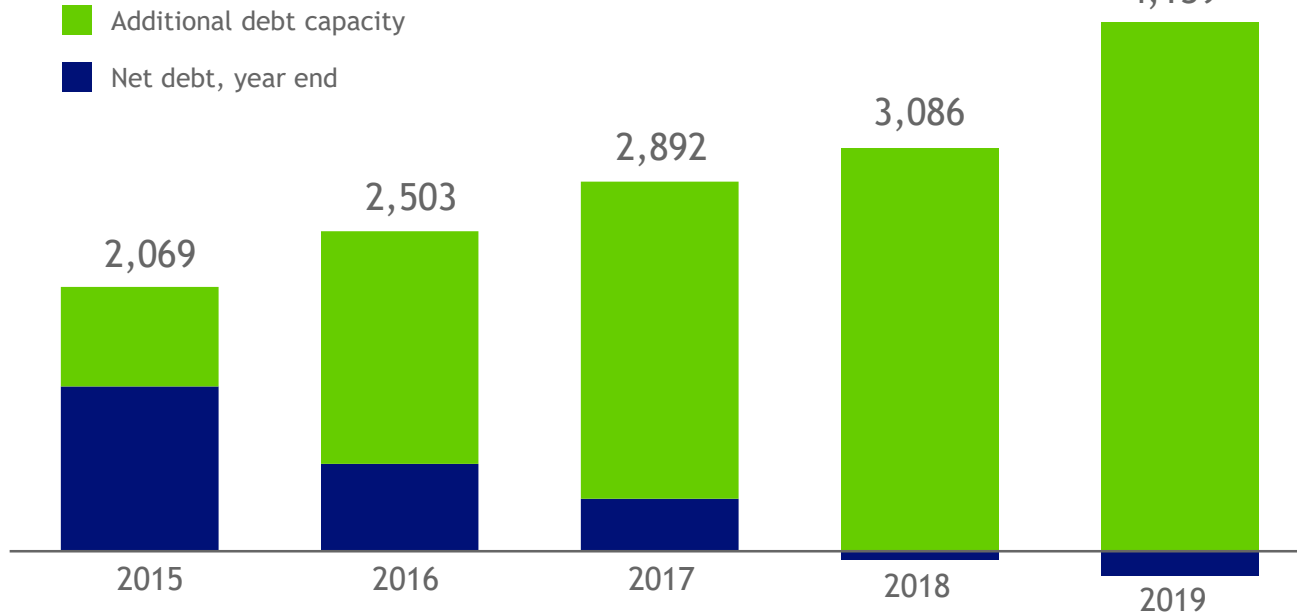
# Investments focusing on growth and productivity

## Cash-out Capex, MEUR



# Strong balance sheet enables future growth aspirations

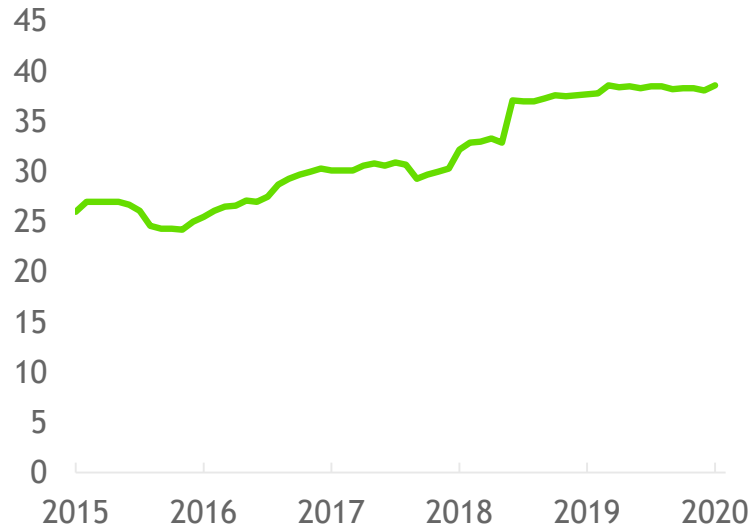
## Maximum debt capacity\*, MEUR





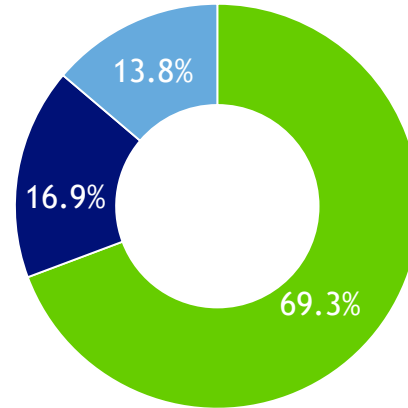
# Share of non-Finnish owners almost 70% of free-float

## Share of non-Finnish owners, %



## Distribution of free-float on 29 Feb 2020

■ Non-Finnish owners ■ Finnish households  
■ Finnish institutions



Excluding State of Finland and Vake Oy with 43.3% of Neste shares.

# Neste Excellence: Good progress made and future targets clearly increased

- Safety, reliability, quality, productivity and cost competitiveness
- Started in 2019 with 6 programs including:
  - Oil Products digitized unit optimization and performance management
  - Renewables Platform feedstock management and catalyst lifetime optimization
- Achieved 120 MEUR EBIT improvement through capacity creep and catalyst lifetime optimization in 2019 vs. 2018
- Future targets set for the whole Neste organization



## TARGETED COMP. EBIT IMPACT

From 100 MEUR to  
**>225 MEUR**  
by end of 2022

From 200 MEUR to  
**>300 MEUR**  
by 2030

# Sustainable high-margin growth and cash generation

SUMMARY

Profitable  
growth

Cash flow  
generation

Investments  
and M&A

Dividends

OUR NEW VISION

Leading the way  
towards a sustainable  
future together



# Abbreviations

<b>ARA</b>	Amsterdam/Rotterdam/Antwerp area	<b>JV</b>	Joint venture
<b>AGM</b>	Annual General Meeting	<b>M&amp;A</b>	Mergers and Acquisitions
<b>BBL</b>	Barrel	<b>M&amp;S</b>	Marketing & Services
<b>BTC</b>	Blender's Tax Credit in the US	<b>Mton</b>	Million metric tons
<b>Capex</b>	Capital expenditure	<b>NEXBTL</b>	Neste's proprietary HVO technology
<b>EBIT</b>	Earnings Before Interests and Taxes	<b>OP</b>	Oil Products
<b>EBITDA</b>	Earnings Before Interests, Taxes, Depreciation, and Amortization	<b>PSER</b>	Process Safety Event Rate per million hours
<b>EPS</b>	Earnings per Share	<b>RD</b>	Renewable Diesel
<b>FFA</b>	Free Fatty Acid	<b>RED</b>	EU Renewable Energy Directive
<b>FX</b>	Foreign Exchange	<b>ROACE</b>	Return on average capital employed after tax
<b>GHG</b>	Greenhouse gas	<b>RP</b>	Renewable Products
<b>HVO</b>	Hydrotreated Vegetable Oil	<b>SAF</b>	Sustainable Aviation Fuel
<b>HEFA</b>	Hydroprocessed Esters and Fatty Acids	<b>TA</b>	Turnaround
<b>IATA</b>	International Air Transport Association	<b>TRIF</b>	Total Recordable Injury Frequency per million hours
<b>ICCT</b>	International Council on Clean Transportation	<b>UCO</b>	Used cooking oil

**NESTE**