# Neste Interim Report January-September 2025

**Anssi Tammilehto**

Good afternoon, everybody. Welcome to discuss Neste's Q3 results that were published this morning. My name is Anssi Tammilehto and I'm SVP for Strategy, M&A, and Investor Relations at Neste. Here with me we have our President and CEO Heikki Malinen and our CFO Eeva Sipilä. We are referring to the presentation that was launched on our website early this morning. And the key highlights of the presentation include, for example, our Q3 financial performance and the status of our financial targets, including the Performance Improvement Program and leverage. And they are actually progressing well. We are also discussing key regulatory developments as well as key opportunities and uncertainties in the market. We will also have time for discussions with all of you. And that's, of course, last but not least. And as always, please pay attention to the disclaimer as we will be making forward-looking statements in this call. And with these remarks, I would like to hand over to our president and CEO, Heikki Malinen. Heikki, please.

**Heikki Malinen**

Thank you very much. And good evening to you folks in Asia. And good morning to you in the US. Welcome to Neste's webcast. Nice to see you here again. Q3 in brief, let me just say that it has actually been one year and roughly two weeks since I started working for Neste in this role as CEO. It's been a very busy year; I wanted to take a few minutes to reflect on this past year. Obviously, I've had a chance to travel globally, widely the company, meet our customers, our suppliers, understand the business, see how our refineries are performing. And I think overall, the longer I work here, the more I understand the company, I've come to the conclusion that Neste really is a rough diamond. We have a lot of potential to further develop the company. We have a great group of people here, and as I talk to the Neste folks, I really feel that there's good momentum inside the company and a strong commitment by our staff globally to move this company further. So maybe that's more of a context.

We will be discussing Q3 results here today. Personally, I'm actually pleased with the results. We're obviously not at the level of overall performance we want to be, but the direction of progress into Q3 is good. And if I look at what we have accomplished here, our refineries have been performing well. I'll talk about safety in a moment. Sales have picked up. There's actually some positive momentum in the market. And our performance improvement program is on schedule, maybe even a bit ahead of schedule. These are also positive things and adding them up all together, and even our fossil traditional Porvoo oil products business did well. So it's a good, basis to move into 2026.

But let's first take a look at safety. Because safety really is the fundament of everything that we do. It's the license to operate. Unless we take good care of safety, we have no right to be making these products. On the left-hand side, you can see the data for our people safety, the Total Recordable Incident Frequency rate. It is heading gradually down. Just a reminder, since 2023, they include Mahoney Environmental, which is our UCO collection business in the United States, a very different type of activity. But in any case, we need to bring this number down much more and the team here has very clear plans on how to achieve that. On the right-hand side, you can see our process safety figures for this year. So far, 2025 has actually gone quite well, and of course, the trend has really fallen. We've had a number of months where we actually had no major incidents in the company on the process side. It's too early to say, how much of a trend this is, but anyway, the direction of travel is good. And the discussion, at least in Neste about process safety, is continuous. And we have now in Q3 launched a five-year roadmap journey to further improve our process safety, and our ambition is to significantly bring that down even more. But as always, these things take time, and it doesn't happen overnight. But anyway, we are systematically moving forward.

We have some major initiatives underway. You will hear more from Eeva about the performance improvement program. I just want to say it's on track. You'll see the curves in a moment. Maybe we're slightly ahead of schedule. But even having said that, what's interesting and important to understand is the direction of travel towards the 350. I think we can confirm that. And then the more we work around this program, the more evident it becomes that there are opportunities within the company to perform even better. And that, for me as CEO, is, of course, a very important piece of information. We have been driving down our costs, both fixed and variable, and the refinery performance is rising. You will then see the Rotterdam Capacity project. It is a significant undertaking at the moment, having just recently visited the site, and I'm going back to Rotterdam again in a few weeks' time. It is very busy. We have approximately 2,300 people from many different countries and nationalities working on the site, and the work continues. It's a big undertaking, and we've also had very good performance on safety. With all the folks on the site, it's very critical that we don't have any accidents, and the team has done a really good job in working towards that goal every single day. And then on the right hand side, operational achievements. Actually, I think there are many, but we wanted to just highlight maybe two. One point of note was that on the SAF side, we achieved a record high SAF sales volume. We are clearly aware that the market is picking up even though the mandates are still somewhat below our hope in Europe, at 2% vis-a-vis

6%. And then, as you can see, the market has become stronger, and Neste has been successfully able to leverage the tailwind.

I want to highlight a couple of numbers from the third quarter: over a million tons of Renewable Products' sales volume of which SAF was about 244,000 produced tons. So year to date, we have produced about 741 tons of SAF. So the journey has clearly started. Our comparable sales margin in Renewable Products (RP) rose clearly to almost $500 per ton. What was also very positive and helped our results was that the total refining margin for oil products exceeded $15 per barrel. And that, of course, helped the results. EBITDA, 531 MEUR, heading in the right direction. Cash. I'll let Eva talk about cash in a moment, but of course, that's something we monitor very carefully, as we do when it comes to the 40% leverage ceiling, if I want to use that word.

My final slide here, before I hand it over to Eva and then I'll come back later, is about the performance improvement program. For me, this is more than just the performance program. It is very much a journey that will ultimately move us into what I've called inside the company "a journey of continuous improvement / continuous development". While we're doing this program, we're also building more systematic methods on performance management. We've reviewed all of our KPIs, and we continue to do that because, of course, you get what you measure. We have a very systematic cadence on performance reviews. This whole approach, we've really pushed that forward harder. And we will continue to do that, bringing it down deeper and deeper into the organization. So I see this is an important part of moving forward with this program. We also track our various activities in this program very carefully. I personally participate in bi-weekly reviews of all the initiatives that we approve before they even get included in these calculations. So, I think I have a good understanding of where the program is going and I'm happy to say that I really like what I'm seeing in the teams. So, good work and big thanks to the team on this one. We are heading well towards the 350 mark, and so far, we've achieved a 229 annualized run rate improvement by the end of Q3. Maybe with those words, I'll hand it over to Eeva. So Eeva, please take it from here.

**Eeva Sipilä**

Thank you Heikki. And good afternoon to everyone on my behalf as well. I'll start with the familiar reference margin of renewable diesel. And just as a reminder, please do note this is a gross margin. So, it deducts only the feedstock cost, which is different from the sales margin we'll discuss later on. Indeed, I think this trend line shows very well the strength and recovery we've seen in the European markets in the quarter. Then, just to break it down by segment, €531 million of comparable EBITDA. So €266 million coming from Renewable Products, 232 million from Oil Products, and then 34 million from Marketing & Services. And I'll maybe comment on the segments in a bit more detail very shortly.

As Heikki already said, so, the performance improvement program is obviously an important part of our €531 million result. We're very pleased with the run rate of €229 million achieved at the end of Q3, and then this gives a year-to-date impact in our figures of €84 million. Now, a few points on the 229 million. So, if we break it into cost reduction versus margin volume optimization, it's roughly an 80-20 split. And it might also be good to remind you that there's an element of lease costs here, especially on the logistics side, which are actually not visible in the EBITDA but rather in decreased depreciation as we have fewer leases. So roughly a bit more than 10% of the 229 is related to that. Overall, the bigger categories are really around logistics and transportation in all forms and fashions. The optimization there and the lower discretionary spend across everything we do.

Moving then to the business segment commentary. So Renewable Products. We're very pleased with the reliability of the operations. We almost reached a similar sales volume, as you see from the left-hand side pillars, as we did in Q2. And then the sales margin continued to tick up. If we move to the right-hand side and look at the sort of comparison between our Q3 results versus Q2, you see that the big change really comes from the sales margin area. Naturally, the diesel price has had a positive impact on our margins for both of the two segments, also OP, but important here as well. We continue to see headwind on the feedstock cost, but then we also had a more one-off positive, which comes from the SAF BTC. The now-expired tax credit program in the US, which was in place for SAF until September. We actually booked the full €27 million benefit of those credits in Q3, and that is maybe worthwhile noting. On the CFPC side, the continuing tax credit system, we continued on a similar path as in Q2. So, booking €27 million in there as well.

Then moving into the Oil Products' side. So, here diesel crack clearly contributed, much better market environment than in Q2, and we also had a better raw material or crude feed cost level in Q3. And that supported the $15 per barrel margin as well. Overall, as Heikki already mentioned, we're pleased with a good utilization rate, very stable utilization across the quarters as you see well from the left-hand side. And then really on the right-hand side, maybe an additional point to note is indeed the utilization of 91% and also some fixed cost improvement in the figures.

Finally, in Marketing & Services, we had a good season, the Q2 driving season supporting the results. But the team continues its very good and diligent work on the fixed cost side and supporting the result.

Moving then to cash flow and profitability. So, the CapEx continues under very tight control. We have now upgraded our annual guidance to a level that we expect the CapEx this year to be around €1 billion, slightly down from the earlier range. And this is really thanks to a lot of good discipline across the segments. Now, we knew going into Q3 that we'll have a tougher quarter when it comes to cash flow due to the ongoing maintenance already started in Rotterdam and the upcoming maintenance in Singapore, which meant that we had to build inventories during Q3 to be able to serve our customers during the Q4 period. And that obviously had some headwind on our working capital. But I'm very happy that the total outcome was -€50 million for the quarter because this is also the year to date number. And this obviously gives us confidence that we can deliver positive cash flow for the full year as we work to deliver those built-up inventories to our customers in the coming months. So as said, there is a slight headwind on the cash flow, visible also in the leverage. But we're well below our 40% target and happy with that performance. So with that, Heikki, I think it's back to you.

**Heikki Malinen**
Hey, thank you, Eeva. So, a few words about topical matters and then the outlook. So as always, we need to discuss briefly what's happening with regulation. I think overall, our view is that the recent news and decisions are supporting the long-term renewables demand outlook. Whether you can say it's enough to indicate there's long-term secular growth, I'm not completely sure, but at least momentum is building. Here in Europe, what is, of course, extremely important are the decisions related to the implementation of RED III, and the Netherlands, Germany, Italy, and France are all moving forward, eagerly waiting to see what happens with Germany. The preliminary information was that they are looking to increase the volumes potentially quite substantially, but we are still waiting for that decision. Hopefully by the end of the fourth quarter, we will know which direction Germany is heading and, of course, will the implementation start in 2026 or 2027. But anyway, it seems to be heading in the right direction, but still, we need to be patient here for a few weeks. On aviation, nothing really major to say other than that maybe in Asia, you know South Korea, Singapore, and of course Japan have announced SAF mandates, and then Indonesia is also looking at it. So gradually, those countries which have been less advanced in moving forward with these mandates are starting to evaluate and discuss them. So that's also a positive when it comes to SAF sales.

On the US side, the summer was very busy with Big Beautiful Bill. A lot of major decisions were made. Now, with the US government in shutdown, we're waiting to see how the implementation progresses. But as I said at the end of Q2, if I look at all of these regulatory changes in the US, I think for Neste, it's still sort of net positive. You know, sometimes some things are clearly positive, while others are negative. But overall, net-net, more on the positive side. And I think that's the main news on regulation. And I mentioned waiting then for Germany and their decisions.

The market. Let's see, hold on. Let me just get here. Yeah. So, in terms of opportunities and uncertainties, we've already discussed the German part. On the feedstock side, I think what's worth mentioning is that with the various changes in tariffs, we've now started to see some clear decline in animal fat prices, particularly in Asia and Australia. So that is sort of impacting. That's potentially a bit of a tailwind for our business. However, one needs to always remember that some countries accept animal fats in their renewable fuels and others don't. So we always need to match the feedstocks with the actual market requirements. But we're very good at that. On the crude oil slate, we, of course, use a lot of crude oil in our Porvoo refinery. As part of the performance improvement program, we really started to work systematically and try to see how we can diversify the crude oil slate even further. And we've done, in an accelerated fashion, a lot of research here on the various technical limits by crude oil type and have actually been able to identify ways to modify them and also expand the number of crude oil options we have at our disposal. So I'm very pleased with the results. There are actually quite a number of options we have to expand the crude oil supply. And that, of course, then hopefully gives us some options to negotiate more favorable arrangements for the company. We already talked about the performance improvement program and the potential, even more beyond.

On the uncertainties. Regulatory matters, of course, still uncertain geopolitics is still around. The whole question about what will happen to Russian refineries, Russian oil in the global oil markets. I think the forecasts show a very broad variance. So it's very difficult to make any accurate predictions about that. And maybe the last thing I want to mention briefly is China, China exports. In the last few weeks, we have seen news that China is considering permitting the export of SAF out of their country. Remains now to be seen how much and into what markets that Chinese SAF ultimately goes. So we are keeping a close eye on that as well as we head into 2026.

The market outlook is pretty much as we have communicated earlier, and when it comes to the guidance, that guidance is also unchanged. So I wanted to accelerate here to ensure we have plenty of time for Q&A. So maybe with those words, I hand it over to the operator. Thank you very much.

**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 Garcia from Santander. Please go ahead.

**Alejandro Vigil Garcia**
Hello. Thank you for taking my questions and congratulations for the strong results. The first question is about the flow of product exports and imports in the Renewable Products division because, as you mentioned before, we could see China exporting SAF. I'm also interested in your thoughts about the different regions: the US, Europe, and Asia in terms of capacity and the balance of export and import. And the second question is about what you mentioned about Germany. Which is the potential volume upside coming from this RED III implementation in Germany?

**Heikki Malinen**
Thank you very much. So, thank you, Alejandro, for the questions. Of course, the thing with these products is that once you put them on a vessel, you can ship them in many directions. I think maybe the three aspects as far as Neste is concerned. As we already discussed in the spring, our exports from Singapore to the US have been pretty much constrained. Nothing has really changed there. As the incentives have gone away, our exports have been significantly diminished. That is still the case today. And unless the regulation changes, that will probably be the case also for the near mid-term. Then, where is that volume going? Volume has been coming to Europe. The European market has been able to absorb the Singapore refinery volume. We've actually had reasonably good sales here in this market. Regarding China, it is not easy to get a good sense of what's actually happening there. So, of course, we also have to rely on different sources here. But my sense still is that, of course, they have domestic UCO, quite substantial amounts of that. We've seen that UCO prices in that region have not declined as much as one would have expected. So someone is buying that and producing, and now we will then have to wait and see how much tonnage actually comes out of China and where does it ultimately land. So I think that we will probably be able to report more in the Q4 results once we see that situation evolving. Regarding Germany. This is very exciting news. I mean, the numbers in terms of incremental demand have ranged anywhere from 1 to 2 million tons. So, whether it's on the low end or on the high end, it's still positive, and hopefully the other European countries will follow. But Germany, of course, is the biggest market, and that's why it is so critical that the decision would be positive. Hopefully, we're hopeful.

**Alejandro Vigil Garcia**
Thank you, kiitos!

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

**Derrick Whitfield**
Good afternoon, all, and congratulations on your results for the quarter. I have two questions for you. First, regarding the short-term market tightness you're referencing on slide ten. Could you elaborate on this dynamic, as we're generally seeing the drivers as being more secular rather than short term in nature. And then second, could you elaborate on the trends you're seeing across the global waste feedstock markets, as you're referencing higher feedstock costs on slide 13. Tallow and UCO spreads appeared to be a bit more favorable for you for the quarter, and seemingly have the potential to remain favorable as US regulatory and tariff policy have taken US producers out of the market.

**Heikki Malinen**
Derrick, good morning to you. You're an early riser, I guess, so thanks. Thank you for joining the call very early in the morning. Yes, it's a very big question. You know, the short-term demand versus secular demand. Ultimately, the whole matter of moving to clean fuels, especially in SAF, there is no option. Logically, you would say that's really the direction of travel for us at Neste. And that's more of a supply issue. It is a fact that we are moving forward with the Rotterdam second line construction. The more I look at it, the more convinced I am that even though it’s quite a formidable task, it is still the right thing to do. If everything goes well, we should be well positioned as we head into the latter part of this decade. If this RED III implementation goes in a positive way, that of course will then give quite a substantial boost in diesel. And don't forget, Neste has the ability to move its capacity fairly flexibly from SAF to RD. So, we will take advantage of that flexibility depending on the market ebbs and flows. Regarding feedstocks, it is clear that regulatory decisions on your side of the continent have impacted the situation, as some of the buyers seem to have disappeared or at least reduced their procurement from Europe and Asia. So hopefully that will ultimately bring some price levels down. But I would say so far it's been more of an Asian phenomenon and maybe an Australian phenomenon in animal fats. UCO prices, as I said earlier, have been holding fairly well. And then I would say in the US we saw this movement up in feedstock prices, but maybe the uncertainty around the implementation of these regulatory decisions is taking a bit, you know, the air out. But let's see, once the decisions are clear, whether there's another

momentum move upward. So Neste is one of the largest buyers of these feedstocks, if not the largest buyer, and I think we have a good global setup. We have a good team. We're able to optimize that constantly. We can also trade internally within the system and trade third-party if we want. So, I think we're well positioned for that. I think that's about all the key things I can share with you now. Thank you, Derrick.

**Operator**
The next question comes from Henri Patricot from UBS. Please go ahead.

**Henri Patricot**
Yes. Hello, everyone. Thank you for the presentation. Two questions please, both on the renewable products margin. The first one, I wanted to check if you can give us some indications as we think about the fourth quarter margins. To what extent you're able to capture what seem to be very good spot margins in Europe, or are you quite constrained because of the maintenance? And then I wanted to also check on SAF. We've seen quite an increase in SAF prices. Are you able to give us some color on your margins on that side of the business? Have you also seen an improvement in the margins in the third quarter and the fourth quarter, as demand seems to have picked up?

**Eeva Sipilä**
Thanks, Henri. So, I would say that we were somewhat constrained in Q3 as well in taking advantage of the spot market prices. I think they were relatively high. But obviously, we're very pleased that we were able to utilize even smaller pockets to end up at the 480 that we did. Now going into Q4, I think the big impact you need to take into consideration is really the maintenance ongoing in Rotterdam and coming up in Singapore. And if you look a year back when we had similar maintenance, be it in Q3 or Q4, it is roughly a $100 per ton impact. So, don't forget that. Otherwise, obviously we are very much now selling what we have produced to inventory. If all goes well, we will push and hope to be ramping up well, and having a bit more volume still to push out really to take benefits of the current market. Obviously, we are focused on that, but I think we have more limiting factors. And then obviously, please do remember that now in Q3, we had the BTC one-off that will not reappear in Q4 as that sort of legislation has now expired. Regarding the SAF prices, I think the market indeed turned out to be a bit better than it looked during the summer when there was a period where one had to consider whether it made sense to produce SAF or just focus on renewable diesel. The end outcome was better, I think maybe partly also due to a lack of product and very low exports into the European market, which helped strengthen the market. And then we obviously took advantage and, like Heikki said, we are very flexible between renewable diesel and SAF. And we will continue to focus on that flexibility be it for Q4 or 2026, for that matter.

**Henri Patricot**
Thank you.

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

**Matthew Blair**
Thank you. And good morning. Good afternoon. Thanks for taking the question. Could you provide an update on your Martinez refinery? Is this plant EBITDA positive, or are you seeing any export opportunities out of California into more attractive markets? And any sort of commentary on the feedstock slate? It looks like veg oils might be a little bit more attractive at certain points during the quarter than some of the lowest CI feeds. And then on the Oil Products side, could you expand a little bit more on the opportunities on the crude slate? It sounds like you're able to implement a little bit more flexibility. Do you have any examples of crudes that you've been switching to and switching away from? Thank you.

**Heikki Malinen**
Thank you, Matthew. So, if I take a stab and then Eeva can continue. So obviously, Martinez is important. Don't forget we have a joint venture. Marathon is the operating partner. We, of course, are actively contributing, but they are the operating partners. So, they run the operations day-to-day. I think overall the refinery has been running quite well. I would call it, from Neste angle, that we have come out of the project phase and we are now moving into the more continuous operating phase. Having recently visited Martinez, I really feel that they have a really good team on location in California running this. But still, it's early days in this journey of making these renewable fuels, even for that team. On the export opportunities, I think as a general comment that with all the different regimes globally, the cost of feedstocks, I don’t at least at the moment, I think it’s very much focusing on domestic sales. That is kind of where the opportunity lies, at least in the short to medium term. On the feedstock side, I think it's been quite volatile recently. Both of the partners supply feedstocks. And then, of

course, the refinery can buy from wherever they want. So, this is why I can't really comment on the actual substance of the feedstock mix due to the structure of the joint venture. On the Oil Product side, the crude slate is really interesting because, of course, we buy a lot of it. We have, you know, our primary source has been the North Sea, and we've had a good relationship getting crude out of there. But, of course, in the spirit of trying to make more money and improve our performance, we have to look at options. And the only thing I can say is, over the last three quarters, our engineers and chemists in Porvoo have really looked at a very broad set of options. And out of that, they've now narrowed it down to, let's say, a shorter list. But there are some very interesting things, and we're testing them in production-level mode to see how they perform. But anyway, the options are evident and we will continue to work. I think we'll be able to report more as we head into 2026, but I'm very pleased with the work they've done on this crude side.

**Operator**
The next question comes from Peter Low from Rothschild.

**Peter Low**
Yeah, thanks for taking the question. The first was just on your term contract negotiations for 2026. I think those usually take place around this time of year. Can you comment at all on how those negotiations are progressing and whether the current tightness in the spot market confers on you a degree of pricing power? And then the second question was on the outstanding PTC, which you recognized as a contingent asset in the first quarter, but I don't think you booked it in the underlying result. I think there was €30 to €40 million you said at the time. Can you give us any update on when you expect you might be able to formally recognize that? Thanks.

**Heikki Malinen**
So, thanks Peter. Thank you for your two questions. If I take the first one and then Eeva will take the second. This is indeed the time of the year when it is term contract time, so to speak. I think last year we said that for 2025, about two-thirds of the volume had been termed. Yeah. Two-thirds. I think, of course, the market has changed quite a lot. We also have the SAF market now active with the mandates. What I would like to say here is that we will always term some volume, but I think at the moment we're a little bit monitoring the situation. We are in no rush to make any decisions here. Let's see how the weeks now move forward. We will term some, but I will then report to you probably in Q4 on how these things ended. But at the moment, we're in no rush.

**Eeva Sipilä**
And regarding Peter, the Q1 CFPC credits. We're working on a deal to monetize all of the ‘25 credits and targeting to be successful during the fourth quarter. And that would then probably be the trigger for us to recognize the Q1 as well.

**Peter Lowe**
Thank you.

**Operator**
The next question comes from Adnan Dhanani from RBC. Please go ahead.

**Adnan Dhanani**
Hi. Thank you for taking my questions. Two questions from me, please. First, as it relates to your operated production facilities, utilization rates have been around the 80% mark in recent quarters. How do you see that evolving in the coming quarters, and are there any hurdles there in materially increasing it beyond that 80%? And then secondly, on the opportunity you mentioned regarding the lower animal fats prices. Can you just provide some color on the current split you have in your operated refineries between UCO and animal fats, and where that could go to take advantage of that opportunity? Thank you.

**Heikki Malinen**
So, the first one regarding utilization, I think 80% has been a good number for modeling. Would you not agree?

**Eeva Sipilä**
Yes, indeed. I would say, Adnan, that while it's not necessarily an indication that we're satisfied with the 80%, it's just realistically thinking of where we are. I would use that as the number also going forward into 2026. We have identified quite some bottlenecks in our processes, which we are working on to improve the number, but some of them are also tied to maintenance and CapEx. Hence, the progress will not be massive as we move into 2026. So that's a good number for you to use.

**Heikki Malinen**
I would agree. And I think Neste has, in my view, if I look at the last decade, Neste actually has quite a good history in debottlenecking these lines, both Singapore line 1 and Rotterdam line 1. Both have been able to get beyond the nameplate capacities and we are constantly working, under the performance improvement program, we're very systematically turning every corner in those refineries to see how we can get more tonnage. But as Eeva said, a number of these things require some investments, not massive, but some money. And some of these investments you can only do when you have a bigger turnaround. So that really creates the delay. But I'm actually very pleased with the work the engineers are doing. Then on the animal fat, the blending, I don't want to go to the detail of the blends. It is a bit sensitive. Obviously, UCO plays a big role, as does animal fat. What I can say to you, though, is that Neste has invested a lot in pretreatment technology. We have heat treatment, we have pretreatment technologies. We were able to clean up a lot of the bad stuff, if I may use that term, from the feed. So it doesn't go into the refinery. And constantly we're trying to optimize within the technical limits to get as much of the cheaper stuff in there as we can. But I want to mention that in some European countries, for example, animal fats are not really allowed. And that does, to some degree, restrict the potential. But I'm pleased anyway with the direction of travel in animal fat prices. That is a good thing.

**Operator**
The next question comes from Artem Beletsky from SEB. Please go ahead.

**Artem Beletsky**
Yes. Good afternoon and thank you for taking my questions. So I would like to ask two questions relating to European regulation, and the first one is about the RED III implementation. So you have been discussing Germany and its impact on demand for the next year. But maybe, could you talk about some other markets that are also doing RED III transposition and increasing targets in 2026? What interesting opportunities do you see there? The second question is relating to some discussions out there about product certification and some actions or plans to make more strict approach in some markets like Germany or the Netherlands. How much is actually visible what comes to customers' behavior and maybe what comes to preferring US to supplier on the European market? Thank you.

**Heikki Malinen**
So thank you very much. Of course for us, what's very important is what happens here in the Nordics, both Finland and Sweden. Very critical. Sweden is very critical. Remember, Sweden actually dropped the mandate quite significantly here some years ago. We believe we're going to see gradual movement of the percentages as we head into '27 and '28, and even towards '30. So, it's gradual because, of course, people are worried about inflation and so forth. But I think that's all positive. In Central Europe, of course, Germany is just a very big thing. Other markets we are looking closely at, such as Italy, are interesting. The Netherlands, and then small markets like Portugal, but volume-wise, Portugal and Spain are small. But I would say Italy, Germany, the Netherlands and then Nordics are critical. And I think the overall direction at the moment looks positive. On product certification, you know, this is a really critical thing because this is, of course, a trust-based system. You know, the value of the certificates, the bio credits are fundamentally related to the fact that the feedstock you procure and use is really the stuff it's supposed to be, and that you have very good tracking. Neste spends a lot of time and money to make sure that we track with our business partners, the sources, and that we are using the right feedstocks. I can't comment on other industry players, only to say that I do think that at least the savvy customers are aware of the importance of this, and they recognize that Neste is a reliable partner. I think that's all I would say. And I think the German legislation, if it goes forward, will further highten the importance that the feedstock needs to be the right kind and from a reliable or acceptable source, if I use that term. So that would be good for us as well.

**Artem Beletsky**
This is very clear, thank you.

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

**Nash Cui**
Hi. Good afternoon everyone. Two questions from me, please. The first one is on the Q4 margin impact. I think you provided a very helpful comment earlier about the $100 per ton impact from similar maintenance previously, but we are having two major maintenance periods this quarter, including Singapore for half of December, I think. So, I wonder if we could see more impact over there because there are two plants offline in

Q4. Then my next question is on inventory. So, I wonder if you have built enough inventory to sustain a run rate sale of about 1 to 1.1 million in Q4? Thank you.

**Eeva Sipilä**
Thanks, Nash. So, you're right to highlight that there are indeed two breaks, but obviously the one in Rotterdam is the sizable one because it's full for the quarter, and it's really the start of the Singapore shutdown that impacts this quarter. A bigger bulk actually goes into Q1. So, I think the reference is actually a pretty good one. Of course, it also depends on how the maintenance breaks go. Part of this industry is such that when you stop and open certain things, you sometimes do have surprises. So obviously this indication assumes that we don't have significant surprises and, more importantly, that we have a very organized and speedy ramp-up in Rotterdam. So it's not meant to be exact guidance, but I thought it's helpful because indeed the magnitude is such that if you ignore it, your models will probably lead you to a too high a number. Then what comes to the inventory. I think we are well provided with what we produced into inventory to serve our customers as per our customer promises. It's more of a question of our ramp-up time in Rotterdam: the faster we are, we may have some excess to sell in the quarter, and if we then have any issues, we might miss the opportunity to really tap on the spot market.

**Nash Cui**
Thanks for the color. I just wonder if we put margin aside, is there any color you can give on the absolute cost side of things on the two maintenances? Can you specify the absolute cost on the EBITDA?

**Eeva Sipilä**
Well, we haven't really given such numbers. This per ton is what I think gives you a helpful indication of the impact in the quarter.

**Nash Cui**
Understand. Thank you.

**Operator**
The next question comes from Alice Winograd from Morgan Stanley. Please go ahead.

**Alice Winograd**
Hi. Thank you. Two questions for me, please. First, looking toward 2026. What do you think are the key building blocks of supply growth and demand growth for HVO? For instance, you mentioned Germany adding some 1 or 2 million tons in demand. And what else is on your radar that you can maybe quantify from a fundamental perspective? And the second question is on FX, I believe you printed 109 of FX this quarter. And when do you expect to see the current spot rates to fully show in the P&L?

**Heikki Malinen**
Do you want to take the FX first?

**Eeva Sipilä**
Yeah, sure. So, in the bigger FX moves, the appreciation of the euro started more during the quarter, so to say. As we are hedged, it comes with a delay. We'll start to, now that levels have obviously stabilized, at least to some extent, to these current levels, so that will start coming through in Q4. We typically don't have a super long hedging when it comes to FX, but obviously some going also into next year.

**Heikki Malinen**
Of course, 2026 goes into the department of forecasting, which has not been easy in this business. I think on a very high level, there are three things. Of course, the macro situation in Europe, as you know, has been overall quite weak here for a number of years, with only some minor signs of improvement as we head into next year, but it's still very early to say. I think the big thing is really regulation because that, of course, will create instant demand. And then, you know, when you look at the overall level of how the market is behaving now, looking more on fossil diesel, because that of course then impacts the renewables market as well. You know what is happening with this whole Ukraine-Russia matter. How are these refined products being moved around. That may also have some impact. Inventory levels have been overall quite low here. As we came out of the summer, that has also been supported. So maybe, maybe that will provide a little boost as you head into the new year. But for me, the big thing is really what's going to happen in the coming years. And I think it's very much about the Renewable Energy Directive (RED) III.

**Alice Winograd**
Thank you.

**Operator**
The next question comes from Matt Lofting from JP Morgan. Please go ahead.

**Matt Lofting**
Thank you for taking the questions. Two, if I could, please. First, slide ten in your deck shows the improvement through recent months in the gross renewable diesel margin. It sounds like you're saying, at least to this point, that feedstock costs have been relatively high or stable. So I just wondered if you could disaggregate roughly how much of the improvement in the gross margin you think is indexed to the strength in fossil fuel diesel markets versus being driven by the underlying improvement in the renewable fuels market? And then secondly, I noticed that you mentioned or listed trade policy unpredictability in your list of uncertainties. To this point in the year, what have you seen from that perspective in terms of any impact on the business and the market? Just wondering how much of a, let's say, base case versus sort of tail risk you see there. Thank you.

**Heikki Malinen**
Do you want to do the feedstock, and I'll comment the trade?

**Eeva Sipilä**
Uh, yeah. Was Matt, your question on the unpredictability really around the feedstock. Did I get it right?

**Matt Lofting**
Yes.

**Eeva Sipilä**
Yes. So, I think considering how volatile the feedstock market has been this year, it's prudent to assume that there's some unpredictability in that. Now, of course, as the year draws to a close, what we now have either at the production facilities or close by, obviously, it starts to be more predictable. But it's really these trade barriers that have now been a big area causing this unpredictability. And I think now the decrease in animal fat prices, which is in our favor, is a prime example, because it really comes mainly from the fact that we see less U.S. buying and fewer buyers hence around, whereas the UCO has been moving a lot less, because actually the Chinese buyers have been picking up if there was anything left, unpicked from U.S. But as we've all seen, these trade topics change on a daily basis. They're dynamic, to say the least. Many things can happen. And then, of course, when it comes to our inventory valuations and those types of things, then it matters what the prices are at the year-end, and hence we want to highlight that as a real uncertainty. But I don't think I can really provide any more clarity, unfortunately, on the topic.

**Heikki Malinen**
Maybe it's regarding your question about trade policy. I mean, of course there's a lot of stuff, but if I raise two uncertainties, one is regarding the US importation of foreign feedstocks and the RIN 50. Obviously, I think not all industry participants are necessarily of the view that this is the right thing. So, the debate, I think, we didn't have visibility on the debate. How will that ultimately end? Will it go forward as proposed, or will it change? But as I said, my understanding is there are different views on what is the right way forward. So we'll just have to see. And then I think from the European standpoint, and Neste, we of course as I refer to the Chinese SAF, the European Commission at the moment is monitoring the SAF situation. And then we'll have to see in 2026 or 2027, depending on what happens, what will happen. As you know, on renewable diesel we have anti-dumping duties, but on SAF, at the moment, it's monitoring what's being done. So, that would bring some uncertainty. That's worth understanding and noting.

**Matt Lofting**
Thank you.

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

**Paul Redman**
Thank you very much for your time. My question was just about in preparation for Q4, you have been building inventories. I just wanted to confirm where the focus of that build was—was it on sustainable aviation fuel or

renewable diesel? And then secondly, just a question about CapEx. You have reduced your CapEx. It'd be good to get some idea on what the key drivers are for that. Is it phasing or a true reduction in CapEx? And are you forecasting a similar spend in 2026? Should we think there's any change there? Thank you very much.

**Eeva Sipilä**
Yes, I can certainly start with CapEx. I would say that when the guidance was given, it was very soon after Heikki started, and we've done a lot of work on reviewing the amount of CapEx spend that it drives and fulfills our return requirements. And hence there's been a real reduction of scope. But then what comes to the bigger bulk of CapEx, obviously related to Rotterdam, that has moved. And we expect that to be the bulk of next year as well. So there's really no change; we are not expecting a change to the earlier view on next year. But of course, the more you work on it, there are always areas of cost efficiency that can be applied and tighter procurement. And we're obviously trying to make sure the organization is really alert on all of those topics. And then on the Q4 preparation, well, we obviously know our commitments and have balanced both. So there is an inventory on both RD and SAF. But of course, volume-wise, the RD is much bigger.

**Heikki Malinen**
Maybe I can just build on that. I remember our conversation after Q1 and after Q4 of last year was very much about how the SAF procurement will actually take place in Europe in 2025. And this is the first year we have the mandate. And coming into this year, we really didn't know exactly is there going to be seasonality around the summer, will there be buying later in the year, or will they be purchasing equal amounts throughout the year. So it's been a bit difficult to plan the inventory when we don't exactly have any data on the buying behavior and the buying profile. But as we gather data from this year and next year, we'll likely become smarter in building our inventories as the market develops. Just to provide some context, remembering those discussions we had in the spring of this year.

**Operator**
The next question comes from Matti Kaurola from OP Corporate Bank. Please go ahead.

**Matti Kaurola**
Hello and thank you. Thank you for taking my question. The first question is regarding the performance improvement program. Could you elaborate on the impact on the variable costs and how much is visible already in the sales margin you have right now? So, I mean, the big part is, of course, associated with the headcount reduction, but if you could provide some color on the impact on sales margin. Then the second one is about the SAF next year. How do you see the SAF market going once the Netherlands opening is done? Also, the US RIN50 reduction is a little bit killing exports from Singapore. So do you see them producing RD more, or how do you perceive the market?

**Heikki Malinen**
Should you start with the first one?

**Eeva Sipilä**
Yeah, I can comment on the performance improvement. So, whilst the headcount is important, for regulatory reasons it comes a bit in phases. People have certain tenures that we need to respect, and hence not all the savings are in. So actually, I would say that the biggest impact in the P&L is really around overall procurement, spending less and spending more wisely. And that's by far the biggest. Then logistic side is important, but part of those savings obviously land in reduced leases and hence in the depreciation role. But it's still significant also in the P&L.

**Heikki Malinen**
It's your question. I'm trying to recall exactly the wording on the Dutch opt-in clause. Whether that actually, I mean, it has, of course, been favorable for SAF, but now if it is going away, I'm not exactly sure how much of a hit it will really mean. On the US side, the equalization from the incentives regarding SAF and RD, of course, reduces, in some ways, the attractiveness or competitiveness coming out of Singapore. So that would be sort of a net negative, I would say.

**Matti Kaurola**
Thank you.

**Operator**
The next question comes from Christopher Kuplent from BofA. Please go ahead.

**Christopher Kuplent**
Hi there. Thank you for taking my questions. I've really only got one remaining on Rotterdam. Could you tell us how much of the project CapEx is still left to be spent? And slightly related to that, what will that do to your depreciation charges running through the RP line? I mean, we're sort of at €140-150 million per quarter right now. Where is that going to pan out, once Rotterdam is fully ramped up in 2027? Thank you.

**Eeva Sipilä**
Sure. So, Christopher, what we are expecting in Rotterdam as CapEx next year is around 700 million. And as for the 2027 number, off the top of my head, it is obviously a lot lower because by that time everything will be built up. But there are some, some tails, around 100-ish if I remember right, in 2027. So then, that all kind of adds to the depreciation. Obviously, there is a relatively long depreciation time because the asset will be around for decades. So, the imminent increase is, of course, visible, but based on that, if we can come back to a more exact number. But that would be the number to use on top of what you're seeing today.

**Christopher Kuplent**
Ok, thank you, Eeva. And just to confirm, you're not fully depreciating the asset until it's ramped up, right? So even the CapEx spent to date is not in your quarterly charge yet.

**Eeva Sipilä**
Correct. We have what we call a comparability in use. So as it is a site in progress, so to say, an asset under construction. So, yeah, that's very true.

**Christopher Kuplent**
Thank you for confirming. Thank you.

**Operator**
There are no more questions at this time. So I hand the conference back to the speakers.

**Heikki Malinen**
Thank you very much. Once again, it was a pleasure to spend this hour with you. In summary, I wanted to touch on four key points. As I've said, I think we're making really good progress on the performance improvement program. You see the numbers. We will continue to report on that. I actually see there is more potential, and I think that we will continue to work on this going forward. Regulatory developments, very much focused on Germany. Let's keep our fingers crossed. If I may use that word. There is positive momentum in the market. Let's see how much that holds into 2026. And then on the balance sheet, which we maybe didn't have to discuss this much this time. So, we are below the 40% leverage number. And that, of course, is something we've aspired to achieve with the help of these initiatives. So with those words, let me thank you on Eeva's and my behalf and wish you all well. And to our American audience, happy Halloween, and we will see you again in February. Take care.