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Neste Interim report January-September 2026

Jukka Miettinen
Good afternoon, everybody. Welcome to discuss Neste's Q3 results that were published this morning. My name is Jukka Miettinen, Vice President of 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 published on our website early this morning.

The key highlights of our presentation today include the highlights of our Q3 performance as well as our financial performance. On the topicals, we will discuss an update on our Rotterdam expansion project, as well as our newly established dividend policy that was launched today. We will have time for discussions, and please pay attention to the disclaimer as we will be making forward-looking statements. With these remarks, I would like to hand over to our president and CEO, Heikki Malinen. Heikki, please.

Heikki Malinen
Thank you, Jukka, and good morning, good afternoon to all of you. It is nice to see you again in this webcast. So today we are going to go through the Q3 2026. Let me first of all say that this really is a historical achievement. We had a really great quarter. I am very happy and very pleased with the performance of the Neste team. I know people have been working very hard to get us out of the trough we saw in 2023 and 2024. Many things went really well in the third quarter.

The operational performance, especially in our Renewable Products area, was very good. Singapore and Rotterdam ran very well, and those volumes helped to improve the performance and financial result of the third quarter. I think our utilization rate in the third quarter in Renewable Products demonstrates that when we get to full production, how much potential there really is in our business. We have added resources and focus on predictive maintenance. This really is improving our ability to get more stability in the production lines. We have also emphasized the need to have faster response times when we have technical issues, which occur from time to time. That also helped us achieve a strong result.

We are now in the midst of a heavy turnaround season. Porvoo 2026 turnaround has been completed. Rotterdam turnaround has started. And then in the next year, we will have a turnaround in Singapore. Overall, the objective is to increase our reliability, availability and of course then secure good volumes.

A few words about the Porvoo 2026 turnaround. We prepared very thoroughly. We had a lot of people on the site. Overall, I am very pleased with the outcome; TA 2026 was clearly better than TA 2024. So we have learned as an organization how to manage these complex turnarounds. With this turnaround now complete, we can run Porvoo into 2029 with good production. Given how strong the market is at the moment, this, of course, is a favorable fact.

Global markets remain tight. The market is very volatile. Margins are comparably high. It is, of course, very difficult to forecast what will happen to markets in the coming quarters. But for the time being, markets are very good.

In Rotterdam, I'll come back to Rotterdam a bit later. But as said, the Rotterdam budget has now been revised.

Finally, on the financial position, it has been strengthening every quarter. The deleveraging of the company is, for me, very positive, and I am pleased to announce that we now have a new dividend policy, which we will review in more detail later.

Safety is, of course, at Neste, the number one subject. Looking at these charts here, I have to say we have been going sideways. I want to emphasize that we spend a huge amount of time with the Neste management to try to improve safety, but we've been going sideways. So we have work to be done. We analyzed data, and we worked with our employees, we have good relationships with our workers' unions to try to move this to a better level. But so far, the curves are not changing. And so for 2027, we need to come up with new medicine. So the job is still not done when it comes to safety, but I can assure you that the commitment to improve those figures is extremely high.

Looking at Q3, we are very pleased with the volumes, almost 1.3 million tonnes. It is a record level. Singapore and Rotterdam did very, very well. And recognizing that we also had a turnaround in Porvoo, those two small lines. Our Oil Products refining margin was also exceptionally high at $48 per barrel. Overall, we had very

strong earnings. EBITDA for the whole company was over €1.5 billion. Renewable Products made a billion in the quarter, which is really a record amount. As a result of our strong performance, as said, our deleveraging continues. And Eeva will talk about the balance sheet in more detail. But as I said, the direction of travel has been very positive.

So with those introductory remarks. Let me hand it over now to Eeva to take it from here. Eeva, please.

Eeva Sipilä
Thank you, Heikki, and a very good afternoon to everybody on my behalf as well. I will start with the renewable diesel reference margin development. The margin moved quite a bit in the quarter; it had a very upward trend in the beginning of the quarter and then turned downwards in September. Overall, it was still $100 up on average compared to the previous quarter.

Moving then to the Neste figures: RP delivered two thirds of the €1.555 billion comparable EBITDA result, and Oil Products contributed half a billion for its part. Obviously, this half a billion illustrates the strength of the market, considering that we were in turnaround since late August.

Very pleased with the performance improvement program, which continued to deliver a very strong result. We have now reached €697 million of annualized EBITDA run rate impact, and the realized in-quarter impact in the third quarter was €172 million. We saw the share of revenue and margin optimization increase a few percentage points from the previous quarter, totaling now 44% of the total, and cost reductions then covered 56% of the total. Now, this two-year program is coming to its final months, and we will conclude the program at the end of this year, as earlier announced.

Moving then into the quarterly performance by our segments. So let me start with the RP; the graph on the left shows very nicely the clear step up in renewable sales volumes in the quarter. And despite the light blue line that indicates the sales margin being down, this obviously contributed to an improvement in EBITDA result and to that roughly 1 billion level that Heikki already mentioned. When we look at the right-hand side, which gives you the main items driving the Renewable Products comparable EBITDA compared to the second quarter, you really see the importance of the sales volumes. And the majority of that came from renewable diesel. SAF margins continue to be less attractive for us. The share of Europe continues very stable, 73%, and then North America at 27%. Now the sales margin was down despite the increase in diesel prices, and this is due to the higher feedstock prices as well as a negative hedging impact. Now, in this market, I would say that the negative hedging result is more an expected outcome, whereas Q2 was more of an outlier when we had an abrupt jump in soya prices, that netted out negative impacts.

Moving then to Oil Products. Starting on the left-hand side, the light blue line shows very clearly the impact of the turnaround. Our utilization rate dropped to around 50% in the third quarter; we lost some 1.5 million tons of product due to the turnaround. But then, the dark blue bar shows how high indeed that $48 per barrel refining margin took us. On the right-hand side, a very similar story to the left-hand side. The waterfall chart really tells it all: volumes are down, while margins are significantly up, and obviously there is a slight increase in fixed costs as we had some turnaround-related costs booked in that row.

Then, finally, on the Marketing & Services segment. So here, it has been a very volatile year. You could say that the inventory gains or losses have really driven the quarterly ups and downs. In the first quarter, we had a significant gain from inventory as the market prices really reacted to the Middle East crisis in the March period. Then we had a significant inventory loss in Q2 when prices came down towards the end of June. And now again, as we saw significant price increases in September, we had a very significant inventory profit that pretty much explains the whole difference. As such, the Marketing & Services team is doing a good job in running the daily operations.

So with that, I would move back to the group level figures and cash out investments in the quarter, 327 million, obviously up due to the turnaround in Oil Products. Very much in line with our earlier guidance; we have indicated from the beginning of the year that this year is a capital expenditure heavy year in the second half, and this will continue in the fourth quarter. We will see some further increases as the two turnarounds in RP have gotten going. We maintain our full year guidance on investments of approximately €1.2 billion.

I'm very pleased with our ability to deliver cash flow despite a challenging market, when one thinks of the working capital and the big fluctuations in prices. Strong profitability was obviously a big driver behind the 877 million euro cash flow result for the quarter. I would say, though, that we succeeded very well in inventory

planning in Oil Products around the turnaround. And this then helped moderate the impact of working capital in the quarter. We are sitting on a very high level of inventories at the end of September in Renewable Products due to the fact that we have obviously prepared to deliver seamlessly to our customers during the turnarounds. So, all in all, the negative impact from working capital was a lot less than it could have been, and a good job from the team.

And then finally, my final slide illustrates our financial position. And we've made very good progress on deleveraging for the past 12 months, and our leverage now stands at 22.6%. We are more than comfortably hitting both of our financial targets that we set for ourselves in early 2025.

And with that, I hand it back to you, Heikki.

Heikki Malinen
Thank you, Eeva.

So let's talk now about the Rotterdam expansion budget, its revision, and also about the business case. So, as I am sure you can recognize, this is a very complex project. There are thousands of details. We have hundreds of thousands of different parts that we are trying to put together to get a working refinery. Even minor changes in the sequence or in the setup can cause delays. And delays, once they start, there is always the risk of domino effects. For example, if there are delays in the welding of pipes, we need to move all the equipment up into the units. The whole sequencing, if there are any delays, can lead to sequential issues. In order to correct the course, keep up the pace of the project, we have added new suppliers. We have added more people, more resources, and more qualified staff to try to close the gaps. But as said, there are limits to how much, even by adding resources, you can tighten the schedule. The conclusion is, though, that when you are trying to keep up the pace on a mega project like this, it is not easy. I would also like to underline that in Europe, the reality is that we have not had projects of this magnitude in the last decade. They have taken place in the Middle East and Asia, where we had our own refinery, Singapore 2, but not here in Central Europe.

The budget revision is, of course, unwelcome. It is not something that we planned for or desired. But it is still where we are today. However, given our strong and much-strengthened financial position, we will manage this. I am, however, confident that this is still the right decision to do. The market outlook looks positive, the mandate environment and the regulatory framework are very positive. As you know, we have mentioned in the previous presentations that the outlook for renewable diesel in Europe is very positive. The market will double by the turn of the decade. And then of course, we have the potential to produce SAF, and we hope the mandates will then be taken to 6%, as we get to 2030.

So overall, RED III is a major boost. As said, this is the only large investment of this magnitude here in Europe. And therefore with the element of also the discussion about energy security, this is the right thing.

Here you can see the latest picture of the site. You can see the state of affairs; construction is already fairly well advanced. Some parts of the refinery are already in the pre-commissioning phase. Some are already being commissioned. Others are still in the midst of more piping work. But as said, we will get the job done.

Overall, I am very impressed with the site. There are thousands of people on site, and everyone is doing their best to get the job done. Once completed, we will have 1.3 million tons of new capacity. We have 1.4 million tons of existing capacity in Rotterdam for a total of 2.7 million tons. And then of course, if you look at everything we have in this sector, it will be 6.8 million tons. So, we are really the largest producer globally in this market.

Then the dividend policy. Obviously as our financial performance has made a very positive turn and earnings have increased, it is also a good moment to stop and update the dividend policy. The Board of Directors has made a decision that the dividend policy will be that we pay 20 to 40% of the earnings per share.

A few words about the thinking here. Fundamentally, our priority is to ensure that we have a resilient balance sheet, which will enable us to grow our investments as time goes by. Secondly, as said, the market outlook looks favourable. Once Rotterdam is complete, we will then think of the next wave of growth. But the time for that will be sometime in the future.

And thirdly, there is the question of shareholder remuneration. We believe this is a strong signal of confidence that with our cash generation and new dividend payout, we will also be meeting the expectations of our shareholders in this area.

Then the outlook remains unchanged. The guidance remains unchanged. So I will not now walk through that in any more detail. In summary, that concludes the presentations today. I will return to my final comments after the Q&A. But for now, shall we move on to the questions and answers? Thank you.

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
Yes, hello. Thank you for taking my questions and congratulations on the strong results this quarter. I have two questions. The first one is, I know your guidance is to maintain unchanged sales volumes in Renewable Products. But looking at this strong third quarter sales, could you elaborate a bit more about the fourth quarter? Are you seeing a significant reduction in sales, or could you maintain this level for another quarter? I understand the maintenance that is ongoing there. So could you elaborate on that. And the second question is also on the Renewable Products in general, the outlook for the near term, and how you see the evolution of feedstock costs and margins in the short term. Thank you.

Heikki Malinen
Maybe if I take the second and you take the first.

Eeva Sipilä
Yeah. Thanks, Alejandro. If I start with the sales volume guidance. So it is good to bear in mind that obviously the fourth quarter is impacted by the turnarounds. So we are selling what we had in inventory to a large degree at the end of September. Singapore is still producing some, but obviously with the delay in transportation, that really won't move to the customers. Now, obviously, the guidance remains at approximately the same level. So we will do our utmost to sell as much as our customers need. But I think we are comfortable with the guidance as such.

Heikki Malinen
Thank you. Then on the outlook, if I just say on RD. So the overall outlook is very positive. Obviously, we have high fuel prices, and there has been discussion in various countries about how to react to that, but we have not seen any concrete decisions that would lead to pulling back, reversing, or slowing down the implementation of RED III. So in that respect, we feel good. Also, the reality is that the crisis in the Middle East has raised this whole discussion about energy security in Europe. And I think that in itself is also a further boost for the production of fuels here in our European continent. So, net-net, positive on renewables, diesel.

On SAF, the situation is different. We have this small mandate, the 2%. There is voluntary growth, but the reality is that we have more and more volume from China coming in. And as said, we have advocated quite strongly about the need for anti-dumping duties on SAF, and we continue that work. Then we will see if in 2027 we would get some remedy on that, but it is still a work in process and we will then see what happens next year.

Alejandro Vigil
Thank you.

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

Artem Beletski
Yes. Good afternoon, and thank you for taking my question. Also, congratulations on record earnings once again. I have two questions from my side. The first one relates to term contract negotiations. I guess some of the contracts have already been signed. Are you happy with those terms? And maybe relating to the terms, would there be any changes, or is it still basically premiums over gasoil how those will be done? And the second one is related to initiatives in Renewables and nameplate capacity, as you did really hit the record volumes in the

quarter, and also, utilization was at 97%. Could you maybe talk a bit more about how you see nameplate capacity and those actions paying off?

Heikki Malinen
Well, if I first start on the terms, I remember last year we made a comment that the term negotiation season had started quite early. This year it has been clearly slower to start. Maybe the overall volatility in the market is creating some delays. Usually, though, in November, things start happening. So we are still here in the last days of October. So I cannot unfortunately share much information. We know we have, as I said, usually termed, I think last year we said about half, 60%. That has been the practice in the past. At this moment, I think that is a good working hypothesis for the time being. But as said, it has been a slow start to term negotiations, mainly, probably because of the volatility and a lot of uncertainties. But in November things should start moving.

Then on the Renewable Products, yes, utilization was 97%. I was extremely pleased with that result because the team has really been doing a lot of work on these refineries. It was expected that we should start reaching higher levels from those 70s where we have been in some of the earlier quarters. We have multiple projects continuously underway to improve the reliability of those plants. As I said, we have added and will continue adding some staff when it comes to maintenance, becoming even more data-driven in terms of how we can predict where we might have issues running a refinery in this industry, and in renewables. My view is that it is in some ways much more complex than it is on the traditional refining side, because this is still a new industry. There is a lot of learning and a lot of causality, which we are learning as we go forward. So, good work. I am confident about next year.

I think that is all I can say. And of course, do not forget we have the turnaround. So the purpose of the turnarounds in Rotterdam and then in Singapore is really to increase, ultimately, the reliability of those assets so that we get good production afterward.

Artem Beletski
Great. Thank you.

Operator
The next question comes from Kate O'Sullivan from Citi. Please go ahead.

Kate O'Sullivan
Hi. Good afternoon. I would like to follow up on my question from last quarter about growth beyond Rotterdam, really. You were clear last quarter. The priority was to improve returns from existing investments and deleverage. Margins remain exceptionally strong. What is the main constraint on committing to further capacity? Is it confidence in delivering projects at an acceptable cost given the experience at Rotterdam, or perhaps uncertainty over the durability of the industry returns and policy support? I would appreciate your views on that.

Heikki Malinen
Right. You raised two questions. One is how do you execute projects and the other is the regulatory side. I first want to be very clear that we see ourselves as a growth company and a growth business. We are thinking about growth. But for the time being, our focus must be on completing two things. One is completing all the turnarounds and increasing the reliability of Singapore one and two, which we are doing, and then Rotterdam one where we still have some potential.

And then secondly, when it comes to the mandates, of course, we are continuing to advocate for them. Currently, the main news is that the mandate and the regulatory framework in Europe has been very positive. And my personal view is that with the emphasis on energy security, I believe that will further reinforce the need for renewables. So I think the business case is even stronger today, given the added emphasis on energy security. So in that respect, I am confident.

But we will come back to the question of what is next after Rotterdam when we are a bit closer, but today is not the time.

Kate O'Sullivan
Okay. Thank you, Heikki.

Operator

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The next question comes from Sashikanth Chilukuru from Jefferies. Please go ahead.

Sashikanth Chilukuru
Hi. Thanks for taking my questions. I have two questions, please. Firstly, on the Rotterdam expansion project, we have now seen a second capital expenditure increase, taking the project to around $3 billion, as well as another delay. I was wondering, how is today's revision different from the first one that happened last year? What gives you the confidence that the revised cost and schedule are now robust? Just wondering how much contingencies are in place for this new guidance as well. The second one is on operations and efficiency; utilization was very strong this quarter. And you have highlighted the addition of resources and greater focus on predictive maintenance. Now looking into 2027, should we expect this to translate into materially shorter turnaround durations in Singapore compared to 2026?

Heikki Malinen
Yeah. Thank you for your questions. First of all, regarding Rotterdam. So we are fairly advanced with the actual construction. We are now at a point where some of the lines are already in pre-commissioning, some of them are even in commissioning. Some parts of the project have gone really well and we are already almost done. The thing, of course, is that this refinery is not running until every single piece has been completed. And then we can say, okay, so now let's press the button. So we just have to get every single piece done, hydrotested and then, we're up and running. So, we still need the extra time here.

Has anything changed? I think it is just the fact that I don't think really anything has materially changed. The reality is that it is very complex. As I've said before, I think if we compare Rotterdam 2 to Singapore 2, which was also done partially in the midst of Covid, there is a clear difference in terms of how much experience in the Asian market and Middle East there is in running these mega projects and a project of this size. People have less experience in running them in Europe, I think that is the main point. But then again, after this, we will of course be much more experienced at Neste and much wiser. There are many learnings from this, which we will then take into the next initiative, whatever it may be.

Then, regarding the turnaround and you asking about the length of the turnaround. For Singapore, of course, our objective is, for line number two, it is now the first major turnaround after construction. So there are many mandatory elements which we have to do. And then as said earlier, we are going to make investments there to make sure we get the reliability more systematically to a higher level, and that will require some time. So we need some patience here to get through those. But I feel confident that after the Rotterdam 1 and 2 turnaround, we are going to be at a much better level. Thank you.

Sashikanth Chilukuru
Thank you.

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

Alice Winograd
Hi. Thank you both for taking the questions and congrats on the results. So first, can I ask for an update on how you think about capital allocation going forward? I guess this was a quarter with a couple of cash impacts in the sense that there was a working capital outflow, the turnaround, you are still delivering on Rotterdam, and even so, you basically made a $1 billion in free cash flow.

Gearing is already in the low 20s. So I think it's fair to say that balance sheet repair as such is behind us. So it's easy to see how that can continue to come down pretty sharply, even with the dividend reset, even with the additional budget for the Rotterdam. So my question ultimately is, if you think about the marginal dollar in 2027, how do you think it is best spent between higher distributions, organic or inorganic growth? And in the absence of any other movements, I guess we are just trending towards net cash.

Thank you.

Eeva Sipilä
Sure, Alice. So I think as long as we have the geopolitical uncertainty moving markets like they have, I think we have to be prepared for swings in the working capital. As I mentioned in my comments earlier, it is something that, despite heavy efforts, is obviously a bit out of our control. And as it now looks, I think we are sort of looking at 2027, we will see that continuing. But obviously, the question on the marginal dollar. I think it's best

explained by the slide presented on the dividend policy, because we had a rather lengthy discussion in the board on capital allocation principles. And the dividend policy is just one part of that. And there the deleveraging, indeed, I am thankful for your optimism. We obviously will continue the work on that. But I think in 2027 it's really the sort of second box on that slide. So it is these organic investments. We have debottlenecking investments where we see relatively good and short paybacks. And obviously now with the increase in the Rotterdam expansion cost, that sort of half a billion increase is basically what you will see going out in 27. So those working capital swings, we have to be prepared for that, debottlenecking and then the Rotterdam expansion. So that would be our target.

Heikki Malinen
I would just add that from the standpoint of management, obviously, we want to stay very focused on completing the Rotterdam. We want to be very focused on running those assets. And if you think about capital allocation, we have achieved through our performance improvement program a run rate of nearly 700 million, which, by the way, I am really pleased with because our target was 350. So there are also a bunch of ideas on how we can debottleneck and get even more out. I think that is the management focus now. And then I think to the earlier question about what is sort of beyond Rotterdam, we will then come back to that later.

Alice Winograd
Thank you, Heikki.
And if I may ask a second question, please, to Eeva, you mentioned already the impact of the diesel hedges in Renewable Products margins. Can you quantify to some extent how much this was a drag in Q3, and what is the expectation for Q4 given that there is more planned downtime next quarter than in Q3? Thank you.

Eeva Sipilä
Yeah. Well. The impact was some 180 dollars per ton in Q3. And again, the fourth quarter will depend on how the market prices move in the quarter. With these price levels, obviously any hedging done on diesel late last year will have a negative impact just because of the huge swing we have seen in market levels, but where exactly things land towards the end of the year, of course, will depend on what happens in the Middle East in the coming weeks and a couple of months.

Alice Winograd
Thank you.

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

Naisheng Cui
Hi. Good afternoon. Thanks for taking my questions. I have two, please. The first one is just a Rotterdam clarification. I wonder how we should interpret the startup date, given it is the end of 2027? And could you comment on the ramp-up profile to reach the 1.3 million tonne nameplate capacity? Then, the second question is on shipping rates. I know shipping rates have been quite elevated. I wonder what the impact is on your OP margins. How should we think about the net impact going forward? Thank you.

Heikki Malinen
So, if I start with the Rotterdam. So our plan here is that we will have the technical startup by the end of 2027. And then commercial ramp-up will start in early 2028. We remember that our Singapore 2 commercial start up was fairly patchy. We have taken a lot of learnings from Singapore. The Rotterdam operational team has now been recruited. They are already in place. They are all hired. They are going through the production lines item by item. We had multiple teams visiting Singapore to learn from what could have been done differently in the Singapore startup. So with those learnings and having our teams well trained, we are of course hoping for a good startup curve. But in terms of giving you a projection of what that is going to look like, I cannot comment on this now, but as I said, we are trying to learn a lot organizationally from Singapore 2.

And then if I understood your shipping rate question, obviously they have risen a lot. That more impacts the cargo or the fuel delivered from Singapore to Europe or the US. I have to say, though, in our performance improvement program, we have also been able to make some quite substantial savings in terms of how we optimize logistics to mitigate some of that. But as I said, shipping rates have gone up. I thought you asked something about Oil Products in that context, but I did not exactly get it.

Eeva Sipilä

So, I can maybe add to that. So, to your question specifically on Oil Products, obviously similarly, especially for oil tankers where shipping rates have risen quite sharply due to high demand. And yes, indeed, that does add to our costs. But at the same time, the product prices are obviously at levels where I don't see that to be a big concern. But I think this is something we will just have to live with as long as the geopolitical uncertainty is what it is.

Heikki Malinen
But in that respect, most of our crude is coming from the North Sea. So the logistics are shorter, and there is no geopolitical risk in that. Please make a note of that aspect.

Naisheng Cui
Perfect. Thank you very much.

Operator
The next question comes from Henry Tarr from Berenberg. Please go ahead.

Henry Tarr
Hi there, and thanks for taking my questions. The first is clearly the environment continues to be extremely volatile. What are you seeing? What have you seen in October to date? What are you seeing for average margins in Renewable Products and Oil Products?

And then the second question is on working capital, and again, there are lots of moving parts, but we have seen a very material build clearly through the first nine months of the year. I appreciate there is a large element of pricing, but if pricing remains vaguely stable, let's hope. What would you expect the impact of that to be on working capital for the fourth quarter? Thank you.

Eeva Sipilä
Um, yeah. Henry, regarding the volatility. Indeed, it has continued, no change to that in October. We have seen premiums in the Renewable Products segment come down somewhat over the past couple of weeks. And then in Oil Products again, there is a lot of volatility there. We have slightly higher priced crude coming in now as we have started purchasing again towards the end of the turnaround. So that is something that we are now working through. But we are still obviously early in the quarter, so a lot of things can happen. But just to your question on the past couple of weeks.

Then on the working capital, I would say that our full-year plan is intact in the sense that, as you said, we have been building up working capital inventory, specifically product inventories, to be able to meet our customers' demand expectations during the turnarounds. In Oil Products, that is now behind us. So we will start, and we already saw the first signs, but we will definitely now be able to lower product inventories in the coming months to end up in a financially better position towards the end of the year. Whereas in Renewable Products, as I mentioned in my notes, we reached our highest level at the end of September. And now we start eating through our inventory as we continue to deliver, and the Rotterdam refinery is already down.

The plan for the volume side of working capital is definitely down in Q4. And then, as you rightly point out, obviously the euro number is the product of volume multiplied by price. So then, the price levels towards the year end will have a final implication. But I am hopeful that we will be able to continue delivering a good free cash flow for the full year, not just this third quarter.

Henry Tarr
Okay. Thanks.

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

Paul Redman Yeah. Hello all. And thank you very much for the questions. So the first one was just on hedging. It sounds like there has been a negative impact on hedging both on the diesel side and in Q3 on the feedstock side. Has this made you think any differently about your hedging policy into 2027? And with diesel prices and feedstock prices very high at the moment, how do you think that could impact your margins in 2027? And then my second question was just on utilization. You have mentioned it a couple of times, a very strong utilization rate in Renewable Products this quarter. Is this a new normal, or were there one-offs that happened in Q3 that may not carry into a new normal? Well, for Q4 you have turnarounds, but 2027 and beyond.

Heikki Malinen
If I take the second, you take the first.

Eeva Sipilä
Sure. So, Paul, on the hedging. I think in a way, we are very pleased with this outcome. We obviously have a bigger positive on the earnings than what we have on the negative hedging impact. And in a way, that is how hedging is supposed to work. It sort of protects the downside, but obviously, you give up some of the upside.

We will continue to follow the market closely and take the learnings from that, but in a market as volatile as we now see the middle distillates market being, and in Renewable Products when it's kind of a pass-through, it's not really a cost item. I do not see us being very easily open to having a fully open position in that, but of course, the term structure will also have an impact on our hedging decisions. It is really the starting point for closing certain parts of the open positions on that.

Heikki Malinen
So, Paul, on your question regarding utilization, is this a new normal? If you look at where we were coming from over the last couple of years, even at mid-70s, we made a comment that once we get into the low 80s, we have been able to achieve a higher level of stability. Now, this was an extraordinarily good quarter. The way I would think about it is that we are targeting the low 80s. We now have these major turnarounds coming. I think once we have completed them and I start to see concrete evidence, then we can talk about a new normal, whatever that level is. But that said, it should start with an eight. And from time to time, we might get to 90%. But I would not use 90% as a new normal yet. So, more 80s is our target and we have come from 70. So I will leave it up to you at the moment to set your own target.

Paul Redman
Thank you very much.

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

Matti Kaurola
Hello and good afternoon on my behalf as well. First, I'd like to come back to your term negotiations. So, do you have a certain target of terming, and are you open to going with more spot exposures given that biopremiums are right now on a spot basis quite weak, but the fundamentals for next year should be strong and actually the timing should be favoring you?

Heikki Malinen
Okay. Thank you, Matti. Obviously, the market at the moment with all the mandates and given the overall geopolitical setup is, of course, very positive. Now, as said, things can change. We are in a super volatile environment.

The term negotiations, as I said earlier, have been very slow to start this year. Historically, we have aimed to be in the 50% to 60% range. So, unless we say otherwise, that is probably a good working number. But as I said, we are in the very early days here and need to see what our customers ultimately want to do. Unfortunately, I cannot provide that information. I simply do not have more information as we speak.

Matti Kaurola
Okay. Thank you. Maybe another question still about the political risk within the renewables. If we think about the fuel crisis and compare that to the risk of the Russian invasion in Ukraine. Back then, in RP market, Sweden alone represented maybe one-third of the whole European demand. But do you see now with the RED III rollout that the demand is much more diversified and the political risk is actually not that high compared to what we saw a couple of years ago?

Heikki Malinen
I would go back to my earlier comment about energy security. If we look at Europe so far, yes, there have been discussions about fuel prices. Obviously, it is an issue, given where the fuel prices have been historically, countries have taken different approaches. Some of them have subsidies, while others have cut taxation. Et cetera, et cetera. But I cannot say that we have seen much pushback to the question of whether you actually cut supply. Because don't forget, the renewable refinery produces renewable products. So if you reduce that

demand, you are not going to miraculously then go back to fossil. So you need to keep these renewable refineries running in order to even have the supply. And as you are supply constrained, from Russia or you are supply constrained especially from the Middle East, you really need that volume. Otherwise, the market will be even tighter. Having said that, I think we look at 2027 quite optimistically.

Eeva Sipilä
And I think just to conclude. Indeed, the RED III implementation has progressed across Europe. That obviously has broadened and diversified the potential markets for us.

Heikki Malinen
That is true. The countries we sell to are much broader than they were in the past. That is correct.

Matti Kaurola
Thank you. That is what I would like to hear.

Heikki Malinen
So our markets where we supply renewables are more diversified.

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

Adnan Dhanani
Hi. Thanks for taking my questions. Two for me, please. Just the first one on your Renewable Products volumes, should you provide more formal guidance for the Q4? But first, are you able to provide some color on what the combined impact of all the moving parts looks like for the Rotterdam expansion, which suggests there would be no contribution in 2027, and the extended turnaround in Singapore, which is going into Q1. And then, as you said, the debottlenecking in Singapore expectation is that reliability will likely be higher year over year.
So just trying to understand, combined with all those impacts, what the overall volumes could look like versus 2026.

And then second, on your performance improvement program, as you said, you've hit double the original target and it looks like it's increasing by around €100 million on the run rate. The breakdown shows that you are also increasing the share of revenue and margin optimization. So just trying to understand how much more they could be going forward and how much leeway there could be there.

Eeva Sipilä
Yes, I can take both. So I wasn't quite sure if you were more interested in the 26 or 27 volumes. We have the guidance intact. And to an earlier question, I said that we obviously have less opportunity so late in the year to really get extra volumes from anywhere. Rotterdam is down and the transport time from Singapore is such that we are basing it on inventories, and hence the guidance is a good proxy. Obviously, we will try to empty the barrels as much as we can.

And then on 2027, I would repeat what Heikki referred to earlier that start-up in late 2027, in practice, means that commercial operation will start in 2028. So for your 2027 volumes, you should not plan for the Rotterdam line two. But as was referred to in one of the, I think it was Paul's, questions on whether we are striving for better utilization going forward. So, absolutely. In that sense, the focus on the existing current lines, especially now with the heavy turnaround and extra turnaround work ongoing to get more out of that. But we will be back on 2027 guidance, obviously, then in February. So, this is still early days. And we really want to see the outcome from the ongoing turnarounds to also be able to base our comments on those facts.

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

Derrick Whitfield
Good afternoon all, and thanks for taking my questions. I have two questions. First, referencing slide 11. Could you elaborate on your gains in feedstock margin and yield optimization? And second, with the gains that you experienced in RP utilization, and sorry to come back to this, but are there one or two items that you could point to that really drove the improvement? Thank you.

Heikki Malinen

Maybe if you take it.

Eeva Sipilä
I can discuss the feedstock a bit. So, the trend we are seeing and have seen is basically one of feedstock prices increasing. But again, there are opportunities. There are ups and downs. For instance, in the Q3, we saw feedstock prices were down as there was less buying out there and, I believe, less production in your home market. Obviously, it is still very much a market where being active and on top of it really gives you opportunities. And of course, that is what we try to do at Neste to make sure that we are ahead of the market and read it well, to ensure that we buy the right quantities from the global network. And that is where any benefit will be reflected in our sales margin. But do you want to say something about the utilization?

Heikki Malinen
It is a good question. Is there sort of the one silver bullet, Derek, that kind of changed? I think this is more of a continuum. We have added more staff in Singapore and Rotterdam. We are focusing more on maintenance and more on quick response. If I think about refining crude. You have been doing it for over 100 years. There is a lot of science around that. Here in our industry, especially now when we go into these more and more complex feedstocks, you know, they challenge the lines, the ability to respond to issues rapidly and to take mitigative measures. I think that is improving.

We have already made some modifications to the lines to increase the resilience. Maybe that helped a bit, but we don't have enough evidence. I think one quarter is not enough evidence to confirm that. But as said, once we get into next year and we've completed the Rotterdam one and Singapore one and two and we have a couple of quarters, then I think we will know whether the combination of more expertise and more upgrading in the lines gives us a more permanent step change. So that is how I answer it.

I need more evidence and that will be more of a second half of 2027, it is a discussion for the second half of 2027, when that work is done. Hopefully you can manage with that response. Thanks.

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

Your line is now unmuted. Please go ahead.

Naisheng Cui
Hi. I really want to ask a follow-up question because I like your point made on energy security. I wonder, have you had any discussions with the Finnish government around that topic, as well as the strategic importance of the Porvoo refinery? So will there be any implications for how you think about the Porvoo refinery's long-term role or economics. Thank you.

Heikki Malinen
Energy security is an issue not only for the Republic of Finland. I am sure it is an issue for all of the European Union member states, as some of them have their own fuel supply domestically. Some of them import most of their fuel. As you know, many European countries are highly reliant on fuel imports from the Middle East, whether it is diesel or even jet fuel. So it is not a Finland-specific issue, but we look at Porvoo as obviously a very critical asset.

The history of the Porvoo is that it was constructed following the Second World War. We wanted to have domestic fuel supply in this country. And the refinery has been developed over the last 50 or 60 years very systematically. It is, as we call it, a complex refinery. It has a lot of conversion potential.

We know that we can, over time, convert it more and more into sustainable fuels, when we see the need. But I think for the time being, the mix we have with the two lines producing Renewable Products and the rest producing fossil fuels for our domestic market, while also supplying a broader geographic area. I think Porvoo has a very important role. And obviously we are developing it on that basis. So that is how I see the situation. Thank you.

Naisheng Cui
Thank you.

Operator

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

Heikki Malinen
So thank you very much. As always, it's a pleasure to spend the hour with you. We are very happy with the performance over the last quarter. We are working very hard to ensure we can continue that. We discussed the turnarounds.

The markets are very tight. We are trying to take advantage of the opportunities our customers are providing us. Rotterdam, of course, is a top priority for me as CEO. We will get that job done. I'm confident that the decision to build the Rotterdam, in spite of the increased cost, is the right one.

And we will generate a lot of cash over the coming decades, as the markets continue evolving into more renewables. And as I said, the balance sheet is getting stronger. It gives us resilience. It gives us a strong foundation not only to pay dividends, but also to invest into the future once we have our plans clarified after the Rotterdam line two is done.

So with those messages, thank you once again for your interest and good questions. Eeva and I will join you again in February. Take care.