

NEOVA GROUP

Interim Report 1 January–30 April 2021

Board of Directors, 22 June 2021

The first third of the year in brief:

January–April 2021:

- Group turnover in January–April was EUR 227.0 million (1 January–30 April 2020: EUR 236.0 million)
- The Group's comparable turnover in January–April was EUR 215.6 million (EUR 193.5 million), taking into consideration the divestment of the heat and power business on 28 January 2021
- The operating margin (EBITDA) was EUR 539.5 million (EUR 44.1 million), or 237.7% (18.7%) of turnover
- The Group's comparable operating margin (EBITDA) was EUR 31.9 million (EUR 31.1 million)
- The operating result was EUR 530.4 million (EUR 31.7 million), or 233.6% (13.4%) of turnover, including EUR 507.6 million (EUR 9.2 million) in non-recurring items that were mainly related to the profit recognised on the sale of the heat and power business
- Free cash flow before taxes was EUR 486.6 million (EUR 23.5 million)
- Gross investments totalled EUR -51.4 million (EUR -20.8 million)
- Earnings per share were EUR 17,414 (EUR 697)
- The ratio of interest-bearing net debt to operating margin (net debt/EBITDA) was -0.5 (4.7)
- The equity ratio was 64.8% (41.3%)
- Return on invested capital % (previous 12 months): 64.2% (-1.3%)

Strategic development in continuing operations and the successful divestment of Nevel

The Group's reported turnover in the first third of the financial year (January–April 2021) amounted to EUR 227.0 million (EUR 236.0 million in January–April 2020). Comparable turnover developed very favourably and showed a year-on-year increase of 11.4 per cent. The positive development of sales was mainly attributable to the Grow&Care division, which achieved substantial growth in sales to both professional growers and retailers. The Energy division's sales of biofuels also developed very well and increased the restructured division's comparable revenue by 2.2% year-on-year. This increase in turnover is entirely attributable to biofuels, as energy peat sales declined by 23 per cent compared to the corresponding period last year.

In terms of financial performance, the first third of the year is the strongest in both of our main businesses under normal circumstances. However, due to the late spring, the Grow&Care division's operating margin declined slightly year-on-year. The Energy division's comparable profitability also decreased year-on-year, mainly due to a significant decline in the demand for energy peat. Nevertheless, the Group's reported operating margin improved very significantly due to the profit recognised on the sale of the heat and power business and amounted to EUR 539.5 million (EUR 44.1 million). The Group's comparable operating margin was slightly higher than in the previous year at EUR 31.9 million (EUR 31.1 million).

The Group's reported operating result for the first third of the financial year (January–April) was EUR 530.4 million (EUR 31.7 million). This was also substantially influenced by the profit recognised on the sale of the heat and power business. The Group's comparable operating result was on a par with the comparison period at EUR 22.8 million (EUR 22.5 million).

The Group's cash flow during the reporting period amounted to EUR 486.6 million (EUR 23.5 million). The profit of EUR 507.9 million recognised on the sale of Nevel in this financial year had a significant effect on the positive development of cash flow. The primary factor with a negative effect on cash flow was project financing related to the activated carbon business falling due in February.

CEO Vesa Tempakka:**“Neova Group’s first third of the year was characterised by strong sales performance”**

“The first third of 2021 was historic in many ways. In January, we completed the divestment announced in November of the previous year by selling our wholly-owned subsidiary Nevel Oy to Ardian. The enterprise value of the Nevel transaction was EUR 656 million and the Group recognised a profit in excess of EUR 500 million on the sale in the first quarter. As a result of the divestment, the Group’s annual turnover will decrease by approximately EUR 100 million and the annual operating margin by approximately EUR 20 million. Nevel’s personnel, totalling 130 employees, were transferred to Ardian in their entirety as part of the transaction. After the completion of the transaction, Neova Group has no net debt.

The divestment of the heat and power business marked the conclusion of the structural changes implemented over the past few years, which have transformed us into an international operator whose fastest-growing businesses include products that support greenhouse cultivation and gardening, the production of animal bedding, the production of activated carbon for the purification of air and water as well as renewable energy.

Two other significant events in the first quarter were the completion of the Group’s first activated carbon production facility in Ilomantsi, North Karelia, and the start of the Group’s first wind farm development projects.

Due to the significant changes in the company over the past few years, the Extraordinary General Meeting held on 29 April resolved to change the company’s name to Neova Oy. The company’s visual identity was also redesigned in connection with the change of name. Vapo will continue to be used as a sub-brand of the Group and will be used in the fuels and animal bedding businesses.

The Group’s comparable turnover increased by 11.4 per cent to EUR 215.6 million. This growth was almost entirely attributable to the Grow&Care division, where nearly all profit centres achieved an increase in turnover. The Group’s comparable operating margin and comparable operating profit improved slightly year-on-year. The Grow&Care division’s turnover grew by 11 per cent year-on-year and the Energy division’s comparable turnover increased by 2 per cent year-on-year thanks to the strong demand for biofuels. The Group’s profitability remained good in spite of the sales of higher-margin energy peat being replaced by lower-margin products. In addition, increased logistics expenses and the higher prices of packaging materials, for example, led to increased costs during the first third of the year.

Developments by business segment

The reporting segments comprise the Group’s divisions in accordance with Neova’s management model. Neova Group’s reporting segments are Energy, Grow&Care, New Businesses and other activities.

Revenue is recognised in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group’s performance obligations consist of the delivery of local fuels, such as peat, pellets and forest fuels, as well as added value services related to energy production. For the customers of cultivation products, the Group sells growing media, mulches and fertilisers.

Turnover consists of the revenue received from the sale of products, raw materials and services, adjusted by indirect taxes, sales adjustment items and the exchange rate differences of sales denominated in foreign currencies. Revenue from the sale of goods is recognised at the point in time at which control over the product or service is transferred to the customer and the Group no longer has authority or control over the product. As a rule, the transfer of control is based on the transfer of risks and rewards in accordance with the terms of delivery. Neova's turnover consists primarily of the sale of products and revenue is typically recognised when control over the products is transferred to the customer. Revenue from services is recognised when the service has been performed. Neova satisfies its performance obligation at a point in time; the proportion of performance obligations satisfied over time in the heat and power business was not significant in the Group's turnover. When the performance obligation has been satisfied, the proportion of sales revenue that can be allocated to the performance obligation in question is recognised in turnover.

Energy

The Energy division is responsible for the energy and fuel solutions provided by Neova Group in Finland, Sweden and Estonia. The division provides energy producers with peat, wood and pellet fuels. The division serves pellet customers through its own sales service as well as an online store. Approximately half of the division's turnover is derived from renewable biofuels. The heat and power business Nevel was sold to the French company Ardian in January 2021. The Energy division's current business units correspond to three types of fuel: Pellets, Wood and Energy peat.

The turnover for the first third of the financial year (January–April) amounted to EUR 92.6 million (EUR 120.7 million). The operating margin for the reporting period was EUR 17.9 million (EUR 28.0 million) and the operating profit was EUR 14.8 million (EUR 21.4 million). Gross investments amounted to EUR 35.5 million (EUR 3.1 million).

The sale of the Group's heat and power businesses organised under the subsidiary Nevel to Ardian was completed in the first third of the financial year, in January 2021. Nevel is consolidated into the Energy division's figures until January 2021 when control was transferred to the new owner. Nevel's turnover for the corresponding period in the comparison year was EUR 42.1 and its operating result was EUR 9 million. Turnover in 2020 totalled EUR 93.3 million and the operating result was EUR 18.4 million. The profitability of the division's Fuels business decreased year-on-year due to a significant decline in the demand for energy peat. The high price of emission rights and tax increases have contributed to lower demand for energy peat and, in spite of growth in the sales of biofuels, overall fuel deliveries were 16 per cent lower than in the corresponding period last year.

Energy	1–4/2021	1–4/2020	Change	1/2020–12/2020
Turnover (EUR million)	92.6	120.7	-23.3%	245.9
Operating margin (EUR million)	17.9	28.0	-36.2%	35.1
Operating profit (EUR million)	14.8	21.4	-30.8%	-90.6
Investments (EUR million)	35.5	3.1	1,044.9%	21.1
Number of employees	271	364	-25.7%	371
Energy sales, peat (GWh)	3,002	3,896	-22.9%	6,992
Energy sales, other fuels (GWh)	1,774	1,651	7.5%	3,161

Grow&Care

The Grow&Care division's Kekkilä-BVB is Europe's leading and most versatile growing media operator in the professional grower and consumer segments. Kekkilä-BVB specialises in the development, production and marketing of high-quality growing media, mulches and fertilisers for landscapers, professional growers, distributors and home gardeners. Peat is also supplied as bedding peat to horse farms, cattle farms, pig farms and poultry producers. As the world's largest producer of agricultural peat, we supply agricultural peat as a raw material for further processing around the world, and sustainability is an integral part of our operations.

The division's well-known brands, Kekkilä Garden and Hasselfors Garden, offer products to home gardeners and landscapers in the Nordic countries and Estonia. In the professional growing media business, the BVB Substrates and Kekkilä Professional brands are focused not only on the home markets but also the global markets with exports to more than 100 countries. In Central European markets, we supply private label products as well as products under the brands Jardino and Veenbaas.

The turnover for the first third of the financial year (January–April) amounted to EUR 133.9 million (EUR 115.4 million). The operating margin was EUR 17.2 million (EUR 17.5 million) and the operating profit was EUR 11.9 million (EUR 12.3 million). Gross investments amounted to EUR 8.9 million (EUR 8.3 million).

The Grow&Care division's turnover continued to grow year-on-year. Both the professional grower business and the consumer business developed very favourably. The demand in the consumer business has also remained higher than in the previous years due to the movement restrictions introduced in response to the pandemic. As consumers have spent more time at home during the pandemic, their spending on making their home pleasant and attractive has helped accelerate the gardening product trade. The demand for raw material for growing media was also substantially higher than in the comparison period. In the professional grower segment, the losses caused by the COVID-19 pandemic have been reflected mainly in new customer acquisition.

Substantial increases in material and logistics costs had a negative impact on the division's relative profitability compared to the previous year.

Grow&Care	1–4/2021	1–4/2020	Change	1/2020–12/2020
Turnover (EUR million)	133.9	115.4	16.0%	299.9
Operating margin (EUR million)	17.2	17.5	-1.9%	32.3
Operating profit (EUR million)	11.9	12.3	-3.7%	14.0
Investments (EUR million)	8.9	8.3	7.2%	25.4
Number of employees	572	530	7.9%	545

New Businesses

The New Businesses division creates new products and innovations based on the Group's competencies and raw material resources as well as emerging customer needs. The goal is to develop sustainable new business that will increase our shareholder value in the long run. Neova Ventures coordinates the Group's innovation and IPR activities.

The Ventures business unit's multi-year Refinery product development programme is focused on refining biomass and other natural materials into high-added-value products for the international markets. We develop peat-based humic substances for use as biostimulants for the rapidly growing agricultural and gardening markets. We also develop animal feed ingredients from organic wetland biomass to improve animal well-being.

Both product development projects are aimed at starting commercial production in 2024.

In the Activated Carbons business, construction began in spring 2019 on a strategically significant production facility in Ilomantsi to process activated carbon. The production facility was mechanically completed in April 2021 and was due to be in commercial production in summer 2021. The employment effect of the construction stage is more than 100 person-years and the constant employment effect of the first stage of the facility, including the supply and production chain, is roughly 50 persons. Neova's activated carbon products will be sold under the Novactor brand.

Until the sales of the Ilomantsi plant's own production output begin, the turnover of the New Businesses division consists mainly of the sale of activated carbon raw material in the value chain.

New Businesses	1–4/2021	1–4/2020	Change	1/2020–12/2020
Turnover (EUR million)	1.1	0.6	77.9%	2.4
Operating margin (EUR million)	-1.6	-0.8	-97.7%	-2.9
Operating profit (EUR million)	-1.7	-0.8	-114.3%	-3.3
Investments (EUR million)	5.8	5.5	5.4%	28.0
Number of employees	27	22	25.6%	26

Other activities

The other activities segment consists of costs that are not allocated to the Neova Group's business units. These costs are related to the Group's administrative and strategic activities as well as support functions.

The other activities segment had an effect of EUR 505.2 million (EUR -0.9 million) on the operating result in January–April. The figure for the reporting period is significantly affected by the non-recurring recognition of income related to the sale of the subsidiary Nevel, which had an effect of EUR +507.9 million. Most of the costs associated with the transaction were presented in the financial statements for the final third of 2020.

Other	1–4/2021	1–4/2020	Change	1/2020–12/2020
Turnover (EUR million)	0.6	0.0	1,773.2%	0.1
Operating profit (EUR million)	505.2	-0.9	53,482.0%	-15.0
Number of employees	82	93	-12.1%	90

Cash flow, investments and financing

The Group's free cash flow before taxes was EUR 486.6 million (EUR 23.5 million). The improved operating margin due to the profit recognised on the sale of the heat and power business also increased cash flow to a significant degree. The operating margin (EBITDA) was EUR 539.5 million (EUR 44.1 million).

The change in working capital affected cash flow by EUR -4.7 million (EUR -5.4 million).

Gross investments in the reporting period amounted to EUR -51.4 million (EUR -20.8 million), or 540.8 per cent (150.0%) of the amount of depreciation.

At the end of the reporting period, interest-bearing net debt stood at EUR -283.3 million (EUR 294.9 million). The ratio of interest-bearing net debt to operating margin (net debt/EBITDA) on 30 April 2021 was -0.5 (4.7). Short-term interest-bearing debt amounted to EUR 6.5 million (EUR 60.2 million). Of the Group's long-term interest-bearing debt, 16.4 per cent is covered by a covenant related to the company's equity ratio. The terms of the covenant were met at the end of the review period.

The equity ratio at the end of April was 64.8 per cent (41.3%) and the gearing ratio was -38.8 per cent (81.2%). The consolidated balance sheet total was EUR 1,135.9 million (EUR 888.4 million). The Group's net financing items were EUR -1.7 million (EUR -4.3 million). Net financing items were 0.8 per cent (1.8%) of turnover.

Neova has cash flows and assets denominated in currencies other than the euro, which exposes the Group to exchange rate fluctuations. Currency risk arises mainly from intra-Group lending. The most significant currency risk is related to the exchange rate between the euro and the Swedish krona due to Neova having extensive operations in Sweden. The Group actively hedges against currency risks. The Group does not apply hedge accounting.

Changes in the organisation

Nevel Oy acquired a 100% stake in Nevel Lämpövoima ky on 28 January 2021.

Nevel Oy and its subsidiaries were sold to Ardian on 28 January 2021.

BVB Substrates AB was merged with Hasselfors Garden AB on 1 March 2021.

Natural seasonal fluctuation in activities

The Grow&Care division's gardening business is sensitive to seasonal fluctuations, with demand peaking in the spring and early summer but also continuing into the autumn season, especially in the professional grower segment. The success of the peat production season plays a central role with regard to Kekkilä-BVB's raw material reserves for the next year.

Seasonal energy demand driven by the need for heating varies a great deal during the year. The peat production season falling almost entirely in the second third of the year also introduces significant cyclicity to the Energy division's business. During the first third of the year that was just completed, the focus was mainly on selling fuels based on the previous summer's production.

Number of employees The Group employed an average of 952 (1,009) persons in the first third of the financial year.

Employees by segment, average

	1–4/2021	1–4/2020	1/2020– 12/2020
Energy	271	364	371
Grow&Care	572	530	545
New Businesses	27	22	26
Other	82	93	90
Total	952	1,009	1,031

The codetermination negotiations carried out in accordance with the EUR 25 million cost saving programme announced in November 2020 were completed in January 2021 and achieved the target of a reduction of 21 person-work-years in the SCM organisation, which is responsible for production, as well as in the fuel business and the Group's support functions.

The joint codetermination committee of Neova Group's Finnish operations met once during the reporting period. The agenda for the meeting included the Group's financial performance, the progress of the implementation of the strategy, the HR and training plan, business reviews by the heads of the divisions and a review of the previously held codetermination negotiations.

Sustainability is integral to everything we do

Sustainability is at the heart of Neova Group's strategy and targets. It is also a key element of business development. Neova Group's sustainability targets and long-term targets are focused on two priorities: looking after the environment and ensuring the well-being of our employees. Sustainability strategies and programmes are systematically implemented in each business in accordance with customer needs and the UN Sustainable Development Goals.

Our sustainability target is to become a net positive company (<https://www.uprightproject.com/>) by taking into account the impacts of our operations, products and services on the environment, health, society and the accumulation of knowledge capital. To further increase the commitment of our personnel, we decided to incorporate sustainability into the short-term incentive targets of all of our employees in 2021 in all of our operating countries and at every level of the organisation.

The Group's long-term environmental responsibility targets are as follows: we will reduce our emissions to waterways as well as our climate emissions, use natural resources sustainably, improve material efficiency, reduce waste and ensure that our offices are environmentally friendly. Each of Neova's businesses has an annually updated environmental programme in accordance with the environmental strategy. The environmental programmes specify the most significant aspects of environmental responsibility along with annual environmental targets.

For the sustainability of peat production, we use third-party RPP (Responsibly Produced Peat) certification as our indicator. At the end of 2020, RPP certification covered 548 hectares of our peat production areas. The target coverage for the end of 2021 is 3,319 hectares: 677 hectares in Finland, 2,207 hectares in Estonia and 475 hectares in Sweden. Certification applications for the peatlands in question were submitted to RPP in 2020. During the first third of 2021, RPP certification was granted to the Pööravere II production site (445 hectares) in Estonia and we have also applied for RPP certification for the Sooniste production site (350 hectares) in Estonia.

With regard to the well-being of the Group's personnel, our target is zero accidents and we have a zero tolerance policy concerning inappropriate conduct and discrimination. We also have clear processes for addressing any existing deficiencies.

In April, our Group organised a pulse survey for the third time to survey employees' well-being at work during the coronavirus pandemic. Once again, we received responses from across the organisation – 59% of all employees responded to the survey. Compared to the two previous surveys, more people (37%) felt that their well-being is no more than moderate and nearly as many (36%) felt that their workload is too heavy. These responses came from both office and production workers. Although there is a general slump in well-being at work, our employees are doing well for the most part. The number of COVID-19 infections in the Group is 60, which is reflected in the results.

The Group's accident frequency turned to a slight increase during the first third of the year compared the last months of 2020. This was mainly due to accidents that occurred at Kekkilä-BVB's production facilities in the Netherlands and Sweden. Consequently, we have agreed on additional measures to develop our safety culture to further emphasise the management's commitment to the target of zero accidents.

KPI	4/2021	4/2020	12/2020
Well-being Pulse survey: My well-being at work is "good"	63% (April)	73% (April)	-
Accident frequency R12 (rolling 12 months): All accidents (MTR)	16.2	18.3 comparison figure: 17.1 excluding Nevel	16.1 comparison figure: 14.7 excluding Nevel
Accident frequency R12 (rolling 12 months): Accidents leading to lost time (LTA1)	6.8	8.0 comparison figure: 8.5 excluding Nevel	7.2 comparison figure: 6.4 excluding Nevel
Neova Group's RPP-certified production sites for horticultural peat	1,029 hectares	548 hectares	548 hectares

The certification of the Group's management system – which includes both the ISO 9001 quality management system and the ISO 14001 environmental management system – helps us coordinate and manage our operations to satisfy customer requirements and regulatory obligations as well as focus on the continuous improvement, profitability and efficiency of our operations. We made the decision to switch from country-specific and business-specific certification to Group-level multi-site/multi-country certification in 2021, which better supports the management of the Group's business operations across borders.

Near-term risks to businesses

A sudden increase in material costs would affect Neova Group's profitability in the short term, as a significant proportion of our customer agreements are long-term. Increases in material costs could be reflected in customer prices with a delay. Furthermore, Neova Group is largely self-sufficient with regard to its main raw materials.

The increase in logistics expenses has a significant impact on Neova Group's competitiveness and profitability, as we transport our products over long distances in our global business. The rise in logistics expenses has also had a significant effect on fuel deliveries over short distances.

The cost-effectiveness of using energy peat continues to decline. The development of the price of emission rights and energy peat taxes have a very significant impact on the demand for energy peat used in heating production. The recent increase in the price of emission rights and the tax increase on energy peat that entered into effect at the beginning of 2021 have already led to a situation where not only fuel wood but also pulpwood is replacing energy peat in energy production.

The declining demand for energy peat continues to affect the valuation of Neova's peat assets on the balance sheet. The value is assessed regularly by means of impairment testing and, in line with its strategy, the Group seeks to create higher value-added uses for its peat assets.

Such higher value-added uses of peat that are already in the market this year include, for example, activated carbon and growing media products. The first activated carbon production facility is scheduled to start operations during the summer in Ilomantsi, and this naturally involves significant risks associated with the start-up of a new production plant.

Political and geopolitical risks

Potential restrictions on international trade may restrict our operating conditions in various regions. If this risk were to materialise, it would have a very significant impact on Kekkilä-BVB's business in particular.

Pandemic risk has been clearly on the forefront for over a year now. The impact of the COVID-19 pandemic on the Group's business has, however, been relatively low thus far. Nevertheless, if it were to be prolonged — and especially if it were to recur — the COVID-19 pandemic could complicate nearly all of the Group's international business operations and hinder new customer acquisition in particular.

Financial risks

Neova has cash flows and assets denominated in currencies other than the euro, which exposes the Group to exchange rate fluctuations. Currency risk arises mainly from intra-Group lending. The most significant currency risk is related to the exchange rate between the euro and the Swedish krona due to Neova having extensive operations in Sweden. The Group actively hedges against currency risks. The Group does not apply hedge accounting.

Resolutions by the Annual General Meeting

The Annual General Meeting of Neova Oy was held on 30 March 2021. The AGM adopted the financial statements and consolidated financial statements for the financial year 1 January 2020–31 December 2020 and discharged the members of the Supervisory Board, the Board of Directors and the CEO from liability. The AGM resolved not to pay a dividend for the financial year that ended on 31 December 2020.

The AGM confirmed the number of members of the Supervisory Board as ten. Juha Sipilä was re-elected as Chairman, with Heikki Miilumäki as Vice Chairman. Antti Häkkänen, Eero Kubin, Esko Kurvinen, Tommi Lunttila, Mauri Peltokangas, Jenni Pitko, Piritta Rantanen and Tiina Snicker were re-elected as members.

The AGM confirmed the number of members of the Board of Directors as seven. Jan Lång continues as Chairman, with Markus Tykkyläinen as Vice Chairman. Stefan Damlin, Tuomas Hyyryläinen, Vesa Hätilä, Kirsi Punttila and Maija Strandberg were re-elected to the Board of Directors.

The audit firm PricewaterhouseCoopers Oy was elected as auditor.

Neova Oy's Extraordinary General Meeting held on 29 April 2021 resolved to amend the Articles of Association, according to which the new name of the company is Neova Oy and its domicile is the City of Jyväskylä. The amendment took effect on 6 May 2021 when it was entered in the Trade Register.

Significant events during the interim period

The result for the interim period was improved by significant non-recurring profit, amounting to EUR 507.9 million, related to the sale of the subsidiary Nevel. The expenses associated with the transaction were mostly recognised in the final third of 2020.

The effect of Nevel Group's figures on the comparison figures for the period 1–4/2020 was EUR +42.1 million on turnover, EUR +9.0 million on the operating result and EUR +217.8 million on the balance sheet total.

The effect of Nevel Group's figures on the comparison figures for full financial year 2020 was EUR +93.3 million on turnover, EUR +18.4 million on the operating result and EUR +217.7 million on the balance sheet total.

During the comparison period 1–4/2020, the Group recognised write-downs on tangible assets in the amount of EUR 0.02 million. During the comparison period 1–12/2020, the Group recognised write-downs on intangible assets in the amount of EUR 0.97 million and write-downs on tangible assets in the amount of EUR 101.82 million.

Events after the interim period

On 19 May 2021, Neova Oy announced it will initiate preliminary assessments on establishing a biostimulant production facility in Seinäjoki's Haukineva area and in Kokkola. The final decision on the location of the facility will be made at a later time based on the preliminary assessments.

Outlook for the remainder of the financial year, to 31 December 2021

For the Group's continuing businesses, the favourable development seen in the first third of the year is expected to continue during the financial year. Comparable turnover is estimated to increase somewhat from the previous year and the comparable operating margin is expected to remain relatively stable. While the development of the COVID-19 pandemic is very difficult to predict, the Group has prepared various alternative scenarios pertaining to the potential development of the pandemic.

Vantaa, 22 June 2021

Neova Oy

Board of Directors

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Consolidated key figures

MEUR	1-4/2021	1-4/2020	1-12/2020
Turnover	227.0	236.0	544.9
Operating profit (EBIT)	530.4	31.7	-95.3
% of turnover	233.6	13.4	-17.5
Operating profit (EBIT) before impairment	530.4	31.7	7.4
% of turnover	233.6	13.5	1.4
Profit/loss for the period	525.2	23.9	-108.1
Operating margin (EBITDA)	539.5	44.1	53.8
+/- Change in working capital	-4.7	-5.4	44.8
- Net investments	-48.2	-15.2	-59.1
Free cash flow before taxes	486.6	23.5	39.6
Gross investments	-51.4	-20.8	-76.6
Return on invested capital % *	64.2	-1.3	-14.0
Return on invested capital % before impairment *	80.6	4.4	1.1
Return on equity % *	96.4	-2.2	-34.9
Balance sheet total	1,135.9	888.4	758.5
Shareholders' equity	730.8	363.3	207.4
Interest-bearing net debt	-283.3	294.9	327.7
Equity ratio %	64.8	41.3	27.9
Interest-bearing net debt/operating margin	-0.5	4.7	6.1
Gearing %	-38.8	81.2	158.0
Average number of employees	952	1,009	1,031

*) Previous 12 months

**) In calculating the equity ratio, the capital loan on the balance sheet was calculated as shareholders' equity

Interim Report Tables

Accounting principles

This interim report has been prepared pursuant to IAS 34 and in accordance with the same accounting and measurement principles as the financial statements of 31 December 2020.

Comparability

The figures in this interim report are not comparable because they include the figures for the Nevel Group, which was divested in January, for January 2021 in this financial year, for four months in the corresponding period last year and for 12 months in the figures for the full financial year 2020.

Seasonality of operations

The Grow&Care division's gardening business is sensitive to seasonal fluctuations, with demand peaking in the spring and early summer but also continuing into the autumn season, especially in the professional grower segment. The success of the peat production season plays a central role with regard to Kekkilä-BVB's raw material reserves for the next year.

Seasonal energy demand driven by the need for heating varies a great deal during the year. The peat production season falling almost entirely in the second third of the year also introduces significant cyclicalities to the Energy division's business. During the first third of the year that was just completed, the focus was mainly on selling fuels based on the previous summer's production.

COVID-19

The COVID-19 pandemic continued to affect the Group's divisions in very different ways. The pandemic had barely any direct effects on the Energy division. It merely delayed pending or planned new customer projects due to visits to the Group's own plants and customer plants still being restricted. In the Grow&Care division, the effects of the pandemic were mostly positive due to our customers being able to better prepare for a strong season in spring and summer 2021. However, the pandemic has slowed down the measures taken to open up new export markets in Asia and the United States to some extent.

The reliability of supply chains has become even more important than before as a result of the pandemic. We have observed this both in our own supply chain and in the value our customers place on us keeping our delivery promises. Raw material prices have also increased significantly during the pandemic, which has influenced the prices of packaging materials and logistics, for example.

The pandemic has delayed and complicated the construction of the activated carbon production facility in Ilomantsi. Workers from different countries worked construction and installation jobs at the site. Preventing infections has required various special arrangements and the precautionary quarantine measures delayed construction to some extent. In addition, our main equipment supplier has had significant delays in deliveries, which have delayed the schedule of the project as a whole. In our product development activities, the most significant negative impact of the pandemic was having to stop or slow down the operations of our product development laboratories in Central Europe when the pandemic was at its worst.

Consolidated Financial Statements,

Condensed consolidated income

MEUR	1-4/2021	1-4/2020	Change %	1-12/2020
TURNOVER	227.0	236.0	-3.8%	544.9
Other operating income	512.2	3.4	15072.6%	11.6
Share of results of companies consolidated using the equity method	0.3	1.5	-77.3%	0.8
Operating expenses	-199.6	-195.2	2.3%	-502.7
Depreciation	-9.5	-13.9	-31.6%	-47.2
Impairment				-102.8
OPERATING PROFIT/LOSS	530.4	31.7	-1,571.8%	-95.4
Financial income	1.5	-0.1	-2,090.2%	5.5
Financial expenses	-3.3	-4.2	-22.6%	-18.0
PROFIT/LOSS BEFORE TAXES	528.6	27.4	-1,826.3%	-107.9
Income taxes	-3.5	-3.6	-3.0%	-0.3
PROFIT/LOSS FOR THE PERIOD	525.2	23.9	-2,100.7%	-108.1
OTHER COMPREHENSIVE INCOME ITEMS: (items that may not be reclassified subsequently to profit or loss):				
Remeasurement of defined benefit plans				0.4
Items that may be reclassified to profit or loss:				
Translation differences from foreign units	-0.3	-0.3		0.9
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	524.8	23.5		-106.8
PROFIT/LOSS FOR THE PERIOD				
Distribution of profit for the period:				
To parent company shareholders	522.4	20.9		-111.4
To non-controlling shareholders	2.7	3.0		3.3
	525.2	23.9		-108.1
Distribution of comprehensive income for the period:				
To parent company shareholders	522.1	20.6		-110.2
To non-controlling shareholders	2.7	2.9		3.4
	524.8	23.5		-106.8
Earnings per share calculated from profits due to parent company shareholders				
Earnings/share, EUR	17,414	697		-4
Average number of shares	30,000	30,000		30,000

Condensed consolidated balance sheet

MEUR	30 April 2021	30 April 2020	31 December 2020
ASSETS			
LONG-TERM ASSETS			
Intangible assets	32.5	37.3	32.4
Goodwill	24.3	24.3	24.3
Land and water areas	36.4	45.5	38.6
Buildings and structures	40.6	62.4	40.7
Machinery and equipment	44.4	138.4	46.1
Other tangible assets	65.2	172.2	65.6
Investments in progress	52.8	33.6	44.1
Investments	0.5	23.7	0.6
Long-term receivables	3.2	3.3	3.2
Deferred tax asset	1.2	0.3	1.4
LONG-TERM ASSETS	301.3	540.9	297.0
CURRENT ASSETS			
Inventories	154.1	157.8	187.9
Sales and other receivables	120.9	121.4	66.9
Other financial assets			2.2
Other securities	440.8		
Cash on hand and in the bank	98.9	68.3	13.4
CURRENT ASSETS	814.7	347.5	270.4
AVAILABLE-FOR-SALE ASSETS	20.0		191.2
ASSETS	1,135.9	888.4	758.6
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Parent company shareholders' share of shareholders' equity	687.3	321.6	165.5
Non-controlling shareholders	43.5	41.7	41.9
SHAREHOLDERS' EQUITY	730.8	363.3	207.4
LONG-TERM LIABILITIES			
Deferred tax liability	11.1	18.0	10.8
Long-term interest-bearing liabilities	256.6	306.5	257.8
Long-term non-interest-bearing liabilities		8.2	1.9
Long-term provisions	11.1	7.6	11.1
Pension liabilities	4.8	5.0	4.9
LONG-TERM LIABILITIES	283.5	345.3	286.5
CURRENT LIABILITIES			
Current interest-bearing liabilities	6.5	60.2	58.1
Current non-interest-bearing liabilities	115.1	119.7	147.6
Current provisions			2.7
CURRENT LIABILITIES	121.6	179.8	208.4
Liabilities related to assets held for sale	0	0	56.3
SHAREHOLDERS' EQUITY AND LIABILITIES	1,135.9	888.4	758.6

Condensed consolidated cash flow

MEUR	1–4/2021	1–4/2020	1–12/2020
<u>Cash flow from operating activities</u>			
Profit/loss for the period	525.2	23.9	-108.1
Adjustments to the result for the period	-496.1	19.0	155.7
Change in working capital	-56.9	0.1	46.3
Cash flow from operating activities before financial items and taxes	-27.9	42.9	93.9
Interest received	-0.1		0.3
Interest paid		-2.6	-9.0
Other financial items	0.3	1.8	-4.7
Taxes paid	-1.9	0.7	0.2
Cash flow from operating activities	-29.5	42.9	80.9
<u>Cash flow from investing activities</u>			
Investments in tangible and intangible assets	-16.0	-17.8	-68.2
Proceeds from disposal of tangible and intangible assets	5.3	6.7	23.4
Acquisition of subsidiaries, net of cash			-0.2
Disposal of subsidiaries, net of cash	644.0		
Other investments	-476.3	-8.5	0.7
Cash flow from investing activities	156.9	-19.5	-44.2
Cash flow before financing	127.4	23.4	36.7
<u>Cash flow from financing activities</u>			
Increase (+)/decrease (-) in short-term loans	-50.4	33.3	35.2
Change in long-term loans and other financing items	0.1	10.0	-9.5
Repayments of lease liabilities	-5.1	-2.8	-14.8
Dividends paid		-2.0	-4.0
Interest paid/hybrid bond			-2.8
Repayments of hybrid bond			-20.1
Cash flow from financing activities	-55.4	38.6	-16.0
Change in cash and cash equivalents	72.0	62.0	20.7
Cash and cash equivalents opening balance *	27.0	6.3	6.3
Change in cash and cash equivalents	72.0	62.0	20.7
Cash and cash equivalents at end of period *	98.9	68.3	27.0
Cash and cash equivalents related to mergers, acquisitions			13.6

*) Comparison figures for 1–12/2020 have been restated

Condensed consolidated statement of changes in shareholders' equity

MEUR	Share capital	Other funds	Translation differences	Retained earnings	Hybrid bond	Total	Non-controlling shareholders	Total
SHAREHOLDERS' EQUITY 1 JAN. 2021	50.5	30.5	-3.4	58.1	29.9	165.5	41.8	207.4
Changes in shareholders' equity								
Distribution of funds							-1.0	-1.0
Total comprehensive income			-0.3	522.4		522.1	2.7	524.8
Other changes								
Other changes				-0.3		-0.3	-0.1	-0.4
SHAREHOLDERS' EQUITY 30 APR. 2021	50.5	30.5	-3.7	580.3	29.9	687.3	43.4	730.8

MEUR	Share capital	Other funds	Translation differences	Retained earnings	Hybrid bond	Total	Non-controlling shareholders	Total
SHAREHOLDERS' EQUITY 1 JAN. 2020	50.5	30.7	-4.2	176.0	50.0	303.0	40.6	343.5
Changes in shareholders' equity								
Dividend distribution				-2.0		-2.0		-2.0
Transfers between items		-1.6		6.7		5.1	-0.1	5.0
Total comprehensive income			-0.3	20.9		20.6	2.9	23.5
Other changes								
Other changes				-4.9		-4.9	-1.8	-6.7
SHAREHOLDERS' EQUITY 30 APR. 2020	50.5	29.1	-4.5	196.6	50.0	321.7	41.6	363.3

EUR 1,000	Share capital	Other funds	Translation differences	Retained earnings	Hybrid bond	Total	Non-controlling shareholders	Total
Shareholders' equity total, 1 January	50.5	30.7	-4.2	176.0	50.0	302.9	40.6	343.5
Changes in shareholders' equity								
Dividend distribution				-6.8		-6.8	-0.1	-6.9
Distribution of funds							-0.3	-0.3
Transfers between items				0.1		0.1	0.2	0.3
Total comprehensive income			0.9	-111.0		-110.1	3.3	-106.8
Other changes								
Other changes		-0.2	-0.1	-0.2	-20.1	-20.6	-1.8	-22.4
Shareholders' equity total, 31 December 2020	50.5	30.5	-3.4	58.1	29.9	165.5	41.8	207.4

2. Turnover
TURNOVER BY CATEGORY, EXTERNAL

1-4/2021	Energy	Grow&Care	New Businesses	Other	Total
Products	90.2	131.0	0.9	0	222.1
Services	1.5	2.9	0	0.6	4.9
Total	91.8	133.9	0.9	0.6	227.0

1-4/2020	Energy	Grow&Care	New Businesses	Other	Total
Products	115.3	114.1	0.6	0	230.0
Services	4.3	1.6	0	0	6.0
Total	119.6	115.7	0.6	0	236.0

2020	Energy	Grow&Care	New Businesses	Other	Total
Products	237.8	295.1	2.0	0	534.8
Services	5.3	4.8	0	0.1	10.1
Total	243.0	299.9	2.0	0.1	544.9

TIMING OF TURNOVER RECOGNITION

1-4/2021	Energy	Grow&Care	New Businesses	Other	Total
Goods transferred at a point in time	90.2	131.0	0.9	0	222.1
Services transferred at a point in time	1.5	2.9	0	0.6	4.9
Total	91.8	133.9	0.9	0.6	227.0

1-4/2020	Energy	Grow&Care	New Businesses	Other	Total
Goods transferred at a point in time	115.3	114.1	0.6	0	230.0
Services transferred at a point in time	4.3	1.6	0	0.1	5.9
Total	119.6	115.7	0.6	0.1	236.0

2020	Energy	Grow&Care	New Businesses	Other	Total
Goods transferred at a point in time	237.6	295.1	2.0	0	534.8
Services transferred at a point in time	5.2	4.8	0	0.1	10.0
Services transferred over time	0.1	0	0	0	0.1
Total	243.0	299.9	2.0	0.1	544.9

The Group's performance obligations consist of the delivery of local fuels, such as peat, pellets and forest fuels, as well as added value services related to energy production. For the customers of gardening products, the Group sells growing media, mulches and fertilisers.

TURNOVER BY OPERATING SEGMENT

1-4/2021	Energy	Grow&Care	New Businesses	Other	Eliminations	Total
External turnover	91.8	133.8	0.9	0.6	0	227.0
Internal turnover	0.8	0.1	0.3	0	-1.1	0
Total	92.6	133.9	1.1	0.6	-1.1	227.0

1-4/2020	Energy	Grow&Care	New Businesses	Other		Total
External turnover	119.6	115.7	0.6	0	0	236.0
Internal turnover	0.4	0	0	0	-0.4	0
Total	120.0	115.7	0.6	0	-0.4	236.0

1-4/2020	Energy	Grow&Care	New Businesses	Other		Total
External turnover	243.0	299.9	2.0	0.1	0	544.9
Internal turnover	2.8	0.1	0.5	0	-3.4	0
Total	245.8	299.9	2.4	0.1	-3.4	544.9

Segment information

Neova's business operations are divided into four reporting segments: Energy, Grow&Care, New Businesses and Other activities. The Other activities segment includes the Group's shared items. The segments' performance is assessed regularly by the senior operative decision-maker, the Group's Chief Executive Officer, to evaluate performance and allocate resources.

SEGMENT DATA 1/2021-4/2021

	Energy	Grow&Care	New Businesses	Other	Eliminations	Group total
MEUR						
External turnover	91.8	133.8	0.9	0.6		227.0
Internal turnover	0.8	0.1	0.3		-1.1	
Turnover	92.6	133.9	1.1	0.6	-1.1	227.0
Segment operating profit/loss	14.8	11.9	-1.7	505.2	0.3	530.4
Financial income and expenses						-1.7
Appropriations and income taxes						-3.5
Profit/loss for the interim period	14.8	11.9	-1.7	505.2	0.3	525.2

Segment assets	210.5	307.1	44.8	116.4	-122.5	556.3
Shares in associates	19.9					19.9
<hr/>						559.7
Assets total	230.4	307.1	44.8	116.4	-122.5	1,135.9
Segment debt	42.5	45.0	0.5	3.1	-0.3	90.8
<hr/>						314.4
Debt total	42.5	45.0	0.5	3.1	-0.3	405.2
Investments	35.5	8.9	5.8	0.4	-0.1	50.6
Depreciation	3.4	5.3	0.2	0.6	0	9.5

SEGMENT INFORMATION 1/2020–4/2020

	Energy	Grow&Care	New Businesses	Other	Eliminations	Group total
MEUR						
External turnover	119.6	115.7	0.6	0	0	236.0
Internal turnover	0.4	0	0	0	-0.4	0
Turnover	120.0	115.7	0.6	0	-0.4	236.0
Segment operating profit/loss	21.4	12.3	-1.1	-0.9	0	31.7
Financial income and expenses						-4.6
Appropriations and income taxes						-3.5
Profit/loss for the interim period	21.4	12.3	-1.1	-0.9	0	23.9
Segment assets	470.9	304.9	18.7	140.1	-151.7	782.9
Shares in associates	22.8					22.8
<hr/>						82.7
Assets total	493.7	304.9	18.7	140.1	-151.7	888.4
Segment debt	50.1	38.8	10.0	4.2	-4.4	98.9
<hr/>						426.3
Debt total	50.1	38.8	10.0	4.2	-4.4	525.2
Investments	3.1	8.3	5.5	3.8	0	20.8
Depreciation	8.0	5.1	0	0.8		13.9

SEGMENT INFORMATION 1/2020–12/2020

	Energy	Grow&Care	New Businesses	Other	Eliminations	Group total
MEUR						
External turnover	243.0	299.9	2.0	0.1	0	544.9
Internal turnover	2.8	0.1	0.5	0	-3.4	0
Turnover	245.9	299.9	2.4	0.1	-3.4	544.9
Segment operating profit/loss	-90.6	14.0	-3.3	-15.0	-0.4	-95.4
Financial income and expenses						-12.5

Appropriations and income taxes						-0.3
Result for the period	-90.6	14.0	-3.3	-15.0	-5.5	-108.1
Segment assets	395.1	274.5	39.9	120.2	-110.3	719.3
Unallocated assets						39.2
Assets total	540.3	274.5	39.9	282.7	-95.3	758.6
Segment debt	85.3	39.1	22.6	12.3	-2.1	157.1
Unallocated debt						394.0
Debt total	85.3	39.1	22.6	12.3	-2.1	551.2
Investments	21.1	25.4	28.0	5.7	-3.6	76.6
Depreciation	26.3	18.2	0.4	2.2	0	47.2

OPERATING PROFIT

MEUR	1-4/2021	1-4/2020	2020
Energy	14.8	21.4	-90.6
Grow&Care	11.9	12.3	14.0
New Businesses	-1.7	-1.1	-3.3
Other	505.2	-0.9	-15.0
Eliminations	0.3	-	-0.4
Total	530.4	31.7	-95.4

ITEMS AFFECTING COMPARABILITY

MEUR	1-4/2021	1-4/2020	2020
Energy	0	-0.2	-111.9
Grow&Care	0	0.3	-1.6
New Businesses	0	0	0.1
Other	507.3	0.2	-9.1
Eliminations	0.3	0	-0.4
Total	507.6	0.3	-122.8

COMPARABLE OPERATING PROFIT

MEUR	1-4/2021	1-4/2020	2020
Energy	14.8	21.6	21.2
Grow&Care	11.9	12.0	15.6

New Businesses	-1.7	-1.1	-3.5
Other	-2.1	-1.1	-6.0
Eliminations	-0.1	0	0
Total	22.9	31.4	27.4

ITEMS AFFECTING COMPARABILITY

MEUR	1-4/2021	1-4/2020	2020
Comparable profit/loss for the interim period	17.5	23.6	14.7
Items affecting comparability			
Gains/losses on disposals	507.6	1.0	1.3
Impairment	0	-0.4	-1.5
Restructuring	-0.3	0	-7.3
Other items	0.3	-0.3	-12.9
Items affecting comparability in operating margin	507.6	0.3	-20.4
Gains/losses on disposals	0	0	0.6
Impairment	0	0	-102.8
Other items	0	0	-0.2
Items affecting comparability in operating profit	507.6	0.3	-122.8
Items affecting comparability, total	507.6	0.3	-122.8
Profit/loss for the interim period	525.2	23.9	-108.1

Geographical information
TURNOVER BY COUNTRY

MEUR	1-4/2021	1-4/2020	2020
Finland	105.4	126.2	268.0
Other Nordic countries	30.1	30.7	87.6
Europe	83.5	70.8	156.6
America	2.5	2.6	8.5
Other	5.6	5.6	24.3
Total	227.0	236.0	544.9

LONG-TERM ASSETS

MEUR	1-4/2021	1-4/2020	2020
Finland	203.5	347.2	176.1
Other Nordic countries	36.9	82.3	178.2
Europe	60.9	111.4	133.9

Total	301.3	540.9	488.2
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INVESTMENTS

MEUR	1-4/2021	1-4/2020	2020
Finland	42.6	13.2	46.4
Other Nordic countries	5.2	4.3	5.1
Europe	3.5	3.2	25.1
Total	51.4	20.8	76.6

Financial assets measured at fair value through profit or loss -
held for trading

Derivatives - no hedge accounting	1,091	0	1,091	0	678	0	678	0	595	0	595	0
Total	351,028	0	351,028	0	678	0	678	0	595	0	595	0

LIABILITIES MEASURED AT FAIR VALUE
Financial liabilities measured at fair value through profit or loss -
held for trading

Derivatives - no hedge accounting	-111	0	-111	0	-1,732	0	-1,732	0	-752	0	-752	0
Total	-111	0	-111	0	-1,732	0	-1,732	0	-752	0	-752	0

COLLATERAL, CONTINGENT COMMITMENTS AND OTHER LIABILITIES

EUR 1,000	30 April 2021	30 April 2020	31 December
Collateral			
Loans with real security			
Loans from financial institutions	0	19,098	8,549
Guarantees given on behalf of own commitments			
As collateral for own debt			
Pledged inventories and fixed assets	0	28,963	29,812
Liabilities for own commitments			
Guarantees	12,842	19,006	14,228
Total	12,842	67,067	52,589

Contingent commitments on behalf of Group companies

EUR 1,000	30 April 2021	30 April 2020	31 December
Guarantees	5,431	38,472	36,658