Financial Statements and Board of Directors' Report

1 January–31 December 2021

NEOVA GROUP

Neova Group 1 January–31 December 2021
Interim report and full-year financial statements

September–December 2021

- Group turnover in September–December 2021 was EUR 144.6 million (EUR 162.1 million in September–December 2020)
- Group turnover for continuing operations was EUR 144.6 million (EUR 128.8 million).
- The operating margin (EBITDA) was EUR 11.6 million (EUR -4.5 million), or 8.1% of turnover
- Comparable EBITDA excluding non-recurring items and divested businesses was EUR 13.2 million (EUR 8.3 million). EBITDA for the comparison period includes non-recurring items related to the divestment of the heat and power business and the closure of energy peat production sites in the amount of EUR -1.6 million (EUR -12.8 million)
- The operating result (EBIT) was EUR -16.5 million (EUR -121.4 million)
- Comparable EBIT excluding non-recurring items and divested businesses was EUR 3.4 million (EUR -1.4 million). In addition to the aforementioned items, EBIT includes non-recurring items related to write-downs of energy peat assets totalling EUR -19.9 million (EUR -120 million)
- Free cash flow before taxes was EUR -4.2 million (EUR -9.7 million)
- Investments amounted to EUR 18.9 million (EUR 33.2 million)

January–December 2021

- Group turnover in January–December 2021 was EUR 514.6 million (EUR 544.9 million in January–December 2020)
- Group turnover for continuing operations was EUR 502.6 million (EUR 451.7 million).
- Energy peat accounted for EUR 71.6 million (EUR 86.9 million) of consolidated turnover, and operations in Finland accounted for EUR 220.3 million (EUR 268.0 million) of consolidated turnover.
- Operating margin (EBITDA) was EUR 562.8 million, or 109.4% of turnover (EUR 53.8 million, 9.9%). EBITDA includes non-recurring income, mainly relating to the divestment of the heat and power business, in the amount of EUR 510.8 million (EUR 1.1 million).
- Comparable EBITDA excluding non-recurring items and divested businesses was EUR 52.0 million (EUR 52.7 million).
- The operating result (EBIT) was EUR 511.2 million (EUR -95.3 million) In addition to the aforementioned items, EBIT includes non-recurring items related to write-downs of energy peat assets totalling EUR 488.4 million (EUR -116.2 million)
- Comparable EBIT excluding non-recurring items and divested businesses was EUR 22.8 million (EUR 20.9 million).
- Earnings per share were EUR 16,638 (EUR -3,712)
- The pre-tax return on invested capital (pre-tax ROIC) was 72.8% (-14.0%)
- Free cash flow before taxes was EUR 434.0 million (EUR 39.6 million)
- Investments amounted to EUR 84.6 million (EUR 76.6 million)
- The equity ratio on 31 December 2021 was 55.2% (27.9%)
- Interest-bearing net debt on 31 December 2021 was EUR 11.2 million (EUR 327.7 million)
- The ratio of interest-bearing net debt to operating margin (net debt/EBITDA) on 31 December 2021 was 0.0 (6.1)

The financial year in figures:	1 January–31 December 2021	1 January–31 December 2020	1 January–31 December 2019
Turnover, EUR million	514.6	544.9	533.7
Operating margin/EBITDA, EUR million	562.8	53.8	78.9
Operating result/EBIT, EUR million)	511.2	-95.3	-11.2
*) comparable operating profit excluding one-off items and the effect of divested businesses, EUR million	22.8	20.9	20.9
Profit/loss for the period, EUR million	501.5	-108.1	-19.3
Earnings per share	16,638	-3,712	-667
Pre-tax return on invested capital, %	73.1	-14.0	-1.7
Free cash flow before taxes, EUR million	434.0	39.6	17.1
Equity ratio %	55.2	27.9	42.9
Interest-bearing net debt/operating margin	0.0	6.1	4.0
Energy peat deliveries (TWh)	5.5	7.0	9.1
Wood fuel deliveries (TWh)	3.6	3.2	3.6
Accident frequency*	7.2	7.2	6.7

* Accident frequency = number of accidents requiring a visit to occupational health services/million working hours

Neova in brief

Neova is an international conglomerate whose businesses promote clean, local and water-conserving food production and supply local fuels. Neova Group also develops new products for the purification of contaminated environments, prepares wind power projects and creates well-being by providing jobs, recycling and by creating comfortable living environments.

Neova Group also includes the subgroup Kekkilä-BVB, which is the European market leader in growing media products. The company produces growing media, mulches and fertilisers for professional growers, consumers and landscapers in Finland under the Kekkilä brand, in Sweden under the Hasselfors Garden brand and in the Netherlands under the BVB Substrates brand.

Neova is also a leading bioenergy company in Finland, Sweden and Estonia. The product and service selection developed for Neova’s energy customers consists of local fuels, such as pellets, forest fuels and energy peat. Neova is an important part of the local energy infrastructure in all of its markets.

For the duration of January 2021, Neova also owned Nevel, a subsidiary that focused on the heat and power business. The sale of Nevel was finalised on 28 January 2021.

Neova Group’s New Businesses division works together with customers and industry ecosystems to develop new business solutions to facilitate food production and ensure healthy living environments. The Group’s latest higher added value business is Activated Carbon, which aims to enter the growing international market for technical carbons. The new higher added value businesses currently in development by the Group also include Ventures, which focuses on the development of new raw materials and the separation of other useful materials from biomasses before their use in growing media and activated carbon products.

Neova Group had an average of 922 employees during the financial year. The company also employs hundreds of local contractors in its production and supply chains.

More information about the company: www.neova-group.com

CEO's review Vesa Tempakka

The revised strategy works

Three years ago, Vapo was an energy company that derived most of its turnover and profit from fuels and the production of heat and electricity. At the time, the Group's future strategic focus areas were defined as seeking growth in the international growing media market and the development and marketing of new, high added-value products based on natural materials.

The new strategy announced in 2018 has proved to be highly effective in the rapidly changing operating environment. Very good progress was made in the execution of the strategy in 2021. At the beginning of 2021, we sold Nevel Oy, which specialises in the production of heat and electricity, started the commissioning of our first activated carbon production facility, and our subsidiary Kekkilä-BVB continued to outgrow the market in our main business segments, namely products and services targeted at professional growers, home gardeners and landscapers.

The change has been very rapid. Kekkilä Group's turnover has grown from just over EUR 100 million in 2018 to nearly EUR 340 million in 2021. The rate of organic growth in 2021 exceeded 10 per cent, although part of it was attributable to higher costs that led to price increases. Kekkilä-BVB is a leading European player in its field with a market share of roughly 10 per cent in Europe. The company's market is not limited to Europe, however. Its products are exported to, and used in, about 130 countries around the world. We established subsidiaries in China and the United States in 2021 and, right at the end of the year, we strengthened our position through acquisitions in Germany and Italy. We now operate in 12 countries.

The share of the energy business in our Group will continue to decrease, as we made the decision in the autumn to phase out the production of milled energy peat. In December 2021, we announced a transaction that will see us consolidate our fuel wood business with Biowatti Oy, a company owned by Lassila & Tikanoja. We will own 45 per cent of the joint venture. The transaction is pending approval by the competition authorities.

In May 2021, we changed the company name to Neova Oy. Approximately two-thirds of the Group's turnover comes from the international growing media company Kekkilä-BVB. In addition, we are building business around activated carbon, which is used for the purification of air and water, for example. The company's previous name was closely associated with our history as a Finnish energy company. For this reason, we decided to redesign our company image and we have been known as Neova Oy since 6 May 2021. Vapo is still used by the Group as a brand for selling biofuels, amongst other things.

Sustainability is a high priority

Sustainability is an integral part of our business and it develops in response to changes in our business environment and stakeholder expectations. Last year, we updated our sustainability strategy and sharpened our sustainability themes and medium-term (2025) and long-term (2030) sustainability targets. Our goal is to create sustainable green growth in all of our business areas. In practice, this means that the added value created by our products and services for our customers and society as a whole always outweighs the environmental impact of their production. We call this net positivity. We want to give more to the world than we take.

Environmental responsibility is a key consideration for us. Our target is to halve the CO_2 emissions of our own operations by 2025, and we are on schedule to achieve this goal. Sustainable peat production is a precondition for our operations. We only establish peat production sites at previously ditched peatlands. We comply with the requirements of the RPP (Responsibly Produced Peat) standard in all of our production countries and we promote biodiversity by restoring our production sites after use or by planting trees to create forests that sequester carbon.

The demand for growing media is growing rapidly in the global market. There is still a need for horticultural peat, both now and in the future, but new materials that supplement horticultural peat in growing media will increase in importance. Going forward, this will be one of Neova Group's most important areas of product development.

As regards social responsibility, our key priorities include promoting occupational safety, creating an excellent workplace, looking after employee well-being and ensuring the sustainability of sourcing.

From the perspective of personnel, a significant step was Neova being awarded Great Place to Work® certification in three of our operating countries in recognition of our excellent employee experience, trust-based corporate culture and commitment to creating a good workplace. In Finland, the Great Place to Work® certificate is awarded to companies whose Trust Index is at least 65 per cent. In addition to Finland, Neova has been awarded the certificate in Sweden and Estonia.

We are very serious about improving occupational safety in all of our operating countries. We have made good progress, and we had no accidents last year in Finland and Estonia, for example. We still have room for improvement at the Group level, as even one accident is too many.

Sustainability is part of our day-to-day work and we want it to be reflected in all of our teams and in everything we do. Engaging the commitment and participation of employees is vital. With this in mind, we have incorporated sustainability into the incentive system for all of Neova Group's personnel.

The third pillar of our sustainability strategy is economic responsibility. Our goal is to be a profitable company and to bear our economic responsibility as a successful company and a good corporate citizen.

Good financial results in a challenging operating environment

A gain of approximately half a billion euros was recognised in the Group's result from the sale of Nevel Oy. We used the proceeds from the sale to distribute a dividend of EUR 250 million to our owners and we also reduced our net debt. We are now practically free of net debt.

Operationally, the year can be characterised as unpredictable. The Grow&Care division had strong sales across all of its business units. However, the costs of shipping and packaging materials, for example, increased very rapidly starting from the spring, and we were not able to pass these cost increases to customer prices quickly enough, which had a negative effect on our relative profitability. In absolute terms, the division's operating margin and operating margin were on a par with the previous year.

The demand for energy peat continued to decline at a rate of over 20 per cent but, at the same time, income from wood pellets and energy chips developed favourably. Income from land sales also increased. The results of our projects aimed at improving operational efficiency and streamline costs exceeded our expectations and had a positive effect on the Group's operating profit.

Focus on growth, development, costs and Brussels

In the new year, the focus areas of product development include increasing the value of land assets by developing more wind power and solar power farms on land owned by the Group. We announced two projects in 2021 and the future looks bright in this area.

In product development, priority will be given to projects that support the Grow&Care division. The development of biostimulants produced from organic wetland biomass continued in 2021. Cultivation tests in Central Europe have produced promising results and, next summer, cultivation tests will be continued and expanded. In greenhouse cultivation and open field cultivation, biostimulants promote plant well-being and increase their drought tolerance, for example.

Rising inflation and increasing regulation create pressure on operational planning in the new year. The Group has prepared for inflation by, for example, building stockpiles of critical raw materials and by focusing on pricing and the monitoring of costs. The most important thing to keep an eye on in 2022 is to advocate for the interests of our industry in the sphere of the finance taxonomy and the EU’s Fit for 55 legislative reform package.

We want to continue to play a role in enabling the production of healthy local food, especially in the growing European markets.

Board of Directors' report 1 January–31 December 2021

Operating environment

Predicting the changes in the operating environment in 2021 was challenging. A number of cost items that influence the Group's operations increased to an exceptional degree. The Group's shipping costs increased by approximately EUR 15 million. This was particularly due to container freight costs rising to a level that was many times higher than in the previous year. At the same time, the prices of many raw materials, especially packaging plastic, increased by as much as tens of per cent compared to the previous year.

The price of emission rights increased by nearly 300 per cent in 2021, which contributed to the price of electricity on the electricity exchange rising to a record-high level. The increased price of emission rights drastically reduced the demand for milled fuel peat used in heating. Neova's sales of milled fuel peat declined by approximately a quarter compared to the previous year. The steep increase in natural gas and coal prices towards the end of the year improved the market competitiveness of pellets.

Ireland did not produce any horticultural peat for the export market in 2021. This enabled a higher volume of horticultural peat exports from Finland.

COVID-19 The impacts of the COVID-19 pandemic on Neova Group's operations were restricted successfully in 2021. The Group used a safety-oriented work model throughout the year. Visits to production plants by outside parties were minimised and remote work and hybrid work models were successfully implemented for those jobs that allowed it. These measures made it possible to maintain normal production operations at all of the Group's production plants throughout the year.

The pandemic that began in 2020 substantially increased the demand for products aimed at amateur gardeners. This demand remained at the previous year's level in 2021. COVID-19 has increased the demand for locally produced food, which was reflected in higher demand for products aimed at professional growers in several markets. At the same time, the pandemic has delayed a large number of new professional cultivation projects, creating growth challenges particularly in export markets.

The prices of emission rights and electricity reached record-high levels

Emissions trading is aimed at shifting energy production from fossil fuels to renewables. In district heating production, all heating plants in excess of 20 MW have to buy emission rights in the market if they burn non-renewable fuels. In 2021, the prices of emission rights increased from EUR 30 per tonne of carbon to as high as EUR 90 in December. In district heating production this meant that, at the end of the year, for each MWh produced from energy peat, a company producing district heat from energy peat had to pay EUR 6 in energy tax and approximately EUR 30 in emission rights in addition to the cost of the fuel. District heat produced from wood chips is not subject to energy tax or emission rights charges. For these reasons, the competitiveness of wood chips and commercial timber improved significantly compared to energy peat during the year. Energy wood prices only increased by approximately five per cent during the year. The decline of the demand for energy peat accelerated further and, in autumn 2021, Neova decided to discontinue the production of energy peat.

Electricity prices in Central Europe and the Nordic region rose to record-high levels during the year. In Finland, the price of electricity on the electricity exchange exceeded EUR 1,000/MWh in December. There are several reasons for the increase in electricity prices. The price of natural gas has risen sharply due to reduced deliveries from Russia to Central Europe. Gas inventories were low as autumn arrived, and LNG deliveries were directed more to Asia instead of Europe compared to previous years. At the end of the year, the price of natural gas was many times higher than at the start of the year. The shortage of gas has shifted demand in European condensing power production towards coal, which has led to higher demand and increased prices for emission rights.

The price of electricity in the Nordic countries has also been influenced by the exceptionally poor hydrological conditions in Norway and Sweden and the fact that transmission lines between Finland and Sweden as well as between Finland and Russia were at full capacity on occasion. In addition, transmission lines opened from Norway to Central Europe and the UK have increased the price of electricity in the Nordic countries.

Shipping and raw material costs increased sharply

The cost of road shipping increased by nearly 10 per cent during the year, mainly due to higher fuel prices. Neova had hedged the prices of bulk sea shipping by means of annual agreements, which kept prices stable in 2021. This turned out to be highly advantageous, as the sea shipping volumes of horticultural peat to Europe grew considerably.

The year was very challenging with regard to container cargo. Container shipping rates in North America and South America increased from USD 2,000 in the previous year to levels as high as over USD 10,000, while in Asia and Australia, prices rose from USD 1,000 to approximately USD 2,500. Neova's overall sea shipping costs doubled. Shipping costs increased by approximately EUR 15 million for Neova Group as a whole.

The prices of packaging materials have also increased significantly. The price of packaging plastic, for example, doubled during the year in certain cases. Based on a cautious estimate, this created EUR 5 million in additional costs compared to the previous year. The higher costs of shipping and raw materials, with the combined increase exceeding EUR 20 million, could not yet be fully passed to the prices of products.

Finance taxonomy

In August 2021, the EU started a project on expanding the finance taxonomy to potentially apply to peat production and the use of peat for purposes such as growing media and animal bedding. If all uses of peat were to be classified as non-sustainable, it would complicate the availability of financing for the industry as a whole and lead to higher financing costs. Decisions on expanding the scope of the taxonomy are expected in 2022. Neova Group is making every effort to inform the parliaments of various EU countries and EU officials with the aim of having the future of peat as growing media, animal bedding and as raw material for new high value-added products classified as sustainable going forward. The justification for this view is that the advantages of peat – in enabling food production, for example – are significantly greater than its disadvantages.

Neova Group

The Group's profit for the financial year 1 January–31 December 2021 improved substantially year-on-year and amounted to EUR 501.5 million. The profit for the financial year was significantly improved by a non-recurring gain of approximately EUR 507 million from the sale of Nevel. At the same time, the profit for the financial year was weakened by write-downs of fixed assets amounting to approximately EUR -18 million, mainly in relation to the discontinuation of energy peat production in Finland.

The Group's reported turnover decreased by approximately six per cent year-on-year and amounted to EUR 514.6 million (EUR 544.9 million). The decrease in turnover was attributable to the divestment of the heat and power business in January 2021, as all of the Group's continuing operations, except the energy peat business, grew compared to the previous year. The strongest growth was seen in the Grow&Care division at approximately 13 per cent.

The Group's operating result was EUR 511.2 million. The comparable operating result, however, remained almost on a par with the previous year at EUR 22.8 million. The previous year's comparable operating result, excluding the heat and power business and non-recurring items, was EUR 20.9 million. The comparable result remaining on a par with the previous year was attributable to the strong demand for Kekkilä-BVB products and the continued efficiency improvement measures taken throughout the Group. Factors that had a negative effect on the result included the higher costs of shipping and materials as well as the continued sharp decline in the demand for energy peat, which led to the decision to discontinue Neova's production of milled energy peat in Finland.

Operating cash flow (free cash flow before financial items and taxes) amounted to EUR 434.0 million (EUR 39.6 million) for the financial year. Cash flow was significantly affected by the sale of the heat and power business as well as investments in the activated carbon production plant in Ilomantsi and the expansion of Kekkilä-BVB's production.

The Group's equity ratio stood at 55.2 per cent (27.9%) at the end of the financial year, while the ratio of net debt to operating margin was 0.0 (6.1).

The COVID-19 pandemic affected 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 Vapo's own plants and customer plants being restricted.

In the Grow&Care division, the pandemic delayed new professional grower projects in several countries and the availability of sea shipping. At the same time, the pandemic continued to have a favourable effect on the amateur gardener segment, as recreational gardening activity remained high due to people working remotely.

The pandemic delayed and, to some degree, complicated the supervision and construction of the activated carbon production facility in Ilomantsi. A large number of workers from different countries worked construction and installation jobs at the site. Preventing infections 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 slow down the operations of our product development laboratories in Central Europe when the pandemic was at its worst.

In response to the uncontrollable decline in the demand for energy peat, Neova continued the cost saving programme announced a year ago for the period 2021–2022 and successfully implemented efficiency improvement measures amounting to approximately EUR 25 million in 2021. The Group also recognised write-downs of approximately EUR 16 million on the remaining energy peat assets in Finland.

The rapid decline in the demand for energy peat also forced Neova to assess its business strategy in light of the changed circumstances. To ensure its ability to respond to the balance sheet challenges created by write-downs and continue to execute its chosen growth strategy in the international growing media markets and new businesses, Vapo Group sold Nevel – a subsidiary that focuses mainly on energy infrastructure and operates in Finland, Sweden and Estonia – to Ardian in January 2021. The sale of the heat and power business enabled the Group to pay dividends totalling EUR 250 million to its owners in June 2021. After the dividend payment and loan repayments, the Group is nearly free of net debt and its equity ratio exceeded 50 per cent at the end of the year.

The decline in the demand for energy peat continued in 2021, with energy peat sales decreasing by over one-fifth from the previous year. Consequently, Neova announced in autumn 2021 that it would no longer produce energy peat going forward.

Neova Group's Grow&Care division had a strong year in terms of sales. The division's turnover totalled EUR 339 million, representing year-on-year growth of 13 per cent. Most of the growth was derived from products aimed at professional growers and the sale of horticultural peat in the European market.

While the division's operating margin improved, its relative profitability decreased year-on-year. The costs of sea shipping and packaging plastic doubled from the previous year. In spite of price increases, these higher costs could not be fully passed on to end product prices.

Right at the end of the year, Kekkilä-BVB acquired the German companies Brill Substrate and Brill Papenburg Logistics. The acquisition strengthens Kekkilä-BVB's market position in the major European markets of Germany, Italy and France. The turnover of the acquired businesses is approximately EUR 25 million. The acquisition included a company-owned port and terminal area in Papenburg, Germany. The strategically significant acquisition strengthens Kekkilä-BVB's position as a leading player in its industry in Europe.

In December 2021, Neova announced another strategic transaction, which will see its fuel wood business consolidated with Lassila & Tikanoja's Biowatti Oy. The new company's turnover will be approximately EUR 100 million. Approximately EUR 50 million in turnover and about 40 people will be transferred to the company from Neova. Neova will own 45 per cent of the new company, with Lassila & Tikanoja owning 55 per cent. The transaction is subject to approval by the competition authorities. The transaction is expected to be completed in 2022.

In new businesses, 2021 was supposed to be the start of a new era. Novactor's activated carbon production plant was completed in Ilomantsi and test production began in June. However, during test production, damage was detected in the structures of the activation furnace that forced a shutdown of the plant. In practice, the blast furnace at the plant needs to be rebuilt, which means that the start of industrial production will be delayed until early 2023. This is very unfortunate, as there is strong demand in the market for activated carbon, and customer feedback indicated that the activated carbon produced by the plant was of good quality.

In addition to activated carbon, Neova has researched the production of biostimulants from peat for several years now. Biostimulants enhance the nutrient absorption of plants grown in greenhouses and fields. They also help plants adapt to changing conditions related to climate change. Neova's biostimulants have been tested in cultivation tests in Central Europe, and testing activities will continue next summer. The aim is to make a decision on the industrial production of biostimulants by the end of 2022.

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.

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 Energy division's current business units correspond to three types of fuel: Pellets, Wood and Energy peat.

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.

Turnover in the final third of the financial year (September–December) was EUR 58.6 million (EUR 85.6 million). The operating margin for the reporting period was EUR 10.2 million (EUR 28.0 million) and the operating profit was EUR -9.4 million (EUR -103.1 million). Gross investments were EUR -5.1 million (EUR 8.0 million).

Turnover for the full financial year was EUR 174.9 million (EUR 245.9 million). The operating margin for the full financial year was EUR 31.5 million (EUR 35.1 million) and the operating profit was EUR 3.5 million (EUR -90.6 million). The operating result includes non-recurring items in the amount of EUR -17.8 million (EUR -111.9 million). The significant non-recurring items mainly consisted of write-downs of energy peat production areas and expenses recognised in relation to the continued environmental obligations associated with those areas.

The profitability of the division's fuel 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.

On 26 November 2021, Neova announced the discontinuation of energy peat production in Finland a write-down of EUR 16.2 million on balance sheet items related to energy peat production. In December, Neova announced it will consolidate its wood fuel business in Finland with Biowatti Oy, a subsidiary of Lassila & Tikanoja plc. The business combination is expected to be completed in 2022.

Energy	9–12/2021	9–12/2020	Change	1/2021–12/2021	1/2020–12/2020	Change	1/2019–12/2019
Turnover (EUR million)	58.6	85.6	-31.5%	174.9	245.9	-28.9%	289.5
Operating margin (EUR million)	10.2	28.0	-63.5%	31.5	35.1	-10.2%	60.1
Operating profit (EUR million)	-9.4	-103.1	90.9%	3.5	-90.6	103.9%	-12.0
Investments (EUR million)	-5.1	8.0	-163.8%	30.9	21.1	46.4%	56.8
Number of employees	225	362	-37.8%	244	371	-34.2%	364
Energy sales, peat (GWh)	1,872	2,170	-13.7%	5,515	6,992	-21.1%	9,058
Energy sales, other fuels (GWh)	1,417	1,200	18.1%	3,606	3,161	14.3%	3,600

Grow&Care

The Grow&Care division's Kekkilä-BVB is Europe's leading and most versatile growing media operator in the professional grower, landscaping and consumer segments. Kekkilä-BVB specialises in the sustainable 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 and for use as raw material in further processing.

The division's well-known brands, Kekkilä Garden and Hasselfors Garden, offer products to home gardeners and landscapers in the Nordic countries and the Baltic countries. In Central European markets, our business includes private label products as well as the Jardino and Florentus brands, for example. In the professional growing media business, the BVB Substrates and Kekkilä Professional brands serve not only on the home markets but also the global markets with exports to more than 100 countries.

Turnover in the final third of the financial year (September–December) was EUR 86.2 million (EUR 77.0 million). The operating margin was EUR 3.8 million (EUR 1.9 million) and the operating profit was EUR -3.8 million (EUR -6.0 million). Gross investments were EUR 20.0 million (EUR 10.8 million).

Turnover for the full financial year was EUR 338.9 million (EUR 299.9 million). The operating margin was EUR 32.2 million (EUR 32.3 million) and the operating profit was EUR 11.0 million (EUR 14.0 million). The operating result includes non-recurring items in the amount of EUR -0.9 million (EUR -1.6 million). Gross investments were EUR 37.5 million (EUR 25.4 million).

The Grow&Care division's full-year turnover increased from the previous year. In particular, the professional grower business and the sales of peat raw material used in growing media grew faster than expected. The exceptional demand in the consumer business, which was initially caused by the COVID-19 pandemic in 2020, continued in the financial year 2021. The exceptional circumstances have continued, forcing people to stay home, giving them more time and opportunities to focus on gardening. The year-on-year decline in the division's relative profitability is partly due to a substantial increase in material and logistics costs. The increased demand for materials has increased prices and reduced availability while, at the same time, the global imbalance in shipping containers has resulted in longer delivery times and pushed shipping costs to an exceptionally high level. Measures to pass the higher costs to customer prices began during the financial year 2021.

The outlook for 2022 is positive in spite of the higher costs. The timing of the peak sales season in the consumer business depends on the weather. This can cause significant fluctuations between the different thirds of the year, but the effect balances out over the full year. The long-term growth trend in the professional grower business is expected to continue. We have ensured adequate inventories of horticultural peat in the division before the new production season, although there are indications of low supply in the raw material market before the upcoming peat production season, as was the case last year.

Brill Substrate and Brill Papenburg Logistics, which were acquired after the end of the financial year, will be fully consolidated into the Grow&Care division's figures for the financial year 2022.

Grow&Care	9–12/2021	9–12/2020	Change	1/2021–12/2021	1/2020–12/2020	Change	1/2019–12/2019
Turnover (EUR million)	**86.2**	**77.0**	**11.9%**	**338.9**	**299.9**	**13.0%**	**250.2**
Operating margin (EUR million)	**3.8**	**1.9**	**96.9%**	**32.2**	**32.3**	**-0.1%**	**22.4**
Operating profit (EUR million)	**-3.8**	**-6.0**	**36.2%**	**11.0**	**14.0**	**-21.6%**	**7.0**
Investments (EUR million)	**20.0**	**10.8**	**85.0%**	**37.5**	**25.4**	**47.6%**	**14.0**
Number of employees	**565**	**540**	**4.7%**	**569**	**545**	**4.2%**	**559**

New Businesses

The New Businesses division works together with customers and ecosystems to develop solutions to global challenges that secure the world's food production, promote healthy living environments and promote the purification of air and water. The aim is to refine organic wetland biomass and other organic natural materials into high-added-value products for the international markets.

The area in which the most progress has been made consists of biostimulants isolated from organic wetland biomass. They are used in greenhouse and outdoor cultivation to improve plants' nutrient absorption and the efficiency of nutrient use. Biostimulants also help plants adapt to changing conditions related to climate change. In accordance with the Neova Refinery concept, raw materials and side stream products are comprehensively utilised in adherence to the circular economy principle while minimising energy consumption and emissions.

In the Activated Carbon 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 May 2021. However, test production in autumn 2021 revealed mechanical issues with construction materials, resulting in the need to rebuild the blast furnace. This is expected to take until the latter part of 2022. Production output during the deployment phase has been delivered to end customers and the feedback has been very positive. 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.

The operating loss for the final third of the financial year (September–December) was EUR -1.7 million (EUR -1.6 million). Gross investments were EUR 1.2 million (EUR 14.4 million). The operating loss for the full financial year was EUR -5.1 million (EUR -3.3 million). The result for the financial year includes non-recurring items of EUR -0.1 million (EUR 0.0 million). Gross investments were EUR 10.4 million (EUR 28.0 million). 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	9–12/2021	9–12/2020	Change	1/2021–12/2021	1/2020–12/2020	Change	1/2019–12/2019
Turnover (EUR million)	1.1	0.8	30.1%	3.0	2.4	24.5%	1.8
Operating margin (EUR million)	-1.5	-1.2	-20.7%	-4.5	-2.9	-55.5%	-1.9
Operating profit (EUR million)	-1.7	-1.6	-10.1%	-5.1	-3.3	-53.5%	-2.0
Investments (EUR million)	1.2	14.4	-91.8%	10.4	28.0	-62.9%	9.4
Number of employees	29	29	-1.7%	28	26	11.5%	18

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's effect on the operating profit for the final third of the financial year (September–December) was EUR -1.5 million (EUR -10.9 million). The other activities segment's effect on the operating result for the full financial year was EUR 501.6 million (EUR -15.0 million). 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 activities	9–12/2021	9–12/2020	Change	1/2021–12/2021	1/2020–12/2020	Change	1/2019–12/2019
Turnover (EUR million)	0.0	0.0	-32.3%	1.1	0.1	1,071.1%	0.1
Operating profit (EUR million)	-1.5	-10.9	86.2%	501.6	-15.0	3,433.6%	-12.1
Number of employees	77	87	-11.7%	81	90	-7.1%	113

Cash flow, investments and financing

The Group's free cash flow before taxes for the period 1 January–31 December 2021 amounted to EUR 434.0 million (EUR 39.6 million). The sale of Nevel Oy's shares in early 2021 had a significant positive effect on the Group's cash flow. The change in working capital affected cash flow by EUR -50.2 million (EUR 46.3 million).

Gross investments in the financial year were EUR 84.6 million (EUR 76.6 million), or 239.9 per cent of the amount of depreciation (162.3%). The most significant investments during the financial year were allocated to the start-up of the Activated Carbons business. Investments were also allocated to Kekkilä-BVB's capacity expansion and energy efficiency investments, as well as environmental protection and field maintenance in peat production. Net investments (gross investments – asset sales) totalled EUR 77.7 million (EUR 59.1 million).

The Group's liquidity is strong. The aim of liquidity management is to maintain the Group's liquidity so that the Group can finance its normal business operations while taking into account maturing debt and other short-term payment and financing obligations (<12 months). Liquidity risk is managed by maintaining sufficient cash assets, short-term investments and available credit commitments. At the end of 2021, the Group's liquidity reserves consisted of cash assets, short-term investments in fixed income funds and commercial papers totalling EUR 219 million as well as a revolving credit facility of EUR 50 million, which is currently fully unused and will mature in late 2022.

To manage refinancing risk, the Group diversifies the maturity of long-term loans to a sufficient degree over the years to come. Long-term interest-bearing loans maturing over the next 12 months amount to EUR 14.1 million, with lease liabilities representing EUR 8.6 million of that total. Thereafter, the next significant loans will fall due in 2024 (EUR 110 million).

Interest-bearing net debt at the end of the financial year amounted to EUR 11.2 million (EUR 327.7 million). The ratio of interest-bearing net debt to operating margin (net debt/EBITDA) on 31 December 2021 was 0.0 (6.1).

Short-term interest-bearing debt amounted to EUR 19.4 million (EUR 58.1 million). The equity ratio at the end of the financial year was 55.2 per cent (27.9%). On the financial statements date, Neova met the covenants and other terms and conditions related to its financing agreements. The average interest rate of interest-bearing long-term loans was 2.6 per cent (2.5%), excluding lease liabilities recognised in the balance sheet.

The consolidated balance sheet total was EUR 780.9 million (EUR 758.5 million). The Group's net financing items were EUR -7.2 million (EUR -12.5 million). Net financing items were -1.4 (-2.3) per cent of turnover. Net gearing was 2.6% (158.0%).

Natural seasonal fluctuation in activities

The Grow&Care division's growing media business is also sensitive to seasonal fluctuations, with demand peaking at the start of the cultivation season, from late spring to early summer. In September–December, sales are mostly focused on year-round sales to professional growers, while the retail channels play a larger role in the spring and summer season. Growing media raw material sales are more stable throughout the year.

The Group's Energy division is cyclical to a significant extent due to seasonal variation in the demand for heating. During the financial year under review, temperatures were relatively cold during the cold months, which had a substantial positive effect on fuel sales in the early part of the year and especially in December. The final third of the year, from September to December, is usually a significant heating season in our operating countries.

Notable risks and uncertainty factors

<u>Risks related to agricultural peat</u>

With respect to agricultural peat, there are signs of political moves in Europe towards tighter regulation. The most significant threats to the agricultural peat business include restrictions on the use of peat, unexpected changes in legislation concerning peat and more negative attitudes towards the use of peat in the retail sector.

To manage these risks, it is essential to provide transparent information on the environmental impacts of the use of peat and for the industry to actively produce and share objective information and emphasise peat's role in greenhouse farming and global food production. The active promotion of recycling solutions and responsible peat production methods as well as the restoration of peat production areas play a very important role in the general acceptability of the use of peat.

The most important thing to keep an eye on in 2022 is to advocate for the interests of our industry in the sphere of the finance taxonomy and the EU's Fit for 55 legislative reform package.

<u>Regulation</u>

The total consumption of energy peat in Finland amounted to 15,640 TWh in 2019. The Government Programme sets out a goal of halving the use of energy peat by 2030. Based on a demand forecast collected by Neova Oy from its customers, this halving will happen as soon as 2022. In 2025, energy peat consumption is estimated to be only 4.0 TWh, which would put peat consumption at only about 25 per cent of the volume seen in 2019.

Neova's energy peat sales totalled approximately EUR 70 million in 2021. The year-on-year decline was approximately 20 per cent for the third consecutive year. The most significant reason behind this decline is the nearly threefold increase in the price of emission rights, which reached approximately EUR 90 per tonne of carbon at the end of the year.

Energy peat has been primarily replaced by wood. Unfortunately, the wood it has been replaced by is increasingly imported wood chips, which are transported to Finland from Russia and on ships from further away. At the current tax levels and prevailing prices of emission rights, energy peat is a substantially more expensive fuel for customers than wood chips, pulp wood and roundwood.

Risks in the activated carbon business

The most significant risk related to the activated carbon business concerns the successful commissioning of the first production facility in Ilomantsi by the end of the year. This involves a mechanical functional risk as well as end product quality risk. The functional risk was partially realised in autumn 2021, as quality defects were detected in the construction materials, making it necessary to practically rebuild the furnace in 2022.

Neova's peat-based raw material for activated carbon, sold under the Novactor brand, also involves an approval risk related to the non-fossil requirement. However, the production facility in Ilomantsi is designed to have the capacity to use other raw materials for the production of activated carbon, if necessary.

Market risks

Neova's businesses are subject to significant market risks related to end product demand as well as the prices and availability of raw materials.

The demand for wood-based raw materials has grown significantly in the international markets as customers seek environmentally friendly alternatives. Imports of wood-based raw materials from outside of Europe have also increased. As the market grows, the availability of appropriately priced raw material in relation to the price of the end product plays a key role in ensuring competitiveness. The escalation of the situation in Ukraine have impacts in the form of not only higher energy prices and the availability of energy but also the availability of wood-based and peat-based raw materials. The crisis could also have a significant impact on sea shipping in terms of both availability and cost. International trade sanctions will have an impact and possible impact of the new international trade sanctions will be monitored as part of risk management process.

Weather risks Weather is a risk that has extensive effects on Neova's business. In winter, the temperature affects the customers' fuel requirements. In spring, the weather conditions also determine the timing of the peak season in the gardening trade, which affects the profit performance for the full year. During summer, the effects of weather concern the production volumes and quality of wood fuels and environmental products.

In summer 2021, peat production went as planned in Finland, Sweden and Estonia.

Damage risks Damage risks include occupational safety risk, property risk, interruption risk and environmental risk. Vapo aims to prevent damage risks through proactive risk management measures and by reacting quickly to any observed hazards. Risks that cannot be managed by the company's own actions are insured where possible. The goal is to continuously promote a positive culture of occupational safety and asset protection throughout the organisation. Extensive investments in changing the organisation's safety culture are already being reflected in a reduced number of accidents and lower accident frequency as well as an increase in safety observations and related improvement measures throughout Neova Group.

Financing and commodity risks

The company manages its financing risk and maintains liquidity by balancing the proportional share of short-term and long-term loans and the repayment schedules of long-term loans. In addition, the risk related to the availability and price of financing is managed by diversifying fundraising between different banks and financial instruments.

The company’s main financial risks are currency risk, interest rate risk and liquidity risk. The Group treasury, guided by the financial policy ratified by the Board of Directors, is responsible for identifying and managing financial risks. The Group’s risk management tools include currency derivatives, currency swaps, foreign currency loans and commodity derivatives.

Research and development

The Group’s research and development investments during the financial year 1 January–31 December 2021 amounted to EUR 16.3 million (EUR 27.2 million), which corresponds to 3.2 per cent of turnover (5.0%). Research and development activities were focused on supporting the company’s strategic renewal in all of the Neova Group companies.

New Businesses - The New Businesses division works together with customers and ecosystems to develop solutions to global challenges that secure the world’s food production, promote healthy living environments and promote the purification of air and water. The aim is to refine organic wetland biomass and other organic natural materials into high-added-value products for the international markets.

Under the Neova Refinery concept, raw materials and side streams are comprehensively utilised in accordance with the circular economy principle. High value-added products made of biomass and side streams carry enormous future potential because of the worldwide need for new ways to promote sustainable food production and water and air purification as well as to replace harmful chemicals, oil-based products and plastics.

The Group’s innovation and IPR strategy is geared towards the Group’s goal of developing its existing businesses and creating new business. The strategy also governs the management and protection of tangible and intellectual property developed by the Group. The key measures include developing the competence of the personnel, fostering a culture of innovation and taking proactive measures to protect intellectual property.

Environmental responsibility

Neova Group is committed to continuously improving its operations and developing its environmental efforts. We want to be recognised as a responsible and sustainable company wherever we operate. We updated our sustainability strategy and set new targets for 2022–2025 with regard to environmental responsibility and social responsibility.

Our environmental targets are focused on greenhouse gas emissions, biodiversity, the circular economy and water. As part of our efforts in this area, we have also created the **Green Factory** concept and defined our 2025 targets and performance indicators for our growing media, peat, moss, pellet, wood and activated carbon businesses. Each function has an environmental responsibility programme for 2022, setting out the most significant annual improvement targets on the path towards the Green Factory concept. We also started the specification of our **Green Office** concept and will continue setting concrete targets related to it.

In 2021, we focused on external and internal communications concerning our environmental actions, reducing emissions into waterways and the climate, actions to promote biodiversity at cutaway peatlands, increasing the recyclability of packaging materials and reducing waste.

Responsibly Produced Peat (RPP) certification was expanded in Neova Group (Finland, Sweden, Estonia) from 1,078 hectares (areas covered by environmental permits) to 4,195 hectares in response to the needs of Kekkilä-BVB’s customers.

Neova Group’s **active peat production areas** (Finland, Sweden, Estonia) in summer 2021 totalled approximately 21,162 (29,200) hectares, with Finland accounting for 14,654 (20,550) hectares of the total, including stacking areas. A total of 296 (374) hectares of new peatlands became ready for production in Finland and 4,696 (6,240) hectares were released from production by the end of the financial year. A total of 9 (204) hectares were released from production in Sweden and 1,284 (170) hectares in Estonia.

We continued to adapt energy peat production capacity in Finland, and the closure of production areas at peatlands was one of the key projects in the Group's peat operations in 2021. The closure of peatlands means ending peat production at the area in question and transitioning to the aftercare stage of the production area's life-cycle and the process of voiding the environmental permit. During the financial year, **the post-production aftercare stage** began at approximately 50 peat production areas in Finland. Environmental permits for peat production include aftercare obligations, which is why it is important for aftercare to be carried out responsibly and in line with the provisions of the environmental permit. Centres for Economic Development, Transport and the Environment (ELY Centres) conducted altogether 140 on-site inspections at Neova's peat production areas in 2021. Of these, 41 were decommissioning inspections, 93 were regular inspections in accordance with the monitoring plan and six were other inspections.

A total of 4,185 (1,156) hectares of areas owned by Vapo Group were transferred to **other land use methods** from peat production operations in Finland during the financial year. A total of 3,559 (754) hectares were assigned for forestation and 626 (402) hectares for building wetlands. In addition, a significant amount of land was sold, with the new owner deciding on the subsequent use. A total of 2,062 (3,836) hectares of land was returned to land owners. The company prepares for the subsequent maintenance of cutaway areas by means of an environmental provision that covers the costs associated with post-production obligations. Neova returned approximately 3,105 hectares of peatlands in various regions of Finland to Metsähallitus, consisting mostly of virgin natural mires. The areas had been previously leased for peat production purposes but they had not yet been commissioned for peat production.

In accordance with its environmental permit application principles, the Group only applies for new production permits for ditched peatlands. Neova Group's (Finland, Sweden, Estonia) environmental investments in peat production areas in 2021 amounted to EUR 0.9 million (EUR 0.3 million) and were primarily related to improving and building water treatment structures at peat production sites. Excluding Neova's own personnel's input, environmental protection costs for the financial year amounted to EUR 14.3 million (EUR 14.4 million). The costs primarily consisted of the maintenance of water treatment structures in peat production and impact monitoring.

General Meetings

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 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 Puntila and Maija Strandberg were re-elected to the Board of Directors.

The audit firm PricewaterhouseCoopers Oy was elected as auditor, with APA Panu Vänskä as its principal 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.

The Extraordinary General Meeting of Neova Oy held on 30 June 2021 approved the financial statements for the interim financial period 1 January–30 April 2021 and decided that a dividend of

EUR 8,333.33 per share, corresponding to a total of EUR 250 million, be distributed for the interim financial period. The General Meeting further decided that the number of members of Neova Oy's Board of Directors is eight and elected Panu Routila as a new member of the Board.

Number of employees The Group employed an average of 896 (1,018) persons in the final third of the financial year. The average number of employees for the full financial year was 922 (1,031).

Employees by segment, average

	1–12/2021	1–12/2020
Energy	244	371
Grow&Care	569	545
New Businesses	28	26
Other activities	81	90
Total	**922**	**1 031**

The codetermination committees of Neova Oy and Kekkilä Oy met twice, as planned, during the financial year to discuss current topics. Employees are also represented on Neova's Supervisory Board. The Supervisory Board met three times during the financial year.

Occupational safety

Neova Group's safety team manages and develops our "safety first!" culture to prevent safety deviations and accidents through effective risk reduction, training and the provision of support to the business functions.

In 2021, the Group's accident frequency (LTA1f: lost-time accidents per million working hours) increased slightly compared to the previous year and was 7.2 (7.2 and 6.4 excluding Nevel). We achieved our zero accidents target for all of our operations in Finland. Accident frequency increased particularly in Kekkilä-BVB's operations in the Netherlands, where the accident frequency was on a par with 2019. Most of our accidents – and serious accidents in particular – took place in production operations. During the past three years, 14 per cent of the incidents were classified as serious accidents or serious near misses: 12 incidents out of 87. However, none of these came close to a fatal accident, and 54 per cent (54%) of the total number of accidents did not lead to lost time.

To improve and harmonise our safety culture, we focused on safety training in 2021, especially in the Netherlands, where approximately 150 production employees participated in safety training. In addition, the personnel of the maintenance unit completed a VCA certificate (occupational safety, occupational health and the environment in the construction industry). We paid special attention to fire and chemical safety in 2021. We conducted a total of 72 fire and chemical risk assessments at peat production areas. The number of fires in peat production decreased by 49 per cent compared to the previous year.

We also monitor accidents involving contractors in our operations and conduct accident investigations in cooperation with them. Due to the travel restrictions introduced in response to the COVID-19 pandemic, the number of safety observations decreased by 8 per cent from the previous year. The number of safety observations was 2,963 (3,986, or 3,363 excluding Nevel).

Neova Group has zero tolerance for inappropriate conduct and discrimination, and all 13 incidents reported during the year were reviewed without delay. During the COVID-19 pandemic, a total of 103 infections have been reported in Neova Group: 83 in 2021 and 20 in 2020.

Neova Group participated in the Great Place to Work personnel survey for the third time in 2021. The results indicate that our journey towards being a better place of work has continued well. The management team has reviewed the results of the survey and open answers and selected corresponding new common development goals. Teams also come up with development measures on their own. According to the survey, our employee experience improved by two percentage points as our Trust Index measuring the employee experience this year was 70 per cent, compared to 68 per cent last year. Based on the results of the survey, Neova Group was awarded the Great Place to Work certificate in three countries: Finland, Sweden and Estonia.

Changes in organisational structure

Nevel Oy, including its subsidiaries and associates, was sold on 28 January 2021.

Kekkilä-BVB Germany GmbH was acquired on 19 November 2021. During 2021, Kekkilä Oy established subsidiaries to China and the United States.

Board of Directors' proposal for the distribution of profits

In line with its dividend policy, Neova Oy distributes as dividends, on average, 50 per cent of the annual profit shown in the financial statements. The Board of Directors proposes to the General Meeting to be convened on 29 March 2022 that the result for the financial year, EUR 514,829,390 , be entered as a change in retained earnings, after which the distributable funds available to the General Meeting amount to EUR 280,568,189.

The Extraordinary General Meeting held on 30 June 2021 distributed dividends totalling EUR 250 million for the interim financial period 1 January–30 April 2021. There have been no substantial changes in the company's financial position after the end of the financial year on 31 December 2021. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 2,000 per share, totalling EUR 60 million, be distributed for the financial year 1 January–31 December 2021.

Events after the review period

On 3 January 2022, Kekkilä-BVB completed the acquisition of the German companies Brill Substrate and Brill Papenburg Logistics.

On 10 February 2022, Neova announced it had signed an agreement concerning the sale of its associated company Scandbio AB. Scandbio AB is a Swedish pellet producer in which Neova holds a 50 per cent stake. The buyer is the Swedish company Lantmännen ek.

On 21 February 2022, Neova announced it had signed an agreement concerning the acquisition of 30 per cent minority stake in Kekkilä-BVB Oy from Nielson Belegging en Beheer B.V. The transaction requires the approval of the competition authorities. As a result of the change, Chief Executive Officer of Kekkilä-BVB and a member of Neova Group's Management team Juha Mäkinen decided to leave the company. Kekkilä-BVB appointed Vesa Tempakka, Chief Executive Officer of Neova Group and a chairman of Kekkilä-BVB as Chief Executive Officer of Kekkilä-BVB. At the same time, Peter Jan Kuiper, COO of Kekkilä-BVB has appointed as a member of the Neova Groups' Management Team. All appointments took effect immediately.

Future outlook

Neova Group is one of the world's largest producers of peat for growing media. The funds obtained from the sale of the heat and power company Nevel give Neova the opportunity to continue its strong transformation from a former conglomerate and energy company into Europe's leading producer of growing media through Kekkilä-BVB and a facilitator of cleaner water and air through the Novactor activated carbon business.

In the new financial year, the Kekkilä-BVB subgroup will again invest in developing its product selection and the profitable growth of its international sales in the professional, consumer grower and landscaping businesses. The Group intends to expand its distribution network into new markets in line with its strategy while increasing its cooperation with its existing comprehensive network of customers in its home markets in Europe.

Neova will continue to implement measures in line with its strategy to increase the competence of its personnel and achieve market-leading customer service. At the same time, the company will continue to increase the efficiency of its business processes in order to improve profitability. The demand for energy peat as a fuel is expected to continue to decline, while the demand for bioenergy is expected to see strong growth.

Neova will continue the commercialisation of new business operations in the Activated Carbon business as well as the researching of further new business initiatives in Ventures. Work on rebuilding the furnace at Activated Carbons' first production facility for manufacturing technical carbons is progressing as planned in Ilomantsi and the facility is expected to become operational by the end of 2022. Ventures has a strong focus on cooperation with other industry participants to promote its project as effectively as possible in collaboration with interested partners.

During the past two financial years, Neova has also been successful in the development of its own wind power projects. Further progress will be made in 2022 on selected projects.

Consolidated key figures

MEUR	9–12/2021	9–12/2020	1–12/2021	1–12/2020
Turnover	144.6	162.1	514.6	544.9
Operating profit (EBIT)	-16.5	-121.4	511.2	-95.3
% of turnover	-11.4	-74.9	99.3	-17.5
Operating profit (EBIT) before impairment	-0.1	-18.6	527.6	7.4
% of turnover	-0.1	-11.5	102.5	1.4
Profit/loss for the period	-21.0	-121.5	501.5	-108.1
Operating margin (EBITDA)	11.6	-4.5	562.8	53.8
+/- Change in working capital	0.4	21.2	-51.1	44.8
- Net investments	-16.2	-26.3	-77.7	-59.1
Free cash flow before taxes	-4.2	-9.7	434.0	39.6
Gross investments	-18.9	-33.2	-84.6	-76.6
Return on invested capital % *			73.1	-14.0
Return on invested capital % before impairment*			75.4	1.1
Return on equity % *			98.7	-34.9
Balance sheet total			780.9	758.5
Shareholders' equity			427.9	207.3
Interest-bearing net debt			11.2	327.7
Equity ratio %**			55.2	27.9
Interest-bearing net debt/operating margin			0.0	6.1
Gearing %			2.6	158.0
Average number of employees			922	1,031

*) Previous 12 months

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

Key figures for parent company Neova Oy

MEUR	1–12/2021	1–12/2020
Turnover	181.6	175.3
Operating profit (EBIT)	-17.7	-120.0
% of turnover	-9.7 %	-68.4 %
Operating profit (EBIT) before impairment	-2.5	-20.3
% of turnover	-1.4 %	-11.6 %
Profit/loss for the period	514.8	-124.1
Operating margin (EBITDA)	5.5	-5.2
Return on invested capital % *	-6.6 %	-22.7 %
Return on invested capital % before impairment*	-2.7 %	-3.8 %
Return on equity % *	429.6 %	-64.8 %
Balance sheet total	659.1	556.6
Shareholders' equity	363.6	98.9
Equity ratio %	55.6 %	18.3 %

*) Previous 12 months

Group key figures 2018–2021

EUR million	**04/2018**	**04/2019**	**5–12/2019**	**12/2020**	**12/2021**
Turnover	419.8	419.8	297.7	544.9	514.6
Growth %	7.1	7.1	32.4	2.1	126.7
Operating margin (EBITDA)	61.1	61.1	37.0	53.8	562.8
% of turnover	14.5	14.5	12.4	9.9	109.4
Depreciation	-35.7	-35.7	-38.5	-47.2	-35.3
Impairment	-0.9	-0.9	-38.9	-102.8	-16.3
Operating profit (EBIT)	26.3	26.3	-40.4	-95.3	511.2
% of turnover	6.3	6.3	-13.6	-17.5	99.3
Operating profit before impairment	27.2	27.2	-1.5	7.4	527.6
% of turnover	6.5	6.5	-0.5	1.4	102.5
Net financial items	-6.0	-6.0	-7.8	-12.5	-7.2
Profit/loss before taxes	20.3	20.3	-48.2	-107.8	504.0
Taxes	-2.7	-2.7	8.0	-0.3	-2.5
Profit/loss for the period	17.6	17.6	-40.2	-108.1	501.5
Return on invested capital %	4.3	4.3	-1.7	-14.0	73.1
Return on invested capital before impairment %	4.4	5.4	4.1	1.1	75.4
Restricted capital on average	613.2	613.2	676.4	680.9	699.4
Turnover of restricted capital (turnover/restricted capital on average)	0.7	0.7	0.8	0.8	0.7
Average working capital	112.6	112.6	144.8	125.5	172.8
Average working capital % of turnover	26.8	26.8	48.6	23.0	33.6
Restricted capital at the end of the year	578.9	691.8	680.1	704.4	451.3
Working capital at the end of the year	88.0	133.7	141.4	96.5	147.6
Gross investments	31.3	31.3	42.8	76.6	84.6
% of turnover	7.5	7.5	14.4	14.1	16.4
Gross investments/depreciation	0.9	0.9	1.1	1.6	2.4
Operating margin	61.1	61.1	37.0	53.8	562.8
+/- Change in working capital	37.6	37.6	10.3	44.8	-51.1
- Net investments	-25.0	-25.0	-26.3	-59.1	-77.7
Free cash flow before taxes	73.6	73.6	21.0	39.6	434.0
Balance sheet total	697.5	697.5	829.4	758.5	780.9
Shareholders’ equity	347.9	347.9	337.5	207.4	427.9
Shareholders’ equity (average)	341.8	341.8	372.1	309.7	508.2
Interest-bearing debt	242.6	242.6	324.9	344.4	233.9
Interest-bearing net debt	206.2	206.2	315.1	327.7	11.2
Equity ratio %	51.2	51.2	41.5	27.9	55.2
Gearing %	59.3	59.3	-93.4	158.0	2.6
Interest-bearing net debt/operating margin	3.4	3.4	4.0	6.1	0.0
Liquidity	2.8	2.8	2.3	1.8	3.1
Return on equity %	5.2	5.2	-5.2	-34.9	98.7
Dividend distribution	7.3	7.3	12.3	4.0	250.0
Dividend % of profit *	41.1	41.1	-30.6	-3.7	49.8
Average number of employees	758	869	1,050	1,031	922
Key figures per share					
Number of shares	30,000	30,000	30,000	30,000	30,000
Earnings/share, EUR *	586	840	-1,320	-3,712	16,638
Shareholders’ equity/share, EUR	11,583	12,208	9,894	5,517	12,812
Dividend/share, EUR	242	408	410	133	8,333

* = profit attributable to owners of the parent company

Principles for calculating key figures

EBITDA
Operating profit + Depreciations and impairment +/- Shares of associates' results

Working capital
Inventories + Non-interest-bearing receivables of businesses - Non-interest-bearing debt

Restricted capital
Fixed assets of businesses + Working capital

Turnover of restricted capital
$\dfrac{\text{Turnover rolling 12 months}}{\text{Restricted capital (on average) *)}}$

Return on invested capital % (ROIC)
$\dfrac{\text{Operating profit rolling 12 months}}{\text{Restricted capital (on average) *)}} \times 100$

Return on equity %
$\dfrac{\text{Profit before taxes rolling 12 months - income tax}}{\text{(Shareholders' equity + minority interest) on average *)}} \times 100$

Liquidity
$\dfrac{\text{Short-term on-interest bearing receivables}}{\text{Short-term non-interest-bearing liabilities}}$

Equity ratio %
$\dfrac{\text{Shareholders' equity + minority interest + capital loan}}{\text{Balance sheet total – advances received}} \times 100$

Interest-bearing net debt
Interest-bearing debt - Interest-bearing loans receivable - Cash and cash equivalents

Gearing %
$\dfrac{\text{Interest-bearing net debt}}{\text{Shareholders' equity + minority interest}} \times 100$

Free cash flow before taxes
EBITDA +/- Change in working capital – net investments

Earnings/share
Profit attributable to owners of the parent company/Number of shares

Shareholders' equity/share
Parent company's shareholders' equity/Number of shares

Dividend/share
Distribution of dividend for the financial period/Number of shares

Dividend/profit %
100 * dividend/share / earnings/share

*) the calculations are based on averages on 31 December 2021, 31 August 2021, 30 April 2021 and 31 December 2020

Consolidated Financial Statements, IFRS

Consolidated statement of comprehensive income

EUR 1,000	Note	1–12/2021	1–12/2020
TURNOVER	4	514,613	544,913
Change in inventories of finished goods and work in progress		-23,634	1,336
Production for own use		143	202
Other operating income	5	521,307	10,126
Share of results of companies consolidated using the equity method		6	800
Materials and services	6	-241,731	-268,849
Expenses arising from staff benefits	7	-64,851	-72,091
Depreciation	8	-35,264	-47,179
Impairment	8	-16,052	-102,798
Impairment of goodwill	8	-276	0
Other operating expenses	9	-143,032	-161,810
OPERATING PROFIT/LOSS		511,230	-95,348
Financial income	10	5,286	5,497
Financial expenses	10	-12,494	-17,979
PROFIT/LOSS BEFORE TAXES		504,023	-107,830
Income taxes	11	-2,509	-261
PROFIT/LOSS FOR THE PERIOD		501,514	-108,091
OTHER COMPREHENSIVE INCOME ITEMS			
(items that may not be reclassified subsequently to profit or loss):			
Remeasurement of defined benefit plans		123	389
Items that may be reclassified subsequently to profit or loss:			
Translation differences from foreign units		-505	882
Other comprehensive income items, after taxes		-382	1,271
TOTAL COMPREHENSIVE INCOME		501,132	-106,820
PROFIT/LOSS FOR THE PERIOD			
Distribution of profit for the period:			
To parent company shareholders		499,146	-111,358
To non-controlling shareholders		2,368	3,266
		501,514	-108,091
Distribution of comprehensive income for the period:			
To parent company shareholders		498,814	-110,180
To non-controlling shareholders		2,318	3,360
		501,132	-106,820
Earnings per share calculated from profits due to parent company shareholders			
Earnings/share, EUR	12	16,638	-3,712
Average number of shares		30,000	30,000

Consolidated balance sheet

EUR 1,000	Note	31.12.2021	31.12.2020
ASSETS			
Long-term assets			
Intangible assets	13	32,254	31,914
Goodwill	13	23,995	24,306
Land and water areas	14	33,581	38,624
Buildings and structures	14	39,397	40,650
Machinery and equipment	14	50,864	46,001
Other tangible assets	14	51,564	65,095
Prepayments and unfinished acquisitions	14	52,400	44,132
Shares in entities consolidated using the equity method	15	-60	
Other long-term financial assets	16	585	585
Long-term sales and other receivables	17	3,238	3,235
Deferred tax asset	18	2,571	2,433
Long-term assets total		290,390	296,975
Current assets			
Inventories	19	171,460	187,905
Sales and other receivables	20	80,278	66,885
Income tax receivables		1,991	2,173
Other current financial assets	29	188,890	0
Cash and cash equivalents	21	30,406	13,366
Current assets total		473,025	270,329
Available-for-sale assets	3	17,516	191,161
ASSETS TOTAL		780,931	758,465

SHAREHOLDERS’ EQUITY AND LIABILITIES			
Shareholders’ equity			
Share capital		50,456	50,456
Fair value fund and other funds		30,454	30,454
Translation differences		-3,977	-3,433
Retained earnings		307,434	58,068
Hybrid bond	23	0	29,880
Parent company shareholders’ share of shareholders’ equity		384,367	165,425
Non-controlling shareholders		43,505	41,879
Shareholders’ equity total	22	427,872	207,304

Long-term liabilities			
Deferred tax liability	18	10,635	10,791
Long-term interest-bearing liabilities	23	214,569	257,810
Long-term non-interest-bearing liabilities	24	0	1,938
Long-term provisions	25	11,632	11,099
Pension liabilities	26	5,278	4,885
Long-term liabilities total		242,113	286,523
Current liabilities			
Current interest-bearing liabilities	23	19,357	58,098
Current non-interest-bearing liabilities	27	90,754	147,578
Current provisions		835	2,669
Current liabilities total		110,946	208,345
Liabilities related to assets held for sale	3	0	56,292
SHAREHOLDERS' EQUITY AND LIABILITIES		780,931	758,465

The Group has made the following restatements to the comparison year's figures:

Intangible assets -495, machinery and equipment -95, other tangible assets -493, deferred tax assets 1,033, retained earnings -72, deferred tax liabilities 22.

Consolidated cash flow statement

EUR 1,000	1–12/2021	1–12/2020
Cash flow from operating activities		
Profit/loss for the period	501,514	-108,091
Adjustments to the result for the period		
Depreciation and impairment	51,592	149,976
Share of results of entities consolidated using the equity method	-6	-800
Financial income and expenses	7,510	12,621
Income taxes	2,509	261
Other adjustments	-515,903	-6,367
Adjustments to the profit/loss for the period total	-454,299	155,691
Change in working capital		
Increase/decrease in inventories	16,334	-1,284
Increase/decrease in trade receivables and other receivables	-12,449	3,955
Increase/decrease in accounts payable and other debts	-54,563	40,408
Change in provisions	478	3,221
Change in working capital total	-50,200	46,300
Interest paid	-9,749	-8,951
Interest received	-86	300
Other financial items	375	-4,652
Taxes paid	-4,637	240
Cash flow from operating activities	**-17,082**	**80,837**
Cash flow from investing activities		
Investments in tangible and intangible assets	-45,512	-68,192
Proceeds from disposal of tangible and intangible assets	16,369	23,428
Acquisition of subsidiaries, net of cash		-184
Other investments	-224,908	711
Disposal of subsidiaries, net of cash	644,066	
Increase/decrease in short-term investments	30	25
Dividends received	45	1
Cash flow from investing activities	**390,090**	**-44,212**
Cash flow from financing activities		
Increase (+)/decrease (-) in short-term loans	-46,097	35,176
Proceeds from long-term loans	5,625	14,753
Repayment of long-term loans	-38,826	-24,233
Repayments of lease liabilities	-10,321	-14,790
Dividends paid	-250,020	-3,990
Dividends paid/hybrid bond		-2,785
Repayments of hybrid bond	-29,880	-20,120
Cash flow from financing activities	**-369,518**	**-15,990**
Change in cash and cash equivalents	**3,490**	**20,635**
Cash and cash equivalents opening balance	26,961	6,326
Change in cash and cash equivalents	3,490	20,635
Effect of changes in exchange rates	-45	
Cash and cash equivalents at end of period	30,406	26,961
Cash and cash equivalents related to mergers, acquisitions and	0	13,595

Consolidated statement of changes in shareholders' equity

EUR 1,000	Share capital	Other funds	Translation differences	Retained earnings	Hybrid bond	Total	Non-controlling shareholders	Total
Shareholders' equity total, 1 January 2021	50,456	30,454	-3,433	58,068	29 880	165,425	41,879	207,304
Changes in shareholders' equity								
Dividend distribution				-250 000		-250,000	-20	-250,020
Distribution of funds							-970	-970
Transfers between items								
Total comprehensive income			-505	499 319		498,814	2,318	501,132
Other changes								
Other changes			-40	48	-29 880	-29,872	298	-29,574
Shareholders' equity total, 31 December 2021	**50,456**	**30,454**	**-3,977**	**307,434**		**384,367**	**43,505**	**427,872**

EUR 1,000	Share capital	Other funds	Translation differences	Retained earnings	Hybrid bond	Total	Non-controlling shareholders	Total
Shareholders' equity 1 Jan. 2020	50,456	30,657	-4,215	175,893	50,000	302,791	40,640	343,431
Changes in shareholders' equity								
Dividend distribution				-6,775		-6,775	-78	-6,853
Distribution of funds							-303	-303
Transfers between items				100		100	156	256
Total comprehensive income			882	-111,062		-110,180	3,360	-106,820
Other changes						0		
Other changes		-204	-99	-88	-20,120	-20,511	-1,899	-22,410
Changes in holdings in subsidiaries							3	3
Shareholders' equity total, 31 December 2020	**50,456**	**30,454**	**-3,433**	**58,068**	**29,880**	**165,425**	**41,879**	**207,304**

A restatement amounting to EUR 0.072 million has been made regarding the comparison figure for retained earnings.

1. Accounting policies for the consolidated financial statements

1.1 Company

Neova Oy (Business ID 0174817-6) is a Finnish limited liability company domiciled in Jyväskylä at the registered address Yrjönkatu 42, PO Box 22, 40101 Jyväskylä, Finland. Neova Oy and its subsidiaries constitute Neova Group (hereinafter referred to as “Neova” or “the Group”).

Neova is an international conglomerate whose businesses promote clean, local and water-conserving food production, supply local fuels and new products for the treatment of contaminated environments, and create well-being through employment, recycling and the creation of comfortable living environments. Neova Group consist of three divisions — Energy, Grow&Care and New Businesses — and the Group’s other activities. Neova has subsidiaries in Finland and other countries.

Neova is a leading bioenergy company in Finland, Sweden and Estonia. The product and service selection developed for Neova’s energy customers consists of local fuels, such as peat, pellets and forest fuels. Neova is an important part of the local energy infrastructure in all of its markets.

Neova Group also includes the growing media group Kekkilä-BVB, which is the European market leader in growing media products. The company produces growing media, mulches and fertilisers for professional growers, consumers and landscapers in Finland under the Kekkilä brand, in Sweden under the Hasselfors Garden brand and in the Netherlands under the BVB Substrates brand.

The Board of Directors of Neova Oy approved these financial statements for publication at its meeting on 3 March 2022. According to the Finnish Companies Act, shareholders are entitled to either approve or dismiss the financial statements at the General Meeting of Shareholders following their publication. The General Meeting is also entitled to vote on a revision of the financial statements. A copy of the consolidated financial statements is available online at www.neova-group.com or from the address Neova Oy, Viestintä, PL 22, 40101 Jyväskylä, Finland.

1.2. Basis of preparation

Neova Oy’s consolidated financial statements have been compiled in accordance with the International Financial Reporting Standards (IFRS), which have been approved for use in the EU, and in accordance with the IAS and IFRS standards in force on 31 December 2021 as well as the SIC and IFRIC standing interpretations. International accounting standards refer to standards and their interpretations approved to be used in the EU according to the Finnish Accounting Act and regulations based on it in accordance with the procedures set in EU regulation (EC) No. 1606/2002.

The notes to the consolidated financial statements also comply with the requirements of the Finnish accounting and company acts which complement the IFRS regulations. The profit and loss statement figures are presented in thousands of euros and are based on the original acquisition costs, unless stated otherwise in the accounting policies. For presentation purposes, individual figures and totals have been rounded up to the nearest thousand, resulting in rounding differences in the totals.

New and amended standards adopted during the financial year

The Group has applied the new and amended standards that entered into effect in the financial period that began on 1 January 2021. Amendments to standards have not had a significant effect on the consolidated financial statements. The Group has not adopted new and amended IFRS standards or interpretations that have been published but were not yet in effect for the financial year that began on 1 January 2021.

New standards, amendments and interpretations that have not been adopted yet

Several new standards, amendments and interpretations have already been published but not yet applied in the preparation of these consolidated financial statements.

None of the as-of-yet unadopted IFRS or IFRIC interpretations are considered to have a significant effect on the Group.

1.3. Consolidation

Subsidiaries

The consolidated financial statements cover the parent company, Neova Oy, and all subsidiaries in which the parent company directly or indirectly holds over 50 per cent of the votes carried by shares, or which are otherwise controlled by the parent company, based on a shareholders' agreement, for example. Subsidiaries are consolidated in the consolidated financial statements from the date on which the Group acquires control, until the date on which the Group's control over the subsidiary ceases.

Acquired or established subsidiaries are consolidated using the acquisition cost method. The consideration transferred and the identifiable assets acquired and liabilities assumed in the acquired company are measured at fair value on the acquisition date. The consideration transferred includes any assets transferred, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Any contingent consideration related to the business combination is measured at fair value on the acquisition date and classified as liability or equity. Contingent consideration classified as liability is remeasured at fair value at the end of each reporting period, and the resulting gain or loss is recognised through profit or loss. Contingent consideration classified as equity is not subsequently remeasured. The consideration transferred does not include any transactions accounted for separately from the acquisition. Such transactions are recognised through profit or loss in connection with the acquisition. Acquisition-related costs are recognised as expenses as they are incurred.

A non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The Group decides on the measurement principle separately for each acquisition. In an acquisition achieved in stages, the previous shareholding is measured at fair value on the acquisition date, and the resulting gain or loss is recognised through profit or loss. Acquisition-related costs are recognised as expenses as they are incurred. Changes in non-controlling interests arising from changes in subsidiary shareholdings are treated as changes in equity.

The Group's internal business transactions, receivables, debts, unrealised margins and internal distribution of profit are eliminated in the preparation of the consolidated financial statements. The result for the financial period and other comprehensive income items are allocated to the parent company's owners and non-controlling interest and presented in connection with the income statement and other comprehensive income items. Non-controlling interest is presented in equity separately from the equity attributable to the owners of the parent company. Total comprehensive income is allocated to the owners of the parent company and non-controlling interest, even if this means that the proportion allocated to non-controlling interest becomes negative, unless the non-controlling interests have a binding obligation to not cover losses in excess of their investment.

Associates and joint ventures

Associates in which Neova controls 20–50 per cent of the votes, and in which Neova has considerable influence but no absolute control, have been consolidated using the capital share method. When the Group's share of the associate's result exceeds the book value, the investment is recognised in the balance sheet at zero value and the exceeding losses are not recognised unless the Group has incurred obligations or made payments on behalf of the associate.

The Group's share of the result of associates and joint ventures for the financial year, based on the Group's shareholding, is presented as a separate item and included in operating profit. Correspondingly, the Group's share of changes recognised in other comprehensive income is recognised in the Group's statement of comprehensive income. Neova's investments consolidated as joint ventures and associates are presented in Note 15 Shares in associates and joint ventures.

Transactions denominated in foreign currency

Figures concerning the result and financial status of the Group's units are defined in the currency that is the currency in each unit's main operational environment ('functional currency'). The consolidated financial statements are presented in euros, which is the parent company's functional and presentation currency.

Transactions in foreign currencies are translated into the functional currency using the exchange rate on the transaction date. Transactions denominated in currencies other than the euro are recognised using the exchange rate on the transaction date. At the end of each month, receivables and payables denominated in currencies other than the euro are measured at the exchange rate effective at the end of the month. Profits and losses arising from transactions denominated in foreign currency and translation of monetary items have been treated through the profit and loss account. The exchange rate gains and losses of business operations are included in financial income and expenses.

Conversion of foreign Group company financial statements

The separate financial statements of Group companies are reported in each company's primary functional currency. The income statements and cash flows of Group companies that use a functional currency other than the euro are translated into euros using the average exchange rate for the financial period, while balance sheet assets and liabilities are translated into euros using the exchange rate on the financial statements date. The average exchange rate difference arising from the different exchange rates used for the income statement, comprehensive income statement and balance sheet creates a translation difference recognised in equity. The change in the translation difference is recognised in other comprehensive income. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and the translation of equity items accrued after the acquisition are recognised in other comprehensive income. When a subsidiary is sold as a whole or in part, the conversion differences gained are transferred through profit and loss as a part of gains or losses on sale.

Key exchange rates used in the consolidated financial statements

		Average rate	Average rate	Financial statements	Financial statements
		2021	**2020**	**2021**	**2020**
SEK	Swedish krona	10.1465	10.4848	10.2503	10.0343

1.4. Use of estimates and the management's judgement

Accounting principles requiring management judgement, key uncertainties and errors related to estimates

When preparing the financial statements, the Group's management has to make estimates and assumptions concerning the future, which affect the amounts of assets and liabilities in the balance sheet, the reporting of contingent assets and liabilities in the notes to the financial statements and the amounts of income and expenses reported for the financial period. The management may also need to exercise judgement in applying the accounting principles used in the preparation of the financial statements. This particularly concerns situations where the IFRS standards currently in effect include alternative methods of recognition, measurement or presentation.

The estimates and assumptions are based on the previous experience of the Group's management and other factors. They also include reasonable expectations concerning future events. The estimates and assumptions used are continuously reviewed. The Group monitors changes in estimates and assumptions and the factors influencing estimates and assumptions by using several internal and external sources of information. Potential changes to estimates and assumptions are taken into account in the financial periods during which the estimate or assumption changes.

The most significant components for which management discretion has been applied concern the amounts of reserves, compiling the impairment testing and the assumptions used therein, determining the terms of leases as well as determining the fair values of the financial assets and debts.

The impacts of the COVID-19 pandemic on the financial statements

The Group has continued to assess the impacts of the COVID-19 pandemic by examining the carrying values entered in the balance sheet. Pursuant to IAS 36, assets that are not included in financial assets are tested for impairment whenever there are indications of impairment. The Group conducts goodwill testing annually. Uncertainty in the economic environment may reduce the reliability of the long-term forecasts used in connection with impairment testing. The Group continuously examines accounts receivable and the expected credit losses related to them as well as the measurement of slow-moving and expired products. The expected credit losses associated with the accounts receivable on the Group's books, unsalability deductions related to inventories and impairment did not increase in the second third of 2021.

2. Segment information

Accounting principle

Neova's reporting segments are Energy, Grow&Care, New Businesses and Other activities. The segments' performance is assessed regularly by the senior operative decision-maker to evaluate performance and allocate resources. The operating segments are reported consistently with the manner they are reported to the senior operative decision-maker. The senior operative decision-maker who is responsible for allocating resources to the operating segments and assessing their results is the Group's Chief Executive Officer. No operating segments have been combined to create reporting segments.

The management monitors business operations based on products, and the financial performance of the segments is monitored in terms of their comparable operating profit and operating profit. The accounting principles applied in segment reporting are consistent with the accounting principles applied in the preparation of the consolidated financial statements. Pricing between the segments is market-based and eliminated in consolidation. The segments' operating profit includes realised gains and losses from commodity derivatives used to hedge future cash flows, which are recognised in the income statement according to the nature of the hedged item.

Segment assets and liabilities are items that the segment uses in its business operations. Segment assets mainly consist of tangible and intangible assets, shares in associates and joint ventures, inventories and operational receivables. Deferred taxes, interest-bearing receivables and derivatives are not allocated to the segments. Segment liabilities include operational payables, pension obligations and provisions. Taxes, interest-bearing liabilities and derivatives are not allocated to the segments.

Alternative performance measures

In its financial statements, Neova presents financial performance indicators that are not defined by the IFRS standards (alternative performance measures). Alternative performance measures are indicators that are monitored and used by the management in assessing the development and financial position of the Group's businesses. Neova believes that the alternative performance measures also provide useful information to the capital markets. The alternative performance measures should not be assessed separately from the corresponding IFRS performance measures. The calculation formulas for the alternative performance measures are presented in the section Calculation formulas for performance measures.

Segment-specific information

In accordance with Neova's management model, Neova's reporting segments are Energy, Grow&Care, New Businesses and other activities.

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.

Grow&Care

The Grow&Care division's Kekkilä-BVB is Europe's leading and most versatile growing media operator in the professional grower, landscaping and consumer segments. Kekkilä-BVB specialises in the sustainable 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 and for use as raw material in further processing.

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 Central European markets, our business includes private label products as well as the Jardino and Florentus brands, for example. 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.

New Businesses

The New Businesses division works together with customers and ecosystems to develop solutions to global challenges that secure the world's food production, promote healthy living environments and promote the purification of air and water. The division's Neova Ventures unit is also responsible for developing and managing the Group's shared innovation activities.

Other activities

The other activities segment consists of costs that are not allocated to Neova Group's business units. These costs are related to the Group's administrative functions, Supply Chain Management, M&A activities and support functions.

Segment information 1/2021–12/2021

MEUR	Energy	Grow&Care	New Businesses	Other	Eliminations	Group total
External turnover	172.3	338.6	2.5	1.1	0.0	514.6
Internal turnover	2.6	0.3	0.5	0.0	-3.4	0.0
Turnover	**174.9**	**338.9**	**3.0**	**1.1**	**-3.4**	**514.6**
Segment operating profit/loss	3.5	11.0	-5.1	501.6	0.3	511.2
Financial income and expenses						-7.2
Appropriations and income taxes						-2.5
Result for the period	**3.5**	**11.0**	**-5.1**	**501.6**	**0.3**	**501.5**
Segment assets	191.4	294.4	48.8	116.6	-104.9	546.4
Shares in associates	0.0					0.0
Unallocated assets						234.4
Assets total	**191.4**	**294.4**	**48.8**	**116.6**	**-104.9**	**780.9**
Segment debt	29.5	38.4	0.6	2.3	-2.8	68.0
Unallocated debt						285.2
Debt total	**29.5**	**38.4**	**0.6**	**2.3**	**-2.8**	**353.1**
Investments	30.9	37.5	10.4	5.0	0.7	84.6
Depreciation and impairment	28.0	21.2	0.6	1.7	0.0	51.6

Segment information 1/2020–12/2020

MEUR	Energy	Grow&Care	New Businesses	Other	Eliminations	Group total
External turnover	243.0	299.9	2.0	0.1	-0.0	544.9
Internal turnover	2.8	0.1	0.5	0.0	-3.4	
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	-95.3
Financial income and expenses						-12.5
Appropriations and income taxes						-0.3
Result for the period	**-90.6**	**14.0**	**-3.3**	**-27.8**	**-0.4**	**-108.1**
Segment assets	395.1	274.4	39.9	120.2	-110.3	719.3
Shares in associates						
Unallocated assets						39.2
Assets total	**395.1**	**274.4**	**39.9**	**283.1**	**-234.0**	**758.5**
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**	**527.8**	**-123.7**	**551.1**
Investments	21.1	25.4	28.0	5.7	-3.6	76.6
Depreciation and impairment	126.6	20.1	0.4	2.8	0.0	150.0

Neova discloses comparable performance indicators to improve comparability between periods. Certain income and expense items are presented as items affecting comparability when they have a significant effect on the consolidated income statement. Items affecting comparability include, for example, income and expenses arising from the restructuring of Neova's operations, income and expenses that are not related to the Group's normal business operations, such as impairment losses and costs related to acquisitions and business combinations. A reconciliation calculation between the comparable operating result and the operating result is presented in the table below.

Operating profit

IAS 1 Presentation of Financial Statements does not give a definition for operating profit. The Group has specified it as follows: operating profit is the net of turnover and other operating income, acquisition costs adjusted for change in inventories of finished goods and work in progress and costs of production for own use, employee benefit expense, depreciation and any impairment losses and other operating expenses. All income statement items other than the above are presented below operating profit.

MEUR	2021	2020
Energy	3.5	-90.6
Grow&Care	11.0	14.0
New Businesses	-5.1	-3.3
Other activities	501.6	-15.0
Eliminations	0.3	-0.4
Total	**511.2**	**-95.4**

Items affecting comparability, by segment

MEUR	2021	2020
Energy	-17.7	-111.9
Grow&Care	-0.9	-1.6
New Businesses	-0.1	0.1
Other activities	506.1	-9.1
Eliminations	0.3	-0.4
Total	**487.6**	**-122.8**

*) Unaudited

Comparable operating profit

MEUR	2021	2020
Energy	21.2	21.2
Grow&Care	11.9	15.6
New Businesses	-4.9	-3.5
Other activities	-4.5	-6.0
Eliminations	-0.1	0.0
Total	**23.6**	**27.4**

*) Unaudited

Items affecting comparability

MEUR	2021	2020
Comparable profit/loss for the period	**13.7**	**14.7**
Items affecting comparability		
Gains/losses on disposals	507.6	1.3
Inventory measurement gains/losses	2.0	
Impairment	-0.0	-1.5
Restructuring	-2.1	-7.3
Other items	-0.4	-12.9
Items affecting comparability in operating margin	507.1	-20.4
Gains/losses on disposals		0.6
Impairment	-18.3	-102.8
Restructuring	-1.1	0.0
Other items	-0.0	-0.2
Items affecting comparability in operating profit	487.6	-122.8
Items affecting comparability, total	**487.6**	**-122.8**
Profit/loss for the period	**501.5**	**-108.1**

*) Unaudited

Geographical information

Turnover by country

MEUR	2021	2020
Finland	220.3	268.0
Other Nordic countries	66.7	87.6
Europe	193.7	156.6
America	10.4	8.5
Other activities	23.5	24.3
Total	**514.6**	**544.9**

Investments

MEUR	2021	2020
Finland	62.2	46.4
Other Nordic countries	9.6	5.1
Europe	12.8	25.1
America	-	-
Other activities	0.0	0.0
Total	**84.6**	**76.6**

Non-current assets

MEUR	2021	2020
Finland	360.0	176.1
Other Nordic countries	59.2	178.2
Europe	87.6	133.9
America	-	-
Other activities	0.0	0.0
Total	**506.7**	**488.2**

3. Acquisitions and divestments

Acquisitions

On 19 November 2021, Kekkilä Oy acquired the entire share capital of the German company Altstadtsee 480. V V GmbH for the price of EUR 28,500. The acquisition does not have a material effect on the reported figures. Following the acquisition, the name of the company was changed to Kekkilä-BVB Germany GmbH.

Divestments

In January 2021, Neova completed the sale of its wholly-owned subsidiary Nevel Oy to the French company Ardian. Nevel Oy’s subsidiaries in Finland, Sweden and Estonia were included in the transaction. The debt-free price (enterprise value) of the transaction was approximately EUR 656 million, and Neova recognised a tax-free sales profit of approximately EUR 507 million in its result for the first third of 2021.

Subsidiary shares sold, Nevel Oy

EUR 1,000	1–12/2021
Intangible assets	29,566
Tangible assets	139,034
Deferred tax assets	117
Inventories	4,340
Sales and other receivables	23,273
Cash on hand and in the bank	11,856
Assets total	**208,186**
Interest-bearing debt	147,145
Deferred tax liabilities	4,148
Accounts payable and other debt	27,894
Debt total	**179,187**
Net assets sold	**28,999**
Consideration received	536,462
Net assets sold	28,999
Capital gain	**507,462**
Consideration received in cash	655,923
Cash and cash equivalents	-11,856
Cash flow effect	**644,066**

Available-for-sale assets

Accounting principle

A non-current asset (or a disposal group) as well as assets and liabilities associated with a discontinued operation are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The recognition criteria are regarded to be met when: a sale is highly probable, the asset (or a disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary, the management is committed to the plan to sell the asset and the sale is expected to take place within one year from the date of classification.

Immediately before the initial classification of the asset or disposal group as held for sale, the assets and liabilities will be measured in accordance with applicable IFRS standards. After classification as held for sale, assets (or disposal groups) are measured at the lower of the carrying amount or fair value less selling costs. Depreciation is not recognised on asset items after they are classified as held for sale. Assets included in disposal groups that do not fall within the scope of application of the measurement rules of IFRS 5 and liabilities are measured in accordance with the applicable IFRSs also after classification.

The assets classified as held for sale on 31 December 2021 consist of shares in the associated company Scandbio. The Group has not recognised a share of the result of the associated company in the result for the financial period for assets that are classified as held for sale.

4. Turnover

Accounting principle

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 included in the figures for the comparison period 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.

If a customer agreement is expected to be loss-making, the costs arising from the agreement are estimated according to the principles applied to provisions and the expected loss is recognised immediately through profit or loss.

Turnover by category

2021	Energy	Grow&Care	New Businesses	Other activities	Total
Products	170.5	329.7	2.5	0.0	502.7
Services	1.8	8.9	0.0	1.2	11.9
Total	**172.3**	**338.6**	**2.5**	**1.1**	**514.6**

2020	Energy	Grow&Care	New Businesses	Other activities	Total

Products	237.8	295.1	2.0	0.0	534.8
Services	5.3	4.8	0.0	0.1	10.1
Total	**243.0**	**299.9**	**2.0**	**0.1**	**544.9**

Timing of revenue recognition

2021	Energy	Grow&Care	New Businesses	Other activities	Total
Goods transferred at a point in time	170.5	329.7	2.5	0.0	502.7
Services transferred at a point in time	1.8	8.9	0.0	1.2	11.9
Services transferred over time	0.0	-	-	-	0.0
Total	**172.3**	**338.6**	**2.5**	**1.1**	**514.6**

2020	Energy	Grow&Care	New Businesses	Other activities	Total
Goods transferred at a point in time	237.6	295.1	2.0	0.0	534.8
Services transferred at a point in time	5.2	4.8	0.0	0.1	10.0
Services transferred over time	0.1	0.0	0.0	0.0	0.1
Total	**243.0**	**299.9**	**2.0**	**0.1**	**544.9**

5. Other operating income

Accounting principle

Turnover from activities other than normal business operations is recognised in other operating income. Other operating income includes, for example, gains on the sale of tangible and intangible assets as well as rental income. Unconditional government grants are recognised in the income statement when the right to the grant is established. Other government grants are recognised initially at fair value in the balance sheet when the receipt of the grant is reasonably certain and when Neova meets the conditions for the grant, and subsequently accrued as income systematically over the periods in which the corresponding expenses are incurred.

EUR 1,000	1–12/2021	1–12/2020
Rental revenue	800	670
Grants and public subsidies	47	13
Other operating income	511,249	2,202
Gains on the sale of tangible assets	9,210	7,241
Total	521,307	10,126

6. Materials and services

EUR 1,000	1–12/2021	1–12/2020
Purchases during the period	-208,458	-196,766
Increase/decrease in inventories	10,930	-787
External services	-44,202	-71,296
Total	-241,731	-268,849

7. Expenses arising from staff benefits

EUR 1,000	1–12/2021	1–12/2020
Salaries and fees	-51,860	-57,962
Pension expenses, defined contribution	-6,776	-7,529
Voluntary pensions	-419	-616
Pension expenses total	-7,194	-8,145
Other fixed personnel expenses	-5,796	-5,984
Expenses arising from staff benefits	-64,851	-72,091
Management salaries and fees		
Salaries and other short-term employment benefits	2,028	1,929
Total	2,028	1,929
Salaries and fees		
CEO	512	499
Members of the Board of Directors	246	278
Members of the Supervisory Board	15	16
Management salaries, fees and fringe benefits total	781	793

The company publishes a separate corporate governance statement and remuneration statement annually. The reports are available on the company's website at www.neova-group.com.

Employees, average

	1–12/2021	1–12/2020
Energy	244	371
Grow&Care	569	545
New Businesses	28	26
Other activities	81	90
Total	**922**	**1,031**

8. Depreciation and impairment

EUR 1,000	1–12/2021	1–12/2020
Depreciation		
Intangible rights	-2,987	-3,326
Other intangible assets	-1,290	-116
Land areas	-1,442	-1,446
Buildings and structures	-6,328	-7,517
Machinery and equipment	-11,708	-22,404
Other tangible assets	-11,509	-12,320
Total	-35,264	-47,179
Impairment		
Goodwill	-276	
Intangible rights	-22	-973
Land areas	-44	-442
Buildings	-2	-665
Machinery and equipment	-3,715	-12,436
Other tangible assets	-12,270	-88,281
Total	-16,328	-102,798
Depreciation and impairment total	-51,592	-149,977

9. Other operating expenses and auditor's fees

EUR 1,000	1–12/2021	1–12/2020
Rents	-4,585	-4,789
Cost of sales freight	-79,074	-70,252
Losses on the sale and scrapping of tangible assets	-379	-1,032
Change in credit loss provision	-66	-579
Auditor's fees: actual audit	-505	-473
Auditor's fees: attestations and statements	-5	-118
Auditor's fees: other expert services	-84	-400
Auditor's fees: tax advice	-166	-85
Audit costs total	-760	-1,077
External services	-16,837	-28,952
Other expenses	-41,332	-55,130
Other operating expenses total	-143,032	-161,810

10. Financial income and expenses

EUR 1,000	1–12/2021	1–12/2020
Dividend income from associates, investments	45	
Dividend income from investments measured at fair value through profit or loss	1	1
Changes in the value of financial assets measured at fair value through profit or loss		
- interest derivatives, no hedge accounting		
- currency derivatives, no hedge accounting	304	96
- commodity derivatives, no hedge accounting	1,485	
Interest income	64	289
Foreign exchange gains from financial loans measured at amortised cost	281	
Other foreign exchange gains	3,060	5,110
Other financial income	47	2
Financial income total	5,286	5,497
Interest expenses to others	-6,670	-6,463
Interest expenses on lease expenses (IFRS 16)	-1,349	-1,796
Changes in the value of financial assets measured at fair value through profit or loss		
- currency derivatives, no hedge accounting	-154	-331
- commodity derivatives, no hedge accounting		-2,898
Foreign exchange losses from financial loans measured at amortised cost		-1,510
Other foreign exchange losses	-3,729	-4,086
Other financial expenses	-592	-895
Financial expenses total	-12,494	-17,979
Financial income and expenses total	-7,207	-12,482

11. Income taxes

Accounting principle

Income taxes in the income statement include Group companies' taxes based on taxable income, adjustments to taxes for previous periods and changes in deferred taxes. Income taxes based on taxable income for the period are calculated on taxable income, applying the local tax rates and regulations in effect on the financial statements date. Taxes is recognised in the income statement except where they are related to items recognised in other comprehensive income, in which case the tax is presented in other comprehensive income.

Deferred tax assets and liabilities are, as a rule, recognised for all temporary differences between the taxable values and book values of assets and liabilities, using the tax rates in effect on the financial statements date. Deferred tax liabilities are recognised in full and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unutilised tax losses can be utilised.

Deferred tax is recognised in the case of investments in subsidiaries or associates, except if the Group is able to determine the time the temporary difference will be eliminated and the temporary difference will probably not be eliminated during the foreseeable future.

The most substantial temporary differences arise from appropriations, measurement of the net assets of acquisitions at fair value through profit or loss, measurement of financial assets at fair value through profit or loss, unused tax losses and internal margins. Non-deductible tax-at-source and foreign taxes related to business operations are presented in other operating income and expenses. The Group offsets deferred tax assets and liabilities if they are related to the same tax collector.

Use of estimates and the management's judgement

The measurement of income taxes and deferred tax assets and liabilities and the recognition of deferred tax assets require management judgement. The Group has deferred tax assets and liabilities that are expected to be realised as items that are recognised in the income statement in the future. The calculation of deferred tax assets and liabilities requires the Group to make assumptions and estimates regarding future tax consequences. The Group regularly assesses uncertainties related to the tax treatment of income taxes and restates the recognised amounts as necessary.

EUR 1,000	1–12/2021	1–12/2020
Income taxes from actual operations	-2,523	-4,672
Taxes for previous financial periods	-798	313
Deferred taxes	813	4,098
Total	-2,509	-261

Reconciliation of taxes

EUR 1,000	1–12/2021	1–12/2020
Profit/loss before taxes	504,023	-107,830
Deferred tax, parent company rate of 20%	-100,805	21,566
Effect of the different tax rates used in foreign subsidiaries	-195	-511
Effect of non-deductible items with the unit's tax rate	106,400	-5,496
Effect of non-deductible items with the unit's tax rate	-2,358	969
Taxes for previous financial periods	-798	313
Unbooked deferred tax for losses of the financial period	-4,715	-17,168
Effect of change in the tax rate on taxes for the financial period	-144	66
Other	108	0
Tax expense in the income statement	-2,509	-261

12. Earnings per share

Accounting principle

Earnings per share are calculated by dividing the result for the period attributable to the owners of the parent company by the weighted average number of outstanding shares for the period, less shares purchased and owned by the Group. During the financial periods in question, the Group has not had dilutive schemes, and the Group has not held any of its own shares.

EUR 1,000	2021	2020
Profit for the period attributable to owners of the parent company, EUR 1,000	499,146	-111,358
Average number of shares	30,000	30,000
Earnings per share, EUR	16,638	-3,712

The AGM resolved not to pay a dividend for the financial year that ended on 31 December 2020. The Extraordinary General Meeting of Neova Oy decided that a dividend of EUR 8,333.33 per share, corresponding to a total of EUR 250 million, be distributed for the interim financial period 1 January–30 April 2021. The Board of Directors proposes to the Annual General Meeting to be held on 29 March 2022 that a dividend of EUR 2,000 per share, totalling EUR 60 million, be distributed for the financial year 2021. The dividend distribution proposed by the Board of Directors to the Annual General Meeting has not been recognised in the financial statements as a dividend liability.

13. Intangible assets

Goodwill

Accounting principle

Goodwill arising from business combinations is the difference between the acquisition cost and the acquired identifiable net assets measured at fair value. Goodwill is initially recognised as the excess of the aggregate of the consideration transferred, the amount of non-controlling interests in the acquiree and previously held equity interest in the acquiree over the fair value of the net assets acquired. Any excess of the fair value of the net assets acquired over the cost of the acquisition is recognised directly in the income statement. Goodwill is measured at original acquisition cost, less impairment, and presented as an intangible asset with an unlimited useful life.

Goodwill is fully allocated to cash-generating units (CGU) and tested for impairment annually and whenever there are indications of impairment. Impairment loss is recognised when the book value of an asset exceeds the recoverable amount. The recoverable amount is the fair value of the asset less the expenses arising from its disposal or its value in use, whichever is higher. Value in use is determined by calculating the present value of the future net cash flows of the CGU being tested. The discount rate used in calculating value in use is the weighted average cost of capital, which takes into account the market's view of the time value of money and the risks associated with the unit being tested.

Previously recognised impairment losses are not reversed. The gain or loss on the sale of a business includes the book value of goodwill allocated to the business. The amount of derecognised goodwill is determined based on the change in the value of the reporting segment in question before and after the sale, based on an analysis of value in use or, alternatively, based on fair value less the costs of sale.

In the case of associates, goodwill is included in the value of the associate investment, and its impairment is assessed as part of that investment. If the said goodwill can be seen to be associated with the funds or other intangible rights of the acquired associate, it is depreciated over its useful life.

Other intangible assets

An intangible asset is entered on the balance sheet at the original acquisition cost if it can be reliably defined, and it is likely that the corresponding economic benefit expected will profit the Group. Other intangible assets include patents, copyright, trademarks, software licences and customer relationships. They are measured at the original acquisition cost and depreciated using straight line depreciation over their estimated economic useful life. The economic useful life of assets is reviewed on each financial statements date and restated where necessary.

Depreciation is based on the following expected economic useful lives:

Patents and licences	5–10 years
Information systems	5 years
Other intangible assets	5–25 years

Emission rights

The principles of emission right calculation are based on valid IFRS standards. Emission rights are treated as intangible assets measured at acquisition cost. Emission rights received for no consideration are measured at their nominal value (zero). A provision for fulfilling the obligation to return the emission rights is recorded if the emission rights received without consideration are not sufficient to cover the actual amount of emissions. The consolidated balance sheet has no items related to emission rights if the actual emissions are lower than the emission rights received for no consideration, and if no emission rights are purchased from the market.

Research and development expenditure

Research expenses are entered as expenditure for the accounting period in which they are incurred. Development expenses from the design of new or significantly improved products are capitalised as intangible assets on the balance sheet once the expenses of the development phase can be calculated reliably, once the product can be utilised technically and commercially, once the Group expects the product to generate a likely future financial benefit, and once the Group has both the intention and resources to complete the development work.

Use of estimates and the management's judgement

Impairment testing of goodwill and intangible assets

Goodwill and any other intangible assets with an unlimited economic useful life are tested for impairment annually or when there are indications of impairment. Goodwill and intangible assets with an unlimited useful life are allocated to cash-generating units for the purpose of impairment testing. The recoverable amounts of cash-generating units are based on three-year financial plans approved by the management. These calculations require the management to make estimates and assumptions in determining future cash flows and the weighted average cost of capital (WACC) used to discount them.

Allocation of goodwill to reporting segments

Goodwill arising from acquisitions is allocated to the operating segments, which are also the Group's cash-generating units used in goodwill impairment testing. With regard to peat production, the Group reallocated goodwill related to peat production in 2021. A summary of the allocation of goodwill and the weighted averages of the discount rates used is presented in the table below.

EUR 1,000	WACC	31 December 2021	WACC	31 December 2020
Energy	7.3%	0	6.7%	980
Grow&Care	5.5%	23,995	5.3%	23,327
Other activities	5.4%	0	5.0%	
Total		23,995		24,306

Goodwill impairment testing

Goodwill and intangible assets that are not yet ready to use are tested for impairment annually and when necessary if there are indications of impairment. Impairment losses are recognised in the income statement immediately to the extent that the carrying amount exceeds the asset's recoverable amount. The recoverable amount of an asset is the higher of the net sales price and service value. The basis for impairment for non-financial assets, except goodwill, is reviewed on the financial statements date to determine whether impairment should be reversed.

The service value is determined by discounting the estimated future net cash flows of the asset or cash-generating unit at the present value. The anticipated cash flows in the calculations are based on financial plans approved by the management that cover the cash flow forecasts for the next few years. Forecasts are based on the various businesses' historical data, order backlog, current market situation and information on the industry's future growth prospects. The cash flows of the explicit forecast period correspond with the management's views of the development of the profitability of different businesses and the effect of inflation on cash flows. Cash flows are expected to continue to follow the same trend after the explicit forecast period. As a rule, the calculation period for anticipated cash flow is five years. Cash flows after the calculation period are estimated according to a growth forecast of no more than 1.0 per cent, taking into account the country-specific differences of the business functions.

The discount rate used by the Group is the business-specific weighted average cost of capital (WACC) after taxes, adjusted by the tax effect in connection with testing. The calculation components for the weighted average cost of capital are the risk-free return, market risk premium, industry-specific beta, the target capital structure, the cost of borrowed capital and other risks.

Key assumptions applied in impairment testing and sensitivity analysis

Preparing cash flow forecasts requires management estimates of future cash flows. The estimates and assumptions are based on the previous experience of the Group's management and other factors. They also include reasonable expectations concerning future events. The nature of the estimates depends on the business area the assets being tested are part of. The estimates and assumptions used are continuously reviewed. The Group monitors changes in estimates and assumptions and the factors influencing estimates and assumptions by using several internal and external sources of information. Potential changes to estimates and assumptions are taken into account in the financial periods during which the estimate or assumption changes. Based on the impairment tests performed, no impairment was recognised in 2021 and 2020.

As part of impairment testing, the Group has carried out separate sensitivity analyses, based on basic assumptions, for each cash-generating unit. The key variables in impairment testing are change in cash flow (+/- 5%), change in sales (+/- 5%) and change in the discount rate (+/- 1 percentage points). The sensitivity analyses carried out in 2021 and 2020 did not indicate goodwill impairment risks for the segments. In estimating the cash-generating units, according to the management's estimates, no foreseen change in any of the variables used in sensitivity analyses would lead to a situation in the other segments where a unit's recoverable amount would be lower than its carrying amount.

Intangible assets

EUR 1,000	Goodwill	Intellectual property rights	Other intangible assets	Prepayments	Total
Cost 1 January 2021	31,169	58,156	6,971	6,074	102,369
Translation differences (+/-)	-9	-10	-1	0	-20
Increase	18,986	334	86	4,591	23,997
Divestment of subsidiaries	-18,982	247		-222	-18,958
Decrease			-75	-335	-410
Transfers between items		4,332		-4,322	-
Transfer to long-term assets held for sale					
Cost 31 December 2021	31,163	63,059	6,981	5,776	106,978
Accumulated depreciation and impairment 1 January 2021	-6,863	-33,959	-5,328		-46,150
Translation differences (+/-)	3	10	0		13
Accumulated depreciation from divestments	-32	144	6		118
Accumulated depreciation on decrease and transfers			-136		-136
Transfer to long-term assets held for sale					
Depreciation for the period		-2,987	-1,290		-4,277
Impairment	-276	-22			-298
Accumulated depreciation and impairment 31 December 2021	-7,168	-36,814	-6,748		-50,729
Book value 31 December 2021	**23,995**	**26,245**	**233**	**5,776**	**56,249**

EUR 1,000	Goodwill	Intellectual property rights	Other intangible assets	Prepayments	Total
Cost 1 January 2020	31,151	59,222	8,371	3,400	102,145
Translation differences (+/-)	17	19	1	-0	37
Acquisitions					
Increase	782	5,637	257	3,430	10,105

Divestment of subsidiaries					
Decrease		-3,747	-20	-161	-3,927
Transfers between items	-782	-120	164	-595	-1,333
Transfer to long-term assets held for sale		-2,856	-1,802		-4,658
Cost 31 December 2020	31,169	58,156	6,971	6,074	102,369
Accumulated depreciation and impairment 1 January 2020	-6,828	-30,324	-5,252		-42,404
Translation differences (+/-)		-18	-1		-19
Accumulated depreciation on acquisitions					
Accumulated depreciation on decrease and transfers		162	-143		18
Transfer to long-term assets held for sale		714	428		1,141
Depreciation for the period		-3,530	-359		-3,889
Impairment	-34	-973			-1,007
Accumulated depreciation and impairment 31 December 2020	-6,863	-33,959	-5,328		-46,149
Book value 31 December 2020	**24,306**	**24,196**	**1,643**	**6,074**	**56,220**

Divestments and impairments of goodwill are related to sold businesses in the Energy division. These businesses were initially classified as assets held for sale and subsequently sold. The total effect of divestments on the result for the financial year is presented in Note 3 Acquisitions and divestments.

14. Tangible fixed assets

Accounting principle

Tangible fixed assets acquired by Group companies are measured at the original acquisition cost less accumulated depreciation and any impairment. Impairment is described in the accounting principle under Note 8 Depreciation and impairment. Tangible fixed assets acquired in business combinations are measured at fair value at the time of the acquisition. If a fixed asset consists of a number of parts with differing economic lives, the parts are treated as separate assets. Acquisition cost is depreciated using the straight line method over the estimated economic useful life as follows:

The economic useful life of tangible assets is reviewed on each financial statements date and restated where necessary. If there are differences to previously made estimates, the depreciation periods are adjusted accordingly. The cost of major renovations is included either in the asset's book value or recognised as a separate asset, as appropriate, when future economic benefits are expected from the renovations, and the cost of the renovation can be distinguished from ordinary maintenance and repair costs.

Financial expenses associated with fixed assets, such as interest expenses on projects with long construction times, are capitalised as part of the acquisition cost of the asset item in question. Gains and losses on the disposal of tangible assets are included in operating profit.

Depreciation is based on the following expected economic useful lives:

Buildings and structures	15–40 years
Machinery and equipment	3–25 years
Other tangible assets	5–30 years

No depreciation is recorded on land areas; peat assets are depreciated by substance depreciation over their estimated economic life. Ordinary repair and maintenance expenses are entered as expenditure during the accounting period in which they are incurred. Expenses for significant renewal and improvement projects are entered on the balance sheet if it is likely that they will increase the economic benefit accrued by the company. Profits and losses arising from the sale and disposal of tangible fixed assets are calculated as the difference between the net income received and the carrying amounts. Gains and losses on sales are included in the profit and loss statement under operating profit. When a fixed asset is classified as held for sale according to *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*, depreciation is no longer recorded.

Peat assets
The peat assets relating to Neova's peat businesses are included under tangible assets on the balance sheet. Depreciation of peat assets is applied according to use. With regard to the acquisition of new production areas, a portion of the total purchase price that corresponds to the estimated volume of the peat assets is entered as an increase in peat assets.

Costs arising from preparing peat production areas for production are treated as an addition to the acquisition cost of peat assets. The volume (m^3) of peat assets in the Group's production areas is monitored by measurement. Measurement results do not lead to changes in the carrying amounts, but the depreciation plan, which is based on volumes of planned use and remaining peat, is revised as necessary.

Subsidies received
Subsidies received from states or other organisations are entered as income in the profit and loss statement. Entries are made systematically, which means that subsidies are entered under the expenses which they are intended to cover. Subsidies granted for the acquisition of fixed assets are entered as deductions to the book values of fixed assets when it is reasonably certain that the subsidies will be received and the Group satisfies the conditions for eligibility for the subsidy. Subsidies are recognised as income according to the economic life of the asset.

Impairment
At the end of each reporting period, the Group reviews the book values of assets and assesses whether there are indications of any impairment of an asset item. Key financial figures, official decisions, energy market changes and regulations as well as the actions of competitors are monitored as factors which may suggest a need to adjust the value of assets. If such indications are observed, impairment testing is performed on the asset item in question.
The impairment is examined at the level of cash-generating units (CGU), i.e. at the lowest unit level, since this is largely independent of other units and the cash flows can be separated. The impairment is calculated by comparing the carrying amount of the item with the recoverable value of the corresponding assets. As a rule, the recoverable value is based on the future discounted net cash flow obtainable with the aid of the corresponding asset.

In order to determine a possible impairment of peat production areas, Neova Group monitors factors affecting the income-generating capacity of these areas. These include the volume of peat and its thermal content, the logistical location of the peatland, its geographical conditions, the environmental permit process, the estimated development of demand and the sales price, the acquisition price, the preparation cost and the stage of the life cycle.

Impairment loss is recognised in the income statement if the book value of an asset exceeds the recoverable amount. Impairment losses previously recognised in the income statement are only reversed in the event that the estimates of the recoverable amount change significantly. Impairment losses can only be reversed to an extent that makes the asset item's book value equal to the amount it would have had if impairment losses were not recognised in previous years. Impairment loss recognised on goodwill cannot be subsequently reversed.

Use of estimates and the management's judgement

Assets that are not measured at fair value are tested for impairment whenever there are indications of possible impairment. Such indications include external factors, such as a significant decrease in market value or interest rates, and internal factors, such as evidence of non-marketability or physical damage to an asset. If the book value of an asset exceeds its recoverable amount, an impairment loss is immediately recognised on the asset so that the book value corresponds to the recoverable amount.

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and unfinished acquisitions	Total
Cost 1 January 2021	41,352	81,341	275,700	403,186	44,132	845,712
Translation differences	-11	-143	-584	-892	-39	-1,669
Increase	1,113	3,141	9,374	6,945	25,743	46,316
Divestment of subsidiaries	-1,647	356	321	-346	-347	-1,662
Decrease	-5,153	-1,400	-1,715	-173	-796	-9,236
Transfers between items	11	2,380	11,044	2,859	-16,294	-
Transfer to long-term assets held for sale						
Cost 31 December 2021	35,666	85,675	294,141	401,628	52,400	869,510
Accumulated depreciation and impairment 1 January 2021	-2,728	-40,692	-229,700	-328,037		-601,157
Translation differences (+/-)	-16	41	372	454		850
Accumulated depreciation on decrease and transfers	499	685	-1,250	1,055		989
Accumulated depreciation from divestments	1,647	18	2,724	242		4,631
Transfer to long-term assets held for sale						
Depreciation for the period	-1,442	-6,328	-11,708	-11,509		-30,987
Impairment[1)]	-44	-2	-3,715	-12,269		-16,030
Accumulated depreciation and impairment 31 December 2021	-2,085	-46,278	-243,277	-350,064		-641,705
Book value 31 December 2021	**33,581**	**39,397**	**50,864**	**51,564**	**52,400**	**227,807**

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and unfinished acquisitions	Total
Cost 1 January 2020	47,648	121,590	431,494	438,835	24,743	1,064,309
Translation differences	48	230	801	1,356	98	2,533
Increase	2,057	14,578	27,327	2,388	45,911	92,260
Decrease	-4,610	-10,775	-16,259	-3,410	-1,109	-36,164
Change in share of ownership, relative consolidation			-3,160			-3,160
Transfers between items	-44	731	13,719	-7,474	-22,717	-15,784
Transfer to long-term assets held for sale	-3,746	-45,013	-178,221	-38,563	-2,793	-268,336
Cost 31 December 2020	41,352	81,341	275,700	393,132	44,132	835,658
Accumulated depreciation and impairment 1 January 2020	-1,519	-56,006	-302,028	-250,712		-610,265

Translation differences (+/-)		-46	-567	-772		-1,385
Accumulated depreciation on decrease and transfers	226	-378	10,814	4,481		15,143
Transfer to long-term assets held for sale	31	23,953	97,429	19,048		140,461
Depreciation for the period	-1,024	-7,550	-22,911	-11,814		-43,299
Impairment[2)]	-442	-665	-12,437	-88,267		-101,811
Accumulated depreciation and impairment 31 December 2020	-2,728	-40,692	-229,700	-328,037		-601,156
Book value 31 December 2020	**38,624**	**40,650**	**46,001**	**65,095**	**44,132**	**234,502**

[1)] Includes write-downs of EUR 16.0 million related to the discontinuation of energy peat production in Finland. The write-downs were recognised on assets associated with energy peat production and allocated to fixed asset items as shown in the table.
[2)] Includes write-downs of EUR 101.8 million on tangible assets in relation to the downscaling of energy peat production in response to the declining demand for energy peat as well as undepreciated production-related infrastructure. The Group has not reversed write-downs recognised in previous years on tangible fixed assets.

IFRS 16 right-of-use assets included in property, plant and equipment
* Other notes concerning leases are presented in note 32.

EUR 1,000	**Land and water areas**	**Buildings and structures**	**Machinery and equipment**	**Total**
Book value 1 January 2021	9,832	27,298	5,927	43,057
Increase	1,136	2,728	2,523	6,387
Decrease	-538	-631	-5	-1,174
Transfers between items	11		-214	-203
Depreciation for the financial period	-1,440	-4,715	-2,522	-8,677
Translation difference	-4	-34	-9	-47
Book value 31 December 2021	**8,996**	**24,646**	**5,699**	**39,340**

EUR 1,000	**Land and water areas**	**Buildings and structures**	**Machinery and equipment**	**Total**
Cost 1 January 2020	10,834	31,694	30,688	73,216
Increase	1,412	8,170	7,811	17,393
Decrease	-975	-7,862	-27,668	-36,505
Depreciation for the financial period	-1,446	-4,775	-4,924	-11,145
Translation difference	7	71	20	98
Book value 31 December 2020	**9,832**	**27,298**	**5,927**	**43,057**

15. Shares in associates and joint ventures

EUR 1,000	**31 December 2021**	**31 December 2020**
Shares in associates	-60	
Shares in joint ventures *)	17,456	16,735

Non-depreciated goodwill included in joint ventures	2,446	3,296

*) Scandbio and Nevel Oy's associated companies (2020) have been classified as assets held for sale, see note 3

Shares in associates and joint ventures

Information on the Group's significant associates and joint ventures:

Name	Primary industry	Domicile	Holding (%) 31 December 2021	Holding (%) 31 December 2020
Scandbio AB, joint venture	Manufacture and sale of solid wood fuels	Jönköping	50	50

16. Other long-term financial assets

EUR 1,000	31 December 2021	31 December 2020
Cost at the beginning of the period	585	709
Increase	3,532	438
Decrease		
Transfers between items	-3,532	-562
Cost at the end of the period	585	585
Book value at the end of the period	585	585

17. Long-term receivables

EUR 1,000	31 December 2021	31 December 2020
Long-term interest-bearing receivables		
Loan receivables from others	3,183	3,183
Long-term non-interest-bearing receivables		
From others	55	52
Total	3,238	3,235

Neova Oy has an interest-bearing long-term loan receivable from Jyväskylän Voima Oy. The company is part of the Alva Group.

18. Deferred taxes

EUR 1,000	1 January 2021	Translation difference	Recognised in the income statement	Recognised in shareholders' equity	Acquired/divested companies	31 December 2021
Itemisation of deferred tax assets						

Losses	167					167
Provisions	2,256	-37	64			2,283
Other items	10		111			121
Total	**2,433**	**-37**	**175**			**2,571**

EUR 1,000	**1 January 2021**	**Translation difference**	**Recognised in the income statement**	**Recognised in shareholders' equity**	**Acquired/divested companies**	**31 December 2021**
Itemisation of deferred tax liabilities						
Depreciation difference and provisions	3,191		-1,308			1,883
Fair value measurement of intangible and tangible assets in business combinations	8,293		-127			8,166
Other items	-692		1,279			587
Total	**10,791**		**-156**			**10,635**

Deferred taxes on the balance sheet	
Deferred tax assets	2,571
Deferred tax liabilities	10,635
Net tax liability	8,064

EUR 1,000	**1 January 2020**	**Translation difference**	**Recognised in the income statement**	**Recognised in shareholders' equity**	**Acquired/divested companies**	**31 December 2020**
Itemisation of deferred tax assets						
Losses	167					167
Provisions	1,659		597			2,256
Other items	-718		472	373	-117	10
Total	**1,108**		**1,069**	**373**	**-117**	**2,433**

EUR 1,000	**1 January 2020**	**Translation difference**	**Recognised in the income statement**	**Recognised in shareholders' equity**	**Acquired/divested companies**	**31 December 2020**
Itemisation of deferred tax liabilities						
Depreciation difference and provisions	9,018		-2,976		-2,852	3,191
Fair value measurement of intangible and tangible assets in business combinations	8,460		-167			8,293
Other items	-839		114		33	-692
Total	**16,639**		**-53**		**-2,819**	**10,791**

Deferred taxes on the balance sheet	
Deferred tax assets	2,433
Deferred tax liabilities	10,791
Net tax liability	8,358

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes related to the same fiscal authority.

On 31 December 2021, the Group had EUR 104.6 million (31 December 2020: EUR 14.5 million) in confirmed losses for which deferred tax assets were not recognised.

19. Inventories

Accounting principle

Inventories have been valued at the lower of acquisition cost and net realisable value. Acquisition cost is determined by the FIFO method and the weighted average price method. The net realisable value is the estimated selling price obtainable in ordinary business activities less estimated expenses arising from the preparation and implementation of the transaction. The acquisition cost of completed products and work in progress includes raw materials, direct wages, depreciation and other direct costs as well as the share of general production costs corresponding to the normal production level. The acquisition cost does not include the costs of general administration, sales and financing.

Peat production inventories include the sales stock of peat extracted during the summer season. The value of inventories includes impairment recognised due to the unmarketability of slow-moving and expired inventory assets.

Use of estimates and the management's judgement

On the financial statements date, Neova recognises impairment on inventories reflecting unmarketability according to the Group's best judgement. The estimates are based on the continuous monitoring of inventories. The estimate of the unmarketability provision is based on an analysis of inventory expiration, inventory turnover and inventory structure relative to anticipated needs.

EUR 1,000	31 December 2021	31 December 2020
Materials and supplies	55,651	46,863
Unfinished products	19	557
Finished products	114,449	139,146
Prepayments from inventories	1,341	1,339
Total	171,460	187,905

20. Trade and other receivables

Accounting principle

Trade receivables are initially measured at fair value and subsequently at amortised cost less expected credit losses. For trade receivables and contract assets that do not contain a significant financing component, the Group applies the IFRS 9 practical expedient in estimating expected credit losses (ECL), which involves the Group measuring the credit loss provision at an amount that corresponds to the expected lifetime credit losses at the end of the period. In determining expected credit losses, the Group uses a provision matrix in which receivables are classified by business and maturity and also assessed on a case-by-case basis. The estimate is adjusted based on past credit losses, the current conditions and analyses of the future. Trade receivables that are overdue by more than 365 days are generally considered to be impaired and the Group recognises a provision corresponding to their full amount, adjusted by the expected recovered amount. In addition, the Group recognises a credit loss provision on individual trade receivables when information on the debtors is available.

A permanent write-down is recognised on trade receivables when there is no reasonable expectation of recovery. Indications that there is no reasonable expectation of recovery can include significant changes in the debtor’s financial position, the probable bankruptcy of the debtor or the debtor’s contractual payments being overdue by more than 365 days. The Group immediately recognises credit losses on all bankruptcies and debt restructuring. When debts or trade receivables have been written off, the company continues debt collection measures to collect the overdue receivable. Recognised credit losses on trade receivables and contract assets are presented as net impairment losses included in operating profit. If payment is subsequently received on items previously recognised as permanent credit losses, the payment is credited against the same line item in the income statement.

Neova uses factoring arrangements as one tool in the management of working capital. The Group may sell undivided interests in trade receivables on an ongoing and one-time basis to credit institutions. Financial assets sold under these arrangements are derecognised in the balance sheet when the significant risks and rewards of their ownership have been transferred to the acquirer. If the acquirer has not settled the payment to the extent that the ownership, risk and control over the receivable have been substantially transferred, such financial assets sold are re-recognised in the balance sheet at the end of the reporting period.

Use of estimates and the management’s judgement

The estimated expected credit loss provisions are based on the management’s best judgement, taking into account past credit losses and a forward-looking understanding of the customer’s payment behaviour and financial situation.

EUR 1,000	31 December 2021	31 December 2020
Trade receivables		
Trade receivables	69,517	59,209
Credit loss provision	-911	-879
Associates’ trade receivables	1	111
	68,607	58,442
Short-term other receivables and accrued income		
Loan receivables	201	200
Other short-term receivables	4,918	5,001
Short-term accrued income (from others)	4,195	3,104
	9,314	8,305
Financial assets measured at fair value through profit or loss		
Derivative instruments, no hedge accounting	2 357	138
Total	80,278	66,885

The short-term trade receivables are divided by currency as follows:

EUR 1,000	31 December 2021	31 December 2020
EUR	60,707	46,573
USD	0	1,351
SEK	6,732	7,623
Other currencies	2,079	3,662
Total	69,517	59,209

Age distribution of trade receivables and recognised credit losses

Credit loss history

Financial year (EUR 1,000)	Turnover	Receivables	Credit losses	% of receivables
FY2016	359,027	63,674	**34**	0.05%
FY2017	348,922	62,354	**66**	0.11%
FY2018	419,803	68,213	**93**	0.14%
FY2019	460,827	94,343	**96**	0.10%
FY20198 (1 May–31 December 2019)	297,748	72,000	**79**	0.11%
FY2020	544,913	59,209	**361**	0.61%
FY2021	514,613	69,517	**171**	0.25%
Average			**129**	

Age distribution of due receivables/credit loss provision

Trade receivables	Carrying amount	Expected credit loss	EUR
Not yet due	60,480	0.02%	12
Due under 30 days	4,218	0.25%	11
Due 31–60 days	1,383	1.00%	14
Due 61–90 days	772	2.50%	19
Due over 90 days	2,664	20.00%	533
Total	69,517	1.31%	589

Credit loss provision/IFRS 9		
	31 December 2021	**911**
	31 December 2020	**879**

Age distribution of accounts receivable

EUR 1,000	31 December 2021	31 December 2020
Not yet due	60,480	45,349
Due under 30 days	4,218	12,692
Due 31–60 days	1,383	366
Due 61–90 days	772	175
Due over 90 days	2,664	555
Total	69,517	59,137
Credit losses	**171**	**361**

21. Financial assets

Accounting principles

Financial assets are classified according to IFRS 9 on the basis of the Group's business model for managing financial assets and their contractual cash flow characteristics as being measured at amortised cost, measured at fair value through profit or loss, or measured at fair value through other comprehensive income. Financial assets and liabilities are classified as non-current if their maturity exceeds 12 months.

Financial assets measured at amortised cost include cash assets, investments in fixed income instruments, trade receivables and other receivables. Financial assets are measured at amortised cost if the business model is to hold the financial instruments to collect contractual cash flows and the cash flows consist solely of payments of principal and interest.

The Group applies the IFRS 9 practical expedient regarding expected credit losses on trade receivables. Final credit losses are recognised on a receivable-specific basis. Credit loss provisions and credit loss provisions are recognised in other operating expenses.

Financial assets measured at fair value through other comprehensive income consist of equity instruments as well as derivatives that fall within the scope of hedging. Information on the measurement groups of derivative instruments is provided in Note 29 Fair values of financial assets and liabilities. Financial assets are measured at fair value through other comprehensive income if the receivable may be sold before the due date and if the expected contractual cash flow is based on interest and the repayment of principal. Financial assets in this category are initially measured at fair value, with transaction costs added and expected credit losses deducted, and thereafter measured at fair value less expected credit losses. The Group determines the fair value of unlisted equities in accordance with IFRS 13. Transaction costs and subsequent changes in the fair value of financial assets recognised at fair value through profit or loss are recognised directly in the income statement.

Financial assets are derecognised when the right to the cash flows associated with the asset has expired or been transferred to a third party in such a way that the Group has substantially transferred the risks and rewards of ownership.

Cash assets

Cash assets consist of cash funds, short-term bank deposits and other short-term cash assets which have a maximum original maturity of three months. Cash assets and short-term bank deposits are measured at amortised cost. Other short-term financial assets are measured at fair value, except investments in commercial papers, which are measured at amortised cost.

EUR 1,000	31 December 2021	31 December 2020
Cash and cash equivalents	30,406	13,366

22. Notes to equity

Shareholders' equity

Neova Oy has one class of shares. The total number of shares is 30,000. Each share carries one vote at the General Meeting, and all shares carry the same dividends. If a Vapo share is transferred to an external party other than one that is in a Group relationship with the shareholder pursuant to Chapter 8, Section 12 of the Finnish Limited Liability Companies Act, the company's shareholder shall have the right to redeem the share in question. If more than one shareholder wishes to exercise this redemption right, the shares are divided between the parties wishing to redeem them in proportion to their existing shareholdings. At the end of the financial year, on 31 December 2021, the share capital amounted to EUR 50,456,377.94. The nominal value of the share has not been defined. There are 30,000 shares outstanding.

Neova Oy is a joint venture of the Finnish State and Suomen Energiavarat Oy. The Finnish State holds 50.1% of the shares (15,030 shares) directly and Suomen Energiavarat Oy holds 49.9% of the shares (14,970 shares).

Descriptions of the equity funds are presented below:

The invested unrestricted equity fund consists of other equity-type investments and the subscription price of shares to the extent that it is not recognised in share capital according to a case-specific decision.

Translation differences The translation of the financial statements of foreign subsidiaries at different exchange rates in the comprehensive income statement creates a translation difference that is recognised in equity. Translation differences arising from the elimination of the acquisition cost of foreign companies and the translation of equity items accrued after the acquisition are also presented in equity. Translation differences arising from the net investments of subsidiaries and long-term subsidiary loans without a specified repayment date are also presented in equity. Changes in translation differences are recognised in other comprehensive income.

23. Financial liabilities

Accounting principles

The Group's financial liabilities are classified as financial liabilities measured at fair value through profit or loss and financial liabilities measured at amortised cost. Financial liabilities measured at amortised cost include trade payables and interest-bearing liabilities. These liabilities are initially recognised at fair value less the direct costs related to the acquisition of the liabilities. They are subsequently classified and measured by applying the effective interest rate method, by amortising the debt by the discounted interest payment made over its maturity. Interest expenses are recognised in financial expenses in the income statement.

Financial liabilities measured at fair value through profit or loss consist of derivative instruments. Direct costs related to financial liabilities measured at fair value through profit or loss and subsequent changes in fair value are recognised directly in the income statement.

When these financial liabilities are derecognised, the related fair value changes and gains and losses are recognised in the income statement. A financial liability is derecognised when the related obligation has been fulfilled or cancelled or it has expired.

EUR 1,000	**31 December 2021**	**31 December 2020**
Long-term financial liabilities measured at amortised cost		
Bonds	178,722	178,649
Loans from financial institutions	2,069	33,433
Pension insurance (TyEL) loans	2,500	10,000
Lease liabilities (IFRS16)	31,278	35,728
Total	214,569	257,810

EUR 1,000	**31 December 2021**	**31 December 2020**
Short-term financial liabilities measured at amortised cost		
Loans from financial institutions	781	8,549
Pension insurance (TyEL) loans	5,000	0
Overdraft facility	0	624
Commercial papers	4,999	41,178
Lease liabilities (IFRS16)	8,577	7,481
Other liabilities to associates		265
Total	19,357	58,098

Long-term debt repayment schedule (per calendar year/nominal values)

EUR 1,000	**2022**	**2023**	**2024**	**2025**	**2026**	**2027 ->**	**Total**
Bonds	0	0	110,000	0	0	70,000	**180,000**
Loans from financial institutions	5,781	3,342	842	320	65	0	**10,350**
Lease liabilities (IFRS16)	9,884	8,053	6,143	5,132	4,503	11,269	**44,984**
Total	15,453	11,395	116,985	5,452	4,568	81,269	**235,333**

Summary of the terms of the liabilities

EUR 1,000	Nominal interest rate, %	Maturing in	Carrying amount 31 Dec. 2021	Nominal value 31 Dec. 2021	Carrying amount 31 Dec. 2020	Nominal value 31 Dec. 2020
Bonds	0	2024–30	178,722	180,000	178,649	180,000
Loans from financial institutions	0	2022–26	2,638	2,638	30,000	30,000
Pension insurance (TyEL) loans	0	2022–23	7,500	7,500	10,000	10,000
Lease liabilities	0.9–3.5%	2022–50	39,854	44,984	43,241	50,074
Commercial paper debt	0	2,022	4,999	5,000	41,178	41,200
Other liabilities	0.9–1.0%	2,021	212	212	12,872	11,983
Total			233,926	240,333	315,940	323,257

The bonds are senior unsecured bonds. The financing terms and changes during the financial year are described in more detail in note 28.

24. Long-term non-interest-bearing debt

EUR 1,000	**31 December 2021**	**31 December 2020**
Connection fee debt		1,208
Advances received		
Other liabilities		730
Total	0	1,938

25. Provisions

Accounting principle

A provision is entered on the balance sheet if the Group has a legal or factual obligation as a result of a previous event and it is probable that fulfilling the obligation requires payment or results in an economic loss and the amount of the liability can be reliably estimated. The amount of provisions is adjusted at each closing date, and their amounts are adjusted to reflect the best estimate at the time of review. Adjustments to provisions are recognised in the same item of the income statement in which they were initially recognised. Provisions may be related to restructuring of functions, loss-making agreements as well as environmental and pension liabilities.

A provision is recognised on loss-making agreements when the costs necessary to fulfil the obligations exceed the benefits derived from the agreement. Contractual necessary costs reflect the smallest amount of net costs arising from the cancellation of the agreement, which is either the amount of costs necessary to fulfil the contractual obligations or the amount of compensation arising from neglecting to fulfil the contractual obligations.

A restructuring provision is recognised when the general recognition criteria for a provision are met and when the Group has prepared and approved a
restructuring plan, started to implement the plan, or appropriately disclosed the matter. The restructuring provision and other costs related to the adaptation of operations are recognised in the amount of the costs that are incurred as a direct consequence of the plan or that are incurred from a contractual obligation that has no further expected economic benefit or involves a potential sanction for the cancellation of the agreement. Costs incurred from restructuring and the adaptation of operations are recognised in expenses for the function to which they relate based on their nature.

Use of estimates and the management's judgement

When deciding on the conditions of recognising provisions and determining the amount of provisions, the management is required to use estimates concerning the existence and amount of the obligation. The recognised amount represents the best estimate of the costs incurred from the obligation at the time of reporting, taking into account risks and uncertainties as well as previous experience of corresponding business transactions, and future events. Estimating the financial impacts of a past event requires the management's judgement, which is based on similar past events and the opinions of external experts in order for risks and uncertainties to be taken into consideration. Estimates may differ from the actual future amount of the obligation and with respect to the existence of the obligation.

Provisions are assessed by the management on a regular basis and adjusted as necessary to reflect the best estimate at the time of the assessment. Environmental liabilities constitute the most significant provisions presented in the consolidated balance sheet. Environmental liabilities are based on the management's best estimate of restoration costs. The Group recognises a restructuring provision when the Group has prepared and published a detail plan regarding the restructuring.

Provision for environmental liabilities

Due to their nature, part of the Group's businesses involve a risk of environmental costs and potential contingent liabilities. The Group may also incur a liability through business combinations or acquisitions. A provision is entered in the balance sheet when the Group has a legal or actual obligation as a result of a prior event, and it is probable that fulfilling the obligation requires payment and the amount of the liability can be reliably estimated. The amount of provisions is assessed at each financial statements date, and the amounts are adjusted to reflect the best estimate at the time of the assessment.

A provision for environmental liabilities is recognised whenever the Group has an obligation based on environmental legislation and the Group's principles of environmental liability that is related to the decommissioning of a production plant, clean-up of environmental damage or transfer of equipment from one place to another. Starting peat production in a mire area requires an environmental permit. The permit specifies, among other things, the after-care measures in the area after peat production has ended. To prepare for after-care measures, the Group accumulates a provision that changes annually based on production volume. For production areas, the provision is recognised in fixed assets as an acquisition cost of other tangible assets.

The company's other environmental provisions consist of the Group's ARO (Asset Retirement Obligation) provisions. These are related to old sawmills and are expected to be realised in the near future. The Group recognises a provision on the costs incurred from the decommissioning of old sawmills to the extent that the Group is liable to take remedial action regarding adverse impacts that have already occurred. The translation difference included in the provisions of the Group's foreign subsidiaries is immaterial.

Other provisions

Other provisions include obligations pertaining to personnel, legal action and tax processes. These provisions are recognised when the general criteria for recognising a provision are fulfilled.

EUR 1,000	Environmental expense provisions	Other provisions	Total
Provisions 1 January 2021	10,855	244	11,099
Translation difference	-106		-106
Increases in provisions	4,491	22	4,513
Used provisions	-3,730	-26	-3,756
Reversals of provisions	-118		-118
Provisions 31 December 2021	11,392	240	11,632

EUR 1,000	Environmental expense provisions	Other provisions	Total
Provisions 1 January 2020	7,408	245	7,652
Translation difference	198		198
Increases in provisions	4,649	24	4,673
Used provisions	-1,212	-25	-1,236
Reversals of provisions	-188		-188
Provisions 31 December 2020	10,855	244	11,099

Other provisions include the liability to compensate for permanent health damage recognised in AS Tootsi Turvas as well as the provision recognised in AS Tootsi Turvas for the costs of closing down the briquette plant.

25. Pension liabilities

Accounting principle

Group companies in different countries have various pension plans that are based on the local conditions and practices. These pension plans are classified as defined contribution plans or defined benefit plans. Defined contribution plans are plans concerning post-employment benefits, according to which the Group makes fixed contributions to a separate unit without a legal or actual obligation to make additional contributions in the event that the party that receives the contributions is unable to make payment on the pension benefits. Contributions to defined contribution plans are recognised in the income statement in the financial period to which they relate.

Pension plans that do not meet the criteria for a defined contribution plan are treated as defined benefit plans. Defined benefit plans are pension plans in which the Group itself is liable for pension payment obligations and bears the risk for changes in the value of the liability and the return on the assets. Defined benefit plans are based on defining the pension benefit the employee will receive upon retirement. The size of the benefit depends on factors such as age, years of employment and pay. Current service cost is the present value of the post-employment benefit, which is earned by the employees during the financial year and recognised in personnel expenses. Service cost is recognised in employee benefit expenses and the net interest cost is recognised in financial expenses. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in equity through other comprehensive income in the period in which they arise, and they are not subsequently transferred to be recognised through profit or loss. Actuarial valuations for the Group’s defined benefit pension plans are performed annually.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The discount rate used in the calculation of the present value of the obligation is based on the yield of high-quality corporate bonds in the euro zone.

The calculation of present value is based on the pre-tax interest rate, which reflects the market’s view of the time value of money and the special risks concerning the obligation in question at the time of assessment. The discount rates used are determined by an external actuary. The net interest rate is calculated by multiplying the net balance sheet liability by the discount rate, and it is recognised in personnel expenses. If a defined benefit pension plan is changed or curtailed, the change in the benefit is recognised directly in the income statement to the extent that it is based on the beneficiary’s past service.

Use of estimates and the management’s judgement

Estimating the amount of obligations under defined benefit pension plans is based on actuarial estimates concerning variables such as future wage increases, demographic assumptions, discount rates and return on plan assets. Changes in these assumptions may significantly influence pension obligations and pension expenses.

The appropriate discount rate is determined at the end of each year and is used in determining the present value of estimated cash outflows to settle the pension obligation. In determining the appropriate discount rate, the Group considers the yields of high-quality corporate or government bonds, depending on the country, at the time of assessment.

Pension plan in Estonia

The Group’s Estonian subsidiary AS Tootsi Turvas has defined contribution pension plans as well as a defined benefit pension plan under which the company is obligated to pay a fixed pension to 14 employees under pre-specified conditions. The average gross monthly wage in Estonia in 2001 is the basis of the benefit. This sum is adjusted annually in accordance with the change in the cost-of-living index and factors related to the person’s employment relationship.

The liability to pay the pension benefit arises when the employee entitled to the benefit turns 65. The liability is discounted on the basis of the estimate that the liability will continue until 2042, considering the statistical life expectancy.

EUR 1,000	**31 December 2021**	**31 December 2020**
Liability shown in the balance sheet at the start of the period	4,885	5,004
Expenses in the income statement	101	474
Contributions made to the plan	-261	-257
Arising from remeasurement	553	-336
Liability shown in the balance sheet at the end of the financial year	5,278	4,885

Key actuarial assumptions at the end of the financial year:

%	**31 December 2021**	**31 December 2020**
Discount rate	1%	1%
Increase in wages	3%	3%
Increase in pensions	3%	3%

26. Accounts payable and other short-term debt

EUR 1,000	31 December 2021	31 December 2020
Short-term financial liabilities measured at amortised cost		
Advances received	5,497	15,757
Accounts payable	50,826	86,382
Accounts payable to associates	3	
Total	56,325	102,140
Other liabilities	8,242	8,127
Interest liabilities and other financial liabilities	827	2,587
Salary and social expense allocations	10,521	10,165
Other accrued expenses	14,839	22,749
Financial liabilities measured at fair value through profit or loss		
Derivative instruments, no hedge accounting	0	1,810
Accounts payable and other short-term debt total	90,754	147,578
Material items included in other liabilities		
Value added tax liability	5,359	4,763
Other employee expense liabilities	2,884	3,364
Total	8,242	8,127
Material items included in accrued expenses		
Accrual of purchase invoices	12,078	15,621
Other accrued expenses	2,761	7,128
Total	14,839	22,846

The short-term accounts payable are divided by currency as follows

EUR 1,000	31 December 2021	31 December 2020
EUR	45,932	78,068
USD	406	9
GBP	0	
SEK	4,486	8,273
Other currencies	2	32
Total	50,826	86,382

27. Financial risk management

The company's operations are exposed to diverse financial risks. The primary purpose of financial risk management is to ensure the sufficiency of the Group's financing at all times, providing the necessary financing-related services for the business units, and managing risks related to operations (foreign exchange, interest, commodity, liquidity and refinancing risk). The Group treasury is responsible for identifying and managing financial risks. Financial risk management is guided by the financial policy ratified by the Board of Directors.

The Group treasury acts as a counterparty for the Group's subsidiaries and takes care of external fundraising centrally. It is also responsible for the administration of cash assets and cash flows as well as hedging measures according to the financial policy. The Group's risk management tools include currency derivatives and options, currency swaps, foreign currency loans, interest rate swaps and diverse commodity derivatives.

Sensitivity analysis

The sensitivity analysis figures presented in connection with financing risks and commodity risks are based on risk exposures on the financial statements date. Sensitivity analyses are calculated by assuming a change in one of the factors influencing the value of a financial instrument, such as the exchange rate or interest rate. Neova's sensitivity calculations are based on changes in the relevant risk variable that are reasonably possible, which is assumed to be a change of 1 percentage point in interest rates and a change of 10 per cent in exchange rates and commodity prices.

Currency risk

The Group operates internationally and is, therefore, exposed to currency risks. Currency risks arise from exports and imports, the Group's internal trade, the Group's currency-denominated internal financing and currency-denominated net investment in foreign subsidiaries. The majority of the turnover is generated in the euro area. The Group's most significant internal financing currency is the Swedish krona.

The hedging policy is to hedge essential transaction exposures in full. The hedging instruments used are primarily forward exchange agreements and currency swaps. The transaction exposure consists of previously agreed or predicted foreign currency-denominated items and cash flows. The transaction exposure is divided into balance sheet exposure and cash flow exposure. The balance sheet exposure includes foreign currency-denominated receivables and payables, such as deposits and loans, and trade receivables and trade payables in currencies other than the Group's home currency. The cash flow exposure includes future predicted or agreed foreign currency-denominated cash flows arising from business operations, such as sales, purchases or investments.

Hedging adheres to the Group's financing policy, but hedge accounting is not applied to the hedges. The Group treasury makes currency forwards in the market mainly in the name of the subsidiary. Foreign exchange-denominated loans are always in the name of the Group's parent company.

The open transaction exposure on 31 December 2021 amounted to EUR 0 million (2020: EUR 0.44 million). Had the euro been 10 per cent weaker/stronger on the financial statements date, the transaction exposure would have affected profit by EUR 0 million (2020: +0.04/-0.04). At the end of the year, Neova's transaction exposure, translated into euros at the exchange rate on the financial statements date, was as follows:

MEUR	**31 December 2021**				**31 December 2020**			
	Exposure	Hedging	**Net**	**Hedging %**	Exposure	Hedging	**Net**	**Hedging %**
EUR	**5.2**	**5.2**	**0.0**	**100%**	4.3	4.7	**-0.4**	**109%**
SEK	**70.0**	**70.0**	**0.0**	**100%**	84.1	84.1	**0.0**	**100%**
USD	**1.8**	**1.8**	**0.0**	**100%**	1.7	1.7	**0.0**	**100%**
Total	**77.1**	**77.1**	**0.0**	**100%**	**90.1**	**90.5**	**-0.4**	**99%**

The Group has foreign net investments and is, therefore, exposed to risks emerging from the translation of foreign currency-denominated investments in subsidiaries into the parent company's operating currency (translation risk). Foreign currency-denominated net investments in subsidiaries are not hedged, as most of the assets are considered to be long-term strategic assets.

On the financial statements date, the Group's net investments in euros were as follows:

1,000	31 December 2021	31 December 2020
Swedish krona	36.7	36.7

Liquidity risk and refinancing risk

The aim of liquidity management is to maintain the Group's liquidity so that the Group can finance its normal business operations while taking into account maturing debt and other payment and financing obligations. Liquidity risk is managed by maintaining sufficient cash assets, short-term investments and available credit commitments. To manage refinancing risk, the Group diversifies the maturity of long-term loans to a sufficient degree over the years to come.

The Group's liquidity remained good during the financial year. The proceeds from the sale of Nevel Oy's shares in January 2021 resulted in the Group becoming free of net debt. The good cash flow of the Group's businesses also supported the Group's strong liquidity. Neova Oy paid dividends of EUR 250 million in June. Bilateral loans were repaid prematurely in the amount of EUR 30 million and, in November, Neova Oy's remaining hybrid bond, totalling EUR 29.9 million, was redeemed.

Of the EUR 150 million commercial paper programme, EUR 5 million (EUR 41.2 million) had been withdrawn at the end of the financial period. Part of the revolving credit facility totalling EUR 50 million was drawn temporarily in January in relation to arrangements concerning the Nevel transaction.

The Group's equity ratio on the financial statements date was 55.2 per cent. Bilateral loan and revolving credit agreements include a 35 per cent equity covenant and a change-of-control clause, according to which the combined holding of the current owners (the Finnish State and Suomen Energiavarat Oy) must remain above 50%. During the financial period, Neova met the covenants and other terms and conditions related to its financing agreements.

Bonds also include a change of control clause but they do not include a financial covenant. The Group's long-term private placement bonds maturing in 2030 (amounting to EUR 70 million in total) include a clause related to Neova Group's credit rating. According to the clause, the investor has the right to demand the partial or full repayment of debt in the event that Neova's credit rating falls by two notches from its current level.

The following table presents the undiscounted cash flows relating to the repayment of Neova's financial liabilities and interest expenses (excluding lease liabilities) in accordance with the contractual maturities. The maturities of lease liabilities are presented in Note 23.

EUR 1,000

31 December 2021	2022	2023	2024	2025	2026 and after
Repayments	10,780	3,342	110,842	320	70,065
Interest expenses	4,977	4,931	4,912	2,379	11,876
Accounts payable and other short-term debt	54,536				
Total	70,293	8,273	115,754	2,699	81,940

31 December 2020	2021	2022	2023	2024	2025 and after
Interest-bearing liabilities					
Repayments	32,884	35,569	3,342	110,842	70,676
Interest expenses	5,523	5,465	4,934	4,915	14,260

Accounts payable and other short-term debt	92,333				
Total	130,740	41,034	8,276	115,757	84,936

Maturity distribution of derivatives

EUR 1,000

31 December 2021	2022	2023	2024	2025 and after
Nominal value				
Forward exchange agreements and	77,143	0	0	0
Electricity forwards	1,353	1,141	504	0
Emission right derivatives	0	0	0	0
Total	78,496	1,141	504	0

31 December 2020	2021	2022	2023	2024 and after
Nominal value				
Forward exchange agreements and	91,197	0	0	0
Electricity forwards	2,750	1,357	760	241
Emission right derivatives	476	0	0	0
Total	94,423	1,357	760	241

Interest rate risk

The Group aims to hedge against the essential impacts on the interest-bearing liabilities and receivables on the balance sheet caused by changes in interest rates. The hedging instruments used by the Group are mainly interest rate swaps and long-term fixed interest rate loans. Interest rate risk is measured by the average interest rate tying period of the debt portfolio (gap analysis). The average interest rate tying period of the debt portfolio on 31 December 2021, including derivative instruments, was 4.7 (4.9) years. The weighted average interest rate of long-term loans was 2.6 (2.5) per cent.

The interest rate risk sensitivity analysis is based on the combined Group-level interest rate risk comprised of interest-bearing liabilities and derivatives, such as interest rate swaps that hedge against interest rate risk. As fixed interest rate loans represent 100% of the Group's long-term financing, interest rates rising by once percentage point would not affect the pricing of the loan portfolio over the next 12 months. The Group does not have any open interest rate derivatives.

Market risk of investing activity

The Group is exposed to price risk due to fluctuation in the market prices of publicly quoted shares in its operations. The Group does not have publicly listed shares or other securities.

Counterparty and credit risk

The business units are liable for credit risks related to commercial receivables. Business-related credit risk is decreased through credit insurance and customer-specific credit limits, among other measures.

The Group does not have any significant concentrations of credit risk. More information on trade receivables, the maturity distribution of receivables and credit loss provisions is provided in Note 20 Trade and other receivables.

Counterparty risks related to depositing cash assets and financing and commodity derivative instruments are managed by only making agreements and transactions with creditworthy parties that operate actively in the market.

Neova's overall credit risk exposure, which includes on-balance sheet credit risk from customer contracts, amounted to EUR 296.9 million (EUR 77.3 million) on the financial statements date.

EUR 1,000

31 December 2021	**Low**	**Elevated**	**High**	**Total**
On-balance sheet credit risk from customer				
Trade receivables	67,556	950	100	68,606
Uninvoiced receivables	3,205			3,205
Total	**70,761**	**950**	**100**	**71,811**
On-balance sheet credit risk from other				
Loan receivables and other interest-	3,393			3,393
Fund investments	169,139			169,139
Deposits and commercial papers	19,751			19,751
Derivative assets, fair values	2,252			2,252
Other non-interest-bearing receivables	141			141
Cash and cash equivalents	30,406			30,406
Total	**225,082**	**0**	**0**	**225,082**
Total credit risk exposure in the balance	**295,843**	**950**	**100**	**296,893**

EUR 1,000

31 December 2020	**Low**	**Elevated**	**High**	**Total**
On-balance sheet credit risk from customer				
Trade receivables	57,452	879	0	58,331
Uninvoiced receivables (?)	1,604			1,604
Total	**59,056**	**879**	**0**	**59,935**
On-balance sheet credit risk from other				
Loan receivables and other interest-	3,383			3,383
Fund investments	0			0
Deposits and commercial papers	0			0
Derivative assets, fair values	596			596
Other non-interest-bearing receivables	58			58
Cash and cash equivalents	13,366			13,366
Total	**17,403**	**0**	**0**	**17,403**
Total credit risk exposure in the balance	**76,459**	**879**	**0**	**77,338**

Price risk of emission rights

Neova has price risk exposure related to emission rights. The price risk concerns facilities that are within the scope of emission trading and need to acquire emission rights (EUA) from the market to fulfil their emission-related obligations. In the Group, Neova's power plant and Novactor's activated carbon production facility in Ilomantsi, collectively as a single entity, are within the scope of emission trading. The Group's emission rights needs were minor during the year under review.

Neova hedges the price risk of emission rights by purchasing emission right derivatives as necessary, according to the estimated emission need. The hedges are concluded with banks. Neova did not have any open emission right derivatives at the end of the financial year.

Price risk of electric energy

Neova has exposure to the price risk of electric energy, and the Group companies have recognised the need to hedge against fluctuations in electricity prices. Electricity price hedging is carried out using approved counterparties and instruments, in accordance with the agreed-upon hedging policy and coordinated by the

Group's finance function. An electricity broker chosen as the partner is responsible for the practical hedging measures related to electricity trading and related investigations.

For the Group companies in Finland, the price risk of electricity is hedged using electricity derivatives. For Group companies outside Finland, electricity purchasing is mainly based on fixed-price purchase agreements. On the financial statements date, the open electricity price hedges were valid for three years. The amount of energy covered by hedging is 122.7 MWh (184.9).

The sensitivity analysis of electricity derivatives includes the total net amount of the purchased agreements, but it does not include the predicted consumption of electricity. An increase or decrease of 10 per cent in the prices of electricity derivatives would have an effect of +/- EUR 0.5 million (+/- EUR 0.18 million) on the Group's result.

Capital management

The aim of the Group's capital management is to facilitate the strategic growth of the Group's businesses, ensure flexible access to the capital markets and ensure sufficient financing on competitive terms. The shareholders decide on the goals of the Group's capital structure, and the Board of Directors monitors the capital structure on a regular basis.

Total capital includes the equity shown on the balance sheet as well as interest-bearing net debt. On 31 December 2021, equity totalled EUR 427.9 million (EUR 207.3 million), and interest-bearing liabilities totalled EUR 233.9 million (EUR 344.4 million). Until November 2021, equity included a hybrid bond of EUR 29.9 million that was originally issued in 2016.

The performance indicator used to monitor capital structure is the equity ratio, which is the ratio of equity to the balance sheet total, and the ratio of net debt to EBITDA. Equity includes hybrid bonds. Non-interest-bearing advances received are deducted from the balance sheet total. The Group's target is to maintain an equity ratio of over 40%. The target for net debt/EBITDA is less than 3. The values of the performance indicators are presented in the table below.

EUR 1,000	**31 December 2021**	**31 December 2020**
Shareholders' equity	427,872	177,424
Hybrid bond	0	29,880
Shareholders' equity total	**427,872**	**207,304**
Balance sheet total	780,931	768,465
Non-interest-bearing advances received	5,497	15,757
Balance sheet	**775,434**	**742,708**
Equity ratio	**55.2%**	**27.9%**

EUR 1,000	**31 December 2021**	**31 December 2020**
Interest-bearing debt	233,926	344,411
Interest-bearing receivables	-3,393	-3,383
Cash and cash equivalents and investments	-219,296	-13,366
Net debt	11,237	327,662
Operating profit	511,230	-95,348
Depreciation and impairment	51,592	149,976
EBITDA	562,817	54,628

28. Fair values of financial assets and liabilities

Accounting principles

Neova uses derivative instruments to hedge against recognised risks related to exchange rates, interest rates and commodity prices in accordance with the Group's financing policy. Derivative instruments are initially recognised at fair value and subsequently classified and measured at fair value at the end of each reporting period.

Derivative contracts are signed for hedging purposes, but hedge accounting is not applied to the contracts. Changes in the fair value of derivatives that are not subject to hedge accounting are recognised in the income statement in operating items or financial income and expenses depending on the nature of the underlying hedged item.

Use of estimates and the management's judgement

The fair values of financial instruments are determined by using valuation techniques. The fair value of derivatives used for hedging is determined by using commonly applied valuation techniques and mainly by using available market prices.

Neova recognises impairment on customer receivables on the financial statements date based on expected credit losses. Expected credit losses are estimated based on systematic and continuous credit risk monitoring, which is based on both past and expected credit losses. The impairment of trade receivables is described in more detail in Note 20 Trade and other receivables.

EUR 1,000	**31 December 2021**			**31 December 2020**		
Contract	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Currency derivatives, no hedge accounting	179	-107	71	161	-245	-84
Electricity derivatives, no hedge accounting						
Long-term	440	0	440	125	-167	-42
Current	1,634	0	1,634	131	-340	-209
Emission right derivatives, no hedge accounting	0	0	0	178		178
Fund investments	169,139	0	169,139			
Short-term derivative agreements	**171,391**	**-107**	**171,284**	**595**	**-752**	**-157**

Investments in commercial papers, totalling EUR 19.8 million, are recognised in the balance sheet at amortised cost.

EUR 1,000	**31 December 2021**	**31 December**
Nominal value of currency derivatives	77,143	91,197
Nominal value of electricity derivatives	2,998	5,108
Nominal value of emission rights		476
Short-term	**80,141**	**96,781**

Financial liabilities and assets by valuation category

EUR 1,000 31 December 2021	Amortised cost	At fair value through other comprehensive income	Measured at fair value through profit or loss	Fair value
Loan receivables	3,183	0	0	3,183
Other interest-bearing financial assets	19,752	0	169,976	188,650
Derivative assets	0	0	2,252	2,252
Trade receivables	69,518	0	0	69,518
Other non-interest-bearing receivables	3,345	0	0	3,345
Cash and cash equivalents	30,406	0	0	30,406
Financial assets total	**126,204**	**0**	**172,228**	**297,355**

	Amortised cost	At fair value through other comprehensive income	Measured at fair value through profit or loss	Fair value
Interest-bearing liabilities	194,071	0	0	194,071
Derivative liabilities	0	0	107	107
Accounts payable	50,826	0	0	50,826
Other non-interest-bearing liabilities	3,710	0	0	3,710
Financial liabilities total	**248,607**	**0**	**107**	**248,714**

EUR 1,000 31 December 2020	Amortised cost	At fair value through other comprehensive income	Measured at fair value through profit or loss	Fair value
Loan receivables	3,383	0	0	3,383
Other interest-bearing financial assets	0	0	0	0
Derivative assets	0	0	595	595
Trade receivables	59,320	0	0	59,320
Other non-interest-bearing receivables	1,662	0	0	1,662
Cash and cash equivalents	13,366	0	0	13,366
Financial assets total	**77,731**	**0**	**595**	**78,327**

	Amortised cost	At fair value through other comprehensive income	Measured at fair value through profit or loss	Fair value
Interest-bearing liabilities	272,699	0	0	272,699
Derivative liabilities	0	0	-752	-752
Accounts payable	86,382	0	0	86,382
Other non-interest-bearing liabilities	5,951	0	0	5,951
Financial liabilities total	**365,032**	**0**	**-752**	**364,280**

Fair value hierarchy

Neova determines and presents the fair value classification of financial instruments according to the following hierarchy:
No classification changes have been made between the levels of the fair value hierarchy.

- Level 1. Financial instruments for which there is a publicly quoted market price
- Level 2. Instruments whose measurement uses directly observable market prices
- Level 3. Instruments with no direct market prices available for measurement.

Level 2 includes derivatives and financial investments

	2021				2020			
EUR 1,000	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**
ASSETS MEASURED AT FAIR VALUE								
Available-for-sale financial assets								
Available-for-sale investments	169,139	0	169,139	0	0	0	0	0
Financial assets measured at fair value through profit or loss – held for trading								
Derivatives – no hedge accounting	2,252	0	2,252	0	595	0	595	0
Total	**171,391**	**0**	**171,391**	**0**	**595**	**0**	**595**	**0**
LIABILITIES MEASURED AT FAIR VALUE								
Available-for-sale financial liabilities								
Available-for-sale investments	0	0	0	0	0	0	0	0
Financial liabilities measured at fair value through profit or loss – held for trading								
Derivatives – no hedge accounting	-107	0	-107	0	-752	0	-752	0
Total	**-107**	**0**	**-107**	**0**	**-752**	**0**	**-752**	**0**

29. Subsidiaries and significant non-controlling interests

The following table presents information on the Group's structure on the financial statements date

		Holding, %	
Country	**Company**	Group	Parent company
Australia	Kekkilä-BVB Australia Pty Ltd	70%	0%
Belgium	Nico Haasnot BVBA	70%	0%
Spain	Kekkilä-BVB Iberia S.L..	70%	0%
The Netherlands	Bas van Buuren B.V.	70%	0%
	BVB Gardening B.V.	70%	0%
	BVB Landscaping B.V.	70%	0%
	Kekkilä-BVB Research Center B.V..	70%	0%

	BVB Substrates B.V.	70%	0%
	Bogro B.V.	70%	0%
	Euroveen B.V.	70%	0%
	Euroveen Logistics B.V.	70%	0%
	Geluc B.V.	70%	0%
	Veenbas Potgrond B.V.	70%	0%
China	Kekkilä-BVB Horticulture (Qingdao) Co., Ltd	70%	0%
Germany	BVB Gardening GmbH	70%	0%
	Kekkilä-BVB Germany GmbH	70%	0%
Finland	Grow & Care Materials Oy	70%	0%
	Kekkilä-BVB Oy	70%	70%
	Kekkilä Oy	70%	0%
	Piipsan Turve Oy	48%	48%
	Vapo Oy	100%	100%
Sweden	BVB Substrates AB	70%	0%
	Hasselfors Garden AB	70%	0%
	Neova AB	100%	100%
Estonia	AS Tootsi Turvas	100%	100%
	Kekkilä-BVB Eesti Oü	70%	0%
United States	Kekkilä-BVB USA Inc	70%	100%

As the Group has control over Piipsan Turve Oy based on a shareholders' agreement, the company is consolidated as a subsidiary. Non-controlling interests own 52 per cent (52%) of the company. Among Neova Oy's subsidiaries, Kekkilä-BVB Oy has non-controlling interests with a shareholding of 30 per cent (30%).

In January 2021, Neova completed the sale of its wholly-owned subsidiary Nevel Oy to the French company Ardian. Nevel Oy's subsidiaries in Finland, Sweden and Estonia were included in the transaction.

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

Non-controlling interests

Itemisation of significant non-controlling interests in the Group

EUR 1,000	**Share of profit/loss attributable to non-controlling interests**		**Share of equity attributable to non-controlling interests**	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Kekkilä-BVB	-2,586	-3,226	43,107	41,244
Other activities	218	-40	398	635
Total	-2,368	-3,266	43,505	41,879
Share of the Group	0.5%	2.9%	9.9%	20.5%

Non-controlling interest in Kekkilä-BVB Group

EUR 1,000	2021	2020
Turnover	321,730	310,975
Profit/loss for the period	8,661	10,645
Share of the profit for the period attributable to non-controlling interests	-2,586	-3,226
Dividends paid to non-controlling interests	0	-300
Long-term assets	150,722	141,031
Current assets	109,192	102,255
Long-term liabilities	70,259	53,099
Current liabilities	47,272	54,082
Net assets	**142,382**	**136,105**
Attributable to non-controlling interests	43,107	41,244
Cash flow from operating activities	4,323	45,698
Cash flow from investing activities	-9,335	-35,945
Cash flow from financing activities	4,900	-11,651
Cash flow, total	-113	-1,898

31. Contingent commitments

Accounting principle

Guarantees and contingent liabilities
Neova grants and receives guarantees as part of its normal business and financing arrangements. The guarantees are normally granted on behalf of the Group companies and, therefore, do not give rise to additional credit risk. When guarantees are granted on behalf of external parties, the level of credit risk is estimated and recognised as a financial liability at fair value.

A contingent liability is presented in the notes to the consolidated financial statements when there is a possible obligation that arises from past events and whose existence is confirmed by one or more uncertain future events. A contingent liability is also presented in the notes for an existing obligation that is not recognised as a provision or liability in the balance sheet due to it not being probable that payment will be required, or it not being possible to reliably measure the amount of the obligation.

EUR 1,000	31 December 2021	31 December 2020
Loans with real security		
Loans from financial institutions	0	8,549
Guarantees given on behalf of own commitments		
As collateral for own debt		
Pledged inventories and fixed assets	0	29,812
Liabilities for other own commitments		
Guarantees	14,044	14,228
Total	14,044	52,589
Contingent commitments on behalf of Group companies		
Guarantees	6,493	36,658

Other financial liabilities

Companies are obligated to revise their value added tax deductions for completed property investments if the taxable use of the property decreases during the period under review.

	Maximum liability EUR 1,000	Last review year
Investment completed in 2012	0	2021
Investment completed 012013–042014	2	2022
Investment completed 052014–042015	18	2023
Investment completed 052015–042016	4	2024
Investment completed 052016–042017	46	2025
Investment completed 052017–042018	2	2026
Investment completed 052018–042019	0	2027
Investment completed 052019–122019	15	2028
Investment completed in 2020	15	2029
Investment completed in 2021	363	2030
Total	**465**	

32. Leases

Amounts entered in the income statement

The income statement includes the following amounts related to leases

IFRS 16 leases	**1–12/2021**	**1–12/2020**
Interest expenses	-1,349	-1,837
Expense relating to short-term leases	-677	-1,718
Expense relating to leases of low-value assets	-193	-491
Expense relating to variable lease payments	-2,428	-1,825
Depreciation		
Land areas	-1,440	-1,446
Buildings	-4,714	-4,775
Machinery and equipment	-2,522	-4,924
Other tangible assets		
Total depreciation	-8,676	-11,145
Amount affecting cash flow		
Cash outflow for leases	-9,629	-13,725

33. Transactions with related parties

Business transactions and open balances with related parties

Neova complies with the provisions of the Finnish Limited Liability Companies Act and IAS 24 with regard to monitoring transactions with related parties. The Group's related parties include its subsidiaries and associates as well as the Board of Directors and CEO of the Group's parent company. The spouses and other family members living in the same household of the aforementioned individuals are also considered related parties. The related parties can also include entities under the control or influence of the aforementioned individuals.

In order to reliably monitor transactions with related parties, Neova maintains a register of the Group's related parties. The information in the register is obtained from the related parties themselves annually. The register is not public and the information it contains are not disclosed to third parties with the exception of the authorities and auditor.

A list of the Group's significant associates and joint ventures is provided in Note 15 "Shares in associates and joint ventures".

Transactions with, receivables from and liabilities to related parties

EUR 1,000	31 December 2021	31 December 2020
Associates		
Sales	134	1,244
Receivables	1	111
Liabilities		265
Joint ventures		
Sales	8	10
Purchases		
Receivables	1	1
Liabilities		

Management salaries and fees are itemised in Note 7 "Expenses arising from staff benefits".

Senior management's employment benefits and loan receivables

The senior management comprises the Board of Directors and the CEO.

The CEO has an incentive bonus linked to financial targets for the financial year and long-term incentive schemes, each amounting to, at a maximum, 40 per cent of the annual salary. In accordance with the decision of the Board of Directors, the main principles used to determine this incentive bonus are linked to Neova Group's operating margin, operating result and cash flow.

The CEO's period of notice is six months if he is dismissed by the Board of Directors, in addition to which he is entitled to compensation corresponding to 6 months' salary. If the CEO resigns, the period of notice is six months.

The company does not have share option plans.

The CEO's retirement age is the lower limit for old-age pension pursuant to the Employees Pensions Act in effect at the time.

The Group CEO is covered by a pension scheme pursuant to the Employees' Pensions Act. In addition, the CEO is entitled to a defined contribution collective supplementary pension insurance to which Neova contributes an amount equivalent to 10 per cent of the CEO’s total annual salary (12 x monthly salary), excluding bonuses, every year.

There were no loan receivables from the senior management on 31 December 2021 and 31 December 2020.

Parent company's financial statements, FAS

Parent company's income statement

EUR 1,000	Note	1–12/2021	1–12/2020
TURNOVER	3	181,557	175,290
Change in inventories of finished goods and work in progress		-22,326	-2,745
Other operating income	4	11,966	7,469
Materials and services	5	-74,737	-82,810
Expenses arising from staff benefits	6	-21,726	-21,154
Depreciation and impairment	7	-23,191	-114,783
Other operating expenses	8	-69,205	-81,241
OPERATING PROFIT/LOSS		-17,661	-119,973
Financial income	9	540,920	7,031
Financial expenses	9	-14,645	-29,353
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES		508,614	-142,295
Appropriations	10	6,216	18,156
PROFIT/LOSS FOR THE PERIOD		514,829	-124,139

Parent company's balance sheet

EUR 1,000	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Intangible assets	12	7,359	5,498
Tangible assets	13	87,678	102,417
Investments *)	14	126,507	132,198
Non-current assets total		221,544	240,114
Current assets			
Inventories	15	105,251	129,914
Long-term receivables *)	16	72,460	139,506
Current receivables	17	42,171	35,377
Other investments	18	188,890	
Cash on hand and in the bank		28,736	11,708
Current assets total		437,508	316,506
ASSETS		659,051	556,620
LIABILITIES			
Shareholders' equity			
Share capital		50,456	50,456
Other funds		30,096	30,096
Retained earnings		-231,762	142,378
Profit/loss for the period		514,829	-124,139
Shareholders' equity total	19	363,621	98,791
Accrual of appropriations		5,512	11,728
Mandatory provisions	20	6,021	5,568
Liabilities			
Long-term interest-bearing liabilities	21	183,291	251,963
Current interest-bearing liabilities	22	39,680	79,511
Current non-interest-bearing liabilities	22	60,926	109,059
Liabilities total		283,898	440,533
LIABILITIES		659,051	556,620

*) Comparison figures have been restated

Parent company’s cash flow statement

EUR 1,000	1–12/2020	1–12/2020
Cash flow from operating activities		
Profit/loss for the period	514,829	-124,139
Adjustments to the result for the period		
Depreciation and impairment	23,191	114,783
Financial income and expenses	-526,275	22,322
Income taxes	0	
Other adjustments	-13,838	-23,183
Adjustments to the profit/loss for the period total	-516,922	113,922
Change in working capital		
Increase (-)/decrease (+) in inventories	24,745	-8,468
Increase (-)/decrease (+) in short-term non-interest-bearing business receivables	-4,931	5,529
Increase (+)/decrease (-) in short-term non-interest bearing debt	-49,091	26,459
Change in provisions	453	2,794
Change in working capital total	-28,824	26,314
Interest paid	-8,679	-8,838
Interest received	1,924	3,680
Other financial items	847	-4,618
Taxes paid	0	3,087
Cash flow from operating activities	**-36,824**	**9,407**
Cash flow from investing activities		
Investments in tangible and intangible assets	-14,951	-34,799
Proceeds from disposal of tangible and intangible assets	12,179	14,849
Subsidiary shares sold	537,382	1,001
Return of capital, distribution of funds	2,240	
Other investments	-188,890	
Increase (-)/decrease (+) in long-term loan receivables	90,481	-10,002
Repayments of loans receivable		3,500
Increase (-)/decrease (+) in short-term loan receivables	-26,149	8,722
Dividends received from operating activities	63	72
Cash flow from investing activities	**412,355**	**-16,656**
Cash flow from financing activities		
Increase (+)/decrease (-) in short-term loans	-45,401	49,693
Proceeds from long-term loans	5,603	14,753
Repayment of long-term loans	-68,706	-44,353
Dividends paid	-250,000	-3,990
Loans granted	-24,400	
Cash flow from financing activities	**-358,504**	**16,103**

Change in cash and cash equivalents	**17,027**	**8,854**
Cash and cash equivalents opening balance	11,708	2,771
Change in cash and cash equivalents	17,027	8,854
Cash and cash equivalents at end of period	28,736	11,625
Cash and cash equivalents, other arrangements	0	-83

Parent company’s notes

1. Accounting principles applied in the financial statements

Neova Oy’s financial statements have been prepared in accordance with the Finnish Accounting Act.

Currency-denominated items and derivative agreements
Foreign currency-denominated business transactions are recognised at the exchange rate of the transaction date and assets and liabilities on the balance sheet at the closing date are translated at the exchange rate on the closing date. Exchange rate differences are recognised in exchange rate differences in financing.
Derivative agreements made to cover currency risks are measured at the exchange rate at the closing date. The interest factor included in derivatives is allocated to the agreement period, and exchange rate differences of agreements hedging liabilities or receivables on the balance sheet are recorded as exchange rate differences in financial income and expenses.

Turnover and principles of revenue recognition
Revenue recognition takes place when the output is handed over. In calculating turnover, the indirect taxes, discounts granted and complaint-related reimbursement is deducted from the proceeds of sale.

Other operating income and expenses
Other operating income includes capital gains from property, plant and equipment, rental revenue, gains from emission rights sold and received subsidies. Other operating expenses include capital losses from property, plant and equipment, actual expenses of emission rights and sale freight expenses, credit losses, sales provisions and other operating expenses.

Research and development expenditure
Research expenditure is recognised through profit or loss for the year during which they are incurred. Development expenditure is recognised through profit or loss for the year during which they are incurred, unless the conditions for capitalisation are met. Development expenditure is capitalised if certain criteria pertaining to financial and technical feasibility are met and when it is expected that the capitalised item will create future financial benefit. Development expenditure is depreciated according to plan over its useful life.

Property, plant and equipment and depreciation
The balance sheet values of property, plant and equipment is based on initial cost less annual depreciation and impairment. Property, plant and equipment is depreciated according to plan based on the financial useful life using the straight-line method or based on use. Economic lifetimes are 5–10 years for intangible assets and 3–40 years for tangible assets.

Emission rights
Emission rights are handled as intangible rights measured at cost. The measurement value of emission rights received without consideration is nil. A provision for fulfilling the obligation to return the emission rights is recorded if the emission rights received without consideration are not sufficient to cover the actual amount of emissions. Therefore, the possible impact on the result is the difference between actual emissions and emission rights received.

Leasing
In the parent company’s financial statements, leasing fees are recognised as an annual expense.

Inventories
Inventories are measured at the less of cost or probably replacement value or sales price. The value of inventories is determined using the FIFO method.
The cost of inventories also includes the allocated part of fixed procurement and manufacturing expenses, which as allocated to products according to the normal utilised capacity of the production unit. The inventories of peat production include peat reserved processed ready for sale, i.e. the peat sales inventory. Peat reserves not processed ready for sale are handled as peat substance in fixed assets and depreciated according to use.

Investments
Shares in Group companies and associates are measured at cost and adjusted for impairment. Other investments, for which the fair value cannot be reliably determined due to the lack of public markets or reliable valuation techniques, are also, as a rule, measured at cost less impairment.

Recognition and amortisation of the acquisition cost of intangible assets
The cost of intangible assets acquired against a consideration, such as concessions, patents, licences, trademarks and similar rights and assets, are capitalised where these are estimated to generate income in several financial years. The capitalised acquisition cost is depreciated according to plan over its useful life.

Recognition and amortisation of other long-term expenditure
Where long-term expenditure has been capitalised, it is depreciated according to plan over its useful life.

Environmental provision
The measures taken in a given area after peat extraction operations have ended are divided into after-care and after-use. After-care refers to mandatory measures by which the peatland is restored to its previous condition. These measures are based on the terms of the lease or the provisions of the environmental permit. After-use refers to voluntary preparations for the use of the area after peat production, and after-use costs are generally capitalised. Consequently, the environmental provision covers the estimated costs of after-care. The environmental provision is accumulated annually based on production volume and recognised as expense at the same time as the amount of the provision is increased in the balance sheet. The provision is reversed annually in proportion to the environmental restoration costs subsequent to peat production.

Taxes
Income taxes are recognised in accordance with Finnish tax legislation.

2. Divestments

Divestments are presented in Note 3 to the consolidated financial statements.

3. Turnover

EUR 1,000	1–12/2021	1–12/2020
Finland	177,496	174,118
Other countries	4,061	1,172
Total	181,557	175,290

4. Other operating income

EUR 1,000	1–12/2021	1–12/2020
Rental revenue	651	736
Grants and public subsidies	578	335
Capital gains from equity	7,876	5,996
Other income	2,861	402
Total	11,966	7,469

5. Materials and services

EUR 1,000	1–12/2021	1–12/2020
Purchases during the period	-43,096	-61,037
Change in inventories	-2,338	10,543
External services	-29,304	-32,316
Total	-74,737	-82,810

6. Notes concerning personnel and members of administrative bodies

EUR 1,000	1–12/2021	1–12/2020
Personnel expenses		
Salaries and fees	-17,976	-17,744
Pension expenses	-2,955	-2,882
Other personnel expenses	-796	-529
Total	-21,726	-21,154
Management salaries, fees and fringe benefits total		
CEO	537	499
Members of the Board of Directors	246	278
Members of the Supervisory Board	15	16
Other Management Team members	2,028	1,929
Total	2,826	2,721

The management does not have loans, guarantees, counter-obligations or pension obligations from the company

Number of personnel		
Average during the financial period	269	295

7. Depreciation and impairment

EUR 1,000	1–12/2021	1–12/2020
Intangible rights	-871	-1,436
Buildings and structures	-441	-491
Machinery and equipment	-2,697	-5,516
Other tangible assets	-3,988	-7,630
Planned depreciation total	-7,998	-15,073
Impairment		
Intangible rights	-22	-675
Land areas	-44	-440
Buildings	-2	-665
Machinery and equipment	-3,715	-12,406
Other tangible assets	-11,411	-85,525
Impairments total	-15,194	-99,710
Depreciation and impairment total	-23,191	-114,783

8. Other operating expenses

EUR 1,000	1–12/2021	1–12/2020
Rents	-5,243	-5,486
Cost of sales freight	-31,260	-29,433
ICT and other services	-7,151	-9,090
External transport	-5,002	-4,996
Capital losses from equity	-335	-959
Audit costs, actual audit	-206	-162
Audit costs, attestations and statements	-3	-1
Audit costs, other expert services	-32	-97
Audit costs, tax advice	-90	-73
Audit costs total	-332	-333
Other expenses	-19,883	-30,945
Total	-69,205	-81,241

9. Financial income and expenses

EUR 1,000	1–12/2021	1–12/2020
Dividend income from Group companies	18	72
Dividend income from others	45	
Income from shares	63	72
Interest income from Group companies	1,991	3,625
Interest income from others	47	43
Other financial income [1)]	535,589	
Other interest and financial income	537,628	3,668
Interest expenses to Group companies	4	
Interest expenses to others	-8,354	-8,679
Other financial expenses to others	-530	-824
Other interest and financial income	-8,880	-9,504
Financial income and expenses total	528,811	-5,763
Foreign exchange gains	3,228	3,291
Foreign exchange losses	-3,232	-3,794
Exchange rate differences in financing	-4	-503
Impairment of Group shares and receivables	-2,532	-16,056
Financial income total	540,920	7,031
Financial expenses total	-14,645	-29,353

[1)] Other financial income includes capital gain of 535.5 million euros from sale of shares in group companies, Nevel Oy.

10. Appropriations

EUR 1,000	1–12/2021	1–12/2020
Change in depreciation difference		
Intangible assets	310	708
Buildings and structures	76	397
Machinery and equipment	2,617	8,117
Other tangible assets	3,212	8,934
Total	6,215	18,156

11. Direct taxes

EUR 1,000	1–12/2021	1–12/2020
Income taxes from actual operations	0	0

12. Intangible assets

EUR 1,000	Intangible rights	Other intangible assets	Prepayments	Total
Cost 1 January 2021	30,567	161	3,914	34,642
Increase	129		2,981	3,109
Decrease			-335	-335
Transfers between items	1,114		-1,114	0
Cost 31 December 2021	31,811	161	5,445	37,416
Accumulated depreciation 1 January 2021	-29,061	-83		-29,144
Depreciation for the period	-896	-17		-913
Accumulated depreciation 31 December 2021	-29,957	-100	0	-30,057
Book value 31 December 2021	**1,854**	**61**	**5,445**	**7,359**

EUR 1,000	Intangible rights	Other intangible assets	Prepayments	Total
Cost 1 January 2020	30,359	76	3,108	33,543
Increase	3,932	85	1,490	5,507
Decrease	-3,723		-161	-3,884
Transfers between items			-524	-524
Cost 31 December 2020	30,567	161	3,914	34,642
Accumulated depreciation 1 January 2020	-26,540	-73		-26,613
Accumulated depreciation on decrease and transfers				0
Depreciation for the period	-1,846	-10		-1,856
Impairment	-675			-675
Accumulated depreciation 31 December 2020	-29,061	-83	0	-29,144
Book value 31 December 2020	**1,506**	**78**	**3,914**	**5,498**

13. Tangible assets

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and unfinished acquisitions	Total
Cost 1 January 2021	25,982	22,452	164,997	305,839	36,082	555,353
Increase	-22		197	13	11,655	11,842
Decrease	-4,120	-19	-26	-25	-136	-4,325
Transfers between items		148	936	1,404	-2,489	0
Cost 31 December 2021	21,840	22,581	166,104	307,231	45,112	562,869
Accumulated depreciation 1 January 2021	-495	-18,838	-151,250	-282,311		-452,893
Depreciation for the period		-441	-2,697	-3,988		-7,127
Impairment	-44	-2	-3,715	-11,411		-15,172
Accumulated depreciation 31 December 2021	-539	-19,281	-157,662	-297,710		-475,192
Book value 31 December 2021	**21,302**	**3,300**	**8,442**	**9,521**	**45,112**	**87,677**

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and unfinished acquisitions	Total
Cost 1 January 2020	28,876	22,200	162,121	300,598	18,194	531,989
Increase	81	223	2,861	-0	26,127	29,292
Decrease	-2,975		-90	-2,444	-418	-5,928
Transfers between items		29	106	7,685	-7,821	0
Cost 31 December 2020	25,982	22,452	164,997	305,839	36,082	555,353
Accumulated depreciation 1 January 2020	-55	-17,682	-133,318	-189,153		-340,208
Depreciation for the period		-491	-5,525	-7,633		-13,649
Impairment	-440	-665	-12,406	-85,525		-99,036
Accumulated depreciation 31 December 2020	-495	-18,838	-151,250	-282,311		-452,893
Book value 31 December 2020	**25,488**	**3,613**	**13,747**	**23,529**	**36,082**	**102,459**

Impairment
During the financial period 1–12/2021, impairment of EUR 15.2 million was recognised on tangible assets and impairment of EUR 0.02 million was recognised on intangible assets, related to energy peat assets.

During the comparison period 1–12/2020, impairment of EUR 99.0 million was recognised on tangible assets and impairment of EUR 0.7 million was recognised on intangible assets, related to energy peat assets.

14. Investments

EUR 1,000	Shares in Group companies	Shares in associates	Other shares and participations	Total
Cost 1 January 2021	131,626	102	470	132,198
Decrease	-920			-920
Decrease conversions, intra-group mergers and acquisitions				0
Decrease, intra-group mergers and acquisitions	-4,772			-4,772
Book value 31 December 2021	**125,934**	**102**	**470**	**126,507**

EUR 1,000	Shares in Group companies	Shares in associates	Other shares and participations	Total
Cost 1 January 2020	148,539	102	470	149,111
Increase	144			144
Decrease, intra-group mergers and acquisitions	-17,057			-17,057
Impairment				0
Book value 31 December 2020	**131,626**	**102**	**470**	**132,198**

15. Inventories

EUR 1,000	31 December 2021	31 December 2020
Materials and supplies	28,670	29,326
Finished products	75,524	99,402
Prepayments from inventories	1,057	1,187
Total	105,251	129,914

16. Long-term receivables

EUR 1,000	31 December 2021	31 December 2020
Receivables from Group companies		
Loan receivables	69,277	136,323
Loan receivables from others	3,183	3,183
Total	72,460	139,506

17. Short-term receivables

EUR 1,000	31 December 2021	31 December 2020
Receivables from Group companies		
Trade receivables	2,973	4,719
Loan receivables	6,172	4,423
Accrued income	30	2
Receivables from associates		
Trade receivables	0	110
Receivables from others		
Trade receivables	28,764	23,167
Loan receivables	198	200
Accrued income	3,496	1,622
Other receivables	538	1,133
Total	42,171	35,377

Essential accrued income items		
Other accrued income from sales	3,066	1,183
Other accrued income from expenses	430	439
Total	3,496	1,622

18. Financial instruments measured at fair value

Nominal and fair values of derivatives

	31 December 2021		31 December 2020	
EUR 1,000	**Nominal value**	**Fair value**	**Nominal value**	**Fair value**
Currency derivatives	70,066	92	83,848	-212
Electricity derivatives	2,998	2,074	5,108	-251
Emission right derivatives			476	178
Fund investments	169,139	169,139		
Total	242,203	171,305	89,432	-285

Maturity distribution of derivatives

EUR 1,000 31 December 2021	2022	2023	2024	2025 and after
Nominal value				
Forward exchange agreements and currency swaps	70,066	0	0	0
Electricity forwards	1,353	1,141	504	0
Emission right derivatives	0	0	0	0
Total	71,419	1,141	504	0

31 December 2020	2021	2022	2023	2024 and after
Nominal value				
Forward exchange agreements and currency swaps	91,197	0	0	0

Electricity forwards	2,750	1,357	760	241
Emission right derivatives	476	0	0	0
Total	94,423	1,357	760	241

The management of financial risks is described in more detail in note 28 to the consolidated financial statements.

Financial liabilities and assets by valuation category

EUR 1,000 31 December 2021	**Amortised cost**	**At fair value through other comprehensive income**	**Measured at fair value through profit or loss**	**Fair value**
Loan receivables	78,830	0	0	78,830
Other interest-bearing financial assets	19,751	0	169,976	188,650
Derivative assets	0	0	2,166	2,166
Trade receivables	31,738	0	0	31,738
Other non-interest-bearing receivables	3,152	0	0	3,152
Cash and cash equivalents	28,736	0	0	28,736
Financial assets total	**162,207**	**0**	**172,142**	**333,272**

	Amortised cost	**At fair value through other comprehensive income**	**Measured at fair value through profit or loss**	**Fair value**
Interest-bearing liabilities	222,971	0	0	222,971
Derivative liabilities	0	0	0	0
Accounts payable	30,516	0	0	30,516
Other non-interest-bearing liabilities	7,558	0	0	7,558
Financial liabilities total	**261,045**	**0**	**0**	**261,045**

EUR 1,000 31 December 2020	**Amortised cost**	**At fair value through other comprehensive income**	**Measured at fair value through profit or loss**	**Fair value**
Loan receivables	144,129	0	0	144,129
Other interest-bearing financial assets	11,708	0	0	11,708
Derivative assets	0	0	178	178
Trade receivables	27,996	0	0	27,996
Other non-interest-bearing receivables	1,183	0	0	1,183
Cash and cash equivalents	11,708	0	0	11,708
Financial assets total	**196,724**	**0**	**178**	**196,902**

	Amortised cost	At fair value through other comprehensive income	Measured at fair value through profit or loss	Fair value
Interest-bearing liabilities	331,474	0	0	331,474
Derivative liabilities	0	0	463	463
Accounts payable	64,928	0	0	64,928
Other non-interest-bearing liabilities	19,005	0	0	19,005
Financial liabilities total	**415,407**	**0**	**463**	**415,870**

Fair value hierarchy

Neova determines and presents the fair value classification of financial instruments according to the following hierarchy: No classification changes have been made between the levels of the fair value hierarchy.

- Level 1. Financial instruments for which there is a publicly quoted market price in active markets
- Level 2. Instruments whose measurement uses directly observable market prices
- Level 3. Instruments with no direct market prices available for measurement.

Level 2 includes derivatives and fund investments

	2021				2020			
EUR 1,000	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**
ASSETS MEASURED AT FAIR VALUE								
Available-for-sale financial assets								
Available-for-sale investments	169,139	0	169,139	0	0	0	0	0
Financial assets measured at fair value through profit or loss/held for trading								
Derivatives – no hedge accounting	2,166	0	2,166	0	178	0	178	0
Total	**171,305**	**0**	**171,305**	**0**	**178**	**0**	**178**	**0**
LIABILITIES MEASURED AT FAIR VALUE								
Available-for-sale financial liabilities								
Available-for-sale investments	0	0	0	0	0	0	0	0
Financial liabilities measured at fair value through profit or loss/held for trading								
Derivatives – no hedge accounting	0	0	0	0	-463	0	-463	0
Total	**0**	**0**	**0**	**0**	**-463**	**0**	**-463**	**0**

19. Shareholders' equity

Restricted equity

EUR 1,000	**31 December 2021**	**31 December 2020**

Share capital	50,456	50,456
Restricted equity total	50,456	50,456

Unrestricted equity

EUR 1,000	31 December 2021	31 December 2020
Other funds	30,096	30,096
Retained earnings at the start of the financial period	18,238	146,368
Dividend distribution	-250,000	-3,990
Profit for the period	514,829	-124,139
Unrestricted equity total	313,164	48,335

Account of funds available for the distribution of profit

Retained earnings	-231,762	142,378
Profit/loss for the period	514,829	-124,139
- capitalised development expenditure for unfinished	-2,500	-2,390
Distributable funds total	280,568	15,848

20. Mandatory provisions

EUR 1,000	31 December 2021	31 December 2020
Provision due to environmental obligations	6,021	5,568
Total	6,021	5,568

21. Long-term liabilities

EUR 1,000	31 December 2021	31 December 2020
Bonds	178,722	178,649
Hybrid bond	0	29,880
Loans from financial institutions	4,569	43,433
Total	188,860	251,963

Summary of the terms of the liabilities

EUR 1,000	Nominal interest rate, %	Maturing in	Carrying amount 31 Dec. 2021	Nominal value 31 Dec. 2021	Carrying amount 31 Dec. 2020	Nominal value 31 Dec. 2020
Bonds	2.7%	2024–30	178,722	180,000	178,649	180,000
Hybrid bond	6.5%	-	0	0	29,880	29,880
Loans from financial institutions	1.0%	2022–26	2,638	2,638	33,433	33,433
Pension insurance (TyEL) loans	0.8%	2022–23	7,500	7,500	10,000	10,000
Commercial paper debt	0.25%	2022	4,999	5,000	41,178	41,200
Other liabilities	0.9–1.0%	2021	-	-	890	890
Total			193,859	195,138	294,030	295,403

The average interest expense on the loan portfolio consisting of euro-denominated loans on the financial statements date was 2.6% (2.9%).

Long-term debt repayment schedule (per calendar year/nominal values)

EUR 1,000	2022	2023	2024	2025	2026	2027 - >	Total
Bonds	0	0	110,000	0	0	70,000	180,000
Loans from financial institutions	5,569	3,342	842	320	65	0	10,138
	5,569	3,342	110,842	320	65	70,000	190,138

22. Current liabilities

EUR 1,000	31 December 2021	31 December 2020
Loans from financial institutions	5,569	624
Advances received	5,484	15,662
Accounts payable	30,381	63,003
Liabilities to Group companies:		
Accounts payable	136	1,925
Other liabilities	29,112	37,444
Accrued expenses	4,068	752
Liabilities to joint ventures:		
Other liabilities	3	265
Other liabilities	8,596	43,418
Accrued expenses	17,257	25,477
Total	100,609	188,570

Material items included in accrued expenses		
Short-term interest liabilities	2,540	2,869
Accrued personnel expenses	4,298	3,916
Accrual of purchase invoices	10,419	18,692
Total	17,257	25,477

21. Subsidiaries and significant non-controlling interests

The following table presents information on the structure at the end of April 2021

		Holding, %	
Country	**Company**	Group	Parent company
Finland	Kekkilä-BVB Oy	70%	70%
	Piipsan Turve Oy	48%	48%
	Vapo Oy	100%	100%
Sweden	Neova AB	100%	100%
Estonia	AS Tootsi Turvas	100%	100%

As the Group has control over Piipsan Turve Oy based on a shareholders' agreement, the company is consolidated as a subsidiary. Non-controlling interests own 52 per cent (52%) of the company. Among Neova Oy's subsidiaries, Kekkilä-BVB Oy has non-controlling interests with a shareholding of 30 per cent (30%).

23. Contingent commitments

EUR 1,000	31 December 2021	31 December 2020
Other guarantees given on behalf of own commitments		
Guarantees	8,336	9,804
Contingent commitments on behalf of Group companies		
Guarantees	6,493	36,377
Lease obligations		
Due within the next one-year period	2,641	2,227
Due later	9,566	11,642
Total	**12,207**	**13,869**

The parent company has land lease agreements for peat production. At the end of the financial year, annual and land area-based lease liabilities totalled EUR 9.0 million (31 December 2020: EUR 10.4 million).

Year of payment	Lease amount (based on 2021)	Number of agreements	Year of payment	Lease amount (based on 2021)	Number of agreements	Year of payment	Lease amount (based on 2021)	Number of agreements
2022	863,757	763	2036	170,629	112	2050	40,194	20
2023	772,542	581	2037	153,309	104	2051	33,234	18
2024	731,037	569	2038	132,470	89	2052	28,724	10
2025	708,715	542	2039	122,573	81	2053	28,507	9
2026	636,519	468	2040	115,295	75	2054	28,507	9
2027	590,066	446	2041	91,459	57	2055	18,634	8
2028	551,413	394	2042	67,372	49	2056	18,634	8
2029	533,843	384	2043	60,410	43	2057	13,759	7
2030	507,685	366	2044	58,931	41	2058	13,759	7
2031	459,806	337	2045	53,764	37	2059	13,759	7
2032	389,768	299	2046	51,801	33	2060	13,759	7
2033	311,603	216	2047	44,232	28			
2034	283,692	199	2048	43,152	24			
2035	227,529	149	2049	41,561	22			

Signatures to the financial statements and the report of the Board of Directors

Vantaa, 3 March 2022 Board of Directors of Neova Oy

Jan Lång
Chairman of the Board

Markus Tykkyläinen
Vice Chairman of the Board

Stefan Damlin

Vesa Hätilä

Tuomas Hyyryläinen

Kirsi Puntila

Panu Routila

Maija Strandberg

Vesa Tempakka
CEO

Auditor's note

A report on the audit has been issued today.

Helsinki, March 2022

PricewaterhouseCoopers Oy
Authorised Public Accountants

Panu Vänskä, APA