

# NEOVA GROUP

## **Interim Report 1 January–31 August 2022**

Board of Directors, 2 November 2022

## Neova Interim Report January–August 2022

### A strong third of the year in terms of sales – operational profitability was reduced by higher raw material and freight prices

#### May–August 2022 in brief:

- Group turnover in May–August was EUR 162.8 million (EUR 143.0 million)
- The operating margin (EBITDA) was EUR 19.8 million (EUR 11.6 million), or 12.1% (8.1%) of turnover
- The Group's comparable operating margin (EBITDA) was EUR 21.5 million (EUR 12.0 million)
- The operating result was EUR 5.2 million (EUR -2.7 million), or 3.2% (-1.9%) of turnover, including EUR -1.7 million (EUR -2.4 million) in non-recurring items
- Free cash flow before taxes was EUR -44.3 million (EUR 1.5 million)
- Gross investments totalled EUR -88.5 million (EUR -14.3 million), consisting mainly of acquisitions
- Earnings per share were EUR -60 (EUR -120)

#### January–August 2022 in brief:

- Group turnover in January–August was EUR 393.1 million (EUR 370.0 million)
- The Group's comparable turnover in January–August was EUR 393.1 million (EUR 355.2 million), taking into consideration the divestment of the heat and power business on 28 January 2021, representing year-on-year growth of 11%
- The operating margin (EBITDA) was EUR 46.6 million (EUR 551.2 million), or 11.8% (149.0%) of turnover
- The Group's comparable operating margin (EBITDA) was EUR 47.0 million (EUR 40.2 million)
- The operating result was EUR 25.2 million (EUR 527.7 million), or 6.4% (142.6%) of turnover, including EUR -0.4 million (EUR 505.3 million) in non-recurring items, with the non-recurring items in the comparison period being mainly related to the profit recognised on the sale of the heat and power business
- Free cash flow before taxes was EUR -41.9 million (EUR 438.2 million)
- Gross investments totalled EUR -116.0 million (EUR -65.7 million)
- Earnings per share were EUR 248 (EUR 17,294)
- The ratio of interest-bearing net debt to operating margin (net debt/EBITDA) was 3.0 (-0.1)
- The equity ratio was 39.7% (58.3%)
- Return on invested capital % (previous 12 months): 2.0 (54.6)

Figures in brackets refer to the corresponding period in 2021, unless otherwise stated.

**Positive development of sales in growing media and biofuels, weaker operational profitability**

The Group's reported turnover in the second third of the financial year (May–August 2022) amounted to EUR 162.8 million (May–August 2021: EUR 143.0 million). Turnover developed very favourably, exceeding the comparison period (May–August 2021) by 14 per cent. The positive development of sales was mainly attributable to the Grow&Care division, which achieved substantial growth in sales to professional growers in particular. Fuel sales in the Fuels&Real Estate Development division also developed very favourably.

In terms of profit performance, the second third of the year was challenging for the Grow&Care business mainly due to the increased costs of raw materials, freight and materials. In the Fuels&Real Estate Development division, comparable profitability improved substantially year-on-year thanks to the increased demand for energy fuels. The successful hedging of electricity prices also had a significant positive effect on the result. The Group's reported operating margin improved to EUR 19.8 million (EUR 11.6 million). The Group's comparable operating margin was also higher than in the previous year at EUR 21.5 million (EUR 12.0 million).

The Group's reported operating result for the second third of the financial year (May–August) was EUR 5.2 million (EUR -2.7 million). The Group's cash flow during the reporting period amounted to EUR -44.3 million (EUR 1.5 million). The negative development of cash flow was mainly attributable to acquisitions made in the second third of the year.

**CEO Vesa Tempakka:**

**“Neova Group had a strong third of the year thanks to good sales performance – rising freight and raw material costs had a negative effect on profitability”**

“Neova Group completed two significant projects in the second third of the year. The merger of Neova Oy's and Lassila Tikanoja plc's energy wood businesses was completed. The joint venture, named Laania Oy, started its operations on 1 July 2022. Neova owns 45 per cent of the company. Also on 1 July 2022, Neova acquired the 30 per cent minority stake in Kekkilä-BVB held by Nielson Belegging en Beheer B.V., making Kekkilä-BVB Oy a wholly owned subsidiary of Neova Oy.

Neova Group's business performance in January–August improved year-on-year in terms of both sales and the profitability of operations. Group turnover increased by 14%, mainly due to price increases. Both operating margin and operating profit improved significantly.

The spillover effects of the war in Ukraine on energy prices and logistics costs, for example, have had a rather exceptional impact on the Group's divisions. The Grow&Care division has suffered from significantly higher logistics costs, which the division has not been able to fully pass on to prices. In the Fuels&Real Estate Development division, sales and profitability improved significantly due to higher energy fuel sales and the change in the fair value of electricity derivatives.

In the Grow&Care division, the January–August period was slightly weaker than expected. The gardening season was shorter than usual due to the late spring. In addition, higher interest rates, accelerating inflation and the uncertainty created by the war in Ukraine have had an impact on the purchasing behaviour of consumers in particular. The prices of energy and natural gas – which is important for professional growers in Central Europe, in particular – have increased manifold, which has had a negative impact on the profitability and purchasing power of many customers, reducing purchasing volumes throughout the first eight months of the year.

The total sales of the Grow&Care division increased by 16% year-on-year. This growth was almost entirely attributable to price increases. Among the Grow&Care division's expenses, logistics costs increased the most, and these increases could not be fully passed on to selling prices. During the first eight months of the year, the division's logistics costs were nearly EUR 20 million higher than in the comparison period. Raw material costs have also risen, with the prices of fertilisers, for example, increasing by nearly 20% compared to last year.

Russia's invasion of Ukraine has had a major impact on the energy sector. Imports of electricity, natural gas, energy chips and pellets from Russia have ended, which has increased the demand for domestic wood and peat, led to higher volatility in electricity prices and driven prices higher for all types of fuels.

In November last year, Neova Group decided to discontinue the production of milled energy peat in Finland. The company had to reverse this decision in March 2022 when energy peat was again incorporated into fuel stockpiles and it became apparent that the additional production of energy peat would be necessary, especially for Eastern Finland due to its dependence on imported wood.

The summer's peat production season was weak due to the late spring and high rainfall. Consequently, Neova's peat production volume in Finland was only 65% of the target, and the amount of energy peat produced only came to slightly over 1.5 TWh. Neova's existing peat reserves are sufficient for the company to deliver the same amount of peat to its customers during the upcoming heating season as it has done in previous seasons, but energy peat reserves will be practically exhausted by spring 2023. In spite of this, energy peat sales in January–August were slightly lower than in the comparison period.

The profit performance of the Fuels&Real Estate Development division was exceptionally good. This was underpinned by higher fuel prices, exceptional energy peat sales to the National Emergency Supply Agency, successful hedging against electricity price increases, and land sales that progressed according to plan.

In the New Businesses segment, the rebuilding of the furnace at the activated carbon production plant in Ilomantsi has progressed according to plan, and test production at the plant is scheduled to begin at the turn of the year.

In the Group's operations outside Finland, horticultural peat production exceeded targets in both Estonia and Sweden, ensuring the availability of Kekkilä-BVB's raw materials for the next season. To ensure the success of energy peat production, Neova has already started to restore peat production areas and acquire contractors for next summer's peat production season. Nevertheless, Neova's energy peat delivery capacity for the next heating season will be lower than before by several million cubic metres. This will lead to problems in the 2023–2024 heating season barring a broader recovery of domestic peat production and fuel wood acquisition.

There is a need for a programme that extends beyond the current term of government, supports energy peat users and prevents unreasonable increases in district heating prices as well as the increased burning of commercial timber."

## Reporting segments

Neova's segment structure changed on 1 January 2022. The Group has changed the composition of its reporting segments by transferring the business activities of Nevel, which was sold in January 2021, to the other activities segment on 1 January 2022, and by forming a new reporting segment that comprises the Group's fuel businesses, the management and optimisation of the Group's land and real estate assets, and the business functions responsible for wind and solar power projects.

The reporting segments comprise the Group's divisions in accordance with Neova's management model. Neova Group's reporting segments are Grow&Care, Fuels&Real Estate Development, New Businesses and other activities.

## 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 a hundred countries. The integration into Kekkilä-BVB of Brill Substrate, which was acquired at the beginning of 2022, has also progressed well.

Turnover in the second third of the financial year (May–August) was EUR 133.8 million (EUR 118.9 million). The operating margin was EUR 10.0 million (EUR 11.1 million) and the operating profit was EUR 1.9 million (EUR 2.9 million). Gross investments were EUR 12.4 million (EUR 8.6 million). The cumulative turnover for the financial year to date (January–August) was EUR 292.3 million (EUR 252.8 million). The operating profit was EUR 13.5 million (EUR 14.8 million). The division's gross investments were EUR 36.5 million (EUR 17.5 million).

The Grow&Care division's turnover continued to grow year-on-year. Turnover developed favourably in both the professional grower business and the raw material business. Demand in the consumer business has been lower this year than during the pandemic, mainly due to a change in consumer demand, with consumers substantially reducing their spending on gardening products as they have spent less time at home after the pandemic has eased. The professional growing media business has continued its strong growth.

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

Grow&Care	5–8/2022	5–8/2021	Change	1–8/2022	1–8/2021	Change	1/2021–12/2021
Turnover (EUR million)	133.8	118.9	12.5%	292.3	252.8	15.6%	338.9
Operating margin (EUR million)	10.0	11.1	-9.8%	28.7	28.4	1.1%	32.2
Operating profit (EUR million)	1.9	2.9	-35.3%	13.5	14.8	-8.7%	11.0
Investments (EUR million)	12.4	8.6	44.7%	36.5	17.5	108.5%	25.4
Number of employees	645	570	13.0%	648	571	13.5%	569

### Fuels&Real Estate Development

The Fuels&Real Estate Development 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. In addition to operating in the fuel business, the division develops land owned by Neova for subsequent land uses, such as wind and solar power.

The Fuels&Real Estate Development division's current business units correspond to different types of fuel: pellet, wood, energy peat, and wind and solar power. Approximately half of the division's turnover is derived from renewable biofuels.

Turnover in the second third of the financial year (May–August) was EUR 28.7 million (EUR 23.8 million). The operating margin for the reporting period was EUR 7.5 million (EUR 3.4 million) and the operating profit was EUR 4.3 million (EUR 0.1 million). Gross investments amounted to EUR 1.8 million (EUR -2.5 million), excluding acquisitions. The cumulative turnover for the financial year to date (January–August) was EUR 99.8 million (EUR 103.0 million) and the operating profit for the reporting period was EUR 16.3 million (EUR 10.3 million).

The Fuels&Real Estate Development division's operating margin for the first eight months of the financial year increased in the second third of the year and was on a par with the previous year. With electricity prices increasing steeply, previous price hedging by derivatives improved the division's profitability year-on-year. The high price of emission rights has reduced the demand for energy peat. Imports of wood chips from Russia became subject to sanctions after Russia invaded Ukraine, which increased the significance of the security of supply and the use of domestic fuels in the production of heating energy and electricity, which partially mitigated the decline in the demand for energy peat. Customers replaced wood with energy peat due to the disruptions in the availability of imported wood fuels. Profitability was weakened by higher costs in raw material procurement, production operations and the supply chain, driven by rapidly accelerating inflation. Due to the increased demand for energy peat in the second third of the year, total comparable fuel deliveries for January–August (with the wood fuels transferred to Laania Oy included until 30 June 2022) grew by two per cent year-on-year. In real estate development, the development of decommissioned peat production sites into wind and solar farms is progressing according to the project plans.

During the second third of the financial year, Neova Group's wood fuel businesses in Finland and Estonia were merged with L&T Biowatti Oy to establish the joint venture Laania Oy, which began its operations on 1 July 2022.

Fuels&Real Estate Development	5–8/2022	5–8/2021	Change	1–8/2022	1–8/2021	Change	1/2021–12/2021
Turnover (EUR million)	28.7	23.8	20.9%	99.8	103.0	-3.1 %	161.6
Operating margin (EUR million)	7.5	3.4	118.6%	18.6	15.5	20.1%	10.6
Operating profit (EUR million)	4.3	0.1	3,584.3%	16.3	10.3	58.5%	2.0
Investments (EUR million)	1.8	-2.5	173.5%	2.5	2.9	-13.8%	7.9
Number of employees	220	238	-7.4%	227	239	-4.7%	234
Energy sales, peat (GWh)	1,349	656	105.6%	3,937	3,643	8.1%	5,514
Energy sales, other fuels (GWh)	337	598	-43.6%	1,713	2,063	-17.0%	3,610

## New Businesses

The New Businesses division creates new products and innovations based on the Group's competencies and raw material resources as well as emerging customer needs. The products and innovations secure the world's food production, promote healthy living environments and promote the purification of air and water. The goal is to develop sustainable new business in the international markets, which will increase our shareholder value in the long run. Neova Ventures coordinates the Group's innovation activities.

The area in which the most progress has been made in the Ventures business 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 Carbons business, construction began in spring 2019 on a strategically significant production facility in Ilomantsi to process activated carbon. After the new activated carbon production facility was completed in 2021, defects were detected in the masonry structures, which made it necessary to rebuild the activation furnace to improve its fire resistance. The demolition work has been completed and the rebuilding of the furnace began in June 2022. The deployment process started anew with the cold testing stage at the beginning of September. Commercial production is expected to start in spring 2023. Production output from the deployment phase has been successfully delivered to end customers, and customer feedback on product quality has been very positive. The employment effect of the construction stage has exceeded 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 carbons are sold under the Novactor brand.

Until the sales of the Ilomantsi plant's own production output begin, the turnover of the New Businesses division consists mainly of the sale of activated carbon raw material in the value chain. The operating result for the second third of the financial year was EUR -1.1 million (EUR -1.6 million). Gross investments were EUR 1.9 million (EUR 3.4 million). The operating result for January–August was EUR -2.7 million (EUR -3.3 million). Gross investments were EUR 3.6 million (EUR 9.2 million).

New Businesses	5–8/2022	5–8/2021	Change	1–8/2022	1–8/2021	Change	1/2021–12/2021
Turnover (EUR million)	1.8	0.8	118.7%	3.4	2.0	74.3%	3.0
Operating margin (EUR million)	-0.8	-1.4	45.8%	-2.1	-3.0	27.8%	-4.5
Operating profit (EUR million)	-1.1	-1.6	33.3%	-2.7	-3.3	18.7%	-5.1
Investments (EUR million)	1.9	3.4	-44.9%	3.6	9.2	-61.3%	28.0
Number of employees	31	30	4.2%	31	28	9.3%	28

### 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 and, in accordance with the new segment reporting structure, the Nevel business that was sold to Ardian in January 2021.

The other activities segment's effect on the operating result in May–August was EUR 0.1 million (EUR -4.4 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. The operating result for January–August was EUR -2.0 million (EUR 503.1 million). Gross investments, including acquisitions, amounted to EUR 72.3 million (EUR 1.5 million). Nevel is consolidated into the other activities segment'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 14.8 and its operating result was EUR 4.6 million.

Other activities	5–8/2022	5–8/2021	Change	1–8/2022	1–8/2021	Change	1/2021– 12/2021
Turnover (EUR million)	0.3	0.6	-53.2%	0.3	15.9	-98.2%	15.9
Operating profit (EUR million)	0.1	-4.4	102.5%	-2.0	503.1	-100.4%	503.0
Investments (EUR million)	72.3	1.5	4,678.5%	73.3	35.4	107.3%	39.0
Number of employees	69	83	-17.0%	68	98	-30.1%	91

## Cash flow, investments and financing

The Group's free cash flow before taxes in January–August came to EUR -41.9 million (EUR 438.2 million). The operating margin in the comparison year was significantly affected by the profit recognised on the sale of the heat and power business, which also increased cash flow. The operating margin (EBITDA) was EUR 46.5 million (EUR 551.2 million). The change in working capital affected cash flow by EUR 5.8 million (EUR -51.4 million).

Gross investments in the reporting period amounted to EUR 116.0 million (EUR 65.7 million), or 551.5 per cent (186.3%) of the amount of depreciation.

At the end of the reporting period, interest-bearing net debt stood at EUR 140.1 million (EUR -30.3 million). The ratio of interest-bearing net debt to operating margin (net debt/EBITDA) on 31 August 2022 was 2.4 (-0.1). Short-term interest-bearing debt amounted to EUR 77.1 million (EUR 19.4 million). Of the Group's long-term interest-bearing debt, 5.1 per cent is covered by a covenant related to the company's equity ratio. The terms of the covenant were met at the end of the review period.

The equity ratio at the end of August was 39.7% (58.3%) and the gearing ratio was 46.1% (-6.3%). The consolidated balance sheet total was EUR 770.3 million (EUR 826.3 million). The Group's net financing items were EUR -8.3 million (EUR -7.2 million). Net financing items were -2.1 (-1.9) per cent of turnover.

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

## Natural seasonal fluctuation in activities

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

Seasonal energy demand driven by the need for heating varies a great deal during the year. The peat production season falling almost entirely in the second third of the year also introduces significant cyclicity to the Fuels&Real Estate Development division's business operations. During the second third of the year, peat production did not reach the planned targets in all of our operating countries.

## Number of employees

The Group employed an average of 964 (985) persons in the second third of the financial year.

Employees by segment, average

Number of employees	5–8/2022	5–8/2021	1–8/2022	1–8/2021	1–12/2021
Grow&Care	645	570	648	571	569
Fuels&Real Estate Development	220	238	227	239	234
New Businesses	31	30	31	28	28
Other activities	69	83	68	98	91
<b>Total</b>	<b>964</b>	<b>920</b>	<b>974</b>	<b>936</b>	<b>922</b>

The joint codetermination committee of Neova Group's Finnish operations met once during the reporting period. The agenda for the meeting included the Group's financial performance, the progress of the implementation of the strategy, division-level business reviews, the HR and training plan, and other topics concerning the personnel.

**Sustainability**

Sustainability is at the heart of Neova Group’s strategy and targets. It is also a key element of business development. We updated our sustainability strategy in 2021. Our sustainability objective is to create green growth through net positive products and services by taking into account our impacts on the environment, health, society and the accumulation of knowledge capital. We have set medium-term and long-term targets and themes for three areas of sustainability: environmental responsibility, social responsibility and economic responsibility. Sustainability strategies and programmes are systematically implemented in each business in accordance with customer needs and the UN Sustainable Development Goals. To further increase the commitment of our personnel, we have incorporated sustainability into the short-term incentive targets of all of our employees in 2022 in all of our operating countries and at every level of the organisation.

For the sustainability of peat production, we use third-party RPP (Responsibly Produced Peat) certification as our indicator. At the end of 2021, RPP certification covered 4,165 hectares of our peat production areas. The target coverage for the end of 2022 is 5,655 hectares: 1,147 hectares in Finland, 3,796 hectares in Estonia and 711 hectares in Sweden. Certification applications for the peatlands in question were submitted to RPP in 2020 and 2021. During the second period of 2022, four field inspections were conducted by the RPP organisation at production sites located in Finland.

With regard to the well-being of the Group’s personnel, our target is zero accidents, and we also want to support the professional development of our employees and the growth of our partners. We also have clear processes for addressing any existing deficiencies.

A total of 11 hybrid visits by management were carried out at various operating locations. Most of the visits were conducted via Teams. The events were mostly focused on finding out how operations are going at each location and the management providing an update on current issues. We held our first Helping Hands events at our various operating countries during the spring. As part of our social responsibility strategy, we have decided on measures that will sharpen our approach with regard to diversity, equity and inclusion, and the way we talk about these topics. Our key message is that we aim to operate in a more proactive manner and we actively seek ways to increase diversity, equity and inclusion (DEI) in our operations. We have updated the company’s policies (including the personnel policy), guidelines and processes to reflect this goal.

During the second period of the year, the Group’s accident frequency (all accidents) continued to decline slightly compared to the latter part of 2021. We have focused on leading by example and the improvement of safety during the peak season, particularly at Kekkilä-BVB’s facilities. Increased safety training and risk assessments were significant factors behind the lower accident frequency.

KPI	1–8/2022	1–8/2021	1–12/2021
Well-being Pulse survey: My well-being at work is “good”	-	63% (April)	-
Accident frequency R12 (rolling 12 months): All accidents (MTR)	12.8	12.7	15.6
Accident frequency R12 (rolling 12 months): Accidents leading to lost time (LTA1)	7.6	4.8	7.2

With regard to management system certifications, our goal for 2022 is to certify the ISO 45001 occupational health and safety system for operations other than peat production. In peat production, we operate in accordance with the Group’s shared safety principles, and the ISO 45001 certification process in that area will continue in 2023. This year, we are working on expanding the certification to cover the wind and solar power business for all three systems. We intend to expand the ISO 14001 environmental management system within this year to cover all of our peat production operations in Estonia and our remaining non-certified growing media production facilities in the Netherlands. The expansion of certifications has progressed according to plan in collaboration with our certification partner DNV.

The Group’s certified management system – which currently includes both the ISO 9001 quality management system and the ISO 14001 environmental management system – helps us coordinate and manage our operations to satisfy customer and stakeholder requirements and regulatory obligations as well as focus on the continuous improvement, profitability and efficiency of our operations. The Group-level assessment of business functions supports the development of the Group’s operations across national borders.

### **Near-term risks to businesses**

The continued increase in material costs affects Neova Group's profitability in the short term, as a significant proportion of our customer agreements are long-term, which means that increases in material costs can be reflected in customer prices with a delay. Furthermore, Neova Group is largely self-sufficient with regard to its main raw materials.

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

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

Examples of such higher value-added uses of peat include activated carbon and growing media products. The first activated carbon production facility is intended to start operations in Ilomantsi, and this naturally involves significant risks associated with the start-up of a new production plant. These risks have partly materialised in the form of the facility's prolonged deployment phase.

### Political and geopolitical risks

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

The pandemic risk has been clearly on the forefront for nearly two years now. Its impact on the Group's business operations has, however, been relatively low. Nevertheless, if it were to recur due to the emergence of new variants, the COVID-19 pandemic could complicate nearly all of the Group's international business operations and hinder new customer acquisition in particular.

The COVID-19 pandemic has affected the Group's divisions in very different ways. The pandemic had barely any direct effects on the Fuels&Real Estate Development division. In the Grow&Care division, the effects of the pandemic were mostly positive due to our customers being able to better prepare for a strong season. The pandemic has slowed down the measures taken to open up new export markets in Asia and the United States to some extent.

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

The pandemic delayed and complicated the construction of the activated carbon production facility in Ilomantsi. Our main equipment supplier has had significant delays in deliveries, which have delayed the schedule of the project as a whole. In our product development activities, the most significant negative impact of the pandemic was having to stop or slow down the operations of our product development laboratories in Central Europe when the pandemic was at its worst.

### Financial risks

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

A new future threat that has emerged is the potential expansion of the sustainable finance taxonomy to apply to the entire peat industry regardless of the purpose of peat production. This creates uncertainty for the Group's growing media business, which is seeing strong growth, as well as the projects to develop high added value products, which have got off to a good start. Together with other industry operators, Neova Group will do

everything in its power to ensure that peat can still be produced and processed in the future to secure the growing production of local food in Finland, the European Union and the growing export markets in other regions.

### **Resolutions by the Annual General Meeting**

The Annual General Meeting of Neova Oy was held on 29 March 2022. The AGM adopted the financial statements and consolidated financial statements for the financial year 1 January 2021–31 December 2021 and discharged the members of the Supervisory Board, the Board of Directors and the CEO from liability. The AGM resolved to distribute a dividend of EUR 2,000 per share for the financial year that ended on 31 December 2021, corresponding to a total of EUR 60,000,000.

The AGM confirmed the number of members of the Supervisory Board as ten. Juha Sipilä was re-elected as Chairman, and Heikki Miilumäki was re-elected as Vice Chairman. Antti Häkkänen, Eero Kubin, Esko Kurvinen, Mauri Peltokangas, Jenni Pitko and Piritta Rantanen were re-elected as members. Harri Hietala and Mika Venäläinen were elected as new members of the Supervisory Board.

The AGM confirmed the number of members of the Board of Directors as seven. Panu Routila was elected as Chairman, and Markus Tykkyläinen was re-elected as Vice Chairman. Stefan Damlin, Tuomas Hyyryläinen and Kirsi Puntila were re-elected to the Board of Directors. Eeva-Liisa Virkkunen and Jari-Pekka Punkari were elected as new members of the Board of Directors.

The AGM resolved to establish a Shareholders' Nomination Board and confirmed the rules of procedure of the Shareholders' Nomination Board. Pekka Hurtola (Chairman) and Rami Vuola were elected as members of the Shareholders' Nomination Board.

The audit firm PricewaterhouseCoopers Oy was elected as auditor, with Panu Vänskä, Authorised Public Accountant, as the principal auditor.

### **Significant events during the second third of the year**

On 17 May 2022, Neova Oy announced it is planning the production of biostimulants in cooperation with Lapuan Peruna. Neova and Lapuan Peruna are planning a joint project to manufacture humic biostimulants in Lapua. Lapuan Peruna is applying for an extension of its own environmental permit, which will enable the industrial production of growth promoters. The processing of the environmental permit is expected to last until next spring.

On 21 February 2022, Neova Oy announced it had signed an agreement on acquiring a 30% minority interest in Kekkilä-BVB Oy from Nielson Belegging en Beheer B.V. In connection with the transaction, Juha Mäkinen, CEO of Kekkilä-BVB and member of Neova's Management Team, left the company. Vesa Tempakka, CEO of Neova and Chairman of Kekkilä-BVB's Board of Directors, was appointed as Kekkilä-BVB's new CEO. At the same time, the company announced that Peter Jan Kuiper, COO of Kekkilä-BVB, had been appointed as a member of the Neova Group's Management Team. The changes took effect immediately. The transaction was completed on 1 July 2022 after the necessary approvals from the competition authorities were obtained.

On 1 July 2022, Neova Oy merged its fuel wood business with Lassila&Tikanoja Biowatti Oy to establish the joint venture Laania Oy, which will continue the business. Neova Oy owns 45 per cent of the joint venture, with Lassila&Tikanoja owning 55 per cent. Laania Oy is a major bioenergy service company with a nationwide sales and procurement network. Its turnover amounts to approximately EUR 110 million and it has about 120 employees in Finland and Estonia. Approximately 50 employees will be transferred to Laania from Neova's energy wood business in Finland, and approximately 10 employees in Estonia.

### **Events after the review period**

On 4 October 2022, Neova Oy announced that its Finnish business operations related to the security of supply and real estate development will be centralised in a newly established company named Vapo Terra Oy, which is expected to start its operations on 1 January 2023.

### **Outlook for the remainder of the financial year, to 31 December 2022**

The development seen in the Group's businesses in the first third of the year is expected to continue largely unchanged during the financial year. Comparable turnover is expected to increase somewhat from the previous

year, and the comparable operating margin is expected to remain on prior year level or decline slightly due to cost inflation. While the development of the COVID-19 pandemic is still difficult to predict, the Group has prepared various alternative scenarios pertaining to the potential development of the pandemic.

The prices of Neova's key raw materials have increased significantly due to geopolitical uncertainty. This has affected not only the costs of raw materials but also their availability. The uncertainty and risks arising from the geopolitical situation – including previously imposed sanctions, potential additional sanctions and counter-sanctions and their consequences – may have an impact on the Group's operating environment.

Neova is considering a transition to quarterly reporting starting from the beginning of next year.

Vantaa, 2 November 2022

Neova Oy

Board of Directors

For further information, please contact:

Vesa Tempakka, Neova CEO, tel. +358 40 072 6727

Jarmo Santala, Neova CFO, tel. +358 40 801 9191

Ahti Martikainen, Neova's Director of Communications and Public Affairs +358 40 680 4723

**Consolidated key figures**

MEUR	5-8/2022	5-8/2021	1-8/2022	1-8/2021	1-12/2021
Sales	162.8	143.0	393.1	370.0	514.6
Operating profit (EBIT)	5.2	-2.7	25.2	527.7	511.2
% of turnover	3.2	-1.9	6.4	142.6	99.3
Operating profit (EBIT) before impairment	5.2	-2.7	25.2	527.8	527.6
% of turnover	3.2	-1.9	6.4	142.6	102.5
Profit/loss for the period	-0.6	-2.6	11.6	522.5	501.5
Operating margin (EBITDA)	19.8	11.6	46.6	551.2	562.8
+/- Change in working capital	20.6	3.1	5.8	-51.4	-51.1
- Net investments	-85.7	-13.3	-95.4	-61.5	-77.7
Free cash flow before taxes	-44.3	1.5	-41.9	438.2	434.0
Gross investments	88.5	14.3	-116.0	-65.7	-84.6
Return on invested capital % *			2.0	54.6	73.1
Return on invested capital % before impairment *			5.5	68.4	75.4
Return on equity % *			-2.2	76.0	108.9
Balance sheet total			770.3	826.3	780.9
Shareholders' equity			303.9	478.1	425.9
Interest-bearing net debt			140.1	-30.3	11.2
Equity ratio %			39.7	58.3	55.2
Interest-bearing net debt/operating margin			3.0	-0.1	0.0
Gearing %			46.1	-6.3	2.6
Average number of employees			974	936	922

\*) Previous 12 months

## Interim Report Tables

### Basic information

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”).

### Basis of preparation

The Group’s unaudited interim report has been prepared in accordance with IAS 34. This interim report should be read together with the consolidated financial statements prepared for the financial year that ended on 31 December 2021, which was prepared in accordance with the same accounting and measurement principles. The accounting principles applied in the preparation of this interim report are the same as the accounting principles applied in the consolidated financial statements with the exception of new and amended standards.

The Group has applied new standards and interpretations published by the IASB that are to be applied for the first time in reporting periods starting on or after 1 January 2022. The new standards and interpretations do not have a significant impact on the Group’s profit, financial position or the presentation of the interim report.

The figures presented in this interim report are shown in millions of euros unless otherwise specified. Individual figures and sums in the tables are rounded to the nearest million, which may lead to rounding differences in the totalled rows and columns.

### Use of estimates and the management’s judgement

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, and 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.

### Accounting judgments related to the COVID-19 pandemic and the impacts of the war in Ukraine

The war in Ukraine and the Western countries’ countermeasures against Russia have created market disruptions in the Group’s operating environment. Neova’s sales to Russia and Ukraine have been minor. In 2021, sales to the two countries represented approximately 0.2% of Neova’s turnover. Neova complies with the sanctions imposed against Russia and, accordingly, sales to Russia and Belarus, and raw material purchases from Russia and Belarus, have been discontinued. Neova does not industrial operations of its own in the Russian or Ukrainian markets. Nevertheless, the war in Ukraine is a source of significant uncertainty with regard to the Group’s profit performance in 2022.

The escalation of geopolitical tensions in Europe due to Russia’s attack on Ukraine has resulted in new supply chain disruptions and increased the costs of raw materials, energy and logistics. The prices of Neova’s key raw materials have increased significantly due to the geopolitical uncertainty. This has affected not only the costs of raw materials but also their availability. The uncertainty and risks arising from the geopolitical situation – including

previously imposed sanctions, potential additional sanctions and counter-sanctions and their consequences – may have an impact on the Group's operating environment.

The business impacts of the COVID-19 pandemic have largely stabilised in the Group's operating countries. 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 2022.

#### Key exchange rates used in the consolidated financial interim report

		Average rate <b>1–8/2022</b>	Average rate <b>1–8/2021</b>	Closing rate <b>8/2022</b>	Closing rate <b>8/2021</b>
SEK	Swedish krona	10.4944	10.1504	10.6788	10.1625

**Consolidated interim report January–April 2022, IFRS**  
**Condensed consolidated statement of comprehensive income**

MEUR	5–8/2022	5–8/2021	1–8/2022	1–8/2021	1–12/2021
<b>REVENUE</b>	162.8	143.0	393.1	370.0	514.6
Other operating income	1.5	3.9	3.5	516.1	521.3
Share of results of companies consolidated using the equity method	-0.4	-1.1	2.0	-0.8	0.0
Operating expenses	-146.4	-135.3	-352.5	-334.9	-473.1
Depreciation	-12.2	-13.2	-21.0	-22.7	-35.3
Impairment	0.0	0.0	0.0	0.0	-16.3
<b>OPERATING PROFIT/LOSS</b>	5.2	-2.7	25.2	527.7	511.2
Financial income	8.0	2.7	5.4	4.2	5.3
Financial expenses	-11.9	-2.6	-13.7	-5.9	-12.5
<b>PROFIT/LOSS BEFORE TAXES</b>	1.3	-2.6	16.9	526.0	504.0
Income taxes	-2.0	0.0	-5.3	-3.5	-2.5
<b>PROFIT/LOSS FOR THE PERIOD</b>	-0.6	-2.6	11.6	522.5	501.5
<b>OTHER COMPREHENSIVE INCOME ITEMS:</b>					
<b>(items that may not be reclassified subsequently to profit or loss):</b>					
Remeasurement of defined benefit plans	0.0	0.0	0.0	0.0	0.1
<b>Items that may be reclassified to profit or loss:</b>					
Translation differences from foreign units	-0.7	0.0	-0.8	-0.3	-0.5
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	-1.4	-2.6	10.8	522.2	501.1
<b>Distribution of profit for the period:</b>					
To parent company shareholders	-1.9	-3.6	7.4	518.8	499.1
To non-controlling shareholders	1.2	1.0	4.2	3.7	2.4
	-0.6	-2.6	11.6	522.5	501.5
<b>Distribution of comprehensive income for the period:</b>					
To parent company shareholders	-2.7	-1.0	6.6	518.5	498.8
To non-controlling shareholders	1.3	1.0	4.2	3.7	2.3
	-1.4	0.0	10.8	522.2	501.1
Earnings/share, EUR	-60	-120	248	17,294	16,638
Average number of shares	30,000	30,000	30,000	30,000	30,000

**Condensed consolidated statement of financial position**

MEUR	31 August 2022	31 August 2021	31 December 2021
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	35.6	31.4	32.3
Goodwill	26.8	24.2	24.0
Land and water areas	35.2	35.8	33.6
Buildings and structures	39.6	39.8	39.4
Machinery and equipment	51.8	45.4	50.9
Other tangible assets	51.7	61.4	51.6
Prepayments and unfinished acquisitions	58.8	59.1	52.4
Investments	196.4	247.2	0.5
Long-term receivables	2.1	3.2	3.2
Deferred tax asset	3.7	1.0	2.6
<b>NON-CURRENT ASSETS</b>	<b>501.7</b>	<b>548.6</b>	<b>290.4</b>
<b>CURRENT ASSETS</b>			
Inventories	139.8	170.6	171.5
Sales and other receivables	102.2	83.8	80.3
Income tax receivables			1.9
Other financial assets	0	0	188.9
Cash and cash equivalents	26.6	4.4	30.4
<b>CURRENT ASSETS</b>	<b>268.6</b>	<b>258.8</b>	<b>473.0</b>
<b>AVAILABLE-FOR-SALE ASSETS</b>	<b>0</b>	<b>18.9</b>	<b>17.5</b>
<b>ASSETS</b>	<b>770.3</b>	<b>826.3</b>	<b>780.9</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Parent company shareholders' share of shareholders' equity	303.4	433.7	384.4
Non-controlling shareholders	0.5	44.4	43.5
<b>TOTAL EQUITY</b>	<b>303.9</b>	<b>478.1</b>	<b>427.9</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liability	16.0	11.1	10.6
Long-term interest-bearing liabilities	259.7	219.6	214.6
Long-term provisions	13.4	9.9	11.6
Pension liabilities	5.1	4.8	5.3
<b>NON-CURRENT LIABILITIES</b>	<b>294.3</b>	<b>245.3</b>	<b>242.1</b>
<b>CURRENT LIABILITIES</b>			
Current interest-bearing liabilities	77.0	13.1	19.3
Current non-interest-bearing liabilities	95.1	89.6	90.8
Current provisions			0.8
<b>CURRENT LIABILITIES</b>	<b>172.1</b>	<b>102.8</b>	<b>110.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>770.3</b>	<b>826.3</b>	<b>780.9</b>

**Condensed consolidated statement of cash flows**

MEUR	1-8/2022	1-8/2021	1-12/2021
<b><u>Cash flow from operating activities</u></b>			
Profit/loss for the period	11.6	522.5	501.5
Adjustments to the result for the period	16.9	-485.3	-454.3
Change in working capital	30.1	-55.8	-50.2
<b>Cash flow from operating activities before financial items and taxes</b>	<b>58.6</b>	<b>-18.7</b>	<b>-3.0</b>
Interest received from operating activities	1.0	0.1	-0.1
Interest paid from operating activities	-7.2	-4.1	-9.7
Other financial items from operating activities	-1.6	0.2	0.4
Taxes paid on operating activities	-2.7	-2.7	-4.6
<b>Net cash from operating activities</b>	<b>48.2</b>	<b>-25.2</b>	<b>-17.1</b>
<b><u>Cash flow from investing activities</u></b>			
Investments in tangible and intangible assets	-19.7	-31.9	-45.5
Proceeds from disposal of tangible and intangible assets	7.2	4.2	16.4
Acquisition of subsidiaries, net of cash	-83.0	0.0	0.0
Disposal of subsidiaries, net of cash	0.0	644.0	644.1
Associates' shares bought	-19.7	-0.4	0.0
Associates' shares sold	16.7	0.0	0.0
Other investments	-9.8	-280.5	-224.9
Proceeds from disposal of other investments	24.7	0.0	0.0
<b>Net cash from investing activities</b>	<b>-83.7</b>	<b>335.7</b>	<b>390.1</b>
<b>Cash flow before financing</b>	<b>-35.5</b>	<b>310.6</b>	<b>373.0</b>
<b><u>Cash flow from financing activities</u></b>			
Increase (+)/decrease (-) in short-term loans	52.0	-45.0	-46.1
Change in long-term loans and other financing items	40.4	-38.2	-33.2
Repayments of lease liabilities	0.0	0.0	-10.3
Dividends paid	-60.8	-250.0	-250.0
Repayments of hybrid bond	0.0	0.0	-29.9
<b>Net cash from financing activities</b>	<b>31.7</b>	<b>-333.1</b>	<b>-369.5</b>
<b>Net change in cash and cash equivalents</b>	<b>-3.8</b>	<b>-22.6</b>	<b>3.4</b>
Cash and cash equivalents, at beginning of period	30.4	27.0	27.0
Change in cash and cash equivalents	-3.8	-22.6	3.4
Effect of changes in exchange rates	0.0	0.0	0.0
Cash and cash equivalents at end of period	26.6	4.4	30.4

**Consolidated statement of changes in equity**

MEUR	Share capital	Other funds	Translation differences	Retained earnings	Hybrid bond	Total	Non-controlling shareholders	Total
<b>SHAREHOLDERS' EQUITY 1 JAN. 2022</b>	50.5	30.5	-4.0	307.4		384.4	43.5	427.9
<b>Changes in shareholders' equity</b>								
Dividends				-60.0		-60.0	-0.8	-60.8
Total comprehensive income			-0.8	7.4		6.6	4.2	10.8
<b>Other changes</b>								
Other changes				-2.0		-2.0		-2.0
Transactions with non-controlling interests				-25.6		-25.6	-46.4	-72.0
<b>TOTAL EQUITY 31 AUG. 2022</b>	<b>50.5</b>	<b>30.5</b>	<b>-4.7</b>	<b>227.2</b>		<b>303.4</b>	<b>0.5</b>	<b>303.9</b>

MEUR	Share capital	Other funds	Translation differences	Retained earnings	Hybrid bond	Total	Non-controlling shareholders	Total
<b>SHAREHOLDERS' EQUITY 1 JAN. 2021</b>	50.5	30.5	-3.4	58.1	29.9	165.4	41.9	207.3
<b>Changes in shareholders' equity</b>								
Dividends				-250.0		250.0		-250.0
Distribution of funds							-1.0	-1.0
Total comprehensive income				518.8		518.8	3.7	522.5
<b>Other changes</b>								
Other changes			-0.3	-0.4		-0.7		-0.7
<b>TOTAL EQUITY 31 AUG. 2021</b>	<b>50.5</b>	<b>30.5</b>	<b>-3.7</b>	<b>326.6</b>	<b>29.9</b>	<b>433.7</b>	<b>44.5</b>	<b>478.1</b>

MEUR	Share capital	Other funds	Translation differences	Retained earnings	Hybrid bond	Total	Non-controlling shareholders	Total
<b>TOTAL EQUITY 1 JAN. 2021</b>	50.5	30.5	-3.4	58.1	29.9	165.4	41.9	207.3
<b>Changes in shareholders' equity</b>								
Dividend distribution				-250.0		-250.0	-0.0	-250.0
Distribution of funds							-1.0	-1.0
Total comprehensive income			-0.5	499.3		498.8	2.3	501.1
<b>Other changes</b>								
Other changes			-0.0	0.0	-29.9	-29.9	0.3	-29.6
<b>TOTAL EQUITY 31 DEC. 2021</b>	<b>50.5</b>	<b>30.5</b>	<b>-4.0</b>	<b>307.4</b>	<b>0.0</b>	<b>384.4</b>	<b>43.5</b>	<b>427.9</b>

## Revenue

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.

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

### REVENUE BY CATEGORY, EXTERNAL

		Fuels&Real Estate Development	New Businesses	Other activities	Total
<b>1-8/2022</b>	<b>Grow&amp;Care</b>				
Products	286.9	97.5	3.1	0.1	387.5
Services	5.1	0.5	0	0.1	5.6
<b>Total</b>	<b>292.0</b>	<b>98.0</b>	<b>3.1</b>	<b>0.1</b>	<b>393.1</b>

		Fuels&Real Estate Development	New Businesses	Other activities	Total
<b>1-8/2021</b>	<b>Grow&amp;Care</b>				
Products	246.6	99.5	1.7	13.4	361.2
Services	6.0	0.3	0	2.5	8.8
<b>Total</b>	<b>252.6</b>	<b>99.8</b>	<b>1.7</b>	<b>15.9</b>	<b>370.0</b>

		Fuels&Real Estate Development	New Businesses	Other activities	Total
<b>2021</b>	<b>Grow&amp;Care</b>				
Products	329.7	157.0	2.5	13.5	502.7
Services	8.9	0.5	0	2.5	11.9
<b>Total</b>	<b>388.6</b>	<b>157.6</b>	<b>2.5</b>	<b>15.9</b>	<b>514.6</b>

**TIMING OF REVENUE RECOGNITION**

<b>1-8/2022</b>	<b>Grow&amp;Care</b>	<b>Fuels&amp;Real Estate Development</b>	<b>New Businesses</b>	<b>Other activities</b>	<b>Total</b>
Goods transferred at a point in time	286.9	97.5	3.1	0.1	387.5
Services transferred at a point in time	5.1	0.5	0	0.1	5.6
<b>Total</b>	<b>292.0</b>	<b>98.0</b>	<b>3.1</b>	<b>0.1</b>	<b>393.1</b>

<b>1-8/2021</b>	<b>Grow&amp;Care</b>	<b>Fuels&amp;Real Estate Development</b>	<b>New Businesses</b>	<b>Other activities</b>	<b>Total</b>
Goods transferred at a point in time	246.6	99.5	1.7	13.4	361.2
Services transferred at a point in time	6.0	0.3	0	2.5	8.8
<b>Total</b>	<b>252.6</b>	<b>99.8</b>	<b>1.7</b>	<b>15.9</b>	<b>370.0</b>

<b>2021</b>	<b>Grow&amp;Care</b>	<b>Fuels&amp;Real Estate Development</b>	<b>New Businesses</b>	<b>Other activities</b>	<b>Total</b>
Goods transferred at a point in time	329.7	157.0	2.5	13.5	502.7
Services transferred at a point in time	8.9	0.5	0	2.5	11.9
<b>Total</b>	<b>338.6</b>	<b>157.6</b>	<b>2.5</b>	<b>15.9</b>	<b>514.6</b>

**REVENUE BY OPERATING SEGMENT**

<b>1-8/2022</b>	<b>Grow&amp;Care</b>	<b>Fuels&amp;Real Estate Development</b>	<b>New Businesses</b>	<b>Other</b>	<b>Eliminations</b>	<b>Total</b>
External turnover	292.0	98.0	3.1	0.1	0	393.1
Internal turnover	0.3	1.8	0.4	0	-2.5	0
<b>Total</b>	<b>292.3</b>	<b>99.8</b>	<b>3.5</b>	<b>0.1</b>	<b>-2.5</b>	<b>393.1</b>

<b>1-8/2021</b>	<b>Grow&amp;Care</b>	<b>Fuels&amp;Real Estate Development</b>	<b>New Businesses</b>	<b>Other</b>	<b>Eliminations</b>	<b>Total</b>
External turnover	252.6	99.8	1.7	15.9	0	370.0
Internal turnover	0.2	3.1	0.3	0	-3.6	0
<b>Total</b>	<b>252.8</b>	<b>102.9</b>	<b>2.0</b>	<b>15.9</b>	<b>-3.6</b>	<b>370.0</b>

<b>2021</b>	<b>Grow&amp;Care</b>	<b>Fuels&amp;Real Estate Development</b>	<b>New Businesses</b>	<b>Other</b>	<b>Eliminations</b>	<b>Total</b>
External turnover	338.6	157.6	2.5	15.9	0	514.6
Internal turnover	0.3	4.0	0.5	0	-4.9	0
<b>Total</b>	<b>338.9</b>	<b>161.6</b>	<b>3.0</b>	<b>15.9</b>	<b>-4.9</b>	<b>514.6</b>

## Segment information

Neova's segment structure changed on 1 January 2022. The Group has changed the composition of its reporting segments by transferring the business activities of Nevel, which was sold in January 2021, to the other activities segment on 1 January 2022, and by forming a new reporting segment that comprises the Group's fuel businesses, the management and optimisation of the Group's land and real estate assets, and the business functions responsible for wind and solar power projects. Due to the change in segment reporting that took effect on 1 January 2022, the Group's financial comparison figures for 2021 are presented in accordance with the new reporting structure. The change in segment reporting has had no effect on the Group's profitability figures.

Neova Group's reporting segments are (effective from 1 January 2022) Grow&Care, Fuels&Real Estate Development, New Businesses and the other activities segment. 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.

### SEGMENT INFORMATION 1–8/2022

MEUR	Grow&Care	Fuels&Real Estate Development	New Businesses	Other	Eliminations	Group total
External turnover	292.0	98.0	1.5	0.1	1.6	393.1
Internal turnover	0.3	1.8	0.4	0.2	-2.6	
<b>Turnover</b>	<b>292.3</b>	<b>99.8</b>	<b>1.8</b>	<b>0.3</b>	<b>-1.0</b>	<b>393.1</b>
Segment operating profit/loss	13.5	16.4	-2.7	-2.0	0.0	25.2
Financial income and expenses						-8.3
Appropriations and income taxes						-5.3
<b>Profit/loss for the period</b>	<b>13.5</b>	<b>16.4</b>	<b>-2.7</b>	<b>-2.0</b>	<b>0.0</b>	<b>11.6</b>
Segment assets	354.5	134.8	53.2	173.3	-183.0	537.0
Shares in associates	3.0	16.1				19.2
Unallocated assets						214.1
<b>Assets total</b>	<b>138.9</b>	<b>357.5</b>	<b>53.2</b>	<b>534.4</b>	<b>-183.0</b>	<b>770.3</b>
Segment debt	34.2	32.4	1.7	-24.7	18.3	62.0
Unallocated debt						404.4
<b>Debt total</b>	<b>32.6</b>	<b>32.4</b>	<b>1.7</b>	<b>513.3</b>	<b>-112.3</b>	<b>466.4</b>
Investments	36.5	2.5	3.6	1.3	-0.0	116.0
Depreciation	15.4	4.0	0.3	1.0	0.3	21.0

**SEGMENT INFORMATION 1–8/2021**

MEUR	Grow&Care	Fuels&Real Estate Development	New Businesses	Other	Eliminations	Group total
External turnover	252.6	99.8	1.7	15.9	0	370.0
Internal turnover	0.2	3.1	0.3	-	-3.6	0
<b>Turnover</b>	<b>252.8</b>	<b>102.9</b>	<b>2.0</b>	<b>15.9</b>	<b>-3.6</b>	<b>370.0</b>
Segment operating profit/loss	14.8	10.3	-3.3	505.7	0.3	527.7
Financial income and expenses						-1.7
Appropriations and income taxes						-3.5
<b>Profit/loss for the period</b>	<b>14.8</b>	<b>10.3</b>	<b>-3.3</b>	<b>505.7</b>	<b>0.3</b>	<b>522.5</b>
Segment assets	284.5	181.1	47.9	136.2	-125.2	524.5
Shares in associates	0.0	19.9	0.0	0.0	0.0	19.9
Unallocated assets						281.9
<b>Assets total</b>	<b>284.5</b>	<b>201.0</b>	<b>47.9</b>	<b>136.2</b>	<b>-125.2</b>	<b>826.3</b>
Segment debt	39.9	30.6	0.7	3.6	-1.4	73.4
Unallocated debt						274.8
<b>Debt total</b>	<b>39.9</b>	<b>30.6</b>	<b>0.7</b>	<b>3.6</b>	<b>-1.4</b>	<b>348.1</b>
Investments	17.5	2.9	9.2	35.4	0.7	65.7
Depreciation	13.5	4.4	0.4	4.3	0	22.7

**SEGMENT INFORMATION 1–12/2021**

MEUR	Grow&Care	Fuels&Real Estate Development	New Businesses	Other	Eliminations	Group total
External turnover	338.6	157.6	2.5	15.9	0	514.6
Internal turnover	0.3	4.0	0.5	0.0	-4.9	0.0
<b>Turnover</b>	<b>338.9</b>	<b>161.6</b>	<b>3.0</b>	<b>15.9</b>	<b>-4.9</b>	<b>514.6</b>
Segment operating profit/loss	11.0	2.0	-5.1	503.3	0.0	511.2
Financial income and expenses						-7.0
Appropriations and income taxes						-2.5
<b>Result for the period</b>	<b>11.0</b>	<b>3.5</b>	<b>-5.1</b>	<b>-15.0</b>	<b>-5.5</b>	<b>501.5</b>
Segment assets	294.4	191.4	48.8	116.6	-104.9	546.4
Unallocated assets						234.4
<b>Assets total</b>	<b>294.4</b>	<b>191.4</b>	<b>48.8</b>	<b>12.3</b>	<b>-2.1</b>	<b>780.9</b>
Segment debt	38.4	29.5	0.6	2.3	-2.8	68.0
Unallocated debt						287.0
<b>Debt total</b>	<b>38.4</b>	<b>29.5</b>	<b>0.6</b>	<b>2.3</b>	<b>-2.8</b>	<b>355.0</b>
Investments	37.5	-2.2	10.4	39.0	-0.1	84.6
Depreciation	21.2	24.8	0.6	4.9	-0.0	51.6

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**

<b>MEUR</b>	<b>5-8/2022</b>	<b>5-8/2021</b>	<b>1-8/2022</b>	<b>1-8/2021</b>	<b>2021</b>
Grow&Care	1.9	2.9	13.5	14.8	11.0
Fuels&Real Estate Development	4.3	0.1	16.3	10.3	2.0
New Businesses	-1.1	-1.6	-2.7	-3.3	-5.1
Other activities	0.1	-4.4	-2.0	505.7	503.3
Eliminations	0.0	0.3	0.0	0.3	0.0
<b>Total</b>	<b>5.2</b>	<b>-2.7</b>	<b>25.2</b>	<b>527.7</b>	<b>511.2</b>

**ITEMS AFFECTING COMPARABILITY**

<b>MEUR</b>	<b>5-8/2022</b>	<b>5-8/2021</b>	<b>1-8/2022</b>	<b>1-8/2021</b>	<b>2021</b>
Grow&Care	-0.1	0.0	-0.5	0.0	-0.9
Fuels&Real Estate Development	-1.1	-1.6	0.9	-1.6	-17.7
New Businesses	0.0	0.0	0.0	0.0	-0.1
Other activities	-0.5	-0.8	-0.8	506.6	506.1
Eliminations	0.0	0.3	0.0	0.3	0.0
<b>Total</b>	<b>-1.7</b>	<b>-2.4</b>	<b>-0.4</b>	<b>505.3</b>	<b>487.6</b>

**COMPARABLE OPERATING PROFIT**

<b>MEUR</b>	<b>5-8/2022</b>	<b>5-8/2021</b>	<b>1-8/2022</b>	<b>1-8/2021</b>	<b>2021</b>
Grow&Care	2.0	3.0	14.0	14.8	11.9
Fuels&Real Estate Development	5.4	1.7	15.5	14.5	18.6
New Businesses	-1.1	-1.6	-2.7	-3.3	-4.9
Other activities	0.6	-3.3	-1.2	-3.5	-2.0
Eliminations	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>6.9</b>	<b>-0.3</b>	<b>25.6</b>	<b>22.4</b>	<b>23.6</b>

**ITEMS AFFECTING COMPARABILITY**

MEUR	5-8/2022	5-8/2021	1-8/2022	1-8/2021	2021
<b>Comparable profit/loss for the period</b>	<b>1.1</b>	<b>-0.3</b>	<b>12.0</b>	<b>17.2</b>	<b>13.7</b>
<b>Items affecting comparability</b>					
Gains/losses on disposals	0.0	0.0	2.0	507.6	507.6
Inventory measurement gains/losses	0.0	0.5	0.0	0.5	2.0
Restructuring	-1.5	-0.9	-2.1	-1.2	-2.1
Other items	-0.3	0.1	-0.3	0.4	-0.4
Items affecting comparability in operating margin	-1.7	-0.3	-0.4	507.3	507.1
Gains/losses on disposals	0.0	0.0	0.0	0.0	-18.3
Impairment	0.0	0.0	0.0	0.0	-1.1
Restructuring	0.0	-2.0	0.0	-2.0	0.0
Items affecting comparability in operating profit	-1.7	-2.4	-0.4	505.3	487.6
<b>Items affecting comparability, total</b>	<b>-1.7</b>	<b>-2.4</b>	<b>-0.4</b>	<b>505.3</b>	<b>487.6</b>
<b>Profit/loss for the period</b>	<b>-0.6</b>	<b>-2.7</b>	<b>11.6</b>	<b>522.5</b>	<b>501.5</b>

**Geographical information**
**REVENUE BY COUNTRY**

MEUR	5-8/2022	5-8/2021	1-8/2022	1-8/2021	2021
Finland	48.5	44.6	135.0	150.1	220.3
Other Nordic countries	17.1	21.0	49.7	51.1	66.7
Europe	80.2	61.2	171.2	144.7	193.7
America	7.8	4.2	16.2	6.7	10.4
Other activities	9.3	12.0	21.1	17.4	23.5
<b>Total</b>	<b>162.8</b>	<b>143.0</b>	<b>393.1</b>	<b>370.0</b>	<b>514.6</b>

**NON-CURRENT ASSETS**

MEUR	4/2022	4/2021	8/2022	8/2021	2021
Finland	372.6	203.5	369.8	182.3	360.0
Other Nordic countries	2.9	36.9	4.0	54.6	59.2
Europe	103.6	60.9	103.1	83.9	87.6
<b>Total</b>	<b>479.1</b>	<b>301.3</b>	<b>476.9</b>	<b>320.8</b>	<b>506.7</b>

**INVESTMENTS**

MEUR	5-8/2022	5-8/2021	1-8/2022	1-8/2021	2021
Finland	77.8	10.8	82.8	52.7	62.2
Other Nordic countries	1.2	1.8	17.8	7.0	9.6
Europe	9.5	2.5	15.4	5.9	12.8
<b>Total</b>	<b>88.5</b>	<b>15.1</b>	<b>116.0</b>	<b>65.7</b>	<b>84.6</b>

**Fair values of financial assets and liabilities**

	31 August 2022			31 August 2021			31 December 2021		
	Positive	Fair value	Net	Positive	Fair value	Net	Positive	Fair value	Net
<b>MEUR</b>	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Net Fair value
Currency derivatives, no hedge accounting	0.2	-0.1	0.1	0	0	0	0.2	-0.1	0.1
Electricity derivatives, no hedge accounting	14.7	0	14.7	1.4	0	1.4	2.1	0	2.1
Emission right derivatives, no hedge accounting	0	0	0	0.7	0	0.7	0	0	0
Fund investments	166.1	0	166.1	170.1	0	170.1	169.1	0	169.1
<b>Total</b>	180.9	-0.1	180.9	172.3	0	172.2	171.4	-0.1	171.3

Investments in commercial papers, totalling EUR 76.7 million, are recognised in the balance sheet at amortised cost.

**Nominal values of derivative agreements**

	31 August 2022	31 August 2021	31 December 2021
<b>MEUR</b>			
Nominal value of currency derivatives	67.7	84.6	77.1
Nominal value of electricity derivatives	3.0	3.4	3.0
Nominal value of emission rights	0	0.5	0
<b>Total</b>	70.6	88.5	80.1

**Fair value hierarchy levels**

Neova determines and presents the fair value classification of financial instruments according to the following 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 1 includes stock exchange-listed shares, level 2 includes derivatives and level 3 includes investments in unlisted securities.

MEUR	31 August 2022			31 August 2021			31 December 2021			Level 1	Level 2	Level 3
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total			
<b>ASSETS MEASURED AT FAIR VALUE</b>												
<b>Available-for-sale financial assets</b>												
Available-for-sale investments	166.1	0	166.1	0	170.1	0	170.1	0	169.1	0	169.1	0.0
<b>Financial assets measured at fair value through profit or loss – held for trading</b>												
Derivatives – no hedge accounting	14.8	0	14.8	0	2.2	0	2.2	0	2.3	0	2.3	0
<b>Total</b>	<b>180.9</b>	<b>0</b>	<b>180.9</b>	<b>0</b>	<b>172.3</b>	<b>0</b>	<b>172.3</b>	<b>0</b>	<b>171.4</b>	<b>0</b>	<b>171.4</b>	<b>0</b>
<b>LIABILITIES MEASURED AT FAIR VALUE</b>												
<b>Financial liabilities measured at fair value through profit or loss – held for trading</b>												
Derivatives – no hedge accounting	-0.1	0	-0.1	0	0	0	0	0	-0.1	0	-0.1	0.0
<b>Total</b>	<b>-0.1</b>	<b>0</b>	<b>-0.1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-0.1</b>	<b>0</b>	<b>-0.1</b>	<b>0.0</b>

**COLLATERAL, CONTINGENT COMMITMENTS AND OTHER LIABILITIES**

MEUR	31 August 2022	31 August 2021	31 December 2021
<b>Guarantees given on behalf of own commitments</b>			
As collateral for own debt			
Liabilities for own commitments			
Guarantees	14.8	12.7	14.0
<b>Total</b>	<b>14.8</b>	<b>12.7</b>	<b>14.0</b>

**Contingent commitments on behalf of Group companies**

MEUR	31 August 2022	31 August 2021	31 December 2021
Guarantees	4.1	5.4	6.5
<b>Interest-bearing receivables</b>			
Long-term receivables from others	3.2	3.2	3.2
Long-term receivables from associates and joint ventures	10.1		
Short-term receivables from associates and joint ventures	2.0	0.0	0.0
<b>Total</b>	<b>15.3</b>	<b>3.2</b>	<b>3.2</b>

## Acquisitions and divestments

### Acquisitions in 2022

#### Brill Substrate and Brill Papenburg Logistics

Neova Oy's group company Kekkilä-BVB Germany GmbH 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 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.

The combined turnover of the Brill companies amounted to approximately EUR 25 million in 2021. The acquired businesses employ approximately 60 people in Germany and France. The acquired business has been consolidated in the Group's financial figures from the date of acquisition.

The fair values of the acquired net assets, defined on the basis of preliminary estimates, are presented in the table below. Based on the preliminary allocation of the transaction price, part of the transaction price was allocated to supplier and customer relationships, which are recognised in intangible assets, and part of the transaction price was allocated to tangible assets. The costs associated with the acquisition are included in other operating expenses in the consolidated statement of income. Most of these costs were incurred in 2021.

#### Acquired net assets and preliminary goodwill related to Brill Substrate and Brill Papenburg Logistics collectively, MEUR

MEUR	2022
Intangible assets	4.1
Tangible assets	8.6
Investments	3.0
Inventories	4.4
Sales and other receivables	5.4
Cash and cash equivalents	5.6
<b>Assets total</b>	<b>31.1</b>
Interest-bearing debt	9.3
Provisions	1.1
Accounts payable and other debt	7.4
<b>Debt total</b>	<b>17.8</b>
<b>Net assets acquired</b>	<b>13.2</b>
Consideration paid	16.6
Net assets acquired	-13.2
<b>Goodwill</b>	<b>3.3</b>
Consideration paid in cash	16.6
Acquired cash assets	-5.6
Acquired and paid liabilities	8.1
<b>Cash flow effect</b>	<b>19.1</b>

The acquisitions of Brill Substrate and Brill Papenburg Logistics increased turnover in 2022 by EUR 22.0 million, and the effect of the companies on consolidated operating profit was EUR 2.8 million.

**Acquisitions in 2021**

Neova did not make any acquisitions in January–August 2021.

**Divestments in 2022**

During the first third of the financial year, Neova completed the sale of Scandbio AB shares to Lantmännen ek. The transaction was finalised on 1 April 2022 after approval by the relevant authorities. The transaction has not had a material impact on Neova Group's result for the year.

**Divestments in 2021**

In January 2021, Neova completed the sale of its wholly-owned subsidiary Nevel Oy to 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.

The Group has changed the composition of its reporting segments by transferring the business activities of Nevel, which was sold in January 2021, to the other activities segment. Nevel's turnover for the corresponding period in the comparison year was EUR 14.8 and its operating result was EUR 4.6 million. A summary of the assets and liabilities derecognised from Neova's balance sheet, and the profit on the sale, is presented in the table below.

**Sale of subsidiary shares, Nevel Oy**

MEUR	2021
Intangible assets	29.6
Tangible assets	139.0
Deferred tax assets	0.1
Inventories	4.3
Sales and other receivables	23.2
Cash and cash equivalents	11.9
<b>Assets total</b>	<b>208.2</b>
Interest-bearing debt	147.1
Deferred tax liabilities	4.1
Accounts payable and other debt	27.9
<b>Debt total</b>	<b>179.2</b>
<b>Net assets sold</b>	<b>29.0</b>
Consideration received	536.5
Net assets sold	29.0
<b>Capital gain</b>	<b>507.5</b>
Consideration received in cash	655.9
Cash and cash equivalents	-11.9
<b>Cash flow effect</b>	<b>644.1</b>