Financial Statements and Board of Directors' Report

1 January–31 December 2022

Neova Group 1 January–31 December 2022

Interim report and full-year financial statements

September–December 2022 in brief:

- Group turnover in September–December 2022 was EUR 153.4 million (EUR 144.6 million in September–December 2021).
- The operating margin (EBITDA) was EUR -1.7 million (EUR 11.6 million), or -1.1% (8.0%) of turnover
- Comparable EBITDA was EUR 1.5 million (EUR 13.2 million). EBITDA includes non-recurring items totalling EUR -3.2 million (EUR -1.6 million)
- The operating result (EBIT) was EUR 1.1 million (EUR -16.5 million)
- Comparable EBIT excluding non-recurring items was EUR -7.7 million (EUR 3.4 million). The operating result includes non-recurring items totalling EUR +8.8 million (EUR -19.9 million), consisting mainly of the cancellation of write-downs of energy peat assets totalling EUR 12.1 million and restructuring costs.
- Free cash flow before taxes was EUR -12.2 million (EUR -4.2 million).
- Investments amounted to EUR 51.5 million (EUR 18.9 million).

January-December 2022 in brief:

- Group turnover in January–December 2022 was EUR 544.9 million (EUR 514.6 million in January–December 2021).
- The operating margin (EBITDA) was EUR 46.8 million (EUR 562.8 million), or 8.6% (109.4%) of turnover. EBITDA includes non-recurring items totalling EUR -5.4 million (EUR +510.8 million).
- Comparable EBITDA excluding non-recurring items and divested businesses was EUR 52.1 million (EUR 52.0 million).
- The operating result (EBIT) was EUR 29.2 million (EUR 511.2 million). The operating result includes non-recurring items totalling EUR +8.8 million (EUR +488.4 million), consisting mainly of the cancellation of write-downs of energy peat assets totalling EUR 12.1 million and restructuring costs.
- Comparable EBIT excluding non-recurring items and divested businesses was EUR 20.5 million (EUR 22.8 million).
- Earnings per share were EUR 487 (EUR 16,638)
- The pre-tax return on invested capital (pre-tax ROIC) was 6.4% (72.8%).
- Free cash flow before taxes was EUR -41.5 million (EUR 434.0 million).
- Investments amounted to EUR 167.5 million (EUR 84.6 million).
- The equity ratio on 31 December 2022 was 38.7% (55.2%)
- Interest-bearing net liabilities as at 31 December 2022 were EUR 140.0 million (EUR 11.2 million).
- The ratio of interest-bearing net debt to operating margin (net debt/operating margin) on 31 December 2022 was 3.0 (0.0)

The figures in brackets refer to the corresponding period in 2021, unless otherwise indicated.

The financial year in figures	1 January–31 December 2022	1 January–31 December 2021	1 January–31 December 2020
Turnover, EUR million	544.9	514.6	544.9
Operating margin/EBITDA, EUR million	46.8	562.8	53.8
Operating result/EBIT, EUR million	29.2	511.2	-95.3
Comparable operating profit excluding one-off items and the effect of divested businesses, EUR million	20.5	22.8	20.9
Profit/loss for the period, EUR million	18.6	501.5	-108.1
Earnings per share, EUR	487	16,638	-3,712
Pre-tax return on invested capital, %	6.4	73.1	-14.0
Free cash flow before taxes, EUR million	-41.5	434.0	39.6
Equity ratio %	38.7	55.2	27.9
Interest-bearing net debt/operating margin	3.0	0.0	6.1
Energy peat deliveries (TWh)	7.4	5.5	7.0
Wood fuel deliveries (TWh)	2.0	3.6	3.2
Accident frequency*	4.5	7.2	7.2

*) 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 and solar 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 and energy peat. Neova is an important part of the local energy infrastructure in all of its markets.

Neova Group's New Businesses division develops new business solutions based on the strengths of the Group companies. The Group's latest higher added value business is Activated Carbons, 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 the Innovation unit, which focuses on developing new raw materials and separating other useful minerals from peat before its use in growing media and activated carbon products.

Neova Group had an average of 958 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

Europe's energy crisis, accelerating inflation and rising interest rates significantly changed the operating environment and profitability of different businesses

The increase in energy, fertiliser, interest and logistics costs, as well as the return of demand to pre-COVID19 levels, clearly weakened the demand for the Grow&Care division's products and overall profitability. Correspondingly, increased demand through the security of energy supply for fuels significantly improved the profitability of the Fuels&Real Estate Development division.

In Kekkilä-BVB's operating environment, the most significant change was the decrease in demand in the entire gardening market. Demand for consumer goods started to decline in all European markets. The reasons for this included the return of the additional demand brought by the pandemic to pre-pandemic levels, when consumers were able to travel again in their leisure time. At the same time, accelerated inflation, rising interest rates and energy costs cut consumers' purchasing power. In an increasingly competitive environment, the consumer side was not able to pass on all of the increased costs to the prices of end products quickly enough, which reduced the profitability of the business.

In professional growing media, Kekkilä-BVB's customers have suffered significantly from rising energy costs. The most significant cost items in greenhouses are heating, fertilising and lighting. Many garden entrepreneurs decided that at this cost level, in the coldest and darkest months, they would either not cultivate at all or slow down growth with less heat and light. This is directly reflected in the fall in demand for growing media in the professional growing media sector.

We were able to react quite well to the increased costs in professional growing media products, but we were not able to fully pass on all additional costs to customer prices, which reduced our relative profitability. However, a more significant reason for the decrease in profitability was that we were prepared for higher demand than actually materialised. In order to improve our profitability, we need to accept that the market is currently in decline and we need to adjust our operations.

Even though the volumes we delivered were clearly lower than in the previous year, active pricing allowed us to increase our turnover by 13% compared to the previous year. However, the lower volumes led to an increase in the unit cost of production and a decrease in profitability. Restoring profitability to a much higher level is one of the main targets for 2023, in addition to the development of new sustainable raw materials.
Horticultural peat production was successful in the summer of 2022, especially in Sweden and Estonia, and we managed to raise enough raw material for our own plants in addition to expanding the sustainable raw material base.

Position as Europe's leading company strengthened

Already when established in 2018, Kekkilä-BVB was the leading company in the European growing media market. During the COVID-19 pandemic, consumers across Europe, in particular, bought more and more products related to home cultivation and gardening year by year. The pandemic also taught us that locally produced fresh food plays a very important role, which also increased professional farmers' purchases from Kekkilä-BVB.

Kekkilä-BVB implemented its growth strategy in 2022 by completing three separate projects. During the year, Neova acquired a 30 per cent minority shareholding in Kekkilä-BVB, and now Kekkilä-BVB Oy is a wholly-owned subsidiary of Neova Oy. During the year, Kekkilä-BVB integrated into its business the Brill companies acquired from Germany at the beginning of the year, including a growing media factory, its own port and a sales company in France. The integration has now been completed, and the Brill entity increased Kekkilä-BVB's turnover by approximately EUR 26 million and improved the company's competitiveness in both supply and sales capacity in the important Central European markets. The third project was the acquisition of Algomin AB in Sweden in the autumn of 2022. The transaction provided significant new market share in Sweden in the field of garden fertilisers for consumers.

The energy crisis pushes up fuel prices and demand

Russia's invasion of Ukraine in February 2022 had a significant impact on the Neova Group. As a result of the war, energy imports from Russia to Finland nearly ceased in spring 2022. This was immediately reflected in significant price increases in the electricity and fuel markets. Despite record-high prices for emission allowances, Neova's energy peat stockpiles from previous years were now more in demand than supply. The cessation of imports of energy chips, pellets and sawdust into Finland and the Baltic countries increased the demand for all fuel wood and caused an outright shortage of wood pellets on the market.

In the new situation created by the war, Neova reversed its decision made the previous autumn to discontinue the production of energy milling peat in Finland in March. In the summer of 2022, due to bad weather conditions and the late start of production, energy peat production was only slightly more than a million cubic metres, but with the help of the old stockpiles, Neova was able to meet the needs of its large customers during the current heating season and also deliver energy peat to security of supply stockpiles.

In 2022, Neova completed a transaction in which its fuel wood business and Biowatti Oy, owned by Lassila & Tikanoja, merged to form Laania Oy, of which Neova owns 45 per cent.

The changes seen in the energy market led to clearly better-than-expected results in the Neova Group's fuel businesses, outperforming the previous year. However, the improvement in sales and financial performance was based on old stockpiles, so we do not see similar energy fuel volumes in the current and future years.

Neova plans to produce energy peat next summer as well, but this does not mean a change in the long-term strategy. We will produce energy peat for our customers and security of supply stockpiles against pre-orders. We will continue to do this for as long as it is necessary for the functioning of our energy customers. Our view is that the change in the energy market caused by the war extended the role of energy peat as part of Finland's energy mix for a few years, but by 2030, the use of energy peat in Finland will be very limited.

Neova's strategic priorities are the profitable growth of Kekkilä-BVB in the international growing media market and the development and production of new high added-value products from peat and other natural materials. A good example of this is Novactor's activated carbon production plant.

In order to enable Neova to operate efficiently and reliably in different markets and in different roles, the company reorganised its business operations at the end of the year. Vapo Terra Oy was established, and sales of energy peat, all commitments and agreements related to Finland's security of supply, the operation of energy pellet plants and sales of energy pellets were transferred at the end of the year. Vapo Terra will continue real estate development activities, in which key actions include increasing the value of land assets by developing, alone and with partners, wind and solar power projects, among others, as well as the realisation of land assets that the Group does not need.

New business activities

The Group proceeded as planned with regard to new businesses. The warranty repair of Novactor's activated carbon plant in Ilomantsi was carried out both on schedule and financially according to plan. The trial operation of the plant began in January 2023 and it is scheduled to be in full production in the second quarter of the year.

Good progress has been made in the development of growth promoters, that is, biostimulants. The results of cultivation experiments in Finland, Europe and Africa have been encouraging. It will be decided this year whether we will invest in a new production plant and start the industrial production of biostimulants.

The rise in interest rates was already clearly visible in the real estate market in autumn 2022. The realisation of land assets will decrease, and the focus will be on our own real estate development projects. We believe that licensing wind and solar power to areas taken out of peat production will be the best way to increase the value of our land assets in the future.

Sustainability as a priority now and in the future

Neova Group's aim is to create net positive green growth through its products and services. 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.

Sustainability is strongly integrated into the management and continuous development of our business operations, in accordance with the changes in our business environment and the expectations of our stakeholders. 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, and sustainability is part of the incentive system for all of the Group's personnel.

During 2022, we implemented comprehensive and systematic measures to promote the medium-term (2025) and long-term (2030) targets of our revised sustainability strategy in the areas of both environmental and social responsibility.

Our environmental responsibility targets are focused on greenhouse gas emissions, biodiversity, the circular economy and water. With regard to greenhouse gas emissions, we are three years ahead of our target of halving the CO_2 emissions of our own operations by 2025 (compared to the baseline in 2018). 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 transferring peat production areas taken out of production to subsequent land use and by taking restoration measures through wetlands and reforestation at select sites. During 2022, we launched a strategically important and extensive programme to increase the volume of recyclable raw materials, especially in our Kekkilä-BVB product portfolio.

With regard to social responsibility, our key priorities include promoting occupational safety, creating an excellent workplace, looking after employee well-being and ensuring the sustainability of sourcing. We are very serious about improving occupational safety in all of our operating countries, and our systematic work is yielding results. During 2022, we did not have any lost-time accidents in Finland or Estonia, and accidents in the Netherlands decreased by 40 per cent. In order to promote AN occupational safety culture and practices, the scope of ISO 45001 Occupational Health and Safety Certification was expanded throughout the Group. Our work to create an excellent employee experience and build a trust-based corporate culture and a good workplace continued. We organised, for example, a significant amount of training related to the development of leadership, diversity, equality and inclusion. Neova has received the Great Place to Work® certification in four of our operating countries (Finland, Sweden, Estonia and the Netherlands) as proof of our comprehensive development of 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. During 2022, the importance of our social responsibility was emphasised following the onset of the war in Ukraine. We discontinued all of our operations related to Russia, reversed our decision to discontinue energy peat production in Finland and ensured our ability to use energy peat as a fuel to ensure the security of supply.

It is necessary to adapt to changes in the operating environment

This year's focus is especially on improving Kekkilä-BVB's profitability. When the entire industry is in a downturn, we need to align our cost structure and product portfolio with the prevailing market situation.

Peat will continue to be an important raw material for us, but we have launched a multi-year project at Kekkilä-BVB to accelerate the growth of recyclable and renewable raw materials in our products. Currently, the share of renewable and recyclable raw materials is 27 per cent, and the aim is to double the volume of renewable raw materials by 2027.

In fuels, we will produce pellets to the extent that we can get raw material from the market. There have been and will be challenges here, as there is clear overdemand for wood, sawdust and cutter chips on the market. According to a study published in February 2023 (Afry), the demand for solid fuels in Finland will exceed the supply in the next few years. There is a risk of wood ending up being incinerated. For this reason, we produce as much milled energy peat as weather conditions and the production area of approximately 20,000 hectares in Finland allow.

In real estate development, the focus is no longer on the realisation of land assets, but on projects aimed at increasing the value of land. Such examples include the licensing or leasing of areas for wind and solar farms, the growing of renewable growing media materials in old production areas, and planting of commercial or carbon sequestration forests. In the field of new products, decisions will be made this year on possible additional investments in the production of activated carbon and biostimulants.

This year, the planning of operations will be under pressure from high inflation and interest rates, which anticipate at least some kind of recession in Europe, as well as increasing regulation and uncertainty in the ongoing legislative projects concerning peat in the EU. The most important thing to keep an eye on in 2023 is the sphere of the finance taxonomy and the EU's Fit for 55 legislative reform package. Even though the EU Sustainable Finance Taxonomy Regulation has hardly progressed at all yet, and peat is not classified as non-harmful or harmful, there are signs in the financial sector that it is becoming more difficult to finance companies that use peat.

Despite the challenges of the operating environment, we want to continue to play a role in enabling the production of healthy local food, especially in the growing European markets, and to be a company that contributes to ensuring the security of supply and delivery reliability of the Finnish energy sector.

Board of Directors’ report 1 January–31 December 2022

Operating environment

Predicting the changes in the operating environment in 2022 in advance was an impossible task. The budgets made at the end of the previous year, the forecasts of interest rates and inflation, as well as the whole view of the democratic world order, became irrelevant after Russia’s invasion of Ukraine.

The war and the ensuing sanctions and embargoes significantly changed the entire European energy system. The exit and withdrawal of Russian energy from the European energy market had a huge impact on the economy. This was most clearly reflected in the rise in the prices of transport fuels and freight, rising gas and oil prices and even the scarcity of gas and oil, and, above all, the significant rise in the price of electricity and increasing price volatility.

In the big picture, Russia’s invasion of Ukraine turned the long-running economic growth in Europe into a recession, raised the level of market interest rates by more than three percentage points, and triggered almost flat inflation to rise to nearly 10 per cent a year.

The Group’s freight costs increased significantly already in 2021, and in 2022 by an additional EUR 25 million. The prices of raw materials, such as fertilisers and packaging plastics, which are particularly affected by the rise in energy prices, also rose by up to several dozen per cent.

In spite of the price of emission allowances remaining at a record level of up to EUR 90 per tonne of carbon, the demand for all fuels available increased. The prices of chips, pellets and milled peat increased significantly, as demand on the fuel market exceeded supply when imports from Russia ceased.

The demand for growing media started to decline. This was due to the fact that after the end of the pandemic, consumers were able to travel again and amateur gardening returned to pre-pandemic levels. During the year, consumers’ purchasing power weakened significantly due to, among other things, higher interest rates, higher energy prices and general price development caused by inflation. Among professional farmers in Europe, purchasing power declined mainly due to energy prices and higher fertiliser prices. The pandemic of the previous years substantially increased the demand for products aimed at amateur gardeners. In the course of 2022, this demand decreased almost to pre-pandemic levels.

Prices of emissions allowances and electricity at 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 on the market if they burn non-renewable fuels. During 2022, the prices of emissions allowances were nearly EUR 100 per tonne of carbon in August, and they remained clearly higher than in previous years throughout the year.

The war in Ukraine as a whole, and in particular the explosion of the Nord Stream gas pipeline in September, gave rise to fears of a shortage of natural gas in Europe. This was directly reflected in the price of natural gas and, as a consequence, in the price of electricity and electricity futures.

During the year, electricity prices in Central Europe and the Nordic countries rose to record-high levels, and the fluctuation of electricity prices has been exceptionally strong. On windy days, the price has even been negative, but on windless days, electricity has cost many times more than the record levels of previous years.

In the Nordic countries, the price of electricity has also been affected by the delay in the start-up of the Olkiluoto nuclear power plant. In addition, there have been failures in Swedish nuclear power plants and the water situation in Norway and Sweden was poor. However, the most significant reason was the end of electricity imports from Russia to Finland and the Baltic countries. 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

The cost of road shipping increased by nearly 30 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 2022. This turned out to be highly advantageous, as the sea shipping volumes of horticultural peat to Europe grew considerably.

The prices of packaging materials continued to rise; for example, the prices of packaging plastics as much as doubled in 2021 and continued to rise in 2022. The higher costs of shipping and raw materials, with the combined increase exceeding EUR 60 million, could not be fully passed to the customer prices of products during the year under review.

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 the extension of the taxonomy were expected during 2022, but the preparation of this delegated regulation made little progress during 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.

Unfortunately, several financial institutions have started to anticipate the treatment of peat in the taxonomy and have tightened or stopped lending to peat companies based on the ongoing reform of the finance taxonomy.

Neova Group

The Group's profit for the financial year 1 January–31 December 2022 weakened clearly year-on-year and amounted to EUR 18.6 million (EUR 501.5 million). The profit for the comparison period was improved by a significant non-recurring gain of approximately EUR 507 million from the sale of Nevel.

The Group's reported turnover grew by approximately six per cent year-on-year and amounted to EUR 544.9 million (EUR 514.6 million). The increase in turnover was mainly due to inflationary price increases related to the Grow&Care division and acquisitions. Turnover growth in the Grow&Care division was approximately 13 per cent.

The Group's operating result was EUR 29.2 million. The comparable result decreased from the previous year's level to EUR 20.5 million (EUR 22.8 million). The development of the comparable result was influenced by the strong demand for energy fuel products and the continued efficiency improvement measures taken throughout the Group. The result was negatively impacted by the decrease in the demand for Kekkilä-BVB products and the increased freight transport and material costs.

Operating cash flow (free cash flow before financial items and taxes) amounted to EUR -41.5 million (EUR 434.0 million) for the financial year. The cash flow was significantly affected by the redemption of minority interests in Kekkilä-BVB and investments in Finland, Germany and Sweden. The Group's equity ratio stood at 38.7 per cent (55.2 per cent) at the end of the financial year, while the ratio of net debt to operating margin was 3.0 (6.1).

As the demand for energy peat increased, Neova re-measured the energy peat fixed assets, the positive impact of which, EUR 12.1 million, is presented in the reported operating result for the financial year 2022 as a positive item affecting comparability.

Neova Group's Grow&Care division had a strong year in terms of sales. The division's turnover totalled EUR 382 million, representing year-on-year growth of 13 per cent. The majority of organic volume growth came from professional growing media products outside Europe.

The division’s operating margin decreased from the previous year, as did its relative profitability. As a result of the decrease in demand, unit production costs increased and not all of the higher production and logistics costs could be fully passed on to end product prices, in spite of price increases.

Right at the beginning of 2022, Kekkilä-BVB acquired the German companies Brill-Substrate and Brill Logistics. The acquisition strengthened 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.

Neova announced another strategic transaction in December 2021, 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 were transferred to the company from Neova. Neova owns 45 per cent of the new company, with Lassila & Tikanoja owning 55 per cent. The transaction was subject to approval by the competition authorities, and the transaction was completed on 1 July 2022.

In the new businesses, Novactor’s activated carbon production plant was completed in Ilomantsi during 2021–2022 and industrial operations will start in early 2023. There is still 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 improve plant growth and plant resilience in outdoor cultivation and make arable crops more resilient against drought, for example. Neova’s biostimulants have been tested at experimental plantations in Finland and Italy. The aim is to make a decision on the industrial production of biostimulants by the end of 2023.

Developments by business segment

Neova's segment structure changed on 1 January 2022. The Group 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 the domestic markets but also the global markets with exports to more than 100 countries.

Turnover in the final third of the financial year was EUR 88.7 million (EUR 86.2 million). The operating margin was EUR -1.9 million (EUR 3.8 million) and the operating profit was EUR -10.9 million (EUR -3.8 million). Gross investments were EUR 29.1 million (EUR 20.0 million).

Turnover for the full financial year was EUR 381.2 million (EUR 338.6 million). The operating margin was EUR 26.6 million (EUR 32.2 million) and the operating profit was EUR 2.6 million (EUR 11.0 million). The operating result included non-recurring items in the amount of EUR -1.2 million (EUR -0.9 million). Gross investments were EUR 65.6 million (EUR 37.5 million).

The Grow&Care division implemented its growth strategy by completing two significant acquisitions in 2022: Brill Substrate and Brill Papenburg Logistics in the early part of the year and Algomin in the late part of the year. The division's turnover continued to grow year-on-year, but the division's business as a whole did not meet expectations in 2022, as its volumes began to decrease.

In 2022, demand for growing media products for professional farmers and consumers returned to pre-pandemic levels. Over the past two years, many raw material costs and, above all, logistics costs have risen by several dozen per cent. Russia's invasion of Ukraine significantly raised the price of energy throughout Europe, which contributed to the rise in inflation. All these factors have affected the costs for professional farmers and have weakened the purchasing power of consumers in all of Kekkilä-BVB's European markets. Kekkilä-BVB increased product prices during 2021 and 2022, which partly compensated for the increase in logistics costs and raw material prices. The sufficiency of the division's horticultural peat has been secured as horticultural peat production has succeeded well, especially in Sweden and Estonia.

Grow&Care	9–12/2022	9–12/2021	Change	1/2022–12/2022	1/2021–12/2021	Change	1/2020-12/2020
Turnover (EUR million)	89.2	86.0	3.7%	381.2	338.6	12.6%	299.9
Operating margin (EUR million)	-1.9	3.8	604.3	26.6	32.2	-17.4%	32.3
Operating profit (EUR million)	-10.9	-3.8	-197.2%	2.6	11.0	-76.3%	14.0
Investments (EUR million)	29.1	20.0	45.5%	65.6	37.5	75.0%	25.4
Personnel	641	565	13.5%	646	569	13.5%	545

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, energy peat and wind and solar power. Slightly under one half of the division's turnover was derived from renewable biofuels in 2022.

Turnover in the final third of the financial year (September–December) was EUR 62.9 million (EUR 58.6 million). The operating margin for the reporting period was EUR 14.2 million (EUR 10.2 million) and the operating profit was EUR 24.9 million (EUR -9.4 million). Gross investments were EUR -14.5 million (EUR -5.1 million).

Turnover for the full financial year was EUR 162.3 million (EUR 161.6 million). The operating margin for the full financial year was EUR 37.6 million (EUR 10.6 million) and the operating result was EUR 43.7 million (EUR 2.0 million). The operating result included non-recurring items in the amount of EUR +15.0 million (EUR -17.8 million). The significant non-recurring items mainly consisted of cancellations of value impairments of energy peat production areas due to the continuation of energy peat production. Gross investments were EUR 3.0 million (EUR -1.0 million).

The operating margin of the division's Fuels&Real Estate Development businesses for the final third of the financial year improved year-on-year. Occasionally high electricity prices and the previously made derivative price hedging improved profitability. The high price of emissions allowances reduced the demand for energy peat. The importation of wood chips from Russia became subject to sanctions after Russia attacked 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.

The poor peat production summer in Finland, cost increases caused by rapidly rising inflation both in raw material sourcing and in the production and supply chain weakened profitability. Due to the increased demand for energy peat in the second and third thirds of the year, total comparable full-year fuel deliveries (including the wood fuels transferred to Laania Oy until 30 June 2022) grew by three per cent year-on-year. In real estate development, the development of decommissioned peat production sites into wind and solar farms progressed according to the project plans.

The energy peat business in Finland was transferred to a separate subsidiary, Vapo Oy, in early 2022. The divestment of the holding in Scandbio AB, a joint venture owned by the pellet business in Sweden, was completed during the financial year. The 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. At the beginning of 2023, the Fuels&Real Estate Development businesses in Finland were transferred to Vapo Terra Oy, a subsidiary owned by Neova Oy.

Fuels&Real Estate Development	9–12/2022	9–12/2021	Change	1/2022–12/2022	1/2021–12/2021	Change	1/2020-12/2020
Turnover (EUR million)	62.9	58.6	7.3%	162.3	161.6	0.4%	245.9
Operating margin (EUR million)	14.2	10.2	39.2%	37.6	10.6	254.9%	35.1
Operating profit (EUR million)	24.9	-9.4	364.9%	43.7	2.0	2,085.3%	-90.6
Investments (EUR million)	-14.5	-5.1	-184.0 %	3.0	-1.0	420.2%	7.9
Personnel	189	225	-15.9%	215	234	-8.1%	246
Energy sales, peat (GWh)	3,346	1,872	78.7%	9,708	5,515	76.0%	6,992

Energy sales, other fuels (GWh)	**277**	**1,417**	**-80.5%**	**3,691**	**3,606**	**2.4%**	**3,161**

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. These 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. The demolition work was started at the beginning of 2022 and the reconstruction started in June 2022; the cold testing phase of the commissioning began at the beginning of September. Commercial production is expected to start in spring 2023. Production output from the first commissioning 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.

The operating loss for the final third of the financial year was EUR -2.4 million (EUR -1.7 million). Gross investments were EUR 21.4 million (EUR 1.2 million). The operating loss for the full financial year was EUR -5.1 million (EUR -5.1 million). The operating result for the financial year includes non-recurring items of EUR 0.0 million (EUR -0.1 million). Gross investments were EUR 25.0 million (EUR 10.4 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	9–12/2022	9–12/2021	Change	1/2022–12/2022	1/2021–12/2021	Change	1/2020–12/2020
Turnover (EUR million)	**1.6**	**1.1**	**46.1%**	**5.0**	**3.0**	**64.3%**	**2.4**
Operating margin (EUR million)	**-2.0**	**-1.5**	**-31.5%**	**-4.1**	**-4.5**	**8.6%**	**-2.9**
Operating profit (EUR million)	**-2.4**	**-1.7**	**-35.2%**	**-5.1**	**-5.1**	**0.2%**	**-3.3**
Investments (EUR million)	**21.4**	**1.2**	**1,714.6%**	**25.0**	**10.4**	**140.8%**	**28.0**
Personnel	**30**	**29**	**4.4%**	**30**	**28**	**8.0%**	**26**

Other activities

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

The other activities segment's effect on the operating result for the final third of the financial year (September–December) was EUR -7.5 million (EUR -1.5 million). The other activities segment's effect on the operating result for the full financial year was EUR -12.1 million (EUR 501.6 million). The segment's operating result included non-recurring items, mainly restructuring costs, totalling EUR -5.0 million (EUR +507.9 million). The figures for the comparison year were significantly affected by the non-recurring recognition of income related to the sale of the subsidiary Nevel. Most of the costs associated with the transaction were presented in the financial statements for the final third of 2021.

Other	9–12/2022	9–12/2021	Change	1/2022–12/2022	1/2021–12/2021	Change	1/2020–12/2020
Turnover (EUR million)	-0.1	0.0	-865.0%	0.2	15.9	-98.7%	93.8
Operating profit (EUR million)	-7.5	-1.5	-398.3%	-12.1	503.0	-102.4%	8.3
Investments (EUR million)	1.4	1.6	-11.5%	74.7	39.0	91.5%	18.8
Personnel	66	77	-13.6%	68	91	-25.3%	214

Cash flow, investments and financing

The Group's free cash flow before taxes in the financial year 1 January–31 December 2022 amounted to EUR -41.5 million (EUR 434.0 million). The comparison year was affected by the sale of Nevel Oy's shares in early 2021, which had a significant positive effect on the Group's cash flow. The change in working capital affected cash flow by EUR 17.9 million (EUR -50.2 million).

Gross investments in the financial year were EUR 167.5 million (EUR 84.6 million), or 830.7 per cent (239.9 per cent) of the amount of depreciation. The most significant investments during the financial period concerned the Activated Carbons business. Investments were also made in Kekkilä-BVB's capacity expansion and security investments, as well as environmental protection and field maintenance in peat production. Net investments (gross investments – asset sales) totalled EUR 136.7 million (EUR 77.7 million).

The Group's liquidity was 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 2022, the Group's liquidity reserves consisted of cash assets, short-term investments in fixed income funds and commercial papers totalling EUR 215 million. Of the EUR 50 million revolving credit facility (in force until 2025), EUR 20 million was drawn down by the turn of the year.

The Group's refinancing risk is managed by spreading the maturities of the loans sufficiently over the coming years. Long-term interest-bearing loans maturing over the next 12 months amounted to EUR 12 million, with lease liabilities representing EUR 8.5 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 140.0 million (EUR 11.2 million). The ratio of interest-bearing net debt to operating margin (net debt/EBITDA) on 31 December 2022 was 3.0 (0.0). Short-term interest-bearing debt amounted to EUR 93.2 million (EUR 19.4 million). The equity ratio at the end of the financial year was 38.7 per cent (55.2%). At the balance sheet 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 3.0 per cent (2.6%), excluding lease liabilities recognised in the balance sheet.

The consolidated balance sheet total was EUR 810.3 million (EUR 780.9 million). The Group's net financing items were EUR -10.6 million (EUR -7.2 million), or -1.9 (-1.4) per cent of turnover. Net gearing was 45.0 (2.6) per cent.

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 business is cyclical to a significant extent also 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 both in the early part of the year and late in the year. 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

Risks related to horticultural peat

With respect to horticultural 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 in growing media, 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 2023 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.

Regulation

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 happened already in 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 87 million in 2022. After three consecutive years of decline of about -20 per cent, the war in Ukraine caused a correction of about +10 per cent in 2022, which is an increase from the previous year. Energy peat has been primarily replaced by wood. 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 in early 2023. This involves a mechanical functional risk as well as an 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 production plant 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 potential expansion of the situation in Ukraine would 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.

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 the weather concern the production volumes and quality of wood fuels and environmental products.

In summer 2022, peat production went as planned in Sweden and Estonia. Correspondingly, Finland fell slightly short of the production targets set.

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 2022 amounted to EUR 9.4 million (EUR 16.3 million), which corresponds to 1.7 per cent of turnover (3.2%). 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. During 2022, we implemented comprehensive and systematic measures to promote the medium-term (2025) and long-term (2030) targets of Neova Group's revised sustainability strategy in the areas of both environmental 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 started the implementation of the Green Factory concept in our growing media, peat, moss, pellet, wood and activated carbon businesses. In 2022, we focused on external and internal communications concerning our environmental actions, reducing emissions into waterways and the climate, especially by transferring old peat production areas to subsequent land uses, restoration measures promoting biodiversity through wetlands and reforestation at select sites. In addition, we continued our work to increase the recyclability of packaging materials and reduce waste load and wastage.

Responsibly Produced Peat (RPP) certification was expanded in Neova Group (Finland, Sweden, Estonia) from 4,195 hectares (areas covered by environmental permits) to 5,600 hectares in response to the needs of Kekkilä-BVB's customers.

Neova Group's active peat production areas (Finland, Sweden, Estonia) in summer 2022 totalled approximately 24,420 (21,162) hectares, with Finland accounting for 17,596 (14,654) hectares of the total, including stacking areas. A total of 44 (296) hectares of new peatlands became ready for production in Finland, and 221 (4,696) hectares were released from production by the end of the financial year. A total of 125 (9) hectares were released from production in Sweden and 57 (1,284) hectares in Estonia.

With the onset of the war in Ukraine, we cancelled the decision to discontinue energy peat production in Finland and ensured sufficient peat production capacity. At the same time, we continued to adapt energy peat production capacity in Finland, and the closure of production areas was one of the key projects in the Group's peat operations in 2022. 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. At the end of the financial year, a total of 120 peat production areas were in the post-production aftercare stage. 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 125 on-site inspections at Neova's peat production areas in 2022. Of these, 43 were decommissioning inspections, 70 were regular inspections in accordance with the monitoring plan and 12 were other inspections.

A total of 3,149 (4,185) hectares of areas owned by the company were transferred to other land use methods from peat production operations in Finland during the financial year. A total of 2,906 (3,559) hectares were assigned for reforestation and 243 (626) 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 1,355 (2,062) 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.

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 2022 amounted to EUR 0.4 million (EUR 0.9 million) and were primarily related to improving and building water treatment structures at peat production sites. Excluding input from the company's own personnel, environmental protection costs for the financial year amounted to EUR 10.8 million (EUR 14.3 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 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 pay 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, with Heikki Miilumäki 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 approved the re-election of Stefan Damlin, Tuomas Hyyryläinen, Kirsi Puntila, Panu Routila and Markus Tykkyläinen as members of the Board of Directors. Eeva-Liisa Virkkunen and Jari-Pekka Punkari were elected as new members of the Board of Directors. Panu Routila was the Chairman of the Board of Directors, with Markus Tykkyläinen as Vice Chairman.

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

The AGM resolved to establish a Nomination Committee of the Board of Directors, with Pekka Hurtola and Rami Vuola appointed as members.

Personnel

The Group employed an average of 927 (896) persons in the final third of the financial year. The average number of employees for the full financial year was 958 (922).

Employees by segment, average

	1–12/2022	1–12/2021
Grow&Care	646	569
Fuels&Real Estate Development	215	234
New Businesses	31	28
Other activities	68	91
Total	**958**	**922**

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 assessment, training of the personnel and provision of support to the business functions. In 2022, we carried out approximately 200 different risk assessments, safety inspections and walks.

In 2022, the Group's accident frequency (LTA1f: lost-time accidents per million working hours) decreased considerably compared to the previous year and was 4.5 (7.2).

We achieved our zero accidents target for all of our operations in Finland for the second time. In Estonian operations, the year 2022 was also accident-free. Kekkilä-BVB implemented a comprehensive six-point action plan to improve safety. Particularly for Dutch operations, the effect was significant, decreasing the LTA1f frequency by 10.6 (18.7).

Most of our accidents – and serious accidents in particular – took place in production operations. During the past three years, 12 per cent of the incidents were classified as serious accidents or serious near misses: 9 incidents out of 75. However, none of these came close to being a fatal accident, and 57 per cent (54%) of the total number of accidents did not lead to lost time.

To improve and harmonise our safety culture, we started ISO 45001 Occupational Health and Safety certification audits in 2022 in all our operations, focusing on our plants. We conducted a safety pulse survey on the level of our safety culture on a scale of 1 to 12, with a relatively good result of 9.2. In the same survey, we surveyed the training needs of our personnel relating to safety and well-being at work.

We paid special attention to fire and personal safety. We conducted a total of 48 (72) fire and chemical risk assessments at peat production areas. The number of fires in peat production decreased by 44 per cent compared to the previous year.

We also monitored accidents involving contractors in our operations and conducted accident investigations in cooperation with them. Due to the travel restrictions and restrictions of visits to our plants introduced in response to the COVID-19 pandemic, the number of safety observations decreased by 11 per cent from the previous year. The number of safety observations made totalled 2,585 (2,963).

Neova Group has zero tolerance for inappropriate conduct and discrimination, and all six incidents reported during the year were reviewed without delay. Local zero-tolerance training was held for both staff and supervisors in all of our operating countries, with a total of 165 participants. 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.

Neova Group participated in the Great Place to Work personnel survey for the fourth time in 2022. The results indicate that our journey towards being a better place of work has still continued well. The management team has reviewed the results of the survey and open answers and has selected corresponding new common development goals. Teams also come up with development measures together. According to the survey, our employee experience improved by one percentage point in a year as our Trust Index measuring the employee experience was 71 per cent; in 2021 it was 70 per cent. Based on the results of the survey, Neova Group was awarded the Great Place to Work certificate in four countries: Finland, the Netherlands, Sweden and Estonia.

Changes in organisational structure

On 3 January 2022, Kekkilä-BVB completed the acquisition of the German companies Brill Substrate and Brill Papenburg Logistics. The acquisition strengthened Kekkilä-BVB's market position in the major European markets of Germany, Italy and France. The turnover of the acquired businesses was approximately EUR 25 million. The acquisition included a company-owned port and terminal area in Papenburg, Germany. The strategically significant acquisition strengthened Kekkilä-BVB's position as a leading player in its industry in Europe.

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 held a 50% stake. The buyer was the Swedish company 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.

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 a 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, was 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 were transferred to Laania from Neova's fuel wood business in Finland, and approximately 10 employees in Estonia.

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 started its operations on 1 January 2023.

Neova Group's subsidiary Hasselfors Garden AB completed the transaction related to the acquisition of the Swedish Algomin AB and Algomin AS Norge on 10 November 2022. The acquisition will complement its product portfolio and strengthen its market position as the number one gardening brand in Sweden. Algomin's turnover is slightly over EUR 5 million, and it employs fewer than 10 people.

Board of Directors' proposal for the distribution of profits

In line with its dividend policy, Neova distributes dividends amounting to an average of 50% of the comparable profit for the year. On 31 December 2022, the parent company's distributable funds amounted to EUR 226,532,826.17. There have been no substantial changes in the company's financial position after the end of the financial year. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 300.00 (EUR 2,000.00) per share be paid on the basis of the adopted balance sheet for 2022, making a total of EUR 9.0 million (EUR 60.0 million). The rest of the distributable assets shall be carried forward in retained earnings.

Events after the review period

On 8 February 2023, Neova announced that it would commence efficiency measures at Kekkilä-BVB. The aim is to achieve approximately EUR 10 million in efficiency improvement measures over the next year.

On 9 February 2023, Neova announced the signing of the business of the Italian company Dueemme Marketing Spa. The entire business of the company will be transferred to the new company Kekkilä-BVB Italy Srl.

Future outlook

Neova Group is one of the world’s largest producers of growing media. Nevertheless, political decisions have a material impact on the profitability of nearly all of the company’s businesses and therefore affect the company’s ability to invest in higher-added-value production. 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 in spite of the temporary rise caused by the war in Ukraine, while the demand for bioenergy is expected to see strong growth.

Neova will continue the commercialisation of new business operations in the Activated Carbons business, as well as researching further new business initiatives in the Innovation business. 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 during the first half of 2023. Innovation 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 and solar power projects. Further progress will be made in 2023 on selected projects.

As of the beginning of the financial year 2023, Neova will move to quarterly interim reports, which will be published as follows: Q1 2023 on 30 May 2023, Q2 2023 on 31 August 2023, Q3 2023 on 30 November 2023 and Q4 2023 during the ninth week of 2024.

Consolidated key figures

MEUR	9–12/2022	9–12/2021	1–12/2022	1–12/2022
Turnover	153.4	144.6	544.9	514.6
Operating profit (EBIT)	1.1	-16.5	29.2	511.2
% of turnover	0.7	-11.4	5.4	99.3
Operating profit (EBIT) before impairment	-11.0	-0.1	17.2	527.6
% of turnover	-7.1	-0.1	3.2	102.5
Profit/loss for the period	7.8	-21.0	18.6	501.5
Operating margin (EBITDA)	-1.7	11.6	46.8	562.8
+/- Change in working capital	30.8	0.4	48.4	-51.1
- Net investments	-41.2	-16.2	-136.7	-77.7
Free cash flow before taxes	-12.2	-4.2	-41.5	434.0
Gross investments	51.5	18.9	-167.5	-84.6
Return on invested capital % *			6.4	73.1
Return on invested capital % before impairment *			3.8	75.4
Return on equity % *			5.1	98.7
Balance sheet total			810.3	780.9
Shareholders' equity			311.2	427.9
Interest-bearing net debt			140.0	11.2
Equity ratio %**			38.7	55.2
Interest-bearing net debt/operating margin			3.0	0.0
Gearing %			45.0	2.6
Average number of employees			958	922

*) 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	1–12/2022	1–12/2021
Turnover	145.1	181.6
Operating profit (EBIT)	-12.3	-17.7
% of turnover	-8.5%	-9.7%
Operating profit (EBIT) before impairment	-24.4	-2.5
% of turnover	-16.8%	-1.4%
Profit/loss for the period	6.1	514.8
Operating margin (EBITDA)	-17.0	5.5
Return on invested capital % *	-3.0%	-6.6%
Return on invested capital % before impairment *	-2.2%	-2.7%
Return on equity % *	1.4%	429.6%
Balance sheet total	784.2	659.1
Shareholders' equity	309.5	363.6
Equity ratio %	39.6%	55.6%

*) Previous 12 months

Group key figures 2019–2022

MEUR	04/2019	5–12/2019	12/2020	12/2021	12/2022
Turnover	419.8	297.7	544.9	514.6	544.9
Growth %	7.1	32.4	2.1	-5.6	-5.9
Operating margin EBITDA	61.1	37.0	53.8	562.8	46.8
% of turnover	14.5	12.4	9.9	109.4	8.6
Depreciation	-35.7	-38.5	-47.2	-35.3	-32.3
Impairment	-0.9	-38.9	-102.8	-16.3	12.1
Operating profit (EBIT)	26.3	-40.4	-95.3	511.2	29.2
% of turnover	6.3	-13.6	-17.5	99.3	5.4
Operating profit before impairment	27.2	-1.5	7.4	527.6	17.2
% of turnover	6.5	-0.5	1.4	102.5	3.2
Net financial items	-6.0	-7.8	-12.5	-7.2	-10.6
Profit/loss before taxes	20.3	-48.2	-107.8	504.0	18.7
Taxes	-2.7	8.0	-0.3	-2.5	0.0
Profit/loss for the period	17.6	-40.2	-108.1	501.5	18.6
Return on invested capital %	4.3	-1.7	-14.0	73.1	6.4
Return on invested capital before impairment %	5.4	4.1	1.1	75.4	3.8
Restricted capital on average	613.2	676.4	680.9	699.4	454.9
Turnover of restricted capital (turnover/restricted capital on average)	0.7	0.8	0.8	0.7	1.2
Average working capital	112.6	144.8	125.5	172.8	138.5
Average working capital % of turnover	26.8	48.6	23.0	33.6	25.4
Restricted capital at the end of the year	691.8	680.1	704.4	451.3	461.2
Working capital at the end of the year	133.7	141.4	96.5	147.6	114.0
Gross investments	31.3	42.8	76.6	84.6	167.5
% of turnover	7.5	14.4	14.1	16.4	30.7
Gross investments/depreciation	0.9	1.1	1.6	2.4	5.2
Operating margin	61.1	37.0	53.8	562.8	46.8
+/- Change in working capital	37.6	10.3	44.8	-51.1	48.4
- Net investments	-25.0	-26.3	-59.1	-77.7	-136.7
Free cash flow before taxes	73.6	21.0	39.6	434.0	-41.5
Balance sheet total	697.5	829.4	758.5	780.9	810.3
Shareholders' equity	347.9	337.5	207.4	427.9	311.2
Shareholders' equity (average)	341.8	372.1	309.7	508.2	368.5
Interest-bearing debt	242.6	324.9	344.4	233.9	357.9
Interest-bearing net debt	206.2	315.1	327.7	11.2	140.0
Equity ratio %	51.2	41.5	27.9	55.2	38.7
Gearing %	59.3	-93.4	158.0	2.6	45.0
Interest-bearing net debt/operating margin	3.4	4.0	6.1	0.0	3.0
Liquidity	2.8	2.3	1.8	3.1	2.6
Return on equity %	5.2	-5.2	-34.9	98.7	5.1
Dividend distribution	7.3	12.3	4.0	250.0	60.8
Dividend % of profit *	41.1	-30.6	-3.7	49.8	326.2
Average number of employees	869	1,050	1,031	922	958
Key figures per share					
Number of shares	30,000	30,000	30,000	30,000	30,000
Earnings/share, EUR *	840	-1,320	-3,712	16,638	487
Shareholders' equity/share, EUR	12,208	9,894	5,517	12,812	10,338
Dividend/share, EUR	408	410	133	8,333	2,026

* = 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
Turnover rolling 12 months
Restricted capital (on average) *)

Return on invested capital % (ROIC)
Operating profit rolling 12 months X 100
Restricted capital (on average) *)

Balance sheet total
Profit before taxes rolling 12 months - income tax X 100
(Shareholders' equity + minority interest) on average *)

Liquidity
Short-term non-interest-bearing receivables
Short-term non-interest-bearing liabilities

Equity ratio %
Shareholders' equity + minority interest + capital loan X 100
Balance sheet total – advances received

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

Gearing %
Interest-bearing net debt X 100
Shareholders' equity + minority interest

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 2022, 31 August 2022, 30 April 2022 and 31 December 2022

Consolidated Financial Statements, IFRS

Consolidated statement of comprehensive income

MEUR	Note	1–12/2022	1–12/2021
TURNOVER	4	544.9	514.6
Change in inventories of finished goods and work in progress		-12.9	-23.6
Production for own use		0.1	0.1
Other operating income	5	10.3	521.3
Share of results of companies consolidated using the equity method		2.6	0
Materials and services	6	-355.9	-320.8
Expenses arising from staff benefits	7	-67.3	-64.9
Depreciation	8	-32.3	-35.3
Impairment	8	12.1	-16.1
Impairment of goodwill	8	0	-0.3
Other operating expenses	9	-72.3	-63.9
OPERATING PROFIT/LOSS		29.2	511.2
Financial income	10	8.7	5.3
Financial expenses	10	-19.3	-12.5
PROFIT/LOSS BEFORE TAXES		18.7	504.0
Income taxes	11	0.0	-2.5
PROFIT/LOSS FOR THE PERIOD		18.6	501.5
OTHER COMPREHENSIVE INCOME ITEMS			
(items that may not be reclassified subsequently to profit or loss):			
Remeasurement of defined benefit plans		0.8	0.1
Items that may be reclassified subsequently to profit or loss:			
Translation differences from foreign units		-1.6	-0.5
Other comprehensive income items, after taxes		-0.8	-0.4
TOTAL COMPREHENSIVE INCOME		17.9	501.1
PROFIT/LOSS FOR THE PERIOD			
Distribution of profit for the period:			
To parent company shareholders		14.6	499.1
To non-controlling shareholders		4.0	2.4
		18.6	501.5
Distribution of comprehensive income for the period:			
To parent company shareholders		13.8	498.8
To non-controlling shareholders		4.0	2.3
		17.9	501.1
Earnings per share calculated from profits due to parent company shareholders			
Earnings/share, EUR	12	487	16,638
Average number of shares		30,000	30,000

Consolidated balance sheet

MEUR	Note	31 December 2022	31 December 2021
ASSETS			
Long-term assets			
Intangible assets	13	38.0	32.3
Goodwill	13	31.4	24.0
Land and water areas	14	33.5	33.6
Buildings and structures	14	49.7	39.4
Machinery and equipment	14	56.1	50.9
Other tangible assets	14	60.1	51.6
Prepayments and assets under construction	14	56.4	52.4
Shares in entities consolidated using the equity method	15	19.9	-0.1
Other long-term financial assets	16	167.5	0.6
Long-term sales and other receivables	17	0.0	3.2
Deferred tax assets	18	3.7	2.6
Total non-current assets		516.2	290.4
Current assets			
Inventories	19	145.2	171.5
Sales and other receivables	20	98.5	80.3
Income tax receivables		2.6	2.0
Other current financial assets	27	0.0	188.9
Cash and cash equivalents	21	47.7	30.4
Total current assets		294.1	473.0
Assets held for sale	3	0.0	17.5
TOTAL ASSETS		810.3	780.9

MEUR	Note	31 December 2022	31 December 2021
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		50.5	50.5
Fair value fund and other funds		30.5	30.5
Translation differences		-5.5	-4.0
Retained earnings		235.5	307.4
Parent company shareholders' share of shareholders' equity		310.9	384.4
Non-controlling interests		0.3	43.5
Total equity	22	311.2	427.9

Non-current liabilities			
Deferred tax liability	18	14.0	10.6
Non-current interest-bearing liabilities	23	264.7	214.6
Non-current non-interest-bearing liabilities	24	0.0	0.0
Non-current provisions	25	12.0	11.6
Pension liabilities	26	4.2	5.3
Total non-current liabilities		294.9	242.1
Current liabilities			
Current interest-bearing liabilities	23	93.2	19.4
Current non-interest-bearing liabilities	27	111.3	90.8
Current provisions		-0.4	0.8
Total current liabilities		204.2	110.9
Liabilities held for sale	3	0.0	0.0
TOTAL EQUITY AND LIABILITIES		810.3	780.9

Consolidated cash flow statement

MEUR	1–12/2022	1–12/2021
Cash flow from operating activities		
Profit/loss for the period	18.6	501.5
Adjustments to the result for the period		
Depreciation and impairment	20.2	51.6
Share of results of entities consolidated using the equity method	-2.6	-0.0
Financial income and expenses	8.9	7.5
Income taxes	0.0	2.5
Other adjustments	-10.0	-515.9
Adjustments to the profit/loss for the period total	16.5	-454.3
Change in working capital		
Increase/decrease in inventories	5.5	16.3
Increase/decrease in sales receivables and other receivables	-1.1	-12.4
Increase/decrease in accounts payable and other debts	14.1	-54.6
Change in provisions	-0.6	0.5
Change in working capital total	17.9	-50.2
Interest paid	-10.8	-9.7
Interest received	1.6	-0.1
Other financial items	2.6	0.4
Taxes paid	-3.3	-4.6
Cash flow from operating activities	**43.1**	**-17.1**
Cash flow from investment activities		
Investments in tangible and intangible assets	-39.8	-45.5
Proceeds from disposal of tangible and intangible assets	13.4	16.4
Acquisition of subsidiaries, net of cash	-20.3	0.0
Disposal of subsidiaries, net of cash	0.0	644.1
Proceeds from equity accounted investments	16.6	0.0
Other investments	0.0	-224.9
Proceeds from disposal of other investments	21.3	0.0
Repayment of loan receivables	10.1	0.0
Cash flow from investment activities	**1.4**	**390.1**
Cash flow from financing activities		
Increase (+)/decrease (-) in short-term loans	70.8	-46.1
Proceeds from long-term loans	49.2	5.6
Repayment of long-term loans	-5.5	-38.8
Repayments of lease liabilities	-8.8	-10.3
Transactions with non-controlling interests	-72.0	0.0
Dividends paid	-60.9	-250.0
Repayments of hybrid bond	0.0	-29.9
Cash flow from financing activities	**-27.2**	**-369.5**
Change in cash and cash equivalents	**17.3**	**3.5**
Cash and cash equivalents opening balance	30.4	27.0
Change in cash and cash equivalents	17.3	3.5
Cash and cash equivalents at end of period	47.7	30.4
Cash and cash equivalents related to mergers, acquisitions and	0.0	0.0

Consolidated statement of changes in shareholders' equity

MEUR	Share capital	Other funds	Translation differences	Retained earnings	Hybrid bond	Total	Non-controlling interests	Total
Total equity 1 January 2022	50.5	30.5	-4.0	307.4		384.4	43.5	427.9
Changes in shareholders' equity								
Dividend distribution				-60.0		-60.0	-0.8	-60.8
Distribution of funds								
Profit for period				14.6		14.6	4.0	18.6
Translation differences			-1.6			-1.6		-1.6
Actuarial gains/losses				0.8		0.8		0.8
Total comprehensive income for period			-1.6	15.6		13.8	4.0	17.9
Other changes								
Other changes			0.0	-1.7		-1.7	-0.3	-1.9
Transactions with non-controlling interests				-25.9		-25.9	-46.2	-72.0
Total equity, 31 December 2022	**50.5**	**30.5**	**-5.4**	**235.5**		**310.9**	**0.3**	**311.2**

MEUR	Share capital	Other funds	Translation differences	Retained earnings	Hybrid bond	Total	Non-controlling interests	Total
Total equity 1 January 2021	50.5	30.5	-3.4	58.1	29.9	165.4	41.9	207.3
Changes in shareholders' equity								
Dividend distribution				-250.0		-250.0	0	-250.0
Distribution of funds							-1.0	-1.0
Profit for period				499.1		499.1	2.4	501.5
Translation differences				-0.5		-0.5	-0,0	-0.5
Actuarial gains/losses				0.1		0.1		0.1
Total comprehensive income for period			-0.5	499.3		498.8	2.3	501.1
Other changes								
Other changes			0.0	0.0	-29.9	-29.9	0.3	-29.6
Total equity, 31 December 2021	**50.5**	**30.5**	**-4.0**	**307.4**	**0.0**	**384.4**	**43.5**	**427.9**

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 — Grow&Care, Fuels&Real Estate Development 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 2 March 2023. 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 2022, 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 millions 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 or down, which may result 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 2022. 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 2023.

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.

Amendments to IAS 12 Income Taxes (effective for financial periods beginning on or after 1 January 2023) require companies to also recognise deferred taxes on initial recognition of leases and decommissioning obligations if they give rise to equal taxable and deductible temporary differences. The Group expects the changes to increase its deferred tax assets and liabilities. This is not estimated to have a significant impact on the equity and result for the period.

None of the other 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 the sale.

Key exchange rates used in the consolidated financial statements

		Average rate **2022**	Average rate **2021**	Financial statements **2022**	Financial statements **2021**
SEK	Swedish krona	10.6296	10.1465	11.1218	10.2503

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 in which 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, and determining the fair values of the financial assets and debts.

Accounting judgements 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 have industrial operations of its own in the Russian or Ukrainian markets. Nevertheless, the war in Ukraine was 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 2022.

2. Segment information

Accounting principle

Neova Group's reporting segments are Grow&Care, Fuels&Real Estate Development, New Businesses and Other. The segments' performance is assessed regularly by the senior operative decision-maker to evaluate performance and allocate resources. The operating segments are reported consistently in 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

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

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 domestic markets but also the global markets with exports to more than 100 countries.

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 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. 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.

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. The Group 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.

Segment information 1/2022–12/2022

MEUR	Grow&Care	Fuels&Real Estate Development	New Businesses	Other	Eliminations	Group total
External turnover	381.2	159.5	4.0	0.2	0.0	544.9
Internal turnover	0.5	2.8	1.0	0.0	-4.2	
Turnover	**381.7**	**162.3**	**5.0**	**0.2**	**-4.2**	**544.9**
Segment operating profit/loss	2.6	43.7	-5.1	-12.1	0.1	29.2
Financial income and expenses						-10.6
Appropriations and income taxes						-0.0
Result for the period						**18.6**
Segment assets	382.2	108.4	53.7	189.7	-184.7	549.3
Shares in associates	3.1	16.7				19.9
Unallocated assets						241.1
Assets total	**385.3**	**125.1**	**53.7**	**189.7**	**-184.7**	**810.3**
Segment debt	31.8	54.8	0.6	-1.7	-8.8	76.6
Unallocated debt						422.5
Debt total	**31.8**	**54.8**	**0.6**	**-1.7**	**-8.8**	**499.1**
Investments	65.6	3.0	25.0	74.7	-0.6	167.7
Depreciation and impairment	24.5	-6.9	1.0	1.6	-0.0	20.2

Segment information 1/2021–12/2021

MEUR	Grow&Care	Fuels&Real Estate Development	New Businesses	Other	Eliminations	Group total
External turnover	338.6	157.6	2.5	15.9	0.0	514.6
Internal turnover	0.3	4.0	0.5	0.0	-4.9	0.0
Turnover	**338.9**	**161.6**	**3.0**	**15.9**	**-4.9**	**514.6**
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
Result for the period						**501.5**
Segment assets	294.4	191.4	48.8	116.6	-104.9	546.4
Shares in associates						
Unallocated assets						234.4
Assets total	**294.4**	**191.4**	**48.8**	**12.3**	**-2.1**	**780.9**
Segment debt	**38.4**	**29.5**	**0.6**	2.3	-2.8	68.0
Unallocated debt						287.0
Debt total	**38.4**	**29.5**	**0.6**	**2.3**	**-2.8**	**355.0**
Investments	37.5	-2.2	10.4	39.0	-0.1	84.6
Depreciation and impairment	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

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

MEUR	2022	2021
Grow&Care	2.6	11.0
Fuels&Real Estate Development	43.7	3.5
New Businesses	-5.1	-5.1
Other activities	-12.1	501.6
Eliminations	0.1	0.3
Total	**29.2**	**511.2**

Items affecting comparability, by segment*

MEUR	2022	2021
Grow&Care	-1.2	-0.9
Fuels&Real Estate Development	15.0	-17.7
New Businesses	0.0	-0.1
Other activities	-5.1	506.1
Eliminations	0.0	0.3
Total	**8.8**	**487.6**

*) Unaudited

Comparable operating profit*

MEUR	2022	2021
Grow&Care	3.8	11.9
Fuels&Real Estate Development	28.7	21.2
New Businesses	-5.1	-4.9
Other activities	-7.0	-4.5
Eliminations	0.1	-0.1
Total	**20.5**	**23.6**

*) Unaudited

Items affecting comparability*

MEUR	2022	2021
Comparable profit/loss for the period	**9.9**	**13.9**
Items affecting comparability		
Gains/losses on disposals	2.0	507.6
Inventory measurement gains/losses	0.0	2.0
Impairment	0.0	0.0
Restructuring	-4.7	-2.1
Other items	-0.6	-0.4
Items affecting comparability in operating margin	-3.3	507.1
Gains/losses on disposals	0.0	0.0
Impairments and impairment reversals	12.1	-18.3
Restructuring	0.0	-1.1
Other items	0.0	0.0
Items affecting comparability in operating profit	8.8	487.6
Items affecting comparability, total	**8.8**	**487.6**
Profit/loss for the period	**18.6**	**501.5**

*) Unaudited

Geographical information

Turnover by country

MEUR	2022	2021
Finland	213.6	220.3
Other Nordic countries	57.7	66.7
Europe	223.6	193.7
America	21.2	10.4
Other activities	28.8	23.5
Total	**544.9**	**514.6**

Investments

MEUR	2022	2021
Finland	99.9	62.2
Other Nordic countries	18.0	9.6
Europe	49.6	12.8
America	0.0	0.0
Other activities	0.0	0.0
Total	**167.5**	**84.6**

Long-term assets

MEUR	2022	2021
Finland	395.3	360.0
Other Nordic countries	5.2	59.2
Europe	115.7	87.6
America	0.0	0.0
Other activities	0.0	0.0
Total	**516.2**	**506.7**

3. 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 strengthened 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 strengthened 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 estimates, are presented in the table below. Based on the 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 were 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
Assets total	**31.1**
Interest-bearing debt	8.8
Provisions	1.1
Accounts payable and other debt	7.4
Debt total	**17.3**
Net assets acquired	**13.8**
Consideration paid	16.6
Net assets acquired	-13.8
Goodwill	**2.8**

Consideration paid in cash	16.6
Acquired cash assets	-5.6
Acquired and paid liabilities	8.1
Cash flow effect	**19.1**

The acquisitions of Brill Substrate and Brill Papenburg Logistics increased turnover in 2022 by EUR 26.0 million, and the effect of the companies on consolidated operating profit was EUR 2.8 million.

Algomin AB

Neova Oy's Group company Hasselfors Garden AB acquired Algomin AB in Sweden. The acquisition complemented its product portfolio and strengthened its market position as the number one gardening brand in Sweden. Algomin's turnover was slightly over EUR 5 million and it employed fewer than 10 people. 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 and part to the trademark, which are recognised in intangible assets, and goodwill of EUR 4.6 million. The costs associated with the acquisition are included in other operating expenses in the consolidated statement of income and reported as items affecting comparability in the Grow&Care division.

Acquired net assets and preliminary goodwill related to the acquisition of Algomin, EUR million

MEUR	2022
Intangible assets	3.2
Tangible assets	0.2
Inventories	4.1
Sales and other receivables	0.5
Cash and cash equivalents	0.0
Assets total	**8.0**
Interest-bearing debt	1.8
Provisions	0
Accounts payable and other debt	1.5
Debt total	**3.4**
Net assets acquired	**4.6**
Consideration paid	9.2
Net assets acquired	-4.6
Goodwill	**4.6**
Consideration paid in cash	9.2
Acquired cash assets	-0.0
Acquired and paid liabilities	1.8
Cash flow effect	**10.9**

The acquisition of Algomin does not have a significant impact on the Group's turnover and operating profit. Had the acquisition been made at the beginning of the year, its estimated impact on turnover would have been EUR 3.6 million and on operating result EUR 0.2 million.

Simon Turvejaloste Oy
On 27 December 2022, Neova Oy acquired the entire share capital of Simon Turvejaloste Oy. Neova's previously owned equity interest in Simon Turvejaloste was re-measured at fair value on the date of the acquisition. The acquisition does not have a material effect on the reported figures.

Acquisitions in 2021

On 19 November 2021, Kekkilä Oy acquired 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 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.

In February 2022, Neova's Group company Kekkilä-BVB Australia Pty Ltd sold its Australian business to Global Axis Import Solutions Pty Ltd. The Australian businesses were part of the Grow&Care division. The transaction has not had a material impact on Neova Group's result.

Divestments in 2021

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

MEUR	**2022**
Intangible assets	29.6
Tangible assets	139.0
Deferred tax assets	0.1
Inventories	4.3
Sales and other receivables	23.3
Cash and cash equivalents	11.9
Assets total	**208.1**
Interest-bearing debt	147.1
Deferred tax liabilities	4.1
Accounts payable and other debt	27.9
Debt total	**179.2**
Net assets sold	**29.0**
Consideration received	536.5
Net assets sold	29.0
Capital gain	**507.5**
Consideration received in cash	655.9
Cash and cash equivalents	-11.9
Cash flow effect	**644.1**

Assets held for sale

Accounting principle

Non-current assets (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 Group had no assets classified as held for sale on 31 December 2022. Available-for-sale assets on 31 December 2021 included shares in associated company Scandbio. The Group did not recognise 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 for the 2021 financial year.

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 and pellets, 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, MEUR

2022	Grow&Care	Fuels&Real Estate Development	New Businesses	Other	Total
Products	373.4	158.2	4.0	0.1	535.7
Services	7.8	1.3	0.0	0.1	9.2
Total	**381.2**	**159.5**	**4.0**	**0.2**	**544.9**

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

Timing of revenue recognition

2022	Grow&Care	Fuels&Real Estate Development	New Businesses	Other	Total
Goods transferred at a point in time	373.4	158.2	4.0	0.1	535.7
Services transferred at a point in time	7.8	1.3	0.0	0.1	9.2
Services transferred over time	-	0.0	-	-	0.0
Total	**381.2**	**159.5**	**4.0**	**0.2**	**544.9**

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

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.

MEUR	1–12/2022	1–12/2021
Rental revenue	0.8	0.8
Grants and public subsidies	0.5	0.0
Other operating income	1.7	511.2
Proceeds from disposal of tangible and intangible assets	7.2	9.2
Total	10.3	521.3

6. Materials and services

MEUR	1–12/2022	1–12/2021
Purchases during the period	-311.0	-287.6
Increase/decrease in inventories	9.4	10.9
External services	-54.4	-44.2
Total	-355.9	-320.8

7. Expenses arising from staff benefits

MEUR	1–12/2022	1–12/2021
Salaries and fees	-53.6	-51.9
Pension expenses, defined contribution	-7.0	-6.8
Voluntary pensions	-0.4	-0.4
Pension expenses total	-7.4	-7.2
Other fixed personnel expenses	-6.3	-5.8
Expenses arising from staff benefits	-67.3	-64.9
Management salaries and fees		
Salaries and other short-term employment benefits	2.1	2.0
Total	2.1	2.0
Salaries and fees		
CEO	0.6	0.5
Members of the Board of Directors	0.2	0.2
Members of the Supervisory Board	0.0	0.0
Management salaries, fees and fringe benefits total	0.9	0.8

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

	1–12/2022	1–12/2021
Grow&Care	646	569
Fuels&Real Estate Development	215	234
New Businesses	31	28
Other activities	68	91
Total	**958**	**922**

8. Depreciation and impairment

MEUR	1–12/2022	1–12/2021
Depreciation		
Intangible rights	-3.3	-3.0
Other intangible assets	-0.2	-1.3
Land areas	-1.5	-1.4
Buildings and structures	-5.5	-6.3
Machinery and equipment	-11.6	-11.7
Other tangible assets	-10.2	-11.5
Total	-32.3	-35.3
Impairment		
Goodwill	0.0	-0.3
Intangible rights	0.1	-0.0
Land areas	0.0	-0.0
Buildings	0.0	-0.0
Machinery and equipment	1.3	-3.7
Other tangible assets	10.8	-12.3
Total	12.1	-16.3
Depreciation and impairment total	-20.3	-51.6

9. Other operating expenses and auditor’s fees

MEUR	1–12/2022	1–12/2021
Rents	-15.2	-4.6
Losses on the sale and scrapping of tangible assets	-0.8	-0.4
Change in credit loss provision	-0.4	-0.1
Auditor’s fees: actual audit	-0.5	-0.5
Auditor’s fees: attestations and statements	-0.0	-0.0
Auditor’s fees: other expert services	-0.3	-0.1
Auditor’s fees: tax advice	-0.1	-0.2
Audit costs total	-0.9	-0.8
External services	-19.6	-16.8
Other expenses	-47.4	-41.3
Other operating expenses total	-72.3	-63.9

10. Financial income and expenses

MEUR	1–12/2022	1–12/2021
Changes in the value of financial assets measured at fair value through profit or loss		
- interest derivatives, no hedge accounting	0.0	0.0
- currency derivatives, no hedge accounting	0.0	0.3
- commodity derivatives, no hedge accounting	0.0	0.0
Interest income	1.5	0.0
Foreign exchange gains from financial loans measured at amortised cost		0.3
Other foreign exchange gains	7.1	3.1
Other financial income	0.1	0.0
Financial income total	8.7	5.2
Interest expenses to others	-9.4	-6.7
Interest expenses from rental expenses	-1.3	-1.3
Changes in the value of financial assets measured at fair value through profit or loss		
- currency derivatives, no hedge accounting	-0.1	-0.2
- commodity derivatives, no hedge accounting	0.0	0.0
Other foreign exchange losses	-7.6	-3.7
Other financial expenses	-0.9	-0.6
Financial expenses total	-19.3	-12.5
Financial income and expenses total	-10.6	-7.3

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 are 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.

MEUR	1–12/2022	1–12/2021
Income taxes from actual operations	-1.2	-2.5
Taxes for previous financial periods	-0.2	-0.8
Deferred taxes	1.4	0.8
Total	-0.0	-2.5

Reconciliation of taxes

MEUR	1–12/2022	1–12/2021
Profit/loss before taxes	18.7	504.0
Deferred tax, parent company rate of 20%	-3.7	-100.8
Effect of the different tax rates used in foreign subsidiaries	1.1	-0.2
Effect of tax exempt income with the unit's tax rate	0.2	106.4
Effect of non-deductible expenses with the unit's tax rate	-0.2	-2.4
Effect of associates and joint ventures	0.6	0.0
Taxes for previous financial periods	-0.2	-0.8
Unbooked deferred tax for losses for the financial period	0.0	-4.7
Effect of change in the tax rate on taxes for the financial period	0.0	-0.1
Use of tax losses from previous years for which there is no deferred tax	2.1	0.0
Other	0.0	0.1
Tax expense in the income statement	-0.0	-2.5

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 period in question, the Group has not had dilutive schemes, and the Group has not held any of its own shares.

MEUR	2022	2021
Profit for the period attributable to owners of the parent company, MEUR	14.6	499.1
Average number of shares	30,000	30,000
Earnings per share, EUR	487	16,638

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 pay 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 Board of Directors proposes to the Annual General Meeting that a dividend of EUR 300.00 per share, totalling EUR 9 million, be distributed for the financial year 1 January–31 December 2022. 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 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 if 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

Emissions allowances

The principles of emissions allowances calculation are based on valid IFRS standards. Emission rights are treated as intangible assets measured at acquisition cost. Emissions allowances received for no consideration are measured at their nominal value (zero). A provision for fulfilling the obligation to return the emissions allowances is recorded if the emissions allowances 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. A summary of the allocation of goodwill and the weighted averages of the discount rates used is presented in the table below.

MEUR	WACC	31 December 2022	WACC	31 December 2021
Grow&Care	7.2%	31.4	7.2%	24.0
Total		31.4		24.0

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 the 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 2.0 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) before 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. 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 2022 and 2021.

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 2022 and 2021 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

MEUR	Goodwill	Intellectual property rights	Other intangible assets	Prepayments	Total
Cost 1 January 2022	31.2	63.1	7.0	5.8	107.0
Translation differences (+/-)	-0.2	-0.2	-0.0		-0.4
Acquisitions	7.6	3.4	4.1		15.1
Increase		0.0	0.1	2.1	2.3
Divestment of subsidiaries					
Decrease			-6.5	-0.6	-7.1
Transfers between items		4.6	0.2	-4.5	0.3
Transfer to long-term assets held for sale					
Cost 31 December 2022	38.6	70.9	4.8	2.8	117.0
Accumulated depreciation and impairment 1 January 2022	-7.2	-36.8	-6.7		-50.7
Translation differences (+/-)	0.0	0.0	0.0		0.1
Accumulated depreciation on decrease and transfers			6.4		6.4
Depreciation for the period		-3.1	-0.4		-3.5
Impairment		0.1			0.1
Accumulated depreciation and impairment 31 December 2022	-7.1	-39.9	-0.7		-47.7
Book value 31 December 2022	**31.4**	**31.0**	**4.1**	**2.8**	**69.4**

MEUR	Goodwill	Intellectual property rights	Other intangible assets	Prepayments	Total
Cost 1 January 2021	31.2	58.2	7.0	6.1	102.4
Translation differences (+/-)	0.0	0.0	0.0	0.0	0.0
Acquisitions					0.0
Increase	19.0	0.3	0.1	4.6	24.0
Divestment of subsidiaries	-19.0	0.2	0.0	-0.2	-19.0
Decrease	0.0	0.0	-0.1	-0.3	-0.4
Transfers between items	0.0	4.3	0.0	-4.3	0.0
Transfer to long-term assets held for sale					0.0
Cost 31 December 2021	31.2	63.1	7.0	5.8	107.0
Accumulated depreciation and impairment 1 January 2021	-6.9	-34.0	-5.3	0.0	-46.1
Translation differences (+/-)	0.0	0.0	0.0	0.0	0.0
Accumulated depreciation on acquisitions	0.0	0.1	0.0	0.0	0.1
Accumulated depreciation on decrease and transfers		0.0	-0.1	0.0	-0.1
Transfer to long-term assets held for sale					-1.0
Depreciation for the period		-3.0	-1.3	0.0	-4.3
Impairment	-0.3	0.0			-0.3
Accumulated depreciation and impairment 31 December 2021	-7.2	-36.8	-6.7	0.0	-50.7
Book value 31 December 2021	**24.0**	**26.2**	**0.2**	**5.8**	**56.3**

Divestments and impairments of goodwill are related to sold businesses in the Fuels&Real Estate Development 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. Property, plant and equipment

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 lives:

Buildings and structures	10–40 years
Machinery and equipment	3–25 years
Other tangible assets	3–30 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 that 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 that 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), which is 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 in 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.

MEUR	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and assets under construction	Total
Cost 1 January 2022	35.7	85.7	294.1	401.6	52.4	869.5
Translation differences	-0.1	-0.6	-2.5	-3.0	-0.2	-6.3
Acquisition of subsidiaries	3.6	3.1	0.7	1.4		8.7
Increase	1.1	13.1	19.9	3.6	19.1	56.8
Divestment of subsidiaries						
Decrease	-4.1	-4.9	-9.6	-3.6	-4.5	-26.7
Transfers between items		3.3	3.5	3.0	-10.5	-0.8
Transfer to long-term assets held for sale						
Cost 31 December 2022	36.2	99.6	306.1	403.0	56.4	901.2
Accumulated depreciation and impairment 1 January 2022	-2.1	-46.3	-243.3	-350.1		-641.7
Translation differences (+/-)	0.0	0.2	1.5	1.8		3.5
Accumulated depreciation on decrease and transfers	0.9	3.0	3.1	2.5		9.4
Accumulated depreciation from divestments						
Transfer to long-term assets held for sale						
Depreciation for the period	-1.5	-7.1	-12.4	-7.9		-28.9
Impairments and impairment reversals[1)]		0.0	1.3	10.8		12.0
Accumulated depreciation and impairment 31 December 2022	-2.7	-50.2	-249.8	-342.9		-645.7
Book value 31 December 2022	**33.5**	**49.7**	**56.1**	**60.1**	**56.4**	**255.7**

MEUR	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and assets under construction	Total
Cost 1 January 2021	41.4	81.3	275.7	393.1	44.1	835.7
Translation differences	-0	-0	-1	-1	-0	-1.6
Acquisition of subsidiaries						
Increase	1.1	3.1	9.4	6.9	25.7	46.3
Divestment of subsidiaries	-1.6	0.4	0.3	-0.3	-0.3	-1.7
Decrease	-5.2	-1.4	-1.7	-0.2	-0.8	-9.2
Transfers between items	0.0	2.4	11.0	2.9	-16.3	-0.0

Transfer to long-term assets held for sale						
Cost 31 December 2021	35.7	85.7	294.1	401.6	52.4	869.5
Accumulated depreciation and impairment 1 January 2021	-2.7	-40.7	-229.7	-328.0	0.0	-601.2
Translation differences (+/-)	-0.0	0.0	0.4	0.5	0.0	0.9
Accumulated depreciation on decrease and transfers	0.5	0.7	-1.3	1.1	0.0	1.0
Accumulated depreciation from divestments	1.6	0.0	2.7	0.2		4.6
Transfer to long-term assets held for sale						
Depreciation for the period	-1.4	-6.3	-11.7	-11.5	0.0	-31.0
Impairments and impairment reversals[2)]	-0.0	-0.0	-3.7	-12.3	-0.0	-16.0
Accumulated depreciation and impairment 31 December 2021	-2.1	-46.3	-243.3	-350.1	0.0	-641.7
Book value 31 December 2021	**33.6**	**39.4**	**50.9**	**51.6**	**52.4**	**227.8**

[1)] Includes reversal of a write-down of EUR 12.0 million related to the re-evaluation ofenergy 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 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.

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

MEUR	Land and water areas	Buildings and structures	Machinery and equipment	Total
Book value 1 January 2022	9.0	24.6	5.7	39.3
Increase	2.0	12.6	1.6	16.2
Decrease	-0.2	-1.7	-0.4	-2.3
Transfers between items		-1.2		-1.2
Depreciation for the financial period	-1.5	-5.5	-2.8	-9.8
Translation difference	-0.0	-0.1	-0.1	-0.2
Book value 31 December 2022	**9.3**	**28.8**	**4.0**	**42.0**

MEUR	Land and water areas	Buildings and structures	Machinery and equipment	Total
Cost 1 January 2021	9.8	27.3	5.9	43.1
Increase	1.1	2.7	2.5	6.4
Decrease	-0.5	-0.6	-0.0	-1.2
Transfers between items	0.0		-0.2	-0.2
Depreciation for the financial period	-1.4	-4.7	-2.5	-8.7
Translation difference	-0.0	-0.0	-0.0	-0.0
Book value 31 December 2021	**9.0**	**24.6**	**5.7**	**39.3**

15. Shares in associates and joint ventures

MEUR	31 December 2022	31 December 2021
Shares in associates		-0.0
Shares in joint ventures *)	19.9	17.5
Non-depreciated goodwill included in joint ventures	2.9	2.5

*) Scandbio was classified in assets held for sale in the financial statements for 2021, 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 2022	31 December 2021
Laania Oy, joint venture	Wholesale of other fuels	Vantaa	45	0
Geotec S.r.l., joint venture	Production of growing media	Bolzano	50	0
Scandbio AB, joint venture	Manufacture and sale of solid wood fuels	Jönköping	0	50

16. Other non-current financial assets

MEUR	31 December 2022	31 December 2021
Cost at the beginning of the period	0.6	0.6
Increase	0.0	3.5
Decrease	-0.0	
Transfers between items	-0.1	-3.5
Cost at the end of the period	0.5	0.6
Book value at the end of the period	0.5	0.6

17. Long-term receivables

MEUR	31 December 2022	31 December 2021
Long-term interest-bearing receivables		
Loan receivables from others	0.0	3.2
Long-term non-interest-bearing receivables		
From others	0.1	0.1
Total	0.0	3.2

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18. Deferred taxes

MEUR	1 January 2022	Translation difference	Recognised in the income statement	Recognised in shareholders' equity	Acquired/divested companies	31 December 2022
Deferred tax assets						
Losses	0.2		0.0	0.0	0.0	0.2
Provisions	2.3	-0.1	0.3	0.1	0.0	2.6
Other items	0.1		0.3	0.5	0.0	0.9
Total	**2.6**	**-0.1**	**0.6**	**0.5**	**0.0**	**3.7**

MEUR	1 January 2022	Translation difference	Recognised in the income statement	Recognised in shareholders' equity	Acquired/divested companies	31 December 2022
Itemisation of deferred tax liabilities						
Depreciation difference and provisions	2.2	-0.1	2.6	0.0	0.0	4.3
Fair value measurement of intangible and tangible assets in business combinations	8.2	0.0	-4.1	1.0	3.5	8.6
Other items	0.6	-0.0	0.6			1.2
Total	**10.6**	**-0.1**	**-0.8**	**1.0**	**3.5**	**14.0**

Deferred taxes on the balance sheet	
Deferred tax assets	3.7
Deferred tax liabilities	14.0
Net tax liability	10.3

MEUR	1 January 2021	Translation difference	Recognised in the income statement	Recognised in shareholders' equity	Acquired/divested companies	31 December 2021
Deferred tax assets						
Losses	0.2		0.0	0.0	-0.1	0.2
Provisions	2.3	0.0	0.1	0.0	0.0	2.3
Other items	0.0		0.1	0.0		0.1
Total	**2.4**	**-0.0**	**0.2**	**0.0**	**0.0**	**2.6**

MEUR	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	3.2		-1.0	0.0		2.2
Fair value measurement of intangible and tangible assets in business combinations	8.3		-0.1	0.0	0.0	8.2
Other items	-0.7		1.3	0.0		0.6
Total	**10.8**	**0.0**	**-0.2**	**0.0**	**0.0**	**10.6**

Deferred taxes on the balance sheet	
Deferred tax assets	3.1
Deferred tax liabilities	12.0
Net tax liability	8.9

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 are related to the same fiscal authority.

On 31 December 2022, the Group had EUR 108.5 million in confirmed losses for which deferred tax assets were not recognised (EUR 104.6 million on 31 December 2021).

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.

MEUR	31 December 2022	31 December 2021
Materials and supplies	41.7	55.7
Unfinished products	0.0	0.0
Finished products	103.5	114.4
Prepayments from inventories	0.0	1.3
Total	145.2	171.5

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.

MEUR	31 December 2022	31 December 2021
Sales receivables		
Sales receivables	75.5	69.5
Credit loss provision	-1.3	-0.9
Associates' trade receivables	0.0	0.0
	74.2	68.6
Short-term other receivables and accrued income		
Loan receivables	3.2	0.2
Other short-term receivables	10.6	4.9
Short-term accrued income (from others)	4.4	4.2
	18.2	9.3
Neova's Group company Vapo Oy has an interest-bearing loan receivable from Jyväskylän Voima Oy. The company is part of the Alva Group		
Financial assets measured at fair value through profit or loss		
Derivative instruments, no hedge accounting	6.1	2.4
Total	98.5	69.5

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

MEUR	31 December 2022	31 December 2021
EUR	69.8	60.7
USD	2.4	0.0
SEK	3.3	6.7
Other currencies	0.0	2.1
Total	75.5	69.5

Age distribution of trade receivables and recognised credit losses

Credit loss history

Financial year (EUR million)	Turnover	Receivables	Credit losses	% of receivables
FY2017	348.9	62.4	**0.1**	0.11%
FY2018	419.8	68.2	**0.1**	0.14%
FY2019	460.8	94.3	**0.1**	0.10%
FY20198 (1 May–31 December 2019)	297.7	72.0	**0.1**	0.11%
FY2020	544.9	59.2	**0.4**	0.61%
FY2021	514.6	69.5	**0.2**	0.25%
FY2022	544.9	75.5	**0.5**	0.63%
Average			**0.2**	

Age distribution of due receivables/credit loss provision

Trade receivables	Carrying amount (MEUR)	Expected credit loss	MEUR
Not yet due	49.0	0.10%	0.0
Due under 30 days	20.9	1.00%	0.2
Due 31–60 days	1.8	5.00%	0.1
Due 61–90 days	1.0	10.00%	0.1
Due over 90 days	2.8	30.00%	0.8
Total	75.5	1.72%	1.3

Credit loss provision/IFRS 9		
	31 December 2022	**1.3**
	31 December 2021	**0.9**

Age distribution of accounts receivable

MEUR	31 December 2022	31 December 2021
Not yet due	49.0	60.5
Due under 30 days	20.9	4.2
Due 31–60 days	1.8	1.4
Due 61–90 days	1.0	0.8
Due over 90 days	2.8	2.7
Total	75.5	69.5
Credit losses	**0.5**	**0.2**

21. Financial assets

Accounting principle

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 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 losses 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.

Financial assets measured at fair value through profit or loss include items not included in the previous categories, including equity investments, derivative instruments not subject to hedge accounting and financial assets held for trading. 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 has been transferred to a third party in such a way that the Group has substantially transferred the risks and rewards of ownership.

Cash and cash equivalents

Cash assets consist of cash funds, short-term bank deposits and other short-term cash assets that 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.

MEUR	31 December 2022	31 December 2021
Cash and cash equivalents	47.7	30.4

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 2022, 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.

Retained earnings include profit or loss for the period and previous periods. Dividends paid and donations approved by the Annual General Meeting are deducted from the retained earnings. In addition, retained earnings include
actuarial gains and losses from defined benefit plans.

23. Financial liabilities

Accounting principle

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 are classified as non-current if their maturity exceeds 12 months.

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.

MEUR	31 December 2022	31 December 2021
Non-current financial liabilities measured at amortised cost		
Bonds	178.8	178.7
Loans from financial institutions	51.2	2.1
Pension insurance (TyEL) loans	0.0	2.5
Lease liabilities (IFRS16)	34.6	31.3
Total	264,7	214.6

MEUR	31 December 2022	31 December 2021
Current financial liabilities measured at amortised cost		
Loans from financial institutions	20,8	0.8
Pension insurance (TyEL) loans	2.5	5.0
Overdraft facility	0.0	0.0
Commercial papers	60.8	5.0
Lease liabilities (IFRS16)	9.1	8.6
Other liabilities to associates	0.0	0.0
Total	93.2	19.4

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

MEUR	2023	2024	2025	2026	2027	2028 ->	Total
Bonds	0.0	110.0	0.0	0.0	0.0	70.0	**180.0**
Loans from financial institutions	0.8	0.6	50.3	0.1	0.0	0.0	**51.8**
Lease liabilities (IFRS16)	9.7	8.8	7.6	7.0	5.3	9.0	**47.4**
Total	10.5	119.7	57.9	7.1	5.3	79.0	**279.2**

Summary of the terms of the liabilities

MEUR	Nominal interest rate, %	Maturing in	Carrying amount 31 Dec. 2022	Nominal value 31 Dec. 2022	Carrying amount 31 Dec. 2021	Nominal value 31 Dec. 2021
Bonds	2.7%	2024–30	178.8	180.0	178.7	180.0
Loans from financial institutions	3.9%	2023–2026	72.1	72.1	2.6	2.6
Pension insurance (TyEL) loans	0.8%	2023	2.5	2.5	7.5	7.5
Lease liabilities	0.9–3.5%	2022–50	41.2	47.4	39.9	45.0
Commercial paper debt	2.2%	2023	60.8	61.0	5.0	5.0
Total			355.4	363.0	233.7	240.1

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

24. Non-current non-interest-bearing debt

MEUR	31 December 2022	31 December 2021
Connection fee debt	0.0	0.0
Advances received		
Other liabilities		
Total	0.0	0.0

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, and 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 that 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 detailed plan regarding the restructuring.

Provision for environmental liabilities

Due to their nature, parts 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 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.

MEUR	Environmental expense provisions	Other provisions	Total
Provisions 1 January 2022	11.4	0.2	11.6
Translation difference	-0.3		-0.3
Increases in provisions	3.6	0.5	4.1
Used provisions	-3.1	-0.2	-3.3
Reversals of provisions	-0.2		-0.2
Provisions 31 December 2022	11.5	0.5	12.0

MEUR	Environmental expense provisions	Other provisions	Total
Provisions 1 January 2021	10.9	0.2	11.1
Translation difference	-0.1		-0.1
Increases in provisions	4.5	0.0	4.5
Used provisions	-3.7	-0.0	-3.8
Reversals of provisions	-0.1		-0.1
Provisions 31 December 2021	11.4	0.2	11.6

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.

26. 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.

MEUR	31 December 2022	31 December 2021
Liability shown in the balance sheet at the start of the period	5.3	4.9
Expenses in the income statement	0.0	0.1
Contributions made to the plan	-0.3	-0.3
Arising from remeasurement	-0.8	0.6
Liability shown in the balance sheet at the end of the financial year	4.2	5.3

Key actuarial assumptions at the end of the financial year:

%	31 December	31 December
Discount rate	3.1%	1.0%
Increase in wages	3.0%	3.0%
Increase in pensions	3.0%	3.0%

27. Accounts payable and other short-term debt

MEUR	31 December 2022	31 December 2021
Short-term financial liabilities measured at amortised cost		
Advances received	6.6	5.5
Accounts payable	57.5	50.8
Accounts payable to associates		0.0
Total	64.1	56.3
Other liabilities	19.0	8.2
Interest liabilities and other financial liabilities	2.7	0.8
Salary and social expense allocations	11.2	10.5
Other accrued expenses	14.2	14.8
Financial liabilities measured at fair value through profit or loss		
Derivative instruments, no hedge accounting	0.1	0.0
Accounts payable and other short-term debt total	111.3	90.8
Material items included in other liabilities		
Value added tax liability	15.5	5.4
Other employee expense liabilities	3.5	2.9
Total	19.0	8.2
Material items included in accrued expenses		
Accrual of purchase invoices	10.0	12.1
Other accrued expenses	4.3	2.8
Total	14.2	14.8

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

MEUR	31 December 2022	31 December 2021
EUR	53.8	45.9
USD	0.3	0.4
GBP	0.0	0.0
SEK	3.4	4.5
Other currencies	0.0	0.0
Total	57.5	50.8

28. Financial risk management

The Group'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 2022 amounted to EUR 0 million (2021: EUR 0.0 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 (2021: +0.0/-0.0). 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 2022**				**31 December 2021**			
	Exposure	Hedging	**Net**	**Hedging %**	Exposure	Hedging	**Net**	**Hedging %**
EUR	**5.1**	**5.1**	**0.0**	**100%**	**5.2**	**5.2**	**0.0**	**100%**
SEK	**44.5**	**44.5**	**0.0**	**100%**	**70.0**	**70.0**	**0.0**	**100%**
USD	**2.4**	**2.4**	**0.0**	**100%**	**1.8**	**1.8**	**0.0**	**100%**
Total	**52.0**	**52.0**	**0.0**	**100%**	**77.1**	**77.1**	**0.0**	**100%**

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:

MEUR	31 December 2022	31 December 2021
Swedish krona	45.9	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 good cash flow of the Group's businesses also supported the Group's strong liquidity. At the end of the financial year, the assets considered liquid were EUR 214.7 million, of which EUR 167 million were invested in fixed income funds. Significant non-recurring items affecting liquidity were the dividend of EUR 60 million paid in June and the redemption of Kekkilä-BVB's 30% minority shareholding. The events were financed with a new long-term loan and commercial paper issues.

Of the EUR 150 million commercial paper programme, EUR 61 million (EUR 5.0 million) had been issued at the end of the financial period. Part of the revolving credit facility totalling EUR 20 million was drawn in November to meet short-term liquidity needs.

The Group's equity ratio on the financial statements date was 38.7 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. No changes were made to the credit rating during the financial year.

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.

MEUR

31 December 2022	2023	2024	2025	2026	2027 and after
Repayments	84.3	110.8	50.3	0.1	70.0
Interest expenses	7.4	7.0	3.4	2.4	9.5
Accounts payable and other short-term debt	63.7				
Total	155.4	117.8	53.7	2.5	79.5

31 December 2021	2022	2023	2024	2025	2026 and after
Interest-bearing loans					
Repayments	10.8	3.3	110.8	0.3	70.1
Interest expenses	5.0	4.9	4.9	2.4	11.9
Accounts payable and other short-term debt	54.5				
Total	70.3	8.3	115.8	2.7	81.9

Maturity distribution of derivatives

MEUR

31 December 2022	**2022**	**2023**	**2024**	**2025 and after**
Nominal value				
Forward exchange agreements and	52.0	0.0	0.0	0.0
Electricity forwards	1.3	1.0	0.2	0.0
Emission right derivatives	0.0	0.0	0.0	0.0
Total	54.5	1.0	0.2	0.0

31 December 2021	**2021**	**2022**	**2023**	**2024 and after**
Nominal value				
Forward exchange agreements and	77.1	0.0	0.0	0.0
Electricity forwards	1.4	1.1	0.5	0.0
Emission right derivatives	0.0	0.0	0.0	0.0
Total	78.5	1.1	0.5	0.0

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 2022, including derivative instruments, was 3.1 (4.7) years. The weighted average interest rate of long-term loans was 3.0 (2.6) per cent.

The interest rate risk sensitivity analysis is based on the combined Group-level interest rate risk comprising interest-bearing liabilities and derivatives, such as interest rate swaps that hedge against interest rate risk. Fixed-rate loans account for 79 per cent of the Group’s long-term financing. An increase in interest rates by one percentage point over the next 12 months would have an impact of EUR +0.2 million on interest expenses. The Group does not have any open interest rate derivatives.

Market risk of investment 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. Sales 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 303.8 million (EUR 296.9 million) on the financial statements date.

MEUR				
31 December 2022	**Low**	**Elevated**	**High**	**Total**
On-balance sheet credit risk from customer				
Trade receivables	74.2	0.5	0.8	75.8
Uninvoiced receivables	3.5			3.5
Total	**77.7**	**0.5**	**0.8**	**79.0**
On-balance sheet credit risk from other financial assets				
Loan receivables and other interest-	3.2			3.2
Fund investments	167.0			167.0
Deposits and commercial papers	0.0			0.0
Derivative assets, fair values	6.1			6.1
Other non-interest-bearing receivables	0.0			0.0
Cash and cash equivalents	47.7			47.7
Total	**224.0**	**0.0**	**0.0**	**224.0**
Total credit risk exposure on the balance	**301.7**	**0.5**	**0.8**	**303.0**

MEUR				
31 December 2021	**Low**	**Elevated**	**High**	**Total**
On-balance sheet credit risk from customer				
Trade receivables	67.6	1.0	0.1	68.6
Uninvoiced receivables	3.2			3.2
Total	**70.8**	**1.0**	**0.1**	**71.8**
On-balance sheet credit risk from other financial assets				
Loan receivables and other interest-	3.4			3.4
Fund investments	169.1			169.1
Deposits and commercial papers	19.8			19.8
Derivative assets, fair values	2.3			2.3
Other non-interest-bearing receivables	0.1			0.1
Cash and cash equivalents	30.4			30.4
Total	**225.1**	**0.0**	**0.0**	**225.1**
Total credit risk exposure on the balance	**295.8**	**1.0**	**0.1**	**296.9**

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 plant 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 two years. The amount of energy covered by hedging is 92.1 MWh (122.7).

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 0.9 million (+/- EUR 0.5 million) on the fair values of derivatives.

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 2022, equity totalled EUR 311.2 million (EUR 427.9 million), and interest-bearing liabilities totalled EUR 357.8 million (EUR 233.9 million).

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.

MEUR	**31 December 2022**	**31 December 2021**
Shareholders' equity	311.2	427.9
Hybrid bond	0.0	0.0
Shareholders' equity	**311.2**	**427.9**
Balance sheet total	810.3	780.9
Non-interest-bearing advances received	6.6	5.5
Balance sheet	**803.7**	**775.4**
Equity ratio	**38.7%**	**55.2%**

MEUR	**31 December 2022**	**31 December 2021**
Interest-bearing debt	357.8	233.9
Interest-bearing receivables	-3.2	-3.4
Cash and cash equivalents and investments	-214.7	-219.3
Net debt	140.0	11.2
Operating profit	29.2	511.2
Share of profit/loss accounted for using the equity method	-2.6	0.0
Depreciation and impairment	20.2	51.6
EBITDA	46.8	562.8
Netdebt/Ebitda	**3.0**	**0.0**

CALCULATION OF NET DEBT

MEUR 2022	Cash and cash equivalents	Liquid investments	Lease liabilities	Loans	Total
Net debt 1 January 2022	**-33.8**	**-188.9**	**39.8**	**194.1**	**11.2**
Cash flow	-22.9	19.5	-11.8	120.2	**105.0**
Exchange differences		0.2	0.4		**0.7**
New leases			13.9		**13.9**
Acquisitions and divestments	5.6		1.4		**7.0**
Other non-cash changes		2.2			**2.2**
Net debt 31 December 2022	**-51.1**	**-167.0**	**43.7**	**314.3**	**140.0**

MEUR 2021	Cash and cash equivalents	Liquid investments	Lease liabilities	Loans	Total
Net debt 1 January 2021	**-13.4**	**0.0**	**43.2**	**301.2**	**331.0**
Cash flow	-5.1	-188.9	-7.4	-78.6	**-280.0**
Exchange differences					**0.0**
New leases			5.6		**5.6**
Acquisitions and divestments	-11.9			-28.5	**-40.4**
Other non-cash changes	-3.4		-1.6		**-5.0**
Net debt 31 December 2021	**-33.8**	**-188.9**	**39.8**	**194.1**	**11.2**

29. Fair values of financial assets and liabilities

Accounting principle

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.

MEUR	31 December 2022			31 December 2021		
	Positive	Fair value	Net	Positive	Fair value	Currency derivatives
Contract	fair value	fair value	fair value	fair value	fair value	fair value
Currency derivatives, no hedge accounting	0.0	0.0	0.0	0.2	-0.1	0.1
Electricity derivatives, no hedge accounting						
Long-term	1.7	0.0	1.7	0.4	0.0	0.4
Current	4.4	0.0	4.4	1.6	0.0	1.6
Emission right derivatives, no hedge accounting	0.0	0.0	0.0	0.0	0.0	0.0
Fund investments	167.0	0.0	167.0	169.1	0.0	169.1
Short-term derivative agreements	**173.1**	**0.0**	**173.1**	**171.4**	**-0.1**	**171.3**

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

MEUR	31 December 2022	31 December 2021
Nominal value of currency derivatives	52.0	77.1
Nominal value of electricity derivatives	2.5	3.0
Nominal value of emission rights		
Short-term	**54.5**	**80.1**

Financial liabilities and assets by valuation category

MEUR	31 December 2022	Amortised cost	At fair value through other comprehensive income	Measured at fair value through profit or loss	Fair value
Loan receivables		3.2	0.0	0.0	3.2
Other interest-bearing financial assets		0.0	0.0	167.0	167.0
Derivative assets		0.0	0.0	6.1	6.1
Trade receivables		74.2	0.0	0.0	74.2
Other non-interest-bearing receivables		3.5	0.0	0.0	3.5
Cash and cash equivalents		47.7	0.0	0.0	47.7
Financial assets total		**128.6**	**0.0**	**173.1**	**301.7**

MEUR	Amortised cost	At fair value through other comprehensive income	Measured at fair value through profit or loss	Fair value
Interest-bearing loans	314.3	0.0	0.0	314.3
Derivative liabilities	0.0	0.0	0.0	0.0
Accounts payable	57.5	0.0	0.0	57.5
Other non-interest-bearing liabilities	6.2	0.0	0.0	6.2
Financial liabilities total	**377.8**	**0.0**	**0.0**	**377.8**

MEUR	**31 December 2021**	Amortised cost	At fair value through other comprehensive income	Measured at fair value through profit or loss	Fair value
Loan receivables		3.2	0.0	0.0	3.2
Other interest-bearing financial assets		19.8	0.0	170.0	188.7
Derivative assets		0.0	0.0	2.3	2.3
Trade receivables		69.5	0.0	0.0	69.5
Other non-interest-bearing receivables		3.3	0.0	0.0	3.3
Cash and cash equivalents		30.4	0.0	0.0	30.4
Financial assets total		**126.2**	**0.0**	**172.2**	**297.4**

MEUR	Amortised cost	At fair value through other comprehensive income	Measured at fair value through profit or loss	Fair value
Interest-bearing loans	194.1	0.0	0.0	194.1
Derivative liabilities	0.0	0.0	0.1	0.1
Accounts payable	50.8	0.0	0.0	50.8
Other non-interest-bearing liabilities	3.7	0.0	0.0	3.7
Financial liabilities total	**248.6**	**0.0**	**0.1**	**248.7**

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

	2022				2021			
MEUR	**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	167.0	0.0	167.0	0.0	169.1	0.0	169.1	0.0
Financial assets measured at fair value through profit or loss - held for trading								
Derivatives – no hedge accounting	6.1	0.0	6.1	0.0	2.3	0.0	2.3	0.0
Total	**173.1**	**0.0**	**173.1**	**0.0**	**171.4**	**0.0**	**171.4**	**0.0**
LIABILITIES MEASURED AT FAIR VALUE								
Available-for-sale financial liabilities								
Available-for-sale investments	0.0	0.0	0.0	0.0	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	0.0	0.0	-0.1	0.0	-0.1	0.0
Total	**0.0**	**0.0**	**0.0**	**0.0**	**-0.1**	**0.0**	**-0.1**	**0.0**

30. 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	100%	0%
Belgium	Nico Haasnot BVBA	100%	0%
Spain	Kekkilä-BVB Iberia S.L.	100%	0%
The Netherlands	BVB Landscaping B.V.	100%	0%
	Kekkilä-BVB De Lier B.V.	100%	0%
	Kekkilä-BVB Gardening B.V.	100%	0%
	Kekkilä-BVB Grubbenvorst B.V.	100%	0%
	Kekkilä-BVB Logistics B.V.	100%	0%
	Kekkilä-BVB Netherlands B.V.	100%	0%
China	Kekkilä-BVB Horticulture (Qingdao) Co., Ltd	100%	0%
Norway	Algomin AS	100%	0%
France	Brill France SARL	100%	0%
Sweden	Algomin AB	100%	0%
	Hasselfors Garden AB	100%	0%
	Neova AB	100%	100%
Germany	BVB Gardening GmbH	100%	0%
	G&C Materials Germany GmbH	100%	0%
	Kekkilä-Brill Substrates GmbH	100%	0%
	Kekkilä-BVB Germany GmbH	100%	0%
Finland	G&C Materials Oy	100%	0%
	Kekkilä-BVB Oy	100%	100%
	Kekkilä Oy	100%	0%
	Piipsan Turve Oy	48%	48%
	Simon Turvejaloste Oy	100%	100%
	Vapo Oy	100%	100%
	Vapo Terra Oy	100%	100%
Estonia	AS Tootsi Turvas	100%	100%
	Kekkilä-BVB Eesti Oü	100%	0%
United States	Kekkilä-BVB USA Inc	100%	0%

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.

Non-controlling interests

Itemisation of significant non-controlling interests in the Group

MEUR	Share of profit/loss attributable to non-controlling interests		Share of equity attributable to non-controlling interests	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Kekkilä-BVB	-4.1	-2.6		43.1
Other activities	0.1	0.2	0.4	0.4
Total	-4.0	-2.4	0.4	43.5
Share of the Group	27.7%	0.5%	0.2%	9.9%

Non-controlling interest in Kekkilä-BVB Group

MEUR	2022	2021
Turnover		321.7
Profit/loss for the period		8.7
Share of the profit for the period attributable to non-controlling interests		-2.6
Dividends paid to non-controlling interests		0.0
Long-term assets		150.7
Current assets		109.2
Long-term liabilities		70.3
Current liabilities		47.3
Net assets		**142.4**
Attributable to non-controlling interests		43.1
Cash flow from operating activities		4.3
Cash flow from investing activities		-9.3
Cash flow from financing activities		4.9
Cash flow total		-0.1

Transactions with non-controlling interests

Neova Oy acquired 30% of Kekkilä-BVB Oy's shares on 1 July 2022. After the acquisition, the Group's holding in Kekkilä-BVB Oy is 100%. Below is a summary of the impact of the acquisition on the equity attributable to the owners of Neova Oy.

MEUR	2022	2021
Book value of the acquired non-controlling interest	46.2	0.0
Consideration paid to non-controlling interests	72.0	0.0
Amount by which the consideration paid exceeds the non-controlling interests included in equity	**25.9**	**0.0**

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.

MEUR	31 December 2022	31 December 2021
Liabilities for other own commitments		
Guarantees	0.0	14.0
Contingent commitments on behalf of Group companies		
Guarantees	5.7	6.5
Contingent commitments on behalf of non-Group companies		
Guarantees	21.9	0.0

Contingent commitments on behalf of external companies are bank guarantees given by Neova Oy on behalf of Laania Oy, and they correspond to Neova Oy's 45% shareholding in the company

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 MEUR	Last review year
Investment completed 012013–042014	0.0	2022
Investment completed 052014–042015	0.0	2023
Investment completed 052015–042016	0.0	2024
Investment completed 052016–042017	0.0	2025
Investment completed 052017–042018	0.0	2026
Investment completed 052018–042019	0.0	2027
Investment completed 052019–122019	0.0	2028
Investment completed in 2020	0.0	2029
Investment completed in 2021	0.3	2030
Investment completed in 2022	0.8	2031
Total	**1.3**	

32. Leases

Amounts entered in the income statement

The income statement includes the following amounts related to leases

IFRS 16 leases	**1–12/2022**	**1–12/2021**
Interest expenses	-1.3	-1.3
Expenses relating to short-term leases	-0.9	-0.7
Expenses relating to leases of low-value assets	-0.2	-0.2
Expenses relating to variable lease payments	-2.4	-2.4
Depreciation		
Land areas	-1.5	-1.4
Buildings	-5.5	-4.7
Machinery and equipment	-2.8	-2.5
Other tangible assets		
Total depreciation	-9.8	-8.7
Amount affecting cash flow		
Cash outflow for leases	-11.8	-9.6

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, shareholders, and the Board of Directors and CEO of the Group's parent company. 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 is not disclosed to third parties with the exception of the authorities and the 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

MEUR	31 December 2022	31 December 2021
Associates		
Sales	0.0	0.1
Receivables	0.0	0.0
Liabilities		0.0
Joint ventures		
Sales	0.1	0.0
Purchases		
Receivables	0.1	0.0
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 they are dismissed by the Board of Directors, in addition to which they are 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 2022 or 31 December 2021.

Parent company’s financial statements, FAS

Parent company’s income statement

EUR thousand	Note	1–12/2022	1–12/2021
TURNOVER	3	145,126	181,557
Change in inventories of finished goods and work in progress		-3,718	-22,326
Other operating income	4	10,231	11,966
Materials and services	5	-113,245	-105,997
Expenses arising from staff benefits	6	-20,129	-21,726
Depreciation and impairment	7	4,744	-23,191
Other operating expenses	8	-35,307	-37,945
OPERATING PROFIT/LOSS		-12,298	-17,661
Financial income	9	12,688	540,920
Financial expenses	9	-19,832	-14,645
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES		-19,443	508,614
Appropriations	10	25,509	6,216
PROFIT/LOSS FOR THE PERIOD		6,066	514,829

Parent company’s balance sheet

EUR thousand	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Intangible assets	12	7,434	7,359
Tangible assets	13	97,734	87,678
Investments	14	211,149	126,507
Non-current assets total		316,317	221,544
Current assets			
Inventories	15	29,552	105,251
Long-term receivables	16	143,878	72,460
Short-term receivables	17	84,709	42,171
Other securities	18	166,996	188,890
Cash and cash equivalents		42,773	28,736
Current assets total		467,908	437,508
ASSETS		784,225	659,051
LIABILITIES			
Shareholders’ equity			
Share capital		50,456	50,456
Other funds		30,096	30,096
Retained earnings		222,918	-231,762
Profit/loss for the period		6,066	514,829
Shareholders’ equity total	19	309,537	363,621
Accrual of appropriations		5,873	5,512
Mandatory provisions	20	4,459	6,021
Liabilities			
Long-term interest-bearing liabilities	21	231,019	183,291
Current interest-bearing liabilities	22	165,994	39,680
Current non-interest-bearing liabilities	22	67,342	60,926
Liabilities total		464,356	283,898
LIABILITIES		784,225	659,051

Parent company's cash flow statement

EUR thousand	1–12/2022	1–12/2021
Cash flow from operating activities		
Profit/loss for the period	6,066	514,829
Adjustments to the result for the period		
Depreciation and impairment	-4,744	23,191
Financial income and expenses	7,145	-526,275
Income taxes	0	0
Other adjustments	-30,695	-13,838
Adjustments to the profit/loss for the period total	-28,294	-516,922
Change in working capital		
Increase(-)/decrease (+) in inventories	75,780	24,745
Increase(-)/decrease (+) in short-term non-interest-bearing business receivables	-110,400	-4,931
Increase (+)/decrease (-) in short-term non-interest bearing debt	4,461	-49,091
Change in provisions	-1,562	453
Change in working capital total	-31,720	-28,824
Interest paid	-8,766	-8,679
Interest received	4,164	1,924
Dividends received	1,820	0
Other financial items	-3,025	847
Taxes paid	0	0
Cash flow from operating activities	**-59,836**	**-36,824**
Cash flow from investment activities		
Investments in tangible and intangible assets	-13,798	-14,951
Proceeds from disposal of tangible and intangible assets	14,171	12,179
Subsidiary shares bought	-73,301	0
Subsidiary shares sold	3,724	537,382
Investments consolidated using the equity method	-15,233	0
Proceeds from investments consolidated using the equity method	149	0
Repayments of capital received		2,240
Other investments	0	-188,890
Proceeds from disposal of other investments	21,339	0
Increase (-)/decrease (+) in long-term loan receivables	0	90,481
Repayments of loans receivable		0
Increase (-)/decrease (+) in short-term loan receivables	-2,854	-26,149
Dividends received from operating activities	0	63
Cash flow from investment activities	**-65,804**	**412,355**
Cash flow from financing activities		
Increase (+)/decrease (-) in short-term loans	128,541	-45,401

Proceeds from long-term loans	51,070	5,603
Repayment of long-term loans	-5,569	-68,706
Dividends paid	-60,000	-250,000
Loans granted	0	-24,400
Repayments of loans receivable	0.0	0.0
Group contributions received	25,870	
Cash flow from financing activities	**139,762**	**-358,504**
Change in cash and cash equivalents	**14,096**	**17,027**
Cash and cash equivalents opening balance	28,677	11,708
Change in cash and cash equivalents	14,096	17,027
Cash and cash equivalents at end of period	42,773	28,736
Cash and cash equivalents, other arrangements	0.0	0.0

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 it is incurred. Development expenditure is recognised through profit or loss for the year during which it is 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 are based on initial cost less annual depreciation and impairment. Property, plant and equipment are 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.

Emissions allowances
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 lowest of cost or probable 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 is 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, that is, 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 a 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 costs of intangible assets acquired against a consideration, such as concessions, patents, licences, trademarks and similar rights and assets, are capitalised when these are estimated to generate income over several financial years. The capitalised acquisition cost is depreciated according to plan over its useful life.

Recognition and amortisation of other long-term expenditure
When 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 expenses 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 thousand	1–12/2022	1–12/2021
Finland	138,645	177,496
Other countries	6,481	4,061
Total	145,126	181,557

4. Other operating income

EUR thousand	1–12/2022	1–12/2021
Rental revenue	647	651
Grants and public subsidies	565	578
Capital gains from equity	5,956	7,876
Other income	3,066	2,861
Total	10,231	11,966

5. Materials and services

EUR thousand	1–12/2022	1–12/2021
Purchases during the period	-77,952	-74,355
Change in inventories	-869	-2,338
External services	-34,425	-29,304
Total	-113,245	-105,997

6. Notes concerning personnel and members of administrative bodies

EUR thousand	1–12/2022	1–12/2021
Personnel expenses		
Salaries and fees	-16,743	-17,976
Pension expenses	-2,802	-2,955
Other personnel expenses	-584	-796
Total	-20,129	-21,726
Management salaries, fees and fringe benefits total		
CEO	619	537
Members of the Board of Directors	247	246
Members of the Supervisory Board	15	15
Other Management Team members	2,119	2,028
Total	3,000	2,826

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

Number of personnel		
Average during the financial period	221	269

7. Depreciation and impairment

EUR thousand	1–12/2022	1–12/2021
Intangible rights	-931	-871
Buildings and structures	-445	-441
Machinery and equipment	-2,093	-2,697
Other tangible assets	-3,879	-3,988
Planned depreciation total	-7,347	-7,998
Impairment		
Intangible rights	-2	-22
Land areas	0	-44
Buildings	1	-2
Machinery and equipment	1,261	-3,715
Other tangible assets	10,825	-11,411
Impairments total	12,085	-15,194
Depreciation and impairment total	4,738	-23,191

8. Other operating expenses

EUR thousand	1–12/2022	1–12/2021
Rents	-4,427	-5243
Cost of sales freight	0	
ICT and other services	-7,510	-7151
External transport	-5,476	-5002
Capital losses from equity	-770	-335
Audit costs, actual audit	-146	-206
Audit costs, attestations and statements	0	-3
Audit costs, other expert services	-9	-32
Audit costs, tax advice	-11	-90
Audit costs total	-165	-332
Other expenses	-16,959	-19,883
Total	-35,307	-37,946

9. Financial income and expenses

EUR thousand	1–12/2022	1–12/2021
Dividend income from Group companies	1,820	18
Dividend income from others	0	45
Income from shares	1,820	63
Interest income from Group companies	3,553	1,991
Interest income from others	1,044	47
Other financial income[1)]	21	535,589
Other interest and financial income	4,617	537,628
Interest expenses to Group companies	-3,673	4
Interest expenses to others	-8,881	-8,354
Other financial expenses to others	-659	-530
Other interest and financial income	-13,213	-8,880
Financial income and expenses total	-6,775	528,811
Foreign exchange gains	6,250	3,228
Foreign exchange losses	-6,533	-3,232
Exchange rate differences in financing	-283	-4
Impairment of Group shares and receivables	-86	-2,532
Financial income total	12,688	540,920
Financial expenses total	-19,832	-14,645

[1)] Other financial income includes a capital gain of EUR 535.5 million on the sale of the subsidiary shares, Nevel Oy, during the comparison period.

10. Appropriations

EUR thousand	1–12/2022	1–12/2021
Change in depreciation difference		
Intangible assets	-400	310
Buildings and structures	76	76
Machinery and equipment	-29	2,617
Other tangible assets	-7	3,212
Group contributions		
Group contributions received	25,870	0.0
Total	25,509	6,215

11. Direct taxes

EUR thousand	1–12/2022	1–12/2021
Income taxes from actual operations	0	0

12. Intangible assets

EUR thousand	Intangible rights	Other intangible assets	Prepayments	Total
Cost 1 January 2022	31,811	161	5,445	37,416
Increase	40		1,502	1,543
Decrease			-595	-595
Transfers between items	3,473		-3,473	
Cost 31 December 2022	35,324	161	2,879	38,364
Accumulated depreciation 1 January 2022	-29,957	-100		-30,057
Depreciation for the period	-914	-17		-931
Impairment	58			58
Accumulated depreciation 31 December 2022	-30,813	-117		-30,930
Book value 31 December 2022	**4,510**	**44**	**2,879**	**7,434**

EUR thousand	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	
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	-894	-17		-911
Impairment	-2			-2
Accumulated depreciation 31 December 2021	-29,957	-100		-30,057
Book value 31 December 2021	**1,854**	**61**	**5,445**	**7,359**

13. Tangible assets

EUR thousand	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and construction in progress	Total
Cost 1 January 2022	21,840	22,581	166,104	307,231	45,112	562,869
Increase	124		1,801	216	10,115	12,256
Decrease	-2,774			-584	-4,459	-7,816
Transfers between items		301	165	1,838	-2,304	0
Cost 31 December 2022	19,190	22,883	168,070	308,702	48,464	567,309
Accumulated depreciation 1 January 2022	-539	-19,281	-157,662	-297,710		-475,193
Depreciation for the period		-445	-2,095	-3,931		-6,471
Impairment		1	1,261	10,825		12,087
Accumulated depreciation 31 December 2022	-539	-19,726	-158,495	-290,816		-469,576
Book value 31 December 2022	**18,651**	**3,157**	**9,575**	**17,886**	**48,464**	**97,734**

EUR thousand	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and construction in progress	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	
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		-452,894
Depreciation for the period		-441	-2,697	-3,988		-7,126
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**

Impairment
During the financial period 1–12/2022, a reversal of impairment of EUR 12.0 million relating to energy peat assets was recognised on tangible assets.

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

14. Investments

EUR thousand	Shares in Group companies	Shares in associates	Other shares and participations	Total
Cost 1 January 2022	125,934	102	470	126,507
Increase	73,301	15,233		88,534
Decrease	-3,638	-149	-20	-3,806
Decrease, intra-Group mergers and acquisitions	-86			-86
Book value 31 December 2022	**195,511**	**15,187**	**450**	**211,149**

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

15. Inventories

EUR thousand	31 December 2022	31 December 2021
Materials and supplies	4,863	28,670
Finished products	24,687	75,524
Prepayments from inventories	2	1,057
Total	29,552	105,251

16. Long-term receivables

EUR thousand	31 December 2022	31 December 2021
Receivables from Group companies		
Loan receivables	143,878	69,277
Loan receivables from others	0	3,183
Total	143,878	72,460

17. Short-term receivables

EUR thousand	31 December 2022	31 December 2021
Receivables from Group companies		
Trade receivables	29,640	2,973
Loan receivables	9,526	6,172
Accrued income	26,420	30
Receivables from associates		
Trade receivables	91	0
Receivables from others		
Trade receivables	16,517	28,764
Loan receivables	0	198
Accrued income	2,142	3,496
Other receivables	358	538
Total	84,695	42,171
Essential accrued income items		
Other accrued income from sales	1,819	3,066
Other accrued income from expenses	323	430
Total	2,142	2,636

18. Financial instruments measured at fair value

Nominal and fair values of financial instruments

	31 December 2022		31 December 2021	
EUR thousand	Nominal value	Fair value	Nominal value	Fair value
Currency derivatives	44,434	0	70,066	92
Electricity derivatives	2,489	6,087	2,998	2,074
Emission right derivatives	0	0		
Fund investments	169,976	166,996	169,976	169,139
Total	216,899	173,083	243,040	171,305

Maturity distribution of derivatives

EUR thousand 31 December 2022	2023	2024	2025	2026
Nominal value				
Forward exchange agreements and currency swaps	44,434	0	0	0
Electricity forwards	1,310	970	208	0
Emission right derivatives	0	0	0	0
Total	45,744	970	208	0

EUR thousand 31 December 2021	2022	2023	2024	2025
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

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 thousand 31 December 2022	**Amortised cost**	**At fair value through other comprehensive income**	**Measured at fair value through profit or loss**	**Fair value**
Loan receivables	144,378	0	0	144,378
Other interest-bearing financial assets	0	0	166,996	169,976
Derivative assets	0	0	6,087	6,087
Trade receivables	46,158	0	0	46,158
Other non-interest-bearing receivables	1,819	0	0	1,819
Cash and cash equivalents	42,773	0	0	42,773
Financial assets total	**235,128**	**0**	**173,083**	**411,190**

	Amortised cost	**At fair value through other comprehensive income**	**Measured at fair value through profit or loss**	**Fair value**
Interest-bearing loans	315,111	0.0	0.0	315,111
Derivative liabilities	0	0.0	0.0	0
Accounts payable	41,672	0.0	0.0	41,672
Other non-interest-bearing liabilities	7,685	0.0	0.0	7,685
Financial liabilities total	**364,468**	**0.0**	**0.0**	**364,468**

EUR thousand 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	0	78,830
Other interest-bearing financial assets	19,751	0.0	169,976	188,650
Derivative assets	0	0.0	2,166	2,166
Trade receivables	31,738	0.0	0	31,738
Other non-interest-bearing receivables	3,152	0.0	0	3,152
Cash and cash equivalents	28,736	0.0	0	28,736
Financial assets total	**162,207**	**0.0**	**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 loans	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**

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

	2022				2021			
EUR thousand	**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	166,996		166,996	0	169,139	0	169,139	0.0
Financial assets measured at fair value through profit or loss / held for trading								
Derivatives – no hedge accounting	6,087		6,087	0	2,166	0	2,166	0.0
Total	**173,083**	**0**	**173,083**	**0**	**171,305**	**0**	**171,305**	**0.0**
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	0.0	0.0	0.0	0.0	0.0	0.0
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

19. Shareholders' equity

Restricted equity

EUR thousand	**31 December 2022**	**31 December 2021**

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

Unrestricted equity

EUR thousand	**31 December 2022**	**31 December 2021**
Other funds	30,096	30,096
Reserve for invested non-restricted equity	283,068	18,238
Dividend distribution	-60,000	-250,000
Donations	-150	0
Profit for the period	6,066	514,829
Unrestricted equity total	259,081	313,164

Account of funds available for the distribution of profit

Retained earnings	222,918	-231,762
Profit/loss for the period	6,066	514,829
- capitalised development expenditure for work in progress	-2,520	-2,500
Distributable funds total	226,464	280,568

20. Mandatory provisions

EUR thousand	31 December 2022	31 December 2021
Provision due to environmental obligations	4,459	6,021
Total	4,459	6,021

21. Long-term liabilities

EUR thousand	31 December 2022	31 December 2021
Bonds	178,793	178,722
Loans from financial institutions	51,227	4,569
Total	230,019	183,291

Summary of the terms of the liabilities

EUR thousand	Nominal interest rate, %	Maturing in	Carrying amount 31 Dec. 2022	Nominal value 31 Dec. 2022	Carrying amount 31 Dec. 2021	Nominal value 31 Dec. 2021
Bonds	2.7%	2024–30	178,793	180,000	178,722	180,000
Loans from financial institutions	3.9%	2023–2025	72,069	72,069	2,638	2,638
Pension insurance (TyEL) loans	0.8%	2023	2,500	2,500	7,500	7,500
Commercial paper debt	2.20%	2023	60,749	61,000	4,999	5,000
Total			314,111	315,569	193,859	195,138

The average interest expense on the loan portfolio consisting of euro-denominated loans on the financial statements date was 3.0% (2.6%).

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

EUR thousand	2023	2024	2025	2026	2027	2028 ->	Total
Bonds	0.0	110,000	0	0	0	70,000	180,000
Loans from financial institutions	0.8	50,320	65	0	0	0	51,227
	0.8	160,320	65	0	0	70,000	231,227

22. Current liabilities

EUR thousand	31 December 2022	31 December 2021
Loans from financial institutions	23,342	5,569
Advances received	3,399	5,484
Accounts payable	39,969	30,381
Liabilities to Group companies:		
Accounts payable	1,703	136
Other liabilities	81,903	29,112
Accrued expenses	2,401	4,068
Liabilities to joint ventures:		

Other liabilities		3
Other liabilities	66,118	8,596
Accrued expenses	14,501	17,257
Total	233,336	100,606

Material items included in accrued expenses		
Short-term interest liabilities	2,689	2,540
Accrued personnel expenses	4,765	4,298
Accrual of purchase invoices	7,047	10,419
Total	14,501	17,257

23. Subsidiaries and significant non-controlling interests

The following table presents information on the structure at the end of December 2022

		Holding, %	
Country	**Company**	Group	Parent company
Finland	Kekkilä-BVB Oy	100%	100%
	Piipsan Turve Oy	48%	48%
	Simon Turvejaloste Oy	100%	100%
	Vapo Oy	100%	100%
	Vapo Terra 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.

24. Contingent commitments

EUR thousand	31 December 2022	31 December 2021
Other guarantees given on behalf of own commitments		
Guarantees	1,438	8,336
Contingent commitments on behalf of Group companies		
Guarantees	5,703	6,493
Lease obligations		
Due within the next one-year period	1,556	2,641
Due later	7,031	9,566
Total	**8,587**	**12,207**

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 2021: EUR 10.4 million).

Year of payment	Lease amount (based on 2022)	Number of agreements	Year of payment	Lease amount (based on 2022)	Number of agreements	Year of payment	Lease amount (based on 2022)	Number of agreements
2023	758,427	545	2037	172,351	107	2051	35,397	16
2024	717,548	536	2038	151,512	92	2052	30,887	8
2025	695,715	510	2039	141,615	84	2053	30,670	7
2026	625,496	441	2040	134,337	78	2054	30,670	7
2027	587,596	425	2041	110,502	60	2055	20,797	6
2028	552,338	374	2042	86,414	52	2056	20,797	6
2029	534,419	363	2043	78,123	43	2057	15,922	5
2030	508,261	345	2044	76,643	41	2058	15,922	5
2031	460,382	316	2045	58,335	36	2059	15,922	5
2032	393,275	284	2046	56,372	32	2060	15,922	5
2033	322,808	211	2047	48,804	27			
2034	298,690	197	2048	45,315	22			
2035	246,385	151	2049	43,724	20			
2036	189,485	114	2050	42,357	18			

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

Vantaa, 2 March 2023 Board of Directors of Neova Oy

Panu Routila
Chair

Markus Tykkyläinen
Vice Chair

Stefan Damlin

Tuomas Hyyryläinen

Jari-Pekka Punkari

Kirsi Puntila

Eeva-Liisa Virkkunen

Vesa Tempakka
CEO

Auditor's note

A report on the audit has been issued today.

Helsinki, March 2023

PricewaterhouseCoopers Oy
Authorised Public Accountants

Panu Vänskä
Authorised Public Accountant (KHT)