

NEOVA GROUP

Interim Report 1 January–31 March 2023

Board of Directors, 29 May 2025

Neova Interim Report January–March 2023

Fair performance in a challenging market situation

January–March 2023 in brief:

- Group turnover amounted to EUR 146.8 million (EUR 164.9 million), and comparable turnover was EUR 146.8 million (EUR 145.8 million), taking into account the transfer of the fuel wood business to an associated company.
- The operating margin (EBITDA) was EUR 10.4 million (EUR 19.7 million), or 7.1% (12.0%) of turnover
- The Group's comparable operating margin (EBITDA) was EUR 14.7 million (EUR 20.1 million). The operating margin includes non-recurring items in the amount of EUR -4.3 million (EUR -0.4 million), mainly relating to the closure of the Bredaryd and Haukineva production sites.
- The operating result was EUR 1.4 million (EUR 13.2 million), or 1.0% (8.0%) of turnover. The operating result includes non-recurring items in the amount of EUR -7.8 million (EUR -0.4 million), mainly relating to the previously announced closure of production sites.
- Free cash flow before taxes was EUR 5.7 million (EUR -15.4 million)
- Gross investments were EUR 7.6 million (EUR 23.9 million)
- Earnings per share were EUR -95 (EUR 214)
- The ratio of interest-bearing net debt to operating margin (net debt/EBITDA) was 4.0 (0.7)
- The equity ratio was 41.1% (54.5%)
- Return on invested capital (previous 12 months): 5.1% (-0.8%)

The figures in brackets refer to the corresponding period in 2022, unless otherwise stated.

CEO Vesa Tempakka:**Price increases compensated for cost inflation in a difficult market situation**

“The first quarter of 2023 was challenging for Neova Group. The late spring and clear changes in consumers’ purchasing behaviour affected the Grow&Care division’s turnover and profitability in particular. The January–March period was exceptionally warm in Finland, which meant that fuel sales volumes were also lower than in the comparison period. Price increases and cost saving measures to improve profitability helped compensate for the lower sales volumes.

The Grow&Care division’s sales in the first quarter were approximately 11% lower than in the previous year. The volume of products sold decreased substantially, but price increases partially compensated for the lower sales volume. The late spring affected sales in the Retail and Landscaping business units in particular. Kekkilä-BVB had prepared for the spring season to start in March. As it turned out, increased inventory levels and higher unit costs in production due to the lower volumes contributed to the reduced profitability of the Grow&Care division. However, Kekkilä-BVB maintained its market share, which shows that the decline in sales is indicative of difficulties in the market as a whole.

In the Fuels&Real Estate Development division, fuel delivery volumes were lower than in the comparison period due to the warm winter. The prices of energy peat and pellets were substantially higher than in the comparison period. Combined with the reduced fixed costs, this led to a substantial improvement in the division’s profitability. Neova continues to take care of fuel sufficiency during the following heating seasons.

Test runs began at the turn of the year at Neova’s Novactor activated carbon production plant in Ilomantsi. The plant is scheduled to begin commercial production during the summer”.

Financial development

The Group’s reported turnover for the first quarter of the financial year amounted to EUR 146.8 million (EUR 164.9 million). Comparable turnover was almost on a par with the previous year. The favourable development of comparable turnover was mainly attributable to the Fuels&Real Estate Development division’s energy fuel sales, with the customer sales of wood pellets and energy peat growing in spite of the relatively warm start to the year. The Grow&Care division’s sales to professional growers remained close to the previous year’s level, but sales to retail customers declined substantially year-on-year.

Similarly, the operating profit for the first quarter was strong in the energy business, but the Grow&Care division’s result was relatively modest due to the late spring. Due to cost inflation and the late arrival of spring, the Grow&Care division’s operating margin developed unfavourably compared to the corresponding period in the previous year. The Fuels&Real Estate Development division’s comparable profitability improved by five percentage points year-on-year. The Group’s reported operating margin declined significantly and amounted to EUR 10.4 million (EUR 19.7 million), with the decrease being mainly due to non-recurring costs related to the adjustment of production capacity. The Group’s comparable operating margin was also weaker than in the previous year at EUR 14.7 million (EUR 20.1 million).

The Group’s reported operating result for the first quarter of the financial year was EUR 1.4 million (EUR 13.2 million). This was also very significantly affected by the non-recurring measures taken to adjust the Grow&Care division’s production capacity. The Group’s comparable operating result was EUR 9.1 million (EUR 13.6 million).

The Group’s cash flow during the reporting period was EUR 5.7 million (EUR -15.4 million). The favourable change in cash flow was mainly due to the slowing of investments in the current economic situation.

Cash flow, investments and financing

The Group’s free cash flow before taxes was EUR 5.7 million (EUR -15.4 million). The change in working capital affected cash flow by EUR -12.1 million (EUR -6.3 million). The increase in working capital in the first quarter was significantly influenced by the increase in Kekkilä-BVB’s finished product inventories due to the late arrival of spring.

Gross investments in the reporting period amounted to EUR 7.6 million (EUR 23.9 million), or 108.2% (109.3%) of the amount of depreciation.

At the end of the reporting period, interest-bearing net debt stood at EUR 149.6 million (EUR 33.0 million). The ratio of interest-bearing net debt to operating margin (net debt/EBITDA) was 4.0 (0.7). Short-term interest-bearing debt amounted to EUR 46.0 million (EUR 12.2 million). Of the Group's long-term interest-bearing debt, 19% is covered by a covenant related to the company's equity ratio. The terms of the covenant were met at the end of the review period.

The equity ratio at the end of March was 41.1% (54.5%) and the gearing ratio was 49.3% (7.6%). The consolidated balance sheet total was EUR 740.9 million (EUR 796.4 million). The Group's net financing items were EUR -4.4 million (EUR -1.7 million). Net financing items were -3.0% (-1.0%) of turnover.

Personnel

The Group employed an average of 940 (978) persons in the first quarter of the financial year.

Number of employees	1-3/2023	1-3/2022	1-12/2022
Grow&Care	652	646	646
Fuels&Real Estate Development	172	233	215
New Businesses	46	31	31
Other	70	68	68
Total	940	978	958

Sustainability

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

For the sustainability of peat production, we use third-party RPP (Responsibly Produced Peat) certification as our indicator. At the end of 2021, RPP certification covered 4,165 hectares of our peat production areas. The target coverage for the end of 2022 was 5,655 hectares: 1,147 hectares in Finland, 3,796 hectares in Estonia and 711 hectares in Sweden. New RPP applications are in the RPP process in Finland and Sweden for a total of eight sites, corresponding to a combined area of 2,867 hectares. The target is to prepare nine new RPP applications in 2023.

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

During the spring, we have transitioned towards the new normal in our work. With regard to COVID-19 restrictions, we have begun observing local guidelines and discontinued the Group-level restrictions on travel and in-office work. We now use a hybrid model in our office work. A key objective of hybrid work is to strengthen team spirit and cohesion through meeting people at the office. We are making progress with internationalisation in our day-to-day work. To support this process, we have organised English language instruction since the start of the year, which has been met with a very enthusiastic response. The groups include several nationalities and help build a stronger sense of community. We have organised various information events and campaigns to support well-being. One example is the "Give recognition to your colleague" campaign, which reached its second round and saw an increase in feedback given across national borders. To support our sustainability efforts, the Helping Hands programme we launched in 2022 will continue in 2023. The programme provides teams with opportunities to participate in volunteer work of their choice to benefit nature or people.

The Group's accident frequency turned to a slight increase during the first quarter of the year compared to the last months of 2022, but the accident frequency was nevertheless at a fairly good level. The key factors contributing to the low accident frequency include increased safety training activities and risk assessments, as well as active and open communication and reporting concerning safety issues.

KPI	1–3/2023	1–3/2022	12/2022
Well-being Pulse survey: My well-being at work is "good"	-	63% (April)	-
Accident frequency R12 (rolling 12 months): All accidents (MTR)	11.3	14.3	11.3
Accident frequency R12 (rolling 12 months): Accidents leading to lost time (LTA1)	4.8	7.7	4.5

The Group's certified management system – which includes the ISO 9001 quality management system, the ISO 14001 environmental management system and the ISO 45001 occupational health and safety system – helps us coordinate and manage our operations to satisfy customer and stakeholder requirements and regulatory obligations as well as focus on the continuous improvement, profitability and efficiency of our operations. We switched from country-specific and business-specific certification to Group-level certification in 2021. The Group-level assessment of business functions better supports the development of how the Group's businesses are managed across national borders.

Reporting segments

Neova's reporting segments comprise the Group's divisions: 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. The Neova Grow&Care division includes the Kekkilä-BVB business and the Materials business. Kekkilä-BVB is Europe's leading producer of home gardening and professional growing media. Its product range also includes solutions targeted at landscapers. Kekkilä-BVB's other businesses are recycling and composting. The Materials business produces and sells animal bedding in Finland and is responsible for the Group's horticultural peat wholesale. The Grow&Care division provides products and services to over 100 countries around the world.

The turnover for the first quarter of the financial year (January–March) amounted to EUR 100.9 million (EUR 107.6 million). The operating margin was EUR 4.3 million (EUR 13.0 million) and the operating profit was EUR -4.6 million (EUR 7.8 million). Gross investments totalled EUR 4.9 million (EUR 21.6 million). The operating result includes non-recurring items in the amount of EUR -7.1 million (EUR -0.3 million).

In the Grow&Care division, demand in both the consumer segment and the landscaping segment has suffered from the cold and delayed spring. The decline in comparable operating profit was due to lower sales volumes and their impact on the efficiency and profitability of production. In 2022, demand for growing media products for professional farmers and consumers returned to pre-pandemic levels. The impact of rising raw material costs and other costs was compensated for by pricing. Kekkilä-BVB commenced an efficiency improvement programme targeted at cost savings of EUR 10 million.

Grow&Care	1–3/2023	1–3/2022	Change	1–12/2022
Turnover (EUR million)	100.9	107.6	-6.2%	381.2
Operating margin (EUR million)	4.3	13.0	-67.3%	26.6
Operating profit (EUR million)	-4.6	7.8	-159.0%	2.6
Investments (EUR million)	4.9	21.6	-77.2%	65.6
Number of employees	652	646	0.9%	646

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 delivers local fuels made from peat and pellets to its customers. The division also manages the Group's real estate assets and is responsible for Neova's wind and solar power projects. The Fuels&Real Estate Development division's current business units correspond to different types of fuel: pellets and energy peat, and wind and solar power. Approximately one-third of the division's turnover is derived from renewable biofuels.

The turnover for the first quarter amounted to EUR 45.2 million (EUR 56.5 million). The operating margin for the reporting period was EUR 9.3 million (EUR 8.9 million) and the operating profit was EUR 9.9 million (EUR 8.2 million). Gross investments totalled EUR 1.0 million (EUR 0.5 million). The operating result includes non-recurring items in the amount of EUR -0.2 million (EUR 0.0 million).

The profitability of the division's Fuels&Real Estate Development businesses improved year-on-year in spite of the decreased delivery volumes of biofuels and energy peat. The increased selling prices of delivered fuels and cost control had a positive effect on profitability. The high price of emission rights has reduced the demand for energy peat. The crises of recent times have highlighted the significance of the security of supply and contributed to the increased use of domestic fuels in energy production, which has 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 warm winter and the transfer of the wood fuels business to Laania affected the Group's reported fuel delivery volumes. Total fuel deliveries were 29% lower than in the comparison period (-9% taking into account the transfer of the wood fuels business to Laania Oy). In real estate development, the conversion of decommissioned peat production sites into wind and solar farms is progressing according to the project plans.

At the beginning of the financial year, Neova Oy's fuel solutions and real estate development businesses in Finland were incorporated into a subsidiary named Vapo Terra Oy.

Fuels&Real Estate Development	1-3/2023	1-3/2022	Change	1-12/2022
Turnover (EUR million)	45.2	56.5	-19.9%	162.3
Operating margin (EUR million)	9.3	8.9	4.7%	37.6
Operating profit (EUR million)	9.9	8.2	20.9%	43.7
Investments (EUR million)	1.1	0.5	111.4%	3.0
Number of employees	172	233	-25.9%	215

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. Neova has developed biostimulants for the rapidly growing open field cultivation market. The first humate-based biostimulant is now available and in the go-to-market phase. The development of next-generation biostimulant products is continuing in the innovation team and Neova's in-house product development laboratory. 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 started at the beginning of 2022 and the reconstruction began in June 2022. The cold testing phase of the commissioning began at the beginning of September 2022, and the hot

testing phase started at the turn of the year. Commercial production is expected to start in summer 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 result for the first quarter came to EUR -1.4 million (EUR -1.3 million). Gross investments totalled EUR 1.4 million (EUR 1.2 million).

New Businesses	1-3/2023	1-3/2022	Change	1-12/2022
Turnover (EUR million)	1.4	1.3	8.2%	5.0
Operating margin (EUR million)	-1.3	-1.1	-20.0%	-4.1
Operating profit (EUR million)	-1.4	-1.3	-12.1%	-5.1
Investments (EUR million)	1.4	1.2	20.2%	25.0
Number of employees	46	31	47.3%	31

Other activities

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

The impact of the Other activities segment on the operating result in January–March 2023 was EUR -2.3 million (EUR -1.6 million). The operating result includes non-recurring items in the amount of EUR -0.4 million (EUR -0.3 million).

Other	1-3/2023	1-3/2022	Change	1-12/2022
Turnover (EUR million)	-0.1	0.0	-352.6%	0.2
Operating profit (EUR million)	-2.5	-1.6	-49.2%	-12.1
Investments	0.6	0.6	-10.4%	74.7
Number of employees	70	68	2.9%	68

Near-term risks and uncertainties

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

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

The use of energy peat is not currently commercially profitable but, due to the lack of available alternatives, the decline in demand has slowed down slightly. Nevertheless, in the longer term, the demand for energy peat will continue to decrease sharply. The development of the price of emission rights and energy peat taxes have a very significant impact on the demand for energy peat used in heating production. The increase in the price of emission rights in recent years and the tax increase on energy peat have led to a situation where not only fuel wood but also pulpwood is replacing energy peat in energy production.

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

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

Political and geopolitical risks

The continuation of the war in Ukraine has increased geopolitical risks, which may have a significant impact on the Group's operating environment. Potential restrictions on international trade may restrict our operating conditions in various regions. If this risk were to materialise, it would have a very significant impact on Kekkilä-BVB's business in particular. 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.

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

Financial risks

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

For electricity derivatives, hedge accounting was adopted starting from 1 January 2023.

Natural seasonal fluctuation in activities

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

The demand for energy fuel varies a great deal during the year. The peat production season falling almost entirely in the second and third quarter of the year also introduces significant cyclicity to the fuel business. During the first quarter of the year that was just completed, the focus was mainly on selling fuels from the previous years' inventories.

Significant events during the first quarter

On 20 January 2023, Neova announced that the deployment of the Novactor activated carbon production plant had begun. The deployment phase is expected to last until the summer.

On 8 February 2023, Neova announced that Kekkilä-BVB would commence an efficiency improvement programme targeted at cost savings of EUR 10 million over the next year. As part of the efficiency programme, Kekkilä-BVB launched a study of measures concerning all of the Group's production facilities in Finland, the Netherlands, Estonia, Germany and Sweden. The company began change negotiations concerning the shutdown of production at the Haukineva plant in Finland and the Bredaryd plant in Sweden. On 30 March 2023, the company announced it had completed the change negotiations concerning the improvement of the efficiency of Kekkilä-BVB's operations, and that the Haukineva and Bredaryd plants would be closed down by the end of June.

Events after the review period

At the beginning of April, Neova's group company Kekkilä Oy completed the acquisition of the business operations of Dueemme Marketing. The transaction strengthens Kekkilä-BVB's position in the professional growing media market in Italy.

On 27 April 2023, Neova announced it will incorporate the Heinola and Kotka solar power projects as separate limited liability companies. Incorporation makes it possible to find the best operating conditions and implementing parties for the projects, so that the local needs and special characteristics of each project can be taken into consideration. The aim is for the implementation of the projects to begin in 2024 and for the solar farms to feed electricity into the network in 2025. Neova Solar Laviassuo Oy in Heinola and Neova Solar Torvmossen Oy in Kotka are entirely located at former peat production areas owned by Neova Oy's subsidiary Vapo Terra Oy.

Resolutions by the Annual General Meeting

The Annual General Meeting of Neova Oy was held on 29 March 2023. The AGM adopted the financial statements and consolidated financial statements for the financial year 1 January 2022–31 December 2022 and discharged the members of the Supervisory Board, the Board of Directors and the CEO from liability. The AGM resolved to distribute a dividend of EUR 300 per share for the financial year that ended on 31 December 2022, corresponding to a total of EUR 9 million.

The AGM resolved that Tuomas Hyyryläinen, Jari-Pekka Punkari, Kirsi Puntila, Panu Routila, Markus Tykkyläinen and Eeva-Liisa Virkkunen will continue as members of the Board of Directors of Neova Oy. Panu Routila will serve as the Chairman of the Board of Directors, with Tuomas Hyyryläinen as Vice Chairman.

The AGM decided that Harri Hietala, Antti Häkkänen, Eero Kubin, Esko Kurvinen, Heikki Miilumäki, Mauri Peltokangas, Jenni Pitko, Piritta Rantanen and Juha Sipilä will continue as members of the Supervisory Board. Janne Laine was elected as a new member of the Supervisory Board. Juha Sipilä will continue as Chairman of the Supervisory Board and Heikki Miilumäki 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 elect Pekka Hurtola (Chairman) and Rami Vuola as members of the Shareholders' Nomination Board.

Outlook for the remainder of the financial year, to 31 December 2023

Based on the development of demand in the first months of the year, it is expected that the uncertainty related to consumers' purchasing behaviour, particularly with regard to Kekkilä-BVB, will continue in the market for almost the entire year. Consequently, comparable turnover is projected to decrease slightly from the previous year. The comparable operating margin is also expected to decline slightly year-on-year, mainly due to weaker demand and cost inflation.

It is expected that the Group's operating environment will be negatively affected this year, through customers, by potential changes in the price of energy, as well as declining consumer purchasing power due to inflation and rising interest rates.

Vantaa, 29 May 2023

Neova Oy

Board of Directors

More information:

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- Ahti Martikainen, Director of Communications and Public Affairs, Neova, tel. 040 680 4723

Consolidated key figures

MEUR	1-3/2023	1-3/2022	1-12/2022
Turnover	146.8	164.9	544.9
Operating profit (EBIT)	1.4	13.2	29.2
% of turnover	1.0	8.0	5.4
Operating profit (EBIT) before impairment	-2.1	13.2	17.2
% of turnover	-1.4	8.0	3.2
Profit/loss for the period	-2.9	7.8	18.6
Operating margin (EBITDA)	10.4	19.7	46.8
+/- Change in working capital	-12.1	-12.6	48.4
- Net investments	7.4	23.3	-136.7
Free cash flow before taxes	5.7	-15.4	-41.5
Gross investments	7.6	23.9	-167.5
Return on invested capital % *	3.9	-0.8	6.4
Return on invested capital % before impairment *	5.8	2.8	3.8
Return on equity % *	2.5	-2.7	5.1
Balance sheet total	740.9	796.4	810.3
Shareholders' equity	303.5	432.4	311.2
Interest-bearing net debt	149.6	33.0	140.0
Equity ratio %**	41.1	54.5	38.7
Interest-bearing net debt/operating margin	4.0	0.7	3.0
Gearing %	49.3	7.6	45.0
Average number of employees	940	978	958

*) Previous 12 months

1. Interim Report Tables

Basic information

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

Basis of preparation

This unaudited interim report has been prepared in accordance with IAS 34. This interim report should be read together with the consolidated financial statements prepared for the financial year that ended on 31 December 2022, which was prepared in accordance with the same accounting and measurement principles. The accounting principles applied in the preparation of this interim report are the same as the accounting principles applied in the consolidated financial statements with the exception of new and amended standards.

The Group has applied new standards and interpretations published by the IASB that are to be applied for the first time in reporting periods starting on or after 1 January 2023. The new standards and interpretations do not have a significant impact on the Group’s profit, financial position or the presentation of the interim report.

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

Use of estimates and the management’s judgement

When preparing the financial statements, the Group’s management has to make estimates and assumptions concerning the future, which affect the amounts of assets and liabilities in the balance sheet, the reporting of contingent assets and liabilities in the notes to the financial statements, and the amounts of income and expenses reported for the financial period. The management may also need to exercise judgement in applying the accounting principles used in the preparation of the financial statements. This particularly concerns situations 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.

Key exchange rates used in the consolidated financial interim report

	Average rate	Average rate	Closing rate	Closing rate
	1–3/2023	3/2022	3/2023	3/2022
SEK Swedish krona	11.2030	10.4433	11.2805	10.2958

Consolidated Financial Statements, IFRS
Condensed consolidated income statement

MEUR	1-3/2023	1-3/2022	1-12/2022
TURNOVER	146.8	164.9	544.9
Other operating income	1.2	1.8	10.3
Share of results of companies consolidated using the equity method	1.4	0.0	2.6
Operating expenses	-137.5	-146.9	-508.3
Depreciation	-7.0	-6.5	-32.3
Impairment	-3.5	0.0	12.1
OPERATING PROFIT/LOSS	1.4	13.2	29.3
Financial income	1.0	1.9	8.7
Financial expenses	-3.7	-5.0	-19.3
PROFIT/LOSS BEFORE TAXES	-1.3	10.1	18.7
Income taxes	-1.5	-2.3	0.0
PROFIT/LOSS FOR THE PERIOD	-2.9	7.8	18.6
OTHER COMPREHENSIVE INCOME ITEMS:			
(items that may not be reclassified subsequently to profit or loss):			
Remeasurement of defined benefit plans	0.0	0.0	0.8
Items that may be reclassified to profit or loss:			
Cash flow hedging	-3.1	0.0	
Translation differences from foreign units	-0.3	-0.3	-1.6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-6.3	7.5	17.9
Distribution of profit for the period:			
To parent company shareholders	-2.8	6.4	14.6
To non-controlling shareholders	0.0	1.4	4.0
	-2.8	7.8	18.6
Distribution of comprehensive income for the period:			
To parent company shareholders	-6.2	6.2	13.8
To non-controlling shareholders	-0.0	1.4	4.0
	-6.3	7.5	17.9
Earnings/share, EUR	-95	214	487
Average number of shares	30,000	30,000	30,000

Condensed consolidated balance sheet

MEUR	31 March 2023	31 March 2022	31 December 2022
ASSETS			
LONG-TERM ASSETS			
Goodwill	31.3	26.8	31.4
Other intangible assets	38.7	36.5	38.0
Tangible assets	249.0	237.8	255.8
Investments	21.8	171.7	187.4
Other receivables	1.1	5.0	0.0
Deferred tax asset	3.1	2.3	3.7
LONG-TERM ASSETS TOTAL	345.0	480.1	516.2
CURRENT ASSETS			
Inventories	124.9	155.7	145.2
Sales and other receivables	112.7	112.3	98.5
Income tax receivables	3.5	0.0	2.6
Other securities	147.2	3.0	0.0
Cash and cash equivalents	7.7	26.9	47.7
CURRENT ASSETS TOTAL	395.9	298.9	294.1
AVAILABLE-FOR-SALE ASSETS	0.0	17.4	0.0
ASSETS TOTAL	740.9	796.4	810.3
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Parent company shareholders' share of shareholders' equity	303.3	388.8	310.9
Non-controlling shareholders	0.3	43.6	0.3
SHAREHOLDERS' EQUITY TOTAL	303.5	432.4	311.2
LONG-TERM LIABILITIES			
Deferred tax liability	12.4	12.8	14.0
Interest-bearing debt	261.6	220.9	264.7
Long-term provisions	11.7	11.0	12.0
Pension liabilities	4.2	5.2	4.2
LONG-TERM LIABILITIES TOTAL	290.0	249.9	294.9
CURRENT LIABILITIES			
Corollary debt	46.0	12.2	93.2
Accounts payable and other debt	96.9	101.9	111.3
Provisions	4.4	0.0	-0.4
CURRENT LIABILITIES TOTAL	147.4	114.0	204.2
SHAREHOLDERS' EQUITY AND LIABILITIES TOTAL	740.9	796.4	810.3

Condensed consolidated cash flow statement

MEUR	1-3/2023	1-3/2022	1-12/2022
<u>Cash flow from operating activities</u>			
Profit/loss for the period	-3.4	7.0	18.6
Adjustments to the result for the period	14.1	11.4	16.5
Change in working capital	-12.1	6.3	17.9
Cash flow from operating activities before financial items and taxes	-1.3	24.7	53.0
Interest received from operating activities	0.2	-0.8	1.6
Interest paid from operating activities	-2.7	-2.0	-10.8
Other financial items from operating activities	0.3	-0.1	2.6
Taxes paid on operating activities	-0.2	-1.0	-3.3
Cash flow from operating activities	-3.7	20.8	43.1
<u>Cash flow from investing activities</u>			
Investments in tangible and intangible assets	-7.5	-7.4	-39.8
Proceeds from disposal of tangible and intangible assets	0.0	1.2	13.4
Acquisition of subsidiaries, net of cash	0.0	-16.6	-20.3
Proceeds from the disposal of investments consolidated using the equity method	0.0	0.0	16.6
Other investments	0.0	0.0	0.0
Proceeds from disposal of other investments	19.8	0.0	21.3
Cash flow from investment activities	12.3	-23.3	1.4
Cash flow before financing	8.7	-2.5	44.5
<u>Cash flow from financing activities</u>			
Increase (+)/decrease (-) in short-term loans	-47.2	-6.9	70.8
Change in long-term loans and other financing items	-1.5	6.3	43.7
Repayments of lease liabilities	-0.1	0.4	-8.8
Transactions with non-controlling interests			-72.0
Dividends paid	0.0	-0.8	-60.9
Cash flow from financing activities	-48.7	-1.0	-27.2
Change in cash and cash equivalents	-40.0	-3.5	17.3
Cash and cash equivalents opening balance *	47.7	30.4	30.4
Change in cash and cash equivalents	-40.0	-3.5	17.3
Effect of changes in exchange rates	0.0	0.1	0.0
Cash and cash equivalents at end of period *	7.7	26.9	47.7

Consolidated statement of changes in shareholders' equity

MEUR	Share capital	Other funds	Translation differences	Retained earnings	Total	Non-controlling shareholders	Total
TOTAL EQUITY, 1 JANUARY 2023	50.5	30.5	-5.5	235.5	310.9	0.3	311.2
Changes in shareholders' equity							
Profit/loss for the period				-2.8	-2.8		-2.8
Translation difference			-0.3		-0.3		-0.3
Actuarial gains/losses							
Other comprehensive income items		-3.1			-3.1		-3.1
Total comprehensive income		-3.1	-0.3	-2.8	-6.2	-0.0	-6.3
Other changes							
Other changes			-0.9	-0.5	-1.4		-1.4
TOTAL EQUITY, 31 MARCH 2023	50.5	27.4	-6.7	232.2	303.3	0.3	303.5

MEUR	Share capital	Other funds	Translation differences	Retained earnings	Total	Non-controlling shareholders	Total
TOTAL EQUITY, 1 JANUARY 2022	50.5	30.5	-3.9	305.5	382.6	43.4	426.0
Changes in shareholders' equity							
Dividend distribution						-0.8	-0.8
Distribution of funds							
Total comprehensive income			-0.3	6.4	6.2	1.4	7.5
Other changes							
Other changes				0.2	0.2	-0.5	0.2
Changes in holdings in subsidiaries	-0.0						
TOTAL EQUITY, 31 MARCH 2022	50.5	30.5	-4.2	312.1	388.9	43.6	432.4

MEUR	Share capital	Other funds	Translation differences	Retained earnings	Total	Non-controlling shareholders	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							
Total comprehensive income			-1.6	15.5	13.8	4.0	17.9
Other changes							
Other changes				-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	-5.5	235.5	310.9	0.3	311.2

2. Turnover

Turnover by category, external

1-3/2023	Grow&Care	Fuels&Real Estate Development	New Businesses	Other	Total
Products	99.5	44.5	1.4	-0.8	144.6
Services	1.4	0.8	0.0	0.0	2.2
Total	100.9	45.2	1.4	-0.8	146.8

1-3/2022	Grow&Care	Fuels&Real Estate Development	New Businesses	Other	Total
Products	106.1	56.0	1.2	0.0	163.3
Services	1.5	0.1	0.0	0.0	1.6
Total	107.6	56.1	1.2	0.0	164.9

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	0.1	544.9

Turnover by operating segment

1-3/2023	Grow&Care	Fuels&Real Estate Development	New Businesses	Other	Eliminations	Total
External turnover	100.9	44.7	1.2	0.0	0.0	146.8
Internal turnover	0.0	0.5	0.3	0.0	-0.7	0.0
Total	100.9	45.2	1.4	-0.1	-0.7	146.8

1-3/2022	Grow&Care	Fuels&Real Estate Development	New Businesses	Other	Eliminations	Total
External turnover	107.6	56.0	1.2	0.0	0.0	164.9
Internal turnover	0.0	0.4	0.1	0.0	-0.6	0.0
Total	107.6	56.5	1.3	0.0	-0.6	164.9

2022	Grow&Care	Fuels&Real Estate Development	New Businesses	Other	Eliminations	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	0.0
Total	381.7	162.3	5.0	0.2	-4.2	544.9

Turnover by country

MEUR	1-3/2023	1-3/2022	2022
Finland	57.0	67.3	213.6

Other Nordic countries	12.2	13.8	57.7
Europe	65.2	68.5	223.6
America	5.3	5.9	21.2
Other	7.1	9.5	28.8
Total	146.8	164.9	544.9

3. Segment information

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

Turnover

MEUR	1-3/2023	1-3/2022	2022
Grow&Care	100.9	107.6	381.7
Fuels&Real Estate Development	45.2	56.5	162.3
New Businesses	1.4	1.3	5.0
Other	-0.1	0.0	0.2
Eliminations	-0.7	-0.6	-4.2
Total	146.8	164.9	544.9

Operating profit

MEUR	1-3/2023	1-3/2022	2022
Grow&Care	-4.6	7.8	2.6
Fuels&Real Estate Development	9.9	8.2	43.7
New Businesses	-1.4	-1.3	-5.1
Other	-2.5	-1.6	-12.1
Eliminations	0.0	0.0	0.1
Total	1.4	13.2	29.2

Items affecting comparability

MEUR	1-3/2023	1-3/2022	2022
Grow&Care	-7.1	-0.3	-1.2
Fuels&Real Estate Development	-0.2	0.0	15.0
New Businesses	0.0	0.0	0.0
Other	-0.4	-0.2	-5.1
Eliminations	0.0	0.0	0.0
Total	-7.8	-0.4	8.8

Comparable operating profit

MEUR	1-3/2023	1-3/2022	2022
Grow&Care	2.5	8.1	3.8
Fuels&Real Estate Development	10.0	8.2	28.7
New Businesses	-1.4	-1.3	-5.1
Other	-2.0	-1.4	-7.0
Eliminations	0.0	0.0	0.1
Total	9.2	13.6	20.5

Operating margin EBITDA

MEUR	1-3/2023	1-3/2022	2022
Grow&Care	4.3	13.0	26.9
Fuels&Real Estate Development	9.3	8.9	34.4
New Businesses	-1.3	-1.1	-4.1
Other	-1.9	-1.2	-10.4
Eliminations	0.0	0.0	0.1
Total	10.4	19.7	46.8

Items affecting comparability (EBITDA)

MEUR	1-3/2023	1-3/2022	2022
Grow&Care	-3.7	-0.3	-1.2
Fuels&Real Estate Development	-0.2	0.0	1.0
New Businesses	0.0	0.0	0.0
Other	-0.4	-0.2	-5.1
Eliminations	0.0	0.0	0.0
Total	-4.3	-0.4	-5.3

Comparable operating margin

MEUR	1-3/2023	1-3/2022	2022
Grow&Care	7.9	13.3	28.1
Fuels&Real Estate Development	9.5	8.9	33.4
New Businesses	-1.3	-1.1	-4.1
Other	-1.4	-1.0	-5.4
Eliminations	0.0	0.0	0.1
Total	14.7	20.1	52.1

Segment assets

MEUR	1-3/2023	1-3/2022	2022
Grow&Care	402.3	366.4	385.3
Fuels&Real Estate Development	98.8	159.8	125.1
New Businesses	54.5	50.1	53.7
Other	206.4	136.6	189.7
Eliminations	-196.4	-122.4	-184.7
Total	565.7	590.5	569.2

Segment debt

MEUR	1-3/2023	1-3/2022	2022
Grow&Care	35.9	30.8	31.8
Fuels&Real Estate Development	23.6	29.6	54.8
New Businesses	0.8	0.9	0.6
Other	2.6	3.0	-1.7
Eliminations	-0.4	-0.4	-8.8
Total	62.5	63.9	76.6

Depreciation and impairment

MEUR	1-3/2023	1-3/2022	2022
Grow&Care	8.8	0.2	24.5
Fuels&Real Estate Development	0.9	0.7	-6.9
New Businesses	0.1	0.4	1.0
Other	0.6	0.0	1.6
Eliminations	0.0	5.2	0.0
Total	10.5	6.5	20.2

Investments

MEUR	1-3/2023	1-3/2022	2022
Grow&Care	4.9	21.6	65.6
Fuels&Real Estate Development	1.1	0.5	3.0
New Businesses	1.4	1.2	25.0
Other	0.6	0.6	74.7
Eliminations	-0.4	0.0	-0.6
Total	7.6	23.9	167.7

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.

Items affecting comparability

MEUR	1-3/2023	1-3/2022	2022
Comparable profit/loss for the period	4.9	8.2	9.9
Items affecting comparability			
Gains/losses on disposals	0.0	0.0	2.0
Restructuring	-2.2	-0.4	-4.7
Other items	-2.1	0.0	-0.6
Items affecting comparability in operating margin	-4.3	-0.4	-3.3
Impairment	-3.5	0.0	12.1
Items affecting comparability in operating profit	-7.8	-0.4	8.8
Items affecting comparability, total	-7.8	-0.4	8.8
Profit/loss for the period	-2.8	7.8	18.6

4. Fair values of financial assets and liabilities

MEUR	31 March 2023			31 March 2022			31 December 2022		
	Positive Fair value	Negative Fair value	Net Fair value	Positive Fair value	Negative Fair value	Net Fair value	Positive Fair value	Negative Fair value	Net Fair value
Currency derivatives, no hedge accounting	0.0	-0.1	-0.1	0.3	-0.1	0.2	0.0	0.0	0.0
Electricity derivatives no hedge accounting	0.0	0.0	0.0	3.0	0.0	3.0	6.1	0.0	6.1
Electricity derivatives, hedge accounting	2.3	-0.1	2.2	0.0	0.0	0.0	0.0		
Fund investments	147.2	0.0	147.2	168.2	0.0	168.2	167.0	0.0	167.0
Short-term derivative agreements	149.5	-0.2	149.4	171.5	-0.1	171.4	173.1	0.0	173.1

For electricity derivatives, hedge accounting was adopted starting from 1 January 2023. Changes in the fair value of derivatives are shown in income statement items as changes in the hedging reserve and as changes in equity in the statement of changes in equity.

5. Derivatives

Nominal values of derivative agreements

MEUR	31 March 2023	31 March 2022	31 December
Nominal value of currency derivatives	59.1	61.0	52.0
Nominal value of electricity derivatives	2.7	3.3	2.5
Short-term	61.8	64.3	54.5

Fair value hierarchy levels

Neova determines and presents the fair value classification of financial instruments according to the following hierarchy:

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

No classification changes have been made between the levels of the fair value hierarchy.

Level 2 includes derivatives and fund investments.

MEUR	31 March 2023				31 March 2022				31 December 2022			
	Total	Level 1	Level 2	Level 3	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	147.2	0.0	147.2	0.0	168.2	0.0	168.2	0.0	167.0	0.0	167.0	0.0
Financial assets measured at fair value through profit or loss – held for trading												
Derivatives – no hedge accounting	0.0	0.0	0.0	0.0	3.3	0.0	3.3	0.0	6.1	0.0	6.1	0.0
Derivatives - hedge accounting	2.3	0.0	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	149.5	0.0	149.5	0.0	171.5	0.0	171.5	0.0	173.1	0.0	173.1	0.0
Liabilities measured at fair value												
Financial liabilities measured at fair value through profit or loss – held for trading												
Derivatives – no hedge accounting	-0.1	0.0	-0.1	0.0	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Derivatives - hedge accounting	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	-0.2	0.0	-0.2	0.0	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0

6. Contingent commitments

MEUR	31 March 2023	31 March 2022	31 December 2022
Liabilities for own commitments			
Guarantees	5.7	0.0	5.7

Contingent commitments on behalf of Group companies

Guarantees	5.8	0.0	5.7
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Contingent commitments on behalf of non-Group companies

Guarantees	22.5	0.0	21.9
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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.

interest-bearing receivables

Long-term receivables from others	3.2	3.2	3.2
Total	3.2	3.2	3.2

Long-term interest-bearing receivables consist of a shareholder loan granted to Jyväskylän Voima Oy in 2006.

7. Acquisitions and divestments

Acquisitions in 2023

Neova did not make any acquisitions in the first quarter of 2023.

Acquisitions in 2022

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.

Divestments in 2023

Neova did not make any divestments in the first quarter of 2023.

Divestments in 2022

During the first quarter 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 did not have a material impact on Neova Group's result in 2022.