



**Financial Statements and Board of Directors'  
Report  
1 January to 31 December 2023**

Board of Directors, 29 February 2024

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## Neova Group 1 January to 31 December 2023

### Interim report and full-year financial statements

#### October–December 2023

- Group net sales from September to December 2023 were EUR 122.4 million (123.6 in September–December 2022)
- Operating margin (EBITDA) was EUR 1.5 million (8.5), or 1.3% (6.9) of net sales
- Comparable EBITDA was EUR 12.6 million (10.0). The EBITDA included a total of -11.1 million (-1.4) of non-recurring items relating to efficiency improvement measures
- The operating result (EBIT) was EUR -5.8 million (10.6)
- Comparable EBIT excluding non-recurring items was EUR 6.2 million (-0.1). The EBITDA included a total of -11.8 million (10.7) of non-recurring items relating to efficiency improvement measures.
- Free cash flow before taxes was EUR -12.2 million (-0.2)
- Investments amounted to EUR 15.1 million (31.1)

#### January–December 2023

- Group net sales from January to December 2023 were EUR 495.9 million (544.9 in January–December 2022)
- The operating margin (EBITDA) was EUR 29.2 million (46.8), or 5.9% (8.6) of net sales
- Comparable EBITDA excluding non-recurring items was EUR 46.7 million (52.1). The EBITDA included a total of -17.6 million (-5.3) of non-recurring items relating to efficiency improvement measures
- The operating result (EBIT) was EUR -5.3 million (29.2). The EBITDA included a total of -21.8 million (8.8) of non-recurring items relating to efficiency improvement measures. The positive non-recurring items for the reference period are mainly related to the revaluation of previously written down energy peat stockpiles
- Comparable EBIT excluding non-recurring items and divested businesses was EUR 16.5 million (20.5)
- Earnings per share were EUR -272 (487)
- The pre-tax return on invested capital (pre-tax ROIC) was -1.3% (6.4)
- Free cash flow before taxes was EUR 3.4 million (-41.5)
- Investments amounted to EUR 40.2 million (167.5)
- The equity ratio on 31 December 2023 was 40.1% (38.7)
- Interest-bearing net debt was EUR 144.4 million (140.0) on 31 December 2023
- The ratio of interest-bearing net debt to operating margin on 31 December 2023 was 4.9 (3.0)

<b>The financial year in figures</b>	<b>1 January to 31 December 2023</b>	<b>1 January to 31 December 2022</b>
Net sales, EUR million	495.9	544.9
Operating margin/EBITDA, EUR million	29.2	46.8
Operating result/EBIT, EUR million	-5.3	29.2
Comparable operating profit (EBIT) excluding non-recurring items and the effect of divested businesses, EUR million	16.5	20.5
Profit/loss for the period, EUR million	-8.2	18.6
Earnings per share	-272	487
Pre-tax return on invested capital, %	-1.3	6.4
Free cash flow before taxes, EUR million	3.4	-41.5
Equity ratio, %	40.1	38.7
Interest-bearing net debt/EBITDA	4.9	3.0
Fuel deliveries, TWh	5.9	9.4
Accident frequency	3.5	4.5

### Neova in brief

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

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

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

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 Neova Innovations 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 936 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](http://www.neova-group.com)

## CEO's review: Pekka Tennilä

### Improving competitiveness

For Neova Group, 2023 was a challenging and unpredictable year in many respects. Russia's invasion of Ukraine in the previous year affected our customers more than we had anticipated. Inflation, higher interest rates and higher energy prices reduced the purchasing power of Grow&Care customers, while Fuels&Real Estate Development benefited from the increased demand for fuels.

Kekkilä-BVB was able to maintain a reasonable level of profitability in 2023, mainly thanks to realised price increases and various internal efficiency measures. However, the growing media market continued to decline during the year, and our sales volumes fell to almost the pre-pandemic levels. For these reasons, we launched an extensive efficiency programme at the beginning of 2023, both in Finland and in our other main markets. The cooperation negotiations were completed by the end of 2023, and the new, leaner and more cost-effective organisation was introduced at the beginning of 2024. We are now better equipped, closer to our customers and financially stronger to face the challenges of the coming year in the highly competitive market. In the new operating model, Kekkilä-BVB's business has been divided into accountable business areas according to geographical markets so that we can respond better and faster to the changing market and customer needs. Kekkilä-BVB's new accountable business areas are Central Europe, Global, Nordics and Materials. 2023 was financially disappointing for Kekkilä-BVB. In addition to the decline in sales, the deterioration in profit was due to front-loaded non-recurring costs related to various efficiency measures. However, as a result of these efficiency measures, we believe we will significantly improve our profitability during 2024.

Neova's subsidiary Vapo Terra is responsible for the Group's fuel business and real estate development. The fuel business in particular performed better than expected due to the effects of the Russian invasion of Ukraine on the fuel market even though the sales volumes of energy peat per cubic metre remain far from the peaks of past decades. Both our energy peat and pellet business performed financially well thanks to the higher fuel prices. The cooperation with the National Emergency Supply Agency, which started during the crisis, has also gone well and has brought entirely new business to Vapo Terra. Vapo Terra has sold energy peat to security of supply stockpiles and is responsible for the ongoing maintenance of the stockpiles.

We concentrated all the land owned by Neova Group in Finland into Vapo Terra, which was tasked with developing the value of the land through various projects. The most visible new business in this field is the development of former peat production sites into wind and solar farms. Dozens of projects are underway, and the first solar power projects have already progressed from planning almost to the construction stage. The second major new business in 2023 was the start of reed canary grass cultivation as a sustainable raw material for growing media. We are now growing more than 1,000 hectares of reed canary grass, which will be mixed with other growing media raw materials as a new renewable component.

Previously, Vapo Terra focused on selling land that was no longer needed for peat production. Land sales have now been discontinued, and the main focus is on using the land to benefit the company and increase the value of the land. The Ilomantsi activated carbon facility manufactures activated carbon from Finnish peat to be used in water and air purification, for example. The facility's quality level has been stabilised at the target level, and market demand for high-quality European activated carbon continues to be strong. We are also exploring other possibilities of bringing new high value-added products to the market. Peat has been found to be an excellent raw material for organic biostimulants that are used in outdoor cultivation instead of fertilisers, especially in southern Europe. Peat also has many positive properties as an additive to animal feed. In 2024, we will continue to develop these two new product areas in particular.

I started as the CEO of Neova in December 2023. I would like to take this opportunity to thank my predecessor and all the employees of Neova Group for the valuable work they have done for the company. We will continue to serve our customers based on the selected strategy. Despite the turmoil in the world, one thing remains unchanged. Sustainable business will continue to be at the core of our strategy and our business.

## Board of Directors' report 1 January to 31 December 2023

### Operating environment

Predicting the changes in the operating environment in 2023 was an extremely difficult task. The budgets made at the end of the previous year, forecasts on interest rates and inflation, as well as the whole view of the democratic world order were difficult to predict as Russia's warfare in Ukraine continued.

The war and the ensuing sanctions and embargoes have significantly changed the entire European energy system. The exit and withdrawal of Russian energy from the European energy market has a huge impact on the European economy. This was most clearly reflected in the rise of the prices of transport fuels and freight, rising gas and oil prices and even the scarcity of gas and oil early in the year, and, above all, the significant rise in the price of electricity and increasing price volatility. As the war in Ukraine continued, the long-standing economic growth in Europe took a downturn, market interest rates rose significantly and inflation, which had been near zero, rose to almost 10%.

The Group's shipping costs had already experienced a significant increase in 2021 and 2022. The shipping costs remained at that high level for a long time also in 2023. Furthermore, the prices of raw materials that are particularly susceptible to the rise in energy prices, such as fertilisers and packaging plastics, have also remained at a high level.

Despite the price of emission allowances remaining at a high level, the demand for all available fuels increased. The prices of chips, pellets and milled peat increased to some extent, as demand on the fuel market exceeded supply when imports from Russia ceased.

The demand for growing media started to decline. 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 growers in Europe, purchasing power declined mainly due to energy prices and higher fertiliser prices.

### Prices of emission 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 allowances from the market if they combust non-renewable fuels. Emission allowance prices per tonne of carbon remained at a high level in 2023.

Electricity prices in Central Europe and the Nordic countries fluctuated strongly during the year. 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.

### Shipping and raw material costs increased sharply

Road transport prices increased by almost 30% in the previous year, mainly due to fuel price increases, and the prices remained high during the peak season in 2023.

Packaging material prices rose in previous years and remained at a high level in 2023. The higher costs of shipping and raw materials 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 in 2022 or even in 2023. 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 raw material for new high-value-added products classified as sustainable going forward. The justification for this view is that the advantages of peat – in enabling food production, for example – are significantly greater than its disadvantages.

## Neova Group

The Group's result for the financial year 1 January to 31 December 2023 declined substantially year-on-year to EUR -8.2 million (18.6).

The Group's reported net sales decreased by approximately 9% year-on-year to EUR 495.9 million (544.9). Most of the decrease in net sales was due to the transfer of the energy wood business to the associate Laania Ltd (-EUR 27 million) and a decline in the Grow&Care division market. In the Grow&Care division, net sales decreased by approximately 5%, or by EUR 18 million.

The Group's operating result was EUR -5.3 million (29.2). The comparable operating profit remained at the previous year's level, totalling EUR 16.5 million (20.5). The development of the comparable operating profit was positively influenced by the strong demand for energy fuel products and negatively influenced by the lower demand for Kekkilä-BVB's products and the higher freight and material costs. The reported operating result was negatively influenced by significant non-recurring costs related in particular to improvements of the efficiency of Kekkilä-BVB's operations.

Operating cash flow for the financial year (free cash flow before financial items and taxes) amounted to EUR 3.4 million (-41.5). The positive cash flow development was mainly driven by lower investments and efficiency measures involving the working capital. The Group's equity ratio developed favourably and was 40.1% (38.7) at the end of the financial year. The ratio of net debt to EBITDA developed negatively and stood at 4.9 (3.0) at the end of the period, mainly due to lower reported EBITDA.

Neova Group's Grow&Care division had a challenging year in terms of sales due to the decreased market volumes. The division's net sales were EUR 364.0 (381.7) million, showing a decrease of 5% from the previous year including the price increases, i.e. the decrease in volume was clearly higher. The most challenging market conditions were experienced in the European markets.

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. In addition, non-recurring costs related to the improvements of operational efficiency had a negative impact on profitability in 2023.

In the new businesses, Novactor's activated carbon production plant was completed in Ilomantsi during 2023 and industrial operations will start in early 2024. There is still strong demand in the market for activated carbon produced in Europe, 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 already been tested at experimental plantations in several countries, and the plan is to sell the first production batches in 2024.

## Cash flow, investments and financing

The Group's free cash flow before taxes for the financial year 1 January to 31 December 2023 amounted to EUR 3.4 million (-41.5). The change in working capital affected the cash flow by EUR 5.4 million (48.4).

Gross investments in the financial year were EUR 40.2 million (167.5), or 122.1% (518.6) of the amount of depreciations. The most significant investments concerned the Activated Carbons business. Investments were also made in Kekkilä-BVB's capacity expansion and security investments, as well as in environmental protection and field maintenance in peat production. Net investments (gross investments – asset sales) totalled EUR 31.2 million (136.7).

The Group's liquidity was strong at the end of the year. 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). The liquidity risk is managed by maintaining sufficient cash assets, short-term investments and available credit commitments. At the end of 2023, the Group's liquidity reserves consisted of cash assets, short-term investments in fixed-income funds and commercial papers totalling EUR 157 million. Of the EUR 50 million revolving credit facility (valid until 2025), no funds had been drawn at the turn of the year.



The Group's financial risk is managed by diversifying the maturities of the loans to a sufficient extent over the coming years. Long-term interest-bearing loans maturing over the next 12 months amount to EUR 120 million, with a bond maturing in October representing EUR 100 million of that sum. The next large loan will mature in 2025 (EUR 50 million).

Interest-bearing net debt amounted to EUR 144.4 million (140.0) at the end of the financial year. The ratio of interest-bearing net debt to operating margin (net debt/EBITDA) was 4.9 (3.0) on 31 September 2023. Short-term interest-bearing liabilities amounted to EUR 154.7 million (93.2). The equity ratio was 40.1% (38.7) at the end of the financial year. 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 3.3% (3.0), excluding lease liabilities recognised in the balance sheet.

The consolidated total assets were EUR 737.3 million (810.3). The Group's net financing items were EUR -6.6 million (-10.6). Net financing items were -1.3% (-1.9) of net sales. Net gearing was 49.3% (45.0).

### Number of employees

The Group employed an average of 897 (927) persons during the final quarter of the year. The average number of employees in 2023 was 936 (958).

### Employees by segment, average

Number of employees	2023	2022
Grow&Care	637	646
Fuels&Real Estate Development	178	215
New Businesses	46	31
Other	75	68
<b>Total</b>	<b>936</b>	<b>958</b>

Collaboration discussions between Neova Oy and Kekkilä-BVB Oy were held twice during the financial year according to plan. Current company issues were discussed at the meetings. Employees are also represented on Neova's Supervisory Board. The Supervisory Board met three times during the financial year.

### Cooperation negotiations

On 24 October 2023, Neova announced that it had completed the cooperation negotiations and similar processes in eight of its operating countries, resulting in the reduction of 85 positions globally and causing significant changes in the duties of 70 employees. The company seeks to improve its operational efficiency by roughly EUR 30 million during 2023 and 2024. On 15 August 2023, Neova announced that it would initiate cooperation negotiations and similar processes to improve its profitability and modernise Kekkilä-BVB's operating model in eight of the company's operating countries: Finland, the Netherlands, Sweden, Estonia, Germany, Italy, France and Spain. The negotiations also covered part of Neova Oy's Group Services and Supply Chain Management organisations.

During the cooperation negotiations and similar processes, the modernisation of the operating model and organisation of Kekkilä-BVB, a company wholly owned by Neova Oy, to improve the company's efficiency was processed. In the new operating model, Kekkilä-BVB's operations are divided into four business areas: Central Europe, which covers operations in Central Europe; Nordics, which covers the Nordic and Baltic markets; Global, which covers global operations; and Materials, which covers the wholesale of horticultural peat and sales of bedding materials. The new model slims down the organisation, accelerates decision making, and better addresses customer needs in different markets. The new organisation and operating model entered into force on 1 January 2024.

The cooperation negotiations and similar local processes targeted a total of 720 of the Group's approximately 1,000 employees. According to initial estimates, the planned measures to improve profitability could have led to the reduction of roughly 100 positions in different countries. The final figure was 85, of which 46 were permanent positions, and 39 resulted from voluntary resignations, the end of fixed-term employment contracts and similar measures.

## Sustainability

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 2023, 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. In terms of greenhouse gas emissions, we continued to reduce soil emissions from peat operations (-36% compared to the 2018 baseline) by closing peat production areas, thus contributing to our target of halving CO<sub>2</sub> emissions from our own operations by 2025. 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. In 2023, we continued the strategically important and extensive programme to increase the volume of recyclable raw materials, especially in our Kekkilä-BVB product portfolio. The start of reed canary grass cultivation on 830 hectares in Finland was a major step forward in 2023.

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. We have reduced the accident frequency by more than 50% across all of Neova Group's operations since 2019 and, most significantly, we did not have any lost time accidents in Finland or Estonia in 2022 and 2023. Our work to create an excellent employee experience, a corporate culture based on trust and a good workplace continued, with a particular focus on the training of supervisors due to the organisational restructuring and the related cooperation negotiations that took place in 2023. As proof of the comprehensive development of our personnel, Neova's Great Place to Work® certification was retained in two of our operating countries (Sweden and Estonia), and the entire Group's Great Place to Work confidence index was at a high level.

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.

## 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 personnel and provision of support to the business functions. In 2023, we continued our systematic work on occupational health and safety by conducting a significant number of risk assessments, safety inspections and safety walks, and by ensuring that all Group employees completed an online OHS course.

In 2023, the Group's accident frequency (LTA1f: lost-time accidents per million working hours) decreased considerably compared to the previous year to 3.5 (4.5). We have now reduced the accident frequency by more than 50% across the Group's operations since 2019. Most significantly, we achieved our zero accident target for all operations in Finland and Estonia for the second time. A comprehensive six-point action plan to improve safety was realised in Kekkilä-BVB, leading to further improved accident frequency (LTA1f) of 5.6 (7.1).

Most accidents – serious ones in particular – usually take place in production operations. In 2023, there were no incidents classified as serious accidents or serious near misses involving our own staff. Taking all accidents into account, 50% of the accidents did not result in any lost working hours.

We paid special attention to fire and personal safety. We carried out fire and chemical risk assessments in peat production areas and, as in the previous year, the number of fires in peat production remained low (22 in total). We also monitored accidents involving contractors in our operations and conducted accident investigations in cooperation with them. We made 1,729 (2,651) safety observations. Instead of increasing the number of observations, we focused on processing them more efficiently.

Neova Group has zero tolerance for inappropriate conduct and discrimination, and all nine incidents reported in 2023 were reviewed without delay. 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.

In 2023, Neova Group participated in the Great Place to Work survey for the fifth time. The survey coincided with the Group's organisational restructuring and cooperation negotiations. According to the survey, our employee experience decreased by 6% in a year: our Trust Index, which measures the employee experience, was 65%, compared to 71% in 2022. Based on the survey results, Neova Group was awarded the Great Place to Work certificate in two countries: Sweden and Estonia.

## Developments by business segment

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 in the professional grower, landscaping and consumer segments. The Neova Grow&Care division includes the Kekkilä-BVB business and the Materials business. 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, cattle and pig farms and poultry producers, as well as 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 the Central European markets, our business includes private label products as well as brands such as Jardino and Florentus. 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.

Net sales for the last quarter decreased by 3.3% to EUR 65.3 million (67.5). The comparable operating margin was EUR 3.5 million (11.4), or 5.4% (16.9) of net sales. The reported operating margin was EUR -7.6 million (0.3), and the operating loss was EUR -14.5 million (-8.1). Gross investments totalled EUR 8.3 million (24.4). The operating result included non-recurring items mainly related to the improvement of operational efficiency amounting to EUR -8.3 (-0.5) million.

Net sales for the full financial year were EUR 364.0 million (381.7). The comparable operating margin was EUR 27.7 million (28.1), or 7.6% (7.4) of net sales. The reported operating margin was EUR 15.4 million (26.9), and the operating profit (EBIT) was EUR -12.2 million (2.6). Gross investments totalled EUR 24.8 million (65.6). The operating result includes non-recurring items mainly related to the improvement of operational efficiency amounting to EUR -16.5 (-1.2) million.

As a result of the late spring, demand for the Grow&Care division's consumer and landscaping businesses did not start until the second quarter of 2023. Demand and sales volumes for the whole year remained lower than in 2022. Consumers' weakened purchasing power and higher costs for professional growers had a negative impact on demand. Kekkilä-BVB compensated the impact of the rising raw material prices and other costs on profitability with more effective pricing. In 2023, Neova and Kekkilä-BVB initiated additional efficiency measures in eight operating countries with the goal of improving the company's profitability by EUR 30 million in 2023 and 2024.

Grow&Care	October– December 2023	October– December 2022	Change	January– December 2023	January– December 2022	Change
Net sales (EUR million)	65.3	67.5	-3.3%	364.0	381.7	-4.6%
Operating margin (EUR million)	-7.6	0.3	-2504.3%	15.4	26.9	-42.7%
Operating profit (EUR million)	-14.5	-8.1	-80.1%	-12.2	2.6	-570.3%
Investments (EUR million)	8.3	24.4	-66.0%	24.8	65.6	-62.1%
Number of employees	602	643	-6.4%	637	646	-1.3%

## 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 next land use 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.

Net sales for the last quarter were EUR 56.6 million (56.2). Operating margin for the reporting period was EUR 13.6 million (14.5), and the operating profit (EBIT) was EUR 13.6 million (25.6). Gross investments totalled EUR 8.0 million (-14.7). The operating result includes -0.1 (12.1) of non-recurring items, mainly related to the revaluation of energy peat assets during the reference period.

Net sales for the full financial year were EUR 129.2 million (162.3). A significant change (-EUR 27 million) relates to the transfer of the energy wood business to the associate Laania Oy as of 1 July 2022. The division's operating margin was EUR 28.1 million (34.4), and the operating result was EUR 23.7 million (43.7). The operating result includes EUR -0.3 million (15.0) of non-recurring items.

The operating margin for the last quarter of the division's Fuels&Real Estate Development businesses was lower than the previous year. The colder-than-normal quarter increased demand for fuels compared to the previous year. The change in sales prices compensates for the cost increases in the production and supply chain. The importance of security of supply and the use of domestic fuels in the production of heating energy and electricity increased, mitigating the fall in demand for energy peat. Due to the scarcity of wood fuels, customers replaced wood with energy peat.

Cost increases in raw material sourcing and in the production and supply chain due to inflation weakened profitability. Comparable fuel deliveries decreased by 28% from the previous year, taking into account the transfer of the wood business to the joint venture Laania. In real estate development, the development of decommissioned peat production sites into wind and solar farms progressed according to the project plans.

At the beginning of the financial period, Neova Oy's fuel solutions and real estate development businesses in Finland were incorporated into a subsidiary named Vapo Terra Oy. At the end of the financial period, there was a business transaction where Vapo Terra sold the Turenki pellet factory to Versowood Oy as of 1 January 2024.

Fuels&Real Estate Development	October– December 2023	October– December 2022	Change	January– December 2023	January– December 2022	Change
Net sales (EUR million)	56.6	56.2	0.6%	129.2	162.3	-20.4%
Operating margin (EUR million)	13.6	14.5	-6.2%	28.1	34.4	-18.4%
Operating profit (EUR million)	13.6	25.6	-46.7%	23.7	43.7	-45.7%
Investments (EUR million)	8.0	-14.7	154.3%	12.6	3.0	316.7%
Number of employees	171	188	-9.2%	178	215	-17.0%

## New Businesses

The New Businesses division works together with customers and ecosystems to develop solutions for global challenges that secure the world's food production, and promote healthy living environments and 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 minimizing energy consumption and emissions.

In addition, wetland biomass is being developed into new types of animal feed products to support animal welfare and improve the profitability of livestock production. Neova's wetland biomass-based feeds aim to replace the currently used environmentally harmful substances that cause antimicrobial resistance. The new, innovative wetland biomass feeds have been proven to have significant positive combined effects on the intestinal health of animals. Neova's feed products are being developed in close cooperation with the best research institutes in the industry and strategic partners. The development of feed products is at the product and process testing phase, during which compliance with the quality objectives, added value to customers and a high level of processing hygiene are ensured.

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. Demolition was started at the beginning of 2022 and reconstruction in June 2022. The cold testing phase for commissioning was started at the beginning of September 2022, and the hot testing phase at the beginning of 2023. The facility was at the test run phase in 2023. The facility will undergo final adjustments before final approval, which will take place in the spring of 2024. Some products were delivered to customers during the testing phase. The customer feedback was positive and market demand high. Supply agreements have been signed with customers to cover the 2024 production volumes. New and further processed products are simultaneously being tested.

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.

Operating loss for the final quarter of the financial year (October to December) was EUR -3.5 million (-1.7). Gross investments totalled EUR 3.0 million (20.6).

Operating loss for the full financial year was EUR -9.3 million (-5.1). The operating result for the financial year included non-recurring items of EUR -3.3 million (0.0). Gross investments totalled EUR 6.4 million (25.0). Until sales of the Ilomantsi plant's own production output begin, net sales of the New Businesses division will consist mainly of the sales of the activated carbon raw material in the value chain.

New Businesses	October– December 2023	October– December 2022	Change	January– December 2023	January– December 2022	Change
Net sales (EUR million)	0.9	1.4	-32.6%	5.4	5.0	7.6%
Operating margin (EUR million)	-3.4	-1.5	-123.2%	-8.6	-4.1	-110.0%
Operating profit (EUR million)	-3.5	-1.7	-111.4%	-9.3	-5.1	-82.5%
Investments (EUR million)	3.0	20.6	-85.3%	6.4	25.0	-74.5%
Number of employees	46	29	58.0%	46	31	50.3%

### Other activities

The Other activities segment consists of Neova Group's administration, strategy and support functions.

The other activities segment's effect on the operating result for the final quarter of the financial year (October to December) was EUR -1.7 million (-5.4).

The other activities segment's effect on the operating result for the full financial year was EUR -6.8 million (-12.1). The segment's operating result included non-recurring items, mainly restructuring costs, totalling EUR -1.8 million (-5.1).

Other	October– December 2023	October– December 2022	Change	January– December 2023	January– December 2022	Change
Net sales (EUR million)	0.0	0.0	-13.3%	0.0	0.2	-119.9%
Operating profit (EUR million)	-1.7	-5.4	68.2%	-6.8	-12.1	43.5%
Investments	9.9	0.2	4983.7%	10.9	74.7	-85.4%
Number of employees	78	67	16.5%	75	68	11.2%

### Notable risks and uncertainty factors

Neova is exposed, both directly and indirectly through its subsidiaries and associates, to a number of financial, operational, strategic, security and liability risks that may affect the company's growth and financial performance, reputation and ability to meet its sustainability objectives.

#### 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 monitored issue in 2024 is the monitoring of the industry's interests in the field of finance taxonomy and the EU's FIT for 55 legislative reform package, which focuses on reducing greenhouse gas emissions at the EU level by 2030.

#### Risks in the activated carbon business

The most significant risk related to the activated carbon business concerns the steady operation of the first production facility in Ilomantsi in 2024. This involves mechanical, functional and end product quality risks.

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.

The increase in material costs will affect 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 will be reflected in customer prices with a delay.

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

The use of energy peat is no longer commercially profitable but, due to the lack of available alternatives, the decline in demand has slowed down. In the longer term, the demand for energy peat will continue to weaken. The development of the prices of emission allowances and energy peat taxation have a highly significant impact on the demand for energy peat used in heat production. The high emission allowance prices in recent years and the taxation of energy peat have led to a situation where not only energy wood but also pulpwood is replacing energy peat in energy production.

The declining demand for peat also affects the measurement of Neova's peat assets on the balance sheet. The value is assessed regularly by means of impairment testing and, in line with its strategy, the Group seeks to create higher value-added uses for its peat assets. Examples of higher value-added uses of peat include activated carbon, growing media and stimulant-based products.

#### 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.

Of the Group's operating countries, peat production was reasonably successful in Estonia, Finland and Sweden in the summer of 2023.

#### 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.

#### Political and geopolitical risks

The continuation of the war in Ukraine has increased geopolitical risks, which may have an 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 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 any industrial operations of its own in the Russian or Ukrainian markets.

#### Financing and commodity risks

The company's main financial risks are currency risk, interest rate risk and liquidity risk. Neova has cash flows and assets denominated in currencies other than the euro, which exposes the Group to exchange rate fluctuations. The 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. Finnish companies use hedging against the electricity price risk using electricity derivatives, to which cash flow hedges have been applied from 1 January 2023. The higher interest rates have a clear impact on the cost of refinancing.

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 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.

#### **Natural seasonal fluctuation in operations**



The Grow&Care division's 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. Growing media raw material sales are more stable throughout the year. The success of the peat production season in summer plays a central role with regard to Kekkilä-BVB's raw material reserves for the next year.

Demand for energy fuel fluctuates significantly during the year. The peat production season falling almost entirely in the second and third quarters of the year also introduces significant cyclicity to the fuel business. The Fuels 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 winter 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 quarter of the year, from October to December, is usually a significant heating season in our operating countries.

### **Research and development**

The Group's research and development investments during the financial year 1 January to 31 December 2023 amounted to EUR 9.8 million (9.4), which corresponds to 2.0% (1.7) of net sales. Research and development activities were focused on supporting the company's strategic renewal in all of the Neova Group companies.

The New Businesses division works together with customers and ecosystems to develop solutions for global challenges that secure the world's food production, and promote healthy living environments and 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 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 2023, 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 continued with the implementation of the Green Factory concept in our growing media, peat, moss, pellet, wood and activated carbon businesses. In 2023, 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 5,600 hectares (areas covered by environmental permits) to 7,300 hectares in response to the needs of Kekkilä-BVB's customers.

Neova Group's active peat production areas (Finland, Sweden, Estonia) in the summer of 2023 totalled approximately 27,500 (24,420) hectares, with Finland accounting for 20,271 (17,596) hectares of the total, including stacking areas. Due to the impact of the war in Ukraine, the area under production to ensure sufficient peat production capacity was slightly increased compared to the previous year. At the same time, the adaptation of energy peat production capacity and the closure of production areas in Finland was one of the key projects in peat operations in 2023.



The closure of peatlands means ending peat production in the area in question and transitioning to the aftercare stage in the production area's lifecycle and the process of voiding the environmental permit. At the end of the financial year, a total of 42 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 a total of 121 on-site inspections at Neova's peat production areas in 2023. Of these, 28 were decommissioning inspections, 77 regular inspections in accordance with the monitoring plan and 15 other inspections.

A total of 1,337 (3,149) hectares of land owned by the company was transferred to next land use in the Finnish peat production operations during the financial year. A total of 180 (2,906) hectares were assigned for reforestation and 400 (243) hectares for building wetlands. A total of 3,561 (1,355) hectares were returned to landowners, of which 1,495 hectares were never used for peat production. The company prepares for the subsequent maintenance of areas released from production 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 2023 amounted to EUR 1.0 million (0.4) and were primarily related to the improvement and the building of 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 (10.8). They primarily consisted of the maintenance of water treatment structures in peat production and impact monitoring.

### **Significant events during the reporting period**

Neova Oy focused its security of supply and land asset development operations in Finland to the new subsidiary Vapo Terra Oy as of 1 January 2023. Vapo Terra Oy is tasked with maximising the value of the land assets by measures such as the development and licensing of wind and solar power projects and the development of business activities that support carbon sequestration in the long term. In the coming years, the bulk of the company's net sales will come from the sales of energy peat, pellets and land, as well as wind and solar power development projects.

On 8 February 2023, Neova announced that Kekkilä-BVB would commence an efficiency improvement programme targeted at cost savings of EUR 10) over the next year. As part of the efficiency programme, Kekkilä-BVB launched a study of measures concerning all the Group's production facilities in Finland, the Netherlands, Estonia, Germany and Sweden. The company began cooperation 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 cooperation negotiations concerning the improvement of the efficiency of Kekkilä-BVB's operations, and that it would close down the Haukineva and Bredaryd plants by the end of June. As announced previously, production at the Haukineva and Bredaryd growing media production plants was discontinued at the end of 2023.

An acquisition of the operations of Italian Dueemme Marketing was completed on 3 April 2023. The transaction strengthens Kekkilä-BVB's position in the professional growing media market in Italy.

On 6 April 2023, Neova announced that it would join the new circular economy competence hub in Jyväskylä. Its goal is to recover valuable materials from industrial side streams and manufacture end products with a high processing value.

On 27 April 2023, Neova announced it would 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 in former peat production areas owned by Neova Oy's subsidiary Vapo Terra Oy.

On 15 August 2023, Neova and Kekkilä-BVB announced that they would initiate cooperation negotiations and similar processes to improve their profitability and modernise their operating model in all eight of their significant operating countries. The cooperation negotiations and similar processes carried out in other countries were based on changes in the operating environment that have reduced Neova Group's competitiveness. The Group's goal is to improve profitability by continuing the efficiency programme started in February 2023. Its aim

is to assess various efficiency measures that serve to achieve cost savings and increase net sales. On 24 October 2023, Neova announced that it had completed the cooperation negotiations and similar processes in eight of its operating countries, resulting in the reduction of 85 positions globally and causing significant changes in the tasks of 70 employees. The company seeks to improve its operational efficiency by roughly EUR 30 million during 2023 and 2024. During the cooperation negotiations and similar processes, the modernisation of Kekkilä-BVB's operating model and organisation, which aims to improve its efficiency was processed. In the new operating model, Kekkilä-BVB's operations are divided into four business areas: Central Europe, which covers operations in Central Europe; Nordics, which covers the Nordic and Baltic markets; Global, which covers global operations; and Materials, which covers the wholesale of horticultural peat and sales of bedding materials. The new model slims down the organisation, accelerates decision-making, and better addresses customer needs in different markets. The new organisation and operating model entered into force on 1 January 2024.

### **Changes in Group Management Team**

On 24 November 2023, Neova announced that Hannu Nyman had been named as Neova Oy's CFO, and that he would report to the CEO of Neova Oy on his areas of responsibility. Neova Oy's current CFO Jarmo Santala has been responsible for the Central European business of Neova's subsidiary Kekkilä-BVB from the beginning of 2024. Santala is also Neova Oy's CFO until Nyman starts in his new position.

On 4 December 2023, Neova announced that Neova's Board of Directors had agreed with Vesa Tempakka, the company's CEO, that he would step down as CEO at the end of 2023, and the Board had appointed Pekka Tennilä as Neova's new CEO as of 4 December 2023. It was stated that he would focus in particular on the management and development of Kekkilä-BVB's business. He was also appointed as the CEO of Neova Oy's subsidiary Kekkilä-BVB.

On 4 December 2023, Neova announced that Markus Tykkyläinen had been appointed the company's Deputy CEO and a member of Neova Oy's Management Team. The position is new and Tykkyläinen will join the company by 1 June 2024. Tykkyläinen will be responsible for the management and development of Neova Group's other businesses. He will report to Neova's Board of Directors on matters relating to the Neova Terra segment in accordance with the new organisational structure that entered into force on 1 January 2024.

On 31 December 2023, Neova's Management Team consisted of Pekka Tennilä, CEO; Jukka Holm, CIO; Petri Järvinen, Chief Supply Chain and Sustainability Officer; Pasi Koivisto, Director, Fuels&Real Estate Development; Peter Jan Kuiper, COO; Ahti Martikainen, Group Services Director, Communications and Public Affairs; Jaakko Myllymäki, Business Area Director; Jenni Nevasalo, Chief HR Officer; Johan Nybergh, Chief Legal Officer; Jarmo Santala, CFO; and Mia Suominen, Chief Innovation Officer.

### **General Meetings**

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 to 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 amounting to EUR 300 per share, or EUR 9 million in total, for the financial year that ended 31 December 2022.

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 the 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.

At the extraordinary general meeting held on 15 August 2023, Neova Oy's shareholders – the Government of Finland and Suomen Energiavarat Oy – selected new members for the company's Supervisory Board until the next AGM. Harri Hietala, Janne Jukkola, Antti Kangas, Jari Koskela, Eero Kubin, Esko Kurvinen, Janne Laine, Heikki Miilumäki, Piritta Rantanen and Eerikki Viljanen were selected as members of the Supervisory Board. Antti Kangas was elected as its Chairman, and Heikki Miilumäki as Vice Chairman.

At an Extraordinary General Meeting on 20 December 2023, the shareholders of Neova Oy, the State of Finland and Suomen Energiavarat Oy, appointed Stefan Damlin to the Board of Neova Oy as of 1 January 2024. Damlin's membership in the Board of Directors will be valid until the next AGM. Damlin replaced Markus Tykkyläinen, who announced his resignation from the Board of Neova Oy after being appointed Neova Oy's Deputy CEO.

### **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 profit for the year. On 31 December 2023, the parent company's distributable assets amounted to EUR 258.4 million. 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 134 (300) per share be paid on the basis of the adopted balance sheet for 2023, amounting to a total of EUR 4.02 million (9.0). The rest of the distributable assets shall be carried forward in retained earnings.

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

At the end of December, Neova announced that Neova Oy's subsidiary Vapo Terra Oy and Versowood Oy had agreed on an acquisition where Vapo Terra would sell its Turenki pellet factory to Versowood Oy. The transaction was completed on 1 January 2024. The eight employees of the Turenki pellet factory were transferred to the new owner as old employees. The parties have agreed that the transaction price will not be made public. The parties have also tentatively negotiated a deal whereby Vapo Terra would sell the Vilppula pellet plant's production machinery to Versowood in 2025, should the plant run out of raw materials and drying energy.

On 2 February 2024, Neova announced that the company has decided to change its reported segment information to reflect the new organisational structure. The reportable segments under the new organisational structure effective from the beginning of the financial year 2024 are Kekkilä-BVB and Neova Terra. Due to the change in segments, the company will publish comparable data in compliance with the new reporting structure for the financial year 2023 on a quarterly basis in connection with the publication of the financial statements.

### **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 company will 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.

During the current financial period, the Kekkilä-BVB subgroup will invest in more efficient operations, an increase of its product portfolio and a profitable increase of its international sales in the professional, consumer 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. The operation of Activated Carbons' first production plant suitable for the production of technical carbon products started at the beginning of 2024. 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 three financial years, Neova has also been successful in the development of its own wind and solar power projects. Further progress will be made in 2024 on selected projects.

**Consolidated key figures**

EUR million	October– December 2023	October– December 2022	January– December 2023	January– December 2022
Net sales	122.4	123.6	495.9	544.9
Operating profit (EBIT)	-5.8	10.6	-5.3	29.2
% of net sales	-4.7	8.5	-1.1	5.4
Operating profit (EBIT) before impairment	-4.7	-1.5	-0.7	17.2
% of net sales	-3.9	-1.2	-0.1	3.2
Profit/loss for the period	-4.9	16.0	-8.2	18.6
Operating margin (EBITDA)	1.5	8.5	29.2	46.8
+/- Change in working capital	-4.8	15.7	5.4	48.4
- Net investments	9.0	21.8	31.2	136.7
Free cash flow before taxes	-12.2	-0.2	3.4	-41.5
Gross investments	15.1	31.1	40.2	167.5
Return on invested capital % *	-8.3	6.4	-1.3	6.4
Return on invested capital % before impairment *	-11.4	3.8	-2.4	3.8
Return on equity % *	0.0	5.1	-2.7	5.1
Total assets			737.3	810.3
Shareholders' equity			293.1	311.2
Interest-bearing net debt			144.4	140.0
Equity-to-assets ratio %*			40.1	38.7
Interest-bearing net debt/EBITDA			4.9	3.0
Gearing %			49.3	45.0
Average number of employees			936	958

\*) Last 12 months

## Key figures for parent company Neova Oy

EUR million	2023	2022
Net sales	93.2	145.1
Operating profit (EBIT)	-35.3	-12.3
% of net sales	-37.9 %	-8.5 %
Operating profit (EBIT) before impairment	-35.2	-24.4
% of net sales	-37.8 %	-16.8 %
Profit/loss for the period	5.0	6.1
Operating margin (EBITDA)	-26.3	-17.0
Return on invested capital % *	-12.8 %	-3.0 %
Return on invested capital % before impairment *	12.9	-2.2 %
Return on equity % *	1.7%	1.4 %
Total assets	713.6	790.3
Shareholders' equity	309.7	314.4
Equity-to-assets ratio %*	43.4 %	40.0 %

\*) Last 12 months

**Group key figures 2019–2023**

<b>EUR million</b>	<b>May– December 2019</b>	<b>December 2020</b>	<b>December 2021</b>	<b>December 2022</b>	<b>December 2023</b>
Net sales	297.7	544.9	514.6	544.9	495.9
Growth %	32.4	2.1	-5.6	5.9	-9.0
Operating margin (EBITDA)	37.0	53.8	562.8	46.8	29.2
% of net sales	12.4	9.9	109.4	8.6	5.9
Depreciation and amortisation	-38.5	-47.2	-35.3	-32.3	-32.9
Impairments	-38.9	-102.8	-16.3	12.1	-4.6
Operating profit (EBIT)	-40.4	-95.3	511.2	29.2	-5.3
% of net sales	-13.6	-17.5	99.3	5.4	-1.1
Operating profit (EBIT) before impairments	-1.5	7.4	527.6	17.2	-0.7
% of net sales	-0.5	1.4	102.5	3.2	-0.1
Net financial items	-7.8	-12.5	-7.2	-10.6	-6.6
Profit/loss before taxes	-48.2	-107.8	504.0	18.7	-12.0
Taxes	8.0	-0.3	-2.5	0.0	3.8
Profit/loss for the period	-40.2	-108.1	501.5	18.6	-8.2
Return on invested capital %	-1.7	-14.0	73.1	6.4	-1.3
Return on invested capital before impairments %	4.1	1.1	75.4	3.8	-2.4
Restricted capital on average	676.4	680.9	699.4	454.9	411.3
Turnover of restricted capital (net sales / restricted capital on average)	0.8	0.8	0.7	1.2	1.2
Average working capital	144.8	125.5	172.8	138.5	112.3
Average working capital % of net sales	48.6	23.0	33.6	25.4	22.6
Restricted capital at the end of the year	680.1	704.4	451.3	461.2	407.5
Working capital at the end of the year	141.4	96.5	147.6	114.0	108.6
Gross investments	42.8	76.6	84.6	167.5	40.2
% of net sales	14.4	14.1	16.4	30.7	8.1
Gross investments/depreciation and amortisation	1.1	1.6	2.4	5.2	1.2
Operating margin	37.0	53.8	562.8	46.8	29.2
+/- Change in working capital	10.3	44.8	-51.1	48.4	5.4
- Net investments	26.3	59.1	77.7	136.7	31.2
Free cash flow before taxes	21.0	39.6	434.0	-41.5	3.4
Total assets	829.4	758.5	780.9	810.3	737.3
Shareholders' equity	337.5	207.4	427.9	311.2	293.1
Shareholders' equity (average)	372.1	309.7	508.2	368.5	297.1
Interest-bearing liabilities	324.9	344.4	233.9	357.9	304.8
Interest-bearing net debt	315.1	327.7	11.2	140.0	144.4
Equity ratio, %	41.5	27.9	55.2	38.7	40.1
Gearing %	-93.4	158.0	2.6	45.0	49.3
Interest-bearing net debt/operating margin	4.0	6.1	0.0	3.0	4.9
Liquidity	2.3	1.8	3.1	2.6	2.1
Return on equity %	-5.2	-34.9	98.7	5.1	-2.7
Dividends paid	12.3	4.0	250.0	60.8	-9.0
Dividend % of profit *	-30.6	-3.7	49.8	326.2	-110.3
Average number of employees	1,050	1,031	922	958	936
Key figures per share					
Number of shares	30,000	30,000	30,000	30,000	30,000
Earnings per share, EUR *	-1,320	-3,712	16,638	487	-272
Shareholders' equity per share, EUR	9,894	5,517	12,812	10,364	9,759
Dividend per share, EUR	410	133	8,333	2,026	300

\* = Profit attributable to owners of the parent company

## Principles for calculating key figures

### EBITDA

Operating profit (EBIT) + depreciation and amortisation +/- shares of associates' results

### Working capital

Inventories + non-interest-bearing receivables of businesses - non-interest-bearing liabilities

### Restricted capital

Fixed assets of businesses + working capital

### Turnover of restricted capital

Net sales floating 12 months

Restricted capital (on average) \*)

### Return on invested capital % (ROIC)

Operating profit (EBIT) rolling 12 months X 100

Restricted capital (on average) \*)

### Return on equity %

Profit before taxes rolling 12 months - income tax X 100

(Shareholders' equity + non-controlling interests) on average \*)

### Liquidity

Short-term non-interest-bearing receivables

Current non-interest-bearing liabilities

### Equity ratio, %

Shareholders' equity + non-controlling interests + capital loan X 100

Total assets – advances received

### Interest-bearing net debt

Interest-bearing liabilities - interest-bearing loan receivables - cash and cash equivalents

### Gearing %

Interest-bearing net debt X 100

Shareholders' equity + non-controlling interests

### Free cash flow before taxes

EBITDA +/- change in working capital – net investments

### Earnings per share

Profit attributable to owners of the parent company / number of shares

### Shareholders' equity/share

Parent company's shareholders' equity / number of shares

### Dividend per share

Dividends paid for the financial period / number of shares

### Dividend/profit %

100 x dividend per share / earnings per share

\*) The calculations are based on averages on 31 March 2023, 30 June 2023, 30 September 2023 and 31 December 2023



**Consolidated Financial Statements, IFRS**
**Consolidated statement of comprehensive income**

EUR million	Note	January– December 2023	January– December 2022
<b>NET SALES</b>	2.1	495.9	544.9
Change in inventories of finished goods and work in progress		-2.6	-12.9
Production for own use		0.1	0.1
Other income	2.3	2.6	10.3
Share of profit (loss) of associates and joint ventures		3.0	2.6
Materials and services	2.4	-326.8	-355.9
Expenses arising from staff benefits	2.5	-68.9	-67.3
Depreciation and amortisation	3.5	-32.9	-32.3
Impairments	3.5	-4.6	12.1
Other operating expenses	2.3	-71.1	-72.3
<b>OPERATING PROFIT/LOSS</b>		-5.3	29.2
Financial income	5.1	11.4	8.7
Financial expenses	5.1	-18.0	-19.3
<b>PROFIT/LOSS BEFORE INCOME TAXES</b>		-12.0	18.7
Income tax expense	2.7	3.8	0.0
<b>PROFIT/LOSS FOR THE PERIOD</b>		-8.2	18.6
<b>OTHER COMPREHENSIVE INCOME ITEMS</b>			
Items that will not be reclassified to profit or loss:			
Remeasurements on defined benefit plans		-0.1	0.8
<b>Items that may be subsequently reclassified to profit or loss:</b>			
Cash flow hedges		-0.6	0.0
Translation differences		-0.4	-1.6
<b>TOTAL COMPREHENSIVE INCOME</b>		-9.3	17.9
<b>PROFIT/LOSS FOR THE PERIOD</b>			
<b>Profit/loss attributable to:</b>			
Owners of the parent		-8.2	14.6
Non-controlling interests		-0.1	4.0
		-8.2	18.6
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		-9.3	13.8
Non-controlling interests		-0.1	4.0
		-9.3	17.9
Earnings per share from result attributable to the owners of the parent (in euro per share)			
Earnings per share, EUR		-272	487
No. of shares		30,000	30,000

## Consolidated balance sheet

EUR million	Note	31 December 2023	31 December 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	3.1	31.6	31.4
Intangible assets	3.2	37.9	38.0
Property, plant and equipment	3.3	206.5	213.6
Right-of-use assets	3.4	37.9	42.0
Shares in associates and joint ventures	6.3	22.9	19.9
Deferred tax assets	4.5	2.2	3.7
Other financial assets	5.2	0.5	167.5
Other financial assets	4.6	3.2	0.0
<b>Total non-current assets</b>		<b>342.8</b>	<b>516.2</b>
<b>Current assets</b>			
Inventories	4.1	127.4	145.2
Trade receivables and other receivables	4.2	105.1	98.5
Income tax receivables		4.8	2.6
Other financial assets	5.2	151.7	0.0
Cash and cash equivalents	5.3	5.5	47.7
<b>Total current assets</b>		<b>394.5</b>	<b>294.1</b>
<b>TOTAL ASSETS</b>		<b>737.3</b>	<b>810.3</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital		50.5	50.5
Fair value fund and other funds		29.8	30.5
Translation differences		-6.8	-5.5
Retained earnings		219.4	235.5
<b>Equity attributable to equity owners of the parent company</b>		<b>292.8</b>	<b>310.9</b>
Attributable to non-controlling interests		0.3	0.3
<b>Total equity</b>	5.5	<b>293.1</b>	<b>311.2</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	5.2	150.1	264.7
Deferred tax liabilities	4.5	8.6	14.0
Pension liabilities	4.7	4.2	4.2
Provisions	4.4	13.5	12.0
Other non-interest-bearing liabilities	5.2	0.3	0.0
<b>Total non-current liabilities</b>		<b>176.7</b>	<b>294.9</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	5.2	154.7	93.2
Trade payables and other payables	4.3	111.6	111.3
Income tax liabilities		1.1	0.0
Provisions		0.0	-0.4
<b>Total current liabilities</b>		<b>267.5</b>	<b>204.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>737.3</b>	<b>810.3</b>

**Consolidated statement of cash flows**

EUR million	2023	2022
<b>Cash flows from operating activities</b>		
Profit/loss for the period	-8.2	18.6
Adjustments to the result for the period		
Depreciation and amortisation	37.6	20.2
Gains and losses from non-current assets	-0.8	-6.4
Financial income and expenses	12.6	8.9
Income tax expense	-2.9	0.0
Other adjustments	1.4	-7.9
Total adjustments to the result for the period	47.7	16.5
Change in working capital		
Increase/decrease in inventories	17.2	5.5
Increase/decrease in trade receivables and other receivables	-14.5	-1.1
Increase/decrease in trade payables and other debts	0.9	14.1
Change in provisions	1.4	-0.6
Total change in working capital	4.9	17.9
Interest paid	-11.0	-10.8
Interest received	0.4	1.6
Other financial items	4.0	2.6
Taxes paid	-0.8	-3.3
<b>Cash flows from operating activities</b>	<b>37.3</b>	<b>43.1</b>
<b>Cash flows from investing activities</b>		
Investments in tangible and intangible assets	-39.6	-39.8
Proceeds from disposal of tangible and intangible assets	11.2	13.4
Acquisition of subsidiaries, net of cash	-0.3	-20.3
Other investments	-9.2	0.0
Proceeds from disposal of investments consolidated using the equity method	0.0	16.6
Proceeds from disposal of other investments	19.8	21.3
Changes in loans receivable	-2.8	10.1
Dividends received	0.0	0.0
<b>Cash flows from investing activities</b>	<b>-20.9</b>	<b>1.4</b>
<b>Cash flows from financing activities</b>		
Change in short-term loans	61.9	70.8
Proceeds from long-term loans	0.0	49.2
Repayment of long-term loans	-111.3	-5.5
Repayments of lease liabilities	0.0	-8.8
Transactions with non-controlling interests	0.0	-72.0
Dividends paid	-9.0	-60.9
<b>Cash flows from financing activities</b>	<b>-58.5</b>	<b>-27.2</b>
<b>Net increase (+) / decrease (-) in cash and cash equivalents</b>	<b>-42.1</b>	<b>17.3</b>
Cash and cash equivalents at the beginning of the period	47.7	30.4
Net increase (+) / decrease (-) in cash and cash equivalents	-42.1	17.3
Cash and cash equivalents at the end of the period	5.5	47.7

**Consolidated statement of changes in equity**

<b>EUR million</b>	Share capital	Other funds	Translation differences	Retained earnings	Total	Non-controlling interests	Total
<b>Shareholders' equity 1 January 2023</b>	50.5	30.5	-5.5	235.5	310.9	0.3	311.2
<b>Changes in equity</b>							
Dividends paid				-9.0	-9.0		-9.0
Distribution of funds					0.0		0.0
Profit/loss for the period				-8.2	-8.2	0.1	-8.2
Translation differences			-0.4		-0.4		-0.4
Actuarial gains/losses				-0.1	-0.1		-0.1
Other comprehensive income items		-0.6			-0.6		-0.6
<b>Total comprehensive income</b>	0.0	-0.6	-0.4	-8.3	-9.3	0.1	-9.3
<b>Other changes</b>							
Other changes		-0.1	-0.9	1.3	0.3		0.3
<b>Total equity 31 December 2023</b>	<b>50.5</b>	<b>29.8</b>	<b>-6.8</b>	<b>219.4</b>	<b>292.8</b>	<b>0.3</b>	<b>293.1</b>

<b>EUR million</b>	Share capital	Other funds	Translation differences	Retained earnings	Total	Non-controlling interests	Total
<b>Shareholders' equity 1 January 2022</b>	50.5	30.5	-4.0	307.4	384.4	43.5	427.9
<b>Changes in equity</b>							0.0
Dividends paid				-60.0	-60.0	-0.8	-60.8
Transfers between items							0.0
Profit/loss for the 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
<b>Total comprehensive income</b>	0.0	0.0	-1.6	15.5	13.8	4.0	17.9
<b>Other changes</b>							0.0
Other changes				-1.7	-1.7	-0.3	-1.9
Transactions with non-controlling interests				-25.9	-25.9	-46.2	-72.0
<b>Total equity 31 December 2022</b>	<b>50.5</b>	<b>30.5</b>	<b>-5.5</b>	<b>235.5</b>	<b>310.9</b>	<b>0.3</b>	<b>311.2</b>

## 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, FI-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 29 February 2024. 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](http://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 2023, 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.

### 1.3 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 2023. Amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. The amendments apply to transactions, such as leases and decommissioning obligations. Due to the amendments, income taxes, as well as deferred taxes, have been restated in the financial statements for comparison period 2022. Impact on the consolidated financial statements is not significant.

Amendments to other 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.

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

## **1.4 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 associated with the business combination is measured at fair value on the acquisition date and classified as a liability or equity. A contingent consideration classified as a liability is measured at fair value at the end of each reporting period, and the resulting gain or loss is recognised through profit or loss. A contingent consideration classified as equity is not subsequently revalued. 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 the case of an acquisition realised 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 interests 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 (EBIT). 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 6.3 Investments in associates and joint ventures.

### 1.5 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 translation 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 <b>2023</b>	Average rate <b>2022</b>	Closing rate <b>2023</b>	Closing rate <b>2022</b>
SEK	Swedish krona	11.4761	10.6296	11.0960	11.1218

### 1.6 Use of estimates and the management's judgement

#### Compilation principles requiring management judgement and key uncertainties 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 on 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, impairment testing and the assumptions used therein, determining the terms of leases, and determining the fair values of the financial assets and debts.

## Accounting judgments related to 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 net sales. 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.

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.

## 2. Financial development

### 2.1 Segment information

#### Accounting principle

Neova Group's reporting segments are Grow&Care, Fuels&Real Estate, 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 (EBIT) 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, investments in associates and joint ventures, inventories and operational receivables. Deferred taxes, interest-bearing receivables and derivative financial instruments are not allocated to the segments. Segment liabilities include operational payables, pension liabilities and provisions. Taxes, interest-bearing liabilities and derivative financial instruments are not allocated to the segments.

#### Alternative key figures

In its financial statements, Neova presents financial performance indicators that are not defined by the IFRS standards (alternative key figures). Alternative key figures 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 key figures also provide useful information to the capital markets. The alternative key figures should not be assessed separately from the corresponding IFRS key figures. The calculation formulas for the alternative key figures are presented in the section Calculation formulas for key figures.

#### Segment-specific information

In accordance with Neova's management model, Neova'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 Estonia. In the Central European markets, our business includes private label products as well as brands such as Jardino and Florentus. In the professional growing media business, the BVB Substrates and Kekkilä Professional brands are focused not only on the home markets but also the global markets with exports to more than 100 countries.

### Fuels&Real Estate Development

The Fuels&Real Estate Development division is responsible for the fuel solutions provided by Neova Group in Finland, Sweden and Estonia. The division provides energy producers with peat, wood and pellet fuels. The division serves pellet customers through its own sales service as well as an online store. Approximately half of the division's net sales are derived from renewable biofuels. In addition to operating in the fuel business, the division develops land owned by Neova for next land use 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. In addition, the division's Neova Ventures unit is responsible for the development and management of 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.

### Net sales

EUR million	2023	2022
Grow&Care	364.0	381.7
Fuels&Real Estate Development	129.2	162.3
New Businesses	5.4	5.0
Other	0.0	0.2
Eliminations	-2.6	-4.2
<b>Total</b>	<b>495.9</b>	<b>544.9</b>

**Operating profit (EBIT)**

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 net sales and other 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 amortisation, and any impairment losses and other operating expenses. All income statement items other than the above are presented below operating profit.

<b>EUR million</b>	<b>2023</b>	<b>2022</b>
Grow&Care	-12.2	2.6
Fuels&Real Estate Development	23.7	43.7
New Businesses	-9.3	-5.1
Other	-6.9	-12.1
Eliminations	-0.7	0.1
<b>Total</b>	<b>-5.4</b>	<b>29.2</b>

**Items affecting comparability by segment (non-audited)**

<b>EUR million</b>	<b>2023</b>	<b>2022</b>
Grow&Care	-16.5	-1.2
Fuels&Real Estate Development	-0.3	15.0
New Businesses	-3.3	0.0
Other	-1.8	-5.1
Eliminations	0.0	0
<b>Total</b>	<b>-21.8</b>	<b>8.8</b>

**Comparable operating profit (EBIT) (non-audited)**

<b>EUR million</b>	<b>2023</b>	<b>2022</b>
Grow&Care	4.2	3.8
Fuels&Real Estate Development	24.1	28.7
New Businesses	-6.0	-5.1
Other	-5.1	-7.0
Eliminations	-0.7	0.1
<b>Total</b>	<b>16.5</b>	<b>20.5</b>

**Operating margin (EBITDA)**

<b>EUR million</b>	<b>2023</b>	<b>2022</b>
Grow&Care	15.4	26.9
Fuels&Real Estate Development	28.1	34.4
New Businesses	-0.8	-4.1
Other	-12.8	-10.4
Eliminations	-0.7	0.1
<b>Total</b>	<b>29.2</b>	<b>46.8</b>

**Items affecting comparability (non-audited)**

<b>EUR million</b>	<b>2023</b>	<b>2022</b>
Grow&Care	-12.3	-1.2
Fuels&Real Estate Development	-0.2	1.0
New Businesses	-3.3	0.0
Other	-1.8	-5.1
Eliminations	0.0	0.0
<b>Total</b>	<b>-17.6</b>	<b>-5.3</b>

**Comparable operating margin EBITDA (non-audited)**

<b>EUR million</b>	<b>2023</b>	<b>2022</b>
Grow&Care	27.7	28.1
Fuels&Real Estate Development	28.3	33.4
New Businesses	2.4	-4.1
Other	-11.0	-5.4
Eliminations	-0.7	0.1
<b>Total</b>	<b>46.7</b>	<b>52.1</b>

**Segment assets**

<b>EUR million</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Grow&Care	359.6	382.2
Fuels&Real Estate Development	140.5	108.4
New Businesses	53.5	53.7
Other	247.3	189.7
Eliminations	-242.8	-184.7
<b>Total</b>	<b>558.1</b>	<b>549.3</b>

**Segment liabilities**

<b>EUR million</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Grow&Care	35.1	31.8
Fuels&Real Estate Development	72.7	54.8
New Businesses	0.0	0.6
Other	12.8	-1.7
Eliminations	-39.5	-8.8
<b>Total</b>	<b>81.1</b>	<b>76.6</b>

**Depreciation, amortisation and impairments**

<b>EUR million</b>	<b>2023</b>	<b>2022</b>
Grow&Care	-27.8	-24.5
Fuels&Real Estate Development	-14.1	6.9
New Businesses	-33.1	-1.0
Other	-16.4	-1.6
Eliminations	-16.0	0.0
<b>Total</b>	<b>-37.6</b>	<b>-20.2</b>

## Investments

EUR million	31 December 2023	31 December 2022
Grow&Care	24.8	65.6
Fuels&Real Estate Development	12.6	3.0
New Businesses	8.6	25.0
Other	8.6	74.5
Eliminations	-14.5	-0.6
<b>Total</b>	<b>40.2</b>	<b>167.5</b>

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 (non-audited)

EUR million	2023	2022
<b>Comparable profit/loss for the period</b>	<b>13.7</b>	<b>10.0</b>
<b>Items affecting comparability</b>		
Gains/losses on disposals	0.0	2.0
Inventory measurement gains/losses	-0.2	0.0
Impairments	-3.3	0.0
Restructuring	-11.5	-4.7
Other items	-2.6	-0.6
<b>Items affecting comparability in operating margin</b>	<b>-17.6</b>	<b>-3.3</b>
Gains/losses on disposals	0.0	2.0
Impairments	-7.8	12.1
Restructuring	-11.5	-4.7
Other items	-2.5	-0.6
<b>Items affecting comparability in operating profit</b>	<b>-21.8</b>	<b>8.8</b>
<b>Items affecting comparability total</b>	<b>-21.8</b>	<b>8.8</b>
<b>Profit/loss for the period</b>	<b>-8.2</b>	<b>18.6</b>

## 2.2 Net sales

### Accounting principle

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

Net sales consist of the proceeds 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. Net sales from the sale of goods are recognised at the point in time when 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 net sales consist primarily of the sale of products, and net sales are typically recognised when control over the products is transferred to the customer. Net sales from services are recognised when the service has been performed. Neova satisfies its performance obligation at a specific 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 has not been significant in the Group's net sales. When the performance obligation has been satisfied, the proportion of the sales revenue that can be allocated to the performance obligation in question is recognised in net sales.

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.

### Net sales by category, external

<b>EUR million</b>	<b>2023</b>	<b>2022</b>
<b>Products</b>	<b>486.2</b>	<b>535.7</b>
Grow&Care	356.8	373.4
Fuels&Real Estate Development	124.7	158.2
New Businesses	4.8	4.0
Other	0.0	0.1
<b>Services</b>	<b>9.7</b>	<b>9.2</b>
Grow&Care	7.0	7.8
Fuels&Real Estate Development	2.7	1.3
New Businesses	0.0	0
Other	0.0	1.3
<b>Total</b>	<b>495.9</b>	<b>544.9</b>

### Net sales by operating segment

<b>EUR million</b>	<b>2023</b>	<b>2022</b>
<b>External net sales</b>	<b>495.9</b>	<b>544.9</b>
Grow&Care	363.7	381.2
Fuels&Real Estate Development	127.4	159.5
New Businesses	4.9	4.0
Other	0.0	0.2
<b>Internal net sales</b>	<b>0.0</b>	<b>0.0</b>
Grow&Care	0.3	0.5
Fuels&Real Estate Development	1.8	2.8
New Businesses	0.5	1.0
Other	0.0	0.0
Eliminations	-2.6	-4.2
<b>Total</b>	<b>495.9</b>	<b>544.9</b>

## Geographical information

Neova presents the geographical distribution of the sales by location of customers. Non-current assets and gross capital expenditure are presented by location of assets.

### Net sales by country

EUR million	2023	2022
Finland	180.2	213.6
Other Nordic countries	55.6	57.7
Europe	203.5	223.6
America	18.3	21.2
Other	38.4	28.8
<b>Total</b>	<b>496.1</b>	<b>544.9</b>

### Non-current assets by location

EUR million	2023	2022
Finland	161,1	330,4
Other Nordic countries	41,3	44,6
Europe	140,4	141,3
America	0,0	0,0
Other	0,0	0,0
<b>Total</b>	<b>342,8</b>	<b>516,2</b>

### Gross capital expenditure by location

EUR million	2023	2022
Finland	15,7	99,9
Other Nordic countries	6,4	18,0
Europe	18,0	49,6
America	0,0	0,0
Other	0,0	0,0
<b>Total</b>	<b>40,2</b>	<b>167,5</b>

## 2.3 Other income and expenses

### Other income

#### Accounting principle

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

EUR million	2023	2022
Rental income	0.8	0.8
Grants and public subsidies	-0.4	0.5

Other income	0.9	1.7
Gains on the sale of tangible assets	1.2	7.2
<u>Gains on the sale of non-current tangible and intangible assets</u>	<u>0.0</u>	<u>0.0</u>
Total	2.6	10.3

### Other operating expenses and auditor's fees

<u>EUR million</u>	<u>2023</u>	<u>2022</u>
Rents	18.9	-15.2
Rent (IFRS 16)	0.0	0.0
Losses on the sale and scrapping of tangible assets	-0.1	-0.8
Change in credit loss provision	-1.1	-0.4
<b>Auditor's fees</b>		
Auditor's fees: actual audit	-0.4	-0.5
Auditor's fees: attestations and statements	-0.1	0.0
Auditor's fees: other expert services	-0.3	-0.3
<u>Auditor's fees: tax advice</u>	<u>-0.1</u>	<u>-0.1</u>
Audit costs total	-0.9	-0.9
External services	-16.2	-19.6
<u>Other expenses</u>	<u>-71.7</u>	<u>-47.4</u>
Other operating expenses total	-71.1	-72.3

### 2.4 Materials and services

<u>EUR million</u>	<u>2023</u>	<u>2022</u>
Purchases during the period	-184.3	-311.0
Increase/decrease in inventories	-94.0	9.4
<u>External services</u>	<u>-48.5</u>	<u>-54.4</u>
Total	-326.8	-355.9

### 2.5 Expenses arising from staff benefits

<u>EUR million</u>	<u>2023</u>	<u>2022</u>
Salaries and fees	-54.8	-53.6
Pension expenses, defined contribution	-6.1	-7.0
Voluntary pensions	-0.8	-0.4
<u>Pension expenses, defined benefit</u>	<u>0.0</u>	<u>0.0</u>
Total pension expenses	-6.8	-7.4
Other fixed personnel expenses	-6.2	-6.3
<u>Other variable personnel expenses</u>	<u>-1.1</u>	<u>0.0</u>
Expenses arising from staff benefits	-68.9	-67.3

Management salaries and fees		
Salaries and other short-term employment benefits	2.1	2.1
Benefits paid in connection with dismissals	0.2	0.0
<b>Total</b>	<b>2.3</b>	<b>2.1</b>
Salaries and fees		
CEO	1.0	0.6
Other Management Team	1.9	2.1
Members of the Board of Directors	0.3	0.2
Members of the Supervisory Board	0.0	0.0
<b>Management salaries, fees and fringe benefits total</b>	<b>3.3</b>	<b>3.0</b>

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](http://www.neova-group.com).

### Average number of employees

	<b>2023</b>	<b>2022</b>
Grow&Care	637	646
Fuels&Real Estate Development	178	215
New Businesses	46	31
Other	75	68
<b>Total</b>	<b>936</b>	<b>958</b>

## 2.6 Income tax expense

### 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 balance sheet date. Taxes is recognised in the income statement except where they are related to items recognised in other comprehensive income, in which case the tax is presented in other comprehensive income.

Deferred tax assets and liabilities are, as a rule, recognised for all temporary differences between the taxable values and book values of assets and liabilities, using the tax rates in effect on the balance sheet 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 under other income and expenses. The Group offsets deferred tax assets and liabilities if they are related to the same tax collector.

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

The measurement of income taxes and deferred tax assets and liabilities and the recognition of deferred tax assets require management judgement. The Group has deferred tax assets and liabilities that are expected to



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

EUR million	2023	2022
Income taxes from actual operations	-1.1	-1.2
Taxes for previous financial periods	1.2	-0.2
Deferred taxes	3.6	1.4
Total	3.8	0.0

## Reconciliation of taxes

EUR million	2023	2022
Profit/loss before taxes	-12.0	18.7
Tax at parent company's tax rate 20%	2.4	-3.7
Foreign subsidiaries' different tax rates	1.9	1.1
Effect of tax-free income	0.0	0.2
Effect of non-deductible expenses	-2.5	-0.2
Tax losses during the period without deferred tax	-2.1	0.0
Effect of associates	0.6	0.6
Tax for prior years	-2.1	-0.2
Effect of change in tax rates	0.0	0.0
Utilization of prior years' tax losses with no deferred tax	2.0	2.1
Other	0.1	0.0
Tax expense in the income statement	3.8	0.0

## 2.7 Earnings per share

### Accounting principle

Earnings per share are calculated by dividing the profit/loss 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.

EUR million	2023	2022
Profit for the period attributable to owners of the parent company, EUR million	-8.2	14.6
No. of shares, 1,000 pcs	30,000	30,000
Earnings per share, EUR	-272	487

The Annual General Meeting of Neova Oy was held on 30 March 2023. The AGM adopted the financial statements and consolidated financial statements for the financial year 1 January to 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 amounting to EUR 300 per share, or EUR 9 million in total, for the financial year that ended 31 December 2022.

The Board of Directors proposes to the AGM that a dividend of EUR 134.00 per share, totalling EUR 4,02 million, be distributed for the financial year 1 January to 31 December 2023. 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.

### 3. Intangible and tangible assets

#### 3.1 Goodwill

##### Accounting principle

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

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

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

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

#### Other intangible assets

An intangible asset is entered on the balance sheet at the original acquisition cost if it can be reliably defined, and 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 and amortisation is based on the following expected economic useful lives:

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

#### Emission allowances

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

EUR million	WACC	31 December 2023	WACC	31 December 2022
Grow&Care	8.6%	31.6	7.2%	31.4
Total		31.6		31.4

### 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 book value exceeds the asset's recoverable amount. The recoverable amount of an asset is the higher of the net sale's 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. 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 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 2023 or 2022.

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 2023 and 2022 did not indicate any goodwill impairment risks for the segments. In estimating the cash-generating units, according to the management's estimates, no foreseen change in any of the variables used in sensitivity analyses would lead to a situation in the other segments where a unit's recoverable amount would be lower than its carrying amount.

## Intangible assets

EUR million	Goodwill	Intangible rights	Other intangible assets	Prepayments	Total
<b>2023</b>					
Acquisition cost at the beginning of the period	38.6	70.9	4.8	2.8	117.0
Translation differences (+/-)	0.0	0.0	0.0	0.0	0.0
Acquisitions	0.2	0.5	0.0	0.0	0.7
Additions		2.3	0.1	2.3	4.6
Disposals		0.5		-1.7	-1.2
Transfers between items		0.9		-0.7	0.2
Transfer to non-current assets held for sale					
Acquisition cost at the end of the period	37.2	75.1	4.9	2.7	119.8
Accumulated depreciation and amortisation at the beginning of the period	-7.1	-39.9	-0.7	0.0	-47.7
Translation differences (+/-)		0.0	0.0	0.0	0.0
Accumulated depreciation on disposals		0.0	0.0	0.0	0.0
Depreciation for the period		-3.8	-0.4		-4.1
Impairment					0.0
Accumulated depreciation and amortisation at the end of the period	-7.1	-43.8	-1.1	0.0	-51.8
<b>Book value at the end of the period</b>	<b>31.6</b>	<b>31.4</b>	<b>3.8</b>	<b>2.7</b>	<b>69.5</b>

EUR million	Goodwill	Intangible rights	Other intangible assets	Prepayments	Total
<b>2022</b>					
Acquisition cost at the beginning of the period	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
Additions		0.0	0.1	2.1	2.3
Divestment of subsidiaries					
Disposals			-6.5	-0.6	-7.1
Transfers between items		4.6	0.2	-4.5	0.3
Transfer to non-current assets held for sale					
Acquisition cost at the end of the period	38.6	70.9	4.8	2.8	117.0
Accumulated depreciation and amortisation at the beginning of the period	-7.2	-36.8	-6.7		-50.7
Translation differences (+/-)	0.0	0.0	0.0		0.1

Accumulated depreciation on disposals			6.4		6.4
Depreciation for the period		-3.1	-0.4		-3.5
Impairment		0.1			0.1
Accumulated depreciation and amortisation at the end of the period	-7.1	-39.9	-0.7		-47.7
<b>Book value at the end of the period</b>	<b>31.4</b>	<b>31.0</b>	<b>4.1</b>	<b>2.8</b>	<b>69.4</b>

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 6.1 Acquisitions and divestments.

### 3.3 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 amortisation. 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 (EBIT).

Depreciation and amortisation is based on the following expected economic useful 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 book values. Gains and losses on sales are included in the profit and loss statement under operating profit (EBIT). 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<sup>3</sup>) of peat assets in the Group's production areas is monitored by

measurement. Measurement results do not lead to changes in the book values, 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.

### Impairments

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), i.e. at the lowest unit level, since this is largely independent of other units and the cash flows can be separated. The impairment is calculated by comparing the book value 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.

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and unfinished acquisitions	Total
<b>2023</b>						
Acquisition cost at the beginning of the period	23.2	56.1	296.8	403.0	56.4	835.6
Translation differences (+/-)	0.0	0.0	0.1	0.0	0.1	0.2
Acquisition of subsidiaries		0.0	0.0	0.0		0.0
Additions	0.1	0.4	5.9	1.8	17.9	26.1
Disposals	-0.4	-2.0	-7.8	-2.0	-5.1	-17.4
Transfers between items	0.0	10.6	37.6	4.1	-53.6	-1.3
Transfer to non-current assets held for sale						
Acquisition cost at the end of the period	22.8	65.3	332.5	406.8	15.7	843.2

Accumulated depreciation and amortisation at the beginning of the period	1.1	-35.3	-244.7	-342.9	0.0	-621.8
Translation differences (+/-)		0.0	-0.1	0.0		-0.1
Accumulated depreciation on disposals and transfers	0.0	1.9	7.3	0.3	0.0	9.6
Accumulated depreciation on transfers						
Transfer to non-current assets held for sale						
Depreciation for the period	0.0	-1.6	-9.4	-8.5		-19.5
Impairment	-0.2	-0.1	-3.2	-1.2		-4.7
Accumulated depreciation and amortisation at the end of the period	0.8	-35.1	-250.1	-352.3	0.0	-636.7
<b>Book value at the end of the period</b>	<b>23.7</b>	<b>30.2</b>	<b>82.5</b>	<b>54.6</b>	<b>15.7</b>	<b>206.5</b>

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and unfinished acquisitions	Total
<b>2022</b>						
Acquisition cost at the beginning of the period	23.5	49.1	283.3	401.6	52.4	809.9
Translation differences	-0.1	-0.4	-2.4	-3.0	-0.2	-6.1
Acquisition of subsidiaries	2.6	3.0	0.5	1.4		7.5
Additions	0.1	0.7	18.3	3.6	19.1	41.8
Divestment of subsidiaries						
Disposals	-3.0	-0.5	-6.4	-3.6	-4.5	-18.0
Transfers between items		4.4	3.5	3.0	-10.5	0.4
Transfer to non-current assets held for sale						
Acquisition cost at the end of the period	23.2	56.1	296.8	403.0	56.4	835.6
Accumulated depreciation and amortisation at the beginning of the period	1.1	-34.0	-283.3	-350.1		-621.2
Translation differences (+/-)	0.0	0.1	1.4	1.8		3.3
Accumulated depreciation on disposals and transfers	0.0	0.2	0.5	2.5		3.1
Transfer to non-current assets held for sale						
Depreciation for the period	0.0	-1.6	-9.7	-7.9		-19.2
Impairment <sup>1</sup>		0.0	1.3	10.8		12.0
Accumulated depreciation and amortisation at the end of the period	1.1	-35.3	-244.7	-342.9		-621.9
<b>Book value at the end of the period</b>	<b>24.2</b>	<b>20.9</b>	<b>52.1</b>	<b>60.1</b>	<b>56.4</b>	<b>213.6</b>

<sup>1</sup> Includes reversal of a write-down of EUR 12,0 million related to the re-evaluation 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.

## 3.4 Right-of-use assets

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Total
<b>2023</b>				
Acquisition cost at the beginning of the period	13.0	43.5	9.3	65.7
Translation differences	0.0	0.0	0.0	0.0
Acquisition of subsidiaries				0.0
Additions	0.4	7.1	1.7	9.1
Disposals	-1.2	-3.5	-2.7	-7.5
Transfers between items	0.0	0.0	0.0	0.0
Transfer to non-current assets held for sale				0.0
Acquisition cost at the end of the period	12.1	47.0	8.2	67.4
Accumulated depreciation and amortisation at the beginning of the period	-3.8	-14.6	-5.2	-23.7
Translation differences (+/-)	0.0	0.0	0.0	0.0
Accumulated depreciation on decrease and transfers	0.9	0.7	1.9	3.6
Transfer to non-current assets held for sale				
Depreciation for the period	-1.2	-6.2	-1.9	-9.3
Impairment				0.0
Accumulated depreciation and amortisation at the end of the period	-4.1	-20.1	-5.2	-29.5
<b>Book value at the end of the period</b>	<b>8.0</b>	<b>26.9</b>	<b>3.0</b>	<b>37.9</b>

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Total
<b>2022</b>				
Acquisition cost at the beginning of the period	12.2	36.6	10.8	59.6
Translation differences	-0.0	-0.2	-0.1	-0.4
Acquisition of subsidiaries	1.0	0.1	0.2	1.3
Additions	1.0	12.4	1.6	15.0
Divestment of subsidiaries				0.0
Disposals	-1.1	-4.4	-3.2	-8.7
Transfers between items		-1.1		-1.1
Transfer to non-current assets held for sale				0.0
Acquisition cost at the end of the period	13.0	43.5	9.3	65.7
Accumulated depreciation and amortisation at the beginning of the period	-3.2	-12.0	-5.1	-20.3
Translation differences (+/-)	0.0	0.1	0.1	0.2
Accumulated depreciation on acquisitions	-0.1	0.0	0.0	-0.1
Accumulated depreciation on decreases	0.9	2.8	2.6	6.3
Transfer to non-current assets held for sale				0.0
Depreciation for the period	-1.5	-5.5	-2.7	-9.7
Impairment				0.0
Accumulated depreciation and amortisation at the end of the period	-3.8	-14.6	-5.2	-23.7
<b>Book value at the end of the period</b>	<b>9.2</b>	<b>28.8</b>	<b>4.0</b>	<b>42.0</b>



**Amounts entered in the income statement**

The income statement includes the following amounts related to leases

	<b>2023</b>	<b>2022</b>
Interest expenses	1.4	1.3
Expenses relating to short-term leases	0.8	0.9
Expenses relating to leases of low-value assets	0.2	0.2
Expense relating to variable lease payments	2.5	2.4
<b>Depreciation and amortisation:</b>		
Land areas	1.2	1.5
Buildings and structures	6.2	5.5
Machinery and equipment IFRS 16	1.9	2.8
Other tangible assets IFRS 16	0.0	0.0
Total depreciation	9.3	9.8

**3.5 Depreciation and amortisation**

<b>EUR million</b>	<b>2023</b>	<b>2022</b>
<b>Depreciation and amortisation</b>		
Intangible rights	-3.8	-3.3
Other intangible assets	-0.4	-0.2
Land areas	-1.2	-1.5
Buildings and structures	-7.8	-5.5
Machinery and equipment	-11.4	-11.6
Other tangible assets	-8.5	-10.3
Total	-32.9	-32.3
<b>Impairments</b>		
Goodwill		
Intangible rights		0.1
Land areas	-0.2	
Buildings	-0.1	0.0
Machinery and equipment	-3.2	1.3
Other tangible assets	-1.2	10.8
Total	-4.6	12.1
Total depreciation and amortisation	-37.5	-20.3

## 4. Net working capital and other balance sheet items

### 4.1 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 non-marketability of slow-moving and expired inventory assets.

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

On the balance sheet date, Neova recognises impairment on inventories reflecting non-marketability according to the Group's best judgement. The estimates are based on the continuous monitoring of inventories. The estimate of the non-marketability provision is based on an analysis of the expiration of inventories, the stock turnover rate and the inventory structure relative to the anticipated needs.

EUR million	31 December 2023	31 December 2022
Materials and supplies	35.0	41.7
Unfinished products	0.0	0.0
Finished products	93.3	103.5
Provision for inventory obsolescence	-0.9	0.0
Prepayments from inventories	0.0	0.0
Total	127.4	145.2

### 4.2 Trade receivables 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 (EBIT). If payment is subsequently received on items previously recognised as permanent credit losses, the payment is credited against the same line item in the income statement.

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

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

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

EUR million	31 December 2023	31 December 2022
Trade receivables		
Trade receivables	91.5	75.5
Credit loss provision	-2.0	-1.3
Associates' trade receivables	0.0	0.0
	89.5	74.2
Other short-term receivables and accrued income		
Loan receivables	0.0	3.2
Other short-term receivables	11.6	10.6
Short-term accrued income (from others)	2.8	4.4
Other accrued income of associates	0.0	0.0
	14.3	18.2
Financial assets measured at fair value through profit or loss		
Derivative financial instruments, no hedge accounting	0.0	6.1
Derivative financial instruments, hedge accounting	1.2	0.0
Total	105.1	98.5

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

EUR million	31 December 2023	31 December 2022
EUR	81.7	69.8
USD	3.9	2.4
SEK	6.0	3.3
Other currencies	0.0	0.0
Total	91.6	75.5

### Aging of trade receivables by age and recognised credit losses

#### Credit loss history

EUR million	31 December 2023	31 December 2022
Not due	55.9	49.0
Due under 30 days	27.4	20.9
Due 31–60 days	1.9	1.8
Due 61–90 days	1.5	1.0
Due over 90 days	4.8	2.8
Total	91.5	75.5
<b>Credit losses</b>	<b>0.7</b>	<b>0.5</b>

**Aging of trade receivables by age / provision for expected credit losses**

<b>Trade receivables</b>	<b>Book value (EUR million)</b>	<b>Expected credit losses</b>	<b>EUR</b>
Not yet due	55.9	0.10%	0.1
Due under 30 days	27.4	2.00%	0.5
Due 31–60 days	1.9	5.00%	0.1
Due 61–90 days	1.5	10.00%	0.1
Due over 90 days	4.8	25.00%	1.2
<b>Total</b>	<b>91.5</b>	<b>1.31%</b>	<b>2.0</b>
<b>Provisions for expected credit losses / IFRS 9</b>	31 December 2023		<b>2.0</b>
	31 December 2022		<b>1.3</b>

**4.3 Trade payables and other current liabilities**

<b>EUR million</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Short-term financial liabilities measured at amortised cost</b>		
Advances received	5.8	6.6
Trade payables	62.2	57.5
Trade payables to associates	0.0	0.0
<b>Total</b>	<b>68.0</b>	<b>64.1</b>

Other liabilities	18.2	19.0
Interest liabilities and other financial liabilities	2.7	2.7
Salary and social expense allocations	11.7	11.2
Other accrued expenses	11.1	14.2
Financial liabilities measured at fair value through profit or loss		
Derivative financial instruments, no hedge accounting	0.0	0.1
Total trade payables and other current liabilities	111.6	111.3
<b>Material items included in other liabilities</b>		
Value added tax liability	14.0	15.5
Other employee expense liabilities	3.7	3.5
Total	17.8	19.0
<b>Material items included in accrued expenses</b>		
Accrual of purchase invoices		10.0
Other accrued expenses	10.7	4.3
Total	10.7	14.2

#### The short-term trade payables are divided by currency

EUR million	31 December 2023	31 December 2022
EUR	58.0	53.8
USD	0.6	0.3
GBP	0.0	0.0
SEK	3.4	3.4
Other currencies	0.3	0.0
Total	62.3	57.5

#### 4.4 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 assessed on each balance sheet date, and their amounts are adjusted to reflect the best estimate at the time of the assessment. 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 implementation of the plan or appropriately disclosed the matter. The restructuring provision and other costs related to the adaptation of operations are recognised in the amount of the costs that are incurred as a direct consequence of the plan or that are incurred from a contractual obligation that has no further expected economic benefit or involves a potential sanction for

the cancellation of the agreement. Costs incurred from restructuring and the adaptation of operations are recognised in expenses for the function to which they relate based on their nature.

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

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

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

EUR million	Environmental expense provisions	Other provisions	Total
<b>31 December 2023</b>			
Provisions at the beginning of the period	11.5	0.5	12.1
Translation difference	-0.1		-0.1
Increases in provisions	2.4	0.1	2.5
Used provisions	-0.9	-0.1	-1.0
Acquisition/divestment of subsidiaries	0.0		0.0
<b>Provisions at the end of the period</b>	<b>12.9</b>	<b>0.5</b>	<b>13.5</b>

EUR million	Environmental expense provisions	Other provisions	Total
<b>31 December 2022</b>			
Provisions at the beginning of the period	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
Acquisition/divestment of subsidiaries	-0.2		-0.2
<b>Provisions at the end of the period</b>	<b>11.5</b>	<b>0.5</b>	<b>12.0</b>

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

#### 4.5 Deferred taxes

EUR million	1 January 2023	Translation difference	Recognised in the income statement	Recognised in other comprehensive income or in equity	Acquired/ divested companies	31 December 2023
<b>Deferred tax assets</b>						
Losses	0.2	0.0	0.0	0.0	0.0	0.2
Fixed assets	8.9		-1.7	0.1		7.3
Provisions	2.6		-0.7			1.9
Other items	0.6		-0.5			0.1
<b>Total deferred tax assets</b>	<b>12.3</b>					<b>9.4</b>
Offset against deferred tax liabilities	-8.6					-7.2
<b>Deferred tax assets</b>	<b>3.7</b>	<b>0.0</b>	<b>-1.6</b>	<b>0.1</b>	<b>0.0</b>	<b>2.2</b>

EUR million	1 January 2023	Translation difference	Recognised in the income statement	Recognised in other comprehensive income or in equity	Acquired/ divested companies	31 December 2023
<b>Deferred tax liabilities</b>						
Depreciation difference and provisions	4.3		-4.3			0.0
Capitalisation of intangible assets						
Fixed assets	17.1					15.6
Other items	1.2		-1.2			0.0
<b>Total deferred tax liabilities</b>	<b>22.6</b>					<b>15.8</b>
Offset against deferred tax liabilities	-8.6					-7.2
<b>Deferred tax liabilities</b>	<b>14.0</b>					<b>8.6</b>

<b>Deferred taxes on the balance sheet</b>						<b>2023</b>
Deferred tax assets						2.2
Deferred tax liabilities						8.6
Net tax liability						6.3

EUR million	1 January 2022	Translation difference	Recognised in the income statement	Recognised in other comprehensive income or in equity	Acquired/divested companies	31 December 2022
<b>Deferred tax assets</b>						
Losses	0.2		0.0	0.0	0.0	0.2
Fixed assets	8.4			0.5		8.9
Provisions	2.3	-0.1	0.3	0.1	0.0	2.6
Other items	0.3	0.0	0.3	0.0	0.0	0.6
<b>Total deferred tax assets</b>	<b>11.2</b>					<b>12.3</b>
Offset against deferred tax liabilities	-8.6					-8.6
<b>Deferred tax assets</b>	<b>2.6</b>	<b>-0.1</b>	<b>0.6</b>	<b>0.5</b>	<b>0.0</b>	<b>3.7</b>

EUR million	1 January 2022	Translation difference	Recognised in the income statement	Recognised in other comprehensive income or in equity	Acquired/divested companies	31 December 2022
<b>Deferred tax liabilities</b>						
Depreciation difference and provisions	1.8	-0.1	2.6	0.0	0.0	4.3
Capitalisation of intangible assets	0.0					0.0
Fixed assets	16.7	0.0	-4.1	1.0	3.5	17.1
Other items	0.6	0.0	0.6			1.2
<b>Total deferred tax liabilities</b>	<b>19.2</b>					<b>22.6</b>
Offset against deferred tax liabilities	-8.6					-8.6
<b>Deferred tax liabilities</b>	<b>10.6</b>	<b>-0.1</b>	<b>-0.8</b>	<b>1.0</b>	<b>3.5</b>	<b>14.0</b>

<b>Deferred taxes on the balance sheet</b>		<b>2022</b>
Deferred tax assets		3.7
Deferred tax liabilities		14.0
Net tax liability		10.3

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 2023, the Group had confirmed losses totalling EUR 119.6 million (2022: 108.5), for which no deferred tax assets are recognised.

#### 4.6 Non-current receivables

EUR million	31 December 2023	31 December 2022
<b>Long-term interest-bearing receivables</b>		
Loan receivables from others	3.2	0.0
Loan receivables from associates	0.0	0.0
<b>Long-term non-interest-bearing receivables</b>		
From others	0.0	0.1
<b>Total</b>	<b>3.2</b>	<b>0.1</b>



## 4.7 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 liabilities 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 liabilities. 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.

<b>EUR million</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Liability shown in the balance sheet at the start of the period	4.2	5.3

Expenses in the income statement	0.1	0
Contributions made to the plan	-0.3	-0.3
Arising from remeasurement	0.2	-0.8
Liability shown in the balance sheet at the end of the financial year	4.2	4.2

Key actuarial assumptions at the end of the financial year:

%	31 December 2023	31 December 2022
Discount rate	3.0%	3.1%
Increase in wages	3.0%	3.0%
Increase in pensions	3.0%	3.0%

## 5. Capital structure and financial items

### 5.1 Financial income and expenses

EUR million	2023	2022
<b>Financial income</b>		
Dividend income from associates, investments	0.0	0.0
Dividend income from investments measured at fair value through profit or loss	0.0	0.0
Changes in the value of financial assets measured at fair value through profit or loss		
Financial assets measured at fair value	4.7	
- interest derivatives, no hedge accounting	0.0	0.0
- currency derivatives, no hedge accounting	0.0	0.0
- commodity derivatives, no hedge accounting	0.0	0.0
Interest income	0.4	1.5
Foreign exchange gains from financial loans measured at amortised cost	0.0	0.0
Other foreign exchange gains	6.3	7.1
Other financial income	0.0	0.1
Financial income total	11.4	8.7
<b>Financial expenses</b>		
Interest expenses to others	-11.0	-9.4
Interest expenses on lease expenses (IFRS 16)	0.0	-1.3
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	-0.1
- commodity derivatives, no hedge accounting	0.0	0.0
Foreign exchange losses from financial loans measured at amortised cost	0.0	0.0
Other foreign exchange losses	-6.9	-7.6
Other financial expenses	-0.1	-0.9
Financial expenses total	-18.0	-19.3
Financial income and expenses total	-6.6	-10.6

## 5.2 Financial assets and liabilities by measurement category

EUR million	Amortised cost	At fair value through other comprehensive income	Measured at fair value through profit or loss	Fair value
<b>31 December 2023</b>				
Loan receivables	3.2	0.0	0.0	3.2
Other interest-bearing financial assets	0.0	0.0	151.	151.7
Derivative assets	0.0	1.2	0.0	1.2
Trade receivables	89.6	0.0	0.0	89.6
Other non-interest-bearing receivables	1.6	0.0	0.0	1.6
Cash and cash equivalents	5.5	0.0	0.0	5.5
<b>Financial assets total</b>	<b>99.9</b>	<b>1.2</b>	<b>151.0</b>	<b>252.8</b>

	Amortised cost	At fair value through other comprehensive income	Measured at fair value through profit or loss	Fair value
Interest-bearing loans	264.9	0.0	0.0	264.9
Derivative liabilities	0.0	0.3	0.0	0.3
Trade payables	62.2	0.0	0.0	62.2
Other non-interest-bearing liabilities	12.6	0.0	0.0	12.6
<b>Financial liabilities total</b>	<b>339.8</b>	<b>0.3</b>	<b>0.0</b>	<b>340.1</b>

EUR million	Amortised cost	At fair value through other comprehensive income	Measured at fair value through profit or loss	Fair value
<b>31 December 2022</b>				
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
<b>Financial assets total</b>	<b>128.6</b>	<b>0.0</b>	<b>173.1</b>	<b>301.7</b>

	Amortised cost	At fair value through other comprehensive income	Measured at fair value through profit or loss	Fair value
Interest-bearing loans	314.1	0.0	0.0	314.1
Trade payables	57.5	0.0	0.0	57.5
Other non-interest-bearing liabilities	6.2	0.0	0.0	6.2
<b>Financial liabilities total</b>	<b>377.8</b>	<b>0.0</b>	<b>0.0</b>	<b>377.8</b>

## Other non-current financial assets

EUR million	31 December 2023	31 December 2022
Cost at the beginning of the period	0.5	0.6
Transfers between items	0.0	-0.1
Cost at the end of the period	0.5	0.5
<b>Book value at the end of the period</b>	<b>0.5</b>	<b>0.5</b>

### Other long-term investments

EUR Million	31 December 2023	31 December 2022
Investments in the interest funds at the beginning of the financial year	167.0	169.1
Additions		
Distributions		
Disposals	-19.8	0.0
Change in fair values	4.5	-2.1
Transfers	0.0	0.0
<b>Investments in the interest funds at the end of the financial year</b>	<b>151.7</b>	<b>167.0</b>

### Financial liabilities

#### Accounting principles

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

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

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

EUR million	31 December 2023	31 December 2022
<b>Long-term financial liabilities measured at amortised cost</b>		
Bonds	68.9	178.8
Loans from financial institutions	50.5	51.2
Lease liabilities (IFRS16)	30.7	34.6
Total	150.1	264.7

EUR million	31 December 2023	31 December 2022
<b>Short-term financial liabilities measured at amortised cost</b>		
Bonds	110.0	0.0
Loans from financial institutions	0.8	20.8
Pension insurance (TyEL) loans	0.0	2.5
Commercial papers	34.7	60.8
Lease liabilities (IFRS16)	9.1	9.1

Total							154.7	93.2
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**Long-term debt repayment schedule (per calendar year/nominal values)**

EUR million	2024	2025	2026	2027	2028	2029->	Total
Bonds	110.0	0.0	0.0	0.0	0.0	70.0	180.0
Loans from financial institutions	0.8	50.3	0.1	0.0	0.0	0.0	51.3
Lease liabilities (IFRS16)	10.5	9.1	8.2	6.4	4.5	5.7	44.4
Total	121.4	59.4	8.3	6.4	4.5	75.7	275.7

**Summary of the terms of the liabilities**

EUR million	Nominal interest rate, %	Maturing in	Book value 31 December 2023	Nominal value 31 December 2023	Book value 31 December 2022	Nominal value 31 December 2022
Bonds	2.7%	2024–30	178.9	180.0	178.7	180.0
Loans from financial institutions	5.1%	2024–2025	51.3	51.3	72.1	72.1
Pension insurance (TyEL) loans	0.8%	2023	0.0	0.0	2.5	2.5
Lease liabilities	0.9–3.5%	2024–2050	39.8	44.4	41.2	47.4
Commercial paper debt	4.3%	2024	34.7	35.0	60.8	61.0
Total			304.8	310.7	355.4	363.0

The bonds are senior unsecured bonds. The financing terms and changes during the financial year are described in more detail in Note 5.6.

**Non-current non-interest-bearing liabilities**

EUR million	31 December 2023
Long-term derivatives	0.3
Total	0.3

**5.3 Financial assets****Accounting principles**

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

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

The Group applies the IFRS 9 practical expedient regarding expected credit losses on trade receivables. Final credit losses are recognised on a receivable-specific basis. Credit loss provisions and credit 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 5.6 Fair values of financial assets and liabilities. Financial assets are measured at fair value through other comprehensive income if the receivable may be sold before the due date and if the

expected contractual cash flow is based on interest and the repayment of principal. Financial assets in this category are initially measured at fair value, with transaction costs added and expected credit losses deducted, and thereafter measured at fair value less expected credit losses. The Group determines the fair value of unlisted equities in accordance with IFRS 13. Transaction costs and subsequent changes in the fair value of financial assets recognised at fair value through profit or loss are recognised directly in the income statement.

Financial assets 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 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.

<b>EUR million</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Cash and cash equivalents	5.5	47.7

### 5.4 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 2023, shareholders' equity totalled EUR 293.1 million (311.2), and interest-bearing liabilities totalled EUR 304.8 million (357.9).

The performance indicator used to monitor capital structure is the equity ratio, which is the ratio of equity to the total assets, and the ratio of net debt to EBITDA. Shareholders' equity includes hybrid bonds. Non-interest-bearing advances received are deducted from the total assets. The Group aims to keep the equity ratio above 40% and the net debt/EBITDA ratio below 3.

The values of the performance indicators are presented in the table below.

<b>EUR million</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Shareholders' equity	293.1	311.2
Total assets	737.3	810.3
Non-interest-bearing advances received	5.8	6.6
<b>Balance sheet</b>	<b>731.5</b>	<b>803.7</b>
<b>Equity ratio</b>	<b>40.1%</b>	<b>38.7%</b>

<b>EUR million</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Interest-bearing liabilities	304.8	357.8
Interest-bearing receivables	-3.2	-3.2
Cash and cash equivalents and investments	-157.2	-214.7

Net debt	144.4	140.0
Operating profit (EBIT)	-5.3	29.2
Share of associates' results	-3.0	-2.6
Depreciation and amortisation	37.6	20.2
EBITDA	29.2	46.8

## Net debt reconciliation

### EUR million

2023	Cash and cash equivalents	Liquid investments	Lease liabilities	Loans	Total
<b>Net debt at the beginning of the period</b>	<b>-51.1</b>	<b>-167.0</b>	<b>43.7</b>	<b>314.3</b>	<b>140.0</b>
Cash flow	42.0	19.8	-10.4	-49.2	2.2
Exchange differences	0.0	0.0	-0.1	0.0	-0.1
New leases	0.0	0.0	7.0	0.0	7.0
Acquisitions and divestments	0.4	0.0	0.0	0.0	0.4
Other non-cash changes	0.0	-4.6	-0.3	-0.2	-5.1
<b>Net debt at the end of the period</b>	<b>-8.7</b>	<b>-151.8</b>	<b>39.9</b>	<b>264.9</b>	<b>144.4</b>

### EUR million

2022	Cash and cash equivalents	Liquid investments	Lease liabilities	Loans	Total
<b>Net debt at the beginning of the period</b>	<b>-33.8</b>	<b>-188.9</b>	<b>39.8</b>	<b>194.1</b>	<b>11.2</b>
Cash flow	-22.9	19.5	-11.8	120.2	105.0
Exchange differences	0.0	0.3	0.4	0.0	0.7
New leases	0.0	0.0	13.9	0.0	13.9
Acquisitions and divestments	5.6	0.0	1.4	0.0	7.0
Other non-cash changes	0.0	2.1	0.0	0.0	2.1
<b>Net debt at the end of the period</b>	<b>-51.1</b>	<b>-167.0</b>	<b>43.7</b>	<b>314.3</b>	<b>140.0</b>

## 5.5 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 2023, the share capital amounted to EUR 50,456,377.90. 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 reserve for invested non-restricted equity** consists of other equity-type investments and share subscription prices to the extent that they are 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 and balance sheet creates a translation difference that is recognised in shareholders' 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. The retained earnings also include actuarial gains and losses from defined benefit plans.

## 5.6 Fair values of financial assets and liabilities

### Accounting principles

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

Currency and interest 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.

### Application of hedge accounting

Neova applies cash flow hedges to electricity derivatives. When hedge accounting is applied, the relationship between the hedging instruments and the hedged items is documented in accordance with the objectives of the Group's electricity policy. A forward-looking hedge effectiveness assessment is performed both at the beginning of the hedge accounting relationship and on each reporting date to ensure that changes in the cash flows of the hedging instrument are expected to offset changes in the cash flows of the hedged risk. If the key terms of the hedging instrument and the hedged risk match, the hedge accounting relationship is considered to be effective.

In the hedging of electricity derivatives, the effective portion of the change in fair value is recognised in equity under hedging reserves via other comprehensive income items from where it is reclassified to profit or loss simultaneously with the hedged transaction. The ineffective portion of the hedge is recognised from the hedging reserve in profit or loss under other income and expenses. The inefficiencies arising from the application of hedge accounting during the reporting period were limited.

### 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 balance sheet 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 4.2. Trade receivables and other receivables.



EUR Million	31 December 2023			31 December 2022		
	Positive Fair value	Negative Fair value	Net Fair value	Positive Fair value	Negative Fair value	Net Fair value
<b>Agreement</b>						
Currency derivatives, no hedge accounting						
Current	0	0	0	0	0	0
Electricity derivatives, hedge accounting						
Non-current	0	-0.3	-0.3	0	0	0
Current	1.2	0	1.2	0	0	0
Electricity derivatives, no hedge accounting						
Non-current	0	0	0	1.7	0	1.7
Current	0	0	0	4.4	0	4.4
Fund investments, non-current	151.7	0	151.7	167	0	167
<b>Total financial instruments</b>	<b>152.9</b>	<b>-0.3</b>	<b>152.7</b>	<b>173.1</b>	<b>0</b>	<b>173.1</b>

Commercial paper investments are recognised in the balance sheet at amortised cost. End of fiscal year 2023, there were no commercial paper investments.

EUR million	31 December 2023	31 December 2022
Nominal value of currency derivatives	43.4	52.0
Nominal value of electricity derivatives	3.7	2.5
<b>Short-term</b>	<b>47.1</b>	<b>54.5</b>

### Fair value hierarchy levels

Neova determines and presents the fair value classification of financial instruments in accordance with the following hierarchy:

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

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

Level 2 includes derivatives and fund investments.

EUR million	31 December 2023				31 December 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>								
<b>Available-for-sale financial assets</b>								
Available-for-sale investments	0.0	151.7	0.0	151.7	0.0	167.0	0.0	167.0
<b>Financial assets measured at fair value through profit or loss – held for trading</b>								
Derivatives – no hedge accounting	0.0	1.2	0.0	1.2	0.0	6.1	0.0	6.1
<b>Total</b>	<b>0.0</b>	<b>152.9</b>	<b>0.0</b>	<b>152.9</b>	<b>0.0</b>	<b>173.1</b>	<b>0.0</b>	<b>173.1</b>

**Liabilities measured at fair value****Available-for-sale financial liabilities****Financial liabilities measured at fair value through profit or loss – held for trading**

Derivatives – no hedge accounting	0.0	-0.3	0.0	-0.3	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>-0.3</b>	<b>0.0</b>	<b>-0.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**5.7 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 net sales 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, as well as 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 2023 amounted to EUR 0 million (2022: 0.44). Had the euro been 10 per cent weaker/stronger on the balance sheet date, the transaction exposure would have affected profit by EUR 0 million (2022: +0.04/-0.04). At the end of the year, Neova's transaction exposure, translated into euros at the exchange rate on the financial statements date, was as follows:

EUR million	31 December 2023				31 December 2022			
	Exposure	Hedging	Net	Hedging %	Exposure	Hedging	Net	Hedging %
EUR	6.2	6.2	0.0	100%	5.1	5.1	0.0	100%
SEK	34.3	34.3	0.0	100%	44.5	44.5	0.0	100%
USD	3.2	3.2	0.0	100%	2.4	2.4	0.0	100%

<b>Total</b>	<b>43.6</b>	<b>43.6</b>	<b>0.0</b>	<b>100%</b>	<b>52.0</b>	<b>52.0</b>	<b>0.0</b>	<b>100%</b>
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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 balance sheet date, the Group's net investments in euros were:

<b>EUR million</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Swedish krona	36.0	27.3

### 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. Liquid assets decreased during the period, mainly due to the repayment of short-term commercial papers and revolving credit facilities. The change in interest-bearing net debt during the period was EUR +4.4 million. At the end of the financial year, assets considered liquid amounted to EUR 157.2 million (214.7), of which EUR 151.2 million (fair value) was invested in fixed-income funds.

Of the EUR 150 million commercial paper programme, EUR 35 million (61.0) had been issued at the end of the financial period. At the turn of the financial year, no funds had been withdrawn from the EUR 50 million revolving credit facility.

The Group's equity ratio on the balance sheet date was 40.1 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 the debt in the event that Neova's credit rating falls below investment grade BBB-. In December 2023, Scope Rating GmbH confirmed Neova's rating as BBB- with a stable outlook.

The table below 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 5.2.

<b>EUR million</b>						
<b>31 December 2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028 and after</b>	
Repayments	110.8	50.3	0.1	0.0	70.0	
Interest expenses	7.8	3.7	2.4	2.4	7.1	
trade payables and other current financial liabilities	69.1	0.0	0.0	0.0	0.0	
<b>Total</b>	<b>187.7</b>	<b>54.0</b>	<b>2.5</b>	<b>2.4</b>	<b>77.1</b>	
<b>31 December 2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027 and after</b>	
Repayments	84.3	110.8	50.3	0.1	70.0	
Interest expenses	7.4	7.0	3.4	2.4	9.5	
trade payables and other current financial liabilities	63.7	0.0	0.0	0.0	0.0	

Total	155.4	117.8	53.7	2.5	79.5
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### Maturity distribution of derivatives

#### EUR million

31 December 2023	2024	2025	2026	2027 and after
Nominal value				
Forward exchange agreements and currency swaps	43.4	0.0	0.0	0.0
Electricity forwards	1.5	1.4	0.8	0.0
<b>Total</b>	<b>44.9</b>	<b>1.4</b>	<b>0.8</b>	<b>0.0</b>
31 December 2022	2023	2024	2025	2026 and after
Nominal value				
Forward exchange agreements and currency swaps	52.0	0.0	0.0	0.0
Electricity forwards	1.3	1.0	0.2	0.0
<b>Total</b>	<b>53.3</b>	<b>1.0</b>	<b>0.2</b>	<b>0.0</b>

### 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, including derivative instruments, on 23 December 2023 was 2.3 (3.0) years. The weighted average interest rate of long-term loans was 3.3% (3.0).

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 78% of the Group's long-term financing. An interest rate increase of one percentage point over the next 12 months would have an impact of EUR +0.5 million on the 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 4.2. Trade receivables 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 254.6 million (303.0) on the balance sheet date.

#### EUR million

<b>31 December 2023</b>	<b>Low</b>	<b>Elevated</b>	<b>High</b>	<b>Total</b>
On-balance sheet credit risk from customer contracts				
Trade receivables	89.5	0.4	1.6	91.5
Uninvoiced receivables	1.5	0.0	0.0	1.5
<b>Total</b>	<b>91.0</b>	<b>0.4</b>	<b>1.6</b>	<b>93.0</b>
On-balance sheet credit risk from other financial assets				
Loan receivables and other interest-bearing receivables	3.2	0.0	0.0	3.2
Fund investments	151.7	0.0	0.0	151.7
Deposits and commercial papers	0.0	0.0	0.0	0.0
Derivative assets, fair values	1.2	0.0	0.0	1.2
Other non-interest-bearing receivables	0.0	0.0	0.0	0.0
Cash and cash equivalents	5.5	0.0	0.0	5.5
<b>Total</b>	<b>161.6</b>	<b>0.0</b>	<b>0.0</b>	<b>161.6</b>
<b>Total credit risk exposure on the balance sheet</b>	<b>252.6</b>	<b>0.4</b>	<b>1.6</b>	<b>254.6</b>

#### EUR million

<b>31 December 2022</b>	<b>Low</b>	<b>Elevated</b>	<b>High</b>	<b>Total</b>
On-balance sheet credit risk from customer contracts				
Trade receivables	74.2	0.5	0.8	75.5
Uninvoiced receivables	3.5	0.0	0.0	3.5
<b>Total</b>	<b>77.7</b>	<b>0.5</b>	<b>0.8</b>	<b>79.0</b>
On-balance sheet credit risk from other financial assets				
Loan receivables and other interest-bearing receivables	3.2	0.0	0.0	3.2
Fund investments	167.0	0.0	0.0	167.0
Deposits and commercial papers	0.0	0.0	0.0	0.0
Derivative assets, fair values	6.1	0.0	0.0	6.1
Other non-interest-bearing receivables	0.0	0.0	0.0	0.0
Cash and cash equivalents	47.7	0.0	0.0	47.7
<b>Total</b>	<b>224.0</b>	<b>0.0</b>	<b>0.0</b>	<b>224.0</b>
<b>Total credit risk exposure on the balance sheet</b>	<b>301.7</b>	<b>0.5</b>	<b>0.8</b>	<b>303.0</b>

### Price risk of emission allowances

The Group has a price risk exposure related to emission allowances. The price risk concerns facilities that are within the scope of emissions trading and must acquire emission allowances (EUA) from the market to meet their emission-related obligations. In 2023, Neova's power plant and Novactor's activated carbon production facility in Ilomantsi, collectively as a single entity, were within the scope of emissions trading. The plant is no longer in the scope of emissions trading as of October 2023, as the power plant was shut down and disconnected from the grid. The activated carbon production facility is not within the scope of emissions trading.

Neova did not have any open emission allowance derivative contracts at the end of the financial year.

## Price risk of electric energy

Neova has exposure to a price risk from electric energy, and the Group companies have recognised the need to hedge against fluctuations in electricity prices in connection with their supply of electrical energy. 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 is mainly acquired based on fixed-price purchase agreements. On the balance sheet date, the open electricity price hedges were valid for three years. At the end of the financial year, the amount of energy covered by hedging was 101 MWh (92).

The sensitivity analysis of electricity derivatives includes the total net amount of the purchased agreements, but not the predicted consumption of electricity. An increase or decrease of 10 per cent in the prices of electricity derivatives would have an effect of EUR +/-0.5 million (+/-0.9) on the fair values of derivatives.

## 6. Group structure

### 6.1 Acquisitions and divestments

#### Acquisitions in 2023

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. The transaction value was not made public, and it had no significant impact on the reported figures.

#### Acquisitions in 2022

##### Brill Substrate and Brill Papenburg Logistics

Neova Oy's group company Kekkilä-BVB Germany GmbH acquired the German companies Brill Substrate and Brill Papenburg Logistics. The acquisition strengthens Kekkilä-BVB's market position in the major European markets of Germany, Italy and France. The acquisition included a company-owned port and terminal area in Papenburg, Germany. The strategically significant acquisition strengthens Kekkilä-BVB's position as a leading player in its industry in Europe.

The combined net sales 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 since the date of acquisition.

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

**Acquired net assets and goodwill related to Brill Substrate and Brill Papenburg Logistics collectively, EUR million**

EUR million	2022
Intangible assets	4.1
Tangible assets	8.6
Investments	3.0
Inventories	4.4
Trade receivables and other receivables	5.4
Cash and cash equivalents	5.6
<b>Total assets</b>	<b>31.1</b>
Interest-bearing liabilities	8.8
Provisions	1.1
Trade payables and other payables	7.4
<b>Debt total</b>	<b>17.3</b>
<b>Net assets acquired</b>	<b>13.8</b>
Consideration paid	16.6
Net assets acquired	-13.8
<b>Goodwill</b>	<b>2.8</b>
Consideration paid in cash	16.6
Acquired cash assets	-5.6
Acquired and paid liabilities	8.1
<b>Impact on cash flow</b>	<b>19.1</b>

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

**Algomin AB**

Neova Oy's Group company Hasselfors Garden AB acquired Swedish Algomin AB. The acquisition complemented the product portfolio and strengthened the company's market position as the number one gardening brand in Sweden. Algomin's net sales amounted to slightly over EUR 5 million, and it employed fewer than 10 people. The acquired business was consolidated in the Group's financial figures on 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 under 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**

EUR million	2022
Intangible assets	3.2
Tangible assets	0.2
Inventories	4.1
Trade receivables and other receivables	0.5
Cash and cash equivalents	0.0
<b>Total assets</b>	<b>8.0</b>
Interest-bearing liabilities	1.8
Provisions	0.0
Trade payables and other payables	1.5
<b>Debt total</b>	<b>3.4</b>
<b>Net assets acquired</b>	<b>4.6</b>
Consideration paid	9.2
Net assets acquired	-4.6
<b>Goodwill</b>	<b>4.6</b>
Consideration paid in cash	9.2
Acquired cash assets	0.0
Acquired and paid liabilities	1.8
<b>Impact on cash flow</b>	<b>10.9</b>

The acquisition of Algomin does not have a significant impact on the Group's net sales or operating profit (EBIT). Had the acquisition been made at the beginning of the year, its estimated impact on net sales 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 revalued at fair value on the acquisition date. The acquisition did not have a material effect on the reported figures.

**Divestments in 2023**

Neova did not complete any divestments between January and December 2023.

**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 did not have any 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 did not have any material impact on Neova Group's result.

**6.2 Subsidiaries and significant non-controlling interests**

The table below presents information on the Group's structure on the balance sheet date.



Country	Company	Holding, %	
		Group	Parent company
Spain	Kekkilä-BVB Iberia S.L.	100%	0%
The Netherlands	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%
Italy	Kekkilä-BVB Italy S.r.l	100%	0%
China	Kekkilä-BVB Horticulture (Qingdao) Co., Ltd	100%	0%
Norway	Algomin AS	100%	0%
France	Kekkilä-BVB France SARL	100%	0%
Sweden	Algomin AB	100%	0%
	Hasselfors Garden AB	100%	0%
	Neova AB	100%	100%
Germany	Kekkilä-BVB Germany GmbH	100%	0%
	BVB Gardening GmbH	100%	0%
	G&C Materials Germany GmbH	100%	0%
	Kekkilä-Brill Substrates GmbH	100%	0%
Finland	G&C Materials Oy	100%	0%
	Kekkilä-BVB Oy	100%	100%
	Piipsan Turve Oy	48%	48%
	Simon Turvejaloste Oy	100%	100%
	Solar Laviassuo Oy	100%	0%
	Solar Torvmossen Oy	100%	0%
	Vapo Oy	100%	0%
	Vapo Terra Oy	100%	100%
Estonia	AS Tootsi Turvas	100%	0%
	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

EUR million	Share of profit/loss attributable to non-controlling interests		Share of equity attributable to non-controlling interests	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Kekkilä-BVB		-4.1		
Other	0.1	0.2	0.3	0.4
Total	0.1	0.2	0.3	0.4
Share of the Group	0.8%	27.7%	0.1%	0.2%

## 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.

EUR million	2023	2022
Book value of the acquired non-controlling interest	0.0	46.2
Consideration paid to non-controlling interests	0.0	72.0
<b>Amount by which the consideration paid exceeds the non-controlling interests included in equity</b>	<b>0.0</b>	<b>25.9</b>

## 6.3 Investments in associates and joint ventures

EUR million	31 December 2023	31 December 2022
Shares in joint ventures *)	22.9	19.9
Non-depreciated goodwill included in joint ventures	3.0	3.0

### Investments in associates and joint ventures

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

Name	Primary industry	Domicile	Holding (%)	
			31 December 2023	31 December 2022
Laania Oy, joint venture	Wholesale of other fuels	Vantaa	45	45
Geotec S.r.l., joint venture	Production of growing media	Bolzano	50	50
Scandbio AB, joint venture	Manufacture and sale of solid wood fuels	Jönköping	0	50

## 7. Other notes

### 7.1 Contingent liabilities

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 will be 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.

<b>EUR million</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Liabilities for other own commitments</b>		
Guarantees given	5.2	5.7
<b>Contingent liabilities on behalf of Group companies</b>		
Guarantees	5.8	5.7
<b>Contingent liabilities on behalf of non-Group companies</b>		
Guarantees	20.4	21.9
Contingent liabilities on behalf of non-Group companies, Neova Oy: bank guarantees given on behalf of Laania Oy correspond to Neova Oy's 45% shareholding in the company		
<b>Interest-bearing receivables</b>		
Non-current receivables from others	3.2	3.2
Total	3.2	3.2

Non-current receivables include a shareholder loan granted to Jyväskylän Voima Oy in 2006

## Other financial liabilities

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

	Maximum liability EUR million	Last review year
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
Investment completed in 2023	2.5	2032
<b>Total</b>	<b>3.6</b>	

## 7.2 Transactions with related parties

### Business transactions and open balances with related parties

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

In order to reliably monitor transactions with related parties, Neova maintains a register of the Group's related parties. The information in the register is obtained from the related parties themselves annually. The register is not public, and the information it contains 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 6.3, Investments in associates and joint ventures.

**Transactions with, receivables from and liabilities to related parties****31 December 2023**

<b>EUR million</b>	<b>Joint ventures</b>	<b>Associates</b>
Sales	0.1	
Purchases	1.3	
Receivables	0.0	
Liabilities	0.0	

**31 December 2022**

<b>EUR million</b>	<b>Joint ventures</b>	<b>Associates</b>
Sales		
Purchases	0.1	
Receivables		
Liabilities	0.1	

Management salaries and fees are itemised in Note 2.5, 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 six 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.

There were no loan receivables from senior management on 31 December 2023 or 31 December 2022.

## Parent company's financial statements, FAS

### Parent company's income statement

EUR thousand	Note	2023	2022
<b>NET SALES</b>	3.	93,176	145,126
Change in inventories of finished goods and work in progress		1,081	-3,718
Other income	4.	2,865	10,231
Materials and services	5.	-78,032	-113,245
Personnel expenses	6.	-16,192	-20,129
Depreciation and amortisation	7.	-9,036	4,744
Other operating expenses	8.	-29,205	-35,307
<b>Operating profit/loss</b>		-35,343	-12,298
Financial income	9.	22,671	12,688
Financial expenses	9.	-16,267	-19,832
<b>Profit (loss) before appropriations and taxes</b>		-28,939	-19,443
Appropriations	10.	33,020	-25,509
Income taxes from actual operations	11.	872	0
<b>PROFIT/LOSS FOR THE PERIOD</b>		4,953	6,066

## Parent company's balance sheet

EUR thousand	Note	31 December 2023	31 December 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	12.	7,232	7,434
Tangible assets	13.	80,437	97,734
Investments	14.	204,954	211,149
Non-current assets total		292,624	316,317
<b>Current assets</b>			
Inventories	15.	27,890	29,552
Non-current receivables	16.	150,083	143,878
Short-term receivables <sup>1</sup>	17.	88,985	90,796
Other securities	18.	151,688	166,996
Cash and cash equivalents		2,302	42,773
Current assets total		420,948	473,995
<b>ASSETS</b>		<b>713,572</b>	<b>790,312</b>
<b>LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital		50,456	50,456
Other funds		29,460	30,096
Retained earnings <sup>1</sup>		224,849	227,788
Profit/loss for the period		4,953	6,066
Total equity	19.	309,719	314,407
<b>Accrual of appropriations</b>		4,853	5,873
<b>Mandatory provisions</b>	20.	5,273	4,459
<b>Liabilities</b>			
Non-current liabilities	21.	119,812	231,019
Non-current liabilities <sup>1</sup>	22.	273,916	234,553
<b>Liabilities total</b>		<b>393,728</b>	<b>465,573</b>
<b>LIABILITIES</b>		<b>713,572</b>	<b>790,312</b>

<sup>1)</sup> See appendix 17 and 22. More information regarding the correction of the comparison year caused by the error

**Parent company's cash flow statement**

<b>EUR thousand</b>	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>		
Profit/loss for the period	4,953	6,066
Adjustments to the result for the period		
Depreciation and amortisation	9,036	-4,744
Financial income and expenses	621	7,145
Income tax expense	0	0
Other adjustments	-29,728	-30,717
Total adjustments to the result for the period	-20,071	-28,316
Change in working capital		
Increase/decrease in inventories	1,661	4,103
Increase/decrease in trade receivables and other receivables	9,525	-6,526
Increase/decrease in trade payables and other debts	-870	9,356
Change in provisions	813	-1,562
Total change in working capital	11,130	5,371
Interest paid	-10,156	-8,766
Interest received	10,283	4,164
Dividends received	2,650	1,820
Other financial items	4,097	-3,025
Taxes paid	0	0
<b>Cash flows from operating activities</b>	<b>2,887</b>	<b>-22,685</b>
<b>Cash flows from investing activities</b>		
Investments in tangible and intangible assets	-10,825	-13,798
Proceeds from disposal of tangible and intangible assets	19,220	10,857
Subsidiary shares bought and related transactions	0	-73,301
Subsidiary shares sold and related transactions		6,156
Other investments	-4,460	
Proceeds from disposal of other investments	19,769	21,339
Repayments of loans receivable	-7,496	-28,514
Loans granted	-8,191	
<b>Cash flows from investing activities</b>	<b>10,068</b>	<b>-77,261</b>
<b>Cash flows from financing activities</b>		
Increase (+)/decrease (-) in short-term loans	41,400	128,541
Proceeds from long-term loans		51,070
Repayment of long-term loans	-111,696	-5,569
Dividends paid	-9,000	-60,000
Group contributions received	25,870	
<b>Cash flows from financing activities</b>	<b>-53,427</b>	<b>114,042</b>
<b>Net increase (+) / decrease (-) in cash and cash equivalents</b>	<b>-40,471</b>	<b>14,096</b>
Cash and cash equivalents at the beginning of the period	42,773	28,677
Net increase (+) / decrease (-) in cash and cash equivalents	-40,471	14,096
Cash and cash equivalents at the end of the period	2,302	47,773



## Parent company's notes

### 1. Accounting principles applied to the financial statements

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

#### Currency-denominated items and derivative financial instruments

Foreign currency-denominated business transactions are recognised at the exchange rate of the transaction date, and assets and liabilities on the balance sheet on the balance sheet date are translated at the closing rate of exchange. Exchange rate differences are recognised in exchange rate differences in financing. Derivative financial instruments made to cover currency risks are measured at the rate on the balance sheet 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.

#### Net sales and principles of revenue recognition

Revenue recognition takes place when the output is handed over. In calculating net sales, indirect sales taxes, discounts granted and complaint-related reimbursement is deducted from the sales revenue..

#### Other income and expenses

Other income includes capital gains from property, plant and equipment, rental income, gains from emission allowances sold and received subsidies. Other operating expenses include capital losses from property, plant and equipment, actual expenses of emission allowances 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.

#### Fixed assets, depreciation and amortisation

The balance sheet values of fixed assets are based on initial cost less annual depreciation and impairment. Fixed assets 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.

#### Emission allowances

Emission allowances are handled as intangible rights measured at cost. The measurement value of emission allowances received without consideration is nil. A provision for fulfilling the obligation to return the emission allowances is recorded if the emission allowances received without consideration are not sufficient to cover the actual amount of emissions. Therefore, any impact on the result is the difference between the actual emissions and the emission allowances 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 measurement 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 6.1 to the consolidated financial statements.

## 3. Net sales

<b>EUR million</b>	<b>2023</b>	<b>2022</b>
Finland	81,784	138,645
Other countries	11,392	6,481
<b>Total</b>	<b>93,176</b>	<b>145,126</b>

## 4. Other income

<b>EUR thousand</b>	<b>2023</b>	<b>2022</b>
Rental income	649	647
Grants and public subsidies	313	565
Capital gains from equity	289	5,956
Other income	1,614	3,066
<b>Total</b>	<b>2,865</b>	<b>10,231</b>

## 5. Materials and services

<b>EUR thousand</b>	<b>2023</b>	<b>2022</b>
Purchases during the period	-30,328	-46,367
Change in inventories	2,422	-869
External services	-27,738	-31,988
Cost of sales freight	-22,388	-34,022
<b>Total</b>	<b>-78,032</b>	<b>-113,245</b>

## 6. Notes concerning personnel and members of administrative bodies

<b>EUR thousand</b>	<b>2023</b>	<b>2022</b>
<b>Personnel expenses</b>		
Salaries and fees	-13,165	-16,743
Pension expenses	-2,772	-2,802
Other personnel expenses	-255	-584
<b>Total</b>	<b>-16,192</b>	<b>-20,129</b>

### Management salaries, fees and fringe benefits

CEO	1 041	619
Members of the Board of Directors	277	247
Members of the Supervisory Board	11	15
Other Management Team members	1,940	2,119
<b>Total</b>	<b>3,269</b>	<b>3,000</b>

Management does not have any loans, guarantees, counter-obligations or pension liabilities from the company

**Number of personnel**

Average during the financial period	180	221
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**7. Depreciation and amortisation**

<b>EUR thousand</b>	<b>2023</b>	<b>2022</b>
Intangible rights	-1,449	-931
Buildings and structures	-47	-445
Machinery and equipment	-1,979	-2,093
Other tangible assets	-5,467	-3,879
Planned depreciation total	-8,942	-7,347

**Impairments**

Intangible rights	0	-2
Land areas	0	0
Buildings	0	1
Machinery and equipment	-12	1,261
Other tangible assets	-83	10,825
Impairments total	-95	12,085
Total depreciation and amortisation	-9,036	4,738

**8. Other operating expenses**

<b>EUR thousand</b>	<b>2023</b>	<b>2022</b>
Rents	-12	-4,427
ICT and other services	-7,420	-7,510
External services	-4,274	
External transport	-6,474	-5,476
Capital losses from equity	-356	-770
Audit costs, actual audit	-141	-146
Audit costs, attestations and statements	-11	0
Audit costs, other expert services	-24	-9
Audit costs, tax advice	0	-11
Audit costs total	-176	-165
Other expenses	-10,493	-16,959
Total	-29,205	-35,307

**9. Financial income and expenses**

<b>EUR thousand</b>	<b>2023</b>	<b>2022</b>
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Dividend income from Group companies	2,650	1,820
Dividend income from others	0	0
Income from shares	2,650	1,820
Interest income from Group companies	9,525	3,553
Interest income from others	263	1,044
Other financial income	4,667	21
Other interest and financial income	14,455	4,618
Interest expenses to Group companies	-850	-3,673
Interest expenses to others	-8,660	-8,881
Other financial expenses to others	-801	-659
Other interest and financial expenses	-10 311	-13,213
Financial income and expenses total	6,794	-6,774
Foreign exchange gains	5,566	6,250
Foreign exchange losses	-5,956	-6,533
Exchange rate differences in financing	-390	-283
Impairment of Group shares and receivables	0	-86
Financial income total	22,671	12,688
Financial expenses total	-16,267	-19,832

## 10. Appropriations

<b>EUR thousand</b>	<b>2023</b>	<b>2022</b>
<b>Change in depreciation difference</b>		
Intangible assets	-22	-400
Buildings and structures	-266	76
Machinery and equipment	1,140	-29
Other tangible assets	168	-7
<b>Group contributions</b>		
Group contributions received	32,000	25,870
Total	33,020	25,509

## 11. Direct taxes

<b>EUR thousand</b>	<b>2023</b>	<b>2022</b>
Income taxes from continuing operations	0	0
Total	0	0

**12. Intangible assets**

EUR thousand	Intangible rights	Other intangible assets	Prepayments	Total
<b>2023</b>				
Acquisition cost at the beginning of the period	35,324	161	2,879	38,364
Increase	2,045	0	944	2,989
Decrease	0	0	-1,741	-1,741
Transfers between items	604	0	-604	0
Acquisition cost at the end of the period	37,973	161	1,478	39,612
Accumulated depreciation at the beginning of the period	-30,812	-117	0	-30,929
Depreciation for the period	-1,432	-17		-1,449
Accumulated depreciation at the end of the period	-32,244	-134	0	-32,378
<b>Book value at the end of the period</b>	<b>5,729</b>	<b>27</b>	<b>1,478</b>	<b>7,234</b>

EUR thousand	Intangible rights	Other intangible assets	Prepayments	Total
<b>2022</b>				
Acquisition cost at the beginning of the period	31,811	161	5,445	37,416
Increase	40		1,502	1,543
Decrease			-595	-595
Transfers between items	3,473		-3,473	0
Acquisition cost at the end of the period	35,324	161	2,879	38,364
Accumulated depreciation at the beginning of the period	-29,957	-100		-30,057
Depreciation for the period	-914	-17	0	-931
Impairments	58		0	58
Accumulated depreciation at the end of the period	-30,813	-117	0	-30,930
<b>Book value at the end of the period</b>	<b>4,510</b>	<b>44</b>	<b>2,879</b>	<b>7,434</b>

**13. Tangible assets**

EUR thousand	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and unfinished acquisitions	Total
<b>2023</b>						
Acquisition cost at the beginning of the period	19,190	22,882	168,070	308,702	48,464	567,308
Increase	256	11	1,982	4,437	7,894	14,580
Decrease	-14,130	-2,889	-2,206	-63	-5,002	-24,290

Transfers between items		10,373	31,921	3,782	-46,075	0
Acquisition cost at the beginning of the period	5 315	30,377	199,768	316,858	5,281	557,599
Accumulated depreciation at the beginning of the period	-539	-19,726	-158,495	-290,816		-469,576
Depreciation for the period		-47	-1,979	-5,467		-7,493
Impairment			-12	-83		-95
Accumulated depreciation at the end of the period	-539	-19,773	-160,486	-296,365	0	-477,163
<b>Book value at the end of the period</b>	<b>4,776</b>	<b>10,605</b>	<b>39,281</b>	<b>20,493</b>	<b>5 281</b>	<b>80,438</b>

EUR thousand	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and unfinished acquisitions	Total
<b>2022</b>						
Acquisition cost at the beginning of the period	21,840	22,581	166,104	307,231	45,112	562,869
Increase	124	0	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
Acquisition cost at the end of the period	19,190	22,882	168,070	308,702	48,464	567,309
Accumulated depreciation at the beginning of the period	-539	-19,281	-157,662	-297,710		-475,193
Depreciation for the period		-445	-2,095	-3,931		-6,469
Impairment		1	1,261	10,825		12,087
Accumulated depreciation at the end of the period	-539	-19,726	-158,495	-290,816	0	-469,576
<b>Book value at the end of the period</b>	<b>18,651</b>	<b>3,157</b>	<b>9,575</b>	<b>17,886</b>	<b>48,464</b>	<b>97,734</b>

#### Impairment

During the financial period January to December 2023, an amortisation of EUR 0.1 million was recognised in tangible assets.

During the reference period of January to December 2022, a reversal of impairment of EUR 12.0 million relating to energy assets was recognised in tangible assets.

**14. Investments**

<b>EUR thousand</b>	<b>Shares in Group companies</b>	<b>Shares in associates</b>	<b>Other shares and participations</b>	<b>Total</b>
<b>2023</b>				
Acquisition cost at the beginning of the period	195,511	15,187	450	211,148
Increase, intra-group	8,992			8,992
Decrease		-15,187		-15,187
<b>Book value at the end of the period</b>	<b>204,503</b>	<b>0</b>	<b>450</b>	<b>204,954</b>

<b>EUR thousand</b>	<b>Shares in Group companies</b>	<b>Shares in associates</b>	<b>Other shares and participations</b>	<b>Total</b>
<b>2022</b>				
Acquisition cost at the beginning of the period	125,934	102	470	126,507
Increase	73,301	15,233		88,534
Decrease	-3,638	-149	-20	-3,806
Decrease, intra-group	-86			-86
<b>Book value at the end of the period</b>	<b>195,511</b>	<b>15,187</b>	<b>450</b>	<b>211,149</b>

**15. Inventories**

<b>EUR thousand</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Materials and supplies	6,282	4,863
Work-in-progress	0	0
Finished products	21,608	24,687
Prepayments from inventories	0	2
<b>Total</b>	<b>27,890</b>	<b>29,552</b>

**16. Non-current receivables**

<b>EUR thousand</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Loan receivables from others	150,017	143,878
Other non-current receivables from others	65	0
<b>Total</b>	<b>150,083</b>	<b>143,878</b>



**17. Short-term receivables**

<b>EUR thousand</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Receivables from Group companies		
Trade receivables	34,681	29,640
Loan receivables	16,522	9,526
Accrued income	33,017	26,420
Receivables from associates		
Trade receivables	-5	91
Receivables from others		
Trade receivables	2,055	16,517
Accrued income	1,408	2,142
Other financial assets	128	358
Derivative financial instruments	1,180	6,087
<b>Total</b>	<b>88 985</b>	<b>90 782</b>
<b>Essential accrued income items</b>		
Other accrued income from sales	552	1,819
Other accrued income from expenses	856	323
<b>Total</b>	<b>1,408</b>	<b>2,142</b>

**Correction of a material error in the recording of electricity derivatives**

In September 2023, the company detected an error regarding the recognition of the fair value of electricity derivatives. The error resulted in fair value entries in receivables (6,087) and corresponding borrowings (1,217) recognised in 2022 and previous financial years and in profit for the financial year (4,870). The error has been corrected by adjusting each affected financial statement line for prior periods.

**18. Financial instruments measured at fair value****Nominal and fair values of financial instruments**

<b>EUR thousand</b>	<b>31 December 2023</b>		<b>31 December 2022</b>	
	<b>Nominal value</b>	<b>Fair value</b>	<b>Nominal value</b>	<b>Fair value</b>
Currency derivatives	34,499	5	44,434	0
Electricity derivatives	3,663	930	2,489	6,087
Fund investments	150,000	151,688	169,976	166,996
<b>Total</b>	<b>188,162</b>	<b>152,623</b>	<b>216,899</b>	<b>173,083</b>

**Maturity distribution of derivatives**

EUR thousand	2024	2025	2026
<b>Nominal values 31 December 2023</b>			
Forward exchange agreements and currency swaps	34,499	0	0
Electricity forwards	1,272	1,588	803
Total	35,771	1,588	803
	2023	2024	2025
<b>Nominal values 31 December 2022</b>			
Forward exchange agreements and currency swaps	44,434	0	0
Electricity forwards	1,310	970	208
Total	45,744	970	208

**Financial liabilities and assets by measurement category**

EUR thousand	Amortised cost	Qualified for hedge accounting	Measured at fair value through profit or loss	Fair value
<b>31 December 2023</b>				
Loan receivables	150,017	0	0	150,017
Other interest-bearing financial assets	0	0	150,000	151,688
Derivative assets	0	1,115	0	1,115
Trade receivables	36,736	0	0	36,736
Other non-interest-bearing receivables	552	0	0	552
Cash and cash equivalents	2,302	0	0	2,302
<b>Financial assets total</b>	<b>189,607</b>	<b>1,115</b>	<b>150,000</b>	<b>342,410</b>

	Amortised cost	Qualified for hedge accounting	Measured at fair value through profit or loss	Fair value
Interest-bearing loans	326,793	0	0	326,793
Derivative liabilities	0	252	0	252
Trade payables	50,044	0	0	50,044
Other non-interest-bearing liabilities	3,056	0	0	3,056
<b>Financial liabilities total</b>	<b>379,893</b>	<b>252</b>	<b>0</b>	<b>380,145</b>

EUR thousand	Amortised cost	Qualified for hedge accounting	Measured at fair value through profit or loss	Fair value
<b>31 December 2022</b>				
Loan receivables	144,378	0	0	144,378
Other interest-bearing financial assets	0	0	166,996	166,996
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
<b>Financial assets total</b>	<b>235,128</b>	<b>0</b>	<b>173,083</b>	<b>408,211</b>

	Amortised cost	Qualified for hedge accounting	Measured at fair value through profit or loss	Fair value
Interest-bearing loans	315,111	0	0	315,111
Trade payables	41,672	0	0	41,672
Other non-interest-bearing liabilities	7,685	0	0	7,685
<b>Financial liabilities total</b>	<b>364,468</b>	<b>0</b>	<b>0</b>	<b>364,468</b>

### Fair value hierarchy

Neova determines and presents the fair value classification in accordance with the following hierarchy:

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

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

Level 2 includes derivatives and fund investments

EUR thousand	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>ASSETS MEASURED AT FAIR VALUE</b>								
<b>Available-for-sale financial assets</b>								
Available-for-sale investments	0	151,688	0	151,688	0	166,996	0	166,996
<b>Financial assets measured at fair value through profit or loss / held for trading</b>								
Derivatives – no hedge accounting	0	7	0	7	0	6 087	0	6 087
Derivatives – hedge accounting	0	1,212	0	1 212	0	0	0	0
<b>Total</b>	<b>0</b>	<b>152,907</b>	<b>0</b>	<b>152,907</b>	<b>0</b>	<b>173,083</b>	<b>0</b>	<b>173,083</b>

**LIABILITIES MEASURED AT FAIR VALUE****Available-for-sale financial liabilities****Financial liabilities measured at fair value through profit or loss / held for trading**

Derivatives – no hedge accounting	0	-2	0	-2	0	0	0	0
Derivatives – hedge accounting	0	-266	0	-266	0	0	0	0
<b>Total</b>	<b>0</b>	<b>-268</b>	<b>0</b>	<b>-268</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**19. Shareholders' equity****Restricted equity**

<b>EUR thousand</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Share capital 1 January	50,456	50,456
Share capital 31 December	50,456	50,456
Hedge and other reserves 1 January	0	0
Change in reserves	-637	0
Hedge and other reserves 31 December	-637	0
Total restricted equity 31 December	49,819	50,456

**Unrestricted equity**

<b>EUR thousand</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Reserve for invested unrestricted equity 1 January	30,096	30,096
Reserve for invested unrestricted equity 31 December	30,096	30,096
Retained earnings at beginning of the period	233,854	283,068
Dividends paid	-9,000	-60,000
Donations	-5	-150
Correction of the comparison year error	0	4,870
Profit for the period	4,953	6,066
Total unrestricted equity	259,899	263,951

**Account of funds available for the distribution of profit**

Reserve for invested unrestricted equity	30,096	30,096
Retained earnings	233,854	222,918
Profit/loss for the period	4,953	6,066
- hedging and other reserves	-637	0
- capitalised development expenditure for work in progress	-903	-2,451
Total distributable funds	258,359	256,629

**20. Mandatory provisions**

<b>EUR thousand</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Provision due to environmental obligations	5,273	4,459
<b>Total</b>	<b>5,273</b>	<b>4,459</b>

**21. Non-current liabilities**

<b>EUR thousand</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Bonds	68,866	178,793
Loans from financial institutions	50,508	51,227
Deferred tax liabilities	236	0
Derivatives	252	0
<b>Total</b>	<b>119,812</b>	<b>230,019</b>

**Summary of loan terms**

<b>EUR thousand</b>	<b>Nominal interest rate, %</b>	<b>Maturing in</b>	<b>Book value 31 December 2023</b>	<b>Nominal value 31 December 2023</b>	<b>Book value 31 December 2022</b>	<b>Nominal value 31 December 2022</b>
Bonds	2.7%	2024–30	178,866	180,000	178,793	180,000
Loans from financial institutions	5.1%	2024–26	51,300	51,300	72,069	72,069
Pension insurance (TyEL) loans	0.0%	2023	-	-	2,500	2,500
Commercial paper debt	4.3%	2024	34,734	35,000	60,749	61,000
<b>Total</b>			<b>264,900</b>	<b>266,300</b>	<b>314,111</b>	<b>315,569</b>

The average interest on the loan portfolio consisting of euro-denominated loans on the balance sheet date was 3.3% (3.0).

**Repayment schedule for interest-bearing liabilities (per calendar year/nominal values)**

<b>EUR thousand</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029 -&gt;</b>	<b>Total</b>
Bonds	110,000	0	0	0	0	70,000	<b>180,000</b>
Loans from financial institutions	842	50,320	138	0	0	0	<b>51,300</b>
<b>Total</b>	<b>110,842</b>	<b>50,320</b>	<b>138</b>	<b>0</b>	<b>0</b>	<b>70,000</b>	<b>231,300</b>

## 22. Current liabilities

EUR thousand	31 December 2023	31 December 2022
Commercial papers	34,734	60,749
Convertible bonds	110,000	0
Loans from financial institutions	842	23,342
Advances received	24	3,399
Trade payables	43,247	39,969
<b>Liabilities to Group companies:</b>		
Trade payables	6,797	1,703
Other liabilities	61,817	81,903
Accrued expenses	660	2,401
<b>Liabilities to joint ventures:</b>		
Trade payables		
Other liabilities	3,788	6,586
Accrued expenses	12,007	14,501
<b>Total</b>	<b>273,916</b>	<b>234,553</b>
<b>Material items included in accrued expenses</b>		
Short-term interest liabilities	2,664	2,689
Accrued personnel expenses	4,206	4,765
Accrual of purchase invoices	5,129	7,047
<b>Total</b>	<b>11,999</b>	<b>14,501</b>

## 23. Subsidiaries and their non-controlling shareholding

The table below presents information on the situation at the end of December 2023.

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

<b>EUR thousand</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Other guarantees given on behalf of own commitments</b>		
Guarantees	698	1,438
<b>Contingent liabilities on behalf of Group companies</b>		
Guarantees	5,842	5,703
<b>Lease obligations</b>		
Due within the next one-year period	1,401	1,556
Due later	5,987	7,031
Total	7,389	8,587

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 (9.0 million on 31 December 2022).

Year of payment	Lease amount (based on 2023)	Number of agreements	Year of payment	Lease amount (based on 2023)	Number of agreements	Year of payment	Lease amount (based on 2023)	Number of agreements
2024	832,990	543	2038	205,445	114	2052	29,306	7
2025	798,511	523	2039	186,752	101	2053	29,306	7
2026	732,363	458	2040	177,851	94	2054	29,306	7
2027	704,891	444	2041	134,367	61	2055	17,978	6
2028	654,115	389	2042	106,356	54	2056	17,978	6
2029	633,317	378	2043	85,375	43	2057	17,978	6
2030	603,487	359	2044	81,218	38	2058	17,978	6
2031	547,701	328	2045	60,415	33	2059	17,978	6
2032	485,845	298	2046	58,163	29	2060	17,978	6
2033	391,885	220	2047	49,479	24			
2034	360,560	204	2048	45,790	20			
2035	311,088	167	2049	43,907	18			
2036	246,927	134	2050	42,338	16			
2037	228,679	128	2051	34,352	14			

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

Vantaa, 29 February 2024, Board of Directors of Neova Oy

Panu Routila  
Chair

Tuomas Hyyryläinen  
Vice Chair

Stefan Damlin

Jari-Pekka Punkari

Kirsi Puntila

Eeva-Liisa Virkkunen

Pekka Tennilä  
CEO

**Auditor's note**

A report on the audit has been issued today.

Helsinki, 7 March 2024

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

Panu Vänskä  
Authorised Public Accountant, KHT