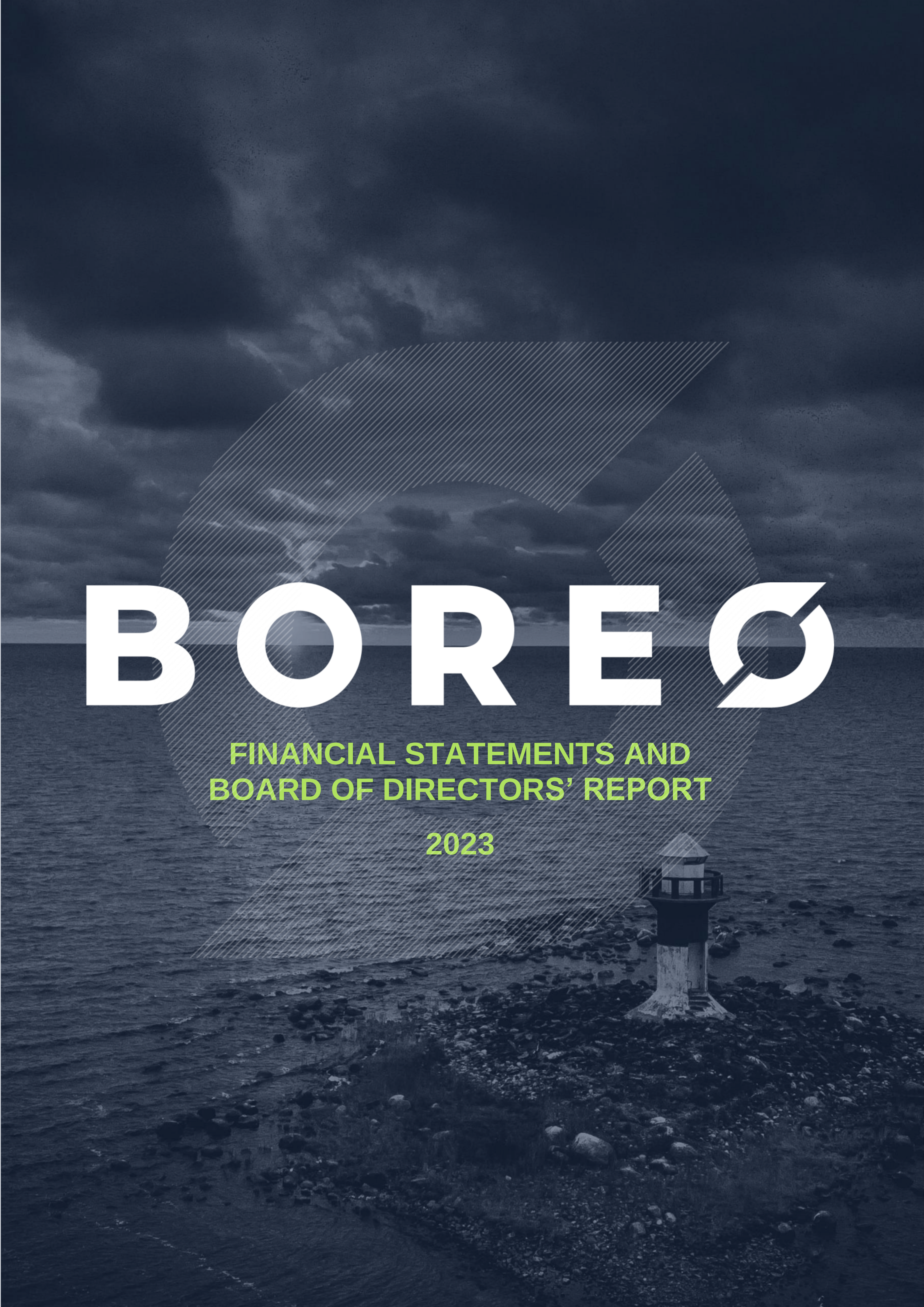

BOREØ

FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT

2023

CONTENTS

REPORT OF THE BOARD OF DIRECTORS JAN. 1. - DEC. 31, 2023

2023 IN BRIEF

In 2023, Boreo took systematic steps to improve the quality of the Group's company portfolio, as well as develop the value creation playbook and sustainability topics.

Financially, the year was challenging mainly due to the weakening of the market environment starting in spring 2023. The Group's net sales grew only 1% to EUR 161 million, while organic net sales decreased by EUR 12 million. Acquisitions carried out in 2022 and 2023 increased net sales by EUR 14 million. During the year, the company successfully defended its operational result by exiting the low-margin SANY-business in Finland and Sweden, focusing on improving sales margins and reducing fixed costs. Operational EBIT increased by 8% to EUR 9.5 million and the EBIT margin 5.9% (2022: 5.4 %).

In addition to improving profitability, the company successfully released working capital and generated cash flow. Operational net cash flow rose from EUR 4.1 million to EUR 11.6 million. Because of the growth of earnings and strong cash flow, the company's return on capital employed increased to 11% (2022: 10.4 %). The Group's financial position remained stable and net debt relative to the 12-month operational EBITDA was 2.5x at the end of 2023.

Business model. The company has systematically developed its business and operating model since 2020. As a continuation of the new business model launched in 2021 and the Boreo Clock and Game Plan concepts introduced in 2022, the company launched the first version of the Boreo Book, which summarizes its value creation playbook and ownership philosophy in 2023. The Boreo Book crystallizes the cornerstones of the company's strategy – sustainable long-term earnings growth: a decentralized organizational model, capital allocation and long-term view. Its completion is a significant milestone on the company's path, as its contents simplify the core of the company's value creation playbook, which provides a solid foundation for the company's future development.

During 2023, the company also took important steps in establishing its earnings and return on capital thinking in the organization, of which, for example, the company's strong cash flow and ability to react to the weakened market situation serve as good examples.

Acquisitions. During the year, the company made three acquisitions and welcomed Filterit Oy, Delfin Technologies Oy and Lamox Oy into the family. All three acquisitions are excellent examples of the company's target profile updated in 2022. In addition to a long history of profitable and high return on capital, the companies are strongly positioned in their industries and have good preconditions to create long-term sustainable profit growth.

During 2023, the company implemented its strategy by exiting from the SANY excavator businesses in Finland and Sweden. The decision to divest the businesses is in line with the company's capital allocation philosophy, based on which its group companies must be able to generate a return on trade working capital that exceeds 50% in the medium term and sufficiently high profitability. A more attractive return can be achieved on the capital released from the exit in the company's other businesses or acquisition activities.

Sustainability. Sustainable business is part of Boreo's DNA and its 'Sustainable long-term profit growth' strategy. During 2023, the company clarified its sustainability approach and systematized the way that responsibility is part of the company's business model going forward. Based on materiality analysis, stakeholder survey and sustainability interviews conducted in 2022 and 2023, Boreo identified its focus areas for sustainability: *Strong financial performance, engaged people, healthy environment, and sound business practices*. As part of its annual report for 2023, the company published its first sustainability report, which describes, in addition to the focus areas and sustainability KPIs, the company's approach on sustainability as part of the core of its business model. During 2024, the Group will continue to develop and advance sustainability topics together with the Group companies' customers and suppliers, as well as develop reporting following the requirements of the Corporate Sustainability Reporting Directive.

A simplified organizational structure from 2024 onwards. In December 2023, Boreo announced that it would simplify its organizational structure and combine the Technical Trade and Heavy Machines business areas into one new Technical Trade business area as of January 1, 2024. The combined technical Trade business area improves the organization's capability to grow and broadens the capital allocation opportunities in the technical trade sector in Finland, Sweden and Estonia and is, therefore, better aligned with the company's business model, which is based on the acquisition and long-term ownership of companies with ability to generate sustainable long-term earnings growth and strong cash flows.

OPERATING ENVIRONMENT AND BUSINESS DEVELOPMENT

In 2023, the operating environment of the Group's companies was significantly affected by price increases of components, equipment and machinery, as well as a decrease in customers' willingness to invest due to higher interest rates and a weaker economic outlook. The availability challenges and long delivery times experienced in 2021 and 2022 eased during 2023 and by 2024, the delivery times are at pre-COVID-19 levels.

The demand for products and services of companies in the Electronics Business area weakened significantly in the second half of 2023, and the companies' performance was at a low level compared to recent history. Among the companies in the business area, SSN experienced the biggest challenges during the year, as the product development activities of the company's largest customer decreased starting from the first quarter of the year. The weakened demand outlook toward the end of the year affected the performance of companies involved in electronics component trading – Yleiselektroniikka, YE International companies, Noretron and Infradex. Milcon's business, in turn, developed positively during the year as a result of premise changes completed in autumn 2022 and the good demand outlook in the defense industry. The operations of Delfin, which joined the Group in summer 2023, as part of the Group took off as expected and the company continued its investment program aimed at updating the product portfolio and technology platform during the year.

For companies in the Technical Trade business area 2023 was a successful year, although demand for products and services weakened toward the end of the year. The performance of Machinery's power business was strong due to the continued strong demand for Finnish equipment manufacturers and engineering products and the positive tune in the backup power business. The energy crisis and the strengthening of security of supply aspects helped support the demand for backup power solutions. Pronius, serving customers in the metal and mechanical engineering industry, had a successful year, although customer investments decreased in the second half of the year. Machinery's machine tools business which also serves customers in the metal industry, improved its profitability from 2022, when the war in Ukraine caused a significant slowdown in investments in the metal industry subcontracting chain. The year progressed as expected for J-Matic and Filterit, who joined the Group as new companies at the turn of 2022–2023, and both companies implemented measures and investments aimed at future growth. For construction businesses (Muottikolmio and Machinery's Construction equipment) the year was challenging as construction activity collapsed. The Lamox acquisition by Muottikolmio was successful and the demand for Termokenkä and Isodrän products used in renovation was good.

For the Heavy Machines business area, 2023 was twofold. The exit from the SANY excavator business in Finland and Sweden at the beginning of the year strengthened the cash flow and capital efficiency of the business area, but the operational result was weakened by write-downs caused by the exit. The year was challenging for the Putzmeister businesses considering the market situation, and profitability and return on capital of both Finnish and Swedish operations were at a reasonable level. FNB's year 2023 was challenging due to challenges in the implementation of ERP system taking longer than expected, investments in production processes and resulting delivery difficulties. However, the successful implementation of the action plan drawn up in the summer of 2023 pushed the company toward delivery volumes and profitability in line with recent history. For the Estonian SANY businesses, the year was challenging due to a significant drop in machine deliveries compared to 2022.

The demand for ESKP and Vesterbacka Transport services, which are reported in other operations, was negatively affected by lower trunk and express transport volumes, and profitability was weakened by cost pressures that continued from 2022.

FINANCIAL DEVELOPMENT

In August 2022, Boreo sold its entire 90% holding in the electronics component distribution business in Russia. For 2023, all figures in this report relate to continuing operations, unless otherwise stated. In the income statement, the comparison periods have also been adjusted for continuing operations, while the data in the cash flow statement have not been adjusted in the comparison period and include discontinued operations. The December 31, 2022 balance sheet no longer includes discontinued operations either.

Net sales and profitability

During 2023, the Group's net sales increased by 1% to EUR 161.3 million (2022: 160.4). Organic net sales decreased by EUR 12.8 million and inorganic net sales grew by EUR 13.7 million. The companies acquired during the year accounted for EUR 5.4 million of the Group's net sales growth. The weaker Swedish krona depressed net sales by about EUR 1.6 million and net sales at comparable exchange rates would have been around EUR 162.9 million.

The net sales of the Electronics business area grew to EUR 62.4 million (1%) from the previous year. Net sales of the Technical Trade business area grew to EUR 58.3 million (16%) year-on-year. The net sales of the Heavy Machines business area decreased to EUR 35.8 million (-14%) from the year before, mainly due to the divestment of the SANY business.

During 2023, the Group's operational EBIT was EUR 9.5 million (2022: 8.7), with 8 % growth from the year before. The Group's reported EBIT decreased by 2% to EUR 6.3 million from EUR 6.5 million. The reported EBIT includes items affecting comparability totaling EUR 3.1 million in net, consisting mainly of expenses and allocations related to acquisitions. Operational EBIT of Technical Trade was EUR 5.9 million (2022: 5.3) and operational EBIT of Heavy Machines was EUR 1.1 million (2022: 1.0) and increased from the previous year. Operational EBIT of the Electronics business area decreased to EUR 4.1 million from EUR 4.2 million in the previous year. Operational EBIT of Other Operations was EUR -1.6 million, of which the operational EBIT of ESKP and Vesterbacka was EUR 0.4 million (2022: 0.5) and costs related to Group administration totaled EUR -2.1 million (2022: -2.3).

Profit before tax amounted to EUR 3.5 million (2022: 5.5) and profit for the period amounted to EUR 2.8 million (2022: 4.4).

Key figures

EUR million	2023	2022	Change
Net sales	161.3	160.4	1 %
Operational EBIT	9.5	8.7	8 %
relative to net sales, %	5.9 %	5.4 %	-
EBIT	6.3	6.5	-2 %
Profit before taxes	3.5	5.5	-36 %
Profit for the period, continuing operations	2.8	4.4	-35 %
Profit for the period, discontinued operations	0.0	-4.7	-
Net cash flow from operating activities**	11.6	4.1	186 %
Cash conversion, %***	129 %	51 %	-
Equity ratio, %	36.2 %	35.4 %	-
Net debt	36.0	30.9	16 %
Interest-bearing net debt relative to operational EBITDA of the previous 12 months*	2.5	2.2	-
Return on capital employed (ROCE %), R12	11.0 %	10.4 %	-
Return on working capital (ROTWC %), R12	30.3 %	26.7 %	-
Return on equity (ROE %), R12	6.7 %	12.1 %	-
Personnel at end of the period	341	327	4 %
Operational EPS, EUR**	1.40	1.82	-23 %
EPS, EUR**	0.47	1.12	-58 %
EPS, discontinued operations	0.00	-1.56	-
Net cash flow from operating activities per share, EUR***	4.40	1.54	186 %

* Calculated in accordance with the calculation principles established with financiers. The formula for calculating the indicator is presented later in this report.
**The effect of the interest rate of the hybrid bond recorded in equity adjusted by the tax effect is considered in the calculation of the EPS starting from Q1 2022 and the net effect in 2023 was EUR 0.48 per share and EUR 0.44 per share in 2022
***Cash flow for comparison periods includes discontinued operations.

Financial position

At the end of 2023, the Group's interest-bearing net debt amounted to EUR 36.0 million (2022: 30.9). The share of IFRS 16 liabilities in net debt was EUR 8.3 million (2022: 6.5). Net debt relative to the 12-month operational EBITDA was 2.5 (2022: 2.2).

Shareholders' equity was EUR 41.1 million (2022: 40.4). The equity ratio was 36.2 % (2022: 35.4% and at the end of the third quarter 34.9%) and the consolidated balance sheet total was EUR 119.6 million.

Investments and cash flow

For the full-year net cash flow from operations was strong and increased significantly from the previous year to EUR 11.6 million (2022: 4.1). The release of working capital by approximately EUR 2.9 million strengthened the cash flow. Net cash flow from operating activities was EUR 4.40 per share (2022: 1.54). Cash flow after investments was EUR 0.9 million (2022: -8.9), of which the net impact of acquisitions was EUR -9.2 million.

The Group's cash and cash equivalents at the end of the year totaled EUR 6.5 million (2022: 13.2).

The Group's capital expenditure for the financial year amounted to EUR 2.3 million (2022: 1.9). Most of the investments consist of IT system development costs and equipment purchases.

GROUP STRUCTURE AND BUSINESS AREAS

At the end of 2023, Boreo Group consisted of three business areas: Electronics, Technical Trade and Heavy Machines.

The Electronics business area consists of businesses that distribute and assemble professional electronic components. Its companies act as representatives of the world's leading principals in Northern Europe, Poland and the United States. The companies offer storage and logistics services, as well as technical sales services for principals and customers. The companies of the business area are Yleiselektroniikka, YE International, Noretron Komponentit, Milcon, Infradex, Signal Solutions Nordic and Delfin Technologies.

The Technical Trade business area consists of businesses involved in technical trade that represent well-known principals in power, metal machines, construction and welding technique products and system solutions in Finland. The companies of the business area are Machinery, Muottikolmio, Pronius, J-matic, and Filterit.

The Heavy Machines business area consists of Putzmeister dealerships in Finland, Sweden and Estonia. In addition, the business includes a SANY dealership in Estonia and the design, equipment, painting and construction of timber bodies in Sweden. The businesses serve customers in the concrete, construction and forest industry in Finland, Sweden and Estonia. The companies of the business area are PM Nordic, Tornokone, HM Nordic, Floby Nya Bilverkstad and Lackmästarn.

In addition to the above-mentioned business areas, the Group's 'Other operations' consist of Etelä-Suomen Kuriiripalvelut's and Vesterbacka Transport's businesses providing logistics and courier services in Finland and the Baltic region, and Group administration operations.

At the end of 2023, the company had operations in eight countries: Finland, Sweden, Estonia, Latvia, Lithuania, Poland, Great Britain and the United States.

On December 14, 2023, Boreo announced that it would combine the Technical Trade and Heavy Machines business areas into one new Technical Trade business area as of January 1, 2024. Etelä-Suomen Kuriiripalvelu and Vesterbacka Transport reported in Other Operations in 2023 will be combined with the new business area. As a result, 'Other Operations' will in future only cover the group activities of the parent company Boreo, and the reporting unit will henceforth be called 'Group functions'.

MATERIAL EVENTS IN 2023

Annual General Meeting and Board authorizations

Boreo Plc's Annual General Meeting was held on April 19, 2023, at the company's headquarters at Ansatie 5, Vantaa. The Annual General Meeting adopted Boreo Plc's consolidated financial statements and the parent company's financial statements for 2022. The members of the Board of Directors and the CEO were discharged from liability for the financial year 2022.

In accordance with the Board of Directors' proposal a dividend of EUR 0.22 per share was decided to be distributed for the financial year 2022. The dividend was paid to shareholders that were registered as shareholders in the list maintained by Euroclear Finland Oy on the dividend record date, April 21, 2023. The dividend was paid on May 4, 2023. In addition, it was resolved to authorize the Board of Directors to decide on a second dividend of max. EUR 0.22 per share during 2023. The Board of Directors was also authorized to decide on other conditions related to the payment of dividends, such as the dividend record date. The Board of Directors of Boreo Plc decided in a meeting held on November 1, 2023, on the amount and record date of a second dividend installment based on an authorization granted by the Annual General Meeting on April 19, 2023. The second dividend installment is EUR 0.22 per share, and it was paid to shareholders that were registered as shareholders in the list maintained by Euroclear Finland Oy on the dividend record date, November 9, 2023. The dividend was paid on November 17, 2023.

The General Meeting also discussed the remuneration report of governing bodies. An advisory decision to approve the remuneration report was made.

It was resolved that six (6) members are elected to the Board of Directors. Simon Hallqvist, Ralf Holmlund, Jouni Grönroos, Camilla Grönholm and Michaela von Wendt were re-elected as Board members. Noora Neilimo-Kontio was elected as a new Member of the Board. Juhani Mykkänen left the Board.

It was resolved that the Chairman of the Board be paid EUR 4,000 per month as Board remuneration and the members of the Board of Directors EUR 2,000 per month as Board remuneration. In addition, it was resolved to pay a meeting fee of EUR 500 for each meeting of the Board and the Committee to the members of the Board of Directors and the Committee. The Chairman of the Audit Committee will receive a Chairman remuneration of EUR 1,000 per month in addition to the Board remuneration and that the Chairman of the Remuneration and Nomination Committee will receive a Chairman remuneration of EUR 500 per month in addition to the Board It was resolved that 60% of the Board remuneration will be paid in cash and 40% in company shares. The remuneration of an indirect majority shareholder is not paid in company shares, because it is not in the company's interest to increase the shareholding of an indirect majority shareholder with board remuneration.

Moore Idman Oy was elected as the auditors with APA Jari Paloniemi as the responsible auditor. It was resolved that remuneration be paid to the auditor according to a reasonable invoice.

The Annual General Meeting decided to amend Section 9 of the Articles of Association as follows:

The notice of the Annual General Meeting and all other notifications to the shareholders shall be delivered no earlier than three (3) months and no later than three (3) weeks before the Annual General Meeting, but always at least nine (9) days before the record date of the General Meeting in published stock exchange release. To be allowed to attend a General Meeting, the shareholders shall register at the company not later than on the date given in the invitation that cannot be earlier than ten (10) days before the meeting.

The Annual General Meeting can be held in Vantaa, Helsinki or Espoo. In addition, the Board of Directors may decide that the General Meeting is held without a meeting venue so that the shareholders exercise their decision-making power during the meeting in full and in real time through a telecommunications connection and a technical aid.

Otherwise, the Articles of Association remained unchanged.

The Board of Directors was authorized to decide on rights issues or bonus issues and on the granting of special rights entitling to shares in one or more installments under the terms and conditions in Chapter 10, section 1 of the Limited Liability Companies Act as follows:

The authorization includes the right to resolve to issue new shares or to transfer own shares possibly held by the company either against payment or without payment. The number of shares issued under the authorization may not exceed 540,000 shares, which corresponds to approximately 20% of all the shares in the company at the date of the notice of the meeting. New shares, as well as stock options and other special rights entitling to shares, may be issued and the company's treasury shares may be transferred in deviation from the shareholders' pre-emptive rights in a directed manner, provided that there is a weighty financial reason for the company or, in the case of a share issue free of charge, a weighty financial reason for the company considering the interests of all shareholders. The Board of Directors was authorized to decide on all other terms and conditions relating to the share issue and other special rights entitling to shares. The share issue authorization can be used, e.g., for employee engagement, implementation of share-based incentive schemes, business development, development of the capital structure, expansion of the ownership base, execution of M&A transactions or financing, when the company acquires assets related to the business or for other projects. The authorization to issue stock options and special rights entitling to shares may be exercised to the same extent as the share issue authorization, excluding the use of the authorization to engage personnel and to implement share-based incentive schemes. The Board's authorization to issue shares and stock options and other special rights entitling to shares, as well as to transfer own shares shall be valid until the end of the next Annual General Meeting, however expiring at the latest on June 30, 2024.

The authorization shall not affect decisions or authorizations relating to other special rights entitling to share issues, options or other shares of the company.

In addition, the Annual General Meeting decided to authorize the Board of Directors to resolve on the repurchase of own shares in one or several tranches using the company's unrestricted shareholders' equity as follows:

The number of shares purchased under the authorization may not exceed 270,000 shares, which corresponds to approximately 10% of all the shares in the company at the date of the notice of the meeting. However, the decision to repurchase own shares may not be taken in such a way that the aggregate number of own shares held or pledged by the company would exceed one-tenth of all company shares. The shares may be repurchased to develop the company's capital structure, finance or implement M&A transactions, implement share-based incentive schemes, pay Board remuneration or otherwise be transferred or canceled.

The minimum consideration payable for the shares to be purchased shall be the lowest quoted market price in public trading and the maximum amount shall be the highest quoted market price in public trading during the period of validity of the authorization. The purchase of own shares may be carried out in deviation from the shareholders' pre-emptive rights if there is a weighty financial reason for the company to do so. The authorization of the Board of Directors to decide on the purchase of the company's own shares is valid until the end of the next Annual General Meeting, however expiring at the latest on June 30, 2024.

In the organizing meeting arranged after the General Meeting the Board elected Simon Hallqvist as its Chairman. The Board also elected members to its committees. Jouni Grönroos (Chairman), Noora Neilimo-Kontio and Ralf Holmlund were elected as members of the Audit Committee. Camilla Grönholm (Chairman), Simon Hallqvist and Michaela von Wendt were elected members of the Remuneration and Nomination Committee.

Other material events

On January 2, 2023, Boreo announced that it had completed the Filterit Oy acquisition and will execute a directed share issue to the sellers Olli Säynevirta and Jouni Maavuori.

On January 16, 2023, Boreo announced that it is executing its capital efficiency focused strategy by exiting from SANY excavator business in Finland and Sweden.

On March 3, 2023, Boreo announced that its subsidiary Muottikolmio had acquired the share capital of Lamox Oy.

On June 8, 2023, Boreo announced that it had acquired the health technology company Delfin Technologies Oy.

On July 3, 2023, Boreo Plc announced that it had completed the acquisition of Delfin Technologies Oy and that it had agreed on an increase of EUR 8 million to its credit facility and loan agreement.

On December 14, 2023 Boreo announced that it would simplify its organizational structure and merge the Technical Trade and Heavy Machines business areas into a single Technical Trade business area as of January 1, 2024. In connection with the change in the organizational structure, the number of members of Boreo's Management Team decreased from seven to six. As of the beginning of 2024, Jesse Petäjä, SVP, Head of M&A, and Richard Karlsson, SVP, former Head of Heavy Machines BA will act together as heads of the new Technical Trade business area.

PERSONNEL

Boreo Group's number of personnel totaled 341 at the end of 2023 (2022: 327) and was divided into business areas as follows: Electronics 137 (2022: 120), Technical Trade 114 (2022: 108), Heavy Machines 63 (2022: 63), Other Operations 27 (2022: 36), of which the personnel of ESKP and Vesterbacka was 27 (2022: 23) and Group administration 6 (2022: 9).

Employment related expenses in 2023 totaled EUR 23.0 million (2022: 20.2).

SHARES AND SHARE CAPITAL

At the end of 2023, Boreo Plc's share capital was EUR 2,483,836 and the number of shares was 2,701,353. The company held 14,011 shares at the end of the year (0.5 % of the share capital). A total of 98,797 Boreo Plc shares were traded on Nasdaq Helsinki, with a total value of EUR 3,314,833. Net sales as a proportion of the number of shares was 4 %. The price of the shares was at its highest in May 2023, at EUR 43.00. The lowest quotation was EUR 24.00 in December 2023. At the end of the financial year, on December 31, 2023, the share price was EUR 28.70. The average share price for the financial year 2023 was EUR 34.42.

INCENTIVE PLANS

Since 2022, Boreo has had a long-term incentive plan for key employees, which can be paid either in the form of equity instruments or cash. To qualify for the reward under the scheme, the subscriber must have subscribed for shares in the company in an employee share issue within the limits predetermined by the Board of Directors. If the subscriber's shareholding requirement has been met and his or her employment or service with the Group company has not been terminated by the date of payment of the bonus, the subscriber will receive additional shares in the company free of charge in the proportion decided by the Board of Directors. If the performance were to take place on the reporting date, it would result in the issue of 11,380 shares.

RELATED PARTY TRANSACTIONS

Boreo has a lease agreement with a controlling entity of one of the members of the management team. The lease is at market conditions and the rent paid in the financial year 2023 was approximately EUR 0.2 million. Otherwise, there were no material transactions with related parties.

MANAGEMENT AND AUDITORS

As of January 1, 2020, Boreo Group complies with the 2020 Finnish Corporate Governance Code issued by the Securities Market Association. The Corporate Governance Statement and the Remuneration Report for 2023 issued by Boreo Plc's Board of Directors, are issued as separate reports and published together with the financial statements and Board of Directors' report on the company's website www.boreo.com.

Board of Directors

The Board of Directors elected by the Annual general meeting on 19th April 2023, convened 9 times. The Audit Committee convened 6 times and the Remuneration and Nomination Committee convened 4 times.

On April 19, 2023, the Annual General Meeting elected Moore Idman Oy as the auditors with APA Jari Paloniemi as the responsible auditor. The subsidiaries have their own auditors.

Management

Boreo Plc has a Management Team, the Chairman of which is the Group CEO. The current CEO Kari Nerg started in this position on May 4, 2020. At the end of 2022, the company's management team comprised in addition to the CEO, Aku Rumpunen, CFO, Mari Katara, SVP, People & Sustainability, Tomi Sundberg, SVP, Head of Electronics BA, and Richard Karlsson and Jesse Petäjä, SVP, Heads of Technical Trade BA. Petäjä is also responsible for the Group's acquisitions.

ASSESSMENT OF RISKS AND UNCERTAINTIES

Boreo Group is exposed to various risks and opportunities arising from its own operations or from a changing business environment. The following are the main risks that, if realized, could have a negative impact on the Group's business, performance or financial position. However other risks not currently recognized may arise in the future or risks currently assessed as low may become significant.

General market risks: Key market risks are linked to the crisis in Ukraine and, as a result, general market and economic uncertainty. This is reflected, e.g., in demand for products and services, supply chains for products and components, security of supply and delivery times, as well as prices. The general tightening of the inflation environment creates pressure on, e.g., personnel expenses and fuel prices, which are directly reflected in logistics costs.

Growth through acquisitions: The Group's strategic goal is to grow through acquisitions. The main risks associated with acquisitions may include the availability of potential acquisition targets, appropriate timing, the acquisition process, integration of the acquired business, commitment of key personnel, or reaching set targets.

Customer demand and cyclicality: A significant part of the Group's net sales comes from customers whose businesses are cyclical and project-like by nature and often also susceptible to cyclical changes. From the Group's point of view, demand fluctuation and cyclicality are also emphasized by the fact that the order book of the Group's businesses is often rather short.

Principal relationships: Due to its earnings logic, the Group's competitiveness is highly correlated and dependent on the portfolio of principals, and consequently the loss of a significant principal weakens net sales development and performance. In addition, there is a risk that a key principal's own competitiveness and performance weakens, which may also be reflected in the attractiveness of the Group's offering.

Position in the value chain: The Group may encounter gradual difficulties in defending its sales margins in situations where sales prices of end products face clear downward pressure and/or supply prices face upward pressure.

Personnel turnover: Personnel is the Group's core asset. Replacement of human knowledge and skills resulting from personnel risks is difficult, expensive and slow. In addition, it is difficult to predict and quantify human risks in monetary terms.

Trade agreement risks: Boreo Group's operations are subject to changes in trade agreements between continents and countries. If changes in trade agreements materialize, they may affect the Group's business negatively through disruptions in the supply chain and increased costs.

Financing risks: The Group's financial risks include interest rate, currency, liquidity and credit risks. Other risks include risks related to equity and impairment. The Group has continuing operations in seven countries and is, therefore, exposed to currency risks arising from intra-group trade, exports and imports and financing of foreign subsidiaries. The Group's main currency positions consist of items in US dollars and Swedish kronas. Currency risks arise mainly from translation differences (net investments in foreign subsidiaries and their equity) and foreign currency transactions. Changes in market interest rates impact the Group's net interest rates. Most of the Group's interest-bearing liabilities are euro-denominated liabilities of the parent company.

SUSTAINABILITY

Sustainable business is part of Boreo's DNA and its 'Sustainable long-term profit growth' strategy. During 2023, the company clarified its sustainability approach and systematized the way that responsibility is part of the company's business model going forward. Based on materiality analysis, stakeholder survey and sustainability interviews conducted in 2022 and 2023, Boreo identified its focus areas for sustainability: *Strong financial performance, engaged people, healthy environment, and sound business practices*. As part of its annual report for 2023, the company published its first sustainability report, which describes, in addition to the focus areas and sustainability KPIs, the company's approach on sustainability as part of the core of its business model. During 2024, the Group will continue to develop and advance sustainability topics together with the Group companies' customers and suppliers, as well as develop reporting following the requirements of the Corporate Sustainability Reporting Directive.

FINANCIAL GUIDANCE

Boreo's primary objective is sustainable long-term profit generation. This is achieved with a business model that is based on the acquisition and ownership of great entrepreneurial companies with ability to generate sustainable long-term earnings growth and strong cash flows. The profits generated by the portfolio of companies are re-invested back to operations or to acquisitions with attractive expected returns on capital. The decentralized operating structure promoting culture of ownership and release of entrepreneurial energy is a core pillar of the firm's business concept and sustainable earnings growth is ensured through the support and coaching of companies and the personnel.

Boreo's focus is on earnings growth with attractive return on capital. The company's long-term strategic financial targets are:

- Minimum 15% average annual operational EBIT growth
- Minimum 15% Return on Capital Employed (ROCE)
- Net debt to operational EBITDA between 2-3x (including acquired businesses as if they had been held for 12 months at the reporting date)

Boreo's dividend policy is to pay an annually increasing dividend per share, considering capital allocation priorities.

The above-mentioned strategic financial objectives still serve as the company's financial guidelines. In line with its guidance policy, the company does not give separate short-term financial guidance.

BOARD'S PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The distributable assets of the parent company Boreo Plc on December 31, 2023, were EUR 17.5 million, of which the profit for 2023 is EUR 5.8 million.

Boreo's aim is to pay an annually increasing dividend per share, considering capital allocation priorities. In the short term, however, the company's objective is to strengthen its financial position and thus ensure the implementation of its growth strategy also going forward. As a result, the Board of Directors of the company proposes to the Annual General Meeting that no dividend will be paid for the financial year that ended on December 31, 2023.

Vantaa, February 28, 2024
Boreo Plc
Board of Directors

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR MILLION	JAN. 1–DEC. 31, 2023	JAN. 1–DEC. 31, 2022	Reference
Net sales	**161.3**	**160.4**	*1*
Other operating income	0.9	0.5	*3*
Materials and services	-117.5	-120.9	*4*
Employee benefit expenses	-23.0	-20.2	*5*
Depreciation, amortization and impairment losses	-5.4	-4.0	*6*
Other operating expenses	-10.3	-9.5	*5*
Profit/loss from associated companies	0.3	0.2	*29*
EBIT	**6.3**	**6.5**	
Financial income	0.2	0.7	*7*
Financial expenses	-3.0	-1.6	*8*
Profit before taxes	**3.5**	**5.5**	
Income taxes	-0.7	-1.1	*9*
Profit for the period, continuing operations	**2.8**	**4.4**	
Profit for the period, discontinued operations	**0.0**	**-4.7**	
Profit for the period	**2.8**	**-0.3**	
Attributable to shareholders of the parent company			
Profit for the period	2.6	5.2	
Minority interest	0.3	0.3	
	2.8	**-0.3**	
Earnings per share calculated on the profit attributable to owners of the parent company			
Undiluted earnings per share, continuing operations	0.47	1.12	*10*
Diluted earnings per share, continuing operations	0.47	1.12	*10*
Undiluted earnings per share, discontinued operations	0.00	-1.56	
Diluted earnings per share, discontinued operations	0.00	-1.56	
Items of comprehensive income			
Translation differences from foreign units	0.0	-1.1	
Other comprehensive income items after taxes in the review period	0.0	0.0	
Total comprehensive income for the period	2.9	-1.4	
Allocated to			
Shareholders of the parent company	2.6	-1.1	
Minorities	0.3	-0.3	

CONSOLIDATED BALANCE SHEET

EUR MILLION	12/31/2023	12/31/2022	Reference
ASSETS			
Non-current assets			
Intangible capital assets	10.0	7.0	*13*
Goodwill	42.4	35.5	*14*
Property, plant and equipment	10.7	9.2	*13*
Other financial assets	1.3	0.3	*11*
Investments in associates	1.0	0.9	*29*
Deferred tax assets	0.1	0.1	*15*
Total non-current assets	**65.6**	**53.0**	
Current assets			
Inventories	31.0	32.0	*12*
Accounts receivable and other receivables	16.4	23.2	*16*
Cash and cash equivalents	6.5	13.2	*17*
Total current assets	**54.0**	**68.3**	
Assets of discontinued operations	0.0	0.0	*18*
TOTAL ASSETS	**119.6**	**121.4**	
EQUITY AND LIABILITIES			
EQUITY			
Shareholders' equity			
capital and reserves			
Share capital	2.5	2.5	*19*
Other committed capital	0.1	0.1	
Hybrid loan	20.0	20.0	*20*
Reserve for invested unrestricted equity	5.1	4.7	
Retained earnings	11.0	13.1	
Profit for the period	2.6	0.0	
Total	**41.1**	**40.4**	
Minority interest	1.5	1.4	
Non-current liabilities			
Financial liabilities	34.0	34.1	*22*
Deferred tax liabilities	2.5	1.8	*15*
Trade payables and other liabilities	2.0	1.7	*23*
Total non-current liabilities	**38.5**	**37.6**	
Current liabilities			
Trade payables and other liabilities	28.8	31.9	*24*
Provisions	0.1	0.0	*25*
Financial liabilities	9.5	10.0	*22*
Total current liabilities	**38.4**	**42.0**	
Liabilities from discontinued operations	0.0	0.0	*18*
TOTAL SHAREHOLDERS' EQUITY AND LIA-BILITIES	**119.6**	**121.4**	

CONSOLIDATED CASH FLOW STATEMENT

EUR MILLION	JAN. 1–DEC. 31, 2023	JAN. 1–DEC. 31, 2022
Cash flow from operating activities		
Profit before taxes	3.5	1.0
Non-cash transactions		
Depreciation, amortization and impairment losses	5.4	4.2
Net financial items	2.8	1.7
Share of associated companies' result, net	-0.1	0.0
Increase (-) / decrease (+) in inventories	2.6	-5.7
Increase (-) / decrease (+) in current assets	6.4	-0.3
Increase (+) / decrease (-) in current liabilities	-6.0	1.3
Net financial items	-2.6	-2.3
Paid taxes	-0.5	-1.2
Other adjustments	0.0	5.5
Operational net cash flow	**11.6**	**4.1**
Cash flow from investment activities		
Investments in intangible and tangible assets	-2.3	-1.9
Acquisition	-9.2	-9.7
Divestments	0.2	-1.6
Proceeds from sale of property, plant and equipment	0.5	0.3
Net cash flow from investments	**-10.7**	**-13.0**
Financial cash flow		
Share issue	0.0	1.4
Repayments of loans	-9.2	-40.1
Loan withdrawals	4.6	36.4
Transaction costs of share issue	0.0	-0.1
Withdrawal of hybrid loan	0.0	20.0
Interest rate and expenses on hybrid loan	-1.6	-0.4
Dividends paid	-1.4	-1.5
Net cash flow from financing	**-7.6**	**15.8**
Change in cash and cash equivalents	**-6.7**	**6.9**
Cash and cash equivalents Jan 1	13.2	**6.2**
Impact of exchange rate fluctuations and consolidation	0.0	0.0
Cash and cash equivalents, 31 Dec.	**6.5**	**13.2**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR MILLION

2023	Share capital	Contingency reserve	Reserve for invested unrestricted equity	Translation difference	Hybrid loan	Retained earnings	Minority interest	Total
Equity Dec. 31, 2022	**2.5**	**0.1**	**4.7**	**-1.0**	**20.0**	**14.1**	**1.4**	**41.8**
Profit/loss for the period						2.6	0.3	2.8
Translation differences		0.0		-0.0		0.0	0.0	-0.0
Share issue			0.4					0.4
Costs related to share issue								0.0
Share repurchases								0.0
Withdrawal of hybrid loan								0.0
Share rewards						0.1		0.1
Interest rate and borrowing costs of the hybrid loan						-1.3		-1.3
Dividends paid						-1.2	-0.2	-1.4
Other change						0.1		0.1
Equity								0.0
Dec. 31, 2023	**2.5**	**0.1**	**5.1**	**-1.0**	**20.0**	**14.5**	**1.5**	**42.6**

2022	Share capital	Contingency reserve	Reserve for invested unrestricted equity	Translation difference	Hybrid loan	Retained earnings	Minority interest	Total
Dec. 31, 2021	**2.5**	**0.1**	**2.0**	**0.0**	**0.0**	**16.9**	**1.0**	**22.4**
Profit/loss for the period						0.0	-0.3	-0.3
Translation differences				-0.9		-0.2	0.0	-1.1
Share issue			3.1					3.1
Costs related to share issue			-0.1					-0.1
Share repurchases			-0.3					-0.3
Withdrawal of hybrid loan					20.0			20.0
Share rewards						0.1		0.1
Interest rate and borrowing costs of the hybrid loan						-1.6		-1.6
Dividends paid						-1.2	-0.3	-1.5
Fair value allocation		0.0					1.1	1.1
Equity								0.0
Dec. 31, 2022	**2.5**	**0.1**	**4.7**	**-1.0**	**20.0**	**14.1**	**1.4**	**41.8**

ACCOUNTING PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARING THE FINANCIAL STATEMENTS

Boreo Plc's consolidated financial statements for 2023 have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the IAS and IFRS standards and SIC and IFRIC interpretations in force on December 31, 2023. International Financial Reporting Standards refer to the standards and their interpretations approved for application in the EU in accordance with the procedure stipulated in EU regulation (EC) No. 1606/2002 and embodied in Finnish accounting legislation and the decrees enacted under it. The notes to the consolidated financial statements also comply with complementary Finnish Accounting Standards based on Finnish accounting legislation and Community legislation.

The consolidated financial statements have been prepared based on original acquisition cost, with the exception of financial assets available for sale, financial assets and liabilities recognized at fair value through profit or loss, items hedged with market value hedges, cash, and share-based transactions that have been valued at fair value.

The Group has adopted new and renewed standards and interpretations that have come into force on January 1, 2023.

Preparation of financial statements in accordance with IFRS requires the Group management to make certain estimates and discretion in the application of accounting principles. Information on the discretion used by the management when applying the Group's accounting policies and that has the greatest impact on the figures presented in the financial statements is presented under 'ACCOUNTING PRINCIPLES REQUIRING MANAGEMENT DISCRETION AND KEY SOURCES OF ESTIMATION UNCERTAINTY'.

CHANGES IN ACCOUNTING POLICIES IN 2023

There have been no changes in the accounting policies in 2023.

CHANGES IN ACCOUNTING POLICIES IN 2022

On August 9, 2022, Boreo announced that it had sold its 90% holding in the electronics component distribution business in Russia (YE Russia). Unless otherwise stated, all figures in this financial statements bulletin relate to continuing operations. In the income statement, the comparison periods have also been adjusted for continuing operations, while the data in the cash flow statement have not been adjusted and include discontinued operations. For Q4/22, the balance sheet no longer includes discontinued operations. Discontinued operations also include the subsidiary of the Russian operations located in Turkey.

Discontinued operations are presented in Note 18.

Other than that, the accounting policies of Boreo have not changed in 2022.

CONSOLIDATION PRINCIPLES

Subsidiaries

The consolidated financial statements of Boreo Plc include the parent company Boreo Plc and all its subsidiaries. All companies of whose voting rights the parent owns more than 50 % directly or indirectly or otherwise has the right to determine the financial and operating policies of the company to benefit from its activities are considered subsidiaries.

The Group's mutual shareholdings have been eliminated using the acquisition cost method. Acquired subsidiaries are included in the consolidated financial statements from the date when the Group gains control over them and divested subsidiaries are included until the moment control is relinquished. All intra-Group transactions, receivables, liabilities and unrealized gains, as well as internal distribution of profits are eliminated in the consolidated financial statements.

Associated companies

Associated companies are companies in which the Group usually has 20-50% of the voting rights or in which the Group has significant influence but does not have control. Shares in associated companies are consolidated in the financial statements using the equity method considering existing agreements. If the Group's share of the associated company's loss exceeds the book value of the investment, the investment is recognized at zero unless the Group has undertaken to fulfill the associated company's obligations. Unrealized profits between the Group and associated companies are eliminated in accordance with the Group's ownership. The Group's share of the associated company includes goodwill arising from its acquisition.

Boreo Group had two associated companies on December 31, 2023, Signal Solutions Poland sp. z o.o. sp.k. and Signal Solutions Poland Sp. Z.o.o Spolka komandytowa, which were associated companies also in the financial statements of December 31, 2022.

Minority interest

In the balance sheet, the minority interest is presented separately from liabilities and equity attributable to owners of the parent company. It is also presented as a separate item in the Group's income statement. The minority interest in accumulated losses is recognized in the consolidated financial statements up to the amount of the investment.

CONVERSION OF ITEMS DENOMINATED IN A FOREIGN CURRENCY

The items included in the financial statements of each Group company are valued in the currency that is the currency of the main operating environment (functional currency) of the company in question. The consolidated financial statements are presented in euro, the parent company's operational and reporting currency.

The income and expense items in separate income statements of a foreign Group company have been translated into euros using the average exchange rate for the financial year and the balance sheets using the rates at the closing date of the reporting period.

The translation of the income and comprehensive income at different rates in the income statement and the comprehensive income statement and, on the other hand, in the balance sheet creates a translation difference recognized in equity, whose effect is recognized in other items of comprehensive income. The accumulated translation differences are recognized in profit or loss on disposal.

REVENUE RECOGNITION PRINCIPLE

The sales income of Boreo Group's companies consists mainly of goods and services sales. Sales income from customer contracts is recognized as income in the amount that Boreo expects to be entitled to for such products or services. Discounts and other variable considerations are deducted from the recognized transaction price. The recognition is made when the customer gains control over the good or service (performance obligation). In all of the Group's business areas, the revenue recognition principle is based on delivery terms, which means revenue recognition takes place at a point in time. During the financial year 2023, the Group had no contracts recognized as over time revenue. During 2022, the Group had one contract recognized over time, whose effect on the net sales of the financial year 2022 was approximately EUR 0.4 million and whose performance obligation was completed in full during the financial year 2022.

The Group has commission sales, which is recognized based on the IFRS 15 principal vs. agent rule. In this case, Boreo considers itself an agent. An entity acting as an agent does not have control over the goods or services provided by the other party before the goods or services in question are delivered to the customer. When an entity acting as an agent meets a performance obligation, it recognizes the fee or commission it expects to be entitled in exchange for arranging for the provision of goods or services by another party as sales income. In such cases, only the commission received is presented as net sales.

OPERATING PROFIT (EBIT)

Operating profit/loss is the result of adding other operating income to net sales and deducting purchase costs adjusted by changes in inventories, deducting employment related expenses, other operating expenses, and adding or subtracting the share of the profit or loss of associated companies.

Exchange rate differences related to business operations are included in operating profit and other exchange rate differences in financial items. Income statement items other than those mentioned above are presented under operating profit.

INCOME TAXES

The tax expense in the consolidated income statement consists of the tax based on the taxable income for the period, adjustment of taxes from previous financial periods and changes in deferred tax.

Deferred tax liabilities or assets are calculated from the temporary difference between accounting and taxation in accordance with the tax rate in force on the balance sheet date.

The largest temporary differences arise from the sale of tangible fixed assets, depreciation, unused tax losses and fair value measurements on acquisitions. No deferred taxes are recognized on undistributed profits of subsidiaries to the extent that the difference is unlikely to be dissolved in the foreseeable future.

Deferred tax assets are recognized to the extent that it is probable that they will be available against taxable profit in future periods against which the deductible temporary difference can be utilized.

The Group's main operations are carried out in Finland. Tax based on the taxable income for the financial period are calculated at a 20% tax rate. Taxes based on current income of foreign subsidiaries are calculated at tax rates 0%-20.6%. In Estonia and Latvia, income tax is based on the dividend to be distributed.

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The consideration given in business combinations is measured at fair value determined at the acquisition date as the sum of the fair values of the assets transferred from the Group on the acquisition date and the liabilities arising for the earlier owners of the acquired target. Contingent considerations from business combinations are measured at fair value and included in the total consideration. Acquisition-related costs are recognized in the income statement.

Identifiable acquired assets and liabilities assumed are recognized at fair value at the time of acquisition, except for deferred tax assets or liabilities that are measured in accordance with the principles of IAS 12. Goodwill is recognized in the amount by which the acquisition cost exceeds the net value of the acquired assets and liabilities at the time of acquisition.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. If a property, plant and equipment consist of several parts with different useful lives, each part is treated as a separate asset. In such cases, renewal expenditure is capitalized and any remaining book value at time of renewal is derecognized from the balance sheet. Otherwise, subsequent expenditure is included in the book value of property, plant and equipment only if it is probable that future economic benefits related to the asset will benefit the Group and the acquisition cost of the asset can be measured reliably. Other repair and maintenance costs are recognized through profit or loss when incurred.

Assets are depreciated over the estimated useful life. Land is not depreciated. The estimated useful lives are as follows:

- Buildings and structures 25-40 years
- Renovation rental dwellings 5 years
- Machinery and equipment 2-10 years
- Right-of-use assets 4-10 years

The machinery and equipment group consists of cars, office furniture and IT equipment.

The residual value and useful life of the asset are reviewed at least at the end of each financial period and adjusted if necessary to reflect changes in the expected economic benefits.

When a property, plant and equipment item is classified as available for sale in accordance with IFRS 5, the recording of depreciation stops.

Capital gains and losses arising from the decommissioning and disposal of property, plant and equipment are recognized through profit or loss and presented in other operating income or expenses. The sales gain is defined as the difference between the selling price and the remaining acquisition cost.

INTANGIBLE ASSETS

Goodwill and Other Intangible Assets

An intangible asset is initially recognized at acquisition cost in the balance sheet if the cost can be measured reliably and it is probable that the expected future economic benefits of the asset will benefit the Group.

Intangible assets with a limited useful life are amortized on a straight-line basis through profit or loss over their known or estimated useful life. Intangible rights are amortized on a straight-line basis in 3-5 years.

Goodwill is not amortized. Instead, it is tested for impairment annually and measured at original acquisition cost less impairment. In impairment testing, goodwill is allocated to cash-generating units.

Intangible assets acquired in business combinations that are recognized separately from goodwill are measured at fair value at the time of acquisition. After the initial valuation, intangible assets are recognized at original acquisition cost less cumulative amortization and impairment.

Assets are amortized over the estimated useful life. The estimated useful lives are as follows:

- Software 2-5 years
- Customer and principal contracts 4-10 years
- Intangible rights 3-5 years
- Development costs 10 years
- Other Intangible assets 4-10 years

Development costs

Costs arising during the research stage are recognized for the period in which they incur.

Development costs that are directly attributable to the design, testing and execution of identifiable assets controlled by the Group are recognized as intangible assets in the balance sheet if the following conditions are met: if the completion of the intangible asset is technically feasible, the Group intends to complete and exploit the intangible asset, it can be proven that the intangible asset will generate future economic benefits, the Group has sufficient resources to implement the asset, and the Group can reliably determine and measure the costs of the development phase.

Amortization will begin when the development work is completed and it begins to generate financial benefits for the Group. Amortization is made over the expected useful life of the asset.

LEASE AGREEMENTS

Group as lessee

As the lessee, the Group assesses whether the contract is a lease agreement or includes a lease at the time the agreement is concluded. The contract is a lease or includes a lease if the contract gives the right to control the use of an identified asset for a specified period of time in exchange for consideration. At the commencement of the contract, the lessee recognizes the right-of-use asset and the lease liability in the balance sheet. The amortization of the lease liability is divided into payment of principal and interest, and property, plant and equipment are depreciated in the income statement.

The exemptions of IFRS 16 are applied to short-term leases of less than 12 months and low-value leases and no property, plant and equipment nor leasing liability is recognized but they are recorded as expenses in the income statement.

The lease term is defined as the period during which the lease cannot be canceled. The lease term is extended to include the period included in any renewal or termination option if it is reasonably certain that the Group will exercise the renewal option and not exercise the termination option.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

On each reporting date, the Group assesses whether there are any indications that an asset item has been impaired. If there are any such indications, the recoverable amount of said asset item is estimated. The need for impairment is examined at the level of cash-generating units, i.e., to the lowest unit level that is primarily independent of other units and for which there are distinguishable cash flows that are largely independent of the cash flows of other similar units.

The recoverable amount is the fair value of the asset item less the cost of disposal or the value in use, whichever is greater. The value in use refers to the estimated net future cash flows from the asset or cash-generating unit that are discounted to their current value. The discount rate used is the pre-tax interest rate, which reflects the markets' position on the time value of money and special risks related to the asset. An impairment loss is recognized in the income statement if the asset's carrying value is higher than its recoverable amount. The impairment loss is recognized immediately through profit or loss. If the impairment loss is allocated to a cash-generating unit it is first recognized to reduce the goodwill allocated to the cash-generating unit and then by reducing the unit's other assets proportionately. Where an impairment loss is recognized for an asset subject to depreciation, the asset's useful economic life is re-estimated. An impairment loss recognized on other than goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount of the asset. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

INVENTORIES

Inventories are measured at acquisition cost or probable net realizable value, whichever is lower. The acquisition cost is determined mainly using the weighted average price method. The acquisition cost of inventories includes all purchase costs and other costs incurred in bringing inventories to the location and condition it holds at the time of measuring. The net realization value is the estimated selling price in the ordinary course of business, less the costs necessary to complete the product and the costs of sales.

FINANCIAL ASSETS AND LIABILITIES

In accordance with IFRS 9, the Group's financial assets are classified in the following categories: financial assets recognized at fair value through profit or loss, financial assets recognized at fair value through other comprehensive income items or financial assets recognized at amortized cost. The classification is based on the purpose of the acquisition of financial assets upon initial acquisition. Financial assets recognized at fair value through profit or loss consist mainly of loan receivables that are initially recognized at fair value. Fair value is determined on the basis of public price quotations in an active market. Both unrealized and realized profits and losses arising from changes in fair value are recognized in the income statement during the period in which they occur. Financial assets recognized at amortized cost consist of accounts receivable and other receivables. Their measurement basis is amortized cost and by their nature, they are included in the balance sheet as current or non-current financial assets; the latter if they mature after more than 12 months.

Boreo Group did not have financial assets recognized at fair value through other comprehensive income items in 2022 or 2023. Financial assets are derecognized from the balance sheet when the rights to cash flows have ceased or have been transferred to another party, and the Group has transferred material risks and benefits associated with the ownership to the other party.

The Group's financial liabilities are classified as financial liabilities recognized at amortized cost. Financial liabilities recognized at amortized cost include loans from financial institutions and installment and lease liabilities. They are recognized at the fair value of the consideration initially received. Transaction costs have been included in the original book value of financial liabilities. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities are included in non-current and current liabilities and may be either interest-bearing or interest-free. Financial liabilities are classified as short-term unless the Group has an unconditional right to defer the payment of the liability at least 12 months from the balance sheet date.

A financial liability is derecognized from the balance sheet when the Group either pays the debt to the lender or is legally exempt from the principal debt obligation as a result of a legal process or by the lender.

In line with its financial policy, Boreo Group does not as a rule use currency derivatives, but exchange rate and interest rate risks arising from asset items and anticipated purchases and sales are hedged by currency clauses, payment terms and payment behavior in order to minimize the currency position. The Group does not apply hedge accounting. Boreo Group has hedged interest rate risk with an interest rate derivative whose fair value at the balance sheet date on December 31, 2023, was approximately EUR 0.4 million. The interest rate position hedged with interest rate derivatives covers just under half of Boreo's variable-rate bank loans.

CAPITAL ALLOCATION

The objective of capital allocation is to support the Group's business by ensuring normal operating conditions for business operations and increasing shareholder value. According to the Group's strategy, the capital structure is influenced by, e.g., share issues and dividend distribution. The company may also decide to sell assets to reduce liabilities. The capital managed is the equity shown in the consolidated balance sheet. The development of the Group's capital structure is monitored with the amount of net debt. At the end of 2023, the Group's interest-bearing net liabilities totaled EUR 36.0 million (EUR 30.9 million in 2022) and the equity ratio was 36.2 % (35.4 % in 2022).

TREASURY SHARES

When the company or its subsidiaries have acquired treasury shares, the company's equity is reduced by an amount equal to the consideration paid less transaction costs, net of tax, until the treasury shares are canceled. No profit or loss is recognized for the sale, issue or cancellation of treasury shares in the income statement, but the consideration received is recorded as a change in equity.

EMPLOYEE BENEFITS

Pension liabilities

Pension plans are generally classified as defined contribution and defined benefit plans. Payments towards defined-contribution pension schemes are recognized as expenses in the income statement during the relevant period.

The Group's foreign subsidiaries have different pension arrangements that comply with local regulations and practices in different countries. All major pension arrangements are defined contribution plans. The statutory pension cover of the employees of the Group's domestic companies is with a Finnish pension insurance company. The pension cover is a defined contribution plan. The pension arrangements of the CEO of the parent company, the members of the management team, and the CEOs of subsidiaries are based on country-specific legislation, based on which the retirement age varies from 60 to 65. These pension schemes are also defined contribution plans.

Share-based payments

Since 2022, Boreo has had a long-term engagement program for key personnel that can be carried out either as equity instruments or in cash. The benefits granted under these schemes are measured at fair value when they are granted and recognized in equity and as corresponding expenses in the income statement evenly over the period of transfer of the rights. The impact of the schemes on profit and loss is presented in the income statement as costs arising from employee benefits. To qualify for a reward under the scheme, the subscriber must have subscribed the company's shares in the personnel issue within the limits determined by the Board of Directors in advance. If the subscriber's share ownership condition has been fulfilled and their employment in the Group company has not been terminated by the date of payment of the reward, the subscriber will receive additional shares, free of charge, as remuneration from the Company in the proportion decided by the Board of Directors. If the payment were to take place on the reporting date, it would result in an issue of 11,380 shares. These shares are considered as potential ordinary shares with a dilutive effect on EPS. Share-based payments are presented in more detail in Note 21.

PROVISIONS

A provision is recognized when the Group incurs a legal or actual obligation as a consequence of a prior event, a payment obligation is likely to arise, and the amount of the obligation can be reliably determined. If it is possible to obtain compensation from a third party for part of the obligation, the compensation is recognized as an asset when there is practical certainty that compensation will be received.

Provisions are presented in Note 25 to the consolidated financial statements.

SEGMENT REPORTING

Segment information is reported to the senior operating decision maker as part of internal reporting. The Group's management team including the CEO, is the senior operating decision maker The management team, considering its composition and active participation in key strategic and operational decision-making, is responsible for allocating resources and assessing performance. The performance of the operating segment is assessed based on the segment's net sales and operational EBIT.

Boreo's business operations are organized into three business areas or operating segments. Segment reporting is presented in more detail in Note 1.

ACCOUNTING PRINCIPLES REQUIRING MANAGEMENT DISCRETION AND KEY SOURCES OF ESTIMATION UNCERTAINTY

When preparing financial statements assumptions and estimates have to be made concerning the future the outcome of which may differ from the assumptions and estimates made. In addition, discretion has to be used when applying accounting principles.

Sources of estimation uncertainty

The estimates made when preparing the financial statements are based on the management's best assessment at the end of the reporting period. Estimates are based on past experience and assumptions about the future, which are considered most likely on the balance sheet date, related, e.g., to the expected development of the Group's financial environment in terms of sales and cost levels. The Group regularly monitors the realization of estimates and assumptions, as well as changes in the underlying factors together with the business unit by applying several internal and external information sources. Possible changes in estimates and assumptions are entered in the accounts for the financial period in which the estimate or assumption is adjusted and for all periods thereafter.

Key assumptions concerning the future and the main uncertainties related to the estimates at the end of the reporting period that pose a significant risk of a material change in the book values of the Group's assets and liabilities during the following financial year are presented below. The Group's management has considered these aspects of the financial statements to be most relevant, as their accounting principles are the most complex in the Group's view and require use of most significant estimate and assumptions for example when measuring assets. In addition, the impacts of potential changes in the assumptions and estimates used in these areas of the financial statements are expected to be the greatest.

Impairment testing of goodwill

Goodwill is tested in the Group at least annually. In addition, at the end of each reporting period, indications of circumstances that could lead to more frequent impairment testing are assessed. The recoverable amounts of a cash-generating units are determined based on their value in use. These calculations require estimates of business growth, profitability, the discount rate and factors affecting these. More details on impairment testing of goodwill are given in Note 14.

Acquired businesses

In acquired businesses, management's discretion has been used to measure the fair value of intangible assets and to assess the useful life of the assets. Assumptions based on management's estimates have also been used to determine the possible additional purchase price. More details on impairment testing of goodwill are given in Note 2.

Valuation of accounts receivable

The estimated credit loss provisions under IFRS 9 are based on the management's best view, covering historical experience and forward-looking understanding of customers' payment behavior and financial situation. Assessing the likelihood of receiving payments related to customer contracts requires management discretion and may affect the timing and amount of income recognition.

Valuation of inventories

Assessing the marketability of inventories requires management discretion, in particular related to the assessment of the various product groups' net realization value. The value of inventories considers impairment caused by unsaleability based on management's estimate of the probable net realization value.

AMENDMENTS TO IFRS STANDARDS AND IFRIC INTERPRETATIONS

No new or revised published IFRS standards, amendments to standards, or interpretations are expected to have a significant impact on the Group's future financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Segment reporting

Segment information is reported to the senior operating decision maker as part of internal reporting. The Group's management team including the CEO, is the senior operating decision maker The management team, considering its composition and active participation in key strategic and operational decision-making, is responsible for allocating resources and assessing performance. The performance of the operating segment is assessed based on the segment's net sales and operational EBIT.

Boreo's business operations were organized into three business areas or operating segments at the end of 2023:

The Electronics business area consists of businesses that distribute and assemble professional electronic components. Its companies act as representatives of the world's leading principals in Northern Europe, Poland and the United States. The companies offer storage and logistics services, as well as technical sales services for principals and customers. The companies of the business area are Yleiselektroniikka, YE International, Noretron Komponentit, Milcon, Infradex, Signal Solutions Nordic and Delfin Technologies.

The Technical Trade business area consists of businesses involved in technical trade. The companies represent well-known principals in, for example, engineering, construction and process industries. The companies of the business area are Machinery, Muottikolmio, Pronius, J-Matic, and Filterit.

The Heavy Machines business area consists of Putzmeister dealerships in Finland, Sweden and Estonia. In addition, the business includes a SANY dealership in Estonia and the design, equipment, painting and construction of timber bodies in Sweden. The businesses serve customers in the concrete, construction and forest industry in Finland, Sweden and Estonia. The companies of the business area are PM Nordic, Tornokone, HM Nordic, Floby Nya Bilverkstad (FNB) and Lackmästarn.

In addition to the above-mentioned business areas, the Group's 'Other operations' consists of Etelä-Suomen Kuriiripalvelut's, Vesterbacka Transport's and Bast's businesses providing logistics and courier services in Finland and the Baltic region, and Group administration operations.

The Group's management team estimates the segment's result based on net sales and operational EBIT adjusted with items affecting comparability. Segments' assets and liabilities are business items used by the segment in its operations. Investments consist of increases in property, plant and equipment and intangible assets that are used in more than one financial year.

SEGMENT INFORMATION (EUR million)

1-12/2023	Electronics	Technical Trade	Heavy Machines	Other Operations	Intra segment	Total
Net sales	62.4	58.3	35.8	4.9		161.3
Share of associated companies' profit or loss	0.3	0.0	0.0	0.0		0.3
Depreciation	-2.0	-1.7	-1.1	-0.7		-5.4
EBIT	3.3	4.4	0.7	-2.1		6.3
Financial income	0.1	0.0	0.0	0.6	-0.6	0.2
Financial expenses	-0.3	-0.6	-0.3	-2.4	0.6	-3.0
Profit before taxes	3.1	3.8	0.5	-3.9		3.5
Balance sheet assets	56.3	35.4	31.0	4.8	-7.9	119.6
Balance sheet liabilities	-43.6	-25.5	-14.1	-1.6	7.9	-77.0
Investments	0.4	0.3	0.8	0.8		2.3
Personnel at end of the period	137	114	63	27		341

SEGMENT INFORMATION (EUR million)

1-12/2022	Electronics	Technical Trade	Heavy Machines	Other Operations	Intra segment	Total
Net sales	62.7	53.0	42.4	4.7	-2.4	160.4
Depreciation	-1.4	-0.9	-1.2	-0.5		-4.0
Share of associated companies' profit or loss	0.2	0.0	0.0	0.0		0.0
EBIT	3.7	4.6	0.6	-2.4		6.5
Financial income	0.7	0.0	0.0	0.4	-0.4	0.7
Financial expenses	-1.5	-0.5	0.0	-0.1	0.4	-1.6
Profit before taxes	2.9	4.5	0.5	-2.5		5.5
Balance sheet assets	51.3	45.7	32.0	5.0	-12.6	121.4
Balance sheet liabilities	54.5	22.1	13.6	2.0	-12.6	79.7
Investments*	0.5	0.5	0.2	0.6		1.9
Personnel at end of the period	120	108	63	36		327

Net sales by geographic area

EUR million	2023	2022
Finland	112.8	110.6
Sweden	22.8	22.6
Baltic countries	24.6	26.4
Others	1.1	0.7
Total	**161.3**	**160.4**

2. Acquisitions

2023 acquisitions

In 2023, Boreo Group carried out three acquisitions: Filterit Oy, Lamox Oy and Delfin Technologies Oy. Boreo considers that none of the acquisitions is material on its own.

Acquired unit	Business area	Acquisition type	Holding	Time of acquisition	Net sales, MEUR*	Employees	Country
Filterit Oy	Technical Trade	Share	100 %	01/02/2023	3.3	8	Finland
Lamox Oy	Technical Trade	Share	100 %	03/03/2023	0.6	0	Finland
Delfin Technologies Oy	Electronics	Share	100 %	07/01/2023	2.5	9	Finland

*Net sales for the financial year preceding the acquisition in accordance with local accounting rules.

Filterit Oy

Founded in 2005, Filterit supplies products and solutions required for process filtration. The company is positioned in filtering for liquids and gas, and its broad customer base consists of actors from several industries, as well as the public sector. Filterit employs eight people and has its offices in Helsinki, Finland. The company's net sales for the financial year ending on December 31, 2021 were some EUR 3.3 million and reported EBITDA was about EUR 0.4 million. Boreo has consolidated Filterit as part of the Group from January 1, 2023, which was the time of acquisition. Filterit is reported as part of the Technical Trade business area.

In addition to the cash consideration, Boreo has based on the authorization given by the Annual General Meeting paid part of the purchase price through a directed share issue of 9646 shares totaling approximately EUR 0.4 million to the seller the valuation of which is based on the volume-weighted average price of shares for 30 days. In addition to the consideration paid, part of the purchase price consists of a contingent consideration (max. EUR 1.0 million) based on the development of Filterit's business in 2023-2024. The additional purchase price shall be paid in cash.

The goodwill arising from the acquisition is mainly due to the fact that the Group acquired a suitable organization and operations to expand its operations to a new product group and strengthen its product offering. Goodwill consists mainly of staff skills and customer and principal relationships that are not considered to constitute an intangible asset.

Lamox Oy

Founded in 2013, Lamox manufactures patented Termotuote products which are used in hidden socle repairs. Termotuote has gained a strong position among building companies and constructors during its operating history. Lamox's office is located in Alajärvi, Finland. The company's net sales for the financial year ending on April 30, 2022, were some EUR 0.6 million and EBITDA was about EUR 0.1 million. Boreo has consolidated Lamox as part of the Group from April 1, 2023, which was the time of acquisition. Lamox is reported as part of the Technical Trade business area.

The goodwill arising from the acquisition is mainly due to Boreo Plc acquiring a suitable organization and operations to expand its operations horizontally more widely in the technical trade business area and to strengthen its product offering and position in the value chain. Goodwill consists mainly of the skills of the personnel and customer and principal relationships that are not considered to constitute an intangible asset.

Delfin Technologies Oy

Founded in 1998, Delfin Technologies is a health technology company that develops, produces and markets scientifically validated and specialized, hand-held skin and edema measurement instruments. Besides clinical use, Delfin's products are used in medical and dermatological research, as well as in R&D, safety and performance validation of cosmetics products. The company's medical devices have been approved for clinical use in the US and the EU. Delfin serves its customers through distributors in over 40 countries in selected geographies, the main markets are the US, China and Europe. Delfin Technologies Oy has a 65% owned subsidiary in the UK, Delfin Technologies UK Ltd. Boreo has consolidated Delfin as part of the Group from July 1, 2023, which was the time of acquisition. Delfin is reported as part of the Electronics business area.

Delfin employs nine people and has its offices in Kuopio, Finland. The company's net sales for the financial year ending on December 31, 2022, were some EUR 2.5 million and the reported operating result was about EUR 1.1 million.

The purchase price is paid in cash in two installments. About two-thirds at the time of the transaction and one-third one year after the transaction. Boreo financed the payment of the purchase price with its existing financial facilities.

The goodwill arising from the acquisition is mainly due to Boreo Plc acquiring a suitable organization and operations to expand horizontally in the Electronics business area and to strengthen its product offering and its position in the value chain. Goodwill consists mainly of skills of the personnel and customer and principal relationships that are not considered to constitute an intangible asset.

2023	Acquisitions
Consideration paid total	10.6
Contingent consideration total	3.5
Total consideration	**14.1**
Assets acquired and liabilities assumed	
Property, plant and equipment	0.1
Principal/customer contracts/technology	5.2
Shares in associated companies	0.0
Deferred tax receivable	0.0
Inventories	1.2
Current receivables	1.0
Cash and cash equivalents	2.1
Total assets	**9.6**
Non-current liabilities	1.1
Current liabilities	1.3
Minority interest	0.0
Total liabilities	**2.4**
Net assets	7.2
Goodwill	**6.9**
Cash flow statement	
Purchase price paid in cash	10.1
Cash assets obtained	-2.1
Payments for acquisitions in previous years	1.2
Cash flow effect	**9.2**

In total, Boreo has recorded a transaction-related expense of EUR 0.3 million from the asset transfer tax and fees related to advisory and other services. The expenses are included in the other operating expenses item in the consolidated income statement.

Allocation of intangible assets from acquisitions EUR 5.2 million relate to customer and principal relationships and acquired technology.

Since the acquisition date, acquisitions have generated approximately EUR 5.4 million in net sales and operational EBIT of about EUR 1.3 million. If the acquired companies had been consolidated into the Group as of January 1, 2023, management estimates that the net sales indicated by the consolidated income statement would have been about EUR 162.4 million and operational EBIT about EUR 9.8 million.

2022 acquisitions

In 2022, Boreo Group carried out nine acquisitions: Pronius Oy, Infradex Oy, Vesterbacka Transport Oy, Signal Solutions Nordic Oy, Läckmastarn, J-Matic Oy, Led-Systems, GT Motor and Basti. Boreo considers that none of the acquisitions was material on its own.

Acquired unit	Business area	Acquisition type	Holding	Time of acquisition	Net sales, MEUR*	Employees	Country
Pronius Oy	Technical Trade	Share	100 %	03/01/2022	5.5	4	Finland
Infradex Oy	Electronics	Share	100 %	03/01/2022	2.0	4	Finland
Vesterbacka Transport Oy	Other Operations	Share	100 %	03/01/2022	0.5	2	Finland
Signal Solutions Nordic	Electronics	Share	100 %	06/01/2022	13.0	13	Finland
Lackmästar'n i Håkantorp AB	Heavy Machines	Share	100 %	10/01/2022	1.0	10	Sweden
J-Matic Oy and J-Matic Rent Oy	Technical Trade	Share	100 %	12/01/2022	2.3	20	Finland
Moottorikoneistus Ojala Oy	Technical Trade	Business	N/A	May 1, 2022	0.2	2	Finland
Led-Systems Oy	Electronics	Business	N/A	06/03/2022	0.3	0	Finland
Basti Oy	Other Operations	Business	N/A	12/15/2022	0.4	2	Finland

*Net sales for the financial year preceding the acquisition in accordance with local accounting rules.

Pronius Oy

Pronius established in 2009 is the official distributor of Fronius International GmbH's welding technology products and system solutions in Finland. The company acts as a partner for its customers during the life cycle of the products, and its service portfolio covers imports, storage, sales and distribution of new products, as well as maintenance and spare parts services. The company's key customers include Finnish companies operating in the engineering and manufacturing industries. Pronius employs 4 people and its operations are located in Tampere, Finland. The company's net sales for the financial year ending on August 31, 2021, were some EUR 5.5 million and FAS accordant EBITDA was about EUR 1.2 million. Boreo has consolidated Pronius as part of the Group from March 1, 2022, which was the time of acquisition. Pronius is reported as part of the Technical Trade business area.

In addition to the cash consideration, Boreo has based on the authorization given by the Annual General Meeting paid part of the purchase price through a directed share issue of 9,000 shares totaling approximately EUR 0.5 million to the seller the valuation of which is based on the volume-weighted average price of shares for 30 days. In addition to the consideration paid, part of the purchase price will consist of a contingent consideration based on the development of Pronius' business in 2022-2023. The additional purchase price shall be paid in cash.

The goodwill arising from the acquisition is mainly due to the fact that the Group acquired a suitable organization and operations to expand its operations to a new product group. Goodwill consists mainly of the skills of the personnel and future customer and principal relationships that are not considered to constitute an intangible asset. Acquired identifiable assets include a principal relationship recognized separately from goodwill.

Infradex Oy

Infradex is Finland's leading importer of thermal imaging systems, service center, and trainer of thermal imaging and infrared technology. The company specializes in the sale, import and maintenance of thermal imaging cameras and temperature detectors, and calibration of FLIR thermal imaging cameras and measuring instruments. The company also organizes thermal imaging training and seminars and offers technical support for the use of thermal imaging equipment and software. The company's key customers include nationwide distributors and wholesalers, as well as public administration. The company's main principal is Teledyne Flir. Infradex employs 4 people and its operations are located in Vantaa. The company's net sales for the financial year ending in January 2022 were some EUR 2.0 million and EBITDA was about EUR 0.5 million. Boreo has consolidated Infradex as part of the Group from March 1, 2022, which was the time of acquisition. Infradex is reported as part of the Electronics business area.

In addition to the consideration paid, part of the purchase price will consist of a contingent consideration based on the development of Infradex's business in 2022-2023. The additional purchase price shall be paid in cash.

The goodwill arising from the acquisition is mainly due to Boreo Plc acquiring a suitable organization and operations to expand horizontally in the electronics business area and to strengthen its product offering. Goodwill consists mainly of the skills of the personnel and future customer and principal relationships that are not considered to constitute an intangible asset. Acquired identifiable assets include a principal relationship recognized separately from goodwill.

Vesterbacka Transport Oy

Vesterbacka is a specialized transport service provider operating in Finland established in 2001. Vesterbacka employs 2 people and its operations are located in Tuusula. The company's net sales for the financial year ending on March 31, 2021, were approximately EUR 0.5 million. Boreo has consolidated Vesterbacka as part of the Group from March 1, 2022, which was the time of acquisition. Boreo reports Vesterbacka Transport as part of Other Operations.

In addition to the cash consideration, Boreo has based on the authorization given by the Annual General Meeting paid part of the purchase price through a directed share issue of 1,600 shares totaling approximately EUR 0.1 million to the seller the valuation of which is based on the volume-weighted average price of shares for 30 days.

The goodwill arising from the acquisition is mainly due to the Group acquiring a suitable organization and activities to expand its activities horizontally into an existing business area in accordance with the company's strategy to support its other business areas. Goodwill consists mainly of skills of the personnel and future customer relationships that are not considered to constitute an intangible asset. Acquired identifiable assets include a customer relationship recognized separately from goodwill.

Signal Solutions Nordic Oy

Established in 2013, SSN represents world-leading manufacturers and innovative products that enable high quality testing, measurement and R&D. Customers operate in many different areas, from defense, space, universities, telecommunications to industrial production. SSN employs 13 people and has offices in Finland, Sweden, Poland and the United States. SSN Group's net sales for the financial year ending on December 31, 2021, were some EUR 13.0 million and EBITDA was about EUR 1.1 million. The Group figures include the parent company Signal Solutions Nordic Oy, Signal Solutions Nordic AB of which it owns 51%, and Signal Solutions USA LLC of which it owns 51%. The figures for Signal Solutions Poland sp. z o.o. sp.k. of which Signal Solutions Nordic Oy owns 50 % have not been consolidated. The company’s net sales was approximately EUR 4.2 million in the financial year ending on December 31, 2021, and EBITDA was approximately EUR 1.3 million. Boreo has consolidated SSN as part of the Group from June 1, 2022, which was the time of acquisition. SSN is reported as part of the Electronics business area.

In addition to the cash consideration, Boreo has based on the authorization given by the Annual General Meeting paid part of the purchase price through a directed share issue of 18,786 shares totaling approximately EUR 0.8 million to the seller the valuation of which is based on the closing price at the time of acquisition. In addition to the consideration paid, part of the purchase price will consist of a contingent consideration based on the development of SSN's business in 2022-2023. The additional purchase price shall be paid in cash.

As part of the acquisition of SSN, associated companies and companies with minorities became part of the Group. Shares in associated companies and minority interests are measured at fair value based on the companies' relative profitability based on the EBIT margin. The minority interest has been measured at fair value, i.e. the applied method is the full goodwill model.

The goodwill arising from the acquisition is mainly due to Boreo Plc acquiring a suitable organization and operations to expand horizontally in the electronics business area and to strengthen its product offering both on existing and new markets. Goodwill consists mainly of the skills of the personnel and future customer and principal relationships that are not considered to constitute an intangible asset. Acquired identifiable assets include a customer relationship recognized separately from goodwill.

Lackmästar'n i Håkantorp AB

Lackmästarn, established in 1982, is a company specializing in painting, surface treatment and varnishing of heavy vehicles. During its 40 years of operations, the company has achieved a loyal customer base among Swedish distributors, dealers, and operators of heavy vehicles, as well as in insurance companies' damage repairs. Lackmästarn employs 10 people and its office is located in Håkantorp, Sweden. The company's net sales for the financial year ending on June 30, 2021, were some SEK 10.4 million and EBITDA was about SEK 1.1 million. Boreo has consolidated Lackmästarn as part of the Group from October 1, 2022, which was the time of acquisition. Lackmästarn is reported as part of the Heavy Machines business area.

The goodwill arising from the acquisition is mainly due to the Group acquiring a suitable organization and activities to expand its activities horizontally into an existing business area in accordance with the company's strategy to support its other business areas. Goodwill consists mainly of skills of the personnel and future customer relationships and synergies that are not considered to constitute an intangible asset.

J-Matic Oy

J-Matic, established in 2005, is a contract manufacturer specialized in sub and final assemblies. The company delivers technically demanding total deliveries to leading customers in its own areas, typically containing mechanical, electronic, pneumatic and automation applications. J-Matic employs 20 people and has its offices in Lempäälä, Finland. The company's illustrative net sales for the financial year ending on December 31, 2021, were some EUR 2.3 million and EBITDA was about EUR 0.6 million. Boreo has consolidated J-Matic part of the Group from December 1, 2022, which was the time of acquisition. J-Matic is reported as part of the Technical Trade business area.

In addition to the cash consideration, Boreo has based on the authorization given by the Annual General Meeting paid part of the purchase price through a directed share issue of 5,000 shares totaling approximately EUR 0.2 million to the seller the valuation of which is based on the volume-weighted average price of shares for 30 days. In addition to the consideration paid, part of the purchase price will consist of a contingent consideration based on the development of J-Matic's business in 2022-2023. The additional purchase price shall be paid in cash.

The goodwill arising from the acquisition is mainly due to the fact that the Group acquired a suitable organization and operations to expand its operations in the technical trade business and value chain. Goodwill consists mainly of the skills of the personnel and future customer and principal relationships that are not considered to constitute an intangible asset. Acquired identifiable assets include a customer relationship recognized separately from goodwill.

Moottorikoneistus Ojala (GT Motor), Led-Systems and Basti

During the financial year 2022, Boreo carried out three business acquisitions where instead of companies existing businesses were acquired. These business acquisitions are separately irrelevant and therefore their information is consolidated.

Machinery Oy acquired Moottorikoneistus Ojala Oy’s Helsinki machinery business (“GT Motor”) on May 1, 2022. As part of the transaction, two GT Motor employees joined Machinery. GT Motor’s net sales in 2021 were EUR 0.2 million.

On June 6, 2022, Boreo Plc signed a sales contract based on which it acquired the business of Led-Systems Oy. As a result of the transaction, Boreo's Yleiselektroniikka business strengthens its offering for components and circuit board connectors. Led-Systems Oy’s net sales were approximately EUR 0.3 million in 2021.

Boreo's subsidiary Etelä-Suomen Kuriiripalvelu Oy (”ESKP”) has signed a contract on December 15, 2022, under which it acquires the business of Basti Oy. Established in 1996, Blast Oy is a logistics company specialized in direct express transportations. The company's large customer base consists mainly of Finnish industrial companies. Basti employs 2 people in addition to which the company has an extensive subcontracting and cooperation network. Basti’s office is located in Kärrby, Finland. The company's net sales for the financial year ending on September 30, 2021 were some EUR 0.4 million and EBITDA was about EUR 0.1 million.

2022	**Acquisitions**
Consideration paid total	14.6
Contingent consideration total	2.7
Total consideration	**17.3**
Assets acquired and liabilities assumed	
Property, plant and equipment	0.6
Fair value allocation of intangible assets	5.2
Shares in associated companies	0.9
Deferred tax receivable	0.0
Inventories	2.6
Current receivables	3.8
Cash and cash equivalents	3.3
Total assets	**16.4**
Non-current liabilities	1.3
Current liabilities	3.7
Minority interest	1.1
Total liabilities	**6.1**
Net assets	10.3
Goodwill	**7.0**
Cash flow statement	
Purchase price paid in cash	13.0
Cash assets obtained	-3.3
Cash flow effect	**9.7**

In total, Boreo has recorded a transaction-related expense of EUR 0.4 million from the asset transfer tax and fees related to advisory and other services. The expenses are included in the other operating expenses item in the consolidated income statement.

Allocation of intangible assets from acquisitions EUR 5.2 million relate to customer and principal relationships.

Since the acquisition date, acquisitions have generated approximately EUR 18.4 million in net sales and operational EBIT of about EUR 2.9 million. If the acquired companies had been consolidated into the Group as of January 1, 2022, management estimates that the net sales indicated by the consolidated income statement would have been about EUR 169.5 million and operational EBIT about EUR 9.5 million.

3. Other operating income

	2023	2022
Sales gains from property, plant and equipment	0.0	0.1
Other income	0.9	0.4
Total	**0.9**	**0.5**

4. Materials and services

	2023	2022
Materials and goods		
Purchases during the period	117.0	111.4
Change in inventories	-1.0	7.5
External services	1.5	2.0
Total	**117.5**	**120.9**

5. Employee benefit expenses and other operating expenses

	2023	2022
Salaries and fees	19.5	17.2
Pension costs	3.2	2.7
Other indirect employee costs	0.4	0.3
Total employee benefit expenses	**23.0**	**20.2**
Other operating expenses	10.3	9.5
Total operating expenses	**33.4**	**29.7**
Number of personnel at the end of the period	**341**	**327**

Other operating expenses in the income statement include some EUR 102,000 in auditing fees to Moore and some EUR 42,000 to other entities.

6. Depreciation, amortization and impairment

	2023	2022
Intangible assets		
Intangible assets	-2.5	-1.7
Tangible assets		
Buildings and structures	0.0	0.0
Machinery and equipment	-0.8	-0.6
Rented business premises	-1.6	-1.3
Leased machinery and equipment	-0.5	-0.4
Total	**-5.4**	**-4.0**

7. Financial income

	2023	2022
The change in the fair value of the interest derivative and realized cash flow	0.1	0.6
Other financial income	0.1	0.1
Total financial income	**0.2**	**0.7**

8. Financial expenses	2023	2022
Interest expenses	-2.8	-1.5
Other financial expenses	-0.2	-0.2
Total financial expenses	**-3.0**	**-1.6**

9. Income taxes	2023	2022
Taxes based on the profit/loss for the financial year	-1.0	-1.3
Taxes for the previous year	0.0	-0.1
Change in deferred taxes	0.3	0.3
Total income taxes	**-0.7**	**-1.1**

Income tax reconciliation

Profit before taxes	3.5	5.5
Taxes calculated at the parent company's 20% tax rate	-0.7	-1.1
Impact of foreign subsidiaries' differing tax rates	0.1	0.1
Share of associated companies' profit or loss	0.0	0.0
Impact of tax-free net sales and non-deductible expenses	-0.1	-0.2
Temporary difference between taxation and accounting depreciation	0.0	0.0
Unrecognized tax assets	0.0	0.0
Taxes for the previous year	0.0	0.1
Tax expense in the income statement	**-0.7**	**-1.1**

10. Earnings per share	2023	2022
Profit for the review period to shareholders	2,555 262	4,129 751
Impact of the interest rate on the hybrid loan adjusted by the tax effect	1,301 333	1,159 111
Weighted average number of shares during the period	2,686 780	2,644 440
Effect of share options	3,793	6,295
Earnings per share (EUR/share), diluted	0.47	1.12
Earnings per share (EUR/share), undiluted	0.47	1.12

Dividend

The dividend paid in 2023 was EUR 1,182,161 (EUR 0.44 per share) and the dividend paid in 2022 was EUR 1,111,113 (EUR 0.42 per share). Boreo's aim is to pay an annually increasing dividend per share, considering capital allocation priorities. In the short term, the company's objective is to strengthen its financial position and, as a result, the Board of Directors of the company proposes to the Annual General Meeting that no dividend will be paid for the financial year that ended on December 31.

11. Other financial assets and liabilities

Other non-current financial assets	**2023**	**2022**
Unquoted equity investments		
Acquisition cost, Jan. 1	0.3	0.4
Increases	1.2	0.0
Decreases	-0.2	0.0
Accumulated amortization and impairment, Jan. 1	-0.1	-0.1
Accumulated amortization and impairment, Dec. 31	-0.2	-0.1
Book value, Dec. 31	1.3	0.3
Investments held to maturity	0.0	0.0
Other non-current financial assets, total	**1.3**	**0.3**

Hierarchy of financial assets	**Level 3**	**Level 3**
Investments held to maturity	0.3	0.3
Other financial assets	1.0	0.0
Total	**1.3**	**0.3**

Contingent additional purchase price liabilities (level 3)

	2023	**2022**
Additional purchase liabilities and other contingent liabilities related to acquisitions Jan.1	3.0	0.2
Increases	3.5	2.6
Payments	-1.2	-0.2
Changes recognized through profit or loss	-0.1	0.4
Translation differences	0.0	0.0
Total Dec. 31	**5.2**	**3.0**

Contingent liabilities relate to additional transaction costs generated by acquisitions. Those recognized through profit or loss include fair value changes in estimates and additional purchase price liabilities recognized as personnel costs in accordance with IFRS 3, which are considered to be commitments and recognized through profit or loss.

12. Inventories

	2023	**2022**
Inventories	**31.0**	**32.0**

During the period EUR 0.4 million was recognized as an expense to reduce the book value of inventories to correspond to its net realizable value (EUR 0.6 million in 2022).

Group companies have no material manufacturing activities.

13. Non-current assets

Intangible assets 2023

	Other intangible assets	Advances paid on in-tangible assets	Goodwill	Total
Acquisition cost, Dec. 31, 2023	**11.6**	**0.1**	**35.5**	**47.2**
Translation difference	0.0	0.0	0.0	0.0
Acquisitions	5.2	0.0	6.9	12.1
Increases	0.4	0.0	0.0	0.4
Divestments	0.0	0.0	0.0	0.0
Transfers between items	0.1	-0.1	0.0	0.0
Acquisition cost, Dec. 31, 2023	**17.3**	**0.0**	**42.4**	**59.7**
Accumulated amortization, Jan. 1, 2023	**-4.6**	**0.0**	**0.0**	**-4.6**
Translation difference	0.0	0.0	0.0	0.1
Accumulated amortization from divestments	0.0	0.0	0.0	0.0
Amortization for the period	-2.5	0.0	0.0	-2.5
Accumulated amortization, Dec. 31, 2023	**-7.2**	**0.0**	**0.0**	**-7.2**
Book value, Dec. 31, 2023	**6.9**	**0.1**	**35.5**	**42.5**
Book value, Dec. 31, 2023	**10.0**	**0.0**	**42.4**	**52.5**

Intangible assets 2022	Other intangible assets	Advances paid on in-tangible assets	Goodwill	Total
Acquisition cost, Jan. 1, 2022	**6.5**	**0.1**	**29.0**	**35.6**
Translation difference	-0.1	0.0	-0.5	-0.6
Acquisitions	5.2	0.0	7.0	12.2
Increases	0.5	0.0	0.0	0.5
Divestments	-0.5	0.0	0.0	-0.5
Decreases	0.0	0.0	0.0	-0.0
Acquisition cost, Dec. 31, 2022	**11.6**	**0.1**	**35.5**	**47.2**
Accumulated amortization, Jan.1, 2022	**-3.4**	**0.0**	**0.0**	**-3.4**
Translation difference	-0.1	0.0	0.0	-0.1
Accumulated amortization from divestments	0.4	0.0	0.0	0.4
Amortization for the period	-1.7	0.0	0.0	-1.7
Accumulated amortization, Dec. 31, 2022	**-4.6**	**0.0**	**0.0**	**-4.6**
Book value, Jan. 1, 2022	**3.2**	**0.1**	**29.0**	**32.2**
Book value, Dec. 31, 2022	**6.9**	**0.1**	**35.5**	**42.5**

Property, plant and equipment 2023

	Buildings and structures	Machinery and equipment	Buildings and structures, right-of-use	Machinery and equipment, right-of-use	Advance payments and construction in progress	Total
Acquisition cost, Dec. 31, 2023	**3.7**	**9.1**	**6.3**	**2.0**	**0.0**	**21.1**
Translation difference	0.0	0.0	0.0	0.0	0.0	0.0
Acquisitions	0.0	0.1	0.0	0.0	0.0	0.1
Increases	0.0	1.6	2.8	0.3	0.2	4.9
Divestments	0.0	0.0	0.0	0.0	0.0	0.0
Decreases	0.0	-0.5	0.0	-0.1	0.0	-0.7
Transfers between items	0.0	0.0	0.0	0.0	-0.1	-0.2
Acquisition cost, Dec. 31, 2023	**3.7**	**10.3**	**9.1**	**2.1**	**0.1**	**25.3**
Accumulated depreciation, Jan. 1, 2023	**-3.1**	**-6.5**	**-1.7**	**-0.5**	**0.0**	**-11.8**
Translation difference	0.0	0.0	0.0	0.0	0.0	0.0
Accumulated depreciation from divestments	0.0	0.0	0.0	0.0	0.0	0.0
Accumulated depreciation from decreases and transfers	0.0	0.1	0.0	0.0	0.0	0.2
Depreciation	0.0	-0.9	-1.6	-0.5	0.0	-2.9
Accumulated depreciation, Dec. 31, 2023	**-3.1**	**-7.2**	**-3.3**	**-0.9**	**0.0**	**-14.4**
Book value, Dec. 31, 2023	**0.5**	**2.5**	**4.5**	**1.5**	**0.0**	**9.2**
Book value, Dec. 31, 2023	**0.5**	**3.0**	**5.8**	**1.3**	**0.0**	**10.7**

Property, plant and equipment 2022

	Buildings and structures	Machinery and equipment	Buildings and structures, right-of-use	Machinery and equipment, right-of-use	Advance payments and construction in progress	Total
Acquisition cost, Jan. 1, 2022	**3.7**	**8.2**	**3.4**	**1.2**	**0.1**	**16.6**
Translation difference	0.0	-0.1	-0.1	0.0	0.0	-0.2
Acquisitions	0.0	0.5	0.0	0.0	0.1	0.6
Increases	0.0	1.4	3.7	0.8	0.0	5.9
Divestments	0.0	-0.5	-0.8	0.0	0.0	-1.3
Decreases	0.0	-0.4	0.0	-0.1	-0.1	-0.5
Revaluation	0.0	0.0	0.0	0.0	0.0	0.0
Transfers between items	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition cost, Dec. 31, 2022	**3.7**	**9.1**	**6.3**	**2.0**	**0.0**	**21.1**
Accumulated depreciation, Jan.1, 2022	**-3.1**	**-6.3**	**-0.7**	**-0.2**	**0.0**	**-10.3**
Translation difference	0.0	0.1	-0.1	0.1	0.0	0.1
Accumulated depreciation from divestments	0.0	0.2	0.4	0.0	0.0	0.6
Accumulated depreciation from decreases and transfers	0.0	0.1	0.0	0.0	0.0	0.1
Depreciation	0.0	-0.6	-1.3	-0.4	0.0	-2.3
Accumulated depreciation, Dec. 31, 2022	**-3.1**	**-6.5**	**-1.7**	**-0.5**	**0.0**	**-11.8**

Book value, Jan. 1, 2022	**0.5**	**1.9**	**2.7**	**1.0**	**0.1**	**6.3**
Book value, Dec. 31, 2022	**0.5**	**2.5**	**4.5**	**1.5**	**0.0**	**9.2**

14. Goodwill and impairment testing

From the acquisition date, goodwill is allocated for goodwill testing to those cash-generating units (CGUs) that are expected to benefit from the goodwill arising from the business combination. The Group's goodwill is allocated to cash-generating units as follows:

	2023	**2022**
Technical Trade	23.5	20.2
Electronics	6.7	3.3
Heavy Machines	10.0	10.0
Other Operations	2.1	2.1
Total	**42.4**	**35.5**

The recoverable amounts of cash-generating units are based on value-in-use calculations using discounted cash-flow projections. The estimates are based on the budget approved by the management and the Board of Directors for 2024 and on the best available information and a view of performance and market development in 2025-2028, which together constitute a forecast period.

Key assumptions used in the calculations are cash flow growth after the forecast period and the discount rate (WACC). The weighted average cost of capital is used as the discount rate in the calculations, the components of which are country-specific weighted risk-free interest rate, risk premiums, industry-specific beta, the cost of the Group's external debt, and the capital structure of the industry based on the average of selected peer companies. The growth in the cash flow after the forecast period is based on the company's conservative estimate of long-term growth, which corresponds to the European Central Bank's long-term target inflation rate of 2%. Profitability in the forecast period is based on the expected organic growth of the business in normal market conditions and steady profitability development and does not include future acquisitions.

The table below shows the main assumptions for impairment testing.

2023	**Technical Trade**	**Electronics**	**Heavy Machines**	**Other Operations**
Growth in cash flow after the forecast period	2%	2%	2%	2%
Profitability (EBIT %) in the terminal period	9.6%	7.4%	6.9%	11.7%
Discount rate (Pre-tax WACC)	10.1%	10.0%	9.7%	11.0%
Discount rate (Post-tax WACC)	9.4%	9.3%	9.0%	10.3%

2022	**Technical Trade**	**Electronics**	**Heavy Machines**	**Other Operations**
Growth in cash flow after the forecast period	2%	2%	2%	2%
Profitability (EBIT %) in the terminal period	9.0%	6.6%	4.6%	11.7%
Discount rate (Pre-tax WACC)	9.3%	9.6%	9.0%	8.2%
Discount rate (Post-tax WACC)	8.6%	8.9%	8.4%	7.3%

Based on the test calculations, goodwill is not subject to impairment. The recoverable amounts of all cash-generating units exceeded their book values. The table below shows the percentages with which the recoverable amounts exceed the book value of the tested asset items.

Technical Trade	Electronics	Heavy Machines	Other Operations
50–100%	50–100%	20–50%	20–50%

Sensitivity calculation

The Group has assessed the sensitivity of the goodwill impairment calculation through the changes in the key assumptions used in the calculation.

The table below shows the changes that should be met in the Technical Trade, Electronics, Heavy Machines and Other Operations in order for the recoverable amount to be below the book value. However, management estimates that a likely change in any of the key assumptions used would not lead to a situation where the recoverable amounts of cash-generating units would fall below their book value.

	Technical Trade	Electronics	Heavy Machines	Other Operations
Decrease in EBIT margin in the terminal year, percentage points	-1%	-3%	-1%	-2%
Growth in cash flow after the forecast period, percentage points	-4%	-5%	-1%	-1%
Discount rate increase, percentage points	1%	1%	1%	1%

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15. Deferred tax assets and liabilities

Deferred tax assets	Jan. 1, 2023	Recognized in the income statement	Recognized in equity	M&A transactions	Dec. 31, 2023
Cost allocation difference	0.1	0.0	0.0	0.0	0.1
Total	**0.1**	**0.0**	**0.0**	**0.0**	**0.1**

	Jan. 1, 2022	Recognized in the income statement	Recognized in equity	M&A transactions	Dec. 31, 2022
Cost allocation difference	0.1	0.0	0.0	0.0	0.1
Total	**0.1**	**0.0**	**0.0**	**0.0**	**0.1**

Deferred tax liabilities	Jan. 1, 2023	Recognized in the income statement	Recognized in equity	M&A transactions	Dec. 31, 2023
Tangible and intangible fixed assets	1.8	-0.5	0.0	1.1	2.5
Total	**1.8**	**-0.5**	**0.0**	**1.1**	**2.5**

	Jan. 1, 2022	Recognized in the income statement	Recognized in equity	M&A transactions	Dec. 31, 2022
Tangible and intangible fixed assets	1.0	-0.3	0.0	1.2	1.8
Total	**1.0**	**-0.3**	**0.0**	**1.2**	**1.8**

16. Trade and other receivables

	2023	2022
Trade receivables	14.6	19.8
Loan receivables	0.0	0.0
Other receivables	0.7	0.3
Accrued income	1.2	3.0
Total assets at end of year	**16.4**	**23.2**

Age distribution of trade receivables and impairment losses	**Expected credit losses (IFRS 9)**	**2023**	**2022**
Not overdue	0.0	11.8	16.8
Overdue 1-30 days	0.0	2.1	2.4
Overdue 31-89 days	0.0	0.2	0.4
Overdue over 90 days	0.0	0.5	0.4
Impairment losses	-0.1	-0.1	-0.1
Other credit loss provisions	-0.2	0.0	-0.1
Total at end of year	**-0.3**	**14.6**	**19.8**

The Group applies a simplified method for recording expected credit losses, whereby expected credit losses are recognized for all trade receivables and contractual assets over the entire period of validity. The percentages used in the calculation are based on historical credit losses, considering current financial circumstances and the Group's view of the financial conditions that will affect the trade receivables during their expected validity. In the Group's view, the balance sheet value of trade receivables best reflects the amount of money that is the maximum credit risk if the contracting parties fail to meet their obligations related to trade receivables.

A EUR 0.2 million other credit loss provision has been recognized in addition to the credit losses under IFRS 9, based on management's estimate of the recoverability of receivables.

17. Cash and cash equivalents

	2023	2022
Cash in hand and at banks	6.5	13.2
Total	**6.5**	**13.2**

18. Discontinued operations

On August 9, 2022, Boreo announced that it had sold its Russian business operations to the operative management of the Russian companies. In addition to Russian companies, the discontinued operations included YE International Elektrik Turkey the fully owned subsidiary of YE. Boreo had previously as of the Q2 2022 half-year report classified Russian and Turkish operations as discontinued operations in accordance with IFRS 5. The tables below include the income statement of discontinued operations for the period January 1 to August 9, 2022, and the closing balance sheet on August 9, 2022. Discontinued operations have no impact on the income statement or balance sheet of 2023.

INCOME STATEMENT (EUR)	2022
Net sales	12.2
Other operating income	0.0
Materials and services	-11.7
Employment related expenses	-2.1
Depreciation, amortization and impairment losses	-0.2
Other operating expenses	-3.3
EBIT	**-5.2**
Financial income	0.0
Financial expenses	-0.7
Profit before taxes	**-5.9**
Income taxes	-0.2
Profit after taxes	**-6.0**
Sales gain from discontinued operations	0.7
Translation differences transferred to the income statement	0.3
Other items related to the transaction	0.2
ASSETS	
Non-current assets	
Intangible assets	0.1
Goodwill	0.0
Property, plant and equipment	0.6
Other financial assets	0.0
Investments in associates	0.0
Deferred tax assets	0.0
Total non-current assets	**0.7**
Current assets	
Inventories	0.2
Accounts receivable and other receivables	0.8
Cash and cash equivalents	3.5
Total current assets	**4.5**
TOTAL ASSETS	**5.1**
Non-current liabilities	
Financial liabilities	0.2
Deferred tax liabilities	0.0
Provisions	0.0
Trade payables and other liabilities	0.0
Total non-current liabilities	0.2
Current liabilities	
Trade payables and other liabilities	3.0
Provisions	0.0
Financial liabilities	0.2
Total current liabilities	3.3
TOTAL LIABILITIES	**3.5**

CASH FLOWS FROM DISCONTINUED OPERATIONS	
Net cash flow from operating activities	0.2
Net cash flow from investments	-0.1
Net cash flow from financing	-0.9
Cash consideration	2.6
Sold net assets	-1.6
Other items related to the transaction	-0.3
SALES GAINS	**0.7**

19. Share capital

The total number of shares is 2,701,353 (2,691,708).
The Group's share capital is EUR 2,483,836 (EUR 2,483,836).
All issued shares have been paid in full.

Share class		Shares units	Share % of shares	Share % of votes
Shares	1 vote/share	2,701 353	100.00	100.00

The contingency reserve includes subsidiaries' contingency reserves that are made up of transfers of retained earnings to the contingency reserve recorded in accordance with local legislation. The company holds 14,011 treasury shares.

Share issues

Boreo's Board of Directors has used the authorizations granted by the Annual General Meetings for share issues in 2022 and 2023. The effects of the share issues on the number of shares in Boreo and the dates of the share issues are presented in the table below.

	2023		**2022**
01/01/2023	**2,691,708**	**Jan. 1, 2022**	**2,617,322**
01/05/2023	9,645	01/05/2022	9,000
12/31/2023	**2,701,353**	03/07/2022	1,600
		06/01/2022	18,786
		07/02/2022	40,000
		12/07/2022	5,000
		Dec. 31, 2022	**2,691,708**

20. Hybrid loan

Boreo issued a hybrid loan of EUR 20 million on February 9, 2022, which is treated as equity in the Group's IFRS financial statements. A hybrid loan is an equity-based bond that is weaker than other debt obligations. The loan holder does not have any shareholder rights and it does not dilute the holdings of existing shareholders. The coupon rate for the hybrid loan is fixed at 8.00% per annum until February 9, 2025, The hybrid loan does not have a specified maturity date, but the company is entitled to redeem the hybrid loan at its nominal value on the review date and thereafter on the subsequent interest payment dates. In addition, the company can redeem the hybrid loan at a price higher than the nominal value before the review date. A hybrid loan is initially recognized at fair value less transaction costs and subsequently measured at acquisition cost. The interest on the hybrid loan is recorded directly in equity net of tax benefits, in 2023 EUR 1.6 million of interest was recorded and in 2023, EUR 1.6 million of interest was paid. In accordance with IAS 33, interest accrued in local accounting has been included as an expense in the calculation of earnings per share, as shown in the formula for calculating key figures

21. Share-based payments

Since 2022, Boreo has had a long-term engagement program for key personnel that can be carried out either as equity instruments or in cash. The benefits granted under these schemes are measured at fair value when they are granted and recognized in equity and as corresponding expenses in the income statement evenly over the period of transfer of the rights. The impact of the schemes on profit and loss is presented in the income statement as costs arising from employee benefits. To qualify for a reward under the scheme, the subscriber must have subscribed the company's shares in the personnel issue within the limits determined by the Board of Directors in advance. If the subscriber's share ownership condition has been fulfilled and their employment in the Group company has not been terminated by the date of payment of the reward, the subscriber will receive additional shares, free of charge, as remuneration from the Company in the proportion decided by the Board of Directors. If the payment were to take place on the reporting date, it would result in an issue of 11,380 shares. These shares are considered as potential ordinary shares with a dilutive effect on EPS. The entire scheme is treated as an equity-based payment based on shares. The impact of the program on the result for the financial year was EUR 0.1 million (2022: EUR 0.1 million) and its total cost is estimated at EUR 0.4 million

Matching Share Plan for key personnel 2022–2025

	2023	**2022**
Date granted	06/29/2022	06/29/2022
Shares issued Jan. 1	12,590	0
Shares issued during the period	180	12,663
Shares lost	-1,390	-73
Shares issued Dec. 31	11,380	12,590
Fair value of the share at the time of issue	37.56	37.56
Earning criteria	Employment and employment has not been terminated	Employment and employment has not been terminated
Implementation	As shares and/or cash	As shares and/or cash
Estimated creation of right	07/31/2025	07/31/2025

22. Financial liabilities

Interest-bearing liabilities	**2023**	**2022**
Non-current liabilities		
Lease liabilities	6.1	4.5
Bank loans	27.9	29.0
Instalment payment liabilities	0.0	0.6
Total	**34.0**	**34.1**
Current liabilities		
Lease liabilities	2.2	2.0
Bank loans	7.3	7.5
Instalment payment liabilities	0.0	0.6
Total	**9.5**	**10.0**

Management has estimated that the book values of financial assets and liabilities are reasonably close to fair values

Long-term liabilities maturity	Instalment payment liabilities	Fixed-rate bank loans	Floating rate bank loans	Lease liabilities	Total
2025	0.0	0.0	5.3	2.6	7.9
2026	0.0	0.0	5.1	1.4	6.7
2027	0.0	0.0	17.6	1.2	18.8
Later	0.0	0.0	0.0	0.9	0.9
Total	**0.0**	**0.0**	**27.9**	**6.1**	**34.0**
Total interest payments based on contracts					
2024	0.0	0.0	1.9	0.6	2.6
2025	0.0	0.0	1.2	0.3	1.5
2026	0.0	0.0	0.4	0.3	0.7
2027	0.0	0.0	0.0	0.0	0.0
Later	0.0	0.0	0.0	0.0	0.0
Total	**0.0**	**0.0**	**3.5**	**1.3**	**4.8**

Variable-rate bank loans include loans raised on normal terms from financial institutions. Bank loans are secured by conventional corporate mortgages.

Maturity of lease liabilities	**2023**	**2022**
Within one year	2.2	2.0
Over a year, but less than five years	6.1	4.4
After five years	0.0	0.0
Total	8.3	6.4
Financial expenses accumulated in the future	1.3	1.4
Current value of lease liabilities	**9.6**	**7.8**
Within 12 months	2.8	2.3
Over a year, but less than five years	6.8	5.5
After five years	0.0	0.0
Minimum rents, total	**9.6**	**7.8**

Reconciliation of net interest-bearing net debt	**2023**	**2022**
Long-term financial liabilities	34.0	34.1
Current financial liabilities	9.5	10.0
Interest-bearing assets	1.0	0.0
Cash and cash equivalents	6.5	13.2
Interest-bearing net debt	**36.0**	**30.9**

23. Accounts payable and other non-current liabilities

	2023	2022
Accrued expenses and deferred income	2.0	1.7
Total	**2.0**	**1.7**

24. Accounts payable and other current liabilities

	2023	2022
Trade payables and other liabilities	13.5	15.0
Advance payments received	1.9	3.4
Accrued expenses and deferred income	10.4	10.4
Other short-term liabilities	3.1	3.0
Total	**28.8**	**31.9**

Material items included in deferred and other liabilities consist of salary provisions, VAT liabilities and additional purchase price liabilities.

25. Provisions

	2023	2022
Short-term provisions	**0.1**	**0.0**

Provisions consist of provisions related to restructuring.

26. Guarantees, commitments and other obligations

Liabilities	2023	2022
Overdraft facility	6.3	6.4
Total liabilities	**6.3**	**6.4**
Collateral given		
Enterprise mortgages	71.5	71.5
Guarantees	3.8	3.1
	75.3	**74.6**

27. Financial risk management

The objective of financial risk management is to limit the uncertainty arising from currency risks, interest rate, credit and liquidity risks to cash flow, earnings and equity. The Group's management determines risk concentrations by assessing the impact of the risks on the Group under different circumstances. Financial risk management is centralized to Group Administration. Financial risk management is controlled and supervised by the Group's CFO.

Currency risk

The Group's financial risks include interest rate, currency, liquidity and credit risks. Other risks include risks related to equity and impairment. In 2023, the Group had operations in seven countries and is, therefore, exposed to currency risks arising from intra-group trade, exports and imports and financing of foreign subsidiaries. The Group's main currency positions consist of items in US dollars and Swedish kronas. Currency risks arise mainly from translation differences (net investments in foreign subsidiaries and their equity) and foreign currency transactions. Changes in market interest rates impact the Group's net interest rates. Most of the Group's interest-bearing liabilities are euro-denominated liabilities of the parent company. The largest net position risk is directed at Swedish companies. The Group does not apply hedge accounting. The translation difference was EUR 0.0 million in the financial year 2023.

The Group has no material derivatives that hedge foreign currency risk.

Sensitivity analysis of the impact of a +/- 20% change in SEK on equity and solvency.

	2023	**2022**
	EUR 1,000	EUR 1,000
Impact on post-tax profit	125	133
Equity before profit	915	843
Total	**1040**	**977**

A 20% decline in SEK would affect the Group's equity ratio as follows:

%	**2022**
Equity ratio	36.2 %
Equity ratio with a 20% weaker SEK	35.7 %
Effect	**-0.5 %**

Interest rate risk

The Group's bank loans have variable rates and all bank loans are in the functional currency euro. A 1% increase in the interest on financial loans would affect the Group's financial expenses and net profit by EUR -0.3 million. The interest rate risk is hedged with an interest rate derivative whose fair value at the balance sheet date was approximately EUR 0.4 million. The Group does not apply hedge accounting, so changes in the value of the interest rate derivative are recognized in profit or loss. The hedged portion of variable-interest bank loans is EUR 15 million (i.e. slightly under half of the company's bank loans). The risk management policy does not define a duration objective.

Credit risk

The aim is to reduce the risk of credit losses by actively monitoring the financial situation of customers. IFRS 9 credit risk management is centralized to Group Administration. At the balance sheet date, December 31, 2023, management estimates that, in addition to the ECL receivables, the credit risk of other receivables is EUR 0.2 million, on which a credit loss provision has been recognized in the December 31, 2023, financial statements. The company has recognized a provision for expected credit losses in accordance with IFRS 9 in addition to which the credit risk of customers is assessed on a case-by-case basis.

The highest credit risk is attributed to trade receivable that have matured over 90 days ago and to which a 10% impairment has been recorded based on the risk assessed by the management and the management's analysis in accordance with the company's risk policy. Over 90 days old receivables for the Group as a whole was EUR 0.4 million on December 31, 2023 (2022: 0.4).

Refinancing and liquidity risk

The refinancing and liquidity risk is managed with a balanced maturity distribution of loans, by having a sufficient number of binding credit limits with sufficient maturities available, and by maintaining a sufficient amount of cash assets. At the end of the year, the company had EUR 19.0 million in undrawn binding credit limits.

The Group's financing agreements contain covenants regarding the equity ratio, net debt relative to the previous 12 months' EBITDA calculated in accordance with the calculation principles established with financiers, and the amount of capital expenditure. Breach of covenants may result in higher financing costs or termination of loans. The covenants are reviewed and reported to banks on a semi-annual basis. The company's management regularly monitors the covenants. During the financial year 2023, all semi-annual covenant terms were met.

28. Group companies and related party transactions

Group companies	Group's holding %	Domestic
Boreo Plc		Finland
Noretron Komponentit Oy	100	Finland
AS YE International	100	Estonia
UAB YE International	100	Lithuania
SIA YE International	51	Latvia
Machinery Group Oy	100	Finland
Machinery Oy	100	Finland
Machinery OÜ	100	Estonia
Tornokone OY	100	Finland
Muottikolmio Oy	100	Finland
PM Nordic AB	100	Sweden
Milcon Oy	100	Finland
Etelä-Suomen Kuriiripalvelu Oy	100	Finland
HM Nordic OÜ	100	Estonia
Floby Nya Bilverkstad AB	100	Sweden
Pronius Oy	100	Finland
Infradex Oy	100	Finland
Vesterbacka Transport Oy	100	Finland
Signal Solutions Nordic Oy	100	Finland
Signal Solutions Nordic AB	51	Sweden
Signal Solutions USA L.L.C.	51	US
Lackmästar'n i Håkantorp AB	100	Sweden
J-Matic Oy	100	Finland
Filterit Oy	100	Finland
Delfin Technologies Oy	100	Finland
Delfin Technologies UK Ltd	65	Great Britain

Changes in Group structure

Mergers completed in 2023

May 31, 2023, J-Matic rent Oy was merged with J-Matic Oy
November 30, 2023, SANY Nordic AB was merged with PM Nordic AB.
December 31, 2023, Lamox Oy was merged with Muottikolmio Oy.

Mergers completed in 2022

January 1, 2022, Teitteam Oy was merged with Etelä-Suomen Kuriiripalvelu Oy.

Fees paid to the Board of Directors and the CEO and performance-based pension contributions	2023	2022
Salaries and fees paid to the CEO	0.3	0.3
Fees paid to the Board of Directors	0.2	0.2
Management salaries	1.1	1.1

Boreo has a lease agreement with a controlling entity of Richard Karlsson, member of the management team. The contract is market-based and the rent paid in the financial year 2023 was approximately EUR 0.2 million (2022: EUR 0.2 million).

29. Associated companies and shares in associated companies

Boreo has the following associated companies that are consolidated using the equity method. Signal Solutions Poland Sp. z.o.o Spolka komandytowa is an operational company and Signal Solutions Poland Sp. z.o.o sp.k does not have operational activities. The Group does not have individually material associated companies.

	Share of ownership	**Voting power**
Signal Solutions Poland sp. z o.o. sp.k	50%	50%
Signal Solutions Poland Sp. z.o.o Spolka komandytowa	50%	50%

	2023	**2022**
Book value, 1 Jan.	**0.9**	**0.0**
Increases	0.0	0.9
Translation differences	0.0	0.0
Share of profit or loss	0.3	0.2
Dividends	-0.2	-0.2
Book value, Dec. 31	**1.0**	**0.9**

30. Material events after the financial year

There are no material events after the end of the financial year.

KEY FIGURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

EUR million	2023	2022**	2021**	2020	2019
Net sales	161.3	160.4	122.0	97.5	59.9
Net sales growth %	1%	31%	25%	63%	5%
Operational EBIT	9.5	8.7	7.2	5.9	3.5
Operational EBIT-%	5.9%	5.4%	5.9%	6.1%	5.8%
Profit for the period, continuing operations	2.8	4.4	3.9	2.7	2.6
Profit/loss for the period, discontinued operations	0.0	-4.7	1.6	0.0	0.0
Profit for the period attributable to shareholders of the parent company	2.6	0.0	5.2	2.3	2.3
Earnings per share (EUR) (diluted), continuing operations	0.47	1.12	1.40	0.91	0.90
Dividend (EUR)	0.00*	0.44	0.42	0.40	0.00
Equity ratio %	36.2%	35.4%	23.8%	27.0%	65.4%
Net debt	36.0	30.9	41.0	19.8	-4.0

*Board of Directors’ proposal to the Annual General Meeting
**2022 and 2021 adjusted to correspond with continuing and discontinued operations.

FORMULAS FOR CALCULATING KEY INDICATORS

Items affecting comparability	=	Non-recurring restructuring costs, acquisition and integration costs, capital gains/losses and -/+ purchase price allocation items
Operational EBIT	=	EBIT -/+ items affecting comparability
Operational EBITDA	=	Operational EBIT + depreciation, amortization and impairment
Interest-bearing net debt relative to operational EBITDA	=	Interest-bearing net debt / Operational EBITDA of the previous 12 months (including acquired businesses as if they had been held for 12 months at the reporting date)
Equity ratio, %	=	Total equity + minority interest / Balance sheet total - advances received x 100
Net cash flow from operating activities per share	=	Net cash flow from operating activities / Average number of outstanding shares
Interest-bearing net debt	=	Interest-bearing liabilities - interest-bearing receivables - cash and cash equivalents
Earnings per share (EPS)	=	Profit for the review period to shareholders – the interest rate on the hybrid loan recorded in equity minus the tax effect / Average number of outstanding shares
Operational EPS	=	Profit for the review period to shareholders – the interest rate on the hybrid loan recorded in equity minus the tax effect -/+ items affecting comparability / Average number of outstanding shares
Return on capital employed (ROCE %)	=	Operational EBIT for the previous 12 months / Average balance sheet total for the previous 12 months - non-interest-bearing liabilities for the previous 12 months
Return on working capital (ROTWC %)	=	Operational EBIT for the previous 12 months / Average working capital for the previous 12 months (inventories + trade receivables – trade payables – advance payments received)
Return on equity (ROE %)	=	Result for the review period for the previous 12 months / Average equity for the previous 12 months
Cash conversion, %	=	Net cash flow from operating activities + interest paid – investments in intangible and tangible assets / EBIT + depreciation, amortization and impairment losses – effect of right-of-use asset depreciation (IFRS 16)

INFORMATION ABOUT BOREO PLC'S SHARES

Shares and shares traded Jan. 1 - Dec. 31, 2023

The shares of Boreo Plc are listed on Nasdaq Helsinki Ltd.

Boreo's trading code is BOREO, before that the trading code was YEINT. The total number of quoted shares is 2,701,353, and the round lot is 1 share.

A total of 98,797 Boreo Plc shares were traded on Nasdaq Helsinki, with a total value of EUR 3,314,833. Net sales as a proportion of the number of shares was 4 %.

The price of the shares was at its highest in May 2023, at EUR 43.00. The lowest quotation was EUR 24.00 in December 2023. At the end of the financial year, on December 31, 2023 the share price was EUR 28.70. The average share price for the financial year 2023 was EUR 34.42.

Structure of the share capital Dec. 31, 2023

		Shares units	Share of shares	Share of votes
Shares	1 vote/share	2,701 353	100%	100%

Ownership structure Dec 31, 2023

	Owner units	Shares units	Votes
Households and private individuals	2,406	634,719	634,719
Private companies	112	100,363	100,363
Financing and insurance institutions	8	1,687	1,687
Non-profit organizations	2	145	145
International	11	1,913,634	1,913,634
Nominee-registered	8	50,805	50,805
Total	2,533	2,701 353	2,701 353

Shareholders by ownership Dec. 31, 2023

Shares/shareholder	Shareholders	% share	Number of shares	% share
1-99	1756	69.32%	44,812	1.66 %
100-999	649	25.62%	174,129	6.45 %
1,000-9,999	111	4.38%	250,662	9.28 %
10000-	17	0.67%	2,231,750	82.62 %
Total	2,533	100%	2,701,353	100.00 %

20 largest shareholders according to the share register on Dec. 31, 2023

	Shares units	share of shares share capital (%)	of votes (%)
PREATO CAPITAL AB	1,910,225	70.71%	70.71%
AK CAPITAL OY	35,370	1.31%	1.31%
SIRVIÖ KARI SIMO TAPANI	27,774	1.03%	1.03%
SULIN ARI WILHELM	27,200	1.01%	1.01%
MOILANEN MIKKO PETTERI	25,625	0.95%	0.95%
KARLSSON RICHARD	24,916	0.92%	0.92%
RUMPUNEN AKU VÄINÄMÖ	24,000	0.89%	0.89%
SILVENNOINEN JANNE	23,643	0.88%	0.88%
DANSKE BANK A/S, HELSINKI BRANCH	21,615	0.80%	0.80%
LAMMINPÄÄ-SIRVIÖ MARJA HANNELE	20,693	0.77%	0.77%
MÄÄTTÄ MIKKO OLAVI	15,236	0.56%	0.56%
PETÄJÄ JESSE	14,174	0.54%	0.54%
BOREO PLC	14,011	0.52%	0.52%
SIIK RAUNI MARJUT	13,348	0.49%	0.49%
VIRTANEN MATTI JUHANI	13,000	0.48%	0.48%
KORPINEN JANNE ADIEL	10,327	0.38%	0.38%
NEUVONEN TOIVO JOHANNES	9,393	0.37%	0.37%
LK CAPITAL OY	9,000	0.35%	0.35%
LEECHLAND OY	9,000	0.33%	0.33%
OMS CAPITAL OY	8,000	0.30%	0.30%
20 largest in total	**2,257,897**	**83.58%**	**83.58%**
Shareholding of the Members of the Board of Directors and the CEO and their controlling entities	1,956,886	72.44 %	72.44 %

Board authorizations

The Board of Directors has authorization from the Annual General Meeting to organize a share issue, dispose of treasury shares and issue stock options. The number of shares issued under the authorization may not exceed 540,000 shares. The authorizations are valid until the end of the next Annual General Meeting, but no longer than until June 30, 2024.

At the beginning of the financial year, the company held 15,236 treasury shares, during the financial year 1,224 shares were used as part of the Board's remuneration. At the end of the financial year, the number of treasury shares was 14,011.

PARENT COMPANY'S INCOME STATEMENT

EUR	JAN. 1–DEC. 31, 2023	JAN. 1–DEC. 31, 2022	*Reference*
Net sales	**19,828,320.46**	**21,857,985.16**	*1*
Other operating income	361,124.23	1,758,629.52	*2*
Materials and services	-14,230,871.12	-15,412,831.72	*3*
Personnel costs	-4,645,625.85	-4,978,689.85	*4*
Depreciation and impairment	-300,903.31	-227,253.33	*5*
Other operating expenses	-2,683,802.33	-3,296,728.17	
Operating profit/loss	**-1,671,757.92**	**-298,888.39**	
Financial income and expenses	2,691,677.29	1,679,849.05	*6*
Profit before taxes	**1,019,919.37**	**1,380,960.66**	
Group contribution	5,075,000.00	3,470,000.00	
Income taxes	-325,737.79	-289,777.78	*7*
Profit for the period	**5,769,181.58**	**4,561,182.88**	

PARENT COMPANY'S BALANCE SHEET

EUR

Assets	**12/31/2023**	**12/31/2022**	*Reference*
Non-current assets			
Intangible assets	333,360.79	597,330.06	*8*
Tangible assets	27,040.08	40,773.12	*8*
Investments	70,429,381.05	57,724,691.93	*9*
	70,789,781.92	**58,362,795.11**	
Current assets			
Inventories	2,451,246.00	3,041,567.00	*10*
Non-current receivables	6,280,894.56	6,879,742.54	*11*
Current receivables	7,670,052.99	7,126,857.47	*11*
Cash in hand and in banks	678,978.10	3,915,873.79	
	17,081,171.65	20,964,040.80	
Total assets	**87,870,953.57**	**79,326,835.91**	

Liabilities			
Equity			
Share capital	2,483,836.05	2,483,836.05	
Hybrid loan	20,000,000.00	20,000,000.00	
Retained earnings	11,772,110.48	9,294,347.32	
Profit for the period	5,769,181.58	4,561,182.88	
Total equity	**40,025,128.11**	**36,339,366.25**	*12*
Liabilities			
Non-current liabilities	29,500,000.00	29,000,000.00	*13*
Current liabilities	18,345,825.46	13,987,469.66	*14*
	47,845,825.46	42,987,469.66	
Total liabilities	**87,870,953.57**	**79,326,835.91**	

PARENT COMPANY CASH FLOW STATEMENT

EUR	JAN. 1–DEC. 31, 2023	JAN. 1–DEC. 31, 2022
Cash flow from operating activities		
EBIT	-1,671,757.92	-298,888.39
Depreciation and adjustments	300,903.31	227,253.33
Increase (-) / decrease (+) in inventories	590,321.00	-853,110.00
Increase (-) / decrease (+) in current assets	989,804.48	-2,574,384.09
Increase (+) / decrease (-) in current liabilities	1,021,741.90	2,382,240.16
Financial income and expenses	-1,833,445.77	-2,094,235.73
Dividend income	4,362,456.39	2,325,195.89
Paid taxes	-404.46	0.00
Cash flow from operating activities	**3,759,618.93**	**-885,928.83**
Cash flow from investment activities		
Investments	-11,875,614.52	-16,655,935.39
Investments in intangible and tangible assets	-23,201.00	-309,023.14
Proceeds from sale of property, plant and equipment	0.00	2,210,377.77
Cash flow from investment activities	**-11,898,815.52**	**-14,754,580.76**
Financial cash flow		
Loan withdrawals	6,000,000.00	55,000,000.00
Share transfer	0.00	317,967.36
Share issue	0.00	1,502,400.00
Cashpool withdrawal	4,115,613.90	0.00
Interest of hybrid loan	-1,600,000.00	0.00
Loan repayments	-6,500,000.00	-36,987,782.16
Increase in loan receivables	598,847.98	-1,332,900.62
Group contribution received	3,470,000.00	1,400,000.00
Dividends paid	-1,182,160.98	-1,111,112.73
Financial cash flow	**4,902,300.90**	**18,788,571.85**
Change in cash and cash equivalents	-3,236,895.69	3,148,062.26
Cash and cash equivalents Jan 1	3,915,873.79	767,811.53
Cash and cash equivalents 31 Dec	**678,978.10**	**3,915,873.79**

ACCOUNTING PRINCIPLES OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

Boreo Plc's financial statements for the financial year Jan. 1 -Dec. 31, 2023, has been prepared in accordance with the Finnish Accounting Act.

Valuation principles

VALUATION OF FIXED ASSETS

Fixed assets are recognized at acquisition cost less depreciations made according to plan in the balance sheet. Depreciation according to plan is calculated on a straight-line basis during the fixed asset item's useful economic life.

The depreciation periods are:

Intangible assets	5 years
Tangible assets	
Buildings and structures	25–30 years
IT hardware	3–5 years
Other machinery and equipment	3–5 years
Other capitalized long-term expenditure	5 years

VALUATION OF INVENTORIES

Inventories are presented at historical acquisition cost or probable disposal price if it is lower and measured using the weighted average price method.

ACCRUAL OF PENSION COSTS

Pension coverage is organized in accordance with local legislation. Pension insurance have been amortized to correspond to the accrual-based salaries in the financial statements.

FOREIGN CURRENCY DENOMINATED ITEMS

Foreign currency denominated receivables and liabilities have been translated into euro using the average exchange rate quoted by the European Central Bank on the closing date. Unrealized exchange rate losses and gains have been recognized through profit or loss.

TAXES

Income taxes have been recorded in accordance with Finnish tax legislation.

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

EUR

1. Net sales

	2023	2022
Finland	16,837,249.44	18,667,309.30
Baltic countries	673,405.06	2,084,355.33
Others	2,317,665.96	2,612,026.19
Total	**19,828,320.46**	**21,857 985.16**

2. Other operating income

	2023	2022
Other operating income	361,124.23	1,758 629.52
Total	**361,124.23**	**1,758 629.52**

3. Materials and services

	2023	2022
Materials and goods		
Purchases during the period	13,640,550.12	16,265,941.72
Change in inventories	590,321.00	-853,110.00
	14,230,871.12	**15,412,831.72**

4. Notes concerning personnel and members of governing bodies

	2023	2022
Personnel costs		
Salaries and fees	3,815,013.01	4,109,915.98
Pension costs	709,070.68	740,329.61
Other indirect employee costs	121,542.16	128,444.26
Total	**4,645,625.85**	**4,978,689.85**
Salaries and fees of the members of the Board of Directors and the CEO and fringe benefits	537,761	548,766
Average number of personnel	44	47

5. Depreciation, amortization and impairment

	2023	2022
Depreciation according to plan		
Intangible assets		
Intangible rights	243,320.31	194,123.61
Goodwill	24,999.96	14,583.31
Other capitalized long-term expenditure	18,850.00	9,205.54
Tangible assets		
Machinery and equipment	13,733.04	9,340.87
Total	**300,903.31**	**208,683.83**

6. Financial income and expenses

	2023	2022
Dividend income		
From group companies	4,362,456.39	1,534,968.83
From others	0.00	790,227.06
Total dividend income	**4,362 456.39**	**2,325,195.89**
Other interest and financial income		
From group companies	559,927.33	314,851.94
From others	94,023.66	655,182.64
Other interest and financial income, total	**653,950.99**	**970,034.58**
Total financial income	**5,016,407.38**	**3,295,230.47**
Interest expenses and other financial expenses		
From group companies	-12,933.00	-21,901.33
To others	-2,311,797.09	-1,593,480.09
Total financial expenses	**-2,324,730.09**	**-1,615,381.42**
Total financial income and expenses	**2,691,677.29**	**1,679,849.05**

7. Income taxes

	2023	2022
Income taxes from actual business activities	-325,333.33	-289,777.78
Taxes for previous fiscal periods	-404.46	0.00
Total income taxes	**-325,737.79**	**-289,777.78**

8. Parent company's fixed assets

	Intangible assets				Tangible assets	
	Intangible rights	Goodwill	Other long-term expenditure	In progress acquisitions	Machines and equipment	Total
Acquisition cost, 31 Dec. 2023	1,851,978	50,000	78,310	103,237	614,995	2,698 520
Increases	112,628	0	13,810	0	0	126,438
Decreases	0	0	0	-103,237	0	-103,237
Acquisition cost, 31 Dec. 2023	1,964 606	50,000	92,120	0	614995	2,721 721
Accumulated depreciation, Jan. 1, 2023	-1,462 406	-14,583	-9,206	0	-574,222	-2,060 417
Depreciation accumulated in decreases	0	0	0	0	0	0
Depreciation for the period	-243,320	-25,000	-18,850	0	-13,733	-300,903
Accumulated depreciation, Dec. 31, 2023	-1,705 726	-39,583	-28,056	0	-587,955	-2,361 320
Book value, 31 Dec. 2023	**258,880**	**10,417**	**64,064**	**0**	**27,040**	**360,401**

	Intangible assets				Tangible assets	
	Intangible rights	Goodwill	Other long-term expenditure	In progress acquisitions	Machines and equipment	Total
Acquisition cost, Jan. 1, 2022	1,665,190	0	0	141,730	582,577	2,389,497
Increases	186,788	50,000	78,310	116,023	32,418	463,539
Decreases	0	0	0	-154,516	0	-154,516
Acquisition cost, Dec. 31, 2022	1,851,978	50,000	78,310	103,237	614,995	2,698,520
Accumulated depreciation, Jan.1, 2022	-1,268,282	0	0	0	-564,881	-1,833,163
Depreciation accumulated in decreases	0	0	0	0		0
Depreciation for the period	-194,124	-14,583	-9,206		-9,341	-227,253
Accumulated depreciation, Dec. 31, 2022	-1,462,406	-14,583	-9,206	0	-574,222	-2,060,417
Book value, Dec. 31, 2022	**389,572**	**35,417**	**69,104**	**103,237**	**40,773**	**638,103**

9. Investments

	Shares Group companies	Shares Others	Total
Acquisition cost, Jan. 1	**57,487,884.66**	**320,901.22**	**57,808,785.88**
Increases	13,140,740.12	0.00	13,140,740.12
Decreases	436,051.00	0.00	436,051.00
Acquisition cost, Dec. 31	70,192,573.78	320,901.22	70,513,475.00
Accumulated depreciation, Jan. 1		84,093.95	84,093.95
Accumulated depreciation, Dec. 31		84,093.95	84,093.95
Book value, Dec. 31	**70,192,573.78**	**236,807.27**	**70,429,381.05**

Subsidiaries	**Parent company's holding %**	**Domestic**
Machinery Group Oy	100	Finland
AS YE International	100	Estonia
UAB YE International	100	Lithuania
PM Nordic AB	100	Sweden
Noretron Komponentit Oy	100	Finland
Etelä-Suomen Kuriiripalvelu Oy	100	Finland
Floby Nya Bilverkstad AB	100	Sweden
HM Nordic OÜ	100	Estonia
Milcon Oy	100	Finland
SIA YE International	51	Latvia
Infradex Oy	100	Finland
Signal Solution Nordic Oy	100	Finland
J-Matic Oy	100	Finland
Vesterbacka Transport Oy	100	Finland
Pronius Oy	100	Finland
Delfin Technologies Oy	100	Finland
Filterit Oy	100	Finland

10. Inventories	**12/31/2023**	**12/31/2022**
Goods	2,451 246	3,041,567

11. Receivables	12/31/2023	12/31/2022
Non-current		
Loan receivables from Group companies in the same Group	6,280,894.56	6,879,742.54
Current		
Trade receivables	1,789,037.82	2,550,268.79
Receivables from Group companies in the same Group		
Trade receivables	237,501.19	136,057.99
Other receivables	11,020.72	15,333.34
Accrued income	5,632,493.26	4,425,197.35
Total receivables	**13,950,947.55**	**14,006,600.01**

Most accrued income are intra-group items

12. Equity	12/31/2023	12/31/2022
Share capital, Jan. 1	2,483,836.05	2,483,836.05
Equity loan	20,000,000.00	20,000,000.00
Share capital, Dec. 31	**22,483,836.05**	**22,483,836.05**
Reserve for invested unrestricted equity, Jan. 1	4,911,766.79	1,972,605.75
Share transfer	400,074.60	2,939,161.04
Reserve for invested unrestricted equity, Dec. 31	**5,311,841.39**	**4,911,766.79**
Retained earnings 1/1	8,943,763.41	6,652,804.37
Share of interest on equity loan	-1,301,333.34	-1,159,111.11
Dividends paid	-1,182,160.98	-1,111,112.73
Retained earnings Dec.31	**6,460,269.09**	**4,382,580.53**
Profit/loss for the period	5,769,181.58	4,561,182.88
Total equity	**40,025,128.11**	**36,339,366.25**

13. Non-current liabilities	12/31/2023	12/31/2022
Loans from financial institutions	27,500,000.00	29,000,000.00
Accrued expenses and deferred income	2,000,000.00	0.00
	29,500,000.00	29,000,000.00

14. Current liabilities	12/31/2023	12/31/2022
Loans from financial institutions	5,000,000.00	4,000,000.00
Loans from Group companies	4,322,839.17	182,965.63
Other liabilities	79,900.00	79,900.00
Trade payables	1,637,339.26	2,303,060.28
Accrued expenses and deferred income	7,305,747.03	7,421,543.75
Total	**18,345,825.46**	**13,987,469.66**

The majority of short-term liabilities comprise additional purchase price liabilities, VAT liabilities and holiday pay allocation.

15. Leasing liabilities	12/31/2023	12/31/2022
Maturing in 12 months	93,116 27	10,316.89
Maturing later	86,219.85	128,311.54
	179,336.12	**138,628.43**

16. Guarantees, commitments and other obligations

Liabilities	12/31/2023	12/31/2022
Bank overdraft (not used)	5,210,940.08	3,000,000.00
Total liabilities	**5,210,940.08**	**3,810,342.39**
Collateral given		
On own obligations		
Guarantees	3,033,961.52	424,569.74
On own and subsidiary obligations		
Enterprise mortgages	71,500,751.68	71,500,751.68
	74,534,713.20	**71,925,321.42**

The company has no material derivative liabilities.

17. Options

No current option schemes.

18. Fees paid to auditors

For statutory audit	26,763.00	20,075.00
Fees paid for other services	650.00	4,600.00
Total:	**27,413.00**	**24,675.00**

BOARD OF DIRECTORS' PROPOSAL FOR THE USE OF DISTRIBUTABLE PROFITS

Boreo's aim is to pay an annually increasing dividend per share, considering capital allocation priorities. In the short term, however, the company's objective is to strengthen its financial position and thus ensure the implementation of its growth strategy also going forward. As a result, the Board of Directors of the company proposes to the Annual General Meeting that no dividend will be paid for the financial year that ended on December 31, 2023.

SIGNATURES TO THE ANNUAL REPORT AND FINANCIAL STATEMENTS

Vantaa, February 28, 2024

Simon Hallqvist Chairman of the Board	Camilla Grönholm Member of the Board	Jouni Grönroos Member of the Board
Ralf Holmlund Member of the Board	Michaela von Wendt Member of the Board	Noora Neilimo-Kontio Member of the Board
Kari Nerg CEO		

AUDITOR'S NOTE

The auditor's report on the financial statements has been issued today.

Vantaa, February 28, 2024

Moore Idman Oy
Auditor

Jari Paloniemi
APA

AUDITORS' REPORT (TRANSLATION OF THE FINNISH ORIGINAL)

To the Annual General Meeting of Boreo Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Boreo Oyj (business identity code 0116173-8) for the year ended 31.12.2023. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flow and notes, including information concerning significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flow and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We have not provided to the parent company nor group companies any other services that audit services. We have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud. Each matter described below is a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).

- Revenue recognition, refer to accounting principles for the consolidated financial statements

We refer to accounting principle concerning revenue recognition. Timing of revenue recognition has an essential meaning to true and fair view of closing. Management should pay special attention to revenue recognition of goods and services when client has received control of goods and services.

Our audit procedures included examination of sales contracts to ensure that revenue was recognized in accordance with the terms of the contract and transactions. We also performed substantive procedures such as testing samples of sales agreements and year-end transactions to ensure appropriate application of revenue recognition.

- Valuation of goodwill, refer to accounting principles for the consolidated financial statements and note 14.

The value of goodwill in balance is 42,4 M€ meaning 35 % of total assets, which describes the meaning of goodwill. Goodwill is tested for impairment when indicators of impairment exist, or at least annually. Goodwill impairment testing is conducted by comparing the carrying value with the recoverable amount. Management estimates the recoverable amount using a discounted cash flow model. Determining the key assumptions used in the impairment tests requires management judgement and estimates especially relating to long term growth of free cash flow after estimation period.
We obtained an understanding of management's impairment assessment process and assessed the impairment tests prepared by the Company. We challenged the assumptions used by management. We also evaluated the cash flows used by comparing them to the group's strategic plans and budget, external sources and the understanding we gained from our audit. Furthermore, we considered the appropriateness of the group's disclosures in respect of goodwill and impairment testing.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of

accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

Annual General Meeting on 19.4.2023 has appointed us as an auditor. Our appointment represents a total period of uninterrupted engagement of 20 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.
If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Vantaa 28th February 2024

Moore Idman Oy
Audit firm

Jari Paloniemi
Authorized Public Accountant