



BOREO

FINANCIAL STATEMENTS AND BOARD OF
DIRECTORS' REPORT

2022

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BOARD OF DIRECTORS' REPORT Jan 1 – Dec 31, 2022

2022 in brief

Boreo's 2022 will go down in history as a year characterized by the significant steps taken in the development of the company's operating model and the disciplined execution of our long-term value creation playbook. The turmoil in the global operating environment in 2022 led the company to exit from the Russian market.

In September 2022, the company updated its strategy and strategic financial targets to further emphasize focus on creating earnings growth with attractive returns on capital. The update was based on experiences gathered in 2020-2022, operating as a serial acquirer. These experiences and the updated strategy provide a strong basis for long-term value creation work. During the year, the company took important steps in the three strategic focus areas that are: Acquisitions, Development (previously Operational Excellence) and People & Culture.

Acquisitions. This was another active year on the acquisition front. A total of ten acquisitions were reported during the year, the last of which was completed in January 2023. The acquisitions strengthened all three of the Group's business areas and with the acquisitions the company expanded to new industries that offer long-term value creation opportunities.

Just like the acquisitions carried out in 2020 and 2021, acquisitions in 2022 were carried out at reasonable valuation levels. The company's expectation is to achieve attractive return on the capital deployed to the acquisitions. Thanks to the specialized positions of the acquired companies, strong profitability levels (average EBITDA of around 15%) and return on capital, the companies met the target profile set in the strategy update in fall 2022.

During 2022, the company invested heavily in increasing acquisition competence and acquisitions played a central role in the training programs launched during the year for management and talent in the Boreo Academy. Seven out of ten acquisitions were the result of the company's active assessing of targets and communication with the owners of the acquired company, which also reflects the increased ability of the organization to identify acquisition targets in line with its strategy.

Development: The biggest achievements in the Development strategy in 2022 were related to improving the company's decentralized operating structure. In spring, the company launched the Boreo Clock and Game Plan concepts that steer the Group's and its companies' operations. Events that took place during the year that applied to Group companies more extensively also included joining a CaPS procurement services and tendering for logistics partners and insurance services. In addition, the company learned to better operate in an organization striving to promote managerial responsibility and unleash entrepreneurial spirit. The Boreo 2.0 project, launched at the end of 2021, proceeded as planned, as the company significantly strengthened its capacity to generate attractive return on capital and create value in the future.

During the second half of 2022, the company established a team responsible for developing and coordinating responsibility issues. The company carried out a baseline analysis of sustainability issues and provided the Group's management team with training on responsibility and related regulation. A materiality analysis and a stakeholder survey were also carried out on the responsibility of Boreo's businesses, which helped identify the key areas of responsibility, defined the responsibility-related risks of the businesses and outlined the opportunities that can be identified in Boreo's businesses from a responsibility perspective. Boreo's responsibility team will continue to develop the responsibility work according to plan in 2023.

People & Culture. In the summer of 2022, the company carried out a personnel issue to strengthen the alignment of the interests of shareholders and personnel in which 41 Group employees subscribed for Boreo shares for some EUR 1.5 million. The Boreo Academy, launched in spring, and starting related management and talent training programs was also among the key achievements within the People & Culture strategy.

Financial and structural arrangements. To strengthen the Group's financial position and support its growth strategy, the company announced in February 2022 a financing arrangement of EUR 75 million consisting of a EUR 55 million credit facility and a EUR 20 million hybrid loan issue. These three-year financial arrangements were successfully implemented before Russia's military aggression against Ukraine began in February 2022.

As a result of the Ukrainian crisis, the company started examining options to exit Russian operations in March. In August, the company announced that it would sell its 90% stake to the operative management of the Russian businesses. As a result of the transaction, Russian businesses were classified as discontinued operations starting from the Q2/22 interim report.

In January 2023, the company announced that it would exit from the SANY excavator business in Finland and Sweden. The decision to terminate the excavator dealership agreements in Finland and Sweden followed SANY's plans to reorganize its operations in the Nordic region and is in line with the updated strategic targets of Boreo published in September 2022. Due to significant growth investments, these businesses do not meet the required return on capital for business operations, which is expected to be achieved in other targets.

OPERATING ENVIRONMENT AND BUSINESS DEVELOPMENT 2022

During 2022, the Group's operating environment was significantly affected by the continued low availability of components, equipment and machinery as in 2021 and by long delivery times. The availability situation was further weakened by the Ukrainian crisis that started in February 2022, which affected the company's diversified business portfolio in various ways, including through general inflation development, creating uncertainty in the demand outlook.

The most significant direct negative effects of the crisis were seen in the Russian component distribution business and in Machinery's machine tool operations, where increased uncertainty was reflected as postponed investment decisions and stagnating demand. The demand outlook of Finnish companies specializing in the distribution and assembly of components for defense industry customers (especially Milcon) were positively affected by the crisis. In the second half of 2022, increased emphasis on security of supply and rapid increases in energy prices supported the development of Machinery's backup power business. Overall, the direct and indirect effects of the Ukrainian crisis put pressure on the Group's performance, but Group companies successfully defended their market positions and margins.

The demand for products and services for companies in the Electronics business area developed positively in 2022 and the good momentum of the market pushed the business area to a great result. The availability challenges for components significantly limited the company's delivery capacity, but investments in increased inventory levels helped serve customers well. The acquisitions carried out during the year (Infradex, SSN and Led-Systems) strengthened our position in the Finnish component market and increased opportunities for co-operation between the companies in the business area. The Game Plan work carried out in several companies in the business area clarified the future trajectory of the companies and laid the groundwork for future value creation.

Apart from the challenges of Machinery's machine tool business, 2022 was successful for companies in the Technical Trade business area and the demand for products and services was at a good level. The continued

strong growth of Finnish equipment manufacturers and engineering products pushed Machinery's power business to a strong performance. Construction businesses (Muottikolmio and Machinery's construction equipment) performed as expected despite the increased uncertainty in the construction industry during the year. The financial performance of welding machines supplier Pronius that joined the Group in February 2022 was excellent, despite significant delivery delays during the year. The start of J-Matic acquired in December 2022, as part of the Group, was as expected and expectations for 2023 are positive, supported by the demand outlook of the companies' main customers. In December, the company announced the Filterit Oy acquisition that opened growth opportunities in a new industry, filtration solutions for industrial and public sector water treatment. This transaction took place in January 2023.

In the Heavy Machines business area, 2022 was challenging due to continued supply chain disruptions and the failed ramp-up of the SANY businesses in Finland and Sweden. The reduced availability of machines due to the global component shortage restricted the delivery capacity of concrete industry machinery and wood transport vehicles, resulting in both Putzmeister and FNB failing short of their historical profitability levels. During 2022, eyes were directed at the future trajectory of the companies in the business area and the aim is to steer the businesses toward their historical profitability levels during 2023. FNB's growth plans were strengthened in September with the acquisition of the paintwork and blasting services supplier, Lackmästarn. The exit from SANY operations in Finland and Sweden announced in January 2023 will contribute to improving the company's ability to achieve the set strategic goals.

The demand and profitability of ESKP and Vesterbacka Transport (acquired at the beginning of the year) that are reported under Other Operations, were negatively affected by increased cost pressures during the year. ESKP's position was strengthened in late 2022 by the acquisition of the business of Basti Oy, a logistics company specialized in direct express transportations.

FINANCIAL DEVELOPMENT

Classification of Russian operations as discontinued operations

On August 9, 2022, Boreo announced that it had sold its 90% holding in the electronics component distribution business in Russia and reports the businesses subject to the divestment as discontinued operations starting from the 2022 half-year report. Unless otherwise stated, all figures in this annual report and financial statements 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. The December 31, 2022 balance sheet no longer includes discontinued operations.

Net sales and profitability

During 2022, the net sales of the Group's continuing operations increased by 31% to EUR 160.4 million (2021: 122.0). Inorganic net sales growth from acquisitions carried out in 2021 and 2022 was EUR 26.5 million and organic growth EUR 11.9 million. At comparable exchange rates, net sales were about EUR 161.5 million.

Net sales of the Electronics business area increased to EUR 61.5 million (42%) from the previous year as a result of organic growth, the 2021 acquisition (Milcon) and acquisitions (SSN and Infradex) in 2022. Net sales of the Technical Trade business area grew to EUR 52.8 million (16%) from the previous year, mainly as a result of acquisitions (Pronius and J-Matic) made during 2022. Net sales of the Heavy Machines business area

increased to EUR 41.4 million (40%) from the previous year as a result of the organic growth of the SANY business and the FNB acquisition at the end of 2021.

During 2022, the Group's operational EBIT was EUR 8.7 million (2021: 7.2), with 21% growth from the year before. The Group's reported EBIT increased by 12% to EUR 6.5 million from EUR 5.8 million in the year before. The companies acquired during 2022 accounted for EUR 3.3 million of the Group's EBIT. The reported EBIT in 2021 was affected by a non-recurring sales gain of EUR 0.8 million. The reported EBIT includes items affecting comparability totaling EUR 2.2 million in net, consisting mainly of expenses and allocations related to acquisitions. EBIT in Electronics and Technical Trade was EUR 4.2 million (2021: 2.7) and EUR 5.3 million (2021: 4.2) and increased from the previous year. Operational EBIT of the Heavy Machines business area decreased to EUR 1.0 million from EUR 1.7 million in the previous year. Operational EBIT of Other Operations was EUR -1.8 million, of which the operational EBIT of ESKP and Vesterbacka was EUR 0.5 million (2021: 0.5) and costs related to Group administration totaled EUR -2.3 million (2021: -1.8).

Profit before tax amounted to EUR 5.5 million (2021: 4.6) and profit for the period amounted to EUR 4.4 million (2021: 3.9).

Key figures

EUR million	2022	2021	Change
Net sales	160.4	122.0	31%
Operational EBIT	8.7	7.2	21%
<i>relative to net sales, %</i>	5.4%	5.9%	-
EBIT	6.5	5.8	12%
Profit before taxes	5.5	4.6	19%
Profit for the period, continuing operations	4.4	3.9	14%
Profit for the period, discontinued operations	-4.7	1.6	-
Free cash flow	2.2	1.1	102%
Equity ratio, %	35.4%	23.8%	-
Net debt	30.9	41.0	-25%
Interest-bearing net debt relative to operational EBITDA of the previous 12 months*	2.2	3.8	-
Return on capital employed (ROCE %), R12	10.4%	13.4%	-
ROE %, R12	12.1%	28.6%	-
Personnel at end of the period	327	271	21%
Operational EPS, EUR	1.82	1.86	-2%
EPS, EUR	1.12	1.40	-20%
EPS, discontinued operations	-1.56	0.59	-

*Calculated in accordance with the calculation principles established with financiers.

Financial position

At the end of 2022, the Group's interest-bearing net debt amounted to EUR 30.9 million (2021: 41.0). The share of IFRS 16 liabilities in net debt was EUR 6.5 million (2021: 5.1). The issuance of the hybrid loan in February 2022, contributed significantly to the decrease in net debt. Net debt relative to operational EBITDA of the previous 12 months fell to 2.2 from 2.5 at the end the third quarter (2021: 3.8) mainly due to strong cash flow.

At the end of 2022, shareholders' equity was EUR 40.4 million (2021: 21.4), where the effect of directed share issues carried out during the review period was around EUR 3.1 million. The equity ratio was 35.4% (2021: 23.8%) and the consolidated balance sheet total was EUR 121.4 million (2021: 97.4). The issuance of a hybrid loan in February 2022 increased the Group's equity by EUR 20 million before the loan's restructuring costs.

Investments and cash flow

In 2022, the Group's net cash flow from operating activities grew and was EUR 4.1 million (2021: 2.0). Free cash flow was EUR 2.2 million (2021: 1.1) and free cash flow per share was EUR 0.82 (2021: 0.42). Cash flow after investments was EUR -8.9 million (2021: -9.9), of which the net impact of acquisitions and divestments was EUR -11.4 million. The cash flow figures for the whole year include discontinued operations.

The Group's cash and cash equivalents at the end of the reporting period totaled EUR 13.2 million (2021: 2.7).

The Group's capital expenditure for the financial year amounted to EUR 1.9 million (2021: 0.9). Most of the investments consist of IT system development costs and equipment purchases.

GROUP STRUCTURE AND BUSINESS AREAS

Boreo's business operations are organized into three business areas:

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 brands of the business area are Yleiselektronikka, YE International, Norettron Komponentit, Milcon, Infradex and Signal Solutions Nordic. The figures of the Electronics business area do not include Russian operations divested on August 9, 2022.

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 brands of the business area are Machinery, Muottikolmio, Pronius, J-Matic and Filterit acquired at the beginning of 2023.

At the end of 2022, the Heavy Machines business area consisted of Putzmeister and Sany dealerships in Finland, Sweden (on Jan. 16, 2022, the company announced that it would abandon its Sany dealerships in Finland and Sweden) and 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 brands of the business area are PM Nordic, Tornokone, Sany Nordic, Floby Nya Bilverkstad and Lackmästarn from the beginning of October 2022.

In addition to the above-mentioned business areas, Boreo's organization includes ESKP and Vesterbacka Transport Oy that provides logistics and courier services and operate under Other Operations. The companies operate in the Finnish and Baltic markets.

At the end of 2022, the company had operations in seven countries, Finland, Sweden, Estonia, Latvia, Lithuania, Poland and the United States.

MATERIAL EVENTS IN 2022

Annual General Meeting and Board authorizations

Boreo Plc's Annual General Meeting was held on April 19, 2022 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 2021. The members of the Board of Directors and the CEO were discharged from liability for the financial year 2021.

In accordance with the Board of Directors' proposal a dividend of EUR 0.21 per share was decided to be distributed for the financial year 2021. 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, 2022. The dividend was paid on April 29, 2022. In addition, it was resolved to authorize the Board of Directors to decide on a second dividend of max. EUR 0.21 per share during 2022. 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 January 2, 2022 on the amount and record date of a second dividend installment based on an authorization granted by the Annual General Meeting on April 19, 2022. The second dividend installment is EUR 0.21 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, 2022. The dividend was paid on November 17, 2022.

The General Meeting also discussed the remuneration policy of governing bodies and the remuneration report. It was resolved to support the remuneration policy and to adopt the remuneration report.

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. Juhani Mykkänen was elected as a new Member of the Board of Directors. Martti Yrjö-Koskinen 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 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. However, the Board remuneration paid to Simon Hallqvist will be paid fully in cash because it is not in the company's interest to increase Simon Hallqvist's holding with the Board remuneration.

Moore Rewinet 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 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 525,000 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, 2023.

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 262,000 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, 2023.

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), Camilla Grönholm 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 27, 2022, Boreo announced that it would strengthen its Technical Trade business by acquiring Pronius Oy and organize a directed share issue for the company owner Kari Lehtomaa as part of the acquisition. The transaction was completed on March 1, 2022.

On January 28, 2022, Boreo announced that it considered issuing a hybrid loan of EUR 20 million and that it had made a preliminary agreement on a financing arrangement of EUR 55 million with OP Corporate Bank plc.

On February 2, 2022, Boreo announced the launch of a EUR 20 million hybrid loan.

On February 25, 2022, Boreo announced that it had signed a EUR 55 million credit facility with OP Corporate Bank plc, which will replace the company's previous credit facilities totaling EUR 39.5 million.

On March 1, 2022, Boreo announced that it had completed the acquisition of Pronius Oy and implemented the planned directed share issue in connection with the transaction to the owner of the company, Kari Lehtomaa. On the same day, the company also announced that it would implement two add-on acquisitions in line with its strategy by acquiring Infradex Oy and Vesterbacka Transport Oy. As part of the Vesterbacka Transport Oy acquisition, Boreo Plc organized a directed share issue for Jari Vesterbacka, the owner of the company.

On April 19, 2022, Boreo announced that the Board of Directors had approved the company's disclosure policy updated based on which the company publishes its financial reports and other regulated information both in Finnish and English in the future. The updated disclosure policy entered into force on May 5, 2022.

On May 3, 2022, Boreo announced it had acquired the entire share capital of Signal Solutions Nordic Oy from the company's CEO Tony Aaltonen and a company owned by Lassi Kuosmanen and that it will arrange a directed share issue for the company's sellers as part of the payment of the purchase price.

On June 1, 2022, Boreo Plc announced that it had completed the acquisition of Signal Solutions Nordic Oy and had carried out the directed share issue planned in connection with the transaction.

On June 10, 2022, Boreo announced that the Board of Directors had resolved on personnel share issue and matching share plan. A maximum total of 35,000 new shares in the company will, in deviation from the shareholders' pre-emptive subscription rights, be offered for subscription to the personnel of the company and its subsidiaries, excluding the personnel to whom the share issue cannot be directed due to the economic sanctions imposed on Russia by EU. In case of oversubscription, the Board has the right to increase the number of the new shares offered, up to a maximum total of 40,000 new shares. The subscription price is EUR 37.56 per share. The Board of Directors also resolved on a Matching Share Plan directed to the company's key employees in which the participants are entitled to receive matching shares gratuitously after the three-year (3) matching period. The maximum amount of gross reward to be paid on the basis of the Matching Share Plan will not exceed the value of 15,000 Boreo shares, including also the cash proportion intended for covering the tax withholding obligation and matching shares for separately approved new key employees fulfilling the share subscription requirement after the share issue subscription window.

On June 30, 2022, Boreo announced the results of the personnel share issue. The Board of Directors resolved to increase the number of the new shares offered up to a total of 40,000 shares. The total subscription price of the new shares is EUR 1,502,400. The shares subscribed for in the personnel share issue together represent approximately 1.5% of shares and votes in the company. Subscriptions were made by a total of 41 employees of the group.

On August 9, 2022, Boreo announced that it had sold its 90% holding in the electronics component distribution business in Russia (YE Russia). The buyers were companies controlled by Mr. Yrjö Pönni, current General Director and 10% shareholder of YE Russia.

On September 19, 2022, Boreo announced that its subsidiary Floby Nya Bilverkstad acquired the shares of Lackmästar'n i Håkantorp AB.

On September 27, 2022, Boreo announced its updated strategy and strategic financial targets and presented them in its CMD on that day. Boreo's business model is to own, acquire and develop operations in Northern Europe. Boreo focuses on value creation in the long term and its aim is to be the best home for its companies

and personnel. The main focus areas of the strategy are: Acquisitions, Development (previously Operational Excellence) and People & Culture.

In the future, Boreo will focus more clearly on earnings growth and 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.

On October 3, 2022, Boreo announced that its subsidiary Floby Nya Bilverkstad AB had completed the acquisition of Lackmästar'n i Håkantorp AB from the company's owner Anders Karlsson.

On November 7, 2022, Boreo announced that SEB had started monitoring Boreo.

On November 22, 2022, Boreo announced that Nordea had started monitoring Boreo.

On December 1, 2022, Boreo announced that it strengthened its Technical Trade business area by acquiring J-Matic Oy and J-Matic Rent Oy.

On December 15, 2022, Boreo announced that its subsidiary ESKP strengthened its position as a specialized logistics provider by acquiring the business of Basti Oy.

On December 20, 2022, Boreo announced that it strengthened its Technical Trade business area by acquiring Filterit Oy.

MATERIAL EVENTS AFTER THE REVIEW PERIOD

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.

PERSONNEL

Boreo Group's number of personnel totaled 327 at the end of 2022 (2021: 271) and was divided into business areas as follows: Electronics 120 (2021: 110), Technical Trade 108 (2021: 80), Heavy Machines 63 (2021: 49), Other Operations 36 (2021: 32), of which the personnel of ESKP and Vesterbacka was 27 (2021: 22) and Group administration 9 (2021: 8).

Employment related expenses in 2022 totaled EUR 20.2 million (2021: 15.5).

SHARES AND SHARE CAPITAL

At the end of 2022, Boreo Plc's share capital was EUR 2,483,836 and the number of shares was 2,691,708. The company held 15,236 shares at the end of the year (0.6% of total shares). A total number of 199,601 Boreo shares were traded on Nasdaq Helsinki, representing 7 percent of the shares outstanding. The total value of the share turnover was EUR 9,577,877. The highest price of the share was EUR 76.00 in February and the lowest price of the share was EUR 31.40 in October. At the end of December, the closing price of the share was EUR 36.80. The average share price during the financial year was EUR 44.37.

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 2022, issued by Boreo Plc's Board of Directors have been published as separate documents on the company's website www.boreo.com.

Board of Directors

At the beginning of 2022, the company's Board of Directors had six members. At the Annual General Meeting held on April 19, 2022, six members were elected to the Board of Directors. Simon Hallqvist, Ralf Holmlund, Jouni Grönroos, Camilla Grönholm, Michaela von Wendt were re-elected as members of the Board and Juhani Mykkänen was elected as a new member. Martti Yrjö-Koskinen left the Board. In 2022, the Board of Directors convened 17 times.

At the organizing meeting arranged after the General Meeting on April 19, 2022, the Board of Directors selected the members for its committees. Jouni Grönroos was re-elected Chairman of the Audit Committee and Ralf Holmlund was re-elected member and Camilla Grönholm was elected a new member of the Audit Committee. The Audit Committee convened 5 times. The Board of Directors' re-elected Camilla Grönholm as Chairman and Michaela von Wendt and Simon Hallqvist as members of the Remuneration and Nomination Committee. The Remuneration and Nomination Committee convened 5 times.

On April 19, 2022, the Annual General Meeting elected Moore Rewinet 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, in addition to the CEO, the company's management team comprised Aku Rumpunen (CFO), Janne Silvennoinen (SVP, Head of Technical Trade BA), Richard Karlsson (SVP, Head of Heavy Machines BA), Tomi Sundberg (SVP, Head of Electronics BA and Head of Development-strategy), Mari Katara (SVP, People & Sustainability), and Jesse Petäjä (SVP, Head of M&A).

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 cyclicity: 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 cyclicity 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

During the second half of 2022, Boreo launched work to develop responsibility issues and established a team responsible for developing and coordinating sustainability issues. The company carried out a baseline analysis of sustainability issues and provided the Group's management team with training on sustainability and related regulation. A materiality analysis and a stakeholder survey were also carried out on the sustainability of Boreo's businesses, which helped identify the key areas of sustainability, defined the sustainability-related risks of the businesses and outlined the opportunities that can be identified in Boreo's businesses from a sustainability perspective. Boreo continues to develop the sustainability work according to plan in 2023.

Boreo aims to create value for its stakeholders in the long term by being the best place for its companies and employees to grow and prosper. In its strategy, the company emphasizes the importance of skilled and motivated personnel and strives to offer its personnel new development opportunities and career paths. Boreo's operational model is based on decentralized management and strong local decision-making power of companies and an entrepreneurial approach. The aim is to have an efficient operating model that considers the local operating environment and allows for agile responses to changing customer needs. The parent company is responsible for ensuring that the companies have good operating conditions and that the companies follow good governance and ethical practices. This will ensure sustainable development of the companies in both the short and long term.

FINANCIAL GUIDANCE

On September 27, 2022, Boreo announced its updated strategy and strategic financial targets and presented them in its CMD on that day. Boreo's business model is to own, acquire and develop operations in Northern Europe. Boreo focuses on value creation in the long term and its aim is to be the best home for its companies and personnel. The main focus areas of the strategy are: Acquisitions, Development and People & Culture.

In the future, Boreo will focus more clearly on earnings growth and 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 Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.22 per share be paid for the ended financial period by decision of the Annual General Meeting, and in addition, the Annual General Meeting would authorize the Board of Directors to decide later, at its discretion, on the distribution of another dividend of up to EUR 0.22 per share later during 2023.

Vantaa, March 2, 2023
Boreo Plc
Board of Directors

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR million	Jan. 1 - Dec. 31, 2022	Jan. 1 - Dec. 31, 2021	Reference
Net sales	160.4	122.0	<i>1</i>
Other operating income	0.5	1.5	<i>3</i>
Materials and services	-120.9	-91.5	<i>4</i>
Employment related expenses	-20.2	-15.5	<i>5</i>
Depreciation and impairment	-4.0	-2.9	<i>6</i>
Other operating expenses	-9.5	-7.8	<i>5</i>
Profit/loss from associated companies	0.2	0.0	<i>27</i>
EBIT	6.5	5.8	
Financial income	0.7	0.0	<i>7</i>
Financial expenses	-1.6	-1.2	<i>8</i>
Profit before taxes	5.5	4.6	
Income taxes	-1.1	-0.7	<i>9</i>
Profit for the period, continuing operations	4.4	3.9	
Profit for the period, discontinued operations	-4.7	1.6	
Profit for the period	-0.3	5.5	
Attributable to shareholders of the parent company			
Profit for the period	0.0	5.2	
Minority interest	-0.3	0.3	
	-0.3	5.5	
Earnings per share calculated on the profit attributable to owners of the parent company			
Undiluted earnings per share, continuing operations	1.12	1.40	<i>10</i>
Diluted earnings per share, continuing operations	1.12	1.40	<i>10</i>
Undiluted earnings per share, discontinued operations	-1.56	0.59	
Diluted earnings per share, discontinued operations	-1.56	0.59	
Items of comprehensive income			
Translation differences from foreign units	-1.1	0.3	
Other comprehensive income items after tax during the period	0.0	0.0	
Total comprehensive income for the period	-1.4	5.7	
Allocated to			
Shareholders of the parent company	-1.1	5.5	
Minorities	-0.3	0.3	

CONSOLIDATED BALANCE SHEET

EUR million	Dec. 31, 2022	Dec. 31, 2021	Reference
ASSETS			
Non-current assets			
Intangible capital assets	7.0	3.2	13
Goodwill	35.5	29.0	14
Property, plant and equipment	9.2	6.3	13
Other financial assets	0.3	0.3	11
Investments in associates	0.9	0.0	28
Deferred tax receivable	0.1	0.1	15
Total non-current assets	53.0	38.9	
Current assets			
Inventories	32.0	24.5	12
Accounts receivable and other receivables	23.2	20.0	16
Cash and cash equivalents	13.2	2.7	17
Total current assets	68.3	47.1	
Assets of discontinued operations	0.0	11.4	18
TOTAL ASSETS	121.4	97.4	
SHAREHOLDERS' EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Shareholder's equity			
Share capital	2.5	2.5	19
Other committed capital	0.1	0.1	
Hybrid loan	20.0	0.0	
Reserve for invested unrestricted equity	4.7	2.0	
Retained earnings	13.1	11.7	
Profit for the period	0.0	5.2	
Total	40.4	21.4	
Minority interest	1.4	1.0	
Non-current liabilities			
Financial liabilities	34.1	34.3	21
Deferred tax liabilities	1.8	1.0	15
Accounts payable and other liabilities	1.7	0.0	22
Total non-current liabilities	37.6	35.3	
Current liabilities			
Accounts payable and other liabilities	31.9	26.6	22
Provisions	0.0	0.1	24
Financial liabilities	10.0	9.4	21
Total current liabilities	42.0	36.1	
Liabilities from discontinued operations	0.0	3.6	18
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	121.4	97.4	

CONSOLIDATED CASH FLOW STATEMENT*

EUR million	Jan. 1 - Dec. 31, 2022	Jan. 1 - Dec. 31, 2021
Cash flow from operating activities		
Profit before taxes	1.0	6.8
Non-cash transactions		
Depreciation and impairment	4.2	3.4
Net financial items	1.7	1.3
Share of associated companies' profit or loss	0.0	0.0
Increase (-) / decrease (+) in inventories	-5.7	-4.1
Increase (-) / decrease (+) in current assets	-0.3	-8.3
Increase (+) / decrease (-) in current liabilities	1.3	6.0
Operating cash flow before financing items and taxes	2.1	5.1
Net financial items	-2.3	-1.3
Paid taxes	-1.2	-0.9
Other adjustments	5.5	-0.9
Net cash flow from operating activities	4.1	2.0
Investments in intangible and tangible assets	-1.9	-0.9
Acquisition	-9.7	-13.2
Divestments	-1.6	0.0
Proceeds from sale of property, plant and equipment	0.3	2.2
Net cash flow from investments	-13.0	-11.9
Cash flow after investments	-8.9	-9.9
Share issue	1.4	0.0
Repayments of loans	-40.1	-6.4
Loan withdrawals	36.4	15.0
Transaction costs of share issue	-0.1	0.0
Withdrawal of hybrid loan	20.0	0.0
Interest rate and expenses on hybrid loan	-0.4	0.0
Dividends paid	-1.4	-1.2
Net cash flow from financing	15.8	7.3
Change in cash and cash equivalents	6.9	-2.6
Cash and cash equivalents		
Jan 1	6.2	8.6
Impact of exchange rate fluctuations and consolidation	0.0	0.1
Cash and cash equivalents, 31 Dec.	13.2	6.2

*Includes discontinued operations

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million

2022	Share capital	Contingency reserve	Reserve for invested unrestricted equity	Translation difference	Hybrid loan	Retained earnings	Minority interest	Total
Equity								
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			0.0	0.0	-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	-0.9	20.0	14.1	1.4	41.8

2021	Share capital	Contingency reserve	Reserve for invested unrestricted equity	Translation difference	Hybrid loan	Retained earnings	Minority interest	Total
Equity								
Dec. 31, 2020	2.5	0.1	0.0	-0.1		13.2	1.0	16.6
Profit/loss for the period						5.2	0.3	5.5
Translation differences				0.1		0.1	0.0	0.3
Share issue			2.0					2.0
Minority redemption						-0.1	-0.1	-0.2
Dividends paid						-1.0	-0.2	-1.2
Other change		0.0				-0.4		-0.4
Equity								0.0
Dec. 31, 2021	2.5	0.1	2.0	0.0		16.9	1.0	22.4

ACCOUNTING PRINCIPLES

BASIS OF PREPARING THE FINANCIAL STATEMENTS

Boreo Plc's consolidated financial statements 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, 2022. 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 financial statements are presented in hundreds of thousands of euros starting from the financial year 2020.

The Group has adopted new and renewed standards and interpretations that have come into force on January 1, 2022.

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 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 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.

On December 31, 2022, Boreo Group has two associated companies: Signal Solutions Poland sp. z o.o. sp.k. and Signal Solutions Poland Sp. z.o.o Spolka komandytowa acquired in connection with the Signal Solutions Nordic Oy acquisition. The group had no associated companies on December 31, 2021.

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.

INCOME RECOGNITION PRINCIPLE

The sales income of Boreo Group's companies consists mainly of goods and services sold. 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 income recognition principle is based on delivery terms, which means income recognition takes place at a point in time. During the financial year 2022, the Group had one contract recognized over time, whose effect on 2022 net sales was approximately EUR 0.4 million and whose performance obligation was completed in full during 2022 (2021: EUR 0.8 million).

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

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 receivables 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 depreciated 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 depreciated. 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 depreciation and impairment.

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 asset item in question 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 reduced by 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 2021 or 2022. 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, 2022 was approximately EUR 0.7 million. The interest rate position hedged with interest rate derivatives covers just under half of Boreo's variable-rate bank loans.

CAPITAL MANAGEMENT

The objective of capital management 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 2022, the Group's interest-bearing net liabilities totaled EUR 30.9 million (EUR 41.0 million in 2021) and the equity ratio was 35.4% (23.8% in 2021).

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

As of 2022, Boreo has 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 12,590 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 20.

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 24 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 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 where the outcome 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.

Measurement 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.

Measurement 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 specific data

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 EBIT.

Boreo's business operations are organized into three business areas or operating segments:

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 brands of the business area are Yleiselektronikka, YE International, Noretron Komponentit, Milcon, Infradex and Signal Solutions Nordic (SSN). The figures of the Electronics business area do not include the Russian business operations divested on August 9, 2022.

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 brands of the business area are Machinery, Muottikolmio, Pronius and J-Matic.

At the end of 2022, the Heavy Machines business area consisted of Putzmeister and Sany dealerships in Finland, Sweden and 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 brands of the business area are PM Nordic, Tornokone, Sany Nordic, Floby Nya Bilverkstad (FNB) and Lackmästarn from the beginning of October 2022.

In addition to the above-mentioned business areas, Boreo's organization includes ESKP that provides logistics and courier services, and Vesterbacka Transport Oy that operate under Other Operations. The companies operate in the Finnish and Baltic markets.

The Group's management team estimates the segment's result based on net sales and 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)

1-12/2022	Electronics	Technical Trade	Heavy Machines	Other Operations	Intrasegment	Total
Profit						
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		0.2
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

SEGMENT INFORMATION (EUR million)

1-12/2021	Electronics	Technical Trade	Heavy Machines	Other Operations	Intrasegment	Total
Profit						
Net sales	44.2	46.9	29.2	3.4	-1.6	122.0
Depreciation	-0.9	-0.7	-1.0	-0.3		-2.9
Share of associated companies' profit or loss	0.0	0.0	0.0	0.0		0.0
EBIT	2.5	4.0	1.2	-1.9		5.8
Financial income	0.3	0.0	0.0	0.0	-0.3	0.0
Financial expenses	-1.1	-0.3	0.0	0.0	0.3	-1.2
Profit before taxes	1.7	3.7	1.2	-1.9		4.6
Balance sheet assets	26.6	30.1	33.0	4.1	-7.9	85.9
Balance sheet liabilities	48.2	16.7	13.8	0.6	-7.9	71.4
Investments	0.3	0.1	0.1	0.3		0.9
Personnel at end of the period	110	80	49	32		271

Net sales by geographic area

EUR million	2022	2021
Finland	110.6	90.4
Sweden	22.6	15.6
Baltic countries	26.4	16.0
USA	0.7	0.0
Total	160.4	122.0

2. Acquired operations

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 is 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%	March 1, 2022	5.5	4	Finland
Infradex Oy	Electronics	Share	100%	March 1, 2022	2.0	4	Finland
Vesterbacka Transport Oy	Other Operations	Share	100%	March 1, 2022	0.5	2	Finland
Signal Solutions Nordic	Electronics	Share	100%	June 1, 2022	13.0	13	Finland
Läckmästar'n i Håkantorp AB	Heavy Machines	Share	100%	October 1, 2022	1.0	10	Sweden
J-Matic Oy and J-Matic Rent Oy	Technical Trade	Share	100%	December 1, 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	June 3, 2022	0.3	0	Finland
Basti Oy	Other Operations	Business	N/A	December 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 skills of the personnel and future customer and principal relationships that are not considered to constitute an intangible asset. Acquired identifiable assets relates to principal relationship, which is recorded 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 skills of the personnel and future customer and principal relationships that are not considered to constitute an intangible asset. Acquired identifiable assets relates to principal relationship, which is recorded 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 relates to customer relationships, which are recorded 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 skills of the personnel and future customer and principal relationships that are not considered to constitute an intangible asset. Acquired identifiable assets relates to customer relationships, which are recorded 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 skills of the personnel and future customer and principal relationships that are not considered to constitute an intangible asset. Acquired identifiable assets relates to customer relationships, which are recorded separately from goodwill.

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

During the financial year 2022, Boreo carried out three business acquisition 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 Kärby, 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	14.6
Contingent consideration	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	3.7
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 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 EBIT about EUR 9.5 million.

2021 acquisitions

In 2021, Boreo Group carried out four acquisitions: PM and SANY Nordic, ESKP, Milcon and Floby. In addition, the holding of Noretron Komponentit was increased from 90% to 100%. Of 2021 acquisitions, PM and SANY Nordic acquisitions have been considered essential.

Acquired unit	Business area	Acquisition type	Holding	Time of acquisition	Net sales, MEUR*	Employees	Country
PM Nordic AB and SANY Nordic AB Etelä-Suomen Kuriiripalvelu Oy and Teitteam Oy	Heavy Machines	Share	100%	January 1, 2021	13.4	12	Sweden
Milcon Oy	Other Operations	Share	100%	March 1, 2021	3.9	25	Finland
Floby Nya Bilverkstad AB	Electronics	Share	100%	June 1, 2021	4.2	16	Finland
	Heavy Machines	Share	100%	October 1, 2021	9.0	26	Sweden

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

PM Nordic AB and SANY Nordic AB

The companies act as representatives of Putzmeister's concrete industry machines and equipment and Sany's excavators in the Swedish market. The companies' net sales for the financial year ending on August 31, 2020 were some SEK 133 million and EBITDA was about SEK 11.5 million. The companies employ 12 people.

Boreo paid approximately EUR 0.4 million of the purchase price by issuing a total of 15,000 new Boreo shares for subscription by the CEOs of the companies in a directed share issue during the implementation of the transaction. The valuation of the shares was based on a price corresponding to the volume-weighted average price of the five days preceding the signature of the transaction.

The goodwill arising from the acquisition is mainly due to the fact that the Group acquired a suitable organization and operations to horizontally expand its operations to a new market. Goodwill consists mainly of skills of the personnel and new customer and principal relationships that are not considered to constitute an intangible asset. Acquired identifiable assets relates to principal relationship, which is recorded separately from goodwill.

Etelä-Suomen Kuriiripalvelu Oy and Teitteam Oy

Etelä-Suomen Kuriiripalvelu Oy ja Teitteam Oy ("ESKP") is a transport company specializing in scheduled delivery and trunk transport in Finland and the Baltic countries established in 2010. The companies employ 25 people and their operations are located in Vantaa. The companies' combined net sales for the financial year 2020 were some EUR 3.9 million and EBITDA was about EUR 1.2 million.

The purchase price was paid in cash at the time of the transaction and by carrying out a directed share issue of 15,500 Boreo Plc shares to the seller. The share subscription price was based on the volume-weighted average price of 30 days.

The goodwill arising from the acquisition is mainly due to the fact that the Group acquired a suitable organization and operations to horizontally expand its operations to a new market. Goodwill consists mainly of skills of the personnel and new customer relationships that are not considered to constitute an intangible asset. Acquired identifiable assets relates to customer relationships, which are recorded separately from goodwill.

Milcon Oy

Milcon is a company specializing in the import, wholesale, design and manufacture of electrotechnical materials, established in 2003. The company specializes in serving customers in the defense equipment industry, and manufactures wiring and conductor cables, as well as other electrotechnology products tailored to the needs of its customers. The company's key customers include the Defense Forces, strategic partnerships in the defense equipment industry and the Finnish technology industry. The company's main principals are TE Connectivity and Comrod.

Milcon employs 16 people and its operations are located in Tampere and Ikaalinen. The company's net sales for the financial year 2020 were some EUR 4.2 million and EBITDA was about EUR 0.4 million. The fair values of the assets acquired, liabilities assumed and goodwill recognized at the acquisition date and the net cash flows related to the acquisition are shown below.

The purchase price was paid in cash at the time of the transaction and by carrying out a directed share issue of 10,000 Boreo Plc shares to the seller. The share subscription price was based on the volume-weighted average price of 30 days.

In addition to the fixed purchase price, Boreo will pay an additional purchase price of up to EUR 0.6 million based on the development of Milcon's business in 2021-2023. The additional purchase price is paid in cash and is considered to be a reward for work performance and engagement, so the additional purchase price is not included in the acquisition cost calculation but is recognized as an expense during the performance of the work.

The goodwill arising from the acquisition is mainly due to the fact that the Group acquired a suitable organization and operations to horizontally expand its operations to new customer segments. Goodwill consists mainly of skills of the personnel and new customer and principal relationships that are not considered to constitute an intangible asset. Acquired identifiable assets relates to customer relationships, which are recorded separately from goodwill.

Floby Nya Bilverkstad Ab

FNB is one of Sweden's leading constructors of timber body superstructures. The company's service portfolio includes the design of superstructures, manufacture of components, equipment, sales and aftermarket services. FNB's key customers are Swedish timber truck operators. In 2020, the company's net sales were about EUR 9 million and EBITDA under Swedish accounting standards was about EUR 1 million.

The fixed purchase price for the shares was approximately EUR 3.3 million, paid in cash at the time of the transaction and a small, directed share issue of about EUR 0.6 million for the old owners of the FNB with a small dilutive effect. The share subscription price was based on the volume-weighted average price of 30 days.

In addition to the fixed purchase price, Boreo will pay an additional purchase price of up to EUR 1.5 million based on the development of FNB's business in 2022-2024. The additional purchase price is paid in cash and is considered to be a reward for work performance and engagement, so the additional purchase price is not included in the acquisition cost calculation but is recognized as an expense during the performance of the work.

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

2021	Other acquisitions	PM- and SANY Nordic
Consideration paid	9.7	7.5
Contingent consideration	0.0	0.0
Total consideration	9.7	7.5
Assets acquired and liabilities assumed		
Property, plant and equipment	1.0	0.6
Fair value allocation of intangible assets	0.9	1.6
Deferred tax receivable	0.0	0.0
Inventories	4.0	2.0
Current receivables	1.4	4.8
Cash and cash equivalents	1.7	0.9
Total assets	9.0	9.9
Non-current liabilities	0.3	0.6
Current liabilities	1.8	5.9
Total liabilities	2.1	6.5
Net assets	6.9	3.4
Goodwill	2.9	4.1
Cash flow statement		
Purchase price paid in cash	8.5	7.1
Cash assets obtained	-1.7	-0.9
Cash flow effect	6.8	6.2

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

In total, Boreo has recorded a transaction-related expense of EUR 0.2 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.

Since the acquisition date, acquisitions have generated approximately EUR 21.3 million in net sales and EBIT of about EUR 1.1 million. If the acquired companies had been consolidated into the Group as of January 1, 2021, management estimates that the net sales indicated by the consolidated income statement would have been around EUR 131.1 million and operational EBIT about EUR 8.3 million.

3. Other operating income

	2022	2021
Sales gains from property, plant and equipment	0.1	1.1
Other income	0.4	0.4
Total	0.5	1.5

4. Materials and services

	2022	2021
Materials and goods		
Purchases during the period	126.8	95.3
Change in inventories	-5.9	-3.8
Total	120.9	91.5

5. Employment related expenses and other operating expenses

	2022	2021
Salaries and benefits	17.2	12.8
Pension costs	2.7	1.9
Other indirect employee costs	0.3	0.9
Total employment related expenses	20.2	15.5
Other operating expenses	9.5	7.8
Total operating expenses	29.7	23.3
Number of personnel at the end of the period	327	271

Other operating expenses in the income statement include some EUR 45,000 in auditing fees to Moore Rewinet and some EUR 38,000 to other entities.

6. Depreciation, amortization and impairment

	2022	2021
Intangible assets		
Intangible assets	-1.7	-1.2
Tangible assets		
Buildings and structures	0.0	0.0
Machinery and equipment	-0.6	-0.6
Renovation of rented business premises	0.0	-0.1
Rented business premises	-1.3	-1.0
Leased machinery and equipment	-0.4	-0.2
Total	-4.0	-2.9

7. Financial income

	2022	2021
Change in fair value of interest rate derivatives	0.7	0.0
Total financial income	0.7	0.0

8. Financial expenses

	2022	2021
Interest expenses	-1.5	-1.1
Other financial expenses	-0.2	-0.1
Total financial expenses	-1.6	-1.2

9. Income taxes

	2022	2021
Taxes based on the profit/loss for the financial year	-1.3	-1.0
Taxes for the previous year	-0.1	0.0
Change in deferred taxes	0.3	0.2
Total income taxes	-1.1	-0.7

Income tax reconciliation

Profit before taxes	5.5	4.6
Taxes calculated at the parent company's 20% tax rate	-1.1	-0.9
Impact of foreign subsidiaries' differing tax rates	0.1	0.0
Share of associated companies' profit or loss	0.0	0.0
Impact of tax-free revenue and non-deductible expenses	-0.2	0.1
Temporary difference between taxation and accounting depreciation	0.0	0.0
Unrecognized tax assets	0.0	0.0
Taxes for the previous year	0.1	0.0
Tax expense in the income statement	-1.1	-0.7

10. Earnings per share	2022	2021
Profit for the review period to shareholders	4,129,751	3,656,016
Impact of the interest rate on the hybrid loan adjusted by the tax effect	1,159,111	0
Weighted average number of shares during the period	2,644,440	2,608,941
Effect of share options	6,295	0
Earnings per share (EUR/share), diluted	1.12	1.40
Earnings per share (EUR/share), undiluted	1.12	1.40

Dividend

The dividend paid in 2022 was EUR 1,111,112.73 (EUR 0.42 per share) and the dividend paid in 2021 was EUR 1,038,634 (EUR 0.40 per share). The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.44 per share be distributed for 2022 to outstanding shares. The dividend will be paid in two installments: the first EUR 0.22 per share will be paid by decision of the Annual General Meeting and the second EUR 0.22 per share will be paid later in 2023 by decision of the Board of Directors. These financial statements do not include any dividend distribution liabilities.

11. Other financial assets

Other non-current financial assets	2022	2021
Unquoted equity investments		
Acquisition cost, Jan. 1	0.4	0.3
Increases	0.0	0.0
Accumulated amortization and impairment, Jan. 1	-0.1	-0.1
Accumulated amortization and impairment, Dec. 31	-0.1	-0.1
Book value, Dec. 31	0.3	0.3
Investments held to maturity	0.0	0.0
Other non-current financial assets, total	0.3	0.3

Hierarchy of financial assets	Level 3	Level 3
Investments held to maturity		
Unquoted equity investments	0.3	0.3
Total	0.3	0.3

No changes on level 3 during the financial year. No reliable market value can be found for unquoted equity investments due to the low level of trading.

12. Inventories	2022	2021
Inventories	32.0	24.5

During the period EUR 572,000 was recognized as an expense to reduce the book value of inventories to correspond to its net realizable value (EUR 441,000 in 2021).

Group companies have no material manufacturing activities.

13. Non-current assets

Intangible assets 2022

	Intangible assets	Advances paid on intangible assets	Goodwill	Total
Acquisition cost, 1 Jan. 2022	6.5	0.1	29.0	35.6
Translation difference	-0.1	0.0	-0.5	-0.6
Increases	0.5	0.0	0.0	0.5
Acquisitions	5.2	0.0	7.0	12.2
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 depreciation, Jan.1, 2022	-3.4	0.0	0.0	-3.4
Translation difference	0.1	0.0	0.0	0.1
Accumulated depreciation from divestments	0.4	0.0	0.0	0.4
Depreciation for the period	-1.7	0.0	0.0	-1.7
Accumulated depreciation, 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

Intangible assets 2021	Other intangible assets	Advances paid on intangible assets	Goodwill	Total
Acquisition cost, Jan. 1, 2021	4.1	0.0	22.0	26.1
Translation difference	0.1	0.0	-0.1	0.0
Acquisitions	2.5	0.0	7.0	9.5
Subsequent adjustments to tax assets	0.0	0.0	0.0	0.0
Increases	0.5	0.2	0.0	0.7
Divestments	-0.6	0.0	0.0	-0.6
Decreases	0.0	-0.2	0.0	-0.2
Acquisition cost, Dec. 31, 2021	6.6	0.1	29.0	35.6
Accumulated depreciation, Jan. 1, 2021	-2.7	0.0	0.0	-2.7
Translation difference	0.1	0.0	0.0	0.1
Accumulated depreciation from divestments	0.4	0.0	0.0	0.4
Depreciation for the period	-1.2	0.0	0.0	-1.2
Accumulated depreciation, Dec. 31, 2021	-3.4	0.0	0.0	-3.4
Book value, 1 Jan. 2021	1.4	0.0	22.0	23.4
Book value, 31 Dec. 2021	3.2	0.1	29.0	32.2

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 procurement 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
Increases	0.0	1.4	3.7	0.8	0.0	5.9
Acquisitions	0.0	0.5	0.0	0.0	0.1	0.6
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
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

Property, plant and equipment 2021

	Buildings and structures	Machinery and equipment	Buildings and structures, right-of-use	Machinery and equipment, right-of-use	Advance payments and procurement in progress	Total
Acquisition cost, Jan. 1, 2021	4,1	8,0	1,1	0,5	0,0	13,7
Translation difference	0,0	0,0	0,1	0,0	0,0	0,1
Acquisitions	0,0	0,0	0,0	0,0	0,0	0,0
Increases	0,0	0,7	2,9	0,7	0,1	4,4
Divestments	0,0	-0,5	-0,7	0,0	0,0	-1,2
Decreases	-0,3	0,0	0,0	0,0	0,0	-0,3
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, 2021	3,7	8,2	3,4	1,2	0,1	16,6
Accumulated depreciation, Jan. 1, 2021	-3,2	-5,7	-0,1	-0,1	0,0	-9,1
Translation difference	0,1	-0,1	0,1	0,1	0,0	0,1
Accumulated depreciation from acquisitions	0,0	0,2	0,3	0,0	0,0	0,5
Depreciation	0,0	-0,6	-1,0	-0,2	0,0	-1,8
Amortization and impairment	0,0	0,0	0,0	0,0	0,0	0,0
Accumulated depreciation, Dec. 31, 2021	-3,1	-6,3	-0,7	-0,2	0,0	-10,3
Book value, 1 Jan. 2021	0,9	2,3	1,0	0,5	0,0	4,7
Book value, 31 Dec. 2021	0,5	1,9	2,7	1,1	0,1	6,3

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:

	2022	2021
Technical Trade	20.2	16.3
Electronics	3.3	0.9
Heavy Machines	10.0	10.1
Other Operations	2.1	1.7
Total	35.5	29.0

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 2023 and on the best available information and a view of performance and market development in 2024-2027, 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 (WACC) 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 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.

2022	Technical Trade	Electronics	Heavy Machines	Other Operations
Growth after the forecast period	2%	2%	2%	2%
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%
2021	Technical Trade	Electronics	Heavy Machines	Other Operations
Growth after the forecast period	2%	2%	2%	2%
Discount rate (Pre-tax WACC)	5.7%	5.7%	5.7%	5.7%
Discount rate (Post-tax WACC)	5.2%	5.2%	5.2%	5.2%

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%	> 100%	20–50%	> 100%

Sensitivity calculation

The Group has assessed the sensitivity of the goodwill impairment calculation through the cash flow effect of changes in the key assumptions used in the calculation. In addition, the sensitivity is tested directly based on assumption on weakening cash flow during the forecast period 2023-2027.

The table below shows the changes that should be met in the Technical Trade, Electronics and Other Operations in order for the recoverable amount to be below the book value. For Heavy Machines, any of the changes described below alone would result in a write-down. 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
Change in free cash flow (FCF)*, per cent Growth after the forecast period, percentage points	-27%	-44%	-19%	-34%
Discount rate increase, percentage points	3.0%	3.0%	2.0%	3.0%

*Free cash flow is defined by adding depreciation to EBIT, deducting taxes paid and capital expenditure, and by adding or subtracting a change in working capital

15. Deferred tax assets and liabilities

Deferred tax assets	January 1, 2022	Recognized in the income statement	Recognized in equity	M&A transactions	December 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
	January 1, 2021	Recognized in the income statement	Recognized in equity	M&A transactions	December 31, 2021
Deferred tax assets					
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	January 1, 2022	Recognized in the income statement	Recognized in equity	M&A transactions	December 31, 2022
Tangible and intangible fixed assets	1.0	-0.3	0.0	1.2	1.9
Total	1.0	-0.3	0.0	1.2	1.9
	January 1, 2021	Recognized in the income statement	Recognized in equity	M&A transactions	December 31, 2021
Deferred tax liabilities					
Tangible and intangible fixed assets	0.2	-0.2	0.0	1.0	1.0
Total	0.2	-0.2	0.0	1.0	1.0

16. Trade and other receivables

	2022	2021
Trade receivables	19.8	18.6
Loan receivables	0.0	0.0
Other receivables	0.3	1.3
Prepayments and accrued income	3.0	0.2
Total assets at end of year	23.2	20.0

Age distribution of trade receivables and impairment losses	Expected credit losses (IFRS 9)	2022	2021
Not overdue	0.0	16.8	14.8
Overdue 1-30 days	0.0	2.4	3.0
Overdue 31-89 days	0.0	0.4	0.8
Overdue over 90 days	0.0	0.4	0.4
Impairment losses	-0.1	-0.1	-0.1
Other credit loss provisions	-0.1	-0.1	-0.3
Total at end of year	-0.3	19.8	18.6

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 0.1 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

	2022	2021
Cash and cash equivalents	13.2	2.7
Total	13.2	2.7

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.

INCOME STATEMENT (MEUR)	2022	2021
Net sales	12.2	24.6
Other operating income	0.0	0.0
Materials and services	-11.7	-18.0
Employment related expenses	-2.1	-3.1
Depreciation and impairment	-0.2	-0.5
Other operating expenses	-3.3	-0.5
EBIT	-5.2	2.5
Financial income	0.0	0.9
Financial expenses	-0.7	-1.1
Profit before taxes	-5.9	2.3
Income taxes	-0.2	-0.6
Profit after taxes	-6.0	1.7
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	0.1
Goodwill	0.0	0.0
Property, plant and equipment	0.6	0.6
Other financial assets	0.0	0.0
Investments in associates	0.0	0.0
Deferred tax receivable	0.0	0.1
Total non-current assets	0.7	0.8
Current assets		
Inventories	0.2	3.7
Accounts receivable and other receivables	0.8	3.3
Cash and cash equivalents	3.5	3.6
Total current assets	4.5	10.6
TOTAL ASSETS	5.1	11.4
Non-current liabilities		
Financial liabilities	0.2	0.3
Deferred tax liabilities	0.0	0.0
Provisions	0.0	0.0
Accounts payable and other liabilities	0.0	0.0
Total non-current liabilities	0.2	0.3

Current liabilities		
Accounts payable and other liabilities	3.0	3.2
Provisions	0.0	0.0
Financial liabilities	0.2	0.2
Total current liabilities	3.3	3.4
TOTAL LIABILITIES	3.5	3.6

CASH FLOWS FROM DISCONTINUED OPERATIONS

Net cash flow from operating activities	0.2	1.7
Net cash flow from investments	-0.1	-0.1
Net cash flow from financing	-0.9	-1.0
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 2,691,708 (2,617,322).

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	2,691,708	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 15,236 treasury shares.

Share issues

Boreo's Board of Directors has used the authorizations granted by the Annual General Meetings for share issues in 2021 and 2022. 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.

2022		2021	
January 1, 2022	2,617,322	January 1, 2021	2,562,500
March 7, 2022	9,000	January 5, 2021	15,000
March 7, 2022	1,600	March 3, 2021	3,500
June 1, 2022	18,786	April 14, 2021	12,500
July 2, 2022	40,000	June 9, 2021	10,000
December 7, 2022	5,000	September 6, 2021	13,822
December 31, 2022	2,691,708	December 31, 2021	2,617,322

20. Share-based payments

As of 2022, Boreo has had a long-term incentive scheme 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 12,590 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 scheme's impact on the profit/loss for the period has been EUR 0.1 million and its total cost is estimated at EUR 0.5 million.

Matching Share Plan for key personnel 2022–2025

	2022	2021
Date granted	June 29, 2022	-
Shares issued Jan. 1	0	0
Shares issued during the period	12,663	0
Shares lost	-73	0
Shares issued Dec. 31	12,590	0
Fair value of the share at the time of issue	37.56	-
Earning criteria	Employment and employment has not been terminated	-
Implementation	As shares and/or cash	-
Estimated creation of right	July 31, 2025	-

21. Financial liabilities

	2022	2021
Interest-bearing liabilities		
Non-current liabilities		
Lease liabilities	4.5	3.4
Bank loans	29.0	30.5
Instalment payment liabilities	0.6	0.4
Total	34.1	34.3
Current liabilities		
Lease liabilities	2.0	1.2
Bank loans	7.5	8.2
Instalment payment liabilities	0.6	0.0
Total	10.0	9.4

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

Long-term liabilities mature	Instalment payment liabilities	Fixed interest rate bank loans	Variable interest rate bank loans	Lease liabilities	Total
2024	0.4	0.0	3.0	2.0	5.4
2025	0.2	0.0	26.0	1.0	27.2
2026	0.0	0.0	0.0	0.8	0.8
Later	0.0	0.0	0.0	0.6	0.6
Total	0.6	0.0	29.0	4.5	34.1

Total interest payments based on contracts

2023	0.0	0.0	3.4	0.2	3.6
2024	0.0	0.0	1.5	0.1	1.6
2025	0.0	0.0	0.2	0.1	0.3
2026	0.0	0.0	0.0	0.0	0.0
Later	0.0	0.0	0.2	0.0	0.0
Total	0.0	0.0	5.2	0.4	5.6

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

	2022	2021
Within one year	2.0	1.2
Over a year, but less than five years	4.4	1.9
After five years	0.0	0.0
Total	6.4	3.1
Financial expenses accumulated in the future	1.4	0.2
Current value of lease liabilities	7.8	4.3

Within under 12 months	2.3	1.5
Over a year, but less than five years	5.5	2.8
After five years	0.0	0.0
Minimum rents, total	7.8	4.3

Breakdown of net interest-bearing net debt

	2022	2021
Long-term financial liabilities	34.1	34.3
Short-term financial liabilities	10.0	9.4
Cash and cash equivalents	13.2	2.7
Interest-bearing net debt	30.9	41.0

22. Accounts payable and other non-current liabilities

	2022	2021
Accrued expenses and deferred income	1.7	0.0
Total	1.7	0.0

23. Accounts payable and other current liabilities

	2022	2021
Accounts payable and other liabilities	15.0	7.3
Advance payments received	3.4	2.9
Accrued expenses and deferred income	10.4	4.5
Other short-term liabilities	3.0	2.5
Total	31.9	26.6

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

24. Provisions

	2022	2021
Short-term provisions	0.0	0.1

Provisions in the financial statements 2021 consist mainly of a compensation claim of some EUR 50,000.

25. Guarantees, commitments and other obligations

Liabilities	2022	2021
Overdraft facility	6.3	4.4
Total liabilities	6.3	4.4

Collateral given

Enterprise mortgages	71.5	38.5
Guarantees	1.5	1.9
	73.0	40.4

26. 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 2022, 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 USD and SEK after the disposal of Russian business operations. 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 -1.1 million in the financial year 2022.

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

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

SEK	2022 EUR 1,000	2021 EUR 1,000
Impact on post-tax profit	133	188
Equity before profit	843	799
Total	977	988

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

%	2022
Equity ratio	35.4%
Equity ratio with a 20% weaker SEK	34.9%
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 -0.2 million. The interest rate risk is hedged with an interest rate derivative whose fair value at the balance sheet date was approximately EUR 0.7 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., some 50% 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, 2022, management estimates that, in addition to the ECL receivables, the credit risk of other receivables is EUR 0.1 million, on which a credit loss provision has been recognized in the December 31, 2022 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 were EUR 0.4 million on December 31, 2022 (2021: EUR 0.4 million).

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 18.5 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 2022, all semi-annual covenant terms were met.

27. Group companies and related party transactions

Group companies	Group holding %	Country of incorporation
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
Tornokone Oy	100	Finland
Muottikolmio Oy	100	Finland
PM Nordic AB	100	Sweden
Sany 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	USA
Lackmästar'n i Håkantorp AB	100	Sweden
J-Matic Oy	100	Finland
J-Matic Rent Oy	100	Finland

Transactions with related parties	2022	2021
Sales of parent company's goods to subsidiaries	0,5	0,5
Sales of goods to other related party companies	0,0	0,0
Sales of parent company's services to subsidiaries	0,3	0,3
Purchases of goods from subsidiaries	0,2	0,0

Outstanding claims and liabilities of the parent company at the end of the financial year	2022	2021
Claims from subsidiaries	10,6	7,0
liabilities to subsidiaries	0,2	0,6

Sales and purchases of goods and services with related parties are based on the group's valid price lists.

Fees paid to the Directors and CEO and performance-based pension contributions	2022	2021
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 an entity controlled by Richard Karlsson, a member of the management team. The agreement is based on market conditions and the rent paid in the financial year 2022 was approximately EUR 0.2 million.

28. 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%
	2022	2021
Book value, 1 Jan.	0.0	0.0
Increases	0.9	0.0
Share of profit or loss	0.2	0.0
Dividends	-0.2	0.0
Book value, Dec. 31	0.9	0.0

29. Material events after the financial year

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.

KEY INDICATORS OF THE CONSOLIDATED FINANCIAL STATEMENTS

EUR million	2022**	2021**	2020	2019	2018
Net sales	160.4	122.0	97.5	59.9	57.2
Net sales growth %	31%	25%	63%	5%	6%
Operational EBIT	8.7	7.2	5.9	3.5	3.5
Operational EBIT-%	5.4%	5.9%	6.1%	5.8%	6.1%
Profit for the period, continuing operations	4.4	3.9	2.7	2.6	2.9
Profit/loss for the period, discontinued operations	-4.7	1.6	0.0	0.0	0.0
Profit for the period attributable to shareholders of the parent company	0.0	5.2	2.3	2.3	2.6
Earnings per share (EUR) (diluted), continuing operations	1.12	1.40	0.91	0.90	1.00
Dividend (EUR)	0.44*	0.42	0.40	0.00	0.33
Equity ratio %	35.4%	23.8%	27.0%	65.4%	63.4%
Net debt	30.9	41.0	19.8	-4.0	-3.5

*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 of the previous 12 months (including acquired businesses as if they had been held for 12 months at the reporting date)	= $\frac{\text{Interest-bearing net debt}}{\text{Operational EBITDA for the previous 12 months}}$
Equity ratio, %	= $\frac{\text{Total equity + minority interest}}{\text{Balance sheet total - advances received}} \times 100$
Free cash flow	= Net cash flow from operating activities - investments in fixed assets
Free cash flow per share	= $\frac{\text{Free cash flow}}{\text{Average number of outstanding shares}}$
Interest-bearing net debt	= Interest-bearing liabilities - cash and cash equivalents
Earnings per share (EPS)	= $\frac{\text{Profit for the review period to shareholders – the interest rate on the hybrid loan recorded in equity minus the tax effect}}{\text{Average number of outstanding shares}}$
Operational EPS	= $\frac{\text{Profit for the review period to shareholders – the interest rate on the hybrid loan recorded in equity minus the tax effect +/- items affecting comparability}}{\text{Average number of outstanding shares}}$
Return on capital employed (ROCE %)	= $\frac{\text{Operational EBIT for the previous 12 months}}{\text{Average balance sheet total for the previous 12 months - non-interest-bearing current liabilities for the previous 12 months}}$
Return on equity (ROE %)	= $\frac{\text{Profit/loss for the review period for the previous 12 months}}{\text{Average equity for the previous 12 months}}$

INFORMATION ABOUT BOREO PLC'S SHARES

Shares and shares traded Jan. 1 - Dec. 31, 2022

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

The trading code of Boreo has since February 10, 2021 been BOREO due to a name change at the beginning of 2021 and before this the code was YEINT. The total number of quoted shares is 2,691,708, and the round lot is 1 share.

A total of 199,601 Boreo Plc shares were traded on Nasdaq Helsinki, for a total value of EUR 9,577,877. Turnover as a proportion of the number of shares was 7%.

The price of the shares was at its highest in February 2022, at EUR 76.00. The lowest price was EUR 31.40 in October 2022.

At the end of the financial year, on December 31, 2022 the share price was EUR 36.80. The average share price for the financial year 2022 was EUR 44.37.

Structure of the share capital Dec. 31, 2022

		Shares units	Share of shares	Share of votes
Shares	1 vote/share	2,691,708	100%	100%

Ownership structure Dec 31, 2022

	Owner units	Shares units	Votes
Households and private individuals	2,639	636,965	636,965
Private companies	112	91,593	91,593
Financing and insurance institutions	8	2,275	2,275
Non-profit organizations	2	83	83
International	12	1,911,258	1,911,258
Nominee-registered		49,534	49,534
Total	2,773	2,691,708	2,691,708

Shareholders by ownership Dec. 31, 2022

Shares/shareholder	Shareholders	% share	Number of shares	% share
1-99	2,070	74.65%	59,290	2.20%
100-999	604	21.78%	189,413	7.04%
1,000-9,999	82	2.96%	218,766	8.13%
10,000-	17	0.61%	2,224,239	82.63%
Total	2,773	100.00%	2,691,708	100.00%

20 largest shareholders according to the share register on Dec. 31, 2022

	Shares units	share of share capital (%)	of votes (%)
PREATO CAPITAL AB	1,909,000	70.92%	70.92%
AK CAPITAL OY	35,370	1.31%	1.31%
SULIN ARI WILHELM	27,200	1.01%	1.01%
MOILANEN MIKKO PETTERI	25,625	0.95%	0.95%
KARLSSON RICHARD	24,916	0.93%	0.93%
RUMPUNEN AKU VÄINÄMÖ	24,000	0.89%	0.89%
SILVENNOINEN JANNE	23,643	0.88%	0.88%
SIRVIÖ KARI SIMO TAPANI	22,733	0.84%	0.84%
LAMMINPÄÄ-SIRVIÖ MARJA HANNELE	19,472	0.72%	0.72%
MÄÄTTÄ MIKKO OLAVI	16,177	0.60%	0.60%
BOREO PLC	15,236	0.57%	0.57%
PETÄJÄ JESSE	14,174	0.53%	0.53%
VIRTANEN MATTI JUHANI	13,000	0.48%	0.48%
SIIK RAUNI MARJUT	12,166	0.45%	0.45%
KORPINEN JANNE ADIEL	10,310	0.38%	0.38%
NEUVONEN TOIVO JOHANNES	10,020	0.37%	0.37%
LK CAPITAL OY	9,393	0.35%	0.35%
LEECHLAND OY	9,000	0.33%	0.33%
ERKKILÄ MIKA KRISTIAN	8,500	0.32%	0.32%
TAMMELA PEKKA	7,112	0.26%	0.26%
20 largest in total	2,237,047	83.11%	83.11%
Shareholding of the members of the Board, the CEO and entities under their control	1,954,665	72.62%	72.62%

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 525,000 shares.

The authorizations are valid until the end of the next Annual General Meeting, but no longer than until 30 June 2023.

At the beginning of the financial year, the company held 8,381 treasury shares, during the financial year 1,145 shares were used as part of the Board's remuneration, and 8,000 shares were repurchased as part of the divestment of Russian operations.

At the end of the financial year, the number of treasury shares was 15,236.

PARENT COMPANY'S INCOME STATEMENT

EUR	Jan. 1 - Dec. 31, 2022	Jan. 1 - Dec. 31, 2021	Reference
Net sales	21,857,985.16	23,168,414.85	1
Other operating income	1,758,629.52	1,521,633.21	2
Materials and services	-15,412,831.72	-16,894,743.48	3
Personnel costs	-4,978,689.85	-4,891,128.31	4
Depreciation and impairment	-227,253.33	-208,683.83	5
Other operating expenses	-3,296,728.17	-3,452,520.99	
Operating profit/loss	-298,888.39	-757,028.55	
Financial income and expenses	1,679,849.05	2,178,419.73	6
Profit before taxes	1,380,960.66	1,421,391.18	
Group contribution	3,470,000.00	1,400,000.00	
Income taxes	-289,777.78	461.99	7
Profit for the period	<u>4,561,182.88</u>	<u>2,821,853.17</u>	

PARENT COMPANY'S BALANCE SHEET

EUR

Assets	December 31, 2022	December 31, 2021	<i>Reference</i>
Non-current assets			
Intangible assets	597,330.06	538,637.64	8
Tangible assets	40,773.12	17,695.73	8
Investments	57,724,691.93	41,068,756.54	9
	58,362,795.11	41,625,089.91	
Current assets			
Inventories	3,041,567.00	2,188,457.00	10
Non-current receivables	6,879,742.54	5,546,841.92	11
Current receivables	7,126,857.47	4,552,473.38	11
Cash and cash equivalents	3,915,873.79	767,811.53	
	20,964,040.80	13,055,583.83	
Total assets	79,326,835.91	54,680,673.74	
Liabilities			
Equity			
Share capital	2,483,836.05	2,483,836.05	
Hybrid loan	20,000,000.00	0.00	
Retained earnings	9,294,347.32	5,803,556.95	
Profit for the period	4,561,182.88	2,821,853.17	
Total equity	36,339,366.25	11,109,246.17	12
Liabilities			
Long-term liabilities	29,000,000.00	30,500,000.00	13
Current liabilities	13,987,469.66	13,071,427.57	14
	42,987,469.66	43,571,427.57	
Total liabilities	79,326,835.91	54,680,673.74	

PARENT COMPANY CASH FLOW STATEMENT

EUR	Jan. 1 - Dec. 31, 2022	Jan. 1 - Dec. 31, 2021
Cash flow from operating activities		
EBIT	-298,888.39	-757,028.55
Depreciation and adjustments	227,253.33	229,503.21
Increase (-) / decrease (+) in inventories	-853,110.00	-794,791.00
Increase (-) / decrease (+) in current assets	-2,574,384.09	-1,838,146.33
Increase (+) / decrease (-) in current liabilities	2,382,240.16	1,382,049.59
Financial income and expenses	-2,094,235.73	-825,454.44
Dividend income	2,325,195.89	2,951,020.09
Paid taxes	0.00	461.99
Cash flow from operating activities	-885,928.83	347,614.56
Cash flow from investments		
Investments	-16,655,935.39	-16,681,607.16
Investments in intangible and tangible assets	-309,023.14	-163,716.35
Proceeds from sale of property, plant and equipment	2,210,377.77	1,300,000.00
Cash flow from investments	-14,754,580.76	-15,545,323.51
Cash flow from financing		
Loan withdrawals	55,000,000.00	15,566,970.48
Share transfer	317,967.36	1,340,400.00
Share issue	1,502,400.00	0.00
Loan repayments	-36,987,782.16	-3,705,000.00
Increase in loan receivables	-1,332,900.62	-1,046,841.92
Group contribution received	1,400,000.00	0.00
Dividends paid	-1,111,112.73	-1,038,630.40
Cash flow from financing	18,788,571.85	11,116,898.16
Change in cash and cash equivalents	3,148,062.26	-4,080,810.79
Cash and cash equivalents 1 Jan	767,811.53	4,848,622.32
Cash and cash equivalents 31 Dec	3,915,873.79	767,811.53

ACCOUNTING PRINCIPLES OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

Boreo Plc's financial statements for the financial year Jan. 1 - Dec. 31, 2022 have been compiled in accordance with FAS.

Valuation principles

MEASUREMENT 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

MEASUREMENT OF INVENTORIES

Inventories are presented at historical acquisition cost or the probable disposal price if it is lower and are 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

	2022	2021
Finland	18,667,309.30	19,329,395.78
Russia and the Baltic countries	2,084,355.33	1,621,720.74
Other	2,612,026.19	1,754,663.74
Total	21,857,985.16	23,168,414.85

2. Other operating income

	2022	2021
Other operating income	1,758,629.52	1,521,633.21
Total	1,758,629.52	1,521,633.21

3. Materials and services

	2022	2021
Materials and goods		
Purchases during the period	16,265,941.72	16,109,225.52
Change in inventories	-853,110.00	794,791.00
Total	15,412,831.72	16,904,016.52

4. Notes concerning personnel and members of governing bodies

	2022	2021
Personnel costs		
Salaries and benefits	4,109,915.98	4,141,702.59
Pension costs	740,329.61	632,485.89
Other indirect employee costs	128,444.26	116,939.83
Total	4,978,689.85	4,891,128.31

Remuneration of the Board members and the CEO and fringe benefits

548,766	277,071
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Average number of personnel

47	54
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5. Depreciation, amortization and impairment

	2022	2021
Depreciation according to plan		
Intangible assets		
Intangible rights	194,123.6	182,667.8
Goodwill	14,583.31	0.00
Other capitalized long-term expenditure	9,205.54	0.00
Tangible assets		
Machinery and equipment	9,340.87	6,835.98
Buildings and structures	0.00	19,179.99
Total	227,253.33	208,683.83

6. Financial income and expenses

	2022	2021
Dividend income		
From group companies	1,534,968.83	2,951,020.09
From others	790,227.06	0.00
Total dividend income	2,325,195.89	2,951,020.09
Other interest and financial income		
From group companies	314,851.94	293,828.12
From others	655,182.64	7,349.42
Other interest and financial income, total	970,034.58	301,171.71
Total financial income	3,295,230.47	3,252,191.80
Interest expenses and other financial expenses		
For Group companies	-21,901.33	-10,617.24
To others	-1,593,480.09	-1,063,160.66
Total financial expenses	-1,615,381.42	-1,073,777.90
Total financial income and expenses	1,679,849.05	2,178,413.90

7. Income taxes

	2022	2021
Income taxes from actual business activities	-289,777.78	0.00
Taxes for previous fiscal periods	0.00	461.99
Total income taxes	-289,777.78	461.99

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, Jan. 1, 2022	1,665,190	0	0	141,730	582,576.50	2,389,497
Increases	186,788	50,000	78,310	116,023	32,418.26	463,539
Decreases	0	0	0	-154,516	0.00	-154,516
Acquisition cost, Dec. 31, 2022	1,851,978	50,000	78,310	103,237	614,994.76	2,698,520
Accumulated depreciation, Jan. 1, 2022	-1,268,282	0	0	0	-564,880.79	-1,833,163
Depreciation accumulated in decreases	0	0	0	0		0
Depreciation for the period	-194,124	-14,583	-9,206	0	-9,340.87	-227,253
Accumulated depreciation, Dec. 31, 2022	-1,462,406	-14,583	-9,206	0	-574,221.66	-2,060,417
Book value, Dec. 31, 2022	389,572	35,417	69,104	103,237	40,773.10	638,103

	Intangible assets			Tangible assets		
	Intangible rights	Goodwill	Other long-term expenditure	In progress acquisitions	Machines and equipment	Total
Acquisition cost, Jan. 1, 2021	1,643,204	0	0	12,303	570,544	4,867,277
Increases	21,986	0	0	175,223	12,033	209,243
Decreases	0	0	0	-45,796	0	-370,599
Acquisition cost, Dec. 31, 2021	1,665,190	0	0	141,730	582,577	4,705,920
Accumulated depreciation, Jan. 1, 2021	-1,085,614	0	0	0	-558,045	-3,940,902
Depreciation accumulated in decreases	0	0	0	0		0
Depreciation for the period	-182,668	0	0	0	-6,836	-208,684
Accumulated depreciation, Dec. 31, 2021	-1,268,282	0	0	0	-564,881	-4,149,586
Book value, 31 Dec. 2022	396,908	0	0	141,730	17,696	556,333

9. Investments

	Shares Group companies	Shares Other	Total
Acquisition cost, Jan. 1	40,831,949.27	320,901.22	41,152,850.49
Increases	17,057,696.50	0.00	17,057,696.50
Decreases	401,761.11	0.00	401,761.11
Acquisition cost, Dec. 31	57,487,884.66	320,901.22	57,808,785.88
Accumulated depreciation, Jan. 1		84,093.95	84,093.95
Accumulated depreciation, Dec. 31		84,093.95	84,093.95
Book value, Dec. 31	57,487,884.66	236,807.27	57,724,691.93

Group companies	Parent company's holding %	Country of incorporation
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
Sany Nordic AB	100	Sweden
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
J-Matic Rent Oy	100	Finland
Vesterbacka Transport Oy	100	Finland
Pronius Oy	100	Finland

10. Inventories	December 31, 2022	December 31, 2021
Goods	3,041,567	2,188,457

	December 31, 2022	December 31, 2021
11. Receivables		
Non-current Loan receivables from Group companies	6,879,742.54	9,348,158.67
Current Trade receivables	2,550,268.79	2,994,375.81
Receivables from Group companies		
Trade receivables	136,057.99	51,266.25
Other receivables Prepayments and accrued income	15,333.34 4,425,197.35	51,739.14 140,213.19
Total receivables	14,006,600.01	12,585,753.06
Most accrued income are intra-group items		
12. Equity	December 31, 2022	December 31, 2021
Share capital, Jan. 1	2,483,836.05	2,483,836.05
Equity loan	20,000,000.00	0.00
Share capital, Dec. 31	22,483,836.05	2,483,836.05
Reserve for invested unrestricted equity, Jan. 1	1,972,605.75	18,284.37
Share transfer	2,939,161.04	1,954,321.38
Reserve for invested unrestricted equity, Dec. 31	4,911,766.79	1,972,605.75
Retained earnings Jan. 1	6,652,804.37	486,958.89
Share of interest on equity loan	-1,159,111.11	0.00
Dividends paid	-1,111,112.73	-1,038,633.69
Retained earnings Dec. 31	4,382,580.53	3,830,951.20
Profit/loss for the period	4,561,182.88	2,821,853.17
Total equity	36,339,366.25	11,109,246.17
13. Long-term liabilities	December 31, 2022	December 31, 2021
Loans from financial institutions	29,000,000.00	30,500,000.00

14. Current liabilities	December 31, 2022	December 31, 2021
Loans from financial institutions	4,000,00.00	5,076,726.34
Loans from Group companies	182,965.63	4,735,227.34
Other liabilities	79,900.00	344.00
Accounts payable	2,303,060.28	2,880,070.66
Accrued expenses and deferred income	7,421,543.75	4,470,745.24
Total	13,987,469.66	17,163,113.58

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

15. Leasing liabilities	December 31, 2022	December 31, 2021
Maturing in 12 months	10,316.89	73,894.59
Maturing later	128,311.54	101,239.62
	138,628.43	175,134.21

16. Guarantees, commitments and other obligations

	December 31, 2022	December 31, 2021
Liabilities		
Bank overdraft (not used)	3,000,000.00	3,810,342.39
Total liabilities	3,000,000.00	3,810,342.39
Collateral given		
On own obligations		
Guarantees	424,569.74	608,729.87
On own and subsidiary obligations		
Enterprise mortgages	71,500,751.68	38,472,751.68
	71,925,321.42	39,081,481.55

The company has no derivative liabilities.

17. Options

No current option schemes.

18. Fees paid to auditors

For statutory audit	24,675	16,550
Fees paid for other services	0,00	19,375
Total:	24,675	35,925

BOARD OF DIRECTORS' PROPOSAL FOR THE USE OF DISTRIBUTABLE PROFITS

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.22 per share be paid for the ended financial period by decision of the Annual General Meeting, and in addition, the Annual General Meeting would authorize the Board of Directors to decide later, at its discretion, on the distribution of another dividend of up to EUR 0.22 per share later during 2023.

SIGNATURES TO THE ANNUAL REPORT AND FINANCIAL STATEMENTS

Vantaa, March 2, 2023

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

Juhani Mykkänen
Member of the Board

Kari Nerg
CEO

AUDITOR'S NOTE

A report has today been issued on the audit performed.

Vantaa, March 2, 2023

Moore Rewinet Oy
Auditor

Jari Paloniemi
Authorized Public Accountant

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 31.12.2022. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows 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 (IFRS) 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 than 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 35,5 M€ meaning 29 % 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 (IFRS) 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 19.4.2022 has appointed us as an auditor. Our appointment represents a total period of uninterrupted engagement of 19 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, 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.

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 2nd March 2023

Moore Rewinet Oy
Audit firm

Jari Paloniemi
Authorized Public Accountant