



BOREO

Q3/2023
INTERIM REPORT

Boreo Plc, INTERIM REPORT JAN. 1 TO SEP. 30, 2023

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Decent profitability and excellent cash flow

July-September 2023

- Net sales decreased by 5% to EUR 41.0 million (2022: 43.3).
- Operational EBIT decreased by 3% to EUR 2.9 million (2022: 3.0) and accounted for 7.1% of net sales (2022: 6.8%)
- EBIT decreased by 17% to EUR 2.0 million (2022: 2.4).
- The profit for the period under review totaled EUR 1.0 million (2022: 2.1).
- Net cash flow from operating activities was EUR 4.9 million (2022: 0.8 including operations discontinued in 2022).
- Operational EPS was EUR 0.48 (2022: 0.83).
- EPS was EUR 0.22 (2022: 0.63).

January-September 2023

- Net sales grew by 8% to EUR 124.3 million (2022: 115.4).
- Operational EBIT increased by 13% to EUR 7.4 million (2022: 6.5) and accounted for 5.9% of net sales (2022: 5.7%).
- EBIT grew by 6% to EUR 5.1 million (2022: 4.8).
- Net cash flow from operating activities was EUR 9.5 million (2022: 0.4 including operations discontinued in 2022).
- The profit for the period under review totaled EUR 2.6 million (2022: 3.5).
- Operational EPS was EUR 1.15 (2022: 1.50).
- EPS was EUR 0.47 (2022: 0.97).
- Net debt relative to operational EBITDA of the previous 12 months was 2.4 (2022: 2.5 and 2.4 at the end of the previous quarter).
- Return on capital employed was 11.2% (2022: 10.8% and 11.3% at the end of the previous quarter).

Financial guidance and business model

Boreo's primary objective is sustainable long-term earnings growth. The company's business model is acquisition and long-term ownership of profitable entrepreneur-like companies that generate high capital return. The core of the company's business model is reallocation of cash flows generated by its companies to Group companies or acquisitions with a high expected return on capital. Boreo operates in a decentralized organizational model that emphasizes local responsibility and an entrepreneurial mindset. Sustainable long-term profit growth of Group companies is ensured by supporting and training the companies and their personnel.

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

- Minimum 15% average annual operational EBIT growth
- Minimum 15% Return on Capital Employed (ROCE)
- Net debt to operational EBITDA between 2 and 3 (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.

In August 2022, Boreo sold its entire 90% holding in the electronics component distribution business in Russia. For 2023, all figures in this interim report relate to continuing operations, unless otherwise stated. In the income statement, the comparison periods have also been adjusted for continuing operations, while the data in the cash flow statement have not been adjusted in the comparison period and include discontinued operations. The December 31, 2022 balance sheet no longer includes discontinued operations. Other than that, the accounting principles of this review do not include any changes that affect comparability. The comparison figures in brackets refer to the corresponding period of the previous year, unless otherwise specified.

Q3/2023 - CEO Kari Nerg:

Decent profitability and excellent cash flow

In the third quarter of 2023, Boreo continued performing in a stable way.

Operational EBIT of EUR 2.9 million of the quarter was at a decent level and profitability improved from the previous year (7.1% vs. 6.8% Q3/22). Acquisitions completed last year contributed to the result by EUR 0.5 million, whereas organic earnings growth was negative by EUR 0.5 million. Yleiselektronikka, the YE International businesses in the Baltics and the Technical Trade businesses performed well compared to the third quarter of 2022. Signal Solutions Nordic (SSN), Floby Nya Bilverkstad (FNB) and the Construction business of Machinery, on the other hand, were significantly below last year. The result was also weakened by a EUR 0.1 million write-down related to the exit from SANY operations in Finland and Sweden.

Our actions to reduce working capital were successful and as a result cash flow was extremely strong (cash conversion 208%). In particular, the successful reduction of inventory at our largest company Machinery contributed positively to capital efficiency. Despite this, ROCE of 11.2% remained at the level of the previous quarter as a result of moderate performance. Return on Trade Working Capital (ROTWC) improved to 30.1%.

In line with recent history, the company's financial position remained solid. Net debt at the end of the quarter was EUR 36.5 million and net debt relative to EBITDA of the previous 12 months remained at 2.4. The firm's available liquidity at the end of September 2023 was approximately EUR 20 million. In addition to liquidity in place to support operations, the company has a EUR 8 million acquisition facility available for acquisitions.

During the last year, the Group's operational EBIT has increased by 14% and the operational EBIT margin has improved from 5.4% to 5.7%. During this period, we have successfully improved capital efficiency, and as a result of strong cash flow (cash conversion 151%), ROTWC has risen from 27% to 30% and ROCE from 10.8% to 11.2%. The recent financials of the Group are still negatively impacted by the contribution of figures related to the exited Finnish and Swedish SANY-operations. Excluding the SANY business, the Group's operational EBIT would have increased by 19% over the past 12 months, with a ROTWC of 32.5% and a ROCE of 11.8%.

The two largest business areas continue to operate steadily

Our Technical Trade business area recorded a strong quarter both in terms of profitability (12.5%) and cash flow. The performance was supported by continued good performance of Machinery's Power business, Pronius, J-Matic and Filterit. The increased turmoil in the Finnish construction sector impacted the activity of Machinery's Construction equipment business significantly whereas the impacts to Muottikolmio's operations remained less visible.

Within the Electronics Business Area, Delfin Technologies started its journey successfully as part of Boreo. In addition, the electronic component distribution businesses both in Finland (Yleiselektronikka) and the Baltic countries (YE International) performed better than in the comparison period despite headwinds in demand. SSN's challenges started to ease from the first half of the year, but the company's run-rate performance continues to be behind the strong 2022. The profitability of the business area was decent (6.3 %) and the cash flow was at a good level.

The performance of the Heavy Machines business area was impacted by FNB's challenges

The Putzmeister operations in Finland, Sweden and Estonia continued to perform steadily and we continued to defend our leading market position successfully.

Uncertainty related to new investments has increased together with the overall slow-down of construction activity in our target markets. Supported with our market leading position and the less cyclical aftermarket activities, we, however, remain confident of our businesses' ability to operate in a decent way in possible market downturn. In addition, we see the trend of green transformation to which we are well positioned

through the leading positioning of our OEM partner to positively contribute to the competitiveness of our business in the coming years.

In FNB, we have during the first nine months of 2023 undergone investments in improving the efficiency of production processes and a new ERP system. In addition, we have undergone a change in the company's management. These measures will strengthen FNB's operational business but have impacted negatively on company's result during the year. We have also managed to overcome a significant part of the operational challenges, but due to the continuous availability and delivery challenges, the company's net sales remained low and we haven't reached the profitability targets we set for the company.

Our companies show resiliency in a challenging environment, and we are confident of our ability to create shareholder value in the long-term

Due to challenges faced by a few of our companies, our current performance is at a lower level that we see to be possible for the current portfolio in different economic cycles. At the same time, we are pleased with the performance of most of our companies in an operating environment characterized by weaker demand, increased prices and tougher competition. The stable gross margin development of our companies and the successfully maintained market positions are clear signals of our companies' strong positioning in their value chains. The current challenges at SSN and FNB are of temporary nature and we remain confident of the companies' long-term competitiveness.

Strong cash flow generation during the last 12 months is an important signal for us of the fact that the return on capital and capital efficiency mindset is increasingly rooted into the minds our people. Of this we're grateful and would like to express our gratitude for the entire organization.

Signs of weakened economic activity have increased over the last six months. As a result, and in addition to our strategic targets – earnings growth and capital efficiency, we have increased our focus on cost control. Even though we have hedged a significant share of our financing against increases in interest rates, changes in the interest environment have increased the group's financing costs. In the short-term one of our objectives is to strengthen shareholders' value creation by maintaining the firms' indebtedness at the low end of our leverage target (net debt to EBITDA 2-3x). We continue to evaluate new acquisition targets and are prepared to act on new opportunities which we can execute by maintaining a solid financial position and creating value for the shareholders.

Alternative Performance Measures

The guidelines of the European Securities and Markets Authority (ESMA) defines alternative performance measures as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. For Boreo, the IFRS standards as adopted in the EU in accordance with Regulation (EC) No 1606/2002 form the reporting framework.

Boreo provides certain financial indicators that are not based on IFRS (alternative performance measures). Alternative performance measures do not include certain non-recurring items affecting comparability and are intended to describe the financial development of the business and improve comparability between reporting periods. Alternative performance measures should not be considered as a substitute for key figures in accordance with IFRS accounting principles. Since the first interim report in 2023, the company has reported cash conversion, net cash flow from operating activities and return on working capital as new alternative performance measures.

Boreo feels that comparable indicators better reflect the company's operational performance by removing the earnings impact of items and business transactions outside normal operations. The reconciliation statements and the formulas for key IFRS indicators and alternative performance measures are presented later in this report.

Group's key figures

Key figures, continuing operations

EUR million	Q3 2023	Q3 2022	Change	Q1-Q3 2023	Q1-Q3 2022	Change	2022
Net sales	41.0	43.3	-5%	124.3	115.4	8%	160.4
Operational EBIT	2.9	3.0	-3%	7.4	6.5	13%	8.7
relative to the net sales %	7.1%	6.8%	-	5.9%	5.7%	-	5.4%
EBIT	2.0	2.4	-17%	5.1	4.8	6%	6.5
Profit before taxes	1.4	2.6	-48%	3.2	4.3	-26%	5.5
Profit for the period, continuing operations	1.0	2.1	-50%	2.6	3.5	-27%	4.4
Profit for the period, discontinued operations	0.0	0.7	-	0.0	-5.2	-	-4.7
Operational net cash flow***	4.9	0.8	513%	9.5	0.4	2,150%	4.1
Cash conversion, %***	208%	23%	-	144%	7%	-	51%
Equity ratio, %	34.9%	35.1%	-	34.9%	35.1%	-	35.4%
Interest-bearing net debt	36.5	33.9	8%	36.5	33.9	8%	30.9
Interest-bearing net debt relative to operational EBITDA of the previous 12 months*	2.4	2.5	-	2.4	2.5	-	2.2
Return on Capital Employed (ROCE %), R12	11.2%	10.8%	-	11.2%	10.8%	-	10.4%
Return on Trade Working Capital (ROTWC %), R12	30.1%	26.8%	-	30.1%	26.8%	-	26.7%
Return on equity (ROE %), R12	8.4%	13.1%	-	8.4%	13.1%	-	12.1%
Personnel at end of the period	348	304	14%	348	304	14%	327
Operational EPS, EUR**	0.48	0.83	-42%	1.15	1.50	-23%	1.82
EPS, EUR**	0.22	0.63	-65%	0.47	0.97	-52%	1.12
EPS, EUR, discontinued operations	0.00	0.29	-	0.00	-1.74	-	-1.56
Operational net cash flow per share, EUR***	1.83	0.30	507%	3.63	0.16	2160%	0.82

* Calculated in accordance with the calculation principles established with financiers. The formula for calculating the indicator is presented later in this report.

**The effect of the interest rate of the hybrid bond recorded in equity adjusted by the tax effect is considered in the calculation of the EPS starting from Q1 2022. In Q3 2023, this net effect was EUR 0.12 per share, in Q1-Q3 2023, the net effect was EUR 0.36 per share, in Q3 2022, the net effect was EUR 0.12 per share, and in Q1-Q3 2022, it was EUR 0.31 per share.

***Cash flow for comparison periods includes discontinued operations. The formula for calculating the indicator is presented later in this report.

Group's financial performance

In the third quarter of the year, the Group's net sales declined by 5% to EUR 41.0 million (2022: 43.3). Organic net sales decreased by EUR 4.8 million and inorganic net sales increased by EUR 2.6 million. The companies acquired during the first nine months of the year (Filterit, Lamox and Delfin) accounted for EUR 1.8 million of the Group's inorganic net sales growth in the third quarter. At comparable exchange rates, net sales would have been around EUR 41.6 million, mainly due to the weakening Swedish krona.

During the first nine months of 2023, the Group's net sales increased by 8% to EUR 124.3 million (2022: 115.4). Organic net sales decreased by EUR 2.7 million and inorganic net sales grew by EUR 11.6 million. The companies acquired during the first nine months of the year accounted for EUR 3.7 million of the Group's net

sales growth. Weakening of Swedish krona decreased net sales by about EUR 1.4 million and net sales at comparable exchange rates would have been around EUR 125.7 million.

Net sales, business areas Q3 and Q1-Q3

EUR million	Q3 2023	Q3 2022	Change	Q1-Q3 2023	Q1-Q3 2022	Change	2022
Electronics	16.3	17.3	-6%	47.3	42.9	10%	61.5
Technical Trade	14.9	13.5	10%	43.6	37.0	18%	52.8
Heavy Machines	8.6	11.3	-24%	29.7	32.0	-7%	41.4
Other Operations	1.2	1.2	3%	3.7	3.4	7%	4.6
Total	41.0	43.3	-5%	124.3	115.4	8%	160.4

The geographical distribution of the Group's net sales during the third quarter was as follows: Net sales in Finland decreased by 5% mainly due to the exit from SANY businesses and the drop in SSN's net sales and amounted to EUR 28.8 million. Sweden's net sales were EUR 6.0 million, with a decrease of 9% from the comparison period mainly caused by the decrease in net sales in the Heavy Machines business area, which was due, among other things, to the exit from the SANY business. Also weakening of Swedish krona decreased net sales by about EUR 0.6 million. Net sales of the Baltic businesses decreased by 3% to EUR 6.0 million. Net sales elsewhere consist of a company acquired in the United States in connection with the Signal Solutions acquisition in the second quarter of 2022 and a company acquired in England in connection with the Delfin Technologies acquisition at the beginning of the third quarter of 2023.

Since the beginning of the year, Finland's net sales were EUR 85.6 million, up by EUR 6.0 million (8%). Despite the weakening of the Swedish krona, which decreased the net sales by about EUR 1.4 million, Sweden's net sales were EUR 17.9 million, up by EUR 1.5 million (9%). In the Baltics, net sales increased to EUR 19.8 million (5%).

Net Sales by geographic area, Q3 and Q1-Q3

EUR million	Q3 2023	Q3 2022	Change	Q1-Q3 2023	Q1-Q3 2022	Change	2022
Finland	28.8	30.3	-5%	85.6	79.6	8%	110.6
Sweden	6.0	6.6	-9%	17.9	16.4	9%	22.6
Baltic countries	6.0	6.2	-3%	19.8	18.9	5%	26.4
Other	0.2	0.2	-1%	0.9	0.4	106%	0.7
Total	41.0	43.3	-5%	124.3	115.4	8%	160.4

In the third quarter, the Group's operational EBIT was EUR 2.9 million (2022: 3.0). Operational EBIT margin improved to 7.1% (2022: 6.8%). The Group's reported EBIT amounted to EUR 2.0 million (2022: 2.4). The reported EBIT included items affecting comparability totaling EUR 0.9 million in net, consisting mainly of expenses and allocations related to acquisitions. Operational EBIT was particularly weakened by the longer-than-expected operational challenges in the Heavy Machines business area of FNB and the weak performance of SSN's Electronics business area. Changes in exchange rates did not have a significant impact on the Group's EBIT.

Since the beginning of the year, the Group's operational EBIT increased by 13% to EUR 7.4 million (2022: 6.5). The Group's reported EBIT amounted to EUR 5.1 million (2022: 4.8). The reported EBIT included EUR 2.3 million in items affecting comparability in net.

Operational EBIT, business areas Q3 and Q1-Q3

EUR million	Q3 2023	Q3 2022	Change	Q1-Q3 2023	Q1-Q3 2022	Change	2022
Electronics	1.0	1.3	-24%	2.9	2.7	8%	4.2
Technical Trade	1.9	1.7	13%	4.6	3.9	17%	5.3
Heavy Machines	0.3	0.3	19%	0.9	1.0	-15%	1.0
Other Operations	-0.3	-0.3	9%	-1.0	-1.1	-9%	-1.8
Total	2.9	3.0	-3%	7.4	6.5	13%	8.7

Capital efficiency

Boreo's primary objective, i.e. long-term sustainable earnings growth, is assessed from a financial viewpoint through the achievement of the company's strategic objectives – minimum 15% average operational EBIT growth and minimum 15% return on capital employed. Due to Boreo's long-term objectives and focus on owning profitable, capital light companies that generate high capital return, the financial performance of the Group companies is assessed and developed using the operational EBIT and return on working capital indicators. The positive development of these indicators directly affects the development of Group-level return on capital employed.

In the Group's decentralized organization and control model, it is essential to monitor key indicators of business performance and linking them to remuneration schemes for key personnel and the wider organization. The above-described indicators measuring earnings growth and capital return are an important part of the remuneration of the Group's management and companies' key personnel. This has an important role in implementing the capital return approach and aligning main drivers of shareholders' value creation with the interests of key personnel.

In addition to Group-level return on capital employed, Boreo has reported the development of the ROWTC at both Group level and in the business areas since the first quarter of 2023. At the end of the third quarter, Group-level ROWTC was 30.1% (2022: 26.8%) and by business area, the ROWTC was: Electronics 49.7% (2022: 38.2%), Technical Trade 43.2% (2022: 44.2%) and Heavy Machines 9.3% (2022: 15.7%). Without the exited SANY businesses, the Group's ROTWC would be 32.5% and the ROCE in the Heavy Machines business area would be 16.0%.

At the end of the third quarter, ROCE was 11.2% (2022: 10.8% and Q2/23: 11.2%). Without the exited SANY businesses, ROCE would be 11.8%. Return on equity (ROE) was 8.4 % (2022: 13.1 % and Q2/23: 11.3 %).

Return on Trade Working Capital (ROTWC %), R12

Percent	Q3 2023	Q3 2022	Q1-Q3 2023	Q1-Q3 2022	2022
Electronics	49.7%	38.2%	49.7%	38.2%	43.5%
Technical Trade	43.2%	44.2%	43.2%	44.2%	42.8%
Heavy Machines	9.3%	15.7%	9.0%	15.7%	9.6%
Other Operations	-	-	-	-	-
Group	30.1%	26.8%	30.1%	26.8%	26.7%

Financial position

At the end of the third quarter of 2023, the Group's interest-bearing net debt amounted to EUR 36.5 million (2022: 33.9 and 35.7 at the end of the second quarter). The share of IFRS 16 liabilities in net debt was EUR 8.6 million (2022: 5.3). The Group's financial position remained stable due to good cash flow despite the Delfin acquisition. Net debt relative to the 12-month operational EBITDA remained at the 2.4 level of the second quarter.

Shareholders' equity was EUR 41.2 million (2022: 40.0). The equity ratio was 34.9% (2022: 35.1% and at the end of the second quarter 36.4%) and the consolidated balance sheet total EUR 126.0 million.

Cash flow

Net cash flow from operating activities was EUR 4.9 million in the third quarter (2022: 0.8). Net cash flow from operating activities was positively affected by EUR 2.7 million release of working capital. Net cash flow from operating activities was EUR 1.83 per share (2022: 0.30). The cash flow effect of the acquisitions (including additional purchase price payments for earlier acquisitions) in the third quarter was approximately EUR -4.2 million. Cash flow after investments was EUR 0.6 million (2022: -2.1). The cash flow figures for the comparison period include discontinued operations.

Since the beginning of the year, net cash flow from operating activities was EUR 9.5 million (2022: 0.4). The release of working capital by approximately EUR 3.6 million strengthened cash flow. Net cash flow from operating activities was EUR 3.63 per share (2022: 0.16). Cash flow after investments was EUR -0.4 million (2022: -11.5), of which the net impact of acquisitions was EUR -9.2 million.

At the end of the third quarter, the Group's cash and cash equivalents totaled EUR 7.1 million (7.6 at the end of the second quarter).

Major events during the third quarter

On July 3, 2023, Boreo announced that it had completed the acquisition of health technology company Delfin Technologies Oy.

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, Noretron Komponentit, Milcon, Infradex, Signal Solutions Nordic and Delfin Technologies.

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

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

In addition to the above-mentioned business areas, Boreo's organization includes Etelä-Suomen Kuriiripalvelut Oy and Vesterbacka Transport Oy that provide logistics and courier services and are reported under Other Operations. The companies operate in Finland and the Baltic countries.

Electronics business area

Operational EBIT of the business area was at a reasonable EUR 1.0 million level in the third quarter (2022: 1.3) and the operational EBIT margin was 6.3%. Operational EBIT decreased from the comparison period.

The operational EBIT of Yleiselektroniikka and Baltic businesses improved despite the weaker demand environment than in the comparison period. Delfin supported the business area's performance in the third quarter. Milcon, Noretron and Infradex's results were lower than in the comparison period. SSN's result was clearly below the comparison period because its largest customer's R&D investment activity remained below expectations.

In terms of working capital management, the companies in the Electronics business area have been successful during the past quarters and the amount of working capital employed has been moderately declining. As a result, operating cash flow was strong although the result decreased from the comparison period. ROTWC was at a good level of 50% despite SSN's poor performance.

The outlook for the companies in the business area has generally remained moderate, although there have been signs of declining demand. Order backlogs have fallen from peak levels but are still higher than normal. The development of order backlogs is still supported by longer delivery times than usual. ROTWC is expected to remain at a good level.

Key figures Electronics

EUR million	Q3 2023	Q3 2022	Change	Q1-Q3 2023	Q1-Q3 2022	Change	2022
Net sales	16.3	17.3	-6%	47.3	42.9	10%	61.5
Operational EBIT	1.0	1.3	-24%	2.9	2.7	8%	4.2
<i>relative to net sales, %</i>	6.3%	7.8%	-	6.2%	6.3%	-	6.9%
EBIT	0.8	1.2	-37%	2.4	2.4	0%	3.7
Return on Trade Working Capital (ROTWC %), R12	50%	38%	-	50%	38%	-	43%
Capital expenditure	0.1	0.1	-25%	0.1	0.4	-68%	0.5
Personnel at end of the period	136	132	3%	136	132	3%	120

Technical Trade business area

Operational EBIT of the Technical Trade business area totaled EUR 1.9 million in the third quarter (2022: 1.7) and the operational EBIT margin was 12.5%. Operational EBIT was supported, as in the previous quarter, by the earnings effects of the J-Matic and Filterit acquisitions and Pronius' stable result. In addition, operational EBIT was boosted by the strong earnings level in Machinery's Power business, especially supported by maintenance operations. The result of Machinery's Metal machining also improved during the third quarter, while the result of Machinery's Construction fell short of the previous year as expected.

Overall, the business area's performance has remained good, but past measures to ensure delivery capacity continue to negatively impact working capital efficiency especially in the business area's largest company Machinery. In the previous 12 months, ROTWC was 43%. Measures to improve working capital efficiency have progressed as planned and are still ongoing. During the third quarter, the Technical Trade business area managed to release working capital of approximately EUR 1.2 million, of which Machinery's share was significant.

The outlook for the business area has remained relatively unchanged. The general outlook for our companies serving the maintenance and service operations within the process and mechanical engineering industries is positive, whereas the outlook for our companies with more capex dependent operations in the mechanical engineering industry is more moderate than earlier in the year. Construction industry activity continues to remain low, but the significance of construction businesses to the business area's result is relatively small.

Key figures Technical Trade

EUR million	Q3 2023	Q3 2022	Change	Q1-Q3 2023	Q1-Q3 2022	Change	2022
Net sales	14.9	13.5	10%	43.6	37.0	18%	52.8
Operational EBIT	1.9	1.7	13%	4.6	3.9	17%	5.3
<i>relative to net sales, %</i>	12.5%	12.2%	-	10.6%	10.6%	-	10.1%
EBIT	1.5	1.4	6%	3.6	3.4	5%	4.6
Return on Trade Working Capital (ROTWC %), R12	43%	44%	-	43%	44%	-	43%
Capital expenditure	0.0	0.1	-59%	0.2	0.4	-60%	0.5
Personnel at end of the period	116	87	0%	116	87	33%	108

Heavy Machines business area

Net sales of the Heavy Machines business area were EUR 8.6 million in the third quarter (2022: 11.3). The weakening of the Swedish krona affected net sales by EUR 0.6 million. Net sales were also reduced by the exit from the Finnish and Swedish SANY businesses, lower deliveries of the Swedish Putzmeister business than in the comparison period, and FNB's delivery challenges. Operational EBIT for the business area totaled EUR 0.3 million, which was in line with the comparison period. The performance of the Putzmeister businesses was at a good level (EBIT margin 7.0%) in all operating countries, while operational EBIT was further weakened by FNB's continued challenges in the implementation of the new ERP system and the availability of materials. These, in turn, had a negative impact on the company's delivery ability and net sales. Despite these challenges, the new ERP system is expected to have a positive impact on delivery capacity and profitability in the longer term. The market outlook for Putzmeister operations remains stable, although delivery volumes are expected to be lower next year. However, the profitability of the companies is supported by our position as a leading supplier of solutions for the concrete industry, a less cyclical aftermarket business and more environmentally friendly products, whose share of net sales is expected to grow next year. Also FNB's good order book supports performance well into the next year.

Capital efficiency developed positively in the business area during the quarter but was slower than expected due to FNB's weak profitability. However, working capital developed cautiously positively in the Putzmeister businesses. The business area's ROTWC improved slightly from the previous quarter to 9%. Capital efficiency is expected to develop positively in the future especially through measures to improve profitability and return on capital in FNB.

Key figures Heavy Machines

EUR million	Q3 2023	Q3 2022	Change	Q1-Q3 2023	Q1-Q3 2022	Change	2022
Net sales	8.6	11.3	-24%	29.7	32.0	-7%	41.4
Operational EBIT	0.3	0.3	19%	0.9	1.0	-15%	1.0
<i>relative to net sales, %</i>	4.0%	2.3%	-	3.0%	3.3%	-	2.4%
EBIT	0.3	0.2	29%	0.6	0.8	-17%	0.6
Return on Trade Working Capital (ROTWC %), R12	9%	16%	-	9%	16%	-	10%
Capital expenditure	0.0	0.0	-18%	0.1	0.2	-64%	0.2
Personnel at end of the period	65	54	20%	65	54	20%	63

Other Operations

The third quarter net sales of Other Operations were EUR 1.2 million remaining at the level of the comparison period (2022: 1.2). Net sales of ESKP and Vesterbacka Transport slightly decreased, however the Basti Oy business acquisition carried out in December 2022 had a positive impact on net sales. In the third quarter, ESKP and Vesterbacka Transport's net sales were affected by declining volumes in express transports. In

addition to weakening demand, cost pressures continued to affect the profitability of the companies. The companies' EBIT was EUR 0.1 million and the EBIT margin was 10 %. Operational EBIT of Other Operations was EUR -0.3 million (2022: -0.3).

In addition to ESKP's and Vesterbacka Transport's operational EBIT, the operational EBIT of Other Operations included EUR 0.4 million of Group administration costs (2022: 0.5).

Key figures Other operations

EUR million	Q3 2023	Q3 2022	Change	Q1-Q3 2023	Q1-Q3 2022	Change	2022
Net sales	1.2	1.2	3%	3.7	3.4	7%	4.6
Operational EBIT	-0.3	-0.3	9%	-1.0	-1.1	-9%	-1.8
<i>relative to net sales, %</i>	-25.1%	-25.0%	-	-28.4%	-33.5%	-	-39.7%
EBIT	-0.5	-0.4	-	-1.4	-1.7	-16%	-2.4
Capital expenditure	0.1	0.0	47%	0.7	0.4	94%	0.6
Personnel at end of the period	31	31	0%	31	31	0%	36

Group personnel

Boreo Group's number of personnel totaled 348 at the end of the third quarter (2022: 304) and was divided into business areas as follows: Electronics 136 (2022: 132), Technical Trade 116 (2022: 87), Heavy Machines 65 (2022: 54), Other Operations 31 (2022: 31), of which the personnel of ESKP and Vesterbacka was 25 (2022: 23) and Group administration 7 (2022: 8).

Employment related expenses for the third quarter totaled EUR 5.3 million (2022: 4.8).

Managers' transactions

During the third quarter of 2023, Boreo Plc received one notification concerning Managers' transactions (Article 19 of MAR):

August 17, 2023, Boreo Plc notified that Jesse Petäjä had acquired 386 shares at an average price of EUR 35 per share.

Shares and share capital

At the end of the third quarter, Boreo Plc's share capital was EUR 2,483,836 and the number of shares was 2,701,353. The company held 14,011 shares at the end of the second quarter (0.5% of the share capital).

Main short-term risks and operational uncertainties

Boreo 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, for example, 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, project-like by nature and investment driven and thus 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: The 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 krona. 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.

Major events after the third quarter

On November 1, 2023, Boreo announced that its Board of Directors had decided on the record and payment dates for the second dividend payment for 2022 based on the authorization given to the Board by the AGM on April 19, 2023. The second dividend installment is EUR 0.22 per share, its record date is November 9, 2023, and the payment date is November 17, 2023.

Reconciliation statements of key indicators

EUR million	Q3 2023	Q3 2022	Q1-Q3 2023	Q1-Q3 2022	2022
EBIT	2.0	2.4	5.1	4.8	6.5
ITEMS AFFECTING COMPARABILITY					
Electronics					
Structural arrangements	0.0	0.0	-0.1	0.0	0.0
Costs related to acquisitions	0.0	0.0	0.0	0.0	0.0
Depreciation related to allocation of acquisition costs	-0.2	-0.1	-0.5	-0.3	-0.5
Technical Trade					
Structural arrangements	0.0	0.0	0.0	-0.1	-0.1
Costs related to acquisitions	0.0	0.0	0.0	0.0	0.0
Depreciation related to allocation of acquisition costs	-0.4	-0.2	-1.1	-0.5	-0.7
Heavy Machines					
Structural arrangements	0.0	0.0	0.0	0.0	0.0
Costs related to acquisitions	0.0	0.0	0.0	0.0	0.0
Depreciation related to allocation of acquisition costs	-0.1	-0.1	-0.3	-0.3	-0.4
Other Operations					
Structural arrangements	0.0	0.0	0.0	-0.1	-0.1
Costs related to acquisitions	-0.2	-0.1	-0.3	-0.3	-0.3
Depreciation related to allocation of acquisition costs	0.0	0.0	-0.1	-0.1	-0.1
TOTAL ITEMS AFFECTING COMPARABILITY	-0.9	-0.6	-2.3	-1.7	-2.3
OPERATIONAL EBIT	2.9	3.0	7.4	6.5	8.8

EUR million	Q3 2023	Q3 2022	Q1-Q3 2023	Q1-Q3 2022	2022
Profit for the review period to shareholders**	0.6	1.7	1.3	2.6	3.0
Items affecting comparability	0.7	0.5	1.8	1.4	1.8
Operational profit for the review period to shareholders	1.0	2.2	3.1	4.0	4.8
Average number of outstanding shares, thousand	2,687	2,662	2,687	2,633	2,644
Operational EPS*	0.48	0.83	1.15	1.50	1.82

*The tax impact and non-controlling interests on comparability have been deducted when calculating the operational EPS

** The interest rate on the hybrid loan, considering the tax effect, has been deducted from the profit attributable to shareholders of the parent company

EUR million	Q3 2023	Q3 2022	Q1-Q3 2023	Q1-Q3 2022	2022
Long-term financial liabilities	35.0	34.4	35.0	34.4	34.1
Short-term financial liabilities	9.7	10.3	9.7	10.3	10.0
Interest-bearing receivables	1.1	0.0	1.1	0.0	0.0
Cash and cash equivalents	7.1	10.8	7.1	10.8	13.2
Interest-bearing net debt	36.5	33.9	36.5	33.9	30.9

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	=	$\frac{\text{Interest-bearing net debt}}{\text{Operational EBITDA of the previous 12 months (including acquired businesses as if they had been held for 12 months at the reporting date)}}$
Equity ratio, %	=	$\frac{\text{Total equity + minority interest}}{\text{Balance sheet total - advances received}} \times 100$
Net cash flow from operating activities per share	=	$\frac{\text{Net cash flow from operating activities}}{\text{Average number of outstanding shares}}$
Interest-bearing net debt	=	Interest-bearing liabilities - interest-bearing receivables - 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 %)	=	$\frac{\text{Operational EBIT for the previous 12 months}}{\text{Average balance sheet total for the previous 12 months - non-interest-bearing liabilities for the previous 12 months}}$
Return on working capital (ROTWC %)	=	$\frac{\text{Operational EBIT for the previous 12 months}}{\text{Average working capital for the previous 12 months (inventories + trade receivables – trade payables – advance payments received)}}$
Return on equity (ROE %)	=	$\frac{\text{Result for the review period for the previous 12 months}}{\text{Average equity for the previous 12 months}}$
Cash conversion, %	=	$\frac{\text{Net cash flow from operating activities + interest paid – investments in intangible and tangible assets}}{\text{EBIT + depreciation and impairment – effect of right of use-asset depreciation (IFRS 16)}}$

TABLES January 1 to September 30, 2023, Accounting principles of the interim report

This interim report is prepared in accordance with the IAS 34 Interim financial reporting standard and the accounting principles of the interim report are the same applied to the financial statements compiled on December 31, 2022. The figures of the interim report are unaudited.

CONSOLIDATED INCOME STATEMENT (MEUR)	Q3 2023	Q3 2022	Q1-Q3 2023	Q1-Q3 2022	Q1-Q4 2022
Net sales	41.0	43.3	124.3	115.4	160.4
Other operating income	0.1	0.1	0.4	0.3	0.5
Materials and services	-29.9	-32.9	-91.5	-86.7	-120.9
Employee benefit expenses	-5.3	-4.8	-16.9	-14.5	-20.2
Depreciation, amortization and impairment losses	-1.4	-1.0	-4.0	-3.0	-4.0
Other operating expenses	-2.6	-2.5	-7.4	-6.8	-9.5
Share of result from associates	0.1	0.0	0.2	0.1	0.2
EBIT	2.0	2.4	5.1	4.8	6.5
Financial income	0.0	0.5	0.2	0.6	0.7
Financial expenses	-0.7	-0.3	-2.1	-1.1	-1.6
Profit before taxes	1.4	2.6	3.2	4.3	5.5
Income taxes	-0.3	-0.6	-0.7	-0.8	-1.1
Profit for the period, continuing operations	1.0	2.1	2.6	3.5	4.4
Profit for the period, discontinued operations	0.0	0.7	0.0	-5.2	-4.7
Profit for the period	1.0	2.7	2.6	-1.7	-0.3
Allocated to					
Shareholders of the parent company	0.9	2.7	2.2	-1.2	0.0
Minorities	0.1	0.0	0.3	-0.4	-0.3
EPS (undiluted) EUR, continuing operations	0.22	0.63	0.47	0.97	1.12
EPS (diluted) EUR, continuing operations	0.22	0.63	0.47	0.97	1.12
EPS (undiluted) EUR, discontinued operations	0.00	0.29	0.00	-1.74	-1.56
EPS (diluted) EUR, discontinued operations	0.00	0.29	0.00	-1.74	-1.56
Items of the comprehensive income statement (MEUR)					
Items that may be reclassified subsequently to profit or loss:					
Translation differences from foreign units	0.2	-0.4	-0.4	-0.7	-0.4
Other comprehensive income items after tax during the period	0.0	0.0	0.0	0.0	0.0
Total comprehensive income for the period	1.3	2.3	2.1	-2.3	-0.7
Allocated to					
Shareholders of the parent company	1.1	0.9	1.8	-2.0	-0.4
Minorities	0.2	-0.1	0.3	-0.4	-0.3
Number of outstanding shares (thousand)	2,687	2,662	2,687	2,633	2,644
Outstanding shares at the end of the period	2,687	2,664	2,687	2,664	2,676
Number of shares (thousand)	2,701	2,687	2,701	2,687	2,692

CONSOLIDATED BALANCE SHEET (MEUR)**30 Sep. 2023****31 Dec. 2022****ASSETS**

Non-current assets

Intangible capital assets	10.5	7.0
Goodwill	42.2	35.5
Property, plant and equipment	10.5	9.2
Other financial assets	1.4	0.3
Investments in associates	1.0	0.9
Deferred tax assets	0.1	0.1
Total non-current assets	65.5	53.0

Current assets

Inventories	32.3	32.0
Accounts receivable and other receivables	21.0	23.2
Cash and cash equivalents	7.1	13.2
Total current assets	60.4	68.3

TOTAL ASSETS**126.0****121.4****SHAREHOLDERS' EQUITY AND LIABILITIES****SHAREHOLDERS' EQUITY**

Owner's equity

Share capital	2.5	2.5
Other committed capital	0.1	0.1
Hybrid loan	20.0	20.0
Reserve for invested unrestricted equity	5.1	4.7
Retained earnings	11.4	13.1
Profit for the period	2.2	0.0
Total	41.2	40.4

Minority interest

1.5

1.4

Non-current liabilities

Financial liabilities	35.0	34.1
Deferred tax liabilities	2.6	1.8
Provisions	0.0	0.0
Trade and other payables	1.7	1.7
Total non-current assets	39.3	37.6

Current liabilities

Trade and other payables	34.3	31.9
Provisions	0.0	0.0
Financial liabilities	9.7	10.0
Total current liabilities	44.0	42.0

TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES**126.0****121.4**

CONSOLIDATED CASH FLOW STATEMENT (MEUR)**1 Jan.-30 Sep. 2023** **1 Jan.-30 Sep. 2022****Operational cash flow**

Profit before taxes	3.2	-0.7
Non-cash transactions		
Depreciation, amortization and impairment losses	4,0	3.1
Net financial items	1.9	1.0
Share of associate companys' result, net	0.0	-0.1
Increase (-) / decrease (+) in inventories	1.3	-6.8
Increase (-) / decrease (+) in current assets	2.8	0.2
Increase (+) / decrease (-) in current liabilities	-0.5	1.0
Net financial items	-1.9	-1.4
Taxes paid	-1.2	-1.4
Other adjustments	0.0	5.5

Operational net cash flow**9.5** **0.4****Cash flow from investments**

Investments in intangible and tangible assets	-1.1	-1,4
Acquisitions	-9.2	-8.1
Divestments	0.2	-2.7
Proceeds from sale of property, plant and equipment	0.2	0.2

Net cash flow from investments**-9.9** **-12.0****Cash flow from financing**

Costs related to share issue	0.0	1.4
Repayments of loans	-8.3	-39.6
Withdrawals of loans	5.0	35.5
Transaction costs of share issue	0.0	-0.1
Withdrawal of hybrid loan	0.0	20.0
Hybrid loan interest and costs	-1.6	-0.4
Dividends paid	-0.8	-0.8

Net cash flow from financing**-5.6** **16.1****Change in cash and cash equivalents****-6.0** **4.5**

Cash and cash equivalents Jan 1	13.2	6.2
Impact of exchange rate fluctuations and consolidation	0.0	0.0

Liquid funds Sep. 30**7.1** **10.8**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(MEUR)**

2023

	Share capital	Contingency reserve	Reserve for invested unrestricted equity	Translation difference	Hybrid loan	Retained earnings	Minority interest	Total
Equity								
Dec.31, 2022	2.5	0.1	4.7	-1.0	20.0	14.1	1.4	41.8
Profit/loss for the period						2.2	0.3	2.6
Translation differences				-0.4		0.0	0.0	-0.4
Share issue			0.4					0.4
Costs related to share issue								0.0
Share repurchases								0.0
Withdrawal of hybrid loan								0.0
Share incentives						0.1		0.1
Interest rate and borrowing costs of the hybrid loan						-1.0		-1.0
Dividend payment						-0.6	-0,2	-0.8
Other change						0.1		0.1
30 Sep. 2023	2.5	0.1	5.1	-1.4	20.0	15.0	1.5	42.7

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(MEUR)**

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				-1.0		-0.2	0.0	-1.1
Share issue			3.1					3,1
Costs related to share issue			-0.1					-0.1
Share repurchases			-0.3					-0.3
Withdrawal of hybrid loan					20.0			20.0
Share incentives						0.1		0.1
Interest rate and borrowing costs of the hybrid loan						-1.6		-1,6
Dividend payment						-1.2	-0.3	-1.5
Other change		0.0						1.1
Dec. 31, 2022	2.5	0.1	4.7	-1.0	20.0	14.1	1.4	41.8

**SEGMENT INFORMATION
(MEUR)**

1-9/2023	Electronics	Technical Trade	Heavy Machines	Other Operations	Inter segment	Total
Revenue	47.3	43.6	29.7	3.7		124.3
Share of results of associates	0.2	0.0	0.0	0.0		0.2
Depreciation	-1.4	-1.2	-0.9	-0.5		-4.0
EBIT	2.4	3.6	0.6	-1.4		5.1
Financial income	0.1	0.0	0.0	0.4	-0.4	0.2
Financial expenses	-0.1	-0.4	-0.2	-1.9	0.4	-2.1
Profit before taxes	2.4	3.1	0.5	-2.9		3.2
Balance sheet assets	58.3	37.4	33.4	4.9	-7.9	126.0
Balance sheet liabilities	-48.3	-24.9	-16.6	-1.2	7.9	-83.3
Investments	0.1	0.2	0.1	0.7		1.1
Personnel at end of the period	136	116	65	31		348

**SEGMENT INFORMATION
(MEUR)**

1-9/2022	Electronics	Technical Trade	Heavy Machines	Other Operations	Inter segment	Total
Revenue	42.9	37.0	32.0	3.4		115.4
Share of results of associates	0.1	0.0	0.0	0.0		0.1
Depreciation	-1.2	-0.9	-0.7	-0.3		-3.1
EBIT	2.4	3.4	0.8	-1.7		4.8
Financial income	0.6	0.1	0.0	0.3	-0.3	0.6
Financial expenses	-0.9	-0.4	0.0	-0.1	0.3	-1.1
Profit before taxes	2.0	3.4	0.7	-1.8		4.3
Balance sheet assets	50.1	37.1	36.1	4.4	-6.2	121.5
Balance sheet liabilities	-44.6	-22.8	-18.1	-0.7	6.2	-80.0
Investments*	0.4	0.4	0.2	0.4		1.4
Personnel at end of the period	130	86	54	31		301

*Includes discontinued operations

OFF-BALANCE SHEET LIABILITIES

(MEUR)	Sep. 30, 2023	Sep. 30, 2022
Liabilities		
Unused overdraft facility	7.2	6.4
Total liabilities	7.2	6.4
Guarantees given		
Real estate mortgages	0.0	0.0
Enterprise mortgages	71.5	71.5
Pledged securities	0.0	0.0
Guarantees	0.9	3.1
Total guarantees given	72.4	74.6

The company has a derivative liability arising from interest rate hedging the fair value of which was EUR 0.5 million on September 30, 2023. The change in the fair value has been recognized in financial items as profit or loss.

Briefing for investors, analysts and media

A webcast where CEO Kari Nerg and CFO Aku Rumpunen present the January-September 2023 interim report will be held today, November 2, 2023, at 11:00 am EET. The presentation is in English and questions can be asked after the presentation. The presentation material is available before the webcast on Boreo's website: www.boreo.com/investors.

You can watch the webcast at: <https://boreo.videosync.fi/2023-q3-results>.

The event will be recorded, and the recording will be available after the event at: www.boreo.com/investors.

Vantaa, November 02, 2023

BOREO PLC

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Boreo in brief:

Boreo is a company listed on Nasdaq Helsinki that creates value by owning, acquiring and developing small and medium sized companies in the long term. Boreo's business operations are organized into three business areas: Electronics, Technical Trade and Heavy Machines.

Boreo's primary objective is sustainable long-term earnings growth. The company's business model is acquisition and long-term ownership of profitable entrepreneur-like companies that generate high capital return. The core of the company's business model is reallocation of cash flows generated by its companies to Group companies or acquisitions with a high expected return on capital. Boreo operates in a decentralized organizational model that emphasizes local responsibility and an entrepreneurial mindset. Sustainable long-term profit growth of Group companies is ensured by supporting and training the companies and their personnel.

The Group's net sales in 2022 were EUR 160 million and it employs over 300 people in seven countries. The company's headquarter is in Vantaa.