



# BOREO

Q3/2024  
INTERIM REPORT

## **Boreo Plc, INTERIM REPORT JAN. 1 TO SEP. 30, 2024**

**October 31, 2024, at 9:00 EET**

### **The overall situation remains challenging**

#### **June-September 2024**

- Net sales decreased by 31% to EUR 28.4 million (2023: 41.0).
- Operational EBIT declined to EUR 1.8 million (2023: 2.9) and accounted for 6.2% of net sales (2023: 7.1%).
- EBIT was EUR 1.1 million (2023: 2.0).
- The profit for the period under review totaled EUR 0.3 million (2023: 1.0).
- Net cash flow from operating activities was EUR 0.7 million (2023: 4.9).
- Operational EPS was EUR 0.10 (2023: 0.48).
- EPS was EUR -0.07 (2023: 0.22).

#### **January-September 2024**

- Net sales decreased by 24% to EUR 94.8 million (2023: 124.3).
- Operational EBIT declined by 37% to EUR 4.7 million (2023: 7.4) and accounted for 4.9% of net sales (2023: 5.9%).
- EBIT was EUR 2.4 million (2023: 5.1).
- The profit for the period under review totaled EUR 0.3 million (2023: 2.6).
- Net cash flow from operating activities was EUR 4.9 million (2023: 9.5).
- Operational EPS was EUR 0.26 (2023: 1.15).
- EPS was EUR -0.43 (2023: 0.47).
- Net debt relative to operational EBITDA of the previous 12 months was 3.3 (2023: 2.4 and 2.8 at the end of the previous quarter).
- Return on capital employed was 7.9% (2023: 11.2% and 9.2% at the end of the previous quarter).

### **Financial guidance and business model**

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

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

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

## Q3/2024 - CEO Kari Nerg:

### The overall situation remains challenging

Due to market conditions, the third quarter of 2024 continued to be challenging in line with the first half of the year. Our performance is currently modest compared to the recent history and the potential of the company portfolio. Our indebtedness is high and we are not at the level of our long-term targets. This is the result of the demand for the company portfolio being too investment driven and the company portfolio being concentrated on the Finnish market.

Since spring 2024, we have determinedly implemented our updated strategy and the short-term 'Back to Growth' -Plan. The cost savings have realized in accordance with the goals set in the program. Trade working capital has not decreased in line with our goals in the previous quarters, although we have successfully reduced inventory levels by nearly EUR 10 million since summer 2023.

Despite recent challenges, we remain confident in our business model and strategy and in our ability to steer the company towards better times. Despite the challenges in the operating environment, the returns from our acquisitions made since autumn 2020 are at a reasonable level of approximately 15%, and the Group companies are progressing well in building future earnings growth. Supported by the implemented cost reductions and the steps we have taken to develop the companies' strategies, the Group is well positioned for a significant earnings improvement as market conditions improve.

### Profitability secured successfully in the third quarter

Despite the challenging overall situation, we are pleased with how we have managed to secure the company's profitability over the last two quarters while facing a significant decline in turnover.

In the third quarter, the company's net sales were 31% below the previous year. However, operational EBIT, supported by cost savings, was at a reasonable level of EUR 1.8 million (6.2% of net sales). Fixed costs decreased by EUR 1.2 million from the previous year and EUR 0.9 million from the previous quarter. Instead of previously communicated annual savings of at least EUR 1 million, we are achieving annual fixed cost savings of over EUR 2 million. The company's profitability was also supported by a strong gross margin - the gross margin ratio increased from 27% last year to 32%.

In the third quarter, trade working capital increased by approximately 0.8 million euros and operational cash flow was at a level of EUR 0.7 million. Cash flow was weaker than our target, due to the increase in trade working capital and decreased profits. Return on capital employed (ROCE) decreased to 7.9 % and return on trade working capital (ROTWC) decreased from 28% to 24%.

### Reasonable earnings outlook

The market situation, which remained challenging in the third quarter, showed signs of a pick-up in September, and the order intake of Signal Solutions Nordic and Milcon in particular was strong. Our companies' orderbooks rose from the level at the end of the second quarter back to the level of the first quarter of 2024. The deliveries of concrete industry machinery to Construction Logistics Sweden AB, which we won earlier in the spring, will, contrary to our previous estimates, be postponed to the first half of 2025, and thus, also the earnings improvement of our Putzmeister businesses will be postponed to 2025.

## 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 trade 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

EUR million	Q3/2024	Q3/2023	Change	Q1-Q3/2024	Q1-Q3/2023	Change	2023
Net sales	28.4	41.0	-31%	94.8	124.3	-24%	161.3
Operational EBIT	1.8	2.9	-40%	4.7	7.4	-37%	9.5
<i>relative to the net sales, %</i>	6.2%	7.1%	-	4.9%	5.9%	-	5.9%
EBIT	1.1	2.0	-43%	2.4	5.1	-54%	6.3
Profit before taxes	0.4	1.4	-73%	0.4	3.2	-88%	3.5
Profit for the period	0.3	1.0	-66%	0.3	2.6	-	2.8
Net cash flow from operating activities	0.7	4.9	-86%	4.9	9.5	-48%	11.6
Cash conversion, %	24%	208%	-	106%	144%	-	129%
Equity ratio, %	41.0%	34.9%	-	41.0%	34.9%	-	36.2%
Net debt	34.9	36.5	-4%	34.9	36.5	-4%	36.0
Interest-bearing net debt relative to operational EBITDA of the previous 12 months*	3.3	2.4	-	3.3	2.4	-	2.5
Return on capital employed (ROCE %), R12	7.9%	11.2%	-	7.9%	11.2%	-	11.0%
Return on Trade Working Capital (ROTWC %), R12	24.2%	30.1%	-	24.2%	30.1%	-	30.3%
Return on equity (ROE %), R12	1.8%	8.4%	-	1.8%	8.4%	-	6.7%
Personnel at end of the period	323	348	-7%	323	348	-7%	341
Operational EPS, EUR**	0.10	0.48	-80%	0.26	1.15	-78%	1.40
EPS, EUR**	-0.07	0.22	-	-0.43	0.47	-	0.47
Net cash flow from operating activities per share, EUR	0.25	1.83	-86%	1.82	3.63	-50%	4.40

\* 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 2022. In Q3 2024, this net effect was EUR 0.19 per share, in Q1-Q3 2024, the net effect was EUR 0.50 per share, in Q3 2023, it was EUR 0.12 per share, and in Q1-Q3 2023, it was EUR 0.36 per share.

## Group's financial performance

In the third quarter of the year, the Group's net sales declined by 31% to EUR 28.4 million in a challenging market (2023: 41.0). Organic net sales decreased by EUR 12.6 million and acquisitions from the year before had no effect on net sales. Exchange rates had also no material impact on net sales in the third quarter.

During the first nine months of 2024, the Group's net sales decreased by 24% to EUR 94.8 million (2023: 124.3). Organic net sales decreased by EUR 30.5 million and inorganic net sales grew by EUR 1.1 million. Exchange rates had no material impact on net sales in the first nine months of the year.

### Net sales by business area, Q3 and Q1-Q3

EUR million	Q3/2024	Q3/2023	Change	Q1-Q3/2024	Q1-Q3/2023	Change	2023
Electronics	12.1	16.3	-26%	38.2	47.3	-19%	62.4
Technical Trade	16.2	24.7	-34%	56.6	76.9	-26%	98.9
Group functions	0.0	0.0	-	0.0	0.0	-	0.0
<b>Total</b>	<b>28.4</b>	<b>41.0</b>	<b>-31%</b>	<b>94.8</b>	<b>124.3</b>	<b>-24%</b>	<b>161.3</b>

In the third quarter, the Group's net sales were distributed geographically as follows: In Finland, net sales decreased by 31% to EUR 19.9 million. Net sales decreased from the comparison period in most of the companies. The decrease in net sales in Finland was mainly due to reduced demand in the third quarter for Machinery's power business, the Putzmeister business and Yleiselektronikka. Net sales of Swedish businesses decreased by 25% and amounted to EUR 4.5 million. Net sales decreased due to the timing of Putzmeister deliveries, while FNB's net sales increased from the comparison period. Net sales of the Baltic operations decreased by 39% to EUR 3.7 million, in particular due to decreased net sales of the electronics component distribution business in Estonia and Latvia. Net sales elsewhere mainly consist of a company acquired in the United States in connection with the Signal Solutions acquisition in the second quarter of 2022.

### Net Sales by geographic area, Q3 and Q1-Q3

EUR million	Q3/2024	Q3/2023	Change	Q1-Q3/2024	Q1-Q3/2023	Change	2023
Finland	19.9	28.8	-31%	66.0	85.6	-23%	112.8
Sweden	4.5	6.0	-25%	15.0	17.9	-16%	22.8
Baltic countries	3.7	6.0	-39%	12.2	19.8	-38%	24.6
Others	0.3	0.2	33%	1.5	0.9	72%	1.1
<b>Total</b>	<b>28.4</b>	<b>41.0</b>	<b>-31%</b>	<b>94.8</b>	<b>124.3</b>	<b>-24%</b>	<b>161.3</b>

In the third quarter, the Group's operational EBIT was EUR 1.8 million (2023: 2.9). The operational EBIT margin was 6.2% (2023: 7.1%). The Group's reported EBIT amounted to EUR 1.1 million (2023: 2.0). The reported EBIT included items affecting comparability totaling EUR 0.6 million in net, consisting mainly of expenses and allocations related to structural arrangements. In addition, in the third quarter, operational EBIT improved by EUR 0.3 million (2023: 0.0) due to changes in contingent purchase price liabilities related to acquisitions. During the first nine months, changes in the contingent purchase price liabilities related to acquisitions improved the result by EUR 0.6 million (2023: 0.1). Changes in exchange rates did not have a significant impact on the Group's EBIT.

During the first nine months of 2024, the Group's operational EBIT decreased by 37% to EUR 4.7 million (2023: 7.4).

## Operational EBIT by business area, Q3 and Q1-Q3

EUR million	Q3/2024	Q3/2023	Change	Q1-Q3/2024	Q1-Q3/2023	Change	2023
Electronics	1.0	1.0	-3%	2.6	2.9	-12%	4.1
Technical Trade	1.2	2.3	-48%	3.6	5.9	-40%	7.5
Group functions	-0.4	-0.4	1%	-1.5	-1.5	-2%	-2.1
<b>Total</b>	<b>1.8</b>	<b>2.9</b>	<b>-40%</b>	<b>4.7</b>	<b>7.4</b>	<b>-37%</b>	<b>9.5</b>

## Capital efficiency

The Group's capital efficiency in the third quarter of 2024 weakened due to a weaker operating result (R12) than in the comparison period. Despite the reduction in inventory levels in previous quarters, working capital development in the third quarter did not reach our target levels. Working capital levels are expected to decrease during the rest of the year.

At the end of the third quarter in 2024, Group-level ROTWC was 24.2% (2023: 30.1%) and by business area, the ROTWC was: Electronics 43.0% (2023: 49.7%), Technical Trade 26.6% (2023: 31.9%).

At the end of the third quarter, ROCE was 7.9% (2023: 11.2% and Q2/24: 9.2%). Return on capital employed excluding cash equivalents would have been 8.6%. Return on equity (ROE) was 1.8% (2023: 8.4% and Q2/24: 3.0%).

## Return on Trade Working Capital (ROTWC %), R12, Q3

Percent	Sep. 30, 2024	Sep. 30, 2023	Dec. 31, 2023
Electronics	43.0%	49.7%	46.0%
Technical Trade	26.6%	31.9%	33.6%
Group functions	-	-	-
<b>Group</b>	<b>24.2%</b>	<b>30.1%</b>	<b>30.3%</b>

## Financial position

The Group's interest-bearing net debt stood at EUR 34.9 million at the end of the third quarter (2023: 36.5 and 32.7 at the end of Q2/2024). The share of IFRS 16 liabilities in net debt was EUR 7.5 million (2023: 8.6). Net debt relative to the 12-month operational EBITDA was 3.3 (2023: 2.4 and 2.8 at the end of Q2/2024), which was weakened by the decrease in the rolling operational result. Net debt relative to the 12-month operational EBITDA was higher than the Group's target.

Shareholders' equity was EUR 43.3 million (2023: 41.2), which was raised by the unredeemed portion of the previous hybrid loan of EUR 4 million. The equity ratio was 41.0% (2023: 34.9% and 40.1% at the end of Q2/2024) and the consolidated balance sheet total was EUR 111.0 million.

## Cash flow

Net cash flow from operating activities was EUR 0.7 million in the third quarter (2023: 4.9). Net cash flow from operating activities was EUR 0.25 per share (2023: 1.83). Cash flow after investments was EUR -2.5 million (2023: 0.6).

In the first nine months of the year, net cash flow from operating activities was EUR 4.9 million (2023: 9.5). Release of working capital during the first nine months strengthened the cash flow. Net cash flow from operating activities was EUR 1.82 per share (2023: 3.63). Cash flow after investments was EUR -0.2 million (2023: -0.4).

Group cash and cash equivalents at the end of the third quarter were EUR 5.5 million (2023: 7.1). The company's available liquidity at the end of the third quarter was EUR 13.8 million (2023: 17.6).

## Major events during the third quarter

On August 2, 2024, Boreo announced the appointment of Jesse Petäjä as the company's new CFO as of September 1, 2024.

## Business Areas

Boreo's businesses have been organized in two business areas since the beginning of 2024.

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

Boreo combined the former Technical Trade and Heavy Machines business areas into a single Technical Trade business area at the beginning of 2024. The Technical Trade business area consists of businesses engaged in technical trade and providing industrial services. Its companies act as representatives of well-known principals and serve, for example, the mechanical engineering, construction, process, forestry and concrete industries in Finland, Sweden and Estonia. The companies in the business area are Machinery, Muottikolmio, Pronius, J-Matic, Filterit, PM Nordic, Tornokone, HM Nordic, Floby Nya Bilverkstad (FNB), Lackmästarn, Etelä-Suomen Kuriiripalvelu (ESKP) and Vesterbacka Transport. On October 1, 2024, Machinery Oy was separated into two independent companies: Machinery Oy and Machinery MT Oy. As a result of the separation, the companies can focus on their core competencies, strengthen customer focus and accelerate strategy implementation. Operating as independent companies emphasizes the local decision-making characteristic of Boreo's decentralized organizational model.

As a result of the above-mentioned reorganization of the business areas, the former Other Operations reporting unit will, as of the beginning of 2024, comprise only the activities of the parent company Boreo, and the reporting unit will henceforth be called "Group functions". The comparative data of this interim report have been adjusted to reflect the new structure.

## Electronics business area

Operational EBIT of the business area was at a decent EUR 1.0 million level in the third quarter (2023: 1.0) and profitability increased from 6.3% to 8.1% as net sales decreased. The business area's relative gross margin improved from the previous year due to successful pricing and the sales mix of products and business units. In the third quarter, profitability was also supported by cost measures carried out during the first half of the year, such as reorganizations in YE's Finnish and Baltic units. The changes included, for example, streamlining of the organisation and a ramp-down of businesses with low ROTWC.

The demand outlook for companies in electronics component trading varied by company in the third quarter. The general industrial market situation is reflected in YE's electronics distribution businesses in Finland and the Baltic countries, which was seen as weak demand and lower net sales than in the comparison period. The profitability of the companies was supported by the cost measures implemented in the companies during the first half of the year. Noretron's demand among both AV and industrial customers continued to be weak. The result of Infradex, specializing in thermal camera technology, met expectations in the third quarter. In particular, sound cameras as a new product area have boosted the company's sales. Milcon's third quarter also met expectations, supported by the positive trend in the defense industry. The company's order backlog has developed favorably throughout the year and we expect the demand outlook to remain good. SSN's sales in the third quarter were weak mainly due to timing, but the order backlog has developed positively due to the growth in the investment activity of the largest customer. We expect SSN's performance to improve in the

coming quarters. Health technology company Delfin's result met expectations in the third quarter. The company continued the product platform reform initiated last year and assessment of future strategic options.

In our Estonian electronics component distribution business, we carried out in spring 2024 the closure of our consumer business and reorganization of operations. As a result the physical footprint requirements decreased significantly and we initiated the sales process of our real-estate located in Tallinn. Our target is to complete the sale of the premises during the coming months.

Working capital management has been successful in the Electronics business area's companies and the amount of working capital has developed in line with expectations. Good working capital management has supported the development of ROTWC although rolling 12-month operational EBIT decreased from the comparison period. ROTWC in the third quarter of the year was 43%, which was below the level of the comparison period (50%).

## Key figures Electronics

EUR million	Q3/2024	Q3/2023	Change	Q1-Q3/2024	Q1-Q3/2023	Change	2023
Net sales	12.1	16.3	-26%	38.2	47.3	-19%	62.4
Operational EBIT	1.0	1.0	-3%	2.6	2.9	-12%	4.1
<i>relative to the net sales, %</i>	8.1%	6.3%	-	6.7%	6.2%	-	6.5%
EBIT	0.7	0.8	-3%	1.6	2.4	-32%	3.3
Return on Trade Working Capital (ROTWC %), R12	43%	50%	-	43%	50%	-	46%
Capital expenditure	0.0	0.1	-63%	0.5	0.1	252%	0.4
Personnel at end of the period	127	136	-7%	127	136	-7%	137

## Technical Trade business area

Operational EBIT of the Technical Trade business area was at a level of EUR 1.2 million in the third quarter (2023: 2.3). The operational EBIT margin fell to 7.5% (9.5 %). The weakening of operational EBIT from the comparison period was a result of a decrease in net sales in several companies, while profitability was supported by strong sales margins and implemented cost savings measures. The clearly improved sales margin percentage from the previous year was supported by the increase in the relative share of higher profitability businesses and pricing measures taken in certain product groups with high added value.

The performance of the Swedish Putzmeister businesses (PM Nordic) remained at a decent level, as expected, even though the company fell short of sales targets. The company's short-term demand outlook is positive and we expect that 2025 will enable a significant earnings improvement. Significant CLS orders received during the first quarter are expected to shift from the fourth quarter to 2025, contrary to our earlier communication. This is expected to affect the company's performance in the last quarter of the year. Due to the challenging market situation in the Finnish Putzmeister businesses (Tornokone), the third quarter was also below expectations and the last quarter is expected to remain challenging due to weak demand. FNB's net sales, which performed strongly in the first half of the year, remained at a strong level in the third quarter, with stable profitability. The company's positive development is expected to continue during the rest of the year, supported by a strong order book. Among other companies in the business area, ESKP and Vesterbacka Transport, which produce courier services, continued to perform at a better earnings level during the third quarter than in the year before, just like they did in the first half of the year. The earnings level is expected to remain good also in the fourth quarter of the year. Machinery's result was clearly below the previous year's strong third quarter. The result of Machinery's largest business unit, the Power business, was decent, but clearly below the previous year. The results of the Metal machining and Construction business units were modest due to weak demand, while the earnings level of Construction was, however, slightly better than in the previous year. Similarly, the result of the other company operating in the construction sector, Muottikolmio, was better than expected in the third quarter thanks to a strong gross margin and cost savings. Industrial contract manufacturer J-Matic has had a difficult year as demand from its largest customer has waned. The earnings level of Filterit, specializing in process filtration, was reasonable in the third quarter remaining, however, below the strong result of the previous year.

The separation of Machinery into two companies, prepared during the year, took place at the turn of the quarter, and in the future, Metal machining will serve its own customers as a new independent company Machinery MT Oy.

The business area's ROTWC fell slightly from the previous year's level to 27% (2023: 32%). At the end of the third quarter, working capital was higher than expected, with the lower earnings level also negatively affecting ROTWC.

The overall outlook for the business area is reasonable, with the companies' order backlogs growing slightly from the end of the second quarter and remaining at a clearly higher level than in the beginning of the year. The companies in the business area will continue controlling costs and take measures to improve working capital efficiency.

## Key figures Technical Trade

EUR million	Q3/2024	Q3/2023	Change	Q1-Q3/2024	Q1-Q3/2023	Change	2023
Net sales	16.2	24.7	-34%	56.6	76.9	-26%	98.9
Operational EBIT	1.2	2.3	-48%	3.6	5.9	-40%	7.5
<i>relative to the net sales, %</i>	7.5%	9.5%	-	6.3%	7.7%	-	7.6%
EBIT	0.8	1.9	-55%	2.2	4.5	-51%	5.5
Return on Trade Working Capital (ROTWC %), R12	27%	32%	-	27%	32%	-	34%
Capital expenditure	0.9	0.1	664%	1.2	0.9	35%	1.9
Personnel at end of the period	190	205	-7%	190	205	-7%	198

## Group functions

Following the change in segment division announced at the beginning of 2024, ESKP and Vesterbacka Transport, previously reported in Other Operations, have since the beginning of 2024 been reported as part of the Technical Trade business area. Due to the change, costs not allocated to business areas are reported under Group functions. Operational EBIT for Group operations in the third quarter was EUR -0.4 million (2023: -0.4).

## Key figures Group functions

EUR million	Q3/2024	Q3/2023	Change	Q1-Q3/2024	Q1-Q3/2023	Change	2023
Net sales	0.0	0.0	-	0.0	0.0	-	0.0
Operational EBIT	-0.4	-0.4	1%	-1.5	-1.5	-2%	-2.1
<i>relative to the net sales, %</i>	-	-	-	-	-	-	-
EBIT	-0.5	-0.6	-28%	-1.5	-1.8	-16%	-2.4
Capital expenditure	0.0	0.0	-	0.0	0.0	-	0.0
Personnel at end of the period	6	7	-14%	6	7	-14%	6

## Group personnel

Boreo Group's number of personnel totaled 323 at the end of the third quarter (2023: 348) and was divided into business areas as follows: Electronics 127 (2023: 136), Technical Trade 190 (2023: 205) and Group functions 6 (2023: 7). The personnel reductions made during the first quarter of 2024 reduced the Group's number of employees and personnel costs at the end of the third quarter of 2024.

Employment related expenses for the third quarter totaled EUR 4.8 million (2023: 5.3).

## Managers' transactions

During the third quarter of 2024, Boreo Plc received one notification concerning Managers' transactions (Article 19 of MAR):

July 01, 2024, Boreo Plc notified that Preato Capital AB had acquired 500 shares at an average price of EUR 19.6 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 11,716 shares at the end of the third quarter (0.4% 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 general market conditions and economic uncertainty caused by the crisis in Ukraine and especially to the general development of the Finnish economy. 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 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.

## Reconciliation statements of key indicators

### Reconciliation, operational EBIT

EUR million	Q3/2024	Q3/2023	Q1-Q3/2024	Q1-Q3/2023	2023
<b>EBIT</b>	1.1	2.0	2.4	5.1	6.3
<b>ITEMS AFFECTING COMPARABILITY</b>					
<b>Electronics</b>					
Structural arrangements	0.0	0.0	-0.3	-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	-0.2	-0.2	-0.7	-0.5	-0.7
<b>Technical Trade</b>					
Structural arrangements	0.0	0.0	-0.1	0.0	-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	-0.5	-1.3	-1.4	-1.9
<b>Group functions</b>					
Structural arrangements	0.0	0.0	0.0	0.0	0.0
Costs related to acquisitions	0.0	-0.2	0.0	-0.3	-0.3
<b>TOTAL ITEMS AFFECTING COMPARABILITY</b>	<b>-0.6</b>	<b>-0.9</b>	<b>-2.3</b>	<b>-2.3</b>	<b>-3.1</b>
<b>OPERATIONAL EBIT</b>	<b>1.8</b>	<b>2.9</b>	<b>4.7</b>	<b>7.4</b>	<b>9.5</b>

### Operational EPS

EUR million	Q3/2024	Q3/2023	Q1-Q3/2024	Q1-Q3/2023	2023
<b>Profit for the review period to shareholders**</b>	-0.2	0.6	-1.2	1.3	1.3
Items affecting comparability	0.5	0.7	1.8	1.8	2.5
<b>Operational profit for the review period to shareholders</b>	<b>0.3</b>	<b>1.3</b>	<b>0.7</b>	<b>3.1</b>	<b>3.7</b>
Average number of outstanding shares, thousand	2,690	2,687	2,689	2,687	2,687
<b>Operational EPS*</b>	<b>0.10</b>	<b>0.48</b>	<b>0.26</b>	<b>1.15</b>	<b>1.40</b>

\*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.

### Interest-bearing net debt

EUR million	Sep. 30, 2024	Sep. 30, 2023	Dec. 31, 2023
Long-term financial liabilities	30.7	35.0	34.0
Short-term financial liabilities	11.6	9.7	9.5
Interest-bearing receivables	1.8	1.1	1.0
Cash and cash equivalents	5.5	7.1	6.5
<b>Interest-bearing net debt</b>	<b>34.9</b>	<b>36.5</b>	<b>36.0</b>

## 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, %	= $\frac{\text{Total equity + non-controlling interests}}{\text{Balance sheet total - advances received}} \times 100$
Net cash flow from operating activities per share	= $\frac{\text{Net cash flow from operating activities per share}}{\text{Average number of outstanding shares}}$
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 capital employed (ROCE %), excluding cash equivalents	= $\frac{\text{Operational EBIT for the previous 12 months}}{\text{Average balance sheet total for the previous 12 months - average non-interest-bearing liabilities for the previous 12 months - average cash equivalents for the previous 12 months}}$
Return on trade 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, %	= $\frac{\text{Net cash flow from operating activities + interest paid – investments in intangible and tangible assets}}{\text{EBIT + depreciation and impairment – effect of fixed asset depreciation (IFRS 16)}}$

## TABLES January 1 to September 30, 2024

### 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, 2023. The figures of the interim report are unaudited.

<b>CONSOLIDATED INCOME STATEMENT (MEUR)</b>	<b>Q3/2024</b>	<b>Q3/2023</b>	<b>Q1-Q3/2024</b>	<b>Q1-Q3/2023</b>	<b>Q1-Q4/2023</b>
Net sales	28.4	41.0	94.8	124.3	161.3
Other operating income	0.4	0.1	1.0	0.4	0.9
Materials and services	-19.7	-29.9	-66.8	-91.5	-117.5
Employee benefit expenses	-4.8	-5.3	-16.4	-16.9	-23.0
Depreciation, amortization and impairment losses	-1.3	-1.4	-4.1	-4.0	-5.4
Other operating expenses	-1.9	-2.6	-6.5	-7.4	-10.3
Profit/loss from associated companies	0.2	0.1	0.3	0.2	0.3
EBIT	1.1	2.0	2.4	5.1	6.3
Financial income	0.1	0.0	0.3	0.2	0.2
Financial expenses	-0.8	-0.7	-2.2	-2.1	-3.0
Profit before taxes	0.4	1.4	0.4	3.2	3.5
Income taxes	0.0	-0.3	-0.1	-0.7	-0.7
Profit for the period	0.3	1.0	0.3	2.6	2.8
Allocated to					
Shareholders of the parent company	0.3	0.9	0.2	2.2	2.6
To non-controlling interests	0.0	0.1	0.1	0.3	0.3
EPS (undiluted) EUR	-0.07	0.22	-0.43	0.47	0.47
EPS (diluted) EUR	-0.07	0.22	-0.43	0.47	0.47
Items of the comprehensive income statement (MEUR)					
Items that may be reclassified subsequently to profit or loss:					
Translation differences from foreign units	0.0	0.2	-0.2	-0.4	0.0
Other comprehensive income items after taxes in the review period	0.0	0.0	0.0	0.0	0.0
Total comprehensive income for the period	0.4	1.3	0.1	2.1	2.9
Allocated to					
Shareholders of the parent company	0.4	1.1	0.0	1.8	2.6
To non-controlling interests	0.0	0.2	0.1	0.3	0.3
Average number of outstanding shares (thousand)	2,689	2,687	2,688	2,687	2,687
Outstanding shares at the end of the period	2,690	2,687	2,690	2,687	2,687
Number of shares (thousand)	2,701	2,701	2,701	2,701	2,701

**CONSOLIDATED BALANCE SHEET (MEUR)****Sep. 30, 2024****Sep. 30, 2023****Dec. 31, 2023****ASSETS**

## Non-current assets

Goodwill	42.3	42.2	42.4
Intangible capital assets	8.6	10.5	10.0
Property, plant and equipment	9.4	10.5	10.7
Other financial assets	2.1	1.4	1.3
Shares in associates and joint ventures	1.3	1.0	1.0
Deferred tax asset	0.1	0.1	0.1
<b>Total non-current assets</b>	<b>63.8</b>	<b>65.5</b>	<b>65.6</b>

## Current assets

Inventories	26.1	32.3	31.0
Accounts receivable and other receivables	15.7	21.0	16.4
Cash and cash equivalents	5.5	7.1	6.5
<b>Total current assets</b>	<b>47.3</b>	<b>60.4</b>	<b>54.0</b>

**TOTAL ASSETS****111.0****126.0****119.6****EQUITY AND LIABILITIES****EQUITY**Shareholders' equity  
capital and reserves

Share capital	2.5	2.5	2.5
Other committed capital	0.1	0.1	0.1
Hybrid loan	24.0	20.0	20.0
Reserve for invested unrestricted equity	5.1	5.1	5.1
Retained earnings	11.5	11.4	11.0
Profit for the period	0.2	2.2	2.6
<b>Total</b>	<b>43.3</b>	<b>41.2</b>	<b>41.1</b>

## Shares of non-controlling interests

1.4

1.5

1.5

## Non-current liabilities

Financial liabilities	30.7	35.0	34.0
Deferred tax liabilities	2.3	2.6	2.5
Provisions	0.0	0.0	0.0
Trade payables and other liabilities	0.0	1.7	2.0
<b>Total non-current liabilities</b>	<b>33.0</b>	<b>39.3</b>	<b>38.5</b>

## Current liabilities

Trade payables and other liabilities	21.8	34.3	28.8
Provisions	0.0	0.0	0.1
Financial liabilities	11.6	9.7	9.5
<b>Total current liabilities</b>	<b>33.4</b>	<b>44.0</b>	<b>38.4</b>

**TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES****111.0****126.0****119.6**

**CONSOLIDATED CASH FLOW STATEMENT  
(MEUR)**

	Jan. 1–Sep. 30, 2024	Jan. 1–Sep. 30, 2023	Jan. 1–Dec. 31, 2023
<b>Cash flow from operating activities</b>			
Profit before taxes	0.4	3.2	3.5
Non-cash transactions			
Depreciation, amortization and impairment losses	4.1	4.0	5.4
Net financial items	2.0	1.9	2.8
Share of associated companies' result, net	-0.2	0.0	-0.1
Increase (-)/decrease (+) in inventories	4.8	1.3	2.6
Increase (-)/decrease (+) in current assets	0.7	2.8	6.4
Increase (+)/decrease (-) in current liabilities	-4.4	-0.5	-6.0
Net financial items	-1.9	-1.9	-2.6
Paid taxes	-0.5	-1.2	-0.5
Other adjustments	0.0	0.0	0.0
<b>Net cash flow from operating activities</b>	<b>4.9</b>	<b>9.5</b>	<b>11.6</b>
<b>Cash flow from investment activities</b>			
Investments in intangible and tangible assets	-1.7	-1.1	-2.3
Acquisition	-3.7	-9.2	-9.2
Divestments	0.0	0.2	0.2
Proceeds from sale of property, plant and equipment	0.3	0.2	0.5
<b>Net cash flow from investments</b>	<b>-5.1</b>	<b>-9.9</b>	<b>-10.7</b>
<b>Financial cash flow</b>			
Share issue	0.0	0.0	0.0
Repayments of loans	-5.2	-8.3	-9.2
Loan withdrawals	2.9	5.0	4.6
Transaction costs of share issue	0.0	0.0	0.0
Withdrawal of hybrid loan, net	4.0	0.0	0.0
Interest rate and expenses on hybrid loan	-2.3	-1.6	-1.6
Dividends paid	-0.2	-0.8	-1.4
<b>Net cash flow from financing</b>	<b>-0.7</b>	<b>-5.6</b>	<b>-7.6</b>
<b>Change in cash and cash equivalents</b>	<b>-1.0</b>	<b>-6.0</b>	<b>-6.7</b>
Cash and cash equivalents Jan 1	6.5	13.2	13.2
Impact of exchange rate fluctuations and consolidation	0.0	0.0	0.0
<b>Cash and cash equivalents Sep. 30/ Dec. 31</b>	<b>5.5</b>	<b>7.1</b>	<b>6.5</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (MEUR)

2024	Share capital	Contingency reserve	Reserve for invested unrestricted equity	Translation difference	Hybrid loan	Retained earnings	Non-controlling interests	Total
Equity								
<b>Dec. 31, 2023</b>	<b>2.5</b>	<b>0.1</b>	<b>5.1</b>	<b>-1.0</b>	<b>20.0</b>	<b>14.5</b>	<b>1.5</b>	<b>42.6</b>
Profit/loss for the period						0.2	0.1	0.3
Translation differences		0.0		-0.2		0.0	0.0	-0.2
Share issue								0.0
Costs related to share issue								0.0
Share repurchases								0.0
Withdrawal of hybrid loan					4.0			4.0
Share rewards						0.1		0.1
Interest rate and borrowing costs of the hybrid loan							-1.9	
Dividends paid							-0.2	-0.2
Other change						0.0		0.0
Equity								0.0
<b>Sep. 30, 2024</b>	<b>2.5</b>	<b>0.1</b>	<b>5.1</b>	<b>-1.2</b>	<b>24.0</b>	<b>12.8</b>	<b>1.4</b>	<b>44.7</b>
2023								
2023	Share capital	Contingency reserve	Reserve for invested unrestricted equity	Translation difference	Hybrid loan	Retained earnings	Non-controlling interests	Total
Equity								
<b>Dec. 31, 2022</b>	<b>2.5</b>	<b>0.1</b>	<b>4.7</b>	<b>-1.0</b>	<b>20.0</b>	<b>14.1</b>	<b>1.4</b>	<b>41.8</b>
Profit/loss for the period						2.6	0.3	2.8
Translation differences		0.0		0.0		0.0	0.0	0.0
Share issue			0.4					0.4
Costs related to share issue								0.0
Share repurchases								0.0
Withdrawal of hybrid loan								0.0
Share rewards						0.1		0.1
Interest rate and borrowing costs of the hybrid loan							-1.3	
Dividends paid						-1.2	-0.2	-1.4
Other change						0.1		0.1
Equity								0.0
<b>Dec. 31, 2023</b>	<b>2.5</b>	<b>0.1</b>	<b>5.1</b>	<b>-1.0</b>	<b>20.0</b>	<b>14.5</b>	<b>1.5</b>	<b>42.6</b>

**SEGMENT INFORMATION (MEUR)**

<b>1-9/2024</b>	<b>Electronics</b>	<b>Technical Trade</b>	<b>Group functions</b>	<b>Intra-segment</b>	<b>Total</b>
Net sales	38.2	56.6	0.0		94.8
Profit/loss from associated companies	0.3	0.0	0.0		0.3
Depreciation	-1.6	-2.5	0.0		-4.1
EBIT	1.6	2.2	-1.5		2.4
Financial income	0.1	0.1	1.0	-0.9	0.3
Financial expenses	-0.4	-1.0	-1.8	0.9	-2.2
Profit before taxes	1.3	1.3	-2.2		0.4
Balance sheet assets	64.7	65.4	0.0	-19.1	111.0
Balance sheet liabilities	-36.2	-49.3	0.0	19.1	-66.4
Investments	0.5	1.2	0.0		1.7
Personnel at end of the period	127	190	6		323

**SEGMENT INFORMATION (MEUR)**

<b>1-9/2023</b>	<b>Electronics</b>	<b>Technical Trade</b>	<b>Group functions</b>	<b>Intra-segment</b>	<b>Total</b>
Net sales	47.3	76.9	0.0		124.3
Profit/loss from associated companies	0.2	0.0	0.0		0.2
Depreciation	-1.4	-2.6	0.0		-4.0
EBIT	2.4	4.5	-1.8		5.1
Financial income	0.1	0.0	0.4	-0.4	0.2
Financial expenses	-0.1	-0.6	-1.9	0.4	-2.1
Profit before taxes	2.4	3.9	-3.2		3.0
Balance sheet assets	58.3	75.6	0.0	-7.9	126.0
Balance sheet liabilities	-48.4	-42.9	0.0	7.9	-83.3
Investments	0.1	0.9	0.0		1.1
Personnel at end of the period	136	205	7		348

<b>OFF-BALANCE SHEET CONTINGENT LIABILITIES (MEUR)</b>			
	<b>Sep. 30, 2024</b>	<b>Sep. 30, 2023</b>	<b>Dec. 31, 2023</b>
<b>Liabilities</b>			
Unused overdraft limit	7.9	7.2	6.3
<b>Total liabilities</b>	<b>7.9</b>	<b>7.2</b>	<b>6.3</b>
<b>Collateral given</b>			
Real estate mortgages	0.0	0.0	0.0
Enterprise mortgages	71.5	71.5	71.5
Pledged securities	0.0	0.0	0.0
Guarantees	1.7	3.4	3.8
<b>Total guarantees</b>	<b>73.2</b>	<b>74.9</b>	<b>75.3</b>

The company has a derivative liability arising from interest rate hedging the fair value of which was EUR 0.2 million on September 30, 2024. The change in 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 Jesse Petäjä present the Financial Statements Bulletin will be held today, October 31, 2024, at 11:00 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](http://www.boreo.com/investors).

You can watch the webcast at: <https://boreo.videosync.fi/q3-2024>.

The event will be recorded and the recording will be available after the event at: [www.boreo.com/investors](http://www.boreo.com/investors).

Vantaa, October 31, 2024

BOREO PLC

Board of Directors

### Additional information:

Kari Nerg  
CEO  
tel +358 44 341 8514

Jesse Petäjä  
CFO  
tel +358 40 706 9450

**Distribution:**  
NASDAQ Helsinki Ltd  
Financial Supervisory Authority  
Principal media

[www.boreo.com](http://www.boreo.com)

**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 two business areas: Electronics and Technical Trade.

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

The Group's net sales in 2023 were EUR 161 million and it employs over 300 people in seven countries. The company's headquarter is in Vantaa.