Purmo Group Plc

# Financial Statements Review
January–December 2023

# Strong margin improvement and stable earnings in a challenging market environment

## October–December 2023

- Net sales decreased by 15 per cent to EUR 175.0 million (206.6). The organic[1] decline in net sales was 14 per cent.
- Net sales for the Climate Product & Systems division decreased by 17 per cent to EUR 134.9 million (162.7) and net sales for the Climate Solutions division decreased by 9 per cent to EUR 40.1 million (44.0).
- Adjusted EBITDA increased by 30 per cent to EUR 21.1 million (16.3).
- Adjusted EBITDA margin improved significantly to 12.1 per cent (7.9) supported by strong margin management and good performance in the Accelerate PG programme.
- EBIT was EUR -25.5 million (-1.5), which was burdened by EUR 39.0 million (9.7) of comparability adjustments mainly related to the closure of the production plant in Zonhoven, Belgium as part of the Accelerate PG programme.
- Cash flow from operating activities decreased to EUR 32.5 million (40.2), mainly due to change in net working capital.
- Accelerate PG programme's adjusted EBITDA run-rate improvements amounted to EUR 30.1 million (EUR 22.4 million at the end of Q3 2023), of which periodic impact for the fourth quarter was EUR 6.4 million.

## January–December 2023

- Net sales decreased by 18 per cent to EUR 743.2 million (904.1). The organic[1] decline in net sales was 17 per cent.
- Net sales for the Climate Product & Systems division decreased by 18 per cent to EUR 591.9 million (720.6) and net sales for the Climate Solutions division decreased by 18 per cent to EUR 151.6 million (183.9).
- Adjusted EBITDA was EUR 92.3 million and at a similar level compared to the previous year (92.9).
- Adjusted EBITDA margin improved significantly and was 12.4 per cent (10.3).
- EBIT was EUR 9.7 million (39.0), which was burdened by EUR 52.8 million (21.7) of comparability adjustments mainly related to the Accelerate PG programme.
- Cash flow from operating activities improved to EUR 40.4 million (31.3), mainly due to change in net working capital.
- Adjusted operating cash flow (last 12 months) improved by 68 per cent to EUR 75.1 million (44.0).
- Proposed return of capital for 2023 is EUR 0.36 per class C share and EUR 0.07 per class F share.

## Financial guidance 2024

Adjusted EBITDA in 2024 is expected to be on a similar or higher level than in 2023 (EUR 92.3 million).

Wholesalers' stock levels have stabilised, and the lower interest rates support the expectations of a gradual market activity improvement. Strong margin management actions, which will continue in 2024, provide confidence in the guidance for the Group. However, increased geopolitical risks and high overall uncertainties can have an impact on Purmo Group's core markets.

The strategy acceleration programme, Accelerate PG, performs ahead of plan and further underpins Purmo Group's outlook for 2024. As a result, the company updates the programme's target. The cumulative targeted adjusted EBITDA run-rate improvements will be EUR 50 million (previously: above EUR 40 million), which are expected to be reached by the end of 2024. The programme also targets cumulative net working capital improvements of EUR 45 million by the end of 2024 (previously: more than EUR 30 million).



[1] Excluding currency effects and impacts from acquisitions and divestments.

## Key figures and financial performance

| EUR million | 10-12/2023 | 10-12/2022 | Change,% | 2023 | 2022 | Change,% |
|---|---|---|---|---|---|---|
| Net sales | 175.0 | 206.6 | -15% | 743.2 | 904.1 | -18% |
| Adjusted EBITDA[1] | 21.1 | 16.3 | 30% | 92.3 | 92.9 | -1% |
| Adjusted EBITDA margin, %[1] | 12.1% | 7.9% | | 12.4% | 10.3% | |
| Adjusted EBITA[1] | 14.4 | 9.2 | 57% | 66.3 | 64.6 | 3% |
| Adjusted EBITA margin, %[1] | 8.3% | 4.4% | | 8.9% | 7.1% | |
| EBIT | -25.5 | -1.5 | | 9.7 | 39.0 | -75% |
| EBIT margin, % | -14.6% | -0.7% | | 1.3% | 4.3% | |
| Profit for the period | -23.4 | -7.0 | | -9.3 | 13.1 | |
| Adjusted profit for the period[1 3] | 7.5 | 1.7 | 329% | 32.2 | 32.7 | -2% |
| Earnings per share, basic, EUR | -0.59 | -0.17 | | -0.32 | 0.32 | |
| Adjusted earnings per share, basic, EUR[1 3] | 0.15 | 0.04 | 262% | 0.68 | 0.79 | -14% |
| Cash flow from operating activities | 32.5 | 40.2 | -19% | 40.4 | 31.1 | 30% |
| Adjusted operating cash flow, last 12 months[1 2] | | | | 75.1 | 44.0 | 71% |
| Cash conversion[1 2] | | | | 81.4% | 47.4% | |
| Operating capital employed[1] | | | | 294.7 | 305.0 | -3% |
| Return on operating capital employed, %[1 3] | | | | 2.9% | 12.2% | |
| Net debt[1] | | | | 219.6 | 275.2 | -20% |
| Net debt / Adjusted EBITDA[1] | | | | 2.38 | 2.96 | -20% |

[1] Purmo Group presents certain measures of financial performance, financial position and cash flows, which are alternative performance measures in accordance with the guidance issued by the European Securities and Markets Authority ('ESMA'). For the detailed definitions and reconciliation of alternative performance measures see page 42 in the January-December 2023 financial statements review.
[2] Change in net working capital includes assets held for sale. The 2022 comparison figure has been restated by EUR 9.6 million impairment charges related to the business in Russia.
[3] Comparative figures have been restated due to change in calculation of the key figure, see page 43 in the January-December 2023 financial statements review.

## CEO's review

The last quarter of 2023 was robust. Adjusted EBITDA reached EUR 21.1 million, which was a significant improvement of 30 per cent compared to the corresponding period last year. For the full year adjusted EBITDA came in at EUR 92.3 million. This is a strong achievement in a year that saw weak demand, largely caused by destocking by our customers as well as corrections in our markets and most of our product lines. Earnings were in line with the financial guidance announced at the beginning of the year. During 2023, the whole of Purmo Group worked hard with margin management actions, which were evidenced by a strong improvement in adjusted EBITDA margin of 12.4 per cent, a 2.1 percentage point uplift from last year. At the end of 2023, our balance sheet was also strengthened, and the net debt to adjusted EBITDA ratio, based on the last 12 months adjusted EBITDA, was 2.38 (31 Dec 2022: 2.96). This gives us room to pursue acquisition opportunities.

**Growth in earnings in Climate Products & Systems, and high adjusted EBITDA margin in Climate Solutions demonstrated our resilience**

During the fourth quarter, net sales for the Climate Products & Systems division decreased by 17 per cent compared to last year as markets remained weak. Neither residential new construction nor renovation showed signs of improvement, even though we saw some markets stabilising towards the end of the year. However, the division achieved a 33 per cent increase in adjusted EBITDA for the quarter. For the full year 2023, the division improved its adjusted EBITDA by 10 per cent and reached a 13.3 per cent adjusted EBITDA margin; an increase of 3.4 percentage points compared to last year.

This performance demonstrated the operational strength and continuous efficiency improvement of the Climate Products & Systems division in an environment that showed a heavy volume decline. During the fourth quarter, we completed the closure of our manufacturing operations in Zonhoven, Belgium and strengthened our operations in Rybnik, Poland. These actions reflect our commitment to maintaining a high proportion of our manufacturing close to our customers in Europe.

In our Climate Solutions division, net sales declined by 9 per cent during the quarter. After a longer period of downturn, our Italian markets picked up towards the end of the year. The businesses in France and Brazil showed good growth for the quarter, providing confidence in our solution-selling strategy. Strong margin management actions continued within the division. As a consequence, the adjusted EBITDA grew by 13 per cent during the quarter compared to last year and the adjusted EBITDA margin by 3.5 percentage points. For the full year 2023, adjusted EBITDA declined by 21 per cent compared to the previous year and the adjusted EBITDA margin was at 15.6 per cent, which is close to last year's levels despite the severe decline in the market and net sales during the year. Our solution-selling business in France demonstrated strong growth also in 2023, in addition to Ireland, which performed well during the year.

In 2023, both divisions remained focused on our strategy of offering solutions and systems across our core markets and developing unique relationships with Purmo Group's more than 100,000 installer customers.

**Accelerate PG programme's target for 2024 increased to EUR 50 million**

The strategy acceleration programme, Accelerate PG, continued to perform strongly and above targets during the quarter. Implemented adjusted EBITDA run-rate improvements reached EUR 30.1 million at the end of the year, which was higher than the earlier communicated target of above EUR 25 million. The periodic impact for the fourth quarter was EUR 6.4 million. The net working capital improvements within the programme were EUR 20.6 million at the end of 2023, which was above the original target of EUR 10 million.

As part of the programme, on 28 November 2023, we completed the consultation process concerning the discontinuation of our radiator production plant in Zonhoven and, on 10 January 2024, after the review period, we also communicated the launch of a consultation process to relocate our manufacturing from Hull, United Kingdom.

Thanks to the good results within the programme in 2023, we will move beyond implementing cost savings to growth initiatives in 2024. We have also upgraded the target for the programme for 2024. Cumulative adjusted EBITDA run-rate improvements will reach EUR 50 million, higher than the previously announced target of above EUR 40 million. We also aim for EUR 45 million in cumulative net working capital improvements by the end of 2024. This is above the earlier announced target of above EUR 30 million.

**Agreement for supply of near zero-emission steel**

In terms of sustainability, on 6 November 2023, we signed a binding agreement for the supply of near zero-emission steel during 2026-2033, when 140,000 tonnes of green steel will be delivered to us by H2 Green Steel. We also joined WWF Finland's campaign 'Ready For Green Steel' to encourage steel producers worldwide to transition to low-emission production to mitigate the climate crisis.

**Guidance for 2024**

Wholesalers' stock levels have stabilised, and the lower level of interest rates supports the expectations of a gradual market activity improvement. Our upgraded target for the strategy acceleration programme, Accelerate PG, further underpins Purmo Group's outlook for 2024.

Adjusted EBITDA in 2024 is expected to be on a similar or higher level than in 2023 (EUR 92.3 million).

John Peter Leesi
CEO, Purmo Group Plc

## News conference and webcast for analysts, investors and media

Purmo Group Plc's financial statements review 2023 has been published today and is available in English and Finnish on Purmo Group's website at https://investors.purmogroup.com/ir-material/.

**Webcast and teleconference on 13 February 2024 at 10.00 a.m. EET**

The publication will be followed at 10.00 a.m. EET by a live webcast and a teleconference to analysts, investors and media representatives. At the event, CEO John Peter Leesi and CFO Jan-Elof Cavander will present the results and answer questions in English.

Webcast: https://purmogroup.videosync.fi/q4-2023

Teleconference lines: https://palvelu.flik.fi/teleconference/?id=50048525

Participants should register through the above link to ask questions through the conference call lines. After registering they will receive a teleconference number and a code to join the call. Participants will be asked to press number 5 to join the queue for questions.

A recording of the event will be available at https://investors.purmogroup.com/ir-material/ shortly after the event has ended.

**Further information:**

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# Group financial overview

## Net Sales

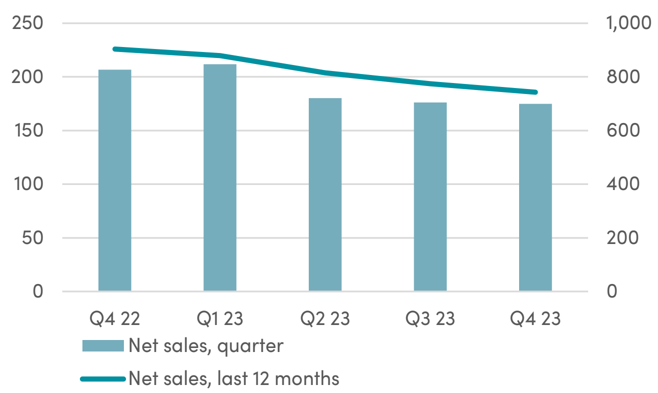
| EUR million | 10-12/2023 | 10-12/2022 | Change, % | 2023 | 2022 | Change, % |
|---|---|---|---|---|---|---|
| **Net sales, by segment** | | | | | | |
| Climate Products & Systems | 134.9 | 162.7 | -17% | 591.9 | 720.6 | -18% |
| Climate Solutions | 40.1 | 44.0 | -9% | 151.6 | 183.9 | -18% |
| Eliminations | -0.0 | -0.1 | | -0.3 | -0.4 | |
| **Total** | **175.0** | **206.6** | **-15%** | **743.2** | **904.1** | **-18%** |

**In October-December 2023**, Purmo Group's net sales were EUR 175.0 million (206.6); the decrease was 15 per cent. The organic decline in net sales, excluding currency effect, acquisitions and divestments, was 14 per cent. Acquisitions did not contribute to net sales. The net impact of changes in currencies was -1 per cent.

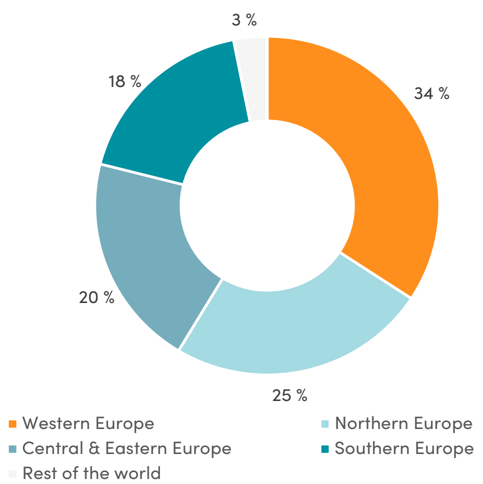
Net sales for the Group declined as a result of a weak demand environment across markets and product groups. Sales in the Climate Products & Systems division were at a low level in all regions, although a few markets stabilised towards the end of the year, Poland in particular. For the Climate Solutions division, the Italian market picked up after a period of downturn. The demand in the corresponding period last year in Italy was high due to government incentives for improving energy efficiency of buildings and homes. Also sales in France and Brazil grew during the quarter, however, weak construction markets in the Nordics had a negative impact on net sales for the quarter.

Net sales from Northern Europe declined by 12 per cent amounting to EUR 42.6 million (48.5). Western Europe declined by 19 per cent, amounting to EUR 59.9 million (73.9). Central and Eastern Europe increased by 7 per cent to EUR 35.6 million (33.1). Southern Europe declined by 10 per cent to EUR 31.3 million (34.8) and the Rest of the world region declined by 66 per cent to EUR 5.5 million (16.5).

**Net sales, MEUR**




**Net sales by geographical area, 10-12/2023**



## Net sales by geographical area

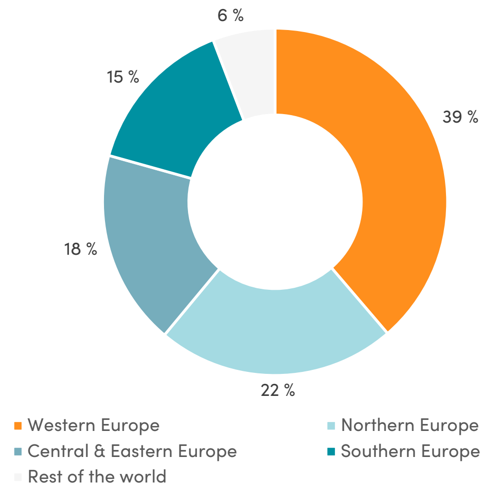
| EUR million | 10–12/2023 | 10–12/2022 | Change, % | 2023 | 2022 | Change, % |
|---|---|---|---|---|---|---|
| Northern Europe | 42.6 | 48.5 | -12% | 166.4 | 191.0 | -13% |
| Western Europe | 59.9 | 73.7 | -19% | 287.5 | 337.2 | -15% |
| Central and Eastern Europe | 35.6 | 33.1 | 7% | 135.4 | 174.5 | -22% |
| Southern Europe | 31.3 | 34.8 | -10% | 110.3 | 142.4 | -23% |
| Rest of the world | 5.5 | 16.5 | -66% | 43.5 | 58.9 | -26% |
| **Net sales** | **175.0** | **206.6** | **-15%** | **743.2** | **904.1** | **-18%** |

**In January–December 2023**, Purmo Group's net sales were EUR 743.2 million (904.1); the decrease was 18 per cent. The organic decline in net sales, excluding currency effect, acquisitions and divestments was 17 per cent. Acquisitions did not have a material contribution to net sales. The net impact of changes in currencies was -1 per cent.

Net sales for the Group declined due to a slowdown in residential new build and renovation markets during the year. Most of the regions in both business divisions remained weak in 2023, although partial recoveries were seen in some markets towards the end of the year. Net sales declined in all clusters in the Climate Products & Systems division, with stabilisation in some markets towards the end of the year, Poland in particular. In the Climate Solutions division, the Italian market picked up towards the end of the year. The previous year in Italy was strong when demand was high due to government incentives for improving energy efficiency of buildings and homes. Sales in France and in Ireland grew during the year, whereas the downturn in the Nordics impacted negatively on the Group's net sales for 2023.

Net sales in Northern Europe declined by 13 per cent to 166.4 million (191.0). Western Europe declined by 15 per cent, amounting to EUR 287.5 million (337.2). Central and Eastern Europe declined by 22 per cent to EUR 135.4 million (174.5). Southern Europe declined by 23 per cent to EUR 110.3 million (142.4) and the Rest of the world region declined by 26 per cent to EUR 43.5 million (58.9).

**Net sales by geographical area, 1-12/2023**



## Results and profitability

| EUR million | 10-12/2023 | 10-12/2022 | Change, % | 2023 | 2022 | Change, % |
|---|---|---|---|---|---|---|
| **Adjusted EBITDA, by segment** | | | | | | |
| Climate Products & Systems | 16.3 | 12.2 | 33% | 78.5 | 71.7 | 10% |
| Climate Solutions | 7.2 | 6.4 | 13% | 23.7 | 29.9 | -21% |
| Other and unallocated | -2.4 | -2.4 | 1% | -9.9 | -8.7 | 14% |
| **Total** | **21.1** | **16.3** | **30%** | **92.3** | **92.9** | **-1%** |
| **Adjusted EBITDA margin, %** | **12.1%** | **7.9%** | | **12.4%** | **10.3%** | |

**In October-December 2023**, Purmo Group's adjusted EBITDA improved to EUR 21.2 million (16.3); an increase of 30 per cent. The increase in adjusted EBITDA was driven by strong and systematic margin management actions and good performance in the Accelerate PG programme.

The adjusted EBITDA margin improved to 12.1 (7.9) per cent.

Comparability adjustments affecting EBITDA and EBITA amounted to EUR 39.0 million (9.7). The adjustments were mainly related to the Accelerate PG programme costs of EUR 35.5 million. Furthermore, an additional impairment of EUR 2.2 million on inventory and other assets related to Purmo Group's Russian business classified as assets held for sale was recorded.

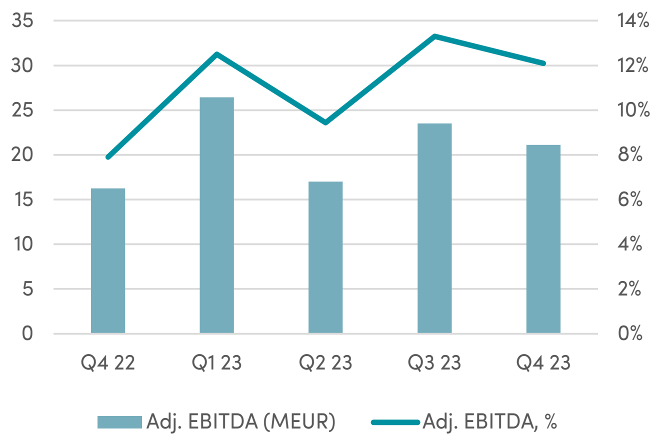
Profit for the review period was EUR -23.4 million (-7.0) and adjusted profit for the period was EUR 7.5 million (1.7). Earnings per share were EUR -0.59 (-0.17) and adjusted earnings per share were EUR 0.15 (0.04).

**In January–December 2023**, Purmo Group's adjusted EBITDA was EUR 92.3 million (92.9); the decrease was 1 per cent. The decline in adjusted EBITDA for the Group was a result of lower volumes for both divisions.

The adjusted EBITDA margin improved to 12.4 (10.3) per cent.

Comparability adjustments affecting EBITDA and EBITA amounted to EUR 52.8 million (21.7). The adjustments were mainly related to EUR 46.0 million costs associated with the Accelerate PG programme. Furthermore, an EUR 1.3 million increase in the redemption liability and an additional impairment of EUR 3.9 million on inventory and other assets related to Purmo Group's Russian business classified as assets held for sale was recorded.

**Adj. EBITDA and Adj. EBITDA, %**

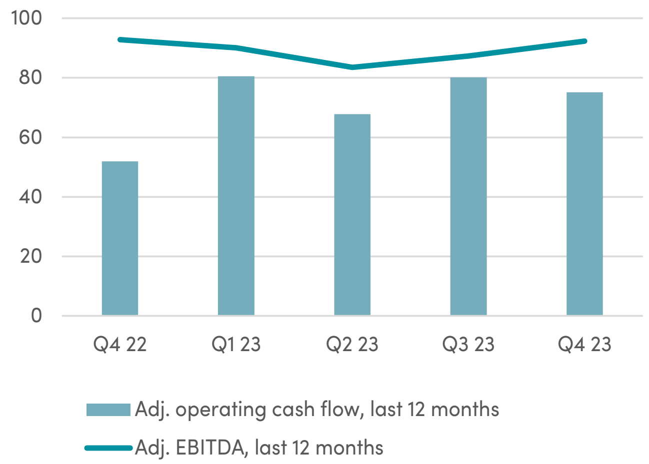



Net financial items amounted to EUR -19.3 million (-17.4).

Profit before tax was EUR -9.6 million (21.6). Income tax expenses were EUR 0.3 million (-8.4), corresponding to an effective tax rate of 2.7 per cent (39.1). Taxes relating to comparability adjustments amounted to EUR -11.2 (-2.2). The adjusted effective tax rate was -27.8 per cent (20.1).

Profit for the review period was EUR -9.3 million (13.1), and adjusted profit for the period was EUR 32.2 million (32.7). Earnings per share were EUR -0.32 (0.32), and adjusted earnings per share were EUR 0.68 (0.79).

**Adj. operating cash flow, last 12 months, MEUR**




## Cash flow and financial position

**In October-December 2023,** cash flow from operating activities decreased to EUR 32.5 million (40.2). The cash flow was impacted by the decrease in net working capital of EUR 19.2 million (34.8) during the quarter, but positively impacted by a decrease in financial items and income taxes paid of EUR -4.8 million (-9.6).

**In January-December 2023,** cash flow from operating activities increased to EUR 40.4 million (31.1). The cash flow was impacted by the increase in net working capital of EUR -2.1 million (-31.5) during the review period. The cash flow was reduced by financial items and income taxes paid, totalling EUR -36.0 million (-28.3). The development in net working capital was positively impacted by the Accelerate PG programme.

Adjusted operating cash flow for the last 12 months increased by 71 per cent to EUR 75.1 million (44.0), and the cash conversion increased to 81.4 per cent (47.4). The change was mainly a result of an improvement in net working capital of EUR 3.2 million (-24.8). The adjusted EBITDA during the last 12 months was EUR 92.3 million and, consequently, on the same level compared to the previous year (92.9).

Cash flow from investing activities was EUR -20.2 million (-32.9). The change was primarily attributable to the Thermotech acquisition in 2022 of EUR -14.6 million. In the reporting period, the investments in property, plant and equipment, and intangible assets were EUR -20.3 million (-24.0).

Cash flow from financing activities was EUR 32.6 million (-110.8) and was mainly related to the proceeds from the hybrid bond of EUR 60.0 million in February 2023.

At the end of December 2023, the Group's net debt was EUR 219.6 million (31 Dec 2022: 275.2), and the net debt to adjusted EBITDA ratio, based on the last 12 months adjusted EBITDA, was 2.38 (31 Dec 2022: 2.96). The hybrid bond is treated as equity according to IFRS and therefore not included in net debt.

At the end of December 2023, the equity ratio was 43.7 per cent (31 Dec 2022: 41.0) having improved from the corresponding period last year mainly due to the issuance of the hybrid bond. The equity ratio calculation has been updated to be calculated from total equity instead of equity attributable to the owners of the company from the beginning of 2023.

At the end of December 2023, the liquidity position in terms of cash and cash equivalents totalled EUR 111.7 million (31 Dec 2022: 56.3). The company has a Finnish commercial paper programme totalling EUR 100.0 million (31 Dec 2022: 100.0), which was unutilised at the end of reporting period (31 Dec 2022: EUR 10.0 million). The company also had an EUR 80.0 million (31 Dec 2022: 80.0) unutilised committed revolving credit facility, EUR 20.5 million (31 Dec 2022: 20.5) of unutilised overdraft facilities with core financial institutions and EUR 125.0 million (31 Dec 2022: 125.0) unutilised uncommitted M&A facility.

Total equity was EUR 435.7 million (31 Dec 2022: 403.3). The increase in total equity was mainly due to the hybrid bond.

## Market overview

Energy efficiency requirements for new and existing buildings are expected to favourably influence demand for Purmo Group's indoor climate comfort solutions. Governments and local authorities are incentivising the shift to renewable energy sources, energy efficiency through low-temperature systems and well-insulated housing, and also the introduction of energy performance requirements for new and renovated buildings. The European Union's Green Deal, aiming at making Europe the first carbon-neutral continent by 2050, is one example of a generic longer-term initiative. Furthermore, as a result of global warming and rising energy prices, consumers show an increasing preference and need for combatting climate change and supporting sustainability. Consumer preferences are moving towards sustainable solutions and products.

According to the European Commission, up to 75% of the buildings in the EU require deep energy renovation, implying that the addressable energy renovation market opportunity is significant. Energy renovations in existing dwellings will often include the replacement of fossil-fuel-based heat sources (e.g. gas boilers) with renewable-energy-based heat sources (e.g. heat pumps). Importantly, the growth of heat pumps also drives a shift from high-temperature to low-temperature heat distribution systems to enable the energy efficiency of the heat pump installation. This implies that emitters such as radiators will need to be upgraded when combined with heat-pump systems by becoming larger or more efficient, so they can generate equal heating output given the lower water temperature of the system.

Purmo Group is well positioned to support this transition, being a provider of complete heating and cooling solutions, including air-to-water heat pumps, low-temperature emitters and smart controls. The company's indoor climate comfort solutions are sold primarily across Europe mainly to residential buildings, but also to non-residential buildings. Around 60 per cent of Purmo Group's net sales are generated from renovation, with the remainder from new construction projects. The secular trend for energy renovations also helps to make the business even less reliant on new build construction markets.

The estimated compounded annual growth rate for Purmo Group's products and systems varies. As an example, the demand for air-to-water heat pumps is expected to grow by 19 per cent annually (CAGR) within the company's addressable markets (2021-2026) (BRG, December 2023).

The energy renovation trend in Europe requires an upgrade of radiators in conjunction with heat pump installations for consumers to capture full energy savings. This trend is expected to grow the radiator market by 5.6 per cent annually during 2022-2030 (CAGR) (Third party independent analysis).

During the fourth quarter of 2023 and the full year of 2023, construction activity across Purmo Group's key markets remained weak. Low consumer confidence decreased demand, leading to lower volumes in residential renovation and new construction projects.

During 2023, the decline in demand was particularly intense in Germany, Italy and China. The decline in demand in Italy was significant due to the exceptional corresponding period last year when demand was high because of government incentives for improving the energy efficiency of buildings and homes. However, the market in Italy picked up in the fourth quarter of the year. At the end of 2023, inventory levels of wholesalers in Purmo Group's core markets were stabilised.

The construction markets in new build and renovation segments are expected to remain challenging in 2024. Increased geopolitical risks and high overall uncertainties can also have an impact on Purmo Group's core markets.

The mid- to long-term market outlook is positive for Purmo Group given the support from secular green transition tailwinds. The need for radiator upgrades in conjunction with heat pump installations across Europe also drives the demand for the heating and cooling products offered by the Group.

## Climate Products & Systems Division

*The Climate Products & Systems division sells via wholesalers to residential and non-residential sectors. Its sales regions are Northern, Western, Southern and Eastern Europe, and Rest of the World, including Brazil, China, Japan and the United States. The main product categories within the division are panel, tubular and electric radiators as well as products for radiant heating and cooling (RHC); including underfloor heating, air heating and cooling, water distributions systems, and system components and controls.*

| EUR million | 10-12/2023 | 10-12/2022 | Change, % | 2023 | 2022 | Change, % |
|---|---|---|---|---|---|---|
| Net sales | 134.9 | 162.7 | -17% | 591.9 | 720.6 | -18% |
| Adjusted EBITDA | 16.3 | 12.2 | 33% | 78.5 | 71.7 | 10% |
| Adjusted EBITDA margin, % | 12.1% | 7.5% | | 13.3% | 9.9% | |
| Depreciations, amortisations and impairments | -13.4 | -6.7 | 101% | -31.7 | -34.9 | -9% |

### Net sales

**In October-December 2023**, net sales for the Climate Products & Systems division decreased by 17 per cent to EUR 134.9 million (162.7). The organic decline in net sales was 16 per cent. Acquisitions did not contribute to the division's net sales. The net impact of changes in currencies was -1 per cent.

Net sales of radiators amounted to EUR 94.4 million (104.0) during the fourth quarter of the year. The weak demand in the renovation and new build markets led to a decline in the organic sales volume in radiators of around 5 per cent during the quarter.

During the fourth quarter of the year, net sales declined across all regions of the division, although some markets stabilised towards the end of the year, Poland in particular.

**In January–December 2023**, net sales for the Climate Products & Systems division decreased by 18 per cent to EUR 591.9 million (720.6). The organic decline in net sales was 16 per cent. Acquisitions did not contribute to the division's net sales. The net impact of changes in currencies was -1 per cent.

Net sales of radiators for the full year 2023 amounted to EUR 392.2 million (473.1). The weak demand environment led to a decline in the organic sales volume in radiators of around 20 per cent during the year.

For the full year 2023, net sales for the Climate Products & Systems division declined due to weak market environment throughout the year. The demand remained weak in all regions, although some markets stabilised towards the end of the year.

### Profitability

**In October–December 2023**, adjusted EBITDA for the Climate Products & Systems division increased by 33 per cent to EUR 16.3 million (12.2). The adjusted EBITDA margin improved to 12.1 per cent (7.5).

The improvement in adjusted EBITDA margin was a result of continued and systematic margin management actions in the division as well as good performance in the Accelerate PG programme.

**In January–December 2023**, adjusted EBITDA of the Climate Products & Systems division increased by 10 per cent to EUR 78.5 million (71.7). The adjusted EBITDA margin improved to 13.3 per cent (9.9).

For 2023, the adjusted EBITDA margin increased due to margin management actions in the divisions and was also supported by the Accelerate PG programme.

## Climate Solutions Division

*The Climate Solutions division sells integrated solutions directly to installers from the company's Emmeti business in South Europe, its Thermotech business in the Nordic region and its Merriott business in the United Kingdom and Ireland. The Climate Solutions division provides a comprehensive set of heating and cooling solutions for customers whose goal is to achieve energy savings and reduce emissions generated by energy consumption.*

| EUR million | 10-12/2023 | 10-12/2022 | Change, % | 2023 | 2022 | Change, % |
|---|---|---|---|---|---|---|
| Net sales | 40.1 | 44.0 | -9% | 151.6 | 183.9 | -18% |
| Adjusted EBITDA | 7.2 | 6.4 | 13% | 23.7 | 29.9 | -21% |
| Adjusted EBITDA margin, % | 18.0% | 14.5% | | 15.6% | 16.3% | |
| Depreciations, amortisations and impairments | -1.4 | -1.1 | 22% | -5.1 | -4.5 | 14% |

### Net sales

**In October–December 2023**, net sales for the Climate Solutions division decreased by 9 per cent to EUR 40.1 million (44.0). The organic decline in net sales was 8 per cent. Acquisitions did not contribute to the division's net sales. The net impact of changes in currencies was -1 per cent.

During the quarter, net sales for the Climate Solutions division declined due to low market sentiment across businesses in Italy, the Nordics, the United Kingdom and Ireland. However, the quarter's net sales were supported by a pick-up in the Italian market towards the end of the year. The Emmeti business in France and Brazil performed well and grew in net sales during the quarter.

**In January–December 2023**, net sales for the Climate Solutions division decreased by 18 per cent to EUR 151.6 million (183.9). The organic decline in net sales was 19 per cent. The Thermotech business contributed 2 per cent to the division's net sales growth. The net impact of changes in currencies was -1 per cent.

For the full year 2023, net sales for the Climate Solutions division declined as a result of a period of downturn in the Italian market. The corresponding period last year in Italy was strong due to governmental incentives. The slowdown in the Nordics impacted negatively to the division's net sales for 2023. The Emmeti business in France and the Merriot business in Ireland performed well instead, and grew in net sales during the year.

### Profitability

**In October–December 2023,** adjusted EBITDA for the Climate Solutions division increased by 13 per cent to EUR 7.2 million (6.4). The Thermotech business contributed about EUR 0.2 million to the adjusted EBITDA. The adjusted EBITDA margin increased to 18.0 per cent (14.5).

The increase in adjusted EBITDA margin during the quarter was a result of successful margin management actions and a pick-up in demand in the Italian market in the last quarter of the year. The division also achieved cost savings in operative expenses and headcount reductions in the Emmeti and the Thermotech businesses.

**In January–December 2023,** adjusted EBITDA for the Climate Solutions division decreased by 21 per cent to EUR 23.7 million (29.9). The Thermotech business contributed about EUR 1.0 million to the adjusted EBITDA. The adjusted EBITDA margin was 15.6 per cent (16.3).

The slight decrease in adjusted EBITDA margin in 2023 was a result of lower volumes in the main markets of the division, Italy and the Nordics. As a response to lower volumes, margin management actions were completed in the division, including cost-savings in operative expenses and headcount reductions within the Emmeti and the Thermotech businesses.

# Investments, acquisitions, structural changes and R&D

## Investments

In October–December 2023, capital expenditure, excluding business combinations and leased assets, totalled EUR 8.5 million (11.6) and in January–December 2023 EUR 20.3 million (24.0). The investments during the review period were related primarily to strategic projects as well as factory expansions and maintenance. The investments in the comparison periods comprised mainly of factory expansions.

## Acquisitions and disposals

On 28 April 2023, Purmo Group announced that it had signed an agreement to divest all of its Russian operations to IPLS, including all related assets and liabilities. Subsequent to the closure of the transaction, Purmo Group will not have any redemption liabilities in relation to the Russian business. Completion of the transaction is subject to the approval of the relevant regulatory authority in Russia. The process has taken longer than expected. The company will publish the closing of the transaction separately as soon as possible.

Purmo Group has classified its Russian business as assets held for sale, resulting in non-recurring impairments totalling EUR 12.9 million in 2022. In March 2023, the redemption liability related to Purmo Group's Russian business increased by EUR 1.3 million and, in September 2023, an additional impairment on inventory of EUR 1.7 million was recognised. In the last quarter, the Group recognised an additional impairment of EUR 2.6 million on inventory and other assets. For accounting purposes, the Russian business is presented as continuing operations as it does not meet the criteria for discontinued operations. Russia represented circa 3 per cent of Purmo Group's total net sales in 2023.

## Structural changes

On 28 November 2023, Purmo Group announced that it had completed the consultation process concerning the discontinuation of its radiator production plant in Zonhoven, Belgium. According to the plan, part of the radiator production in Zonhoven ceased at the end of the fourth quarter of 2023, and the remainder will close by the end of the first quarter of 2024.

According to the plan the horizontal radiator production was transferred during the quarter from Zonhoven to be manufactured at the Group's most efficient production lines at its plant in Rybnik, Poland.

## Research and development

Product development within Purmo Group focuses on connecting smart HVAC equipment, from the energy source to thermal emitters, in one unified and intelligent system. Combining and connecting heat pumps with heat emitters and other systems offered by the Group maximises energy savings for end-users. Additionally, focus is placed on minimising material usage, including product packaging, and on smart design that improves system performance. Purmo Group also continues collaboration with its network in the field of control systems.

In line with its strategy, Purmo Group's pipeline of smart products focuses on three clear strategic priorities: intelligence and connectivity, sustainability and aesthetics.

Research and development (R&D) expenditure totalled EUR 1.0 million (1.1) in October-December 2023. Research and development expenditure totalled EUR 5.3 million (6.2) in January–December 2023.

During the fourth quarter, the Group delivered its first set of improved, Radson-branded horizontal radiators to customers across Benelux and France. The radiators are produced at the company's largest plant in Rybnik. The new radiator offers an increased maximum operating pressure and suits higher buildings or buildings that are connected to district heating. Preset valve inserts in the radiator make hydraulic balancing easy and save time for an installer. Furthermore, the radiator includes a range of accessories, is offered in more than 70 colours and comes in improved, sustainable packaging.

## Strategy

The company's growth strategy is built on three pillars:

(i) scaling-up of solution-selling to provide complete solutions and to capture growth potential in underpenetrated markets;

(ii) launching and delivering smart products that are more intelligent, sustainable and aesthetic; and

(iii) focusing on growth markets to capture the biggest opportunities outside of current markets.

Growth is supported by M&A opportunities, which will foster consolidation and expansion.

The strategy is further supported by continuous improvement of operational excellence and by investments in people and culture.

### Strategy acceleration programme

On 5 October 2022, Purmo Group announced a strategy acceleration programme, 'Accelerate PG', to strengthen the execution of the strategy. The programme focuses on improving net sales growth, profitability and net working capital efficiency to support reaching its financial targets. The programme supports the financial development of the Group.

Thanks to the good results within the programme in 2023, Purmo Group will move beyond implementing cost savings to growth initiatives in 2024. The company also updates the programme's target for 2024. The programme targets cumulative adjusted EBITDA run-rate improvements of EUR 50 million (previously: above EUR 40 million), which are expected to be reached by the end of 2024. The programme also targets cumulative net working capital improvements of EUR 45 million by the end of 2024 (previously: more than EUR 30 million).

Profitability improvements include both variable and fixed cost savings. Additionally, the company continues to assess optimising its manufacturing and supply chain footprint.

The costs for the programme, excluding non-cash items, are expected to be approximately EUR 45 million, of which approximately EUR 34 million was generated before the end of 2023, and the remainder will be incurred in the first half of 2024. In addition, non-cash costs for the programme were EUR 11.0 million in 2023 and those are expected to be below EUR 5.0 million in 2024.

Accelerate PG is delivering improvements ahead of plan. Implemented adjusted EBITDA run-rate improvements at the end of the fourth quarter amounted to EUR 30.1 million. This was up from EUR 22.4 million at the end of the third quarter of 2023, and above the target of EUR 25 million at the end of 2023. Adjusted EBITDA periodic impact during the quarter amounted to EUR 6.4 million (EUR 4.8 million during the previous quarter). For the full year 2023, the adjusted EBITDA periodic impact amounted to EUR 16.0 million. The programme has also realised a cumulative net working capital improvement of EUR 20.6 million, of which periodic impact amounted to EUR 11.6 million during the fourth quarter.

The most significant improvements within the strategy acceleration programme have been generated from pricing optimisation, procurement savings and overhead cost reductions from operating model changes. In addition, the Group achieved improvements in net working capital efficiency. The savings reported in the programme are incremental and recurring and, thus, do not include inflationary effects on either sales price or input costs.

As part of the programme, on 28 November 2023, Purmo Group announced that it had completed the consultation process with employee representatives concerning the discontinuation of its radiator production plant in Zonhoven, Belgium. According to the plan, part of the radiator production in Zonhoven ceased at the end of the fourth quarter of 2023, and the remainder will be closed by the end of the first quarter of 2024. Consequently, the termination of the employment of 136 employees will follow.

After the review period, on 10 January 2024, the Group announced that it had entered into consultation with employee representatives regarding its intention to relocate production from its plant in Hull, United Kingdom, with a possible collective redundancy. The plant employs 37 employees working in the manufacturing of low surface-temperature radiators, fan convectors and other components.

## Sustainability

Purmo Group's 'Complete Care' approach to sustainability is designed to be wide-reaching, transparent, tangible, measurable and effective. It covers four focus areas: **Production**, the way Purmo Group makes things; **Solutions**, the things it makes; **People**, the employees that make them; and **Communities**, those that it reaches. Purmo Group continued to make progress against its ESG targets in the fourth quarter and full year 2023.

### Production

Carbon intensity improved and decreased by 4 per cent to 86.8 (89.8) during the fourth quarter, as a result of lower production volumes. Similarly, Scope 1 and 2 greenhouse gas (GHG) emissions decreased by 18 per cent to 15,162 $tCO_2e$ (18,522) driven by continued lower production volumes. During the quarter, Purmo Group announced its cooperation with H2 Green Steel for the supply of near zero-emission steel. Under the binding agreement, the Group will purchase 140,000 tonnes of green steel during 2026-2033.

For the full year 2023, Carbon intensity improved and decreased by 2 per cent to 86.0 (87.4) as a result of lower production volumes. Scope 1 and 2 greenhouse gas (GHG) emissions decreased by 19 per cent to 63,898 $tCO_2e$ (79,035).

### Solutions

During the quarter, Purmo Group received the results from its annual customer survey. The customers were asked 'How likely is it that you would recommend Purmo brand to a friend or colleague as a leader in sustainable indoor climate comfort?'. The score improved from +8 to +21.

In 2023, several improvements were made to product packaging. These included the thickness of the stretch wrap used around pallets, which was decreased from 23 to 17 microns. The pallets are used in the Group's production facility in Gateshead, United Kingdom. Furthermore, polystyrene was removed from an electric radiator, Kaba2, packaging also at the facility in Gateshead. In addition, Purmo Group established a working group to identify key improvements to introduce more sustainable packaging.

### People

The proportion of women in senior management positions decreased slightly to 26 per cent (27) during the quarter. Lost Time Injury Frequency Rate per million hours worked (LTIFR) decreased to 3.9 (7.6) as a result of a strong focus on Health and Safety, including enhanced data collection and analysis of safety observations, near misses, incidents and accidents. The number of safety observations decreased by 19 per cent to 283 (350) in the quarter. The Group also completed a pilot of an expert training programme in HVAC solutions in collaboration with Fachhochschule Burgenland GmbH, a university of applied science in Austria.

In 2023, the Group carried out a company-wide employee survey, covering ten areas and including an Employer Net Promoter Score: 'How likely is it that you would recommend Purmo Group as an employer to a friend or an acquaintance?'. The score from the 2023 survey was -8, remaining on the same level at -8 as in the previous year. The Group increased learning and development discussions in addition to regular feedback mechanisms for all the company's employees during the year.

### Communities

During the quarter, Purmo Group's employees dedicated 1,785 hours in total (2,845) to volunteering in local communities. As an example, Purmo Group Hungary was awarded Maecenas Prize which is awarded to a private person or organisation that has done outstanding work for the development of Mosonmagyaróvár's civil society over a long period of time, or that has made an outstanding contribution to Mosonmagyaróvár's community life and the city's good reputation.

In 2023, volunteering within Purmo Group's employees remained active and they dedicated 7,213 hours in total (6,680) to volunteering in local communities.

## Other material activities

During the quarter, Purmo Group submitted its Science Based Targets to the SBTi organisation for validation, which is expected in 2024.

The Group continued its preparations for the implementation of the Corporate Sustainability Reporting Directive (CSRD), for the reporting year 2024. As part of these preparations, Purmo Group completed its double materiality analysis.

The Group also joined WWF Finland's campaign 'Ready For Green Steel' to encourage steel producers worldwide in the transition to low-emission production to mitigate the climate crisis.

More information on Purmo Group's sustainability strategy is available on the company's website.

## Key indicators

| | 10-12/2023 | 10-12/2022 | Change, % | 2023 | 2022 | Change, % |
|---|---|---|---|---|---|---|
| **Production** | | | | | | |
| Scope 1 and 2 GHG emissions, $tCO_2e$[1 8] | 15,162 | 18,552 | -18% | 63,898 | 79,035 | -19% |
| Scope 3 GHG emissions from procured steel, $tCO_2e$[2] | 54,268 | 48,768 | 11% | 211,445 | 279,578 | -24% |
| Scope 1 and 2 carbon intensity[3 8] | 86.6 | 89.8 | -4% | 86.0 | 87.4 | -2% |
| **Solutions** | | | | | | |
| Customer Net Promoter Score, cNPS[4] | 46 | 33 | 39% | 46 | 33 | 39% |
| Customer Sustainability Net Promoter Score, sNPS[5] | 21 | 8 | 163% | 21 | 8 | 163% |
| **People** | | | | | | |
| Lost Time Injury Frequency Rate, LTIFR[6 8] | 3.9 | 7.6 | -49% | 6.3 | 4.9 | 29% |
| Number of safety observations[8] | 283 | 350 | -19% | 1,032 | 1,218 | -15% |
| Number of accidents[8] | 5 | 10 | -50% | 33 | 28 | 18% |
| Employee Net Promoter Score , eNPS[7] | -8 | -8 | | -8 | -8 | |
| Proportion of women in senior management positions | 26% | 27% | | 26% | 27% | |
| **Communities** | | | | | | |
| Number of volunteering hours[8] | 1,785 | 2,854 | -37% | 7,213 | 6,680 | 8% |

[1] Market based GHG emissions based on Purmo Group's procurement mix of electricity and gas in countries with manufacturing operations.
[2] 2021 World Steel Association data of 1.89 $tCO_2e$ embodied carbon produced for every tonne of crude steel cast.
[3] $tCO_2e$/net sales in EUR million.
[4] Question asked: 'How likely is it that you would recommend <Purmo brand> to a friend or colleague?'
[5] Question asked: 'How likely is it that you would recommend <Purmo brand> to a friend or colleague as a leader in sustainable indoor climate comfort?'
[6] Lost Time Injury Frequency Rate (LTIFR) is the number of lost time injuries occurring in a workplace per 1 million hours worked.
[7] Question asked: 'How likely is it that you would recommend Purmo Group as an employer to a friend or an acquaintance?'
[8] Comparison figures recalculated due to additional data received after the publication of previous interim reports.

## Other significant events during the quarter

On 28 November 2023, Purmo Group announced that it had completed the consultation process concerning the discontinuation of its radiator production plant in Zonhoven, Belgium. Consequently, the termination of the employment of 136 employees will follow. Purmo Group Belgium employed 226 people in the manufacturing of steel panel radiators, warehousing and distribution as well as in customer service, sales and support functions.

The closure of the radiator manufacturing and the terminations of the employment contracts incurred approximately EUR 30.0 million in one-off costs which was recognised in the fourth quarter of 2023.

According to the plan, part of the radiator production in Zonhoven ceased at the end of the fourth quarter of 2023, and the remainder will be closed by the end of the first quarter of 2024.

## Events after the review period

On 20 January 2024, Purmo Group announced Shareholders' Nomination Board proposal to the Annual General Meeting 2024 planned to be held on 9 April 2024.

The Shareholders' Nomination Board proposes to the Annual General Meeting that the remuneration would not change and the members of the Board of Directors be paid annual fees as follows:

- EUR 92,000 for the Chairman of the Board;
- EUR 53,000 for the Vice Chairman of the Board;
- EUR 53,000 for each of the Chairmen of the Board committees; and
- EUR 48,000 for each ordinary Board member.

The Shareholders' Nomination Board proposes that approximately 40% of the annual fee be paid in Purmo Group's class C shares. The Board members are encouraged to keep such shares for the entire duration of their board assignment.

The Shareholders' Nomination Board proposes to the Annual General Meeting that, in addition to annual fee, a meeting fee be paid to the members of the Board of Directors for each meeting of the Board and its committees as follows:

- EUR 800 per meeting held in the Board member's country of residence;
- EUR 1,400 per meeting held outside the Board member's country of residence but on the same continent as the Board member's country of residence;
- EUR 2,600 per meeting held on another continent than the Board member's country of residence; or
- EUR 800 per meeting held by telephone or through virtual communication channels.

In addition, it is proposed that an additional meeting fee of EUR 800 be paid to the Chairman of the Board and the Chairmen of the Board Committees for each meeting of the Board and its committees.

The Shareholders' Nomination Board proposes to the Annual General Meeting that the number of members of the Board of Directors shall be seven (7).

The Shareholders' Nomination Board proposes that the present members of the Board of Directors Tomas von Rettig, Matts Rosenberg, Alexander Ehrnrooth, Carina Edblad, Carlo Grossi, Jyri Luomakoski and Catharina Stackelberg-Hammarén would be re-elected as members of the Board of Directors until the end of the next Annual General Meeting.

On 10 January 2024, Purmo Group announced that it launches a consultation process to relocate its manufacturing from Hull, United Kingdom. The plant employs 37 employees working in the manufacturing of low surface-temperature radiators, fan convectors and other components. The production of these products could possibly be relocated to other manufacturing locations in the United Kingdom.

# Shares and shareholders

## Share capital, number of shares and shareholders

| | 31 Dec 2023 |
|---|---|
| Number of class C shares | 41,112,713 |
| Number of class F shares | 1,565,217 |
| Number of shareholders | 3,271 (31 Dec 2022: 3,315) |

Purmo Group Plc has two share classes of which class C shares are listed, and class F shares are held by Purmo Group Plc's founding shareholder, Virala Corporation.

The company's class F shares are subject to redemption and consent clauses in accordance with the Articles of Association, which restrict the rights to transfer and acquire class F shares. The holder of class F shares has the right to demand conversion into class C shares subject to certain price hurdles calculated in accordance with the Articles of Association. Further, class F shares carry a right to asset distribution equivalent to a certain proportion of asset distributed to class C shares in accordance with the Articles of Association.

The number of shares outstanding on 31 December 2023 was 41,112,713 class C shares and 1,565,217 class F shares. The company's registered share capital on 31 December 2023 was EUR 3,080,000. The company has no treasury shares.

On 31 December 2023, the five largest shareholders were Rettig Ltd (61.80 per cent of total shares), Virala Corporation (15.16 per cent), Ahlström Invest B.V. (2.81 per cent), Varma Mutual Pension Insurance Company (2.34 per cent) and Jussi Capital Oy (1.42 per cent).

## Board authorisation regarding share issue and share repurchase

The Annual General Meeting held on 12 April 2023 resolved that the Board of Directors is authorised to resolve on the issuance of class C shares as well as the issuance of special rights entitling to class C shares referred to in Chapter 10, Section 1 of the Finnish Companies Act in one or several tranches.

The number of class C shares to be issued based on this authorisation shall not exceed 8,000,000 shares (including shares to be received based on special rights), which corresponds to approximately 19.46 per cent of all of class C shares in Purmo Group. The authorisation may be used to improve Purmo Group's capital structure, to finance or carry out corporate acquisitions or other arrangements, for incentive arrangements and remuneration schemes or for other purposes resolved by the Board of Directors. However, a maximum of 25 per cent of the authorisation, i.e., a maximum of 2,000,000 class C shares (including shares to be received based on special rights) may be used for incentive arrangements and remuneration schemes.

The Annual General Meeting resolved that the Board of Directors is authorised to resolve on the repurchase of class C shares owned by the Company as well as on the acceptance of them as pledge.

The number of class C shares to be repurchased or accepted as pledge by virtue of this authorisation shall not exceed 4,000,000 class C shares owned by the Company, which corresponds to approximately 9.73 per cent of all of class C shares in Purmo Group, subject to the provisions of the Finnish Companies' Act on the maximum number of own shares owned by or pledged to the Company and its subsidiaries.

The shares will be repurchased to be used to improve Purmo Group's capital structure, to finance or carry out corporate acquisitions or other arrangements, for incentive arrangements and remuneration schemes or to be retained by the Company as treasury shares, transferred, cancelled or for other purposes resolved by the Board. The Board of Directors shall decide on all other terms and conditions regarding the repurchase of the Company's own shares and acceptance thereof as pledge.

The authorisations are effective until the end of the next Annual General Meeting, however, no longer than until 30 June 2024.

## Flagging notifications

During the fourth quarter of 2023, Purmo Group did not receive flagging notifications from major shareholders.

More information on flagging notifications is available on the company's website.

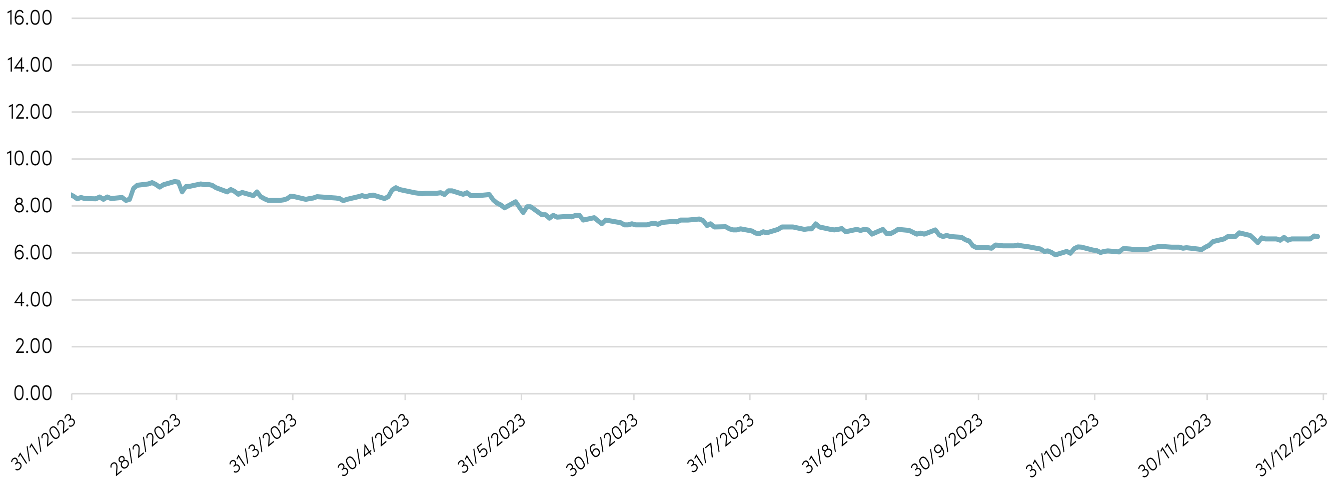
## Managers' transactions

Purmo Group's managers transactions are published as stock exchange releases, and they are available on the company's website.

## Trading of shares on Nasdaq Helsinki

| | 1 Jan - 31 Dec 2023 |
|---|---|
| High, EUR | 9.04 |
| Low, EUR | 5.92 |
| Volume-weighted average price, EUR | 7.31 |
| Closing price, EUR, 31 December 2023 | 6.70 |
| Market Capitalisation, class C share, EUR million, 31 December 2023 | 275.5 |
| Number of traded shares | 1,185,061 |

**Closing share price 1 January 2023 – 31 December 2023, EUR**



# Governance

## Personnel

The number of Group full-time-equivalent employees averaged 3,228 (3,476) in January–December. At the end of the period, the Group had 3,193 (3,372) full-time-equivalent employees. The decrease in full-time-equivalent employees was mainly due to organisational effectiveness related to the Accelerate PG programme.

## Changes in the management team

There were no changes in the management team during the quarter.

## Share based incentive plans

On 20 July 2022, Purmo Group announced that the Board of Directors had decided to launch a new share-based incentive plan for management and key employees. The purpose of the plan is to align the targets of shareholders and key employees in order to increase the long-term value of the company, retain key employees and offer a competitive incentive plan that is based on company share ownership and successful performance.

The performance criterion of the plan is Total Shareholder Return (TSR) of the class C share and the reward will be paid in both Purmo Group class C shares and in cash.

The performance period covers the financial years of 2022–2025, and payout period covers the financial years of 2026–2027. A total of 174 396 class C shares and 33 participants belong to the share-based incentive plan.

More information about Purmo Group Plc's remuneration is available on the company's website.

## Annual General Meeting

The Annual General Meeting held on 12 April 2023 approved the financial statements, adopted the proposed Remuneration Report, and discharged the members of the Board of Directors and the company's CEO from liability for the financial year 2022. All current Board members were re-elected for the following term of office. All resolutions of the Annual General Meeting are available on the company's website.

### Return of capital

The Annual General Meeting resolved that a return of capital of EUR 0.36 per class C share and EUR 0.07 per class F shares will be paid for the financial year 2022. The return of capital will be paid in four instalments.

The first instalment of the return of capital of EUR 0.09 per class C share and EUR 0.02 per class F share was paid on 21 April 2023. The second instalment of the return of capital of EUR 0.09 per class C share and EUR 0.02 per class F share was paid on 22 September 2023. The third instalment of the return of capital of EUR 0.09 per class C share and EUR 0.02 per class F share was paid on 19 December 2023. The fourth instalment of the return of capital of EUR 0.09 per class C share and EUR 0.01 per class F share will be paid on 22 March 2024.

### Remuneration of the members of the Board of Directors

The Annual General Meeting resolved that the fees are kept unchanged, and the members of the Board of Directors should be paid annual fees as follows:

- EUR 92,000 for the Chairman of the Board of Directors;
- EUR 53,000 for the Vice Chairman of the Board of Directors;
- EUR 53,000 for each of the Chairmen of the Committees of the Board of Directors; and
- EUR 48,000 for each ordinary member of Board of Directors.

Approximately 40% of the annual fee will be paid in Purmo Group's class C shares.

### Board of Directors

The Annual General Meeting resolved that the number of members of the Board of Directors be seven (7). The present members of the Board of Directors Tomas von Rettig, Matts Rosenberg, Alexander Ehrnrooth, Carina

Edblad, Carlo Grossi, Jyri Luomakoski and Catharina Stackelberg-Hammarén were re-elected as members of the Board of Directors for a term that ends at the close of the next Annual General Meeting.

Tomas von Rettig was elected as the Chairman of the Board of Directors and Matts Rosenberg as the Vice Chairman of the Board of Directors.

**Board authorisations**

Board authorisations decided by the Annual General Meeting are presented in the section 'Shares and Shareholders'.

**Committees nominated by the Board**

In the constitutive meeting held subsequent to the Annual General Meeting of Purmo Group on 12 April 2023, the Board of Directors appointed the following members to its committees:

- Jyri Luomakoski was re-elected as the Chairman of the Audit Committee with Matts Rosenberg and Alexander Ehrnrooth as members of the Committee. Matts Rosenberg accepted his role as a member of the Audit Committee when his role as interim CFO of Purmo Group ended and Jan-Elof Cavander started as a CFO of Purmo Group on 22 June 2023.
- Matts Rosenberg was re-elected as the Chairman of the M&A Committee with Alexander Ehrnrooth and Carlo Grossi as members of the Committee.
- Tomas von Rettig was re-elected as the Chairman of the Remuneration Committee with Catharina Stackelberg-Hammarén and Carina Edblad as the members of the Committee.

**Shareholders' Nomination Board**

In June 2023, Purmo Group Plc's three largest shareholders nominated the following representatives to the Shareholders' Nomination Board:

- Matts Rosenberg (Chairman)
- Alexander Ehrnrooth
- Sebastian Burmeister

**Auditor**

KPMG Oy Ab was re-elected as the Company's auditor for a term that ends at the close of the next Annual General Meeting. The Authorized Public Accountant Kim Järvi will continue as the auditor in charge and auditor's fees will be paid against an invoice approved by the Company.

**Amendment of Section 10 § of the Articles of Association**

The Annual General Meeting resolved that Section 10 §, item 5 of the Company's Articles of Association will be amended so that the Company's class F shares' conversion right into class C shares in connection with certain corporate events is aligned with the new share-based incentive plan.

The amendments will limit the rights of the holders of class F shares to get class F shares held by them converted with respect to the provision in the current Articles of Association in events where a public tender offer for the Company's shares or a 'Dilution Event', as defined in the Articles of Association, is announced. A 'Dilution Event' stands for an event where the Company decides to issue class C shares or any other special rights entitling to class C shares in a directed issue, where the holders of class F shares will not be given pre-emptive rights. The proposed amendment will not change or reduce any rights or obligations related to class C shares.

**Amendment of Section 8 § of the Articles of Association**

The Annual General Meeting resolved that Section 8 § of the Articles of Association of the Company will be amended to enable holding a general meeting in addition to the Company's domicile, entirely without a physical meeting venue as a so-called remote meeting.

## Risks and uncertainties in the near future

Purmo Group's costs have been affected by high inflation, but the company has been able to manage profitability by focusing on strong and systematic margin management actions. In addition, the company has been successful in maintaining prices at a healthy level in a challenging market environment. Fluctuations in the prices of raw materials, consumables, energy, and freight rates as well as potential challenges with the availability of raw materials, supplies, labour and freight shipping may have a negative impact on Purmo Group's profitability and operations.

The short-term demand for Purmo Group's products depends on fluctuations in demand in the construction industry, which is cyclical in nature, especially new building. Volumes and profitability may vary as a result of economic conditions and the amount of investments in real estate.

Purmo Group operates across several countries in Europe. Due to the company's size and local presence, Purmo Group has a solid position in the European markets. As a result, changes in one European country may be compensated by a development in another country. However, the strong presence in Europe might enhance the impacts of economic fluctuations within the area.

Uncertainty in the global economy and high inflation can increase volatility in foreign exchange rates as well as have an adverse effect on interest rates and the availability of funding. Purmo Group is exposed to currency risks. The Group's financial risk management approach is to hedge highly probable exposure in foreign currencies (including, but not limited to British pound, Swedish krona and Polish zloty). Regardless of hedging activities, the Group may encounter fluctuations in its financial position due to volatility in foreign exchange rates. Rising interest rates would have an adverse impact on the cost of funding for Purmo Group. The Group has financial derivatives to reduce and manage the impact of interest rate fluctuations.

The accelerated energy transition and customers' awareness of high energy prices create pressure for cost control and energy efficiency in some product groups of Purmo Group. However, the energy transition is expected to increase the demand for low-temperature systems and solutions which are compatible with energy sources other than fossil fuels. This creates an opportunity for the execution of Purmo Group's solution selling strategy. There are differences between markets in how the transition changes the demand for certain products, however, Purmo Group is well-positioned to manage the change and capture opportunities with the support of its wide product portfolio.

In addition to the energy efficiency of products, the expectations related to ESG are increasing. Purmo Group has a sustainability strategy and a function. Proactive, effective and successful measures may mean that Purmo Group is able to create business opportunities relating to the expectations and requirements.

There is an increased level of cyber threat activity in Europe. The company has a function responsible for the Group's cyber security. In order to respond to the increased cyber threats, the company has developed a well-functioning infrastructure setup and an active employee training process, which has been running since Q3 2021.

The war in Ukraine continues to have a significant negative impact on demand for Purmo Group's products in the country. The war has caused negative economic consequences also in other markets. There is a risk that private and commercial investment decisions will continue to be postponed or cancelled due to high inflation, increased interest rates and/or general economic uncertainty. Increased global geopolitical risks and general high market uncertainty may have an impact on demand, supply chains and raw material prices in Purmo Group's core markets.

# Financial targets and dividend policy

Purmo Group has set the following financial targets and dividend policy:

### Growth

Purmo Group is targeting organic net sales growth in excess of market growth. In addition, Purmo Group aims for notable inorganic growth through acquisitions.

**In October-December 2023,** the organic decline in net sales was 14 per cent, while total net sales decreased by 15 per cent to EUR 175.0 million (206.6).

Net sales for the Group declined as a result of the continued weak demand environment across markets and product groups during the fourth quarter of the year.

### Profitability

Purmo Group is targeting an adjusted EBITDA margin above 15 per cent in the medium- to long-term.

**In October-December 2023**, the adjusted EBITDA margin improved to 12.1 per cent (7.9).

The increase in adjusted EBITDA was driven by strong and systematic margin management actions and good performance in the Accelerate PG programme during the quarter.

The strategic transition to a solutions business and the Accelerate PG programme are expected to expand the adjusted EBITDA margin towards the 15 per cent medium-to long-term target.

### Leverage

The leverage ratio is targeted not to exceed 3.0x, measured as interest bearing net debt / Adjusted EBITDA on a rolling twelve-month basis. However, leverage may temporarily exceed the target level, for example, in conjunction with acquisitions or restructuring actions.

**At the end of December 2023,** net debt / adjusted EBITDA was 2.38 (31 Dec 2022: 2.96). The decrease in the ratio was due to a lower level of net debt mainly as a result of the issuance of the hybrid bond of EUR 60.0 million in February 2023.

### Dividend

Purmo Group's aim is to distribute at least 40 per cent of annual net profit as dividends or return of capital, intended to be paid out after considering earnings trends for the Group, its financial position and future growth potential.

**For the financial year 2023,** the Board of Directors of Purmo Group Plc proposes to the Annual General Meeting planned to be held on 9 April 2024 that a return of capital of EUR 0.36 per class C share and EUR 0.07 per class F share shall be paid. The return of capital is proposed to be paid in four instalments on 26 April 2024, 26 July 2024, 25 October 2024 and 24 January 2025.

## Board of Director's proposal for the distribution of profit

The parent company's distributable equity on 31 December 2023 totalled EUR 461,707,064.23. The Board of Directors of Purmo Group Plc proposes to the Annual General Meeting planned to be held on 9 April 2024 that a return of capital of EUR 0.36 per class C share be paid for the financial year 2023 and that a return of capital for class F shares be paid in accordance with the Articles of Association of the Company for the financial year 2023 from the reserve for invested unrestricted equity of the Company.

All the class C shares in the Company are entitled to a return of capital except for treasury shares held by the Company on the return of capital record date. In accordance with the Articles of Association of the Company and as a consequence of the first share price hurdle for conversion of class F shares into class C shares having been exceeded in September 2021, class F shares currently carry a right to asset distribution equivalent to 0.69 per cent of the return of capital proposed to be distributed to class C shares, which corresponds to a return of capital of EUR 0.07 per class F share.

According to the Company's dividend policy, at least 40% of annual net profit will be distributed as dividend or return of capital.

The return of capital is proposed to be paid in four instalments in Q2 2024, Q3 2024, Q4 2024 and in Q1 2025.

## Financial guidance for 2024

Adjusted EBITDA in 2024 is expected to be on a similar or higher level than in 2023 (EUR 92.3 million).

Wholesalers' stock levels have stabilised, and the lower interest rates support the expectations of a gradual market activity improvement. Strong margin management actions, which will continue in 2024, provide confidence in the guidance for the Group. However, increased geopolitical risks and high overall uncertainties can have an impact on Purmo Group's core markets.

The strategy acceleration programme, Accelerate PG, performs ahead of plan and further underpins Purmo Group's outlook for 2024. As a result, the company updates the programme's target. The cumulative targeted adjusted EBITDA run-rate improvements will be EUR 50 million (previously: above EUR 40 million), which are expected to be reached by the end of 2024. The programme also targets cumulative net working capital improvements of EUR 45 million by the end of 2024 (previously: more than EUR 30 million).

In Helsinki, 12 February 2024

Purmo Group Plc's Board of Directors

# Condensed consolidated financial information

## Consolidated statement of profit and loss

| EUR million | Note | 10-12/2023 | 10-12/2022 | 2023 | 2022 |
|---|---|---|---|---|---|
| Net sales | 3 | 175.0 | 206.6 | 743.2 | 904.1 |
| Cost of sales | | -133.2 | -163.2 | -551.2 | -700.8 |
| **Gross profit** | | **41.8** | **43.4** | **192.0** | **203.3** |
| | | | | | |
| Sales and marketing expenses | | -23.4 | -22.0 | -87.6 | -87.9 |
| Administrative expenses | | -13.3 | -14.4 | -51.1 | -51.5 |
| Research and development expenses | | -1.0 | -1.1 | -5.3 | -6.2 |
| Other income | | 3.9 | 0.9 | 8.8 | 4.9 |
| Other expenses | | -33.6 | -8.4 | -47.1 | -23.7 |
| **Operational expenses** | | **-67.3** | **-45.0** | **-182.3** | **-164.3** |
| | | | | | |
| **EBIT** | | **-25.5** | **-1.5** | **9.7** | **39.0** |
| | | | | | |
| Finance income | | 8.5 | 1.5 | 13.2 | 5.7 |
| Finance expenses | | -13.5 | -8.7 | -32.5 | -23.1 |
| **Net financial items** | | **-4.9** | **-7.3** | **-19.3** | **-17.4** |
| | | | | | |
| **Profit before tax** | | **-30.5** | **-8.8** | **-9.6** | **21.6** |
| | | | | | |
| Income tax expense | 4 | 7.0 | 1.8 | 0.3 | -8.4 |
| **Profit for the period** | | **-23.4** | **-7.0** | **-9.3** | **13.1** |
| | | | | | |
| **Profit for the period attributable to:** | | | | | |
| Owners of the parent | | -23.4 | -7.0 | -9.3 | 13.1 |
| | | | | | |
| **Earnings per share for profit attributable to the ordinary equity holders of the parent company:** | | | | | |
| Earnings per share basic, EUR | | -0.59 | -0.17 | -0.32 | 0.32 |
| Earnings per share diluted, EUR | | -0.59 | -0.17 | -0.32 | 0.32 |

## Consolidated statement of comprehensive income

| EUR million | 10-12/2023 | 10-12/2022 | 2023 | 2022 |
|---|---|---|---|---|
| Profit for the period | -23.4 | -7.0 | -9.3 | 13.1 |
| | | | | |
| **Other comprehensive income** | | | | |
| **Items that will never be reclassified to profit or loss** | | | | |
| Remeasurement of defined benefit liability (asset) | -3.2 | -10.9 | -3.2 | 2.2 |
| Related tax | 0.9 | 2.4 | 0.9 | -0.2 |
| **Total items that will not be reclassified to profit or loss** | **-2.3** | **-8.5** | **-2.3** | **1.9** |
| | | | | |
| **Items that are or may be reclassified to profit or loss** | | | | |
| Foreign operations – foreign currency translation differences | 2.3 | -6.2 | -1.8 | 0.5 |
| Reclassification of foreign currency translation differences through profit and loss | – | – | – | 0.4 |
| Cash flow hedges – effective portion of changes in fair value | 3.0 | 1.8 | 4.5 | 3.4 |
| Cash flow hedges – reclassified to profit or loss | -1.5 | 0.1 | -3.4 | 0.7 |
| Related tax | -0.3 | -0.4 | -0.2 | -0.8 |
| **Total items that are or may be reclassified to profit or loss** | **3.4** | **-4.7** | **-0.9** | **4.2** |
| | | | | |
| **Other comprehensive income, net of tax** | **1.1** | **-13.2** | **-3.2** | **6.2** |
| | | | | |
| **Total comprehensive income for the period** | **-22.3** | **-20.2** | **-12.5** | **19.3** |
| | | | | |
| **Total comprehensive income attributable to:** | | | | |
| Owners of the parent | -22.3 | -20.2 | -12.5 | 19.3 |

## Consolidated statement of financial position

| EUR million | Note | 31 Dec 2023 | 31 Dec 2022 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Goodwill | 5 | 370.6 | 370.6 |
| Other intangible assets | 5 | 45.9 | 47.0 |
| Property, plant and equipment | 5 | 127.6 | 127.3 |
| Right-of-use assets | 5 | 35.8 | 39.3 |
| Defined benefit assets | | 0.0 | 2.2 |
| Derivative assets | 7 | 1.0 | 2.7 |
| Other receivables | | 4.5 | 0.7 |
| Deferred tax assets | | 42.8 | 29.2 |
| **Total non-current assets** | | **628.2** | **618.9** |
| | | | |
| **Current assets** | | | |
| Inventories | | 143.7 | 174.1 |
| Trade receivables | 7 | 75.2 | 89.1 |
| Derivative assets | 7 | 4.7 | 2.7 |
| Other receivables | | 24.2 | 25.6 |
| Current tax asset | | 4.4 | 3.1 |
| Cash and cash equivalents | | 111.7 | 56.3 |
| **Total current assets** | | **364.0** | **350.7** |
| | | | |
| **Assets held for sale** | 11 | **5.6** | **14.0** |
| | | | |
| **Total assets** | | **997.8** | **983.7** |
| | | | |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | | 3.1 | 3.1 |
| Reserve for invested unrestricted equity | | 365.9 | 380.8 |
| Other reserves | | -5.9 | -5.0 |
| Retained earnings | | 22.8 | 11.3 |
| Profit for the period | | -9.3 | 13.1 |
| **Equity attributable to owners of the company** | | **376.4** | **403.3** |
| Hybrid bond | | 59.3 | - |
| **Total equity** | | **435.7** | **403.3** |
| | | | |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Loans and borrowings | 7 | 277.9 | 278.1 |
| Lease liabilities | | 31.7 | 34.3 |
| Defined benefit liabilities | | 18.0 | 18.7 |
| Derivative liabilities | | 0.3 | - |
| Other payables | | 1.3 | 1.4 |
| Provisions | 8 | 8.1 | 7.8 |
| Deferred tax liabilities | | 6.4 | 5.4 |
| **Total non-current liabilities** | | **343.8** | **345.6** |
| | | | |
| **Current liabilities** | | | |
| Loans and borrowings | 7 | 7.3 | 11.3 |
| Lease liabilities | | 10.4 | 9.4 |
| Derivative liabilities | 7 | 3.0 | 1.5 |
| Trade and other payables | 7 | 160.5 | 193.4 |
| Provisions | 8 | 24.8 | 0.4 |
| Current tax liabilities | | 1.7 | 8.8 |
| **Total current liabilities** | | **207.8** | **224.8** |
| **Total liabilities** | | **551.6** | **570.5** |
| | | | |
| **Liabilities directly attributed to assets held for sale** | 11 | **10.5** | **10.0** |
| | | | |
| **Total equity and liabilities** | | **997.8** | **983.7** |

## Consolidated Statement of cash flows

| EUR million | 10-12/2023 | 10-12/2022 | 2023 | 2022 |
|---|---|---|---|---|
| **Cash flow from operating activities** | | | | |
| Profit for the period | -23.4 | -7.0 | -9.3 | 13.1 |
| Adjustments: | | | | |
| Depreciation, amortisation and impairment losses | 7.7 | 8.1 | 29.8 | 32.1 |
| Gain on sale of property, plant and equipment and intangible assets | -0.0 | 0.0 | -0.1 | - |
| Gain and losses on sale of subsidiaries | - | - | - | -1.2 |
| Finance income and expenses | 4.9 | 7.3 | 19.3 | 17.4 |
| Income tax expenses | -7.0 | -1.8 | -0.3 | 8.4 |
| Other non-cash items | 35.9 | 8.4 | 39.1 | 21.0 |
| **Cash flow before change in net working capital** | **18.1** | **15.0** | **78.6** | **90.9** |
| | | | | |
| **Changes in net working capital** | | | | |
| Inventories, increase (-) / decrease (+) | 21.1 | 17.7 | 32.8 | -21.4 |
| Trade and other receivables, increase (-) / decrease (+) | 13.2 | 57.8 | 9.6 | 25.4 |
| Trade and other payables, increase (+) / decrease (-) | -15.4 | -41.0 | -44.3 | -31.5 |
| Provisions and employee benefits, increase (+) / decrease (-) | 0.3 | 0.4 | -0.2 | -4.1 |
| **Changes in net working capital** | **19.2** | **34.8** | **-2.1** | **-31.5** |
| | | | | |
| **Net cash flow from operating activities before financial items and taxes** | **37.3** | **49.8** | **76.5** | **59.4** |
| | | | | |
| Financial items, net | -1.1 | -7.5 | -15.9 | -17.4 |
| Income tax paid, net | -3.7 | -2.1 | -20.1 | -10.9 |
| **Cash flow from operating activities** | **32.5** | **40.2** | **40.4** | **31.1** |
| | | | | |
| **Cash flow from investing activities** | | | | |
| Proceeds from sale of property, plant and equipment and intangible assets | - | - | - | 3.1 |
| Proceeds from sale of subsidiaries | - | - | - | 2.7 |
| Purchases of property, plant and equipment and intangible assets | -8.5 | -11.6 | -20.3 | -24.0 |
| Acquisitions of subsidiaries, net of cash acquired | - | - | - | -14.6 |
| Long-term loan receivables granted | - | -0.2 | - | -0.2 |
| Proceeds from long-term loan receivables | - | 0.1 | 0.1 | 0.1 |
| **Cash flow from investing activities** | **-8.5** | **-11.7** | **-20.2** | **-32.9** |
| | | | | |
| **Cash flow from financing activities** | | | | |
| Increase of equity | - | 0.7 | - | 0.7 |
| Return of capital paid | -3.7 | -7.5 | -11.1 | -14.9 |
| Proceeds from hybrid bond | - | - | 60.0 | - |
| Hybrid bond interest and expenses | - | - | -0.7 | - |
| Repayment of lease liabilities | -3.3 | -3.1 | -11.8 | -11.6 |
| Change in short-term borrowings | 2.2 | -15.7 | -3.8 | -85.0 |
| **Cash flow from financing activities** | **-4.7** | **-25.6** | **32.6** | **-110.8** |
| | | | | |
| **Change in cash and cash equivalents, increase (+) / decrease (-)** | **19.3** | **2.9** | **52.8** | **-112.6** |
| | | | | |
| **Cash and cash equivalents at beginning of the period** | **89.9** | **53.1** | **65.4** | **177.6** |
| Impact of change in exchange rates | 0.2 | -1.9 | -1.9 | 0.3 |
| Cash classified as assets held for sale | 2.2 | 2.1 | -4.6 | -9.1 |
| **Cash and cash equivalents at the end of the period** | **111.7** | **56.3** | **111.7** | **56.3** |

## Consolidated statement of changes in equity

| | Attributable to owners of the parent company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| EUR million | Share capital | Reserve for invested unrestricted equity | Translation reserve | Fair value reserve | Retained earnings | Total | Hybrid bond | Total equity |
| **Balance as at 1 Jan 2022** | **3.1** | **385.9** | **-8.7** | **-0.6** | **10.9** | **390.6** | **-** | **390.6** |
| Profit for the period | | | | | 13.1 | 13.1 | | **13.1** |
| Other comprehensive income | | | 0.9 | 3.3 | 1.9 | 6.2 | | **6.2** |
| **Total comprehensive income for the period** | | | **0.9** | **3.3** | **15.1** | **19.3** | | **19.3** |
| Dividends and return of capital paid | | -14.9 | | | | -14.9 | | **-14.9** |
| Share issue | | 9.7 | | | | 9.7 | | **9.7** |
| Share-based payments | | | | | 0.2 | 0.2 | | **0.2** |
| Other changes | | | | | -1.7 | -1.7 | | **-1.7** |
| **Balance as at 31 Dec 2022** | **3.1** | **380.8** | **-7.8** | **2.7** | **24.4** | **403.3** | **-** | **403.3** |
| | | | | | | | | |
| Profit for the period | | | | | -9.3 | -9.3 | | -9.3 |
| Other comprehensive income | | | -1.8 | 0.9 | -2.3 | -3.2 | | -3.2 |
| **Total comprehensive income for the period** | | | **-1.8** | **0.9** | **-11.6** | **-12.5** | | **-12.5** |
| Dividends and return of capital paid | | -14.9 | | | | -14.9 | | -14.9 |
| Share-based payments | | | | | 0.6 | 0.6 | | 0.6 |
| Proceeds from hybrid bond | | | | | | - | 59.3 | 59.3 |
| **Balance as at 31 Dec 2023** | **3.1** | **365.9** | **-9.6** | **3.6** | **13.4** | **376.4** | **59.3** | **435.7** |

# Notes to the financial statements review

## 1. Reporting entity

Purmo Group Plc, 'Purmo Group' or the 'Company', business ID 2890898-5, is a public limited company domiciled in Helsinki. The registered address of Purmo Group is Bulevardi 46, 00120 Helsinki, Finland.

This financial statemens review comprises the parent company Purmo Group Plc and its subsidiaries (collectively the 'Group' and individually 'Group companies'). The Company's class C shares are listed on the Nasdaq Helsinki stock exchange.

## 2. Basis of preparation

The figures in this financial statements review has been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with IFRS. This review does not include all information required for a complete set of financial statements prepared in accordance with IFRS. Selected explanatory notes are therefore included to explain events and transactions that are significant to understand the changes in the Group's financial position and performance since the last annual financial statements. The accounting policies applied are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022 except the adoption of new and amended standards. The figures in this review are audited.

On 16 February 2023 Purmo Group issued a hybrid bond of EUR 60.0 million. The hybrid bond is subordinated to the company's other debt obligations and is treated as equity in the Group's consolidated financial statements prepared in accordance with IFRS. The hybrid bond does not confer to its holders the rights of a shareholder and does not dilute the holdings of the shareholders. The hybrid bond bears interest at a fixed rate of 9.5 per cent per annum until 23 February 2026 after which the hybrid bond will bear interest at a floating interest rate quarterly in arrears on each interest payment date. The hybrid bond does not have a specified maturity date, and the Company is not under an obligation to repay, repurchase or redeem the hybrid bond at any specified date. The Company has the possibility to redeem the hybrid bond on the reset date, on 23 February 2026. The hybrid bond is initially recognised at fair value less transaction cost and subsequently the bond is measured at cost. Interest is recorded into retained earnings adjusted with tax effect upon payment or accrued interest is recorded into retained earnings adjusted with tax effect and as an accrued interest liability when the commitment to payment arises. When calculating earnings per share, the result is adjusted with hybrid bond interests regardless of payment date and adjusted with tax effect.

This financial statements review is presented in million euros unless otherwise stated. The figures in the tables and texts are subject to rounding, which may cause some rounding inaccuracies in aggregate column and row totals.

### New and amended standards

The Group has applied the relevant revised IFRS standards published by IASB effective for financial reporting periods commencing on 1 January 2023. The application of the revised standards has not had a material impact on the results, the financial position or the presentation of the interim financial report.

### Seasonality

Purmo Group's business and cash flows are affected by seasonality. Typically, most of the demand for Purmo Group's products occurs during the peak heating-season with a notable increase in monthly demand in September-November. Quarterly seasonality is more muted as the third and fourth quarters are typically tempered by lower demand in July-August and December due to holiday periods. Overall, demand is typically at the lowest level during the second quarter when the heating demand is at its lowest. This is only partially offset by the peak cooling-season as Purmo Group has a relatively smaller exposure to demand for air conditioning systems. The quarterly comparisons of Purmo Group's sales and operating results are therefore impacted by seasonality and changes in raw material prices, and the results of any quarterly period may not be indicative of expected results for a full year.

**Key accounting estimates and judgements**

An IFRS-compliant interim financial report requires the Group's management to exercise judgment and make estimates and assumptions that affect the reported amounts of assets and liabilities and other information such as the amounts of income and expense. Although these estimates are based on the management's best knowledge at the time, it is possible that actual results differ from the estimates used in the interim financial reports.

The Group's management has reviewed the carrying values of the balance sheet items and the review did not indicate need for asset impairments.

The Group's management has assessed the balance sheet impact of Russia's war in Ukraine and the decision to divest the business in Russia. The management has considered indicators of impairment of goodwill and intangible assets, the recoverable amount of property plant and equipment and right-of-use assets, the valuation of inventories, trade receivables and redemption liability. Due to the significant uncertainties related to the business in Russia and Ukraine the Group recognised impairment charges of EUR 12.9 million on goodwill, intangible assets, property, plant and equipment, right-of-use assets, inventories, other assets and redemption liability in financial year 2022. During 2023 the Group increased the redemption liability with EUR 1.3 million and recognised additional impairment charges of EUR 3.9 million on inventories and other assets.

## 3. Segment information and net sales

### Group's divisions

As of 1 January 2023, the segments for Purmo Group are Climate Products & Systems and Climate Solutions. The new segment reporting structure is aligned with the new organisational structure announced 5 October 2022. Purmo Group has restated the 2022 comparison figures according to the new segment reporting. The restated figures are unaudited.

The **Climate Products & Systems** division sells via wholesalers in both residential and non-residential sector. Sales regions are Northern, Western, Southern and Eastern Europe, and the rest of the world, including Brazil, China, Japan and the United States.

The main product categories within Climate Products & Systems are panel radiators, tubular radiators, and electric radiators. In addition, radiant heating and cooling (RHC), including underfloor heating, air heating and cooling, water distribution systems as well as system components and controls belong to the main product categories within Climate Solutions & Systems.

The **Climate Solutions** division sells directly to installers from the company's Emmeti business in South Europe, Thermotech business in the Nordic region and Merriott business in the United Kingdom.

Climate Solutions provides integrated solutions, which include a comprehensive set of heating and cooling solutions for customers whose goal is to achieve energy savings and reduce the emissions generated by energy consumption.

Other and unallocated items comprise corporate headquarter functions and other Group level costs including Group Finance, Group Legal, Group Sustainability, Group Communications, Group Human Resources, and M&A. The head office costs comprise mostly of salaries, rent and professional fees that are operated for the benefit of the whole group and are not allocated to the divisions.

Purmo Group's Board of Directors, assisted by the CEO, is the Group's chief operating decision maker. The operating segments are defined based on the information that the Board of Directors uses to make decisions about the resources to be allocated to the divisions and to assess their performance.

The divisions' financial performance is assessed internally based on net sales and adjusted EBITDA. The adjusted EBITDA has been derived from the unadjusted EBITDA by removing material and unexpected items outside the ordinary course of business and that are considered to impact comparability of the underlying business operations and by excluding costs and income incurred in the group functions as described above. Such items include direct M&A related transaction and integration costs, restructuring costs and costs incurred in connection with performance improvement programs, impairment and write-down charges connected to the Russian business, and losses relating to sale of fixed assets.

**10-12/2023**

| EUR million | Climate Products & Systems | Climate Solutions | Other and unallocated | Eliminations | Group |
|---|---|---|---|---|---|
| **Net sales** | **134.9** | **40.1** | **-** | **-0.0** | **175.0** |
| **Adjusted EBITDA** | **16.3** | **7.2** | **-2.4** | **-0.0** | **21.1** |
| **Adjusted EBITDA % of sales** | **12.1%** | **18.0%** | | | **12.1%** |
| Comparability adjustments impacting EBITDA | | | | | -31.8 |
| Depreciation, amortisation and impairment | -13.4 | -1.4 | -0.0 | - | -14.8 |
| **EBIT** | | | | | **-25.5** |
| Net financial items | | | | | -4.9 |
| **Profit before tax** | | | | | **-30.5** |

**10-12/2022**

| EUR million | Climate Products & Systems | Climate Solutions | Other and unallocated | Eliminations | Group |
|---|---|---|---|---|---|
| **Net sales** | **162.7** | **44.0** | **-** | **-0.1** | **206.6** |
| **Adjusted EBITDA** | **12.2** | **6.4** | **-2.4** | **0.0** | **16.3** |
| **Adjusted EBITDA % of sales** | **7.5%** | **14.5%** | | | **7.9%** |
| Comparability adjustments impacting EBITDA | | | | | -9.9 |
| Depreciation, amortisation and impairment | -6.9 | -1.1 | -0.1 | - | -7.9 |
| **EBIT** | | | | | **-1.5** |
| Net financial items | | | | | -7.3 |
| **Profit before tax** | | | | | **-8.8** |

**2023**

| EUR million | Climate Products & Systems | Climate Solutions | Other and unallocated | Eliminations | Group |
|---|---|---|---|---|---|
| **Net sales** | **591.9** | **151.6** | **-** | **-0.3** | **743.2** |
| **Adjusted EBITDA** | **78.5** | **23.7** | **-9.9** | **0.0** | **92.3** |
| **Adjusted EBITDA % of sales** | **13.3%** | **15.6%** | | | **12.4%** |
| Comparability adjustments impacting EBITDA | | | | | -45.6 |
| Depreciation, amortisation and impairment | -31.7 | -5.1 | -0.1 | - | -36.9 |
| **EBIT** | | | | | **9.7** |
| Net financial items | | | | | -19.3 |
| **Profit before tax** | | | | | **-9.6** |

**2022**

| EUR million | Climate Products & Systems | Climate Solutions | Other and unallocated | Eliminations | Group |
|---|---|---|---|---|---|
| **Net sales** | **720.6** | **183.9** | **-** | **-0.4** | **904.1** |
| **Adjusted EBITDA** | **71.7** | **29.9** | **-8.7** | **-0.0** | **92.9** |
| **Adjusted EBITDA % of sales** | **9.9%** | **16.3%** | | | **10.3%** |
| Comparability adjustments impacting EBITDA | | | | | -14.4 |
| Depreciation, amortisation and impairment | -34.9 | -4.5 | -0.1 | - | -39.5 |
| **EBIT** | | | | | **39.0** |
| Net financial items | | | | | -17.4 |
| **Profit before tax** | | | | | **21.6** |

## Net sales by market area for divisions

The division sales divided into geographical areas is the primary aggregation criteria of sales that is monitored by the company.

| | 10-12/2023 | | | | 10-12/2022 | | | |
|---|---|---|---|---|---|---|---|---|
| EUR million | Climate Products & Systems | Climate Solutions | Eliminations | Group | Climate Products & Systems | Climate Solutions | Eliminations | Group |
| Northern Europe[1] | 37.5 | 5.2 | -0.0 | 42.6 | 41.5 | 7.1 | -0.1 | 48.5 |
| Western Europe | 58.2 | 1.7 | - | 59.9 | 71.9 | 1.8 | - | 73.7 |
| Central and Eastern Europe | 34.0 | 1.6 | - | 35.6 | 31.3 | 1.9 | - | 33.1 |
| Southern Europe | 5.7 | 25.6 | -0.0 | 31.3 | 7.3 | 27.4 | - | 34.8 |
| Rest of the world[2] | -0.5 | 6.0 | - | 5.5 | 10.7 | 5.8 | - | 16.5 |
| **Net sales** | **134.9** | **40.1** | **-0.0** | **175.0** | **162.7** | **44.0** | **-0.1** | **206.6** |

[1] Net sales in Finland (company's country of domicile) totalled to EUR 4.1 million (4.8).
[2] Negative figure 10-12/2023 is due to corrections related to previous quarters.

| | | | | 2023 | | | | 2022 |
|---|---|---|---|---|---|---|---|---|
| EUR million | Climate Products & Systems | Climate Solutions | Eliminations | Group | Climate Products & Systems | Climate Solutions | Eliminations | Group |
| Northern Europe[1] | 143.3 | 23.3 | -0.2 | 166.4 | 163.8 | 27.4 | -0.1 | 191.0 |
| Western Europe | 278.2 | 9.3 | - | 287.5 | 329.5 | 7.9 | -0.1 | 337.2 |
| Central and Eastern Europe | 128.1 | 7.3 | - | 135.4 | 164.9 | 9.7 | -0.1 | 174.5 |
| Southern Europe | 24.2 | 86.3 | -0.2 | 110.3 | 27.7 | 114.8 | -0.1 | 142.4 |
| Rest of the world | 18.1 | 25.4 | - | 43.5 | 34.7 | 24.2 | 0.0 | 58.9 |
| **Net sales** | **591.9** | **151.6** | **-0.3** | **743.2** | **720.6** | **183.9** | **-0.4** | **904.1** |

[1] Net sales in Finland (company's country of domicile) totalled to EUR 14.6 million (17.8).

The group has one customer whose share of the Group's total net sales is more than 10 per cent.

## 4. Taxes

In January-December 2023, Purmo Group's income tax expenses were EUR 0.3 million (-8.4) corresponding to a reported effective tax rate of 2.7 per cent (39.1). The positive total tax is due to deferred tax assets recognised on temporary differences. The tax expenses are impacted by the following non-deductible items: A trademark amortisation and claw-back of Group internal capital gain related to previous years company restructurings of total EUR 5.7 million as well as a redemption liability and an additional impairment on inventory both relating to the Russian business assets held for sale of total EUR 4.9 million. When excluding these items, the effective tax rate is -27.8 per cent (20.1).

## 5. Intangible and tangible assets

### Intangible assets

| EUR million | 31 Dec 2023 | 31 Dec 2022 |
|---|---|---|
| **Opening balance** | **417.5** | **405.5** |
| Effect of exchange rates | 0.0 | -0.1 |
| Purchases of subsidiaries and business acquisitions | – | 18.2 |
| Additions | 0.9 | 1.7 |
| Disposals | -0.1 | -0.2 |
| Transfers | 1.9 | 0.3 |
| Amortisation | -3.8 | -3.9 |
| Impairment charges | – | -4.0 |
| **Closing balance** | **416.5** | **417.5** |

### Property, plant and equipment

| EUR million | 31 Dec 2023 | 31 Dec 2022 |
|---|---|---|
| **Opening balance** | **127.3** | **131.9** |
| Effect of exchange rates | 1.6 | -1.8 |
| Purchases of subsidiaries and business acquisitions | – | 1.1 |
| Additions | 22.0 | 23.7 |
| Disposals | -13.6 | -25.8 |
| Transfers | -1.5 | -0.3 |
| Depreciations | -16.4 | -19.1 |
| Depreciations on disposals | 12.0 | 20.4 |
| Impairment charges | -3.9 | -3.0 |
| **Closing balance** | **127.6** | **127.3** |

### Right-of-use assets

| EUR million | 31 Dec 2023 | 31 Dec 2022 |
|---|---|---|
| **Opening balance** | **39.3** | **31.3** |
| Effect of exchange rates | 0.2 | -0.6 |
| Purchases of subsidiaries and business acquisitions | – | 2.9 |
| Additions | 8.4 | 14.4 |
| Disposals | -0.0 | -0.2 |
| Depreciations | -9.6 | -9.2 |
| Impairment charges | -2.4 | -0.4 |
| **Closing balance** | **35.8** | **39.3** |

## 6. Changes in the shares outstanding during the reporting period

| Number of outstanding shares (pcs) | Class C share | Class F share |
|---|---|---|
| **1 Jan 2023** | **41,112,713** | **1,565,217** |
| **31 Dec 2023** | **41,112,713** | **1,565,217** |

The company's registered share capital on 31 December 2023 was EUR 3,080,000. The company has two share classes of which class C shares are listed and class F shares are held by Purmo Group Plc's founding shareholder, Virala Corporation. The shares have no nominal value.

The company's class F shares ('Founder Shares') are subject to redemption and consent clauses in accordance with the Articles of Association, which restrict the rights to transfer or acquire Founder Shares. The Founder Shares are not publicly traded. The company has no treasury shares.

## 7. Financial instruments

**31 Dec 2023**

| | Carrying amount | | | | | |
|---|---|---|---|---|---|---|
| EUR million | Fair value through OCI | Fair value through profit or loss | Amortised cost | Total | Fair value | Fair value hierarchy |
| **Financial assets** | | | | | | |
| Foreign exchange derivatives | 4.6 | 0.2 | | **4.7** | 4.7 | Level 2 |
| Interest rate derivatives | 1.0 | | | **1.0** | 1.0 | Level 2 |
| Loan receivables | | | 0.5 | **0.5** | 0.5 | Level 2 |
| Trade receivables | | | 75.2 | **75.2** | 75.2 | Level 2 |
| Cash and cash equivalents[1] | | | 116.3 | **116.3** | 116.3 | |
| **Total assets** | **5.5** | **0.2** | **192.0** | **197.7** | **197.7** | |
| | | | | | | |
| **Financial liabilities** | | | | | | |
| Foreign exchange derivatives | 0.8 | 2.2 | | **3.0** | 3.0 | Level 2 |
| Interest rate derivatives | 0.3 | | | **0.3** | 0.3 | Level 2 |
| Loans from financial institutions | | | 285.1 | **285.1** | 285.1 | Level 2 |
| Redemption liability[2] | | | 8.6 | **8.6** | 8.6 | Level 3 |
| Trade payables | | | 71.2 | **71.2** | 71.2 | Level 2 |
| **Total liabilities** | **1.1** | **2.2** | **364.9** | **368.3** | **368.3** | |

[1] Cash and cash equivalents include EUR 4.6 million classified as assets held for sale and short-term bank deposits of EUR 82.0 million.
[2] The redemption liability has been classified as liabilities related to assets held for sale.

**31 Dec 2022**

| EUR million | Carrying amount: Fair value through OCI | Fair value through profit or loss | Amortised cost | Total | Fair value | Fair value hierarchy |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Foreign exchange derivatives | 2.0 | 0.7 | | 2.7 | 2.7 | Level 2 |
| Interest rate derivatives | 2.7 | | | 2.7 | 2.7 | Level 2 |
| Loan receivables | | | 0.5 | 0.5 | 0.5 | Level 2 |
| Trade receivables | | | 89.1 | 89.1 | 89.1 | Level 2 |
| Cash and cash equivalents[1] | | | 65.4 | 65.4 | 65.4 | |
| **Total assets** | **4.7** | **0.7** | **155.0** | **160.3** | **160.3** | |
| | | | | | | |
| **Financial liabilities** | | | | | | |
| Foreign exchange derivatives | 1.4 | 0.1 | | 1.5 | 1.5 | Level 2 |
| Interest rate derivatives | – | | | – | – | Level 2 |
| Loans from financial institutions | | | 279.4 | 279.4 | 279.4 | Level 2 |
| Commercial papers | | | 10.0 | 10.0 | 10.0 | Level 2 |
| Redemption liability[2] | | | 7.6 | 7.6 | 7.6 | Level 3 |
| Trade payables | | | 103.7 | 103.7 | 103.7 | Level 2 |
| **Total liabilities** | **1.4** | **0.1** | **400.7** | **402.2** | **402.2** | |

[1] Cash and cash equivalents include EUR 9.1 million classified as assets held for sale.
[2] The redemption liability has been classified as liabilities related to assets held for sale.

In February 2023 the company issued a EUR 60.0 million hybrid bond, which according to IFRS is recognised in equity and is thus not included in the company's financial liabilities. The hybrid bond has annual coupon of 9.5 per cent and the company has the possibility to redeem the bond on the reset date in February 2026.

During the third quarter of 2023 the company utilised first of its two extension options, which extended the maturity of the syndicated term loan of EUR 280.0 million and revolving credit facility of EUR 80.0 million by one year from December 2024 to December 2025.

During the fourth quarter of 2023 the company utilised second and last of its extension options, which extended the maturity of the syndicated term loan of EUR 280.0 million and revolving credit facility of EUR 80.0 million by one year from December 2025 to December 2026.

At the end of the reporting date the company had the following undrawn credit facilities; EUR 80.0 million committed revolving credit facility, EUR 20.5 million overdraft facilities and EUR 125.0 million uncommitted M&A facility.

**Carrying amounts and fair values of financial instruments**

The fair value of items which are measured at fair value are categorised in three levels:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Fair value determined by observable parameters
- Level 3: Fair value determined by non-observable parameters

The tables above show the carrying amounts and fair values of financial assets and financial liabilities. It does not include fair value information for trade receivables, trade payables, or other short-term financial assets and liabilities, as their carrying amount is a reasonable approximation of fair value due to their short maturities. There have been no transfers between fair value levels during the reporting period.

Financial assets and liabilities recognised at fair value through profit and loss comprise mainly currency derivatives. The recurring measurement of these instruments at fair value is based on commonly applied valuation methods and uses observable market-based variables. Therefore, these measurements are categorised in the fair value hierarchy as level 2 fair values.

## 8. Provisions

| EUR million | 31 Dec 2023 | 31 Dec 2022 |
|---|---|---|
| **Non-current** | | |
| Warranties and guarantees | 1.4 | 1.6 |
| Restructuring | 0.0 | 0.2 |
| Other provisions | 6.7 | 6.0 |
| **Total** | **8.1** | **7.8** |
| | | |
| **Current** | | |
| Warranties and guarantees | 0.0 | 0.1 |
| Restructuring | 23.8 | 0.3 |
| Other provisions | 1.0 | - |
| **Total** | **24.8** | **0.4** |

The increase in the restructuring provision in 2023 is mainly related to the Accelerate PG programme and the closure of the panel radiator plant in Zonhoven, Belgium as announced on 28 November 2023.

## 9. Commitments and contingent assets and liabilities

| EUR million | 31 Dec 2023 | 31 Dec 2022 |
|---|---|---|
| **Guarantees** | | |
| Bank guarantees | 5.4 | 8.3 |
| Parent guarantees | 19.9 | 15.7 |
| **Total** | **25.4** | **24.0** |

Off-balance sheet leases include low-value leases in accordance with the exemption of IFRS 16, and leases that have not yet commenced. The Group does not have material lease agreements not yet commenced as at the balance sheet dates.

Purmo Group is involved in certain minor legal actions, claims and proceedings. The outcome of these matters cannot be predicted. Considering all available information to date, the outcome is not expected to have a material impact on the financial position of the Group.

The accrued unrecognised interest on the hybrid bond amounted to EUR 4.9 million (-) as of 31 December 2023.

## 10. Related party transactions

The following table summarizes the related party transactions and balances:

| EUR million | 2023 | 2022 |
|---|---|---|
| **Items in the income statement** | | |
| Interest income | 0.0 | 0.0 |
| Purchases | -0.2 | -0.1 |

| EUR million | 2023 | 2022 |
|---|---|---|
| **Items in the balance sheet** | | |
| Non-current receivables | 0.2 | 0.2 |
| Current receivables | 0.0 | - |
| | | |
| **Items recognised in equity** | | |
| Dividend and repayment of capital | -7.1 | -9.8 |

Parties are considered to be related if one party has the ability to control or exercise significant influence on the other party, or if the parties exercise joint control in making financial and operating decisions.

Purmo Group's related parties include subsidiaries as well as the members of the Board of Directors and the CEO and members of the Group management.
In addition, the immediate parent company Rettig Ltd and the ultimate controlling party Rettig Capital Ltd and their subsidiaries, associated companies and joint ventures are related parties. All transactions and outstanding balances with these related parties are priced on an arm's length basis. Tomas von Rettig and Maria von Rettig have significant influence over Rettig Capital Ltd.

In July 2022 Purmo Group Purmo Group announced that the Board of Directors had decided to launch a new share-based incentive plan intended for management and key employees. The company provided the participants with a possibility to finance 50 per cent of the subscription value through an interest-bearing loan from the company, which some of the Group management utilised. The loans were withdrawn in October 2022 and will be repaid in full on 30 May 2028, at the latest. The participants have pledged subscribed shares as a security for performing the obligations under the concluded loan agreement. As a result, Purmo Group had 5,376 class C shares as a pledge at the end of the reporting period.

## 11. Assets held for sale

| EUR million | 31 Dec 2023 | 31 Dec 2022 |
|---|---|---|
| **Assets held for sale[1]** | | |
| Right-of-use assets | -0.0 | 0.0 |
| Inventories | 0.0 | 4.4 |
| Other assets | 1.0 | 0.6 |
| Cash and cash equivalents | 4.6 | 9.1 |
| **Total** | **5.6** | **14.0** |
| | | |
| **Liabilities related to assets held for sale[1]** | | |
| Interest-bearing liabilities | 8.6 | 7.6 |
| Other liabilities | 1.9 | 2.4 |
| **Total** | **10.5** | **10.0** |

[1] Amounts are presented net of internal balances with other Purmo Group subsidiaries.

At the end of March 2022 Purmo Group took the decision to exit its business in Russia. On 28 April 2023, the Group announced that it had signed an agreement to divest its Russian operations to ILPS. The completion of the transaction is subject to the approval by the relevant regulatory authority in Russia. Upon completion of the divestment, the Group will no longer have a manufacturing operation or sales in Russia. The Russian business has been measured at fair value less costs to sell and classified as assets held for sale and continuing operations.

The Group's management has assessed the balance sheet impact of the decision to divest the business in Russia. The management has considered indicators of impairment of goodwill and intangible assets, the recoverable amount of property plant and equipment and right-of-use assets, the valuation of inventories, trade receivables and the redemption liability. Due to the significant uncertainties related to the business in Russia the Group recognised impairment charges of EUR 12.9 million in 2022 on goodwill, intangible assets, property, plant and equipment, right-of-use assets, inventories, other assets and the redemption liability. In March 2023, the Group increased the redemption liability with EUR 1.3 million. In September 2023, the Group recognised additional impairment charges of EUR 1.7 million on inventories. In the reporting period the group recognised additional impairment charges of EUR 2.2 million on inventories and other assets.

## 12. Events after the reporting period

There were no significant events after the reporting period.

## Key figures

| EUR million | 10-12/2023 | 10-12/2022 | Change, % | 2023 | 2022 | Change, % |
|---|---|---|---|---|---|---|
| Net sales | 175.0 | 206.6 | -15% | 743.2 | 904.1 | -18% |
| EBITDA | -10.7 | 6.3 | | 46.6 | 78.5 | -41% |
| EBITDA margin | -6.1% | 3.1% | | 6.3% | 8.7% | |
| Adjusted EBITDA | 21.1 | 16.3 | 30% | 92.3 | 92.9 | -1% |
| Adjusted EBITDA margin | 12.1% | 7.9% | | 12.4% | 10.3% | |
| EBITA | -23.6 | -0.5 | | 14.4 | 46.8 | -69% |
| EBITA margin | -13.5% | -0.2% | | 1.9% | 5.2% | |
| Adjusted EBITA | 14.4 | 9.2 | 57% | 66.3 | 64.6 | 3% |
| Adjusted EBITA margin | 8.3% | 4.4% | | 8.9% | 7.1% | |
| EBIT | -25.5 | -1.5 | | 9.7 | 39.0 | -75% |
| EBIT margin | -14.6% | -0.7% | | 1.3% | 4.3% | |
| Profit before tax | -30.5 | -8.8 | | -9.6 | 21.6 | |
| Profit for the period | -23.4 | -7.0 | | -9.3 | 13.1 | |
| Adjusted profit for the period[3] | 7.5 | 1.7 | 330% | 32.2 | 32.7 | -2% |
| Earnings per share, basic, EUR | -0.59 | -0.17 | | -0.32 | 0.32 | |
| Adjusted earnings per share, basic, EUR | 0.15 | 0.04 | 262% | 0.68 | 0.79 | -14% |
| Cashflow from operating activities | 32.5 | 40.2 | -19% | 40.4 | 31.1 | 30% |
| Capex | 8.5 | 11.6 | -27% | 20.3 | 24.0 | -16% |
| Acquisitions | | | | – | 14.6 | |
| Adjusted operating cash flow for the last 12 months[1] | | | | 75.1 | 44.0 | 71% |
| Cash conversion[1] | | | | 81.4% | 47.4% | |
| Cash and cash equivalents | | | | 111.7 | 56.3 | 98% |
| Net working capital | | | | 85.4 | 91.4 | -7% |
| Operating capital employed | | | | 294.7 | 305.0 | -3% |
| Return on operating capital employed[2] | | | | 2.9% | 12.2% | |
| Net debt | | | | 219.6 | 275.2 | -20% |
| Net debt / Adjusted EBITDA | | | | 2.38 | 2.96 | -20% |
| Equity / Asset ratio | | | | 43.7% | 41.0% | |
| Return on equity | | | | -2.2% | 3.3% | |

[1] Change in net working capital includes assets held for sale. The 2022 comparison figure has been restated by EUR 9.6 million impairment charges related to the business in Russia.
[2] The definition for Return on operating capital employed has been updated from 1 January 2023 and the comparative data has been restated.
[3] The definition of adjusted profit for the period has been updated to include tax impact from comparability adjustments from Q4 2023 and the comparative data has been restated.

## Calculation of key figures

| Key figure | Definition | Reason for use |
|---|---|---|
| EBIT | Profit before tax and net financial items (Operating profit). | EBIT is used to measure profitability generated by operating activities of the Group. |
| EBIT margin | EBIT as per centage of net sales. | |
| EBITDA | Operating profit before depreciation, amortisation and impairment. | EBITDA is an indicator to measure the operating performance of the Group, before depreciation, amortisation and impairment. |
| EBITDA margin | EBITDA as per centage of net sales. | |
| EBITA | Operating profit before the amortisation of intangibles including trademarks. | EBITA is an indicator to measure the operating performance of the Group, before amortisation of intangibles including trademarks. |
| EBITA margin | EBITA as per centage of net sales. | |
| Gross profit | Net sales less cost of sales. | |
| Comparability adjustments | Comparability adjustments comprise of direct transaction and integration costs on M&A activities, restructuring costs and costs incurred in connection with performance improvement programmes, other one-off costs such as legal claims or significant out-of-period adjustments and exceptional gains and losses on sale of fixed assets. | Comparability adjustments account for items that have been adjusted due to specific events that otherwise affect comparability between different periods. Provides a better understanding to management and investors of the comparable operating activities. |
| Adjusted EBITDA | EBITDA before comparability adjustments. | Adjusted EBITDA, adjusted EBITDA margin, Adjusted EBITA and Adjusted EBITA margin are presented in addition to EBIT, EBITDA and EBITA to reflect the underlying business performance by adjusting for items that the Group considers impacting comparability ('Comparability adjustments'). |
| Adjusted EBITDA margin | Adjusted EBITDA as per centage of net sales. | |
| Adjusted EBITA | EBITA before comparability adjustments. | |
| Adjusted EBITA margin | Adjusted EBITA as per centage of net sales. | |
| Adjusted profit for the period | Profit for the period before comparability adjustments and their tax impact. | |
| Capex | Capex is a measure of capital expenditure for the period which comprises the Group's investments in property plant and equipment and intangible assets derived from the consolidated cash flow statement. | Capex is an indicator of the Group's investments in property plant and equipment and intangible assets. |
| Acquisitions (M&A) | Acquisitions of subsidiaries and investments in associates derived from the consolidated cash flow statement for the period. | Acquisition capex is an indicator for investments in acquisition of businesses that are intended to grow the Group's product or service offering, assets or technologies, productive capacity or performance. |

| Key figure | Definition | Reason for use |
|---|---|---|
| Adjusted operating cash flow for the last 12 months | Adjusted EBITDA on a rolling twelve-month basis less change in net working capital and capex on a rolling twelve-months basis. | Adjusted operating cash flow provides information on the Group's operating cash flow on an annualised basis, excluding adjusting items. |
| Cash conversion | Adjusted operating cash flow divided by Adjusted EBITDA based on a rolling twelve-month calculation. | Cash conversion is used to assess Purmo Group's efficiency to convert its operating results into cash. The ratio indicates the Group's capacity to pay dividends and / or generate funds for acquisitions or other transactions. |
| Net working capital | Purmo Group's inventories, operative receivables less trade and other operative liabilities. | Net working capital is a useful measure to monitor the level of direct net working capital tied to the operations and changes therein. |
| Operating capital employed | Net working capital, other intangible assets, property, plant, equipment and right-of-use assets. | Capital employed presents the total investment in the Group's business operations. |
| Return on operating capital employed | EBIT based on a rolling twelve-month calculation divided by quarterly end average operating capital employed. | Measures the return on the capital tied up in the business. |
| Net debt | Non-current and current borrowings (including shareholder loan) and non-current and current lease liabilities less cash and cash equivalents. | To show the net of interest-bearing assets and interest-bearing liabilities. |
| Net debt/Adjusted EBITDA | Net debt divided by Adjusted EBITDA based on a rolling twelve-month calculation. | The ratio indicates how fast the Group can repay its net debt using adjusted EBITDA (expressed in years), and it is a useful measure to monitor the level of the Group's indebtedness. |
| Equity to Asset ratio | Total equity divided by total assets derived from the IFRS consolidated financial statements. | The ratio is a useful indicator to measure how much of the Group's assets are funded by equity rather than through external borrowings. |
| Return on equity | Group's profit for the period based on a rolling twelve-month basis divided by the average total equity. | Shows owners the return on their invested capital. |

From 1 January 2023 onwards Purmo Group has revised the Return of operating capital employed calculation from end of period operating capital employed to quarterly end average operating capital employed. The key figure calculation has been revised to consider the seasonality. The comparative figures have been restated accordingly.

From 1 January 2023 onwards Purmo Group has revised the Equity to Asset ratio and Return on Equity calculations to be calculated from total equity instead of total equity attributable to owners of the company. The key figure calculations have been revised to include the hybrid bond presented in equity according to IFRS. The comparative figures have not been restated since the hybrid bond was issued in February 2023.

From Q4 2023 onwards Purmo Group has revised the definition of adjusted profit for the period to include tax impact from comparability adjustments. The definiton has been revised due to significant tax impact from comparability adjustments in Q4 2023. The comparative figures have been restated accordingly.

## Reconciliation of Alternative Performance Measures

| EUR million unless otherwise indicated | 10-12/2023 | 10-12/2022 | 2023 | 2022 |
|---|---|---|---|---|
| **Comparability adjustments** | | | | |
| M&A related transactions and integration costs | 0.2 | 0.5 | 0.3 | 2.2 |
| Restructuring costs and one-off costs related to efficiency programs | 35.5 | 2.9 | 46.0 | 6.6 |
| Impairment and write-down charges | 2.2 | 6.0 | 5.2 | 12.9 |
| Other | 1.1 | 0.2 | 1.3 | 0.2 |
| **Total comparability adjustments affecting in EBITDA and EBITA[1]** | **39.0** | **9.7** | **52.8** | **21.7** |
| Taxes relating to comparability adjustments[1] | -8.1 | -0.9 | -11.2 | -2.2 |
| **Total comparability adjustments[1]** | **30.9** | **8.8** | **41.6** | **19.6** |
| | | | | |
| Net sales | 175.0 | 206.6 | 743.2 | 904.1 |
| **EBIT** | **-25.5** | **-1.5** | **9.7** | **39.0** |
| EBIT margin | -14.6% | -0.7% | 1.3% | 4.3% |
| Amortisation and impairment | 1.9 | 1.1 | 4.7 | 7.9 |
| **EBITA** | **-23.6** | **-0.5** | **14.4** | **46.8** |
| **EBITA margin** | **-13.5%** | **-0.2%** | **1.9%** | **5.2%** |
| Depreciation and impairment | 12.9 | 6.8 | 32.2 | 31.6 |
| **EBITDA** | **-10.7** | **6.3** | **46.6** | **78.5** |
| **EBITDA margin** | **-6.1%** | **3.1%** | **6.3%** | **8.7%** |
| | | | | |
| **Adjusted EBITDA** | | | | |
| EBIT | -25.5 | -1.5 | 9.7 | 39.0 |
| Depreciation, amortisation and impairment excluding comparability adjustments | 7.7 | 8.1 | 29.8 | 32.1 |
| Total comparability adjustments affecting in EBITDA and EBITA[1] | 39.0 | 9.7 | 52.8 | 21.7 |
| **Adjusted EBITDA[1]** | **21.1** | **16.3** | **92.3** | **92.9** |
| **Adjusted EBITDA margin[1]** | **12.1%** | **7.9%** | **12.4%** | **10.3%** |
| | | | | |
| **Adjusted EBITA** | | | | |
| EBIT | -25.5 | -1.5 | 9.7 | 39.0 |
| Amortisation excluding comparability adjustments | 1.0 | 1.1 | 3.8 | 3.9 |
| Total comparability adjustments affecting in EBITDA and EBITA[1] | 39.0 | 9.7 | 52.8 | 21.7 |
| **Adjusted EBITA[1]** | **14.4** | **9.2** | **66.3** | **64.6** |
| **Adjusted EBITA margin[1]** | **8.3%** | **4.4%** | **8.9%** | **7.1%** |
| | | | | |
| **Adjusted profit/loss for the period** | | | | |
| Profit/loss for the period | -23.4 | -7.0 | -9.3 | 13.1 |
| Total comparability adjustments[1] | 30.9 | 8.8 | 41.6 | 19.6 |
| **Adjusted profit/loss for the period[1]** | **7.5** | **1.7** | **32.2** | **32.7** |

[1] The definition of adjusted profit for the period to include tax impact from comparability adjustments has been updated from Q4 2023 and the comparative data has been restated.

| EUR million unless otherwise indicated | 2023 | 2022 |
|---|---|---|
| **Adjusted operating cash flow for the last 12 months** | | |
| Adjusted EBITDA for the last 12 months | 92.3 | 92.9 |
| Change in net working capital compared to previous year same period[1] | 3.2 | -24.8 |
| Capex for last 12 months | -20.3 | -24.0 |
| **Adjusted operating cash flow for the last 12 months** | **75.1** | **44.0** |
| | | |
| **Cash conversion** | | |
| Adjusted operating cash flow for the last 12 months | 75.1 | 44.0 |
| Adjusted EBITDA in the last 12 months | 92.3 | 92.9 |
| **Cash conversion[1]** | **81.4%** | **47.4%** |
| | | |
| **Net working capital** | | |
| **Inventories** | **143.7** | **174.1** |
| Non-current operative other receivables[2] | 4.0 | 0.1 |
| Trade receivables | 75.2 | 89.1 |
| Current operative other receivables[2] | 19.4 | 21.3 |
| **Operative receivables** | **98.6** | **110.5** |
| Non-current operative payables[3] | 1.0 | 1.1 |
| Trade payables | 71.2 | 103.7 |
| Current operative payables[3] | 84.7 | 88.3 |
| **Operative liabilities** | **156.9** | **193.1** |
| **Net working capital** | **85.4** | **91.4** |
| | | |
| **Operating capital employed** | | |
| Net working capital | 85.4 | 91.4 |
| Other intangible assets | 45.9 | 47.0 |
| Property, plant and equipment | 127.6 | 127.3 |
| Right-of-use assets | 35.8 | 39.3 |
| **Operating capital employed** | **294.7** | **305.0** |
| | | |
| **Return on operating capital employed[4]** | | |
| Quarterly end average operating capital employed | 331.9 | 318.5 |
| EBIT for the last 12 months | 9.7 | 39.0 |
| **Return on operating capital employed** | **2.9%** | **12.2%** |
| | | |
| **Net debt** | | |
| Loans and borrowings (non-current) | 277.9 | 278.1 |
| Loans and borrowings (current) | 7.3 | 11.3 |
| Loans and borrowings, assets held for sale | 8.6 | 7.2 |
| Lease liabilities (non-current) | 31.7 | 34.3 |
| Lease liabilities (current) | 10.4 | 9.4 |
| Lease liabilities, assets held for sale | 0.0 | 0.4 |
| Cash and cash equivalents | -111.7 | -56.3 |
| Cash and cash equivalents, assets held for sale | -4.6 | -9.1 |
| **Net debt** | **219.6** | **275.2** |
| | | |
| **Net debt/Adjusted EBITDA** | | |
| Net debt | 219.6 | 275.2 |
| Adjusted EBITDA in the last 12 months | 92.3 | 92.9 |
| **Net debt/Adjusted EBITDA** | **2.38** | **2.96** |
| | | |
| **Equity/Asset ratio** | | |
| Total equity | 435.7 | 403.3 |
| Total assets | 997.8 | 983.7 |
| **Equity/Asset ratio** | **43.7%** | **41.0%** |
| | | |
| **Return on equity** | | |
| Cumulative last 12-month profit attributable to owners of the company | -9.3 | 13.1 |
| Total equity at the beginning of the period | 403.3 | 390.6 |
| Total equity at the end of the period | 435.7 | 403.3 |
| Total equity average | 419.5 | 396.9 |
| **Return on equity** | **-2.2%** | **3.3%** |

[1] Change in net working capital includes assets held for sale. The 2022 comparison figure has been restated by EUR 9.6 million impairment charges related to the business in Russia.
[2] Non-current and current operative other receivables are in the balance sheet presented in non-current and current other receivables.
[3] Non-current and current operative payables are presented in the balance sheet in non-current other payables and current trade and other payables.
[4] The definition for Return on operating capital employed has been updated from 1 January 2023 and the comparison data has been restated.

| EUR million unless otherwise indicated | 10-12/2023 | 10-12/2022 | 2023 | 2022 |
|---|---|---|---|---|
| **Basic earnings per share** | | | | |
| Profit/loss attributable to shareholders of the parent company for class C shares | -23.3 | -7.0 | -9.3 | 13.0 |
| Profit/loss attributable to shareholders of the parent company for class F shares | -0.2 | -0.0 | -0.1 | 0.1 |
| **Profit/loss attributable to the owners of the company** | **-23.4** | **-7.0** | **-9.3** | **13.1** |
| Accumulated interest expenses on hybrid bond after taxes | -1.2 | - | -3.9 | - |
| **Profit/loss used in calculation of earnings per share** | **-24.6** | **-7.0** | **-13.3** | **13.1** |
| Weighted average number of shares outstanding (pcs)[1] | 41,406,191 | 41,406,191 | 41,406,191 | 41,244,426 |
| **Basic earnings per share, EUR** | **-0.59** | **-0.17** | **-0.32** | **0.32** |
| | | | | |
| **Diluted earnings per share** | | | | |
| Profit/loss attributable to shareholders of the parent company for class C shares | -23.3 | -7.0 | -9.3 | 13.0 |
| Profit/loss attributable to shareholders of the parent company for class F shares | -0.2 | -0.0 | -0.1 | 0.1 |
| **Profit/loss attributable to the owners of the company** | **-23.4** | **-7.0** | **-9.3** | **13.1** |
| Accumulated interest expenses on hybrid bond after taxes | -1.2 | - | -3.9 | - |
| **Profit/loss used in calculation of earnings per share** | **-24.6** | **-7.0** | **-13.3** | **13.1** |
| Diluted weighted average number of shares outstanding (pcs)[1] | 41,406,191 | 41,406,191 | 41,406,191 | 41,244,426 |
| **Diluted earnings per share, EUR** | **-0.59** | **-0.17** | **-0.32** | **0.32** |
| | | | | |
| **Adjusted basic earnings per share** | | | | |
| Total comparability adjustments[2] | 30.9 | 9.7 | 41.6 | 21.8 |
| Adjusted profit/loss attributable to shareholders of the parent company for class C shares[2] | 7.4 | 1.7 | 32.0 | 32.5 |
| Adjusted profit/loss attributable to shareholders of the parent company for class F shares | 0.1 | 0.0 | 0.2 | 0.2 |
| **Adjusted profit/loss attributable to the owners of the company[2]** | **7.5** | **1.7** | **32.2** | **32.7** |
| Accumulated interest expenses on hybrid bond after taxes | -1.2 | - | -3.9 | - |
| **Adjusted profit/loss used in calculation of earnings per share[2]** | **6.3** | **1.7** | **28.3** | **32.7** |
| Weighted average number of shares outstanding (pcs)[1] | 41,406,191 | 41,406,191 | 41,406,191 | 41,244,426 |
| **Adjusted basic earnings per share, EUR[2]** | **0.15** | **0.04** | **0.68** | **0.79** |
| | | | | |
| **Adjusted diluted earnings per share** | | | | |
| Total comparability adjustments[2] | 30.9 | 9.7 | 41.6 | 21.8 |
| Adjusted profit/loss attributable to shareholders of the parent company for class C shares[2] | 7.4 | 1.7 | 32.0 | 32.5 |
| Adjusted profit/loss attributable to shareholders of the parent company for class F shares | 0.1 | 0.0 | 0.2 | 0.2 |
| **Adjusted profit/loss attributable to the owners of the company[2]** | **7.5** | **1.7** | **32.2** | **32.7** |
| Accumulated interest expenses on hybrid bond after taxes | -1.2 | - | -3.9 | - |
| **Adjusted profit/loss used in calculation of earnings per share[2]** | **6.3** | **1.7** | **28.3** | **32.7** |
| Diluted weighted average number of shares outstanding (pcs)[1] | 41,406,191 | 41,406,191 | 41,406,191 | 41,244,426 |
| **Adjusted diluted earnings per share, EUR[2]** | **0.15** | **0.04** | **0.68** | **0.79** |

[1] Including 293,478 class F shares convertible to class C shares at the start of the conversion period on 28 June 2024.
[2] The definition of adjusted profit for the period has been updated from Q4 2023 to include tax impact from comparability adjustments and the comparative data has been restated.

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# Financial Statements Review January-December 2023

**24 April 2024**
**Interim report, January-March 2024**

**17 July 2024**
**Half-year financial report, January-June 2024**

**22 October 2024**
**Interim report, January-September 2024**

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