PURMO GROUP

2023

Annual Report

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Stories

Purmo Group is a leader in sustainable indoor climate comfort solutions

We are at the centre of the global sustainability journey by offering full solutions and sustainable ways of heating and cooling homes to mitigate global warming. We provide complete heating and cooling solutions to residential and non-residential buildings, including underfloor heating and cooling systems, a broad range of radiators, heat pumps, flow control and hydronic distribution systems, as well as smart products. Our mission is to be the global leader in sustainable indoor climate comfort solutions. Our approximately 3,190 employees operate in 23 countries, manufacturing and distributing top-quality products and solutions to our over 100,000 customers in more than 100 countries. Purmo Group's shares are listed on Nasdaq Helsinki with the ticker symbol PURMO.

THIS IS PURMO GROUP

Net sales by division

80%
Climate Products & Systems

20%
Climate Solutions

Net sales by geographical area

39% Western Europe

22% Northern Europe

18% Central and Eastern Europe

15% Southern Europe

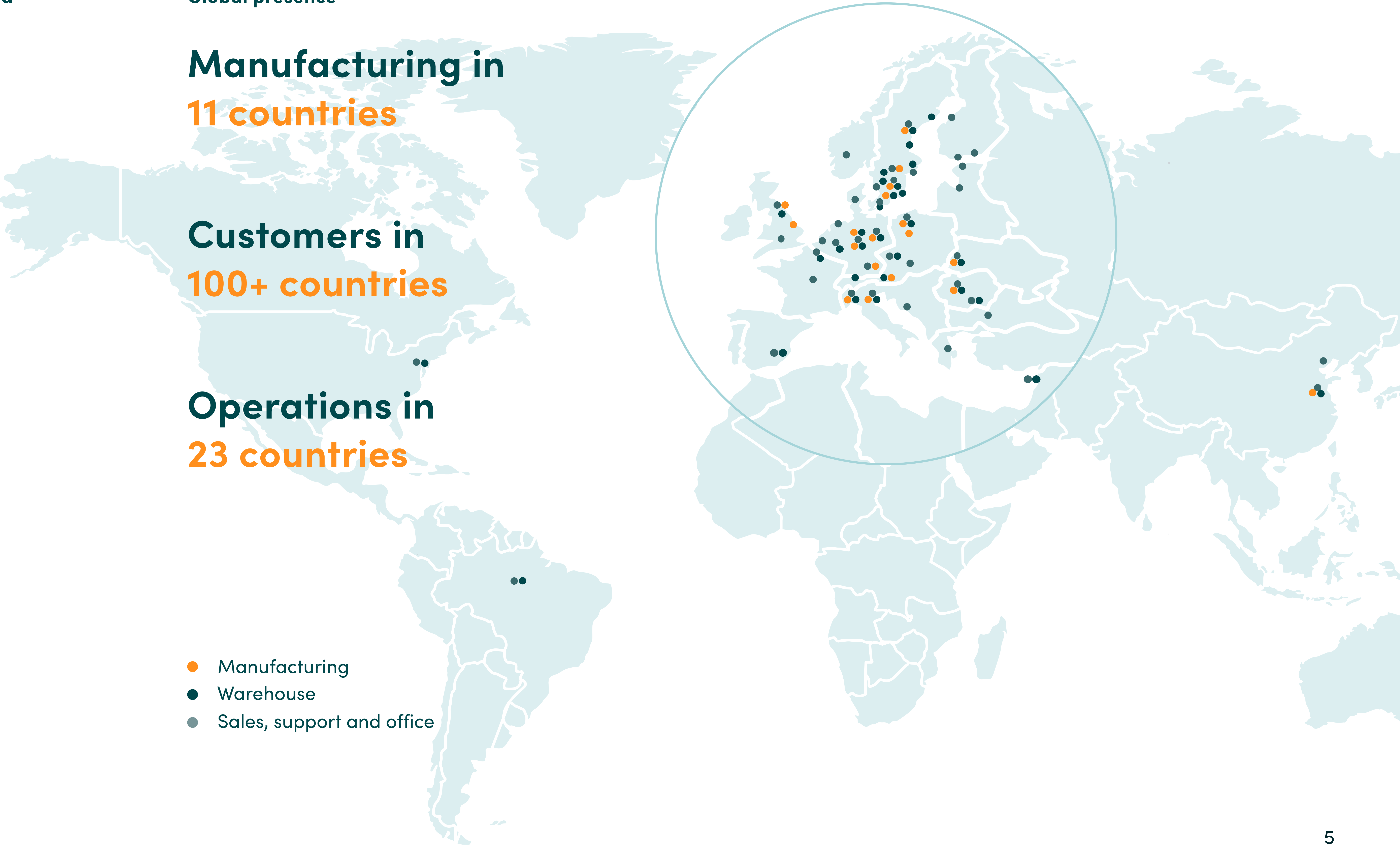
6% Rest of the world

Global presence

Manufacturing in 11 countries

Customers in 100+ countries

Operations in 23 countries

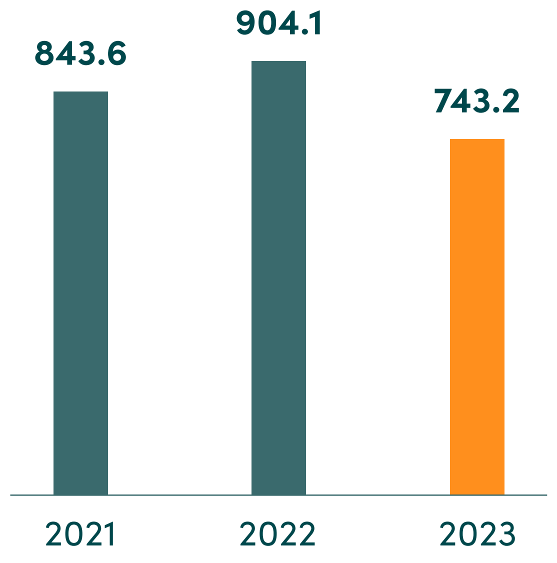


- Manufacturing
- Warehouse
- Sales, support and office

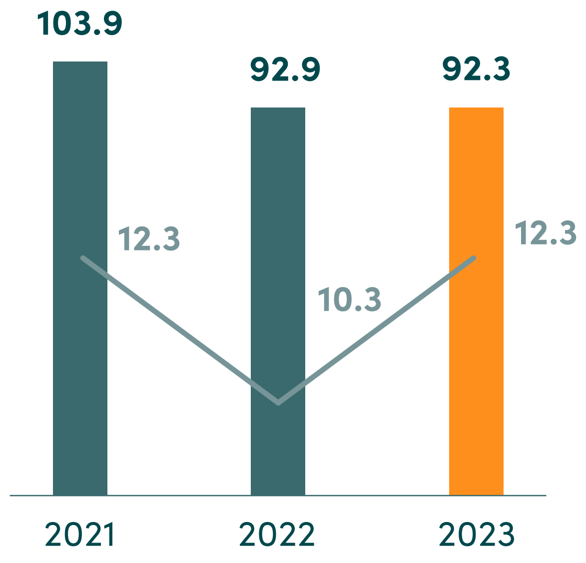
PURMO GROUP IN 2023

Purmo Group's year 2023

Net sales, EUR million

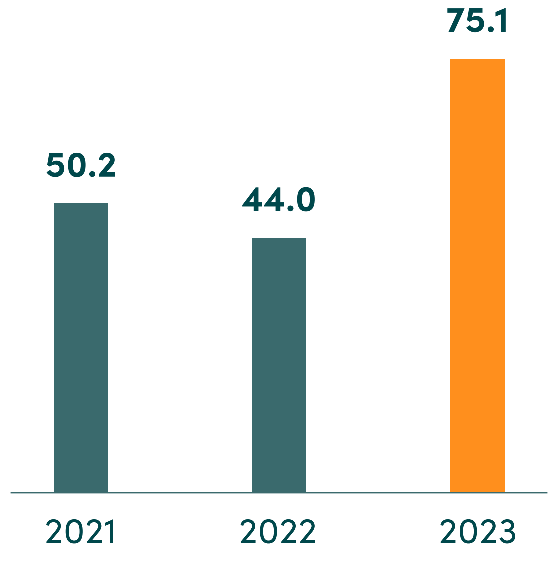


Adj. EBITDA, EUR million

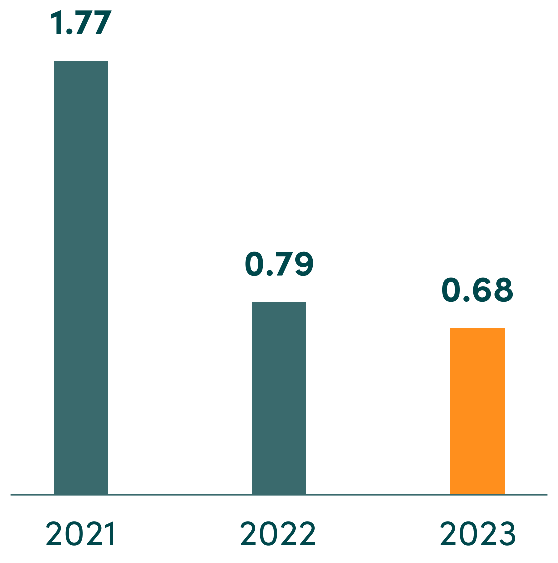


— Adjusted EBITDA margin, %

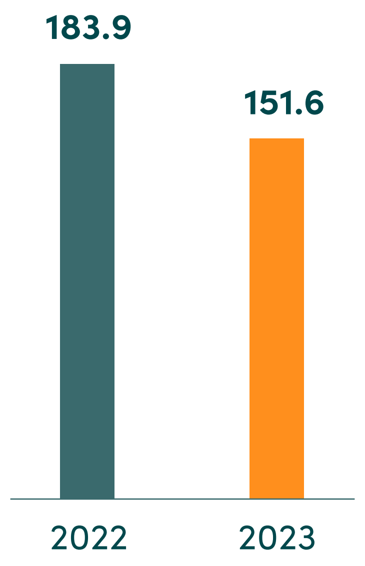
Adjusted operating cash flow, EUR million



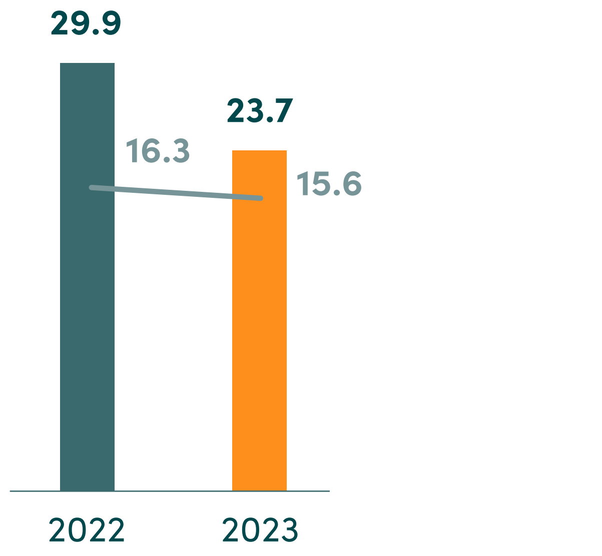
Adjusted earnings per share (basic), EUR million



Climate Solutions division: Net sales, EUR million*

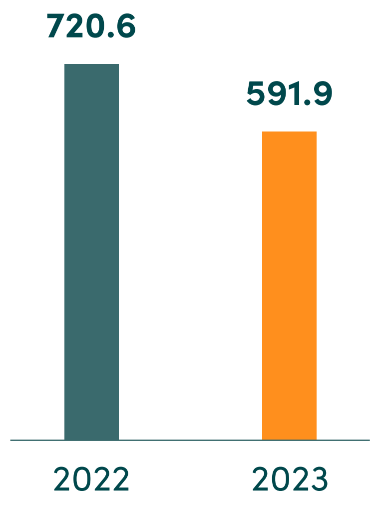


Climate Solutions division: Adj. EBITDA, EUR million*

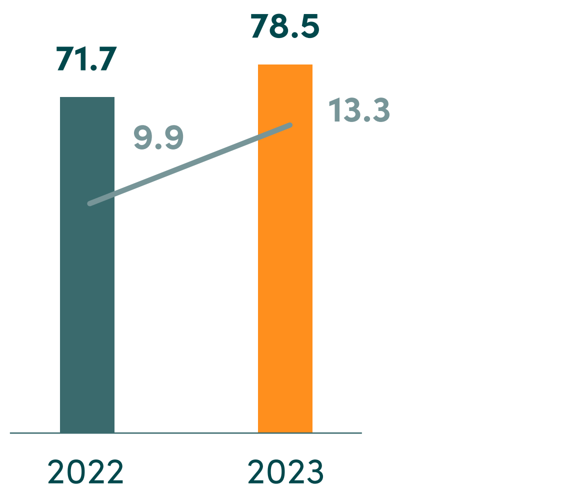


— Adjusted EBITDA margin, %

Climate Products & Systems division: Net sales, EUR million*



Climate Products & Systems division: Adj. EBITDA, EUR million*



— Adjusted EBITDA margin, %

* To support the execution of the Accelerate PG programme, aligning resources with the strategic direction and strengthening customer focus, On 5 October 2022, Purmo Group announced a new organisational structure which has been effective since 1 January 2023. The new organisation is based on two business divisions: Climate Products & Systems and Climate Solution.
Due to this, comparison data is available only from 2022.

Unisenza Plus is our unified control concept for up to 100 components in an indoor climate system.

PURMO GROUP IN 2023

Highlights

Net sales development

In 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. 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.

92.3

million euros of adjusted EBITDA in 2023.

Profitability development

In 2023, Purmo Group's Adjusted EBITDA was EUR 92.3 million and at a similar level compared to the previous year (92.9). Earnings were in line with the financial guidance announced at the beginning of the year. The slight decline in adjusted EBITDA for the Group was a result of lower sales volumes for both divisions, Climate Products & Systems and Climate Solutions. As a response to lower volumes, margin management actions were completed in both divisions. The good performance of the strategy acceleration programme, Accelerate PG, also supported earnings for the Group during the year.

Balance sheet development

At the end of 2023, our balance sheet was strengthened, and the net debt to adjusted EBITDA ratio was 2.38 (31 Dec 2022: 2.96). This gives room to pursue acquisition opportunities. The decrease in the ratio was due to a lower level of net debt mainly as a result of the issuance of the green hybrid bond of EUR 60.0 million in February 2023. The rationale for the issuance of the green hybrid bond is to ensure funding for Purmo Group's Accelerate PG programme. The net proceeds from the issue will be used following Purmo Group's Green Finance Framework.

PURMO GROUP IN 2023

Highlights

Sustainability

In 2023, Purmo Group started cooperation with H2 Green Steel for a supply of near zero-emission steel. As a result, 140,000 tonnes of green steel will be delivered for the Group in 2026-2033. The Group also submitted its' Science Based Targets to the SBTi organisation for validation. The targets will be validated by the end of 2024, at the latest.

Strategy execution

Purmo Group's solution business in France and Ireland showed double-digit growth in net sales during 2023, despite the challenging market conditions. In smart products, the company launched the Unisenza PLUS App and the iQ control system for its customers. The improvements in the strategy acceleration programme, Accelerate PG, exceeded the target set for 2023. The implemented adjusted EBITDA run-rate improvements at the end of 2023 amounted to EUR 30.1 million, which was above the target of EUR 25.0 million. The company also updated the programme's target for 2024: cumulative adjusted EBITDA run-rate improvements are EUR 50.0 million (previously: above EUR 40.0 million), which are expected to be reached by the end of 2024. In addition, the programme targets cumulative net working capital improvements of EUR 45.0 million by the end of 2024 (previously: more than EUR 30.0 million).

CEO'S GREETINGS

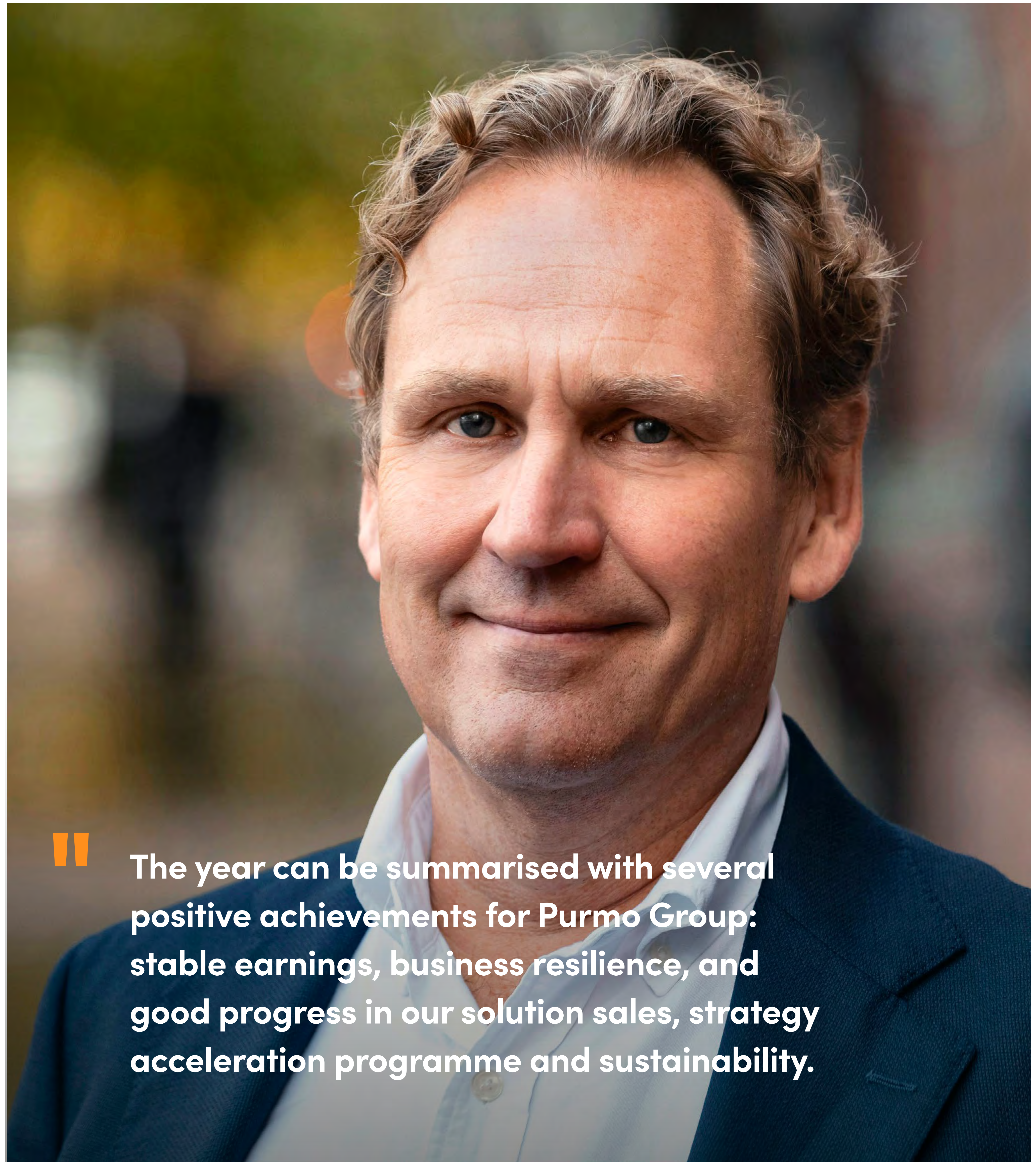
Purmo Group demonstrated strength and resilience in 2023

The year 2023 challenged us in many ways. We saw high inflation and high interest rates which lead to a decline in consumer confidence and a decrease in deliveries for heating and cooling projects. Neither of our core segments, residential renovation and new build, showed signs of improvement during the year. Most of our core markets remained weak although partial recoveries were seen in some regions. Our markets in Poland and Italy picked up towards the end of the year although a downturn in the Nordics impacted our net sales. So although adjusted EBITDA remained solid, our net sales were EUR 743.2 million (904.1), which was a decrease of 18 per cent.

Purmo Group responded to market headwinds with strong margin management actions

Despite severe market headwinds, we were able to combat the challenges that our markets presented. The whole team of Purmo Group demonstrated strength and resilience by focusing on margin management actions. This resulted in a significant uplift in our adjusted EBITDA margin for 2023, which improved to 12.4 per cent from 10.3 per cent in the previous year. Purmo Group's adjusted EBITDA reached EUR 92.3 million and remained at the same level compared to last year, which was EUR 92.9 million. We are very proud of this achievement and sincerely want to thank our people for their hard work during the year.

During 2023, the Climate Products & Systems division achieved growth in earnings: the adjusted EBITDA increased by 10 per cent to EUR 78.5 million (71.7), and the adjusted EBITDA margin improved to 13.3 per cent (9.9). This was an outstanding outcome in a year when the radiator volumes declined by 20 per cent and net sales for the division fell by 18 per cent.



Our Climate Solutions division sells integrated solutions directly to installers through the Group's Emmeti business in South Europe, Thermotech business in the Nordics and Merriott business in the United Kingdom and Ireland. In Italy, markets normalised after the governmental incentive programme, which had boosted our heat pump sales in the previous year. This led to a decline in demand which impacted our net sales while in the Nordics, the heavy downturn continued through the year. As a result, the division's net sales decreased by 18 per cent. The adjusted EBITDA decreased by 21 per cent to EUR 23.7 million (29.9). However, the adjusted EBITDA margin was 15.6 per cent, close to the previous year's 16.3 per cent.

Solution selling gained traction in Brazil and France

In 2023, we continued with determination in our strategy execution. In solutions selling, we started a collaboration with a partner in Austria and launched a heat pump radiator offering for our central European customers. This was a response to the energy renovation trend in Europe, in which radiators need to be upgraded to capture full energy savings in conjunction with heat pump installations. In fact, this trend is expected to drive the demand for radiators by 5.6 per cent annually during 2022–2030 based on an independent third-party analysis in 2024.

In Italy, we completed many energy renovations and helped our residential segment's customers to significantly improve their energy efficiency. An excellent example is our customer in Rolo, Italy, whose building's energy class was lifted from F to A2. This was possible by replacing the gas-condensing boiler with our Mirai heat pump and installing solar panels as well as our well-received energy control system, FEBOS. We also completed various underfloor heating and piping projects through our Thermotech business in the Nordics. During 2023, our solution businesses in Brazil and France demonstrated good growth as a result of our decision to expand our solution offering to these markets.

New control systems and positive customer feedback

We were very proud to launch two new, exciting smart products during the year: Unisensa PLUS App and iQ control system, which deliver the heating and cooling monitoring requirements of our customers. During the year, the feedback from our customers remained positive: they especially appreciate our ability to deliver prefabricated systems which save time for installers. In addition, they value the high quality and quick deliveries of our solutions.

Strategy acceleration programme performed above targets

Our strategy acceleration programme, Accelerate PG, performed above targets during the year. Implemented adjusted EBITDA run-rate improvements at the end of the year amounted to EUR 30.1 million and was above the EUR 25.0 million target for 2023. The programme also realised a cumulative net working capital improvement of EUR 20.6 million. As part of the programme, on 28 November 2023, we announced the completion of the consultation process concerning the discontinuation of our radiator production plant in Zonhoven, Belgium. After the review period, on 10 January 2024, we also announced that we had entered into consultation regarding our intention to relocate production from the plant in Hull, United Kingdom.

Purmo Group recognised for sustainability and diversity

We were happy to see that our sustainability strategy also progressed well in 2023. We made an agreement with H2 Green Steel for the forthcoming supply of 140,000 tonnes of green steel during 2026–2033. In addition, we submitted our Science Based targets for validation, which is expected in 2024. We are especially proud that the annual survey in which our customers were asked 'How likely is it that you would recommend the Purmo brand to a friend or colleague as a leader in sustainable indoor climate comfort?' improved from +8 to +21. Furthermore, we made sustainable improvements to our product packaging and were recognized in the Nordic Business Diversity Index with 7th ranking among mid-cap companies in the Nasdaq Helsinki category.

A year to remember

The year 2023 can be summarised with several positive achievements for Purmo Group: stable earnings, business resilience, and good progress in our solutions sales, strategy acceleration programme and sustainability.

Purmo Group's business is well supported by a green transition in the mid to long-term. The need for radiator upgrades in conjunction with heat pump installations across Europe is also driving the demand for our heating and cooling products. We want to thank our customers, shareholders, partners and, most importantly, our people for another great journey together during this year. Let us make the year 2024 something to remember.

John Peter Leesi
CEO, Purmo Group Plc

REASONS TO INVEST IN PURMO GROUP

Megatrends

"Requirements of buildings in Europe are linked to old heating systems, among others.

Sustainability

Sustainability is a key driver for the demand for Purmo Group's solutions

- The European countries have requirements for long-term renovation strategies to achieve energy-efficient and decarbonised building stock by 2050.
  - Requirements are related to the cost-effective transformation of existing buildings, which have the biggest impact on global warming, into nearly zero-energy buildings.
  - Requirements are also linked to replacements of old high-temperature systems with low-temperature systems, such as underfloor heating or heat pump radiators.
  - In renovations, radiators are a competitive and cost-efficient option as a heat emitter.

Other trends in sustainability

- Energy efficiency for new and existing buildings.
- Governmental and local incentives and requirements.
  - The shift to renewable energy sources.
  - Energy efficiency through low-temperature systems and well-insulated housing.
  - Energy performance requirements for new and renovated buildings.
- Consumer preferences moving towards sustainable solutions and products.

How does Purmo Group address this

- The Group's wide range of low-temperature emitters are fit for new build projects, such as underfloor heating, and renovation, such as low-temperature heat pump radiators.
- Purmo Group's focus is also on delivering complete solutions that optimise energy use, supporting energy transition in European buildings.

"Purmo Group offers smart products that enable energy optimisation through algorithms.

Digitalisation

Digitalisation is enabling development and driving the demand for smart products of Purmo Group

- Digitalisation is driving the building markets, offering better capabilities for smart controls, large data sets and Building Information Modelling[1] (BIM).
- The availability of data and Artificial Intelligence (AI) capabilities in data control systems have improved operational efficiency and are also supporting decision-making online.

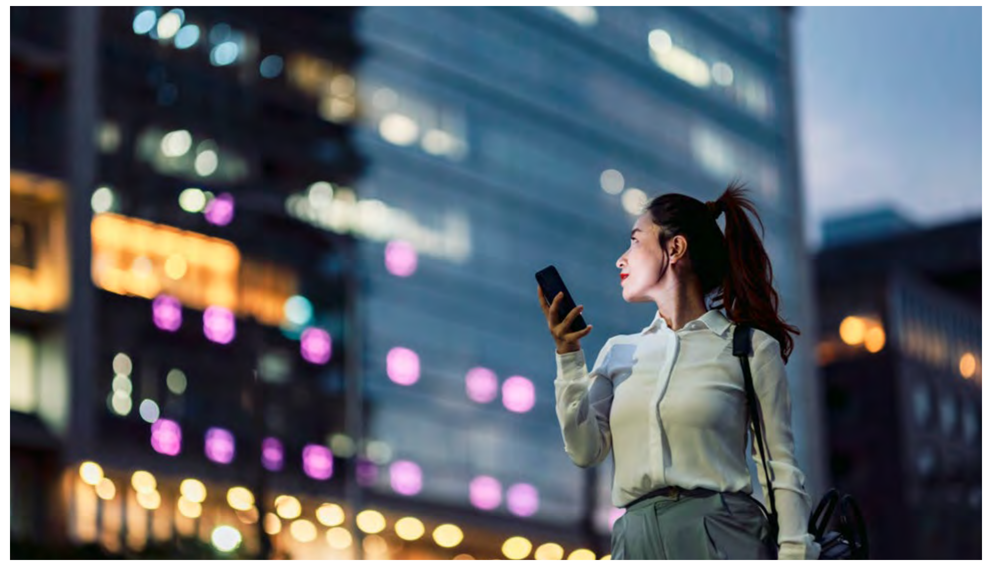
How does Purmo Group address this

- A key pillar of the Group's strategy is offering smart products that enable energy optimisation through intelligent algorithms.
- In parallel, the company is focused on automating key steps along the value chain.

[1] Building Information Modelling (BIM) is the process of managing information for a building. Based on an intelligent model and enabled by a cloud platform, BIM integrates structured, multi-disciplinary data to produce a digital representation of an asset across its lifecycle, from planning and design to construction and operations.

REASONS TO INVEST IN PURMO GROUP

Megatrends



"Cities are responsible for 60% of energy consumption, 70% of greenhouse gas emissions and 70% of global waste.

Urbanisation

The urbanisation trend is expected to continue globally and in Europe[2], driving the demand for the systems and solutions Group

- The number of people living in cities has more than doubled over the last 40 years and is projected to reach 5 billion by 2050.
- The growth of population in cities is not expected to reverse.
  - Cities today are responsible for over 60% of energy consumption, 70% of greenhouse gas emissions and 70% of global waste.
  - The continued need for renovations of the existing buildings exists.
  - The continued need for technologies that support the building, renovation, and maintenance of buildings in urban areas remains.

How does Purmo Group address this

- The Group collaborates with developers to design optimal heating systems.
- The company delivers energy-efficient solutions that enable the renovation of heating systems for the European residential sector.

[2] Source: European Commission > Knowledge for policy > Continuing urbanisation, 1 December 2023.

"Building and related trades are expected to see some of the highest labour shortages in EU.

Skilled labour shortage

Skilled labour shortage[3] creates reverse opportunities for Purmo Group's business

- The demographics are shifting with the ageing population, particularly in developed countries. As traditional construction methods face challenges in finding skilled labour, there is a growing interest in off-site construction, including prefabrication.
  - It is expected that by 2030, there will be a global human talent shortage of more than 85 million.
  - Europe is particularly expected to be impacted by a shortage in skilled labour.
  - Building and related trades are expected to see some of the highest labour shortages in the EU.
  - The shifting immigration patterns and restrictions in some markets are further limiting the availability of skilled workers.

How does Purmo Group address this

- The Group has a range of prefabricated products through our brands, such as Thermotech.
- Purmo Group's solutions streamline the construction process by providing prefabricated products that are easy to install and integrate.
- The company's commitment to efficiency translates into shortened project timelines, enabling builders to meet deadlines without compromising on quality.

[3] Sources: Employment and Social Developments in Europe (ESDE) report 2023, European Commission. The global talent crunch, a study by Korn Ferry, 2020. Future of Jobs report, World Economic Forum, 2023 (Most common labour shortages by occupations in Europe).

REASONS TO INVEST IN PURMO GROUP

Vision, mission and strategy

Vision

The care of the planet is driving everyone's agenda from government to business to consumer. As a result, people are rethinking how they heat and cool the places where they live, work and socialise. They are also reconsidering what they build or repurpose. As 18% of Europe's households' energy consumption goes into heating or cooling residential building spaces, Purmo Group thinks that perfect indoor climates should not cost the planet's climate. It is our company vision and a foundation for our actions.

Mission

We are on a mission to be the world's leader in sustainable indoor climate comfort solutions.

Our vision

Perfect indoor climates should not cost the planet's climate

Mission

The global leader in sustainable indoor climate comfort solutions

Strategy

Scale-up Solution-selling

Providing a complete solution and capturing the growth potential

Launch new Smart products

Launching and delivering smart products that are more intelligent, sustainable and aesthetic

Focus on Growth beyond core markets

Capturing biggest opportunities outside of the current markets

Growth enabler M&A

Consolidation and expansion

Operational Excellence in operations, commercial and business support

People and Culture boosting engagement, leadership and talent

Strategy

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

1. scaling-up of solution-selling to provide complete solutions and to capture growth potential in underpenetrated markets;
2. launching and delivering smart products that are more intelligent, sustainable and aesthetic; and
3. 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.

Growth:

- Strengthened position as a provider of complete indoor climate solutions, including heat pumps
- Expansion of both direct and wholesaler channels
- Introduction of new products
- Increased sales in identified growth markets

Profitability:

- Improved efficiency in manufacturing, supply chain and sourcing
- Strengthened commercial execution
- Increased organisational effectiveness

Net working capital:

- Improved net working capital efficiency, particularly through enhanced inventory turnover

Outcomes in 2023

EUR 30.1 million

above the target of EUR 25.0 million for 2023.

Outcomes of the programme in 2023

Accelerate PG delivered implemented adjusted EBITDA run-rate improvements of EUR 30.1 million at the end of 2023. This was above the previously set target of EUR 25.0 million for 2023. The programme has also realised a cumulative net working capital improvement of EUR 20.6 million during 2023.

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.

As part of the programme, on 28 November 2023, Purmo Group announced that it had completed the consultation process with employee representatives concerning discontinuing 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. As a result of the negotiations, 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.

Upgraded target for 2024

After the review period, on 13 February 2024, the company updated the programme's target. The programme targets cumulative adjusted EBITDA run-rate improvements of EUR 50.0 million (previously: above EUR 40.0 million), which are expected to be reached by the end of 2024. The programme also targets cumulative net working capital improvements of EUR 45.0 million by the end of 2024 (previously: more than EUR 30.0 million).

The costs for the programme, excluding non-cash items, are expected to be approximately EUR 45.0 million, of which approximately EUR 34.0 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.

Upgraded target

EUR 50 million

by the end of 2024.

REASONS TO INVEST IN PURMO GROUP

Seven reasons to invest in Purmo Group

Purmo Group focuses on operational excellence.

1

At the centre of the sustainability journey

Purmo Group is at the centre of the global sustainability journey. Households make up 28 per cent of energy consumption in Europe, from which heating and cooling form 18 per cent of the total energy consumption of buildings in Europe. It is estimated that up to 75 per cent of Europe's building stock is not energy-efficient according to current and emerging building standards. As a provider of sustainable and energy-efficient heating and cooling solutions, Purmo Group has a solid position and role in combatting climate change.

2

Broadest offering

Purmo Group is a leading European supplier of sustainable indoor climate solutions, which work with any kind of heating and cooling source. The Group's products include radiators, for which demand is expected to grow by 5.6 percent (CAGR) during 2022-2030 in Europe due to the switch to heat pumps (Independent third party analysis). Our offering is sold primarily to the residential segment, is available in most of Europe and can be used in both new build and renovation projects. We are well-positioned to benefit from the megatrends of sustainability, digitalisation, urbanisation and skilled labour shortage.

3

Product portfolio known for quality and sustainability

Purmo Group has a well-known brand portfolio with a focus on product quality, design, sustainability and innovation. Through the development of our own original Purmo brand and M&A activity, we have expanded that into a renowned portfolio of brands with a strong local presence and recognition among installers and specifiers. Based on volumes, we have a leading position in radiators and a top 4 position in Radiant Heating and Cooling (RHC) in Europe.

EvoSense – self-controlling thermostat.

4

Long-term relationships with customers

A key competitive advantage is our strong relationship with some of Europe's largest wholesalers in the Heating, Ventilation and Air Conditioning (HVAC) industry. Wholesalers form a central distribution channel in our value chain, simplifying logistics by consolidating demand and managing credit risk, as well as ensuring the availability of products in the market. Brand-loyal technical installers are another important advantage in the Group's value chain that enables growth in solution-selling.

5

Well-defined growth strategy

At Purmo Group our aim is to grow both organically and through acquisitions to implement our mission to be the global leader in sustainable indoor climate comfort solutions. To achieve this mission, we have a well-defined growth strategy based on three, key focus areas: solution selling, smart products and growth markets. It is supported by a continuous improvement of operational excellence and investment in people and culture.

6

Good financial performance and stable return on capital

During 2020–2023, Purmo Group's adjusted EBITDA has grown steadily by 3 per cent annually (CAGR). During 2023, the Group reached a significant improvement in adjusted EBITDA margin of 12.4 per cent, which is a 2.1 percentage point uplift from last year. Cash flow from operating activities also improved to EUR 40.4 million (31.3), mainly due to improved net working capital. Purmo Group has distributed a stable return on capital, EUR 0.36 per class C share, since 2021.

7

Customer-centric operating model and skilled personnel

Purmo Group's management team consist of industry-experienced professionals with a focus on value creation and growth. With the support of a customer-centric operating model, the management team's ambition is to achieve operational excellence in the near term and execute the company's strategy in the long term of becoming the global leader in sustainable indoor climate comfort solutions. In addition, there are approximately 3,190 highly skilled experts at Purmo Group in Europe and across the globe.

RESEARCH AND DEVELOPMENT

A year of complete solutions and product improvements

In 2023, the momentum for Purmo Group's complete indoor climate comfort solutions continued, also supported by strong megatrends of sustainability, digitalisation, urbanisation and skilled labour shortage.

Great potential for the Group's solution-selling strategy exists due to renovation debt in Europe where as much as 75% of buildings require deep renovation. Furthermore, around 18% of all energy consumed in European households is from heating and cooling.

Purmo Group offers peace of mind for this challenge. The company specialises in pre-fabricated and ready-to-install complete solutions, which decrease energy consumption for a customer and save substantial time for an installer. The company offers a number of heat emitters and sources besides digital solutions, which help customers monitor and control their energy consumption easily, independent of their location.

The Group is constantly improving its product offering with more efficient and sustainable heating and cooling products to answer the requirements of European legislation for energy-efficient and carbon-neutral buildings.

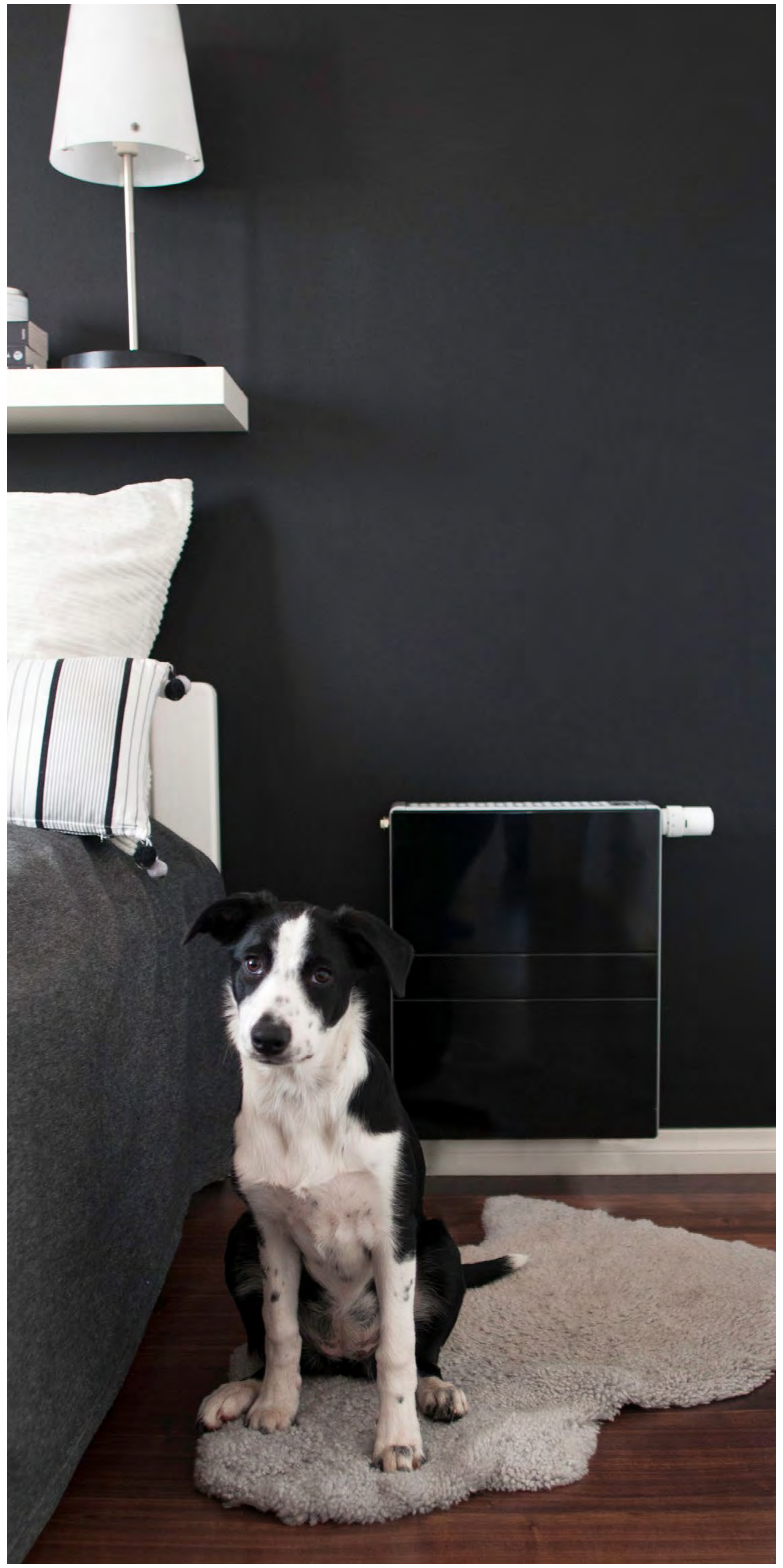
The R&D strategy accelerates innovations in complete solutions and smart products

Purmo Group's Research and Development strategy is connected to the Group's strategy, focusing on scaling up solution selling and launching new smart products, which are more intelligent, sustainable and aesthetic. The company provides complete solutions for its customers with one of the industry's broadest offerings of equipment, controls and experience.

Purmo Group offers almost limitless system combinations of hydronic and electrical systems such as radiators and embedded systems in floors, ceilings or walls, radiant heating and cooling systems, and fast-responding air-based, convector heating and cooling systems.

Smart products provide data and analytics on the energy and money spent inside the house in addition to remote assistance possibilities, with high reaction speed and ease of use. Purmo Group's products are produced with sustainability in mind, including from manufacturing, operations and end-of-life recyclability and are designed as eye-catchers for any interior.

In 2023, the slowdown of the economy and the decline in construction markets impacted the demand for heating and cooling projects in both renovation and new-build sectors. Despite this, a strong focus on heat emitter and smart product launches continued at the Group. Purmo Group also launched several pre-fabricated complete solutions during the year.



Purmo's customers value high-quality and quick project delivery

Customer feedback on Purmo Group's products and solutions remained at a high level in 2023, demonstrating their high quality. The Group's customers especially appreciate the quick delivery of all the needed heating and cooling products that achieve optimal energy savings. Since Purmo Group pre-fabricates and delivers complete solutions, customers save a great amount of time in assembling. The products also take up less space, which is appreciated by both homeowners and real estate developers.

> "Customers feedback on the Group's products and solutions remained at a high level in 2023.

Quick underfloor heating and pipe deliveries in the Nordics

Fast project design, technical support and quick as well as reliable delivery were the main reasons why customers chose Purmo Group for their indoor heating and cooling needs in larger projects and complete solution deliveries in 2023.

A good example was the delivery of water distribution systems, pipes for domestic water, and tap water distribution for the highest wooden office building in Sweden. The office is located in Malmö with 11 floors and 7,900 m² of space in total. The company also won another important project for one of the largest logistics warehouses in the Nordics. For this warehouse, the Group delivered underfloor heating and potable water systems. The logistics centre, with the world's leading scientifically based certification for construction projects, connects the Nordic countries' logistics beneath 175,000 m² of space in Landskrona, Sweden.

Pre-fabricated solutions offer peace of mind for customers

Purmo Group launched and delivered several pre-fabricated, complete solutions to its customers in 2023. These solutions are hybrid packages of products and services that give value for customers in terms of one-stop-shop, flexibility and multiply benefits.

One of these exciting launches in 2023 was a preconfigured heat pump radiator offering in Austria. The solution combines Purmo Group's ULOW heat pump radiator, other products from the Group, such as underfloor heating, and a heat pump from a partner of Purmo Group, in addition to service and support. Another launch was the production of Eco Hydro Kit, a heat pump support system solution that saves space. The complete 'plug-and-play' solution supports both indoor climates and domestic hot water. Unlike alternatives, the installation of the system takes only a couple of hours and as much space as a refrigerator.

Enhancements to existing product portfolio in 2023

In 2023, Purmo Group's customers were able to enjoy improved versions of already well-received products. These included Kaba2, a new radiator version of Kaba, and an upgraded range of oil-filled electric radiators called Yali Plus.

The Group also launched the Unisenza Plus App, a control system for indoor climate control. This application is remotely connected to other thermal devices of the Group and helps customers avoid excess energy consumption and costs.

PEOPLE

A passionate pioneer in sustainability

Head of Sustainability, Safety and Wellbeing Sam Hodlin's passion for sustainability (ESG) started in a company with international high-speed rail service, where ESG was at the core of the business. After almost ten years, he joined a multinational packaging business and became increasingly convinced that ESG was becoming essential to every business. Shortly after, he joined Purmo Group and the HVAC industry, where the awareness and commitment to ESG are very high. He feels privileged to work in a company that can make a big difference in climate change.

Purmo Group has a comprehensive ESG strategy. What are the most relevant targets within this strategy?

At Purmo Group we talk about the idea of 'Complete Care' with four focus areas, ten commitments and 24 targets at the heart of our ESG strategy and running through everything we do. It's essentially part of our DNA. In Production, our focus is on reducing our greenhouse emissions and in Solutions, we aim to be seen as the number one provider of energy-efficient solutions for our customers. From our People perspective, we strive to improve employee engagement whereas in Communities, we want to give more back to our communities by increasing our volunteering hours.

What do you find inspiring about working at Purmo Group?

At Purmo Group, you are encouraged to take ownership, deliver your goals and make a difference. People are also very supportive. Furthermore, I love the fact that our business is global, with a European focus: we have lots of different backgrounds and opinions. Last, but not least, the company is very dedicated to being a frontrunner in ESG, which I find very inspiring.

Sustainability is a widely debated topic among investors – how does Purmo Group demonstrate that its actions truly contribute to a carbon-neutral future?

We must provide tangible and transparent results. Whether it's renewable energy contracts, more efficient equipment, creating Environmental Product Declarations or demonstrating our reduction in our Scope 1 and 2 GHG emissions in our manufacturing through projects like solar panels. We strive to be consistent and transparent in our ESG communications because it is very important to avoid greenwashing.

What do you think companies need to achieve to stay competitive, in terms of ESG?

It is all about having an ambition, creating energy and focus. It is also about encouraging the whole business to own ESG, not only me. We must continue to talk openly about where we are in terms of setting targets that move us into a more sustainable future. It is also important to identify and choose the right measures from the variety of indexes and frameworks, but true actions and results are what matter in ESG in the end. Whatever we do, we must continually ask ourselves: 'Are we doing the right thing, not just for ourselves, our customers and our communities, but for the planet?'

Sam Hodlin
Head of Sustainability, Safety and Wellbeing

PEOPLE

Product design for a carbon neutral future

Henrik Bjerstedt, Purmo Group's Head of Product Management, previously worked for over 10 years at a Swedish producer of highly energy-efficient products and solutions for heavy industry. During this experience, he felt he was contributing to something with a higher purpose. This is also why he likes working at Purmo Group. His professionalism lies in value-based selling to wholesalers. Many things matter when selling to a wholesaler: the product design, but also the quality and ability to monitor the product via another system.

What were the reasons you decided to join Purmo Group?

I simply loved the challenge of being part of something new – the transformation from a product company into a solution company is very compelling! There are many opportunities to develop something fantastic in this role. I also believe that Purmo Group can make a real impact globally on sustainability. We have the right products and technology to combine our solutions to support our customers in energy savings and carbon neutrality.

What kind of products does the company currently provide that are fit for the carbon-neutral future?

All our products provide a road to a carbon-neutral future. The first natural choice is to take energy sustainably from the air with a heat pump. Secondly, with low-temperature emitters that work at 30-45 degrees temperature, such as underfloor heating and fan coils, our customers can drop energy input down to 25% compared to old systems like gas boilers. With fan-assisted radiators, you can replace your old, inefficient radiators, and with our smart controller, you will soon be able to optimise energy usage based on weather and the availability of green energy. As for combined solutions, our range of heat pump radiators is another good example of the optimal use of our products.

What things will Purmo Group's Product Management focus on in the following years?

Product Management is an enabler of Purmo Group's strategy. We are like a spider in the centre of the web! Our focus is on products and components that support the Group's solution-selling strategy. As we speak, we are reviewing the product portfolio and capabilities to provide end-to-end solutions from the heat source to the emitters, including controls. In smart products, we aim for intelligence, sustainability and aesthetics. We also provide combinations of systems and solutions based on the existing product range. The recent cooperation with H2 Green Steel allows us to produce radiators close to carbon-neutral. All this is very exciting!

How would you describe the company culture of Purmo?

It is fantastic to see how the diverse cultural and geographic backgrounds of our different organisations come together in a very open company culture. There is a lot of curiosity and a non-hierarchical, Nordic culture at Purmo: we share information and let everyone express their opinion.

Sustainability

SUSTAINABILITY HIGHLIGHTS IN 2023

Sustainability highlights in 2023

Creating Environmental Product Declarations

To address growing customer demand for more transparency on the whole-life environmental impact of our products and solutions, Purmo Group has a target that all new products will have Environmental Product Declarations (EPD) by the end of 2025. Environmental Product Declarations is a document communicating the environmental performance or impact of any product or material over its lifetime.

In 2023, Purmo Group adopted software to industrialise the Life Cycle Analysis (LCA). LCA is a methodology that evaluates and quantifies the environmental impacts, compares the environmental performance of different systems and technologies, points out processes with high environmental impact, and introduces a robust methodology to measure and then improve the product's environmental performance. The creation of Environmental Product Declarations (EPDs) started in 2023 and as a result, automation was achieved as well as faster production of EPDs. In 2023, the Group's Thermopanel range held an EPD, and more product declarations are expected for Purmo Group's products in 2024.

Less packaging material usage in the United Kingdom

In 2023, the thickness of the stretch wrap used around pallets was decreased from 23 to 17 microns in the Group's production facility in Gateshead, United Kingdom. This new type of product, called Fusion, comes with less plastic and reduces the impact on the environment without affecting the quality or performance of the packaging. It is the equivalent of taking seven cars off the road or removing 409,500 plastic bottles from the environment every year. In 2023, Purmo Group also established a working group to identify key improvements to more sustainable packaging.

Ready for net-zero production with the submission of Science Based Targets

After a thorough analysis in 2023, Purmo Group took a step forward in its commitment to net-zero production by submitting the Science Based Targets for validation for the SBTi organisation. Purmo Group expects the targets to be validated by the end of 2024.

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SUSTAINABILITY HIGHLIGHTS IN 2023

Sustainability highlights in 2023

Double materiality analysis for Corporate Sustainability Responsibility Directive disclosure

Purmo Group is working towards being compliant with the transparency disclosure requirements based on the Corporate Sustainability Responsibility Directive (CSRD) for the reporting year 2024. In 2023, the Company completed a double materiality analysis related to CSRD which resulted in five material topics: energy, water and emissions; product development; circular economy; health and safety and responsible sourcing. The analysis included the measurement of positive and negative impacts, in addition to financial risks and opportunities.

Visible sustainable actions through the Paula Bear

In 2023, Purmo Group launched a visual device Paula Bear to illustrate the actions that support its sustainability strategy 'Complete Care'. It appears on improved packaging, improved products and any initiative that acts in line with the four focus areas of Complete Care: our behaviours towards production, solutions, people and communities. Every time you see Paula, it will be because we have made a change that matters. During the year, Paula appeared in 100% recyclable stretch wrap, tape and cardboard boxes used in packaging in Hull and Birtley in the United Kingdom.

In 2023, Purmo Group completed a double materiality analysis related to CSRD.

SUSTAINABILITY STRATEGY

Complete Care

Sustainability is on every agenda of our business. From production lines to product design, from emissions to materials sourcing, from training to community engagement, sustainability will run through everything we do and will form part of our DNA. We call this Complete Care.

We have four focus areas:

- Our production
- Our solutions
- Our people
- Our community

We have made commitments in each area, all of which were carefully considered following a landscape and materiality analysis in 2021. With over 24 targets and 40 actions identified, we have an ambitious plan for 2024 and beyond.

Our solutions

4.

Climate smart choices
We will help our customers save energy and make sustainable choices

5.

Circularity and end of life
All products will have circular design principles applied and we will invest into new solutions where circularity is not immediately possible

Our production

1.

Emissions and energy
We will align with a 1.5° future and target carbon neutrality

2.

Resource efficiency and waste
We will use less resource to make products and eliminate waste

3.

Responsible sourcing
We will source our key materials responsibly

Our people

6.

Diversity, equality and inclusion
We will create a diverse and inclusive culture within Purmo Group

7.

Engagement at work
We will ensure our employees are satisfied at work

8.

Employee upskilling
We will inspire a future-fit workforce to tackle the skills gap and build a pipeline of future workers

9.

Health and Safety
We will ensure Purmo Group is a safe place to work

Our communities

10.

Community engagement
We will support the most vulnerable people to have access to adequate shelter and indoor climate

Our Production

We will fully align our business operations with a 1.5° future by improving energy efficiency and sourcing more energy from renewables. We strive to contribute to the Paris Agreement goal of limiting the global warming below 2 degrees.

Our Solutions

We will champion climate-friendly heating and cooling solutions. We will take every opportunity to inform and educate our stakeholders about energy efficiency and improve the way we make and deliver our products to enhance their performance and recyclability.

Our People

We will nurture and grow a future-fit and diverse workforce that has the skills and commitment to deliver our sustainability goals.

Our Communities

We will collaborate with external organisations to give greater access to energy-efficient indoor climates for all and enable climate resilience.

More detail on our our sustainability is available on our webpages.

The United Nations' Sustainable Development Goals

In 2021, we performed a UN Sustainable Development Goals (SDGs) materiality study to better understand how we could make the biggest contribution by tackling the SDGs most materially relevant to us at Purmo Group. We believe our business, products and solutions, strengthened by our ESG targets, can make a material difference to four of the UN's Sustainable Development Goals. These are:

8 DECENT WORK AND ECONOMIC GROWTH

SDG 8
Decent work and economic growth

11 SUSTAINABLE CITIES AND COMMUNITIES

SDG 11
Make cities and human settlements inclusive, safe, resilient and sustainable

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

SDG 12
Ensure sustainable consumption and production patterns

13 CLIMATE ACTION

SDG 13
Climate action

Purmo Group champions climate-friendly heating and cooling solutions.

SUSTAINABILITY FOCUS AREAS

Our Production

We will fully align our business operations with a 1.5° future by improving energy efficiency and sourcing more energy from renewables. We strive to contribute to the Paris Agreement goal of limiting global warming below 2 degrees.

"This is a natural step on our sustainability journey. We entered into a binding agreement with H2 Green Steel as part of our ambitions to align our production with a 1.5° Celsius future and carbon neutrality. We aim to reach net-zero emissions in our production by 2050. H2 Green Steel is the first producer of its kind to start production of near zero-emission steel, and it is a game-changing move for industries using steel, which is among the world's largest carbon dioxide emitters. We are pioneers in our industry to commit to using green steel in our radiator production," explains Steffen Moritz, Head of Procurement of Purmo Group.

Collaboration with H2 Green Steel for near zero-emission steel supply

In 2023, Purmo Group entered into a binding agreement with H2 Green Steel, for the purchase of 140,000 tonnes of green steel between 2026 and 2033. The deliveries will support the Company in its further advancement in sustainability. Steel represents approximately 50% of all raw material purchases for Purmo Group.

H2 Green Steel's integrated, digitalised, and circular plant is located in Boden, northern Sweden and will start production at the end of 2025. The plant is integrated with the world's largest electrolysis plants and is powered by green hydrogen produced with renewable electricity. It enables the reduction of CO_2 emissions by up to 95% compared to traditional steelmaking powered by coal.

SUSTAINABILITY FOCUS AREAS

Our Solutions

We will champion climate-friendly heating and cooling solutions. We will take every opportunity to inform and educate our stakeholders about energy efficiency and improve the way we make and deliver our products to enhance their performance and recyclability.

"I am very satisfied with the outcome. Besides the environmental benefits of packaging, an important objective of this project was to keep the costs of the new solution to a minimum. It was essential to ensure that the solution could be implemented quickly and effectively in a fast-paced production environment and finally, to be delivered to the markets. During the project, an active dialogue with the local purchasing department and product development took place and potential suppliers were contacted to provide concepts. These concepts were later developed and improved internally, to come to the current solution," explains the project initiator and Product Manager for electric radiators of Purmo Group, Yann Apruzzese.

Removing polystyrene at the Gateshead manufacturing plant

In the United Kingdom, the packaging of an electric radiator, Kaba2, was improved. The project aimed at reducing the environmental impact of product packages by being free from plastics and removing all non-recyclable materials from packaging. From the Kaba2 packaging, expanded polystyrene (EPS) was replaced with cardboard. The fully recyclable solution improves the packaging for approximately 25% of the electric radiators manufactured in the United Kingdom for Purmo Group.

The environmental effects of the innovation are substantial because expanded polystyrene is very difficult to recycle compared to cardboard: it usually ends up in landfills, whereas cardboard is a readily recyclable material that can be added to recycling bins in every home. All in all, approximately 8,500 tonnes of reduction in expanded polystyrene each year is associated with Kaba2. Looking ahead, an electric radiator, Yali, is also now undergoing the same design stages to fully remove expanded polystyrene from manufacturing. Once this non-recyclable material is removed, it could save approximately 50,000 additional expanded polystyrene on site.

SUSTAINABILITY FOCUS AREAS

Our People

We will nurture and grow a future-fit and diverse workforce that has the skills and commitment to deliver our sustainability goals.

"Circularity is a big opportunity for us at Purmo Group. Our people who work in offices all around Europe are now trained to think about how to reuse, recycle and recover their belongings more sustainably. I am extremely happy that we launched this training, and we will no doubt continue to remind our people about the importance of reducing consumption by taking care of the existing goods such as clothing, books or food," celebrates Head of Sustainability, Safety and Wellbeing of Purmo Group Sam Hodlin.

90% of Purmo Group employees trained for circularity

Purmo Group launched targeted circularity training for its employees in June 2023. The training included several modules providing the essentials to understanding the circular economy and the common 7Rs model (recycle, reduce, reuse, recover, repair, renew and redesign). It intends to boost Purmo Group's employees' household economy, encourage them to take care of the planet and benefit future generations. Over 90% of employees asked to complete the training completed it. The successful training will become a regular practice for Purmo Group's personnel annually and it is planned to extend the training to cover all employees within the Group in addition to some key customers for the Group.

SUSTAINABILITY FOCUS AREAS

Our Communities

We will collaborate with external organisations to give greater access to energy-efficient indoor climates for all and enable climate resilience.

"The World Environment Day is a worldwide day for giving back to our environment. It is great that we at Purmo Group are encouraged to act on this initiative. Our Poland team loved the planting exercise in June on a warm summer day! We look forward to more of these kinds of initiatives, where we as a team can make a positive impact on the environment," says Anna Luczak, a Plant Manager of Purmo Group in Poland.

Planting meadows and collecting rubbish on World Environment Day

Purmo Group celebrated all around its European locations the World Environmental Day 50th anniversary on the 5th June 2023. It is the United Nations Day to encourage worldwide awareness and action to protect our environment.

At Purmo Group, teams across Europe took part in World Environmental Day. Among many heart-warming actions, in Gateshead, the United Kingdom, 32 people supported a local charity, the Children's Foundation, by creating a garden environment for young people. In Walcz, Poland a group of people planted a little flower meadow meant to be an oasis for bees and in Germany, a team performed a rubbish collection around the pipe production plant in Ochtrup. Several trash bags and four car wheels were collected between Ochtrup and Langenhorst and the waste was brought to their recycling and waste treatment partner Kockmann, free of charge. Furthermore, 75% of personnel in Hillerstorp Sweden, did gardening at the harbour in Hillerstorp. In our wonderful plant in Biache, France, a team carried out a workshop on pallets, giving them a second life in the form of a lounge area with chairs and tables made from pallets.

APPENDIX

Our sustainability commitments and targets

4 Focus Areas	10 Commitments	24 Targets	40 Actions	2023 progress
1. Our production Sourcing and making for a low carbon, resource efficient world	**1. Emissions and energy:** We will align with a 1.5° future and target carbon neutrality.	**1. Scope 1,2 and 3 emissions** Scope 1 2 and 3 carbon neutral operations by 2050.	1. Submit Science based targets for validation by end 2023.	Completed
			2. Improve energy efficiency onsite annually through installation of LED's, efficiencies and digitisation, control devices, improved machinery, heat recycling.	On Track
			3. Install energy monitoring devices at all plants by end 2025.	On Track
			4. All plants achieve ISO 50001 certification by end 2025.	On Track
			5. Only source clean energy (electricity) by 2030.	On Track
			6. Generate onsite energy through solar PV by 2030.	Project to begin in 2024
			7. All company cars and onsite vehicles self charging petrol hybrid or electric only by end 2025.	On Track
			8. Collaborate with key suppliers and establish agreements to purchase steel with 30% less embodied carbon by 2030.	On Track
			9. All plants / offices / warehouses have electric car charging points by end 2025.	On Track
	2. Resource efficiency and waste: We will use less resource to make products and eliminate waste.	**2. Water & waste reduction** 30% reduction in water consumption by 2030 Zero waste to landfill by 2030.	10. Identify resource efficiency and waste improvements annually at all plants.	On Track
		3. Recycled materials and packaging 100% packaging from recycled / recyclable / biodegradable materials by 2030.	11. 100% packaging from recycled / recyclable / biodegradable materials by 2030.	On Track
			12. Elimination of all single use plastics used in packaging by 2030.	On Track
	3. Responsible sourcing: We will source our key materials responsibly.	**4. Responsible sourcing** Key materials (steel, brass, plastic, packaging) sustainably sourced by 2030.	13. All major suppliers on-boarded and audited against our responsible sourcing standards and who align with our values and goals by end 2025.	On Track
		5. Transparency Trace all (key steel, brass, plastic, packaging) materials to source by 2030.	14. Implement process to enable us to trace all key materials from major suppliers (Steel, (5) brass (3) , aluminium, plastics) back to source by end 2030.	On Track

APPENDIX

4 Focus Areas	10 Commitments	24 Targets	40 Actions	2023 progress
2. Our solutions Smart, sustainable and healthy solutions for comfort, delivered	**4. Climate smart choices** We will help our customers to save energy and make sustainable choices and be recognised as the number one choice for energy efficient solutions.	**6. Number one choice** Improve sustainability Net Promoter Score by 20% by 2025.	15. Carry out customer survey annually.	On Track
		7. Product Environmental Profiles By 2025 all new products to have published Product Environmental Profiles.	16. Develop first EPD on Thermopanel v4 in 2022.	On Track
		8. Climate smart systems Increase year on year sales of our smart, sustainable products / solutions.	17. Increase the % of product/ solutions seen as 'aligned' using EU taxonomy criteria.	On Track
	5. Circularity and end of life All products have circular design principles applied and invest into new solutions where circularity is not immediately possible.	**9. Product end of life** All new products will have circular design principles applied by 2025.	18. Apply circular design principles to all new products to facilitate disassembly and recyclability of pure material streams in local relevant recycling centers.	On Track
		10. Circularity training All white collar employees (750) awareness trained in circularity principles by end 2023.	19. Training programme developed for key Purmo Group employees end 2022 Training in 2023 Key customers identified and trained.	On Track
		11. Partnerships Invest 100,000 euros over next five years in thought leadership and academic partnership including solutions to give plastic pipes a second life.	20. Identify three thought leadership or academic partnerships across the whole Group by end 2022 to explore more sustainable and innovative systems and solutions.	On Track
		12. Donation service By 2025 implement service to enable wholesale customer to return dmaaged radiators for rework.	21. Pilot radiator rework scheme by end 2023.	On Track

APPENDIX

4 Focus Areas	10 Commitments	24 Targets	40 Actions	2023 progress
3. Our People Future fit workforce	**6. Diversity, equality and inclusion** Create a diverse and inclusive culture within Purmo Group.	**13. Diverse company** Increase the proportion of women groups in senior management positions (L2+).	22. Report annually on gender distribution across company Board, Management and employee levels.	On Track
		14. Pay equality Bridge and eliminate pay gaps and ensure pay equity by 2030.	23. Identify and monitor where pay gaps exist and develop plans to address.	On Track
		15. Partnering By end 2024 partner with relevant organisation(s) with a mission to support STEM education in young people/women/under-represented groups.	24. Identify potential organisations by end 2023 with agreements and approach agreed.	On Track
		16. Inclusive culture Implement a zero-discrimination culture by 2023.	25. Review our global policies, practices and benefits to ensure they eliminate any bias and discrimination by 2023.	On Track
			26. Every manager with direct reports (300) trained on discrimination and bias misconduct by 2024.	On Track
			27. All office based employees complete mandatory customer excellence training.	On Track
	7. Engagement at work Ensure our employees are satisfied at work.	**17. Employee engagement and wellbeing** Develop and provide YoY improvement in eNPS and engagement metrics through to 2025 using 2020 as a baseline.	28. Carry out regular engagement survey, analyse results and action plan accordingly.	On Track
			29. Create wellbeing groups for all countries we have manufacturing plants (11) by end 2024.	On Track
			30. Create channels for employees to contribute ideas (on sustainability, customers, products).	On Track
			31. Employee discount schemes in place.	On Track
	8. Employee training, upskilling and career opportunities Inspire a future-fit workforce to tackle the skills gap and build pipeline of future workers	**18. Future skills for commercial roles** 100% of commercial sales team (300) trained in sustainable and energy efficient solutions by 2025.	32. Define relevant upskilling and reskilling programmes on what the future of work looks like for key HVAC commercial roles by end 2023. Implement training by end 2025.	On Track
		19. Future skills for all employees 100% of our workforce to participate in relevant upskilling and reskilling programmes by 2030.	33. Define relevant upskilling and reskilling programmes so employees have future-fit skills for roles inside Purmo Group or beyond, with a focus on digital (WHAT) and HVAC on what the future of work looks like by end 2022.	On Track
		20. Future talent pipeline Offer 50 apprenticeships and internships across the Group by 2023.	34. Establish internship and apprenticeship processes by end 2023 for all markets internships across the Group with opportunities for permanent hires.	On Track

APPENDIX

4 Focus Areas	10 Commitments	24 Targets	40 Actions	2023 progress
	9. Health and Safety Ensuring Purmo Group is a safe place to work	21. Zero harm Target zero accidents across our business.	35. Demonstrate a constant yearly reduction in our Lost Time Injury Frequency Rate from a baseline of 6.1 in 2020 for blue collar and 4.0 for PG overall.	On Track
			36. Ensure 100% of safety observations submitted made year on year are acknowledged and improvements implemented.	On Track
			37. Ensure 100% of lost time incidents are investigated and available in AIRSWEB our H&S reporting tool.	On Track
		22. Anti-corruption training 100% of eligible employees completing anti-corruption & bribery training.	38. 100% of eligible employees complete online training session on mandatory compliance training annually.	On Track
4. Our Communities Resilient Communities	10. Community engagement and education Support the most vulnerable people to have access to adequate shelter and indoor climate	23. Enable climate resilience for all Devote 25,000 (8 hr per employee per year) hours of employees time to support our local communities in providing heating and cooling solutions.	39. Programmes in place at 100% of Purmo Group locations by 2025 supporting local communities.	On Track
		24. Stakeholder collaboration By 2025 develop plans in all markets to collaborate with local governments and relevant organisations.	40. Develop strategic approach on how Purmo Group interacts with local government / local associations on key ESG related issues.	Project to begin in 2024

Governance

Corporate Governance Statement 2023

This Corporate Governance Statement of Purmo Group Plc ('Purmo Group' or the 'Company', and together with its subsidiaries, the 'Group') is issued for the financial year 2023. The duties and responsibilities of Purmo Group's governing bodies are determined by Finnish law as well as Purmo Group's Articles of Association approved by the General Meeting of Shareholders and Purmo Group's Corporate Governance Principles approved by Purmo Group's Board of Directors.

Purmo Group's shares are listed on the Official List of Nasdaq Helsinki Ltd. The Company is the parent company of the Group and registered in Helsinki, Finland as a public limited liability company operating under Finnish law. Purmo Group's corporate headquarters is located in Helsinki, Finland.

This Corporate Governance Statement has been prepared in accordance with the Finnish Corporate Governance Code 2020 (the 'Governance Code'). This statement is presented as a separate report from the Board of Directors' Report. The Audit Committee of Purmo Group's Board of Directors has reviewed this Corporate Governance Statement.

Purmo Group departed from the Governance Code recommendation 15 – Appointment of Members to a Committee. The Audit Committee had temporarily only two members when one Audit Committee member was acting as interim CFO and was not part of the Audit Committee. The Board of Directors decided on 25 November 2022 to assign an Audit Committee member to the Company's interim CFO role starting from 1 January 2023 until the new CFO would start working for the Company. Further, the Board of Directors decided to keep this same arrangement in its constitutive meeting on 12 April 2023, right after the Annual General Meeting. The new CFO started on 22 June 2023, whereafter the recommendation was again fully complied with.

Otherwise, Purmo Group complied with all recommendations of the Governance Code in 2023.

The Governance Code is available on the Securities Market Association's website at www.cgfinland.fi/en/.

1 Governing Bodies

The General Meeting of Shareholders, the Board of Directors and the Chief Executive Officer (the 'CEO') are responsible for the supervision and operations of the Company, and their duties are primarily determined in accordance with the Finnish Companies Act. The management and governance of the Company are based on decisions made by the General Meeting of Shareholders and the Board of Directors.

1.1 General Meeting of Shareholders

The General Meeting of Shareholders is the ultimate decision-making authority of the Company where shareholders exercise their decision-making power. The matters to be dealt with in the General Meeting of Shareholders are defined in the Finnish Companies Act and Purmo Group's Articles of Association. The Annual General Meeting is convened by the Board of Directors annually within six months from the end of the previous financial year. An Extraordinary Meeting of Shareholders may be convened if the Board of Directors deems it necessary, or if one is legally required. The Annual General Meeting of Shareholders decides on the distribution of profits, adopts the financial statements and discharges the members of the Board of Directors and the CEO from liability. It elects the members of the Board of Directors, as well as decides on their remuneration. The Annual General Meeting also elects the auditor of the Company and decides on its remuneration. The General Meeting of Shareholders adopts the Company's remuneration policy and remuneration report in accordance with the provisions of the Finnish Companies Act. Decisions to amend the Articles of Association are also taken by the General Meeting of Shareholders.

1.2 The Board of Directors

The Board of Directors is responsible for the administration of the Company and the appropriate organisation of its operations. The Board of Directors is also responsible for the appropriate arrangement of the supervision of the Company's accounts and finances. The Board of Directors decides on Company and Group-wide significant matters of principal importance. The Board of Directors appoints and dismisses the CEO, supervises their actions, and decides on their remuneration and other terms and conditions of service. The Board of Directors also makes decisions on the significant matters related to strategy, investments, organisation and financial affairs of the Company.

The Board of Directors deals with all matters pertaining to its area of responsibility in accordance with Finnish law, the Articles of Association, the Corporate Governance Code, the rules of Nasdaq Helsinki, as amended from time to time, as well as other rules and regulations applicable to publicly listed companies in Finland. The Board of Directors also ensures that good corporate governance is complied with throughout the Group. The Board of Directors has approved the Corporate Governance Principles of the Group.

According to the Company's Articles of Association, the Board of Directors comprises a minimum of three and a maximum of ten ordinary members. The Annual General Meeting elects the members of the Board of Directors, including the Chair and the Vice Chair. The term of the members of the Board of Directors expires at the closing of the Annual General Meeting following the election. The Shareholders' Nomination Board prepares a proposal on the composition of the Board of Directors to the General Meeting for its decision.

The Board of Directors convenes in accordance with a schedule agreed in advance and as otherwise required. The Board of Directors also receives in its meetings current information about the operations, finances and risks of the Group. Board meetings are attended by the CEO, the CFO, and the person acting as secretary to the Board. Other representatives of the Company attend Board meetings at the invitation of the Chair of the Board of Directors. Minutes are kept of all meetings. An evaluation of the Board of Directors' performance and working methods shall be conducted annually. The Charter of the Board of Directors and its committees are available on the Company's website.

The Annual General Meeting of the Company held on 12 April 2023 elected the following seven members to the Board of Directors of Purmo Group, who were on the Board on 31 December 2023:

- Tomas von Rettig, Chair of the Board, b. 1980, BBA, CEFA
- Matts Rosenberg, Vice Chair of the Board, b. 1977, Ph.D. (Econ.)
- Alexander Ehrnrooth, member of the Board, b. 1974, M.Sc. (Econ.) and MBA, Kellogg Executive Scholar
- Carina Edblad, member of the Board, b. 1963, M.Sc. (Eng.)
- Carlo Grossi, member of the Board, b. 1956, Master in Engineering, Advanced Management Programme INSEAD
- Jyri Luomakoski, member of the Board, b. 1967, MBA
- Catharina Stackelberg-Hammarén, member of the Board, b. 1970, M.Sc. (Econ.)

The Board of Directors has assessed the independence of the Board members and concluded that all members of the Board of Directors are independent of the Company. Carina Edblad, Carlo Grossi, Jyri Luomakoski and Catharina Stackelberg-Hammarén are also independent of the significant shareholders of the Company. Alexander Ehrnrooth is not independent of a significant shareholder of the Company, Virala Corporation and Tomas von Rettig and Matts Rosenberg are not independent of a significant shareholder of the Company, Rettig Ltd.

Number of Board meetings and attendance rates in 2023

	Number of meetings	% of meetings
Alexander Ehrnrooth	16/16	100
Tomas von Rettig	16/16	100
Matts Rosenberg	16/16	100
Carina Edblad	15/16	94
Carlo Grossi	16/16	100
Jyri Luomakoski	16/16	100
Catharina Stackelberg-Hammarén	16/16	100

1.3 Diversity of the Board of Directors

In Purmo Group, the election and composition of the Board of Directors is guided by the principle of diversity to ensure that the Company has a skilled, competent, experienced and effective Board.

Diversity is an essential quality of a well-functioning Board of Directors. The Board of Directors must at all times be able to react to the requirements of the Company's business and strategic objectives and support and challenge management in a proactive and constructive manner. A diverse composition of the Board of Directors supports and caters to the current and future needs in the successful development of the Company. A diverse composition of the Board of Directors includes complimentary education, competence, personal networks and experience of its members in different professional fields and management of business in different development phases as well as the personal qualities of each Board member, all of which add to the diversity of the Board of Directors. Diversity is also supported by relevant experience in fields and markets that are strategically significant for the Company, now and in the future, by strong and relevant acumen in international environments and businesses, and by a diverse age, term of office and gender distribution.

Both genders shall be represented on the Board of Directors, and the aim of the Company is to maintain a balanced gender distribution. As a means to maintain a balanced gender distribution in the Board of Directors, the Shareholders' Nomination Board seeks to include representatives of both genders in the Board candidates search and evaluation process. The status of diversity and progress in achieving the aforesaid objectives will be monitored by the Shareholders' Nomination Board in its assessment discussions.

The members of the Board of Directors have international work experience in different managerial positions or have worked or are working in the Boards of Directors or the management of listed or unlisted companies. In terms of gender distribution, the Board of Directors consists of two women and five men and in terms of age, the members of the Board of Directors are between 43 and 68 years of age. The members of the Board represent three different nationalities. All members of the Board hold a university-level degree and one member holds a doctoral degree.

1.4 Board Committees

The Board of Directors of Purmo Group has the following three Committees: the Audit Committee, the Remuneration Committee and the Mergers and Acquisition Committee. The Board committees do not have independent decision-making authority in matters within the authority of the Board of Directors, but they assist the Board of Directors by preparing such matters. The Board committees shall regularly report on their work to the Board of Directors. Minutes are kept of all Committee meetings. The Board of Directors has approved the charters of the Board committees. In its constitutive meeting, the Board of Directors appoints annually, from among its members, the members and the chair of the Audit Committee, the Remuneration Committee and the Mergers and Acquisitions Committee.

In addition to the above mentioned committees, the Board of Directors may appoint ad hoc committees for the preparation of specific matters. Such ad hoc committees do not normally have Board-approved charters and the Board of Directors does not release information on their term, composition, the number of meetings or the members' attendance rates.

1.4.1 Audit Committee

The Audit Committee shall have a minimum of three members. The majority of the Committee members must be independent of the Company, and at least one must be independent of the Company's significant shareholders. The Audit Committee as a whole must have the expertise and experience required for the performance of the duties and responsibilities of the Committee.

The primary duties of the Audit Committee are to assist the Board of Directors in fulfilling its oversight responsibilities of the Company's financial reporting process and in monitoring the statutory audit of the Company, as well as to assist the Board of Directors in its oversight of matters pertaining to financial reporting, internal control, internal audit, risk management and related party transactions, and by making proposals on such matters to the Board of Directors. The Audit Committee's duties include monitoring the financial affairs and financial reporting of the Company, monitoring the quality and integrity of and reviewing the interim and half-year reports and the financial statements, presenting them to the Board of Directors for approval, and monitoring and reviewing the financial reporting processes. The Audit Committee also assists the Board of Directors by monitoring and evaluating the nature of related party transactions and how agreements and other transactions between the Company and its related parties meet the requirements of ordinary course of business and customary terms. In addition, the duties of the Audit Committee include preparation of the decision on electing the auditor, the evaluation of the independence of the auditor, particularly the provision of non-audit services to the Company, and carrying out other tasks assigned to it by the Board of Directors. The Audit Committee also monitors the efficiency of internal control, internal audit and risk management, and evaluates the auditor's work.

On 31 December 2023, the members of the Audit Committee were Jyri Luomakoski (Chair of the Audit Committee), Matts Rosenberg and Alexander Ehrnrooth.

Number of Audit Committee meetings in 2023

	Number of Audit Committee meetings	% of meetings
Jyri Luomakoski	9/9	100
Matts Rosenberg[1]	4/4	100
Alexander Ehrnrooth	9/9	100

[1] See the explanation for departure from Corporate Governance Code, recommendation 15, on page 2.

1.4.2 Remuneration Committee

The Remuneration Committee shall have a minimum of three members. The majority of the Committee members must be independent of the Company. The Company's CEO or any other executive director may not be a member of the Committee. The Committee members shall have the expertise and experience required for the performance of the duties and responsibilities of the Committee.

The Remuneration Committee assists the Board of Directors by preparing the remuneration policy and remuneration report of the Company's governing bodies and by preparing the matters pertaining to the remuneration of the CEO and other members of the Management Team, appointment of the CEO as well as the remuneration principles observed by the Company. The Remuneration Committee's main duties also include monitoring and evaluating the remuneration of the CEO and other members of the Management Team and ensuring that the remuneration schemes are appropriate; monitoring the application of the Company's remuneration policy as well as the current remuneration structures and levels in the Company; assisting the Board in connection with major management reorganisations based on preparation and proposals by the CEO; and monitoring the Company's remuneration policies, schemes and plans. The Remuneration Committee shall also review the procedures and strategies for senior-level positions and succession plans for the CEO and other members of the Management Team and reports to the Board of Directors on such matters.

On 31 December 2023, the members of the Remuneration Committee were Tomas von Rettig (Chair of the Remuneration Committee), Catharina Stackelberg-Hammarén and Carina Edblad.

Number of Remuneration Committee meetings in 2023

	Number of Remuneration Committee meetings	% of meetings
Tomas von Rettig	3/3	100
Catharina Stackelberg-Hammarén	3/3	100
Carina Edblad	3/3	100

1.4.3 Mergers and Acquisitions Committee

The Mergers and Acquisitions Committee shall have a minimum of three members. The Committee members shall have the expertise and experience required for the performance of the Committee's duties and responsibilities.

Pursuant to its charter, the Mergers and Acquisitions Committee reviews with management and the Board of Directors the role of M&A within the Company's growth strategy, provides advice to management regarding the Company's various strategic alternatives and funding structures for relevant acquisitions, and reviews material mergers, acquisitions, dispositions or other potential transactions ('Strategic Transactions').

The duties of the Mergers and Acquisitions Committee also include maintaining familiarity with the status of the Company's acquisition pipeline as a whole; providing support and guidance to management with respect to the presentation of Strategic Transactions to the Board of Directors; assisting management and the Board of Directors with identification of acquisition, strategic investment and divestiture opportunities; ensuring management accountability for Strategic Transactions, and from time to time, as appropriate, reviewing with management whether the investment thesis for a specific Strategic Transaction was successfully achieved; and overseeing the management and the Board of Directors' due diligence process with respect to proposed Strategic Transactions. The Mergers and Acquisitions Committee is able to use the expertise of the employees of the Company to carry out its responsibilities. The committee's activities are reported to the Board of Directors on a regular basis.

On 31 December 2023, the members of the Mergers and Acquisitions Committee were Matts Rosenberg (Chair of the Mergers and Acquisitions Committee), Alexander Ehrnrooth and Carlo Grossi.

Number of Mergers and Acquisitions Committee meetings in 2023

	Number of Mergers and Acquisitions Committee meetings	% of meetings
Matts Rosenberg	4/4	100
Alexander Ehrnrooth	4/4	100
Carlo Grossi	4/4	100

1.5 Shareholders' Nomination Board

The Shareholders' Nomination Board (the 'Nomination Board') prepares, annually and otherwise, when appropriate, proposals concerning the composition, election and remuneration of the members of the Board of Directors to the following Annual General Meeting. The Nomination Board shall operate until abolished by the decision of the General Meeting of Shareholders of the Company.

Pursuant to the charter of the Nomination Board, the Nomination Board consists of three members. The members shall represent the Company's three largest shareholders, who represent the largest number of votes out of all shares in the Company on 30 May each year, as determined based on the shareholder register of the Company, maintained by Euroclear Finland Ltd.

The Chair of the Board of Directors acts as an expert member of the Nomination Board (the Chair of the Board of Directors is not an official member of the Nomination Board and does not have any voting right, but he/she has the right to attend the meetings of the Nomination Board and receive the relevant material for such meetings).

The term of the members of the Nomination Board shall end upon the appointment of the following Nomination Board. The members of the Nomination Board shall not be entitled to remuneration from the Company on the basis of their membership unless otherwise decided by the General Meeting of Shareholders.

The main purpose of the Nomination Board is to ensure that the Board of Directors and its members represent a sufficient level of expertise, knowledge and competence for the needs of the Company and have the possibility to devote a sufficient amount of time to attending to their duties as members of the Board of Directors. The Nomination Board shall pay attention to achieving a good and balanced gender distribution and diversity balance on the Board, considering the competence of the Board as a whole. The Nomination Board shall in its work consider the diversity principles of the Company.

The Nomination Board has the power and authority to prepare and to present a proposal to the General Meeting of Shareholders concerning the number of members and composition of the Board of Directors; and the remuneration of the members of the Board of Directors and the Board committees, as well as seek prospective successor candidates for the members of the Board of Directors.

The Nomination Board shall submit its proposals to the Board of Directors at the latest on 31 January each year. The Proposals of the Nomination Board will be published through a stock exchange release by the Company and included in the notice to the General Meeting of Shareholders.

The Company's three largest shareholders have been Rettig Ltd, Virala Corporation and Ahlström Invest B.V. on 30 May 2023 and each has nominated one member to the Nomination Board.

On 31 December 2023, the members of the Shareholders' Nomination Board were Matts Rosenberg (Chair of the Nomination Board) nominated by Rettig Ltd, Alexander Ehrnrooth nominated by Virala Corporation and Sebastian Burmeister nominated by Ahlström Invest B.V.[1]

Number of Shareholders' Nomination Board meetings in 2023

	Number of Shareholders Nomination Board meetings	% of meetings
Matts Rosenberg	3/3	100
Alexander Ehrnrooth	3/3	100
Sebastian Burmeister	2/2	100
Peter Seligson[1]	1/1	100

[1] Peter Seligson was a member nominated by Ahlström Invest B.V. until 30.5.2023.

1.6 Chief Executive Officer

The Board of Directors of Purmo Group appoints and dismisses the CEO and decides on the financial benefits within the framework of the valid Remuneration Policy presented to the General Meeting of the Shareholders. Board approved terms and conditions of the CEO's position are specified in a written service contract. The CEO of the Company is responsible for managing, supervising and controlling the business operations of the Company.

The CEO is responsible for the day-to-day executive management of the Company, in accordance with the instructions and orders given by the Board of Directors. In addition, the CEO ensures that the accounting practices of the Company comply with Finnish law and that its financial affairs have been arranged in a reliable manner. The duties of the CEO are governed primarily by the Finnish Companies Act. The CEO shall provide the Board of Directors and its members with the information necessary for the performance of the duties of the Board of Directors.

The CEO prepares matters for decision by the Board of Directors, develops the Company in line with the targets approved by the Board of Directors and ensures the proper implementation of the decisions of the Board of Directors. The CEO is also responsible for ensuring that the Company is managed in compliance with applicable laws and regulations. The CEO is not a member of the Board of Directors but attends the meetings of the Board of Directors and has the right to speak at the meetings.

On 31 December 2023, John Peter Leesi, b. 1961, BBA (with advanced studies in international finance) served as the CEO of Purmo Group.

1.7 Group Management Team

The Company's Board appoints the members of the Management Team. The Management Team comprises the CEO and the CFO as well as other members appointed by the Board. The Management Team meets regularly to address matters concerning the entire Group. The Management Team is not a decision-making body of the Company, but it assists the CEO in the implementation of the Group's strategy and operational management. The Management Team is responsible for managing the Company's core business operations as a whole, which requires planning various development processes, Group principles and Group practices, as well as monitoring the development of financial matters and the Group's business plans. Board members are free to join the meetings of the Management Team in order to ensure smooth cooperation between the Board of Directors and the Management Team. The Management Team convenes regularly at a schedule agreed in advance and also as required and minutes are kept of all meetings.

On 31 December 2023, the Management Team of Purmo Group comprised the following members:

- John Peter Leesi, CEO, b. 1961, BBA (with advanced studies in international finance)
- Jan-Elof Cavander, Chief Financial Officer, b. 1985, M.Sc. (Ind. Eng.)[1]
- Erik Hedin, Chief Operational Officer, b. 1977, M.Sc. (Ind. Eng.), B.Sc. (Econ.)
- Mike Conlon, President, Climate Solutions Division, b. 1966, BA (Hons)
- Barry Lynch, President, Climate Products & Systems Division, b. 1975, MBA, Post Graduate Diploma (Business Administration), BA Hons (Business Studies)
- Linda Currie, Chief People Officer, b. 1973, BA (Hons) Business & Human Resource Management, CIPD

[1] Matts Rosenberg acted as interim CFO until 21 June 2023 and Jan-Elof Cavander started as CFO on 22 June 2023.

1.8 Shareholdings of the Board of Directors and Management Team

The shareholdings of the members of the Board of Directors, the CEO, and the members of the Management Team, as well as their controlled entities as of 31 December 2023 are presented in the following tables.

Board of Directors' shareholdings on 31 December 2023

Board of Directors' shareholdings	Class C shares	Class F shares
Tomas von Rettig[1]	0	0
Matts Rosenberg[1]	4,932	0
Alexander Ehrnrooth[2]	7,766	0
Carina Edblad	3,990	0
Carlo Grossi	3,990	0
Jyri Luomakoski	4,406	0
Catharina Stackelberg-Hammarén	4,682	0
Total	**29,766**	**0**
Out of total shares outstanding	**0.07%**	**0.00%**

[1] Influence in Rettig Ltd which held 26,373,971 class C shares in Purmo Group on 31 December 2023.
[2] Influence in Virala Corporation which held 4,906,522 class C shares and 1,565,217 class F shares in Purmo Group on 31 December 2023.

Management Team's shareholdings on 31 December 2023

Management Team's shareholdings	Class C shares	Class F shares
John Peter Leesi	418,927	0
Jan-Elof Cavander	12,800	0
Erik Hedin	253,256	0
Mike Conlon	31,770	0
Linda Currie	23,582	0
Barry Lynch	10,752	0
Total	**751,087**	**0**
Out of total shares outstanding	**1.83%**	**0.00%**

The CEO and Management Team have future share-based rights in Purmo Group through participation in a long-term incentive plan launched in 2023. More information is available in the Remuneration Report 2023 and on the Company's website.

2 Control

2.1 Internal Audit

Purmo Group's internal audit assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluaing and improving the effectiveness of the organisation's governance, risk management and internal control. Internal Audit also assists the Board of Directors and senior management of the Company in creating an effective and reliable control environment.

The Chief Audit Executive (or otherwise titled highest level practising Internal Auditor) will report functionally to the Audit Committee and administratively (i.e. day-to-day operations) to the COO. The internal audit report may include management's response and corrective actions taken or to be taken regarding the specific findings and recommendations. The internal audit is responsible for appropriate follow-up on engagement findings and recommendations.

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. The internal audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input from senior management and the Audit Committee. The audit plan of the internal audit is adopted by the Audit Committee.

2.2 External Audit

Pursuant to the Articles of Association, the Company has one auditor, which shall be an Authorised Public Accountant company. The auditor is elected annually by the Annual General Meeting for a term that expires at the end of the next Annual General Meeting following the election. The task of the auditor is to audit the consolidated financial statements, the financial statements of the parent company, the accounting of the Group and the parent company and the administration of the parent company. The Company's auditor submits the auditors' report to the shareholders in connection with the annual financial statements, as required by law, and submits regular reports on its findings to the Audit Committee of the Board of Directors.

3 Related Party Transactions

The Board of Directors has defined the principles for monitoring and evaluating related party transactions.

The Company evaluates and monitors transactions concluded between the Company and its related parties and ensures that any conflicts of interest are taken into account appropriately in the decision-making process of the Company. The Company keeps a list of parties that are related to the Company.

Purmo Group can conduct with its related parties business transactions that constitute part of Purmo Group's ordinary course of business and are implemented on arm's length terms and abiding Purmo Group's internal decision-making guidelines. The Board of Directors decides, taking into consideration the conflict of interest rules, on transactions with related parties that are not part of Purmo Group's ordinary course of business or that are not implemented under arm's length terms.

Purmo Group's Finance organisation monitors related party transactions through accounting, Board documentation and other available sources, and regularly conducts inquiries about related party transactions to managers and key management persons. In connection with quarterly reporting, the financial process ensures that related party transactions are properly reported to the related party transaction watch list compiled for financial reporting purposes. The watch list is regularly submitted to the Audit Committee for information.

In principle, all related party transactions must be reported in the notes to the financial statements and material related party transactions also in the interim reports. In addition, the Company publishes such related party transactions to the extent required pursuant to the applicable legislation and the rules of Nasdaq Helsinki.

4 Internal control procedures and main features of risk management systems

4.1 Internal Control

Internal control ensures that the Company's business objectives can be achieved. Through efficient control, deviations from objectives can be prevented or detected as early as possible, so that corrective measures can be taken. The purpose of internal control is to ensure the profitability, efficiency, continuity and freedom from disruptions of operations and that the Group's financial and operating reporting is reliable and compliant, both externally and internally, and that internal principles, policies and guidelines are followed. Further, internal control ensures compliance with laws and regulations. Internal control measures cover all Group levels and functions. Information systems are of vital importance for effective internal control.

The planning of the control measures begins with the definition of business objectives and the identification and assessment of the risks that threaten the objectives. Control measures are targeted based on risks, and control measures are selected as appropriate to keep the risks under control.

The Board of Directors and the CEO are responsible for organising internal control. The CEO sets the ground for the internal control environment ('tone at the top') by providing leadership and direction to the executive management, and by reviewing the way they manage and control the business. The CEO is responsible for managing the business and administration in accordance with the applicable laws and regulations, and the direction of the Board of Directors.

The CEO is accountable for establishing sufficient internal control processes in the organisation. The CEO is assisted by the CFO and Purmo Group operative management in these duties. The business functions and the Group finance organisation are responsible for the financial reporting processes. The Audit Committee and the Board of Directors assess the financial reporting processes and monitor the financial situation of the Group. The Audit Committee and the Board review the interim and half-year reports and financial statements before their approval and publication.

4.2 Risk Management

The primary objective of risk management in Purmo Group is to support the Company's strategy execution, continuity of operations and realisation of business objectives by anticipating any risks involved in the Company's operations and managing them in a proactive manner. Enterprise risk management emphasises the role of corporate culture and is an integrated part of operations, planning, and decision-making in Purmo Group. Risk is defined as an uncertain event, caused by external or internal factors, which may be either a threat or an opportunity. The Board of Directors has approved the Enterprise Risk Management Policy, which defines the framework, processes, governance and responsibilities of risk management in Purmo Group.

The Board of Directors and the Audit Committee monitor and are responsible for ensuring that Purmo Group's risk management process functions are comprehensive. The Board defines the risk appetite and tolerance, according to the current conditions.

The Company's operative management is responsible for achieving the set objectives and controlling, managing and mitigating risks that threaten them. The operative management is also responsible for the risk management work, and for ensuring the performance of the risk management process and the availability of sufficient resources. The COO is responsible for instructions and advice to the operations and functions concerning enterprise risk management, and for monitoring the practical implementation of the process. Risk management assessments are coordinated by the COO together with the Head of Enterprise Risk Management, who supports the management, operative business functions and other supportive functions in the risk management work. The Head of Enterprise Risk Management reports key risks to the Board of Directors on an annual basis. The Board discusses Purmo Group's most significant risks and uncertainties and reports them to the market annually in the Board's Report. In addition, the Company describes the material short-term risks and uncertainties in interim reports and half-year reports. In Purmo Group, the business functions are responsible for risks related to their operations and their identification, assessment and mitigation means. The Company's internal audit is responsible for developing a risk-based audit plan and conducting the audit procedures based on the plan and reports, as an independent function, directly to the Board and Audit Committee.

5 Insider Administration

In its insider administration, the Company follows the Market Abuse Regulation (EU No 596/2014) and the rules of Nasdaq Helsinki complemented by the Company's own Insider Policy. The Company maintains its own insider registers. The Company does not have permanent insiders.

Persons in managerial positions are prohibited from carrying out transactions (on their own account or for the account of a third party), directly or indirectly, in the financial instruments of the Company during a closed period of 30 calendar days before the announcement of each of the interim reports, half-year reports or the year-end report (financial statement release). The Company applies the closed period of 30 calendar days immediately preceding the announcement of the interim report, half-year report or financial statement release, as the case may be, including the date of publication of such report (the 'Closed Window'). The prohibition is in force during the Closed Window regardless of whether or not such a person holds any inside information at that time. A project-specific insider list is maintained when required by law or regulations. Project-specific insiders are prohibited from trading in the Company's financial instruments until the termination of the project.

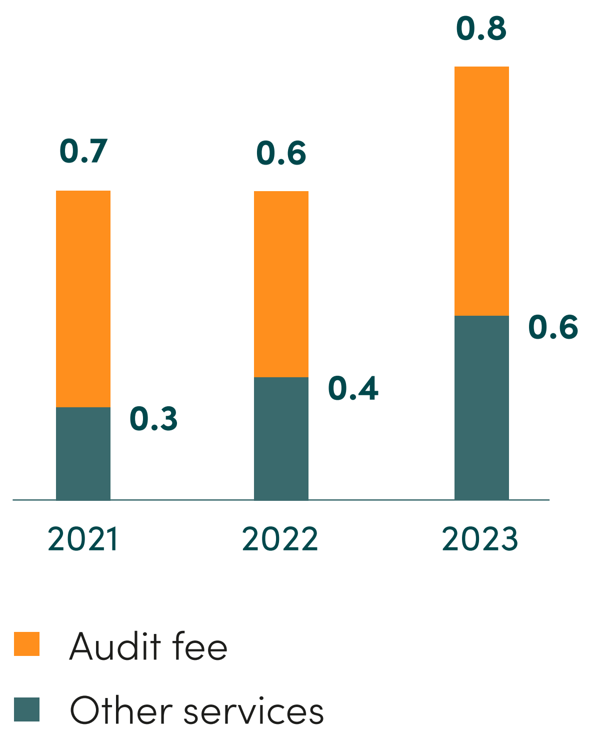
Persons in managerial positions (and their closely associated persons) are obligated to report transactions with the Company's financial instruments in line with applicable EU and domestic laws and regulations. The members of the Board and the Management team are the managers of the Company with an obligation to disclose their transactions.

6 External Audit in 2023

KPMG Oy Ab is Purmo Group's auditor. In 2023 Kim Järvi, Authorised Public Accountant, acted as the auditor with principal responsibility.

The audit fees paid to the auditor in 2023 totalled EUR 825 thousand. In addition, EUR 557 thousand was paid to KPMG for non-audit services.

Auditor's fees and services, EUR million



BOARD OF DIRECTORS

Tomas von Rettig

- Chair of the Board of Directors, Chair of the Remuneration Committee.
- Born 1980. BBA, CEFA.
- Independent of the Company. Dependent of its significant shareholder Rettig Ltd.

Current positions of trust:
eQ, Member of the Board (2019–)

Relevant prior positions of trust:
Rettig Ltd, Chair of the Board (2019–2022); Terveystalo, Vice Chair of the Board (2018–2022); Purmo Group Ltd, Chair of the Board of Directors (2016–2021); Nordkalk Corporation, Chair of the Board (2016–2018); Bore, Chair of the Board (2016)

Matts Rosenberg

- Vice Chair of the Board, Chair of the M&A Committee, Member of the Audit Committee and Chair of the Shareholders' Nomination Board.
- Born 1977. Ph.D. (Econ.)
- Independent of the Company and dependent of its significant shareholder Rettig Ltd, where he is the CEO.

Current positions of trust:
Terveystalo Oyj, Vice Chair of the Board and member of the Audit Committee (2022–)

Relevant prior positions of trust:
Purmo Group Ltd, Member of the Board (2016-2021); Nordkalk Corporation, Chair of the Board (2018–2021) and Member of the Board (2016–2018); Alandia Försäkring, Chair of the Board (2020–2021)

Alexander Ehrnrooth

- Member of the Board of Directors, Member of the Audit and M&A Committees.
- Born 1974. M.Sc. (Econ.) and MBA, Kellogg Executive Scholar.
- Independent of the Company and dependent of its significant shareholder Virala Oy Ab, where he is the President and CEO.

Current positions of trust:
Ahlstrom Oyj, Member of the Board (2014–); Family G.J. Ehrnrooth Foundation sr, Member of the Board (2019–); Louise and Göran Ehrnrooth Foundation, Member of the Board (2014–); Ahlstrom Holding 1 Oy, Member of the Board (2020–); Ahlstrom Holding 2 Oy, Member of the Board (2020–); Ahlstrom Holding 3 Oy, Member of the Board (2020–); Virala Oy Ab, CEO and Member of the Board (1995–); Belgrano; Inversiones Oy, CEO (2013–), Member of the Board (1996–)

Relevant prior positions of trust:
YIT Corporation, Member of the Board (2019–2021); Wärtsilä Corporation, Member of the Board (2010–2015); Fiskars Corporation, Member of the Board (2005–2018)

More information on the Board of Directors is available at investors.purmogroup.com.

BOARD OF DIRECTORS

Carina Edblad

- Member of the Board of Directors, Member of the Remuneration Committee.
- Born 1963. M.Sc. (Eng).
- Independent of the Company and its significant shareholders.

Current positions of trust:
Building Green in Sweden AB, Member of the Board, (2023–); Instalco, Member of the Board (2018–); Royal Swedish Academy of Engineering Sciences, Member (2016–)

Relevant prior positions of trust:
Adapteo, Member of the Board (2019–2021); NCC AB, Member of the Board (2014–2019); Hifab Group, Member of the Board (2012–2018); Svensk Markservice, Member of the Board (2011–2013)

Carlo Grossi

- Member of the Board of Directors, Member of the M&A Committee.
- Born 1956. Master in Engineering, Advanced Management Program INSEAD.
- Independent of the Company and its significant shareholders.

Current positions of trust:
deLonghi S.P.A., Member of the Board (2022–)

Relevant prior positions of trust:
Mitsubishi Electric Hydronics & IT Cooling Systems S.p.A., Chair of the Board (2021–2023)

Jyri Luomakoski

- Member of the Board of Directors, Chair of the Audit Committee.
- Born 1967. MBA.
- Independent of the Company and its significant shareholders.

Current positions of trust:
YIT Corporation, Vice Chair of the Board and Chair of the Audit Committee (2023–); Fiskars Group, Member of the Board and Chair of the Audit Committee (2016–), Vice Chair of the Board (2018–)

Relevant prior positions of trust:
Varma Mutual Pension Insurance Company, Member of the Board (2015–2023); Association of the European Heating Industries, Member of the Board (2014–2018); The European Plastic Pipes and Fittings Association, Member of the Board (2009–2021)

Catharina Stackelberg-Hammarén

- Member of the Board of Directors, Member of the Remuneration Committee.
- Born 1970. M. Sc. (Econ).
- Independent of the Company and its significant shareholders.

Current positions of trust:
Harvia, Member of the Board (2023–); Kojamo, Member of the Board (2021–); Royal Unibrew, Member of the Board (2019–); Alma Media, Member of the Board (2009–); Alma Media, Chair of the Board (2022–)

Relevant prior positions of trust:
Marimekko, Member of the Board (2014–2022) Cision, Member of the Board (2013–2014); Aktia Bank, Member of the Board (2012–2019); eQ, Member of the Board (2011–2012); Stiftelsen Svenska Handelshögskolan, Member of the Board (2011–2017); Tradedoubler, Member of the Board (2006–2007)

More information on the Board of Directors is available at investors.purmogroup.com.

MANAGEMENT TEAM

John Peter Leesi

- Chief Executive Officer
- Member of Purmo Group Leadership Team since 2020
- Employed by Purmo Group since 2020
- Born 1961, Swedish citizen
- Education: BBA (with advanced studies in international finance)

Key work experience:

CEO and President, Munters Group 2014–2019; CEO and President, Luvata Group 2005–2014; CFO, Corporate Vice President and Head of Strategy, Legal, IS/IT and IPR, Sony Ericsson 2001–2005; CFO and various senior leadership positions, Ericsson 1997–2001

Key positions of trust:

Board member, Polarium 2017–2021; Advisory Board member, Agraria Inc. 2019–2020; Chair of the Board, Luvata Oy 2014–2017; Chair of the Board, Munters AB 2012–2015

Jan-Elof Cavander

- Chief Financial Officer
- Member of Purmo Group Leadership Team since 2023
- Employed by Purmo Group since 2023
- Born 1985, Finnish citizen
- Education: M.Sc. (Ind. Eng.)

Key work experience:

CFO, Rapala VMC Corporation, 2017–2023; SVP Treasury & Finance, Corporate Planning & IT, Rapala VMC Corporation, 2016–2017; Treasurer & Finance Director, Rapala VMC Corporation, 2016–2017; Finance Director, Singapore, Rapala VMC Corporation, 2015–2016; Group Treasurer, Rapala VMC Corporation, 2013–2015

Key positions of trust:

Board member, L-Fashion Group, 2021–

Erik Hedin

- Chief Operating Officer
- Member of Purmo Group Leadership Team since 2020
- Employed by Purmo Group since 2020
- Born 1977, Swedish citizen
- Education: M.Sc. (Ind. Eng.), B.Sc. (Econ.)

Key work experience:

Chief Financial Officer, Purmo Group 2020–2022; Senior Director, Alvarez & Marsal 2017–2020; Interim Chief Financial Officer, Sportradar 2019–2020; Division CFO roles, Luvata 2011–2017; Business Development Director, Luvata 2008–2011; Manager, Arthur D. Little, 2003–2008

More information on the Management team is available at investors.purmogroup.com.

MANAGEMENT TEAM

Linda Currie

- Chief People Officer
- Member of Purmo Group Leadership Team since 2013
- Employed by Purmo Group since 1994
- Born 1973, British citizen
- Education: BA (Hons) Business & Human Resource Management, CIPD

Key work experience:
HR Director, UK & Ireland, Purmo Group 2009–2013; HR Manager UK, Myson Radiators, 2005–2009; HR Officer, Myson Radiators UK, 1999–2005; Project Officer, Myson Radiators UK, 1994–1999

Key positions of trust:
Chair of Purmo Group UK Ltd 2019–;
Chair of Trustees, Purmo Group UK Pension Scheme 2019–
Company Trustee of Purmo Group UK Pension Scheme 2014–;
Company Trustee of Purmo Group UK Pension Scheme 2014–;
Director of Purmo Group UK Ltd 2014–;

Mike Conlon

- Senior Vice President, Climate Solutions Division
- Member of Purmo Group Leadership Team since 2015
- Employed by Purmo Group since 2015
- Born 1966, British and Irish citizen
- Education: BA (Hons)

Key work experience:
Senior Vice President, IC Systems, Purmo Group, 2019–2022; Group Managing Director (West), Purmo Group 2015–2019; Managing Director and member of leadership team, Stelrad Radiators 2011–2015; Division Vice President, Sanitec Group – Division 2008–2011; Managing Director, Sanitec Group (UK/Ireland) 2006–2011; Commercial Director, Sanitec UK/Ireland 2001–2006

Key positions of trust:
Member of Stelrad Ideal Group M&A committee 2011–2015;
Member of Sanitec M&A committee 2008–2011;
Board member at Sanitec UK 2001–2011;
Pension trustee at Twyford Bathrooms UK 2003–2009

Barry Lynch

- President, Products & Systems Division
- Member of Purmo Group Leadership Team since 2022
- Employed by Purmo Group since 1994
- Born 1975, British citizen
- Education: MBA, Post Graduate Diploma (Business Administration), BA Hons (Business Studies)

Key work experience:
Senior Vice President, Radiators, Purmo Group, 2022; Vice President, Anglophone, Purmo Group 2019–2022; Managing Director, UK & ROI, Purmo Group 2016–2019; Sales & Marketing Director, UK & ROI, Purmo Group 2013–2016; R&D Group Team Leader, Group Role, Purmo Group 2011–2013; Group Marketing Manager, UK & ROI, Purmo Group 2007–2011; National Key Account Manager, UK & ROI, Purmo Group 2006–2007; Group Product Manager, UK & ROI, Purmo Group 2005–2006

Key positions of trust:
Chair, Manufacturers Association of Radiators and Convectors 2018–;
Board Member, Purmo Group UK 2013–;

More information on the Management team is available at investors.purmogroup.com.

Purmo Group Remuneration Report 2023

This Remuneration Report 2023 has been prepared by the Remuneration Committee of Purmo Group Plc. The report describes the implementation of Purmo Group's Remuneration Policy, which was adopted by an unanimous advisory resolution of the shareholders at the Annual General Meeting of shareholders on 25 April 2022.

Remuneration Principles applied in Purmo Group in accordance with the Remuneration Policy aim to:

- Divide remuneration into elements such as fixed base salary, variable performance-based incentives and other payments such as pension and fringe benefits
- Define clear key performance indicators linked to strategy execution
- Attract and retain top talent
- Enhance employee engagement through clarity and understanding

The Company's Remuneration Committee reviews the Remuneration Policy annually to ensure alignment with market practices, the Company strategy, and the long-term aspiration of the Company. The Remuneration Policy is available on our website.

The Remuneration Report presents the terms of the payments made and illustrates the alignment of the remuneration with Company performance and strategy.

This report contains information concerning Purmo Group Plc's remuneration for the financial year 2023. This report will be presented to the Annual General Meeting of shareholders to be held on 9 April 2024.

The Remuneration Report 2023 follows the Finnish Corporate Governance Code 2020 and applicable legislation. The actual remuneration paid in 2023 to the Board of Directors and reported here complies with the framework and principles set forth in the Remuneration Policy 2022. No temporary deviations from the Remuneration Policy were made and no remuneration of the Board nor the CEO has been reclaimed or restated during the financial year 2023.

Remuneration and company performance

The year 2023 was the Company's second year after the merger of Purmo Group Ltd with Virala Acquisition Company Plc (forming Purmo Group Plc). Therefore, the Company will use data from Purmo Group Ltd for remuneration development comparison.

The table below presents the development of the Company's Board members' and CEO's remuneration compared to the development of the average remuneration of Purmo Group employees and Purmo Group's financial development.

Compensation	2023	2022	2021	2020	2019
Remuneration of BoD members, EUR	523,200	461,800[3]	503,172	761,000	195,000
% of net sales	0.1%	0.1%	0.1%	0.1%	0.0%
Remuneration of CEO, EUR	718,108	818,974	683,662	711,709[1]	589,449
% of net sales	0.1%	0.1%	0.1%	0.1%	0.1%
Average Purmo Group employee, EUR[2]	38,405	37,130	38,835	36,526	36,655
Average number of personnel	3,228	3,476	3,360	3,287	3,297
Net sales, MEUR	743.2	904.1	843.6	671.2	696.8
Adjusted EBITDA, MEUR	92.3	92.9	103.9	85.1	65.4

[1] Includes the previous CEO's salary and bonus until 31 August 2020 and the current CEO's salary and bonus from 1 July 2020.
[2] Average Purmo Group Employee remuneration includes all wages and salaries, including short-term incentive payments divided by the average number of employees during the year. Remuneration excludes social security and other employer costs.
[3] The remuneration for Board of Directors in 2022 has been revised.

Remuneration of the Board of Directors

The Shareholders' Nomination Board proposes to the Annual General Meeting the remuneration paid to the Board of Directors. In the Annual General Meeting on 12 April 2023, it was resolved that the annual fees are kept unchanged, and the members of the Board of Directors should be paid annual fees as follows:

- EUR 92,000 for the Chair of the Board
- EUR 53,000 for the Vice Chair of the Board
- EUR 53,000 for each of the Chairs of the Board committees
- EUR 48,000 for each ordinary Board member.

Out of the annual remuneration, approximately 40% of the annual fee was paid in Purmo Group's class C shares. The Board members are expected to keep such shares for the duration of their board assignment. If a part of the fee cannot be paid in shares as required by law or other regulations or for reasons related to a member of the Board of Directors, the fee may be paid in full in cash.

In addition to the annual fee, a meeting fee was 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 Board member's country of residence
- EUR 1,400 per meeting held outside of 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
- EUR 800 per meeting held by telephone or through virtual communication channels

An additional meeting fee of EUR 800 was paid to the Chair of the Board and the Chair of the Board Committees for each meeting of the Board and its committees.

In addition, compensation for reasonable travel, accommodation and other expenses related to the Board of Directors and committee work were reimbursed according to the applicable policies of the company.

Remuneration of the CEO of Purmo Group Plc

In accordance with the remuneration policy, the CEO's remuneration is built by elements, such as base salary, short-term and long-term incentive and other benefits so that the remuneration is attractive and linked to the strategy execution.

The remuneration paid out to Board members for 2023, EUR

Board member	Fixed annual fee 2023	Meeting fees 2023	Total remuneration 2023	Remuneration in shares 2023	Total remuneration 2022
Tomas von Rettig, Chair	92,000	26,200	118,200	–	78,000
Matts Rosenberg	53,000	21,000	74,000	2,436	71,600
Carina Edblad	48,000	13,200	61,200	2,206	60,600
Catharina Stackelberg	48,000	13,400	61,400	2,206	58,200
Carlo Grossi	48,000	14,800	62,800	2,206	59,400
Alexander Ehrnrooth	48,000	20,200	68,200	2,206	63,600
Jyri Luomakoski	53,000	24,400	77,400	2,436	70,400
Total	**390,000**	**133,200**	**523,200**	**13,696**	**461,800**

The remuneration paid to the CEO for 2023, EUR

Base salary	Short-term incentive[1]	Long-term incentive in cash	Long-term incentive in shares	Benefits	Pension allowance[2]	Total
495,552	158,577	–	–	2,979	61,000	**718,108**

[1] Earned based on performance in the financial year 2023, paid in Q1 2024.
[2] The CEO is typically qualified to join the company's defined contribution pension plan. However, since the CEO has already reached the Life Time Pension Allowance limit, they are instead given a supplementary pension contribution. This contribution is equal in amount to what the regular pension contribution would have been. There is no predetermined retirement date set for the CEO.

CEO's remuneration elements in 2023, %

- Base salary and benefits 69%
- Short-term incentive 22%
- Pension 9%

CEO's Short-Term Incentive Programme

The payment of short-term incentive is based on the Company targets set forth by the Board of Directors and based on performance in the financial year.

Short-Term Incentive performance period 2022 (paid in 2023)

The CEO's Short-Term Incentive for 2022 was based on the achievement of the pre-defined company targets for the financial year January–December 2022. In 2022 the amount of the annual short-term incentive (STI) plan was a maximum of 60% of the CEO's annual base salary.

Purmo Group's targets for 2022 resulted in a CEO's STI achievement of 3.75% of annual base salary. The financial STI payment was paid in March 2023.

Performance metrics for 2022	Weight	Result (0–100%)
Adjusted EBITDA	60%	between 0–50%
Free Cash Flow	30%	between 0–50%
ESG Targets	10%	between 50–100%
Pay-out		EUR 17,888[1]

[1] Converted from GBP using average exchange ratio in 2022.

Short-Term Incentive performance period 2023 (paid in 2024)

The CEO's Short-Term Incentive for 2023 was based on the achievement of the pre-defined company targets for the financial year January–December 2023. In 2023, the amount of the annual short-term incentive (STI) plan was a maximum of 80% of the CEO's annual base salary.

Purmo Group's targets for 2023 resulted in a CEO's STI achievement of 32.0% of the annual base salary. The financial STI payment will be paid in March 2024.

Performance metrics for 2023	Weight	Result (0–100%)
Adjusted EBITDA	40%	between 0–50%
Accelerate PG Programme	40%	between 50–100%
Net Working Capital	10%	between 0–50%
ESG Targets	10%	between 0–50%
Pay-out		EUR 158,577[1]

[1] Converted from GBP using average exchange ratio in 2023.

CEO's Long-Term Incentive Programme

The CEO participated in long-term Performance-Based Matching Share Plan that was determined by the Board of Directors and launched on 6 July 2022. CEO invested a total of 32,258 of existing Purmo Group's class C shares in the programme. CEO is entitled to a similar pay-out with all other participants in the long-term incentive plan.

The performance criterion of the plan is Total Shareholder Return (TSR) of the Purmo Group class C share as set by the Board of Directors. Achievement of set TSR targets will determine the proportion of the maximum reward payable to participants.

The minimum threshold for reward pay-out is a share price of EUR 16.00 per share. The maximum reward is earned at a share price of EUR 24.00 per share. Accumulated dividends and return of capital from reserves distributed during 2022-2027 are added to the share market price when calculating the TSR. The new Performance-Based Matching Share Plan comprises one performance period from the financial year 2022 to 2025. The performance period is followed by a pay-out period covering the financial years 2026 and 2027. The reward will be paid in both Purmo Group class C shares and in cash to cover taxes and statutory social security contributions arising from receipt of the reward.

Plan	Plan name	Performance period	Pay-out year	Performance metrics	Weight	Result
Matching Share Plan	LTIP 2022	2022–2025	2026–2027	Total Shareholder Return (TSR)	100%	–

Financials

Report of the Board of Directors 2023

Purmo Group is at the centre of the global sustainability journey, offering full solutions and sustainable ways of heating and cooling homes to mitigate global warming. We provide complete heating and cooling solutions to residential and non-residential buildings, including underfloor heating and cooling systems, a broad range of radiators, heat pumps, flow control and hydronic distribution systems, as well as smart products. Our mission is to be the global leader in sustainable indoor climate comfort solutions. Our approximately 3,190 employees operate in 24 countries, manufacturing and distributing top-quality products and solutions to our customers in more than 100 countries. Purmo Group's shares are listed on Nasdaq Helsinki with the ticker symbol PURMO. More information: www.purmogroup.com.

Market overview for 2023

In 2023, construction activity across Purmo Group's key markets remained weak. This was a result of high inflation and interest rates which undermined consumer confidence and 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, 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.

Energy efficiency requirements for new and existing buildings are expected to favorably 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 in 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).

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.

Group financial overview

Key figures

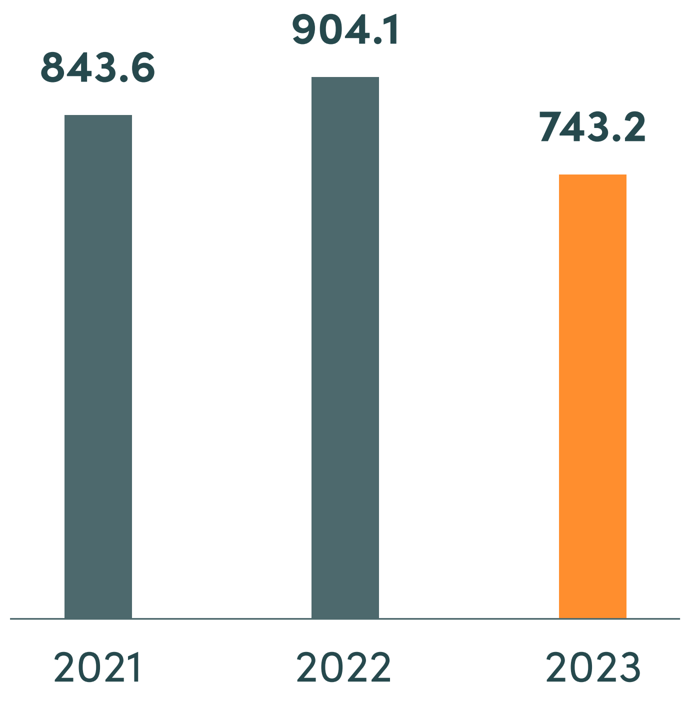
EUR million	2023	2022	Change, %
Net sales	743.2	904.1	-18%
Adjusted EBITDA[1]	92.3	92.9	-1%
Adjusted EBITDA margin[1]	12.4%	10.3%	
Adjusted EBITA[1]	66.3	64.6	3%
Adjusted EBITA margin[1]	8.9%	7.1%	
EBIT	9.7	39.0	-75%
EBIT margin	1.3%	4.3%	
Profit for the period	-9.3	13.1	
Adjusted profit for the period[1 3]	32.2	32.7	-2%
Earnings per share, basic, EUR	-0.32	0.32	
Adjusted earnings per share, basic, EUR[1 3]	0.68	0.79	-14%
Cash flow from operating activities	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 24.
[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 25.

Net sales

EUR million	2023	2022	Change, %
Net sales, by segment			
Climate Products & Systems	591.9	720.6	-18%
Climate Solutions	151.6	183.9	-18%
Eliminations	-0.3	-0.4	
Total	743.2	904.1	-18%

Net sales, EUR million



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.

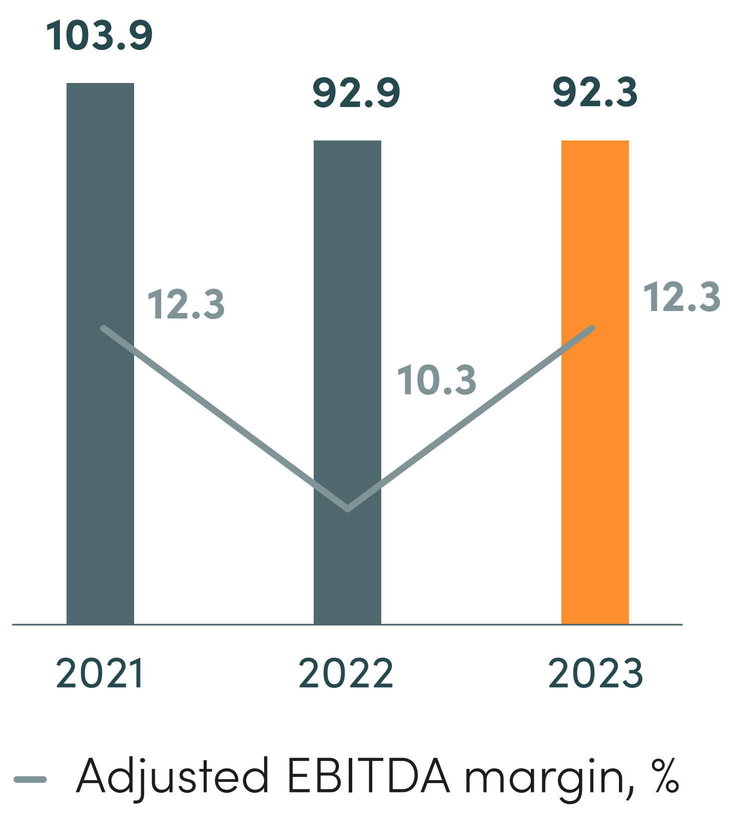
Net sales for the Group declined due to slowdown in residential new building and renovation markets during the year. Most of the regions in both business divisions remained weak in 2023, although partial recovery were seen in some markets towards the end of the year. Net sales declined in all clusters 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 recovered after a period of downturn during the last quarter of the year. The corresponding period last year in Italy was strong when demand was high due to government incentives for improving energy efficiency of buildings and homes. Markets in France and in Ireland grew during the year, whereas the slowdown 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).

Results and profitability

EUR million	2023	2022	Change, %
Adjusted EBITDA, by segment			
Climate Products & Systems	78.5	71.7	10%
Climate Solutions	23.7	29.9	-21%
Other and unallocated	-9.9	-8.7	14%
Total	92.3	92.9	-1%
Adjusted EBITDA margin, %	12.4%	10.3%	

Adj. EBITDA, EUR million



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 realised.

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).

Cash flow and financial position

In January–December 2023, cash flow from operating activities increased to EUR 40.4 million (31.1). The cash flow was positively 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 increase in 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 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), and it improved compared to 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) undrawn committed revolving credit facility, EUR 20.5 million (31 Dec 2022: 20.5) of undrawn 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.

Climate Products & Systems Division

EUR million	2023	2022	Change, %
Net sales	591.9	720.6	-18%
Adjusted EBITDA	78.5	71.7	10%
Adjusted EBITDA margin, %	13.3%	9.9%	
Depreciations, amortisations and impairments	-31.7	-34.9	-9%

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.

Net Sales

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.

In 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 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, adjusted EBITDA margin increased due to margin management actions in the divisions, which was supported by the Accelerate PG programme.

Climate Solutions Division

EUR million	2023	2022	Change, %
Net sales	151.6	183.9	-18%
Adjusted EBITDA	23.7	29.9	-21%
Adjusted EBITDA margin, %	15.6%	16.3%	
Depreciations, amortisations and impairments	-5.1	-4.5	14%

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.

Net sales

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.

In 2023, net sales for the Climate Solutions division declined as a result of 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 also 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 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-saving actions within the Emmeti and the Thermotech businesses.

Investments, acquisitions, structural changes and R&D

Investments

Capital expenditure, excluding business combinations and leased assets, totalled EUR 21.5 million (24.0) in January–December 2023. 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 closing 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 totaling 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 has 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 fourth quarter of 2023 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 the 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 totaled EUR 5.3 million (6.1) in January–December 2023.

During 2023, Purmo Group launched new products and improved its existing product ranges. As an example, the company launched a new radiator version of Kaba, called Kaba2, an oil-filled radiator which is small in size and with a digital, programmable thermostat. It has similar heat output compared to radiators of larger size and its intuitive control-interface allows for quick product setup and selection of operating mode. Kaba2 comes in fully recyclable packaging.

Purmo Group also launched the Unisenza Plus App, which is a control system for heating or air conditioning. The application includes an intuitive user interface, which gives a fast overview of heating and cooling system status. It is connected to heating or cooling system remotely through the Cloud and can be connected to other Purmo thermal devices in the house.

In 2023, an upgraded range of oil-filled electric radiators called Yali Plus was launched. The next generation radiators include the Unisenza Plus control system, with which users can decide when their heating is active and avoid excess energy consumption. The Unisenza application is available for smart phones.

A significant improvement was also made to our underfloor heating pipe material. The company now offers the world's most flexible PE-Xc pipe, enabling easy and quick installation for customers.

Furthermore, Purmo Group launched a new iQ control system. This advanced control system is wirelessly connected and comes with several benefits, such as a smart fireplace function, an option to regulate both heating and cooling via any heat pump, and radiator control for each desired room or zone.

In complete solutions, the company launched an easy-to-install offering in Austria, which will expand across Europe in the future. This solution combines Purmo Group's ULOW heat pump radiator, underfloor heating products and a heat pump from a partner of Purmo Group. It also includes other products from Purmo Group as well as service and support.

During the year, the Group delivered first set of improved, Radson-branded horizontal radiators produced at its largest plant in Rybnik to the customers across Benelux and France. The horizontal radiator production was transferred from Zonhoven, Belgium, to be manufactured at the Group's most efficient production lines at its plant in Rybnik, Poland.

The new radiator offers an increased maximum operating pressure and suits well for higher buildings or buildings that are connected to district heating. Pre-settled valve inserts of the radiator makes hydraulic balancing easy and saves time of an installer. Furthermore, it includes a range of accessories, is offered in more than 70 colours and comes with 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. The programme targets cumulative adjusted EBITDA run-rate improvements of EUR 50 million (previously: EUR 40 million), which are expected to be reached by the end of 2024. The programme also targets 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 opportunities for 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 incure in the first half of 2024. In addition, non-cash costs for the programme were EUR 11.0 in 2023 and, in 2024, non-cash costs are expected to be below EUR 5.0 million.

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 above the original target of EUR 25 million at the end of 2023. For 2023, 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.

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 has 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 was ceased by 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 follows.

After the review period, on 10 January 2024, the Group announced that it has entered into consultation with employee representatives regarding its intention to relocate the 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.

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.

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 January-December 2023, the organic decline in net sales was 17 per cent, while total net sales decreased by 18 per cent to EUR 743.2 million (904.1).

Net sales for the Group declined due to slowdown in residential new building and renovation markets during the year. Most of the regions in both business divisions remained weak in 2023, although partial recovery were seen in Italy and Poland towards the end of the year.

Profitability

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

In January-December 2023, the adjusted EBITDA margin improved to 12.4 (10.3) per cent.

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

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 (2.96). The decrease in the ratio was due to 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 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.

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).

The stock levels of wholesalers have stabilised, and the lower interest rates support the expectations for gradual market activity improvement during 2024. Strong margin management actions, which will continue in 2024, provide confidence in the guidance for the Group.

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

Non-Financial information

This section describes Purmo Group's non-financial information as required in Chapter Finnish Accounting Act on non-financial information (NFI). For more information about Purmo Group's Sustainability, please visit the company's website.

Business model

Purmo Group, headquartered in Finland, is a leading manufacturer and supplier of sustainable indoor climate comfort solutions, specialising in heating and cooling solutions. Purmo Group makes embedded radiant-heating and cooling systems, air-based heating and cooling systems (including ventilation), hydronic and electric radiators, dedicated hydronic and electronic controls and piping distribution systems. Purmo Group products are manufactured for residential buildings (both new builds and renovations), commercial buildings, industrial buildings, and public spaces such as airports, schools, and hospitals. The products are mainly sold via sanitary and heating wholesalers, but also directly to installers.

The company's strategy is to leverage its leadership position in sustainable indoor comfort climate solutions with a well-known brand portfolio and strong relationships with key technical wholesalers to increasingly provide integrated solutions.

With heating and cooling of household buildings making up 18% of total energy consumption in Europe, the company's vision is that indoor climates should not cost the planet's climate. The industry can help to create a significant positive impact on the planet's future, which is why Purmo Group's aim is to create value for society by delivering smart, connectable, sustainable, and aesthetic solutions.

Purmo Group's Complete Care sustainability strategy puts climate at the heart of its business and covers four key areas, our production, our solutions, our people, and our communities. These are enabled by strong governance, safe working practices, and ethical behaviour.

Material issues in sustainability

To comply with the new EU legislation, Corporate Sustainability Reporting Directive (CSRD), and to drive sustainability work forward, Purmo Group conducted a double materiality analysis in 2023 based on Corporate Social Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS).

Through the double materiality analysis, Purmo Group's material sustainability matters were identified. A sustainability matter is material from an impact perspective when it pertains to the company's impact on people and/or the environment. It is material from a financial perspective if the sustainability-related risks and opportunities trigger a material financial effect.

The process of double materiality started with mapping Purmo Group's impacts (actual/potential, positive/negative, and over short-, medium- or long-term[1]) as well as sustainability-related financial risks and opportunities (over short-, medium- or long-term). This led to a 'long' list of IROs (impacts, risks, and opportunities). The identification of IROs was focused on both activities within Purmo Group's operations and across the upstream and downstream value chain.

Desktop research involving a review of internal and external sources, such as Purmo Group's last sustainability report and industry reports, was also carried out.

To complement the desktop research, a stakeholder dialogue was carried out with selected members from Purmo Group's operations and external stakeholders (e.g. supplier, customer) and experts both from within the industry and other relevant organizations to provide views of affected stakeholders.

Purmo Group's value chain

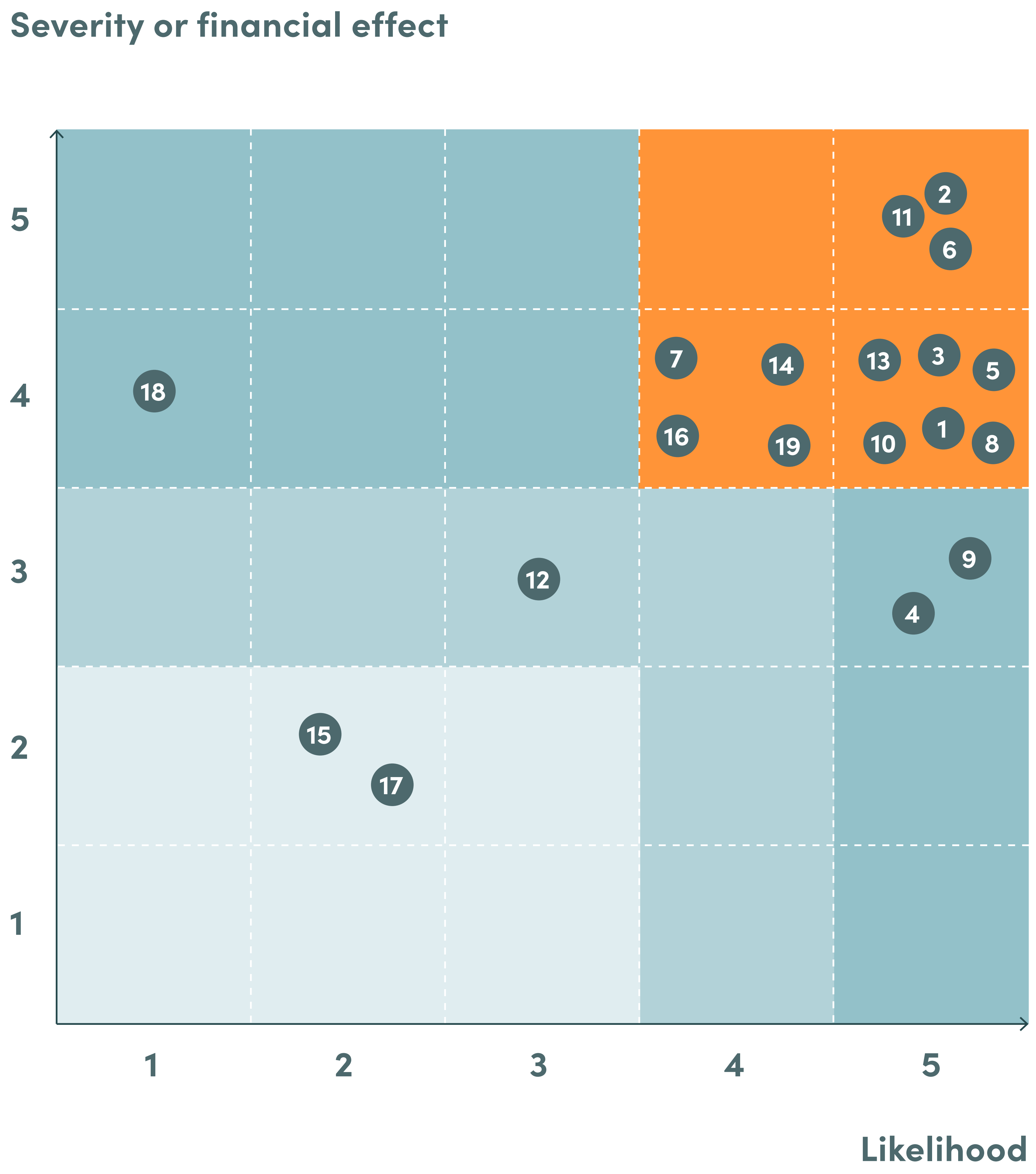
[1] Short-term is defined as 1-3 years, medium-term is 3-5 years and long-term is 5-10 years.

This was followed by an assessment of each identified sustainability matter to arrive at a shorter 'net' list. The assessment of the 'net' list was based on factors as defined in the ESRS. For actual negative impacts, the severity[2] was analysed and for potential negative impacts, the likelihood was also considered. For actual positive impacts, the scale and scope were analysed and for potential positive impacts, their likelihood was also considered. Sustainability-related financial risks and opportunities, on the other hand, were assessed based on the magnitude of financial effect and likelihood of occurrence.

An appropriate threshold was discussed together with external experts, and the defined threshold was then applied to determine the identified impacts, risks and opportunities as material sub-topics. The following graph is a representation of the 'net' list and material sub-topics for Purmo Group.

The material sub-topics were grouped into five material topics and thirteen sub-topics which were validated by Purmo Group's management team.

'Net' list and material sub-topics based on set threshold



IMPACT, negative

- 2 Greenhouse gas emissions
- 3 Energy consumption
- 4 Substances of concern
- 5 Water consumption
- 6 Land degradation as a result of mining of raw materials
- 8 Packaging materials
- 9 Decent working conditions for migrant workers
- 10 Employees' health and safety
- 11 Value chain workers health and safety
- 13 Management of relationships with suppliers

IMPACT, positive

- 1 Energy efficient products
- 7 Sustainable material choices
- 12 End-users' health and safety

Financial RISK

- 14 Climate change crisis management
- 15 Waste management
- 17 Employees' health and safety
- 18 Corruption and bribery

Financial OPPORTUNITY

- 16 Climate change driven market demand
- 19 Legislation related toenergy efficiency

[2] Severity is a measure of impact's scale, scope, and irremediable character.

Purmo Group's material topics including sub-topics

Energy, water and emissions	Product development	Circular economy	Health and safety	Responsible Sourcing
• Energy consumption • Water consumption • Greenhouse gas emissions	• Energy efficient products • Legislation related to energy efficiency • Climate change-driven market demand	• Sustainable material choices • Packaging materials	• Employees' health and safety	• Management of relationships with suppliers • Value chain workers' health and safety • Climate change crisis management • Land degradation as a result of mining of raw materials

Code of Conduct and policies

Purmo Group respects in all activities the International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work and complies with local and international laws, regulations and guidelines to ensure the well-being and rights of Group personnel. The Purmo Group Code of Conduct sets the ethical principles that lead all activities in the Group. The Code of Conduct is aligned with the United Nations Global Compact. Purmo Group expects its employees, suppliers and other business partners to comply with the same ethical principles. In addition, specific policies have been established on Group and local levels where relevant to ensure sustainable compliance with the Code of Conduct.

Purmo Group has a whistleblowing channel for both internal and external parties where anyone can anonymously report any suspected wrongdoing via a link found in the Group intranet and corporate website. The channel provides the opportunity for personnel and external parties to report any suspected breach of laws or principles laid out in the Code of Conduct. All reports are treated as confidential and in accordance with legal requirements. Promoting the importance of reporting observations is part of continuous internal communication.

Tax transparency review

Purmo Group is a responsible taxpayer. By paying and collecting direct and indirect taxes, companies contribute to the societies where they operate.

Purmo Group has a Tax Policy, which is reviewed and approved by the Audit Committee and Board of Directors. It covers tax management principles (including control of tax risk), accountabilities and responsibilities of the Group Tax Function and the companies, use of tax advisors as well as governance. Purmo Group follows below principles in the tax management:

- Purmo Group is committed to comply with applicable domestic as well as international and EU tax regulations, standards and guidance concerning both the letter and spirit of the law
- Purmo Group tax management is based on sustainability goals, and taxes should be an integral part of Purmo Group's business planning, processes and decision making
- Purmo Group entities are not to engage in any artificial arrangements or aggressive tax planning
- OECD transfer pricing principles are followed, and the pricing of transactions is at arm's length
- The Group does not engage in uncooperative jurisdictions identified by OECD or EU

Group Tax also seeks an open dialogue with our stakeholders, including customers, business partners, employees and the communities in which the Group operates.

Risk management

Purmo Group's risk management approach is a Group-wide process that is guided by the Enterprise Risk Management Policy and encompasses all business units. The risk management process maps Group-wide risks annually. The process is monitored by the Core Leadership Team and reviewed by the Board of Directors. Sustainability issues are assessed as their own risk category, which is the responsibility of the Head of Sustainability, Safety and Wellbeing.

Governing sustainability

Purmo Group's Board of Directors approves the Sustainability Policy and decides on the Group-level sustainability strategy and target-setting that will guide the annual business planning. They also review Purmo Group's sustainability performance and reporting.

Purmo Group's Core Leadership Team ('CLT') is responsible for setting the sustainability objectives and proposing Purmo Group's sustainability targets for approval by the Board of Directors. The CLT monitors the sustainability performance on a bi-monthly basis.

Purmo Group's Head of Sustainability, Safety and Wellbeing, with the support of the ESG steering Group, is responsible for coordinating and developing sustainability at the Purmo Group level. This includes the Sustainability Policy and related Group-level instructions and manuals. The Head of Sustainability, Safety and Wellbeing is also responsible for monitoring the policy implementation and for performance reporting to the CLT on a bi-monthly basis. Purmo Group's Head of Sustainability, Safety and Wellbeing leads sustainability in the development of common goals, targets, instructions, and procedures in the whole company.

Environment

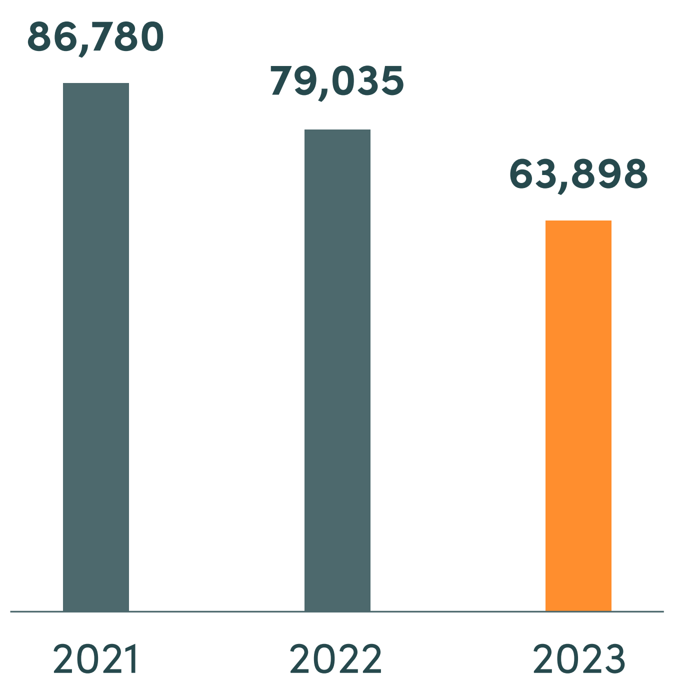
Purmo Group's environmental commitments are to align its operations to a 1.5 celsius future, increase resource efficiency, reduce waste, and source key materials responsibly. In 2023, Purmo Group's Scope 1 and Scope 2 emissions decreased by 19 per cent and GHG emissions from produced steel declined by 24 per cent. These were a result of lower production volumes during the year.

All Purmo Group's manufacturing plants manage environmental impacts through environmental management systems that have locally determined procedures in place to monitor and continuously promote its environmental performance. All the manufacturing plants are ISO14001 certified. In addition, Purmo Group aims to achieve ISO 50001 energy management certification in all its plants. Two of Purmo Group's manufacturing plants, in Germany and Hungary, were ISO 50001 certified in 2023.

In 2023, Purmo Group announced its cooperation with H2 Green Steel for near zero-emission steel supply. Under the binding agreement, the Group will purchase 140,000 tonnes of green steel during 2026-2033. Furthermore, the Group submitted its Science Based Targets to the SBTi organisation for validation, which is expected in 2024.

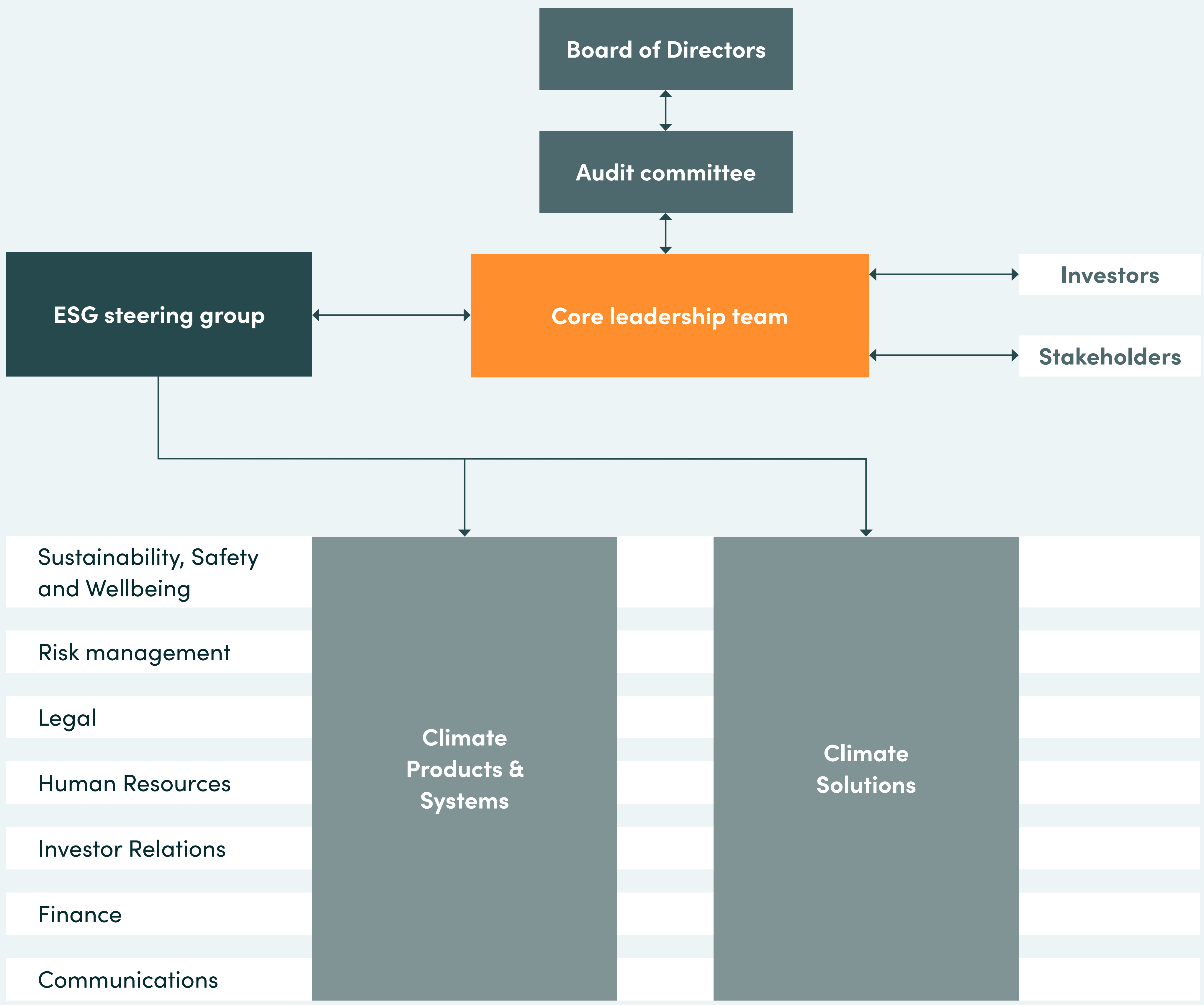
Environmental risks deal with increasing regulation on topics such as the energy efficiency of products and the EU's Carbon Border Adjustment Mechanism (CBAM), which entered its transitional phase from October 2023 with the permanent system in force from 1 January 2026, which may negatively impact Purmo Group's business operations and investments. To mitigate these risks, Purmo Group aims to develop and source products that comply with the highest energy efficiency ranking in their category. Purmo Group also plans to take the possibility of a carbon tax into consideration in the Group's investment activities, where the carbon tax would be relevant to the planned operating model. The risk of a potential carbon tax is further diminished by the fact that Purmo Group's business units primarily serve their home region, mainly to and from Europe.

Scope 1 and Scope 2 emissions, tCO_2e



ESG Governance model

ESG Governance model illustrates the relationship between management, ESG steering group, company functions and business divisions.



EU taxonomy assessment

Purmo Group is subject to the Non-Financial Reporting Directive (NFRD) and is required, under EU Taxonomy Regulation 2020/852, to disclose the extent to which its economic activities have a substantial positive environmental impact.

Taxonomy-eligibility describes if an economic activity is included in the scope of activities recognised in the Taxonomy Regulation. In the Annual Reports for 2022, published in 2023, companies were obligated to report also the share of Taxonomy-alignment in their operations. Taxonomy-alignment describes if an economic activity is sustainable based on defined science-based technical screening criteria specified for the activity.

During the first two reporting years (2021–2022) of the EU Taxonomy, the focus was on activities contributing to climate objectives, climate change mitigation and adaptation, according to the EU Climate Delegated Act. In 2023, four additional activities were added to the scope of EU taxonomy: sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control and, finally, protection and restoration of biodiversity and ecosystems.

An economic activity is classified as taxonomy aligned if it:

- Contributes substantially to one or more of the taxonomy's six environmental objectives: climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems;
- Does not do any significant harm to any other environmental objective;
- Is in alignment with the OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights, including the International Labour Organisation's ('ILO') declaration on Fundamental Rights and Principles at Work, the eight ILO core conventions and the International Bill of Human Rights.

Minimum safeguards

Taxonomy Regulation specifies that in addition to substantial contribution and 'do no significant harm' criteria, an economic activity can be considered environmentally sustainable only if it is carried out in compliance with the minimum safeguards. The minimum safeguards prevent activities from being labelled sustainable if they violate human or labour rights, or engage in corrupt, anti-competitive or noncompliant taxation practices. The compliance can be assessed by ensuring there are adequate processes and controls in place in the areas of human rights, corruption, taxation and fair competition and there are no breaches or violations existing.

Purmo Group assessed compliance with minimum safeguards by reviewing the company processes for human rights, corruption, taxation and fair competition. Whilst we recognise the need to continuously improve, Purmo Group considers its processes to be on a robust level and with no violations to meet the alignment with the minimum safeguards. In 2023, Purmo Group prepared human rights impact assessment with the aim to have formalised continuous human rights due diligence process in place.

EU taxonomy eligible products of Purmo Group based on 2023 assessment:

- **Radiators:** Radiators are included under economic activity 3.5 Manufacture of energy efficiency equipment, where the description refers to, among others, NACE code C25 (including C25.21 Manufacture of central heating radiators and boilers as defined in chapter 1.1.3.1. in Annex I to the Taxonomy regulation Delegated Act). Electric radiators have been excluded as they are not part of central heating.
- **Heating and cooling:** Cooling and ventilation systems are included under economic activity 3.5, where the technical screening criteria refers in particular to 3.5 (i) cooling and ventilation systems, 3.5(k) heat pumps.
- **Convectors:** Included under economic activity 3.5 (Manufacture of central heating radiators and boilers).
- **Radiant heating and cooling:** Underfloor heating systems (UFH) are included under economic activity 3.5 Manufacture of energy efficiency equipment as they are part of central heating systems.
- **System components:** Included under economic activity 3.5, in particular, 3.5(m) energy-efficient building automation and control systems, 3.5(n) zoned thermostats and devices for the smart monitoring of the main electricity loads and heat loads, 3.5(o) products for heat metering and thermostatic controls for individual homes, and for central heating systems.
- **Water distribution systems:** The product category mainly includes generic pipes and related equipment, which are not listed as relevant economic activities.
- **Chimneys:** Chimneys are not listed as a relevant economic activity.

EU taxonomy aligned products of Purmo Group based on 2023 assessment:

In June 2023, the European Commission published an Environmental Delegated Act, covering the four remaining environmental objectives. In accordance with the regulation, Purmo Group performed an eligibility assessment for the activities listed under the Environmental Delegated Act. No new material economic activities were identified in the 2023 eligibility assessment.

During 2023 EU Taxonomy assessment, Purmo Group also covered the amendments to the Climate and Disclosure Delegated Acts, yielding no major adjustments to our prior reporting. An update on the DNSH (Do No Significant Harm) analysis as well as MS (Minimum Safeguards) analysis were also performed as part of our 2023 EU taxonomy evaluation.

Purmo Group's taxonomy aligned turnover consists mostly of solution sales (total package installations) under the activity 3.5. Manufacture of energy efficiency equipment for buildings. The total package deliveries include underfloor heating equipment, automation, control valves and, in some cases, also heat pumps.

In 2023, Purmo Group identified the following as EU taxonomy aligned products and carried out the assessments for Taxonomy-eligibility and Taxonomy-alignment based on the best interpretation of the Taxonomy Regulation and the Climate Delegated Act and the currently available guidelines from the European Commission.

- Radiant heating and cooling: underfloor heating systems under economic activity 3.5; underfloor heating systems specifically sold through the company's business Thermotech in the Nordics.
- System components: in particular solutions sold by the company's business Emmeti in Italy, which includes a FEBOS system.

The portion of the aligned turnover is lower than that of the eligible turnover, due to the fact that Purmo Group's radiator and underfloor heating product categories initially identified as eligible do not fulfil the substantial contribution criteria due to the fact that there is no required energy labelling currently available for these products.

Social and employee matters

Purmo Group is committed to building and maintaining a diverse workforce and inclusive work environments, opposing all forms of bullying and discrimination, and fostering equal opportunities in recruitment, learning and development, and remuneration, where decisions are made against objective selection criteria. These commitments are outlined in our global Equality, Diversity, and Inclusion Policy.

Other global policies specific to social and employee-related matters include the Health and Wellbeing Policy as well as policies on recruitment and onboarding, learning and development, and employee engagement, for which policies are complemented with local policies and, where relevant, with additional global guidelines.

The Human Resources Department is responsible for monitoring and updating the global policies, whereas local policies and procedures are subject to monitoring and continuous improvement at the country level.

Purmo Group operates many factories and warehouses with heavy equipment and materials that can pose risks on employees' health if proper procedures and processes are not followed. To tackle this risk, safe working practices have been embedded in the sustainability strategy, and all Purmo Group's operations are covered by health and safety policies and procedures implemented on the country level.

In 2023, a strong focus in Health and Safety continued due to the increase in LTIFR and number of accidents for the Group. The Lost Time Injury Frequency Rate increased by 29 per cent and number of accidents increased by 18 per cent. The Health and Safety strategy was developed followed by an extensive stakeholder engagement. Furthermore, a Safety network and Safety steering group along with clear governance was established during the year.

Loss of key people or inability to attract talent can have an adverse impact on Purmo Group's business and operations. To continue to attract and retain top talent, Purmo Group aims to offer a mix of interesting career opportunities and employee benefits at an industry-leading and fast-developing company.

Employee turnover and satisfaction are monitored regularly at Purmo Group. 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 reached -8, remaining on the same level at -8 in the previous year. The Group increased learning and development discussions in addition to regular feedback mechanisms for all company's employees during the year.

During 2023, Purmo Group launched or organised several compulsory trainings for its office employees, including trainings related to Code of Conduct (99 per cent completion rate), Anti-Bribery and Corruption (92 per cent completion rate) and Circular Economy (92 per cent completion rate).

Human rights

Purmo Group is committed to respecting internationally acknowledged human rights and has focused on human rights matters in its own operations, such as labour rights and health and safety.

In 2023, Purmo Group established Human Rights Policy that outlines commitment to respect and support Human Rights, based on the principles and values set forth in the United Nations Guiding Principles on Business and Human Rights (UNGPs). Accordingly, Purmo Group completed Human Rights Impact Assessment, and the work on developing a robust Human Rights Due Diligence (HRDD) approach was started. The implementation of the HRDD will expand the human rights work under the topic of sustainable supply chain and sourcing.

The steps of the impact assessment included mapping the company's operations, products, country context and value chain. In addition, the assessment identified the key stakeholders in the company's value chain that are relevant to human rights responsibilities, and analysed the human rights impacts and risks in the value chain. Finally, the risks identified were prioritised. The company focuses in particular on health and safety and the supply chain in relation to human rights issues. Purmo Group further complies with all relevant local and international regulations, such as the United Kingdom Modern Slavery Act 2015. Purmo Group expects equivalent standards of conduct from all persons acting on its behalf, such as suppliers, agents, and business partners.

Anti-corruption and bribery

Ethical behaviour and strong governance are part of the foundation for Purmo Group's sustainability strategy. Purmo Group has zero tolerance towards bribery and corruption.

The Code of Conduct outlines the approach for ethical business conduct and is complimented by global policies, such as Anti-Corruption and Anti-Bribery Policy, Competition Law Compliance Policy, and Financial Crime Risks Policy.

All Purmo Group employees are expected to familiarise themselves with the Anti-Corruption and Anti-Bribery Policy, conduct annually mandatory training on the Code of Conduct's anti-corruption elements, and speak up and report concerns. Employees at greatest risk of facing corruption – especially those in the supply chain, international sales, contracting or procurement – are provided with additional training on avoiding, preventing, recognising, and reporting bribery and corruption. All business units are also expected to reasonably investigate intermediaries and to include anti-corruption clauses in contracts.

Purmo Group's most significant risks in corruption and bribery deal with corrupt arrangements that may involve extortion or collusion by Purmo Group's employees and other individuals to steal, falsify, or destroy company assets or business information for personal gain. Purmo Group mitigates these risks through annual training to increase risk awareness, via internal procedures, implementation of prevention processes, and investigation of red flags.

Summary of key non-financial performance indicators

EUR million	2023	2022	Change, %
Production			
Scope 1 and 2 GHG emissions, tCO_2e[1 8]	63,898	79,035	-19%
Scope 3 GHG emissions from procured steel, tCO_2e[2]	211,445	279,578	-24%
Scope 1 and 2 carbon intensity[3 8]	86.0	87.4	-2%
Solutions			
Customer Net Promoter Score, cNPS[4]	46	33	39%
Customer Sustainability Net Promoter Score, sNPS[5]	21	8	163%
People			
Lost Time Injury Frequency Rate, LTIFR[6 8]	6.3	4.9	29%
Number of safety observations[8]	1,032	1,218	-15%
Number of accidents[8]	33	28	18%
Employee Net Promoter Score, eNPS[7]	-8	-8	
Proportion of women in senior management positions	26%	27%	
Communities			
Number of volunteering hours[8]	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.

EU taxonomy accounting principles

The KPIs reported in the EU Taxonomy are presented in separate tables for turnover, CapEx and OpEx as defined in the regulation. The accounting principles for the KPIs have been described below. Purmo Group avoids double counting by having a clear cost structure in reporting which ensures that the cost elements are separate for each activity.

Turnover

The total turnover is the Group's total net sales in 2023, which respectively includes the IFRS 15 income according to the EU Taxonomy turnover definition. The external sales connected to the economic activities are correspondingly reported under Taxonomy-eligible turnover, either under Taxonomy-aligned or not Taxonomy-aligned.

Capital Expenditure

The total CapEx is the Group's total property, plant and equipment expenditure in 2023, as presented in the Note 3.3 Property, plant and equipment in the Consolidated Financial Statements on the line of additions, excluding line transfers. The investments are related to the assets or processes associated with the respective economic activities. The total CapEx used in the calculation was EUR 19.7 million in 2023.

Breakdown of the CapEx KPI	Taxonomy aligned activities (A.1) EUR million	Taxonomy-eligible but not taxonomy-aligned activities (A.2) EUR million
Additions, less transfers, to property, plant and equipment	0.2	12.8
Total CapEx (A.1 + A.2)	0.2	12.8

Operating Expenses

The total Operating Expenses (OpEx) consist of the Group's direct non-capitalised expenses related to research and development and maintenance and repair related to maintaining tangible fixed assets. Purmo Group's taxonomy OpEx figures include expenses presented in Cost of sales and Research and development expenses in the Consolidated Financial Statements. OpEx excludes depreciations, amortisations and impairments. The OpEx figures only include the proportion of expenses which are within the scope of the EU taxonomy regulation. The total OpEx used in the calculation was EUR 17.0 million in 2023.

Breakdown of the OpEx KPI	Taxonomy aligned activities (A.1) EUR million	Taxonomy-eligible but not taxonomy-aligned activities (A.2) EUR million
R&D related	0.5	3.8
Building renovation measures, maintenance & repair	0.0	11.7
Total OpEx (A.1 + A.2)	0.5	15.5

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023	Year			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activties	Code	Turnover	Proportion of turnover, year 2023	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Bio-diversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Bio-diversity	Minimum safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover, year 2022	Category enabling activity	Category transitional activity
		MEUR	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of energy efficiency equipment for buildings	CCM 3.5	26.8	4%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	6%	E	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		26.8	4%	4%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	6%		
Of which Enabling		26.8	4%	4%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	%	E	
Of which Transitional		0	0%	0%						Y	Y	Y	Y	Y	Y	Y	%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of energy efficiency equipment for buildings	CCM 3.5	598.6	81%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								79%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		598.6	81%	81%	0%	0%	0%	0%	0%								79%		
A. Turnover of Taxonomy eligible activities (A.1+A.2)		625.4	84%	84%	0%	0%	0%	0%	0%								84%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		117.8	16%																
Total		743.2	100%																

Y - Yes, Taxonomy eligible and Taxonomy-aligned activity with the relevant environmental objective
N - No, Taxonomy eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL – not eligible, Taxonomy non-eligible activity for the relevant environmental objective

EL - Taxonomy eligible activity for the relevant objective
N/EL - Taxonomy non-eligible activity for the relevant objective

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023		Year		Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activties	Code	CapEx	Proportion of CapEx, year 2023	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Bio-diversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Bio-diversity	Minimum safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx, year 2022	Category enabling activity	Category transitional activity
		MEUR	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of energy efficiency equipment for buildings	CCM 3.5	0.2	1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	3%	E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0.2	1%	1%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	3%		
Of which Enabling		0.2	1%	1%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	%	E	
Of which Transitional		0%	0%	0%						Y	Y	Y	Y	Y	Y	Y	%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of energy efficiency equipment for buildings	CCM 3.5	12.8	65%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								78%		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		12.8	65%	65%	0%	0%	0%	0%	0%								78%		
A. CapEx of Taxonomy eligible activities (A.1+A.2)		13.0	66%	66%	0%	0%	0%	0%	0%								81%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		6.7	34%																
Total		19.7	100%																

Y - Yes, Taxonomy eligible and Taxonomy-aligned activity with the relevant environmental objective
N - No, Taxonomy eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL – not eligible, Taxonomy non-eligible activity for the relevant environmental objective

EL - Taxonomy eligible activity for the relevant objective
N/EL - Taxonomy non-eligible activity for the relevant objective

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023	Year			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activties	Code	OpEx	Proportion of OpEx, year 2023	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Bio-diversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Bio-diversity	Minimum safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx, year 2022	Category enabling activity	Category transitional activity
		MEUR	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of energy efficiency equipment for buildings	CCM 3.5	0.5	3%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	2%	E	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0.5	3%	3%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	2%		
Of which Enabling		0.5	3%	3%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	%	E	
Of which Transitional		0	0%	0%						Y	Y	Y	Y	Y	Y	Y	%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)										
Manufacture of energy efficiency equipment for buildings	CCM 3.5	15.0	88%	EL	EL	N/EL	N/EL	N/EL	N/EL								91%		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		15.0	88%	88%	100%	0%	0%	0%	0%								91%		
A. OpEx of Taxonomy eligible activities (A.1+A.2)		15.5	91%	91%	100%	0%	0%	0%	0%								93%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		1.5	9%																
Total		17.0	100%																

Y - Yes, Taxonomy eligible and Taxonomy-aligned activity with the relevant environmental objective
N - No, Taxonomy eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL – not eligible, Taxonomy non-eligible activity for the relevant environmental objective

EL - Taxonomy eligible activity for the relevant objective
N/EL - Taxonomy non-eligible activity for the relevant objective

Template 1 Nuclear and fossil gas related activities

Row	Nuclear energy related activities	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

Shares and shareholders

Basic share information

Listed on	Nasdaq Helsinki
Stock	Purmo Group C
Trading code	PURMO
ISIN code	FI4000507488
Number of class C shares	41,112,713
Number of class F shares	1,565,217
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 shareholders	3,254 (31 Dec 2022: 3,315)
Number of traded shares	1,185,061

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.

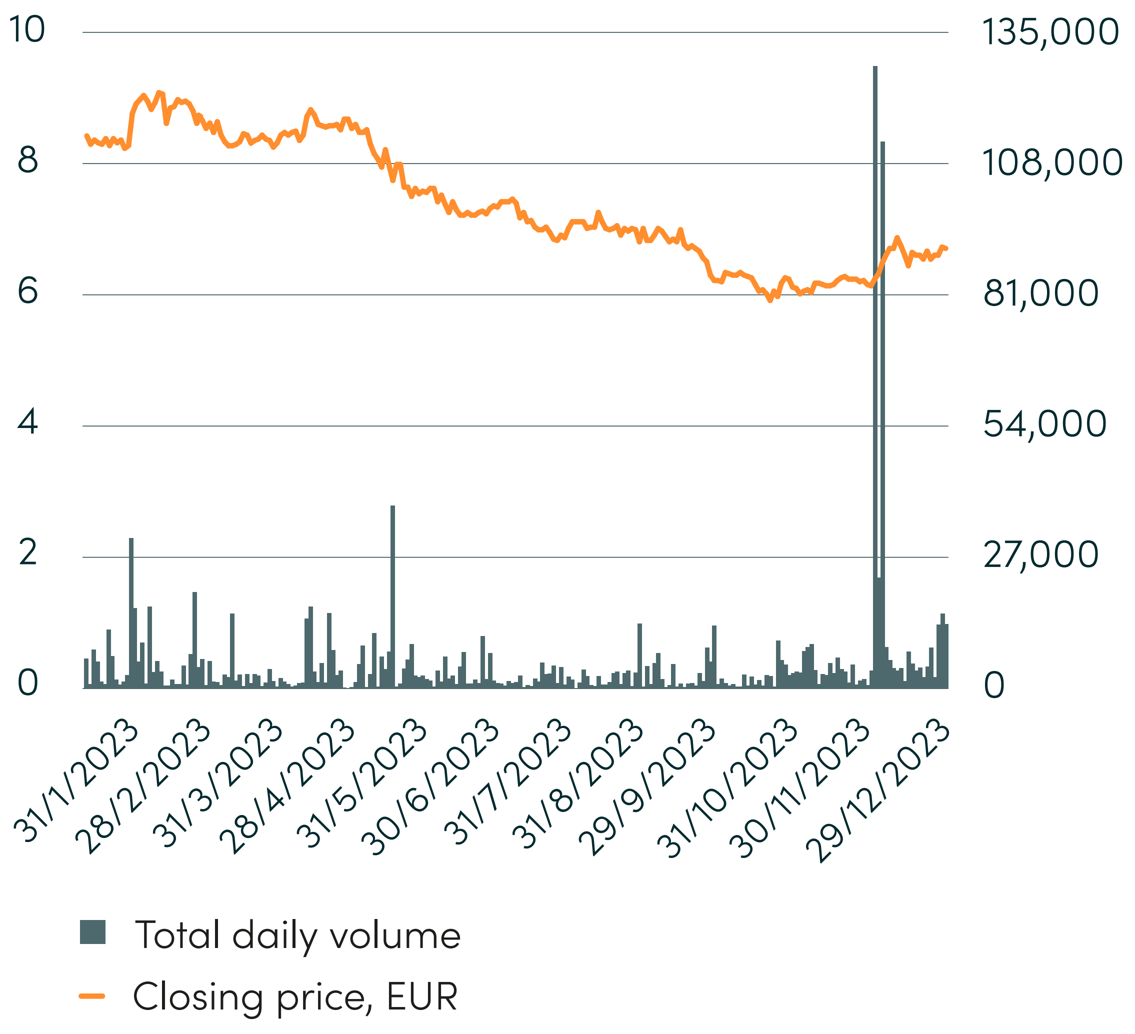
The company's class F shares are subject to redemption and consent clauses in accordance with the Articles of Association, which restrict the rights to transfer and acquire class F shares. The holder of class F shares have right to demand conversion into class C shares subject to certain price hurdles 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).

Share price performance in 2023

Closing share price and daily trading volume 1 January 2023–31 December 2023, EUR



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 Co mpany, 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 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.

Largest shareholders on 31 December 2023

	Name	Shares	% of shares	% of votes
1	Rettig Ltd	26,373,971	61.8%	61.8%
2	Virala Corporation	6,460,217	15.2%	15.2%
3	Ahlstrom Invest B.V.	1,200,700	2.8%	2.8%
4	Varma Mutual Pension Insurance Company	1,000,000	2.3%	2.3%
5	Jussi Capital Oy	606,951	1.4%	1.4%
6	Fennia Mutual Insurance Company	500,000	1.2%	1.2%
7	Oy Julius Tallberg Ab	442,000	1.0%	1.0%
8	John Peter Leesi	418,927	1.0%	1.0%
9	Alcur Fonder	414,291	1.0%	1.0%
10	Svenska Litteratursällskapet i Finland	400,000	0.9%	0.9%
	Total 10	36,263,362	88.6%	88.6%
	Others	4,849,351	11.4%	11.4%
	Total number of shares	42,677,930	100.0%	100.0%

Board of Directors' shareholdings on 31 December 2023

Board of Directors' shareholdings	Class C shares	Class F shares
Tomas von Rettig*	0	0
Matts Rosenberg*	4,932	0
Alexander Ehrnrooth**	7,766	0
Carina Edblad	3,990	0
Carlo Grossi	3,990	0
Jyri Luomakoski	4,406	0
Catharina Stackelberg	4,682	0
Total	29,766	0
Out of total shares outstanding	0.07%	0.00%

*Influence in Rettig Ltd, which held 26,373,971 class C shares in Purmo Group on 31 December 2023.
**Influence in Virala Corporation, which held 4,906,522 class C shares and 1,565,217 class F shares in Purmo Group on 31 December 2023.

Management team's shareholdings on 31 December 2023

Management team's shareholdings	Class C shares	Class F shares
John Peter Leesi	418,927	0
Jan-Elof Cavander	12,800	0
Erik Hedin	253,256	0
Mike Conlon	31,770	0
Linda Currie	23,582	0
Barry Lynch	10,752	0
Total	751,087	0
Out of total shares outstanding	1.83%	0.00%

Shareholders by type on 31 December 2023

Owner type	Number of shares	% of shares
Family-owned investment companies	36,019,159	84.40%
Private Individuals	2,014,712	4.72%
Pension & insurance	1,719,038	4.03%
Other	1,439,386	3.37%
Fund company	627,400	1.47%
Foundation	604,170	1.42%
Unknown type	254,065	0.59%
Total number of shares	42,677,930	100.00%

Shareholders by holding on 31 December 2023

Owner distribution by holdings	Number of shares	% of shares
1–100	87,701	0.21%
101–500	292,899	0.69%
501–1,000	193,301	0.45%
1,001–5,000	452,652	1.06%
5,001–10,000	231,914	0.54%
10,001–50,000	981,017	2.30%
50,001–100,000	321,873	0.75%
100,001–500,000	4,209,147	9.86%
500,001–1,000,000	1,606,951	3.77%
1,000,001–	34,046,410	79.78%
Unknown holding size	254,065	0.59%
Total	42,677,930	100.00%

Shareholders by country on 31 December 2023

Country	Number of shares	% of shares
Finland	39,217,900	91.89%
Netherlands	1,202,174	2.82%
Sweden	1,090,231	2.55%
United Kingdom	746,617	1.75%
Austria	62,051	0.15%
Luxembourg	51,580	0.12%
Poland	35,628	0.08%
Italy	3,990	0.01%
Belgium	3,354	0.01%
Germany	2,630	0.01%
Others	7,710	0.02%
Unknown country	254,065	0.59%
Total	42,677,930	100.00%

Governance

A Corporate Governance Statement, required by the Corporate Governance Code 2020, is presented as a separate report in connection with the Financial Statements. In addition, compliance with the Corporate Governance Code and Corporate Governance Statements are publicly available on the company's website.

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.

Personnel

	2023	2022	2021
Number of employees at the end of the period	3,193	3,372	3,471
Average number of employees	3,228	3,476	3,360

Personnel by region

	2023	2022	2021
Northern Europe	629	678	661
Western Europe	891	950	927
Central and Eastern Europe	1,227	1,265	1,421
Southern Europe	306	329	317
Rest of the world	140	150	145
Total	3,193	3,372	3,471

Wages and salaries

EUR million	2023	2022	2021
Wages and salaries total	124.4	127.6	128.2

Changes in the management team

On 22 February 2023, Purmo Group announced that Jan-Elof Cavander (MSc. Ind. Eng.) has been appointed Chief Financial Officer of Purmo Group Plc and a member of the Management team. He joined Purmo Group on 22 June 2023, when the role of interim CFO of Purmo Group for Matts Rosenberg ended. Mr. Rosenberg acted as an interim CFO of Purmo Group during 1 January 2023-22 June 2023.

The current organisational structure of Purmo Group, which is based on the Climate Products & Systems and the Climate Solutions divisions, has been effective from 1 January 2023.

The management team within the current organisational structure is as follows:

- John Peter Leesi, Chief Executive Officer
- Jan-Elof Cavander, Chief Financial Officer (from 22 June 2023)
- Erik Hedin, Chief Operating Officer
- Mike Conlon, President, Climate Solutions division
- Barry Lynch, President, Climate Products & Systems division
- Linda Currie, Chief People Officer

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.

Board of Director's proposal for the distribution of profit

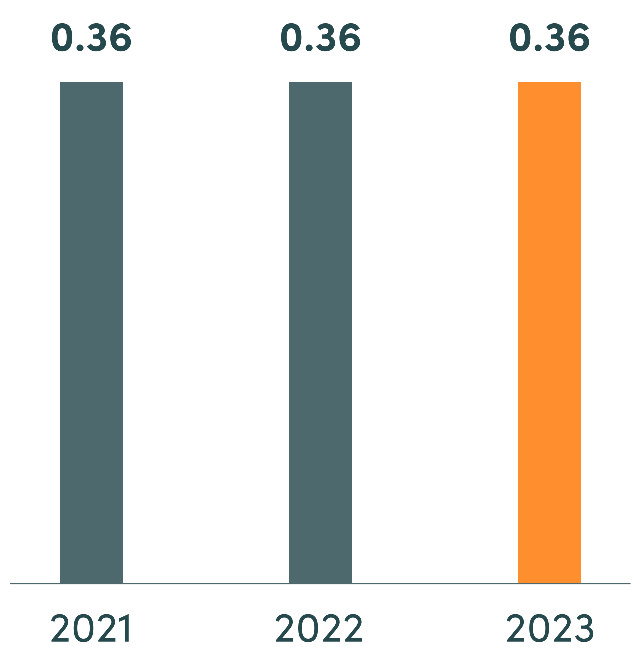
The parent company's distributable equity on 31 December 2023 totalled EUR 461,707,064.23. The Board of Directors of Purmo Group Plc proposes to the Annual General Meeting planned to be held on 9 April 2024 that a return of capital of EUR [0.36] per class C share be paid for the financial year 2023 and 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.

Return of capital (class C share), EUR



Key figures

EUR million	2023	2022	2021
Net sales	743.2	904.1	843.6
EBITDA	46.6	78.5	33.6
EBITDA margin	6.3%	8.7%	4.0%
Adjusted EBITDA	92.3	92.9	103.9
Adjusted EBITDA margin	12.4%	10.3%	12.3%
EBITA	14.4	46.8	6.3
EBITA margin	1.9%	5.2%	0.8%
Adjusted EBITA	66.3	64.6	76.6
Adjusted EBITA margin	8.9%	7.1%	9.1%
EBIT	9.7	39.0	3.5
EBIT margin	1.3%	4.3%	0.4%
Profit before tax	-9.6	21.6	-5.1
Profit for the period	-9.3	13.1	-18.8
Adjusted profit for the period[3]	32.2	32.7	51.4
Earnings per share, basic, EUR	-0.32	0.32	-0.65
Adjusted Earnings per share, basic, EUR	0.68	0.79	1.77
Cashflow from operating activities	40.4	31.1	35.4
Capex	20.3	24.0	14.8
Acquisitions	–	14.6	4.5
Adjusted Operating Cash Flow for the last 12 months[1]	75.1	44.0	50.2[1]
Cash conversion[1]	81.4%	47.4%	48.3%[1]
Cash and cash equivalents	111.7	56.3	177.6
Net working capital	85.4	91.4	72.3
Operating capital employed	294.7	305.0	271.8
Return on operating capital employed[2]	2.9%	12.2%	1.3%
Net debt	219.6	275.2	239.5
Net debt / Adjusted EBITDA	2.38	2.96	2.3
Equity / Asset ratio	43.7%	41.0%	37.3%
Return on Equity	-2.2%	3.3%	-4.0%

[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.

Information about the share

EUR million	31 Dec 2023	31 Dec 2022	31 Dec 2021
Share capital, at the end of the year, EUR million	3.1	3.1	3.1
Class C shares outstanding at the end of the year	41,112,713	41,112,713	40,374,531
Class F shares outstanding at the end of the year	1,565,217	1,565,217	1,565,217
Weighted average adjusted number of shares, basic	41,406,191	41,244,426	29,124,487
Weighted average adjusted number of shares, diluted	41,406,191	41,244,426	29,124,487
Earnings per share, EUR	-0.32	0.32	-0.65
Earnings per share, diluted, EUR	-0.32	0.32	-0.65
Dividend payout per class C share and return of capital, EUR[1]	0.36	0.36	0.36
Dividend payout per class F share and return of capital, EUR[1]	0.07	0.07	0.07
Dividend and return of capital per earnings, class C share, %	-158.4%	112.7%	-83.0%
Dividend and return on capital per earnings, class F share, %	-1.2%	0.3%	-8.3%
Effective dividend yield, class C share, %	5.4%	4.4%	2.5%
Equity per share, EUR	10.21	9.45	9.31
Market capitalisation, class C share, EUR million	275.5	337.9	413.6
Price to earnings ratio (P/E)	-20.88	25.69	-21.85
Highest share price, EUR	9.04	15.65	-14.5
Lowest share price, EUR	5.92	8.12	-9.78
Volume-weighted average share price, EUR	7.31	10.45	11.40
Share price, 31 December, EUR	6.70	8.22	14.20

[1]The amount for 2023 is based on the Board of Directors' proposal to the AGM

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	EBITA 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 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 attributed to the owners of the company 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 issuing shares rather than through external borrowings.
Return on equity	Group's profit for the period attributable to the owners of the Parent based on a rolling twelve-month basis divided by the average total equity attributable to owners of the company.	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.

In 2023 Purmo Group 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 2023. The comparative figures have been restated accordingly.

Reconciliation of Alternative Performance Measures

EUR million unless otherwise indicated	2023	2022	2021
Comparability adjustments			
IFRS 2 merger impact	–	–	52.3
M&A related transactions and integration costs	0.3	2.2	0.1
Restructuring costs and one-off costs related to efficiency programs	46.0	6.6[1]	8.9
Impairment and write-down	5.2	12.9	–
Other	1.3	0.2	0.0
Total comparability adjustments affecting in EBITDA and EBITA[1]	**52.8**	**21.7**	**70.2**
Taxes relating to comparability adjustments[1]	-11.2	-2.2	-4.3
Total comparability adjustments[1]	**41.6**	**19.6**	**65.9**
Net sales	743.2	904.1	843.6
EBIT	**9.7**	**39.0**	**3.5**
EBIT margin	**1.3%**	**4.3%**	**0.4%**
Amortisation and impairment	4.7	7.9	2.9
EBITA	14.4	46.8	6.3
EBITA margin	**1.9%**	**5.2%**	**0.8%**
Depreciation and impairment	32.2	31.6	27.3
EBITDA	**46.6**	**78.5**	**33.6**
EBITDA margin	**6.3%**	**8.7%**	**4.0%**
Adjusted EBITDA			
EBIT	9.7	39.0	3.5
Depreciation, amortisation and impairment excluding comparability adjustments	29.8	32.1	30.2
Total comparability adjustments affecting in EBITDA and EBITA[1]	52.8	21.7	65.9
Adjusted EBITDA[1]	**92.3**	**92.9**	**99.6**
Adjusted EBITDA margin[1]	**12.4%**	**10.3%**	**11.8%**

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

EUR million unless otherwise indicated	2023	2022	2021
Adjusted EBITA			
EBIT	9.7	39.0	3.5
Amortisation excluding comparability adjustments	3.8	3.9	2.9
Total comparability adjustments affecting in EBITDA and EBITA[1]	52.8	21.7	65.9
Adjusted EBITA[1]	**66.3**	**64.6**	**72.3**
Adjusted EBITA margin[1]	**8.9%**	**7.1%**	**8.6%**
Adjusted profit/loss for the period			
Profit/loss for the period	-9.3	13.1	-18.8
Total comparability adjustments[1]	41.6	19.6	65.9
Adjusted profit/loss for the period	**32.2**	**32.7**	**47.1**
Adjusted Operating cash flow for the last 12 months			
Adjusted EBITDA in the last 12 months	92.3	92.9	99.6
Change in net working capital compared to previous year same period[2]	3.2	-24.8	-38.8
Capex for last 12 months	-20.3	-24.0	-14.8
Adjusted operating cash flow for the last 12 months	**75.1**	**44.0**	**46.0**
Cash conversion			
Adjusted operating cash flow for the last 12 months[2]	75.1	44.0	50.2
Adjusted EBITDA	92.3	92.9	99.6
Cash conversion[2]	**81.4%**	**47.4%**	**50.4%**
Net working capital			
Inventories	143.7	174.1	157.4
Operative receivables[3]	98.6	110.5	104.7
Operative liabilities[4]	156.9	193.1	189.7
Net working capital	**85.4**	**91.5**	**72.4**

[3] Non-current and current operative other receivables are in the balance sheet presented in non-current and current other receivables.
[4] Non-current and current operative payables are presented in the balance sheet in non-current other payables and current trade and other payables.

EUR million unless otherwise indicated	2023	2022	2021
Operative capital employed			
Net working capital	85.4	91.4	72.3
Other intangible assets	45.9	47.0	36.3
Property, plant and equipment	127.6	127.3	131.9
Right-of-use assets	35.8	39.3	31.3
Operative capital employed	**294.7**	**305.0**	**271.8**
Return on operating capital employed[1]			
Quarterly end average operating capital employed	331.9	318.5	273.0
EBIT for the last 12 months	9.7	39.0	3.5
Return on operating capital employed	**2.9%**	**12.2%**	**1.3%**
Net debt			
Loans and borrowings (non-current)	277.9	278.1	285.7
Loans and borrowings (non-current)	7.3	11.3	95.0
Loans and borrowings, assets held for sale	8.6	7.2	–
Lease liabilities (non-current)	31.7	34.3	30.7
Lease liabilities (current)	10.4	9.4	5.6
Lease liabilities, assets held for sale	0.0	0.4	–
Cash and cash equivalents	-111.7	-56.3	-177.6
Cash and cash equivalents, assets held for sale	-4.6	-9.1	–
Net debt	**219.6**	**275.2**	**239.5**
Net debt/Adjusted EBITDA			
Net debt	219.6	275.2	239.5
Annualised adjusted EBITDA	92.3	92.9	103.9
Net debt/Adjusted EBITDA	**2.38**	**2.96**	**2.31**

[1] The definition for Return on operating capital employed has been updated from 1 January 2023 and the comparative data has been restated.

EUR million unless otherwise indicated	2023	2022	2021
Equity/Asset ratio			
Equity attributable to owners of the Company	435.7	403.3	390.6
Total assets	997.8	983.7	1046.2
Equity/Asset ratio	**43.7%**	**41.0%**	**37.3%**
Return on equity			
The cumulative last 12 month profit attributable to owners of the company	-9.3	13.1	-18.8
Equity attributable to owners of the company beginning of period	403.3	390.6	515.5
Equity attributable to owners of the company end of period	435.7	403.3	390.6
Equity attributable to owners of the company average	419.5	396.9	453.1
Return on equity	**-2.2%**	**3.3%**	**-4.2%**
Basic earnings per share			
Profit/loss attributable to shareholders of the parent company for class C shares	-9.3	13.0	-18.7
Profit/loss attributable to shareholders of the parent company for class F shares	-0.1	0.1	-0.1
Profit/loss attributable to the owners of the company	-9.3	13.1	-18.8
Accumulated interest expenses on hybrid bond after taxes	-3.9	–	–
Profit/loss used in calculation of earnings per share	-13.3	13.1	-18.8
Weighted average number of shares outstanding (pcs)[1]	41,406,191	41,244,426	29,124,487
Basic earnings per share, EUR	**-0.32**	**0.32**	**-0.65**
Diluted earnings per share			
Profit/loss attributable to shareholders of the parent company for class C shares	-9.3	13.0	-18.7
Profit/loss attributable to shareholders of the parent company for class F shares	-0.1	0.1	-0.1
Profit/loss attributable to the owners of the company	-9.3	13.1	-18.8
Accumulated interest expenses on hybrid bond after taxes	-3.9	–	–
Profit/loss used in calculation of earnings per share	-13.3	13.1	-18.8
Diluted weighted average number of shares outstanding (pcs)[1]	41,406,191	41,244,426	29,124,487
Diluted earnings per share, EUR	**-0.32**	**0.32**	**-0.65**

[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 to include tax impact from comparability adjustments has been updated from 2023 and the comparative data has been restated.

EUR million unless otherwise indicated	2023	2022	2021
Adjusted basic earnings per share			
Total comparability adjustments[2]	41.6	21.8	65.9
Adjusted profit/loss attributable to shareholders of the parent company for class C shares	32.0	32.5	46.8
Adjusted profit/loss attributable to shareholders of the parent company for class F shares	0.2	0.2	0.3
Adjusted profit/loss attributable to the owners of the company (EUR million)	32.2	32.7	47.1
Accumulated interest expenses on hybrid bond after taxes	-3.9	–	–
Adjusted profit/loss used in calculation of earnings per share[2]	28.3	32.7	47.1
Weighted average number of shares outstanding (pcs)[1]	41,406,191	41,244,426	29,124,487
Adjusted basic earnings per share[2]	**0.68**	**0.79**	**1.62**
Adjusted diluted earnings per share			
Total comparability adjustments[2]	41.6	21.8	65.9
Adjusted profit/loss attributable to shareholders of the parent company for class C shares	32.0	32.5	46.8
Adjusted profit/loss attributable to shareholders of the parent company for class F shares	0.2	0.2	0.3
Adjusted profit/loss attributable to the owners of the company	32.2	32.7	47.1
Accumulated interest expenses on hybrid bond after taxes	-3.9	–	–
Adjusted profit/loss used in calculation of earnings per share[2]	28.3	32.7	47.1
Diluted weighted average number of shares outstanding (pcs)[1]	41,406,191	41,244,426	29,124,487
Adjusted diluted earnings per share[2]	**0.68**	**0.79**	**1.62**

[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 to include tax impact from comparability adjustments has been updated from 2023 and the comparative data has been restated.

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Consolidated financial statements

Consolidated statement of profit and loss

EUR million	Note	2023	2022
Net sales	2.2	743.2	904.1
Cost of sales	2.3	-551.2	-700.8
Gross profit		**192.0**	**203.3**
Sales and marketing expenses	2.3	-87.6	-87.9
Administrative expenses	2.3	-51.1	-51.5
Research and development expenses	2.3	-5.3	-6.2
Other income	2.3	8.8	4.9
Other expenses	2.3	-47.1	-23.7
Operational expenses		**-182.3**	**-164.3**
EBIT		**9.7**	**39.0**
Finance income	5.1	13.2	5.7
Finance expenses	5.1	-32.5	-23.1
Net financial items		**-19.3**	**-17.4**
Profit before tax		**-9.6**	**21.6**
Income tax expense	7.2	0.3	-8.4
Profit for the period		**-9.3**	**13.1**
Profit for the period attributable to:			
Owners of the parent		-9.3	13.1
Earnings per share for profit attributable to the ordinary equity holders of the parent company:			
Earnings per share basic, EUR	5.5	-0.32	0.32
Earnings per share diluted, EUR	5.5	-0.32	0.32

Consolidated statement of comprehensive income

EUR million	2023	2022
Profit for the period	-9.3	13.1
Other comprehensive income		
Items that will never be reclassified to profit and loss		
Remeasurement of defined benefit liability (asset)	-3.2	2.2
Related tax	0.9	-0.2
Total items that will not be reclassified to profit and loss	**-2.3**	**1.9**
Items that are or may be reclassified to profit and loss		
Foreign operations – foreign currency translation differences	-1.8	0.5
Reclassification of foreign currency translation differences through profit and loss	0.0	0.4
Cash flow hedges – effective portion of changes in fair value	4.5	3.4
Cash flow hedges – reclassified to profit and loss	-3.4	0.7
Related tax	-0.2	-0.8
Total items that are or may be reclassified to profit and loss	**-0.9**	**4.2**
Other comprehensive income, net of tax	**-3.2**	**6.2**
Total comprehensive income for the period	**-12.5**	**19.3**
Total comprehensive income attributable to:		
Owners of the parent	-12.5	19.3

Consolidated balance sheet

EUR million	Note	2023	2022
Assets			
Non-current assets			
Goodwill	3.1, 3.2	370.6	370.6
Other intangible assets	3.1	45.9	47.0
Property, plant and equipment	3.3	127.6	127.3
Right-of-use assets	3.4	35.8	39.3
Defined benefit assets	4.5	0.0	2.2
Derivative assets	5.7	1.0	2.7
Other receivables	4.2	4.5	0.7
Deferred tax assets	7.2	42.8	29.2
Total non-current assets		**628.2**	**618.9**
Current assets			
Inventories	4.1	143.7	174.1
Trade receivables	4.2	75.2	89.1
Derivative assets	5.7	4.7	2.7
Other receivables	4.2	24.2	25.6
Current tax asset	7.2	4.4	3.1
Cash and cash equivalents	5.7	111.7	56.3
Total current assets		**364.0**	**350.7**
Assets held for sale	**6.2**	**5.6**	**14.0**
Total assets		**997.8**	**983.7**
Equity and liabilities			
Equity			
Share capital	5.5	3.1	3.1
Reserve for invested unrestricted equity	5.5	365.9	380.8
Other reserves	5.5	-5.9	-5.0
Retained earnings		22.8	11.3
Profit for the period		**-9.3**	**13.1**

EUR million	Note	2023	2022
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	5.6	277.9	278.1
Lease liabilities	3.4	31.7	34.3
Defined benefit liabilities	4.5	18.0	18.7
Derivative liabilities	5.7	0.3	-
Other payables	4.3	1.3	1.4
Provisions	4.4	8.1	7.8
Deferred tax liabilities	7.2	6.4	5.4
Total non-current liabilities		**343.8**	**345.6**
Current liabilities			
Loans and borrowings	5.6	7.3	11.3
Lease liabilities	3.4	10.4	9.4
Derivative liabilities	5.7	3.0	1.5
Trade and other payables	4.3	160.5	193.4
Provisions	4.4	24.8	0.4
Current tax liabilities	7.2	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	**6.2**	**10.5**	**10.0**
Total equity and liabilities		**997.8**	**983.7**

Consolidated statement of cash flows

EUR million	Note	2023	2022
Cash flow from operating activities			
Profit for the period		-9.3	13.1
Adjustments			
Depreciation, amortisation and impairment losses		29.8	32.1
Gain on sale of property plant and equipment and intangible assets		-0.1	-
Gain and losses on sale of subsidiaries		0.0	-1.2
Finance income and expenses		19.3	17.4
Income tax expenses		-0.3	8.4
Other non-cash items		39.1	21
Cash flow before change in net working capital		**78.6**	**90.9**
Changes in net working capital			
Inventories, increase (-) / decrease (+)	4.1	32.8	-21.4
Trade and other receivables, increase (-) / decrease (+)	4.2	9.6	25.4
Trade and other payables, increase (+) / decrease (-)	4.3	-44.3	-31.5
Provisions and employee benefits, increase (+) / decrease (-)	4.4	-0.2	-4.1
Changes in net working capital		**-2.1**	**-31.5**
Net cash flow from operating activities before financial items and taxes		**76.5**	**59.4**
Financial items, net		-15.9	-17.4
Income tax paid, net		-20.1	-10.9
Cash flow from operating activities		**40.4**	**31.1**

EUR million	Note	2023	2022
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		-20.3	-24.0
Acquisitions of subsidiaries, net of cash acquired		-	-14.6
Long-term loan receivables granted		-	-0.2
Proceeds from long-term loan receivables		0.1	0.1
Cash flow from investing activities		**-20.2**	**-32.9**
Cash flow from financing activities			
Increase of equity		-	0.7
Return of capital paid		-11.1	-14.9
Proceeds from hybrid bond		60.0	-
Hybrid bond interest and expenses		-0.7	-
Repayment of lease liabilities		-11.8	-11.6
Change in short-term borrowings		-3.8	-85.0
Cash flow from financing activities		**32.6**	**-110.8**
Change in cash and cash equivalents, increase (+) / decrease (-)		**52.8**	**-112.6**
Cash and cash equivalents at beginning of the period		**65.4**	**177.6**
Impact of change in exchange rates		-1.9	0.3
Cash classified as assets held for sale		-4.6	-9.1
Cash and cash equivalents at end of the period		**111.7**	**56.3**

Consolidated statement of changes in equity

EUR million	Attributable to owners of the parent company: Share capital	Reserve for invested unrestricted equity	Translation reserve	Fair value reserve	Retained earnings	Total	Hybrid bond	Total equity
Balance as at 1 Jan 2023	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

EUR million	Attributable to owners of the parent company: 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

Notes to the consolidated financial statements

1. Accounting principles for the consolidated financial statement

How should Purmo Group's accounting principles be read?
The accounting principles used for the financial statements of Purmo Group are described at the beginning of each note to help understand each area of the financial statements. The following table summarises the notes to each accounting principle and the relevant IFRS standard related to the note.

Accounting principle	Note	IFRS standard
Segment information	2.1 Segment information	IFRS 8
Revenue recognition	2.2 Net sales	IFRS 15
Employment benefit expenses	2.4 Employment benefit expenses	IAS 19
Share-based payments	2.5 Share-based payments	IFRS 2
Reverse recapitalization	2.3 Other income and expenses	IFRS 3, IFRS 2
Other intangible assets	3.1 Goodwill and other intangible assets 3.2 Impairment testing of goodwill	IAS 36, IAS 38
Property, plant and equipment	3.3 Property, plant and equipment	IAS 16, IAS 36
Leases	3.4 Right-of-use assets	IFRS 16
Inventory	4.1 Inventories	IAS 2
Financial risk management	5.2 Financial risk management	IAS 32, IFRS 7, IFRS 9, IFRS 13
Financial assets and liabilities	5.3 Financial assets and liabilities	IAS 32, IFRS 7, IFRS 9, IFRS 13
Equity	5.5 Equity	IAS 1
Business combinations	6.1 Business combinations	IFRS 3, IFRS 10
Assets held for sale	6.2 Assets held for sale	IFRS 5
Related party transactions	7.1 Related party transactions	IAS 24
Income taxes	7.2 Taxes	IAS 12

1.1 General information

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. These consolidated financial statements comprise 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 OMX Helsinki. The copies of the consolidated financial statements are available at www.purmogroup.com or the parent company's head office, Bulevardi 46, 00120 Helsinki, Finland.

Purmo Group is at the centre of the global sustainability journey, offering full solutions and sustainable ways of heating and cooling homes to mitigate global warming. Purmo Group provides complete heating and cooling solutions to residential and non-residential buildings, including underfloor heating and cooling systems, a broad range of radiators, heat pumps, flow control and hydronic distribution systems, as well as smart products. The Company's mission is to be the global leader in sustainable indoor climate comfort solutions. Purmo Group's approximately 3,170 employees operate in 24 countries, manufacturing and distributing top-quality products and solutions to our customers in more than 100 countries.

1.2 Basis of preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs), using the IAS and IFRS standards and SIC and IFRIC interpretations, as applicable at 31 December 2023 and adopted by the European Union. The International Financial Reporting Standards refer to the standards implemented in the EU by Regulation (EC 1606/2002) and the related interpretations. The notes to the consolidated financial statements also comply with the Finnish accounting and corporate legislation that supplements the IFRSs.

The Board of Directors of Purmo Group Plc has approved the financial statements for publication on 12 February 2024. Under the Finnish Limited Liability Companies Act, the shareholders may accept or reject the financial statement in the Annual General Meeting of the shareholders held after the publication. The Annual General Meeting is also entitled to amend the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis unless otherwise specified in the significant accounting policies section below.

Items included in the financial statements of each of Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These consolidated financial statements are presented in EUR, which is the Company's functional currency. The consolidated financial statements are presented in EUR millions. As result of rounding differences, the figures presented in the tables may not add up to the total.

1.3 Management judgement and use of estimates

The preparation of consolidated financial statements under IFRSs requires the use of judgements, estimates and assumptions affecting the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best view of current events and actions, the actual results may ultimately differ from these estimates. These estimates and assumptions are reviewed on an ongoing basis.

Information about judgements, assumptions and estimates that have a significant risk of resulting in a material change to reported results are described below.

Note	Accounting estimates and management judgement
Note 2.2	Net sales
Note 2.5	Share-based payments
Note 3.2	Impairment testing of goodwill
Note 3.3	Property, plant and equipment
Note 3.4	Right-of-use assets
Note 4.1	Inventories
Note 4.4	Provisions
Note 4.5	Post-employment obligations
Note 7.2	Taxes

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, the Group recognised in 2022 impairment charges and write-downs of EUR 12.9 million on goodwill, intangible assets, property, plant and equipment, right-of-use assets, inventories, other assets and redemption liability. 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. See further information note 6.2 Assets held for sale.

Climate-related matters in the consolidated financial statements

The Group's management has assessed the impact of potential climate-related matters, such as increased production costs as a result to reduce carbon emissions and site restoration provisions, that might have an impact on the fair value measurement of the assets and liabilities in the consolidated financial statements. The Group management also monitors changes in government legislation in climate-related matters. On 13 February 2023, Purmo Group announced that it has established a Green Finance Framework to integrate the company's sustainability ambitions into its funding. The Green Finance Framework is designed to support financing or refinancing Eligible Assets and Expenditures, in part or in full, that enable energy efficiency improvements, such as equipment for heating and cooling systems, and components enabling smart controlling and monitoring of heating and cooling systems. See further information note 5.2 Financial risk management and 5.5 Equity. When preparing these consolidated financial statements the impact of climate related matters are not otherwise material to Purmo Group's condensed financial statements. The Group will adjust the key assumptions used in value-in-use calculations in future financial statements should a change be required.

1.4 New and amended IFRS standards and IFRIC interpretations

Amendments and annual improvements to IFRS standards

The Group has applied the relevant amendments and annual improvements to IFRS standards published by IASB effective for financial reporting periods commencing on 1 January 2023. The revised standards have not had a material impact on the results, the financial position or the presentation of Purmo Group's financial statements.

The Group has applied the amendments to IAS 12 Deferred Tax related to Assets and Liabilities Arising from a Single Transaction that are effective for the first time for financial reporting periods commencing on 1 January 2023. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. The application of the amendments did not have a material net impact on the results or financial position or the presentation of Purmo Group's financial statements.

New and amended standards to be applied

The Group has not applied any standards, amendments or interpretations published by IASB that will be effective for the financial reporting period commencing after 1 January 2023. Purmo Group does not expect any material impact on the financial statements from any published, but not yet effective, IFRS standard, IFRIC interpretation, IFRS annual improvement or change.

2. Group performance

2.1 Segment information

ACCOUNTING POLICIES

Operating segments are reported in a manner consistent with Purmo Group's internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as Purmo Group's Board of Directors, assisted by the CEO. 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 charges connected to the Russian business, and losses relating to sale of fixed assets.

Group's divisions

As of 1 January 2023, the reportable 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 **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. The division provides a comprehensive range of components or full systems to wholesalers, specifiers and installers comprising of four product categories: radiant heating and cooling, air heating and cooling, water distribution systems and system components and controls. 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.

2023

EUR million	Climate Products & Systems	Climate Solutions	Other and unallocated	Eliminations	Group
Net sales	591.9	151.6	-0.0	-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	0.0	-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

2.2 Net sales

ACCOUNTING PRINCIPLES

Sales of goods are recognised when the control is transferred to the customer. This is when the goods have been delivered to the customer, typically based on delivery terms. Delivery is deemed to have taken place when the products have been delivered to the agreed location and the risk of obsolescence and damage of products has been transferred to the customer. In addition, for certain contract terms, a transportation service is considered to be a separate performance obligation when control to the goods is transferred to the buyer before the goods are delivered. However, transportation service is typically performed during the same day as control is transferred to the customer, and, therefore, the revenue from goods and transportation service is recognised at the same time because the effect of the delay on the Group's net sales is deemed to be immaterial. A receivable is recognised when the goods are delivered. This is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Amounts disclosed as net sales are net of discounts, annual rebates, bonuses and sanctions as well as other variable elements effecting revenue. The Group grants its customers different discounts, of which some are granted on invoicing, like cash discounts and different volume-based and customer related discounts. Goods are often sold with annual rebates based on aggregate sales. The level or the percentage on annual discounts might also depend on the sales volume, in which case the amount increases when the sales increases. A refund liability is recognised (included in trade and other payables for the expected volume-based discounts payable to customers in relation to the sales made until the end of the reporting period. Advance payments from customers, if any, are included in trade and other payables.

The Group provides warranties for its products and typical warranty period is between 2 -10 years depending on the product. Provision has been made for estimated warranty claims in respect of the products sold, see Note 4.4 Provisions.

ACCOUNTING ESTIMATES AND JUDGEMENTS

Recognition of sales may require judgement, and transfer of control is mainly assessed based on the terms of delivery in accordance with IFRS 15. Revenue from sales is recognised based on the price specified in the contract, net of the estimated volume-based discounts, and the estimates are updated each reporting date. Accumulated experience is used to estimate and provide for the discounts, annual rebates and other items effecting revenue, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

Group's main products include panel radiators, tubular and electric radiators, underfloor heating and piping systems, system components and air conditioners. Purmo Group sells its products mainly to wholesalers and national merchants.

Entity wide information

Net sales by market area

Net sales to external customers by market area is based on the location in which the net sales has originated.

EUR million	2023	2022
Northern Europe[1]	166.4	191.0
Western Europe	287.5	337.2
Central and Eastern Europe	135.4	174.5
Southern Europe	110.3	142.4
Rest of the world	43.5	58.9
Net sales	**743.2**	**904.1**

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

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.

2023

EUR million	Climate Products & Systems	Climate Solutions	Eliminations	Group
Northern Europe	143.3	23.3	-0.2	166.4
Western Europe	278.2	9.3		287.5
Central and Eastern Europe	128.1	7.3	-0.0	135.4
Southern Europe	24.2	86.3	-0.2	110.3
Rest of the world	18.1	25.4		43.5
Net sales	**591.9**	**151.6**	**-0.3**	**743.2**

2022

EUR million	Climate Products & Systems	Climate Solutions	Eliminations	Group
Northern Europe	163.8	27.4	-0.1	191.0
Western Europe	329.5	7.9	-0.1	337.2
Central and Eastern Europe	164.9	9.7	-0.1	174.5
Southern Europe	27.7	114.8	-0.1	142.4
Rest of the world	34.7	24.2	-	58.9
Net sales	**720.6**	**183.9**	**-0.4**	**904.1**

Non-current assets by country

Non-current assets by country excludes financial instruments and deferred tax assets. Goodwill has not been allocated to geographical areas.

EUR million	2023	2022
Poland	55.1	45.8
Finland	29.7	27.2
UK	21.2	24.7
Germany	24.1	24.4
Italy	27.1	24.2
China	12.3	14.1
Belgium	4.0	12.3
Rest of the world	40.4	43.7
Goodwill	370.6	370.6
Deferred tax assets	42.8	29.2
Total	**627.3**	**616.2**

Assets and liabilities related to contracts with customers

The Group has no contract assets on the balance sheet. Contract liabilities include EUR 0.4 (0.8) million of advance payments from customers and they are presented in Trade and other payables in the balance sheet. Prepayments recognised as liabilities in the balance sheet are recognised as revenue during the following financial year (please see also Note 4.3 Trade and other payables).

2.3 Other income and expenses

ACCOUNTING PRINCIPLES

Other income and expenses are such items that are not derived from other than Group's actual operations. Other income includes disposal gain of sold tangible and intangible assets, grants and rental income.

Government grants relating to the purchase of property, plant and equipment or intangible assets are recognised as deferred income. This deferred income is recognised in profit and loss on a systematic basis over the estimated useful life of the underlying asset. Other government grants are recognised in the profit and loss on a systematic basis over the period in which the entity recognises the related costs that the grants are compensating.

Net foreign exchange gains and losses are presented in other income or other expenses unless they relate to financing items or to qualifying cash flow hedges.

The Group has identified a number of items that are material due to the significance of their nature or amount, which are listed below to provide a better understanding of the operating performance for the Group.

Other income

EUR million	2023	2022
Net foreign exchange gains	3.3	0.0
Gain on disposal of Group companies and business operations	0.0	1.2
Gain on disposal of intangible and tangible assets	0.2	0.8
Subsidies and grants	0.6	0.4
Compensation from insurance companies	0.8	0.1
Other income	4.0	2.4
Total	8.8	4.9

Other expenses

EUR million	2023	2022
Net foreign exchange losses	0.0	1.5
Loss on disposal of intangible assets and property, plant and equipment	0.0	0.5
Impairment of intangible assets and property, plant and equipment[1]	7.1	7.4
M&A related transaction and integration costs[2]	0.2	2.2
Restructuring costs and one-off costs related to efficiency programs[3]	37.6	7.5
Other expenses	2.2	4.6
Total	47.1	23.7

[1] Impairment of the Russian entities classified as assets held for sale.

[2] M&A related transaction and integration costs consist mainly of professional fees for pre-deal support and M&A advisory.

[3] Restructuring costs and one-off costs related to efficiency programs consists of project management expenses and redundancy costs for Accelerate PG.

Audit fees

The following table includes the fees paid to the Company's statutory auditor KPMG:

EUR million	2023	2022
Audit	0.8	0.6
Audit related services	0.1	0.1
Tax advisory	0.5	0.2
Other services	0.0	0.0
Total	1.4	1.0

2.4 Employment benefit expenses

ACCOUNTING PRINCIPLES

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Under the defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. Contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans are pension plans that are not defined contribution plans. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Defined benefit obligations are calculated annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling if any (excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) for the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense relating to defined benefit plans are recognised in profit or loss within finance income or expense.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are expensed at the earliest of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled within 12 months of the end of the reporting period, then they are discounted.

Personnel expenses

EUR million	2023	2022
Wages and salaries	-124.4	-127.6
Social security contributions	-28.7	-29.0
Pension expenses – defined contribution plans	-6.0	-6.1
Pension expenses – defined benefit plans	1.0	-1.2
Share-based payments	-0.6	-0.2
Total	**-158.7**	**-164.1**

Number of personnel

	2023	2022
Average number of personnel	3,228	3,476

2.5 Share-based payments

ACCOUNTING PRINCIPLES

The Group has share-based incentive programs that are accounted for as equity-settled share-based payment transactions. The Group's share-based payment arrangements include different conditions, i.e., non-vesting conditions, market and non-market performance conditions as well as service conditions. The fair value of the equity-settled share-based payment is determined at the grant date and not revalued after the grant date. Market conditions as well as non-vesting conditions are taken into account when estimating the fair value of the equity instruments granted. Therefore, the expense is recognised irrespectively of whether the conditions are satisfied. Non-market performance conditions and the requirement to stay in service are not factored into the grant date fair value. If the non-marked performance condition or the service condition is not met, the cumulative share-based payment cost will be truedup accordingly. The total cost is determined by reference to the fair value at grant-date multiplied by the estimated amount of equity instrument expected to be vested. At each balance sheet date, the Group revises the cumulative share-based cost expected to be paid out based on the likelihood of achieving non-market performance criteria and the service condition at the end of the performance period.

The expenses related to the equity settled share-based incentive programs are recognised in the profit and loss statement as employee benefit expenses over the vesting period with a corresponding adjustment to equity. For share-based incentive programs in which awards vest in stages, the expense is calculated in award tranches and recognised over the various vesting periods.

ACCOUNTING ESTIMATES AND JUDGEMENTS

At each balance sheet date, management reviews its estimates for the number of shares that are expected to vest. As part of this evaluation, Purmo Group takes into account changes in the forecasted performance of the Group and its reporting segments, expected turnover of the personnel part of the incentive plan, and other pertinent information impacting the number of shares to be vested.

Long-term incentive plan

On 20 June 2022, Purmo Group Plc's Board of Directors decided on the establishment of a share-based long-term incentive scheme for the company's management and key personnel. The Long-Term Incentive Plan 2022 (LTIP 2022) consists of an initial investment, followed by a performance period, whereafter an outcome determination period commences. The participants had the opportunity to receive reward shares depending on the company's performance. The Board of Directors decided separately the performance criteria, persons authorised to participate and the maximum amount invested into the plan per participant. 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 criteria of the plan is total shareholder return (TSR) of the class C share. The minimum threshold for reward payout is a share price of EUR 16.00, and maximum reward shares are earned at a share price of EUR 24.00. Paid dividend and return of capital during the plan are added to the share price when calculating the TSR. The potential reward will be paid during the years 2026–2027, depending on the achievement of the performance criteria and the service condition. Any reward earned for the LTIP will be paid partly in company shares and partly in cash. The purpose of the cash contribution is to cover taxes and tax-like payments incurred by the management and key personnel from the remuneration.

On 27 September 2022, Purmo Group announced that the Board approved a total of 66,403 subscriptions of new class C shares in the share issue for management and key employees. The subscription price of EUR 10.23 per share was based on the trade-volume weighted average price of the Company's share on Nasdaq Helsinki Ltd during 12 July–5 September 2022. The total subscription price of the new class C shares was EUR 679,302.69.

Purmo Group Plc has financed the subscriptions of the class C shares by offering interest-bearing loans to the participants to a maximum amount of 50 per cent of the subscription value of the subscribed shares. Participants have pledged the subscribed shares as a security for performing their obligations under the concluded loan agreement.

Share-based plan information

	LTIP 2022
Grant date	22 Sep 2022
Maximum number of class C shares	1,500,000
Dividend adjustment	Yes
Earning period start date	1/1/2022
Earning period end date	12/31/2025
Commitment period end	12/31/2027
Vesting conditions	Total Shareholder Return (TSR) of the Purmo Group class C share, continued employment
Maximum contractual life	5.3 years
Remaining contractual life	4 years
Description of shares	Gross share
Number of persons in the arrangement at the end of the period	33
Payment method	Cash and equity
Changes in plan during the period	
Outstanding in the beginning of the reporting period 1 Jan 2023	745,000
Changes during the period	
Granted	126,980
Forfeited	-
Exercised	-
Outstanding at the end of the reporting period 31 Dec 2023	**871,980**

Fair value determination

The fair value of share-based incentives has been determined at grant date and the fair value is expensed until vesting. Market condition, in this case total shareholder return, has been taken into account when determining the fair value at grant, and it will not be changed during the plan. The pricing of the share-based incentives granted during the period was determined by the following inputs and had the following effect:

	LTIP 2022
Share price at grant date, EUR[1]	6.74
Share price at the end of the reporting period, EUR	6.70
Expected volatility, %[2]	38.61%
Maturity years	4.34
Risk free rate	2.99%
Expected dividends, EUR	1.52
Valuation model	Monte Carlo
Total grant date fair value, MEUR	3.2

[1] The share price at grant differs between the multiple grants allocated during the financial year. Therefore, a volume-weighted average price has been calculated between the grant dates.
[2] Expected volatility was determined by calculating the historical volatility of the Group's share using monthly observations over corresponding maturity.

The effect of share-based incentive plans on profit and loss has been presented in Note 2.4 Employment benefit expenses.

3. Goodwill, intangible and tangible assets

3.1 Goodwill and other intangible assets

ACCOUNTING PRINCIPLES

Goodwill and other intangible assets with an indefinite useful life
Goodwill represents the excess of acquisition cost over the fair values of identified acquired assets and liabilities of acquired companies. Goodwill arises typically in connection with a major acquisition and represents the value of the acquired market share, business knowledge and the synergies obtained in connection with the acquisition. Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and tested annually for impairment. The Group is not considered to have other intangible assets with indefinite useful lives.

Other intangible assets
Other intangible assets include, among others, trademarks, patents and IT software that are acquired by Purmo Group and have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses. Other intangible assets acquired in connection with business acquisitions are recognised in the balance sheet if they fulfil the definition of other intangible assets: the asset will yield future economic benefit, they can be specified or are based on agreements or legal rights. Other intangible assets recognised in connection with business acquisitions include brands and trademarks, customer agreements and customer relationships.

Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation
Amortisation is calculated so as to write off the cost of intangible assets less their estimated residual values applying the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives for current and comparative periods are as follows:

Trademarks	25 years
Capitalised development costs	5 years
Allocations from business acquisitions	10–20 years
Other intangible assets	5–10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Amortisation of the trademarks are included in sales and marketing expenses. Amortisation of patents and development costs is included in research and development costs.

Research and development costs
Research costs are recognised in profit or loss as incurred. Expenditure on development, in which research findings or other knowledge is applied to produce new or improved products or processes, is recognised as an asset in the balance sheet if the product or process is technically and commercially feasible and the company has intention as well as sufficient resources to complete development and then use or sell the intangible asset, the intangible asset will generate probable future economic benefits and the company is able to measure reliably the expenditure attributable to the intangible asset. Capitalised development costs are presented in the balance sheet and are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised from the time when the asset is ready for use. Capitalised development costs for an asset that is not yet ready for use are tested for impairment annually. The estimated useful lives of development costs are reviewed at each reporting date and if these estimates differ significantly from previous estimates, the amortisation periods are adjusted accordingly. The amortisation period for capitalised development costs is 5 years.

Development costs are capitalised when a development project is likely to generate economic benefits for the company and the products are assessed to be technically feasible and commercially viable. Development projects are related to new or essentially improved technology.

Intangible assets

2023

EUR million	Goodwill	Trademarks	Development costs	Other intangible assets	Assets under construction	Total
Acquisition cost						
1 Jan 2023	370.6	59.3	2.1	14.3	–	446.3
Effects of exchange rates	-0.0	0.1	0.0	0.0	–	0.1
Additions	–	0.5	–	0.0	0.3	0.8
Disposals		-0.0	–	-0.0	-0.1	-0.1
Transfers	–	0.0	–	1.9	–	1.9
31 Dec 2023	370.6	59.9	2.1	16.2	0.2	449.0
Accumulated amortisation and impairment losses						
1 Jan 2023	–	-22.3	-1.9	-4.5	–	-28.7
Effects of exchange rates	0.0	-0.1	-0.0	-0.0	–	-0.1
Amortisation	0.0	-2.6	-0.1	-1.2	–	-3.8
31 Dec 2023	0.0	-25.0	-2.0	-5.7		-32.6
Carrying amount at 31 Dec 2023	370.6	34.9	0.1	10.5	0.2	416.5

2022

EUR million	Goodwill	Trademarks	Development costs	Other intangible assets	Assets under construction	Total
Acquisition cost						
1 Jan 2022	369.2	56.8	1.9	3.9	–	431.8
Effects of exchange rates	-0.1	-0.1	–	–		-0.2
Purchases of subsidiaries and business acquisitions	5.5	2.6	–	10.1		18.2
Additions	–	1.1	0.2	0.5		1.7
Disposals	–	-0.1	–	-0.1		-0.2
Transfers	–	-1.1	–	–		-1.0
Impairment charges	-4.0	–	–	–		-4.0
31 Dec 2022	370.6	59.3	2.1	14.3	–	446.3
Accumulated amortisation and impairment losses						
1 Jan 2022	–	-21.1	-1.9	-3.3	–	-26.4
Effects of exchange rates	–	0.1	–	–		0.1
Amortisation	–	-2.5	–	-1.3		-3.9
Transfers	–	1.3	–	–		1.3
31 Dec 2022	–	-22.3	-1.9	-4.5	–	-28.8
Carrying amount at 31 Dec 2022	370.6	37.0	0.2	9.8	–	417.5

Other intangible assets include other long-term capital expenditures and advance payments.

3.2 Impairment testing of goodwill

ACCOUNTING PRINCIPLES

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the asset is estimated.

For impairment testing purposes, Purmo Group's goodwill is allocated to cash-generating units ('CGU'), which are also the divisions of the Group. The divisions represent the Group's operating segments before aggregation determined in accordance with IFRS 8 Operating Segments. Impairment is measured at the level of cash generating units, which are the smallest groups of assets that independently generate cash flows and whose cash flows can be distinguished from other cash flows.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating units.

An impairment loss is recognised if the carrying amount of an asset or cash generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss and initially allocated to reduce the carrying amount of any goodwill attributable to the cash generating unit, and then to reduce the carrying amounts of the other assets in the cash generating unit on a pro rata basis.

At the end of each reporting period, the Group assesses whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Group estimates the recoverable amount of that asset, and impairment losses in respect of goodwill are not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

ACCOUNTING ESTIMATES AND JUDGEMENTS

The goodwill and other intangible assets not yet available for use are subject to impairment testing on an annual basis, or more frequently, if events or changes in circumstances indicate that the assets might need to be impaired. In addition, the Group reviews the carrying amounts of its non-financial assets at each reporting date to determine whether there is any indication of impairment. If any such indications exist, then the asset's recoverable amount is estimated. In the Group's goodwill impairment testing, the recoverable amount of a cash generating unit (CGU) is determined based on fair value less costs of disposal calculations which require the use of assumptions. Estimation and judgment are required in determining the components of the recoverable amount calculation, including the discount rate, the terminal growth rate and development of the net sales and EBITDA (which is for impairment testing purposes defined as earnings before interest, taxes and depreciation and amortisation). The discount rates reflect current assessments of the time value of money and relevant market risk premiums reflecting risks and uncertainties for which the future cash flow estimates have not been adjusted. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates. These terminal growth rate assumptions are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Impairment testing

The amount of goodwill allocated to each CGU is presented in the following table. As at 1 January 2023, the segments for the Company are Climate Products & Systems and Climate Solutions. The 2022 comparison figures has been restated accordingly.

Carrying amount of goodwill allocated to cash generating unit:

EUR million	2023	2022
Climate Products & Systems	326.0	326.0
Climate Solutions	44.6	44.6
Total	**370.6**	**370.6**

Annual impairment test 2023

As at 31 December 2023, goodwill totalled EUR 370.6 million. Given that the recoverable amount of each CGU significantly exceeded the carrying value of goodwill, no indication of impairment was found in 2023. The value in use calculations were derived from estimates, forecasts and strategy figures reviewed by Purmo Group's management and approved by the Board of Directors.

The calculations are prepared using a fair value less costs of disposal model. In the impairment testing, the cash flows for the cash generating units were forecast for five years, based on operative plans. The financial plan is conducted annually and is approved by management. Cash flows beyond this forecast period were extrapolated using a constant 2 per cent long-term growth rate, which reflects the sustainable long-term level of the operations.

The forecasts in the financial plans for both CGU's are based on management's estimate of the sustainable profit margins. The forecasts take into account anticipated changes in market demand, sales prices and costs based on management's past experience and are in line with available external market data and research. The terminal growth rate after the forecast period reflects an estimate of long-term inflation.

Discount rates

Discount rates represent the current market assessment of the risks specific to each cash generating unit and are determined using the weighted average cost of capital, based on industry peers. The components of the discount rate are:

- Market-specific risk-free rate, based on a weighted average for the largest market
- Market risk premium, based on a weighted average for the largest markets
- Industry-specific risk, which is incorporated by applying asset beta factors that are annually derived from publicly available market data for peer companies
- Required return of debt, based on market information
- Debt-to-equity ratio, based on industry peers

The discount rates determined are post-tax rates as the company is using a fair value model to estimate the recoverable amounts. Below are presented the sales growth rate beyond the five-year period, the average EBITDA level and the post-tax discount rate, by CGU.

	2023		
	Long-term growth rate, %	Post tax discount rate, %	Average EBITDA level, %
Climate Products & Systems	2.0%	8.9%	11.7%
Climate Solutions	2.0%	8.9%	13.5%

Sensitivity analysis

A sensitivity analysis was carried out by Purmo Group management using downside scenarios. The scenarios involved raising the applied discount rate and reducing the forecasted EBITDA margin level for the forecast and terminal periods. A change in an assumption that would cause the recoverable amount to equal the carrying amount is presented in the table below separately for each CGU.

	Change
Climate Products & Systems	
Forecasted EBITDA margin	decrease more than 3.7 per centage points
WACC	increase more than 2.8 per centage points
Residual growth	decrease more than 2.5 per centage points
Climate Solutions	
Forecasted EBITDA margin	decrease more than 5.5 per centage points
WACC	increase more than 4.6 per centage points
Residual growth	decrease more than 6.0 per centage points

In management's opinion, the changes in the basic assumptions shall not be seen as an indication that these factors are likely to materialise. The sensitivity analyses are hypothetical and should therefore be treated with caution.

3.3 Property, plant and equipment

ACCOUNTING PRINCIPLES

Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are recognised as separate items (major components of property, plant and equipment).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure
Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Major repairs and renovations of property, plant and equipment are capitalised and depreciated over the useful lives of the underlying asset. Ordinary expenses for repairs and maintenance are expensed as incurred.

Depreciation
Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values applying the straight-line method over their estimated useful lives and is recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Buildings	10–40 years
Machinery and equipment	3–10 years
Large processing machines	15–25 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

ACCOUNTING ESTIMATES AND JUDGEMENTS

Assessing the probability of expected future economic benefits and useful lives of property, plant and equipment require management judgement. The estimated useful lives and residual values are reviewed at least at the end of each reporting period, and if they differ significantly from previous estimates, the depreciation periods are adjusted accordingly. Also, assessing any indication of impairment requires management judgement.

Property, plant and equipment

2023

EUR million	Land and water	Buildings	Machinery and equipment	Other tangible assets	Assets under construction	Total
Acquisition cost						
1 Jan 2023	9.1	107.8	458.8	10.4	15.7	601.7
Effects of exchange rates	0.0	2.7	4.8	0.6	0.8	8.8
Additions	0.0	4.6	11.8	0.3	5.4	22.0
Disposals	0.0	-0.7	-12.2	-0.2	-0.6	-13.6
Transfers	0.0	–	0.8	–	-3.1	-2.3
Impairment charges	–	–	-72.5	–	-0.2	-72.8
31 Dec 2023	9.1	114.3	391.5	11.1	18.0	543.9
Accumulated depreciation and impairment losses						
1 Jan 2023	-0.5	-74.4	-390.7	-8.7	0.0	-474.4
Effects of exchange rates	0.0	-1.4	-5.3	-0.6	0.0	-7.2
Depreciation	0.0	-3.0	-12.9	-0.5	–	-16.4
Depreciation on disposals	0.0	0.6	11.4	0.0	–	12.0
Transfers	0.0	0.1	0.7	0.1	0.0	0.8
Impairment charges	–	–	68.9	–	–	68.9
31 Dec 2023	-0.5	-78.2	-327.8	-9.7	0.0	-416.2
Carrying amount at 31 Dec 2023	8.6	36.1	63.7	1.3	18.0	127.7

2022

EUR million	Land and water	Buildings	Machinery and equipment	Other tangible assets	Assets under construction	Total
Acquisition cost						
1 Jan 2022	8.4	118.8	465.3	10.2	9.5	612.1
Effects of exchange rates	–	-1.3	-5.6	-0.2	-0.1	-7.2
Purchases of subsidiaries and business acquisitions	–	–	0.6	–	0.5	1.1
Additions	–	0.6	15.4	0.4	7.2	23.7
Disposals	-0.1	-10.4	-15.1	-0.1	–	-25.8
Transfers	0.8	0.1	1.2	–	-1.5	0.7
Impairment charges	–	–	-3.0	–	–	-3.0
31 Dec 2022	9.1	107.8	458.8	10.4	15.7	601.7
Accumulated depreciation and impairment losses						
1 Jan 2022	0.3	-77.6	-394.8	-8.2	–	-480.1
Effects of exchange rates	–	0.7	4.6	0.1	–	5.4
Depreciation	–	-3.2	-15.2	-0.7	–	-19.1
Depreciation on disposals	–	5.7	14.7	–	–	20.4
Transfers	-0.9	–	–	–	–	-0.9
31 Dec 2022	-0.5	-74.4	-390.7	-8.7	–	-474.4
Carrying amount at 31 Dec 2022	8.6	33.4	68.1	1.6	15.7	127.3

3.4 Right-of-use assets

ACCOUNTING PRINCIPLES

In accordance with IFRS 16, the Group assesses at contract inception whether a contract is, or contains, a lease. The Group leases production equipment, real estate, vehicles and other equipment used in its operations. The Group recognises lease liabilities representing the obligation to make lease payments and right-of-use assets representing the right to use the underlying asset. For leases with lease terms of 12 months or less or leases of low-value assets, the Group uses the short-term and low-value lease recognition exemptions.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, comprising the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any direct costs incurred and an estimate of cost to dismantle the underlying asset, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Leased assets are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. The lease term varies between 1–70 years.

Lease liabilities

The Group recognises a lease liability measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any receivable lease incentives, amounts expected to be paid under residual value guaranties, and variable lease payments dependent on a rate or index. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The present value is calculated by discounting the payments with the interest rate implicit in the lease. If the interest rate implicit for the lease is not readily determinable, the incremental borrowing rate applicable for the lease is used. Lease payments are allocated between the principal repayment and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its leases that have a lease term of 12 months or less and the low-value assets recognition exemption to leases where the leased asset value is below EUR 5 thousand. The lease payments on short-term leases and low-value asset leases are recognised as expense on a straight-line basis over the lease term.

ACCOUNTING ESTIMATES AND JUDGEMENTS

The management also applies judgement in determining the lease term. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The following factors are normally the most relevant:

- If there are significant penalty payments to terminate (or not extend), the group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the group is typically reasonably certain to extend (or not terminate).

Otherwise, the group considers other factors, including historical lease durations and the costs and business disruption required to replace the leased asset.

Right-of-use assets

2023

EUR million	Land and water	Buildings	Machinery and equipment	Total
Acquisition cost				
1 Jan 2023	0.9	50.9	18.6	70.4
Effects of exchange rates	0.1	-0.0	0.2	0.2
Additions	0.2	3.6	4.6	8.4
Disposals	–	-0.0	0.0	-0.0
Impairment charges	–	-2.4	–	-2.4
31 Dec 2023	1.2	52.0	23.4	76.5
Accumulated depreciation and impairment losses				
1 Jan 2023	-0.1	-19.4	-11.6	-31.1
Effects of exchange rates	-0.0	0.1	-0.1	-0.0
Depreciation	-0.0	-5.9	-3.6	-9.6
31 Dec 2023	-0.1	-25.3	-15.3	-40.7
Carrying amount at 31 Dec 2023	1.0	26.8	8.1	35.8

2022

EUR million	Land and water	Buildings	Machinery and equipment	Total
Acquisition cost				
1 Jan 2022	1.1	37.4	15.2	53.7
Effects of exchange rates	0.0	-0.7	-0.2	-0.9
Purchases of subsidiaries and business acquisitions	–	2.6	0.3	2.9
Classified as assets held for sale	–	–	0.0	0.0
Additions	–	11.2	3.2	14.4
Disposals	-0.2	–	–	-0.2
Impairment charges	–	0.4	–	0.4
31 Dec 2022	0.9	50.9	18.6	70.4
Accumulated depreciation and impairment losses				
1 Jan 2022	-0.1	-14.1	-8.2	-22.4
Effects of exchange rates	–	0.3	0.2	0.5
Depreciation	–	-5.6	-3.6	-9.2
31 Dec 2022	-0.1	-19.4	-11.6	-31.1
Carrying amount at 31 Dec 2022	0.8	31.5	7.0	39.3

Lease liabilities

EUR million	2023	2022
Non-current	31.7	34.3
Current	10.4	9.4
Total lease liabilities	42.2	43.7

Amounts recognised in profit or loss

EUR million	2023	2022
Depreciation of right-of-use assets	-9.6	-9.2
Interest on lease liabilities	-2.3	-2.2
Expense related to short-term leases	-1.2	-1.2
Expense related to leases of low-value assets	-0.4	-0.5
Total	-13.5	-13.1

Amounts recognised in statement of cash flows

EUR million	2023	2022
Total cash outflow for leases	-11.8	-11.6

3.5 Depreciation, amortisation and impairment

Depreciation, amortisation and impairment

EUR million	2023	2022
Intangible assets	-3.8	-7.9
Tangible assets	-21.1	-22.5
Right-of-use assets	-12.0	-9.2
Total[1]	-36.9	-39.5

[1] Depreciation, amortisation and impairment include impairment charges of EUR 0.9 million from assets held for sale.

4. Operational assets and liabilities

4.1 Inventories

ACCOUNTING PRINCIPLES

Purmo Group's inventories consist of raw materials and consumables, works-in-progress and finished goods. Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out (FIFO) method or weighted average cost formula and includes expenditure incurred in acquiring the inventory items and bringing them to their existing location and condition. The cost of purchased inventory are determined after deducting rebates and discounts. In the case of manufactured inventories and work in progress, cost includes direct materials, directs labour and an appropriate share of production overheads based on normal operating capacity.

The Group recognises an allowance for obsolete inventory items at the end of the reporting period based on the latest information. The allowance is based on a systematic and continuous monitoring of the inventory. The nature, state, and age structure if the inventory is taken into consideration when estimating the amount of allowance for the obsolescence.

ACCOUNTING ESTIMATES AND JUDGEMENTS

Inventory valuation requires management to make estimates and judgments particularly relating to obsolescence and expected selling prices in different market conditions. It also entails management's assessment of the general market trends in global markets.

Inventories

EUR million	2023	2022
Raw materials and consumables	43.5	55.0
Work in progress	14.4	21.6
Finished goods	96.4	105.2
Inventory value – gross	154.3	181.7
Inventory write-down	-10.6	-7.6
Total	143.7	174.1

Write-downs of inventories to net realisable value amounted to EUR 10.6 (7.6) million. These were recognised as an expense and included in cost of sales in the profit and loss.

4.2 Trade and other receivables

ACCOUNTING PRINCIPLES

Trade and other receivables are recognised in the balance sheet at fair value which can be subsequently written down due to impairment. The impairment is expensed under sales and marketing expenses.

Non-recourse factoring

Purmo Group has entered into factoring agreements to sell trade receivables. Sold trade receivables are derecognised once significant related risks and rewards of ownership have been transferred to the factoring counterparty. The Group does not have any material trade receivables on the balance sheet, which will be subject to factoring. Please refer to Note 5.3 Financial Assets and Liabilities for further details.

Trade and other receivables

EUR million	2023	2022
Trade receivables	75.2	89.1
Prepayments and accrued income	7.1	6.5
Other receivables	21.6	19.7
Total	**103.9**	**115.3**
Non-current	4.5	0.7
Current	99.4	114.6
Total	**103.9**	**115.3**

Credit risk and impairment losses

Information about the Group's exposure to credit risks and impairment losses for trade and other receivables is included in Note 5.2 Financial risk management.

4.3 Trade and other payables

ACCOUNTING PRINCIPLES

Accruals and deferred income consist mainly of personnel-related accruals, sales adjustments and other accrued liabilities.

Trade and other payables

EUR million	2023	2022
Trade payables[1]	71.2	103.7
Accruals and deferred income	90.7	91.0
Total	**161.9**	**194.8**
Non-current	1.3	1.4
Current	160.5	193.4
Total	**161.9**	**194.8**

[1] Comparative figures have been restated due to change in presentation

4.4 Provisions

ACCOUNTING PRINCIPLES

Recognition and measurement of provisions

A provision is recognised when a present legal or constructive obligation exists as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Actual outflows can differ from estimates due to changes in law, regulations, technology, prices and conditions. The carrying amounts of provisions are regularly reviewed and adjusted to take into account any such changes. The unwinding of the discount is recognised as a finance cost.

Warranties
A provision for warranties is recognised when the underlying products or services are sold. The provision is calculated based on historical experience of levels of repairs and replacements. Provisions for warranties cover the estimated costs to repair or replace products that are still under warranty on the balance sheet date. Group provides warranties for its products, and a typical warranty period is between 2–10 years depending on the product.

Restructuring
A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. The Group provides for the estimated cost to restructure when a detailed formal plan of restructuring has been completed, approved by management, and announced. Restructuring costs consist primarily of personnel restructuring charges. The other components are costs associated with costs of terminating certain other contracts directly linked to the restructuring. The majority of the restructuring cash outflows are expected to occur within 12 months.

Site restoration
Estimated future expenses for the site or area restoration are capitalised. Capitalised amounts comprise estimated expenses, calculated at current value, which are simultaneously reported as provisions. Effects of subsequent events that result in costs that exceed the provision are discounted, capitalised, and added to the provisions, and then written off over the remaining life of the asset.

Other provisions
Other provisions consist mainly of legal provisions, agent leaving indemnity provisions and a tax liability recorded in accordance with IFRIC 23 for an uncertain tax position arising from the Group's global operations. Provisions also include a regulatory Commercial agents indemnity risk provision in Italy. Other provisions are expected to be realised during the next five years.

ACCOUNTING ESTIMATES AND JUDGEMENTS
Provisions for present obligations require management judgment. Estimation is required in determining the value of the obligation as the amount recognised as a provision is based on the best estimate of unavoidable costs required to settle the obligation at the end of the reporting period. When estimating unavoidable costs, management may be required to consider a range of possible outcomes and their associated probabilities, risks and uncertainties surrounding the events and circumstances as well as making assumptions of the timing of payment. Estimation is also required in determining the rate used to discount provisions to present value.

Provisions

2023

EUR million	Warranties and guarantees	Restructuring	Other provisions	Total
Balance at 1 Jan 2023	1.8	0.5	6.0	8.3
Effects of exchange rates	0.0	0.0	0.0	0.1
Increase of provisions	-0.1	23.5	2.0	25.4
Provisions utilised	-0.1	-0.2	-0.3	-0.6
Balance at 31 Dec 2023	1.6	23.8	7.7	33.1
Non-current	1.4	0.0	6.7	8.1
Current	0.0	23.8	1.0	24.8

2022

EUR million	Warranties and guarantees	Restructuring	Other provisions	Total
Balance at 1 Jan 2022	1.5	4.8	6.2	12.5
Effects of exchange rates	-0.0	0.0	0.0	0.0
Increase of provisions	0.3	0.0	0.2	0.5
Provisions utilised	0.0	-4.4	-0.4	-4.7
Balance at 31 Dec 2022	1.7	0.5	6.0	8.2
Non-current	1.6	0.2	6.0	7.8
Current	0.1	0.3	-	0.4

The restructuring provisions are mainly related to the Accelerate PG programme. The increases in 2023 are mainly related to the closure of the panel radiation plant in Zonhoven, Belgium, as announced in 28 November 2023.

4.5 Post-employment obligations

ACCOUNTING PRINCIPLES

The Group has a number of pension plans covering its operations in various countries, all of which comply with the relevant country's rules and obligations. The Group operates defined contribution and defined benefit pension plans. The major defined benefit plans are located in the United Kingdom, Austria and Germany. Together these plans account for 90 per cent of the Group's total defined benefit obligation and 98 per cent of the total plan assets.

The present value of pension obligations depends on a number of factors determined on an actuarial basis by using a number of financial and demographic assumptions, and changes in these assumptions impact the carrying amount of pension obligations. The key financial assumption used in determining the net cost (income for pensions) is the discount rate. The appropriate discount rate is determined at the end of each reporting period and is used in calculating the present value of estimated cash outflows to settle the pension obligation. In determining the appropriate discount rate, the Group considers the yields of high-quality corporate or government bonds, depending on the country, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions related to pension obligations include financial assumptions such as estimated increases in salaries and pensions, and demographic assumptions such as mortality rates.

ACCOUNTING ESTIMATES AND JUDGEMENTS

The defined benefit obligation is calculated by independent authorised actuaries. The discount rate for actuarial calculations is determined by reference to market yields on high-quality corporate bonds or government bonds taking into account the duration of the defined benefit obligation. The applied discount rates are country-specific. Pension benefits are normally based on the number of years' service and salary. The Group is exposed to a number of risks through its defined benefit plans. A decrease in bond yields would increase plan liabilities. Some of the Group's pension obligations are linked to inflation, an increase in which would lead to higher liabilities. The majority of the plans' obligations are to provide benefits over the lifetime of the plan member, which means that increases in life expectancy will increase the plan liabilities.

Items recognised in the balance sheet

EUR million	2023	2022
Defined benefit asset	0.0	2.2
Total employee benefit asset	**0.0**	**2.2**
Defined benefit liability	15.6	15.9
Liability for long-service leave	2.4	2.6
Other employee benefits	0.1	0.2
Total employee benefits liabilities	**18.0**	**18.7**
Non-current	18.0	18.7
Current	–	–
Total	**18.0**	**18.7**

Movement in net defined benefit (asset) liability

EUR million	Defined benefit obligation 2023	Defined benefit obligation 2022	Fair value of plan assets 2023	Fair value of plan assets 2022	Net defined benefits liability (asset) 2023	Net defined benefits liability (asset) 2022
1 Jan	54.4	97.0	40.7	82.7	13.7	14.3
Included in profit or loss						
Current service cost	1.0	1.2	–	–	1.0	1.2
Past service cost	-0.1	–	–	–	-0.1	–
Interest income	–	–	2.0	1.4	-2.0	-1.4
Interest expense (income)	2.4	1.4	–	–	2.4	1.4
Settlements	-0.5	-9.1	–	-12.8	-0.5	3.7
Included in other comprehensive income						
Actuarial loss (gain) arising from change in demographic assumptions	-0.5	-1.1	–	–	-0.5	-1.1
Actuarial loss (gain) arising from change in financial assumptions	0.7	-26.8	–	-26.5	0.7	-0.3
Actuarial loss (gain) arising from experience adjustments	3.7	-0.9	–	–	3.7	-0.9
Return on Plan Assets	–	–	0.8	–	-0.8	–
Translation differences	0.8	-2.4	0.8	-2.7	-0.0	0.3
Other						
Disbursements from plan assets	-2.7	–	-3.7	–	0.9	–
Contributions paid by the employer	0.0	0.0	2.1	1.9	-2.1	-1.8
Benefits paid	-0.9	-5.0	–	-3.2	-0.9	-1.7
31 Dec	58.3	54.4	42.7	40.7	15.6	13.7

Plan assets

The Group's post-employment benefits plan assets mainly consist of equity and debt instruments. Plan assets don't include the Group's own financial instruments or assets which are occupied by the Group. Approximately 98 per cent of plan assets have a quoted market price.

Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	2023	2022
Discount rate	4.26%	4.36%
Expected salary growth	3.75%	3.46%
Expected future pension growth	3.00%	2.58%

At 31 December 2023, the weighted-average duration of the defined benefit obligation was 10.6 (13.1) years. In 2024, the Group expects to pay EUR 1.2 million to the defined benefit plans.

Sensitivity analysis

Reasonably probable changes at the reporting date to one of the relevant actuarial assumptions, all other assumptions remaining unchanged, would have affected the defined benefit obligation by the amounts shown below.

	31 Dec 2023		31 Dec 2022	
EUR million	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	-3.0	3.3	-6.2	6.2
Future salary growth (0.5% movement)	0.5	-0.5	1.0	-1.0
Future pension growth (0.5% movement)	2.0	-1.8	4.2	-4.2

While the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

5. Capital structure and financial instruments

5.1 Financial income and expenses

ACCOUNTING PRINCIPLES

Net financial items comprise interest income, interest expenses, net foreign exchange gains or losses and other financial income and expenses mainly arising from interest-bearing assets and liabilities.

EUR million	2023	2022
Interest income on items measured at amortised cost	2.1	1.0
Interest income on foreign exchange derivatives	5.7	3.8
Interest income on interest rate derivatives	3.4	–
Exchange gains related to financial items, net	2.1	–
Exchange gains from foreign exchange derivatives, net	–	1.0
Financial income	13.2	5.7
Interest expense on items measured at amortised cost	–16.4	–8.5
Interest expense, lease liabilities	–2.3	–2.2
Interest expense on foreign exchange derivatives	–4.5	–6.8
Interest expense on interest rate derivatives	–2.3	–0.4
Exchange loss related to financial items, net	–	–2.3
Exchange loss from foreign exchange derivatives, net	–1.8	–
Other finance expense	–5.2	–2.8
Financial expenses	–32.5	–23.1
Net financial items recognised in profit or loss	–19.3	–17.4

5.2 Financial risk management

Principles and process

The nature of Purmo Group's global operations exposes the Group to a variety of business and financial risks. Financial risks are managed centrally by the Group Treasury (Treasury) under annually reviewed Group Treasury Policy approved by the Board of Directors. The objective of financial risk management is to mitigate potential adverse effects of financial risks on Group's financial performance. Treasury identifies, evaluates and hedges financial risks in close co-operation with the subsidiaries. Treasury operates as counterparty to the subsidiaries, manages centrally external funding and is responsible for the management of financial assets and appropriate hedging measures. Treasury uses only hedging instruments whose market value can be reliably monitored and are in line with the Group Treasury Policy. In addition, Treasury provides consultation and services to Group companies in all financing related matters. The Group's risk management policy is essentially risk averse.

Credit and counterparty risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises mainly from the Group's receivables due from customers. It also relates to cash and cash equivalents, derivative financial assets and other related party receivables. The objective of the credit risk management is to mitigate the Group's credit risk exposure.

Trade receivables

The Group's exposure to credit risk stems mainly from the individual characteristics of each customer. However, management also considers the factors that could influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The Group has processes in place to mitigate credit risk under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered to the customer. The Group's review includes external ratings, when available, and in some cases bank references. If the analysis results in that credit could not be granted to a customer, the Group may request advance payments before shipment.

Most of the Group's customers have been trading with the Group for years, and no major credit losses have occurred with these customers. Credit risk is monitored by grouping customers according to their credit characteristics, including whether they are individuals or legal entities and whether they are wholesale, retail or end-user customers, as well as by geographic location, industry and the existence of previous financial difficulties. The Group has one customer whose share of the Group's total net sales is more than 10 per cent.

The Group applies the provision matrix to assess the expected credit losses for trade receivables. The expected credit loss is based on historical and forward-looking information and is estimated at the end of each reporting period. In the provision matrix, loss rates are determined separately for the aging categories of the trade receivables, based on the experienced historical credit losses and management's future expectations.

The Group has also entered into several trade receivable factoring arrangements. These arrangements transfer the significant risks and rewards of to the factoring counterparty fulfilling the criteria of derecognition from balance sheet and further decreasing Group's credit risk related to trade receivables.

At the reporting date, the ageing of trade receivables, including the loss allowance, were as follows:

	31 Dec 2023			31 Dec 2022		
	Gross carrying amount	Loss allowance	Loss rate	Gross carrying amount	Loss allowance	Loss rate
Not overdue	70.0			80.2		
Overdue 1–30 days	2.9	-0.0	1%	4.5	0.0	1%
Overdue 31–60 days	1.4	-0.2	14%	1.7	-0.2	12%
Overdue 61–90 days	0.8	-0.3	42%	1.2	-0.5	40%
Overdue 91–179 days	1.7	-1.2	60%	4.7	-2.6	50%
More than 180 days	0.8	-0.6	90%	0.1	-0.1	90%
Total trade receivables	**77.6**	**-2.3**	**3.0%**	**92.4**	**-3.3**	**3.6%**

Reconciliation of the loss allowance:

EUR million	2023	2022
1 Jan	3,3	3,8
Increase in loss allowance recognised in profit or loss during the year	-0,4	-0,7
Realised write-offs	-0,6	0,2
31 Dec	2,3	3,3

Counterparty risk related to financing items

Purmo Group is exposed to credit risk when using derivative instruments and depositing its cash and equivalents. Financial credit risk is managed actively by limiting counterparties to a sufficient number of major banks and financial institutions, and by monitoring the creditworthiness and the size of exposures continuously. According to management assessment, no significant credit losses are anticipated on the liquidity reserves.

Derivatives are subject to netting agreements such as ISDA (Master agreement of International Swaps and Derivatives Association). Netting agreement allows for settling on a net basis all outstanding items within the scope of the agreement, such as in the event of default. As the Company does not meet IFRS right of set-off, these amounts are presented gross on the balance sheet. At the reporting date, the remaining net settlement, as allowed by the netting arrangements, was EUR 0.9 (0.0) million for the derivative liabilities and EUR 4.2 (3.8) million for derivative assets.

Liquidity and refinancing risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to settle its liabilities when these become due, under both normal and stressed conditions. Treasury monitors bank account structures, cash balances and forecasts of the subsidiaries and manages the utilisation of the consolidated cash resources.

On 31 December 2023, Group's cash and cash equivalents amounted to EUR 111.7 (56.3) million of which EUR 4.6 (9.1) million classified as assets held for sale.

On 23 February 2023, Purmo Group issued a green hybrid bond of EUR 60.0 million. The instrument bears an annual interest of 9.5 per cent until 23 February 2026, after which the instrument will bear a quarterly floating interest in arrears on each interest payment date. The proceeds of the issuance will be used in accordance with Purmo Group's Green Finance Framework announced on 13 February 2023. The instrument is treated as equity according to IFRS. Additional information about the hybrid bond is disclosed in Note 5.5 Equity.

During 2023, Purmo Group extended the maturity of its term loan of EUR 280.0 million and revolving credit facility of EUR 80.0 million from 2024 to 2026 by exercising two one-year extension options.

The Group has the following credit lines to secure its liquidity:

- EUR 80.0 (80.0) million undrawn committed revolving credit facility
- EUR 100.0 (100.0) million unutilised Finnish commercial paper program
- EUR 20.5 (20.5) million undrawn overdraft facilities that are unsecured
- EUR 125.0 (125.0) million undrawn uncommitted M&A facility

Refinancing risk, or the risk that maturing debt is not refinanced in the markets, is mitigated by Purmo Group's target of maintaining an even maturity profile of outstanding debt with no more than 20 per cent of the outstanding debt to mature within the following 12 months. Diversification of funding among different markets and an adequate number of financial institutions are used to safeguard the availability of liquidity at all times.

The Group's long term funding consists of hybrid bond of EUR 60.0 million and syndicated term loan facility of EUR 280.0 million, which is due on 2026. The facility is subject to customary financial covenants related to leverage and equity ratio. Purmo Group is and expects to be in compliance with all covenants and other terms of its debt instruments.

The Group manages its liquidity also by having entered into several trade receivable factoring arrangements that provide for the accelerated receipt of approximately EUR 33.0 (36.4) million of cash at the financial year end on available trade accounts receivable. Under the factoring agreements, the Group sells on a revolving and non-recourse basis certain of its trade receivable to a financial institution. These factored trade receivables are derecognised from the balance sheet because the Group has transferred the significant risks and rewards to the counterparty and the Group does not maintain any continuing involvement with the sold receivables. The Group incurs commission and interest expenses for the transferred receivables balance which are recognised as other finance expenses in the period in which they are incurred, to the extent the fee exceeds the fair value loss related to the transferred trade receivables.

Exposure to liquidity risk

The following table shows the maturity analysis of the Group's financial liabilities according to the contractual cash flows of the liabilities. The maturity table for derivatives shows the net cash flow amounts for derivatives because they are net cash-settled.

31 Dec 2023

EUR million	Carrying amount	Total	1–12 months	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities						
Loans from financial institutions	285.1	337.7	24.2	313.5	–	–
Commercial papers	–	–	–	–	–	–
Lease liabilities	42.2	42.2	10.7	8.7	15.6	7.1
Trade payables	71.2	71.2	71.2	–	–	–
Total	**398.5**	**451.0**	**106.1**	**322.1**	**15.6**	**7.1**
Derivative financial liabilities						
Foreign exchange derivatives	3.0	2.3	2.3	–	–	–
Interest rate derivatives	0.3	0.2	-0.2	0.3	–	–
Total	**3.3**	**2.5**	**2.1**	**0.3**	**-**	**-**

31 Dec 2022

EUR million	Carrying amount	Total	1–12 months	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities						
Loans from financial institutions	279.4	308.2	14.7	293.5	–	–
Commercial papers	10.0	10.0	10.0	–	–	–
Lease liabilities	43.7	43.7	9.4	3.9	7.7	22.8
Trade payables[1]	103.7	103.7	103.7	–	–	–
Total	**436.8**	**465.6**	**137.8**	**297.4**	**7.7**	**22.8**
Derivative financial liabilities						
Foreign exchange derivatives	1.5	0.4	0.4	–	–	–
Total	**1.5**	**0.4**	**0.4**	**-**	**-**	**-**

[1] Comparative figures have been restated due to change in presentation

Foreign exchange risk

The Group operates globally and is exposed to foreign exchange risk arising from several different currencies. Foreign exchange risk arises mainly of receivables and payable, intra-group transactions, deposits and bank account balances. The currencies in which the transactions within the Group are primarily denominated are euro, Polish zloty, Sterling pound and Swedish krona.

Transaction risk

Foreign exchange transaction risk arises when a Group company has commercial or financial transaction and payments in other than its own functional currency and when related cash inflow and outflow amounts are not equal or concurrent. In Purmo Group, these transaction risks arise mainly in Poland, the UK, Sweden and in the parent company Purmo Group Plc due to centralised Group Treasury.

According to Group Treasury Policy, Group companies forecast their foreign currency net cash flows quarterly. These foreign currency exposures denominated in other than the Group company's functional currency, are hedged with internal foreign exchange contracts with Group Treasury. Group Treasury hedges on average 40 to 80 per cent of the net foreign currency exposure for the time period of up to 15 months. All external hedging actions, foreign exchange forward contracts and foreign exchange options are executed by Group Treasury. Due to the centralised risk management operated by Group Treasury, the parent company is exposed to foreign exchange transaction risk in various currencies mainly related to financial assets and liabilities. According to Group Treasury Policy, these net positions by currency pair are hedged 70 to 100 per cent by using foreign exchange forwards contracts and options.

Translation risk

Foreign exchange translation exposure arises when the assets, liabilities and income of a subsidiary is denominated in a currency other than the functional currency of the parent company, see Note 6.4 Exchange rates for additional information. Translation risk is reduced by funding the assets with, whenever feasible, in the same currency as the asset itself. According to Group Treasury Policy, translation risk will only be hedged with approval from the Board of Directors. At reporting date, there was no translation risk hedging in place.

Exposure to foreign currency risk

Sensitivity to a -/+ 10 per cent change in the exchange rates is shown for the net currency position per currency. The table below presents the exposures in main currencies translated to euro at foreign exchange rates of the reporting date. The balance sheet exposures are presented in accordance with IFRS 7 requirements including internal and external transactions.

Foreign currency risk

2023 EUR million	GBP	PLN	SEK	RON
Forecast transactions, net	29.9	-175.3	10.7	21.5
Balance sheet exposure, financing items	19.7	44.0	5.8	1.6
Hedging instruments under hedge accounting, nominal amount	-20.0	118.2	-7.0	-13.9
Hedging instruments, no hedge accounting, nominal amount	-19.7	-44.0	-5.9	-1.6
Net balance sheet exposure	**-19.9**	**118.2**	**-7.1**	**-13.8**
Sensitivity analysis (+/- 10%)				
Profit before tax	-/+ 0.0	-/+ 0.0	-/+ 0.0	-/+ 0.0
Equity (hedge reserve)	-/+ 2.0	-/+ 11.8	-/+ 0.7	-/+ 1.4

2022 EUR million	GBP	PLN	SEK	RON
Forecast transactions, net	14.0	-111.6	23.1	26.1
Balance sheet exposure, financing items	31.2	54.0	35.7	-3.8
Hedging instruments under hedge accounting, nominal amount	-9.0	77.1	-15.4	-17.3
Hedging instruments, no hedge accounting, nominal amount	-31.1	-54.0	-35.7	3.8
Net balance sheet exposure	**-8.9**	**77.1**	**-15.4**	**-17.3**
Sensitivity analysis (+/- 10%)				
Profit before tax	-/+ 0.0	-/+ 0.0	-/+ 0.0	-/+ 0.0
Equity (hedge reserve)[1]	-/+ 0.9	-/+ 7.7	-/+ 1.5	-/+ 1.7

[1] Comparative figures have been restated due to change in presentation

Interest rate risk

The Group is exposed to an interest rate that is the risk of fluctuating interest rates affecting the interest expense of the Group and value of its assets and liabilities. Purmo Group's interest rate risk arises mainly from its interest-bearing assets and liabilities, such as loans, financial instruments and lease liabilities. According to Group Treasury Policy, Purmo Group may use interest-rate swaps, cross-currency swaps or options to manage the interest-rate risk either by synthetically converting floating-rate loans into fixed-rate loans through the use of derivatives or buying an option or options to set limits to interest rate fluctuation.

Group Treasury manages and controls interest risk by following average months to interest fixing and ratio between fixed and floating rate loans. At the end of reporting period, average interest fixing was 14 (15) months for all interest bearing assets and liabilities excluding cash and cash equivalents and financial lease liabilities.

Cash flow sensitivity analysis for variable rate instruments

The basis for the interest sensitivity is a parallel shift of 1 percentage points up and down in interest rates on all interest bearing (non-current and current) variable rate instruments excluding lease liabilities and cash and cash equivalents during the reporting period with all other variables being constant. For all the variable rate instruments the one percentage point change upwards or downwards would have had the following impact in financial expenses and trough change in the fair market value of the interest rate derivatives in hedge accounting in other comprehensive income.

2023	Profit and loss		Other comprehensive income	
EUR million	1 percentage point increase	1 percentage point decrease	1 percentage point increase	1 percentage point decrease
Variable rate instruments	-3.0	3.0	-	-
Interest rate derivatives	1.0	-1.0	1.8	-1.1
Cash flow sensitivity (net)	**-1.9**	**2.0**	**1.8**	**-1.1**

2022	Profit and loss		Other comprehensive income	
EUR million	1 percentage point increase	1 percentage point decrease	1 percentage point increase	1 percentage point decrease
Variable rate instruments	-3.0	0.0	-	-
Interest rate derivatives	0.3	-0.3	2.4	-2.4
Cash flow sensitivity (net)	**-2.7**	**-0.2**	**2.4**	**-2.4**

5.3 Financial assets and liabilities

ACCOUNTING PRINCIPLES

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss and amortised cost. The classification of financial assets is based on the cash flow characteristics and the business model the asset is managed in.

The Group classifies financial liabilities into the following categories: financial liabilities at fair value through profit or loss and amortised cost.

Financial assets and financial liabilities – recognition and derecognition

The Group initially recognises financial assets and financial liabilities when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group has entered into factoring arrangements, whereby significant risks and rewards are transferred to the counterparty.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets – measurement

At amortised cost

A financial asset is classified and subsequently measured at amortised cost if its cash flows consist solely payments of principal and interest, in other words, meets the SPPI criterion, and is managed within a held to collect business model. Trade and other receivables, which are not subject to factoring, and vendor note receivable from the ultimate parent company are included in this category. Interest income on these items is recognised using effective interest method and presented as finance income.

At fair value through profit or loss

Financial assets that do not meet the criteria for classification as subsequently measured at either amortised cost or fair value through other comprehensive income are classified and subsequently measured at fair value through profit or loss. In Purmo Group derivative assets and such trade receivables which are subject to non-recourse factoring arrangement but not yet derecognised on the balance sheet date are classified within this category.

Impairment

The Group recognises a loss allowance for the expected credit losses for financial assets not classified as fair value through profit or loss. The loss allowance is estimated as the full lifetime expected credit loss if the credit risk of the instrument has increased significantly since initial recognition, otherwise, the loss allowance is estimated as the 12 months expected credit loss at the reporting date. Possible increase in credit risk for said assets is assessed at the end of each reporting period.

The loss allowance for trade receivables is estimated using the simplified method and measured as life time expected credit losses. The expected credit loss is based on historical and forward-looking information and is estimated at the end of each reporting period.

Financial liabilities – measurement

Financial liabilities are classified at fair value through profit or loss or amortised cost.

Financial liabilities measured at amortised cost are initially recognised at fair value less any directly attributable transaction costs. After initial recognition, these liabilities are measured at amortised cost using the effective interest method. Loans and trade and other payables are included in this category.

Only derivative liabilities are classified at fair value through profit and loss.

Carrying amounts and fair values of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair-value hierarchy. It does not include fair value information for trade receivables and payables or other current financial assets and financial liabilities, as their carrying amount is a reasonable approximation of fair value.

Items where the carrying amount equates to the fair value are categorised to 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

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 by the amount of EUR 82.0 million.
[2] The redemption liability has been classified as liabilities related to assets held for sale.

31 Dec 2022

	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	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
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.

The Group does not have any material trade receivables on the balance sheet, which will be subject to factoring.

5.4 Cash and cash equivalents

ACCOUNTING PRINCIPLES
Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other highly liquid investments with original maturities of three months or less. These are readily convertible to a known amount of cash and the risk of changes in value is low. Bank overdrafts in use, if any, are included in current liabilities in the consolidated statement of financial position.

Cash and cash equivalents

EUR million	31 Dec 2023	31 Dec 2022
Cash and cash equivalents	111.7	56.3
Total	111.7	56.3

On 31 December 2023, Group had cash and cash equivalents by the amount of EUR 4.6 (9.1) million classified as assets held for sale that are not included in the amount presented in this note.

5.5 Equity

ACCOUNTING PRINCIPLES
The Group's equity consists of share capital, reserve for invested unrestricted equity, translation differences, fair value reserve, retained earnings, and hybrid bond.

Other reserves
The Company's other reserves include fair value reserve, cumulative translation difference reserve and share-based payments reserve. The fair value reserve includes fair value changes of derivative instruments used for cash flow hedging. The translation difference reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The share-based payments reserve represents the portion of the grant date fair value of share-based incentive plans granted to the key management personnel of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments.

Profit distribution
Profit distribution includes dividends and return of capital repayments. Dividends and return of capital proposed by the Board of Directors are recognised in the consolidated financial statements when they were approved by the shareholders at the General Meeting.

Hybrid bond
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 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 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.

Share capital and number of shares

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 Founder Shares are not publicly traded. The company has no treasury shares.

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 or acquire class F shares. The holder of class F shares have 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.

Purmo Group Plc (former Virala Acquisition Company Plc) announced on 20 September 2021 that the first share price hurdle as set out in the company's Articles of Association had been exceeded, pursuant to which 18.75 per cent of class F shares held by the company's founding shareholder, Virala Corporation, have become eligible for conversion into class C shares starting from 28 June 2024.

At the General Meeting of shareholders, one share of either class carries one vote. Class C shares carry a preferential right to dividends and to other distributions of assets until an aggregate amount of EUR 60,000,000 has been distributed to class C shares, whereafter class C shares and class F shares carry equal right to dividends and to other distributions of assets unless otherwise stipulated in the Articles of Association of Purmo Group.

Changes in share capital

		Number of outstanding shares (pcs)		Share capital (EUR million)	Reserve for invested unrestricted equity (EUR million)
		Class C share	Class F share		
1 Jan 2023		41,112,713	1,565,217	3.1	380.8
	Return of capital				-14.9
31 Dec 2023		41,112,713	1,565,217	3.1	365.9

Authorisation of the Board of Directors to resolve on the issuance of shares as well as on the issuance of special rights entitling to shares

On 12 April 2023, the Annual General Meeting decided 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 Board of Directors shall decide on all the conditions of the issuance of shares and of special rights entitling to shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue).

The authorisation is effective until the end of the next Annual General Meeting, however, no longer than until 30 June 2024. The authorisation revokes the previous authorisation granted by the Annual General Meeting on 25 April 2022 to resolve on the issuance of shares as well as on the issuance of special rights entitling to shares.

Authorisation to purchase own shares

On 12 April 2023, the Annual General Meeting decided that the Board of Directors is authorised to resolve on the repurchase of the Company's own class C shares 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 own class C shares in 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 amount of own shares owned by or pledged to the company and its subsidiaries.

The shares may be repurchased or accepted as pledge in one or several instalments and either through a tender offer made to all shareholders on equal terms or otherwise than in proportion to the shares held by the shareholders (directed repurchase) in public trading at the prevailing market price or at a price otherwise formed on the market. The shares would be repurchased with funds from the Company's unrestricted shareholders' equity.

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 authorisation is effective until the end of the next Annual General Meeting, however, no longer than until 30 June 2024. The authorisation revoked the previous authorisation granted by the Annual General Meeting on 25 April 2022.

Dividends and return of capital

The Annual General Meeting decided on 12 April 2023 to pay EUR 0.36 per class C share and EUR 0.07 per class F share as return of capital from the reserve for invested unrestricted equity as a return of capital for the financial year 2022 totalling approx. EUR 14.9 million. The Company has paid the three first instalments totalling approximately EUR 11.2 million. The fourth instalment of the return of capital of EUR 0.09 per share class C share and EUR 0.01 per class F share will be paid 22 March 2024.

After the balance sheet date, the Board of Directors proposed a payment of funds from the reserve for invested unrestricted equity as a return of capital of EUR 0.36 per class C share and EUR 0.07 per class F share totalling approx. EUR 14.9 million and that no dividend will be paid for the financial year 2023.

Additional information on equity is presented in the notes to the parent company financial statements, in Note 8.

Earnings per share

The basic earnings per share are calculated by dividing the profit attributable to the equity owners of the parent company by the weighted average number of shares outstanding during the period. The diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares with the dilutive effect of all the potential dilutive shares, such as shares from share-based payments. When calculating earnings per share, the result is adjusted with hybrid bond interests regardless of payment date and adjusted with tax effect.

Earnings per share, basic

	2023	2022
Profit/loss attributable to shareholders of the parent company for C shares, EUR million	-9.3	13.0
Profit/loss attributable to shareholders of the parent company for F shares, EUR million	-0.1	0.1
Profit/loss attributable to the owners of the Company, EUR million	**-9.3**	**13.1**
Accumulated interest expenses on hybrid bond after taxes	-3.9	-
Profit/loss used in calculation of earnings per share	**-13.3**	**13.1**
Weighted average number of shares outstanding, pcs[1]	41,406,191	41,244,426
Basic earnings per share, EUR	**-0.32**	**0.32**

Earnings per share, diluted

	2023	2022
Profit/loss attributable to shareholders of the parent company for C shares, EUR million	-9.3	13.0
Profit/loss attributable to shareholders of the parent company for F shares, EUR million	-0.1	0.1
Profit/loss attributable to the owners of the Company, EUR million	**-9.3**	**13.1**
Accumulated interest expenses on hybrid bond after taxes	-3.9	-
Profit/loss used in calculation of earnings per share	**-13.3**	**13.1**
Weighted average number of shares outstanding, pcs[1]	41,406,191	41,244,426
Diluted earnings per share, EUR	**-0.32**	**0.32**

[1] Including 293,478 class F shares convertible to class C shares at the start of the conversion period on 28 June 2024.

5.6 Interest-bearing liabilities

ACCOUNTING PRINCIPLES

Long-term debt is initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method. The difference, between the debt amount recognised and the redemption amount, is recognised in profit and loss as interest expense over the period of the borrowings. The fair value changes in borrowings covered by fair value hedge are, in respect of hedged risk, recognised through profit and loss. A portion of long-term debt is classified as short-term debt, when the settlement of the liability is due within 12 months from the balance sheet date. Borrowings are derecognised only, if the contractual obligation is discharged, cancelled or expired. Fees paid on the establishment of loan facilities are recognised in profit and loss as other finance expenses over the period of the facility, or, if withdrawal of the loan is probable, as part of the transaction cost. Fees paid on the establishment of credit facilities are recognised in profit and loss as other finance expenses over the period of the facility, or, if withdrawal of the loan is probable, as part of the transaction cost.

Non-current liabilities

EUR million	31 Dec 2023	31 Dec 2022
Loans from financial institutions	277.9	278.1
Lease liabilities	31.7	34.3
Total	**309.6**	**312.4**

Current liabilities

EUR million	31 Dec 2023	31 Dec 2022
Loans from financial institutions	7.3	1.4
Commercial papers	0.0	10.0
Lease liabilities	10.4	9.4
Total	**17.7**	**20.7**
Total liabilities	**327.3**	**333.1**

Changes in financial liabilities arising from cash flow from financing activities

EUR million	Loans from financial institutions	Lease liabilities	Total
1 Jan 2023	289.4	43.7	333.1
Changes from financing cash flows			
Purchases of subsidiaries and business acquisitions	–	–	0.0
Other non-cash movement	–	-0.9	-0.9
Divestments	–	–	0.0
Change in short-term borrowings	-3.8	–	-3.8
Repayment of lease liabilities	–	-11.6	-11.6
Total	**-3.8**	**-12.5**	**-16.3**
New leases	–	8.3	8.3
Interest expense	-0.2	2.3	2.1
Effects of exchange rates	-0.3	0.3	0.0
31 Dec 2023	285.1	42.2	327.3

Changes in financial liabilities arising from cash flow from financing activities

EUR million	Loans from financial institutions	Lease liabilities	Total
1 Jan 2022	372.7	36.4	409.1
Changes from financing cash flows			
Purchases of subsidiaries and business acquisitions	–	2.9	2.9
Classified as assets held for sale	–	-0.4	-0.4
Divestments	–	-0.2	-0.2
Change in short-term borrowings	-83.6	–	-83.6
Repayment of lease liabilities	–	-7.7	-7.7
Total	**-83.6**	**-5.4**	**-89.0**
New leases	–	13.4	13.4
Interest expense	0.4	–	0.4
Effects of exchange rates	0.0	-0.7	-0.7
31 Dec 2022	**289.4**	**43.7**	**333.1**

Terms and repayment schedule

The terms and conditions of outstanding borrowings are as follows:

		31 Dec 2023		31 Dec 2022	
EUR million	Currency	Year of maturity	Carrying amount	Year of maturity	Carrying amount
Loans from financial institutions	EUR	2026	277.9	2024	278.1
Commercial papers	EUR	2024	–	2023	10.0
Loans from financial institutions	CNY	2024	7.3	2023	1.4
Lease liabilities	EUR	2024-	42.2	2023-	43.7
Total borrowings			**327.3**		**333.1**

5.7 Derivative financial instruments

ACCOUNTING POLICIES

Derivative instruments, fair value and hedge accounting

Derivatives

Derivatives are initially recognised in the balance sheet at fair value and subsequently measured at their value at each balance sheet date. Derivatives are designated at inception either as hedges of firm commitments or forecasted transactions (cash flow hedges) or as derivatives at fair value through profit and loss that do not meet the criteria of hedge accounting. Interest component of all foreign exchange derivatives are included in financial items.

Derivatives are presented as assets when the fair value is positive and as liabilities when the fair value is negative. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Fair value

The fair value of foreign exchange forward contracts is determined using forward exchange market rates at the balance sheet date. The fair value of interest rate derivatives is calculated as the present value of the estimated future interest cash flows.

Cash flow hedge

The Group applies cash flow hedging to interest rate swaps and certain foreign exchange forward contracts.

At inception of the hedge relationship, the group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The group documents its risk management objective and strategy for undertaking its hedge transactions.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The hedging results of foreign exchange forward contracts are recycled from other comprehensive income and presented on a net basis either in other income or other expenses. The gain or loss related to the ineffective portion of hedging instruments is reported in other income or expenses, net or under financial items when related to interest rate swaps.

Derivatives at fair value through profit and loss
Certain hedging instruments do not qualify for hedge accounting regardless the proving to be effective in terms of risk management under Group Treasury Policy. The fair value change of these instruments is recognised in profit and loss. For non-hedge accounting derivatives, hedging operative receivables or payables, the changes in fair value is presented in other income or expenses, and when hedging financial receivables or payables, in net financial items.

Derivatives and hedge accounting

The following table summarises the effects of the foreign-currency related hedging instruments, to which hedge accounting is applied, on the Group's financial position and performance, including amounts recycled to profit or loss during the year.

EUR million unless otherwise stated	31 Dec 2023	31 Dec 2022
Foreign currency forward contracts		
Carrying amount, assets	4.6	2.0
Carrying amount, liabilities	0.8	1.4
Notional amount	202.3	160.8
Hedge ratio	1:1	1:1
Hedging results, recycled to other income (expenses)	3.9	-0.5
Weighted average hedged rates (FX rate)		
GBP	0.88	0.90
PLN	4.63	4.96
SEK	11.45	10.79
RON	5.11	5.31
Maturity breakdown of notional amounts		
Between 1 and 6 months	106.4	115.0
Between 6 and 12 months	96.0	101.3
Over 12 months	–	–
Total	**202.3**	**216.3**

The following table summarises the effects of the interest rate swaps, to which hedge accounting is applied, on the Group's financial position and performance. The fixed interest rate of the interest rate swaps varied between 1.3 (1.3) and 3.0 (3.0) per cent as at 31 December 2023.

EUR million unless otherwise stated	31 Dec 2023	31 Dec 2022
Interest rate swaps		
Carrying amount, assets	1.0	2.7
Carrying amount, liabilities	0.3	–
Notional amount	100.0	100.0
Hedge ratio	1:1	1:1
Hedging results, recycled to other income (expenses)	1.1	-0.4
Maturity breakdown of notional amounts		
Under 12 months	–	–
Over 12 months	100.0	100.0
Total	**100.0**	**100.0**

5.8 Commitments and contingent assets and liabilities

ACCOUNTING PRINCIPLES
Purmo Group has guaranteed obligations arising in the ordinary course of business. Typically, guarantees given to secure commercial contractual obligations, or received advance payments. The Group discloses contingent liabilities and commitments as off-balance sheet liabilities in the notes to the consolidated financial statements and recognises them also when the realisation of them is not probable.

Guarantees

EUR million	2023	2022
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. Additional information on leases is disclosed in Note 3.4.

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

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

6. Group structure

6.1 Business combinations

ACCOUNTING PRINCIPLES
The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred. The consideration transferred does not include amounts relating to the settlement of pre-existing relationships. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

6.1.1 Acquisitions

2023
There were no business acquisitions during the financial period 2023.

2022
TT Thermotech Intressenter AB
Purmo Group acquired the entire share capital of the Nordic heating system company TT Thermotech Intressenter AB on 1 March 2022. The consideration paid was EUR 9.2 million in cash and EUR 7.4 million in shares, and the amount of cash and cash equivalents obtained was EUR 0.2 million. The acquisition included an earn-out of EUR 0.3 million payable in cash subject to achievement of certain objectives.

The preliminary identified other intangible assets relate to customer relationships, technology and trademarks amounting to EUR 8.5 million. The EUR 5.9 million goodwill arising from the acquisition reflects the synergies expected to be achieved in sales, purchasing, selections and operational efficiency. The goodwill is not tax deductible. The Group's profit and loss included EUR 0.4 million in acquisition-related costs under other operating expenses, presented as items affecting comparability.

TT Thermotech Intressenter AB had a EUR 21.4 million impact on net sales for March–December 2022, and the impact on net profit was EUR 0.5 million. If the acquisition had taken place on 1 January 2022, according to management estimates, the impact on Group net sales would have been EUR 25.7 million and on the net profit EUR 0.7 million.

TT Thermotech Intressenter AB was merged into it's subsidiary TT Thermotech Scandinavia AB in December 2022.

Fair values of acquired assets and liabilities at time of acquisition:

2022 EUR million	
Purchase price	
Purchase price paid in cash	9.2
Purchase price paid in shares	7.4
Fair value of net identifiable assets acquired	
Goodwill	0.2
Other intangible assets	13.3
Tangible assets	1.3
Right-of-use assets	2.8
Inventories	5.9
Other current assets	3.9
Cash and cash equivalents	0.2
Total assets	**27.7**
Interest-bearing liabilities	9.4
Deferred tax liabilities	3.3
Current liabilities	3.7
Total liabilities	**16.5**
Net assets acquired	11.2
Less goodwill on acquired balance sheet[1]	-0.2
Net assets acquired excluding goodwill	11.0
Earn-out	0.3
Goodwill	5.9
Cash flow impact	
Purchase price paid in cash	-9.2
Cash and cash equivalents of the acquired company	0.2
Expenses related to the acquisition	-0.4
Impact on cash flow	**-9.4**

[1] Goodwill on the acquired entities balance sheet is deducted as it is not an identifiable asset of Purmo Group according to IFRS.

6.1.2 Disposals

EUR million	2023	2022
Assets	–	2.9
Liabilities	–	0.3
Net assets disposed	**–**	**2.6**
Cash consideration received	–	4.3
Impairment	–	–
Translation differences reclassified to profit and loss	–	-0.4
Net assets sold	–	-2.6
Sales gain	**–**	**1.3**
Cash flow impact		
Purchase price received in cash	–	4.3
Cash and cash equivalents of the disposed company	–	-1.5
Expenses related to the disposal	–	-0.0
Impact on cash flow	**–**	**2.7**

2023

There were no disposals during the financial period 2023.

2022

In September 2022, Purmo Group divested the shares in Lampo Heating (Tianjin) Co., Ltd., to a third party. The company owned a real-estate property and a land area in Tianjin, China. The impact of the divestment on the profit for the financial period is approx. EUR 1.3 million.

6.2 Assets held for sale

ACCOUNTING PRINCIPLES

Non-current assets or disposal groups and liabilities are classified as held for sale if their carrying amounts are expected to be recovered primarily through sale rather than through continuing use. Classification as held for sale requires that the following criteria are met: the sale is highly probable, the asset is available for immediate sale in its present condition subject to usual and customary terms, the management is committed to the sale and the sale is expected to be completed within one year from the date of classification.

Prior to classification as held for sale, the assets or assets and liabilities related to a disposal are measured according to the respective IFRS standards. From the date of classification, non-current assets held for sale and liabilities are measured at the lower of the carrying amount and the fair value less costs to sell, and the recognition of depreciation and amortisation is discontinued. Non-current assets held for sale and liabilities are presented in the statement of financial position separately from other items.

At the end of March 2022, Purmo Group took the decision to exit its business in Russia. The Group will seek to divest and complete an orderly transfer of the business to a new owner, in compliance with international and local laws and considering the wellbeing of our employees 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 the financial period 2022 on goodwill, intangible assets, property, plant and equipment, right-of-use assets, inventories, other assets and the redemption liability. In 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.

EUR million	2023	2022
Assets held for sale[1]		
Tangible 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		
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.

6.3 Subsidiaries

ACCOUNTING PRINCIPLES

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

When the Group loses control over a subsidiary, it de-recognises the assets and liabilities of the subsidiary, and any non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost. Changes in the Group's interest in a subsidiary that do not result in a loss of control are recognised as equity transactions.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

All intercompany transactions, receivables, liabilities, unrealised profits and distribution of profits within the Group are eliminated in the consolidated financial statements.

Purmo Group's subsidiaries as at 31 December 2023 are set out below. Unless otherwise stated, the portion of ownership interest held equals the voting rights held by the Purmo Group.

Company	Country of incorporation	Activities	% Equity interest
Purmo Group Oyj	Finland	Parent company	100
Purmo Group Finland Oy Ab	Finland	Sales	100
Purmo Group Latvia SIA	Latvia	Sales	100
Purmo Group Estonia AS	Estonia	Sales	100
ZAO EVRA Varme RUS	Russia	Sales	100
Purmo Group Denmark ApS	Denmark	Sales	100
PG Heating & Cooling Environment Equipment (Jiangsu) Co., Ltd.	China	Production and sales	100
Purmo Group Poland Sp. z o.o	Poland	Production and sales	100

Company	Country of incorporation	Activities	% Equity interest
Purmo Group Sweden AB	Sweden	Production and sales	100
Emmeti S.p.A	Italy	Production and sales	100
Emmeti Iberica S.L.	Spain	Sales	100
Fabricca Italiana Valvole S.r.l	Italy	Production and sales	100
SFERA Comercial e Importadora	Brazil	Sales	100
Sigarth GmbH	Germany	Sales	100
Sigarth Sp. z o.o.	Poland	Production and sales	100
PG Austria GmbH	Austria	Production and sales	100
PG Hungary Kft	Hungary	Production and sales	100
PG Hrvatska d.o.o.	Croatia	Sales	100
PG Slovenija d.o.o.	Slovenia	Sales	100
PG Germany GmbH	Germany	Production and sales	100
Hewing GmbH	Germany	Production and sales	100
NORAL Beteiligungs GmbH & Co. KG	Germany	Services	100
Rettig Heating Group UK Ltd	United Kingdom	Dormant	100
Purmo Group Belgium NV	Belgium	Production and sales	100
Purmo Group Ireland Limited	Ireland	Dormant	100
PG Ceska s.r.o	Czech Republic	Sales	100
Purmo Group USA Inc	United States	Sales	100
Purmo Group Turkey Ticaret ve Sanayi A.S.	Turkey	Production and sales	100
Purmo Group Romania srl	Romania	Sales	100
Purmo Group France SAS	France	Production	100
Purmo Group (UK) Ltd	United Kingdom	Production and sales	100
Purmo Group UK Pension Trustee Limited	United Kingdom	Dormant	100
Euroradiators Holding B.V.	Netherlands	Holding	51
Evroradiators LLC Russia[1]	Russia	Production and sales	51
TT Thermotech Management Services AB	Sweden	Holding	100
TT Thermotech Scandinavia AB	Sweden	Production and sales	100
Thermotech Scandinavia Finland Oy	Finland	Sales	100
Purmo Group Finland Holding Oy	Finland	Holding	100

[1] 100% owned by Euroradiators Holding B.V

6.4 Exchange rates

ACCOUNTING PRINCIPLES

Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate at the date when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not retranslated. Foreign exchange gains and losses, net that relate to operating items, are presented in other income or expenses, depending of the net position. Foreign exchange gains and losses, net, that relate to financing items are presented in finance income or expenses, depending of the net position.

Foreign operations
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euro, which is the Company's functional and presentation currency. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into euro at the exchange rates at the dates of the transactions. Foreign currency differences arising from the translation of foreign entities are recognised in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to a non-controlling interest.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve relating to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

		Average rates		Closing rates	
		2023	2022	31 Dec 2023	31 Dec 2022
CNY	Chinese yuan	7.6600	7.0789	7.8509	7.3582
GBP	Pound sterling	0.86979	0.85276	0.86905	0.88693
HUF	Hungarian forint	381.85	391.30	382.80	400.87
PLN	Polish zloty	4.5420	4.6861	4.3395	4.6808
RON	Romanian leu	4.9467	4.9313	4.9756	4.9495
RUB	Russian rouble	91.6117	71.8749	98.5913	77.2993
SEK	Swedish krona	11.4788	10.6294	11.0960	11.1218
USD	US dollar	1.0813	1.0530	1.1050	1.0666

7. Other notes

7.1 Related party transactions

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.

Rettig Ltd held 61.80 per cent of the Company's shares and voting rights on 31 December 2023 and 31 December 2022, respectively.

Parent and ultimate controlling party

EUR million	2023	2022
Items in profit and loss		
Interest income	0.0	0.0
Purchases	-0.2	-0.1
Items in the balance sheet		
Non-current receivables	0.2	0.2
Items recognised in equity		
Dividend and repayment of capital	-7.1	-9.8

Transactions with key management personnel
The information of the key management personnel compensation and remuneration is disclosed only for the key management of Purmo Group. Purmo Group did not have any transactions with the key management personnel of Rettig Ltd or Rettig Capital Ltd. The information presented in the tables below are on an accruals basis.

Remuneration to the members of the Board of Directors

EUR thousand	2023	2022
Fees	523.2	475.8
Total	523.2	475.8

Compensation and remuneration to the CEO and the members of the Management team

2023

EUR thousand	CEO	Members of the Management team
Salaries and other short-term employee benefits	498.5	1067.9
Short term incentives	136.6	230.3
Post-employment benefits	61.0	83.5
Total	696.2	1,381.7

2022

EUR thousand	CEO	Members of the Management team
Salaries and other short-term employee benefits	486.3	1,119.1
Short term incentives	267.6	403.0
Post-employment benefits	62.3	112.1
Termination benefits	-	454.9
Total	816.2	2,076.2

Purmo Group has outstanding loan receivables from Group management of EUR 0.2 (0.2) million at the financial year end.

In July 2022, Purmo Group announced that the Board of Director's had decided to launch a new share-based incentive plan directed for management and key employees. Based on the share-based incentive plan the Company's CEO and management team subscribed a total of 10,752 new class C shares and tied 72,514 previously owned class C shares to the plan during 2022. In 2023 the management team tied additional 12,800 class C shares to the plan. For additional information about the share-based incentive plan, please see Note 2.5 Share-based payments. The company has provided the participants 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 has 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. The Annual General Meeting has authorised the Board of Director's to accept the Company's class C shares as a pledge, see Note 5.5 Equity. As a result, Purmo Group had 5,376 class C shares as a pledge at the end of the reporting period. The loans are subject to 12-month Euribor plus a margin of 1.00 per cent. The interest is due annually and interest payable by key management personnel totals to EUR 0.0 (0.0) million at the financial year end.

Purmo Group has also granted loans to the Group management during 2018 and 2020 to make the initial personal investment to subscribe the Company's former class K shares in connection of participants becoming eligible for the 2018 and 2020 incentive plans. The shares subscribed by the borrowers are pledged as security for the repayment of loan balance. The Annual General Meeting has authorised the Board of Director's to accept the Company's class C shares as a pledge, see Note 5.5 Equity. The loans are subject to 12-month Euribor plus a margin of 1.00 per cent. The interest is due annually, and interest payable by key management personnel totals to EUR 0.0 (0.0) million at the financial year end. The loans and any accrued interest thereon are repayable on 30 June 2024 at the latest, or earlier if the borrower's employment with the Group ends.

7.2 Taxes

ACCOUNTING PRINCIPLES

Income tax

The income tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty relating to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

ACCOUNTING ESTIMATES AND JUDGEMENTS

Management judgement is required in assessing whether certain deferred tax assets and deferred tax liabilities are recognised on the balance sheet. Deferred tax assets are recognised only where it is considered probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised for tax losses carried forward.

Amounts recognised in profit and loss

EUR million	2023	2022
Income tax expense		
For the financial period	-12.6	-14.8
For previous financial periods	0.0	1.9
Change in deferred taxes	12.8	4.5
Total	0.3	-8.4

Amounts recognised in other comprehensive income

EUR million	2023	2022
Items that will never be reclassified to profit or loss		
Tax related to post-employment defined benefit plans	0.9	-0.2
Items that are or may be reclassified to profit or loss		
Cash flow hedges	-0.2	-0.8
Total	0.7	-1.1

Reconciliation of effective tax rate

EUR million	2023	2022
Profit before tax	-9.6	21.6
Tax using the Company's domestic tax rate	1.9	-4.3
Effect of tax rates in foreign jurisdictions	-1.5	-0.7
Non-deductible expenses	-2.3	-5.9
Tax-exempt income	2.1	1.4
Current year losses for which no deferred tax asset was recognised	0.1	-0.2
Change in unrecognised temporary differences (tax losses)	0.1	0.4
Prior year taxes	-0.2	1.9
Other	0.2	-0.9
Tax in profit and loss statement	0.3	-8.4
Effective tax rate	2.7%	39.1%

The total income tax expense of the Group for 2023 was EUR 0.3 million. Reported effective tax rate for the year 2023 was 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 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 effects, the effective tax rate is -27.8 per cent (20.1).

OECD Pillar Two impact

Purmo Group as a part of the Rettig group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted 28 December 2023 in Finland, where Purmo Group Plc is resident, and came into effect as from 1 January 2024. Since Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure.

The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendment to IAS 12 issued in May 2023.

Under the legislation, there is a liability to pay a top-up tax on the difference between the GloBE (Global Anti-Base Erosion Model Rules) effective tax rate per jurisdiction and the 15 per cent minimum rate. Most entities within the Group have an effective tax rate that exceeds 15 per cent.

Purmo Group has made an assessment of its exposure to the Pillar Two legislation for when it comes into effect. This assessment indicates that Pillar 2 will have only minor effect on Purmo Group's effective tax rate. For the annual reporting period ending on 31 December 2023, the average effective tax rate of the Group is 2.7 per cent. It is expected there will be a top-up tax of EUR 0.1 million from Hungary according to Impact Analyses. The ultimate liability for Purmo Group Pillar Two taxation lies on Rettig Capital Ltd being the intermediate parent company of Purmo Group.

The Group is currently engaged with tax specialists assisting it with applying the legislation.

Deferred tax assets

2023

EUR million	1 Jan[1]	Recognised in profit and loss	Exchange differences	Recognised in OCI	Acquisitions and other	31 Dec
Property, plant and equipment	2.1	1.4	-0.0	–	-0.6	2.9
Lease liabilities	4.9	0.4	0.0			5.3
Financial assets	0.9	0.8	-0.0	-0.2	0.0	1.5
Inventories	1.8	-0.1	0.0	–	0.7	2.5
Post-employment benefit obligations/assets	3.3	-0.4	-0.0	1.0	-0.7	3.2
Provisions	4.0	3.5	0.0	–	-5.0	2.5
Tax losses carried forward	26.1	3.0	-0.1	–	-2.4	26.6
Other temporary differences	2.6	4.3	0.2	–	-1.5	5.6
Deferred tax assets, total	**45.6**	**12.9**	**0.1**	**0.8**	**-9.4**	**50.1**
Offset against deferred tax liabilities	-11.6	–	-0.1	–	4.4	-7.3
Total deferred tax	34.1	12.9	0.0	0.8	-4.9	42.8

Deferred tax liabilities

2023

EUR million	1 Jan[1]	Recognised in profit and loss	Exchange differences	Recognised in OCI	Acquisitions and other	31 Dec
Intangible assets	3.7	0.3	0.0	–	-1.0	3.0
Property, plant and equipment	7.2	-0.6	0.1	–	-1.6	5.2
Right of use assets	4.9	0.1	–	–	–	5.0
Financial assets	1.7	0.3	0.1	–	0.1	2.2
Inventories	-0.1	–	-0.0	0.0	0.5	0.4
Post-employment benefit obligations/assets	0.6	0.0	0.0	-0.1	-0.1	0.3
Provisions	0.1	0.0	0.0	–	–	0.1
Other temporary differences	3.8	-0.1	-0.0	–	-6.3	-2.5
Deferred tax liabilities, total	**21.8**	**0.1**	**0.2**	**-0.1**	**-8.4**	**13.6**
Offset against deferred tax assets	-11.6	–	-0.1	0.0	4.4	-7.3
Total deferred tax	10.3	0.1	0.1	-0.1	-3.9	6.4

[1] The deferred tax assets and liabilities for the comparison period have been restated due to the amendments to IAS 12. The impact on the result was EUR 0.3 million. See accounting principles for more information.

Deferred tax assets

2022

EUR million	1 Jan	Recognized in profit and loss	Exchange differences	Recognized in OCI	Acquisitions and other	31 Dec
Property, plant and equipment	1.7	0.4	0.0	–	0.0	2.1
Financial assets	0.6	0.4	0.0	-0.1	–	0.9
Inventories	2.4	-0.3	0.0	–	-0.3	1.8
Post-employment benefit obligations/assets	3.5	0.1	0.0	-0.3	–	3.3
Provisions	4.4	-0.4	0.0	–	0.0	4.0
Tax losses carried forward	19.2	–	5.2	–	1.7	26.1
Other temporary differences	3.0	-0.1	0.0	–	-0.2	2.6
Deferred tax assets, total	**34.9**	**-0.1**	**5.2**	**-0.4**	**1.0**	**40.7**
Offset against deferred tax liabilities	-8.4	–	–	–	-3.2	-11.6
Total deferred tax 31.12	**26.5**	**-0.1**	**5.2**	**-0.4**	**-2.1**	**29.2**

Deferred tax liabilities

2022

EUR million	1 Jan	Recognized in profit and loss	Exchange differences	Recognized in OCI	Acquisitions and other	31 Dec
Intangible assets	0.8	-0.3	0.5	–	2.6	3.7
Property, plant and equipment	6.5	-0.3	0.5	–	0.4	7.1
Financial assets	0.4	-0.5	1.0	0.7	–	1.7
Inventories	0.0	0.2	-0.3	–	0.1	-0.1
Post-employment benefit obligations/assets	-0.1	0.1	0.3	0.0	0.4	0.6
Provisions	0.1	0.0	0.0	–	–	0.1
Other temporary differences	3.3	0.0	0.0	–	0.5	3.8
Deferred tax liabilities, total	**11.0**	**-0.9**	**2.0**	**0.7**	**4.0**	**16.9**
Offset against deferred tax assets	-8.4	–	–	–	-3.2	-11.6
Total deferred tax	2.6	-0.9	2.0	0.7	0.9	5.4

Deferred tax assets have been booked on the losses to the extent that it is probable that taxable profits will be available against which to utilise the benefits.

On 31 December 2023, Purmo Group had EUR 9.3 (10.0) million of tax losses carried forward (excluding tax losses for assets held for sale) for which no deferred tax assets were recognised because it is not probable that future taxable profits will be available against which to utilise the benefits. For these tax losses, EUR 0.0 (0.0) million will expire during the next five years and EUR 9.3 (10.0) million have no expiry date or will expire after five years.

The Group does not provide for deferred taxes on the distributable earnings to the extent that such earnings are intended to be permanently reinvested in those operations and repatriation would give rise to tax expenses.

7.3 Events after the balance sheet date

There were no significant events after the balance sheet date.

8. Parent company financial statements

Parent company income statement

EUR thousand	Note	2023	2022
Other operating income	8.2	14,450	22,068
Employee benefit expenses	8.3	-2,829	-2,222
Depreciations and amortisations	8.4	-3,763	-3,712
Other operating expenses	8.5	-14,492	-32,968
Operating profit/loss		**-6,633**	**-16,834**
Financial income and expenses	8.6	73,510	48,503
Profit/loss before appropriations and taxes		**66,876**	**31,669**
Appropriations	8.7	1,067	630
Income tax expense	8.8	1,637	2,011
Profit/loss for the period		**69,580**	**34,310**

Parent company balance sheet

EUR thousand	Note	2023	2022
Assets			
Non-current assets			
Intangible assets	8.9	47,760	25,682
Tangible assets	8.10	49	3
Investments	8.11	639,228	559,148
Total non-current assets		**687,038**	**584,833**
Current assets			
Long-term receivables	8.12	50,196	65,144
Short-term receivables	8.13	124,045	143,368
Cash and cash equivalents		103,428	46,189
Total current assets		**277,669**	**254,701**
Total assets		**964,707**	**839,534**
Equity and liabilities			
Equity			
Share capital	8.14	3,080	3,080
Reserve for invested unrestricted equity	8.14	365,869	380,779
Retained earnings	8.14	26,258	-8,052
Profit/loss for the fiscal period		69,580	34,310
Total equity		**464,787**	**410,117**
Liabilities			
Long-term liabilities	8.15	337,886	278,052
Short-term liabilities	8.16	162,033	151,365
Total liabilities		**499,920**	**429,417**
Total equity and liabilities		**964,707**	**839,534**

Parent company cash flow statement

EUR thousand	2023	2022
Cash flows from operating activities		
Profit before appropriations and taxes	66,876	31,669
Depreciations	3,763	3,712
Finance income and expenses	-73,510	-48,503
Gain and losses sale of subsidiaries	3,064	–
Other adjustments	–	9,523
Operating profit before change in working capital	193	-3,599
Change in working capital		
Increase (-) / decrease (+) of current receivables	-2,752	-4,104
Increase (+) / decrease (-) of current non-interest bearing liabilities	29,128	21,624
Cash flows from operating activities before financial items and taxes	**26,569**	**13,920**
Interests paid and other finance costs	-56,515	-14,379
Interests received	55,186	7,962
Dividends received	54,217	53,689
Direct income taxes paid	-136	-265
Net cash from operating activities	**79,322**	**60,927**
Cash flows from investing activities		
Purchases of property, plant, equipment and intangible assets	-25,487	-460
Acquisition of subsidiaries and other capital contributions	-12,757	-2,339
Proceeds from sale of subsidiaries and other return of capital	647	4,226
Change in long-term loan receivables	65	-115
Net cash from investing activities	**-37,532**	**1,312**

EUR thousand	2023	2022
Cash flows from financing activities		
Capital returns paid	-11,194	-14,886
Proceeds from share issues	–	679
Change in long-term loans	60,000	-
Change in short-term loans	-9,960	-85,000
Change in subsidiary long-term loans	-9,200	-35,139
Change in subsidiary short-term loans	-14,827	-45,008
Group contributions received	630	-
Net cash from financing activities	**15,449**	**-179,354**
Change in cash and cash equivalents	**57,239**	**-117,115**
Cash and cash equivalents at the beginning of the period	46,189	163,304
Cash and cash equivalents at the end of the period	103,428	46,189

Notes to the Parent Company Financial Statements

8.1 Accounting principles

The financial statements of the parent company, Purmo Group, have been prepared in accordance with the Finnish Generally Accepted Accounting Principles. The financial statements are presented in thousand euros.

Foreign currency translations and derivatives
Transactions in foreign currencies are recorded in euro at the exchange rate prevailing at the date of the transaction. At the end of the accounting period, monetary items are valued at the exchange rate prevailing at the end of period.

Company uses derivatives to hedge its foreign exchange and interest rate risk. The fair value of derivative instruments is presented as off-balance sheet liability in note 8.18 Derivative contracts.

Tangible and intangible assets
Tangible and intangible assets are valued at historical cost, less accumulated depreciation according to plan.

Depreciation and amortisation is calculated on a straight-line basis over the expected useful lives of the assets as follows:

Trademarks	5–10 years
Computer software	3–5 years
Other intangible assets	5–20 years
Machinery and equipment	3–5 years

Receivables
Receivables are valued to acquisition cost or to a lower probable value.

Provisions
Provisions represent future expenses to the payment of which the parent company is committed and which are not likely to generate corresponding income, or future losses the realisation of which must be considered evident. Changes in provisions are recognised in the income statement.

Loan arrangement fee
The loan arrangement fee is recognised at amortised cost using the effective interest method.

Leases
Lease payments are treated as rentals.

Income taxes
Income tax expense includes taxes calculated for the financial year, adjustments to prior year taxes, and changes in the deferred taxes. Deferred tax assets and liabilities have been recognized in the financial statements.

Dividends and return of capital
Dividends and return of capital proposed by the Board of Directors are not recorded in the financial statements until they have been approved by the Annual General Meeting.

8.2 Other operating income

EUR thousand	2023	2022
Service income	14,450	22,068
Total	14,450	22,068

8.3 Employee benefit expenses

EUR thousand	2023	2022
Salaries and fees	-2,437	-1,912
Social security costs	-49	-44
Pension costs	-343	-267
Total	-2,829	-2,222
Salaries and fees to the management		
Chief Executive Officer	-	-
Board of Directors	-523	-496
Personnel on average	19	14

8.4 Depreciations and amortisations

EUR thousand	2023	2022
Intangible assets	-3,746	-3,707
Tangible assets	-16	-4
Total	-3,763	-3,712

8.5 Other operating expenses

EUR thousand	2023	2022
Loss on sale of subsidiary shares	-501	-1,744
Write-down of subsidiary shares	-2,563	-7,754
Other expenses	-11,428	-23,469
Total	-14,492	-32,968

Auditors' fees

EUR thousand	2023	2022
Authorised Public Accountants KPMG		
Audit	-132	-112
Audit related services	-24	-45
Tax consultation	-314	-52
Other services	-25	-20
Total	-495	-229

8.6 Financial income and expenses

EUR thousand	2023	2022
Dividend income		
From Group companies	83,892	53,689
Interest income		
From Group companies	14,234	10,396
From others	10,171	2,710
Other financial income		
From Group companies	10,337	8,981
From others	18,608	25,005
Total	137,243	100,781
Interest expenses		
To Group companies	–8,083	–2,221
To others	–27,450	–14,042
Other financial expenses		
To Group companies	–11,315	–12,331
To others	–16,885	–23,684
Total	–63,733	–52,278
Financial income and expenses total	73,510	48,503

8.7 Appropriations

EUR thousand	2023	2022
Group contributions received	1,067	630
Total	1,067	630

8.8 Income taxes

EUR thousand	2023	2022
Income tax for the financial year	–107	–
Income tax for prior financial years	–	–265
Change in deferred taxes	1,744	2,276
Total	1,637	2,011

8.9 Intangible assets

EUR thousand	2023	2022
Intangible assets		
Acquisition cost 1 Jan	36,833	36,377
Additions	–	456
Transfers	–456	–
Acquisition cost 31 Dec	**36,377**	**36,833**
Accumulated amortisation 1 Jan	–11,151	–7,443
Amortisations for the financial year	–3,707	–3,707
Accumulated amortisation 31 Dec	–14,858	–11,151
Book value 31 Dec	**21,518**	**25,682**
Other capitalised expenditures		
Acquisition cost 1 Jan	–	–
Transfers	2,324	–
Acquisition cost 31 Dec	**2,324**	**–**
Accumulated amortisation 1 Jan	–	–
Amortisations for the financial year	–39	–
Accumulated amortisation 31 Dec	–39	–
Book value 31 Dec	**2,285**	**–**
Advance payments and assets under construction		
Acquisition cost 1 Jan	–	–
Additions	26,281	–
Transfers	–2,324	–
Acquisition cost 31 Dec	**23,957**	**–**
Book value 31 Dec	**23,957**	**–**
Total intangible assets	**47,760**	**25,682**

8.10 Tangible assets

EUR thousand	2023	2022
Machinery and equipment		
Acquisition cost 1 Jan	50	46
Additions	62	4
Acquisition cost 31 Dec	**112**	**50**
Accumulated depreciation 1 Jan	–47	–43
Depreciations for the financial year	–16	–4
Accumulated amortisation 31 Dec	–63	–47
Book value 31 Dec	**49**	**3**
Total tangible assets	**49**	**3**

8.11 Investments

EUR thousand	2023	2022
Investments in Group companies		
Acquisition cost 1 Jan	559,148	559,634
Increases	92,129	13,239
Decreases	–12,048	–13,724
Acquisition cost 31 Dec	**639,229**	**559,148**

8.12 Long-term receivables

Receivables from Group companies

EUR thousand	2023	2022
Loan receivables	44,011	60,687
Total	44,011	60,687

Receivables from others

EUR thousand	2023	2022
Loan receivables	464	529
Other receivables	20	-
Total	484	529

Deferred tax assets

EUR thousand	2023	2022
Deferred tax assets 1 Jan	3,929	2,012
From result for the financial year	1,768	1,916
Deferred tax assets 31 Dec	5,697	3,928
Long-term receivables total	50,191	65,144

8.13 Short-term receivables

Receivables from Group companies

EUR thousand	2023	2022
Group contribution receivables	1,067	630
Loan receivables	104,482	125,296
Interest receivables	1,952	3,957
Trade receivables	1,640	1,253
Other receivables	11,219	9,198
Total	120,361	140,334

Receivables from others

EUR thousand	2023	2022
Interest receivables	172	6
Income tax receivables	566	490
Value added tax receivables	290	127
Other receivables	758	598
Prepayments and accrued income	1,897	1,813
Total	3,684	3,034
Short-term receivables total	124,045	143,368

8.14 Equity

EUR thousand	Share capital	Reserve for invested unrestricted equity	Retained earnings	Equity total
Equity 1 Jan 2023	3,080	380,779	26,258	410,117
Capital return		-14,910		-14,910
Result for the financial year			69,580	69,580
Equity 31 Dec 2023	3,080	365,869	95,838	464,787
Equity 1 Jan 2022	3,080	385,917	-8,052	380,945
Capital return		-14,886		-14,886
Share issue		9,748		9,748
Result for the financial year			34,310	34,310
Equity 31 Dec 2022	3,080	380,779	26,258	410,117

Distributable equity

EUR thousand	2023	2022
Reserve for invested unrestricted equity	365,869	380,779
Retained earnings	26,258	-8,052
Result for the financial year	69,580	34,310
Total	461,707	407,037

8.15 Long-term liabilities

Liabilities to others

EUR thousand	2023	2022
Loans from financial institutions	277,886	278,052
Hybrid bond	60,000	-
Total	337,886	278,052
Long-term liabilities total	337,886	278,052

8.16 Short-term liabilities

Liabilities to Group companies

EUR thousand	2023	2022
Loan payables	31,518	3,816
Interest payables	34	4
Trade payables	29,652	2,006
Cash pool payables	85,862	131,153
Other accruals and deferred income	741	302
Total	147,807	137,282

Liabilities to others

EUR thousand	2023	2022
Commercial papers	-	9,960
Interest payables	5,080	137
Trade payables	826	1,155
Accruals and deferred income	8,320	2,832
Employee benefit expenses	615	463
Income tax payables	145	105
Other accruals and deferred income	7,560	2,264
Total	14,226	14,083
Short-term liabilities total	162,033	151,365

8.17 Collaterals

Commitments and contingencies

EUR thousand	2023	2022
Guaranties given on behalf of group companies	32,199	28,079
Total	32,199	28,079

Lease commitments

EUR thousand	2023	2022
Payments in the following year	100	139
Payments later	44	23
Total	144	162

8.18 Derivative contracts

EUR thousand	2023	2022
Foreign exchange derivatives		
Foreign exchange forward contracts, nominal value	524,452	365,821
Interest rate derivatives		
Interest rate swaps, nominal value	100,000	100,000

Proposal of the Board of Directors

On 31 December 2023, the distributable funds of the parent company amounted to EUR 461,707,064.23 of which net profit for the financial year that ended on 31 December 2023 was EUR 69,580,479.41. The Board of Directors proposes to the Annual General Meeting that a return of capital of EUR 0.36 per class C share and, in accordance, with Articles of Association EUR 0.07 per class F share be paid for the financial year 2023.

The proposed return of capital corresponds to an aggregate amount of approximately EUR 14.9 million based on the current number of shares carrying a right to asset distribution. The return of capital will be paid from the reserve for invested unrestricted equity of the Company.

The return of capital would be paid in four instalments as follows:

The first instalment would be EUR 0.09 per Class C share and EUR 0.02 per class F share, and they would be paid on 26 April 2024 to a shareholder who is registered in the shareholders' register maintained by Euroclear Finland Oy on the record date of the return of capital, i.e., 19 April 2024.

The second instalment would be EUR 0.09 per Class C share and EUR 0.02 per Class F share, and they would be paid on 26 July 2024 to a shareholder who is registered in the shareholders' register maintained by Euroclear Finland Oy on the record date of the return of capital, i.e., 19 July 2024.

The third instalment would be EUR 0.09 per Class C share and EUR 0.02 per Class F shares, and they would be paid on 25 October 2024 to a shareholder who is registered in the shareholders' register maintained by Euroclear Finland Oy on the record date of the return of capital, i.e., 18 October 2024.

The fourth instalment would be EUR 0.09 per Class C share and EUR 0.01 per Class F shares, and they would be paid on 24 January 2025 to a shareholder who is registered in the shareholders' register maintained by Euroclear Finland Oy on the record date of the return of capital, i.e., 17 January 2025.

The Board of Directors also proposes that the Annual General Meeting would authorize the Board of Directors to resolve, if necessary, on a new record date and date of payment for the second, third and fourth instalment should, e.g., the rules of Euroclear Finland Oy or statues applicable to the Finnish book-entry system or other matters so require.

No material changes have taken place in the Company's financial position after the close of the financial year. The Company's liquidity is good and, in the opinion of the Board of Directors, the proposed return of capital will not put the company's solvency at risk.

Helsinki, 12 February 2024

Tomas von Rettig
Chair of the Board

Alexander Ehrnrooth

Carina Edblad

Carlo Grossi

Jyri Luomakoski

Catharina Stackelberg-Hammarén

Matts Rosenberg

John Peter Leesi
CEO

Auditor's note

Our auditor's report has been issued today.

Helsinki, 12 February 2024

KPMG Oy Ab
Authorized Public Accountant Firm

Kim Järvi
APA

Auditor's report

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

To the Annual General Meeting of Purmo Group Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Purmo Group Oyj (business identity code 2890898-5) for the year ended 31 December 2023. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

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

Basis for Opinion

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

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

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.3 to the consolidated financial statements.

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

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

The key audit matter	How the matter was addressed in the audit
Valuation of goodwill (refer to notes 3.1 and 3.2 of the consolidated financial statements)	
• At the end of the financial year, the group had EUR 371 million of goodwill. The goodwill amounts to 98 % of the group equity (excluding Hybrid bond) and 37 % of the group's total assets on 31 December 2023. • Goodwill is tested for impairment when indicators of impairment exist, or at least annually. Goodwill impairment testing is conducted by comparing the carrying value with the recoverable amount using a discounted cash flow model. • Determining the key assumptions used in the cash flow forecasts requires management judgement and estimates especially relating to long term growth, profitability, and discount rates. • Valuation of goodwill is considered a key audit matter due to the significant carrying value and high level of management judgement involved.	• We assessed the impairment tests prepared by the Company. Our detailed audit work included testing the integrity of the calculations and the technical model. • We assessed the assumptions used by management in respect of forecasted growth rates and profitability as well as the appropriateness of the discount rates used. We also validated the assumptions used in relation to market and industry information. • We also compared the cash flows used in the testing to the group's business plans to our views. • Furthermore, we have considered the adequacy of the group's disclosures in respect of the impairment testing.
Revenue recognition (refer to note 2.2 of the consolidated financial statements)	
• Revenue is mainly generated through the sale of manufactured goods. The revenue is generated by subsidiaries in different countries. The revenue earned from the sale of goods is recognised when the control associated with ownership is transferred to the buyer in accordance with the terms of delivery. • In general, revenue recognition within the group is not complex but the large volumes of transactions and the fact that the revenue is generated through subsidiaries in different countries makes revenue recognition an area of focus in the audit and is therefore determined as a key audit matter.	• Auditors of subsidiaries have performed testing of controls related to revenue recognition and performed substantive procedures such as testing of sales agreements and year-end transactions. • On group level we have assessed the revenue recognition principles and based on the work performed by the auditors in the subsidiaries evaluated compliance with group revenue recognition principles.

The key audit matter	How the matter was addressed in the audit
Valuation of Inventories (refer to note 4.1 of the consolidated financial statements)	
• The value of inventories amounted to EUR 174 million at the end of the financial year. It is essential from an accounting perspective that the internal control related to inventory accounting and valuation is appropriately organized. • The valuation of inventories is based on management estimates in respect of slow moving and obsolescence assessment. • Due to the significant carrying amount and management judgement involved, valuation of inventories is determined as a key audit matter that our audit is focused on.	• In our audit the key focus has been on the pricing and valuation of inventories. Our component auditors carried out controls testing and substantive testing in relation to inventory costing and obsolescence provisions including monitoring of inventory levels. • On group level we have assessed the work performed by the auditors in the subsidiaries and on group level made an overall assessment of the valuation of inventories.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting for the financial period ended 31.12.2018. Purmo Group Oyj (formerly Virala Acquisition Company Oyj) has become a public interest entity on 29.6.2021.

Other Information

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

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

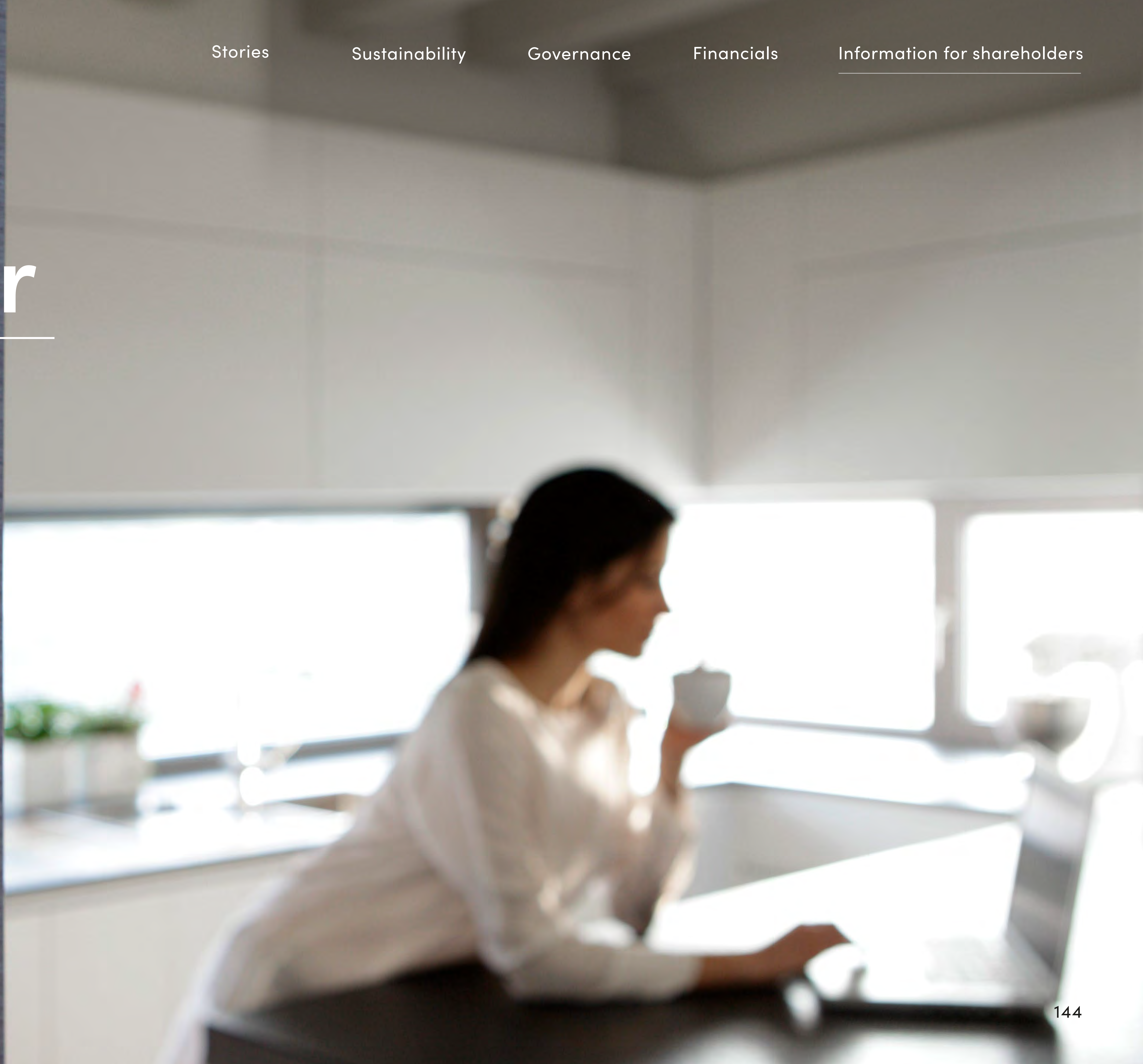
In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 12 February 2024
KPMG Oy Ab

Kim Järvi
Authorised Public Accountant, KHT

Information for shareholders



Information for shareholders

Annual General Meeting 2024

Notice is given to the shareholders of Purmo Group Plc of the Annual General Meeting to be held on Tuesday, 9 April 2024, starting at 1:00 p.m. (EEST) at Studio Eliel at Sanomatalo, Töölönlahdenkatu 2, Helsinki, Finland. The reception of persons who have registered for the meeting and the distribution of voting tickets will commence at the meeting venue at 12:30 p.m. (EEST). The company's shareholders may also exercise their voting rights by voting in advance.

It is possible for the company's shareholders to follow the Annual General Meeting through a webcast. Instructions regarding the webcast will be available on the Company's website at www.investors.purmogroup.com/governance/general-meetings/.

Each shareholder registered in the company's register of shareholders kept by Euroclear Finland Ltd on the record date of the Annual General Meeting, 26 March 2024, has the right to participate in the Annual General Meeting. Notification of participation in the Annual General Meeting and voting in advance will commence on 20 March 2024 at 10:00 a.m. (EET). A shareholder registered in the company's register of shareholders wishing to participate in the Annual General Meeting shall register for the Annual General Meeting no later than 2 April 2024 at 4:00 p.m. (EEST), by which time the notice of participation must be received.

It is possible to register for the Annual General Meeting:

a) On the company's website at www.investors.purmogroup.com/governance/general-meetings/.

b) By mail to the address Innovatics Ltd, Annual General Meeting/Purmo Group Plc, Ratamestarinkatu 13 A, 00520 Helsinki or by email to the address agm@innovatics.fi.

A holder of nominee registered shares has the right to participate in the Annual General Meeting by virtue of such shares, based on which the holder of nominee registered shares on the record date of the Annual General Meeting, 26 March 2024, is entitled to be registered in the shareholders' register of the company held by Euroclear Finland Oy. In addition, the right to participate requires that the holder of nominee registered shares be temporarily entered into the shareholders' register held by Euroclear Finland Oy based on these shares by 4 April 2024 at 10.00 a.m. (EEST), at the latest. As regards nominee registered shares, this constitutes due registration for the Annual General Meeting.

Financial calendar 2024

Purmo Group Plc will publish its financial reports in 2024 as follows:

- 13 February 2024: Financial statements review 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

All financial reports are published in English and Finnish and will be available at www.investors.purmogroup.com/ir-material/ after the publication.

Dividend 2023

Purmo Group aims 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 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.

Investor calendar

The times and locations of Purmo Group's investor events can be found on the website at: www.investors.purmogroup.com/contact/financial-calendar/.

Investor relations contact

Investor inquiries, flagging notifications and managers' transactions may be sent to: investors@purmogroup.com.

PURMO GROUP

Purmo Group's history

Since 1953, Purmo Group has grown and expanded its business with the support of acquisitions. From a privately-held radiator manufacturer, the company has transformed into a complete heating and cooling solution provider listed on Nasdaq Helsinki.

Our history

Foundation era

1953

Oy Purmo Ab is founded
Entrepreneurship and innovation

1970

Rettig acquires Purmo
Recognition of a growth industry

1974

Purmo AG sales opens in Germany
Expanding into European markets

Acquisition era

1989–2018

Extensive acquisition programme
Growth across Europe and entry into China

2019

Rettig ICC rebranded as Purmo Group
Corporate image streamlined to embrace new opportunities

Transformation era

2021

New strategy is launched
Evolution from a radiator-driven product company to a solutions business

2022

Purmo Group listed on Nasdaq Helsinki
Stock listing to support growth ambitions

2022

New divisional structure
Climate Products & Systems and Climate Solutions divisions

PURMO

GROUP

Purmo Group Plc
+358 40 527 1427
Bulevardi 46, P.O. Box 115
FI-00121 Helsinki
Finland

investors@purmogroup.com