PURMO GROUP

Purmo Group Plc

Interim Report
January–March 2023

Solid earnings and cash flow, Accelerate PG ahead of plan

January–March 2023

- Net sales decreased by 10 per cent to EUR 211.7 million (236.2). Organic[1] net sales decline was 11 per cent.
- Net sales for Climate Product & Systems division decreased by 13 per cent to EUR 169.3 million (194.5) and net sales for Climate Solutions division increased by 2 per cent to EUR 42.5 million (41.8).
- Adjusted EBITDA decreased by 9 per cent to EUR 26.4 million (29.2), corresponding to an adjusted EBITDA margin of 12.5 per cent (12.4).
- EBIT was EUR 15.1 million (14.1), which included EUR -3.4 million (-7.5) of comparability adjustments.
- Cash flow from operating activities increased to EUR -1.2 million (-38.9).
- Adjusted EBITDA run-rate improvements amounted to EUR 12.1 million in Accelerate PG.

Financial guidance for 2023

Purmo Group reiterates its financial guidance for 2023. Adjusted EBITDA in 2023 is expected to be on a similar level to 2022 (EUR 92.9 million). Similar means being within +/- 5 per cent of the previous year.

The solid earnings performance during the first quarter combined with the ahead of plan progress of the Accelerate PG programme provides confidence in the outlook for the rest of the year. Purmo Group reiterates the previously communicated targets for the Accelerate PG programme – targeted adjusted EBITDA run-rate improvements of EUR 20 million by the end of 2023 and cumulatively EUR 40 million by the end of 2024.

The visibility for 2023 is limited due to macroeconomic uncertainties and the market environment continues to be challenging in Purmo Group's addressable markets. Furthermore, the guidance also factors in that Purmo Group is building up capabilities to facilitate future growth which impacts the company's cost base, and hence, the net savings from the Accelerate PG programme.

Key figures

EUR million	1–3/2023	1–3/2022	Change, %	2022
Net sales	211.7	236.2	-10%	904.1
Adjusted EBITDA[2]	26.4	29.2	-9%	92.9
Adjusted EBITDA margin, %[2]	12.5%	12.4%		10.3%
Adjusted EBITA[2]	19.4	22.3	-13%	64.6
Adjusted EBITA margin, %[2]	9.2%	9.5%		7.1%
EBIT	15.1	14.1	7%	39.0
EBIT margin, %	7.1%	6.0%		4.3%
Profit for the period	6.7	6.5	3%	13.1
Adjusted profit for the period[2]	10.1	14.0	-28%	34.9
Earnings per share, basic, EUR	0.16	0.16	0%	0.32
Adjusted earnings per share, basic, EUR[2]	0.24	0.34	-29%	0.85
Cash flow from operating activities	-1.2	-38.9	97%	31.1
Adjusted operating cash flow, last 12 months[2]	88.4	18.6	376%	51.9
Cash conversion[2]	98.2%	17.8%		55.9%
Operating capital employed[2]	326.4	328.2	-1%	305.0
Return on operating capital employed[2]	12.6%	-0.4%[3]		12.2%[3]
Net debt[2]	226.9	301.0	-25%	275.2
Net debt / Adjusted EBITDA[2]	2.52	2.89	-13%	2.96

[1] Adjusted for currency effects and impacts from acquisitions and divestments.
[2] 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 41 in the January-March 2023 interim report.
[3] Comparative figures have been restated due to change in calculation of key figure, see page 42 in the January-March 2023 interim report.[6]

CEO's review

The market environment during the first quarter of the year was characterised by high inflation, increasing interest rates, and weak demand in the renovation and new build segments. However, stock levels at wholesalers normalised during the quarter, and we were successful in implementing price increases and cost savings.

Net sales in the first quarter of the year declined by 10 per cent to EUR 211.7 million. Adjusted EBITDA was EUR 26.4 million, a decline of 9 per cent. Adjusted EBITDA margin was 12.5 per cent.

Solid earnings in Climate Products & Systems achieved through successful margin and cost management; earnings declined in Climate Solutions against strong comparison period in 2022

The new business divisions, Climate Products & Systems and Climate Solutions, are now effective and have been operating since January 2023. They represent the company's focus on increasing solution selling, and creating synergies within the Group as a whole.

During the first quarter of the year, demand continued to be weak, impacting sales volumes for the Climate Products & Systems division. However, the weak net sales performance was compensated by successful margin management and cost control. Realised price increases and the impact of successful input cost management had a significant positive effect on the adjusted EBITDA margin. Net sales declined by 13 per cent to EUR 169.3 million, and adjusted EBITDA remained approximately at last year's level of EUR 22.7 million. The adjusted EBITDA margin increased to 13.4 per cent (against 11.8 per cent in the previous year).

Earnings declined in the Climate Solutions division compared with the same quarter last year. Italy saw a more normalised market environment compared to the first quarter in 2022, which was characterised by exceptionally high heat pump sales volumes and higher prices, partly due to the delivery of backlog orders from 2021. Net sales increased by 2 per cent to EUR 42.5 million. The increase in net sales was due to the Thermotech business which was consolidated to the Group for the entire quarter compared to one month in the comparison period. Adjusted EBITDA decreased to EUR 6.2 million, from EUR 8.5 million in the previous year. The adjusted EBITDA margin declined to 14.7 per cent, compared with 20.2 per cent in the previous year particularly due to strong comparison period in Italy.

Accelerate PG programme progressing ahead of plan

The progress of Purmo Group's ongoing strategy acceleration programme was strong and ahead of plan during the first quarter of the year. Implemented adjusted EBITDA run-rate improvements at the end of the quarter amounted to EUR 12.1 million, up from EUR 1.4 million at the end of 2022, while our target for 2023 is EUR 20 million. The most significant improvements within the programme have been generated from pricing optimisation, cost reductions from operating model changes, procurement savings and improvement in net working capital efficiency.

During the first quarter, Purmo Group issued a green hybrid bond in the amount of EUR 60.0 million. This was to ensure the funding for the strategy acceleration programme. The net proceeds from the issue will be used in accordance with the company's green finance framework which was announced in February 2023.

Financial guidance for 2023 remains unchanged

As a result of solid earnings for the first quarter of the year, we are well positioned to deliver our guidance for 2023: Adjusted EBITDA in 2023 is expected to be on a similar level to 2022 (EUR 92.9 million). Similar means being within +/- 5 per cent of the previous year.

Furthermore, thanks to strong results in Accelerate PG, we stay confident in reaching the targets for the programme – targeted adjusted EBITDA run-rate improvements of EUR 20 million by the end of 2023 and cumulatively EUR 40 million by the end of 2024.

John Peter Leesi
CEO, Purmo Group Plc

News conference and webcast for analysts, investors and media

Purmo Group's interim report for January-March 2023 has been published today and is available in English and Finnish on Purmo Group's website at https://investors.purmogroup.com/ir-material/.

Webcast and teleconference on 26 April 2023 at 10.00 a.m. EEST

The publication will be followed at 10.00 a.m. EEST by a live webcast and a teleconference to analysts, investors and media representatives. At the event, CEO John Peter Leesi and CFO (interim) & Vice Chairman of the Board Matts Rosenberg will present the results and answer questions in English.

Webcast: https://purmogroup.videosync.fi/2023-q1-results

Teleconference lines: http://palvelu.flik.fi/teleconference/?id=10010611

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

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

Further information:

Katariina Kataja
Head of Investor Relations
Purmo Group Plc
Tel. +358 40 527 1427

Group financial overview

Net sales

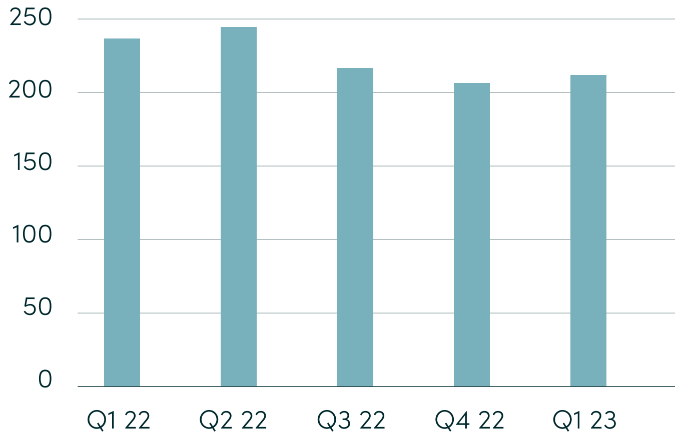
EUR million	1-3/2023	1-3/2022	Change, %	2022
Net sales, by segment				
Climate Products & Systems	169.3	194.5	-13%	720.6
Climate Solutions	42.5	41.8	2%	183.9
Eliminations	-0.1	-0.1	-34%	-0.4
Total	**211.7**	**236.2**	**-10%**	**904.1**

In January–March 2023, Purmo Group's net sales reached EUR 211.7 million (236.2); a decrease of 10 per cent. Organic net sales decline, adjusted for currency effect, acquisitions and divestments was 11 per cent. Acquisitions contributed 1 per cent to net sales growth. The net currency impact was negative 1 per cent.

The decline in net sales was a result of continued low demand in renovation and new build sectors across key markets for the Group. The decline derived from Eastern Europe, although the majority of sales regions were pressured by the weak market sentiment. Italy saw a more normalised market environment compared to the first quarter in 2022, which was characterised by exceptionally high heat pump sales volumes and higher prices, partly due to the delivery of backlog orders from 2021. This led to a decline in demand for the company's solutions, sold by Emmeti, within the region. The decline in demand was also seen in Sweden.

Net sales in Western Europe (43 per cent of the Group's total sales) declined by 4 per cent. Northern Europe (21 per cent of total) declined by 6 per cent. Central and Eastern Europe excluding Commonwealth of Independent States (CIS countries) (14 per cent of total) declined by 39 per cent. CIS countries (2 per cent of total) declined by 54 per cent. Southern Europe (15 per cent of total) declined by 11 per cent. The Rest of the World region (6 per cent of total) declined by 4 per cent.

Net sales, MEUR



Results and profitability

EUR million	1-3/2023	1-3/2022	Change, %	2022
Adjusted EBITDA, by segment				
Climate Products & Systems	22.7	22.9	-1%	71.7
Climate Solutions	6.2	8.5	-26%	29.9
Other and unallocated	-2.5	-2.1	15%	-8.7
Total	**26.4**	**29.2**	**-9%**	**92.9**
Adjusted EBITDA margin, %	**12.5%**	**12.4%**		**10.3%**

In January–March 2023, Purmo Group's adjusted EBITDA was EUR 26.4 million (29.2); a decrease of 9 per cent. The decline in adjusted EBITDA for the Group was a result of lower adjusted EBITDA for the Climate Solutions division. The decline in adjusted EBITDA was also caused by the strong comparison period in 2022 when the volumes and prices for heat pumps were elevated in Italy.

The adjusted EBITDA margin was 12.5 per cent (12.4).

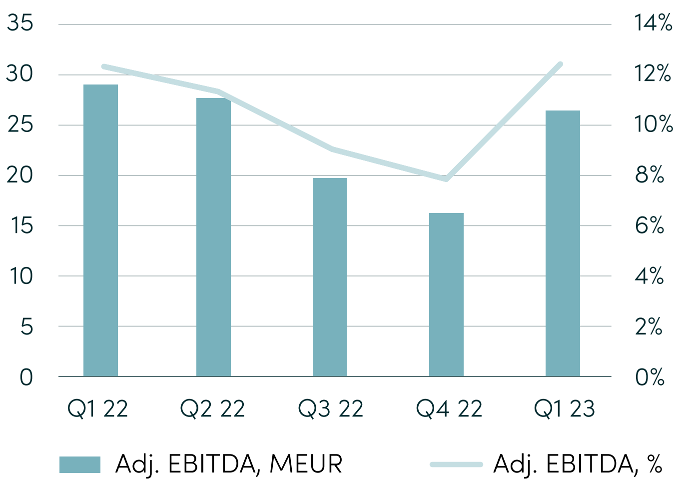
Comparability adjustments amounted to EUR 3.4 million (7.5). The adjustments were mainly related to EUR 1.7 million costs associated with Accelerate PG and EUR 1.3 million increase in the redemption liability related to Purmo Group's Russian business classified as assets held for sale.

Net financial items amounted to EUR -5.6 million (-2.8).

Profit before tax was EUR 9.5 million (11.3). Income tax expenses were EUR -2.7 million (-4.8) corresponding to an effective tax rate of 28.9 per cent (42.4). When excluding mostly the non-deductible adjustments to EBITDA, the effective tax rate was 23.1 per cent (25.1).

Profit for the review period was EUR 6.7 million (6.5) and adjusted profit for the period was EUR 10.1 million (14.0). Earnings per share were EUR 0.16 (0.16) and adjusted earnings per share were EUR 0.24 (0.34).

Adj. EBITDA and Adj. EBITDA, %



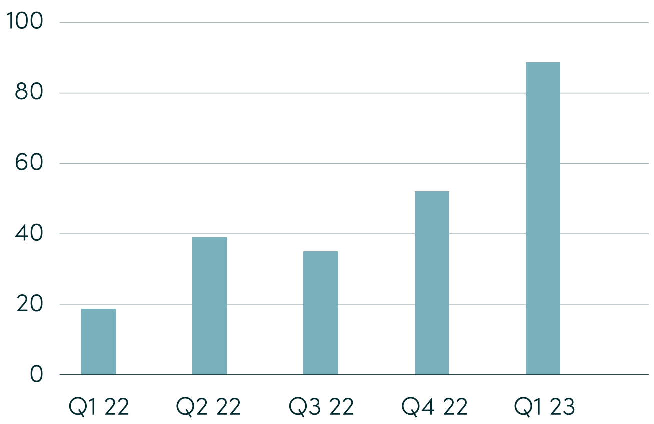
Cash flow and financial position

Cash flow from operating activities was EUR -1.2 million (-38.9). The improvement was mainly due to positive development in net working capital with the support of Accelerate PG.

The typical seasonal low point for net working capital is December, after which it builds up during the first and second quarter before reducing again during the third and fourth quarter.

Adjusted operating cash flow for the last 12 months increased by 376 per cent to EUR 88.4 million (18.6) and the cash conversion increased to 98.2 per cent (17.8). The change was a result of a positive development in net working capital of EUR 23.9 million (-69.7) which was offset by a minor increase in capex spend in the last 12 months of EUR -25.6 million (-15.7), mainly related to strategic projects. The adjusted EBITDA during the last 12 months decreased slightly to EUR 90.1 million (104.0).

Adj. operating cash flow, last 12 months, MEUR



Cash flow from investment activities was EUR -3.9 million (-16.9). 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 increased to EUR -3.9 million (-2.4).

Cash flow from financing activities was EUR 49.2 million (-84.2), mainly from the proceeds from the hybrid bond of EUR 60.0 million in February 2023.

At the end of March 2023, the Group's net debt was EUR 226.9 million (31 Dec 2022: 275.2) and the net debt to adjusted EBITDA ratio, based on the last 12 month's adjusted EBITDA, was 2.52 (31 Dec 2022: 2.96). The hybrid bond is treated as equity according to IFRS and therefore not included in net debt. The equity ratio was 44.9 per cent (31 Dec 2022: 41.0) and it improved compared to the corresponding period last year due to 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.

At the end of March 2023, the liquidity position in terms of cash and cash equivalents totalled EUR 101.6 million (31 Dec 2022: 33.2). The company has a Finnish commercial paper programme totalling EUR 100.0 million (31 Dec 2022: 100.0) of which EUR 100.0 million was unutilised (31 Dec 2022: 10.0 outstanding). The company also had an EUR 80.0 million (31 Dec 2022: 80.0) undrawn committed revolving credit facility and EUR 20.5 million (31 Dec 2022: 20.5) of undrawn overdraft facilities with core financial institutions.

Total equity was EUR 468.2 million (31 Dec 2022: 412.9). The increase was mainly due to the hybrid bond.

Market overview

Purmo Group's indoor climate comfort solutions are sold primarily across Europe; mainly to residential buildings but also to non-residential buildings. In total, the residential market is estimated to be worth of approximately 930 billion euros in 2023. The residential market in renovation projects is expected to decline from 2023 until 2024, with gradual recovery in 2025. New contruction is expected to grow sligthly in residential market during the same time period. The non-residential market is estimated to be around 559 billion euros in 2023. The non-residential construction market is expected to grow to a degree during 2023-2025, both in renovation and new contruction projects. (Euroconstruct, November 2022).

The demand for Purmo Group is driven by renovation as well as new construction projects. Approximately half of the Group's net sales is generated from renovation with the remainder from new construction projects worldwide.

During the first quarter of 2023, construction market activity within the company's key markets remained weak. Renovation and new construction projects were cancelled or postponed as a result of continued high inflation and high interest rates. However, wholesalers' stock levels normalised compared to the previous quarters.

The demand for the Group's products was strongest in France and Brazil, while the demand from Eastern Europe remained burdened by the war in Ukraine. The demand in Italy and Sweden also declined. Italy saw a more normalised market environment compared to the first quarter in 2022, which was characterised by exceptionally high heat pump sales volumes and higher prices, partly due to the delivery of backlog orders from 2021.

Sales volumes were the highest in products related to underfloor heating including pipes and controls, in addition to produtcs for water distribution, with pipes and fittings in particular. Volumes dropped in heat pumps, solar panels and products related to air conditioning during the quarter.

The estimated compound annual growth rate for Purmo Group's solutions varies. Within the Group's addressable HVAC market, heat pumps are expected to grow by 23 per cent (2021-2026), while fixed electric heating (such as electric radiators) is expected to grow by 4 per cent during 2021-2026. Radiant heating and cooling (heat emitters such as underfloor heating and ceiling panels) is estimated to grow by approximately 2 per cent during the corresponding time frame. (BRG, Updated market trend as of Oct 2022 (excl. RHC; based on 2021 data and Management's view)). The management of the company estimates that the solutions market, in which the company provides combined solutions for heating and cooling, is expected to grow by 6 per cent between 2022-2027.

17 per cent of all energy consumption in Europe is used to heat and cool homes. Furthermore, circa 40 per cent of the EU's CO_2 emissions today comes from buildings and 75% of the buildings in the EU require deep energy renovation. (European Commission, EU-27 in 2018; IPCC (The Intergovernmental Panel on Climate Change)).

The European Union's Green Deal, which defines Europe as becoming the first carbon neutral continent by 2050, has encouraged the majority of countries in Europe and globally to introduce incentives and programmes for energy efficiency, suitable for renovation and new building purposes.

These initiatives provide strong opportunities for Purmo Group which has dentified energy incentives and programmes in Central Europe, including Germany, Austria, Czech Republic, France and Belgium as well as similar incentives in the Nordics, in Sweden and Finland. There are energy improvement schemes in Eastern Europe, including Lithuania, Estonia, Kazakhstan, Uzbekistan, Georgia and Poland and finally, the United States, United Kingdom and China also offer incentives for energy improvement projects.

Climate Products & Systems Division

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

EUR million	1-3/2023	1-3/2022	Change, %	2022
Net sales	169.3	194.5	-13%	720.6
Adjusted EBITDA	22.7	22.9	-1%	71.7
Adjusted EBITDA margin, %	13.4%	11.8%		9.9%
Depreciations, amortisations and impairments	-6.8	-14.4	-53%	-34.9

Net sales

In January–March 2023, net sales for the Climate Products & Systems division decreased by 13 per cent to EUR 169.3 million (194.5) of which 12 per cent was an organic net sales decline. Acquisitions did not contribute to the division's net sales growth. The currency impact had a negative effect of 1 per cent.

Net sales of radiators amounted to EUR 110.2 million (135.0). Weak demand in the renovation and new build markets led to an organic sales volume decline in radiators of around 23 per cent during the quarter. The decline was offset by 7 per cent improvement in sales prices in radiators.

During the first quarter of the year, the sales decline was mostly from Eastern Europe, as a result of the war in Ukraine. Volumes were also depressed across the division's other regions.

Profitability

In January–March 2023, adjusted EBITDA of the Climate Products & Systems division decreased slightly by 1 per cent to EUR 22.7 million (22.9). The adjusted EBITDA margin improved to 13.4 per cent (11.8).

The increase in adjusted EBITDA margin was a result of successful strategic and inflationary price increases which offset the decline in sales and production volumes. The division also continued to optimise costs related to production and operations during the quarter.

Climate Solutions Division

Climate Solutions division sells 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. 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.

EUR million	1-3/2023	1-3/2022	Change, %	2022
Net sales	42.5	41.8	2%	183.9
Adjusted EBITDA	6.2	8.5	-26%	29.9
Adjusted EBITDA margin, %	14.7%	20.2%		16.3%
Depreciations, amortisations and impairments	-1.2	-0.8	42%	-4.5

Net sales

In January–March 2023, net sales for the Climate Solutions division increased by 2 per cent to EUR 42.5 million (41.8), of which 6 per cent was organic net sales decline. The Thermotech business contributed 8 per cent to the division's net sales growth. The currency impact was neutral.

The net sales growth was a result of consolidation of Thermotech for the full quarter compared to one month in the comparison period. Net sales growth slowed down compared to previous quarters due to the decline in demand in Italy and Sweden. Italy saw a more normalised market environment compared to the first quarter in 2022, which was characterised by exceptionally high heat pump sales volumes and higher prices, partly due to the delivery of backlog orders from 2021. However, the demand was strong in France and Brazil, where the volumes in pipes and fittings were high. Net sales growth was also moderate as a result of strong comparison period in 2022 when the volumes and prices for heat pumps were elevated in Italy.

Profitability

In January–March 2023, adjusted EBITDA of the Climate Solutions division decreased by 26 per cent to EUR 6.2 million (8.5). Furthermore, the Thermotech business contributed about EUR 0.4 million to the adjusted EBITDA.

The adjusted EBITDA margin was 14.7 per cent (20.2). The decrease was a result of higher volumes and early price increases of heat pumps sold via the Italian subsidiary Emmeti in the corresponding period last year.

Investments, acquisitions, structural changes and R&D

Investments

In January–March 2023, capital expenditure excluding business combinations and leased assets totalled EUR 3.9 million (2.4). The investments were related primarily to strategic projects and factory expansions and maintenance.

Acquisitions and disposals

There were no acquisitions or disposals during the first quarter of the 2023.

Structural changes

At the end of March 2022, Purmo Group took the decision to exit its business in Russia. The company is seeking to divest and complete an orderly transfer of the business to a new owner in compliance with international and local laws in Russia. Upon completion of the divestment, the company will no longer have a manufacturing operation or sales in Russia. Purmo Group has classified its Russian business as assets held for sale, resulting in a non-recurring impairment and write-down of EUR 6.9 million in March 2022 and additional write-down of EUR 6.0 million in December 2022, totaling EUR 12.9 million. In March 2023 the redemption liability related to Purmo Group's Russian business was increased by EUR 1.3 million. For accounting purposes, the Russian business is presented as continuing operations as it does do not meet the criteria for discontinued operations. Russia represented less than 3 per cent of Purmo Group's total net sales in 2022.

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. Additionally, focus is, on minimising material usage including product packaging, and on smart design that improves emitter 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 continued to focus on three clear strategic priorities during the quarter: intelligence and connectability, sustainability and aesthetics.

Research and development (R&D) expenditure totalled EUR 1.7 million (1.8) in January–March 2023.

During the first quarter of 2023, Purmo Group 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 during the quarter, 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.

Strategy

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

(i) scaling-up of solution-selling in order 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 targeted adjusted EBITDA run-rate improvements are EUR 20 million by the end of 2023, and cumulatively EUR 40 million by the end of 2024.

The profitability improvements include both variable and fixed cost savings, excluding areas where market growth is expected to continue. Additionally, the company continues to evaluate accelerating its footprint optimisation, covering both manufacturing and supply chain.

The costs for the programme are expected to be approximately EUR 43 million, of which EUR 33 million is expected to be incurred before the end of 2023 and the remainder in 2024.

The progress of Purmo Group's ongoing strategy acceleration programme was strong and ahead of plan during the first quarter of the year. Implemented adjusted EBITDA run-rate improvements at the end of the first quarter amounted to EUR 12.1 million, up from EUR 1.4 million at the end of 2022. The most significant improvements within the strategy acceleration programme have been generated from pricing optimisation, cost reductions from operating model changes, and procurement savings.

Sustainability

Purmo Group's "Complete Care" approach to sustainability is designed to be wide-reaching, transparent, tangible, measurable and effective. It covers four focus areas: **Production**, the way Purmo Group make things; **Solutions**, the things Purmo Group makes; **People**, the Purmo Group employees that make them; and **Communities**, the communities Purmo Group reach.

Purmo Group continued to make good progress against its ESG targets in the first quarter of 2023. In March, Purmo Group published its first Sustainability Report, which included in-depth overview of the company's sustainability strategy and progress in 2022.

Production

Carbon intensity increased by 10 per cent to 104.3 (94.5) during the first quarter due to lower sales volumes compared to the corresponding period last year. Scope 1 and 2 greenhouse gas (GHG) emissions decreased by 5 per cent to 22,087 tCO_2e (23,156) principally due to lower production volumes during the quarter.

Solutions

Purmo Group launched a visual device, Paula Bear, representing its commitment to a greener and cleaner production, its ambition to offer sustainable indoor climate comfort solutions and its care for employees and the communities in which it operates. The Paula Bear image will appear on improved packaging, improved products and on any initiative that acts in line with Purmo Groups 'Complete Care' strategy.

People

In the first quarter, the Lost Time Injury Frequency Rate per million hours worked (LTIFR) increased by 47 per cent to 6.6 (4.5). The number of safety observations reduced by 12 per cent to 289 (329).

Communities

Purmo Group employees dedicated 1,708 hours in total (155) for volunteering to local communities during the first quarter of 2023.

Other material activities

Purmo Group has committed to submit Science Based Targets for certification in 2023. These targets which will give a clearly defined path to reduce emissions in line with the Paris Agreement goals for Europe to reach net-zero global Green House Gas (GHG) emissions by 2050 the latest in order to limit global warming to 1.5°C or lower.

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

Key indicators

EUR million	1-3/2023	1-3/2022	Change, %	2022
Production				
Scope 1 and 2 GHG emissions, tCO_2e[1]	22,087	23,156	-5%	79,035
Scope 3 GHG emissions from procured steel, tCO_2e[2]	52,704	93,447	-39%	279,578
Scope 1 and 2 carbon intensity[3]	104.3	94.5	10%	87.4
Solutions				
Customer Net Promoter Score, cNPS[4]	–[7]	–[7]	–	33.0
Customer Sustainability Net Promoter Score, sNPS[5]	–[7]	–[7]	–	8.0
People				
Lost Time Injury Frequency Rate, LTIFR[6]	6.6	4.5	47%	4.9
Number of safety observations	289	329	-12%	1,218
Number of accidents	9	7	29%	28
Proportion women in senior management positions	26%	27%		27%
Communities				
Number of volunteering hours	1,708	155	1002%	6,680

[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 you 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] Certain data is unavailable because it is currently not collected on a quarterly basis.

Other significant events during the quarter

On 24 March 2023, Purmo Group announced that it was providing restated financial information for 2022 reflecting the new segment reporting structure aligned with the new organisational structure. The information included net sales, adjusted EBITDA as well as depreciation, amortisation and impairment of the Climate Products & Systems and the Climate Solutions divisions as well as Other and unallocated items. The restatement has no impact on the Group's financial figures.

On 20 March 2023, Purmo Group announced that the Finnish Financial Supervisory Authority had approved the listing prospectus of the Capital Securities. The prospectus is available in English on Purmo Group's website at https://investors.purmogroup.com/greenfinance/.

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 will join Purmo Group on 22 June 2023. Mr. Cavander will report to Chief Executive Officer John Peter Leesi and will be based in Helsinki, Finland.

On 16 February 2023, Purmo Group announced the issuance of green capital securities (hybrid bond) of EUR 60 million in total (the "Capital Securities"). The Capital Securities will bear interest at a fixed rate of 9.5 per cent per annum until 23 February 2026 after which the Capital Securities will bear interest at a floating interest rate quarterly in arrears on each interest payment date. The Capital Securities do not have a specified maturity date, and Purmo Group is not under an obligation to repay, repurchase or redeem the Capital Securities at any specified date. Purmo Group has the possibility to redeem the Capital Securities on the reset date, 23 February 2026. The rationale for the issuance of the Capital Securities is to ensure funding for Purmo Group's announced strategy acceleration programme. The net proceeds from the issue will be used in accordance with Purmo Group's Green Finance Framework announced on 13 February 2023. The issue date for Capital Securities was 23 February 2023.

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.

Events after the review period

There were no significant events after the review period.

Shares and shareholders

Share capital, number of shares and shareholders

	31 Mar 2023
Number of class C shares	41,112,713
Number of class F shares	1,565,217
Number of shareholders	3,268 (31 Mar 2022: 3,098)

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

On 31 March 2023 the five largest shareholders were Rettig Group 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 (1.44 per cent).

Board authorisation regarding share issue and share repurchase

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

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

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

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

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

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

Flagging notifications

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

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

Managers' transactions

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

Trading of shares on Nasdaq Helsinki

	1 Jan–31 Mar 2023
High, EUR	9.14
Low, EUR	8.16
Volume-weighted average price	8.51
Closing price, EUR, 31 March 2023	8.40
Market capitalisation, class C share, EUR million, 31 March 2023	345.3
Number of traded shares	284,160

Closing share price and daily trading volume 1 April 2022–31 March 2023, EUR

Governance

Personnel

The number of Group full-time-equivalent employees averaged 3,330 (3,471) in January–March. At the end of the period, the Group had 3,311 (3,468) full-time-equivalent employees. The decrease in full-time-equivalent employees was mainly due to organisational effectiveness related to Accelerate PG.

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 will join Purmo Group on 22 June 2023. Mr. Cavander will report to Chief Executive Officer John Peter Leesi and will be based in Helsinki, Finland.

The new organisational structure has been effective from 1 January 2023. The management team within the new organisational structure is as follows:

- John Peter Leesi, Chief Executive Officer
- Erik Hedin, Chief Operating Officer
- Mike Conlon, President, Climate Solutions division
- Barry Lynch, President, Climate Products & Systems division
- Linda Currie, Chief People Officer
- Matts Rosenberg, interim Chief Financial 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 pay out period covers the financial years of 2026–2027. A total of 66,403 class C shares and 29 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 will be 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 will be 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 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 will accept his role as a member of the Audit Committee when his role as interim CFO of Purmo Group ends and Jan-Elof Cavander starts as a CFO of Purmo Group on 22 June 2023, at the latest.
- 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 2022, Purmo Group Plc's three largest shareholders nominated the following representatives to the Shareholders' Nomination Board:

- Matts Rosenberg (Chairman)
- Alexander Ehrnrooth
- Peter Seligson

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. KPMG Oy Ab has informed the Company that Authorized Public Accountant Kim Järvi will continue as the auditor in charge. 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 the 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. 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 cost control and implementation of sales price increases, which are part of normal management activities and Accelerate PG programme. There is no certainty whether the inflation rates will decrease in the near future. Fluctuations in the prices of raw materials, consumables, energy, and freight rates as well as problems with 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.

Uncertainty in global economy and rising 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. 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 has had an impact in 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 creates 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 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 energy efficiency of products, the expectations related to ESG are increasing. Purmo Group has a sustainability strategy and a function. Proactive, effective and succesful measures may mean that Purmo Group is able to create business opportunities relating to the expectations and requirements.

There is an increased level of cyberthreat activity in Europe. The company has a function responsible for the Group's cyber security. In order to respond to the increased cyberthreats, 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 consequenses also in other markets than Russia and Ukraine. 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.

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–March 2023, organic net sales decreased by 11 per cent, while total net sales decreased by 10 per cent to EUR 211.7 million (232.6). The decline in net sales was a result of continued low demand in renovation and new build sectors across key markets for the Group.

Profitability

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

In January–March 2023, the adjusted EBITDA margin was 12.5 per cent (12.4).

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 March 2023, net debt / adjusted EBITDA was 2.52 (31 Dec 2022: 2.96). The decrease in the ratio was due to lower level of net debt mainly as a result of the issuance of hybrid bond of EUR 60.0 million in February.

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 2022 Purmo Group Plc distributes a return of capital of EUR 0.36 per class C share and EUR 0.07 per class F share. The return of capital will be paid in four instalments on 21 April 2023, 22 September 2023, 19 December 2023 and 22 March 2024.

Financial guidance for 2023

Purmo Group reiterates its financial guidance for 2023. Adjusted EBITDA in 2023 is expected to be on a similar level to 2022 (EUR 92.9 million). Similar means being within +/- 5 per cent of the previous year.

The solid earnings performance during the first quarter combined with the ahead of plan progress of the Accelerate PG programme provides confidence in the outlook for the rest of the year. Purmo Group reiterates the previously communicated targets for the Accelerate PG programme – targeted adjusted EBITDA run-rate improvements of EUR 20 million by the end of 2023 and cumulatively EUR 40 million by the end of 2024.

The visibility for 2023 is limited due to macroeconomic uncertainties and the market environment continues to be challenging in Purmo Group's addressable markets. Furthermore, the guidance also factors in that Purmo Group is building up capabilities to facilitate future growth which impacts the company's cost base, and hence, the net savings from the Accelerate PG programme.

In Helsinki, 25 April 2023

Purmo Group Plc's Board of Directors

Condensed consolidated financial information

Consolidated statement of profit and loss

EUR million, unless otherwise indicated	Note	1-3/2023	1-3/2022	2022
Net sales	3	211.7	236.2	904.1
Cost of sales		-155.7	-178.9	-700.8
Gross profit		**56.0**	**57.2**	**203.3**
Sales and marketing expenses		-22.9	-22.3	-87.9
Administrative expenses		-12.8	-10.9	-51.5
Research and development expenses		-1.7	-1.8	-6.2
Other income		0.6	0.3	4.9
Other expenses		-4.2	-8.4	-23.7
Operational expenses		**-40.9**	**-43.1**	**-164.3**
EBIT		**15.1**	**14.1**	**39.0**
Finance income		1.8	1.1	5.7
Finance expenses		-7.4	-4.0	-23.1
Net financial items		**-5.6**	**-2.8**	**-17.4**
Profit before tax		**9.5**	**11.3**	**21.6**
Income tax expense	4	-2.7	-4.8	-8.4
Profit for the period		**6.7**	**6.5**	**13.1**
Profit for the period attributable to:				
Owners of the parent		6.7	6.5	13.1
Earnings per share for profit attributable to the ordinary equity holders of the parent company:				
Earnings per share basic, EUR		0.16	0.16	0.32
Earnings per share diluted, EUR		0.16	0.16	0.32

Consolidated statement of comprehensive income

EUR million	1-3/2023	1-3/2022	2022
Profit for the period	6.7	6.5	13.1
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Re-measurement of defined benefit liability (asset)	0.3	8.2	2.2
Related tax	-0.1	-1.6	-0.2
Total items that will not be reclassified to profit or loss	**0.2**	**6.6**	**1.9**
Items that are or may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences	-0.9	0.2	0.5
Reclassification of foreign currency translation differences through profit and loss	–	–	0.4
Cash flow hedges – effective portion of changes in fair value	-0.6	-0.3	3.4
Cash flow hedges – reclassified to profit or loss	-0.1	0.3	0.7
Related tax	0.1	0.0	-0.8
Total items that are or may be reclassified to profit or loss	**-1.4**	**0.2**	**4.2**
Other comprehensive income, net of tax	**-1.2**	**6.8**	**6.2**
Total comprehensive income for the period	**5.6**	**13.2**	**19.3**
Total comprehensive income attributable to:			
Owners of the parent	5.6	13.2	19.3

Consolidated balance sheet

EUR million	Note	31 Mar 2023	31 Mar 2022	31 Dec 2022
Assets				
Non-current assets				
Goodwill	5	370.5	386.2	370.6
Other intangible assets	5	45.4	40.6	47.0
Property, plant and equipment	5	127.1	126.3	127.3
Right-of-use assets	5	40.1	33.7	39.3
Defined benefit assets		2.6	13.9	2.2
Derivative assets	7	2.2	–	2.7
Other receivables		0.6	0.9	0.7
Deferred tax assets		29.4	24.9	29.2
Total non-current assets		**617.9**	**626.7**	**618.9**
Current assets				
Inventories		169.1	167.9	174.1
Trade receivables	7	114.2	137.9	89.1
Derivative assets	7	2.4	0.9	2.7
Other receivables		22.6	22.1	25.6
Current tax asset		4.1	3.9	3.1
Cash and cash equivalents		101.6	33.2	56.3
Total current assets		**414.0**	**365.9**	**350.7**
Assets held for sale	11	**10.4**	**19.5**	**14.0**
Total assets		**1,042.4**	**1,012.0**	**983.7**
Equity and liabilities				
Equity				
Share capital		3.1	3.1	3.1
Reserve of invested unrestricted equity		380.8	395.0	380.8
Other reserves		-6.4	-9.1	-5.0
Retained earnings		24.8	17.4	11.3
Profit for the period		6.7	6.5	13.1
Equity attributable to owners of the company		**409.0**	**412.9**	**403.3**
Hybrid bond		59.3	–	–
Total equity		**468.2**	**412.9**	**403.3**
Liabilities				
Non-current liabilities				
Loans and borrowings	7	278.3	277.8	278.1
Lease liabilities		34.8	34.8	34.3
Defined benefit liabilities		18.5	22.9	18.7
Derivative liabilities		0.0	–	–
Other payables		1.4	3.9	1.4
Provisions	8	7.9	7.7	7.8
Deferred tax liabilities		5.0	5.1	5.4
Total non-current liabilities		**345.9**	**352.2**	**345.6**
Current liabilities				
Loans and borrowings	7	4.0	13.4	11.3
Lease liabilities		9.9	5.5	9.4
Derivative liabilities	7	1.6	2.3	1.5
Trade and other payables	7	192.1	202.8	193.4
Provisions	8	0.2	4.6	0.4
Current tax liabilities		10.2	7.9	8.8
Total current liabilities		**218.0**	**236.7**	**224.8**
Total liabilities		**563.8**	**588.8**	**570.5**
Liabilities directly attributed to assets held for sale	11	**10.3**	**10.3**	**10.0**
Total equity and liabilities		**1,042.4**	**1,012.0**	**983.7**

Consolidated statement of cash flows

EUR million	1-3/2023	1-3/2022	2022
Cash flow from operating activities			
Profit for the period	6.7	6.5	13.1
Adjustments:			
Depreciation, amortisation and impairment losses	8.0	7.6	32.1
Gain and losses on sale of property, plant and equipment and intangible assets	–	0.1	–
Gain and losses on sale of subsidiaries	–	–	-1.2
Finance income and expenses	5.6	2.8	17.4
Income tax expenses	2.7	4.8	8.4
Other non-cash items	1.3	6.5	21.0
Cash flow before change in net working capital	**24.3**	**28.2**	**90.9**
Changes in net working capital			
Inventories, increase (-) / decrease (+)	6.1	-14.8	-21.4
Trade and other receivables, increase (-) / decrease (+)	-51.0	-55.2	25.4
Trade and other payables, increase (+) / decrease (-)	27.9	8.5	-31.5
Provisions and employee benefits, increase (+) / decrease (-)	-0.2	-0.1	-4.1
Changes in net working capital	**-17.3**	**-61.5**	**-31.5**
Net cash flow from operating activities before financial items and taxes	**7.1**	**-33.3**	**59.4**
Financial items, net	-5.4	-2.6	-17.4
Income taxes paid, net	-3.0	-3.0	-10.9
Cash from operating activities	**-1.2**	**-38.9**	**31.1**
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets	–	0.0	3.1
Proceeds from sale of subsidiaries	–	–	2.7
Purchases of property, plant and equipment and intangible assets	-3.9	-2.4	-24.0
Acquisitions of subsidiaries, net of cash acquired	–	-14.6	-14.6
Long-term loan receivables granted	–	–	-0.2
Proceeds from long-term loan receivables	0.1	–	0.1
Cash flow from investing activities	**-3.9**	**-16.9**	**-32.9**
Cash flow from financing activities			
Increase of equity	–	–	0.7
Return of capital paid	–	–	-14.9
Proceeds from hybrid bond	60.0	–	–
Hybrid bond interest and expenses	-0.7	–	–
Repayment of lease liabilities	-2.9	-2.6	-11.6
Change in short-term borrowings	-7.2	-81.6	-85.0
Cash flow from financing activities	**49.2**	**-84.2**	**-110.8**
Change in cash and cash equivalents, increase (+) / decrease (-)	**44.0**	**-140.1**	**-112.6**
Cash and cash equivalents at beginning of the period	**65.4**	**177.6**	**177.6**
Impact of change in exchange rates	-0.6	0.5	0.3
Cash classified as assets held	-7.1	-4.9	-9.1
Cash and cash equivalents at end of the period	**101.6**	**33.2**	**56.3**

Consolidated statement of changes in equity

EUR million	Share capital	Reserve of invested unrestricted equity	Translation reserve	Fair value reserve	Retained earnings	Total	Hybrid bond	Total equity
	Attributable to owners of the parent company							
Balance as at 1 Jan 2022	**3.1**	**385.9**	**-8.7**	**-0.6**	**10.9**	**390.6**	**-**	**390.6**
Profit for the period					6.5	6.5		6.5
Other comprehensive income			0.2	-0.0	6.6	6.8		6.8
Total comprehensive income			**0.2**	**-0.0**	**13.1**	**13.2**	**-**	**13.2**
Share issue		9.1				9.1		9.1
Balance as at 31 Mar 2022	**3.1**	**395.0**	**-8.5**	**-0.6**	**23.9**	**412.9**	**-**	**412.9**
Profit for the period					6.6	6.6		6.6
Other comprehensive income			0.7	3.3	-4.6	-0.6		-0.6
Total comprehensive income			**0.7**	**3.3**	**2.0**	**6.1**		**6.1**
Dividends and return of capital paid		-14.9				-14.9		-14.9
Share issue		0.7				0.7		0.7
Share-based payments					0.2	0.2		0.2
Other changes					-1.7	-1.7		-1.7
Balance as at 31 Dec 2022	**3.1**	**380.8**	**-7.8**	**2.7**	**24.4**	**403.3**	**-**	**403.3**
Profit for the period					6.7	6.7		6.7
Other comprehensive income			-0.9	-0.5	0.2	-1.2		-1.2
Total comprehensive income			**-0.9**	**-0.5**	**6.9**	**5.6**	**-**	**5.6**
Share-based payments					0.1	0.1		0.1
Proceeds from hybrid bond							59.3	59.3
Balance as at 31 Mar 2023	**3.1**	**380.8**	**-8.6**	**2.2**	**31.5**	**408.9**	**59.3**	**468.2**

Notes to the interim financial report

1. Reporting entity

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

This unaudited interim financial report 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 Helsinki stock exchange.

2. Basis of preparation

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

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

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

New and amended standards

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

Seasonality

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

Key accounting estimates and judgements

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

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

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

3. Segment information and net sales

Group's divisions

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

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

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

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

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

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

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

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

1-3/2023

EUR million	Climate Products & Systems	Climate Solutions	Other and unallocated	Eliminations	Group
Net sales	**169.3**	**42.5**	**-**	**-0.1**	**211.7**
Adjusted EBITDA	**22.7**	**6.2**	**-2.5**	**-**	**26.4**
Adjusted EBITDA % of net sales	**13.4%**	**14.7%**			**12.5%**
Comparability adjustments impacting period profit and loss					-3.4
Depreciation, amortisation and impairment	-6.8	-1.2	-0.0	-	-8.0
EBIT					**15.1**
Net financial items					-5.6
Profit before tax					**9.5**

1-3/2022

EUR million	Climate Products & Systems	Climate Solutions	Other and unallocated	Eliminations	Group
Net sales	**194.5**	**41.8**	**-**	**-0.1**	**236.2**
Adjusted EBITDA	**22.9**	**8.5**	**-2.1**	**-**	**29.2**
Adjusted EBITDA % of net sales	**11.8%**	**20.2%**			**12.4%**
Comparability adjustments impacting period profit and loss					0.1
Depreciation, amortisation and impairment	-14.4	-0.8	0.0	-	-15.2
EBIT					**14.1**
Net financial items					-2.8
Profit before tax					**11.3**

2022

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

Net sales by market area for divisions

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

	1–3/2023				1–3/2022			
EUR million	Climate Products & Systems	Climate Solutions	Elimi-nations	Group	Climate Products & Systems	Climate Solutions	Elimi-nations	Group
Northern Europe[1]	36.8	6.8	0.0	43.6	42.6	3.9	0.0	46.5
Western Europe	87.9	3.3	0.0	91.2	92.3	2.8	0.0	95.1
Central and Eastern Europe	31.7	1.9	0.0	33.5	45.2	2.5	0.0	47.7
Southern Europe	7.3	24.3	0.0	31.6	7.1	27.4	0.0	34.5
Rest of the world	5.6	6.2	0.0	11.9	7.2	5.1	0.0	12.4
Net sales	**169.3**	**42.5**	**-0.1**	**211.7**	**194.5**	**41.8**	**-0.1**	**236.2**

[1] Net sales in Finland (company's country of domicile) totalled to EUR 4.0 million (3.8).

	2022			
EUR million	Climate Products & Systems	Climate Solutions	Eliminations	Group
Northern Europe[1]	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	0.0	58.9
Net sales	**720.6**	**183.9**	**-0.4**	**904.1**

[1] Net sales in Finland (company's country of domicile) totalled to EUR 17.8 million (14.0).

The Group has one customer that amounts to more than 10 per cent of the Group's net sales.

4. Taxes

Total income tax expense of the Group for the reporting period was EUR 2.7 million (4.8) corresponding to a reported effective tax rate of 28.9 per cent (42.4). The tax expenses are impacted by the following non-deductible items: an EUR 1.3 million increase in redemption liability related to the Russian businedd assets held for sale as well as a trademark amortisation of EUR 0.9 million related to previous years company structuring. When excluding these effects, the effective tax rate is 23.1 per cent (25.1).

5. Intangible and tangible assets

Intangible assets

EUR million	31 Mar 2023	31 Mar 2022	31 Dec 2022
Opening balance	**417.5**	**405.5**	**405.5**
Effect of exchange rates	-0.3	0.0	-0.1
Purchases of subsidiaries and business acquisitions	–	25.3	18.2
Additions	0.1	0.2	1.7
Disposals	–	–	-0.2
Transfers	-0.5	0.7	0.3
Amortisation	-0.9	-0.8	-3.9
Impairment charges	–	-4.0	-4.0
Closing balance	**415.9**	**426.8**	**417.5**

Property, plant and equipment

EUR million	31 Mar 2023	31 Mar 2022	31 Dec 2022
Opening balance	**127.3**	**131.9**	**131.9**
Effect of exchange rates	-0.4	-0.4	-1.8
Purchases of subsidiaries and business acquisitions	–	1.3	1.1
Classified as held for sale	–	0.0	–
Additions	4.5	1.8	23.7
Disposals	-0.2	–	-25.8
Transfers	0.5	0.0	-0.3
Depreciations	-4.7	-5.0	-19.1
Depreciations on disposals	0.1	0.0	20.4
Impairment charges	–	-3.3	-3.0
Closing balance	**127.1**	**126.3**	**127.3**

Right-of-use assets

EUR million	31 Mar 2023	31 Mar 2022	31 Dec 2022
Opening balance	**39.3**	**31.3**	**31.3**
Effect of exchange rates	0.0	-0.2	-0.4
Purchases of subsidiaries and business acquisitions	–	2.8	2.9
Classified as held for sale	–	-0.4	0.0
Additions	2.8	2.1	14.4
Disposals	0.2	0.0	-0.2
Depreciations	-2.3	-1.9	-9.2
Impairment charges	–	-0.4	-0.4
Closing balance	**40.0**	**33.7**	**39.3**

6. Changes in the shares outstanding during the reporting period

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

The company's registered share capital on 31 March 2023 was EUR 3,080,000. The company has two share classes of which class C shares are listed and class F shares are held by Purmo Group Plc's founding shareholder, Virala Corporation. The shares have no nominal value.
The company's class F shares ("Founder Shares") are subject to redemption and consent clauses in accordance with the Articles of Association, which restrict the rights to transfer or acquire Founder Shares. The Founder Shares are not publicly traded. The company has no treasury shares.

7. Financial instruments

31 Mar 2023

	Carrying amount					
EUR million	Fair value through OCI	Fair value through profit or loss	Amortised cost	Total	Fair value	Fair value hierarchy level
Financial assets						
Forward foreign exchange contracts	1.9	0.5		2.4	2.4	Level 2
Interest rate derivatives	2.2			2.2	2.2	Level 2
Loan receivables			0.5	0.5	0.5	Level 2
Trade receivables			114.2	114.2	114.2	Level 2
Cash and cash equivalents[1]			108.8	108.8	108.8	
Total assets	**4.1**	**0.5**	**223.4**	**228.1**	**228.1**	
Financial liabilities						
Forward foreign exchange contracts	1.4	0.2		1.6	1.6	Level 2
Interest rate derivatives	0.0			0.0	0.0	Level 2
Loans from financial institutions			282.3	282.3	282.3	Level 2
Redemption liability[2]			8.3	8.3	8.3	Level 3
Trade payables			105.1	105.1	105.1	Level 2
Total liabilities	**1.5**	**0.2**	**395.6**	**397.3**	**397.3**	

[1] Cash and cash equivalents include EUR 7.1 million classified as assets held for sale.
[2] The redemption liability has been classified as liabilities related to assets held for sale.

31 Mar 2022

EUR million	Carrying amount					
	Fair value through OCI	Fair value through profit or loss	Amortised cost	Total	Fair value	Fair value hierarchy level
Financial assets						
Forward foreign exchange contracts	0.5	0.4		0.9	0.9	Level 2
Loan receivables						Level 2
Trade receivables			137.9	137.9	137.9	Level 2
Cash and cash equivalents[1]			38.0	38.0	38.0	
Total assets	**0.5**	**0.4**	**176.0**	**176.8**	**176.8**	
Financial liabilities						
Forward foreign exchange contracts	1.4	1.0		2.3	2.3	Level 2
Loans from financial institutions			279.3	379.3	379.3	Level 2
Commercial papers			12.0	12.0	12.0	Level 2
Redemption liability[2]			6.9	6.9	6.9	Level 3
Trade payables			111.3	111.3	111.3	Level 2
Total liabilities	**1.4**	**1.0**	**409.4**	**411.8**	**411.8**	

[1] Cash and cash equivalents include EUR 4.9 million classified as assets held for sale.
[2] The redemption liability has been classified as liabilities related to assets held for sale.

31 Dec 2022

EUR million	Carrying amount					
	Fair value through OCI	Fair value through profit or loss	Amortised cost	Total	Fair value	Fair value hierarchy level
Financial assets						
Forward foreign exchange contracts	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						
Forward foreign exchange contracts	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			102.1	102.1	102.1	Level 2
Total liabilities	**1.4**	**0.1**	**399.1**	**400.6**	**400.6**	

[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.

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

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

Carrying amounts and fair values of financial instruments

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

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

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

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

8. Provisions

EUR million	31 Mar 2023	31 Mar 2022	31 Dec 2022
Non-current			
Warranties and guarantees	1.6	1.4	1.6
Restructuring	0.1	–	0.2
Other provisions	6.1	6.3	6.0
Total	**7.9**	**7.7**	**7.8**
Current			
Warranties and guarantees	0.0	0.1	0.1
Restructuring	0.1	4.5	0.3
Other provisions	-	–	–
Total	**0.2**	**4.6**	**0.4**

The decrease in the restructuring provisions compared to 31 March 2022 was mainly relating to the relocation of the production in Newcastle West, Ireland to other existing sites of Purmo Group. The relocation was completed in June 2022 and the restructuring provision was released at the same time.

9. Commitments and contingencies

EUR million	31 Mar 2023	31 Mar 2022[1]	31 Dec 2022
Guarantees			
Bank guarantees	11.9	8.9	8.3
Parent guarantees	15.6	16.4	15.7
Total	**27.5**	**25.4**	**24.0**

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

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

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

The accrued unrecognised interest on the hybrid bond amounted to EUR 0.6 million as of 31 March 2023.

10. Related parties

The following table summarizes the related party transactions and balances:

EUR million	1-3/2023	1-3/2022	1-12/2022
Items in the income statement			
Interest income	0.0	-	0.0
Interest expense	-	-0.0	-
Purchases	-0.1	-0.0	-0.1

EUR million	1-3/2023	1-3/2022	1-12/2022
Items in the balance sheet			
Non-current receivables	0.5	-	0.2
Current liabilities	0.0	-	-
Items recognised in equity			
Dividend and repayment of capital	-	-	-9.8

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

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

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

Rettig Group Ltd and its affiliates participated 23 February 2023 in the issuance of the hybrid bond by subscribing EUR 5.0 million capital securities.

11. Assets held for sale

EUR million	1-3/2023	1-3/2022	1-12/2022
Assets held for sale[1]			
Right-of-use assets	0.0	0.0	0.0
Inventories	2.8	9.0	4.4
Other assets	0.4	5.5	0.6
Cash and cash equivalents	7.1	4.9	9.1
Total	**10.4**	**19.5**	**14.0**
Liabilities related to assets held for sale[1]			
Interest-bearing liabilities	8.7	7.4	7.6
Other liabilities	1.6	2.9	2.4
Total	**10.3**	**10.3**	**10.0**

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

At the end of March 2022 Purmo Group took the decision to exit its business in Russia. 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 its 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 and write-downs of EUR 12.9 million in 2022 on goodwill, intangible assets, property, plant and equipment, right-of-use assets, inventories, other assets and the redemption liability. In March 2023 the Group increased the redemption liability with EUR 1.3 million.

12. Events after the reporting period

There were no significant events after the reporting period.

Key figures

EUR million	1-3/2023	1-3/2022	Change, %	1–12/2022
Net sales	211.7	236.2	-10%	904.1
EBITDA	23.0	29.3	-21%	78.5
EBITDA margin	10.9%	12.4%		8.7%
Adjusted EBITDA	26.4	29.2	-9%	92.9
Adjusted EBITDA margin	12.5%	12.4%		10.3%
EBITA	16.0	18.9	-15%	46.8
EBITA margin	7.6%	8.0%		5.2%
Adjusted EBITA	19.4	22.3	-13%	64.6
Adjusted EBITA margin	9.2%	9.5%		7.1%
EBIT	15.1	14.1	7%	39.0
EBIT margin	7.1%	6.0%		4.3%
Profit before tax	9.5	11.3	-16%	21.6
Profit for the period	6.7	6.5	3%	13.1
Adjusted profit for the period	10.1	14.0	-28%	34.9
Earnings per share, basic, EUR	0.16	0.16	0%	0.32
Adjusted earnings per share, basic, EUR	0.24	0.34	-29%	0.85
Cashflow from operating activities	-1.2	-38.9	97%	31.1
Capex	-3.9	-2.4	66%	24.0
Acquisitions	–	-14.6	-100%	14.6
Adjusted operating cash flow for the last 12 months	88.4	18.6	376%	51.9
Cash conversion	98.2%	17.8%		55.9%
Cash and cash equivalents	101.6	33.2	206%	56.3
Net working capital	113.8	127.5	-11%	91.4
Operating capital employed	326.4	328.2	-1%	305.0
Return on operating capital employed[1]	12.6%	-0.4%		12.2%
Net debt	226.9	301.0	-25%	275.2
Net debt / Adjusted EBITDA	2.52	2.89	-13%	2.96
Equity / Asset ratio	44.9%	40.8%		41.0%
Return on equity	3.1%	-6.0%		3.3%

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

Calculation of key figures

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

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

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

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

Reconciliation of Alternative Performance Measures

EUR million unless otherwise indicated	1-3/2023	1-3/2022	2022
Comparability adjustments			
M&A related transactions and integration costs	0.0	0.4	2.2
Restructuring costs and one-off costs related to efficiency programs[1]	2.2	0.2	6.2[1]
Impairment and write-down charges	1.3	6.9	12.9
Other	-0.1	–	0.5
Total adjustments	**3.4**	**7.5**	**21.7**
Net sales	211.7	236.2	904.1
EBIT	**15.1**	**14.1**	**39.0**
EBIT margin	7.1%	6.0%	4.3%
Amortisation and impairment	0.9	4.8	7.9
EBITA	**16.0**	**18.9**	**46.8**
EBITA margin	**7.6%**	**8.0%**	**5.2%**
Depreciation and impairment	7.0	10.5	31.6
EBITDA	**23.0**	**29.3**	**78.5**
EBITDA margin	**10.9%**	**12.4%**	**8.7%**
Adjusted EBITDA			
EBIT	15.1	14.1	39.0
Depreciation, amortisation and impairment excluding comparability adjustments	8.0	7.6	32.1
Adjustments	3.4	7.5	21.7
Adjusted EBITDA	**26.4**	**29.2**	**92.9**
Adjusted EBITDA margin	**12.5%**	**12.4%**	**10.3%**
Adjusted EBITA			
EBIT	15.1	14.1	39.0
Amortisation excluding comparability adjustments	0.9	0.8	3.9
Adjustments	3.4	7.5	21.7
Adjusted EBITA	**19.4**	**22.3**	**64.6**
Adjusted EBITA margin	**9.2%**	**9.5%**	**7.1%**
Adjusted profit/loss for the period			
Profit/loss for the period	6.7	6.5	13.1
Adjustments	3.4	7.5	21.7
Adjusted profit/loss for the period	**10.1**	**14.0**	**34.9**

[1] Includes EUR 0.5 million non-cash expenses

EUR million unless otherwise indicated	31 Mar 2023	31 Mar 2022	31 Dec 2022
Adjusted Operating cash flow for the last 12 months			
Adjusted EBITDA for the last 12 months	90.1	104.0	92.9
Change in net working capital compared to previous year same period	23.9	-69.7	-16.9
CAPEX for last 12 months	-25.6	-15.7	-24.0
Adjusted Operating cash flow for the last 12 months	**88.4**	**18.6**	**51.9**
Cash conversion			
Adjusted operating cash flow for the last 12 months	88.4	18.6	51.9
Adjusted EBITDA in the last 12 months	90.1	104.0	92.9
Cash conversion	**98.2%**	**17.8%**	**55.9%**
Net working capital			
Inventories	**169.1**	**167.9**	**174.1**
Non-current operative other receivables[1]	0.1	0.5	0.1
Trade receivables	114.2	137.9	89.1
Current operative other receivables[1]	19.0	20.2	21.3
Operative receivables	**133.3**	**158.6**	**110.5**
Non-current operative payables[2]	1.1	1.1	1.1
Trade payables	105.1	111.3	103.7
Current operative payables[2]	82.5	86.6	88.3
Operative liabilities	**188.6**	**199.0**	**193.1**
Net working capital	**113.8**	**127.5**	**91.4**
Operating capital employed			
Net working capital	113.8	127.5	91.4
Other intangible assets	45.4	40.6	47.0
Property, plant and equipment	127.1	126.3	127.3
Right-of-use assets	40.1	33.7	39.3
Operating capital employed	**326.4**	**328.2**	**305.0**
Return on operating capital employed[3]			
Quarterly end average operating capital employed	318.0	290.2	318.5
EBIT for the last 12 months	40.0	-1.1	39.0
Return on operating capital employed	**12.6%**	**-0.4%**	**12.2%**
Net debt			
Loans and borrowings (non-current)	278.3	277.8	278.1
Loans and borrowings (current)	4.0	13.4	11.3
Loans and borrowings, assets held for sale	8.3	6.9	7.2
Lease liabilities (non-current)	34.8	34.8	34.3
Lease liabilities (current)	9.9	5.5	9.4
Lease liabilities, assets held for sale	0.5	0.5	0.4
Cash and cash equivalents	-101.5	-33.2	-56.3
Cash and cash equivalents, assets held for sale	-7.1	-4.9	-9.1
Net debt	**226.9**	**301.0**	**275.2**
Net debt/Adjusted EBITDA			
Net debt	226.9	301.0	275.2
Adjusted EBITDA in the last 12 months	90.1	104.0	92.9
Net debt/Adjusted EBITDA	**2.52**	**2.89**	**2.96**
Equity/Asset ratio			
Total equity	468.2	412.9	403.3
Total assets	1,042.4	1,012.0	983.7
Equity/Asset ratio	**44.9%**	**40.8%**	**41.0%**
Return on equity			
Cumulative last 12-month profit attributable to owners of the company	13.4	-24.3	13.1
Total equity beginning of period	403.3	390.6	390.6
Total equity end of period	468.2	412.9	403.3
Total equity average	435.8	401.7	396.9
Return on equity	**3.1%**	**-6.0%**	**3.3%**

[1] Non-current and current operative other receivables are in the balance sheet presented in non-current and current other receivables.
[2] Non-current and current operative payables are presented in the balance sheet in non-current other payables and current trade and other payables.
[3] The definition for Return on operating capital employed has been updated from 1 January 2023 and the comparison data has been restated.

EUR million unless otherwise indicated	1-3/2023	1-3/2022	2022
Basic earnings per share			
Profit/loss attributable to shareholders of the parent company for class C shares	6.7	6.5	13.0
Profit/loss attributable to shareholders of the parent company for class F shares	0.0	0.0	0.1
Profit/loss attributable to owners of the company	**6.7**	**6.5**	**13.1**
Accumulated interest expenses on hybrid bond after taxes	-0.5	-	-
Profit/loss used in the calculation of earnings per share	**6.3**	**6.5**	**13.1**
Weighted average number of shares outstanding (pcs)[1]	41,406,191	40,891,936	41,244,426
Basic earnings per share, EUR	**0.16**	**0.16**	**0.32**
Diluted earnings per share			
Profit/loss attributable to shareholders of the parent company for class C shares	6.7	6.5	13.0
Profit/loss attributable to shareholders of the parent company for class F shares	0.0	0.0	0.1
Profit/loss attributable to the owners of the company	**6.7**	**6.5**	**13.1**
Accumulated interest expenses on hybrid bond after taxes	-0.5	-	-
Profit/loss used in the calculation of earnings per share	**6.3**	**6.5**	**13.1**
Diluted weighted average number of shares outstanding (pcs)[1]	41,406,191	40,891,936	41,244,426
Diluted earnings per share, EUR	**0.16**	**0.16**	**0.32**
Adjusted basic earnings per share			
Adjustments	3.4	7.5	21.7
Adjusted profit/loss attributable to shareholders of the parent company for class C shares	10.0	13.9	34.6
Adjusted profit/loss attributable to shareholders of the parent company for class F shares	0.1	0.1	0.2
Adjusted profit/loss attributable to the owners of the company	**10.1**	**14.0**	**34.9**
Accumulated interest expenses on hybrid bond after taxes	-0.5	-	-
Adjusted profit/loss used in the calculation of earnings per share	**9.7**	**14.0**	**34.9**
Weighted average number of shares outstanding (pcs)[1]	41,406,191	40,891,936	41,244,426
Adjusted basic earnings per share, EUR	**0.24**	**0.34**	**0.85**
Adjusted diluted earnings per share			
Adjustments	3.4	7.5	21.7
Adjusted profit/loss attributable to shareholders of the parent company for class C shares	10.0	13.9	34.6
Adjusted profit/loss attributable to shareholders of the parent company for class F shares	0.1	0.1	0.2
Adjusted profit/loss attributable to the owners of the company	**10.1**	**14.0**	**34.9**
Accumulated interest expenses on hybrid bond after taxes	-0.5	-	-
Adjusted profit/loss used in the calculation of earnings per share	**9.7**	**14.0**	**34.9**
Diluted weighted average number of shares outstanding (pcs)[1]	41,406,191	40,891,936	41,244,426
Adjusted diluted earnings per share, EUR	**0.24**	**0.34**	**0.85**

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

Purmo Group Plc

Interim Report
January-March 2023

19 July 2023

Half-year financial report, January–June 2023

25 October 2023

Interim report, January–September 2023

Contact

investors@purmogroup.com

investors.purmogroup.com

Purmo Group Plc
Bulevardi 46
P.O. Box 115
FI-00121 Helsinki, Finland
Phone: +358 40 527 1427