PURMO GROUP

Purmo Group Plc

Interim report

1 January – 30 September 2023

John Peter Leesi, CEO
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25 October 2023

Agenda

Q3 2023 in brief
and strategy execution update

July-September 2023

Clearly improved profitability and cash flow driven by strong operational execution

Significant uplift in the Group's adjusted EBITDA and improved operating cash flow

Strong margin improvement in Climate Products and Systems

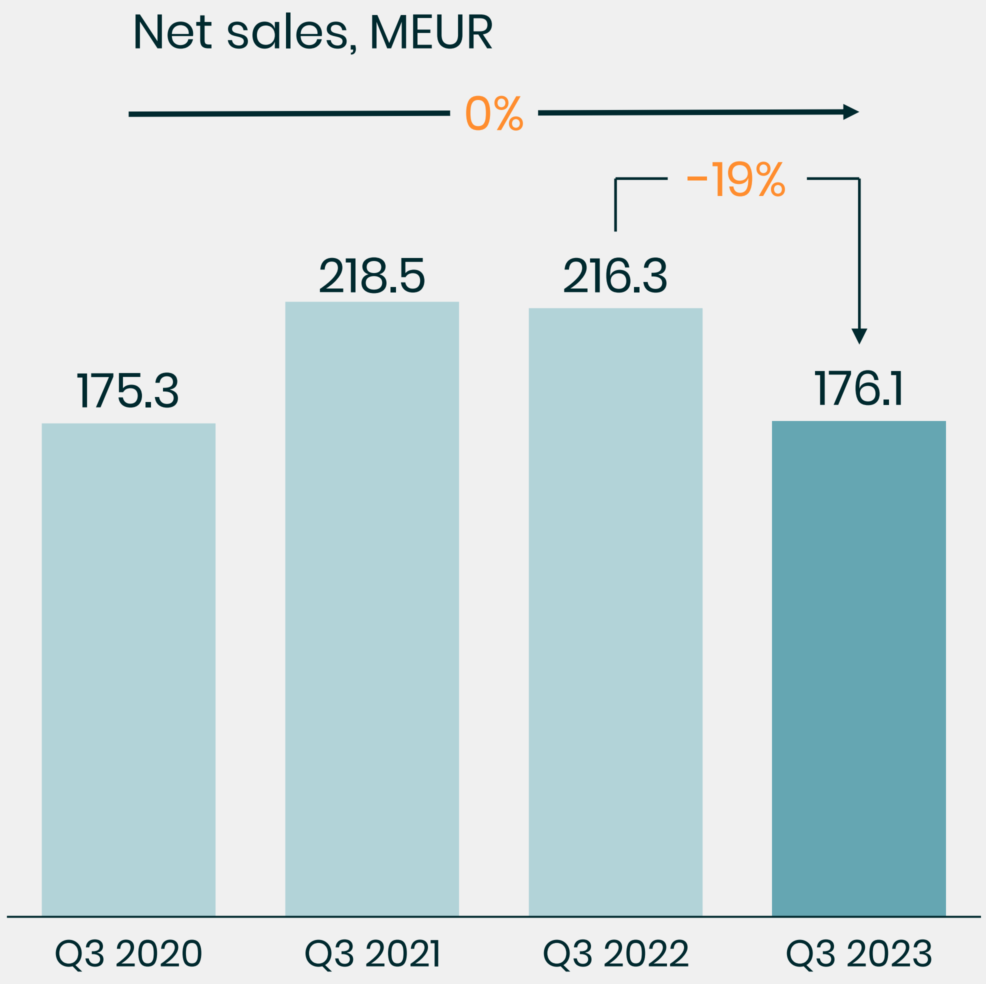
Market correction and downturn impacted Climate Solutions

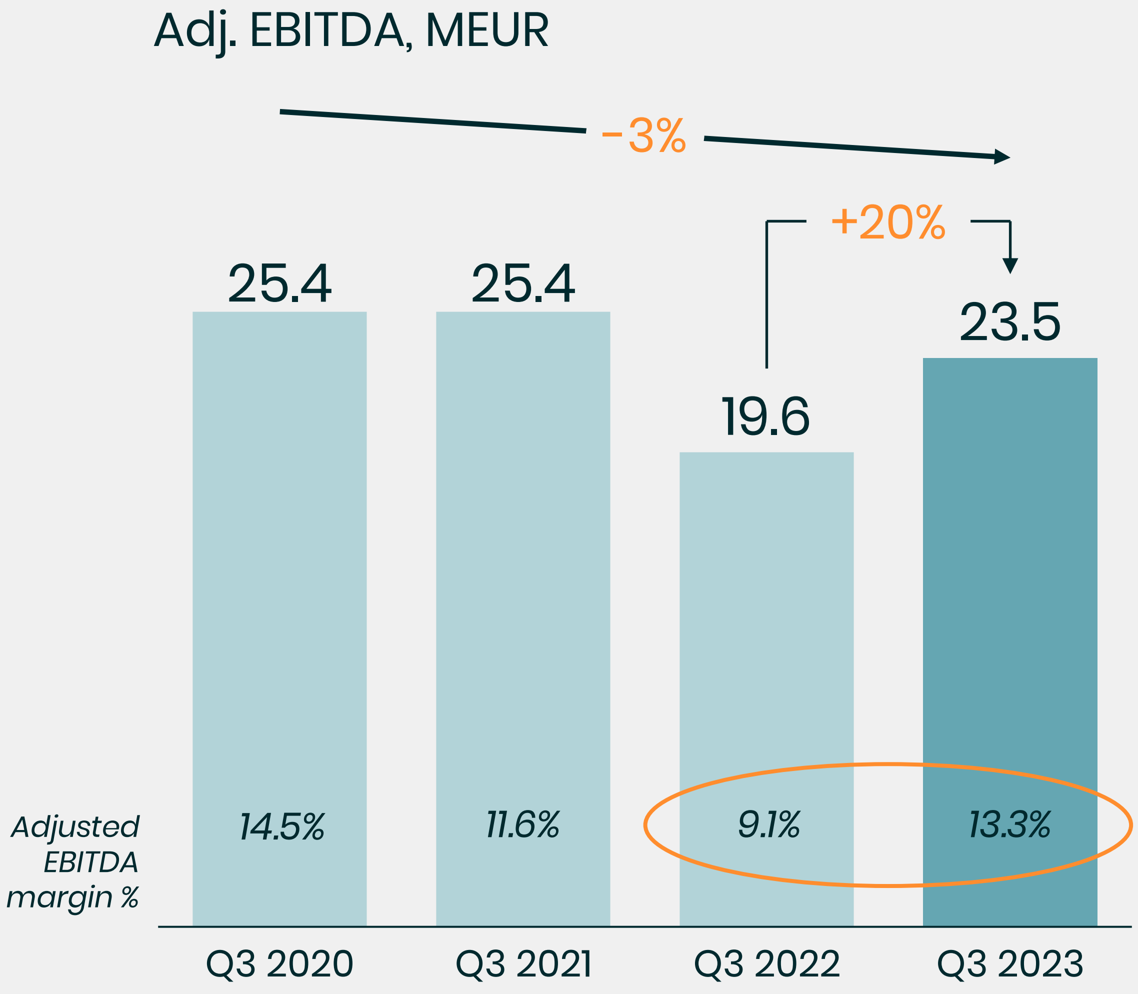
Accelerate PG ahead of plan

Guidance for 2023 unchanged

Q3 2023: Purmo Group

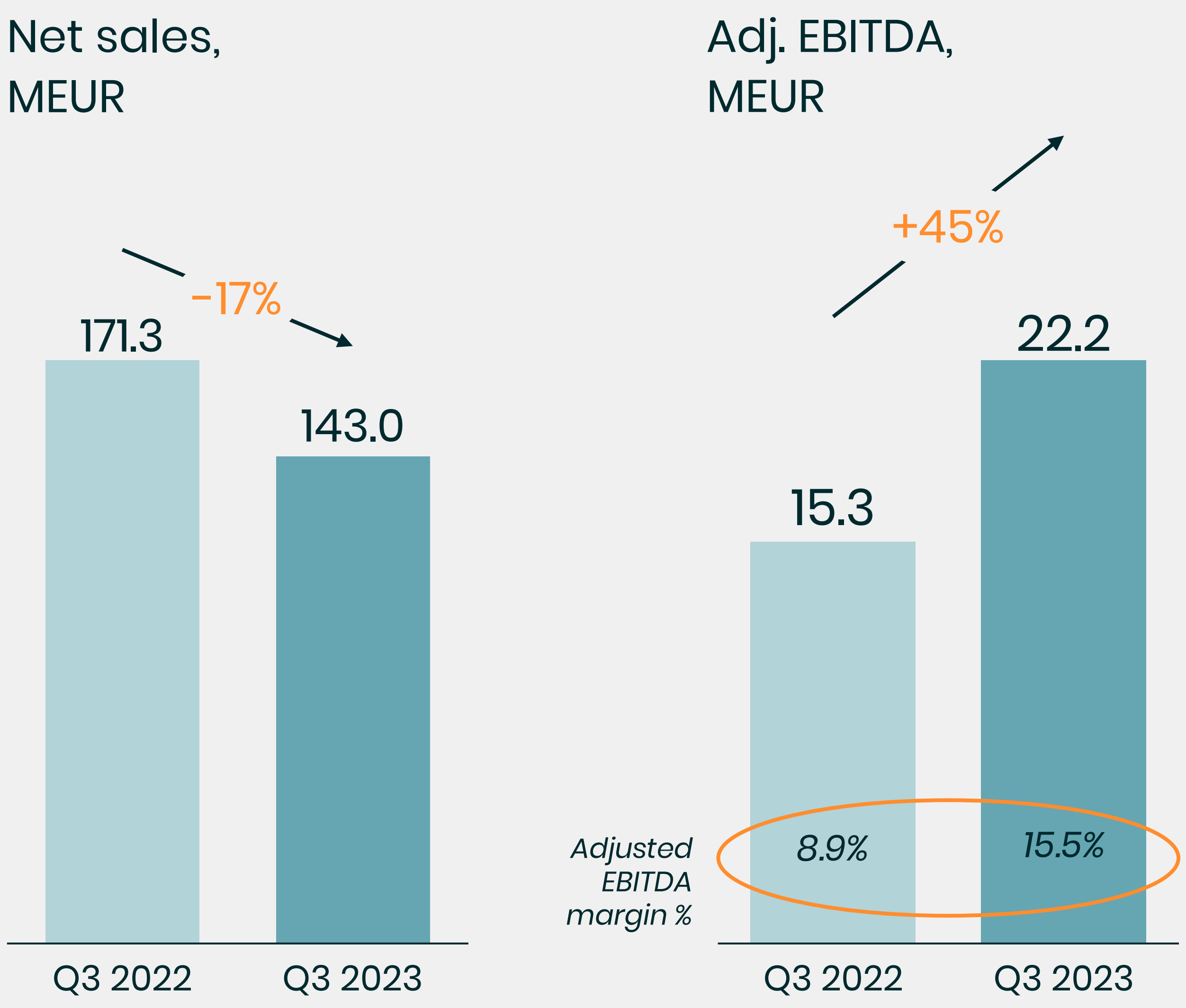
Significant uplift in adjusted EBITDA despite weaker market





Q3 2023: Climate Products & Systems division

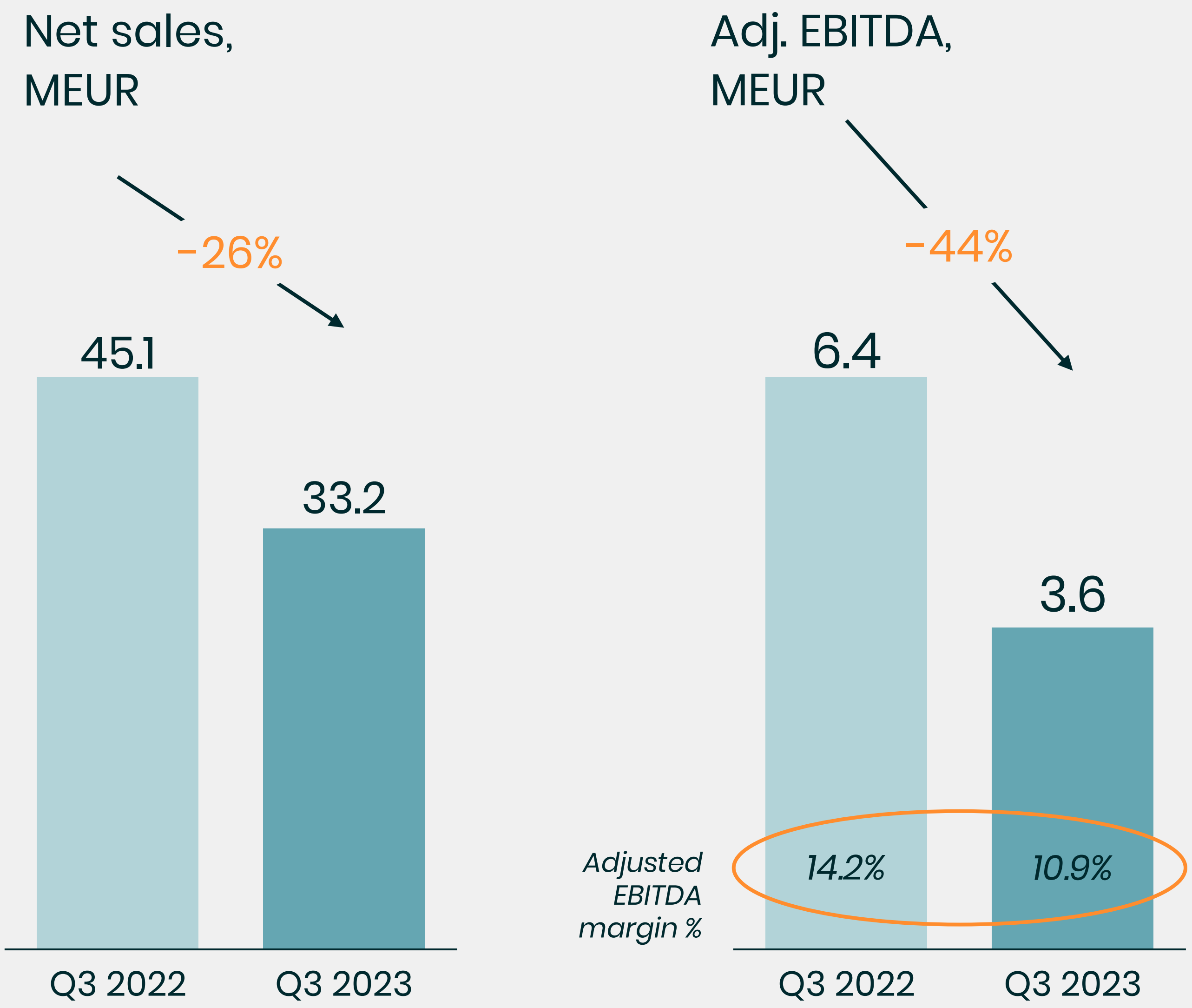
Strong improvement in adjusted EBITDA and margin



- The decline in net sales was a result of low volumes across all regions of the division
- The significant improvement in adjusted EBITDA margin was a result of continued and systematic margin management actions and good performance in the Accelerate PG programme
- Net sales of radiators amounted to EUR 94.8 million (108.4)
- Net sales of other products, including e.g. underfloor heating, was EUR 46.4 million (61.8)

Q3 2023: Climate Solutions division

Market correction and downturn impacted Climate Solutions



- The decline in net sales was primarily driven by the normalisation of the Italian market and the downturn in construction markets in the Nordics
- The corresponding period last year in Italy was very strong due to governmental incentives for energy efficiency
- The adjusted EBITDA margin decreased to 10.9 per cent (14.2)
- The decrease in adjusted EBITDA margin was a result of lower volumes in the main markets of the division, Italy and the Nordics
- As a response to lower volumes, the division continued several cost-saving actions

Strategy execution during the quarter

Solution selling

- A launch of an easy-to-install, preconfigured heat pump radiator offering in Austria, to be expanded across Europe

Smart products

- Launch of the iQ control system

Growth markets

- Exit from Russia progressing

Operational excellence

- Accelerate PG ahead of plan: run-rate profitability improvements reaching EUR 22.4 million (16.5)
- Purmo Group upgrades targets for APG for 2023 and 2024
- Consultation process regarding the intended closure of manufacturing in Zonhoven, Belgium ongoing

Sustainability

- Carbon intensity improved and decreased by 3 per cent to 83.8 (86.6) due to lower production volumes
- Purmo Group reduced the thickness of the stretch wrap used around pallets from 23 to 17 microns in the production facility in Gateshead, United Kingdom
- The proportion of women in senior management positions increased to 31 per cent (28)
- A strong focus on Health and Safety continued

Complete solution innovation during Q3 2023

A launch of an easy-to-install, preconfigured heat pump radiator offering in Austria

- To be expanded across Europe in the future
- Saves time for the installer
- Combines:
  - Purmo Group's ULOW fan-assisted radiator
  - Underfloor heating products
  - A heat pump from a partner of Purmo Group
  - Other products from Purmo Group
  - Service and support
- Marketed and sold under the Purmo Group brand, Vogel & Noot

Solution case studies during Q3 2023

Two public buildings with heating system deliveries in Sweden and Finland

One of the largest logistics warehouses in the Nordics with 175,000 m^2, Landskrona, Sweden

- Will be certified according to BREEAM Excellent, the world's leading scientifically based certification system for sustainability in construction projects
- Temperature-controlled storage areas of 70,000 m^2
- Underfloor heating and potable water systems

Residential building, Espoo, Finland

- 17 floors and 133 apartments in an energy class of A building
- The delivery of underfloor heating pipe of 26 meters and 570 m^2 of insulation for underfloor heating
- Including prefabricated cabinets for underfloor heating

Smart product development and innovations during Q3 2023

iQ control system

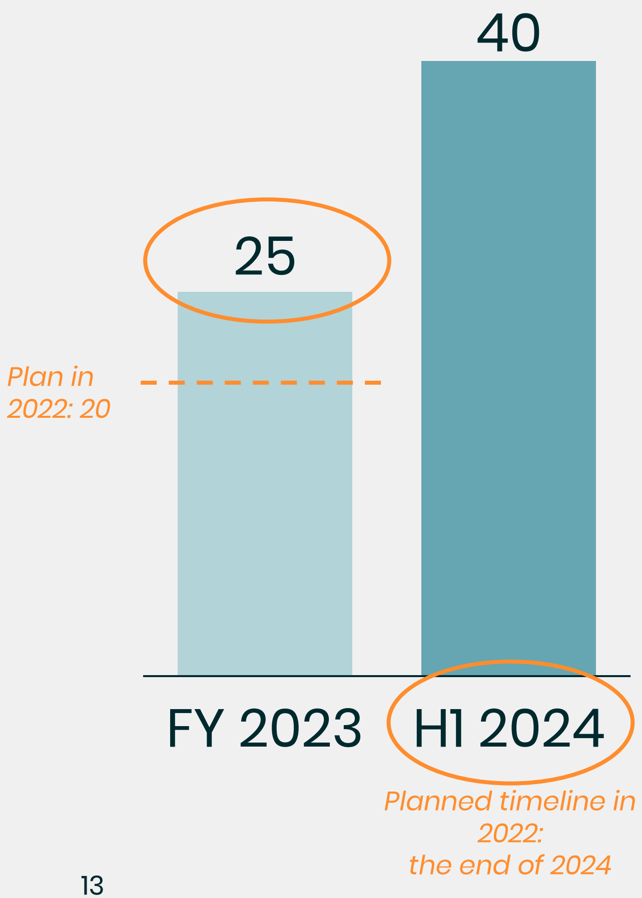
- Wireless connection via Bluetooth with an option to control both heating and cooling through any heat pump brand
- Other smart functionalities:
  - Smart fireplace and bypass function
  - Possibility of radiator control
  - Thermostat identification
  - Access to historical operational data
- Connecting thermostats to the separate base unit is easy via the iQ Home application:
  - Free of charge
  - Unlimited access to the facility via the application
- Available in all sales regions of Purmo Group

Accelerate PG ahead of plan

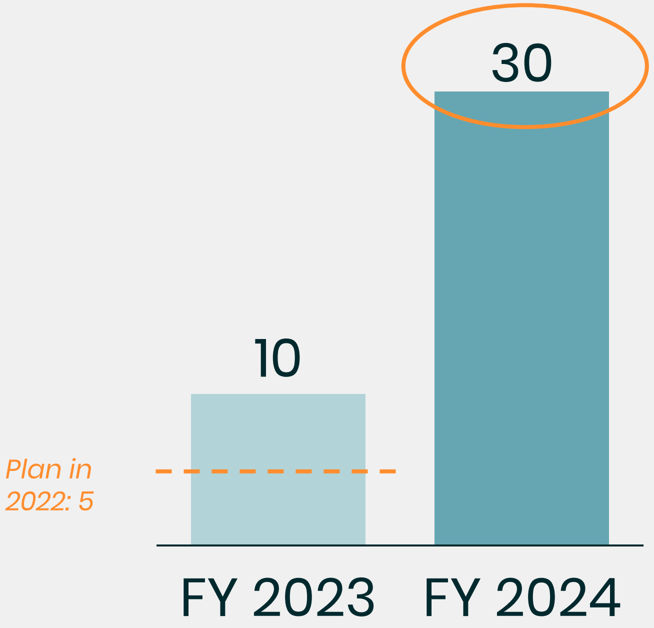
Accelerate PG

Ahead of plan for both Adj. EBITDA and Net Working Capital

Adjusted EBITDA run-rate, MEUR



Net Working Capital, MEUR



Adjusted EBITDA improvement (run-rate)

- 2023 target increased from EUR 20 million to over EUR 25 million
- 2024 target to achieve cumulative over EUR 40 million accelerated to H1 2024 (FY 2024)

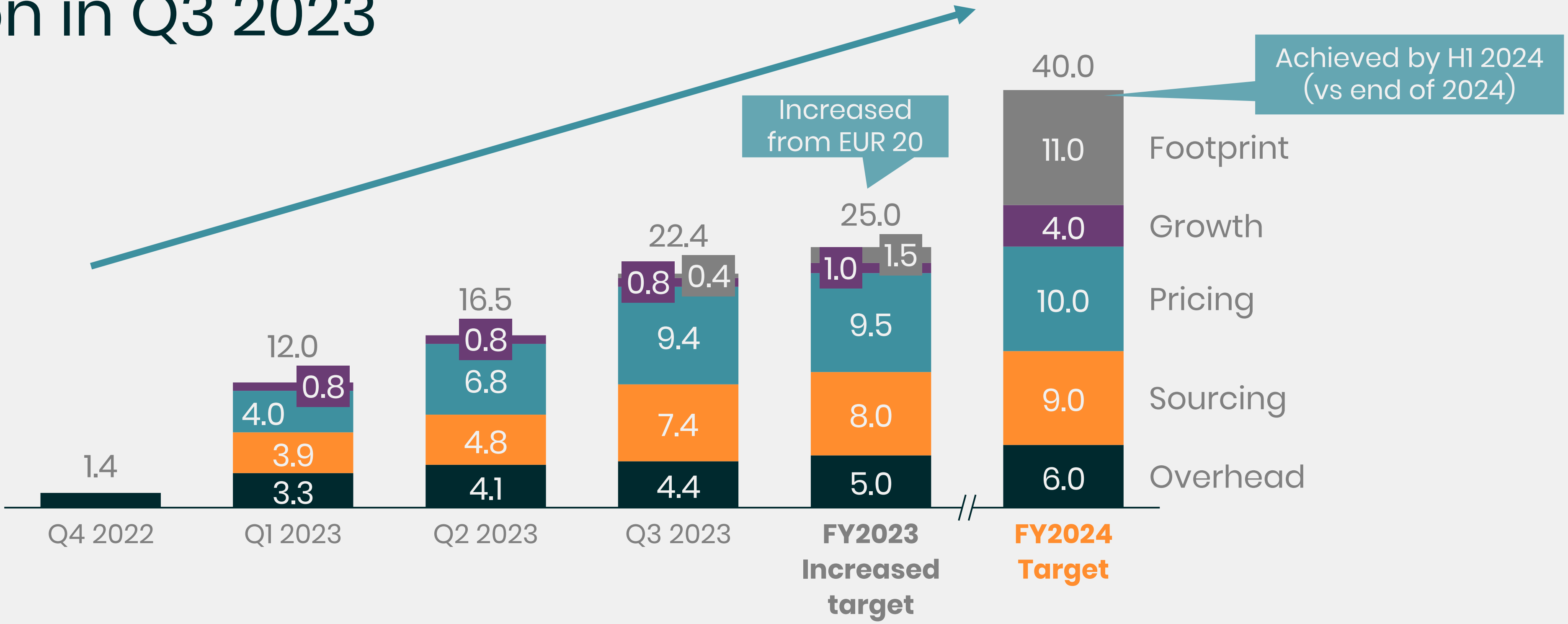
Net working capital improvement

- 2023 target to release EUR 10 million
- 2024 target to release EUR 30 million

Costs of the programme

- One-time costs, excluding non-cash items, are estimated to ~EUR 45 million of which ~EUR 35 million in 2023
- In addition, non-cash costs are estimated to ~EUR 10 million
- Treated as items affecting comparability

Adjusted EBITDA run-rate impact for 2023 exceeded to EUR 22 million in Q3 2023



	Q4 2022	Q1 2023	Q2 2023	Q3 2023	FY2023 Increased target	FY2024 Target
Adj. EBITDA periodic effect, MEUR (vs. 2022)	0.3	1.4	3.4	4.8	**~15**	**~35**
NWC improvement cumulative, MEUR	–	3.3	6.1	9.0	**>10**	**>30**
One-off, cost (periodic), excl. non-cash items MEUR	-2.7	-2.2	-3.5	-4.0	**~35**	**~10**
One-off, non-cash costs (cumulative) MEUR						**~10**

All figures in EUR million.

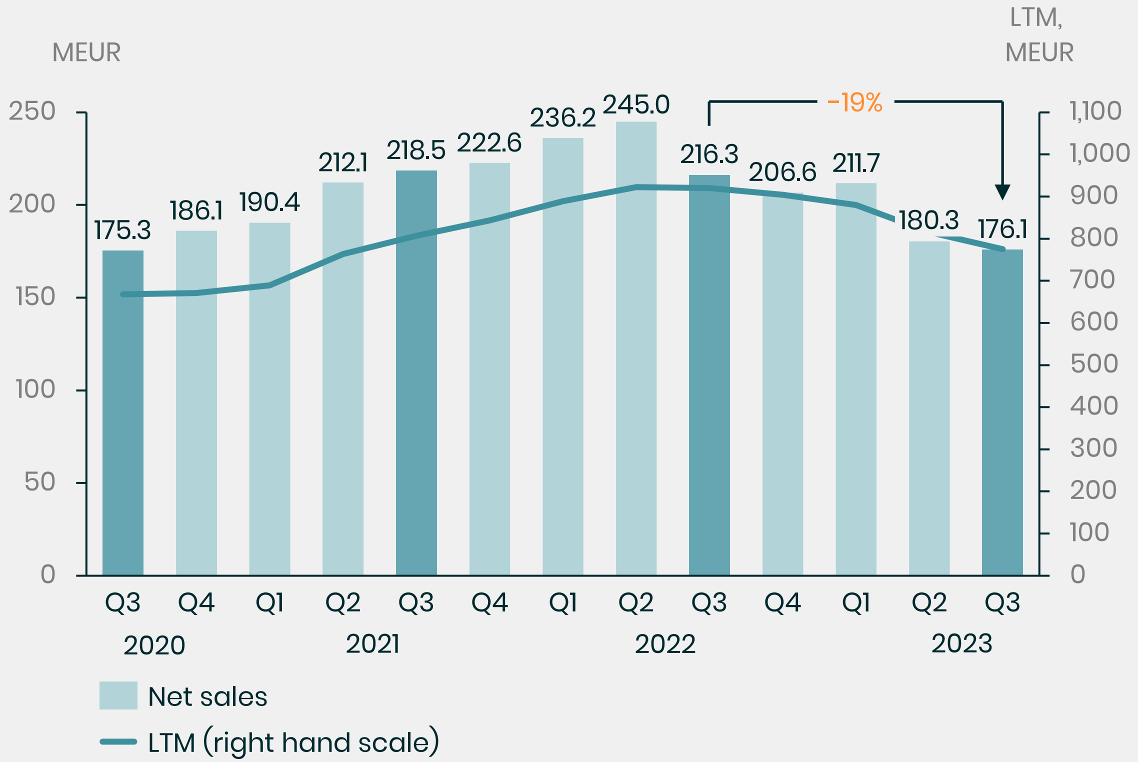
Q3 2023
financial review and guidance

July-September 2023 financial overview

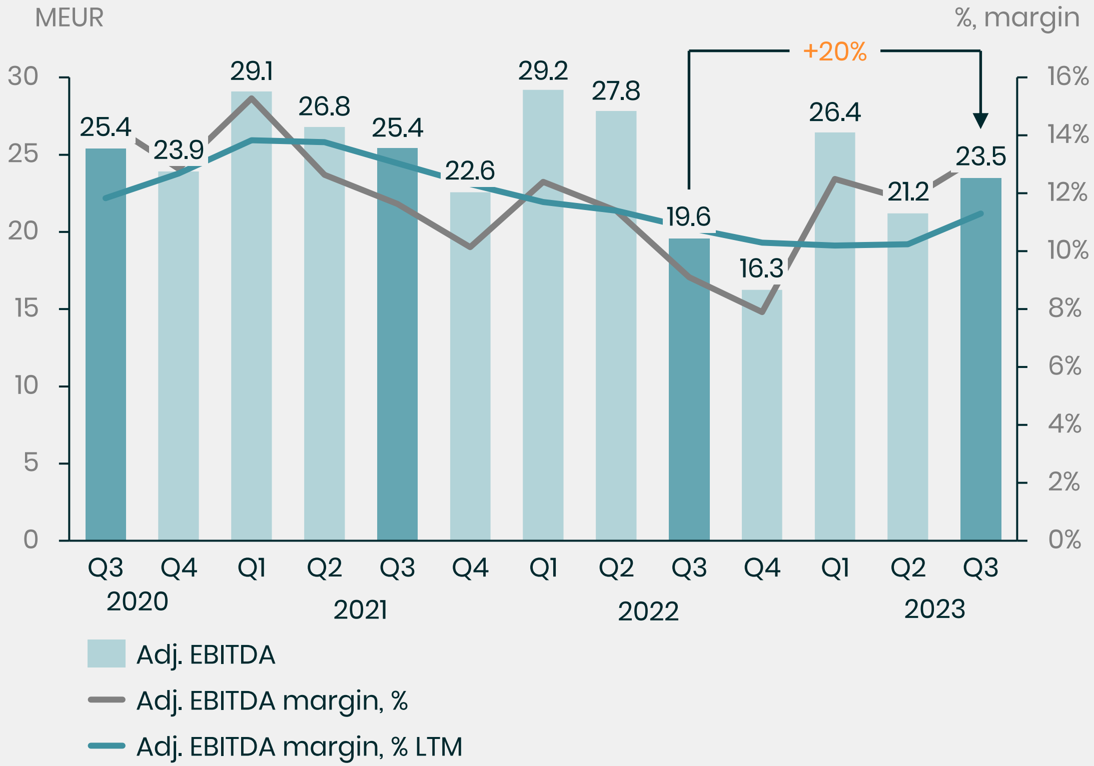
Net sales	Adj. EBITDA	Adj. EBITDA
176.1	**23.5**	**13.3%**
MEUR,	MEUR,	margin
-19%	+20%	+4.2 ppt
Q3 2022: 216.3	Q3 2022: 19.6	Q3 2022: 9.1%

Purmo Group

Net sales



Adj. EBITDA



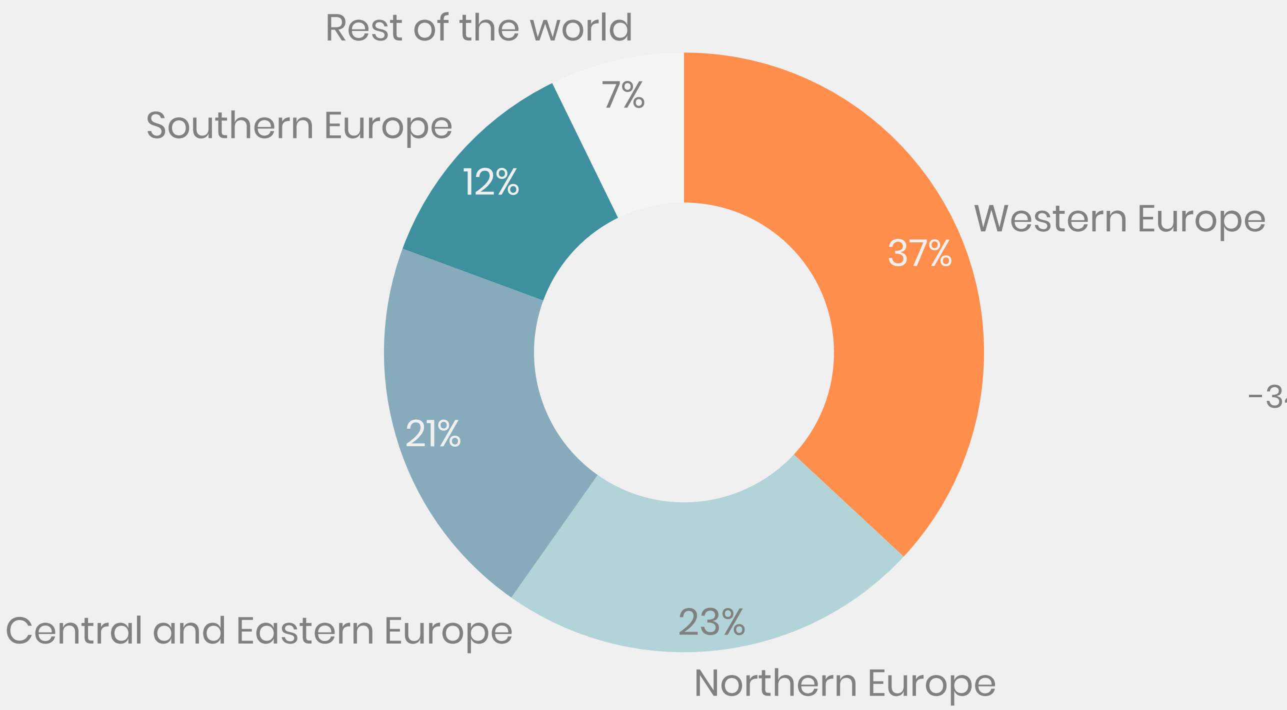
- Organic sales -17% in Q3/23
- The decline in net sales was a result of continued weak demand in key markets
- Acquisitions had no impact on Q3/23
- Changes in FX rates decreased reported sales by -2%

- The increase of 20% in adjusted EBITDA due to strong margin improvement actions
- Adjusted EBITDA margin reached 13.3% in Q3/23 (9.1%)
- These significant and sustainable improvements to margin will strengthen Purmo Group financially also in the medium and long term

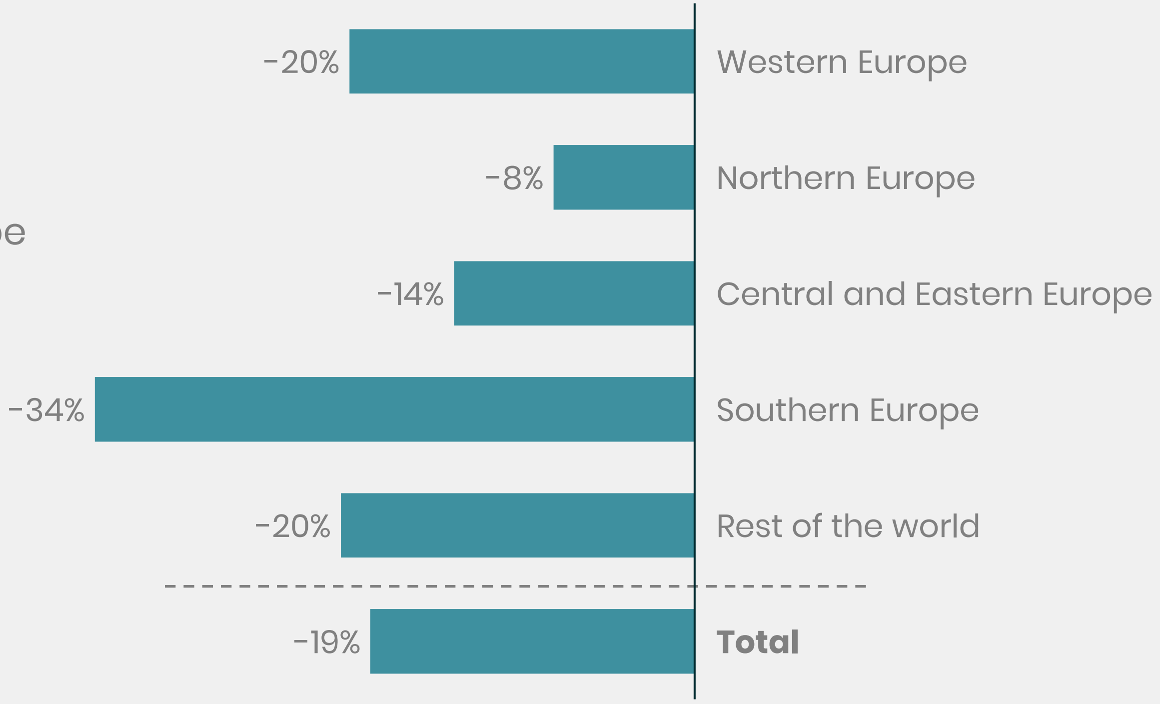
Notes: Quarterly data is unaudited

Q3 2023 net sales by geographical area

% of Net sales

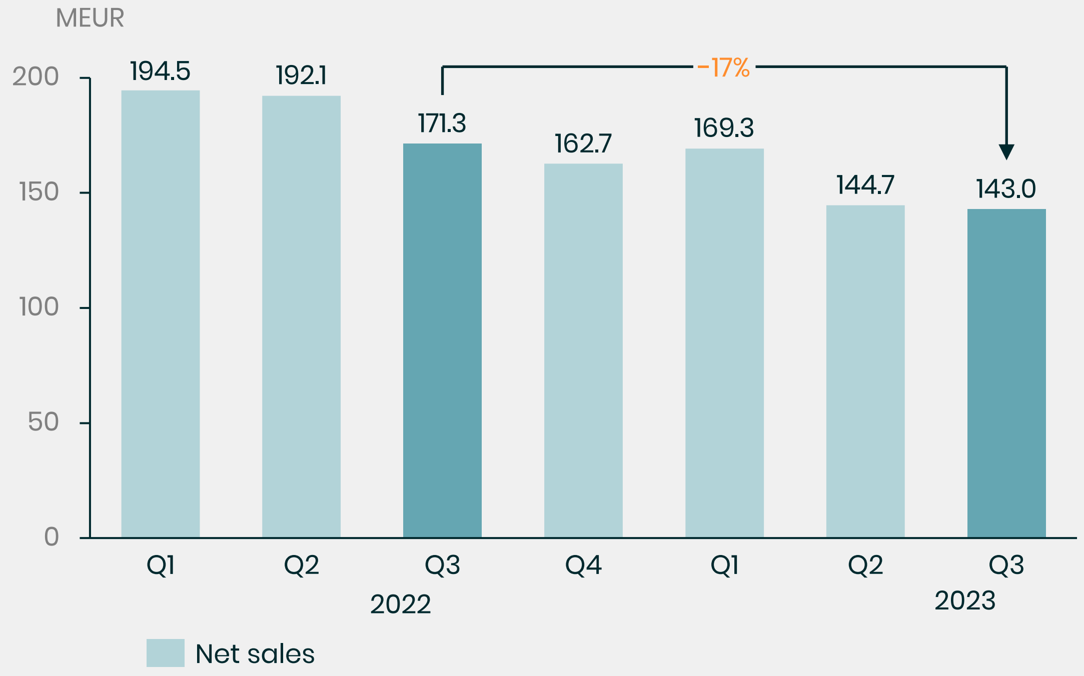


Change in sales, %

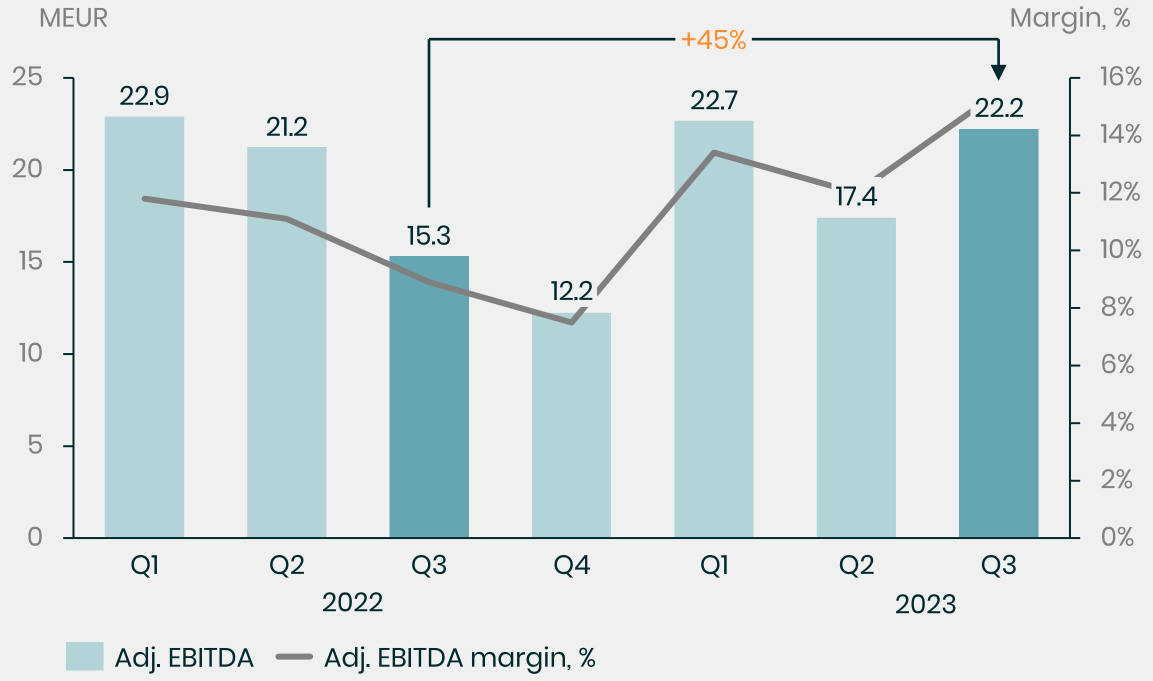


Climate Products & Systems division

Net sales



Adj. EBITDA



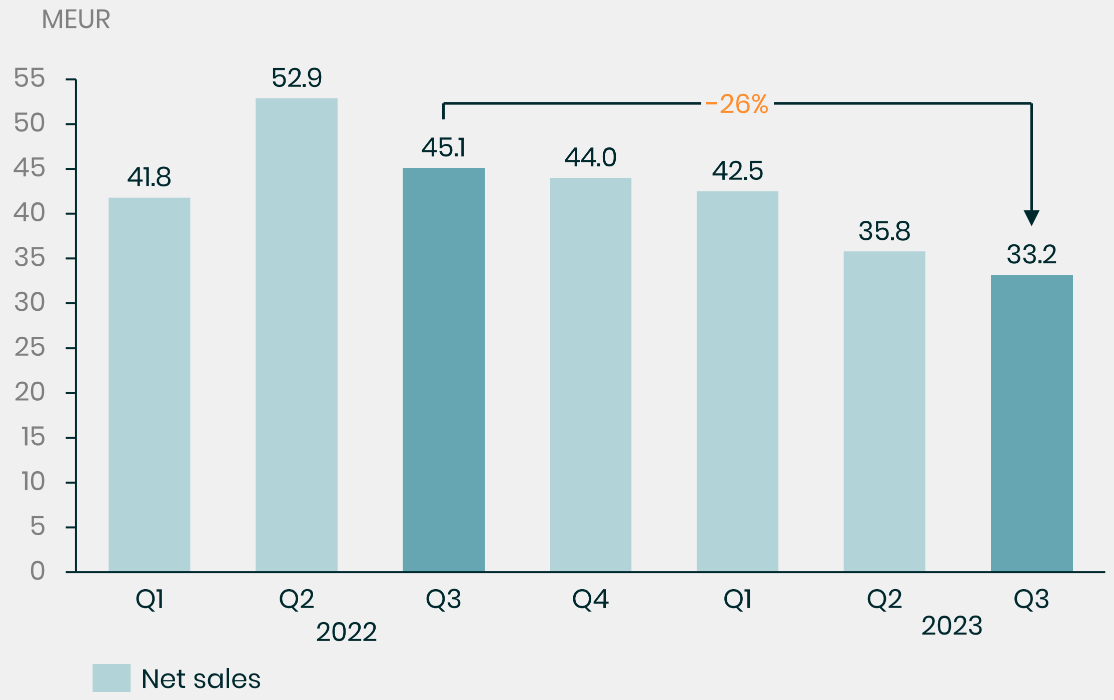
- Organic sales decline -14% in Q3/23, net currency -2%, acquisitions 0%
- Net sales in radiators amounted to EUR 94.8 (108.4) million
- Volume decline of -13% in radiators, due to the weak demand in renovation and new build markets
- Price increases +1% in radiators
- Q3/23 net sales LTM 619.7 MEUR

- Adjusted EBITDA margin improved to 15.5% in Q3/23 (8.9%)
- The significant improvement in adjusted EBITDA margin was a result of continued and systematic margin management actions in the division and good performance in the Accelerate PG programme
- Q3/23 Adj. EBITDA LTM 74.5 MEUR, Adj. EBITDA margin LTM 12.0%

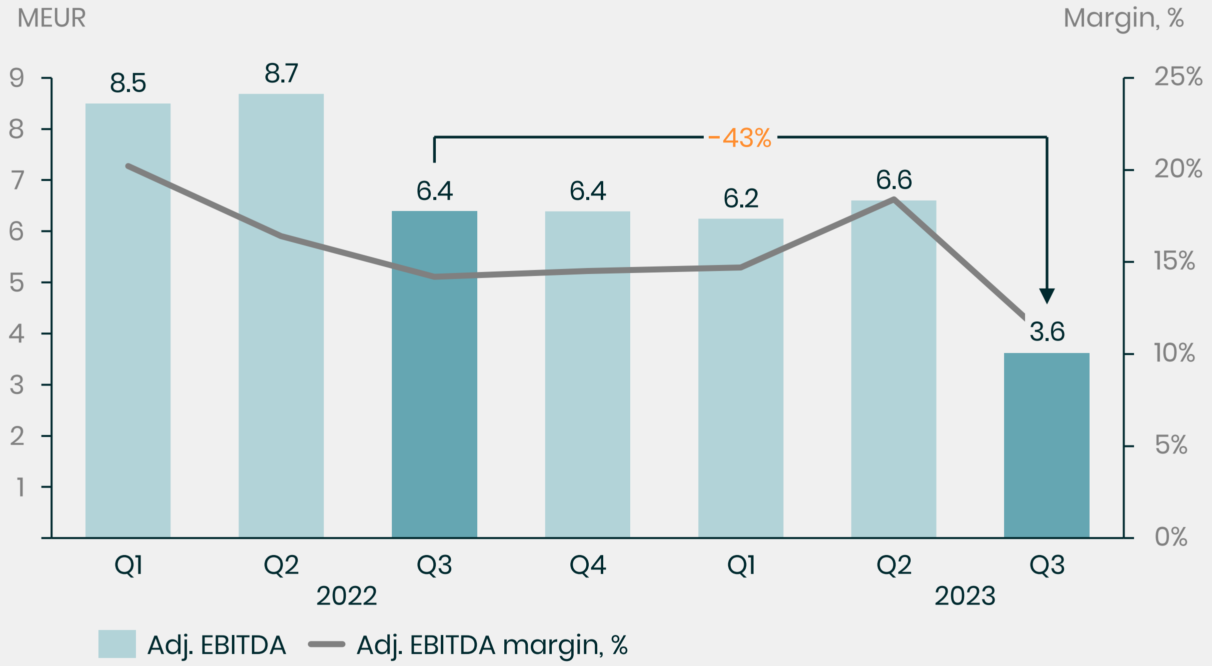
Notes: Quarterly data is unaudited

Climate Solutions division

Net sales



Adj. EBITDA

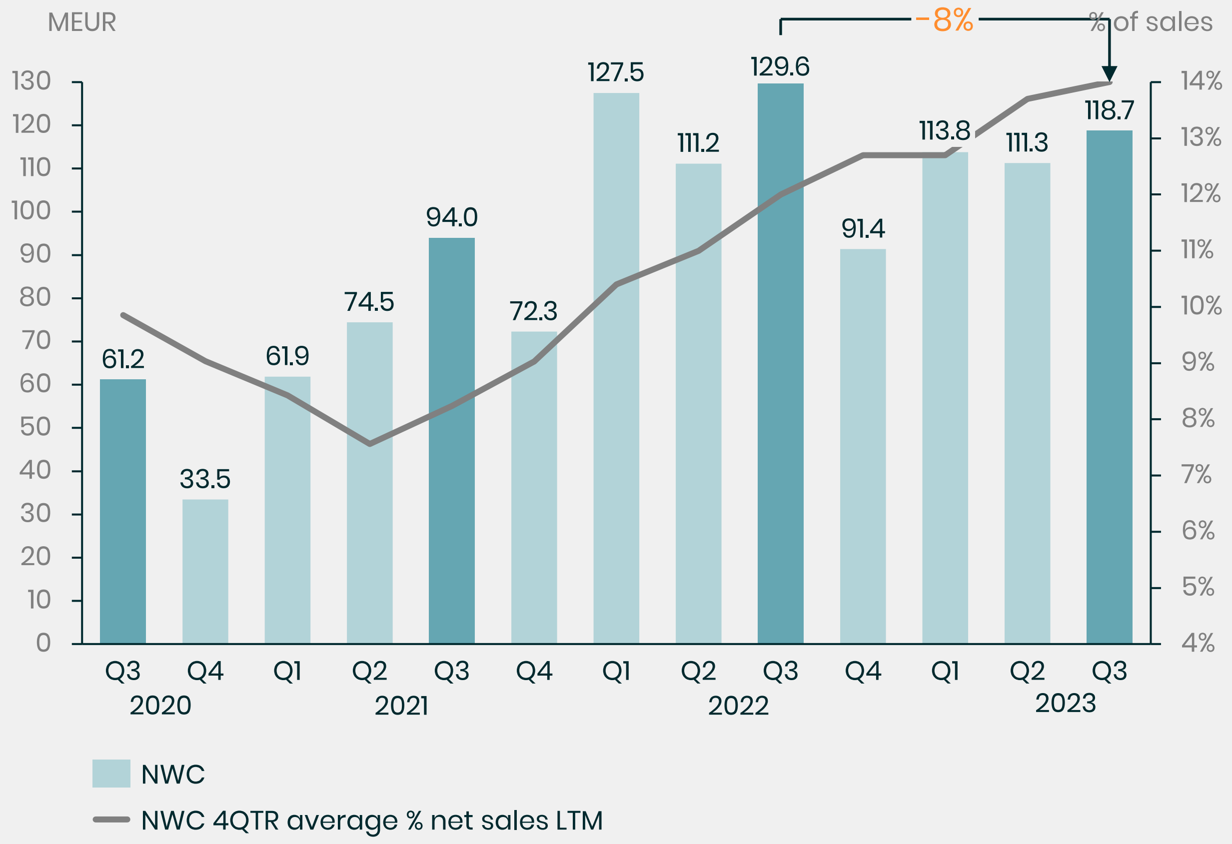


- Organic decline in net sales 26% in Q3/23, acquisitions 0%, net currency -1%
- The decline in net sales was primarily driven by the normalisation of the Italian market and the downturn in construction markets in the Nordics
- The Merriott business in the United Kingdom and Ireland in addition to the Emmeti business in France performed well
- Q3/23 net sales LTM 155.5 MEUR

- Adj. EBITDA margin was 10.9% (14.2%)
- The decrease in adjusted EBITDA margin was a result of lower volumes in the main markets of the division, Italy and the Nordics
- Thermotech contributed with EUR 0.1 million
- Q3/23 Adj. EBITDA LTM 22.8 MEUR, Adj. EBITDA LTM margin 14.7%

Notes: Quarterly data is unaudited

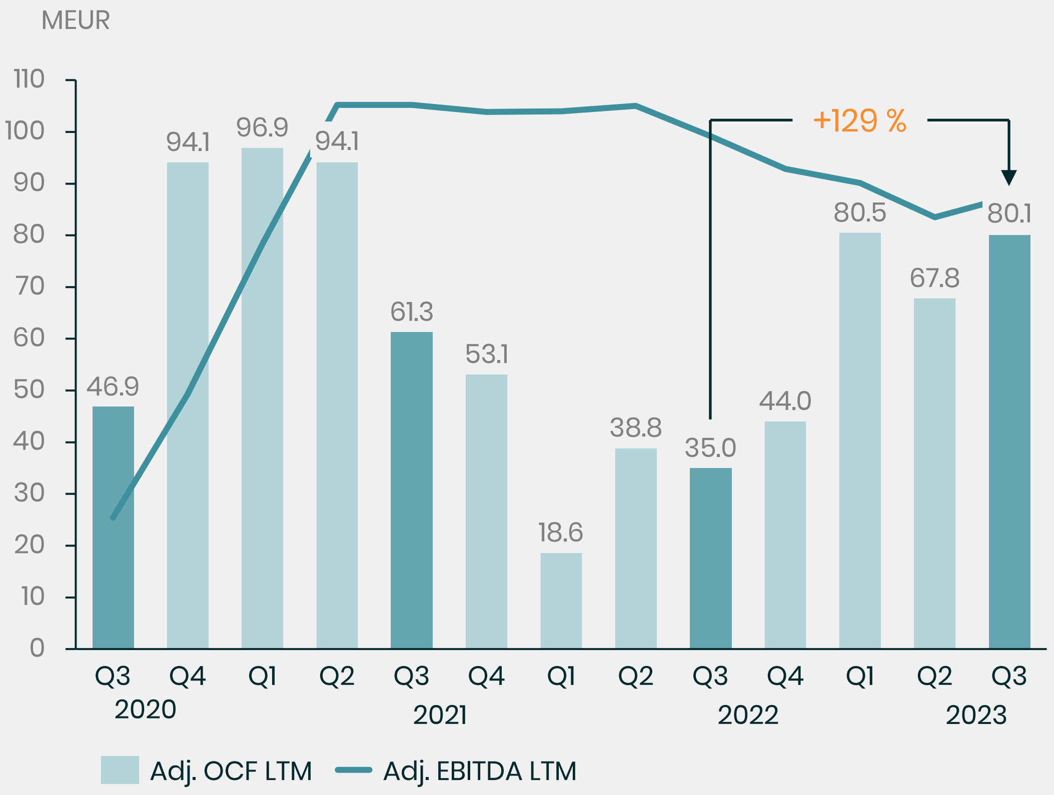
Net working capital



Net working capital	Q3 2023	Q3 2022	FY 2022
Inventories	163.9	191.2	174.1
Operative receivables	113.3	154.0	110.5
Operative liabilities	158.5	215.6	193.1
Net working capital	**118.7**	**129.6**	**91.4**
% of net sales LTM, QTR	15.3%	14.1%	10.1%
% of net sales LTM, 4QTR average	14.0%	12.0%	12.7%

Notes: Quarterly data is unaudited

Adjusted operating cash flow



Adjusted operating cash flow, last 12 months	Q3 2023	Q3 2022	FY 2022
Adjusted EBITDA LTM	87.4	99.2	92.9
NWC change*	16.1	-43.7	-24.8
Capex LTM**	-23.4	-20.5	-24.0
Adj. operating cash flow, LTM* **	**80.1**	**35.0**	**44.0**
Cash conversion	91.6%	35.3%	47.7%

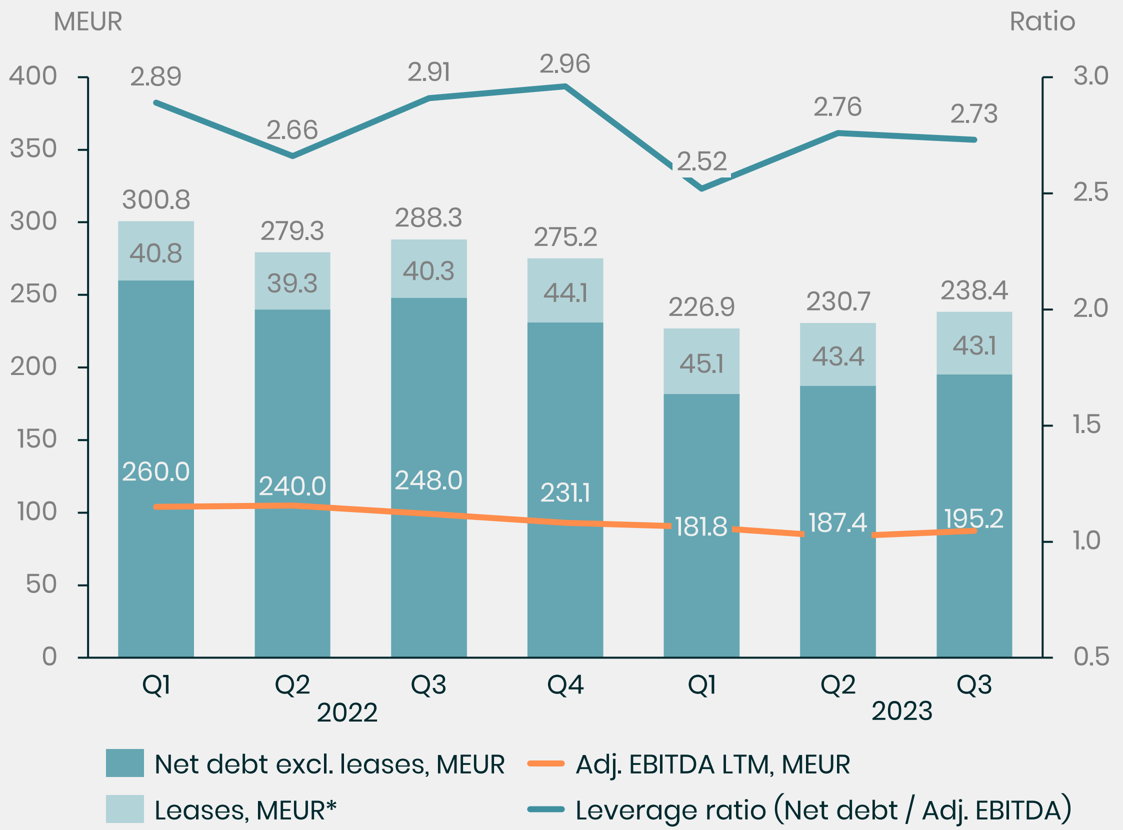
** Change compared to previous year same period, adjusted for impact from M&A. Including the Russian business which has been classified as assets held for sale. The 2022 comparison figure has been restated by EUR 9.6 million impairment charges related to the business in Russia.*

** Investments tangible and intangible assets, excluding acquisitions (M&A).

*** Adjusted operating cash flow before acquisitions and disposals of companies, financial net items and paid taxes.

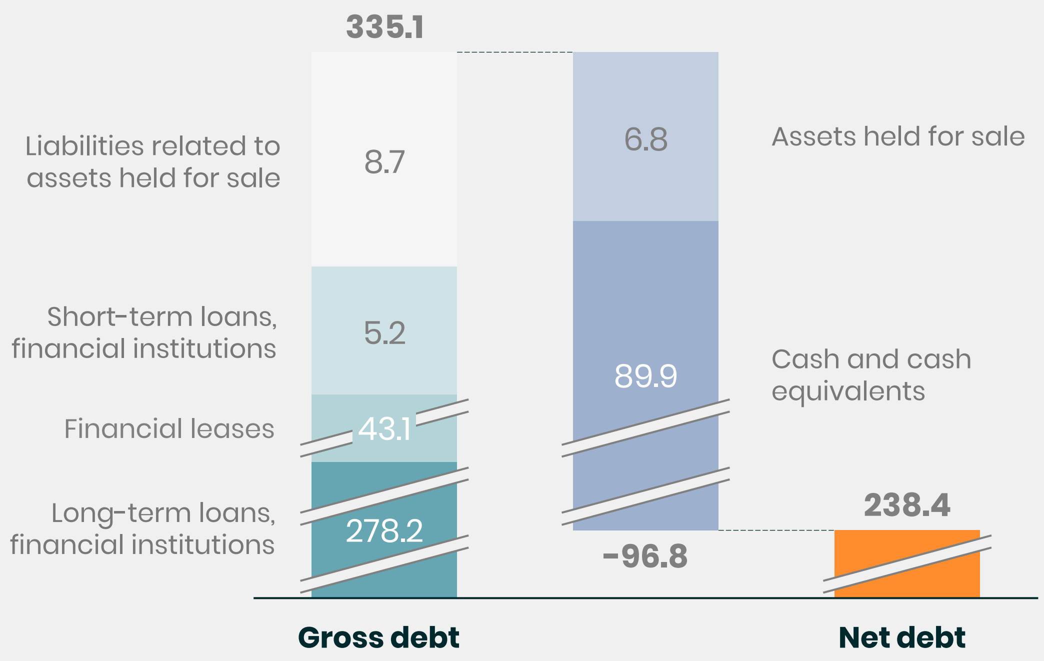
Notes: Quarterly data is unaudited

Net debt and leverage



* Does not include leases related to assets held for sale

Distribution of gross and net debt (MEUR)



- Liabilities related to assets held for sale EUR 8.7 million mainly redemption liability related to business in Russia
- Assets held for sale (cash) EUR 6.8 million related to business in Russia

Notes: Quarterly data is unaudited

Financial guidance for 2023 remains unchanged

Purmo Group's adjusted EBITDA in 2023 is expected to be on a similar level as in 2022 (EUR 92.9 million).

Similar means a change within +/- 5 per cent from the previous year.

Strong margin management demonstrates the strength of the underlying business of Purmo Group. Combined with the Accelerate PG programme being ahead of plan, it provides confidence in the outlook for the rest of the year.

Purmo Group upgrades the targets for the Accelerate PG programme for 2023 and 2024. Targeted adjusted EBITDA run-rate improvements will be above EUR 25 million (previously EUR 20 million) by the end of 2023. Cumulatively the targeted adjusted EBITDA run-rate improvements will be above EUR 40 million by the end of 2024 (previously EUR 40 million). Cumulative run-rate improvements of above EUR 40 million are expected to be reached by the middle of 2024, which is two quarters earlier than originally planned. The programme also targets net working capital improvements of more than EUR 10 million by the end of 2023 and more than EUR 30 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. However, inventory levels among wholesalers in Purmo Group's core markets have normalised. Furthermore, the guidance also factors in that Purmo Group is building up capabilities to facilitate future growth. This has an impact on the company's cost base, and hence the net savings from the Accelerate PG programme.

Long-term financial targets and dividend policy

Growth	**> Market organic growth and notable M&A**	Net sales growth
Profitability	**> 15%**	Adj. EBITDA margin %
Leverage[1]	**≤ 3.0x**	Interest bearing net debt / Adj. EBITDA on a rolling twelve-month basis
Dividend[2]	**≥ 40%**	Distributed as a % of annual net profit

1) 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.
2) Purmo Group's aim is to distribute at least 40% 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.

Q&A

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Appendix

The Accelerate PG programme
Improvements completed at the end of Q3 2023

Impact by category, EUR million	**Actual run-rate[1],** (change since Q2 end)	**2024 Target[2]**	**Key initiatives implemented in Q3 2023**
Growth	0.8	4	✓ Push on Whitespace, Smart products, and Growth markets continued ✓ Solutions strategy sharpened, expansion plan beyond current core geographies being prepared
Pricing	9.4 (+2.6)	10	✓ Holistic review of portfolio conducted, and first pricing actions detailed and launch prepared ✓ New Sales mix steering tool developed and implemented in Great Britain ✓ Initiative to improve project pricing, processes and tools started in Great Britain ✓ Pricing Excellence tools & processes deployed to optimize for changing market prices & demand
Sourcing	7.4 (+2.6)	9	✓ Significant cost-savings from direct supplier negotiations in Italy, leveraging softening market conditions ✓ 44% reduction in e-rad oil cost by changing to rapeseed-based product
Overhead optimisation	4.4 (+0.3)	6	✓ Implementation proceeding to plan ✓ Further improvements have been identified
Footprint optimisation	0.4 (+0.4)	11	✓ Consultation progressing regarding intention to discontinue panel radiators production in Zonhoven, Belgium
Adj. EBITDA total	**22.4 (+5.9)**	**40**	
NWC (cumulative)	**9.0 (+2.9)**	**30**	✓ Inventory analytics built into PG's infra and workstream governance ramped up ✓ Local operations teams upskilled on inventory optimization in UK, BEL & ITA ✓ Most of excess cash released from inventories by upstreaming slow-runners into MTO and optimizing MTS replenishment models in UK & BEL

1. Annualized impact visible in P&L.
2. 2024 targets have been upgraded on 25 October 2023. Adj. EBITDA run-rate improvements are expected by H1 2024, and NWC cumulative by the end of 2024.

Key figures

MEUR	Q3 2023	Q3 2022	Change, %	1-9/2023	1-9/2022	Change, %	FY 2022
Net sales	176.1	216.3	*-19%*	568.2	697.5	*-19%*	904.1
Adjusted EBITDA	23.5	19.6	*20%*	71.1	76.6	*-7%*	92.9
Adjusted EBITDA margin, %	13.3%	9.1%		12.5%	11.0%		10.3%
EBIT	11.2	10.5	*7%*	35.2	40.5	*-13%*	39.0
EBIT margin, %	6.3%	4.8%		6.2%	5.8%		4.3%
Profit for the period	4.5	5.3	*-16%*	14.1	20.2	*-30%*	13.1
Cash flow from operating activities	1.1	-2.2		7.9	-9.1		31.1
Adjusted operating cash flow, last 12 months[1 3]				80.1	35.0	*129%*	44.0
Cash conversion %, last 12 months[2 3]				91.6%	35.3%		47.7%

[1] Adjusted EBITDA on a rolling 12 month basis deducted by the change in net working capital and capex on a rolling 12 month basis.
[2] Adjusted operating cash flow divided by Adjusted EBITDA, both on a rolling 12 month basis.
[3] Change in net working capital includes assets held for sale. The 2022 comparison figure has been restated by EUR 9.6 million impairment charges related to the business in Russia.

Comparability adjustments

Comparability adjustments	Q3 2023	Q3 2022	1-9/2023	1-9/2022	FY 2022	
M&A related transactions and integration costs	0.1	1.3	0.1	1.6	2.2	
Restructuring costs and one-off costs related to efficiency programs	4.0	-0.2	10.5	3.7	6.6	Partly non-cash
Impairment and write-down charges	1.7	–	3.0	6.9	12.9	Non-cash
Other	0.4	–	0.2	–	0.2	
Total adjustments	**6.2**	**1.0**	**13.8**	**12.1**	**21.7**	

Net financials, depreciation and amortisation

Net Financial items	Q3 2023	Q3 2022
Interest net	-3.1	-3.0
Exchange gains and losses (FX and financing items)	1.0	-0.2
Leases IFRS 16	-0.6	-0.6
Other financial income and expenses	-1.4	-0.6
Total	**-4.0**	**-4.3**
% of net sales	***2.3%***	***2.0%***

Depreciation and amortisation	Q2 2023	Q2 2022
Amortisation on intangible assets	-0.9	-0.9
Tangible assets	-2.7	-5.1
Impairment of intangible and tangible assets	–	–
Right-of-use assets (IFRS 16)	-2.4	-2.0
Total	**-6.1**	**-8.1**
% of net sales	***3.5%***	***3.7%***

Tax

Income tax expense, MEUR	1-9/ 2023	1-9/ 2022	
For the financial period	-8.9	-8.4	
Change in deferred taxes	2.2	-2.4	
Previous years taxes	-0.1	0.5	
Total income tax expense	**-6.8**	**-10.2**	
Effective Tax Rate adjusted for non-deductible items	***24.1%***	***23.3%***	
Non-deductible items			**Comments**
Profit before taxes	20.8	30.4	As reported
Russian divestment plan	2.6	6.9	Impairment and write-down of Russian business assets and liabilities
Restructuring costs	-	3.2	Non-deductible restructuring costs related to the Irish subsidiary in 2022
Previous years' company restructurings	4.8	2.7	Trademark amortisation and claw-back of Group internal capital gain
China divestment	-	0.5	Sale of Chinese subsidiary
PBT adjusted for non-deductible items	**28.2**	**43.7**	PBT adjusted for non-deductible items

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