Interim Report January - March 2022

Purmo Group Plc

Solid start to the year

January-March 2022

- Net sales improved by 24 per cent to EUR 236.2 million (190.4). Organic growth was 21 per cent.
- Adjusted EBITDA reached EUR 29.2 million (29.1), corresponding to an adjusted EBITDA margin of 12.4 per cent (15.3 per cent).
- EBIT was EUR 14.1 million (18.7), which included EUR -7.5 million (-2.9) of comparability adjustments.
- Cash flow from operating activities was EUR -38.9 million (-7.0)
- The first strategic acquisition completed, Thermotech consolidated into the ICS division as of 1 March 2022.

Financial guidance for 2022

Purmo Group has decided to initiate its financial guidance for 2022, due to improved visibility:

For 2022, Purmo Group expects net sales to increase from 2021 (EUR 843.6 million). Adjusted EBITDA is expected to be comparable to 2021 (EUR 103.9 million) i.e. to change not more than 5 per cent from the previous year.

The outlook remains uncertain due to the ongoing geopolitical situation caused by the war in Ukraine, which is impacting market demand and supply chains, as well as causing raw material price inflation. Purmo Group is actively managing the situation including price increases to offset cost inflation and mitigating supply chain constraints.

Key figures and financial performance

EUR million	1-3/2022	1-3/2021	Change, %	2021
Net sales	236.2	190.4	24%	843.6
Adjusted EBITDA	29.2	29.1	0%	103.9
Adjusted EBITDA margin	12.4%	15.3%		12.3%
Adjusted EBITA	22.3	22.4	0%	70.8
Adjusted EBITA margin	9.5%	11.7%		8.4%
EBIT	14.1	18.7	-25%	3.5
EBIT margin	6.0%	9.8%		0.4%
Profit for the period	6.5	11.9	-46%	-18.8
Adjusted profit for the period	14.0	14.9	-6%	51.4
Earnings per share, basic, EUR [1)]	0.16	0.41	-61%	-0.65
Adjusted earnings per share, basic, EUR [1)]	0.34	0.51	-33%	1.77
Cash flow from operating activities	-38.9	-7.0	-458%	35.4
Adjusted operating cash flow, last 12 months [2)]	18.6	96.9	-81%	53.1
Cash conversion [3)]	17.8%	101.7%		51.1%
Operating capital employed [4)]	328.2	259.6	26%	271.8
Return on operating capital employed [5)]	-0.3%	19.9%		1.3%
Net debt	301.0	86.2	249%	239.5
Net debt / Adjusted EBITDA	2.9	0.9	220%	2.3

[1)] The 2021 earnings per share calculations are based on shares of Purmo Group Ltd.
[2)] Adjusted EBITDA on a rolling 12-month basis deducted by the change in net working capital and capex on a rolling 12-month basis.
[3)] Adjusted operating cash flow divided by Adjusted EBITDA, both on a rolling 12-month basis.
[4)] Net working capital, other intangible assets, property, plant and equipment, and right-of-use-assets.
[5)] EBIT based on a rolling 12-month calculation divided by operating capital employed. Return on operating capital employed without non-recurring items was 22% (25%).

Unless otherwise stated, the comparison figures in parentheses refer to the corresponding period in 2021. The 2021 non-adjusted key figures are affected by a one-time, non-cash IFRS 2 merger impact of EUR 52.3 million as a result of the merger of Virala Acquisition Company Plc and Purmo Group Ltd, as well as EUR 17.9 million other items affecting comparability.

CEO review: Solid start to the year in uncertain market conditions

Net sales of Purmo Group improved by 24 per cent to EUR 236.2 million in the first quarter of 2022, supported by continued strong net sales growth of above 20 per cent in both divisions. Organic growth was 21 per cent. Adjusted EBITDA was EUR 29.2 million reaching the same level as in the first quarter of 2021. The adjusted EBITDA margin was 12.4 per cent which was lower than last year, when margins benefited from temporarily lower cost-levels post COVID-19, but higher than the first quarter in both 2019 and 2020 (9.5 and 11.0 per cent, respectively).

We had a solid performance in the first quarter, a tough challenge given the current challenges in the markets. Adjusted EBITDA reached EUR 104.0 million (95.3) on a rolling 12-month basis.

The geopolitical situation, caused by the war in Ukraine, is above all a humanitarian crisis. It also provides challenges for Purmo Group. The war has had negative effects on demand in many markets, worsening already strained supply chains and cost inflation.

In March, we took the decision to exit Russia. The work to divest the business has started and we are exploring options. Upon completion, we will no longer have a manufacturing operation or sales in Russia.

While the current operating environment is challenging, we continue to expect increased demand for sustainable, energy-efficient heating and cooling solutions. We expect this to be accelerated by high energy prices and the need to transition to more renewable energy sources. Residential buildings are responsible for 17 per cent of the total energy consumption in the EU. We are pursuing these demand drivers by implementing our three-pillar growth strategy.

Strong performance in ICS offset by weaker Radiators

In the ICS division both net sales and adjusted EBITDA improved strongly in the first quarter. Sales growth was achieved across many markets and in particular Italy, driven by demand for heat pumps and other related systems supported by government energy efficiency subsidies. In Italy ICS has its broadest offering, including heat pumps, air-conditioners and ventilation.

Net sales in the Radiator division improved driven by sales price increases. However, adjusted EBITDA declined due to lower sales volumes than in the same period last year. The lower sales volumes were primarily driven by normalised demand from last year's elevated levels and the geopolitical situation. In the first and second quarter of 2021 volumes benefited from pent-up demand and pre-buying.

Acquisition of Thermotech

The acquisition of Thermotech was completed during the review period providing growth opportunities for the ICS division in the Nordics. This was our first acquisition as a publicly listed company and supportive of the strategic direction of Purmo Group. Thermotech, a Nordic based company, manufactures and supplies customised, prefabricated underfloor heating systems to customers across the Nordic region. It brings smart technologies to our ICS offering, supports our solution-selling approach and strengthens our position in the Nordic underfloor heating market.

Initiated financial guidance for 2022

Purmo Group has decided to initiate its financial guidance for 2022, due to improved visibility:

For 2022, Purmo Group expects net sales to increase from 2021 (EUR 843.6 million). Adjusted EBITDA is expected to be comparable to 2021 (EUR 103.9 million) i.e. to change not more than 5 per cent from the previous year.

The outlook remains uncertain due to the ongoing geopolitical situation caused by the war in Ukraine, which is impacting market demand and supply chains, as well as causing raw material price inflation. Purmo Group is actively managing the situation including price increases to offset cost inflation and mitigating supply chain constraints.

We would like to thank all our customers, employees, suppliers and shareholders for their continued trust and commitment to Purmo Group. Despite considerable market uncertainty, Purmo Group remains well positioned to deliver on our ambition to become the global leader in sustainable indoor climate comfort solutions and to reach our long-term financial targets.

News conference and webcast for analysts, investors and media

Purmo Group's Interim Report January–March 2022 has today been published and is available on Purmo Group's website at https://investors.purmogroup.com/ir-material/ in English and Finnish.

CEO John Peter Leesi and CFO Erik Hedin will present the result to analysts, investors and media representatives in a live webcast at https://purmogroup.videosync.fi/q1-2022 on Thursday 12 May 2022 at 10:00 Finnish time (EEST). The event, including the Q&A session, will be held in English.

The webcast can be attended also via teleconference. To participate in the teleconference, participants are asked to dial in at least 5 minutes before the start of the event using one of the following telephone numbers:

Finland Toll: +358 981710310
Sweden Toll: +46 856642651
United Kingdom Toll: +44 3333000804
United States Toll: +1 6319131422

Teleconference PIN: 50253852#

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

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Group financial overview

Operating environment

The first three months of 2022 saw a normalization of demand compared to the first three months of 2021, which was an unusual period with strong recovery from COVID-19 and customer pre-buying ahead of sales price increases.

Demand slowed in March after Russia's invasion of Ukraine. Apart from Russia and Ukraine, countries directly bordering the conflict, like Poland, were negatively impacted by the war and refugee migration.

Throughout 2021, Purmo Group implemented sales price increases to mitigate effects of increased raw material prices. During the review period cost inflation continued for raw materials such as steel, aluminium, brass and plastics. Purmo Group will continue to mitigate cost inflation during 2022 through further sales price increases.

For Purmo Group, availability of steel remained good supported by strong supplier relationships and long-term agreements. Supply of heat pumps, mainly sold in Italy, improved during the review period. However, other supply chain constraints persisted during the review period in plastics, electrical components, transportation and lack of skilled labour which restrained both demand and output. Management continued to mitigate these effects.

Whilst the COVID-19 pandemic restrictions eased in Europe, Brazil and USA, lockdowns continue to be a reality in China with resulting limitations on demand and output. Although growing, China's financial contribution to Purmo Group is still relatively small. Key markets of Purmo Group, including Germany and Italy, continued to be supported by governmental incentives linked to improved energy efficiency of buildings.

Net sales

EUR million	1-3/2022	1-3/2021	Change, %	2021
Net sales, by segment				
Radiators	135.0	110.3	22%	506.3
ICS	101.1	80.2	26%	337.2
Total	**236.2**	**190.4**	**24%**	**843.6**

In January-March 2022, Purmo Group's net sales reached EUR 236.2 million (190.4), an increase of 24 per cent. Organic growth was positive by 21 per cent and the net currency effect was positive 1 per cent, mainly due to stronger GBP, BRL and RMB. The Thermotech and Evroradiator acquisitions contributed 2 per cent to net sales growth.

Both divisions posted above 20 per cent organic growth in the quarter. The Radiators division's organic growth benefited from sales price increases whereas sales volumes were lower than the previous year, in part due to exceptionally high volumes during the first and second quarter of 2021. The ICS division's organic growth was supported by both sales price increases and volume growth. ICS growth was affected by supply constraints of plastics and electrical components.

Net sales in Western Europe, Purmo Group's largest region, grew by 17 per cent. Central and Eastern Europe grew by 22 per cent, adversely affected by the suspension of sales to Russia. Northern Europe grew by 23 per cent, Southern Europe grew by 53 per cent and Rest of the World region grew by 23 per cent.

Results and profitability

EUR million	1-3/2022	1-3/2021	Change, %	2021
Adjusted EBITDA, by segment				
Radiators	17.5	19.3	-9 %	66.0
ICS	13.6	10.7	27 %	43.7
Other	-1.9	-0.9	105 %	-5.8
Total	**29.2**	**29.1**	**0 %**	**103.9**
Total adjusted EBITDA margin, %	**12.4%**	**15.3%**		**12.3%**

In January-March 2022, Purmo Group's adjusted EBITDA reached EUR 29.2 million (29.1). The performance was supported by strong growth in the ICS division which compensated for the shortfall in the Radiator division.

The adjusted EBITDA margin for January-March declined to 12.4 per cent (15.3). Costs in the comparison period were on a favourably low level due to the COVID-19 pandemic, including temporarily lower raw material costs.

The Radiator division's adjusted EBITDA declined to EUR 17.5 million (19.3) whereas the ICS division improved to EUR 13.6 million (10.7).

Comparability adjustments amounted to EUR 7.5 million (2.5) mainly relating to the impairment and write-down of the Russian business assets and liabilities.

Profit before taxes was EUR 11.3 million (16.9). The effective tax rate was 42.4 per cent (29.4). Current tax of the Group amounted to EUR 3.2 million (5.1). Earnings per share was EUR 0.16 (0.41), adversely affected by comparability adjustments and the dilutive effect of share issues relating to listing of the Group and the acquisition of Thermotech.

Cash flow and financial position

Cash flow from operating activities was EUR -38.9 million (-7.0). The unfavourable change was mainly due to change in net working capital, caused by higher than normal seasonal effects. The general increase in cost and price inflation, weaker than expected deliveries towards the end of the quarter and sales mix resulted in higher net working capital balances.

The normal seasonal low point for net working capital is December, from which it is building up during the first and second quarter and then reducing during the third and fourth quarters.

Adjusted operating cash flow for the last 12 months decreased by 81 per cent to EUR 18.6 million (96.9) and the cash conversion ratio declined to 17.8 per cent (101.7). The decrease was mainly driven by an unfavourable change in net working capital of EUR -69.7 million (10.4). 31 March 2021 net working capital was below normal seasonal levels due to stronger than expected demand and very low inventory levels. The decrease in adjusted operating cash flow was also due to increased capex spends in the 12-month period to EUR 15.7 million (8.7) and partly offset by an improved adjusted EBITDA for the last 12 months to EUR 104.0 million (95.3).

Cash flow from investing activities was EUR -16.9 million (-1.5). The change in investments was mainly attributable to the Thermotech acquisition of EUR 14.6 million (0.0) as well as investments in property, plant and equipment and intangible assets of EUR 2.4 million (1.5).

Cash flow from financing was EUR -84.2 million (-7.8) for the period. This comprised mainly of repayment of the bridge loan facility of EUR 95.0 million, which was partly offset by the increase in short term borrowings of EUR 13.4 million.

At the end of March, the Group's net debt was EUR 301.0 million (31 Dec 2021: 239.5), the equity ratio was 40.8 per cent (31 Dec 2021: 37.3) and the net debt to adjusted EBITDA ratio, based on the last 12 month's adjusted EBITDA, was 2.9 (31 Dec 2021: 2.3).

The liquidity position in terms of cash and cash equivalents, totalled EUR 33.2 million at the end of the reporting period (31 Dec 2021: 177.6). On 9 March 2022 Purmo Group signed a Finnish commercial paper program of EUR 100.0 million to secure short term funding needs. At the end of the review period commercial papers outstanding totalled to EUR 12.0 million. In addition, the Group had an undrawn EUR 80.0 million revolving credit facility and EUR 17.5 million equivalent of overdraft facilities with core financial institutions.

Equity attributable to owners of the parent company totalled EUR 412.9 million (31 Dec 2021: 390.6).

Radiators Division

Purmo Group's Radiators division is the leading European manufacturer of radiators. Demand is primarily driven by residential repair and maintenance (about 60 per cent of sales) and new construction (about 40 per cent of sales). The division manufactures three main product categories: panel radiators, tubular radiators and electric radiators. The products are mainly sold as complete packages through wholesalers to installers.

EUR million	1-3/2022	1-3/2021	Change, %	2021
Net sales	135.0	110.3	22%	506.3
Adjusted EBITDA	17.5	19.3	-9%	66.0
Adjusted EBITDA margin, %	13.0%	17.5 %		13.0%
Depreciations, amortisations and impairments	-12.7	-5.0	153%	-21.1

Market overview

The demand for radiators was weaker in the first quarter of 2022 than the very strong previous year. The previous year was above normal levels due to pent-up demand and pre-buying ahead of sales price increases. Additionally, demand this year slowed down due to inflationary pressure on households, increased material costs, material shortages as well as effects from the geopolitical situation.

During the first three months of the year weaker demand was observed in the UK, France and the Nordics. Countries such as Germany, Austria and the Czech Republic were among the markets with more resilient demand. The business in China achieved growth, but the outlook remains dependent on the political handling of the COVID-19 lockdowns.

Net Sales

In January-March 2022, net sales of the Radiators division increased by 22 per cent to EUR 135.0 million (110.3). Despite a 10 per cent decline in radiator sales volumes, organic net sales grew by 20 per cent supported by substantial sales price increases during the review period. Acquisitions contributed by 2 per cent to the division's net sales growth. The currency impact was neutral.

The volume decline in the first quarter of 2022 was affected by the weaker demand in the markets, as explained above. The geopolitical situation impacted radiator division directly through no deliveries to Ukraine and suspension of sales in Russia, but also indirectly in Poland and other markets.

Profitability

In January-March 2022, the adjusted EBITDA of the Radiators division declined by 9 per cent to EUR 17.5 million (19.3). The adjusted EBITDA margin was 13.0 per cent (17.5).

The decline in adjusted EBITDA was driven by lower sales volumes compared to the previous year. The lower adjusted EBITDA margin was due to favourable steel prices in the first quarter of 2021 following the COVID-19 pandemic, as well as slightly higher operating expenses in 2022 relating to strategic projects and to provisions for expected credit losses relating to customers in Ukraine.

Key activities during the reporting period

On 4 March 2022 Purmo Group suspended all sales and operations in Russia as a reaction to the Russian invasion of Ukraine. At the end of March, the decision was made to exit Russia with the aim of finding a new owner for the business.

During the review period new products were introduced to the EU market: Purmo Flex, a new panel radiator with middle connection, and Tinos H, the decorative radiator that was introduced to new markets. Purmo Flex was first launched in Germany, where it was positively received by professional installers.

Expansion of the division's already largest manufacturing plant in Rybnik, Poland, continued in accordance with original assumptions and plan.

ICS Division

Purmo Group's Indoor Climate Systems (ICS) division provides a range of components or full systems to specifiers, installers and wholesalers in residential, commercial and institutional sectors. Demand is driven by new construction (about 70 per cent of sales) as well as repair and maintenance (about 30 per cent of sales). The division offers Radiant Heating and Cooling (RHC), primarily in the form of underfloor heating, air heating and cooling including air-conditioning, heat pumps and ventilation, water-distribution and connection systems, as well as system components such as hydronic and electronic controls as well as flow balancing technology.

EUR million	1-3/2022	1-3/2021	Change, %	2021
Net sales	101.1	80.2	26%	101.1
Adjusted EBITDA	13.6	10.7	27%	13.6
Adjusted EBITDA margin, %	13.5%	13.3%		13.5%
Depreciations, amortisations and impairments	-2.6	-2.4	7%	-2.6

Market overview

The European ICS market, predominantly the Radiant Heat and Cooling sector (RHC), continued to grow with generally strong demand, in most markets above pre-pandemic levels. New build construction, and partly renovation supported by government incentives, had a favourable impact on market demand in the ICS-division whereas material shortages slowed down growth in some countries.

Overall, ICS products linked to renewable and sustainable energy solutions continued to enjoy good demand. Government incentives to promote enhanced energy efficiency of buildings continue to support market growth, such as in Italy and Germany.

Net sales

In January-March 2022, net sales of the ICS division increased by 26 per cent to EUR 101.1 million (80.2). Organic sales growth was 22 per cent and the net currency effect was positive by 1 per cent. The Thermotech acquisition contributed by 3 per cent to the division's net sales growth.

The growth was driven by successful implementation of sales price increases and volume growth driven by high demand for heat pumps and air conditioners which ICS mainly sells in Italy. Supply constraints had a negative effect on sales in the quarter, relating mainly to pipe production and some heating-and-cooling products (semiconductors). Considering normal seasonality, net sales growth of the ICS division was exceptionally strong during the first and second quarter of 2021.

Profitability

In January-March 2022, adjusted EBITDA of the ICS division increased by 27 per cent to EUR 13.6 million (10.7). The adjusted EBITDA margin was 13.5 per cent (13.3). Increased sales of the Air Heating and Cooling segment, including heat pumps and air conditioners, contributed to the improved profitability.

Key activities during the reporting period

On 1 March 2022 Purmo Group acquired TT Thermotech Intressenter AB (Thermotech), the Nordic heating-systems company. In line with Purmo Group's growth strategy, Thermotech strengthens the ICS division's offering of smart technologies, it improves focus on selling systems (solutions) and it strengthens ICS's position in the Nordic underfloor heating market. In 2021 the company's total net sales was EUR 23.8 million.

Outsourcing or consolidation of the brass production from Newcastle West, Ireland, to Purmo Group's other existing sites in Italy and Sweden continued according to plan. Upon completion during the first half of 2022, the restructuring will improve efficiency in the production of brass components.

Investments, acquisitions, structural changes and R&D

Investments

Capital expenditure excluding business combinations and leased assets totalled EUR 2.4 million (1.5) in January–March 2022. The investments related mainly to strategic projects and maintenance.

Acquisitions and disposals

On 1 March 2022 Purmo Group announced that it had acquired the entire share capital of the Nordic heating system company TT Thermotech Intressenter AB. The company manufactures and supplies customised and prefabricated underfloor heating systems to its customers in the Nordic region. In 2021, the company's total net sales were about EUR 23.8 million and it had about 80 employees. Thermotech is reported under ICS segment. The acquisition supports Purmo Group's growth strategy: it brings in smart technologies to the company's Indoor Climate System (ICS) offering, supports its solution-selling approach and strengthens Purmo Group's position on the Nordic underfloor heating market.

There were no disposals during January-March 2022.

Structural changes

In the end of March 2022 Purmo Group took the decision to exit its business in Russia. The company will seek 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 the Russian business as assets held for sale, resulting in a non-recurring impairment and write-down of EUR 6.9 million. For accounting purposes, the Russian business is presented as continuing operations. Russia represented less than 5 per cent of Purmo Group's total net sales in 2021.

The exit from Russia is not expected to change Purmo Group's growth strategy in the longer term. For the Radiator division, Russia represented 7 per cent of sales in 2021, some of which is expected to be recovered elsewhere in Eastern Europe. In 2021, the ICS Division only had about 1 per cent of its sales to Russia which is expected to be successfully replaced by sales in other markets.

The ongoing restructuring of Purmo Group's Irish subsidiary, Purmo Group Ireland Ltd is estimated to be completed according to plan during the first half of 2022.

Research and development

Purmo Group's research and development (R&D) expenditure totalled EUR 1.8 million (1.5) in January-March 2022.

In line with the Group strategy, Purmo Group's Smart Products pipeline focused on three clear strategic priorities during the review period: Intelligence, sustainability and aesthetics.

During the review period the company launched the Purmo Flex radiator, which offers flexibility in planning and installation thanks to a valve insert of choice. Purmo Flex is a high-quality product available in a wide range of dimensions, colours and designs (profiled, flat and fine-profiled). Thanks to an integrated manifold the radiator comes with six optional connections that enable installation of the valve in the middle or to the left or right under the radiator. The location of the valve can be swapped while keeping the radiator fully functional. This allows for particularly flexible, quick and cost-effective installation.

Product development continues to focus on connecting smart HVAC equipment from energy source to thermal emitters into one unified and intelligent system, on minimising material input including product packaging, and on smart design that improve radiator output performance. At the same time Purmo Group continues collaboration with its network in the field of common controls.

Strategy

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

(i) scaling-up of solution-selling in order to provide complete solutions and capture white space in underpenetrated markets;
(ii) launching of smart products to deliver products that are more intelligent, more sustainable and more aesthetic; and
(iii) focusing on growth markets to capture biggest opportunities outside of current markets.

Purmo Group is supportive of growth through M&A opportunities that support consolidation, expansion and diversification.

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

On 3 January 2022 Purmo Group Plc's shares started trading at Nasdaq Helsinki following the merger between Purmo Group Ltd and Purmo Group Plc (earlier Virala Acquisition Company Plc).

Long-term financial targets

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

Growth

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

In January-March 2022, organic net sales grew by 21 per cent out of total net sales growth of 24 per cent to EUR 236.2 million (190.4) compared to the same period last year.

Profitability

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

In January-March 2022, the adjusted EBITDA margin was 12.4 per cent (15.3).

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 2022, net debt / adjusted EBITDA was 2.9 (0.9).

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 bi-annually after considering earnings trends for the group, its financial position and future growth potential.

For the financial year 2021 Purmo Group distributes a total of 44 per cent of annual net profit as return of capital, excluding IFRS 2 merger impact.

Sustainability

Purmo Group's approach to sustainability is fundamental to the company's vision that indoor climates should not cost the planet's climate. The key focus areas of the sustainability strategy are:

- Production: The way we make things
- Solutions: The things we make
- People: Our colleagues that make them
- Communities: The communities we reach

Within these focus areas, the company has made ten commitments that relate to emissions and energy; resource efficiency and waste; responsible sourcing; climate smart choices; circularity and end of life; diversity, equality and inclusion; engagement at work; employee upskilling; health & safety; and community engagement.

During the first quarter of 2022 Purmo Group continued to progress the sustainability strategy launched in 2021:

Reporting

In March, Purmo Group published its first Annual Report, which included the company's first sustainability report and an in-depth overview of the company's sustainability strategy launched in 2021.

Production

Baselining of Purmo Group's carbon emissions was completed. This insight will be used to set the Science Based Targets for reducing Purmo Group's Scope 1 and 2 carbon emissions. A comprehensive monitoring system was launched to track progress against ESG targets. In addition, reviews into packaging and circularity including recommendations were completed.

People

During the reporting period the LTIFR (Lost Time Injury Frequency Rate, per million hours worked) was 3.63 (2.67). However, 50 per cent fewer high severity incidents were recorded.

Purmo Group has continued to deliver on the employee engagement by implementing actions to improve our employee Net Promoter Score (eNPS).

Communities

During the reporting period Purmo Group's employees in Poland took the initiative to donate part of their salary to support refugees from neighbouring Ukraine. The accumulated funds were doubled by the company and as a result Purmo Group has been able provide housing and food for 27 women and children fleeing the war.

In addition, Purmo Group launched a company volunteering scheme, targeting 5,000 volunteering hours in 2022 and 25,000 by 2025.

More detailed information on Purmo Group's sustainability strategy is available on www.purmogroup.com.

Shares and shareholders

Share capital, number of shares and shareholders

	31 Mar 2022
Number of class C shares	41,046,310
Number of class F shares	1,565,217

Purmo Group Plc has two share classes of which class C shares are listed and class F shares (Founder Shares) are held by Purmo Group Plc (former Virala Acquisitions Company Plc) 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 or acquire Class F shares.

The number of shares outstanding on 31 March 2022 was 41,046,310 class C shares and 1,565,217 class F shares. The Company's registered share capital on 31 March 2022 was EUR 3,080,000. Trading in Purmo Group Plc's shares commenced on the official list of Nasdaq Helsinki on 3 January 2022.

The Company has no treasury shares.

On 1 March 2022 Purmo Group Plc issued 671,779 new class C shares to the sellers of TT Thermotech Intressenter AB in a directed share issue in connection with the acquisition of the company.

On 31 March 2022 the five largest shareholders were Rettig Group Ltd (65.59 per cent of total shares), Virala Corporation (14.14 per cent), Ahlström Invest B.V. (2.32 per cent), Jussi Capital Oy (1.49 per cent) and Fennia Mutual Insurance Company (1.17 per cent) and Svenska Litteratursällskapet i Finland (1.17 per cent).

Board authorisation regarding share issue and share repurchase

The Annual General Meeting 25 April 2022 authorised the Board of Directors to resolve on the issuance of a maximum of 8,000,000 class C shares as well as on 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 proposed number of shares corresponds to approximately 20 per cent of all class C shares in the company. 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 authorisation is effective until the end of the next Annual General Meeting, however, no longer than until 30 June 2023. The authorisation revokes the previous authorisation granted by the Extraordinary General Meeting on 13 December 2021.

The Annual General Meeting of 25 April 2022 authorised the Board of Directors to repurchase a maximum of 4,000,000 of the Company's

own class C shares as well as on the acceptance of them as pledge. The shares shall be repurchased with funds from the Company's unrestricted shareholders' equity. The number of shares corresponds to approximately 10 per cent of all of class C shares in Purmo Group. The authorisation is effective until the end of the next Annual General Meeting, however no longer than until 30 June 2023. The Authorisation revokes the previous authorisation granted by the Extraordinary General Meeting on 13 December 2021.

Flagging notifications

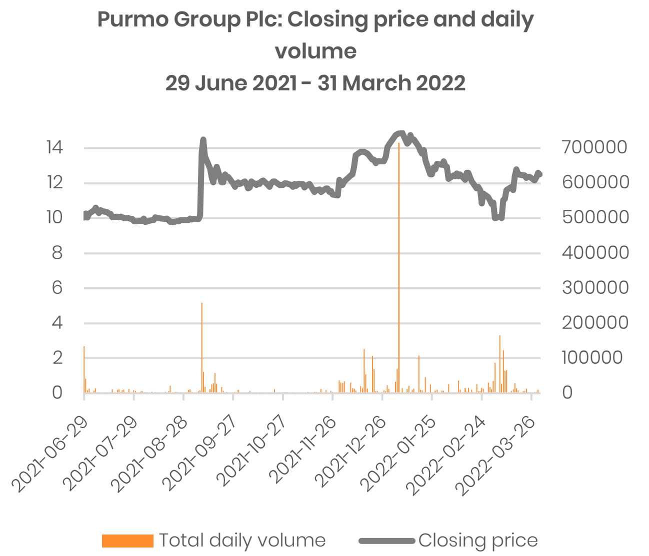
During the review period Purmo Group did not receive flagging notifications referred to in the Securities Market Act. More information on flagging notifications can be found at https://investors.purmogroup.com/share/flagging-notifications/.

Managers' transactions

Purmo Group's managers transactions as of the listing have been published as stock exchange releases, and they are available on the Company's website at www.purmogroup.com.

Trading of shares on Nasdaq Helsinki

	1 Jan – 31 Mar 2022
High, EUR	15.6
Low, EUR	9.0
Volume-weighted average price	12.5
Closing price, EUR, 31 Mar 2022	12.5
Market capitalisation, class C share, EUR million, 31 Mar 2022	511.1



Governance

Personnel

The number of Group full-time-equivalent employees averaged 3,471 (3,238) in January–March. At the end of the period, the Group had 3,468 (3,277) employees.

Changes in management team

There were no changes in the management team during the reporting period.

Share based incentive plans

Purmo Group did not have any share-based incentive plan in place during the reporting period. In 2021 Purmo Group had a long-term share-based incentive plan, which ended on 31 December 2021.

Annual General Meeting

The Annual General Meeting was held on 25 April 2022. The meeting adopted the Annual accounts including the Consolidated Annual Accounts for 2021 and discharged the members of the Company's Board of Directors and the CEO from the liability for the financial year 2021. The Annual General meeting also adopted the Remuneration Policy.

Return of capital

The Annual General Meeting decided that a return of capital of EUR 0.36 per class C share shall be paid for the financial year 2021 in two instalments and that a return of capital for class F shares shall be paid in accordance with the Articles of Association of the Company for the financial year 2021 in two instalments. In accordance with the Articles of Association of the Company and as a consequence of the first share price hurdle for conversion of class F shares into class C shares having been exceeded in September 2021, and taking into account dilution of the number of F shares following the registration of the new C shares on 1 March 2022, class F shares currently carry a right to asset distribution equivalent to 0.69 per cent of the return of capital proposed to be distributed to class C shares, which corresponds to a return of capital of EUR 0.07 per class F share.

The first instalment of the return of capital is EUR 0.18 per class C share and EUR 0.03 per class F share based on the class F shares' current right to asset distribution in accordance with the Articles of Association. The first instalment of the return of capital was paid on 4 May 2022. The second instalment of the return of capital is EUR 0.18 per class C share and EUR 0.04 per class F share based on the class F shares' current right to asset distribution in accordance with the Articles of Association. The second instalment shall be paid to a shareholder who is registered in the shareholders' register maintained by Euroclear Finland Oy on the return of capital record date 26 September 2022. The second instalment is paid on 3 October 2022. The Annual General Meeting authorised the Board of Directors to resolve, if necessary, on a new record date and date of payment for the second instalment should e.g., the rules of Euroclear Finland Oy or statutes applicable to the Finnish book-entry system so require.

Remuneration of the members of the Board of Directors

The Annual General meeting resolved that the following annual remuneration will be paid to the members of the Board of Directors: EUR 92,000 per year for the Chairman of the Board, EUR 53,000 per year for the Vice-Chairman of the Board, EUR 53,000 per year for each of the Chairmen of the Board Committees and EUR 48,000 per year for each ordinary board member.

Approximately 40 per cent of the remuneration is to be used to acquire C-shares in the name and on behalf of the members of the Board of Directors, and the remainder is to be paid in cash. The annual remuneration shall be paid to the members of the Board of Directors in proportion to the length of their term of office.

A meeting fee will be paid to the board members according to following: EUR 600 per meeting held in the board member's country of residence; EUR 1,200 per meeting held outside the board member's country of residence but on the same continent as the board member's country of residence; EUR 2,400 per meeting held on another continent than the board member's country of residence; or EUR 600 per meeting held by telephone or through virtual communication channels.

An additional meeting fee of EUR 600 is paid to the Chairman of the Board and the Chairmen of the Board Committees for each meeting of the Board and its committees. In addition, compensation for reasonable travelling, accommodation and other expenses related to the Board of Directors and committee work is reimbursed according to the applicable policies of the Company.

Board of Directors

The Annual General Meeting resolved that the number of members of the Board of the Directors shall be seven. Tomas von Rettig, Matts Rosenberg, Alexander Ehrnrooth, Catharina Stackelberg, Carlo Grossi, Carina Edblad and Jyri Luomakoski were re-elected to the Board of Directors for a term of office ending at the conclusion of the next Annual General Meeting. The Annual General Meeting elected Tomas von Rettig as the Chairman of the Board and Matts Rosenberg as the Vice-Chairman.

Board authorisations

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

Committees nominated by the Board

Purmo Group Plc's Board of Directors appointed the following members to its committees at its constitutive meeting on 25 April 2022:

- Audit Committee: Jyri Luomakoski (chairman), Matts Rosenberg, Alexander Ehrnrooth
- M&A Committee: Matts Rosenberg (chairman), Alexander Ehrnrooth, Carlo Grossi
- Remuneration Committee: Tomas von Rettig (chairman), Catharina Stackelberg, Carina Edblad

Shareholders' Nomination Board

The Shareholders' Nomination Board comprises the following representatives:

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

Risks and uncertainties in the near future

Purmo Group is affected by global supply chain disturbances, which started during the COVID-19 pandemic. This involves uncertainties and may adversely affect the demand for and the delivery capability of the company's products and availability of financing. Purmo Group has been able to manage the adverse effect of the disturbances on its operations and hence, the impact of challenges in getting raw materials and components in fulfilling customers' orders has been limited. The negative impact of the COVID-19 pandemic on Purmo Group's operations has also at least partly been offset by other favourable consequences emerging from the pandemic situation, such as the private home renovation trend.

Purmo Group's costs have been affected by commodity, energy and logistics services price increases, caused for example by the global sharp increase in demand for commodities combined with supply chain disturbances. The company has been able to manage profitability by implementing sales price increases with a reasonable delay. Inflation rates in Purmo Group's core markets are currently higher than for a long time and there is no clear guidance on whether the inflation rates will decrease in near future. Fluctuations in prices of raw materials and supplies, including energy, and in freight rates as well as problems with availability of raw materials, supplies, labour and freight shipping may have a negative impact on profitability and operations in general.

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, and the volumes and profitability of which vary as a result of, inter alia, economic conditions and the amount of investments in real estate.

Due to Purmo Group's international operations unfavourable fluctuations in exchange rates of especially the Polish Zloty, Swedish Krona, Romanian Leu and British Pound could have an adverse effect on the company's business, financial position, results of operations, prospects, or share price. In accordance with Purmo Group's treasury policy, at any point in time, Purmo Group hedges on average 40 to 70 per cent of its estimated foreign currency exposure in respect of forecasted sales and purchases over the following 15 months.

Climate change related impacts mean that Purmo Group must develop products that meet customer expectations and are in compliance with the changing regulations concerning for example energy efficiency and product life cycle requirements. Proactive, effective and right measures may mean that Purmo Group is able to use business opportunities relating to the expectations and requirements. Purmo Group has a sustainability strategy and function.

Russia's invasion of Ukraine in February 2022 has resulted in severe economic sanctions being imposed on Russia by many countries. Purmo Group has about 250 employees in Russia and 2 freelance sales representatives in Ukraine, based in Kiev. Purmo Group has been importing into both countries for many years and, in 2021, established sourcing, production and sales in Russia through its acquisition of 51 per cent of the shares in Euroradiators Holding B.V., a Dutch holding company holding all shares in Russian Evroradiators LLC, from Bosch group. Before suspending sales and operations in Russia, sales were generated both from Polish imports as well as an increasing portion of local production following the acquisition. Imports into Ukraine made up less than 1 per cent of total Group sales in 2021 and those into Russia, less than 5 per cent. On 31 March 2022, Purmo Group decided to exit its business in Russia.

The impact of the war, on other markets than Russia and Ukraine, is hard to estimate for the time being, but the situation may cause uncertainty that has a negative impact on Purmo Group if private and/or commercial investment decisions are postponed or cancelled, or if construction projects are delayed due to availability of construction materials. Uncertain global economic, political and financial market conditions may impact Purmo Group's performance, financial position or availability of financing.

The economic downturn in Ukraine is expected to have a negative impact on demand of Purmo Group's products in Ukraine at least until the end of the war. The Company has set up a dedicated team to monitor the situation. The Company has temporarily halted deliveries to Ukraine and will continue to take appropriate action if there is a need to do so. The health and safety of employees, customers and business are, as always, a priority.

Events after the reporting period

On 11 May 2022 Purmo Group decided to initiate its financial guidance for 2022.

In Helsinki, 11 May 2022
Purmo Group Plc's Board of Directors

Condensed consolidated financial information

Consolidated statement of profit and loss

EUR million	Note	1-3/2022	1-3/2021	2021
Net sales	3	236.2	190.4	843.6
Cost of sales		-178.9	-138.5	-645.5
Gross profit		**57.2**	**51.9**	**198.1**
Sales and marketing expenses		-22.3	-18.6	-78.3
Administrative expenses		-10.9	-10.9	-42.0
Research and development expenses		-1.8	-1.5	-5.9
Other income		0.3	0.5	2.6
Other expenses		-8.4	-2.9	-71.0
Operational expenses		**-43.1**	**-33.3**	**-194.6**
EBIT		**14.1**	**18.7**	**3.5**
Finance income		1.1	0.3	1.1
Finance expenses		-4.0	-2.1	-9.7
Net financial items		**-2.8**	**-1.8**	**-8.6**
Profit before tax		**11.3**	**16.9**	**-5.1**
Income tax expense	4	-4.8	-5.0	-13.7
Profit for the period		**6.5**	**11.9**	**-18.8**
Profit for the period attributable to:				
Owners of the parent		6.5	11.9	-18.8
Non-controlling interests		-	0.0	-
Earnings per share for profit attributable to the ordinary equity holders of the parent company:				
Earnings per share basic, EUR		0.16	0.41	-0.65
Earnings per share diluted, EUR		0.16	0.41	-0.65

Consolidated statement of comprehensive income

EUR million	1-3/2022	1-3/2021	2021
Profit for the period	6.5	11.9	-18.8
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Re-measurement of defined benefit liability (asset)	8.2	7.7	8.4
Related tax	-1.6	-1.5	0.2
Total items that will not be reclassified to profit or loss	**6.6**	**6.2**	**8.6**
Items that are or may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences	0.2	0.0	0.4
Cash flow hedges – effective portion of changes in fair value	-0.3	-0.9	-1.9
Cash flow hedges – reclassified to profit or loss	0.3	0.0	1.5
Related tax	0.0	0.2	0.2
Total items that are or may be reclassified to profit or loss	**0.2**	**-1.4**	**0.1**
Other comprehensive income, net of tax	**6.8**	**4.8**	**8.7**
Total comprehensive income for the period	**13.2**	**16.7**	**-10.1**
Total comprehensive income attributable to:			
Owners of the parent	13.2	16.7	-10.1
Non-controlling interests	-	0.0	-

Consolidated balance sheet

EUR million	Note	31 Mar 2022	31 Mar 2021	31 Dec 2021
Assets				
Non-current assets				
Goodwill	5	386.2	365.3	369.2
Other intangible assets	5	40.6	37.4	36.3
Property, plant and equipment	5	126.3	130.0	131.9
Right-of-use assets	5	33.7	30.3	31. 3
Other receivables		0.9	1.0	1.0
Deferred tax assets		24.9	26.0	26.5
Defined benefit asset		13.9	4.9	6.2
Total non-current assets		**626.7**	**595.0**	**602.4**
Current assets				
Inventories		167.9	112.3	157.4
Trade receivables	7	137.9	102.4	77.1
Related party receivables	10	-	4.5	0.1
Derivative assets	7	0.9	1.8	0.7
Other receivables		22.1	18.7	29.6
Current tax asset		3.9	0.3	1.3
Cash and cash equivalents		33.2	38.7	177.6
Total current assets		**365.9**	**278.7**	**443.8**
Assets held for sale	12	**19.5**	**-**	**-**
Total assets		**1,012.0**	**873.7**	**1,046.2**
Equity and liabilities				
Equity				
Share capital		3.1	0.0	3.1
Reserve of invested unrestricted equity		395.0	498.3	385.9
Reserves		-9.1	-8.1	-9.3
Retained earnings		17.4	31.1	29.7
Profit for the period		6.5	11.9	-18.8
Equity attributable to owners of the Company		**412.9**	**533.1**	**390.6**
Non-controlling interests		-	1.8	-
Total equity		**412.9**	**534.9**	**390.6**
Liabilities				
Non-current liabilities				
Loans and borrowings	7	277.8	-	285.7
Lease liabilities		34.8	30.7	30.7
Defined benefit liabilities		22.9	23.2	23.5
Other payables		3.9	1.2	1.2
Provisions	8	7.7	7.9	7.6
Deferred tax liabilities		5.1	5.4	2.6
Total non-current liabilities		**352.2**	**68.5**	**351.3**
Current liabilities				
Loans and borrowings	7	13.4	89.7	95.0
Lease liabilities		5.5	4.5	5.6
Trade and other payables	7	202.8	167.2	192.0
Derivative liabilities	7	2.3	2.6	2.0
Provisions	8	4.6	1.2	4.9
Current tax liabilities		7.9	5.0	4.8
Total current liabilities		**236.7**	**270.3**	**304.3**
Total liabilities		**588.8**	**338.8**	**655.6**
Liabilities directly attributed to assets held for sale	12	**10.3**	**-**	**-**
Total equity and liabilities		**1,012.0**	**873.7**	**1,046.2**

Consolidated statement of cash flows

EUR million	1-3/2022	1-3/2021	2021
Cash flow from operating activities			
Profit for the period	6.5	11.9	-18.8
Adjustments:			
Depreciation, amortisation and impairment losses	7.6	7.5	30.2
Gain on sale of property plant and equipment	0.1	0.0	-0.5
Share-based payments	-	0.3	1.9
Finance income and expenses	2.8	1.8	8.6
Income tax expenses	4.8	5.0	13.7
Reverse recapitalization	-	-	52.3
Other non-cash income and expenses	6.5	1.0	5.7
Cash flow before change in net working capital	**28.2**	**27.5**	**93.1**
Changes in net working capital			
Inventories, increase (-) / decrease (+)	-14.8	-6.6	-48.7
Trade and other receivables, increase (-) / decrease (+)	-55.2	-47.6	-31.2
Trade and other payables, increase (+) / decrease (-)	8.5	24.5	45.0
Provisions and employee benefits, increase (+) / decrease (-)	-0.1	-1.5	-1.6
Changes in net working capital	**-61.5**	**-31.2**	**-36.5**
Net cash flow from operating activities before financial items and taxes	**-33.3**	**-3.7**	**56.7**
Interest paid	-2.6	-0.9	-8.7
Interest received	0.0	0.0	0.9
Income taxes paid, net	-3.0	-2.4	-13.5
Cash from operating activities	**-38.9**	**-7.0**	**35.4**
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets	0.0	0.0	0.7
Purchases of property, plant and equipment and intangible assets	-2.4	-1.5	-14.8
Acquisitions of subsidiaries, net of cash acquired	-14.6	0.0	-4.5
Cash flow from investing activities	**-16.9**	**-1.5**	**-18.6**
Cash flow from financing activities			
Proceeds from long-term borrowings	-	-	279.0
Increase of equity	-	-	0.3
Proceeds from share issue	-	-	99.9
Dividends and group contributions paid to related party	-	-	-266.4
Repayment of lease liabilities	-2.6	-2.8	-9.6
Proceeds from short-term borrowings	48.4	-	95.0
Repayment of short-term borrowings	-130.0	-	-4.9
Proceeds from short-term borrowings from related party	-	-	-10.2
Repayment from short-term borrowings to related party	-	-5.0	-98.0
Cash flow from financing activities	**-84.2**	**-7.8**	**105.4**
Change in cash and cash equivalents, increase (+) / decrease (-)	**-140.1**	**-16.3**	**122.2**
Cash and cash equivalents at beginning of the period	177.6	55.0	55.0
Impact of change in exchange rates	0.5	-0.1	0.4
Cash classified as assets held	-4.9	-	-
Cash and cash equivalents at end of the period	**33.2**	**38.7**	**177.6**

Consolidated statement of changes in equity

	Attributable to owners of the parent company							Non-controlling interest	Total equity
EUR million	Share capital	Reserve of invested unrestricted equity	Translation reserve	Fair value reserve	Share based payment reserve	Retained earnings	Total		
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	6.7		6.9
Total comprehensive income			**0.2**	**-0.0**		**13.1**	**13.2**		**13.4**
Long term incentive plan		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**

	Attributable to owners of the parent company							Non-controlling interest	Total equity
EUR million	Share capital	Reserve of invested unrestricted equity	Translation reserve	Fair value reserve	Share based payment reserve	Retained earnings	Total		
Balance as at 1 Jan 2021	**0.0**	**497.5**	**-9.1**	**-0.3**	**2.4**	**25.1**	**515.5**	**1.8**	**517.3**
Profit for the period						11.9	11.9	-	11.9
Other comprehensive income			-0.6	-0.7		6.2	4.8	-	4.8
Total comprehensive income			**-0.6**	**-0.7**		**18.1**	**16.7**	**-**	**16.7**
Long term incentive plan		0.8			0.1		0.9		0.9
Balance as at 31 Mar 2021	**0.0**	**498.3**	**-9.7**	**-1.1**	**2.5**	**43.1**	**533.1**	**1.8**	**534.9**

Notes to the condensed consolidated interim financial statements

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, 00121 Helsinki, Finland.

These unaudited condensed consolidated financial statements comprise the parent company Purmo Group Plc and its subsidiaries (collectively the "Group" and individually "Group companies"). The Company's class C shares are listed on the Nasdaq Helsinki stock exchange as of 3 January 2022.

Merger of Virala Acquisition Company Plc and Purmo Group Ltd

On 8 September 2021 Virala Acquisition Company Plc and Purmo Group Ltd announced that they had signed a merger agreement to combine the two companies. The merger was completed on 31 December 2021 and the combined company was re-named Purmo Group Plc. Following the merger, the combined company continued the business operations of Purmo Group Ltd and as a listed company on the official list of Nasdaq Helsinki.

2. Basis of preparation

These unaudited condensed interim financial statements have 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 2021, which have been prepared in accordance with IFRS. These condensed consolidated financial statements do 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 2021 except for IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, and the adoption of new and amended standards as set out below.

The condensed consolidated interim financial statements are 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.

Assets held for sale

Non-current assets or disposal groups and liabilities are classified as held for sale if their carrying amounts are expected to be recovered primarily through sale rather than through continuing use. Classification as held for sale requires that the following criteria are met; the sale is highly probable, the asset is available for immediate sale in its present condition subject to usual and customary terms, the management is committed to the sale and the sale is expected to be completed within one year from the date of classification. Prior to classification as held for sale, the assets or assets and liabilities related to a disposal are measured according to the respective IFRS standards. From the date of classification, non-current assets held for sale and liabilities are measured at the lower of the carrying amount and the fair value less costs to sell, and the recognition of depreciation and amortization is discontinued. Non-current assets held for sale and liabilities are presented in the statement of financial position separately from other items.

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 2022. 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 continued to assess the potential accounting implications of the COVID-19 pandemic. 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 has recognised impairment charges and write-downs of EUR 6.9 million on goodwill, intangible assets, property, plant and equipment, right-of-use assets, inventories and redemption liability.

3. Segment information and net sales

Group's divisions

The Radiators division manufactures three main product categories: panel radiators, tubular radiators and electric radiators.

The ICS division provides a comprehensive range of components or full systems to specifiers, installers and wholesalers comprising of four product categories: radiant heating and cooling (RHC) including underfloor heating, air heating and cooling, water distribution systems as well as system components and controls.

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

The Group's products are sold mainly via sanitary and heating wholesalers in both residential and non-residential sectors in Northern, Western, Southern and Eastern Europe but also in the Rest of the World (including Brazil, China, Japan and the United States).

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, the one-time and non-cash IFRS 2 merger impact, impairment and write-down charges connected to the Russian business, costs that have been incurred in connection with the formation of Purmo Group, exceptional gains and losses relating to sale of fixed assets, and costs incurred to achieve stand-alone readiness which has not continued post-merger.

1-3/2022

EUR million	Radiators	ICS	Other and unallocated	Group
Net sales	**135.0**	**101.1**	**0.0**	**236.2**
Adjusted EBITDA	**17.5**	**13.6**	**-1.9**	**29.2**
Adjusted EBITDA % of net sales	**13.0%**	**13.5%**		**12.4%**
Management fee to owners and legacy Rettig incentive plans				0.0
Material items impacting period profit and loss				0.1
Depreciation, amortisation and impairment				-15.2
EBIT				**14.1**
Net financial items				-2.8
Profit before tax				**11.3**
Additional information for segments				
Depreciation, amortisation and impairment by segment	-12.7	-2.6	0.0	-15.2

1-3/2021

EUR million	Radiators	ICS	Other and unallocated	Group
Net sales	**110.3**	**80.2**	**0.0**	**190.4**
Adjusted EBITDA	**19.3**	**10.7**	**-0.9**	**29.1**
Adjusted EBITDA % of net sales	**17.5%**	**13.3%**		**15.3%**
Management fee to owners and legacy Rettig incentive plans				-0.4
Material items impacting period profit and loss				-2.5
Depreciation, amortisation and impairment				-7.5
EBIT				**18.7**
Net financial items				-1.8
Profit before tax				**16.9**
Additional information for segments				
Depreciation, amortisation and impairment by segment	-5.0	-2.4	0.0	-7.5

2021

EUR million	Radiators	ICS	Other and unallocated	Group
Net sales	**506.3**	**337.2**	**0.0**	**843.6**
Adjusted EBITDA	**66.0**	**43.7**	**-5.8**	**103.9**
Adjusted EBITDA % of net sales	**13.0%**	**13.0%**	**-**	**12.3%**
Management fee to owners and legacy Rettig incentive plans				-2.4
Material items impacting period profit and loss				-67.9
Depreciation, amortisation and impairment				-30.2
EBIT				**3.5**
Net financial items				-8.6
Profit before tax				**-5.1**
Additional information for segments				
Depreciation, amortisation and impairment by segment	-21.1	-9.0	-	-30.2

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.

	1-3/2022			1-3/2021		
EUR million	Radiators	ICS	Group	Radiators	ICS	Group
Northern Europe [1]	30.9	15.5	46.5	26.5	11.4	37.9
Western Europe	63.2	31.9	95.1	52.0	28.9	81.0
Central and Eastern Europe	34.3	13.4	47.7	26.7	12.3	39.0
Southern Europe	1.2	33.3	34.5	1.2	21.2	22.4
Rest of the world	5.4	7.0	12.4	3.8	6.3	10.1
Net Sales	**135.0**	**101.1**	**236.2**	**110.3**	**80.2**	**190.4**

[1] Net sales in Finland (Company's country of domicile) totalled to EUR 3.8 million (3.4).

	2021		
EUR million	Radiators	ICS	Group
Northern Europe [1]	112.3	48.8	161.1
Western Europe	213.5	113.1	326.6
Central and Eastern Europe	150.6	50.9	201.5
Southern Europe	5.7	96.3	102.0
Rest of the world	24.3	28.1	52.4
Net Sales	**506.3**	**337.2**	**843.6**

[1] Net sales in Finland (Company's country of domicile) totalled to EUR 14.0 million (12.8).

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 period was EUR 4.8 million corresponding to an effective tax rate of 42.4 per cent. The tax expense is impacted by an EUR 6.9 million impairment and write-down of the Russian business assets and liabilities as well as a non-deductible trademark depreciation of EUR 0.9 million related to previous years company structuring. When excluding the impairment and write-down, and the depreciation the adjusted tax rate is 25.1 per cent.

5. Intangible and tangible assets

Intangible assets

EUR million	31 Mar 2022	31 Mar 2021	31 Dec 2021
Opening balance	**405.5**	**403.4**	**403.4**
Effect of exchange rates	0.0	0.0	0.0
Purchases of subsidiaries and business acquisitions	25.3	-	3.9
Additions	0.2	0.1	1.1
Disposals	-	0.0	0.0
Transfers	0.7	0.0	-
Amortisation	-0.8	-0.7	-2.9
Impairment charges	-4.0	-	-
Closing balance	**426.8**	**402.6**	**405.5**

Property, plant and equipment

EUR million	31 Mar 2022	31 Mar 2021	31 Dec 2021
Opening balance	**131.9**	**133.3**	**133.3**
Effect of exchange rates	-0.4	0.4	1.3
Purchases of subsidiaries and business acquisitions	1.3	-	2.9
Classified as held for sale	0.0	-	-
Additions	1.8	1.5	11.9
Disposals	-	-0.2	-1.9
Transfers	0.0	0.0	3.6
Depreciations	-5.0	-5.0	-19.9
Depreciations on disposals	0.0	0.1	0.8
Impairment charges	-3.3	-	-
Closing balance	**126.3**	**130.0**	**131.9**

Right-of-use assets

EUR million	31 Mar 2022	31 Mar 2021	31 Dec 2021
Opening balance	**31.3**	**30.9**	**30.9**
Effect of exchange rates	-0.2	0.5	0.7
Purchases of subsidiaries and business acquisitions	2.8	0.0	0.5
Classified as held for sale	-0.4	-	-
Additions	2.1	0.7	6.5
Disposals	0.0	0.4	-
Depreciations	-1.9	-1.8	-7.4
Impairment charges	-0.4	-	-
Closing balance	**33.7**	**30.3**	**31.3**

6. Changes in the shares outstanding during the reporting period

The Company's registered share capital on 31 March 2022 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 (former Virala Acquisition Company's founding shareholder, Virala Corporation. The number of outstanding shares at the end of the reporting period was 41,046,310 class C shares and 1,565,217 class F shares. The Company has no treasury shares. 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.

On 1 March 2022 Purmo Group announced a directed share issue of 671,779 class C shares to the sellers of TT Thermotech Intressenter AB in connection with the acquisition of the company.

		Number of outstanding shares (pcs)		Share capital (EUR million)	Reserve of unrestricted equity (EUR million)
		Class C share	Class F share		
1 Jan 2022		**40,374,531**	**1,565,217**	**3.1**	**385.9**
1 Mar 2022	Directed share issue of class C shares	671,779	-	-	9.1
31 Mar 2022		**41,046,310**	**1,565,217**	**3.1**	**395.0**

7. Financial instruments and financial risk management

In January 2022 Purmo Group repaid the EUR 95.0 million committed bridge loan facility with the proceeds from the initial public offering of Virala Acquisition Company Plc (later Purmo Group Plc), which were released from the escrow account on 3 January 2022.

In February 2022 Purmo Group finalised the syndication of its EUR 280.0 million term loan facility and EUR 80.0 million revolving credit facility. Nordea Bank Abp and Skandinaviska Enskilda Banken AB (publ) acted as Joint Underwriting Mandated Lead Arrangers and Bookrunners for the Facilities while Danske Bank A/S and OP Corporate Bank Plc joined the Facilities as Mandated Lead Arrangers. Nordea Bank Abp is acting as Agent.

On the 9 March 2022 Purmo Group signed an agreement of EUR 100.0 million Finnish commercial paper program to diversify its funding sources and to support short term liquidity needs. At the reporting date the Company had a total of EUR 12.0 million commercial papers outstanding.

At the end of the reporting date the Company had the following undrawn credit facilities; EUR 80.0 million revolving credit facility, EUR 17.4 million overdraft facilities and EUR 125.0 million M&A facility.

Carrying amounts and fair values of financial instruments

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

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

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 recognized 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.

31 March 2022

	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	0.5	0.4		0.9	0.9	Level 2
Trade receivables			137.9	137.9	137.9	Level 2
Cash and cash equivalents [1]			38.0	38.0		
Total assets	**0.5**	**0.4**	**176.0**	**176.8**	**138.8**	
Financial liabilities						
Forward foreign exchange contracts	1.4	1.0		2.3	2.3	Level 2
Loans from financial institutions			279.3	279.3	279.3	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 MEUR classified as assets held for sale.

[2] The redemption liability has been classified as liabilities related to assets held for sale.

31 March 2021

	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	0.2	1.6		1.8	1.8	Level 2
Related party vendor note receivable			4.2	4.2	4.2	Level 2
Trade receivables			102.4	102.4	102.4	Level 2
Cash and cash equivalents			38.7	38.7		
Total assets	**0.2**	**1.6**	**145.3**	**147.1**	**108.4**	
Financial liabilities						
Forward foreign exchange contracts	1.5	1.1		1.0	1.0	Level 2
Loans and other liabilities from related party			85.0	85.0	85.0	Level 2
Loans from financial institutions			4.7	4.7	4.7	Level 3
Trade payables			82.6	82.6	82.6	Level 2
Total liabilities	**1.5**	**1.1**	**172.3**	**173.2**	**173.2**	

31 December 2021

	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	0.1	0.5		0.7	0.7	Level 2
Trade receivables			77.1	77.1		Level 2
Cash and cash equivalents			177.6	177.6		
Total assets	**0.1**	**0.5**	**254.7**	**255.4**	**0.7**	
Financial liabilities						
Forward foreign exchange contracts	1.4	0.6		2.0	2.0	Level 2
Loans from financial institutions			372.7	372.7		Level 2
Redemption liability			8.1	8.1		Level 3
Trade payables			116.7	116.7		Level 2
Total liabilities	**1.4**	**0.6**	**497.5**	**499.4**	**2.0**	

8. Provisions

EUR million	31 Mar 2022	31 Mar 2021	31 Dec 2021
Non-current			
Warranties and guarantees	1.4	1.3	1.4
Restructuring	-	1.2	-
Other provisions	6.3	5.4	6.2
Total	**7.7**	**7.9**	**7.6**
Current			
Warranties and guarantees	0.1	0.2	0.1
Restructuring	4.5	-	4.8
Other provisions	-	1.0	-
Total	**4.6**	**1.2**	**4.9**

The increase in restructuring provisions compared to 31 March 2021 comprises of restructuring actions in connection to the planned relocation of the production in Newcastle West, Ireland, to other existing sites of Purmo Group. The provisions comprise mainly of redundancy costs and amounted to EUR 4.4 million as of 31 March 2022.

9. Commitments and contingencies

EUR million	31 Mar 2022	31 Mar 2021	31 Dec 2021
Guarantees			
Bank guarantees	8.9	6.8	8.0
Parent guarantees	28.4	12.2	21.0
Total	**37.3**	**19.0**	**29.0**

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

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

10. Related parties

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 and 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.

Until the merger of Virala Acquisition Company Plc (later Purmo Group Plc) and Purmo Group Ltd 31 December 2021, Purmo Group's related parties also included Purmo Group Ltd's Board of Directors and the members of the management team, including the CEO, as well as their family members.

The related party transactions and balances have not been material on group level during the reporting period. The transactions and balances during 2021 were mainly related to vendor note receivables, loans, dividends and return of capital and merger related

11. Business Combinations

Purmo Group acquired the entire share capital of the Nordic heating system company TT Thermotech Intressenter AB on 1 March 2022. The preliminary consideration paid was EUR 9.2 million in cash and EUR 9.2 million in shares, and the amount of cash and cash equivalents obtained was 0.2 million. The amount of consideration paid will be specified during 2022. The acquisition includes an earn-out of EUR 5.4 million payable in cash subject to achievement of certain objectives. TT Thermotech Intressenter AB recorded net sales of EUR 23.8 million in 2021. The acquisition supports Purmo Group's growth strategy: it brings in smart technologies to the company's Indoor Climate System (ICS) offering, supports its solution-selling approach and strengthens Purmo Group's position on the Nordic underfloor heating market.

According to the preliminary acquisition cost calculation concerning TT Thermotech Intressenter AB, assets acquired for Purmo Group amounted to EUR 17.8 million and liabilities assumed to EUR 14.4 million. The EUR 20.4 million goodwill arising from the acquisition reflects the synergies expected to be achieved in sales, purchasing, selections and operational efficiency. The goodwill is not tax deductible. The Group income statement included EUR 0.4 million in acquisition-related costs under other operating expenses, presented as non-recurring items.

TT Thermotech Intressenter AB had a EUR 2.5 million impact on net sales for March 2022 and the impact on net profit was EUR 0.2 million. If the acquisition had taken place on 1 January 2022, according to management estimates, the impact on Group net sales would have been EUR 7.4 million and on the net profit EUR 0.6 million. In determining the net sales and profit, the management estimates that recorded fair values would have been the same on the date of the acquisition had the acquisition taken place on 1 January 2022.

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

	EUR million
Purchase price	
Purchase price paid in cash	9.2
Purchase price paid in shares	9.2
Goodwill acquired	0.2
Other intangible assets	4.7
Tangible assets	1.3
Right-of-use assets	2.8
Inventories	4.7
Other current assets	4.1
Total assets	**17.8**
Interest bearing liabilities	9.3
Deferred tax liabilities	1.3
Current liabilities	3.9
Total liabilities	**14.4**
Net assets acquired	**3.4**
Earn-out	5.4
Goodwill	**20.4**
Cash flow impact	
Purchase price paid in cash	-9.2
Cash and cash equivalents of the acquired company	0.2
Expenses related to the acquisition	-0.4
Impact on cash flow	**9.4**

12. Assets held for sale

End of March 2022 Purmo Group took the decision to exit its business in Russia. The Company will seek to divest and complete an orderly transfer of the business to a new owner, in compliance with international and local laws and considering the wellbeing of our employees in Russia. Upon completion of the divestment, the Company 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 has recognised impairment charges and write-downs of EUR 6.9 million on goodwill, intangible assets, property, plant and equipment, right-of-use assets, inventories and the redemption liability.

EUR million	31 Mar 2022	31 Mar 2021	31 Dec 2021
Assets held for sale [1]			
Right-of-use assets	0.0	-	-
Inventories	9.0	-	-
Other assets	5.5	-	-
Cash and cash equivalents	4.9	-	-
Total	**19.5**	**-**	**-**
Liabilities related to assets held for sale [1]			
Interest-bearing liabilities	7.4	-	-
Other liabilities	2.9	-	-
Total	**10.3**	**-**	**-**

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

13. Events after the reporting period

On 11 May 2022 Purmo Group decided to initiate its financial guidance for 2022.

Key figures

EUR million	1-3/2022	1-3/2021	Change, %	1-12/2021
Net sales	236.2	190.4	24%	843.6
EBITDA	29.3	26.2	12%	33.6
EBITDA margin	12.4%	13.7%		4.0%
Adjusted EBITDA,	29.2	29.1	0%	103.9
Adjusted EBITDA margin	12.4%	15.3%		12.3%
EBITA	18.9	19.4	-3%	6,3
EBITA margin	8.0%	10.2%		0.8%
Adjusted EBITA	22.3	22.4	0%	70,8
Adjusted EBITA margin	9.5%	11.7%		8.4%
EBIT	14.1	18.7	-25%	3.5
EBIT margin	6.0%	9.8%		0.4%
Profit before tax	11.3	16.9	-33%	-5.1
Profit for the period	6.5	11.9	-46%	-18.8
Adjusted profit for the period	14.0	14.9	-6%	51.4
Earnings per share, basic, EUR	0.16	0.41	-61%	-0.65
Adjusted earnings per share, basic, EUR	0.34	0.51	-33%	1.15
Cashflow from operating activities	-38.9	-7.0	-458%	35.4
Net working capital	127.5	61.9	106%	72.37
Capex	-2.4	-1.5	59%	14.8
Acquisitions	-14.6	0.0	NA	4.5
Adjusted operating cash flow for the last 12 months	18.6	96.9	-81%	53.1
Cash conversion	17.8%	101.7%		51.1%
Cash and cash equivalents	33.2	38.7	-14%	177.6
Operating capital employed	328.2	259.6	26%	271.8
Return on operative capital employed	-0.3%	19.9%		1.5%
Net debt	301.0	86.2	252%	239.5
Net debt / Adjusted EBITDA	2.9	0.9	223%	2.3
Equity / Asset ratio	40.8%	61.0%		37.3%
Return on equity	-6.0%	6.1%		-4.0%

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, costs that have been incurred in connection with the formation of Purmo Group and costs incurred to achieve stand-alone readiness which will not continue post-merger as well as costs incurred as a result of Rettig Group's ownership comprising of management fees and Rettig Group's legacy incentive plans in addition to 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, 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	EBITDA before 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.	
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.
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.
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.
Operative capital employed	Net working capital, other intangible assets, property, plant, equipment and right-of-use assets	Capital employed presents the total investment in the Group's business operations.
Return on operating capital employed	EBIT based on a rolling twelve-month calculation divided by operating capital employed.	Measures the return on the capital tied up in the business.
Net debt	Non-current and current borrowings (including shareholder loan) and non-current and current lease liabilities less cash and cash equivalents.	To show the net of interest-bearing assets and interest-bearing liabilities.
Net debt/Adjusted EBITDA	Net debt divided by Adjusted EBITDA based on a rolling twelve-month calculation.	The ratio indicates how fast the Group can repay its net debt using adjusted EBITDA (expressed in years), and it is a useful measure to monitor the level of the Group's indebtedness.

Equity to Asset ratio	Total equity attributed to the owners of the company divided by total assets derived from the IFRS consolidated financial statements.	The ratio is a useful indicator to measure how much of the Group's assets are funded by issuing shares rather than through external borrowings.
Return on equity	Group's profit for the period attributable to the owners of the Parent based on a rolling twelve-month basis divided by the average total equity attributable to owners of the Company.	Shows owners the return on their invested capital.

Reconciliation of Alternative Performance Measures

EUR million unless otherwise indicated	1-3/2022	1-3/2021	2021
Comparability adjustments			
IFRS 2 merger impact	-	-	52.3
M&A related transactions and integration costs	0.4	-	0.1
Restructuring costs and one-off costs related to efficiency programs	-0.1	2.5	8.9
Formation of Purmo group and standalone preparations	0.3	0.1	6.6
Management fee to owners and legacy Rettig Group incentive plans	-	0.4	2.4
Impairment and write-down charges	6.9	-	-
Other	-	-	0.0
Total adjustments	**7.5**	**2.9**	**70.2**
Net sales	236.2	190.4	843.6
EBIT	**14.1**	**18.7**	**3.5**
EBIT margin	6.0%	9.8%	0.4%
Amortisation and impairment	4.8	0.7	2.9
EBITA	**18.9**	**19.4**	**6.3**
EBITA margin	8.0%	10.2%	0.8%
Depreciation and impairment	10.5	6.7	27.3
EBITDA	**29.3**	**26.2**	**33.6**
EBITDA margin	12.4%	13.7%	4.0%
Adjusted EBITDA			
EBIT	14.1	18.7	3.5
Depreciation, amortisation and impairment excluding comparability adjustments	7.6	7.5	30.2
Adjustments	7.5	2.9	70.2
Adjusted EBITDA	**29.2**	**29.1**	**103.9**
Adjusted EBITDA margin	**12.4%**	**15.3%**	**12.3%**
Adjusted EBITA			
EBIT	14.1	18.7	3.5
Amortisation excluding comparability adjustments	0.8	0.7	2.9
Adjustments	7.5	2.9	70.2
Adjusted EBITA	**22.3**	**22.4**	**76.6**
Adjusted EBITA margin	**9.5%**	**11.7%**	**9.1%**
Adjusted profit/loss for the period			
Profit/loss for the period	6.5	11.9	-18.8
Adjustments	7.5	2.9	70.2
Adjusted profit/loss for the period	**14.0**	**14.9**	**51.4**
Adjusted Operating cash flow for the last 12 months			
Adjusted EBITDA for the last 12 months	104.0	95.3	103.9
Change in net working capital compared to previous year same period	-69.7	10.4	-35.9
CAPEX for last 12 months	-15.7	-8.7	-14.8
Adjusted Operating cash flow for the last 12 months	**18.6**	**96.9**	**53.1**
Cash conversion			
Adjusted operating cash flow for the last 12 months	18.6	96.9	53.1
Adjusted EBITDA in the last 12 months	104.0	95.3	103.9
Cash conversion	**17.8%**	**101.7%**	**51.1%**
Net working capital			
Inventories	167.9	112.3	157.4
Operative receivables	158.6	117.7	104.7
Operative liabilities	199.0	168.2	189.7
Net working capital	**127.5**	**61.9**	**139.2**

EUR million unless otherwise indicated	1-3/2022	1-3/2021	2021
Operative capital employed			
Net working capital	127.5	61.9	72.3
Other intangible assets	40.6	37.4	36.3
Property, plant and equipment	126.3	130.0	131.9
Right-of-use assets	33.7	30.3	31.3
Operative capital employed	**328.2**	**259.6**	**271.8**
Return on operating capital employed			
Operative capital employed	328.2	259.6	271.8
EBIT for the last 12 months	-1.1	51.7	3.5
Return on operating capital employed	**-0.3%**	**19.9%**	**1.3%**
Net debt			
Loans and borrowings (non-current)	277.8	0.0	285.7
Loans and borrowings (current)	13.4	89.7	95.0
Loans and borrowings, assets held for sale	6.9	-	-
Lease liabilities (non-current)	34.8	30.7	30.7
Lease liabilities (current)	5.5	4.5	5.6
Lease liabilities, assets held for sale	0.5	-	-
Cash and cash equivalents	-33.2	-38.7	-177.6
Cash and cash equivalents, assets held for sale	-4.9	-	-
Net debt	**301.0**	**86.2**	**239.5**
Net debt/Adjusted EBITDA			
Net debt	301.0	86.2	239.5
Adjusted EBITDA in the last 12 months	104.0	95.3	103.9
Net debt/Adjusted EBITDA	**2.9**	**0.9**	**2.3**
Equity/Asset ratio			
Equity attributable to owners of the Company	412.9	533.1	390.6
Total assets	1,012.0	873.7	1,046.2
Equity/Asset ratio	**40.8%**	**61.0%**	**37.3%**
Return on equity			
The cumulative last 12-month profit attributable to owners of the Company	-24.3	32.1	-18.8
Equity attributable to owners of the Company beginning of period	390.6	515.5	515.5
Equity attributable to owners of the Company end of period	412.9	533.1	390.6
Equity attributable to owners of the Company average	401.7	524.3	453.1
Return on equity	**-6.0%**	**6.1%**	**-4.2%**
Basic earnings per share			
Profit/loss attributable to shareholders of the parent company for class C shares	6.5	11.9	-18.7
Profit/loss attributable to shareholders of the parent company for class F shares	0.0	0.1	-0.1
Profit/loss attributable to the owners of the Company	6.5	11.9	-18.8
Weighted average number of shares outstanding (pcs) [1)]	40,891,936	28,791,209	29,124,487
Basic earnings per share, EUR	**0.16**	**0.41**	**-0.65**
Diluted earnings per share			
Profit/loss attributable to shareholders of the parent company for class C shares	6.5	11.9	-18.7
Profit/loss attributable to shareholders of the parent company for class F shares	0.0	0.1	-0.1
Profit/loss attributable to the owners of the Company	6.5	11.9	-18.8
Diluted weighted average number of shares outstanding (pcs) [1)]	40,891,936	28,968,404	29,124,487
Diluted earnings per share, EUR	**0.16**	**0.41**	**-0.65**

[1)] The number of shares in the comparison period are those of Purmo Group Ltd. 31 March 2021 Purmo Group Ltd shares amounted to 11,070,755 which have been converted using the 31 December 2021 merger conversion ratio 2.600334506.

EUR million unless otherwise indicated	1-3/2022	1-3/2021	2021
Adjusted basic earnings per share			
Adjustments	7.5	2.9	70.2
Adjusted profit/loss attributable to shareholders of the parent company for class C shares	13.9	14.8	51.1
Adjusted profit/loss attributable to shareholders of the parent company for class F shares	0.1	0.1	0.4
Adjusted profit/loss attributable to the owners of the Company	14.0	14.9	51.4
Weighted average number of shares outstanding (pcs) [1)]	40,891,936	28,791,209	29,124,487
Adjusted basic earnings per share, EUR	**0.34**	**0.51**	**1.77**
Adjusted diluted earnings per share			
Adjustments	7.5	2.9	70.2
Adjusted profit/loss attributable to shareholders of the parent company for class C shares	13.9	14.8	51.1
Adjusted profit/loss attributable to shareholders of the parent company for class F shares	0.1	0.1	0.4
Adjusted profit/loss attributable to the owners of the Company	14.0	14.9	51.4
Diluted weighted average number of shares outstanding (pcs) [1)]	40,891,936	28,968,404	29,124,487
Adjusted diluted earnings per share, EUR	**0.34**	**0.51**	**1.77**

[1)] The number of shares in the comparison period are those of Purmo Group Ltd. 31 March 2021 Purmo Group Ltd shares amounted to 11,070,755 which have been converted using the 31 December 2021 merger conversion ratio 2.600334506.

Purmo Group Plc's financial reporting in 2022

12 May 2022

Interim report, January-March 2022

11 August 2022

Half-year financial report, January-June 2022

10 November 2022

Interim report, January-September 2022

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