PURMO
GROUP

Purmo Group Plc

Financial Statements Review
1 January - 31 December 2021

Purmo Group's Financial Statements Review 1 January - 31 December 2021:

Strong net sales growth and record adjusted EBITDA

2021 key achievements:

- Annual net sales growth of 26 per cent to EUR 843.6 million (671.2).
- Adjusted EBITDA growth of 22 per cent to EUR 103.9 million (85.1).
- Radiator division reached 28 per cent growth in net sales to EUR 506.3 million (396.9) and 5 percent increase in adjusted EBITDA to EUR 66.0 million (62.9)
- ICS division reached 23 per cent growth in net sales to EUR 337.2 million (274.3) and 62 per cent increase in adjusted EBITDA to EUR 43.7 million (27.0)
- Good operational performance meeting increased demand in a challenging supply environment
- Ability to largely pass on increasing raw material prices to customers
- Earnings improvement and cost savings programme PGUp successfully implemented.
- Merger between VAC Plc and Purmo Group Ltd was completed on 31 December 2021 and on 3 January 2022 the shares of Purmo Group Plc started trading on Nasdaq Helsinki. The listing supports the company's growth plans and M&A agenda.

October-December 2021 highlights:

- Net sales improved by 20 per cent to EUR 222.6 million (186.1)
- Adjusted EBITDA decreased by 6 per cent to EUR 22.6 million (23.9)
- The adjusted EBITDA margin was 10.1 per cent (12.9 per cent)
- EBIT decreased to EUR -41.9 million (9.0), affected by a EUR 52.3 million one-time, non-cash IFRS 2 merger impact
- Earnings per share decreased to -1.58 (0.25)
- Adjusted earnings per share decreased to 0.39 (0.50)

January-December 2021 highlights:

- Net sales improved by 26 per cent to EUR 843.6 million (671.2)
- Adjusted EBITDA increased by 22 percent to EUR 103.9 million (85.1)
- Adjusted EBITDA margin was 12.3 per cent (12.7 per cent)
- EBIT decreased to EUR 3.5 million (42.0), affected by a EUR 52.3 million one-time, non-cash IFRS 2 merger impact
- Adjusted Operating cash flow was EUR 53.1 million (94.2)
- Earnings per share decreased to -0.65 (0.86)
- Adjusted earnings per share increased to 1.77 (1.32)
- Proposed return of capital EUR 0.36 per class C share and EUR 0.36 per class F share.

Unless otherwise stated, the comparison figures in parentheses refer to the corresponding period in 2020. The 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 VAC Plc and Purmo Group Ltd, as well as EUR 17.9 million other items affecting comparability.

2022 financial guidance

In its initial outlook for 2022, Purmo Group expected both net sales and adjusted EBITDA, both excluding impact from acquisitions, to increase from 2021 (EUR 843.6 million and EUR 103.9 million, respectively). Both net sales and adjusted EBITDA in January and February were consistent with this full year outlook.

With the recent escalation of the geopolitical situation in Ukraine, visibility has weakened. The direct exposure to the Russian and Ukrainian markets are not material. Purmo Group's net sales to Ukraine accounts for less than 1 per cent and to Russia for less than 5 per cent of total net sales, and total assets in these countries represents less than 3 per cent of Purmo Group's assets. The indirect impacts on other markets that Purmo Group operates in are difficult to assess at this stage.

Return of capital proposal

The Board of Directors proposes for the Annual General Meeting that a return of capital of EUR 0.36 per share be paid for class C share and EUR 0.36 per share for class F share. The return of capital is proposed to be paid in two instalments, in May and October 2022.

Key figures and financial performance

EUR million	10-12/2021	10-12/2020	Change, %	2021	2020	Change, %
Net sales	222.6	186.1	20%	843.6	671.2	26%
Adjusted EBITDA	22.6	23.9	-6%	103.9	85.1	22%
Adjusted EBITDA margin, %	10.1%	12.9%		12.3%	12.7%	
Adjusted EBITA	15.1	15.4	-2%	70.8	50.3	35%
Adjusted EBITA margin, %	6.8%	8.3%		8.4%	7.8%	
EBIT	-41.9	9.0	-567%	3.5	42.0	-92%
EBIT margin, %	-18.8%	4.8%		0.4%	6.3%	
Profit for the period	-46.7	7.4	-735%	-18.8	25.3	-174%
Adjusted Profit for the period	11.0	14.5	-24%	51.4	38.5	34%
Earnings per share, basic, EUR	-1.58	0.25	-731%	-0.65	0.86	-175%
Adjusted Earnings per share, basic, EUR	0.39	0.50	-22%	1.77	1.32	33%
Cash flow from operating activities	32.2	38.4	-16%	35.4	68.9	-48%
Adjusted Operating cash flow, last 12 months[1]	53,1	94.2	-44%	53.1	94.2	-44%
Cash conversion[2]	51.1%	110.7%		51.1%	110.7%	
Operating capital employed[3]	271.8	235.6	15%	271.8	235.6	15%
Return on operating capital employed, %[4]	1.3%	17.8%		1.3%	17.8%	
Net debt	239.5	75.1	219%	239.5	75.1	219%
Net debt / Adjusted EBITDA	2.3	0.9	161%	2.3	0.9	161%

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)Net working capital, other intangible assets, property, plant and equipment, and right-of-use-assets.
4) EBIT based on a rolling twelve-month calculation divided by operating capital employed. Return on operating capital employed without non-recurring items was 27.1% (23.4%).

CEO review: Great progress in an unusual year

The year 2021 was a great success for Purmo Group and we are proud of what the entire company achieved including the listing on the Nasdaq Helsinki.

Strong performance improvement

Sales, with strong organic sales growth, recovered to above pre-pandemic levels and the value of our PGUp earnings and cost improvement programme shone in our bottom-line performance. 2021 was a record year for adjusted EBITDA. The seasonal pattern of 2021 was markedly different from normal years, as the year started with a strong recovery from the pandemic and customer pre-buying ahead of expected price increases as well as being able to meet higher demand. The demand normalised towards the end of 2021.

The world stepped up its response to climate change, which we expect to benefit our markets. The EU's Energy Performance of Buildings Directive (EPBD) recognized the enormous effect that its 260 million buildings have on CO2 emissions and it set out the measures needed in heating and cooling to reach carbon neutrality. The relevance of indoor climates not costing the planet's climate became a dominant issue.

Highlights from our divisions

In Radiators Division volumes grew by 14 per cent, the price of steel more than doubled and supply chains were stretched. Nonetheless, we were able to supply and the need to pass on the increased steel cost was largely achieved. In China we surpassed our sales goals. Part of the volume growth was supported by the majority acquisition of Russian Evrorad in April 2021.

In 2021 the ICS Division (Indoor Climate Systems), sales were up by 23 per cent and margins expanded significantly. Italy was our strongest market supported by the Italian government's green incentive programme. Several other markets also performed well, thanks to a combination of post-pandemic recovery, sales price increases as well as underlying market growth of indoor climate systems.

Strategy and operations

We crowned the year by becoming listed on Nasdaq Helsinki. We are excited to start the next phase as a publicly listed company with a clear ambition to become the global market leader in indoor climate comfort solutions. This allows us to pursue our growth strategy including notable M&A.

Our strategy of smart products, whole solutions and growth markets answers demand for lower temperature systems, lower energy consumption, and the performance and aesthetic needs of renovation.

In 2021, we released Tinos H, a smart and less conspicuous decorative panel radiator that offers flexibility in colour, configuration and thermal output. The Figuresse range of bathroom heaters delivered new, more sophisticated styles. We expanded underfloor heating in Romania and the Balkan states; launched initiatives in France and Germany for water distribution systems; released radiant heating and cooling panels for ceilings in Sweden; and expanded thermostatic valves in Eastern Europe. In the UK we increased our focus on installers of bespoke underfloor heating systems.

During the year we developed a four-sided sustainability strategy called "Complete Care". We also launched our first PGOS (Purmo Group Operations System) initiative in Hungary to drive continuous improvement.

We saw a record turnout in our employee engagement survey, revealing an increase in engagement and some very clear pointers to what management can do to make the Group a better place to work.

So let us end by thanking everybody for the good performance in 2021.

News conference and webcast for analysts, investors and media

Purmo Group's 2021 Financial Statements Review has today been published and is available on Purmo Group's's website at https://investors.purmogroup.com/ir-material/ in English and Finnish.

CEO John Peter Leesi and CFO Erik Hedin will present the results in a live webcast today on Thursday 3 March 2022 at 10:00EET at https://purmogroup.videosync.fi/financial_statements_2021/register. The event including the Q&A session will be held in English.

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

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Purmo Group Plc's financial calendar 2022
By 31 March, 2022: Annual Report 2021
25 April, 2022: Annual General Meeting
12 May, 2022: Interim report Q1 2022
11 August, 2022: Interim report, H1 2022
10 November, 2022: Interim report, Q3 2022

All financial reports will be published at investors.purmogroup.com

Merger with Virala Acquisition Company and listing of Purmo Group

29 June 2021

Trading with Virala Acquisition Company Plc's (VAC) shares began on the SPAC segment of the regulated market of Nasdaq Helsinki.

8 September 2021

VAC and Purmo Group Ltd announced a contemplated merger of VAC and Purmo Group to form a publicly listed company on Nasdaq Helsinki

30 November 2021

VAC published the merger and listing prospectus with detailed information on the transaction.

13 December 2021

VAC and Purmo Group Ltd held their EGMs resolving on the merger. The merger was completed on 31 December 2021.

3 January 2022

The shares of the combined company – Purmo Group Plc – started trading on Nasdaq Helsinki.

On 8 September 2021 Virala Acquisition Company Plc (VAC) announced the intention to merge with Purmo Group Ltd to form a publicly listed company for global leadership in sustainable indoor climate comfort. On 31 December 2021 the statutory absorption merger of Purmo Group Ltd into VAC Plc was completed. As a result, Purmo Group Ltd was dissolved and VAC became Purmo Group Plc. Trading in the merger consideration shares and the existing class C shares on the official list of Nasdaq Helsinki Ltd started on 3 January 2022. The merger resulted in a one-time, non-cash impact according to IFRS 2 of EUR 52.3 million, which has an effect on the comparable figures and key figures.

The interim consolidated financial statements are prepared as a continuation of the financial statements of Purmo Group Ltd, the accounting acquirer, adjusted to reflect the legal capital structure of the legal parent/accounting acquiree Purmo Group Plc (former Virala Acquisition Company Plc). The comparative financial years included herein are operations of Purmo Group Ltd prior to the merger.

A more detailed overview of the merger and VAC is presented on page 11.

Group financial overview

Operating environment

Purmo Group operates in a leading player in the market for sustainable indoor climate comfort solutions. Residential construction activity in Purmo Group's key markets was favourable throughout 2021, both inside and outside of Europe. The market benefitted from favourable monetary policies and high household spending on home improvements. The development was also driven by rising energy costs, EU's directives for renovation and new construction of properties, including the EU Green Deal, and various government incentive schemes especially for renovation.

The COVID-19 pandemic increased emphasis on our homes and the comfort of the time spent there, causing a strong increase in do-it-yourself well as deep renovation . Renovations were generally less severely impacted by COVID-19 and have generally maintained growth throughout the crisis, whereas new build was adversely affected by the uncertainty of the crisis mainly in 2020. However, in 2021 new build construction markets rebounded and for residential segments reached pre-pandemic levels.

In Germany, the largest market for Purmo Group, demand remained solid throughout the year but supply challenges caused constraints in meeting the demand. Especially in Italy demand surged during the year as the market recovered from last year's restrictions, and new build and renovation activities benefitted from governmental incentives linked to improved energy solutions. In other markets in Europe as well China and Brazil the construction activity also continued on a good level.

During 2021 raw material prices rose well above historical levels, especially in steel but also in other materials such as aluminium, brass and plastics. Furthermore, supply chain challenges in terms of availability of raw materials, transportation and lack of skilled labour in the market created headwinds that restrained full output at the end of the year.

Net sales

EUR million	10-12/2021	10-12/2020	Change, %	2021	2020	Change, %
Net sales, by segment						
Radiators	142.9	112.7	27%	506.3	396.9	28%
ICS	79.7	73.4	9%	337.2	274.3	23%
Total	**222.6**	**186.1**	**20%**	**843.6**	**671.2**	**26%**

In October-December, Purmo Group's net sales reached EUR 222.6 million (186.1), an increase of 20 per cent. Organic growth was positive by 17 per cent and the net currency effect was positive 1 per cent, mainly due to stronger GBP, RUB and RMB. Structural changes contributed positively by 2 per cent, through OEM sales to Bosch as part of the acquisition of Evrorad in Russia.

The organic growth in the fourth quarter was supported by strong net sales growth in Radiators, mainly due to sales price increases whereas organic volumes were slightly lower than the previous year. ICS organic growth was also driven by sales price increases whereas volume growth was muted due to supply constraints of plastics and electrical components

Net sales in Western Europe, Purmo Group's largest region, grew by 7 per cent. The second largest region, Central and Eastern Europe, grew by 45 per cent, followed by Northern Europe, which grew by 11 per cent and Southern Europe, which grew by 30 per cent. The Rest of the World region grew by 28 per cent.

In 2021, net sales reached EUR 843.6 million (671.2), an increase of 26 per cent. Organic growth was 25 per cent and the net currency effects was 0 per cent, where GBP and RMB strengthening were offset by PLN and BRL weakening. Structural changes contributed positively by 1 per cent.

The good performance was driven by sales price increases, strong customer demand and successful supply chain management despite global shortage of certain raw materials and components throughout majority of the period. Sales price increases were implemented to compensate for the very strong increase in raw material prices, well above historical levels. Despite general raw material shortages, both divisions were able to fulfil customer orders at a satisfactory level for most parts of the review period.

Net sales in the Western Europe region, Purmo Group's largest region, grew by 18 per cent. The second largest region, Central and Eastern Europe, grew by 32 per cent, followed by Northern Europe which grew by 22 per cent, and Southern Europe, which grew by 44 per cent. The Rest of the World grew by 41 per cent.

The comparison period 2020 includes an exceptional second quarter when the most extensive COVID-19 related restrictions were in place, resulting in temporarily weaker demand and operational disturbances.

Results and profitability

EUR million	10-12/2021	10-12/2020	Change, %	2021	2020	Change, %
Adjusted EBITDA, by segment						
Radiators	15.1	16.6	-9%	66.0	62.9	5%
ICS	9.7	8.7	12%	43.7	27.0	62%
Other	-2.2	-1.4	63%	-5.8	-4.7	22%
Total	**22.6**	**23.9**	**-6%**	**103.9**	**85.1**	**22%**
Total adjusted EBITDA margin, %	**10.1%**	**12.9%**		**12.3%**	**12.7%**	

In October-December, Purmo Group's adjusted EBITDA reached EUR 22.6 million (23.9), a decrease of 6 per cent. The performance was supported by strong growth in the ICS division. The non-recurring items in October-December 2021 amounted to EUR 57.7 million (7.2) mainly relating to the one-time, non-cash IFRS 2 merger impact of EUR 52.3 million and EUR 3.7 million of merger and standalone preparation costs. The adjusted EBITDA margin for October-December declined to 10.1 per cent (12.9).

Radiator division's adjusted EBITDA declined to EUR 15.1 million (16.6) whereas ICS Division improved to EUR 9.7 million (8.7).

The reduced adjusted EBITDA was mainly a consequence of supply chain challenges that continued to burden profitability during the fourth quarter of the year. While the ICS division performed well compared to the previous year, the growth was slowed down by lack of supply of raw materials for pipe production and electrical components limiting supply of controls and heat pumps. The Radiators division was negatively impacted by further raw material price increases, in particular steel, which were not fully covered by sales price increases, due to delays in implementation of the sales price increases in some markets.

In 2021, adjusted EBITDA reached EUR 103.9 million (85.1), an increase of 22 per cent. While both divisions performed well in 2021, adjusted EBITDA of the ICS divison increased significantly by almost 63 per cent. The comparability adjustments in January-December 2021 were EUR 70.2 million (13.2), comprising mainly of the EUR 52.3 million one-time, non-cash IFRS 2 merger impact, EUR 6.6 million relating to the merger and standalone preparations and EUR 8.9 million of restructuring costs. The adjusted EBITDA margin for the full year 2021 was 12.3 per cent (12.7).

The strong performance was supported by strong demand in all main markets and proactive sales prices increases to compensate for the higher raw material costs. However, the timing of the implementation of sales price increases vary by market and there were some delays that adversely impacted 2021 profitability.

Permanent cost reductions achieved through the PGUp operational excellence program contributed further to the good performance in adjusted EBITDA. The program, implemented at the end of 2020 and the beginning of 2021, mitigated higher operating expenses in 2021 which related to sales volume increase and lower costs as a result of the lock down the previous year.

Net financial expenses during full year 2021 decreased by 15 per cent from EUR -8.6 million (-10.1). Income tax increased to EUR -13.7 million (-6.6) as a result of higher taxable profit. The effective tax rate was -269.7 per cent (20.8) due to the one-time, non-cash IFRS 2 merger impact of 52.3 million. The comparable effective tax rate without the one-time, non-cash IFRS 2 merger impact was 29.1 per cent. The tax cost was burdened by significant profits in the countries with higher corporate income tax rate than Finland (especially Italy and Germany), tax rate based devaluation of deferred tax assets in France and Ireland as well as merger related real estate tax in Germany. Adjusted profit for the period was EUR 51.4 million (38.5), and adjusted earnings per share were EUR 1.77 (1.32).

Cash flow and financial position

Cash flow from operating activities was EUR 35.4 million (68.9). The decrease was mainly due to a negative change in net working capital. The change in net working capital was adversely impacted by unusually low levels of working capital at the end of year 2020 in combination with high levels of cash tied up in working capital during the period 2021 following high sales activity. In addition, higher raw material costs, sales prices, and trade and orher payables also increased net working capital balances compared to the previous year.

Adjusted operating cash flow for the last 12 months decreased by 44 per cent to EUR 53.1 million (94.2). The decrease was mainly driven by an unfavourable change in net working capital of EUR -38.8 million (20.7), due to unusually low levels of working capital in the comparison period, and increased capex of EUR 14.8 million (11.6). This was partly offset by an improved adjusted EBITDA of EUR 103.9 million (85.1).

Cash flow from investing activities was EUR 18.6 million (-10.9). The change from the previous year was mainly attributable to higher investments in property, plant and equipment and intangible assets capital expenditure (EUR 14.8 million) and the Evrorad acquisition (EUR 4.5 million) which were partially offset by proceeds from a warehouse building sale of EUR 0.7 million.

In 2021, the cash flow used in financing activities was EUR 105.4 million (-14.5), comprising mainly of proceeds from the VAC initial public offering share issue EUR 99.9 million transferred at the merger, repayment of related party loan EUR 90 million financed with bridge loan EUR 95 million and merger financing EUR 280 million offset by return of capital to shareholders of EUR 266.4 million.

Net debt was EUR 239.5 million on 31 December 2021 (75.1 million). The equity ratio as of 31 December 2021 was 37.3 percent (61.7). The net debt to EBITDA ratio, based on the last 12 month's EBITDA, was 2.3 (0.9) at the end of the period. In September 2021, Purmo Group signed a merger financing agreement consisting of a EUR 280 million committed term loan facility to refinance the merger related distribution prior to the completion of the merger, and a EUR 95 million bridge loan facility to refinance the existing related party loan. Both facilities were withdrawn in full in December 2021 with a tenure of 3 years with two one year options for the term loan facility and one week for the bridge loan facility.

The liquidity position of the Group was good at the end of the reporting period: cash funds and undrawn committed credit facilities totalled EUR 275.1 million (122.5 million). Cash funds include initial public offering proceeds of EUR 96.8 million, which was released within 5 business days after the merger. Undrawn credit facilities include a EUR 80 million revolving credit facility, which was signed in September 2021 and came available on December 2021, and EUR 17.4 million equivalent overdraft facilities.

Equity attributable to owners of the parent company totalled EUR 390.6 (515.5) million.

Radiators Division

Purmo Group's Radiators division is the leading European manufacturer of radiators. Demand is primarily driven by residential new construction (about 40% of sales), and repair and maintenance (about 60% of sales). The division manufactures two product categories: panel radiators (about 50% of sales) and other radiators. Purmo Group operates in the premium quality radiator products segment offering strong local brands globally. The radiators are mainly sold as complete packages through wholesalers to installers.

EUR million	10-12/2021	10-12/2020	Change, %	2021	2020	Change, %
Net sales	142.9	112.7	27%	506.3	396.9	28%
Adjusted EBITDA	15.1	16.6	-9%	66.0	62.9	5%
Adjusted EBITDA margin, %	10.6%	14.7%		13.0%	15.8%	
Depreciations and amortisations	-4.6	-5.2	-13%	-21.1	-20.6	3%

Market overview

The European radiator market grew strongly in 2021 driven by growth in construction activities, in both residential newbuilds and repair. Following exceptionally strong demand in the first half of the year, traditionally a low season, the sector faced longer delivery times as it was unable to build up inventory levels of finished products ahead of the peak winter. Distributors started to normalise their inventory levels during the fourth quarter of the year resulting in more normalised demand for the Radiator division.

Net Sales

In October to December, net sales of the Radiators division increased to EUR 142.9 million (112.7), a growth of 27 per cent. Organic growth was 22 per cent and the net currency effect was positive by 2 per cent. Structural changes contributed positively by 3 per cent, through OEM sales to Bosch as part of the acquisition of Evrorad in Russia.

Organic radiator volumes declined 4 per cent in the fourth quarter. After very strong demand during the first three quarters of the year, sales normalised during the last quarter of 2021. The volume decline was due to different seasonal trends in 2021, where the second quarter was particularly strong, and ending of customer pre-buying in the fourth quarter.

In 2021, net sales reached EUR 506.3 million (396.9), an increase of 28 per cent. Organic growth was 26 per cent and the net currency effect was neutral at 0 per cent. Structural changes contributed positively by 2 percent, through OEM sales to Bosch as part of the acquisition of Evrorad in Russia in April. The organic radiator volumes also increased 10 per cent for the full year.

After the 2020 pandemic year, which was burdened by lockdowns and production constraints, the Radiator division experienced robust recovery in 2021. The good sales development was primarily due to higher volumes driven by strong demand, successful management of steel supply constraints, and sales price increases, which were implemented to compensate increasing raw material prices of primarily cold rolled steel. Russian Evrorad, acquired in April contributed with approximately 2 per cent of inorganic net sales growth.

Profitability

In October to December, the adjusted EBITDA of the Radiators division amounted to EUR 15.1 million (16.6), a decline of 9 per cent. Adjusted EBITDA margin was 10.6 per cent (14.7).

The lower adjusted EBITDA was driven by a substantial increase in raw material prices as steel prices reached all-time high. While sales price increases were proactively put in place also during the fourth quarter to compensate for the higher raw material costs, the timing of the implementation varied across markets and the effect of the price increases on profitability did not fully materialise during the fourth quarter.

In 2021, the adjusted EBITDA of the Radiators division improved to EUR 66.0 million (62.9), and increase of 5 per cent. Adjusted EBITDA margin was 13.0 per cent (15.8).

The increase in adjusted EBITDA compared to the previous year was mainly a result of strong organic growth driven by marked improvement in demand on all targeted markets, and the company's ability to introduce sales price increases to compensate for the sharp and rapid increase in cost of input materials especially steel. However, the timing of the sales price implementation varied by market and there were some delays that adversely impacted 2021 profitability. The control of fixed costs and the continuation of the PGUp operational excellence program initiated in 2020, contributed to the improvement in adjusted EBITDA of the Radiator division.

Key activities during the reporting period

During the year, the division launched new products in the panel and tubular radiator segments respectively. A decision was taken to start the expansion of Radiators already largest manufacturing plant in Rybnik, Poland.

ICS Division

Purmo Group's Indoor Climate Systems (ICS) division provides a comprehensive range of components or full systems to specifiers, installers and wholesalers in both residential and non-residential sectors. Purmo Group's brands are associated with certified, high-quality products. Customer service tailored to cater local, market specific customer needs in conjunction with a global network of sales and marketing teams is a central part of the operations. The division's product categories are radiant heating and cooling (RHC) including underfloor heating, which is the largest category, as well as air heating and cooling, water distribution systems, and system components and controls.

EUR million	10-12/2021	10-12/2020	Change, %	2021	2020	Change, %
Net sales	79.7	73.4	9%	337.2	274.3	23%
Adjusted EBITDA	9.7	8.7	12%	43.7	27.0	62%
Adjusted EBITDA margin, %	12.2%	11.8%		13.0%	9.8%	
Depreciations and amortisations	-2.2	-2.5	-14%	-9.0	-9.3	-3%

Market overview

The European ICS market, predominantly the Radiant Heat and Cooling sector (RHC), continued to show growth with generally strong demand, in some markets above pre-pandemic levels. Constructing activity, mainly new build but also renovation supported by government incentives, had a favourable impact on market demand for ICS product categories whereas pockets of material shortages slowed down growth in some countries.

Overall ICS products linked to renewable energy and sustainable energy solutions continued to enjoy good demand. Government incentives in Italy and Germany drove a significant amount of additional activity during 2021. Demand was particularly strong in Italy as the market recovered from the 2020 pandemic related restrictions and as new build and renovation activities improved, and further governmental incentives were introduced to promote projects linked to enhanced energy efficiency of buildings. Despite good demand in general, supply constraints resulted in slightly weaker sales in Germany during the fourth quarter.

Net sales

In October to December, net sales of the ICS division increased to EUR 79.7 million (73.4), an increase of 9 per cent. Organic growth was 8 per cent and the net currency effect was positive by 1 per cent. There were no structural impacts.

The growth was mainly driven by successful implementation of sales price increases. Growth was particularly strong in Italy supported by the continuing strong demand for heat pumps and air conditioners. Supply constraints related to the pipe production and heating-and-cooling products, had an inhibiting effect on sales in the last quarter in some key markets.

In 2021, net sales amounted to EUR 337.2 million (274.3), an increase of 23 per cent. Organic growth was 23 per cent and the net currency effect was neutral at 0 per cent. There were no structural impacts.

The strong sales growth was mainly due to higher sales volumes but also increased sales prices. The higher sales prices were proactively implemented to compensate the impact of increasing raw material prices. While sales were enhanced by several price increases during the year, it was predominantly volume growth that contributed to the good sales development, in particular the first half of the year as several key markets recovered from the 2020 pandemic.

Profitability

In October to December, adjusted EBITDA of the ICS division amounted to EUR 9.7 million (8.7), an increase of 12 per cent. Adjusted EBITDA margin was 12.2 per cent (11.8). Growth slowed down during the last quarter as a result of supply constraints and further increasing material prices.

In 2021, adjusted EBITDA improved by 62 per cent to EUR 43.7 million (27.0). Adjusted EBITDA margin was 13.0 per cent (9.8).

The significant growth in adjusted EBITDA was attributable to higher sales volumes, and price increases together with improved product performance. Total operating expenses were higher than in 2020, due to the volume growth during 2021. This was also impacted by lower costs due to pandemic lock downs in 2020.

Key activities during the reporting period

Several investment projects were started in the last few months of 2021 primarily aiming to increase capacity in the pipe and brass production, but also to enable growth in other areas.

In September 2021, it was agreed that Purmo Group's brass production facility in Newcastle West, Ireland, will be relocated to other existing sites, in Italy and Sweden, and outsourced. The restructuring is expected to bring efficiency gains from consolidation of production and selective outsourcing. A restructuring provision of EUR 4.5 million and non-recurring items were incurred in September 2021. The estimated future capital expenditure for the relocation is EUR 1.3 million. The entire investment is financed with Purmo Group's own cash flow and the investment project is estimated to be completed during the first half of 2022.

Investments, acquisitions, structural changes and R&D

Investments

Capital expenditure excluding business combinations and leased assets totalled EUR 8.8 million (7.3) in October–December 2021. Capital expenditure for the full year 2021, excluding business combinations and leased assets, totalled EUR 15.8 million (10.9). Investments during 2021 related mainly to strategic projects and maintenance.

Acquisitions

In April, the acquisition of a majority share in Evroradiators LLC (Evrorad) including its Russian radiator production capacity was completed. The acquisition was valued at EUR 5.5 million.

A sale and purchase agreement had been signed between Purmo Group Ltd, Robert Bosch Holding Nederland B.V. and Robert Bosch Investment Nederland B.V. in November 2020. According to the agreement Purmo Group Ltd acquired 51 per cent of Euroradiators Holding B.V., which holds 100 per cent of Evroradiators LLC, the radiator factory in Engels in Russia. Robert Bosch Holding Nederland B.V. retained a 49 per cent stake in the company. The agreement includes customary warranties by the seller concerning Euroradiators Holding B.V. and the parties have agreed on indemnification to Purmo Group for breaches of the warranties.

The Evrorad factory produces radiators for both Purmo Group and Bosch to be sold independently in their respective channels. The agreement includes an option whereby, Purmo Group has an exclusive call option to purchase the remaining shares in Euroradiators Holding B.V. from Bosch, and Bosch has a respective exclusive put option to sell their shares to Purmo Group. The exercise window for each option commences after a lock-up period of three years from completion of the acquisition.

Structural changes

In September 2021, the Irish subsidiary of the Group, Purmo Group Ireland Ltd, agreed with a local union on certain restructuring actions with related costs reduction of approximately EUR 4.5 million. The restructuring actions also entailed the relocation of brass production in Newcastle West, Ireland, to other existing sites in Italy and Sweden, as well as production outsourcing.

The estimated capital expenditure for the relocation of production is limited to EUR 1.3 million. The entire investment is financed with Purmo Group's own cash flow and the investment project is estimated to be completed during the first half of 2022.

Research and development

Research and development (R&D) expenditure in January-December totalled EUR 5.9 million (5.2).

During 2021, Purmo Group reformed and centralized its R&D function within both divisions to capitalize on changing market trends, to support smart products and to strengthen Purmo Group's competitive position. This has improved Purmo Group's capacity to respond to key market trends, such as sustainability and digitalization, which sets new requirements on HVAC systems. It has also strengthened Purmo Group's end-to-end offering to accelerate solution sales.

In line with the Group strategy, Purmo Group's Smart Products pipeline focussed on three clear strategic priorities during 2021: Intelligence, sustainability and aesthetics.

Product development focussed on connecting all smart HVAC equipment from energy source to thermal emitters into one unified and intelligent system. During 2021, Purmo Group expanded its collaboration network in the field of common controls.

During the year, focus was also on improving products sustainability features to minimise material input while maintaining the technical features. This was achieved through use of thinner high-grade steel in the steel panel radiators and by smart design improving radiator heat output performance. Another focus area, which is expected to span over the next few years, was reduction of product packaging including plastics. A new and improved fan convector portfolio called iVECTOR MK II was also launched during 2021. The fan convector is compatible to work with low-temperature systems such as heat pumps and it offers improved features in terms of intelligence, efficiency and reduced noise levels. It is a popular choice within the commercial sector such as schools, universities, care homes and retail facilities and can also be integrated in Building Management Systems (BMS). The new range was first launched in Austria during 2021 and is expected to be launched in all important European Purmo Group markets during 2022.

In terms of aesthetics, a completely new product family called "Figuresse" and a decorative radiator called "Tinos H" were launched during 2021. Figuresse radiators are decorative hydronic, electric and mixed radiators that are built on round and flat tubes as well as flat steel and aluminium components. This portfolio expansion meets market demand in terms of colour, user friendly controls and easy installation.

Virala Acquisition Company and merger with Purmo Group

Material events of VAC Plc during the review period

In June, the Initial Public Offering of Virala Acquisition Company Plc (VAC) was completed. Trading of the Company's class C shares began on the SPAC segment of the regulated market of Nasdaq Helsinki on 29 June 2021. The Company received EUR 107.5 million in gross proceeds from the initial public offering before deducting expenses relating to the offering. After deduction of expenses, the remaining proceeds amounted to EUR 101.3 million.

As a Finnish acquisition company VAC was tailored to the Finnish capital markets. The goal of VAC was to identify and execute one or more acquisitions to create significant value for both the shareholders and the target company, as well as diversify the Finnish capital markets. VAC set out to seek one or more companies and/or businesses with an estimated enterprise value ranging from approximately EUR 50 to EUR 500 million. The founding shareholder of VAC was the industrial enterprise Virala, which has committed to act as a long-term anchor owner and developer of the companies to be acquired.

Following appointment of the company's Shareholders' Nomination Board and publication of its January-June 2021 result in August, VAC announced on 8 September the intention to merge with Purmo Group Ltd to form a publicly listed company for global leadership in sustainable indoor climate comfort. As a result of a positive market reaction reflected in a stronger share price, Virala became eligible to conversion of class F shares into class C shares and this so called First Conversion Right became exercisable. The total amount of class F shares convertible to class C shares at the start of the conversion period on 28 June 2024 is 293,478 shares (taking into account the VAC class E shares were automatically converted into class F shares in connection with the execution of the merger with Purmo Group Ltd). This corresponded to 0.70 per cent of all shares in VAC following to completion of the merger with Purmo Group Ltd (in total 41,939,748 shares).

On 13 December, VAC's Extraordinary General Meeting (EGM) resolved, among other things, to approve the merger of VAC Plc and Purmo Group Ltd according to the merger plan. The EGM also resolved to approve the merger consideration, the increase of share capital, and the new composition and remuneration of the Board of Directors of VAC. The EGM also resolved on Authorisation of the Board of Directors to resolve on the issuance of shares as well as on the issuance of special rights entitling to shares, and to resolve on the repurchase of the Company's own shares as well as to accept them as pledge.

On 31 December 2021 the statutory absorption merger of Purmo Group Ltd into VAC Plc was completed. As a result, Purmo Group Ltd was dissolved and VAC became Purmo Group Plc. Trading in the merger consideration shares and the existing class C shares started on 3 January 2022 on the official list of Nasdaq Helsinki Ltd under the trading code PURMO.

Merger and listing of Purmo Group Plc

As merger consideration, the shareholders of Purmo Group Ltd received on 31 December 2021 new class C shares in VAC as follows: 2.600334506 new class C shares in VAC for each class K share and each class K1 share in Purmo Group Ltd; 4089.270894510 new class C shares in VAC for each class P share in Purmo Group Ltd. The merger consideration was issued to shareholders of Purmo Group Ltd in proportion to their existing shareholding of each class of shares in Purmo Group Ltd.

The aggregate number of new class C shares in VAC issued in connection with the merger was 29,594,531 shares. This resulted in 40,374,531 class C shares in total in Purmo Group Plc. The merger consideration shares were registered at the Finnish Trade Register on 31 December 2021.

As a result of the merger, all Virala Acquisition Company Plc's class E shares were converted automatically into class F shares upon completion of the merger. The share capital of the combined company was increased by EUR 3,000,000 in connection with the registration of the execution of the merger. Under IFRS, the merger was accounted for within the scope of IFRS 2 Share-based payments by analogy to IFRS 3 Business Combinations whereby Purmo Group Ltd acquired a public special purpose acquisition company, VAC, in a reverse acquisition. However, as VAC was not a business as defined by IFRS 3, there was no acquisition accounting and no recognition of goodwill. The shares issued as merger consideration have been therefore recognized at fair value and recorded as consideration for the acquisition of VAC by Purmo Group Ltd as an increase in equity.

The difference in the fair value of equity instruments held by VAC shareholders over the fair value of identifiable net assets of VAC, represents a service for listing of Purmo Group's shares and has been accounted for as a share-based payment in accordance with IFRS 2. The payment has been recorded as an expense through the income statement with a corresponding entry in retained earnings. As a result of the application of IFRS 3 as described above, Purmo Group Ltd's operating history and financial performance forms the basis for the comparative financial information for the combined company Purmo Group Plc.

Strategy and its implementation

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. The strategy is supported by a continuous improvement of operational excellence and investment in people and culture. In addition, Purmo Group has a positive approach towards growth through M&A opportunities for consolidation, expansion and diversification.

In addition to Purmo Group's strong operational performance in line with its strategy, the following achievements were made during the review period:

In April, Purmo Group completed the Evrorad acquisition, thereby gaining access to local radiator production in Engels, Russia. With the majority stake in the acquired company, Purmo Group secured access to lower cost local manufacturing, enabling Purmo Group to capture further market share in Russia with local production for the vast majority of radiators it offers in Russia. The acquisition strengthens Purmo Group's cost competitiveness in Russia with lower transportation, labour and steel costs as well as avoidance of customs duties when compared to Purmo Group's current Polish production.

During the second half of 2020 and into 2021, Purmo Group carried out a clearly defined operational excellence program, PGUp, aimed at achieving operational excellence step-change and improving cost competitiveness across Purmo Group. The program also supports growth, capabilities in managing raw material price fluctuations, and funding of future investments. Further, PGUp aimed to replace the temporary cost measures taken to manage the COVID-19 crisis with recurring savings. The program generated recurring run-rate cost savings of approximately EUR 20 million as of June 2021, which exceeded the upper end of the targeted run-rate savings to be achieved by that time, replacing temporary savings during the COVID-19 pandemic.

The merger with VAC and listing on Nasdaq Helsinki is expected to support Purmo Group in realising its full potential in many important ways, e.g. by enabling Purmo Group to accelerate its M&A agenda.

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.

Profitability

Purmo Group targets an Adjusted EBITDA margin above 15% in the medium- to long-term.

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.

Dividend

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

Sustainability

Sustainability is a central part of Purmo Group's strategy. During 2021, the sustainability function was strengthened to accelerate the company's sustainability strategy. Key activities during the reporting period were:

Materiality assessment

During the year the Company completed an extensive materiality assessment with over 130 interviews, a landscape assessment and workshops to analyze and define the material issues of the sustainability strategy. The assessment engaged key stakeholders including employees, customers and suppliers.

Launch of sustainability strategy

Following the materiality assess an ambitious and far-reaching sustainability strategy 'Complete Care' was developed with 4 key areas of focus, 10 commitments, 24 targets and 40 individual sustainability actions. The four key areas were defined as follows:

(i) Production: 'We will play our part in contributing to the goal of limiting the planet's rise in mean temperature to a less than 1.5 degrees Celsius. We will develop and improve the way we make and deliver our products, their performance in use and their recyclability.'
(ii) Solutions: 'We will be the champion of climate-friendly heating and cooling solutions.'
(iii) People: 'We will nurture and grow a diverse, happy and motivated workforce that has the skills and commitment to deliver upon its sustainability goals.'
(iv) Community: 'We will collaborate with like-minded external organisations to give greater access to energy-efficient indoor climates for all and develop volunteering schemes across our business supporting the communities where we operate.'

Baselining of GHG emissions

In 2021, baselining of Purmo Group's greenhouse gas (GHG) emissions started.

Introduction of a sustainability monitoring system

During 2021, a new internal sustainability monitoring system was introduced to enable consistent reporting. The system is expected to be rolled out during the first half of 2022 and it will play a key role in identifying the most cost-effective ways to reduce (and offset) CO2 emissions from the business. Offsetting of unavoidable CO2 emissions is expected to be achieved through adoption of an internationally recognized carbon offsetting tool.

EU Taxonomy eligibility and alignment

During 2021, an assessment was undertaken to clarify the extent to which Purmo Group's operations are eligible for screening under the EU Taxonomy framework. In 2021, 85% of Purmo Group's activities and products were taxonomy eligible. Over 70% of Purmo Group's capital expenditure and over 90% of operating expenditure were defined as taxonomy eligible. As a next step, the company's taxonomy eligible economic activities will be screened to confirm the extent to which these activities are aligned with the global environmental targets of the EU taxonomy framework.

Implemention of a sustainability governance model

During the year, the sustainability strategy was assured by a governance model that sets out responsibilities for the Board of Directors, Leadership Team, Head of Sustainability and CSR, and Extended Leadership Team. The model is reinforced through a comprehensive set of policies: the Code of Conduct, the Anti-Corruption and Anti-Bribery Policy, the Competition Law Compliance Policy, the Financial Crime Risks Policy, the Whistleblowing Policy and the Enterprise Risk Management Policy.

Establishment of key priorities and targets

As an outcome from the launch of the sustainability strategy, the following key priorities for Purmo Group's sustainability programme were set:

(i) Production: Following the baselining activity during 2021, the Scope 1 and 2 science-based emission targets are to be set during 2022. Scope 3 emission targets are to be set in a subsequent phase.
(ii) Solutions: To be recognized as the No 1 choice for energy efficient solutions, a customer survey is to be conducted during 2022. Based on the results of the survey the company is planning to set a target for this metric.
(iii) People: In 2021 Purmo Group's employee Net Promoter score (eNPS) was -9 in 2021. By the end of 2022, the aim is to improve Purmo Group's eNPS to -4.
(iv) Communities: The company is committed to a minimum of 5,000 volunteering hours in 2022.

During 2021, initial steps were taken to start reporting according to the Global Reporting Initiative (GRI) standards, and other relevant frameworks, from 2023 onwards.

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

Shares and shareholders

Share capital, number of shares and shareholders

Purmo Group Plc has two share classes of which class C shares are listed and class F shares (Founder Shares) are held by former Virala Acquisitions Company Plc's (VAC) 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 outstanding shares on 31 December 2021 was 40,374,531 class C shares and 1,565,217 class F shares. The Company's registered share capital on 31 December 2021 was EUR 3,080,000. Trading in the new shares on the official list of Nasdaq Helsinki commenced on 3 January 2022. The Company has no treasury shares.

Before the merger of VAC and Purmo Group Ltd was completed Virala Acquisition Company Plc (VAC) had 10,780,000 class C shares, 627,826 class E shares and 937,391 class F shares with no nominal value. The class E shares were converted to class F shares at the merger.

On 31 December 2021, as the merger was completed, the shareholders of Purmo Group Ltd received as merger consideration 2.600334506 new class C shares in VAC for each class K share and class K1 share, and 4089.270894510 new class C shares for each class P share they hold in Purmo Group Ltd. This merger consideration was issued to the shareholders of Purmo Group Ltd in proportion to their existing shareholding of each class of shares in Purmo Group Ltd.

The aggregate number of new class C shares in VAC issued in connection with the merger was 29,594,531 shares, resulting in 40,374,531 class C shares in total in the combined company. The VAC and Purmo Group Ltd merger led to an increase in share capital of EUR 3.0 million and reserve of invested unrestricted equity of EUR 285.9 million.

On 31 December 2021 the 5 largest shareholders were Rettig Group Ltd (68.28%), Virala Corporation (12.32%), Ahlström Invest B.V. (2.36%), Jussi Capital Oy (1.63%) and Fennia Mutual Insurance Company (1.19%).

Board authorisation regarding share issue and share repurchase

On 13 December 2021, the Extraordinary General Meeting of VAC (subsequently Purmo Group Plc) resolved in accordance with the proposal of the Board of Directors to resolve on the issuance of class C shares as well as the issuance of special rights entitling to class C shares referred to in Chapter 10, Section 1 of the Finnish Companies Act in one or several tranches. The number of class C shares to be issued based on this authorization shall not exceed 8,000,000 shares (including shares to be received based on special rights), which corresponds to approximately 20 per cent of all of class C shares in the company. However, a maximum of 25 per cent of the authorization, 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 authorization is effective until the end of the next Annual General Meeting, however, no longer than until 30 June 2022. The authorization revokes previous authorizations granted by a unanimous resolution of the shareholders to the Board of Directors on 13 June 2021 to resolve on the issuance of shares as well as on the issuance of special rights entitling to shares.

The Extraordinary General Meeting resolved in accordance with the proposal of the Board of Directors to authorize the Board of Directors to resolve on the repurchase of the company's own class C shares as well as on the acceptance of them as pledge. The number of class C shares to be repurchased or accepted as pledge by virtue of this authorization shall not exceed 4,000,000 own class C shares in the company, which corresponds to approximately 10 per cent of all of class C shares in the company, subject to the provisions of the Finnish Companies' Act on the maximum amount of own shares owned by or pledged to the Company and its subsidiaries. The authorization is effective until the end of the next Annual General Meeting, however no longer than until 30 June 2022.

Flagging notifications

During the 2021, Purmo Group Plc received the following flagging notifications referred to in the Securities Market Act:

Transaction date	Shareholder	Direct holding	Indirect holding	Total holding
31.12.2021	Jussi Capital Oy	1,63%	0%	1,63%
31.12.2021	Ahlström Invest B.V.	Below 5%	0%	Below 5%
31.12.2021[1)]	Virala Corporation	12.32%	0%	12.32%
31.12.2021	Rettig Capital Ltd	68.28%	0%	68.28%

[1)]According to the Flagging Notification on 31 December 2021, Virala Corporation holds an Option to acquire 689,576 shares or 1,64% of shares and voting rights. The option had not been exercised on the day of the flagging notification. The option expires on 31 December 2022.

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.

Share price 29 June - 31 December 2021

	High	Low	Trade-weighted average price	Close
Share price, eur	14.5	9.78	11.4	14.2

Governance

Personnel

The number of Group full-time-equivalent employees averaged 3,360 (3,287) in January–December. At the end of the period, the Group had 3,471 (3,262) employees. The increase was mainly due to the acquisition of Evroradiators LLC, which was offset by COVID-19 related right-sizing of the personnel and the operational excellence programme

Changes in management team

Virala Acquisition Company Plc's Management Team consisted of CEO Johannes Schulman and CFO Mia Alholm. The chairman of the Board of Directors, Alexander Ehrnrooth, participated actively in the duties of the Management Team in addition to his duties as a chairman of the Board of Directors. Virala Acquisition Company Plc had no employees and the Company's CEO Johannes Schulman and CFO Mia Alholm worked in these positions under a service agreement with Virala Corporation Ltd.

The Board of Directors appointed 31 December 2021 John Peter Leesi as the CEO of the Combined Company. The Board of Directors resolved to appoint the following persons to the management team of the Combined Company:

Erik Hedin, Chief Financial Officer
Mike Conlon, Senior Vice President, Indoor Climate Systems Division
Linda Currie, Chief People Officer
Thomasz Tarabura, Senior Vice President, Radiators Division

Share based Incentive plans

Purmo Group had a group-wide long-term share-based incentive plan. The plan consisted of two equity-settled compensation schemes, restricted matching shares and performance shares. In addition, the Board of Directors of Purmo Group Ltd had adopted a share-based incentive for the CEO and CFO appointed by Purmo Group Ltd in July 2020, including exit conditions.

Based on the incentive plan applicable to the CEO and CFO, a total of 11,930 class K1 shares and 100 class P shares were subscribed to the CEO and total of 7,158 class K1 shares and 60 class P shares were subscribed to the CFO.

Due to the merger, the Board of Directors decided on the acceleration of the vesting of the long-term share-based incentive plans. As a result, 12,725 new class K shares were issued to certain participants and 38,360 new class K shares were issued to the participants through Rettig Group, who settled the long-term share-based incentive plan to certain participants on behalf of Purmo Group.

Following these actions, the Board of Directors of Purmo Group resolved all the existing incentive plans in accordance with their terms and conditions prior to the effective date of the merger.

Resolution of Purmo Group Plc's extraordinary general meeting

The Extraordinary General Meeting of Purmo Group Plc (former Virala Acquisition Company Plc) was held on 13 December 2021. The Extraordinary General Meeting resolved in accordance with the proposal of the Board of Directors and the merger plan, to approve the merger of Purmo Group Ltd into Virala Acquisition Company Plc (name changed to Purmo Group Plc).

As members of the Board of Directors were elected, conditional on the completion of the merger, Tomas von Rettig (Chairman), Matts Rosenberg (Vice Chairman), Alexander Ehrnrooth, Jyri Luomakoski, Catharina Stackelberg, Carina Edblad and Carlo Grossi.

Board authorisation regarding share issue and share repurchase, see page 14.

Risks and uncertainties in the near future

Purmo Group is affected by the 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. During 2021, Purmo Group was able to manage the adverse effect on its operations, 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 selling 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 in the 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, future 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 an ESG strategy and function.

The geopolitical situation became more uncertain towards the end of 2021. Volatility in financial markets also increased due to increased focus on decisions concerning monetary policy. Uncertain global economic, political and financial market conditions and economic sanctions in Purmo Group's operating countries as well as trade policies may have a negative impact on performance, financial position and availability of financing.

Risk update related to the conflict between Russia and Ukraine

The Russian/Ukrainian conflict has resulted in severe economic sanctions being imposed on Russia by many countries. Purmo Group has about 250 employees in Russia and 2 freelance personnel 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 Evrorad from Bosch Group's Russian subsidiary. Sales within Russia are 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.

Although the future of the situation is hard to estimate, we expect a significant impact on our business in Ukraine and a partial impact in Russia. This would come from the conflict itself, increased custom duties, and supply constraints or altered demand.

We have set up a dedicated team to monitor the situation. We have temporarily halted deliveries to Ukraine, and will continue to take appropriate action if we see the need to do so. The health and safety of our people, customers and business are, as always, our priority.

Events after the review period

Trading in the merger consideration shares and the existing class C shares on the official list of Nasdaq Helsinki Ltd commenced on 3 January 2022 under the trading code PURMO (ISIN code: FI4000507488).

Purmo Group Plc (formerly Virala Acquisition Company Plc) obtained EUR 96.8 million of proceeds in the initial public offering in blocked bank accounts. On the basis of escrow agreement the funds were released to Purmo Group Plc's bank account on 3 January 2022. As the terms and conditions of the escrow agreement were met by the end of the reporting period, funds were already booked to cash and equivalents. The funds were used to repay the EUR 95.0 million bridge loan facility.

As announced by VAC on 8 September 2021, Virala Corporation has had an option to acquire further 689,576 class C shares from Rettig Group Ltd following the completion of the merger. Virala Corporation has on 5 January 2022 exercised the option and Rettig Group Ltd has therefore disposed 689,576 class C shares in Purmo Group Plc held by it to Virala Corporation.

The Extraordinary General Meeting, held on 13 December 2021, resolved that the members of the Nomination Board will be based on the three largest shareholders in Purmo Group Plc on the tenth business day following the effective date. In a stock exchange release on 20 January 2022 Purmo Group announced that the three largest shareholders nominated the following representatives to the Nomination Board; Matts Rosenberg (appointed by Rettig Group Ltd), Alexander Ehrnrooth (appointed by Virala Corporation, and Peter Seligson (appointed by Ahlstrom Invest B.V.). Matts Rosenberg has been elected Chairman of the Nomination Board. Tomas von Rettig, Chairman of the Company's Board of Directors, acts as an expert member in the Nomination Board.

In a stock exchange release on 25 January 2022 Purmo Group announced that the Shareholders' Nomination Board proposes to the Annual General Meeting, planned be held on 25 April 2022, that the number of members of the Board of Directors, the composition of the Board of Directors and the remuneration of the Board of Directors are kept unchanged and in line with the resolutions of the Extraordinary General Meeting of Virala Acquisition Company Plc held on 13 December 2021, as follows:

- The Shareholders' Nomination Board proposes that the number of members of the Board of Directors is seven.
- The Shareholders' Nomination Board proposes that Tomas von Rettig, Matts Rosenberg, Carina Edblad, Alexander Ehrnrooth, Carlo Grossi, Jyri Luomakoski and Catharina Stackelberg are re-elected as members of the Board of Directors.
- The Shareholders' Nomination Board proposes that Tomas von Rettig is re-elected as the Chairman of the Board of Directors and Matts Rosenberg is re-elected as the Vice Chairman of the Board of Directors.
- The Shareholders' Nomination Board proposed also on the remuneration of the Board of Directors and Board Committees.

On 3 February 2022 Purmo Group completed the syndication of the EUR 280 million term loan and EUR 80 million revolving credit facility that were signed in September 2021. Nordea Bank Plc and Skandinaviska Enskilda Banken Plc 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.

In a stock exchange release on 1 March 2022 Purmo Group announced that it has acquired the entire share capital of TT Thermotech Intressenter AB, the Nordic heating systems company. The acquisition was valued at approximately SEK 265 million (EUR 25 million) on a cash and debt free basis. In 2021, the company's total turnover was about SEK 252 million (EUR 23.8 million) and EBITDA about SEK 38 million (EUR 3.6 million) in accordance with Swedish GAAP,

Board of Director's proposal for the distribution of profit

The parent company's distributable equity on 31 December 2021 totaled EUR 377,864,962.16. The Board of Directors of Purmo Group Plc proposes to the Annual General Meeting convening 25 April 2022 that a return of capital of EUR 0.36 per class C share be paid for the financial year 2021 and that a return of capital for class F shares be paid in accordance with the Articles of Association of the Company for the financial year 2021 from the reserve for invested unrestricted equity of the Company. All the class C shares in the Company are entitled to a return of capital except for treasury shares held by the Company on the return of capital record date. In accordance with the Articles of Association of the Company and as a consequence of the first share price hurdle for conversion of class F shares into class C shares having been exceeded in September 2021, class F shares currently carry a right to asset distribution equivalent to 0.69 per cent of the return of capital proposed to be distributed to class C shares, which corresponds to a return of capital of EUR 0.07 per class F share.

The Company's dividend policy states that at least 40% of annual net profit will be distributed as dividend or return of capital. In its proposal, the Board has considered the significant effect of the one-time, non-cash IFRS 2 merger impact related to the merger of Virala Acquisitions Company Plc and Purmo Group Ltd on the annual net profit.

The return of capital is proposed to be paid in two installments in May 2022 and October 2022.

In Helsinki, 2 March 2022
Purmo Group Plc's Board of Directors

Condensed consolidated financial information

Consolidated statement of profit and loss

EUR million	Note	10-12/2021	10-12/2020	2021	2020
Net sales	3	222.6	186.1	843.6	671.2
Cost of sales		-175.2	-138.8	-645.5	-498.4
Gross profit		**47.4**	**47.2**	**198.1**	**172.8**
Sales and marketing expenses		-22.3	-22.8	-78.3	-75.2
Administrative expenses		-8.6	-7.4	-42.0	-38.8
Research and development expenses		-1.4	-1.4	-5.9	-5.2
Other income		1.1	0.5	2.6	1.6
Other expenses	4	-58.0	-7.2	-71.0	-13.2
Operational expenses		**-89.2**	**-38.3**	**-194.6**	**-130.8**
EBIT		**-41.9**	**9.0**	**3.5**	**42.0**
Finance income		0.3	1.1	1.1	2.6
Finance expenses		-3.0	-2.9	-9.7	-12.7
Net financial items		**-2.7**	**-1.8**	**-8.6**	**-10.1**
Profit before tax		**-44.6**	**7.2**	**-5.1**	**31.9**
Income tax expense	6	-2.1	0.2	-13.7	-6.6
Profit for the period		**-46.7**	**7.352**	**-18.8**	**25.3**
Profit for the period attributable to:					
Owners of the parent		-46.2	7.2	-18.8	24.9
Non-controlling interests		-0.5	0.2	–	0.4
Earnings per share for profit attributable to the ordinary equity holders of the parent company:					
Earnings per share basic, EUR		-1.58	0.25	-0.65	0.86
Earnings per share diluted, EUR		-1.58	0.25	-0.65	0.86

Consolidated statement of comprehensive income

EUR million	10-12/2021	10-12/2020	2021	2020
Profit for the period	-46.7	7.4	-18.8	25.3
Other comprehensive income				
Items that will never be reclassified to profit or loss				
Re-measurement of defined benefit liability (asset)	-0.6	-0.9	8.4	-3.2
Related tax	2.0	-0.4	0.2	0.1
Total items that will not be reclassified to profit or loss	**1.3**	**-1.3**	**8.6**	**-3.2**
Items that are or may be reclassified to profit or loss				
Foreign operations – foreign currency translation differences	-1.0	-0.5	0.4	-8.0
Cash flow hedges – effective portion of changes in fair value	-0.9	-0.8	-1.9	-0.8
Cash flow hedges – reclassified to profit or loss	0.7	0.4	1.5	0.4
Related tax	0.1	0.1	0.2	0.1
Total items that are or may be reclassified to profit or loss	**-1.0**	**-0.8**	**0.1**	**-8.3**
Other comprehensive income, net of tax	**0.3**	**-2.1**	**8.7**	**-11.5**
Total comprehensive income for the period	**-46.4**	**5.3**	**-10.1**	**13.8**
Total comprehensive income attributable to:				
Owners of the parent	-45.9	5.1	-10.1	13.4
Non-controlling interests	-0.5	0.2	-	0.4

Consolidated balance sheet

EUR million	Note	31 Dec 2021	31 Dec 2020
Assets			
Non-current assets			
Goodwill	5	369.2	365.4
Other intangible assets	5	36.3	38.0
Property, plant and equipment	5	131.9	133.3
Right-of-use assets	5	31.3	30.9
Other receivables		1.0	1.0
Deferred tax assets		26.5	25.5
Defined benefit asset		6.2	2.1
Total non-current assets		**602.4**	**596.1**
Current assets			
Inventories		157.4	105.3
Trade receivables		77.1	53.1
Related party receivables	11	0.1	4.5
Derivative assets	8	0.7	1.2
Other receivables	8	29.6	20.5
Current tax asset		1.3	0.5
Cash and cash equivalents		177.6	55.0
Total current assets		**443.8**	**240.0**
Total assets		**1,046.2**	**836.2**
Equity and liabilities			
Equity			
Share capital		3.1	3
Reserve of invested unrestricted equity		385.9	497.5
Reserves		-5.0	-7.0
Retained earnings		25.4	0.2
Profit for the period		-18.8	24.9
Equity attributable to owners of the Company		**390.6**	**515.5**
Non-controlling interests		-	1.8
Total equity		**390.6**	**517.3**
Liabilities			
Non-current liabilities			
Loans and borrowings	8	285.7	-
Lease liabilities		30.7	29.7
Defined benefit liabilities		23.5	28.5
Other payables	8	1.2	1.2
Provisions	9	7.6	7.3
Deferred tax liabilities		2.6	3.9
Total non-current liabilities		**351.3**	**70.7**
Current liabilities			
Loans and borrowings	8	95.0	94.5
Lease liabilities		5.6	5.9
Trade and other payables	8	192.0	141.6
Derivative liabilities	8	2.0	1.0
Provisions	9	4.9	1.2
Current tax liabilities		4.8	4.0
Total current liabilities		**304.3**	**248.2**
Total liabilities		**655.6**	**318.9**
Total equity and liabilities		**1,046.2**	**836.2**

Consolidated statement of cash flows

EUR million	10-12/2021	10-12/2020	2021	2020
Cash flow from operating activities				
Profit for the period	-46.7	7.4	-18.8	25.3
Adjustments:				
Depreciation, amortisation and impairment losses	6.7	7.5	30.2	29.7
Gain on sale of property plant and equipment	0.0	-0.1	-0.5	-0.1
Share-based payments	0.8	1.1	1.9	2.1
Finance income and expenses	2.7	1.8	8.6	10.1
Income tax expenses	2.1	3.1	13.7	6.7
Reverse recapitalization	52.3	–	52.3	–
Other non-cash income and expenses	8.2	-2.8	5.7	–
Cash flow before change in net working capital	**26.2**	**18.0**	**93.1**	**73.7**
Changes in net working capital				
Inventories, increase (-) / decrease (+)	-13.4	5.0	-48.7	4.9
Trade and other receivables, increase (-) / decrease (+)	58.2	41.9	-31.2	9.3
Trade and other payables, increase (+) / decrease (-)	-25.2	-19.3	45.0	2.9
Provisions and employee benefits, increase (+) / decrease (-)	-7.8	-1.1	-1.6	-1.1
Changes in net working capital	11.8	26.5	-36.5	16.1
Net cash flow from operating activities before financial items and taxes	**38.0**	**44.5**	**56.7**	**89.8**
Interest paid	-2.6	-1.9	-8.7	-12.5
Interest received	0.6	-0.6	0.9	1.6
Income taxes paid, net	-3.8	-3.5	-13.5	-10.0
Cash from operating activities	**32.2**	**38.4**	**35.4**	**68.9**
Cash flow from investing activities				
Proceeds from sale of property, plant and equipment and intangible assets	–	0.7	0.7	0.7
Purchases of property, plant and equipment and intangible assets	-6.8	-4.3	-14.8	-11.6
Payment of deferred consideration for business acquisition	–	–	-4.5	–
Cash flow from investing activities	**-6.8**	**-3.6**	**-18.6**	**-10.9**
Cash flow from financing activities				
Repayment of long-term borrowings to related party	–	-30.2	–	-30.2
Proceeds from long-term borrowings	279.0	–	279.0	–
Increase of equity	–	–	0.3	–
Proceeds from share issue	99.9	–	99.9	–
Dividends and group contributions paid to related party	-251.0	–	-266.4	-15.0
Repayment of lease liabilities	-2.3	-2.4	-9.6	-9.4
Proceeds from short-term borrowings	95.0	1.2	95.0	1.2
Repayment of short-term loans	-2.5	–	-4.9	–
Proceeds from short-term borrowings from related party	–	89.0	-10.2	89.0
Repayment from short-term borrowings to related party	-98.0	-48.6	-98.0	-50.1
Cash flow from financing activities	**120.0**	**9.1**	**105.4**	**-14.5**
Change in cash and cash equivalents, increase (+) / decrease (-)	**145.4**	**43.9**	**122.2**	**43.5**
Cash and cash equivalents at beginning of the period	**32.2**	**11.9**	**55.0**	**12.6**
Impact of change in exchange rates	0.1	-0.7	0.4	-1.1
Cash and cash equivalents at end of the period	**177.6**	**55.0**	**177.6**	**55.0**

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 2021	**0.0**	**497.5**	**-9.1**	**-0.3**	**2.4**	**25.1**	**515.5**	**1.8**	**517.3**
Profit for the period						-18.8	-18.8		-18.8
Other comprehensive income			0.4	-0.3		8.6	8.7		8.7
Total comprehensive income			**0.4**	**-0.3**		**-10.3**	**-10.1**		**-10.1**
Dividend and return of equity		-15.0				-251.5	-266.4		-266.4
Long term incentive plan		0.4			2.0		2.3		2.3
Reverse recapitalization	3.1	-97.0			-4.3	250.3	152.1		152.1
Acquisition of minority						-2.8	-2.8	-1.8	-4.6
Balance as at 31 Dec 2021	**3.1**	**385.9**	**8.7**	**-0.6**	**-**	**10.9**	**390.6**	**-**	**390.6**

	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 2020	**0.0**	**514.0**	**-1.1**	**-**	**0.5**	**3.4**	**516.7**	**1.3**	**518.0**
Profit for the period						24.9	24.9	0.4	25.3
Other comprehensive income			-8.0	-0.3		-3.2	-11.5		-11.5
Total comprehensive income			**-8.0**	**-0.3**		**21.7**	**13.4**	**0.4**	**13.8**
Dividend and return of equity		-15.0					-15.0		-15.0
Long term incentive plan					1.9		1.9		1.9
Purchase of treasury shares		-1.5					-1.5		-1.5
Balance as at 31 Dec 2020	**0.0**	**497.5**	**-9.1**	**-0.3**	**2.4**	**25.1**	**515.5**	**1.8**	**517.3**

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 OMX Helsinki Ltd as of 3 January 2022.

Merger of Virala Acquisition Company Plc and Purmo Group Ltd

On 8 September 2021 Virala Acquisition Company Plc ("VAC", the first company listed on the SPAC segment of the regulated market of Nasdaq Helsinki Ltd ("Nasdaq Helsinki") and Purmo Group Ltd (a Finnish private limited liability company), announced they had signed a merger agreement to combine the two companies. On 13 December 2021 the Extraordinary General Meetings of VAC and Purmo Group Ltd approved the merger. The merger was completed on 31 December 2021 and the combined company was re-named Purmo Group Plc. Following the contemplated merger, the combined company has continued the business operations of Purmo Group Ltd as a listed company on the official list of Nasdaq Helsinki.

The shareholders of Purmo Group Ltd received 31 December 2021 as merger consideration 2.600334506 new class C shares in VAC for each class K share and class K1 share, and 4089.270894510 new class C shares for each class P share they hold in Purmo Group Ltd (the "Merger Consideration"), that is, the Merger Consideration was issued to the shareholders of Purmo Group Ltd in proportion to their existing shareholding of each class of shares in Purmo Group Ltd. The aggregate number of new class C shares in VAC issued in connection with the Merger was 29,594,531 shares, resulting in 40,374,531 class C shares in total in the combined company. Further, as a result of the merger, all Virala Acquisition Company Plc's class E shares were converted automatically into class F shares upon completion of the merger. The share capital of the combined company was increased by EUR 3,000,000 in connection with the registration of the execution of the merger. The merger consideration shares were registered at the Finnish Trade Register on 31 December 2021. Trading in the Merger Consideration shares and the existing class C shares of VAC on the official list of Nasdaq Helsinki is begun on 3 January 2022 under the trading code PURMO (ISIN code: FI4000507488).

The merger is accounted for under IFRS within scope of IFRS 2 Share-based payments by analogy to IFRS 3 Business Combinations whereby Purmo Group Ltd acquires a public special purpose acquisition company VAC in a reverse acquisition but there is no acquisition accounting and no recognition of goodwill, as VAC is not a business as defined by IFRS 3. Accordingly, the shares issued as merger consideration are recognized at fair value and recorded as consideration for the acquisition of VAC by Purmo Group Ltd as an increase in equity. The difference in the fair value of equity instruments held by VAC shareholders over the fair value of identifiable net assets of VAC represents a service of listing of Purmo Group's shares and is accounted for as a share-based payment in accordance with IFRS 2 and recorded as one-time, non-cash merger impact through the income statement with a corresponding entry in equity post-merger. As a result of the application to IFRS 3 by analogy to the merger and application of the reverse acquisition guidance, Purmo Group's operating history and financial performance forms the basis for the comparative financial information for the combined company.

After the merger, the Company continues the operations of the acquired business of Purmo Group Ltd. Purmo Group is Europe's leading supplier of systems for indoor climate comfort including radiators, underfloor heating, valves and controls. The Group's two main brands are Vogel&Noot targeting mid-sized to large projects and Purmo Radson focusing on small-sized applications and domestic housing. The largest direct customers are sanitary and heating wholesalers based in northern, western, southern and eastern Europe (including Russia) but also in the rest of the world (including Brazil, China, Japan and the United States).

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 2020, which have been prepared in accordance with IFRS. These condensed consolidated financial statements do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS and accordingly, selected explanatory notes are included to explain events and transactions that are significant to an understanding of 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 2020 except for the adoption of new and amended standards as set out below.

The Group has applied the following amendments to IFRS standards published by IASB that are relevant for its operations and are effective for the first time for financial reporting periods commencing on 1 January 2021:

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9 Financial Instruments, IFRS 7 Financial Instruments: Disclosures and IFRS 16 Leases, and
- COVID-19 related rent concessions – Amendments to IFRS 16 Leases.

The application of the amendments did not have material impact on the results or financial position or the presentation of the interim report.

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.

Seasonality
Purmo Group's business and cash flows are partly subject to seasonality, with most of the demand for the product offering occurring during the peak heating-season with usually a notable increase in monthly demand in September-November each year. However, quarterly seasonality is more muted because the third and fourth quarters are tempered by lower demand in July-August and December due to holiday periods. Overall, the second quarter has the lowest demand, when the heating demand is at its lowest and is only partially offset by the peak cooling-season and where Purmo Group the Company has a relatively smaller exposure to demand for air conditioning systems. Accordingly, the quarterly comparisons of Purmo Group's sales and operating results are impacted by seasonality as well as 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.

There have not been any major changes regarding the uncertainty requiring the Group's management to exercise judgment and make estimates and assumptions compared to the financial statement of 2020.

3. Segment information and net sales

Change in segment reporting
In September 2021 the Group changed its cost allocation method in relation to allocating corporate and other Group level shared costs to its divisions which form the Group's operating and reportable segments impacting the key operating measure, Adjusted EBITDA, which is reported for the divisions. As a result, certain corporate and other Group level costs are now reported under Other and unallocated. As a result of the change in the determination of the divisional Adjusted EBITDA, Purmo Group has restated the comparative financial periods to reflect the new measurement and reporting basis for division profitability.

Group's divisions
The Radiator division manufactures two broader product categories: panel radiators comprising of horizontal and decorative panel radiators and vertical decorative radiators, and other radiators comprising of towel warmers, decorative tubular radiators and electric radiators.

ICS division provides a comprehensive range of components or full systems to wholesalers, specifiers and installers comprising of four product categories; radiant heating and cooling, air heating and cooling, water distribution systems and system components and controls.

Other and unallocated comprises 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 whose costs 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 (including Russia) 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 that are considered to impact comparability of the underlying business operations and excludes costs and income incurred in the group functions as described above. Such items comprise of direct transaction and integration costs on M&A activities, restructuring costs and costs incurred in connection with performance improvement programs, the one-time, non-cash IFRS 2 merger impact , costs that have been incurred in connection with the formation of Purmo Group, exceptional gains and losses on sale of fixed assets, and costs incurred to achieve stand-alone readiness which will not continue post-merger.

10-12/2021

EUR million	Radiators	ICS	Other and unallocated	Group
Net sales	**142.9**	**79.7**	**0.0**	**222.6**
Adjusted EBITDA	**15.1**	**9.7**	**-2.2**	**22.6**
Adjusted EBITDA % of net sales	**10.6%**	**12.2%**	**-**	**10.1%**
Management fee to owners and legacy Rettig incentive plans				-1.0
Material items impacting period profit and loss				-56.7
Depreciation, amortisation and impairment				-6.7
EBIT				**-41.9**
Net financial items				-2.7
Profit before tax				**-44.6**
Additional information for segments				
Depreciation, amortisation and impairment by segment	-4.6	-2.2	-	-6.7

10-12/2020

EUR million	Radiators	ICS	Other and unallocated	Group
Net sales	**112.7**	**73.4**	**0.0**	**186.1**
Adjusted EBITDA	**16.6**	**8.7**	**-1.4**	**23.9**
Adjusted EBITDA % of net sales	**14.7%**	**11.8%**	**-**	**12.9%**
Management fee to owners and legacy Rettig incentive plans				-1.3
Material items impacting period profit and loss				-5.9
Depreciation, amortisation and impairment				-7.7
EBIT				**9.0**
Net financial items				-1.8
Profit before tax				**7.2**
Additional information for segments				
Depreciation, amortisation and impairment by segment	-5.2	-2.5	-	-7.7

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				**31.9**
Additional information for segments				
Depreciation, amortisation and impairment by segment	-21.1	-9.0	-	-30.2

2020

EUR million	Radiators	ICS	Other and unallocated	Group
Net sales	**396,9**	**274,3**	**-0.5**	**671,2**
Adjusted EBITDA	**62,9**	**27,0**	**-4,7**	**85,1**
Adjusted EBITDA % of net sales	**15.8 %**	**9.8 %**	**-**	**12.7 %**
Management fee to owners and legacy Rettig incentive plans				-2,9
Material items impacting period profit and loss				-10,3
Depreciation, amortisation and impairment				-29,9
EBIT				**42,0**
Net financial items				-10,1
Profit before tax				**31,9**
Additional information for segments				
Depreciation, amortisation and impairment by segment	-20,6	-9,3	-	-29,9

Net sales by market area for divisions

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

			10-12/2021			10-12/2020
EUR million	Radiators	ICS	Group	Radiators	ICS	Group
Northern Europe [1]	30.3	13.0	43.3	26.0	13.1	39.1
Western Europe	57.1	23.5	80.6	49.9	25.3	75.2
Central and Eastern Europe	43.5	11.3	54.8	28.8	9.0	37.8
Southern Europe	1.8	24.8	26.6	1.3	19.3	20.5
Rest of the world	10.2	7.1	17.3	6.8	6.7	13.5
Net Sales	**142.9**	**79.7**	**222.6**	**112.7**	**73.4**	**186.1**

[1] Net sales in Finland (Company's country of domicile) totalled to EUR 4.0 million (EUR 3,5 million).

			2021			2020
EUR million	Radiators	ICS	Group	Radiators	ICS	Group
Northern Europe [1]	112.3	48.8	161.1	89.6	42.3	131.9
Western Europe	213.5	113.1	326.6	177.2	100.1	277.4
Central and Eastern Europe	150.6	50.9	201.5	111.3	41.2	152.5
Southern Europe	5.7	96.3	102.0	3.5	68.6	72.1
Rest of the world	24.3	28.1	52.4	15.3	22.0	37.3
Net Sales	**506.3**	**337.2**	**843.6**	**396.9**	**274.3**	**671.2**

[1] Net sales in Finland (Company' s country of domicile) totalled to EUR 14,0 million (EUR 12,8 million).

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

4. Reverse recapitalization

As Virala Acquisition Company Ltd (VAC) did not meet the definition of a business the merger between VAC and Purmo Group Ltd hasn't been accounted for as a business combination but as a reverse recapitalization, in which no goodwill has been recognized and Purmo Group Ltd obtained a public company status. The difference in the value in accordance with IFRS 2 of VAC's listed C shares and unlisted F shares over the fair value of identifiable net assets of VAC represents a service of listing of Purmo Group's shares and is accounted for as a share-based payment in accordance with IFRS 2 and recorded as a one-time, non-cash impact in other operating expenses. The value in accordance with IFRS 2 of VAC's listed class C shares and unlisted F shares has been determined using VAC's closing price on 13 December 2021, of EUR 13.80. The value of class F shares has been determined based on the right to convert an F share into class C share depending on the development of class C share price. The thresholds of the right to convert are determined in the Articles of Association. In accordance with IFRS 2, a one-time, non-cash impact of EUR 52.3 million from the merger has been recognized in other operating expenses against retained earnings.

The table below presents the accounting treatment of the merger:

	Number of shares	Total fair value, EUR million
Listed class C shares and unlisted class F shares	10,780,000	152.7
VAC's identifiable net assets		100.3
Value of IFRS 2 listing service		**52.3**

5. Taxes

The total income tax expense of the Group for 2021 was EUR 13,733 thousand. Defining effective tax rate or comparing it to previous periods is not meaningful for 2021 as the Group result before taxes was negative due to the one-time, non-cash IFRS 2 merger impact of EUR 52.3 million. The comparable effective tax rate without the one-time, non-cash IFRS 2 merger impact was 29.1% (20.8%). The tax cost was burdened by significant profits in the countries with higher corporate income tax rate than Finland (especially Italy and Germany), tax rate based devaluation of deferred tax assets in France and Ireland as well as merger related real estate tax in Germany. The cost side was balanced by positive profit outlook in e.g. Austria and Sweden allowing recognising of deferred tax asset on losses for previous fiscal periods.

6. Intangible and tangible assets

Intangible assets

EUR million	1-12/2021	1-12/2020
Opening balance	**403.4**	**404.8**
Effect of exchange rates	0.0	0.2
Purchases of subsidiaries and business acquisitions	0.0	-
Additions	1.1	1.8
Transfers	3.9	0.1
Amortisation	-2.9	-2.9
Disposals	0.0	-0.6
Closing balance	**405.5**	**403.4**

Property, plant and equipment

EUR million	1-12/2021	1-12/2020
Opening balance	**133.3**	**148.4**
Effect of exchange rates	1.3	-4.7
Purchases of subsidiaries and business acquisitions	2.9	-
Additions	11.9	10.1
Transfers	3.6	0.4
Depreciations	-19.9	-20.0
Disposals	-1.9	-1.5
Depreciations on disposals	0.8	0.6
Closing balance	**131.9**	**133.3**

Right-of-use assets

EUR million	1-12/2021	1-12/2020
Opening balance	**30.9**	**35.7**
Effect of exchange rates	0.7	-0.8
Purchases of subsidiaries and business acquisitions	0.5	-
Additions	6.5	2.9
Depreciations	-7.4	-7.0
Closing balance	**31.3**	**30.9**

7. Changes in the shares outstanding during the interim period

In this note the shares, share capital and reserve of unrestricted equity has been presented as of the accounting acquiree Virala Acquisition Company Plc ("VAC"). The combined company's registered share capital on 31 December 2021 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 VAC's founding shareholder, Virala Corporation. The number of outstanding shares at the end of the year was 40,374,531 C-shares and 1,565,217 F-shares. The Company has no treasury shares.

		Number of outstanding shares (pcs)			Share capital (EUR million)	Reserve of unrestricted equity (EUR million)
		E-share (earlier A-share)	F-share (earlier B-share)	C-share		
1 Jan 2021		**330**	**-**	**-**	**0.0**	**-**
7 May 2021	Bonus issue of Class A (later Class E) shares	869,235				
7 May 2021	Share issue of Class B (later Class F share) shares		695,652		0.1	0.1
10 May 2021	Share issue of Class C shares			30,000		0.2
28 Jun 2021	Bonus issue of Class B (later class F) shares		241,739			
28 Jun 2021	Redemption of Class A (later class E) shares	-241,739				
28 Jun 2021	Offering of Class C shares net of EUR 4, million transaction costs			10,750,000		102.8
31 Dec 2021	Merger consideration and increase of share capital	-627,826	627,826	29,594,531	3.0	255.9
31 Dec 2021		**0**	**1,565,217**	**40,374,531**	**3.1**	**358.9**

Prior to the merger VAC had three share classes, which carried different voting rights in VAC's and different rights to distributions of funds. Prior to admitting VAC's class C shares to trading, VAC's share classes were renamed so that class A shares were renamed as class E shares and class B shares were renamed as class F shares. class C shares were not renamed.

On 7 May 2021 VAC issued 869,235 new Class A shares to VAC's sole shareholder Virala Corporation in a directed bonus issue.

In addition, on 7 May 2021 VAC issued 695,652 new Class B shares for subscription at consideration to VAC's sole shareholder Virala Corporation in a directed share issue with a subscription price of EUR 0.22/share. Total proceeds from the subscription were EUR 153 million. VAC's share capital increased to EUR 0.1 million so that EUR 0.1 million of the total subscription price of Class B Shares was recorded to the share capital. The remaining balance of EUR 0.1 million was recorded to the reserve for invested unrestricted equity of VAC. With the proceeds from the share issue, VAC covered the costs incurred in analysing and investigating the expansion of its operations.

On 10 May 2021, VAC directed a total of 30,000 new class C shares for subscription with consideration to Jaakko Eskola, Makai Holding Oy (a company controlled by Mammu Kaario) and Seico Investments Oy (a company controlled by Kai Seikku). The subscription price was EUR 5.00/share and total proceeds from the subscription were EUR 0.2 million. Total subscription price was recorded to the reserve for invested unrestricted equity of VAC. With the proceeds from the share issue, VAC covered the costs incurred in analysing and investigating the expansion of its operations. Class C shares subscribed in the directed share issue are subject to the terms of consent that restrict the right to transfer or dispose them during a period of three years from the listing becoming effective. These class C share subscriptions are transactions within the scope of IFRS 2 Share-based Payment, but as the subscription price is considered to reflect the fair value of the shares at the subscription date no compensation expense will be recognized.

On 28 June 2021, a technical bonus issue of the class B shares and a redemption of the class A share was carried out, in which the number of class B shares were increased by 241,739 shares to a total of 937,391 shares, which is equivalent to 8 % of the number of class C and F shares issued by the VAC.

In VAC's IPO that ended on 28 June 2021, 10,750,000 class C shares were issued at a subscription price of EUR 10. Of the subscription price, a total of EUR 0.1 million was netted against transaction costs of EUR -4,7 million and the remaining amount of EUR 102,802 million was recorded in VAC's reserve for invested unrestricted equity.

The shareholders of Purmo Group Ltd received 31 December 2021 as merger consideration 2.600334506 new class C shares in VAC for each class K share and class K1 share, and 4089.270894510 new class C shares for each class P share they hold in Purmo Group Ltd (the "Merger Consideration"), that is, the Merger Consideration was issued to the shareholders of Purmo Group Ltd in proportion to their existing shareholding of each class of shares in Purmo Group Ltd. The aggregate number of new class C shares in VAC issued in connection with the Merger was 29,594,531 shares, resulting in 40,374,531 class C shares in total in the Combined Company.

On 20 September 2021 it was announced that subsequent to the positive market reaction of the merger announcement between Virala Acquisition Company Plc and Purmo Group Ltd, the first share price hurdle of EUR 12.00 set out in the articles of association had been exceeded, pursuant to which 18.75 per cent of class F shares held by VAC's founding shareholder, Virala Corporation, have become eligible for conversion into class C shares at the start of the conversion period on 28 June 2024.

On the merger acquisition date 31 December 2021, Virala Acquisition Company Plc had 10,780,000 class C shares, 627,826 class E shares and 937,391 class F shares with no nominal value. The VAC and Purmo Group Ltd merger led to an increase in share capital of EUR 30 million, and an increase in the reserve of unrestricted equity of EUR 255,9 million. The shareholders of Purmo Group Ltd received as merger consideration 2.600334506 new class C shares in VAC for each class K share and class K1 share, and 4089.270894510 new class C shares for each class P share they hold in Purmo Group Ltd (merger consideration), that is, the merger consideration was issued to the shareholders of Purmo Group Ltd in proportion to their existing shareholding of each class of shares in Purmo Group Ltd. The aggregate number of new class C shares in VAC issued in connection with the merger was 29,594,531 shares, resulting in 40,374,531 class C shares in total in the combined company.

The shares have no nominal value. The Company's Class F shares ("Founder Shares") are subject to redemption and consent clauses in accordance with the articles of association, which restrict the rights to transfer or acquire Founder Shares. The Founder shares are not publicly traded.

8. Financial instruments and financial risk management

In September 2021 Purmo Group Ltd entered into unsecured merger financing arrangement which comprises of EUR 280 million committed term loan facility, EUR 80 million committed revolving credit facility, up to EUR 125 million uncommitted term loan facility for M&A purposes, and EUR 95 million committed bridge loan facility. The EUR 280 million term loan facility and EUR 95 million bridge loan facility were withdrawn during the reporting period and were used for the purposes of refinancing Purmo Group's existing loans in connection with the merger, to finance Purmo Group's pre-completion distribution and for general corporate purposes. At the date of these condensed interim consolidated financial statements the revolving credit facility and M&A facilities are undrawn. Direct transaction costs incurred in relation to the facilities have been capitalised and are included in the carrying amount for the drawn facilities amortized cost. To the extent the management considers that it is not probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised as finance expense over the period of the facility to which it relates.

Financial risks of the Group were, until November 2020, managed by the ultimate parent Rettig Group. In November 2020, a stand-alone treasury function was established for the Group with the responsibility to manage financial risks. Until the establishment of the treasury function at Purmo Group, all hedging, cash management and internal lending were operated from Rettig Group. This explains the change compared to comparison period in financial assets and liabilities and net financial items.

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.

31 December 2021

	Carrying amount				Fair value hierarchy level
EUR million	Fair value through OCI	Fair value through profit or loss	Amortised cost	Total	Level 2
Financial assets					
Forward foreign exchange contracts	0.1	0.5		0.7	0.7
Related party vendor note receivable			-		
Trade receivables			77.1	77.1	
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
Loans from related party					
Loans from financial institutions			372.7	372.7	
Redemption liability			8.1	8.1	
Trade payables			116.7	116.7	
Total liabilities	**1.4**	**0.6**	**497.5**	**499.4**	**2.0**

31 December 2020

	Carrying amount				Fair value hierarchy level
EUR million	Fair value through OCI	Fair value through profit or loss	Amortised cost	Total	Level 2
Financial assets					
Forward foreign exchange contracts	0.7	0.4		1.1	1.2
Related party vendor note receivable			4.2	4.2	
Trade receivables			53.1	53.1	
Cash and cash equivalents			55.0	55.0	
Total assets	**0.7**	**0.4**	**112.3**	**113.4**	**1.2**
Financial liabilities					
Forward foreign exchange contracts	0.1	0.8		1.0	1.0
Loans and other liabilities from related party			90.0	90.0	
Loans from financial institutions			4.5	4.5	
Trade payables			80.2	80.2	
Total liabilities	**0.1**	**0.8**	**174.7**	**175.7**	**1.0**

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.

9. Provisions

EUR million	31 Dec 2021	31 Dec 2020
Non-current		
Warranties and guarantees	1.4	1.3
Other provisions	6.2	6.0
Total	**7.6**	**7.3**
Current		
Warranties and guarantees	0.1	0.2
Restructuring	4.8	0.6
Other provisions	–	0.4
Total	**4.9**	**1.2**

The increase in restructuring provisions comprise of restructuring actions in Ireland in relation to planned relocation of the production in Newcastle West, Ireland, to other existing sites of the Group. Accordingly, the provisions comprise mainly of redundancy costs based on an agreement by the Company, as approved by the Board of Directors of Purmo Group Ireland with local unions ("SIPTU"). The amount of the provision is EUR 4.4 million as at 31 December 2021.

10. Commitments and contingencies

EUR million	31 Dec 2021	31 Dec 2020
Guarantees		
Bank guarantees [1)]	8.0	4.3
Parent guarantees	21.0	10.2
Total	**29.0**	**14.5**

[1)] 31 December 2020 bank guarantees have been restated compared to financial statement 2020.

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 final 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.

11. 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 merger 31 of 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.

During the reporting period Purmo Group acquired the 10% minority of PG Germany GmbH from Rettig Group Ltd through converting the EUR 4.2 million vendor note receivable. The acquisition didn't have a material impact on the Group.

The following table summarizes the related party transactions and balances:

EUR million	2021	2020
Items in the income statement		
Interest income	0.1	0.9
Interest expense	-2.2	-8.0
Purchases	-0.5	-0.6
Derivative instruments, gain	-0.0	0.4
Sales	-	-0.0
Items in the balance sheet		
Vendor note receivable	-	4.2
Loans	-	90.0
Current liabilities	0.0	0.1
Current receivables	0.1	0.0
Items recognized in equity		
Dividend and repayment of capital	-266.4	-15.0
Merger	**152.1**	**-**

12. Business Combinations

On 31 December Purmo Group Ltd and Virala Acqusition Company Plc were merged according to the merger plan approved 13 December 2021. As VAC didn't meet the definition of a business, the merger was not accounted for as a business combination but as a reverse recapitalization, in which no goodwill was recognized and Purmo Group obtained a public company status- The difference of the fair value of the equity instruments issued by VAC and the fair value of VAC's net assets was accounted for as a non-cash share-based payment in accordance with IFRS 2 Share-Based Payments and recorded as an expense through the income statement and was considered to represent a service for listing of Purmo Group's shares.

As a result of the application to IFRS 3 reverse acquisition guidance by analogy to the merger , Purmo Group's operating history and financial performance forms the basis for the comparative consolidated financial information for the combined company.

On 4 November 2020 Purmo Group signed an agreement to acquire 51% of the issued share capital of Euroradiators Holding B.V from Bosch Group. In addition, Purmo Group has a call option and Bosch Group has a put option related to the remaining 49% ownership interest in three years from the date of acquisition. The closing date of the acquisition was 30 April 2021 when Purmo Group gained control

over Euroradiators. Euroradiators is a panel radiators factory in Engels, Russia employing approximately 110 employees.

The purchase price for the 51% share was EUR EUR 5.5 million, fully paid in cash at the acquisition date and the acquisition date net present value for the put and call option was EUR 5.6 million. which has been recognized as a redemption liability. The redemption liability is calculated based on a fixed amount of EUR 4.8 million, adjusted with estimated net cash, capital expenditure, and changes in net working capital levels.

The provisional fair value of the net assets acquired at the acquisition date was EUR 7.1 million and accordingly Purmo Group recognized a provisional goodwill of EUR 4.0 million, which has been allocated to Radiators cash-generating unit for impairment testing purposes. Goodwill is considered to comprise of acquired assembled workforce and enhancing the Company's position in the Russian market creating synergies in servicing its Russian clients.

The acquisition did not have a material impact on the Group's revenue or profit for the period.

The redemption liability to redeem the 49% minority has been increased by EUR 2.2 million post-acquisition. which corresponds to the cash injection to the investee by the minority shareholder. In accordance with the put and call option terms, the redemption liability is increased with a corresponding amount.

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

	EUR million
Intangible assets	0.0
Tangible assets	2.9
Right-of-use assets	0.5
Inventories	2.8
Other current assets	2.7
Total assets	**8.9**
Interest bearing liabilities	1.0
Deferred tax liabilities	0.1
Current liabilities	0.7
Total liabilities	**1.8**
Net assets acquired	**7.1**
Provisional consideration	
Cash consideration	5.5
Redemption liability	5.6
Provisional consideration transferred	11.1
Net assets acquired	7.1
Goodwill	**4.0**
Cash flow of acquisition:	
Consideration, paid in cash	5.5
Cash and cash equivalents in the acquiree	-1.0
Direct transaction costs [1)]	-0.0
Net cash flow	**4.5**

[1)] Costs incurred in 2020 amounted to EUR 0.4 million and have been reported within line item Other expenses.

13. Events after the reporting period

Trading in the merger consideration shares and the existing class C shares on the official list of Nasdaq Helsinki Ltd commenced on 3 January 2022 under the trading code PURMO (ISIN code: FI4000507488).

Purmo Group Plc (formerly Virala Acquisition Company Plc) obtained EUR 96.8 million of proceeds in the initial public offering in blocked bank accounts. On the basis of escrow agreement the funds were released to Purmo Group Plc's bank account on 3 January 2022. As the terms and conditions of the escrow agreement were met by the end of the reporting period, funds were already booked to cash and equivalents. The funds were used to repay the EUR 95.0 million bridge loan facility.

As announced by VAC on 8 September 2021, Virala Corporation has had an option to acquire further 689,576 class C shares from Rettig Group Ltd following the completion of the merger. Virala Corporation has on 5 January 2022 exercised the option and Rettig Group Ltd has therefore disposed 689,576 class C shares in Purmo Group Plc held by it to Virala Corporation.

The Extraordinary General Meeting, held on 13 December 2021, resolved that the members of the Nomination Board will be based on the three largest shareholders in Purmo Group Plc on the tenth business day following the effective date. In a stock exchange release on 20 January 2022 Purmo Group announced that the three largest shareholders nominated the following representatives to the Nomination Board; Matts Rosenberg (appointed by Rettig Group Ltd), Alexander Ehrnrooth (appointed by Virala Corporation, and Peter Seligson (appointed by Ahlstrom Invest B.V.). Matts Rosenberg has been elected Chairman of the Nomination Board. Tomas von Rettig, Chairman of the Company's Board of Directors, acts as an expert member in the Nomination Board.

In a stock exchange release on 25 January 2022 Purmo Group announced that the Shareholders' Nomination Board proposes to the Annual General Meeting, planned be held on 25 April 2022, that the number of members of the Board of Directors, the composition of the Board of Directors and the remuneration of the Board of Directors are kept unchanged and in line with the resolutions of the Extraordinary General Meeting of Virala Acquisition Company Plc held on 13 December 2021, as follows:

- The Shareholders' Nomination Board proposes that the number of members of the Board of Directors is seven.
- The Shareholders' Nomination Board proposes that Tomas von Rettig, Matts Rosenberg, Carina Edblad, Alexander Ehrnrooth, Carlo Grossi, Jyri Luomakoski and Catharina Stackelberg are re-elected as members of the Board of Directors.
- The Shareholders' Nomination Board proposes that Tomas von Rettig is re-elected as the Chairman of the Board of Directors and Matts Rosenberg is re-elected as the Vice Chairman of the Board of Directors.

The Shareholders' Nomination Board proposed also on the remuneration of the Board of Directors and Board Committees.

On 3 February 2022 Purmo Group completed the syndication of the EUR 280 million term loan and EUR 80 million revolving credit facility that were signed in September 2021. Nordea Bank Plc and Skandinaviska Enskilda Banken Plc 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.

In a stock exchange release on 1 March 2022 Purmo Group announced that it has acquired the entire share capital of TT Thermotech Intressenter AB, the Nordic heating systems company. The acquisition was valued at SEK 265 million (EUR 25 million) on a cash and debt free basis. In 2021, the company's total turnover was about SEK 252 million (EUR 23.8 million) and EBITDA about SEK 38 million (EUR 3.6 million) in accordance with Swedish GAAP,

Key figures

EUR million	10-12/2021	10-12/2020	Change, %	1-12/2021	1-12/2020	Change, %
Net sales	222.6	186.1	20%	843.6	671.2	26%
EBITDA	-35.1	16.7	-310%	33.6	71.9	20%
EBITDA, %	-15.8%	9%		4.0%	10.7%	
EBITDA, adjusted	22.6	23.9	-5.6%	103.9	85.1	22%
EBITDA, adjusted %	10.1%	12.9%		12.3%	12.7%	
EBIT	-41.9	9.0	-567%	3.5	42.0	-90%
EBIT, %	-18.8%	4.8%		0.4%	6%	
Profit before tax	-44.6	7.2	-721%	-5.1	31.9	-114%
Profit for the period	-46.7	7.4	-735%	-18.8	25.3	-174%
Adjusted Profit for the period	11.0	14.5	-24%	51.4	38.5	34%
Earnings per share, basic, EUR	-1.58	0.25	-731%	-0.65	0.86	-175%
Adjusted Earnings per share, basic, EUR	0.21	0.25	-17%	1.15	0.86	33%
Cashflow from operating activities	32.2	38.4	-16%	35.4	68.9	-49%
Capex	6.8	4.3	58%	14.8	11.6	28%
Acquisitions	0.0	0.0		4.5	0.0	
Adjusted Operating Cash Flow for the last 12 months	53.1	94.2	-44%	53.1	94.2	-44%
Cash conversion	51.1%	110.7%		51.1%	110.7%	
Return on operating capital employed	1.5%	17.8%		1.5%	17.8%	

EUR million	31 Dec 2021	31 Dec 2020	Change, %	31 Dec 2021	31 Dec 2020	Change, %
Cash and cash equivalents	177.6	55.0	223%	177.6	55.0	223%
Operating capital employed	271.8	235.6	15%	271.8	235.6	15%
Net debt	239.5	75.1	219%	239.5	75.1	219%
Net debt / Adjusted EBITDA	2.3	0.9	156%	2.3	0.9	156%
Equity / Asset ratio	37.3%	61.7%		37.3%	61.7%	
Return on Equity	-4.0%	4.8%		-4.0%	4.8%	

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 to impact 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.	Acquisitions 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 deducted with the 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 a
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 calculation 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	10-12/2021	10-12/2020	2021	2020
Comparability adjustments				
IFRS 2 merger impact	52.3		52.3	
M&A related transactions and integration costs	0.1	0.2	0.1	0.4
Restructuring costs and one-off costs related to efficiency programs	0.3	4.7	8.9	7.8
Formation of Purmo group and standalone preparations	3.7	0.9	6.6	2.0
Management fee to owners and legacy Rettig Group incentive plans	1.0	1.3	2.4	2.9
Other	0.3	0.1	0	0.1
Total adjustments	**57.7**	**7.2**	**70.2**	**13.2**
Net sales	222.6	186.1	843.6	671.2
Adjusted EBIT				
EBIT	-41.9	9.0	3.5	42.0
EBIT margin	-18.8 %	4.8 %	0.4 %	6.3 %
Adjustments	57.7	7.2	70.2	13.2
Adjusted EBIT	**15.8**	**16.2**	**73.7**	**55.2**
Adjusted EBIT margin	**7.1%**	**8.7%**	**8.7%**	**8.2%**
Adjusted EBITA				
EBIT	-41.9	9.0	3.5	42.0
Amortisation	0.7	0.8	2.9	2.9
EBITA	-41.2	9.7	6.3	44.9
EBITA margin	-18.5%	5.2%	0.8%	6.7%
Adjustments	57.7	7.2	70.2	13.2
Adjusted EBITA	**16.5**	**16.9**	**76.6**	**58.1**
Adjusted EBITA margin	**7.4%**	**9.1%**	**9.1%**	**8.7%**
Adjusted EBITDA				
EBITA	-41.2	9.7	6.3	44.9
Depreciation	6.0	**7.0**	**27.3**	**27.0**
EBITDA	-35.1	16.7	33.6	71.9
EBITDA margin	-15.8%	9.0%	4.0%	10.7%
Adjustments	57.7	7.2	70.2	13.2
Adjusted EBITDA	22.6	23.9	103.9	85.1
Adjusted EBITDA margin	**10.1%**	**12.9%**	**12.3%**	**12.7%**
Adjusted profit/loss for the period				
Profit/loss for the period	-46.7	7.4	-18.8	25.3
Adjustments	57.7	7.2	70.2	13.2
Adjusted profit/loss for the period	**11.0**	**14.5**	**51.4**	**38.5**
Adjusted Operating cash flow for the last 12 months				
Adjusted EBITDA in the last 12 months			103.9	85.1
Change in net working capital compared to previous year same period			-35.9	20.7
CAPEX for last 12 months			-14.8	-11.6
Adjusted Operating cash flow for the last 12 months			**53.1**	**94.2**
Cash conversion				
Adjusted Operating cash flow for the last 12 months			53.1	94.2
Adjusted EBITDA			103.9	85,1
Cash conversion			**51.1%**	**110.7%**
Net working capital				
Inventories			157.4	105.3
Operative receivables			104.7	70.7
Operative liabilities			189.7	142.5
Net working capital			**72.3**	**33.5**

EUR million unless otherwise indicated	10-12/2021	10-12/2020	2021	2020
Operative capital employed				
Net working capital			72.3	33.5
Other intangible assets			36.3	38.0
Property, plant and equipment			131.9	133.3
Right-of-use assets			31.3	30.9
Operative capital employed			**271.8**	**235.6**
Return on operating capital employed				
Operative capital employed			271.8	235.6
EBIT for the last 12 months			3.5	42.0
Return on operating capital employed			**1.3%**	**17.8%**
Net debt				
Loans and borrowings (non-current)			285.7	0
Loans and borrowings (current)			95.0	94.5
Lease liabilities (non-current)			30.7	29.7
Lease liabilities (current)			5.6	5.9
Cash and cash equivalents			-177.6	-55.0
Net debt			**239.5**	**75.1**
Net debt/Adjusted EBITDA				
Net debt			239.5	75.1
Annualised adjusted EBITDA			103.9	85.1
Net debt/Adjusted EBITDA			**2.3**	**0.9**
Equity/Asset ratio				
Equity attributable to owners of the Company			390.6	515.5
Total assets			1,046,165	836,150
Equity/Asset ratio			**37.3%**	**61.7%**
Return on equity				
The cumulative last 12 month profit attributable to owners of the Company			-18.8	24.9
Equity attributable to owners of the Company beginning of period			515.5	516.7
Equity attributable to owners of the Company end of period			390.6	515.5
Equity attributable to owners of the Company average			453.1	516.1
Return on equity			**-4.2 %**	**4.8 %**
Basic earnings per share				
Profit/loss attributable to shareholders of the parent company for C shares (EUR million)	-45.9	7.2	-18.7	24.9
Profit/loss attributable to shareholders of the parent company for F shares (EUR million)	-0.3	-	-0.1	-
Profit/loss attributable to the owners of the Company (EUR million)	-46.2	7.2	-18.8	24.9
Weighted average number of shares outstanding (pcs)	29,240,295	28,740,395	29,124,487	28,787,686
Basic earnings per share, EUR	**-1.58**	**0.25**	**-0.65**	**0.86**
Diluted earnings per share				
Profit/loss attributable to shareholders of the parent company for C shares (EUR million)	-45.9	7.2	-18.7	24.9
Profit/loss attributable to shareholders of the parent company for F shares (EUR million)	-0.3	-	-0.1	-
Profit/loss attributable to the owners of the Company (EUR million)	-46.2	7.2	-18.8	24.9
Diluted weighted average number of shares outstanding (pcs)	29,240,295	28,240,295	29,124,487	28,964,881
Diluted earnings per share, EUR	**-1.58**	**0.25**	**-0.65**	**0.86**

EUR million unless otherwise indicated	10-12/2021	10-12/2020	2021	2020
Adjusted basic earnings per share				
Adjustments	57.7	7.2	70.2	13.2
Adjusted profit/loss attributable to shareholders of the parent company for C shares (EUR million)	11.4	14.3	51.1	37.8
Adjusted profit/loss attributable to shareholders of the parent company for F shares (EUR million)	0.1	0.1	0.4	0.3
Adjusted profit/loss attributable to the owners of the Company (EUR million)	11.5	14.4	51.4	38.0
Weighted average number of shares outstanding (pcs)	29,240,295	28,740,395	29,124,487	28,787,686
Adjusted basic earnings per share, EUR	**0.39**	**0.50**	**1.77**	**1.32**
Adjusted diluted earnings per share				
Adjustments	57.7	7.2	70.2	13.2
Adjusted profit/loss attributable to shareholders of the parent company for C shares (EUR million)	11.4	14.3	51.1	37.8
Adjusted profit/loss attributable to shareholders of the parent company for F shares (EUR million)	0.1	0.1	0.4	0.3
Adjusted profit/loss attributable to the owners of the Company (EUR million)	11.5	14.4	51.4	38.0
Diluted weighted average number of shares outstanding (pcs)	29,240,295	28,240,295	29,124,487	28,964,881
Adjusted diluted earnings per share, EUR	**0.39**	**0.50**	**1.77**	1.32

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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