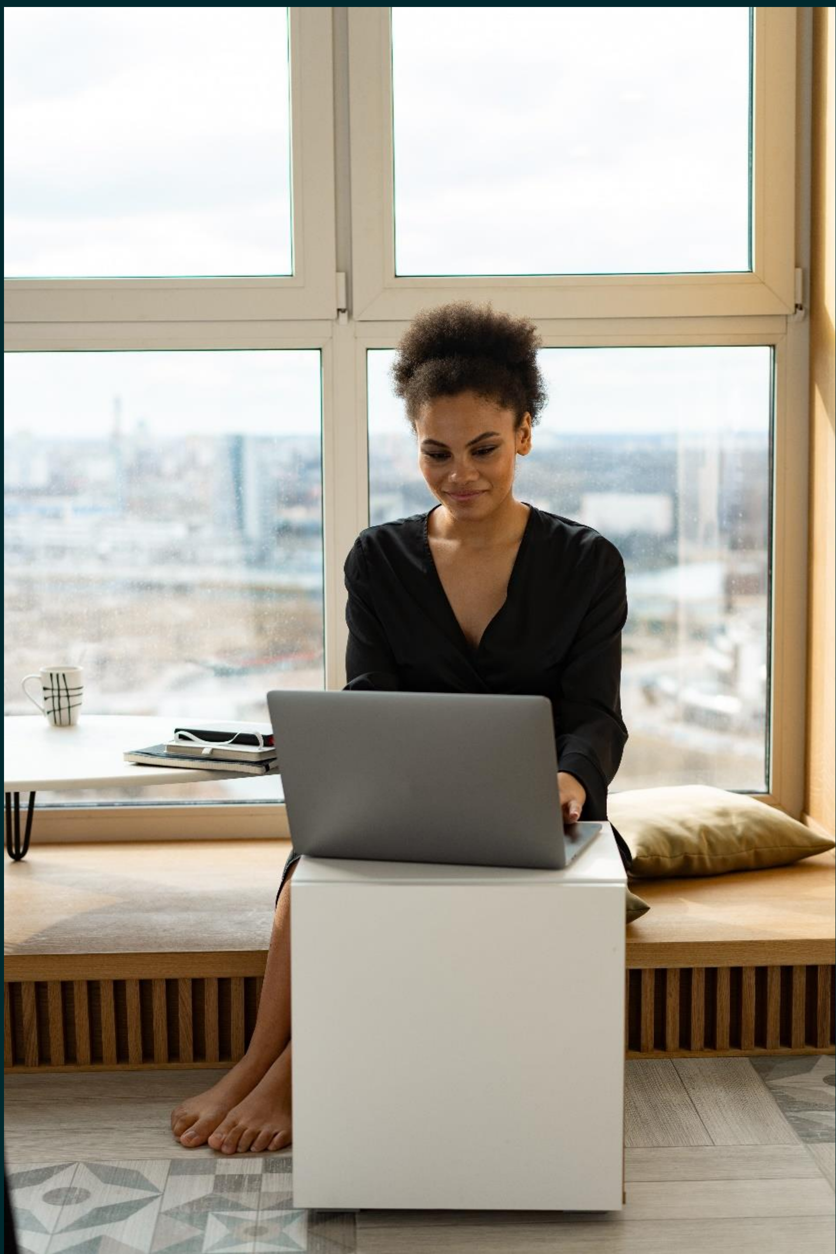
Purmo Group Plc

Interim Report January–September 2022



Purmo Group's interim report 1 January–30 September 2022:

Adjusted EBITDA decreased due to weakening demand, additional measures taken to support reaching our financial targets

July–September 2022

- Net sales were stable and reached EUR 216.3 million (218.5). Organic[1)] decline of 5 per cent.
- Net sales for ICS increased by 24 per cent to EUR 106.2 million (85.8) and net sales for Radiators declined by 17 per cent to EUR 110.1 million (132.6).
- Adjusted EBITDA decreased by 23 per cent to EUR 19.6 million (25.4), corresponding to an adjusted EBITDA margin of 9.1 per cent (11.6).
- EBIT was EUR 10.5 million (8.9), which included EUR 1.0 million (8.6) of comparability adjustments.
- Cash flow from operating activities was EUR -2.2 million (-2.4).

January–September 2022

- Net sales improved by 12 per cent to EUR 697.5 million (621.0). Organic growth[1)] was 8 per cent.
- Adjusted EBITDA decreased by 6 per cent to EUR 76.6 million (81.3), corresponding to an adjusted EBITDA margin of 11.0 per cent (13.1).
- EBIT was EUR 40.5 million (45.3), which included EUR 12.1 million (12.5) of comparability adjustments.
- Cash flow from operating activities was EUR -9.1 million (3.2).
- The acquisition of Thermotech was completed on 1 March 2022.

Events after the review period

- On 8 November Purmo Group announced that due to the weak market environment, the company expands its strategy acceleration programme earlier announced on 5 October. The targeted adjusted EBITDA run-rate improvements are EUR 20 million (upgraded from 15 million) by the end of 2023, and cumulatively EUR 40 million (upgraded from 35 million) by the end of 2024.
- On 5 October Purmo Group announced a new organisational structure and a new segment reporting, effective from 1 January 2023.

Financial guidance for 2022 for adjusted EBITDA updated on 8 November 2022

For 2022, Adjusted EBITDA is expected to decline from 2021 (EUR 103.9 million) and to be between EUR 88 million–EUR 96 million. Guidance for net sales remains as announced earlier: For 2022, Purmo Group expects net sales to increase from 2021 (EUR 843.6 million).

Previous guidance was given on 11 August 2022: For 2022, Purmo Group expects net sales to increase from 2021 (EUR 843.6 million). Adjusted EBITDA is expected to be comparable to 2021 (EUR 103.9 million). Comparable means a change within +/- 5 per cent from the previous year.

Key figures and financial performance

EUR million	7–9/2022	7–9/2021	Change, %	1–9/2022	1–9/2021	Change, %	2021
Net sales	216.3	218.5	-1%	697.5	621.0	12%	843.6
Adjusted EBITDA	19.6	25.4	-23%	76.6	81.3	-6%	103.9
Adjusted EBITDA margin	9.1%	11.6%		11.0%	13.1%		12.3%
Adjusted EBITA	12.5	18.2	-32%	55.4	60.0	-8%	76.6
Adjusted EBITA margin	5.8%	8.3%		7.9%	9.7%		9.1%
EBIT	10.5	8.9	17%	40.5	45.3	-11%	3.5
EBIT margin	4.8%	4.1%		5.8%	7.3%		0.4%
Profit for the period	5.3	3.6	47%	20.2	27.9	-28%	-18.8
Adjusted profit for the period	6.3	12.2	-48%	32.3	40.4	-20%	51.4
Earnings per share, basic, EUR[2)]	0.13	0.13	2%	0.49	0.97	-49%	-0.65
Adjusted earnings per share, basic, EUR[2)]	0.15	0.42	-64%	0.78	1.40	-44%	1.77
Cash flow from operating activities	-2.2	-2.4	-7%	-9.1	3.2	-387%	35.4
Adjusted operating cash flow, last 12 months[3)]				35.0	61.3[8)]	-43%	53.1
Cash conversion[4)]				35.3%	58.2%[8)]		51.1%
Operating capital employed[5)]				333.4	289.4[8)]	15%	271.8
Return on operating capital employed[6)]				-0.4%	18.8%[8)]		1.3%
Net debt				288.3	112.6	156%	239.5
Net debt / Adjusted EBITDA[7)]				2.9	1.1	172%	2.3

[1)] Adjusted for currency effects and impacts from acquisitions and divestments.
[2)] The number of shares in the comparison period are those of Purmo Group Ltd. 30 September 2021 Purmo Group Ltd shares amounted to 11,073,834 which have been converted using 31 December 2021 merger conversion ratio 2.600334506.
[3)] Adjusted EBITDA on a rolling 12-month basis less by the change in net working capital and capex on a rolling 12-month basis.
[4)] Adjusted operating cash flow divided by Adjusted EBITDA, both on a rolling 12-month basis.
[5)] Net working capital, other intangible assets, property, plant and equipment, and right-of-use-assets.
[6)] EBIT based on a rolling 12-month calculation divided by operating capital employed. Return on operating capital employed without non-recurring items was 1.0% (22.0%).
[7)] Adjusted EBITDA based on a rolling 12-month basis.
[8)] Figures for 1-9/2021 restated for comparability reasons.

Unless otherwise stated, the comparison figures refer to the corresponding period in 2021. The full year 2021 non-adjusted key figures are affected by a one-time, non-cash IFRS 2 merger impact of EUR 52.3 million as a result of the merger of Virala Acquisition Company Plc and Purmo Group Ltd on 31 December 2021, as well as EUR 17.9 million other items affecting comparability.

CEO's review

Purmo Group's mission is to be the global leader in sustainable indoor climate comfort solutions. During the third quarter of 2022, net sales development was stable and reached EUR 216.3 million. Adjusted EBITDA decreased by 23 per cent to EUR 19.6 million and the adjusted EBITDA margin was 9.1 per cent. Cash flow from operating activities was EUR -2.2 million.

During the quarter we saw a decline in the European construction market, both in renovation and new build, in particular affecting our radiator business. In contrast, sales growth continued strong in Italy driven by government incentives for improving energy efficiency in buildings and homes. On balance, we are not satisfied with the performance in the third quarter. Taken into account the continued market weakness, we have decided to take additional measures by expanding the earlier announced strategy acceleration programme.

We continued to support our customers in the transition to energy-efficient, complete indoor climate comfort solutions. The demand continued very strong in solar panels and heat pumps during the third quarter. Increasing energy prices and the demand for energy efficient solutions support our vision that perfect indoor climates should not cost the planet's climate.

ICS division's double-digit growth continued

The ICS division's growth in net sales continued, increasing by 24 per cent during the quarter. Demand continued on a good level in several core markets, especially in Italy, while the demand slowed down in certain other markets. ICS growth in the Nordic markets was supported by Thermotech which was acquired in the beginning of the year, with a contribution of 7 per cent of the total growth of 24 per cent year. The adjusted EBITDA of the ICS division increased by 4 per cent to EUR 12.4 million (11.9) while the adjusted EBITDA margin was 11.7 per cent. Higher raw material prices led to a slight decline in the margin for the quarter. Necessary price increases were introduced in the division to compensate for the high raw material prices, with effect in the fourth quarter of 2022.

The Radiators division's net sales decreased by 17 per cent caused by a decline in demand and sharp supply chain correction in Europe. However, the sales volumes picked up in China, a growth market for Purmo Group, compared to the corresponding period last year, despite of continued COVID lockdowns. The adjusted EBITDA of the Radiators division declined by 39 per cent to EUR 9.2 million (15.2) and the adjusted EBITDA margin was 8.4 per cent. The decline in adjusted EBITDA was mainly caused by 33 per cent decline in sales volumes. As a response, the Radiators division continued to adjust its fixed and variable costs related to production, including work force.

Progress in strategy execution during the quarter

We made good progress in our strategy execution during the quarter. Solution selling was strong in Italy under the Emmeti brand as well as in the Nordics by the Thermotech brand. In smart products, the demand for heat pumps remained strong in Italy, and we continued developing new versions of radiator products including fan-assisted and low-cost units which are compatible with heat pumps. The demand for electric radiators also increased. Acquisition opportunities are a key enabler in reaching our strategic objectives, and we continue to assess them actively despite of volatile market, especially within solution sales, heat pumps and ventilation across all our key markets. Our process for exiting business in Russia is also progressing.

Expansion of strategy acceleration programme and new organisational structure launched

After the review period we announced a strategy acceleration programme, "Accelerate PG", which aims at executing our strategy faster, ensures we reach our long-term financial targets and strengthens the customer centricity of Purmo Group. The programme will also mitigate the effects of the current weakened economic outlook in some of our markets.

We also announced a new organisational structure to support the execution of the programme, aligning resources with the strategic direction and to strengthen customer focus. The new organisation will come into effect from 1 January 2023 and consist of two business divisions: Climate Products & Systems and Climate Solutions.

Due to the weak market environment, we expanded our earlier announced strategy acceleration programme. The targeted adjusted EBITDA run-rate improvements are now EUR 20 million (upgraded from 15 million) by the end of 2023, and cumulatively EUR 40 million (upgraded from 35 million) by the end of 2024. The upgraded profitability improvements will include both variable and fixed cost savings, excluding areas where the market growth is expected to continue including Italy, Brazil and China. Additionally, we evaluate accelerating footprint optimisation, covering both manufacturing and supply chain.

Financial guidance for 2022 updated for adjusted EBITDA

Purmo Group's market environment has weakened during the third quarter and the beginning of the fourth quarter of the year, in particular for the Radiators division. The market outlook remains challenging for the rest of the year due to the ongoing decline in the European construction markets. The war in Ukraine has also impacted the demand in Eastern Europe, in particular Russia. Furthermore, the necessary price increases to offset the increased raw material prices have been announced but realisation has been delayed.

Therefore, we updated our full year guidance for 2022 for adjusted EBITDA. For 2022, we expect adjusted EBITDA to decline from 2021 (EUR 103.9 million) and to be between EUR 88 million–EUR 96 million. Guidance for net sales remains as announced earlier: For 2022, Purmo Group expects net sales to increase from 2021 (EUR 843.6 million).

I want to thank our investors, Purmo Group's people, partners and customers for the trust and commitment during these times of fluctuation.

John Peter Leesi
CEO, Purmo Group Plc

News conference and webcast for analysts, investors and media

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

CEO John Peter Leesi and CFO Erik Hedin will present the result to analysts, investors and media representatives in a live webcast and tele-conference on Thursday 10 November 2022 at 10:00 Finnish time (EET). The event, including the Q&A session, will be held in English.

Webcast: https://purmogroup.videosync.fi/q3-2022

Teleconference lines: https://palvelu.flik.fi/teleconference/?id=1009748

Participants must register through the above link to ask questions through the conference call lines. After registering the participant will receive a teleconference number and a code to join the call. The participants are asked to press number 5 to join the que for questions.

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

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Group financial overview

Net sales

EUR million	7–9/2022	7–9/2021	Change, %	1–9/2022	1–9/2021	Change, %	2021
Net sales, by segment							
Radiators	110.1	132.6	-17%	372.8	363.4	3%	506.3
ICS	106.2	85.8	24%	324.7	257.6	26%	337.2
Total	**216.3**	**218.5**	**-1%**	**697.5**	**621.0**	**12%**	**843.6**

In July–September 2022, Purmo Group's net sales reached EUR 216.3 million (218.5), a decrease of 1 per cent. Organic decline, adjusted for currency effect, acquisitions and divestments, was 5 per cent. Acquisitions contributed 3 per cent to net sales growth. The net currency effect was positive 1 per cent.

The net sales for Radiators division were negatively impacted by a decline in demand and sharp supply chain correction in Europe. The demand was weak due to high interest rates hampering the financing for renovations and new-building in addition to overall customer demand shifting from starting new indoor climate projects to other investments and activities. Markets continued to be affected by the war in Ukraine, in particular in Eastern Europe.

The ICS division's strong organic growth continued, supported by solid demand in several core markets and by sales price increases. Demand in Italy continued exceptionally strong supported by government incentives to improve energy efficiency of buildings and homes. Sales growth in the ICS division was also supported by Thermotech which was acquired during Q1 2022.

Net sales in Western Europe (38 per cent of the Group's total sales) grew by 1 per cent. Northern Europe (22 per cent of total) grew by 17 per cent of which Thermotech contributed with 14 per cent. Central and Eastern Europe excluding Commonwealth of Independent States (CIS countries) (14 per cent of total) declined by 32 per cent. CIS countries (5 per cent of total) declined by 43 per cent. Southern Europe (15 per cent of total) continued to grow steadily by 32 per cent supported by Italian government incentives for energy efficiency. The Rest of the World region (7 per cent of total) declined by 1 per cent.

In January–September 2022, Purmo Group's net sales amounted to EUR 697.5 million (621.0), an increase of 12 per cent. Organic growth was 8 per cent. Thermotech and Evroradiator contributed 3 per cent to net sales growth. The net currency effect was positive 1 per cent.

Results and profitability

EUR million	7–9/2022	7–9/2021	Change, %	1–9/2022	1–9/2021	Change, %	2021
Adjusted EBITDA, by segment							
Radiators	9.2	15.2	-39%	42.2	50.7	-17%	66.0
ICS	12.4	11.9	4%	40.6	34.1	19%	43.7
Other	-2.0	-1.7	22%	-6.2	-3.6	72%	-5.8
Total	**19.6**	**25.4**	**-23%**	**76.6**	**81.3**	**-6%**	**103.9**
Total adjusted EBITDA margin, %	**9.1%**	**11.6%**		**11.0%**	**13.1%**		**12.3%**

In July–September 2022, Purmo Group's adjusted EBITDA reached EUR 19.6 million (25.4), a decrease of 23 per cent. The adjusted EBITDA margin was 9.1 per cent (11.6). The decrease in adjusted EBITDA margin was a result of lower production and sales volumes in the Radiators division as well as increased raw material prices in both divisions.

As a response to high raw material costs, both divisions introduced necessary price increases, with an effect in the fourth quarter of the year. The Radiators division also continued to adjust fixed and variable costs for production, including workforce.

The 4 per cent increase in ICS division's adjusted EBITDA to EUR 12.4 million (11.9) partly offset the Radiators division's 39 per cent decline to EUR 9.2 million (15.2).

Comparability adjustments amounted to EUR 1.0 million (8.6). The adjustments were mainly related to EUR 1.3 million inventory fair value adjustments from the Thermotech acquisition and EUR 0.9 million due to organisational changes. The negative adjustments were offset by EUR 1.2 million disposal gain from the Chinese subsidiary. The subsidiary was divested due to discontinued use for production, sales and distribution.

In January–September 2022, Purmo Group's adjusted EBITDA reached EUR 76.6 million (81.3), a decrease of 6 per cent. The adjusted EBITDA margin was 11.0 per cent (13.1). Comparability adjustments amounted to EUR 12.1 million (12.5).

Net financial items amounted to EUR -10.1 million (-5.9).

Profit before tax was EUR 30.4 million (39.5). Income tax expenses were EUR 10.2 million (11.6) corresponding to an effective tax rate of 33.6 per cent (29.5). When excluding the following non-deductible items, the effective tax rate was 23.3 per cent (27.3): EUR 6.9 million impairment and write-down of the Russian business, EUR 3.7 million restructuring costs of the Irish subsidiary, EUR 2.7 million trademark amortisations and EUR 0.5 million disposal loss of a Chinese subsidiary.

Profit for the review period was EUR 20.2 million (27.9) and adjusted profit for the period EUR 32.3 million (40.4). Earnings per share was EUR 0.49 (0.97) and adjusted earnings per share EUR 0.78 (1.40). The earnings per share in the comparison period is based on Purmo Group Ltd shares amounting to 28,795,673 shares using the 31 December 2021 conversion ratio. After the merger on 31 December 2021 between Virala Acquisition Company Plc and Purmo Group Ltd the combined company's shares amounted to 40,374,531 class C shares and 1,565,217 class F shares. The directed share issue in March 2022 of 671,779 class C shares also diluted the earnings per share in the review period.

Cash flow and financial position

In July–September 2022, cash flow from operating activities was EUR -2.2 million (-2.4). Change in net working capital totalled EUR -15.4 million (-7.1) and was mainly driven by increased capital tied to inventories and also continued cost inflation in the third quarter.

In January–September 2022, cash flow from operating activities was EUR -9.1 million (3.2). The decrease was mainly resulting from an unfavourable change in net working capital of EUR -66.3 million (-48.3). The change was driven by increased capital tied to inventories and reduced account payables. Net working capital was also impacted by cost and sales price inflation.

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

Adjusted operating cash flow for the last 12 months decreased by 43 per cent to EUR 35.0 million (58.0) and the cash conversion declined to 35.3 per cent (58.2). The decrease was a result of an unfavourable change in net working capital of EUR -43.7 million (-32.8) and increased capex spend in the last 12 months of EUR 20.5 million (11.1) mainly related to strategic projects. The adjusted EBITDA during the last 12 months decreased slightly to EUR 99.2 million (105.2).

Cash flow from investing activities was EUR -21.2 million (-11.8). The change was primarily attributable to the Thermotech acquisition of EUR 14.6 million (0.0) as well as investments in property, plant and equipment and intangible assets of EUR 12.4 million (8.0). The higher cash flow from investing activities was offset by EUR 3.1 million (0.7) proceeds from sale of property, plant and equipment and intangible assets mainly relating to the sale of the production site of Purmo Group Ireland Ltd, Newcastle West and EUR 2.7 million (0.0) proceeds from divestment of a Chinese subsidiary as a result of discontinued use for production, sales and distribution.

Cash flow from financing was EUR -85.2 million (-14.6), comprising mainly of repayment of the bridge loan facility of EUR 95.0 million in January and an increase in short term funding by EUR 25 million. In May the first instalment of the return of capital of EUR 0.18 per class C share and EUR 0.03 per class F share, totalling EUR 7.4 million was paid. The second instalment of the return of capital of EUR 0.18 per class C share and EUR 0.04 per class F share was paid in October 2022, totalling EUR 7.5 million.

At the end of September, the Group's net debt was EUR 288.3 million (31 Dec 2021: 239.5) and the equity ratio was 40.8 per cent (31 Dec 2021: 37.3). The net debt to adjusted EBITDA ratio, based on the last 12 month's adjusted EBITDA, was 2.9 (31 Dec 2021: 2.3).

At the end of the review period, the liquidity position in terms of cash and cash equivalents totalled EUR 53.1 million (31 Dec 2021: 177.6). The decline in cash and cash equivalents was mainly consisting of the Initial Public Offering proceeds of Virala Acquisition Company Plc, which were used to repay the bridge loan facility of EUR 95 million in the beginning of the review period. The company has a Finnish commercial paper program totalling EUR 100.0 million of which EUR 25.0 million was outstanding. The company also had an EUR 80.0 million undrawn committed revolving credit facility and EUR 20.5 million of undrawn overdraft facilities with core financial institutions.

Equity attributable to owners of the parent company totalled EUR 431.1 million (31 Dec 2021: 390.6).

Radiators Division

Purmo Group's Radiators division is the leading European manufacturer of premium-quality radiators with strong local brands globally. Demand is driven by residential repair and maintenance (about 60 per cent of sales) and new construction (about 40 per cent of sales). The division manufactures panel, tubular and electric radiators, which are sold mainly to installers through wholesalers, either as individual units or as part of complete indoor climate comfort solutions.

EUR million	7–9/2022	7–9/2021	Change, %	1–9/2022	1–9/2021	Change, %	2021
Net sales	110.1	132.6	-17%	372.8	363.4	3%	506.3
Adjusted EBITDA	9.2	15.2	-39%	42.2	50.7	-17%	66.0
Adjusted EBITDA margin, %	8.4%	11.5%		11.3%	14.0%		13.0%
Depreciations, amortisations and impairments	-5.1	-5.6	-9%	-23.1	-16.6	39%	-21.1

Market overview

Radiators division was negatively impacted by a decline in demand and a sharp supply chain correction in Europe during the third quarter of 2022. Renovation and new build activity across the majority of the European countries was weak during the third quarter. However, sales volumes in China, a growth market for Purmo Group, increased compared to the corresponding period last year, despite of the COVID lockdowns. The modest demand for radiators in Europe was mainly driven by negative macroeconomic environment including high inflation and increasing interest rates hampering financing for renovation and new build projects. During the quarter wholesalers continued to optimise their inventory levels to correspond to the lower demand, which also slightly limited the effect of price increases.

The market price for steel continued to decrease during the third quarter of the year while the average market price for Purmo Group increased during the quarter by 10 per cent compared to the second quarter of 2022. In the Radiators division, the effect of changes in the market price comes with a slight delay, due to advance purchase contracts based on previous quarters average market price. Contracts are signed with long-standing suppliers to secure supply. As a result, the decreased market price in steel in the third quarter is effective in the fourth quarter of 2022.

Net Sales

In July–September 2022, net sales of the Radiators division decreased by 17 per cent to EUR 110.1 million (132.6) of which 19 per cent was an organic decline. Acquisitions did not contribute to the division's net sales growth. The currency impact was positive 2 per cent.

Weak demand in renovation and new-build markets led to an organic sales volume decline of circa 33 per cent during the quarter. The decline was offset by 14 per cent improvement in sales prices which also party mitigated high cost inflation.

Among the key markets, sales growth was achieved in Italy and Japan whereas sales declined in the majority of Europe, East and South East sales regions during the third quarter compared to the corresponding quarter last year. The planned exit from Russia and war in Ukraine continued to impact heavily to the demand and sales decline from Eastern Europe, burdening also profitability of the division. Despite the challenges in the market environment, the demand for electronic radiators continued to grow with 1 per cent. The demand for tubular and panel radiators decreased instead compared to the third quarter of 2021.

In January–September 2022, net sales of the Radiators division increased by 3 per cent to EUR 372.8 million (363.4), of which an increase of 1 percent was organic. An increase in sales prices of 22 per cent offset 21 per cent organic volume declines. Acquisitions contributed 1 per cent to the division's net sales growth. The currency impact was positive 1 per cent.

Profitability

In July–September 2022, adjusted EBITDA of the Radiators division declined by 39 per cent to EUR 9.2 million (15.2). The adjusted EBITDA margin was 8.4 per cent (11.5).

The decline in adjusted EBITDA margin was mainly driven by lower levels of production due to the decline in demand and increased raw material prices including steel price. The radiator plants continued to adapt to lower level of production by introducing rapid cost saving actions, including re-aligning the workforce.

In January–September 2022, adjusted EBITDA of the Radiators division declined by 17 per cent to EUR 42.2 million (50.7). The adjusted EBITDA margin was 11.3 per cent (14.0).

Key activities during the review period

Expansion of Purmo Flex, a flexible and aesthetic radiator offering easy installation, continued with an introduction of the product to the German markets. The development of the Radiator's division's largest manufacturing plant in Rybnik, Poland continued according to plan. Exiting Purmo Group's Russian business progressed during the review period. The current Russian subsidiary operates as a stand-alone business, and executes sales with a separate, local brand (EVRA).

ICS Division

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

EUR million	7–9/2022	7–9/2021	Change, %	1–9/2022	1–9/2021	Change, %	2021
Net sales	106.2	85.8	24%	324.7	257.6	26%	337.2
Adjusted EBITDA	12.4	11.9	4%	40.6	34.1	19%	43.7
Adjusted EBITDA margin, %	11.7%	13.8%		12.5%	13.2%		13.0%
Depreciations, amortisations and impairments	-3.0	-2.3	30%	-8.6	-6.9	24%	-9.0

Market overview

Demand in the several core countries in ICS continued on a good level, whereas sales activity in some market areas declined during the third quarter of the year as a result of weakened economic outlook. On the contrary and in line with the second quarter of 2022, the Italian renovation market demonstrated again strong growth and continued very favorably in the third quarter supported by government incentives for improving energy efficiency of buildings and homes.

During the third quarter, net sales for ICS grew steadily above last year's level, while restricted supply of key raw materials globally such as EVOH (oxygen barrier pipes) and semi-conductors continued to diminish net sales growth. High raw material, distribution and energy costs had a negative effect on the profitability of ICS for the third quarter in 2022.

Despite the weakened economic outlook, the demand for all product categories in ICS including low temperature systems, renewable energy and sustainable solutions was on a good level.

Net sales

In July–September 2022, net sales of the ICS division increased by 24 per cent to EUR 106.2 million (85.8), of which 17 per cent was organic growth. The Thermotech business contributed 7 per cent to the division's net sales growth. The net currency effect was positive by 1 per cent.

The growth during the third quarter was driven by continued strong demand in Italy and high volumes in the Nordics. Volume growth was achieved in solar panels, heat pumps as well as condensing boilers. Considering the challenging market environment, net sales growth of the ICS division continued strong in the third quarter of 2022.

The growth in the third quarter was solid in various sales regions including Italy, Brazil, Benelux and Germany. Thermotech business continued its stable contribution to total net sales and performed well in its core Nordic markets.

In January–September 2022, net sales of the ICS division increased by 26 per cent to EUR 324.7 million (257.6), of which 19 per cent was organic growth. Thermotech contributed 6 per cent to the division's net sales growth. The net currency effect was positive by 1 per cent.

Profitability

In July–September 2022, adjusted EBITDA of the ICS division increased by 4 per cent to EUR 12.4 million (11.9). The adjusted EBITDA margin was 11.7 per cent (13.8).

Profit improvement was driven by continued high demand in Italy and a strong product mix. Furthermore, Thermotech business contributed about EUR 0.7 million to the adjusted EBITDA (12.0 per cent margin). The margin was slightly impacted by high costs in production as a result of high inflation and supply chain constrains. In addition, operational expenses related to increased marketing spend after COVID-19 restrictions were removed, had a decreasing impact on profitability for the third quarter of 2022.

In January–September 2022, adjusted EBITDA of the ICS division increased by 19 per cent to EUR 40.6 million (34.1). The adjusted EBITDA margin was 12.5 per cent (13.2).

Key activities during the review period

Thermotech business in the Nordics sales region started to materialise synergies for the Group by supplying Purmo Group's products during the third quarter.

Investments, acquisitions, structural changes and R&D

Investments

Capital expenditure excluding business combinations and leased assets totalled EUR -5.1 million (-2.7) in July–September 2022. Capital expenditure in January–September 2022, excluding business combinations and leased assets, totalled EUR -12.4 million (-11.3). The investments were related primarily to strategic projects and maintenance.

Acquisitions and disposals

During the third quarter, a subsidiary of Purmo Group, owning a real-estate property and a land area in Tianjin, China, was divested to a third party. The subsidiary was divested due to discontinued use for production, sales and distribution.

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

Structural changes

At the end of March 2022, Purmo Group took the decision to exit its business in Russia. The company will seek to divest and complete an orderly transfer of the business to a new owner, in compliance with international and local laws in Russia. Upon completion of the divestment, the company will no longer have a manufacturing operation or sales in Russia. Purmo Group has classified the Russian business as assets held for sale, resulting in a non-recurring impairment and write-down of EUR 6.9 million. For accounting purposes, the Russian business is presented as continuing operations as it does do not meet criteria for discontinued operations. Russia represented less than 5 per cent of Purmo Group's total net sales in 2021.

Research and development

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

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

Purmo Group's research and development (R&D) expenditure totalled EUR 1.5 million (1.5) in July–September 2022. Purmo Group's research and development expenditure totalled EUR 5.0 million (4.4) in January–September 2022.

During the third quarter of 2022, the ICS division introduced panels for radiant floor systems in the South Europe. The panel is suitable for renovation purposes, offers an improved thermal output and is made partly from recycled materials.

The focus of product development in Radiators during the third quarter division was on new versions of radiators including fan-assisted and low-cost units which are compatible with heat pumps.

Strategy

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

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

The growth is supported by M&A opportunities which will foster consolidation, expansion and diversification.

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

After the review period on 5 October 2022, Purmo Group announced a strategy acceleration programme to strengthen the execution of the strategy. The programme addresses a broad area of strategic and operational initiatives, with focus on improving net sales growth, profitability and net working capital efficiency to support reaching its financial targets communicated in conjunction with the stock listing in January 2022.

The timing of the programme will also mitigate the effects from the current weakened economic outlook in some of the company's markets. The underlying trend of energy efficiency in indoor climate solutions remains strong.

To support the execution of the programme, aligning resources with the strategic direction and to strengthen customer focus, the company announced a new organisational structure effective from 1 January 2023.

The new organisation will consist of two business divisions: Climate Products & Systems, which will sell through the wholesaler channels; and Climate Solutions, which will sell integrated solutions directly to installers served by the company's Emmeti business in South Europe and Thermotech business in the Nordic region.

The management team of Purmo Group will consist of three new roles and three existing roles. The current Senior Vice President of Indoor Climate Solutions business Mike Conlon will be appointed Senior Vice President of the Climate Solutions Division. The current Senior Vice President of the Radiators business Barry Lynch will be appointed Chief Commercial Officer and will lead sales, marketing and product development for the Climate Products & Systems division. The current Chief Financial Officer Erik Hedin will be appointed Chief Operating Officer of the Climate Products & Systems division, and lead the strategy acceleration programme. Chief Executive Officer John Peter Leesi and Chief People Officer Linda Currie will continue in their current roles. The search for a new Chief Financial Officer has started.

After the review period on 8 November 2022, Purmo Group announced that due to the weak market environment the company expands its earlier announced strategy acceleration programme. The targeted adjusted EBITDA run-rate improvements are EUR 20 million (upgraded from 15 million) by the end of 2023, and cumulatively EUR 40 million (upgraded from 35 million) by the end of 2024.

The upgraded profitability improvements will include both variable and fixed cost savings, excluding areas where the market growth is expected to continue including Italy, Brazil and China. Additionally, company evaluates accelerating footprint optimisation, covering both manufacturing and supply chain.

The costs for the programme are expected to be approximately EUR 43 million (previously 40 million), of which EUR 33 million (previously 30 million) is expected to incur before the end of 2023 and the remainder in 2024.

Financial targets and dividend policy

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

Growth

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

In July–September 2022, organic net sales declined by 5 per cent, while total net sales declined with 1 per cent to EUR 216.3 million (218.5). The decline in net sales was a result of weakened economic outlook and a decline in demand and sharp supply chain correction in the Radiators division.

Profitability

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

In July–September 2022, the adjusted EBITDA margin was 9.1 per cent (11.6). The decrease in EBITDA margin was a result of lower production and sales volumes in the Radiators division, increased raw material prices as well as fewer price increases in both divisions.

The strategic transition to a solutions business and the introduction of the strategy acceleration programme after the review are expected to expand the adjusted EBITDA margin towards the 15 per cent medium- to long-term target.

Leverage

The leverage ratio is targeted not to exceed 3.0x, measured as interest bearing net debt / Adjusted EBITDA on a rolling twelve-month basis. However, leverage may temporarily exceed the target level, for example in conjunction with acquisitions or restructuring actions.

At the end of September 2022, net debt / adjusted EBITDA was 2.9 (1.1). The increase in the ratio was due to higher net debt driven by EUR 280 million financing related to the merger between Virala Acquisition Company Plc and Purmo Group Ltd.

Dividend

Purmo Group's aim is to distribute at least 40 per cent of annual net profit as dividends or return of capital, intended to be paid out biannually after considering earnings trends for the group, its financial position and future growth potential.

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

Financial guidance for 2022

Purmo Group's market environment has weakened during the third quarter and the beginning of the fourth quarter of the year, in particular for the Radiators division. The market outlook remains challenging for the rest of the year due to the ongoing decline in the European construction markets. The war in Ukraine has also impacted the demand in Eastern Europe, in particular Russia. Furthermore, the necessary price increases to offset the increased raw material prices have been announced but realisation has been delayed.

Therefore, Purmo Group updated its full year guidance for 2022 for adjusted EBITDA on 8 November 2022:

For 2022, Adjusted EBITDA is expected to decline from 2021 (EUR 103.9 million) and to be between EUR 88 million–EUR 96 million. Guidance for net sales remains as announced earlier: For 2022, Purmo Group expects net sales to increase from 2021 (EUR 843.6 million).

Previous guidance which was given on 11 August 2022:

For 2022, Purmo Group expects net sales to increase from 2021 (EUR 843.6 million). Adjusted EBITDA is expected to be comparable to 2021 (EUR 103.9 million). Comparable means a change within +/- 5 per cent from the previous year.

The outlook remains uncertain mainly due to the ongoing decline in European construction markets following consumer hesitancy in starting new indoor climate solution projects, higher raw material costs and increased interest rates. The geopolitical crisis caused by the war in Ukraine continues to have an impact on some markets of Purmo Group. Supply chain constraints and raw material price inflation persists but which Purmo Group continues to mitigate. Challenges remain in some areas and the situation could change. Purmo Group continues to actively manage the situation including making necessary price increases to offset cost inflation and mitigating supply chain constraints. The Group will also focus on operational efficiency during the rest of 2022.

Sustainability

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

Purmo Group continued to make good progress against its ESG targets in the third quarter of 2022. This included committing to setting Science Based Targets, continued energy efficiency improvements in operations and completion of an analysis of the products and solutions aligned with the EU taxonomy framework.

Production

Carbon intensity improved by 10 per cent to 86.6 (95.9) during the third quarter. Scope 1 and 2 greenhouse gas (GHG) emissions decreased by 11 per cent to 18,729 tCO_2e (20,946) principally due to lower production volumes.

Solutions

Assessment of Purmo Group's alignment to EU taxonomy is on-going. The outcome of the assessment creates a reporting framework for sustainability and defines how sustainable Purmo Group's operations and products are. The data from the assessment will be published in conjunction with the Annual Report 2022.

People

In the third quarter, the Lost Time Injury Frequency Rate per million hours worked (LTIFR) reduced by 58 per cent to 3.0 (7.1). The number of safety observations increased by 15 per cent to 246 (214).

Communities

Purmo Group employees dedicated 1,945 hours in total (N/A) for volunteering to local communities during the third quarter of 2022.

Other material activities

Purmo Group has committed to setting Science Based Targets. These targets will give Purmo Group a clearly defined path to reduce emissions in line with the Paris Agreement goals for Europe to reach net-zero global Green House Gas (GHG) emissions by 2050 the latest in order to limit global warming to 1.5°C or lower. The aim is to submit targets during the fourth quarter of 2022 with certification expected in 2023.

In the third quarter of 2022, a gap analysis was concluded on aligning Purmo Group's ESG reporting to GRI (Global Reporting Initiative) standards.

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

Key indicators

	7–9/2022	7–9/2021[7]	Change, %	1–9/2022	1–9/2021[7]	Change, %	2021
Production							
Scope 1 and 2 GHG emissions, tCO_2e[1]	18,729	20,946	-11%	61,950	65,472	-5%	86,780
Scope 3 GHG emissions from procured steel, tCO_2e[2]	64,453	98,616	-35%	230,811	282,179	-18%	377,698
Scope 1 and 2 carbon intensity[3]	86.6	95.9	-10%	88.8	105.4	-16%	102.9
Solutions							
Customer Net Promoter Score, cNPS[4]	N/A	N/A	N/A	34	N/A	N/A	N/A
Customer Sustainability Net Promoter Score, sNPS[5]	N/A	N/A	N/A	4	N/A	N/A	N/A
People							
Lost Time Injury Frequency Rate, LTIFR[6]	3.0	7.1	-58%	4.1	5.8	-29%	5.2
Number of safety observations	246	214	15%	868	758	15%	N/A
Number of accidents	4	11	-64%	18	27	-33%	32
Proportion women in senior management positions	28%	N/A		27%	N/A		24%
Communities							
Number of volunteering hours	1,945	N/A	N/A	3,827	N/A	N/A	N/A

[1] Market based GHG emissions based on Purmo Group's procurement mix of electricity and gas in countries with manufacturing operations.
[2] 2021 World Steel Association data of 1.89 tCO2e embodied carbon produced for every tonne of crude steel cast.
[3] tCO_2e/net sales in EUR million.
[4] Question asked: 'How likely is it that you would you recommend <Purmo brand> to a friend or colleague?'
[5] Question asked: 'How likely is it that you would recommend <Purmo brand> to a friend or colleague as a leader in sustainable indoor climate comfort?'
[6] Lost Time Injury Frequency Rate (LTIFR) is the number of lost time injuries occurring in a workplace per 1 million hours worked.
[7] Certain data from the comparison periods are unavailable as the data collection for these sustainability focus areas began only after the comparison periods.

Shares and shareholders

Share capital, number of shares and shareholders

	30 Sep 2022
Number of class C shares	41,046,310
Number of class F shares	1,565,217

Purmo Group Plc has two share classes of which class C shares are listed and class F shares (Founder Shares) are held by Purmo Group Plc's (former Virala Acquisitions Company Plc) founding shareholder, Virala Corporation. The company's class F shares are subject to redemption and consent clauses in accordance with the Articles of Association, which restrict the rights to transfer or acquire Class F shares.

The number of shares outstanding on 30 September 2022 was 41,046,310 class C shares and 1,565,217 class F shares. The company's registered share capital on 30 September 2022 was EUR 3,080,000. The company has no treasury shares. Trading in Purmo Group Plc's shares commenced in Nasdaq Helsinki on 3 January 2022.

On 7 September 2022 Purmo Group announced a directed share issue to the company's key personnel. A total of 66,403 subscriptions of new shares in the share issue were approved. The new shares were entered in the Trade Register on 25 October 2022. After the trade registration, the number of the company's class C shares increased to 41,112,713 and as a result, the total amount of shares is 42,677,930, including class F shares of 1,565,217. The new shares established shareholder rights as of registration date. The class C shares have been traded on the Nasdaq Helsinki Ltd together with the old shares as from 26 October 2022.

On 30 September 2022 the five largest shareholders were Rettig Group Ltd (61.80 per cent of total shares), Virala Corporation (15.14 per cent), Ahlström Invest B.V. (2.81 per cent), Varma Mutual Pension Insurance Company (2.34 per cent) and Jussi Capital Oy (1.44 per cent).

Board authorisation regarding share issue and share repurchase

The Annual General Meeting of 25 April 2022 authorised the Board of Directors to resolve on the issuance of a maximum of 8,000,000 class C shares as well as on the issuance of special rights entitling to class C shares referred to in Chapter 10, Section 1 of the Finnish Companies Act in one or several tranches. The proposed number of shares corresponds to approximately 20 per cent of all class C shares in the company. However, a maximum of 25 per cent of the authorisation, i.e., a maximum of 2,000,000 class C shares (including shares to be received based on special rights) may be used for incentive arrangements and remuneration schemes.

The Annual General Meeting authorised the Board of Directors to repurchase a maximum of 4,000,000 of the company's own class C shares as well as on the acceptance of them as pledge. The shares shall be repurchased with funds from the company's unrestricted shareholders' equity. The number of shares corresponds to approximately 10 per cent of all of class C shares in Purmo Group.

The authorisation may be used to improve Purmo Group's capital structure, to finance or carry out corporate acquisitions or other arrangements, for incentive arrangements and remuneration schemes or for other purposes resolved by the Board of Directors. The authorisations are effective until the end of the next Annual General Meeting, however, no longer than until 30 June 2023.

Flagging notifications

During the review period Purmo Group received a flagging notification from Virala Corporation. According to the notification, the total holdings of Purmo Group Plc shares and votes held by Virala Corporation increased to 15.09 per cent of all the registered shares in Purmo Group Plc on 17 August 2022 due to acquisitions of shares. More information on flagging notifications is available on the company website.

Managers' transactions

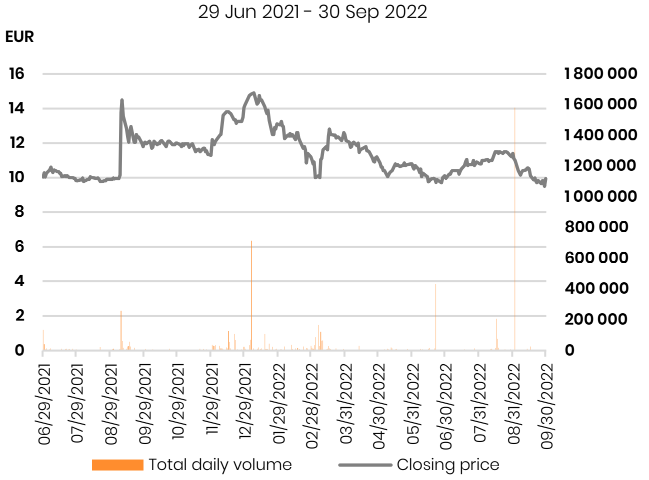
Purmo Group's managers transactions are published as stock exchange releases, and they are available on the company website.

Trading of shares on Nasdaq Helsinki

	1 Jan – 30 Sep 2022
High, EUR	15.65
Low, EUR	9.02
Volume-weighted average price	11.07
Closing price, EUR, 30 September 2022	9.94
Market capitalisation, class C share, EUR million, 30 September 2022	408.0

Closing share price and daily trading volume

29 Jun 2021 - 30 Sep 2022



Governance

Personnel

The number of Group full-time-equivalent employees averaged 3,499 (3,329) in January–September. At the end of the period, the Group had 3,425 (3,440) employees. The increase in full-time-equivalent employees was mainly due to the acquisition of TT Thermotech Intressenter AB.

Changes in the management team

On 4 July 2022, Barry Lynch was appointed Senior Vice President of the Radiators division and member of the Management Team. He succeeded Tomasz Tarabura, who left the company.

Share based incentive plans

On 20 July 2022, Purmo Group announced that the Board of Director's had decided to launch of a new share-based incentive plan for management and key employees. The purpose of the plan is to align targets of shareholders and key employees in order to increase the long-term value of the company, retain key employees and offer them a competitive incentive plan that is based on company share ownership and successful performance. The plan requires a personal investment and continuous share ownership from the participants.

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

The performance criterion of the plan is Total Shareholder Return (TSR) of the class C share. The minimum threshold for reward payout is a share price of EUR 16.00, and maximum reward shares are earned at a share price of EUR 24.00. Paid dividend and return of capital during the plan are added to the share price when calculating the TSR.

The reward will be paid in both Purmo Group class C shares and in cash to cover taxes and statutory social security contributions arising from receipt of the reward. The rewards payable according to the incentive plan, including the proportion to be paid in cash, correspond to the value of an approximate maximum total of 1,500,000 Class C shares of Purmo Group Plc. The final number of reward shares is subject to participants' personal share ownership and achievement of set TSR targets.

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

The performance period covers the financial years of 2022–2025 and pay out period covers the financial years of 2026–2027. The plan has 29 participants in total.

Purmo Group Plc's Remuneration Policy is available on the company website.

Annual General Meeting

The Annual General Meeting was held on 25 April 2022. The meeting adopted the Annual Accounts, including the Consolidated Annual Accounts for 2021, and discharged the members of the company's Board of Directors and the CEO from the liability for the financial year 2021. The Annual General meeting also adopted the Remuneration Policy. All resolutions of the Annual General Meeting are available on the company website.

Return of capital

The Annual General Meeting decided that a return of capital of EUR 0.36 per class C share is to be paid for the financial year 2021 in two instalments and that a return of capital for class F shares is to be paid in accordance with the Articles of Association of the company for the financial year 2021 in two instalments. In accordance with the Articles of Association of the company and as a consequence of the first share price hurdle for conversion of class F shares into class C shares having been exceeded in September 2021, and taking into account dilution of the number of F shares following the registration of the new C shares on 1 March 2022, class F shares carried at the end of the review period 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 corresponded to a return of capital of EUR 0.07 per class F share.

The first instalment of the return of capital was EUR 0.18 per class C share and EUR 0.03 per class F share. The first instalment of the return of capital was paid on 4 May 2022. The second instalment of the return of capital was EUR 0.18 per class C share and EUR 0.04 per class F share. The second instalment was paid on 3 October 2022.

Remuneration of the members of the Board of Directors

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

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

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

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

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

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

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

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

Shareholders' Nomination Board

In June 2022, Purmo Group Plc's three largest shareholders nominated the following representatives to the Shareholders' Nomination Board:

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

Risks and uncertainties in the near future

Purmo Group is affected by global supply chain disturbances, which started during the COVID-19 pandemic. This involves uncertainties and may adversely affect the demand for and the delivery capability of the company's products and availability of financing. The COVID restrictions in China in particular might have an affect on Purmo Group's business. Purmo Group has been able to manage the adverse effect of the disturbances on its operations and hence, the impact of challenges in getting raw materials and components in fulfilling customers' orders has been limited.

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

The short-term demand for Purmo Group's products depends on fluctuations in demand in the construction industry, which is cyclical in nature, especially new building, and the volumes and profitability of which vary as a result of, inter alia, economic conditions and the amount of investments in real estate.

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

Climate change related impacts mean that Purmo Group must develop products that meet customer expectations and follow the changing regulations concerning for example energy efficiency and product life cycle requirements. Proactive, effective and right measures may mean that Purmo Group is able to use business opportunities relating to the expectations and requirements. Purmo Group has a sustainability strategy and a function. The ongoing energy transition is expected to accelerate the demand for low-temperature systems and solutions compatible with other than fossil-based energy sources, and it is an opportunity for the execution Purmo Group's solution selling strategy. There are differences between markets in how the transition changes the product mix demand. However, Purmo Group is well positioned to manage the change and capture the opportunity with the support of its wide product portfolio.

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

The economic downturn in Ukraine continues to have a significant negative impact on demand of Purmo Group's products in the country. The company temporarily halted deliveries to Ukraine after the invasion but has later continued deliveries when arrangements have been possible. The health and safety of employees, customers and business are, as always, a priority.

The impact of the war on other markets than Russia and Ukraine are hard to estimate. After the invasion, steel prices increased rapidly, but decreased significantly during summer and autumn. There is a risk that private and/or commercial investment decisions continue to be postponed or cancelled due to high inflation rates, increased interest rates and/or general economic uncertainty.

Events after the review period

On 5 October 2022, Purmo Group announced a strategy acceleration programme to strengthen the execution of the strategy launched in 2021. The programme addresses a broad area of strategic and operational initiatives, with focus on improving net sales growth, profitability and net working capital efficiency to support reaching its financial targets communicated in conjunction with the stock listing in January 2022.

In conjunction with the programme the company announced a new organisational structure effective from 1 January 2023. The new organisational structure supports the execution of the programme, aligns resources with the strategic direction and strengthens customer focus. The new organisation is based on two business divisions: Climate Products & Systems and Climate Solutions.
Purmo Group will start reporting based on the new organisation structure from the first quarter of 2023 onwards. The new reporting segments will be Climate Products & Systems and Climate Solutions. The company will provide adjusted comparison figures for the new segments well in advance of the publication of the January–March 2023 interim report.

On 8 November 2022, Purmo Group announced that due to the weak market environment, the company expands its earlier announced strategy acceleration programme. The targeted adjusted EBITDA run-rate improvements are EUR 20 million (upgraded from 15 million) by the end of 2023, and cumulatively EUR 40 million (upgraded from 35 million) by the end of 2024.

The upgraded profitability improvements will include both variable and fixed cost savings, excluding areas where the market growth is expected to continue including Italy, Brazil and China. Additionally, company evaluates accelerating footprint optimisation, covering both manufacturing and supply chain.

The costs for the programme are expected to be approximately EUR 43 million (previously 40 million), of which EUR 33 million (previously 30 million) is expected to incur before the end of 2023 and the remainder in 2024.

In Helsinki, 9 November 2022
Purmo Group Plc’s Board of Directors

Condensed consolidated financial information

Consolidated statement of profit and loss

EUR million	Note	7–9/2022	7–9/2021	1–9/2022	1–9/2021	2021
Net sales	3	216.3	218.5	697.5	621.0	843.6
Cost of sales		-171.0	-170.4	-537.6	-470.3	-645.5
Gross profit		**45.3**	**48.1**	**159.9**	**150.7**	**198.1**
Sales and marketing expenses		-21.2	-18.4	-65.9	-56.1	-78.3
Administrative expenses		-12.4	-11.3	-37.1	-33.3	-42.0
Research and development expenses		-1.5	-1.5	-5.0	-4.4	-5.9
Other income		1.8	0.6	4.0	1.5	2.6
Other expenses		-1.6	-8.6	-15.3	-13.1	-71.0
Operational expenses		**-34.8**	**-39.2**	**-119.3**	**-105.4**	**-194.6**
EBIT		**10.5**	**8.9**	**40.5**	**45.3**	**3.5**
Finance income		2.3	0.5	4.7	0.8	1.1
Finance expenses		-6.6	-2.7	-14.8	-6.7	-9.7
Net financial items		**-4.3**	**-2.2**	**-10.1**	**-5.9**	**-8.6**
Profit before tax		**6.2**	**6.8**	**30.4**	**39.5**	**-5.1**
Income tax expense	4	-0.9	-3,2	-10.2	-11.6	-13.7
Profit for the period		**5.3**	**3.6**	**20.2**	**27.9**	**-18.8**
Profit for the period attributable to:						
Owners of the parent		5.3	3.3	20.2	27.4	-18.8
Non-controlling interests		-	0.3	-	0.5	-
Earnings per share for profit attributable to the ordinary equity holders of the parent company:						
Earnings per share basic, EUR		0.13	0.13	0.49	0.97	-0.65
Earnings per share diluted, EUR		0.15	0.42	0.78	1.39	-0.65

Consolidated statement of comprehensive income

EUR million	7–9/2022	7–9/2021	1–9/2022	1–9/2021	2021
Profit for the period	5.3	3.6	20.2	27.9	-18.8
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Re-measurement of defined benefit liability (asset)	4.6	1.5	13.1	9.0	8.4
Related tax	-0.7	-0.3	-2.6	-1.8	0.2
Total items that will not be reclassified to profit or loss	**3.9**	**1.2**	**10.5**	**7.2**	**8.6**
Items that are or may be reclassified to profit or loss					
Foreign operations – foreign currency translation differences	-2,0	0.0	6,7	1.4	0.4
Reclassification of foreign currency translation differences through profit and loss	0.4	-	0.4	-	-
Cash flow hedges – effective portion of changes in fair value	1.1	-0.2	1.6	-1.1	-1.9
Cash flow hedges – reclassified to profit or loss	0.3	0.4	0.6	0.8	1.5
Related tax	-0.3	0.0	-0.5	0.1	0.2
Total items that are or may be reclassified to profit or loss	**-0.6**	**0.1**	**8.9**	**1.1**	**0.1**
Other comprehensive income, net of tax	**3.4**	**1.4**	**19.4**	**8.4**	**8.7**
Total comprehensive income for the period	**8.7**	**5.0**	**39.5**	**36.2**	**-10.1**
Total comprehensive income attributable to:					
Owners of the parent	8.7	4.7	39.5	35.8	-10.1
Non-controlling interests	-	0.3	-	0.5	-

Consolidated balance sheet

EUR million	Note	30 Sep 2022	30 Sep 2021	31 Dec 2021
Assets				
Non-current assets				
Goodwill	5	370.7	369.2	369.2
Other intangible assets	5	47.3	36.2	36.3
Property, plant and equipment	5	122.3	127.4	131.9
Right-of-use assets	5	34.2	31.7	31.3
Other receivables		2.2	1.0	1.0
Deferred tax assets		24.7	20.2	26.5
Defined benefit asset		13.6	6.6	6.2
Total non-current assets		**615.1**	**592.3**	**602.4**
Current assets				
Inventories		191.2	143.6	157.4
Trade receivables	7	132.3	142.6	77.1
Related party receivables	10	-	4.6	0.1
Derivative assets	7	3.7	0.5	0.7
Other receivables		26.2	26.0	29.6
Current tax asset		5.9	6.8	1.3
Cash and cash equivalents		53.1	32.2	177.6
Total current assets		**412.3**	**356.1**	**443.8**
Assets held for sale	13	**28.9**	**-**	**-**
Total assets		**1,056.3**	**948.4**	**1,046.2**
Equity and liabilities				
Equity				
Share capital		3.1	0.0	3.1
Reserve of invested unrestricted equity		388.2	482.9	385.9
Other reserves		-0.4	-4.6	-9.3
Retained earnings		20.0	32.3	29.7
Profit for the period		20.2	27.4	-18.8
Equity attributable to owners of the company		**431.1**	**538.0**	**390.6**
Non-controlling interests		-	1.8	-
Total equity		**431.1**	**539.7**	**390.6**
Liabilities				
Non-current liabilities				
Loans and borrowings	7	278.2	7.8	285.7
Lease liabilities		38.4	34.8	30.7
Defined benefit liabilities		21.1	23.2	23.5
Other payables		1.4	1.2	1.2
Provisions	8	7.9	6.7	7.6
Deferred tax liabilities		10.5	5.5	2.6
Total non-current liabilities		**357.5**	**79.1**	**351.3**
Current liabilities				
Loans and borrowings	7	26.4	100.1	95.0
Lease liabilities		1.9	2.1	5.6
Trade and other payables	7	215.9	212.9	192.0
Derivative liabilities	7	3.1	1.2	2.0
Provisions	8	0.6	6.3	4.9
Current tax liabilities		8.6	7.1	4.8
Total current liabilities		**256.5**	**329.6**	**304.3**
Total liabilities		**614.0**	**408.7**	**655.6**
Liabilities directly attributed to assets held for sale	13	**11.2**	**-**	**-**
Total equity and liabilities		**1,056.3**	**948.4**	**1,046.2**

Consolidated statement of cash flows

EUR million	7–9/2022	7–9/2021	1–9/2022	1–9/2021	2021
Cash flow from operating activities					
Profit for the period	5.3	3.6	20.2	27.9	-18.8
Adjustments:					
Depreciation, amortisation and impairment losses	8.1	7.9	24.0	23.4	30.2
Gain and losses on sale of property, plant and equipment and intangible assets	0.0	-0.4	–	-0.5	-0.5
Gain and losses on sale of subsidiaries	-1.2	–	-1.2	–	–
Share-based payments	–	0.6	–	1.1	1.9
Finance income and expenses	4.3	2.2	10.1	5.9	8.6
Income tax expenses	0.9	3.2	10.2	11.6	13.7
Reverse recapitalization	–	–	–	–	52.3
Other non-cash income and expenses	1.4	-3.5	12.7	-2.5	5.7
Cash flow before change in net working capital	**18.8**	**13.5**	**75.9**	**66.9**	**93.1**
Changes in net working capital					
Inventories, increase (-) / decrease (+)	-11.8	-17.0	-39.1	-35.3	-48.7
Trade and other receivables, increase (-) / decrease (+)	-7.1	-24.2	-32.3	-89.4	-31.2
Trade and other payables, increase (+) / decrease (-)	3.0	26.9	9.5	70.2	45.0
Provisions and employee benefits, increase (+) / decrease (-)	0.4	7.2	-4.4	6.2	-1.6
Changes in net working capital	**-15.4**	**-7.1**	**-66.3**	**-48.3**	**-36.5**
Net cash flow from operating activities before financial items and taxes	**3.3**	**6.5**	**9.6**	**18.7**	**56.7**
Financial items, net	-2.5	-3.5	-9.9	-5.9	-7.8
Income taxes paid, net	-3.1	-5.3	-8.8	-9.7	-13.5
Cash from operating activities	**-2.2**	**-2.4**	**-9.1**	**3.2**	**35.4**
Cash flow from investing activities					
Proceeds from sale of property, plant and equipment and intangible assets	0.0	0.7	3.1	0.7	0.7
Proceeds from sale of subsidiaries	2.7	–	2.7	–	–
Purchases of property, plant and equipment and intangible assets	-5.1	-3.9	-12.4	-8.0	-14.8
Acquisitions of subsidiaries, net of cash acquired	–	–	-14.6	-4.5	-4.5
Cash flow from investing activities	**-2.5**	**-3.2**	**-21.2**	**-11.8**	**-18.6**
Cash flow from financing activities					
Proceeds from long-term borrowings	–	–	–	–	279.0
Increase of equity	–	-0.2	–	0.3	0.3
Proceeds from share issue	–	–	–	–	99.9
Dividends and group contributions paid to related party	–	–	–	-15.4	-266.4
Return of capital paid	–	–	-7.4	–	–
Repayment of lease liabilities	-2.9	-2.2	-8.5	-7.3	-9.6
Proceeds from short-term borrowings	63.1	–	167.3	–	95.0
Repayment of short-term borrowings	-53.0	-2.4	-236.5	-2.4	-4.9
Proceeds from short-term borrowings from related party	–	4.0	–	10.2	10.2
Repayment from short-term borrowings to related party	–	–	–	–	-98.0
Cash flow from financing activities	**7.3**	**-0.7**	**-85.2**	**-14.6**	**105.4**
Change in cash and cash equivalents, increase (+) / decrease (-)	**2.6**	**-6.3**	**-115.5**	**-23.2**	**122.2**
Cash and cash equivalents at beginning of the period	51.3	38.3	177.6	55.0	55.0
Impact of change in exchange rates	-0.5	0.1	2.1	0.4	0.4
Cash classified as assets held	-0.3	–	-11.1	–	–
Cash and cash equivalents at end of the period	**53.1**	**32.2**	**53.1**	**32.2**	**177.6**

Consolidated statement of changes in equity

	Attributable to owners of the parent company							Non-controlling interest	Total equity
EUR million	Share capital	Reserve of invested unrestricted equity	Translation reserve	Fair value reserve	Share based payment reserve	Retained earnings	Total		
Balance as at 1 Jan 2022	**3.1**	**385.9**	**-8.7**	**-0.6**	**-**	**10.9**	**390.6**	**-**	**390.6**
Profit for the period						20.2	20.2	-	20.2
Other comprehensive income			6.7	1.8		10.5	19.0		19.0
Translation differences reclassified to income statement			0.4				0.4		0.4
Total comprehensive income	**-**	**-**	**7.1**	**1.8**	**-**	**30.7**	**39.5**	**-**	**39.5**
Dividends and return of capital paid		-7.4					-7.4		-7.4
Share issue		9.7					9.7		9.7
Share-based payments						0.0	0.0		0.0
Other changes						-1.3	-1.3		-1.3
Balance as at 30 Sep 2022	**3.1**	**388.2**	**-1.6**	**1.2**	**-**	**40.2**	**431.1**	**-**	**431.1**

	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						27.4	27.4	0.5	27.9
Other comprehensive income			1.4	-0.2		7.2	8.4		8.4
Total comprehensive income	**-**	**-**	**1.4**	**-0.2**	**-**	**34.6**	**35.8**	**0.5**	**36.2**
Dividends and return of capital paid		-15.0					-15.0	-0.5	-15.4
Long term incentive plan		0.3			1.3		1.6		1.6
Balance as at 30 Sep 2021	**0.0**	**482.9**	**-7.7**	**-0.5**	**3.7**	**59.7**	**538.0**	**1.8**	**539.7**

Notes to the condensed consolidated half year 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, 00120 Helsinki, Finland.

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

Merger of Virala Acquisition Company Plc and Purmo Group Ltd

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

2. Basis of preparation

These unaudited condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021, which have been prepared in accordance with IFRS. These condensed consolidated financial statements do not include all information required for a complete set of financial statements prepared in accordance with IFRS. Selected explanatory notes are therefore included to explain events and transactions that are significant to understand the changes in the Group's financial position and performance since the last annual financial statements. The accounting policies applied are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021 except for IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, and the adoption of new and amended standards.

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

Assets held for sale

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

New and amended standards

The Group has applied the relevant revised IFRS standards published by IASB effective for financial reporting periods commencing on 1 January 2022. The application of the revised standards has not had a material impact on the results, the financial position or the presentation of the interim report.

Seasonality

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

Key accounting estimates and judgements

An IFRS-compliant interim report requires the Group's management to exercise judgment and make estimates and assumptions that affect the reported amounts of assets and liabilities and other information such as the amounts of income and expense. Although these estimates are based on the management's best knowledge at the time, it is possible that actual results differ from the estimates used in the interim reports. The Group's management has continued to assess the potential accounting implications of the COVID-19 pandemic. The Group's management has reviewed the carrying values of the balance sheet items and the review did not indicate need for asset impairments.

The Group's management has assessed the balance sheet impact of Russia's war in Ukraine and the decision to divest the business in Russia. The management has considered indicators of impairment of goodwill and intangible assets, the recoverable amount of property plant and equipment and right-of-use assets, the valuation of inventories, trade receivables and redemption liability. Due to the significant uncertainties related to the business in Russia and Ukraine the Group has recognised impairment charges and write-downs of EUR 6.9 million on goodwill, intangible assets, property, plant and equipment, right-of-use assets, inventories and redemption liability.

3. Segment information and net sales

Group's divisions

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

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

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

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

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

The divisions' financial performance is assessed internally based on net sales and adjusted EBITDA. The adjusted EBITDA has been derived from the unadjusted EBITDA by removing material and unexpected items outside the ordinary course of business and that are considered to impact comparability of the underlying business operations and by excluding costs and income incurred in the group functions as described above. Such items include direct M&A related transaction and integration costs, restructuring costs and costs incurred in connection with performance improvement programs, the one-time and non-cash IFRS 2 merger impact, impairment and write-down charges connected to the Russian business, costs that have been incurred in connection with the formation of Purmo Group, exceptional gains and losses relating to sale of fixed assets, and costs incurred to achieve stand-alone readiness which has not continued post-merger.

7–9/2022

EUR million	Radiators	ICS	Other and unallocated	Group
Net sales	**110.1**	**106.2**	**0.0**	**216.3**
Adjusted EBITDA	**9.2**	**12.4**	**-2.0**	**19.6**
Adjusted EBITDA % of net sales	**8.4%**	**11.7%**	**-**	**9.1%**
Material items impacting period profit and loss				-1.0
Depreciation, amortisation and impairment				-8.1
EBIT				**10.5**
Net financial items				-4.3
Profit before tax				**6.2**
Additional information for segments				
Depreciation, amortisation and impairment by segment	-5.1	-3.0	0.0	-8.1

7–9/2021

EUR million	Radiators	ICS	Other and unallocated	Group
Net sales	**132.6**	**85.8**	**0.0**	**218.5**
Adjusted EBITDA	**15.2**	**11.9**	**-1.7**	**25.4**
Adjusted EBITDA % of net sales	**11.5%**	**13.8%**	**-**	**11.6%**
Management fee to owners and legacy Rettig incentive plans				-0.6
Material items impacting period profit and loss				-8.0
Depreciation, amortisation and impairment				-7.9
EBIT				**8.9**
Net financial items				-2.2
Profit before tax				**6.8**
Additional information for segments				
Depreciation, amortisation and impairment by segment	-5.6	-2.3	0.0	-7.9

1–9/2022

EUR million	Radiators	ICS	Other and unallocated	Group
Net sales	**372.8**	**324.7**	**0.0**	**697.5**
Adjusted EBITDA	**42.2**	**40.6**	**-6.2**	**76.6**
Adjusted EBITDA % of net sales	**11.3%**	**12.5%**	**-**	**11.0%**
Management fee to owners and legacy Rettig incentive plans				0.0
Material items impacting period profit and loss				-4.5
Depreciation, amortisation and impairment				-31.6
EBIT				**40.5**
Net financial items				-10.1
Profit before tax				**30.4**
Additional information for segments				
Depreciation, amortisation and impairment by segment	-23.1	-8.6	0.0	-31.6

1–9/2021

EUR million	Radiators	ICS	Other and unallocated	Group
Net sales	**363.4**	**257.6**	**0.0**	**621.0**
Adjusted EBITDA	**50.7**	**34.1**	**-3.6**	**81.3**
Adjusted EBITDA % of net sales	**14.0%**	**13.3%**	**-**	**13.1%**
Management fee to owners and legacy Rettig incentive plans				-1.4
Material items impacting period profit and loss				-11.2
Depreciation, amortisation and impairment				-23.4
EBIT				**45.3**
Net financial items				-5.9
Profit before tax				**39.5**
Additional information for segments				
Depreciation, amortisation and impairment by segment	-16.6	-6.9	0.0	-23.4

2021

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

Net sales by market area for divisions

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

	7–9/2022			7–9/2021		
EUR million	Radiators	ICS	Group	Radiators	ICS	Group
Northern Europe[1)]	28.5	18.1	46.6	27.9	11.8	39.7
Western Europe	44.8	36.4	81.1	50.8	29.3	80.1
Central and Eastern Europe	28.3	10.9	39.3	47.3	13.5	60.7
Southern Europe	1.1	32.0	33.1	1.3	23.9	25.2
Rest of the world	7.4	8.7	16.1	5.4	7.3	12.7
Net Sales	**110.1**	**106.2**	**216.3**	**132.6**	**85.8**	**218.5**

[1)]Net sales in Finland (company's country of domicile) totalled to EUR 4.7 million (3.2).

EUR million	Radiators	1–9/2022 ICS	Group	Radiators	1–9/2021[2] ICS	Group
Northern Europe[1]	87.9	53.7	141.6	80.4	35.8	116.2
Western Europe	160.8	102.5	263.2	158.0	89.5	247.5
Central and Eastern Europe	101.7	40.0	141.7	107.0	39.7	146.7
Southern Europe	3.9	104.4	108.3	3.8	71.5	75.4
Rest of the world	18.5	24.1	42.6	14.1	21.1	35.2
Net Sales	**372.8**	**324.7**	**697.5**	**363.4**	**257.6**	**621.0**

[1]Net sales in Finland (company's country of domicile) totalled to EUR 13.0 million (10.1).
[2]Figures for 1-9/2021 restated for comparability reasons.

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

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

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

4. Taxes

Total income tax expense of the Group for the reporting period was EUR 10.2 million (11.6) corresponding to a reported effective tax rate of 33.6 per cent (29.5). The tax expenses are impacted by the following non-deductible items: an EUR 6.9 million impairment and write-down of the Russian business assets and liabilities, an EUR 3.7 million non-cash expense in relation with the restructuring of the Irish subsidiary, a trademark amortisation of EUR 2.7 million related to previous years company structuring and a disposal loss of 0.5 million on the divestment of a group company in China. When excluding these effects, the effective tax rate is 23.3 per cent (27.3).

5. Intangible and tangible assets

Intangible assets

EUR million	30 Sep 2022	30 Sep 2021	31 Dec 2021
Opening balance	**405.5**	**403.4**	**403.4**
Effect of exchange rates	-0.2	0.0	0.0
Purchases of subsidiaries and business acquisitions	19.4	3.8	3.9
Additions	0.6	0.4	1.1
Disposals	0.0	-0.1	0.0
Transfers	-0.5	0.0	-
Amortisation	-2.8	-2.2	-2.9
Impairment charges	-4.0	-	-
Closing balance	**418.1**	**405.4**	**405.5**

Property, plant and equipment

EUR million	30 Sep 2022	30 Sep 2021	31 Dec 2021
Opening balance	**131.9**	**133.3**	**133.3**
Effect of exchange rates	-0.9	0.9	1.3
Purchases of subsidiaries and business acquisitions	1.3	-	2.9
Classified as held for sale	-1.2	-	-
Additions	13.8	6.7	11.9
Disposals	-24.5	-1.2	-1.9
Transfers	-0.2	3.0	3.6
Depreciations	-15.3	-15.9	-19.9
Depreciations on disposals	20.6	0.7	0.8
Impairment charges	-3.3	-	-
Closing balance	**122.3**	**127.4**	**131.9**

Right-of-use assets

EUR million	30 Sep 2022	30 Sep 2021	31 Dec 2021
Opening balance	**31.3**	**30.9**	**30.9**
Effect of exchange rates	-0.4	0.5	0.7
Purchases of subsidiaries and business acquisitions	2.8	0.5	0.5
Classified as held for sale	-0.1	-	-
Additions	8.9	5.3	6.5
Disposals	-2.1	-0.1	-
Depreciations	-5.9	-5.4	-7.4
Impairment charges	-0.4	-	-
Closing balance	**34.2**	**31.7**	**31.3**

6. Changes in the shares outstanding during the reporting period

The company's registered share capital on 30 September 2022 was EUR 3,080,000. The company has two share classes of which class C shares are listed and class F shares are held by Purmo Group Plc's (former Virala Acquisition Company's) founding shareholder, Virala Corporation. The number of outstanding shares at the end of the reporting period was 41,046,310 class C shares and 1,565,217 class F shares. The company has no treasury shares. The shares have no nominal value. The company's class F shares ("Founder Shares") are subject to redemption and consent clauses in accordance with the Articles of Association, which restrict the rights to transfer or acquire Founder Shares. The Founder Shares are not publicly traded.

On 1 March 2022 Purmo Group announced a directed share issue of 671,779 class C shares to the sellers of TT Thermotech Intressenter AB in connection with the acquisition of the company. The subscription price was EUR 13.50 per class C share and the subscription price totalling EUR 671,779 has been recorded to the reserve of invested unrestricted equity.

On 27 September 2022 Purmo Group announced that the board approved a total of 66,403 subscriptions of new class C shares in the directed share issue to management and key employees. The subscription price was EUR 10.23 per class C share and the subscription price totalling EUR 671,302.69 has been recorded to the reserve of invested unrestricted equity at the end of the reporting period. The new class C shares subscribed for in the directed personnel share issue was entered in the Finnish Trade Register on 25 October 2022.

After the trade registration, the number of the company's outstanding shares well be 41,112,713 class C shares and 1,565,217 class F shares. The new shares will establish shareholder rights as of registration date. The class C shares will be traded on the Nasdaq Helsinki Ltd together with the old shares as from 26 October 2022.

		Number of outstanding shares (pcs)	
		Class C share	Class F share
1 Jan 2022		**40,374,531**	**1,565,217**
1 Mar 2022	Directed share issue of class C shares	671,779	-
30 Sep 2022		**41,046,310**	**1,565,217**

7. Financial instruments and financial risk management

In July-September 2022, the company entered into interest rate derivative agreement in order to hedge its exposure against fluctuations against market interest rates. According to Group Treasury Policy, approved by the Board of Directors, the target average interest fixing is 12 months. At the reporting date the average interest fixing term was 12 months.

At the end of the reporting date the company had the following undrawn credit facilities; EUR 80 million committed revolving credit facility, EUR 20.5 million overdraft facilities and EUR 125.0 million uncommitted M&A facility.

Carrying amounts and fair values of financial instruments

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

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

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

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

30 Sep 2022

EUR million	Carrying amount: Fair value through OCI	Fair value through profit or loss	Amortised cost	Total	Fair value	Fair value hierarchy level
Financial assets						
Forward foreign exchange contracts	2.6	1.1		3.7	3.7	Level 2
Interest rate derivatives	1.8			1.8	1.8	Level 2
Trade receivables			132.3	132.3	132.3	Level 2
Cash and cash equivalents[1]			64.3	64.3		
Total assets	**4.4**	**1.1**	**196.5**	**202.0**	**137.7**	
Financial liabilities						
Forward foreign exchange contracts	3.0	0.1		3.1	3.1	Level 2
Loans from financial institutions			279.7	279.7	279.7	Level 2
Commercial papers			25.0	25.0	25.0	Level 2
Redemption liability[2]			7.7	7.7	7.7	Level 3
Trade payables			104.1	104.1	104.1	Level 2
Total liabilities	**3.0**	**0.1**	**416.4**	**419.4**	**419.4**	

[1]Cash and cash equivalents include EUR 11.1 MEUR classified as assets held for sale.
[2]The redemption liability has been classified as liabilities related to assets held for sale.

30 Sep 2021

EUR million	Carrying amount: Fair value through OCI	Fair value through profit or loss	Amortised cost	Total	Fair value	Fair value hierarchy level
Financial assets						
Forward foreign exchange contracts	0.5[1]	-		0.5	0.5	Level 2
Related party vendor note receivable			4.2	4.2	4.2	Level 2
Trade receivables			142.6	142.6	142.6	Level 2
Cash and cash equivalents			32.2	32.2		
Total assets	**0.5**	**-**	**179.0**	**179.5**	**147.3**	
Financial liabilities						
Forward foreign exchange contracts	1.2[1]	-		1.2	1.2	Level 2
Loans and other liabilities from related party			98.0	98.0	98.0	Level 2
Loans from financial institutions			2.1	2.1	2.1	Level 2
Redemption liability			7.8	7.8	7.8	Level 3
Trade payables			102.1	102.1	102.1	Level 2
Total liabilities	**1.2**	**-**	**210.1**	**211.3**	**211.3**	

31 Dec 2021

EUR million	Carrying amount: Fair value through OCI	Fair value through profit or loss	Amortised cost	Total	Fair value	Fair value hierarchy level
Financial assets						
Forward foreign exchange contracts	0.5[1]	0.1[1]		0.7	0.7	Level 2
Trade receivables			77.1	77.1	77.1	Level 2
Cash and cash equivalents			177.6	177.6		
Total assets	**0.5**	**0.1**	**254.7**	**255.4**	**77.8**	
Financial liabilities						
Forward foreign exchange contracts	1.4	0.6		2.0	2.0	Level 2
Loans from financial institutions			372.7	372.7	372.7	Level 2
Redemption liability			8.1	8.1	8.1	Level 3
Trade payables			116.7	116.7	116.7	Level 2
Total liabilities	**1.4**	**0.6**	**497.5**	**499.4**	**499.4**	

[1]Restated to correct figures.

8. Provisions

EUR million	30 Sep 2022	30 Sep 2021	31 Dec 2021
Non-current			
Warranties and guarantees	1.4	1.4	1.4
Restructuring	0.1	0.0	-
Other provisions	6.3	5.3	6.2
Total	**7.9**	**6.7**	**7.6**
Current			
Warranties and guarantees	0.1	0.2	0.1
Restructuring	0.5	5.1	4.8
Other provisions	-	1.0	-
Total	**0.6**	**6.3**	**4.9**

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

9. Commitments and contingencies

EUR million	30 Sep 2022	30 Sep 2021	31 Dec 2021
Guarantees			
Bank guarantees	9.1	5.7	8.0
Parent guarantees	28.5	15.2	21.0
Total	**37.6**	**20.9**	**29.0**

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

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

10. Related parties

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

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

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

The following table summarizes the related party transactions and balances:

EUR million	1–9/2022	1–9/2021	2021
Items in the income statement			
Interest income	-	0.1	0.1
Interest expense	-	1.7	-2.2
Purchases	0.1	0.4	-0.5
Derivative instruments, gain	-	0.0	-0.0
Items in the balance sheet			
Vendor note receivable	-	4.6	-
Loans	-	98.0	-
Current liabilities	0.1	0.0	0.0
Current receivables	-	-	0.1
Items recognized in equity			
Dividend and repayment of capital	-5.0	-15.0	-266.4
Merger	-	-	152.1

11. Business Combinations

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

Preliminary fair values of acquired assets and liabilities at time of acquisition:

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

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

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

TT Thermotech Intressenter AB had a EUR 15.4 million impact on net sales for July–September 2022 and the impact on net profit was EUR 0.7 million. If the acquisition had taken place on 1 January 2022, according to management estimates, the impact on Group net sales would have been EUR 19.9 million and on the net profit EUR 0.8 million.

12. Disposals

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

13. Assets held for sale

End of March 2022 Purmo Group took the decision to exit its business in Russia. The Group will seek to divest and complete an orderly transfer of the business to a new owner, in compliance with international and local laws and considering the wellbeing of our employees in Russia. Upon completion of the divestment, the Group will no longer have a manufacturing operation or sales in Russia. The Russian business has been measured at fair value less costs to sell and classified as assets held for sale and continuing operations.

The Group's management has assessed the balance sheet impact of the decision to divest the business in Russia. The management has considered indicators of impairment of goodwill and intangible assets, the recoverable amount of property plant and equipment and right-of-use assets, the valuation of inventories, trade receivables and the redemption liability. Due to the significant uncertainties related to the business in Russia the Group has recognised impairment charges and write-downs of EUR 6.9 million on goodwill, intangible assets, property, plant and equipment, right-of-use assets, inventories and the redemption liability.

EUR million	30 Sep 2022
Assets held for sale[1]	
Right-of-use assets	1.3
Inventories	11.0
Other assets	5.4
Cash and cash equivalents	11.1
Total	**28.9**
Liabilities related to assets held for sale[1]	
Interest-bearing liabilities	7.7
Other liabilities	3.5
Total	**11.2**

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

14. Events after the reporting period

On 5 October 2022, Purmo Group announced a strategy acceleration programme to strengthen the execution of the strategy launched in 2021. The programme addresses a broad area of strategic and operational initiatives, with focus on improving net sales growth, profitability and net working capital efficiency to support reaching its financial targets communicated in conjunction with the stock listing in January 2022.

In conjunction with the programme the company announced a new organisational structure effective from 1 January 2023. The new organisational structure supports the execution of the programme, aligns resources with the strategic direction and strengthens customer focus. The new organisation is based on two business divisions: Climate Products & Systems and Climate Solutions.
Purmo Group will start reporting based on the new organisation structure from the first quarter of 2023 onwards. The new reporting segments will be Climate Products & Systems and Climate Solutions. The company will provide adjusted comparison figures for the new segments well in advance of the publication of the January–March 2023 interim report.

On 8 November 2022, Purmo Group announced that due to the weak market environment, the company expands its earlier announced strategy acceleration programme. The targeted adjusted EBITDA run-rate improvements are EUR 20 million (upgraded from 15 million) by the end of 2023, and cumulatively EUR 40 million (upgraded from 35 million) by the end of 2024.

The upgraded profitability improvements will include both variable and fixed cost savings, excluding areas where the market growth is expected to continue including Italy, Brazil and China. Additionally, company evaluates accelerating footprint optimisation, covering both manufacturing and supply chain.

The costs for the programme are expected to be approximately EUR 43 million (previously 40 million), of which EUR 33 million (previously 30 million) is expected to incur before the end of 2023 and the remainder in 2024.

Key figures

EUR million	7–9/2022	7–9/2021	Change, %	1–9/2022	1–9/2021[1]	Change, %	1–12/2021
Net sales	216.3	218.5	-1%	697.5	621.0	12%	843.6
EBITDA	18.6	16.8	10%	72.1	68.8	5%	33.6
EBITDA margin	8.6%	7.7%		10.3%	11.1%		4.0%
Adjusted EBITDA	19.6	25.4	-23%	76.6	81.3	-6%	103.9
Adjusted EBITDA margin	9.1%	11.6%		11.0%	13.1%		12.3%
EBITA	11.4	9.7	18%	47.3	47.5	0%	6,3
EBITA margin	5.3%	4.4%		6.8%	7.7%		0.8%
Adjusted EBITA	12.5	18.2	-32%	55.4	60.0	-8%	76.6
Adjusted EBITA margin	5.8%	8.3%		7.9%	9.7%		9.1%
EBIT	10.5	8.9	17%	40.5	45.3	-11%	3.5
EBIT margin	4.8%	4.1%		5.8%	7.3%		0.4%
Profit before tax	6.2	6.8	-9%	30.4	39.5	-23%	-5.1
Profit for the period	5.3	3.6	47%	20.2	27.9	-28%	-18.8
Adjusted profit for the period	6.3	12.2	-48%	32.3	40.4	-20%	51.4
Earnings per share, basic, EUR	0.13	0.13	2%	0.49	0.97	-49%	-0.65
Adjusted earnings per share, basic, EUR	0.15	0.42	-64%	0.78	1.40	-44%	1.77
Cashflow from operating activities	-2.2	-2.4	-7%	-9.1	3.2	-387%	35.4
Capex	5.1	3.9	33%	12.4	8.0	56%	14.8
Acquisitions	-	-	-	14.6	4.5	223%	4.5
Adjusted operating cash flow for the last 12 months				35.0	61.3[1]	-43%	53.1
Cash conversion				35.3%	58.2%[1]		51.1%
Cash and cash equivalents				53.1	32.2	65%	177.6
Net working capital				129.6	94.0[1]	38%	72.3
Operating capital employed				333.4	289.4[1]	15%	271.8
Return on operating capital employed				-0.4%	18.8%[1]		1.3%
Net debt				288.3	112.6	156%	239.5
Net debt / Adjusted EBITDA				2.9	1.1	172%	2.3
Equity / Asset ratio				40.8%	56.7%		37.3%
Return on equity				-6.5%	6.6%		-4.2%

[1]Figures for 1-9/2021 restated for comparability reasons.

Calculation of key figures

Key figure	Definition	Reason for use
EBIT	Profit before tax and net financial items (Operating profit).	EBIT is used to measure profitability generated by operating activities of the Group.
EBIT margin	EBIT as per centage of net sales.	
EBITDA	Operating profit before depreciation, amortisation and impairment.	EBITDA is an indicator to measure the operating performance of the Group, before depreciation, amortisation and impairment.
EBITDA margin	EBITDA as per centage of net sales.	
EBITA	Operating profit before the amortisation of intangibles including trademarks.	EBITA is an indicator to measure the operating performance of the Group, before amortisation of intangibles including trademarks.
EBITA margin	EBITA as per centage of net sales.	
Gross profit	Net sales less cost of sales.	
Comparability adjustments	Comparability adjustments comprise of direct transaction and integration costs on M&A activities, restructuring costs and costs incurred in connection with performance improvement programmes, costs that have been incurred in connection with the formation of Purmo Group and costs incurred to achieve stand-alone readiness which will not continue post-merger as well as costs incurred as a result of Rettig Group's ownership comprising of management fees and Rettig Group's legacy incentive plans in addition to other one-off costs such as legal claims or significant out-of-period adjustments and exceptional gains and losses on sale of fixed assets.	Comparability adjustments account for items that have been adjusted due to specific events that otherwise affect comparability between different periods. Provides a better understanding to management and investors of the comparable operating activities. Adjusted EBITDA, adjusted EBITDA margin, Adjusted EBITA and Adjusted EBITA margin are presented in addition to EBIT, EBITDA and EBITA to reflect the underlying business performance by adjusting for items that the Group considers impacting comparability ("Comparability adjustments").
Adjusted EBITDA	EBITDA before comparability adjustments.	
Adjusted EBITDA margin	Adjusted EBITDA as per centage of net sales.	
Adjusted EBITA	EBITA before comparability adjustments.	
Adjusted EBITA margin	Adjusted EBITA as per centage of net sales.	
Adjusted profit for the period	Profit before the period before comparability adjustments.	
Capex	Capex is a measure of capital expenditure for the period which comprises the Group's investments in property plant and equipment and intangible assets derived from the consolidated cash flow statement.	Capex is an indicator of the Group's investments in property plant and equipment and intangible assets.
Acquisitions (M&A)	Acquisitions of subsidiaries and investments in associates derived from the consolidated cash flow statement for the period.	Acquisition capex is an indicator for investments in acquisition of businesses that are intended to grow the Group's product or service offering, assets or technologies, productive capacity or performance.
Adjusted operating cash flow for the last 12 months	Adjusted EBITDA on a rolling twelve-month basis less change in net working capital and capex on a rolling twelve-months basis.	Adjusted operating cash flow provides information on the Group's operating cash flow on an annualised basis, excluding adjusting items.
Cash conversion	Adjusted operating cash flow divided by Adjusted EBITDA based on a rolling twelve-month calculation.	Cash conversion is used to assess Purmo Group's efficiency to convert its operating results into cash. The ratio indicates the Group's capacity to pay dividends and / or generate funds for acquisitions or other transactions.
Net working capital	Purmo Group's inventories, operative receivables less trade and other operative liabilities.	Net working capital is a useful measure to monitor the level of direct net working capital tied to the operations and changes therein.
Operating capital employed	Net working capital, other intangible assets, property, plant, equipment and right-of-use assets	Capital employed presents the total investment in the Group's business operations.
Return on operating capital employed	EBIT based on a rolling twelve-month calculation divided by operating capital employed.	Measures the return on the capital tied up in the business.
Net debt	Non-current and current borrowings (including shareholder loan) and non-current and current lease liabilities less cash and cash equivalents.	To show the net of interest-bearing assets and interest-bearing liabilities.
Net debt/Adjusted EBITDA	Net debt divided by Adjusted EBITDA based on a rolling twelve-month calculation.	The ratio indicates how fast the Group can repay its net debt using adjusted EBITDA (expressed in years), and it is a useful measure to monitor the level of the Group's indebtedness.
Equity to Asset ratio	Total equity attributed to the owners of the company divided by total assets derived from the IFRS consolidated financial statements.	The ratio is a useful indicator to measure how much of the Group's assets are funded by issuing shares rather than through external borrowings.

Return on equity	Group's profit for the period attributable to the owners of the Parent based on a rolling twelve-month basis divided by the average total equity attributable to owners of the company.	Shows owners the return on their invested capital.

Reconciliation of Alternative Performance Measures

EUR million unless otherwise indicated	7–9/2022	7–9/2021	1–9/2022	1–9/2021	2021
Comparability adjustments					
IFRS 2 merger impact	–	–	–	–	52.3
M&A related transactions and integration costs	1.3	–	1.6	0.0	0.1
Restructuring costs and one-off costs related to efficiency programs	-0.2	6.1	3.3[1)]	8.6	8.9
Formation of Purmo group and standalone preparations	–	2.2	0.3	2.9	6.6
Management fee to owners and legacy Rettig Group incentive plans	–	0.6	–	1.4	2.4
Impairment and write-down charges	–	–	6.9	–	–
Other	–	-0.4	–	-0.4	0.0
Total adjustments	**1.0**	**8.6**	**12.1**	**12.5**	**70.2**
[1)]Includes EUR 3.7 million non-cash expenses					
Net sales	216.3	218.5	697.5	621.0	843.6
EBIT	**10.5**	**8.9**	**40.5**	**45.3**	**3.5**
EBIT margin	4.8%	4.1%	5.8%	7.3%	0.4%
Amortisation and impairment	0.9	0.7	6.8	2.2	2.9
EBITA	**11.4**	**9.7**	**47.3**	**47.5**	**6.3**
EBITA margin	5.3%	4.4%	6.8%	7.7%	0.8%
Depreciation and impairment	7.1	7.2	24.8	21.3	27.3
EBITDA	**18.6**	**16.8**	**72.1**	**68.8**	**33.6**
EBITDA margin	**8.6%**	7.7%	10.3%	11.1%	4.0%
Adjusted EBITDA					
EBIT	10.5	8.9	40.5	45.3	3.5
Depreciation, amortisation and impairment excluding comparability adjustments	8.1	7.9	24.0	23.4	30.2
Adjustments	1.0	8.6	12.1	12.5	70.2
Adjusted EBITDA	**19.6**	**25.4**	**76.6**	**81.3**	**103.9**
Adjusted EBITDA margin	**9.1%**	**11.6%**	**11.0%**	**13.1%**	**12.3%**
Adjusted EBITA					
EBIT	10.5	8.9	40.5	45.3	3.5
Amortisation excluding comparability adjustments	0.9	0.7	2.8	2.2	2.9
Adjustments	1.0	8.6	12.1	12.5	70.2
Adjusted EBITA	**12.5**	**18.2**	**55.4**	**60.0**	**76.6**
Adjusted EBITA margin	**5.8%**	**8.3%**	**7.9%**	**9.7%**	**9.1%**
Adjusted profit/loss for the period					
Profit/loss for the period	5.3	3.6	20.0	27.9	-18.8
Adjustments	1.0	8.6	12.1	12.5	70.2
Adjusted profit/loss for the period	**6.3**	**12.2**	**32.3**	**40.4**	**51.4**

EUR million unless otherwise indicated	1–9/2022	1–9/2021	2021
Adjusted Operating cash flow for the last 12 months			
Adjusted EBITDA for the last 12 months	99.2	105.2	103.9
Change in net working capital compared to previous year same period	-43.7	-32.8[1)]	-35.9
CAPEX for last 12 months	-20.5	-11.1[1)]	-14.8
Adjusted Operating cash flow for the last 12 months	**35.0**	**61.3**[1)]	**53.1**
Cash conversion			
Adjusted operating cash flow for the last 12 months	35.0	61.3[1)]	53.1
Adjusted EBITDA in the last 12 months	99.2	105.2	103.9
Cash conversion	**35.3%**	**58.2%**[1)]	**51.1%**
Net working capital			
Inventories	191.2	143.6	157.4
Operative receivables	154.0	164.2	104.7
Operative liabilities	215.6	213.7[1)]	189.7
Net working capital	**129.6**	**94.0**[1)]	**72.3**
Operating capital employed			
Net working capital	129.6	94.0[1)]	72.3
Other intangible assets	47.3	36.2	36.3
Property, plant and equipment	122.3	127.4	131.9
Right-of-use assets	34.2	31.7	31.3
Operating capital employed	**333.4**	**289.4**[1)]	**271.8**
Return on operating capital employed			
Operating capital employed	333.4	289.4[1)]	271.8
EBIT for the last 12 months	-1.4	54.3	3.5
Return on operating capital employed	**-0.4%**	**18.8%**[1)]	**1.3%**
Net debt			
Loans and borrowings (non-current)	278.2	7.8	285.7
Loans and borrowings (current)	26.4	100.1	95.0
Loans and borrowings, assets held for sale	7.1	-	-
Lease liabilities (non-current)	38.4	34.8	30.7
Lease liabilities (current)	1.9	2.1	5.6
Lease liabilities, assets held for sale	0.6	-	-
Cash and cash equivalents	-53.1	-32.2	-177.6
Cash and cash equivalents, assets held for sale	-11.1	-	-
Net debt	**288.3**	**112.6**	**239.5**
Net debt/Adjusted EBITDA			
Net debt	288.3	112.6	239.5
Adjusted EBITDA in the last 12 months	99.2	105.2	103.9
Net debt/Adjusted EBITDA	**2.9**	**1.1**	**2.3**
Equity/Asset ratio			
Equity attributable to owners of the company	431.1	538.0	390.6
Total assets	1,056.3	948.4	1,046.2
Equity/Asset ratio	**40.8%**	**56.7%**	**37.3%**
Return on equity			
The cumulative last 12-month profit attributable to owners of the company	-26.5	34.6	-18.8
Equity attributable to owners of the company beginning of period	390.6	515.5	515.5
Equity attributable to owners of the company end of period	431.1	538.0	390.6
Equity attributable to owners of the company average	410.8	526.7	453.1
Return on equity	**-6.5%**	**6.6%**	**-4.2%**

[1)]Figures for 1-9/2021 restated for comparability reasons.

EUR million unless otherwise indicated	7–9/2022	7–9/2021	1–9/2022	1–9/2021	2021
Basic earnings per share					
Profit/loss attributable to shareholders of the parent company for class C shares	5.3	3.3	20.0	27.4	-18.7
Profit/loss attributable to shareholders of the parent company for class F shares	0.0	0.3	0.1	0.5	-0.1
Profit/loss attributable to the owners of the company	5.3	3.6	20.2	27.9	-18.8
Weighted average number of shares outstanding (pcs)	41,339,788	28,795,673[1)]	41,190,504	28,792,405[1)]	29,124,487
Basic earnings per share, EUR	**0.13**	**0.13**	**0.49**	**0.97**	**-0.65**
Diluted earnings per share					
Profit/loss attributable to shareholders of the parent company for class C shares	5.3	3.3	20.0	27.4	-18.7
Profit/loss attributable to shareholders of the parent company for class F shares	0.0	0.3	0.1	0.5	-0.1
Profit/loss attributable to the owners of the company	5.3	3.6	20.2	27.9	-18.8
Diluted weighted average number of shares outstanding (pcs)	41,339,788	28,972,868[1)]	41,190,504	28,969,601[1)]	29,124,487
Diluted earnings per share, EUR	**0.13**	**0.12**	**0.49**	**0.96**	**-0.65**
Adjusted basic earnings per share					
Adjustments	1.0	8.6	12.1	12.5	70.2
Adjusted profit/loss attributable to shareholders of the parent company for class C shares	6.3	12.1	32.0	40.1	51.1
Adjusted profit/loss attributable to shareholders of the parent company for class F shares	0.0	0.1	0.2	0.3	0.4
Adjusted profit/loss attributable to the owners of the company	6.3	12.2	32.3	40.4	51.4
Weighted average number of shares outstanding (pcs)	41,339,788	28,795,673[1)]	41,190,504	28,792,405[1)]	29,124,487
Adjusted basic earnings per share, EUR	**0.15**	**0.42**	**0.78**	**1.40**	**1.77**
Adjusted diluted earnings per share					
Adjustments	1.0	8.6	12.1	12.5	70.2
Adjusted profit/loss attributable to shareholders of the parent company for class C shares	6.3	12.1	32.0	40.1	51.1
Adjusted profit/loss attributable to shareholders of the parent company for class F shares	0.0	0.1	0.2	0.3	0.4
Adjusted profit/loss attributable to the owners of the company	6.3	12.2	32.3	40.4	51.4
Diluted weighted average number of shares outstanding (pcs)	41,339,788	28,972,868[1)]	41,190,504	28,969,601[1)]	29,124,487
Adjusted diluted earnings per share, EUR	**0.15**	**0.42**	**0.78**	**1.39**	**1.77**

[1)]The number of shares in the comparison period are those of Purmo Group Ltd. 30 September 2021 Purmo Group Ltd shares amounted to 11,073,834 which have been converted using the 31 December 2021 merger conversion ratio 2.600334506.

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