

Relaxing Moments



Natural Wellbeing

HARVIA PLC HALF-YEAR FINANCIAL REVIEW

JANUARY–JUNE 2022

STRATEGY IMPLEMENTATION LED TO MARKET SHARE
INCREASE, NORMALIZING DEMAND AND WAR IN
UKRAINE IMPACTED SALES AND PROFITABILITY

Tapio Pajuharju, CEO

Ari Vesterinen, CFO

11 AUGUST 2022

#healingwithheat

HIGHLIGHTS

Popularity of sauna continued to increase, yet challenging environment visible in Q2

- Direct and indirect impacts of Russian invasion of Ukraine; advance demand driven by COVID-19 faded away
- Declining sales in Germany and adjacent markets decreasing total revenue
- Harvia continued to grow market share, and almost all market areas continued to grow
- Russian sales efforts directed to other markets
- Solid performance in premium and professional products, weakened demand for entry sauna heaters and saunas
- Sauna room sales continued strong development – still water hot tubs taking a hit

Profitability under pressure due to market conditions and sales mix

- Softer than expected sales and unfavorable sales mix reducing profitability
- Strong sauna sales decreased relative profitability, though absolute margin in saunas high
- Slower rotation of Russia related receivables resulting in increased provision
- Actions taken to mitigate the effects of rising costs, full impact to be realized during H2
- Current uncertainty visible in market sentiment and consumer confidence, blurring short-term visibility
- Availability and price of energy may impact consumer confidence and the frequency of sauna usage
- Long-term growth outlook for sauna and spa market still intact

Solid operative performance in the prevailing environment

- Despite of the challenges, team Harvia performing strong
- Cost base, operations and net working capital addressed
- Small add-on investments after high investment level in 2021

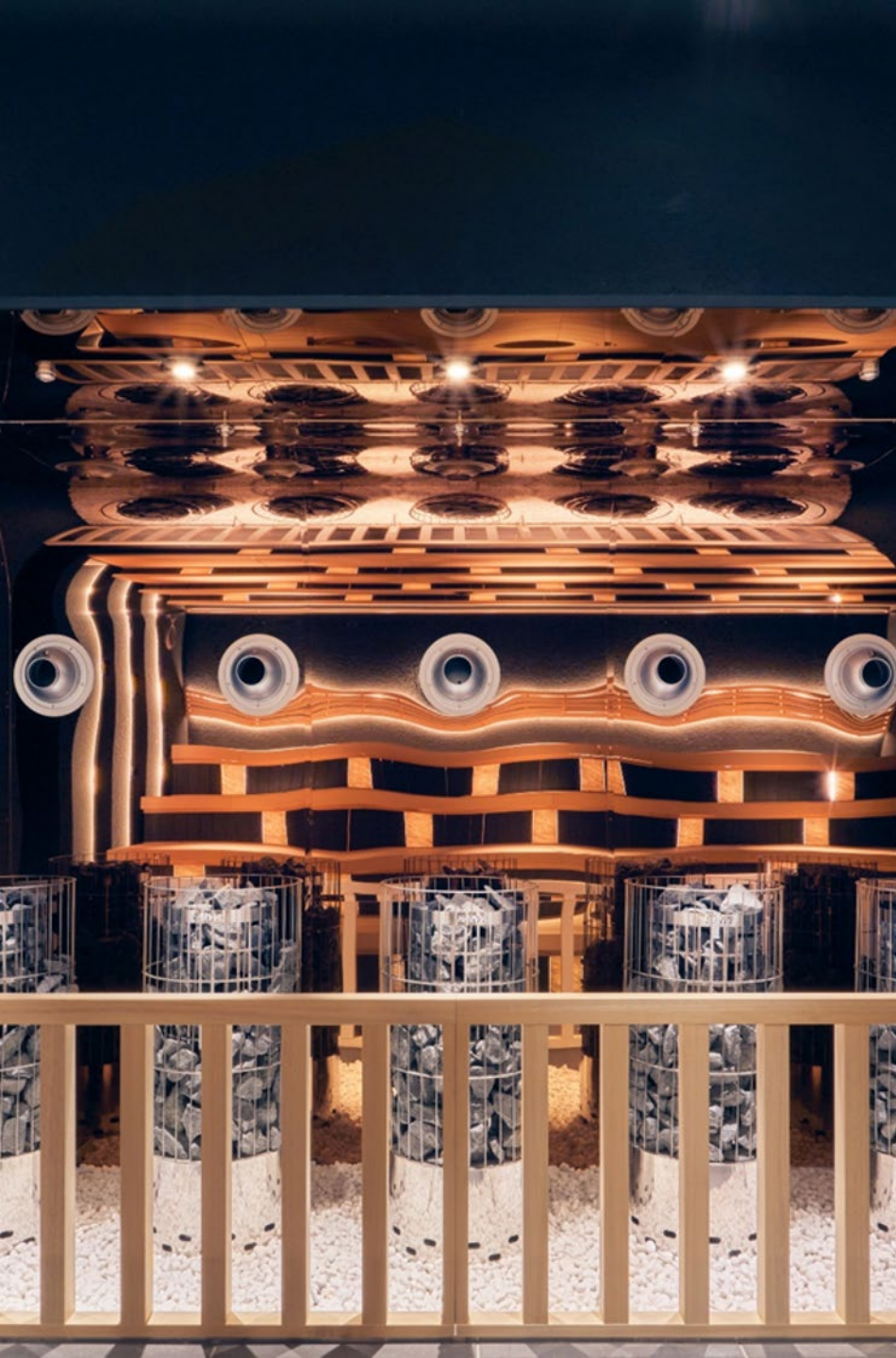
Metsä Spa, Tokio, Japan



Q2: ADVANCE DEMAND FADED AWAY



- **Revenue** decreased by 1.7% to EUR 46.0 million (46.8) compared to the record high comparison period. At comparable exchange rates, revenue decreased by 5.4% to EUR 44.3 million. Organic revenue fell by 9.3%.
- **Operating profit** was EUR 8.7 (12.9) million, making up 19.0% (27.5) of the revenue.
- **Adjusted operating profit** decreased to EUR 8.8 million (13.2), making up 19.1% (28.3) of the revenue. At comparable exchange rates, the adjusted operating profit was EUR 8.2 million (18.5% of the revenue).
- **Earnings per share** were EUR 0.40 (0.49).
- **Operating free cash flow** amounted to EUR 2.1 million (4.0). Net working capital increased during the second quarter.
- **Net debt** amounted to EUR 47.2 million (38.4) and **leverage** was 0.9 (0.9).
- **Equity ratio** was 44.4% (39.3).



H1: SOLID OPERATIVE PERFORMANCE IN RAPIDLY CHANGING ENVIRONMENT



- **Revenue** grew by 12.0% to EUR 96.8 million (86.5). At comparable exchange rates, revenue grew by 9.1% to EUR 94.3 million. Organic revenue grew by 3.2%.
- **Operating profit** was EUR 20.8 (23.9) million, making up 21.5% (27.7) of the revenue.
- **Adjusted operating profit** decreased to EUR 20.9 million (24.4), making up 21.6% (28.2) of the revenue. At comparable exchange rates, the adjusted operating profit was EUR 19.9 million (21.1% of the revenue).
- **Earnings per share** were EUR 0.89 (0.93).
- **Operating free cash flow** amounted to EUR 9.1 million (12.2). Net working capital increased compared to year end 2021.
- **Net debt** amounted to EUR 47.2 million (38.4) and **leverage** was 0.9 (0.9).
- **Equity ratio** was 44.4% (39.3).

SYSTEMATIC EXECUTION OF STRATEGY



Increasing the value of the average purchase

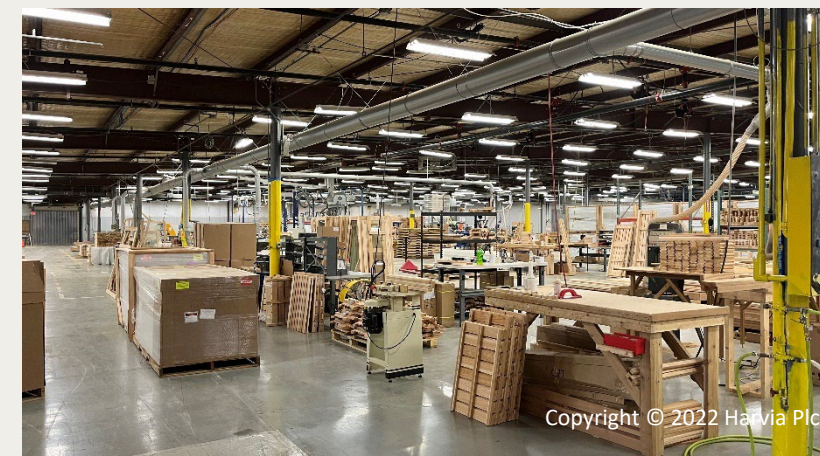
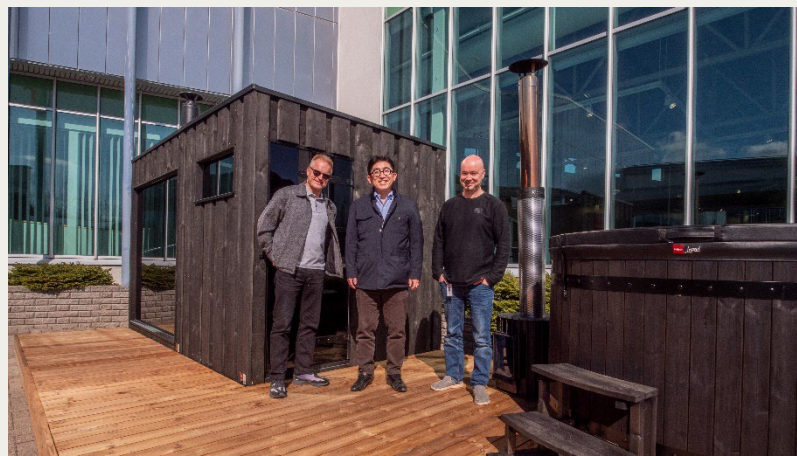
- Sauna room sales growing strongly, supporting the entire sales performance.
- Stable sales performance in premium and professional heaters and equipment.
- Professional channel coming back strongly from COVID-19 effects.

Geographical expansion

- Growth in most market areas: USA, Finland, Scandinavia, Asia and Arab countries.
- Japan continues systematic expansion and good performance with our partner.
- EOS launch is progressing in Finland & Scandinavia, US approval for the core offering obtained.

Productivity improvement & capacity expansion

- Harvia has been able to adjust its operations to fading advance demand and challenging market environment.
- After strong investments and capacity expansion in 2021, only minor add-on investments.
- Lewisburg production facility in USA responding well to continuing strong North American demand.



MERGERS AND ACQUISITIONS



ACQUISITIONS STRENGTHENED HARVIA'S GROWTH AND STRATEGY IN H1 2022

- Inorganic revenue growth was EUR 7.6 million, contributing to 8.8% positive impact on Harvia's revenue growth in H1.
- Kirami and Sauna-Eurox integration continued without hick-ups, both companies working well as part of Harvia Group.

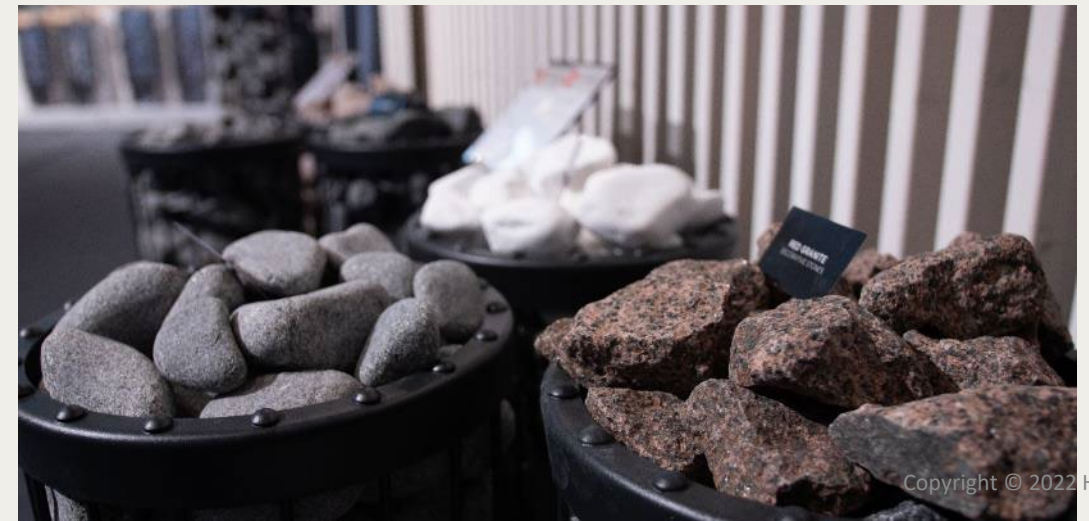
KIRAMI

- Acquired in May 2021.
- Leading Scandinavian still-water hot tub manufacturer and pioneer in wood-heated hot tubs globally – founded in 2001.



SAUNA-EUROX

- Acquired in August 2021.
- One of the world's largest suppliers of safe and sustainable sauna stones both for professional and home use.



IMPACTS OF THE WAR IN UKRAINE

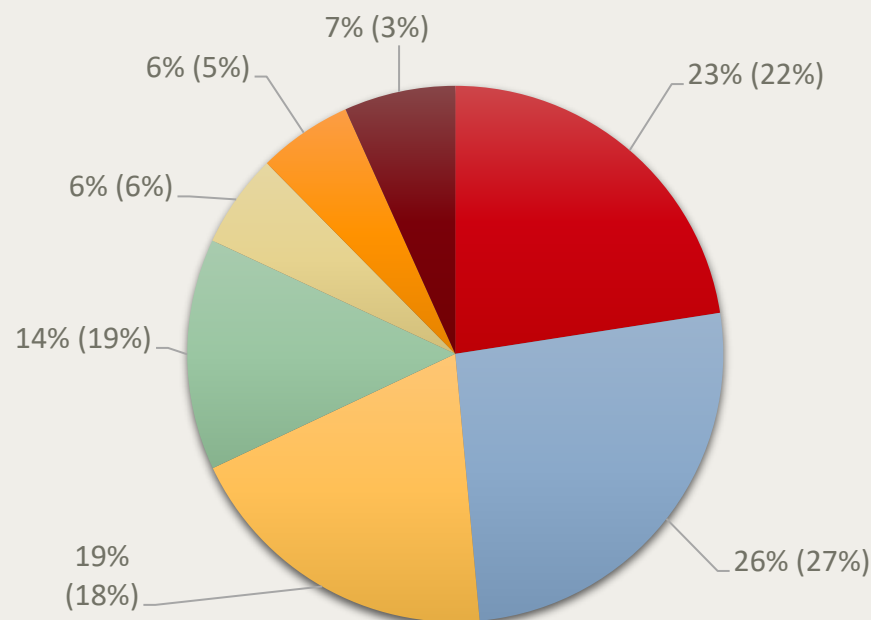


- The Russian invasion of Ukraine has impacted Harvia directly through effects in Russia, Ukraine and related markets and indirectly through changed market conditions.
- Indirectly, the impact of the war is visible in higher raw material prices, inflation and reduced consumer confidence, but the effects are largely limited to European markets.
- Harvia suspended its operations in Russia at the beginning of March. EOS Russia is finishing the strong base of ongoing and prepaid projects. All of the components made by Russian partners have been transferred to Harvia's own operations or partners in Finland.
- Sales in Russia accounted for 6.4 percent of Harvia Group's revenue in 2021 (EUR 11.5 million). In the first half year of 2022, revenue in Russia reached the level of the comparison period due to the EOS Russia projects.
- Harvia does not have a production facility in Russia, but it employed 26 people and has other assets in the country.
- In Q2, slower rotation of Russian related trade receivables resulted in increased provisions for possible future write-downs of the trade receivables in Russia.
- The company is monitoring the developing situation and the potential effects on Harvia extremely closely.

Q2: REVENUE DECREASED BY 1.7% COMPARED TO RECORD HIGH COMPARISON PERIOD



Revenue by market area, %

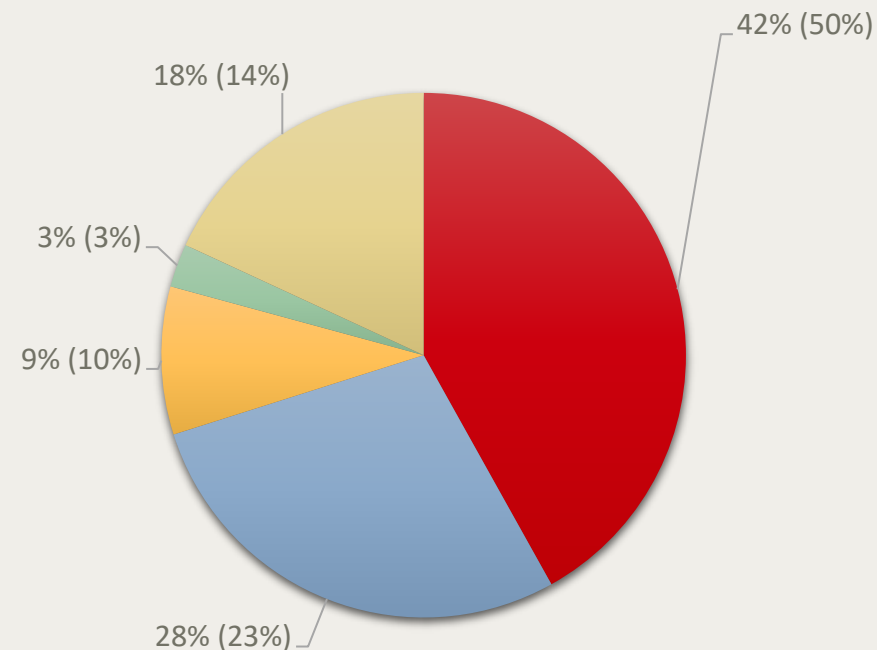


- Finland
- North America
- Russia
- Other countries*
- Other European countries
- Germany
- Scandinavia

- Revenue decreased by 1.7% to EUR 46.0 million (46.8).
- Revenue increased in Scandinavia, North America, Finland, and especially in other countries.

* The largest of which: Arab countries and Asia.

Revenue by product group, %



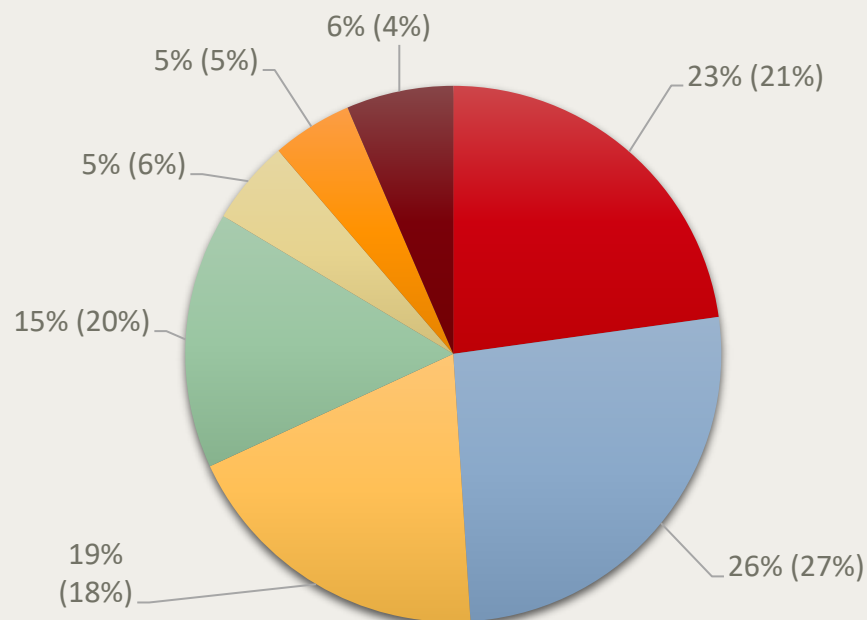
- Sauna heaters
- Sauna rooms & Scandinavian hot tubs
- Control units
- Steam generators
- Other product groups, spare parts and services

- Revenue increased in saunas and other product groups in Q2.
- Sauna heater sales declined in all major market areas, especially in Germany and other European countries.

H1: REVENUE GROWTH OF 12.0% DRIVEN BY STRONG SAUNA SALES DEVELOPMENT



Revenue by market area, %

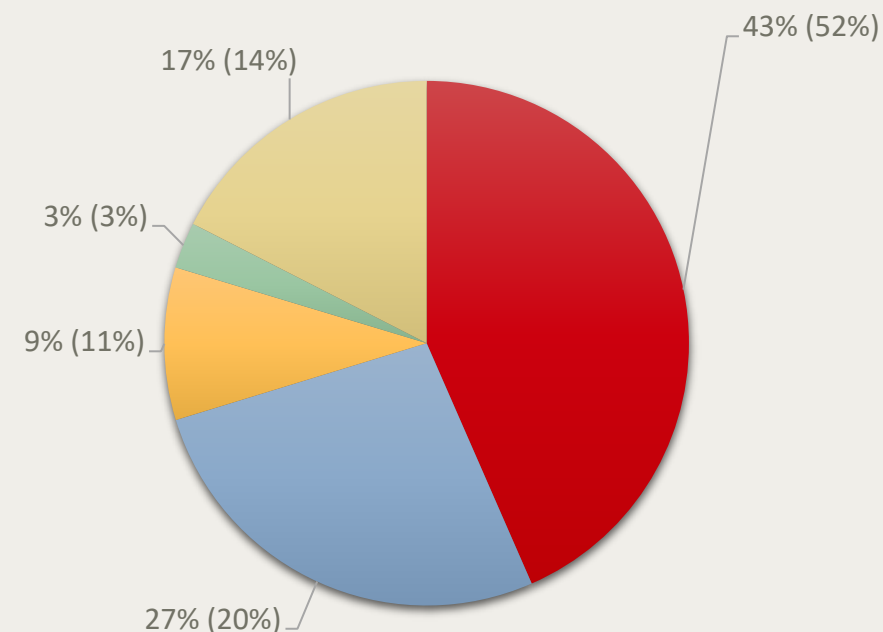


- Finland
- North America
- Russia
- Other countries*
- Other European countries
- Germany
- Scandinavia

- Revenue grew by 12.0% to EUR 96.8 million (86.5).
- Revenue increased in North America, Finland, Scandinavia, other European countries and especially in other countries.

* The largest of which: Arab countries and Asia.

Revenue by product group, %



- Sauna heaters
- Sauna rooms & Scandinavian hot tubs
- Control units
- Steam generators
- Other product groups, spare parts and services

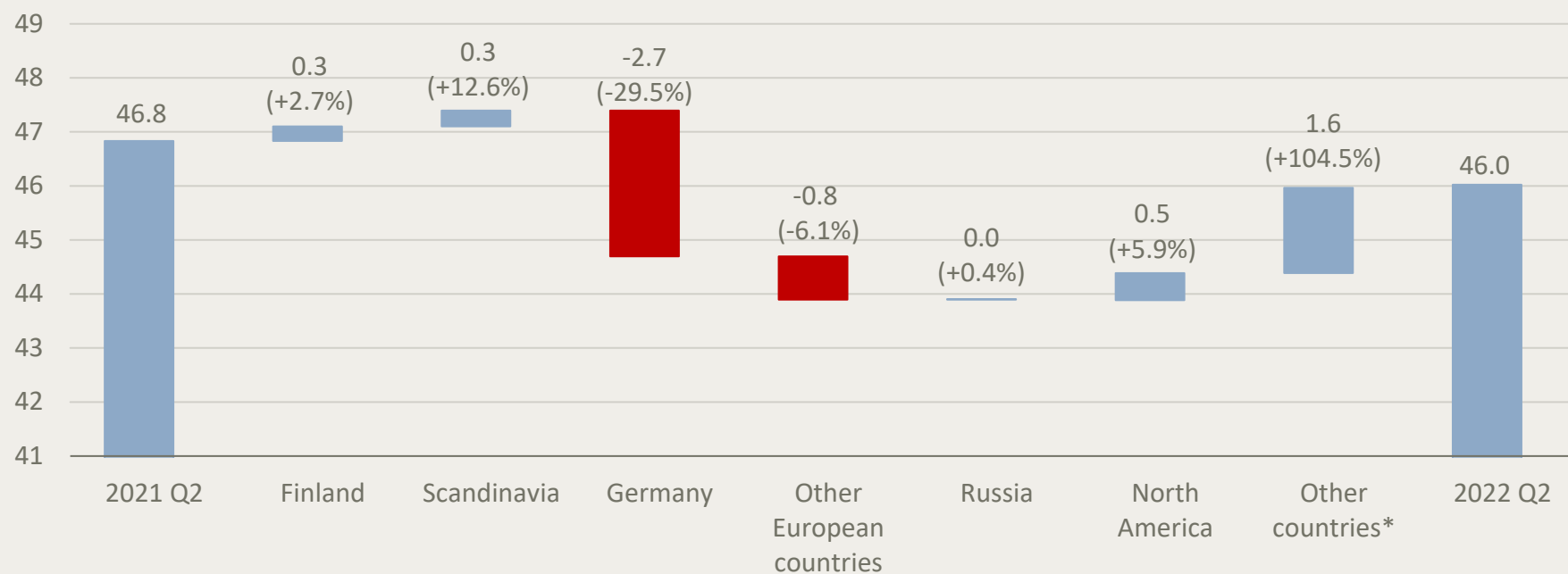
- Revenue increased especially in saunas and other product groups in H1.
- Sauna heater revenue grew in Finland and other countries, but in Germany and other European countries sales declined.

Q2 2022: REVENUE DECREASED BY 1.7%



Revenue by market area 4–6/2021 vs 4–6/2022

EUR million



- Organic revenue decreased by 9.3%.
- Demand in Germany and in Central Europe declined during Q2.
- Revenue increased in North America, Finland, Scandinavia, and especially in other countries.

- At comparable exchange rates, revenue fell by 5.4% to EUR 44.3 million. Calculative effect of exchange rates, which affects the comparability of revenue, was mainly caused by strengthened U.S. dollar.
- The growth in other countries was driven mainly by Asian and Arab countries.

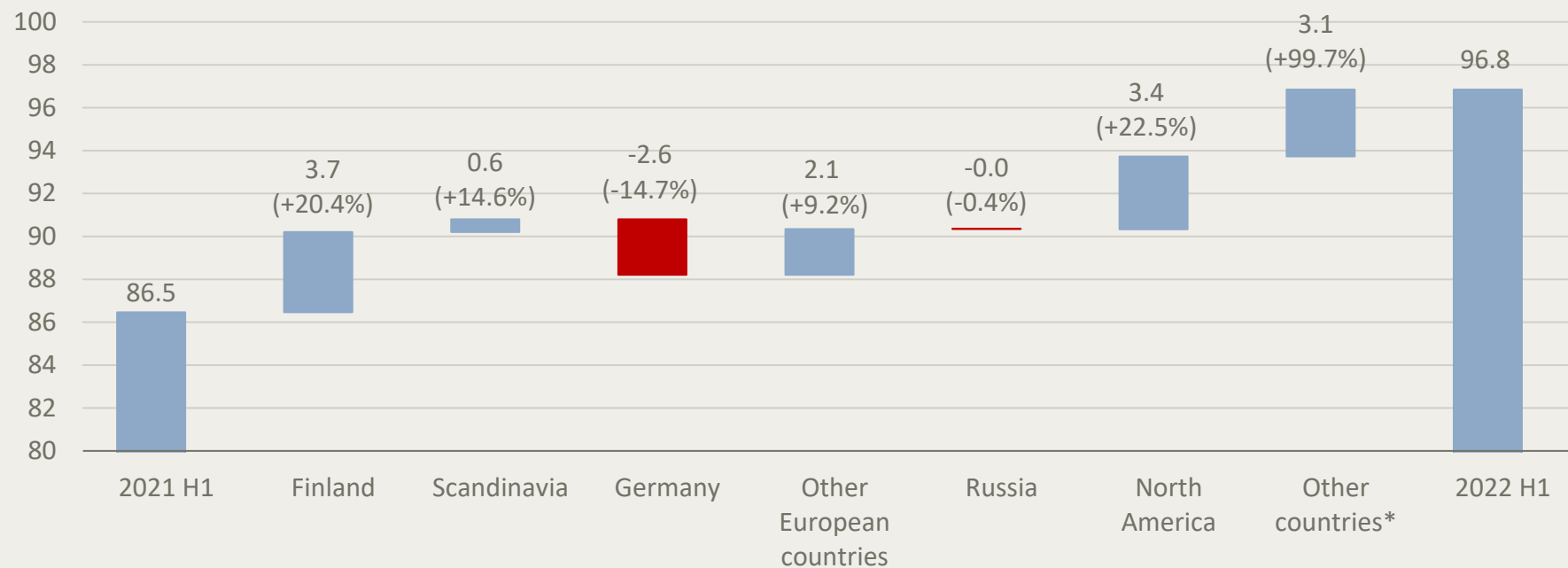
* The largest of which: Arab countries and Asia.

H1 2022: REVENUE INCREASED BY 12.0%



Revenue by market area 1–6/2021 vs 1–6/2022

EUR million



- Organic revenue growth was 3.2%.
- Revenue increased in North America, Finland, Scandinavia, other European countries and especially in other counties.
- Revenue in Germany decreased by 14.7%.

- At comparable exchange rates, revenue grew by 9.1% to EUR 94.3 million. Calculative effect of exchange rates, which affects the comparability of revenue, was mainly caused by strengthened U.S. dollar.
- The growth in other countries was driven mainly by Asian and Arab countries.

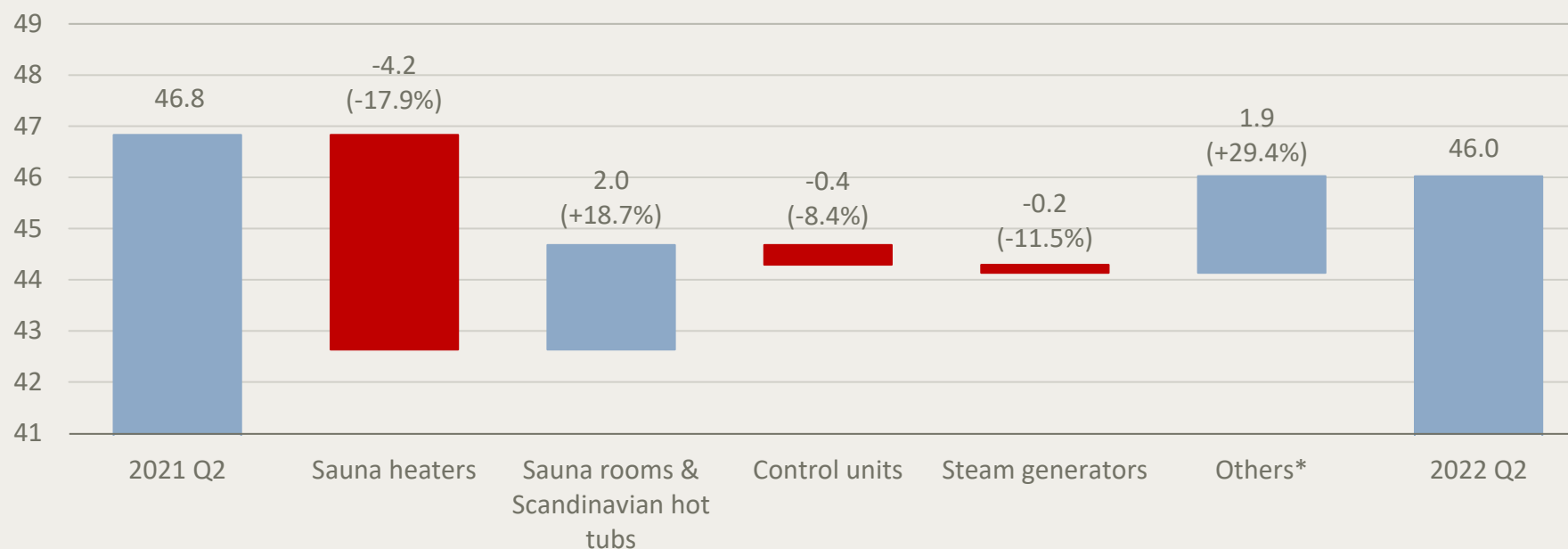
* The largest of which: Arab countries and Asia.

Q2 2022: SAUNA HEATER SALES DECREASED BY 17.9%



Revenue by product group 4–6/2021 vs 4–6/2022

EUR million



- Revenue growth was especially strong in sauna rooms & Scandinavian hot tubs.
- Sauna heater sales developed favorably in Finland and other countries, but sales declined clearly especially in Germany and other European countries.
- Sales of other product groups developed very well, with heater stones driving the growth.

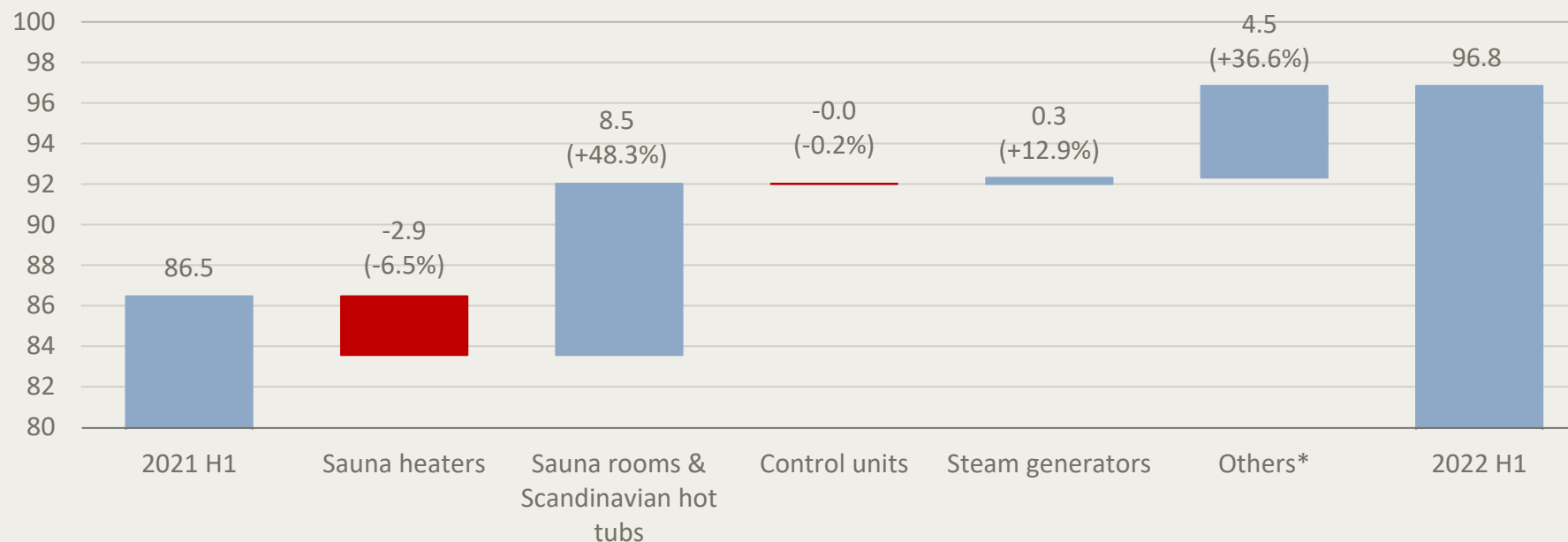
* Includes among others, spa components, infrared radiators, services and sauna equipment.

H1 2022: SAUNA ROOMS DRIVING REVENUE GROWTH



Revenue by product group 1–6/2021 vs 1–6/2022

EUR million



- Revenue growth was especially strong in sauna rooms & Scandinavian hot tubs.
- Sauna heater sales developed favorably in Finland and other countries, but sales declined clearly especially in Germany and other European countries.
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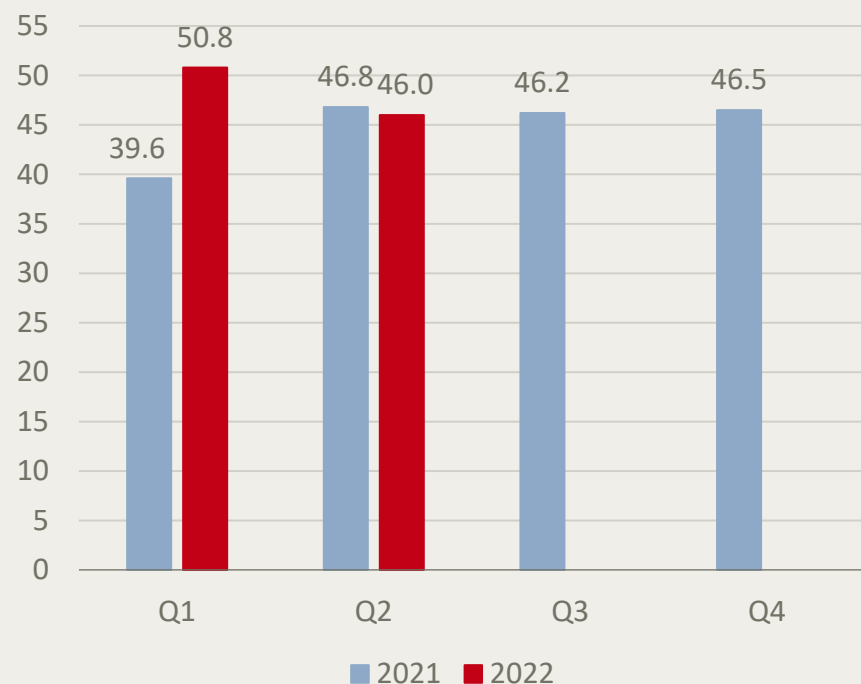
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REVENUE AND ADJUSTED OPERATING PROFIT



Revenue

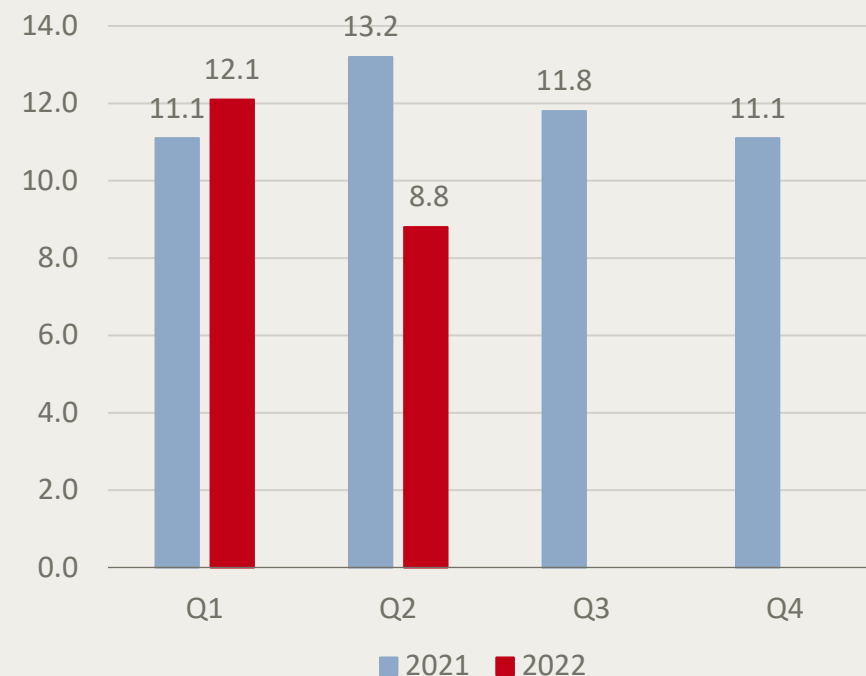
EUR million



- In Q2, revenue increased in North America, Finland, Scandinavia and especially in other countries.
- At comparable exchange rates, revenue decreased by 5.4% and was EUR 44.3 million in Q2.

Adjusted operating profit

EUR million



- Adjusted operating profit decreased to EUR 8.8 million (13.2), making up 19.1% (28.3) of the revenue in the second quarter.

The financial figures of Kirami have been consolidated with Harvia's figures starting from 28 May 2021 and Sauna-Eurox from 31 August 2021.

PRODUCTS FOR ALL THREE SAUNA TYPES AND ALL CULTURES



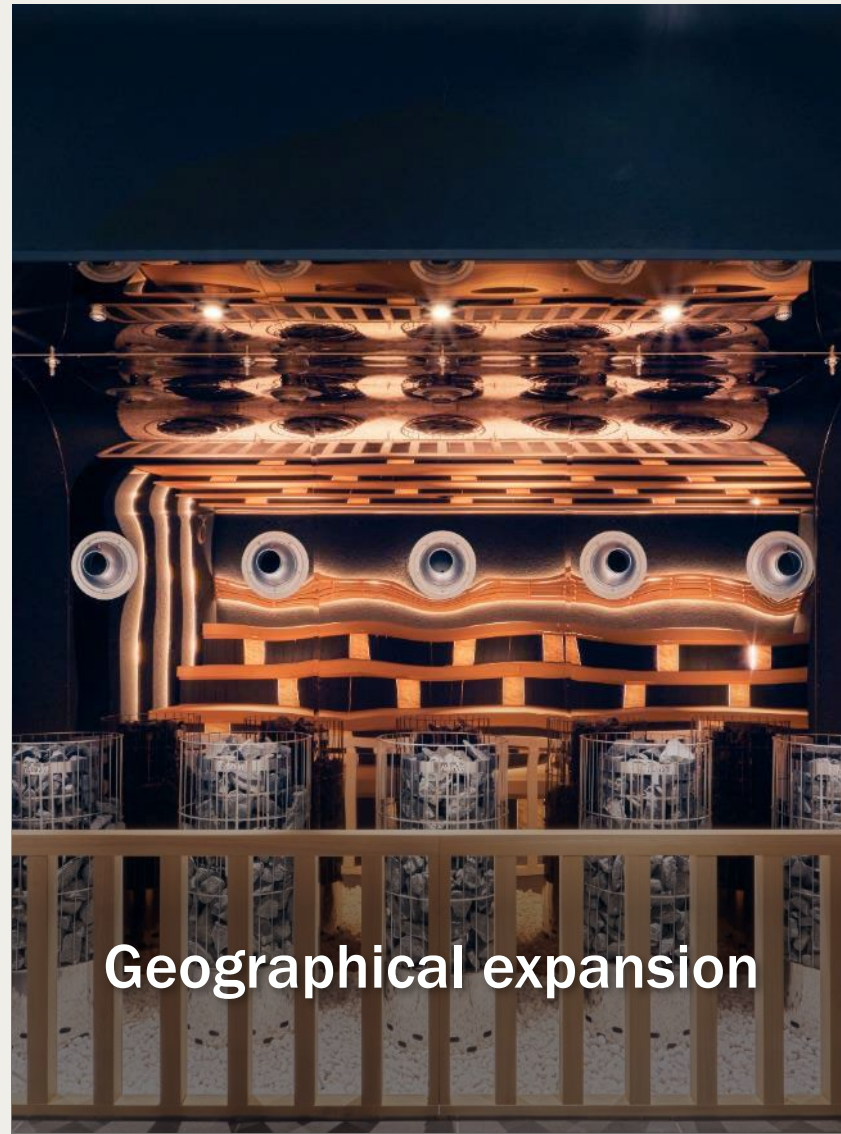
Harvia's diverse product offering covers all three sauna types and meets the needs of both private and professional customers.



HARVIA AIMS TO BE THE LEADING PLAYER IN THE SAUNA AND SPA MARKET



Increasing the value of the average purchase



Geographical expansion



Productivity improvement

EVENTS AFTER H1: HARVIA ACQUIRED THE REMAINING SHARES OF EOS GROUP'S GERMAN OPERATIONS



- On July 27, Harvia acquired a 21.4% minority shareholding of EOS Group's German operations from Mr. Rainer Kunz, Managing Director of EOS Group, at a price of EUR 19.0 million. Following the deal, Harvia has full ownership of EOS Group's German operations.
- The purchase followed the shareholder agreement signed with Mr. Kunz in March 2020 when Harvia acquired the majority of EOS Group shares.
- The price is based on the same adjusted EBITDA multiple defined in the shareholder agreement and applied in the original acquisition. Thus, the price reflects directly EOS Group's post-acquisition EBITDA improvement.
- EOS Group's revenue has grown from EUR 17.3 million in 2019 to EUR 29.5 million for the last 12 months' period ending in May 2022, driven by the strong performance of German operations. At the same time, the relative profitability of EOS Group and its German operations has significantly increased.
- The acquisition was financed with long-term debt.
- After the deal, Mr. Kunz will continue as Managing Director of EOS Group and a member of Harvia's management team after the transaction. He intends to increase his ownership in Harvia.
- The transaction does not affect Harvia's ownership in EOS Russia, of which Harvia owns 80.0%.

FINANCIALS

ARI VESTERINEN, CFO

HARVIA'S KEY FIGURES IN THE REPORTING PERIOD



EUR million	4-6/2022	4-6/2021	Change,%	1-6/2022	1-6/2021	Change,%	1-12/2021
Revenue	46.0	46.8	-1.7%	96.8	86.5	12.0%	179.1
Adjusted EBITDA*	10.4	14.6	-28.6%	24.1	27.0	-10.5%	53.1
% of revenue	22.7%	31.2%		24.9%	31.2%		29.7%
Adjusted operating profit*	8.8	13.2	-33.5%	20.9	24.4	-14.3%	47.3
% of revenue	19.1%	28.3%		21.6%	28.2%		26.4%
Basic EPS (EUR)	0.40	0.49	-18.2%	0.89	0.93	-3.5%	1.8
Operating free cash flow	2.1	4.0	-48.7%	9.1	12.2	-25.7%	20.4
Investments in tangible and intangible assets	-1.2	-4.1	-71.3%	-2.1	-5.5	-61.8%	-11.8
Net debt	47.2	38.4	22.9%	47.2	38.4	22.9%	43.8
Leverage	0.9	0.9		0.9	0.9		0.8
Net working capital	55.8	29.5	89.0%	55.8	29.5	89.0%	41.9
Adjusted return on capital employed (ROCE)	80.9%	103.4%		80.9%	103.4%		112.6%
Equity ratio	44.4%	39.3%		44.4%	39.3%		42.4%
Number of employees at end of period	821	822	-0.1%	821	822	-0.1%	824

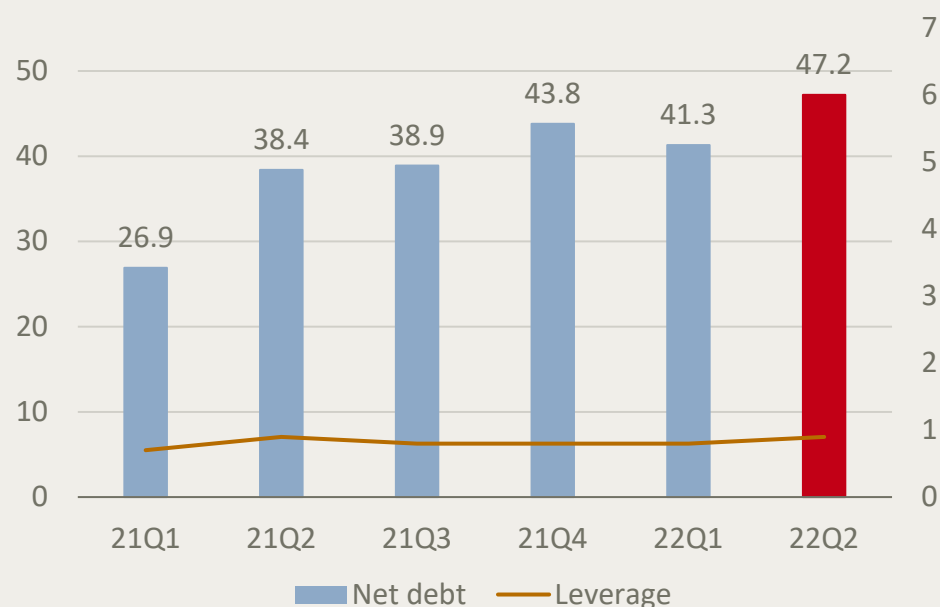
* Adjusted by items affecting comparability.

NET FINANCE COSTS DECREASED



Net debt and leverage

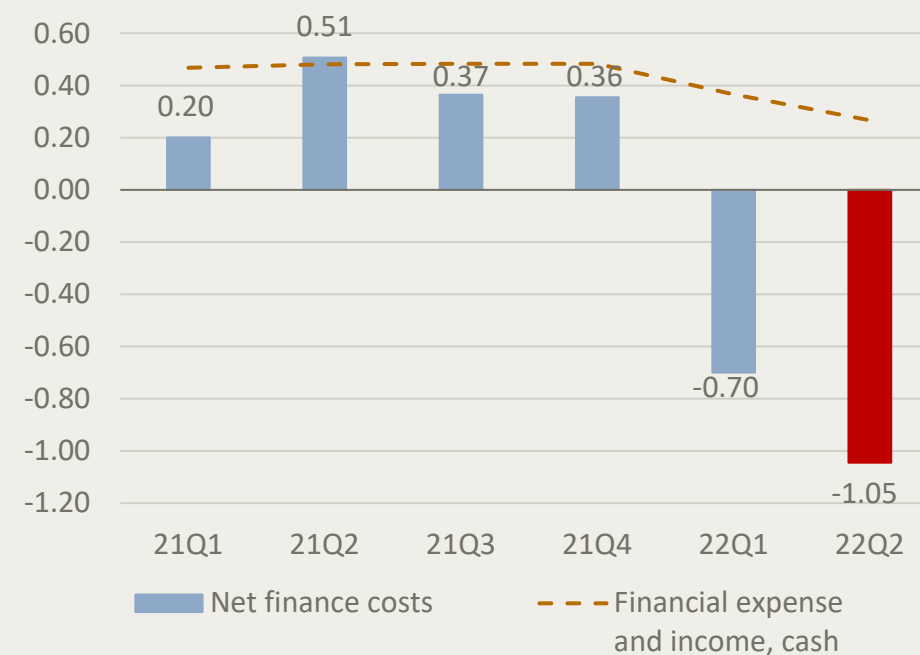
EUR million



- At the end of June 2022, the company's net debt amounted to EUR 47.2 million (38.4). Loans from credit institutions were EUR 60.4 million (56.8) and lease liabilities EUR 2.8 million (3.0). Cash and cash equivalents were EUR 16.0 million (21.4).
- Leverage was 0.9 (0.9).
- Net debt does not include minority redemption liabilities or purchase price liabilities resulting from acquisitions.

Net finance costs

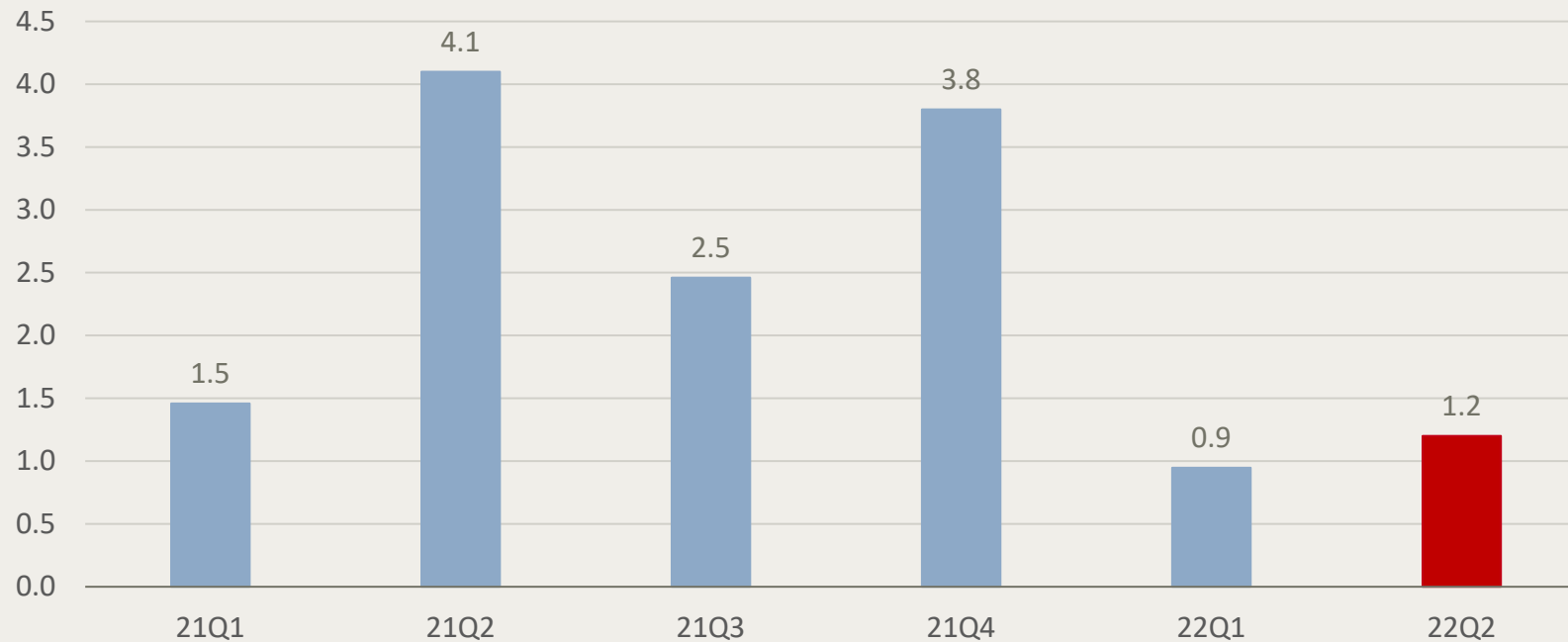
EUR million



- Net finance costs were negative due to change in the fair value of Harvia's interest rate swap. Interest rates went up during H1 2022, which increased the fair value of the interest rate swap derivative.
- Net financial expenses paid in cash decreased in the review period: Harvia renegotiated the terms of its term loan and revolving credit limit at the end of 2021.

Investments in tangible and intangible assets

EUR million

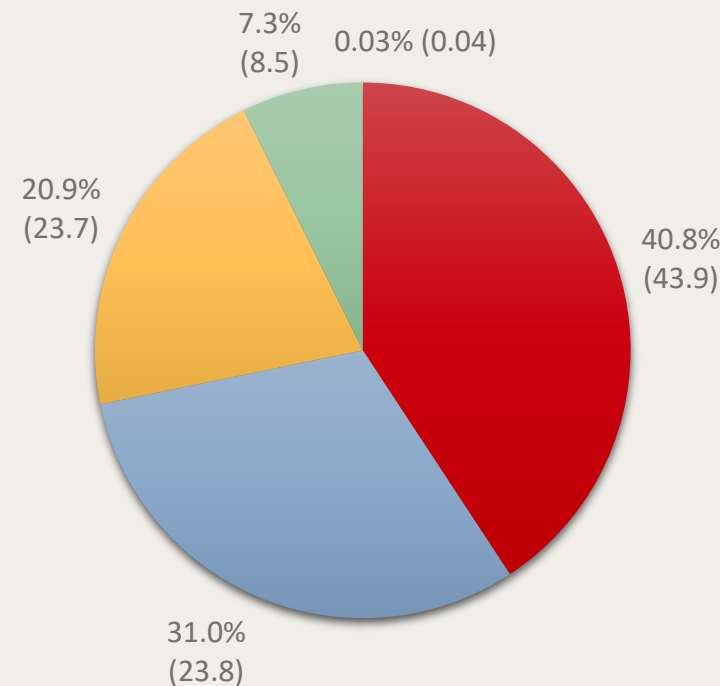


- During the review period, Harvia made some additional investments in production machinery and facilities in Finland, North America, China and Romania.
- In 2021, Harvia opened a new sauna factory in Lewisburg, West Virginia, USA, expanded and upgraded capabilities at the Muurame factory, expanded capacity at the Romanian sauna factory and the capabilities in the China factory, expanded the warehousing and logistics capacity at Kirami, and upgraded the EOS Driedorf machinery and capacity.

HARVIA'S SHAREHOLDERS (30 JUNE 2022)

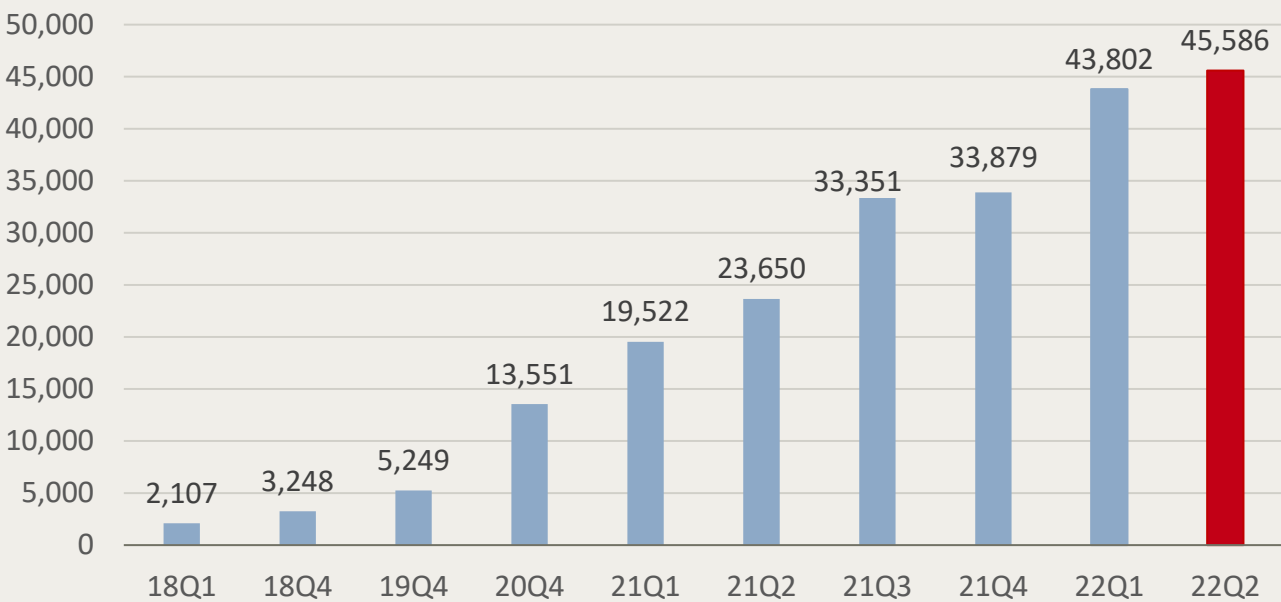


Distribution by Segment



- Nominee registered and outside Finland
- Households
- Corporations
- Banks and insurance companies
- Harvia Plc's own shares

Number of Shareholders



- At the end of June 2022, the number of shareholders totaled 45,586 (including nominee registers).
- Harvia held a total of 5,074 own shares related to the share-based incentive program. The shares correspond to 0.03% of the total number of shares.
- The shareholding of the Board of Directors, management and personnel was 5.5%.
- The market value of Harvia's share capital on 30 June 2022 was EUR 505.7 million (953.4).

HARVIA'S LONG-TERM FINANCIAL TARGETS



GROWTH

>5%

Average annual revenue
growth

PROFITABILITY

>20%

Adjusted operating profit
margin*

LEVERAGE

1.5x–2.5x

Net debt/adjusted EBITDA**

Harvia does not publish a short-term outlook.

HARVIA'S DIVIDEND POLICY

- Regularly increasing dividend
- Bi-annual payout

* Adjusted operating profit is operating profit before items affecting comparability.

** Excluding the future impacts of changes in IFRS reporting standards.

DISTRIBUTION OF DIVIDEND EUR 0.60 PER SHARE

The Annual General Meeting held in April 2022 approved the Board of Directors' proposal that EUR 0.60 per share be paid as dividend and that the remainder of the distributable funds be transferred to shareholders' equity.

The dividend is paid in two instalments.

The first instalment, EUR 0.30 per share, was paid on 20 April 2022 to shareholders who were registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date of the dividend of 11 April 2022.

The second instalment, EUR 0.30 per share, will be paid in October 2022.



Q&A

Relaxing Moments

HARVIA

Sauna & Spa

Natural Wellbeing

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