



HARVIA PLC INTERIM REPORT

JANUARY-SEPTEMBER 2022

MARKET CONDITIONS IMPACTING BOTH NET SALES AND PROFITABILITY

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3 NOVEMBER 2022



HIGHLIGHTS



Harvia continuing to gain market share in challenging market environment

- Russian invasion of Ukraine widely visible in consumer confidence and energy, especially in the European sauna and spa market
- Sales decline in all major European markets decreased total revenue
- Strong growth continued in North America and in the market area Other countries
- Professional and premium segments closer to normal, yet all product groups experienced sales decline
- Largest decline in entry-level heaters and Scandinavian hot tubs, sauna room and premium demand more resilient
- Harvia's relative position in key markets continued to strengthen

Measures taken to defend profitability

- Decreasing topline reduced overall profitability
- Rising costs in materials and logistics addressed in pricing to the full
- Measures taken in cost base, capacity and net working capital starting to show, yet not fully visible
- Daily operations and team Harvia adapting well to changing conditions

Further actions in progress while long-term market growth outlook remains intact

- Increasingly uncertain market environment and eroding consumer confidence keep short-term visibility poor
- Further actions addressing cost base and net working capital already taken and in progress
- Only small add-on investments expected after several major investments in 2021
- Amplified efforts in more premium and professional market as well as newer sauna markets
- The long-term growth outlook and potential of the global sauna & spa market remains intact

Metsä Spa, Tokio, Japani



Q3 2022: TOP LINE AND PROFITABILITY DECLINED



- **Revenue** decreased by 18.9% to EUR 37.4 million (46.2) compared to the comparison period. At comparable exchange rates, revenue decreased by 23.3% to EUR 35.4 million. Organic revenue growth was -19.6%.
- Operating profit was EUR 7.3 (11.6) million, making up 19.5% (25.1) of the revenue.
- Adjusted operating profit was EUR 7.6 million (11.8), making up 20.4% (25.5) of the revenue. At comparable exchange rates, the adjusted operating profit was EUR 7.1 million (20.0% of the revenue).
- Earnings per share were EUR 0.34 (0.44).
- Operating free cash flow amounted to EUR 9.8 million (4.4).
- Net debt amounted to EUR 60.1 million (38.9) and leverage was 1.3 (0.8).
- Equity ratio was 44.9% (41.4).



JANUARY-SEPTEMBER 2022: SOLID OPERATIVE PERFORMANCE IN CHALLENGING ENVIRONMENT



- **Revenue** grew by 1.2% to EUR 134.3 million (132.6). At comparable exchange rates, revenue decreased by 2.2% to EUR 129.8 million. Organic revenue growth was -4.7%.
- Operating profit was EUR 28.1 (35.5) million, making up 20.9% (26.8) of the revenue.
- Adjusted operating profit decreased to EUR 28.5 million (36.1), making up 21.2% (27.2) of the revenue. At comparable exchange rates, the adjusted operating profit was EUR 27.0 million (20.8% of the revenue).
- Earnings per share were EUR 1.23 (1.37).
- Operating free cash flow amounted to EUR 18.9 million (16.6).
- Net debt amounted to EUR 60.1 million (38.9) and leverage was 1.3 (0.8).
- Equity ratio was 44.9% (41.4).

SYSTEMATIC EXECUTION OF STRATEGY



Increasing the value of the average purchase

- Sauna room sales maintaining growth despite difficult market environment.
- Close to normal performance in premium and professional heaters and equipment.
- Professional channel no more significantly exposed to COVID-19 effects.

Geographical expansion

- Growth continuing in the USA and in many of our new sauna markets, e.g. Asia and Arab countries
- Expansion with partner continued as planned in Japan.
- EOS launch to the US and Scandinavian markets progressing.

Productivity improvement & capacity expansion

- Daily operations, capacity and cost base adjusting well to changed conditions.
- After strong investments and capacity expansion in 2021, only minor add-on investments.
- Lewisburg production facility continuing to respond well to strong US demand.









HARVIA ACQUIRED THE REMAINING SHARES OF EOS GROUP'S GERMAN OPERATIONS



- On July 27, Harvia acquired a 21.4% minority shareholding of EOS Group Germany from Mr. Rainer Kunz, Managing Director of EOS Group, at a price of EUR 19.0 million. After the transaction, EOS Germany is fully owned by Harvia.
- 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 directly reflects 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 EOS Germany. At the same time, the relative profitability of EOS Group and EOS Germany has significantly increased.
- The acquisition was financed with long-term debt.
- After the transaction, Mr. Kunz will continue as Managing Director of EOS Group and a member of Harvia's management team. He has already increased his ownership in Harvia during Q3.
- The transaction does not affect Harvia's ownership in EOS Russia, of which Harvia owns 80.0%.

IMPACTS OF THE WAR IN UKRAINE

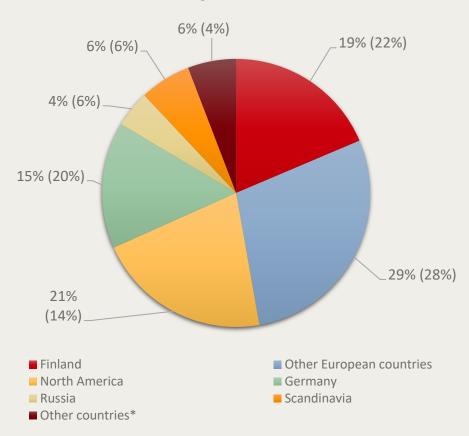


- The Russian invasion of Ukraine has impacted Harvia directly through effects in Russia, Ukraine and related markets and indirectly through changed market conditions.
- Indirectly, the impact of the war is seen especially in Europe in accelerating inflation, decreased consumer confidence and energy price and availability challenges, which all affect consumer behavior.
- In Russia, Harvia has discontinued Harvia branded business completely. EOS Russia is finishing the strong base of ongoing and prepaid projects.
- All of the components made by suppliers in Russia 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). The revenue in Russia in the third quarter of 2022 is due to the completion of the EOS Russia projects.
- Harvia aims to finish the EOS Russia projects and exit the Russian business at the year end, and the options are currently being evaluated.

Q3 2022: THE SHARE OF INTERNATIONAL BUSINESS WAS 81.4% OF THE TOTAL REVENUE

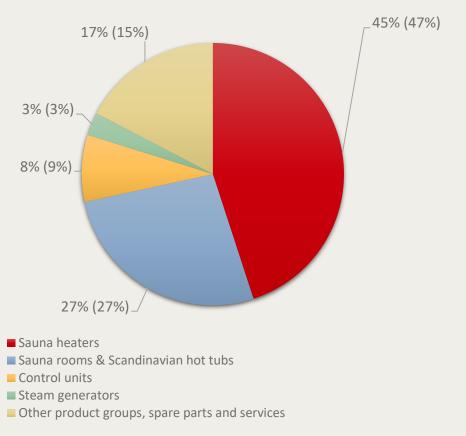


Revenue by market area, %



- Revenue decreased by 18.9% to EUR 37.4 million (46.2).
- Revenue increased in North America and in other countries.

Revenue by product group, %



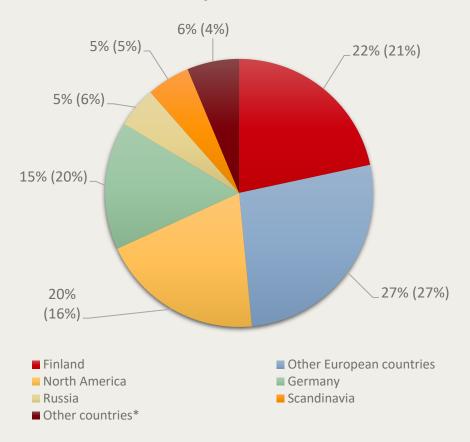
- Revenue decreased in all product groups in Q3.
- Sauna room sales continued strong development in North America, but the revenue of Scandinavian hot tubs declined in all market areas.

^{*} The largest of which: Arab countries and Asia.

JANUARY-SEPTEMBER 2022: REVENUE GROWTH FROM NORTH AMERICA & OTHER COUNTRIES

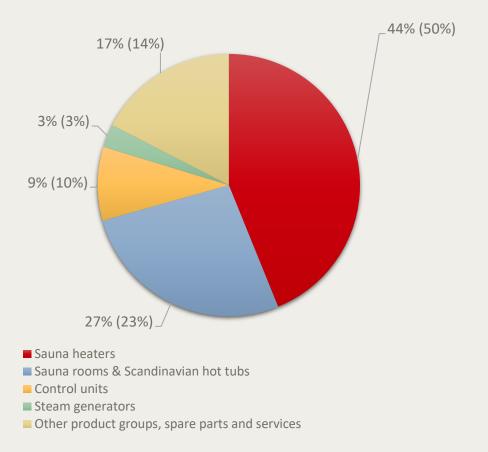


Revenue by market area, %



- Revenue grew by 1.2% to EUR 134.2 million (132.6).
- Revenue increased in North America, Finland, Scandinavia, and especially in other countries.

Revenue by product group, %



- Revenue increased especially in saunas and other product groups.
- Sauna heater sales decreased in all market areas, especially in Germany.

^{*} The largest of which: Arab countries and Asia.

Q3 2022: REVENUE DECREASED BY 18.9%



Revenue by market area 7–9/2021 vs 7–9/2022



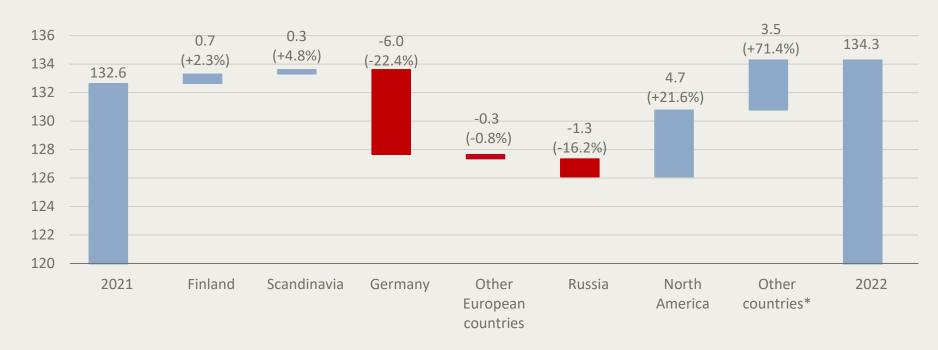
- Organic revenue growth was -19.6%.
- Revenue increased in North America and in other countries.
 The growth in other countries was driven especially by Arab countries.
- At comparable exchange rates, revenue fell by 23.3% to EUR 35.4 million. The calculative effect of exchange rates, which affects the comparability of revenue, was mainly caused by the strengthened U.S. dollar.

^{*} The largest of which: Arab countries and Asia.

JANUARY-SEPTEMBER 2022: REVENUE INCREASED BY 1.2%



Revenue by market area 1–9/2021 vs 1–9/2022



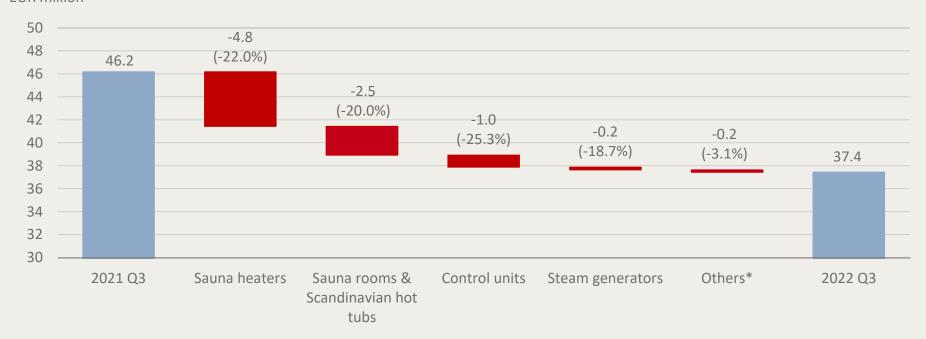
- Organic revenue growth was -4.7%.
- Revenue increased in North America, Finland, Scandinavia, and especially in other countries. The growth in other countries was driven mainly by Asian and Arab countries.
- At comparable exchange rates, revenue decreased by 2.2% to EUR 129.8 million. The calculative effect of exchange rates, which affects the comparability of revenue, was mainly caused by the strengthened U.S. dollar.

^{*} The largest of which: Arab countries and Asia.

Q3 2022: ALL PRODUCT GROUP SALES DECLINED



Revenue by product group 7–9/2021 vs 7–9/2022



- Sauna room sales continued strong development especially in North America and in the area of other countries, but the revenue of Scandinavian hot tubs declined in all market areas.
- Sauna heater sales slowed down in all major markets, especially in Germany, Finland and other European countries. The slowdown was experienced especially in entry-level heaters.
- The decline in sales of control units was especially due to the German market.
- Sales of other product groups, spare parts, and services reached almost the comparison period level.

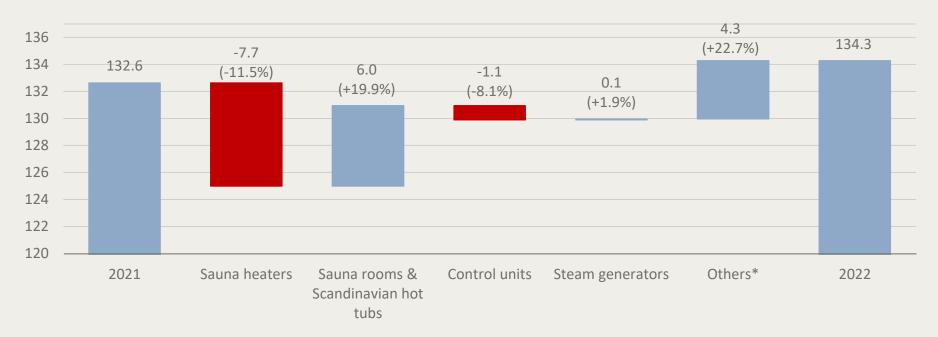
^{*} Includes among others, spa components, infrared radiators, services and sauna equipment.

JANUARY-SEPTEMBER 2022: SAUNA ROOMS DRIVING REVENUE GROWTH



Revenue by product group 1-9/2021 vs 1-9/2022

EUR million



- Revenue growth continued strongly in sauna rooms. Sales of Scandinavian hot tubs declined after COVID-19 restrictions were lifted.
- Sauna heater sales declined in all market areas, especially in Germany and in entry-level heaters.

Sales of other product groups developed well, with heater stones driving the growth. The acquisition of Sauna-Eurox at the end of August 2021 impacted the growth of heater stone sales positively.

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

REVENUE AND ADJUSTED OPERATING PROFIT



Revenue

EUR million



- In Q3, revenue increased in North America and in other countries.
- At comparable exchange rates, revenue decreased by 19.6% and was EUR 35.4 million in Q3.

Adjusted operating profit

EUR million



Adjusted operating profit decreased to EUR 7.6 million (11.8), making up 20.4% (25.5) of the revenue in the third quarter.

COMPARED TO 2019, HARVIA HAS GROWN STRONGLY ALSO ON A PROFORMA BASIS



EUR million		2019 Reported figures	2019 Pro forma figures	2022 Reported figures	CAGR * 2019-2022
July– September	Net sales Adjusted operating profit	17.1 2.9 (17.2%)	24.5 - +53% 3.7 (14.9%) - +108%	_	15% 28%
January– September	Net sales	53.4	74.3 - +81%	→ 134.3	22%
	Adjusted operating profit	9.7 (18.2%)	11.8 (15.9%) - +1429	28.5 (21.2%)	34%

[•] If Q3/2022 is compared to Q3/2019 pro forma, before the pandemic, Harvia has been able to grow its net sales with a CAGR of 15% and adjusted operating profit with a CAGR of 28%. The growth has continued even stronger if comparing Q1-3/2022 to Q1-3/2019 pro forma.

[•] The pro forma-based growth rates are driven by both the acquired companies as well as the companies already part of Harvia in 2019.

PRODUCTS FOR ALL THREE SAUNA TYPES AND ALL CULTURES







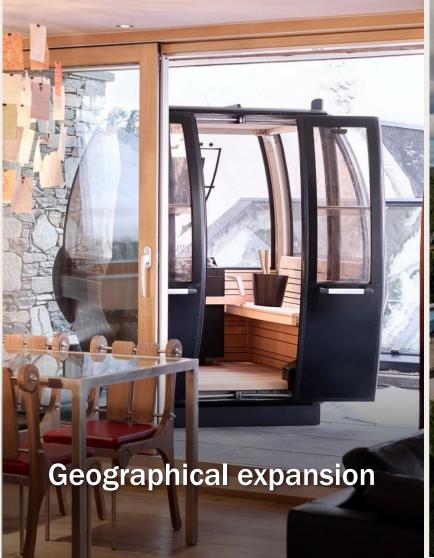
Harvia's diverse product offering covers all three sauna types and meets the needs of both private and professional customers.



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











HARVIA'S KEY FIGURES IN THE REPORTING PERIOD



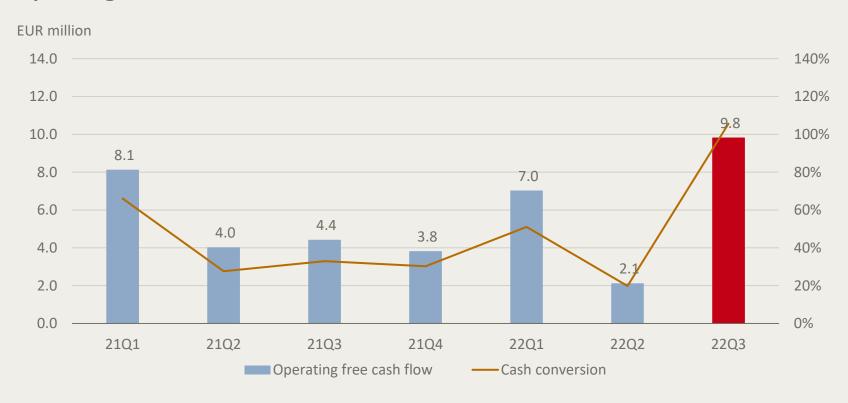
EUR million	7-9/2022	7-9/2021	Change	1-9/2022	1-9/2021	Change	1-12/2021
Revenue	37.4	46.2	-18.9%	134.3	132.6	1.2%	179.1
Adjusted EBITDA*	9.3	13.4	-31.0%	33.4	40.4	-17.3%	53.1
% of revenue	24.8%	29.1%		24.9%	30.5%		29.7%
Adjusted operating profit*	7.6	11.8	-35.1%	28.5	36.1	-21.1%	47.3
% of revenue	20.4%	25.5%		21.2%	27.2%		26.4%
Basic EPS (EUR)	0.34	0.44	-22.7%	1.23	1.37	-9.7%	1.8
Operating free cash flow	9.8	4.4	121.5%	18.9	16.6	13.5%	20.4
Investments in tangible and intangible assets	-0.8	-2.5	-68.9%	-2.9	-8.0	-64.0%	-11.8
Net debt	60.1	38.9	54.5%	60.1	38.9	54.5%	43.8
Leverage	1.3	0.8		1.3	0.8		0.8
Net working capital	49.1	36.7	33.9%	49.1	36.7	33.9%	41.9
Adjusted return on capital employed (ROCE)*	61.5%	112.4%		61.5%	112.4%		112.6%
Equity ratio	44.9%	41.4%		44.9%	41.4%		42.4%
Number of employees at end of period	731	810	-9.8%	731	810	-9.8%	824

^{*} Adjusted by items affecting comparability.

OPERATING FREE CASH FLOW AND CASH CONVERSION IMPROVED



Operating free cash flow and cash conversion*



- In the review period, the company's operating free cash flow was EUR 9.8 million (4.4) and cash conversion 105.6% (32.9).
- Operating free cash flow and cash conversion increased significantly in the review period from 7-9/2021. The increase was supported by decreasing net working capital and lower amount of investments.

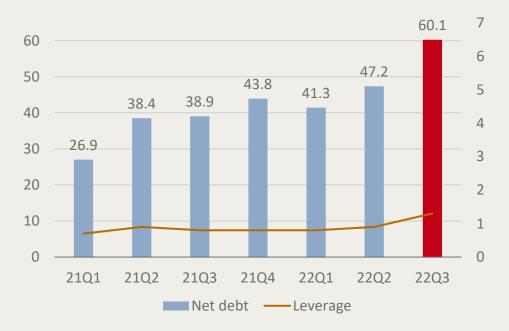
^{*} Cash conversion defined as operating free cash flow divided by adjusted EBITDA

NET FINANCIAL ITEMS DECREASED



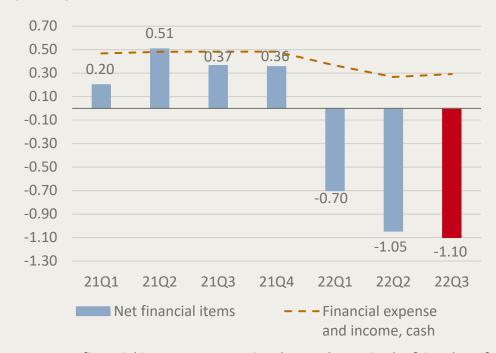
Net debt and leverage

EUR million



- At the end of September 2022, the company's net debt amounted to EUR 60.1 million (38.9). Loans from credit institutions were EUR 75.4 million (56.8) and lease liabilities were EUR 2.6 million (3.9). Cash and cash equivalents were EUR 17.9 million (20.9).
- Leverage was 1.3 (0.8).
- Increase in net debt was due to financing the acquisition of the minority share of EOS Group's German operations.

Net financial items

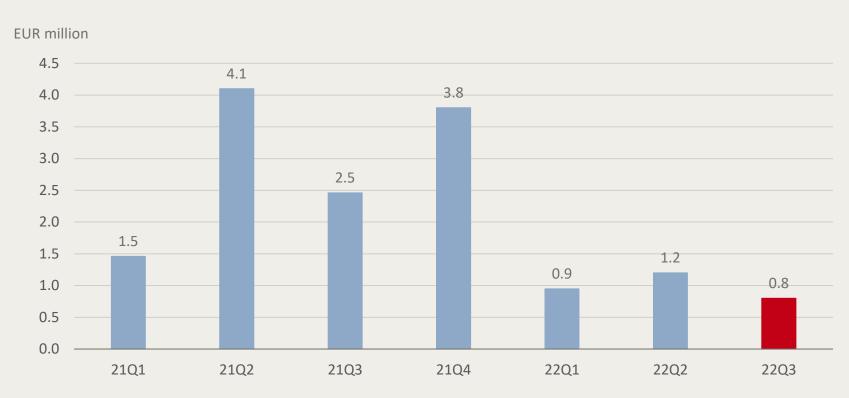


- Net financial items were negative due to change in the fair value of Harvia's interest rate swap. Interest rates went up during 1-9/2022, which increased the fair value of the interest rate swap derivative.
- Net financial expenses paid in cash decreased in the review period: Harvia renegotiated the terms of its long-term loan and revolving credit limit at the end of 2021.

INVESTMENTS



Investments in tangible and intangible assets

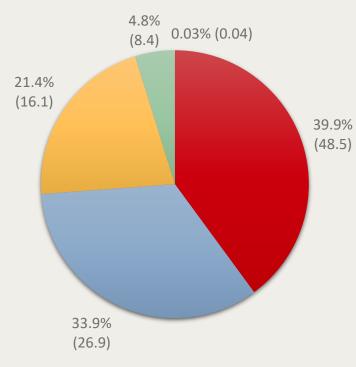


- During the review period, Harvia made some additional investments in production machinery and facilities in Finland, North America, China, Germany and Romania.
- In 2021, Harvia opened a new sauna factory in Lewisburg, West Virginia, USA, expanded and upgraded capabilities at the Muurame factory, Finland,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

HARVIA'S SHAREHOLDERS (30 SEPTEMBER 2022)

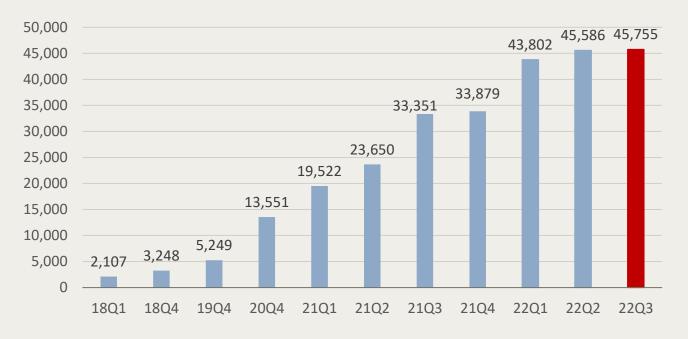


Distribution by Segment



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

Number of Shareholders



- At the end of September 2022, the number of shareholders totaled 45,755 (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 5.6%.
- The market value of Harvia's share capital on 30 September 2022 was EUR 262.1 million (859.9).

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 was 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, was paid to a shareholder registered in the company's shareholder register maintained by Euroclear Finland Ltd on the record date for the dividend 18 October 2022. The dividend was paid on 25 October 2022.



