

Relaxing Moments



Natural Wellbeing

HARVIA PLC FINANCIAL STATEMENTS BULLETIN

JANUARY–DECEMBER 2022

**SOLID PERFORMANCE IN CHALLENGING
MARKET ENVIRONMENT**

Tapio Pajuharju, CEO

Ari Vesterinen, CFO

9 FEBRUARY 2023

#healingwithheat

SOLID PERFORMANCE IN CHALLENGING MARKET ENVIRONMENT

Q4 adjusted EBIT strong, exceeding 20%



Challenging market environment visible in softer sales

- Total revenue declined, driven by the European sauna and spa market
- Key markets polarized: While especially DACH region was weak, North America continued strong growth
- Low consumer confidence in Europe affected the sales of most product categories, effects also beyond entry-level offering
- While electric sauna usage has been limited or reduced in many countries, wood burning heaters booked record high Q4 sales

Operations and costs well adjusted to changed conditions

- Measures taken on cost base contributed to solid relative profitability even if overall sales declined
- Net working capital, especially inventories, successfully reduced, resulting in high cash conversion
- Exit from Russia completed after divesting EOS Russia
- Production capacity and entire Team Harvia adjusted well to uncertain and changing market conditions
- Q4 adjusted EBIT strong, exceeding 20%

Favorable long-term outlook unchanged

- Short-term visibility remains poor as the market environment remains highly uncertain, last year Q1 very strong
- Levers to address profitability still available if needed
- Product development working on developing solutions for more energy efficient sauna and especially premium segment
- Investment level expected to stay moderate
- Increasing global awareness of sauna and its health benefits supports long-term market growth outlook and potential



Q4 2022: TOP LINE AND PROFITABILITY DECLINED



- **Revenue** decreased by 18.0% to EUR 38.1 million (46.5) compared to the comparison period. At comparable exchange rates, revenue decreased by 20.6% to EUR 36.9 million. Organic revenue growth was -16.4%.
- **Operating profit** was EUR 6.6 (11.1) million, making up 17.2% (23.9) of the revenue.
- **Adjusted operating profit** was EUR 7.9 million (11.1), making up 20.8% (24.0) of the revenue. At comparable exchange rates, the adjusted operating profit was EUR 7.8 million (21.0% of the revenue).
- **Earnings per share** were EUR 0.22 (0.44).
- **Operating free cash flow** amounted to EUR 15.1 million (3.8).



JANUARY–DECEMBER 2022: SUCCESSFULLY ADJUSTING TO NEW MARKET CONDITIONS



- **Revenue** decreased by 3.7% to EUR 172.4 million (179.1). At comparable exchange rates, revenue decreased by 7.0% to EUR 166.7 million. Organic revenue growth was -7.7%.
- **Operating profit** was EUR 34.7 (46.6) million, making up 20.1% (26.0) of the revenue.
- **Adjusted operating profit** decreased to EUR 36.5 million (47.3), making up 21.1% (26.4) of the revenue. At comparable exchange rates, the adjusted operating profit was EUR 34.7 million (20.8% of the revenue).
- **Earnings per share** were EUR 1.45 (1.80).
- **Operating free cash flow** amounted to EUR 34.0 million (20.4).
- **Net debt** amounted to EUR 54.5 million (43.8), and **leverage** was 1.3 (0.8).
- **Equity ratio** was 47.3% (42.4).

SYSTEMATIC EXECUTION OF STRATEGY



Increasing the value of the average purchase

- Sauna room sales more resilient in tough market environment, strong performance and updated offering in the USA.
- Newer markets with more high-end demand performing better.
- New product launches in multiple product categories, including IR and steam.

Geographical expansion

- Growth continuing in the USA and in several newer sauna markets.
- Expansion with partner continued as planned in Japan. Asian markets emerging after pandemic.
- EOS on a growth trajectory in new markets, such as North America and Asia.

Productivity improvement & capacity expansion

- Cost base and capacity adjusted well to changed market conditions, productivity maintained on a good level.
- Net working capital, especially inventories, successfully reduced.
- U.S. production in Lewisburg continues excellent performance, responding to strong North American demand.



EXIT FROM RUSSIA

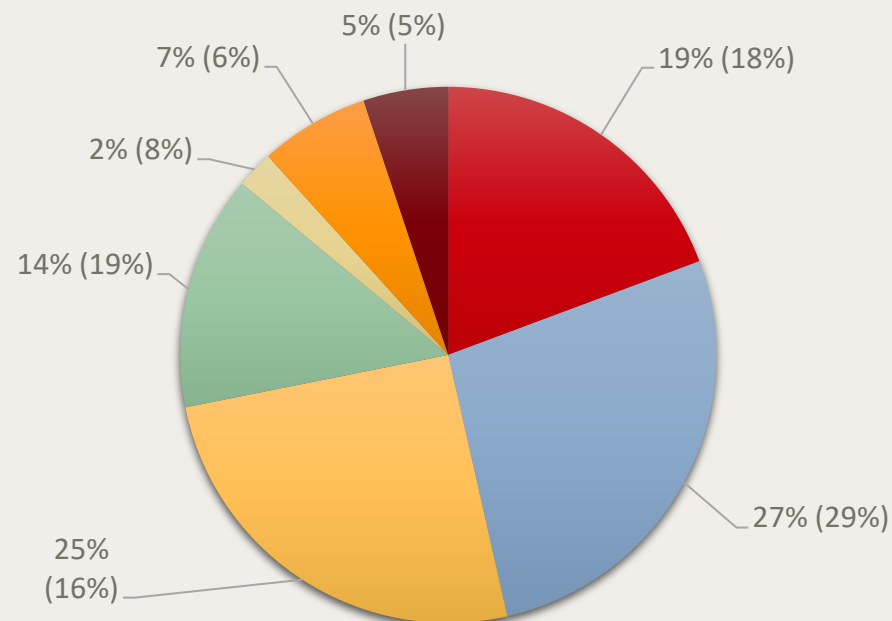


- We have been evaluating tangible and sustainable options for complete exit from Russia since the beginning of the war, also for EOS Russia.
- We suspended our Harvia branded operations at the beginning of March.
- On 7 November 2022, Harvia Plc signed an agreement to sell its 80.0% shareholding of EOS Russia to Mr. Vasilij Sosenkov, the Managing Director of EOS Russia.
- Before the transaction, Mr. Sosenkov held 20.0% of the shares in OOO EOS Premium SPA Technologies, the company operating EOS Group's Russian operations. After the transaction, Mr. Sosenkov will own 100.0% of EOS Russia.
- The transaction price is at maximum EUR 600,000, of which EUR 400,000 was paid in 2022.
- All references to EOS or Harvia will be removed from the Russian company's name, brand names or similar. EOS-related intellectual property rights stay in Harvia's ownership. Additionally, the company has not and will not have any distribution or similar agreements with Harvia Group companies.
- The employees will continue in the service of the Russian company.
- The company has not been consolidated in Harvia Group figures as of November 2022.
- Closing of the transaction is subject to official approvals in Russia.

Q4 2022: SHARE OF INTERNATIONAL BUSINESS WAS 80.7% OF THE TOTAL REVENUE



Revenue by market area, %

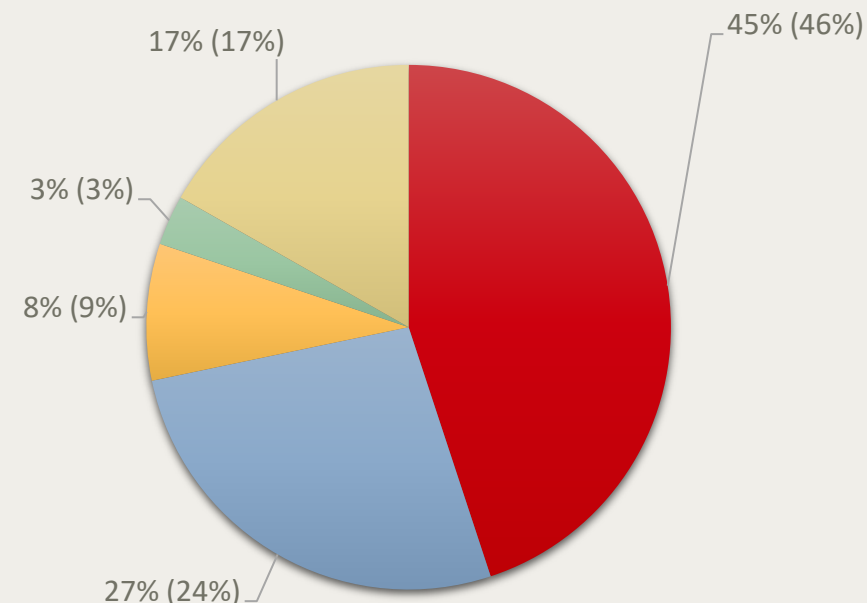


- Finland
- North America
- Russia
- Other countries*
- Other European countries
- Germany
- Scandinavia

- Revenue decreased by 18.0% to EUR 38.1 million (46.5).
- Revenue increased in North America by 30.7%. In all other market areas, sales did not reach the comparison level.

* The largest of which: Arab countries and Asia.

Revenue by product group, %



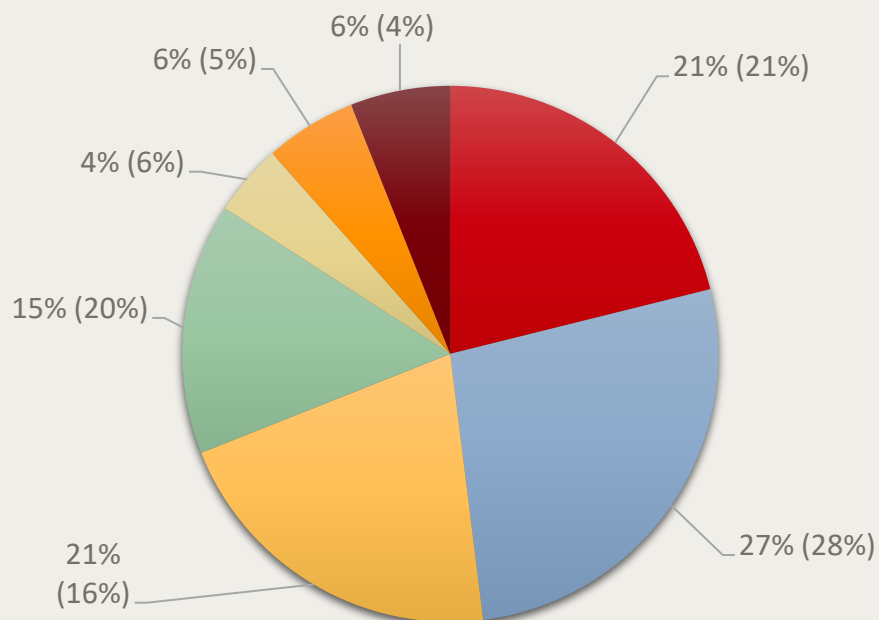
- Sauna heaters
- Sauna rooms & Scandinavian hot tubs
- Control units
- Steam generators
- Other product groups, spare parts and services

- Revenue decreased in all product groups in Q4.
- Sauna room sales continued strong development in North America, but the sales of Scandinavian hot tubs remained on low level in all market areas.

JANUARY–DECEMBER 2022: REVENUE GROWTH FROM NORTH AMERICA & OTHER COUNTRIES



Revenue by market area, %

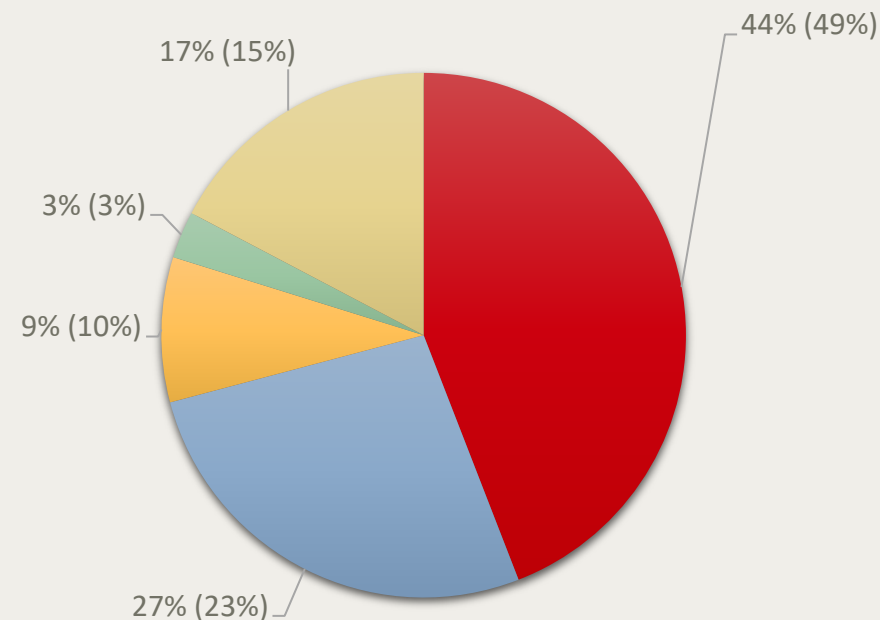


- Finland
- North America
- Russia
- Other countries*
- Other European countries
- Germany
- Scandinavia

- Revenue decreased by 3.7% to EUR 172.4 million (179.1).
- Revenue increased in North America, Scandinavia, and 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

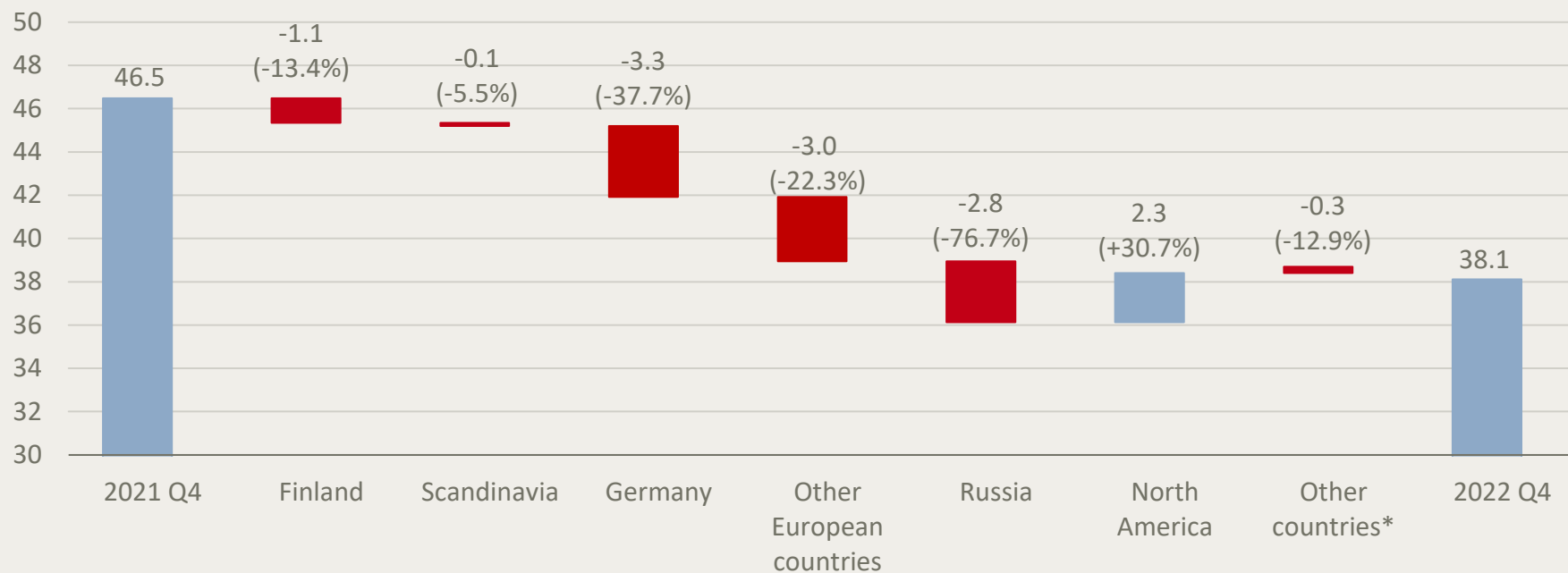
- Revenue increased especially in saunas and other product groups.
- Sauna heater sales decreased especially in Germany, in other European countries and in entry-level heaters.

Q4 2022: REVENUE DECREASED BY 18.0%



Revenue by market area 10–12/2021 vs 10–12/2022

EUR million



- Organic revenue growth was -16.4%.
- Revenue increased in North America by 30.7%.
- Ongoing high inflation decreased consumer confidence, and the ending of the so-called advance demand caused by the pandemic affected the revenue negatively, especially in Europe.
- At comparable exchange rates, revenue fell by 20.6% to EUR 36.9 million. The calculative effect of exchange rates, which affects the comparability of revenue, was mainly caused by the strengthened U.S. dollar.

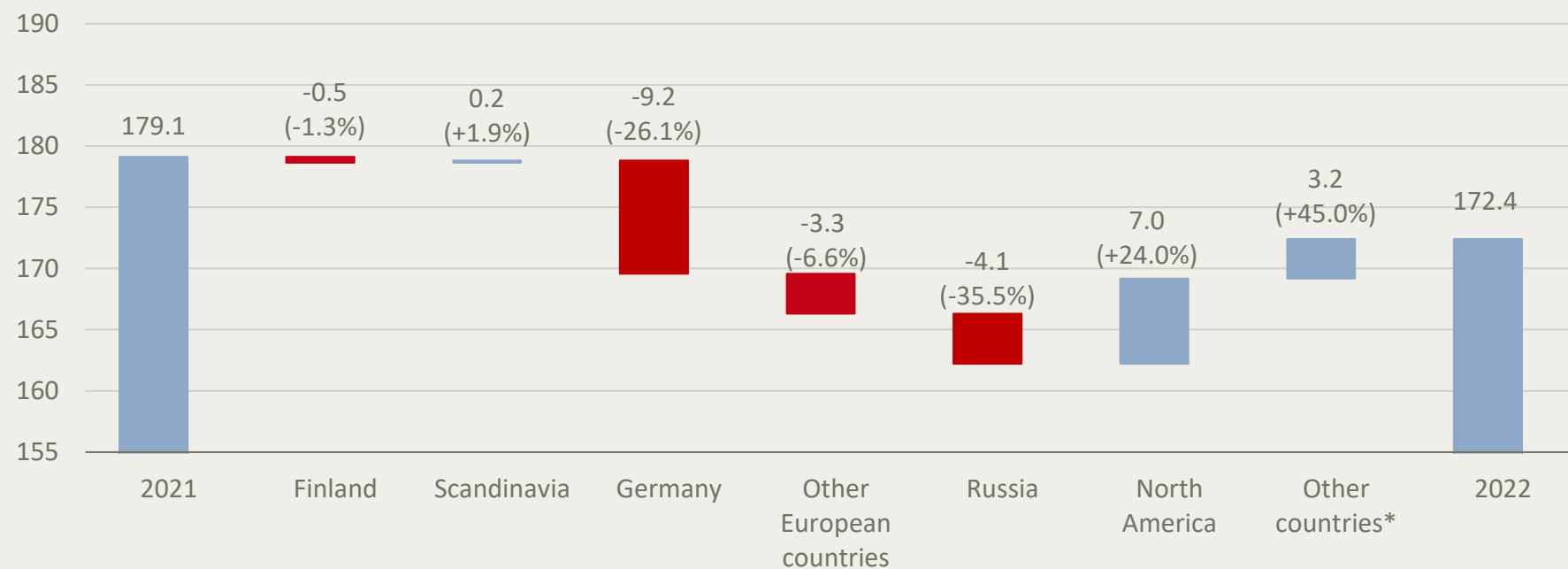
* The largest of which: Arab countries and Asia.

JANUARY–DECEMBER 2022: REVENUE FELL BY 3.7% FROM THE RECORD HIGH COMPARISON YEAR OF 2021



Revenue by market area 1–12/2021 vs 1–12/2022

EUR million



- Organic revenue growth was -7.7%.
- Revenue increased in North America, Scandinavia, and in other countries. The growth in other countries was driven mainly by Asian and Arab countries.
- At comparable exchange rates, revenue decreased by 7.0% to EUR 166.7 million. The calculative effect of exchange rates, which affects the comparability of revenue, was mainly caused by the strengthened U.S. dollar.

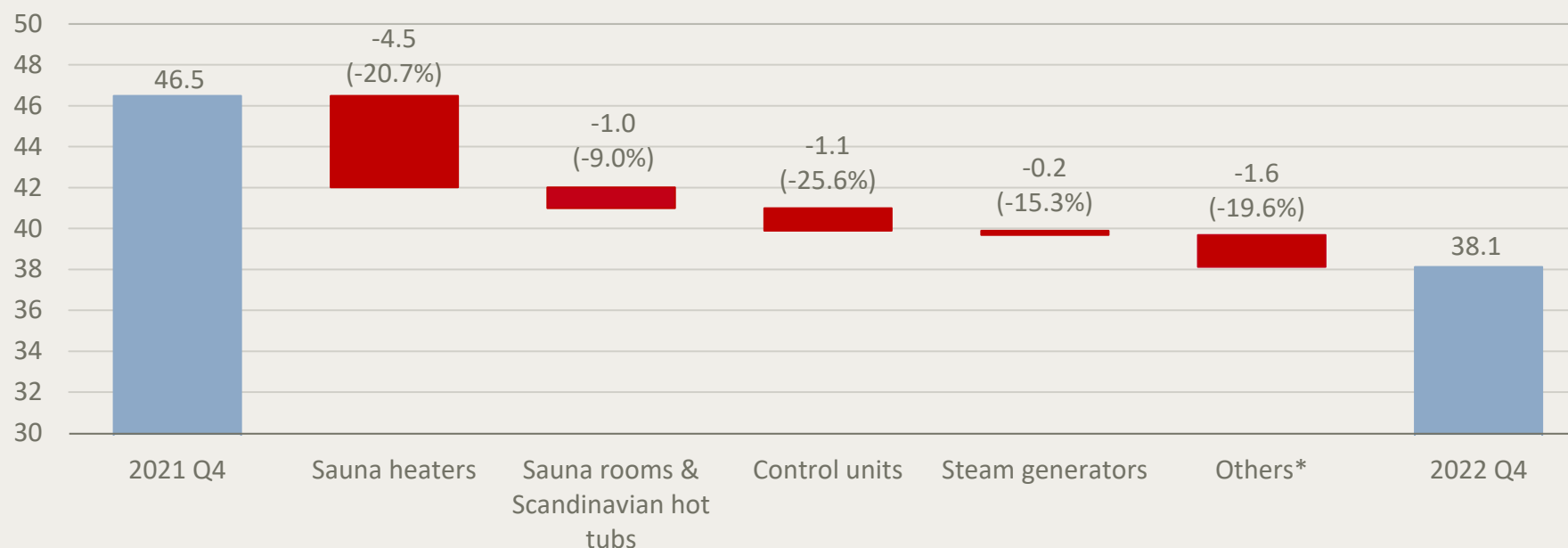
* The largest of which: Arab countries and Asia.

Q4 2022: REVENUE OF ALL PRODUCT GROUPS DECREASED YEAR-ON-YEAR



Revenue by product group 10–12/2021 vs 10–12/2022

EUR million



- Sauna room sales continued strong development especially in North America, but revenue from Scandinavian hot tubs declined in all market areas.
- Sauna heater sales slowed down in all major markets, especially in Germany 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 declined together with other product groups.

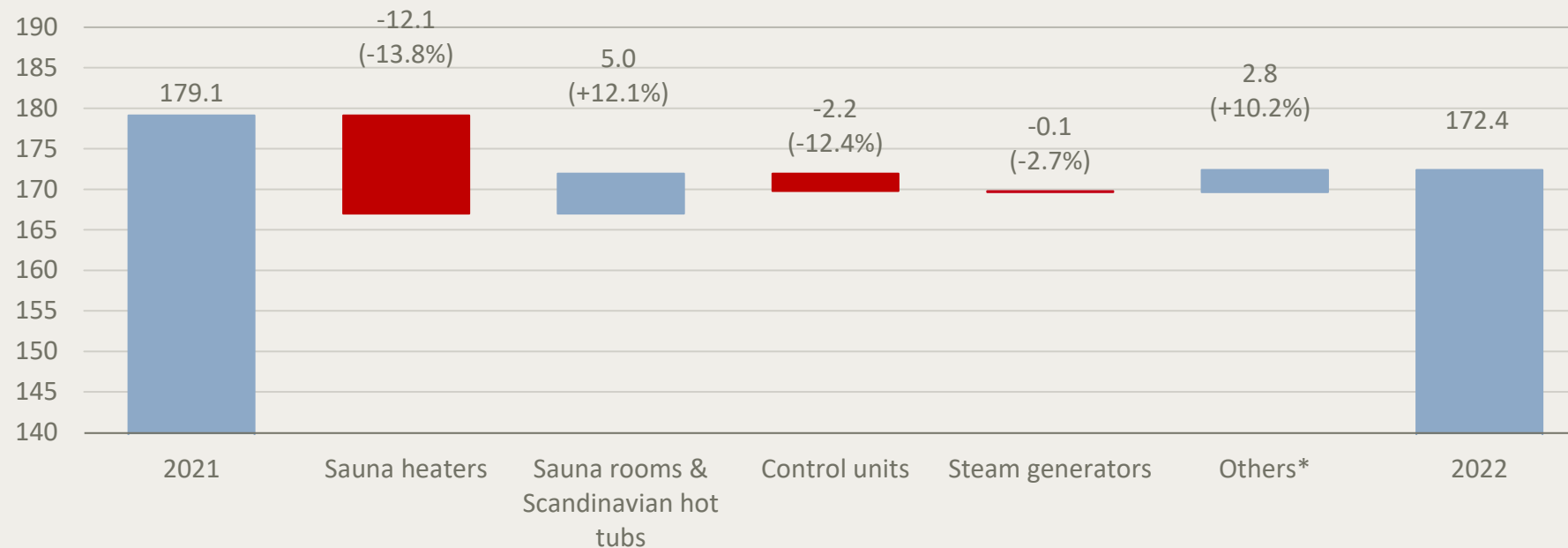
* Includes among others, spa components, infrared radiators, services and sauna equipment.

JANUARY–DECEMBER 2022: SAUNA ROOM GROWTH STRONG IN 2022



Revenue by product group 1–12/2021 vs 1–12/2022

EUR million



- Strong revenue growth continued in sauna rooms. Sales of Scandinavian hot tubs declined after COVID-19 restrictions were lifted.
- Sauna heater sales declined especially in Germany, other European countries 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.

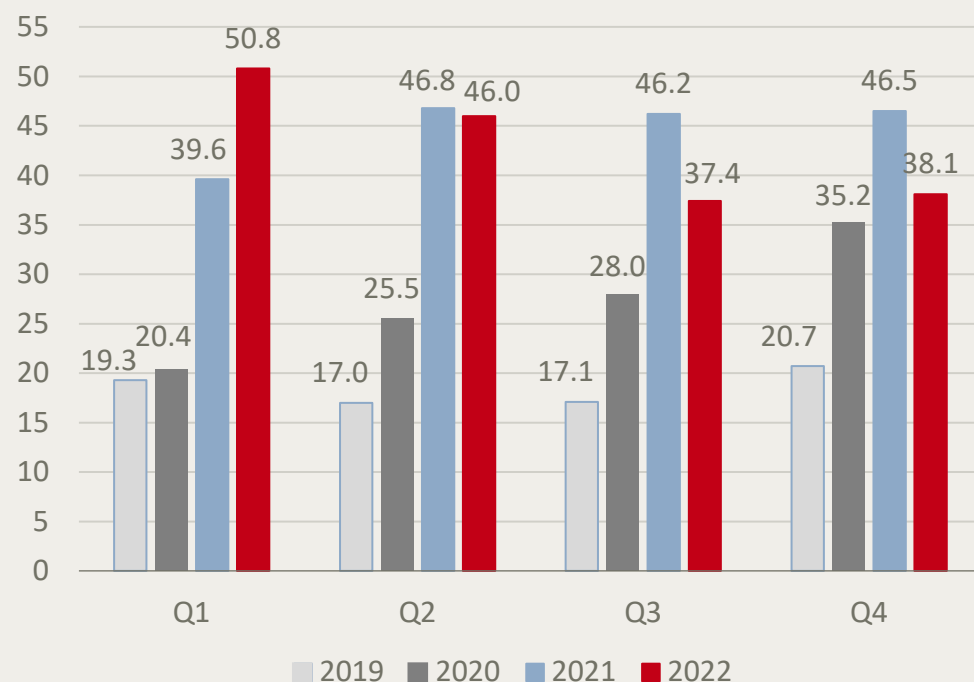
* Includes among others, spa components, infrared radiators, services and sauna equipment.

REVENUE AND ADJUSTED OPERATING PROFIT



Revenue

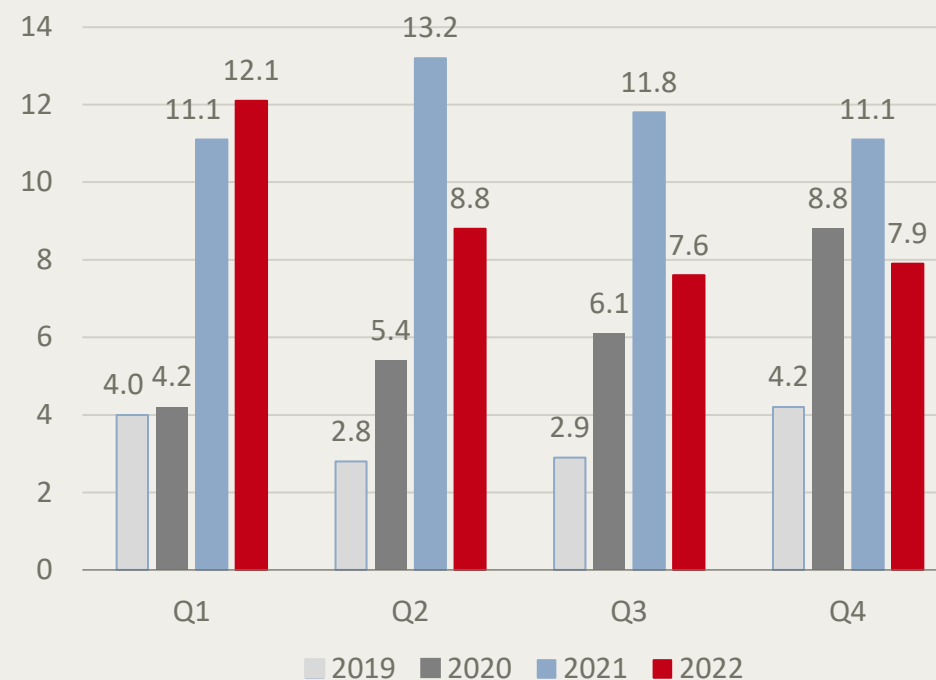
EUR million



- At comparable exchange rates, revenue decreased by 20.6% and was EUR 36.9 million in Q4.

Adjusted operating profit

EUR million



- Harvia's adjusted operating profit decreased to EUR 7.9 million (11.1), making up 20.8% (24.0) of the revenue in the fourth 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.

COMPARED TO PRE-PANDEMIC 2019, HARVIA HAS GROWN STRONGLY ALSO ON A PRO FORMA BASIS



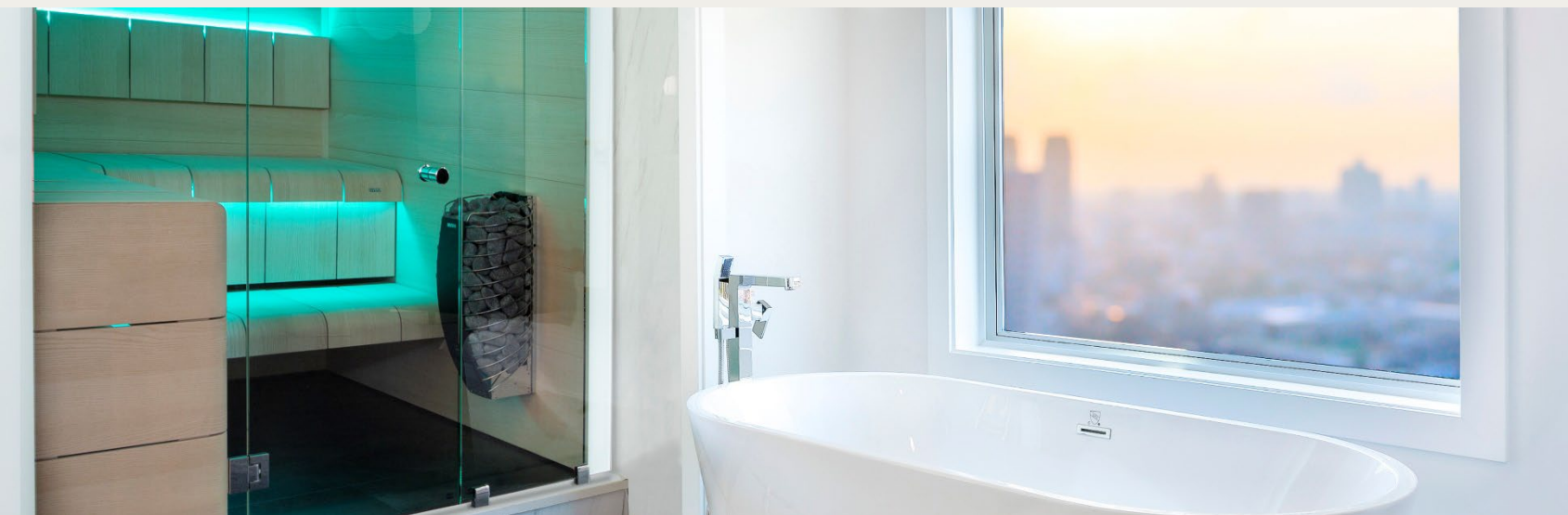
EUR million		2019 Reported figures	2019 Pro forma figures		2022 Reported figures	CAGR* 2019-2022
October– December	Net sales	20.7	27.6	— +38% →	38.1	11%
	Adjusted operating profit	4.2 (20.1%)	4.8 (17.4%)	— +65% →	7.9 (20.8%)	18%
January– December	Net sales	74.1	101.9	— +69% →	172.4	19%
	Adjusted operating profit	13.9 (18.7%)	16.6 (16.3%)	— +120% →	36.5 (21.1%)	30%

- If Q4/2022 is compared to Q4/2019 pro forma, before the pandemic, Harvia has been able to grow its net sales with a CAGR of 11% and adjusted operating profit with a CAGR of 18%. The growth has continued even stronger if comparing Q1-4/2022 to Q1-4/2019 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.

* Calculated from pro forma figures 2019 to reported figures 2022

Note: Pro forma in 2019 includes EOS Group, Kirami and Sauna-Eurox added to 2019 reported financials

PRODUCTS FOR ALL THREE SAUNA TYPES AND ALL CULTURES



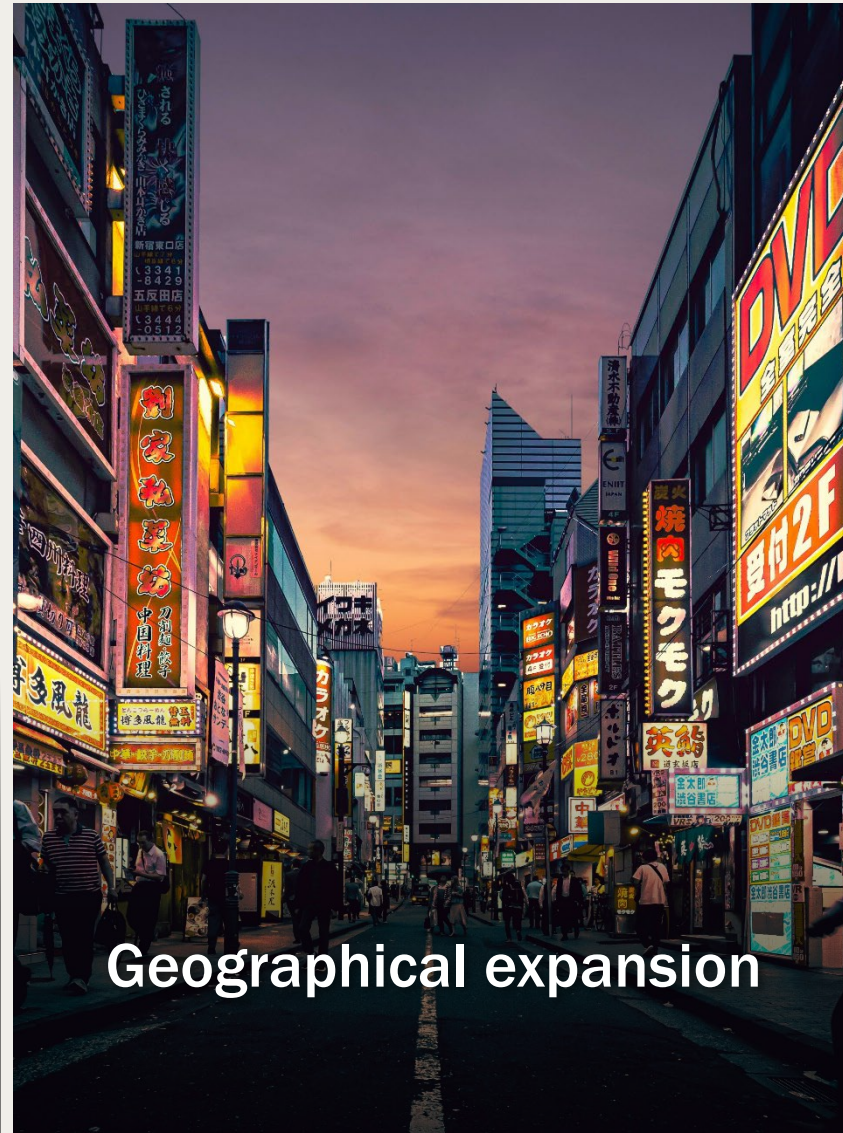
Harvia's diverse product offering covers all three sauna types and meets the needs of both private and professional customers.



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



Increasing the value of the average purchase



Geographical expansion



Productivity improvement

The Harvia logo is located in the top right corner. It consists of the word "HARVIA" in a bold, white, sans-serif font, set against a dark red rectangular background.

HARVIA

Sauna & Spa

The background of the slide is a photograph of a woman sitting in a sauna. The entire image is overlaid with a semi-transparent red filter. The woman is in the center, sitting on a wooden bench, with her hands near her face. The sauna's wooden slats are visible on the walls and ceiling.

FINANCIALS

ARI VESTERINEN, CFO

HARVIA'S KEY FIGURES IN THE REPORTING PERIOD



EUR million	10-12/2022	10-12/2021	Change	2022	2021	Change
Revenue	38.1	46.5	-18.0%	172.4	179.1	-3.7%
Adjusted EBITDA*	9.5	12.7	-25.0%	42.9	53.1	-19.1%
% of revenue	25.0%	27.3%		24.9%	29.7%	
Adjusted operating profit*	7.9	11.1	-28.8%	36.5	47.3	-22.9%
% of revenue	20.8%	24.0%		21.1%	26.4%	
Basic EPS (EUR)	0.22	0.44	-50.3%	1.45	1.80	-19.6%
Operating free cash flow	15.1	3.8	294.3%	34.0	20.4	66.2%
Investments in tangible and intangible assets	-0.7	-3.8	-81.2%	-3.6	-11.8	-69.5%
Net debt	54.5	43.8	24.4%	54.5	43.8	24.4%
Leverage	1.3	0.8		1.3	0.8	
Net working capital	45.3	41.9	8.1%	45.3	41.9	8.1%
Adjusted return on capital employed (ROCE)*	54.5%	112.6%		54.5%	112.6%	
Equity ratio	47.3%	42.4%		47.3%	42.4%	
Number of employees at end of period	633	824	-23.2%	633	824	-23.2%

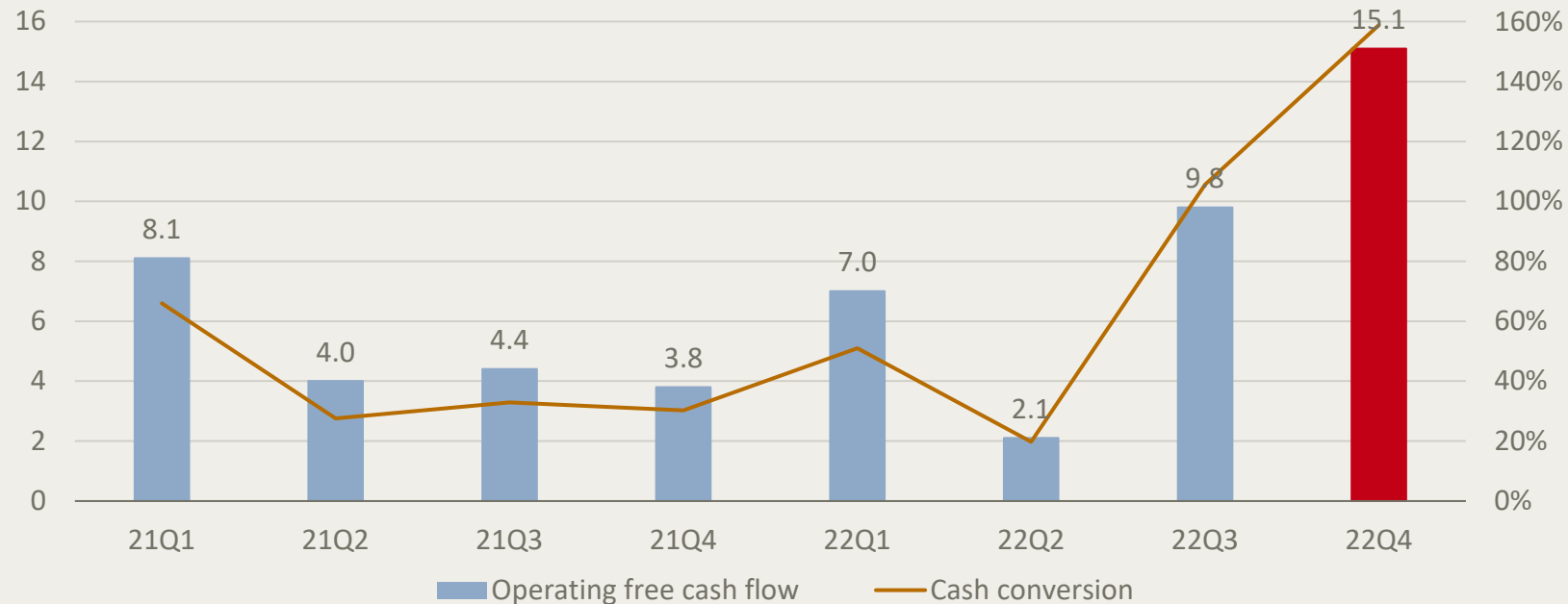
* Adjusted by items affecting comparability related mainly to acquisitions, divestments of subsidiaries and restructuring.

OPERATING FREE CASH FLOW AND CASH CONVERSION ON EXCEPTIONALLY HIGH LEVEL



Operating free cash flow and cash conversion*

EUR million



- In the review period, the company's operating free cash flow was EUR 15.1 million (3.8) and cash conversion 158.9% (30.2), increasing significantly. The increase was driven by EUR 6.3 million decrease in net working capital and low level of investments, especially if compared to the high level of investments in 2021.
- In 2021, Harvia's free cash flow was decreased by an increase of EUR 20.9 million in net working capital, acquisitions of EUR 7.6 million and investments of EUR 11.8 million financed by cash.

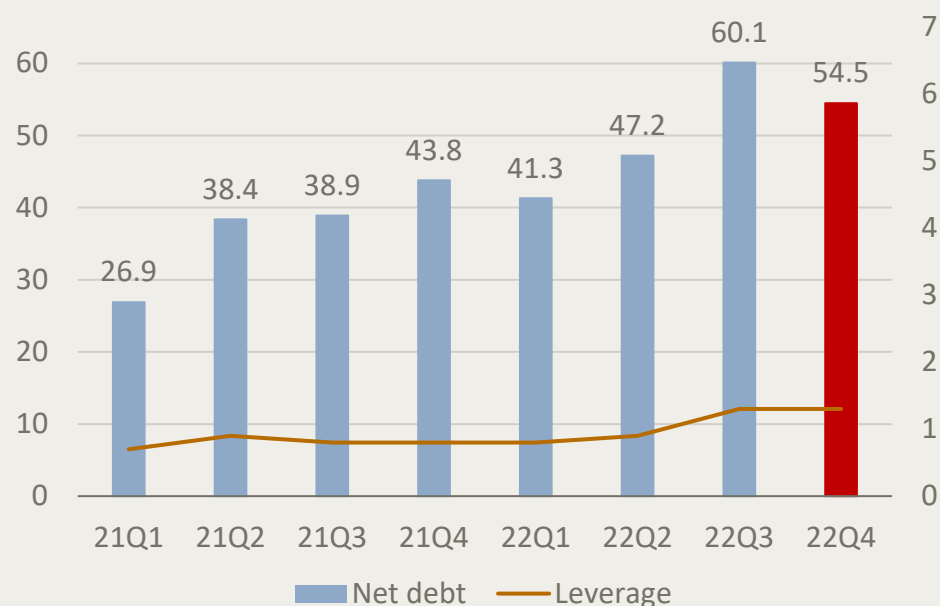
* Cash conversion defined as operating free cash flow divided by adjusted EBITDA

NET FINANCIAL ITEMS INCREASED



Net debt and leverage

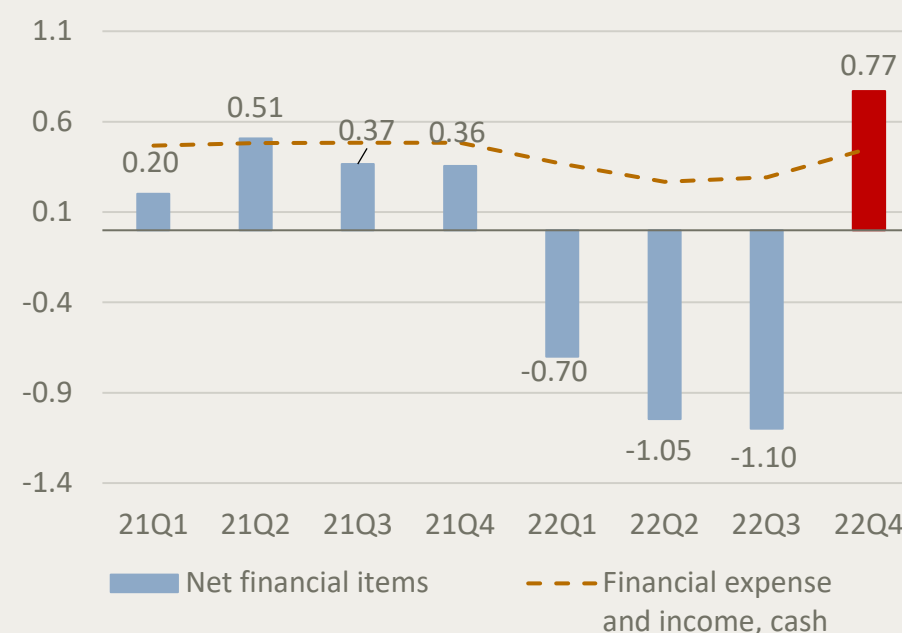
EUR million



- At the end of December 2022, the company's net debt amounted to EUR 54.5 million (43.8). Loans from credit institutions were EUR 77.4 million (56.4) and lease liabilities were EUR 2.4 million (2.9). Cash and cash equivalents were EUR 25.3 million (15.5).
- Leverage was 1.3 (0.8).
- Increase in net debt in Q3 was due to financing the acquisition of the minority share of EOS Group's German operations.

Net financial items

EUR million



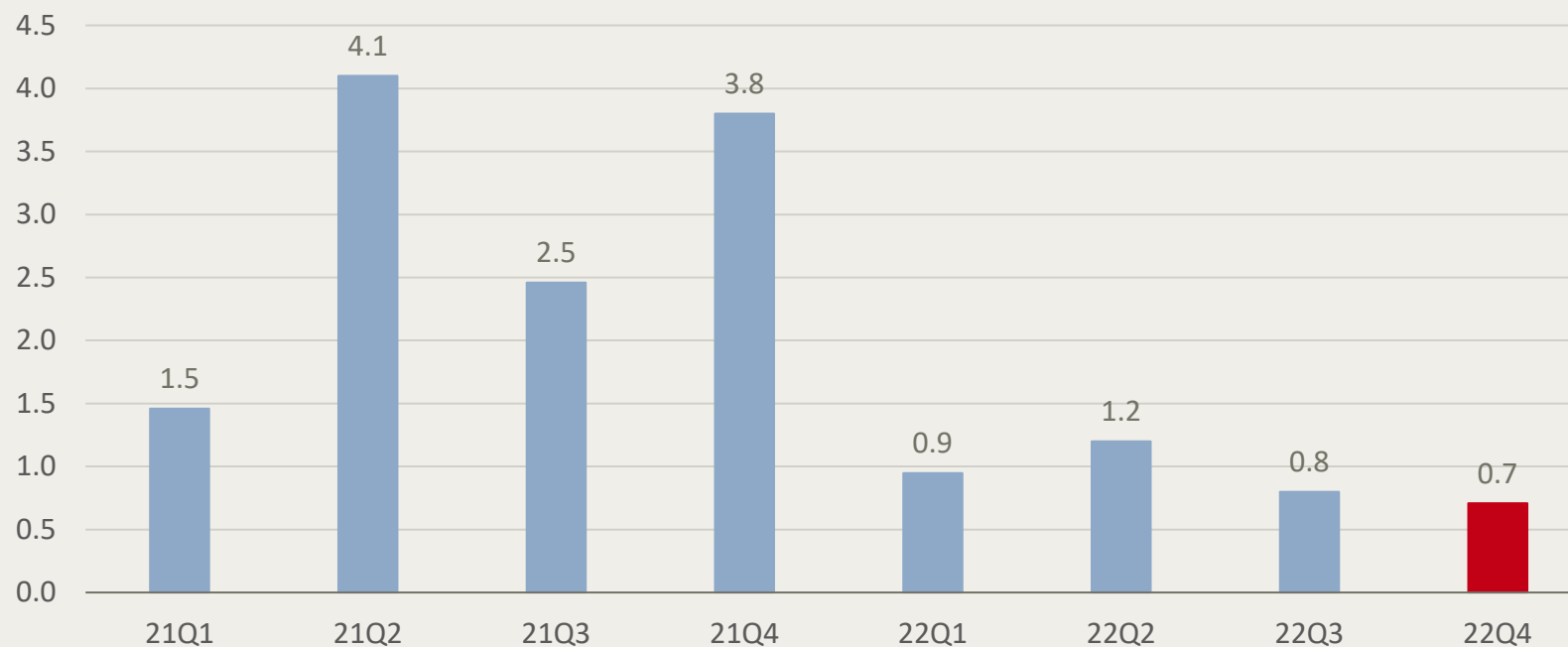
- Fluctuation of net financial items is due to change in the fair value of Harvia's interest rate swap. Interest rates went up in 2022, which increased the fair value of the interest rate swap derivative. In Q4, interests remained stable.
- Net financial expenses paid in cash increased in Q4 due to a new loan amounting to EUR 19 million.

INVESTMENTS



Investments in tangible and intangible assets

EUR million

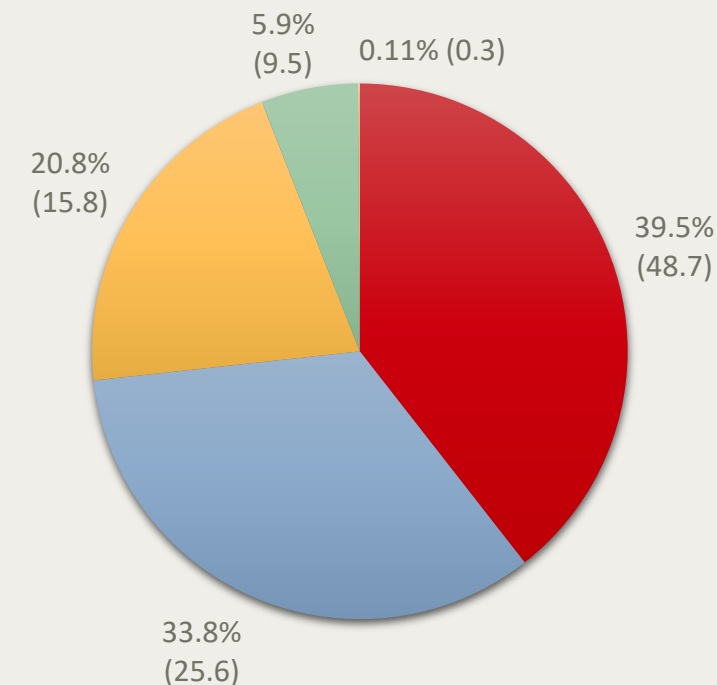


- During the review period, Harvia made some additional investments in production machinery and facilities.
- In 2021, Harvia opened a new sauna factory in Lewisburg, West Virginia, USA, expanded and upgraded capabilities at the Muurame factory, Finland, expanded capacity at the Romanian sauna factory 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 (31 DECEMBER 2022)

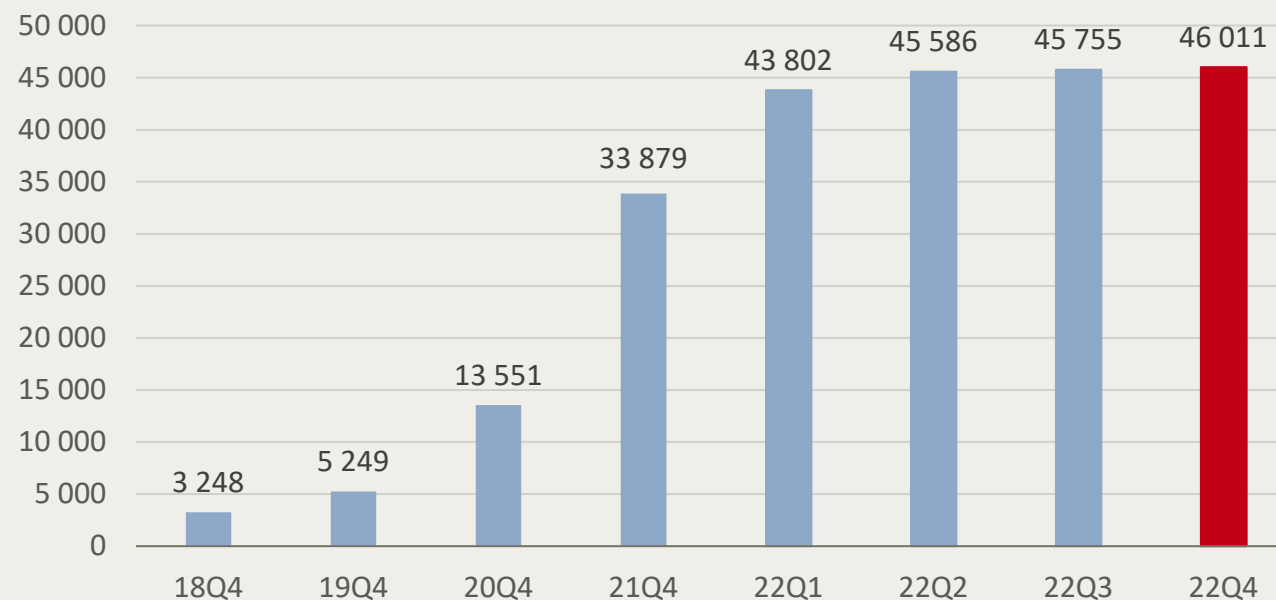


Distribution by Segment



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

Number of Shareholders



- At the end of December 2022, the number of shareholders totaled 46,011 (including nominee registers).
- Harvia held a total of 21,074 own shares related to the share-based incentive program. The shares correspond to 0.11% 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 31 December 2022 was EUR 330.5 million (1,097.4).

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.



DIVIDEND PROPOSAL

- Harvia's Board of Directors proposes to the Annual General Meeting that the company distributes a dividend of EUR 0.64 per share, EUR 11,964,311 in total, for the financial period ended 31 December 2022.
- The Board of Directors proposes the dividend to be paid in two instalments, EUR 0.32 in April 2023 and EUR 0.32 in October 2023.

Q&A





Relaxing Moments

HARVIA
Sauna & Spa

Natural Wellbeing

#healingwithheat