



Healing with heat

HARVIA PLC HALF-YEAR FINANCIAL REVIEW

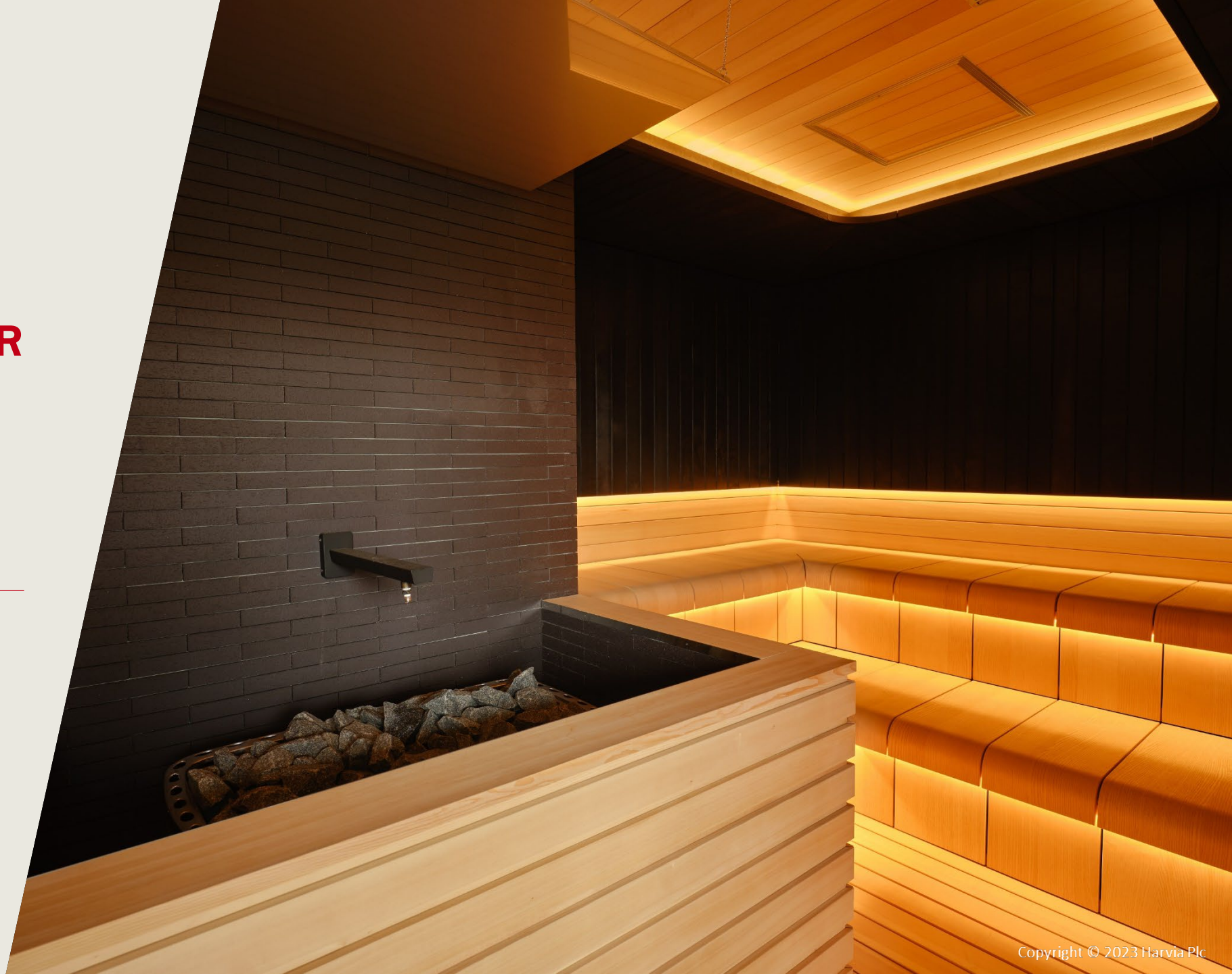
JANUARY–JUNE 2023

**SOLID PROFITABILITY MAINTAINED,
CHALLENGING MARKET CONDITIONS
CONTINUED TO IMPACT REVENUE**

Matias Järnefelt, CEO

Ari Vesterinen, CFO

10 AUGUST 2023



HIGHLIGHTS

Challenging market conditions continued to impact revenue

- Q2 overall revenue decreased by 22.3%, driven by sales decline especially in Europe and complete exit from Russia
- Key markets stayed mixed: DACH region and most of Europe suffered especially from low consumer confidence, but North American market continued on a good growth trajectory and many Asian markets performed well
- Sales declined in all reported product categories, yet growth was achieved in some pockets, most notably in heater stones

Solid profitability maintained

- Q2 adjusted operating profit strong at 22.3% – relative level very near previous quarter and well above the comparison period
- Pricing, cost structure and operations adjusted well to the demanding market environment
- Some easing of cost pressure witnessed in certain key materials and components
- Strong cash flow continued, supported by active net working capital management
- Moderate incremental investments done especially to improve automation and energy efficiency in several facilities

Actions to drive profitable growth strengthened

- Full focus kept on our strategic cornerstones of geographical expansion, increasing the average purchase value and productivity improvement
- Systematic efforts to drive further growth beyond Europe, most notably in the United States and Japan
- Increasing awareness of sauna and its health benefits is expected to support growth in North America and the long-term market outlook and potential of the entire global sauna and spa market



Q2 2023: SOLID PROFITABILITY MAINTAINED WHILE TOP LINE DECLINED



- **Revenue** decreased by 22.3% to EUR 35.8 million (46.0) compared to the comparison period. At comparable exchange rates, revenue decreased by 21.3% to EUR 36.2 million. Organic revenue growth was -17.8%.
- **Operating profit** was EUR 7.8 (8.7) million, making up 21.9% (19.0) of the revenue.
- **Adjusted operating profit** was EUR 8.0 million (8.8), making up 22.3% (19.1) of the revenue. At comparable exchange rates, the adjusted operating profit was EUR 8.2 million (22.6% of the revenue).
- **Earnings per share** were EUR 0.28 (0.40).
- **Operative free cash flow** was EUR 9.1 million (2.1).
- **Net debt** was EUR 45.8 million (47.2) and **leverage** 1.2 (0.9).
- **Equity ratio** was 46.3% (44.4%).



H1 2023: REVENUE DECREASED, CASH FLOW AND PROFITABILITY ON A STRONG LEVEL



- **Revenue** decreased by 20.3% to EUR 77.2 million (96.8) compared to the comparison period. At comparable exchange rates, revenue decreased by 20.3% to EUR 77.2 million. Organic revenue growth was -17.0%.
- **Operating profit** was EUR 17.0 (20.8) million, making up 22.1% (21.5) of the revenue.
- **Adjusted operating profit** was EUR 17.3 million (20.9), making up 22.4% (21.6) of the revenue. At comparable exchange rates, the adjusted operating profit was EUR 17.4 million (22.5% of the revenue).
- **Earnings per share** were EUR 0.62 (0.89).
- **Operative free cash flow** was EUR 20.8 million (9.1).
- **Net debt** was EUR 45.8 million (47.2) and **leverage** 1.2 (0.9).
- **Equity ratio** was 46.3% (44.4%).

SYSTEMATIC EXECUTION OF STRATEGY



Increasing the value of the average purchase

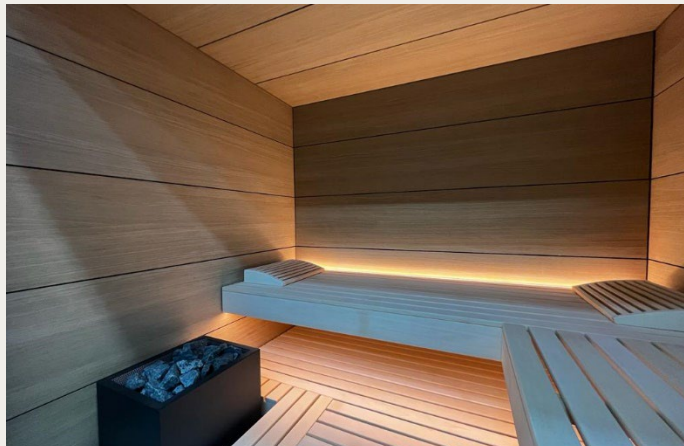
- Sauna room sales on a continuing growth trajectory in North America.
- Performance of emerging markets with more high-end demand supported growth of average purchase value.
- Sales of recent product launches being scaled up, strong innovation pipeline in place for future launches.

Geographical expansion

- Good growth and positive market sentiment especially in North America and several Asian and Pacific countries.
- Work related to joint venture cooperation and growing in Japan progressing as planned.
- Consistent efforts to expand product portfolio in emerging sauna markets proceeding well.

Productivity improvement

- Pricing, cost base, capacity and net working capital kept well in line with the market conditions.
- Productivity development supported by moderate add-on investments to automation and energy efficiency.
- Again, strong operative performance from entire team Harvia.

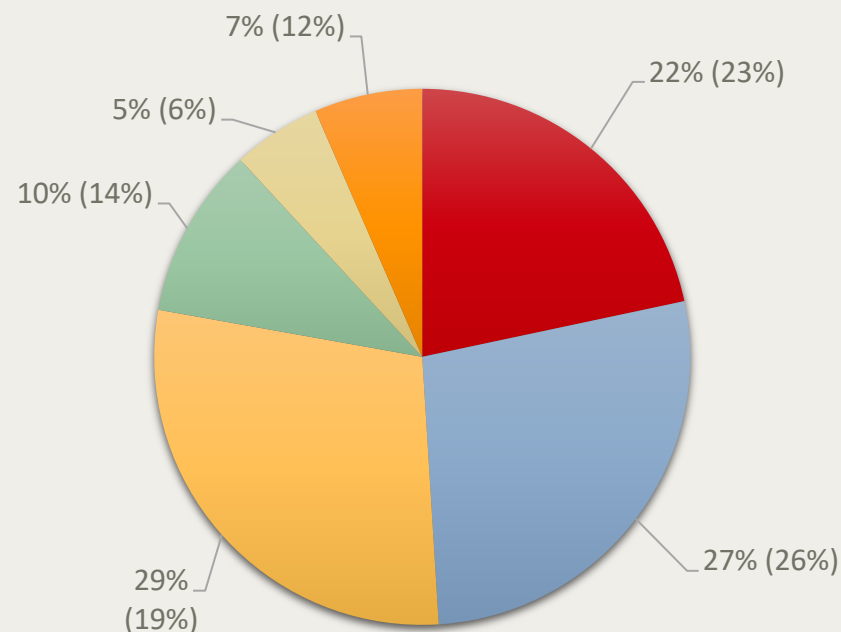


Q2 2023: NORTH AMERICA TOOK THE PLACE OF LARGEST MARKET AREA



Harvia has adjusted its revenue reporting. Starting from the first quarter of 2023, Harvia reports its revenue as presented below.

Revenue by market area, %

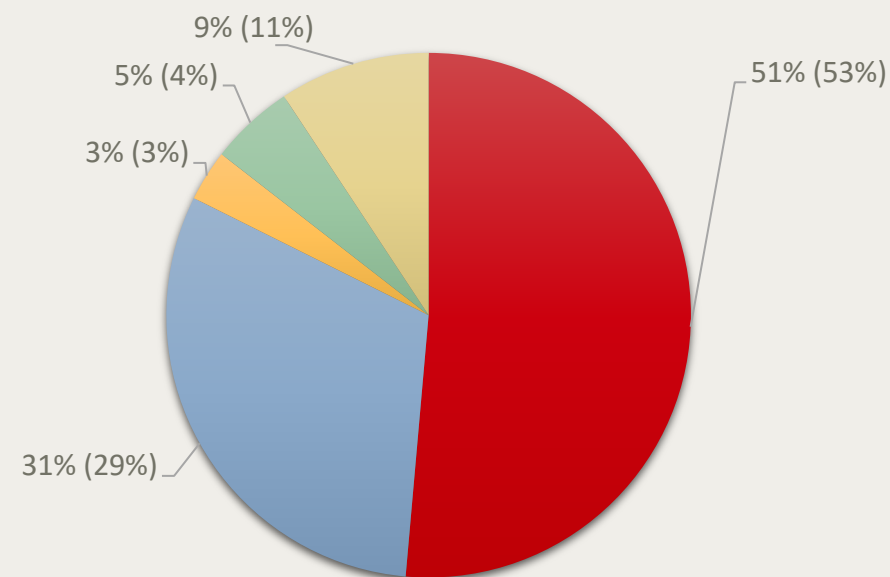


- Finland
- North America
- Scandinavia
- Other European countries
- Germany
- Other countries*

- Revenue decreased by 22.3% to EUR 35.8 million (46.0).
- Revenue increased in North America by 15.1%. In all other main market areas, sales did not reach the comparison period's level.

* The largest of which: Middle East and Africa and Asia. Other countries includes also Russia. There was no revenue in Russia in the reporting period, but the share of the revenue was 6% in Q2 2022.

Revenue by product group, %



- Heating equipment*
- Saunas and Scandinavian hot tubs
- Steam generators
- Spare parts and services
- Accessories and heater stones

- Revenue decreased in all product groups in Q2.
- The revenue from saunas grew in North America and Asia but decreased in all other market areas.

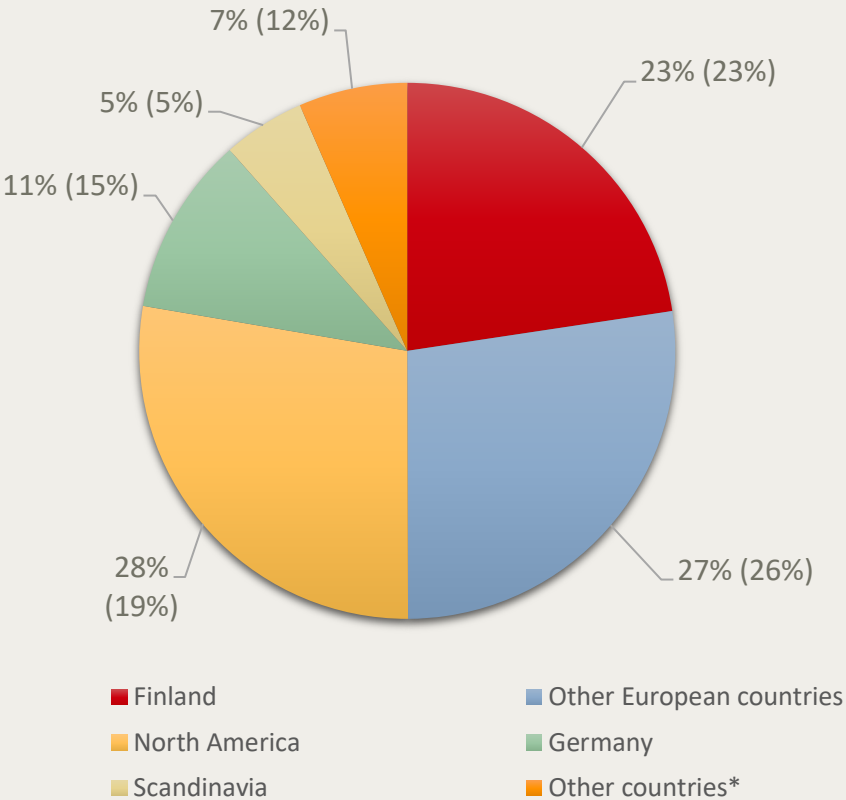
* Sauna heaters, control units, IR components

H1 2023: WEAK DACH REGION DEMAND AND EXIT FROM RUSSIA VISIBLE IN MARKET AREA REVENUE SPLIT



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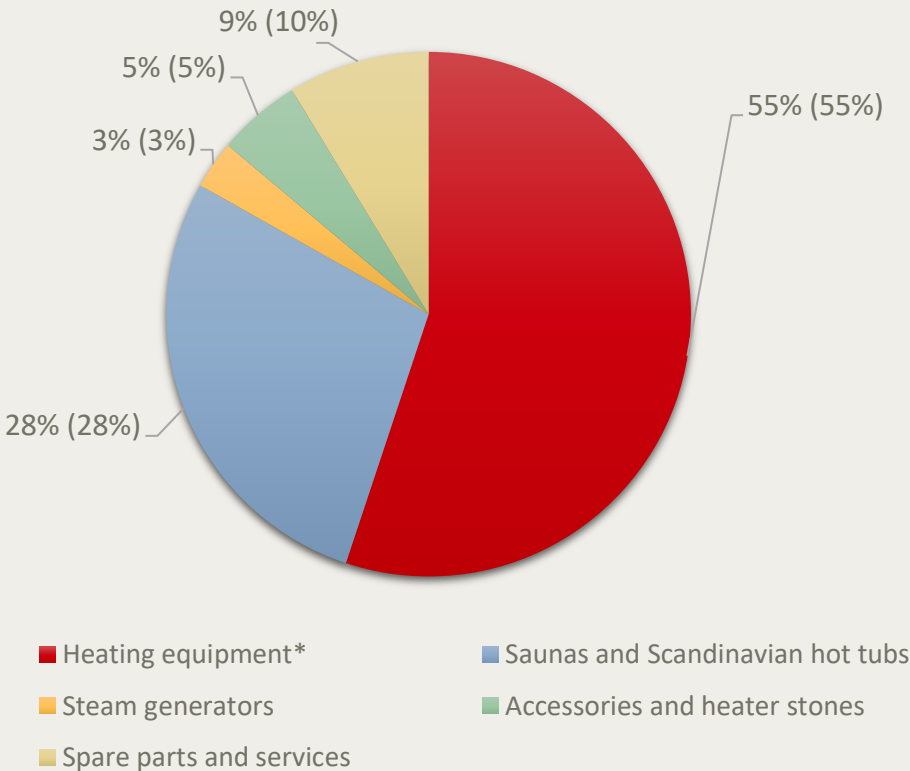
Revenue by market area, %



- Revenue decreased by 20.3% to EUR 77.2 million (96.8).
- Revenue increased in North America by 15.4% but decreased compared to the previous year in all other market areas, especially in Germany.

* The largest of which: Middle East and Africa and Asia. Other countries includes also Russia. There was no revenue in Russia in the reporting period, but the share of revenue was 5% in H1 2022.

Revenue by product group, %



- Revenue decreased in all product groups in H1.
- Sauna heater revenue increased in North America but decreased in other market areas, especially in Germany.

* Sauna heaters, control units, IR components

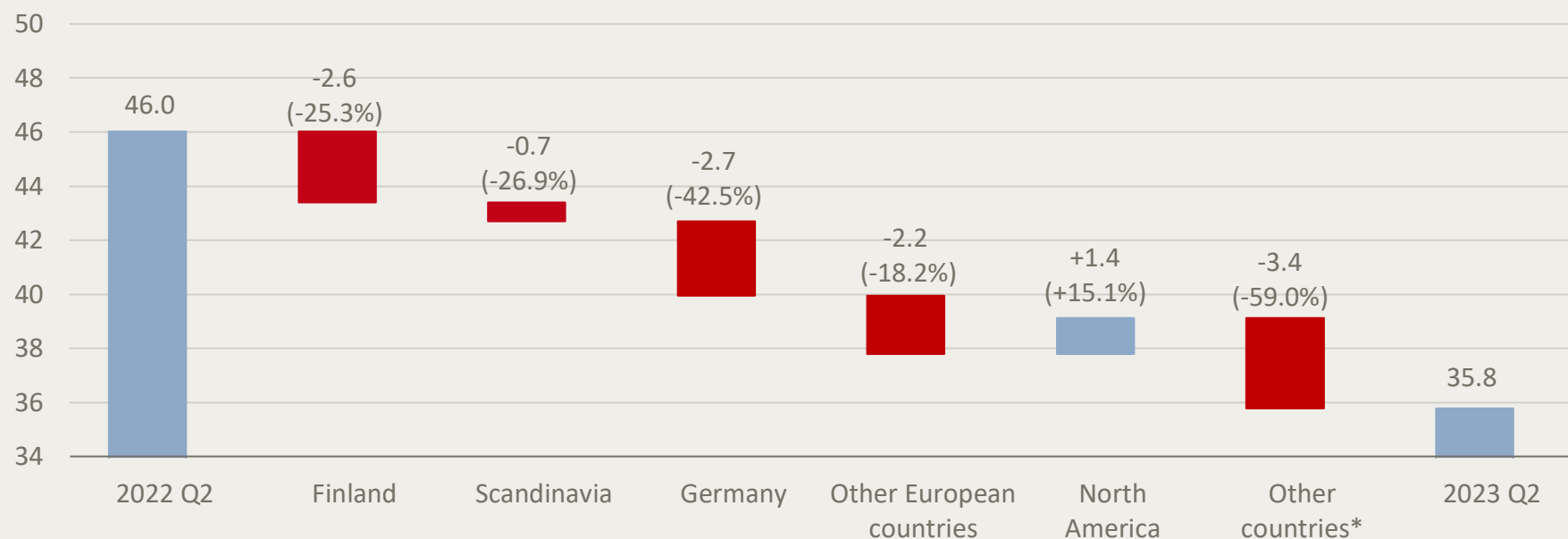
Q2 2023: REVENUE DECREASED BY 22.3%



Harvia has adjusted its revenue reporting. Starting from the first quarter of 2023, Harvia reports its revenue as presented below.

Revenue by market area 4–6/2022 vs 4–6/2023

EUR million



- Organic revenue growth was -17.8%.
- Revenue increased in North America by 15.1%.
- Economic uncertainty, elevated inflation and eroded consumer confidence impacted the sales performance in Europe.
- Revenue in Other countries fell by 59.0%, driven mainly by the exit from Russia in 2022 but to some extent also by the decline in project invoicing in Middle East and Africa. However, sales in Asia and Pacific countries grew.

* The largest of which: Middle East and Africa and Asia. Other countries includes also Russia. There was no revenue in Russia in the reporting period, but the revenue was EUR 2.6 million in 4–6/2022.

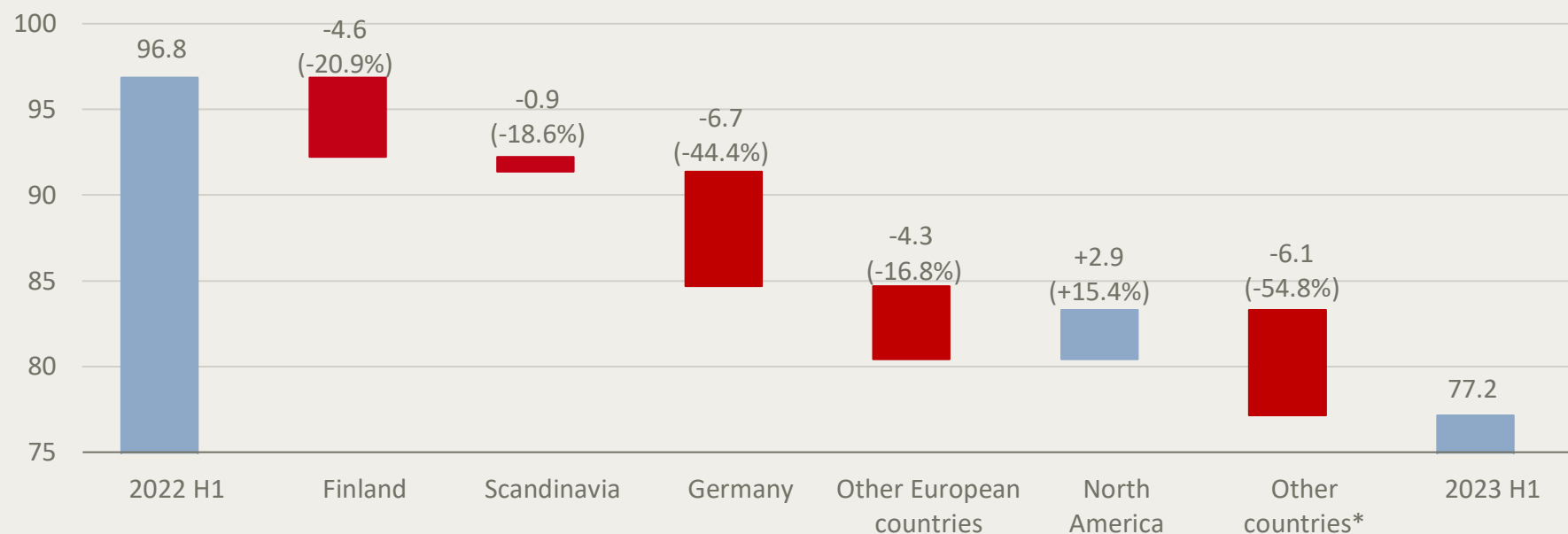
H1 2023: REVENUE DECREASED BY 20.3%



Harvia has adjusted its revenue reporting. Starting from the first quarter of 2023, Harvia reports its revenue as presented below.

Revenue by market area 1–6/2022 vs 1–6/2023

EUR million



- Organic revenue growth was -17.0%.
- Revenue increased in North America by 15.4%.
- Difficult market environment visible in sales in Europe, especially Germany, where sales declined by 44.4%.
- Revenue in Other countries fell by 54.8%, driven mainly by the exit from Russia in 2022 but to some extent also by the decline in project invoicing in Middle East and Africa. However, sales in Asia and Pacific countries grew.

* The largest of which: Middle East and Africa and Asia. Other countries includes also Russia. There was no revenue in Russia in the reporting period, but the revenue was EUR 4.9 million in 1–6/2022.

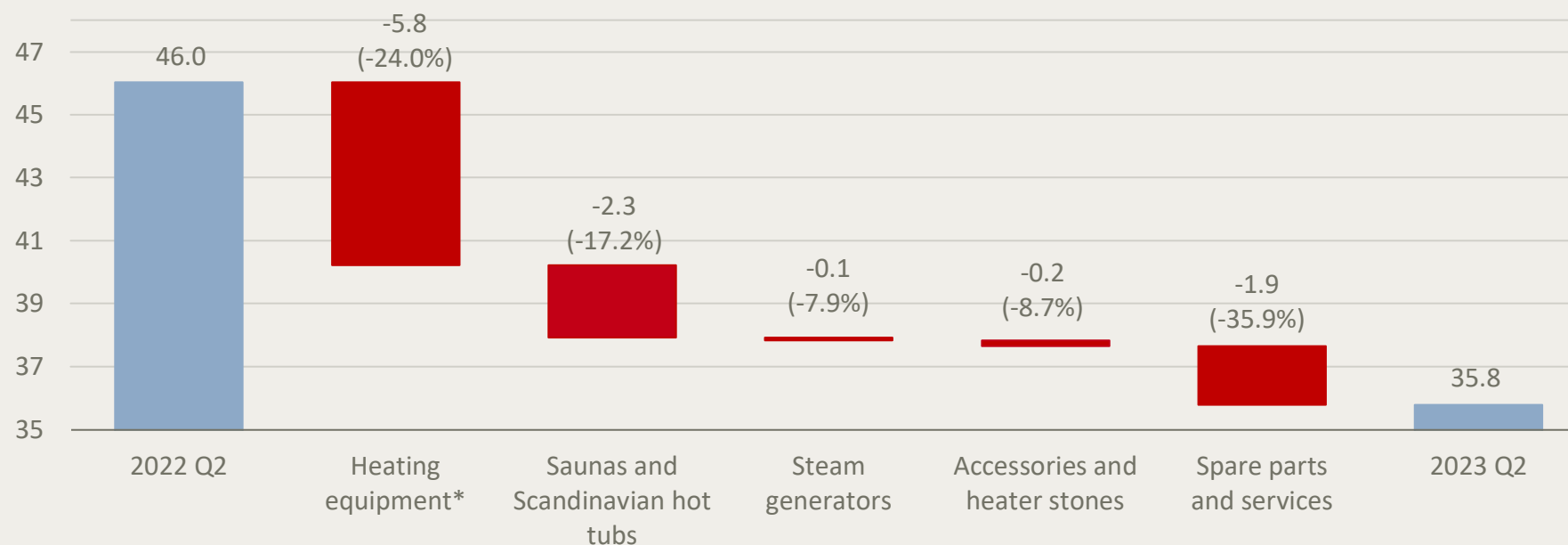
Q2 2023: REVENUE DECREASED IN ALL PRODUCT GROUPS



Harvia has adjusted its revenue reporting. Starting from the first quarter of 2023, Harvia reports its revenue as presented below.

Revenue by product group 4–6/2022 vs 4–6/2023

EUR million



- Sauna heater revenue increased in North America but decreased in other market areas, especially in Germany and Finland.
- The revenue from saunas grew in North America and in Asia and Pacific countries but decreased in all other market areas.
- Sales of spare parts and services decreased significantly to comparison period due to both general market development and the exit from Russia in 2022.

* Sauna heaters, control units, IR components

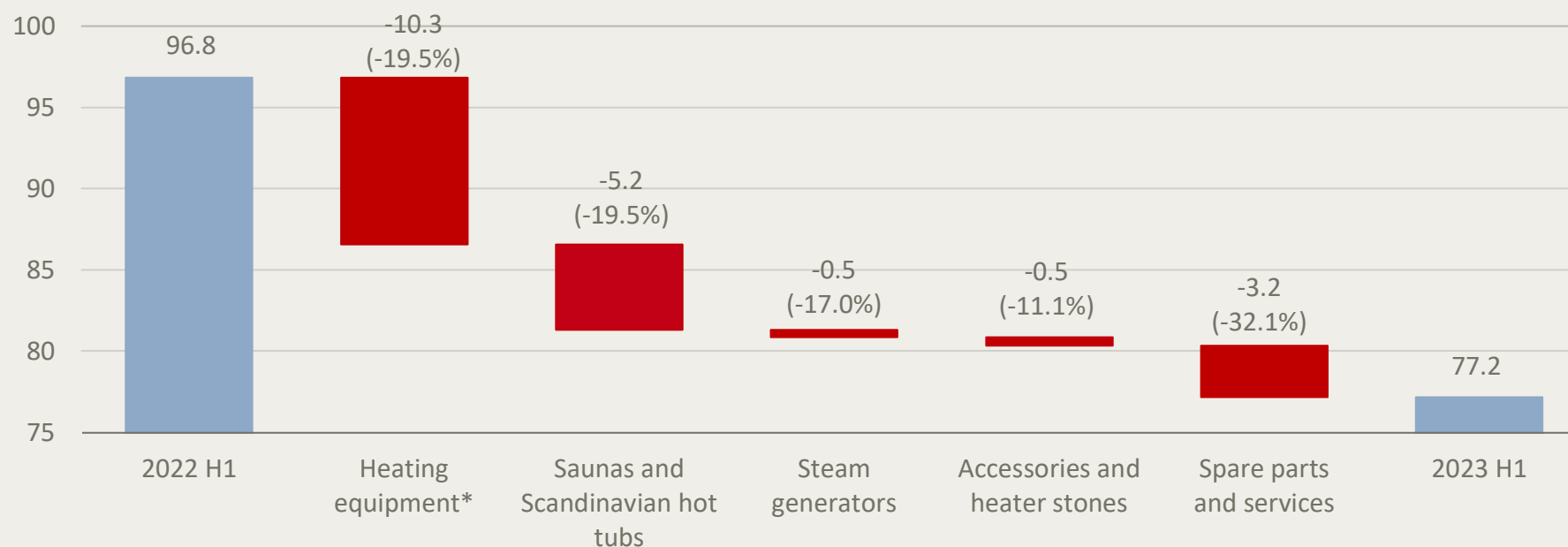
H1 2023: REVENUE DECREASED IN ALL PRODUCT GROUPS



Harvia has adjusted its revenue reporting. Starting from the first quarter of 2023, Harvia reports its revenue as presented below.

Revenue by product group 1–6/2022 vs 1–6/2023

EUR million



- Sauna heater revenue increased in North America but decreased in other market areas, especially in Germany.
- The revenue from saunas grew in North America, Asia and Pacific countries, but decreased in all other market areas.
- The revenue development of steam generators was affected especially by the exit from Russia, while sales in Other European countries developed positively.
- Revenue from heater stones and accessories grew in North America and in Asia and Pacific countries but decreased elsewhere.

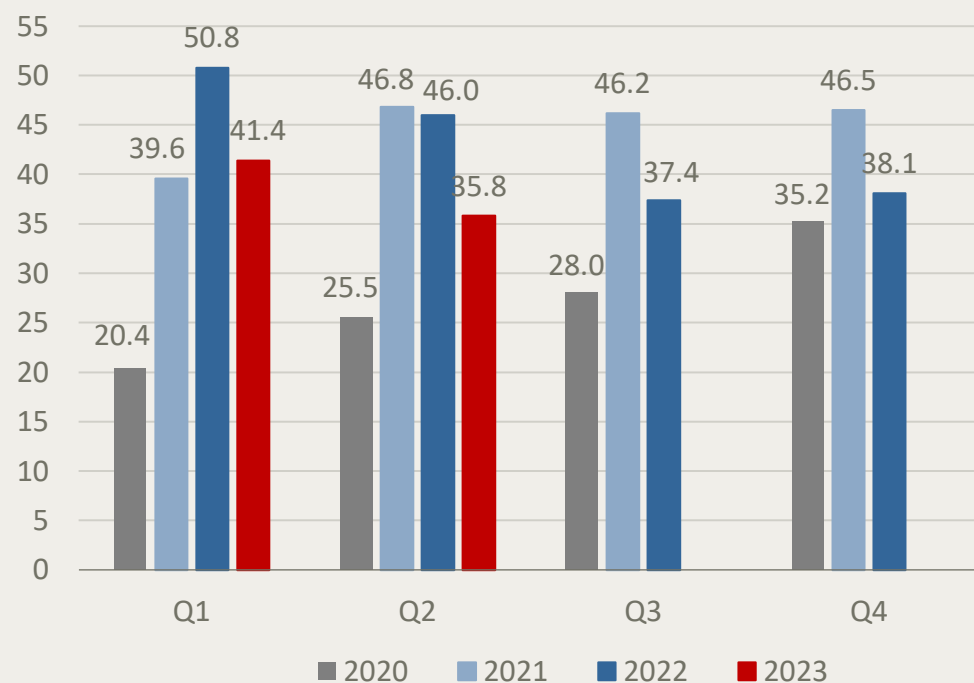
* Sauna heaters, control units, IR components

REVENUE AND ADJUSTED OPERATING PROFIT



Revenue

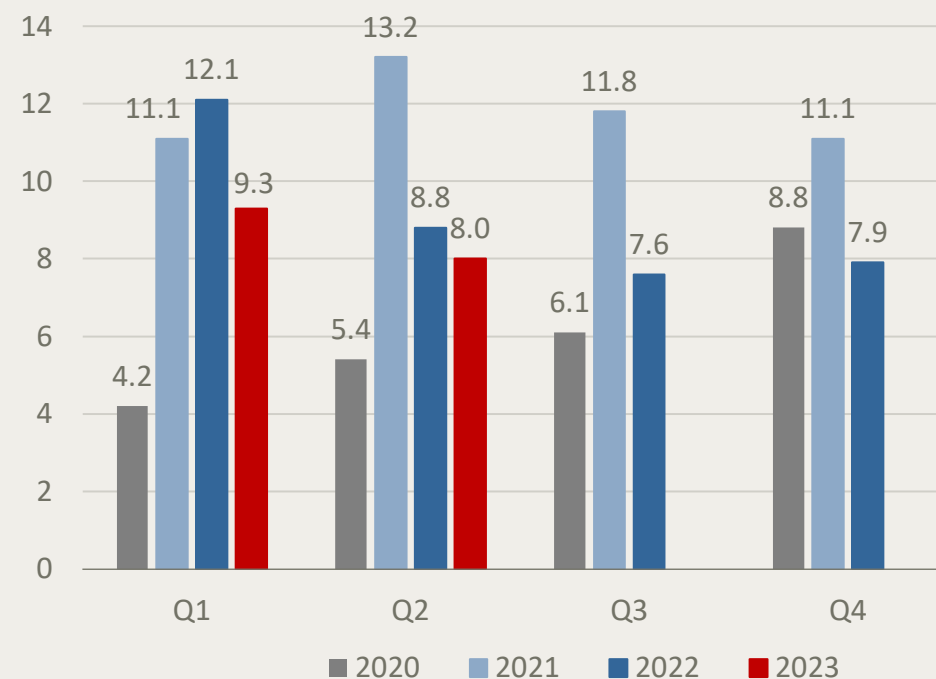
EUR million



- The Group's revenue decreased in January–June by 20.3% to EUR 77.2 million (96.8).
- At comparable exchange rates, revenue decreased by 21.3% and was EUR 36.2 million in Q2.

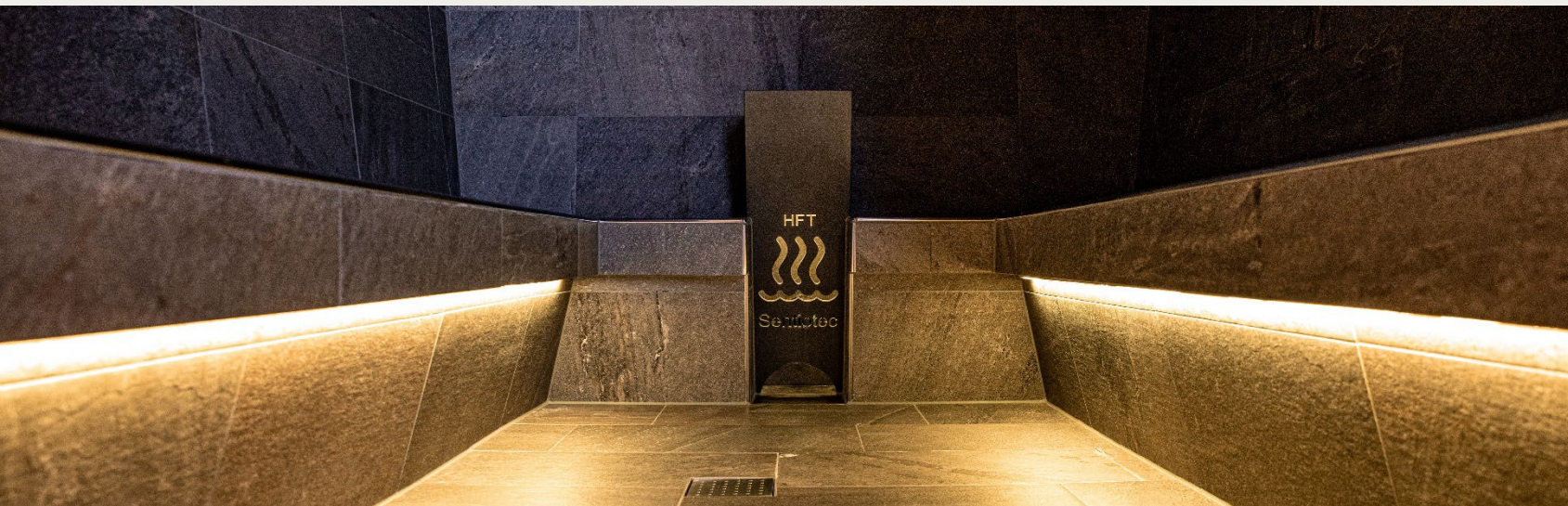
Adjusted operating profit

EUR million



- Adjusted operating profit decreased to EUR 8.0 million (8.8), making up 22.3% (19.1) of the revenue in the second quarter.
- In January–June, adjusted operating profit decreased to EUR 17.3 million (20.9) and the adjusted operating profit margin was 22.4% (21.6).

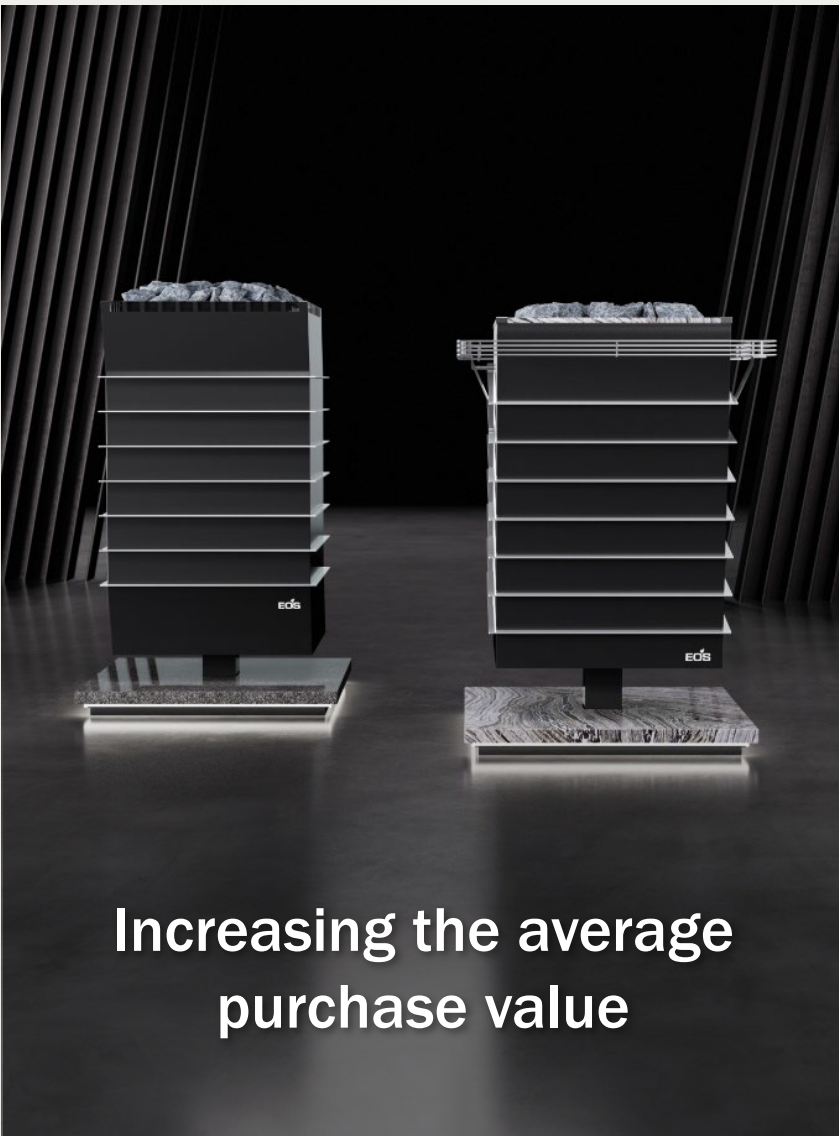
PRODUCTS FOR ALL THREE SAUNA TYPES AND ALL CULTURES



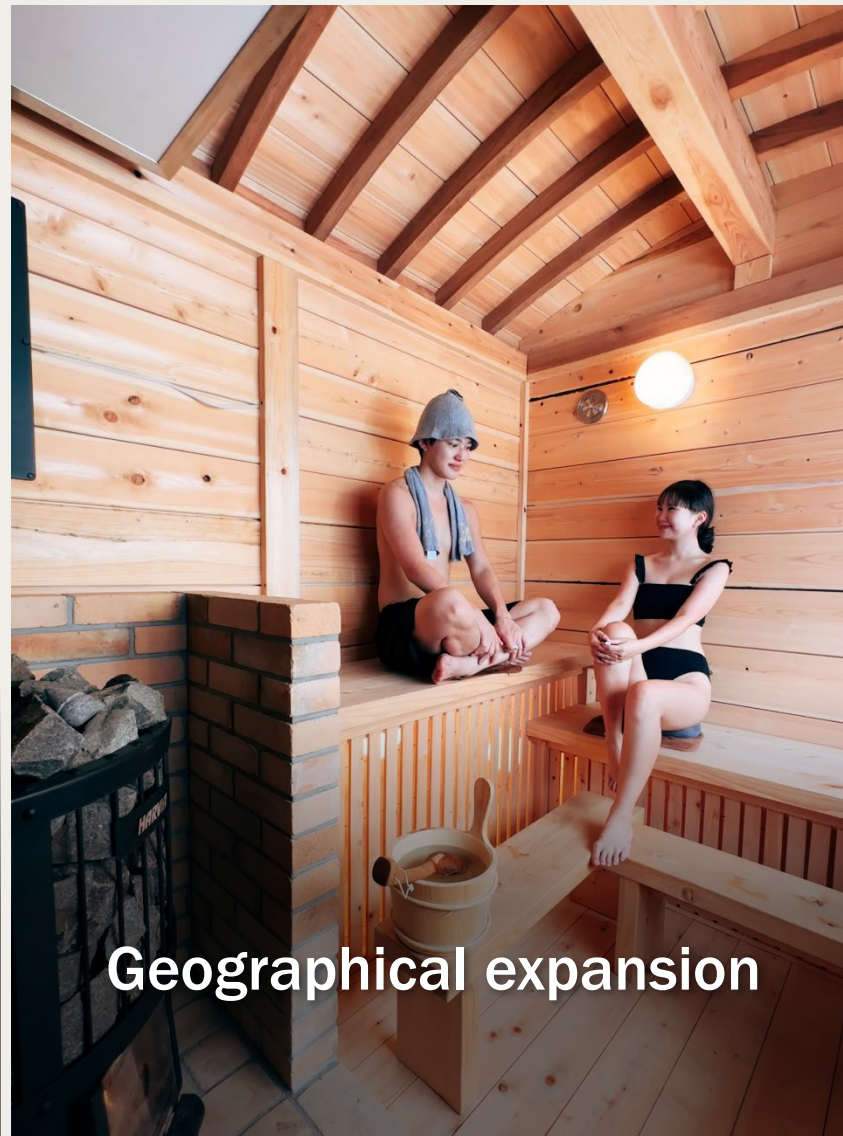
Harvia's diverse product offering covers all three sauna types and meets the needs of both private and professional customers.



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



Increasing the average
purchase value



Geographical expansion



Productivity improvement



FINANCIALS

ARI VESTERINEN, CFO

HARVIA'S KEY FIGURES IN THE REPORTING PERIOD



EUR million	4-6/2023	4-6/2022	Change, %	1-6/2023	1-6/2022	Change, %	1-12/2022
Revenue	35.8	46.0	-22.3%	77.2	96.8	-20.3%	172.4
Adjusted EBITDA*	9.5	10.4	-8.8%	20.4	24.1	-15.7%	42.9
% of revenue	26.6%	22.7%		26.4%	24.9%		24.9%
Adjusted operating profit*	8.0	8.8	-9.3%	17.3	20.9	-17.4%	36.5
% of revenue	22.3%	19.1%		22.4%	21.6%		21.1%
Basic EPS (EUR)	0.28	0.40	-28.4%	0.62	0.89	-30.6%	1.45
Operating free cash flow	9.1	2.1	341.7%	20.8	9.1	129.7%	34.0
Investments in tangible and intangible assets	-0.9	-1.2	-25.8%	-1.2	-2.1	-45.0%	-3.6
Net debt	45.8	47.2	-2.9%	45.8	47.2	-2.9%	54.5
Leverage	1.2	0.9		1.2	0.9		1.3
Net working capital	36.5	55.8	-34.7%	36.5	55.8	-34.7%	45.3
Adjusted return on capital employed (ROCE)*	47.7%	80.9%		47.7%	80.9%		54.5%
Equity ratio	46.3%	44.4%		46.3%	44.4%		47.3%
Number of employees at end of period	619	821	-24.6%	619	821	-24.6%	633

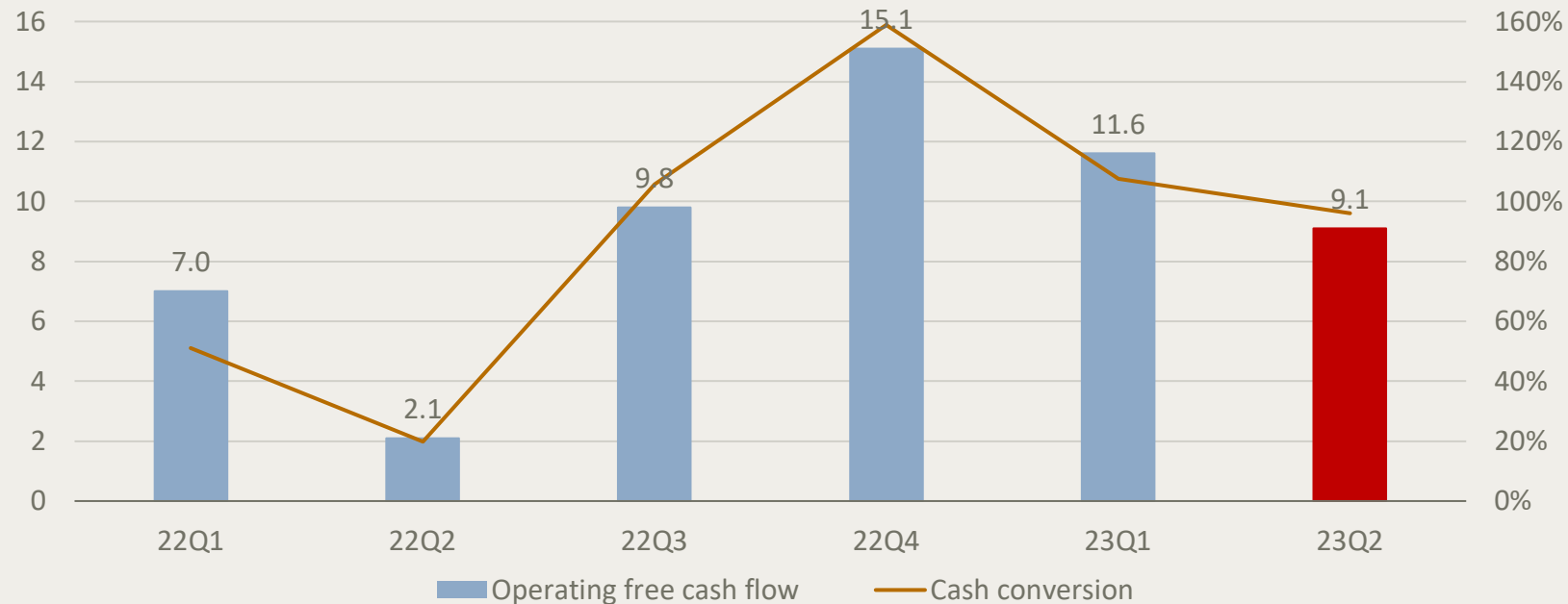
* Adjusted by items affecting comparability related mainly to acquisitions, divestments of subsidiaries and restructuring.

OPERATING FREE CASH FLOW AND CASH CONVERSION ON A STRONG LEVEL



Operating free cash flow and cash conversion*

EUR million



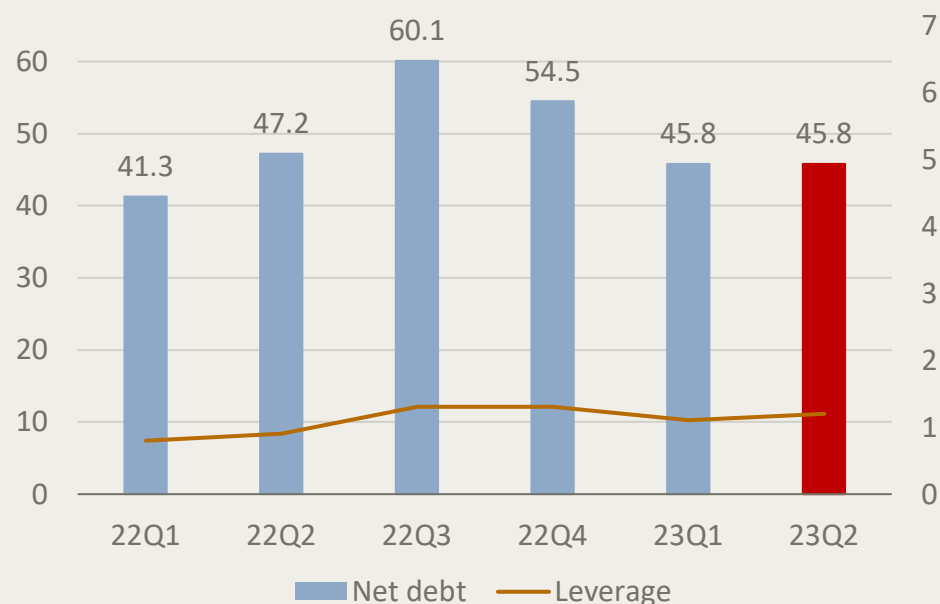
- In the review period, the company's operating free cash flow was EUR 9.1 million (2.1) and cash conversion 96.1% (19.8). The increase of free cash flow has been driven by decrease in net working capital and low level of investments after the high level of investments in 2021.

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

NET DEBT DECREASED UNDER THE Q2 2022 LEVEL

Net debt and leverage

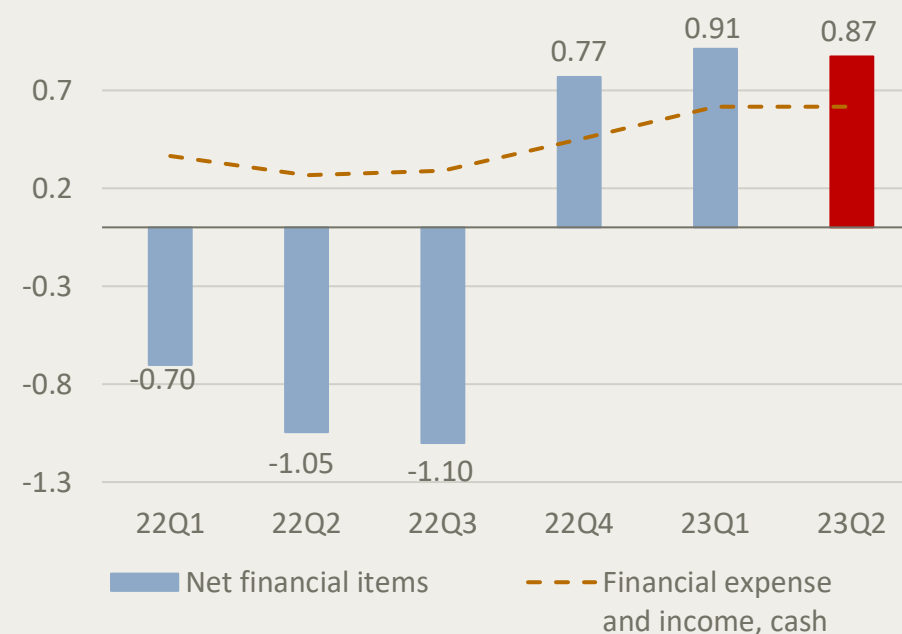
EUR million



- At the end of June 2023, the company's net debt amounted to EUR 45.8 million (47.2). Loans from credit institutions were EUR 75.4 million (60.4), and lease liabilities were EUR 2.1 million (2.8). Cash and cash equivalents were EUR 31.7 million (16.0).
- Leverage was 1.2 (0.9).
- Increase in net debt in Q3 2022 was due to financing the acquisition of the minority share of EOS Group's German operations.

Net financial items

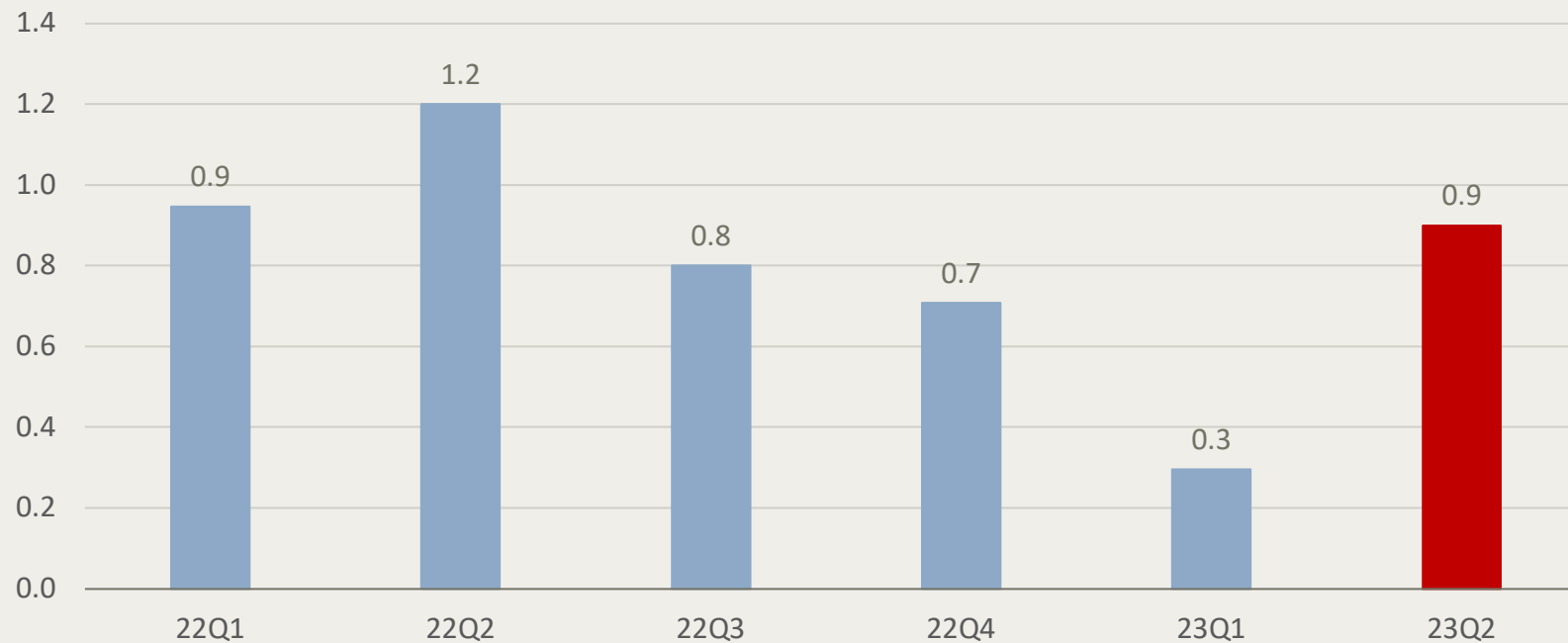
EUR million



- 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.
- Net financial expenses paid in cash have increased due to a new loan drawn in Q3 2022 amounting to EUR 19 million and higher interest rates.

Investments in tangible and intangible assets

EUR million

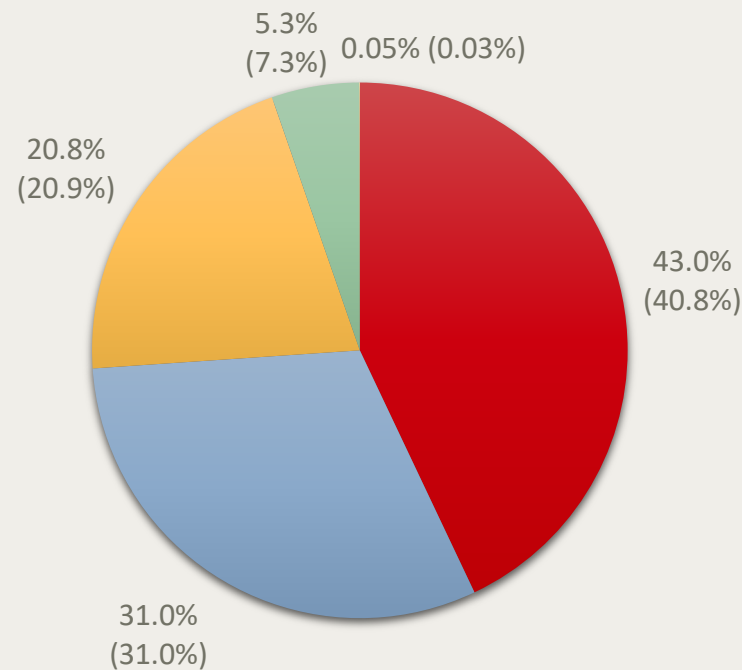


- During the review period, Harvia made minor add-on investments in production machinery and facilities. Harvia improved its energy efficiency in several factories and increased automation in its factory in the USA and at EOS Germany. Additionally, minor investments in upgraded air conditioning as well as lighting were made at the factories in Muurame and the USA.
- In 2023, Harvia continues to focus on its strategic priorities, one of which is productivity improvement. There, focus is set on quality, increasing automation and improving efficiency of production processes.

HARVIA'S SHAREHOLDERS (30 JUNE 2023)

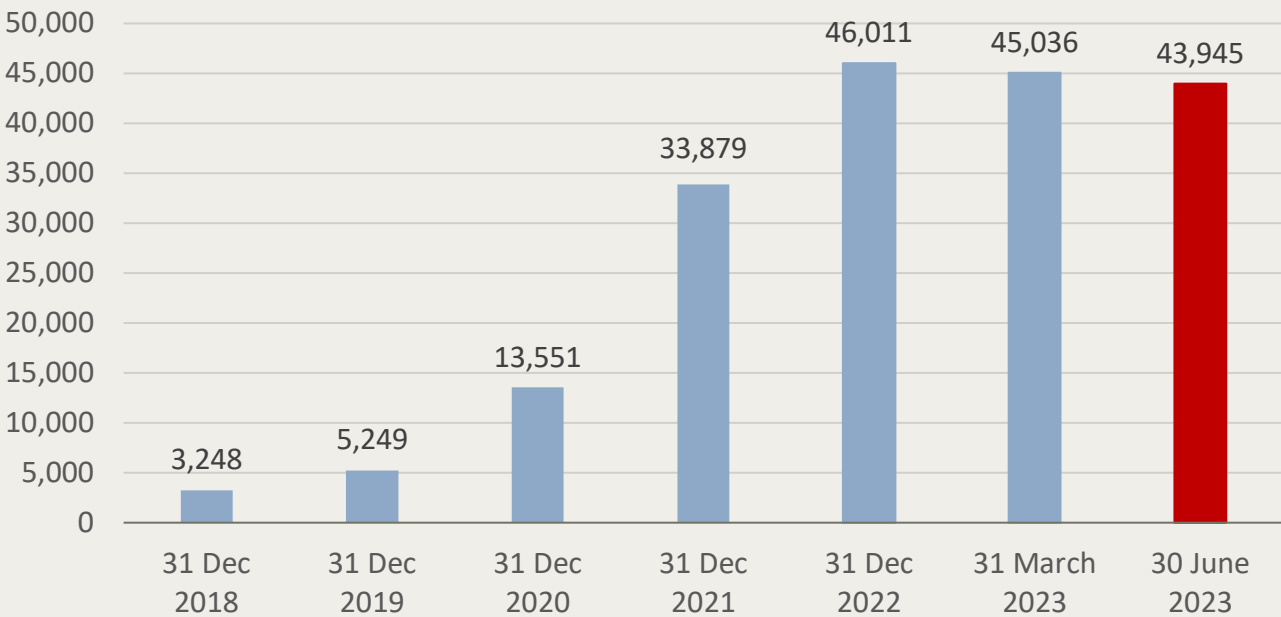


Distribution by Segment



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

Number of Shareholders



- On 30 June 2023, the number of shareholders totaled 43,945 (including nominee registers).
- Harvia held a total of 9,637 own shares related to the share-based incentive program. The shares correspond to 0.05% of the total number of shares.
- The shareholding of the Board of Directors, management and personnel was 4.1%.
- The market value of Harvia's share capital on 30 June 2023 was EUR 431.8 million (505.7).

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 0.64 PER SHARE

- The Annual General Meeting held on 20 April 2023 approved the Board of Directors' proposal that EUR 0.64 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 installments.
- The first installment, EUR 0.32 per share, was paid on 2 May 2023 to shareholders who were registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date of the dividend of 24 April 2023.
- The second installment, EUR 0.32 per share, will be paid in October 2023.

Q&A

A modern black wooden sauna building with a glass door. Two women in bathrobes are sitting outside on chairs, talking. In the background, a man is relaxing in a hot tub. The scene is set in a garden with stone walls and trees.

HARVIA

Sauna & Spa

Healing with heat