



Healing with heat

HARVIA PLC INTERIM REPORT

JANUARY–SEPTEMBER 2023

**STRONG PROFITABILITY AND CASH
FLOW WHILE SALES DECLINED DUE TO A
CHALLENGING MARKET IN EUROPE**

Matias Järnefelt, CEO

Ari Vesterinen, CFO

2 NOVEMBER 2023



HIGHLIGHTS



Strong profitability and cash flow continued

- Q3 adjusted operating profit robust at 20.3%
- Successful adapting of pricing, cost structure and operations to the market conditions continued
- Cash flow remained on a high level, reflecting also the successful net working capital management
- Supply chain robustness increased by acquiring Italian electromechanical timer manufacturer Phoenix El-Mec

Overall sales declined driven by Europe, good growth outside Europe

- Q3 overall revenue decreased by 9.2% and was negatively impacted by exit from Russia and exchange rates
- Organic growth -4.9%
- Large market performance differences continued: Strong growth in North America and Asia, but decline in Germany and wider DACH area as well as in Northern Europe
- Sales of most product groups continued to decline, North American overall performance supported sauna room sales

Accelerating efforts to drive growth especially outside Europe

- Growth efforts centered on selected high-potential markets in North America and Asia-Pacific; opportunities exist also in Europe
- Management team and organizational changes starting from 1 January 2024 to drive organic growth, customer-orientation, innovation and synergies across Harvia Group – offer also a platform for M&A
- Continuing to drive geographical expansion, increasing the value of average purchase, and productivity improvement



Q3 2023: STRONG PROFITABILITY WHILE REVENUE STAYED UNDER COMPARISON LEVEL



- **Revenue** decreased by 9.2% to EUR 34.0 million (37.4) compared to the comparison period. At comparable exchange rates, revenue decreased by 6.8% to EUR 34.9 million. Organic revenue growth was -4.9%.
- **Operating profit** was EUR 6.8 (7.3) million, making up 20.0% (19.5) of the revenue.
- **Adjusted operating profit** was EUR 6.9 million (7.6), making up 20.3% (20.4) of the revenue. At comparable exchange rates, the adjusted operating profit was EUR 7.2 million (20.6% of the revenue).
- **Earnings per share** were EUR 0.24 (0.34).
- **Operative free cash flow** was EUR 8.3 million (9.8).
- **Net debt** was EUR 40.6 million (60.1) and **leverage** 1.1 (1.3).
- **Equity ratio** was 47.7% (44.9%).



JANUARY–SEPTEMBER 2023: STRONG PROFITABILITY AND CASH FLOW



- **Revenue** decreased by 17.2% to EUR 111.1 million (134.3) compared to the comparison period. At comparable exchange rates, revenue decreased by 16.5% to EUR 112.1 million. Organic revenue growth was -13.6%.
- **Operating profit** was EUR 23.8 (28.1) million, making up 21.4% (20.9) of the revenue.
- **Adjusted operating profit** was EUR 24.1 million (28.5), making up 21.7% (21.2) of the revenue. At comparable exchange rates, the adjusted operating profit was EUR 24.6 million (22.0% of the revenue).
- **Earnings per share** were EUR 0.86 (1.23).
- **Operative free cash flow** was EUR 29.1 million (18.9).
- **Net debt** was EUR 40.6 million (60.1) and **leverage** 1.1 (1.3).
- **Equity ratio** was 47.7% (44.9%).

SYSTEMATIC EXECUTION OF STRATEGY



Increasing the value of the average purchase

- Sauna room sales growth continued, supported especially by the North American market development
- Focus on selling a complete system of sauna equipment instead of only the heater
- Geographical expansion increases the value of the average purchase as many markets outside Europe move high-end

Geographical expansion

- North America and Asia-Pacific on a good growth trajectory
- Joint Venture company Harvia Japan Ltd. established in Japan
- More sauna and heater models being developed and introduced to markets in North America and Asia

Productivity improvement

- Supply chain, pricing and cost structure meeting well the different market conditions in each area
- Net working capital still in decline, supported by the continuous and systematic work
- Supply chain robustness increased by the acquisition of Phoenix El-Mec





ACQUISITION OF PHOENIX EL-MEC TO IMPROVE SUPPLY CHAIN RESILIENCE



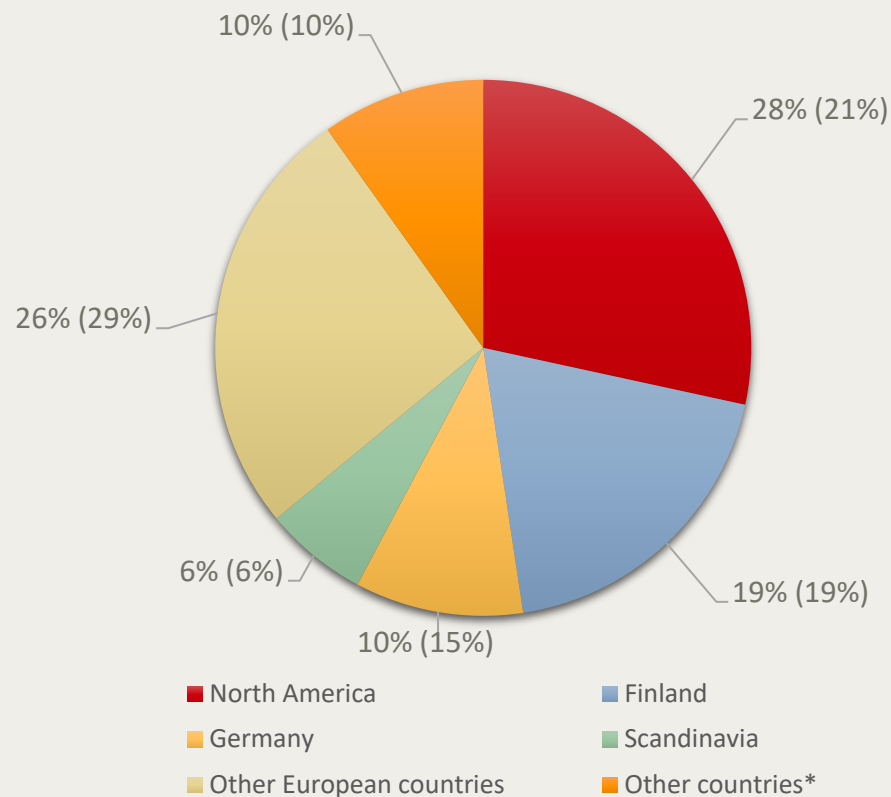
- On 29 September 2023, Harvia signed and closed an agreement to acquire Phoenix El-Mec srl, a manufacturer of electromechanical timers for sauna heaters.
- Founded in 2013, Phoenix El-Mec produces reliable and high-quality timer switches that are a key component in Harvia's basic sauna heaters. The company has been Harvia's supplier since its establishment.
- The acquisition will help Harvia to further strengthen its supply chain and ensure the availability of the key component in sauna heater production.
- Phoenix El-Mec will continue operating at their current premises in Belluno, Italy, with the current personnel of 13 employees.

Q3 2023: NORTH AMERICA THE LARGEST MARKET AREA, GROWTH REFLECTED IN SHARE OF SAUNAS AND SCANDINAVIAN HOT TUBS

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



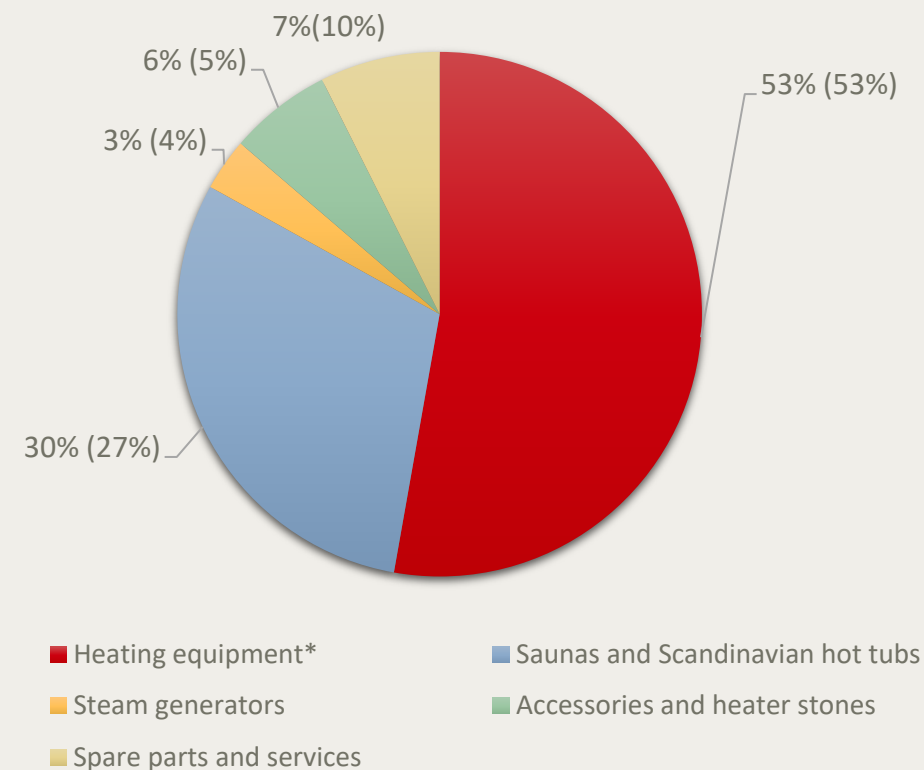
Revenue by market area, %



- Revenue decreased by 9.2% to EUR 34.0 million (37.4%).
- Revenue increased in North America by 22.3%. In all other key market areas, sales did not reach the comparison period's level.

* The largest of which: Asia and Middle East and Africa. Other countries includes also Russia. There was no revenue in Russia in the reporting period, but the share of the revenue was 4% in Q3 2022.

Revenue by product group, %



- Revenue decreased in all other product groups in Q3, except in accessories and heater stones.
- The growth in North America supported especially the sales of saunas, as sauna rooms form the majority of the sales in North America.

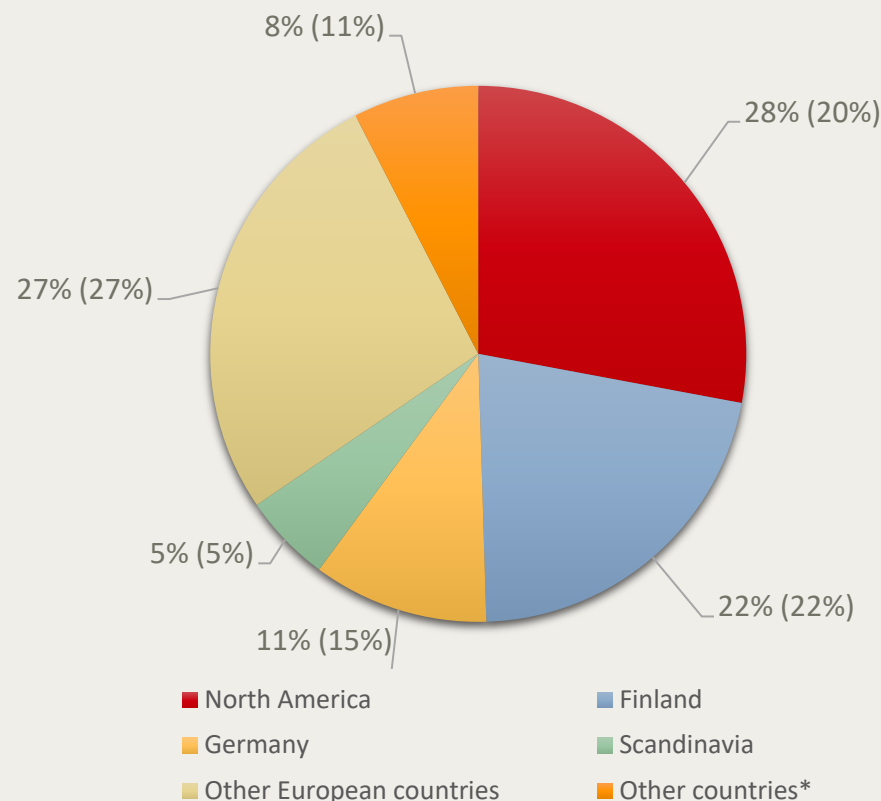
* Sauna heaters, control units, IR components

JANUARY–SEPTEMBER 2023: INCREASING SHARE OF SALES FROM NORTH AMERICA, DEMAND LOW ESPECIALLY IN GERMANY



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

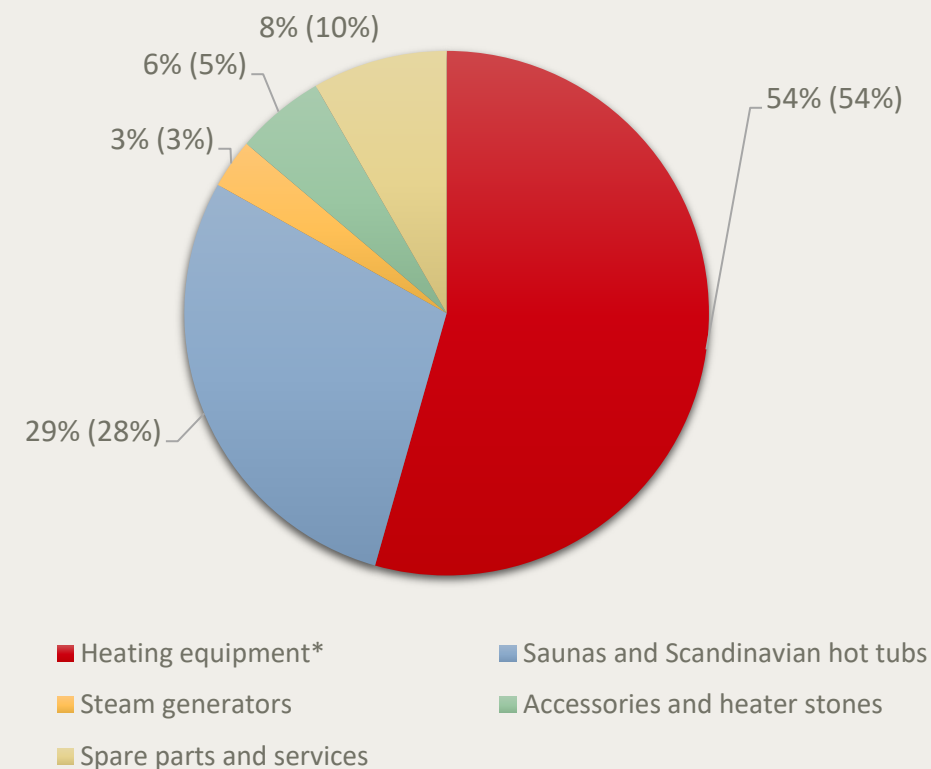
Revenue by market area, %



- Revenue decreased by 17.2% to EUR 111.1 million (134.2).
- Revenue increased in North America by 17.5%, but decreased compared to the previous year in all other market areas, especially in Germany.

* The largest of which: Asia and Middle East and Africa. Other countries includes also Russia. There was no revenue in Russia in the reporting period, but the share of revenue was 5% in 1-9/2022.

Revenue by product group, %



- Revenue decreased in all product groups in January–September.

* Sauna heaters, control units, IR components

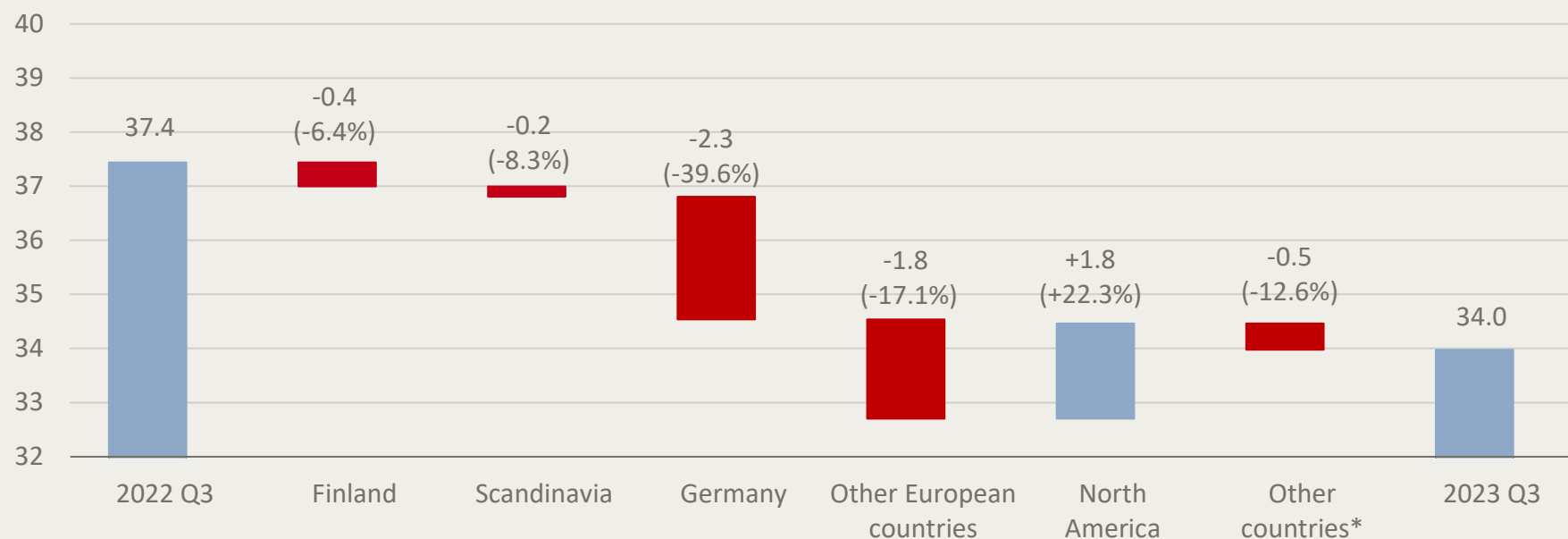
Q3 2023: REVENUE DECREASED BY 9.2%, NORTH AMERICA GREW BY 22.3%



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

Revenue by market area 7–9/2022 vs 7–9/2023

EUR million



- Organic revenue growth was -4.9%.
- Economic uncertainty, elevated inflation and eroded consumer confidence impacted the sales performance in Europe.
- Revenue in Other countries fell, driven mainly by the exit from Russia in 2022. Sales grew in Asia-Pacific.

* The largest of which: Asia and Middle East and Africa . Other countries includes also Russia. There was no revenue in Russia in the reporting period, but the revenue was EUR 1.7 million in 7–9/2022.

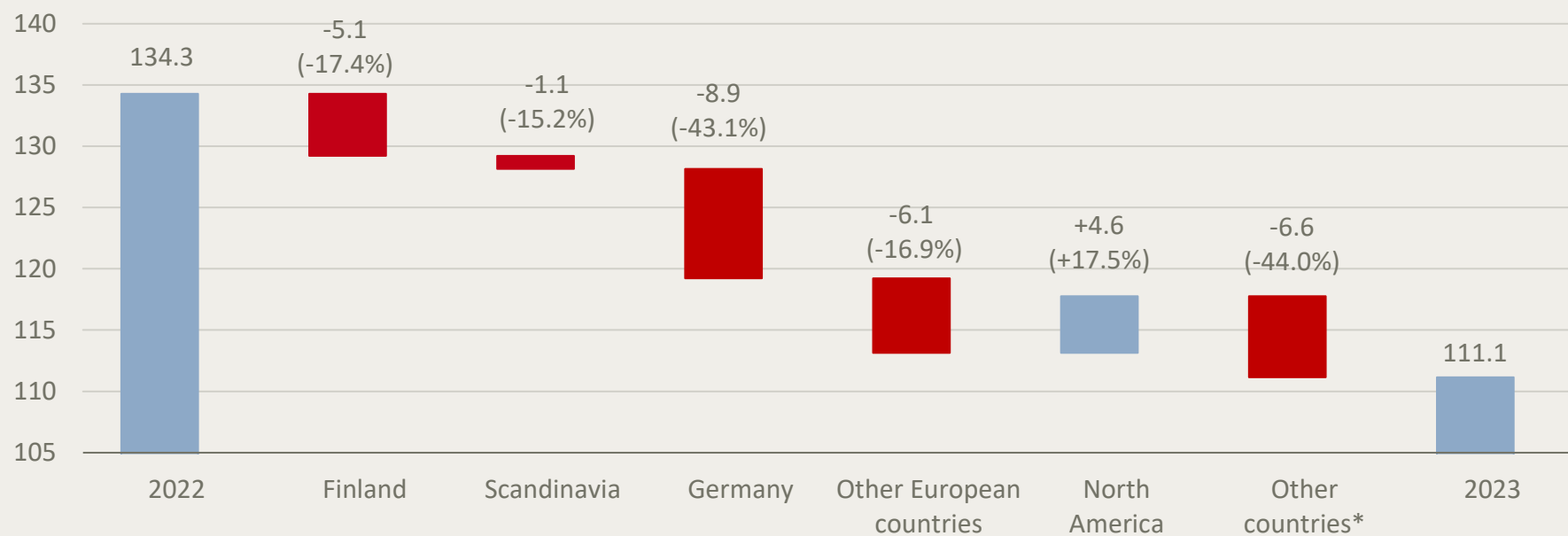
JANUARY–SEPTEMBER 2023: REVENUE DECREASED BY 17.2%



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

Revenue by market area 1–9/2022 vs 1–9/2023

EUR million



- Organic revenue growth was -13.6%.
- Revenue increased in North America by 17.5%.
- Difficult market environment visible in sales in Europe, especially Germany.
- Revenue in Other countries fell by 44.0%, driven especially by the exit from Russia in 2022.

* The largest of which: Asia and Middle East and Africa. Other countries includes also Russia. There was no revenue in Russia in the reporting period, but the revenue was EUR 6.6 million in 1–9/2022.

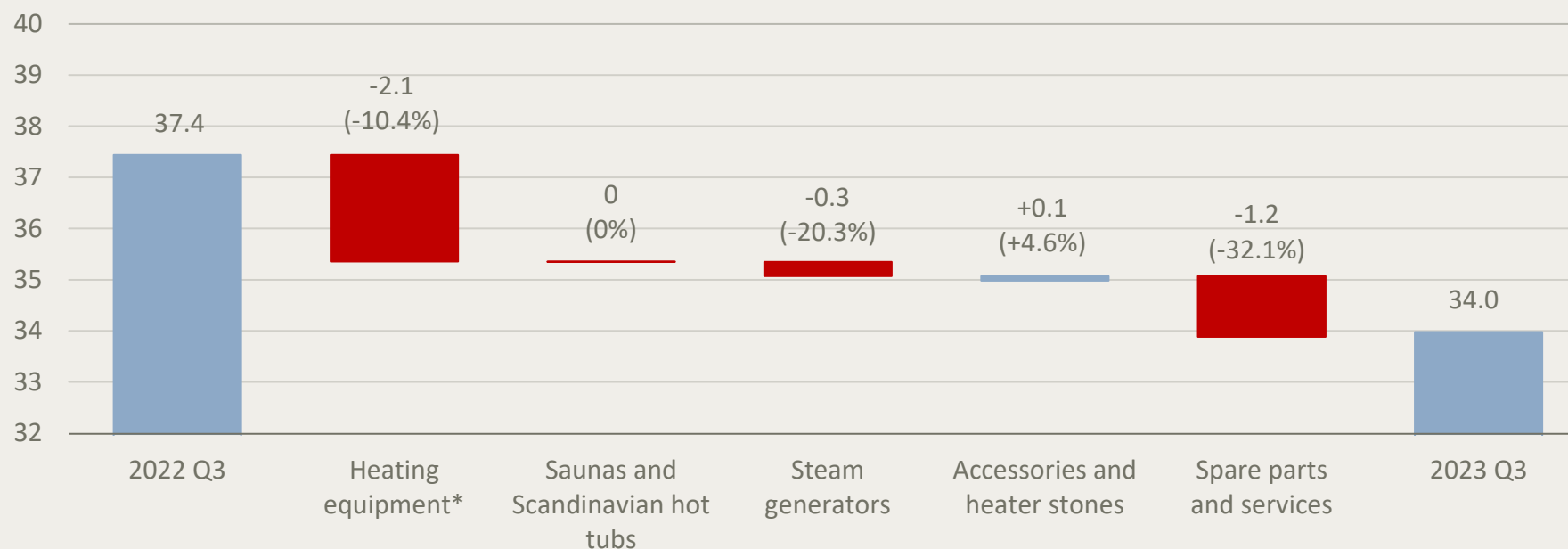
Q3 2023: SALES DECLINE ESPECIALLY IN HEATING EQUIPMENT AS WELL AS SPARE PARTS AND SERVICES



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

Revenue by product group 7–9/2022 vs 7–9/2023

EUR million



- Sales declined in majority of product groups.
- Revenue of accessories and heater stones increased, supported by heater stone sales.
- North American sales performance supported the sales of sauna rooms.
- Sales of spare parts and services decreased significantly to comparison period due the exit from Russia in 2022.

* Sauna heaters, control units, IR components

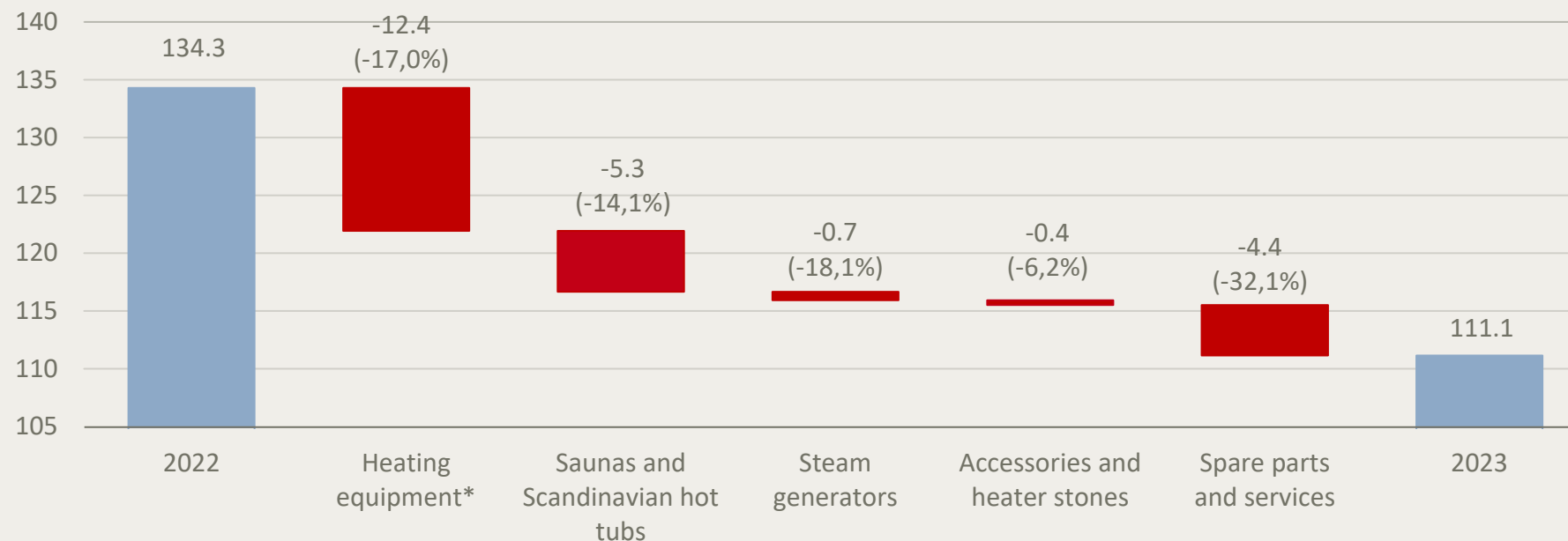
JANUARY–SEPTEMBER 2023: REVENUE DECREASED IN ALL PRODUCT GROUPS



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

Revenue by product group 1–9/2022 vs 1–9/2023

EUR million



- Sales declined in all of product groups.
- Sales of spare parts and services decreased significantly alongside the general market, but also due to the exit from Russia in 2022.

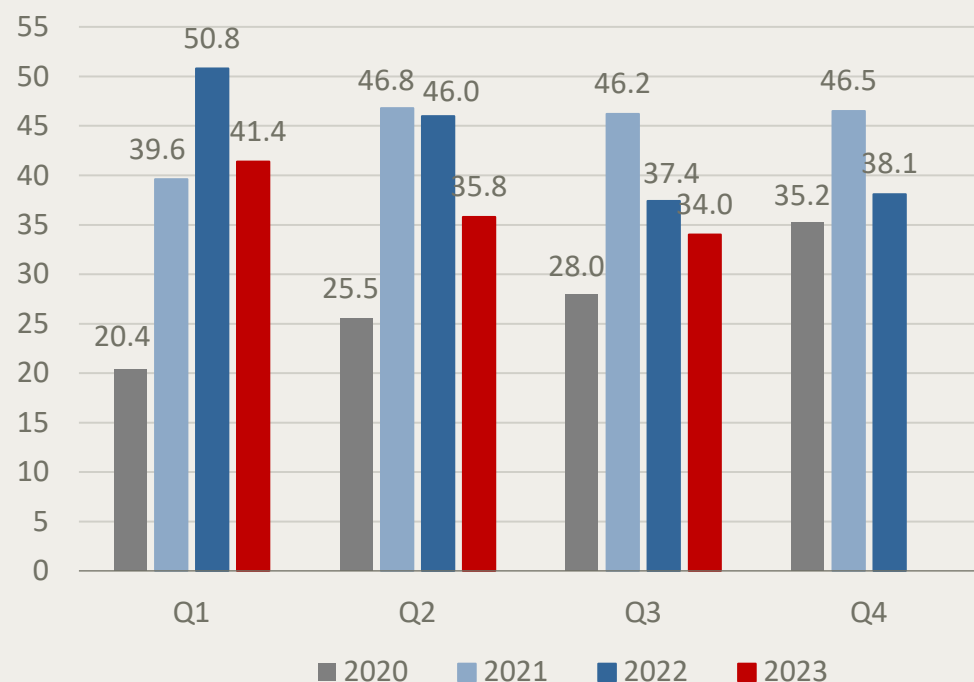
* Sauna heaters, control units, IR components

REVENUE AND ADJUSTED OPERATING PROFIT



Revenue

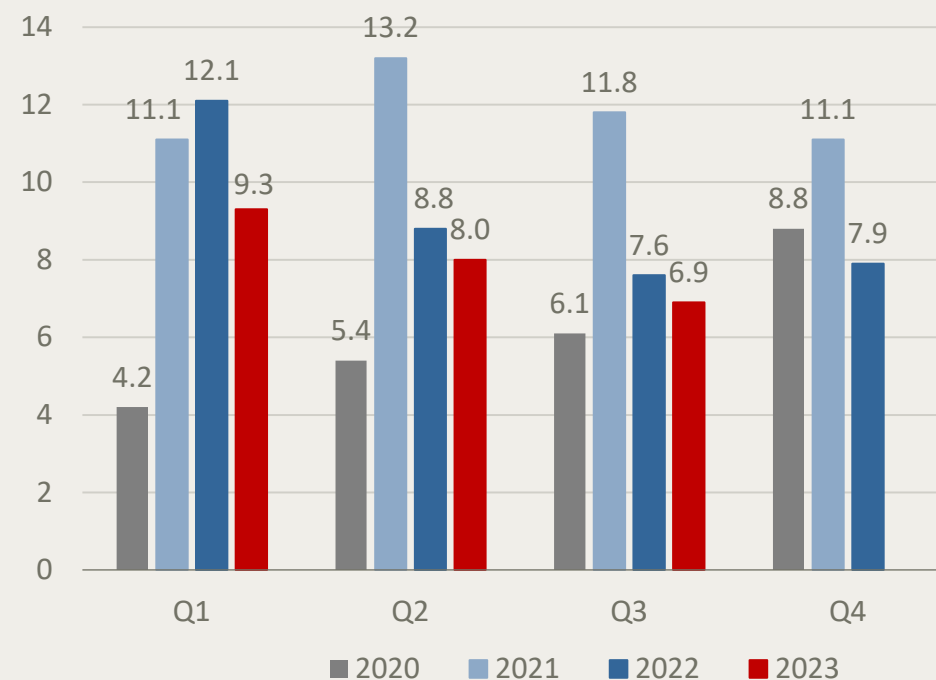
EUR million



- The Group's revenue decreased in January–September by 17.2% to EUR 111.1 million (134.3).
- At comparable exchange rates, Q3 revenue decreased by 6.8% and was EUR 34.9 million.

Adjusted operating profit

EUR million



- Adjusted operating profit decreased to EUR 6.9 million (7.6), making up 20.3% (20.4) of the revenue in the third quarter.
- In January–September, adjusted operating profit decreased to EUR 24.1 million (28.5) and the adjusted operating profit margin was 21.7% (21.2).

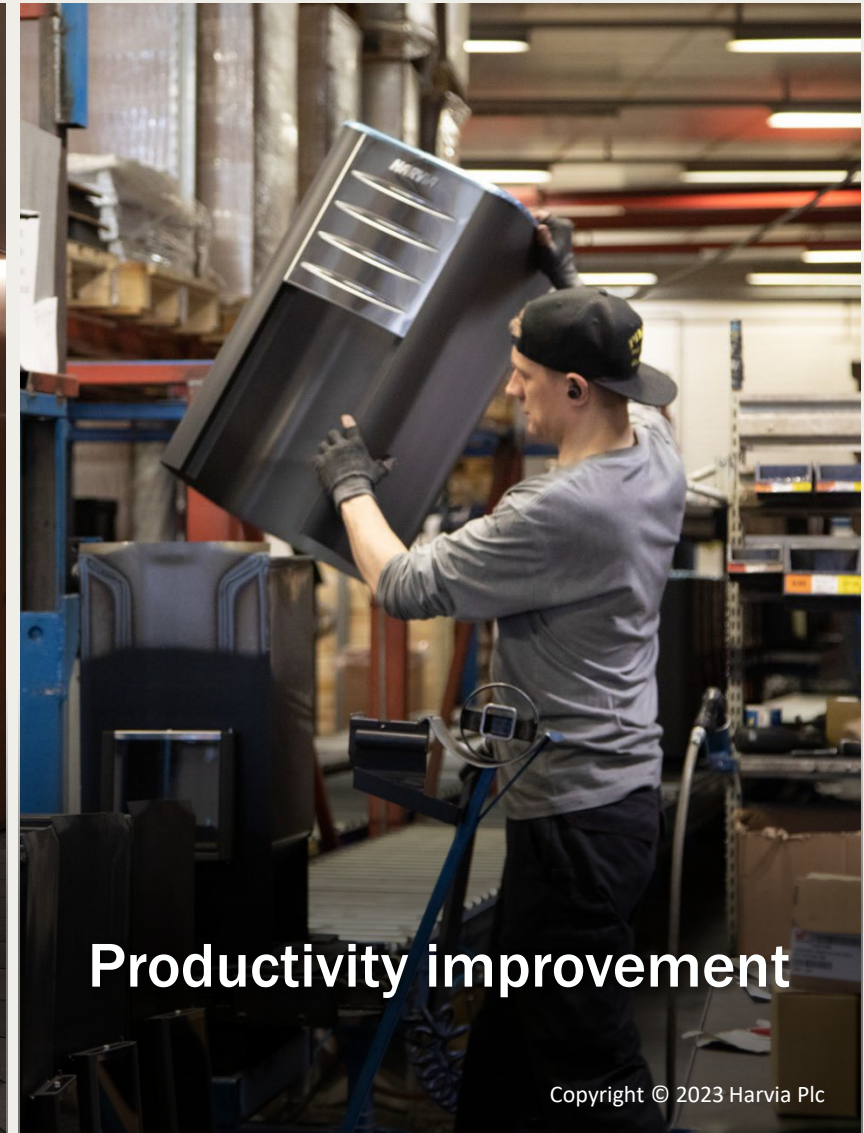
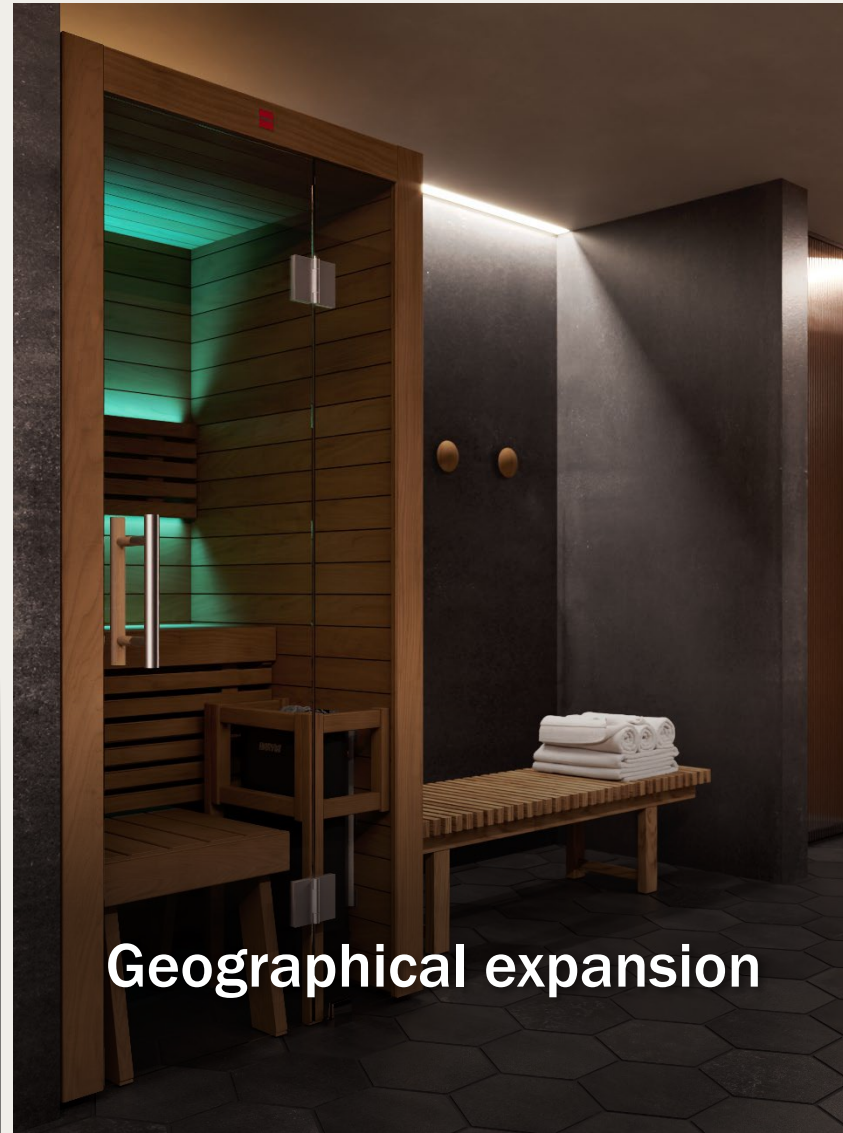
PRODUCTS FOR ALL THREE SAUNA TYPES AND ALL CULTURES



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



FINANCIALS

ARI VESTERINEN, CFO

HARVIA'S KEY FIGURES IN THE REPORTING PERIOD



EUR million	7-9/2023	7-9/2022	Change	1-9/2023	1-9/2022	Change	1-12/2022
Revenue	34.0	37.4	-9.2%	111.1	134.3	-17.2%	172.4
Adjusted EBITDA*	8.4	9.3	-9.1%	28.8	33.4	-13.9%	42.9
% of revenue	24.8%	24.8%		25.9%	24.9%		24.9%
Adjusted operating profit*	6.9	7.6	-9.8%	24.1	28.5	-15.3%	36.5
% of revenue	20.3%	20.4%		21.7%	21.2%		21.1%
Basic EPS (EUR)	0.24	0.34	-29.9%	0.86	1.23	-30.4%	1.45
Operating free cash flow	8.3	9.8	-14.9%	29.1	18.9	54.5%	34.0
Investments in tangible and intangible assets	-0.5	-0.8	-32.5%	-1.7	-2.9	-41.7%	-3.6
Net debt	40.6	60.1	-32.5%	40.6	60.1	-32.5%	54.5
Leverage	1.1	1.3		1.1	1.3		1.3
Net working capital	35.9	49.1	-26.9%	35.9	49.1	-26.9%	45.3
Adjusted return on capital employed (ROCE)*	42.5%	61.5%		42.5%	61.5%		54.5%
Equity ratio	47.7%	44.9%		47.7%	44.9%		47.3%
Number of employees at end of period	600	731	-17.9%	600	731	-17.9%	633

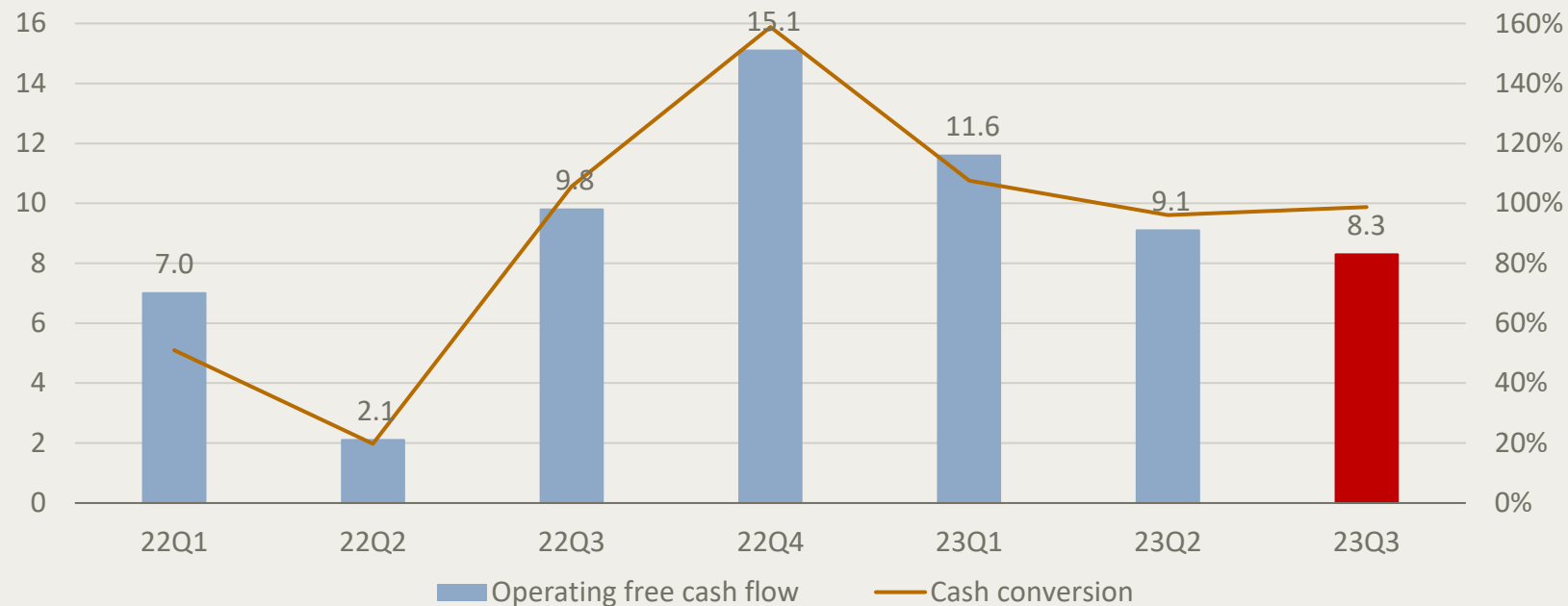
* Adjusted by items affecting comparability related mainly to acquisitions, divestments of subsidiaries and restructuring.

OPERATING FREE CASH FLOW AND CASH CONVERSION ON A STRONG LEVEL



Operating free cash flow and cash conversion*

EUR million



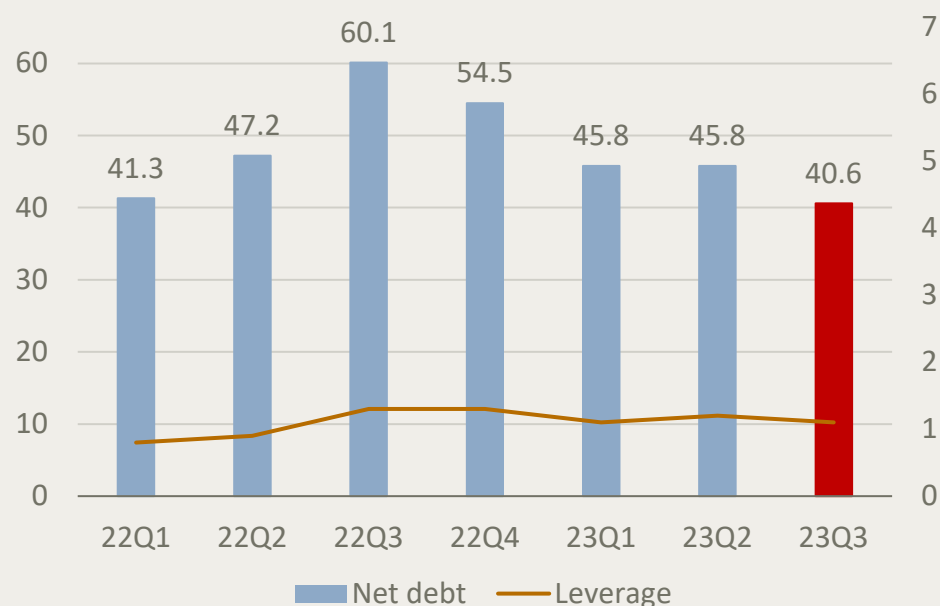
- In the review period, the company's operating free cash flow was EUR 8.3 million (9.8) and cash conversion 98.7% (105.6).
- The increase of free cash flow in previous quarters was driven by decrease in net working capital and low level of investments after the high level of investments in 2021.

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

CASH POSITION WAS EXTREMELY STRONG, EUR 37.4 MILLION

Net debt and leverage

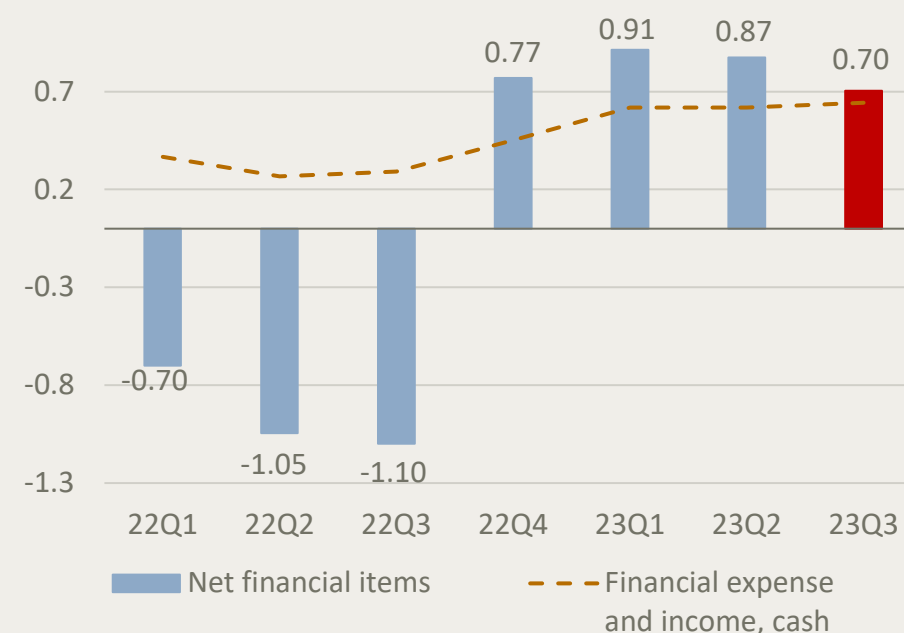
EUR million



- At the end of September 2023, the company's net debt amounted to EUR 40.6 million (60.1). Loans from credit institutions were EUR 75.4 million (75.4), and lease liabilities were EUR 2.6 million (2.6). Cash and cash equivalents were EUR 37.4 million (17.9).
- Leverage was 1.1 (1.3).
- 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

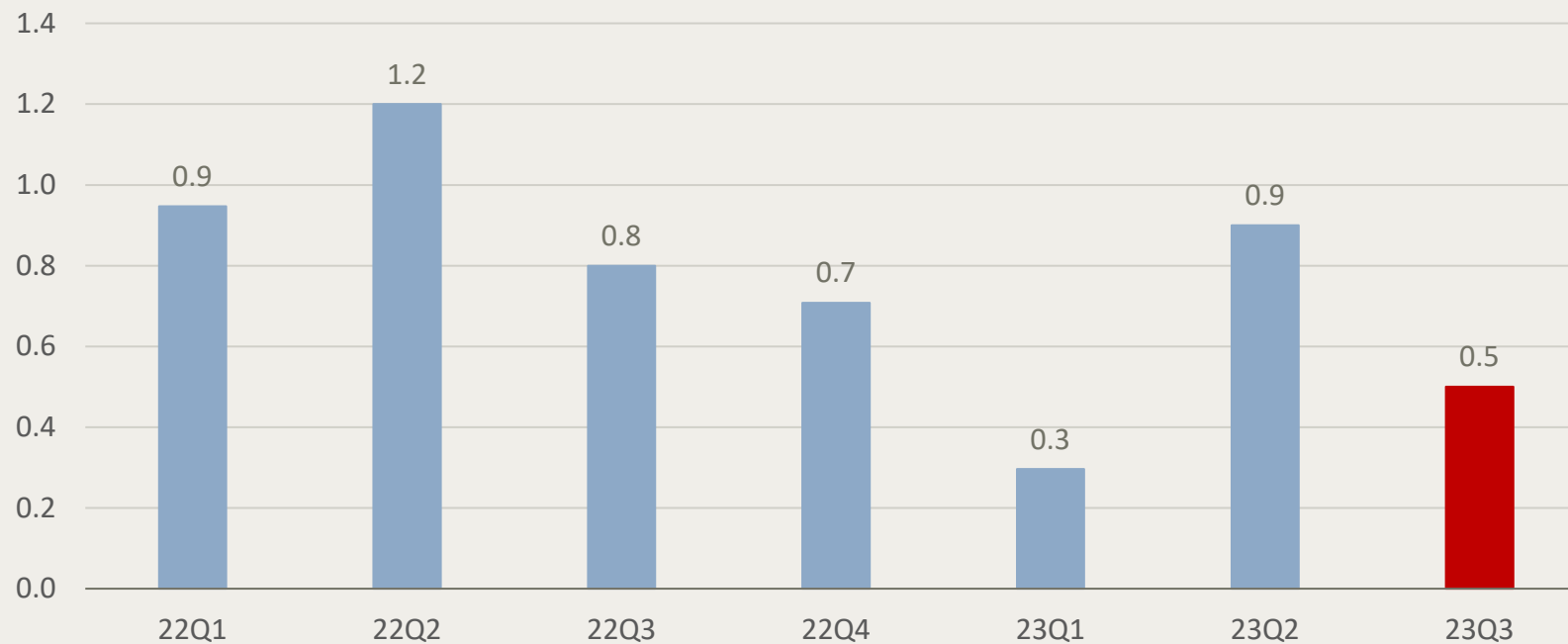
EUR million



- 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

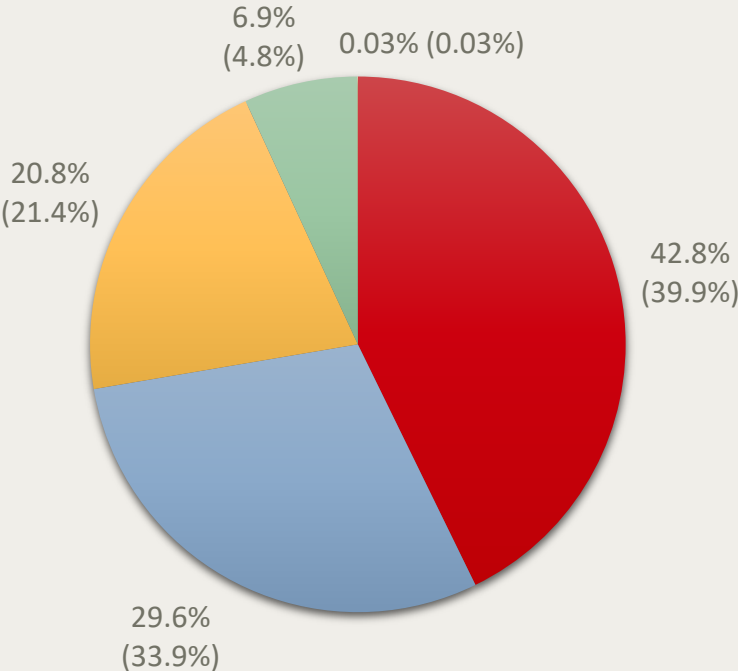


- Harvia continued to improve its energy efficiency in several factories and increased automation in its factories in the USA and Germany. In addition, Harvia optimized its production processes with layout changes at the Muurame factory and continued to upgrade air conditioning and lighting to improve working conditions 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 SEPTEMBER 2023)

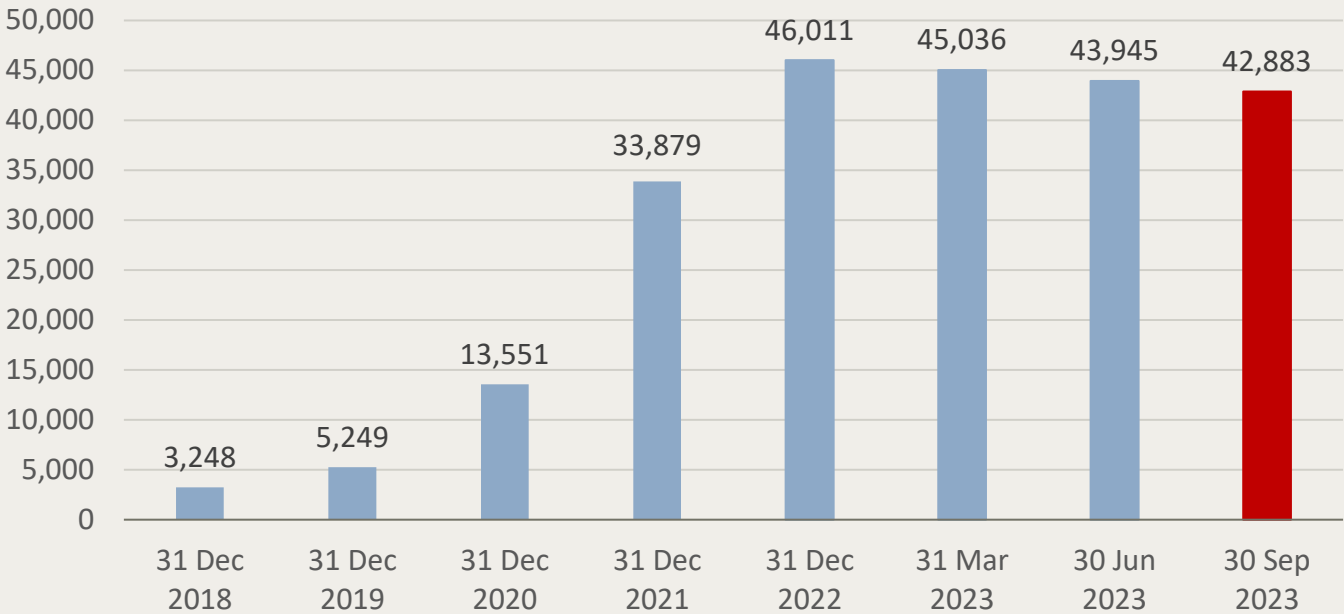


Distribution by Segment



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

Number of Shareholders



- On 30 September 2023, the number of shareholders totaled 42,883 (including nominee registers).
- Harvia held a total of 6,213 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 4.1%.
- The market value of Harvia's share capital on 30 September 2023 was EUR 478.2 million (262.1).

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 was paid in two installments.
- The first installment, EUR 0.32 per share, was paid on 2 May 2023.
- The second installment, EUR 0.32 per share, was paid on 30 October 2023. The record date of the dividend date was 23 October 2023.



ORGANIZATIONAL AND MANAGEMENT CHANGES FROM 1 JANUARY 2024



- Harvia is changing its organizational structure and making changes to its Group Management Team.
- The target of the changes is to increase Harvia's customer and market orientation and to drive innovation and organic growth. In addition, the new structure will allow leveraging Group synergies better and offers a platform for inorganic growth.
- The new organization consists of
 - Four geographical sales regions: North America, Northern Europe, Continental Europe, and Asia-Pacific-MEA (Middle East & Africa).
 - Five Group functions: Marketing & Brand, Products & Solutions, Innovation & Technology, Operations, as well as Support functions.
 - EOS Brand and Products which will also have a management team position.
- The new organizational structure will be effective as of 1 January 2024.

Q & A

A photograph of two women sitting on wooden benches in a sauna. The woman on the left is smiling and looking towards the right. The woman on the right is also smiling and holding a wooden bucket, pouring water over her head. Both women are wrapped in white towels with red borders. The sauna has a stone wall in the background and wooden benches. A red logo is in the top right corner.

HARVIA

Sauna & Spa

Healing with heat