

HARVIA PLC

HALF-YEAR FINANCIAL REVIEW

JANUARY–JUNE 2022

HARVIA

Sauna & Spa

#healingwithheat

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

HIGHLIGHTS OF THE REVIEW PERIOD

APRIL–JUNE 2022:

- Revenue decreased by 1.7% to EUR 46.0 million (46.8). At comparable exchange rates, revenue decreased by 5.4% to EUR 44.3 million. Organic revenue fell by 9.3% compared to April–June 2021.
- The share of international business was EUR 35.6 million (36.7), making up 77.4% (78.4) of the revenue.
- Operating profit was EUR 8.7 million (12.9), making up 19.0% (27.5) of the revenue.
- Adjusted operating profit reached 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).
- Operating free cash flow amounted to EUR 2.1 million (4.0) and cash conversion was 19.8% (27.6). The change in net working capital decreased the operating free cash flow and cash conversion.

JANUARY–JUNE 2022:

- Revenue increased by 12.0% to EUR 96.8 million (86.5). At comparable exchange rates, revenue increased by 9.1% to EUR 94.3 million. Organic revenue growth reached 3.2%.
- The share of international business was EUR 74.8 million (68.1), making up 77.2% (78.8) of the revenue.
- Operating profit was EUR 20.8 million (23.9), making up 21.5% (27.7) of the revenue.
- Adjusted operating profit reached 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).
- Operating free cash flow amounted to EUR 9.1 million (12.2) and cash conversion was 37.5% (45.2). The change in net working capital decreased the operating free cash flow and cash conversion.
- Net debt amounted to EUR 47.2 million (38.4) and leverage was 0.9 (0.9).
- Equity ratio was 44.4% (39.3).
- Earnings per share was EUR 0.89 (0.93).

KEY FIGURES

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
EBITDA	10.4	14.3	-27.4%	24.1	26.6	-9.3%	52.5
% of revenue	22.5%	30.5%		24.9%	30.7%		29.3%
Items affecting comparability *	0.1	0.3	-80.8%	0.1	0.4	-83.3%	0.6
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%
Operating profit	8.7	12.9	-32.3%	20.8	23.9	-13.1%	46.6
% of revenue	19.0%	27.5%		21.5%	27.7%		26.0%
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%	1.80
Operating free cash flow	2.1	4.0	-48.7%	9.1	12.2	-25.7%	20.4
Cash conversion	19.8%	27.6%		37.5%	45.2%		38.5%
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

* Consists of items outside the ordinary course of business, relating to the Group's strategic development projects, acquisitions, restructuring expenses and loss on sale of fixed assets, and affecting comparability.

** Adjusted by items affecting comparability.

FINANCIAL TARGETS AND OUTLOOK

Harvia targets an average annual revenue growth of more than 5%, an adjusted operating profit margin exceeding 20% and a net debt/adjusted EBITDA between 1.5x–2.5x in the long term. The future impacts of changes in IFRS reporting standards have been excluded in the net debt/adjusted EBITDA ratio target.

The company has set long-term targets related to growth, profitability and leverage. The company's management estimates that due to the special circumstances caused by the COVID-19 pandemic, the sauna and spa market experienced exceptionally high demand. The ending of advance demand is not expected to have an impact on the long-term growth expectations of the sauna and spa market, nor on Harvia's long-term financial targets.

Harvia does not publish a short-term outlook.

Harvia's dividend policy is to pay a regularly increasing dividend with a bi-annual payout.

TAPIO PAJUJARJU, CEO:

In the second quarter of 2022, the direct and indirect impacts of the Russian invasion of Ukraine were felt in both the top line and profitability. The awareness, popularity and usage of saunas continued to increase, yet the advance demand Harvia has enjoyed did fade away and we are returning to more normal market dynamics.

Importantly, as a result of systematic implementation of our strategy, Harvia has continued to strengthen its market share. Sauna is a global business, and we are very pleased with the strong performance in the United States, Scandinavia and other markets, where Asia, Japan, Arabian markets and number of small markets did continue the strong progress. Our strategic investments in USA have been paying off, and we continued our strong performance in sauna sales and operations. Overall, team Harvia and our partners have done good work in the very challenging environment.

In the second quarter of 2022, Harvia's revenue reached EUR 46.0 million, declining 1.7% from the record-breaking second quarter of 2021.

The unfavorable sales development was mainly driven by the market slowdown in Germany and adjacent markets. The main driver has been a slowdown at our major e-commerce clients who are very focused on the entry-level offering. At the same time, the premium market is solid and professional customers are coming back strong.

In Russia, Harvia has suspended its operations and EOS Russia is finishing the strong base of ongoing and prepaid projects. As planned, the focus of our sales efforts previously set on Russia was successfully directed to other market areas.

The second quarter's operating profit reached EUR 8.7 million, a decrease from the record high EUR 12.9 million a year before. Combined with softer-than-expected top line, our relative profitability was weakened by an unfavorable sales mix. Strategically important sauna sales performed very well compared to heater and equipment sales. The absolute margin we book on sauna sales is good, yet the relative margin is substantially lower than what we have on heater and equipment sales. In addition, the slower rotation of Russia-related trade receivables resulted in increased provision for potential future write-downs. Our actions to ensure high material availability and service level in the prevailing environment were visible in the increased net working capital, which had a negative effect on our cash conversion.

Global high inflation has left very few costs unaffected, and some basic raw material and especially logistics-related costs continued to beat previous record levels. We have taken systematic and prompt actions in addressing the pricing to the full, yet the entire impact will be visible during H2. In order to mitigate the rising costs and net working capital increase, we have actions in place and we remain extremely agile to boost them further if needed. Our good buffer stock levels and operational planning have kept our customer service on a very good level, yet the availability issues are not entirely over.

The changing market environment does not affect Harvia's strategic cornerstones or long-term financial targets. We continue to have full focus on our strategic cornerstones of geographical expansion, increasing the value of average purchase, and improving our productivity. The intention of seeking opportunities for growth also via M&A remains unchanged. Our innovation pipeline continues to deliver excellent products to the market as planned.

The sauna and spa market has traditionally been very resilient during economically challenging times, and the positive long-term growth outlook for sauna awareness and the sauna and spa market as a whole is intact.



MARKET REVIEW

According to Harvia's estimate, there are approximately 18 million saunas in the world. This large sauna base provides significant business arising from the replacement of saunas and sauna heaters. Historically, the sauna market has grown annually by an average of 5%.

During the past few years, Harvia has seen considerable growth in the market due to growing awareness and appreciation of the health benefits related to sauna and the general trend of investing in and relaxing at home, which was also accelerated by the COVID-19 pandemic and home improvement boom. The so-called advance demand was driven by the increased demand for new saunas and equipment, and to lesser extent by the advance replacement demand. However, in the second quarter of 2022, the pandemic-driven advanced demand faded away. Consumer confidence has declined, and the most intense customer demand has turned from home improvement to other subjects with the lifting of the pandemic restrictions.

Increased economic uncertainty and reduced confidence especially in Germany and adjacent markets can be seen most clearly in entry-level products, which are traditionally also the most sensitive to the negative demand effect of price increases. The professional and premium market has remained more stable and appears to be less sensitive to the current high-inflation environment.

The Russian invasion of Ukraine has impacted European sauna and spa market directly and indirectly. The direct impact is on Russia, Ukraine and the related European markets. The indirect impact is visible in weaker consumer confidence and higher inflation but affects the sauna and spa market mainly in Europe.

Outside Europe, especially in North America and Asia, the sauna and spa market has continued growing, even if the growth pace has settled from the pandemic-fueled pace and is not immune to the economic uncertainty. As in Europe, the professional market has benefited from the lifting of pandemic restrictions. Sauna awareness and penetration have continued increasing but are still nowhere near the more mature markets, such as Finland or Germany. The demand in emerging market areas continues to be skewed towards more high-end products than in the mature markets, especially Finland.

Historically, the sauna and spa market has been resilient due to demand arising from the need to replace sauna heaters. This is true especially for the more mature sauna markets. Additionally, in more emerging sauna markets, especially in North America and Asia, the increase in the popularity of sauna, low but increasing sauna penetration and resilient high-end demand continue to support market growth.

According to the management's estimate, Harvia's share of the sauna and spa market has increased during the last few years. In 2021, it was estimated to be 5%, and the company's share of the sauna heater and sauna component market was estimated to be 20%. With the revenue reached in 2021, the company's management estimates that Harvia has taken the leading position in the global sauna and spa market.

REVENUE

REVENUE BY MARKET AREA

EUR thousand	4-6/2022	4-6/2021	Change	1-6/2022	1-6/2021	Change	2021
Finland	10,380	10,109	2.7%	22,079	18,342	20.4%	36,900
Scandinavia	2,618	2,325	12.6%	4,700	4,103	14.6%	9,357
Germany	6,423	9,109	-29.5%	14,991	17,583	-14.7%	35,351
Other European countries	11,963	12,737	-6.1%	25,349	23,210	9.2%	49,674
Russia	2,601	2,591	0.4%	4,942	4,961	-0.4%	11,549
North America	8,949	8,448	5.9%	18,536	15,136	22.5%	29,132
Other countries*	3,091	1,511	104.5%	6,250	3,130	99.7%	7,160
Total	46,024	46,831	-1.7%	96,848	86,465	12.0%	179,123

* The largest of which: Arab countries and Asia.

REVENUE BY PRODUCT GROUP

EUR thousand	4-6/2022	4-6/2021	Change	1-6/2022	1-6/2021	Change	2021
Sauna heaters	19,286	23,482	-17.9%	42,072	44,975	-6.5%	88,177
Sauna rooms & Scandinavian hot tubs	12,982	10,938	18.7%	25,979	17,521	48.3%	41,185
Control units	4,197	4,584	-8.4%	9,105	9,127	-0.2%	17,578
Steam generators	1,226	1,386	-11.5%	2,756	2,441	12.9%	5,129
Other product groups, spare parts and services	8,334	6,441	29.4%	16,935	12,402	36.6%	27,053
Total	46,024	46,831	-1.7%	96,848	86,465	12.0%	179,123

APRIL–JUNE 2022

The Group's revenue decreased in April–June by 1.7% to EUR 46.0 million (46.8). At comparable exchange rates, revenue decreased by 5.4% to EUR 44.3 million. Organic revenue decreased by 9.3%. Revenue increased in Scandinavia, North America, Finland, and especially in the market area other countries. The growth in other countries was driven mainly by Asian and Arab countries. Revenue decreased in Germany and other European countries. In Russia, revenue stayed on the previous year's level, despite the suspension of business in Russia – this was due to fulfilment of existing commitments at the time of the suspension decision.

Revenue increased in saunas and other product groups in April–June. The strong growth of sauna room sales continued especially in North America. Sauna heater sales declined in all major markets, especially in Germany and other European countries. Decline in sales of control units was especially due to the German market. Sales of other product groups, spare parts and services was positively affected by increase in sauna stone sales due to the acquisition of Sauna-Eurox.

JANUARY–JUNE 2022

The Group's revenue increased in January–June by 12.0% to EUR 96.8 million (86.5). At comparable exchange rates, revenue increased by 9.1% to EUR 94.3 million. Organic revenue growth was 3.2%. Revenue increased in North America, Finland, Scandinavia, other European countries and especially in other countries. The growth in other countries was driven mainly by Asian and Arab countries.

Revenue increased especially in saunas and other product groups in January–June. The strong growth of sauna room sales continued especially in North America, but also in Central Europe. Sauna heater sales developed favorably in Finland and other countries, but sales declined clearly especially in Germany and in other European countries. Sales of control units grew in all other markets except Germany and Russia. Sales of other product groups, spare parts and services also developed well especially in heater stones.

RESULT

APRIL–JUNE 2022

Operating profit for April–June decreased to EUR 8.7 million (12.9) and the operating profit margin was 19.0% (27.5). The operating profit included EUR 0.1 million (0.3) of items affecting comparability, mainly related to acquisitions and restructuring. Changes in exchange rates strengthened the operating profit by approximately EUR 0.6 million compared to the previous year. The favorable effect from exchange rates mainly resulted from the strong U.S. dollar.

Adjusted operating profit decreased to EUR 8.8 million (13.2) and the adjusted operating profit margin was 19.1% (28.3). The net finance costs for the review period were EUR 1.0 million (-0.5). The net finance costs were positive mainly due to change of fair value of the interest rate swap.

Profit before taxes was EUR 9.8 million (12.4). The Group's taxes amounted to EUR -2.0 million (-3.0).

The result for April–June was EUR 7.8 million (9.4) and undiluted earnings per share were EUR 0.40 (0.49).

JANUARY–JUNE 2022

Operating profit for January–June decreased to EUR 20.8 million (23.9) and the operating profit margin was 21.5% (27.7). The operating profit included EUR 0.1 million (0.4) of items affecting comparability, mainly related to acquisitions and restructuring. Changes in exchange rates strengthened the operating profit by approximately EUR 1.0 million, which was caused mainly by the strong U.S. dollar.

Adjusted operating profit decreased to EUR 20.9 million (24.4) and the adjusted operating profit margin was 21.6% (28.2). The net finance costs for the review period were EUR 1.8 million (-0.7). The net finance costs were positive mainly due to change of fair value of the interest rate swap.

Profit before taxes was EUR 22.6 million (23.2). The Group's taxes amounted to EUR -5.2 million (-5.4).

The result for January–June was EUR 17.4 million (17.8) and undiluted earnings per share were EUR 0.89 (0.93).

FINANCIAL POSITION AND CASH FLOW

Balance sheet total at the end of June 2022 was EUR 217.1 million (30 June 2021: 191.0), of which equity accounted for EUR 95.1 million (74.1).

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 were EUR 2.8 million (3.0). Cash and cash equivalents at the end of the review period amounted to EUR 16.0 million (21.4). Leverage was 0.9 (0.9) at the end of the review period.

Other non-current liabilities include redemption and purchase price liabilities resulting from acquisitions, amounting to EUR 22.4 million (18.2). At the end of June 2022, the contractual amount of the redemption and purchase price liability was EUR 24.0 million (18.7). The increase is mainly due to the Kirami acquisition and increased valuation of EOS Group's minority shareholding.

Equity ratio was 44.4% (39.3) at the end of the review period. The adjusted return on capital employed (ROCE) was 80.9% (103.4).

In January–June, Harvia's operating free cash flow was EUR 9.1 million (12.2) and cash conversion was 37.5% (45.2). Increase of net working capital decreased the operating free cash flow and cash conversion in the first half year.

INVESTMENTS, RESEARCH AND PRODUCT DEVELOPMENT

The Group's investments in January–June amounted to EUR 2.1 million (5.5). During the review period, Harvia invested in production machinery in Finland, North America, China and Romania. The Group's research and development expenditure recognized as expenses amounted to EUR 1.2 million (1.1).

CORPORATE RESPONSIBILITY

Sustainability is a part of everyday life at Harvia – the company's operations and products have been developed sustainably already for over 70 years, as Harvia has developed from a traditional sauna and heater manufacturer into a leading player in the international sauna and spa market.

Harvia manufactures durable and safe products in a sustainable manner. For a long time, the company has invested in taking environmental aspects into consideration all the way from design to production, logistics, use and recycling of the products. Harvia has an environmental manual summarizing the company's sustainability values in four areas: environmental impacts of production, personnel, products and a responsible code of conduct.

During the year 2021, Harvia created the company's sustainability program for years 2022–2025. Harvia also partnered with a well-established ESG expert in order to carry out a review of its current group-level CO₂ impact. The results indicated that Harvia's starting point with CO₂ footprint is good, and the company is committed to continuous improvement. During the first half year 2022, Harvia finalized its sustainability action plan for year 2022 and continued developing sustainability KPIs and reporting.

Harvia's corporate responsibility was presented in more detail in the Annual Report 2021.

PERSONNEL

The number of personnel employed by the Group at the end of the June 2022 was 821 (822) and averaged 829 (720) in January–June. The increase in the average number of personnel resulted from the acquisition of Kirami at the end of May 2021 and the acquisition of Sauna-Eurox at the end of August 2021.

Of the personnel, 322 (329) worked in Finland, 157 (145) in Germany, 136 (110) in Romania, 64 (99) in China and Hong Kong, 64 (56) in the United States, 41 (41) in Austria, 26 (25) in Russia, 9 (15) in Estonia and 2 (2) in Sweden.

In June 2022, Harvia concluded its change negotiations conducted in accordance with the Finnish Co-operation Act. The reason for the change negotiations was the suspension of Harvia's operations in Russia due to the war in Ukraine. Combined with the growing general uncertainty, Harvia considered it necessary to adjust the company's production capacity and other personnel resources. Based on the alternatives discussed in the change negotiations, Harvia confirmed the reduction of nine person-years. Additional adjustments are carried out through temporary layoffs of up to 90 days and annual leave arrangements at Harvia Finland Oy, Velha Oy, and Harvia Group Oy.

SHARES AND SHAREHOLDERS

Harvia's registered share capital is EUR 80,000 and at the end of June 2022, the company had 18,694,236 (18,694,236) fully paid shares. The share trading volume in January–June was EUR 494.5 million (265.2) and 13,092,039 shares (7,394,647). The share's volume weighted average price during the review period was EUR 29.64 (35.94), the highest price was EUR 33.22 (51.60) and the lowest EUR 26.54 (22.0). The closing price of the share at the end of June 2022 was EUR 27.6 (51.00). The market value of the share capital on 30 June 2022 was EUR 505.7 million (953.4) including treasury shares. At the end of June 2022, Harvia Plc held a total of 5,074 own shares, corresponding to 0.03% of the total number of shares.

The number of registered shareholders at the end of June was 45,586 (23,650), including nominee registers. At the end of the review period, nominee-registered and direct foreign shareholders held 40.9% (43.9) of the company's shares. The ten largest shareholders held a total of 20.6% (27.7) of Harvia's shares and votes at the end of June 2022.

GOVERNANCE

Harvia Plc's Annual General Meeting, held on 7 April 2022, approved the financial statements and discharged the members of the Board of Directors and the company's CEO from liability for the financial year 2021. The Annual General Meeting approved in an advisory decision the remuneration report for governing bodies.

The Annual General Meeting 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 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.

The Annual General Meeting resolved that the Board of Directors consists of five members. Anders Holmén, Hille Korhonen, Olli Liitola and Sanna Suvanto-Harsaae were re-elected to the Board of Directors and Heiner Olbrich was elected as a new member of the Board of Directors. Authorized Public Accountants PricewaterhouseCoopers Oy was elected as the Auditor of the company and Markku Katajisto, Authorized Public Accountant, will act as the Responsible Auditor.

The Board of Directors was authorized to resolve on the repurchase of a maximum of 934,711 shares in the company in one or several tranches. The authorization is valid until the closing of the next Annual General Meeting, but no longer than until 30 June 2023.

The Annual General Meeting authorized the Board of Directors to decide on the issuance of shares and the issuance of special rights entitling to shares as referred to in Chapter 10 Section 1 of the Finnish Limited Liability Companies Act in one or several tranches, either against payment or without payment. The aggregate number of shares to be issued, including the shares to be received based on special rights, must not exceed 1,869,423 shares. The Board of the Directors may resolve to issue new shares or to transfer own shares possibly held by the company. The authorization is valid until the closing of the next Annual General Meeting, but no longer than until 30 June 2023.

The organizational meeting of the Board of Directors elected from among its members Olli Liitola as its Chair and Sanna Suvanto-Harsaae as its Deputy Chair. The Board of Directors elected from among its members Anders Holmén and Hille Korhonen as members and Sanna Suvanto-Harsaae as Chair of the Audit Committee. All members of the Board of Directors are independent of the company and its major shareholders.

On 4 May 2022, The Board of Directors of Harvia Plc decided on a directed share issue without consideration for the payment of rewards earned under the company's share-based incentive program. The share payments concern the performance period 2019–2021 of the company's share-based incentive program launched in 2019. In the share issue, 45,983 own shares held by the company were transferred without consideration to the key employees participating in the share-based incentive program in accordance with the program-specific terms and conditions. After the transfer of shares, the company holds a total of 5,074 own shares.

RISKS AND UNCERTAINTIES

General economic, social and political conditions impact Harvia's operating environment. Economic uncertainty in Finland, Europe, Russia, North America or more widely across the globe can affect the company's business in many ways and make accurate predictions and planning of future business more difficult than usual. Harvia is familiar with operating successfully in an environment shaped by changing market conditions, but the full impact of all changes in different markets is difficult to foresee, as the situation is in constant change.

Changes in consumer confidence and the resulting demand implications impact directly Harvia's business. Especially in the direct-to-consumer market, deteriorating consumer confidence can result in individual consumers postponing investments in new saunas and components, and to lesser extent in postponing replacement demand. In addition, the availability of energy and energy prices may impact consumer confidence and the frequency of sauna usage.

The Russian invasion of Ukraine has impacted Harvia directly and indirectly. The direct impact relates to Russia, Ukraine and the connected markets. Harvia suspended its operations in Russia at the beginning of March due to the war in Ukraine. Sales in Russia accounted for 6.4 percent of Harvia Group's revenue in 2021 (EUR 11.5 million). The Group does not have a production facility in Russia, but it employs 26 people and has other assets in the country. The indirect impact of the war is visible in the higher raw material prices, inflation and reduced consumer confidence. Harvia is monitoring the development of the situation and the potential effects on the company closely.

The impacts of the pandemic on Harvia have largely ended, even though they are still somewhat evident especially in Asia. If the need to restrict operations arise, this may have a negative impact on the company's business volume, result or financial performance. The company continues to assess the COVID-19 situation constantly in terms of its business.

The self-sufficiency of the Group's manufacturing process, the backup supplier system for materials and the widely dispersed customer base balance potential strategic risks. Production is based on the company's own design and patents, and these are used to manage potential operational risks. Damage risks are covered with insurances where possible, and their coverage is assessed annually with the insurance company.

The Group's loans consist of long-term liabilities. The loans include covenants, which in unfavorable business conditions may require new financing negotiations with the bank. The company protects itself from interest risks arising from bank loans with interest rate swaps amounting to EUR 36.5 million.

Harvia has business operations in several countries. Harvia is exposed to transaction and translation risks mainly relating to the U.S. dollar and the Russian ruble. Exchange rate risks have thus far not been significant for the Group, and Harvia has not protected itself from these risks with currency derivatives. Harvia has suspended its operations in Russia, which will limit the currency exposure for Russian ruble going forward.

The principles of Harvia's financing risk management are described in the Consolidated Financial Statements 2021 and the general principles of risk management on the company's website at www.harviagroup.com.

EVENTS AFTER THE REVIEW PERIOD

On 19 July 2022, Harvia published a preannouncement regarding Harvia's financial performance for the second quarter of 2022.

Harvia Plc acquired a 21.4% minority shareholding of EOS Group's German operations from Mr. Rainer Kunz, Managing Director of EOS Group, on 27 July 2022. The purchase price was EUR 19.0 million. After the transaction, EOS Group's German operations are fully owned by Harvia. The purchase price of the minority shareholding was based on the same adjusted EBITDA multiple as in the original transaction in 2020, when Harvia acquired the majority of EOS shares. Harvia financed the acquisition with long-term interest-bearing debt. Mr. Kunz will continue as Managing Director of EOS Group and a member of Harvia's management team after the transaction.

Kirami Oy finalized its negotiations conducted in accordance with the Finnish Co-operation Act in July 2022. Kirami confirmed the reduction of three person-years in July. Additional adjustments are carried out through temporary layoffs of over 90 days and annual leave arrangements in Kirami Oy.

FINANCIAL RELEASES IN 2022

Harvia will publish its financial reports in 2022 as follows:

3 November 2022 January–September 2022 interim report

MUURAME, 10 AUGUST 2022

HARVIA PLC
Board of Directors

For more information, please contact:

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PRESS CONFERENCE ON FINANCIAL RESULTS

Harvia will hold a webcast for analysts, investors and media on 11 August 2022 at 11:00 a.m. EET. The conference will be held in English. Harvia's CEO Tapio Pajuharju and CFO Ari Vesterinen will host the event. The webcast can be followed at <https://harvia.videosync.fi/2022-q2-results/>

You can also participate in the conference by calling:

Finland: +358 981 710 310
Sweden: +46 856 642 651
UK: +44 333 300 0804
US: +1 631 913 1422
PIN: 71569480#

A recording of the webcast will be available later at the company's website <https://harviagroup.com/investor-relations/>.

HARVIA PLC HALF-YEAR FINANCIAL REVIEW 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	4-6/2022	4-6/2021	1-6/2022	1-6/2021	1-12/2021
Revenue	2.1	46,024	46,831	96,848	86,465	179,123
Other operating income		158	85	262	158	539
Materials and services		-19,092	-18,257	-40,246	-33,451	-70,114
Employee benefit expenses		-8,250	-7,864	-16,636	-14,711	-30,591
Other operating expenses	2.2	-8,466	-6,512	-16,154	-11,910	-26,469
Depreciation and amortization		-1,643	-1,385	-3,259	-2,605	-5,844
Operating profit		8,732	12,898	20,815	23,946	46,644
Share in profits and losses of associated companies		62	17	85	17	57
Finance income		893	61	1,243	448	698
Finance costs		-856	-690	-1,612	-1,380	-2,601
Changes in fair values		945	105	2,063	207	418
Finance costs, net		1,045	-507	1,779	-708	-1,428
Profit before income taxes		9,778	12,391	22,594	23,238	45,216
Income taxes		-2,007	-3,034	-5,164	-5,438	-10,427
Profit for the period		7,770	9,357	17,430	17,800	34,789
Attributable to:						
Owners of the parent		7,412	9,061	16,660	17,269	33,674
Non-controlling interests*		359	296	770	530	1,115
Other comprehensive income						
Items that may be reclassified to profit or loss in subsequent periods:						
Translation differences		2,175	-75	2,406	454	1,197
Other comprehensive income, net of tax		2,175	-75	2,406	454	1,197
Total comprehensive income		9,945	9,282	19,836	18,254	35,986
Attributable to:						
Owners of the parent		9,587	8,986	19,066	17,723	34,871
Non-controlling interests*		359	296	770	530	1,115
Earnings per share for profit attributable to the owners of the parent:						
Basic EPS (EUR)	2.3	0.40	0.49	0.89	0.93	1.80
Diluted EPS (EUR)	2.3	0.39	0.48	0.89	0.92	1.79

*EOS Group and Kirami Ab Non-controlling interests

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	Note	30-Jun-2022	30-Jun-2021	31-Dec-2021
ASSETS				
Non-current assets				
Intangible assets		11,964	13,553	12,732
Goodwill		73,817	72,656	73,730
Property, plant and equipment		28,235	22,180	27,994
Leased assets		2,491	2,805	2,644
Investments in associated companies		811	686	726
Derivative financial instruments		1,578		
Deferred tax assets		1,576	1,381	1,488
Total non-current assets		120,474	113,261	119,313
Current assets				
Inventories	3	55,029	32,491	46,130
Trade and other receivables	3	25,465	23,765	20,447
Income tax receivables		159	108	113
Cash and cash equivalents	4	16,009	21,377	15,488
Total current asset		96,661	77,741	82,178
Total assets		217,135	191,002	201,492

EUR thousand	Note	30-Jun-2022	30-Jun-2021	31-Dec-2021
EQUITY AND LIABILITIES				
Share capital		80	80	80
Other reserves		31,810	35,910	32,585
Retained earnings		42,293	17,763	14,212
Profit for the period		16,660	17,269	33,674
Equity attributable to owners of the parent		90,844	71,022	80,551
Non-controlling interests		4,284	3,029	3,598
Total equity		95,128	74,051	84,149
Liabilities				
Non-current liabilities				
Loans from credit institutions	4	56,390	56,649	56,380
Lease liabilities	4	2,198	2,450	2,315
Derivative financial instruments			695	484
Deferred tax liabilities		2,030	2,261	2,260
Employee benefit obligations		2,595	2,845	2,595
Other non-current liabilities*		22,435	18,227	20,553
Provisions		352	361	345
Total non-current liabilities		86,000	83,490	84,932
Current liabilities				
Loans from credit institutions	4	4,041	136	48
Lease liabilities	4	565	541	562
Employee benefit obligations		188	188	188
Income tax liabilities		6,240	5,565	6,661
Trade and other payables	3	24,660	26,715	24,646
Provisions		313	317	305
Total current liabilities		36,007	33,461	32,411
Total liabilities		122,007	116,951	117,342
Total equity and liabilities		217,135	191,002	201,492

*Other non-current liabilities include minority redemption liabilities and purchase price liabilities resulting from acquisitions

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand	Share capital	Invested unrestricted equity reserve	Translation differences	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total
Equity at 1 January 2021	80	43,286	-658	23,729	66,437	2,423	68,859
Share-based incentive plan		312			312		312
Dividend distribution				-5,966	-5,966		-5,966
Revaluation of minority redemption liability		-5,632			-5,632		-5,632
Share-based payments		-1,852			-1,852		-1,852
Total transactions with shareholders		-7,171		-5,966	-13,138		-13,138
Profit for the period				17,269	17,269	530	17,800
Acquisitions						76	76
Other comprehensive income			454		454		454
Total comprehensive income			454	17,269	17,723	606	18,329
Equity at 30 June 2021	80	36,114	-205	35,032	71,023	3,029	74,051
Equity at 1 January 2021	80	43,286	-658	23,729	66,437	2,423	68,859
Share-based incentive plan		806			806		806
Dividend distribution				-9,517	-9,517	-16	-9,532
Revaluation of minority redemption liability		-7,641			-7,641		-7,641
Repurchase of own shares		-2,518			-2,518		-2,518
Share-based payments		-1,886			-1,886		-1,886
Total transactions with shareholders		-11,239		-9,517	-20,756	-16	-20,772
Profit for the period				33,674	33,674	1,115	34,789
Acquisitions						76	76
Other comprehensive income			1,197		1,197		1,197
Total comprehensive income			1,197	33,674	34,871	1,191	36,062
Equity at 31 December 2021	80	32,047	539	47,886	80,552	3,598	84,149
Equity at 1 January 2022	80	32,047	539	47,886	80,552	3,598	84,149
Share-based incentive plan		281			281		281
Dividend distribution				-5,593	-5,593	-83	-5,676
Revaluation of minority redemption liability		-1,710			-1,710		-1,710
Share-based payments		-1,752			-1,752		-1,752
Total transactions with shareholders		-3,181		-5,593	-8,774	-83	-8,857
Profit for the period				16,660	16,660	770	17,430
Other comprehensive income			2,406		2,406		2,406
Total comprehensive income			2,406	16,660	19,066	770	19,836
Equity at 30 June 2022	80	28,866	2,944	58,953	90,844	4,284	95,128

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	Note	4-6/2022	4-6/2021	1-6/2022	1-6/2021	1-12/2021
Cash flows from operating activities						
Profit before taxes		9,777	12,391	22,594	23,238	45,216
Adjustments						
Depreciation and amortization		1,643	1,385	3,259	2,605	5,844
Finance income and finance costs		-1,045	507	-1,779	708	1,428
Other adjustments		-1,554	-1,281	-1,467	-1,337	-1,278
Cash flows before changes in working capital		8,821	13,003	22,607	25,214	51,210
Change in working capital						
Increase (-) / decrease (+) in trade and other receivables	3	2,640	-2,933	-3,276	-6,284	-2,051
Increase (-) / decrease (+) in inventories	3	-2,173	-6,110	-7,546	-9,317	-22,574
Increase (+) / decrease (-) in trade and other payables	3	-7,668	2,531	-2,151	6,358	3,718
Cash flows from operating activities before financial items and taxes		1,619	6,492	9,633	15,972	30,303
Interest and other finance costs paid		-11	-124	-40	-151	-192
Interest and other finance income received		42	14	51	188	232
Income taxes paid/received		-1,588	-1,626	-5,923	-4,187	-8,527
Net cash from operating activities		63	4,755	3,721	11,821	21,816
Cash flows from investing activities						
Purchases of tangible and intangible assets		-1,168	-4,076	-2,115	-5,535	-11,762
Sale of tangible and intangible assets		42	2	42	2	98
Acquisition of subsidiaries, net of cash acquired			-5,217		-5,217	-7,559
Net cash from investing activities		-1,126	-9,291	-2,073	-10,751	-19,223
Cash flows from financing activities						
Acquisition of treasury shares						-2,518
Proceeds from non-current loans	4.1					56,500
Repayment of non-current loans	4.1	-4		-8		-56,761
Change in current interest-bearing liabilities	4.1	4,041	20	3,996	38	-142
Repayment of lease liabilities		-83	-142	-176	-204	-373
Interest and other finance costs paid	4.1	24	-525	-87	-1,003	-1,885
Dividends paid		-5,593	-5,966	-5,676	-5,966	-9,532
Net cash from financing activities		-1,615	-6,613	-1,952	-7,136	-14,711
Net change in cash and cash equivalents		-2,679	-11,149	-303	-6,065	-12,118
Cash and cash equivalents at beginning of period		17,820	32,536	15,488	27,321	27,321
Exchange gains/losses on cash and cash equivalents		868	-10	824	121	285
Cash and cash equivalents at end of period		16,009	21,377	16,009	21,377	15,488

NOTES TO THE GROUP'S HALF YEAR REVIEW JANUARY–JUNE 2022

1. BASIS OF PREPARATION

Basis of preparation

Harvia's interim information has been prepared in compliance with the IAS 34 Interim Financial Reporting standard. Interim information does not contain all the notes presented in the Consolidated Financial Statements for 2021 and should therefore be read in conjunction with the Consolidated Financial Statements for 2021 prepared in accordance with IFRS. The same accounting principles have been applied to the interim information as to the consolidated financial statements.

Harvia's Board of Directors has approved this interim report information in its meeting on 10 August 2022. This interim information is unaudited. The figures have been rounded and consequently the sum of individual figures may deviate from the presented sum figure.

Accounting estimates and management judgements made in preparation of the interim information

The preparation of interim information requires management to make accounting estimates and judgements as well as assumptions that affect the application of the preparation principles and the accounting estimates on assets, liabilities, income and expenses. Actual results may differ from previously made estimates and judgements. Estimates and judgements are reviewed regularly. Changes in estimates are presented in the period during which the change occurs, if the change only affects one period. If it affects both the period under review and following periods, the changes are presented in the period under review and following periods.

The significant management judgements and accounting estimates concerning key uncertainty factors in connection with the preparation of this interim information are identical to those applied in the Consolidated Financial Statements for 2021.

2. GROUP PERFORMANCE

2.1 GROUP REVENUE

Harvia follows its revenue at the product group level. The Group's product and service offerings have been divided into five groups: sauna heaters, sauna rooms and Scandinavian hot tubs, control units, steam generators and spare parts, services and other products. Each product group includes products suitable for different customer categories to meet different customer needs. The largest customer category of the Group consists of retailers and wholesale customers who sell products to builders or end customers.

Revenue by market area

EUR thousand	4-6/2022	4-6/2021	Change	1-6/2022	1-6/2021	Change	2021
Finland	10,380	10,109	2.7%	22,079	18,342	20.4%	36,900
Scandinavia	2,618	2,325	12.6%	4,700	4,103	14.6%	9,357
Germany	6,423	9,109	-29.5%	14,991	17,583	-14.7%	35,351
Other European countries	11,963	12,737	-6.1%	25,349	23,210	9.2%	49,674
Russia	2,601	2,591	0.4%	4,942	4,961	-0.4%	11,549
North America	8,949	8,448	5.9%	18,536	15,136	22.5%	29,132
Other countries*	3,091	1,511	104.5%	6,250	3,130	99.7%	7,160
Total	46,024	46,831	-1.7%	96,848	86,465	12.0%	179,123

* The largest of which: Arab countries and Asia.

Revenue by product groups

EUR thousand	4-6/2022	4-6/2021	Change	1-6/2022	1-6/2021	Change	2021
Sauna heaters	19,286	23,482	-17.9%	42,072	44,975	-6.5%	88,177
Sauna rooms & Scandinavian hot tubs	12,982	10,938	18.7%	25,979	17,521	48.3%	41,185
Control units	4,197	4,584	-8.4%	9,105	9,127	-0.2%	17,578
Steam generators	1,226	1,386	-11.5%	2,756	2,441	12.9%	5,129
Other product groups, spare parts and services	8,334	6,441	29.4%	16,935	12,402	36.6%	27,053
Total	46,024	46,831	-1.7%	96,848	86,465	12.0%	179,123

2.2 OPERATING EXPENSES

Other operating expenses for the period 1 January – 30 June 2022 include items affecting comparability of EUR 69 thousand (412) that are related to the group's strategic development projects, acquisitions or loss on sales of fixed assets, and affect the comparability between the different periods. Further information on these items is given in Appendix 2 Key figures.

2.3 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to the owners of the parent company by the weighted average number of shares outstanding during the financial period. Diluted earnings per share is calculated on the same basis as basic earnings per share, but it takes into consideration the effects associated with any obligations of the parent company arising from a possible share issue in the future.

EUR thousand	4-6/2022	4-6/2021	1-6/2022	1-6/2021	1-12/2021
Profit for the period attributable to the owners of the parent company, EUR thousand	7,412	9,061	16,660	17,269	33,674
Weighted average number of shares outstanding during the financial period, '000	18,668	18,667	18,656	18,656	18,668
Basic earnings per share, EUR	0.40	0.49	0.89	0.93	1.80
Share-based long-term incentive plan	149	103	152	89	150
Weighted average number of shares outstanding during the year, diluted, '000	18,818	18,770	18,807	18,744	18,818
Diluted earnings per share, EUR	0.39	0.48	0.89	0.92	1.79

3. NET WORKING CAPITAL

EUR thousand	30-Jun-2022	30-Jun-2021	31-Dec-2021
Net working capital			
Inventories	55,029	32,491	46,130
Trade receivables	21,854	20,629	16,222
Other receivables	3,610	3,135	4,225
Trade payables	-10,970	-14,544	-11,703
Other payables	-13,690	-12,171	-12,943
Total	55,834	29,540	41,931
Change in net working capital in the statement of financial position	13,902	11,588	23,979
Items not taken into account in change in net working capital in the statement of cash flows and the effect of which is included elsewhere in the statement of cash flows*	-929	-2,346	-3,073
Change in net working capital in the statement of cash flows	12,973	9,242	20,906

* The most significant items are related to finance costs, unrealized exchange rate gains and losses, acquisitions and investments.

4. NET DEBT

Interest-bearing net debt

EUR thousand	30-Jun-2022	30-Jun-2021	31-Dec-2021
Interest-bearing debt	60,430	56,785	56,428
Lease liabilities	2,763	2,992	2,877
Less cash and cash equivalents	-16,009	-21,377	-15,488
Net debt	47,185	38,399	43,817

At the end of 2021, Harvia renegotiated the terms of EUR 56,000 thousand term loans and EUR 8,000 thousand revolving credit limit, resulting in more favorable conditions. The term loan matures in two instalments. The term loan amounting to EUR 20,000 thousand and the revolving credit limit of EUR 8,000 thousand mature in December 2024, and the term loan amounting to EUR 36,500 thousand matures in December 2026. The nominal interest of the loans is tied to Euribor, and its margin is tied to the Group's net debt / adjusted EBITDA ratio.

Harvia's minority redemption liabilities and purchase price liabilities resulting from acquisitions, EUR 22.4 million (30 June 2021: EUR 18.2 million) are not included in the net debt calculation. If they had been included in the net debt, the leverage would have been 1.4 on 30 June 2022 (1.3).

4.1 DERIVATIVES

In January 2022, Harvia signed an interest swap contract with nominal value of EUR 36,500 thousand, replacing the previous interest rate swap with nominal value of EUR 25,000 thousand. The interest rate swap contract matures on 15 December 2026.

5. OTHER NOTES

5.1 RELATED PARTY TRANSACTIONS

Transactions with related parties have been made on an arm's length basis.

EUR thousand	1-6/2022	1-6/2021	2021
Sales	0	2	2
Purchases	1	15	26

APPENDIX 1: KEY FIGURES AND CALCULATION OF KEY FIGURES

EUR thousand	4-6/2022	4-6/2021	1-6/2022	1-6/2021	1-12/2021
Key statement of comprehensive income indicators					
Revenue	46,024	46,831	96,848	86,465	179,123
EBITDA	10,375	14,283	24,073	26,552	52,488
% of revenue	22.5	30.5	24.9	30.7	29.3
Adjusted EBITDA	10,440	14,623	24,142	26,963	53,116
% of revenue	22.7	31.2	24.9	31.2	29.7
Operating profit	8,732	12,898	20,815	23,946	46,644
% of revenue	19.0	27.5	21.5	27.7	26.0
Adjusted operating profit	8,798	13,237	20,883	24,358	47,272
% of revenue	19.1	28.3	21.6	28.2	26.4
Adjusted profit before income taxes	9,843	12,730	22,663	23,650	45,844
Basic EPS (EUR)	0.40	0.49	0.89	0.93	1.80
Diluted EPS (EUR)	0.39	0.48	0.89	0.92	1.79
Key cash flow indicators					
Cash flow from operating activities	63	4,755	3,721	11,821	21,816
Operating free cash flow	2,071	4,036	9,054	12,185	20,447
Cash conversion	19.8%	27.6%	37.5%	45.2%	38.5%
Investments in tangible and intangible assets	-1,168	-4,076	-2,115	-5,535	-11,762
Key balance sheet indicators					
Net debt	47,185	38,399	47,185	38,399	43,817
Leverage	0.9	0.9	0.9	0.9	0.8
Net working capital	55,834	29,540	55,834	29,540	41,931
Capital employed excluding goodwill	54,145	37,942	54,145	37,942	41,984
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	821	822	824
Average number of employees during the period	829	778	829	720	767

RECONCILIATION OF CERTAIN KEY FIGURES AND CALCULATION OF KEY FIGURES

Harvia presents alternative performance measures as additional information to measures presented in the consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of cash flows prepared in accordance with IFRS. In Harvia's view, alternative performance measures provide the management, investors, securities market analysts and other parties with significant additional information related to the Company's results from operations, financial position and cash flows and are widely used by analysts, investors and other parties.

The company presents its adjusted operating profit, adjusted EBITDA, adjusted return on capital employed (ROCE), operating free cash flow and cash conversion, which have been adjusted for material items outside the ordinary course of business, to improve comparability between periods.

Alternative performance measures should not be viewed in isolation or as a substitute to the measures under IFRS. All companies do not calculate alternative performance measures in a uniform way, and therefore the alternative performance measures presented in this report may not be comparable with similarly named measures presented by other companies.

Alternative performance measures are unaudited except for operating profit, net cash from operating activities, investments in tangible and intangible assets, net working capital and net debt in 2021.

EUR thousand	4-6/2022	4-6/2021	1-6/2022	1-6/2021	1-12/2021
Operating profit	8,732	12,898	20,815	23,946	46,644
Depreciation and amortization	1,643	1,385	3,259	2,605	5,844
EBITDA	10,375	14,283	24,073	26,552	52,488
Items affecting comparability					
Strategic development projects					
Acquisition related expenses	47	327	50	394	587
Restructuring expenses	18	12	18	17	41
Total items affecting comparability	65	339	69	412	628
Adjusted EBITDA	10,440	14,623	24,142	26,963	53,116
Depreciation and amortization	-1,643	-1,385	-3,259	-2,605	-5,844
Adjusted operating profit	8,798	13,237	20,883	24,358	47,272
Finance costs, net	1,045	-507	1,779	-708	-1,428
Adjusted profit before income taxes	9,843	12,730	22,663	23,650	45,844

CALCULATION OF KEY FIGURES

Key figure	Definition
Operating profit	Profit before income taxes, finance income and finance costs.
EBITDA	Operating profit before depreciation and amortization
Items affecting comparability	Material items outside the ordinary course of business, which relate to i) costs related to the listing ii) strategic development projects, iii) acquisition and integration related expenses, iv) restructuring expenses and v) net gains or losses on sale of assets and grants received.
Adjusted operating profit	Operating profit before items affecting comparability.
Adjusted EBITDA	EBITDA before items affecting comparability.
Adjusted profit before income taxes	Profit before income taxes excluding items affecting comparability.
Earnings per share, undiluted	Profit for the period attributable to the owners of the parent divided by weighted average number of shares outstanding.
Earnings per share, diluted	Profit for the period attributable to the owners of the parent divided by weighted average number of shares outstanding, taking into consideration the effects associated with any parent company's obligations regarding the possible share issue in the future.
Net debt	Lease liabilities and current and non-current loans from credit institutions less cash and cash equivalents.
Leverage	Net debt divided by adjusted EBITDA (12 months).
Net working capital	Inventories, trade and other receivables less trade and other payables.
Capital employed excluding goodwill	Total equity and net debt less goodwill.
Adjusted return on capital employed (ROCE)	Adjusted operating profit (12 months) divided by average capital employed excluding goodwill.
Operating free cash flow	Adjusted EBITDA added/subtracted by the change in net working capital in consolidated statement of cash flows less investments in tangible and intangible assets.
Cash conversion	Operating free cash flow divided by adjusted EBITDA.
Equity ratio	Total equity divided by total assets less advances received.



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