

HARVIA PLC

# INTERIM REPORT

JANUARY–MARCH 2023

**HARVIA**

Sauna & Spa

*Healing with heat*

# HARVIA Q1 2023: STRONG PROFITABILITY IN MIXED MARKET ENVIRONMENT

## HIGHLIGHTS OF THE REVIEW PERIOD

### JANUARY–MARCH 2023:

- Revenue decreased by 18.6% to EUR 41.4 million (50.8). At comparable exchange rates, revenue decreased by 19.4% to EUR 41.0 million. Organic revenue growth was -16.2%. In the comparison period in 2022, Harvia reached its all-time high revenue for a quarter.
- International business amounted to EUR 31.7 million (39.1), making up 76.5% (77.0) of the revenue.
- Operating profit was EUR 9.2 million (12.1), making up 22.2% (23.8) of the revenue.
- Adjusted operating profit reached EUR 9.3 million (12.1), making up 22.4% (23.8) of the revenue. At comparable exchange rates, the adjusted operating profit was EUR 9.2 million (22.5% of the revenue).
- Operating free cash flow amounted to EUR 11.6 million (7.0) and cash conversion was 107.6% (51.0).
- Net debt amounted to EUR 45.8 million (41.3) and leverage, calculated as net debt divided by 12 months' adjusted EBITDA, was 1.1 (0.8).
- Equity ratio was 49.3% (43.7).
- Earnings per share were EUR 0.34 (0.50).
- On 28 March 2023, the Board of Directors appointed Matias Järnefelt as Harvia's CEO. Järnefelt will start in his position on 1 June 2023.

## KEY FIGURES

EUR million	1-3/2023	1-3/2022	Change	1-12/2022
Revenue	41.4	50.8	-18.6%	172.4
EBITDA	10.7	13.7	-21.5%	41.2
% of revenue	26.0%	27.0%		23.9%
Items affecting comparability *	0.1	0.0	2258.2%	1.8
Adjusted EBITDA **	10.8	13.7	-21.0%	42.9
% of revenue	26.2%	27.0%		24.9%
Operating profit	9.2	12.1	-23.9%	34.7
% of revenue	22.2%	23.8%		20.1%
Adjusted operating profit **	9.3	12.1	-23.2%	36.5
% of revenue	22.4%	23.8%		21.1%
Basic EPS (EUR)	0.34	0.50	-32.6%	1.45
Operating free cash flow	11.6	7.0	66.8%	34.0
Cash conversion	107.6%	51.0%		79.1%
Investments in tangible and intangible assets	-0.3	-0.9	-68.7%	-3.6
Net debt	45.8	41.3	10.9%	54.5
Leverage	1.1	0.8		1.3
Net working capital	43.6	47.8	-8.9%	45.3
Adjusted return on capital employed (ROCE)	49.3%	102.8%		54.5%
Equity ratio	49.3%	43.7%		47.3%
Number of employees at end of period	624	834	-25.2%	633

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

\*\* Adjusted by items affecting comparability.

## FINANCIAL TARGETS AND OUTLOOK

The company has set long-term targets related to growth, profitability and leverage. 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.

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:

The first quarter remained challenging due to the mixed demand in Harvia's major markets. The impact of the Russian invasion of Ukraine, high inflation, elevated energy prices and clearly lower than normal consumer confidence continued to affect our sales. However, Harvia's profitability and cash flow were on a good level. Additionally, Harvia has continued to gain market share.

During the first quarter of 2023, our revenue landed at EUR 41.4 million, showing a decline of 18.6% compared to the all-time high quarter a year ago.

The geographical markets developed very differently. Demand in Europe, especially the DACH area continued to be soft, as the market remained relatively challenging. This affected both heater and sauna room sales, now also more widely in the premium, luxury and professional segments. Wood-burning heaters continued to have support from consumer preferences related to alternative energy sources. Our Central European e-commerce customers have taken measures to recover their business, yet the market is not showing any major improvement in the demand for e-commerce offering or entry level offering in general. The complete exit from Russia also affected our sales and profitability figures negatively. Scandinavia and Finland performed well despite the challenging market conditions.

In contrast to Europe, markets elsewhere continued their positive performance. North America, including both the United States and Canada, Asia as well as many other newer sauna markets were very dynamic and upbeat. The gradually opening Asian markets offer increasing opportunities for growth. Harvia's intentions to increase footprint in the Japanese sauna and spa market and challenge the incumbent market leader took a significant step forward in March, when Harvia and Bergman signed a letter of intent to establish a joint venture later this year.

Regarding profitability, Harvia's performance during the first quarter was good, as we recorded a EUR 9.3 million adjusted operating profit, which is 22.4% of revenue. This is only slightly down from the first quarter in 2022 with our all-time high sales, when we achieved an adjusted operating profit margin of 23.8%. The measures taken on productivity, cost management as well as diligent and granular pricing continued to pay off. Our ambition is still to deliver above 20% operating profit margin even in this challenging business environment. Our efforts in managing net working capital, especially inventory levels, also materialized well and we experienced a substantial reduction of EUR 10.4 million in inventory value year on year. All these actions contributed positively to our healthy operating free cash flow of EUR 11.6 million.

Once again, team Harvia has done its utmost with excellent commitment to keeping customers happy and succeeded in maintaining solid profitability in the exceptionally demanding market conditions. Hence, I would like to pass my warmest and sincerest thanks to everyone at team Harvia and our long-term partners. We have remained agile in adapting our resources and cost structure to the demand situation. In addition, we have optimized our cost base and rightsized our operations in multiple operating countries and units. As demand in Germany and other DACH countries is expected to remain soft for some time, we have strengthened our efforts in the areas with good market growth, especially in the emerging sauna markets. Furthermore, we have recently initiated incremental sales and marketing actions and efforts to strengthen our position in the premium and professional business.

While the market environment continues to be challenging, it does not affect Harvia's strategic cornerstones nor long-term financial targets. We continue to have full focus on our strategic cornerstones of geographical expansion, increasing the value of average purchase and systematic improvement of productivity. On top of the organic business growth path, we remain active in seeking strategic opportunities in the M&A arena. Our innovation pipeline continues to deliver excellent products to the market. The sauna and spa market has traditionally been very resilient also during economically challenging times.



I am personally very pleased that Harvia's Board of Directors has appointed Matias Järnefelt as the new CEO. Under his leadership and vision, Harvia will continue to strengthen the position as the leading player in the global sauna and spa industry. We warmly welcome Matias to team Harvia.

## 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 and spa market has grown annually by an average of 5%. Due to the stable demand that arises from the need to replace sauna heaters regularly, the sauna and spa market has been traditionally resilient to economic downturns. This is true especially for the more mature sauna markets.

During the COVID-19 induced lockdowns prior to 2022, the sauna and spa market enjoyed growth significantly above its historical average. The growth was fueled by increasing awareness of the health benefits of sauna and the home improvement boom boosted by the pandemic. This so-called advance demand was driven by the increased demand for new saunas and equipment, and to lesser extent by the replacement demand.

During the last twelve months, the sauna and spa market has witnessed two key developments. Firstly, the pandemic-driven advance demand faded away in the second quarter of 2022 as pandemic restrictions in key markets were lifted. Secondly, the Russian invasion of Ukraine directly impacted Russia, Ukraine, and adjacent markets as well as indirectly especially the European sauna and spa market through high economic uncertainty, elevated inflation and eroded consumer confidence. The impact was felt first and heaviest in the lower segment of electric heaters in Germany, but it has spread more broadly to the professional and premium segments. In the first quarter of 2023, this was true especially for the DACH region, even if the situation elsewhere in Europe has shown some signs of stabilization after weakening for several months. High energy prices, risk of energy shortage and related energy savings measures affected sauna use in late 2022 and early 2023, but the situation stabilized and started to gradually improve during the first quarter. The demand for wood-burning heaters remained close to the previous year's level, as consumers were actively seeking alternative energy sources especially in the beginning of the first quarter.

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. The demand in emerging market areas continues to be skewed towards more high-end products, especially compared to Finland. The increase in the popularity of sauna, low but increasing sauna penetration and resilient high-end demand continue to support market growth in the more emerging sauna and spa markets.

According to the management's estimate, Harvia's share of the sauna and spa market has increased during the last few years. In 2022, Harvia's share of the sauna and spa market was estimated to be 5%, and the company's share of the sauna heater and sauna component market was estimated to be 21%. The company's management estimates that Harvia has the leading position in the global sauna and spa market.

## REVENUE

Starting from the first quarter of 2023, Harvia reports its revenue by market area and by product group in accordance with the tables below.

### REVENUE BY MARKET AREA

EUR thousand	1-3/2023	1-3/2022	Change	2022
Finland	9,706	11,699	-17.0%	36,414
Scandinavia	1,916	2,083	-8.0%	9,530
Germany	4,635	8,568	-45.9%	26,109
Other European countries	11,300	13,387	-15.6%	46,405
North America	11,098	9,587	15.8%	36,112
Other countries*	2,729	5,500	-50.4%	17,838
<b>Total</b>	<b>41,384</b>	<b>50,824</b>	<b>-18.6%</b>	<b>172,408</b>

\*The largest of which: Arab countries and Asia. Other countries includes also Russia. There was no revenue in Russia in the reporting period, but the revenue was EUR 2,341 thousand in 1-3/2022 and EUR 7,454 thousand in 2022.

### REVENUE BY PRODUCT GROUP

EUR thousand	1-3/2023	1-3/2022	Change	2022
Heating equipment*	24,135	28,617	-15.7%	93,719
Saunas and Scandinavian hot tubs	10,574	13,524	-21.8%	47,950
Steam generators	1,159	1,530	-24.2%	4,989
Accessories and heater stones	2,113	2,432	-13.1%	8,187
Spare parts and services	3,402	4,721	-27.9%	17,564
<b>Total</b>	<b>41,384</b>	<b>50,824</b>	<b>-18.6%</b>	<b>172,408</b>

\* Sauna heaters, control units, IR components

## JANUARY–MARCH 2023

The Group's revenue decreased in January–March by 18.6% to EUR 41.4 million (50.8). At comparable exchange rates, revenue decreased by 19.4% to EUR 41.0 million. Organic revenue growth was -16.2%. Revenue increased in North America but decreased compared to the previous year in all other market areas, especially in Germany. Revenue in other countries fell especially due to the comparison figure which includes sales in Russia. In the comparison period in 2022, Harvia reached its all-time high revenue for a quarter.

Revenue decreased in all product groups in January–March. The growth of saunas revenue continued in North America but decreased in all other market areas. The revenue from Scandinavian hot tubs decreased significantly especially in Finland, while demand in other European countries remained more stable. Sauna heater revenue increased in North America but decreased in other market areas, especially in Germany. The sales of wood-burning heaters were supported by energy-driven consumer preferences. The revenue development of steam generators was affected especially by the exit from Russia. Sales of spare parts and services also decreased significantly.

## RESULT

### JANUARY–MARCH 2023

Operating profit for January–March decreased to EUR 9.2 million (12.1) and the operating profit margin was 22.2% (23.8). The operating profit included EUR 0.1 million (0.0) of items affecting comparability, mainly related to business transactions and restructuring. Changes in exchange rates strengthened the operating profit by approximately EUR 0.1 million, which was caused mainly by the strengthening of the U.S. dollar.

Adjusted operating profit decreased to EUR 9.3 million (12.1) and the adjusted operating profit margin was 22.4% (23.8). The net financial items for the review period were EUR -0.9 million (0.7). In the comparison period, the net financial items were positive due to the change in the fair value of the interest rate swap. The value of the swap contract increases when interest rates rise.

Profit before taxes was EUR 8.3 million (12.8). The Group's taxes amounted to EUR -2.0 million (-3.2).

The result for January–March was EUR 6.3 million (9.7) and undiluted earnings per share were EUR 0.34 (0.50).

## FINANCIAL POSITION AND CASH FLOW

Balance sheet total at the end of March 2023 was EUR 211.8 million (31 March 2022: 215.1), of which equity accounted for EUR 104.0 million (92.5).

At the end of March 2023, the company's net debt amounted to EUR 45.8 million (41.3). Loans from credit institutions were EUR 75.4 million (56.4) and lease liabilities were EUR 2.3 million (2.8). Cash and cash equivalents at the end of the review period amounted to EUR 31.9 million (17.8). Leverage was 1.1 (0.8) at the end of the review period.

Equity ratio was 49.3% (43.7) at the end of the review period. The adjusted return on capital employed (ROCE) was 49.3% (102.8).

In January–March, Harvia's operating free cash flow was EUR 11.6 million (7.0) and cash conversion was 107.6% (51.0).

## INVESTMENTS, RESEARCH AND PRODUCT DEVELOPMENT

Harvia Group's investments in tangible and intangible assets in January–March amounted to EUR 0.3 million (0.9). During the review period, Harvia made only minor investments to maintain and improve its factories. The Group's research and development expenditure recognized as expenses amounted to EUR 0.5 million (0.5). In 2023, Harvia will focus on its strategic priorities: increasing the value of the average purchase by launching new products especially in the sauna category, expanding geographically by getting approvals for products in new markets, and improving productivity by focusing on quality, increasing automation and improving efficiency of production processes.

## ACQUISITIONS AND DIVESTMENTS

On 10 March 2023, Harvia announced that it had received the necessary approvals from Russian authorities to close the divestment of its ownership in EOS Group's Russian operations. On 7 November 2022, Harvia had signed an agreement to sell its 80.0% shareholding of EOS Russia to Mr. Vasilij Sosenkov. The company has not been consolidated in the Harvia Group figures as of November 2022.

On 7 March 2023, Harvia Plc and Bergman Ltd signed a letter of intent to create a joint venture in Japan with the mission to become a substantial local player in the attractive and growing Japanese sauna and spa market. Harvia will own 51% and Bergman 49% of the company.

## 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 has a sustainability program based on four commitments: Good and Healthy Living, Responsible Experience and Enjoyment, Minimizing the Ecological Footprint and maintaining a Safe and Warm Community, which includes employees, partners, customers and other stakeholders. Harvia's corporate responsibility and the commitments were presented in more detail in the Annual Report 2022. For 2023, Harvia has made a sustainability plan according to its commitments. The company follows its sustainability targets with various KPIs.

## PERSONNEL

The number of personnel employed by the Group at the end of March 2023 was 624 (834) and averaged 621 (837) in January–March. Of the personnel at the end of March, 247 (304) worked in Finland, 130 (157) in Germany, 75 (141) in Romania, 69 (75) in the United States, 61 (78) in China and Hong Kong, 31 (42) in Austria, 9 (9) in Estonia, and 2 (2) in Sweden.

The decrease in the number of personnel at the end of March compared to the previous year was mainly due to personnel reductions after change negotiations in Finland and restructuring in other countries during 2022. In addition, the exit from Russia in 2022 impacted the personnel figures.

## SHARES AND SHAREHOLDERS

Harvia's registered share capital is EUR 80,000 and at the end of March 2023, the company had 18,694,236 (18,694,236) fully paid shares. The share trading volume in January–March was EUR 59.8 million (360.5) and 2,873,972 shares (8,924,538). The share's volume weighted average price during the review period was EUR 27.79 (40.39), the highest price was EUR 23.02 (60.70) and the lowest EUR 17.41 (30.60). The closing price of the share at the end of March 2023 was EUR 21.92 (36.35). The market value of the share capital on 31 March 2023 was EUR 409.8 million (679.5) including treasury shares. At the end of March 2023, Harvia Plc held a total of 21,074 own shares, corresponding to 0.11% of the total number of shares.

The number of registered shareholders at the end of March was 45,036 (43,802), including nominee registers. At the end of the review period, nominee-registered and direct foreign shareholders held 41.7% (40.8) of the company's shares. The ten largest shareholders held a total of 21.1% (20.6) of Harvia's shares and votes at the end of March 2023.

## GOVERNANCE

On 17 November 2022, Harvia announced that Tapio Pajuharju, CEO of Harvia Plc, had resigned from his position. On 28 March 2023, the Board of Directors of Harvia appointed Matias Järnefelt as Harvia's new CEO. After the reporting period Harvia announced on 20 April 2023 that Järnefelt will start in his position on 1 June 2023. Pajuharju will continue in his role until 31 May 2023.

Järnefelt (M.Sc., Industrial Engineering and Management) has significant experience in demanding international management positions. He has worked for several years at Hilti, most recently as the Managing Director for Northern Europe and Great Britain. Prior to joining Hilti, he worked for Nokia in various leadership roles, for example, as the global Head of Sales for Nokia's phone accessory business. Järnefelt is joining Harvia from 9Lives Oy, where he acts as the CEO.

## RISKS AND UNCERTAINTIES

General economic, social and political conditions impact Harvia's operating environment. Economic uncertainty in Finland, Europe, 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 adjacent markets. The indirect impact of the war is visible in the higher raw material prices, increased inflation, reduced consumer confidence as well as increased energy prices and energysavings measures, especially in Europe. Harvia suspended its operations in Russia at the beginning of March 2022 due to the war in Ukraine and completed its exit from Russia by selling its 80% share in EOS Russia in November 2022. The transaction was closed in March 2023 after receiving relevant approvals from Russian authorities. Developments related to the war and its impacts as well as other geopolitical events can further affect Harvia either directly or indirectly.

The increase in cyber threats worldwide alongside the growing dependency on digital infrastructure cause risks to Harvia's business and its critical data. While the Group continuously takes actions to prepare for these risks and protect its digital infrastructure, operations and people against them, cyber threats in many forms can potentially affect Harvia. This could occur either directly by disrupting or endangering Harvia's daily operations or compromising data or indirectly through attacking Harvia's suppliers or customers, and thus can potentially result in financial, operational or reputational damage to the company.

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. Exchange rate risks have thus far not been significant for the Group, and Harvia has not protected itself from these risks with currency derivatives.

The principles of Harvia's financing risk management were described in the Consolidated Financial Statements 2022 and the general principles of risk management on the company's website at [www.harviagroup.com](http://www.harviagroup.com).

## EVENTS AFTER THE REVIEW PERIOD

The Annual General Meeting of Harvia, held on 20 April 2023, approved the financial statements and discharged the members of the Board of Directors and the company's CEO from liability for the financial year 2022. 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 0.64 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 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. This installment of the dividend was paid on 2 May 2023. The second installment, EUR 0.32 per share, will be paid on 30 October 2023. The record date of the dividend date would then be 23 October 2023.

The Annual General Meeting resolved that the Board of Directors consists of six members. Olli Liitola, Anders Holmén, Hille Korhonen and Heiner Olbrich were re-elected to the Board of Directors and Markus Lengauer and Catharina Stackelberg-Hammarén were elected as new members of the Board of Directors. Authorised Public Accounting firm PricewaterhouseCoopers Oy was elected as the Auditor of the company and Markku Katajisto, Authorised 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 maximum number of shares to be repurchased represents approximately 5% of all the shares in the company on the date of the Annual General Meeting. The authorization may be used for the purposes of the company's share-based incentive systems and other matters decided by the Board of Directors. The authorization is valid until the closing of the next Annual General Meeting, but no longer than until 30 June 2024.

Olli Liitola was elected Chair and Heiner Olbrich Vice Chair of the Board of Directors at the Board of Directors' organizing meeting on 20 April 2023. The Board of Directors elected from among its members Hille Korhonen (Chair), Anders Holmén and Heiner Olbrich as members of the Audit Committee.

The full resolutions by the Annual General Meeting as well as the decisions by the organizational meeting of the Board of Directors have been published in stock exchange releases on 20 April 2023.

On 20 April 2023 Harvia announced that Harvia Plc's new CEO Matias Järnefelt will assume his duties on 1 June 2023. Harvia's current CEO Tapio Pajuharju will continue in his role until 31 May 2023.

## FINANCIAL RELEASES IN 2023

Harvia will publish its interim reports in 2023 as follows:

10 August 2023, Half-year (January–June) 2023 financial report

2 November 2023, January–September 2023 interim report

### MUURAME, 3 MAY 2023

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 4 May 2023 at 11:00 a.m. EEST. 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/q1-2023-result>.

You can also participate in the conference by calling. Please register to the teleconference by using the following link: <http://palvelu.flik.fi/teleconference/?id=1009974>. After the registration, you will be provided with phone numbers and a conference ID to access the teleconference.

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

## HARVIA PLC INTERIM REPORT JANUARY–MARCH 2023

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	1-3/2023	1-3/2022	1-12/2022
<b>Revenue</b>	2.1	<b>41,384</b>	<b>50,824</b>	<b>172,408</b>
Other operating income		102	104	734
Materials and services		-15,917	-21,154	-70,150
Employee benefit expenses		-7,462	-8,387	-30,832
Other operating expenses	2.2	-7,358	-7,689	-30,036
Depreciation and amortisation		-1,550	-1,616	-6,494
Impairment of assets of the sold subsidiary*				-952
<b>Operating profit</b>		<b>9,199</b>	<b>12,082</b>	<b>34,678</b>
Share in profits and losses of associated companies		-66	23	26
Finance income		728	350	2,394
Finance costs		-1,529	-756	-3,553
Changes in fair values		-47	1,117	3,243
Financial items		-913	734	2,110
<b>Profit before income taxes</b>		<b>8,286</b>	<b>12,817</b>	<b>36,788</b>
Income taxes		-2,023	-3,157	-8,719
<b>Profit for the period</b>		<b>6,263</b>	<b>9,660</b>	<b>28,068</b>
Attributable to:				
Owners of the parent		6,260	9,249	27,080
Non-controlling interests**		2	411	988
<b>Other comprehensive income</b>				
Items that may be reclassified to profit or loss in subsequent periods:				
Translation differences		-776	230	326
Items that will not be reclassified to profit or loss:				
Actuarial gains and losses				598
<b>Other comprehensive income, net of tax</b>		<b>-776</b>	<b>230</b>	<b>925</b>
<b>Total comprehensive income</b>		<b>5,486</b>	<b>9,890</b>	<b>28,993</b>
Attributable to:				
Owners of the parent		5,484	9,479	28,005
Non-controlling interests**		2	411	988
Earnings per share for profit attributable to the owners of the parent:				
Basic EPS (EUR)	2.3	0.34	0.50	1.45
Diluted EPS (EUR)	2.3	0.33	0.49	1.44

\*Includes the fair value consideration of sold assets and translation differences related to EOS Russia disposal

\*\*Kirami AB non-controlling interests

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	Note	31-Mar-2023	31-Mar-2022	31-Dec-2022
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets		9,953	12,256	10,463
Goodwill		73,418	73,749	73,438
Property, plant and equipment		26,475	27,904	27,098
Right-of-use assets*		2,062	2,515	2,144
Investments in associated companies		661	749	727
Derivative financial instruments		3,196	633	3,243
Deferred tax assets		1,401	1,505	1,367
<b>Total non-current assets</b>		<b>117,166</b>	<b>119,312</b>	<b>118,481</b>
<b>Current assets</b>				
Inventories	3	41,195	51,602	45,324
Trade and other receivables	3	20,933	26,311	18,674
Income tax receivables		579	71	1,010
Cash and cash equivalents	4	31,908	17,820	25,310
<b>Total current asset</b>		<b>94,614</b>	<b>95,804</b>	<b>90,318</b>
<b>Total assets</b>		<b>211,781</b>	<b>215,116</b>	<b>208,799</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital		80	80	80
Other reserves		32,841	31,334	33,426
Retained earnings		63,766	47,886	36,687
Profit for the period		6,260	9,249	27,080
<b>Equity attributable to owners of the parent</b>		<b>102,948</b>	<b>88,549</b>	<b>97,273</b>
<b>Non-controlling interests</b>		<b>1,074</b>	<b>3,926</b>	<b>1,072</b>
<b>Total equity</b>		<b>104,022</b>	<b>92,475</b>	<b>98,345</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Loans from credit institutions	4	75,406	56,385	75,389
Lease liabilities	4	1,809	2,240	1,848
Deferred tax liabilities		1,546	2,137	1,673
Employee benefit obligations		1,897	2,595	1,897
Other non-current liabilities**		3,695	22,246	3,609
Provisions		322	340	331
<b>Total non-current liabilities</b>		<b>84,675</b>	<b>85,943</b>	<b>84,747</b>
<b>Current liabilities</b>				
Loans from credit institutions	4	15	1	2,028
Lease liabilities	4	504	529	574
Employee benefit obligations		174	188	174
Income tax liabilities		3,532	5,580	3,960
Trade and other payables	3	18,576	30,100	18,679
Provisions		284	300	292
<b>Total current liabilities</b>		<b>23,084</b>	<b>36,698</b>	<b>25,707</b>
<b>Total liabilities</b>		<b>107,759</b>	<b>122,641</b>	<b>110,454</b>
<b>Total equity and liabilities</b>		<b>211,781</b>	<b>215,116</b>	<b>208,799</b>

\* Previously "leased assets"

\*\*Other non-current liabilities include minority redemption liabilities and purchase price liabilities resulting from acquisitions. The minority share of German EOS Group was acquired at the end of July 2022.

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
<b>Equity at 1 January 2022</b>	<b>80</b>	<b>32,047</b>	<b>539</b>	<b>47,886</b>	<b>80,552</b>	<b>3,598</b>	<b>84,149</b>
Share-based incentive plan		126			126		126
Dividend distribution						-83	-83
Revaluation of minority redemption liability		-1,608			-1,608		-1,608
Total transactions with shareholders		-1,481			-1,481	-83	-1,565
Profit for the period				9,249	9,249	411	9,660
Other comprehensive income			230		230		230
Total comprehensive income			230	9,249	9,479	411	9,890
<b>Equity at 31 March 2022</b>	<b>80</b>	<b>30,565</b>	<b>769</b>	<b>57,135</b>	<b>88,549</b>	<b>3,926</b>	<b>92,475</b>
<b>Equity at 1 January 2022</b>	<b>80</b>	<b>32,047</b>	<b>539</b>	<b>47,886</b>	<b>80,552</b>	<b>3,598</b>	<b>84,149</b>
Share-based incentive plan		557			557		557
Dividend distribution				-11,200	-11,200	-127	-11,327
Revaluation of minority redemption liabilities		1,516			1,516		1,516
Redemption of the share of non-controlling interest						-3,387	-3,387
Repurchase of own shares		-313			-313		-313
Share-based payments		-1,844			-1,844		-1,844
Total transactions with shareholders		-83		-11,200	-11,283	-3,514	-14,798
Profit for the period				27,080	27,080	988	28,068
Actuarial gains and losses		598			598		598
Other comprehensive income			326		326		326
Total comprehensive income		598	326	27,080	28,005	988	28,993
<b>Equity at 31 December 2022</b>	<b>80</b>	<b>32,562</b>	<b>865</b>	<b>63,766</b>	<b>97,273</b>	<b>1,072</b>	<b>98,345</b>
<b>Equity at 1 January 2023</b>	<b>80</b>	<b>32,562</b>	<b>865</b>	<b>63,766</b>	<b>97,273</b>	<b>1,072</b>	<b>98,345</b>
Share-based incentive plan		191			191		191
Total transactions with shareholders		191			191		191
Profit for the period				6,260	6,260	2	6,263
Other comprehensive income			-776		-776		-776
Total comprehensive income			-776	6,260	5,484	2	5,486
<b>Equity at 31 March 2023</b>	<b>80</b>	<b>32,753</b>	<b>88</b>	<b>70,026</b>	<b>102,948</b>	<b>1,074</b>	<b>104,022</b>

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	Note	1-3/2023	1-3/2022	1-12/2022
<b>Cash flows from operating activities</b>				
Profit before taxes		8,286	12,817	36,788
Adjustments				
Depreciation and amortisation		1,550	1,616	7,446
Finance income and finance costs		913	-734	-2,110
Other adjustments		22	88	311
Cash flows before changes in working capital		10,771	13,786	42,436
Change in working capital				
Increase (-) / decrease (+) in trade and other receivables	3	-3,118	-5,916	495
Increase (-) / decrease (+) in inventories	3	4,337	-5,373	-852
Increase (+) / decrease (-) in trade and other payables	3	-103	5,517	-5,014
Cash flows from operating activities before financial items and taxes		11,887	8,014	37,065
Interest and other finance costs paid		-70	-29	-39
Interest and other finance income received		31	9	6
Income taxes paid/received		-2,182	-4,335	-12,697
<b>Net cash from operating activities</b>		<b>9,666</b>	<b>3,659</b>	<b>24,335</b>
<b>Cash flows from investing activities</b>				
Purchases of tangible and intangible assets		-296	-947	-3,587
Sale of tangible and intangible assets				48
Proceeds from sale of subsidiaries, net of cash				104
<b>Net cash from investing activities</b>		<b>-296</b>	<b>-947</b>	<b>-3,435</b>
<b>Cash flows from financing activities</b>				
Acquisition of treasury shares				-312
Transactions with non-controlling interests				-19,000
Proceeds from non-current loans	4			19,000
Repayment of non-current liabilities	4		-4	-101
Proceeds from current loans	4			2,000
Repayment of current liabilities	4	-2,007	-44	-17
Repayment of lease liabilities		-225	-94	-518
Interest and other finance costs paid	4	-406	-111	-1,022
Dividends paid			-83	-11,327
<b>Net cash from financing activities</b>		<b>-2,637</b>	<b>-336</b>	<b>-11,297</b>
<b>Net change in cash and cash equivalents</b>		<b>6,733</b>	<b>2,376</b>	<b>9,604</b>
Cash and cash equivalents at beginning of period		25,310	15,488	15,488
Exchange gains/losses on cash and cash equivalents		-135	-44	218
<b>Cash and cash equivalents at end of period</b>		<b>31,908</b>	<b>17,820</b>	<b>25,310</b>

# NOTES TO THE GROUP'S INTERIM REPORT JANUARY–MARCH 2023

## 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 that were presented in the Consolidated Financial Statements for 2022 and should therefore be read in conjunction with the Consolidated Financial Statements for 2022 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 in its meeting on 3 May 2023. The figures in this interim report are not audited. 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 that were applied in the Consolidated Financial Statements for 2022.

## 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: heating equipment, saunas and Scandinavian hot tubs, Steam generators and spare parts and services. 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	1-3/2023	1-3/2022	Change %	2022
Finland	9,706	11,699	-17.0%	36,414
Scandinavia	1,916	2,083	-8.0%	9,530
Germany	4,635	8,568	-45.9%	26,109
Other Europe	11,300	13,387	-15.6%	46,405
North America	11,098	9,587	15.8%	36,112
Other countries*	2,729	5,500	-50.4%	17,838
<b>Total</b>	<b>41,384</b>	<b>50,824</b>	<b>-18.6%</b>	<b>172,408</b>

\*The largest of which: Arab countries and Asia. Other countries includes also Russia. There was no revenue in Russia in the reporting period, but the revenue was EUR 2,341 thousand in 1–3/2022 and EUR 7,454 thousand in 2022.

## Revenue by product groups

EUR thousand	1-3/2023	1-3/2022	Change %	2022
Heating equipment*	24,135	28,617	-15.7%	93 719
Saunas and Scandinavian hot tubs	10,574	13,524	-21.8%	47,950
Steam generators	1,159	1,530	-24.2%	4,989
Accessories and heater stones	2,113	2,432	-13.1%	8,187
Spare parts and services	3,402	4,721	-27.9%	17,564
<b>Total</b>	<b>41,384</b>	<b>50,824</b>	<b>-18.6%</b>	<b>172,408</b>

\* Sauna heaters, control units, IR components

## 2.2 OPERATING EXPENSES

Other operating expenses for the period 1 January – 31 March 2023 include items affecting comparability of EUR 81 thousand (3) that are related to the Group's strategic development projects, acquisitions, divestments or loss on sales of fixed assets, restructuring 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	1-3/2023	1-3/2022	1-12/2022
Profit for the period attributable to the owners of the parent company, EUR thousand	6,260	9,249	27,080
Weighted average number of shares outstanding during the financial period, '000	18,678	18,593	18,672
<b>Basic earnings per share, EUR</b>	<b>0.34</b>	<b>0.50</b>	<b>1.45</b>
Share-based long-term incentive plan	163	150	167
Weighted average number of shares outstanding during the year, diluted, '000	18,842	18,743	18,839
<b>Diluted earnings per share, EUR</b>	<b>0.33</b>	<b>0.49</b>	<b>1.44</b>

### 3. NET WORKING CAPITAL

EUR thousand	31-Mar-2023	31-Mar-2022	31-Dec-2022
<b>Net working capital</b>			
Inventories	41,195	51,602	45,324
Trade receivables	18,565	22,193	16,408
Other receivables	2,368	4,118	2,266
Trade payables	-8,352	-15,335	-8,737
Other payables	-10,224	-14,765	-9,942
<b>Total</b>	<b>43,552</b>	<b>47,813</b>	<b>45,319</b>
Change in net working capital in the statement of financial position	-1,767	5,882	3,388
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*	651	-110	1,983
Change in net working capital in the statement of cash flows	-1,116	5,772	5,371

\* 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	31-Mar-2023	31-Mar-2022	31-Dec-2022
Interest-bearing debt	75,420	56,386	77,417
Lease liabilities	2,313	2,769	2,421
Less cash and cash equivalents	-31,908	-17,820	-25,310
<b>Net debt</b>	<b>45,825</b>	<b>41,335</b>	<b>54,529</b>

Harvia has EUR 75,500 thousand term loans and EUR 8,000 thousand revolving credit limit. The term loans mature in two installments. The term loan amounting to EUR 39,000 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.

#### 4.1 DERIVATIVES

Harvia has an interest swap contract with nominal value of EUR 36,500 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	1-3/2023	1-3/2022	2022
Sales	35	0	7
Purchases	0	1	1

## APPENDIX 1: KEY FIGURES AND CALCULATION OF KEY FIGURES

EUR thousand	1-3/2023	1-3/2022	1-12/2022
<b>Key statement of comprehensive income indicators</b>			
Revenue	41,384	50,824	172,408
EBITDA	10,749	13,698	41,173
% of revenue	26.0	27.0	23.9
Adjusted EBITDA	10,830	13,702	42,947
% of revenue	26.2	27.0	24.9
Operating profit	9,199	12,082	34,678
% of revenue	22.2	23.8	20.1
Adjusted operating profit	9,280	12,086	36,452
% of revenue	22.4	23.8	21.1
Adjusted profit before income taxes	8,367	12,820	38,562
Basic EPS (EUR)	0.34	0.50	1.45
Diluted EPS (EUR)	0.33	0.49	1.44
<b>Key cash flow indicators</b>			
Cash flow from operating activities	9,666	3,659	24,335
Operating free cash flow	11,650	6,983	33,989
Cash conversion	107.6%	51.0%	79.1%
Investments in tangible and intangible assets	-296	-947	-3,587
<b>Key balance sheet indicators</b>			
Net debt	45,825	41,335	54,529
Leverage	1.1	0.8	1.3
Net working capital	43,552	47,813	45,319
Capital employed excluding goodwill	68,245	46,915	66,836
Adjusted return on capital employed (ROCE)	49.3%	102.8%	54.5%
Equity ratio	49.3%	43.7%	47.3%
Number of employees at end of period	624	834	633
Average number of employees during the period	621	837	768

## 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 2022.

EUR thousand	1-3/2023	1-3/2022	1-12/2022
<b>Operating profit</b>	9,199	12,082	34,678
Depreciation and amortization	1,550	1,616	6,494
<b>EBITDA</b>	10,749	13,698	41,173
<b>Items affecting comparability</b>			
Business transactions related expenses	68	3	1,105
Restructuring expenses	14		622
<b>Total items affecting comparability</b>	81	3	1,774
<b>Adjusted EBITDA</b>	10,830	13,702	42,947
Depreciation and amortization	-1,550	-1,616	-6,494
<b>Adjusted operating profit</b>	9,280	12,086	36,452
Finance costs, net	-913	734	2,110
<b>Adjusted profit before income taxes</b>	8,367	12,820	38,562

## CALCULATION OF KEY FIGURES

<b>Key figure</b>	<b>Definition</b>
<b>Operating profit</b>	Profit before income taxes, finance income and finance costs.
<b>EBITDA</b>	Operating profit before depreciation and amortization
<b>Items affecting comparability</b>	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.
<b>Adjusted operating profit</b>	Operating profit before items affecting comparability.
<b>Adjusted EBITDA</b>	EBITDA before items affecting comparability.
<b>Adjusted profit before income taxes</b>	Profit before income taxes excluding items affecting comparability.
<b>Earnings per share, undiluted</b>	Profit for the period attributable to the owners of the parent divided by weighted average number of shares outstanding.
<b>Earnings per share, diluted</b>	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.
<b>Net debt</b>	Lease liabilities and current and non-current loans from credit institutions less cash and cash equivalents.
<b>Leverage</b>	Net debt divided by adjusted EBITDA (12 months).
<b>Net working capital</b>	Inventories, trade and other receivables less trade and other payables.
<b>Capital employed excluding goodwill</b>	Total equity and net debt less goodwill.
<b>Adjusted return on capital employed (ROCE)</b>	Adjusted operating profit (12 months) divided by average capital employed excluding goodwill.
<b>Operating free cash flow</b>	Adjusted EBITDA added/subtracted by the change in net working capital in consolidated statement of cash flows less investments in tangible and intangible assets.
<b>Cash conversion</b>	Operating free cash flow divided by adjusted EBITDA.
<b>Equity ratio</b>	Total equity divided by total assets less advances received.

A photograph of a stone sauna interior. The walls are made of rough-hewn, light-colored stones. The ceiling is made of horizontal wooden planks. A wooden bench with a curved backrest is visible on the right. A small, glowing light fixture is mounted on the stone wall. The floor is covered in a layer of white, textured material, possibly snow or a sauna mat.

**HARVIA**

*Sauna & Spa*

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