

HARVIA PLC

# INTERIM REPORT

January–March 2020



**HARVIA**

*Sauna & Spa*

# PROFITABLE GROWTH CONTINUED

## HIGHLIGHTS OF THE REVIEW PERIOD

### JANUARY–MARCH 2020:

- Revenue grew by 5.6% to EUR 20.4 million (19.3). At comparable exchange rates, revenue grew by 4.8% to EUR 20.2 million.
- Adjusted operating profit grew to EUR 4.2 million (4.0), making up 20.6% (20.6) of the revenue. At comparable exchange rates, the adjusted operating profit grew to EUR 4.1 million (20.4% of the revenue).
- Operating profit was EUR 3.1 million (3.8), making up 15.3% (19.9) of the revenue. At comparable exchange rates, the operating profit was EUR 3.0 million (15.0% of the revenue).
- Operative free cash flow amounted to EUR 5.9 million (1.7).
- Net debt amounted to EUR 24.3 million (31.6) and leverage was 1.4 (2.3).
- Equity ratio increased to 57.1% (55.7).
- In March, Harvia announced that it had signed an agreement to acquire the majority of the German EOS Group.
- Due to the coronavirus pandemic, Harvia has taken special measures to ensure the safety of its personnel and safeguard the continuity of its operations and services in all of its units. The effects of the pandemic on Harvia's business and result were minor during the review period.

## KEY FIGURES

EUR million	1-3/2020	1-3/2019	Change, %	2019
Revenue	20.4	19.3	5.6%	74.1
EBITDA	3.9	4.6	-14.6%	16.4
% of revenue	19.3%	23.9%		22.2%
Items affecting comparability *	1.1	0.1	766.2%	0.6
Adjusted EBITDA **	5.0	4.7	6.2%	17.0
% of revenue	24.7%	24.5%		22.9%
Operating profit	3.1	3.8	-19.2%	13.3
% of revenue	15.3%	19.9%		18.0%
Adjusted operating profit **	4.2	4.0	5.8%	13.9
% of revenue	20.6%	20.6%		18.7%
Basic EPS (EUR)	0.13	0.14	-8.7%	0.51
Operating free cash flow	5.9	1.7	243.9%	15.2
Cash conversion	117.4%	36.3%		89.3%
Investments in tangible and intangible assets	-0.3	-0.5	-33.9%	-1.8
Net debt	24.3	31.6	-23.1%	28.3
Leverage	1.4	2.3		1.7
Net working capital	15.2	20.2	-24.4%	16.8
Adjusted return on capital employed (ROCE)	37.7%	30.9%		38.2%
Equity ratio	57.1%	55.7%		56.6%
Number of employees at end of period	399	390	2.3%	395

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

\*\* Adjusted by items affecting comparability.

## FINANCIAL TARGETS AND OUTLOOK

Harvia does not publish its short-term outlook. However, the company has set long-term targets related to growth, profitability and leverage. The company targets an average annual revenue growth of more than 5%, adjusted operating profit margin of 20% and a net debt/adjusted EBITDA between 1.5x–2.5x. The future impacts of changes in IFRS reporting standards have been excluded in the net debt/adjusted EBITDA ratio target.

Harvia targets a regularly increasing dividend with a bi-annual dividend payout of at least 60 percent of net income, in total.

## TAPIO PAJUJARJU, CEO:

Harvia's first quarter of 2020 was fairly strong despite the challenges imposed by the coronavirus pandemic that hit Finland in March. Revenue growth exceeded our 5 percent growth target and the adjusted operating profit increased by 5.8 percent to EUR 4.2 million. Relative profitability remained on a very good level and the adjusted operating margin was 20.6 percent. Our cash flow also developed very favorably.

Revenue growth was especially strong in Scandinavian countries, North America and Germany. Working on the cornerstones of our strategy, i.e. increasing the value of the average purchase and expanding our distribution has resulted in strong growth especially in Scandinavia and in the United States. The total volume of domestic sales was rather stable; the sauna heater sales were strong, but we were not able to increase our share in the sauna room category. The situation in Central Europe varies by market. We are extremely satisfied with the development in Germany. At the same time, however, the coronavirus pandemic has taken a toll on Italy, Spain, France and the Benelux countries. The Russian market was affected by the significant decline in the Russian ruble, which was reflected on the purchasing power of import products, as well as the lockdown caused by the coronavirus at the end of March. This temporarily halted the operations of some local authorities and complicated import process. The coronavirus situation and uncertainty in the Arab countries was also reflected on Harvia's sales.



Revenue growth was extremely good in the sauna room category with a solid 34.2 percent growth. Revenue in sauna heaters developed steadily, as well. The sales of steam generators and control units was impacted by the market situation in the Arab countries, Asia and Russia. Demand in the US market remained on a very good level both in the Almost Heaven Saunas (AHS) sauna rooms and in Harvia's sauna heaters and components.

The third cornerstone of our strategy, improving the efficiency of productivity, was unfortunately somewhat set aside by our very strong and professional preparations for the coronavirus pandemic and voluntary quarantines. Nonetheless, productivity remained on an excellent level, even though we were not able to make significant improvements during the first quarter. Thanks to the excellent cooperation and commitment of our personnel, Harvia has maintained almost full operational capability during the coronavirus outbreak.

The acquisition of the majority share of the German EOS Group, a technology leader in professional and premium sauna & spa products, has been a significant strategic step for Harvia. Together we are stronger and will become the global leader in the professional and premium products category. The acquisition will further strengthen our position especially in Central Europe and will open up new possibilities in the US and Asia. The transaction is set to be completed at the end of April, after which we can initiate the integration process as planned.

Due to the coronavirus, we have invested heavily in health and safety with good results. At the beginning of the year, our factory in China began its operations very quickly and has been able to operate at full capacity. The special measures taken at the Harvia units slightly slowed down the normal rate of productivity. Despite of the incremental coronavirus-related arrangements, we have been able to deliver customer orders to the full or with very minimal delays. We are very happy that most of our suppliers and partners have been able to operate almost as usual, and there has been only a temporary shortage of componentry. Our personnel are more than aware of the severity of the situation and have demonstrated an exceptional and entrepreneurial attitude in the challenging situation, all of this without compromising safety. This has allowed us to help and

support our customers and partners to survive this difficult situation. The entire Harvia team has done an outstanding job – I would like to pass my humble thanks for the great effort. Thank you!

No company, market or phenomenon is immune to the coronavirus. Due to the relatively large share of the replacement business, it seems that the sauna and spa market is not overly sensitive to the pandemic. At the moment, most of our key customers are gradually returning to the new normal, and the demand in the sauna and spa market has remained mostly on a good level despite the outbreak. We remain humble but keep our determined focus on the cornerstones of our strategy and its implementation by focusing on increasing the value of the average purchase, geographical expansion and continuous improvement of productivity. At the same time, we continue to very closely monitor the market and its changing dynamics in order to be able to take action in a quick and agile manner, if needed. In addition to organic growth, we are actively looking into suitable opportunities to grow in the sauna and spa market through business acquisitions.

## MARKET REVIEW

The sauna and spa market have historically been resilient, due in particular to the demand arising from the need to replace heaters. Typically the first and fourth quarter of the year are strong in the sauna business. During the first half of 2020, the demand for Harvia's products remained steady. At the end of the first quarter, the coronavirus outbreak had some effect on Harvia's sales especially in Russia and the Arab countries.

Harvia takes the exceptional situation caused by the coronavirus seriously, and according to its contingency plan, has taken special measures across all its operating countries to ensure the safety of its personnel as well as the continuity of production and services. Harvia actively monitors the development of its operating environment to predict the pandemic's possible effects on the company's business. According to the company's estimate, the sauna and spa market has not been particularly sensitive to the pandemic, and on average, demand has remained on a good level despite the outbreak.

According to an international management consulting firm's report, there are approximately 15 million saunas in the world. This large sauna base also provides a steady demand for the replacement of saunas and sauna heaters. According to the analysis, the global sauna and spa market is expected to grow annually by an average of 5% in 2016–2022. Harvia's management estimates that the market growth during 2016–2019 has been 4–5%. According to the same report, Harvia is the global leader in the heater and component market and one of the leading companies in the sauna and spa market. Harvia's share of the sauna and spa market is approximately 2% and its share of the heater and sauna component market is approximately 11%. Together, Harvia and EOS Group are estimated to reach an approximately 14% market share in sauna heaters and components.

## REVENUE

### REVENUE BY MARKET AREA

EUR thousand	1-3/2020	1-3/2019	Change, %	2019
Finland	7,029	6,974	0.8%	24,210
Other Scandinavia	1,024	836	22.4%	4,157
Germany	1,845	1,654	11.6%	6,867
Other European countries	4,733	4,595	3.0%	17,188
Russia	1,007	1,867	-46.1%	5,761
North America	4,184	2,459	70.2%	11,816
Other countries*	546	893	-38.9%	4,096
<b>Total</b>	<b>20,368</b>	<b>19,279</b>	<b>5.6%</b>	<b>74,095</b>

\* The largest of which: Arab countries and Asia.

### REVENUE BY PRODUCT GROUP

EUR thousand	1-3/2020	1-3/2019	Change, %	2019
Sauna heaters	10,929	10,726	1.9%	39,740
Sauna rooms	4,380	3,262	34.2%	14,700
Control units	1,535	1,655	-7.2%	5,918
Steam generators	660	913	-27.7%	3,476
Other product groups, spare parts and services	2,863	2,723	5.2%	10,261
<b>Total</b>	<b>20,368</b>	<b>19,279</b>	<b>5.6%</b>	<b>74,095</b>

## JANUARY–MARCH 2020:

The Group's revenue in January–March increased by 5.6% to EUR 20.4 million (19.3). Revenue growth exceeded the Group's long-term growth target. At comparable exchange rates, revenue grew by 4.8% to EUR 20.2 million. Revenue growth was accelerated especially by the development of business operations in the United States. In addition, revenue in the German market also developed positively for sauna rooms and infrared heaters, in particular. Harvia and Harvia's suppliers were able to maintain close to normal operating capacity despite the pandemic, which affected revenue growth. Revenue in the Russian market decreased from the comparison period due to the decline in the Russian ruble, the challenges caused by the coronavirus lockdown and the timing of deliveries.

During the first quarter, Harvia's revenue increased especially in sauna rooms (34.2%). In addition to North America, the sales of sauna rooms developed favorably especially in Germany and other European countries. Revenue in sauna heaters grew by 1.9% and the revenue in other product groups increased especially in sauna accessories. The sales of steam generators decreased slightly from the previous year, especially in Europe, Asia and Arab countries.

## RESULT

### JANUARY–MARCH 2020

Operating profit for January–March was EUR 3.1 million (3.8). The operating profit included EUR 1.1 million (0.1) of items affecting comparability, mainly related to business acquisitions. Adjusted operating profit increased to EUR 4.2 million (4.0) and remained on the previous year's level at 20.6% (20.6). The change in the fair value of the interest rate swap decreased the finance costs of the first quarter, and the net finance expenses for the review period were EUR -0.1 million (-0.4).

The unadjusted result before taxes for January–March was EUR 3,0 million (3.5). The Group's taxes amounted to EUR -0.6 million (0.9).

The result for the review period was EUR 2.4 million (2.6) and undiluted earnings per share were EUR 0.13 (0.14). Changes in exchange rates improved the operating profit of the review period by approximately EUR 0.1 million.

### FINANCIAL POSITION AND CASH FLOW

Balance sheet total at the end of March 2020 was EUR 124.7 million (March 31, 2019: 123.1), of which equity accounted for EUR 71.1 million (68.5).

At the end of March 2020, the company's net debt amounted to EUR 24.3 million (31.6). Long-term liabilities were EUR 38.6 million (38.9) and cash and cash equivalents at the end of the review period amounted to EUR 14.8 million (8.9). Leverage was 1.4 (2.3) at the end of the review period.

Equity ratio was 57.1% (55.7) at the end of the review period. The adjusted return on capital employed (ROCE) was 37.7% (30.9).

In January–March Harvia's operating free cash flow was EUR 5.9 million (1.7) and cash conversion was 117.4% (36.3). The operating cash flow was improved by trade receivables' expedited terms of payment and related arrangements.

### INVESTMENTS, RESEARCH AND PRODUCT DEVELOPMENT

The Group's investments in January–March amounted to EUR 0.3 million (0.5). During the review period, we made investments in machines in the factories in Finland and China. The Group's research and development expenditure recognized as expenses amounted to EUR 0.2 million (0.3).

### ACQUISITIONS

On 18 March 2020, Harvia announced that it had signed an agreement to acquire the majority of the German EOS Group ("EOS"). EOS is the technology leader for professional and premium sauna & spa products with a revenue of EUR 17.3 million in 2019. The acquisition complements Harvia's professional and premium sauna offering well and strengthens Harvia's leading position as a professional global sauna and spa experience brand.

The purchase price is EUR 19.7 million and it is based on the debt-free valuation of EUR 25.5 million for the entire EOS Group at the time of signing of the deal. The purchase price will be further specified after the closing. After the closing of the transaction,

Harvia will own 78.6% of the Group's German operations and 80.0% of the Russian operations and will have an option to purchase the minority shares in the future. Harvia will finance the acquisition by interest-bearing debt and own cash funds.

The acquisition is expected to create annual synergies of at least EUR 2.2 million, which are expected to be realized in full by 2024. One-off integration and post-closing costs are estimated to total EUR 1.4 million over the years 2020 and 2021. Costs relating to acquisition during January-March 2020 were EUR 1.0 million. There were no integration or post-closing costs during the review period. These are estimated to be EUR 0.6 million in 2020 and EUR 0.8 million in 2021.

The transaction will not have an impact on Harvia's long-term targets related to growth, profitability and leverage. The transaction is subject to customary closing conditions and is expected to be finalized by the end of April 2020.

## CORPORATE RESPONSIBILITY

Sustainability is a part of everyday life at Harvia – our operations, products and solutions have been developed sustainably already for 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, we have invested in taking environmental aspects into consideration all the way from design to production, logistics, use and recycling of the products. In 2019, we compiled an environmental manual and summarized sustainability at Harvia into four areas: environmental impacts of production, personnel, products and a responsible code of conduct. Harvia's corporate responsibility is presented in more detail in the Annual Report 2019.

## PERSONNEL

The number of personnel employed by the Group at the end of the review period was 399 (390) and averaged 391 (389) in January–March. Of the personnel, 46% (46) worked in Finland, 8% (8) in Austria, 16% (17) in Romania, 3% (2) in Estonia, 16% (16) in China and Hong Kong, and 10% (11) in the United States.

## SHARES AND SHAREHOLDERS

Harvia's registered share capital is EUR 80,000 and at the end of the review period, the company held 18,694,236 (18,694,236) fully paid shares. The share trading volume in the review period was EUR 28.2 million (21.2) and 2,930,125 shares (3,502,689). The share's volume weighted average rate during the review period was EUR 9.63 (6.07), the highest rate during the review period was EUR 11.95 (6.99) and the lowest EUR 7.02 (5.50). The closing price of the share at the end of March 2020 was EUR 8.98 (6.35). The market value of the share capital on March 31, 2020 was EUR 167.9 million (118.7). The company does not currently own any treasury shares.

The number of registered shareholders at the end of the review period was 6,844 (3,671), including nominee registers. At the end of the review period, nominee-registered and direct foreign shareholders held 51.3% (51.7) of the company's shares. The ten largest shareholders held a total of 28.3% (29.3) of Harvia's shares and votes at the end of the review period.

Harvia did not receive any flagging notifications during the review period.

## CORPORATE GOVERNANCE

On March 17, 2020, Harvia announced that Chief Marketing Officer Sami Linna is resigning to pursue a career outside of the company. Harvia appointed M.Sc. (Econ.) Päivi Juolahti as its new Vice President of Marketing and member of the company's Management Team. Juolahti will start in her new position at Harvia during the second quarter.

## RISKS AND UNCERTAINTIES

As a global sauna and spa company, the health and well-being of our employees, partners and customers is our top priority also during the coronavirus pandemic. All Harvia offices and production facilities follow local health authority guidelines to contain the spread of the coronavirus. According to our contingency plan, we have taken special measures to ensure the safety of our personnel as well as the continuity of our production and services in this exceptional situation. We are constantly assessing the situation in terms of our business. Harvia's customers have had to close down operations in Italy, Spain, France and Russia. However, a part of the sales has moved online. According to the company's estimate, the sauna and spa industry has not been particularly sensitive to the pandemic.

General economic, societal and political conditions impact Harvia's operating environment. Economic uncertainty in Finland, Europe, Russia, North America or more widely can affect the company's business in many ways and make accurate predictions and planning of future business more difficult.

The self-sufficiency of the Group's manufacturing processes, the backup supplier system for materials and the widely dispersed customer base balance potential risks. Production is based on the company's own design and patents, and these are used to manage potential 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 circumstances may call for new financing negotiations with the bank. The company protects itself from interest risks arising from bank loans with interest rate swaps.

Harvia has business activities in many countries. Harvia is mainly exposed to transaction and translation risks related to the US dollar and the Russian ruble. So far, the currency risks have not been significant for the Group and Harvia has not shielded itself against them with currency derivatives.

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

## EVENTS AFTER THE REVIEW PERIOD

On 2 April 2020, the Annual General Meeting of Harvia Plc approved the 2019 Financial Statements. The members of the Board of Directors and the CEO were discharged from liability for 2019.

Based on the proposal by the Board of Directors, Harvia Plc's Annual General Meeting resolved a dividend of EUR 0.19 per share (totaling EUR 3,551,904.84) be distributed based on the approved Financial Statements for 2019. The dividend was paid to shareholders registered in the shareholders' register maintained by Euroclear Finland Oy on the dividend's date of record, 6 April 2020. The dividend was paid on 15 April 2020.

The Annual General Meeting decided to authorize the Board of Directors to resolve, at its discretion, on distributing an extra dividend amounting to a maximum of EUR 0.19 per share. The Board of Directors expects to decide on the payment of a EUR 0.19 per share extra dividend at its meeting scheduled to be held on 16 October 2020. At the same meeting, the Board of

Directors expects to decide on the record and payment dates of the extra dividend in accordance with the rules of the Finnish book-entry securities system.

The number of ordinary members in the company's Board of Directors was resolved to be five. Olli Liitola, Ia Adlercreutz and Ari Hiltunen were re-elected to the Board of Directors. Kalle Kekkonen and Sanna Suvanto-Harsaae were elected as new members of the Board. The term of the Board of Directors expires at the end of the Annual General Meeting following their election. The organizational meeting of the Board of Directors elected Olli Liitola as Chairman of the Board. Olli Liitola (Chairman), Kalle Kekkonen and Sanna Suvanto-Harsaae were elected as members of the Audit Committee.

PricewaterhouseCoopers Oy was elected as the company's auditor, with APA Markku Launis as the responsible auditor.

The Board of Directors was authorized to resolve on the repurchase of a maximum of 934,711 treasury shares using the company's unrestricted equity. The purchase will be carried out as a directed purchase. The authorization is valid until the next Annual General Meeting of the company, however until 30 June 2021 at the latest.

The Board of Directors was authorized to decide on the issue of new shares and special rights entitling to shares as referred to in chapter 10, section 1 of the Finnish Limited Liability Companies Act, in one or more instalments, either against payment or without payment. The aggregate number of shares issued, including the shares received based on special rights, must not exceed 1,869,423 shares. The company can issue either new shares or possible treasury shares held by the company. The authorization is valid until the closing of the next Annual General Meeting, but no longer than until 30 June 2021.

The Annual General Meeting decided on establishing a shareholders' nomination board to prepare proposals concerning the election and remuneration of the Board Members as well as the remuneration of the members of the various Board committees that will be submitted to future Annual General Meetings and to any Extraordinary General Meetings where necessary. The shareholders' nomination board will consist of representatives appointed by the company's four largest shareholders. The shareholders' nomination board must submit its proposal to the company's Board of Directors on an annual basis and at the latest on 31 January preceding the applicable Annual General Meeting.

The established shareholders' nomination board will operate until further notice, i.e. until the General Meeting decides otherwise. The term of office of the members of the shareholders' nomination board will end upon the appointment of the members of the new shareholders' nomination board.

The Annual General Meeting approved the remuneration policy for the different bodies of the company.

## FINANCIAL RELEASES IN 2020

Harvia will publish its financial reviews in 2020 as follows:

13 August 2020 Half-year (January–June) 2020 financial report

5 November 2020 January–September 2020 interim report

### IN MUURAME, 27 APRIL 2020

HARVIA PLC  
Board of Directors

For more information, please contact:

Tapio Pajuharju, CEO, tel. +358 50 5774 200

Ari Vesterinen, CFO, tel. + 358 40 5050 440

### PRESS CONFERENCE ON FINANCIAL RESULTS

Harvia will hold a webcast conference in English for analysts, investors and media on Tuesday, 28 April 2020 at 11:00 a.m. Finnish time. CEO Tapio Pajuharju and CFO Ari Vesterinen will host the event. The webcast will be available at <https://harvia.videosync.fi/2020-q1-results>.

A recording of the webcast will be available on Harvia's website <https://harviagroup.com/> after the event.

You can also participate in the conference by telephone:

Finland: +358981710310

Sweden: +46 856642651

UK: +44 3333000804

US: +1 6319131422

PIN 47829199#

## HARVIA PLC INTERIM REPORT JANUARY-MARCH 2020

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	1-3/2020	1-3/2019	2019
<b>Revenue</b>	2.1	<b>20,368</b>	<b>19,279</b>	<b>74,095</b>
Other operating income		57	42	449
Materials and services		-8,088	-7,829	-29,437
Employee benefit expenses		-3,781	-3,643	-14,912
Other operating expenses	2.2	-4,626	-3,246	-13,758
Depreciation and amortisation		-822	-759	-3,113
<b>Operating profit</b>		<b>3,108</b>	<b>3,845</b>	<b>13,324</b>
Finance income		249	49	337
Finance costs	4.1	-383	-428	-1,600
Finance costs, net		-134	-380	-1,263
<b>Profit before income taxes</b>		<b>2,974</b>	<b>3,465</b>	<b>12,061</b>
Income taxes		-600	-866	-2,464
<b>Profit for the period</b>		<b>2,374</b>	<b>2,599</b>	<b>9,597</b>
Attributable to:				
Owners of the parent		2,374	2,599	9,597
<b>Other comprehensive income</b>				
Items that may be reclassified to profit or loss in subsequent periods:				
Translation differences		-156	45	177
<b>Other comprehensive income, net of tax</b>		<b>-156</b>	<b>45</b>	<b>177</b>
<b>Total comprehensive income</b>		<b>2,219</b>	<b>2,644</b>	<b>9,774</b>
Attributable to:				
Owners of the parent		2,219	2,644	9,774
Basic EPS (EUR)	2.3	0.13	0.14	0.51
Diluted EPS (EUR)	2.3	0.13	0.14	0.51

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	Note	31-Mar-20	31-Mar-19	31-Dec-19
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets		4,105	4,061	4,137
Goodwill		60,217	60,494	60,200
Property, plant and equipment		14,284	14,726	14,543
Leased assets		2,474	2,845	2,580
Deferred tax assets		1,546	1,452	1,347
<b>Total non-current assets</b>		<b>82,626</b>	<b>83,579</b>	<b>82,807</b>
<b>Current assets</b>				
Inventories	3	14,527	14,390	13,814
Trade and other receivables	3	12,662	15,834	14,217
Income tax receivables		127	413	108
Cash and cash equivalents	4	14,778	8,870	10,879
<b>Total current asset</b>		<b>42,093</b>	<b>39,506</b>	<b>39,018</b>
<b>Total assets</b>		<b>124,719</b>	<b>123,084</b>	<b>121,825</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to owners of the parent</b>				
Share capital		80	80	80
Other reserves		53,283	53,146	53,399
Retained earnings		15,358	12,678	5,761
Profit for the period		2,374	2,599	9,597
<b>Total equity</b>		<b>71,096</b>	<b>68,503</b>	<b>68,837</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Loans from credit institutions	4.1	36,400	36,378	36,394
Lease liabilities		2,215	2,507	2,261
Derivative financial instruments	4.1	1,197	1,520	1,292
Deferred tax liabilities			398	
Other non-current liabilities		90	393	92
Provisions		229	221	222
<b>Total non-current liabilities</b>		<b>40,131</b>	<b>41,416</b>	<b>40,261</b>
<b>Current liabilities</b>				
Loans from credit institutions	4.1	97	1,206	123
Lease liabilities		356	362	406
Income tax liabilities		857	1,305	784
Trade and other payables	3	11,953	10,071	11,191
Provisions		229	221	222
<b>Total current liabilities</b>		<b>13,493</b>	<b>13,165</b>	<b>12,726</b>
<b>Total liabilities</b>		<b>53,623</b>	<b>54,581</b>	<b>52,987</b>
<b>Total equity and liabilities</b>		<b>124,719</b>	<b>123,084</b>	<b>121,825</b>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand	Note	Share capital	Invested unrestricted equity reserve	Translation differences	Retained earnings	Total
<b>Equity at 1 January 2019</b>		<b>80</b>	<b>53,098</b>	<b>-34</b>	<b>12,678</b>	<b>65,822</b>
Share-based incentive plan			37			37
<b>Total transactions with shareholders</b>			<b>37</b>			<b>37</b>
Profit for the period					2,599	2,599
Other comprehensive income				45		45
<b>Total comprehensive income</b>				<b>45</b>	<b>2,599</b>	<b>2,644</b>
<b>Equity at 31 March 2019</b>		<b>80</b>	<b>53,135</b>	<b>11</b>	<b>15,277</b>	<b>68,503</b>
<b>Equity at 1 January 2019</b>		<b>80</b>	<b>53,098</b>	<b>-34</b>	<b>12,678</b>	<b>65,822</b>
Share-based incentive plan			159			159
Dividend distribution					-6,917	-6,917
<b>Total transactions with shareholders</b>			<b>159</b>		<b>-6,917</b>	<b>-6,758</b>
Profit for the period					9,597	9,597
Other comprehensive income				177		177
<b>Total comprehensive income</b>				<b>177</b>	<b>9,597</b>	<b>9,774</b>
<b>Equity at 31 December 2019</b>		<b>80</b>	<b>53,257</b>	<b>142</b>	<b>15,358</b>	<b>68,837</b>
<b>Equity at 1 January 2020</b>		<b>80</b>	<b>53,257</b>	<b>142</b>	<b>15,358</b>	<b>68,837</b>
Share-based incentive plan			40			40
<b>Total transactions with shareholders</b>			<b>40</b>			<b>40</b>
Profit for the period					2,374	2,374
Other comprehensive income				-156		-156
<b>Total comprehensive income</b>				<b>-156</b>	<b>2,374</b>	<b>2,219</b>
<b>Equity at 31 March 2020</b>		<b>80</b>	<b>53,297</b>	<b>-14</b>	<b>17,732</b>	<b>71,096</b>

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	Note	1-3/2020	1-3/2019	2019
<b>Cash flows from operating activities</b>				
Profit before taxes		2,974	3,465	12,061
Adjustments				
Depreciation and amortisation		822	759	3,113
Finance income and finance costs		134	380	1,263
Other adjustments		150	-119	-52
Cash flows before changes in working capital		4,080	4,485	16,386
Change in working capital				
Increase (-) / decrease (+) in trade and other receivables	3	1,101	-3,332	-1,898
Increase (-) / decrease (+) in inventories	3	-703	165	750
Increase (+) / decrease (-) in trade and other payables	3	780	610	1,133
Cash flows from operating activities before financial items and taxes		5,257	1,927	16,371
Interest and other finance costs paid		-25	-5	-69
Interest and other finance income received		50	17	38
Income taxes paid/received		-717	464	-1,268
<b>Net cash from operating activities</b>		<b>4,565</b>	<b>2,402</b>	<b>15,072</b>
<b>Cash flows from investing activities</b>				
Purchases of tangible and intangible assets		-302	-457	-1,807
Sale of tangible and intangible assets				34
<b>Net cash from investing activities</b>		<b>-302</b>	<b>-457</b>	<b>-1,773</b>
<b>Cash flows from financing activities</b>				
Repayment of non-current loans	4.1	-1	-5	-14
Change in current interest-bearing liabilities	4.1	-26	-1,068	-2,032
Repayment of lease liabilities		-95		-455
Interest and other finance costs paid	4.1	-229	-329	-1,363
Dividends paid				-6,917
<b>Net cash from financing activities</b>		<b>-351</b>	<b>-1,403</b>	<b>-10,781</b>
<b>Net change in cash and cash equivalents</b>		<b>3,912</b>	<b>543</b>	<b>2,517</b>
Cash and cash equivalents at beginning of period		10,879	8,268	8,268
Exchange gains/losses on cash and cash equivalents		-13	59	94
<b>Cash and cash equivalents at end of period</b>		<b>14,778</b>	<b>8,870</b>	<b>10,879</b>

# NOTES TO THE GROUP'S INTERIM INFORMATION

## 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 2019 and should therefore be read in conjunction with the Consolidated Financial Statements for 2019 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 information in its meeting on April 27, 2020. This interim information is unaudited. Figures in the interim information 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 2019.

## 2. GROUP PERFORMANCE

### 2.1 GROUP REVENUE

Harvia follows its revenue at the product group level. Group's product and service offerings have been divided to five groups: sauna heaters, sauna rooms, 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	1-3/2020	1-3/2019	Change, %	2019
Finland	7,029	6,974	0.8%	24,210
Other Scandinavia	1,024	836	22.4%	4,157
Germany	1,845	1,654	11.6%	6,867
Other European countries	4,733	4,595	3.0%	17,188
Russia	1,007	1,867	-46.1%	5,761
North America	4,184	2,459	70.2%	11,816
Other countries*	546	893	-38.9%	4,096
<b>Total</b>	<b>20,368</b>	<b>19,279</b>	<b>5.6%</b>	<b>74,095</b>

\* The largest of which: Arab countries and Asia.

## Revenue by product groups

EUR thousand	1-3/2020	1-3/2019	Change, %	2019
Sauna heaters	10,929	10,726	1.9%	39,740
Sauna rooms	4,380	3,262	34.2%	14,700
Control units	1,535	1,655	-7.2%	5,918
Steam generators	660	913	-27.7%	3,476
Other product groups, spare parts and services	2,863	2,723	5.2%	10,261
<b>Total</b>	<b>20,368</b>	<b>19,279</b>	<b>5.6%</b>	<b>74,095</b>

## 2.2 OPERATING EXPENSES

Other operating expenses for the period January 1 – March 31, 2020 include items affecting comparability of EUR 1,092 thousand (126) that are related to the group's strategic development projects, acquisitions, loss on sales of fixed assets and affect the comparability between the different periods. Further information of 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 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, unless it takes into consideration the effects associated of any parent company's obligations regarding the possible share issue in the future.

	1-3/2020	1-3/2019	2019
Profit for the period attributable to the owners of the parent company, EUR thousand	2,374	2,599	9,597
Weighted average number of shares outstanding during the financial period, '000	18,694	18,694	18,694
<b>Basic earnings per share, EUR</b>	<b>0.13</b>	<b>0.14</b>	<b>0.51</b>
Share-based long-term incentive plan	74	37	62
Weighted average number of shares outstanding during the year, diluted, '000	18,768	18,731	18,762
<b>Diluted earnings per share, EUR</b>	<b>0.13</b>	<b>0.14</b>	<b>0.51</b>

### 3. NET WORKING CAPITAL

EUR thousand	31-Mar-20	31-Mar-19	31-Dec-19
<b>Net working capital</b>			
Inventories	14,527	14,390	13,814
Trade receivables	11,400	14,280	13,167
Other receivables	1,261	1,554	1,050
Trade payables	-6,201	-5,074	-5,164
Other payables	-5,752	-4,997	-6,026
<b>Total</b>	<b>15,235</b>	<b>20,152</b>	<b>16,840</b>
Change in net working capital in the statement of financial position	-1,605	2,652	-660
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*	428	-94	675
Change in net working capital in the statement of cash flows	-1,178	2,558	15

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

### 4. NET DEBT AND CONTINGENCIES

#### Interest-bearing net debt

EUR thousand	31-Mar-20	31-Mar-19	31-Dec-19
Interest-bearing debt	36,497	37,584	36,517
Lease liabilities	2,572	2,868	2,667
Less cash and cash equivalents	-14,778	-8,870	-10,879
<b>Net debt</b>	<b>24,291</b>	<b>31,583</b>	<b>28,305</b>

#### 4.1 BORROWINGS AND OTHER FINANCIAL LIABILITIES

Harvia has a EUR 36,500 thousand term loan which will mature in one instalment on March 2, 2023. In addition, Harvia has a EUR 8,000 thousand credit limit of which EUR 0,00 was in use as at 31 March 2019. The nominal interest of the bank loan is tied to Euribor and its margin is tied to Group's net debt / adjusted EBITDA ratio.

New bank loans include covenants according to the financing agreement, such as net debt to adjusted EBITDA ratio and interest cover ratio. Covenants are monitored quarterly. All borrowings of the group are euro-denominated.

The Group has an interest rate swap agreement with nominal value of EUR 25,000 thousand. The current swap contract matures in March 2023.

## 5. OTHER NOTES

### 5.1 RELATED PARTY TRANSACTIONS

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

The following transactions were carried out with related parties:

EUR thousand	1-3/2020	1-3/2019	2019
Purchases		0	4
Sales		0	0

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

EUR thousand	1-3/2020	1-3/2019	2019
<b>Key statement of comprehensive income indicators</b>			
Revenue	20,368	19,279	74,095
EBITDA	3,930	4,604	16,437
% of revenue	19.3	23.9	22.2
Adjusted EBITDA	5,022	4,730	16,989
% of revenue	24.7	24.5	22.9
Operating profit	3,108	3,845	13,324
% of revenue	15.3	19.9	18
Adjusted operating profit	4,200	3,971	13,876
% of revenue	20.6	20.6	18.7
Adjusted profit before income taxes	4,067	3,592	12,613
Basic EPS (EUR)	0.13	0.14	0.51
Diluted EPS (EUR)	0.13	0.14	0.51
<b>Key cash flow indicators</b>			
Cash flow from operating activities	4,565	2,402	15,072
Operating free cash flow	5,898	1,715	15,167
Cash conversion	117.4%	36.3%	89.3%
Investments in tangible and intangible assets	-302	-457	-1,807
<b>Key balance sheet indicators</b>			
Net debt	24,291	31,583	28,305
Leverage	1.4	2.3	1.7
Net working capital	15,235	20,152	16,840
Capital employed excluding goodwill	37,381	37,625	36,301
Adjusted return on capital employed (ROCE)	37.7%	30.9%	38.2%
Equity ratio	57.1%	55.7%	56.6%
Number of employees at end of period	399	390	395
Average number of employees during the period	391	389	395

## 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 Company's results of operations, financial position and cash flows and are widely used by analysts, investors and other parties.

The company presents 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.

EUR thousand	1-3/2020	1-3/2019	2019
<b>Operating profit</b>	3,108	3,845	13,324
Depreciation and amortisation	822	759	3,113
<b>EBITDA</b>	3,930	4,604	16,437
<b>Items affecting comparability</b>			
Strategic development projects			3
Acquisition related expenses	1,004	104	381
Restructuring expenses	88	22	167
<b>Total items affecting comparability</b>	1,092	126	552
<b>Adjusted EBITDA</b>	5,022	4,730	16,989
Depreciation and amortisation	-822	-759	-3,113
<b>Adjusted operating profit</b>	4,200	3,971	13,876
Finance costs, net	-134	-380	-1,263
<b>Adjusted profit before income taxes</b>	4,067	3,592	12,613

## 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 amortisation
<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 taken 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>	Capital employed excluding goodwill is 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 woman with short brown hair, wearing a grey towel wrapped around her body, stands in a modern spa or sauna. She is looking towards the camera. The background features a curved wooden ceiling and a light-colored wall. In the foreground, a large, textured, light-colored ceramic pot holds a green, spiky plant. The floor is highly reflective, showing the woman's reflection. A vertical white bar is positioned in the center of the image, containing the Harvia logo and contact information.

**HARVIA**

*Sauna & Spa*

**HARVIA PLC**

Teollisuustie 1-7  
40950 Muurame  
[www.harvia](http://www.harvia)