HARVIA PLC

INTERIM REPORT

JANUARY–MARCH 2022

HARVIA
Sauna & Spa

#healingwithheat

HARVIA Q1: STRONG REVENUE GROWTH AND SOLID PROFITABILITY DRIVEN BY SAUNA ROOM SALES

HIGHLIGHTS OF THE REVIEW PERIOD

JANUARY–MARCH 2022:

- Revenue increased by 28.2% to EUR 50.8 million (39.6). At comparable exchange rates, revenue increased by 26.3% to EUR 50.0 million. On top of strong organic revenue growth of 18.1%, Harvia enjoyed revenue growth due to acquisitions.

- The share of international business was EUR 39.1 million (31.4), making up 77.0% (79.2) of the revenue.

- Operating profit was EUR 12.1 million (11.0), making up 23.8% (27.9) of the revenue.

- Adjusted operating profit increased to EUR 12.1 million (11.1), making up 23.8% (28.1) of the revenue. At comparable exchange rates, the adjusted operating profit increased to EUR 11.7 million (23.4% of the revenue).

- Operating free cash flow amounted to EUR 7.0 million (8.1) and cash conversion was 51.0% (66.0). The change in net working capital decreased the operating free cash flow and cash conversion.

- Net debt amounted to EUR 41.3 million (26.9) and leverage was 0.8 (0.7).

- Equity ratio was 43.7% (44.2).

- Earnings per share was EUR 0.50 (0.44).

KEY FIGURES

EUR million	1-3/2022	1-3/2021	Change, %	1-12/2021
Revenue	50.8	39.6	28.2%	179.1
EBITDA	13.7	12.3	11.7%	52.5
% of revenue	27.0%	31.0%		29.3%
Items affecting comparability *	0.0	0.1	-95.2%	0.6
Adjusted EBITDA **	13.7	12.3	11.0%	53.1
% of revenue	27.0%	31.1%		29.7%
Operating profit	12.1	11.0	9.4%	46.6
% of revenue	23.8%	27.9%		26.0%
Adjusted operating profit **	12.1	11.1	8.7%	47.3
% of revenue	23.8%	28.1%		26.4%
Basic EPS (EUR)	0.50	0.44	13.0%	1.80
Operating free cash flow	7.0	8.1	-14.3%	20.4
Cash conversion	51.0%	66.0%		38.5%
Investments in tangible and intangible assets	-0.9	-1.5	-35.1%	-11.8
Net debt	41.3	26.9	53.9%	43.8
Leverage	0.8	0.7		0.8
Net working capital	47.8	21.0	127.9%	41.9
Adjusted return on capital employed (ROCE)	102.8%	91.0%		112.6%
Equity ratio	43.7%	44.2%		42.4%
Number of employees at end of period	834***	686	21.6%	824***

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

** Adjusted by items affecting comparability.

*** Includes the personnel of Kirami and Sauna-Eurox, totaling 69 employees on 31 March 2022.

FINANCIAL TARGETS AND OUTLOOK

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

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

Harvia does not publish a short-term outlook.

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

TAPIO PAJUHARJU, CEO:

Historically, the first quarter is good in the sauna and spa industry. This was true for 2022 as well, as we reached an all-time high quarterly revenue with solid profitability. Once again, the outcome is excellent, and I would like to pass my sincere thanks to everyone involved.

Despite the somewhat more challenging environment, we have been successful in the market and generated very solid topline growth during the first quarter of 2022, growing 28.2%, or EUR 11.2 million, from the previous year. Our grip on the market is strong, and we have continued to gain market share and further strengthened our position.

The sales performance was very strong in Finland, in the market area of other countries, other European countries and North America in the first quarter. In Finland, we have been successful in the preseason sales and our US sauna and heater offering is in very good shape. After a strong start, the sales in Russia declined sharply as we halted the business operations at the beginning of March. In Central Europe and Germany, the growth rate slowed from the previous year, as there was some softness, especially in entry level offering to local webstores.

This was also reflected in the sales of heater category, which landed only slightly ahead of the previous year. Sauna rooms continued to perform very well and resulted in a strong and healthy growth for the period. Steam generators stayed also nicely on a growth path.

The first quarter's operating profit was EUR 12.1 million, an improvement of EUR 1.0 million compared to the previous year. The change in sales mix with more weight on saunas together with the increasing cost level took the relative profitability in terms of adjusted EBIT down to 23.8% of revenue (28.1). Due to the increased supply chain volatility, we continued to grow our buffer stocks of critical components and raw materials. This further increased our net working capital and had an impact on our cash conversion.

During the past year, we have been learning how to operate in a very volatile and high inflation supply environment. Despite this experience, the first quarter did bring some new parameters which none of us was able to foresee nor plan for. In addition to the war in Ukraine, the price hikes and availability issues in very basic raw materials like steel and lumber reached extraordinary levels. Our good preparations and hefty buffer stocks enabled us to keep our customer service level as close to normal as possible. While we are rather well-off in terms of most raw materials and components, the availability and prices of certain grades of steel and lumber is a concern.

Full attention has been given to the situation of availability issues and increasing raw material and component prices. The high volatility as well as the scale and scope of the situation has made it almost impossible to mitigate it in full. We have addressed this, and the full effect of our actions will be transferred to our prices with some delay. For Harvia, suspending business in Russia has caused a clear gap in our original business plans. We intend to mitigate this with increased efforts in other markets and deepening the distribution in our core markets. The demand seems to be normal, but we are monitoring the development of consumer confidence extremely closely, and we have increased our sense of urgency and agility. Our actions on growing the market and gradually increasing profitability remain fully intact. Our innovation pipeline is strong, and our new market launches are promising.

On top of this, we will continue to be fully focused on the cornerstones of our strategy by working on increasing the value of the average purchase, geographical expansion, and continuous improvement of productivity. M&As in the sauna and spa market remain active. In line with our strategy, we continue to seek opportunities to grow in the sauna and spa market also through M&A.

MARKET REVIEW

Historically the sauna and spa market has been resilient due to demand arising from the need to replace sauna heaters.

According to Harvia's estimate, there are approximately 17 million saunas in the world. This large sauna base provides significant business arising from the replacement of saunas and sauna heaters. Historically, the sauna market has grown annually by an average of 5%. However, Harvia is currently seeing considerable growth in the market due to growing awareness and appreciation of the health benefits related to sauna and the general trend of investing in and relaxing at home, which was also accelerated by the COVID-19 pandemic. According to Harvia's estimate, the total impact of the COVID-19 pandemic on the sauna and spa markets has been favorable. However, the challenges brought on by the pandemic to Harvia's business are still showing in the Arab countries and Asia.

The Russian sauna and spa market, which is the home of more saunas than any other individual market, has been impacted by the Russian invasion of Ukraine. Evidently, the impact on the sauna market has been direct and sizeable in Ukraine, but the Russian sauna and spa market has also witnessed some direct and indirect impacts from the war as a result of U.S. and EU sanctions and the broader economic development. The full impact of the war on the sauna and spa market is difficult to foresee but growing general economic uncertainty as well as increased prices and compromised availability of key raw materials will be among these effects.

Due to the war, Harvia suspended its operations in Russia at the beginning of March 2022. Harvia is monitoring the development of the situation and the potential effects on the company closely.

Despite the prevailing uncertainty in the sauna and spa market, Harvia's management estimates that somewhat higher than historical average market growth rates will continue for the next couple of years.

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

REVENUE

REVENUE BY MARKET AREA

EUR thousand	1-3/2022	1-3/2021	Change	1-12/2021
Finland	11,699	8,233	42.1%	36,900
Scandinavia	2,083	1,778	17.1%	9,357
Germany	8,568	8,474	1.1%	35,351
Other European countries	13,387	10,472	27.8%	49,674
Russia	2,341	2,370	-1.2%	11,549
North America	9,587	6,689	43.3%	29,132
Other countries*	3,159	1,619	95.1%	7,160
Total	**50,824**	**39,635**	**28.2%**	**179,123**

* The largest of which: Arab countries and Asia.

REVENUE BY PRODUCT GROUP

EUR thousand	1-3/2022	1-3/2021	Change	1-12/2021
Sauna heaters	22,786	21,492	6.0%	88,177
Sauna rooms & Scandinavian hot tubs	12,997	6,583	97.4%	41,185
Control units	4,909	4,543	8.0%	17,578
Steam generators	1,530	1,055	45.0%	5,129
Other product groups, spare parts and services	8,601	5,961	44.3%	27,053
Total	**50,824**	**39,635**	**28.2%**	**179,123**

JANUARY–MARCH 2022

The Group’s revenue increased in January–March by 28.2% to EUR 50.8 million (39.6). At comparable exchange rates, revenue increased by 26.3% to EUR 50.0 million. Organic revenue growth was 18.1%. Revenue increased especially in Finland, other European countries and North America. The growth in other countries was driven mainly by Asian and Arab countries.

Revenue increased in all product groups in January–March. The strong growth of sauna room sales continued especially in North America and Central Europe, while hot tub sales was driven by Finland and Central Europe. Sauna heater sales developed favorably especially in Finland and sales of control units in other European countries. Sales of other product groups, spare parts and services also developed well, with heater stones, spare parts and accessories driving the growth.

RESULT

JANUARY–MARCH 2022

Operating profit for January–March increased to EUR 12.1 million (11.0) and the operating profit margin was 23.8% (27.9). The operating profit included EUR 0.0 million (0.1) of items affecting comparability, mainly related to acquisitions. Changes in exchange rates strengthened the operating profit by approximately EUR 0.4 million.

Adjusted operating profit increased to EUR 12.1 million (11.1) and the adjusted operating profit margin was 23.8% (28.1). The net finance costs for the review period were EUR 0.7 million (-0.2). The net finance costs were positive due to change of fair value of the interest rate swap.

Profit before taxes was EUR 12.8 million (10.8). The Group's taxes amounted to EUR -3.2 million (-2.4).

The result for January–March was EUR 9.7 million (8.4) and undiluted earnings per share were EUR 0.50 (0.44).

FINANCIAL POSITION AND CASH FLOW

Balance sheet total at the end of March 2022 was EUR 215.1 million (31 March 2021: 178.9), of which equity accounted for EUR 92.5 million (77.9).

At the end of March 2022, the company's net debt amounted to EUR 41.3 million (26.9). Loans from credit institutions were EUR 56.4 million (56.4) and lease liabilities were EUR 2.8 million (3.0). Cash and cash equivalents at the end of the review period amounted to EUR 17.8 million (32.5). Leverage was 0.8 (0.7) at the end of the review period.

Other non-current liabilities include redemption and purchase price liabilities resulting from acquisitions, amounting to EUR 22.2 million (9.7). At the end of March 2022, the contractual amount of the redemption and purchase price liability was EUR 23.5 million (10.1). The increase is mainly due to the Kirami acquisition and increased valuation of EOS Group's minority shareholding.

Equity ratio was 43.7% (44.2) at the end of the review period. The adjusted return on capital employed (ROCE) was 102.8% (91.0).

In January–March, Harvia's operating free cash flow was EUR 7.0 million (8.1) and cash conversion was 51.0% (66.0). Increase of net working capital decreased the operating free cash flow and cash conversion in the first quarter.

INVESTMENTS, RESEARCH AND PRODUCT DEVELOPMENT

The Group's investments in January–March amounted to EUR 0.9 million (1.5). During the review period, Harvia invested in production machinery in Finland, North America, China and Romania. The Group's research and development expenditure recognized as expenses amounted to EUR 0.5 million (0.4).

CORPORATE RESPONSIBILITY

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

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

During the year 2021, Harvia created the company's sustainability program for years 2022–2025. Harvia also partnered with a well-established ESG expert in order to carry out a review of its current group level $C0_2$ impact. The results indicated that Harvia's starting point with CO_2 footprint is good, and the company is committed to continuous improvement. In the first quarter, Harvia finalized the sustainability action plan for year 2022 and continued developing sustainability KPIs and reporting.

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

PERSONNEL

The number of personnel employed by the Group at the end of the March 2022 was 834 (686) and averaged 837 (661) in January–March. The increase in the number of personnel resulted from the acquisition of Kirami at the end of May 2021, the acquisition of Sauna-Eurox at the end of August 2021 and recruitments particularly at the factories in Muurame, Germany, the United States, and Romania.

Of the personnel, 304 (222) worked in Finland, 157 (143) in Germany, 141 (100) in Romania, 78 (89) in China and Hong Kong, 75 (53) in the United States, 42 (38) in Austria, 26 (26) in Russia, 9 (15) in Estonia and 2 (1) in Sweden.

SHARES AND SHAREHOLDERS

Harvia's registered share capital is EUR 80,000 and at the end of March 2022, the company had 18,694,236 (18,694,236) fully paid shares. The share trading volume in January–March was EUR 360.5 million (90.1) and 8,924,538 shares (3,297,524). The share's volume weighted average price during the review period was EUR 40.39 (27.33), the highest price was EUR 60.70 (33.40) and the lowest EUR 30.60 (22.00). The closing price of the share at the end of March 2022 was EUR 36.35 (30.80). The market value of the share capital on 31 March 2022 was EUR 679.5 million (575.8) including treasury shares. At the end of March 2022, Harvia Plc held a total of 51,057 own shares, corresponding to 0.27% of the total number of shares.

The number of registered shareholders at the end of March was 43,802 (19,522), including nominee registers. At the end of the review period, nominee-registered and direct foreign shareholders held 40.8% (43.5) of the company's shares. The ten largest shareholders held a total of 20.6% (28.0) of Harvia's shares and votes at the end of March 2022.

On 23 March 2022, Harvia Plc received a notification according to which the total holding of Kempen Capital Management in Harvia Plc shares and votes has exceeded 5% on 22 March 2022.

RISKS AND UNCERTAINTIES

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

Harvia suspended its operations in Russia at the beginning of March due to the war in Ukraine and the rapidly changed situation. Sales in Russia accounted for 6.4 percent of Harvia Group's revenue in 2021 (EUR 11.5 million). The Group does not have a production facility in Russia, but it employs 26 people and has other assets in the country. Harvia is monitoring the development of the situation and the potential effects on the company closely.

The impacts of the pandemic are still somewhat evident in the Arab countries and Asia, but during the two pandemic-shapen years, Harvia has learnt to operate well and with full capacity in the exceptional environment without compromising the safety or well-being of its employees, partners or customers. The company continues to constantly assess the COVID-19 situation in terms of its business. If the need to restrict operations arise, this may have a negative impact on the company's business volume, result or financial performance. The economic uncertainties and supply chain challenges, including price increases and limited availability of key materials and componentry, have been a part of the business environment already for some time during the pandemic, but they have increased further in intensity and breadth due to the Russian invasion of Ukraine.

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 an interest rate swap 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 US dollar and the Russian ruble. Exchange rate risks have thus far not been significant for the Group, and Harvia has not protected itself from these risks with currency derivatives. Harvia has suspended its operations in Russia which will limit the currency exposure for Russian ruble going forward.

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

EVENTS AFTER THE REVIEW PERIOD

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

The Annual General Meeting approved the Board of Directors' proposal that EUR 0.60 per share be paid as dividend and that the remainder of the distributable funds be transferred to shareholders' equity. The dividend is paid in two instalments. The first instalment, EUR 0.30 per share, was paid on 20 April 2022, to shareholders who were registered in the shareholders' register on the record date of the dividend of 11 April 2022. The second instalment, EUR 0.30 per share, will be paid in October 2022.

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

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

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

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

FINANCIAL RELEASES IN 2022

Harvia will publish its financial reports in 2022 as follows:

11 August 2022 Half-year 2022 (January−June) financial report

3 November 2022 January−September 2022 interim report

MUURAME, 4 MAY 2022

HARVIA PLC
Board of Directors

For more information, please contact:

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PRESS CONFERENCE ON FINANCIAL RESULTS

Harvia will hold a webcast for analysts, investors and media on 5 May 2022 at 11:00 a.m. EET. The conference will be held in English. Harvia's CEO Tapio Pajuharju and CFO Ari Vesterinen will host the event. The webcast can be followed at https://harvia.videosync.fi/results-q1-2022

You can also participate in the conference by calling:

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

PIN: 15901936#

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	1-3/2022	1-3/2021	1-12/2021
Revenue	2.1	**50,824**	**39,635**	**179,123**
Other operating income		104	72	539
Materials and services		-21,154	-15,194	-70,114
Employee benefit expenses		-8,387	-6,847	-30,591
Other operating expenses	2.2	-7,689	-5,398	-26,469
Depreciation and amortisation		-1,616	-1,220	-5,844
Operating profit		**12,082**	**11,048**	**46,644**
Share in profits and losses of associated companies		23		57
Finance income		350	387	698
Finance costs		-756	-690	-2,601
Changes in fair values		1,117	102	418
Finance costs, net		734	-201	-1,428
Profit before income taxes		**12,817**	**10,847**	**45,216**
Income taxes		-3,157	-2,404	-10,427
Profit for the period		**9,660**	**8,443**	**34,789**
Attributable to:				
Owners of the parent		9,249	8,208	33,674
Non-controlling interests*		411	235	1,115
Other comprehensive income				
Items that may be reclassified to profit or loss in subsequent periods:				
Translation differences		230	529	1,197
Other comprehensive income, net of tax		230	529	1,197
Total comprehensive income		**9,890**	**8,972**	**35,986**
Attributable to:				
Owners of the parent		9,479	8,738	34,871
Non-controlling interests*		411	235	1,115
Earnings per share for profit attributable to the owners of the parent:				
Basic EPS (EUR)	2.3	0.50	0.44	1.80
Diluted EPS (EUR)	2.3	0.49	0.44	1.79

*EOS Group and Kirami Ab Non-controlling interests

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	Note	31-Mar-2022	31-Mar-2021	31-Dec-2021
ASSETS				
Non-current assets				
Intangible assets		12,256	10,350	12,732
Goodwill		73,749	71,002	73,730
Property, plant and equipment		27,904	17,674	27,994
Leased assets		2,515	2,827	2,644
Investments in associated companies		749		726
Derivative financial instruments		633		
Deferred tax assets		1,505	1,878	1,488
Total non-current assets		**119,312**	**103,730**	**119,313**
Current assets				
Inventories	3	51,602	24,211	46,130
Trade and other receivables	3	26,311	18,273	20,447
Income tax receivables		71	134	113
Cash and cash equivalents	4	17,820	32,536	15,488
Total current asset		**95,804**	**75,155**	**82,178**
Total assets		**215,116**	**178,885**	**201,492**

EUR thousand	Note	31-Mar-2022	31-Mar-2021	31-Dec-2021
EQUITY AND LIABILITIES				
Share capital		80	80	80
Other reserves		31,334	43,244	32,585
Retained earnings		47,886	23,729	14,212
Profit for the period		9,249	8,208	33,674
Equity attributable to owners of the parent		**88,549**	**75,261**	**80,551**
Non-controlling interests		3,926	2,657	3,598
Total equity		**92,475**	**77,918**	**84,149**
Liabilities				
Non-current liabilities				
Loans from credit institutions	4	56,385	56,344	56,380
Lease liabilities	4	2,240	2,494	2,315
Derivative financial instruments			801	484
Deferred tax liabilities		2,137	1,732	2,260
Employee benefit obligations		2,595	2,729	2,595
Other non-current liabilities*	4	22,246	9,653	20,553
Provisions		340	332	345
Total non-current liabilities		**85,943**	**74,083**	**84,932**
Current liabilities				
Loans from credit institutions	4	1	49	48
Lease liabilities	4	529	503	562
Employee benefit obligations		188	304	188
Income tax liabilities		5,580	4,220	6,661
Trade and other payables	3	30,100	21,504	24,646
Provisions		300	303	305
Total current liabilities		**36,698**	**26,884**	**32,411**
Total liabilities		**122,641**	**100,967**	**117,342**
Total equity and liabilities		**215,116**	**178,885**	**201,492**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand	Share capital	Invested unrestricted equity reserve	Translation differences	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total
Equity at 1 January 2021	**80**	**43,286**	**-658**	**23,729**	**66,437**	**2,423**	**68,859**
Share-based incentive plan		87			87		87
Total transactions with shareholders		87			87		87
Profit for the period				8,208	8,208	235	8,443
Other comprehensive income			529		529		529
Total comprehensive income			529	8,208	8,738	235	8,972
Equity at 31 March 2021	**80**	**43,373**	**-129**	**31,937**	**75,261**	**2,657**	**77,918**
Equity at 1 January 2021	**80**	**43,286**	**-658**	**23,729**	**66,437**	**2,423**	**68,859**
Share-based incentive plan		806			806		806
Dividend distribution				-9,517	-9,517	-16	-9,532
Revaluation of minority redemption liability		-7,641			-7,641		-7,641
Repurchase of own shares		-2,518			-2,518		-2,518
Share-based payments		-1,886			-1,886		-1,886
Total transactions with shareholders		-11,239		-9,517	-20,756	-16	-20,772
Profit for the period				33,674	33,674	1,115	34,789
Acquisitions						76	76
Other comprehensive income			1,197		1,197		1,197
Total comprehensive income			1,197	33,674	34,871	1,191	36,062
Equity at 31 December 2021	**80**	**32,047**	**539**	**47,886**	**80,552**	**3,598**	**84,149**
Equity at 1 January 2022	**80**	**32,047**	**539**	**47,886**	**80,552**	**3,598**	**84,149**
Share-based incentive plan		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
Equity at 31 March 2022	**80**	**30,565**	**769**	**57,135**	**88,549**	**3,926**	**92,475**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	Note	1-3/2022	1-3/2021	1-12/2021
Cash flows from operating activities				
Profit before taxes		12,817	10,847	45,216
Adjustments				
Depreciation and amortisation		1,616	1,220	5,844
Finance income and finance costs		-734	201	1,428
Other adjustments		88	-57	-1,278
Cash flows before changes in working capital		13,786	12,211	51,210
Change in working capital				
Increase (-) / decrease (+) in trade and other receivables	3	-5,916	-3,351	-2,051
Increase (-) / decrease (+) in inventories	3	-5,373	-3,207	-22,574
Increase (+) / decrease (-) in trade and other payables	3	5,517	3,827	3,718
Cash flows from operating activities before financial items and taxes		8,014	9,480	30,303
Interest and other finance costs paid		-29	-26	-192
Interest and other finance income received		9	174	232
Income taxes paid/received		-4,335	-2,561	-8,527
Net cash from operating activities		**3,659**	**7,066**	**21,816**
Cash flows from investing activities				
Purchases of tangible and intangible assets		-947	-1,459	-11,762
Sale of tangible and intangible assets				98
Acquisition of subsidiaries, net of cash acquired				-7,559
Net cash from investing activities		**-947**	**-1,459**	**-19,223**
Cash flows from financing activities				
Acquisition of treasury shares				-2,518
Proceeds from non-current loans			16	56,500
Repayment of non-current loans		-4		-56,761
Change in current interest-bearing liabilities		-44	2	-142
Repayment of lease liabilities		-94	-63	-373
Interest and other finance costs paid		-111	-479	-1,885
Dividends paid		-83		-9,532
Net cash from financing activities		**-336**	**-523**	**-14,711**
Net change in cash and cash equivalents		2,376	5,084	-12,118
Cash and cash equivalents at beginning of period		15,488	27,321	27,321
Exchange gains/losses on cash and cash equivalents		-44	131	285
Cash and cash equivalents at end of period		**17,820**	**32,536**	**15,488**

NOTES TO THE GROUP'S INTERIM REPORT JANUARY–MARCH 2022

1. BASIS OF PREPARATION

Basis of preparation

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

Harvia's Board of Directors has approved this interim report information in its meeting on 4 May 2022. This interim information is unaudited. The figures have been rounded and consequently the sum of individual figures may deviate from the presented sum figure.

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

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

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

2. GROUP PERFORMANCE

2.1 GROUP REVENUE

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

Revenue by market area

EUR thousand	1-3/2022	1-3/2021	Change	1-12/2021
Finland	11,699	8,233	42.1%	36,900
Scandinavia	2,083	1,778	17.1%	9,357
Germany	8,568	8,474	1.1%	35,351
Other European countries	13,387	10,472	27.8%	49,674
Russia	2,341	2,370	-1.2%	11,549
North America	9,587	6,689	43.3%	29,132
Other countries*	3,159	1,619	95.1%	7,160
Total	**50,824**	**39,635**	28.2%	**179,123**

* The largest of which: Arab countries and Asia.

Revenue by product groups

EUR thousand	1-3/2022	1-3/2021	Change	1-12/2021
Sauna heaters	22,786	21,492	6.0%	88,177
Sauna rooms & Scandinavian hot tubs	12,997	6,583	97.4%	41,185
Control units	4,909	4,543	8.0%	17,578
Steam generators	1,530	1,055	45.0%	5,129
Other product groups, spare parts and services	8,601	5,961	44.3%	27,053
Total	**50,824**	**39,635**	28.2%	**179,123**

2.2 OPERATING EXPENSES

Other operating expenses for the period 1 January – 31 March 2022 include items affecting comparability of EUR 3 thousand (72) that are related to the group’s strategic development projects, acquisitions or loss on sales of fixed assets, and affect the comparability between the different periods. Further information on these items is given in Appendix 2 Key figures.

2.3 EARNINGS PER SHARE

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

EUR thousand	1-3/2022	1-3/2021	1-12/2021
Profit for the period attributable to the owners of the parent company, EUR thousand	9,249	8,208	33,674
Weighted average number of shares outstanding during the financial period, '000	18,593	18,644	18,668
Basic earnings per share, EUR	**0.50**	**0.44**	**1.80**
Share-based long-term incentive plan	150	208	150
Weighted average number of shares outstanding during the year, diluted, '000	18,743	18,853	18,818
Diluted earnings per share, EUR	**0.49**	**0.44**	**1.79**

3. NET WORKING CAPITAL

EUR thousand	31-Mar-2022	31-Mar-2021	31-Dec-2021
Net working capital			
Inventories	51,602	24,211	46,130
Trade receivables	22,193	15,454	16,222
Other receivables	4,118	2,819	4,225
Trade payables	-15,335	-10,593	-11,703
Other payables	-14,765	-10,910	-12,943
Total	**47,813**	**20,980**	**41,931**
Change in net working capital in the statement of financial position	5,882	3,028	23,979
Items not taken into account in change in net working capital in the statement of cash flows and the effect of which is included elsewhere in the statement of cash flows*	-110	-297	-3,073
Change in net working capital in the statement of cash flows	5,772	2,731	20,906

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

4. NET DEBT

Interest-bearing net debt

EUR thousand	31-Mar-2022	31-Mar-2021	31-Dec-2021
Interest-bearing debt	56,386	56,393	56,428
Lease liabilities	2,769	2,996	2,877
Less cash and cash equivalents	-17,820	-32,536	-15,488
Net debt	**41,335**	**26,853**	**43,817**

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

Harvia's minority redemption liabilities and purchase price liabilities resulting from acquisitions, EUR 22.2 million (31 March 2021: EUR 9.7 million) are not included in the net debt calculation. If they had been included in the net debt, the leverage would have been 1.2 on 31 March 2022 (1.2).

4.1 DERIVATIVES

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

5. OTHER NOTES

5.1 RELATED PARTY TRANSACTIONS

Transactions with related parties have been made on an arm's length basis. In the comparison period January–March 2021 there were no related party transactions.

EUR thousand	1-3/2022	1-3/2021	2021
Sales	0		2
Purchases	1		26

APPENDIX 1: KEY FIGURES AND CALCULATION OF KEY FIGURES

EUR thousand	1-3/2022	1-3/2021	1-12/2021
Key statement of comprehensive income indicators			
Revenue	50,824	39,635	179,123
EBITDA	13,698	12,268	52,488
% of revenue	27.0	31.0	29.3
Adjusted EBITDA	13,702	12,341	53,116
% of revenue	27.0	31.1	29.7
Operating profit	12,082	11,048	46,644
% of revenue	23.8	27.9	26.0
Adjusted operating profit	12,086	11,121	47,272
% of revenue	23.8	28.1	26.4
Adjusted profit before income taxes	12,820	10,920	45,844
Basic EPS (EUR)	0.50	0.44	1.80
Diluted EPS (EUR)	0.49	0.44	1.79
Key cash flow indicators			
Cash flow from operating activities	3,659	7,066	21,816
Operating free cash flow	6,983	8,150	20,447
Cash conversion	51.0%	66.0%	38.5%
Investments in tangible and intangible assets	-947	-1,459	-11,762
Key balance sheet indicators			
Net debt	41,335	26,853	43,817
Leverage	0.8	0.7	0.8
Net working capital	47,813	20,980	41,931
Capital employed excluding goodwill	46,915	34,470	41,984
Adjusted return on capital employed (ROCE)	102.8%	91.0%	112.6%
Equity ratio	43.7%	44.2%	42.4%
Number of employees at end of period	834	686	824
Average number of employees during the period	837	661	767

RECONCILIATION OF CERTAIN KEY FIGURES AND CALCULATION OF KEY FIGURES

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

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

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

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

EUR thousand	**1-3/2022**	**1-3/2021**	**1-12/2021**
Operating profit	12,082	11,048	46,644
Depreciation and amortization	1,616	1,220	5,844
EBITDA	13,698	12,268	52,488
Items affecting comparability			
Acquisition related expenses	3	67	587
Restructuring expenses		5	41
Total items affecting comparability	3	72	628
Adjusted EBITDA	13,702	12,341	53,116
Depreciation and amortization	-1,616	-1,220	-5,844
Adjusted operating profit	12,086	11,121	47,272
Finance costs, net	734	-201	-1,428
Adjusted profit before income taxes	12,820	10,920	45,844

CALCULATION OF KEY FIGURES

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

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