HARVIA PLC

FINANCIAL STATEMENTS BULLETIN 2019

STRONG AND PROFITABLE GROWTH CONTINUED

HIGHLIGHTS OF THE REVIEW PERIOD

OCTOBER–DECEMBER 2019:

- Revenue grew by 27.8% to EUR 20.7 million (16.2). At comparable exchange rates, revenue grew by 27.0% to EUR 20.6 million (16.5).
- Adjusted operating profit was EUR 4.2 million (2.9), making up 20.1% (17.6) of the revenue. At comparable exchange rates, the adjusted operating profit grew to EUR 4.0 million (19.6% of the revenue).
- Operative free cash flow amounted to EUR 7.0 million (5.1).

JANUARY–DECEMBER 2019:

- Revenue grew by 19.6% to EUR 74.1 million (61.9). At comparable exchange rates, revenue grew by 19.0% to EUR 73.7 million.
- Adjusted operating profit was EUR 13.9 million (10.9), making up 18.7% (17.5) of the revenue. At comparable exchange rates, the adjusted operating profit grew to EUR 13.3 million (18.0% of the revenue).
- Operative free cash flow amounted to EUR 15.2 million (10.0).
- Net debt amounted to EUR 28.3 million (30.3) and leverage was 1.7 (2.3).
- Equity ratio was 56.6% (56.3) at the end of the review period.
- The Board of Directors' dividend proposal EUR 0.38 per share, to be paid in two instalments.

KEY FIGURES

EUR million	10-12/2019	10-12/2018	Change, %	1-12/2019	1-12/2018	Change, %
Revenue	20.7	16.2	27.8%	74.1	61.9	19.6%
EBITDA *	4.7	3.3	41.8%	16.5	11.5	42.5%
% of revenue	22.7%	20.5%		22.2%	18.6%	
Items affecting comparability **	0.2	0.1	147.9%	0.6	1.5	-62.6%
Adjusted EBITDA ***	5.0	3.4	44.9%	17.0	13.0	30.6%
% revenue	23.9%	21.1%		22.9%	21.0%	
Operating profit	3.9	2.8	42.3%	13.3	9.4	42.1%
% revenue	18.9%	17.0%		18.0%	15.1%	
Adjusted operating profit ***	4.2	2.9	46.0%	13.9	10.9	27.9%
% revenue	20.1%	17.6%		18.7%	17.5%	
Basic EPS (EUR)****	0.16	0.11	49.9%	0.51	0.41	26.3%
Operating free cash flow	7.0	5.1	38.7%	15.2	10.0	51.4%
Cash conversion	141.9%	148.2%		89.3%	77.0%	
Investments in tangible and intangible assets	-0.4	-0.4	-10.4%	-1.8	-1.6	11.8%
Net debt *	28.3	30.3	-6.5%	28.3	30.3	-6.5%
Leverage	1.7	2.3		1.7	2.3	
Net working capital	16.8	17.5	-3.8%	16.8	17.5	-3.8%
Adjusted return on capital employed (ROCE)	38.2%	31.6%		38.2%	31.6%	
Equity ratio	56.6%	56.3%		56.6%	56.3%	
Personnel at the end of period	395	400	-1.3%	395	400	-1.3%

* Adoption of IFRS 16 Leases standard increased EBITDA by EUR + 580 thousand and net debt by EUR 2.7 million at the end of December 2019.

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

*** Adjusted by items affecting comparability.

**** Earnings per share (EPS) in January–December 2018 were EUR 0.36, calculated based on the number of shares after the listing.

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 PAJUHARJU, CEO:

Harvia's growth during 2019 was strong in all product groups and in almost all our key markets. We achieved a revenue of EUR 74.1 million, growing 19.6 percent year on year. Growth was especially strong during the final quarter, and revenue increased to EUR 20.7 million, growing 27.8 percent year on year.

Our journey into a comprehensive one-stop shop operator in the sauna and spa market is proceeding as planned. During the financial period, revenue growth was especially strong in Finland, other Scandinavian countries, North America and other markets, such as France, Switzerland, the UK, Benelux countries, Poland and Arab countries. The sales of all our product groups increased, but growth in the sauna rooms product group was especially accelerated by the North American and Central European markets. The sauna rooms product group experienced an excellent 124 percent growth in the fourth quarter. In addition to sauna rooms, the sauna heater product group experienced strong growth both in professional and consumer channels, resulting in 18.2 percent growth in the final quarter. The demand in steam generators was also favorable, and the product group grew by 31.6 percent year on year.

Harvia's personnel has done an excellent work, together with our key customers and partners. I have all the reasons to be especially pleased with the outcome, where we have, on top of the strong growth, been able to improve the profitability of our business. In 2019, the adjusted operating profit amounted to EUR 13.9 million (10.9). The adjusted operating profit for the fourth quarter increased by 46.0 percent year on year, amounting to EUR 4.2 million (2.9). Our relative profitability has also had a positive trend.

Demand in the domestic market remained steady, and we have been able to strengthen our position both in professional and consumer markets. Our recently launched new products and solutions have enjoyed a positive reception in the market. In other Scandinavian countries, we have succeeded in improving the quality and amount of our distribution together with our partners. This is well reflected in our increasing sales. The Central European market developed as planned, even though the German market has not yet reached its fully normal growth rate. The performance in the German market is also partially reflected in control unit sales. The Russian market remained relatively stable, but the volatility of the market continued throughout the year. Demand in the US market accelerated towards the end of the year in sauna heaters, components and especially in the sauna rooms category. In the sauna rooms market we have updated and complemented our Almost Heave Saunas product offering and further expanded our distribution.

During 2019, the continuous improvement of productivity proceeded as planned in all our factories. The continuous improvement of productivity has succeeded especially well in our sauna heater and equipment factory in Muurame, Finland as well as in our Guangzhou factory in China. The integration of the business operations in the US has proceeded ahead of plans, and we have taken measures at the Renick factory to further improve productivity.

The year 2019 is an excellent example of how determined and systematic cooperation with our key customers, strategic partners and Harvia's truly professional team works. Together we have further developed the sauna and spa market and at the same token we are more than well prepared to take it to the next level during the coming years with our new innovations and concepts that create added value, enhance well-being and truly support the global growth of the sauna and spa market. Sustainable development has for a long time been part of Harvia's daily operations. Our safe and durable products are manufactured sustainably. During the past year, we have taken steps to further enhance sustainable development. For example, we have prioritized recycling in our raw materials and other materials. Our key partner's stainless steel, with over 80% recycled material, serves as an example. We have also used recycled fiber as a replacement for plastic and paid more attention to the efficiency and purity of burning, of which we will tell more about during the coming spring. We remain humble but keep our determined focus on the cornerstones of our strategy and its systematic implementation: increasing the value of the average purchase, geographical expansion and continuous improvement of productivity. 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. In 2019, the demand for Harvia's products has remained strong and steady. Typically the first and fourth quarter of the year are strong in the sauna business.

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. 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%.

REVENUE

REVENUE BY MARKET AREA

EUR thousand	10-12/2019	10-12/2018	Change, %	1-12/2019	1-12/2018	Change, %
Finland	5,617	5,399	4.0%	24,210	23,104	4.8%
Other Scandinavia	1,199	870	37.8%	4,157	3,452	20.4%
Germany	2,253	2,262	-0.4%	6,867	6,953	-1.2%
Other European countries*	5,082	4,623	9.9%	17,188	16,059	7.0%
Russia	1,509	1,662	-9.2%	5,761	5,662	1.8%
North America	3,823	500	664.3%	11,816	3,027	290.3%
Other countries**	1,247	899	38.7%	4,096	3,685	11.2%
Total	**20,731**	**16,217**	27.8%	**74,095**	**61,942**	19.6%

* “Other EU countries” market area has been replaced with “Other European countries” market area.

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

REVENUE BY PRODUCT GROUP

EUR thousand	10-12/2019	10-12/2018	Change, %	1-12/2019	1-12/2018	Change, %
Sauna heaters	10,585	8,952	18.2%	39,740	35,763	11.1%
Sauna rooms	4,459	1,989	124.2%	14,700	7,521	95.5%
Control units	1,755	1,743	0.7%	5,918	5,822	1.6%
Steam generators	998	758	31.6%	3,476	3,004	15.7%
Other product groups, spare parts and services	2,933	2,775	5.7%	10,261	9,831	4.4%
Total	**20,731**	**16,217**	27.8%	**74,095**	**61,942**	19.6%

OCTOBER–DECEMBER 2019

The Group’s revenue in October–December increased by 27.8% to EUR 20.7 million (16.2). At comparable exchange rates, revenue grew by 27.0% to EUR 20.6 million. Revenue growth was mostly attributable to the business operations in the US where our customer base was expanded and diversified. During the fourth quarter, our revenue increased significantly also in the rest of Scandinavia (37.8%) and other countries (38.7%).

Harvia’s revenue increased across all product groups in October–December. Revenue in the sauna room product group more than doubled (124.2%) especially due to the business operations in the US, while the sales of sauna heaters also increased significantly (18.2%). Revenue growth was especially strong in steam generators, as well (31.6%).

JANUARY–DECEMBER 2019

Revenue in January–December was EUR 74.1 million (61.9), growing 19.6% year on year. At comparable exchange rates, revenue grew by 19.0% to EUR 73.7 million. Revenue in North America increased especially due to the business operations in the US, which is also reflected in the good development of sales of sauna rooms: revenue from sauna rooms increased by 95.5%. Revenue growth remained stable in Finland and other European countries. Sauna heater sales grew by 11.1% from the comparison period, as the sales of both electric heaters and wood-burning heaters increased. The revenue of control units remained on the previous year’s level and developed positively in steam generators and other product groups.

RESULT

OCTOBER–DECEMBER 2019

Operating profit for October–December grew to EUR 3.9 million (2.8). The operating profit included EUR 0.2 million (0.1) of items affecting comparability, mainly related to business acquisitions. Adjusted operating profit increased to EUR 4.2 million (2.9) and was 20.1% (17.6) of the revenue. Financing expenses for the review period amounted to EUR -0.4 million (-0.4).

The unadjusted result before taxes for October–December was EUR 3.6 million (2.4). The Group's taxes amounted to EUR -0.6 million (-0.4).

The result for the review period was EUR 2.9 million (2.0) and undiluted earnings per share were EUR 0.16 (0.11). Changes in exchange rates improved the operating profit by approximately EUR 0.1 million.

JANUARY–DECEMBER 2019

Revenue for January–December grew to EUR 13.3 million (9.4). The operating profit included EUR 0.6 million (1.5) of items affecting comparability, mainly related to business acquisitions. In the comparison period, the items affecting comparability were mainly related to the listing of the company. Adjusted operating profit increased to EUR 13.9 million (10.9) and was 18.7% (17.5) of the revenue. Financing expenses for the review period amounted to EUR 1.3 million (2.8). The decrease in financing expenses resulted from the restructuring of financing in conjunction with the listing in March 2018.

The unadjusted result before taxes for January–December was EUR 12.1 million (6.6). The Group's taxes amounted to EUR -2.5 million (0.2). The positive taxes of the comparison period resulted from the entry of a EUR 1.6 million deferred tax asset in the first quarter of 2018, deriving from intra-group interest expenses, which were not deducted from taxable income in previous years.

The result for the review period was EUR 9.6 million (6.8) and undiluted earnings per share were EUR 0.51 (0.41). Harvia's listing in March 2018 increased the number of shares during the comparison period, and the earnings per share based on the number of shares after the listing for January–December 2018 were EUR 0.36. Changes in exchange rates improved the operating profit of the review period by approximately EUR 0.6 million.

FINANCIAL POSITION AND CASH FLOW

Balance sheet total at the end of December 2019 was EUR 121.8 million (December 31, 2018: 116.9), of which equity accounted for EUR 68.8 million (65.8).

At the end of December 2019, the company's net debt amounted to EUR 28.3 million (30.3), of which EUR 38.7 million (36.4) consisted of long-term liabilities. Lease liabilities in accordance with the IFRS 16 Leases standard amounted to EUR 2.7 million at the end of December. The leased assets in balance sheet amounted to EUR 2.6 million. Cash and cash equivalents at the end of the review period amounted to EUR 10.9 million (8.3). At the end of the review period, leverage stood at 1.7 (2.3).

Equity ratio was 56.6% (56.3) at the end of the review period. The adjusted return on capital employed (ROCE) was 38.2% (31.6).

In January–December, Harvia's operating free cash flow was EUR 15.2 million (10.0) and cash conversion was 89.3% (77.0).

INVESTMENTS, RESEARCH AND PRODUCT DEVELOPMENT

The Group's investments in January–December amounted to EUR 1.8 million (1.6). In April 2019, Harvia acquired a production and warehouse facility located in Renick, West Virginia from the previous owners of Almost Heaven Saunas LLC. During the review period, machinery investments were made at the factory in China, in addition to equipment purchases and renewed in-store furniture in Finland. The Group's research and development expenditure recognized as expenses amounted to EUR 1.2 million (1.1).

CORPORATE RESPONSIBILITY

Harvia designs and manufactures its products responsibly, respecting nature and people. Harvia is involved, for example, in research projects related to the fine particulate emissions of burning wood, and environmental aspects are always taken into account in product development. Corporate responsibility is part of Harvia's continuous business development.

PERSONNEL

The number of personnel employed by the Group at the end of the review period was 395 (400) and an average of 395 (376) in January–December. Of the personnel, 45% (46) worked in Finland, 8% (8) in Austria, 17% (18) in Romania, 4% (3) in Estonia, 16% (15) 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 shares (31.12.2018: 18,694,236). The share trading volume in January-December was EUR 65.4 million (43.8) and 8,951,484 shares (8,314,233). The share's volume weighted average rate during the review period was EUR 7.32 (5.26), the highest rate during the review period was EUR 11.15 (6.39) and the lowest EUR 5.50 (4.91). The closing price of the share at the end of December 2019 was EUR 10.45 (5.37). The market value of the share capital on December 31, 2019 was EUR 195.4 million (100.4). The company does not currently own any treasury shares.

In the beginning of 2019, funds managed by CapMan held 24.6% of Harvia's shares. On February 28, 2019, in accordance with the Finnish Securities Market Act, Harvia received notices from CapMan BuyoutX Fund A L.P and CapMan Buyout X Fund Ky (together the "funds managed by CapMan"), announcing that they had sold a total of 2,305,679 shares in Harvia Plc in an accelerated book-building. The share funds managed by CapMan had of the shares and votes in Harvia Plc went down to 12.3 percent.

On November 19, 2019, in accordance with the Finnish Securities Market Act, Harvia received a notice from CapMan Buyout X Fund A L.P, announcing that they had sold all their remaining 1,625,797 shares in Harvia Plc. According to information received by the company, CapMan Buyout X Fund B Ky also sold all its remaining 670,882 shares in Harvia Plc. The funds managed by CapMan sold a total of 2,305,679 of the Company's shares, which is 12.3 percent of the shares and votes in Harvia. On November 20, 2019, in accordance with the finnish Securities Market Act, Harvia received a notice from Onvest Oy, announcing that they had acquired a total of 2,305,679 shares in Harvia Plc. At the end of 2019, Onvest Oy was the largest shareholder in Harvia Plc.

The number of registered shareholders at the end of the review period was 5,249 (3,248), including nominee registers. The ten largest shareholders registered in the book-entry register maintained by Euroclear Finland Oy held a total of 30.2% (43.4) of Harvia's shares and votes at the end of the review period. The nominee-registered shareholders and foreign shareholders held a total of 53.1% (40.8) of Harvia's shares and votes at the end of the review period.

GOVERNANCE

Harvia Plc’s Annual General Meeting, held on April 4, 2019, approved the financial statements and discharged the members of the Board of Directors and the company's CEO from liability for the financial year 2018.

Based on the proposal by the Board of Directors, Harvia Plc’s Annual General Meeting resolved a dividend of EUR 0.18 per share (totaling EUR 3,364,962.48) be distributed based on the approved Financial Statements for 2018. The dividend was paid to shareholders registered in the shareholders’ register maintained by Euroclear Finland Oy on the dividend’s date of record, April 8, 2019. The dividend was paid on April 15, 2019.

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 (a total of EUR 3,551,904.84). The Board of Directors decided on the distribution of the extra dividend in a meeting on October 17, 2019, and the dividend was paid on 28 October 2019 to shareholders registered in the shareholders’ register maintained by Euroclear Finland Oy on the dividend’s date of record, October 21, 2019.

At the company’s Annual General Meeting, the number of ordinary members in the company’s Board of Directors was resolved to be five (5). Olli Liitola, Ia Adlercreutz, Anders Björkell, Pertti Harvia and Ari Hiltunen were re-elected as members of the Board for a term which expires at the end of the Annual General Meeting following their election. The organizational meeting of the Board of Directors elected from among its members Olli Liitola as its Chairman. Olli Liitola, Anders Björkell and Ari Hiltunen were elected as members of the Board’s Audit Committee. Olli Liitola will continue as the Chairman 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 June 30, 2020 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.

SHARE-BASED INCENTIVE PLANS

Harvia has a share-based long-term incentive plan for the CEO and Management Team members. The plan is a part of Harvia Plc’s remuneration program for its executives, and the aim of the plan is to support the implementation of the company’s strategy, to align the interests of the executives with interests of the shareholders to increase the value of the company, to improve the performance of the company, and to retain the executives. The long-term incentive plan consists of three performance periods of three calendar years each, 2018−2020, 2019−2021 and 2020−2022.

Harvia’s Board of Directors decided on December 12, 2019 to continue the long-term incentive plan aimed at the CEO and other key management personnel for the period 2019–2021.

In the period 2019–2021, the plan has 13 participants at most and the targets for the long-term incentive plan relate to the company’s total shareholder return, revenue growth and EBIT margin. The total number of shares to be paid based on the period 2019–2021 is a maximum of 130,000 Harvia Plc’s shares. However, the company has the right to pay the reward fully in cash under certain circumstances. Potential rewards from the period 2019–2021 will be paid out in spring 2022.

RISKS AND UNCERTAINTIES

Harvia updated its risk analysis during the second quarter as part of its normal risk management process. The company evaluates that no significant changes occurred in risks and uncertainty factors during the review period.

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. Economic predictability is also hampered by recent geopolitical tensions in, among other places, East Asia and the Middle East.

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 insurance experts.

The Group refinanced its earlier bank loans in March 2018. The new loan agreements are made for the long term. 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.harvia.fi/en.

THE BOARD OF DIRECTORS' PROPOSAL ON THE USE OF PROFITS

Harvia Plc's total unrestricted equity amounts to EUR 62,853,073.24 in total, of which profit for the period accounts for EUR 6,531,499.29. Harvia targets a regularly increasing dividend with a bi-annual dividend payout of at least 60 percent of net income, in total. In order to determine the amount of dividend, the Board of Directors have assessed the company's solvency and financial standing after the end of the period. Harvia's Board of Directors proposes to the Annual General Meeting that the company distributes a dividend of EUR 0.19 per share for the period 2019 after the Annual General Meeting in April 2020. In addition, the Board of Directors requests that the Annual General Meeting authorizes the Board to distribute a maximum dividend of EUR 0.19 per share in October 2020. Therefore, based on the Board of Directors' proposal, the dividend distributed by Harvia Plc for the financial period 2019 would amount to a maximum of EUR 0.38 per share, i.e. EUR 7,103,809.68 in total. The proposed dividend is 74.0% of the Group's profit for the period 2019.

EVENTS AFTER THE REVIEW PERIOD

There have been no significant events after the end of the review period.

IN MUURAME, FEBRUARY 10, 2020

HARVIA PLC
Board of Directors

For more information, please contact:

Tapio Pajuharju, CEO, tel. +358 505 774 200
Ari Vesterinen, CFO, tel. +358 405 050 440

PRESS CONFERENCE ON FINANCIAL RESULTS

Harvia will hold a press conference in English for analysts, investors and media on Tuesday, February 11, 2020 at 11:00 a.m. Finnish time. The press conference is held at Allas Sea Pool, Smart & Clean Showroom (address: Katajanokanlaituri 2a, Helsinki, Finland). CEO Tapio Pajuharju and CFO Ari Vesterinen will host the event.

A live webcast of the conference is available at: https://harvia.videosync.fi/2019-q4-results/register.

A recording of the webcast will be available on Harvia's website after the event.

HARVIA PLC FINANCIAL STATEMENTS BULLETIN JANUARY–DECEMBER 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Revenue	2.1	**20,731**	**16,217**	**74,095**	**61,942**
Other operating income		314	26	449	188
Materials and services		-8,231	-6,387	-29,437	-25,853
Employee benefit expenses	5.2	-3,919	-3,445	-14,912	-13,063
Other operating expenses	2.2	-4,188	-3,091	-13,758	-11,679
Depreciation and amortization		-785	-563	-3,113	-2,158
Operating profit		**3,921**	**2,756**	**13,324**	**9,376**
Finance income		37	7	337	215
Finance costs	4.1	-395	-392	-1,600	-2,981
Finance costs, net		-358	-385	-1,263	-2,767
Profit before income taxes		**3,562**	**2,371**	**12,061**	**6,609**
Income taxes		-616	-406	-2,464	172
Profit for the period		**2,946**	**1,965**	**9,597**	**6,780**
Attributable to:					
Owners of the parent		2,946	1,965	9,597	6,780
Other comprehensive income					
Items that may be reclassified to profit or loss in subsequent periods:					
Translation differences		-176	-115	177	-13
Other comprehensive income, net of tax		-176	-115	177	-13
Total comprehensive income		**2,770**	**1,850**	**9,774**	**6,767**
Attributable to:					
Owners of the parent		2,770	1,850	9,774	6,767
Basic EPS (EUR)	2.3	0.16	0.11	0.51	0.41
Diluted EPS (EUR)	2.3	0.16	0.11	0.51	0.41

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	Note	31-Dec-19	31-Dec-18
ASSETS			
Non-current assets			
Intangible assets		4,137	4,189
Goodwill		60,200	60,421
Property, plant and equipment		14,543	14,741
Leased assets		2,580	
Deferred tax assets		1,347	1,358
Total non-current assets		**82,807**	**80,710**
Current assets			
Inventories	3	13,814	14,526
Trade and other receivables	3	14,217	12,152
Income tax receivables		108	1,283
Cash and cash equivalents	4	10,879	8,268
Total current asset		**39,018**	**36,230**
Total assets		**121,825**	**116,939**

EUR thousand	Note	31-Dec-19	31-Dec-18
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		80	80
Other reserves		53,399	53,064
Retained earnings		5,761	5,897
Profit for the period		9,597	6,780
Total equity		**68,837**	**65,822**
Liabilities			
Non-current liabilities			
Loans from credit institutions	4.1	36,394	36,371
Lease liabilities		2,261	
Derivative financial instruments	4.1	1,292	1,471
Deferred tax liabilities		0	361
Other non-current liabilities		92	369
Provisions		222	215
Total non-current liabilities		**40,261**	**38,787**
Current liabilities			
Loans from credit institutions	4.1	123	2,155
Lease liabilities		406	
Income tax liabilities		784	782
Trade and other payables	3	11,191	9,178
Provisions		222	215
Total current liabilities		**12,726**	**12,331**
Total liabilities		**52,987**	**51,117**
Total equity and liabilities		**121,825**	**116,939**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand	Note	Share capital	Invested unrestricted equity reserve	Translation differences	Retained earnings	Total
Equity at 1 January 2018		**3**	**9,724**	**-21**	**9,570**	**19,276**
Adoption of IFRS 9 standard					-313	-313
Adoption of IFRS 15 standard					5	5
Equity at 1 January 2018		**3**	**9,724**	**-21**	**9,262**	**18,968**
Equity at 1 January 2018		**3**	**9,724**	**-21**	**9,262**	**18,968**
Increase in share capital		78	-78			0
Share issue			45,000			45,000
Expenses related to the share issue			-1,671			-1,671
Discount related to the personnel share issue			72			72
Share-based incentive plan	5.2		50			50
Dividend distribution					-3,365	-3,365
Total transactions with shareholders		78	43,374		-3,365	40,087
Profit for the period					6,780	6,780
Other comprehensive income				-13		-13
Total comprehensive income				-13	6,780	6,767
Equity at 31 December 2018		**80**	**53,098**	**-34**	**12,678**	**65,822**
Equity at 1 January 2019		**80**	**53,098**	**-34**	**12,678**	**65,822**
Share-based incentive plan	5.2		159			159
Dividend distribution					-6,917	-6,917
Total transactions with shareholders			159		-6,917	-6,758
Profit for the period					9,597	9,530
Other comprehensive income				177		243
Total comprehensive income				177	9,597	9,774
Equity at 31 December 2019		**80**	**53,257**	**142**	**15,358**	**68,837**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	Note	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Cash flows from operating activities					
Profit before taxes		3,562	2,371	12,061	6,609
Adjustments					
Depreciation and amortisation		785	563	3,113	2,158
Finance income and finance costs		358	385	1,263	2,767
Other adjustments		-118	-6	-52	-123
Cash flows before changes in working capital		4,588	3,313	16,386	11,410
Change in working capital					
Increase (-) / decrease (+) in trade and other receivables	3	-887	1,953	-1,898	497
Increase (-) / decrease (+) in inventories	3	1,689	1,970	750	374
Increase (+) / decrease (-) in trade and other payables	3	1,663	-1,840	1,133	-2,245
Cash flows from operating activities before financial items and taxes		7,053	5,396	16,371	10,036
Interest and other finance costs paid		-46	-35	-69	-111
Interest and other finance income received		-36	6	38	85
Income taxes paid/received		-512	-472	-1,268	-1,190
Net cash from operating activities		**6,459**	**4,895**	**15,072**	**8,820**
Cash flows from investing activities					
Purchases of tangible and intangible assets		-389	-435	-1,807	-1,617
Sale of tangible and intangible assets		28	1	34	14
Net cash from investing activities		**-362**	**-434**	**-1,773**	**-1,603**
Cash flows from financing activities					
Proceeds from share issues					45,000
Costs from share issue recognised in equity					-2,089
Repayment of non-current loans	4.1	-2	-999	-14	-78,879
Proceeds from non-current loans	4.1				36,500
Change in current interest-bearing liabilities	4.1	-286	-422	-2,032	-2,136
Repayment of lease liabilities		-39		-455	
Interest and other finance costs paid	4.1	-502	-280	-1,363	-2,328
Dividends paid		-3,552	-3,365	-6,917	-3,365
Net cash from financing activities		**-4,382**	**-5,066**	**-10,781**	**-7,297**
Net change in cash and cash equivalents		1,716	-605	2,517	-80
Cash and cash equivalents at beginning of period		9,190	8,874	8,268	8,345
Exchange gains/losses on cash and cash equivalents		-28	-1	94	3
Cash and cash equivalents at end of period		**10,879**	**8,268**	**10,879**	**8,268**

NOTES TO THE GROUP'S FINANCIAL STATEMENTS BULLETIN

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 2018 and should therefore be read in conjunction with the Consolidated Financial Statements for 2018 prepared in accordance with IFRS. The same accounting principles have been applied to the interim information as to the consolidated financial statements taking into account, however, the IFRS 16 Leases standard adopted in the beginning of 2019:

- IFRS 16 *Leases* standard specifies the definition of leases, recognition and valuation of the lease agreements and disclosures of the leases. Implementation of the standard has a significant impact for the lessee's recognition, as the standard removes the current distinction between operating and financing leases. According to the new standard, a lease is recognized as a right-of-use-asset (the right to use the leased asset) and as a lease liability to pay rentals, recorded under interest-bearing liabilities. More detailed information on the impact of the adoption of the new standard on accounting policies and the interim information is presented in Appendix 1.

Harvia's Board of Directors has approved this financial statements bulletin information in its meeting on February 10, 2020. The figures in this bulletin as well as the actual financial statements have been audited. 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 2018. In addition, the management judgements and accounting estimates relating to the adoption of IFRS 16 Leases standard are presented in the appendix 1.

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	10-12/2019	10-12/2018	Change, %	1-12/2019	1-12/2018	Change, %
Finland	5,617	5,399	4.0%	24,210	23,104	4.8%
Other Scandinavia	1,199	870	37.8%	4,157	3,452	20.4%
Germany	2,253	2,262	-0.4%	6,867	6,953	-1.2%
Other European countries*	5,082	4,623	9.9%	17,188	16,059	7.0%
Russia	1,509	1,662	-9.2%	5,761	5,662	1.8%
North America	3,823	500	664.3%	11,816	3,027	290.3%
Other countries**	1,247	899	38.7%	4,096	3,685	11.2%
Total	**20,731**	**16,217**	27.8%	**74,095**	**61,942**	19.6%

* "Other EU countries" market area has been replaced with "Other European countries" market area.

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

Revenue by product groups

EUR thousand	10-12/2019	10-12/2018	Change, %	1-12/2019	1-12/2018	Change, %
Sauna heaters	10,585	8,952	18.2%	39,740	35,763	11.1%
Sauna rooms	4,459	1,989	124.2%	14,700	7,521	95.5%
Control units	1,755	1,743	0.7%	5,918	5,822	1.6%
Steam generators	998	758	31.6%	3,476	3,004	15.7%
Other product groups, spare parts and services	2,933	2,775	5.7%	10,261	9,831	4.4%
Total	**20,731**	**16,217**	27.8%	**74,095**	**61,942**	19.6%

2.2 OPERATING EXPENSES

Other operating expenses for the period January 1 – December 31, 2019 include items affecting comparability of EUR 552 thousand (1,476) 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.

Due to the initial public offering in March 2018, the number of shares increased significantly which affected to basic earnings per share. Basic earnings per share calculated by the number of shares after IPO was EUR 0.36 in January–December 2018.

	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Profit for the period attributable to the owners of the parent company, EUR thousand	2,946	1,965	9,597	6,780
Weighted average number of shares outstanding during the financial period, '000	18,694	18,694	18,694	16,688
Basic earnings per share, EUR	**0.16**	**0.11**	**0.51**	**0.41**
Share-based long-term incentive plan	68	20	62	20
Weighted average number of shares outstanding during the year, diluted, '000	18,762	18,714	18,756	16,708
Diluted earnings per share, EUR	**0.16**	**0.11**	**0.51**	**0.41**

3. NET WORKING CAPITAL

EUR thousand	31-Dec-19	31-Dec-18
Net working capital		
Inventories	13,814	14,526
Trade receivables	13,167	11,046
Other receivables	1,050	1,106
Trade payables	-5,149	-5,164
Other payables	-6,042	-4,014
Total	**16,840**	**17,500**
Change in net working capital in the statement of financial position	-660	245
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*	675	1,129
Change in net working capital in the statement of cash flows	15	1,374

* 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-Dec-19	31-Dec-18
Interest-bearing debt*	39,184	38,526
Less cash and cash equivalents	-10,879	-8,268
Net debt	**28,305**	**30,258**

* Interest-bearing debt includes EUR 2,667 thousand lease liabilities resulting from the implementation of IFRS 16 Leases standard.

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 December 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.

4.2 COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand	31-Dec-19	31-Dec-18
Guarantees and mortgages given on own behalf:		
Mortgages		320
Total		**320**
Other guarantees:		
Pledged accounts	29	
Customs guarantee	30	30
Other guarantees		12
Total	**59**	**42**

5. OTHER NOTES

5.1 RELATED PARTY TRANSACTIONS

CapMan Buyout X Fund A L.P and CapMan Buyout X Fund B Ky had direct holding in the company total of 24.6 percent and significant influence over the group in the beginning of 2019. On February 28, 2019, CapMan's funds sold part of their holdings in the company, so that their holding remained at 12.3 percent. The funds sold their 12.3 percent holding to Onvest Oy on 19 November 2019.

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

The following transactions were carried out with related parties:

EUR thousand	1-12/2019	1-12/2018
Sales	4	8
Purchases	0	4

5.2 SHARE-BASED INCENTIVE PLAN

Harvia has a share based long-term incentive plan for the CEO and Management Team members. The plan is a part of Harvia Plc's remuneration program for its executives, and the aim of the plan is to support the implementation of the company's strategy, to align the interests of the executives with interests of the shareholders to increase the value of the company, to improve the performance of the company, and to retain the executives.

The long-term incentive plan consists of three performance periods of three calendar years each, 2018–2020, 2019–2021 and 2020–2022. The Board of Directors will decide separately for each performance period the plan participants, performance criteria, and related targets, as well as the minimum, target, and maximum reward potentially payable based on target attainment.

In the first performance period, the plan has 10 participants at most and the targets for the long-term incentive plan relate to the company's total shareholder return, revenue growth and EBIT margin. The maximum number of shares to be paid based on the first performance period is approximately 125,000 Harvia Plc's shares, which corresponds to approximately EUR 715,000 calculated with the volume weighted average share price on the trading day preceding the Board's decision. This number of shares represents gross earning, from which the withholding tax and possible other applicable contributions are deducted, and the remaining net amount is paid in shares. However, the company has the right to pay the reward fully in cash under certain circumstances. Potential rewards from the first performance period will be paid out during the spring 2021.

The Board of Directors of Harvia Plc has decided on December 17th, 2019 to continue the Long-term Performance Share Plan for the management team and other key employees for the performance period 2019-2021. In the performance period 2019-2021, the plan has 13 participants at most and the targets for the performance period relate to company´s total shareholder return, revenue growth and EBIT margin. The maximum number of shares to be paid based on the performance period 2019-2021 is approximately 130 000 Harvia Plc´s shares. This number of shares represents gross earning, from which the withholding of tax and possible other applicable contributions are deducted, and the remaining net amount is paid in shares. However, the company has the right to pay the reward fully in cash under certain circumstances. Potential rewards from the performance period 2019-2021 will be paid out during spring 2022.

APPENDIX 1: CHANGES IN ACCOUNTING POLICIES

IFRS 16 LEASES

IFRS 16 Leases standard specifies the definition of leases, recognition and valuation of the lease agreements and disclosures of the leases. Implementation of the standard has a significant impact for the lessee’s recognition, as the standard removes the current distinction between operating and financing leases. According to the new standard, a lease is recognized as a right-of-use-asset (the right to use the leased asset) and as a lease liability to pay rentals, recorded under interest-bearing liabilities.

The Group has decided to adopt the standard using the simplified transitional approach, whereby comparative financial information is not adjusted. Lease liability at the adoption has been calculated discounting the future lease payments with the incremental borrowing rate at the time of adoption. The value of right-of-use-asset at adoption equals the lease liability. Adoption of the standard did not affect the retained earnings.

The Group is implementing the exemptions provided by the standard and is not recognizing low-value or short-term leases as right-to-use-assets or lease liability.

SIGNIFICANT MANAGEMENT JUDGEMENTS

The management uses judgement when determining the lease period for ongoing rental contracts and when the lease contract includes options for extension or termination of the contract or purchasing the asset. Management decisions are based on the strategic position of the company and the market situation. The management uses judgement also when defining the interest rate of incremental borrowing. The interest rate of incremental borrowing is based on the financing contracts of the group taking into consideration the variation of the risk-free interest rate in each country. The Group applies single discount interest rate for portfolio of similar leases.

IMPACT OF THE ADOPTION OF A NEW STANDARD

At the time of adoption, the Group has booked lease liability of EUR 3.0 million and a right-of-use-asset of EUR 3.0 million. At the end of December, the amount of lease liability was EUR 2.7 million and right-of-use-asset was EUR 2.6 million.

The adoption of the standard affects the rent expenses for January–December 2019 by EUR +580 thousand, depreciations by EUR -554 thousand and finance expenses by EUR -111 thousand. The effect on EBITDA is EUR +580 thousand and on EBIT EUR +25 thousand.

APPENDIX 2: KEY FIGURES AND CALCULATION OF KEY FIGURES

EUR thousand	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Key statement of comprehensive income indicators				
Revenue	20,731	16,217	74,095	61,942
EBITDA	4,706	3,319	16,437	11,533
% of revenue	22.7	20.5	22.2	18.6
Adjusted EBITDA	4,954	3,419	16,989	13,009
% of revenue	23.9	21.1	22.9	21.0
Operating profit	3,921	2,756	13,324	9,376
% of revenue	18.9	17.0	18.0	15.1
Adjusted operating profit	4,169	2,856	13,876	10,852
% of revenue	20.1	17.6	18.7	17.5
Adjusted profit before income taxes	3,810	2,471	12,613	8,085
Basic EPS (EUR)	0.16	0.11	0.51	0.41
Diluted EPS (EUR)	0.16	0.11	0.51	0.41
Key cash flow indicators				
Cash flow from operating activities	6,459	4,895	15,072	8,820
Operating free cash flow	7,030	5,068	15,167	10,019
Cash conversion	141.9%	148.2%	89.3%	77.0%
Investments in tangible and intangible assets	-389	-435	-1,807	-1,617
Key balance sheet indicators				
Net debt	28,305	30,258	28,305	30,258
Leverage	1.7	2.3	1.7	2.3
Net working capital	16,840	17,500	16,840	17,500
Capital employed excluding goodwill	36,301	34,348	36,301	34,348
Adjusted return on capital employed (ROCE)	38.2%	31.6%	38.2%	31.6%
Equity ratio	56.6%	56.3%	56.6%	56.3%
Number of employees at end of period	395	400	395	400
Average number of employees during the period	395	376	395	376

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	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Operating profit	3,931	2,756	13,324	9 376
Depreciation and amortisation	785	563	3,113	2 158
EBITDA	4,706	3,319	16,437	11 533
Items affecting comparability				
Costs related to listing		12		1 327
Strategic development projects		18	3	72
Acquisition related expenses	118	70	381	77
Restructuring expenses	130		167	
Total items affecting comparability	248	100	552	1,476
Adjusted EBITDA	4,954	3,419	16,989	13,009
Depreciation and amortization	-785	-563	-3,113	-2,158
Adjusted operating profit	4,169	2,856	13,876	10,852
Finance costs, net	-358	-385	-1,263	-2,767
Adjusted profit before income taxes	3,810	2,472	12,613	8,085

CALCULATION OF KEY FIGURES

Key figure	Definition
Operating profit	Profit before income taxes, finance income and finance costs.
EBITDA	Operating profit before depreciation and amortisation
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 taken 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	Capital employed excluding goodwill is 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.

HARVIA PLC

Teollisuustie 1–7
40950 Muurame
Finland
www.harvia.fi