HARVIA PLC

INTERIM REPORT

January–September 2019

HARVIA
Sauna & Spa

Harvia Cilindro Plus Spot control switch

STRONG GROWTH WITH GOOD PROFITABILITY

HIGHLIGHTS OF THE REVIEW PERIOD

JULY-SEPTEMBER 2019:

- Revenue grew by 22.3% to EUR 17.1 million (14.0). At comparable exchange rates, revenue grew by 21.2% to EUR 17.0 million.

- Adjusted operating profit was EUR 2.9 million (2.3), making up 17.2% (16.7) of the revenue. At comparable exchange rates, the adjusted operating profit grew to EUR 2.9 million (16.9% of the revenue).

- Operative free cash flow amounted to EUR 4.2 million (2.6).

JANUARY–SEPTEMBER 2019:

- Revenue grew by 16.7% to EUR 53.4 million (45.7). At comparable exchange rates, revenue grew by 16.2% to EUR 53.1 million.

- Adjusted operating profit was EUR 9.7 million (8.0), making up 18.2% (17.5) of the revenue. At comparable exchange rates, the adjusted operating profit grew to EUR 9.4 million (17.6% of the revenue).

- Operating free cash flow amounted to EUR 8.1 million (5.0).

- Net debt amounted to EUR 30.2 million (29.7) and leverage was 2.0 (2.3).

- Equity ratio was 57.4% (57.5).

KEY FIGURES

EUR million	7-9/2019	7-9/2018	Change, %	1-9/2019	1-9/2018	Change,%	2018
Revenue	17.1	14.0	22.3%	53.4	45.7	16.7%	61.9
EBITDA *	3.7	2.8	29.3%	11.7	8.2	42.8%	11.5
% of revenue	21.4%	20.3%		22.0%	18.0%		18.6%
Items affecting comparability **	0.0	0.1	-7.2%	0.3	1.4	-77.9%	1.5
Adjusted EBITDA ***	3.7	2.9	28.6%	12.0	9.6	25.5%	13.0
% revenue	21.7%	20.7%		22.6%	21.0%		21.0%
Operating profit	2.9	2.3	26.0%	9.4	6.6	42.0%	9.4
% revenue	16.9%	16.4%		17.6%	14.5%		15.1%
Adjusted operating profit ***	2.9	2.3	25.2%	9.7	8.0	21.4%	10.9
% revenue	17.2%	16.7%		18.2%	17.5%		17.5%
Basic EPS (EUR)****	0.11	0.09	33.4%	0.36	0.30	18.3%	0.41
Operating free cash flow	4.2	2.6	60,6%	8.1	5.0	64.4%	10.0
Cash conversion	112.9%	90.4%		67.6%	51.6%		77.0%
Investments in tangible and intangible assets	-0.4	-0.4	1.2%	-1.4	-1.2	19.9%	-1.6
Net debt *	30.2	29.7	1.7%	30.2	29.7	1.7%	30.3
Leverage	2.0	2.3		2.0	2.3		2.3
Net working capital	19.6	20.8	-5.9%	19.6	20.8	-5.9%	17.5
Adjusted return on capital employed (ROCE)	32.5%	30.9%		32.5%	30.9%		31.6%
Equity ratio	57.4%	57.5%		57.4%	57.5%		56.3%
Personnel at the end of period	389	376	3.5%	389	376	3.5%	400

* Adoption of IFRS 16 Leases standard increased EBITDA by EUR 432 thousand and net debt by EUR 2.6 million at the end of September 2019.

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

*** Adjusted by items affecting comparability.

**** Earnings per share (EPS) in January–September 2018 were EUR 0.26, 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 the review period was strong in all product groups and on almost all of our key markets. We achieved a revenue of EUR 53.4 million, growing by 16.7 percent year on year. Our growth was strong also during the third quarter, with our revenue increasing to EUR 17.1 million and exceeding the revenue of the comparison period by 22.3 percent.

Our journey from a sauna heater company into a comprehensive one-stop shop operator in the sauna and spa market is proceeding as planned. During the review period, revenue growth was especially strong in Finland, other Scandinavian countries, North America and other European countries. The sauna room product group continues its steady and strong growth. During the review period, revenue in the sauna room category increased by over 85 percent. Moreover, the success of the sauna heater product group in both professional and consumer channels showed as a favorable 8.7 percent growth during the review period. The third quarter was especially strong for steam generators, as their sales increased by 38.4 percent year on year.

I am very pleased that, in addition to strong growth, we have also succeeded in improving the profitability of our business operations. During the review period, our adjusted operating profit amounted to EUR 9.7 million (8.0) and the adjusted operating profit for the third quarter increased by 25.2 percent from the comparison period (2.3) to EUR 2.9 million. Our relative profitability has also had a favorable trend.

Demand in the US market remained strong, and profitable growth continued in saunas, heaters and components. Our offering has developed favorably, and we have opened new channels for sauna sales in the US. In Finland, we have begun the distribution and marketing of new remotely controlled Cilindro Plus Spot. We have expanded our customer base in Scandinavia and increased the volume of our premium offering in the markets. The development of revenue in Germany decreased from the comparison period due to the timing of deliveries and increased demand on entry price level products. The situation of the German market is also partly reflected on the demand of control units. The development of the Russian market is estimated to continue partly volatile, even though the past quarter was quite successful for Harvia.

Integration of the operations of the US-based Almost Heaven Saunas has proceeded according to plan and improving the profitability of operations has even proceeded slightly faster than anticipated. The continuous improvement of productivity has progressed as planned also in our other units. Regarding the Muurame factory operations and logistics, the past fall has been a very strong example of systematic and continuous development of operations.

Once again, the past quarter has been a great example of dedicated teamwork with our key partners. The season for sauna sales is currently well under way and Harvia is well-prepared for the coming season. We will keep our focus on the cornerstones of our strategy and its systematic implementation. We will continue to focus on increasing the value of the average purchase, geographical expansion and continuous improvement of productivity. In addition to organic growth, Harvia is actively looking into possibilities of growth in the sauna and spa market through business acquisitions in accordance with our strategy.

MARKET REVIEW

The sauna and spa market have historically been resilient, due in particular to the demand arising from the need to replace heaters. During 2019, the demand for Harvia's products continued steady, and 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	7-9/2019	7-9/2018	Change, %	1-9/2019	1-9/2018	Change, %	2018
Finland	5,814	5,259	10.5%	18,594	17,705	5.0%	23,104
Other Scandinavia	1,028	881	16.7%	2,958	2,581	14.6%	3,452
Germany	1,471	1,643	-10.5%	4,614	4,691	-1.6%	6,953
Other European countries*	3,660	3,203	14.3%	12,106	11,435	5,9%	16,059
Russia	1,488	1,187	25.3%	4,252	3,999	6.3%	5,662
North America	2,867	813	252.6%	7,993	2,527	216.3%	3,027
Other countries**	744	974	-23.6%	2,849	2,785	2.3%	3,685
Total	**17,070**	**13,959**	22.3%	**53,365**	**45,724**	16.7%	**61,942**

* "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	7-9/2019	7-9/2018	Change, %	1-9/2019	1-9/2018	Change, %	2018
Sauna heaters	9,444	8,283	14.0%	29,155	26,811	8.7%	35,763
Sauna rooms	3,336	1,904	75.2%	10,241	5,532	85.1%	7,521
Control units	1,304	1,257	3.7%	4,163	4,079	2.1%	5,822
Steam generators	722	522	38.4%	2,478	2,246	10.3%	3,004
Other product groups, spare parts and services	2,264	1,993	13.6%	7,327	7,056	3.8%	9,831
Total	**17,070**	**13,959**	22.3%	**53,365**	**45,724**	16.7%	**61,942**

JULY–SEPTEMBER 2019

The Group's revenue in July–September increased by 22.3% to EUR 17.1 million (14.0). At comparable exchange rates, revenue grew by 21.2% to EUR 17.0 million. Revenue growth was mostly attributable to the business operations in the US where our customer base was expanded and diversified. During the third quarter, our revenue had a positive trend also in Finland (10.5%), other European countries (14.3%) and Russia (25.3%). Revenue in Germany decreased from the comparison period mostly due to the timing of deliveries and demand focus shifting to lower price range products.

Harvia's revenue increased across all product groups in July–September. Revenue in the sauna room product group developed positively especially due to the business operations in the US (increase of 75.2%) and the sales of sauna heaters also increased significantly (14.0%). Revenue growth was especially strong in steam generators, as well.

JANUARY–SEPTEMBER 2019

Revenue during January–September was EUR 53.4 million (45.7), growing by 16.7% year on year. At comparable exchange rates, revenue grew by 16.2% to EUR 53.1 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 85.1%. Revenue developed positively in Finland and other European countries. Sauna heater sales grew by 8.7% 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

JULY-SEPTEMBER 2019

Operating profit for July–September increased to EUR 2.9 million (2.3). The operating profit included EUR 0.0 million (0.1) of items affecting comparability, mainly related to business acquisitions. Adjusted operating profit increased to EUR 2.9 million (2.3) and was 17.2% (16.7) of the revenue. Financing expenses for the review period amounted to EUR 0.1 million (0.2).

The unadjusted result before taxes for July–September was EUR 2.7 million (2.1). The Group's taxes amounted to EUR -0.6 million (-0.5).

The result for the review period was EUR 2.1 million (1.6) and undiluted earnings per share were EUR 0.11 (0.09). Changes in exchange rates improved the operating profit of the review period by approximately EUR 0.1 million.

JANUARY–SEPTEMBER 2019

Operating profit for January–September increased to EUR 9.4 million (6.6). The operating profit included EUR 0.3 million (1.4) 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 9.7 million (8.0) and also the adjusted operating profit as percentage of revenue had a positive trend of 18.2% (17.8). Financing expenses for the review period amounted to EUR 0.9 million (2.4). 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–September was EUR 8.5 million (4.2). The Group's taxes amounted to EUR -1.8 million (0.6). 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 6.7 million (4.8) and undiluted earnings per share were EUR 0.36 (0.30). 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–September 2018 were EUR 0.26. Changes in exchange rates improved the operating profit of the review period by approximately EUR 0.3 million.

FINANCIAL POSITION AND CASH FLOW

Balance sheet total at the end of September 2019 was EUR 121.4 million (September 30, 2018: 117.2), of which equity accounted for EUR 69.6 million (67.3).

At the end of September 2019, the company's net debt amounted to EUR 30.2 million (29.7), of which EUR 38.5 million (36.4) consisted of long-term liabilities. Lease liabilities in accordance with the IFRS 16 Leases standard amounted to EUR 2.6 million at the end of September. The leased assets in balance sheet amounted to EUR 2.5 million. Cash and cash equivalents at the end of the review period amounted to EUR 9.2 million (8.9). At the end of the review period, leverage stood at 2.0 (2.3).

Equity ratio was 57.4% (57.5) at the end of the review period. The adjusted return on capital employed (ROCE) was 32.5% (30.9).

In January–September, Harvia's operating free cash flow was EUR 8.1 million (5.0) and cash conversion was 67.6% (51.6).

INVESTMENTS, RESEARCH AND PRODUCT DEVELOPMENT

The Group’s investments in January–September amounted to EUR 1.4 million (1.2). 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 0.9 million (0.8).

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 389 (376) and an average of 395 (367) in January–September. Of the personnel, 47% (50) worked in Finland, 8% (8) in Austria, 17% (22) in Romania, 2% (2) in Estonia, 16% (18) in China and Hong Kong, and 10% (0) 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 (September 30, 2018: 18,694,236) fully paid shares. The share trading volume in the review period January–September was EUR 33.6 million (35.4) and 5,321,996 shares (6,777,100). The share’s volume weighted average rate during the review period was EUR 6.31 (5.22), the highest rate during the review period was EUR 8.00 (6.39) and the lowest EUR 5.50 (4.91). The closing price of the share at the end of September 2019 was EUR 7.28 (5.87). The market value of the share capital on September 30, 2019 was EUR 136.1 million (109.7). The company does not currently own any treasury shares.

The number of registered shareholders at the end of the review period was 4,466 (2,612), including nominee registers. At the end of the review period, nominee-registered and direct foreign shareholders held 53.2% (38.0) of the company’s shares. The ten largest shareholders held a total of 29.4% (42.3) 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. The Board of Directors decided on the payment of the extra dividend at its meeting held on October 17, 2019.

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.

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 the insurance company.

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.

EVENTS AFTER THE REVIEW PERIOD

The Board of Directors of Harvia Plc decided on October 17, 2019, based on the authorization given by the Annual General Meeting 2019, to pay an extra dividend of EUR 0.19 per share (totaling EUR 3,551,904.84). The dividend was paid to shareholders registered in the shareholders' register maintained by Euroclear Finland Oy on the dividend's date of record, October 21, 2019. The dividend was paid on October 28, 2019.

MUURAME, NOVEMBER 7, 2019

HARVIA PLC
Board of Directors

For more information, please contact:

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PRESS CONFERENCE ON FINANCIAL RESULTS

Harvia will hold a press conference in English for analysts, investors and media on Friday, November 8, 2019 at 12:00 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-q3-results.

A recording of the webcast will be available later at the company's website.

HARVIA PLC INTERIM REPORT JANUARY–SEPTEMBER 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	7-9/2019	7-9/2018	1-9/2019	1-9/2018	2018
Revenue	2.1	**17,070**	**13,959**	**53,365**	**45,724**	**61,942**
Other operating income		39	91	136	162	188
Materials and services		-6,871	-5,811	-21,206	-19,466	-25,853
Employee benefit expenses	5.2	-3,531	-2,895	-10,993	-9,618	-13,063
Other operating expenses	2.2	-3,046	-2,513	-9,570	-8,588	-11,679
Depreciation and amortization		-783	-547	-2,328	-1,594	-2,158
Operating profit		**2,878**	**2,284**	**9,403**	**6,620**	**9,376**
Finance income		250	152	300	207	215
Finance costs	4.1	-390	-312	-1,205	-2,589	-2,981
Finance costs, net		-141	-160	-905	-2,382	-2,767
Profit before income taxes		**2,737**	**2,124**	**8,499**	**4,238**	**6,609**
Income taxes		-613	-531	-1,848	578	172
Profit for the period		**2,125**	**1,593**	**6,651**	**4,815**	**6,780**
Attributable to:						
Owners of the parent		2,125	1,593	6,651	4,815	6,780
Other comprehensive income						
Items that may be reclassified to profit or loss in subsequent periods:						
Translation differences		366	14	353	102	-13
Other comprehensive income, net of tax		366	14	353	102	-13
Total comprehensive income		**2,490**	**1,607**	**7,003**	**4,917**	**6,767**
Attributable to:						
Owners of the parent		2,490	1,607	7,003	4,917	6,767
Basic EPS (EUR)	2.3	0.11	0.09	0.36	0.30	0.41
Diluted EPS (EUR)	2.3	0.11	0.09	0.35	0.30	0.41

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	Note	30-Sep-19	30-Sep-18	31-Dec-18
ASSETS				
Non-current assets				
Intangible assets		4,156	2,934	4,189
Goodwill		60,230	59,224	60,421
Property, plant and equipment		14,714	14,465	14,741
Leased assets		2,506		
Deferred tax assets		1,357	1,397	1,358
Total non-current assets		**82,964**	**78,020**	**80,710**
Current assets				
Inventories	3	15,532	15,481	14,526
Trade and other receivables	3	13,580	13,812	12,152
Income tax receivables		132	1,036	1,283
Cash and cash equivalents	4	9,190	8,874	8,268
Total current asset		**38,434**	**39,203**	**36,230**
Total assets		**121,398**	**117,224**	**116,939**

EUR thousand	Note	30-Sep-19	30-Sep-18	31-Dec-18
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital		80	80	80
Other reserves		53,535	53,158	53,064
Retained earnings		9,313	9,262	5,897
Profit for the period		6,651	4,815	6,780
Total equity		**69,578**	**67,316**	**65,822**
Liabilities				
Non-current liabilities				
Loans from credit institutions	4.1	36,388	36,365	36,371
Lease liabilities		2,107		
Derivative financial instruments	4.1	1,419	1,403	1,471
Deferred tax liabilities				361
Other non-current liabilities		363	376	369
Provisions		216	230	215
Total non-current liabilities		**40,493**	**38,374**	**38,787**
Current liabilities				
Loans from credit institutions	4.1	410	2,180	2,155
Lease liabilities		465		
Income tax liabilities		715	639	782
Trade and other payables	3	9,522	8,483	9,178
Provisions		216	230	215
Total current liabilities		**11,327**	**11,533**	**12,331**
Total liabilities		**51,820**	**49,908**	**51,117**
Total equity and liabilities		**121,398**	**117,224**	**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**
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		30			30
Total transactions with shareholders		78	43,354			43,431
Profit for the period					4,815	4,815
Other comprehensive income				102		102
Total comprehensive income				102	4,815	4,917
Equity at 30 September 2018		**80**	**53,078**	**81**	**14,078**	**67,317**
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		118			118
Dividend distribution					-3,365	-3,365
Total transactions with shareholders			118		-3,365	-3,247
Profit for the period					6,651	6,651
Other comprehensive income				353		353
Total comprehensive income				353	6,651	7,003
Equity at 30 September 2019		**80**	**53,216**	**318**	**15,964**	**69,579**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	Note	7-9/2019	7-9/2018	1-9/2019	1-9/2018	2018
Cash flows from operating activities						
Profit before taxes		2,737	2,124	8,499	4,238	6,609
Adjustments						
Depreciation and amortisation		783	547	2,328	1,594	2,158
Finance income and finance costs		141	160	905	2,382	2,767
Other adjustments		111	-30	66	-117	-123
Cash flows before changes in working capital		3,772	2,802	11,798	8,097	11,410
Change in working capital						
Increase (-) / decrease (+) in trade and other receivables	3	1,315	1,395	-1,011	-1,455	497
Increase (-) / decrease (+) in inventories	3	282	-467	-939	-1,596	374
Increase (+) / decrease (-) in trade and other payables	3	-753	-842	-530	-406	-2,245
Cash flows from operating activities before financial items and taxes		4,616	2,887	9,318	4,640	10,036
Interest and other finance costs paid		-9	-28	-23	-76	-111
Interest and other finance income received		57	31	74	79	85
Income taxes paid/received		-563	-481	-756	-719	-1,190
Net cash from operating activities		**4,101**	**2,409**	**8,613**	**3,925**	**8,820**
Cash flows from investing activities						
Purchases of tangible and intangible assets		-367	-362	-1,418	-1,182	-1,617
Sale of tangible and intangible assets			0	6	13	14
Net cash from investing activities		**-367**	**-362**	**-1,412**	**-1,169**	**-1,603**
Cash flows from financing activities						
Proceeds from share issues			0		45,000	45,000
Costs from share issue recognised in equity			-476		-2,089	-2,089
Repayment of non-current loans	4.1	-2	-12	-12	-77,880	-78,879
Proceeds from non-current loans	4.1				36,500	36,500
Change in current interest-bearing liabilities	4.1	-603	-2,944	-1,746	-1,714	-2,136
Repayment of lease liabilities		-115		-416		
Interest and other finance costs paid	4.1	-137	-275	-861	-2,048	-2,328
Dividends paid		0	0	-3,365		-3,365
Net cash from financing activities		**-857**	**-3,708**	**-6,400**	**-2,231**	**-7,297**
Net change in cash and cash equivalents		2,877	-1,662	801	525	-80
Cash and cash equivalents at beginning of period		6,245	10,530	8,268	8,345	8,345
Exchange gains/losses on cash and cash equivalents		63	5	122	4	3
Cash and cash equivalents at end of period		**9,190**	**8,874**	**9,190**	**8,874**	**8,268**

NOTES TO THE GROUP'S INTERIM INFORMATION

1. BASIS OF PREPARATION

Basis of preparation

Harvia's interim information has been prepared in compliance with the IAS 34 Interim Financial Reporting standard. Interim information does not contain all the notes presented in the Consolidated Financial Statements for 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 following new standards 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 interim information in its meeting on November 7, 2019. This interim information is unaudited. Figures in the interim information have been rounded and consequently the sum of individual figures may deviate from the presented sum figure.

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

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

The significant management judgements and accounting estimates concerning key uncertainty factors in connection with the preparation of this interim information are identical to those applied in the Consolidated Financial Statements for 2018.

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	7-9/2019	7-9/2018	Change, %	1-9/2019	1-9/2018	Change, %	2018
Finland	5,814	5,259	10.5%	18,594	17,705	5.0%	23,104
Other Scandinavia	1,028	881	16.7%	2,958	2,581	14.6%	3,452
Germany	1,471	1,643	-10.5%	4,614	4,691	-1.6%	6,953
Other European countries*	3,660	3,203	14.3%	12,106	11,435	5.9%	16,059
Russia	1,488	1,187	25.3%	4,252	3,999	6.3%	5,662
North America	2,867	813	252.6%	7,993	2,527	216.3%	3,027
Other countries**	744	974	-23.6%	2,849	2,485	2.3%	3,685
Yhteensä	**17,070**	**13,959**	22.3%	**53,365**	**45,724**	16.7%	**61,942**

* "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	7-9/2019	7-9/2018	Change, %	1-9/2019	1-9/2018	Change, %	2018
Sauna heaters	9,444	8,283	14.0%	29,155	26,811	8.7%	35,763
Sauna rooms	3,336	1,904	75.2%	10,241	5,532	85.1%	7,521
Control units	1,304	1,257	3.7%	4,163	4,079	2.1%	5,822
Steam generators	722	522	38.4%	2,478	2,246	10.3%	3,004
Other product groups, spare parts and services	2,264	1,993	13.6%	7,327	7,056	3.8%	9,831
Total	**17,070**	**13,959**	22.3%	**53,365**	**45,724**	16.7%	**61,942**

2.2 OPERATING EXPENSES

Other operating expenses for the period January 1 – Septemper 30, 2019 include items affecting comparability of EUR 304 thousand (1,376) 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 0.26 in January–September 2018.

	7-9/2019	7-9/2018	1-9/2019	1-9/2018	2018
Profit for the period attributable to the owners of the parent company, EUR thousand	2,125	1,593	6,651	4,815	6,780
Weighted average number of shares outstanding during the financial period, '000	18,694	18,694	18,694	16,012	16,688
Basic earnings per share, EUR	**0.11**	**0.09**	**0.36**	**0.30**	**0.41**
Weighted average number of shares outstanding during the year, diluted, '000	18,749	18,694	18,747	16,012	16,708
Diluted earnings per share, EUR	**0.11**	**0.09**	**0.35**	**0.30**	**0.41**

3. NET WORKING CAPITAL

EUR thousand	30-Sep-19	30-Sep-18	31-Dec-18
Net working capital			
Inventories	15,532	15,481	14,526
Trade receivables	13,217	13,733	11,046
Other receivables	363	80	1,106
Trade payables	-5,186	-5,986	-5,164
Other payables	-4,336	-2,497	-4,014
Total	**19,590**	**20,811**	**17,500**
Change in net working capital in the statement of financial position	2,090	3,556	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*	348	-99	1,129
Change in net working capital in the statement of cash flows	2,480	3,457	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	30-Sep-19	30-Sep-18	31-Dec-18
Interest-bearing debt*	39,369	38,546	38,526
Less cash and cash equivalents	-9,190	-8,874	-8,268
Net debt	**30,179**	**29,672**	**30,258**

* Interest-bearing debt includes EUR 2,571 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 30 September 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	30-Sep-19	30-Sep-18	31-Dec-18
Guarantees and mortgages given on own behalf:			
Mortgages	320	320	320
Total	**320**	**320**	**320**
Other guarantees:			
Pledged accounts	29		
Customs guarantee	30	30	30
Other guarantees		12	12
Total	**59**	**42**	**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 until February 28, 2019 when the Funds sold part of their holdings in the company. The Funds' direct holding in company was 12.3 percent as of September 30, 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	1-9/2019	1-9/2018	2018
Sales	4	8	8
Purchases	0	2	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.

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 September, the amount of lease liability was EUR 2.6 million and right-of-use-asset was EUR 2.5 million.

The adoption of the standard affects the rent expenses for January–September 2019 by EUR +432 thousand, depreciations by EUR -413 thousand and finance expenses by EUR -85 thousand. The effect on EBITDA is EUR +432 thousand and on EBIT EUR +19 thousand.

APPENDIX 2: KEY FIGURES AND CALCULATION OF KEY FIGURES

EUR thousand	7-9/2019	7-9/2018	1-9/2019	1-9/2018	2018
Key statement of comprehensive income indicators					
Revenue	17,070	13,959	53,365	45,724	61,942
EBITDA	3,661	2,832	11,731	8,214	11,533
% of revenue	21.4	20.3	22.0	18.0	18.6
Adjusted EBITDA	3,710	2,885	12,035	9,590	13,009
% of revenue	21.7	20.7	22.6	21.0	21.0
Operating profit	2,878	2,284	9,403	6,620	9,376
% of revenue	16.9	16.4	17.6	14.5	15.1
Adjusted operating profit	2,928	2,338	9,708	7,996	10,852
% of revenue	17.2	16.7	18.2	17.5	17.5
Adjusted profit before income taxes	2,787	2,178	8,803	5,613	8,085
Basic EPS (EUR)	0.11	0.09	0.36	0.30	0.41
Diluted EPS (EUR)	0.11	0.09	0.35	0.30	0.41
Key cash flow indicators					
Cash flow from operating activities	4,101	2,409	8,613	3,925	8,820
Operating free cash flow	4,188	2,608	8,137	4,951	10,019
Cash conversion	112.9%	90.4%	67.6%	51.6%	77.0%
Investments in tangible and intangible assets	-367	-362	-1,418	-1,182	-1,617
Key balance sheet indicators					
Net debt	30,179	29,672	30,179	29,672	30,258
Leverage	2.0	2.3	2.0	2.3	2.3
Net working capital	19,590	20,811	19,590	20,811	17,500
Capital employed excluding goodwill	38,645	35,027	38,645	35,027	34,348
Adjusted return on capital employed (ROCE)	32.5%	30.9%	32.5%	30.9%	31.6%
Equity ratio	57.4%	57.5%	57.4%	57.5%	56.3%
Number of employees at end of period	389	376	389	376	400
Average number of employees during the period	397	381	395	376	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	7-9/2019	7-9/2018	1-9/2019	1-9/2018	2018
Operating profit	2,878	2,284	9,403	6,620	9,376
Depreciation and amortisation	783	547	2,328	1,594	2,158
EBITDA	3,661	2,832	11,731	8,214	11,533
Items affecting comparability					
Costs related to listing	0	36		1,315	1,327
Strategic development projects	0	18	3	54	72
Acquisition related expenses	34	0	263	7	77
Restructuring expenses	15		38		
Total items affecting comparability	50	54	304	1,376	1,476
Adjusted EBITDA	3,710	2,885	12,035	9,590	13,009
Depreciation and amortization	-783	-547	-2,328	-1,594	-2,158
Adjusted operating profit	2,928	2,338	9,708	7,996	10,852
Finance costs, net	-141	-160	-905	-2,382	-2,767
Adjusted profit before income taxes	2,787	2,178	8,803	5,613	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	Shareholder loans 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.

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