HARVIA PLC

HALF-YEAR FINANCIAL REVIEW

January–June 2018

HARVIA

Sauna & Spa

HARVIA'S HALF-YEAR FINANCIAL REVIEW 1 JANUARY – 30 JUNE 2018:

STEADY GROWTH DURING THE SECOND QUARTER

HIGHLIGHTS OF THE REVIEW PERIOD

APRIL–JUNE 2018:

- Revenue grew by 6.3% to EUR 15.3 million (14.4)
- Adjusted operating profit was EUR 2.4 million (2.3) making up 16.0% (16.2) of the revenue
- Operating free cash flow amounted to EUR 0.4 million (1.7)

JANUARY–JUNE 2018:

- Revenue grew by 3.1% to EUR 31.8 million (30.8)
- Adjusted operating profit was EUR 5.7 million (5.5) making up 17.8% (17.9) of the revenue
- Operating free cash flow amounted to EUR 2.3 million (2.0)
- Net debt decreased by 58% to EUR 31.0 million (73.7) and leverage was 2.4 (6.0)
- Due to the share issue, equity ratio increased to 54.9% (16.5)

KEY FIGURES

EUR million	4–6/2018	4–6/2017	Change, %	1–6/2018	1–6/2017	Change, %	2017
Revenue	15.3	14.4	6.3%	31.8	30.8	3.1%	60.1
EBITDA	3.0	2.7	10.8%	5.4	6.2	-12.9%	11.2
% of revenue	19.4%	18.6%		16.9%	20.0%		18.6%
Items affecting comparability *	0.0	0.1	-74.0%	1.3	0.3	349.8%	1.4
Adjusted EBITDA **	3.0	2.8	6.4%	6.7	6.5	3.6%	12.6
% of revenue	19.6%	19.6%		21.1%	21.0%		21.0%
Operating profit	2.4	2.2	10.0%	4.3	5.2	-16.9%	9.3
% of revenue	15.7%	15.2%		13.6%	16.9%		15.4%
Adjusted operating profit **	2.4	2.3	4.7%	5.7	5.5	2.6%	10.7
% of revenue	16.0%	16.2%		17.8%	17.9%		17.8%
Basic EPS (EUR)	0.08	0.07	28.0%	0.22	0.22	1.2%	0.30
Operating free cash flow	0.4	1.7	-78.9%	2.3	2.0	18.8%	9.0
Cash conversion	11.8%	59.4%		34.9%	30.5%		71.6%
Investments in tangible and intangible assets	-0.2	-0.3	-32.0%	-0.8	-0.5	63.8%	-1.2
Net debt	31.0	73.7	-58.0%	31.0	73.7	-58.0%	73.0
Leverage	2.4	6.0		2.4	6.0		5.8
Net working capital	20.4	17.6	16.2%	20.4	17.6	16.2%	17.3
Adjusted return on capital employed (ROCE)	30.8%	34.6%		30.8%	34.6%		32.7%
Equity ratio	54.9%	16.5%		54.9%	16.5%		16.9%
Number of employees at end of period	381	384	-0.8%	381	384	-0.8%	365

* 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.

FINANCIAL TARGETS AND OUTLOOK

Harvia does not publish its short-term outlook. However, the company has set 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 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. The shareholders of the company unanimously resolved on 2 March 2018 to authorise the Board of Directors of the company to decide on distribution of dividend in the maximum amount of EUR 3.5 million paid from distributable funds of the year 2017. The Board of Directors of the company intends to decide the dividend payout based on the authorisation in autumn 2018.

TAPIO PAJUHARJU, CEO:

Harvia's steady performance continued during January–June 2018. I'm very satisfied with the 6.3% year-on-year growth in the sales of Harvia's comprehensive Sauna and Spa offering during the second quarter, despite the exceptionally warm summer. We reached a revenue of EUR 31.8 million during the review period, which represents 3.1% growth year on year. During the review period, our revenue grew especially in Finland and in other EU countries.

The adjusted operating profit for the second quarter grew year on year, totalling EUR 2.4 million or 16.0% (16.2) of the revenue. Growth in Sauna sales combined with an increase in the price of timber reduced the operating profit margin slightly year on year. The adjusted operating profit for January–June was EUR 5.7 million or 17.8% of revenue.

The public listing of Harvia's shares that took place in March strengthened our capital structure, which supports Harvia's leading position as an international provider of sauna and spa products. The strengthened financing structure is reflected in reduced finance costs.

During the review period, we launched a hybrid sauna, which were presented at the Pori Housing Fair. The hybrid sauna combines the features and benefits of an infrared sauna with a traditional electric sauna. The hybrid sauna is a good indication of how new technology can renew and diversify the sauna experience. At the Housing Fair, we also introduced some of the premium range Sentio by Harvia products, which will become available in the second half of this year.

During the first half-year, we launched new premium sauna heater products, such as the advanced wall-mounted Harvia The Wall heaters and the stylish Harvia Glow design heaters. In the steam generator category, we launched a new Harvia HGD generator for the consumer market with new innovations to further increase functionality and reliability. These new products are good examples of Harvia's strong expertise in product development and the seamless and productive cooperation between production, marketing and development.

The implementation of Harvia's "one-stop shop" strategy in the sauna and spa business continued as planned during the review period. We made progress on our strategic goal of increasing the value of the average purchase and saw favourable development in, for example, infrared saunas, steam generators and the sales of spare parts. At the same time, the sales of traditional and steam saunas continued favourably. The sales of electric heaters experienced good growth in the second quarter. The sales of wood burning heaters started to develop favourably in Finland and in the neighbouring markets during the second quarter. Due to tight local competition in the Russian market combined with the delay of the renewed local Harvia Russia offering from the best sales season, the sales of wood burning heaters dropped slightly year-on-year in the first half of 2018. During the review period, the sales of control units were impacted negatively by the discontinuation of private label deliveries to two large clients in Germany, and the delay of delivery of more affordable control units closer towards the autumn sales season in Russia.

Geographical expansion progressed as planned during the review period. Distribution in the EU countries has been expanded according to plan. In Russia, the expansion of distribution in regional cities continued. The upgrading of our retailers' shops in Sweden has proceeded as planned and the Harvia shop-in-shop concept has been implemented in six stores.

Improving productivity progressed as planned at all factories. Renewing and expanding the product offering of our factory in China is proceeding and will create further sales opportunities for heaters as well as steam generators.

We will continue to carry out our strategy in second half of 2018 with a focus on increasing the value of the average purchase, continuing our geographical expansion and improving our productivity.

MARKET REVIEW

According to an international management consulting firm's report, there are approximately 15 million saunas in the world. The large sauna base enables a steady demand in 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 per cent between 2016 and 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%.

The sauna and spa market has historically been resilient, due in particular to the demand arising from the need to replace heaters. During the period under review, demand for Harvia's sauna and spa products remained steady.

REVENUE

REVENUE BY MARKET AREA

EUR thousand	4-6/2018	4-6/2017	Change, %	1-6/2018	1-6/2017	Change, %	2017
Finland	6,164	5,780	6.6%	12,446	12,081	3.0%	22,214
Other Scandinavia	887	907	-2.3%	1,701	1,675	1.6%	3,324
Germany	1,149	1,328	-13.5%	3,048	3,362	-9.3%	7,373
Other EU countries	3,472	3,052	13.8%	7,483	6,893	8.6%	14,044
Russia	1,156	1,260	-8.3%	2,812	3,212	-12.4%	6,227
North America	1,052	862	22.0%	1,714	1,554	10.3%	2,963
Other countries*	1,391	1,182	17.7%	2,561	2,039	25.6%	3,962
Total	**15,270**	**14,371**	**6.3%**	**31,765**	**30,814**	**3.1%**	**60,107**

*The largest of which: Arab countries, Asia and other Europe.

REVENUE BY PRODUCT GROUP

EUR thousand	4-6/2018	4-6/2017	Change, %	1-6/2018	1-6/2017	Change, %	2017
Sauna heaters	9,118	8,674	5.1%	18,528	18,659	-0.7%	35,289
Sauna rooms	1,772	1,634	8.4%	3,628	3,223	12.6%	6,903
Control units	1,099	1,361	-19.3%	2,822	3,057	-7.7%	6,318
Steam generators	843	656	28.4%	1,724	1,475	16.9%	2,791
Other product groups, spare parts and services	2,439	2,045	19.2%	5,063	4,401	15.0%	8,807
Total	**15,270**	**14,371**	**6.3%**	**31,765**	**30,814**	**3.1%**	**60,107**

APRIL–JUNE 2018

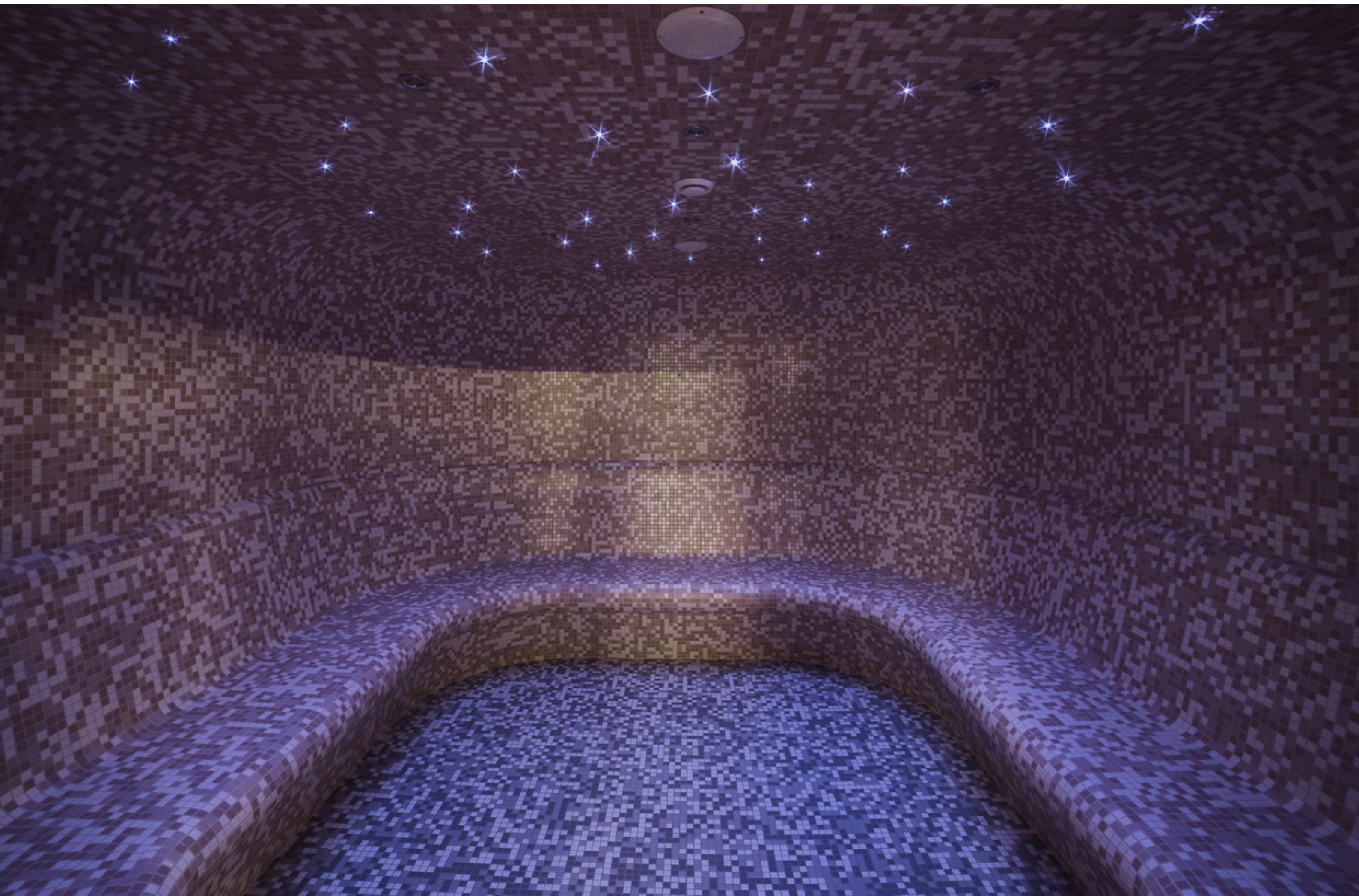
The Group's revenue grew in April–June by 6.3% to EUR 15.3 million (14.4). Revenue increased particularly in Finland (6.6%) and in other EU countries (13.8%). Sales of sauna heaters and rooms developed well, whereas sales of control units decreased compared to previous year. Sales of control units was impacted most by the termination of the weak private label business in Central Europe and the temporary shift of demand for more affordable control units in Russia closer towards the impending autumn sales season. Revenue in Russia decreased due the weakening of the Russian rouble year on year. Revenue in North America developed favourably despite the weakening of the currency. During the review period, changes in exchange rates impacted revenue negatively by approximately 2%.

The timing of major deliveries in different months and the fluctuation of exchange rates in the main markets cause seasonal variation in revenue. During the second quarter, market demand has remained on a good level.

JANUARY–JUNE 2018

The Group's revenue for January–June was EUR 31.8 million (30.8), which represents a year-on-year increase of 3.1%. Revenue increased particularly in Finland and in other EU countries. The development of net sales in Germany was slightly positive, when eliminating the effect of discontinued private label sales. The tight competition in Russia, the delay of Harvia's renewed wood burning heater offering and the weakening of the Russian rouble affected revenue negatively during the first half of the year. The revenue of North America was also impacted by the weakening of the currency year-on-year, although the market, on the whole, developed favourably.

The sales of heaters were on the same level as last year. Growth in specific product groups was seen especially among saunas where larger entities were implemented for customers at the beginning of the year. Revenue also grew in steam generators, Spa Modules and infrared saunas. The revenue of control units dropped from the previous year due to the discontinuation of private label sales in Central Europe and the delay of delivery of more affordable control units in Russia.



RESULT

APRIL–JUNE 2018

The Group's operating profit for April–June was EUR 2.4 million (2.2). The operating profit included EUR 0.0 million (0.1) of items affecting comparability. The adjusted operating profit improved slightly compared to the previous year and was EUR 2.4 million (2.3) and the operating profit margin was 16.0% (16.2). Net finance costs decreased significantly to EUR 0.3 million (1.2), due to the share issue, repayment of shareholder loans and the refinancing of bank loans. Profit before taxes was EUR 2.1 million (1.0) and profit for the period was EUR 1.6 million (0.6). Changes in exchange rates impacted the result by approximately EUR -0.1 million during the period. Earnings per share was EUR 0.08 (0.07).

JANUARY–JUNE 2018

The Group's operating profit for January–June was EUR 4.3 million (5.2). The operating profit included EUR 1.3 million (0.3) of items affecting comparability, mainly related to the public offering and the share issue. The adjusted operating profit of EUR 5.7 million (5.5) improved slightly from the previous year and the adjusted operating profit margin was 17.8% (17.9). Net finance costs amounted to EUR 2.2 million (2.4).

The unadjusted result before taxes for January–June was EUR 2.1 million (2.9). The Group's taxes amounted to EUR 1.1 million (-0.8). The positive taxes resulted from the entry of a EUR 1.6 million deferred tax asset in first quarter deriving from intra-group interest expenses, which were not deducted from taxable income in previous years.

The result for the financial period was EUR 3.2 million (2.1) and the undiluted earnings per share were EUR 0.22 (0.22). Changes in exchange rates impacted the result of the first half-year by approximately EUR -0.2 million.

FINANCIAL POSITION AND CASH FLOW

Harvia's balance sheet total at the end of June 2018 was EUR 119.7 million (30 June 2017: 112.3), of which equity accounted for EUR 65.7 million (18.5).

In March 2018, Harvia strengthened its capital structure by using the funds derived from the share issue to repay shareholder loans and their accumulated interests. At the end of June, the company's net debt amounted to EUR 31.0 million (73.7), of which EUR 39.4 million (71.9) consisted of long-term liabilities. Cash and cash equivalents at the end of the period amounted to EUR 10.5 million (5.5). The repayment of shareholder loans and restructuring of bank loans significantly reduced the Group's indebtedness.

At the end of the period, leverage stood at 2.4 (6.0). Harvia's long-term target is that the leverage, or the net debt/adjusted EBITDA ratio, is between 1.5x–2.5x, not accounting for the future effects of changes in IFRS standards.

Harvia's equity ratio at the end of the period was 54.9% (16.5). The adjusted return on capital employed (ROCE) was 30.8% (34.6).

Net working capital amounted to EUR 20.4 million (17.6) at the end of June. In January–June, Harvia's operating free cash flow was EUR 2.3 million (2.0) and cash conversion was 34.9% (30.5). In January–June, working capital increased by EUR 3.2 million, while in the corresponding period in the previous year, the increase in working capital was EUR 2.1 million. Operating free cash flow was weakened in the second quarter by the rise in net working capital by approximately EUR 1.6 million year on year. This represents normal fluctuation between the quarters and changes in other payables.

INVESTMENTS, RESEARCH AND PRODUCT DEVELOPMENT

The Group's investments in January–June amounted to EUR 0.8 million (0.5). A new layout for warehousing and shipping at the Muurame factory was carried out to improve operational efficiency and machine purchases were made to improve efficiency. In addition, the company's website was renewed. Furnishing supporting the Harvia brand was acquired and installed at selected retail stores to improve the visibility of Harvia's products. Research and development expenditure entered into expenses amounted to EUR 0.6 million (0.6).

In February, Harvia acquired from its German retailer Marno e.K its customer base and current assets.

PERSONNEL

The number of personnel employed by the Group at the end of the review period was 381 (384) and an average of 372 (365) during January–June. Of the personnel, 51% (50%) worked in Finland, 8% (8%) in Austria, 22% (23%) in Romania, 2% (1%) in Estonia and 17% (18%) in China and Hong Kong.

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 fully paid shares. Trading in the company's shares on the Nasdaq Helsinki main list began on 26 March 2018. The ticker symbol for the shares is HARVIA and their ISIN code is FI4000306873. Harvia has one series of shares, and each share entitles to one vote in the company's general meeting. The shares subscribed by personnel in Harvia's share issue were paid to the company on 3 April 2018 and were registered on 6 April 2018.

The company's shares are included in a book-entry system. Trading volume during the review period was EUR 32.8 million and 6,344,735 shares. The highest price of the share was EUR 6.39 and the lowest was EUR 4.91. The closing price of the share at the end of June was EUR 6.00. These figures include share sales related to the IPO. The market value of the share capital stood at EUR 112.2 million on 30 June 2018. The company does not currently own any treasury shares.

The number of registered shareholders at the end of the review period was 2,556, including nominee registers. At the end of the review period, nominee registered, and direct foreign shareholders made up 36.8% of the company's shares. At the end of the review period, the ten largest shareholders held a total of 43.2% of Harvia's shares and votes.

GOVERNANCE

In an extraordinary General Meeting on 9 February 2018, shareholders decided to change the company's company form into a public company and change the company's name to Harvia Plc. At the same time, the company's share capital was increased from the company's unrestricted equity to the amount of EUR 80,000 required for a public company.

The Board of Directors was authorised to decide on a share issue to implement the public offering and on including the shares in the book-entry system managed by Euroclear Finland.

Ari Hiltunen was elected as a new ordinary member of Harvia Plc's Board of Directors.

In the Annual General Meeting held on 2 March 2018, shareholders approved the parent company's Financial Statements and the Consolidated Financial Statements, the latter made in accordance with the IFRS standard, for the financial periods 1 January 2015 – 31 December 2015, 1 January 2016 – 31 December 2016 and 1 January 2017 – 31 December 2017.

The Board of Directors was authorised to resolve, at its discretion, upon distribution of dividend or of assets from reserves for unrestricted equity in the maximum amount of EUR 3,500,000.00 provided that the financial standing of the company at the time of distribution allows for distribution of dividend and other legal requirements for distribution of assets are met. The authorisation is valid until the beginning of the following annual general meeting.

The number of ordinary members in the company's Board of Directors was confirmed to be five. Olli Liitola (Chairman), Ia Adlercreutz, Anders Björkell, Pertti Harvia and Ari Hiltunen will continue in the company's Board of Directors. The Annual General Meeting decided that PricewaterhouseCoopers Oy will continue as the company's auditor, with Markku Launis as the responsible auditor.

The Board of Directors was authorised to decide on the acquisition of treasury shares and the issuance of new shares, as well as the issuance of options and other special rights entitling to shares as referred to in Chapter 10, Section 1 of the Limited Liability Companies Act entitling to shares.

NEW SHARE-BASED INCENTIVE PLAN

In May 2018, the Board of Directors of Harvia Plc decided, based on its authorization, to establish a new share-based long-term incentive plan for the CEO and Management Team members. The incentive plan has three three-year earnings periods consisting of 2018–2020, 2019–2021 and 2020–2022. During the first earnings period, the incentive plan includes a maximum of 10 persons, and the plan's goals are related to the overall share return, revenue growth and operating result margin. The share bonuses based on the plan's first earnings period corresponds to a maximum of 125,000 shares in Harvia Plc.

RISKS AND UNCERTAINTIES

The company evaluates that no significant changes occurred in risks and uncertainty factors during the review period.

Harvia Group's risk management is controlled by its Risk Management Policy. The purpose of risk management in the Group is to encourage the identification of risks and their pre-emptive management, to ensure an adequate level of risk management and to include risk management as part of the company's business. No material changes occurred in the short-term business risks and uncertainties during the first half-year.

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.

Harvia's largest customer group is formed by retail and wholesale companies that sell the company's products to construction companies and end customers. In addition, the company sells tailored products and solutions in smaller quantities directly to end customers. Although the company has many different retail channels, the most important retailers are essential to the company's business.

The self-sufficiency of the Group's manufacturing processes, the backup supplier system for materials and the widely dispersed customer base balance potential strategic risks. Production is based on the company's own design and patents, and these are used to manage potential operative risks. Damage risks are covered with insurance 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 unfavourable 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 risks related to the US dollar and the Russian rouble, and the risk caused when the parent company's investments in subsidiaries outside the Euro zone are converted into euros. So far, the currency risks have not been significant to the company 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.

MUURAME 16 AUGUST 2018

HARVIA PLC
Board of Directors

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RESULT PUBLICATIONS 2018

Interim report January–September 2018
15 November 2018

PRESS CONFERENCE

Harvia will hold a press conference for analysts, investors and media today, Thursday, 16 August 2018, at 11:00 a.m. Finnish time, at Harvia's headquarters and factory premises in Muurame (address Teollisuustie 1–7, Muurame). The conference will be held in Finnish.

A live audiocast of the conference will also be held today, Thursday, 16 August 2018, at 1:00 p.m. Finnish time. You can follow the audiocast at https://harvia.videosync.fi/2018-q2-results.

You can also participate in the conference by telephone:

- Finland: +358 9 817 104 95
- UK: +44 203 194 055 2
- Sweden: +46 856 642 702
- US: +1 855 716 159 7

A recording of the audiocast will be available later on the company's website.

HARVIA PLC HALF-YEAR FINANCIAL REVIEW JANUARY–JUNE 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	4-6/2018	4-6/2017	1-6/2018	1-6/2017	2017
Revenue	2.1, Note 1	**15,270**	**14,371**	**31,765**	**30,814**	**60,107**
Other operating income		32	90	71	137	208
Materials and services		-6,325	-5,616	-13,655	-12,955	-24,972
Employee benefit expenses	5.1	-3,389	-3,245	-6,723	-6,312	-12,305
Other operating expenses	2.2	-2,629	-2,931	-6,075	-5,507	-11,855
Depreciation and amortisation		-554	-483	-1,047	-958	-1,921
Operating profit		**2,404**	**2,187**	**4,336**	**5,219**	**9,263**
Finance income		45	108	56	268	457
Finance costs	4.1	-354	-1,344	-2,277	-2,636	-5,370
Finance costs, net		-309	-1,236	-2,222	-2,368	-4,914
Profit before income taxes		**2,095**	**950**	**2,114**	**2,851**	**4,349**
Income taxes	5.2	-524	-322	1,109	-774	-1,435
Profit for the period		**1,571**	**629**	**3,222**	**2,077**	**2,914**
Attributable to:						
Owners of the parent		1,571	629	3,222	2,077	2,914
Other comprehensive income						
Items that may be reclassified to profit or loss in subsequent periods:						
Translation differences		196	-305	87	-474	-505
Other comprehensive income, net of tax		196	-305	87	-474	-505
Total comprehensive income		**1,768**	**323**	**3,310**	**1,603**	**2,409**
Attributable to:						
Owners of the parent		1,768	323	3,310	1,603	2,409
Basic EPS (EUR)	2.3	0.08	0.07	0.22	0.22	0.30
Diluted EPS (EUR)	2.3	0.08	0.07	0.22	0.22	0.30

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	Note	30-Jun-18	30-Jun-17	31-Dec-17
ASSETS				
Non-current assets				
Intangible assets		2,896	2,796	2,999
Goodwill		59,224	59,224	59,224
Property, plant and equipment		14,665	15,307	14,939
Deferred tax assets		1,406		
Total non-current assets		**78,191**	**77,328**	**77,163**
Current assets				
Inventories	3	15,004	14,453	14,143
Trade and other receivables	3	15,264	14,486	12,738
Income tax receivables		690	545	1,604
Cash and cash equivalents	4	10,530	5,529	8,345
Total current asset		**41,488**	**35,012**	**36,830**
Total assets		**119,679**	**112,340**	**113,993**

EUR thousand	Note	30-Jun-18	30-Jun-17	31-Dec-17
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	5.3	80	3	3
Other reserves	5.3	53,114	9,735	9,703
Retained earnings	1	9,262	6,656	6,656
Profit for the period		3,222	2,077	2,914
Total equity attributable to owners of the parent		**65,679**	**18,471**	**19,276**
Total equity		**65,679**	**18,471**	**19,276**
Liabilities				
Non-current liabilities				
Shareholder loans	4.1		38,516	41,618
Loans from credit institutions	4.1	39,369	33,411	31,318
Derivative financial instruments	4.1	1,524	1,511	1,327
Deferred tax liabilities	5.2		322	442
Other non-current liabilities		378	461	383
Provisions		251	262	225
Total non-current liabilities		**41,522**	**74,484**	**75,313**
Current liabilities				
Loans from credit institutions	4.1	2,115	7,293	8,394
Derivative financial instruments	4.1			
Income tax liabilities		252	452	1,160
Trade and other payables	3	9,861	11,378	9,626
Provisions		251	262	225
Total current liabilities		**12,478**	**19,385**	**19,404**
Total liabilities		**54,000**	**93,869**	**94,716**
Total equity and liabilities		**119,679**	**112,340**	**113,993**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand	Note	Share capital	Invested unrestricted equity reserve	Translation differences	Retained earnings	Total
Equity at 1 January 2017		**3**	**9,724**	**484**	**6,656**	**16,867**
Profit for the period					2,077	2,077
Other comprehensive income				-474		-474
Total comprehensive income				-474	2,077	1,603
Equity at 30 June 2017		**3**	**9,724**	**10**	**8,734**	**18,471**
Equity at 1 January 2017		**3**	**9,724**	**484**	**6,656**	**16,868**
Profit for the period					2,914	2,914
Other comprehensive income				**-505**		-505
Total comprehensive income				-505	2,914	2,409
Equity at 31 December 2017		**3**	**9,724**	**-21**	**9,570**	**19,276**
Equity at 1 January 2018						
Adoption of new IFRS 15 and IFRS 9 standards	1				-308	-308
Equity at 1 January 2018		3	9,724	-21	9,262	18,968
Increase in share capital		78	-78			
Share issue	5.3		45,000			45,000
Expenses related to the share issue	5.3		-1,671			-1,671
Discount related to the personnel share issue	5.1		72			72
Total transactions with shareholders		78	43,324			43,401
Profit for the period					3,222	3,222
Other comprehensive income				87		87
Total comprehensive income				87	3,222	3,310
Equity at 30 June 2018		**80**	**53,048**	**66**	**12,485**	**65,679**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	Note	4-6/2018	4-6/2017	1-6/2018	1-6/2017	2017
Cash flows from operating activities						
Profit before taxes		2,095	950	2,114	2,851	4,349
Adjustments						
Depreciation and amortisation		554	483	1,047	958	1,921
Finance income and finance costs		309	1,236	2,222	2,368	4,914
Other adjustments		-108	-11	-87	-17	-39
Cash flows before changes in working capital		2,851	2,658	5,295	6,160	11,145
Change in working capital						
Increase (-) / decrease (+) in trade and other receivables	3	340	201	-2,850	-3,834	-2,153
Increase (-) / decrease (+) in inventories	3	-1,668	-2,235	-1,129	-2,598	-2,349
Increase (+) / decrease (-) in trade and other payables	3	-1,079	1,237	437	2,434	2,115
Cash flows from operating activities before financial items and taxes		**444**	1,861	1,753	2,162	8,758
Interest and other finance costs paid		-34	-72	-48	-105	-186
Interest and other finance income received		41	-2	49	1	1
Income taxes paid/received	5.2	-1,440	745	-237	350	-543
Net cash from operating activities		**-989**	**2,532**	**1,516**	**2,408**	**8,029**
Cash flows from investing activities						
Purchases of tangible and intangible assets		-237	-348	-820	-500	-1,196
Sale of tangible and intangible assets		13	17	13	25	30
Acquisition of subsidiaries, net of cash acquired						
Net cash from investing activities		**-223**	**-330**	**-806**	**-476**	**-1,166**
Cash flows from financing activities						
Proceeds from share issues	5.3	650		45,000	50	50
Costs from share issue recognised in equity	5.3	-346		-1,613		
Repayment of non-current loans	4.1	-1	-2,000	-77,868	-2,000	-4,250
Proceeds from non-current loans	4.1			39,500		
Change in current interest-bearing liabilities	4.1	-14	347	-1,769	-152	952
Interest and other finance costs paid	4.1	-270	-383	-1,773	-764	-1,634
Net cash from financing activities		**19**	**-2,035**	**1,477**	**-2,867**	**-4,882**
Net change in cash and cash equivalents		-1,193	167	2,187	-934	1,980
Cash and cash equivalents at beginning of period		11,681	5,464	8,345	6,568	6,568
Exchange gains/losses on cash and cash equivalents		42	-102	-2	-105	-204
Cash and cash equivalents at end of period		**10,530**	**5,529**	**10,530**	**5,529**	**8,345**

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 2017 and should therefore be read in conjunction with the consolidated financial statements for 2017 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 2018:

- IFRS 15 *Revenue from Contracts with Customers* is the new revenue standard. Harvia has adopted it from 1 January 2018 on using the modified retrospective method which means that the cumulative impact of the adoption has been recognised in retained earnings as of 1 January 2018 and that comparative will not be restated. More detailed information on the impact of the adoption of the new standard on accounting policies and the figures for interim information is presented in Appendix 1.

- IFRS 9 *Financial Instruments* addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The new rules have been applied retrospectively from 1 January 2018 with the practical expedients permitted under the standard. Comparatives for 2017 are not be restated. More detailed information on the impact of the adoption of the new standard on accounting policies and the figures for interim information is presented in Appendix 1.

Harvia's Board of Directors has approved this interim information in its meeting on 16 August 2018. 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 2017.

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.

On 1 January 2018, Harvia has adopted new revenue standard, and the impacts of the adoption are explained more in Appendix 1.

REVENUE BY MARKET AREA

EUR thousand	4-6/2018	4-6/2017	Change, %	1-6/2018	1-6/2017	Change, %	2017
Finland	6,164	5,780	6.6%	12,446	12,081	3.0%	22,214
Other Scandinavia	887	907	-2.3%	1,701	1,675	1.6%	3,324
Germany	1,149	1,328	-13.5%	3,048	3,362	-9.3%	7,373
Other EU countries	3,472	3,052	13.8%	7,483	6,893	8.6%	14,044
Russia	1,156	1,260	-8.3%	2,812	3,212	-12.4%	6,227
North America	1,052	862	22.0%	1,714	1,554	10.3%	2,963
Other countries*	1,391	1,182	17.7%	2,561	2,039	25.6%	3,962
Total	**15,270**	**14,371**	6.3%	**31,765**	**30,814**	3.1%	**60,107**

*The largest of which: Arab countries, Asia and other Europe.

REVENUE BY PRODUCT GROUP

EUR thousand	4-6/2018	4-6/2017	Change, %	1-6/2018	1-6/2017	Change, %	2017
Sauna heaters	9,118	8,674	5.1%	18,528	18,659	-0.7%	35,289
Sauna rooms	1,772	1,634	8.4%	3,628	3,223	12.6%	6,903
Control units	1,099	1,361	-19.3%	2,822	3,057	-7.7%	6,318
Steam generators	843	656	28.4%	1,724	1,475	16.9%	2,791
Other product groups, spare parts and services	2,439	2,045	19.2%	5,063	4,401	15.0%	8,807
Total	**15,270**	**14,371**	6.3%	**31,765**	**30,814**	3.1%	**60,107**

2.2. OPERATING EXPENSES

Other operating expenses for the period 1 January – 30 June 2018 include expenses of EUR 1,279 thousand related to the listing. During the financial period 2017 the total cost of the listing was EUR 584 thousand. In addition, other operating expenses include other items outside the ordinary course of business that are related to the group's strategic development projects, acquisitions and 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.

	4-6/2018	4-6/2017	1-6/2018	1-6/2017	2017
Profit for the period attributable to the owners of the parent company, EUR thousand	1,571	629	3,222	2,077	2,914
Weighted average number of shares outstanding during the financial period, '000	18,685	9,567	14,648	9,554	9,617
Basic earnings per share, EUR	**0.08**	**0.07**	**0.22**	**0.22**	**0.30**
Weighted average number of shares outstanding during the year, diluted, '000	18,685	9,567	14,648	9,554	9,617
Diluted earnings per share, EUR	**0.08**	**0.07**	**0.22**	**0.22**	**0.30**

3. NET WORKING CAPITAL

EUR thousand	30-Jun-18	30-Jun-17	31-Dec-17
Net working capital			
Inventories	15,004	14,453	14,143
Trade receivables	13,733	12,567	11,503
Other receivables	1,532	1,919	1,235
Trade payables	-5,986	-5,242	-5,077
Other payables	-3,874	-6,136	-4,549
Total	**20,408**	**17,560**	**17,255**
Change in net working capital in the statement of financial position	3,153	2,118	1,812
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*	390	1,880	574
Change in net working capital in the statement of cash flows	3,542	3,998	2,387

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

In February 2018, Harvia Finland Oy purchased an inventory from its German retailer Marno e.K, which increased the group's inventory by EUR 142 thousand at the date of acquisition.

Harvia has significant trade receivables due to long terms of payment in the client agreements. In certain circumstances, Harvia has also supported its distribution and dealership relationships by accepting longer than ordinary terms of payment periods and by agreeing on a new payment plan in respect of receivables due, which has increased trade receivables especially in USA and in Russia.

On 1 January 2018, Harvia has adopted a new standard for financial instruments that introduces a new impairment model for financial assets. Further information on the effect of the increase in loss allowance for trade receivables is explained in Appendix 1.

4. NET DEBT AND CONTINGENCIES

INTEREST-BEARING NET DEBT

EUR thousand	30-Jun-18	30-Jun-17	31-Dec-17
Loans from credit institutions	41,483	40,704	39,712
Shareholder loans and vendor notes		38,516	41,618
Less cash and cash equivalents	-10,530	-5,529	-8,345
Net debt	**30,953**	**73,692**	**72,985**

4.1. BORROWINGS AND OTHER FINANCIAL LIABILITIES

All borrowings of the group are euro-denominated.

Repayment of shareholder loans

In March 2018 Harvia strengthened its capital structure by using the funds raised in the share issue to repay the principal and accrued interests of shareholder loans. Shareholder loans matured prematurely as a result of the listing. With the share issue, Harvia raised the funds of EUR 45,000 thousand of which EUR 42,453 thousand was used to repayment of shareholder loans and their accrued interests, including so-called vendor note loan.

The repayment of shareholder loans decreases interest expenses of approximately EUR 2.5 million for financial period 2018 compared to the financial period 2017.

Refinancing of bank loans

On 2 March 2018, the company agreed on a financing arrangement of EUR 44,500 thousand in total, with Danske Bank A/S, Finland branch, which was conditional upon the completion of the listing. The new financing arrangement consisted of a EUR 36 500 thousand term loan and EUR 8,000 thousand credit limit. At the end of March Harvia repaid prematurely its old bank loans, nominal value of total EUR 36 250 thousand, with funds from the term loan and replaced the previous EUR 8,000 thousand credit limit with the new credit limit. New bank loan matures in one instalment on 2 March 2023 and its nominal interest is tied to Euribor and a margin is tied to Group's net debt / adjusted EBITDA ratio.

As a result of the repayment of old bank loans (including credit limit), remaining transaction costs of EUR 616 thousand in the balance sheet were recognised as expenses under other finance costs for the interim period. As a result of the refinancing of the old bank loans, the group's real estate and corporate mortgages as well as pledged subsidiary shares were released. The parent company guarantees the loans drawn down in accordance with the new financing arrangement.

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.

Interest rate swap

In connection with the refinancing of bank loans, an interest rate swap agreement with Swedbank was transferred to Danske Bank through a novation agreement.

4.2. COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand	30-Jun-18	30-Jun-17	31-Dec-17
Guarantees and mortgages given on own behalf:			
Mortgages	320	169,320	169,320
Enterprise mortgages		253,500	253,500
Total	**320**	**422,820**	**422,820**
Pledges given on own behalf:			
Shares in subsidiaries		96,984	96,984
Total		**96,984**	**96,984**
Other guarantees:			
Pledged accounts	10	5	8
Customs guarantee	30	30	31
Other guarantees	12	2,502	2,502
	52	**2,537**	**2,541**

In addition, Harvia Group Oy has guaranteed a subsidiary's credit limit of which EUR 2,010 thousand was in use on 30 June 2018.

5. OTHER NOTES

5.1. RELATED PARTY TRANSACTIONS

In connection with the listing, CapMan Buyout X Fund A L.P and CapMan Buyout X Fund B Ky, which previously had control over the group, sold 679,774 Harvia Oyj shares representing 7.02 percent share of the company before the share issue. After the completion of the sale and share issue, the Funds' direct holding in the company is 24.64 percent, and therefore the Funds have a significant influence over the group.

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

The following transactions were carried out with related parties:

EUR thousand	1-6/2018	1-6/2017	2017
Purchases	4	1	17
Sales			1

Loans from related parties and their changes:

EUR thousand	1-6/2018	1-6/2017	2017
At 1 January	41,618	38,516	38,516
Loan repayments	-41,618		
Accrued interests*	836	1,635	3,298
Withholding tax on interest	-42		-175
Interest paid	-793		-21
At end of period		**40,152**	**41,618**

In connection with the listing of the company, Harvia paid back loans from related parties.

Personnel offering

In connection with the listing the group's personnel subscribed 144,357 shares in the personnel offering. The subscription price of EUR 4.50 per share was 10% lower than the subscription price for other shares subscribed in connection with the listing. The discount given to the personnel EUR 72 thousand has been accounted for under IFRS as share-based payments and it has been fully recorded as personnel expenses.

Management remuneration

Harvia's CEO and CFO both received a one-time bonus of EUR 50 thousand when the listing was completed.

5.2 NEW SHARE-BASED INCENTIVE PLAN

In May the Board of Directors of Harvia Plc decided, based on authorization, to establish a new share based long-term incentive plan for the CEO and Management Team members. The plan will form 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.

The long-term incentive plan will not have a dilutive effect, because the rewards will be paid with existing shares of the company, which will be purchased from the market, and no new shares will be issued in connection with this plan.

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.

5.3. TAXES

No deferred tax receivables for intra-group interest expenses of EUR 8,185 thousand that were non-deductible in taxation for previous years have been recognised in Harvia's consolidated financial statements for the year ended 31 December 2017. These net interest costs incurred to Harvia Group Oy form intra-group net interest expenses, the deductibility of which are restricted by the applicable tax provisions. The deductibility of these net interest costs and their use in the taxation of following years was thus uncertain and thereby no deferred tax assets were recognised at the end of 2017. In March 2018, majority of intra-group loans of Harvia Group Oy were converted into the company's unrestricted equity and the company's equity was also strengthened by cash contribution. As a result, Harvia Group Oy will have less intra-group net interest expenses in future. This increases the prospects for Harvia Group Oy to deduct all of its net interest expenses and the likelihood of deduction of the non-deducted net interest expenses from previous years in the taxation of Harvia Group Oy. As a result, an increase in deferred tax assets of EUR 1,637 thousand was recognised for the income statement for January-June 2018. There is no time limit for the deductions net interest expenses from previous years.

5.4. EQUITY

On 9 February 2018, the shareholders of the company decided with a unanimous decision to change to company form of the company to a public limited liability company and to implement an increase in share capital by a capital increase to meet the required EUR 80,000 limit for a public limited liability company through a fund increase.

In the connection with the listing, the company carried out an offering which consisted of a public offering in Finland, an institutional offering to institutional investors in Finland and in accordance with applicable laws, internationally; and personnel offering to employees of the group. With the share issue, the company raised gross proceeds approximately EUR 45,000 thousand that was recognised to the invested unrestricted equity reserve.

During January-June 2018, the company's listing related fees and expenses amounted to EUR 3,368 thousand, of which EUR 2,089 thousand was recognised as expenses in connection with the offering against the received assets of the invested unrestricted equity reserve, net of EUR 418 deferred taxes.

EUR thousand	Ordinary shares	Number of shares
At 1 January 2017	3	9,539,800
At 31 March 2017	3	9,539,800
Share issue		140,000
At 30 June 2017	3	9,679,800
At 31 December 2017	3	9,679,800
Increase in share capital through a fund increase	78	
Initial public offering		8,870,079
At 31 March 2018	80	18,549,879
Personnel offering		144,357
At 30 June 2018	80	18,694,236

APPENDIX 1: CHANGES IN ACCOUNTING POLICIES

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

Harvia has adopted the standard IFRS 15 Revenue from Contracts with Customers on 1 January 2018 using the modified retrospective method which means that the cumulative impacts of the adoption have been recognised in retained earnings as of 1 January 2018 and that comparatives have not been restated.

Harvia has defined the impacts of the standard and based on that has adjusted the revenue of project sales. For the rest, the effects of the changes were not significant and do not require adjustments to the figures of interim information. The impacts of the new standard on the revenue recognition policies and figures of interim information are presented below.

ACCOUNTING POLICY

Harvia's revenue mainly consists of the sales of sauna and spa products that it has produced. Harvia sells most of its products to retailers, distributors or importers. Sales of goods are recognised when the control is transferred to the buyer. This is when the goods have been delivered to the buyer. Delivery is deemed to have taken place when the products have been delivered to the agreed location, the risk of obsolescence and damage of products has been transferred to the customer. In addition, for certain contract terms, a transportation service is considered to be a separate performance obligation when control to the goods is transferred to the buyer before the goods are delivered. However, transportation service is typically performed during the same day as control is transferred to the customer and therefore the revenue from goods and transportation service is recognised at the same time.

Amounts disclosed as revenue are net of returns, volume-based marketing subsidies and rebates. Goods are often sold with volume discounts based on aggregate sales over a 12 months period. Revenue from sales is recognised based on the price specified in the contract, net of the estimated volume-based discounts. A contract liability is recognised for expected volume discounts and marketing subsidies payable to customers in relation to sales made until the end of the reporting period. Certain wholesale customers are given a right of return in respect of certain campaign products if the goods are not sold within six months after the purchase or the legislation concerning products will change. Products directly sold to consumers via online shops are subject to a 14-day return policy. A contract liability for the expected refunds to customers is recognised as adjustment to revenue. Accumulated experience is used to estimate and provide for the discounts, volume-based marketing subsidies and returns, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

As for the products sold are usually given a payment period between 30 and 120 days which is consistent with the market practice, and thus no finance element is included in the sales. A receivable is recognised when the goods are delivered. This is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Minority of Harvia Group's revenue is from rendering services, mainly installation and maintenance services as well as project sales where sauna or spa department or many pre-installed saunas are provided to the customer. Revenue from services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual costs relative to the total expected costs.

SIGNIFICANT MANAGEMENT JUDGEMENTS

The management uses judgement when allocating marketing subsidies to allowances included in the revenue and marketing costs included in other expenses. Marketing subsidies determined as the percentage of sales volume and against which marketing services are not obtained, are reducing the revenue. Marketing subsidies against which Harvia receives a marketing service are presented under other operating expenses.

PROJECT SALES ADJUSTMENT

For some of the project sales Harvia will recognise revenue over time when previously revenue has been recognised after completion. Below is a summary of the adjustments to the opening statement of financial position as of 1 January 2018:

EUR thousand	Carrying value under IFRS 15	Impact on retained earnings at 1 January 2017
Contract assets	31	31
Changes in inventories of finished goods and work in progress	-25	-25
Deferred tax liabilities	1	-1

The revenue for the interim period 1 January to 30 June 2018 would have been EUR 373 lower if old revenue principles had been applied. The consolidated statement of financial position as of 30 June 2018 includes contract assets of EUR 78 thousand and contact liabilities of EUR 15 thousand.

IFRS 9 FINANCIAL INSTRUMENTS

The group has applied IFRS 9 Financial instruments standard from 1 January 2018. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. The most significant effects of the adoption of IFRS 9 in the group related to the impairment of trade receivables and classification of financial assets and liabilities that is based on the business models determined by the group. Harvia still does not apply hedge accounting. The impacts of the new standard on the accounting policies of the group's financial instruments and the opening statement of financial position as of 1 January 2018 have been presented below.

ACCOUNTING POLICY

Classification and measurement of financial assets

The group's financial assets consist of trade receivables, other receivables, prepayments and accrued income and cash and cash equivalents. A financial asset is valued at fair value at initial recognition, plus transaction costs directly attributable to the acquisition. Financial assets are classified as financial assets at amortised cost based on the business model used in the management of the financial assets and contractual terms of cash flows.

Harvia's management has determined which business models are applied for the group's financial assets at the date of application of IFRS 9 as of 1 January 2018 and classified financial assets into categories according to IFRS 9. All financial assets of the group are classified as at amortised cost when previously under IAS 39 they have been classified as loans and other receivables. This change in classification has not caused any changes in the carrying values of financial assets.

Impairment of financial assets

Financial assets consist mainly of trade receivables and for the recognition of expected credit losses the group applies the simplified approach prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Expected credit losses also incorporate forward looking information.

Classification and measurement of financial liabilities

Loans from credit institutions are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. From 1 January 2018, loans from credit institutions are classified at amortised cost in accordance with IFRS 9, which does not change the previous measurement or accounting under IAS 39.

Fees paid on the revolving credit facility arrangements are capitalised as a prepayment for liquidity services and amortised as expense over the period of the facility to which it relates, if there is no certainty that some or all of the facility will be drawn down. This reflects the finance cost of the undrawn facility. To the extent that it is probable that some or all of the facility will be drawn down, the fees are recognised as transaction costs only, when the loan is drawn down.

Derivative financial instruments

Derivatives are classified as held for trading and recognised initially at fair value on the date a derivative contract is entered into, and subsequently measured at fair value of the end of the reporting period unless they are designated as hedges. Derivatives as held for trading are classified as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

Group's derivatives have not been determined as hedging instruments and therefore under IFRS 9 they are classified at fair value through profit or loss as of 1 January 2018. This classification does not change the previous measurement or accounting of derivatives under IAS 39.

IMPACT OF THE ADOPTION OF A NEW IMPAIRMENT MODEL FOR TRADE RECEIVABLES

The effect of the increase in the loss allowance in the opening statement of financial position as of 1 January 2018 and changes during the period are presented below:

EUR thousand	Jan - Jun 2018 IFRS 9	Jan - Dec 2017 IAS 39
At 1 January - under IAS 39	63	69
Impact of the increase in the loss allowance on the opening balance	391	
Opening loss allowance at 1 January calculated under IFRS 9	**454**	
Change in loan loss allowance recognised in profit or loss during the period	-25	22
Trade receivables written off during the period as uncollectible	-1	-28
Unused amount reversed	2	
Total	429	63

During the financial period 2017 the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly.

An increase in the loss allowance amounting to EUR 391 thousand related to trade receivables decreases the opening balance of retained earnings as at 1 January 2018. In addition, the tax effect of the increase in the loss allowance of EUR 78 thousand increases the opening balance of deferred tax assets and the retained earnings respectively.

APPENDIX 2:
KEY FIGURES AND CALCULATION OF KEY FIGURES

EUR thousand	4-6/2018	4-6/2017	1-6/2018	1-6/2017	2017
Key statement of comprehensive income indicators					
Revenue	15,270	14,371	31,765	30,814	60,107
EBITDA	2,958	2,669	5,383	6,177	11,184
% of revenue	19.4	18.6	16.9	20.0	18.6
Adjusted EBITDA	2,996	2,816	6,705	6,471	12,617
% of revenue	19.6	19.6	21.1	21.0	21.0
Operating profit	2,404	2,187	4,336	5,219	9,263
% of revenue	15.7	15.2	13.6	16.9	15.4
Adjusted operating profit	2,443	2,333	5,658	5,513	10,696
% of revenue	16.0	16.2	17.8	17.9	17.8
Adjusted profit before income taxes	2,133	1,097	3,436	3,145	5,783
Basic EPS (EUR)	0.08	0.07	0.22	0.22	0.30
Diluted EPS (EUR)	0.08	0.07	0.22	0.22	0.30
Key cash flow indicators					
Cash flow from operating activities	-989	2,532	1,516	2,408	8,029
Operating free cash flow	353	1,671	2,342	1,972	9,035
Cash conversion	11.8 %	59.4 %	34.9 %	30.5 %	71.6 %
Investments in tangible and intangible assets	-237	-348	-820	-500	-1,196
Key cash flow indicators					
Net debt	30,953	73,692	30,953	73,692	72,985
Leverage	2.4	6.0	2.4	6.0	5.8
Net working capital	20,408	17,560	20,408	17,560	17,255
Capital employed excluding goodwill	35,173	30,254	35,173	30,254	32,752
Adjusted return on capital employed (ROCE)	30.8 %	34.6 %	30.8 %	34.6 %	32.7 %
Equity ratio	54.9 %	16.5 %	54.9 %	16.5 %	16.9 %
Number of employees at end of period	381	384	381	384	365
Average number of employees during the period	372	385	374	365	369

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	4-6/2018	4-6/2017	1-6/2018	1-6/2017	2017
Operating profit	2,404	2,187	4,336	5,219	9,263
Depreciation and amortisation	554	483	1,047	958	1,921
EBITDA	2,958	2,669	5,383	6,177	11,184
Items affecting comparability					
Costs related to listing	14		1,279		584
Strategic development projects	24	40	36	89	605
Acquisition-related expenses	0	89	7	188	227
Restructuring expenses		52		52	52
Net gains or losses from sales of assets and grants received		-34		-34	-34
Total items affecting comparability	38	147	1,322	294	1,434
Adjusted EBITDA	2,996	2,816	6,705	6,471	12,617
Depreciation and amortisation	-554	-483	-1,047	-958	-1,921
Adjusted operating profit	2,443	2,333	5,658	5,513	10,696
Finance costs, net	-309	-1,236	-2,222	-2,368	-4,914
Adjusted profit before income taxes	2,133	1,097	3,436	3,145	5,783

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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