HARVIA PLC

HALF-YEAR FINANCIAL REVIEW

January–June 2020

REVENUE AND PROFITABILITY INCREASED SIGNIFICANTLY IN EXCEPTIONAL MARKET CONDITIONS IN THE SECOND QUARTER

HIGHLIGHTS OF THE REVIEW PERIOD

APRIL–JUNE 2020:

- Revenue increased by 50.1% to EUR 25.5 million (17.0). At comparable exchange rates, revenue increased by 50.8% to EUR 25.6 million. Organic revenue growth was 32.3%.
- Adjusted operating profit increased to EUR 5.4 million (2.8), making up 21.1% (16.5) of the revenue. At comparable exchange rates, the adjusted operating profit increased to EUR 5.3 million (20.9% of the revenue).
- Operating profit was EUR 4.6 million (2.7), making up 17.9% (15.8) of the revenue.
- Operative free cash flow amounted to EUR 4.5 million (2.2).
- On April 30, 2020, Harvia completed the acquisition of the majority of the German EOS Group. The financial figures of EOS Group have been consolidated with Harvia's figures starting from the completion of the acquisition.

JANUARY–JUNE 2020:

- Revenue increased by 26.5% to EUR 45.9 million (36.3). At comparable exchange rates, revenue increased by 26.1% to EUR 45.8 million. Organic revenue growth was 18.1%.
- Adjusted operating profit was EUR 9.6 million (6.8), making up 20.9% (18.7) of the revenue. At comparable exchange rates, the adjusted operating profit increased by 39.7% to EUR 9.5 million (20.7% of the revenue).
- Operating profit was EUR 7.7 (6.5) million, making up 16.7% (18.0%) of the revenue.
- Operating free cash flow amounted to EUR 10.4 million (3.9).
- Net debt amounted to EUR 43.6 million (33.9) and leverage was 2.2 (2.3).
- Equity ratio was 41.3% (56.0). During the review period, Harvia took out a new long-term loan of EUR 20 million for financing the acquisition of EOS Group.
- Harvia has taken special measures in all of its operating countries to ensure the safety of its personnel and safeguard the continuity of its operations and services in the exceptional situation caused by the COVID-19 pandemic. Despite the pandemic, we have maintained our operative and customer service capabilities on their regular level.

KEY FIGURES

EUR million	4-6/2020	4-6/2019	Change	1-6/2020	1-6/2019	Change	2019
Revenue	25.5	17.0	50.1%	45.9	36.3	26.5%	74.1
EBITDA	5.6	3.5	62.1%	9.6	8.1	18.3%	16.4
% of revenue	22.0%	20.4%		20.8%	22.2%		22.2%
Items affecting comparability *	0.8	0.1	529.4%	1.9	0.3	646.8%	0.6
Adjusted EBITDA **	6.4	3.6	78.8%	11.5	8.3	37.5%	17.0
% of revenue	25.2%	21.1%		24.9%	22.9%		22.9%
Operating profit	4.6	2.7	70.6%	7.7	6.5	17.7%	13.3
% of revenue	17.9%	15.8%		16.7%	18.0%		18.0%
Adjusted operating profit **	5.4	2.8	91.6%	9.6	6.8	41.3%	13.9
% of revenue	21.1%	16.5%		20.9%	18.7%		18.7%
Basic EPS (EUR)	0.17	0.10	66.9%	0.30	0.24	23.5%	0.51
Operating free cash flow	4.5	2.2	103.6%	10.4	3.9	164.5%	15.2
Cash conversion	70.8%	62.2%		91.2%	47.4%		89.3%
Investments in tangible and intangible assets	-0.4	-0.6	-36.6%	-0.7	-1.1	-35.4%	-1.8
Net debt	43.6	33.9	28.7%	43.6	33.9	28.7%	28.3
Leverage	2.2	2.3		2.2	2.3		1.7
Net working capital	22.3	20.5	9.0%	22.3	20.5	9.0%	16.8
Adjusted return on capital employed (ROCE)	43.4%	30.6%		43.4%	30.6%		38.2%
Equity ratio	41.3%	56.0%		41.3%	56.0%		56.6%
Number of employees at end of period	563***	404	39.4%	563***	404	39.4%	395

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

** Adjusted by items affecting comparability.

*** Includes the personnel of EOS Group, totaling 150 employees on June 30, 2020.

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’s management estimates that although there has been a strong increase in different home improvement and renovation projects during the COVID-19 pandemic, this will have no impact on the long-term growth expectations of the sauna and spa market, nor on Harvia’s long-term targets.

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:

For Harvia, the first half of 2020 was very strong and steady despite the impacts of the COVID-19 pandemic. We have actively taken care of the health and safety of our personnel and thereby succeeded in maintaining good operational capability.

During the review period, Harvia's revenue increased significantly to EUR 45.9 million, representing growth of more than 25 percent year-on-year. Sales growth further accelerated during the second quarter, our sales reaching EUR 25.5 million. The year-on-year increase amounted to 50.1 percent, of which 32 percent was organic growth.

Revenue increased very strongly in the sauna heater product group, improving by 26.6 percent during the half-year period. In the sauna heater product group, Harvia's solid development has been complemented with the robust sauna heater sales figures of EOS, which have been included for May and June. During the half-year period, the sauna room product group grew by 40.3 percent, with strongest growth in the United States and Central Europe. The demand for Almost Heaven Saunas remained high and their order book was strong. At the end of the review period, we made an investment decision to substantially increase AHS's capacity in order to maintain our strong growth and high-quality customer service. According to the plan, the additional capacity will be fully operational at the end of 2020. Due to challenging situation in the Arab countries', Asian and, in part, Russian markets, the sales of steam generators declined clearly from last year's level.

Revenue growth was particularly strong in Finland, North America and Germany. Our strategy and actions to Increase the value of the average purchase and expanding our distribution in line with our strategy have supported sales growth well. Increased interest in home improvement and renovation projects in both the consumer and professional channel was clearly reflected in the favorablesales development in Finland, the other Nordic countries and Germany. The increase in total domestic sales was excellent, and our premium price category novelty, the Harvia Legend Greenflame with cleaner burning, was well received in the market. In the United States, demand for sauna heaters and components was strong and steady. Almost Heaven Saunas performed very well in the overall sauna market.

COVID-19 does not seem to have had a significant impact on the sauna and spa market as a whole. Although some of our key markets have been practically closed down, the interest and activity around the sauna and spa market in general have increased significantly. In certain markets, interest and activity have been on an exceptionally high level. We estimate, however, that some of this interest and demand is so-called advance demand, and in our view, there have been no significant changes in the long-term growth drivers or targets in the sauna and spa market.

Our business performance has also been favorable, and we were able to substantially improve our profitability in the first half-year. Our adjusted operating profit increased to EUR 9.8 million, representing an increase of 44.3 percent compared to the previous year. The adjusted operating profit for the second quarter amounted to EUR 5.6 million, increasing by 98.7 percent. Relative profitability developed favorably, with the operating profit margin for the half-year period standing at 21.3 percent and for the second quarter at 21.9 percent.

Our supply chain has been able to respond efficiently to the very volatile demand brought on by the COVID-19 pandemic, and we have been able to continuously improve our productivity while maintaining our customer service capabilities on a good level. Our personnel in all units have once again shown excellent commitment to maintaining their operational capability and health in an extremely professional way in the challenging COVID-19 environment.

The acquisition of the German EOS Group was completed at the end of April. The integration following the acquisition has proceeded with good team spirit, and all areas of the integration have been initiated as planned and are proceeding according to targets and in a timely manner.

The latest quarter was in many ways very exceptional for Harvia. Our entire personnel stretched to an outstanding performance in exceptional circumstances. Seamless cooperation and intensive communication with our key customers and key partners have enabled us to successfully implement our strategy together and, at the same time, respond to clearly increased changes in demand. Once again, I am happy to offer my humble thanks to the entire team for an excellent team performance. Thank you!

The sauna and spa market does not seem to be very sensitive to the impacts of COVID-19, and we are now shifting closer to the new normal in stages, one market at a time. We will continue our measures to promote and safeguard operational capabilities and health in all our activities, and we remain prepared for higher than normal fluctuation in demand continuing. We closely monitor the market together with our customers and partners in order to maintain the speed and agility of our operations in the future. Demand for our products is strong, but we estimate that a part of the sales is advance demand.

We will naturally keep our eye determinedly on the cornerstones of our strategy and will implement the strategy with focus on increasing the value of the average purchase, geographical expansion and continuous improvement of productivity. The integration following the EOS acquisition will continue according to plan with high priority. In addition to organic growth, we continue to actively explore opportunities to grow in the sauna and spa market through acquisitions.

MARKET REVIEW

The sauna and spa market has historically been resilient, due in particular to the demand arising from the need to replace sauna heaters. Typically, the first and fourth quarter of the year are strong in the sauna business. During the second quarter, the COVID-19 pandemic caused significant and quick fluctuations in demand in several of Harvia's key markets. According to the company's estimate, the total impacts of the pandemic on the sauna and spa markets were positive during the first half-year, although its impacts are still evident in some of Harvia's key markets, Southern Europe and Asia in particular. According to the company's estimate, the sauna and spa industry has not been particularly sensitive to the corona pandemic, and demand has remained on a good level on average despite the coronavirus situation.

According to Harvia's estimate, there are approximately 17 million saunas in the world. This large sauna base provides significant business arising from the replacement of saunas and sauna heaters. Historically, the sauna market has grown annually by an approximately 5%, and Harvia's management estimates that the market growth will remain on the same level in the near future. According to the management's estimate, Harvia's share of the sauna and spa market is approximately 2% and its share of the sauna heater and sauna component market is approximately 11%. Together, Harvia and EOS Group are estimated to reach a market share of approximately 14% in sauna heaters and components in 2020.

REVENUE

REVENUE BY MARKET AREA

EUR thousand	4-6/2020	4-6/2019	Change	4-6/2020	1-6/2019	Change	2019
Finland	7,158	5,804	23.3%	14,187	12,779	11.0%	24 210
Other Scandinavia	1,280	1,094	17.0%	2,304	1,930	19.3%	4 157
Germany	3,319	1,489	122.9%	5,165	3,143	64.3%	6 867
Other European countries	5,559	3,851	44.4%	10,293	8,446	21.9%	17 188
Russia	2,024	897	125.5%	3,031	2,764	9.7%	5 761
North America	5,724	2,668	114.5%	9,908	5,127	93.3%	11 816
Other countries*	472	1,212	-61.0%	1,018	2,105	-51.6%	4 096
Total	**25,536**	**17,016**	50.1%	**45,904**	**36,294**	26.5%	**74 095**

* The largest of which: Arab countries and Asia.

REVENUE BY PRODUCT GROUP

EUR thousand	4-6/2020	4-6/2019	Change	1-6/2020	1-6/2019	Change	2019
Sauna heaters	14,017	8,985	56.0%	24,946	19,711	26.6%	39 740
Sauna rooms	5,306	3,643	45.7%	9,686	6,905	40.3%	14 700
Control units	1,986	1,204	64.9%	3,521	2,859	23.1%	5 918
Steam generators	667	842	-20.8%	1,328	1,755	-24.4%	3 476
Other product groups, spare parts and services	3,561	2,341	52.1%	6,424	5,063	26.9%	10 261
Total	**25,536**	**17,016**	50.1%	**45,904**	**36,294**	26.5%	**74 095**

APRIL–JUNE 2020

The Group's revenue increased in April–June by 50.1% to EUR 25.5 million (17.0). At comparable exchange rates, revenue increased by 50.8% to EUR 25.6 million. Organic revenue growth was 32.3%. Revenue growth was strong especially in Finland, the other Nordic countries, North America and Germany, where increased interest in home improvement was reflected in quarterly demand. Revenue development in other European countries varied; revenue from Germany, Austria, Benelux countries and Switzerland saw good growth, whereas France, Italy, Spain and other countries in Southern Europe were more subdued due to the COVID 19 pandemic. Following the modest sales in the first quarter, sales development in Russia was exceptionally good despite the COVID-19 pandemic.

Harvia's revenue increased in almost all product groups during April–June. Sauna heater sales improved in both electric and wood burning heaters. The solid growth of sauna room sales continued, especially due to the positive development of the sauna market in the United States.Demand for sauna rooms was strong in Central Europe, as well. The revenue from control units developed favorably particularly in Finland, Germany and the United States. Steam generator sales declined due to the postponing of projects in the Arab countries, Asia and in other European countries. Sales of other product groups, spare parts and services developed favorably.

JANUARY–JUNE 2020

The Group's revenue in January–June increased by 26.5% to EUR 45.9 million (36.3). At comparable exchange rates, revenue increased by 26.1% to EUR 45.8 million. Organic revenue growth was 18.1%. Revenue growth was strong especially in Finland, North America and Germany, where interest in home improvement projects increased. In addition, the sauna market in North America continued its positive development. Revenue developed positively in other Nordic countries and Russia, as well.

Revenue increased particularly in the sauna heater product group, in both electric and wood burning heaters. Revenue from sauna heaters was increased by the heater sales of EOS Group in May and June. Sales of sauna rooms continued to increase steadily, affected by the positive development in sauna room sales in the United States and increased demand in Central Europe. The sales of control units and other product groups developed favorably. Steam generator sales declined due to the postponing of projects in the Arab countries, other European countries and Asia.

RESULT

APRIL–JUNE 2020

Operating profit for April–June increased to EUR 4.6 million (2.7). The operating profit included EUR 0.8 million (0.1) of items affecting comparability, mainly related to business acquisitions. Adjusted operating profit increased to EUR 5.4 million (2.8) and the adjusted operating margin was 21.1% (16.5). Financing expenses for the review period were EUR -0.4 million (-0.4).

The profit before taxes in April–June was EUR 4.1 million (2.3). The Group's taxes amounted to EUR -0.8 million (-0.4).

The result for the second quarter was EUR 3.3 million (1.9) and undiluted earnings per share were EUR 0.17 (0.10). Changes in exchange rates improved the operating profit of the review period by approximately EUR 0.1 million.

JANUARY–JUNE 2020

Operating profit for January–June was EUR 7.7 million (6.5). The operating profit included EUR 1.9 million (0.3) of items affecting comparability, mainly related to business acquisitions. Adjusted operating profit increased to EUR 9.6 million (6.8) and the adjusted operating margin was 20.9% (18.7). The change in the fair value of the interest rate swap decreased the financing costs of the first half-year period, and the net finance expenses for the review period were EUR -0.6 million (-0.8).

The profit before taxes for January–June was EUR 7.1 million (5.8). The Group's taxes amounted to EUR -1.4 million (-1.2).

The result for the review period was EUR 5.7 million (4.5) and undiluted earnings per share were EUR 0.30 (0.24). Changes in exchange rates improved the operating profit of the review period by approximately EUR 0.1 million.

FINANCIAL POSITION AND CASH FLOW

Balance sheet total at the end of June 2020 was EUR 154.8 million (June 30, 2019: 119.9), of which equity accounted for EUR 63.6 million (67.1).

At the end of June 2020, the company's net debt amounted to EUR 43.6 million (33.9). Long-term liabilities were EUR 58.8 million (38.6) and cash and cash equivalents at the end of the review period amounted to EUR 15.7 million (6.2). Leverage was 2.2 (2.3) at the end of the review period.

Equity ratio was 41.3% (56.0) at the end of the review period. The adjusted return on capital employed (ROCE) was 43.4% (30.6).

In January–June, Harvia's operating free cash flow was EUR 10.4 million (3.9) and cash conversion was 91.2% (47.4). The operating cash flow was improved by expedited terms of payment of trade receivables and related arrangements.

INVESTMENTS, RESEARCH AND PRODUCT DEVELOPMENT

The Group's investments in January–June amounted to EUR 0.7 million (1.1). During the review period, Harvia invested in environmental sustainability of the plant in Muurame by installing electric car charging points and building a solar power plant on the roof of the factory. The Group's research and development expenditure recognized as expenses amounted to EUR 0.7 million (0.6).

During the review period, the company decided to invest approximately EUR 0.7 million in the United States to increase the production capacity of AHS saunas. According to the plan, the additional capacity will be fully operational at the end of 2020.

ACQUISITIONS

At the end of April, Harvia completed the acquisition of the majority of the German EOS Group. EOS is the technology leader for professional and premium sauna & spa products with a revenue of EUR 17.3 million in 2019. The acquisition complements Harvia's professional and premium sauna offering well and strengthens Harvia's leading position as a professional global sauna and spa experience brand. Harvia owns 78.6 percent of the German operations of EOS Group and 80.0 percent of its Russian operations, and the company holds an option entitling to purchase the minority shares in the future.

The purchase price was EUR 19.7 million and it was based on the debt-free valuation of EUR 25.5 million for the entire EOS Group at the time of the signing of the deal. Harvia financed the acquisition by interest-bearing debt and its own cash funds.

In the EOS Group acquisition, fixed assets amounting to EUR 2.6 million, net working capital items amounting to EUR 3.6 million, cash and cash equivalents amounting to EUR 1.7 million and pension liabilities amounting to EUR 3.0 million were transferred. The preliminary purchase price allocation pertaining to the acquisition includes intangible assets amounting to EUR 7.0 million with annual amortization of approximately EUR 1.2 million. Valuation of inventory to fair value increased inventory by EUR 1.3 million, which is amortized in calculations in 12 months.

According to the preliminary purchase price allocation, goodwill amounts to EUR 10.8 million. The estimated non-controlling interests' redemption liability of EUR 9.5 million pertaining to the acquisition has been entered as liability and decrease in shareholders' equity. The redemption liability is presented in non-interest-bearing liabilities. The preliminary purchase price allocation pertaining to the acquisition is presented in Note 5.1.

The acquisition is expected to create annual synergies of at least EUR 2.2 million, which are expected to be realized in full by 2024. Costs relating to the acquisition during January–June 2020 were EUR 1.8 million. There have so far been no significant integration or post-closing costs. These are estimated to total EUR 0.6 million in 2020 and EUR 0.8 million in 2021.

The transaction will have no impact on Harvia's long-term targets related to growth, profitability and leverage.

CORPORATE RESPONSIBILITY

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

Harvia manufactures durable and safe products in a sustainable manner. For a long time, we have invested in taking environmental aspects into consideration all the way from design to production, logistics, use and recycling of the products. During the review period, Harvia invested in environmental sustainability of the plant in Muurame by installing electric car charging points and building a solar power plant on the roof of the factory. In 2019, we compiled an environmental manual and summarized sustainability at Harvia into four areas: environmental impacts of production, personnel, products and a responsible code of conduct. Harvia's corporate responsibility is presented in more detail in the Annual Report 2019.

PERSONNEL

The number of personnel employed by the Group at the end of the review period was 563 (381) and averaged 474 (394) in January–June. During the review period, the acquisition of EOS Group significantly impacted the increase in personnel numbers.

Of the personnel, 34% (48) worked in Finland, 22% (0) in Germany, 12% (16) in Romania, 11% (16) in China and Hong Kong, 8% (10) in the United States, 6% (8) in Austria, 4% (0) in Russia and 2% (2) in Estonia.

SHARES AND SHAREHOLDERS

Harvia's registered share capital is EUR 80,000 and at the end of the review period, the company had 18,694,236 (18,694,236) fully paid shares. The share trading volume in the review period was EUR 44.8 million (27.7) and 4,556,317 shares (4,485,254). The share's volume weighted average rate during the review period was EUR 9.83 (6.17), the highest rate during the review period was EUR 11.95 (8.0) and the lowest EUR 7.02 (5.5). The closing price of the share at the end of June 2020 was EUR 10.95 (7.46). The market value of the share capital on June 30, 2020 was EUR 204.7 million (139.5). The company does not currently own any treasury shares.

The number of registered shareholders at the end of the review period was 7,779 (4,092), including nominee registers. At the end of the review period, nominee-registered and direct foreign shareholders held 48.5% (51.3) of the company's shares. The ten largest shareholders held a total of 28.5% (28.3) of Harvia's shares and votes at the end of the review period.

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

GOVERNANCE

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

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

The Annual General Meeting decided to authorize the Board of Directors to resolve, at its discretion, on distributing an extra dividend amounting to a maximum of EUR 0.19 per share. The Board of Directors expects to decide on the payment of a EUR 0.19 per share extra dividend at its meeting scheduled to be held on October 16, 2020. At the same meeting, the Board of Directors expects to decide on the record and payment dates of the extra dividend in accordance with the rules of the Finnish book-entry securities system.

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

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

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

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

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

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

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

RISKS AND UNCERTAINTIES

As a global sauna and spa company, the health and well-being of our employees, partners and customers is our top priority in the COVID-19 situation. All Harvia offices and production facilities follow the guidelines set by local health authorities to contain the spread of the pandemic. In accordance with our contingency plan, we have taken special measures to ensure the safety of our personnel as well as the continuity of our production and services in the exceptional situation caused by the coronavirus. Harvia's customers have had to close down operations in Italy, Spain, France and Russia. However, a part of the sales has moved online. The company is constantly assessing the situation in terms of its business. According to the company's estimate, the sauna and spa industry has so far not been particularly sensitive to the COVID-19 pandemic. So far, Harvia has been able to maintain full operational capability, but if the need to restrict operations arises, this may have a negative impact on the company's business volume, result of financial performance.

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

The self-sufficiency of the Group's manufacturing processes, the backup supplier system for materials and the widely dispersed customer base balance potential strategic risks. Production is based on the company's own design and patents, and these are used to manage potential operational risks. Damage risks are covered with insurances where possible, and their coverage is assessed annually with the insurance company.

The Group's loans consist of long-term liabilities. The loans include covenants, which in unfavourable business conditions may require new financing negotiations with the bank. The company protects itself from interest risks arising from bank loans with interest rate swaps.

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

EVENTS AFTER THE REVIEW PERIOD

On 16 July 2020, Harvia exceptionally published financial information for the second quarter and first half-year in advance.

The company has had no other significant events after the end of the review period.

FINANCIAL RELEASES IN 2020

Harvia will publish its financial reviews in 2020 as follows:

November 5, 2020 January–September 2020 interim report

MUURAME, AUGUST 12, 2020

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 Thursday, 13 August 2020 at 11:00 a.m. Finnish time. The press conference will be held at the Smart & Clean Showroom at Allas Sea Pool (address: Katajanokanlaituri 2a, Helsinki). CEO Tapio Pajuharju and CFO Ari Vesterinen will host the event.

A live webcast of the conference can be viewed at https://harvia.videosync.fi/2020-q2-results

You can also participate in the conference by telephone:

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	4-6/2020	4-6/2019	1-6/2020	1-6/2019	2019
Revenue	2.1	**25,536**	**17,016**	**45,904**	**36,294**	**74,095**
Other operating income		56	**55**	113	97	449
Materials and services		-9,677	**-6,507**	-17,765	-14,335	-29,437
Employee benefit expenses		-5,142	**-3,819**	-8,923	-7,462	-14,912
Other operating expenses	2.2	-5,153	**-3,278**	-9,779	-6,523	-13,758
Depreciation and amortisation		-1,047	**-786**	-1,869	-1,545	-3,113
Operating profit		**4,573**	**2,680**	**7,681**	**6,526**	**13,324**
Finance income		91	1	340	50	337
Finance costs	4.1	-535	-386	-918	-814	-1,600
Finance costs, net		-444	-385	-578	-764	-1,263
Profit before income taxes		**4,129**	**2,296**	**7,103**	**5,761**	**12,061**
		0				
Income taxes		-841	-369	-1,441	-1,235	-2,464
Profit for the period		**3,288**	**1,927**	**5,662**	**4,526**	**9,597**
Attributable to:						
Owners of the parent		3,216	1,927	5,590	4,526	9,597
Non-controlling interests*		72		72		
Other comprehensive income						
Items that may be reclassified to profit or loss in subsequent periods:						
Translation differences		274	45	118	-13	177
Other comprehensive income, net of tax		274	45	118	-13	177
Total comprehensive income		**3,562**	**1,972**	**5,781**	**4,513**	**9,774**
Attributable to:						
Owners of the parent		3,490	1,972	5,708	4,513	9,774
Non-controlling interests*		72		72		
Earnings per share for profit attributable to the owners of the parent:						
Basic EPS (EUR)	2.3	0.17	0.10	0.30	0.24	0.51
Diluted EPS (EUR)	2.3	0.17	0.10	0.30	0.24	0.51

*EOS Group Non-controlling interests

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	Note	30-Jun-20	30-Jun-19	31-Dec-19
ASSETS				
Non-current assets				
Intangible assets		10,982	4,073	4,137
Goodwill		71,060	60,187	60,200
Property, plant and equipment		16,842	15,064	14,543
Leased assets		2,780	2,643	2,580
Deferred tax assets		1,702	1,322	1,347
Total non-current assets		**103,366**	**83,289**	**82,807**
Current assets				
Inventories	3	20,412	15,767	13,814
Trade and other receivables	3	15,117	14,446	14,217
Income tax receivables		194	118	108
Cash and cash equivalents	4	15,710	6,245	10,879
Total current asset		**51,432**	**36,575**	**39,018**
Total assets		**154,798**	**119,864**	**121,825**

EUR thousand	Note	30-Jun-20	30-Jun-19	30-Dec-19
EQUITY AND LIABILITIES				
Share capital		80	80	80
Other reserves		44,095	53,218	53,399
Retained earnings		11,806	9,313	5,761
Profit for the period		5,590	4,526	9,597
Equity attributable to owners of the parent		**61,572**	**67,137**	**68,837**
Non-controlling interests		**2,019**		
Total equity		**63,591**	**67,137**	**68,837**
Liabilities				
Non-current liabilities				
Loans from credit institutions	4.1	56,305	36,398	36,394
Lease liabilities		2,530	2,223	2,261
Derivative financial instruments	4.1	1,104	1,490	1,292
Deferred tax liabilities		2,269		
Employee benefit obligations		2,795		
Other non-current liabilities		9,597	350	92
Provisions		271	215	222
Total non-current liabilities		**74,869**	**40,676**	**40,261**
Current liabilities				
Loans from credit institutions	4.1	70	1,013	123
Lease liabilities		365	464	406
Employee benefit obligations		186		
Income tax liabilities		2,265	623	784
Trade and other payables	3	13,202	9,737	11,191
Provisions		250	215	222
Total current liabilities		**16,338**	**12,052**	**12,726**
Total liabilities		**91,207**	**52,728**	**52,987**
Total equity and liabilities		**154,798**	**119,864**	**121,825**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand	Note	Share capital	Invested unrestricted equity reserve	Translation differences	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total
Equity at 1 January 2019		**80**	**53,098**	**-34**	**12,678**	**65,822**		**65,822**
Share-based incentive plan			77			77		77
Dividend distribution					-3,365	-3,365		-3,365
Total transactions with shareholders			77		-3,365	-3,288		-3,288
Profit for the period					4,526	4,526		4,526
Other comprehensive income				76		76		76
Total comprehensive income				76	4,526	4,602		4,602
Equity at 30 June 2019		**80**	**53,176**	**42**	**13,839**	**67,137**		**67,137**
Equity at 1 January 2019		**80**	**53,098**	**-34**	**12,678**	**65,822**		**65,822**
Share-based incentive plan			159			159		159
Dividend distribution					-6,917	-6,917		-6,917
Total transactions with shareholders			159		-6,917	-6,758		-6,758
Profit for the period					9,597	9,597		9,597
Other comprehensive income				177		177		177
Total comprehensive income				177	9,597	9,774		9,774
Equity at 31 December 2019		**80**	**53,257**	**142**	**15,358**	**68,837**		**68,837**
Equity at 1 January 2020		**80**	**53,257**	**142**	**15,358**	**68,837**		**68,837**
Share-based incentive plan			86			86		86
Dividend distribution					-3,552	-3,552		-3,552
Total transactions with shareholders			86		-3,552	-3,466		-3,466
Profit for the period					5,590	5,590	72	5,662
Acquisitions			-9,508			-9,508	1,947	-7,561
Other comprehensive income				118		118		118
Total comprehensive income			-9,508	118	5,590	-3,800	2,019	-1,781
Equity at 30 June 2020		**80**	**43,835**	**260**	**17,396**	**61,572**	**2,019**	**63,591**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	Note	4-6/2020	4-6/2019	1-6/2020	1-6/2019	2019
Cash flows from operating activities						
Profit before taxes		4,129	2,296	7,103	5,761	12,061
Adjustments						
Depreciation and amortisation		1,047	786	1,869	1,545	3,113
Finance income and finance costs		444	385	578	764	1,263
Other adjustments		-78	74	73	-45	-52
Cash flows before changes in working capital		5,543	3,541	9,623	8,026	16,386
Change in working capital						
Increase (-) / decrease (+) in trade and other receivables	3	-281	1,006	820	-2,326	-1,898
Increase (-) / decrease (+) in inventories	3	-488	-1,385	-1,191	-1,220	750
Increase (+) / decrease (-) in trade and other payables	3	-732	-387	48	223	1,133
Cash flows from operating activities before financial items and taxes		4,042	2,775	9,299	4,702	16,371
Interest and other finance costs paid		-43	-9	-68	-14	-69
Interest and other finance income received		17	0	66	17	38
Income taxes paid/received		-175	-657	-892	-193	-1,268
Net cash from operating activities		**3,840**	**2,109**	**8,405**	**4,511**	**15,072**
Cash flows from investing activities						
Purchases of tangible and intangible assets		-377	-594	-679	-1,051	-1,807
Sale of tangible and intangible assets		0		0		34
Acquisition of subsidiaries, net of cash acquired		-18,059	0	-18,059	0	0
Net cash from investing activities		**-18,436**	**-594**	**-18,738**	**-1,051**	**-1,773**
Cash flows from financing activities						
Repayment of non-current loans	4.1	-1	-5	-2	-10	-14
Proceeds from non-current loans	4.1	20,000		20,000		
Change in current interest-bearing liabilities	4.1	-24	-193	-50	-1,142	-2,032
Repayment of lease liabilities		-232	-182	-327	-301	-455
Interest and other finance costs paid	4.1	-657	-395	-886	-724	-1,363
Dividends paid		-3,552	-3,365	-3,552	-3,365	-6,917
Net cash from financing activities		**15,534**	**-4,139**	**15,183**	**-5,542**	**-10,781**
Net change in cash and cash equivalents		938	-2,625	4,850	-2,082	2,517
Cash and cash equivalents at beginning of period		14,778	8,870	10,879	8,268	8,268
Exchange gains/losses on cash and cash equivalents		-6	-1	-19	59	94
Cash and cash equivalents at end of period		**15,710**	**6,245**	**15,710**	**6,245**	**10,879**

NOTES TO THE GROUP'S INTERIM INFORMATION

1. BASIS OF PREPARATION

Basis of preparation

Harvia's interim information has been prepared in compliance with the IAS 34 Interim Financial Reporting standard. Interim information does not contain all the notes presented in the Consolidated Financial Statements for 2019 and should therefore be read in conjunction with the Consolidated Financial Statements for 2019 prepared in accordance with IFRS. The same accounting principles have been applied to the interim information as to the consolidated financial statements.

Harvia's Board of Directors has approved this interim information in its meeting on August 12, 2020. This interim information is unaudited. Figures in the interim information have been rounded and consequently the sum of individual figures may deviate from the presented sum figure.

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

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

The significant management judgements and accounting estimates concerning key uncertainty factors in connection with the preparation of this interim information are identical to those applied in the Consolidated Financial Statements for 2019.

2. GROUP PERFORMANCE

2.1 GROUP REVENUE

Harvia follows its revenue at the product group level. The Group's product and service offerings have been divided into 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	4-6/2020	4-6/2019	Change	1-6/2020	1-6/2019	Change	2019
Finland	7,158	5,804	23.3%	14,187	12,779	11.0%	24 210
Other Scandinavia	1,280	1,094	17.0%	2,304	1,930	19.3%	4 157
Germany	3,319	1,489	122.9%	5,165	3,143	64.3%	6 867
Other European countries	5,559	3,851	44.4%	10,293	8,446	21.9%	17 188
Russia	2,024	897	125.5%	3,031	2,764	9.7%	5 761
North America	5,724	2,668	114.5%	9,908	5,127	93.3%	11 816
Other countries*	472	1,212	-61.0%	1,018	2,105	-51.6%	4 096
Total	**25,536**	**17,016**	50.1%	**45,904**	**36,294**	26.5%	**74 095**

* The largest of which: Arab countries and Asia.

Revenue by product groups

EUR thousand	4-6/2020	4-6/2019	Change	1-6/2020	1-6/2019	Change	2019
Sauna heaters	14,017	8,985	56.0%	24,946	19,711	26.6%	39 740
Sauna rooms	5,306	3,643	45.7%	9,686	6,905	40.3%	14 700
Control units	1,986	1,204	64.9%	3,521	2,859	23.1%	5 918
Steam generators	667	842	-20.8%	1,328	1,755	-24.4%	3 476
Other product groups, spare parts and services	3,561	2,341	52.1%	6,424	5,063	26.9%	10 261
Total	**25,536**	**17,016**	50.1%	**45,904**	**36,294**	26.5%	**74 095**

2.2 OPERATING EXPENSES

Other operating expenses for the period January 1–June 30, 2020 include items affecting comparability of EUR 1,900 thousand (254) that are related to the group’s strategic development projects, acquisitions or loss on sales of fixed assets, and affect the comparability between the different periods. Further information on these items is given in Appendix 2 Key figures.

2.3 EARNINGS PER SHARE

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

EUR thousand	4-6/2020	4-6/2019	1-6/2020	1-6/2019	2019
Profit for the period attributable to the owners of the parent company, EUR thousand	3,216	1,927	5,590	4,526	9,597
Weighted average number of shares outstanding during the financial period, '000	18,694	18,694	18,694	18,694	18,694
Basic earnings per share, EUR	**0.17**	**0.10**	**0.30**	**0.24**	**0.51**
Share based long-term incentive plan	66		65		62
Weighted average number of shares outstanding during the year, diluted, '000	18,761	18,741	18,759	18,739	18,762
Diluted earnings per share, EUR	**0.17**	**0.10**	**0.30**	**0.24**	**0.51**

3. NET WORKING CAPITAL

EUR thousand	30-Jun-20	30-Jun-19	31-Dec-19
Net working capital			
Inventories	20,412	15,767	13,814
Trade receivables	12,696	13,217	13,167
Other receivables	2,420	1,229	1,050
Trade payables	-6,119	-5,186	-5,164
Other payables	-7,083	-4,551	-6,026
Total	**22,326**	**20,476**	**16,840**
Change in net working capital in the statement of financial position	5,486	2,976	-660
Items not taken into account in change in net working capital in the statement of cash flows and the effect of which is included elsewhere in the statement of cash flows*	-5,163	348	675
Change in net working capital in the statement of cash flows	324	3,324	15

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

4. NET DEBT AND CONTINGENCIES

Interest-bearing net debt

EUR thousand	30-Jun-20	31-Jun-19	31-Dec-19
Interest-bearing debt	56,375	37,410	36,517
Lease liabilities	2,894	2,687	2,667
Less cash and cash equivalents	-15,710	-6,245	-10,879
Net debt	**43,560**	**33,852**	**28,305**

4.1 BORROWINGS AND OTHER FINANCIAL LIABILITIES

During the review period, Harvia drew a new loan to the amount of EUR 20,000 thousand to finance the acquisition of EOS Group. Harvia had an existing term loan of EUR 36,500 thousand, the terms of which were renegotiated in connection with the new loan. Both loans will mature in one instalment on March 27, 2024. In addition, Harvia has a EUR 8,000 thousand credit limit of which EUR 0,00 was in use as at June 30, 2020. The nominal interest of the bank loan is tied to Euribor and its margin is tied to the 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 denominated in euro.

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

5. OTHER NOTES

5.1 ACQUISITION OF EOS GROUP

More information on the EOS Group acquisition has been presented in section acquisitions. Preliminary purchase price allocation of the acquisition is presented in the table below:

EUR thousand	
Purchase price	19,751
Net identifiable assets acquired	
Non-current assets	
Intangible assets	7,032
Property, plant and equipment	2,647
Leased assets	278
Current assets	
Inventories	5,392
Trade and other receivables	1,386
Cash and cash equivalents	1,692
Total assets	18,427
Non-current liabilities	
Eläkevastuut	2,981
Deferred tax liabilities	2,317
Lease liabilities	154
Current liabilities	
Trade and other payables	2,108
Total liabilities	7,560
Total net assets acquired	**10,867**
Group’s share of net assets	8,920
Goodwill	**10,831**

Resulting from the acquisition, non controlling interests’ redemption liability amounting to EUR 9.5 million was booked as liability and equity decrease.

Cash flow impact EUR thousand	
Cash consideration of the acquisition	19,751
Cash balance acquired	- 1,692
Impact on cash flows – investing activities	**18,059**

Expenses related to the acquisition EUR 1,8 million are presented under Other operating expenses and in operating cash flows in the consolidated statement of cash flows.

5.2 RELATED PARTY TRANSACTIONS

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

The following transactions were carried out with related parties:

EUR thousand	1-6/2020	1-6/2019	2019
Purchases	0	3	4
Sales	0	0	0

APPENDIX 1: KEY FIGURES AND CALCULATION OF KEY FIGURES

EUR thousand	4-6/2020	4-6/2019	1-6/2020	1-6/2019	2019
Key statement of comprehensive income indicators					
Revenue	25,536	17,016	45,904	36,294	74,095
EBITDA	5,620	3,467	9,550	8,070	16,437
% of revenue	22.0	20.4	20.8	22.2	22.2
Adjusted EBITDA	6,428	3,595	11,450	8,325	16,989
% of revenue	25.2	21.1	24.9	22.9	22.9
Operating profit	4,573	2,680	7,681	6,526	13,324
% of revenue	17.9	15.8	16.7	18.0	18
Adjusted operating profit	5,381	2,809	9,581	6,780	13,876
% of revenue	21.1	16.5	20.9	18.7	18.7
Adjusted profit before income taxes	4,937	2,424	9,003	6,016	12,613
Basic EPS (EUR)	0.17	0.10	0.30	0.24	0.51
Diluted EPS (EUR)	0.17	0.10	0.30	0.24	0.51
Key cash flow indicators					
Cash flow from operating activities	3,840	2,109	8,405	4,511	15,072
Operating free cash flow	4,550	2,235	10,448	3,950	15,167
Cash conversion	70.8%	62.2%	91.2%	47.4%	89.30%
Investments in tangible and intangible assets	-377	-594	-679	-1,051	-1,807
Key balance sheet indicators					
Net debt	43,560	33,852	43,560	33,852	28,305
Leverage	2.2	2.3	2.2	2.3	1.7
Net working capital	22,326	20,476	22,326	20,476	16,840
Capital employed excluding goodwill	38,446	39,105	38,446	39,105	36,301
Adjusted return on capital employed (ROCE)	43.4%	30.6%	43.4%	30.6%	38.2%
Equity ratio	41.3%	56.0%	41.3%	56.0%	56.6%
Number of employees at end of period	563	404	563	404	395
Average number of employees during the period	556	400	474	394	395

RECONCILIATION OF CERTAIN KEY FIGURES AND CALCULATION OF KEY FIGURES

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

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

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

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

EUR thousand	**4-6/2020**	**4-6/2019**	**1-6/2020**	**1-6/2019**	**2019**
Operating profit	4,573	2,680	7,681	6,526	13,324
Depreciation and amortization	1,047	786	1,869	1,545	3,113
EBITDA	5,620	3,467	9,550	8,070	16,437
Items affecting comparability					
Strategic development projects		3		3	3
Acquisition-related expenses	788	125	1,792	229	381
Restructuring expenses	20		108	22	167
Total items affecting comparability	808	128	1,900	254	552
Adjusted EBITDA	6,428	3,595	11,450	8,325	16,989
Depreciation and amortization	-1,047	-786	-1,869	-1,545	-3,113
Adjusted operating profit	5,381	2,809	9,581	6,780	13,876
Finance costs, net	-444	-385	-578	-764	-1,263
Adjusted profit before income taxes	4,937	2,424	9,003	6,016	12,613

CALCULATION OF KEY FIGURES

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

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