

*Relaxing Moments*

**HARVIA**

*Sauna & Spa*

*Natural Wellbeing*

## CEO'S REVIEW

*Harvia Plc / Annual General Meeting / 4 April 2019 | Tapio Pajuharju, CEO*

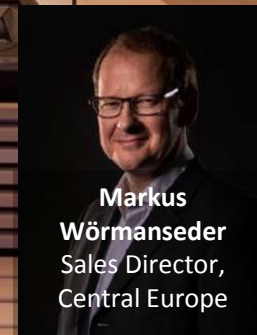
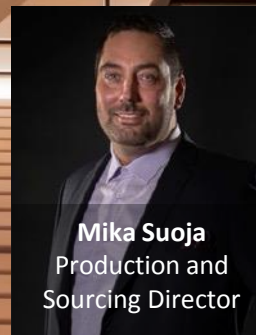
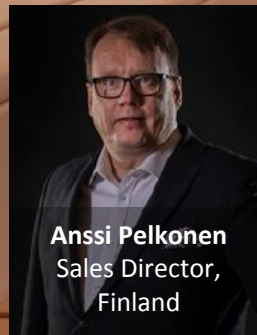
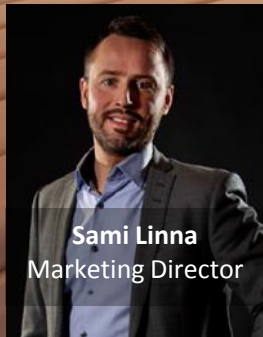
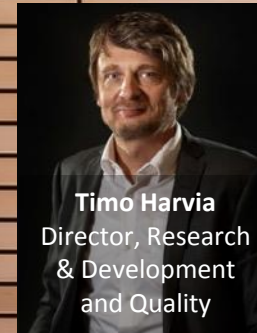
**HARVIA**



# Content

1. Harvia in 2018
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3. Harvia's strategy
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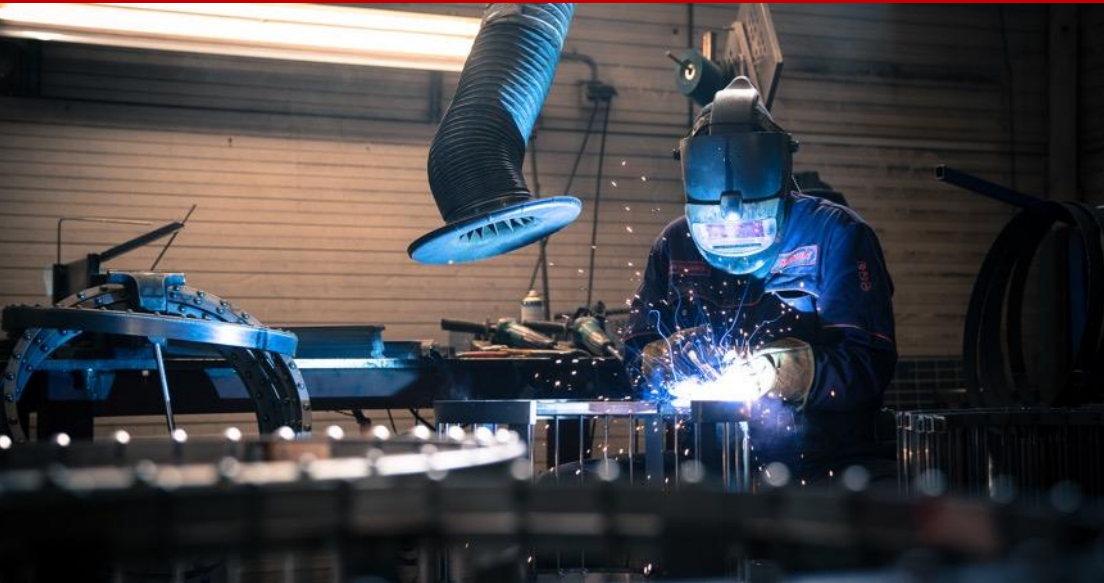
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**Harvia is one of the leading suppliers of sauna heaters and components and aims to be the leading player in sauna and spa products.**







**Harvia's diverse product offering covers all three sauna types and meets the needs of both private and professional customers.**





# Harvia is one of the world's leading sauna and spa companies

Revenue

**61.9** (60.1)

EUR million, growth  
**3.1%** or **4.6%**  
at comparable exchange rates.

Adjusted operating profit

**10.9** (10.7)

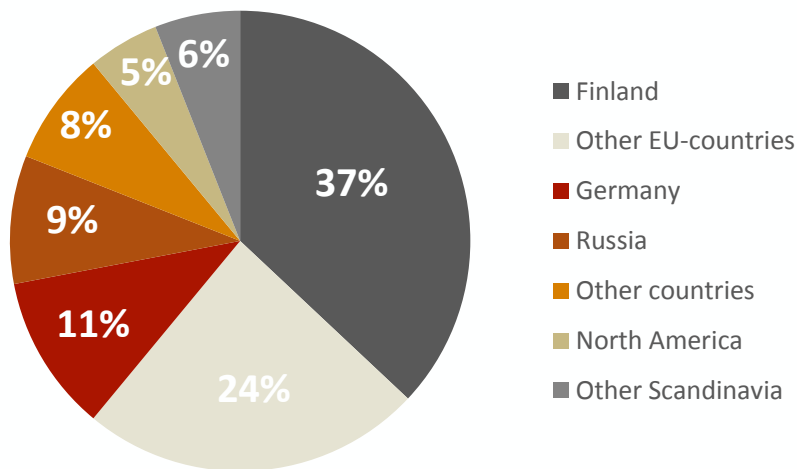
EUR million, i.e.  
**17.5%** (17.8%) of the revenue.

At comparable exchange rates, the adjusted operating profit grew by **5.2%** and was **EUR 11.3** million

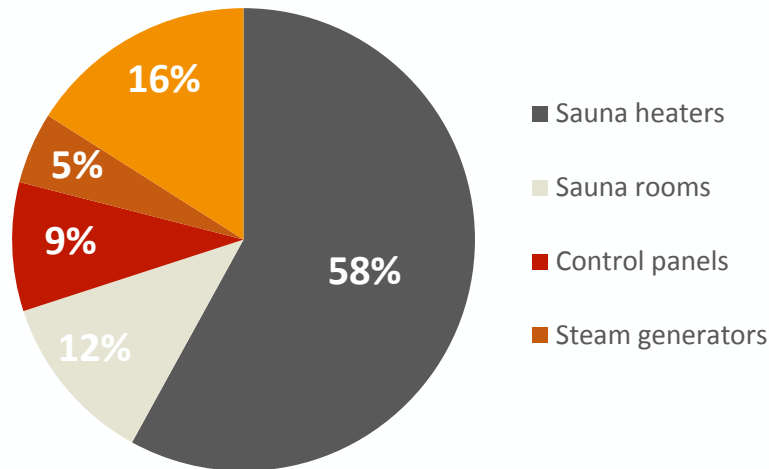
**84**  
markets

**400**  
employees

### Revenue by market area



### Revenue by market group





2018



## NEW PRODUCTS AND INNOVATIONS

Launch of new products and innovations to increase the value of the average purchase.



## IMPROVING THE EFFICIENCY OF PRODUCTION

Systematic development and optimization of production and logistics.

## LISTING – A FEEL-GOOD INVESTMENT

Listed on the Nasdaq Helsinki main list in March.



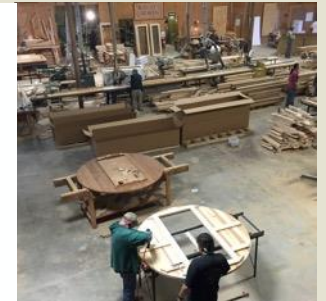
## GEOGRAPHICAL EXPANSION

Enhanced cooperation in Central and Southern Europe, and strong growth investments in Scandinavia.



## ALMOST HEAVEN SAUNAS LLC

The acquisition of the business operations of the US Almost Heaven Saunas LLC.





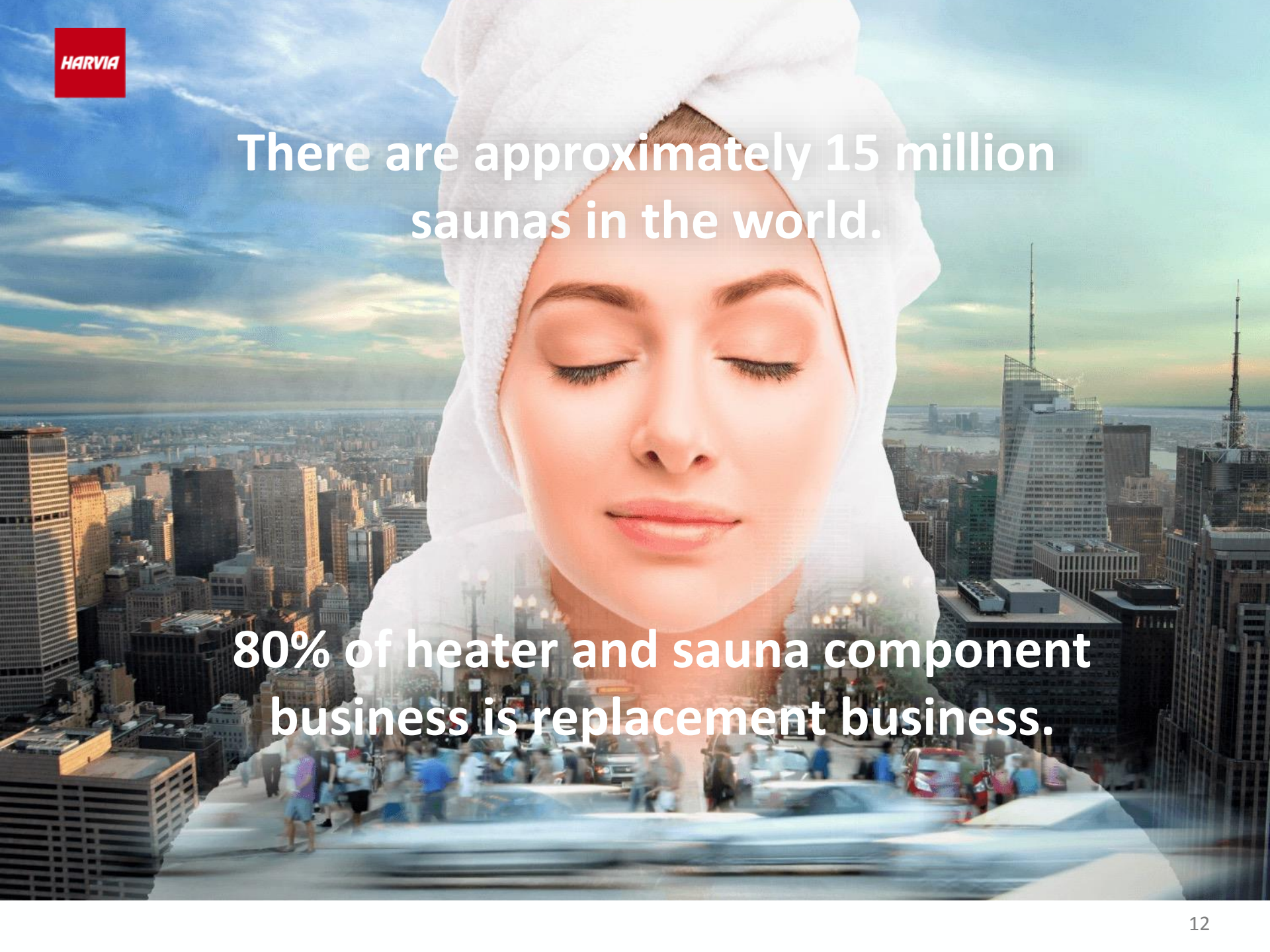
# Almost Heaven Saunas – one of the leading US companies specialized in sauna and spa

- Revenue USD 8.7 million, EBIT USD -0.3 million in 2017
- Significant step in developing our business in North America
- Base to build a better and faster service and a more extensive offering for other key customers in North America
- Supports Harvia's US Strategy
- Manufacturing facility in West Virginia, sales office in Michigan
- Approx. 40 employees
- Outdoor and indoor saunas of entry price range



The background image shows the interior of a sauna. The walls, ceiling, and benches are covered in small, square, blue mosaic tiles. The ceiling is arched and features several recessed spotlights. In the foreground, there are two curved wooden benches. On the back wall, there is a dark wooden door and a small table with three lit candles and three white towels. A white rectangular box with a black border is superimposed over the center of the image, containing the text "Operating environment".

# Operating environment

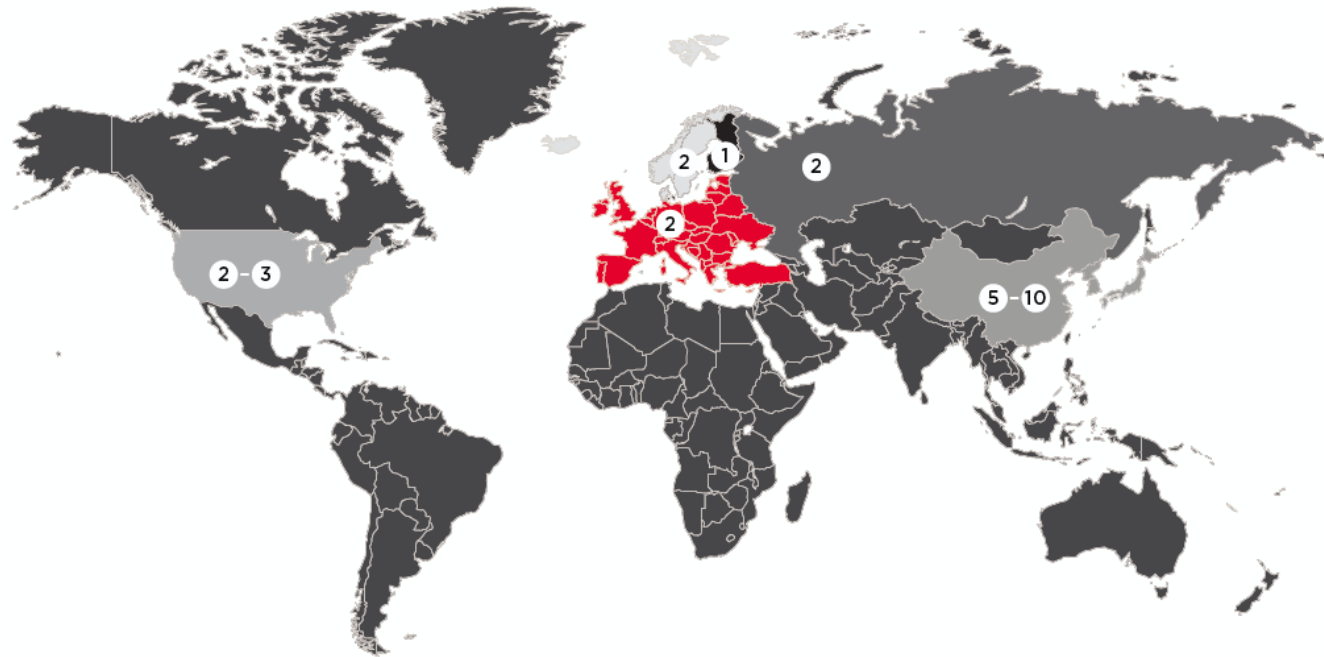
A woman with a white towel wrapped around her head like a turban has her eyes closed and a peaceful expression. She is positioned in the foreground, with a blurred city skyline (likely New York City) in the background under a blue sky with light clouds. The overall scene suggests relaxation and wellness.

There are approximately 15 million saunas in the world.

80% of heater and sauna component business is replacement business.

- The size of the global sauna and spa market is estimated to be approximately EUR 2.7 billion (2016)\*
- The market has historically been resilient due to the large amount of existing saunas and in particular the replacement demand
- The global sauna and spa market is projected to grow by an average of 5 percent per year between 2016–2022

## HARVIA'S MARKET POSITION IN THE KEY MARKETS

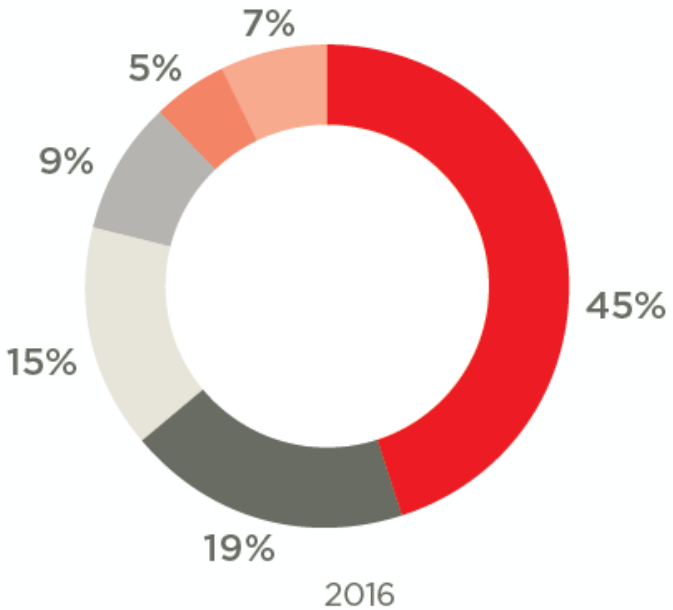


Estimates of the market in 2016 and the projected growth figures for the global sauna and spa market are based on an analysis carried out by an international management consulting firm in fall 2017

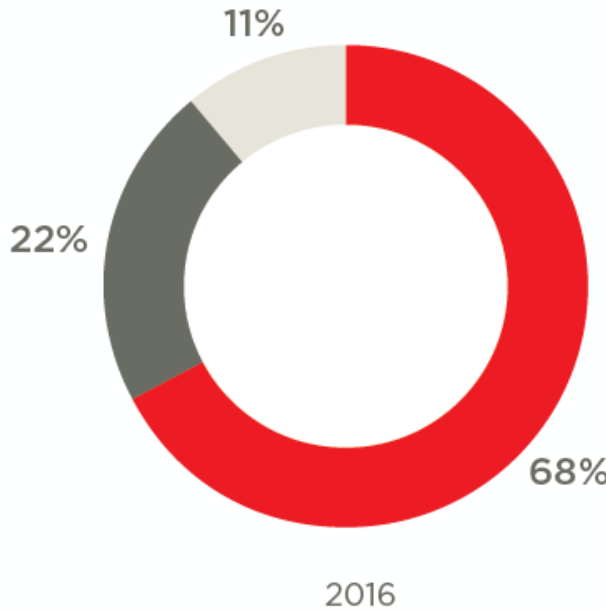


# Historically resilient sauna and spa market

### Global sauna and spa market



### Sauna type breakdown




- Russia, Germany, Finland and Sweden
- Other EU countries
- Asia and Pacific Area
- North America
- Middle East
- Other countries

- Traditional saunas
- Steam saunas
- Infrared saunas

The Harvia logo is a red square with the word "HARVIA" in white, uppercase, sans-serif font.The background image shows the interior of a sauna. On the left is a Harvia electric heater with a stone surround and a stainless steel top. The walls and benches are made of light-colored wood. A window is visible in the upper right. A white-bordered box is overlaid on the center of the image.

# Harvia's strategy

Harvia aims to be the leading player in the sauna and spa market

A close-up view of a sauna's interior, showing the wooden slatted walls and ceiling. The slats are arranged in a way that creates a sense of depth and texture. The lighting is warm and focused on the slats.

Increasing the value of the average purchase

A view of a sauna interior with wooden benches and a wall-mounted screen displaying a city skyline. The room is dimly lit with small spotlights on the walls. A person is lying on a bench in the foreground.

Geographical expansion

An aerial view of a large industrial facility, likely a Harvia factory or warehouse. The facility consists of several large, interconnected buildings with flat roofs, surrounded by parking lots and green spaces.

Productivity improvement



## Increasing the value of the average purchase

- New product launches: The Wall Combi heater, Cilindro Plus pillar heater and Glow product family
- Expanded our offering in higher price product segments: SENTIO by Harvia
- Additional sales through more versatile heaters and accessories, among others

## Geographical expansion

- Acquisition of US-based Almost Heaven Saunas
- Intensified cooperation with Fluidra and SCP in Europe
- Remodeled and updated in-store presence in Sweden

## Productivity improvement

- Continuous optimization of processes and production and enhancing the efficiency of purchasing and logistics





# SENTIO by Harvia – Upgrade All Senses

- SENTIO by Harvia brings inspiration and sensuality to sauna experiences
- For people who have a passion for the best and an eye for detail, when it comes to sauna
- Includes Pro control units and a new Qube 360 heater for the most demanding professional use
- Versatility and memorable sauna experiences with the help of combi heaters, infrared and hybrid sauna
- Mobile control, music, sounds and lighting



- Responsibility materiality assessment carried out in fall 2018 and training on Harvia's working ways and ethical principles
- Data collection related to key responsibility figures and systematic management and monitoring of responsibility
- Responsible operating model throughout the supply chain – from sourcing to product development and production

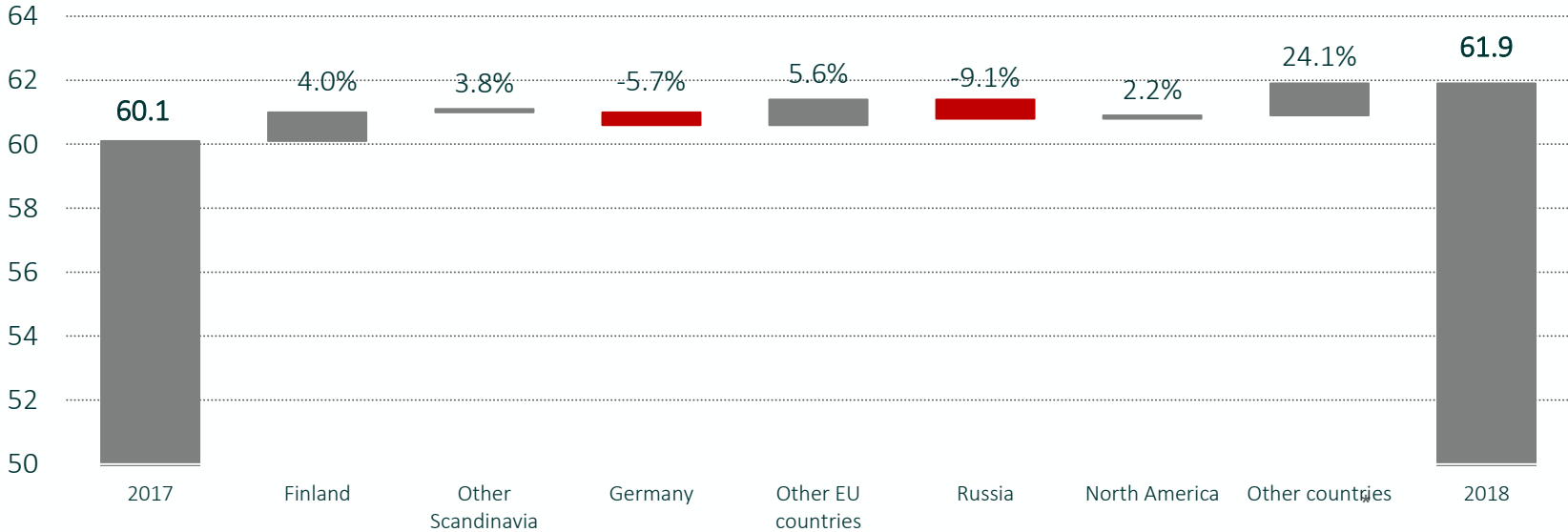


A photograph of a Harvia showroom. In the background, there is a large wooden barrel sauna and a modern wooden cabin. The foreground is filled with various Harvia products, including electric heaters and woodburning stoves, displayed on white stands. A large white text box with a black border is centered over the image, containing the word "Financials".

# Financials

## Revenue by market area 2017–2018

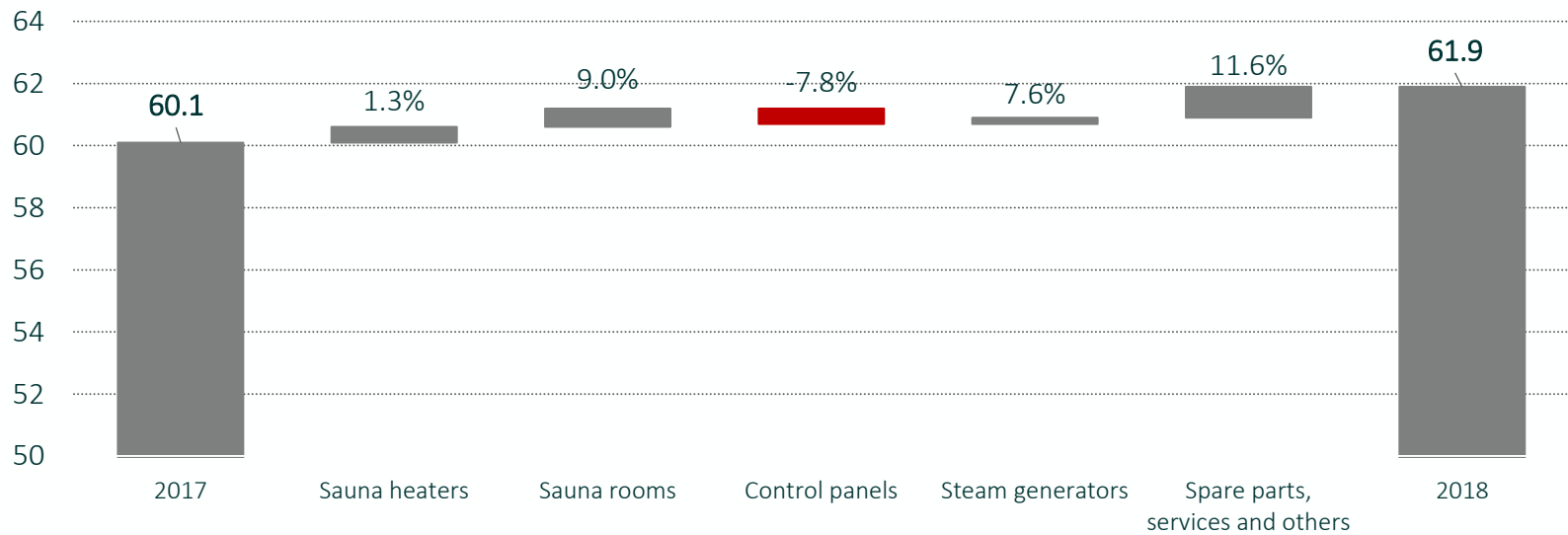
EUR million



\*The largest of which: Arab countries, Asia and the rest of Europe

## Revenue by product group 2017–2018

EUR million

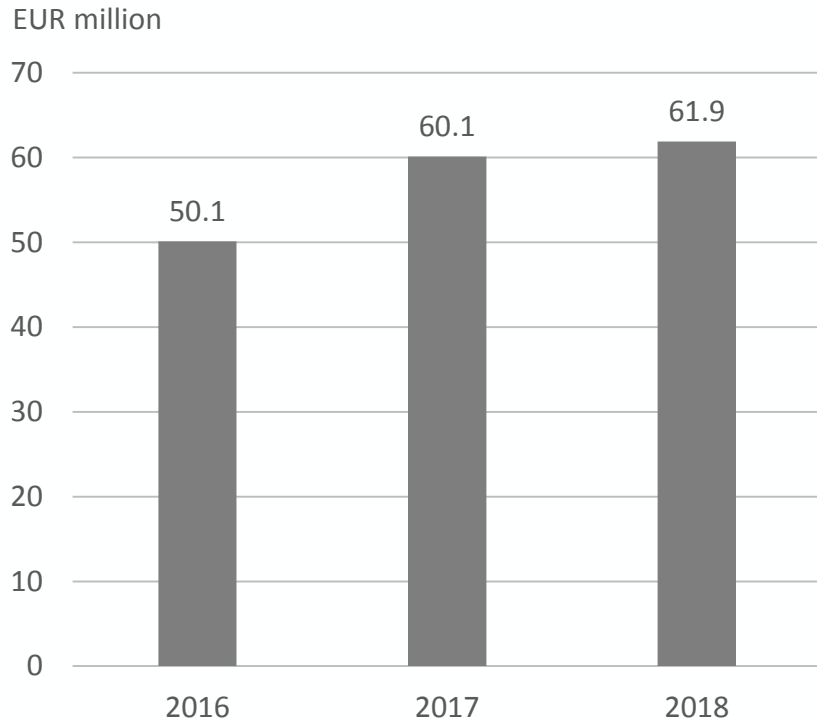


- Growth in all product groups, especially sauna rooms, steam generators as well as spare parts, services and other product groups grew
- Sauna heater sales increased by 1.3% from the comparison period, with solid growth in electric heaters

\* Includes among others, spa components, infrared radiators and sauna equipment.

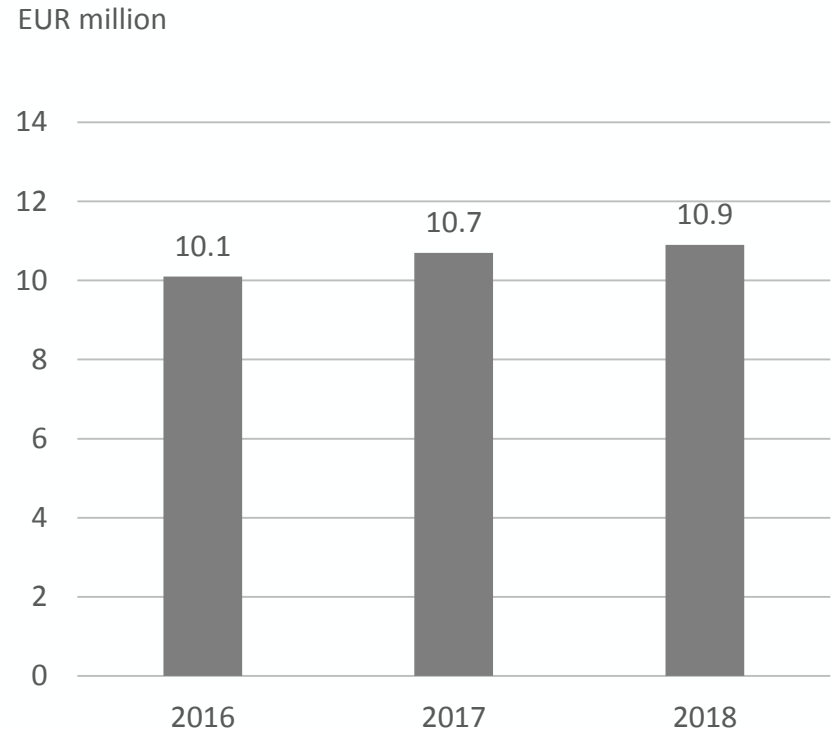
# Revenue and adjusted operating profit development

## Revenue



- At comparable exchange rates, revenue grew by 4.6% to EUR 62.9 million

## Adjusted operating profit



- At comparable exchange rates, the adjusted operating profit grew by 5.2% and was EUR 11.3 million (17.9% of the revenue)



## Profit distribution EUR 0.37 per share

Harvia targets a regularly increasing dividend with a bi-annual dividend payout of at least 60 percent of net income, in total.

The Board of Directors proposes that the dividend is divided into two instalments so that the Annual General Meeting would decide on a dividend of **EUR 0.18** per share that will be paid to shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date of 8 April 2019. The Board of Directors proposes that the dividend be paid on 15 April 2019.

In addition, the Board of Directors proposes that the Annual General Meeting would authorise the Board of Directors to decide, at its discretion, on the payment of an extra dividend of no more than **EUR 0.19** per share.





# Harvia aims to be one of the leading companies in the sauna and spa market

## Growth:

Annual revenue growth above five percent on average

## Profitability:

Adjusted operating profit margin of 20 percent<sup>(1)</sup>

## Leverage ratio:

Net debt per adjusted EBITDA in the range of 1.5x–2.5x<sup>(2)</sup>

Harvia does not publish short-term outlook.

1) Operating profit before items affecting comparability

2) Not accounting for the future effects of changes in IFRS standards

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