

Relaxing Moments

HARVIA

Sauna & Spa

Natural Wellbeing

Harvia Plc Half-year financial review

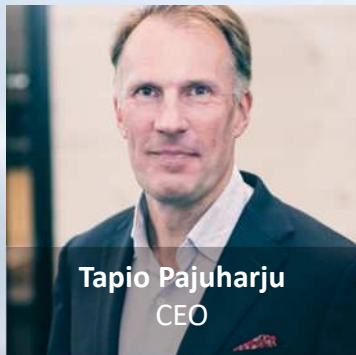
January-June 2018

16 August 2018 | Tapio Pajuharju, CEO | Ari Vesterinen, CFO



Content

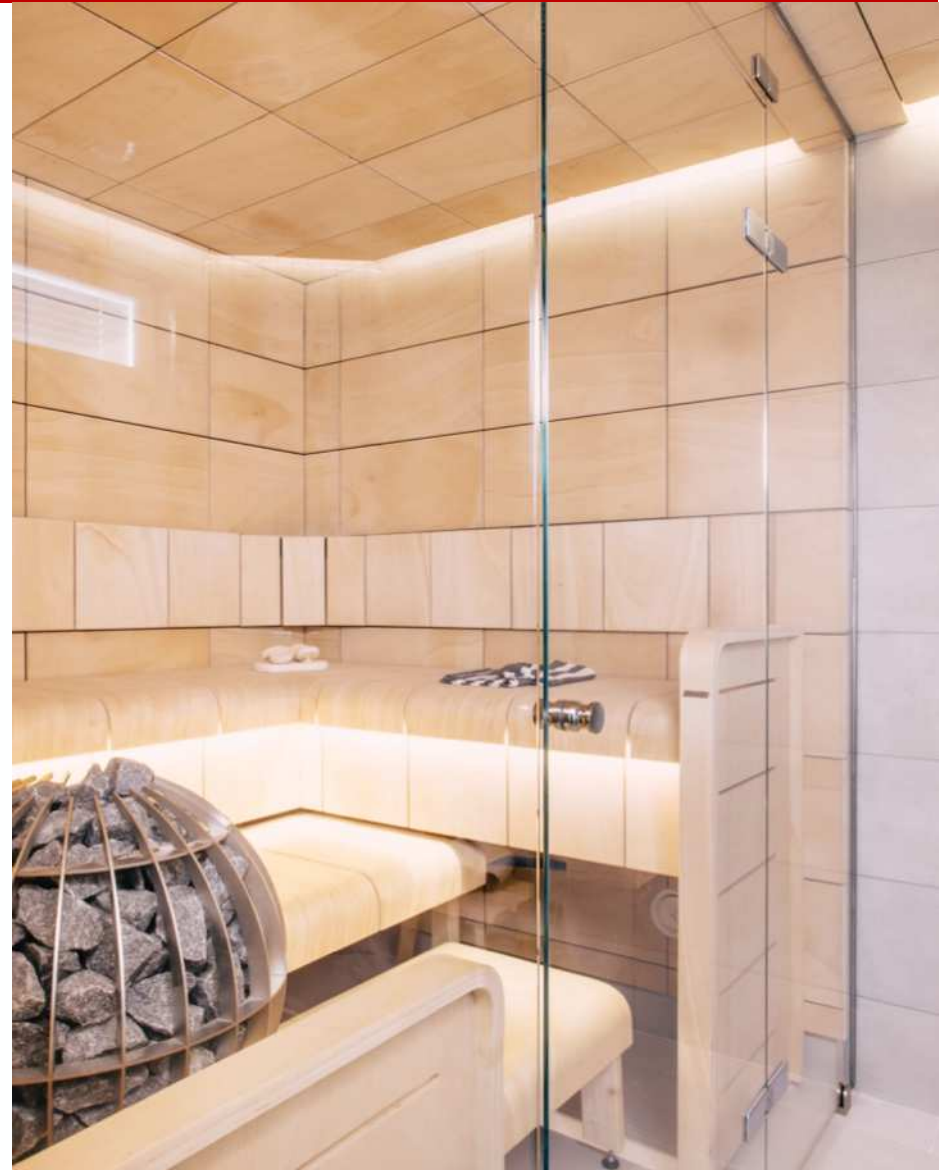
1. January–June 2018 in brief
2. Harvia's strategy
3. Financials





Harvia's H1 2018 – stable performance continued

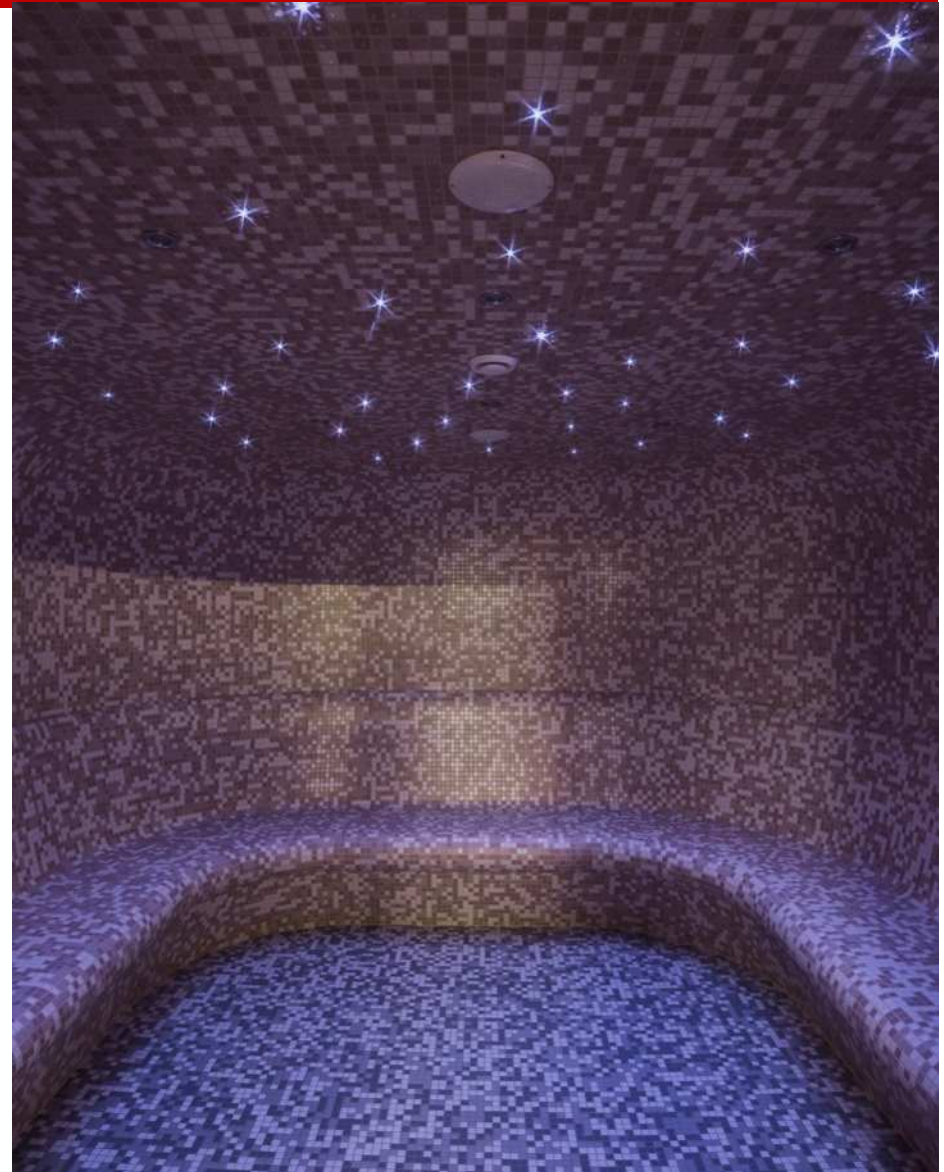
- Revenue grew by 3.1% from the corresponding period and was EUR 31.8 million (1-6/2017: EUR 30.8 million)
- Adjusted operating profit increased EUR 0.2 million and was EUR 5.7 million, making up 17.8% of the revenue (17.9%)
- Operating free cash flow increased to EUR 2.3 million (EUR 2.0 million)
- Due to the share issue, equity ratio increased to 54.9% (16.5%)
- Net debt decreased by 58.0% and was EUR 31.0 million (EUR 73.7 million)





Harvia's Q2 2018 – revenue and adjusted operating profit increased

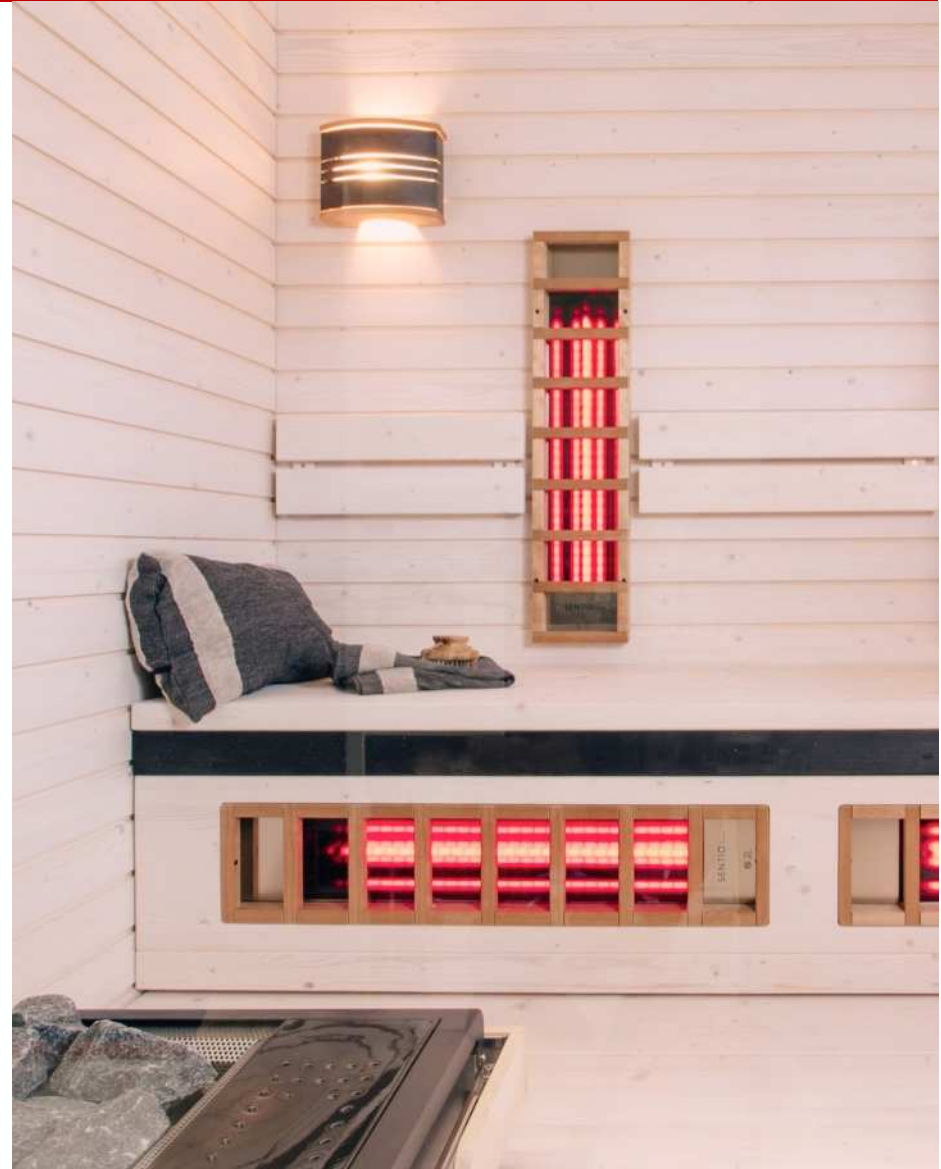
- Revenue grew by 6.3% from the corresponding period and was EUR 15.3 million (4-6/2017: EUR 14.4 million)
- Adjusted operating profit grew by 4.7% and was EUR 2.4 million (EUR 2.3 million), making up 16.0% of the revenue (16.2%)
- Operating free cash flow decreased to EUR 0.4 million (EUR 1.7 million), shifts in working capital between the quarters





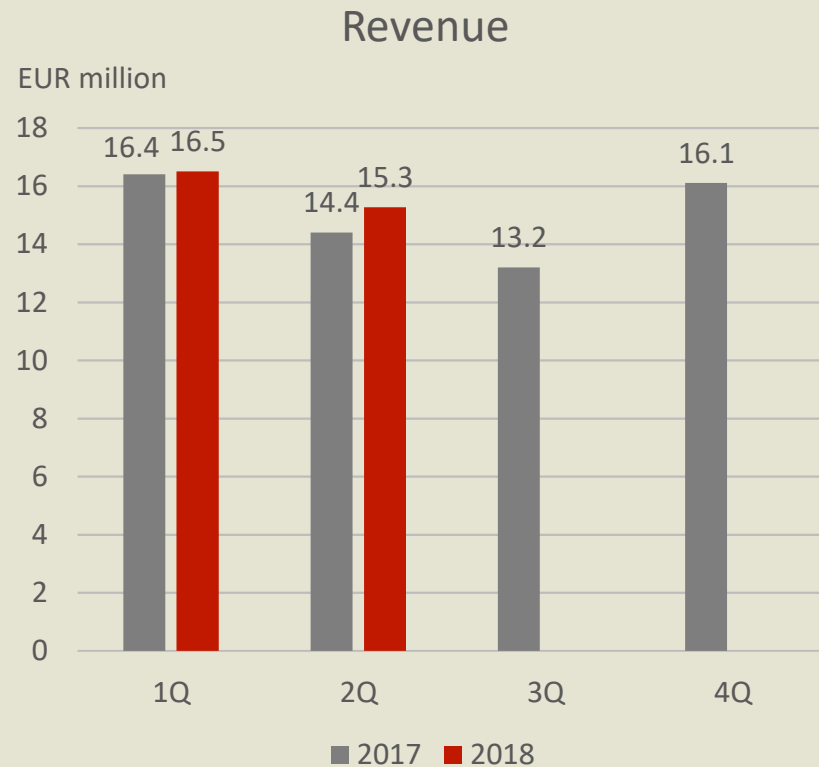
Geographical expansion progressed as planned

- Geographical expansion progressed as planned during the review period
 - **In the EU countries**, distribution was expanded according to plan
 - **In Russia**, the expansion of distribution in regional cities continued
 - **In Sweden**, the upgrading of our retailers' shops proceeded as planned and the Harvia shop-in-shop concept has been implemented in six stores
- Harvia will continue to carry out its strategy in the second half of 2018 with a focus on
 - **increasing the value of the average purchase**
 - **continuing the geographical expansion**
 - **improving productivity**

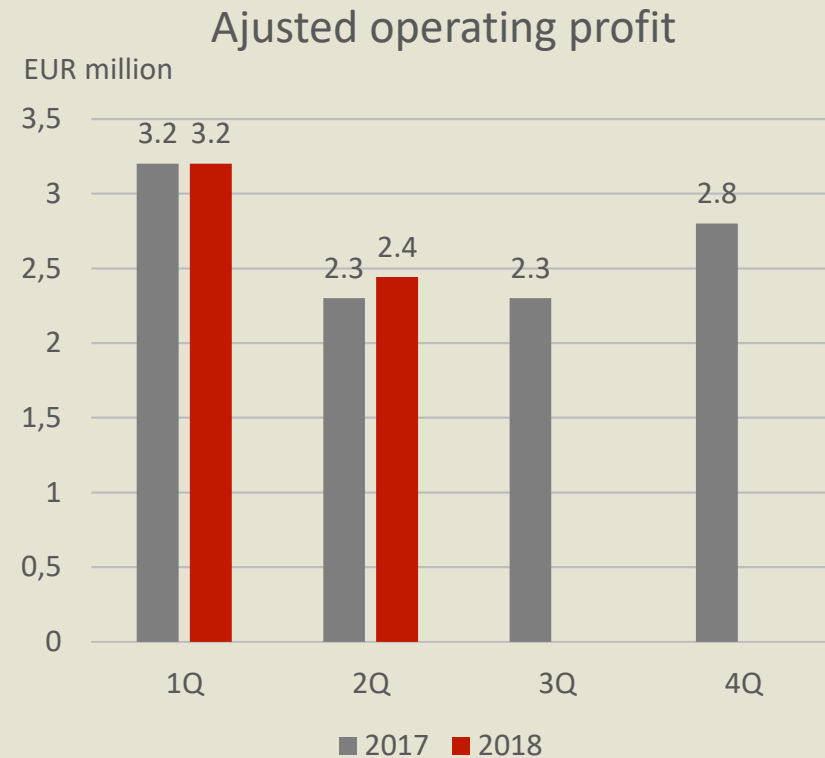




Revenue and adjusted operating profit increased



- Revenue increased particularly in Finland and in other EU countries
- Sales of sauna heaters and rooms developed well, sales of control units decreased compared to previous year

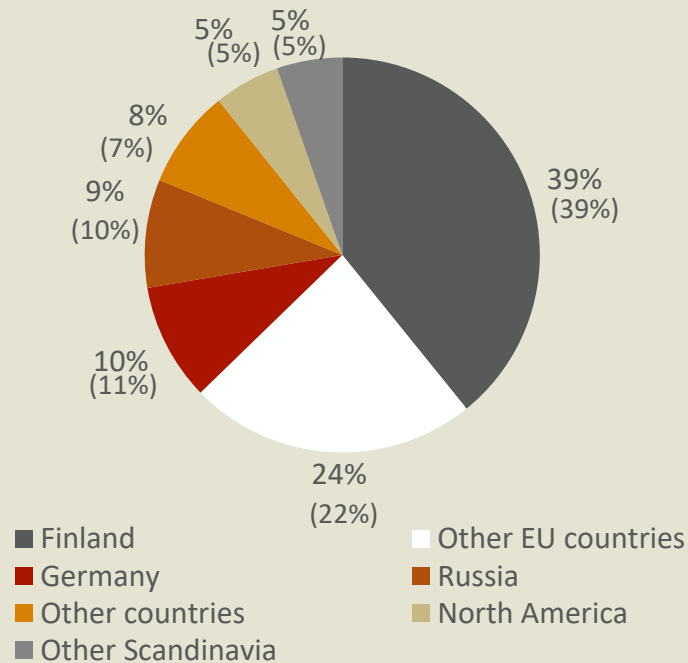


- Adjusted operating profit increased by 4.7%, making up 16.0% of the revenue



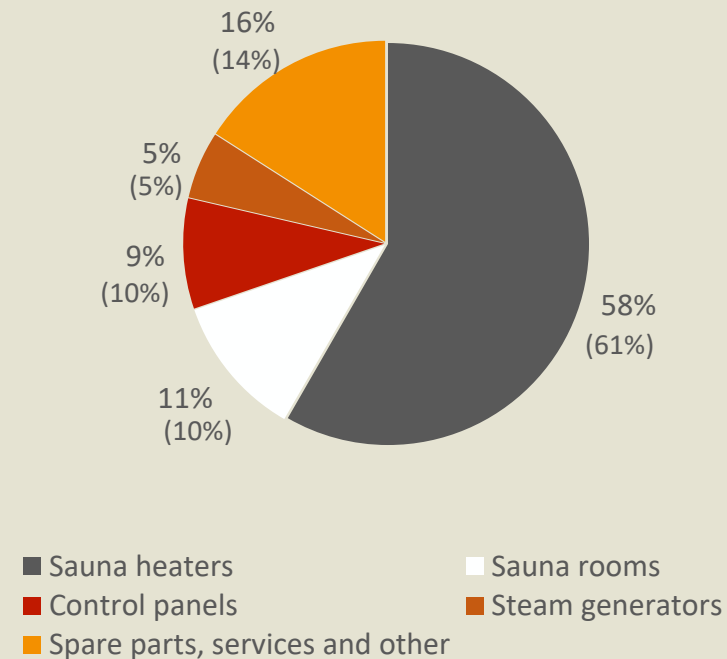
Geographical split almost the same in H1 – stable growth, excluding Russia and control panels

Revenue by market area, %*



- 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

Revenue by product group, EUR million*



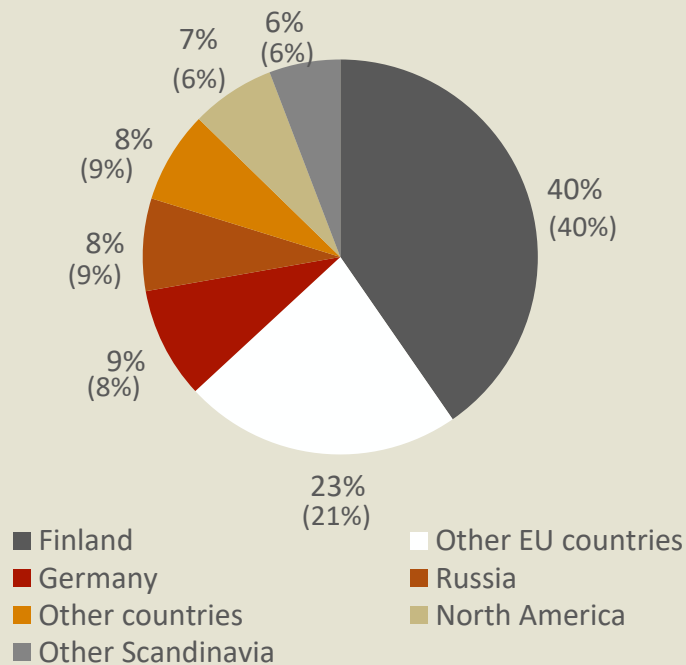
- The sales of heaters were at the previous year's level
- Revenue grew in saunas, steam generators, steam saunas and infrared saunas
- The revenue of control units dropped from the previous year

* Figures in parentheses refer to the corresponding period in 2017



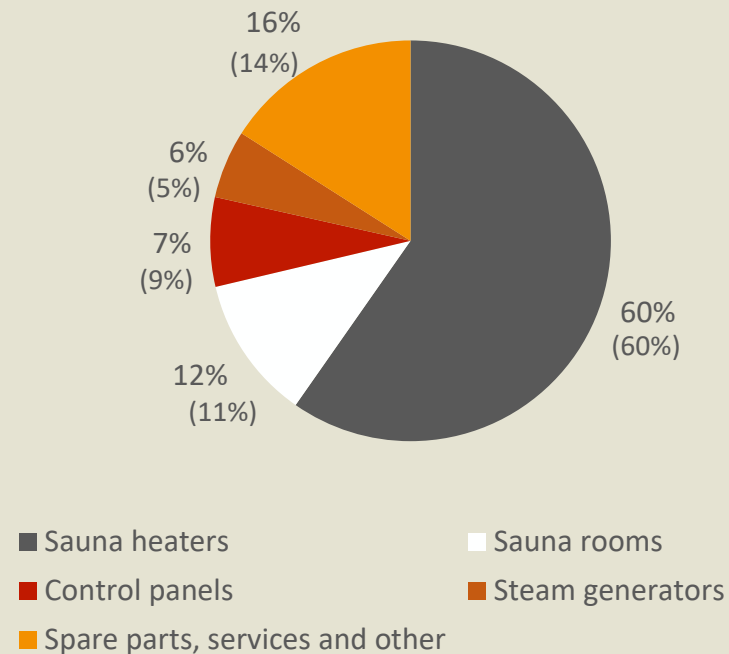
Geographical split almost the same, all product groups increased their revenue in Q2, excluding control panels

Revenue by market area, %*



- Revenue grew in Finland, in other EU countries, in North America and in other countries
- Revenue decreased in Germany and in Russia

Revenue by product group, EUR million*

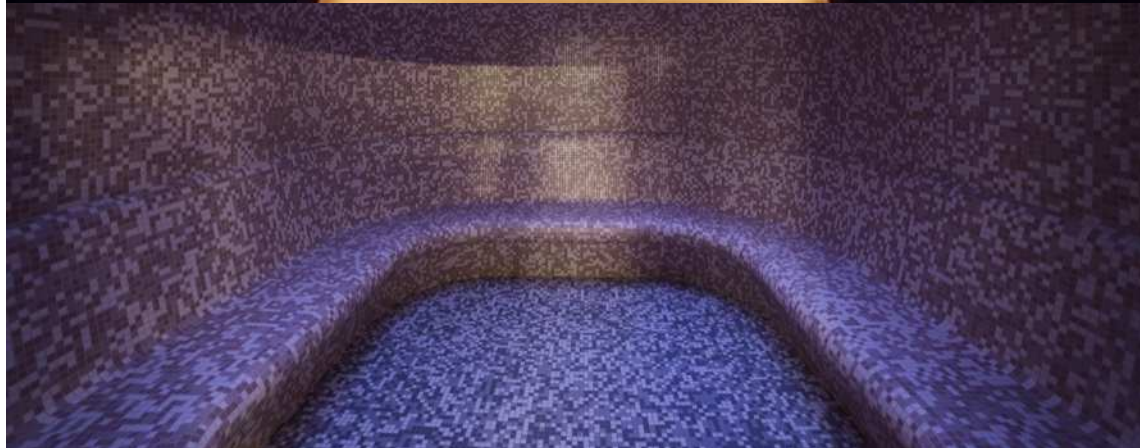


- The deliveries of private label control panels to two large clients in Germany were discontinued
- The deliveries of control units closer towards the sales season in Russia

* Figures in parentheses refer to the corresponding period in 2017



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





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





Increasing the value of the average purchase continued in Q2

- The implementation of Harvia's "one-stop shop" strategy in the sauna and spa business continued as planned
- The favourable sales development of sauna rooms, infrared saunas, steam generators and spare parts increased the value of the average purchase
- The launching of new products supports the increasing of the value of the average purchase
 - The Wall
 - Glow
 - HGD steam generator





Geographical expansion proceeded as planned

- **In the EU countries**, distribution was expanded according to plan
- **In Russia**, the expansion of distribution in regional cities continued
- **In Sweden**, the upgrading of our retailers' shops proceeded as planned and the Harvia shop-in-shop concept has been implemented in six stores





The improvement of productivity progressed

- The improvement of productivity progressed as planned at all production sites
 - Production
 - Logistic
- Renewing and expanding the product offering of Harvia's factory in China is proceeding and will create further sales opportunities for heaters as well as steam generators





Financials

Ari Vesterinen, CFO



Key figures

EUR million	4-6/18	4-6/17	Change, %	1-6/18	1-6/17	Change, %	2017
Revenue	15.3	14.4	6.3%	31.8	30.8	3.1%	60.1
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 %
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
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

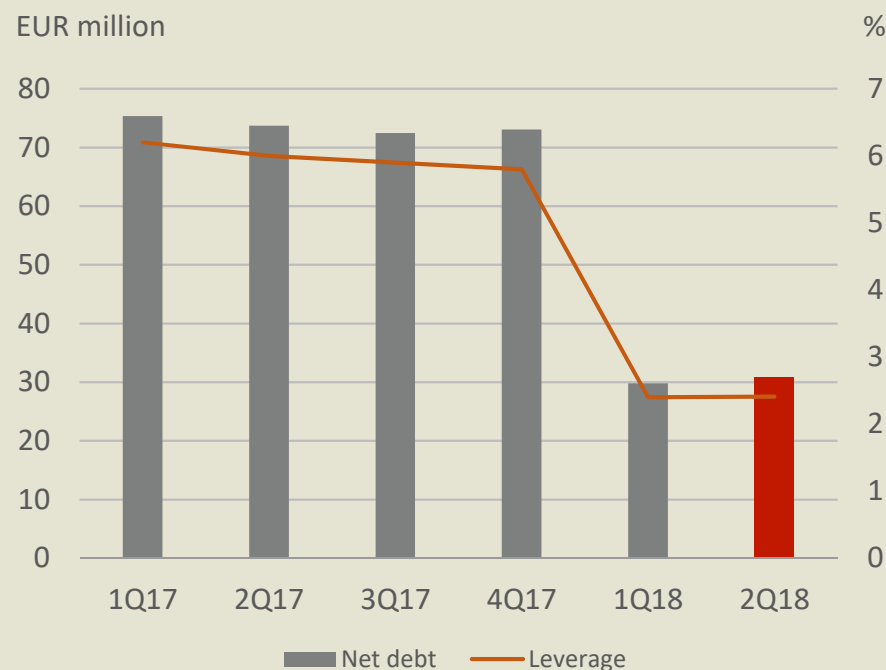
Q2:

- Revenue increased particularly in Finland and in other EU countries
- Operating free cash flow was weakened by the rise in net working capital year on year



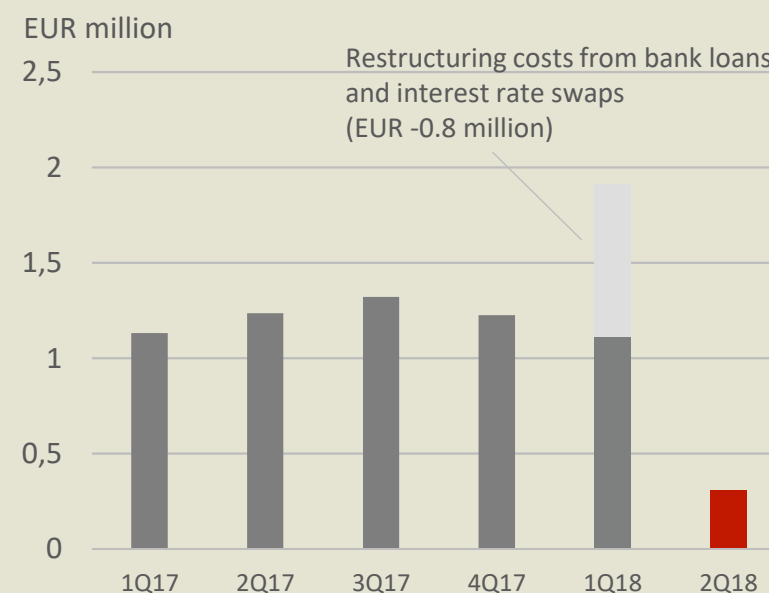
Net finance costs decreased significantly

Net debt (EUR million) and leverage (%)



- The repayment of shareholder loans and restructuring of bank loans significantly reduced the Group's indebtedness

Net finance cost, EUR million



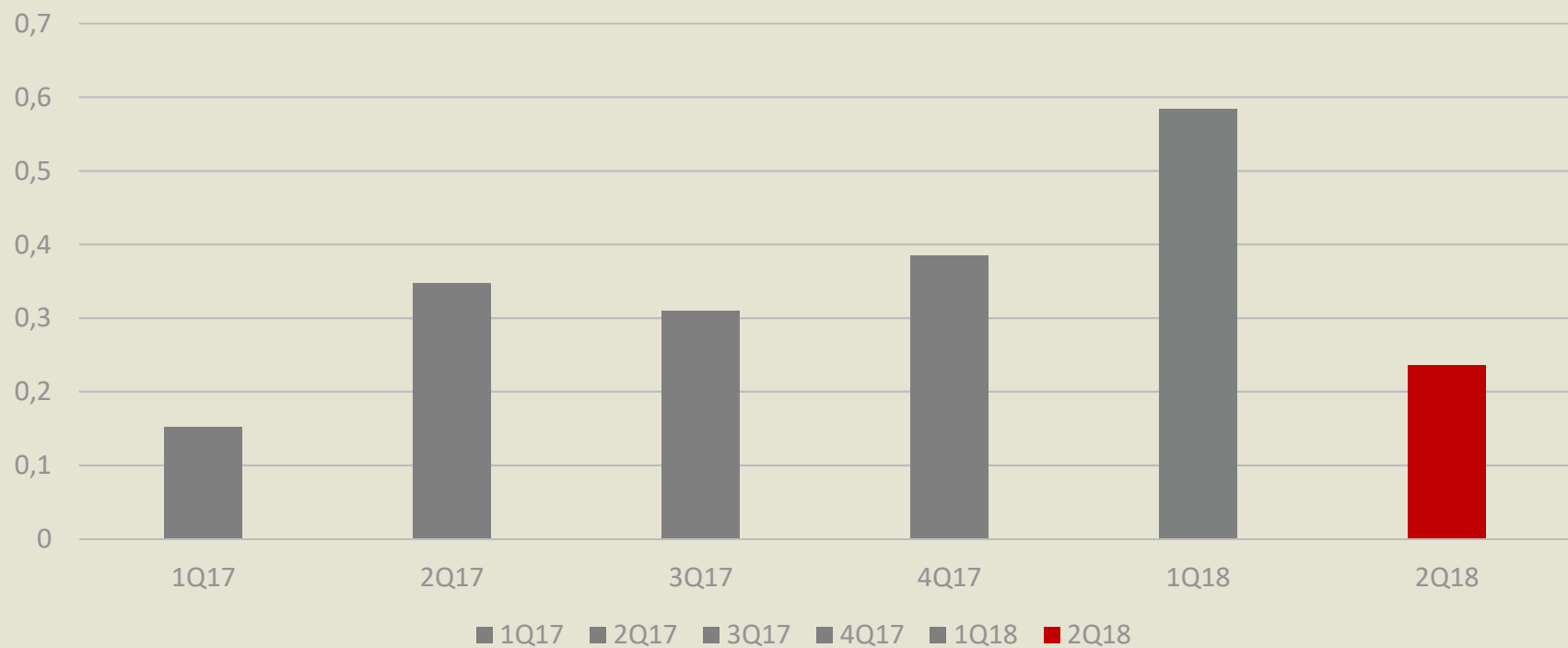
- The repayment of shareholder loans and restructuring of bank loans reduced the net finance costs



Investments

Investments in tangible and intangible assets, EUR million

EUR million



- At the Muurame factory, a new layout for warehousing and shipping was carried out and machine purchases were made
- Website renewal
- Furnishing supporting the Harvia brand installed at selected retail stores

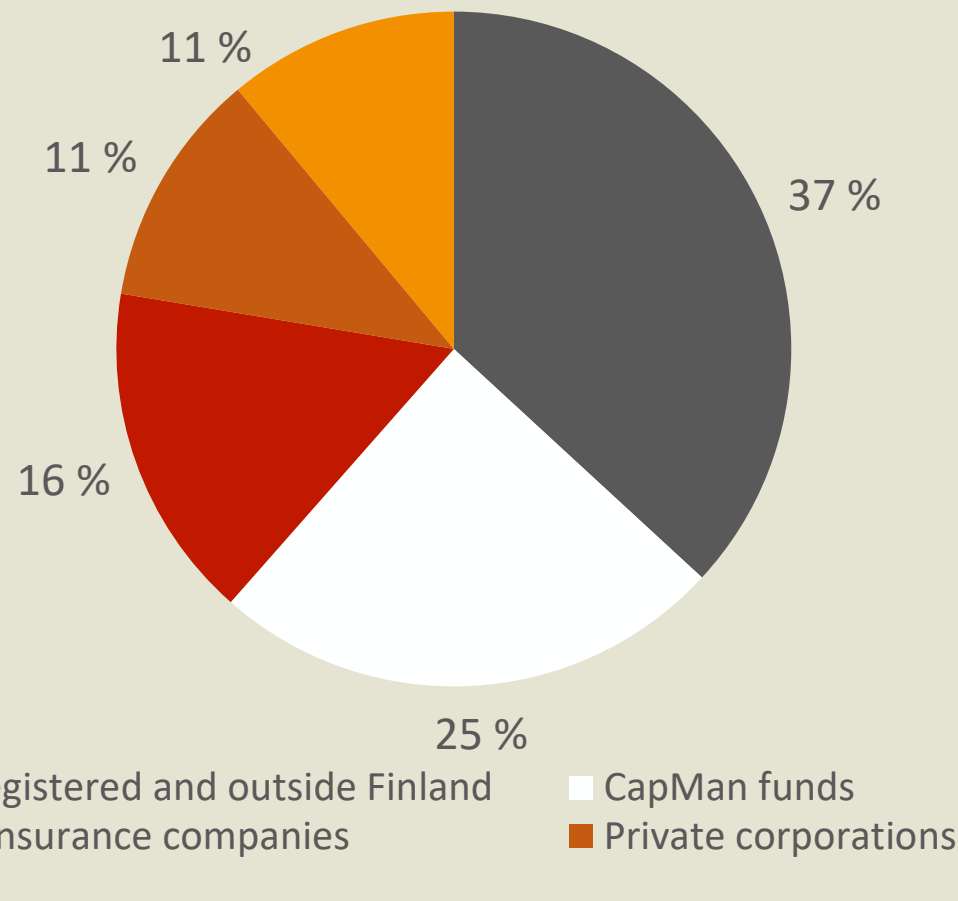


Harvia's ten largest shareholders, 30 June 2018

	Number of shares	% of shares
1. CAPMAN BUYOUT X FUND A L.P.	3,247,590	17.37
2. CAPMAN BUYOUT X FUND B KY	1,358,089	7.27
3. OP-FINLAND SMALL FIRMS FUND	575,000	3.08
4. ILMARINEN MUTUAL PENSION INSURANCE COMPANY	515,000	2.76
5. ODIN FINLAND	475,000	2.54
6. TIIPETI OY – PERTTI HARVIA	429,290	2.30
7. SÄÄSTÖPANKKI PIENYHTIÖT	420,000	2.25
8. VERITAS PENSION INSURANCE COMPANY LTD.	400,000	2.14
9. ERIKOISSIJOITUSRAHASTO VISIO ALLOCATOR	355,000	1.90
10. SIJOITUSRAHASTO TAALERITEHDAS MIKRO MARKKA	303,000	1.62
TOTAL	8,077,969	43.21



The distribution of Harvia's shareholders by segment, 30 June 2018





Dividend policy

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 of at most EUR 3.5 million paid from distributable funds of the year 2017. In the current year, the company intends to pay only the latter dividend instalment as per its dividend policy as such, the Board of Directors intends to decide on an estimated dividend payment of EUR 3.4 million based on the authorisation in autumn 2018.



Financial targets and outlook

Growth:

Annual revenue growth above five per cent on average

Profitability:

Adjusted operating profit margin of 20 per cent⁽¹⁾

Leverage ratio:

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

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

