

Relaxing Moments

HARVIA

Sauna & Spa

Natural Wellbeing

Harvia Plc Interim report

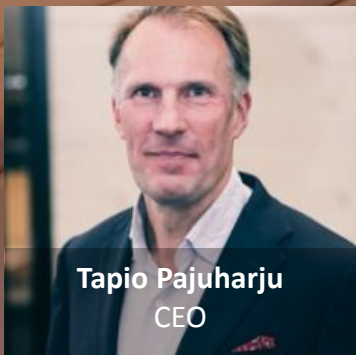
January-September 2018

14 November 2018 | Tapio Pajuharju, CEO | Ari Vesterinen, CFO



Content

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





Harvia's Q3 2018 – steady development continued in the third quarter

- **Revenue** grew by 6.1% from the corresponding period and was EUR 14.0 million (EUR 13.2 million). At comparable exchange rates, revenue grew by 7.9% to EUR 14.2 million.
- **Adjusted operating profit** was EUR 2.3 million (EUR 2.3 million), making up 16.7% of the revenue (17.8%). At comparable exchange rates, the adjusted operating profit grew by 4.1% and was EUR 2.4 million (17.1% of the revenue).
- **Operating free cash flow** was EUR 2.6 million (EUR 2.1 million).





Harvia's January-September 2018 – revenue grew by 4%

- **Revenue** grew by 4.0% from the corresponding period and was EUR 45.7 million (EUR 44.0 million). At comparable exchange rates, revenue grew by 5.5% to EUR 46.4 million.
- **Adjusted operating profit** was EUR 8.0 million, making up 17.5% of the revenue (17.9%). At comparable exchange rates, the adjusted operating profit grew by 7.1 % and was EUR 8.4 million.
- **Operating free cash flow** increased to EUR 5.0 million (EUR 4.1 million).
- Due to the share issue, the **equity ratio** increased to 57.5% (17.0%).
- **Net debt** decreased by 59.0% and was EUR 29.7 million (EUR 72.4 million).

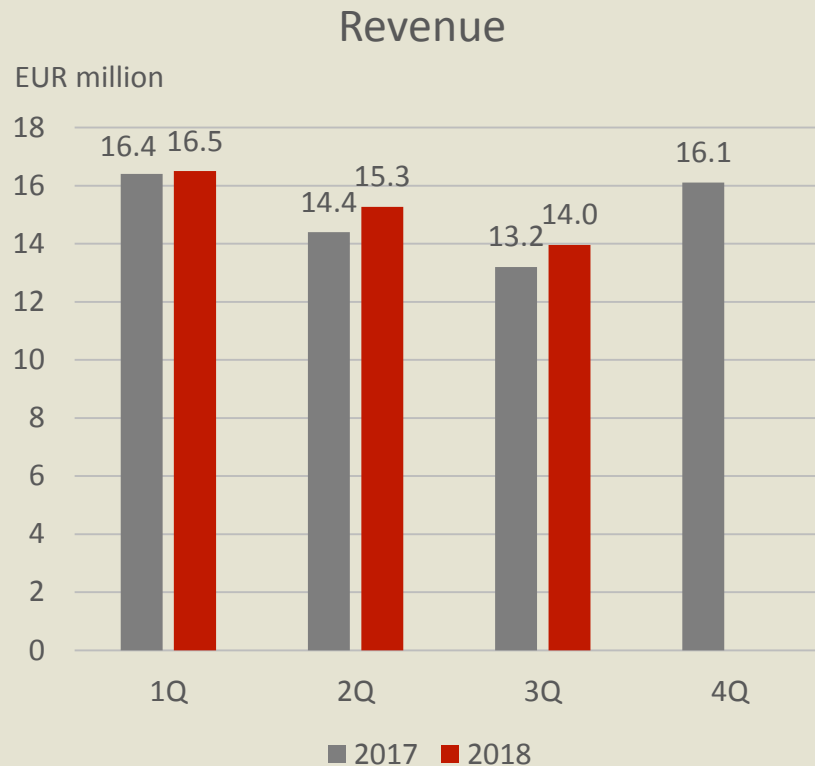


- Geographical expansion progressed as planned during the review period
 - **In the EU countries**, distribution has been strengthened as planned
 - **In Russia**, the expansion of distribution in regional cities continued as well as the improvement of product range
 - **In Sweden**, distribution and range of models have developed favourably
- 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**

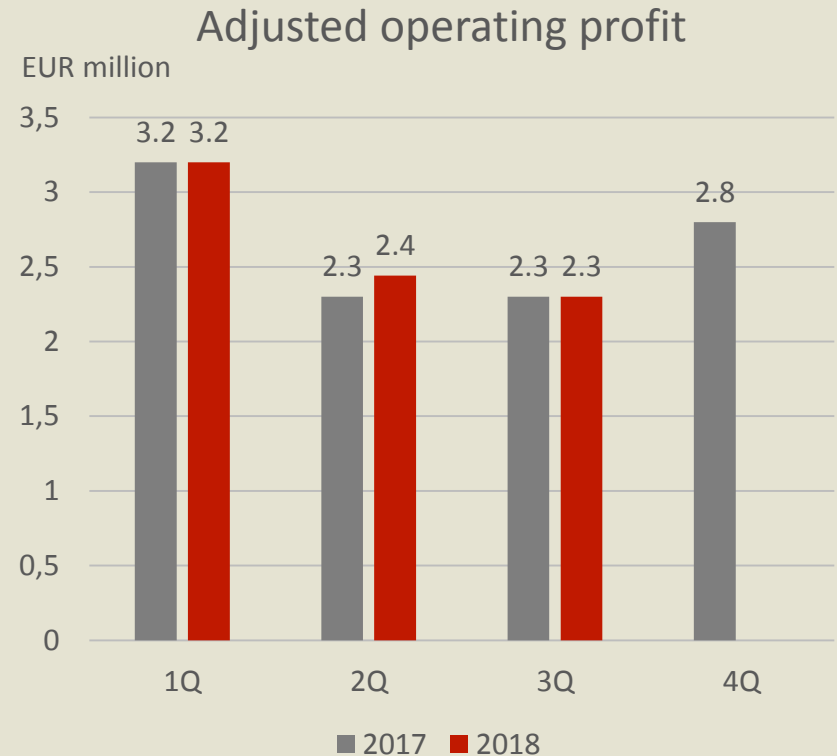




Revenue increased, adjusted operating profit at the previous year's level



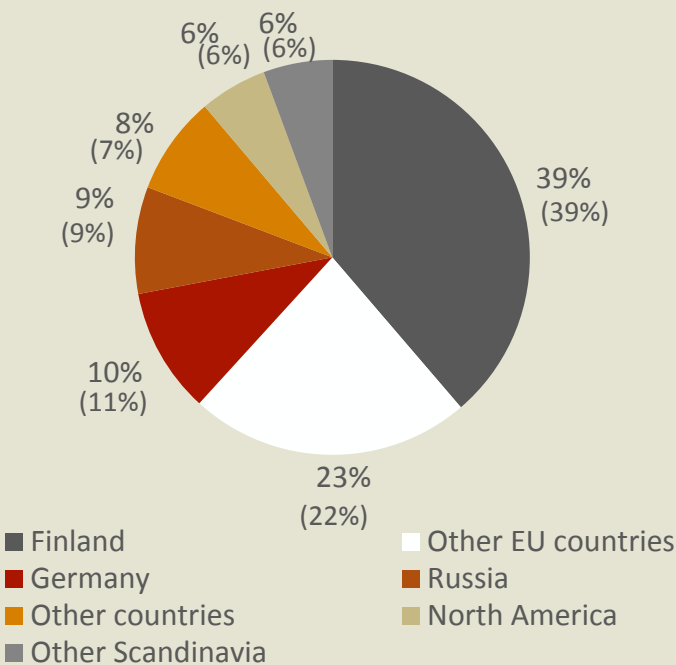
- Revenue increased particularly in Finland and Russia
- Revenue also increased in the Asia-Pacific region
- Sales of sauna heaters and rooms developed well, sales of control units fell behind the comparison period
- At comparable exchange rates, revenue grew by 7.9% to EUR 14.2 million



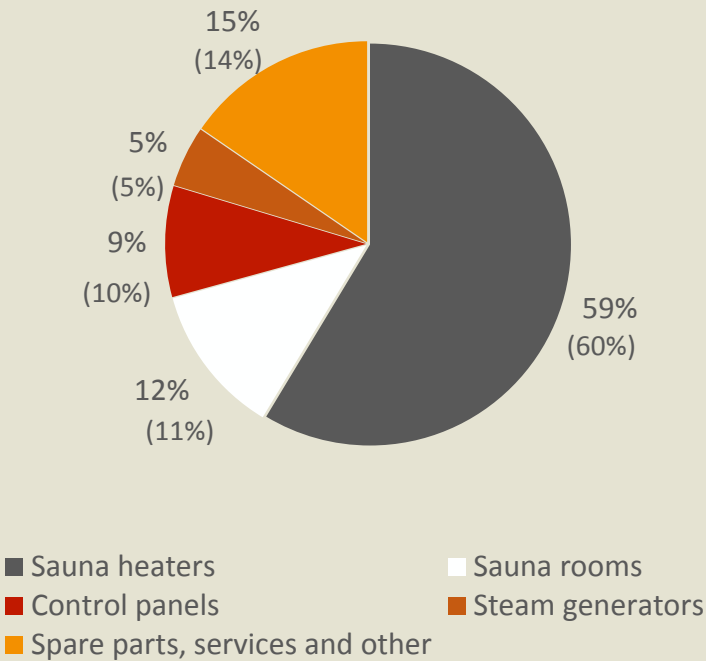
- Adjusted operating profit was EUR 2.3 million and 16.7% of the revenue
- At comparable exchange rates, the adjusted operating profit grew by 4.1% and was EUR 2.4 million (17.1% of the revenue)

Jan–Sep: geographical split almost the same

Revenue by market area, %*



Revenue by product group, EUR million*



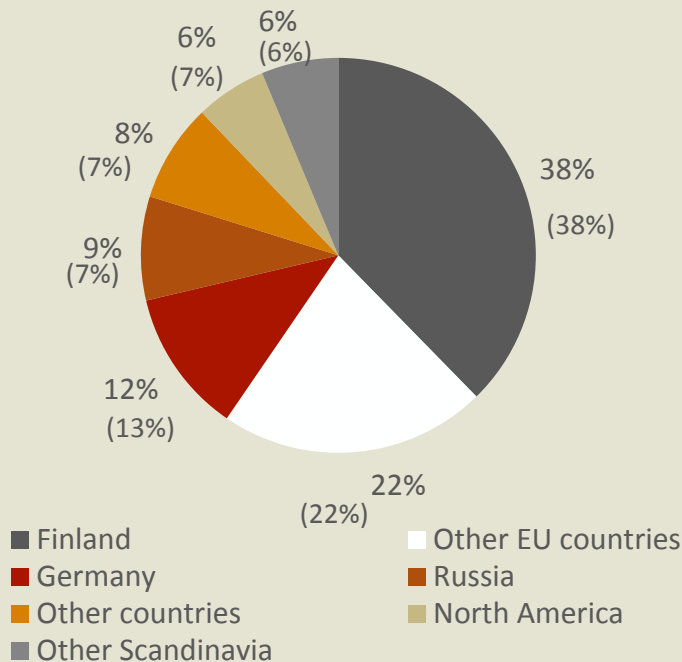
- The development of revenue in Germany was on the previous year's level, when eliminating the effect of discontinued private label sales
- Russia's revenue got closer to the previous year's level due to the more focused offering and new products

- The sales of sauna heaters increased from the comparison period, growth particularly in electric heaters
- 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

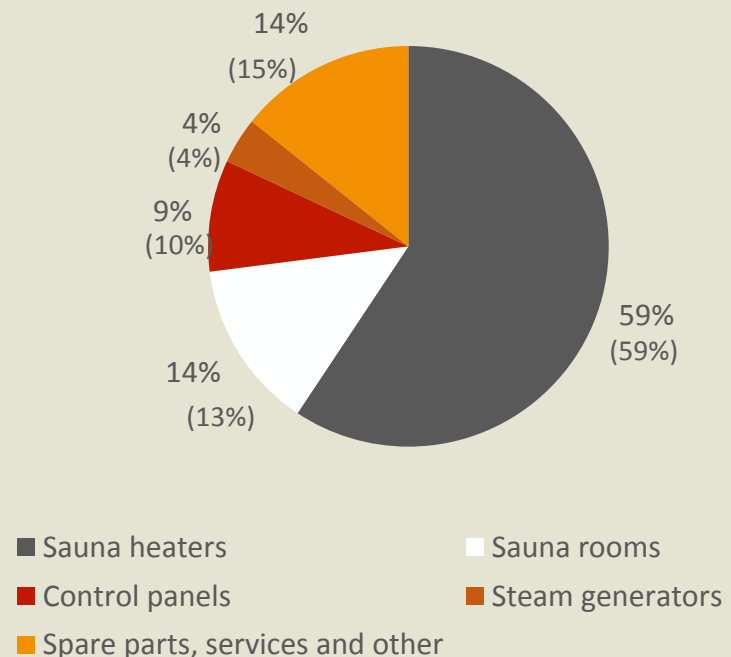
Geographical split almost the same, sales of sauna heaters and sauna rooms developed well in Q3

Revenue by market area, %*



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

Revenue by product group, EUR million*

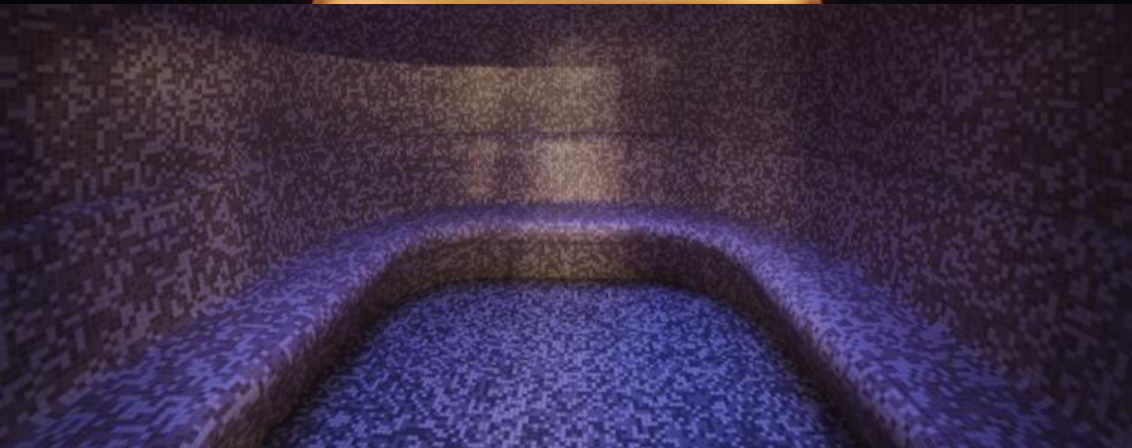


- The sales of sauna heaters and sauna rooms developed well
- Sales of control units continued to be impacted by the termination of the weak private label business in Central Europe


* 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

A close-up view of a sauna interior. The walls and floor are made of light-colored wood. A glass candle holder with multiple lit candles sits on a wooden surface. A window in the background shows a city skyline.

Increasing the value of the average purchase

A view of a sauna interior with wooden benches and walls. A large window at the far end shows a city skyline across a body of water. The room is dimly lit with small lights along the walls.

Geographical expansion

An aerial view of a large industrial or commercial building complex with multiple large, light-colored roofs. There are parking lots with several cars and surrounding greenery.

Productivity improvement



Increasing the value of the average purchase continued in Q3

- 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, sauna heaters 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
 - Sentio by Harvia
 - The Wall -heater
 - Harvia Cilindro Plus
 - Harvia Glow Corner



The background image shows a modern spa interior. On the left is a wooden sauna with a glass door. To the right is a glass-enclosed shower area. In the foreground on the right is a white double vanity with two sinks, chrome faucets, and two bottles of soap. White towels are draped over the vanity. The walls are covered in large, grey, textured stone tiles, and the floor is made of large, light-colored rectangular tiles.

Financials

Ari Vesterinen, CFO

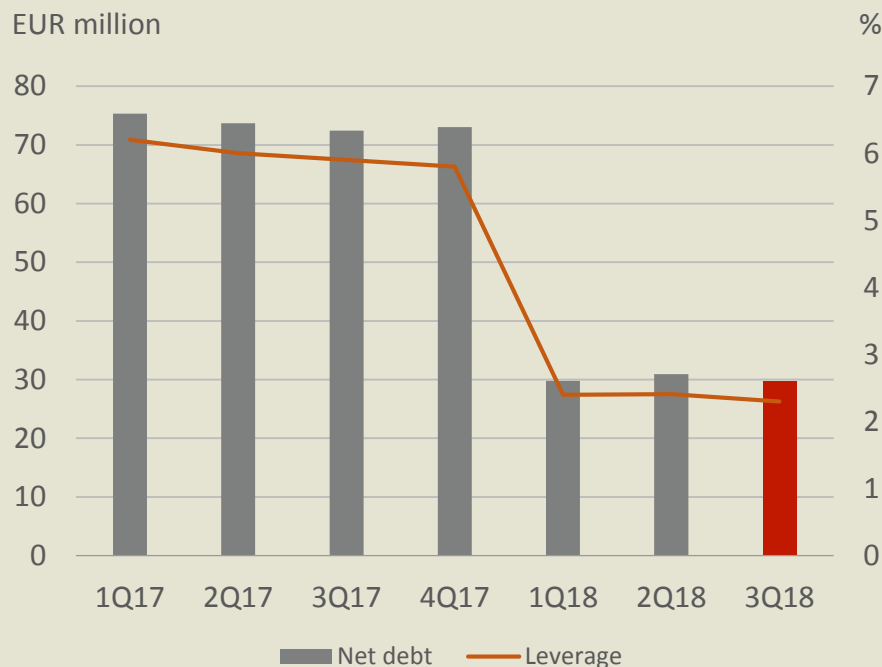
EUR million	7-9/18	7-9/17	Change, %	1-9/18	1-9/17	Change, %	2017
Revenue	14.0	13.2	6.1%	45.7	44.0	4.0%	60.1
Adjusted EBITDA*	2.9	2.8	2.4%	9.6	9.3	3.2%	12.6
% of revenue	20.7%	21.4%		21.0%	21.1%		21.0 %
Adjusted operating profit**	2.3	2.3	0,0%	8.0	7.9	1.8%	10.7
% of revenue	16.7%	17.8%		17.5%	17.9%		17.8%
Basic EPS (EUR)	0.09	0.08	3.1%	0.30	0.30	0.3%	0.30
Operating free cash flow	2.6	2.1	25.5%	5.0	4.1	22.2%	9.0
Investments in tangible and intangible assets	-0.4	-0.3	16.9%	-1.2	-0.8	45.9%	-1.2
Net debt	29.7	72.4	-59.0%	29.7	72.4	-59.0%	73.0
Leverage	2.3	5.9		2.3	5.9		5.8
Net working capital	20.8	16.8	24.1%	20.8	16.8	24.1%	17.3
Adjusted return on capital employed (ROCE)	30.9%	35.0%		30.9%	35.0%		32.7%
Equity ratio	57.5%	17.0%		57.5%	17.0%		16.9%
Number of employees at end of period	376	367	2.5%	376	367	2.5%	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.

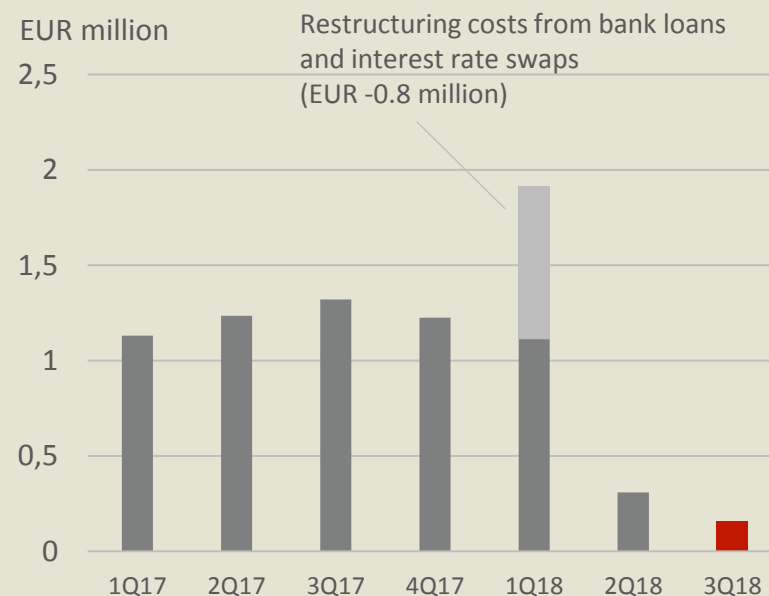
Net finance costs decreased significantly

Net debt (EUR million) and leverage (%)



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

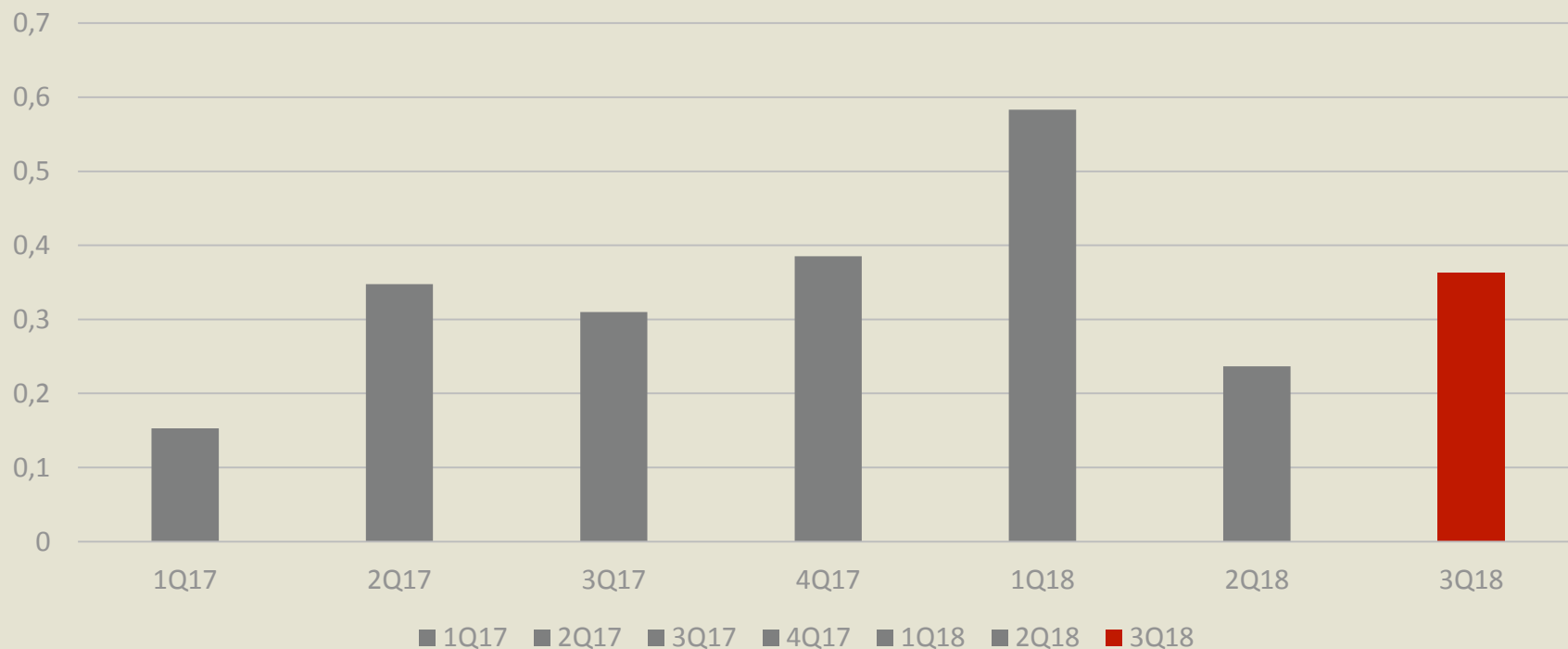
Net finance costs, EUR million



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

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
- Product development projects completed

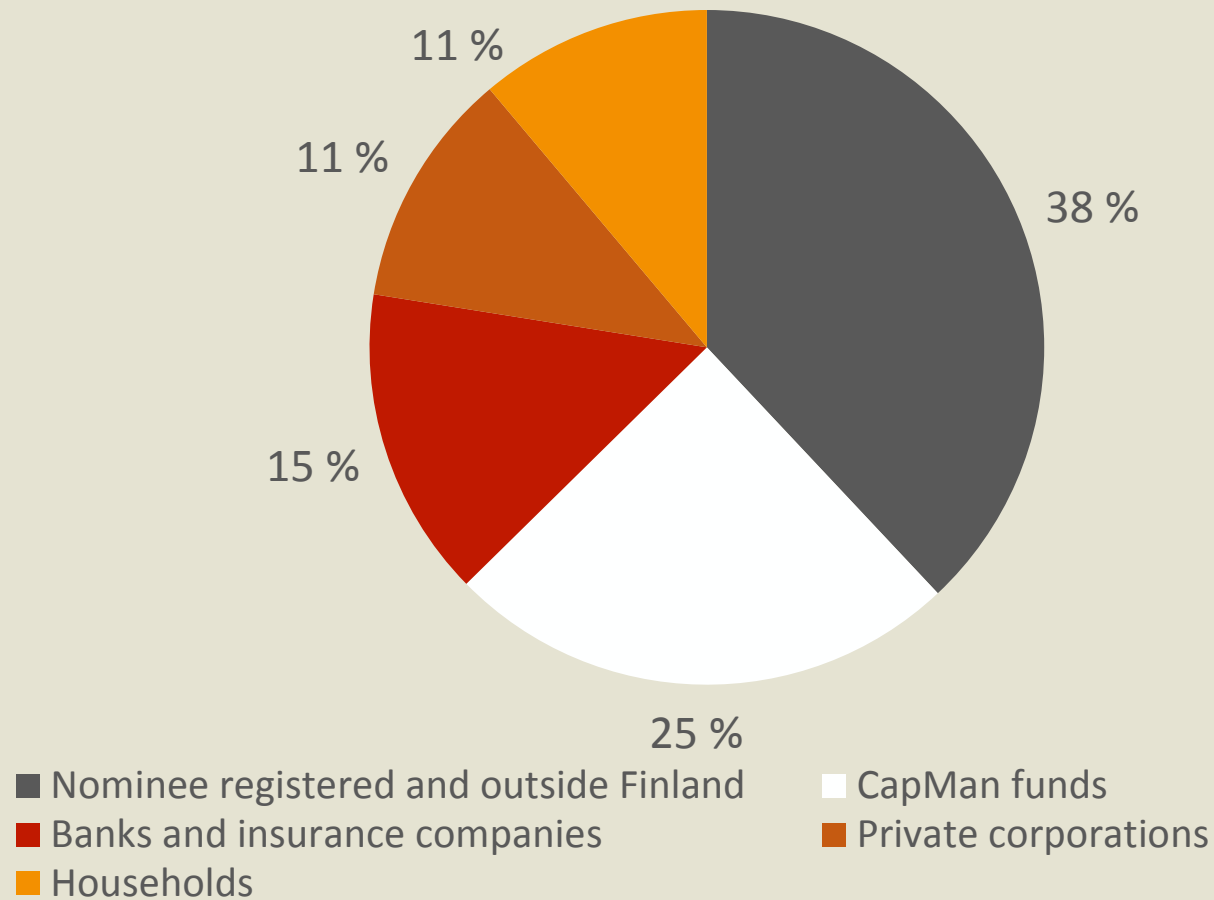


Harvia's ten largest shareholders, 30 September 2018

		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.	ODIN FINLAND	475,000	2.54
5.	TIIPETI OY – PERTTI HARVIA	429,290	2.30
6.	ILMARINEN MUTUAL PENSION INSURANCE COMPANY	427,655	2.29
7.	SÄÄSTÖPANKKI PIENYHTIÖT	420,000	2.25
8.	VERITAS PENSION INSURANCE COMPANY LTD.	390,000	2.09
9.	SIJOITUSRAHASTO TAALERITEHDAS MIKRO MARKKA	303,000	1.62
10.	KTR-INVEST OY – RISTO HARVIA	287,625	1.54
	TOTAL	7,913,249	42.33



The distribution of Harvia's shareholders by segment, 30 September 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. The Board of Directors of the company intends to decide the dividend payout based on the authorisation in autumn 2018.*

*On 10 October 2018, Harvia Plc's Board of Directors resolved, based on the authorisation given by the Annual General Meeting 2018, that a dividend of **EUR 0.18 per share (totalling EUR 3,364,962.48)** be paid from the company's retained earnings. The dividend was paid to shareholders registered in the shareholders' register maintained by Euroclear Finland Oy on the dividend's date of record, 12 October 2018. The dividend was paid on 19 October 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



Thank you!

