

Relaxing Moments

HARVIA

Sauna & Spa

Natural Wellbeing

Harvia Plc Interim Report

January–March 2018

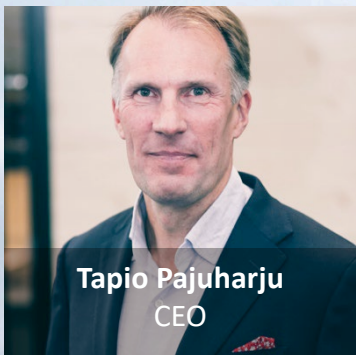
16 May 2018 | Tapio Pajuharju, CEO | Ari Vesterinen, CFO





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Harvia's Q1 2018 – strong and stable performance

- Revenue EUR 16.5 million at the same level as in the corresponding period (1-3/2017: EUR 16.4 million), a record quarterly revenue
- Adjusted operating profit consistent with the previous year at EUR 3.2 million, making up 19.5% of the revenue (19.3%)
- Operating free cash flow increased to EUR 2.0 million (EUR 0.3 million)
- Due to the share issue, equity ratio increased to 53.4% (16.2%)
- Net debt decreased by 60.4% to EUR 29.8 million (EUR 75.3 million)





Stable revenue growth in all markets

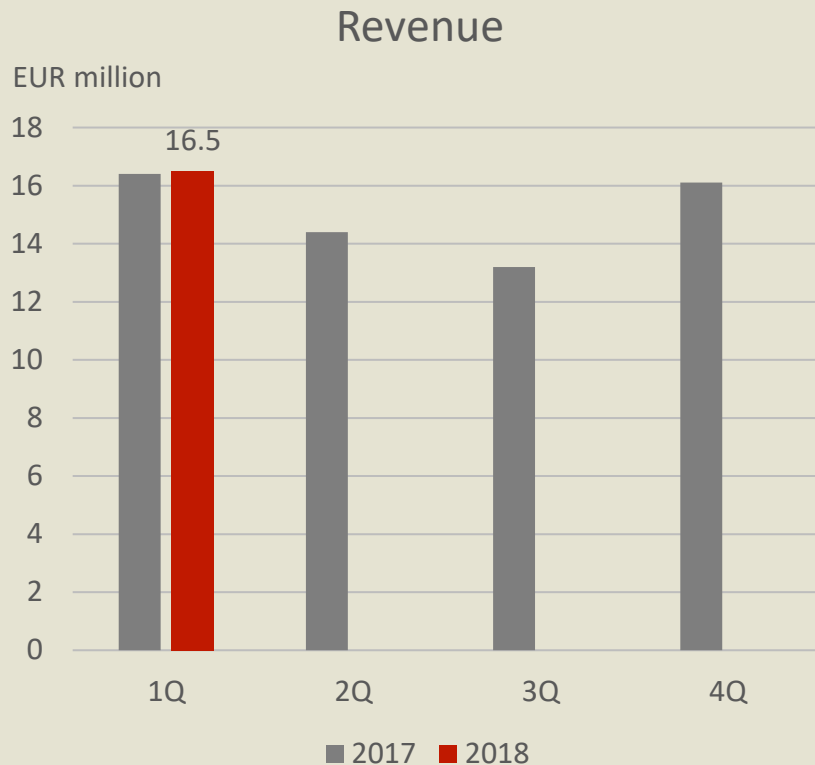
- Harvia reached a record-high quarterly revenue
 - Stable sales development in the **EU countries**
 - **Scandinavia, Asia-Pacific, CIS and Arab countries** developed favourably
 - **In Finland and Russia**, the postponed wood burning heater season was clearly visible
 - Harvia's successful public listing created an international ownership base, including a large number of Harvia's employees and strengthened our capital structure considerably.

We are now even better prepared to strengthen Harvia's leading position as an international sauna and spa player

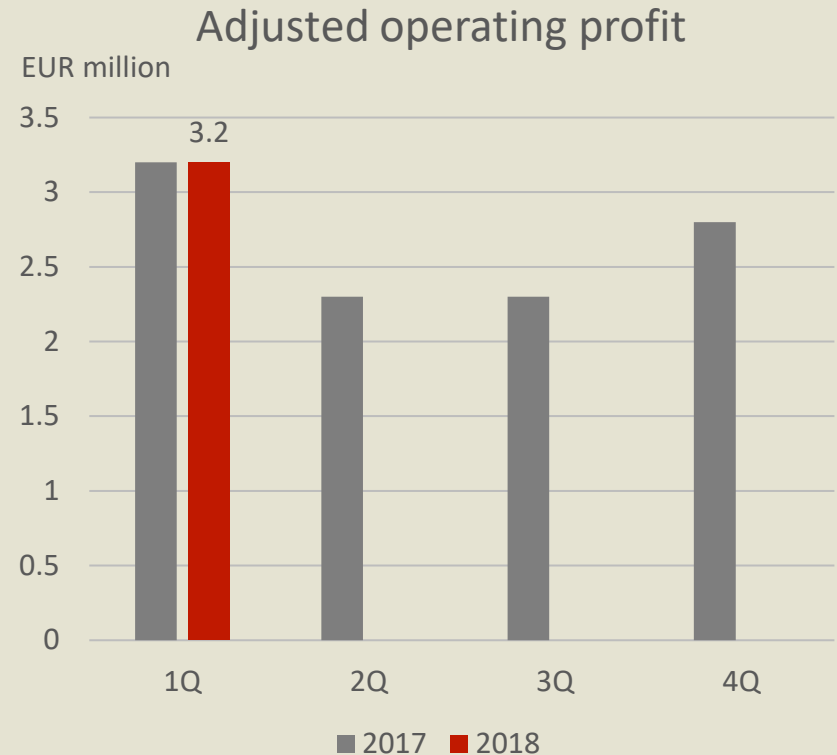




Revenue and adjusted operating profit at the previous year's level



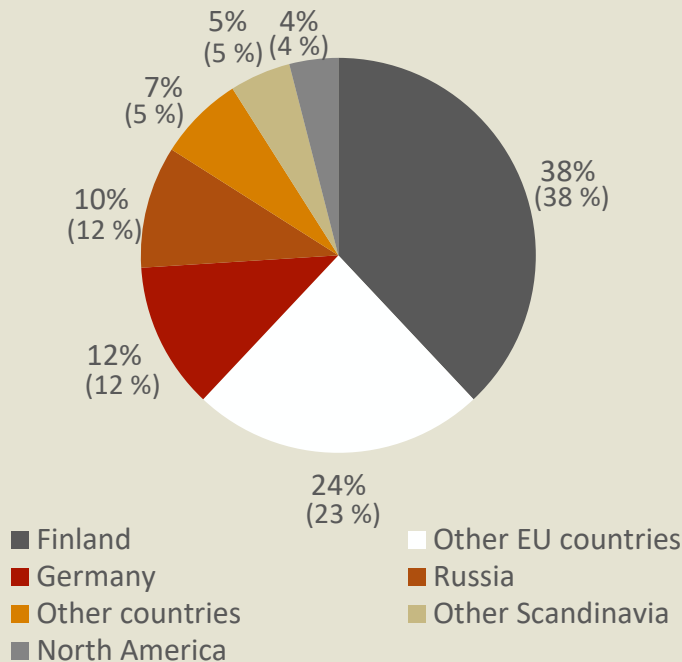
- Record-high quarterly revenue, despite sales being burdened by the early timing of Easter
- The wood burning heater sales season seems to have postponed later in the spring



- Profitability remained steady and on a good level, the adjusted operating profit was 19.5% of revenue

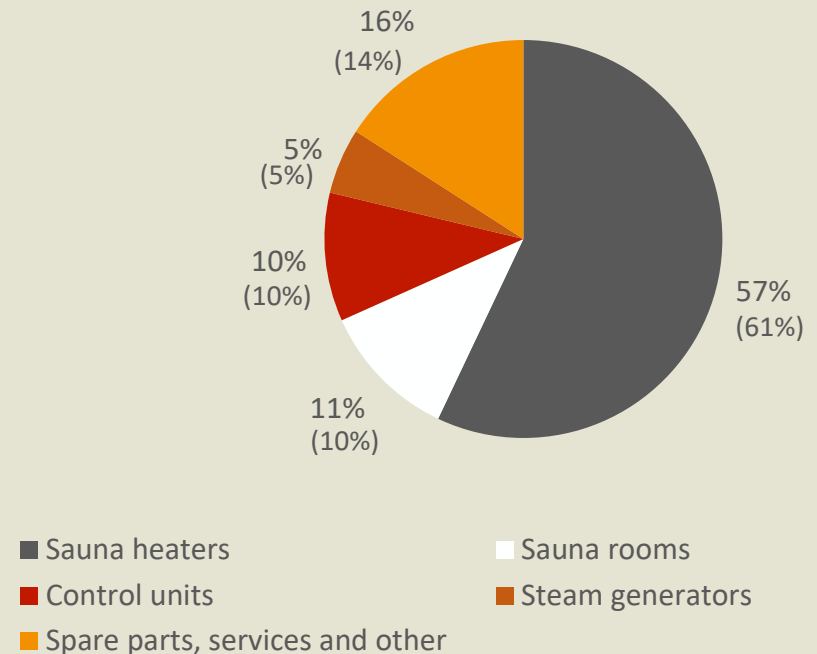
Geographical expansion proceeding as planned, revenue increased in all product groups, excluding heaters

• Revenue by market area, %*



- Development stable in Finland, other Scandinavia increased
- Development stable in other EU countries, including Germany
- In Russia, slow start for the spring sales season and revenue decreased, clear growth in other countries

Revenue by product group, EUR million*




- The postponement of spring sales season slowed down sauna heater sales
- Sauna room sales strengthened in Finland and 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





Increasing the value of the average purchase

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



Geographical expansion



Productivity improvement



Increasing the value of the average purchase proceeds as planned

- Sales of control units, safety railings and sauna interior and installation equipment developed positively, as did the sales of premium heaters and components
- In Scandinavia, the change and adjustment of the product range to suit the local market proceeded well
- Sales of sauna rooms developed well
- We introduced e.g. the advanced Harvia The Wall heater as well as the Harvia Glow heater, developed to offer the best sauna experience



- Distribution was expanded in **EU countries** and the operations and inventories of a long-term distributor in Germany was taken over by Harvia
- **In Russia**, the expansion of distribution in regional cities has proceeded well
- The integration of Sentiotec has proceeded as planned
- We have started the cross-selling of our products in selected markets





The improvement of productivity has proceeded well at all production sites

- In Finland the largest investment of the year, the transformation of internal logistics at the Muurame factory, was carried out successfully in schedule
- The product range of the factory in China has been expanded and made more versatile
- The new second-generation steam generator is ready for production in the factory in China and the production of new heater models has begun



Financials

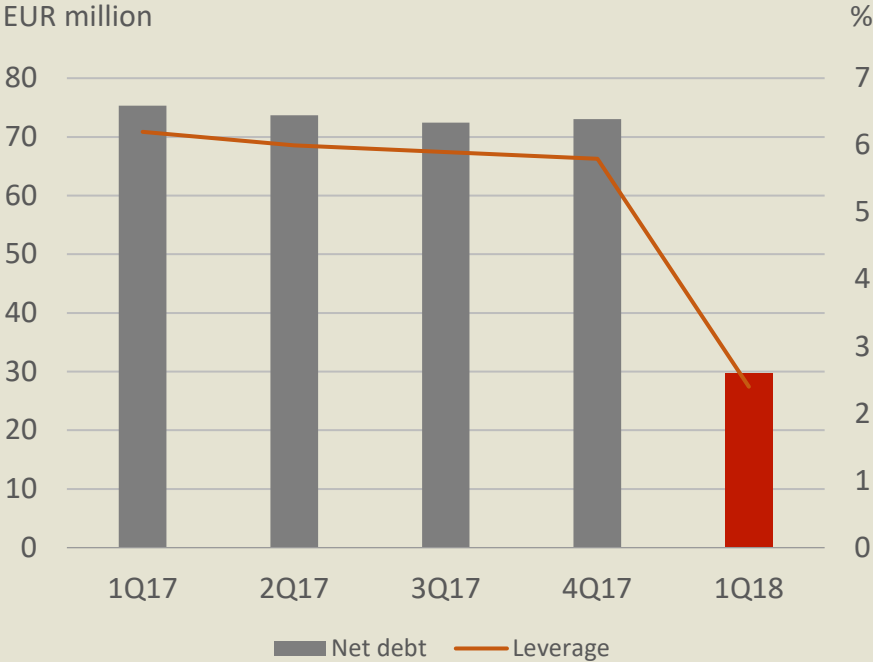
Ari Vesterinen, CFO

EUR million	1-3/2018	1-3/2017	Change, %	2017
Revenue	16.5	16.4	0.3%	60.1
Adjusted EBITDA	3.7	3.7	1.5%	12.6
% of revenue	22.5%	22.2%		21.0%
Adjusted operating profit	3.2	3.2	1.1%	10.7
% of revenue	19.5%	19.3%		17.8%
Basic EPS, (EUR)	0.16	0.15	2.9%	0.30
Operating free cash flow	2.0	0.3	560.8%	9.0
Investments in tangible and intangible assets	-0.6	-0.2	281.6%	-1.2
Net debt	29.8	75.3	-60.4%	73.0
Leverage	2.4	6.2		5.8
Net working capital	18.2	17.8	2.4%	17.3
Adjusted return on capital employed (ROCE)	31.7%	33.5%		32.7%
Equity ratio	53.4%	16.2%		16.9%
Number of employees at end of period	370	357	3.6%	365

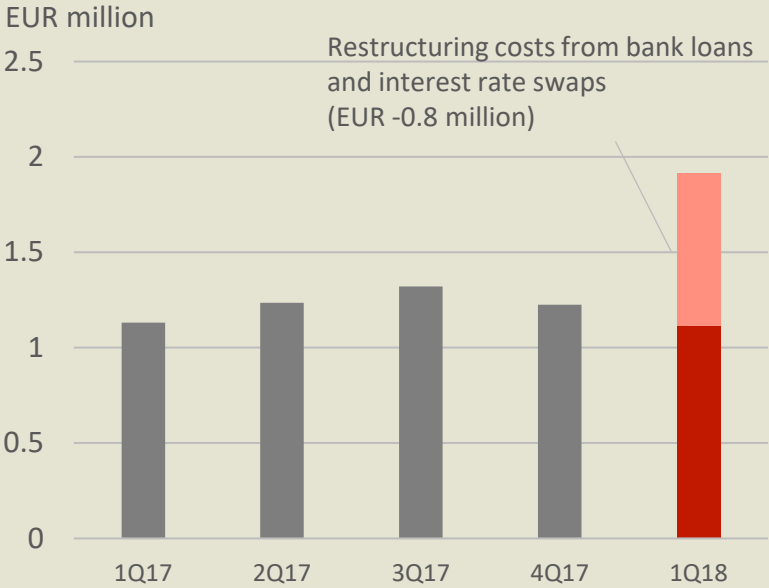
- Domestic development stable, other Scandinavia grew
- Development stable in other EU countries, including Germany
- In Russia, the spring sales season started slowly, which reflected in decreased revenues, clear growth in other countries

Interest-bearing net debt decreased

Net debt (EUR million) and leverage (%)



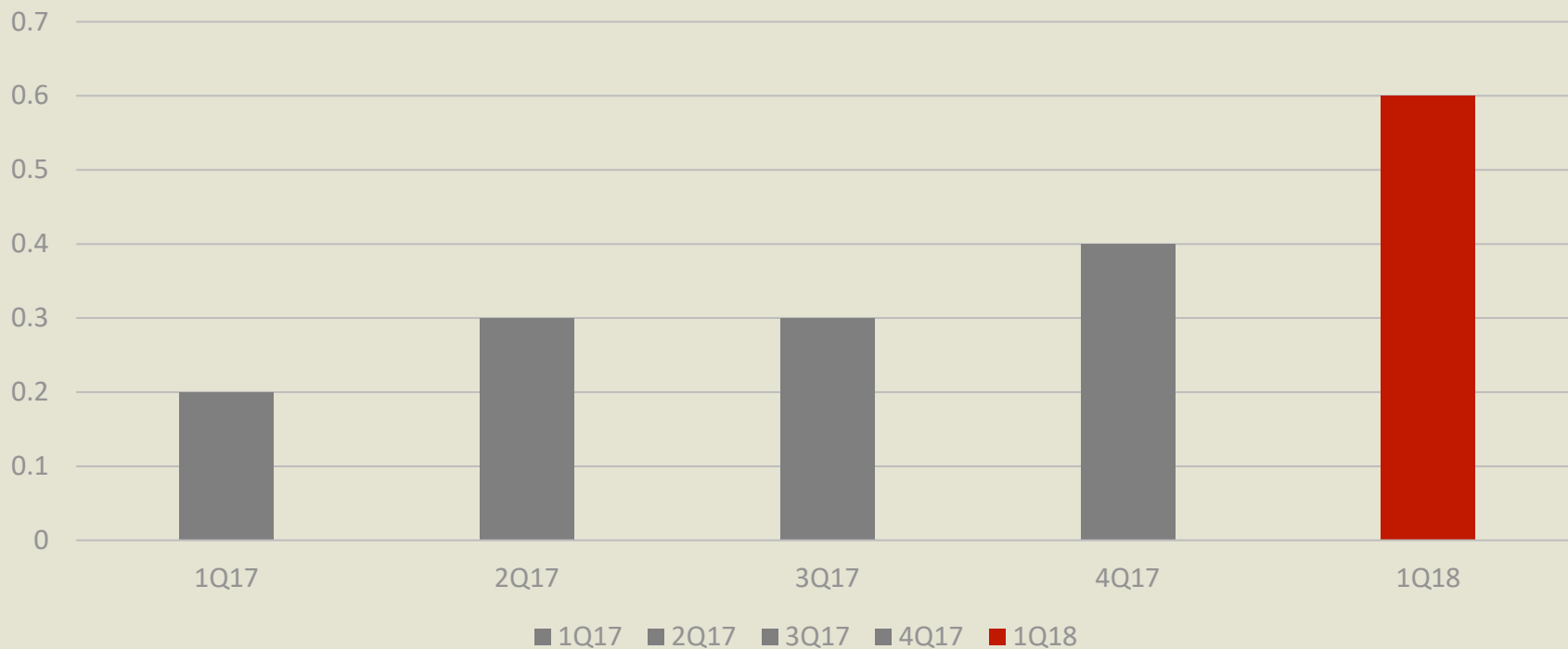
Net financing expenses, EUR million



- Harvia strengthened its capital structure by using the funds derived from the share issue to repay shareholder loans and their accumulated interests
- The repayment of shareholder loans and restructuring of bank loans will reduce the financing expenditure in the next coming quarters

Investments in tangible and intangible assets, EUR million

EUR million



- A reorganization of the production facilities in Finland was carried out to improve operational efficiency
- Investments in marketing, new website and furnishing
- Machines and equipment

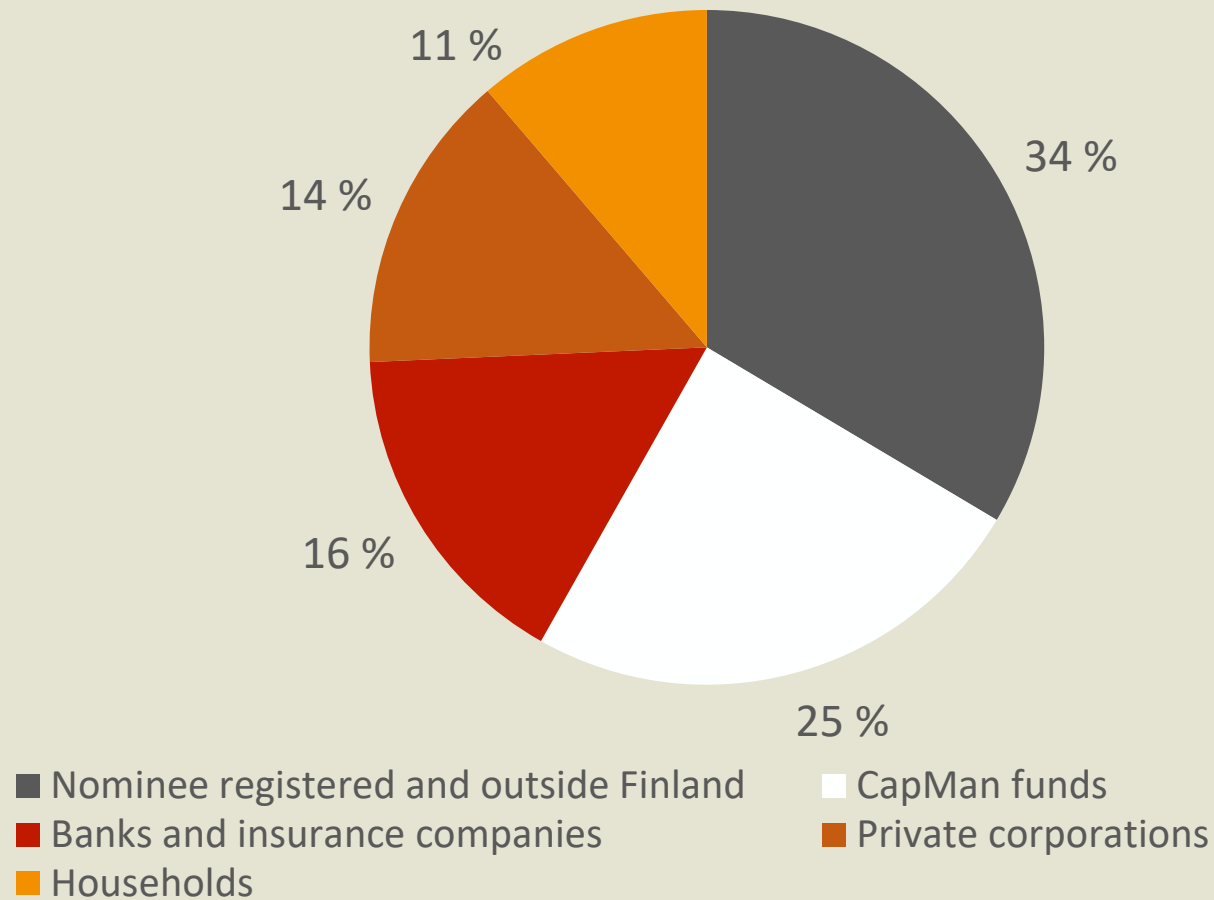


Harvia's ten largest shareholders, 31 March 2018

		Number of shares	% of shares
1.	Capman Buyout X Fund a L.P.	3,176,603	17.12
2.	Capman Buyout X Fund B Ky	1,328,404	7.16
3.	Nordea Nordic Small Cap Fund	1,285,856	6.93
4.	OP-Finland Small Firms Fund	515,000	2.78
5.	Ilmarinen Mutual Pension Insurance Company	475,000	2.56
6.	Odin Finland	450,000	2.43
7.	Tiipeti Oy - Pertti Harvia	429,290	2.31
8.	Sijoitusrahasto Säästöpankki Pienyhtiöt	420,000	2.26
9.	Veritas Pension Insurance Company Ltd.	400,000	2.16
10.	Sijoitusrahasto Taaleritehdas Mikro Markka	303,000	1.63
	Total	8,783,153	47.35



The distribution of Harvia's shareholders by segment, 30 April 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. The company has not paid dividends or made repayments of capital from the financial periods ending on 31 December 2016 and 31 December 2015.



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!

