OFFERING CIRCULAR **8 March 2018**

Listing on the official list of Nasdaq Helsinki Ltd
Share Issue of approximately EUR 45 million
Share Sale of a preliminary maximum of 1,462,418 Sale Shares
Preliminary Price Range EUR 5.00–6.10 per Offer Share

This offering circular (the "**Offering Circular**") has been prepared in connection with the initial public offering of the shares in Harvia Plc, a public limited liability company incorporated in Finland ("**Harvia**" or the "**Company**"). The Company aims to raise gross proceeds of approximately EUR 45 million by offering a minimum of 7,387,050 and a maximum of 9,010,000 new shares in the Company (the "**New Shares**") for subscription (the "**Share Issue**"). In addition, CapMan Buyout X Fund A L.P and CapMan Buyout X Fund B Ky (the "**Funds Managed by CapMan**") and other existing shareholders in the Company listed in Annex A (together with the Funds Managed by CapMan, the "**Sellers**") are offering a preliminary maximum of 1,462,418 existing shares in the Company (the "**Sale Shares**", and together with the New Shares, the "**Offer Shares**") for sale (the "**Share Sale**" and together with the Share Issue, the "**Offering**").

The Offering consists of (i) a public offering to private individuals and entities in Finland (the "**Public Offering**"), (ii) a personnel offering to all permanent employees of the Company or its wholly owned subsidiaries during the subscription period in Finland and in Austria, the members of the Board of Directors and the CEO of the Company (the "**Personnel Offering**") and (iii) private placements to institutional investors in Finland and internationally pursuant to the applicable legislation (the "**Institutional Offering**"). All offers and sales outside the United States will be made in offshore transactions in compliance with Regulation S under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**")

The sole global coordinator and bookrunner for the Offering is Danske Bank A/S, Finland Branch ("**Danske Bank**" or the "**Global Coordinator**") and the bookrunner of the Offering is Handelsbanken Capital Markets, a part of Svenska Handelsbanken AB (publ) ("**Handelsbanken**" or a "**Bookrunner**" and together with the Global Coordinator, the "**Joint Bookrunners**"). The Funds Managed by CapMan will grant the Global Coordinator an over-allotment option exercisable within 30 days from the commencement of trading of the Company's shares (the "**Shares**") on Nasdaq Helsinki Ltd (the "**Helsinki Stock Exchange**"), to purchase or to procure purchasers for up to 1,539,109 additional Shares (the "**Additional Shares**") solely to cover over-allotments in connection with the Offering, if any (the "**Over-Allotment Option**").

The subscription period for the Offering will commence on 9 March 2018 at 10:00 a.m. (Finnish time) and end on or about 19 March 2018 at 4:00 p.m. (Finnish time) for the Public Offering, on or about 21 March 2018 at 12 noon (Finnish time) for the Institutional Offering and on or about 19 March 2018 at 4:00 p.m. (Finnish time) for the Personnel Offering, unless the subscription period is discontinued or extended. Instructions for submitting the subscriptions as well as detailed terms and conditions of the Offering are presented in this Offering Circular under "*Terms and Conditions of the Offering*". The preliminary price range for the Offer Shares is a minimum of EUR 5.00 and a maximum of EUR 6.10 per Offer Share (the "**Preliminary Price Range**"). The final subscription price per Offer Share (the "**Final Subscription Price**") may be above or below the Preliminary Price Range. Only New Shares will be offered in the Personnel Offering and a discount to the subscription price as described in section "*Terms and Conditions of the Offering*" will be applied. The Final Subscription Price will be announced through a stock exchange release on or about 21 March 2018.

Prior to the Offering, the Shares have not been subject to trading on a regulated market or multilateral trading facility. The Company intends to submit a listing application to the Helsinki Stock Exchange to list the Shares on the official list of the Helsinki Stock Exchange under the share trading code HARVIA (the "**Listing**"). Trading in the Shares is expected to commence on the Pre-list of the Helsinki Stock Exchange on or about 22 March 2018 and on the official list of the Helsinki Stock Exchange on or about 26 March 2018.

The Offer Shares may not be offered or sold, directly or indirectly, in or into the United States, and the Offer Shares have not been, and will not be, registered under the U.S. Securities Act, or under the securities laws of any state of the United States and accordingly, may not be offered or sold, directly or indirectly, in or into the United States except in transactions exempt from registration under the U.S. Securities Act and any applicable United States state law. The Offer Shares are being offered and sold outside the United States in compliance with Regulation S under the U.S. Securities Act. See "*Important Information*".

The distribution of the Offering Circular may be restricted by law in certain jurisdictions. The Offering Circular may not be distributed in the United States, Canada, New Zealand, Australia, Japan, Hong Kong, Singapore, South Africa or any other jurisdiction in which such distribution may lead to a breach of any law or regulatory requirement.

An investment in the Offer Shares involves risks. Prospective investors should read this entire Offering Circular and, in particular, "*Risk Factors*", when considering an investment in the Offer Shares.

Sole Global Coordinator and Bookrunner
Danske Bank A/S, Finland Branch

Bookrunner
Handelsbanken Capital Markets, a part of
Svenska Handelsbanken AB (publ)

IMPORTANT INFORMATION

In connection with the Offering, the Company has prepared a Finnish language prospectus (the "**Finnish Prospectus**") in accordance with the Finnish Securities Markets Act (746/2012, as amended) (the "**Securities Markets Act**") and Commission Regulation (EC) No. 809/2004 of 29 April 2004, implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference, publication of such prospectuses and dissemination of advertisements (as amended, Annexes I, III and XXII), the Finnish Ministry of Finance Decree on prospectuses referred to in Chapter 3 to 5 of the Securities Markets Act (1019/2012) and the regulations and guidelines issued by the Finnish Financial Supervisory Authority (the "**FFSA**"). The FFSA has approved the Finnish Prospectus, but is not responsible for the accuracy or correctness of the information presented therein. The record number of the Finnish Financial Supervisory Authority's approval decision concerning the Finnish Prospectus is FIVA 4/02.05.04/2018. The Offering Circular is a translation of the Finnish Prospectus and contains the same information as the Finnish Prospectus, with the exception of certain information directed at investors outside of Finland. The Offering Circular has not been approved by the FFSA. In the event of any discrepancies between the Finnish Prospectus and the Offering Circular, the Finnish Prospectus shall prevail.

In this Offering Circular, any reference to "Harvia" and the "Company" or the "Group" means Harvia Plc and its subsidiaries collectively, except where it is clear from the context that the term refers only to Harvia Plc, its subsidiary or business operations, or to some of these collectively, as the case may be. References to the shares or share capital of the Company or to the administration of the Company, respectively, shall refer to the shares, share capital or administration of Harvia Plc.

The Company has prepared the Offering Circular only for the purpose that prospective investors can consider the subscription of the Offer Shares as well as to enable the listing of the Company's Shares on the Helsinki Stock Exchange. Nothing contained in this Offering Circular shall constitute a promise or a representation by the Company or the Joint Bookrunners regarding the future and the Offering Circular should not be considered as such a promise or representation. Prospective investors should, prior to making an investment decision, carefully acquaint themselves with the entire Offering Circular. In making an investment decision, prospective investors must rely on their own examinations of the Company and the terms and conditions of the Offering, including the benefits and risks involved in them. Investors should consult their own advisers, as they consider it necessary, before subscribing for or purchasing the Offer Shares. No person has been authorised to provide any information or to give any statements other than those contained in the Offering Circular in connection with the Offering. If such information is provided or such statements are given, it should be considered not to have been approved by the Company, the Sellers or the Joint Bookrunners. The distribution of the Offering Circular or any offering or sale based thereon does not mean, under any circumstances, that the information contained in the Offering Circular is accurate in the future or that there has been no change in the Company's business after the date of the Offering Circular. The Company will, however, correct and supplement information given in the Finnish Prospectus as required pursuant to the Securities Markets Act Chapter 4, Section 14.

The Joint Bookrunners are acting exclusively for the Company and the Sellers in connection with the Offering and the protection afforded by the Joint Bookrunners applies only to the Company and the Sellers. The Joint Bookrunners will not regard any other person (whether or not recipient of the Offering Circular) as its respective client in relation to the Offering. Joint Bookrunners will not be responsible to anyone other than the Company and the Sellers for providing protection afforded to its clients nor for giving advice in relation to the Offering or any transaction or arrangement referred to in the Offering Circular.

With the exception of those duties and responsibilities of the Joint Bookrunners under the Finnish law or under mandatory legislation of another jurisdiction in which the exclusion of liability would be illegal, invalid or unenforceable, the Joint Bookrunners assume no responsibility whatsoever for the contents of the Offering Circular or for any statement that is made or purported to have been made by it or in connection with the Company, the Group, the Sellers, the Offering or the Offer Shares. The Joint Bookrunners accordingly disclaim any and all liability, whether arising in tort, contract or otherwise (save as referred to above), which they might otherwise have in respect of the Offering Circular or any such statement.

The Offer Shares may not be offered or sold, directly or indirectly, in or into, and the Offering Circular or any other material related to the Shares or advertisements may not be distributed or published in any jurisdiction where this would be illegal or require actions in accordance with laws other than those of Finland. As a result, investors outside of Finland may not be permitted to accept the Offering Circular or to purchase the Offer Shares. It is not the responsibility of the Company, the Sellers or the Joint Bookrunners to acquire appropriate information regarding the above restrictions or to comply with the above restrictions. The Offering Circular does not constitute an offer or a solicitation of an offer to purchase or subscribe for the Offer Shares in any jurisdiction where an offer or a solicitation would be illegal. The Company, the Sellers and the Joint Bookrunners and their representatives accept no legal responsibility for violations of such restrictions, regardless of whether or not such restrictions are known to those considering investments in the Offer Shares. The Company reserves the right, in its sole and absolute discretion, to reject any subscription that the Company or its representatives, after due consideration, consider to result in a breach or violation of any law, rule or regulation.

The Offering is governed by Finnish law. Any disputes arising in connection with the Offering will be settled by a court of competent jurisdiction in Finland.

CONTENTS

SUMMARY

Summaries are made up of disclosure requirements known as "Elements." These Elements are numbered in Sections A–E (A.1–E.7).

This summary contains all the Elements required to be included in the summary for this type of securities and the issuer. Because some Elements are not required to be addressed in this summary because of the type of securities and the issuer, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be included in the summary due to the type of securities or issuer, it is possible that no relevant information exists regarding the Element. In this case, a short description of the Element is included in the summary with the mention of "not applicable."

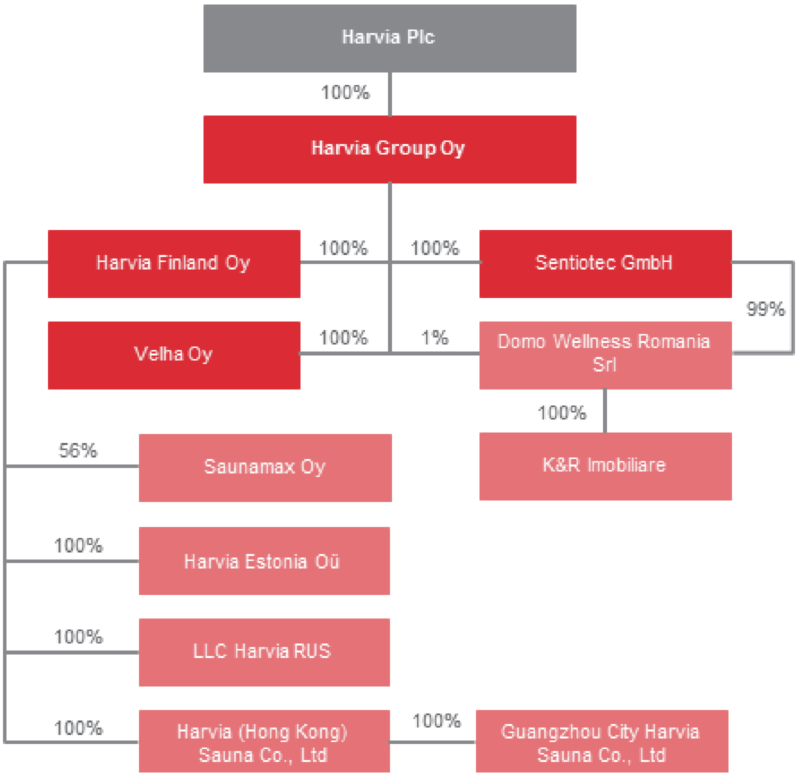
A – Introduction and Warnings

Element	Disclosure Requirement	Disclosure
A.1	Warning	This summary should be read as an introduction to this Offering Circular. Any decision to invest in the Offer Shares should be based on a consideration of the Offering Circular as a whole by the prospective investor. Where a claim relating to the information contained in this Offering Circular is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating this Offering Circular before the legal proceedings are initiated. Civil liability for this summary attaches the persons who have tabled the summary only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Offering Circular, or if it does not provide, when read together with the other parts of this Offering Circular, key information in order to aid investors when considering whether to invest in the Offer Shares.
A.2	Consent for subsequent resale or final placement of securities/offer period/ conditions of the consent	Not applicable.

B –Issuer

Element	Disclosure Requirement	Disclosure
B.1	The legal and commercial name of the issuer	The legal name of the issuer is Harvia Plc.
B.2	Domicile and legal form, law applicable to the issuer and the issuer's country of incorporation	The domicile of the Company is Muurame. The Company is a public limited liability company incorporated in Finland and the Company is governed by Finnish law.
B.3	The nature of the issuer's current operations and its principal activities	Harvia is one of the world's leading providers of sauna and spa products. The Company's brands and offering are well-known in the market and Harvia has a comprehensive product offering that strives to meet the needs of the global sauna and spa market. The Company's product offering covers all three sauna types: traditional saunas, steam saunas and infrared saunas. The Company has built a comprehensive and competitive product offering around these sauna types aiming to offer both professional and consumer customers all products and supplies they may need, from sauna heaters and components to full sauna solutions. The Company's product offering also includes modern digital control units that control heaters, steam generators and infrared radiators as well as sauna lighting and ventilation. As part of its comprehensive sauna offering, the Company also provides full sauna room, steam room and infrared sauna solutions. The Company's sauna accessories and component offering strives to meet all sauna related needs across sauna cultures. The Company also provides selected heater and sauna maintenance and installation services in Finland. The Company's largest product group comprises sauna heaters and associated accessories, which accounted for 59 per cent of the Company's revenue for the financial year ended 31 December 2017. Sauna rooms accounted for 11 per cent, control units for 11 per cent, steam generators for 5 per cent and spare parts, services and other products for 15 per cent of the Company's revenue for the financial year ended 31 December 2017.
B.4a	Significant recent trends affecting the issuer and its industry	• <u>Growth in Sauna Awareness:</u> Awareness of saunas varies by region and is expected to rise in emerging sauna and spa markets such as

		North America and China. Factors influencing sauna awareness are not limited only to cultural heritage but also include increasing wellness tourism and the growing tendency to investment in wellbeing. • Development of Sauna Heaters, Components and Accessories: Sauna heaters and components have developed over the years and new, more advanced accessories have become available for sauna heaters, thus making it is easier for consumers to purchase for example heaters that can be controlled by a control unit. • Growth in Average Purchase: In addition to sauna and spa, sauna heater and component replacement and new build, growth in the average sauna purchase is projected to drive the development of the sauna and spa market. Average sauna purchase is influenced by the development in like-for-like sauna prices, trading up and the broadening of the average purchase basket to include not only heaters but also various accessories.
B.5	Group structure	Harvia Plc is the parent company of the Group. The following table presents the subsidiaries directly or indirectly held by Harvia Plc at the date of the Offering Circular (the ownership is 100 per cent unless otherwise mentioned).



B.6	Major shareholders	According to the Company's register of shareholders, maintained by Euroclear Finland, on 28 February 2018 the Company had 21 shareholders. Ten largest shareholders of the Company on 28 February 2018 are presented in the table below.

Shareholder	**Number of Shares**	**Proportion of shares and votes %**
CapMan Buyout X Fund A L.P	4,741,198	49.0
CapMan Buyout X Fund B Ky	1,982,692	20.5
Avus Oy	429,290	4.4
Tiipeti Oy	429,290	4.4
KTR-Invest Oy	429,290	4.4
Mantereenniemi Oy	429,290	4.4
Tapio Pajuharju	220,000	2.3
David Ahonen	135,000	1.4
Timo Harvia	128,750	1.3
Teemu Harvia	128,750	1.3

Other shareholders	626,250	6.5
Total	**9,679,800**	**100.0**

		The Company has one series of shares. Each Share entitles the holder to one vote at the Company's general meeting of shareholders. As at the date of this Offering Circular, the Funds Managed by CapMan hold in total 69.5 per cent of the Shares in the Company and accordingly, exercise control over the Company as referred to in Chapter 2, Section 4 of the Securities Markets Act. Other than as set out above, the Company has no knowledge of any shareholder exercising control over the Company or of any other events or arrangements after the Offering, the operation of which may have an impact on the exercise of control over the Company in the future.
B.7	Selected historical key finance information	The following tables present a summary of the Company's consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows and key figures for the financial years ended 31 December 2017, 31 December 2016 and 31 December 2015. The information presented below is based on the Company's Audited Consolidated Financial Statements prepared in accordance with IFRS and included in this Offering Circular.

Consolidated Statement of Comprehensive Income

	1 January–31 December		
(EUR thousand)	**2017**	**2016**	**2015**
		(audited)	
Revenue	60,107	50,095	46,412
Other operating income	208	373	602
Changes in inventories of finished goods and work in progress	1,086	-863	650
Materials and services	-26,058	-19,890	-18,602
Employee benefit expenses	-12,305	-9,927	-9,393
Other operating expenses	-11,855	-8,480	-7,436
Depreciation and amortisation	-1,921	-1,609	-1,597
Operating profit	**9,263**	**9,698**	**10,637**
Finance income	457	54	42
Finance costs	-5,370	-5,169	-5,299
Finance costs, net	-4,914	-5,115	-5,257
Profit before income taxes	**4,349**	**4,583**	**5,379**
Income taxes	-1,435	-1,268	-1,579
Profit for the period	**2,914**	**3,315**	**3,801**
Attributable to:			
Owners of the parent	2,914	3,315	3,801
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Translation differences	-505	87	373
Other comprehensive income, net of tax	-505	87	373
Total comprehensive income	**2,409**	**3,402**	**4,173**
Attributable to:			
Owners of the parent	2,409	3,402	4,173
Basic EPS (EUR)	0.30	0.35	0.40
Diluted EPS (EUR)	0.30	0.34	0.40

Consolidated Statement of Financial Position

	31 December		
(EUR thousand)	**2017**	**2016**	**2015**
		(audited)	
ASSETS			
Non-current assets			
Intangible assets	2,999	2,750	91

Goodwill	59,224	58,857	56,921
Property, plant and equipment	14,939	15,790	15,832
Total non-current assets	**77,163**	**77,396**	**72,844**
Current assets			
Inventories	14,143	11,941	11,027
Trade and other receivables	12,738	10,829	8,527
Income tax receivables	1,604	2,192	1,041
Cash and cash equivalents	8,345	6,568	6,878
Total current assets	**36,830**	**31,531**	**27,474**
Total assets	**113,993**	**108,927**	**100,318**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	3	3	3
Other reserves	9,703	10,209	9,830
Retained earnings	6,656	3,342	-459
Profit for the period	2,914	3,315	3,801
Total equity	**19,276**	**16,868**	**13,174**
LIABILITIES			
Non-current liabilities			
Shareholder loans	41,618	38,516	35,598
Loans from credit institutions	31,318	35,553	39,568
Derivative financial instruments	1,327	1,622	1,540
Deferred tax liabilities	442	323	281
Other non-current liabilities	383	118	15
Provisions	225	262	235
Total non-current liabilities	**75,313**	**76,395**	**77,237**
Current liabilities			
Loans from credit institutions	8,394	6,954	4,081
Derivative financial instruments	-	146	-
Income tax liabilities	1,160	975	5
Trade and other payables	9,626	7,328	5,585
Provisions	225	262	235
Total current liabilities	**19,404**	**15,665**	**9,907**
Total liabilities	**94,716**	**92,060**	**87,144**
Total equity and liabilities	**113,993**	**108,927**	**100,318**

Consolidated Statement of Cash Flows

	31 December		
(EUR thousand)	**2017**	**2016**	**2015**
		(audited)	
Cash flows from operating activities	**8,029**	**9,952**	**10,439**
Cash flows from investing activities	**-1,166**	**-5,362**	**-485**
Cash flows from financing activities	**-4,882**	**-5,014**	**-10,486**
Net change in cash and cash equivalents	1,980	-424	-532
Cash and cash equivalents at 1 January	6,568	6,878	7,309
Exchange gains/losses on cash and cash equivalents	-204	114	101
Cash and cash equivalents at 31 December	**8,345**	**6,568**	**6,878**

Key Performance Indicators

	1 January – 31 December		
(EUR thousand, unless otherwise indicated)	**2017**	**2016**	**2015**

	(unaudited, unless otherwise indicated)		
Revenue growth			
Revenue[1]	60,107	50,095	46,412
Revenue growth, per cent	20.0	7.9	-
Organic growth, per cent	3.9	3.8	-
Constant currency revenue growth, per cent	18.9	8.2	-
Key statement of comprehensive income indicators			
EBITDA	11,184	11,307	12,233
EBITDA margin, per cent	18.6	22.6	26.4
Adjusted EBITDA	12,617	11,664	12,214
Adjusted EBITA margin, per cent	21.0	23.3	26.3
Operating profit[1]	9,263	9,698	10,637
Operating profit margin, per cent	15.4	19.4	22.9
Adjusted operating profit	10,696	10,055	10,617
Adjusted operating profit margin, per cent	17.8	20.1	22.9
Key cash flow indicators			
Cash flow from operating activities[1]	8,029	9,952	10,439
Operating free cash flow	9,035	10,804	11,693
Cash conversion, per cent	71.6	92.6	95.7
Investments in tangible and intangible assets[1]	-1,196	-1,002	-711
Financial position key figures			
Net debt[1]	72,985	74,455	72,369
Net debt / adjusted EBITDA (Leverage), per cent	5.8	6.4	5.9
Net working capital[1]	17,255	15,443	13,969
Capital employed excluding goodwill	32,752	30,544	29,171
Adjusted return on capital employed (ROCE), per cent	32.7	32.9	36.4
Equity ratio, per cent	16.9	15.5	13.1

1) Audited

Calculation of key figures

Key figure	Definition	Reason for the use
Organic growth, per cent	The revenue growth of companies and businesses that have belonged to the group for over 12 months.	Organic growth presents the development of the company's continuing business operations.
Constant currency revenue growth, per cent	Revenue translated at average foreign exchange rates for the previous year divided by the previous year's revenue.	Constant currency revenue growth presents the development of Company's sales excluding the effect of foreign exchange rate fluctuations.
Operating profit	Profit before income taxes, finance income and finance costs.	Operating profit shows result generated by the operating activities. Operating profit margin is a key performance measure used in the long term financial targets.
Operating profit margin	Operating profit as percentage of revenue.	
EBITDA	Operating profit before depreciation and amortisation.	EBITDA is the indicator to measure the performance of the group.
EBITDA margin	EBITDA as percentage of revenue.	
Items affecting comparability	Unusual material items outside the ordinary course of business, which relate to i) costs related to the contemplated 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 EBITDA, adjusted EBITDA margin, adjusted operating profit and adjusted operating profit margin are presented in addition to EBITDA and operating profit to reflect the underlying business performance and to enhance comparability from period to period. Company believes that these comparable performance measures provide meaningful supplemental information by
Adjusted operating	Operating profit before items affecting	

profit	comparability.	excluding items outside normal business, which reduce comparability between the periods.
Adjusted operating profit margin	Adjusted operating profit as percentage of revenue.	
Adjusted EBITDA	EBITDA before items affecting comparability.	Adjusted EBITDA is an internal measure to assess Company’s performance. Adjusted EBITDA is commonly used as a base for valuation purposes outside the company and therefore important measure to report regularly
Adjusted EBITDA margin	Adjusted EBITDA as percentage of revenue.	
Net debt	Shareholder loans and current and non-current loans from credit institutions less cash and cash equivalents.	Net debt is an indicator of the total external debt financing of the Group
Net debt to adjusted EBITDA (Leverage)	Net debt divided by adjusted EBITDA.	The ratio of net debt to adjusted EBITDA helps to show financial risk level and it is a useful measure for management to monitor the level of Company’s indebtedness.
Net working capital	Inventories, trade and other receivables less trade and other payables.	Net working capital is a useful measure for management to monitor the level of direct net working capital tied to the operations and changes therein.
Capital employed excluding goodwill	Capital employed excluding goodwill is total equity and net debt and less goodwill.	Capital employed excluding goodwill presents the total investment in Company’s operations and it is used to calculate adjusted return on capital employed (ROCE).
Adjusted return on capital employed (ROCE)	Adjusted operating profit divided by average capital employed excluding goodwill.	Internal measure to evaluate return on capital employed and to analyse and compare different businesses and opportunities taking into account capital required.
Net cash from operating activities	Net cash from operating activities as presented in the consolidated statement of cash flows.	Net cash from operating activities illustrates the Company’s ability to generate cash flows available for the Company’s investments and financing needs and to be distributed to shareholders as dividends or other distributions
Investments in tangible and intangible assets	Investments in tangible and intangible assets as presented in the consolidated statement of cash flows.	Investments in tangible and intangible assets provides additional information of the cash flow needs of organic operations and it is used to calculate operating free cash flow.
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. When calculating operating free cash flow, change in net working capital represents the change in working capital in the consolidated statement of cash flows (which includes increase / decrease in trade and other receivables, inventories and trade and other payables.	Operating free cash flow provides information about the cash flow that the company is able to generate after the investments in tangible and intangible assets.
Cash conversion	Operating free cash flow divided by adjusted EBITDA.	Cash conversion represents how much of its EBITDA the Company is able to convert into free cash flow. The ratio indicates the Company’s capacity to pay dividends and / or generate funds for acquisitions or other transactions.
Equity ratio	Total equity divided by total assets less advances received.	Equity ratio illustrates the financial risk level and it is a useful measure to aid management in monitoring the level of Company’s capital used in the operations.

Reconciliation of certain alternative performance measures

The following table sets forth reconciliation of EBITDA, adjusted EBITDA, adjusted operating profit and adjusted profit before income taxes to operating profit for the financial years ended 31 December 2017, 31 December 2016 and 31 December 2015.

(EUR thousand)	1 January – 31 December		
	2017	2016	2015
	(unaudited, unless otherwise indicated)		
Operating profit[1]	**9,263**	**9,698**	**10,637**
Depreciation and amortisation[1]	1,921	1,609	1,597
EBITDA	**11,184**	**11,307**	**12,233**
Items affecting comparability			
Costs related to Listing	584	-	-
Strategic development projects	605	169	132
Acquisition and integration related expenses	227	189	-
Restructuring expenses	52	-	27
Net gains or losses from sales of assets and grants received	-34	-	-178
Total items affecting comparability	**1,434**	**357**	**-19**
Adjusted EBITDA	**12,617**	**11,664**	**12,214**
Depreciation and amortisation[1]	-1,921	-1,609	-1,597
Adjusted operating profit	**10,696**	**10,055**	**10,617**
Finance costs, net[1]	-4,914	-5,115	-5,257
Adjusted profit before income taxes	**5,783**	**4,941**	**5,360**

1) Audited

The following table sets forth reconciliation of operating free cash flow to adjusted EBITDA and cash f conversion for the financial years ended 31 December 2017, 31 December 2016 and 31 December 2015.

(EUR thousand, unless otherwise indicated)	1 January – 31 December		
	2017	2016	2015
	(unaudited, unless otherwise indicated)		
Adjusted EBITDA	**12,617**	**11,664**	**12,214**
Change in net working capital[1]	-2,387	142	190
Investments in tangible and intangible assets[1]	-1,196	-1,002	-711
Operating free cash flow	**9,035**	**10,804**	**11,693**
Cash conversion, per cent	**71.6**	**92.6**	**95.7**

1) Audited

Certain Quarterly Financial Information

The following table sets forth the quarterly development of the Company's revenue, EBITDA, adjusted EBITDA and adjusted operating profit and their reconciliation to operating profit for the periods indicated.

(EUR thousand)	2017				2016			
	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
	(unaudited)							
Revenue	**16,134**	**13,159**	**14,371**	**16,444**	**14,319**	**11,624**	**11,817**	**12,335**
Operating profit	**1,745**	**2,298**	**2,187**	**3,032**	**2,247**	**2,466**	**2,261**	**2,724**
Depreciation and amortisation	484	479	483	475	445	397	386	381
EBITDA	**2,229**	**2,778**	**2,669**	**3,508**	**2,692**	**2,863**	**2,647**	**3,105**
Items affecting comparability								

Costs related to Listing	584	-	-	-	-	-	-	-
Strategic development projects	483	33	40	49	30	30	81	28
Acquisition and integration related expenses	32	7	89	98	189	-	-	-
Restructuring expenses	-	-	52	-	-	-	-	-
Net gains or losses from sales of assets and grants received	-	-	-34	-	-	-	-	-
Total items affecting comparability	**1,099**	**41**	**147**	**147**	**218**	**30**	**81**	**28**
Adjusted EBITDA	**3,328**	**2,818**	**2,816**	**3,655**	**2,910**	**2,893**	**2,728**	**3,133**
Depreciation and amortisation	-484	-479	-483	-475	-445	-397	-386	-381
Adjusted operating profit	**2,845**	**2,339**	**2,333**	**3,180**	**2,465**	**2,496**	**2,342**	**2,752**

		Events After the End of the Previous Financial Year Apart from the below mentioned events, there have not been significant changes in the Company's financial or trading position since 31 December 2017. On 9 February 2018, the shareholders of the Company decided with a unanimous decision to change to company form of the Company to a public limited liability company and to implement an increase in share capital by a capital increase to meet the required EUR 80,000 limit for a public limited liability company through a fund increase. The shareholders of the Company also decided to enter the Shares in the Finnish book-entry securities system maintained by Euroclear Finland. The Company's shares were entered into the Finnish book-entry securities system as of 5 March 2018. On 2 March 2018, the Company's shareholders decided with a unanimous decision among other things, to authorise the Board of Directors to decide on a share issue for the completion of the Listing. In addition, the shareholders of the Company decided to authorise the Board of Directors 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 and, 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. In January 2018, Harvia Finland Oy has bought from its German retailer Marno e K among other things, Marno's customer relations and inventory. On 2 March 2018, the Company has agreed on a New Financing Arrangement of EUR 44,500 thousand in total with Danske Bank A/S, Finland Branch, terms of which have been described in more detail in the Offering Circular's section "*Information on the Company and Its Business – Material Agreements*". The New Financing Arrangement is conditional upon the completion of the Listing. In addition, at the completion of the Listing, the Company intends to use the funds raised in the Share Issue to strengthen its capital structure by repaying shareholder loans of the Company that mature prematurely at the completion of the Listing. If the Listing is completed and the Company repays both, the Old Bank Loans with the New Financing Arrangement, and the existing shareholder loans with the funds raised by the Share Issue, the repayments are expected to significantly lower the financing costs of the Company compared to financial years 2015–2017.
B.8	Selected pro forma financial information	Not applicable. The Offering Circular does not contain pro forma financial information.
B.9	Profit forecast or estimate	Not applicable. The Offering Circular does not contain profit forecast.
B.10	Description of the nature of any qualifications in the auditor's report on the historical financial information	Not applicable. The Company's audit reports do not contain any qualifications.
B.11	Working capital of the issuer	In the opinion of the Company's management, the Company's working capital is sufficient for the Company's present needs for the next 12 months following the date of this Offering Circular.

C – Securities

Element	Disclosure Requirement	Disclosure
C.1	Type and class of securities offered and/or admitted to trading	The Shares are held in book-entry form. The Company has one series of shares that have the ISIN code of FI4000306873 and the trading code HARVIA.
C.2	Currency of the issue	The Shares are nominated in euros.
C.3	Number of shares issued/par value per share	On the date of this Offering Circular, the Company's share capital was EUR 80,000. The Company had issued 9,679,800 fully paid Shares. The Shares have no nominal value.
C.4	Description of the rights attached to the securities	The rights attached to the Shares are determined by the Finnish Companies Act valid at the time and other applicable Finnish legislation. **Shareholders' Pre-emptive Subscription Right** Pursuant to the Companies Act, shareholders of Finnish companies have a pre-emptive right to subscribe for the company's shares in proportion to their shareholding in a share issue, unless otherwise decided by the general meeting of shareholders deciding on the share issue. **General Meetings of Shareholders** Shareholders exercise their decision-making powers in matters concerning the Company at the general meeting of shareholders. Pursuant to the Finnish Companies Act, the shareholders have the right to attend and vote at the general meeting of shareholders. A shareholder may attend and vote at the general meeting of shareholders in person or using a representative. Each Share entitles to one vote in the general meeting of shareholders. Resolutions at the general meeting of shareholders generally require a majority vote. However, certain resolutions, such as amending the articles of association, issuing shares in deviation of the shareholders' pre-emptive subscription rights and decisions on mergers or demergers require a qualified majority of at least two-thirds of the votes cast and of the shares represented at the general meeting of shareholders. In addition, certain resolutions, such as a mandatory redemption of the shares by the company in deviation from the shareholdings of the shareholders, require consent of all shareholders. **Dividends and Other Distribution of Profits** All of the Shares give equal rights to dividends and other distributable funds (including the distribution of the Company's assets in dissolution) after the Shares are entered in the Trade Register. Resolution on the distribution of dividends or granting of authorisation to the board of directors regarding the distribution of dividends requires a majority decision at the general meeting of shareholders. The amount of dividends distributed may not exceed the distributable funds in the latest adopted financial statements of the company. Significant changes in the company's financial position after the adoption of the previous financial statements shall be taken into account upon resolving on the distribution of dividends. In addition, no dividends may be distributed if, when deciding on the distribution, it is known or should be known, that the company is insolvent or that the distribution will cause the company to be insolvent.
C.5	Restriction on the free transferability of the securities	At the date of the Offering Circular, The Company's Articles of Association include a redemption and consent clause as well as a clause on settlement of disputes which the Company's shareholders decided, with the unanimous resolution on 2 March 2018, to remove from the Articles of Association conditional upon the execution of the Listing. Removal of the clauses will be registered to the Trade Register only in execution of the Offering together with the notification of registration of the New Shares or immediately before it. If the New Shares issued in connection with the Offering are notified to be registered in more than one instalment, the removal of redemption and consent clauses and clause concerning the settlement of disputes will be notified to be registered in connection with this kind of first registration notification of New Shares or immediately before it. In the

		same context the Company's shareholders also decided to change the provisions concerning convening of the annual general meeting and the call time conditional upon the execution of the Listing. In a number of countries, the distribution of this Offering Circular may be subject to restrictions imposed by law. The Company has not taken any measures to register the Shares or any public offering of the Shares outside of Finland. The lock-up agreements concerning the Shares are described in Element E.5.
C.6	Application for admission to trading on a regulated market	The Company intends to submit a listing application to the Helsinki Stock Exchange to list the Shares on the official list of the Helsinki Stock Exchange. Trading in the Shares is expected to commence on the Pre-list of the Helsinki Stock Exchange on or about 22 March 2018 and on the official list of the Helsinki Stock Exchange on or about 26 March 2018 under the share trading code HARVIA.
C.7	Dividend policy	The Company targets a regularly increasing dividend with a bi-annual dividend payout of at least 60 per cent of net income, in total. The shareholders of the Company unanimously resolved on 2 March 2018 to authorize 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 and, 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. In the financial years ended 31 December 2016 and 31 December 2015, the Company did not pay any dividends or capital repayments.

D – Risks

Element	Disclosure Requirement	Disclosure
D.1	Key information on risks that are specific to the issuer or its industry	Risks Related to the Company's Operating Environment and Business • A weak economy, negative social and political development and uncertainties in the markets or the regions in which the Company operates may have an adverse effect on the Company's business by reducing demand for the Company's products • Negative changes in demand for the Company's products or the Company's inability to react to fluctuations in demand may have an adverse effect on the Company's business, financial condition and results of operations • The Company's products compete with other manufacturer's products and various substitutive products and such competition may have an adverse effect on the Company's business, financial condition and results of operations • Loss of the Company's existing customers or changes in the distribution channels used may have a material adverse effect on the Company's business, financial condition and results of operations • Potential product quality defects, product recalls, product liability or warranty claims may have an adverse effect on the Company's business and results of operations and on its reputation • Significant disruptions in or the suspension of the Company's manufacturing or deliveries or damage to or destruction or closure of the Company's production facilities and inventories for whatever reason would significantly undermine the Company's opportunities to distribute its products • Potential failure in responding to fluctuation in the prices of components and raw materials required for production or problems related to their availability may have an adverse effect on the Company's business • The Company may fail in the implementation of its strategy and the achievement of its financial targets or to adapt its operations to changes in the business environment • The Company's financial administration and enterprise resource planning information systems may not necessarily be sufficient or functional which may harm the administration of the operations

		and reporting • The Company's risk management and internal controls may not necessarily be able to prevent or detect negligence, mistakes or action contrary to the Company's guidelines or regulation • The Company's reputation may be harmed which may have an adverse effect on the Company's business • The Company operates in emerging markets which are associated with political, social and financial risks to the Company's business • If the Company is unable to protect its intellectual property or if the Company is sued for infringement of intellectual property rights, this may have an adverse effect on the Company's business • If the Company is not successful in recruiting and retaining qualified key personnel, or if the Company's personnel expenses are significantly increasing, this may have an adverse effect on the Company's business • The necessary official permits, regulatory approvals or certifications of the Company may be revoked or they may be amended before the expiration of their term or they may not necessarily be renewable on the same terms or at all • Legislation and statutory regulations and changes in these may present challenges and obstacles to the Company's business and give rise to substantial additional costs • Difficulties in maintaining and updating IT systems, deficiencies in IT systems, and defects and external cyber-attacks related to information systems may have an adverse effect on the Company's business • Economic sanctions and trade restrictions may have a material adverse effect on the Company's business, financial condition and operating results • Legal proceedings or legal claims may have an adverse effect on the Company's business or give rise to unforeseen costs • Strikes and other industrial action may have an adverse effect on the Company's business • The Company may fail in finding acquisition targets as well as in integrating the acquired targets, and acquisitions may also cause unpredictable risks and hidden liabilities to the Company • The Company's insurance coverage may not necessarily cover all risks relating to the Company's business • Realisation of tax risks related to the Company's operations may lead to financial losses that may have an adverse effect on the Company's business Risks Related to Financial Condition and Financing • Credit losses would have an unfavourable effect on the Company's operating results • The Company's financial performance may materially differ from the financial targets included in the Offering Circular and investors should not unduly rely on these or consider them assurances of future performance • The Company may have to recognise impairment of goodwill or other tangible or intangible assets which may have an adverse effect on the Company's financial condition and results of operations • The Company may not necessarily obtain financing on competitive terms or at all • A rise in interest rates may increase the costs of the Company's financing • Exchange rate fluctuations may cause exchange losses • The adoption of standards IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases" as well as upcoming changes in accounting standards will expose the Company to risks related to changes in accounting policies and accounting standards which may have an effect on the figures reported by the Company • If the Company is unable to meet the covenants included in financing agreements, breach of the said covenants may cause a prepayment clause to be triggered in other loan agreements as

		well • Harvia Plc, as a holding company, is dependent on the income and cash flow generated through the operational activities of its subsidiaries.
D.3	Key risks that are specific to the securities	Risks related to the Offering, the Listing and the Shares • The Listing incurs the Company additional costs, the Company may fail to implement functions required from a listed company • The Shares have not previously been traded in any regulated market, the price of the Shares may be volatile and an active and liquid market may not develop, and possible investors may lose a part or all of their investment • Share ownership in the Company is concentrated, and the largest shareholders will continue to have significant influence • The Company may not pay or may not be able to pay dividends or capital repayment in the future • Future share issues or sales of a significant number of Shares may decrease the value of the Offer Shares and dilute the shareholders' relative share of Shares and votes • Holders of nominee-registered Shares cannot necessarily exercise their voting rights • Foreign shareholders may not be able to exercise their pre-emptive subscription right • Investors cannot revoke their investment decisions • The Offering may not be carried out • Investors with a reference currency other than the euro will become subject to certain foreign exchange risks when investing in the Shares

E – Offer

Element	**Disclosure Requirement**	**Disclosure**
E.1	Total net proceeds and estimated total expenses of the offer	The Company aims to raise gross proceeds of approximately EUR 45 million through the Offering. The Company will pay approximately EUR 4.0 million in fees and expenses in connection with the Offering, and the net proceeds that the Company will receive from the Offering thus amount to approximately EUR 41.0 million. The Company will pay the fees and expenses in connection with the Offering with the existing cash funds. The Sellers will receive gross proceeds of approximately EUR 7.6 million from the Share Sale (calculated by using the mid-point of the Preliminary Price Range and assuming that the Over-Allotment Option will not be exercised). The Sellers will pay approximately EUR 0.3 million in fees in connection with the Offering (calculated by using the same assumptions as in the previous sentence).
E.2a	Reasons for offer, use of proceeds and estimated total net proceeds	The objective of the Offering and the contemplated Listing is to improve the Company's ability to implement its strategy successfully by offering the Company with access to capital markets and strengthening the Company's capital structure as well as increasing the Company's recognition among customers and attractiveness as an employer. The Offering will also allow the Company to broaden its ownership base and to increase the liquidity of the Shares, as well as to use the Shares as a means of consideration in potential acquisitions. The listing of the Shares also enables the Company to offer its key personnel the market-based incentive schemes and strengthens the employer image. The Company expects to use the net proceeds from the Offering for strengthening its capital structure by a way of repaying the principal and accrued interests of the shareholder loans that mature prematurely at the completion of the Listing. A strengthened capital structure will enable the Company to promote its growth strategy in the future. At the date of the Offering Circular, the total amount of shareholder loans and their interests to be repaid is approximately EUR 42.5 million. At the completion of the Listing, the Company will in the same connection refinance its current loan agreements concluded in 2014 in connection with the acquisition of Harvia Finland Oy (former Harvia Oy) and Velha Oy (the "**Old Bank Loans**").

E.3	Terms and conditions of the offer	The Company, aims to raise gross proceeds of approximately EUR 45 million by offering new shares in the Company (the "**New Shares**") for subscription (the "**Share Issue**"). The number of the New Shares to be issued will be determined in accordance with the final price per share (the "**Final Subscription Price**") of the Offer Shares (as defined below). The Company will issue 8,118,109 New Shares assuming that the Final Subscription Price is at the mid-point of the Preliminary Price Range (as defined below) and total of 100,000 New Shares will be subscribed for in the Personnel Offering (as described below) at the discount applicable to Personnel Shares. In the Personnel Offering, the Company is offering for subscription preliminarily a maximum of 100,000 New Shares and in possible oversubscription situations in the Personnel Offering a maximum of 650,000 additional New Shares (the "**Personnel Shares**"). In addition, CapMan Buyout X Fund A L.P. and CapMan Buyout X Fund B Ky (together the "**Funds Managed by CapMan**") and certain other current shareholders of the Company (together with the Funds Managed by CapMan, the "**Sellers**") will offer for purchase initially a minimum of 1,250,729 and a maximum of 1,462,418 existing shares in the Company (the "**Sale Shares**") (the "**Share Sale**", and together with the Share Issue, the "**Offering**"). Unless the context indicates otherwise, the New Shares, the Sale Shares and the Personnel Shares are together referred to herein as the "**Offer Shares**". The Offering consists of (i) a public offering to private individuals and entities in Finland (the "**Public Offering**"), (ii) an institutional offering to institutional investors in Finland and, in accordance with applicable laws, internationally (the "**Institutional Offering**") and (iii) a personnel offering to all permanent employees of the Company or its wholly owned subsidiaries during the subscription period in Finland and in Austria (the "**Personnel Offering**"). With the Share Issue, the Company aims to raise approximately EUR 45 million in gross proceeds. To achieve this goal, it may increase or decrease the number of New Shares offered in the Share Issue within the limits of these terms and conditions of the Offering. The Funds Managed by CapMan are expected to grant Danske Bank as stabilizing manager (the "**Stabilizing Manager**") an over-allotment option to purchase a maximum of 1,539,109 additional Shares (the "**Additional Shares**") (assuming that the Company issues 9 010 000 New Shares and assuming that the Final Subscription Price is the lowest price of the Preliminary Price Range and assuming that a total of 100,000 New Shares are subscribed for in the Personnel Offering at a discount applicable to Personnel Shares) solely to cover over-allotments in connection with the Offering (the "**Over-Allotment Option**"). The Over-Allotment Option is exercisable within 30 days from the commencement of trading of the Shares on the Helsinki Stock Exchange (which period is estimated to occur between 22 March 2018 and 20 April 2018) (the "**Stabilization Period**"). The Stabilizing Manager may, but is not obligated to, engage in measures during the Stabilization Period that stabilize, maintain or otherwise affect the price of the Shares. These measures may raise or maintain the market price of the Shares in comparison with the price levels determined independently on the market or may prevent or delay any decrease in the market price of the Shares. The subscription period for the Public Offering will commence on 9 March 2018 at 10:00 a.m. (Finnish time) and end on or about 19 March 2018 at 4:00 p.m. (Finnish time). The subscription period for the Institutional Offering will commence on 9 March 2018 at 10:00 a.m. (Finnish time) and end on or about 21 March 2018 at 12 noon (Finnish time). The subscription period for the Personnel Offering will commence on 9 March 2018 at 10:00 (Finnish time) and end on or about 19 March 2018 at 4:00 p.m. (Finnish time). The Company's Board of Directors and the Funds Managed by CapMan have, in the event of an oversubscription, the right to discontinue the Institutional Offering and the Public Offering by joint decision at the earliest on 16 March 2018 at 4:00 p.m. (Finnish time).

		The Company's Board of Directors may discontinue the Personnel Offering in its sole consideration no earlier than 16 March 2018 at 4:00 p.m. (Finnish time). The Institutional, Public and Personnel Offerings may be discontinued or not discontinued independently of one another. A stock exchange release regarding any discontinuation will be published without delay. The Company's Board of Directors and the Funds Managed by CapMan are entitled to extend the subscription periods of the Institutional Offering and Public Offering. The Company's Board of Directors is entitled to extend the subscription period of the Personnel Offering. A possible extension of the subscription period will be communicated through a stock exchange release, which will indicate the new end date of the subscription period. The subscription periods of the Institutional Offering, the Public Offering and the Personnel Offering will in any case end on 20 April 2018 at 4:00 p.m. (Finnish time) at the latest. The Company's Board of Directors and the Funds Managed by CapMan may extend or refrain from extending the subscription periods of the Institutional Offering, Public Offering or Personnel Offering independently of one another. A stock exchange release concerning the extension of a subscription period must be published no later than on the estimated final dates of the subscription periods for the Institutional, Public and Personnel Offerings stated above. The preliminary subscription price for subscription of the Offer Shares in the Institutional Offering and Public Offering is a minimum of EUR 5.00 and a maximum of EUR 6.10 per Offer Share (the "**Preliminary Price Range**"). The Preliminary Price Range may be changed during the subscription period, which would be communicated through a stock exchange release. If, as a result of the change, the upper limit of the Preliminary Price Range increases or the lower limit decreases, the Finnish language prospectus published by the Company in connection with the Offering (the "**Finnish Prospectus**") will be supplemented and the supplement will be published through a stock exchange release. The Final Subscription Price may be above or below the Preliminary Price Range. The Final Subscription Price will be determined in negotiations between the Company, the Sellers and the Joint Bookrunners based on the purchase offers (the "**Purchase Offer**") of institutional investors in the Institutional Offering after the expiry of the subscription period, on or about 21 March 2018 (the "**Pricing**"). However, the Final Subscription Price in the Public Offering cannot be higher than the maximum price of the Preliminary Price Range, i.e. EUR 6.10 per Offer Share. The subscription price per share in the Personnel Offering is 10 per cent lower than the Final Subscription Price in the Public Offering, i.e. the Final Subscription Price of the Personnel Offering will be no more than EUR 5.49 per Personnel Share. The amount of the Final Subscription Price can differ in the Public Offering and Institutional Offering only in the case that the Final Subscription Price of the Institutional Offering is higher than the maximum price of the Preliminary Price Range. The Final Subscription Price and the Final Subscription Price of the Personnel Offering will be communicated through a stock exchange release and be available on the Company's website at www.harvia.com/ipo immediately after the Pricing and in the subscription places of the Public Offering and the Personnel Offering no later than the business day following the Pricing, on or about 22 March 2018. Commitments in the Public Offering must cover no less than 100 and no more than 30,000 Offer Shares. Each investor may only provide one Commitment in the Public Offering. If an investor provides Commitments in the Public Offering in more than one place of subscription, only the first Commitment will be considered when allocating Offer Shares. A Commitment in the Personnel Offering must concern 100 Personnel Shares at minimum. An investor, whose Purchase Offer includes at least 30,001 Offer Shares, may participate in the Institutional Offering. A commitment to subscribe for Offer Shares in the Public Offering or

		subscribe for Personnel Shares in the Personnel Offering may only be cancelled in the situations provided for in the Securities Markets Act (746/2012, as amended). The Company will submit a listing application with the Helsinki Stock Exchange to list the Shares on the official list of the Helsinki Stock Exchange. Trading in the Shares is expected to commence on the Pre-list of the Helsinki Stock Exchange on or about 22 March 2018 and on the official list of the Helsinki Stock Exchange on or about 26 March 2018. Trading in the Personnel Shares is expected to commence on the official list of the Helsinki Stock Exchange on or about 9 April 2018. The trading code of the Shares is HARVIA and the ISIN code is FI4000306873.
E.4	Material interests and conflict of interests in connection with the issue/ offer	The Funds Managed by CapMan and certain other existing shareholders in the Company are offering Shares for sale in the Offering. The fees of the Joint Bookrunners are partly linked to the amount of the proceeds of the Offering. The Sole Global Coordinator and/or its related parties as well as the Bookrunner, in the ordinary course of their business, have delivered and may also deliver in the future advisory consulting and/or banking services to the Company. The proceeds from the Share Issue are intended to be used for strengthening of the Company's capital structure, by a way of repaying the principal and accrued interests of the shareholder loans.
E.5	Name of persons offering the security and lock-up agreements	The Funds Managed by CapMan and certain other existing shareholders in the Company (together with the Funds Managed by CapMan, the "**Sellers**") are offering Shares in the Company for sale in the Offering. The Sellers include the Funds Managed by CapMan, Avus Oy, KTR-Invest Oy and Mantereenniemi Oy. The Company, the Sellers and the Company's other shareholders are expected to commit, during the period that will end with respect to the Company and Sellers on the date that falls 180 days, and with respect to the Company's other shareholders on the date that falls 360 days from the Listing, without the prior written consent of Global Coordinator, not to issue, offer, pledge, sell, contract to sell, sell any option rights or contract to purchase, purchase any option or contract to sell, grant any option right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Shares or any securities they hold or subscribe for in the Offering entitling to Shares or exchangeable for or convertible into or exercisable for Shares, or enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such transactions are to be settled by delivery of the Shares or other securities, in cash or otherwise. The lock-up does not apply to the measures related to the execution of the Offering. The Board of Directors and the Management Team of the Company are expected to enter into a lock-up agreement with similar terms to that of the Company and the Sellers that will end on the date that falls 360 days from the Listing. As a precondition for participating in the Personnel Offering, persons who have submitted an approved subscription must enter into a lock-up agreement with similar terms, which ends on the date that falls 360 days from the Listing. Personnel participating in the Personnel Offering agree that the lock-up will be registered in their book-entry accounts. In aggregate, the terms of the lock-up agreements apply to approximately 47.3 per cent of the Shares after the Offering without the Over-Allotment Option (approximately 39.3 per cent with the Over-Allotment Option) assuming that the Company will issue 8,118,109 New Shares (the number of Sale Shares and New Shares is calculated assuming that the Final Subscription Price is at the mid-point of the Preliminary Price Range and assuming a total of 100,000 New Shares will be subscribed for in the Personnel Offering at the discount applicable to Personnel Shares).
E.6	The amount and percentage of immediate dilution resulting from	As a result of the issuance of New Shares in the Offering, the number of Shares could increase to 18,689,800 Shares assuming that the Final

	the offer	Subscription Price for the New Shares is the lowest price of the Preliminary Price Range and a total of 100,000 New Shares are subscribed for in the Personnel Offering at the discount applicable to Personnel Shares. If the existing shareholders of the Company would not subscribe for the Offer Shares in the Share Issue, the total ownership of the existing shareholders would therefore dilute with approximately 48.2 per cent.
E.7	Estimated costs charged to investors	Not applicable. There are no expenses charged to the investors by the Company in connection with the Offering.

RISK FACTORS

Potential investors should carefully review the following risk factors, in addition to other information contained in this Offering Circular.

The realisation of any of the risk factors described below could have an adverse effect on the Company's business, operating results and/or financial condition and the value of the Offer Shares. Should these risks lead to a decline in the market price of the Shares, investors who have invested in the Offer Shares could lose part or all of their investment. The risk factor description is based on facts known to and estimated by the Company's Board of Directors and management at the date of the Offering Circular, owing to which the description may not necessarily be comprehensive in nature. The risks and uncertainties described below are not the only factors which affect the Company's operations. Other facts and uncertainties currently unknown or deemed immaterial by the Company could also have a material adverse effect on the Company's business, results of operations and/or financial condition as well as on the value of the Offer Shares. The order in which the risk factors are presented does not reflect the probability of their realisation or their order of importance.

This Offering Circular contains forward-looking statements that involve risks and uncertainties. The Company's actual results could materially differ from those anticipated in the forward-looking statements due to the risks described below and other factors described in this Offering Circular.

Risks Related to the Company's Operating Environment and Business

A weak economy, negative social and political development and uncertainties in the markets or the regions in which the Company operates may have an adverse effect on the Company's business by reducing demand for the Company's products

General economic, social and political conditions affect the Company's operating environment. Economic uncertainty in Finland, Europe, Russia, North America or on a wider scale may affect the Company's business in many ways and impede the accurate anticipation and planning of future business. Economic predictability is also diminished by recent geopolitical tensions in areas including East Asia and the Middle East.

The Company's revenue and operating profit are affected in traditional sauna and spa markets, such as in Finland and Sweden, by factors which impact the development of the general renovation market and globally by factors which steer the development of the share of saunas in existing buildings and new construction in the markets and areas where Harvia operates. Such factors include, among others, general economic and financial market conditions measured by GDP or by other means, such conditions affecting, among others, consumer confidence and purchasing power, and thus the demand for the products manufactured by the Company as well as sales volume and competitive pricing of the Company's products and profitability of the Company's operations. As a result of difficult economic conditions in Russia, growing local offering as well as effect of exchange rates of euro and Russian rouble, Harvia has lost its market share of wood-burning heaters in Russia. Even though the economy has recently picked up in the Company's significant markets in Finland, Europe and Russia, there is the risk of economic difficulties persisting or growing worse. Uncertainty related to a weak economic cycle along with social and political tensions cause uncertainty in the operating environments of the Company and its customers in Finland and abroad. The overall economic cycle and changes in the operating environment of the Company and its dealers and end customers may have an adverse effect on the demand for the products provided by the Company, which may have a material adverse effect on the Company's business, results of operations and/or financial condition and on the value of the Offer Shares.

Negative changes in demand for the Company's products or the Company's inability to react to fluctuations in demand may have an adverse effect on the Company's business, financial condition and results of operations

The Company's customer base consists mainly of wholesalers and retailers as well as integrators and sauna builders who provide finished sauna and bathroom solutions to end customers and dealers. The Company's main markets are Finland, Germany, Russia, Sweden and the United States. According to an analysis commissioned by the Company in autumn 2017 from an international management consulting company, the renovation and replacement of existing saunas and spas accounts for approximately 61 per cent of demand in the sauna and spa market and approximately 77 per cent in the sauna heater and component market. According to the International Management Consultant Analysis in Autumn 2017 (as defined in section

"*Certain Matters – Information from Third-Party Sources*" of the Offering Circular), factors which would increase the installation of new saunas are increased awareness and recognition of saunas in new markets and an overall rise in residential and commercial construction. In the Company's view, sauna demand especially outside Finland is influenced by awareness of saunas and sauna bathing and by the image of saunas and the reputation of the sauna. Additionally, changes in the financial standing, age distribution, form of housing, family size or construction and interior design preferences among the end users of the Company's products may affect demand for the Company's products. Increases in the prices of the raw materials, labour costs or transportation costs of the Company's products may also lead to increases in the pricing of the Company's products and decrease their demand. Electric heaters account for a considerable share of the heaters manufactured by the Company and a general rise in the price of electricity or a change in the pricing structure of electricity may reduce demand for new heaters.

The Company's business is characterised by seasonal variation and a fairly short order book and the Company must be able to prepare for and react to fluctuations in demand on a short time frame. The Company can respond to under-capacity by increasing the number of shifts at production facilities, which response in the short term is nonetheless limited by the availability of labour and the restrictions under employment legislation on increasing work volume as well as by the availability of special raw materials and components, for example electrical components. The Company prepares for fluctuations in demand by, among others, maintaining inventories, in addition to which inventories may also rise due to over-production. Oversized inventories may tie up the Company's capital and increase the risk of damage relating to warehousing. The Company's products are not especially sensitive to obsolescence or long-term storage when the warehousing is implemented properly but it is also possible that a write-downs in obsolescent warehoused products will be required.

The aforementioned risks may have a material adverse effect on the Company's business, results of operations and/or financial condition and on the value of the Offer Shares.

The Company's products compete with other manufacturer's products and various substitutive products and such competition may have an adverse effect on the Company's business, financial condition and results of operations

The Company provides sauna and spa solutions as well as sauna accessories in the market where competition is based on numerous factors including brand recognition and customer loyalty, product quality and reliability, scope of product offering, product features such as capacity and design, product design and innovation, production capabilities, distribution channels, service offering, technical support and provision of product support, delivery reliability and price. Other factors affecting competition include the number of competitors in the market concerned, the recognition of players among end customers, the players' level of vertical integration and pricing, levels of demand and capacity, and the availability and price of certain special components. The global sauna and spa market is fragmented and in addition to a few major international players, such as Harvia, there are thousands of small and/or regional players. In respect of affordable sauna heater models and wood-processing products in particular, price competition is fierce and may in future increase due to e.g. the rising popularity of online shopping.

Maintaining the Company's competitiveness requires that the Company is able to respond to the demands of customers and end customers concerning quality, timeliness of deliveries and cost level. The demands of end customers follow general fashion trends in housing as well as changes in consumption habits concerning leisure activities and for example wellness services and products. The volume of switch-over to substitutive products varies by region and time, and may have to do with e.g. local building traditions, preferences and regulation. If the Company is not able to respond to the needs of customers or end customers, it may lose orders from its existing or potential new customers. Any substantial substitution of the Company's products with other product types, such as bathtubs or jetted bathtubs or steam showers, outside Finland in particular, may have an adverse effect on the Company's competitiveness.

The above-mentioned risks may have a material adverse effect on the Company's business, results of operations and/or financial condition and on the value of the Offer Shares.

Loss of the Company's existing customers or changes in the distribution channels used may have a material adverse effect on the Company's business, financial condition and results of operations

The Company's largest customer channel consists of retailers and wholesalers, who sell the Company's products to builders and end customers. In addition, the Company sells tailored products and solutions to a lesser degree also directly to end customers, such as spas, hotels and fitness clubs. The Company's products are distributed globally via the dealer network and even if the Company has various dealer channels, the most important dealers are material for the Company's business. The Company's five largest customers had a share of 32 per cent of the Company's revenue in the financial year ended 31 December 2017. The most significant customer, as measured by the Company's revenue, is based on the customer's group-level framework agreement under which the individual order agreements made by the Company represented in total approximately 17 per cent of the Company's revenue in the financial year ended 31 December 2017. The Company's agreements are often one-year contracts and framework agreements under which deliveries to the customers are based on purchase orders. The Company's customer agreements do not typically include minimum purchase volume obligations and there is no assurance that the customers will renew these fixed-term agreements when the term ends. In addition, written agreements have not been concluded with all customers. If the oral agreements are breached or their interpretation causes disputes, this may cause claims between the parties and significant expenses, which may have a material adverse effect on the Company's business, operating results and/or financial condition and on the value of the Offer Shares. The Company's customer agreements are described under "*Information on the Company and Its Business – The Company's Customers*".

In specific target markets, the Company may additionally be dependent on a limited number of dealers who may fail in their selling objectives or who may terminate their dealer agreement. Loss of dealers or their failure in selling objectives may be due to e.g. increased competition, deterioration of the dealer's market standing or closure of its operations, disputes concerning interpretation of agreements concluded with dealers, the financial or business difficulties of a dealer or structural changes taking place in its industry, or the Company not being able to respond to the demands of dealers or end customers concerning quality, timeliness or cost level.

In addition to physical stores, many of the Company's customers resell its products also through electronic sales channels. Products and their spare parts are sold to a minor extent in the Company's own online store. In the opinion of the Company, electronic sales channels may rise in significance in the future. There are no assurances that the customers which resell the Company's products will adopt new sales channels and other digital services which the end customers may desire. The competitors of the Company or of the customers may introduce their own electronic sales channels and digital services before the Company or its customers, and end customers may prefer these competitors' online stores or their offering over the online stores of the Company or the customers which sell its products. In addition, the rise in the significance of online shopping may affect the competitive environment by changing consumer preferences. The use of the Internet as an information source has in general resulted in greater transparency in pricing. Online shopping may increase the switchover to substitute products or intensify price competition and put pressure on the Company's profitability. Market developments may also lead to a need on the part of the Company to further develop its own online store, which may call for additional resources and costs. Wider use of the Company's own online store may also increase the Company's distribution and agreement costs.

The loss of one or more important customers, who sell the Company's products, and/or failure in the utilisation of electronic sales channels or the adverse effect of online shopping on competition may have a material adverse effect on the Company's business, results of operations and/or financial condition and on the value of the Offer Shares.

Potential product quality defects, product recalls, product liability or warranty claims may have an adverse effect on the Company's business and results of operations and on its reputation

Even though the Company has in place several quality control measures, there can be no assurances that the said measures will be adequate in the future. Failure in the Company's quality control may lead to the delivery of defective products to the Company's customers. The Company has detected and may in future detect defects in certain product batches that have been repaired or will in future be repaired after those have been taken into use. The Company has an ongoing process to improve quality assurance by means which include adding to the products identifiers that allow product batches to be traced. Internally detected quality issues may require a considerable amount of management resources. Responding to detected or suspected quality issues, for example by proactively adjusting manufacturing processes or by switching the materials or components used, usually gives rise to costs which may be significant. Such events may also lead to product recalls, product liability or warranty claims, and contractual liabilities towards the Company's customers and/or end customers, or to third-party claims. Even though the Company has made warranty provisions to prepare for such eventualities, these may not necessarily be sufficient. Product quality issues or product recalls may also harm the Company's reputation and lead to loss of customers.

The Company is inevitably exposed to the risk of product liability actions, class actions included, if use of the Company's products causes personal injury or damage to property. If a product of the Company is defective or proves to be defective, the Company may be liable for losses relating to the defective product, indirect and consequential losses included. The Company may also have to withdraw from selling one or more of its products either on its own initiative or due to legal claims.

The Company instructs and expects its customers and other third parties to use its products in accordance with their directions and intended use, and to observe the installation directions of products in their installation. Even though Company management consider it to be unlikely that the Company would be held liable for losses caused by a third party through misuse of products which otherwise meet safety requirements, its brand name and image could be damaged in consequence of such a loss event arising from misuse. The Company supplies its products to several countries and the risk and costs related to product liability may be substantially higher in some of these countries, for example the United States, than in others.

Even though the Company believes that its insurance coverage relating to potential quality issues and product liability claims concerning its products is sufficient, there can be no assurances that the policy amount will cover claims possibly made against the Company. Product liability or warranty claims could lead to significant legal costs and compensation for damages and increase the insurance premium expenditure. Realisation of the aforementioned risks may have a material adverse effect on the Company's business, results of operations and/or financial condition and on the value of the Offer Shares.

Significant disruptions in or the suspension of the Company's manufacturing or deliveries or damage to or destruction or closure of the Company's production facilities and inventories for whatever reason would significantly undermine the Company's opportunities to distribute its products

Besides Muurame, Finland, the Company also has production facilities in China, Romania and Estonia, in addition to which the Company has a contract manufacturer in Russia. The Company's main warehouse is located in Muurame. Additionally, the Company has a logistics centre in Austria and smaller inventories of raw materials and products in connection with its production facilities. The Company's inventories or production facilities may be destroyed or they may be closed or the equipment on the premises may be damaged due to e.g. fire, accident, natural disaster, armed conflict, terrorism, pandemic or equivalent events beyond the Company's control. This could result in significant disruptions in the Company's production and deliveries and in the Company not necessarily being able to fulfil its obligations to its customers. In particular, if a serious fire, accident or other disruption event would happen in the Company's production facility in Muurame, which would cause a break in the Company's production, the disruptions or suspensions caused by this break could not be offset in the short term. The Company sells also products of other manufacturers of sauna and spa products through Sentiotec GmbH, and disruptions or suspensions may also occur in deliveries of these products. If the Company were unable to locate alternative production facilities or transfer manufacturing to other Company facilities or to repair the damaged premises or equipment in a timely and cost-effective manner, such conditions could have a material adverse effect on the Company's business.

The Company's production facilities in China and Estonia are situated in premises leased from third parties. If the lessor were to give notice on the lease agreement on the land or premises used for the production facility or refuse to renew the lease agreement, this may in the short term at least lead to significant disruptions in the Company's production, significantly reduce the Company's production capacity temporarily or permanently, have a significant effect on its ability to serve customers and/or give rise to significant costs relating to the closure or transfer of the operations of the facility in question. This in turn may significantly reduce the productivity and profitability of the Company's entire business both during and after the closure or transfer of production.

Disruptions or suspensions in the Company's manufacturing or deliveries may have a material adverse effect on the Company's business, results of operations and/or financial condition and on the value of the Offer Shares.

Potential failure in responding to fluctuation in the prices of components and raw materials required for production or problems related to their availability may have an adverse effect on the Company's business

The prices and availability of the components and raw materials used by the Company in its production have a material effect on the Company's business. The components and raw materials needed by the Company include electronics and electrical components and, in particular steel and other metal materials required in manufacturing of heaters as well as the wood and glass required for the sauna structures. Electronics and electrical components and metals are the most central to production. Even though the Company's material requirements are fairly low, availability in respect of electronics components in particular may deteriorate if the Company’s contractual relationships with component suppliers come to an end. The relatively low volume of the Company’s purchases may also hamper its negotiating position. The Company acquires electrical components and control units tailored to its needs from designated contract manufacturers which may be difficult to replace in the short term in the event of changes in the manufacturers' operations, such as closure of production or exclusive cooperation with a competitor, or a change in the manufacturer's pricing. The prices and availability of components and raw materials are affected by several factors over which the Company has no control, such as market conditions, general global economic prospects, production capacity in the market concerned, the Company’s suppliers’ production restrictions, disruptions in infrastructure, regulation, export restrictions, the level of import duties, demand among other users of the said production factors, currency exchange rates and other factors.

The interruptions in the Company’s production caused by disruptions in the supply of certain components or raw materials may have a significant effect on the Company’s profitability. The Company may not necessarily be able to acquire substitute components or raw materials in a sufficiently timely manner or will have to acquire these at a higher price. The Company's ability to pass on the rise in costs to its customers is greatly dependent on contractual relationships and the market situation, and the Company may not necessarily be able to raise the prices of its products immediately or at all, and it may fail in part or in full in passing the rise in costs to its customers.

If the rise in the costs of the components or raw materials needed by the Company for its production cannot be passed on to the Company’s customers without significant effects on product demand or if this takes a long time or if there are disruptions or deficiencies in access to components and raw materials, this may have a material adverse effect on the Company’s business, results of operations and/or financial condition and on the value of the Offer Shares.

The Company may fail in the implementation of its strategy and the achievement of its financial targets or to adapt its operations to changes in the business environment

The Company’s key strategic objectives are to increase the value of the average purchase, the growth in present and selected new geographical markets, and improving the operations and efficiency of production. The Company’s strategy is described in more details in section “*Information on the Company and Its Business – Business Strategy*”. The successful implementation of the Company’s strategy is depending on several factors, some of which are partially or in whole beyond the Company’s control.

It is possible that the Company will fail in the implementation of its strategy or the management of strategic risks. Even if the Company would be able to implement its strategy, there can be no assurance that the chosen strategy is or will be successful, in particular if the market conditions are changing. It is also possible that the Company's strategy will adapt its business strategy to changing market conditions but there can be no certainty that the implementation of the changed strategy would succeed.

The Board of Directors of the Company have confirmed the Company’s long-term objectives which are pertaining to the Company’s growth, profitability and financial structure. See “*Information on the Company and Its Business – Financial Targets”.* It is possible that the Company may fail to obtain the financial targets partially or in whole or the growth of the Company’s revenue may slow down or freeze.

Failure in implementing or changing the Company’s strategy, unsuccessful strategy itself or failure in obtaining the financial targets may have a material adverse effect on the Company’s business, results of operations and/or financial condition and on the value of the Offer Shares.

The Company’s financial administration and enterprise resource planning information systems may not necessarily be sufficient or functional which may harm the administration of the operations and reporting

The Company has developed its current financial administration and enterprise resource planning (ERP) systems to increase the effectiveness of financial reporting as well as inventory control and cost control. The various group companies run partly different ERP systems. The coordination, reconciliation and control of functions is important especially in respect of information systems, accounting, financial management, marketing and sales. The adoption of the ERP systems introduced by the Company may give rise to repair or development needs and the systems may also in future become subject to further development or modernisation. System usage also involves manual processes in which human error is a possibility.

Flaws, problems or weaknesses in the financial administration and ERP systems may affect the Company's ability to monitor and manage the efficiency and cost level of its processes, and more broadly to manage and report on its operations and their results. The Company may not necessarily be able to respond in a timely or proportionate manner to changes taking place in cost level or change needs arising in the production process, which may cause the Company to incur additional expenses or to lose income. Potential flaws in the Company's financial administration may weaken the investors' confidence in the financial information reported by the Company.

The realisation of the aforementioned risks may have a material adverse effect on the Company's business, results of operations and/or financial condition and on the value of the Offer Shares.

The Company's risk management and internal controls may not necessarily be able to prevent or detect negligence, mistakes or action contrary to the Company's guidelines or regulation

Even though the Company is committed to pursuing its business in compliance with applicable legislation and it continues to use existing processes, systems and controls to ensure compliance, these procedures may not necessarily be sufficient to prevent or detect any deficient practices, fraud and illegal activity that may be pursued not only by Company employees and representatives but also by its subcontractors and customers. These risks become highlighted in the Company's operations in emerging markets such as Romania, China and Russia. If an employee of the Company or a partner working with the Company, such as a supplier, contract manufacturer, customer or representative should accept or give inappropriate benefits or act unlawfully or inappropriately in business, such action may cause the Company financial losses, legal consequences or losses of customer or partner relationships and damage its reputation.

Even though the Company's internal systems and controls seek to manage such risks, these systems and controls may not necessarily be sufficient, taking into account the Company's international operations, group structure and size. The Company has in place an internal 'whistleblowing channel' and internal policies to identify and investigate suspected abuses but there are no assurances that these policies and procedures are sufficient to uncover or prevent possible abuses. Unfounded allegations and their investigation may also cause the Company to incur costs. The Company carries out an internal investigation of any abuses or suspected abuses of which it becomes aware and to decide on the appropriate further action. The Company also has during its operations carried out the internal investigations of the suspected abuses or allegations. During the past year, the Company has investigated two allegations which it has become aware regarding ambiguous benefits, one of which did not give rise to further action and as regards to the other one, the Company decided, regardless of the relative low materiality, to contact the relevant tax authorities to secure the right tax treatment for the payment in question. Based on the investigations, the Company also revises its internal guidelines and procedures when necessary. However, it is possible that ambiguous practices or suspected abuses or rumours will appear in future as well, necessitating investigation on the part of the Company and giving rise to potential reputational risk to the Company.

If the Company fails to organize or maintain effective internal controls concerning financial reporting or to introduce the necessary new or improved control procedures or if it experiences difficulties in their introduction, the Company may fail in the correctness of reporting or prevention of abuses. Undetected weaknesses or deficiencies in the Company's internal controls or failure to address future deficiencies may require adjustment of the consolidated financial statements in the future or retroactively or result in the Company identifying other areas which require further attention or development.

Realisation of the aforementioned risks may have a material adverse effect on the Company's reputation, business, results of operations and/or financial condition and on the value of the Offer Shares.

The Company's reputation may be harmed which may have an adverse effect on the Company's business

The Company's brand and reputation are of key significance to the Company's business and implementation of its strategy when it competes for customers. The Company's brand or reputation may be harmed as a consequence of negative publicity relating to the Company's business, the entire industry or the Company's competitors. The Company's brand or reputation may be harmed by many factors, such as disputes with its customers or partners, copying of the Company's products, product defects, the presumed or actual deficient compliance with legislation or statutory regulations, possible claims for compensation from customers, or general negative attitudes. An example of such events are e.g. residential fires starting from saunas, which may cause extensive harm to persons and property, and which have in previous instances received a great deal of publicity. Additionally, any suspicions, allegations or rumours of abuses on the part of the Company or its employees may give rise to negative publicity. Events beyond the Company's control, such as negative publicity, may have an adverse effect on customer behaviour regardless of whether they are based in fact or relate directly to the Company or its products. If the Company is unable effectively to respond to negative publicity, this may cause further harm to the Company's public image. It is also possible that action taken by the Company to maintain, protect, restore or improve its reputation is insufficient or fails to give rise to positive outcomes which exceed the costs of the action.

Reputational harm may have an adverse effect on the Company's ability to attract and retain customers and key personnel. Any direct or indirect harm to the Company's brand or reputation may have a material adverse effect on the Company's business, results of operations and/or financial condition and on the value of the Offer Shares.

The Company operates in emerging markets which are associated with political, social and financial risks to the Company's business

The Company operates also in emerging markets such as China, Russia and Romania. In these countries, the Company's business may be exposed to greater political, legal, financial and social uncertainty and the risk of loss arising from legislation, procedures and interpretations of the authorities, economic or social instability and other factors may be material. In addition, the difference of emerging markets' business culture, legislation and regulatory practice compared to Finland, including shortcomings in justice system, administrative procedures and law enforcement mechanisms, cause significant risks for the Company. In the emerging markets, authorities' competence and approach may deviate from the approaches of Finnish authorities, and the authorities may not necessarily grant permissions or implement decisions in the schedule planned by the Company or at all.

Risks in emerging markets include also the introduction of possible trade restrictions, such as customs duties; the application of currency exchange restrictions; restrictions on the repatriation of profits and transfer of funds; inflation; changes in tax legislation and its enforcement; and the risk of asset seizure or nationalisation. In addition, possible technical and/or legal deficiencies in permits and documentation relating to the Company's business, investments and other action that earlier have not been challenged may be challenged in the future or the Company may be made subject to new, unforeseen additional requirements. The Company's production facility in China is located in an 'industrial park' that has been in operation for several years but the land of which is officially designated for agricultural use. Even though the authorities, as far as the Company is aware, up to the date of the Offering Circular have not intervened in the use of the area as other than agricultural land, there can be no assurances that the authorities will not intervene in future, which could suspend or prevent production until such time that the Company is able to transfer the production facility to another location and could cause the Company losses and costs.

The realisation of any of the risks described above may reduce the benefits obtainable from operations in these markets materially or in full and may have a material adverse effect on the Company's business, results of operations and/or financial condition and on the value of the Offer Shares. In addition, operations in emerging markets may give rise to risks not encountered in countries with established economic and political systems. Therefore in these markets it may be more difficult than usual for the Company to anticipate future business conditions. See also "– *Risks Related to Financial Condition and Financing – Exchange rate fluctuations may cause exchange losses*".

If the Company is unable to protect its intellectual property or if the Company is sued for infringement of intellectual property rights, this may have an adverse effect on the Company's business

The Company believes that the recognition and popularity of and customer loyalty to its brands, such as HARVIA and SENTIOTEC, among professionals and end users are important competitive advantages in many markets in which the Company operates. Maintaining and protecting the Company's trademarks are factors of importance to its future success and the Company actively monitors any infringements of its intellectual property rights. At the Offering Circular date, the Company has protected or filed an application for the protection of, *inter alia*, the HARVIA trademark and the HARVIA S logo in Europe, Russia, the United States and Asia, and sought to protect its brands by means including domain name registrations. However, two trademarks containing the name Harvia have been registered to third parties in Poland and Morocco, and some of the domain name registrations associable with the Company are held by the Company's dealers or other third parties. The Company holds several patents, utility model rights and design rights for its various sauna elements.

These protective measures may not necessarily provide sufficient protection for the Company's intellectual property rights and the Company may incur significant costs from the monitoring and defence of its intellectual property rights against infringements by third parties (competitors included). The Company has in place no valid guidelines concerning employee inventions, which may hamper the exploitation of employee inventions in the event that such inventions are made. The Company's failure to protect its intellectual property rights or expiration of the term of protection may result in the Company's competitors starting to exploit these. In certain areas of operations of the Company, such as in Russia and China, the protection to intellectual property rights is in general weaker than for example in the EU. Certain design right registrations of the Company in China expire in 2018 when the maximum term of the registrations is reached. Upon expiration of the design right, another operator in China may manufacture products consistent with the design right and import and export these, however not into areas where the Company maintains valid design rights, such as the EU.

In addition, there is the risk of competitors or other third parties claiming that the Company's products infringe the intellectual property rights of third parties. The Company has the right to use and it may in future use in its products also software or patents of third parties pursuant to licensing or other agreements. There can be no assurances that the parties will agree on the terms of such arrangements, that the parties to such agreements do not terminate them, or that third parties will not allege the Company of the breach of the agreements.

Failure to protect intellectual property rights or successful claims of infringement of the intellectual property rights of third parties may have a material adverse effect on the Company's business, results of operations and/or financial condition and on the value of the Offer Shares.

If the Company is not successful in recruiting and retaining qualified key personnel, or if the Company's personnel expenses are significantly increasing, this may have an adverse effect on the Company's business

The Company believes that competent and motivated management and personnel guarantee the success of Harvia. The success of the Company's business depends on how well the Company is able to recruit, motivate and retain in its service skilled key personnel. Harvia believes that the extensive and lengthy experience of its management together with the skilled personnel generate significant competitive advantage in the market. The loss of management or key personnel may result in the loss of expertise or, in certain circumstances, the transfer of expertise to the Company's competitors.

The Company's management believes that, owing to the efficiency of its production, the relatively low share of labour costs is a significant factor affecting the Company's competitiveness and profitability. The Company's fixed labour costs accounted for approximately half of all reported employee benefit expenses in the financial year 2017. The Company has production in locations where wage costs have traditionally been low but where the relative increase in wage cost level has been rapid in recent years. An increase in labour-related costs may have a negative effect on the Company's overall costs and profitability.

Realisation of the aforementioned risks may have a material adverse effect on the Company's business, results of operations and/or financial condition and on the value of the Offer Shares.

The necessary official permits, regulatory approvals or certifications of the Company may be revoked or they may be amended before the expiration of their term or they may not necessarily be renewable on the same terms or at all

The products manufactured by the Company require specific certifications or approvals before they can be sold to end customers. A CE marking is required for the Company's products sold in the European Economic Area. Products sold to the United States require the American ETL (Electrical Testing Laboratories) certification or UL (Underwriters Laboratories) approval obtained in advance, which is preceded by the product testing headed by the authorities and equipping the products with certain warnings and accessories. In addition, the Company must comply with other local standards in order for its products to meet the requirements imposed in the various markets. The Company reports the intended uses of the products in the products' directions for use, and also mentions the product approvals / certificates obtained by the Company for the products. However, the Company's customers may also engage in further export or purchase product samples for which the final approval is yet to be completed, which may mean that the Company's products are ultimately sold or used without the appropriate approvals. Even though the Company does not consider failure to obtain the appropriate certificates for its products to be a risk, norms, regulation and certification requirements change and it is possible that the Company will have to adapt its products to meet the changed requirements, which may prove expensive and time-consuming. Obtaining and maintaining certificates and approvals may also require significant effort, give rise to significant costs, and retard the market placement of products. If the rise in the number of certification requirements continues to increase, the resources and costs required to obtain certificates or approvals may prove significant.

No environmental permit is required for the Company's operations in Finland but the Company's Romanian production facility holds a valid environmental permit for wood treatment. In addition, the operations of many of the group's foreign subsidiaries require a business permit issued by the local authorities. The environmental permits required for the Company's operations are described in more detail under "*Information on the Company and Its Business – Environmental Matters*". The authorities may impose on the Company rehabilitation obligations or other obligations based on the environmental conditions of its facilities or other properties. The Company may incur costs also related to earlier contamination at properties held by it. For example, the Company has acquired in Muurame, Finland a property on which a fuel distribution station was previously located. Based on the action reports concerning rehabilitation of the property, no need for rehabilitation has been detected on the property but the detection of a previously unknown contamination might result in new obligations to examine or rehabilitate contaminated soil or ground water.

Permit procedures and other proceedings with the authorities as well as product regulation are complex in emerging markets in particular and may be conflicting and change over time. In addition, the permit and supervisory authorities may have significant discretion in the enforcement and interpretation of applicable legislation, regulations and standards, in the procedures, deadlines and scopes applicable to the issue and renewal of permits and regulatory approvals, and in the monitoring of compliance with terms. The complexity of regulation and the discretion of the authorities in the interpretation of legislation may result in lengthy and arduous permit inspection and renewal processes and increase the risk of violation of applicable regulation. Changes taking place in legislation or the Company's operations may result in an obligation to obtain for the operations new official permits, certifications or regulatory approvals. Protracted and arduous inspection and renewal processes, the procedures related to new regulatory approvals or the required permits, or loss of a required permit or regulatory approval may result in delays in starting or continuing production or in sales and distribution activities, or in significant interruptions in the Company's operations or even the closure of the Company's operations in a given region. In addition, obligations imposed by the authorities may give rise to a need for additional investment at production facilities, for example, and cause the Company to incur material costs. The realisation of the aforementioned risks may have a material adverse effect on the Company's business, results of operations and/or financial condition and on the value of the Offer Shares.

Legislation and statutory regulations and changes in these may present challenges and obstacles to the Company's business and give rise to substantial additional costs

The Company shall comply with legislation and regulation concerning its operations in relation to matters including health, safety, the environment, employment, competition, company law, international trade, taxation and the securities market in both Finland and other countries where the Company pursues business. The possibility also cannot be ruled out that the Company would have misinterpreted or failed to comply with legislation, statutory regulations or other regulation applicable to the Company or its operations. If the Company is not able to comply with the legislation and provisions applicable to its operations, this may cause the Company financial losses, significantly undermine the Company's business opportunities, and harm the Company's reputation. The Company has no control over changes in legislation and other regulation that is relevant to the Company, actions taken and requirements imposed by the authorities, or to the manner of enforcement and interpretation of such legislation, provisions and actions. In addition, the final form and/or interpretation of the regulation may be significantly uncertain.

Changes in legislation or statutory regulations may increase the Company's business costs or require the Company to make changes to its products or production processes. Changes in legislation concerning product safety or energy efficiency, for example, may increase the costs relating to products or require the design of wholly new product models. The Company may find it difficult to anticipate such changes, and preparing for or responding to such changes may cause the Company to incur significant costs.

The Commission, within the framework of the European Union's so-called Ecodesign Directive (2009/125/EC), has issued a Regulation which imposes requirements on the eco-design of solid fuel local space heaters. The Regulation imposes on e.g. fireplaces a maximum coefficient for particulate matter emissions but sauna heaters are excluded from the regulation’s scope of application. Recent debate concerning black carbon in Arctic regions may nonetheless in future bring about new restrictions on the burning of wood as well. Moreover, Finland has started to prepare a national air protection programme which has to do with the implementation of the EU Emissions Ceilings Directive (2016/2284/EC). The air protection programme seeks to limit emissions caused by human activity, and it is possible that new restrictions will be imposed on e.g. wood burning in consequence of the programme.

Pressure to reduce traffic emissions may lead to measures to address the environmental effects of transportation, which may increase the Company’s transportation costs.

Realisation of the aforementioned risks may have a material adverse effect on the Company’s business, results of operations and/or financial condition and on the value of the Offer Shares.

Difficulties in maintaining and updating IT systems, deficiencies in IT systems, and defects and external cyber-attacks related to information systems may have an adverse effect on the Company’s business

The Company is using IT systems to communicate with its employees and customers and to manage the Company’s manufacture, in design and development, and in the effective execution of its business. IT systems are required for ordering materials, management and processes relating to manufacture, delivering products to customers, processing purchase and sale transactions, summarising and reporting the results of operations, compliance with administrative, legal and taxation requirements, and other necessary processes relating to the management of the Company’s business. The Company’s information systems may be damaged or they may cease to function for numerous reasons, such as ongoing IT system and IT service development projects, third-party service provider disruptions, catastrophes, power failures, information security breaches or major accidents such as fires and natural disasters, and due to mistakes made by the Company’s own employees. The Company’s information systems are decentralised and defects may thus occur also due to differences in systems. Material suspensions or serious defects in the function of information systems may hamper and undermine the Company’s business and may have a material adverse effect on the Company’s business, results of operations and/or financial condition and on the value of the Offer Shares.

Economic sanctions and trade restrictions may have a material adverse effect on the Company’s business, financial condition and operating results

The Company operates outside Finland in countries against some of which economic sanctions and export restrictions are or have been imposed and some of which have themselves imposed various kinds of import restrictions. Recent sanctions and export and import restrictions concerning and imposed by Russia have had indirect effects on the Company’s business when these have reduced the purchasing power of the Russian end customers. In future, the Company’s business may be affected by possible new trade restrictions or more stringent customs requirements imposed by non-EU countries in addition to the existing restrictions and customs requirements. In future, the Company’s sales may become subject to new or stricter export restrictions, sanctions, trade embargoes or other economic and trade restrictions. Changes in customs dues may have a material adverse effect on the Company’s ability to import its products or on the profitability of its local operations in the markets where such measures protecting domestic manufacture are undertaken.

Even though the Company is committed to pursuing its business in compliance with applicable legislation and will continue to implement its current policies, systems and procedures, there are no assurances that the Company is able to manage and monitor full-scale compliance with requirements based on sanctions and import restrictions effective in countries on which sanctions or trade restrictions have been imposed by the United States, the European Union or others. Failure on the part of the Company or its management, officers, employees or representatives to comply with such legislation and regulations may expose the Company to civil and criminal charges and sanctions, imposition of export restrictions or economic sanctions on the Company, and reputational harm.

Realisation of the aforementioned risks may have a material adverse effect on the Company’s business, results of operations and/or financial condition and on the value of the Offer Shares.

Legal proceedings or legal claims may have an adverse effect on the Company's business or give rise to unforeseen costs

The Company has been a party to customer complaint processes and legal proceedings relating to its ordinary business and in future it may be a party also to other legal proceedings, arbitrations or administrative procedures that may involve significant claims for damages or other payments or costs. Such payments or costs may consist of, for example, customers' claims for damages in the context of earlier or eventual product liability actions, or for example consequences arising from legal proceedings relating to intellectual property infringements, taxation or competition law, and claims for compensation by current or former employees.

Company personnel at the Company's production facilities in particular are at risk of industrial accidents, and the Company is therefore exposed to risks relating to occupational safety and health, such as employees' claims for compensation.

The aforementioned processes and proceedings or the threat of such may also give rise to other costs and liabilities, claim the time of Company management, cause uncertainty which affects the Company's business, harm the Company's reputation and also in other ways have an adverse effect on the Company's business. Realisation of the aforementioned risks may have a material adverse effect on the Company's business, results of operations and/or financial condition and on the value of the Offer Shares.

Strikes and other industrial action may have an adverse effect on the Company's business

The Company, its customers or its partners may become subject to strikes or other industrial action which may cause interruptions of business that may have a material adverse effect on the Company's business. Some of the Company's personnel belong to trade unions with which collective agreements have been concluded. The employers' organisations that have negotiated the applicable collective agreements may not necessarily be able to negotiate new, satisfactory collective agreements when the term of the earlier collective agreements expires. The current collective agreements applicable to the Company's employees may also not necessarily prevent strikes or work stoppages. Besides Finland, strikes or other work stoppages and industrial action possibly taking place in the Company's other countries of operation as well may hamper the Company's business. Labour disputes in the industries of the Company's customers or in other industries relating to the Company's business, such as the construction or transportation industry or in ports, may have an adverse effect on the Company's business.

Strikes and industrial action may interrupt the Company's operations, which may also lead to harm the Company's reputation, rise in personnel expenses on the basis of the increase in wages and benefits negotiated, or deterioration of the relations between the social partners. Realisation of the aforementioned risks may have a material adverse effect on the Company's business, operating results and/or financial condition and on the value of the Offer Shares.

The Company may fail in finding acquisition targets as well as in integrating the acquired targets, and acquisitions may also cause unpredictable risks and hidden liabilities to the Company

The Company has previously completed and will also in the future complete corporate or business acquisitions that support its strategy. However, the Company may not necessarily find suitable target companies that would support the Company's strategy or otherwise be suitable for the Company's operations. In addition, there are no guarantees that the Company will succeed to integrate a potential target's business into its own business operations or achieve its strategic goals or synergies, and thus the potential acquisitions do not necessarily produce the expected revenue of operating profit. Potential acquisitions may also cause the Company unpredictable risks and hidden liabilities to which the Company has not been able to prepare for. Examination of potential corporate acquisitions and execution of potential corporate acquisitions may require considerable resources from the Company's management, in which case the actual business of the Company may suffer. Realisation of the aforementioned risks may have a material adverse effect on the Company's business, operating results and/or financial condition and on the value of the Offer Shares.

The Company's insurance coverage may not necessarily cover all risks relating to the Company's business

The group has insured its business by taking out ordinary property, business interruption, liability and cargo transport insurance policies. The Group has insured product distribution globally under a specific product liability insurance policy. The Company seeks to update the comprehensiveness and terms of its insurance coverage as required to conform to changing business requirements. It is possible that these insurance policies will not cover to a sufficient degree all risks and accidents or that their coverage is not otherwise sufficient under all circumstances. Insurance companies may moreover deny the Company's claims for indemnification, or it is possible that ultimately they are unable to fulfil their obligations in the manner required under the insurance contract. Indemnifications may be subject to deductibles and since it is possible that compensation of the loss requires the filing of multiple indemnification claims, the amount of the deductibles may be considerable. Even if the Company's insurance coverage were to cover direct losses, it is possible that indirect losses are not necessarily included in the insurance cover.

Payment for losses not covered by insurance or an increase in insurance premiums may cause the Company payment obligations that may have a material adverse effect on the Company's business, results of operations and/or financial condition and on the value of the Offer Shares.

Realisation of tax risks related to the Company's operations may lead to financial losses that may have an adverse effect on the Company's business

The Company pursues its business in several countries and it is subject to the tax legislation and regulations of various states, including provisions applicable to income taxes, value-added taxes, determination of fixed establishment, and transfer pricing. The Company's tax burden depends on certain laws and regulation decrees concerning taxation as well as their application and interpretation. Changes in tax laws and regulations or interpretation and application of tax laws and regulations may increase the Company's tax burden significantly.

The Company has been and it may in future become subject to tax audits by the local tax authorities, and the Company's tax liability may be revised in accordance with an inspection or audit carried out by the competent authorities. Evaluation of the total amount of income tax at the level of the entire Company calls for careful judgment, and the amount of final tax may be open to interpretation. Tax risks also relate to changes in tax rates or tax legislation or to incorrect interpretations. Any eventual future tax audits and other inspection measures carried out by the tax authorities may result in the imposition of additional taxes (including but not limited to income taxes, taxes at source, property taxes, net worth taxes, stamp duties and value added taxes) or adjustments that lay lead to an increase in the Company's tax debt and have a negative effect on the Company's business. Realisation of the risk may lead to tax penalties or other sanctions imposed by the tax authorities, which in turn may lead to financial losses.

In Finnish taxation, intra-group net interest expenses are subject to deduction restrictions. Therefore, Harvia Group Oy had at the end of the financial year ended 31 December 2017, EUR 8,185 thousand interest expenses that have been non-deductible in taxation. These are mainly related to the loans which the Group's owners have granted to Harvia Holding Oy (currently Harvia Plc) and this further to Harvia Group Oy for the purchase of the shares of Harvia Oy (current Harvia Finland Oy) and Velha Oy in 2014 (see "*Operating and Financial Review – Factors Affecting the Group's Operating Results – Using Deferred Tax Assets*" for more information). The net interest expenses of Harvia Group Oy are expected to decrease due to the contemplated repayments of shareholder loans as a result of the changed capital structure and New Financing Arrangement (as described in section "*Information on the Company and Its Business – Material Agreements"*). The deductibility and use of these earlier non-deductible interest expenses in the taxation of the coming years requires that Harvia Group Oy can utilise the tax asset pursuant to the aforementioned restrictions and that the interest expenses are accepted in taxation. Deferred tax assets are recognised only if it is considered likely that they will become usable, which in turn depends on whether sufficient taxable income will be generated in the future. Assumptions regarding taxable income arising in the future depend on management estimates of future cash flows. No deferred tax assets have been recognised in the end of 2017, 2016 and 2015 because deduction of the interest expenses have been restricted and it was not considered likely that they will become usable. As mentioned above, deduction of the interest expenses is primarily more likely due to changed capital structure and New Financing Arrangement because as a result Harvia Group Oy will have less net interest expenses. However, also in the future the final deductibility of net interest expenses will be determined in each company and the development is difficult to foresee.

The principles concerning the recognition of deferred tax assets requires management estimates and judgments. Judgments are necessary in assessing whether to recognise deferred tax assets and deferred tax liabilities in the consolidated statement of financial position. These estimates and assumptions are subject to risks and uncertainty, and any changes in circumstances may alter the expectations, which in turn could have an effect on the amount of deferred tax assets and deferred tax liabilities recognised in the consolidated statement of financial position and on the amounts of temporary differences. The Group also estimates the views used in tax declarations in situations where the applicable legislation includes ambiguities. When needed, the recognised amounts will be adjusted to correspond the amount that is expected to be paid to tax authorities.

According to the provisions on transfer pricing, enterprises are required to carry out any transactions between group companies on an arm's length basis, and such transactions shall also be adequately documented in accordance with the provisions of each country. There are intra-group transactions between the Company's units operating and located in different countries, due to which the Company is exposed also to transfer pricing risks and the Company has in place an internal transfer pricing policy.

Even though the Company makes use of external resources in tax risk management, there can be no assurances that all tax risks are detectable or avoidable. Realisation of each of the aforementioned risks may have a material adverse effect on the Company's business, operating results and/or financial condition and on the value of the Offer Shares.

Risks Related to Financial Condition and Financing

Credit losses would have an unfavourable effect on the Company's operating results

The Company is exposed to credit and counterparty risk in its business, for example in relation to customers, suppliers and financial institutions. Credit and counterparty risk refers to the risk of the counterparty being unable or unwilling to fulfil its obligation to the Company, which may result in credit loss. Credit and counterparty risk related to the Company's customers and suppliers arises from outstanding receivables or long-term agreements and long payment terms while risk related to financial institutions relates to the counterparties of the Company's cash and investment assets.

The Company had trade receivables EUR 11,503 thousand at the end of the financial year ended 31 December 2017. Of the trade receivables, in total EUR 3,435 thousand was overdue and over 90 days overdue was in total EUR 1,414 thousand. The Company has significant trade receivables due to long terms of payment in the customer agreements. As the situation has warranted, the Company has also supported its products' distribution and dealership relationships by accepting longer than ordinary terms of payment and by agreeing on a new payment plan in respect of receivables due, which has increased the Company's trade receivables especially in the United States and Russia. If one or more of the Company's contractual partners encounters payment difficulties or bankruptcy, the amount of the Company's credit losses may increase, and the credit loss provisions made by the Company may not necessarily be sufficient to cover all credit losses. Moreover, not all of the Company's trade receivables have been insured against credit loss.

Realisation of the aforementioned risks may have a material adverse effect on the Company's business, results of operations and/or financial condition and on the value of the Offer Shares.

The Company's financial performance may materially differ from the financial targets included in the Offering Circular and investors should not unduly rely on these or consider them assurances of future performance

The financial targets of the Company presented in this Offering Circular are i) annual revenue growth above five (5) per cent on average, ii) adjusted operating profit margin of 20 per cent and iii) net debt per adjusted EBITDA in the range of 1.5x–2.5x. There is the risk that the Company's actual results of operations or financial condition may materially differ from the stated targets owing to one or more factors. The financial targets are based on several assumptions which include significant business, operational, financial and other risks, many of which are beyond the Company's control. Assumptions may prove incorrect or the targets may fail to materialise altogether. Unforeseen events or realised risks may additionally have an adverse effect on the Company's revenue, results of operations or financial condition in the future. In consequence of these factors, the Company's actual financial performance or financial condition may materially differ from the targets stated and investors should not unduly rely on these or consider them assurances of future performance.

The Company may have to recognise impairment of goodwill or other tangible or intangible assets which may have an adverse effect on the Company's financial condition and results of operations

The goodwill in the Company's consolidated statement of financial position arose to a significant degree when the Company became the parent company of the Group, and subsequently due to two smaller acquisitions. Goodwill according to the Company's consolidated statement of financial position at 31

December 2017 was EUR 59.2 million and equity was EUR 19.3 million, other intangible assets were EUR 3.0 million and property, plant and equipment was EUR 14.9 million. In addition, potential acquisitions may increase the goodwill in future. Goodwill is not subject to amortisation and instead the Company tests its goodwill for impairment annually or more frequently whenever there are indications of possible impairment due to events or changes in circumstances. Other intangible assets and property, plant and equipment are depreciated during their useful economic life and reviewed for impairment when events or changes in circumstances indicate that the carrying value of the assets exceeds their recoverable amount.

Key assumptions in the impairment testing are the development of revenue and key cost items, the discount rate used in the calculation as well as the cash flow growth rate after the five-year forecast period. Even though based on the management's view, the estimates and assumptions used are sufficiently accurate to determine the recoverable amount of cash generating units, the estimated recoverable amounts may differ significantly from the actual future amounts. Changes in revenue or cost items, cash flow forecasts, discount rates or growth percentages based on the Company's strategy plans, or a combination of these factors, may lead to impairment of goodwill or other assets that would decrease the Company's operating results. If the Company in future is required to recognise significant impairment losses on goodwill or other assets, depending on the magnitude of the impairment loss this may have a material adverse effect on the Company's business, results of operations and/or financial condition and on the value of the Offer Shares.

The Company may not necessarily obtain financing on competitive terms or at all

The Company currently finances its business and investments with operational cash flows and debt financing. Sufficient cash flow is required for the Company's business and maintaining its ability to service its debt. The Company may not necessarily be able to generate sufficient cash flows with its business to maintain the Company's competitiveness, to ensure the Company's financing and to service the Company's debt. Additionally, there can be no assurances that the Company will be able to safeguard financing to a sufficient extent and on competitive terms to finance its business and investments.

Changes in the macroeconomic environment or in the general financial markets may have a negative effect on the availability, price and other terms of financing. Changes in the availability of equity and debt financing and in the terms of the financing available may have an effect on the Company's ability to invest in developing and growing its business in the future.

If the Company is not able to obtain financing on competitive terms or at all, this may have a material adverse effect on the Company's business, results of operations and/or financial condition and on the value of the Offer Shares.

A rise in interest rates may increase the costs of the Company's financing

A rise in interest rates could have a material direct effect on the costs of available funding and the Company's existing financing costs. A rise in interest rates could thus have an effect on the costs of the Company's debt financing in the future. Interest rates may rise for numerous different reasons beyond the Company's control, such as policies pursued by states and central banks.

A rise in interest rates may have a material adverse effect on the Company's business, results of operations and/or financial condition and on the value of the Offer Shares.

Exchange rate fluctuations may cause exchange losses

Due to the international nature of the Company's business, the Company is exposed to transactional and translation risks. Transactional risks arise when the trade currency of the goods and products is other than the domestic currency of the Company and its subsidiaries. Translation risks arise when the funds of the subsidiaries held in different currencies are translated into the parent company's operating currency, the euro. The Company trades in various currencies, the most important of which are the euro, the Russian rouble and the US dollar, in addition to which the Chinese renminbi and Hong Kong dollar are of significance. Of the Company's revenue for the financial year ended 31 December 2017, EUR 6.3 million was generated in Russian roubles, EUR 3.4 million in US dollars, and EUR 0.6 million in Chinese renminbi. The Company does not consider the exchange rate risk material and it has not used derivatives to hedge against it. Estimates of the Company, projections concerning its future and estimates of the value of the Offer Shares may be based on exchange rate projections that might prove incorrect. Exchange rate fluctuations may thus have a material adverse effect on the Company's business, results of operations and /or financial condition and on the value of the Offer Shares. For more information on the management of financial risks, please see section "*Operating and Financial Review – Description of the Financial Risk Management*".

The adoption of standards IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases" as well as upcoming changes in accounting standards will expose the Company to risks related to changes in accounting policies and accounting standards which may have an effect on the figures reported by the Company

The International Financial Reporting Standards as adopted by the EU (**"IFRS"**) consist of the IFRS and IAS standards published by the International Accounting Standards Board (**"IASB"**) and the IFRIC interpretations. The consolidated financial statements included in this Offering Circular have been prepared in accordance with IFRS. The Company has adopted IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" standards since 1 January 2018. The Company intends to adopt the standard IFRS 16 "Leases" as of 1 January 2019.

IFRS 9 "Financial Instruments" standard addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting and a new impairment model for financial assets. The changes of the standard are expected to impact by larger trade receivable provisions for credit losses as well affect the nature and extent of the information presented on the Group's consolidated financial statements especially in the year when the standard is adopted, because of more extensive disclosure requirements and changes in the way information is presented. IFRS 15 "Revenue from contracts with customers" standard is the new revenue standard. The new standard is expected to have some impacts in the Group in identifying the performance obligations, determining and allocation of the transaction price as well as recognising the revenue. New disclosure information is also required for the information concerning revenue. IFRS 16 "Leases" standard will affect primarily the accounting of the Group's operating leases. The Group has not yet assessed what adjustments are necessary for the adoption of the standard nor has the Group decided what transition method it will apply at the day of initial application. The standards and interpretations to be adopted have been described in more detail in section "*Operating and Financial Review – Upcoming Standards and Interpretations Not Yet Adopted*".

The IASB has published and may in future publish new or amended standards and interpretations which are not yet effective and which the Company is yet to apply in its consolidated financial statements. New IFRS standards may force the Company to alter its accounting policies, accounting systems, to change its manner of business operations to comply with the new accounting standards, or the restated consolidated financial statements published by it. Eventual future changes may have an effect on, inter alia, reported profitability, dividend payment capability, financial position and financial indicators, such as a rise in the Company's reported leverage ratio (net debt / adjusted EBITDA). The said effect on the figures reported by the Company may also diminish the Company's ability to comply with the financial covenants of its credit arrangements. These changes may have a material adverse effect on the Company's business, results of operations and /or financial condition and on the value of the Offer Shares.

If the Company is unable to meet the covenants included in financing agreements, breach of the said covenants may cause a prepayment clause to be triggered in other loan agreements as well

There can be no assurances that in future, the Company will be able to act such that the covenants and other clauses in its financing agreements are not breached, nor that the Company's financial backers in the context of eventual breaches agree to renegotiate the terms of the financing without calling in the loans. There are also no assurances that under such circumstances, the Company would be able to arrange new financing on equivalent terms at a financially reasonable price or at all. Breach of the covenants in financing agreements and failure to fulfil other contractual obligations may thus increase the costs of financing significantly and even jeopardise the continued financing of the Company. If new financing cannot be arranged at all, the Company's potential for continuing its business may deteriorate and the continuity of the Company's operations may be jeopardised.

Harvia Plc, as a holding company, is dependent on the income and cash flow generated through the operational activities of its subsidiaries.

Harvia Plc is a holding company that has no significant assets except for the shares of its subsidiaries. Due to this, the Company is dependent on the revenue and cash flow received from the operations of its subsidiaries. As such, a weakening of the subsidiaries' results of operations and financial position may have a material adverse effect on the Company's business, results of operations and /or financial condition and on the value of the Offer Shares.

Risks related to the Offering, the Listing and the Shares

The Listing incurs the Company additional costs, the Company may fail to implement functions required from a listed company

Company's contemplated listing of the Shares on the official list of Helsinki Stock Exchange will bring new and more demanding requirements including IFRS reporting and corporate governance requirements for listed companies. In addition to non-recurring costs, the Listing will incur the Company additional administration costs. It is possible that implementation of such operations and processes and the personnel's adjustment requires more resources than planned and these tasks cannot be performed with the same level of quality as previously or that such operations will be suspended. Furthermore, the Company must assign employees and other resources for these purposes.

It is also possible that the Company fails to implement and organise the functions required from a listed company or to maintain these functions partly or entirely. If the Company fails to implement and organise the functions required from a listed company, the Helsinki Stock Exchange may not accept the Company's listing application.

Tight communication schedules and dependence on data systems and key employees may pose challenges to the correctness of financial and other information and to the timely release of such information. If information published by the Company turns out to be incorrect, misleading or otherwise not in compliance with all applicable laws, rules and regulations, the Company may lose the trust of its investors and other interest groups and face sanctions as a result of such actions.

Increased costs or the realisation of the other above-mentioned risks may have a material adverse effect on the Company's business, results of operations and/or financial position and the value of the Offer Shares.

The Shares have not previously been traded in any regulated market, the price of the Shares may be volatile and an active and liquid market may not develop, and possible investors may lose a part or all of their investment

Before the admission for trading, the Shares have not been traded in any regulated market or multilateral trading facility, and there is no certainty that after the Offering, an active and liquid market will develop for the Shares. In addition, the Offer Shares are not publicly traded or traded in a multilateral trading facility during the subscription period, nor can the Offer Shares subscribed in the Offering be sold before the end of the subscription period and before the trading in the Offer Shares commences on the Helsinki Stock Exchange. After the completion of the Listing, some of the Shares of the Company are for a limited period subject to a lock-up as described in section "*Plan of Distribution in the Offering – Lock-up"* which may in part have an adverse effect on the liquidity of the Shares.

After the listing of the Shares, the market price of the Shares may be subject to significant fluctuations due to various reasons, such as the Company's ability to reach its business objectives. The Company cannot foresee or estimate any such price fluctuations. In addition, international financial markets have occasionally faced significant price and volume fluctuations regardless of the business development or future outlook of individual companies. In addition, the weakening of the general market situation or securities markets regarding the same type of securities may have a material adverse effect on the value, markets and liquidity of the Shares.

Share prices and stock markets may from time to time experience significant price and volume fluctuations that may be unrelated to the Company's operating results or prospects. Further, the Company's operating results and prospects may be less than the expectations of the stock markets, market analysts and investors. The Company cannot foresee or estimate these price fluctuations, and the market price of the Offer Shares may rise above or fall below the Subscription Price of the Offering. Any of these factors, if realised, may have a material adverse effect on the Company's business, results of operations and/or financial position and the value of the Offer Shares.

Share ownership in the Company is concentrated, and the largest shareholders will continue to have significant influence

If the Offering is carried out as planned, the current largest shareholders of the Company, the Funds

Managed by CapMan, would hold approximately 25.3 per cent of all Shares and votes of the Company immediately following the completion of the Offering. The Company may also have other single significant shareholders of the Company after the completion of the Listing (the number of Sale Shares and New Shares is calculated assuming that the Final Subscription Price would be at the mid-point of the Preliminary Price Range and assuming that a total of 100,000 New Shares will be subscribed for in the Personnel Offering at the discount applicable to Personnel Shares and that the Over-Allotment Option is exercised).

The interests of the Company's largest shareholders will not necessarily correspond with those of other shareholders. Significant decisions made at the general meeting of the shareholders of the Company include among others, the approval of the financial statements, discharge from liability of the management of the Company, deciding on allocation of distributable funds and payment of dividends and election of members of the Board of Directors and auditors. Potential conflicting interests may have a material adverse effect on the position of other shareholders of the Company. Further, the concentration of ownership may delay or prevent change of control in the Company and adversely affect the market price and liquidity of the Company's Shares.

The Company may not pay or may not be able to pay dividends or capital repayment in the future

Under the Finnish Companies Act (624/2006, as amended, the "**Finnish Companies Act**") and in accordance with the prevailing practice in Finland, dividends payable on shares in a Finnish company are generally distributed only once a year, after the general meeting of shareholders has adopted the audited financial statements and resolved on the possible distribution of a dividend on the basis of the proposal by the Board of Directors. The Company aims to pay dividends twice a year. The Company's dividend policy is described in more detail in the section "*Dividends and Dividend Policy*".

The Company's Board of Directors estimates annually the balance between dividends to be distributed or capital repayment and assets invested in the Company's growth, and based on this makes a proposal on the amount of dividends to be distributed or on the amount of capital repayment that can in a given year deviate significantly from the target level of the dividend policy. Thus, there can be no assurance that the Company will in the future pay dividends or capital repayment on the Shares issued by the Company. In addition, there can be no assurance as to the amount of dividends or capital repayment to be paid, if any. The amount of the dividends or capital repayment to be paid in the future, if any, depends on the Company's future results, financial position, cash flow, capital requirements, investment needs, and other factors.

Future share issues or sales of a significant number of Shares may decrease the value of the Offer Shares and dilute the shareholders' relative share of Shares and votes

A significant issue of new Shares or a significant sale of the Shares by shareholders or an impression that such issuances or sales may occur in the future, may have an adverse effect on the market value of the Shares and on the Company's ability to acquire funds through share issues in the future. In addition, if shareholders decide not to use their subscription rights in possible future rights issues, or if the Company executed directed share issues, the shareholders' proportional ownership and the total share of the voting rights related to the Shares may be diluted.

Holders of nominee-registered Shares cannot necessarily exercise their voting rights

The holders of nominee-registered Shares cannot necessarily exercise their voting rights unless their ownership has been temporarily registered under their own name in Euroclear Finland prior to the Company's general meeting of shareholders. The Company cannot give any assurances that the holders of nominee-registered Shares would receive a summons to the general meeting of shareholders in time to instruct their account operators to either temporarily register their Shares or otherwise exercise their voting rights as the actual owners wish. See "*Finnish Securities Markets – Finnish Book-Entry System*".

Foreign shareholders may not be able to exercise their pre-emptive subscription right

According to Finnish legislation, shareholders have specific subscription rights in proportion to their holdings when issuing new shares or securities entitling to the subscription of new shares. However, foreign shareholders of the Company may not be able to exercise their subscription rights due to prevailing laws and regulations of their home countries. This may lead to the dilution of the ownership in the Company of such shareholders. Furthermore, if the number of such shareholders who cannot exercise their subscription rights is large and their subscription rights are sold on the market, this may have an adverse effect on the price of the subscription rights. In addition, the legislation of the relevant country may limit the right of a foreign shareholder to receive information on share issues and other important transactions. For more information on shareholders' rights, see "*The Shares and Share Capital of the Company – Shareholders' Rights*".

Investors cannot revoke their investment decisions

Subscriptions made during the Offering are binding and cannot be revoked, cancelled or changed, except for in the exceptional circumstances mentioned under "*Terms and Conditions of the Offering*". The Offer Shares will be paid for in conjunctions with their subscription, unless otherwise provided in the Terms and Conditions of the Offering. For this reason, investors must make their investment decisions before the final results of the Offering are known. It must also be noted that the Offer Shares will not be transferred to investors until the subscription period has ended. It may not necessarily be possible to surrender the Offer Shares until they have been registered in the book-entry account of the subscriber.

The Offering may not be carried out

In case the Offering does not result in a sufficient amount of subscriptions for the Offer Shares and gross proceeds a minimum of EUR 45,000 thousand raised through the Share Issue, the Offering will not be completed. In addition, the Funds Managed by CapMan may cancel the Share Sale and the Company's Board of Directors may cancel the Share Issue at any time before the decision to complete them is made on the grounds of, for example, the market conditions, the Company's financial position or a material change in the Company's business.

The completion of the Offering is also conditional upon the signing of the placing agreement. The placing agreement concerning the Offering includes certain customary conditions concerning such aspects as the accuracy and correctness of certain contractual representations and warranties given by the Company and the Sellers. Should one or more of the conditions of the placing agreement be breached, the placing agreement may not be entered into or it may be terminated, as a result of which the Offering will not be carried out. For more information on the placing agreement, see "*Plan of Distribution in the Offering*".

Investors with a reference currency other than the euro will become subject to certain foreign exchange risks when investing in the Shares

The Shares will be priced and traded in euro in the Helsinki Stock Exchange and any future payments of dividends on the Shares will be denominated in euro. Exchange rate movements of the euro will therefore affect the value of any dividends paid and other distributions of unrestricted equity, such as capital repayments for investors whose principal or reference currency is not the euro. Furthermore, the market price of the Shares as expressed in a foreign currency will fluctuate in part as a result of foreign exchange rate fluctuations. This could affect the value of the Shares, and of any dividends paid on the Shares, for an investor whose principal or reference currency is not the euro. In addition, such investors could incur additional transaction costs when converting euro into another currency.

PARTIES RESPONSIBLE FOR THE INFORMATION GIVEN IN THE OFFERING CIRCULAR

Company

Harvia Plc
Teollisuustie 1–7
FI-40950 Muurame, Finland

Sellers

See Annex A

Statement Regarding Information in the Offering Circular

The Company is responsible for the information included in the Offering Circular. To the best knowledge of the Company, having taken all reasonable care to ensure that such is the case, the information included in the Offering Circular is in accordance with the facts and contains no omission likely to affect its import.

The Sellers are responsible for the information included in the Offering Circular regarding the Sellers and their shareholdings. To the best knowledge of the Sellers, having taken all reasonable care to ensure that such is the case, the information included in the Offering Circular regarding the Sellers is in accordance with the facts and contains no omission likely to affect its import.

THE BOARD OF DIRECTORS, AUDITORS AND ADVISORS

The Members of the Board of Directors of the Company

Name	**Position**
Olli Liitola	Chairman
Ia Adlercreutz	Member
Anders Björkell	Member
Pertti Harvia	Member
Ari Hiltunen	Member

The address of the Board of Directors is Teollisuustie 1–7, FI-40950 Muurame, Finland.

The Global Coordinator and Bookrunner

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FI-00240 Helsinki, Finland

Bookrunner

Handelsbanken Capital Markets,
a part of Svenska Handelsbanken AB (publ)
Itämerenkatu 11–13
FI-00180 Helsinki, Finland

Legal Advisor to the Company

Borenius Attorneys Ltd
Eteläesplanadi 2
FI-00130 Helsinki, Finland

Legal Advisor to the Joint Bookrunners

Castrén & Snellman Attorneys Ltd
Eteläesplanadi 14
FI-00130 Helsinki, Finland

Auditor of the Company

PricewaterhouseCoopers Oy
Itämerentori 2
FI-00180 Helsinki, Finland

CERTAIN MATTERS

Forward-Looking Statements

The Offering Circular includes forward-looking statements about, among other things, present views and expectations of the Company's management on the results, financial position, business strategy and plans and goals for future operations and objectives. Such statements are presented in "*Summary*", "*Risk Factors*", "*Information on the Company and its Business*", "*Operating and Financial Review*" and elsewhere in the Offering Circular.

Forward-looking statements pertain to both the Company, such as certain financial goals that it has set for itself, and the sectors and industry in which it operates. Statements containing the expressions "aim", "anticipate", "assume", "believe", "come", "continue", "could", "estimate", "expect", "intend", "may", "plan", "predict", "seek", "target", "will", or other similar expressions express forward-looking statements.

All forward-looking statements in the Offering Circular reflect the present views of the management of the Company of future events, and involve risks, uncertainties and assumptions concerning the Company's business operations, results, financial position, growth strategy and liquidity. Such risks and factors of uncertainty are described, for example, in section "*Risk Factors*", which should be read together with other cautionary statements in the Offering Circular. These forward-looking statements apply only to the situation on the date of the Offering Circular and the Company's actual business operations, results, financial position and liquidity could differ materially from those indicated in the forward-looking statements. Moreover, even if the results of the Company's operations, financial position and liquidity, as well as development in the sectors where the Company operates, were in line with the forward-looking statements presented in the Offering Circular, the results and development are not necessarily indicative of the mentioned results and development of any future periods.

Unless otherwise required under the obligations set in applicable regulations (including the Securities Markets Act), the Company will not update or re-evaluate the forward-looking statements in the Offering Circular based on new information, future events or other factors. The statements made in this section apply to all subsequent written or oral forward-looking statements related to the Company or persons acting on behalf of it in their entirety. Persons considering investment should, prior to making an investment decision, carefully consider all factors mentioned in the Offering Circular due to which the Company's actual business operations, results, financial position and liquidity may differ from the expected ones.

Information from Third-Party Sources

This Offering Circular contains statistics, data and other information relating to the markets, market sizes, market shares and market positions and other industry data pertaining to the Company's business and markets. Such information is based on an analysis of multiple sources, including a study commissioned by the Company from the Boston Consulting Group in 2017 (the "**International Management Consultant Analysis in Autumn 2017**"). Where certain information contained in this Offering Circular has been derived from third party sources, such sources have been identified herein. The Company confirms that such third-party information has been appropriately reproduced herein and that as far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading.

However, the Company does not have access to all of the facts, assumptions and postulates underlying the market analyses, including International Management Consultant Analysis in Autumn 2017, or statistical information and economic indicators contained in sources of third party information, and the Company is unable to verify such information. Moreover, market studies are frequently based on information and assumptions that may not be exact or appropriate, and their methodology is by nature forward looking and speculative. Therefore, changes in the postulates and their premises on which market studies are based, could have a significant influence on the analyses and conclusions made.

The statements in this Offering Circular on the Company's market position and on other companies operating in its market areas are based solely on the experiences, internal investigations and assessments of the Company, as well as the reports and surveys it has commissioned, which the Company deems reliable. The Company cannot, however, guarantee that any of these statements are accurate or give an accurate description of the Company's position in its market, and none of the Company's internal investigations or information has been verified using external sources independent of those commissioned by the Company.

Unless otherwise identified, information in the Offering Circular related to the quantity of Shares and votes as well as shareholder's equity have been calculated based on information that was registered in the Trade Register at latest by the date of the Offering Circular.

Presentation of Financial and Certain Other Information

Certain financial information incorporated into this Offering Circular are derived from the Company's audited consolidated financial statements for the financial years ended 31 December 2017, 31 December 2016, and 31 December 2015 (the "**Audited Consolidated Financial Statements**"). The Audited Consolidated Financial Statements have been included in this Offering Circular. The Audited Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("**IFRS**"). The Audited Consolidated Financial Statements included in the Offering Circular have been audited by PricewaterhouseCoopers Oy, Authorised Public Accountants, with Markku Launis, Authorised Public Accountant, as the auditor with principal responsibility. The Company's shareholders made a unanimous resolution on 2 March 2018 and re-elected PricewaterhouseCoopers Oy, Authorised Public Accountants, as the Company's auditor with Markku Launis, Authorised Public Accountant, as the auditor with principal responsibility.

The Company's date of transition to IFRS was 1 January 2015. Before 1 January 2015 the Company prepared its consolidated financial statements in accordance with the Finnish Accounting Act (1336/1997, as amended), the Finnish Accounting Ordinance (1339/1997, as amended), and the guidelines and opinions of the Accounting Board operating under the auspices of the Ministry of Economic Affairs and Employment (together the "**FAS**"). Additional information on the most significant differences between the Company's consolidated financial statements prepared in accordance with IFRS and FAS is presented in the note 6.1 to the Audited Consolidated Financial Statements which are included in this Offering Circular.

Alternative Performance Measures

The Company presents in this Offering Circular certain alternative performance measures of historical financial performance, financial position and cash flows, which, in accordance with the "Alternative Performance Measures" guidance issued by the European Securities and Markets Authority ("**ESMA**") are not accounting measures defined or specified in IFRS (the "**Alternative Performance Measures**"). These Alternative Performance Measures are:

- Organic growth
- Constant currency revenue growth
- Operating profit
- Operating profit margin
- Adjusted operating profit
- Adjusted operating profit margin
- EBITDA
- EBITDA margin
- Adjusted EBITDA
- Adjusted EBITDA margin
- Adjusted profit before income taxes
- Net cash from operating activities
- Operating free cash flow
- Cash conversion
- Investments in tangible and intangible assets
- Net debt
- Net debt to adjusted EBITDA (Leverage)
- Net working capital
- Capital employed excluding goodwill
- Adjusted return on capital employed (ROCE)
- Equity ratio

The exact definitions for calculating these alternative performance measures that are not based on the IFRS and the reason why the Company believes that the use of each alternative performance measure is beneficial are presented under "*Selected Financial Information – Key Performance Indicators*".

The Company 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 Company's view, Alternative Performance Measures provide the management, investors, securities market analysts and other parties with significant additional information related to Company's results of operations, financial position and cash flows and are widely used by analysts, investors and other parties.

The Company presents 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 Offering Circular 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.

Rounding

Certain figures in the Offering Circular, including financial data, have been rounded. Therefore the sums of table columns and rows may not necessarily precisely correspond to the figures given as row or column totals. In addition, certain percentages reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Availability of the Finnish Prospectus

The Finnish Prospectus will be available on or about 9 March 2018 on the websites of the Company atwww.harvia.com/ipo and of the Global Coordinator at www.danskebank.fi/issues. In addition, the Finnish Prospectus will be available as a printed copy on or about 12 March 2018 at the registered head office of the Company at Teollisuustie 1–7, FI-40950 Muurame, Finland, at Danske Bank's offices, as well as at the reception of the Helsinki Stock Exchange at Fabianinkatu 14, FI-00100 Helsinki, Finland.

No Incorporation of Website Information

The Offering Circular, the possible supplements thereto, becoming part of the Offering Circular will be published on the Company's website. The other contents of the Company's website or any other website do not form a part of the Offering Circular, and prospective investors should not rely on such information in making their decision to invest in the Offer Shares.

Information Available in the Future

The Company plans to publish its annual report, which includes audited consolidated financial statements and the report of the Board of Directors, for the financial year ending 31 December 2018 onwards, as well as interim reports for the first, second and third quarter since the beginning of year 2018. The interim reports include unaudited consolidated interim financial statements. An interim report for the three months period ending 31 March 2018 is planned to be published on 16 May 2018, an interim report for the six months period ending 30 June 2018 is planned to be published on 16 August 2018 and an interim report for the nine months period ending 30 September 2018 is planned to be published on 15 November 2018. The annual reports, including financial statements, the report of the Board of Directors, interim reports and stock exchange releases are published both in Finnish and in English.

EXCHANGE RATES

The following tables set forth the average, high, low and period-end reference rates as published by the European Central Bank for the United States dollar (USD), Russian ruble (RUB), Chinese yuan renminbi (CNY) and Hong Kong dollar (HKD) as at the dates and for the periods indicated.

	Reference rates of USD per EUR			
	Average	High	Low	Period end
2015	1.1095	1.2043	1.0552	1.0887
2016	1.1069	1.1569	1.0364	1.0541
2017	1.1297	1.2060	1.0385	1.1993

	Reference rates of RUB per EUR			
	Average	High	Low	Period end
2015	68.0720	81.4420	53.4111	80.6736
2016	74.1446	91.7660	62.9938	64.3000
2017	65.9383	71.8059	59.6596	69.3920

	Reference rates of CNY per EUR			
	Average	High	Low	Period end
2015	6.9733	7.4759	6.5552	7.0608
2016	7.3522	7.5341	7.0074	7.3202
2017	7.6290	7.9757	7.2285	7.8044

	Reference rates of HKD per EUR			
	Average	High	Low	Period end
2015	8.6014	9.3402	8.1779	8.4376
2016	8.5922	8.9769	8.0494	8.1751
2017	8.8045	9.4268	8.0554	9.3720

The above rates are provided solely as examples and may not necessarily correspond with the exchange rates used in the preparation of Company's financial statements or financial information. No representation is made that euros could have been converted into the United States dollar (USD), Russian ruble (RUB), Chinese yuan renminbi (CNY) and Hong Kong dollar (HKD at the rates shown or at any other rate at such dates or during such periods.

REASONS FOR THE OFFERING AND USE OF PROCEEDS

Reasons for the Offering and Listing

The objective of the Offering and the contemplated Listing is to improve the Company's ability to implement its strategy successfully by offering the Company with access to capital markets and strengthening the Company's capital structure as well as increasing the Company's recognition among customers and attractiveness as an employer. The Offering will also allow the Company to broaden its ownership base and to increase the liquidity of the Shares, as well as to use the Shares as a means of consideration in potential acquisitions. The listing of the Shares also enables the Company to offer its key personnel the market-based incentive schemes and strengthens the employer image.

Use of Proceeds

The Company expects to use the net proceeds from the Offering for strengthening its capital structure by a way of repaying the principal and accrued interests of the shareholder loans that mature prematurely at the completion of the Listing. A strengthened capital structure will enable the Company to promote its growth strategy in the future. At the date of the Offering Circular, the total amount of shareholder loans and their interests to be repaid is approximately EUR 42.5 million. At the completion of the Listing, the Company will in the same connection refinance its current loan agreements concluded in 2014 in connection with the acquisition of Harvia Finland Oy (former Harvia Oy) and Velha Oy (the "**Old Bank Loans**").

Costs of the Offering

The Company aims to raise gross proceeds of approximately EUR 45 million through the Offering by offering New Shares for subscription. The number of New Shares to be issued will be determined based on the Final Subscription Price. The Company will issue 8,118,109 New Shares assuming that the Final Subscription Price would be at the mid-point of the Preliminary Price Range. The Company will pay approximately EUR 4.0 million in fees and expenses in connection with the Offering, and the net proceeds that the Company will receive from the Offering thus amount to approximately EUR 41.0 million. The Company will pay the fees and expenses in connection with the Offering with the existing cash funds.

The Sellers will receive gross proceeds of approximately EUR 7.6 million from the Share Sale (calculated by using the mid-point of the Preliminary Price Range and assuming that the Sellers will sell the maximum amount of Shares and that the Over-Allotment Option will not be exercised). The Sellers will pay approximately EUR 0.3 million in fees in connection with the Offering (calculated by using the same assumptions as in the previous sentence).

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Company's capitalisation and indebtedness as at 31 December 2017 (i) as realised based on the Company's audited consolidated financial statements for the financial year ended on 31 December 2017 and (ii) as adjusted to reflect the repayment of Shareholder loans and Old Bank Loans, the drawdown of a non-current loan and replacement of the existing credit limit by new credit limit relating to the New Financing Arrangement, the share capital increase registered on 19 February 2018, the estimated gross proceeds of EUR 45 million from the Share Issue and the estimated expenses of Share Issue and the Listing of EUR 4 million, assuming that the events presented as adjustments would have occurred on 31 December 2017.

The following table should be read together with the following sections: "*Selected Financial Information*", and "*Operating and Financial Review*" as well as the Audited Consolidated Financial Statements included in this Offering Circular.

	31 December 2017	
(EUR thousand)	**Actual**	**As adjusted**
	(unaudited)	
CAPITALISATION		
Current borrowings		
Secured	8,394	2,238[5]
Unsecured		1,655[5]
Total current borrowings	8,394	3,894
Non-current borrowings		
Secured	31,318	-[5]
Unsecured	41,618	36,340[5][6]
Total non-current borrowings	72,936	36,340
Total current and non-current borrowings[1]	**81,330**	**40,233**
Equity attributable to owners of the parent		
Share capital	3	80[2]
Other reserves	9,703	52,373[2,3,4]
Retained earnings	6,656	6,656[4,5,6]
Profit for the period	2,914	279[4,5,6]
Total equity attributable to owners of the parent	**19,276**	**59,388**
Total equity and borrowings	**100,606**	**99,622**
INDEBTEDNESS		
Cash and cash equivalents	8,345	7,020[3,4,5,6]
Liquidity	8,345	7,020
Current borrowings	8,394	3,894[5]
Net current financial indebtedness	49	-3,127
Non-current borrowings	72,936	36,340[5,6]
Net financial indebtedness	**72,985**	**33,213**

[1] Current and non-current borrowings include the shareholder loans and loans from credit institutions in the statement of financial position of the Company as at 31 December 2017. Borrowings do not include the liability relating to the option to purchase 43.8 percent share of Saunamax Oy.

[2] The Company's share capital increase EUR 78 thousand from the reserve for invested unrestricted equity, which was decided with shareholders' unanimous decision on 9 February 2018, has been adjusted to increase share capital and to deduct the reserve for invested unrestricted equity.

[3] The Company aims to raise gross proceeds of EUR 45 million with the Share Issue. The gross proceeds improve Company's capital structure by increasing the reserve for invested unrestricted equity and cash and cash equivalents with equal amount.

[4] The estimated expenses of Share Issue and the Listing amount to a total of EUR 4.0 million, of which EUR 0.6 million has incurred and expensed in the financial year ended 31 December 2017. The gross proceeds recognised in the reserve for invested unrestricted equity are adjusted with the EUR 2.3 million estimated expenses relating to the Share Issue. Profit for the period has been adjusted with other estimated costs related to Listing of EUR 1.1 million, which will be incurred and expensed after the financial year ended 31 December 2017. Cash and cash equivalents have been adjusted with the unpaid transaction costs of EUR 3.8 million. The adjustment

of cash and cash equivalents includes EUR 0.5 million transaction costs that were included in the trade payables as at 31 December 2017, which were expensed in the financial year ended 31 December 2017.

[5)] The Company's Old Bank Loans are repaid in connection with the New Financing Arrangement. In the adjusted capitalisation the non-current portion of EUR 31.3 million and current portion of EUR 6.2 million, including credit limit of EUR 1.7 million, of the Old Bank Loans have been adjusted off. The EUR 0.5 million accrued transaction costs, which decreased the book value of the loans as well as the accrued transaction costs relating to the credit limit of EUR 0.1 million are expensed as finance costs at the time of repayment and are adjusted from the profit for the period. The new non-current loan relating to the New Financing Arrangement amounting to EUR 36.3 million (transaction costs taken into account) as well as new credit limit amounting to EUR 1.7 million has been added to the capitalisation and indebtedness. The nominal value of Old Bank Loans (book value added with transaction costs) has been deducted from cash and cash equivalents and the drawdown of loans relating to the New Financing Arrangement less transaction costs have been added to cash and cash equivalents. The net effect of these in cash and cash equivalents is EUR 0.0 million. After the repayment of the Old Bank Loans and since the New Financing Arrangement, the Company's non-current borrowings are comprised of a bank loan of EUR 36.3 million and a credit limit used at a given time. The Company also had credit limits of its subsidiaries as current borrowings on 31 December 2017. Harvia Plc and any other group company that have possibly joined the New Financing Arrangement secure the loans drawn under the New Financing Arrangement subject to certain corporate law restrictions included in the terms of the loan.

[6)] The Company will use proceeds from Share Issue to repay the capital and capitalised interests of shareholder loans as well as their estimated accrued and unpaid interests. The adjustment reflecting the repayment shareholder loans decreases non-current borrowings with EUR 41.6 million relating to the repayment of capital. At the date of the Offering Circular unrecognised estimated interest expenses accrued until repayment of shareholder loans of EUR 0.9 million have been adjusted to decrease profit for the period. The total amount of capital to be repaid and estimated accrued and unpaid interests of EUR 42.5 million have been adjusted to decrease cash and cash equivalents.

With regard to the adjustments (3), (4), (5) and (6) to cash and cash equivalents, it should be noted that the cash and cash equivalents after the adjustments do not reflect the actual amount of the Company's cash and cash equivalents.

The Group's adjusted profit before taxes for the financial year ended 31 December 2017 was EUR 5,783 thousand, including a total of EUR 4,715 thousand of interests relating to the Shareholder loans and the Old Bank Loans. The annual contractual amount of finance costs relating to the New Financing Arrangement is estimated to be approximately EUR 650 thousand, after which the Group's finance costs are estimated to reduce by approximately EUR 4 million (the finance costs relating to the interest rate swap is assumed to remain at the same level as in the previous years). The annual costs relating to the New Financing Arrangement will be significantly lower than the current level of financing costs when realised. See section "*Risk Factors – Risks Related to Financial Condition and Financing – A rise in interest rates may increase the costs of the Company's financing*" of the Offering Circular.

More information on the New Financing Arrangement is presented in section "*Information on the Company and Its Business – Material Agreements*". More information on the effects of repayment of the Shareholder Loans and Old Bank Loans as well as New Financing Arrangement to the deductibility of the interests of Group internal loans and the potential future deferred tax assets to be recognised of them is presented in section "*Operating and Financial Review – Factors Affecting the Group's Operating Results – Using Deferred Tax Assets*".

Apart from the evens described above there have not been material events affecting the Company's financial position since 31 December 2017.

More information on the Company's conditional debts and certain other off-balance sheet liabilites is presented in section "*Operating and Financial Review – Equity and Liabilities and Other Contingent Liabilities*".

Sufficiency of Working Capital

In the opinion of the Company's management, the Company's working capital is sufficient for the Company's present needs for the next 12 months following the date of this Offering Circular.

DIVIDENDS AND DIVIDEND POLICY

In connection with the Listing, the Board of Directors has adopted a dividend policy pursuant to which the Company targets a regularly increasing dividend with a bi-annual dividend payout of at least 60 per cent of net income, in total. The Board of Directors of the Company evaluates annually the balance between the dividends or capital to be distributed and the assets to be invested in the Company's growth and, based on this evaluation, makes a proposal on the amount of dividends or capital to be distributed, which amount may, in any given year, deviate significantly from the target level set out in the dividend policy.

The payment of dividends or capital repayments, if any, and the amounts and timing thereof in the coming years will depend on the Company's future results, financial condition, cash flow, investment needs, degree of solvency, the ability of the Company's subsidiaries to pay dividends or otherwise transfer funds to the Company, and other factors.

There can be no assurance for any given year that the Company will resolve to pay dividends or capital repayments. If a dividend or capital repayment is paid, there can be no assurance that the amount of the dividend or capital repayment will be as described above. Any dividend or capital repayment paid in a given financial year will not be indicative of any dividends or capital repayments to be paid in any subsequent year. If dividend or capital repayment is paid, all Shares entitle their holders to same distributions of funds.

The shareholders of the Company unanimously resolved on 2 March 2018 to authorize 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 and, as such, the Board of Directors intends to decide on an estimated dividend payment of approximately EUR 3.4 million based on the authorisation in autumn 2018. In the financial years ended 31 December 2016 and 31 December 2015, the Company did not pay any dividends or capital repayments.

Under the provisions of the Finnish Companies Act, dividends may be paid and unrestricted own capital may otherwise be distributed only after the general meeting of shareholders has approved the company's financial statements. The general meeting of shareholders decides on the distribution of dividends based on a proposal by the Board of Directors. The general meeting of shareholders may also authorize the Board of Directors to decide on the payment of dividends or other distribution of unrestricted own capital. The amount of dividends or other distribution of unrestricted own capital cannot exceed the amount resolved by the general meeting of shareholders. A resolution on the distribution of dividend or other unrestricted own capital, or on granting of authorisation to the Board of Directors concerning such distribution, requires a majority decision at the general meeting of shareholders.

The amount of dividends or other unrestricted own capital that may be distributed is restricted to the amount of distributable funds shown on the financial statements of the company on which the distribution would be based on, provided that there have not been significant changes in the company's financial position after the preparation of the financial statements. Distribution of dividends or other distribution of unrestricted own capital is not permitted if, when resolving on the distribution, it is known or it should be known that the company is insolvent or that the distribution will result in insolvency of the company. For a description of the restrictions applicable to dividend distributions, see "*The Shares and Share Capital of the Company – Shareholders' Rights*".

IMPORTANT DATES

Subscription period of the Offering commences	9 March 2018
The Offering may be discontinued at the earliest	16 March 2018
Subscription periods of the Public Offering and the Personnel Offering end on or about	19 March 2018
Subscription period of the Institutional Offering ends on or about	21 March 2018
Announcement of the final results of the Offering at the latest	21 March 2018
Offer Shares subscribed for in the Public Offering registered in the investors' book-entry accounts on or about	22 March 2018
Trading in the Shares, excluding Personnel Shares, commences on the Pre-list of the Helsinki Stock Exchange on or about	22 March 2018
The Offer Shares offered in the Institutional Offering are ready to be delivered against payment through Euroclear Finland on or about	26 March 2018
Trading in the Shares, excluding Personnel Shares, commences on the official list of the Helsinki Stock Exchange on or about	26 March 2018
The Offer Shares offered for in the Personnel Offering registered in the investors' book-entry accounts on or about	9 April 2018
Trading in the Personnel Shares commences on the official list of the Helsinki Stock Exchange on or about	9 April 2018

TERMS AND CONDITIONS OF THE OFFERING

The term ''subscription'' refers in the following to the investor's offer or commitment to subscribe for or purchase Offer Shares (as defined below) in the Offering (as defined below), and an investor may be allocated either New Shares (as defined below) or Sale Shares (as defined below). Correspondingly, "subscriber", "subscription period", "subscription place", "subscription price", "purchase offer" and "subscription commitment" (and other corresponding terms) refer to both Share Issue (as defined below) and Share Sale (as defined below).

General Terms and Conditions of the Offering

Offering

Harvia Plc, a public limited liability company incorporated in Finland (the "**Company**"), aims to raise gross proceeds of approximately EUR 45 million by offering new shares in the Company (the "**New Shares**") for subscription (the "**Share Issue**"). The number of the New Shares to be issued will be determined in accordance with the final price per share (the "**Final Subscription Price**") of the Offer Shares (as defined below). The Company will issue 8,118,109 New Shares assuming that the Final Subscription Price is at the mid-point of the Preliminary Price Range (as defined below) and total of 100,000 New Shares are subscribed for in the Personnel Offering (as described below) at the discount applicable to Personnel Shares. In addition, CapMan Buyout X Fund A L.P. and CapMan Buyout X Fund B Ky (together the "**Funds Managed by CapMan**") and certain other current shareholders of the Company (together with the Funds Managed by CapMan, the "**Sellers**") will offer for purchase initially a minimum of 1,250,729 and maximum of 1,462,418 existing shares in the Company (the "**Sale Shares**") (the "**Share Sale**", and together with the Share Issue, the "**Offering**"). Unless the context indicates otherwise, the New Shares, the Sale Shares and the Personnel Shares are together referred to herein as the "**Offer Shares**".

The Offering consists of (i) a public offering to private individuals and entities in Finland (the "**Public Offering**"), (ii) an institutional offering to institutional investors in Finland and, in accordance with applicable laws, internationally (the "**Institutional Offering**") and (iii) a personnel offering to the Company's Personnel (as defined below) (the "**Personnel Offering**"). The Offer Shares represent a maximum of approximately 53.3 per cent of the Company's shares (the "**Shares**") and votes after the Share Issue assuming that the Over-Allotment Option (as defined below) will not be exercised (approximately 61.3 per cent assuming that the Over-Allotment Option is exercised) and assuming that the Sellers will sell 1,367,063 Sale Shares and that the Company will issue 8,118,109 New Shares (the number of Sale Shares and New Shares has been calculated assuming that the Final Subscription Price is at the mid-point of the Preliminary Price Range (as defined below) and a total of 100,000 New Shares are subscribed for in the Personnel Offering at the discount applicable to Personnel Shares (as defined below). With the Share Issue, the Company aims to raise approximately EUR 45 million in gross proceeds. To achieve this goal, it may increase or decrease the number of New Shares offered in the Share Issue within the limits of these terms and conditions of the Offering.

Offer Shares will be offered in the Institutional Offering outside the United States in offshore transactions in compliance with Regulation S under U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") and otherwise in compliance with said regulation. The Shares (including the Offer Shares) have not been registered, and they will not be registered under the U.S. Securities Act or under the securities laws of any state of the United States and, accordingly, will not be offered or sold, directly or indirectly, in or into the United States (as defined in Regulation S of the U.S. Securities Act) unless they have been registered under the US Securities Act or pursuant to an exemption from the registration requirements of the US Securities Act and in compliance with any applicable state securities laws of the United States.

The terms and conditions of the Offering are comprised of the general terms and conditions of the Offering as well as the special terms and conditions of the Public Offering, Institutional Offering and Personnel Offering.

Share Issue

The shareholders of the Company unanimously resolved on 2 March 2018 to authorize the Board of Directors of the Company to decide on an issue of a maximum of 11,000,000 New Shares. Based on said authorization, the Board of Directors resolved on 7 March 2018 preliminarily to issue New Shares in the Share Issue. With the Share Issue, the Company aims to raise gross proceeds of approximately EUR 45 million by offering New Shares for subscription. The number of New Shares to be issued will be determined based on the Final Subscription Price. The Company would issue 8,118,109 New Shares assuming that the Final Subscription Price is at the mid-point of the Preliminary Price Range (as described below) and total of 100,000 New Shares would be subscribed for in the Personnel Offering at the discount applicable to the Personnel Shares (as described below). The number of New Shares so issued would represent approximately 45.6 per cent of the Shares and votes after the Share Issue. In the Personnel Offering, the Company is offering for subscription preliminarily a maximum of 100,000 New Shares and in possible oversubscription situations in the Personnel Offering a maximum of 650,000 additional New Shares (the "**Personnel Shares**").

The New Shares are being offered in deviation from the shareholders' pre-emptive subscription right in order to enable the listing of the Shares on the official list of Nasdaq Helsinki Ltd (the "**Helsinki Stock Exchange**") (the "**Listing**"). The payment made to the Company for the approved New Share subscriptions will be booked in its entirety in the invested unrestricted equity fund. Thus, the Company's share capital will not increase in connection with the Share Issue. As a result of the Share Issue, the number of the Company's Shares may increase to a maximum of 18,689,800 Shares (assuming that the Final Subscription Price would be the lowest price of the Preliminary Price Range, when the Company will raise gross proceeds of EUR 45 million and assuming that a total of 100,000 New Shares are subscribed for in the Personnel Offering at the discount applicable to the Personnel Shares).

Share Sale

The Sellers are offering for purchase preliminarily a minimum of 1,250,729 Sale Shares assuming that the Final Subscription Price is the lowest price of the Preliminary Price Range and a maximum of 1,462,418 Sale Shares assuming that the Final Subscription Price is the highest price of the Preliminary Price Range in the Share Sale. The Sale Shares represent approximately 7.7 per cent of the Shares and votes after the Share Issue without the Over-Allotment Option and approximately 15.7 per cent including the Over-Allotment Option (assuming that the Company issues 8,118,109 New Shares (the number of Sale Shares and New Shares is calculated assuming that the Final Subscription Price is at the mid-point of the Preliminary Price Range and assuming that a total of 100,000 New Shares are subscribed for in the Personnel Offering at a discount applicable to the Personnel Shares)).

The amount of Sale Shares offered by the Sellers other than the Funds Managed by CapMan is fixed. The amount of Shares offered by the Funds Managed by CapMan in the Share Sale and possible Over-Allotment Option is fixed in total, and the allocation between the Share Sale and possible Over-Allotment Option depends on the amount of New Shares issued as the amount of Additional Shares (as defined below in section "– *Over-Allotment Option*") is bound to the amount of New Shares (see sections "– *Over-Allotment Option*" and "*Plan of Distribution in the Offering*").

Procedure in Undersubscription Situations

If the Offering is not subscribed for in full and the Offering is nevertheless completed, the subscriptions will be allocated firstly to New Shares, and, thereafter, to Sale Shares. In such a case, the number of Sale Shares sold by each Seller would be reduced on a *pro rata* basis according to the number of Sale Shares initially offered for purchase by such Seller. In the event the subscriptions in the Share Sale do not cover the preliminary maximum number of Sale Shares, fewer Sale Shares than the stated maximum number can be sold.

Global Coordinator and Bookrunner

The global coordinator and bookrunner for the Offering is Danske Bank A/S, Finland Branch ("**Danske Bank**" or the "**Global Coordinator**"). The bookrunner of the Offering is Handelsbanken Capital Markets, a part of Svenska Handelsbanken AB (publ) (the "**Bookrunner**", and together with the Global Coordinator, the "**Joint Bookrunners**").

Over-Allotment Option

The Funds Managed by CapMan are expected to grant Danske Bank as stabilizing manager (the "**Stabilizing Manager**") an over-allotment option to purchase a maximum of 1,539,109 additional Shares (the "**Additional Shares**") (assuming that the Company issues 9,010,000 New Shares and assuming that the Final Subscription Price is the lowest price of the Preliminary Price Range and assuming a total of 100,000

New Shares are subscribed for in the Personnel Offering at a discount applicable to Personnel Shares) solely to cover over-allotments in connection with the Offering (the "**Over-Allotment Option**"). The Over-Allotment Option is exercisable within 30 days from the commencement of trading of the Shares on the Helsinki Stock Exchange (which period is estimated to occur between 22 March 2018 and 20 April 2018 (the "**Stabilization Period**"). The Additional Shares represent approximately 15.0 per cent of the Offer Shares and votes assuming that the Company will issue 9,010,000 New Shares. (The number of New Shares is calculated assuming that the Final Subscription Price is the lowest price of the Preliminary Price Range and assuming that a total of 100,000 New Shares are subscribed for in the Personnel Offering at a discount applicable to Personnel Shares). However, the Additional Shares always represent no more than 15 per cent of the aggregate number of New Shares and Sale Shares.

Stabilization

The Stabilizing Manager may, but is not obligated to, engage in measures during the Stabilization Period that stabilize, maintain or otherwise affect the price of the Shares. The Stabilizing Manager may allocate a larger number of Shares than the total number of Offer Shares, which will create a short position. The short position is covered if it does not exceed the number of Additional Shares. The Stabilizing Manager is entitled to close the covered short position using the Over-Allotment Option and/or by buying Shares on the market. In determining the acquisition method of the Shares to cover the short position, the Stabilizing Manager may consider, among other things, the market price of the Shares in relation to the Final Subscription Price. In connection with the Offering, the Stabilizing Manager may also bid for and purchase Shares in the market to stabilize the market price of the Shares. These measures may raise or maintain the market price of the Shares in comparison with the price levels determined independently on the market or may prevent or delay any decrease in the market price of the Shares. However, stabilisation measures cannot be carried out at a higher price than the Final Subscription Price. The Stabilizing Manager has no obligation to carry out these measures, and it may stop any of these measures at any time. The Stabilizing Manager or the Company on behalf of the Stabilizing Manager will publish information regarding the stabilization required by legislation or other applicable regulations at the end of the Stabilization Period.

Any stabilization measures will be conducted in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (the "**Market Abuse Regulation**") and the Commission Delegated Regulation (EU) 2016/1052 supplementing the Market Abuse Regulation with regard to regulatory technical standards for the conditions applicable to buy-back programs and stabilization measures.

The Stabilizing Manager and the Funds Managed by CapMan are expected to enter into a stock lending agreement related to the stabilisation and the Over-Allotment Option in connection with the Listing. According to the stock lending agreement, the Stabilizing Manager may borrow a number of Shares equal to the maximum number of Additional Shares to cover any possible over-allotments in connection with the Offering. To the extent that the Stabilizing Manager borrows Shares pursuant to the stock lending agreement, it must return an equal number of Shares to the Funds Managed by CapMan. For further information, see "*Plan of Distribution in the Offering*".

Placing Agreement

The Company, the Funds Managed by CapMan and the Joint Bookrunners are expected to enter into a placing agreement on or about 21 March 2018 (the "**Placing Agreement**"). For further information, see "*Plan of Distribution in the Offering*".

Subscription Period

The subscription period for the Public Offering will commence on 9 March 2018 at 10:00 a.m. (Finnish time) and end on or about 19 March 2018 at 4:00 p.m. (Finnish time).

The subscription period for the Institutional Offering will commence on 9 March 2018 at 10:00 a.m. (Finnish time) and end on or about 21 March 2018 at 12 noon (Finnish time).

The subscription period for the Personnel Offering will commence on 9 March 2018 at 10:00 (Finnish time) and end on or about 19 March 2018 at 4:00 p.m. (Finnish time).

The Company's Board of Directors and the Funds Managed by CapMan have, in the event of an oversubscription, the right to discontinue the Institutional Offering and the Public Offering by joint decision at the earliest on 16 March 2018 at 4:00 p.m. (Finnish time). The Company's Board of Directors may discontinue the Personnel Offering in its sole consideration no earlier than 16 March 2018 at 4:00 p.m. (Finnish time). The Institutional, Public and Personnel Offerings may be discontinued or not discontinued independently of one another. A stock exchange release regarding any discontinuation will be published without delay.

The Company's Board of Directors and the Funds Managed by CapMan are entitled to extend the subscription periods of the Institutional Offering and Public Offering. The Company's Board of Directors is entitled to extend the subscription period of the Personnel Offering. A possible extension of the subscription period will be communicated through a stock exchange release, which will indicate the new end date of the subscription period. The subscription periods of the Institutional Offering, the Public Offering and the Personnel Offering will in any case end on 20 April 2018 at 4:00 p.m. (Finnish time) at the latest. The Company's Board of Directors and the Sellers may extend or refrain from extending the subscription periods of the Institutional Offering, Public Offering or Personnel Offering independently of one another. A stock exchange release concerning the extension of a subscription period must be published no later than on the estimated final dates of the subscription periods for the Institutional, Public and Personnel Offerings stated above.

Subscription Price

The preliminary subscription price for subscription of the Offer Shares in the Institutional Offering and Public Offering is a minimum of EUR 5.00 and a maximum of EUR 6.10 per Offer Share (the "**Preliminary Price Range**"). The Preliminary Price Range may be changed during the subscription period, which would be communicated through a stock exchange release. If, as a result of the change, the upper limit of the Preliminary Price Range increases or the lower limit decreases, the Finnish language prospectus published by the Company in connection with the Offering (the "**Finnish Prospectus**") will be supplemented and the supplement will be published through a stock exchange release. The Final Subscription Price may be above or below the Preliminary Price Range.

The Final Subscription Price will be determined in negotiations between the Company, the Sellers and the Joint Bookrunners based on the purchase offers (the "**Purchase Offer**") of institutional investors in the Institutional Offering after the expiry of the subscription period, on or about 21 March 2018 (the "**Pricing**"). However, the Final Subscription Price in the Public Offering cannot be higher than the maximum price of the Preliminary Price Range, i.e. EUR 6.10 per Offer Share. The subscription price per share in the Personnel Offering is 10 per cent lower than the Final Subscription Price in the Public Offering, i.e. the Final Subscription Price of the Personnel Offering (as defined below) will be no more than EUR 5.49 per Personnel Share. The amount of the Final Subscription Price can differ in the Public Offering and Institutional Offering only in the case that the Final Subscription Price of the Institutional Offering is higher than the maximum price of the Preliminary Price Range. The Final Subscription Price and the Final Subscription Price of the Personnel Offering will be communicated through a stock exchange release and be available on the Company's website at www.harvia.com/ipo immediately after the Pricing and in the subscription places of the Public Offering and the Personnel Offering no later than the business day following the Pricing, on or about 22 March 2018.

Conditionality, Execution and Publishing of the Offering

The Company's Board of Directors will decide on the execution of the Share Issue and the Funds Managed by CapMan will decide on the execution of the Share Sale and the Company's Board of Directors and the Funds Managed by CapMan will jointly decide on the final number of Offer Shares, the Final Subscription Price and the allocation of Offer Shares in connection with the Pricing on or about 21 March 2018. The above information will be published through a stock exchange release and be available on the Company's website at www.harvia.com/ipo immediately after the Pricing and in the subscription places of the Public Offering and the Personnel Offering no later than the business day following the Pricing, i.e. on or about 22 March 2018. In case the Offering does not result in a sufficient amount of subscriptions for the Offer Shares and gross proceeds a minimum of EUR 45 million raised through the Share Issue, the Offering will not be completed. The implementation of the Offering is conditional upon the signing of the Placing Agreement.

Cancellation of the Commitments

A commitment to subscribe for Offer Shares in the Public Offering or subscribe for Personnel Shares in the Personnel Offering (a "**Commitment**") cannot be amended. A Commitment may only be cancelled in the situations provided for in the Securities Markets Act (746/2012, as amended).

<u>*Cancellation in Accordance with the Securities Markets Act*</u>

If the Finnish Prospectus is supplemented or corrected due to a material error or omission or due to material new information that has become known after the Finnish Financial Supervisory Authority has approved the Finnish Prospectus and before trading in the Offer Shares begins on the Pre-list of the Helsinki Stock Exchange, investors who have given their Commitments before the supplement or correction of the Finnish Prospectus have, in accordance with the Securities Markets Act, the right to cancel their Commitments within at least two (2) banking days after the supplement or correction has been published. The use of the cancellation right requires that the error, omission or material new information that led to the supplement or correction has become known prior to the delivery of the Offer Shares to the investors. Any cancellation of a Commitment must concern the total number of shares covered by the Commitment given by an individual investor. If the Finnish Prospectus is supplemented, the supplement will be published through a stock exchange release. The stock exchange release will also include information on the right of the investors to cancel their Commitments.

<u>*Procedure to Cancel a Commitment*</u>

The cancellation of a Commitment must be notified in writing to the subscription place where the initial Commitment was made and within the time limit set for such cancellation with the following exceptions:

- A Commitment made by telephone to the Danske Bank Investment Center may be cancelled by telephone using Danske Bank's bank identifiers.

- The cancellation of a Commitment made online via the Danske Bank eBanking service, corporate eBanking services or Web subscription can be made by visiting a Danske Bank office (excluding corporate offices) in person or through an authorized representative or by calling Danske Bank Investment Center using Danske Bank's bank identifiers.

- Other than Danske Bank's customers may cancel their Commitment in person or through an authorized representative only by visiting a Danske Bank office (excluding corporate offices).

- In the Personnel Offering, the cancellation of a Commitment is made to Danske Bank pursuant to separate instructions given to the person entitled to subscribe.

The possible cancellation of a Commitment must concern the entire Commitment. After the time limit set for cancellation has expired, the cancellation right is no longer valid. If a Commitment is cancelled, the place of subscription will return the amount paid for the Offer Shares to the bank account stated in the Commitment. The money is refunded as soon as possible after the cancellation, approximately within five (5) banking days of serving the subscription place with the cancellation notice. If an investor's bank account is in a different bank than the place of subscription, the refund will be paid to a Finnish bank account in accordance with the payment schedule of the financial institutions, approximately no later than two (2) banking days thereafter. No interest will be paid on the refunded amount.

Registration of Offer Shares to Book-Entry Accounts

Investors who have submitted a Commitment must have a book-entry account with a Finnish account operator or an account operator operating in Finland, and investors must specify the details of their book-entry account in their Commitments. The Offer Shares allocated in the Public Offering are recorded in the book-entry accounts of investors who have made an approved Commitment on or about the first banking day after the Pricing takes place, on or about 22 March 2018. In the Institutional Offering, investors should contact the Joint Bookrunners of the Offering with respect to the book-entry accounts. In the Institutional Offering, the allocated Offer Shares will be ready to be delivered against payment on or about 26 March 2018 through Euroclear Finland Ltd. Personnel Shares will be registered in the book-entry accounts of investors who have made an approved Commitment on or about 9 April 2018.

Title and Shareholder Rights

The title to the Offer Shares will be transferred when the Offer Shares are paid for, the New Shares are registered in the Trade Register maintained by the Finnish Patent and Registration Office (the "**Trade Register**") and the Offer Shares are recorded in the investor's book-entry account. Offer Shares carry rights equal to all other Shares in the Company and they will entitle their holders to dividend and other distributions of funds as well as other rights related to the Shares when the title has been transferred.

Transfer Tax and Other Expenses

Transfer tax is not levied in connection with the issuance or subscription of New Shares in Finland. Account operators charge fees in accordance with their price lists for the maintenance of the book-entry account and for safekeeping of shares. The Sale Shares are being sold in connection with commencement of trading in the Shares on the Pre-list of the Helsinki Stock Exchange, and no transfer tax is expected to be payable for these transfers in Finland. Should transfer tax be levied, the Sellers will pay the transfer tax levied on the sale of their Sale Shares.

Trading in the Shares

The Company will submit a listing application with the Helsinki Stock Exchange to list the Shares on the official list of the Helsinki Stock Exchange. Trading in the Shares is expected to commence on the Pre-list of the Helsinki Stock Exchange on or about 22 March 2018 and on the official list of the Helsinki Stock Exchange on or about 26 March 2018. Trading in the Personnel Shares is expected to commence on the official list of the Helsinki Stock Exchange on or about 9 April 2018. The trading code of the Shares is HARVIA and the ISIN code is FI4000306873.

When trading on the Pre-list begins on or about 22 March 2018, not all of the Shares issued or sold in the Offering may have been transferred to the investors' book-entry accounts yet. If an investor wishes to sell Shares purchased or subscribed for by it in the Offering on the Pre-list, the investor should ensure that the number of Shares registered to its book-entry account covers the transaction in question at the time of clearing.

Right to Cancel the Offering

The Funds Managed by CapMan may cancel the Share Sale and the Company's Board of Directors may cancel the Share Issue at any time before the decision to complete them is made on the grounds of, for example, the market conditions, the Company's financial position or a material change in the Company's business. If the Funds Managed by CapMan decide to cancel the Share Sale and/or the Company's Board of Directors decides to cancel the Share Issue, the subscription price paid by the investors will be refunded in approximately five (5) banking days from the cancellation decision. If an investor's bank account is in a different bank than the place of subscription, the refund will be paid to a Finnish bank account in accordance with the payment schedule of the financial institutions, approximately no later than two (2) banking days thereafter. No interest will be paid on the refunded amount.

Lock-up

The Company, the Sellers and the Company's other shareholders are expected to commit, during the period that will end with respect to the Company and Sellers on the date that falls 180 days, and with respect to the Company's other shareholders on the date that falls 360 days from the Listing, without the prior written consent of Global Coordinator, not to issue, offer, pledge, sell, contract to sell, sell any option rights or contract to purchase, purchase any option or contract to sell, grant any option right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Shares or any securities they hold or subscribe for in the Offering entitling to Shares or exchangeable for or convertible into or exercisable for Shares, or enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such transactions are to be settled by delivery of the Shares or other securities, in cash or otherwise. The lock-up does not apply to the measures related to the execution of the Offering.

The Board of Directors and the management team of the Company are expected to enter into a lock-up agreement with similar terms to that of the Company and the Sellers that will end on the date that falls 360 days from the Listing.

As a precondition for participating in the Personnel Offering, persons who have submitted an approved subscription must enter into a lock-up agreement with similar terms, which ends on the date that falls 360 days from the Listing.

In aggregate, the terms of the lock-up agreements apply to approximately 47.3 per cent of the Shares after the Offering without the Over-Allotment Option (approximately 39.3 per cent with the Over-Allotment Option) assuming that the Sellers will sell the maximum number of Sale Shares and that the Company will issue 8,118,109 New Shares (the number of New Shares is calculated assuming that the Final Subscription Price is at the mid-point of the Preliminary Price Range and assuming a total of 100,000 New Shares are subscribed for in the Personnel Offering at the discount applicable to Personnel Shares).

Other Matters

Other issues and practical matters relating to the Share Issue will be resolved by the Board of Directors of the Company. Other issues and practical matters relating to the Share Sale will be resolved by the Funds Managed by CapMan.

Documents on Display

The Company's latest financial statements, report of the Board of Directors and the auditor's report as well as the other documents pursuant to Chapter 5, section 21 of the Finnish Companies Act, are available during the subscription period at the Company's offices at Teollisuustie 1–7 FI-40950 Muurame, Finland.

Applicable Law

The Offering shall be governed by the laws of Finland. Any disputes arising in connection with the Offering shall be settled by a court of competent jurisdiction in Finland.

Special Terms and Conditions Concerning the Public Offering

General

A maximum of 800,000 Offer Shares are preliminarily offered in the Public Offering to private individuals and entities in Finland. Depending on the demand, the Company and the Funds Managed by CapMan may reallocate Offer Shares between the Institutional, Public and Personnel Offerings in deviation from the preliminary number of shares without limitation. However, the minimum number of Offer Shares to be offered in the Public Offering will be 800,000 Offer Shares or, if the aggregate number of Offer Shares covered by the Commitments submitted in the Public Offering is smaller than this, such aggregate number of Offer Shares as covered by the Commitments submitted in the Public Offering.

The place of subscription has the right to reject a Commitment, either partially or wholly, if the Commitment does not comply with the terms and conditions herein or if it is otherwise incomplete.

Right to Participate and the Minimum and Maximum Amounts for Commitments

Investors whose domicile is in Finland and who submit their Commitments in Finland may participate in the Public Offering. Commitments in the Public Offering must cover no less than 100 and no more than 30,000 Offer Shares. Each investor may only provide one Commitment in the Public Offering. If an investor provides Commitments in the Public Offering in more than one place of subscription, only the first Commitment will be considered when allocating Offer Shares.

Places of Subscription and Submission of Commitments

A Commitment will be considered to have been made when the investor has submitted a signed commitment form to the place of subscription in accordance with instructions of the place of subscription or has confirmed the Commitment with bank identifiers in accordance with the instructions of the place of subscription and paid for the subscription concerned by the Commitment. A Commitment submitted through web subscription is deemed to have been made when the investor has made the Commitment in accordance with the terms and conditions of the web subscription. Any more detailed instructions issued by the place of subscription must be taken into consideration when submitting a Commitment.

Commitments may only be cancelled in the manner and situations referred to under "– *General Terms and Conditions of the Offering – Cancellation of the Commitments*".

The places of subscription in the Public Offering for customers with a book-entry account in Danske Bank are:

- Danske Bank's eBanking service with bank codes for private customers at www.danskebank.fi;
- Danske Bank's corporate eBanking services in the Markets Online module for Business Online customers.
- Danske Bank's Investment Advisory Center with Danske Bank's bank codes by phone, 8:00 a.m. to 8:00 p.m. Monday to Friday and 10:00 a.m. to 4:00 p.m. Saturday, tel. +358 200 2000 (local network charge/mobile call charge); Calls to the Danske Bank Investment Center are recorded;
- Danske Bank's offices in Finland during normal business hours; and
- Danske Bank's Private Banking offices in Finland (for Danske Bank's Private Banking customers only).

Making a Commitment by phone using Danske Bank's Investment Center or Danske Bank's eBanking service requires a valid eBanking agreement with Danske Bank.

The places of subscription in the Public Offering for customers with no book-entry account in Danske Bank are:

- Danske Bank's e-subscription for private customers at www.danskebank.fi; and
- Danske Bank's branches in Finland (except corporate branches) during normal business hours. Information on the offices offering subscription services is available by phone using Danske Bank's Investment Center, 9:00 a.m. to 6:00 p.m. Monday to Friday and 10:00 a.m. to 4:00 p.m. Saturday (Finnish time), tel. +358 10 54 63 097 (local network charge/mobile call charge), by e-mail at the address sijoituspalvelut@danskebank.fi or online at www.danskebank.fi. Calls to Danske Bank are recorded.

As of 21 June 2017, new securities cannot be recorded or managed through Euroclear Finland's account operator, Customer Account Services. Therefore, the book-entry account customers of Euroclear Finland have to open a book-entry account in another account operator to be able to subscribe shares in the Public Offering.

Through the web subscription of Danske Bank, individual investors can submit Commitments up to EUR 10,000 in the Public Offering. If the Commitment exceeds EUR 10,000, the Commitments can be given at Danske Bank's banking offices.

The Offer Shares covered by a Commitment must be paid using an account in the name of the investor making the Commitment. Corporations may not submit Commitments via Danske Bank's eBanking service or web subscription.

Commitments by or on behalf of persons under the age of 18, or otherwise under guardianship, must be made by their legal guardians and may require the consent of the local guardianship authority in Finland. A guardian may not purchase Offer Shares without the permission of the local guardianship authority, as the Shares are not listed at the time of the Commitment.

Payment of Offer Shares

When submitting a Commitment, the maximum price of the Preliminary Price Range, i.e. EUR 6.10 per Offer Share, multiplied by the number of Offer Shares covered by the Commitment is to be paid for the Offer Shares. The Final Subscription Price may not be higher than the maximum of the Preliminary Price Range.

The payment of a Commitment submitted in a banking office of Danske Bank, Danske Bank's Private Banking offices or Danske Bank's Investment Center will be debited directly from the investor's bank account in Danske Bank or it may be paid by bank transfer. The payment corresponding to a Commitment that has been submitted through Danske Bank's eBanking service or Danske Bank's corporate eBanking service will be charged from the investor's bank account when the investor confirms the Commitment with his or her bank identifiers. The payment of a Commitment submitted through Danske Bank's web subscription must be made in accordance with the terms and conditions and instructions of web subscription immediately after the Commitment has been submitted.

Approval of Commitments and Allocation

The Company and the Funds Managed by CapMan will decide on the allocation of Offer Shares in the Public Offering to investors after the Pricing. The Company and the Funds Managed by CapMan will decide on the procedure to be followed in the event of a potential oversubscription. Commitments may be accepted or rejected in whole or in part. The Company and the Funds Managed by CapMan aim to accept subscribers' Commitments in whole up to 100 Offer Shares and, for Commitments exceeding this amount, allocate Offer Shares in proportion to the amount of Commitments unmet. A confirmation letter regarding the approval of the Commitments and the allocation of Offer Shares will be sent to the investors who have submitted their Commitments in the Public Offering as soon as possible and on or about 9 April 2018 at the latest.

Refunding of Paid Amounts

If the Commitment is rejected or only partially approved and/or if the Final Subscription Price is lower than the amount paid at the time of making the Commitment, the excess amount paid will be refunded to the party that made the Commitment to the Finnish bank account identified in the Commitment on or about the fifth (5) banking day after the Pricing, on or about 28 March 2018. If an investor's bank account is in a different bank than the place of subscription, the refund will be paid to a bank account in accordance with the payment schedule of the financial institutions, approximately no later than two (2) banking days thereafter. No interest will be paid on the refunded amount. See also "*– General Terms and Conditions of the Offering – Cancellation of the Commitments*" above.

Registration of Offer Shares to Book-Entry Accounts

Parties submitting Commitments in the Public Offering must have a book-entry account with a Finnish account operator or an account operator operating in Finland, and the party must specify the details of its book-entry account in its Commitment. The Offer Shares allocated in the Public Offering are recorded in the book-entry accounts of investors who have made an approved Commitment on or about the first banking day after the Pricing, on or about 22 March 2018.

Special Terms and Conditions Concerning the Institutional Offering

General

Preliminarily a maximum of 9,360,729 Offer Shares are offered in the Institutional Offering to institutional investors in Finland and, in accordance with the applicable laws, internationally on the terms and conditions set forth herein. Depending on the demand, the Company and the Funds Managed by CapMan may reallocate Offer Shares between the Institutional, Public and Personnel Offerings in deviation from the preliminary number of shares without limitation. However, the minimum number of Offer Shares to be offered in the Public Offering will be 800,000 Offer Shares or, if the aggregate number of Offer Shares covered by the Commitments submitted in the Public Offering is smaller than this, such aggregate number of Offer Shares as covered by the Commitments.

Offer Shares will be offered in the Institutional Offering outside the United States in offshore transactions in compliance with Regulation S under U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") and otherwise in compliance with said regulation. The Shares (including the Offer Shares) have not been registered, and they will not be registered under the U.S. Securities Act or under the securities laws of any state of the United States and, accordingly, will not be offered or sold, directly or indirectly, in or into the United States (as defined in Regulation S of the U.S. Securities Act) unless they have been registered under the U.S. Securities Act or pursuant to an exemption from the registration requirements of the U.S. Securities Act and in compliance with any applicable state securities laws of the United States. For more information on restrictions concerning the offering of the Offer Shares, please see "*Important Information*".

The Joint Bookrunners have the right to reject a Purchase Offer, either partially or wholly, if it does not comply with the terms and conditions herein or if it is otherwise incomplete.

Right to Participate and Place of Subscription

An investor, whose Purchase Offer includes at least 30,001 Offer Shares, may participate in the Institutional Offering.

The Purchase Offers of institutional investors will be received by the Joint Bookrunners of the Offering.

Approval of Purchase Offers and Allocation

In the Institutional Offering, the Company and the Funds Managed by CapMan will decide on the approval of Purchase Offers after the Pricing. The Company and the Funds Managed by CapMan will decide on the procedure to be followed in the event of potential oversubscription. The Purchase Offers may be approved or rejected in whole or in part. A confirmation of the approved Purchase Offers in the Institutional Offering will be provided as soon as practicable after the allocation.

Payment for Offer Shares

Institutional investors must pay for the Offer Shares corresponding to their accepted Purchase Offers in accordance with the instructions issued by the Joint Bookrunners on or about 26 March 2018. If necessary in connection with a Purchase Offer being made or before the approval of a Purchase Offer, the Joint Bookrunners have the right provided by the duty of care set for securities intermediaries to require that the investor provide information concerning its ability to pay for the Offer Shares corresponding to its Purchase Offer or require that the payment for the Offer Shares concerned by the Purchase Offer be made in advance. The amount to be paid in this connection is the maximum price of the Preliminary Price Range, i.e. EUR 6.10, multiplied by the number of Offer Shares covered by the Purchase Offer. The Final Subscription Price may be lower or higher than the Preliminary Price Range. If the Preliminary Price Range is increased, the maximum price per share of the new price range will be applied to the orders submitted thereafter. Possible refunds will be made on or about on the fifth (5th) banking day following the Pricing, on or about 28 March 2018. No interest will be paid on the refunded amount.

Special Terms and Conditions Concerning the Personnel Offering

General

Preliminarily a maximum of 100,000 Personnel Shares and, in the event of an oversubscription, a maximum of 650,000 additional Personnel Shares are being offered for subscription in the Personnel Offering to all permanent employees of the Company or its wholly owned subsidiaries in Finland and Austria during the subscription period, the members of the Company's Board of Directors and the Managing Director (the "**Personnel**"). Persons liable to tax outside Finnish territory wishing to participate in the Personnel Offering must ascertain the tax consequences they may be subject to as a consequence of participating in the Personnel Offering. For the personnel of the Company's wholly owned subsidiary in Austria entitled to participate in the Personnel Offering the discount on the Final Subscription Price of the New Shares is not in any respect tax-exempt under the personnel offering provision as set out in the Finnish Income Tax Act (1535/1992, as amended), Chapter 4, Section 66.

Depending on the demand, the Company may reallocate Offer Shares between the Institutional and the Public and Personnel Offerings in deviation from the preliminary number of shares without limitation. Notwithstanding the above, the minimum number of Offer Shares to be offered in the Public Offering will be 800,000 Offer Shares or, if the aggregate number of Offer Shares covered by the Commitments submitted in the Public Offering is smaller than this, such aggregate number of Offer Shares as covered by the Commitments submitted in the Public Offering.

Right to Participate in the Personnel Offering

Only the Personnel are entitled to subscribe for Personnel Shares in Finland and Austria. Personnel must agree to comply with the lock-up to participate in the Personnel Offering. In accordance with the lock-up, Personnel participating in the Personnel Offering may not, without the prior written consent of the Global Coordinator (which consent may not be unreasonably withheld) and during a period ending 360 days after the Listing, on or about 17 March 2019, issue, offer, hypothecate, pledge, sell, contract to sell, sell any option rights or contract to purchase, purchase any option or contract to sell, grant any option right or warrant to purchase, lend or otherwise transfer or dispose of (or publicly announce such action), directly or indirectly, any Shares or any securities convertible into or exercisable or exchangeable for Shares or enter into any swap or other agreement that transfers to another, in whole or in part, any of the economic consequence of ownership of Shares, whether any such transactions are to be settled by delivery of the Shares or other securities, in cash or otherwise. Personnel participating in the Personnel Offering agree that the lock-up may be registered in their book-entry accounts.

The right to participate in the Personnel Offering is personal and non-transferrable. Personnel entitled to participate may, however, make a subscription through an authorised representative. Personnel participating in the Personnel Offering may also participate in the Public Offering subject to its terms if they wish.

A Commitment in the Personnel Offering must concern 100 Personnel Shares at minimum.

Final Subscription Price of the Personnel Offering and Allocation of Personnel Shares

The final subscription price in the Personnel Offering is 10 per cent lower than the Final Subscription Price in the Public Offering, preliminarily no more than EUR 5.49 (the "*Final Subscription Price of the Personnel Offering*"). The Final Subscription Price of the Personnel Offering may be lower than the minimum price of the Preliminary Price Range. The Final Subscription Price and the Final Subscription Price of the Personnel Offering will be communicated through a stock exchange release immediately following the Pricing, and they will be available in the places of subscription of the Personnel Offering no later than the banking day following the Pricing, on or about 22 March 2018.

The Board of Directors will decide on the allocation of the Personnel Shares after the Pricing. The Board of Directors will decide on the procedure to be followed in the event of an oversubscription and will, if necessary, use its authorisation to issue a maximum of 650,000 additional Personnel Shares. Commitments may be approved or rejected in whole or in part. The Board of Directors aims to approve Commitments in full for up to 100 Personnel Shares and, for Commitments exceeding this amount, allocate Personnel Shares in proportion to the amount of Commitments unmet.

Places of Subscription and Submission of Commitments

The place of subscription for the Personnel Offering is Danske Bank in accordance with separate instructions provided to the parties entitled to subscribe.

The Company or Danske Bank have the right to reject a Commitment, either partially or wholly, if the Commitment does not comply with the terms and conditions herein or if it is otherwise incomplete.

Payment and Registration of the Personnel Shares

The Personnel Shares will be paid after the Pricing in accordance with separate instructions provided to the parties entitled to subscribe. The subscriptions will be paid by 26 March 2018 at the latest. The Personnel Shares issued in the Personnel Offering shall be registered with the Trade Register on or about 9 April 2018.

Entry of Personnel Shares into Book-entry Accounts

The parties submitting Commitments in the Personnel Offering must have a book-entry account with a Finnish account operator or an account operator operating in Finland, and the party must specify the details of its book-entry account in its Commitment. As of 21 June 2017, new securities cannot be recorded or managed through Euroclear Finland's account operator, Customer Account Services. Therefore, the book-entry account customers of Euroclear Finland have to open a book-entry account in another account operator to be able to subscribe shares in the Personnel Offering. Personnel Shares allocated and paid for in the Personnel Offering will be entered into the investors' book-entry accounts on or about 9 April 2018.

MARKET AND INDUSTRY REVIEW

The following discussion contains market and industry information derived from third-party sources and the Company's management's estimates. Where such information has been derived from third-party sources, the name of the source is given herein. The following discussion also contains estimates regarding the market position of the Company that cannot be gathered from publicly available sources. These estimates are based on information available to the Company from non-public sources and the Company's management's knowledge of the industries and markets involved, including the analysis conducted by the third party commissioned by the Company. For further information on the sources for the market and industry information, see "Certain Matters – Information from Third-Party Sources."

Global Sauna and Spa Market

The International Management Consultant Analysis in Autumn 2017 estimates the size of the global sauna and spa market in 2016 to be approximately EUR 2.7 billion, of which approximately EUR 380 million consisted of sauna heaters and components. Installation, construction and other labour are estimated to account for approximately half of the sauna and spa market. In addition, the sauna and spa market comprises sauna and spa rooms and structures as well as control units and other accessories. Harvia's target markets are sauna heaters and components including steam generators and infrared radiators, sauna rooms, control units and other sauna related accessories. As a rule, labour[1] is not a part of Harvia's target market, though following the Saunamax acquisition, the Company has started to selectively offer sauna heater and sauna maintenance and installation services in Finland.

There are an estimated 15 million saunas in the world and roughly 95 per cent of this installed base is in use by households in detached houses, terraced houses, apartments and holiday homes.[2] In addition, there are saunas in commercial use, located in for instance hotels, spas, gyms and public swimming pools.

The single largest sauna and spa markets in Europe in 2016 were Russia, Germany, Finland and Sweden. These large sauna and spa markets combined accounted for approximately 45 per cent of the global sauna and spa market, the rest of Europe for approximately 19 per cent, the Asia-Pacific region for approximately 15 per cent, North America for approximately 9 per cent, the Middle East for approximately 5 per cent and the rest of the world combined for approximately 7 per cent in 2016.[3]

Within the sauna and spa market, Harvia's target market comprises three main sauna types: the traditional sauna, steam sauna and infrared sauna. Traditional saunas are heated with an electric or wood-burning heater. Typically the temperature of traditional saunas varies between 60 and 100 degrees Celsius, the principal building material of the sauna room is wood, and the relative humidity of the sauna room is not particularly high. Steam saunas have a lower temperature than traditional saunas, approximately 35–45 degrees Celsius, and the relative humidity is 100 per cent, thus filling the sauna room with steam. Instead of traditional sauna heaters, steam saunas are heated with steam generators. Infrared saunas are a newer type of sauna wherein the sauna room is not heated but rather directed heat is created via infrared radiation generated by infrared heaters. The typical temperature of infrared saunas is approximately 30–40 degrees Celsius and the relative humidity is equivalent to the humidity in the space surrounding the sauna. Unlike most traditional saunas and all steam saunas, infrared saunas do not require a separate wet room. In addition to these three main sauna types, the sauna and spa market also includes saunas equipped with combi heaters, which are heaters that produce steam and are installed in a traditional sauna room; hybrid saunas, a combination of the traditional and infrared sauna; and steam showers, in which a steam generator is combined with a shower stall.

Traditional electric and wood-heated saunas are the most common type of sauna globally. The numerous saunas in Russia and Finland in particular are primarily traditional saunas. The global sauna installed base is estimated to consist of 68 per cent traditional saunas, 22 per cent steam saunas, and 11 per cent infrared saunas[4]. The steam sauna is the most popular type of sauna in Southern Europe and the Middle East, whereas the infrared sauna is still a relatively new type of sauna, which according to the management, is

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1 Labour consists of installation, repair and maintenance relating to sauna and spa facilities.
2 International Management Consultant Analysis in Autumn 2017
3 International Management Consultant Analysis in Autumn 2017
4 International Management Consultant Analysis in Autumn 2017, Rest of the world excluding Europe, Middle East, Asia-Pacific and North America covered seven per cent of the global sauna and spa market in 2016 and it has not been broken down by sauna types. The particular share has been broken down pro rata between the division of other areas' sauna types.

however better known than the traditional sauna in certain parts of the world including Austria, parts of Central Europe, and North America. In North America, the most popular sauna type after the traditional sauna is the infrared sauna.[5]

Replacement Demand for Saunas and Spa Facilities and Sauna Heaters and Components

Replacement demand accounted for approximately 61 per cent of the global sauna and spa market in 2016.[6] As sauna benches, structures and sauna equipment become worn they are replaced. Saunas are typically renewed every 25–50 years based on their usage, and the replacement cycle is shorter for commercial saunas than for saunas in residential use.[7] Renovation of sauna heaters and other sauna components is more affordable than the renovation of the entire sauna and as such these components are renewed more frequently. Approximately 77 per cent of the global sauna heater and component market was related to replacement demand in 2016.[8] Harvia's management estimates that sauna heaters are renewed or replaced in 2–5 years cycles in commercial communal use and in approximately 10–20 year cycles in residential use. Regular maintenance and replacement of heater stones and heater elements typically extends the life of a sauna heater. As a result of the more frequent renovation cycle for sauna components, the relative value of a sauna heater and components increases from approximately ten per cent of the total value of a new sauna to approximately 30 per cent of sauna's value over the sauna's lifecycle.[9]

The relative impact of replacement demand and new build on the growth of sauna and spa market varies regionally and between markets.[10]

New Build Sauna and Spa Demand

New build sauna and spa demand accounted for approximately 39 per cent of the global sauna and spa market in 2016.[11] The new build market includes the construction of new sauna and spa facilities in newly built premises and their addition to existing buildings.

The table below presents the global sauna and spa market split into replacement and new build demand.

Sauna and spa split between replacement and new build[12]

Billions of euros	2010	2013	2016	2019E	2022E	Historical CAGR 2010-2016 (%)	Projected CAGR 2016-2022E (%)
Replacement	1.3	1.4	1.6	1.8	2.0	3%	4%
New build	0.6	0.9	1.0	1.3	1.5	9%	7%
Global sauna and spa market, total	**2.0**	**2.3**	**2.7**	**3.1**	**3.5**	**5%**	**5%**

Main Industry Trends and Market Drivers

Historically Resilient Sauna and Spa Market

The sauna and spa market has historically been resilient to construction cycles due to the large installed base of saunas and in particular replacement demand driven by the relatively frequent need to replace sauna heaters and components. Replacement demand accounted for approximately 61 per cent of the

5 International Management Consultant Analysis in Autumn 2017

6 International Management Consultant Analysis in Autumn 2017, Rest of the world excluding Europe, Middle East and Asia-Pacific and North America covered seven per cent of the global heater and sauna component market in 2016 and it has not been broken down into business relating to replacement and new build. Here, the particular share is broken down pro rata into distribution of business relating to replacement and new build comprised of other areas.

7 International Management Consultant Analysis in Autumn 2017

8 International Management Consultant Analysis in Autumn 2017, Rest of the world excluding Europe, Middle East, Asia-Pacific and North America covered seven per cent of the global heater and sauna component market in 2016 and it has not been broken down into business relating to replacement and new build. Here, the particular share is been broken down pro rata into distribution of business relating replacement and new build comprised of other areas.

9 International Management Consultant Analysis in Autumn 2017

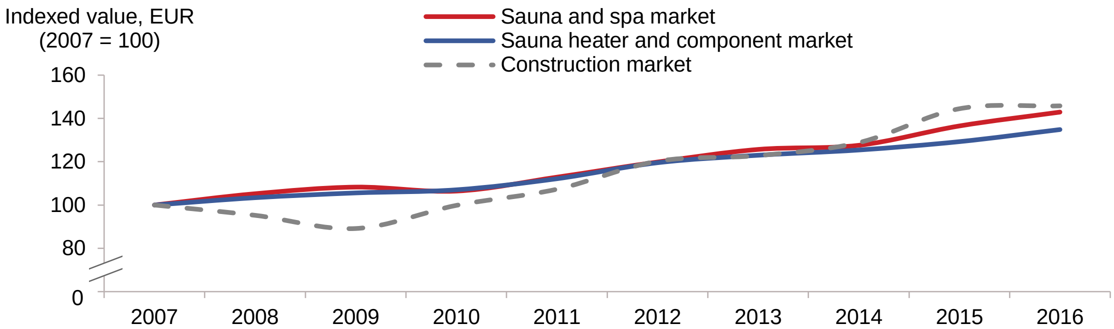
10 International Management Consultant Analysis in Autumn 2017

11 International Management Consultant Analysis in Autumn 2017

12 International Management Consultant Analysis in Autumn 2017, Rest of the world excluding Europe, Middle East, Asia-Pacific and North America covered approximately 7 per cent of the global heater and sauna component market in 2016 and it has not been broken down into to replacement and new build demand. This share is split between into replacement and new build demand pro rata the rest of the market.

sauna and spa market in 2016.[13] The figure below presents the indexed development of the global sauna and spa market in 2007–2016. Based on the Company's experience, particularly in Finland, the sauna is a part of everyday life, and as a sauna heater or other component becomes worn, it is repaired or replaced irrespective of the construction cycle. As a result of the prevalence of saunas in Finland and the large sauna installed base, replacement demand has a significant impact on the development of the sauna and spa market. Similarly replacement of saunas in residential properties and in commercial use results in higher resilience in other mature sauna and spa markets such as Russia and Sweden, where the number of saunas is relatively high.[14] In Germany and emerging sauna and spa markets such as in North America, where saunas in residential properties are less common, replacement of sauna and spa facilities in commercial use increases the resilience of the market.[15] As a result of replacement demand, the development of the sauna and spa market and the sauna heater and component market has historically been more resilient to macroeconomic developments than the construction market. In 2008–2009, for example, while the construction market was in decline, the sauna and spa market and heater and sauna component markets saw steady growth irrespective of the construction cycle.

Indexed development of the global sauna and spa market[16]



	2008	2009	2010	2011	2012	2013	2014	2015	2016
Sauna and spa market growth	5%	3%	-2%	6%	6%	5%	2%	7%	5%
Sauna heater and component market growth	3%	2%	1%	5%	7%	3%	2%	3%	4%
Construction market growth	-5%	-6%	12%	7%	12%	2%	5%	12%	1%

Main Market Drivers and Market Development

The global sauna and spa market is projected to grow at an average annual rate of 5 per cent in 2016–2022. Key market drivers include the replacement of old saunas, sauna heaters and components and new build sauna demand.[17]

The drivers of new sauna construction are the rise in the awareness of saunas and sauna bathing, increased residential new build and the increased construction of saunas for commercial use. In addition to the factors driving market volumes, the value of the sauna and spa market is also increased by growth in average sauna and spa and sauna heater and component prices as well as broadening of the composition of the average sauna and spa purchase.[18]

In more mature sauna and spa markets, the new build sauna volumes are driven by growth in the number residential buildings and commercial real estates. In the developing sauna and spa markets, new build

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13 International Management Consultant Analysis in Autumn 2017
14 International Management Consultant Analysis in Autumn 2017
15 International Management Consultant Analysis in Autumn 2017
16 IHS Global Insight (Global construction outlook 2017), IHRSA, Statistics Finland, Global Wellness Institute, interviews of the Company's management, expert interviews, Analysis made in Fall 2017 by an international management consulting company. The construction market includes annual exchange rate fluctuation. The figures for the construction markets in Asia-Pacific region and Far East have not been taken into account in the rise in the prevalence of saunas in the existing building stock nor the replacement of accessories.
17 International Management Consultant Analysis in autumn 2017
18 International Management Consultant Analysis in autumn 2017

sauna volumes are further driven by the rising awareness of saunas and sauna bathing, which are predicted to result in growing sauna penetration in both new build and existing building stock.[19]

The table below presents the historical and projected growth of Harvia's most significant geographical sauna and spa markets when measured by net sales, and the size of each market. The growth and characteristics of each of these markets are addressed later in this section.

Size and growth of sauna and spa market in Harvia's main markets[20]

Millions of euros	2010	2013	2016	2019E	2022E	Historical CAGR 2010-2016 (%)	Projected CAGR 2016-2022E (%)
Finland	236	275	274	313	337	3%	3%
Germany	225	327	385	444	510	9%	5%
Russia	430	380	434	444	471	0%	1%
Sweden	81	92	100	110	120	4%	3%
United States of America	149	209	218	273	299	7%	5%
Harvia's main markets, total	**1,121**	**1,283**	**1,411**	**1,583**	**1,738**	**4%**	**4%**
Of which labour	*47 %*	*47 %*	*47 %*	*47 %*	*47 %*	-	-
Of which sauna rooms and accessories	*37 %*	*37 %*	*37 %*	*37 %*	*37 %*	-	-
Of which sauna heaters and components	*16 %*	*16 %*	*16 %*	*16 %*	*16 %*	-	-
Global sauna and spa market, total	**1,977**	**2,334**	**2,654**	**3,069**	**3,527**	**5%**	**5%**

The table below additionally presents the size and growth of the heater and sauna component market in the same geographical markets.

Size and growth of heater and sauna component market in Harvia's main markets[21]

Millions of euros	2010	2013	2016	2019E	2022E	Historical CAGR 2010-2016 (%)	Projected CAGR 2016-2022E (%)
Finland	40	45	47	53	59	2%	4%
Germany	35	46	56	65	76	8%	5%
Russia	76	77	78	82	89	0%	2%
Sweden	14	15	16	18	20	2%	4%
United States of America	18	23	25	31	35	6%	6%
Harvia's main markets, total	**183**	**206**	**221**	**250**	**280**	**3%**	**4%**
Rest of Europe	68	78	84	94	105	4%	4%
Rest of the world	46	58	70	89	115	7%	9%
Global sauna and spa market, total	**289**	**342**	**375**	**434**	**499**	**4%**	**5%**

Growth in Sauna Awareness

Awareness of saunas varies by region and is expected to rise in emerging sauna and spa markets such as North America and China.[22] Sauna and sauna bathing are a part of Finnish cultural heritage and a part of everyday life in Finland. In the Baltic and Nordic countries, Germany and Russia and also in Japan and South Korea, saunas have been known for decades but they are to a lesser degree a part of a part of everyday life. In Central Europe, sauna bathing is most commonly done in commercial premises, such as gyms, hotels and spas. In North America, China and the Middle East, sauna awareness is lower than in the aforementioned countries and sauna installed based is primarily located in high-end commercial properties.[23] The International Management Consultant Analysis in Autumn 2017 projects the annual rate of growth of the

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19 International Management Consultant Analysis in autumn 2017

20 International Management Consultant Analysis in Autumn 2017. In the historical projected development of the market, currency exchange effects have been evened out by using the average exchange rate in first nine months of 2017 throughout the period..

21 International Management Consultant Analysis in Autumn 2017

22 International Management Consultant Analysis in Autumn 2017

23 International Management Consultant Analysis in Autumn 2017

sauna and spa market to be on average 5 per cent in North America, 10 per cent in Asia Pacific and 9 per cent in the Middle East.

Factors influencing sauna awareness are not limited only to cultural heritage but also include increasing wellness tourism and the growing tendency to investment in wellbeing.[24] The size of the global wellness market was estimated at approximately USD 850 billion in 2015 and it is projected to grow at an average annual rate of 7 per cent between 2015 and 2020 and amount to approximately USD 1.2 trillion in 2020.[25] Consumers associate the sauna very strongly with wellness. In a survey of 2,500 consumers in Finland, Sweden, Russia, Germany and the United States, approximately 90 per cent of the respondents agreed with the statement, "sauna bathing helps to relax and therefore sauna bathing has positive health effects".[26] As populations grow wealthier and travel more, an increasing share of the population are also in a position to learn about and experience sauna. The desire to experience the sauna is bolstered by the perception of the sauna as a general promoter of wellness and the desire and ability of the ageing population in particular to take care of their health and wellness.[27]

An increasing amount of research on the impacts of sauna bathing on health and wellbeing has been published in academic medical journals and the finding of these studies increasingly publicised by the general media. Studies conducted at the University of Eastern Finland examining the health impact of sauna bathing, have recently gained international media attention.[28] These studies indicate that sauna bathing may have an effect on the prevention of heart disease[29], hypertension[30] and memory disorders.[31] The studies do not establish a direct causal link but instead the researchers estimate that the health impacts of sauna bathing may result from the relaxing atmosphere of the sauna, which fosters wellbeing and also reduces stress and lowers blood pressure, which in turn has effects on cardiac function and memory disorders.

Development of Sauna Heaters, Components and Accessories

Sauna heaters and components have developed over the years and new, more advanced accessories have become available for sauna heaters, thus making it is easier for consumers to purchase for example heaters that can be controlled by a control unit. According to the Company's view, as a result of technological development, control units will increasingly become used for more than just basic control of a heater and include control of lighting, ventilation, infrared radiators and the other functions of sauna. According to Company estimates, as a result of new technological innovation, remote control of saunas will also become increasingly popular. Different kinds of sauna concepts have developed throughout the years, with different ways of sauna bathing have emerging as sauna awareness has increased particularly in emerging sauna and spa markets. Based on Company view, hybrid saunas, saunas equipped with an infrared radiator, or multiple infrared radiators, in addition to a traditional electric heater, have increased in popularity especially in Central European markets. Combi heaters, in which a steamer is integrated into an electric heater, are also increasing in popularity.[32]

Growth in Average Purchase

In addition to sauna and spa, sauna heater and component replacement and new build, growth in the average sauna purchase is projected to drive the development of the sauna and spa market.[33] Average

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[24] International Management Consultant Analysis in Autumn 2017
[25] Global Wellness Institute, January 2017. The wellness market is defined to include spa facilities, thermal/mineral springs, wellness tourism, workplace wellness and wellness service properties.
[26] Third-party consumer survey. Sample size a total of approximately n=2,500 included respondents who own a sauna and recognize at least one sauna brand.
[27] International Management Consultant Analysis in Autumn 2017
[28] "Do Saunas Really Offer Any Health Benefits?", Huffington Post (06.12.2016); "Sweating in sauna might help keep brain healthy; Finnish study", Reuters (19.01.2017); "Saunas May Be Good for Blood Pressure", New York Times (03.11.2017),
[29] Laukkanen, T., Khan, H., Zaccardi, F. and Laukkanen, J.A, 201555. Association Between Sauna Bathing and Fatal Cardiovascular and All-Cause Mortality Events. Jama internal medicine, 175 (4), p. 542-548
[30] Zaccardi, F., Laukkanen, T., Willeit, P., Kunutsor, S.K., Kauhanen, J. and Laukkanen, J.A., 2017. Sauna Bathing and Incident Hypertension: A Prospective Cohort Study. *American Journal of Hypertension (2017).*
[31] Laukkanen, T., Kunutsor, S., Kauhanen, J. and Laukkanen, J.A, 2016. Sauna bathing is inversely associated with dementia and Alzheimer's disease in middle-aged Finnish men, Age and ageing, 46(2) p. 245-249.
[32] International Management Consultant Analysis in Autumn 2017
[33] International Management Consultant Analysis in autumn 2017

sauna purchase is influenced by the development in like-for-like sauna prices, trading up and the broadening of the average purchase basket to include not only heaters but also various accessories.[34]

As the sauna offering evolves, demand for superior and better equipped saunas is expected to increase.[35] Consumers who earlier purchased only a heater may more frequently also purchase a control unit for ease-of-use, a safety railing around the heater to enhance safety, or switch a wall-mounted heater to a free-standing one and purchase an embedding flange in addition to a heater. Taking a control unit into use often also requires the consumer to purchase a new sauna heater equipped for use with a control unit.[36] The value of these heater accessories can typically be significant relative to the value of a heater, and based on Company estimates, the purchase of safety railing, for example, may increase the value of a purchase by a multiple of 1.5, and the purchase of an advanced control unit may double the value of an average purchase when compared to the purchase of just a heater.

Competitive Environment

Measured by revenue, Harvia is a global leader in the sauna and spa market and the world's largest manufacturer of sauna heaters and components. Harvia holds a market share of approximately 2 per cent of the sauna and spa market and has an 11 per cent share of the sauna heater and component market.[37] Other companies manufacturing primarily sauna heaters and components are Finnish-Swedish TylöHelo, German EOS, Russian Termofor, Filipino-Finnish Sawo, and Finnish Narvi. According to the International Management Consultant Analysis in Autumn 2017, the ten largest heater and sauna component manufacturers have a combined market share of approximately 32 per cent.

The global sauna and spa market is highly fragmented and the combined market share of the four largest operators is approximately 10 per cent. Harvia is the third-largest operator in the sauna and spa market, as measured by revenue, with a market share of approximately 2 per cent.[38] The sauna and spa market consists primarily of two company archetypes: sauna builders and integrators, and component manufacturers.[39] The business models of integrators and component manufacturers differ as integrators rarely manufacture the components which they use and instead purchase components from component manufacturers such as Harvia.

Breakdown of the global sauna and spa market by type of company[40]

Type of operator (market share)	Number of companies	Typical annual revenues	Example companies	Description
Leading companies (10%)	4	More than EUR 50 million	HARVIA, TYLOHELO, KLAFS, SAUNAKING	▪ Integrators or large component manufacturers ▪ Global operators ▪ Broad sauna and spa and component offering
Regional companies (5%)	Approx. 25	EUR 5-15 million	NARVI, EOS, SAWO	▪ Integrators and component manufacturers or companies only partially focused on sauna and spa ▪ Typically a more narrow product offering
Small companies (85%)	More than 2,000	Less than EUR 3 million	SUNRANS, MONDEX, MISA, STOVEMAN	▪ Typically a narrow product offering focused on entry to mid-level products ▪ Some niche premium players also included

34 International Management Consultant Analysis in autumn 2017
35 International Management Consultant Analysis in autumn 2017
36 International Management Consultant Analysis in Autumn 2017
37 International Management Consultant Analysis in Autumn 2017
38 International Management Consultant Analysis in Autumn 2017
39 International Management Consultant Analysis in Autumn 2017
40 International Management Consultant Analysis in Autumn 2017

The two largest operators in the global sauna and spa market, as measured by revenue, are both integrators: the German company Klafs and the Chinese company SaunaKing, the latter of which also has operations in Germany through its subsidiary Saunalux.[41] Klafs and SaunaKing supply sauna solutions for consumers and commercial use alike.

Harvia is the third-largest operator in the global sauna and spa market and the largest component manufacturer in the market as measured by revenue. Harvia's most direct competitor, TylöHelo, is the fourth-largest operator in the sauna and spa market. The sauna and spa market as a whole comprises over 2,000 companies, which for the most part, are small local operators with annual revenues of less than EUR 1 million.[42]

Largest companies in the sauna and spa market[43]

	Company	Country	Estimated market share: Sauna heaters and components	Estimated market share: Sauna and spa solutions	Offering
Sauna heater an component manufacturers	HARVIA	Finland	#1	#3	▪ Comprehensive product offering via the Harvia and Sentiotec brands
	TYLOHELO	Finland	#2	#4	▪ Broad product offering via the Tylö, Helo, Finnleo and Amerec brands
	EOS	Germany	#3	#7	▪ Broad sauna heater and component offering focused on premium products
	TERMOFOR	Russia	#4	#8	▪ Wood-burning heaters for the Russia market
	SAWO	Philippines	#5	#10	▪ Focused on entry and mid-level heaters and sauna components
	NARVI	Finland	#6	#11	▪ Wood-burning heaters in Finland and Sweden via the Narvi, Kota and Aito brands
Integrators and sauna builders	KLAFS	Germany	-	#1	▪ Broad sauna and spa offering
	SAUNAKING	China	-	#2	▪ Broad sauna and spa offering
	DURAVIT	Germany	-	#5	▪ Manufacturer of bathroom and spa products with a narrow sauna and spa offering
	PHYSIOTHERM	Austria	-	#6	▪ Infrared saunas
	effegibi	Italy	-	#9	▪ Traditional and steam saunas

The Sauna and Spa Market in Finland

Description, Size and Projected Market Growth

The sauna and spa market in Finland amounted to approximately EUR 0.3 billion in 2016, equivalent to 10 per cent of the global sauna and spa market according to the International Management Consultant Analysis in Autumn 2017. The market has grown by on average 3 per cent in the years 2010–2016 and the International Management Consultant Analysis in Autumn 2017 projects growth of an average of 3 per cent per year for 2016–2022. The main market drivers are replacement of the sauna and sauna heater installed base and rise in average sauna purchase. Sauna heaters and components accounted for approximately 17 per cent of the Finnish market in 2016, amounting to approximately EUR 47 million. The sauna heater and

41 International Management Consultant Analysis in Autumn 2017
42 International Management Consultant Analysis in Autumn 2017
43 International Management Consultant Analysis in Autumn 2017

component market is estimated to have grown by approximately 2 per cent per year in 2010–2016 and it is projected to grow faster than the market as a whole, by on average 4 per cent per year in 2016–2022. [44]

There are a considerable number of saunas in Finland due to a long-standing sauna tradition. The size of the sauna installed base is estimated to be approximately 2.3 million, most of which are in buildings in residential use.[45] Owing to the large sauna installed base, new build accounts for a smaller share of the market than replacement demand. In 2016, new build demand was estimated to have accounted for approximately 23 per cent of the Finnish sauna and spa market while replacement demand for saunas and sauna components accounted for approximately 77 per cent.[46] Most of the saunas in Finland are traditional wood-burning or electrically heated saunas, which combined accounted for approximately 95 per cent of the Finnish sauna and spa market in 2016. Steam saunas were estimated to account for approximately 4 per cent and infrared saunas for 2 per cent of the market in 2016.[47] Saunas in commercial use accounted for a fairly small share of the total market and in 2016, commercial properties accounted for approximately 3 per cent and residential properties for 97 per cent of the Finnish sauna and spa market.[48]

Distribution Channels in Finland

The Finnish market is primarily focused on sauna heaters and components. The Company's view is that, consumer knowledge of saunas is generally sufficient for consumers themselves to have greater capacities to build or design their own sauna relative to consumers in countries with a less established sauna culture. As a result of better sauna knowledge, building supply stores or so called Do-it-yourself (DIY) stores are the most common distribution channel for saunas in Finland. In addition to consumer customers, also professional who install saunas frequent building supply stores in Finland. Finns seldom purchase ready-made saunas, resulting in integrators and sauna builders having less significance as a distribution channel in Finland than in other markets.

Finnish sauna and spa market broken down by dealer channels[49]

Distribution channel	Estimated share of the sauna and spa market	Significance of distribution channel to Harvia	Description[50]	Typical decision-maker[51]
Retail and wholesale (including online)	63%	High	▪ Building supply stores are the most common distribution channel in Finland ▪ Consumer purchase sauna components and install them by themselves	▪ End-user ▪ Seller ▪ Electrician
Integrators and saunabuilders	10%	Low[52]	▪ Least significant distribution channel in Finland and for Harvia in Finland	▪ Seller ▪ Architect
Construction companies	11%	High	▪ A significant channel for new build saunas	▪ Architect
Direct sales	15%	Medium	▪ Primarily project sales to i.e. hotels, spas and gyms ▪ Also direct sales to end-users	▪ End-user ▪ Architect

44 International Management Consultant Analysis in Autumn 2017
45 International Management Consultant Analysis in Autumn 2017
46 International Management Consultant Analysis in Autumn 2017
47 International Management Consultant Analysis in Autumn 2017
48 International Management Consultant Analysis in Autumn 2017
49 International Management Consultant Analysis in Autumn 2017 and estimate of Harvia management. The market addressed in the table does not cover the market relating to installation, repair, maintenance or other labour in the sauna and spa market.
50 Company management view
51 Company management view
52 Company management view

Competitive Environment in Finland

Harvia is the leading sauna and spa market company in Finland as measured by revenue and brand recognition and also the largest heater and sauna component manufacturer.[53] Harvia holds a share of approximately 45 per cent of the electric heater market and approximately 30 per cent of the wood-burning heater market.[54] Primary competitors in Finland are Narvi, TylöHelo, Misa and Iki-Kiuas. TylöHelo is known in Finland primarily under the trade name Helo. Harvia and TylöHelo operate in Finland primarily in the entry-level and mid-priced heater market while Narvi is particularly strong in the wood-burning heater market. On average Iki-Kiuas products are in a higher price segment than those offered by Harvia. Misa is focused on heaters for communal use.[55]

The Sauna and Spa Market in Germany

Description, Size and Projected Market Growth

Germany is the second largest sauna and spa market after Russia, and the German market in 2016 totalled approximately EUR 0.4 billion, equivalent to 15 per cent of the global sauna and spa market.[56] The market has grown annually by approximately 9 per cent in 2010–2016, and the market is projected to grow on average 5 per cent per year in 2016–2022.[57] The largest market driver is positive development in the value of the average sauna purchase. General new construction, increasing sauna penetration and sauna replacement demand are also projected to drive market growth.[58] The German sauna heater and component market amounted to approximately EUR 56 million in 2016 and it is estimated to have grown by approximately 8 per cent per year in 2010–2016. The market is projected to grow at the same rate as the German sauna and spa market as a whole, by on average 5 per cent per year in 2016–2022.[59]

In Germany, sauna is fairly well-known and sauna installed base amounted to approximately 2.1 million units in 2016 according to the International Management Consultant Analysis in Autumn 2017. Even though sauna installed base in Germany is estimated to be smaller than in Finland, in terms of value the market is larger than in Finland, partly because of the proportionately higher share of saunas in commercial properties and in commercial use. In 2016, saunas in commercial properties accounted for approximately 19 per cent of the German sauna and spa market and saunas in residential properties for 81 per cent.[60] Saunas in commercial use are on average five times more valuable than saunas installed in homes as they are built to withstand higher frequency of use, longer periods of use, are typically larger in size, and have more advanced features.[61] The size of the market is also impacted by the sauna type breakdown: in Germany, the traditional sauna is the most popular type of sauna, accounting for approximately 52 per cent of the sauna and spa market in 2016. Steam saunas and infrared saunas however hold a considerably higher share of the market than in Finland. Steam saunas were estimated to account for approximately 29 per cent of the German sauna and spa market in 2016 and the relatively higher share is partly a result of the Roman bathhouse heritage, and also partially explained by Germany's substantial Turkish minority. Steam saunas are on average more valuable than traditional saunas. Infrared saunas, which in 2016 accounted for approximately 19 per cent of the German sauna and spa market, are on average more affordable than traditional saunas, as they do not require a wet room. In Germany, most saunas have a heater that is controlled with a separate control unit.[62] Additionally, the Company estimates that quite often, instead of a traditional sauna heater Germans favour the so-called combi heater.

Relative to the population, the number of saunas in Germany is lower than in Finland. Accordingly new sauna build accounts for a higher share of the total market, approximately 45 per cent in 2016, as new saunas are built not only in new properties but also in existing homes due to increasing sauna penetration. [63]

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[53] International Management Consultant Analysis in Autumn 2017
[54] International Management Consultant Analysis in Autumn 2017
[55] International Management Consultant Analysis in Autumn 2017
[56] International Management Consultant Analysis in Autumn 2017
[57] International Management Consultant Analysis in Autumn 2017
[58] International Management Consultant Analysis in Autumn 2017
[59] International Management Consultant Analysis in Autumn 2017
[60] International Management Consultant Analysis in Autumn 2017
[61] International Management Consultant Analysis in Autumn 2017
[62] International Management Consultant Analysis in Autumn 2017
[63] International Management Consultant Analysis in Autumn 2017

Distribution Channels in Germany

In Germany, end-users typically purchase ready-made saunas from integrators and sauna builders who in turn purchase sauna components from component manufacturers. Unlike in Finland, in Germany end users also purchase ready-made sauna rooms from retailers. Sauna heaters and components are purchased as standalone products also from online stores.[64] In Germany, and generally outside of Finland, construction companies are less significant as a distribution channel for Harvia and in the market as a whole, as other than in Finland saunas are less frequently built in new residential properties. In Germany, a specialised sauna builder is usually hired to construct sauna and spa facilities. Based on the Company's experience, in Germany and the rest of Central Europe, saunas are commonly prefabricated, free standing saunas. Unlike in Finland, where saunas are built as a part of the building's structure, in Germany sauna are built as free-standing rooms, and as a result, saunas in Central Europe are typically less labour intensive to install and do not necessarily require a separate wet room.

German sauna and spa market broken down by distribution channel[65]

Distribution channel	Estimated share of the sauna and spa market	Significance of distribution channel to Harvia	Description[66]	Typical decision-maker[67]
Retail and wholesale (including online)	30%	Retailers/ specialist stores: **High** Wholesalers: **Low**	▪ Building supply stores, bathroom wholesalers and sauna specialist stores ▪ Primarily entry-level sauna heaters	▪ End-user ▪ Seller
Integrators and sauna builders	45%	**Medium/High[68]**	▪ Most significant distribution channel in Germany ▪ End-users expect ready-made saunas	▪ Seller ▪ Architect
Construction companies	11%	Indirect relationship via retailers and wholesalers[69]	▪ A significant channel for new build saunas	▪ Architect
Direct sales	14%	**Low**	▪ End-users expect ready-made tailored sauna solutions	▪ End-user ▪ Architect

Competitive Environment in Germany

The Company estimates that following to the acquisition of Sentiotec, Harvia is the largest sauna heater and component manufacturer in Germany, before EOS, when measured by revenue. Integrators, such as Klafs, the largest sauna and spa company in the market, hold a significant position in Germany when measured by revenue. Other noteworthy sauna and spa industry operators in the German market are Saunalux and Karibu, which are customers of Harvia and Sentiotec as buyers of sauna components, and TylöHelo.

The Sauna and Spa Market in Russia

Description, Size and Projected Market Growth

Russia is the largest single sauna and spa market in the world, and the size of the Russian market was approximately EUR 0.4 billion in 2016, amounting to approximately 16 per cent of the global sauna and spa market.[70] The historical development of the Russian market has been influenced by the overall unstable economic development and political situation in Russia. Due to the ongoing economic instability, the sauna and spa market as per International Management Consultant Analysis in Autumn 2017 is projected to grow

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[64] International Management Consultant Analysis in Autumn 2017

[65] International Management Consultant Analysis in Autumn 2017and estimate of Harvia management. The market addressed in the table does not cover the market relating to installation, repair, maintenance or other labour in the sauna and spa market.

[66] Company management view

[67] Company management view

[68] Company management view

[69] Company management view

[70] International Management Consultant Analysis in Autumn 2017

at a moderate annual rate of less than 1 per cent in 2016–2022. The size of the Russian heater and sauna component market in 2016 was estimated at approximately EUR 78 million and it is projected to grow at a faster rate than the Russian sauna and spa market overall, by a moderate 2 per cent on average per year in 2016–2022.[71]

In the International Management Consultant Analysis in Autumn 2017 sauna installed in Russia is estimated to comprise roughly 6.2 million saunas, the vast majority of which are in residential. Saunas in residential use accounted for approximately 95 per cent of the Russian sauna and spa market in 2016. The most common sauna type is the traditional sauna followed by steam saunas, which account for approximately 17 per cent of the Russian sauna and spa market. Based on the Company's experience, Turkish steam saunas are fairly popular in Russia and affluent Russians are more likely than affluent Finns to acquire a spa facility, complete with steam sauna alongside the traditional sauna, for their homes. In 2016, traditional saunas accounted for approximately 78 per cent and infrared saunas for 5 per cent of the Russian sauna and spa market.[72] As in Finland owing to the large sauna installed base, new build accounts for a relatively small share of the market in Russia. In 2016, new build was estimated to account for 22 per cent of the sauna and spa market in Russia and replacement demand for approximately 78 per cent.[73]

Distribution Channels in Russia

The most important distribution channels in the Russian sauna and spa market are specialist sauna stores, bathroom wholesalers and sauna builders.[74] Harvia operates indirectly in these channels. Harvia's Russian subsidiary operates as importer for Harvia's products and actual distribution in Russia takes place via selected dealers. In Russia, wholesalers most commonly display their product range in specialist sauna stores. Harvia's products are sold in specialist stores in the major cities, especially in Moscow and St. Petersburg. Distribution of Harvia products and market share outside Moscow and St. Petersburg as well as Harvia's market share in wood burning heaters in the market is comparatively lower outside of these two cities. Russian integrators and sauna builders are, for the most part, small local operators, which acquire their sauna heaters and components from wholesalers.

Russian sauna and spa market broken down by distribution channel[75]

Distribution channel	Estimated share of the sauna and spa market	Significance of distribution channel to Harvia[76]	Description[77]	Typical decision-maker[78]
Retail and wholesale (including online)	33%	Retailers: Medium Wholesalers: Medium	▪ Act as importers and partly as sauna builders	▪ End-user ▪ Seller
Integrators and sauna builders	44%	High	▪ Most significant distribution channel ▪ Integrator's and sauna builder's offering on display in specialist stores	▪ Seller ▪ Architect
Construction companies	13%	Indirect relationship via retailers and wholesalers		▪ Architect
Direct sales	10%	Low	▪ End-users expect ready-made tailored sauna solutions	▪ Architect ▪ End-user

71 International Management Consultant Analysis in Autumn 2017. In the historical projected development of the Russian market, EUR/RUB currency exchange effects have been evened out by using the average exchange rate in first nine months of 2017 throughout the period.
72 International Management Consultant Analysis in Autumn 2017
73 International Management Consultant Analysis in Autumn 2017
74 International Management Consultant Analysis in Autumn 2017
75 International Management Consultant Analysis in Autumn 2017 and estimate of Harvia management. The market addressed in the table does not cover the market relating to installation, repair, maintenance or other labour in the sauna and spa market.
76 Company management view
77 Company management view
78 Company management view

Competitive Environment in Russia

Harvia is the second largest company operating in the Russian sauna and spa market and the market leader in electric heater manufacture, as measured by revenue. Harvia holds a share of approximately 50 per cent of the Russian electric heater market and less than 5 per cent of the wood-burning heater market.[79] In the view of the Company, local electric sauna heater manufacturers' product ranges are quite narrow. Harvia has, in recent years, lost market share in wood-burning heaters owing to the difficult economy, increased local supply and the unfavourable Euro to Russian Rouble foreign exchange rate. The most significant competitors in Russia are local operators Termofor and Teplodar and the Swedish-Finnish TylöHelo. In Russia, Harvia's product offering is in a higher price segment than local manufacturers' product offerings.

The Sauna and Spa Market in Sweden

Description, Size and Projected Market Growth

Sweden is the second-largest sauna and spa market in the Nordic countries after Finland, and the size of the market in 2016 was approximately EUR 0.1 billion, equivalent to approximately 4 per cent of the global sauna and spa market.[80] Sauna culture is not as established in Sweden as in Finland but sauna is a fairly well known concept. In the International Management Consultant Analysis in Autumn 2017, the sauna and spa market is projected to grow by on average 3 per cent per year in 2016–2022, mainly as a result of the increase in the average sauna purchase and new build sauna demand. The sauna heater and component market in 2016 totalled approximately EUR 17 million. The sauna heater and component market is estimated to have grown at a rate of approximately 2 per cent per year in 2010–2016 and it is projected to grow at a rate higher than the Swedish sauna and spa market as a whole, by an average of 4 per cent per year in 2016–2022.[81]

Installed base in Sweden was approximately 0.5 million saunas in 2016 and most of these were in residential use. In 2016, new build is estimated to have accounted for approximately 23 per cent and replacement demand for approximately 77 per cent of the Swedish sauna and spa market. The most common sauna type in Sweden is the traditional wood-burning or electrically heated sauna, which combined accounted for an estimated 89 per cent of the sauna and spa market in 2016. Steam saunas were estimated to account for approximately 8 per cent and infrared saunas for approximately 3 per cent of the market in 2016. Compared to the Finnish market, saunas in commercial properties accounted for a higher share of the sauna and spa market, estimated at approximately 21 per cent in 2016. In other respects, the composition of the Swedish sauna and spa market did not differ considerably from the Finnish market in 2016 in terms of sauna and building types.[82]

Distribution Channels in Sweden

Bathroom wholesalers are the most important distribution channel in the Swedish sauna and spa market. Wholesalers sell sauna heaters and components primarily to small sauna builders.[83] The Company estimates that end-users in Sweden are more likely to purchase a ready-made sauna than end-users in Finland, and as such integrators and sauna builders are in a more central role in the Swedish market. In northern Sweden, end-users most often purchase a sauna heater or component instead of a ready-made sauna via the retail distribution channel.

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79 International Management Consultant Analysis in Autumn 2017
80 International Management Consultant Analysis in Autumn 2017
81 International Management Consultant Analysis in Autumn 2017. In the historical projected development of the Swedish market, SEK/EUR currency exchange effects have been evened out by using the average exchange rate in first nine months of 2017 throughout the period.
82 International Management Consultant Analysis in Autumn 2017
83 International Management Consultant Analysis in Autumn 2017

Swedish sauna and spa market broken down by distribution channel[84]

Distribution channel	Estimated share of the sauna and spa market	Significance of distribution channel to Harvia	Description[85]	Typical decision-maker[86]
Retail and wholesale (including online)	53%	Retail: **Medium/ High**[87] Wholesale: **Low**	▪ Bathroom wholesalers are the most common distribution channel ▪ Retailers and building supply stores a less prominent channel	▪ End-user ▪ Seller ▪ Bathroom wholesaler
Integrators and saunabuilders	24%	**Medium**[88]	▪ A more significant channel in Sweden than in Finland due to greater popularity of full sauna solutions	▪ Seller ▪ Architect
Construction companies	18%	**Medium**	▪ A significant channel for new build saunas	▪ Architect
Direct sales	5%	**Low**	▪ Least significant distribution channel in the market as a whole and for Harvia	▪ Architect ▪ End-user

Competitive Environment in Sweden

Harvia is the second largest company operating in the Swedish sauna and spa market after TylöHelo as measured by revenue.[89] According to the management, Harvia has a fairly strong offering in entry-level electric and wood-burning heaters. TylöHelo's Tylö branded offering, which is strong in Sweden, covers both mid-priced and premium sauna heaters and components. Harvia holds a market share of approximately 15 per cent in traditional heaters.[90] Other noteworthy sauna heater and component manufacturers active in the Swedish market are Narvi and EOS, which provide mostly higher-end heaters. [91]

The Sauna and Spa Market in the United States of America

Description, Size and Projected Market Growth

The sauna and spa market in the United States of America is estimated to comprise 90 per cent of the North American sauna and spa market. The sauna and spa market in the United States of America is small relative to the size of the country. The International Management Consultant Analysis in Autumn 2017 puts the market size in 2016 at an estimated EUR 0.2 billion or approximately 8 per cent of the global sauna and spa market. The sauna heater and component market in the United States of America was estimated to amount to approximately EUR 25 million in 2016 and it is estimated to have grown at an average rate of approximately 7 per cent per year in 2010–2016. Sauna awareness in the United States is at a relatively low level. The projected annual growth of approximately 5 per cent of the market in 2016–2022 is estimated to be based primarily on increased sauna awareness and the ensuing new construction of saunas and positive developments in the price of the average sauna purchase.[92]

The most common sauna type in the United States of America is the traditional sauna but unlike other geographical areas, infrared saunas are more common than steam saunas. In 2016, an estimated 46 per cent of the United States sauna and spa market related to traditional saunas, 31 per cent to infrared saunas and 24 per cent to steam saunas. Commercial saunas accounted for approximately 50 per cent of the value of the market in 2016. [93]

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[84] International Management Consultant Analysis in Autumn 2017 and estimate of Harvia management. The market addressed in the table does not cover the market relating to installation, repair, maintenance or other labour in the sauna and spa market.
[85] Company management view
[86] Company management view
[87] Company management view
[88] Company management view
[89] International Management Consultant Analysis in Autumn 2017
[90] International Management Consultant Analysis in Autumn 2017
[91] International Management Consultant Analysis in Autumn 2017
[92] International Management Consultant Analysis in Autumn 2017
[93] International Management Consultant Analysis in Autumn 2017

In 2016, the number of saunas in the United States of America amounted to approximately 0.8 million units and replacement demand accounted for approximately 54 per cent of the sauna and spa market in 2016 in the United States of America.[94] New build also accounts for a larger share than in traditional sauna and spa markets, as new build volumes are driven not only by overall construction but also supplemented by the construction and installation of saunas in existing residential and commercial properties as sauna awareness increases.[95]

Distribution Channels in the United States of America

Most saunas in the United States of America are in commercial use and this has an effect on relative split between distribution channels. Integrators and sauna builders play a more central role than in the European sauna and spa markets addressed above. End-users moreover primarily purchase ready-made saunas. Retailers and wholesalers also provide end-users with affordable ready-made saunas.[96] Harvia has a strong presence in the important sauna builder channel in the American sauna and spa market. Harvia has no local sales organisation of its own in the United States of America but instead operates through importers. The most important distributors to Harvia are sauna builders through which Harvia has indirect access to the other distribution channels in the market.

North American sauna and spa market broken down by distribution channel[97]

Distribution channel	Estimated share of the sauna and spa market	Significance of distribution channel to Harvia	Description[98]	Typical decision-maker[99]
Retail and wholesale (including online)	31%	Indirect relationship via retailers and wholesalers	▪ End-users purchase primarily ready-made saunas	▪ End-user ▪ Seller
Integrators and sauna builders	50%	**High**	▪ Most significant distribution channel ▪ Customers include end-users, wholesalers and construction companies	▪ Seller ▪ Architect
Construction companies	10%	**Low[100]**	▪ Construction companies primarily purchase components via other distribution channels	▪ Architect
Direct sales	10%	**Low**	▪ End-users expect ready-made tailored sauna solutions	▪ Architect ▪ End-user

Competitive Environment in the United States of America

Harvia is among the top 5–10 largest companies operating in the sauna and spa market in the United States market as measured by revenue. Harvia places closer to fifth in market standing in sauna heaters and components, and its offering focuses on entry-level traditional heaters. TylöHelo is the market leader in the United States of America, where it sells its products under several brand names. In addition, TylöHelo has local manufacture and sales staff in the United States of America. The ten largest operators in the North American sauna and spa market include two of Harvia's customers based in the United States of America, Almost Heaven Saunas and Finlandia Sauna. Other major operators in the American market are Steamist and the Canadian Saunacore.[101]

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94 International Management Consultant Analysis in Autumn 2017
95 International Management Consultant Analysis in Autumn 2017
96 International Management Consultant Analysis in Autumn 2017
97 International Management Consultant Analysis in Autumn 2017 and estimate of Harvia management. The market addressed in the table does not cover the market relating to installation, repair, maintenance or other labour in the sauna and spa market.
98 Company management view
99 Company management view
100 Company management view
101 International Management Consultant Analysis in autumn 2017

INFORMATION ON THE COMPANY AND ITS BUSINESS

General Information on the Company's Business

Harvia is one of the world's leading providers of sauna and spa products. Harvia's share of the sauna and spa market is approximately 2 per cent and approximately 11 per cent of the heater and sauna component market as measured by revenue.[102] The Company's brands and offering are well-known in the market and Harvia has a comprehensive product offering that strives to meet the needs of the global sauna and spa market. The Company's product offering covers all three sauna types: traditional saunas, steam saunas and infrared saunas. The Company has built a comprehensive and competitive product offering around these sauna types aiming to offer both professional and consumer customers all products and supplies they may need, from sauna heaters and components to full sauna solutions.

The Company's product offering also includes modern digital control units that control heaters, steam generators and infrared radiators as well as sauna lighting and ventilation. As part of its comprehensive sauna offering, the Company also provides full sauna room, steam room and infrared sauna solutions. The Company's sauna accessories and component offering strives to meet all sauna related needs across sauna cultures. The Company also provides selected heater and sauna maintenance and installation services in Finland.

The Company's largest product group comprises sauna heaters and associated accessories, which accounted for 59 per cent of the Company's revenue for the financial year ended 31 December 2017. Sauna rooms accounted for 11 per cent, control units for 11 per cent, steam generators for 5 per cent and spare parts, services and other products for 15 per cent of the Company's revenue for the financial year ended 31 December 2017.

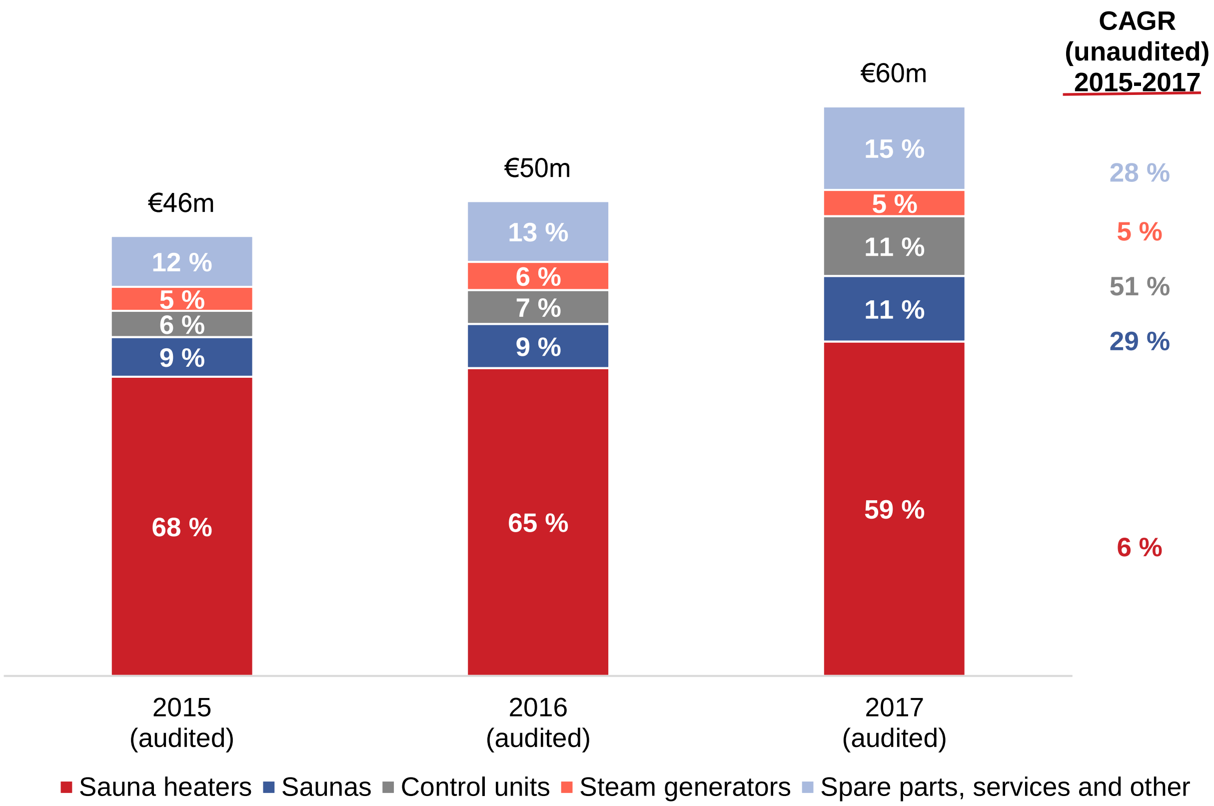

Figure: Revenue and revenue by product group for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017, and cumulative average growth rate by product group 2015-2017.

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[102] International Management Consultant Analysis in Autumn 2017

The Company's products are distributed globally through a network of distributors. The Company's largest customer group consists of retailers and wholesalers which sell the Company's products to builders and end users. Retail customers are typically building supply stores and the wholesalers either bathroom wholesalers or sauna specialist wholesalers. Sauna builders and integrators are an important customer group in full sauna solution focused markets. In the Nordic countries, construction companies that install saunas in new residential buildings are also of significance. The Company also engages to a lesser degree in direct sales to end customers, such as hotels and fitness clubs, primarily in Finland and elsewhere in Europe.

The main market for the Company's products is Finland, which accounted for 37 per cent of the Company's revenue for the financial year ended 31 December 2017. The Company's most important export markets are Germany (12 per cent of the Company's revenue for the financial year ended 31 December 2017), other EU countries (23 per cent of the Company's revenue for the financial year ended 31 December 2017) and Russia (10 per cent of the Company's revenue for the financial year ended 31 December 2017). The Company's headquarters and main production facility is located in the town of Muurame in Finland. The Company's other production facilities are located in China, Romania and Estonia, in addition to which the Company has a contract manufacturer and a sales subsidiary in Russia and a sales and customer service office and logistics centre in Austria.

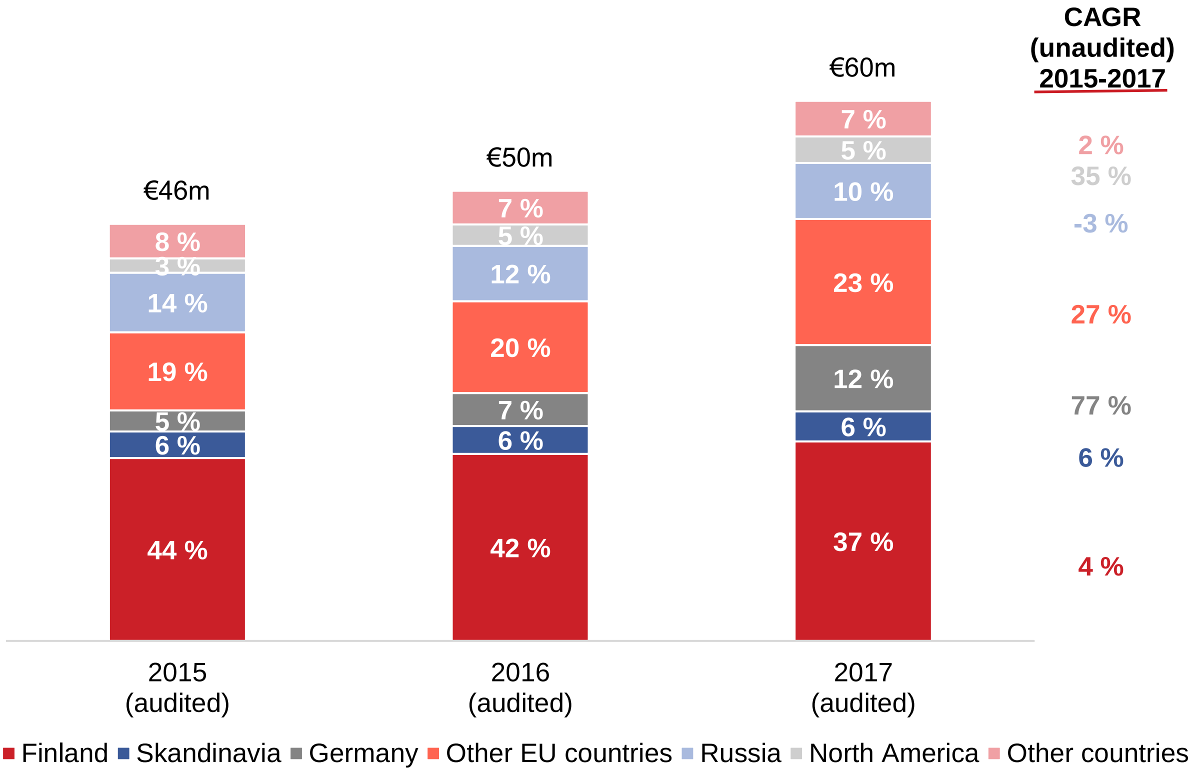

Figure: Revenue and revenue by geographical market area for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017, and cumulative average growth rate per geographic market 2015-2017.

Key Strengths

Company's management believes that the following factors in particular are the Company's key strengths and represent competitive advantages:

The Company Operates in a Resilient and Growing Market

Harvia operates in the sauna and spa market, which historically has been resilient to economic cycles. The resilience of the sauna and spa market is driven by the high amount of replacement demand, which globally accounts for approximately 61 per cent and in Finland, for example, for approximately 77 per cent of the sauna and spa market.[103] As sauna benches, other structures and sauna equipment become worn, full saunas are replaced at estimated 25–50 year intervals depending on use. In commercial use, such as in hotels and fitness clubs, saunas are replaced more frequently than in residential use. Replacement demand accounts for a greater share of the sauna heater and component market: an estimated 77 per cent globally and 87 per cent in Finland.[104] Heaters and sauna components wear during use and based on management estimates, are replaced in 2–5 years intervals in commercial use and in approximately 10–20 year intervals in residential use.

In 2010–2016, the global sauna and spa market grew at an average annual rate of five per cent and the same pace of growth is expected to continue, with the rising wellness trend, increased sauna awareness and higher average purchase driving demand. The global wellness market is projected to grow at an average annual rate of seven per cent in 2015–2020.[105] The growth is supported by consumers' increased interest in personal wellness and health. Consumers strongly associate the sauna with wellness, and research into the health effects of sauna bathing has found indications that sauna bathing has positive effects on the prevention of heart disease[106], hypertension[107] and memory disorders[108]. The growth of the sauna and spa market is supported by rising sauna awareness; as the population grows more affluent and travels more, an increasing number of people have the opportunity to learn about the sauna and its benefits. The willingness to experience the sauna is supported by the perception of the sauna as an overall promoter of wellbeing.

In the future, consumers are estimated to spend more on better products and on products that promote wellbeing and consumers' appreciation of user comfort and safety has increased.[109] Harvia's management estimates that for example in the consumption of heaters and sauna components, this signifies that in the future, consumers will more often purchase a control unit, safety railing and other equipment enhancing ease-of-use and safety, which in turn increases the average price and size of an average purchase. The increased prices and technological advances would thus increase the average purchase value which would have an effect on market growth. The average annual growth rate of the sauna and spa market in 2016–2022 is projected at approximately five per cent worldwide. In traditional sauna and spa markets, such as Finland and Sweden, the growth rate is expected to be approximately three per cent; in Germany and the United States, approximately five per cent; and in Russia, approximately one per cent. The market is projected to grow at a higher rate in the Middle East, and in the Asia Pacific region.[110]

Leader in Main Markets

Measured by revenue, Harvia is the global leader in heater and sauna component manufacturer with a market share of approximately 11 per cent, and the third-largest player in the sauna and spa market with a market share of approximately two per cent. Harvia holds a particularly strong position in the developed sauna and spa markets of Finland, Sweden, Russia and Germany. Measured by revenue, Harvia is the largest player in the Finnish sauna and spa market and the second largest in the Swedish and Russian sauna and spa markets. In addition, the Company occupies the position of strong challenger in the new and emerging sauna and spa markets of the United States and Asia-Pacific region, as measured by revenue, the Company is amongst the largest 5 to 10 companies operating in the sauna and spa market in the United States as well as in the Asia-Pacific region.[111]

Harvia's strong market position supports business development going ahead. Harvia has over 60 years of experience in the sauna and spa industry and it has been able to globalise significantly. At the moment, the Company's products are sold in approximately 70 countries. The recognition, technical knowledge and wide

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103 International Management Consultant Analysis in Autumn 2017. Rest of the world outside Europe, Middle East, Asia and the Pacific and North America accounted for seven per cent of the global sauna heater and component market and it has not been split into new built and replacement business. This share has here been split pro-rata into replacement and new built based on the split for other countries.

104 International Management Consultant Analysis in Autumn 2017.

105 Global Wellness Institute, January 2017. The wellness market is defined to include spa facilities, thermal/mineral springs, wellness tourism, workplace wellness and wellness service properties.

106 "Association Between Sauna Bathing and Fatal Cardiovascular and All-Cause Mortality Events", 2/2015, T. Laukkanen, H. Khan, F. Zaccardi, J.A. Laukkanen

107 Sauna Bathing and Incident Hypertension: A Prospective Cohort Study", 4/2017, F. Zaccardi, T. Laukkanen, P. Willeit, S.K. Kunutsor, J. Kauhanen, J.A. Laukkanen

108 Sauna bathing is inversely associated with dementia and Alzheimer's disease in middle-aged Finnish men" 12/2016, T. Laukkanen, S. Kunutsor, J.A. Laukkanen

109 Boston Consulting Group Global Consumer Sentiment Survey (2013) and the International Management Consultant Analysis in Autumn 2017.

110 International Management Consultant Analysis in Autumn 2017.

111 International Management Consultant Analysis in Autumn 2017.

network of distributors are difficult to replicate for smaller market players. The Company's long-lasting customer relationships with several material distributors and repeat orders are stabilizing the development of revenue and partially reducing the amount of resources needed to acquire new customers.

Strong Brand and Diverse and Comprehensive Product Offering

Harvia has a strong brand. In Harvia's main markets, Harvia was the most often recognised international sauna brand by Finnish, Swedish, German, Russian and American respondents in a consumer survey carried out in 2017.[112] In its domestic market of Finland, Harvia clearly has the highest brand recognition: 82 per cent of the consumer survey's respondents recognized Harvia, when the second most recognized brand was only recognized by 64 per cent. In the view of the Company's management, customers value in particular Harvia's products' ease of use, high quality and durability, and safety. According to the Company's management's estimate, the technical support provided by Harvia is valued especially amongst professional customers. Harvia and Sentiotec products have received numerous awards for innovation, design and product design.

In the view of the Company's management, Harvia has one of the most comprehensive product and service offerings in the market. The Company's product offering diversely includes sauna and spa products for traditional electric and wood-heated saunas, including heaters and accessories such as safety rails, chimneys and various heater parts and accessories, sauna rooms, control units and sauna accessories. The product and service offering has moreover been broadened by means of acquisitions. Harvia has a comprehensive steam room and spa product offering as well as expertise in control units and infrared saunas. With the Saunamax acquisition, the Company's offering was expanded to include also selected heater and sauna maintenance and installation services in Finland.

Integrated and Efficient Business Model

Harvia has a highly integrated and efficient business model. Company management estimates that key factors that enhance Harvia's efficiency of production and operations include lengthy experience and expertise in the industry, close cooperation between sourcing, production, product development and sales, and modern production facilities. In addition, the Company sells a significant part of its products through external sales agents, due to which the fixed costs of sales are relatively low. The Company's adjusted operating profit margin was 17.8 per cent for the financial year ended 31 December 2017 (operating profit margin 15.4 per cent), 20.1 per cent for the financial year ended 31 December 2016 (operating profit margin 19.4 per cent) and 22.9 per cent for the financial year ended 31 December 2015 (operating profit margin 22.9 per cent).

Harvia has been manufacturing heaters since the year 1950. The Company believes that owing to its lengthy experience and wide sales network, Harvia has a strong understanding of customer needs as well as market dynamics and production methods. Thanks to the close cooperation between sourcing, production, product development and sales at the Muurame plant in Finland in particular, Harvia is able to provide products that are tailored to customer needs and efficiently manufactured.

The close and systematic cooperation between the sales organisation and product development ensures that products are designed to meet the needs of both professional and consumer customers. Ongoing and close cooperation between product development and production meanwhile ensures that products are designed to be as easy and cost-efficient to produce as possible, among others, by minimising the number of components. In addition to modern and efficient automated material processing equipment, the Company also makes use of special tools, designed and produced in-house, to increase production efficiency. In addition, integrated tools production reduces the Company's dependency on external players and secures the seamlessness of the manufacturing process. The same manufacturing and product development principles are utilised not only in heaters but also, for example, in manufacturing and designing sauna rooms.

Harvia's headquarters, largest production facility and logistics centre are located in the Finnish town of Muurame. The Muurame facilities comprise an integrated complex where the operations of material sourcing, production, R&D, and sales and marketing can be optimized together. The Company also has production in Romania, China, and Estonia, and a contract manufacturer and a sales subsidiary in Russia, as well as a logistics centre and sales and customer service office in Austria. By centralising its production to production

[112] International Management Consultant Analysis in Autumn 2017. Consumer survey n=810 included respondents who own a sauna and recognize at least one sauna brand.

facilities which focus on different products and price categories, the Company seeks to improve the availability of competitive raw materials and to ensure cost-efficient production. The costs of supplies and materials have historically accounted for approximately 40 per cent of revenue on average and employee benefit expenses have accounted for only 20 per cent on average. The Company's management estimates that in particular the employee benefit expenses are at a very competitive level and illustrative of a relatively high degree of automation.

Long-standing Customer Relationships and Diverse Dealer Channels

Harvia maintains strong, long-standing customer relationships and it sells its products through numerous different distribution channels.

Products of high quality and customer service of high standard have brought Harvia long-standing customer relationships in all of its main markets. The duration of the Company's most significant customer relationship exceeds 30 years. The longest-standing customer relationships in the Company's key export markets have been in place for more than 20 years.

Harvia has a diverse customer base consisting of building supply companies and retail stores, sauna specialist stores, wholesalers, integrators and sauna builders, and construction companies. Harvia sells products also directly to end users. In the view of the Company's management, one of Harvia's strengths is its ability to serve different kinds of customers flexibly in accordance with customer needs and local requirements. The Company's management estimates that Harvia has a particularly good relationship with the distribution network. In addition, in Finland Harvia has in place established customer relationships in the electrical wholesaler distribution channel and in the important new build distribution channel where the customers are construction companies. In Germany, Harvia operates in the retail channel and in sauna specialist stores as well as in the integrator and sauna builder channel that is important in Germany. The Sentiotec acquisition has strengthened Harvia's presence in Germany and elsewhere in Central Europe. Harvia also has in place long-standing customer relationships in export markets, in North America and Russia. In North America, Harvia has established customer relationships with the largest sauna builders operating in the United States who serve as importers.

Stable and Strong Profitability and Cash Flow

Harvia has been steadily growing its revenue both organically and with the support of acquisitions. The growth of the Company's organic revenue was 4 per cent and organic and inorganic revenue grew in total by 20 per cent, to EUR 60.1 million for the financial year ended 31 December 2017 when compared to the previous year. The growth of revenue during the period was supported by the increase in the sales of heaters, spare parts and control units in the main markets and by the Sentiotec acquisition delivering a stronger market position in Central Europe.

In the same period, Harvia's adjusted operating profit also increased from EUR 10.1 million for the financial year ended 31 December 2016 to EUR 10.7 million for the financial year ended 31 December 2017. Adjusted operating profit was supported by the growth in revenue during the period. In the same period, the adjusted operating profit margin was at a strong level, 20.1 per cent for 2016 and 17.8 per cent for 2017. Good relative profitability has been supported by strong position in selected markets, efficient production and long-standing customer relationships. The Company's operating profit for the financial year ended 31 December 2017 was EUR 9.3 million, compared to EUR 9.7 million for the financial year ended 31 December 2016 and operating profit margin was 19.4 per cent for 2016 and 15.4 per cent for 2017.

Good profitability and low investments, efficient and modern production facilities and a flexible production model have given Harvia a high cash conversion and a strong return on investment. Cash conversion was 95.7 per cent for the financial year ended 31 December 2015, 92.6 per cent for the financial year ended 31 December 2016 and 71.6 per cent for the financial year ended 31 December 2017. Adjusted return on capital employed (ROCE) was 36.4 per cent for the financial year ended 31 December 2015, 32.9 per cent for the financial year ended 31 December 2016 and 32.7 per cent for the financial year ended 31 December 2017. In the view of the Company's management, strong cash conversion and low investment needs create good conditions for distribution of dividends. Harvia's dividend policy is to pay regularly increasing dividend with bi-annual dividend payout of at least 60 per cent of net income.

Further information on key performance indicators and the Company's results of operations is presented in section "*Operating and Financial Review".*

Skilled and Experienced Management Team and Personnel

Harvia's management have solid experience in the sauna and spa industry and in the global professional and consumer products markets. Harvia believes that the extensive and lengthy experience of its management, together with the other skilled personnel it employs, generate significant competitive advantage in the market. Very low employee turnover has supported the accumulation of experience. According to the estimation of the management, the remuneration system that is based on the development of EBITDA, covering nearly all of the personnel of Harvia Finland Oy employed in Muurame, has engaged employees and harmonized their incentives in line with the owner's interest. The Company maintains good relationships with employees and labour unions.

Changes in the Management Team during the past three years are partly a consequence of the change of ownership in 2014, where the members of the founding family that had commendably expanded the Company's business, largely withdrew from the Company's Management Team. The Company's Management Team has been strengthened by experienced professional directors to improve the conditions for business growth and conditions for operating as a listed company.

The Company believes that competent and motivated personnel guarantee the success of Harvia. According to the Company's view, competent and motivated personnel produce the best customer experience and ensure good productivity of work. The Company's management feels that Harvia is an attractive employer in Finland and in the markets where sauna recognition is high. Harvia has mainly long employee relationships and the Company invests in cooperation of operations and development of skills. Harvia's personnel in Finland have performance-linked pay and the majority of the personnel employed at of Harvia Finland Oy's Muurame production facility have the opportunity to participate in an encouraging direct piecework payment. The Company considers its relations with the personnel and trade unions to be good.

Business Strategy

The Company aims to be the leading player in the sauna and spa market. The Company's key strategic priorities in achieving its aim are as follows:

Increasing the Value of the Average Purchase

Harvia aims to grow the share of more advanced sauna heaters and more comprehensive sauna solutions and also increase the sales of its other premium products. In the view of the Company's management, Harvia traditionally has had an especially competitive offering in entry-level and mid-priced products in its main market area, and Harvia wishes to develop the sales of its premium products as well. Enabled by the Sentiotec acquisition, Harvia's offering covers also premium control units.

Upsell

The Company seeks to increase the value of the average purchase through upselling, by for instance offering a control unit, safety rail, sauna accessories, spare parts and heater stones in conjunction with a heater purchase. In the Company's experience, upselling for example safety rails can increase the value of a single purchase by a factor of 1.5 and upselling a control unit by a factor of 2 when compared to the purchase of just a heater. Control units and heater accessories are the highest margin products, followed by sauna accessories and lastly saunas. The Company seeks to increase understanding among customers and distributors of the potential for additional purchases and upselling via Harvia Academy training. The key objectives of the training are to increase the visibility of the entire Harvia product offering at major distribution outlets and to increase the sales personnel's sales skills and their awareness of the Harvia product range, including in particular control units, accessories, combi heaters and hybrid saunas. The product offering gained with the Sentiotec acquisition is utilised by strengthening the availability and marketing of these products in Finland.

The Company also continues to develop innovations that enhance the customer experience. The development focuses on products which utilise digital content and improve safety. An example of a recently launched innovation to enhance the customer experience comes from a remotely controllable control unit and the safety equipment that may be integrated into its use.

SENTIO by Harvia

In the first quarter of year 2018, the Company is launching the new SENTIO by Harvia brand for the premium segment. SENTIO by Harvia includes premium heaters, control units and selected accessories which are to be provided in all of the Company's target markets. The SENTIO by Harvia brand is to be launched in stages and the range includes higher heater technology and modern design sauna solutions for family saunas and commercial alike. By launching the brand the Company seeks to unite the strong Harvia heater brand and sauna expertise and the high technology expertise gained from the Sentiotec acquisition into a single, comprehensive premium sauna and spa product offering.

Turnkey Deliveries

The Company seeks to selectively expand its turnkey deliveries offered in particular to professional customers, examples of which can be found in sauna and spa facilities built at Finnish hotels. Typical turnkey deliveries include designing the complex as well as a wide range of the Company's products from heaters and control units to sauna rooms and spa modules. Utilisation of the installation and maintenance services provided by Saunamax Oy is another way in which the Company seeks to respond to the needs of commercial customers. Professional customers' saunas, that are used communally, also serve as a way to showcase the Company's product range to the wider group of end users.

Geographical Expansion

Harvia aims to grow its market share in all of its markets, in Finland, Scandinavia, Germany, other EU countries, Russia and North America. The focal point in the achievement of the strategic objective of geographical expansion is on constantly strengthening the distribution network and thus improving the availability and visibility of product suites tailored to Harvia's main markets.

In Central Europe the Company intends to benefit from the Sentiotec acquisition by optimising the distribution strategies of Harvia and Sentiotec and by making use of cross-selling.

In Scandinavia, the Company aims to obtain more distributors in the professional channel, in the wholesale distribution network in particular, and to introduce to the market products from the Company's existing product range that are better suited to local consumer preferences. In Sweden, the Company has, for example, served customers mainly through the building supply store distribution network and the product range offered has been based on Finnish consumer preferences. It is the view of management that by expanding the product range offered in Sweden into more premium products and by increasing sales through the wholesaler distribution network, the Company can facilitate the sales of better and more comprehensive sauna solutions in Sweden.

In Russia, the aim is to expand beyond major cities to regional centres. The Company seeks to support its current distributors' operations in major cities outside the Moscow and St Petersburg regions, by making use of trade shows and product demonstrations, and by organising distributor seminars also outside major cities. The Company is also looking into the need to appoint new regional distributors or to hire own locally based sales personnel in the future.

In North America, the Company seeks to increase its geographical presence and to better and more broadly introduce to the market products from the current product range that are suited to the North American market, including in particular heaters, control units, safety rails and sauna rooms. The Company has a good relationship with sauna builders whose distribution area cover most of the United States. The Company seeks to augment its network with a dealer in the Southern states, where the Company does not currently have comprehensive distribution. In addition, the Company aims to grow the sales of higher price point saunas and sauna components by enhancing its presence in relevant distribution channels.

Productivity Improvement

According to the view of the Company's management, efficiency and flexibility of the production is one of Harvia's competitive advantages. According to the management of the Company, Harvia's Muurame production facility is one of the world's largest facilities producing sauna rooms and sauna components. At the Muurame production facility, sales, procurement and research and development operate in very tight cooperation together with production to improve the efficiency of production and to optimise the product offering. The assembly workers at the Company's Muurame and China production facilities mainly work on piecework agreements, as a result of which efficiency of production is maintained at a good level and employee benefit expenses are flexible and vary with production volumes.

The Company constantly seeks to improve its operational efficiency by means which include optimising the geographical structure of production, streamlining purchases and logistics, optimising the product offering, designing products to be easy to manufacture, increasing capacity utilisation rate, and introducing a higher degree of automation at its production facilities.

Harvia operates on a decentralised production model in which the various production facilities focus on manufacturing certain products. The Company has been able to increase the efficiency of operations at its production facilities and to release capacity from other products, which in the view of management are more efficiently manufactured at the Company's other production facilities. The Company has an ongoing project to improve the management of inventories and efficiency of logistics. The project begins in Muurame and is intended to be rolled-out to the Company's other facilities. The Company aims to increase its efficiency by optimising its sourcing. In order to enhance logistical effectiveness, bar code readers will be introduced in internal inventory management in Muurame in 2018. The Company seeks to continue to optimise its product offering through measures designed to reduce the volume of overlapping and slow-turnover products. This also serves the aim of reducing inventory levels.

Financial Targets

The following financial targets were adopted by the Board of Directors in connection with the Listing. These financial targets contain forward-looking statements that are not guarantees of future financial performance, and Harvia's actual results of operations could differ materially from those expressed in connection with these forward-looking statements. Many factors, such as those mentioned under "*Certain matters – Forward-Looking Statements*", "*Risk Factors*" and "*Operating and Financial Review – Factors Affecting the Group's Operating Results*" may have an effect on the Company's results of operations. All financial targets mentioned here are solely targets and thus they should not be treated as forecasts, estimates or calculations of the Company's financial performance in the future.

The Company's financial targets are:

- *Growth:* Annual revenue growth above five (5) per cent on average
- *Profitability:* Adjusted operating profit margin of 20 per cent
- *Leverage ratio:* Net debt per adjusted EBITDA in the range of 1.5x–2.5x[113]

In connection with the Listing, the Board of Directors has adopted a dividend policy pursuant to which the Company targets a regularly increasing dividend with a bi-annual dividend payout of at least 60 per cent of net income, in total. The shareholders of the Company unanimously resolved on 2 March 2018 to authorize 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 and, 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.

Harvia's financial targets are based on many assumptions concerning i.a. the development of the Company's main markets' economy and the Company's business. Key factors in the development of the Company's business are the replacement share of saunas in traditional sauna and spa markets, the rise in sauna awareness in new sauna and spa markets, and the success of growth of average purchase, trading up to products of higher price points and like-for-like price increases. These assumptions on which the Company's financial targets are based may prove incorrect and the Company's operating results may differ materially from the financial targets owing to these factors and those mentioned under "*Certain Matters – Forward-Looking Statements*", "*Risk Factors*" and "*Operating and Financial Review – Factors Affecting the Group's Operating Results*". The Company's ability to reach its financial targets is associated with uncertainties and unforeseen expenses, some of which are beyond the Company's control, and there are no assurances that the targets will be reached or that the Company's operating results and financial condition will not materially differ from the financial targets set out above. There can be no assurance that the Company would be capable of maintaining its financial targets once they have been reached.

[113] Does not take into account the effect of the future changes in IFRS standards

Information on the Company's operating profit and financial figures for years 2015–2017 has been presented in the Offering Circular's section "*Selected Financial Information*".

Company's Products and Services

Harvia monitors its revenue at the product group level. The Company's product and service offering is divided into five groups: heaters, saunas, control units, steam generators, and spare parts, services and other products. Each of the Company's product groups contains products suited to its various customer groups with which the Company seeks to respond to customers' various needs. Customers may choose the sauna and spa products that meet their needs both as individual products and as suites consisting of several products. Harvia's product range contains products in various price categories and allows the integration of its products also into the end consumer's existing suite.

Ready-made turnkey deliveries, in which the Company supplies the customer with heaters, sauna rooms, control units, spa modules and lighting, as well as installation on a case-by-case basis, can be tailored for corporate customer including both end consumers and distributors. The Sentiotec acquisition, which was completed in 2016, expanded Harvia's sauna and spa product range to better comprise also premium electric heaters, control units, infrared saunas and sauna accessories. The Company is launching the new SENTIO by Harvia brand, under which it provides higher price point heaters, accessories and control units in particular for the needs of demanding customers.

Heaters

Harvia started its business in the 1950's with the manufacture of heaters and the Company has a long tradition in the product development and manufacture of heaters. Sauna heaters accounted for 59 per cent of Harvia's revenue for the financial year ended 31 December 2017. The heaters manufactured by Harvia can be divided into electric and wood-burning heaters. The majority of heater sales consists of electric heaters and related accessories. Heater accessories include i.a. safety rails and protective sheaths for heaters, protective beddings, electric heater embedding flanges, and chimneys and pipes for wood-burning heaters. Electric heater sales also comprise the combi heaters.

The Company's offering of electric heaters consists of heaters for small saunas, family sauna heaters, heaters for commercial saunas, and combi heaters. In combi heaters, a steamer integrated into an electric heater allows the sauna to be used as a traditional sauna, but with higher humidity, as an herbal sauna or a fragrant sauna. The Company's wood-burning heater offering consists of wood-burning heaters of various sizes either with or without a fixed water container. The largest wood-burning heaters are especially suited for heavy use in communal saunas. Wood-burning heaters are mainly sold to Finland, Sweden and Russia.

Choice of heater depends the volume of a sauna and its structures as well as the intended use of the heater and sauna. Heaters in large saunas and saunas in frequent use are required to have a greater output and to be more durable than sauna heaters in family saunas, as the humidity and heat in the former is required to remain constant for long periods of time. Harvia's smallest electric heaters have an output of a few kilowatts whereas the output of the largest electric heaters exceeds thirty kilowatts. The Company's largest heaters are especially well-suited to communal saunas in apartment buildings and terraced houses, public pools, spas and large saunas used for corporate entertainment purposes.

In the opinion of Company management, the competitive advantage of Harvia's heaters lies in their ease-of-use combined with their high quality and functionality. The Company's offering of heaters comprises entry-level heaters, mid-priced heaters and premium heaters. Harvia's management estimates that the Company has the most competitive offering in the market for entry-level and mid-priced heaters due to large volumes and pricing structure, and that the Company's entry-level heaters have a good functionality and price-to-quality ratio. The Company's management is, to an increasing degree, investing in the Company's competitiveness also in premium and large heaters. Via the acquisition of Sentiotec, which focused on more premium heaters, brought the Company greater expertise and a wider product range also in premium heaters.

Sauna Rooms

Sauna rooms accounted for 11 per cent of Harvia's revenue for the financial year ended 31 December 2017. Harvia's sauna product group comprises both individual sauna interior products and ready-made saunas. Sauna interior products comprise i.a. sauna doors, benches, panels and other components required in the structures of the sauna room. Sauna interior models comprise various kinds of sauna benches tailored to measure. Sauna interior products are mainly made of wood but the range also includes glass sauna doors and glass walls. The majority of the sauna product group's revenue is generated by the sales of sauna interior products.

In addition to sauna interiors, the Company also provides full ready-made saunas that can be built either as an entire distinct sauna building on the grounds of a property, for example, or as a sauna room built inside a building. Sauna rooms are also manufactured for infrared saunas. Ready-made saunas also comprise bathroom saunas, which instead of being fixed to the bathroom floor or walls stand on their own adjustable legs as a separate bathroom fixture. Harvia's bathroom sauna offering for example includes the awarded folding and adaptable SmartFold sauna that takes up only 0.7 square metres of floor space when folded away.[114]

The Company generally provides sauna interior products as ready-for-assembly-kits. In addition, construction companies are supplied with ready-made turnkey saunas consisting of sauna interiors, heater and possible other components.

Control Units

Sauna control units are the norm in the Central European markets as an accessory and interface to mid-priced and premium heaters. Control units accounted for 11 per cent of Harvia's revenue for the financial year ended 31 December 2017. Harvia provides control units for electric heaters, combi heaters, infrared saunas and hybrid saunas. Many of Harvia's electric heater models can be purchased without a control unit but a control unit is required, among others, for the Company's electric heaters for communal use, combi heaters, premium heaters for residential use, and infrared saunas. The Company also provides control units for use with the heaters of other heater and component manufacturers.

A control panel of a heater or a control unit may be installed in the sauna room or washroom or in another room and its purpose is to enhance the comfortable and safe use of the heater and to enable control of sauna accessories. Control units may be used to control the sauna's temperature, time of operation, lighting, ventilation, music, and also humidity in saunas with combi heater and the infrared radiator in infrared saunas. The Company's most advanced control units allow wireless operation and can be utilised with home automation systems.

Harvia's management estimates that the Company is the most competitive in the sales of entry-level and mid-priced control units as a result of volume and cost advantages as well as good price-to-quality ratio. The Sentiotec acquisition increased the Company's offering in premium control units, as Sentiotec's range of control units comprised i.a. safety solutions, remotely controllable and wireless solutions.

Steam Generators

Steam generators accounted for 5 per cent of Harvia's revenue for the financial year ended 31 December 2017. Steam generators are used instead of heaters as a heat source in steam saunas and they generate the steam as well as the heat needed for the steam sauna. Harvia's steam generator offering has focused mainly on steam generators for residential use but recently the range has been expanded to include also steam generators intended for commercial use, such as steam saunas in fitness clubs and spas. The Company also provides accessories for steam generators, such as steam nozzles, scent pumps and automatic valves, all of which are also included in this product group.

A steam room differs from the ordinary Finnish sauna in that its temperature is lower and its humidity is much higher. The humidity in a steam room rises up to 100 per cent and the temperature remains at 35–45 degrees Celsius. Steam room fittings must have properties different from those of traditional sauna interiors, as they must withstand both water and steam.

The majority of steam generators are sold to European Union countries but also to Russia, where traditional 'Turkish saunas' are popular, and to the Middle East, where the steam sauna is the most common type of sauna. At present, the Company does not offer steam generators on the North American market.

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[114] The Harvia SmartFold sauna was awarded a prize by Schwimmbad & Sauna, the largest magazine in Europe in the field of swimming pools and spas, at the biennial Golden Wave gala in 2014.

Spare Parts, Services and Other Products

Spare parts, services and other products accounted for 15 per cent of Harvia's revenue for the financial year ended 31 December 2017. The product group comprised of spare parts, services and other products includes i.a. sauna heater resistors and other spare parts, sauna stones, hot water containers, sauna lighting fixtures, waterproof sauna speakers and various kinds of sauna accessories such as sauna fragrances, buckets and ladles, and thermometers. In Finland, spare parts and heater stones generate the majority of revenue in this product group. In Central Europe, other sauna and spa accessories account for a significant portion of the product group's revenue.

The product group also includes sauna-related services provided by Velha and Saunamax, such as sauna maintenance, installation, upkeep and repair services for consumer and corporate customers.

The product group further includes infrared radiators, which are used in infrared saunas. Infrared radiators are installed in the infrared sauna in the walls or under the sauna benches for the source of heat. Infrared radiators are also installed together with the traditional heaters in the hybrid saunas. The Company's product offering also comprises sauna rooms for infrared saunas which are made of wood. An infrared sauna may be installed in a dry room and its temperature is lower than that of a traditional sauna, typically 30–40 degrees Celsius. The Sentiotec acquisition has reinforced the Company's product range in infrared saunas and their sales have been on the rise.

The product group also includes spa modules such as various kinds of steam room-compatible wall, ceiling and seating structures and rest divans as installation-ready modules. In some cases, mainly in respect of large spa suites designed for commercial use, the Company also supplies spa modules as turnkey deliveries.

The Company's Customers

The Company's products are sold the world over. The Company's main markets are Finland, Germany, Russia, Sweden and the United States. The Company has four main distribution channels: retailers and wholesalers, sauna builders and integrators, construction companies, and direct sales.

The Company's largest customer group comprises retailers and wholesalers. Approximately half of the Company's sales are generated from retailers and one third of the sales from wholesalers. Retailers typically consist of building supply companies and chains. Among wholesalers, the Company's customers consist especially in Finland of electricity and housing/piping and air-conditioning (HPAC) wholesalers as well as bathroom supply wholesalers and wholesalers that specialise in saunas. Through retailers, the Company's products are sold to end users, such as consumers, as well as to other end customers, such as contractors. The end customers of wholesalers are enterprises which use them in their own installation and construction business, for example. The Company's customer relationships with retailers and wholesalers are fairly established.

Sauna builders and integrators are the Company's second largest customer group and an important customer group in markets where the focus is on full sauna solutions, such as Central Europe and North America, where the Company has long-standing customer relationships with sauna builders in particular. Sauna builders and integrators comprise approximately one sixth of the Company's sales. Sauna builders implement the construction for the end users and act as wholesalers towards retailers. In North America and Russia, integrators also provide wholesalers with full sauna solutions.

In addition to the aforementioned, the Company sells its products also to construction companies and as direct sales to end customers such as hotels, spas, fitness clubs and private persons, whose share of the Company's sales is only minor. In Nordic countries, the Company's products are sold to construction companies who install saunas in new residential buildings. Construction companies acquire either individual sauna components or entire saunas. The Company has long-standing customer relationships with several of these construction companies. In addition, the Company engages in selected direct sales to large end customers, such as hotels or fitness club chains, in Finland and elsewhere in Europe in particular.

The Company's agreements tend to be one-year contracts and framework agreements under which deliveries are made to customers on the basis of orders. The Company's customer agreements typically contain no purchase quotas and the agreements only exceptionally contain any buy-back obligations in respect of e.g. unsold campaign products. For the most part, the Company's customer relationships are of long-standing, even though the contractual relationships are typically based either on agreements that are up for renewal at fixed intervals or on individual orders. The Company has the most significant individual customer relationship with a retail and wholesale chain active whose stores in the Nordic and Baltic countries sell the Company's products to both corporate and consumer end customers. The customer relationship is based on the customer's group-level framework agreement under which the individual order agreements made by the Company represented in total approximately 17 per cent of the Company's revenue for the financial year ended 31 December 2017. The customer relationship is central to the Company and it has been in place for more than 30 years. The Company's five largest customers had a share of 32 per cent of the Company's revenue.

Sales and Marketing

The Company's sales organisation consists of a total of 27 sales staff and 27 persons working in sales support functions. The Company's sales staff attend to sales primarily in Finland and Central Europe. In other areas, the Company makes use of sales agents. The Company promotes the sales of its products by means of trained sales staff who visit the Company's current and potential customers to provide information about the Company's products and their features. The Company also has in place a special training concept, Harvia Academy, which is a service provided to the sales personnel of the Company's distributors with the aim of ensuring that the persons who sell the Company's products to end customers are familiar with the Company's product range and are capable of providing customer service and technical support of high standard. The training programme consists of both electronic training materials and face-to-face instruction.

The sales process is supported by marketing communications to strengthen the recognition and perception of the Company's brand. Harvia has a strong brand and in the consumer survey conducted as part of the International Management Consultant Analysis in Autumn 2017, Harvia was the most often recognised international sauna brand among Finnish, Swedish, German, Russian and American respondents.[115] In its home market of Finland, Harvia is clearly the leader in recognition: 82 per cent of the consumer survey's respondents recognized Harvia, when the second most recognized brand was only recognized by 64 per cent. The Company's marketing is directed to customers, in addition to which marketing measures are also undertaken together with customers to target end users, for example by means of various kinds of advertising or special offer campaigns. In addition, the Company takes part in industry trade fairs and exhibitions in Finland and internationally. The Company believes that going ahead, the Internet will rise in significance as a communication and marketing channel in particular.

Company's Production

Components and Raw Materials

The components and raw materials required by the Company consist of electronic and electric components, such as control units and heater elements, the steel and other metal materials required for the manufacture of sauna heaters, as well as the wood required for sauna structures. The most central to production are the electronic and electric components and the metals. In addition, other important items sourced include the wood-burning heaters and heater frames purchased from the Russian contract manufacturer and the sauna accessories purchased from other third-party manufacturers.

The Company sources electronic components, such as tailored control units, from several designated contract manufacturers. The Company has not centralised its supply and is capable of changing suppliers at a reasonable cost. The relationships with suppliers have traditionally been long-standing even though purchases are typically concluded on an order-by-order basis. At the date of the Offering Circular, the Company's only longer supply contract is the three-year control unit supply contract concluded in connection with the Sentiotec acquisition with Sentiotec's former owner Abatec, which contract includes an annual purchase obligation.

Production Facilities and Offices

The Company's facilities in Muurame and Austria are situated in proximity to its biggest market areas, as measured by revenue, in order to optimise delivery capabilities and costs. The Company's main production facility is located in the Finnish town of Muurame, where the majority of the Company's heaters are

[115] International Management Consultant Analysis in Autumn 2017. Consumer survey of 810 consumers from Finland, Sweden, Russia, Germany and the United States.

manufactured. Last year, more than 70 thousand electric heaters and more than 35 thousand wood-burning heaters were manufactured in the Muurame production facility. The present capacity of the Muurame production facility enables the significant increase of production volume by only increasing the amount of personnel and working shifts in certain phases of operation without the need for further investment. The Company's other production facilities are located in China, Estonia and Romania.

The Company's production facilities, to a certain extent, specialise in different products and in different price-range products; primarily electric and wood-burning heaters, sauna rooms, sauna interior products and steam generators are manufactured in Muurame. In addition to the production lines, the Muurame office also houses the Company's finance, sales, marketing, export, sauna design, and research and development departments. In China, the Company produces primarily more affordable electric heater models for supply to Europe and also to some extent for the Asian market. Steam generators are also manufactured in China. Approximately 34 thousand heaters are manufactured in China each year. The Romanian production facility transferred to the Company as part of the Sentiotec acquisition manufactures primarily more affordable sauna rooms in both standard sizes and made-to-measure orders. The Romania facility also produces sauna accessories and assembles infrared radiators. The Company has decided on two equipment investments, in total approximately EUR 270 thousand, at the Romania facility for the year 2018 to enable an increase of the current production capacity, manufacturing of products of higher price points and quality, reduction of material waste, and improving the dust and sawdust removal machinery. In Estonia, the Company manufactures spa modules.

In addition, the Company has a sales and customer service office and a logistics centre in Austria.

In Russia, the Company has a contract manufacturer, which manufactures wood-burning heaters for the Company for the Russian market in the amount of approximately 5 thousand per year, as well as wood-burning heater frames for the Finnish market.

Research and Development

The Company's products are developed in close cooperation with R&D, production, and sales and marketing. The Company's product development focuses on the identification of customer needs and finding a solution. The Company's research and development focus is on improving the efficient production of the Company's products in its manufacturing facilities. This entails, *inter alia*, the minimisation of the number of individual parts. In addition, special tools required for efficient production and aimed at minimising the number of manual labour steps are designed for what are anticipated to be high volume products. As part of the R&D work, existing products are adapted to be better suited for professional use and new geographical markets.

The Company's product development is an iterative process all the way from the product innovation phase to testing and production. The products are evaluated based on commercial viability and technical feasibility, and according to the estimate of the Company's management, approximately 40 per cent of ideas are taken to further development. The feasibility of a product idea and possible production methods are evaluated further in the pre-study, and prototypes of the innovation are also created. Approximately 65 per cent of the pre-study product innovations are approved to be designed for production. The product is continuously tested in this final designing phase. Approximately 90 per cent of these products end up in commercial production.

The Company has taken part in the Sauna and Cardiovascular Health project of the University of Eastern Finland, in which the mechanisms through which sauna bathing protects the human body were studies in an experimental setting. Funded by the Finnish Funding Agency for Innovation, Tekes, the Company and other companies, the study was carried out by a multidisciplinary and internationally-networked research group at the University of Eastern Finland. The study is discussed in section "*Market and Industry Review – Main Industry Trends and Market Drivers – Growth in Sauna Awareness*".

The Company's capitalised and expensed research and development expenditure accounted in total for 2.1 per cent of the Company's revenue for the financial year ended 31 December 2017. Research and development employed in total 12 persons on average for the financial year ended 31 December 2017 in Muurame and China, which accounted for approximately 3.3 per cent of the total personnel. Intellectual property rights of the Company are described in section "– *Intellectual Property Rights*".

Organisation and Personnel

At 31 December 2017, the Group had 365 employees of whom 183 were in Finland, 28 in Austria, 82 in Romania, 67 in China and Hong Kong, and 5 in Estonia. Harvia has mainly long employee relationships and the Company invests in cooperation between teams and development of skills. The Group's personnel primarily work under permanent employment contracts, in addition to which the Group occasionally engages temporary agency personnel at Finnish group companies to respond to momentary spikes in demand. In addition to the Group's own sales personnel, the Company sells significant amount of its products through external sales agents. The Company is a member of Finnish Association of Technology Industries of Finland.

The Group's wages and salaries for the financial year ended 31 December 2017 were EUR 10,019 thousand (17 per cent of revenue). Harvia's personnel in Finland have performance-linked pay and the majority of Harvia Finland Oy's personnel employed at the Muurame production facility have the opportunity to participate in an encouraging direct piecework payment. The Group is using a piecework compensation scheme with the aim of encouraging its employees in Muurame and China towards efficient production. In the Company's view, the practice has both increased the flexibility of production and the profitability of production work.

The table below presents the Group's personnel at the end of the financial years indicated. As a result of the Sentiotec acquisition, 73 persons were transferred to the Group. The number of the Group's personnel for the financial year ended 31 December 2017 has increased, in Romania in particular, due to increased production. At the date of the Offering Circular, the number of the Group's personnel is 364. At the date of the Offering Circular Harvia Plc employs 2 persons: the CEO and the Chief Financial Officer of the Company.

	31 December		
(Number of persons)	**2017**	**2016**	**2015**
		(unaudited)	
White-collar	116	107	67
Blue-collar	249	231	188
Total	**365**	**338**	**255**

Legal Structure and History

General

The name of the Company is Harvia Plc and it is domiciled in Muurame, Finland. The Company is a public limited company incorporated under the laws of Finland. The Company's postal address is Teollisuustie 1-7, FI-40950 Muurame, Finland, and its phone number is +358 207 464 000. The Company's Business Identity Code is 2612169-5. The Company was registered on 24 March 2014.

Under Article 3 of its Articles of Association, the line of business of the Company is group administration and holding company operations. The Company may own, control and lease shares and real estate.

Legal Structure

Harvia Plc is the Group's parent company. The Company and its subsidiary Harvia Group Oy provide administrative services to group companies and engage in no operational activities. The Company's most important operational subsidiaries are Harvia Finland Oy (former Harvia Oy), Velha Oy and Saunamax Oy in Finland and Sentiotec GmbH in Austria. In addition to these, the Company has subsidiaries: Harvia RUS LLC in Russia, Harvia Estonia OÜ in Estonia, Domo Romania SRL and K&R Imobiliare in Romania, Harvia (HK) Sauna Co. Ltd in Hong Kong and Guangzhou City Harvia Sauna Co. Ltd in China. These engage primarily in sales and production.

Harvia Finland Oy manufactures heaters and other sauna and spa products. Velha Oy manufactures saunas, sauna benches and sauna doors in Muurame in Finland. Guangzhou City Harvia Sauna Co. Ltd, a subsidiary of Harvia (HK) Sauna Co. Ltd, operates the China facility where the Company manufactures primarily heaters and steam generators. Harvia Estonia OÜ manufactures spa modules in Tartu. Harvia RUS LLC attends to the Company's business in Russia and e.g. coordinates import, logistics and the manufacture of wood-burning heaters in Russia via a contract manufacturer. Harvia Finland Oy holds 56 per cent of the share capital of Saunamax Oy. The shareholders agreement between Harvia Finland Oy and the other shareholders in Saunamax Oy is described under "—*Material agreements*". Saunamax Oy provides heater and sauna maintenance and installation services in Finland. The Austrian Sentiotec GmbH provides heaters, control units, infrared saunas, and other sauna products and accessories in Central Europe. In addition to Harvia's and Sentiotec's own products, also products of other manufacturers of sauna and spa products are sold through Sentiotec. Sentiotec's subsidiary Domo Romania SRL operates the Company's Romanian facility which manufactures not only Sentiotec products but also other Harvia products, while K&R Imobiliare administers the Company's Romanian properties.

The following table presents the subsidiaries directly or indirectly held by Harvia Plc at the date of the Offering Circular.

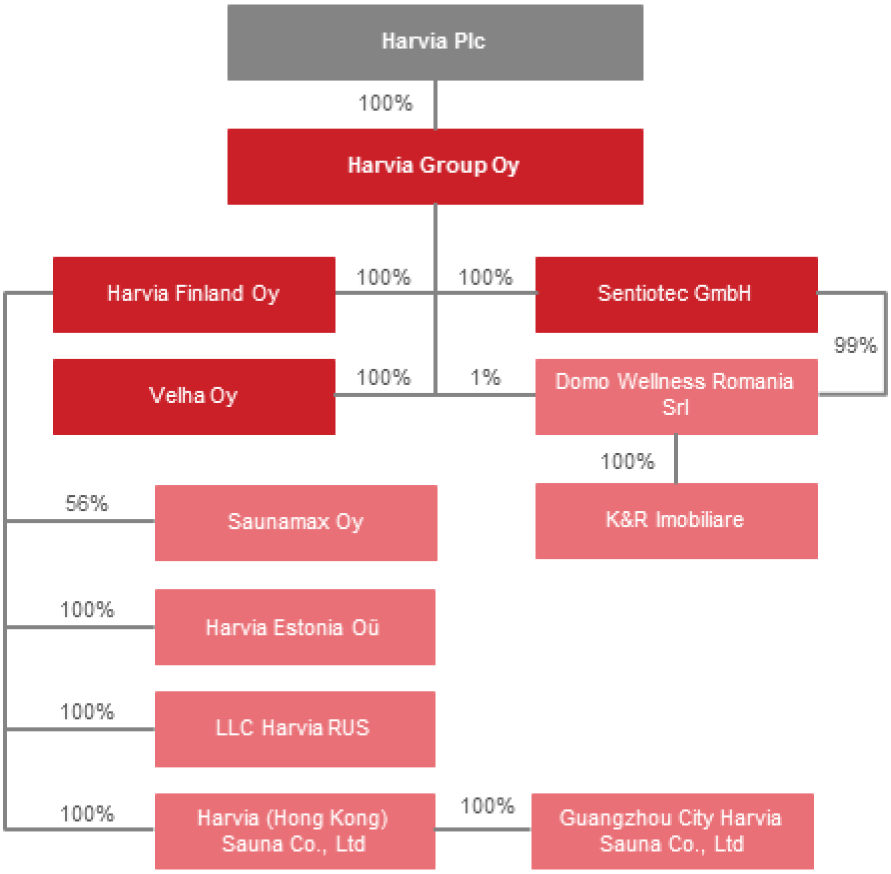

Figure: Group structure.

History

Harvia was started in Jyväskylä in the beginning of the 1950's, when Harvia Finland Oy founder Tapani Harvia manufactured the first wood-burning Harvia heater for his personal use in 1951. The first heaters for sale were manufactured in the mid-1950s. In the late 1950s, Harvia started the manufacture of continuous-heating heaters, and Harvia's annual output at the time was roughly 100 heaters per year. By the late 1960s, annual production volume had climbed to one thousand heaters. The early 1970s saw the relocation of Harvia from Jyväskylä to new premises built in Muurame. Wood-burning heaters which used domestic wood as fuel were in favour in the 1970s, and at the time, all of the heaters manufactured by Harvia were wood-burning heaters.

In the 1980s, urbanisation and evolving lifestyles led to a rise in demand for electric heaters, and towards the end of the decade, Harvia added electric heaters to its offering alongside wood-burning heaters. In the 1990s, Harvia started exporting to Central Europe, and soon thereafter Russia, Eastern Europe, the United States and the Far East were added to Harvia's export destinations. Velha Oy launched its operations in 1997, a year which marks the start of Harvia's sauna and sauna interior production. In the 2000s, Harvia's annual heater output exceeded 150,000 and products were exported to all parts of the world. Harvia established a facility in China in 2004. The manufacture of a new product group – steam generators – started in 2006 and in 2010 Harvia's product offering expanded to include bathroom saunas.

Harvia Holding Oy was established in 2014 when the Funds Managed by CapMan became majority holders of the Harvia group and Harvia's family member shareholders retained a minority holding in the group. The entire share capital of Harvia Finland Oy (former Harvia Oy) and Velha Oy transferred through an acquisition from the Harvia's family member shareholders to Harvia Group Oy.

In the same year, Harvia Finland Oy (former Harvia Oy) established a subsidiary in Estonia, Harvia Estonia OÜ, when it acquired the spa component business of Cupola OÜ. A subsidiary was established in Russia in 2015 by Harvia to distribute the Company's products.

In November 2016, the Company acquired the Austrian Sentiotec GmbH group from electronics conglomerate Abatec Group AG. Sentiotec specialises in digital control units, sauna rooms, infrared and steam saunas, sauna accessories and electric heaters. In the financial year ended 31 December 2015, Sentiotec had revenue of EUR 7.4 million. The purchase price of EUR 4.5 million was paid in cash. Sentiotec's primary markets are Germany and Austria. The acquisition strengthened the Company's position in digital sauna control, as Sentiotec holds a wide portfolio of sauna and spa control units complete with accessories. Sentiotec has two Romanian subsidiaries and a production facility in Romania.

In February 2017, Harvia Finland Oy (former Harvia Oy) acquired a 56.2 per cent in the Finnish Saunamax Oy by subscribing for new shares in the company in the amount of EUR 450 thousand. The Company has an option to acquire also the remaining outstanding shares in Saunamax Oy.

Intellectual Property Rights

At the date of the Offering Circular, the Company has protected or filed an application to protect the HARVIA trademark and the HARVIA logo, *inter alia*, in Europe, Russia, the United States and Asia, and has sought to protect its brands through means including domain name registrations. The Company believes that the recognition and popularity of and customer loyalty to its brands, such as HARVIA and SENTIOTEC, among professionals and end users are important competitive advantages in many of the markets where the Company operates. As the newest brand, the Company is launching SENTIO by Harvia.

The Company holds numerous patents and utility model rights in Finland as well as design rights in Finland, the European Union and China for its various sauna elements. Certain design right registrations held by the Company in China expire in 2018 when the maximum term of the registrations is reached. The design right registrations remain in effect elsewhere, including the EU. The holder of the majority of the intellectual property rights is Harvia Finland Oy.

Real Estate and Leases

Harvia owns real estate in Finland and Romania. In Finland, the Company owns the property in Muurame on which the Company's production facility with warehouses and the Company's head office are situated. The Company's property in Muurame consists of two land areas, one of which has been used by the Company since the 1970s and the other of which was acquired in 2013. The land acquired in 2013 earlier housed a fuel distribution station but according to a soil survey carried out, no rehabilitation of the land is required. The property in Romania is owned by the Company's subsidiary K&R Imobiliare, which leases the property and the production facility standing on it to its parent company Domo Romani SRL. In addition, the Company's subsidiaries in Romania own land properties, which at present are not being used for Company's operations.

The Company's production facilities in China and Estonia operate on leased premises. In addition, the Company's offices in Austria, Hong Kong, Russia and Estonia as well as the sales and customer service office and logistics centre in Austria are also located on leased premises. The Company's production facility in China is located in an 'industrial park' and its land is officially designated for agricultural use. The Company has also built two extension buildings in connection with the production facility and the title and lease concerning these is not entirely clear. The industrial park has been in operation for several years and houses the production and business facilities of several distinct operators. The Company considers that were its lease to the production facility to be terminated, it would in all likelihood be capable of transferring its operations to new premises within a relatively short time and at a reasonable cost.

Material Agreements

Besides those mentioned below, the Company has not concluded any agreements outside the scope of its ordinary business during the two financial years preceding the publication of the Offering Circular or in 2018, or any agreements outside the scope of its ordinary business, based on which the Company would be subject to significant obligations or hold significant rights at the date of the Offering Circular.

Harvia Finland Oy has in place a shareholders agreement with the minority shareholders in Saunamax Oy. Pursuant to the shareholders agreement, the share of Harvia Finland Oy's ownership has to be 51 per cent at the minimum. Under the shareholders agreement, in the event of the Listing Harvia Oy has the right to acquire also the remaining outstanding shares in Saunamax Oy. Harvia does not intend to exercise its purchase option immediately in connection with the Listing. Since 2020, the other shareholders of Saunamax Oy have the right to demand Harvia to redeem, and respectively, an obligation to sell all the shares of Saunamax Oy owned by these shareholders. The redemption price shall be determined in accordance with fair value determined according to acquisition cost or EBITDA or by other means.

Sentiotec GmbH has a secured credit limit agreement of EUR 2,300 thousand with Raiffeisenbank Region Vöcklabruk eGen. The agreement includes covenants that are conventional for similar agreements. Sentiotec's subsidiary Domo Romania has a small credit limit at its disposal from OTP Bank Romania SA, which is secured by real estate property of K&R Imobiliare.

In 2 March 2018, the Company has agreed on a financing arrangement of EUR 44,500 thousand in total, with Danske Bank A/S, Finland Branch, which is conditional upon the execution of the Listing (the "**New Financing Arrangement**"). The New Financing Arrangement consists of a EUR 36,500 thousand temporary loan and EUR 8,000 thousand credit limit. At the time of the Listing, the Company will prematurely repay the Old Bank Loans (nominal value EUR 36,250 thousand in total) with funds from the temporary loan and potential amounts outstanding under the existing credit limit will be repaid using funds from the new credit limit in connection with the execution of the New Financing Arrangement. The existing facilities are both euro-denominated with a variable interest margin and Euribor base rate. The Group's land areas and buildings as well as enterprise mortgages, which comprise the guarantees on the existing financing facilities, will be released under the New Financing Arrangement. The Company guarantees the loans raised in accordance with the New Financing Arrangement, and if one or more group companies will join the New Financing Arrangement, each joining company secures the loans drawn under the New Financing Arrangement subject to certain corporate law restrictions included in the terms of the loan.

In accordance with the New Financing Arrangement, the temporary loan matures for payment in its entirety, five years from the date of signature of the loan agreement. The amount drawn down from the credit limit matures for payment on the last day of the interest period related to the credit limit. Amounts drawn down from and repaid to the credit limit can be drawn down again. Interest on the drawn amount of the temporary loan and the credit limit are determined based on Euribor interest base rate and a fixed margin. The loan agreement concerning the temporary loan and the credit limit includes covenant terms related to net debt to EBITDA ratio, which have been determined in the loan agreement, and other covenant conventional terms, relating to, among others, EBITDA to net finance costs ratio, corporate acquisitions and corporate sales, pledges and transfers of funds as well as the granting of loans or guarantees. The Company has entered into interest rate swap agreement to hedge against interest rate risk arising from variable rate of bank loans.

At the completion of the Listing, the Company intends to use the funds raised in the Share Issue to strengthen its equity structure by repaying outstanding shareholder loans including the so-called vendor note that have been received from the owners of Harvia Holding Oy in 2014 in connection with the acquisitions of Harvia Finland Oy (former Harvia Oy) and Velha Oy maturing prematurely at the completion of the Listing, and their accrued interests (EUR 41,618 thousand in total, as at 31 December 2017).

The vendor notes totalling EUR 10,000 thousand included in the shareholder loans have been received from the previous owners of Harvia in connection with the corporate transactions in 2014. The loans carry a fixed interest of 5 per cent, 1.5 per cent of which has been paid yearly as withholding tax to the Tax Administration and 3.5 per cent of which has been added yearly to equity. Other shareholder loans are denominated in euro with a fixed 10% interest rate. In accordance with the loan conditions, the Company has paid interests accumulated for these loans granted by natural persons yearly in cash less withholding tax paid to the Tax Administration and interests accumulated for the loans granted by legal entities have been capitalised yearly. In 2017 the withholding tax paid to the Tax Administration relating to shareholder loans and vendor notes was EUR 175 thousand in total and the interests paid to the natural persons were EUR 21 thousand and the interests capitalised were EUR 3,101 thousand in total.

In connection with the Listing, Harvia is expected to conclude a placing agreement with the Joint Bookrunners and the Funds Managed by CapMan on customary terms. The conclusion of the placing agreement is estimated to take place on 21 March 2018. Further information about the placing agreement is provided under "*Plan of Distribution in the Offering – Placing Agreement*".

Environmental Matters

No environmental permit is required for the Company's operations in Finland. The production facilities' paint shops use environmentally harmful substances, amongst others, but the quantities of these in production are minor and thus do not require the notification under the Environmental Protection Act (527/2014). Of the Company's other production facilities, only Domo Romania SRL holds an environmental permit and the permit concerns wood treatment.

Legal Proceedings and Administrative Procedures

The Company becomes involved from time to time in various claims and lawsuits arising in the ordinary course of its business, such as disputes with customers and proceedings initiated by public authorities.

During the 12 months preceding the date of the Offering Circular, the Company has not been a party to legal, arbitration or administrative proceedings that may have or in the past 12 months have had a significant effect on the financial position or profitability of the Company or its subsidiaries, and the Company is not aware of any such proceedings being pending or threatened.

SELECTED FINANCIAL INFORMATION

The following tables present a summary of the Company's consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows and key figures for the financial years ended 31 December 2017, 31 December 2016 and 31 December 2015. The information presented below is based on the Company's Audited Consolidated Financial Statements prepared in accordance with IFRS and included in this Offering Circular.

This summary should be read together with the section "*Operating and Financial Review*" as well as the Audited Consolidated Financial Statements of the Company included in this Offering Circular.

Consolidated Statement of Comprehensive Income

	1 January–31 December		
(EUR thousand)	**2017**	**2016**	**2015**
		(audited)	
Revenue	60,107	50,095	46,412
Other operating income	208	373	602
Changes in inventories of finished goods and work in progress	1,086	-863	650
Materials and services	-26,058	-19,890	-18,602
Employee benefit expenses	-12,305	-9,927	-9,393
Other operating expenses	-11,855	-8,480	-7,436
Depreciation and amortisation	-1,921	-1,609	-1,597
Operating profit	**9,263**	**9,698**	**10,637**
Finance income	457	54	42
Finance costs	-5,370	-5,169	-5,299
Finance costs, net	-4,914	-5,115	-5,257
Profit before income taxes	**4,349**	**4,583**	**5,379**
Income taxes	-1,435	-1,268	-1,579
Profit for the period	**2,914**	**3,315**	**3,801**
Attributable to:			
Owners of the parent	2,914	3,315	3,801
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Translation differences	-505	87	373
Other comprehensive income, net of tax	-505	87	373
Total comprehensive income	**2,409**	**3,402**	**4,173**
Attributable to:			
Owners of the parent	2,409	3,402	4,173
Basic EPS (EUR)	0.30	0.35	0.40
Diluted EPS (EUR)	0.30	0.34	0.40

Consolidated Statement of Financial Position

	31 December		
(EUR thousand)	**2017**	**2016**	**2015**
		(audited)	
ASSETS			
Non-current assets			
Intangible assets	2,999	2,750	91
Goodwill	59,224	58,857	56,921
Property, plant and equipment	14,939	15,790	15,832
Total non-current assets	**77,163**	**77,396**	**72,844**
Current assets			
Inventories	14,143	11,941	11,027
Trade and other receivables	12,738	10,829	8,527
Income tax receivables	1,604	2,192	1,041

Cash and cash equivalents	8,345	6,568	6,878
Total current assets	**36,830**	**31,531**	**27,474**
Total assets	**113,993**	**108,927**	**100,318**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	3	3	3
Other reserves	9,703	10,209	9,830
Retained earnings	6,656	3,342	-459
Profit for the period	2,914	3,315	3,801
Total equity	**19,276**	**16,868**	**13,174**
LIABILITIES			
Non-current liabilities			
Shareholder loans	41,618	38,516	35,598
Loans from credit institutions	31,318	35,553	39,568
Derivative financial instruments	1,327	1,622	1,540
Deferred tax liabilities	442	323	281
Other non-current liabilities	383	118	15
Provisions	225	262	235
Total non-current liabilities	**75,313**	**76,395**	**77,237**
Current liabilities			
Loans from credit institutions	8,394	6,954	4,081
Derivative financial instruments	-	146	-
Income tax liabilities	1,160	975	5
Trade and other payables	9,626	7,328	5,585
Provisions	225	262	235
Total current liabilities	**19,404**	**15,665**	**9,907**
Total liabilities	**94,716**	**92,060**	**87,144**
Total equity and liabilities	**113,993**	**108,927**	**100,318**

Consolidated Statement of Cash Flows

	31 December		
(EUR thousand)	**2017**	**2016**	**2015**
		(audited)	
Cash flows from operating activities	**8,029**	**9,952**	**10,439**
Cash flows from investing activities	**-1,166**	**-5,362**	**-485**
Cash flows from financing activities	**-4,882**	**-5,014**	**-10,486**
Net change in cash and cash equivalents	1,980	-424	-532
Cash and cash equivalents at 1 January	6,568	6,878	7,309
Exchange gains/losses on cash and cash equivalents	-204	114	101
Cash and cash equivalents at 31 December	**8,345**	**6,568**	**6,878**

Key Performance Indicators

The Company follows several key performance indicators which it uses to measure its business. These key performance indicators include IFRS-based indicators and Alternative Performance Measures. For additional information on Alternative Performance Measures, see "*Certain Matters – Presentation of Financial and Certain Other Information – Alternative Performance Measures*". The following table sets forth the key performance indicator data of the Company for the financial years ended 31 December 2017, 31 December 2016 and 31 December 2015.

(EUR thousand, unless otherwise indicated)	1 January – 31 December		
	2017	2016	2015
	(unaudited, unless otherwise indicated)		
Revenue growth			
Revenue[1]	60,107	50,095	46,412
Revenue growth, per cent	20.0	7.9	-
Organic growth, per cent	3.9	3.8	-
Constant currency revenue growth, per cent	18.9	8.2	-
Key statement of comprehensive income indicators			
EBITDA	11,184	11,307	12,233
EBITDA margin, per cent	18.6	22.6	26.4
Adjusted EBITDA	12,617	11,664	12,214
Adjusted EBITA margin, per cent	21.0	23.3	26.3
Operating profit[1]	9,263	9,698	10,637
Operating profit margin, per cent	15.4	19.4	22.9
Adjusted operating profit	10,696	10,055	10,617
Adjusted operating profit margin, per cent	17.8	20.1	22.9
Adjusted profit before income taxes	5,783	4,941	5,360
Basic EPS (EUR)[1]	0.30	0.35	0.40
Diluted EPS (EUR)[1]	0.30	0.34	0.40
Key cash flow indicators			
Cash flow from operating activities[1]	8,029	9,952	10,439
Operating free cash flow	9,035	10,804	11,693
Cash conversion, per cent	71.6	92.6	95.7
Investments in tangible and intangible assets[1]	-1,196	-1,002	-711
Financial position key figures			
Net debt[1]	72,985	74,455	72,369
Net debt / adjusted EBITDA (Leverage), per cent	5.8	6.4	5.9
Net working capital[1]	17,255	15,443	13,969
Capital employed excluding goodwill	32,752	30,544	29,171
Adjusted return on capital employed (ROCE), per cent	32.7	32.9	36.4
Equity ratio, per cent	16.9	15.5	13.1

1) Audited

Calculation of key figures

Key figure	Definition	Reason for the use
Organic growth, per cent	The revenue growth of companies and businesses that have belonged to the group for over 12 months.	Organic growth presents the development of the company's continuing business operations.
Constant currency revenue growth, per cent	Revenue translated at average foreign exchange rates for the previous year divided by the previous year's revenue.	Constant currency revenue growth presents the development of Company's sales excluding the effect of foreign exchange rate fluctuations.
Operating profit	Profit before income taxes, finance income and finance costs.	Operating profit shows result generated by the operating activities.
Operating profit margin	Operating profit as percentage of revenue.	Operating profit margin is a key performance measure used in the long term financial targets.
EBITDA	Operating profit before depreciation and amortisation.	EBITDA is the indicator to measure the performance of the group.
EBITDA margin	EBITDA as percentage of revenue.	
Items affecting comparability	Unusual material items outside the ordinary course of business, which relate to i) costs related to the contemplated listing ii) strategic development projects, iii) acquisition and	Adjusted EBITDA, adjusted EBITDA margin, adjusted operating profit and adjusted operating profit margin are presented in addition to EBITDA and operating profit to

	integration related expenses, iv) restructuring expenses and v) net gains or losses on sale of assets and grants received.	reflect the underlying business performance and to enhance comparability from period to period. Company believes that these comparable performance measures provide meaningful supplemental information by excluding items outside normal business, which reduce comparability between the periods.
Adjusted operating profit	Operating profit before items affecting comparability.	
Adjusted operating profit margin	Adjusted operating profit as percentage of revenue.	
Adjusted EBITDA	EBITDA before items affecting comparability.	Adjusted EBITDA is an internal measure to assess Company's performance. Adjusted EBITDA is commonly used as a base for valuation purposes outside the company and therefore important measure to report regularly
Adjusted EBITDA margin	Adjusted EBITDA as percentage of revenue.	
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 presents the distribution of Company's results to owners.
Earnings per share, diluted	Profit for the period attributable to the owners of the parent divided by weighted average number of shares outstanding taken into consideration the effects associated with any parent company's obligations regarding the possible share issue in the future.	
Net debt	Shareholder loans and current and non-current loans from credit institutions less cash and cash equivalents.	Net debt is an indicator of the total external debt financing of the Group
Net debt to adjusted EBITDA (Leverage)	Net debt divided by adjusted EBITDA.	The ratio of net debt to adjusted EBITDA helps to show financial risk level and it is a useful measure for management to monitor the level of Company's indebtedness.
Net working capital	Inventories, trade and other receivables less trade and other payables.	Net working capital is a useful measure for management to monitor the level of direct net working capital tied to the operations and changes therein.
Capital employed excluding goodwill	Capital employed excluding goodwill is total equity and net debt and less goodwill.	Capital employed excluding goodwill presents the total investment in Company's operations and it is used to calculate adjusted return on capital employed (ROCE).
Adjusted return on capital employed (ROCE)	Adjusted operating profit divided by average capital employed excluding goodwill.	Internal measure to evaluate return on capital employed and to analyse and compare different businesses and opportunities taking into account capital required.
Net cash from operating activities	Net cash from operating activities as presented in the consolidated statement of cash flows.	Net cash from operating activities illustrates the Company's ability to generate cash flows available for the Company's investments and financing needs and to be distributed to shareholders as dividends or other distributions
Investments in tangible and intangible assets	Investments in tangible and intangible assets as presented in the consolidated statement of cash flows.	Investments in tangible and intangible assets provides additional information of the cash flow needs of organic operations and it is used to calculate operating free cash flow.
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. When calculating operating free cash flow, change in net working capital represents the change in working capital in the consolidated	Operating free cash flow provides information about the cash flow that the company is able to generate after the investments in tangible and intangible assets.

	statement of cash flows (which includes increase / decrease in trade and other receivables, inventories and trade and other payables.	Cash conversion represents how much of its EBITDA the Company is able to convert into free cash flow. The ratio indicates the Company's capacity to pay dividends and / or generate funds for acquisitions or other transactions.
Cash conversion	Operating free cash flow divided by adjusted EBITDA.	
Equity ratio	Total equity divided by total assets less advances received.	Equity ratio illustrates the financial risk level and it is a useful measure to aid management in monitoring the level of Company's capital used in the operations.

Reconciliation of Certain Alternative Performance Measures

The following table sets forth reconciliation of EBITDA, adjusted EBITDA, adjusted operating profit and adjusted profit before income taxes to operating profit for the financial years ended 31 December 2017, 31 December 2016 and 31 December 2015.

	1 January – 31 December		
(EUR thousand)	**2017**	**2016**	**2015**
	(unaudited, unless otherwise indicated)		
Operating profit(1	**9,263**	**9,698**	**10,637**
Depreciation and amortisation(1	1,921	1,609	1,597
EBITDA	**11,184**	**11,307**	**12,233**
Items affecting comparability			
Costs related to Listing	584	-	-
Strategic development projects	605	169	132
Acquisition and integration related expenses	227	189	-
Restructuring expenses	52	-	27
Net gains or losses from sales of assets and grants received	-34	-	-178
Total items affecting comparability	**1,434**	**357**	**-19**
Adjusted EBITDA	**12,617**	**11,664**	**12,214**
Depreciation and amortisation(1	-1,921	-1,609	-1,597
Adjusted operating profit	**10,696**	**10,055**	**10,617**
Finance costs, net(1	-4,914	-5,115	-5,257
Adjusted profit before income taxes	**5,783**	**4,941**	**5,360**

[1)] Audited

The following table sets forth reconciliation of operating free cash flow to adjusted EBITDA and cash conversion for the financial years ended 31 December 2017, 31 December 2016 and 31 December 2015.

	1 January – 31 December		
(EUR thousand, unless otherwise indicated)	**2017**	**2016**	**2015**
	(unaudited, unless otherwise indicated)		
Adjusted EBITDA	**12,617**	**11,664**	**12,214**
Change in net working capital(1	-2,387	142	190
Investments in tangible and intangible assets(1	-1,196	-1,002	-711
Operating free cash flow	**9,035**	**10,804**	**11,693**
Cash conversion, per cent	**71.6**	**92.6**	**95.7**

[1)] Audited

Certain Quarterly Financial Information

The following table sets forth the quarterly development of the Company's revenue, EBITDA, adjusted EBITDA and adjusted operating profit and their reconciliation to operating profit for the periods indicated.

(EUR thousand)	2017				2016			
	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
	(unaudited)							
Revenue	**16,134**	**13,159**	**14,371**	**16,444**	**14,319**	**11,624**	**11,817**	**12,335**
Operating profit	**1,745**	**2,298**	**2,187**	**3,032**	**2,247**	**2,466**	**2,261**	**2,724**
Depreciation and amortisation	484	479	483	475	445	397	386	381
EBITDA	**2,229**	**2,778**	**2,669**	**3,508**	**2,692**	**2,863**	**2,647**	**3,105**
Items affecting comparability								
Costs related to Listing	584	-	-	-	-	-	-	-
Strategic development projects	483	33	40	49	30	30	81	28
Acquisition and integration related expenses	32	7	89	98	189	-	-	-
Restructuring expenses	-	-	52	-	-	-	-	-
Net gains or losses from sales of assets and grants received	-	-	-34	-	-	-	-	-
Total items affecting comparability	**1,099**	**41**	**147**	**147**	**218**	**30**	**81**	**28**
Adjusted EBITDA	**3,328**	**2,818**	**2,816**	**3,655**	**2,910**	**2,893**	**2,728**	**3,133**
Depreciation and amortisation	-484	-479	-483	-475	-445	-397	-386	-381
Adjusted operating profit	**2,845**	**2,339**	**2,333**	**3,180**	**2,465**	**2,496**	**2,342**	**2,752**

OPERATING AND FINANCIAL REVIEW

The following review concerning the Company's results of operations and financial condition should be read together with the sections "Certain Matters – Presentation of Financial and Certain Other Information", "Capitalisation and Indebtedness" and "Selected Financial Information" as well as the Audited Consolidated Financial Statements of the Company. The Audited Consolidated Financial Statements of the Company have been prepared in accordance with IFRS.

This review includes forward-looking statements, which inevitably involve risks and uncertainty. The actual results may differ materially from those contained in such forward-looking statements. See "Risk Factors" and "Certain Matters – Forward-Looking Statements".

Overview

Harvia is one of the world's leading manufacturers of sauna and spa products. The Company has a comprehensive product offering for the needs of the global sauna and spa market, including both professional and consumer customers. The Company's largest customer group consists of retailers and wholesalers which sell the Company's products to builders and end customers.

Harvia monitors its revenue at the product group level. The Company's product and service offering is divided into five groups: heaters, saunas, control units, steam generators, and spare parts, services and other products. The following table sets forth the revenue of the Company by product group.

	1 January – 31 December		
(EUR thousand)	**2017**	**2016**	**2015**
		(audited)	
Sauna heaters	35,289	32,481	31,575
Saunas	6,903	4,651	4,176
Control units	6,318	3,606	2,767
Steam generators	2,791	2,960	2,535
Spare parts, services and other	8,807	6,397	5,358
Total	**60,107**	**50,095**	**46,412**

The Company's headquarters are located in the town of Muurame in Finland. The Company's own production facilities are located in Finland, China, Romania and Estonia, in addition to which the Company has a contract manufacturer and a sales subsidiary in Russia, and a sales and customer service office and logistics centre in Austria. The Company's products are distributed globally through a network of distributors. The Company's market position in Germany and other EU countries has been strengthened via the Sentiotec acquisition. The following table sets forth the revenue of the Company by geographical area.

	1 January – 31 December		
(EUR thousand)	**2017**	**2016**	**2015**
		(audited)	
Finland	22,214	20,815	20,369
Scandinavia	3,324	3,111	2,941
Germany	7,373	3,652	2,364
Other EU countries	14,044	10,237	8,684
Russia	6,227	6,146	6,603
North America	2,963	2,397	1,616
Other countries	3,962	3,736	3,834
Total	**60,107**	**50,095**	**46,412**

Factors Affecting the Group's Operating Results

Harvia's operating result has and will continue to be influenced by a number of internal and external factors, many of which are beyond the Group's control. How the Group's result will develop in the future is difficult to predict, and Harvia's past performance may not necessarily be indicative of its future performance. Some key factors that have or may have affected the Group's operating results and which may continue to have an effect are discussed below.

Demand for Harvia's Products and Services

The sales of Harvia's products have a significant impact on the Group's operating result. The key factors affecting the demand for sauna and spa products are changes in general economic conditions and consumer confidence, the amount of household disposable income, awareness of sauna and spa products, and the preferences of end users.

General Economic Conditions and Consumer Confidence

Changes in consumer confidence and in household disposable affect demand for Harvia's products. These factors, in turn, are affected by the general economic conditions on the Company's target markets. The Group operates on a global scale, but developments in the economic conditions of, and in the degree of consumer confidence, in the EU or euro area have the most significant impact on its operating result.

Changes in the economic conditions that affect end customers may have an impact on consumers' or contractors' decision to execute, postpone or cancel projects to repair, renovate or build saunas or sauna components. The ability of the Company's customers and end customers to receive credit also affects how capable they are of undertaking projects involving the renovation or construction of new sauna or spa premises. The amount of funds the end users of the products, such as the customers of hotels and fitness centres, are capable of spending on accommodation and wellness services also affects the demand for saunas and sauna components that are in commercial use. In addition, accommodation and wellness service providers make investments based on their customers' interest in and readiness to purchase sauna and spa services.

The global sauna and spa market has historically been resilient to economic cycles due to the significant replacement demand for sauna and spa premises and especially for sauna heaters and sauna components. Global sauna and spa demand has grown, on average, by 5 per cent each year between 2010 and 2016 and historically growth has been driven by both replacement and new build sauna and spa demand. Continued growth of new build demand in particular, depends, among other things, on whether the wellness trend continues and whether saunas awareness continues to grow among consumers. See section "*Risk Factors – Risks Related to the Company's Operating Environment and Business – A weak economy, negative social and political development and uncertainties in the markets or the regions in which the Company operates may have an adverse effect on the Company's business by reducing demand for the Company's products*".

The Correspondence of the Company's Product Offering to the Preferences of End Users

The demand for Harvia's products among end users is generally affected by the demand for sauna and spa services, which in turn is affected e.g. by general wellness trends, sauna awareness and the associations consumers make with sauna as well as general end user preferences. Demand for Harvia's products is dependent on its brand remaining well-recognised among sauna users in Finland, Sweden, Germany, Russia and the United States and the strengthening of its brand in the Company's more developing target sauna markets e.g. in Asia. In the view of the Company's management, the Company's ability to maintain and further improve its customers' positive opinions and impressions of the Company's products, relating particularly to their ease-of-use, high quality, durability and safety, and availability of technical support, have a direct impact on the demand for the Company's products.

The diversity of Harvia's product and service offering is one way of ensuring that the Company can satisfy the different needs of its end customers and end users, and the Company's ability to develop its offering as these needs change, will reflect on the demand for its products. Successful cooperation between the Company's sales organisation and research and development team helps to ensure that its products are designed to meet the needs of Harvia's customers and that they correspond to customer preferences. The Company has identified the improvement of the customer experience and the development of products with enhanced digital content and improved safety features as key factors that it believes will affect the demand for the Company's products.

The Company has also expanded its product and service offering via acquisitions, and the successful integration of acquired business and functions into the Group, as well as the process of identifying and integrating appropriate targets for acquisition or for establishing cooperation, will continue to affect the Group's capabilities to react to changes in demand especially vis-à-vis such products and services that the Group does not, as of yet, provide.

The Availability of the Company's Products in the Distribution Network

Harvia serves professional customers and end users via its diverse distribution network. In the view of the Company's management, Harvia's ability to serve different customers in a flexible manner, through distribution channels that correspond to customer preferences, is one of Harvia's competitive advantages. In addition to the physical locations where its distributors operate, the Company estimates that electronic sales channels, including its distributors' online stores and of the Company's own online store, are a key part of the Company's distribution network. Ability to identify the retail channels that are important to the end users and to maintain a retail network tailored to its customers' preferences, will affect the availability of and demand for the Company's products and services also in the future.

The Company has maintained long-term customer relationships with several of its distributors and has successfully acquired new distribution channels that have had a significant impact on the Company's revenue in certain geographical areas. The Company will strive to continue to expand its geographical presence and to increase its market share in its current areas of operation, by expanding its distribution network. See the section "*Risk Factors – Risks Related to the Company's Operating Environment and Business – Loss of the Company's existing customers or changes in the distribution channels used may have a material adverse effect on the Company's business, financial condition and results of operations*".

Various advertisement and discount campaigns directed to end users are a part of Harvia's distributors' business operations, and historically, Harvia has promoted the visibility and attractiveness of its products in cooperation with its distributors by e.g. granting marketing subsidies and targeted discounts on a case-by-case basis. Harvia's management estimates that the advertisement and discount campaigns have supported the Company's own marketing communications. Advertisement and discount campaigns, timed to coincide with the Company's most important dealer's sales seasons, have had an impact on the quarterly seasonality of Harvia's revenue, which has led to seasonal fluctuations in the Company's business. Historically, Harvia has had good transparency into the future campaigns of its dealers. In addition, Harvia promotes the visibility of its products and strengthens the reputation of the Company's brand and its brand perception among end users, and especially retailers, by participating in both domestic and international trade fairs and exhibitions.

Competition, Pricing and the Size of the Average Purchase

Harvia's ability to periodically increase its prices is affected by the competition Harvia encounters in the market. The pricing policies of the Company's competitors may be affected e.g. by general economic conditions as well as by the number, manufacturing capacity, cost structure and general business strategies of competitors in the market. Harvia encountered significant price competition primarily in the Russian market in the financial years 2015 and 2016, which had a significant impact on the sales volumes of Harvia's products in the market during these years. The Company's management believes that this price competition was a result of the rise in the Company's relative cost price, which was caused by unfavourable fluctuations in currency exchange rates, combined with weakened purchasing power in the market, and an increase in local wood-burning heater production volumes and offering. The Company has improved its competitiveness in Russia by establishing a local sales company and by transferring some of its manufacturing operations to be conducted locally through a contract manufacturer.

In addition to the demand for its products, the Company's operating results depend on the average prices of products sold and on the size of the average purchase. The Company has traditionally been competitive especially in entry-level and mid-priced products, but it has also expanded, and further aims to expand, its product offering in premium products. Based on Company estimates, sales of the Company's premium electric heaters have increased at twice the rate of sales of medium priced heaters, the sales of which in turn have grown at twice the rate of sales of entry-level heaters. The Company estimates that it more frequently sells sauna accessories, which increase the average purchase, in connection with its higher priced sauna heaters. Discount campaigns undertaken by the Company's distributors have had an impact on the pricing of the Company's products and have increased the sales of lower-priced sauna heaters.

Company management estimates that the sale of sauna accessories, and especially control units together with a sauna heater, may as much as double the value of a single transaction. The Company has invested in improving additional sales e.g. by increasing the amount of training offered to the customer service representatives of its distributors. The Company sees potential for additional sales especially in Finland and in the Scandinavia where, according to the Company's estimate, the sales of control units is fairly small relative to the sales of electric sauna heaters and steam generators, whereas in other EU countries, the sales of control units is significantly higher relative to the sales of electric sauna heaters and steam generators. The Company estimates that a control unit is sold with approximately every tenth electric heater in Finland and Scandinavia, with approximately every other electric heater in other EU-countries, and with about every tenth electric heater and one third of electric heaters in North America and Russia, respectively.

Changes in the degree of consumer confidence may affect how much end customers are ready to spend on the Company's products and whether they purchase sauna accessories, which in turn then will affect the Company's ability to reach its goal of raising the average amount spent by its end customers in a single transaction.

Seasonality

The first and fourth quarter are usually the best for the Company when measured by revenue. The tail end of the first quarter is typically the most popular time for the Company's Finnish and Russian retailers to make purchases as they will usually direct marketing and campaigns to their customers during the spring months. During 2018, two customers which had previously purchased high inventories in advance during the first quarter have revised their order policies and will from now on make seasonal orders throughout the spring and summer season, with lower purchase volumes during the first quarter. Timing of Easter also has an impact on Harvia's business to some extent as it affects the amount of days of deliveries and may affect customers' purchasing patterns. The higher sales in the fourth quarter are usually a result of demand in Central Europe and in North America where the demand for the Company's saunas and other products among the customers of the Company's retailers rises during the colder autumn and winter months.

Going forward, due to a strengthened customer proximity, Harvia will distribute its products in Central Europe in smaller shipments to selected smaller clients, whereas previously Harvia's products were shipped as larger orders. This change in distribution is expected to smoothen intra-year seasonality, which impacts year-on-year comparability between quarters during 2018. Timing of large orders also impacts seasonality and for example the first quarter of 2017 was exceptionally strong due to strong sales in Russia. The development of the Company's revenue, EBITDA, adjusted EBITDA, operating profit and adjusted operating profit is set out by quarter in section "*Selected Financial Information – Certain Quarterly Financial Information*".

Fluctuations in Currency Exchange Rates

The Company engages in business operations on a global scale and is primarily exposed to fluctuations in the exchange rates between the euro and the Russian rouble and the US dollar, in addition to which fluctuations in the exchange rates between the euro and the Chinese renminbi and the Hong Kong dollar also have an effect. Fluctuations in currency exchange rates may have an impact on the demand for the Company's products on the export market if the Company's products are not competitive due to weakened purchasing power in the target markets or the Company's cost structure, especially where the Company does not manufacture its products on the target market.

The Company is primarily exposed to transaction and translation risk arising from the Russian rouble and transaction risk arising from the US dollar. At the moment, majority of the Company's currency receivables are primarily in Russian roubles and US dollars. A translation risk arises when the financial information of Harvia's subsidiaries that are located outside the euro area are translated into euros. When compiling the consolidated financial statements, the statements of profit or loss and the balance sheets of the Group's foreign units that use a functional currency that differs from the Group's operating currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

The Company is not exposed to a significant currency exchange rate risk, and the Company has not hedged from these risks with the use of currency derivatives.

The Distribution of Sales

The distribution of the sales between different products and services as well as between different distribution channels may affect the development of the Company's operating results. In the view of the Company's management, specific products, such as sauna heaters and control units, generate higher margins than e.g. the sales of entire projects where the proportion of labour is relatively larger. During the financial year 2017, the Company's revenue comprised mainly of sales of products.

The sales split also within and between the different distribution channels may affect the Company's operating results. In the view of the Company's management, the differences between the profitability of the Company's various products is partly dependent on the different distribution channels primarily due to the sales volumes generated by and the products sold through these various channels. Larger purchase volumes may lead to customary volume-based discounts, and these kinds of large-volume channels typically encounter relatively more demand for entry-level or mid-priced products, which are, as a rule, less profitable to manufacture than premium products. The more specialised distributors and end customers located especially in Central Europe purchase a relatively higher amount of premium products. During the financial year 2017, retail, wholesale and online stores were clearly the most significant distribution channels used to distribute the Company's products and services.

Materials and Other Costs of Goods Sold and the Cost Structure

The development of the prices of the components and raw materials required by the Company affect the Company's costs and, as such, the Company's operating results. The Company does not use derivatives to hedge against fluctuations in the prices of raw materials, but it does strive to utilise the most competitive, locally sourced raw materials during production at its various production facilities. The Company can purchase steel directly from factories in Finland and acquire steel products from the Chinese market for a competitive price. The Company also uses several steel suppliers, which makes the Company less vulnerable to disruptions in supply and improves the Company's bargaining power. When acquiring steel, the Company has historically concluded purchase agreements that span a quarter.

In addition to steel, key components and raw materials utilised by the Company include electronic and electrical components and other metals. The Company has traditionally had long-term relationships with its suppliers with which it concludes separate contracts for each order or pursuant to annual or framework agreements. In the view of the Company, at its current production volume, it is more cost efficient to acquire control units from external suppliers. See the section "*Risk Factors – Risks Related to the Company's Operating Environment and Business – Potential failure in responding to fluctuation in the prices of components and raw materials required for production or problems related to their availability may have an adverse effect on the Company's business*".

Problems in the availability of components in particular may also lead to delays or disruptions in supply, which would affect term sales of the Company's products in at least the short term. The Company has multiple suppliers for all of its most important components and raw material purchases.

The Cost Development of Other Factors of Production

The Company's employee benefit expenses amounted to EUR 12,305 thousand in 2017, which corresponds to 20.5 per cent of the Company's revenue. The Company's management believes that, due to the efficiency of its production, the relatively low share of labour costs is a significant factor affecting the Company's competitiveness and profitability. The Company's fixed labour costs accounted for approximately half of all reported employee benefit expenses in the financial year 2017. A significant number of the Company's production employees are paid a salary based on production volumes or piecework payment. As such, the Company's salary costs fluctuate based on production volumes and thereby adapt to changes in demand.

40.8 per cent of the Company's personnel are employed by the Company's subsidiaries in Romania and China where labour costs have traditionally been lower than e.g. in the Nordic countries or in Central Europe where the Company also has operations. Although the wages in Romania and China remain considerably lower than in Finland or in Central Europe, they have, however, increased to some extent over the past few years. If this trend continues, it may lead to an increase in the Group's labour costs.

The Cost Structure and Efficiency of the Company's Production

Harvia's operating results and its profitability are affected by the efficiency of its production, the functionality of its production facilities and the continuing improvement of the efficiency of its production. The Company considers the efficiency of its production to be one of its key competitive advantages and continuously strives to improve the efficiency of its operations. This continued improvement of its efficiency requires that the Company is able to recognise and implement projects to adjust the geographical structure, the purchase operations and logistics of its production, and to optimise its product range, to raise the utilisation rate of its production capacity, and to automate its production facilities.

By focusing the production of its various products, and its products in different price categories, to different production facilities, the Company strives to improve the availability of raw materials and components and to optimise its costs. The Company has been able to increase the efficiency of operations at its production facilities and to release capacity from other products, which in the view of management, are more efficiently manufactured at the Company's other production facilities. The Company has centralised product development operations and production that require more expertise to its main production facility in Muurame and produces smaller steam generators and some of the entry-level heaters in China in order to benefit from lower production costs.

At the time of acquisition, Sentiotec had lower margins than Harvia, which has affected the Group's profitability. After Sentiotec acquisition, the Company has taken measures to improve the subsidiary's margins by focusing on more diverse product offering and higher price range products, by increasing the sales prices and by making the production process in Romania production facility more effective.

The Efficient Management of the Company's Working Capital

Harvia's working capital is one of the factors affecting its liquidity and cash flows. Management of the supply chain as well as changes in inventories, receivables and trade payables, arising from payment terms and limited seasonal effects, among others, have an impact on Harvia's working capital. The Company has invested in purchasing and inventory management, which in turn has made it easier to manage its working capital. Implemented measures include e.g. reducing the number of inventory items and centralising purchasing to the enterprise resource planning system. The Company has succeeded in improving its payment terms afforded to some of its suppliers, but it has also extended longer payment terms to some of its customers. The Company's net working capital has increased owing primarily to the Company increasing its inventories in Austria, improving its supply capacity in Central Europe, and introducing new products.

The Financial Situation of Harvia's Customers

The Company's trade receivables have increased due to financial difficulties encountered by some of the Company's customers, belonging to the company's distribution network, or as a result of these Harvia's distributors' customers defaulting on their payments. Deterioration in the financial situation of these distributors' customers or the Company's customers belonging to Harvia's distribution network, may result in defaults or delays in payment or in an increase in the Company's credit losses, and this may, as such, affect the Company's results of operations and its financial situation. For more information, see the section "*Risk Factors – Risks Related to Financial Condition and Financing – Credit losses would have an unfavourable effect on the Company's operating results*".

The financial situation of the Company's distributors and the prospects for their development may also affect their decisions to expand or reduce the range of products they offer or how readily they will seek to negotiate on the terms and conditions applied to their orders. Changes in the pricing of the products affect the Company's margins, and e.g. potential provisions regarding repurchase obligation have an impact on the Company's business risks and on the predictability of its operating results.

Using Deferred Tax Assets

Harvia's consolidated financial statements dated 31 December 2017 do not recognise intra-group interest costs as deferred tax assets. At the end of 2017, Harvia Group Oy had intra-group interest costs of EUR 8,185 thousand that were not deductible in taxation (on 31 December 2016, these interest costs amounted cumulatively to EUR 5,606 thousand; on 31 December 2015 to EUR 3,788 thousand; and on 1 January 2015 to EUR 1,529 thousand). These net interest costs incurred to Harvia Group Oy form intra-group net interest expenses, the deductibility of which are restricted by the applicable tax provisions. The deductibility of these net interest costs and their use in the taxation of following years is thus uncertain and thereby no deferred tax assets are recognised at the end of 2017, 2016 or 2015. The majority of intra-group loans of Harvia Group Oy will be converted into the company's unrestricted equity in the end of March 2018, and as a result Harvia Group Oy will have less intra-group net interest expenses. This increases the prospects for Harvia Group Oy to deduct all of its net interest expenses and the likelihood of deduction of the non-deducted net interest expenses from previous years in the taxation of Harvia Group Oy.

Pursuant to the applicable tax provisions, net interest costs (the part of interest expenses exceeding the amount of interest income) are deductible up to EUR 500 thousand. If this limit is exceeded, the following applies: (i) if the amount of net interest expenses is lower than 25 per cent of the company's taxable business profit before taxes and deductions (and after taking into account possible group contributions granted and received), net interest expenses can be entirely deducted, and (ii) if the amount of net interest expenses is higher than 25 per cent of the Company's business profit before interest expenses, taxes and deductions (and after taking into account possible group contributions granted and received), no more than the amount corresponding to the net interest payments paid to related parties is non-deductible. Non-deductible net interest expenses can be deferred for future years, but their usability is still limited by the above-described interest deductibility restrictions.

Events After the End of the Previous Financial Year

Apart from the below mentioned events, there have not been significant changes in the Company's financial or trading position since 31 December 2017.

On 9 February 2018, the shareholders of the Company decided with a unanimous decision to change to company form of the Company to a public limited liability company and to implement an increase in share capital by a capital increase to meet the required EUR 80,000 limit for a public limited liability company through a fund increase. The shareholders of the Company also decided to enter the Shares in the Finnish book-entry securities system maintained by Euroclear Finland. The Company's shares were entered into the Finnish book-entry securities system as of 5 March 2018.

On 2 March 2018, the Company's shareholders decided with a unanimous decision among other things, to authorise the Board of Directors to decide on a share issue for the completion of the Listing. In addition, the shareholders of the Company decided to authorise the Board of Directors 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 and, 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.

In January 2018, Harvia Finland Oy has bought from its German retailer Marno e.K among other things, Marno's customer relations and inventory.

On 2 March 2018, the Company has agreed on a New Financing Arrangement with Danske Bank A/S, Finland Branch, terms of which have been described in more detail in the Offering Circular's section *"Information on the Company and Its Business – Material Agreements"*. The New Financing Arrangement is conditional upon the completion of the Listing. In addition, at the completion of the Listing, the Company intends to use the funds raised in the Share Issue to strengthen its capital structure by repaying shareholder loans of the Company that mature prematurely at the completion of the Listing. If the Listing is completed and the Company repays both, the Old Bank Loans with the New Financing Arrangement, and the existing shareholder loans with the funds raised by the Share Issue, the repayments are expected to significantly lower the financing costs of the Company compared to financial years 2015–2017.

Outlook

The statements set forth in "– Outlook" below include forward-looking statements and are not guarantees of Harvia's financial performance in the future. Harvia's actual results and financial position could differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including but not limited to those described under "Certain Matters – Forward-Looking Statements", "Certain Matters – Presentation of Financial and Certain Other Information", "Risk Factors" and "– Factors Affecting the Group's Operating Results". The Company cautions prospective investors not to place undue reliance on these forward-looking statements.

Harvia's management believes that the Company's business environment will not change significantly in 2018 compared to the previous year. The Company's business operations are to some extent dependent on the general economic situation of traditional sauna and spa markets and especially on the development of replacement demand for sauna and spa products. The management of the Company believes that the current market situation supports the Company's business operations in 2018. The management of the Company believes that the replacement demand born from pipeline renovation supports sales in the coming years, especially in the Finnish sauna and spa market.

This year Harvia will continue the gradual extension of its retail network to achieve a more diverse customer base in its current operating areas as well as to extend its geographical operating area. The changes in the Company's distribution network will have an impact on the amount of revenue rather quickly. According to the Company's management's estimation, utilisation of the benefits gained from Sentiotec acquisition including increase in Harvia's revenue and profitability would, if successful, have an impact especially on the Company's Central European revenue in 2018. According to the Company's expectations, if successful, the launch of the SENTIO by Harvia brand in early 2018 would contribute especially to the sales of higher price range products.

The management of the Company estimates that the previous years' seasonality may smoothen in 2018. Earlier Harvia's products were shipped as larger orders but going forward, due to a strengthened customer proximity, Harvia will distribute its products in Central Europe in smaller shipments to selected smaller clients. Two customers also revised their order policies under which they previously purchased high inventories in advance during the first quarter and will from now on make seasonal orders throughout the spring and summer season, with lower purchase volumes during the first quarter in 2018 compared to year 2017. Timing of large orders also impacts smoothening of seasonality and for example the first quarter of 2017 was exceptionally strong due to strong sales in Russia and the timing of Easter to the second quarter of the year. For further detail, see "*Factors Affecting the Group's Operating Results – Seasonality*",

Material costs are the most significant cost item of the Company. The most significant material purchased are electronic and electricity components and steel. The market price of steel in particular may vary strongly. The Company typically concludes steel procurement agreements wherein prices are agreed quarterly at a time. Thus, the changes of steel's market price may have a strong impact on costs in 2018. Historically in 2017, the Company has acquired at more favourable rates by making direct purchases from steel factories. In addition, the Company's competitive sales prices and long-term customer relationships enable some of the changes in material costs to be passed on to sales prices.

Factors Affecting the Comparability of Financial Information

Partial Premature Repayment of the Shareholder Loan in 2015

In 2015 the company has repaid EUR 5,000 thousand of the shareholder loan including interests capitalised in accordance with the loan capital and loan conditions, which has the effect of lowing the Company's financing costs in subsequent financial years.

Acquisitions

In November 2016, Harvia Group Oy acquired Sentiotec companies that are located in Austria and Romania. The purchase price of EUR 4.5 million was paid in cash. The Company recognised EUR 1,935 thousand of goodwill for the acquisition that is attributable to the acquired workforce, expected synergies and expansion possibilities.

In February 2017, Harvia Finland Oy invested EUR 450 thousand in Saunamax Oy and received a 56.2 per cent shareholding in the company. The agreement also included an option to purchase the remaining 43.8 per cent, due to which Saunamax Oy has been included in the consolidated financial statements as a wholly-owned subsidiary. The liability related to the option to purchase shares has been measured at fair value in accordance with the shareholder agreement, but the final amount of the option is determined only when and if the option is exercised. The Company recognised EUR 367 thousand of goodwill for the acquisition due to workforce and possibilities to expand Harvia's sauna service offering.

Key Items in the Statement of Comprehensive Income

The following is a summary of the key items in Harvia's statement of comprehensive income.

Revenue

Revenue is measured at the fair value of the consideration received or receivable. The amounts disclosed as revenue are net of returns, volume-based marketing subsidies and rebates have been discounted and the revenue has been adjusted for sales exchange rate differences.

The Company's revenue consists mainly of sale of goods. Sales of goods are recognised when the material risks, benefits and control associated with the ownership of the goods have been transferred to the buyer. In general, revenue is recognised at the time of delivery of the goods in compliance with the contract terms. Certain wholesale customers are given a limited right of return for unsold campaign products or if the legislation concerning products will change. Products directly sold to consumers via online shops are subject to a 14 day return policy. Revenue is adjusted for the value of expected returns. Sales are recorded based on the price specified in the sales contracts, net of estimated volume discounts at the time of sale. Sales revenue is recognised when they can be reliably determined, it is probable that future economic benefits will be obtained and when the criteria for recognition is met.

Cash discounts are deducted from revenue. Minority of Harvia's revenue is from rendering services, mainly installation and maintenance services. Revenue from services is recognised in the accounting period in which the services are rendered. There are no such long-term projects in the Group for which the revenue would be recognised using the percentage-of-completion method.

See also section *"–Upcoming Standards and Interpretations Not Yet Adopted – IFRS 15 Revenue from Contracts with Customers*" of the Offering Circular.

Other Operating Income

Other operating income includes gains on sale of property, plant and equipment, sales of scrap metal which is generated from production and different kind of grant income.

Change in Inventories of Finished Goods and Work in Progress

The Company's change in inventories of finished goods and work in progress will adjust the statement of comprehensive income by the cost effect of items booked and removed from inventory at the end of the period.

Materials and Services

Materials and services in the consolidated statement of comprehensive income consist mainly of purchases of electricity and electronic components, steel and other metal components, such as heating elements, control units and purchases of wood timber used in saunas.

Employee Benefit Expenses

Employee benefit expenses consist of wages and salaries paid to the personnel as well as related statutory expenses, such as insurance and pension expenses.

Other Operating Expenses

Most significant items of other operating expenses are related to sales, such as sales freight costs and commissions related to sales, as well as marketing. See also section *"–Upcoming Standards and Interpretations Not Yet Adopted – IFRS 9 Financial Instruments*" of the Offering Circular.

Depreciation and Amortisation

Land and buildings are recognised at historical cost. Land is not depreciated. Buildings are depreciated over their useful lives.

Machinery and equipment as well as other tangible assets are depreciated over their useful lives. Useful lives are based on estimates of the period over which the assets will generate revenue. Depreciation is recognised on a straight-line basis based on the cost of the assets and estimated useful lives. Impairment for depreciable non-current assets are performed if there are indications of impairment tests at the balance sheet date.

The useful lives of the assets are as follows:

- Buildings 15–30 years
- Machinery and equipment 5–10 years
- Other tangible assets 5 years

Purchased and internally generated intangible assets are recognised at historical cost. Intangible assets acquired in business combinations are measured at fair value at acquisition. Intangible assets are amortised over 10 to 15 years except for capitalised development costs and software licenses, which are amortised in five years.

Operating Profit

Operating profit is a net amount that is formed when revenue is added by change in inventories of finished goods and work in progress, and other operating income and deducted by materials and services, employee benefit expenses, depreciation and amortisation as well as other operating expenses. All other statement of comprehensive income items than the above-mentioned are presented under the operating profit.

Finance Income and Costs

The Company's interest income and other finance income are mainly related to foreign exchange rate gains and interest income. Finance costs are mainly related to bank loans and shareholder loans. The Group has entered into an interest rate swap agreement to hedge against interest rate risk arising from variable rate of bank loans.

Income Taxes

Income tax expenses include income taxes based on the taxable income of the financial year calculated on the basis of the tax rates of the countries where Harvia operates and generates taxable income, as well as changes occurred during the previous financial year in deferred tax assets and liabilities.

Profit for the Period

Profit for the period is operating profit deducted by taxes and other items presented after the profit, such as finance income and costs.

Results of Operations for the Financial Years Ended 31 December 2017, 2016 and 2015

The following review describes the results of operations of the Company for the financial years ended 31 December 2017, 2016 and 2015. The description is focused on the following items of the statement of comprehensive income: revenue, other operating income, change in inventories of finished goods and work in progress, materials and services, employee benefit expenses, other operating expenses, operating profit, finance income and costs, income taxes and profit for the period.

The following table sets forth the key items of Harvia's consolidated statement of comprehensive income for the periods indicated.

	1 January – 31 December		
(EUR thousand)	**2017**	**2016**	**2015**
		(audited)	
Revenue	**60,107**	**50,095**	**46,412**
Other operating income	208	373	602
Changes in inventories of finished goods and work in progress	1,086	-863	650
Materials and services	-26,058	-19,890	-18,602
Employee benefit expenses	-12,305	-9,927	-9,393

Other operating expenses	-11,855	-8,480	-7,436
Depreciation and amortisation	-1,921	-1,609	-1,597
Operating profit	**9,263**	**9,698**	**10,637**
Finance income and costs	-4,914	-5,115	-5,257
Income taxes	-1,435	-1,268	-1,579
Profit for the period	**2,914**	**3,315**	**3,801**

Revenue

The Company's revenue was EUR 60,107 thousand for the financial year ended 31 December 2017, EUR 50,095 thousand for the financial year ended 31 December 2016 and EUR 46,412 thousand for the financial year ended 31 December 2015. Revenue increased by EUR 10,013 thousand for the financial year ended 31 December 2017, or 20.0 per cent, as compared to the financial year ended 31 December 2016, when revenue increased by EUR 3,683 thousand, or 7.9 per cent, as compared to the financial year ended 31 December 2015.

The increase in the Company's revenue during the reviewed period has been influenced by acquisitions and increased demand for products especially in Central Europe, Finland and North America, mainly in the product groups of electric heaters, sauna rooms and spare parts, services and other products. The Company's revenue has grown organically during the past years. The Company's organic growth was 4 per cent for financial years ended 31 December 2017 and 2016. Sentiotec acquisition has affected the increase of revenue as compared to the comparison period for the financial years ended 31 December 2017 and 2016. During the financial year ended 31 December 2017, the Company concluded Saunamax acquisition and purchased all intellectual property rights related to Vuolux' heaters and fireplaces from Vuolux Oy, including the trade name Vuolux and certain model rights. The effect of these on the increase of revenue during the comparison period has however been minor.

Other Operating Income

The Company's other operating income was EUR 208 thousand for the financial year ended 31 December 2017, EUR 373 thousand for the financial year ended 31 December 2016 and EUR 602 thousand for the financial year ended 31 December 2015. Other operating income decreased by EUR 164 thousand for the financial year ended 31 December 2017, or 44.1 per cent, as compared to the financial year ended 31 December 2016, when other operating income decreased by EUR 229 thousand, or 38.1 per cent as compared to the financial year ended 31 December 2015.

In 2015, other operating income included a total of EUR 178 thousand of gain on sale of cars that were owned by the Company as well as grant income that consisted mainly of export subsidies as individual significant items compared to later financial years.

Change in Inventories of Finished Goods and Work in Progress

The Company's inventory of finished goods and work in progress increased by EUR 1,086 thousand for the financial year ended 31 December 2017, decreased by EUR 863 thousand for the financial year ended 31 December 2016 and increased by EUR 650 thousand for the financial year ended 31 December 2015.

For the financial year ended December 2017, the increase in the inventory of finished goods and work in progress was mainly related to the growth of finished product inventory of Sentiotec GmbH. The inventory was increased during financial year 2017 after the acquisition that took place in the end of 2016 to improve better distribution and product range in Central Europe. During the financial year ended 31 December 2016, the Group's Finnish companies decreased their finished product and work in progress inventories. Sentiotec acquisition in November 2016 increased the total current assets on the statement of financial position, but its impact was minor on the change in inventories on the statement of comprehensive income.

Materials and Services

The Company's costs related to materials and services were EUR -26,058 thousand for the financial year ended 31 December 2017, EUR -19,890 thousand for the financial year ended 31 December 2016 and EUR -18,602 thousand for the financial year ended 31 December 2015. The costs related to materials and services increased by EUR 6,168 thousand for the financial year ended 31 December 2017, or 31.0 per cent, as compared to the financial year ended 31 December 2016, when the costs related to materials and services increased by EUR 1,288 thousand, or 6.9 per cent, as compared to the financial year ended 31 December 2015.

The increase of materials and services in euros during the reviewed period has mainly been a consequence of increased revenue during financial years 2016 and 2017 by the Sentiotec acquisition. The impact of the Sentiotec acquisition can be seen in the figures of the entire financial year 2017. Also the increase of steel's price and freight costs have affected by increasing material and service costs during the reviewed period.

Employee Benefit Expenses

The Company's employee benefit expenses were EUR -12,305 thousand for the financial year ended 31 December 2017, EUR -9,927 thousand for the financial year ended 31 December 2016 and EUR -9,393 thousand for the financial year ended 31 December 2015. Employee benefit expenses increased by EUR 2,377 thousand for the financial year ended 31 December 2017, or 23.9 per cent, as compared to the financial year ended 31 December 2016, when employee benefit expenses increased by EUR 535 thousand, or 5.7 per cent, as compared to the financial year ended 31 December 2015.

The increase in employee benefit expenses during the reviewed period has been affected by Sentiotec and Saunamax acquisitions that increased the amount of personnel as well as increased wage costs of the Company's management, which are mainly a result of the reorganisation and strengthening of the management during 2016. For the financial year ended 31 December 2017, the employee benefit expenses included EUR -52 thousand and during the financial year ended 31 December 2015, EUR -27 thousand of restructuring expenses.

Other Operating Expenses

Other operating expenses were EUR -11,855 thousand for the financial year ended 31 December 2017, EUR -8,480 thousand for the financial year ended 31 December 2016 and EUR -7,436 thousand for the financial year ended 31 December 2015. Other operating expenses increased by EUR 3,375 thousand for the financial year ended 31 December 2017, or 39.8 per cent, as compared to the financial year ended 31 December 2016, when other operating expenses increased by EUR 1,044 thousand, or 14.0 per cent, as compared to the financial year ended 31 December 2015.

Sales and marketing expenses were the most significant other expense item of operations during the reviewed period. Other operating expenses compared to revenue for the financial year ended 31 December 2017 increased compared to previous two financial years because of larger marketing actions. Sales and marketing expenses were EUR -5,438 thousand for the financial year ended 31 December 2017, or increase of 32.1 per cent as compared to the financial year ended 31 December 2016. In addition, EUR -584 thousand of costs related to Listing, EUR -605 thousand of costs related to strategic development projects and EUR -227 thousand of expenses related to acquisitions are included in other operating expenses for the financial year ended 31 December 2017. For the financial year ended 31 December 2016, other operating expenses include EUR -189 thousand of expenses related to acquisition and integration of Sentiotec and EUR -169 thousand of expenses related to strategic development projects. Other operating expenses include EUR -132 thousand of expenses related to strategic development projects for the financial year ended 31 December 2015.

Depreciation and Amortisation

The Company's depreciation and amortisation were EUR -1,921 thousand for the financial year ended 31 December 2017, EUR -1,609 thousand for the financial year ended 31 December 2016 and EUR -1,597 thousand for the financial year ended 31 December 2015. Increase of depreciation and amortisation during financial year 2017 is mainly a result of Sentiotec acquisition.

Operating Profit

The Company's operating profit was EUR 9,263 thousand for the financial year ended 31 December 2017, EUR 9,698 thousand for the financial year ended 31 December 2016 and EUR 10,637 thousand for the financial year ended 31 December 2015. The operating profit decreased EUR 435 thousand during the financial year ended 31 December 2017, or 4.5 per cent, as compared to the financial year ended 31

December 2016, when operating profit decreased by EUR 939 thousand, or 8.8 per cent, as compared to the financial year ended 31 December 2015.

The Company increased its sales prices on its main markets during the financial year ended 31 December 2017, which balanced the effect of steel's higher price on material costs. During the same financial year, Sentiotec and Saunamax acquisitions affected especially the increase of employee benefit expenses and other operating expenses. Sentiotec acquisition increased operating profit for the financial year 2017 but Sentiotec's lower margins decreased the Group's operating profit margin. EUR -584 thousand of costs related to listing, EUR -605 thousand of strategic development projects and EUR -227 thousand of costs related to corporate acquisitions were also recorded for the financial year. During the financial year ended 31 December 2016, the amount of operating profit was affected especially by Sentiotec acquisition and costs of legal and other consulting services related to it as well as costs related to strategic development projects and other costs, lower prices of certain main product groups and increased sales commissions.

Finance Income and Costs

The Company's net finance costs were EUR -4,914 thousand for the financial year ended 31 December 2017, EUR -5,115 thousand for the financial year ended 31 December 2016 and EUR -5,257 thousand for the financial year ended 31 December 2015. Net finance costs decreased by EUR 201 thousand during the financial year ended 31 December 2017, or 3.9 per cent, as compared to the financial year ended 31 December 2016, when net finance costs decreased by EUR 143 thousand, or 2.7 per cent, as compared to the financial year ended 31 December 2015.

Decrease of finance costs between financial years 2015 and 2016 was a result of decrease of interest rates as well as decrease in interest margins of the Company's bank loans as a result of covenant terms. In March 2015, the Company repaid EUR 5,000 thousand of shareholder loans, which meant that the interest costs of the repaid part of the loan did not concern rest of the year.

Finance costs included EUR -3,298 thousand of interest expenses related to shareholder loans for the financial year ended 31 December 2017, EUR -3,039 thousand for the financial year ended 31 December 2016 and EUR -2,896 thousand for the financial year ended 31 December 2015.

Income Taxes

The Company's income taxes were EUR -1,435 thousand for the financial year ended 31 December 2017, EUR -1,268 thousand for the financial year ended 31 December 2016 and EUR -1,579 thousand for the financial year ended 31 December 2015. Income taxes increased by EUR 167 thousand for the financial year ended 31 December 2017, or 13.1 per cent, as compared to the financial year ended 31 December 2016, when income taxes decreased by EUR 310 thousand, or 19.7 per cent, as compared to the financial year ended 31 December 2015.

The Group's intra-group interest expenses that have been non-deductible in taxation during the reviewed period, increase the Company's effective tax rate.

Profit for the Period

The Company's profit for the period was EUR 2,914 thousand for the financial year ended 31 December 2017, EUR 3,315 thousand for the financial year ended 31 December 2016 and EUR 3,801 thousand for the financial year ended 31 December 2015. The profit for the period decreased by EUR 401 thousand for the financial year ended 31 December 2017, or 12.1 per cent, as compared to the financial year ended 31 December 2016, when the profit decreased by EUR 486 thousand, or 12.8 per cent, as compared to the financial year ended 31 December 2015.

Liquidity and Capital Resources

General Overview

The Company's liquidity is based on cash flows from operating activities and external financing.

The Company's financing arrangements at the date of the Offering Circular consisted of the Old Bank Loans (EUR 37,420 thousand in total, as at 31 December 2017) including a term loan and a credit limit. The

Company has a secured credit limit agreement of EUR 2,300 thousand of Sentiotec GmbH in Austria. In addition, the Company has shareholder loans received from the previous owners of Harvia Holding Oy in connection with the above-mentioned acquisitions, shareholder loans received from other shareholders and vendor note term loans granted by the previous owners of Harvia in connection with the above-mentioned acquisitions (EUR 41,618 thousand in total, as at 31 December 2017). The Company has negotiated on a New Financing Arrangement that has been more specifically described in the Offering Circular's section *"Information on the Company and Its Business - Material Agreements".* The intention of the Company is also to repay shareholder loans, including vendor notes that according to the loan terms, mature prematurely at the completion of the Listing, with the funds received from Share Issue at the completion of the Listing. The Company will pay the fees and expenses in connection with the Offering with the existing cash funds.

For the financial year ended 31 December 2017, the Company's cash and cash equivalents consisted of bank accounts and were EUR 8,345 thousand.

In the consolidated statement of cash flow, cash and cash equivalents include cash in hand and deposits held at call from banks. The short-term deposits are considered readily convertible to cash as those have original maturities of three months or less.

Cash Flows

The following table sets forth a summary of the Company's consolidated statement of cash flows for financial years ended 31 December 2017, 2016 and 2015:

	1 January – 31 December		
(EUR thousand)	**2017**	**2016**	**2015**
		(audited)	
Net cash from operating activities.............	8,029	9,952	10,439
Net cash from investing activities..............	-1,166	-5,362	-485
Net cash from financing activities	-4,882	-5,014	-10,486
Net change in cash and cash equivalents	**1,980**	**-424**	**-532**

<u>*Cash Flow from Operating Activities*</u>

Net cash flow from operating activities was EUR 8,029 thousand for the financial year ended 31 December 2017, EUR 9,952 thousand for the financial year ended 31 December 2016 and EUR 10,439 thousand for the financial year ended 31 December 2015.

During the financial year 2017, the cash flow from operating activities was affected especially by the increase of current assets in Central Europe to improve delivery capability as well as increase of trade receivables, especially in North America and Russia. The Company negotiated longer terms of payment in the purchase invoices during the year, which in turn slightly improved the cash flow from operating activities. During the financial year 2016, cash flow from operating activities was also affected by the increase of trade receivables and the effect of the Sentiotec acquisition on working capital items. During the financial year 2015, especially the decrease in trade receivables affected the cash flow from operating activities.

<u>*Cash Flow from Investing Activities*</u>

Net cash flow from investing activities was EUR -1,166 thousand for the financial year ended 31 December 2017, EUR -5,362 thousand for the financial year ended 31 December 2016 and EUR -485 thousand for the financial year ended 31 December 2015.

During the financial years 2017 and 2015, the Company mainly carried out maintenance investments in tangible and intangible assets. During the financial year 2016, in addition to the maintenance investments, the Company acquired Sentiotec companies, purchase price of which was paid with cash consideration.

<u>*Cash Flow from Financing Activities*</u>

Net cash flow from financing activities was EUR -4,882 thousand for the financial year ended 31 December 2017, EUR -5,014 thousand for the financial year ended 31 December 2016 and EUR -10,486 thousand for the financial year ended 31 December 2015.

During the financial year 2017, the Company used a short-term credit limit and raised EUR 1,174 thousand of loan and repaid EUR 222 thousand of other debts. In addition, the Company repaid its bank loans as well as paid interest and finance costs related to bank loans and shareholder loans. In addition, the Company received proceeds of EUR 50 thousand relating to the directed share issue made during year 2016. During the financial year 2016, the Company repaid its bank loans as well as paid interest and finance costs related to bank loans and shareholder loans. The Company received proceeds of EUR 242 thousand from the directed share issues made during the financial year. During the financial year 2015, the Company repaid its shareholder loans by EUR 5,000 thousand in March. In other respects, the Company repaid its bank loans as well as paid interest and financing expenses related to bank loans and shareholder loans. In addition, the Company received proceeds of EUR 40 thousand relating to the directed share issue made during year 2014.

The Company has principally capitalised the interests of shareholder loans, and thus interests paid on each financial year have accounted for less than the interest expenses in the consolidated statement of comprehensive income.

Intangible Assets and Property, Plant and Equipment

Majority of the goodwill in the consolidated statement of financial position (EUR 59,224 thousand, as at 31 December 2017) was recognised in connection of the acquisition of then Harvia Oy (current Harvia Finland Oy) and Velha Oy in 2014. The goodwill was increased in connection of the purchase of the Spa Modules business by Harvia Estonia OÜ in December 2014, acquisition of Sentiotec companies located in Austria and Romania in November 2016 (recorded goodwill EUR 1,935 thousand) as well as acquisition of Saunamax Oy in February 2017 (recorded goodwill EUR 367 thousand). The Company has described the Group's goodwill impairment testing in the note 3.2 to the financial statement included in the Offering Circular.

Other intangible assets mainly include customer relationships, brands and technology acquired in acquisitions that are recognised in fair value at the date of acquisition and amortised yearly on a straight-line basis. Other intangible assets also include capitalised development expenditures and software licenses and are amortised on a straight-line basis over 5 years.

Significant property, plant and equipment items of the consolidated statement of financial position are land areas and buildings that consist mainly of Harvia's factory building in Muurame. Also Velha Oy operates in the facilities owned by Harvia. The factory in Romania is owned by a Romanian real estate company K&R Imobiliare which is wholly-owned by the Group. Other production units operate in leased premises. Other significant items of property, plant and equipment are the production machineries in Muurame and in China.

Investments

The Company regularly makes maintenance investments and investments to improve efficiency and development of production. For the financial years ended 31 December 2017, 2016 and 2015, the investments were EUR 1.2 million, EUR 1.0 million and EUR 0.7 million, or 2017 2.0 per cent, 2016 2.0 per cent and 2015 1.5 per cent of the revenue. Due to the production structure, the Company's investment needs and size of a typical one time investment are relatively small. During the reviewed period investments have mainly been maintenance investments.

The Company has also invested in strategic expansion by corporate and business acquisitions. Harvia Finland Oy has purchased among others customer relationships and a storage facility from German retailer Marno e.K in January 2018, as a result of which Sentiotec starts to distribute products sold via Marno. In 2017, Harvia Finland Oy invested EUR 450 thousand in Saunamax Oy and received a share of 56.2 per cent in Saunamax. During the same year Harvia Finland Oy purchased all intellectual property rights related to Vuolux' heaters and fireplaces from Vuolux Oy, including the trade name Vuolux and certain design rights. In 2016, Harvia Group Oy acquired Sentiotec subgroup with a purchase price of EUR 4.5 million. In 2015, Harvia established a subsidiary in Russia.

The Company is undergoing a development work of internal logistics and control systems in Muurame production facility, which it estimates to be completed during 2018. The Company estimates the total costs of the development work to be EUR 400 thousand divided between the financial years 2017 and 2018. The Company has decided on two equipment investments, in total approximately EUR 270 thousand, at the Romania facility for the year 2018 to enable an increase of the current production capacity, manufacturing of products of higher price points and quality, reduction of material waste, and improving the dust and sawdust removal machinery. According to the Company's estimate, it does not need other financing in addition to the operating cash flows and debt capital financing arrangement described in this Offering Circular due to the investment projects.

Net Working Capital

(EUR thousand)	31 December 2017	2016	2015
		(audited)	
Inventories	14,143	11,941	11,027
Trade receivables	11,503	9,456	7,361
Other receivables	1,235	1,373	1,166
Trade payables	-5,077	-3,419	-2,564
Other payables	-4,549	-3,909	-3,022
Total	**17,255**	**15,443**	**13,969**
Change in net working capital in the statement of financial position	1,812	1,473	-396
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[1]	574	-1,616	206
Change in net working capital in the statement of cash flows [2]	2,387	-142	-190

1) The most significant items are related to finance costs, unrealised exchange rate gains and losses, acquisitions and investments.
2) An increase in net working capital decreases cash flows, and a decrease in net working capital increases cash flows.

The Company's net working capital was EUR 17,255 thousand for the financial year ended 31 December 2017, EUR 15,443 thousand for the financial year ended 31 December 2016 and EUR 13,969 thousand for the financial year ended 31 December 2015. The increase of the Company's net working capital in 2016 was mainly a result of inventories and current receivables and liabilities received as a result of Sentiotec acquisition. The increase of the Company's net working capital in 2017 was mainly a result of increase in Sentiotec's current assets and increased amount of trade receivables in Finnish and Russian companies for the distribution in Russia and the United States. The Company increased its inventories in Austria and Romania to improve delivery capacity and distribution of the Group's other products via Sentiotec to Central Europe.

Equity and Liabilities and Other Contingent Liabilities

Equity

The Company's equity consists of the share capital, the invested unrestricted equity reserve, currency translation differences and retained earnings. The Company's equity was EUR 19,276 thousand for the financial year ended 31 December 2017, EUR 16,868 thousand for the financial year ended 31 December 2016 and EUR 13,174 thousand for the financial year ended 31 December 2015. At the date of the Offering Circular, the Company's share capital was EUR 80 thousand. During the reviewed period, the Company has made two share issues, where the Company's shares have been offered to key persons to engage them to the Company. Changes in the share capital have been described in section *"The Shares and Share Capital of the Company – Changes in the Number of Shares and the Share Capital"*. The Company has not distributed dividends during the reviewed period.

Net Debt and Other Non-Current Liabilities

Acquisitions of Harvia Finland Oy (former Harvia Oy) and Velha Oy were partly financed with variable rate bank loans and partly with fixed rate shareholder loans. The Group has entered into an interest rate swap agreement to hedge against interest rate risk arising from variable rate of bank loans. The Company has negotiated on a New Financing Arrangement, terms of which have been more specifically described in the Offering Circular's section "*Information on the Company and Its Business – Material Agreements"*. The intention of the Company is also to repay shareholder loans maturing prematurely at the completion of the Listing with funds received from the Share Issue.

(EUR thousand)	31 December 2017	2016	2015
		(audited)	
Shareholder loans	41,618	38,516	35,598
Loans from credit institutions	39,712	42,507	43,649
Less cash and cash equivalents	-8,345	-6,568	-6,878
Total	**72,985**	**74,455**	**72,369**

Shareholder Loans

The shareholder loans of the Group are intended to be paid back immediately after the Listing with the funds received from Share Issue at the completion of the Listing.

The Company drew down shareholder loan from the owners of Harvia Holding Oy in 2014 in connection with the acquisitions of Harvia Finland Oy (former Harvia Oy) and Velha Oy, in addition to which certain other shareholders of the Company have later granted the Company shareholder loans with the same conditions. All of these shareholder loans are nominated in euro with fixed interest rate of 10 per cent. The Company has paid interests accumulated for the loans granted by natural persons annually by cash and interests accumulated for the loans granted by legal entities have been capitalised annually in accordance with the loan conditions. In addition, the previous owners of Harvia granted the Company vendor notes of EUR 10,000 thousand in connection with the acquisitions of Harvia Finland Oy and Velha Oy. The loan interest rate is fixed 5 per cent, 1.5 per cent of which has been paid annually as withholding tax to the Tax Administration and 3.5 per cent has been added annually to equity. In 2017 the withholding tax paid to the Tax Administration relating to shareholder loans and vendor notes was EUR 175 thousand in total and the interests paid to the natural persons were EUR 21 thousand and the interests capitalised were EUR 3,101 thousand in total. The amount of the above-described loans EUR 41,618 thousand in total for the financial year ended 31 December 2017. According to their conditions, the loans mature at the completion of the Listing. The loans have been described in more detail in section *"– Related Party Transactions – Loans from Related Parties and Other Shareholder Loans and Their Changes"*.

(EUR thousand)	Loan capital 31 December 2017
	(unaudited)
CapMan Buyout X Fund A L.P	16,800
CapMan Buyout X Fund B Ky	7,026
Avus Oy	1,505
Tiipeti Oy	1,505
KTR-Invest Oy	1,505
Mantereenniemi Oy	1,505
Loans from natural persons	8,692
Board of Directors and the Management Team	*3,079*
Total	**41,618**

Loans from Credit Institutions

The Company has drawn down bank loan in April 2014 in connection with the acquisitions of Harvia Finland Oy (former Harvia Oy) and Velha Oy (EUR 37,420 thousand in total, 31 December 2017), which consists of a temporary loan maturing in April 2020 and of a credit limit. The loans are denominated in euro with a variable interest and they are tied to Euribor interest rate. The Group has entered into interest rate swap agreements to hedge against interest rate risk arising from variable rate of bank loans. Both loans are nominated in euro. Sentiotec GmbH has a EUR 2,300 thousand guaranteed credit limit agreement in Austria. The agreement includes covenants that are conventional for similar agreements. The loans' guarantees have been described below in section *"– Off-Balance Sheet Commitments"*.

The Company has agreed on a New Financing Arrangement of EUR 44,500 thousand in total with Danske Bank A/S, Finland Branch on 2 March 2018, terms of which have been described in more detail in the Offering Circular's section *"Information on the Company and Its Business – Material Agreements"*. The New Financing Arrangement is conditional upon the completion of the Listing and it is to be used for repaying the Company's existing loans described above in connection with the Listing.

Other Non-Current Liabilities

The Company's consolidated statement of financial position item other non-current liabilities mainly consist of the purchase option to purchase shares of Saunamax related to Saunamax acquisition. The purchase option is described in more detail in the Offering Circular's section *"Information on the Company and Its Business – Material Agreements"*. The liability related to the purchase option of shares is measured at fair value according to the shareholder agreement, but the final amount of the option is determined only at the possible purchase moment.

Off-Balance Sheet Commitments

(EUR thousand)	31 December 2017	2016	2015
		(audited)	
Enterprise and real estate mortgages	422,820	422,820	422,500
Pledges	96,984	96,980	92,322
Other guarantees	2,541	2,543	38
Operating lease agreements	737	975	629
Total	**523,082**	**523,319**	**515,490**

As part of the Sentiotec acquisition, the Company concluded a supply agreement of control units with Sentiotec's former owner Abatec that is in force until 2019. The agreement included a yearly purchase commitment that is not included in the above-presented items. The Company's investment agreements have been described in section "– *Investments*".

Enterprise and Real Estate Mortgages: Before the New Financing Arrangement is taken into use at the completion of the Listing, Group's land areas and buildings as well as enterprise mortgages are used as guarantees of Harvia Plc's existing bank loans.

Pledges: Before the New Financing Arrangement is taken into use at the completion of the Listing, subsidiary shares have been pledged for existing bank loans and credit limit. Other guarantees have also been given for the loans.

Other Guarantees: Other guarantees consist of pledged accounts, customs guarantees and other guarantees. Harvia Group Oy acts as a guarantor of Sentiotec GmbH's credit limit agreement. In addition, before the New Financing Arrangement of Harvia Plc is taken into use at the completion of the Listing, the Group has given trademarks and patents as a guarantee for the existing bank loans and credit limit, which are not included in the above-presented figures.

Harvia Plc's bank loan guarantees that are in force before the New Financing Arrangement is taken into use at the completion of the Listing, are released when the loans are repaid. The New Financing Arrangement is unsecured. Harvia Plc and any other group company that have possibly joined the New Financing Arrangement guarantees the loans drawn under the New Financing Arrangement subject to certain corporate law restrictions included in the terms of the loan.

Operating Lease Agreements: Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All lease contracts of the Group have been recognised as operating leases. The operating lease agreements include lease payments of cars as well as rental payments of factory premises in Estonia, Romania and China and office premises in Estonia, Hong Kong, Russia and Finland.

(EUR thousand)	31 December 2017	2016	2015
		(audited)	
No later than 1 year	406	489	414
Later than 1 year and no later than 5 years	330	486	215
Total	**737**	**975**	**629**

The total lease liability of the operating leases include minimum lease payments for the notice periods of the lease agreements. These are primarily related to the Company's real estates, notice periods of which generally vary from 6 months to 12 months. However, the Company has lease agreement periods with longer duration compared to the notice periods. The most significant one of these is the lease agreement of the Chinese factory that has been renewed for a period of 15 years from the beginning of July 1, 2017 and that has a notice period of 6 months.

IFRS 16 was published in January 2016, and it must be applied to financial years starting on 1 January 2019 or after. As a result of the standard, nearly all lease agreements will be recorded on the consolidated statement of financial position, because operating lease agreements and financing lease agreements are no longer separated. Implications of the new standard have been described in section *"– Upcoming Standards and Interpretations Not Yet Adopted"*.

Description of the Financial Risk Management

The administration of the Group's financial risk management and capital management has been described in note 5.3 to the Group's financial statement.

The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Derivative financial instruments are used to hedge against certain risk exposures.

The Group's risk management is carried out by a finance department under guidelines provided by the Board of Directors. Finance department identifies, evaluates and hedges financial risks in close cooperation with the Group's business operations.

Related Party Transactions

Parties are considered to be related parties if one party has the ability to control the other party or to exercise significant influence or joint control over the other party in making financial and operational decisions. The Company's related parties include the Company's subsidiaries, Capman Buyout X Fund A L.P and CapMan Buyout X Fund B Ky and other companies owned by these funds as well as Avus Oy, KTR-Invest Oy, Tiipeti Oy and Mantereenniemi Oy, which are investment companies of Harvia's previous owners as well as Harvia's previous owners. Related parties also include members of the Board of Directors, the CEO and the Management Team as well as their family members and companies under their control.

Harvia's key management personnel, the members of the Board of Directors, and their family members are entitled to purchase sauna products from Harvia in accordance with the policy applying to the entire personnel of Harvia. Sales of tangible assets mainly includes sales of cars recognised in the Company's property, plant and equipment.

During the financial year ended 31 December 2016, EUR 291 thousand of the Company's shares were subscribed in directed shares issues to the key persons of the Group's management. No shares were subscribed during the financial years 2017 and 2015. Share issues conducted in the Company during the reviewed period have been described in section *"The Shares and Share Capital of the Company – Changes in the Number of Shares and the Share Capital"*.

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

Loans from related parties as of 31 December 2017, 2016 and 2015 consisted of shareholder loans granted to the Company, which have been described in the section *"– Equity and Liabilities and Other Contingent Liabilities – Net Debt and Other Non-Current Debts – Shareholder Loans"*. Shareholder loans granted by the Company have been presented in section *"The Company's Administration, Management and Auditors - Management Remuneration and Incentive and Pension Schemes".*

The following table sets forth related party transactions for the financial years ended December 31 2017, 2016 and 2015.

Related party transactions

(EUR thousand)	1 January – 31 December 2017	2016 (audited)	2015
Sales of goods and services	17	2	8
Purchases of goods and services	1	-	-
Sale of tangible assets	-	80	35

Loans from Related Parties and Other Shareholder Loans and Their Changes[1]

(EUR thousand)	1 January – 31 December 2017	2016 (audited)	2015
At 1 January	38,516	35,630	37,889
Loans advanced	-	70	7
Loan repayments	-	-	-5,000
Interest changed	3,298	3,039	2,896
Withholding tax on interest	-175	-170	-162
Interest paid	-21	-52	-
At 31 December	**41,618**	**38,516**	**35,630**[2]

1) Of which, EUR 81 thousand as at 31 December 2017 (EUR 81 thousand as at 31 December 2016, EUR 102 thousand as at 31 December 2015 and EUR 96 thousand as at 1 January 2015) were from others than related parties.
2) Of which, EUR 35 598 thousand was in non-current and EUR 32 thousand in current liabilities in the consolidated statement of financial position as at 31 December 2015.

The Company has not had significant related party transactions during the period after the end of the previous financial year. According to the conditions of the Company's shareholder loans, the interest payment date is 31 December of every year and the loans accrue interest until they have matured or fallen due. The Company's intention is to repay shareholder loans and their accrued interests with the funds received from the Share Issue at the completion of the Listing.

The members of the Board of Directors and the Management Team and the CEO and remuneration paid to them as well as the shareholder loans they have granted and their interest have been described in section *"The Company's Administration, Management and Auditors"*.

Critical Accounting Estimates and Significant Management Judgments

The preparation of the Company's consolidated financial statements requires the use of estimates, judgements and assumptions that may affect the application of accounting policies and the recognised amounts of assets and liabilities at the date of the financial statements. In addition, the recognised amounts of revenue and expenses during the periods presented are affected. Actual results may differ from previously made estimates and judgements. Estimates and judgements are reviewed regularly. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in all subsequent periods.

The Company's management has estimated that the management judgement has to be used especially on the following sectors.

Determining Operating Segments

The Company's management has used judgement when determining Group's segment reporting. Areas requiring judgement have been the determination of chief operating decision maker, the decisions made and reports used when managing the Group. The Board of Directors has been determined as the chief operating decision maker. The Board of Directors, taking into account its composition and its active participation in key strategic and operative decision-making, is responsible for allocating resources and assessing the performance. The management of Harvia Group, using its judgement, has determined that the Group has one operating segment.

Marketing Subsidies

The Company's management uses judgement when allocating marketing subsidies to allowances included in the revenue and marketing costs included in other expenses. Subsidies determined as the percentage of sales volume and against which marketing services are not obtained, are reducing the revenue and other marketing subsidies are allocated to operating expenses.

Business Combinations

Net assets acquired through business combinations are measured at fair value. The measurement of fair value of the acquired net assets is based on market value of similar assets (property, plant and equipment), or an estimate of expected cash flows (intangible assets). The valuation, which is based on prevailing repurchase value, expected cash flows or estimated sales price, requires management judgement and assumptions. The management trusts that the applied estimates and assumptions are sufficiently reliable for determining fair values.

Research and Development Costs

Costs incurred in the development phase of a project are capitalised as intangible assets if the criteria is met. Management has made judgments and assumptions when assessing whether a project meets these criteria, and on measuring the costs and the economic life as well as the future cash inflows generated by the development projects. Expected returns from capitalised development projects involve estimates and judgement from the management about the future revenue and related costs. These estimates involve risks and uncertainties and it is possible that, following changes in circumstances, expected returns from capitalised development projects change. Harvia assesses indications of impairment for capitalised development projects.

Key Assumptions Used in Goodwill Impairment Judgement

The management makes significant estimates and judgements in determining the level at which the goodwill is allocated and whether there is any indication of impairment in goodwill.

The recoverable amount of a cash generating unit is determined based on value-in-use calculations which require the use of estimates. The calculations use cash flow projections based on budgets and financial estimates approved by management covering a five-year period. Cash flow forecasts are based on the Group’s actual results and the management’s best estimates on future sales, cost development, general market conditions and applicable tax rates. Cash flows estimates include budgets and rolling estimates for a period of five years and cash flows beyond the five-year period are extrapolated using the estimated growth rates stated above. The growth rates are based on the management’s estimates on future growth in the business. Management tests the impacts of changes in significant estimates used in forecasts by sensitivity analyses as described above in the notes to the Audited Consolidated Financial Statements.

Share-Based Payments

The Company makes judgements on whether an arrangement or a transaction contains a share-based payment. The measurement of the fair value for the arrangement requires judgement from the management. As per the analysis on grant date valuation, the value of the benefit can be considered to be zero as it is determined that the subscription price corresponds the fair value. Accordingly, no share-based payment related expense is required to be recognised.

Determining How Deferred Tax Assets Are Recognised

The management of the Company uses judgement when determining if deferred tax asset is recognised for an unused tax loss carryforward or unused tax credits. Recognition is done only to the extent that it is probable that future taxable profits will be available against which the loss or credit carryforward can be utilised. The Group estimates positions taken in tax return with respect to situations in which applicable tax regulation is subject to interpretation. If necessary, the booked amounts are adjusted to correspond to amounts expected to be paid to the tax authorities. For additional information, see section “– *Factors Affecting the Group’s Operating Results – Using Deferred Tax Assets”.*

Upcoming Standards and Interpretations Not Yet Adopted

The Company has not yet applied the following new and amended standards and interpretations already issued and endorsed by the European Union. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

IFRS 9 Financial Instruments

IFRS 9 “Financial instruments” addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

Classification and measurement of financial assets will be based on how the assets are managed. The Group’s financial assets consist mainly of trade receivables, which are still measured at amortised cost. Therefore, the new guidance is not expected to affect the Group’s classification and measurement of these financial assets.

According to the new impairment model an allowance for impairment should be recognised based on expected credit losses when losses are recognised earlier and in larger amounts. In IAS 39, recognition of losses was based solely on actual credit losses. This change mainly applies to the Group’s trade receivables measured at amortised cost. The Group applies the simplified method allowed by the standard whereby the expected credit losses are recognised using the provision matrix based on the on the historical credit losses adjusted by the future outlook. Based on the calculation by the Company, the provision for credit losses of trade receivables (without tax impact) is about EUR 0.5 million and it is recognised to decrease the retained earnings.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group’s risk management practices. The Group does not currently apply hedge accounting and will not increase hedge accounting upon the adoption of IFRS 9.

The new standard also includes more expanded disclosure requirements and changes in presentation. These are expected to have an impact on the nature and extent of the information presented in the consolidated financial statements particularly in the year of the adoption of the new standard.

The standard has to be applied for financial periods commencing on or after 1 January 2018. The new rules will be applied retrospectively from 1 January 2018 with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 “Revenue from Contracts with Customer” is the new revenue standard, which Harvia will apply for reporting periods beginning on 1 January 2018. The new standard will replace IAS 18 and IAS 11 standards and the related interpretations. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The new standard includes a five-step process that Harvia will apply for contracts with customers before revenue is recognised.

The steps that will be required to be followed for revenue recognition are:

1) identifying the contract
2) identifying the performance obligations
3) determining the transaction price
4) allocation of the transaction price to each performance obligation (to each distinct good or service promised to the client) on a relative stand-alone selling price basis
5) recognising the revenue when (or as) the performance obligation is satisfied by transferring the good or service to the client.

Revenue may be recognised over time or at a point in time, and the main criterion is the transfer of control.

Harvia has been assessing the impacts of the standard and has identified that some changes will take place in the following areas:

- *Identifying performance obligations*: Harvia's view is that the control of the goods sold by Harvia typically transfer to the customer when the goods are delivered to the customer. Under some arrangements, Harvia has two performance obligations: goods and transportation service. Under current guidance Harvia has not accounted for the transportation service separately from the sale of goods. For some project sales the performance obligation is the sauna construction as a whole as the company provides a significant service of integrating the goods and services into a combined output, i.e. sauna, which the customer has contracted.

- *Determining the transaction price:* Contracts with customers typically include several variable considerations (annual discounts, marketing subsidies, volume discounts etc.). Under IFRS 15, an entity needs to estimate the variable consideration and include in the transaction price an amount that fulfils the highly probable criterion. However, Harvia has already under the current IFRS guidance estimated the variable considerations as part of the revenue recognition process. In addition, Harvia has been able to reliably estimate the outcome and therefore, management's view is that the highly probable criterion is typically met. Therefore, no major differences are expected.

- *Allocation of the transaction price:* Some contracts include also transportation service, which is not currently treated as a separate element. Therefore, a part of the transaction price for these arrangements should be allocated to the transportation service. However, based on the analysis, the transportation service is typically low value and performed within a very short time period and as such is not expected to affect the revenue recognised for the service element.

- *Recognising the revenue:* Management's view is that the point when control typically transfers to Harvia's customer for goods sold is when goods are delivered to the customer. Based on the analysis conducted to date, management does not expect significant changes to the timing of revenue recognition as a result of adopting IFRS 15. However, with respect to transportation services, revenue should be recognised over time, because for transportation services the customer simultaneously receives and consumes the benefits as Harvia provides the service. However, since goods are usually delivered to the customer within relatively short time period management does not expect a significant impact related to the timing of the revenue recognition for the service element. For some of the project sales the company will need to recognise revenue over time, which under current guidance have been recognised as revenue after completion. Since the project sales form a small part of the total revenue (2 per cent in financial year 2017) for Harvia the management does not expect a significant impact from the timing difference in the revenue recognition. Based on the calculation made by the company, the adjustment for the Group's recognition of project sales is approximately EUR 30 thousand.

Under IFRS 15 an entity shall recognise as an asset the incremental costs of obtaining a contract (e.g. sales commissions), if it expects to recover those costs. Currently sales commissions are recognised as other expenses as incurred. Harvia chooses to use the practical expedient and recognises the incremental costs as an expense when incurred as the expected amortisation period of the assets is one year of less.

Based on findings to date Harvia does not expect major adjustments or changes to revenue recognition principles. However, new revenue disclosures in the notes to the financial statements are required which Harvia will report under the new guidance.

Harvia adopts the standard on 1 January 2018 using the modified retrospective method which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

IFRS 16 Leases

IFRS 16 was issued in January 2016. As a result, almost all leases will be recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for the Group's operating leases. At the end of the financial period, the Group has non-cancellable operating lease commitments (cars, factories, offices and land leases) of EUR 737 thousand.

However, the Group has not yet assessed what adjustments are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group’s future profit or loss and classification of cash flows. The Group has not yet decided what transition method it will apply at the day of initial application.

The standard must be applied for financial periods commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

THE COMPANY'S ADMINISTRATION, MANAGEMENT AND AUDITORS

General on the Company's Administration

Pursuant to the provisions of the Finnish Companies Act and the Company's Articles of Association, the management and control of the Company is divided between the shareholders, the Board of Directors and the CEO.

The shareholders participate in the administration and management of the Company through resolutions adopted at the general meeting of shareholders. In general, the Board of Directors convenes the general meeting of shareholders. In addition, a general meeting of shareholders must be held pursuant to the Finnish Companies Act when requested in writing by the auditor of the Company or by shareholders representing at least one-tenth of all the issued Shares.

The address of the Board of Directors and the CEO is Teollisuustie 1–7, FI-40950 Muurame, Finland.

Board of Directors and the Management Team

Board of Directors

The Board of Directors has general responsibility for the Company's governance and the appropriate organisation of operations. The Board of Directors has approved rules of procedure that define the matters within the Board of Directors' responsibility. The Board of Directors affirms the principles of strategy, organisation, accounting and controlling the management of assets, and appoints the CEO of the Company. The CEO is responsible for carrying out the strategy of the Company and for day-to-day administration based on the instructions and orders issued by the Board of Directors. Harvia Plc is the holding company in the Group and at the date of this Offering Circular, members of the Board of Directors form also the Board of Directors in Harvia Group Oy and Harvia Finland Oy. At the date of the Offering Circular, the CEO of Harvia Plc acts also as CEO of Harvia Group Oy, Harvia Finland Oy and Velha Oy.

The Company's Board of Directors consists of a minimum of three and maximum of six ordinary members. The term of office of the members of the Board of Directors expires at the end of the first annual general meeting of shareholders following their election. The Board of Directors elects a Chairman from among its members for the duration of its term of office.

The Board of Directors has on 21 February 2018 set up an audit committee, the term of which begins in connection with the Listing subject to the completion of the Listing. The audit committee consists of at least three members appointed by the Board of Directors from among its members annually. The Board of Directors defines the duties of the audit committee in the charter of the committee confirmed by it. The duties of the audit committee consist of, among others, monitoring the Company's financial reporting process, monitoring the statutory audit of the Company's financial statements and consolidated financial statements and monitoring the efficiency of the Company's internal control, internal audit and risk management systems. The committee is also charged with the reviewing the Company's annual corporate governance statement. At the date of this Offering Circular, the members of the audit committee are Olli Liitola, Anders Björkell and Ari Hiltunen.

The Company's Board of Directors does not consider it necessary to establish any further committees, as the Board of Directors is able to function effectively without further committees due to the scope and nature of the Company's operations and the operating principles of the Board of Directors.

There are five members of the Board of Directors on the date of the Offering Circular. The following table sets forth the members of the Board of Directors on the date of the Offering Circular:

Name	Year of birth	Position	Board member since
Olli Liitola	1957	Chairman of the Board	2014
Ia Adlercreutz	1971	Member of the Board	2016
Anders Björkell	1969	Member of the Board	2014
Pertti Harvia	1950	Member of the Board	2016
Ari Hiltunen	1964	Member of the Board	2018

Olli Liitola has acted as the Chairman of the Company's Board of Directors since 2014. Mr. Liitola has also held various positions at CapMan Plc in 1991–2007, acting, *inter alia,* as Chief Financial Officer in 1991–

2007, deputy CEO in 2005–2009, and Senior Partner in 2010–2017. Currently Mr. Liitola acts as Senior Advisor. During the last five years, Mr. Liitola has acted, due to his duties at CapMan Plc, as a member of the Board of Directors and as the Chairman of the Board of Directors of several companies, which are target companies of CapMan Plc or the funds managed by Capman Plc: Mr. Liitola has acted as the Chairman of the Board of Directors of Tilaisuuksien ideointi- ja toteuttamistoimisto Tapaus Oy since 2014, EMG Experiential Marketing Group Oy since 2014, Oy Lunawood Ltd and Lunaholder Oy since 2012, Bright Finland Oy and Bright Group Oy since 2011 and Bright Group BGN Holding AB since 2012, and previously as a member of the Board of Directors of Nice Entertainment Group Oy in 2008–2013. Mr. Liitola has also acted at the holding companies of the funds managed by CapMan Plc. In addition to the positions of trust related to his work, Mr. Liitola has acted as the Chairman of the Board of Directors of MOM Invest Oy since 2009 and Momea Invest Oy since 1982. Mr. Liitola holds a Master of Science degree in Engineering.

Ia Adlercreutz has acted as a member of the Company's Board of Directors since 2016. She has acted as the CEO of Co-founders Oy since 2016. Previously, Ms. Adlercreutz has acted as the Director of Brand and Marketing (Functional Products EMEA) of Fiskars Finland Oy in 2014–2016 and as the Head of Brand and Concept Development of Fiskars Home Oy in 2012–2014, and held various marketing management posts at Kekkilä Oy in 2004–2012. Previously, she acted, *inter alia*, as a communications entrepreneur at Profounders Ky in 1999–2004. Ms. Adlercreutz has acted as the Chairman of the Board of Directors of Spikesafe Oy since 2015 and as a member of the Board of Co-founders Oy since 2016, Detapo Oy since 2015 and Turvanasta Oy since 2012. Ms. Adlercreutz holds Master of Arts and Bachelor of Arts degrees.

Anders Björkell has acted as a member of the Company's Board of Directors since 2014. He has held various positions at CapMan Capital Management Oy since 1997, and since 2001 he has acted as a Partner. Previously, Mr. Björkell has acted as a Consultant at Energia-Ekono Oy, part of Pöyry Group, in 1993–1997. During the last five years, Mr. Björkell has acted, due to his duties at CapMan Plc, as a member of the Board of Directors of several companies, which are target companies of the funds managed by Capman Plc: *inter alia,* Walki Holding Oy since 2016 and Walki Group Oy since 2007, Acona Invest AS since 2015, Havator Employees Oy since 2011, Havator Group Oy and Havator Oy since 2010, and MPT Intressenter AB in 2012–2016. Mr. Björkell has also acted as a Limited Partner of a Maneq fund managed by CapMan. In addition to the positions of trust related to his work, Mr. Björkell has acted as a member of the Board of Directors of his holding company Holmfall Kapital Ab since 2006. Mr. Björkell holds a Master of Science degree in Engineering and a Master of Science degree in Economics and Business Administration.

Pertti Harvia has acted as a member of the Company's Board of Directors since 2016. Mr. Harvia on has had a long career at Harvia. He has acted as the CEO of Harvia Oy in 2013–2016, as the CEO of Harvia's Chinese subsidiary Guangzhou City Harvia Sauna Co. Ltd in 2009–2016, and as the CEO of Velha Oy in 1997–2016. Previously, Mr. Harvia acted as the Technical Director of Harvia Oy in 1973–2013. Mr. Harvia has acted as the Chairman of the Board of Directors of Tiipeti Oy since 2014. Mr. Harvia holds post-secondary level degree in Engineering.

Ari Hiltunen has acted as a member of the Company's Board of Directors since 2018. He has acted as the CEO of Central Finland Chamber of Commerce since 2017. Previously, Mr. Hiltunen has acted as the CEO of Jyväskylä Regional Development Company Jykes Ltd. in 2011–2017 and the sales director in Pohjola Insurance Ltd in 2005–2011. Mr. Hiltunen has acted as the Chairman of the Board of Directors of JyväsSeed Fund Oy in 2013–2015, as the Chairman and deputy Chairman of the Board of Directors of Jyväskylä Congress Center Ltd in 2011–2017 and as a member of the Board of MidInvest Oy in 2013–2017 and KasvuOpen Ltd. in 2016–2017. Mr. Hiltunen holds a Master of Science degree in Economics and Business Administration.

Management Team

Harvia Plc's Management Team of was established in 2014, when the current group structure was created. The Company's Management Team acts as the management team for the entire Group. The members of the Management Team are employed by different Group companies. In 2016, the management organisation was reorganised so that the Management Team and in addition the Extended Management Team were established in the Group. The Management Team of the Group consists of the CEO and the other members appointed by the Board of Directors and the following persons are the members of the Management Team at the date of the Offering Circular:

Name	Year of birth	Position	Management Team member since
Tapio Pajuharju	1963	CEO	2016
Ari Vesterinen	1963	Chief Financial Officer	2014
David Ahonen	1966	Export Director	2014
Timo Harvia	1978	Director, Research & Development and Quality	2014
Sami Linna	1978	Marketing Director	2017
Anssi Pelkonen	1964	Sales Director, Finland and Sweden	2014
Mika Suoja	1975	Production Director	2016
Markus Wörmanseder	1974	Sales Director, Central Europe	2017

Tapio Pajuharju has acted as the Company's CEO and as a member of the Company's Management Team since 2016; first in his position at Harvia Group Oy in 2016–2017 and then at Harvia Plc (former Harvia Holding Oy) since 2017. Mr. Pajuharju has also been appointed as the CEO of Harvia Group Oy, Harvia Oy, and Velha Oy. Prior to joining the Company as CEO he acted as a member of the Board of Directors of Harvia Oy in 2014–2016. Mr. Pajuharju acted as the CEO of Oy Hartwall Ab in 2014–2016 and as the CEO of Lumene Oy in 2004–2014. Previously, Mr. Pajuharju has held management positions at Huhtamäki Group in 1988–2004. Mr. Pajuharju has also acted as the Chairman of the Board of Directors of Varamiespalvelu-Group Oy in 2011–2017 and as a member of the Board of Directors since 2009, and as a member of the Board of Directors of Forshire Midco Oy and Forshire Bidco Oy, established for the acquisition, since 2017. In addition, he has acted as a member of the Board of Directors of Walki Group Oy since 2016, and previously as a member of the Board of Directors of Halti Oy in 2012–2014 and Jääkiekon SM-liiga Oy in 2013–2017. Mr. Pajuharju holds a Master of Science degree in Economics and Business Administration.

Ari Vesterinen has acted as the Company's Chief Financial Officer and as a member of the Company's Management Team since 2014; first in his position at Harvia Group Oy in 2014–2017 and then at Harvia Plc (former Harvia Holding Oy) since 2017. Prior to joining the Company, he acted as management consultant at LEAD Partners Oy in 2011–2014 and as Chief Financial Officer at TylöHelo Group in 1995–2011 and in various positions in the group companies, such as at Saunatec Oyj while the company was listed on the Helsinki Stock Exchange, along with his position as Chief Financial Officer, as the CEO of Helo Oy in 2010–2011 and as the CEO of Helo GmbH in 1993–2006 and as a member of the Board of Directors of several TylöHelo Group companies. Mr. Vesterinen holds a Master of Science degree in Engineering and a Master of Business Administration (MBA) degree.

David Ahonen has acted as the Company's Export Director since 2016 and as a member of the Company's Management Team since 2014 in his position at Harvia Finland Oy. Previously, Mr. Ahonen has acted as the Company's Export Manager in 1996–2016. Mr. Ahonen has acted as the Chairman of the Board of Directors of Kiinteistö Oy Killerin Tenniskeskus since 2010 and as a member of the Board of Directors of Benlop Oy since 2012. Mr. Ahonen holds a vocational qualification in business and administration.

Timo Harvia has acted as the Company's Director, Research & Development and Quality, since 2016 and as a member of the Company's Management Team since 2014 in his position at Harvia Finland Oy. Previously, he has acted at the Group as the Research & Development Director of Harvia Oy in 2014–2016, as the Research & Development Manager in 2010–2014 and as a Product Designer in 2004–2010. Mr. Harvia has acted as the Deputy member of the Board of Directors of Tiipeti Oy since 2014. Mr. Harvia holds a Master of Science degree in Engineering.

Sami Linna has acted as the Company's Marketing Director and as a member of the Company's Management Team since 2017 in his position at Harvia Group Oy. Prior to joining the Company Mr. Linna acted as a Product Line Manager at Orkla Confectionery & Snacks Finland Ab in 2014–2017, as a Product Line Manager at Oy Panda Ab in 2010–2014 and at various positions as Marketing Manager and Product Manager at Robert Bosch Oy in 2002–2010. Mr. Linna holds a Master of Science degree in Economics and Business Administration.

Anssi Pelkonen has acted as the Company's Sales Director, Finland and Sweden, and as a member of the Company's Management Team since 2014 in his position at Harvia Finland Oy. Prior to joining the Company, Mr. Pelkonen acted as a Shop Manager at Carlson Oy in 2010–2014, as a Sales Manager at Harvia Oy in 2000–2010 and as a Sales Representative at Black & Decker Oy in 1995–1999. Mr. Pelkonen holds a vocational qualification in business and administration.

Mika Suoja has acted as the Company's Production Director and as a member of the Company's Management Team since 2016; first in his position at Harvia Oy (present Harvia Finland Oy) in 2016–2017 and then at Harvia Group Oy since 2017. Prior to joining the Company, Mr. Suoja acted as the Director, Materials Administration at the Central Finland Health Care District in 2016, as the Chief Operating Officer at Pikval Oy in 2015–2016 and as the company's Production Director in 2012–2015, as the Technology Director at Kojair Tech Oy in 2010–2012 and as, *inter alia*, a Production Manager at Sovella Oy in 2004–2009. Mr. Suoja holds a Master of Engineering degree.

Markus Wörmanseder has been the Company's Sales Director, Central Europe, and a member of the Company's Management Team since 2017 in his position at Sentiotec GmbH. Mr. Wörmanseder has been the Managing Director of Sentiotec GmbH since 2007. Previously, he has held sales and marketing positions at AXAVIA Software GmbH, BEKO Engineering and Cadison Software GmbH. Mr. Wörmanseder has studied technical chemistry at the Johannes Kepler University Linz in Austria.

The CEO

The Board of Directors appoints the Company's CEO. Tapio Pajuharju has acted as the Company's CEO since 2016. The CEO manages and develops the Company's business and is responsible for the operative management in accordance with the instructions issued by the Board of Directors. The CEO presents and reports to the Board of Directors. The CEO manages the day-to-day administration in accordance with the orders issued by the Board of Directors and ensures that the Company's accounting complies with legislation and that the management of the Company's assets is organised in a reliable manner.

The CEO's contract may be terminated by either the CEO or the Company with six months' notice and the contract includes twelve-month non-competition undertaking when the employment relationship ends. If the CEO's contract is terminated by the Company, the CEO is entitled to an additional severance pay of an amount equalling his monthly salary for six months including possible bonuses.

Corporate Governance

In its decision-making and corporate governance, the Company complies with the Finnish Companies Act, Articles of Association of the Company, rules set forth in the Helsinki Stock Exchange, securities markets legislation, as well as other applicable regulations. When the Company seeks listing of the Shares on the official list of the Helsinki Stock Exchange, it will apply with the Finnish Corporate Governance Code, entered into force on 1 January 2016 and published by the Finnish Securities Market Association, which is applied to companies listed on the official list of the Helsinki Stock Exchange.

Information on the Members of the Board of Directors and Members of the Management Team and the CEO

As at the date of the Offering Circular, the members of the Board of Directors, the members of the Management Team and the CEO have not, in accordance with Commission Regulation (EC) No 809/2004, annex I, article 14.1, during the previous five years prior to the publication of the Offering Circular:

- had any convictions in relation to fraudulent offences,
- acted in executive positions, such as members of administrative, executive or supervisory bodies, or been part of the management of or acted as a general partner of a limited partnership in a company which has filed for bankruptcy, liquidation or restructuring proceedings (excluding such liquidation processes, which have been voluntary in order to legally dissolve a limited liability company in accordance with the Finnish Companies Act in Finland), or
- been subject of prosecution or penalty by judicial or supervisory authority (including professional associations), and been disqualified by a court from acting as a member of administrative, management or supervisory bodies of any company or prohibited the person from acting in the management of any company or from managing the affairs at any company.

Conflicts of Interest

The provisions regarding the conflicts of interest of the management of a company are set forth in the Finnish Companies Act. Pursuant to Chapter 6, Section 4 of the Finnish Companies Act, a member of the Board of Directors may not participate in the handling of a matter that pertains to an agreement between himself and the company. Nor may a member of the Board of Directors take part in the handling of a matter pertaining to an agreement between the company and a third party, should the member in question thereby stand to gain a material benefit, which may be in conflict with the company's interests. What is stated above with regard to agreements is correspondingly applicable to other legal act, legal proceeding and other right of action. These provisions also apply to the CEO.

Of the members of the Board of Directors and the Management Team, Pertti Harvia, Tapio Pajuharju, Ari Vesterinen, David Ahonen and Timo Harvia have granted shareholder loans to the Company (in total EUR 3,079 thousand as of 31 December 2017). Tiipeti Oy, owned partly by Pertti Harvia and Timo Harvia, has also granted shareholder loan to the Company (EUR 1,505 thousand as of 31 December 2017). All shareholder loans mature prematurely in connection with the Listing if the Listing is carried out successfully and they are intended to be repaid with accrued interest with the funds received from the Share Issue.

Tapio Pajuharju and Ari Vesterinen are entitled to a performance-related remuneration of EUR 50 thousand in connection with the Listing if the Listing is carried out successfully.

The Sellers sell Shares in the Share Sale. The Sellers include the Funds Managed by CapMan, who exercise control in the Company and are, prior to the execution of the Offering, the two largest shareholders of the Company.

Olli Liitola, acting as a member of the Company's Board of Directors, is employed by CapMan Plc and Anders Björkell, acting as a member of the Company's Board of Directors, acts as Senior Advisor in CapMan Plc. Of the members of the Board of Directors, Olli Liitola, Ia Adlercreutz and Pertti Harvia are also shareholders of the Company. The lock-up agreement applying to the Shares of the Sellers is described under "*Plan of Distribution in the Offering – Lock-up*".

Related party transactions and shareholder loans are described under "*Operating and Financial Review – Related Party Transactions*".

To the knowledge of the Company, the members of the Board of Directors, the members of the Management Team or the CEO do not have other conflicts of interest between their duties to the Company and their private interests or their other duties than the ones mentioned above.

Timo Harvia, son of member of the Board Pertti Harvia, acts as the Company's Director, Research & Development and Quality and is a member of the Company's Management Team. There are no family relations between other above-mentioned persons.

At the date of this Offering Circular, of the members of the Board of Directors, Ia Adlercreutz and Ari Hiltunen are independent of the Company and its major shareholders, and Olli Liitola and Anders Björkell are independent of the Company but not independent of the Company's major shareholders. Pertti Harvia is independent of the Company's major shareholders but not independent of the Company.

Management Holdings

The following table sets forth the ownership of Shares in the Company by the members of the Board of Directors, the members of the Management Team and the CEO on 7 March 2018.

Name	Position	Shares	Proportion of Shares and votes %
Olli Liitola(1	Chairman of the Board of Directors	44,000	0.5
Ia Adlercreutz	Member of the Board of Directors	21,000	0.2
Anders Björkell	Member of the Board of Directors	-	-
Pertti Harvia(2	Member of the Board of Directors	429,290	4.4
Ari Hiltunen	Member of the Board of Directors	-	-
Tapio Pajuharju	CEO	220,000	2.3
Ari Vesterinen	Chief Financial Officer	125,000	1.3
David Ahonen	Export Director	135,000	1.4
Anssi Pelkonen	Sales Director, Finland and Sweden	65,000	0.7
Timo Harvia(3	Director, Research & Development and Quality	128,750	1.3
Mika Suoja	Production Director	40,000	0.4

Sami Linna	Marketing Director	-	-
Markus Wörmanseder	Sales Director, Central Europe	100,000	1.0
Total		**1,308,040**	**13.5**

[1)] Olli Liitola's ownership consists of 44,000 Shares owned by Momea Invest Oy, which is controlled by him.
[2)] Pertti Harvia's ownership consists of 429,290 Shares owned by Tiipeti Oy, which is controlled by him.
[3)] Timo Harvia's ownership consists of 128,750 directly owned Shares held by him. In addition, Timo Harvia's related party entity Tiipeti Oy owns 429,290 Shares.

Management Remuneration and Incentive and Pension Schemes

Board of Directors

Pursuant to the Finnish Companies Act, the remuneration of the members of the Board of Directors is decided by the annual general meeting of shareholders. On 2 March 2018 the shareholders of the Company unanimously resolved, as part of the matters to be resolved on the annual general meeting, that until the next annual general meeting, the monthly remuneration of the chairman of the Board of Directors is EUR 3,500 and the monthly remuneration of each member of the Board of Directors is EUR 2,000, in addition to which the monthly remuneration of the chairman of the audit committee is EUR 1,300 and the monthly remuneration of each member of the audit committee is EUR 650. No remuneration for being a member of the Board of Directors or the audit committee is paid to board member Anders Björkell. During the period under review Harvia Plc has not paid remuneration to the members of the Board of Directors but the remuneration is paid based on the membership of the Board of Directors of Harvia Group Oy. No board member remuneration has been paid to Anders Björkell during the period under review.

The following table sets forth the remuneration paid to the members of the Board of Directors for the financial years indicated:

	1 January – 31 December		
(EUR thousand)	**2017**	**2016**	**2015**
		(audited)	
Olli Liitola	15	-	-
Ia Adlercreutz[1]	24	8	-
Anders Björkell	-	-	-
Ari Hiltunen[2]	-	-	-
Pertti Harvia[3]	24	34	-
Simo Lehtonen[4]	12	24	24
Tapio Pajuharju[5]	-	12	24
Sebastian Schauman[6]	-	-	-
Total	**75**	**78**	**48**

[1)] Member of the Board of Directors since 1 September 2016.
[2)] Member of the Board of Directors since 9 February 2018.
[3)] Member of the Board of Directors since 1 July 2016.
[4)] Member of the Board of Directors until 28 June 2016.
[5)] Member of the Board of Directors until 1 July 2016.
[6)] Member of the Board of Directors until 11 June 2015.

Pertti Harvia has granted to the Company a vendor note, and of the vendor note's interests EUR 97 thousand has been capitalized and EUR 42 thousand has been paid as a withholding tax to the Tax Administration in 2017, EUR 94 thousand has been capitalized and EUR 40 thousand has been paid as a withholding tax to the Tax Administration in 2016 and EUR 91 thousand has been capitalized and EUR 39 thousand has been paid as a withholding tax to the Tax Administration in 2015. The accrued interests of the shareholder loan of Tiipeti Oy that is controlled by Pertti Harvia, has been capitalized during the reviewed period. The shareholder loan interests paid to Tapio Pajuharju during the reviewed period are presented in section "– *CEO and Other Management Team*".

There has been no material changes to the remuneration of the members of the Board of Directors after 31 December 2017. The Company has established an audit committee on 21 February 2018, the term of which begins in connection with the Listing, the members of which will be paid the above-stated remuneration from the beginning of the term.

The Company has not given any guarantees or other commitments on behalf of any of the members of the Board of Directors.

CEO and Other Management Team

The Company's Board of Directors determines the salary, remuneration and other benefits received by the CEO and the members of the Management Team. The remuneration of the CEO and the members of the Management Team consists of a fixed monthly salary and a bonus. The Company's Board of Directors determines annually the conditions of the bonus. Under the incentive scheme in force in 2017, the bonuses of the CEO and the Management Team (including the members of the Extended Management Team) are paid based on the achievement of personal objectives and certain profitability objectives set for the financial year. At the maximum, the bonus may amount to a sum equalling three months' fixed salary. In addition, the members of the Management Team employed by Harvia Plc, Harvia Group Oy or Harvia Finland Oy belong to the personnel's bonus scheme where the maximum bonus can amount to six per cent of the person's annual salary and is based on the achievement of certain profitability objectives.

In 2017, the salary, remuneration and fringe benefits paid to the CEO totalled EUR 458 thousand (in 2016, EUR 299 thousand, and in 2015, EUR 167 thousand). The payments for pension and other similar liabilities paid to the CEO totalled EUR 87 thousand in 2017 (EUR 56 thousand in 2016 and EUR 29 thousand in 2015), which included in addition to statutory pension insurance, the CEO's voluntary pension insurance acquired by the Company, annual cost of which was EUR 9 thousand in 2017 (EUR 4 thousand in 2016). The Company also has committed to purchase a life insurance for the CEO.

The following table sets forth the employee benefits of the members of the Management Team (excluding the CEO) for the financial years ended 31 December 2017, 31 December 2016 and 31 December 2015:

	1 January – 31 December		
(EUR in thousands)	**2017**	**2016**	**2015**
		(audited)	
Salary, remuneration and other benefits	803	600	485
Pension expenses...	125	109	91
Total	**928**	**710**	**576**

There has been no material changes to the remuneration of the members of the Management Team and the CEO after 31 December 2017.

The following table sets forth the interests paid to the members of the Management Team and the CEO for the financial years ended 31 December 2017, 31 December 2016 and 31 December 2015:

	1 January – 31 December		
(EUR in thousands)	**2017**	**2016**	**2015**
		(unaudited)	
Tapio Pajuharju...	6	5	3
Ari Vesterinen	4	4	0
David Ahonen	6	6	12
Timo Harvia(1...	6	6	9
Total	**21**	**20**	**24**

1) Interests of the shareholder loan of Tiipeti Oy owned partly by Timo Harvia have been capitalized during the reviewed period.

Tapio Pajuharju and Ari Vesterinen are entitled to a one-time bonus of EUR 50 thousand in connection with the Listing if the Listing is carried out successfully.

Incentive Programs

At the date of this Offering Circular, the Company has no share-based incentive programs and the Company has an ongoing evaluation regarding the establishment of a share-based incentive program for its certain key employees.

Harvia Holding Oy (present Harvia Plc) has established a management co-investment arrangement for certain key management personnel of the Group and other key employees. The co-investment arrangements have been made in 2014–2017 with key employees that were employed by the Group or have joined the Group.

According to the agreements, the key employees covered by the arrangement have invested in shares and shareholder loans issued by Harvia Holding Oy (present Harvia Plc). Investments made by key employees were carried out at the same valuation basis and substantially on the same terms as the investments made by the controlling owner. The arrangement also includes customary good leaver and bad leaver conditions related to the employment. The Company does not have a contractual obligation to redeem the leavers in cash, and Harvia has not used its right to redeem the shares of key employees as their employment ends. According to the terms of the shareholder loans, the shareholder loans mature in connection with the Listing.

The Group's key employees subscribed for the Company's shares in directed share issues for EUR 291 thousand for the financial years ended 31 December 2016. The shares were not subscribed in the financial years 2017 and 2015. The share issues carried out in the Company for the reviewed period are described in section "*The Shares and Share Capital of the Company – Changes in the Number of Shares and the Share Capital*".

Auditors

The Company must have an auditor, who must be a public accounting corporation approved by the Finnish Patent and Registration Office. The term of the auditor expires at the end of the first annual general meeting of shareholders following his election. As at the date of the Offering Circular, PricewaterhouseCoopers Oy, Authorised Public Accountants, acts as the Company's auditor with Markku Launis, Authorised Public Accountant, as the auditor with principal responsibility.

THE SHARES AND SHARE CAPITAL OF THE COMPANY

General on the Shares and Share Capital of the Company

On the date of this Offering Circular, the Company's share capital was EUR 80,000. At the date of this Offering Circular, the Company had issued 9,679,800 fully paid Shares. Each Share entitles the holder to one vote at the Company's general meeting of shareholders. The Shares have no nominal value. The Company has one series of shares. The Shares were entered into the Finnish book-entry system on 5 March 2018, and their ISIN code is FI4000306873. The Company does not hold any of its own Shares.

The Company will apply for the listing of the Shares on the official list of the Helsinki Stock Exchange. Trading of the Shares on the Helsinki Stock Exchange is expected to commence on the Pre-list of the Helsinki Stock Exchange on or about 22 March 2018 and the official list of the Helsinki Stock Exchange on or about 26 March 2018 under the trading code HARVIA.

At the date of the Offering Circular, The Company's Articles of Association include a redemption and consent clause as well as a clause on settlement of disputes which the Company's shareholders decided, with the unanimous resolution on 2 March 2018, to remove from the Articles of Association conditional upon the execution of the Listing. Removal of the clauses will be registered to the Trade Register only in execution of the Offering together with the notification of registration of the New Shares or immediately before it. If the New Shares issued in connection with the Offering are notified to be registered in more than one instalment, the removal of redemption and consent clauses and clause concerning the settlement of disputes will be notified to be registered in connection with this kind of first registration notification of New Shares or immediately before it. In the same context the Company's shareholders also decided to change the provisions concerning convening of the annual general meeting and the call time conditional upon the execution of the Listing. The Company's Articles of Association in the form in which it will come into force in connection with completion of the Listing, are in Appendix B of the Offering Circular.

An unofficial English translation of the Company's Articles of Association on the date of the Offering Circular can be found in Appendix B.

Changes in the Number of Shares and the Share Capital

The following table sets forth a summary of the changes in the Company's share capital and number of shares from 1 January 2015 to the date of this Offering Circular.

Time	Arrangement	Number of Shares before the arrangement	Number of Shares in the arrangement	Number of Shares after the arrangement	Share capital (EUR)	Registered[1]
9 February 2018	Increase in share capital[2]	9,679,800	-	9,679,800	80,000	19 February 2018
20 December 2016	Directed share issue[3]	9,539,800	140,000	9,679,800	2,500	12 June 2017
1 February 2016	Directed share issue[4]	9,435,800	104,000	9,539,800	2,500	14 April 2016
25 September 2014	Directed share issue[5]	9,315,800	120,000	9,435,800	2,500	5 February 2015

1) The date refers to the date registered to the Trade Register.
2) The Company's company form was changed to public limited liability company by a unanimous decision of the shareholders on 9 February 2018, in connection with which the Company's restricted share capital was increased to EUR 80,000 by a reserve increase from invested unrestricted equity fund.
3) The Company's Board of Directors decided on 20 December 2016 on a directed share issue of a total 140,000 new shares to key persons to engage them to the Company.
4) The Company's Board of Directors decided on 1 February 2016 on a directed share issue of a total 104,000 new shares to the CEO to engage him to the Company.
5) The Company's Board of Directors decided on 25 September 2014 on a directed share issue of a total 120,000 new shares to key persons to engage them to the Company.

The Shareholders of the Company

According to the Company's register of shareholders, maintained by Euroclear Finland, on 28 February 2018 the Company had 21 shareholders. Ten largest shareholders of the Company on 28 February 2018 are presented in the table below.

Shareholder	Number of Shares	Proportion of shares and votes %
CapMan Buyout X Fund A L.P	4,741,198	49.0
CapMan Buyout X Fund B Ky	1,982,692	20.5
Avus Oy	429,290	4.4
Tiipeti Oy	429,290	4.4
KTR-Invest Oy	429,290	4.4
Mantereenniemi Oy	429,290	4.4
Tapio Pajuharju	220,000	2.3
David Ahonen	135,000	1.4
Timo Harvia	128,750	1.3
Teemu Harvia	128,750	1.3
Other shareholders	626,250	6.5
Total	**9,679,800**	**100.0**

As at the date of this Offering Circular, the Funds Managed by CapMan hold in total 69.5 per cent of the Shares in the Company and accordingly, exercise control over the Company as referred to in Chapter 2, Section 4 of the Securities Markets Act.

Other than as set out above, the Company has no knowledge of any shareholder exercising control over the Company or of any other events or arrangements after the Offering, the operation of which may have an impact on the exercise of control over the Company in the future.

Authorisations Granted to the Board of Directors

On 2 March 2018, the Company's shareholders made a unanimous resolution to authorise the Board of Directors to decide on the issuance of new shares. By virtue of this authorisation, the number of new shares issued shall not exceed 11,000,000 Shares in the aggregate, which may be issued together or in several instalments. The authorisation includes the right to deviate from the pre-emptive right of the shareholders provided that there is a weighty financial reason for the company for the deviation. The Board of Directors is entitled to decide on conditions of the share issue, including on the basis for determining the subscription price of the shares and the final subscription price, as well as on the approval of share subscriptions and allocation of the issued new shares and final amount of issued shares. In share issue, which is carried out in connection with the Listing, the Board of Directors may also decide on issuance of new shares to board members, provided that this is carried out under the same conditions as share issuance to other subscribers in the same offering. In addition, the authorisation given to the Board of Directors includes the right to decide whether the subscription price of share is credited in full or part to the reserve of invested unrestricted equity or booked as an increase of share capital. The authorisation cancels the share issue authorisation given by the general meeting on 31 May 2014. The authorisation is in force until the start of the Company's next annual general meeting, however no later than until 30 June 2019.

In the same connection, the Company's shareholders resolved to authorise the Board of Directors to decide on the issuance of option rights and other special rights entitling to shares, referred to in Chapter 10, Section 1 of the Finnish Companies Act, in one or more instalments, either against payment of free of charge. The amount of shares received on the basis of special rights may be a maximum of 2,000,000 shares in total, which amount corresponds to approximately 10 per cent of all shares of the Company if the maximum amount of shares is issued on the basis of the share issue authorisation granted to the Board of Directors. The Company may issue either new Shares or Shares held by the Company based on the options or other special rights entitling to shares. The authorisation entitles the Board of Directors to decide on all conditions concerning the granting of options and other special rights entitling to shares, including the recipients of the options and other special rights. The authorisation may be used as part of the Company's incentive plan or for other purposes as decided by the Board of Directors. The authorisation is in force until the start of the Company's next annual general meeting, however no later than until 30 June 2019.

In the same connection, the Company's shareholders resolved to authorise the Board of Directors to decide on the acquisition of the Company's own shares. By virtue of the authorisation, the Board of Directors is entitled to decide on the purchase of a maximum of 2,000,000 Company's own shares in one or more instalments with the Company's unrestricted equity, however, with the restriction that the Board of Directors may not purchase shares of the Company to the extent that the number of shares held by the Company, together with its subsidiaries, would exceed 10 per cent of all the shares of the Company. The resolution is conditional upon the shares of the Company being admitted to trading in the Helsinki Stock Exchange. The shares will be purchased otherwise than in proportion to the holdings of the shareholders in the trading in the Helsinki Stock Exchange at the market price at the time of the purchase or at a price otherwise formed on the market. . The authorisation may be used for example in possible corporate transactions or share-based incentive plan or for other purposes as decided by the Board of Directors. Shares purchased by virtue of the authorisation may be otherwise disposed further, kept by the Company or cancelled. The Board of Directors may decide on all other conditions on purchasing of the Company's own shares. The authorisation is in force until the start of the Company's next annual general meeting, however no later than until 30 June 2019.

Shareholders' Rights

Shareholders' Pre-emptive Subscription Right

Under the Finnish Companies Act, existing shareholders of Finnish companies have a pre-emptive right to subscribe for shares in the company in proportion to their shareholding, unless otherwise resolved by the general meeting of shareholders in regards to the offering. Under the Finnish Companies Act, a resolution to deviate from the shareholders' pre-emptive right is valid only if approved by at least two-thirds of all votes cast and all shares represented at the general meeting of shareholders. The shareholders' pre-emptive subscription right may be deviated from if such deviation is justified by weighty financial reasons from the perspective of the company. A directed offering may also be carried out as a share issue without consideration if there are particularly weighty financial reasons from the perspective of the company and the shareholders.

Certain shareholders resident in or with a registered address in a country other than Finland may not be able to exercise any pre-emptive subscription right in respect of their shareholding, unless the Shares and connected subscription rights are registered according to the specific country's securities legislation or an exemption from registration or other similar requirements is applicable.

General Meeting of Shareholders

In accordance with the Finnish Companies Act, shareholders exercise their decision-making powers in matters concerning the Company at the general meeting of shareholders. The annual general meeting of shareholders is held yearly, on a date decided by the Board of Directors, within six months from the closing date of the accounting period.

The annual general meeting of shareholders decides on, among others, adoption of the financial statements, distribution of dividends and election of members of the Board of Directors and auditors and their respective remuneration. The annual general meeting of shareholders also decides on discharge from liability of the Board of Directors and the CEO.

In addition to the annual general meeting of shareholders, extraordinary general meetings of shareholders may also be held, if required. Subject to the matter to be resolved, the qualified majority provisions set out in the Finnish Companies Act will be applied. Pursuant to the Finnish Companies Act, decisions that require a qualified majority must be approved by two-thirds of the votes cast and shares represented at the General Meeting of Shareholders. A qualified majority is needed for, inter alia, amending the Articles of Association, redeeming and acquiring the Company's own shares, as well as for deciding on mergers and demergers. There are no specific quorum requirements for general meeting of shareholders in the Finnish Companies Act or the Company's Articles of Association.

Shareholders have the right to have a matter falling within the competence of general meeting of shareholders dealt with by the general meeting of shareholders pursuant to the Finnish Companies Act if they so demand from the Board of Directors in writing well in advance so that the matter can be included in the notice. If either a shareholder or shareholders controlling at least ten per cent of the Shares or the Company's auditor requests that a certain matter be considered at a general meeting of shareholders, the Board of Directors must immediately convene a general meeting of shareholders.

According to the Finnish Companies Act, the notice to a general meeting of shareholders shall be delivered to the shareholders not earlier than three months and not later than three weeks prior to the meeting. The notice shall, however, be delivered at least nine (9) days prior to the record date for the Shareholders' Meeting as referred to in the Finnish Companies Act. As of the Listing, under the Articles of Association the notice shall be delivered to the shareholders by publishing the notice on the website of the Company or at least in one national newspaper as determined by the Board of Directors. Under the Articles of Association, in order to attend a general meeting of shareholders, a shareholder must register with the Company no later than the date specified in the notice of meeting, which may not be earlier than ten (10) days prior to the general meeting of shareholders. In addition to the Company's domicile, the general meeting of shareholders may be held in Helsinki.

Shareholders, who have been entered in the Company's register of shareholders maintained by Euroclear Finland no later than eight business days before the general meeting of shareholders (record date of the general meeting of shareholders) and who have registered for the general meeting of shareholders no later than on the date stated in the notice of the meeting, or nominee-registered shareholders who have temporarily been entered in the Company's register of shareholders for taking part in the general meeting of shareholders have the right to participate in the general meeting of shareholders. The notice concerning a temporary registration must be made no later than on the date stated in the notice of the meeting, which must be a date subsequent to the record date of the general meeting of shareholders. Nominee-registered shareholders are deemed to have registered for the general meeting of shareholders if they have been entered temporarily into the register of shareholders. Shareholders may attend the general meeting of shareholders in person or through an authorised representative.

Shareholders may have several representatives who represent them on the basis of shares held in different securities accounts. If a shareholder takes part in the general meeting of shareholders through several representatives, the Shares on the basis of which each representative represents the shareholder must be announced when registering for the meeting. Representatives must present a proxy or other credible evidence of their authorisation. In addition, each shareholder and authorised representative may employ an assistant at the general meeting of shareholders.

Voting Rights

A shareholder may attend and vote at a general meeting of shareholders in person or through an authorised representative. If holders of nominee-registered shares wish to take part in the general meeting of shareholders and exercise their voting rights, they must temporarily register the Shares under their own name in the Company's register of shareholders maintained by Euroclear Finland. The notice concerning a temporary registration must be made no later than on the date stated in the notice of the meeting, which must be a date subsequent to the record date of the General Meeting of Shareholders. There are no quorum requirements for general meetings of shareholders in the Finnish Companies Act or the Company's Articles of Association.

Resolutions made at general meetings of shareholders generally require a simple majority of the votes. However, certain resolutions, such as amending the articles of association, issuing shares in deviation of the existing shareholders' pre-emptive subscription right and, in certain cases, making decisions on mergers or demergers, require a majority of at least two-thirds of the votes cast and of the shares represented at the general meeting of shareholders. In addition, certain resolutions, such as a mandatory redemption of the shares by the company in deviation from the shareholdings of the shareholders, require consent of all shareholders.

Dividends and Other Distributions of Funds

In accordance with the practice prevailing in Finland, dividends on shares in a Finnish company are generally paid once a year and the dividend can only be paid after the general meeting of shareholders has adopted the company's financial statements and resolved on the amount of dividends to be paid in accordance with the dividend distribution proposal of the Board of Directors. According to the Company's dividend policy, the Company aims to pay dividends twice a year. According to the Finnish Companies Act, the distribution of dividends may, however, also be based on the adopted financial statements prepared for that purpose during the financial year. The general meeting of shareholders may also authorise the Board of Directors to resolve on the distribution of dividends. The authorisation will be valid at the latest until the beginning of the next annual general meeting of shareholders. A resolution on the distribution of dividends or granting of authorisation to the Board of Directors requires a majority decision at the general meeting of shareholders.

The amount of dividends resolved on by the general meeting of shareholders cannot exceed the amount proposed by the Board of Directors. According to the Finnish Companies Act, shareholders who hold at least ten per cent of the company's shares may, regardless of the proposal for the distribution of dividend at the annual general meeting of shareholders, demand that, within the limits of distributable profit, at least half of the previous financial year's profit be distributed as dividends, from which any undistributed amount pursuant to the Articles of Association must be deducted. However, shareholders may at the most demand that eight per cent of the company's equity be distributed as dividends.

According to the Finnish Companies Act, the shareholders' equity is divided into restricted and unrestricted equity. The division has significance when determining the amount of distributable funds. Restricted equity consists of the share capital, revaluation surplus, fair value reserve and revaluation reserves. The share premium fund and the reserve fund are also included in restricted equity. Other equity reserves are included in unrestricted equity. The amount of dividends may not exceed the distributable funds in the latest adopted financial statements of the company less the funds that may not be distributed pursuant to any applicable provisions in the articles of association. Losses from the previous financial years and dividends distributed earlier in the current financial year reduce the amount of distributable funds. Significant changes in the company's financial position after the preparation of the previous financial statements must be taken into account upon resolving on the distribution of dividends. The amount of dividends that may be distributed is at all times subject to the company remaining liquid after the distribution of dividends. Consequently, no dividends may be distributed if, when resolving on the distribution it is known or should be known, the company is insolvent or the distribution would result in insolvency of the company.

Dividend and other distributions are paid to shareholders, or any parties named by the shareholders, included in the shareholders' register on the record date of the payment of dividends. The shareholders' register is maintained by Euroclear Finland through the relevant book-entry account operators. Under the Finnish book-entry securities system, dividends are paid by account transfers to the accounts of the shareholders appearing in the register. All of the Shares carry equal rights to dividends and other distribution, (including the distribution of the Company's assets in the event of liquidation).

Treasury Shares

Under the Finnish Companies Act, a company may acquire its own shares. Resolutions on the acquisition of a company's own shares must be adopted at the general meeting of shareholders. A general meeting of shareholders may also authorise the Board of Directors for a fixed period of time, which cannot exceed 18 months from the decision of the general meeting of shareholders, to resolve on the purchase of the company's own shares using unrestricted equity. A general meeting of shareholders may resolve on the directed acquisition of the company's own shares, in which case the shares are not purchased from shareholders in proportion to their shareholdings. A directed acquisition is subject to weighty financial reasons on the part of the company. A public limited company may not, either directly or through its subsidiaries, hold more than ten per cent of its own shares. Treasury shares do not entitle the company to dividends or other rights attached to the shares. The Company does not hold any of its own Shares.

Transfer of Shares

Upon a sale of shares through the Finnish book-entry securities system, the relevant shares are transferred from the seller's book-entry account to the buyer's book-entry account as an account transfer. The sale is registered as an advance transaction until settlement and payment, after which the buyer is automatically registered in the company's register of shareholders. In case the shares are nominee-registered, the sale of the shares does not require any entries into the book-entry securities system, unless the nominee account holder is changed pursuant to the sale.

Redemption Right and Obligation and Mandatory Tender Offer

Under the Finnish Companies Act, a shareholder who holds shares representing more than 90 per cent of all shares and votes of the company is entitled to redeem the remaining shares in the company from other shareholders at the fair price. The Finnish Companies Act provides detailed provisions for the calculation of the said shares and votes. In addition, a shareholder whose shares may be redeemed in accordance with the above mentioned, is, entitled to request the majority shareholder to redeem the shares held in the company by the said shareholder. If a shareholding constitutes the right and obligation for redemption, the company must immediately enter this in the Trade Register. The Redemption Committee of the Finland Chamber of Commerce appoints a requisite number of arbitrators to resolve disputes related to the redemption and the redemption price. The redemption price will be determined on the basis of the fair market price preceding the initiation of the arbitration proceedings.

The Securities Markets Act requires that a shareholder whose holding in a company exceeds three-tenths or one-half of the total voting rights attached to the shares of the company, after the commencement of a public quotation of such shares must make a public tender offer for all the remaining shares and securities with an entitlement to its shares issued by the company for fair value. See "*Finnish Securities Markets – General on the Finnish Securities Markets*" for more information.

Foreign Exchange Control

Foreigners may acquire shares in a Finnish limited liability company without separate exchange control consent. Foreigners may also receive dividends without separate Finnish exchange control consent, but the company distributing dividend is liable to withhold withholding tax from the assets being transferred from Finland, unless otherwise specified in an applicable tax treaty. Foreigners that have acquired shares in a Finnish limited liability company may receive shares pursuant to a bonus issue and participate in a new subscription without separate exchange control consent. Foreign shareholders may sell their shares in a Finnish company in Finland, and the proceeds of such sales may be transferred out of Finland in any convertible currency. Finland does not have valid exchange control regulations that would restrict the sale of shares in a Finnish company to another foreigner.

FINNISH SECURITIES MARKETS

The following summary is a general description of the Finnish securities markets and it is based on the laws in effect in Finland on the date of this Offering Circular. The summary is not exhaustive.

General on the Finnish Securities Markets

The securities market in Finland is supervised by the FFSA. The principal statute governing the Finnish securities market is the Securities Markets Act, which contains regulations with respect to company and shareholder disclosure obligations, prospectuses and public tender offers, among other things. The FFSA and the Helsinki Stock Exchange have issued more detailed regulations pursuant to the Securities Markets Act. Furthermore, the Market Abuse Regulation regulates, *inter* alia, insider dealing, unlawful disclosure of inside information, market manipulation and procedures relating to disclosure of inside information. The FFSA monitors compliance with these regulations.

The Finnish Securities Markets Act specifies minimum disclosure requirements for Finnish companies applying for listing on the Helsinki Stock Exchange, or making a public offering of securities in Finland. The information provided must be sufficient to enable a potential investor to make a sound evaluation of the securities being offered and the issuing company as well as of matters that may have a material effect on the value of the securities. In addition, Finnish listed companies have a continuing obligation to publish financial information on the company and to disclose any matters likely to have a significant effect on the prices of their securities. Pursuant to the Market Abuse Regulation, the issuer of a publicly traded security has the obligation to inform the public as soon as possible of inside information which directly concerns that issuer. An issuer may delay disclosure to the public of inside information provided that all of the conditions set forth in the Market Abuse Regulation are met. The disclosed information has to provide an investor with adequate information for making an informed assessment of the security and its issuer.

A shareholder is required, without undue delay, to notify a Finnish listed company and the FFSA when its voting interest in, or its percentage ownership of, the total number of shares in such Finnish listed company reaches, exceeds or falls below five per cent, ten per cent, 15 per cent, 20 per cent, 25 per cent, 30 per cent, 50 per cent, 66.67 per cent (2/3) or 90 per cent, calculated in accordance with the Securities Markets Act, or when it has on the basis of a financial instrument the right to receive an amount of shares that reaches, exceeds or falls below any such threshold. Financial instrument also refers to financial instruments the value of which is determined on the basis of the company's share and which have a similar economic effect as a financial instrument that entitles its holder to receive the company's shares. A flagging notification must be made regardless of whether the underlying asset of the financial instrument will be settled physically or in cash. If a Finnish listed company receives information indicating that a voting interest or ownership interest has reached, exceeded or fallen below any of these thresholds, it must disclose such information without undue delay on its website and deliver it to the main media, the FFSA and the Helsinki Stock Exchange. If a shareholder has violated its obligation to notify on voting interest or ownership, the FFSA may, due to a weighty reason, prohibit the shareholder from using its right to vote or to be presented in the general meeting for the shares to which the violation relates.

Pursuant to the Securities Markets Act, a shareholder whose holding in a listed company increases, after the commencement of a public quotation of such shares, above 30 per cent or above 50 per cent of the total voting rights attached to the shares in the company, calculated in accordance with the Securities Markets Act, must make a public tender offer to purchase the remaining shares and other securities entitling holders to shares in such company for fair value. If the securities that caused the abovementioned limits to be reached have been purchased pursuant to a public tender offer that has been made for all shares in the target company and other securities entitling holders to shares in such company, or have been otherwise acquired during the tender offer period of such public tender offer, the obligation to make a tender offer is not triggered. If a company has two or more shareholders whose holdings of voting rights exceed the abovementioned limit, only the shareholder with the most voting rights is required to make a tender offer. If a shareholder exceeds the abovementioned limit due solely to acts of the company or another shareholder, such shareholder is not required to make a tender offer before acquiring or subscribing for more shares in the target company or otherwise increasing its holding of voting rights in the target company. If the abovementioned limit is exceeded due to the shareholders acting in concert when making a voluntary tender offer, the obligation to make a tender offer is not triggered if acting in concert is limited only to such tender offer. There is no obligation to make a tender offer if a shareholder or another party who is acting in concert with such shareholder gives up its voting rights in excess of the abovementioned limit within one month after such limit was exceeded provided that the shareholder publishes its intention and voting rights are not used during such time. Under the Finnish Companies Act, a shareholder with shares representing more than 90 per cent of all shares and voting rights attached to all shares in a company has the right to redeem other shareholders' shares in such company for fair value. In addition, any minority shareholder that possesses shares that may, pursuant to the Finnish Companies Act, be redeemed by a majority shareholder is entitled to require such majority shareholder to redeem its shares. Detailed rules apply for the calculation of the above proportions of shares and votes.

Under the Securities Markets Act, a Finnish listed company must directly or indirectly belong to an independent body, established in Finland, that broadly represents the business sector which has, in order to promote compliance with good securities markets practice, issued a recommendation which relates to the actions of the management of the target company regarding a public takeover bid and the contractual structures relating to the maintenance of control (the "**Helsinki Takeover Code**"). According to the Securities Markets Act, a listed company must provide an explanation in case it is not committed to complying with the Helsinki Takeover Code.

Net short positions relating to shares tradable on the Helsinki Stock Exchange must be disclosed to the FFSA in accordance with regulation of the European Parliament and of the Council on short selling and certain aspects of credit default swaps ((EU) 236/2012). The obligation to disclose net short positions applies to all investors and market participants. A net short position regarding shares admitted to trading on a regulated market must be disclosed when the position reaches, exceeds or falls below 0.2 per cent of the issued share capital of the target company. A new notification must be disclosed for each 0.1 per cent exceeding the above threshold. The FFSA publishes the notified net short positions on its website, if the net short position reaches, exceeds or falls below 0.5 per cent of the issued share capital of the target company.

The Finnish Penal Code (39/1889, as amended) criminalizes the misuse of inside information, the unlawful disclosure of inside information, market manipulation and the breach of disclosure requirements. Pursuant to the Market Abuse Regulation, the Securities Markets Act and the Finnish Act on the Financial Supervisory Authority (878/2008, as amended), the FFSA has the right to impose administrative sanctions to the extent the offence does not fall within the scope of the Finnish Penal Code. The FFSA can, for example, issue a public warning or impose administrative fines or penalty payments for the breach of the provisions relating to disclosure requirements, public tender offer, insider lists or market abuse. The disciplinary board of the Helsinki Stock Exchange may give a warning or reprimand or impose a disciplinary fine or order the company to be removed from the stock exchange list.

Trading and Settlement on the Helsinki Stock Exchange

Share trading on the Helsinki Stock Exchange occurs through automatic order matching. In carrying out share trades, the Helsinki Stock Exchange uses the INET trading platform, which is an order-based system in which buying and selling orders are matched as trades when the price and the volume information as well as other conditions tally. In the INET trading platform, the trading day consists of the following main trading phases: pre-trading, continuous trading and post-trading.

For shares, pre-trading, during which orders may be entered, changed or deleted at the prices established during the previous trading day, begins at 9:00 a.m. and ends at 9:45 a.m. Trading with calls and continuous trading takes place from 9:45 a.m. to 6:30 p.m. Opening call begins at 9:45 a.m. and ends at 10:00 a.m. Orders entered during the pre-trading session and existing orders with several days' validity are automatically transferred into the opening call. Continuous trading begins immediately after the opening call ends at 10:00 a.m. when the first share is assigned its opening price and then becomes subject to continuous trading. After approximately ten minutes, the opening prices for all shares have been established and trading continues at prices based on market demand until 6:25 p.m., when the closing call is initiated. The closing call ends at approximately 6:30 p.m., when the closing prices are determined. In post-trading between 6:30 p.m. and 7:00 p.m., the only trades that may be registered are contract trades for shares in after-hours trading. The shares will be registered at the prices established during the trading day.

Trades are primarily cleared by determining them in the system of the central counterparty (for example European Central Counterparty N.V.) and by executing them in the system of Euroclear Finland on the second (2nd) banking day after the trade date (T+2) unless otherwise agreed by the parties.

Trading in securities on the Helsinki Stock Exchange and clearing of trades in Euroclear Finland takes place in euros, with the minimum tick size for trading quotations depending on the tick size table and being a minimum of EUR 0.0001. The price information is produced and published only in euros.

The Helsinki Stock Exchange is a part of Nasdaq group. Nasdaq also owns and maintains the stock exchanges in, among others, Stockholm, Copenhagen, Riga, Reykjavik, Vilnius and Tallinn. Nasdaq Nordic consists of four local stock exchanges, which are located in Copenhagen, Helsinki, Reykjavik and Stockholm. The four exchanges are separate legal entities in different jurisdictions; therefore, each exchange has its own rules and regulations. The companies listed on these four exchanges are presented on one common list – the Nordic List – with harmonized listing requirements.

The Finnish Book-Entry System

General

Any issuer established in the EU that issues or has issued transferable securities which are admitted to trading or traded on trading venues, shall arrange for such securities to be registered in book-entry form. The issuer has the right to choose the Central Securities Depository in which its securities are recorded. At the date of this Offering Circular, Euroclear Finland acts as the Central Securities Depository in Finland. Euroclear Finland maintains a book-entry securities register for both equity and debt securities. The registered address of Euroclear Finland is Urho Kekkosen katu 5C, FI-00100 Helsinki.

Euroclear Finland maintains a company-specific register of shareholders for each company participating in the book-entry securities system. The account operators, which may include, among others, credit institutions and investment firms are entitled to make entries in the book-entry register and administer the book-entry accounts.

Registration

All shareholders in companies participating in the book-entry securities system must open a book-entry account with an account operator or agree with a custodial account holder to maintain book-entry securities on a custodial nominee account. A Finnish shareholder is not entitled to hold his/her shares on a nominee-registered book-entry account in the Finnish book-entry system. Non-Finnish shareholders may deposit book-entries in a custodial nominee account, where the shares are registered in the name of a custodial account holder in the company's shareholders' register. A custodial nominee account must contain information on the custodial account holder instead of the beneficial owner and indicate that the account is a custodial nominee account. Book entry securities managed on behalf of one or more customers can be registered in a custodian nominee account. In addition, the shares owned by a foreigner, foreign entity or trust may be registered in a nominee-registered owner account, in which case the book-entry account is opened in its name, but the custodial account holder is entered in the company's shareholders' register.

All transfers of securities linked with the book-entry securities system are executed as computerized book-entry transfers. The account operator regularly submits to the holder of the respective book entry account, at least four times a year, a notification indicating book entries made to the account after the previous notification. The book-entry account holders also receive an annual statement of their holdings at the end of each calendar year.

Each book-entry account is required to contain certain information with respect to the account holder and other holders of rights to the book-entries entered into the account as well as information on the account operator administering the book-entry account. The required information includes also the type and number of book-entries registered as well as the rights and restrictions pertaining to the account and to the book-entries registered in the account. Euroclear Finland and the account operators are required to observe confidentiality. However, according to the Finnish Companies Act, a company must keep the shareholder register available to anyone at the company's head office or, when the shares of the company are entered into the book-entry securities system, at the office of the Central Securities Depository in Finland. The FFSA is also entitled to certain information also on the holders of shares registered in a custodial nominee account upon request.

Each account operator is liable for any errors and omissions in the book-entry register it administers, and for any unauthorised disclosure of information. If an account holder has suffered a loss as a result of a faulty registration or an amendment to or the removal of rights related to registered securities and the account operator is not able to compensate such loss, such account holder is entitled to receive compensation from the statutory registration fund. The capital of the registration fund must be at least 0.0048 per cent of the average of the total market value of the book-entries kept in the book-entry securities system during the last five years, however no less than EUR 20 million. The compensation to be paid to an injured party is equal to the amount of damages suffered subject to a limit of EUR 25,000 per account operator. The liability of the registration fund to pay damages in relation to each incident is limited to EUR 10 million.

Custody of the Shares and Nominees

A non-Finnish shareholder may appoint an account operator (or certain other Finnish or non-Finnish organizations approved by Euroclear Finland) to act on its behalf as a custodial nominee account holder. By virtue of nominee-registered shares, no other rights belonging to the owner in relation to the issuer as an owner of the book-entry can be used, than the right to withdraw funds, amend or change book-entry and participate in a share issue or other book-entry issue A beneficial owner wishing to attend general meetings of shareholders must seek a temporary registration in the shareholders' register. The notification regarding the temporary registration must be done on the date mentioned in the relevant notice of the general meeting, which date is after the record date of the general meeting. Temporary registration in the shareholders' register requires that the owner of the nominee-registered shares has, based on shares, the right to be registered in the company's shareholders' register on the record date. A holder of nominee-registered shares temporarily registered in the shareholders' register shall be deemed to have enrolled to the meeting.

Upon request by the FFSA or the relevant company, a custodial nominee account holder is required to disclose the name of the beneficial owner of the shares registered in such custodial nominee's name, provided the beneficial owner is known, as well as the number of shares owned by such beneficial owner. If the name of the beneficial owner is not known, the custodial nominee account holder is required to disclose said information in respect of the representative acting on behalf of the beneficial owner and to submit a written declaration to the effect that the beneficial owner of the shares is not a Finnish natural person or a Finnish legal entity.

Compensation Fund for Investors and Deposit Guarantee Fund

The Finnish Act on Investment Services (747/2012, as amended) sets forth a compensation fund for investors. Under this act, investors are divided into professional and non-professional investors. The fund does not compensate any losses by professional investors. The definition of professional investor includes business enterprises and public entities, which are deemed to understand the securities markets and their associated risks. An investor may also provide notice in writing that, on the basis of his/her professional skills and experience in the securities markets, he/she is a professional investor; however, natural persons are presumed to be non-professional investors.

Investment firms and credit institutions must belong to the compensation fund. The membership requirement does not apply to an investment firm who solely transmits orders, provides investment advisory services or organises multilateral trading as investment service and who does not have client funds in its custody or under its management. The compensation fund safeguards payment of clear, indisputable and due claims of the investors when an investment firm or credit institution has been declared bankrupt, is undergoing a restructuring process or is otherwise, for a reason other than temporary insolvency, not capable of paying claims of the investors within a determined period of time. The compensation fund only compensates claims of non-professional investors. For valid claims, the compensation fund will pay 90 per cent of the investor's claim against each investment firm or credit institution, up to a maximum of EUR 20,000. The compensation fund does not provide compensation for losses due to decreases in stock value or bad investment decisions, whereby the investors remain responsible for the consequences of their investment decisions. According to the Act on the Financial Stability Authority (1195/2014, as amended), depositary banks must belong to a deposit guarantee fund, which is intended to safeguard payments of receivables in the depositary bank's account or receivables in the forwarding of payments that have not yet been entered into an account if the depositary bank becomes insolvent and the insolvency is not temporary. The customers of a depositary bank can be compensated by the deposit guarantee fund up to a maximum of EUR 100,000. An investor's funds can be safeguarded either by the deposit guarantee fund or the compensation fund; however, an investor's funds cannot be safeguarded by both funds at the same time.

TAXATION IN FINLAND

The following summary is based on tax laws of Finland, Finnish case law and Finnish tax practice as in effect and applied on the date of this Offering Circular. Any changes in tax laws and their interpretation may affect taxation and they may also have a retroactive effect. The summary is not exhaustive and does not take into account or deal with the tax laws of any country other than Finland. Prospective investors considering subscribing for Offer Shares are advised to consult a tax advisor in order to obtain information about Finnish or foreign tax consequences resulting from the Listing as well as the subscription, ownership and disposition of the Offer Shares. Prospective investors should consult a tax advisor with respect to the Finnish or foreign tax consequences applicable to their particular circumstances.

The following is a description of the material Finnish income tax and transfer tax consequences that may be relevant with respect to the Offering. The description below is applicable to both Finnish resident and non-resident natural persons and limited liability companies for the purposes of Finnish domestic tax legislation relating to dividend distributions on Shares and capital gains arising from the sale of Shares.

The following description does not take into account or discuss tax laws of any other country than Finland and does not address tax considerations applicable to such holders of Shares that may be subject to special tax rules relating to, among others, different restructurings of corporations, controlled foreign corporations, non-business carrying entities, income tax exempt entities or general or limited partnerships. Furthermore, this description does not address Finnish inheritance or gift tax consequences.

This description is primarily based on:

- The Finnish Income Tax Act (1535/1992, as amended, the “**Finnish Income Tax Act**”);
- The Finnish Business Income Tax Act (360/1968, as amended, the “**Finnish Business Income Tax Act**”);
- The Act on the Taxation of Income of a Person Subject to Limited Tax Liability (627/1978, as amended); and
- The Finnish Transfer Tax Act (931/1996, as amended);
- The Finnish Act on Tax Assessment (1558/1995, as amended, the "**Finnish Tax Assessment Act**").

In addition, relevant case law as well as decisions and statements made by the tax authorities in effect and available as at the date of this Offering Circular have been taken into account.

The following description is subject to change, which change could apply retroactively and could, therefore, affect the tax consequences described below.

General on Taxation

Residents and non-residents of Finland are treated differently for tax purposes. The worldwide income of persons resident in Finland is subject to taxation in Finland. Non-residents are taxed on income from Finnish sources only. Additionally, Finland imposes taxes on non-residents for income connected with their permanent establishments situated in Finland. However, tax treaties may limit the applicability of Finnish tax legislation and also the right of Finland to tax Finnish source income received by a non-resident.

Generally, a natural person is deemed to be a resident in Finland if such person remains in Finland for a continuous period of more than six months or if the permanent home and abode of such person is in Finland. However, a Finnish national who has moved abroad is considered to be resident in Finland until three years have passed from the end of the year of departure unless it is proven that no substantial ties to Finland existed during the relevant tax year.

Earned income is taxed at progressive rates. At the date of this Offering Circular, capital income tax rate is 30 per cent. In addition, should the amount of capital income received by a resident natural person exceed EUR 30,000 in a calendar year, the capital income tax rate is 34 per cent on the amount that exceeds EUR 30,000. Corporate entities established under the laws of Finland are regarded as residents in Finland and are, therefore, subject to corporate income tax on their worldwide income. In addition, non-residents are subject to Finnish corporate income tax on their income connected with their permanent establishments situated in Finland. At the date of this Offering Circular, the corporate income tax rate is 20 per cent.

The following is a summary of certain Finnish tax consequences relating to the purchase, ownership and disposition of Shares by Finnish resident and non-resident shareholders.

Taxation of Finnish Resident Employees Participating in the Personnel Offering

Pursuant to the Finnish Income Tax Act, an employer can offer its new shares to an employee with a discount of up to 10 per cent without triggering taxable benefit. The discount is defined as the difference between the fair market value of the shares (as defined in the Finnish Income Tax Act) and the subscription price of the new shares. In Finnish tax practice, an offering price in an initial public offering has typically been accepted as the fair market value for the shares, and hence a 10 per cent discount calculated based on the offering price should generally not exceed the maximum tax exempt discount by Finnish tax laws. To qualify for the above tax-exemption, the shares offered by an employer must be new shares issued and the shares shall be offered to the majority of the personnel.

Any potential discount in excess of the maximum 10 per cent on the subscription price (or any discount on the purchase price of existing shares) may be deemed to be taxable as earned income, which is treated as salary for tax withholding purposes. The income is taxable as earned income for the year in which as employee was granted the excess discount.

A discount in a personnel offering is generally exempt from social security and pension insurance contributions. An employees' health care premium is, however, payable on the possible taxable part of the benefit, and, to the extent that the tax exemption does not apply to the discount due to the fact that the shares are not offered to the majority of the personnel, the full social security contributions are usually payable.

See "*Taxation of Dividends and Distribution of Funds from Unrestricted Equity Capital – Resident Natural Persons*" and "*Taxation of Capital Gains – Resident Natural Persons*" for further information on the taxation of dividends of Finnish resident personnel participating in the Personnel Offering and capital gains upon sale of the shares subscribed for in the Personnel Offering. It should be noted, however, that the 10 per cent tax-exempt part of the subscription discount is not included in the acquisition cost of the shares.

As discusses under "*Finnish Transfer Tax*" below, no Finnish transfer tax is payable in connection with the issuance and subscription of new shares.

Taxation of Dividends and Distribution of Funds from Unrestricted Equity Capital

Distribution of funds from unrestricted equity capital by a publicly listed company as defined in the Finnish Income Tax Act ("**Listed Company**") is taxed as distribution of dividends. Therefore, the following applies also to the distribution of funds from unrestricted equity capital of the Company.

Resident Natural Persons

If shares owned by a natural person are not included in the business activity (i.e., business income source) of such person, 85 per cent of dividends paid by a Listed Company to such shareholder is considered capital income of the recipient, which is taxable at the rate of 30 per cent (34 per cent on the amount that exceeds EUR 30,000 in a calendar year), while the remaining 15 per cent is tax exempt. 85 per cent of dividends paid by a Listed Company to a natural person whose underlying shares belong to the business activity of such shareholder is taxable partly as earned income, which is taxed at a progressive rate, and partly as capital income, which is taxed at a rate of 30 per cent (34 per cent on the amount that exceeds EUR 30,000 in a calendar year), and the remaining 15 per cent is tax exempt.

Distribution of dividends by a Listed Company to resident natural persons is subject to advance tax withholding. At the date of this Offering Circular, the amount of the advance tax withholding is 25.5 per cent of the amount of dividend paid. The advance tax withheld by the distributing company is credited against the final tax payable by the shareholder for the dividend received. Resident Natural Persons have to review their pre-filled income tax return form to confirm that the amount of dividend income reported is correct. In case the amount of dividend income or withheld tax reported in the pre-filled income tax return form is incorrect, the resident natural persons must correct these amounts to their tax returns and provide the corrected tax returns to the Finnish tax authorities.

Finnish Limited Liability Companies

Taxation of dividends distributed by a Listed Company depends, among other things, on whether the Finnish company receiving the dividend is a Listed Company or not.

Dividends received by a Listed Company from another Listed Company are generally tax exempt. However, in cases where the underlying shares are included in the investment assets of the shareholder, 75 per cent of the dividend is taxable income while the remaining 25 per cent is tax exempt. Only banking, insurance and pension institutions may have investment assets.

Dividends received by a non-listed Finnish company (i.e., a privately held company) from a Listed Company are taxable income subject to 20 per cent corporate income tax rate. However, in cases where the privately held company directly owns 10 per cent or more of the share capital of the Listed Company distributing the dividend, the dividend received on such shares is tax exempt, provided that the underlying shares are not included in the investment assets of the shareholder.

Non-Residents

As a general rule, non-residents of Finland are subject to Finnish withholding tax on dividends paid by a Finnish company. The withholding tax is withheld by the company distributing the dividend at the time of dividend payment and no other taxes on the dividend are payable in Finland. The withholding tax rate is 20 per cent for non-resident corporate entities as income receivers and 30 per cent for all other non-residents as income receivers, unless otherwise set forth in an applicable tax treaty.

Finland has entered into double taxation treaties with several countries pursuant to which the withholding tax rate is reduced on dividends paid to persons entitled to the benefits under such treaties. For example, in the case of the treaties with the following countries, Finnish withholding tax rate regarding dividends of portfolio shares is generally reduced to the following percentages: Austria: 10 per cent; Belgium: 15 per cent; Canada: 15 per cent; Denmark: 15 per cent; France: 0 per cent; Germany: 15 per cent; Ireland: 0 per cent; Italy: 15 per cent; Japan: 15 per cent; the Netherlands: 15 per cent; Norway: 15 per cent; Spain: 15 per cent; Sweden: 15 per cent; Switzerland: 10 per cent; the United Kingdom: 0 per cent; and the United States: 15 per cent (0 per cent for certain pension funds). This list is not exhaustive. A further reduction in the withholding tax rate is usually available to corporate shareholders for distributions on qualifying holdings (usually direct ownership of at least 10 or 25 per cent of the share capital or votes of the distributing company). The reduced withholding rate benefit in an applicable tax treaty will be available if the person beneficially entitled to the dividend has provided a valid tax card or necessary details of its nationality and identity to the company paying the dividend.

Where shares in a Finnish company are held through a nominee account, a Finnish company pays dividends to the nominee account managed by the custodian, who then delivers the dividend payment to the beneficial owners. If shares are held through a nominee account and the person entitled to receive dividends on such shares is a resident in a tax treaty country, the withholding tax rate on the dividend is the tax rate set forth in the relevant tax treaty. However, the withholding tax rate must be always at least 15 per cent and it is required that the payer has carefully confirmed applicability of the tax treaty to the person beneficially entitled to the dividend. If the tax rate set forth in the tax treaty is less than 15 per cent, an application for the refund of the excess withholding tax may be submitted with necessary information of the nationality and identity of the beneficial owner. This means that with respect to dividends on shares held through a nominee account, tax is withheld at the rate set in the applicable tax treaty, higher than 15 per cent or 15 per cent absent thorough clarification of the identity of the person beneficially entitled to the dividend. Such procedure, however, requires that the foreign custodian intermediary is registered in the Finnish tax authority's register and that it is resident in a country that has concluded a double taxation treaty with Finland. Also, the foreign custodian intermediary must have an agreement with the Finnish account operator regarding the custody of the shares. In such agreement, the foreign custodian intermediary must, among other things, commit to report the dividend receiver's residential country to the account operator and to provide additional information to the tax authorities, if needed. If these provisions are not fulfilled, the 30 per cent withholding tax will be withheld on the nominee account's dividends.

Regulation concerning taxation of dividends on shares held through a custodial nominee account and conditions under which tax treaty provisions may be applied to such dividends, have been proposed to be amended, but the details and timetable of the amendment are still pending at the date of this Offering Circular.

Certain Qualifying Non-Resident Corporate Entities Residing in EU Member States

Under Finnish tax laws, no withholding tax is levied on dividends paid to foreign corporate entities that reside, and are subject to corporate tax, in an EU member state as specified in Article 2 of the Parent

Subsidiary Directive (2011/96/EU), and that directly hold at least 10 per cent of the capital in the distributing Finnish company.

Certain Non-Resident Corporate Entities Residing Within the EEA

Dividends paid to certain non-resident corporate entities residing within the EEA are either fully tax exempt or taxed at a reduced withholding tax rate, depending on how the dividend would be taxed if paid to a corresponding Finnish corporate entity.

In Finland, no withholding tax is levied on dividends paid by a Finnish company to a non-resident company provided that (i) the company receiving the dividend is resident in a country within the EEA; (ii) Council Directive 2011/16/EU on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC (as amended, "**the Mutual Assistance Directive**"), or an agreement regarding executive assistance and exchange of information in tax matters within the EEA, is applicable to the home country of the recipient of the dividend; (iii) the company receiving the dividend corresponds to a Finnish corporate entity as defined in Section 33d, Subsection 4, of the Finnish Income Tax Act or in Section 6a of the Finnish Business Income Tax Act; (iv) the dividend would be fully tax exempt if paid to such corresponding Finnish company or entity (see "– *Finnish Limited Liability Companies*" above); and (v) the company receiving the dividend provides evidence (in the form of a certificate issued by the home country's tax authorities) that the paid withholding tax could not de facto be fully credited in the home country pursuant to the applicable double taxation treaty.

In cases where the dividend received by a foreign company fulfilling requirement set forth in point (iii) above and residing within a country fulfilling the requirements set forth in points (i) and (ii) above would be only partially tax exempt if paid to a corresponding Finnish entity (see "– *Finnish Limited Liability Companies*" above), the Finnish withholding tax is levied (see "– *Non-Residents*" above), but the withholding tax rate in respect of such dividends is reduced to 15 per cent (instead of 20 per cent). Therefore, exclusive of entities defined in the Parent Subsidiary Directive that qualify for a tax exemption through the direct ownership of at least 10 per cent of the capital in the distributing Finnish company (see "– *Certain Qualifying Non-Resident Corporate Entities Residing in EU Member States*" above), the 15 per cent withholding tax rate is applicable to dividends paid to non-resident companies fulfilling the requirement set forth in point (iii) above and residing within a country fulfilling the requirements set forth in points (i) and (ii) above if the underlying shares in the Finnish company distributing the dividend belong to the investment assets of the recipient company, or if the recipient is not a Listed Company. Depending on the applicable double taxation treaty, the applicable withholding tax rate can also be less than 15 per cent (see "– *Non-Residents*" above).

Certain Non-Resident Natural Persons Residing Within the EEA

Instead of being subject to withholding tax as described under "– *Non-residents*" above, dividends paid to non-resident natural persons can be, upon request by such non-resident natural person, taxed pursuant to the Finnish Tax Assessment Act (i.e., taxed similarly to dividends paid to residents of Finland (see "– *Resident Natural Persons*" above) provided, however, that (i) the person receiving the dividend is resident in a country within the EEA; (ii) the Mutual Assistance Directive, or an agreement regarding executive assistance and exchange of information in tax matters within the EEA, is applicable to the home country of the recipient of the dividend; and (iii) the recipient of the dividend provides evidence (in the form of a certificate issued by the home country's tax authorities) that any paid withholding tax could not de facto be fully credited in the home country pursuant to an applicable double taxation treaty.

Taxation of Capital Gains

Resident Natural Persons

A capital gain or loss arising from the sale of shares that do not belong to the business activity of the shareholder is taxable in Finland as a capital gain or deductible as a capital loss for resident natural persons. At the date of this Offering Circular, capital gains are taxed at a rate of 30 per cent (34 per cent on the amount that exceeds EUR 30,000 in a calendar year). If the shares belong to the business activity (business income source) of the seller, any gain arising from the sale is deemed to be business income of the seller, which will be divided according to the Finnish Income Tax Act to be taxed as earned income at a progressive tax rate and capital income at a rate of 30 per cent (34 per cent on the amount that exceeds EUR 30,000 in a calendar year).

Capital loss arising from the sale of shares that do not belong to the business activity of the shareholder in the year 2016 and thereafter, is primarily deductible from the resident natural person's capital gains and secondarily from other capital income of the same year and during the following five tax years. Capital losses are not taken into account when calculating the capital income deficit for the tax year, and they do not increase the amount of the deficit credit that is deductible from the taxes under the deficit crediting system. The deductibility of losses related to securities included in the seller's business activity is determined as described under "– *Finnish Limited Liability Companies*" below.

Notwithstanding the above, capital gains arising from the sale of assets that do not belong to the business activity of the shareholder are exempt from tax provided that the proceeds of all assets sold by the resident natural person during the tax year do not, in aggregate, exceed EUR 1,000 (exclusive of proceeds from the sale of any assets that are tax exempt pursuant to Finnish tax laws). Correspondingly, capital losses are not tax deductible if the acquisition cost of all assets sold during the tax year does not, in aggregate, exceed EUR 1,000 (exclusive of proceeds from the sale of any assets that are tax exempt pursuant to Finnish tax laws) and also the proceeds of all assets sold by the resident natural person during the tax year do not, in aggregate, exceed EUR 1,000.

Any capital gain or loss is calculated by deducting the original acquisition cost and sales related expenses from the sales price. Alternatively, a natural person holding shares that are not included in the business activity of the shareholder may, instead of deducting the actual acquisition costs, choose to apply a so called presumptive acquisition cost, which is equal to 20 per cent of the sales price, or in the case of shares which have been held for at least ten years, 40 per cent of the sales price. If the presumptive acquisition cost is used instead of the actual acquisition cost, any selling expenses are deemed to be included therein and cannot be deducted separately from the sales price.

Resident natural persons have to report information relating to the sale of the Shares on their income tax return of the tax year concerned.

Finnish Limited Liability Companies

The following applies only to Finnish limited liability companies that are taxed on the basis of the Finnish Business Income Tax Act. As a general rule, a capital gain arising from the sale of shares is taxable income of a limited liability company.

Shares may be fixed assets, current assets, investment assets or financial assets of a limited liability company. The taxation of a disposal of shares and loss of value varies according to the asset type for which the shares qualify. Shares may also qualify as non-business income source assets of a limited liability company. The Finnish Income Tax Act's provisions are applied to capital gains that have arisen from the sale of assets from the non-business income source.

The sales price of any sale of shares is generally included in the business income of a Finnish company. Correspondingly, the acquisition cost of shares is deductible from business income upon disposal of the shares. However, an exemption for capital gains on share disposals is available for Finnish companies, provided that certain strictly defined requirements are met. Under this so called participation exemption, capital gains arising from the sale of shares that are part of the fixed assets of a selling company that is not engaged in private equity activities are not considered as taxable business income and, correspondingly, capital losses incurred on the sale of such shares are not tax deductible provided, among other things, that (i) the selling company has directly and continuously for at least one year owned at least 10 per cent of the share capital in the company whose shares are sold and such ownership of the sold shares has ended at the most one year before the sale and the shares sold belong to those shares; (ii) the company whose shares have been sold is not a real estate or residential housing company or a limited liability company whose activities, on a factual basis, mainly consist of ownership or possession of real estate; and (iii) the company whose shares are sold is resident in Finland or is a company located in another EU member state, as further specified in Article 2 of the Parent Subsidiary Directive (2011/96/EU, as amended), or is resident in a country with which Finland has entered into a double taxation treaty that is applicable to dividends.

Tax deductible capital losses pertaining to the sale of shares (other shares than shares sold under the participation exemption) that are part of the fixed assets of the selling company can only be deducted from capital gains arising from the sale of fixed assets shares in the same fiscal year and the subsequent five years. Capital losses pertaining to the sale of shares that are not part of fixed assets are tax deductible from taxable income in the same fiscal year and the subsequent ten years in accordance with the general rules concerning losses carried forward.

Non-Residents

Non-residents who are not generally liable for tax in Finland are usually not subject to Finnish taxes on capital gains realized on the sale of shares in a Listed Company, unless the non-resident taxpayer is deemed to have a permanent establishment in Finland for income tax purposes as referred to in the Income Tax Act and an applicable tax treaty and the shares are considered to be assets of that permanent establishment. Non-residents may also be subject to Finnish taxes on capital gains realized on the sale of shares in a Listed Company if more than 50 per cent of the assets of the Listed Company consist of Finnish real estate, unless applicable tax treaty limits the taxing right of Finland on capital gains.

Finnish Transfer Tax

There is no transfer tax payable in Finland in connection with the issuance and subscription of new shares.

No transfer tax is payable in Finland on transfers of shares admitted to trading on a public and regularly functioning marketplace and quoted on Helsinki Stock Exchange, provided that the transfer is made against a fixed pecuniary consideration. The transfer tax exemption requires that an investment firm, a foreign investment firm or other party offering investment services, as defined in the Finnish Investment Services Act (747/2012), is brokering or acting as a party to the transaction, or that the transferee has been approved as a trading party in the market in which the transfer is executed. Further, if the broker or the counterparty to the transaction is not a Finnish investment firm, a Finnish credit institution, or a Finnish branch or office of a foreign investment firm or credit institution, the transfer tax exemption requires that the transferee submits a notification of the transfer to the Finnish tax authorities within two months of the transfer, or that the broker submits an annual declaration regarding the transfer to the Finnish tax authorities as set forth in the Finnish Tax Assessment Act.

Certain separately defined transfers, such as those relating to equity investments or distribution of funds or transfers in which consideration comprises in full or in part of work contribution, are not covered by the transfer tax exemption. Additionally, in case law it has been considered that if an incentive scheme remuneration of key persons is paid in cash and the receiver of the remuneration is obliged to purchase shares of the Listed Company with a part of the remuneration, consideration of the share purchase comprises in full or in part of work contribution, and is thus subject to transfer tax.

Neither does the exemption apply to transfers carried out on the basis of an offer made after trading with the securities has ended or before the commencement of trading unless it concerns a share sale of old shares based on a combined purchase and subscription offer directly relating to a share issue carried out in connection with the listing of the shares and provided that subjects to be transferred are specified only after commencement of the trading and that the purchase price corresponds to the price to be paid for the new shares. In addition, the exemption does not apply to transfers carried out in order to fulfil the obligation to redeem minority shares under the Finnish Companies Act (see "*The Shares and Share Capital of the Company – Shareholders' Rights – Redemption Right and Obligation and Mandatory Tender Offer*").

If the transfer or sale of the shares does not fulfil the above criteria for a tax exempt transfer, transfer tax at the rate of 1.6 per cent of the sales price is payable by the purchaser. However, if the purchaser is neither a resident in Finland nor a Finnish branch or office of a foreign credit institution, investment firm, fund management company or EEA alternative investment fund manager, the seller must collect the tax from the purchaser and pay the tax to the Finnish tax authorities. If the broker is a Finnish investment firm or credit institution, or a Finnish branch or office of a foreign investment firm or credit institution, it is liable to collect the transfer tax from the purchaser and pay the tax to the Finnish tax authorities. If neither the purchaser nor the seller is tax resident in Finland or a Finnish branch or office of a foreign credit institution, foreign investment firm, foreign fund management company or EEA alternative investment fund manager, the transfer of shares will be exempt from Finnish transfer tax unless shares in a real estate company are transferred. No transfer tax is collected if the amount of the tax is less than EUR 10.

PLAN OF DISTRIBUTION IN THE OFFERING

Placing Agreement

The Company, the Funds Managed by CapMan and the Joint Bookrunners are expected to enter into a placing agreement concerning the Offering (the "**Placing Agreement**") on or about 21 March 2018. Pursuant to the Placing Agreement, the Company undertakes to issue and the Funds Managed by CapMan undertake to sell Offer Shares to subscribers and purchasers procured by the Joint Bookrunners. The Sellers other than the Funds Managed by CapMan have each given the Joint Bookrunners a separate undertaking to sell Offer Shares.

The obligation of the Joint Bookrunners to fulfil their obligations under the Placing Agreement requires that certain conditions be met. Such conditions include that no material adverse changes have taken place in the Company's business operations and that the Shares have been admitted for listing on the official list of Nasdaq Helsinki. The Joint Bookrunners are entitled to terminate the Placing Agreement in certain circumstances before the Listing. The Company undertakes to compensate any damage and losses incurred by the Joint Bookrunners in connection with the Offering, including in certain circumstances liabilities under the applicable securities markets legislation. Furthermore, the Company is expected to issue the Joint Bookrunners representations and warranties in line with market practice relating to, among other things, the Company's business and compliance with legislation, the Shares and the contents of the Finnish Prospectus.

Over-Allotment Option

During the Stabilization Period, the Funds Managed by CapMan are expected to grant the Stabilizing Manager the Over-Allotment Option to purchase a maximum of 1,539,109 Additional Shares (assuming that the Company issues 9,010,000 New Shares and assuming that the Final Subscription Price is at the lowest price of the Preliminary Price Range and assuming a total of 100,000 Personnel Shares are subscribed for in the Personnel Offering at a discount applicable to Personnel Shares) solely to cover over-allotments in connection with the Offering. The Additional Shares represent approximately 15.0 per cent of the Offer Shares and votes assuming that the Company will issue 9,010,000 New Shares. (The number of New Shares is calculated assuming that the Final Subscription Price is the lowest price of the Preliminary Price Range and assuming a total of 100,000 New Shares are subscribed for in the Personnel Offering at a discount applicable to Personnel Shares). However, the Additional Shares always represent no more than 15 per cent of the aggregate number of New Shares and Sale Shares.

Stabilization

The Stabilizing Manager may, but is not obligated to, engage in measures during the Stabilization Period that stabilize, maintain or otherwise affect the price of the Shares. The Stabilizing Manager may allocate a larger number of Shares than the total number of Offer Shares, which will create a short position. The short position is covered if it does not exceed the number of Additional Shares. The Stabilizing Manager is entitled to close the covered short position using the Over-Allotment Option and/or by buying Shares on the market. In determining the acquisition method of the Shares to cover the short position, the Stabilizing Manager may consider, among other things, the market price of the Shares in relation to the Final Subscription Price. In connection with the Offering, the Stabilizing Manager may also bid for and purchase Shares in the market to stabilize the market price of the Shares. These measures may raise or maintain the market price of the Shares in comparison with the price levels determined independently on the market or may prevent or delay any decrease in the market price of the Shares. However, stabilisation measures cannot be carried out at a higher price than the Final Subscription Price. The Stabilizing Manager has no obligation to carry out these measures, and it may stop any of these measures at any time. The Stabilizing Manager or the Company on behalf of the Stabilizing Manager will publish information regarding the stabilization required by legislation or other applicable regulations at the end of the Stabilization Period.

Any stabilization measures will be conducted in accordance with the Market Abuse Regulation and the Commission Delegated Regulation (EU) 2016/1052 supplementing the Market Abuse Regulation with regard to regulatory technical standards for the conditions applicable to buy-back programs and stabilization measures.

The Stabilizing Manager and the Funds Managed by CapMan are expected to enter into a stock lending agreement related to clearance and stabilisation and the Over-Allotment Option in connection with the

Offering. According to the stock lending agreement, the Stabilizing Manager may borrow a number of Shares equal to the maximum number of Additional Shares to cover any possible over-allotments in connection with the Offering. To the extent that the Stabilizing Manager borrows Shares pursuant to the share lending agreement, it must return an equal number of Shares to the Funds Managed by CapMan.

Lock-up

The Company, the Sellers and the Company's other shareholders are expected to commit, during the period that will end with respect to the Company and Sellers on the date that falls 180 days, and with respect to the Company's other shareholders on the date that falls 360 days from the Listing, without the prior written consent of Global Coordinator, not to issue, offer, pledge, sell, contract to sell, sell any option rights or contract to purchase, purchase any option or contract to sell, grant any option right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Shares or any securities they hold or subscribe for in the Offering entitling to Shares or exchangeable for or convertible into or exercisable for Shares, or enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such transactions are to be settled by delivery of the Shares or other securities, in cash or otherwise. The lock-up does not apply to the measures related to the execution of the Offering.

The Board of Directors and the Management Team of the Company are expected to enter into a lock-up agreement with similar terms to that of the Company and the Sellers that will end on the date that falls 360 days from the Listing.

As a precondition for participating in the Personnel Offering, persons who have submitted an approved subscription must enter into a lock-up agreement with similar terms, which ends on the date that falls 360 days from the Listing. Personnel participating in the Personnel Offering agree that the lock-up will be registered in their book-entry accounts.

Fees and Expenses

The Company and the Sellers will pay the Joint Bookrunners a fee determined for the Company based on the New Shares and for the Seller based on the Sale Shares and based on the gross funds raised from any Additional Shares. In addition, the Company and the Sellers may pay the Joint Bookrunners a discretionary success fee. Furthermore, the Company has undertaken to compensate certain costs to the Joint Bookrunners.

The Company will pay approximately EUR 4.0 million in fees and expenses relating to the Offering. Transfer tax is not levied in connection with the issuance or subscription of New Shares in Finland. Account operators charge fees in accordance with their price lists for the maintenance of the book-entry account and for safekeeping of shares. The Sale Shares are being sold in connection with commencement of trading in the Shares on the Pre-list of the Helsinki Stock Exchange, and no transfer tax is expected to be payable for these transfers in Finland. Should transfer tax be levied, the Sellers will pay the transfer tax levied on the sale of their Sale Shares. Purchasers of the Shares which are not Finnish tax residents may be required to pay stamp taxes and other taxes or charges in accordance with the laws and practices applicable to such purchasers in addition to the Final Subscription Price.

Interests in Connection with the Offering

The Joint Bookrunners and/or their related parties, in the ordinary course of their business, have offered and may also offer in the future advisory consulting and/or banking services to the Company in accordance with their customary business. In connection with the Offering, the Joint Bookrunners and/or any affiliates acting as investors for their own account may take up Offer Shares and in that capacity may retain, purchase or sell Offer Shares for their own account and may offer or sell such securities other than in connection with the Offering, in each case, in accordance with applicable law. The Joint Bookrunners do not intend to disclose the extent of any such investment or transaction other than in accordance with any legal or regulatory obligation to do so.

Dilution

As a result of the issuance of New Shares in the Offering, the number of Shares could increase to 18,689,800 Shares assuming that the Company will issue 9,010,000 New Shares (the number of New Shares calculated assuming that the Final Subscription Price for the New Shares is the lowest price of the Preliminary Price Range and a total of 100,000 New Shares are subscribed for in the Personnel Offering at the discount applicable to Personnel Shares), which corresponds to a dilution for the existing shareholders of approximately 48.2 per cent.

DOCUMENTS ON DISPLAY

Copies of the following documents may be inspected during the period of validity of this Offering Circular at the website of the Company at www.harvia.com/ipo and on weekdays between 9 a.m. and 4 p.m. Finnish time at the registered office of the Company at Teollisuustie 1–7, FI-40950 Muurame, Finland.

- The Articles of Association of the Company
- The Audited Consolidated Financial Statements and the related auditor's report
- The Finnish Prospectus

APPENDIX A – SELLERS

Name of the Seller	Registered Address	A Maximum Number of Shares Offered for Sale
CapMan Buyout X Fund A L.P	PO Box 406, Mill Court, La Charroterie, St Peter Port, Guernsey, Chanel Islands, GY1 3GG	1,564,595[1]
CapMan Buyout X Fund B Ky	Ludviginkatu 6 FI-00130 Helsinki, Finland	654,288[1]
Avus Oy	Uitonsalmentie 64 A FI-40950 Muurame, Finland	214,645
KTR-Invest Oy	Vuorenlahdentie 53 FI-40950 Muurame, Finland	141,665
Mantereenniemi Oy	c/o Sari Harvia-Jyllinmaa Bulevardi 12 A 51 FI-00120 Helsinki, Finland	214,645

[1] Including the potential Additional Shares

APPENDIX B – ARTICLES OF ASSOCIATION OF HARVIA PLC
(UNOFFICIAL ENGLISH TRANSLATION)

The Articles of Association described in this annex are in effect as of the Listing.

1 THE NAME OF THE COMPANY

The name of the Company is Harvia Oyj and in English, Harvia Plc.

2 DOMICILE OF THE COMPANY

The domicile of the Company is Muurame.

3 FIELD OF BUSINESS

The Company's field of business is group administration and holding company functions. The Company may own, manage and lease financial instruments and real estates.

4 CEO

The Company has a CEO who is appointed by the Board of Directors.

5 BOARD OF DIRECTORS

The Company has a Board of Directors, consisting of at least three and not more than six ordinary members. The Board of Directors elects a Chairperson among its members for its term. The term of the members of the Board of Directors shall expire at the closing of the Annual General Meeting following the election.

6 REPRESENTATION OF THE COMPANY

The Chairperson of the Board of Directors and the CEO may represent the Company each alone, and the members of the Board of Directors jointly two together. In addition, the Board of Directors may grant the right to represent the Company to persons it designates.

7 BOOK-ENTRY SYSTEM

The shares of the Company belong to the book-entry securities system after the expiry of the registration period decided by the Board of Directors.

8 AUDITOR

The Company shall have an auditor that is an auditing firm approved by the Finnish Patent and Registration Office.

The term of office of the auditor shall expire at the closing of the Annual General Meeting following the election.

9 ANNUAL GENERAL MEETING

The Annual General Meeting shall be held annually on a date decided by the Board of Directors within six (6) months from the end of the financial year.

At the Annual General Meeting the following shall be

presented:

1. the financial statements, which include the consolidated financial statements, and the annual report;
2. the auditor's report; and

decided:

3. the adoption of the financial statements, which in the parent company also includes the adoption of the consolidated financial statements;
4. the use of the profit shown on the balance sheet;
5. the discharge from liability of the members of the Board of Directors and the CEO;
6. the remuneration of the members of the Board of Directors and the auditor;
7. the number of the members of the Board of Directors;

elected:

8. the members of the Board of Directors;
9. the auditor;

and discussed:

10. other matters possibly included in the notice of the Annual General Meeting.

10 NOTICE TO GENERAL MEETING

The notice convening the General Meeting shall be delivered to the shareholders no earlier than three (3) months and no later than three (3) weeks prior to the Meeting, however, no later than nine (9) days before the record date of the General Meeting.

The notice shall be delivered to the shareholders by means of a notice published on the Company's website or in at least one national daily newspaper designated by the Board of Directors.

In order to be entitled to attend and use their right to speak at the General Meeting, a shareholder must notify the Company of its attendance by the date specified in the notice convening the Meeting, which date may not be earlier than ten (10) days prior to the Meeting.

In addition to the domicile of the Company, General Meetings may be held in Helsinki.

pwc

Auditor's Report (Translation of the Finnish Original)

To the Board of Directors of Harvia Plc

Opinion

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the group as at 31 December 2017, 31 December 2016 and 31 December 2015 and of its consolidated financial performance and its consolidated cash flows for the years ended 31 December 2017, 31 December 2016 and 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU (IFRS).

What we have audited

We have audited the consolidated financial statements of Harvia Plc (business identity code 2612169-5) and its subsidiaries (the group), which comprise the consolidated statements of financial position as at 31 December 2017, 31 December 2016 and 31 December 2015, the consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows for the years ended 31 December 2017, 31 December 2016 and 31 December 2015 and notes to the consolidated financial statements, including a summary of significant accounting policies. This auditor's report has been prepared only for the purpose of including it in the offering circular prepared in accordance with commission regulation (EC) N:o 809/2004.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under ISAs are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Board of Directors and the Managing Director for the Consolidated Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors and the Managing Director are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The consolidated financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the group or to cease operations, or there is no realistic alternative but to do so.

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Reg. Domicile Helsinki, Business ID 0486406-8

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors’ and the Managing Director’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events so that the consolidated financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Muurame 2 March 2018

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Launis
Authorised Public Accountant (KHT)

HARVIA PLC

IFRS Consolidated Financial Statements

2017, 2016 and 2015

Consolidated statement of comprehensive income

EUR thousand	Note	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
Revenue	2.1	**60 107**	**50 095**	**46 412**
Other operating income	2.3	208	373	602
Changes in inventories of finished goods and work in progress	4.1	1 086	-863	650
Materials and services		-26 058	-19 890	-18 602
Employee benefit expenses	2.3	-12 305	-9 927	-9 393
Other operating expenses	2.3	-11 855	-8 480	-7 436
Depreciation and amortisation	2.4	-1 921	-1 609	-1 597
Operating profit		**9 263**	**9 698**	**10 637**
Finance income	5.4	457	54	42
Finance costs	5.4	-5 370	-5 169	-5 299
Finance costs, net		-4 914	-5 115	-5 257
Profit before income taxes		**4 349**	**4 583**	**5 379**
Income taxes	6.4	-1 435	-1 268	-1 579
Profit for the period		**2 914**	**3 315**	**3 801**
Attributable to:				
Owners of the parent		2 914	3 315	3 801
Other comprehensive income				
Items that may be reclassified to profit or loss in subsequent periods:				
Translation differences	6.5	-505	87	373
Other comprehensive income, net of tax		-505	87	373
Total comprehensive income		**2 409**	**3 402**	**4 173**
Attributable to:				
Owners of the parent		2 409	3 402	4 173
Basic EPS (EUR)	2.5	0,30	0,35	0,40
Diluted EPS (EUR)	2.5	0,30	0,34	0,40

The notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position

EUR thousand	Note	31-Dec-17	31-Dec-16	31-Dec-15	1-Jan-15
ASSETS					
Non-current assets					
Intangible assets	3.2	2 999	2 750	91	100
Goodwill	3.2	59 224	58 857	56 921	56 921
Property, plant and equipment	3.3	14 939	15 790	15 832	16 675
Total non-current assets		**77 163**	**77 396**	**72 844**	**73 697**
Current assets					
Inventories	4.1	14 143	11 941	11 027	10 375
Trade and other receivables	4.2	12 738	10 829	8 527	9 700
Income tax receivables	6.4	1 604	2 192	1 041	472
Cash and cash equivalents	5.2	8 345	6 568	6 878	7 309
Total current assets		**36 830**	**31 531**	**27 474**	**27 855**
Total assets		**113 993**	**108 927**	**100 318**	**101 552**

EUR thousand	Note	31-Dec-17	31-Dec-16	31-Dec-15	1-Jan-15
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	6.5	3	3	3	3
Other reserves	6.5	9 703	10 209	9 830	9 458
Retained earnings	6.5	6 656	3 342	-459	-459
Profit for the period	6.5	2 914	3 315	3 801	
Total equity		**19 276**	**16 868**	**13 174**	**9 001**
Liabilities					
Non-current liabilities					
Shareholder loans	5.1	41 618	38 516	35 598	37 889
Loans from credit institutions	5.1	31 318	35 553	39 568	43 310
Derivative financial instruments	5.1	1 327	1 622	1 540	1 395
Deferred tax liabilities	6.4	442	323	281	6
Other non-current liabilities	5.1	383	118	15	20
Provisions	3.4	225	262	235	215
Total non-current liabilities		**75 313**	**76 395**	**77 237**	**82 836**
Current liabilities					
Loans from credit institutions	5.1	8 394	6 954	4 081	3 750
Derivative financial instruments	5.1		146		
Income tax liabilities	6.4	1 160	975	5	40
Trade and other payables	4.3	9 626	7 328	5 585	5 709
Provisions	3.4	225	262	235	215
Total current liabilities		**19 404**	**15 665**	**9 907**	**9 715**
Total liabilities		**94 716**	**92 060**	**87 144**	**92 551**
Total equity and liabilities		**113 993**	**108 927**	**100 318**	**101 552**

The notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

EUR thousand		Attributable to owners of the parent			
	Note	Share capital	Other reserves	Retained earnings	**Total**
Equity at 1 January 2015 (FAS)		**3**	**9 458**	**115**	**9 575**
Impact of adoption of IFRS	6.1			-574	-574
Equity at 1 January 2015 (IFRS)	6.5	**3**	**9 458**	**-459**	**9 001**
Profit for the period				3 801	3 801
Other comprehensive income					
Translation differences			373		373
Total comprehensive income			373	3 801	4 173
Equity at 31 Dec 2015		**3**	**9 830**	**3 342**	**13 174**

EUR thousand		Attributable to owners of the parent			
	Note	Share capital	Other reserves	Retained earnings	**Total**
Equity at 1 January 2016	6.5	**3**	**9 830**	**3 342**	**13 174**
Share issue			291		291
Profit for the period				3 315	3 315
Other comprehensive income					
Translation differences			87		87
Total comprehensive income			87	3 315	3 402
Equity at 31 December 2016		**3**	**10 209**	**6 656**	**16 868**

EUR thousand		Attributable to owners of the parent			
	Note	Share capital	Other reserves	Retained earnings	**Total**
Equity at 1 January 2017	6.5	**3**	**10 209**	**6 656**	**16 868**
Profit for the period				2 914	2 914
Other comprehensive income					
Translation differences			-505		-505
Total comprehensive income			-505	2 914	2 409
Equity at 31 December 2017		**3**	**9 703**	**9 570**	**19 276**

The notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

EUR thousand	Note	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
Cash flows from operating activities				
Profit before taxes		4 349	4 583	5 379
Adjustments				
Depreciation and amortisation	2.4	1 921	1 609	1 597
Finance income and finance costs	5.4	4 914	5 115	5 257
Other adjustments		-39	173	-105
Cash flows before changes in working capital		11 145	11 480	12 129
Change in working capital				
Increase (-) / decrease (+) in trade and other receivables	4.2	-2 153	-749	1 109
Increase (-) / decrease (+) in inventories	4.1	-2 349	587	-541
Increase (+) / decrease (-) in trade and other payables	4.3	2 115	304	-378
Cash flows from operating activities before financial items and taxes		8 758	11 622	12 318
Interest and other finance costs paid		-186	-70	-61
Interest and other finance income received		1	55	43
Income taxes paid	6.4	-543	-1 655	-1 862
Net cash from operating activities		**8 029**	**9 952**	**10 439**
Cash flows from investing activities				
Investments in tangible and intangible assets	3.2, 3.3	-1 196	-1 002	-711
Sale of tangible and intangible assets	3.2, 3.4	30	128	226
Acquisition of subsidiaries, net of cash acquired	3.1	0	-4 488	
Net cash from investing activities		**-1 166**	**-5 362**	**-485**
Cash flows from financing activities				
Proceeds from share issues	6.5	50	242	40
Proceeds from non-current loans	5.1		70	
Repayments of non-current loans	5.1	-4 250	-4 000	-8 789
Change in short-term interest-bearing liabilities	5.1	952	435	81
Interest and other finance costs paid		-1 634	-1 760	-1 818
Net cash from financing activities		**-4 882**	**-5 014**	**-10 486**
Net change in cash and cash equivalents		1 980	-424	-532
Cash and cash equivalents at 1 January	5.2	6 568	6 878	7 309
Exchange gains/losses on cash and cash equivalents		-204	114	101
Cash and cash equivalents at 31 December		**8 345**	**6 568**	**6 878**

The notes are an integral part of these consolidated financial statements.

SECTION 1: BASIS OF PREPARATION

This section presents the Group's accounting policies to the extent that they are not disclosed in other notes. These principles have been applied consistently in all the periods presented, unless otherwise stated.

1.1 General information

Harvia Plc (the "Parent company") is a Finnish limited liability company and the parent company of the Harvia Group ("Harvia", "Harvia Group" or the "Group"). The registered address of Harvia Plc is Teollisuustie 1-7, PO BOX 12, 40951 Muurame, Finland.

Harvia is one of the world's leading sauna and spa companies. Over the past 60 years, Harvia has expanded its operations from the manufacturer of heaters to a provider of wide range of saunas and spa products. Harvia´s products are exported to over 65 countries. The Group's product range includes sauna heaters, sauna rooms, infrared and steam saunas, spa components, control units, sauna accessories and sauna interior solutions such as sauna benches, audio speakers and lighting solutions. The Group also provides sauna installation, maintenance and repair services. At the end of the financial year 2017 the company had 365 employees, of which 183 worked in Finland, 28 in Austria, 82 in Romania, 67 in China and Hong Kong, and 5 in Estonia.

Harvia Plc is the parent company of the Group which operated until February 2018 under the name Harvia Holding Oy. The following subsidiaries are consolidated to the Group's financial statements:

- Harvia Group Oy which is the second management company of the Group
- Harvia Finland Oy (former Harvia Oy) manufacturing heaters and sauna and steam bath products
- Velha Oy manufacturing sauna and steam bath products
- Sentiotec GmbH subgroup specialised in control units, sauna products and electric heaters (acquired on 4 November 2016)
- Saunamax Oy (56.2% acquired on 24 February 2017), provider of sauna maintenance and repair services
- Harvia (HK) Sauna Co. Ltd subgroup manufacturing sauna heaters, steam generators and components of similar equipment
- Harvia Estonia Oü manufacturing steam room equipment and
- LLC Harvia RUS which is the sales company for Harvia products in Russia

Harvia Group was established in May 2014 when Harvia Group Oy acquired shares in Harvia Oy (current Harvia Finland Oy) and Velha Oy ("Harvia acquisition") from four people belonging to the Harvia family ("Harvia's previous owners). In connection with the acquisition previous owners became minority shareholders in the Harvia Holding Group through their investment companies. CapMan Buyout X Fund A Ltd and CapMan Buyout X Fund B Ky ("CapMan funds") established Harvia Holding Oy (current Harvia Plc) for the acquisition of Harvia. In addition to CapMan funds, other owners are former owners' investment companies and Group's key personnel straight or through their related party companies. CapMan funds owned 69.5% of the shares of Harvia Plc as at 31 December 2017.

Consolidated financial statements are available at the head office at Teollisuustie 1-7, 40950 Muurame and at the Group's home pages *www.harvia.fi.*

The Board of Directors of Harvia Plc has approved these consolidated financial statements for issue on 2 March 2018. Under the Finnish Limited Liability Companies Act, shareholders can approve or disapprove the consolidated financial statements in the Annual General Meeting held after the release. The Annual General Meeting is also entitled to amend the consolidated financial statements.

1.2 Accounting policies

The consolidated financial statements of Harvia Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, conforming with the IAS standards and IFRS standards as well as SIC and IFRIC interpretations applicable as per 31 December 2017. IFRS refer to the standards and interpretations applicable by corporations set out by the Finnish Accounting Act and other regulations set out on basis of this ordinance enforced for application in accordance with the procedure stipulated in the regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the consolidated financial statements also comply with the Finnish accounting and corporate legislation complementing the IFRS standards.

Harvia Group publishes the first consolidated financial statements prepared under IFRS standards for the financial period ending 31 December 2017 with comparative information for the financial period ending 31 December 2016 and 2015. Harvia Group applies in these consolidated financial statements IFRS 1 *First-time adoption of International Financial Reporting Standards* standard with the date of transition 1 January 2015. Harvia Group has previously applied Finnish Accounting Standards (FAS). The impacts arising from first-time adoption of the IFRS standards are presented in reconciliations included in note 6.1 to the consolidated financial statements.

The figures presented in the financial statements are rounded and therefore the sum of individual figures may differ from the presented sum figure.

How should Harvia Group's accounting policies be read?

Harvia Group's accounting policies of the financial statements are described in conjunction with each note in the aim of providing enhanced understanding of each accounting area. The table below summarises the note in which each accounting policy is presented and the relevant IFRS standard.

Accounting principle	Note	IFRS standard
Revenue	2.1 Revenue	IAS 18
Employee benefits	2.3 Other income and expense items	IAS 19
Business combinations	3.1 Business combinations	IFRS 3
Intangible assets	3.2 Intangible assets	IAS 36, IAS 38
Property, plant and equipment	3.3 Property, plant and equipment	IAS 16, IAS 36
Provisions	3.4 Provisions	IAS 37
Inventories	4.1 Inventories	IAS 2
Financial assets and liabilities	5.1, 5.2 Financial assets and liabilities	IAS 32, IAS 39, IFRS 7, IFRS 13
Financial risk management	5.3 Financial risk management	IAS 32, IAS 39, IFRS 7, IFRS 13
Operating leases	5.5 Commitments and contingent liabilities	IAS 17
Taxes	6.4 Taxes	IAS 12
Equity	6.5 Equity	IAS 1

<u>Historical cost convention</u>
The consolidated financial statements of Harvia Group have been prepared on a historical cost basis, except for the derivative financial instruments.

<u>Foreign currency translation</u>
Items included in the financial statements of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in thousands of euros unless otherwise stated.

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss.

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss are translated at average exchange rates, and
- all resulting exchange differences are recognised in other comprehensive income.

New standards and interpretations not yet adopted
Harvia Group has not yet applied the following new and amended standards and interpretations already issued and endorsed by the European Union. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

The Group will adopt the following standards in 2018 or later.

IFRS 9 Financial instruments

IFRS 9 “Financial Instruments” addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

Classification and measurement of financial assets which will be based on how the assets are managed. The Group’s financial assets consist mainly of trade receivables, which are still measured at amortised cost. Therefore, the new guidance is not expected to affect the Group's classification and measurement of these financial assets.

According to a new impairment model an allowance for impairment should be recognised based on expected credit losses when losses are recognised earlier and in larger amounts. In IAS 39, recognition of losses was based solely on actual credit losses. This change mainly applies to the Group's trade receivables measured at amortised cost. The Group applies the simplified method allowed by the standard whereby the expected credit losses are recognised using the provision matrix based on the historical credit losses adjusted by the future outlook. Based on the calculation by the company, the provision for credit losses of trade receivables (without tax impact) is about EUR 0.5 million and it is recognised to decrease the retained earnings.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group’s risk management practices. The Group does not currently apply hedge accounting and will not increase hedge accounting upon the adoption of IFRS 9.

The new standard also includes more expanded disclosure requirements and changes in presentation. These are expected to have an impact on the nature and extent of the information presented in the consolidated financial statements particularly in the year of the adoption of the new standard.

The standard has to be applied for financial periods commencing on or after 1 January 2018. The new rules will be applied reprospectively from 1 January 2018 with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

IFRS 15 Revenue from contracts with customers

IFRS 15 Revenue from Contracts with Customers is the new revenue standard, which Harvia will apply for reporting periods beginning on 1 January 2018. The new standard will replace IAS 18 and IAS 11 standards and the related interpretations. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The new standard includes a five-step process that Harvia will apply for contracts with customers before revenue is recognised.

The steps that will be required to be followed for revenue recognition are:

1. Identifying the contract
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocation of the transaction price to each performance obligation (to each distinct good or service promised to the client) on a relative stand-alone selling price basis
5. Recognising the revenue when (or as) the performance obligation is satisfied by transferring the good or service to the client.

Revenue may be recognised over time or at a point in time, and the main criterion is the transfer of control.

Harvia has been assessing the impacts of the standard and has identified that some changes will take place in the following areas:

- Identifying performance obligations: Harvia's view is that the control of the goods sold by Harvia typically transfer to the customer when the goods are delivered to the customer. Under some arrangements, Harvia has two performance obligations: goods and transportation service. Under current guidance Harvia has not accounted for the transportation service separately from the sale of goods. For some project sales the performance obligation is the sauna construction as a whole as the company provides a significant service of integrating the goods and services into a combined output, i.e. sauna, which the customer has contracted.

- Determining the transaction price: Contracts with customers typically include several variable considerations (annual discounts, marketing subsidies, volume discounts etc.). Under IFRS 15, an entity needs to estimate the variable consideration and include in the transaction price an amount that fulfils the highly probable criterion. However, Harvia has already under the current IFRS guidance estimated the variable considerations as part of the revenue recognition process. In addition, Harvia has been able to reliably estimate the outcome and therefore, management's view is that the highly probable criterion is typically met. Therefore, no major differences are expected.

- Allocation of the transaction price: Some contracts include also transportation service, which is not currently treated as a separate element. Therefore, a part of the transaction price for these arrangements should be allocated to the transportation service. However, based on the analysis, the transportation service is typically low value and performed within a very short time period and as such is not expected to affect the revenue recognised for the service element.

- Recognising the revenue: Management's view is that the point when control typically transfers to Harvia's customer for goods sold is when goods are delivered to the customer. Based on the analysis conducted to date, management does not expect significant changes to the timing of revenue recognition as a result of adopting IFRS 15. However, with respect to transportation services, revenue should be recognised over time, because for transportation services the customer simultaneously receives and consumes the benefits as Harvia provides the service. However, since goods are usually delivered to the customer within relatively short time period management does not expect a significant impact related to the timing of the revenue recognition for the service element. For some of the project sales the company will need to recognise revenue over time, which under current guidance have been recognised as revenue after completion. Since the project sales form a small part of the total revenue (2%) for Harvia the management does not expect a significant impact from the timing difference in the revenue recognition. Based on the calculation made by the company, the adjustment for the Group's recognition of project sales is approximately EUR 30 thousand.

Under IFRS 15 an entity shall recognise as an asset the incremental costs of obtaining a contract (e.g. sales commissions), if it expects to recover those costs. Currently sales commissions are recognised as other expenses as incurred. Harvia chooses to use the practical expedient and recognises the incremental costs as an expense when incurred as the expected amortisation period of the assets is one year of less.

Based on findings to date Harvia does not expect major adjustments or changes to revenue recognition principles. However, there will be new revenue disclosures that Harvia will report under the new guidance.

Harvia adopts the standard on 1 January 2018 using the modified retrospective method which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

IFRS 16 Leases

IFRS 16 was issued in January 2016. As a result, almost all leases will be recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for the Group's operating leases. At the end of the financial period, the Group has non-cancellable operating lease commitments (cars, factories, offices and land leases) of EUR 737 thousand, see note 5.5.

However, the Group has not yet assessed what adjustments are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's future profit or loss and classification of cash flows. The Group has not yet decided what transition method it will apply at the day of initial application.

The standard must be applied for financial periods commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

1.3 Critical accounting estimates and significant management judgements

The Group's most significant accounting policies are primarily described together with the applicable note. The preparation of Harvia Group's consolidated financial statements requires the use of estimates, judgement and assumptions that may affect the application of accounting policies and the recognised amounts of assets and liabilities at the date of the financial statements. In addition, the recognised amounts of revenue and expenses during the periods presented are affected. Actual results may differ from previously made estimates and judgements.

Estimates and judgements are reviewed regularly. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in all subsequent periods.

The sources of uncertainty and management judgement which have been identified by the Group and which are considered to fulfill these criteria are presented in connection to the items considered to be affected. The table below discloses where to find these descriptions.

Accounting estimates and management judgement	Note
Marketing subsidies	2.1
Segment reporting	2.2
Research and development costs	3.2
Key assumptions used in goodwill impairment tests	3.2
Provisions	3.4
Share-based payments	6.3
Taxes	6.4

SECTION 2: GROUP PERFORMANCE

This section focuses on the results and performance of the Group. The accompanying notes on the following pages explain the different components of the Group's operating profit and the company's earnings per share.

Components of operating profit

EUR thousand	**2017**	% of revenue	**2016**	% of revenue	**2015**	% of revenue
Revenue	60 107		50 095		46 412	
Other operating income	208	0%	373	1%	602	1%
Materials, services and change in inventories	-24 972	-42%	-20 753	-41%	-17 952	-39%
Employee benefit expenses	-12 305	-20%	-9 927	-20%	-9 393	-20%
Depreciation and amortisation	-1 921	-3%	-1 609	-3%	-1 597	-3%
Other operating expenses	-11 855	-20%	-8 480	-17%	-7 436	-16%
Operating profit	**9 263**	15%	**9 698**	19%	**10 637**	23%

2.1 Revenue

Harvia is one of the world's leading sauna and spa companies. The Group's product range includes sauna heaters, sauna rooms, infrared and steam saunas, steam sauna and spa components, control units, sauna accessories and sauna interior solutions such as sauna benches, audio speakers and lighting solutions. The Group also provides sauna installation, maintenance and repair services. The biggest market areas are Finland, EU and Russia.

Harvia Group's revenue includes mainly sales of products. Only minor part comes from selling of sauna installation, maintenance and repair services provided by Velha Oy and Saunamax Oy. Harvia sells most of its products to retailers, distributors or importers. Harvia's biggest customer relationship is based on group-level frame agreement under which individual order agreements made by the Group accounted for approximately 17% of the Group's revenue in 2017 (2016: 21%; 2015: 22%).

The accumulation of Harvia's revenue has been constant and stable over the past years. A unifying trend across the different customer categories is that the relationships with customers are long-lasting. The Group has formal contractual relationships with clients, but most of the contracts cover only a short period (the most common type of contract being annual contract). The long-lasting customer relationships are based on customer loyalty.

Accounting policy

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, volume based marketing subsidies and rebates.

Harvia Group's revenue consists mainly sale of goods. Sales of goods are recognised when the material risks, benefits and control associated with the ownership of the goods have been transferred to the buyer. In general, revenue is recognised at the time of delivery of the goods in compliance with the contract terms. Certain wholesale customers are given a right of return in respect of certain campaign products if the goods are not sold within six months after the purchase or the legislation concerning products will change. Products directly sold to consumers via online shops are subject to a 14 day return policy. Revenue is adjusted for the value of expected returns. Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts at the time of sale. Sales revenue is recognised when they can be reliably determined, it is probable that future economic benefits will be obtained and when the criteria for recognition is met.

As for the products sold are usually given a 60-day payment period which is consistent with the market practice, no finance element is included in the sales. Cash discounts are deducted from revenue.

Minority of Harvia Group's revenue is from rendering services, mainly installation and maintenance services. Revenue from services is recognised in the accounting period in which the services are rendered. There are no such long-term projects in the Group for which the revenue would be recognised using the percentage-of-completion method.

Significant management judgement

The management uses judgement when allocating marketing subsidies to allowances included in the revenue and marketing costs included in other expenses. Marketing subsidies determined as the percentage of sales volume and against which marketing services are not obtained, are reducing the revenue. Other marketing subsidies are allocated to operating expenses.

Revenue by product group

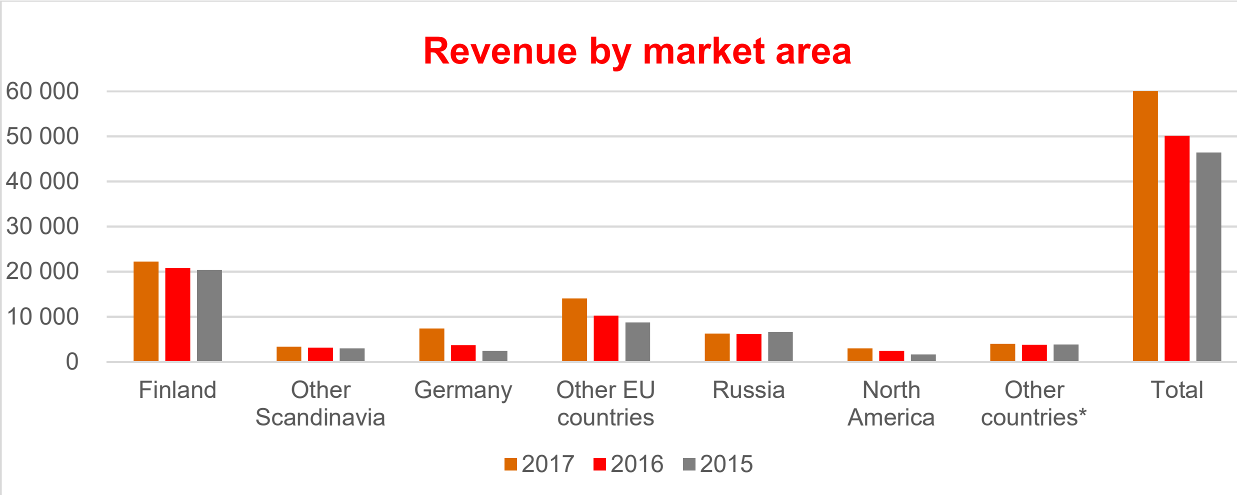
EUR thousand	**2017**	%	**2016**	%	**2015**	%
Sauna heaters	35 289	59%	32 481	65%	31 575	68%
Sauna rooms	6 903	11%	4 651	9%	4 176	9%
Control units	6 318	11%	3 606	7%	2 767	6%
Steam generators	2 791	5%	2 960	6%	2 535	5%
Spare parts, services and other*	8 807	15%	6 397	13%	5 358	12%
Total	**60 107**	100%	**50 095**	100%	**46 412**	100%

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

Revenue by market area

EUR thousand	**2017**	%	**2016**	%	**2015**	%
Finland	22 214	37%	20 815	42%	20 369	44%
Other Scandinavia	3 324	6%	3 111	6%	2 941	6%
Germany	7 373	12%	3 652	7%	2 364	5%
Other EU countries	14 044	23%	10 237	20%	8 684	19%
Russia	6 227	10%	6 146	12%	6 603	14%
North America	2 963	5%	2 397	5%	1 616	3%
Other countries*	3 962	7%	3 736	7%	3 834	8%
Total	**60 107**	100%	**50 095**	100%	**46 412**	100%

* Of which the largest are the following: Arab countries, Asia and other Europe.



2.2 Segment reporting

The Group constitutes a single operating segment. This is consistent with the way that internal reporting is provided to the chief operating decision maker (”CODM”) and the way that chief operating decision maker determines allocation of resources and assesses the performance.

Significant management judgement

Determining operating segments

The management of Harvia Group has used judgement when determining Group’s segment reporting. Areas requiring judgement have been the determination of CODM, the decisions made and reports used when managing the Group. The Board of Directors has been determined as the chief operating decision maker. The Board of Directors, taking into account its composition and its active participation in key strategic and operative decision-making, is responsible for allocating resources and assessing the performance. The management of Harvia Group, using its judgement, has determined that the Group has one operating segment.

The Group's non-current assets are allocated geographically as follows:

EUR thousand	**31-Dec-17**	**31-Dec-16**	**31-Dec-15**	**1-Jan-15**
Finland	72 774	72 660	71 499	72 436
Other EU countries	3 662	3 737	80	70
Asia	726	999	1 265	1 191
Total non-current assets	**77 163**	**77 396**	**72 844**	**73 697**

Revenue by geographical areas has been presented in note 2.1.

2.3 Operating income and expenses

This note provides information on other components of operating profit: other operating income, material and service expenses, employee benefit expenses, other operating expenses as well as depreciations and amortisations. Other operating income includes gains on sale of property, plant and equipment, sales of scrap metal which is generated from production and different kind of grant income.

Materials and services in the consolidated statement of comprehensive income consist mainly purchases of electricity and electronic components such as heating elements, control units and wood timber for saunas. The change in inventories of finished goods and work in progress will adjust the income statement by the cost effect of items booked and removed from inventory at the end of the period.

The most significant items of other operating expenses relate to sales (as sales freight costs and sales related commissions) and marketing.

Harvia's production facility in Muurame is characterised by efficient production. Harvia has a long experience in manufacturing of heaters and other sauna products and the staff is qualified and experienced. The company's operations are highly integrated. Own R&D department is specialised in the development of production process and products and company's own department specialised in tools and machinery used in production ensures the cost-effectiveness of the production equipment and machinery maintenance and repair.

Accounting policy

A defined contribution plan is a pension plan under which the Group pays fixed contributions into pension insurances. The Group has no legal or constructive obligations to pay further contributions if the insurance does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The following table presents different components of employee benefit expenses:

EUR thousand	**2017**	**2016**	**2015**
Wages and salaries	10 019	8 033	7 601
Pension costs - defined contribution plans	1 431	1 381	1 350
Other employee benefit expenses	855	514	442
Total	**12 305**	**9 927**	**9 393**

Harvia Group employed a total of 365 employees as at 31 December 2017 (2016: 338 employees; 2015: 255 employees). Of the total number of employees at the end of 2017 116 were officers and 249 workers. Pension plans of employees of the Group in Finland, Austria, Romania, China, Hong Kong and Estonia are defined contribution plans.

Other significant expense items are as follows:

EUR thousand	**2017**	**2016**	**2015**
Sales and marketing*	5 438	4 116	3 957
Travel and cars	834	646	497
Electricity, heating and water	626	581	482
Audit, accounting, consulting and legal expenses	1 383	406	238
Rents	529	357	306
IT and telecommunication	273	326	269
Voluntary staff expenses	210	208	220
Other**	2 562	1 841	1 465
Total	**11 855**	**8 480**	**7 436**

*Sales and marketing include, among others, warranty costs, sales freight costs, sales commissions and marketing expenses.

** Other expenses include, among others, maintenance costs related to the administration of the company and the premises.

Audit, accounting, consulting and legal expenses and other expense items include items outside the ordinary course of business that are related to the Group's strategic development projects, listing, acquisitions and loss on sales of assets and affect the comparability between the different periods.

The auditor’s fees recognised during 2017 amounted to EUR 509 thousand (2016: EUR 63 thousand; 2015: EUR 134 thousand). Of these, EUR 76 thousand were fees relating to statutory audit (2016: EUR 37 thousand; 2015: EUR 17 thousand) and EUR 433 thousand were other fees (2016: EUR 27 thousand; 2015: EUR 117 thousand). Harvia Group’s research and development department employed an average of 12 people, and research and development costs were EUR 960 thousand in the financial year 2017 (2016: EUR 676 thousand; 2015: EUR 729 thousand).

2.4 Depreciation and amortisation

Accounting policy

Property, plant and equipment

Land and buildings are recognised at historical cost. Land is not depreciated. Buildings are depreciated over their useful lives.

Machinery and equipment as well as other tangible assets are depreciated over their useful lives. Useful lives are based on estimates of the period over which the assets will generate revenue. Depreciation is recognised on a straight-line basis based on the cost of the assets and estimated useful lives. Impairment tests for depreciable non-current assets are performed if there are indications of impairment at the balance sheet date.

The useful lives of the assets are as follows:

- Buildings 15-30 years
- Machinery and equipment 5-10 years
- Other tangible assets 5 years

Intangible assets

Purchased and internally generated intangible assets are recognised at historical cost. Intangible assets acquired in business combinations are measured at fair value at acquisition. Intangible assets are amortised over 10 to 15 years except for capitalised development costs and software licenses, which are amortised in 5 years.

The following table presents depreciation and amortisation by asset class:

EUR thousand	**2017**	**2016**	**2015**
Depreciation by class			
Buildings and constructions	604	602	595
Machinery and equipment	858	870	870
Other tangible assets	72	73	42
Total property, plant and equipment	1 535	1 545	1 507

EUR thousand	**2017**	**2016**	**2015**
Amortisation by class			
Development costs	193	11	
Customer relationships	49	8	
Brand	59	10	
Technology	11	2	
Other intangible assets	74	33	89
Total intangible assets	386	64	89
Total depreciation and amortisation	**1 921**	**1 609**	**1 597**

2.5 Earnings per share

Basic earnings per share is calculated by dividing the profit for 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, unless it takes into consideration the effects associated of any parent company's obligations regarding the possible share issue in the future.

	2017	2016	2015
Profit for the period attributable to the owners of the parent company, EUR thousand	2 914	3 315	3 801
Weighted average number of shares outstanding during the financial period, '000	9 617	9 510	9 424
Basic earnings per share, EUR	**0,30**	**0,35**	**0,40**
Impact of unregistered share issue on number of shares, '000		140	
Weighted average number of shares outstanding during the year, diluted, '000	9 617	9 650	9 424
Diluted earnings per share, EUR	**0,30**	**0,34**	**0,40**

SECTION 3: CAPITAL EMPLOYED

This section describes the assets that are required to have to run the business and Harvia's acquisitions. The Information on net working capital is presented in section 4.

3.1 Business combinations

For Harvia, acquisitions are a way to speed up the implementation of its strategy. In 2017 and 2016, Harvia made the following acquisitions:

In February 2017 Harvia invested EUR 450 thousand in Saunamax Oy and got an ownership of 56.2% of the company. The agreement also included an option to purchase the remaining 43.8%. Saunamax Oy has been consolidated in the Group's financial statements as a 100% owned subsidiary.

In November 2016, Harvia acquired Sentiotec companies which are located in Austria and Romania. The purchase price of EUR 4.5 million was paid in cash.

Accounting policy

The acquisition method is applied for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the shares issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and identifiable liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Identifiable assets include tangible assets as well as intangible assets, such as customer relationships, brand and technology.

Acquisition related costs are expensed as incurred and presented as other operating expenses in the income statement.

Accounting estimates and management judgement

Net assets acquired through business combinations are measured at fair value. The measurement of fair value of the acquired net assets is based on market value of similar assets (property, plant and equipment), or an estimate of expected cash flows (intangible assets). The valuation, which is based on prevailing repurchase value, expected cash flows or estimated sales price, requires management judgement and assumptions. The management trusts that the applied estimates and assumptions are sufficiently reliable for determining fair values.

According to the option arrangement related to the business combination, the Group ís going to pay subsequently to the former owners and these expected cash flows are estimated based on the terms of the sale contract and Harvia's knowledge of that business and how the current economic environment is likely to impact it.

Acquisition of Saunamax in 2017

In February 2017 Harvia Finland Oy invested EUR 450 thousand in Saunamax Oy by subscribing new shares of the company and therefore got an ownership of 56.2% of the company. The company produces sauna maintenance and repair services. The agreement also included an option to purchase the remaining 43.8% of the shares. Saunamax Oy has been consolidated in the consolidated financial statement as a 100% owned subsidiary. The liability relating to the purchase option of the shares has been measured at fair value in accordance with the shareholder agreement but the final amount of the option is determined when the option is exercised.

Details of the purchase consideration, the net acquired assets and goodwill are as follows:

EUR thousand	
Purchase price*	
Share purchase option (43.8% share)	350
Net identifiable assets acquired	
Non-current assets	
Intangible assets	30
Property, plant and equipment	14
Current assets	
Inventories	22
Trade and other receivables	47
Total assets	113
Current liabilities	
Interest-bearing	11
Non interest-bearing	119
Total liabilities	130
Total	-17
Goodwill	367
Net assets acquired	350

* The holding of 56.2% was acquired by subscribing new shares in Saunamax Oy.

Goodwill consists of Saunamax personnel and opportunities to expand Harvia's sauna service offerings.

If the acquisition of Saunamax had occurred on 1 January 2017, it would not have had significant impact on the Group's revenue or operating profit for 2017.

Cash flow impact

EUR thousand	
Cash and cash equivalents of the acquired company	0
Expenses related to the acquisition	-22
Impact on cash flows	-22

Acquisition of Sentiotec in 2016

In the beginning of November 2016, Harvia Group Oy acquired Sentiotec subgroup located in Austria and Romania. The acquisition increased the Group's market share in Central Europe and complemented the Group's existing sauna products offering. The purchase price EUR 4.5 million was paid in cash.

Details of the purchase consideration, the net acquired assets and goodwill are as follows:

EUR thousand	
Purchase price	
Purchase price paid in cash	4 504
Net identifiable assets acquired	
Non-current assets	
Intangible assets	2 297
Property, plant and equipment	1 065
Current assets	
Inventories	1 461
Trade and other receivables	1 779
Cash and cash equivalents	16
Total assets	6 618
Non-current liabilities	
Deferred tax liabilities	361
Other liabilities	495
Current liabilities	
Loans from credit institutions	2 018
Trade and other payables	1 176
Total liabilities	4 049
Total	2 568
Goodwill	1 935
Net assets acquired	4 504

The goodwill is attributable to the workforce, expected synergies and expansion possibilities. The goodwill is not deductible for tax purposes. The fair value of the identifiable intangible assets acquired in the date of acquisition was EUR 1 445 thousand consisting of customer relationships, brand and technology.

The acquired business contributed revenues of EUR 1 910 thousand and operating profit of EUR 50 thousand to the Group for the period from 1 November 2016 to 31 December 2016. If the acquisition of Sentiotec had occurred on 1 January 2016, Group's unaudited pro forma revenue would have been approximately EUR 57 million and unaudited pro forma operating profit would have been approximately EUR 10 million for the year ended 31 December 2016. These amounts have been calculated using Sentiotec's results and adjusting them for the amortisation that would be charged assuming that the fair value adjustments to intangible assets had applied from 1 January 2016.

Cash flow impact

EUR thousand	
Purchase price paid in cash	-4 504
Cash and cash equivalents of the acquired company	16
Expenses related to the acquisition	-161
Impact on cash flows	-4 649

3.2 Intangible assets and impairment testing

Majority of the goodwill was recognised in connection of the acquisition of Harvia in 2014. The goodwill was increased in connection of the purchase of the Spa Modules business by Harvia Estonia Oü in December 2014, acquisition of Sentiotec subgroup located in Austria and Romania in November 2016 as well as acquisition of Saunamax Oy in February 2017.

Accounting policy

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to cash generating units (CGU's), that are expected to benefit from the synergies of the combination. This unit to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Other intangible assets

Other intangible assets mainly include customer relationships, brands and technology acquired in business combinations that are recognised in fair value at the date of acquisition. These are amortised on a straight-line basis over 10-15 years. Other intangible assets also include capitalised development expenditures and software licenses and are amortised on a straight–line basis over 5 years.

Capitalised development costs

Development costs are capitalised when certain criteria related to economic and technical feasibility are met and when it is expected that the product will generate economic benefits in the future. Capitalised development costs mainly include materials, supplies and direct labor costs.Development costs booked earlier as expenses will not capitalised later. Intangible assets under development are not amortised but are tested for impairment at least annually.

Accounting estimates and management judgement

Costs incurred in the development phase of a project are capitalised as intangible assets if the criteria is met. Management has made judgements and assumptions when assessing whether a project meets these criteria, and on measuring the costs and the economic life as well as the future cash inflows generated by the development projects. Expected returns from capitalised development projects involve estimates and judgement from the management about the future revenue and related costs. These estimates involve risks and uncertainties and it is possible that following changes in circumstances, expected returns from capitalised development projects change. Harvia assesses indications of impairment for capitalised development projects.

The following tables present the movements in intangible assets including goodwill during the reported periods:

EUR thousand	Goodwill	Development expenditure	Advance payments	Customer relationships	Brand	Technology	Other intangible assets	Total
2017								
Cost at 1 January	58 857	606	538	741	590	114	954	62 400
Business combinations	368						30	398
Additions		4	456				158	618
Disposals			-11					-11
Reclassifications		133	-133					0
Exchange differences			-1				-1	-2
Cost at 31 December	59 224	743	849	741	590	114	1 142	63 404
Accumulated amortisation at 1 January		-11		-8	-10	-2	-763	-794
Amortisation		-193		-49	-59	-11	-74	-386
Accumulated amortisation at 31 December		-203		-58	-69	-13	-837	-1 180
Net book amount at 1 January	**58 857**	**595**	**538**	**733**	**580**	**113**	**191**	**61 606**
Net book amount at 31 December	**59 224**	**540**	**849**	**683**	**521**	**101**	**304**	**62 223**

EUR thousand	Goodwill	Development expenditure	Advance payments	Customer relationships	Brand	Technology	Other intangible assets	Total
2016								
Cost at 1 January	56 921						821	57 742
Business combinations	1 935		530	741	590	114	29	3 940
Additions		545	130				58	733
Disposals			-15					-15
Reclassifications		61	-106				45	
Cost at 31 December	58 857	606	538	741	590	114	954	62 400
Accumulated amortisation at 1 January							-730	-730
Amortisation		-11		-8	-10	-2	-33	-64
Accumulated amortisation at 31 December		-11		-8	-10	-2	-763	-794
Net book amount at 1 January	**56 921**						**91**	**57 012**
Net book amount at 31 December	**58 857**	**595**	**538**	**733**	**580**	**113**	**191**	**61 606**

EUR thousand	Goodwill	Other intangible assets	Total
2015			
Cost at 1 January	56 921	742	57 663
Additions		80	80
Cost at 31 December	56 921	821	57 742
Accumulated amortisation at 1 January		-641	-641
Amortisation		-89	-89
Accumulated amortisation at 31 December		-730	-730
Net book amount at 1 January	**56 921**	**100**	**57 021**
Net book amount at 31 December	**56 921**	**91**	**57 012**

Impairment test for goodwill

Accounting estimates and management judgement

Key assumptions used in goodwill impairment testing

The management makes significant estimates and judgements in determining the level at which the goodwill is allocated and whether there is any indication of impairment in goodwill.

The recoverable amount of a cash generating unit is determined based on value-in-use calculations which require the use of estimates. The calculations use cash flow projections based on budgets and financial estimates approved by management covering a five-year period. Cash flow forecasts are based on the Group's actual results and the management's best estimates on future sales, cost development, general market conditions and applicable tax rates. Cash flows estimates include budgets and rolling estimates for a period of five years and cash flows beyond the five-year period are extrapolated using the estimated growth rates stated above. The growth rates are based on the management's estimates on future growth in the business. Management tests the impacts of changes in significant estimates used in forecasts by sensitivity analyses as described above in this note.

The allocation of goodwill to the Group's cash-generating units is presented below:

EUR thousand	31-Dec-2017	31-Dec-2016	31-Dec-2015	1-Jan-15
Finland	58 915	58 547	56 921	56 921
Central Europe	310	310		
Total	**59 224**	**58 857**	**56 921**	**56 921**

To carry out impairment testing, the management monitors goodwill at the level of Finland and Central Europe. The recoverable amount of cash generating units has been determined based on value-in-use calculations using the projected discounted cash flows. These calculations use pre-tax cash flow projections based on the budgets and forecasts approved by management covering a five-year period.

Key assumptions in the projections are the development of net sales and key cost items, the discount rate used in the calculation as well as the cash flow growth rate after the five-year forecast period. The projections have been prepared to reflect the past performance and expectations for the future considering the Group's market position and the general economic environment. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. The discount rate used in the impairment testing is weighted average pre-tax cost of capital (WACC). The discount rate reflects the total cost of equity and debt and the market risks related to the Group.

The key assumptions used for value-in-use calculations are as follows:

	31-Dec-17	31-Dec-16	31-Dec-15	1-Jan-15
Long-term growth rate	1.0%	1.0%	1.0%	1.0%
Average revenue growth for the forecast period				
Finland	5.1%	4.7%	3.9%	2.9%
Central Europe	6.7%	8.2%		
Average EBITDA for the forecast period (% of revenue)				
Finland	24.4%	25.3%	23.8%	23.8%
Central Europe	10.1%	9.4%		
Pre-tax discount rate				
Finland	8.8%	9.1%	9.7%	10.9%
Central Europe	10.3%	9.3%		

As result of the impairment tests performed no impairment loss has been recognised for any period presented. In 2017 the recoverable amount calculated based on value-in-use exceeded the carrying value by EUR 73 million in Finland and EUR 8 million in Central Europe (2016 by EUR 64 million in Finland and EUR 3 million in Central Europe; 2015 by EUR 32 million in Finland). As 1 January 2015, the recoverable amount calculated based on value-in-use exceeded the carrying value by EUR 14 million.

Management has prepared sensitivity analyses regarding the key factors, and based on the analyses performed the recoverable amount equals with the carrying value if the assumptions change one at a time and other assumptions remain unchanged as follows (changes in percentage points):

	31-Dec-17	31-Dec-16	31-Dec-15	1-Jan-15
Finland				
EBITDA margin decrease	-9.5%	-9.1%	-5.2%	-2.7%
Change in discount rate	6.3%	5.8%	3.2%	1.6%
Central Europe				
EBITDA margin decrease	-4.9%	-1.9%		
Change in discount rate	9.5%	4.3%		

3.3 Property, plant and equipment

Land areas and buildings consist mainly of Harvia's factory building in Muurame. Also Velha Oy operates in the facilities owned by Harvia. The factory in Romania is owned by a Romanian real estate company K&R Imobiliare which is wholly-owned by the Group. Other production units operate in leased premises.

Other significant items of property, plant and equipment are the production machineries in Muurame and in China. Harvia has a separate department that manufactures tools and equipment used in production.

For depreciations see also note 2.4.

Accounting policy

Property, plant and equipment are presented at acquisition cost less depreciation and potential impairment losses. Subsequent costs are included in the carrying amount when they can be measured reliably and future economic benefits associated with the these will flow to the entity.

Significant leasehold improvements are included in the asset's carrying amount or are separated as a separate asset when it is probable that they will be economically useful in the future and the costs incurred can be distinguished from normal repair and maintenance costs.

The Group assesses at every reporting date whether there is any indication of impairment of an asset. If there are any indications, the asset is tested for impairment. An impairment test estimates the recoverable amount of the asset. The recoverable amount is the higher of the asset's fair value less costs to sell or cash flow based value-in-use. If the recoverable amount can not be determined at the level of an individual asset, the need for impairment is reviewed at the level of the lowest cash generating unit (CGU), which is largely independent of other units and its cash flows can be distinguished from the cash flows of other similar entities.

Changes in property, plant and equipment are presented in the following tables for the financial periods presented in the financial statements.

EUR thousand	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress	Total
2017						
Cost at 1 January	1 256	19 764	12 799	738	1	34 559
Business combinations			15			15
Additions		9	493	7	307	816
Disposals			-54			-54
Reclassifications		45	83		-127	0
Exchange differences	-7	-12	-319	2		-336
Cost at 31 December	1 249	19 805	13 018	748	181	35 000
Accumulated depreciation at 1 January		-9 068	-9 259	-441		-18 768
Depreciation		-604	-858	-72		-1 535
Exchange differences		2	244	-3		243
Accumulated depreciation at 31 December		-9 671	-9 874	-516		-20 060
Net book amount at 1 January	**1 256**	**10 695**	**3 540**	**298**	**1**	**15 790**
Net book amount at 31 December	**1 249**	**10 135**	**3 144**	**232**	**181**	**14 939**

EUR thousand	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress	Total
2016						
Cost at 1 January	962	19 321	12 286	635		33 204
Business combinations	294	402	234	70	62	1 062
Additions		8	440	37	87	571
Disposals			-230	-3		-234
Reclassifications		33	115		-148	
Exchange differences			-44			-44
Cost at 31 December	1 256	19 764	12 799	738	1	34 559
Accumulated depreciation at 1 January		-8 466	-8 535	-371		-17 371
Depreciation		-602	-870	-73		-1 545
Disposals			92	3		95
Exchange differences			53			53
Accumulated depreciation at 31 December		-9 068	-9 259	-441		-18 768
Net book amount at 1 January	**962**	**10 855**	**3 751**	**264**		**15 832**
Net book amount at 31 December	**1 256**	**10 695**	**3 540**	**298**	**1**	**15 790**

EUR thousand	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Total
2015					
Cost at 1 January	962	19 301	11 799	603	32 665
Additions		20	571	32	623
Disposals			-363		-363
Exchange differences			279		279
Cost at 31 December	962	19 321	12 286	635	33 204
Accumulated depreciation at 1 January		-7 871	-7 790	-328	-15 990
Depreciation		-595	-870	-42	-1 508
Disposals			256		256
Exchange differences			-130		-130
Accumulated depreciation at 31		-8 466	-8 535	-371	-17 372
Net book amount at 1 January	**962**	**11 430**	**4 009**	**274**	**16 675**
Net book amount at 31 December	**962**	**10 855**	**3 751**	**264**	**15 832**

3.4 Provisions

The Group provides warranties for its products and recognises provision for this obligation. The warranty provision includes all expenses required to settle the present obligation. The amount of accrued estimated warranty costs is primarily based on historical experience and current information on repair costs and processing costs of the claims.

Accounting policy

Provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts.

Accounting estimates

The amount of warranty provision involves uncertainty as estimated warranty claims may not realise as predicted. Typically the claims are realised frontloaded during the warranty period. Estimates and assumptions are reviewed quarterly. The differences between actual and estimated warranty claims may affect the amount of the provisions to be recognised in future financial periods.

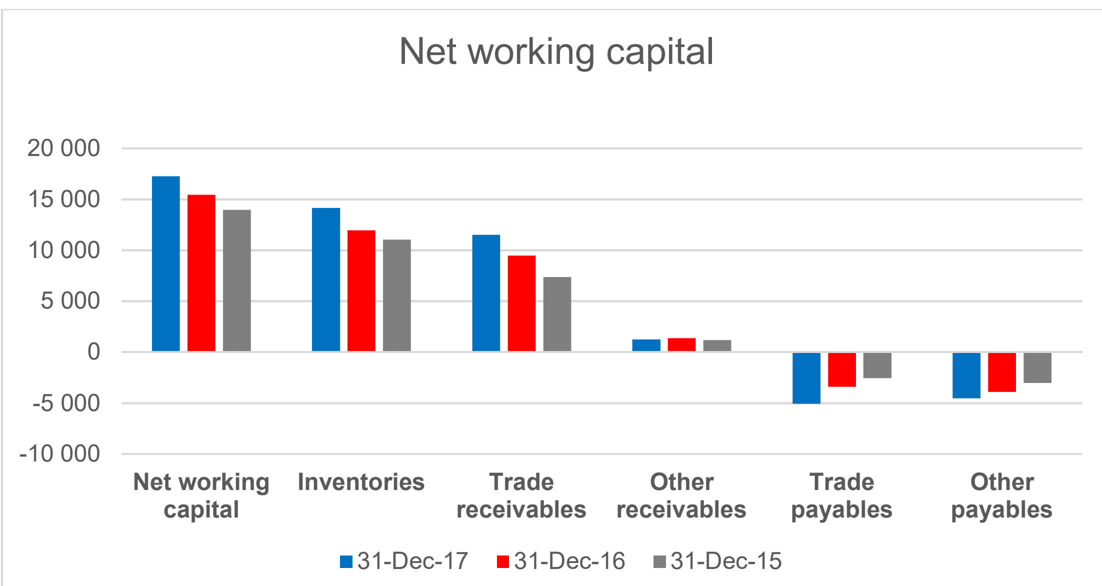
Changes in warranty provisions are as follows:

EUR thousand	**31-Dec-17**	**31-Dec-16**	**31-Dec-15**	**1-Jan-15**
At 1 January	524	470	431	431
Additions	449	524	470	
Used during the year	-524	-470	-431	
At 31 December	**449**	**524**	**470**	**431**
of which				
current	225	262	235	215
non-current	225	262	235	215
Total	**449**	**524**	**470**	**431**

The warranty provision was used EUR 524 thousand during 2017 (2016: EUR 470 thousand; 2015: EUR 431 thousand) and increased EUR 449 thousand (2016: EUR 524 thousand; 2015: EUR 470 thousand). The provision is divided to current and non-current liability. Most of the Harvia's products sold have two years' warranty for private use and one years' warranty for professional use. Warranty provision is calculated for external warranty costs, for employees processing complaints and for warranty parts. For exported products, no warranty provision is recognised as under these contracts the counterparty is responsible for warranty work.

SECTION 4: NET WORKING CAPITAL

This section describes components of net working capital.



EUR thousand	31-Dec-17	31-Dec-16	31-Dec-15	1-Jan-15
Net working capital				
Inventories	14 143	11 941	11 027	10 375
Trade receivables	11 503	9 456	7 361	8 733
Other receivables	1 235	1 373	1 166	967
Trade payables	-5 077	-3 419	-2 564	-2 551
Other payables	-4 549	-3 909	-3 022	-3 159
Total	**17 255**	**15 443**	**13 969**	**14 365**
Change in net working capital in the statement of financial position	1 812	1 473	-396	-
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*	574	-1 616	206	-
Change in net working capital in the statement of cash flows**	2 387	-142	-190	-

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

** An increase in net working capital decreases cash flows, and a decrease in net working capital increases cash flows.

4.1 Inventories

The inventory of the Group consists of raw materials such as steel, stone and wood, work in progress as well as finished goods on sales (sauna heaters, sauna interiors and other sauna related products).

Accounting policy

Materials and supplies, work in progress and finished goods are measured at the lower of cost and net realisable value. Cost of work in progress and finished goods comprises direct materials, direct labour costs and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. The acquisition cost is assigned to individual items of inventory on the basis of weighted average cost formula. The cost of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The inventory is divided as follows:

EUR thousand	31-Dec-17	31-Dec-16	31-Dec-15	1-Jan-15
Materials and supplies	6 167	5 266	4 913	4 906
Work in progress	1 253	1 378	95	108
Finished goods	6 723	5 297	6 019	5 361
Total	**14 143**	**11 941**	**11 027**	**10 375**

No significant write-downs of inventories have been made during years 2015-2017.

4.2 Trade and other receivables

Trade and other receivables consist of trade receivables, other receivables (mainly VAT receivables) and prepayments and accrued income. Income tax receivables are presented on a separate row in the consolidated statement of financial position.

Payment terms of trade receivables varies according to customer type and creditworthiness. Advance payment is required from certain customers. Information on the impairment of trade and other receivables and the Group's exposure to credit risk, refer to note 5.3.

Accounting policy

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of the amounts is expected in one year or less they are classified as current assets. Otherwise they are presented as non-current assets. Trade receivables are generally due for settlement within 60 days and therefore are all classified as current. Impairment and other accounting policies for trade and other receivables are outlined in note 5.3.

Other receivables include mainly prepaid expenses and accrued income from the usual operating activities of the Group.

The Group's receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. The Group's receivables comprise of 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

The following tables present the different components of account and other receivables:

EUR thousand	31-Dec-17	31-Dec-16	31-Dec-15	1-Jan-15
Trade receivables	11 503	9 456	7 361	8 733
Prepayments and accrued income	416	814	790	387
Other receivables	819	559	376	579
Total	**12 738**	**10 829**	**8 527**	**9 700**

Material items included in prepayments and accrued income:

EUR thousand	31-Dec-17	31-Dec-16	31-Dec-15	1-Jan-15
Social costs	63		381	80
Share subscription receivable		50		40
Other	353	764	409	267
Total	**416**	**814**	**790**	**387**

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

4.3 Trade and other payables

Trade and other payables include trade payables, other liabilities, advance payments and accrued expenses related the usual operating activities of the Group.

Accounting policy

Trade payables are payment obligations arising from goods or services acquired from suppliers or service providers in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Trade and other payables are classified as other financial liabilities at amortised cost.

The following tables present the different components of trade and other payables:

EUR thousand	**31-Dec-17**	**31-Dec-16**	**31-Dec-15**	**1-Jan-15**
Trade payables	5 077	3 419	2 564	2 551
Advance payments	74	70	123	34
Accrued expenses	3 718	2 876	2 384	2 778
Other liabilities	758	963	515	347
Total	**9 626**	**7 328**	**5 585**	**5 709**

Trade payables are unsecured and are usually paid within 30 days of recognition.

Material items included in accrued expenses:

EUR thousand	**31-Dec-17**	**31-Dec-16**	**31-Dec-15**	**1-Jan-15**
Accrued salaries and social security costs	2 013	1 814	1 494	1 446
Accrued interests	151	143	161	205
Accrued annual discounts	820	624	505	996
Other	734	295	224	131
Total	**3 718**	**2 876**	**2 384**	**2 778**

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

SECTION 5: NET DEBT AND CONTINGENCIES

This section describes how the Group has financed its operations. It also describes exchange rate, interest rate, liquidity and credit risks related to financial assets and liabilities. This section also provides information how the Group addresses above mentioned risks.

5.1 Borrowings and other financial liabilities

The Group's financial liabilities were drawn down in connection of the acquisition of Harvia Oy (current Harvia Finland Oy) and Velha Oy. The acquisition was partly financed with variable rate bank loans and partly with fixed rate shareholder loans. The Group has entered into an interest rate swap agreement to hedge against interest rate risk arising from variable rate of bank loans.

Accounting policy

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Fees paid on the revolving credit facility arrangements are capitalised as a prepayment for liquidity services and amortised as expense over the period of the facility to which it relates, if there is no certainty that some or all of the facility will be drawn down. This reflects the finance cost of the undrawn facility. To the extent that it is probable that some or all of the facility will be drawn down, the fees are recognised as transaction costs only, when the loan is drawn down.

The following tables present the classification of the financial liabilities as well as carrying values:

EUR thousand	Liabilities at fair value through profit or loss	Other financial liabilities at amortised cost
31-Dec-17		
Liabilities per balance sheet		
Shareholder loans		41 618
Loans from credit institutions		39 712
Other loans*		383
Trade and other payables		9 552
Derivative financial instruments	1 327	
Total	**1 327**	**91 265**

*Includes the liability of EUR 350 thousand related to option to purchase the shares of Saunamax. Additional information of the Saunamax acquisition is presented in note 3.1.

EUR thousand	Liabilities at fair value through profit or loss	Other financial liabilities at amortised cost
31-Dec-16		
Liabilities per balance sheet		
Shareholder loans		38 516
Loans from credit institutions		42 507
Other loans		118
Trade and other payables		7 258
Derivative financial instruments	1 768	
Total	**1 768**	**88 399**

EUR thousand	Liabilities at fair value through profit or loss	Other financial liabilities at amortised cost
31-Dec-15		
Liabilities per balance sheet		
Shareholder loans		35 598
Loans from credit institutions		43 649
Other loans		15
Trade and other payables		5 463
Derivative financial instruments	1 540	
Total	**1 540**	**84 724**

Loans from credit institutions and shareholder loans

Loans from credit institutions
The Group has drawn down two facilities (Facility A and Facility B) during April 2014. Facility A matures until April 2020 and Facility B until April 2021, and the interest rate is variable and tied to Euribor. Loans from credit institutions are secured by the land and buildings of the Group and with the corporate pledges. See also note 5.5. The Group has entered in interest rate swaps as described in note 5.3. All loans from credit institutions are denominated in euro. In addition, in Finnish units, the Group has EUR 5 million revolving credit facility at its disposal, of which EUR 1 655 thousand was in use as at 31 December 2017 (31 December 2016: EUR 694 thousand; 31 December 2015: EUR 81 thousand), see also note 5.3.

Sentiotec GmbH has a secured credit facility agreement of EUR 2 300 thousand and Domo Romania, a subsidiary of Sentiotec, has a small credit facility. Related to these, a total of EUR 2 123 was in use as at 31 December 2017 (31 December 2016: EUR 2 009 thousand).

Shareholder loans
The Group has drawn down a shareholder loans from the owners of Harvia Holding Oy during April 2014. The loans mature until October 2021 and bear an interest of 10%. The accrued interest is payable annually as at 31 December. In case the interest is not paid, the accrued interest is capitalised. The shareholder loans, including capitalised interest, amounted to EUR 30 148 thousand as at 31 December 2017 (2016: EUR 27 435 thousand; 2015: EUR 24 892 thousand).

The acquisition price of Harvia acquisition was paid mainly in cash in the connection with the acquisition. In addition, former owners granted a loan of EUR 10.000 thousand to the company. The loan bears an interest of 5% that has been capitalised annually. After 31 December 2015 a half of the interest may be paid in cash if Harvia Group has not breached any other loans' terms and operating profit exceeds EUR 12 million. The loan can also be repaid with the permission of bank lenders. Interest has been capitalised by 31 December 2017. Maturity date is 31 July 2021. The loan principal with accrued interests was EUR 11 469 thousand as at 31 December 2017 (2016: EUR 11 082 thousand; 2015: EUR 10 705 thousand). All shareholder loans are denominated in euro.

Secured liabilities and assets pledged as security
Real estate assets of EUR 169 000 thousand as at 31 December 2017 (2016: EUR 169 000 thousand; 2015: EUR 169 000 thousand), corporate pledges EUR 253 500 thousand as at 31 December 2017 (2016: EUR 253 500 thousand; 2015: EUR 253 500 thousand), shares in subsidiaries as well as trademarks and patents are pledged as security for bank facilities (Facility A and B and Revolving Facility). See note 5.5 for more information.

Compliance with loan covenants
The Group has complied with the financial covenants of its borrowing facilities during the 2017, 2016 and 2015. The covenant terms relate to the Group's ratios of internal margin, indebtedness and cash flows. Breaching the covenants may increase the cost of financing or result in termination of the loans. The management of the company monitors covenants monthly and covenants are reported to bank quarterly. See note 5.3 for more information.

Fair values

The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 2 in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

The Group's management has determined that there is no essential difference between carrying value and fair value because there have not been significant changes in interest rates since the issue date of the loans and margins of loans are considered to reflect different conditions and the subordination of the loans with reasonable accuracy.

Derivative financial instruments

Accounting policy

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and subsequently measured at their fair value. Derivatives are classified as held for trading and recognised at fair value through profit or loss.

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. The Group had interest rate swap agreements with fair value of EUR -1 327 thousand at the end of 2017 (2016: EUR -1 768 thousand; 2015: EUR -1 540 thousand). Nominal value of the interest rate swap contract, principal of which is decreasing, is EUR 25 000 thousand as at 31 December 2017 (2016: EUR 65 500 thousand; 2015: EUR 71 500 thousand; 1 January 2015: EUR 75 000 thousand). The current swap contract matures in April 2021.

The fair value of interest rate swap is calculated as the present value of the estimated future cash flows based on observable yield curves. The fair value is on level 2 in the fair value hierarchy.

Other non-current liabilities

Other non-current liabilities include a liability of EUR 350 thousand relating to the purchase option of Saunamax Oy's minority shareholders. Harvia Finland Oy has in place a shareholders agreement with the minority shareholders in Saunamax Oy. Pursuant to the shareholders agreement, the share of Harvia Finland Oy's ownership has to be 51 per cent at the minimum and, since 2020, the other shareholders of Saunamax Oy have the right to demand Harvia to redeem, and respectively, an obligation to sell all the shares of Saunamax Oy owned by these shareholders. The redemption price shall be determined, as defined in the shareholder agreement, in accordance with fair value determined according to acquisition cost or EBITDA or by other means. Liability related to the purchase option is measured at fair value in accordance with the shareholder agreement and is classified as level 3 in the fair value hierarchy.

5.2 Cash and cash equivalents

Cash and cash equivalents amounted to EUR 8 345 thousand at the end of 2017 (31 December 2016: EUR 6 568 thousand; 31 December 2015: EUR 6 878 thousand; 1 January 2015: EUR 7 309 thousand).

In the consolidated statement of cash flow, cash and cash equivalents include cash in hand and deposits held at call from banks. The short-term deposits are considered readily convertible to cash as those have original maturities of three months or less. Cash and cash equivalents on the statement of financial position equals the cash and cash equivalents of the consolidated statement of cash flows. Cash and cash equivalents are financial asset and are included in the class "loans and other receivables".

5.3 Financial risk management and capital management

This note explains Harvia Group's exposure to financial risks and how these risks could affect Harvia Group's future financial performance. Profit and loss information for the period has been included where relevant to add further context.

This note also describes how the Group monitors its capital structure and what are the targets for the structure.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Derivative financial instruments are used to hedge certain risk exposures.

The Group's risk management is carried out by a finance department under guidelines provided by the Board of Directors. Finance department identifies, evaluates and hedges financial risks in close co-operation with the Group's business operations.

Foreign exchange risk

Harvia operates in several countries. Harvia is mainly exposed to the transaction risk and the risk associated with the US dollar and the Russian ruble arising when the parent company's investments to subsidiaries outside euro area are converted into euros. The foreign exchange risk associated with subsidiaries outside the euro area consists primarily of trade receivables and trade payables from these subsidiaries arising in the operational business of the Group companies.

The foreign exchange rate risk is not significant for the Group and Harvia has not hedged against these risks by currency derivatives. In other respects, the Group's income and expenses arise almost exclusively in euros. The Group's net investment to units outside the euro area consist of the investments in subsidiaries in China, Hong Kong, Russia and Romania. Foreign exchange risk related to net investments is not hedged.

During the financial period, the following foreign exchange related amounts were recognised in profit or loss and other comprehensive income:

EUR thousand	2017	2016	2015
Amounts recognised in profit or loss			
Net foreign exchange gains/losses included in operating income/expenses	-507	226	-78
Net foreign exchange gains/losses included in finance income/costs	-113	50	14
Total net foreign exchange gains/losses recognised in profit before income tax for the period	**-620**	**276**	**-63**
Gains/losses recognised in other comprehensive income			
Translation differences of foreign operations	-505	87	373

Interest rate risk

The Group's main interest rate risk arises from non-current borrowings with variable rates, which expose the Group to cash flow interest rate risk. However, the Group manages interest rate risk in these loans by swapping floating rate into fixed rate. The Group has raised non-current loans from credit institutions at floating rates and swapped them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly.

Group's target is to maintain at least 60% thereafter of its borrowings at fixed rate and use interest rate swaps to achieve this when necessary. During 2017, 2016 and 2015, the Group's borrowings at variable rate were denominated in euros and swaps in place covered 69% in 2017 (2016: 100%; 2015; 100%) of the variable loan principal outstanding. Based on the sensitivity analysis, if interest rate level of unhedged borrowings at variable rate would have been one percentage point higher with all other variables held constant, interest expenses of the Group would have been EUR 68 thousand higher in 2017.

The Group's fixed rate borrowings shareholder loans are initially measured at fair value, net of transaction costs and subsequently carried at amortised cost. They are therefore not subject to interest rate risk since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the company. Credit risk arises from cash and cash equivalents, as well as from credit exposures to customers from outstanding receivables. Insurance for certain customers and for some customers advance payments are in use. The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. To spread the credit risk, Harvia deposits its cash reserves with different banks.

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed by management to determine whether there is evidence that an impairment has been incurred but not yet been identified.

The Group considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or delinquency in payments

The ageing of trade receivables is as follows:

EUR thousand	**31-Dec-17**	**31-Dec-16**	**31-Dec-15**	**1-Jan-15**
Not due	8 068	7 406	6 234	7 309
Overdue by				
Less than 30 days	1 009	859	583	950
30-60 days	314	468	299	132
61-90 days	698	152	15	11
More than 90 days	1 414*	571	230	332
Total	**11 503**	**9 456**	**7 361**	**8 733**

* Of which EUR 838 thousand were overdue by 91-180 days, EUR 297 thousand were overdue by 181-360 days and EUR 280 thousand were overdue more than 360 days.

In 2017, Harvia has significant trade receivables due to long terms of payment in the client agreements. In certain circumstances, Harvia has also supported its distribution and dealership relationships by accepting longer than ordinary terms of payment periods and by agreeing on a new payment plan in respect of receivables due, which has increased trade receivables especially in USA and in Russia.

During 2017 EUR 28 thousand (2016: EUR 23 thousand; 2015: EUR 25 thousand) was recognised in profit or loss in relation to credit losses. For trade receivables EUR 63 thousand was recognised as provision for impairment as at 31 December 2017 (2016: EUR 69 thousand; 2015: -).

The other classes within other receivables do not contain impaired assets and are not overdue. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

Liquidity risk

Cash flow forecasting is performed on Group basis. Group finance department monitors Harvia Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed loan facility so that the Group does not breach loan limits or covenants on its loan facility. The Group has undrawn interest-bearing facilities (revolving credit facility) of EUR 3 561 thousand as at 31 December 2017 (EUR 4 596 thousand as at 31 December 2016 and EUR 4 919 thousand as at 31 December 2015). The undrawn interest-bearing facility is available constantly. Operating cash flows and liquid funds are the main source of financing for the future payments together with possible new debt or equity financing.

The table below shows future repayments, interest expenses and capitalised interest expenses of Group´s financial liabilities divided into maturity groupings based on the remaining contractual maturity at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

EUR thousand	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	**Total contractual cash flows**	**Carrying amount**
31-Dec-17						
Non-derivatives						
Shareholder loans				56 425	56 425	41 618
Loans from credit institutions	4 420	4 998	5 403	28 268	43 089	39 712
Other loans	69	51	411	23	554	551
Trade payables	5 077				5 077	5 077
Total non-derivatives	**9 566**	**5 049**	**5 814**	**84 716**	**105 145**	**86 958**
Derivatives						
Interest rate swaps	219	223	223	662	1 327	1 327
Total derivatives	**219**	**223**	**223**	**662**	**1 327**	**1 327**

EUR thousand	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	**Total contractual cash flows**	**Carrying amount**
31-Dec-16							
Non-derivatives							
Shareholder loans				58 445		58 445	38 516
Loans from credit institutions	3 353	4 630	5 659	11 397	25 000	50 039	42 507
Other loans	162	65	113			340	340
Trade payables	3 419					3 419	3 419
Total non-derivatives	**6 934**	**4 695**	**5 772**	**69 842**	**25 000**	**112 243**	**84 782**
Derivatives							
Interest rate swaps	141	136	356	1 135		1 768	1 768
Total derivatives	**141**	**136**	**356**	**1 135**		**1 768**	**1 768**

EUR thousand	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	**Total contractual cash flows**	**Carrying amount**
31-Dec-15							
Non-derivatives							
Shareholder loans				58 445		58 445	35 598
Loans from credit institutions	784	4 684	5 526	14 355	25 280	50 630	43 649
Other loans		5	5	5		15	15
Trade payables	2 564					2 564	2 564
Total non-derivatives	**3 348**	**4 689**	**5 531**	**72 805**	**25 280**	**111 653**	**81 826**
Derivatives							
Interest rate swaps	57	55	233	1 081	113	1 540	1 540
Total derivatives	**57**	**55**	**233**	**1 081**	**113**	**1 540**	**1 540**

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern to provide returns and increase in value of invested capital for shareholders. The Group monitors net debt to adjusted EBITDA ratio and to net working capital.

Net debt is calculated as loans from credit institutions (included in current and non-current interest-bearing liabilities) less cash and cash equivalents. The target of the net debt and net debt position to EBITDA are linked to a covenant of borrowing facilities.

The table below shows the net debt position.

EUR thousand	**31-Dec-17**	**31-Dec-16**	**31-Dec-15**	**1-Jan-15**
Loans from credit institutions	39 712	42 507	43 649	47 060
Shareholder loans	41 618	38 516	35 598	37 889
Less cash and cash equivalents	-8 345	-6 568	-6 878	-7 309
Net debt	**72 985**	**74 455**	**72 369**	**77 640**

Reconciliation of net cash flow to movement in net debt:

EUR thousand	Cash and cash equivalents	Loans from credit institutions due within 1 year	Loans from credit institutions due after 1 year	Shareholder loans due after 1 year	**Total net debt**
At 1 January 2015	**7 309**	**-3 750**	**-43 310**	**-37 889**	**-77 640**
Cash flows	-532	3 669		5 155	8 292
Exchange differences	101				101
Other non-cash movements		-4 000	3 742	-2 864	-3 122
At 31 December 2015	**6 878**	**-4 081**	**-39 568**	**-35 598**	**-72 369**
Cash flows	-424	3 565		152	3 293
Acquisitions	0	-2 018			-2 018
Exchange differences	114				114
Other non-cash movements		-4 420	4 015	-3 070	-3 475
At 31 December 2016	**6 568**	**-6 954**	**-35 553**	**-38 516**	**-74 455**
Cash flows	1 980	3 071		196	5 247
Acquisitions		-11			-11
Exchange differences	-204				-204
Other non-cash movements		-4 500	4 235	-3 298	-3 563
At 31 December 2017	**8 345**	**-8 394**	**-31 318**	**-41 618**	**-72 985**

5.4 Finance income and costs

This note presents the finance income and finance costs of the Group. The Group has entered into interest rate swap agreements to hedge against interest rate changes arising from the variable rate external bank loans.

For information about derivatives and financial liabilities, refer note 5.1.
For information about cash and cash equivalents, refer note 5.2.

Group's interest and other finance income related mainly to foreign exchange gains, interest income of trade receivables and, in 2017, gain on valuation of derivative contracts. They amounted to EUR 457 thousand during 2017 (2016: EUR 54 thousand; 2015: EUR 42 thousand). Finance costs related mainly to loans from financial institutions and shareholder loans, see the following table:

EUR thousand	2017	2016	2015
Finance income			
Interest income	0	1	12
Gain on terminated interest rate swap	146		
Fair value gain on interest rate swap	295		
Other finance income	15	53	30
Total	457	54	42
Finance costs			
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	-5 370	-4 941	-5 154
Fair value losses on interest rate swaps		-228	-145
Total	-5 370	-5 169	-5 299
Finance costs, net	**-4 914**	**-5 115**	**-5 257**

5.5 Commitments and contingent liabilities

This note provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria. These are guarantees, pledges and contingent liabilities.

EUR thousand	31-Dec-17	31-Dec-16	31-Dec-15	1-Jan-15
Guarantees and mortgages given on own behalf:				
Mortgages	169 320	169 320	169 000	169 000
Enterprise mortgages	253 500	253 500	253 500	253 500
Total*	**422 820**	**422 820**	**422 500**	**422 500**
Pledges given on own behalf:				
Shares in subsidiaries	96 984	96 980	92 322	92 322
Total*	**96 984**	**96 980**	**92 322**	**92 322**

*Mortgages, enterprise mortgages and pledges have been given as a guarantee for bank loans of EUR 37 420 thousand as at 31 December 2017 (31 December 2016: EUR 40 563 thousand, 31 December 2015: EUR 43 649 thousand). In addition, the Group has given trademarks and patents as a guarantee.

EUR thousand	31-Dec-17	31-Dec-16	31-Dec-15	1-Jan-15
Other guarantees:				
Pledged accounts	8	4	8	1
Customs guarantee	31	30	30	30
Other guarantees	2 502	2 509		
Total	**2 541**	**2 543**	**38**	**31**

Operating lease agreements

Accounting policy

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All lease contracts of the Group have been recognised as operating leases.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows (the Group as a lessee):

EUR thousand	31-Dec-17	31-Dec-16	31-Dec-15	1-Jan-15
No later than 1 year	406	489	414	409
Later than 1 year and no later than 5 years	330	486	215	202
Later than 5 years				
Total	**737**	**975**	**629**	**611**

Based on operating lease agreements, rents for factory and warehouse properties are paid in Estonia, Austria and China as well as office premises in Hong Kong, Austria and Russia. In addition, rents are paid for cars, apartments and machines. The total lease liability of the operating leases include minimum lease payments for the notice periods of the lease agreements. These are primarily related to Group's real estates, notice periods of which usually vary from 6 months to 12 months. However, Harvia has lease agreement periods with longer duration compared to the notice periods. The most significant one of these is the lease agreement of the Chinese factory, which has been renewed for a period of 15 years from 1 July 2017 and has a 6-month notice period.

Other commitments

In connection with the Sentiotec acquisition, Harvia entered into a three-year supply agreement with Sentiotec's former owner Abatec and this contract includes an annual purchase obligation.

Harvia become involved from time to time in various claims and lawsuits arising in the ordinary course of its business, such as disputes with customers and proceedings initiated by public authorities. During the reporting periods, Harvia has not been a party to legal, arbitration or administrative proceedings which could have a significant impact on the Group's financial position or profitability.

SECTION 6: OTHER NOTES

This section of the notes includes other information that must be disclosed to comply with accounting standards and other pronouncements.

6.1 First-time adoption of IFRS standards

Harvia Group publishes the first consolidated financial statements prepared under IFRS standards for the financial period ended 31 December 2017 with comparative information for the financial periods ended 31 December 2016 and 31 December 2015. The date of transition to IFRS is 1 January 2015. Harvia Group has previously applied Finnish Accounting Standards (FAS). This note describes the effects of the transition to IFRS.

The impacts arising from first-time adoption of the IFRS standards are presented in the following:

Consolidated statement of comprehensive income 1 January 2015 – 31 December 2015

EUR thousand	Ref	FAS	Goodwill amortisation	Derivative financial instruments	Loans from credit institutions	Other adjustments	Effects of transition to IFRS	IFRS
Revenue		46 412						46 412
Other operating income		602						602
Changes in inventories of finished goods and work in progress	4b	1 081				-431	-431	650
Materials and services	4c	-18 752				150	150	-18 602
Employee benefit expenses	4c	-9 486				93	93	-9 393
Other operating expenses	4c	-7 479				43	43	-7 436
Depreciation and amortisation	1	-4 546	2 949				2 949	-1 597
Operating profit		**7 832**	**2 949**			**-145**	**2 805**	**10 637**
Finance income		42						42
Finance costs	2, 3	-5 092		-145	-62		-206	-5 299
Finance costs, net		**-5 051**		**-145**	**-62**		**-206**	**-5 257**
Profit before taxes		**2 781**	**2 949**	**-145**	**-62**	**-145**	**2 598**	**5 379**
Income tax expense	2, 4b, 4c	-1 265		29	12	-355	-313	-1 579
Profit for the period		**1 516**	**2 949**	**-116**	**-49**	**-500**	**2 285**	**3 801**
Attributable to:								
Owners of the parent		1 516	2 949	-116	-49	-500	2 285	3 801
Other comprehensive income								
Items that may be reclassified to profit or loss in subsequent periods:								
Translation differences							373	373
Other comprehensive income, net of tax							373	**373**
Total comprehensive income		**1 516**	**2 949**	**-116**	**-49**	**-500**	**2 657**	**4 173**
Attributable to:								
Owners of the parent		1 516	2 949	-116	-49	-500	2 657	4 173

Consolidated statement of financial position as at 1 January 2015

EUR thousand	Ref	FAS	Derivative financial instruments	Loans from credit institutions	Other adjustments	Effects of transition to IFRS	IFRS
ASSETS							
Non-current assets							
Intangible assets		100					100
Goodwill	4a	56 853			69	69	56 921
Property, plant and equipment		16 674			1	1	16 675
Investments		3			-3	-3	
Deferred tax assets	2, 3, 4c, 4d	136	279	10	-425	-136	
Total non-current assets		**73 765**	**279**	**10**	**-357**	**-68**	**73 697**
Current assets							
Inventories	4b	9 939			436	436	10 375
Trade and other receivables	3	11 467		-1 241	-527	-1 767	9 700
Income tax receivables	4e				472	472	472
Cash and cash equivalents		7 306			2	2	7 309
Total current assets		**28 712**		**-1 241**	**383**	**-857**	**27 855**
Total assets		**102 477**	**279**	**-1 230**	**26**	**-925**	**101 552**
EQUITY AND LIABILITIES							
Equity attributable to owners of the parent							
Share capital		3					3
Other reserves		9 458					9 458
Retained earnings	2,3,4b,4c,4d	115	-1 116	-40	583	-574	-459
Profit for the period							
Total equity		**9 575**	**-1 116**	**-40**	**583**	**-574**	**9 001**
Liabilities							
Non-current liabilities							
Shareholder loans		37 889					37 889
Loans from credit institutions	3	44 500		-1 190		-1 190	43 310
Derivative financial instruments	2		1 395			1 395	1 395
Deferred tax liabilities	4b	868			-863	-863	6
Other non-current liabilities					20	20	20
Provisions	4c				215	215	215
Total non-current liabilities		**83 258**	**1 395**	**-1 190**	**-627**	**-422**	**82 836**
Current liabilities							
Loans from credit institutions		3 750					3 750
Income tax liabilities	4e				40	40	40
Trade and other payables	4c	5 894			-185	-185	5 709
Provisions	4c				215	215	215
Total current liabilities		**9 644**			**71**	**71**	**9 715**
Total liabilities		**92 902**	**1 395**	**-1 190**	**-556**	**-351**	**92 551**
Total equity and liabilities		**102 477**	**279**	**-1 230**	**26**	**-925**	**101 552**

Consolidated statement of financial position as at 31 December 2015

EUR thousand	Ref	FAS	Goodwill amortisation	Derivative financial instruments	Loans from credit institutions	Other adjustments	Effects of transition to IFRS	IFRS
ASSETS								
Non-current assets								
Intangible assets		91						91
Goodwill	1	53 972	2 949				2 949	56 921
Property, plant and equipment		15 832						15 832
Investments								
Deferred tax assets	2, 3, 4d	151		308	22	-482	-151	
Total non-current assets		**70 046**	**2 949**	**308**	**22**	**-482**	**2 798**	**72 844**
Current assets								
Inventories		11 027						11 027
Trade and other receivables	3	10 613			-1 044	-1 041	-2 085	8 527
Income tax receivables	4e					1 041	1 041	1 041
Cash and cash equivalents		6 797			81		81	6 878
Total current assets		**28 437**			**-963**		**-963**	**27 474**
Total assets		**98 483**	**2 949**	**308**	**-941**	**-482**	**1 835**	**100 318**
EQUITY AND LIABILITIES								
Equity attributable to owners of the parent								
Share capital		3						3
Other reserves		9 830						9 830
Retained earnings	2, 4b, 4c, 4d	115		-1 116	-40	583	-574	-459
Profit for the period	1,2,4b, 4c,4d	1 516	2 949	-116	-49	-500	2 285	3 801
Total equity		**11 464**	**2 949**	**-1 232**	**-90**	**83**	**1 711**	**13 174**
Liabilities								
Non-current liabilities								
Shareholder loans		35 598						35 598
Loans from credit institutions	3	40 500			-932		-932	39 568
Derivative financial instruments	2			1 540			1 540	1 540
Deferred tax liabilities	4d	846				-565	-565	281
Other non-current liabilities		15						15
Provisions		235						235
Total non-current liabilities		**77 194**		**1 540**	**-932**	**-565**	**43**	**77 237**
Current liabilities								
Loans from credit institutions		4 000			81		81	4 081
Income tax liabilities	4e					5	5	5
Trade and other payables		5 591				-5	-5	5 585
Provisions		235						235
Total current liabilities		**9 826**			**81**		**81**	**9 907**
Total liabilities		**87 020**		**1 540**	**-851**	**-565**	**124**	**87 144**
Total equity and liabilities		**98 483**	**2 949**	**308**	**-941**	**-482**	**1 835**	**100 318**

1) Goodwill amortisation

The relief allowed by IFRS 1 is applied to the business combinations that have occurred before the date of transition to IFRS and, hence, Harvia Group does not restate retrospectively any business combination to comply with IFRS 3 Business Combinations. Harvia Group applies IFRS 3 to all business combinations that will occur on 1 January 2015 or later.

Goodwill arising on business combination is not amortised under IFRS, but is tested for impairment at least annually and more often whenever there is a risk of impairment. The annual goodwill amortisation of EUR 2 949 thousand recognised in the FAS consolidated financial statements for the year ended 31 December 2015 is reversed in the IFRS financial statements.

2) Derivative financial instruments

Under FAS, Harvia Group has not used the option to measure and recognise its interest rate derivatives at fair value. Under IFRS, derivatives are measured at fair value and fair value gains and losses are recognised through profit and loss when they occur. The derivative financial instruments in non-current liabilities amounted to EUR 1 395 thousand as at 1 January 2015 and EUR 1 540 thousand as at 31 December 2015. The impact of fair value changes of interest derivatives recognised in and increasing finance costs amounted to EUR 145 thousand for the year ended 31 December 2015.

For temporary differences, EUR 279 thousand was recognised as deferred tax assets as at 1 January 2015 and EUR 308 thousand as at 31 December 2015. The change of EUR 29 thousand in deferred tax assets was recognised as tax income in the consolidated statement of comprehensive income for the year 2015.

3) Loans from credit institutions

Harvia Group has outstanding interest-bearing liabilities consisting of loans from credit institutions and shareholder loans. In the FAS balance sheet transaction costs have been capitalised as prepayments and amortised by using straight line method. Under IFRS, interest-bearing liabilities are initially recognised at fair value, net of transaction cost incurred. Interest-bearing liabilities are subsequently carried at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. Transaction costs have been derecognised from the trade and other receivables and recognised as decrease of the underlying financial liability and recognised to income statement over the period of the financial liability using the effective interest rate method.

In the opening IFRS consolidated statement of financial position as at 1 January 2015, EUR 1 241 thousand was derecognised from the trade and other receivables and, respectively, EUR 1 190 thousand was recognised as decrease to the non-current loans from credit institutions. As at 31 December 2015, EUR 1 044 thousand was derecognised from the account and other receivables and, respectively, EUR 932 thousand was recognised as decrease to the non-current loans from credit institutions. In the IFRS consolidated statement of comprehensive income for the year ended 31 December 2015, EUR 62 thousand was recognised as increase to interest expenses in relation to effective interest method.

For temporary differences, EUR 10 thousand was recognised as deferred tax assets as at 1 January 2015 and EUR 22 thousand as at 31 December 2015. The change of EUR 12 thousand in deferred tax assets was recorded as tax income in the consolidated statement of comprehensive income for the year 2015.

The cash and cash equivalents in the FAS balance sheet as at 31 December 2015 was decreased by the credit limit of EUR 81 thousand, taken in use during the financial year, which has been reclassified to current loans from credit institutions in the IFRS consolidated statement of financial position.

4) Other adjustments

4 a) Business combination

Harvia Estonia Oü, established by Harvia Finland Oy in December 2014, was not included in the consolidated group financial statements 2014 prepared according to FAS (Based on the Finnish Accounting Act 6:3.1 § consolidating of Harvia Estonia Oü was not needed to give a true and fair view on Harvia Group's financial performance). Harvia Estonia Oü's assets and liabilities are included in the opening IFRS consolidated statement of financial position as at 1 January 2015. Goodwill of EUR 69 thousand resulted from the Spa Modules business purchase in December 2014. The business purchase price EUR 75 thousand was financed by intra-group loans and purchase price payable to the seller. The net assets of the business acquired were EUR 6 thousand (machinery EUR 1 thousand and inventories EUR 5 thousand).

4 b) Inventories

Under FAS, the cost of inventory comprises mainly of costs of purchase. Under IFRS, the cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Costs of conversion includes e.g. a systematic allocation of fixed and variable production overheads incurred in converting raw materials into finished goods. This adjustment increased the value of inventories by EUR 431 thousand as at 1 January 2015. As at 31 December 2015 no adjustment was needed as the costs of conversion were included in the cost of inventories. The adjustment increased the expense recognised on line changes in inventories of finished goods and work in progress by EUR 431 thousand. For temporary differences, EUR 86 thousand was recognised as deferred tax liabilities as at 1 January 2015. The change of EUR 86 thousand in deferred tax liabilities was recorded as tax income in the consolidated statement of comprehensive income for the year ended 31 December 2015.

4 c) Provisions

Under FAS, the warranty provision as at 31 December 2014 has included only external costs and it was recognised in the accrued expenses in current liabilities. Under IFRS, the amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, including all the expenses. The warranty provision in the opening IFRS consolidated statement of financial position as at 1 January 2015 was adjusted to comply with IAS 37. As at 31 December 2015 no adjustment was needed as the warranty provision was recognised using the same principles. This adjustment increased the provisions by EUR 431 thousand as at 1 January 2015 and decreased trade and other liabilities by EUR 145 thousand. The adjustment increased the expense recognised on line materials and supplies by EUR 150 thousand, employee benefit expenses by EUR 93 thousand and other operating expenses by EUR 43 thousand in the consolidated statement of comprehensive income for the year ended 31 December 2015. For temporary differences, EUR 86 thousand was recognised as deferred tax assets as at 1 January 2015. The change of EUR 86 thousand in deferred tax assets, was recorded as tax expense in the consolidated statement of comprehensive income for the year ended 31 December 2015.

4 d) Deferred taxes

Deferred tax asset is recognised for tax loss carry-forwards and unused tax credits to the extent that the realisation of the related tax benefit through future taxable profits is probable. Finnish companies of the Group had accumulated tax losses of EUR 2 189 thousand as at 1 January 2015 and EUR 415 thousand as at 31 December 2015. These are related to the same taxation authority and it is likely that sufficient taxable profit by Finnish Group companies is generated in order to use taxable losses before their expiry. This adjustment increased deferred tax assets by EUR 438 thousand as at 1 January 2015 and EUR 83 thousand as at 31 December 2015.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. This adjustment decreased both deferred tax assets and deferred tax liabilities by EUR 949 thousand as at 1 January 2015 and EUR 565 thousand as at 31 December 2015.

4 e) Current income tax receivables and liabilities
In the FAS balance sheet, current income tax receivables and liabilities have been presented as part of trade and other receivables or trade and other payables respectively. These receivables and liabilities are shown in the IFRS statement of financial position as separate items.

6.2 Group structure and consolidation

This note provides information of the Group structure and accounting principles for consolidation.

Accounting policy

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. When needed, the financial statements by subsidiaries have been adjusted to conform to the Group's accounting policies.

Subsidiaries

The Group's subsidiaries as at 31 December 2017, 2016 and 2015 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Parent company	Country of incorporation	Nature of business	Parent ownership (%)	Group ownership (%)	Acquired/ established (month/year)
Harvia Plc (former Harvia Holding Oy)	Finland	Parent company			
Subsidiaries					
Harvia Group Oy	Finland	Holding	100	100	4/2014
Harvia Finland Oy	Finland	Manufacturing	0	100	4/2014
Velha Oy	Finland	Manufacturing	0	100	4/2014
Harvia (Hong Kong) Sauna Co., Ltd	Hong Kong	Holding	0	100	4/2014
Guangzhou City Harvia Sauna Co., Ltd	China	Manufacturing	0	100	4/2014
Harvia Estonia Oü	Estonia	Manufacturing	0	100	12/2014
LLC Harvia RUS	Russia	Holding	0	100	6/2015
Sentiotec GmbH	Austria	Manufacturing	0	100	11/2016
Domo Wellness Romania Srl	Romania	Manufacturing	0	100	11/2016
K&R Imobiliare	Romania	Real estate	0	100	11/2016
Saunamax Oy	Finland	Service	0	56.2	2/2017

At the time of acquisition of Harvia, Harvia Finland Oy owned subgroup Harvia (Hong Kong) Sauna Co. Ltd, which owns the manufacturing company Guangzhou City Harvia Sauna Co., Ltd in China.

Harvia Finland Oy established an Estonian subsidiary, Harvia Estonia Oü, in December 2014 for the purposes of acquiring the Spa Modules business from Cupola Oü at end of December 2014.

Harvia Finland Oy established a Russian subsidiary, LLC Harvia RUS, in June 2015.

In November 2016 Harvia Group Oy purchased Austrian Sentiotec GmbH Group with two subsidiaries in Romania: Domo Wellness Romania Srl and K&R Imobiliare.

In February 2017 Harvia Finland Oy purchased 56.2% of Saunamax Oy, which provides sauna maintenance and repair services.

6.3 Related party transactions

This note provides information of Harvia Group's related parties and transactions with related parties. The Group's related parties include the parent company, the Group companies mentioned in note 6.2 above, Capman Buyout X Fund A L.P and CapMan Buyout X Fund B Ky and other companies owned by these Funds as well as Avus Oy, KTR-Invest Oy, Tiipeti Oy and Mantereenniemi Oy (investment companies by the Harvia's previous owners) and Harvia's previous owners. The related parties include also key management personnel and companies controlled by these. Key management personnel are members of the Board of Directors, Chief Executive Officer and management team.

The Group is controlled by CapMan Buyout X Fund A L.P and CapMan Buyout X Fund B Ky, which owned the company's outstanding shares total of 69.5% as at 31 December 2017, 70.5% as at 31 December 2016 and 72.0% as at 31 December 2015 and 72.9% as at 1 January 2015. In addition, Avus Oy, KTR-Invest Oy, Tiipeti Oy and Mantereenniemi Oy (investment companies of previous owners) have a common significant influence in the Group. The total ownership of these companies in the Group was 17.7% as at 31 December 2017, 18.0% as at 31 December 2016, 18.2% as at 31 December 2015 and 18.4% as at 1 January 2015.

Related party transactions

Harvia's key management personnel, the members of the Board of Directors, and their family members are entitled to purchase sauna products from Harvia in accordance with the policy applying to the entire personnel of Harvia. Sale of tangible assets mainly includes sales of cars recognised in the company's property, plant and equipment.

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

The following transactions were carried out with related parties:

EUR thousand	**2017**	**2016**	**2015**
Sales of goods and services	17	2	8
Purchases of goods and services	1		
Sale of tangible assets		80	35

Loans from related parties consisted of shareholder loans granted to the company as of 31 December 2017, 31 December 2016, 31 December 2015 and 1 January 2015. The company's related parties include certain Harvia's holding companies, former owners of Harvia, and certain key executives have granted shareholder loans to Harvia. For information on the terms and conditions and maturities of the shareholder loans, see note 5.1.

Loans from related parties and their changes*

EUR thousand	2017	2016	2015
At 1 January	38 516	35 630	37 889
Increase in loans		70	7
Loan repayments			-5 000
Accrued interest	3 298	3 039	2 896
Withholding tax on interest	-175	-170	-162
Interest paid	-21	-52	
At 31 December	**41 618**	**38 516**	**35 630****

* Of which, EUR 81 thousand as at 31 December 2017 (EUR 81 thousand as at 31 December 2016, EUR 102 thousand as at 31 December 2015 and EUR 96 thousand as at 1 January 2015) were from others than related parties.

** Of which, EUR 35 598 thousand was in non-current and EUR 32 thousand in current liabilities in the consolidated statement of financial position as at 31 December 2015.

Management holdings

Accounting estimates and management judgement

Share-based payments

Harvia Group makes judgements on whether an arrangement or a transaction contains a share-based payment. The measurement of the fair value for the arrangement requires judgement from the management. As per the analysis on grant date valuation, the value of the benefit can be considered to be zero as it is determined that the subscription price corresponds the fair value. Accordingly, no expense is required to be recognised.

Harvia has established a management co-investment arrangement for certain key management personnel of the Group and other key employees. The co-investment arrangements have been made in 2014-2017 with key employees that were employed by the Group or have joined the Group. The co-investment arrangement involves shareholders that were Harvia Finland Oy's shareholders already before the current ownership structure was created, and shareholders that have joined the company as key employees after the arrangement made in 2014. Holdings of key persons who have invested in shares after the 2014 arrangement are within the scope of the IFRS 2 standard.

According to the agreements, the key employees covered by the arrangement have invested in shares and shareholder loans issued by the parent company. Investments made by key employees were carried out at the same valuation basis and substantially on the same terms as the investments made by the controlling owner.

The co-investment arrangement contains a share-based payment, but the valuation at the grant date indicates that the co-investments made and possible proceeds to employees do not contain additional benefit when compared to the controlling owner. As Harvia does not have a contractual obligation to redeem the leavers in cash, and Harvia has not used its right to redeem the shares of key employees as their employment ends, the arrangement is classified as equity-settled arrangement under IFRS. With the grant date fair value of the share-based payment being zero, no expense has been recognised for this arrangement in the consolidated financial statements.

The Group's key employees subscribed for the parent company's shares in directed share issues for EUR 341 thousand in the financial year 2016. Harvia had a share subscription receivable of EUR 50 thousand relating to the share issue in 2016 from the key executives as at 31 December 2016.

The following table indicates the ownership interests of the members of the Board of Directors, the Chief Executive Officer and the members of the management team in the parent company's shares outstanding at 31 December 2017:

Members of the Board of Directors	0.7%*
Chief Executive Officer	2.3%
Other Management team	6.1%

* Does not include the shareholding of related party company Tiipeti Oy owned by Pertti Harvia.

Remuneration to management

The Board of Directors decides on the amount of and basis for the remuneration of the Chief Executive Officer (CEO) and the members of the management team. The remuneration of the CEO and the members of the management team consists of a monthly salary plus a bonus. The terms and conditions relating to the bonus are determined annually by the Board of Directors of the parent company. The bonus to the CEO and the members of the management team is paid based on the achievement of personal objectives as well as objectives relating to profitability for the financial year. The performance-based bonus must not exceed 31% of the fixed salary of the CEO and 31% of the fixed salary of other members of the management team.

The CEO of the Group is entitled to statutory pension, and the age of retirement is determined in accordance with the statutory employee pension system. Under the current legislation, the CEO's age of retirement is 63 years. The CEO has a life insurance and an additional pension insurance provided by Harvia. He is entitled to the additional pension at the age of 63. The term of notice for the CEO has been specified as 6 months, and he is entitled to salary for the term of notice as well as a performance-based bonus up to the date of termination. If the company terminates the employment contract of the CEO, he is, under certain conditions, entitled to a compensation that equals full salary for 6 months.

Key management personnel compensation

EUR thousand	**2017**	**2016**	**2015**
Chief executive officer*			
Salaries and other short-term employee benefits	458	299	167
Pension costs - defined contribution plans**	87	56	29
Total	**545**	**354**	**196**

*The company's CEO has been Pertti Harvia until 30 June 2016 and Tapio Pajuharju from 1 July 2016.

** Includes costs of voluntary pension plan amounting to EUR 9 thousand in 2017 (2016: EUR 4 thousand).

Other management team			
Salaries and other short-term employee benefits	803	600	485
Pension costs - defined contribution plans	125	109	91
Total	**928**	**710**	**576**

Remuneration to members of Board of Directors

EUR thousand	2017	2016	2015
Olli Liitola (as of 11 March 2014)	15		
Anders Björkell (as of 11 March 2014)			
Pertti Harvia (as of 1 July 2016)*	24	34	
Ia Adlercreutz (as of 1 September 2016)	24	8	
Simo Lehtonen (11 March 2014-28 June 2017)	12	24	24
Tapio Pajuharju (24 September 2014-1 July 2016)		12	24
Sebastian Schauman (11 March 2014-11 June 2015)			
Total	**75**	**78**	**48**

* Includes a special compensation of EUR 22 thousand in 2016.

6.4 Taxes

This note provides an analysis of the Group's taxes.

Accounting policy

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated profit or loss statement or if tax relates to items recognised in profit and loss statement or directly in equity, then the related tax is recognised in other comprehensive income or equity correspondingly.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income.

Income tax expense

EUR thousand	2017	2016	2015
Current tax:			
Current tax on profits for the year	-1 303	-1 458	-1 301
Adjustments in respect of prior years	-13	-7	-3
Total current tax expense	-1 316	-1 464	-1 304
Deferred tax:			
Change in deferred taxes	-119	196	-275
Income taxes	**-1 435**	**-1 268**	**-1 579**

Reconciliation of income tax expense and taxes calculated at the Finnish tax rate rate 20%

EUR thousand	2017	2016	2015
Profit before tax	4 349	4 583	5 379
Tax calculated at Finnish tax rate 20%	-870	-917	-1 076
Effect of other tax rates for foreign subsidiaries	3	-4	18
Expenses not deductible for tax purposes*	-571	-354	-521
Income not subject to tax	2	7	
Taxes in income statement	**-1 435**	**-1 268**	**-1 579**

*Consist mainly of intra-group interest expenses that have been non-deductible in taxation.

Deferred tax assets

Accounting policy

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Management judgement

Determining to which extent deferred tax assets can be recognised requires management judgement. The management of Harvia Group has used judgement when determining if deferred tax asset is recognised for an unused tax loss carryforward or unused tax credits. Recognition is done only to the extent that it is probable that future taxable profits will be available against which the loss or credit carryforward can be utilised.The Group estimates positions taken in tax return with respect to situations in which applicable tax regulation is subject to interpretation. If necessary, the booked amounts are adjusted to correspond to amounts expected to be paid to the tax authorities.

At the end of 2017, Harvia had EUR 8 185 thousand intra-group interest expenses that have been non-deductible in taxation (2016: EUR 5 606 thousand; 2015: EUR 3 788 thousand; 1 January 2015: EUR 1 529 thousand). The deductibility and use of these interest expense in the taxation of the coming years is uncertain and therefore no deferred tax assets have been recognised in the end of 2017, 2016 and 2015. If these non-deductible interest rates are subsequently approved as deductible, they will not expire in taxation.

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within same tax jurisdiction, is as follows:

EUR thousand	At 1 January	Recognised in profit or loss	At 31 December
2017			
Deferred tax assets			
Tax losses	308	-122	186
Internal margin of inventories	35	2	37
Provisions	105	-15	90
Derivative financial instruments	354	-88	265
Loans from credit institutions	30	3	33
Other items	32	7	39
Total	864	-214	650
2017			
Deferred tax liabilities			
Intangible assets	356	-30	326
Accumulated depreciation differences	321	-39	282
Property, plant and equipment	460	-26	434
Other items	50		50
Total	1 187	-95	1 092
Net deferred taxes	**323**	**119**	**442**

EUR thousand	At 1 January	Recognised in profit or loss	Acquired subsidiaries	At 31 December
2016				
Deferred tax assets				
Tax losses	83	73	152	308
Internal margin of inventories	57	-22		35
Provisions	94	11		105
Derivative financial instruments	308	46		354
Loans from credit institutions	22	8		30
Other items	0	11	22	32
Total	565	126	173	864
2016				
Deferred tax liabilities				
Intangible assets		-5	361	356
Accumulated depreciation differences	359	-38		321
Property, plant and equipment	487	-26		460
Other items			50	50
Total	846	-70	411	1 187
Net deferred taxes	**281**	**-196**	**238**	**323**

EUR thousand	At 1 January	Recognised in profit or loss	At 31 December
2015			
Deferred tax assets			
Tax losses	438	-355	83
Internal margin of inventories	136	-79	57
Provisions	86	8	94
Derivative financial instruments	279	29	308
Loans from credit institutions	10	12	22
Total	949	-384	565
2015			
Deferred tax liabilities			
Accumulated depreciation difference	342	18	359
Property, plant and equipment	527	-40	487
Inventories	86	-86	0
Total	955	-109	846
Net deferred taxes	**6**	**275**	**281**

The Group has not recognised deferred tax liability on the undistributed profits of its subsidiaries in the countries where the dividend distribution causes tax penalties but dividend distribution is considered unlikely.

6.5 Equity

This note describes what is included in the equity of Harvia Group.

The total equity consists of the share capital, the invested unrestricted equity reserve, currency translation differences and accumulated profits.

Share capital and number of shares

Harvia has one share class. Ordinary shares have a par value of EUR 1. Shares entitle the holders equal right to dividends and votes in the general meeting of Harvia. 2 500 shares of the share subscriptions have been entered in the share capital and all other into invested unrestricted equity fund.

EUR thousand	Ordinary shares	Number of shares
At 1 January 2015	3	9 315 800
Share issue		120 000
At 31 December 2015	3	9 435 800
Share issue		104 000
At 31 December 2016	3	9 539 800
Share issue		140 000
At 31 December 2017	3	9 679 800

Pursuant to the authorisation granted by the shareholders on 31 May 2014, the Board of Directors decided on directed share issue of 120 000 shares, at the maximum, on 25 September 2014. These shares were registered on 5 February 2015.

Pursuant to the authorisation granted by the shareholders on 31 May 2014, the Board of Directors decided on directed share issue of 104 000 shares, at the maximum, on 1 February 2016. These shares were registered on 14 April 2016.

On 20 December 2016, shareholders decided unanimously on directed share issue of 140 000 shares, at the maximum. The shares were registered on 12 June 2017.

Other reserves

The following table shows a breakdown of the balance sheet line item 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

EUR thousand	**Invested unrestricted equity**	**Translation differences**	**Total**
At 1 January 2015	9 433	24	9 458
Translation differences		373	373
At 31 December 2015	9 433	397	9 830
Share issue	291		291
Translation differences		87	87
At 31 December 2016	9 724	484	10 209
Translation differences		-505	-505
At 31 December 2017	9 724	-21	9 703

Invested unrestricted equity reserve

Under the Finnish Companies Act, the subscription price of new shares is credited to the share capital, unless it is provided in the share issue resolution that it is to be credited in full or in part to the invested unrestricted equity reserve. Contributions to the reserve for invested unrestricted equity can also be made without share issues.

Translation differences

Accounting policy

Translation differences that arise when translating the financial statements of subsidiaries are recognised in other comprehensive income and accumulated in translation differences reserve in equity.

Exchange rate differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 5.3 and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Retained earnings

Movements in retained earnings were as follows:

EUR thousand	**2017**	**2016**	**2015**
At 1 January	6 656	3 342	-459
Profit for the period	2 914	3 315	3 801
At 31 December	**9 570**	**6 656**	**3 342**

6.6 Events occurring after the reporting date

In February 2018, Harvia Finland Oy purchased from its German retailer Marno e.K, among others, Marno's customer relations and inventory.

The shareholders of the parent company made, inter alia, the following decisions by unanimous decision as at 9 February 2018:

- to change the parent company into a public limited company,
- change the name of the parent company to Harvia Plc and Harvia Oy's name to Harvia Finland Oy
- an increase in the parent company's share capital to the required EUR 80 thousand through a fund increase as required from a public limited company.
- to authorize the Board of Directors to decide on a share issue to perform the listing and to incorporate the shares into the book-entry securities system maintained by Euroclear Finland.
- electing Ari Hiltunen as a new Board member.

CEO and CFO are both entitled to one-time bonus of EUR 50 thousand when the listing is completed.

At the date of signing of the financial statements, Harvia is negotiating on a financing arrangement of EUR 44,500 thousand in total, which is conditional upon the execution of the Listing. When the listing takes place, Harvia will prematurely repay the current bank loans and the credit limit possibly in use will be replaced with a new credit limit. Harvia aims to sign the necessary agreements during March 2018.

Signatures for the financial statements

In Muurame, 2 March 2018

Olli Liitola
Chairman of the Board

Pertti Harvia
Member of the Board

Anders Björkell
Member of the Board

Ia Adlercreutz
Member of the Board

Ari Hiltunen
Member of the Board

Tapio Pajuharju
CEO

Auditor's note

A report on the audit carried out has been submitted today.

In Muurame, 2 March 2018

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Launis
Authorised Public Accountant

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