



HARVIA

Sauna & Spa

#healingwithheat

HARVIA PLC
ANNUAL REPORT **2021**

HEALING WITH HEAT

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HIGHLIGHTS OF 2021

A cylindrical Harvia sauna heater filled with dark, glowing embers. The heater has a black metal cage and a black top ring. A small black label with the Harvia logo is attached to the side. The background is a wooden sauna interior with a wooden bench and a folded white towel.

HARVIA

YEAR OF INTERNATIONAL GROWTH

STRONG REVENUE GROWTH DRIVEN BY FAVORABLE MARKET DEMAND

In 2021, Harvia's successful business development efforts and operational execution delivered robust growth in all key markets and product categories, driven by the favorable market demand. Revenue increased by 64.2%. Strong international growth continued, as well. Already 79.4% of the company's sales comes from outside of Finland.

The Harvia team's solid performance contributed to the growth. Despite challenges related to the availability of key raw materials and componentry, the whole team and especially operations and supply chain did excellent work in ramping up production volumes and productivity throughout the year.

RECORD INVESTMENTS INTO INCREASING PRODUCTIVITY AND CAPACITY

Harvia's capital expenditure increased significantly in 2021, to EUR 11.8 million. The main investments of the year included the Muurame facility expansion in Finland, with focus on streamlining the early stages of the heater component manufacturing, as well as investments into increasing the sauna capacity and productivity both in the new US facility in Lewisburg, West Virginia, and the Georgheni facility in Romania. On top of this, capabilities in China were upgraded and the logistics capabilities at Kirami were improved. All major investments were completed in time and on budget.

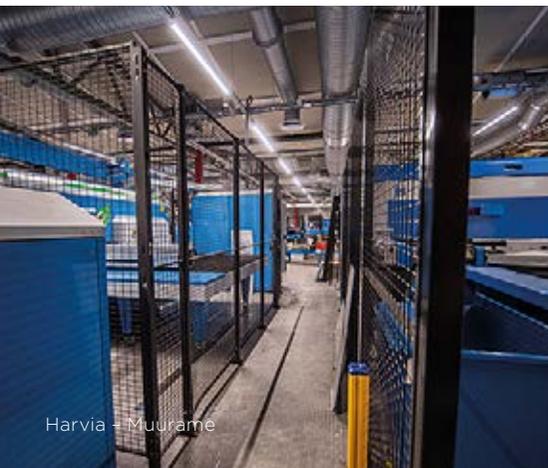
The expansion of the Muurame facility and installation of new, advanced machinery will increase capacity



Almost Heaven Saunas - USA

in Muurame by approximately 20%. Harvia also purchased an industrial building and a plot of land next to the factory to prepare for further expansion of operations at Muurame.

The new facility in Lewisburg was acquired by Harvia in February. A so-called factory of the future for Harvia's sauna operations in the United States, the new facility provides expanded production capacity and capability, supporting the company's growth in the market. Operations in the facility began in November.



Harvia - Muurame



EOS - Germany



Harvia - Romania



Harvia - China

KIRAMI AND SAUNA-EUROX STRENGTHEN HARVIA’S SAUNA AND SPA OFFERING

On top of the organic growth path, Harvia continued to implement its growth strategy through business acquisitions in 2021. Kirami, a leading Finnish still-water hot tub manufacturer and pioneer in wood-heated hot tubs globally, joined the Harvia family in May. The acquisition complements Harvia’s sauna and spa offering well, increasing its market share especially in the residential sauna and spa solutions.

While still-water hot tubs are a new product category for Harvia, they are an excellent strategic fit to Harvia’s ‘healing with heat’ philosophy and respond to the growing global trend of active backyard living. Together, saunas and hot tubs provide a complete wellness experience.

In August, Harvia announced the acquisition of Sauna-Eurox, one of the world’s largest suppliers of safe, sustainable and durable sauna stones. The offering of Sauna-Eurox caters broadly to the needs of both

consumers and spa professionals, including high-quality, ready-to-use, pre-washed and hand-selected olivine diabase and vulcanite sauna stones in all sizes, as well as round, decorative and heat-tempered sauna stones. Together, Harvia and Sauna-Eurox will be able to strengthen the availability of high-quality sauna stones in the market.

SUCCESSFUL MARKET ENTRY IN JAPAN

Harvia signed an exclusive distribution agreement with Bergman Ltd, of Tokyo, Japan in October. Bergman has more than 20 years of experience in marketing and selling branded European heating devices in Japan.

There are an estimated 26 million sauna users in Japan, which is approximately 20% of the total population. The sauna lifestyle with its health effects has become increasingly popular in Japan since the beginning of the Covid-19 pandemic. The goal of Harvia’s strategic partnership with Bergman is to open 50 Harvia Sauna & Spa showrooms in Japan within



Noriaki Kasai (left), ski jump world champion and Olympic medalist, Harvia’s brand ambassador. Seiji Kasama (right), Managing Director, Bergman Ltd, Harvia’s Distribution Partner.



the next three years and to help Harvia grow to be the number one sauna brand in Japan in the construction industry, small houses and apartment buildings, as well as commercial projects.

Harvia’s Japan market entry started successfully in 2021, with first 5 showrooms opened in Sapporo, Obihiro, Kushiro, Kitami and Yamagata by the end of the year. 30 more showrooms including Tokyo, Osaka and Nagoya are slated for opening during 2022.

HARVIA IN 2021

Revenue

179.1

(109.1)
EUR million

Revenue growth

64.2%

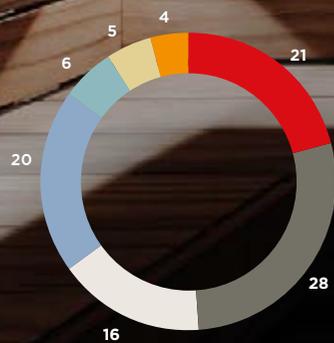
(47.3)

Adjusted operating profit

47.3

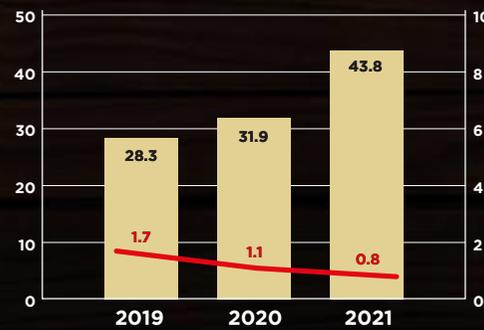
(24.4)
EUR million (+93.4%)

REVENUE BY MARKET AREA, %



- Finland
- Other European countries
- North America
- Germany
- Russia
- Other Scandinavia
- Other countries

NET DEBT AND LEVERAGE



- Net debt, EUR million
- Leverage

ADJUSTED OPERATING PROFIT AND ADJUSTED OPERATING PROFIT MARGIN



- Adjusted operating profit*, EUR million
- Adjusted operating profit margin, %

(* Adjusted by items affecting comparability)

Dividend per share*

0.60

(0.51)
EUR

(*the Board's proposal to the Annual General Meeting)

Operating free cash flow

20.4

(28.7)
EUR million

Earnings per share

1.80

(0.83)
EUR

Investments

11.8

(2.6)
EUR million

Equity ratio

42.4%

(42.0)

Adjusted return on capital employed (ROCE)

112.6%

(73.3)

Personnel

824

(617)



CEO'S REVIEW

I am very happy and proud of being part of the outstanding Harvia team: we are very pleased with our 2021 results.

The sauna and spa market continues to enjoy good momentum. The general awareness of health benefits of regular sauna bathing is gaining attention globally. This applies to all sauna markets and all sauna types and cultures.

Harvia's full-year figures reflect the excellent execution of our strategy. Our revenue amounted to EUR 179.1 million, increasing by EUR 70 million or 64.2% year on year. Revenue increased in all product groups. Sauna heater sales improved in both electric and wood burning heaters, especially in Germany and other European countries. The strong growth of sauna room sales continued especially in North America and in Central Europe. Revenue from control units developed favorably particularly in Germany and other European countries. Sales of other product groups, spare parts and services also developed very well. The share of international business was EUR 142.2 million, making up 79.4% of the revenue.



LEADING POSITION IN THE GLOBAL SAUNA AND SPA MARKET

We have continued to gain market share and improved our position in the market. We estimate that Harvia has taken the leading position in the global sauna and spa market. The gain has been strongest in Europe. We have also opened new markets, such as Japan, Australia, and New Zealand. Our growth in Finland and Scandinavia has been robust, and in Scandinavia, we are now very close to the market leader.

After analyzing the market and its dynamics, we maintain our general outlook for the market and estimate that for the next few years, the market growth will exceed the historical average. However, we continue to estimate that part of the growth is so-called advance demand, which is normalizing for the residential market while the professional market is gaining momentum. This is not expected to affect the long-term expectations of the sauna and spa market.

RECORD HIGH INVESTMENTS IN CAPACITY AND PRODUCTIVITY

Despite the challenges caused by the pandemic, all of our production units have performed well. Our capacity utilization has been excellent. To further boost the capacity and improve productivity, we completed an all-time high investment program of EUR 11.8 million during 2021. We opened a new sauna factory in Lewisburg, West Virginia, USA, expanded and upgraded the capabilities at the Muurame factory, expanded capacity at our sauna factory in Romania and the capabilities in our factory in China, expanded the warehousing and logistics capacity at Kirami,

upgraded the EOS Driedorf machinery and capacity, as well as laid the ground for improving internal logistics at the Muurame facility. All our investments were completed on time and on budget.

I am extremely happy that the EOS team and operations are well integrated in the family and performing ahead of the plan. On top of this, the integration of the recently acquired Kirami business as well as Sauna-Eurox, manufacturer of high quality and sustainable sauna stones, has progressed according to plans.

MORE SUSTAINABLE SAUNA EXPERIENCES

Harvia has always paid a great deal of attention and effort on environmental, social, and corporate governance issues. The year 2021 was no exception. We created a sustainability program for 2022–2025. We also carried out a review of our current CO₂ impact. Our starting point for decreasing our CO₂ footprint further is good, and we are committed to continuous improvement.

Despite the highly demanding situation in the supply chain and logistics, we were able to maintain excellent profitability throughout the year. We deliberately increased our inventories of critical raw materials and componentry as well as our ready-made goods. The availability of certain components and raw materials has caused some delays and increased our order stock, but our ability to serve our customers remained good.

The year of 2021 was unusual by all standards and very demanding on our people. We remain committed to keeping all our people safe, fully functional, and

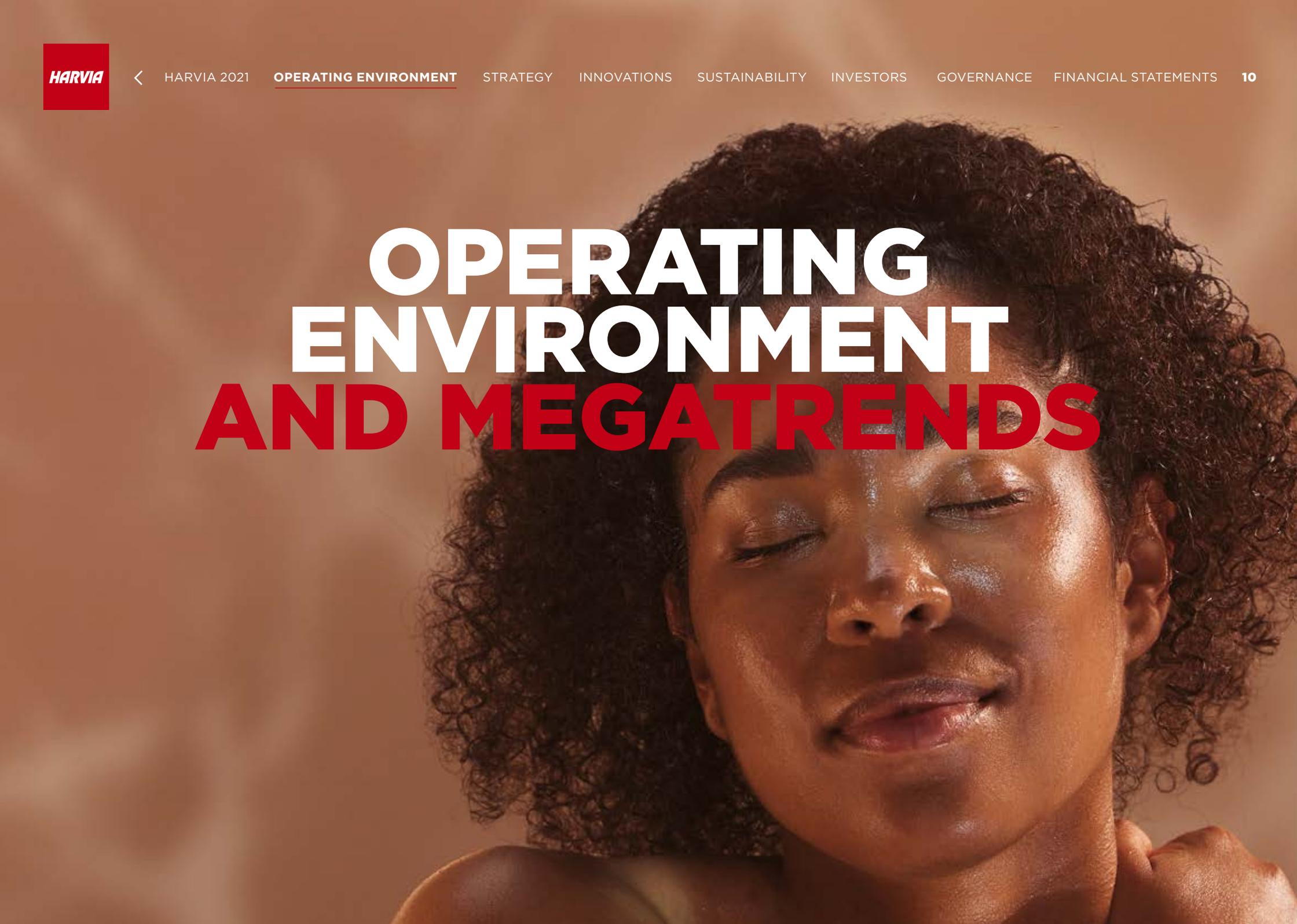


We estimate that Harvia has taken the leading position in the global sauna and spa market.

highly motivated. We conducted a group-wide People Power Survey in the last quarter of the year. The results confirmed that the spirit and motivation of our personnel is on a very good level. This gives us an even better fundament to work focused on our strategy of increasing the value of the average purchase, geographical expansion, and continuous improvement of productivity and innovation. M&A activity in the sauna and spa market remains high. As stated in our strategy, we will continue to seek opportunities to grow both organically and through M&As.

Everyone in the Harvia family as well as our long-term partners and suppliers have done a great job in demanding conditions. A job more than well done. Thank you!

Tapio Pajuharju
CEO,
Harvia Plc



OPERATING ENVIRONMENT AND MEGATRENDS

Awareness and popularity of the sauna and its health benefits increased, further boosting the underlying solid demand in the sauna and spa market. The health and wellbeing trend associated with the sauna strengthened especially in the United States.



Harvia is a global leader in the sauna and spa market. The company's market position has historically been particularly strong in large markets focused on traditional sauna culture. According to Harvia's estimate, there are approximately 17 million saunas in the world. This large sauna base provides significant business arising from the replacement of saunas and sauna heaters.

During 2020, the COVID-19 pandemic caused significant and quick short-term fluctuations in demand in several of Harvia's key markets. The challenges brought on by the pandemic to Harvia's business were still somewhat evident also in 2021, especially in all of the professional categories and in

Southern Europe, Russia, the Arab countries, and Asia. Lockdowns and travel restrictions made new market entries challenging.

Historically, the sauna market has grown annually by an average of 5%. However, Harvia is currently seeing considerable growth in the market due to growing awareness and appreciation of the health benefits related to sauna and the general trend of people investing in their own wellbeing. Harvia's management estimates that somewhat higher than historical average market growth rates will continue in the medium term, for the next few years. However, according to Harvia's estimate, part of the growth is so-called advance demand, which is normalizing for

the residential market while the professional market is gaining momentum. This is not expected to affect the long-term expectations of the sauna and spa market.

SAUNA AS A SOURCE OF HEALTH AND WELLBEING

The health and wellbeing trend continued to boost the demand for sauna and spa experiences globally in 2021, as awareness of the healing effects of heat increased.

Sauna has traditionally brought people enjoyment, but it has also been proven to be a source of health and wellbeing: sauna and its health benefits contribute

to a long and enjoyable life. The health benefits of sauna are becoming more widely known and actively promoted especially in the United States, where sauna penetration in general is still on a low level.

Approximately 500 scientific studies have been conducted on the health impacts of the sauna. Read more about how sauna promotes health on page 14.

DIFFERENT SAUNA AND SPA CULTURES

Sauna cultures are versatile, and they vary market by market. In Finland, saunas are part of everyday life. There are 5.5 million people, approximately 2.7 million households and approximately 3 million saunas in Finland. Many households have a sauna at home and at their summer cottage. Enjoying the heat of sauna and cleansing oneself are strongly connected to the local sauna experience.



In the United States, the sauna culture is still rather young and the sauna penetration is low. On top of commercial sauna solutions at high-end hotels and gyms, the sauna has become more popular in premium residential applications. Lately, the trend of active backyard living has increased throughout North America. Building a backyard paradise for relaxation and enjoyment together with family and friends has become very popular. In addition to the traditional barbecue and a hot tub or pool, also outdoor saunas are showing up in more and more backyards. Especially the traditional barrel sauna is becoming a vital ingredient of the backyard paradise concept.

The penetration of residential indoor saunas is growing, as well, driven by the increased awareness and popularity of the health benefits of sauna and spa.

The Finnish sauna is not well known in the Arab countries or Asia, as there is no significant residential sauna culture. In these countries, the sauna and spa culture is focused on public spas and steam rooms. However, the spas usually offer their guests both traditional, steam and infrared sauna experiences. In China, homes are usually not designed to accommodate full-size sauna rooms, but the popularity of household infrared saunas is picking up.

MEGATRENDS SHAPE THE MARKET

Harvia has identified four megatrends that impact the sauna and spa business. The trends were visible in 2021 and they are expected to drive market demand for innovations in the sauna and spa market in the coming years.

LONGER LIVES - LONGER ENJOYMENT

Life expectancy is increasing globally, and the need to promote habits supporting health and wellbeing is growing. At the same time, the aging population is interested in wellbeing and ready to invest in it. Harvia takes these needs into consideration by developing products that are safe and easy to use, as well as sauna and spa experiences that have targeted wellness benefits.

GROWING MIDDLE CLASS HAS PURCHASING POWER

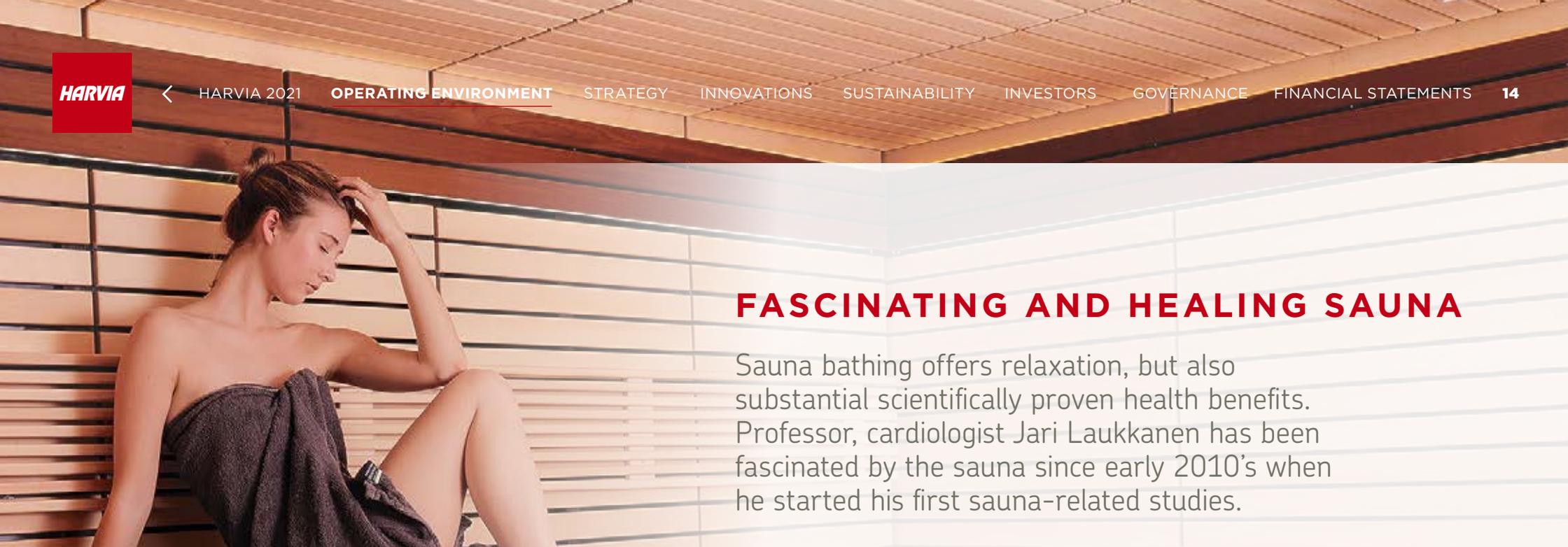
The growth of the middle class and the subsequent increase of its purchasing power is a global phenomenon. At the same time, economic power is shifting from the west to the east. The middle class is prospering particularly in China, which together with the wellness trend opens many new growth opportunities for Harvia. The urban, middle-class households demand individual, high-quality products and solutions adaptable to their changing needs.

ENVIRONMENTAL CONSCIOUSNESS GUIDES CONSUMER CHOICES

Climate change is a global challenge. People are concerned about their carbon footprint and, increasingly, demand environmentally friendly products and expect responsibility and societal commitment from companies. Harvia is paying attention to energy efficiency in production as well as to materials and their recyclability. Product development aims at maximizing sustainability of the products and creating solutions to optimize the energy consumption of heating the sauna. In wood-burning heaters, Harvia focuses on improving the efficiency of the burning process and minimizing particle emissions.

DIGITALIZATION ALSO AFFECTS SAUNAS

The pace of technological change continues to pick up speed. The sauna and the sauna experience are becoming digital, as well. The heater, lighting and ventilation of the sauna can be controlled remotely with a mobile app. Digital technology can also be used to offer programmed experiences for all senses, for example, with colored mood lighting or one's favorite music. IoT solutions for buildings and homes will create new kinds of possibilities for the energy efficiency of the sauna and the promotion of wellbeing.



FASCINATING AND HEALING SAUNA

Sauna bathing offers relaxation, but also substantial scientifically proven health benefits. Professor, cardiologist Jari Laukkanen has been fascinated by the sauna since early 2010's when he started his first sauna-related studies.

Professor Jari Laukkanen's research team observed a link between regular sauna bathing and a lower risk of blood pressure, coronary heart disease, stroke, and heart-related sudden death. The study, published in 2015 in American Medical Association's peer-reviewed JAMA Internal Medicine, suggests that sauna bathing is a recommendable health habit.

"My enthusiasm for saunas stems from Finnish traditions. The sauna is part of Finnish heritage, and what interests me is how saunas have been used and why people have been sauna bathing for hundreds of years," says Laukkanen.

HEART EFFECTS ARE STUDIED THE MOST

According to Laukkanen, the three most important health benefits of sauna bathing include lowering of blood pressure, relaxation, and improved blood circulation.

"The healing effect of heat consists of several factors. The heat itself dilates blood vessels, stimulates blood circulation, and relaxes the body. The feeling you get is in fact the same as after exercising or, for instance, a yoga session," Laukkanen explains.

As with any lifestyle change, the health benefits of sauna bathing can only be achieved with regular use. "Studies show that taking a sauna in 80 degrees Celsius three to four times a week for 20-30 minutes in total gives the best and probably long-term results," says Laukkanen.

By long-term results, he refers to lower blood pressure. Laukkanen and his team are seeking to measure the long-term effects of sauna, and they have already discovered some positive effects. The yet unpublished research suggests that regular sauna visits can lower blood pressure on a long-term basis. It remains to be proven if sauna bathing prolongs life;

however, on the basis of published studies, active sauna-goers have a lower risk of heart-related death.

Japanese researchers have studied the health effects of infrared saunas among people with reduced heart function. Their symptoms were eased, possibly because of the drop in blood pressure, the greater flexibility in blood vessel walls and the positive impact on endothelium, a thin lining in the blood vessels.

REGULAR SAUNA BATHING REDUCES RISK OF:

- Heart-related deaths
- Dementia
- Alzheimer's disease
- High blood pressure
- Pulmonary disease
- Stroke

FINNISH STILL-WATER HOT TUB MANUFACTURER KIRAMI JOINED THE HARVIA FAMILY

In May 2021, Harvia acquired Kirami Oy, a Finnish family-owned company and the largest manufacturer of still water hot tubs globally. Founded in 2001, Kirami complements Harvia's spa and sauna offering, and the two companies have joined forces with a simple combination: heat and hot water.

The companies have put significant effort into creating a backyard paradise for consumers, providing ways to increase wellbeing and enjoyment at home.

Kirami's Managing Director Mika Rantanen is pleased with Harvia and Kirami's shared vision. "It is great that our ambition is the same. Kirami has been a backyard paradise company from the start."

NEW SYNERGIES, DOUBLE THE SKILLS

Kirami has been a strong local operator, opting for subcontractors and production within a close range. After the first months of joining forces and seeking

shared routines, synergies have been found in several areas, says Rantanen.

For Kirami, the Harvia name has opened doors in sales negotiations and brought a different level of stability for the smaller company. "Joining Harvia has not changed our organization, but has brought significant benefits," Rantanen explains.

With Harvia's larger support system in place, Kirami has branched out across the Atlantic for the first time, looking for a foothold in the US market. Rantanen believes that Kirami will be able to follow in the footsteps of Harvia's success overseas, especially with Harvia's broad shoulders to support them.

Having Harvia as the main organization also balances Kirami's seasonal sales fluctuation while providing financial stability for focusing on new innovations. "Harvia family invests in innovation and in turning good ideas into development projects quickly."

INNOVATING TOGETHER

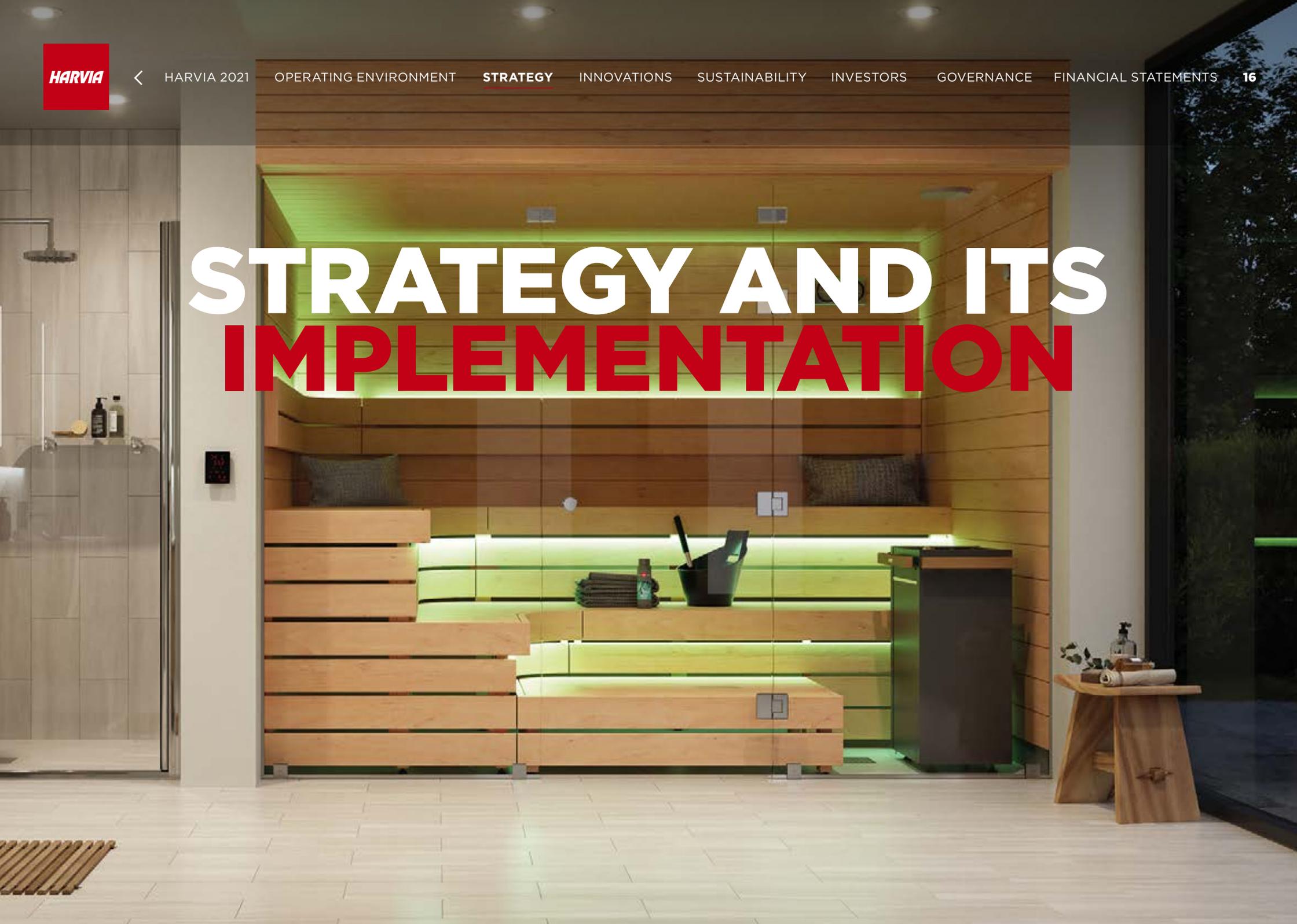
Harvia's long traditions and Kirami's specific knowhow are an asset in R&D. Collaboration offers possibilities in new product groups.

Kirami systematically looks for ways to find the most sustainable components and methods in production, and Harvia provides an excellent framework for this. The two companies' joint project on clean burning has been expanded through wider laboratory collaboration and Harvia's extensive facilities, showing promising results.

Kirami is looking forward to developing new backyard innovations. "In Harvia, Kirami has found a safe home and access to a huge amount of technical expertise."



Kirami's Managing Director
Mika Rantanen

The background image shows a modern sauna interior with wooden walls and benches, illuminated with green light. A glass door is visible on the left, and a wooden table with a bucket and towels is on the right.

STRATEGY AND ITS IMPLEMENTATION

In line with its strategic priorities, Harvia successfully increased the value of the average purchase, expanded its global reach and market share, and improved productivity in 2021.

During the year, Harvia continued to gain market share in the sauna and spa industry. Measured in revenue, Harvia has become the largest company in the industry. Strategy implementation in all areas proceeded according to the plan. On top of the organic growth, the acquisitions of Kirami and Sauna-Eurox strengthened Harvia's comprehensive sauna and spa offering, further supporting the strategic priorities.

Harvia clearly outperformed its financial targets related to growth, profitability, and leverage in 2021. The company's revenue grew by 64.2% from 2020, adjusted operating profit margin was 26.4%, and net debt to adjusted EBITDA ratio was 0.8.

PURPOSE

We are healing with heat! Our purpose is to contribute to a long and good life through healing with heat.

MISSION

Our mission is to inspire people around the world to experience the healing heat and relaxation of sauna and spa.

VISION

Our vision is to become the insightful leader in sustainable wellbeing experiences in all sauna categories, cultures and health benefits – both for consumers and professionals all over the world.

STRATEGIC PRIORITIES

Increasing the value of the average purchase

Our target is to increase the value of the average purchase by offering sauna heaters with more advanced properties as well as more extensive and complete sauna and spa solutions. In addition, we aim to sell products that enhance the safe and convenient use of the sauna both in professional and residential applications.

Geographical expansion

We aim to expand the market presence and grow our market share in all our key markets by developing our distribution and improving the availability and visibility of our offering.

Continuous improvement of productivity

We aim to continuously improve our operational efficiency and enhance the efficiency of purchasing and logistics.

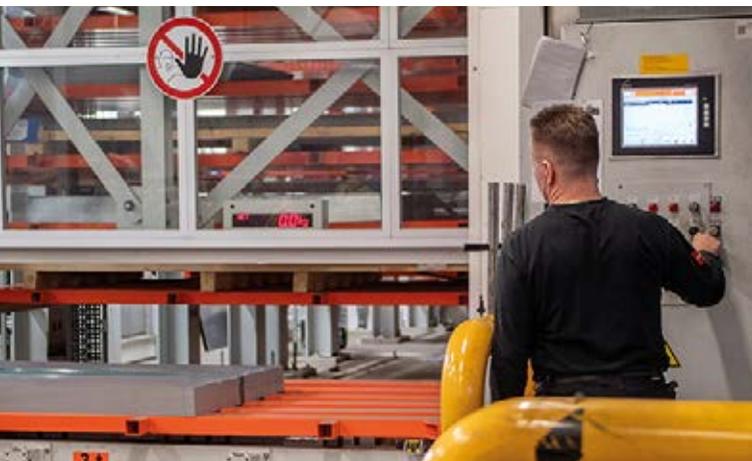
VALUES

- We believe people are the key to success.
- We are customer and consumer focused.
- We act sustainably and care about the environment.
- We are passionate in our search of new and excellence.
- We believe in long-term partnerships, built on mutual respect and trust.

INCREASING THE VALUE OF THE AVERAGE PURCHASE

Harvia’s sales increased strongly in all product groups in 2021. However, the growth was especially robust in the sauna room category, driven by strong demand in the United States and Central Europe. Sauna heater sales improved in both electric and wood burning heaters, with particularly the premium models in heaters performing well. Sales of safety equipment and control units for new heaters increased, as well.

Harvia also increased the value of the average purchase through acquisitions. Kirami’s still-water hot tubs complement Harvia’s ‘backyard paradise’ concept. The acquisition of Sauna-Eurox expanded Harvia’s sauna heater stone offering. EOS Group, acquired in 2020, continued its strong performance in the premium and professional category, despite the challenges in the professional market caused by lockdowns and other pandemic restrictions. In addition, Almost Heaven Saunas introduced new models to the North American market.



GEOGRAPHICAL EXPANSION

Strong growth continued in all key markets. During the year, Harvia succeeded in expanding its foothold especially in Central Europe and Germany. Sales increased strongly also in the Scandinavian market, where the company was able to truly challenge the local market leader. The North American market continued on a solid growth path.

Despite the pandemic challenges, the demand in Southern Europe, Arab markets and Asia gradually returned closer to normal. Product approvals for EOS’s selected flagship products in new markets were delayed due to availability of certain key componentry, but the US approval is expected in the first half of 2022.

Lockdowns in some areas, such as South America and Australia, made entries to new markets difficult. However, Harvia made a successful market entry in Japan at the end of the year, partnering with Bergman Ltd. Despite the challenging conditions, the company has also gained foothold in Australia and Oceania.

CONTINUOUS IMPROVEMENT OF PRODUCTIVITY

Significant investments were made into improving productivity and expanding production capacity at Harvia’s sauna and heater factories during the year. Production facilities in Finland and Romania were expanded, and a new facility was acquired in the United States that started operations in November. Harvia invested in more advanced production machinery in China and Romania as well as at the EOS factory in Driedorf, Germany. Improved production processes and increased automation also decreased costs and shortened production cycles.

All of Harvia’s production units performed well and with excellent capacity utilization and succeeded in ramping up production volumes and productivity despite the exceptional situation caused by the pandemic. Special attention was also paid to sales and operations planning process to enable more accurate sales and demand forecasting. In order to maintain solid customer service and continuous operations, Harvia deliberately increased the inventories of key raw and packaging materials as well as critical componentry.

Thanks to the development of production capacity and logistics, Harvia was, together with its partners, able to meet the increased demand in 2021. However, the availability of sauna rooms was an issue both in Europe and the United States, resulting in increased lead times and a higher order book.

STRATEGIC PRIORITIES IN 2022

General M&A activity in the sauna and spa market has remained high. As stated in Harvia’s strategy, the company will pursue opportunities to grow in the sauna and spa market organically and through M&A. The integration of EOS is completed, and the integration of Kirami and Sauna-Eurox will continue during 2022.

Further investments will be made into improving productivity as well as developing new innovations and capabilities. The magnitude of the investments will decrease from 2021 but will, however, remain higher than the historical average of the company. Harvia will also continue to optimize distribution strategies in all key markets and leverage cross-selling opportunities.

HARVIA'S SUPPLY CHAIN EXCELLED IN 2021

With extensive group of long-term partners as well as the help of systematic planning and targeted investments, Harvia was able to operate in very close to normal conditions and reach excellent profitability in 2021.

Like many businesses across the globe, Harvia's supply chain was affected by exceptional volatility in the availability of raw materials and key componentry as well as climbing prices in 2021, with up to 100 percent price increases for some components. In addition, freight from Asia to Europe and North America and from Europe to the United States faced unprecedented challenges, prompting Harvia to seek alternative solutions.

To overcome the global sourcing challenges, Harvia took proactive measures, increasing buffer stocks of critical raw materials and componentry. Thanks to the successful work of its sourcing team, its long-term partners and multiple sourcing strategy, the company was able to keep the impacts modest and secure the materials needed for production.

RECORD-HIGH PRODUCTION VOLUMES

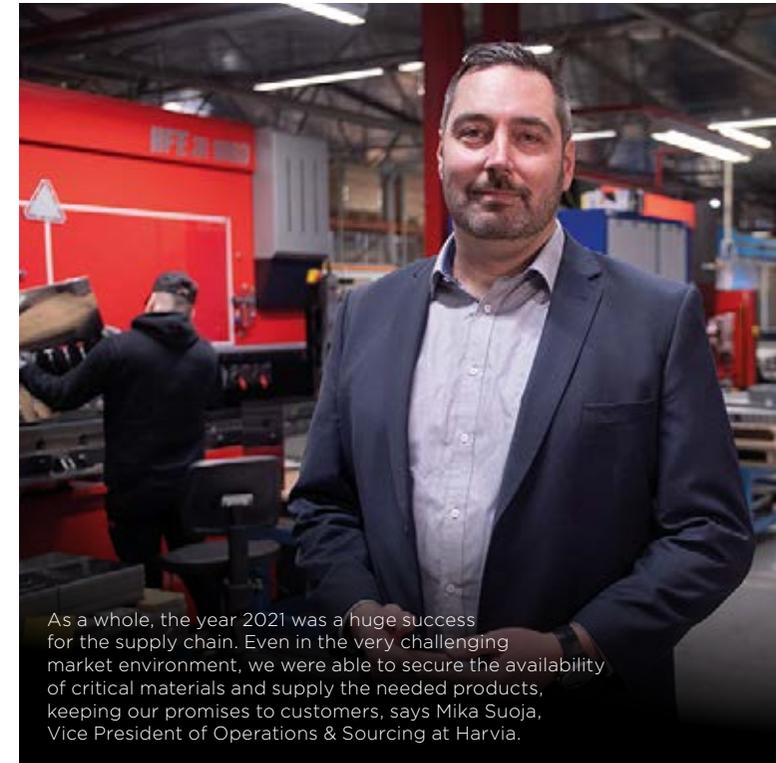
The whole Harvia team succeeded in ramping up production volumes and productivity in 2021. All of Harvia's production units performed well and with excellent capacity utilization, several of them achieving record-high monthly production volumes.

Harvia also developed its sales and operations planning process during the year to enable more accurate sales and demand forecasts as well as to allocate resources to the right products to secure delivery capacity.

INVESTMENTS IN CAPACITY, EARLY STAGES OF PRODUCTION

In 2021, Harvia focused on increasing the production capacity and developing the early stages of the production process in its facilities. Production methods were made more efficient through new machinery and automation, resulting in lower costs and shorter production times. Significant investments were made into expanding capacity: Production facilities in Finland and Romania were expanded, and a new facility was acquired in the United States that started operations in November. Kirami's warehouse capabilities were expanded. Productivity investments were also made in the facilities in China and Germany.

In 2022, Harvia will develop especially the later stages of the production process, including assembly, material flow, and internal logistics. Efforts will also be made to further reduce waste and improve material utilization in production.



As a whole, the year 2021 was a huge success for the supply chain. Even in the very challenging market environment, we were able to secure the availability of critical materials and supply the needed products, keeping our promises to customers, says Mika Suoja, Vice President of Operations & Sourcing at Harvia.

Harvia's business acquisitions in 2020 and 2021 have made supply chain management more complex, and developing the integration and interoperability of the supply chains of the Group companies is a key focus area also going forward. In addition, the locations of Harvia's central warehouses will be reviewed in 2022 to ensure that they serve future logistics needs as effectively as possible, both in terms of customer service and reducing costs and CO₂ emissions.

EOS GROUP'S PREMIUM SOLUTIONS CATER TO SAUNA NEEDS IN THE LUXURY SEGMENT

German sauna technology provider EOS Group continues to drive the premium and professional channel as a member of Harvia Group. Harvia acquired the majority of EOS Group in the spring 2020. The integration of EOS has resulted in effective collaboration and a wider market for both companies.

Founded in 1944, EOS Group aims for a 'Heat fidelity' experience, catering to customers' luxury needs with first-rate design and technology, including premium sauna heaters, control units, steam technologies and a wide field of luxury accessories, developed and produced in Germany.

From EOS Group's point of view, moving into the Harvia family has been a sensible and successful move. "We are realizing different synergies in our day-to-day business. The potential that we can reach together is considerable," says Rainer Kunz, Managing Director of EOS Group.

The integration has been carried out smoothly, despite the virtual environment initially set by the pandemic, Kunz confirms. "From day one, we have felt that we are part of one big Harvia family and that we are an international community. People feel safe in Harvia Group."

Rainer Kunz, CEO of EOS Group (left) and Tapio Pajuharju, CEO of Harvia (right) at EOS's display in Kauppalehti Optio Gala in December 2021.

LARGE DEMAND FOR PREMIUM SAUNA TECHNOLOGY

The substantial growth in demand continued also in 2021. According to Kunz, household demand in particular has been significant, but also the commercial area has sustained growth. This has created some new challenges for production, procurement and logistics, which have been solved together with reliable teams and partners.



EOS continues to focus all its activities on the luxury and high-end market as an independent brand. The two companies operate in the same international market with different business models regarding their approaches and brands, so their offering and services complement each other well. "Harvia is an expert in mass production. EOS is focused on design and luxury. We do not only offer excellent sauna technologies to our customers - we transfer our special spirit and show the way to a superior spa experience," Kunz points out.

EOS Group has also invested in product development. "In 2021, we introduced several new products, such as unique design heaters and the expansion of our EOS Spa Control App featuring a multi-cabin solution able of control eight different cabins with one single app," Kunz mentions.

The year 2022 will see significant EOS innovations, as well, such as an air disinfection device for saunas, the EOS UV Clean.

“

Less than two years ago, we set out to become the world's #1 in the global sauna and spa market. Working together, Harvia and EOS have achieved this goal.

– Rainer Kunz,
Managing Director of EOS Group

HARVIA'S BUSINESS OPERATIONS IN 2021

Harvia has further strengthened its position as a global leader in the sauna and spa market through strategic investments, new acquisitions, and organic growth.

During its 70-year history, Harvia has developed from a Finnish sauna heater manufacturer into a leading international sauna and spa company with emphasis on healing with heat, or the health benefits of sauna. Harvia's offering is truly global and its products are available in more than 80 countries. The share of international revenue increased to 79.4% (74.6) in 2021. In addition to Finland, Harvia has production facilities in China, Germany, Romania, Estonia, and the United States.

Harvia saw considerable growth in the market for sauna and spa products and experiences in 2021.

This was due to people's growing awareness and appreciation of the health benefits related to sauna and the general trend of people investing in their own wellbeing.

Harvia's successful execution of the strategy, business development efforts and operational execution, together with the underlying solid demand, delivered robust growth in all key markets and product categories, with revenue increasing to EUR 179.1 million (109.1) in 2021. Profitability increased significantly as well, with adjusted operating profit landing record high at EUR 47.3 million (24.4).

On top of the organic growth, the company strengthened its position in the sauna and spa market by acquiring still-water hot tub manufacturer Kirami and the leading supplier of sustainable and safe high-quality sauna heater stones, Sauna-Eurox. A significant milestone in further international expansion was achieved in October, as Harvia announced a distribution agreement with Bergman Ltd to enter the Japanese commercial and consumer market. The sales of EOS products in new markets also progressed, although product approvals for the North American market were delayed due to availability of certain key componentry, especially electronics. The approvals are expected to be obtained in the first half of 2022.

Global challenges in sourcing of key materials and componentry as well as logistics affected Harvia's supply chain in 2021. However, the company was able to keep the impacts on delivery times and pricing under control. While the pandemic presented some business challenges in the professional channel, the consumer market developed favorably especially in Germany, Central Europe, Finland, and Scandinavia.



CONTINUED INVESTMENTS INTO INCREASED CAPACITY AND PRODUCTIVITY

Harvia maintained good operational capability despite the pandemic and continued the systematic and continuous improvement of productivity. Substantial investments were made into expanding production and warehousing capacity in 2021. The company's US operations were transferred to a new facility in Lewisburg, West Virginia with expanded capacity and capability in November, and a new production facility with modern and upgraded machinery was installed in the Muurame factory in Finland. Harvia also invested in the expansion of the Romanian sauna factory, as well as in new machinery at the EOS factory in Driedorf, Germany, and extended Kirami's warehouse capabilities. Operational capacity was also improved by adding personnel and extending shifts. Harvia plans to continue moderate investments to further increase productivity and capacity in 2022.

PRODUCTS FOR ALL SAUNA TYPES AND CULTURES

Since its establishment in 1950, Harvia has accumulated knowhow on all sauna cultures and sauna types across the world. Harvia is an expert in traditional saunas, steam saunas and infrared saunas. Around them, the company has built a comprehensive and competitive offering which includes all products needed in the sauna, from heaters to complete advanced sauna rooms and solutions. The acquisitions of Kirami and sauna stone supplier Sauna-Eurox in 2021 further complement Harvia's extensive offering.

Harvia Group's offering has been divided into five categories: sauna heaters, sauna rooms & Scandinavian hot tubs, control units, steam generators as well as spare parts, services and other products. Harvia's revenue increased in all product groups in 2021, totaling EUR 179.1 million.



Sauna heaters

The sauna heater offering covers electric and wood-burning heaters as well as combi heaters with steam and includes all the needed accessories.

The high-quality products are safe, convenient and easy to use.

Sauna heaters is Harvia's largest product category, accounting for 49% of the revenue in 2021. Sales increased in all markets and especially in electric heaters. Of the market areas, Germany and other European countries were driving the growth.



Sauna rooms and Scandinavian hot tubs

The product category covers saunas for both indoor and outdoor use, sauna interiors, Scandinavian still-water hot tubs and all related accessories.

The product category's revenue mainly comes from the sales of sauna rooms. Barrel saunas were driving the demand in the North American market, but also sales of indoor saunas in North America and Central Europe were significant. The new product category of Scandinavian hot tubs also performed well in 2021, with main markets in Finland and Central Europe.



Spare parts, services, and other products

The product category includes, for example, sauna heater spare parts, sauna stones, steam room elements, infrared components, sound and light solutions, water hygiene products and sauna accessories, such as sauna scents, buckets, ladles as well as thermometers and sauna textiles.

Harvia also offers services such as installation and maintenance services, as well as turnkey sauna and spa projects.

Sales growth in the category was generated especially by accessories, heater stones and spa projects.

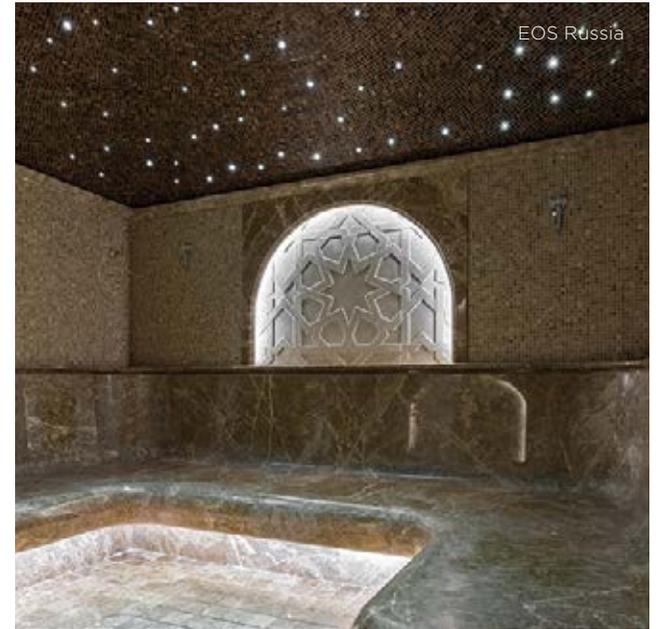


Control units

Control units are used to control electric and combi heaters, steam rooms and infrared and hybrid saunas.

Control units control temperature, running time, lighting, ventilation, sound systems and more. They control air humidity in saunas with combi heaters, steam generators in steam rooms and the infrared radiators in infrared saunas. The most advanced control units are safe and easy to operate remotely over a WiFi network - anywhere and anytime.

Revenue from control units developed favorably particularly in Germany and other European countries.



Steam generators

In a steam room, a steam generator is used to produce heat and steam.

Steam generators are used professionally in, for example, spas, hotels, and fitness clubs. The product offering also includes steam generators for residential market to create home spa experiences and environment.

Sales of steam generators developed well in other European countries and Russia in 2021.

INNOVATIONS AND NEW PRODUCTS

Harvia's passion is to innovate future sauna and spa experiences with healing heat for different sauna cultures. In 2021, Harvia continued working on cleaner burning, remote connectivity and new sauna models, resulting in completely new products and product improvements.



Harvia is shifting away from innovating purely around sauna equipment to looking at the future of sauna and spa culture and creating new experiences in line with its 'healing with heat' philosophy. Harvia provides users with a full sauna experience, including heaters, sauna cabins and sauna rooms, infrared saunas, steam generators, lighting, scents and textiles.

Harvia collaborates with an extensive ecosystem of institutions, research centers, certifying bodies, universities and experts. Harvia has also participated in several research projects to get a holistic picture of the health benefits of heat and related therapies and their opportunities to enrich the future sauna wellness experience. Harvia has cooperated, for example, with students of Aalto University in Finland and Kyoto Institute of Technology in Japan to engage international teams in innovating around the sauna.

The acquisition of still water hot tub manufacturer Kirami opened a new and interesting research area, alternating heat and cold. It is currently being studied as a path for product innovations. The companies also see opportunities in expanding the wood heated offering to electrically heated still water hot tubs.



Harvia is creating new experiences in line with its 'healing with heat' philosophy.

HACKING THE SAUNA EXPERIENCE

To expand its product innovation outside of traditional R&D, Harvia launched a hackathon in the second half of 2021. Startups, SMEs and students with fresh ideas were invited to explore two dimensions of the future sauna experience:

- 1. The Multisensory Experience** – how the sauna experience could be elevated by using wellness technologies, smart user interfaces, and digital art.
- 2. The Wellness Experience** – what kind of future wellness experiences could take care of both the user's body and mind through personalization and incorporation of latest research.

The hackathon generated seven compelling proposals and ideas that gave input to Harvia's innovation roadmap.

CLEANER BURNING

Harvia has continued to contribute to the Kiuas 2 project of the University of Eastern Finland to develop cleaner burning of wood in sauna heaters. Initiated in 2019, the project focuses on improving the burning process and its efficiency, and the results have already been utilized in Harvia's GreenFlame products. The second generation Harvia Linear GreenFlame heater was launched in 2021. In 2022, Harvia will launch new heaters enabling cleaner burning. Harvia's long-term involvement in research projects related to cleaner burning helps the company meet the ever-tightening emission requirements.

When it comes to reducing emissions, also users of wood-burning heaters play an important role. Harvia is committed to providing guidance in how people

can warm up wood-burning saunas in a proper and more environmentally friendly way. In addition to user manuals, Harvia has produced educational videos and reached out to users, for example, in social media channels.



DESIGN AND SMART SOLUTIONS

Harvia's safe and easy-to-use remote control solution for home saunas, connected to the MyHarvia application, was launched in spring 2021. MyHarvia was launched in the US market in February 2022.

EOS Group introduced several new products in 2021, such as unique design heaters, the first online configurable sauna heater, and the EOS Spa Control App featuring a multi-cabin solution able to control eight different cabins with one single app.

Harvia has also strengthened its infrared cabin offering during 2021 and will launch new solutions in 2022.

NOVELTIES 2021

HARVIA LINEAR 22 GREENFLAME

is an elegant wood-burning heater for medium-sized saunas. It ensures a clean and stable fire behind a large glass door, which creates a relaxing atmosphere in the sauna. Harvia GreenFlame fire chamber is optimized for clean burning of wood. You can now take a sauna with lower emissions than ever before.



MYHARVIA APP is a mobile application designed for remote use of the sauna. You can control and operate your sauna's heater, lighting, and ventilation remotely with a mobile device. MyHarvia can be used on multiple compatible devices. MyHarvia takes your sauna experience to a new level and brings you true freedom for using the sauna.

Easily installable **HARVIA VARIANT VIEW INDOOR SAUNA CABINS** are specially designed to help you relax and enjoy the warmth of the sauna. High-quality large glass walls on the front let in natural light and create an open and spacious feeling. Variant View is available in six configurations.





HARVIA LEGEND ELECTRIC HEATER

is the newest addition to the popular Harvia Legend product family. The compact-sized heater features a new type of construction for the heating elements, which increases their service life, protects them from wear and tear, and enables faster and more even heating of the sauna.

EOS SPA CONTROL APP provides a convenient way to control various sauna cabins, such as steam rooms, hammams and infrared cabins while on the move. A quick check of the current sauna conditions like its temperature or remaining heating time is easy with the app. Management of several cabins is also possible. Additional features include different preset profiles, which can be customized with just a few clicks.

EOS
HEAT FIDELITY



EOS Spa Control App



KIRAMI FINVISION SAUNA

is a ready, on-site module with all needed accessories. The compact-sized sauna building brings luxury to everyday life. It is made of plain sawn softwood and spruce plywood complemented by a whole glass wall. The sauna can be equipped with an electric or a wood-burning heater.

SUSTAINABILITY

As the sauna and spa market leader, Harvia wants to lead the way in the industry for more sustainable sauna experiences that promote health and wellbeing. In 2021, Harvia concentrated on developing the sustainability of its supply chain and created a sustainability program for 2022–2025.

DRIVER OF INDUSTRY-WIDE SUSTAINABILITY

Harvia is committed to contributing to a long and good life, providing safe and sustainable experiences, minimizing its carbon footprint and taking care of the wellbeing and safety of its key stakeholders.

The reporting of 2021 activities is based on the focus areas defined in 2019: environmental impacts of production, personnel, products, and a responsible Code of Conduct.

A RESPONSIBLE CODE OF CONDUCT

Harvia's own operations are guided by the Harvia Code of Conduct. It defines Harvia's approach on human rights and political activity, as well as the company's rejection of corruption, bribery or the use of child and forced labor. The Code of Conduct is part of the orientation program for new employees. According to the Employee Survey conducted in late 2021, employees are well aware of the company's guidelines and operating principles (3.58 on a scale of 1-4).

For reporting potential misconduct, Harvia has a whistleblowing channel in use in Finland. In 2021, no reports were made through the whistleblowing channel. In 2022, the channel will be made available for all stakeholders on Harvia Group's website.

MOTIVATED AND COMMITTED PERSONNEL

Harvia's personnel have shown great team spirit despite the prevailing pandemic. This positive energy is one of the key factors behind the company's success. In 2021, Harvia had personnel in Finland, Austria, Germany, China, Hong Kong, Romania, Russia, Estonia, Sweden and the United States. Continuous measures have been taken to secure the health and wellbeing of the personnel.

Harvia conducted an Employee Survey among the whole Group in late 2021. The response rate was very high, 84.7 percent. The survey showed that the personnel are highly committed to the company and value the company's agility and effectiveness. They also think that gender equality is implemented well (86 percent of respondents) and that employees of different ages are treated equally in the units the respondents work in (90 percent of respondents). The development needs and projects based on the survey results will be defined in 2022.

Employment relationships at Harvia are mostly long-term and permanent. The company trains its personnel continuously and develops its capabilities. In 2021, Harvia carried out, among others, supervisor training, first aid courses, and electrical safety training. Due to the pandemic, continuous attention was paid also to virtual and remote working skills and methods.

SUSTAINABILITY MANAGEMENT

BOARD

- Confirms and approves the sustainability program and long-term objectives.
- Monitors and regularly evaluates the development of sustainability in accordance with the sustainability program.

CEO AND GROUP MANAGEMENT TEAM

- Manage the development of sustainability, set targets and monitor the progress on a regular basis.

GROUP SUSTAINABILITY TASK FORCE

- Develops and steers the implementation of the sustainability program across the Group.
- Coordinates reporting and provides expert support.

LOCAL PRODUCTION UNITS AND BUSINESS OPERATIONS

- Implement the sustainability program and report on progress to the Group Sustainability Task Force.

EVERYONE AT HARVIA GROUP

- Is responsible for ensuring that we work in accordance with our values, Code of Conduct and sustainability commitments at all times.



Harvia has participated in the “Työkaari kantaa” project of Technology Industries of Finland in 2019–2020. Based on the key findings of the project, several concrete actions were carried out at Harvia during 2021 in Finland. A new modus operandi of regular monthly meetings between the management and supervisors was started, which has increased cooperation. The topics of the meetings have varied from current affairs to challenging leadership situations. This, in turn, has benefited the work of Harvia’s personnel forum, which deals with current personnel matters and involves different personnel groups, HR and the management.

Two thirds of Harvia’s personnel work in production. Therefore, a great effort is put into work safety and related risk management. Monitoring, reporting, as well as annual risk analyses are a key part of Harvia’s occupational safety and help the company to identify and prevent risk situations. The company also improves occupational safety by investing in machines. Concrete examples of this include new lighting and noise cancellation solutions, which improve safety and comfort, installed in Muurame’s new production facilities. Investments in machinery that increase automation replace manual, sometimes inconvenient work phases, and thus also improve safety.

No serious occupational accidents occurred involving Harvia’s personnel in 2021.

In Harvia Group, we work as one Harvia family. I can openly share my ideas with our management team. We help each other and receive recognition when we do a good job.

– Toby Liao,
Operation Manager, Harvia China

Cooperation with the colleagues in Finland and all over the world is very smooth. I feel supported and accepted by everyone. If I need help, I get it, and I try to help others whenever I can.

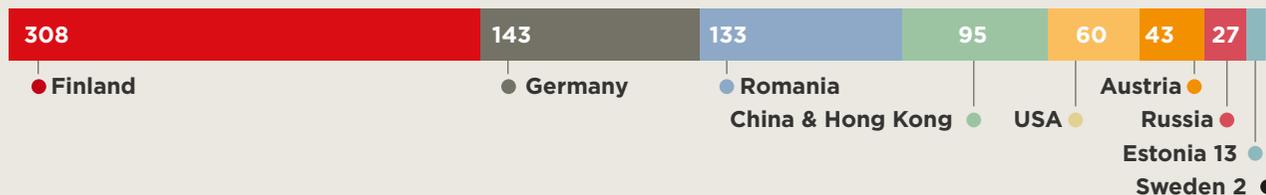
– Silke Stallinger,
HR and Purchasing, Sentiotec

SUSTAINABILITY THROUGHOUT THE SUPPLY CHAIN

Sustainability is built into Harvia’s entire supply chain and monitored at every level, covering occupational safety, waste management and energy use in production, the evaluation of suppliers’ sustainability, and optimization of loads and logistics. A key focus area in 2021 was to develop sustainability criteria and reporting related to Harvia’s suppliers. This work will continue in 2022.

Harvia requires that all its contract suppliers act responsibly and commit to the Harvia Supplier and Partner Code of Conduct, which is divided into ethics, corruption, labor force, health and safety, and environment. The company’s goal is to familiarize all

NUMBER OF PERSONNEL ON 31 DECEMBER 2021 (824)



STRUCTURE OF PERSONNEL



DISTRIBUTION OF PERSONNEL BY GENDER





its current and new suppliers and partners with the Code of Conduct. By the end of 2021, more than 80 percent of suppliers had agreed to comply with the Code of Conduct.

In Finland, Harvia uses only PEFC or FSC certified wood. In 2021, the use of FSC certified wood was extended to include also Romania. In the United States, the company has continued exploring opportunities to increase the amount of certified wood in the production facilities.

Harvia has prioritized recycling in its selection of raw materials and other materials. For example, the stainless steel supplied by its main partner, Outokumpu, is manufactured from over 90 percent recycled steel. Stainless steel itself is 100 percent recyclable.

RECYCLED STAINLESS STEEL FROM TORNIO, FINLAND

In 2017, Harvia renewed its strategy regarding material procurement and invited tenders from steel manufacturers, among others. The Finnish company Outokumpu was chosen as the supplier of stainless steel.

For decades, Outokumpu has been the forerunner of producing recycled stainless steel globally. Today, the company operates the largest recycling plant in Europe where it recycles over one million tons of recycled steel per year into new steel products. The raw material, recycled steel, originates from Finland and other parts of Europe. In 2020, the share of recycled material in Outokumpu's production was 92.5%. Due to the high amount of recycled material and high share of low-carbon electricity, combined with in-house ferrochrome production, Outokumpu's CO₂ footprint is 70% lower than the industry average.

In December 2021, Outokumpu became the first stainless steel manufacturer in the world whose climate targets have been approved by the Science Based Targets initiative aligned with keeping global warming below 1.5°C and meeting the goals of the Paris Agreement. Outokumpu's target is to reduce CO₂ emissions by 42% by 2030 from the 2016 baseline.

"Stainless steel is a superb material from the sustainability point of view. Not only is it mostly made of recycled material, but it is also 100% recyclable at the end of its life. It is long-lasting and maintains its qualities throughout its lifecycle. Stainless steel represents circular economy at its best," says Outokumpu's Juha Erkkilä, Vice President - Sustainability, Excellence and Reliability.

The characteristics of Outokumpu's stainless still fit perfectly with Harvia's sustainability efforts. Harvia is committed in manufacturing durable, long-lasting, and recyclable products.

- Circular economy: old heaters and scrap metal turn into new stainless steel and new heaters
- Stainless steel is 100% recyclable
- The share of recycled material in Outokumpu's steel is 92.5%

QUALITY AND SAFE USE OF PRODUCTS

Harvia invests in sustainability in product design, production and logistics. A durable product is sustainable in itself due to its long useful life. The products are designed to be repairable, and Harvia offers spare parts services for them. Another significant factor is the good recyclability of both the materials used in products and of the product itself. The company carries out continuous development and research to ensure that its products are always safe to use and increase the wellbeing of the users. Harvia also pays special attention to guidance in the proper use of products providing, for example, product information and facts on the website.

INDUSTRY STANDARDIZATION

Over the years, Harvia has been an active participant in the development of the industry's standardization through research projects and committees. In 2021, the company continued working in the Kiuas 2 project of the University of Eastern Finland, which aims to find ways

to reduce emissions caused by wood burning heaters. One of the project's goals was to publish a voluntary environmental label for wood burning heaters, but that was abandoned because the European Union issued a standardization request to set strict limits for the efficiency and emissions (particles, Organic Gaseous Compounds and NOx) of wood burning fireplaces and heaters. Harvia's CTO Timo Harvia acts as the Convenor of the European Committee for Standardization's Technical Committee, which is responsible for the standardization of fireplaces. A Working Group, which operates under the supervision of the Technical Committee, prepares the standards for slow heat release appliances and sauna stoves.

ENVIRONMENTAL IMPACTS OF PRODUCTION

In 2021, Harvia's emission calculation was performed for the first time in accordance with the standards and guidelines of the Greenhouse Gas Protocol (GHG). The GHG protocol is the most internationally known and used standard for calculating the carbon footprint of companies.

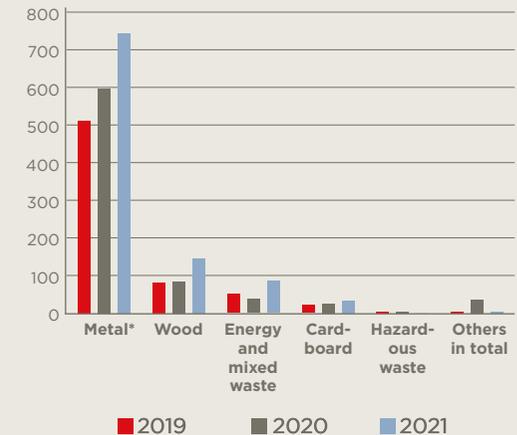


HARVIA GROUP, CO₂ EMISSIONS (tCO₂)



* Calculated according to GHG protocol, calculations are not directly comparable to previous years.

DISTRIBUTION OF RESIDUAL MATERIAL AND WASTE AT MUURAME FACTORY (tonnes)



* 100 percent of metal waste is recycled

The transition to using calculations aligned with the GHG protocol refined Harvia's emission calculation and the classification of emissions into the Scope 1 and Scope 2 categories. Comparative data for 2020 has not been restated in accordance with the GHG protocol, so the results of the 2020 and 2021 calculations are not directly comparable. Harvia's Group-level Scope 1 CO₂ emissions in 2021 were 1,269 tCO₂ (248) and Scope 2 CO₂ emissions 1,292 tCO₂ (1,771).

Harvia only uses emission-free electricity produced by 100 percent renewable energy forms in Muurame's production facility. The solar panels installed on the roof of the Muurame factory produced 124.5 MWh (55.4) of electric energy last year. The share of renewable electricity in the Harvia Group was 51 percent (57) in 2021.

Most of the residual material generated by production comes from recycled steel, of which the Muurame factory produced 743.6 tonnes last year. The amount of wood waste generated was 146.2 tonnes and energy waste 85.4 tonnes. Harvia also considers the recyclability of its products. For example, most of the material used in sauna heaters is recyclable metal, and all heaters in Finland can be returned to a recycling point for electrical and electronic devices. The waste is sorted as carefully as possible and delivered to appropriate processing or recycling. For example, 100 percent of the metal waste is recycled.

Compared to the previous year, the amount of waste produced in the Muurame factory increased due to substantially higher production volumes in 2021.

SUSTAINABILITY PROGRAM 2022-2025

In 2021, Harvia defined its sustainability commitments for 2022-2025. The process included mapping of stakeholders and their needs, data gathering, benchmarking, and a materiality analysis, which provided information for target setting. Harvia partnered with a well-established ESG expert to carry out a review of the current CO₂ impact. The results

showed that Harvia's starting point for decreasing the CO₂ footprint is very good, and the company is committed to continuous improvement.

Based on the research phase, four commitments that serve both people and the planet were identified:

#1 FOR GOOD AND HEALTHY LIVING

- We create a positive impact on the health and longevity of people with our offering.
- We actively share science-based information on the health benefits of heat and promote the healthy regimen of using the sauna regularly.

#2 FOR SUSTAINABLE EXPERIENCE & ENJOYMENT

- We actively guide our end users in responsible use of our products.
- We invest in research and development of products that reduce emissions and optimize energy consumption.
- We use sustainable and sustainably sourced materials.

#3 FOR MINIMIZING OUR ENVIRONMENTAL FOOTPRINT

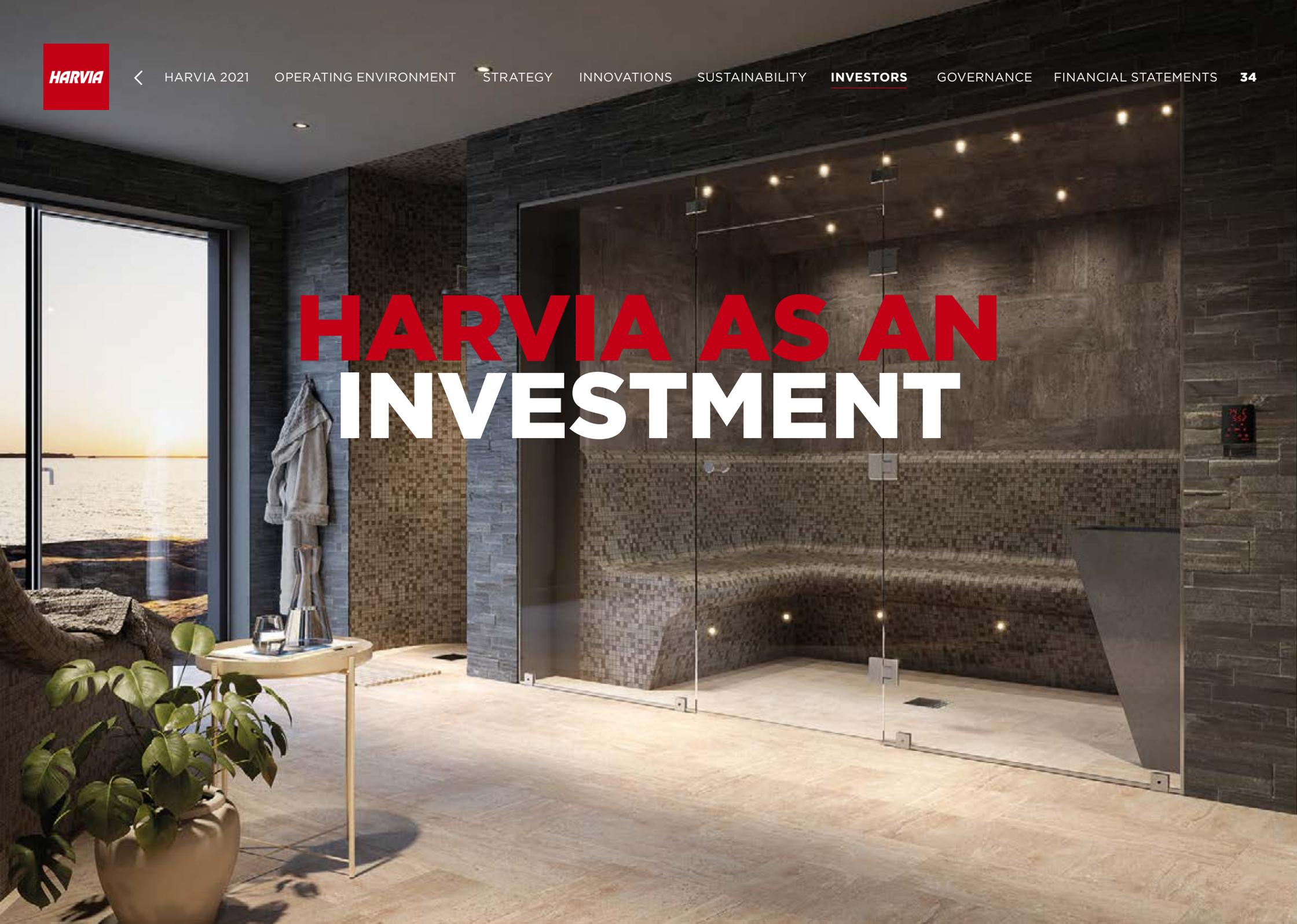
- We strive to reduce the greenhouse gas emissions of our operations to limit global warming and contribute to global efforts in safeguarding the environment.

#4 FOR SAFE AND WARM COMMUNITY

- We believe that by collaborating and supporting each other we create wellbeing and long relationships with everyone from our employees to customers and partners.
- We look after the safety, equality, and competence development of our people.



HARVIA AS AN INVESTMENT



Harvia is a leading global player in the sauna and spa market, with a growing shareholder base.

In 2021, Harvia welcomed 20,328 new shareholders. At the year-end, Harvia had 33,879 shareholders in total, including nominee registers. The market capitalization of Harvia was EUR 1,097 million at the end of 2021, up by EUR 639 million from the previous year.

The cornerstones of Harvia as an investment:

STEADILY GROWING SAUNA AND SPA MARKET

- Global market potential: sauna and spa market is approximately four billion euros and the market is highly fragmented. About 50% of that is direct labor related to installations, local production and service. Harvia is not active in that part of the business internationally.
- Historically, the international sauna and spa market has been very resilient: replacement demand in the traditional sauna market is strong.
- Historically, the global market has been growing on an average 5% per year. Currently, the market is experiencing considerable growth due to increasing awareness and appreciation of the health benefits of sauna and the general trend of investing in and relaxing at home, which has been further accelerated by the COVID-19 pandemic. Harvia's management estimates that somewhat higher than historical average market growth rates will continue in the medium term, for the next couple of years.



STRONG POSITION IN MAIN MARKETS

- Harvia is the leading player in its main markets. In 2021, the key markets included Finland (21% of revenue in 2021), other European countries (28%), North America (16%), Germany (20%), Russia (6%) and Scandinavia (5%).
- The company's market position has historically been particularly strong in large markets focused on traditional sauna culture. According to the management's estimate, Harvia's share of the global sauna and spa market is about 5%, and the Group has an estimated market share of 20% in sauna heaters and components.
- Systematic work to expand geographical coverage is carried out through both organic growth and acquisitions. In line with its strategy, Harvia continues to actively explore opportunities to grow through acquisitions.

STRONG BRAND, COMPREHENSIVE PRODUCT OFFERING AND FUTURE INNOVATIONS

- Harvia's brands are Harvia, Almost Heaven Saunas, EOS, Kirami, and Sentiotec. The brand awareness and position of the Harvia brand is strong in the company's main markets.
- Harvia is the most often recognized international sauna brand internationally. The comprehensive product offering, in line with Harvia's healing with heat philosophy, is constantly developed to meet the needs of the international sauna and spa market, targeting professionals and consumers alike. The product offering comprises all sauna types and different price ranges.
- The cutting-edge product portfolio is supported by a wide array of development projects in which current themes include the cleaner burning of wood and utilizing digital technologies in enhancing wellness and sauna experiences.

EFFICIENT BUSINESS MODEL

- Harvia demonstrates production and operational efficiency enhanced by the company’s long experience and expertise in the industry, close cooperation between sourcing, production, product development and sales, and modern production facilities.
- Operational efficiency and productivity are constantly developed by, for example, concentrating operations and streamlining production processes, offering and logistics. Sustainability across the value chain is one of the focus areas.
- Harvia’s business is very capital efficient due to typically low investment needs, efficient and modern production facilities as well as a flexible production model.
- In 2021, Harvia invested EUR 11.8 million especially into increasing the capacity and productivity of the heater and sauna production process: facilities were expanded and new machinery acquired in Harvia’s factories in Finland, the Unites States, Romania, and China, as well as the EOS factory in Germany.

LONG-STANDING CUSTOMER RELATIONSHIPS AND DIVERSE DISTRIBUTION CHANNELS

- The large and diverse customer base consists of sauna specialist stores, retail stores, wholesalers, sauna integrators and sauna builders, DIY chains as well as construction companies.
- Products are sold globally mainly via the distributor network as well as directly to end users through Harvia’s webstore, like Almost Heaven Saunas’ almostheaven.com. Kirami also has a webstore for its products.
- Continuously expanding the distributor network in order to gain a more diverse customer base in the current markets as well as expanding geographically are at the core of Harvia’s strategy.

STRONG PROFITABILITY AND CASH FLOW

- In addition to strong organic growth and business acquisitions increasing revenue, the profitability of Harvia’s business has historically been good. In 2021, the adjusted operating margin was 26.4%.
- Stability of the business, typically strong cash conversion and low investment needs together with the company’s performance create a solid foundation for profitable growth and the ability to distribute dividends.
- Resiliency: it is estimated that approximately 80% of heater and equipment sales is replacement sales. The same corresponding replacement rate in sales of sauna rooms is lower, but still in the range of 60%.

Financial targets

	TARGET	2021
GROWTH	> Average annual revenue growth of more than 5%	> 64.2% in total, with acquisitions 43.3% organic growth
PROFITABILITY	> Adjusted operating profit margin exceeding 20% ¹⁾	> 26.4%
LEVERAGE	> Net debt per adjusted EBITDA in the range of 1.5x–2.5x ²⁾	> 0.8

1) Adjusted operating profit is operating profit before items affecting comparability.
 2) Does not take into account the effect of future changes in IFRS standards.

Dividend policy

- > Regularly increasing dividends
- > Bi-annual payout
- > Dividend proposal for the financial year 2021 is **EUR 0.60** per share. Earnings per share were **EUR 1.80**.

SKILLED AND EXPERIENCED MANAGEMENT TEAM AND PERSONNEL

- The extensive experience of Harvia’s management in the sauna and spa business and in the B2B and consumer goods market generates a significant competitive advantage in the market.
- The management’s solid expertise in business integrations combined with the personnel’s ability to adapt to change creates a strong foundation for Harvia’s journey towards global market leadership.

INVESTOR INFORMATION

Harvia’s shares are listed on the official list of Nasdaq Helsinki in the Mid Cap segment. Harvia has one class of shares, and the trading code is HARVIA.

Harvia’s investor relations

In its communications, Harvia strives to ensure that all its stakeholders have access to information that is material and sufficient to support the valuation of Harvia’s financial instruments. All material information is disclosed simultaneously and equally to all stakeholders. Please find additional information and Harvia’s IR contact details on our website www.harviagroup.com.

ANNUAL GENERAL MEETING 2022 AND DIVIDEND PROPOSAL

Harvia’s Annual General Meeting will be held on 7 April 2022.

The Board of Directors of Harvia proposes to the Annual General meeting that EUR 0.60 per share be paid as dividend for the financial year 2021. The board proposes that the dividend is to be paid in two instalments, EUR 0.30 in April 2022 and EUR 0.30 in October 2022.

Please find additional information on Harvia’s website at www.harviagroup.com.

Harvia’s share price development 2021, EUR



Harvia’s financial reporting in 2022

- 5 May 2022: January–March 2022 interim report
- 11 August 2022: January–June 2022 half-year financial review
- 3 November 2022: January–September 2022 interim report

The background image shows the interior of a wooden sauna. The walls and floor are made of dark wood. Two vertical glass doors with wooden frames are visible, through which a bright red glow from the sauna heaters is seen. A grey knitted blanket is draped over a wooden bench in the foreground.

GOVERNANCE AND REMUNERATION 2021

CORPORATE GOVERNANCE STATEMENT 2021

INTRODUCTION

Harvia Plc's ("Harvia" or "the company") corporate governance complies with the Finnish Limited Liability Companies Act and Securities Markets Act, regulations concerning listed companies, the company's Articles of Association, and rules and regulations of Nasdaq Helsinki Ltd. The Company also adheres to the Finnish Corporate Governance Code 2020 set by the Securities Market Association (cgfinland.fi).

The Corporate Governance Statement is issued separately from the company's Report of the Board of Directors, and it is published together with Harvia's Report of the Board of Directors, Financial Statements and Remuneration Report for 2021 on the company website at www.harviagroup.com.

HARVIA'S GOVERNING BODIES

Harvia's governing bodies comprise the Annual General Meeting, the Board of Directors, and the CEO. The General Meeting of shareholders is the highest decision-making body of the company. The Board of Directors and the CEO are responsible for the management. The Management Team assists the CEO in managing the company and the group.

ANNUAL GENERAL MEETING

The General Meeting of shareholders is the highest decision-making body of Harvia that decides on matters stipulated by the Finnish Limited Liability Companies Act and the Company's Articles of Association. In the General Meeting, all shareholders of the company are entitled to raise questions and propose resolutions regarding issues on the agenda. Harvia has one share class, and every share entitles to one vote in the General Meeting.

The Annual General Meeting is held annually on the date set by the Board of Directors within six months of the end of the financial period. An Extraordinary General Meeting can be convened to discuss a specific issue if the Board of Directors deems it necessary or it is otherwise required by law. Harvia's General Meeting is held in Muurame, where the Company is registered, or in Helsinki, and is convened by the Board of Directors. The Annual General Meeting decides on

- adoption of the financial statements and use of profit shown in the balance sheet;
- discharging of the members of the Board of Directors and the CEO from liability;
- election and remuneration of the members of the Board of Directors;

- election and remuneration of the auditor;
- changes to the Articles of Association;
- purchase of own shares;
- a share issuance or issuance of other specific rights entitling to shares as well as authorization for the Board of Directors to resolve these matters.

The notice of the General Meeting is published on the company's website or by a newspaper announcement which is published in at least one widely circulated daily newspaper chosen by the Board of Directors. The notice shall be delivered to shareholders no earlier than three months and no later than three weeks before the meeting, and in any case at least nine days before the record date.

To be entitled to participate in the General Meeting, a shareholder needs to be registered in the company's shareholder register at least eight (8) business days prior to the General Meeting as well as register their participation in the meeting in the manner specified in the meeting notice. Holders of nominee-registered shares may also attend the General Meeting by temporary registration in the company's shareholder register. A shareholder may attend the General Meeting either in person, or via a representative authorized by the shareholder.

2021 Annual General Meeting

Harvia's Annual General Meeting was held on 8 April 2021 in Helsinki. 105 shareholders were represented in the meeting, representing a total of 9,643,449 shares and votes, which amounted to 51.6% of all shares and votes.

In order to limit the spread of the COVID-19 pandemic, the Annual General Meeting was held without shareholders' and their proxy representatives' presence at the meeting venue. The shareholders and their representatives could participate in the Annual General Meeting and use their shareholder rights only by voting in advance and by submitting counterproposals and by asking questions in advance.

The Board of Directors had resolved on the exceptional meeting procedure pursuant to the Temporary Act (677/2020). The minutes of the Annual General Meeting are available on the company website.

BOARD OF DIRECTORS

According to Harvia's Articles of Association, the company's Board of Directors consists of three to six members. The members are elected in the Annual General Meeting for a one-year term which expires at the end of the Annual General Meeting following their election. The Board of Directors elects a Chairperson from among its members.

The majority of the Board members shall be independent of the company, with at least two of these members also being independent of the major shareholders of the company. The Board of Directors assesses its members' independence of the company and its major shareholders annually and as needed, in accordance with the criteria set in the Finnish Corporate Governance Code. In the selection of members, attention shall be paid to members' mutually complementary experience and competence in the company's field of business and development stage.

Duties of the Board of Directors

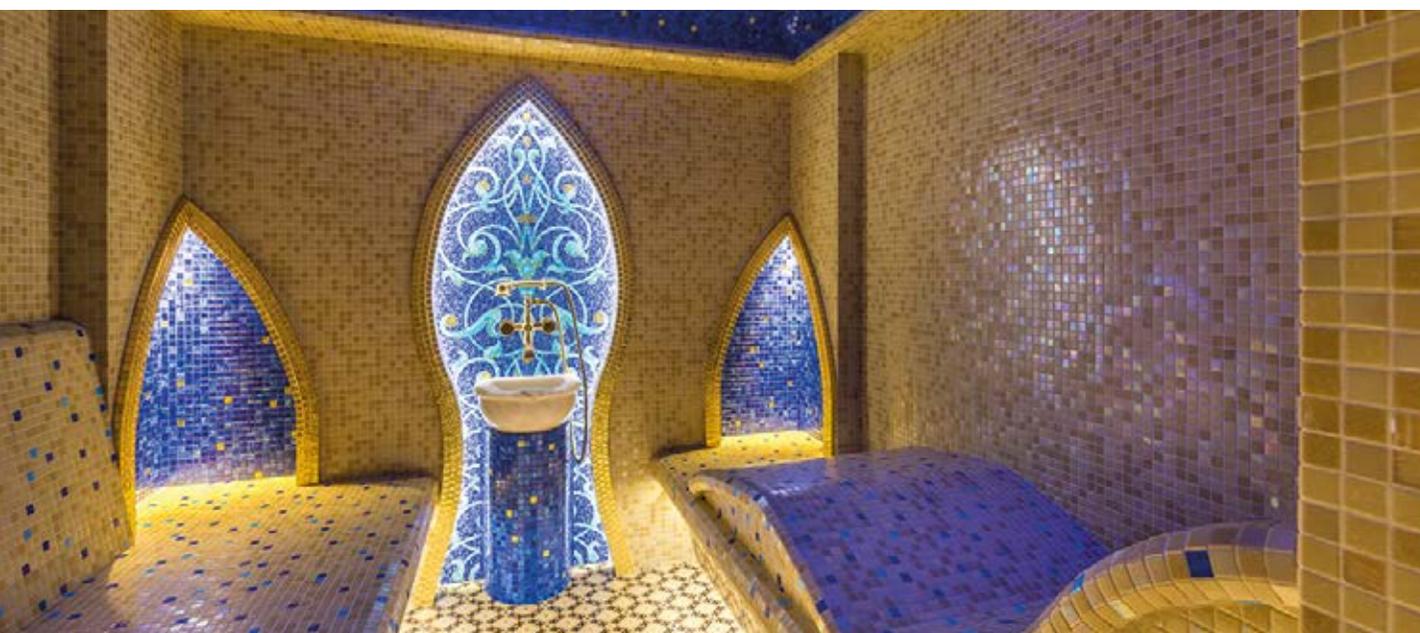
The duties and activities of the Board of Directors are defined by the Finnish Limited Liability Companies Act, the Finnish Corporate Governance Code 2020, other applicable legislation, Harvia's Articles of Association and the Rules of Procedure of the Board of Directors.

The key duties and operating principles of the Board of Directors are defined in the Rules of Procedure of the Board of Directors. The Board of Directors approves Harvia's strategy and supervises its implementation. The duties of the Board of Directors include

- approving the Company's financial statements and interim reports and monitoring the appropriateness of accounting and the Company's financial management;
- deciding on significant loans, acquisitions, and investments;
- approving the annual and long-term business plans and budgets as well as the principles of risk management;
- deciding on the principles according to which the management may make decisions regarding investments, acquisitions and divestments and issuing of guarantees;
- approving the Group's long- and short-term remuneration schemes and their realization; and
- appointing Harvia's CEO and deciding on the terms of the CEO's service contract.

The Board of Directors in 2021

In 2021, the members of the Board of Directors between 1 January and 8 April 2021 were Olli Liitola (Chairperson), Ja Adlercreutz, Ari Hiltunen, Kalle Kekkonen and Sanna Suvanto-Harsaae.



THE BOARD OF DIRECTORS ON 31 DECEMBER 2021



OLLI LIITOLA

- Chairperson and member of the Board of Directors 2014–
- Member of the Board’s Audit Committee, Chairperson of the Board’s Audit Committee 2018–2021
- Master of Science in Engineering
- Born 1957, Finnish citizen
- Main occupation: Board professional
- Harvia Plc’s shares on 31 December 2021: 46,000



**SANNA
SUVANTO-HARSAAE**

- Deputy Chair of the Board of Directors 2021–, member of the Board 2020–
- Chairperson of the Board’s Audit Committee 2021–, member 2020–
- Bachelor of Science (Business Administration)
- Born 1966, Finnish and Danish citizen
- Main occupation: Board professional
- Harvia Plc’s shares on 31 December 2021: 350



IA ADLERCREUTZ

- Member of the Board of Directors 2016–
- Master of Arts, Master of Business Administration (MBA)
- Born 1971, Finnish citizen
- Main occupation: CEO of Co-founders Oy
- Harvia Plc’s shares on 31 December 2021: 9,966



ANDERS HOLMÉN

- Member of the Board of Directors 2021–
- Master of Science in Economics and Business Administration
- Born 1977, Finnish citizen
- Main occupation: CEO of Fyrklöver-Invest Oy Ab 2013–
- Harvia Plc’s shares on 31 December 2021: 1,200



HILLE KORHONEN

- Member of the Board of Directors 2021–
- Member of the Board’s Audit Committee 2021–
- Licentiate of Science (Technology)
- Born 1961, Finnish citizen
- Main occupation: Board professional
- Harvia Plc’s shares on 31 December 2021: 4,621

The resumés of the members of the Board of Directors are available on the company’s investor website at www.harviagroup.com. All members of the Board of Directors are independent of the company and its major shareholders.

The Annual General Meeting on 8 April 2021 elected the members of the Board of Directors for a term that expires at the end of the next Annual General Meeting. Olli Liitola, Ia Adlercreutz and Sanna Suvanto-Harsaae were re-elected as members. Hille Korhonen and Anders Holmén were elected as new members. After the Annual General Meeting, the organizational meeting of the Board of Directors elected Olli Liitola as its Chairperson. Sanna Suvanto-Harsaae was elected as Deputy Chair of the Board.

In 2021, the Board of Directors focused in its work especially on the company's growth strategy, acquisitions as well as monitoring the pandemic and its effects on business operations. In 2021, the Board of Directors held a total of 18 meetings. Information about the attendance of the members of the Board of Directors in meetings is shown in the table below.

Independence of the members of the Board of Directors

In accordance with the Corporate Governance Code, the majority of the Board members shall be independent of the company. At least two of these members shall also be independent of the major shareholders of the company.

The Board of Directors assesses its members' independence of the company and its major shareholders annually. In 2021, the members of the Board of Directors, elected in the Annual General Meeting on 8 April 2021 were deemed to be independent of the company and its major shareholders based on an assessment of independence in accordance with the Finnish Corporate Governance Code.

Self-assessment

The Board of Directors assesses its operations and ways of working annually as an internal self-assessment. The self-assessment was carried out also in 2021. The Board of Directors conducted the self-assessment in November 2021. The self-assessment focused on the company's goals and strategy, investment decisions, the interaction between the Management Team and the Board, the management model and organization of the company, reporting and control, as well as the general efficiency of the Board's work. The results of the self-assessment were examined by the Chairperson of the Board together with the Board members and the Management Team in November 2021.

Diversity of the Board

Harvia's Shareholders' Nomination Board takes into account the principles concerning the Board of Directors' diversity in its work and its proposals. A person elected as a member of Harvia's Board of Directors must have qualifications required for the task as well as adequate availability for carrying out the duties of a Board member. When electing Board members, attention shall be paid to members' mutually complementary experience and competence from the perspective of the company's field of business and development stage.

Varied professional and educational backgrounds support the diversity of the Board.

The goal is to promote gender equality in the selection of Board members. When electing Board members, the objective is to ensure that the Board of Directors as a whole enables efficient management of the Board's responsibilities and supports the development of Harvia's business.

In 2021, both genders were represented in the company's Board of Directors. There are three women and two men among the five Board members elected by the Annual General Meeting in April 2021.

Member	Board of Directors Attendance	Attendance %	Audit Committee Attendance	Attendance %
Olli Liitola, Chair of the Board	18/18	100%	7/7	100%
Sanna Suvanto-Harsaae, Deputy Chair of the Board	17/18	94%	7/7	100%
Ia Adlercreutz	18/18	100%		
Anders Holmén (from 8 April 2021)	14/14	100%		
Hille Korhonen (from 8 April 2021)	14/14	100%	6/6	100%
Ari Hiltunen (until 8 April 2021)	4/4	100%		
Kalle Kekkonen (until 8 April 2021)	4/4	100%	1/1	100%

AUDIT COMMITTEE

To enhance the efficiency of its work, the Board of Directors has set up an Audit Committee. The Committee has no independent decision-making authority; it functions as a preparatory body, and the matters it addresses are brought to be decided on by the Board of Directors.

The Board of Directors annually elects from among its members the chairperson and members of the Committee and confirms its written Rules of Procedure. The Audit Committee consists of a minimum of three Board members. The majority of the members of the Committee shall be independent of the company, with at least one member also being independent of the major shareholders of the company. At least one member of the Audit Committee shall also have expertise in accounting or auditing.

According to its Rules of Procedure, the Audit Committee sees to the financial reporting and auditing of the company, and its duties consist particularly of monitoring and assessing

- the company's financial reporting system;
- the efficiency of its internal control and audit as well as that of the risk management systems;
- the independence of the auditor and especially the non-auditing services provided by the auditor.

In addition, the Audit Committee is tasked with monitoring the company's audit and preparing the selection of the company's auditor.

Audit Committee in 2021

In 2021, the members of the Audit Committee between 1 January and 8 April 2021 were Olli Liitola, Kalle Kekkonen and Sanna Suvanto-Harsaae. The Board of Directors, appointed in the Annual General Meeting on 8 April 2021, elected from its members Sanna Suvanto-Harsaae (Chairperson), Hille Korhonen and Olli Liitola as members of the Audit Committee.

In its meeting on 8 April 2021, the Board of Directors decided that matters relating to the remuneration of the company's management will be prepared by the Audit Committee in future to increase efficiency of the Board's work.

In 2021, the Audit Committee convened seven times. The members' attendance in the meetings is described in the table on page 42. In 2021, the Audit Committee focused in its work on risk management, financing, the development of reporting as well as remuneration.

SHAREHOLDERS' NOMINATION BOARD

The Annual General Meeting of Harvia, held on 2 April 2020, decided on establishing a Shareholders' Nomination Board to prepare proposals concerning the election and remuneration of the Board members, as well as the remuneration of the members of the various Board committees, to be submitted to future Annual General Meetings and to any Extraordinary General Meetings where necessary.

The Shareholders' Nomination Board consists of representatives appointed by the company's four largest shareholders.

Each year, those four shareholders that hold the largest share of the votes conferred by all shares in the company on the first working day of the September preceding the applicable Annual General Meeting pursuant to the shareholders' register maintained by Euroclear Finland Ltd will be entitled to appoint members that represent the shareholders.

The Chairperson of the Board of Directors will convene the first meeting of each term of office of the Shareholders' Nomination Board, and the representative of the largest shareholder will be appointed as the Chair of the Shareholders' Nomination Board, unless the Nomination Board specifically decides otherwise.

The Shareholders' Nomination Board must submit its proposal to the company's Board of Directors on an annual basis and at the latest on 31 January preceding the applicable Annual General Meeting.

On 10 September 2021, Harvia announced that the following persons were appointed as members of the Shareholders' Nomination Board:

- Juho Lipsanen (Onvest Oy)
- Heikki Savolainen (WestStar Oy)
- Pertti Harvia (Tiipeti Oy)
- Annika Ekman (Keskinäinen Eläkevakuutusyhtiö Ilmarinen).

Olli Liitola, Chairperson of the company's Board of Directors, serves as an expert in the Nomination Board but is not a member.

The Shareholders' Nomination Board held a total of six meetings. All members participated in all meetings.

On 31 January 2022, the Nomination Board submitted its proposals for the composition and remuneration of the Board of Directors and the remuneration of the members of the Board's committees to Harvia's Board of Directors.

CEO

The CEO is responsible for the day-to-day management of the company. The CEO is responsible for ensuring that the targets, plans, guidelines and goals set by the Board are carried out within Harvia. According to the Finnish Limited Liability Companies Act, the CEO ensures that the accounting practices of the company comply with the law and that asset management is arranged in a reliable manner.

The Board of Directors appoints and, if necessary, dismisses the CEO and decides on the CEO's terms of service, defined in a written service contract approved

by the Board. The CEO is appointed for the post until further notice. The Board of Directors evaluates the CEO's work and performance in achieving the assigned targets. The CEO cannot be elected as Chairperson of the Board of Directors.

Tapio Pajuharju acts as the CEO of Harvia, appointed by the Board of Directors. The CEO's financial benefits are introduced in the 2021 remuneration report.

THE GROUP'S MANAGEMENT TEAM

The Management Team supports the CEO and is responsible for the development and operational management of the Group and its business, in accordance with the goals set by the Board of Directors and the CEO. The Management Team also defines the operating principles and procedures in line with the direction given by the Board of Directors. The Management Team convenes monthly and when needed and focuses on strategic questions concerning the Group and its businesses. Questions and reports concerning financial development, governance, corporate responsibility and development projects are regularly on the agenda. The CEO acts as the chairperson of the Group's Management Team.

In 2021, the Management Team focused in its work especially on growth management, ensuring the delivery capability, and other aspects of implementing the strategy.

The resumés of the members of the Management Team are available on the company's investor website at www.harviagroup.com.

MEMBERS OF THE MANAGEMENT TEAM ON 31 DECEMBER 2021

TAPIO PAJUJARJU
CEO



- Master of Science in Economics and Business Administration
- Born 1963, Finnish citizen
- CEO and member of the Management Team 2016–
- Member of the Board of Directors of Harvia in 2014–2016
- Harvia Plc's shares on 31 December 2021: 255,233

ARI VESTERINEN
Chief Financial Officer



- Master of Science in Engineering and a Master of Business Administration (MBA)
- Born 1963, Finnish citizen
- CFO and member of the Management Team 2014–
- Harvia Plc's shares on 31 December 2021: 139,375

DAVID AHONEN
Export Director



- Vocational qualification in business and administration
- Born 1966, Finnish and UK Citizen
- Export Director 2016-, member of the Management Team 2014-
- Harvia Plc's shares on 31 December 2021: 124,178

TIMO HARVIA
Director, Research & Development and Quality



- Master of Science in Engineering
- Born 1978, Finnish citizen
- Director, Research & Development and Quality 2016-, member of the Management Team 2014-
- Harvia Plc's shares on 31 December 2021: 133,236

TOMAS HJÄLMEBY
Sales Director, Scandinavia



- Technical education and professional experience in construction of wooden houses
- Born 1968, Swedish citizen
- Sales Director in Scandinavia 2018-, member of the Management Team 2018-
- Harvia Plc's shares on 31 December 2021: 1,500

PÄIVI JUOLAHTI
Vice President, Innovation and Marketing



- Master of Science in Economics and Business Administration
- Born 1976, Finnish citizen
- Member of the Management Team 2020-
- Harvia Plc's shares on 31 December 2021: 1,000

RAINER KUNZ
Managing Director of EOS Group



- Legal studies
- Born 1964, German citizen
- Member of Harvia's Management Team 2020-, CEO of EOS Group 2013-
- Harvia Plc's shares on 31 December 2021: 35,556
- 21.4% ownership in EOS Group's German companies

ANSSI PELKONEN
Sales Director, Finland



- Vocational qualification in business and administration
- Born 1964, Finnish citizen
- Sales Director in Finland, member of the Management Team 2014-
- Harvia Plc's shares on 31 December 2021: 65,000

MIKA SUOJA
Production and Sourcing Director



- Master of Engineering degree
- Born 1975, Finnish citizen
- Production and Sourcing Director, member of the Management Team 2016-
- Harvia Plc's shares on 31 December 2021: 35,062

MARKUS WÖRMANSEDER
Sales Director, Central Europe



- Technical chemistry, Johannes Kepler University Linz, Austria
- Born 1974, Austrian citizen
- Sales Director, Central Europe and member of the Management Team 2017-, Managing Director of Sentiotec GmbH 2007-
- Harvia Plc's shares on 31 December 2021: 126,000

PRINCIPLES OF INTERNAL CONTROL AND RISK MANAGEMENT RELATED TO THE FINANCIAL REPORTING PROCESS

Harvia compiles its financial reporting in accordance with the International Financial Reporting Standards (IFRS), the Finnish Securities Markets Act, the Finnish Accounting Act and the guidelines and statements of the Finnish Accounting Board, while also complying with the rules and regulations of the Financial Supervisory Authority and the rules of the Helsinki Stock Exchange. The principles, instructions, practices and areas of responsibility in internal auditing and risk management relating to the Company's financial reporting process are aimed at ensuring that the Company's financial reporting is reliable and that the financial statements have been prepared in accordance with applicable laws, regulations and the Company's operating principles. Harvia's financial reporting is supervised on two levels, in a separate company and at the Group level. On both levels, control measures and analyses are carried out to ensure the validity of financial reporting.

The Audit Committee of the Board of Directors is responsible for overseeing the financial reporting process.

OVERVIEW OF RISK MANAGEMENT

Risk management is part of Harvia's business management. Harvia Group's risk management is guided by the Risk Management Policy. The purpose of risk management is to promote the identification of risks and their preventive management, to ensure an adequate level of risk management, and to include risk management as part of the company's business. Harvia has a group-level risk assessment and reporting model. The Group carries out a comprehensive risk

assessment annually, in which the most relevant risks to the realization of the Group's strategy or other objectives are evaluated based on their likelihood and impact on business operations. The annual risk assessment also evaluates the company's risk management measures. The Group's Management Team is responsible for the risk assessment. If needed, the risk assessment is updated, for example, for the risk assessment included in interim reports. The results of the risk assessment are reported to the Group's Board of Directors.

The Group's Management Team is responsible for the execution of risk management. The Audit Committee of the Board of Directors supervises the efficiency and expediency of the Group's risk management.

INTERNAL CONTROL AND AUDIT

The objective of internal control at Harvia is to ensure the realization of the Company's strategic, financial, operational and procedural targets, and to ensure compliance with applicable laws and regulations in the Group. The Group's internal control is an essential part of business management and of ensuring that the set objectives are reached. The Group aims to organize internal control efficiently, so that any deviations from targets can be detected as early as possible or that they can be prevented.

Harvia's tools of internal control include internal policies, guidelines and instructions, together with manual controls as well as controls built into systems. In addition, internal control is implemented in the form of various monitoring reports and meetings.

The Board of Directors of Harvia is responsible for organizing the internal control and the Audit Committee oversees the efficiency of internal control.

The Group Management Team and the CEO of each Group company are responsible for the Group having functioning control procedures in use.

Harvia Group does not have its own internal audit function. The Board of Directors will annually assess the need for internal audit procedures and, if needed, may use internal company resources or external service providers for internal audit measures.

RELATED PARTY TRANSACTIONS

Harvia's Board of Directors has defined the principles for monitoring and evaluating related party transactions. The Group maintains a related party list intended to identify transactions that involve a person considered as a related party to Harvia. Harvia's related parties include the key management personnel: the Board of Directors and the Management Team and their close family members as well as the companies under the control of the managers.

Harvia's Board of Directors processes any significant related party transactions. The company's Board of Directors resolves on significant transactions carried out with Harvia's management and its related parties. The Board of Directors also resolves on possible related party transactions that do not fall within the company's regular business or are not carried out with regular market terms.

In 2021, the company had no related party transactions that were significant to the company and deviated from its regular business or were carried out on other than normal market terms. Related party transactions carried out in the ordinary course of business were related to purchased services.

INSIDER MANAGEMENT

Harvia complies with the Market Abuse Regulation ((EU) No. 596/2014, "MAR"), including its amendments, and regulations issued under it, instructions issued by the authorities, including the insider guidelines of Nasdaq Helsinki Ltd. In addition, the company has supplemented Nasdaq Helsinki Ltd's insider guidelines with its own insider guidelines.

The company maintains a list of employees and service providers who have access to insider information. The company's insider list comprises one or more project-based insider lists. The company has estimated that it does not have insiders who would require a separate supplement to the insider list.

The company has appointed a person in charge of insider issues, who is responsible for maintaining insider lists, handling trading restrictions and the management of the obligation to notify and disclose transactions, internal communications related to insider issues, training on insider issues and the supervision of insider issues.

Harvia has internal procedures for publishing insider information, possible delayed disclosure of insider information and maintaining project-specific insider lists.

Harvia observes the trading ban on managers (closed window) specified in MAR article 19(11). In addition, the Company has separately defined specific individuals who participate in preparing financial reports, or who have access to information related to such reports, as being restricted by a trading ban of similar length and content (closed window). The closed window begins 30 days prior to the publication of a financial statement bulletin, half-year report or interim report.

Harvia uses an internal reporting channel that enables anonymous reporting of suspected violations of rules and regulations concerning financial markets. In 2021, no suspected violations were reported through the reporting channel. In the beginning of 2022, Harvia will introduce an external reporting channel on its website.

Management transactions

Harvia has determined that managers whose transactions shall be notified include members and deputy members of the Board of Directors, the CEO, and other members of the Management Team. These persons and their closely associated persons are required to notify the company and the Financial Supervisory Authority of every transaction conducted on their own account relating to the shares, debt instruments, derivatives or other financial instruments of Harvia. Harvia discloses the information via a stock exchange release without delay, at the latest within three business days following the execution of the transaction.

Managers may not conduct any transactions on their own account or on the account of a third party, directly or indirectly, relating to Harvia's shares, debt instruments, derivatives or other financial instruments during a closed period of thirty (30) calendar days before the publication of an interim report, half-year report or financial statements.

AUDIT

The statutory audit covers the company's accounting, financial statements and administration for the financial year.

In addition to the annual auditor's report, the auditors regularly report their auditing observations to the Board of Directors and participate in the meetings of the Board's Audit Committee.

The company shall have an auditor which is an auditing organization approved by the Finnish Patent and Registration Office. The term of the auditor expires at the conclusion of the Annual General Meeting following their election.

The company's Audit Committee prepares a proposal on the auditor and the remuneration of the auditor to the General Meeting. The General Meeting elects the auditor and decides on their remuneration.

Audit in 2021

PricewaterhouseCoopers Oy acted as the company's auditor in 2021 with Markku Launis, Authorized Public Accountant, acting as the principal responsible auditor. The audit fees paid to PricewaterhouseCoopers Oy in 2021 totaled EUR 139 thousand. Of the fees paid, EUR 103 thousand were fees for a statutory audit and EUR 35 thousand comprised other fees. The other fees were related to tax advisory. Audit fees paid to other auditors totaled EUR 70 thousand.

REMUNERATION REPORT 2021

DEAR SHAREHOLDER,

I present Harvia's Remuneration Report for 2021 on behalf of the company's Board of Directors. The Remuneration Report has been drafted in accordance with the Finnish Corporate Governance Code 2020 of the Securities Market Association and other regulation. The Remuneration Report will be presented at Harvia's Annual General Meeting 2022 for an advisory vote.

Harvia's key principles of remuneration

The key principles of remuneration at Harvia are that remuneration is transparent and market-oriented and that it rewards good performance. The remuneration policy applicable to the company's Board of Directors and CEO aims to encourage and reward for operating in accordance with the company's strategy and rules, and to motivate them to contribute to the success of the company. Ultimately, the objective is to promote the long-term profitability and competitiveness of the company. Harvia also aims to be a competitive employer to employees regardless of their job description.

In addition to the monthly salary, variable remuneration plays a significant part in the remuneration of the CEO. Variable remuneration consists of the annually determined short-term performance bonus and the long-term share-based incentive program. The elements of variable remuneration ensure the connection

between performance and remuneration. The Board of Directors set the performance criteria and related targets for the short- and long-term incentive programs.

2021, a strong year of growth

The past year has been excellent for Harvia: revenue had a strong increase of 64.2 percent to EUR 179.1 million. Our profitability was at an outstanding level – the adjusted operating profit nearly doubled to EUR 47.3 million. This was also a year of significant investment activities for Harvia. The company invested a total of EUR 11.8 million in expanding capacity and improving productivity. The impact of the investments will be fully evident from the year 2022 onwards.

These figures are impressive. I would like to thank the management and every employee of Harvia for the accomplishments of 2021. Especially our personnel in production, sourcing, and distribution have showcased their adaptability in the midst of strong growth, supply chain challenges, and the corona pandemic.

Remuneration in 2021

In 2021, the remuneration of the Board of Directors and CEO was compliant with the remuneration policy.

Following the resolution of the Annual General Meeting 2021, the monthly remuneration of the Board of Directors and the remuneration paid for the members of the Audit Committee remained unchanged. Remuneration paid to the CEO in the financial year 2021 totaled EUR 1,774,104. Of this, variable remuneration constituted 70 percent.

Developing remuneration

In 2022, we continue to comply with the principles outlined in Harvia's remuneration policy. The Shareholders' Nomination Board will make proposals to the Annual General Meeting for the remuneration and development of the company's Board of Directors. We utilize short- and long-term incentive plans for the remuneration of management to promote Harvia's performance as well as success and value creation in the longer term. On top of financial criteria, the Board of Directors decided to include sustainability targets in the performance period 2021–2023 of the long-term share-based incentive program. Harvia's Board of Directors regularly monitors the competitiveness of the company's remuneration and that it promotes Harvia's long-term goals.

Olli Liitola

Chairman of the Board
Harvia Plc

HARVIA'S KEY PRINCIPLES OF REMUNERATION

The principles of remuneration apply to the entire personnel of the company. The key principles of remuneration at Harvia are that remuneration is transparent, market-oriented, and that it rewards good performance.

The company's remuneration policy aims to encourage and reward management for operating in accordance with the set strategy and rules, and to motivate them to contribute to the success of the company.

Effective and competitive remuneration is an essential tool for recruiting capable directors and executives to the company, which in turn promotes the company's financial success and good governance. Remuneration supports the execution of the company's strategy and promotes the company's long-term profitability and competitiveness.

The basic salary of the CEO must be aligned with the interests of the company and its shareholders. The salary must be competitive in comparison to the job market to ensure that the company is able to attract and retain capable talent.

Remuneration, in accordance with the remuneration policy, consists of the following parts:

- **Basic salary and employee benefits**, which adhere to local market practices, laws, and regulations.
- **Short-term incentive program**, which is meant to guide the performance of an individual and a company and to support the rapid implementation of strategic projects.

- **Long-term incentive program**, which is meant to ensure the commitment of key personnel. Long-term incentives aim at ensuring the commitment of the management and to align their interests with those of the company's shareholders.

Harvia's Board of Directors supervises the remuneration policy in terms of its effectiveness and competitiveness as well as the promotion of the company's long-term goals. If necessary, the Board of Directors proposes changes to the remuneration policy to the General Meeting.

In 2021, the remuneration of the Board of Directors and CEO complied with the remuneration policy, and there were no deviations. No remuneration of the Board of Directors or CEO were canceled or adjusted in the financial year 2021.

REMUNERATION DEVELOPMENT

The cornerstones of Harvia's strategy include increasing the value of the average purchase, geographical expansion, and continuous improvement of productivity.

The company has executed its strategy with consistency and success. The Group's revenue has increased from the total of EUR 60.1 million in 2017 to EUR 179.1 million in 2021. During the same period, the adjusted operating profit increased from EUR 10.7 million to EUR 47.3 million. The company's adjusted operating profit in 2021 was EUR 47.3 million and operating profit margin 26.4 percent.

AVERAGE REMUNERATION

EUR 1,000	2017	2018	2019	2020	2021
Chairperson of the Board of Directors	15	52	58	58	53
Other Board members on average	17	18	20	20	28
CEO's fixed monthly salary including taxable benefits	414	438	444	479	524
CEO's remuneration in total	458	514	507	611	1,774
Harvia employee salary on average ¹⁾	27	28	30	33	33

¹⁾ A reward based on Harvia's 2018–2020 long-term incentive program was paid to the management in May 2021. The gross value of the shares paid to the CEO was EUR 1,012,291.25.

²⁾ The average salary of a Harvia employee is calculated by taking the total salaries and bonuses paid to employees other than the members of the Board of Directors, as defined in the financial statements for the financial year, and dividing the amount by the number of employees.

GROUP'S FINANCIAL DEVELOPMENT

EUR 1,000	2017	2018	2019	2020	2021
Revenue	60,107	61,942	74,095	109,115	179,123
Adjusted operating profit	10,696	10,852	13,876	24,445	47,272
Adjusted operating profit, % of revenue	17.8	17.5	18.7	22.4	26.4

REMUNERATION OF THE BOARD OF DIRECTORS IN 2021

In accordance with the Limited Liability Companies Act, the shareholders decide on the remuneration of the members of the Board of Directors in the Annual General Meeting. The task of drafting the proposal for the remuneration of the members of the Board of Directors has been assigned to the Shareholders' Nomination Board, established following the decision of the Annual General Meeting 2020.

The Annual General Meeting 2021 resolved on the following monthly remuneration for the members of the Board of Directors for their term ending after the Annual General Meeting 2022: Chairperson of the Board EUR 3,500 and Member of the Board EUR 2,000. Additionally, the Chairperson of the Audit Committee is paid EUR 1,300 per month and each Member EUR 750 per month. In early 2021, the remuneration of the Board of Directors was equivalent to the remuneration resolved by the Annual General Meeting 2021. The remuneration of the Board of Directors and the members of the Audit Committee are paid in cash.

Board members were not compensated separately for Board meetings in 2021. Travel expenses resulting from Board meetings will be compensated in accordance with the company's traveling compensation regulations. Remuneration for the company's Board members does not include pension payments, and Board members are not paid other fringe benefits.

The Members of the Board of Directors are not included in Harvia's short- or long-term incentive programs.

REMUNERATION OF THE BOARD OF DIRECTORS IN 2021

Member	Monthly remuneration in total, EUR	Remuneration for Audit Committee membership, EUR	Total, EUR
Olli Liitola , Chairman of the Board	42,000	10,783	52,783
Sanna Suvanto-Harsaae , Deputy Chair of the Board	24,000	13,868	37,868
Ia Adlercreutz	24,000		24,000
Anders Holmén (from 8 April 2021)	17,700		17,700
Hille Korhonen (from 8 April 2021)	17,700	6,638	24,338
Ari Hiltunen (until 8 April 2021)	6,400		6,400
Kalle Kekkonen (until 8 April 2021)			
Total	131,800	31,288	163,088

Kalle Kekkonen was not remunerated for his term as a member of the Board of Directors or the Audit Committee. During the financial year, Kalle Kekkonen was paid consultancy fees amounting to EUR 5,500. The consulting agreement ended in 2021.

CEO REMUNERATION IN 2021

The Board of Directors determines the salary, bonuses, and other benefits of the CEO. The remuneration of the CEO consists of a fixed monthly salary, fringe

benefits, and performance-based incentive programs. Additionally, the CEO is entitled to a supplementary pension insurance.

SUMMARY OF CEO REMUNERATION 2021

Type of remuneration	Description of remuneration
Fixed: Salary	Fixed monthly salary including taxable benefits: car benefit, apartment benefit, garage benefit, and telephone benefit
Fixed: Pensions	Statutory pension in Finland Supplementary defined contribution pension. The CEO receives his supplementary pension upon turning 63 years old.
Variable: Short-term performance bonus	Based on financial result and personal targets, a maximum of 50 percent of basic annual salary in 2021
Variable: Performance bonus	Based on financial performance, a maximum of 6 percent of basic annual salary in 2021
Variable: Long-term incentive program	Share-based long-term incentive program, which aims to support the implementation of the company's strategy, align the objectives of the management and the company's shareholders to increase the value of the company, improve the performance of the company, and strengthen the commitment of management to the company.

In 2021, variable remuneration constituted 70 percent of the overall remuneration of the CEO (21 percent in 2020) and fixed salary 30 percent (79 percent in 2020).

FIXED SALARY

In 2021, CEO Tapio Pajuharju's total monthly salary was EUR 523,792 (EUR 479,421 in 2020, including taxable benefits).

SHORT-TERM PERFORMANCE BONUS AND PERFORMANCE BONUS

The CEO's performance targets are set by the company's Board of Directors. The purpose of the short-term incentive program is to support the achievement of the company's short-term financial and strategic objectives. The performance period for the CEO's short-term incentive program is one year.

The bonus payable based on the short-term incentive program for 2021 can account for a maximum of 50 percent of the CEO's fixed salary. The bonus payment is based on achieving the set targets related to the Group's consolidated adjusted operating profit as well as the personal targets. The bonus to be paid in March 2022 is 48 percent of the CEO's 2021 fixed salary, or EUR 253,766.

The bonus payable based on the short-term incentive program for 2020 accounted for a maximum of 50 percent of the CEO's fixed salary. The bonus payment was based on achieving the set targets related to the group's consolidated adjusted operating profit as well as the personal targets. The bonus paid in 2021 was 42 percent of the CEO's fixed salary in 2020, or EUR 200,755.

In addition, the CEO is part of a performance bonus system that covers the entire personnel of Harvia's companies in Finland (Harvia Plc, Harvia Group Oy, and Harvia Finland Oy). In the system, the performance bonus is a maximum of six percent of the annual salary, based on the achievement of certain profitability targets. The 2021 bonus to be paid to the CEO in 2022 was 6% of the annual salary. The 2020 bonus paid to the CEO in 2021 was 6% of the annual salary.

The targets for *the performance period 2020–2022* decided by the Board of Directors in November 2020 relate to the company's total shareholder return, revenue growth, and EBIT margin. The total number of shares to be paid based on the period corresponds to a maximum of 50,300 shares in Harvia Plc. Potential rewards for the period 2020–2022 will be paid out in the spring of 2023.

In July 2021, the Board decided on *a new performance period 2021–2023* for the share-based incentive program. The targets for the performance period relate to the company's total shareholder return, revenue growth, sustainability targets, and EBIT margin. The total number of shares to be paid based on the period 2021–2023 corresponds to a maximum of 33,500 shares in Harvia Plc. Potential rewards from the period will be paid out in the spring of 2024.

THE KEY TERMS OF SERVICE OF THE CEO

The management contract of the CEO is valid until further notice. The CEO's contract contains a mutual six-month period of notice and a 12-month non-compete period upon its termination.

If the company terminates the service contract, the CEO is entitled to a severance payment corresponding to six months' basic salary.

The CEO's retirement age is determined by the statutory pension system. The CEO is entitled to a supplementary pension insurance. The supplementary pension agreement is a defined contribution plan. The CEO receives his supplementary pension upon turning 63 years old. The CEO has a life insurance policy provided by Harvia, and the beneficiaries are the family members of the CEO.

REMUNERATION PAID TO THE CEO IN 2021

Remuneration component	EUR
Fixed salary ¹⁾	523,792
Short-term performance bonus from 2020	200,755
Performance bonus from 2020	28,765
Long-term incentive program 2018–2020 ²⁾	1,012,291
Supplementary pension	8,500
Total	1,774,104

1) Including taxable benefits

2) Gross value of the rewards. The CEO was paid 25,358 shares (gross), and the value of the shares on the date of payment 12 May 2021 was EUR 1,012,291. Withholding tax and possible other applicable contributions were deducted from the gross earning, and the remaining net amount was paid in shares.

REWARD OF THE CEO TO BE PAID IN 2022

Remuneration component	
Short-term performance bonus from 2021, EUR	253,766
Performance bonus from 2021, EUR	31,427
Long-term incentive program 2019–2021 ¹⁾ , shares	23,124

1) Gross value of the rewards. The CEO will be paid 23,124 shares (gross) on or about 16 May 2022, and the value of the shares on the payment date will be based on the closing price of the company's share on that date. Withholding tax and possible other applicable contributions will be deducted from the gross earning, and the remaining net amount will be paid in shares.



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Report by the Board of Directors for 2021

GENERAL INFORMATION OF HARVIA

Harvia is one of the world's leading companies of sauna and spa products. Harvia has a comprehensive product offering that strives to meet the needs of the global sauna and spa market, for industry professionals and consumers alike. Harvia largest client group are retailers and wholesalers that sell Harvia products to builders and end customers. Harvia product offering is divided to five categories, to sauna heaters, saunas and Scandinavian hot tubs, control units, steam generators, spare parts, services and other sauna products.

Harvia's headquarters is in Muurame, Finland. The group production facilities are located in Finland, Germany, China, United States, Romania and Estonia, and additionally the group has a contract producer in Russia and has sales and customer service company, along with a logistics center in Austria. Harvia's products are distributed globally through a network of dealers.

PROFIT PERFORMANCE, KEY FIGURES AND STATEMENT OF FINANCIAL POSITION

Harvia key figures for the period 1 January – 31 December 2021 are presented below (EUR thousand, unless otherwise indicated).

	2021	2020	2019
Key statement of comprehensive income indicators			
Revenue	179,123	109,115	74,095
EBITDA	52,488	26,705	16,437
EBITDA margin, percent	29.3%	24.5%	22.2%
Adjusted EBITDA	53,116	28,775	16,989
Adjusted EBITDA margin, percent	29.7%	26.4%	22.9%
Operating profit	46,644	22,376	13,324
Operating profit margin, percent	26.0%	20.5%	18.0%
Adjusted operating profit	47,272	24,445	13,876
Adjusted operating profit margin, percent	26.4%	22.4%	18.7%
Basic EPS (EUR)	1.80	0.83	0.51
Diluted EPS (EUR)	1.79	0.82	0.51
Key cash flow indicators			
Cash flow from operating activities	21,816	28,080	15,072
Operating free cash flow	20,447	28,688	15,167
Cash conversion, percent	38.5%	99.7%	89.3%
Investments in tangible and intangible assets	-11,762	-2,567	-1,807
Financial position key figures			
Net debt	43,817	31,891	28,305
Net debt / adjusted EBITDA (Leverage), percent	0.8	1.1	1.7
Net working capital	41,931	17,952	16,840
Capital employed excluding goodwill, average	41,984	33,337	36,301
Capital employed excluding goodwill at the end of period	54,236	29,732	36,943
Adjusted return on capital employed (ROCE), percent	112.6%	73.3%	38.2%
Equity ratio, percent	42.4%	42.0%	56.6%
Return on equity (ROE), percent	45.5%	23.2%	14.3%

The Group's revenue increased in January–December by 64.2% to EUR 179.1 million (109.1). At comparable exchange rates, revenue increased by 65.8% to EUR 180.9 million. Organic growth was very strong at 43.3%. Revenue growth was significant in all of Harvia's key markets, especially in Germany and in other European countries. The growth in other countries was driven mainly by Asian and Arab countries.

Revenue increased in all product groups in January–December. Sauna heater sales improved in both electric and wood burning heaters, especially in Germany and other European countries. The strong growth of sauna room sales continued especially in North America and in Central Europe. Revenue from control units developed favorably particularly in Germany and other European countries. Sales of other product groups, spare parts and services also developed very well.

Operating profit in 2021 was EUR 46.6 million (22.4). The operating profit included EUR 0.6 million (2.1) of items affecting comparability, mainly related to acquisitions. The calculative effect of currency rate changes weakened the operating profit EUR 0.7 million. The adjusted operating profit of EUR 47.3 million improved from the previous year (24.4) and the operating profit margin was 26.4% (22.4). Financing expenses for the review period amounted to EUR -1.4 million (-2.0).

The result before taxes for January–December was EUR 45.2 million (20.4). The Group's taxes amounted to EUR -10.4 million (-4.4).

The result for the financial period attributable to the owners of the parent company was EUR 33.8 million (15.5) and the diluted earnings per share were EUR 1.80 (0.83).

The Group's investments in January–December were EUR 11.8 million (2.6). The investments increased significantly compared to 2020. The investments expand Harvia's capacity and improve productivity in line with Harvia's strategy. In April 2021, Harvia acquired a facility suited for production of sauna and spa products in Lewisburg, USA. In addition, Harvia invested in increasing the production capacity of its Muurame factory in Finland by expanding the factory, acquiring new machinery and purchasing industrial building including its property next to the Muurame factory. In addition, Harvia has invested in production machinery in China, Germany and Romania.

PERSONNEL

The number of personnel employed by the Group at the end of the December 2021 was 824 (617) and averaged 767 (534) in January–December. Wages and salaries were EUR 25.3 million in 2021 (EUR 17.6 million in 2020). Of the personnel, 308 (201) worked in Finland, 143 (136) in Germany, 133 (88) in Romania, 95 (66) in China and Hong Kong, 60 (49) in the United States, 43 (37) in Austria, 27 (25) in Russia, 13 (14) in Estonia and 2 (1) in Sweden.

RESEARCH AND PRODUCT DEVELOPMENT

In 2021 Harvia research and development activities concentrated on improving the productivity and competitiveness and diversifying the product offering. Harvia is also involved in research projects related to the fine particulate emissions of burning wood, and environmental aspects are always taken into account in product development. Sustainability is part of Harvia's continuous business development.

During 1 January – 31 December 2021 there were on average 23 employees working in research and

development. The Group's research and development expenditure amounted to EUR 2.7 million (EUR 2.3 million in 2020), of which EUR 2.3 million (EUR 1.7 million in 2020) were recognized as expenses.

RISK MANAGEMENT

As a global sauna and spa company, the health and well-being of our employees, partners and customers is our top priority also in the COVID-19 situation. All Harvia offices and production facilities follow the guidelines set by local health authorities to contain the spread of the pandemic. In accordance with our contingency plan, we have taken special measures to ensure the safety of our personnel as well as the continuity of our production and services in the exceptional situation caused by the coronavirus.

The company is constantly assessing the COVID-19 situation in terms of its business. In 2021, the pandemic increased demand in the sauna and spa market. According to the company's assessment, a part of this demand may be so-called advance demand. The magnitude and timing of the potential reverse impact remain unknown for the time being. Our supply chain has been affected by increased prices and exceptional volatility in availability of raw materials and key componentry, but thanks to our partners and multiple sourcing strategy, we have been able to keep the impact under control. Going forward, we anticipate the same challenging situation to continue at least for the first half of 2022.

So far, Harvia has been able to maintain full operational capability, but if the need to restrict operations arises, this may have a negative impact on the company's business volume, result or financial performance. If the exceptional circumstances caused by the pandemic prove to be long-lasting, the general

economic situation may have a dampening effect on demand in the industry.

General economic, social and political conditions impact Harvia's operating environment. Economic uncertainty in Finland, Europe, Russia, North America or more widely across the globe can affect the company's business in many ways and make accurate predictions and planning of future business more difficult than usual.

The self-sufficiency of the Group's manufacturing process, the backup supplier system for materials and the widely dispersed customer base balance potential strategic risks. Production is based on the company's own design and patents, and these are used to manage potential operational risks. Damage risks are covered with insurances where possible, and their coverage is assessed annually with the insurance company.

The Group's loans consist of long-term liabilities. The loans include covenants, which in unfavorable business conditions may require new financing negotiations with the bank. The company protects itself from interest risks arising from bank loans with interest rate swaps amounting to EUR 25 million.

Harvia has business operations in several countries. Harvia is exposed to transaction and translation risks mainly relating to the US dollar and the Russian ruble. Exchange rate risks have thus far not been significant for the Group, and Harvia has not protected itself from these risks with currency derivatives.

The principles of Harvia's financing risk management are described in the Consolidated Financial Statements and the general principles of risk management on the company's website at www.harviagroup.com.

GROUP STRUCTURE

Harvia Plc is holding company and parent company of Harvia Group. Harvia Plc owns through another holding company Harvia Group Oy daughter company Harvia Finland Oy that produces heaters and sauna and spa products, Velha Oy that produces saunas and Sentiotec GmbH subgroup that is specialized in control units, sauna rooms and sauna heaters. Harvia Finland Oy owns Harvia (HK) Sauna Co. Ltd subgroup and daughter companies Harvia Estonia OÜ, LLC Harvia RUS and Saunamax Oy. Harvia Group Oy established Harvia US Holdings Inc. subgroup to United States in 2018. In April 2020, Harvia acquired the majority of the EOS Group and established Harvia Holding GmbH to hold the subgroup in Germany. Harvia Holding GmbH owns the EOS subgroup in Germany (ownership 78.6%) and Russian EOS Premium SPA Technologies company (ownership 80.0%).

In May 2021, Harvia acquired hot tub manufacturer Kirami Oy. After the acquisition Harvia owns also 50% of an Estonian production company Metagrupp OÜ and 60% of a sales company Kirami Sweden AB. In August 2021, Harvia signed and closed an agreement to acquire Sauna-Eurox Oy, and its sister company Parhaat Lölylyt Oy.

ANNUAL GENERAL MEETING

On 8 April 2021, the Annual General Meeting of Harvia Plc approved the 2020 Financial Statements. The members of the Board of Directors and the CEO were discharged from liability for 2020.

Based on the proposal by the Board of Directors, the Annual General Meeting resolved that a dividend of EUR 0.20 per share (totaling EUR 3,728,847.20) be distributed based on the approved Financial Statements for 2020. In addition, the Annual General Meeting approved the Board of Directors' proposal of paying a dividend of EUR 0.12 to celebrate Harvia's 70-year anniversary (totaling EUR 2,237,308.32). The dividend's date of record was April 12, 2021 and the dividend was paid on April 19, 2021.

The Annual General Meeting decided to authorize the Board of Directors to resolve, at its discretion, on distributing an extra dividend amounting to a maximum of EUR 0.19 per share. The Board of Directors decided on the payment of a EUR 0.19 per share extra dividend (EUR 3,550,564.01 in total) at its meeting held on October 15, 2021. The dividend's date of record was October 19, 2021 and the dividend was paid on October 26, 2021.

The Board of Directors was authorized to resolve on the repurchase of a maximum of 934,711 treasury shares using the company's unrestricted equity. The purchase will be carried out as a directed purchase. The authorization is valid until the next Annual General Meeting of the company, however until June 30, 2022 at the latest. Based on the authorization, the company repurchased 44,000 of its own shares during the financial year.

The Board of Directors was authorized to decide on the issue of new shares and special rights entitling to shares as referred to in chapter 10, section 1 of the Finnish Limited Liability Companies Act, in one or more instalments, either against payment or without payment. The aggregate number of shares issued, including the shares received based on special rights, must not exceed 1,869,423 shares. The company can issue either new shares or possible treasury shares held by the company. The authorization is valid until the closing of the next Annual General Meeting, but no longer than until June 30, 2022. Based on the authorization, the company transferred 42,943 of its own shares during the financial year.

SHARE-BASED INCENTIVE PLAN

Harvia has a share based long-term incentive plan for the CEO and Management Team members. The plan forms a part of Harvia Plc's remuneration program for its executives, and the aim of the plan is to support the implementation of the company's strategy, to align the interests of the executives with interests of the shareholders to increase the value of the company, to improve the performance of the company, and to retain the executives.

The long-term incentive plan consists of three performance periods of four calendar years each 2019–2021, 2020–2022 and 2021–2023. The Board of Directors decides separately for each performance period the plan participants, performance criteria, and related targets, as well as the minimum, target, and maximum reward potentially payable based on target attainment. Similar incentive plan started in 2018 and rewards were paid in May 2021.

The Board of Directors of Harvia Plc decided on 2 July 2021 to continue the Long-term Performance Share Plan for the management team and other key employees for the performance period 2021–2023. In the performance period 2021–2023, the plan has 15 participants at most and the targets for the performance period relate to company's total shareholder return, revenue growth, sustainability targets and EBIT margin. The maximum number of shares in Harvia Plc to be paid based on the performance period 2021–2023 is 33,500. This number of shares represents the gross earning, from which the withholding of tax and possible other applicable contributions are deducted, and the remaining net amount is paid in shares. However, the company has the right to pay the reward fully in cash under certain circumstances. Potential rewards from the performance period 2021–2023 will be paid out during spring 2024.

BOARD OF DIRECTORS' PROPOSAL FOR DISTRIBUTION OF PROFIT

Harvia Plc's total unrestricted equity amounts to EUR 69,226,116 in total, of which profit for the period accounts for EUR 16,607,971. In order to determine the amount of dividend, the Board of Directors has assessed the company's solvency and financial standing after the end of the period.

Harvia's Board of Directors proposes to the Annual General Meeting that the company distributes a dividend of EUR 0.60 per share, EUR 11,216,541.60 in total, for the financial period ended 31 December 2021. The Board of Directors proposes the dividend to be paid in two instalments, EUR 0.30 in April 2022 and EUR 0.30 in October 2022.

THE ORGANIZATION, MANAGEMENT AND AUDITORS OF THE COMPANY

Harvia Plc's members of the Board of Directors were Olli Liitola, Ia Adlercreutz, Sanna Suvanto-Harsaae, Ari Hiltunen (until 8 April 2021), Kalle Kekkonen (until 8 April 2021), Hille Korhonen (as of 8 April 2021) and Anders Holmén (as of 8 April 2021). Olli Liitola acted as Chairman of the Board. Company CEO was Tapio Pajuharju. Company auditor has been PricewaterhouseCoopers Oy, Markku Launis, Authorised Public Accountant as principal auditor.

Group management team was: CEO Tapio Pajuharju, Chief Financial Officer Ari Vesterinen, Export Director David Ahonen, Chief Technology Officer Timo Harvia, Sales Director, Scandinavia Tomas Hjälmbeby, Vice President, Innovation & Marketing Päivi Juolahti, Sales Director, Finland Anssi Pelkonen, Vice President, Operations & Sourcing Mika Suoja, Sales Director, Central Europe Markus Wörmanseder and CEO of the EOS Group Rainer Kunz.

The company announced the composition of Shareholders' Nomination Board on 10 September 2021. The members of the Shareholders' Nomination Board are:

- Juho Lipsanen, Onvest Oy, Member of the Board
- Heikki Savolainen, WestStar Oy, Managing Director
- Pertti Harvia, Tiipeti Oy, Chairman of the Board
- Annika Ekman, Keskinäinen Eläkevakuutusyhtiö Ilmarinen, Head of Direct Equity Investments

In addition, Olli Liitola, the Chairman of the Board of Directors of Harvia, serves as an expert in the Nomination Board without being a member

OUTLOOK FOR 2022

The sauna and spa market has been resilient due to demand arising from the need to replace sauna heaters. According to Harvia's estimate, the total impacts of the COVID-19 pandemic on the sauna and spa markets were favorable in 2020-2021, although the pandemic caused significant and quick short-term fluctuations in demand in several of Harvia's key markets in 2020. The challenges brought on by the pandemic to Harvia's business are still somewhat evident in Southern Europe, Russia, the Arab countries and Asia.

According to Harvia's estimate, there are approximately 17 million saunas in the world. This large sauna base provides significant business arising from the replacement of saunas and sauna heaters. Historically, the sauna market has grown annually by an average of 5%. However, Harvia is currently seeing considerable growth in the market due to growing awareness and appreciation of the health benefits related to sauna and the general trend of investing in and relaxing at home, which began already before but has been accelerated by the COVID-19 pandemic. Harvia's management estimates that somewhat higher than historical average market growth rates will continue in the medium term, for the next couple of years.

SIGNIFICANT EVENTS AFTER THE REVIEW PERIOD

Nasdaq Nordic, responsible for the trading on the Helsinki stock exchange, announced changes to the OMX Helsinki 25 Index portfolio in January 2022. Harvia Plc (HARVIA) is one of the companies to be added to the OMX Helsinki 25 (OMXH25). The new portfolio of the OMX Helsinki 25 became effective on 1 February 2022.

On 31 January 2022, Harvia announced the proposals of Harvia Plc's Shareholders' Nomination Board to the Annual General Meeting 2022. The Nomination Board proposes that the number of members of the Board of Directors will be increased by a maximum of one member, from the current five to six members. The Shareholders' Nomination Board proposes that Olli Liitola, Sanna Suvanto-Harsaae, Anders Holmén and Hille Korhonen be reappointed to the Board of Directors. The Nomination Board proposes that Heiner Olbrich be appointed as a new member of the Board of Directors. All proposed persons are independent of the company and of the major shareholders of the company.

NON-FINANCIAL INFORMATION

HARVIA'S BUSINESS MODEL AND SUSTAINABILITY

Sustainability is built into Harvia's mission and vision. Harvia wants to enable everyone across the globe to experience the healing and relaxing effects of taking a sauna. The company also wants to be the most trusted partner in the industry. Harvia's values incorporate acting responsibly, taking care of the environment, and people. Harvia's products are made sustainably and designed to be safe and long-lasting. Sustainability at Harvia includes the following four core areas: a responsible Code of Conduct, personnel, the environmental impacts of production, and products.

During the year 2021, Harvia created the company's sustainability program for years 2022–2025. The key elements of the program are a commitment to promoting a long and good life, providing safe and sustainable experiences, minimizing the carbon footprint and ensuring the well-being and safety of key stakeholders.

Harvia's strategy has a strong focus on growth, and the company aims to further strengthen its position in the global sauna and spa market with its comprehensive offering. Industry leadership is built on innovation, sustainability, skilled personnel, and digitalization.

Sustainability-related risks are identified and managed preventatively as part of Harvia Group's risk management.

CORE POLICIES AND PRINCIPLES

Harvia's operations are guided by the company's values and the Harvia Code of Conduct. The Code of Conduct is part of the orientation program for new employees and other company trainings. The company has also introduced an environmental handbook in its operations in Finland.

For reporting potential misconduct, Harvia has an anonymous whistle-blowing channel in use in Finland, and possible observations are duly investigated by an external expert partner. In 2021, no reports were made through the whistle-blowing channel. The company aims to launch the whistle-blowing channel in all operating countries during 2022.

Harvia requires that all its contract suppliers act responsibly and commit to the Harvia Supplier and Partners' Code of Conduct. It is divided into ethics, corruption, labor force, health and safety and environment. The company's goal is to familiarize all its current and new suppliers and partners with the Code of Conduct. By the end of 2021, more than 80 percent of suppliers had agreed to comply with the Code of Conduct.

ENVIRONMENT

Key environmental topics in Harvia's operations include selection of materials and resources and their efficient use, energy consumption and energy sources used, reduction of emissions, as well as production quality and efficiency. Harvia's products are designed to be safe, durable and repairable. The company also takes care of the recyclability of its products and guides consumers especially in the correct use of woodburning heaters to minimize fine particle emissions.

Harvia is an active participant in the research of cleaner burning in Finland and in projects aiming for industry standardization in Europe.

In 2021, Harvia's emissions calculation was performed for the first time in accordance with the standards and guidelines of the Greenhouse Gas Protocol (GHG). The GHG protocol is the most internationally known and used standard for calculating the carbon footprint of companies. The transition to calculation according to the GHG protocol refined Harvia's emission calculation and the classification of emissions between the Scope 1 and Scope 2 categories. Comparative data for 2020 have not been restated in accordance with the GHG protocol, so the results of the 2020 and 2021 calculations are not directly comparable. Harvia's Group-level Scope 1 CO₂ emissions in 2021 were 1,269 tCO₂ (248) and Scope 2 emissions 1,292 tCO₂ (1,771). The share of renewable energy in Harvia Group was 51 (57) percent in 2021.

All the electricity used at the Muurame factory is from renewable sources. A part of it is produced by the factory's solar panels. The factory's energy consumption has been reduced by, for instance, switching to LED lighting. Harvia Group uses a transportation partner that aims to have emission-free operations by 2050.

In Finland, Harvia uses only PEFC- or FSC-certified wood. Starting from 2021, Domo Wellness from Romania has been using only wood with FSC-certificate. In other countries, the company is exploring opportunities to increase the share of certified wood.

The stainless steel supplier in Finland is Outokumpu Plc, whose product is manufactured with over 90% recycled steel. The recycled steel is also fully recyclable. In Finland, steel is transported from nearby, minimizing

the carbon footprint of transportation. In 2022, the company will start to use recycled steel from the same supplier also in production in Germany. Harvia only uses domestic stone in Finland and also exports stone from Finland to its other European factories. The company's operations in China have their own channel for procuring stone.

In terms of waste and losses, the company aims to prevent waste with efficient use of materials and especially by decreasing plastic waste. The waste is sorted as carefully as possible and delivered to appropriate processing or recycling.

SOCIAL ISSUES AND EMPLOYEES

Sauna and well-being

Well-being is one of the most significant megatrends. Sauna offers a way to relax and unwind, but according to research it is also good for the health. Sauna is good for cardiovascular health and helps with sleeping difficulties as well as relaxes muscles and affects the body similar to exercise. Harvia's product offering covers all three sauna types: traditional saunas, steam saunas and infrared saunas. The company's products are used by both consumers and sauna and spa industry professionals alike.

Personnel

A key factor behind Harvia's success is the skilled and motivated personnel, whose well-being the company looks after. Key sustainability elements related to personnel include well-being and job satisfaction, attracting and retaining talent, respecting the rights of employees, and health and safety at work.

In 2021, Harvia conducted its first group wide personnel survey. A total of 84.7% of the personnel responded to the survey. According to the survey, the personnel are committed to the company. Gender equality is well implemented in the company, and employees of different ages are treated equally. In 2022, the results will be discussed in teams and an action plan will be drawn up to further develop staff well-being.

As two thirds of Harvia's personnel work in production, Harvia puts a great effort in work safety and related risk management. Monitoring, reporting as well as annual risk analyses are a key part of Harvia's occupational safety and help to identify and prevent risk situations. The company also improves occupational safety by investing in machinery. There were no serious accidents involving Harvia's personnel in 2021.

The company takes care of the continuous competence development of its personnel. In 2021, the company carried out, among others, trainings for leadership, electrical safety and first aid. The company's operations also necessitate many trainings required by authorities

Respecting human rights and prevention of corruption and bribery

Harvia's Code of Conduct defines the company's approach to political activity and human rights, as well as rejection of corruption, bribery or the use of child and forced labor. Harvia requires the same from its subcontractors. The company conducts thorough due diligence in terms of its customers and takes into account, for instance, EU guidelines. In 2021, no cases related to human rights, corruption or bribery were reported.

DISCLOSURE ACCORDING TO THE EU TAXONOMY REGULATION

The Taxonomy Regulation 2020/852 is a key component of the European Commission's action plan to redirect capital flows towards a more sustainable economy. It represents an important step towards achieving carbon neutrality by 2050 in line with EU goals as the Taxonomy is a classification system for environmentally sustainable economic activities. The six environmental objectives defined under the EU taxonomy are:

1. climate change mitigation,
2. climate change adaptation,
3. sustainable use and protection of water and marine resources,
4. transition to a circular economy,
5. pollution prevention and control, and
6. protection and restoration of biodiversity and ecosystems.

Taxonomy regulation (Article 8) applies to companies like Harvia that report according to the European Non-Financial Reporting Directive (2014/95/EU). The following section presents the share of group net turnover i.e. revenue, capital expenditure (Capex) and operating expenditure (Opex) for the reporting period 2021, which are associated with Taxonomy-eligible economic activities related to the first two environmental objectives (climate change mitigation and climate change adaptation) in accordance with Art. 8 Taxonomy Regulation and Art. 10 (2) of the Art. 8 Delegated Act.

TAXONOMY-ELIGIBLE REVENUE, CAPEX AND OPEX

Harvia has assessed the relevant Taxonomy-eligible economic activities in accordance with Annex I and II of the Climate Delegated Act. The assessment was conducted together with representatives from the businesses, sustainability and finance operations. Based on the analysis, Harvia has identified one taxonomy activity relevant to its business. The eligible

activity is Activity 3.5 “Manufacture of energy efficiency equipment for buildings” and relates to the climate change mitigation objective. The items that have been considered eligible relate to energy efficient use of heaters, improved heater maintenance, better timing of heating or heaters with lower emissions and more efficient wood burning. In addition, Harvia has in previous years made investments in solar energy cells, charging equipment of electric and hybrid cars, in low energy consumption lighting and electric forklifts.

PROPORTION OF TAXONOMY-ELIGIBLE AND TAXONOMY-NON-ELIGIBLE ECONOMIC ACTIVITIES IN TOTAL REVENUE, CAPEX AND OPEX

	Total (mEUR)	Proportion of Taxonomy-eligible economic activities (in %)	Proportion of Taxonomy-non-eligible economic activities (in %)
Revenue*	179.1	2.5%	97.5%
Capital expenditure (Capex)*	19.1	0.8%	99.2%
Operating expenditure (Opex)	3.8	0.6%	99.4%

*See Note 2.1 Revenue, 3.2 and 3.3 Capital expenditure

ACCOUNTING POLICIES

The specification of the KPIs is determined in accordance with Annex I (climate change mitigation) of the Art. 8 Delegated Act. We determine the Taxonomy-eligible KPIs in accordance with the legal requirements and describe our accounting policy in this regard as follows:

REVENUE KPI

The proportion of Taxonomy-eligible economic activities has been calculated as the part of revenue derived from products and services associated with

Taxonomy-eligible economic activity 3.5 “Manufacture of energy efficiency equipment for buildings” divided by the Harvia consolidated revenue.

CAPEX KPI

The Capex KPI is defined as Taxonomy-eligible Capex divided by our total Capex. Total Capex consists of additions to tangible and intangible fixed assets during the financial year, before depreciation and amortisation. Additions resulting from business combinations are also included. Goodwill is not included in Capex. For further details on accounting policies regarding Capex, see Note 1, 3.2 and 3.3. of Harvia consolidated financial

statements. Major part of taxonomy eligible Capex includes investments related to the taxonomy-eligible economic activities. Minor part of eligible Capex is related to measures enabling energy efficiency or leading to greenhouse gas reductions.

OPEX KPI

The Opex KPI is defined as Taxonomy-eligible Opex divided by our total Opex, as defined in the taxonomy regulation.

Total Opex consists of direct non-capitalized costs that relate to research and development, building renovation

measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment.

Taxonomy-eligible Opex includes non-capitalized R&D costs related to improvement of environmental performance of our products.

EU Taxonomy regulation and reporting requirements will develop in the coming years, and Harvia will update its Taxonomy assessment and reporting according to the requirements. In 2022, Harvia will assess the taxonomic compliance of the financial activities identified in 2021 and update the reporting as required. According to initial analysis, Harvia expects the alignment percentages of its currently identified taxonomy-eligible activity to be lower compared to the eligibility percentages as the identified economic activity does not materially advance or undermine the environmental objectives of the taxonomy.

SHARE CAPITAL AND SHARES

Harvia's registered share capital is EUR 80,000 and at the end of the review period, the company held 18,694,236 (31 December 2020: 18,694,236) shares. The ticker symbol for the shares is HARVIA and their ISIN code is FI4000306873. Harvia has one series of shares, and each share entitles to one vote in the company's general meeting.

The company's shares are included in a book-entry system. The share trading volume in the review period was EUR 882.0 million (115.5) and 18,798,719 shares (8,496,186). The share's volume weighted average price during the review period was EUR 46.96 (13.59), the highest price during the review period was EUR 64.10 (25.10) and the lowest EUR 22.00 (7.02). The closing price of the share at the end of December 2021 was EUR 58.70 (24.50). The market value of the share capital on 31 December 2021 was EUR 1,097 million (458.0) including treasury shares.

On 4 May 2021, The Board of Directors of Harvia Plc decided on a directed share issue without consideration for the payment of rewards earned under the company's share-based incentive program. The share payments concern the performance period 2018-2020 of the company's share-based incentive program launched in 2018. In the share issue, 42,943 own shares held by the company were transferred without consideration

to the key employees participating in the share-based incentive program in accordance with the program-specific terms and conditions. After the transfer of shares, Harvia Plc held a total of 7,057 own shares, corresponding to 0.04% of the total number of shares.

On 2 December 2021, The Board of Directors of Harvia Plc decided to start repurchasing the company's own shares. The shares should be repurchased to be used as a part of the company's incentive plan. The maximum number of shares to be acquired was 44,000, corresponding to 0.24% of the total number of shares. The maximum sum to be used for the repurchase was EUR 3.0 million. The repurchase of own shares started on 3 December 2021 and ended on 8 December 2021. During that period Harvia acquired a total of 44,000 own shares for an average price of EUR 57.23 per share. After the repurchase, Harvia Plc held a total of 51,057 own shares, corresponding to 0.27% of the total number of shares.

The number of registered shareholders at the end of December was 33,879 (13,551), including nominee registers. At the end of the review period, nominee-registered and direct foreign shareholders held 48.7% (44.8) of the company's shares. The ten largest shareholders held a total of 22.3% (30.5) of Harvia's shares and votes at the end of December 2021.

Shareholder profile 31 December 2021	Total %	Total pcs.
Foreign holding	48.7%	9,111,166
Households	25.6%	4,788,259
Companies	15.9%	2,964,014
Financial institutions and insurance companies	9.5%	1,776,825
General Government	0.0%	2,915
Harvia Plc own shares	0.3%	51,057
Total	100.0%	18,694,236

Shareholders on 31 December 2021	pcs	Percentage of shares and votes
ONVEST OY	821,689	4.4
LANNEBO FONDER*	636,969	3.4
WESTSTAR OY	569,942	3.0
TIIPETI OY	407,790	2.2
DANSKE INVEST FINNISH EQUITY FUND	390,000	2.1
KESKINÄINEN ELÄKEVAKUUTUSYHTIÖ ILMARINEN	372,320	2.0
KTR-INVEST OY	262,625	1.4
PAJUHARJU TAPIO OLAVI	255,233	1.4
SIJOITUSRAHASTO EVLI SUOMI PIENYHTIÖT	237,177	1.3
MANTEREENNIEMI OY	214,645	1.1
PENSIONS FÖRSÄKRINGS AKTIEBOLAGET VERITAS	192,521	1.0
AVUS OY	169,645	0.9
VESTERINEN ARI JUHANI	139,375	0.7
ERIKOISSIJOITUSRAHASTO AKTIA MIKRO MARKKA	137,000	0.7
HARVIA TIMO TAPIO	133,236	0.7
Grand Total	4,940,167	26.4

* According to the fund's announcement. Harvia has 49% nominee registered shareholders, and all the major nominee registered shareholders are not listed here.

MANAGEMENT HOLDINGS

Members of the Board of Directors, CEO and Directors of the Group, and the companies under their control owned on 31 December 2021 a total of 978,277 Harvia shares, corresponding to 5.2 percent of shares and votes in the company. (31 Dec 2020 1,144,371 and 6.1%)

Calculation of key figures and reconciliation of alternative performance measures

EUR thousand	1-12/2021	1-12/2020
Operating profit	46,644	22,376
Depreciation and amortisation	5,844	4,329
EBITDA	52,488	26,705
Items affecting comparability		
Strategic development projects		
Acquisition related expenses	587	1,934
Restructuring expenses	41	135
Total items affecting comparability	628	2,070
Adjusted EBITDA	53,116	28,775
Depreciation and amortisation	-5,844	-4,329
Adjusted operating profit	47,272	24,445
Finance costs, net	-1,428	-2,026
Adjusted profit before income taxes	45,844	22,419

CALCULATION OF KEY FIGURES

Key figure	Definition
Operating profit	Profit before income taxes, finance income and finance costs.
EBITDA	Operating profit before depreciation and amortisation
Items affecting comparability	Material items outside the ordinary course of business, which relate to i) costs related to the 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 operating profit	Operating profit before items affecting comparability.
Adjusted EBITDA	EBITDA before items affecting comparability.
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, 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	Lease liabilities and current and non-current loans from credit institutions less cash and cash equivalents.
Leverage	Net debt divided by adjusted EBITDA (12 months).
Net working capital	Inventories, trade and other receivables less trade and other payables.
Capital employed excluding goodwill	Capital employed excluding goodwill is total equity and net debt less goodwill.
Adjusted return on capital employed (ROCE)	Adjusted operating profit (12 months) divided by average capital employed excluding goodwill.
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.
Cash conversion	Operating free cash flow divided by adjusted EBITDA.
Equity ratio	Total equity divided by total assets less advances received.
Return on Equity (ROE)	Profit for the period divided by average total equity

Consolidated financial statements IFRS

Consolidated statement of comprehensive income

EUR thousand	Note	1 Jan- 31 Dec 2021	1 Jan- 31 Dec 2020
Revenue	2.1	179,123	109,115
Other operating income	2.3	539	377
Materials and services		-70,114	-42,033
Employee benefit expenses	2.3	-30,591	-21,180
Other operating expenses	2.3	-26,469	-19,573
Depreciation and amortisation	2.4	-5,844	-4,329
Operating profit		46,644	22,376
Share in profits and losses of associated companies		57	
Finance income	5.4	698	229
Finance costs	5.4	-2,601	-2,645
Changes in fair values	5.4	418	390
Finance costs, net		-1,428	-2,026
Profit before income taxes		45,216	20,350
Income taxes	6.3	-10,427	-4,399
Profit for the period		34,789	15,951
Attributable to:			
Owners of the parent		33,674	15,475
Non-controlling interests*		1,115	476

EUR thousand	Note	1 Jan- 31 Dec 2021	1 Jan- 31 Dec 2020
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Translation differences	6.4	1,197	-801
Other comprehensive income, net of tax		1,197	-801
Total comprehensive income		35,986	15,150
Attributable to:			
Owners of the parent		34,871	14,674
Non-controlling interests*		1,115	476
Earnings per share for profit attributable to the owners of the parent:			
Basic EPS (EUR)	2.5	1.80	0.83
Diluted EPS (EUR)	2.5	1.79	0.82

* EOS Group and Kirami Ab Non-controlling interests

The notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position

EUR thousand	Note	31-Dec-21	31-Dec-20
ASSETS			
Non-current assets			
Intangible assets	3.2	12,732	10,420
Goodwill	3.2	73,730	71,018
Property, plant and equipment	3.3	27,994	16,907
Leased assets	3.4	2,644	2,683
Investments in associated companies		726	
Deferred tax receivables	6.3	1,488	1,924
Total non-current assets		119,313	102,952
Current assets			
Inventories	4.1	46,130	20,696
Trade and other receivables	4.2	20,447	14,411
Income tax receivables		113	244
Cash and cash equivalents	5.2	15,488	27,321
Total current asset		82,178	62,673
Total assets		201,492	165,625

EUR thousand	Note	31-Dec-21	31-Dec-20
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	6.4	80	80
Other reserves	6.4	32,585	42,627
Retained earnings	6.4	14,212	8,254
Profit for the period	6.4	33,674	15,475
Total equity attributable to owners of the parent		80,552	66,437
Non-controlling interests	6.4	3,598	2,423
Total equity		84,149	68,859
Liabilities			
Non-current liabilities			
Loans from credit institutions	5.1	56,380	56,328
Lease liabilities	3.4	2,315	2,425
Derivative financial instruments	5.1	484	903
Deferred tax liabilities	6.3	2,260	1,941
Employee benefit obligations	5.6	2,595	2,847
Other non-current liabilities	5.1	20,553	9,616
Provisions	3.5	345	305
Total non-current liabilities		84,932	74,365
Current liabilities			
Loans from credit institutions	5.1	48	55
Lease liabilities	3.4	562	404
Employee benefit obligations	5.6	188	186
Income tax liabilities		6,661	4,323
Trade and other payables	4.3	24,646	17,156
Provisions	3.5	305	277
Total current liabilities		32,411	22,400
Total liabilities		117,342	96,765
Total equity and liabilities		201,492	165,625

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	Invested unrestricted equity reserve	Translation differences	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total
Equity at 1 January 2020		80	53,257	142	15,358	68,837		68,837
Share-based incentive plan			563			563		563
Dividend distribution					-7,104	-7,104		-7,104
Repurchase of own shares			-1,026			-1,026		-1,026
Total transactions with shareholders	6.4		-463		-7,104	-7,567		-7,567
Profit for the period					15,475	15,475	476	15,951
Acquisitions			-9,508			-9,508	1,947	-7,561
Other comprehensive income	6.4			-801		-801		-801
Total comprehensive income				-801	15,475	14,674	476	15,150
Equity at 31 December 2020		80	43,286	-658	23,729	66,437	2,423	68,859
Equity at 1 January 2021		80	43,286	-658	23,729	66,437	2,423	68,859
Share-based incentive plan			806			806		806
Dividend distribution					-9,517	-9,517	-16	-9,532
Revaluation of minority redemption liability			-7,641			-7,641		-7,641
Repurchase of own shares			-2,518			-2,518		-2,518
Share-based payments			-1,886			-1,886		-1,886
Total transactions with shareholders	6.4		-11,239		-9,517	-20,756	-16	-20,772
Profit for the period					33,674	33,674	1,115	34,789
Acquisitions							76	76
Other comprehensive income	6.4			1,197		1,197		1,197
Total comprehensive income				1,197	33,674	34,871	1,115	35,986
Equity at 31 December 2021		80	32,047	539	47,886	80,552	3,598	84,149

The notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

EUR thousand	Note	1 Jan- 31 Dec 2021	1 Jan- 31 Dec 2020
Cash flows from operating activities			
Profit before taxes		45,216	20,350
Adjustments			
Depreciation and amortisation	2.4	5,844	4,329
Finance income and finance costs	5.4	1,428	2,026
Other adjustments		-1,278	1,496
Cash flows before changes in working capital		51,210	28,201
Change in working capital			
Increase (-) / decrease (+) in trade and other receivables	4.2	-2,051	750
Increase (-) / decrease (+) in inventories	4.1	-22,574	-2,449
Increase (+) / decrease (-) in trade and other payables	4.3	3,718	4,178
Cash flows from operating activities before financial items and taxes		30,303	30,681
Interest and other finance costs paid		-192	-339
Interest and other finance income received		232	114
Income taxes paid	6.3	-8,527	-2,376
Net cash from operating activities		21,816	28,080

EUR thousand	Note	1 Jan- 31 Dec 2021	1 Jan- 31 Dec 2020
Cash flows from investing activities			
Purchases of tangible and intangible assets	3.2, 3.3	-11,762	-2,567
Sale of tangible and intangible assets		98	25
Acquisition of subsidiaries, net of cash acquired	3.1	-7,559	-18,059
Net cash from investing activities		-19,223	-20,602
Cash flows from financing activities			
Acquisition of treasury shares	6.4	-2,518	-1,026
Proceeds from non-current loans	5.1	56,500	20,000
Repayments of non-current loans	5.1	-56,761	-63
Change in current interest-bearing liabilities	5.1	-142	-61
Repayment of lease liabilities	3.4	-373	-647
Interest and other finance costs paid		-1,885	-2,186
Dividends paid	6.4	-9,532	-7,104
Net cash from financing activities		-14,711	8,914
Net change in cash and cash equivalents			
Cash and cash equivalents at 1 January	5.2	27,321	10,879
Exchange gains/losses on cash and cash equivalents		285	51
Cash and cash equivalents at 31 December		15,488	27,321

The notes are an integral part of these consolidated financial statements.

Notes to Financial Statements

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.

SECTION 1: BASIS OF PREPARATION

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 70 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 80 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 2021 the company had 824 employees,

of which 308 (201) worked in Finland, 143 (136) in Germany, 133 (88) in Romania, 95 (66) in China and Hong Kong, 60 (49) in the United States, 43 (37) in Austria, 27 (25) in Russia, 13 (14) in Estonia and 2 (1) in Sweden.

Harvia Plc is the parent company of the Group. 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 sauna products
- LLC Harvia RUS which is the sales company for Harvia products in Russia
- Holding company Harvia US Holdings Inc. and manufacturing company Harvia US Inc. The company also sells Harvia sauna products in the United States. The companies were established in November 2018.
- Harvia Holding GmbH was established in February 2020 and it holds the majority of EOS subgroup in Germany. EOS subgroup manufactures heaters and other sauna products. (78.6% acquired on 30 April 2020)

- EOS Premium SPA Technologies, which is the sales company for saunas and EOS products in Russia (80% acquired on 30 April 2020).
- Kirami Oy, a leading Finnish still-water hot tub manufacturer (100% acquired on 28 May 2021)
- Heaters stones selling Sauna-Eurox and Parhaat Lölylyt Oy (100% acquired on 31 August 2021)

The parent company Harvia Plc is a Finnish public company, established according to the Finnish legislation. Harvia Plc shares are traded at NASDAQ OMX Helsinki main list. The Group financial statements are available at the head office at Teollisuustie 1-7, 40950 Muurame and at the Group's home pages harviagroup.com.

The Board of Directors of Harvia Plc has approved these consolidated financial statements for issue on 9 February 2022. 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 2020. 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.

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	IFRS 15
Employee benefits	2.3 Other income and expense items 5.6 Defined benefit obligations	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
Leases	3.4 Leases	IFRS 16
Provisions	3.5 Provisions	IAS 37
Inventories	4.1 Inventories	IAS 2
Financial assets and liabilities	5.1, 5.2 Financial assets and liabilities	IAS 32, IFRS 7, IFRS 13, IFRS 9
Financial risk management	5.3 Financial risk management	IAS 32, IFRS 7, IFRS 13, IFRS 9
Share based payments	6.2 Related party transactions	IFRS 2
Taxes	6.3 Taxes	IAS 12
Shareholder's equity	6.4 Shareholder's equity	IAS 1

Historical cost convention

The consolidated financial statements of Harvia Group have been prepared on a historical cost basis, except for the derivative financial instruments..

Foreign currency translation

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.

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.

Sources of estimation uncertainty and management judgement	Note
Marketing subsidies	2.1
Segment reporting	2.2
Research and development expenses	3.2
Key assumptions used in goodwill impairment tests	3.2
Leases	3.4
Provisions	3.5
Defined benefit obligations	5.6
Share-based payments	6.2
Taxes	6.3

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	2021	% of revenue	2020	% of revenue
Revenue	179,123		109,115	
Other operating income	539	0%	377	0%
Materials, services and change in inventories	-70,114	-39%	-42,033	-39%
Employee benefit expenses	-30,591	-17%	-21,180	-19%
Depreciation and amortisation	-5,844	-3%	-4,329	-4%
Other operating expenses	-26,469	-15%	-19,573	-18%
Operating profit	46,644	26%	22,376	21%

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, Scandinavian hot tubs, 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, Europe, North America 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 Group companies. Harvia sells most of its products to retailers, distributors or sauna builders. Harvia has customer contracts with clients, but typically the contracts are short term (most typical contract type is annual contract). Long-term customer relationships are based on customer loyalty. Harvia's largest customer relationship is based on the customer's group-level framework agreement. The individual agreements of Group companies with this customer were accounted for a total of approximately 9% of the Group's net sales in 2021 (2020: 10%).

Accounting policy

Harvia's revenue mainly consists of the sales of sauna and spa products that it has produced. Harvia sells most of its products to retailers, distributors or export companies. Sales of goods are recognized when the control is transferred to the buyer. This is when the goods have been delivered to the buyer. Delivery is deemed to have taken place when the products have been delivered to the agreed location and the risk of obsolescence and damage of products has been transferred to the customer. In addition, for certain contract terms, a transportation service is considered to be a separate performance obligation when control to the goods is transferred to the buyer before the goods are delivered. However, transportation service is typically performed during the same day as control is transferred to the customer and therefore the revenue from goods and transportation service is recognized at the same time.

Amounts disclosed as revenue are net of returns, volume-based marketing subsidies and rebates. Goods are often sold with volume discounts based on aggregate sales over a 12-month period. Revenue from sales is recognized based on the price specified in the contract, net of the estimated volume-based discounts. A contract liability is recognized for expected volume discounts and marketing subsidies payable to customers in relation to sales made until the end of the reporting period. 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

The accumulation of Harvia's revenue has been stable in recent years, but the increased awareness and popularity of the sauna's health benefits and the general trend of investing in homes has strengthened

during the corona pandemic, which has had a positive effect on the Group's net sales. Net sales for the financial year 2021 were also boosted by the acquisitions of Kiram and Sauna-Eurox.

REVENUE BY MARKET AREA

EUR thousand	2021	%	2020	%
Finland	36,900	21%	27,679	25%
Scandinavia	9,357	5%	5,615	5%
Germany	35,351	20%	17,644	16%
Other European countries	49,674	28%	26,118	24%
Russia	11,549	6%	7,881	7%
North America	29,132	16%	20,847	19%
Other countries*	7,160	4%	3,331	3%
Total	179,123	100%	109,115	100%

* The largest of which: Arab countries and Asia

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.

Management uses judgement when deciding on the fulfillment of the service obligations under IFRS15.

or the legislation concerning products will change. Products directly sold to consumers via online shops are subject to a 14-day return policy. A contract liability for the expected refunds to customers is recognized as adjustment to revenue. Accumulated experience is used to estimate and provide for the discounts, volume-based marketing subsidies and returns, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

As for the sold products, they are usually given a payment period between 30 and 120 days which is consistent with the market practice, and thus no finance element is included in the sales. A receivable is recognized when the goods are delivered. This is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Minority of Harvia Group's revenue comes from rendering services, but mainly from installation and maintenance services as well as project sales where sauna or spa department or many pre-installed saunas are provided to the customer. Revenue from services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided by the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual costs relative to the total expected costs.

REVENUE BY PRODUCT GROUP

EUR thousand	2021	%	2020	%
Sauna heaters	88,177	49%	59,003	54%
Sauna rooms and Scandinavian hot tubs	41,185	23%	20,646	19%
Control units	17,578	10%	10,217	9%
Steam generators	5,129	3%	3,199	3%
Other product groups, spare parts and services	27,053	15%	16,049	15%
Total	179,123	100%	109,115	100%

Revenue from projects recognized over time was EUR 616 thousand (2020: EUR 248 thousand). Group does not disclose transaction price allocated

to fully or partly unfilled performance obligations, because performance obligation is part of a contract where contract period less than one year.

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.

The Group's non-current assets are allocated geographically as follows:

EUR thousand	31-Dec-2021	31-Dec-2020
Finland	84,266	71,184
Other EU	23,484	23,829
Asia	3,060	2,509
United States	6,289	3,506
Total non-current assets	117,099	101,028

Revenue by geographical areas has been presented in note 2.1.

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.

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.

The following table presents different components of employee benefit expenses:

EUR thousand	2021	2020
Wages and salaries	25,348	17,558
Pension costs - defined contribution plans	2,213	1,503
Other employee benefit expenses	3,031	2,119
Total	30,591	21,180

Harvia Group employed a total of 824 employees as at 31 December 2021 (2020: 617 employees). Of the total number of employees at the end of 2021, 289 were officers and 535 workers. Pension plans of employees of the Group in Finland, Austria, Germany, Romania, China, USA, Hong Kong and Estonia are defined contribution plans. Harvia has a defined benefit pension plan in Germany, which is described more further in the note 5.6.

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.

Other significant expense items are as follows:

OTHER OPERATING EXPENSES

EUR thousand	2021	2020
Sales and marketing*	15,506	10,237
Travel and cars	768	551
Electricity, heating and water	1,420	902
Audit, accounting, consulting and legal expenses	1,489	2,558
Rents	513	244
IT and telecommunication	1,080	791
Voluntary staff expenses	665	476
Other**	5,028	3,814
Total	26,469	19,573

* 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 2021 to PricewaterhouseCoopers amounted to 139 EUR thousand (2020: EUR 164 thousand). Of these, EUR 103 thousand were fees relating to statutory audit (2020: EUR 138 thousand).

In 2021 EUR 0 thousand of fees were related to auditor opinions and certificates (2020: EUR 2 thousand) and EUR 35 thousand to other fees (2020: EUR 23 thousand). Audit fees paid to other auditors were EUR 70 thousand (2020: EUR 67 thousand).

Harvia Group's research and development department employed an average of 23 persons (2020: 25 persons), and expensed research and development costs totaled EUR 2,265 thousand in the financial year 2021 (2020: EUR 1,651 thousand).

2.4 DEPRECIATION AND AMORTISATION

The following table presents depreciation and amortisation by asset class:

EUR thousand	2021	2020
Depreciation by class		
Buildings and constructions	937	810
Machinery and equipment	1,326	1,077
Other tangible assets	221	151
Total property, plant and equipment	2,484	2,037
Leased buildings and structures	372	453
Leased machinery and equipment	239	171
Total leased assets	610	624
Amortisation by class		
Development costs	412	344
Customer relationships	1,274	753
Brand	422	280
Technology	90	73
Other intangible assets	552	218
Total intangible assets	2,750	1,668
Total depreciation and amortisation	5,844	4,329

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 3-5 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.

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.

	2021	2020
Profit for the period attributable to the owners of the parent company, EUR thousand	33,674	15,475
Weighted average number of shares outstanding during the financial period, '000	18,668	18,691
Basic earnings per share, EUR	1.80	0.83
Share-based long-term incentive plan	150	184
Weighted average number of shares outstanding during the year, diluted, '000	18,818	18,875
Diluted earnings per share, EUR	1.79	0.82

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 2021, Harvia acquired the Kirami Group. The result of the new subsidiary was consolidated to Harvia Group as of 28 May 2021. In addition, Harvia acquired Sauna-Eurox Oy and Parhaat Löylyt Oy. The results of the new subsidiaries were consolidated to Harvia Group as of 31 August 2021.

THE ACQUISITION OF KIRAMI

On 28 May 2021, Harvia signed and closed an agreement to acquire Kirami, a leading Finnish still-water hot tub manufacturer and pioneer in wood-heated hot tubs globally. The acquisition complements Harvia’s sauna and spa offering well and strengthens Harvia’s leading position as a global sauna and spa experience brand. At the time of the acquisition, Kirami Oy owned 50% of an Estonian production company Metagrupp OÜ and 51% of a sales company Kirami Sweden AB.

Kirami is a family business that was established in 2001 by the sellers and has grown to be one of the largest makers of stillwater hot tubs globally. The company’s

main product is a wood heated still-water hot tub. Kirami’s offering also includes hot tub accessories, water sanitation products, and outdoor saunas, as well as other products for outdoor living. Kirami has grown rapidly in recent years, its revenue totaling EUR 16 million in the fiscal year ended September 2020, with approximately 42% of the sales coming from exports to Central Europe and Scandinavia. In Finland, the company has a production facility in Sastamala and a sales office in Turku, employing approximately 40 persons in total. In addition, Kirami employs seasonal workforce in production and logistics in April–August.

The purchase price was EUR 7 million at closing and on top of this, a delayed purchase price of EUR 0–4 million after a three-year period based on Kirami’s EBITDA development. Harvia financed the acquisition with cash funds.

The acquisition is expected to create annual synergies of approximately one million euros, which are expected to be realized in full by the end of 2023. The identified key sources of synergy comprise distribution, sourcing and logistics, and R&D. One-off integration and post-closing costs are estimated to total EUR 0.4 million over the years 2021 and 2022.

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.

Preliminary purchase price allocation of the acquisition is presented in the table below:

EUR thousand	
Purchase price	9,917
Net identifiable assets acquired	
Non-current assets	
Intangible assets	3,539
Property, plant and equipment	1,346
Leased assets	92
Investments in associated companies	669
Current assets	
Inventories	2,290
Trade and other receivables	2,855
Cash and cash equivalents	1,783
Total assets	12,574
Non-current liabilities	
Loans from credit institutions	300
Lease liabilities	61
Deferred tax liabilities	701
Provisions	17
Current liabilities	
Loans from credit institutions	91
Lease liabilities	31
Trade and other payables	3,063
Total liabilities	4,264
Total net assets acquired	8,310
Group's share of net assets	8,234
Goodwill	1,683

The acquired subsidiary Kirami Ab has been consolidated into the Group as a whole, and the associated company Metagrupp OÜ as of May 2021 using the equity method.

Cash flow impact

EUR thousand	
Cash consideration of the acquisition	7,000
Cash balance acquired	- 1,783
Impact on cash flows - investing activities	5,217

Expenses of EUR 0.3 million related to the acquisition are presented under Other operating expenses and in operating cash flows in the consolidated statement of cash flows.

OTHER MERGERS & ACQUISITIONS

On 31 August 2021, Harvia Plc signed and closed an agreement to acquire Sauna-Eurox Oy. Together, the parties will continue to develop and expand the sauna stone business. Concurrently, Harvia also acquired Sauna-Eurox Oy's sister company Parhaat Löylyt Oy. Consolidated revenue of the acquired companies totaled approximately EUR 3.2 million in 2020. The acquisition allows Harvia and Sauna-Eurox to strengthen the availability of sauna stones and increase production capacity.

In 2021, Harvia acquired the shares of Saunamax Oy from minority shareholders (43.8%). In addition, Kirami Oy acquired an additional 9% share of Kirami AB.

THE ACQUISITION OF EOS GROUP IN 2020

At the end of April, Harvia completed the acquisition of the majority of the German EOS Group. EOS is the technology leader for professional and premium sauna & spa products with a revenue of EUR 17.3 million in 2019. The acquisition complements Harvia's professional and premium sauna offering well and strengthens Harvia's leading position as a professional global sauna and spa experience brand. Harvia owns 78.6 percent of the German operations of EOS Group and 80.0 percent of its Russian operations, and the company holds an option entitling to purchase the minority shares in the future.

The purchase price was EUR 19.7 million and it was based on the debt-free valuation of EUR 25.5 million for the entire EOS Group at the time of the signing of the deal. Harvia financed the acquisition by interest-bearing debt and its own cash funds.

In the EOS Group acquisition, fixed assets amounting to EUR 2.6 million, net working capital items amounting to EUR 3.6 million, cash and cash equivalents amounting to EUR 1.7 million and pension liabilities amounting to EUR 3.0 million were transferred. The preliminary purchase price allocation pertaining to the acquisition includes intangible assets amounting to EUR 7.0 million with annual amortization of approximately EUR 1.2 million. Valuation of inventory to fair value increased inventory by EUR 1.3 million, which is amortized in calculations in 12 months.

According to the preliminary purchase price allocation, goodwill amounts to EUR 10.8 million. The estimated non-controlling interests' redemption liability of EUR 9.5 million pertaining to the acquisition has been entered as liability and decrease in shareholders' equity. The redemption liability is presented in non-interest-bearing liabilities.

The acquisition is expected to create annual synergies of at least EUR 2.2 million, which are expected to be realized in full by 2024. Costs relating to the acquisition in January–December 2020 were EUR 1.8 million. EUR 0.1 million. The integration or post-closing costs were EUR 0.1 million in 2020. Post-closing costs were minor in 2021.

Preliminary purchase price allocation of the acquisition is presented in the table below:

EUR thousand	
Purchase price	19,751
Net identifiable assets acquired	
Non-current assets	
Intangible assets	7,032
Property, plant and equipment	2,647
Other assets	278
Current assets	
Inventories	5,392
Trade and other receivables	1,386
Cash and cash equivalents	1,692
Total assets	18,427
Non-current liabilities	
Employee benefit obligations	3,016
Deferred tax liabilities	2,317
Lease liabilities	154
Current liabilities	
Trade and other payables	2,108
Total liabilities	7,560
Total net assets acquired 100%	10,832
Group's share of net assets	8,885
Goodwill	10,866

Resulting from the acquisition, non controlling interests' redemption liability amounting to EUR 9.5 million was booked as liability and equity decrease.

Cash flow impact

EUR thousand	
Cash consideration of the acquisition	19,751
Cash balance acquired	- 1,692
Impact on cash flows - investing activities	18,059

Expenses of EUR 1,8 million related to the acquisition were presented under Other operating expenses and in operating cash flows in the consolidated statement of cash flows.

3.2 INTANGIBLE ASSETS AND IMPAIRMENT TESTING

Majority of the goodwill was recognised in connection of the acquisition of Harvia in 2014. During 2021, the acquisitions of Kirami Group and Sauna-Eurox increased the amount of goodwill.

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 be 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
2021								
Cost at 1 January	71,018	2,163	402	5,556	3,378	744	2,339	85,600
Business combinations	2,618			2,225	1,506		259	6,608
Additions		410	251				550	1,211
Disposals		-12					-10	-22
Reclassifications		12	-25				-152	-165
Exchange differences	94	9		7	57	2	5	174
Cost at 31 December	73,730	2,582	628	7,788	4,941	746	2,991	93,406
Accumulated depreciation at 1 January		-1,154		-994	-546	-131	-1,337	-4,162
Amortisation		-412		-1,274	-422	-90	-552	-2,750
Disposals							4	4
Exchange differences		-1		-9	-9	-2	-15	-36
Accumulated depreciation at 31 December		-1,567		-2,277	-977	-223	-1,900	-6,944
Net book amount at 1 January	71,018	1,008	402	4,562	2,832	613	1,003	81,438
Net book amount at 31 December	73,730	1,014	628	5,511	3,964	523	1,092	86,462

EUR thousand	Goodwill	Development expenditure	Advance payments	Customer relationships	Brand	Technology	Other intangible assets	Total
2020								
Cost at 1 January	60,200	1,709	407	1,040	1,528	189	1,794	66,867
Business combinations	10,866			4,541	1,929	561		17,897
Additions		312	157				539	1,008
Disposals		-3						-3
Reclassifications		145	-163				17	0
Exchange differences	-47	0		-25	-79	-6	-11	-169
Cost at 31 December	71,018	2,163	402	5,556	3,378	744	2,339	85,600
Accumulated depreciation at 1 January		-811	0	-257	-281	-61	-1,120	-2,530
Amortisation		-344		-753	-280	-73	-218	-1,668
Disposals		1						1
Exchange differences				16	15	4	1	35
Accumulated depreciation at 31 December		-1,154	0	-994	-546	-131	-1,337	-4,162
Net book amount at 1 January	60,200	898	407	784	1,247	128	674	64,337
Net book amount at 31 December	71,018	1,008	402	4,562	2,832	613	1,003	81,438

IMPAIRMENT TEST FOR GOODWILL

The allocation of goodwill to the Group's cash-generating units is presented below:

EUR thousand	31-Dec-2021	31-Dec-20
Finland	62,743	60,118
Central Europe	10,958	10,958
Total	73,701	71,076

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.

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.

Goodwill arising from acquisition of Almost Heaven Saunas business in 2018 has been presented as part of goodwill in Finland, and was included to impairment testing starting from 2019. The goodwill from the acquisition of EOS Group is presented as part of the goodwill in Central Europe and became subject to impairment testing in 2020. The goodwill from acquisitions in 2021 is presented as part of the goodwill in Finland.

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-2021	31-Dec-20
Long-term growth rate	1.0%	1.0%
Average revenue growth for the forecast period		
Finland	7.1%	5.2%
Central Europe	7.9%	8.7%
Average EBITDA for the forecast period (% of revenue)		
Finland	28.9%	23.5%
Central Europe	31.7%	23.2%
Pre-tax discount rate		
Finland	9.2%	9.2%
Central Europe	10.0%	9.9%

As result of the impairment tests performed no impairment loss has been recognised for any period presented. In 2021 the recoverable amount calculated based on value-in-use exceeded the carrying value

by EUR 386 million in Finland and EUR 197 million in Central Europe (2020 by EUR 117 million in Finland and EUR 68 million in Central Europe).

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.

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-2021	31-Dec-20
Finland		
EBITDA margin decrease	-19.4%	-10.4%
Change in discount rate	25.0%	10.6%
Central Europe		
EBITDA margin decrease	-26.1%	-15.2%
Change in discount rate	50.0%	21.1%

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. During 2021, Harvia invested in increasing the production capacity of its Muurame factory in Finland by expanding the factory, acquiring new machinery and purchasing industrial building including its property next to the Muurame factory. Velha Oy and the Harvia Group's management

companies also operate at Harvia's Muurame premises. The factory in Romania is owned by a Romanian real estate company K&R Imobiliare which is wholly owned by the Group. The group has production and warehouse facility in the United States and in April 2021 acquired a new facility suited for production of sauna and spa products. The production and office facilities of EOS Group transferred to ownership of Harvia in 2020. The production and office premises of Kiram and Sauna-Eurox, which were acquired in 2021, were also

transferred to Harvia. Other production units operate in leased premises.

Other significant items of property, plant and equipment are the production machineries in Muurame, USA, China, Romania and Germany. Harvia has a separate department in Muurame that manufactures tools and equipment used in production.

Please view also the appendix 2.4 of the depreciations.

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
2021						
Cost at 1 Jan	1,776	22,827	15,840	1,263	510	42,216
Business combinations	118	1,285	998	279	27	2,707
Additions	142	2,912	4,257	366	3,100	10,777
Disposals			-106	-40		-146
Reclassifications		555	396	1	-841	111
Exchange differences	8	65	44	-1		116
Cost at 31 Dec	2,044	27,644	21,429	1,868	2,796	55,781
Accumulated depreciation at 1 Jan		-12,120	-12,296	-894		-25,309
Depreciation		-938	-1,325	-221		-2,484
Disposals			10	7		17
Reclassifications						0
Exchange differences		-4	-8	1		-11
Accumulated depreciation at 31 Dec		-13,062	-13,619	-1,107		-27,787
Net book amount at 1 Jan	1,776	10,707	3,544	369	510	16,907
Net book amount at 31 Dec	2,044	14,582	7,810	761	2,796	27,994

EUR thousand	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress	Total
2020						
Cost at 1 Jan	1,404	21,174	14,116	1,096	64	37,853
Business combinations	391	1,309	836	111		2,647
Additions		241	785	59	766	1,851
Disposals		0	-20			-20
Reclassifications		158	162		-320	0
Exchange differences	-19	-54	-39	-3		-115
Cost at 31 Dec	1,776	22,827	15,840	1,263	510	42,216
Accumulated depreciation at 1 Jan		-11,314	-11,248	-748		-23,311
Depreciation		-810	-1,077	-151		-2,037
Disposals			14			14
Exchange differences		4	15	5	0	25
Accumulated depreciation at 31 Dec		-12,120	-12,296	-894	0	-25,309
Net book amount at 1 Jan	1,404	9,859	2,868	348	64	14,543
Net book amount at 31 Dec	1,776	10,707	3,544	369	510	16,907

3.4 LEASES

IFRS 16 Leases standard specifies the definition of leases, recognition and valuation of the lease agreements and disclosures of the leases. Implementation of the standard has a significant impact for the lessee's recognition, as the standard removes the current distinction between operating and financing leases. According to the standard, a lease is recognized as a right-of-use-asset (the right to use the leased asset) and as a lease liability to pay rentals, recorded under interest-bearing liabilities.

Accounting policy

According to IFRS 16 Leases standard a lease is recognized as a right-of-use-asset (the right to use the leased asset) and as a lease liability to pay rentals, recorded under interest-bearing liabilities. The Group has decided to adopt the standard using the simplified transitional approach, whereby comparative financial information is not adjusted. Lease liability at the adoption has been calculated discounting the future lease payments with the incremental borrowing rate at the time of adopti-

on. The value of right-of-use-asset at adoption equals the lease liability. Adoption of the standard did not affect the retained earnings.

The Group is implementing the exemptions provided by the standard and is not recognizing low-value or short-term leases as right-to-use-assets or lease liability. The Group applies same discount rate to a group of similar lease contracts.

Lease period is the non-cancellable period of the lease plus periods covered by an option to

Bookings of leases to the balance sheet and profit and loss statement were following:

AMOUNTS RECOGNISED IN THE BALANCE SHEET

EUR thousand	Buildings and structures	Machinery and equipment
Leased assets		
Book amount at 1 Jan 2020	2,485	96
Additions	303	247
Acquisitions		278
Disposals	-51	-1
Exchange differences	-49	
Depreciations	-453	-171
Book value at 31 Dec 2020	2,234	449
Book amount at 1 Jan 2021	2,234	449
Additions	179	132
Acquisitions	92	
Disposals		
Exchange differences	168	
Depreciations	-372	-239
Book value at 31 Dec 2021	2,302	342
Lease liabilities		
	2021	2020
Non-current	2,315	2,425
Current	562	404
Book value at 31 Dec	2,877	2,829

extend or an option to terminate if the lessee is reasonably certain to exercise the extension option or not exercise the termination option.

Lease liability and interest payment is presented in cash flow from financing activities in the consolidated statement of cash flows.

Accounting estimates and management judgement

The management uses judgement when determining the lease period for ongoing rental contracts and when the lease contract includes options for extension or termination of the contract or purchasing the asset. Management decisions are based on the strategic position of the company and the market situation. The management uses judgement also when defining the interest rate of incremental borrowing. The interest rate of incremental borrowing is based on the financing contracts of the group taking into consideration the variation of the risk-free interest rate in each country. The Group applies single discount interest rate for portfolio of similar leases.

AMOUNTS RECOGNISED IN PROFIT AND LOSS

EUR thousand	2021	2020
Depreciation		
Buildings and structures	-372	-453
Machinery and equipment	-239	-171
	-610	-624
Interest expense (included in finance cost)	-106	-105
Expense relating to short-term and low-value leases (other operating expenses)	-513	-244
Total amounts recognised in profit and loss	-1,229	-973

Amounts booked to balance sheet are considered in the IAS 36 impairment testing going forward. Cash flows resulting from lease contracts have been

disclosed in note 1.3 and maturities of the lease contracts in note 5.3.

3.5 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.

Changes in warranty provisions are as follows:

EUR thousand	31-Dec-2021	31-Dec-2020
At 1 January	582	444
Additions	651	582
Used during the year	-582	-444
At 31 December	651	582
of which		
current	305	305
non-current	345	277
Total	651	582

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.

The warranty provision was released EUR 582 thousand (2020: EUR 444 thousand) and was increased EUR 651 thousand during 2021 (2020: EUR 582 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-21	31-Dec-20
Net working capital		
Inventories	46,130	20,696
Trade receivables	16,222	11,826
Other receivables	4,225	2,585
Trade payables	-11,703	-8,476
Other payables	-12,943	-8,679
Total	41,931	17,952
Change in net working capital in the statement of financial position	23,979	1,112
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*	-3,073	-3,592
Change in net working capital in the statement of cash flows**	20,906	-2,480

* 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).

The inventory is divided as follows:

EUR thousand	31-Dec-21	31-Dec-20
Materials and supplies	21,066	9,536
Work in progress	3,410	2,521
Finished goods	21,653	8,639
Total	46,130	20,696

In 2021 Harvia Group made EUR -74 thousand obsolescence reserve booking (2020: EUR -190 thousand).

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.

The following tables present the different components of account and other receivables:

EUR thousand	31-Dec-21	31-Dec-20
Trade receivables	16,222	11,826
Prepayments and accrued income	2,242	1,330
Other receivables	1,984	1,255
Total	20,447	14,411

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.

Accounting policy

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are classified as at amortized cost 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.

Material items included in prepayments and accrued income:

EUR thousand	31-Dec-21	31-Dec-20
Insurances	91	165
Other	2,150	1,165
Total	2,242	1,330

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.

The following tables present the different components of trade and other payables:

EUR thousand	31-Dec-21	31-Dec-20
Trade payables	11,703	8,476
Advance payments	2,933	1,532
Accrued expenses	9,606	6,785
Other liabilities	405	362
Total	24,646	17,156

Trade payables are unsecured and are usually paid within 30 days of recognition.

Material items included in accrued expenses:

EUR thousand	31-Dec-21	31-Dec-20
Accrued salaries and social security costs	4,863	2,282
Accrued annual discounts	1,867	1,370
Accrued interests	21	51
Other	2,855	3,082
Total	9,606	6,785

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

Other receivables include mainly prepaid expenses and accrued income from the usual operating activities of the Group.

The receivables are included in current assets, except for maturities longer than 12 months after the end of the reporting period.

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.

SECTION 5: NET DEBT AND CONTINGENCIES

This section describes how the Group has financed its operations. This section 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

In 2021 Harvia renegotiated the terms of EUR 56,5 million term loans and EUR 8 million revolving credit limit. The Group has entered into an interest rate swap agreement to hedge against interest rate risk arising from variable rate of bank loans.

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-21		
Liabilities per balance sheet		
Loans from credit institutions		56,428
Lease liabilities		2,877
Other non-current liabilities		20,553
Trade and other payables		12,107
Derivative financial instruments	484	
Total	484	91,965

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 when the loan is drawn down and recognized in profit and loss using the effective interest rate method.

EUR thousand	Liabilities at fair value through profit or loss	Other financial liabilities at amortised cost
31-Dec-20		
Liabilities per balance sheet		
Loans from credit institutions		56,451
Lease liabilities		2,829
Other long-term liabilities		9,616
Trade and other payables		15,623
Derivative financial instruments	903	
Total	903	84,520

LOANS FROM CREDIT INSTITUTIONS AND SHAREHOLDER LOANS

Loans from credit institutions

At the end of 2021 Harvia renegotiated the terms of EUR 56,000 thousand term loans and EUR 8,000 thousand revolving credit limit resulting in more favorable conditions. The term loan matures in two installments. Term loan amounting EUR 20,000 thousand and revolving credit limit of EUR 8,000 thousand mature on December 2024 and term loan amounting EUR 36,500 thousand matures on December 2026. The nominal interest of the loans is tied to Euribor and its margin is tied to the Group's net debt / adjusted EBITDA ratio.

Bank loans of acquired companies EUR 454 thousand were paid back by the end of financial year.

Compliance with loan covenants

The bank loans include covenants according to the financing agreement, such as net debt to adjusted EBITDA ratio and interest cover ratio. Covenants are monitored quarterly. The Group has complied with all covenants related to new bank loans in 2021 and 2020.

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

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 -484 thousand at the end of 2021 (2020: EUR -903 thousand).

Nominal value of the interest rate swap contract was EUR 25,000 thousand as at 31 December 2021 (2020: EUR 25,000 thousand). After the year-end 2021, Harvia has negotiated new interest swap with nominal value of EUR 36 500 thousand which will replace the old interest rate swap. The interest rate swap contract matures in 15 December 2026.

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

Harvia had acquisition related long term redemption and purchase price liabilities EUR 20,553 thousand (2020: 9,616). Contract based amount of debt was 21,959 (2020: 10,083).

5.2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounted to EUR 15,488 thousand at the end of 2021 (31 December 2020: EUR 27 321 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 valued at amortized cost.

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 through profit or loss.

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 transaction risk and translation 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. Transaction 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.

So far transaction risks have not been 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, Romania and the United States. 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	2021	2020
Amounts recognised in profit or loss		
Net foreign exchange gains/losses included in operating income/expenses	-76	-314
Net foreign exchange gains/losses included in finance income/costs	248	-475
Gains/losses recognised in other comprehensive income	172	-789
Gains/losses recognised in other comprehensive income		
Translation differences of foreign operations	1,197	-801

Accounting policy

Classification and measurement of financial assets

The Group's financial assets consist of trade receivables, certain other receivables and accrued income as well as cash and cash equivalents. A financial asset is measured at fair value at initial recognition, to which are added transaction costs directly attributable to the acquisition, excluding trade receivables that are measured at transaction price when they do not contain a significant financing component.

Harvia's management has determined which business models are applied for the Group's financial assets at the date of application of IFRS 9 as of January 1, 2018 and classified financial assets into categories according to IFRS 9. All financial assets of the group, excluding possible derivative assets, are classified as at amortized cost.

Impairment of financial assets

Financial assets consist mainly of trade receivables and for the recognition of expected credit losses the group applies the simplified approach, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Expected credit losses also incorporate forward looking information.

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 2021 and 2020, the Group's borrowings at variable rate were denominated in euros and swaps in place covered 44% on 31 December 2021 and 44% on December 2020 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 315 thousand higher in 2021.

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.

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

In 2021, 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 United States and in Russia.

Classification and measurement of financial liabilities

Loans from credit institutions are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized 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 capitalized as a prepayment for liquidity services and amortized 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, the fees are partly recognized as transaction costs, when the loan is drawn, recognized in the income statement over the period of the borrowings using the effective interest rate method.

Derivative financial instruments

Group's derivatives have not been determined as hedging instruments and therefore they are classified at fair value through profit or loss under assets or liabilities.

During 2021, EUR 48 thousand (2020: EUR 20 thousand) was recognised in profit or loss in relation to credit losses. The loss allowance on 31 December 2021, EUR 637 thousand (2020: EUR 528 thousand), is specified as follows:

31-Dec-21 EUR thousand	Gross book value	Allowance for bad debt
Not due	10,297	8
Overdue by		
Less than 30 days	2,629	11
30-60 days	912	12
61-90 days	270	7
91-180 days	1,036	104
181-360 days	784	196
Over 360 days	300	300
Total	16,228	637

31-Dec-20 EUR thousand	Gross book value	Allowance for bad debt
Not due	9,814	8
Overdue by		
Less than 30 days	940	4
30-60 days	228	3
61-90 days	587	15
91-180 days	50	5
181-360 days	321	80
Over 360 days	414	414
Total	12,354	528

The other classes within other receivables do not contain essentially impaired or overdue assets. 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 8,000 thousand as at 31 December 2021 (EUR 9,250 thousand as at 31 December 2020).

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	Over 5 years	Total contractual cash flows	Carrying amount
31-Dec-21							
Non-derivatives							
Loans from credit institutions	26	11	22	56,511		56,570	56,428
Lease liabilities	308	290	491	843	1,520	3,451	2,877
Pension liabilities	94	94	188	563	1,844	2,783	2,783
Redemption and purchase price liability			17,709	4,250		21,959	20,553
Trade payables	11,703					11,703	11,703
Total non-derivatives	12,130	395	18,409	62,168	3,364	96,466	94,343
Derivatives							
Total non-derivatives	207	209	69			485	484
Total derivatives	207	209	69	0		485	484

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-20							
Non-derivatives							
Loans from credit institutions	6	49	4	56,500		56,559	56,383
Lease liabilities	218	277	473	693	1,325	2,986	2,829
Pension liabilities	93	93	186	558	2,103	3,033	3,033
Redemption liability					10,083	10,083	9,616
Trade payables	8,476					8,476	8,476
Total non-derivatives	8,793	418	663	67,834	3,428	81,137	80,337
Derivatives							
Interest rate swaps	207	209	409	69		894	903
Total derivatives	207	209	409	69		894	903

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-21	31.12.2020
Loans from credit institutions	56,428	56,383
Lease liabilities	2,877	2,829
Less cash and cash equivalents	-15,488	-27,321
Net debt	43,817	31,891

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	Lease liabilities	Total net debt
1-Jan-20	10,879	-123	-36,395	-2,667	-28,305
Cash flows	34,451	68	-39,933	647	-4,767
Acquisitions	-18,059		20,000	-274	1,667
Exchange differences	51				51
Other non-cash movements				-535	-535
31-Dec-20	27,321	-55	-56,328	-2,829	-31,891
Cash flows	-4,559	142	261	373	-3,784
Acquisitions	-7,559	-135	-314	-92	-8,100
Exchange differences	285				285
Other non-cash movements			2	-328	-327
31-Dec-21	15,488	-48	-56,379	-2,877	-43,817

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 gains on valuation of derivative contracts. They amounted to EUR 1 186 thousand during 2021 (2020: EUR 619 thousand). Finance costs related mainly to loans from financial institutions, exchange differences and losses on valuation of derivative contracts. See the following table:

EUR thousand	2021	2020
Finance income		
Share in profits and losses of associated companies	57	
Interest income	3	3
Fair value gain on interest rate swap	431	524
Other finance income	695	91
Total	1,186	619
Finance costs		
Interest costs	-1,165	-1,005
Other finance charges paid/payable for financial liabilities not at fair value through profit or loss	-1,436	-1,506
Fair value losses on interest rate swaps	-13	-135
Total	-2,614	-2,645
Finance costs, net	-1,428	-2,026

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-21	31-Dec-20
Other guarantees:		
Pledged accounts	29	43
Customs guarantee	50	30
Total	79	73

OTHER COMMITMENTS

Harvia 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 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.

5.6 DEFINED BENEFIT OBLIGATIONS

Defined benefit obligations are recognized according to IAS 19. Harvia has an unfunded defined benefit pension plan in Germany. German pension plan was acquired at 1 May 2020. Harvia's other pension plans, such as statutory Finnish TyEL plan are classified as defined contribution plans.

German pension plan is a salary-based plan which provides old-age, disability and survivor benefits for plan members. The pension plan is administrated according to local legislation and practices.

The pension plan includes pensioners, active and deferred vested plan members.

Defined benefit plans expose Harvia to risks the most relevant being the interest risk relating to the discount rate. If the discount rate decreases, the defined benefit obligation will increase. Changes in an inflation assumption or mortality models may also increase the defined benefit obligation.

The defined benefit expense is as follows:

EUR thousand	2021	2020
Service cost	3	2
Net interest	29	28
Total	32	30

Accounting policy

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into an insurance company or a separate entity fund. The entity will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Contributions to the defined contribution plans are charged directly to the profit or loss in the year to which these contributions relate. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Under defined benefit plans both actuarial and investment risks are on the responsibility of the Group and the defined benefit obligation is recognized. The defined benefit obligation represents the present value of future cash flows from payable benefits, which are calculated for

The actuarial gains and losses recognized in other comprehensive income are as follows:

EUR thousand	2021	2020
Actuarial gains (-) / losses (+) caused by changes in demographic assumptions	0	0
Actuarial gains (-) / losses (+) caused by changes in financial assumptions	-50	149
Experience adjustments	-47	-38
Return on plan assets, excluding amounts included in net interest	0	0
Total	-97	111

The reconciliation of the net defined benefit liability and the defined benefit obligation is as follows:

EUR thousand	2021	2020
The defined benefit obligation 1.1.	3,033	0
Fair value of plan assets 1.1.		
Acquisition		3,015
Service cost	3	2
Net interest	29	28
Actuarial gains (-) / losses (+)	-97	111
Benefits paid	-186	-124
Total	2,783	3,033

Actuarial assumptions used in calculating the defined benefit obligation are as follows:

	2021	2020
Discount rate	1.16%	0.99%
Benefit increase	2.00%	2.00%
Salary increase	1.00%	1.00%
Turnover rate	0.00%	0.00%
Mortality model	Richttafeln 2018 G	Richttafeln 2018 G

by using the projected unit credit method. The discount rate used in calculating the present value of the defined benefit obligation is based on the market yields of high-quality corporate bonds with appropriate durations. Pension expenses are recognized in the profit or loss by allocating the current service cost over the service lives of employees based on actuarial calculations. The net interest is included as part of the personnel expenses.

The liability (or asset) recognized in the consolidated statement of financial position is the defined benefit obligation at the closing date less the fair value of plan assets. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Accounting estimates and management judgement

The valuation of defined benefit obligation is based on management's estimates about actuarial assumptions such as discount rate, inflation and future mortality rates.

The sensitivity analysis of the defined benefit obligation is as follows. The below sensitivity analysis is based

on a change in an assumption while holding all other assumptions constant:

EUR thousand	2021	2020
Impact of the change in the discount rate (+0.50%) on the defined benefit obligation	-139	-158
Impact of the change in the discount rate (-0.50%) on the defined benefit obligation	151	173

The duration of the defined benefit pension obligation is apx. 10 years in 2021. No contributions are expected

to be paid to the defined benefit plan during 2022. The defined benefit plan has no plan assets.

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 GROUP STRUCTURE AND CONSOLIDATION

This note provides information of the Group structure and accounting principles for consolidation.

SUBSIDIARIES

The Group's subsidiaries as at 31 December 2021 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.

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.

Parent company	Country of incorporation	Nature of business	Parent ownership (%)	Group ownership (%)	Acquired/established (month/year)
Harvia Oyj	Finland	Parent company			
Subsidiaries					
Harvia Group Oy	Finland	Holding	100	100	4/2014
Harvia Finland Oy	Finland	Manufacturing		100	4/2014
Velha Oy	Finland	Manufacturing		100	4/2014
Harvia (Hong Kong) Sauna Co. Ltd	Hong Kong	Sales		100	4/2014
Guangzhou City Harvia Sauna Co. Ltd	China	Manufacturing		100	4/2014
Harvia Estonia Oü	Estonia	Manufacturing		100	12/2014
LLC Harvia RUS	Russia	Sales		100	6/2015
Sentiotec GmbH	Austria	Sales		100	11/2016
Domo Wellness Romania Srl	Romania	Manufacturing		100	11/2016
K&R Imobiliare	Romania	Real estate		100	11/2016
Saunamax Oy	Finland	Service		100	3/2017
Harvia US Holdings Inc.	United States	Holding		100	11/2018
Harvia US Inc.	United States	Manufacturing		100	11/2018
Harvia Holding GmbH	Germany	Holding		100	02/2020
EOS Saunatechnik GmbH	Germany	Manufacturing		78.6	04/2020
Kusatek GmbH	Germany	Manufacturing		78.6	04/2020
Spatronic GmbH	Germany	Manufacturing		78.6	04/2020
OOO EOS Premium SPA Technologies	Russia	Sales		80	04/2020
Kirami Oy	Finland	Manufacturing		100	05/2021
Kirami Ab	Sweden	Sales		60	05/2021
Metagroupp OÜ	Estonia	Manufacturing		50	05/2021
Sauna-Eurox Oy	Finland	Manufacturing		100	08/2021
Parhaat Löylyt Oy	Finland	Sales		100	08/2021

6.2 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 6.1 above. The related parties include also key management personnel and their family members as well as companies controlled by these. Key management personnel are members of the Board of Directors, Chief Executive Officer and management team.

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.

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

EUR thousand	2021	2020
Sales of goods and services	2	2
Purchases of goods and services	26	0

MANAGEMENT HOLDINGS

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 2021:

- Members of the Board of Directors 0.3%
- Chief Executive Officer 1.4%
- Other Management team 3.5%

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 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 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. The CEO has a life insurance and an additional defined contribution plan pension insurance provided by Harvia. The CEO is entitled to the additional pension at the age of 63 years. 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	2021	2020
Chief executive officer		
Salaries and other short-term employee benefits	1,766	611
Pension costs - defined contribution plans*	129	107
Total	1,894	718

* Includes costs of voluntary pension plan amounting to EUR 9 thousand in 2021 (2020: EUR 9 thousand).

Other management team		
Salaries and other short-term employee benefits	4,102	1,347
Pension costs - defined contribution plans	208	197
Total	4,310	1,544

REMUNERATION TO MEMBERS OF BOARD OF DIRECTORS

EUR thousand	2021	2020
Olli Liitola (as of 11 March 2014)	53	58
Pertti Harvia (1 July 2016–2 April 2020)		6
Ia Adlercreutz (as of 1 September 2016)	24	24
Ari Hiltunen (9 February 2018–8 April 2021)	6	26
Sanna Suvanto-Harsaae (as of 2 April 2020)	38	25
Kalle Kekkonen (2 April 2020–8 April 2021)		
Anders Holmen (as of 8 April 2021)	18	
Hille Korhonen (as of 8 April 2021)	24	
Total	163	138

Kalle Kekkonen was not remunerated for his term as a member of the Board of Directors or the Audit Committee. During the financial year, Kalle Kekkonen was paid consultancy fees amounting to EUR 5,500.

SHARE-BASED INCENTIVE PLAN

Harvia has a share based long-term incentive plan for the CEO and Management Team members. The plan form a part of Harvia Plc's remuneration program for its executives, and the aim of the plan is to support the implementation of the company's strategy, to align the interests of the executives with interests of the shareholders to increase the value of the company, to improve the performance of the company, and to retain the executives.

The long-term incentive plan consists of three performance periods of three calendar years each, 2019–2021, 2020–2022 and 2021–2023. During 2021 Harvia paid out the rewards regarding the performance period 2018–2020. The Board of Directors decides separately for each performance period the plan participants, performance criteria, and related targets, as well as the minimum, target, and maximum reward potentially payable based on target attainment.

In the first performance period 2018–2020, the plan had 10 participants at most and the targets for the long-term incentive plan relate to the company's total shareholder return, revenue growth and EBIT margin. The maximum number of shares to be paid based on the first performance period was approximately 125,000. This number of shares represents gross earning, from which the withholding tax and possible other applicable contributions were deducted, and the remaining net amount was paid in shares. However, the company had the right to pay the reward fully in cash under certain circumstances. On 4 May 2021, The Board of Directors of Harvia Plc decided on a directed share issue without consideration for the payment of rewards earned under the company's share-based incentive program. In the share issue, 42,943 own shares held by the company were transferred without consideration

to the key employees participating in the share-based incentive program in accordance with the program-specific terms and conditions.

In the performance period 2019–2021, the plan has 13 participants at mosts and the targets for the performance period relate to company's total shareholder return, revenue growth and EBIT margin. The maximum number of shares to be paid based on the performance period 2019–2021 is approximately 130,000 Harvia Plc's shares. This number of shares represents gross earning, from which the withholding of tax and possible other applicable contributions are deducted, and the remaining net amount is paid in shares. However, the company has the right to pay the reward fully in cash under certain circumstances. Potential rewards from the performance period 2019–2021 will be paid out during spring 2022.

In the performance period 2020–2022, the plan has 15 participants at most and the targets for the performance period relate to company's total shareholder return, revenue growth and EBIT margin. The number of shares to be paid based on the performance period 2020–2022 is maximum of 50,300 Harvia Plc's shares. This number of shares represents the gross earning, from which the withholding of tax and possible other applicable contributions are deducted and the remaining net amount is paid in shares. However, the company has the right to pay the reward fully in cash under certain circumstances. Potential rewards from the performance period 2020–2022 will be paid out during spring 2023.

In the performance period 2021–2023, the plan has 15 participants at most and the targets for the performance period relate to company's total shareholder return, revenue growth, sustainability targets and EBIT margin. The maximum number

Accounting policy

Share-based payments

Share-based incentive plans have been recognized as an expense during the earnings period in the income statement item personnel expenses. The fair value of the arrangement is the share value at benefit's grant date. The amount to be recognized as an expense is based on estimate of the number of shares, which are expected to be earned during the vesting period. The estimate of the shares earned will be assessed at every balance sheet date. If the estimate of the shares changes in later periods, the change shall be adjusted in the income statement at that period the change is noticed. The contra account for shares to be granted according to the incentive plans is invested unrestricted equity reserve. Harvia's share-based incentive plans, that are paid net in shares after deducting withholding tax, are booked as share paid arrangements although Harvia pays taxes in cash in favor of the incentive plan participant.

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.

of shares in Harvia Plc to be paid based on the performance period 2021–2023 is 33,500. This number of shares represents the gross earning, from which the withholding of tax and possible other applicable contributions are deducted, and the remaining net amount is paid in shares. However, the company has the right to pay the reward fully in cash under

certain circumstances. Potential rewards from the performance period 2021–2023 will be paid out during spring 2024.

In 2021 EUR 806 thousand has been recognised as expenses related to share-based incentive plan (2020: EUR 563 thousand).

6.3 TAXES

This note provides an analysis of the Group's taxes.

INCOME TAX EXPENSE

EUR thousand	2021	2020
Current tax:		
Current tax on profits for the year	-10,445	-5,438
Adjustments in respect of prior years	-158	15
Total current tax expense	-10,602	-5,423
Deferred tax:		
Change in deferred taxes	176	1,024
Income taxes	-10,427	-4,399

Reconciliation of income tax expense and taxes calculated at the Finnish tax rate 20%

EUR thousand	2021	2020
Profit before tax	45,216	20,350
Tax calculated at Finnish tax rate 20%	-9,045	-4,070
Effect of other tax rates for foreign subsidiaries	-1,317	-185
Expenses not deductible for tax purposes*	-215	-238
Income not subject to tax	155	54
Other items	-5	41
Taxes in income statement	-10,427	-4,399

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.

DEFERRED TAXES

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	Business combinations	At 31 December
2021				
Deferred tax assets				
Tax losses and net interest costs	1,548	-100		1,448
Internal margin of inventories	176	205		381
Provisions	111	14		124
Other items	810	-525		285
Total	2,644	-406		2,238
Netting of deferred taxes	-721			-750
Net deferred tax asset	1,924	-406		1,488
2021				
Deferred tax liabilities				
Measurement of acquired net assets at fair value	2,046	-476	832	2,402
Accumulated depreciation differences	90	34		124
Property, plant and equipment	355	-31	97	421
Inventories	119	-119		0
Other items	52	11		63
Total	2,662	-580	928	3,010
Netting of deferred taxes	-721			-750
Net deferred tax liability	1,941	-580	928	2,260

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.

EUR thousand	At 1 January	Recognised in profit or loss	Business combinations	At 31 December
2020				
Deferred tax assets				
Tax losses and net interest costs	1,648	-100		1,548
Internal margin of inventories	115	61		176
Provisions	89	22		111
Other items	368	-111	553	810
Total	2,220	-128	553	2,644
Netting of deferred taxes	-872			-721
Net deferred tax asset	1,347			1,924
2020				
Deferred tax liabilities				
Measurement of acquired net assets at fair value	266	-30	1,810	2,046
Accumulated depreciation differences	171	-81		90
Property, plant and equipment	381	-26		355
Inventories			119	119
Other items	54	-2	0	52
Total	872	-140	1,929	2,662
Netting of deferred taxes	-872			-721
Net deferred tax liability	0	-140	1,929	1,941

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.

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.

No deferred tax receivables for intra-group interest expenses of EUR 8,185 thousand that were non-deductible in taxation for previous years have been recognized in Harvia's Consolidated Financial Statements for the year ended on December 31, 2017. These net interest costs incurred to Harvia Group Oy from 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 was thus uncertain and thereby no deferred tax assets were recognized at the end of 2017. In March 2018, majority of intra-group loans of Harvia Group Oy were converted into the company's unrestricted equity and the company's equity was also strengthened by cash contribution. As a result, Harvia Group Oy will have less intra-group net interest expenses in future. This increases the prospects for Harvia Group Oy to deduct all

6.4 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.

EUR thousand	Ordinary shares	Number of shares
At 31 December 2020	80	18,694,236
At 31 December 2021	80	18,694,236

Harvia Plc held a total of 51,057 own shares at 31 December 2021. The repurchased shares were acquired based on the Company's incentive program.

SHARE CAPITAL AND NUMBER OF SHARES

Harvia has one share class and shares entitle the holders equal right to dividends and votes in the general meeting of Harvia.

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 2020	53,257	142	53,399
Share-based incentive plan	563		563
Repurchase of own shares	-1,026		-1,026
Acquisitions	-9,508		-9,508
Translation differences		-801	-801
At 31 December 2020	43,286	-658	42,627
Share-based incentive plan	806		806
Revaluation of minority redemption liability	-7,641		-7,641
Repurchase of own shares	-2,518		-2,518
Share-based payments	-1,886		-1,886
Translation differences		1,197	1,197
At 31 December 2021	32,047	539	32,585

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. As a result, an increase in deferred tax assets of EUR 1,637 thousand was recognized in March 2018 and a total of EUR 1,748 thousand in 2018. In 2021 EUR 500 thousand intra-group interests were deducted in taxation (2020: EUR 525 thousand). There were EUR 6,660 thousand remaining intra-group interest expenses at 31 December 2021. There is no time limit for the deduction of net interest expenses in taxation.

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.

Harvia acquired a total of 44,000 own shares during 2021.

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	2021	2020
At 1 January	23,729	15,358
Dividend distribution	-9,517	-7,104
Profit for the period	33,674	15,475
At 31 December	47,886	23,729

In 2021 Harvia paid a dividend of EUR 0.51 per share, in total EUR 9,517 thousand.

Harvia Plc's total unrestricted equity amounts to EUR 69,226,116 in total, of which profit for the period accounts for EUR 16,607,971. Harvia targets a regularly increasing dividend with a bi-annual dividend payout. In order to determine the amount of dividend, the Board of Directors has assessed the company's solvency and financial standing after the end of the period.

Harvia's Board of Directors proposes to the Annual General Meeting that the company distributes a dividend of EUR 0.60 per share, EUR 11,216,541.60 in total, for the financial period ended 31 December 2021. The Board of Directors proposes the dividend to be paid in two instalments, EUR 0.30 in April 2022 and EUR 0.30 in October 2022.

EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Movements in non-controlling interests were as follows:

EUR thousand	2021	2020
1-Jan	2,423	
Acquisitions	76	1,947
Dividend distribution	-16	
Profit for the period	1,115	476
31-Dec	3,598	2,423

The non-controlling interest consists of minority interests in EOS Group and Kirami Ab.

6.5 EVENTS OCCURRING AFTER THE REPORTING DATE

Nasdaq Nordic, responsible for the trading on the Helsinki stock exchange, announced changes to the OMX Helsinki 25 Index portfolio in January 2022. Harvia Plc (HARVIA) is one of the companies to be added to the OMX Helsinki 25 (OMXH25). The new portfolio of the OMX Helsinki 25 became effective on 1 February 2022.

On 31 January 2022, Harvia announced the proposals of Harvia Plc's Shareholders' Nomination Board to the Annual General Meeting 2022. The Nomination

Board proposes that the number of members of the Board of Directors will be increased by a maximum of one member, from the current five to six members. The Shareholders' Nomination Board proposes that Olli Liitola, Sanna Suvanto-Harsaae, Anders Holmén and Hille Korhonen be reappointed to the Board of Directors. The Nomination Board proposes that Heiner Olbrich be appointed as a new member of the Board of Directors. All proposed persons are independent of the company and of the major shareholders of the company.

Parent company financial statements FAS

Parent company Profit & Loss Statement

EUR thousand	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
Revenue	1,084	1,084
Staff expenses		
Wages and salaries	-2,111	-1,056
Social security expenses		
Pension expenses	-180	-144
Other social security expenses	-28	-15
Other operating expenses	-851	-625
Depreciation and amortisation		
Depreciation according to plan	-210	-732
Operating profit (loss)	-2,297	-1,487
Finance income	805	440
Finance costs	-766	-1,037
Finance income and expenses total	39	-596
Profit (Loss) before income appropriations and taxes	-2,259	-2,084
Appropriations		
Group contribution	23,025	14,500
Income taxes	-4,158	-2,486
Profit for the period	16,608	9,930

Parent company Balance Sheet

EUR thousand	31-Dec-2021	31-Dec-2020
ASSETS		
Non-current assets		
Intangible assets		
Intangible rights	0	174
Other long-term expenses	21	28
Advance payments and construction in process	11	
Property, plant and equipment		
Machinery and equipment	53	82
Holdings in group undertakings	85,909	85,909
Total non-current assets	85,994	86,193
Current assets		
Long-term receivables	19,350	18,500
Short-term receivables		
Receivables from group companies	30,145	18,973
Other receivables	150	192
Prepayments and accrued income	46	194
Cash and cash equivalents	2,650	3,225
Total current asset	52,341	41,084
Total assets	138,335	127,277

EUR thousand	31-Dec-2021	31-Dec-2020
EQUITY AND LIABILITIES		
Equity		
Share capital	80	80
Reserve for invested unrestricted equity	51,103	53,621
Retained earnings	1,515	1,102
Profit for the period	16,608	9,930
Total equity	69,306	64,733
Liabilities		
Non-current liabilities		
Loans from credit institutions	56,500	56,500
Amounts owed to group undertakings	5,484	903
Total non-current liabilities	61,984	57,403
Current liabilities		
Trade payables	105	120
Amounts owed to group undertakings	3,607	2,251
Other liabilities	60	55
Accrued expenses	3,272	2,715
Total current liabilities	7,044	5,141
Total liabilities	69,029	62,544
Total equity and liabilities	138,335	127,277

Parent company Cash flow statement

EUR thousand	1 Jan- 31 Dec 2021	1 Jan- 31 Dec 2020
Cash flow from operating activities:		
Profit (loss) before taxes	-2,259	-2,084
Adjustments to operating profit (+/-) for:		
Depreciation and amortisation	210	732
Unrealised foreign exchange gains and losses	251	-175
Financial income and expenses	-39	596
Cash flow before working capital changes	-1,836	-931
Working capital changes:		
Increase (-)/decrease (+) in trade and other short-term interest-free receivables	1,512	-1,495
Increase (+)/decrease (-) in short-term interest-free liabilities	-244	408
Cash flow before working capital changes	-568	-2,017
Income taxes paid	-3,749	-827
Cash flow from operating activities:	-4,317	-2,845
Cash flow from investments		
Purchase of tangible and intangible items	-11	-22
Loans granted	-6,939	-20,840
Loans received or granted (group accounts)	1,639	-394
Repayment of loan receivables	2,226	2,510
Interest received from investments	591	380
Cash flow from investments	-2,494	-18,365

EUR thousand	1 Jan- 31 Dec 2021	1 Jan- 31 Dec 2020
Cash flows from financing activities		
Repurchase of own shares	-2,518	-1,026
Proceeds from non-current loans	61,500	20,000
Repayment of non-current loans	-56,500	
Interest and other financing expenses paid	-1,229	-1,206
Dividends paid	-9,517	-7,104
Group contributions received	14,500	10,300
Cash flows from financing activities	6,236	20,964
Net increase (+) / decrease (-) in cash and cash equivalents	-575	-245
Cash and cash equivalents at beginning of period	3,225	3,470
Cash and cash equivalents at end of period	2,650	3,225

Notes to the financial statements of the parent company

PARENT COMPANY ACCOUNTING POLICIES

Harvia Plc's Financial Statements are presented according to the Finnish Account Standards (FAS). The financial statements are in Euros.

The preparation of Harvia Plc's 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. Actual results may differ from previously made estimates and judgements.

NON-CURRENT ASSETS

Intangible assets are recognised at the acquisition cost less the depreciation according to plan. Acquisition costs consists of direct costs of the acquisition. The depreciation has been calculated straight-line basis over the financial use of the asset. The depreciation period of intangible assets is 3 years. Machinery and equipment are to be depreciated within a maximum of 5 years.

Investments to group companies are valued at acquisition cost or net realizable value, if the investment value has deteriorated significantly and permanently.

RECEIVABLES

Receivables are valued at acquisition cost or the likely recoverable value if lower.

PENSIONS

Pension cover of Finnish employees and possible voluntary pension has been arranged by pension insurances through pension insurance companies.

INCOME TAXES

Income taxes have been recognised based on the current year profit according to Finnish tax legislation, with any adjustments resulting from prior years. The parent company does not book deferred taxes.

DIVIDENDS

Dividend that the Board of Director has proposed has not been booked to the financial statements. The dividends will be booked based on the decisions of Annual General Meeting.

NOTES TO THE PROFIT AND LOSS STATEMENT

	2021	2020
Notes relating to personnel		
Number of personnel at the end of the financial year	2	2
Average number of personnel during the financial year		
Officers	2	2
EUR thousand	2021	2020
Management compensation		
Members of the Board of Directors and CEO	1,934	750
Auditors' fees		
Statutory audit	48	56
Other services	9	2
	56	58
EUR thousand	2021	2020
Finance income and costs		
Other interest income		
Group undertakings	554	440
Other than group companies	251	0
Total finance income	805	440
Interest and finance charges		
Group undertakings	-15	-31
Other than group companies	-752	-1,005
Total financial expenses	-766	-1,037
Total financial income and expenses	39	-596
Income taxes		
Income taxes for ordinary business	-4,158	-2,486

NON-CURRENT ASSETS

EUR thousand	2021	2020
Intangible assets		
Acquisition cost at 1 January	2,124	2,089
Additions		34
Acquisition cost at 31 December	2,124	2,124
Accumulated amortisation at 1 January	-1,921	-1,219
Amortisation for the financial year	-181	-703
Accumulated amortisation at 31 December	-2,102	-1,921
Advance payments on intangible assets	11	
Book value 31 December	32	202
Machinery and equipment		
Acquisition cost at 1 January	115	115
Acquisition cost at 31 December	115	115
Accumulated depreciation at 1 January	-34	-5
Depreciation for the financial year	-29	-29
Accumulated depreciation at 31 December	-62	-34
Book value 31 December	53	82

EUR thousand	2021	2020
Investments		
Acquisition cost 1 January	85,909	85,909
Acquisition cost 31 December	85,909	85,909
Book value 1 January	85,909	85,909
Book value 31 December	85,909	85,909

HOLDINGS IN GROUP UNDERTAKINGS

Group companies	Parent ownership 31-Dec-2021
Harvia Group Oy, Muurame	100%
Domo Wellness Romania Srl.	
Guangzhou City Harvia Sauna Co. Ltd	
Harvia Estonia Oü	
Harvia Finland Oy, Muurame	
Harvia (HK) Sauna Co. Ltd	
Harvia US Holdings Inc.	
Harvia US Inc.	
K&R Imobiliare	
LLC Harvia RUS	
Saunamax Oy	
Sentiotec GmbH	
Velha Oy, Muurame	
EOS Saunatechnik GmbH	
Kusatek GmbH	
Spatronic GmbH	
OOO EOS Premium SPA Technologies	
Harvia Holding GmbH	
Kirami Oy	
Kirami Ab	
Metagroupp OÜ	
Sauna-Eurox Oy	
Parhaat Löylyt Oy	

All Group companies have been consolidated to the Group consolidated IFRS financial statements.

RECEIVABLES

EUR thousand	2021	2020
Long-term receivables		
Loans to group companies	19,350	18,500
Short-term receivables		
Receivables from group companies		
Trade debtors	207	117
Loans receivable	6,733	2,870
Other receivables	23,168	14,500
Prepayments and accrued income	38	1,487
Total	30,145	18,973
Receivables from others		
Other receivables	150	192
Prepayments and accrued income	46	194
	195	385
Material amounts included in prepayments and accrued income		
Insurances	29	29
Others	17	25
Tax receivables		140
Total	46	194

LIABILITIES

EUR thousand	2021	2020
Long-term liabilities		
Loans from credit institutions	56,500	56,500
Loans from group companies	5,484	903
	61,984	57,403

EUR thousand	2021	2020
Short-term liabilities		
Loans from group undertakings		
Other liabilities	3,607	2,251
Liabilities for others		
Trade creditors	105	120
Other liabilities	60	55
Accruals and deferred income	3,272	2,715
	3,437	2,890
Material amounts shown under accruals and deferred income		
Wages and salaries including social security expenses	574	455
Interest expenses	7	51
Income taxes	2,521	2,112
Other	170	96
	3,272	2,715

EQUITY

EUR thousand	2021	2020
Restricted equity		
Subscribed capital 1 January	80	80
Subscribed capital 31 December	80	80
Total restricted equity	80	80
Unrestricted equity		
Reserve for invested unrestricted equity 1 January	53,621	54,647
Acquisition of treasury shares	-2,518	-1,026
Reserve for invested unrestricted equity 31 December	51,103	53,621
Retained earnings from previous financial years	11,032	8,206
Dividend distribution	-9,517	-7,104
Retained earnings from previous financial years	1,515	1,102
Profit (loss) for the financial year	16,608	9,930
Total unrestricted equity	69,226	64,653
Total equity	69,306	64,733
Distributable unrestricted equity		
Reserve for invested unrestricted equity	51,103	53,621
Retained earnings from previous years	1,515	1,102
Profit for the financial year	16,608	9,930
Distributable unrestricted equity	69,226	64,653

GUARANTEES AND COMMITMENTS

EUR thousand	2021	2020
Rental payments under lease contracts		
Payable during the following financial year	15	13
Payable in later years	12	25
Income taxes	27	38

PROPOSAL BY THE BOARD OF DIRECTORS FOR DISTRIBUTION OF PROFIT

Harvia Plc's total unrestricted equity amounts to EUR 69,226,116 in total, of which profit for the period accounts for EUR 16,607,971. Harvia targets a regularly increasing dividend with bi-annual dividend payout.

In order to determine the amount of dividend, the Board of Directors has assessed the company's solvency and financial standing after the end of the period. Harvia's Board of Directors proposes to the Annual General Meeting that the company distributes a dividend of EUR 0.60 per share, EUR 11,216,541.60 in total, for the financial period ended 31 December 2021. The Board of Directors proposes the dividend to be paid in two instalments, EUR 0.30 in April 2022 and EUR 0.30 in October 2022.

SIGNATURES FOR THE FINANCIAL STATEMENTS AND THE BOARD OF DIRECTORS' REPORT

In Muurame, 9 February 2022

Olli Liitola
Chairman of the Board

Sanna Suvantoa-Harsaae
Member of the Board

Anders Holmén
Member of the Board

Ia Adlercreutz
Member of the Board

Hille Korhonen
Member of the Board

Tapio Pajuharju
CEO

AUDITOR'S NOTE

A report on the audit performed has been issued today.

In Muurame, 9 February 2022

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Launis
Authorised Public Accountant

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Harvia Oyj

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Harvia Oyj (business identity code 2612169-5) for the year ended 31 December 2021. The financial statements comprise:

- the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the 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 parent company and of the group companies 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.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 2.3 to the Financial Statements.

OUR AUDIT APPROACH

Overview

- We have applied an overall group materiality of EUR 2,3 million
- The group audit scope includes all significant operating companies in Finland, Austria, Germany and USA covering vast majority of revenues, assets and liabilities.
- Valuation of goodwill
- Business combinations

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

OVERALL GROUP MATERIALITY

EUR 2,3 million

HOW WE DETERMINED IT

We used 5% of profit before tax to determine overall group materiality.

RATIONALE FOR THE MATERIALITY BENCHMARK APPLIED

We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

We have performed audit procedures in the most significant subsidiaries in Finland, Austria, Germany and USA. We determined the type of work needed to be performed at group companies by us, as the group engagement team, or by auditors from other PwC network firms operating under our instructions.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

KEY AUDIT MATTER IN THE AUDIT OF THE GROUP

Valuation of goodwill

Refer to accounting principles of the consolidated financial statements and note 3.2 Intangible assets and Impairment testing

At 31 December 2021 the Group's goodwill balance amounted to EUR 73,7 million. As such, goodwill represents 37 % of total assets in the balance sheet. Goodwill is allocated to the cash-generating units.

The Company tests goodwill for potential impairment annually and whenever there is an indication that the carrying value may be impaired by comparing the recoverable amount against the carrying value of goodwill.

The recoverable amounts are determined using value in use model. Value in use calculations are subject to significant management judgement in form of estimates of future cash flows, such as estimates of future sales and expenses, and discount rates. Valuation of goodwill is a focus area in the audit due to the size of balance and the high level of management judgement involved.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Our audit focused on assessing the appropriateness of management's judgement and estimates used in the impairment analysis through the following procedures:

- We tested the methodology applied in the value in use calculation by comparing it to the requirements of IAS 36, Impairment of Assets, and we tested the mathematical accuracy of calculations;
- We evaluated the process by which the future cash flow forecasts were drawn up, including comparing them to the budgets and strategic plans approved by the Board of Directors;
- We assessed the reasonableness of cash flow forecasts by comparing the accuracy of prior period revenue growth and operating profit forecasts to actual outcomes and to external forecasts;
- We considered whether the discount rates applied within the model and the sensitivity analysis performed by the management around key assumptions of the cash flow forecast were appropriate; and
- We also considered the appropriateness of the related disclosures provided in note 3.2 in the financial statements.

KEY AUDIT MATTER IN THE AUDIT OF THE GROUP

Business combinations

Refer to accounting principles of the consolidated financial statements and note 3.1 Business combinations

During 2021 Harvia acquired Kirami Ltd for a total consideration of EUR 9,9 million. The acquisition is accounted for as a business combination and includes a number of significant and complex judgments in the determination of the fair value of the assets and liabilities acquired.

The primary element of the valuation and purchase price allocation process was to assess the fair value of intangible assets (EUR 3,5 million) in the form of order backlog, customer relationships and trademarks. Resulting goodwill amounted to EUR 1,7 million. The purchase price allocation is reported as preliminary in the consolidated financial statements.

Business combinations is a key audit matter in the audit due to the high level of management judgement used in determining the fair value of the net assets acquired and the amount of redemption liability.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

For business combinations we considered the purchase agreements, evaluated the valuation principles of the assets and liabilities of the acquiree and the underlying assumptions used, as well as assessed the technical accuracy of the purchase price allocations.

Our audit procedures also included assessing the amount of contingent considerations and redemption liability and the appropriateness of the accounting treatment.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE 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 International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and 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 financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the 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 good auditing practice 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 financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 parent company's or 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 parent company's or 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 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 parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial

statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

APPOINTMENT

We were first appointed as auditors by the annual general meeting on 5 February 2015. Our appointment represents a total period of uninterrupted engagement of 7 years. Harvia Oyj became a public interest entity on 26 March 2018. We have been the company's auditors since it became a public interest entity.

OTHER INFORMATION

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the

other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Muurame 9 February 2022

PricewaterhouseCoopers Oy

Authorised Public Accountants

Markku Launis
Authorised Public Accountant (KHT)



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We are publishing this Annual Report in March 2022 in a situation marked by significant uncertainty in the world. Harvia suspended its operations in Russia in the beginning of March. We are supporting those affected by the war in Ukraine and are doing everything we can to help our local partners in Ukraine.