



HARVIA

Sauna & Spa

Healing with heat

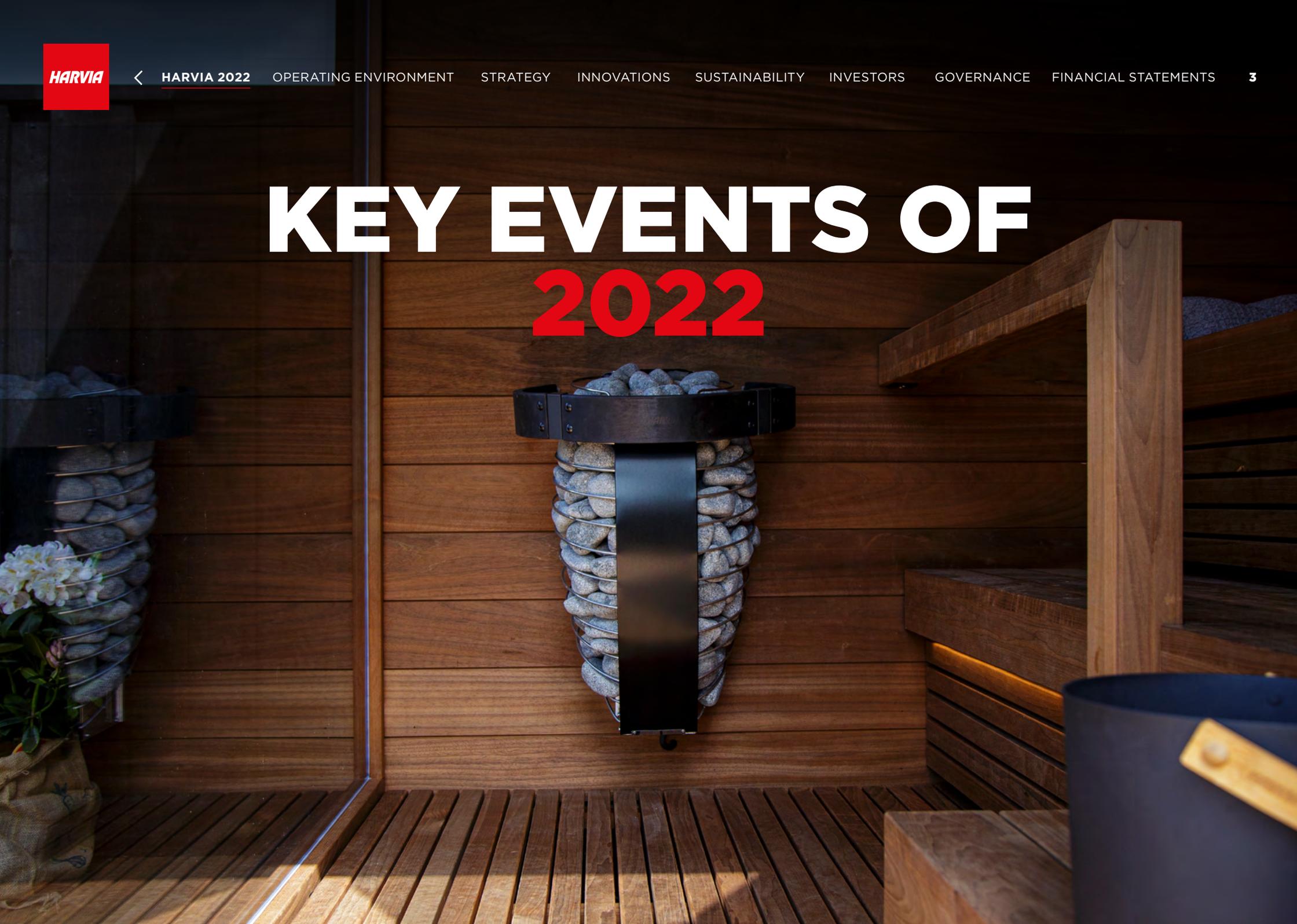
HARVIA PLC
ANNUAL REPORT **2022**

HEALING WITH HEAT

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KEY EVENTS OF 2022



FLEXIBILITY IN A YEAR OF CHANGES

SOLID PERFORMANCE IN CHALLENGING MARKET ENVIRONMENT

The Russian invasion of Ukraine, inflation and low consumer confidence impacted Harvia's performance in 2022. Sales declined in Central Europe and especially Germany. However, North America continued to enjoy strong growth, with operations in the Lewisburg production facility in full swing. Harvia saw growth in some other newer sauna markets, as well. Harvia's revenue totaled EUR 172.4 million, decreasing by 3.7% from the previous year.

Harvia quickly adapted to the changes in market, adjusting its capacity and cost structure as well as increasing its efforts in the professional and premium offering and customer base. Showing excellent commitment, Team Harvia did its utmost and succeeded in delivering a 21.1% adjusted operating profit margin even in the polarized and uncertain business environment.

EXIT FROM RUSSIA

Harvia suspended its operations in Russia at the beginning of March 2022 due to the Russian invasion of Ukraine. All Harvia branded business in the country was discontinued. The company also sought an alternative supplier for heater components previously imported from Russia.

In November, Harvia announced that it had signed an agreement to sell its 80.0% shareholding of EOS Russia to Mr. Vasilij Sosonkov, Managing Director of EOS Russia. According to the agreement, all references to EOS or Harvia will be removed from the Russian company's name and brand names, and EOS-related intellectual property rights stay in Harvia's ownership. Following the divestment, Harvia exited the Russian market altogether. Closing of the transaction was subject to official approvals in Russia. The transaction was closed in March 2023.

EOS GROUP'S GERMAN OPERATIONS TO HARVIA'S FULL OWNERSHIP

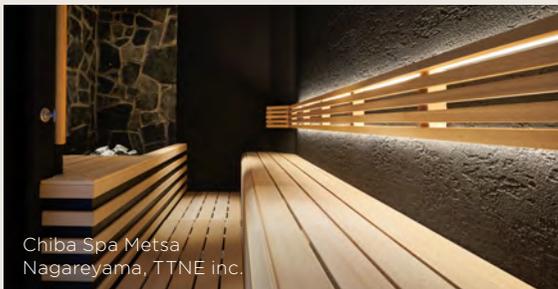
Harvia acquired a 21.4% minority shareholding of EOS Group's German operations in July 2022. After the transaction, EOS Group's German operations are fully owned by Harvia.

EOS Group's portfolio consists of premium and professional sauna heaters, control units, steam technologies and a comprehensive range of accessories. Harvia acquired a majority stake in EOS Group in March 2020. Since the acquisition, EOS Group's business has developed favorably, increasing Harvia's penetration and offering in the premium and professional segment of the global sauna heater and equipment markets.

GROWTH IN NEW MARKETS

Increase in the popularity of sauna, low but increasing sauna penetration and resilient high-end demand supported market growth in the newer sauna and spa markets. In line with its strategic priority of geographical expansion, Harvia amplified its efforts in these markets during the year and saw substantial progress in, for instance, North America, Arab countries, and Asia. The company also expanded its market presence in Australia and Oceania.

After a successful market entry in Japan with strategic partner Bergman Ltd in 2021, the cooperation intensified in 2022. During the first 12 months of operations, a total of 15 showrooms were opened across Japan and distribution contracts were signed with over 20 local representatives. Located in the Greater Tokyo Area, Spa Metsä Otaka with its Harvia Cilindro heaters also won the Best sauna facility of the year recognition. This demonstrates the growing appreciation for Finnish sauna in the market. Sales in Japan developed favorably, as well, as efforts were expanded from sauna heaters towards a wider range of products.



Chiba Spa Metsä
Nagareyama, TTNE inc.



Harvia's CEO Tapio Pajuharju received the award from Mr. Jouni Flyktman, the Chairman of the Board of the Strategic Management Society of Finland.

RECOGNITION FOR HARVIA

In April, the Strategic Management Society of Finland (SSJS) awarded Harvia the Strategy Act of the Year recognition. The society's strategic management experts emphasized the fact that Harvia's strategy is not only a collection of good ideas but has been successfully implemented. They also commended the way Harvia has linked its strategy to the topical wellness megatrend as well as applied the strategy to drive international growth.

Harvia and Heiner Olbrich, member of Harvia's Board of Directors since 2022, received the Board Member of the Year award. The winner of the award is elected from among all new board members of Finnish listed companies by a jury appointed by executive search firm Stanton Chase and chaired by Sari Lounasmeri from the Finnish Foundation for Share Promotion. In the election of the winner, the board member's professional experience, accomplishments, fit to the board's profile and the diversity the person brings to the board were emphasized.



CEO TO CHANGE

Harvia announced in November that the company's CEO Tapio Pajuharju had decided to resign from his position to pursue new challenges outside Harvia. Pajuharju has served as Harvia's CEO since 2016, and will continue as the CEO until the end of May 2023.

HARVIA IN 2022

Revenue

172.4

(179.1)
EUR million

Operating free cash flow

34.0

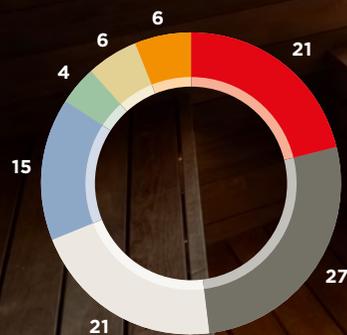
(20.4)
EUR million

Adjusted operating profit

36.5

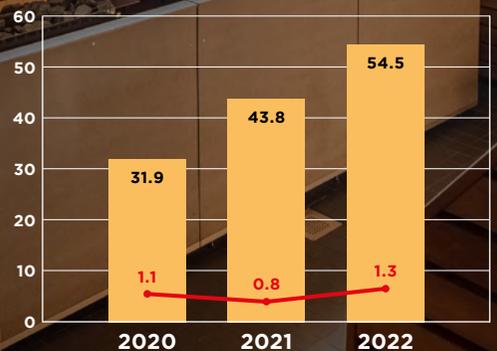
(47.3)
EUR million

REVENUE BY MARKET AREA, %



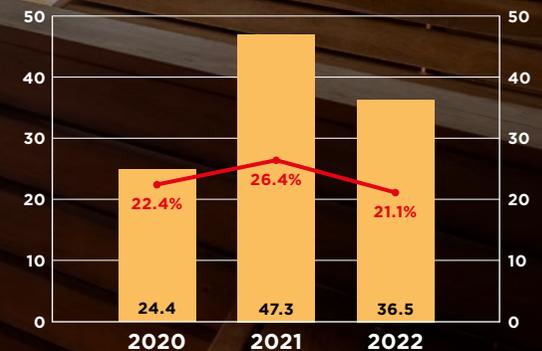
- Finland
- Other European countries
- North America
- Germany
- Russia
- Scandinavia
- Other countries

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*

0.64

(0.60)
EUR

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

Cash conversion

79.1%

(38.5)

Earnings per share

1.45

(1.80)
EUR

Investments

3.6

(11.8)
EUR million

Equity ratio

47.3%

(42.4)

Adjusted return on capital employed (ROCE)

54.5%

(112.6)

Personnel

633

(824)



CEO'S REVIEW

I am extremely proud of Harvia's performance in 2022. The market conditions were exceptionally stormy and challenging, yet team Harvia did its utmost with excellent commitment in maintaining solid profitability. I would like to express my sincerest thanks to the whole team at Harvia and all of our partners.

We managed to be agile and quickly adapt to the changes in the market. We adjusted our capacity and cost structure as well as increased the efforts in the professional and premium offering and customer base. Our entire supply chain showed great flexibility and adaptability.

Team Harvia succeeded in delivering an operating profit of EUR 36.5 million, or 21.1% of revenue, in the polarized and uncertain business environment. Our revenue amounted to EUR 172.4 million with a decline of 3.7%.

POLARIZED MARKETS

During the year, the impact of the Russian invasion of Ukraine, inflation and low consumer confidence affected our performance. We did exit the Russian market completely in two phases. The markets remained polarized as Central Europe, especially Germany and the DACH region in general, was impacted the most, whereas North America as well as some of the newer sauna markets continued to enjoy increasing interest and solid growth.

Strategically important sauna room sales continued strong development in 2022 especially in North America. Sauna heater sales slowed down in all major markets, especially in Europe and in the entry-level heater category. High inflation combined with emerging energy shortage reduced consumer confidence and impacted sales negatively in the European market. Sales of other product groups, spare parts and services developed well especially in heater stones due the acquisition of Sauna-Eurox in August 2021.

Towards the year end, wood burning heaters experienced an exceptional hike in sales for the time period, which supported the overall heater sales especially in Central Europe, Finland and Scandinavia. This indicates that even in demanding economic conditions, consumers greatly appreciate sauna experiences and remain agile in selecting alternative energy sources.

OPTIMIZING BUSINESS MODEL AND OPERATIONS

We remained agile in adapting our resources and cost structure to the new market sentiment. This resulted in optimizing our cost base and rightsizing our operations in multiple operating countries and units. Our ambition continues to be able to deliver above 20% operating profit margin even in the challenging business environment.

During the year, inventory levels in our distribution channels gradually normalized and in general returned to normal, healthy levels. A handful of Central European e-commerce platforms still had a higher-than-normal inventory of entry level sauna heaters and equipment at the end of 2022. Our proactive initiatives to normalize our net working capital and especially

inventories were successful and at par with targets. Our ability to generate cash flow has traditionally been very strong. In 2022, our cash flow reached EUR 34 million, which is 66.2% higher than in the previous year. Because of this and the normalized investments, our cash conversion landed at very strong 79.1%, also a big improvement from 38.5% in the previous year.

Since the first day of Russian invasion to Ukraine, we evaluated tangible and sustainable options for complete exit from Russia. We suspended our Harvia branded operations at the beginning of March, and at the beginning of November we completed the EOS Russia exit by successfully divesting our remaining 80% share. The transaction was closed in March 2023 after official approvals in Russia were received.

OUR WAY FORWARD

Going forward, on top of all current activities, we will continue to direct our efforts and offering to match even better the demand in the more premium and professional market. Currently it has more opportunities for Harvia than the challenged entry-level market. While Central Europe will likely remain challenging for some time, we have and will focus more of our efforts to support our solid growth in North America and in other new and strongly developing sauna markets. Additionally, we are working on addressing opportunities in enhancing the energy efficiency of sauna. Our levers to ensure solid profitability have been successfully applied, and we remain alert to address them further if needed.

While the market environment remains challenging and the short-term visibility is poor, it does not affect Harvia's strategic cornerstones or long-term targets. We continue to have full focus on our strategic cornerstones of geographical expansion, increasing the value

of average purchase, and improving our productivity. On top of the organic business growth path, we remain active in seeking strategic opportunities on the M&A arena. Our innovation pipeline is strong and continues to deliver excellent products and concepts to the market.

This is my last Annual Report as Harvia's CEO. My Harvia journey started as the member of the Board of Directors in 2014, and I was elected as the CEO in 2016. Two years later, I had the pleasure to lead Harvia to the next level as the company was listed on Nasdaq Helsinki. We have experienced great moments together and seen a major development in the market. Team Harvia has been able to develop the company with extremely professional grip and passion, hence the top of the sauna & spa market is just one step on the bigger journey. At the same token, sauna and the proven health benefits of it have experienced increased awareness and attention in a truly global scale. This is expected to continue also in the coming years. Our management team and the whole personnel know exactly how to take the company forward. I can guarantee that the exciting journey will continue. Enjoy the ride.



Tapio Pajuharju
CEO,
Harvia Plc



OPERATING ENVIRONMENT AND MEGATRENDS

Awareness and popularity of the sauna and its health benefits increased in the newer sauna markets, while the established sauna markets in Europe were impacted by the economic uncertainty and reduced consumer confidence caused by the Russian invasion of Ukraine.

Harvia is a global leader in the sauna and spa market. According to the management's estimate, Harvia's share of the sauna and spa market has increased during the last few years. In 2022, Harvia's share of the sauna and spa market continued to increase and was estimated to be 5%, and the company's share of the sauna heater and sauna component market was estimated to be 21%.

According to Harvia's estimate, there are approximately 18 million saunas in the world. This large sauna base provides significant business arising from the replacement of saunas and sauna heaters.

The frequency of heater replacement largely depends on where and how the sauna is used. In hard

professional use, such as spas, for example, heaters are often replaced every 3-4 years, while in residential use, the replacement cycle is often significantly longer.

YEAR OF CHANGES IN THE OPERATING ENVIRONMENT

During the past few years, the sauna and spa market enjoyed growth significantly above its historical average, fueled by the COVID-19 pandemic. In 2022, this so-called advance demand faded away as pandemic restrictions in key markets were lifted. Market growth was also boosted by increased awareness and appreciation of the health benefits of sauna. This trend is expected to continue strong in the coming years.



The impacts of the Russian invasion of Ukraine were visible in the European sauna and spa market in 2022, as the economic uncertainty, reduced consumer confidence and enhanced energy saving measures affected market development negatively. In other regions, especially in North America and Asia, the sauna and spa market continued to grow. The increase in the popularity of sauna, low but expanding sauna penetration and resilient high-end demand supported market growth in the more emerging sauna and spa markets.

The sauna and spa market has traditionally been very resilient during economically challenging times, and the positive long-term growth outlook for the sauna and spa market as a whole is intact.

SAUNA AS A SOURCE OF HEALTH AND WELLBEING

Sauna has traditionally brought people enjoyment, but it has also been proven to be a source of health and wellbeing: regular sauna bathing contributes to a long and healthy life. The health benefits of sauna are becoming more widely known and actively promoted especially in newer sauna markets, such as the United States, Japan, and Australia. The wellbeing trend boosted the demand for sauna and spa experiences globally in 2022.

Approximately 500 scientific studies have been conducted on the health impacts of the sauna. Regular sauna bathing has been proven to reduce the risk of high blood pressure, pulmonary disease, stroke, and dementia, among others. Read more about a recent study on sauna's positive effects on heart 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 5.6 million people, approximately 2.8 million households and approximately 3 million saunas in the country. Many Finnish 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 newer sauna markets, sauna penetration is still on a low level. Commercial sauna solutions can be found at high-end hotels and gyms, but interest and demand for residential indoor saunas is growing, as well, driven by the increased awareness and popularity of the health benefits of sauna and spa.

In the Arab countries and Asia, 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 Japan, a new sauna lifestyle with its custom clothing and festivals is emerging, complementing the country's traditional onsen and sento spa cultures. The sporty Australians are interested in all variations of sauna and spa culture and products, from infrared to barrel saunas. Heat and cold treatments and simply relaxing in the sauna is a new and growing trend in the country.

The trend of having a backyard paradise for relaxation and enjoyment together with family and friends has become very popular throughout North America. In addition to the traditional barbecue and a hot tub or pool, backyards more and more often also feature outdoor saunas. Especially the traditional barrel sauna is becoming a vital ingredient of the backyard paradise concept.

MEGATRENDS SHAPE THE MARKET

Harvia has identified four megatrends that impact the sauna and spa business. The trends were visible in 2022 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 INVESTS IN WELLBEING

The growth of the middle class and the increase of its purchasing power is a global phenomenon. Combined with the wellness trend, this opens many new growth opportunities for Harvia. The urban, middle-class households are eager to spend money on individual, high-quality products and solutions that promote health and wellbeing.

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 working continuously to maximize the sustainability of its products by developing cleaner burning solutions and paying attention to energy efficiency in production as well as the materials and their recyclability.

DIGITALIZATION ALSO AFFECTS SAUNAS

The pace of technological change continues to accelerate. The sauna and the sauna experience are becoming digital, as well. The heater, lighting and ventilation of the sauna can be controlled remotely with mobile apps, such as MyHarvia or MySentio, or EOS's innovative touch-screen sauna control unit Emo Touch 3. Digital technology can also be used to offer experiences for all senses, for example, with colored mood lighting or one's favorite music. IoT solutions for buildings and homes create new kinds of possibilities for the energy efficiency of the sauna and the promotion of wellbeing.

SAUNA AND EXERCISE ARE A PERFECT MATCH FOR YOUR HEART

Sauna is known to relieve muscle tension, ease headaches, strengthen the immune system, and more. A new study from Finland is revealing sauna's impressive benefits for the cardiovascular system.

What are the effects of sauna bathing when combined to exercise? **Earric Lee**, exercise medicine and health science researcher from University of Jyväskylä in Finland, and his team conducted a study to find out the answer.

A group of people were randomly assigned into either a sedentary control group, an exercise intervention group, or a group that performed the exercise intervention followed by traditional sauna bathing. All of them had low physical activity levels and at least one cardiovascular disease (CVD) risk factor, such as obesity, high cholesterol, or high blood pressure. The study lasted for 8 weeks.

The results were impressive. The addition of a regular 15-minute sauna session after exercise substantially improved cardiovascular fitness, lowered systolic blood pressure, and reduced total cholesterol compared to regular exercise alone.

"Sauna bathing is known to alter blood flow rather drastically, which is why the study findings support the use of sauna regularly post-exercise for additional benefits compared to regular exercise alone," Lee explains.

In fact, he also has personal experience of the healing effects of sauna bathing. "I used to be a competitive athlete and after intense leg training, I would have severe cramps and involuntary spasms in my quads and hamstrings. A former colleague suggested that I should use the sauna after training as it might relieve muscle tension. I tried it and was amazed: it did help," Lee says.

Even though the study population consisted of people who had low physical activity levels and CVD risk factors, Lee believes that similar positive effects can be attained by completely healthy people, as well.

The study has been published in the American Journal of Physiology-Regulatory, Integrative and Comparative Physiology.



Earric Lee, Doctoral Researcher



STRATEGY IMPLEMENTATION

The challenging market environment did not affect Harvia's strategic priorities or long-term financial targets. Delivering on its strategic priorities, Harvia increased the value of the average purchase, expanded its global reach and market share and improved operational efficiency in 2022.

INCREASING THE VALUE OF THE AVERAGE PURCHASE

Harvia seeks 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, the company sells products that enhance the safe and convenient use of the sauna both in professional and residential applications.

Strategically important sauna room sales continued strong development in 2022 especially in North America. Sauna heater sales slowed down in all major markets, especially in Europe and in the entry-level heater category. High inflation combined with emerging energy shortage reduced consumer confidence and impacted sales negatively in the European market. Sales of other product groups, spare parts and services developed well especially in heater stones due to the acquisition of Sauna-Eurox in August 2021.

Harvia has built a portfolio of sauna and spa brands catering to the needs of professionals and consumers alike. Of these, Almost Heaven Saunas continued its strong performance, introducing new barrel saunas to the North American market. The business of EOS Group gives Harvia an increased penetration and offering in the premium and professional sauna heater and equipment segments. Harvia acquired the remaining shares of EOS Group's German operations in 2022.

GEOGRAPHICAL EXPANSION

Harvia aims to grow its market share and expand market presence in all key markets by developing its distribution and improving the availability and visibility of its offering.

Harvia suspended its Harvia branded operations in Russia in March 2022 due to the Russian invasion of Ukraine and completed the exit from the Russian market in November when Harvia had signed an agreement to sell its 80.0% shareholding in EOS Russia. Consequently, the focus of sales efforts previously set on Russia was successfully directed to newer sauna markets.

Harvia maintained strong growth in the large and high-potential North American market in 2022. The company saw great progress also in Arab countries and Asia. Partnership with Bergman in Japan, launched in 2021, boosted Harvia's presence in the Japanese market, with 15 showrooms already opened across the country. The company has also focused efforts on identified pockets of growth, such as Australia and Oceania.

Even in the demanding business environment, Harvia maintained its ability to gain market share. In addition to the progress made in the newer markets, Harvia succeeded in taking the leading position in the Scandinavian sauna and spa market in 2022.

PRODUCTIVITY

Harvia aims to continuously improve its operational efficiency and enhance the efficiency of purchasing and logistics.

Following Russia's attack on Ukraine, Harvia focused on adapting to the changes in the market environment, demand and inflation. The company took swift action and moved from productivity improvement mode to rightsizing operations: adjusting production capacity, destocking, conducting change negotiations in Finland and reorganizing operations in other countries. Measures were also taken to adjust cost levels and net working capital. Despite the challenging circumstances, Harvia managed to keep the availability of products and delivery capacity at a good level in 2022.

After strong investments and capacity expansion in 2021, only minor add-on investments were made into production machinery and processes during 2022. The focus was on finishing the expansion projects started earlier and adjusting production facilities to better meet changes in demand. A new production hall was taken into use in Muurame. Its production line has lower maintenance costs, a higher utilization rate and smaller environmental impacts than the other production lines, and the layout of the hall improves the efficiency of internal logistics. In Finland, the United States, and Romania, existing processes were also modified to improve flexibility.

Strategy implementation progressed as planned in all areas. In line with its mission statement, Harvia focused on promoting people’s well-being through sauna and spa experiences.

Despite the macroeconomic challenges, Harvia continued to gain market share during the year. Measured in revenue, Harvia is the largest company in the global sauna and spa industry.

FINANCIAL TARGETS	
GROWTH	
TARGET	Average annual revenue growth of 5%
2022: -3.7%	
PROFITABILITY	
TARGET:	Adjusted operating profit margin exceeding 20% ¹⁾
2022: 21.1%	
LEVERAGE	
TARGET	Net debt per adjusted EBITDA in the range of 1.5x–2.5x ²⁾
2022: 1.3	

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.

STRATEGIC PRIORITIES IN 2023

While the market environment remains uncertain, it does not affect Harvia’s strategic priorities or long-term financial targets. Harvia continues to pursue opportunities to grow in the sauna and spa market organically and through M&A. Strategic opportunities in the M&A space that Harvia is looking into include infrared and steam saunas and the luxury and premium segment.

Investments into improving productivity and developing new innovations and capabilities will be made also going forward, at a level sustainable for the business. Harvia’s innovation pipeline is strong, and the company is working on addressing business opportunities connected to energy efficiency and smart energy sauna.

Harvia will also continue to optimize distribution strategies in all key markets and leverage cross-selling opportunities. The company will remain active in decreasing net working capital as well as adjusting capacity and cost base when needed.

PURPOSE

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

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.

MISSION

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

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.

GROWTH IN JAPAN

In 2021, Harvia signed a strategic partnership with Bergman Ltd in Japan to build awareness and demand for Harvia's sauna and spa products among both commercial and consumer customers. Harvia aims to become the number one sauna brand in the market.

After a successful market entry in Japan at the end of 2021, Harvia's cooperation with Bergman intensified in 2022. Sales developed favorably, as efforts were expanded from sauna heaters towards a wider range of products.

SHOWROOMS ACROSS THE COUNTRY

An important element of gaining ground in the Japanese market is the Sauna & Spa showroom concept. The aim of the showrooms is to introduce Harvia's comprehensive offering to potential partners, retailers and especially to the Japanese consumers. In addition to the most popular saunas and sauna heaters, the showrooms also display other products, such as Scandinavian hot tubs.

Harvia's target is to open 50 showrooms across the country, and it is well on its way to reach this goal.

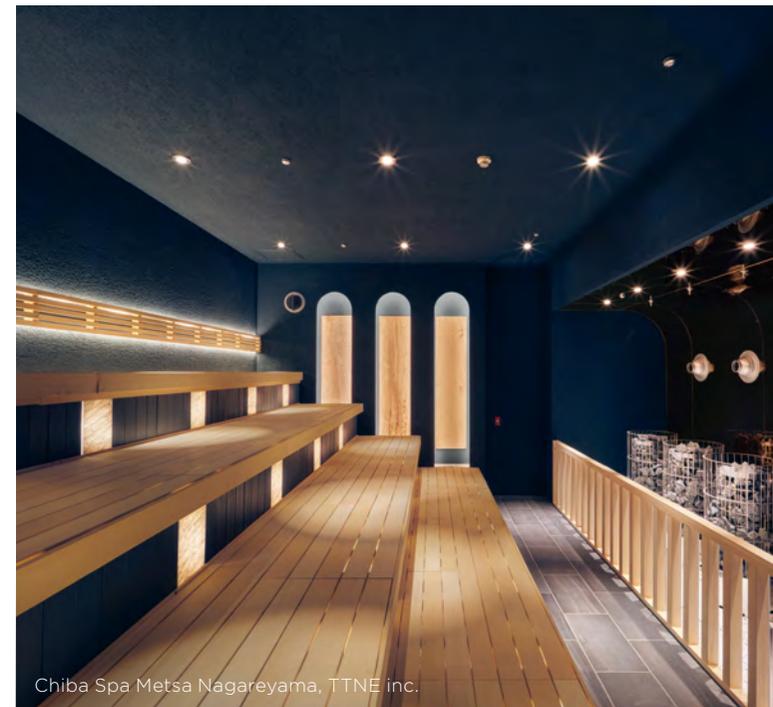
During the first 12 months of operations, Bergman signed contracts with over 20 local representatives and opened a total of 15 showrooms in the market, with 7 more under way. Harvia already has a presence in major cities such as Tokyo, Osaka, Nagoya and Sapporo.

UNIQUE NEW SAUNA CULTURE IS EMERGING

Japanese sauna and spa culture is ancient. In rural areas, people enjoy onsen baths with their hot springs, while the urban sento culture is built around hot and cold pools in public bathhouses.

In recent years, the popularity of sauna bathing and the whole sauna lifestyle has increased especially among young people and women. Awareness of the positive health effects of sauna has also grown since the beginning of the Covid-19 pandemic. Increasingly, people see saunas as a source of relaxation and well-being, and Finnish-style saunas can be found in hotel and public spas more and more often. The die-hard sauna enthusiasts, or "Saunners" as they are called in Japan, are also installing saunas in their own homes.

The sauna culture in Japan is enjoying a boom, as a full sauna lifestyle with specific streetwear and festivals is emerging. Supported by its collaboration with Bergman and the Japanese sauna design and influencer agency TTNE, Harvia is well positioned to capitalize on the opportunity and associate the Harvia brands with the best of what sauna can offer in the Japanese people's minds.



Chiba Spa Metsa Nagareyama, TTNE inc.



Investing in Japan was a strategic choice for us. We have carried out a wide range of sales and marketing activities and are already seeing the positive results in increased demand and sales in both consumer and commercial segments. We are continuing our efforts in 2023 to win the market and become the number one sauna brand in Japan in the long run.

David Ahonen
Export Director at Harvia

HARVIA'S BUSINESS OPERATIONS IN 2022

Harvia delivered strong operational performance despite the challenging business environment.

Harvia is the world's leading sauna and spa company. Its products are available in approximately 90 countries, and the share of international revenue was 78.9% in 2022. In addition to Finland, Harvia has production facilities in China, Germany, Romania, Estonia, and the United States.

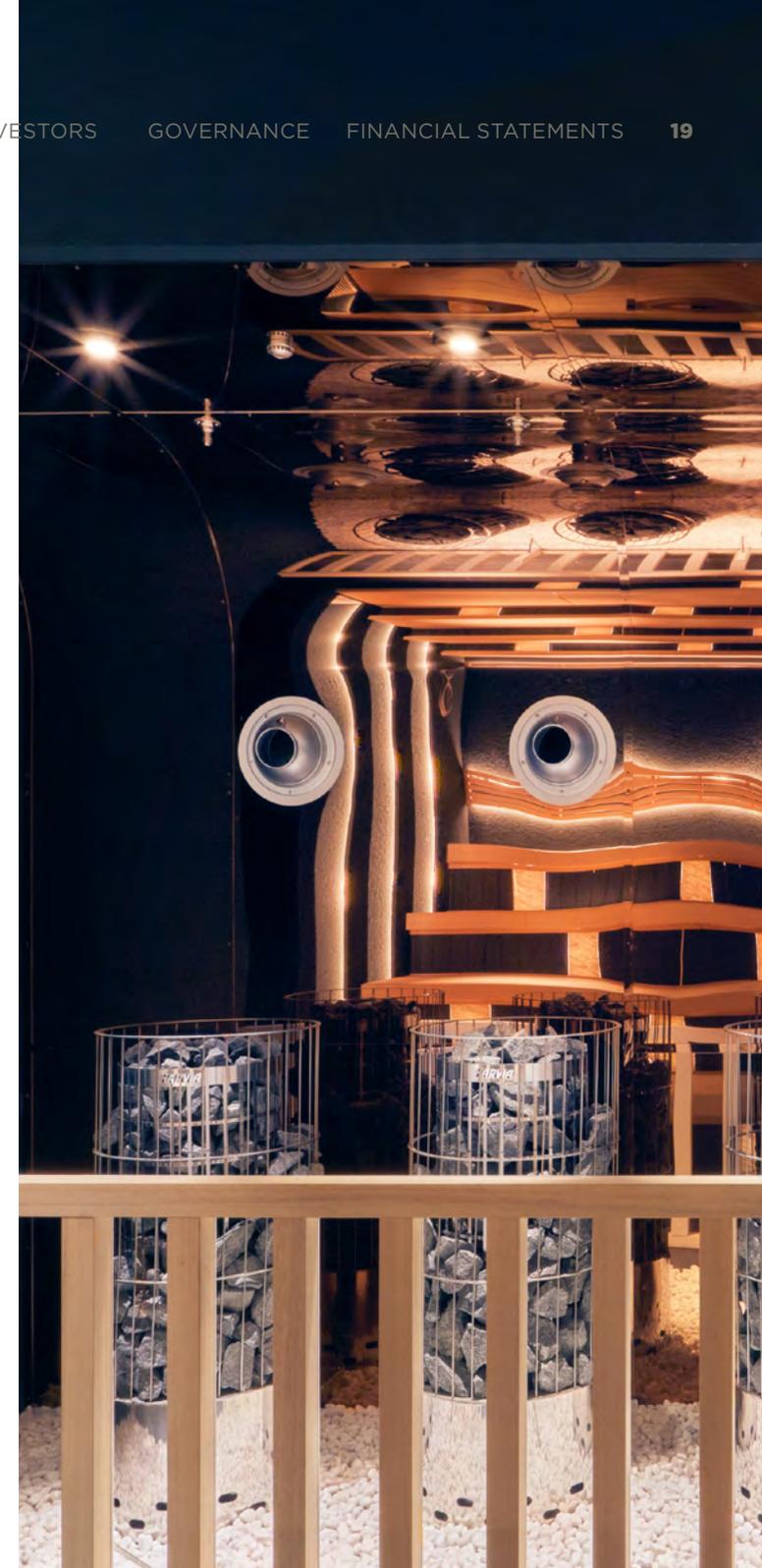
POLARIZED MARKET SITUATION

The Russian invasion of Ukraine significantly affected Harvia's business in 2022. Harvia suspended its Harvia branded operations in Russia in March 2022 and completed the exit from the Russian market in November. Especially in Europe, the impacts of war were also reflected in high inflation, which combined with emerging energy shortage reduced consumer confidence. This impacted the demand of sauna heaters in particular. In addition, the so-called advance demand caused by the pandemic faded away.

Outside Europe, business continued strong. Harvia maintained robust growth in the North American market. In line with its strategy, Harvia amplified its sales efforts also in other newer sauna markets and saw notable progress in Arab countries and Japan, among others.

Demand in the premium segment continued closer to normal levels. Consequently, Harvia strengthened its efforts in the professional and premium offering and customer base.

Harvia's revenue landed at EUR 172.4 million in 2022, decreasing by 3.7% from the previous year. Revenue increased especially in saunas, driven by North America, and in other product groups. Despite the challenging business environment, Harvia succeeded in delivering a solid 21.1% adjusted operating profit margin.





RIGHTSIZING OPERATIONS

As the year began, Harvia's supply chain was still facing disruptions in the availability of key raw materials. The costs of sea freight also remained at a very high level during the first half of the year.

Following Russia's attack on Ukraine, Harvia took swift action to adapt operations to the changes in the market, adjusting production capacity, destocking, conducting change negotiations in Finland and reorganizing operations in other countries. Measures were also taken to adjust cost levels and net working capital.

Harvia has a strongly decentralized procurement strategy, and all raw materials and components have at least one alternative supplier. Before the war, Harvia also imported heater components from Russia. After the attack, the company sought alternative suppliers for the components and discontinued all imports from Russia.

Despite the challenging circumstances, Harvia managed to keep productivity and delivery capacity at a good level throughout 2022.

Harvia continued to develop its sales and operations planning (S&OP) process during the year to enable more accurate sales and demand forecasts as well as to secure delivery capacity, especially in the rapidly changing market conditions. The materials management of the entire Group now operates in accordance with the S&OP process. Other development projects related to production and supply chain were also advanced as planned.

INVESTMENTS INTO IMPROVING EFFICIENCY AND FLEXIBILITY

After strong investments into productivity and capacity expansion in 2021, only moderate investments were made in 2022, focused on finishing the expansion projects started earlier and adjusting production facilities to better meet changes in demand.

The assembly line of the heater production hall in Muurame was updated with a new layout, improving the efficiency of internal logistics. The Lewisburg facility in the United States that started operations in November 2021 continued to respond well to strong demand in North America. In Finland, the United States, and Romania, existing production facilities and processes were modified to improve flexibility.



Harvia's entire supply chain showed great flexibility and adaptability amidst the changes. Sourcing was successful in ensuring the availability of materials, logistics were scaled cost-efficiently despite growing volumes, and production adjusted to the rapid demand fluctuations excellently.

Mika Suoja
Vice President of Operations &
Sourcing at Harvia



Harvia's products are sold in approximately 90 countries.

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, as well as products and solutions for active backyard living.

Harvia delivers sauna and spa experiences through five well-known brands: Harvia, EOS, Almost Heaven Saunas, Kirami and sentiotec. With their extensive range of products, the company is able to offer tailored sauna and spa solutions to professionals and consumers alike.

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.



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.

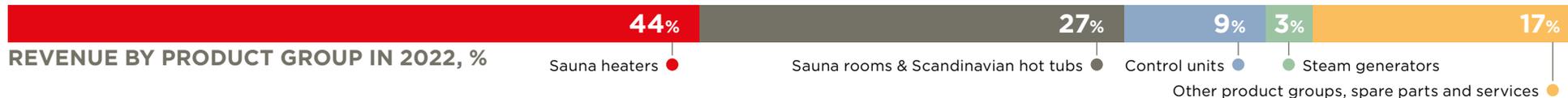
Sauna heaters is Harvia's largest product category, accounting for 44% of the revenue in 2022. Sauna heater sales declined especially in Germany and other European countries and in entry-level heaters due to the inflation and decreased consumer confidence as well as the energy crisis in Europe.



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 sauna rooms. In 2022, sauna room sales developed strongly especially in North America, but revenue from Scandinavian hot tubs stayed on low level in all market areas.





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 of other product groups, spare parts and services developed well especially in heater stones due to the acquisition of Sauna-Eurox in August 2021.



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.

Sales of control units were affected by the decreased demand of electric heaters in 2022, but still reached the 2021 level in all other markets except Germany and Russia.

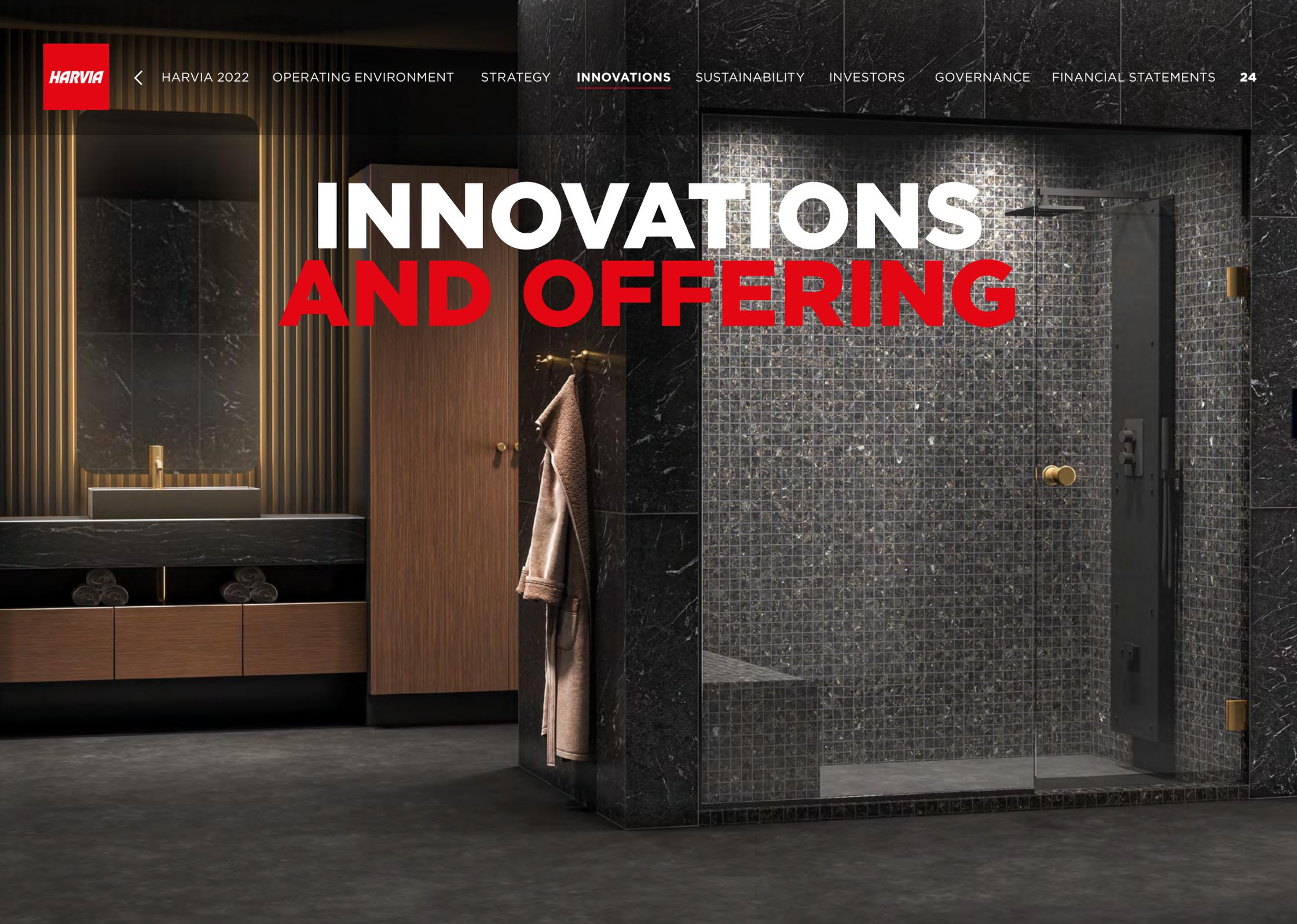


Steam generators

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.

The revenue development of steam generators was affected especially by the exit from Russia.

A high-quality photograph of a modern bathroom. The room features dark, polished stone walls and a large mirror reflecting a white sink with a gold faucet. A wooden vanity with a gold handle is visible. A brown bathrobe hangs on a gold hook. To the right, a glass shower enclosure with a gold handle is set against a wall of small, dark mosaic tiles. The lighting is dramatic, highlighting the textures and materials.

INNOVATIONS AND OFFERING

In 2022, new product development mainly focused on innovation around multi-sensorial sauna experience, backyard relaxation, and cleaner burning. Harvia also carried out research in energy consumption and explored wellness technologies.

Harvia provides users with a full sauna experience, including heaters, sauna cabins and sauna rooms, infrared saunas, steam generators, sauna stones, lighting, scents and textiles. During 2022, the company launched new products for all the different sauna types.

The innovation themes in 2022 included multi-sensorial sauna experience, backyard relaxation, and eco and clean burning sauna. Harvia introduced a new premium line-up to the steam market with the launch of the Harvia Nova steam shower cabin and column products. Harvia Nova offers consumers an easy way to enjoy the relaxation and health benefits of soft and gentle steam at the comfort of their own homes. Harvia Nova

offers a multi-sensorial experience combining with heat and steam also the possibility for aromatherapy and chromatherapy.

The active backyard living product offering is stronger than ever. New products were introduced under four of Harvia's brands: Almost Heaven Saunas, Harvia, Kirami and sentiotec.

In 2022, Harvia also monitored and explored wellness technologies and how they could further enhance the health benefits of sauna. The aim is to introduce some of these technologies in Harvia's products in 2023. In addition, Harvia's product development supported the company's geographical expansion by the development and certification of products for the North American and Japanese markets.

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. The results have already been utilized in Harvia's GreenFlame products. In 2022, Harvia launched the Linear 18 Compact heater that meets the high emission requirements and efficiency ratios (BimSchV2) for wood-burning heaters in Germany. 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.

SAUNA BATHING AND ENERGY CONSUMPTION

In 2022, Harvia researched the energy consumption of electric sauna heaters in its own test laboratory. With the research, Harvia's R&D team gained new insights to be utilized in future product development projects.

Harvia is committed to informing customers about the optimal use of electric saunas, which has become more and more important as energy prices started to rise. In 2022, Harvia focused on increasing people's understanding of energy consumption related to sauna bathing.

For example, the heat energy generated by saunas can provide a secondary source of heat in the colder months, which can significantly reduce the total energy consumption impact of using a sauna. During sauna bathing, most of the heat from the sauna room is transferred through the door and structures to the rest of the building. The heat energy leaking from the sauna, for example, to the adjacent bathroom, reduces the need for other sources of heating. If heat recovery for ventilation or an exhaust air heat pump is used, most of the heat remains useful for heating the building.

There are variables that sauna users can impact to optimize the use of sauna in terms of energy consumption, such as the desired temperature and the duration of the sauna session.

There are also factors that affect sauna's energy consumption that people cannot directly influence when taking a sauna but should be considered when building a sauna, such as the materials used, the ratio of the heater's power to the volume of the sauna, and ventilation.

NOVELTIES 2022

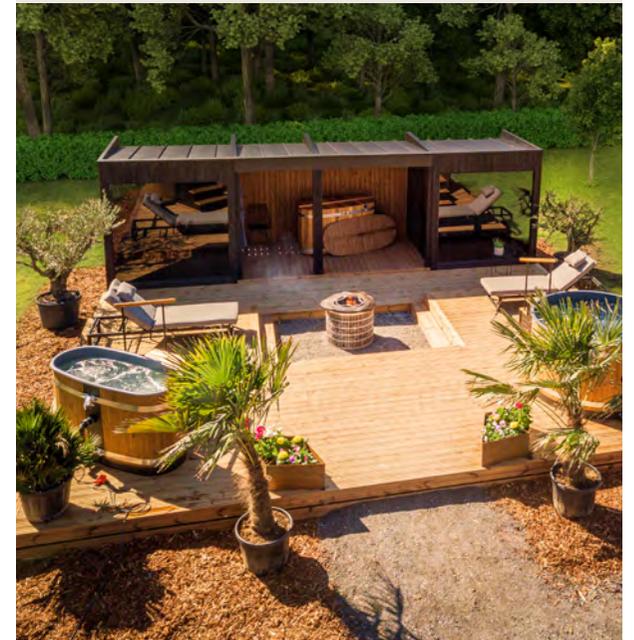
HARVIA SPIRIT

Harvia Spirit is a new safe and easy-to-use design electric heater that respects natural design. Its open, curved design brings out the natural shape of round sauna heater stones and meets the quality and safety standards set for electric sauna heaters. It heats up fast and energy efficiently. The Harvia Spirit electric heaters are WiFi compatible and can be controlled by using the MyHarvia mobile application.



KIRAMI ANNEX

Kirami FinVision® Annex concept includes a sauna, lounge, terrace and changing room in the Kirami FinVision® Nordic misty series. The modules can be linked seamlessly together to build an outdoor oasis.



EOS UV-CLEAN

EOS UV-Clean is an air disinfection unit to be installed in the air supply area of e. g. a sauna or an infrared cabin. It cleans the air supply of the sauna from various infectious strains such as bacteria, viruses and yeasts. The unit draws the outside air in by integrated fans and purifies the air with highly effective UV-C light before the air flows into the sauna cabin. Its efficiency, up to 99.9%, has been certified by VDE, one of Europe's largest technical-scientific associations.



HARVIA NOVA

Harvia Nova product line-up includes two new products, a steam shower cabin with a built-in steam shower column and a stand-alone steam shower column. The Harvia Nova products can be controlled remotely via Harvia Xenio WiFi control panel and MyHarvia mobile application to start the steam generator from anywhere and at any time.

ALMOST HEAVEN SAUNAS ONYX

Almost Heaven Saunas introduced the Onyx Upgrade, which can be applied to any of the Almost Heaven Barrel Saunas. It offers a wall heater, LED mood lights, and contrasting benches.



ALMOST HEAVEN SAUNAS PHOENIX

Phoenix is a Luxury Barrel Sauna available in the U.S. market. It is spacious and offers unique floating benches. As a standard option, each sauna comes with the sleek black-steel Harvia The Wall heater that can be mounted on the back wall. Upgrade options include e.g. a stand-alone floor heater such as the Harvia Virta heater with WiFi capability.





SENTIOTEC HIMALAYA

The sentiotec Himalaya infrared sauna cabins are easy to customize for any space. They have a special feature, salt stones on the wall. The dry heat of a sauna in combination with salt stones has particularly positive effects on health, such as reduces inflammation, itching and dryness of the skin. The stylish sauna cabins are equipped with LED color lights.



EOS MAJESTY

The EOS Majesty fits perfectly into modern, high-quality sauna cabins. The slanted slats above the rock store are not just a design element, they direct the air in a targeted manner and thus ensure optimal heat distribution in the sauna cabin.



HARVIA BLOCK

The Harvia Block sauna cabin is a personal heaven for ultimate relaxation. There is a wide variety of bench and panel materials and different illumination options available. The sauna is extremely easy and fast to assemble, energy efficient and safe to use.



SUSTAINABILITY

HARVIA



GreenFlame



SUSTAINABILITY PROGRAM 2022-2025

By healing with heat, we contribute to a long and good life. Our ambition is to drive the sustainability agenda in our industry. We are committed to carbon neutrality in our operations by 2030 as well as to continuously improving the sustainability of sauna and spa experiences with a safe and warm community of employees, customers and partners.

As the global sauna and spa market leader, Harvia wants to lead the way in the industry for more sustainable sauna experiences that promote health and wellbeing. During the year, Harvia implemented its sustainability action plan for year 2022 and continued developing sustainability KPIs and reporting in accordance with its sustainability program for 2022-2025.

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 is committed to contributing to good and healthy living, providing sustainable experiences and enjoyment, minimizing its carbon footprint and creating safe and warm community to its key stakeholders. Those are the four pillars that form the basis of Harvia's sustainability program for 2022-2025.

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.

OUR SUSTAINABILITY COMMITMENTS FOR PEOPLE AND THE PLANET

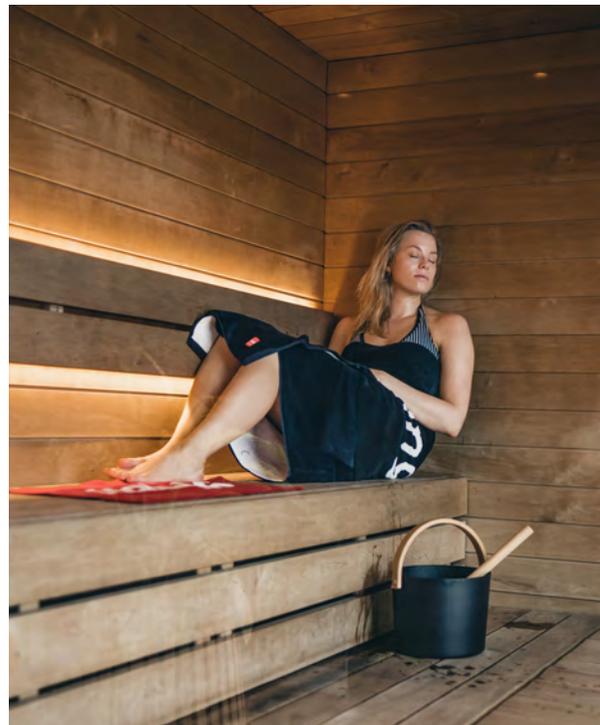
#1 FOR GOOD AND HEALTHY LIVING

Harvia wants to create a positive impact on the health and longevity of people with its sauna and spa offering. The company collaborates with researchers and scientists and actively shares science-based information on the health benefits of heat and promotes using the sauna regularly. It is very important to guide the customers and end-users in the right use of Harvia's products in order to help them to gain the optimal benefit and experience.

Various studies show that regular sauna visits have a lot of health benefits. Over 500 studies have been conducted all over the world. There is strong scientific evidence on the health effects of sauna. Gentle warmth offers a range of health effects, such as improving blood circulation, increasing resistance to disease, relieving pain, reducing stress and relaxing both physically and mentally. Taking a 15-minute sauna bath at least 3 times per week provides the optimal impact.

Harvia's mission of healing with heat and providing long and good quality of life has been further supported and amplified by new research and evidence. In recent research by the University of Jyväskylä in Finland, it was shown that combining physical exercise with sauna bathing delivers incremental health benefits. Read more about the research results on page 14.

Harvia has provided financing and infrared saunas to a research group consisting of researchers from the University of Jyväskylä in Finland, Mid Sweden University, and the Finnish Institute of High Performance Sport KIHU. The group is conducting a study on the effects of regular use of infrared sauna on the recovery and performance development of athletes, as well as on the circulatory system of fitness enthusiasts. The initial results of the study will be available during 2023.



#2 FOR SUSTAINABLE EXPERIENCE AND ENJOYMENT

Harvia designs and manufactures its products responsibly with respect for nature and people. Harvia has taken responsibility for its operations and products since 1950.

Harvia invests in sustainability in product design, production and logistics. A durable product is sustainable in itself thanks 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 ongoing development and research to ensure that the products are always safe to use and increase the wellbeing of the users.

Product quality, safety and reliability are of paramount importance to Harvia. All heaters meet the requirements of the target market legislation. Harvia carries out continuous testing of its products to ensure safety and compliance with local regulations and requirements. Harvia also studies the energy consumption of electric heaters in different set-ups with newly built test saunas.

Harvia is actively involved in industry standardization internationally through research projects and committees. The company is also contributing to the EU level standardization work for residential solid fuel burning appliances, which includes cleaner burning. Harvia's CTO Timo Harvia acts as the Convenor of WG3 in the European Committee for Standardization's Technical Committee 295, which is responsible for preparing new product standards for slow heat release appliances and wood-burning sauna stoves.

In 2022, 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 sauna heaters. The project focuses on improving the burning process and its efficiency, and it will continue until the end of 2023. Harvia's long-term involvement in research projects related to cleaner burning helps the company meet the tightening emission requirements set by the European Union, which will take effect after 2024.

Harvia pays special attention to guidance in the proper use of both wood-burning and electric sauna heaters. In 2022, the guidance focused on energy-efficient heating of electric saunas, due to the energy crisis in Europe. Wood-burning heaters play an important role in reducing emissions, which is why Harvia provides guidance in how people can heat their wood-burning saunas in a proper and more environmentally friendly way.

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.

Harvia requires that all its suppliers act responsibly and that its contract suppliers commit to the Harvia Supplier and Partner Code of Conduct, which is divided into ethics, corruption, labor force, health and safety, and environment. In 2022, service suppliers were added to the commitment and the Code of Conduct was extended to cover all Harvia Group companies. The majority (60%) of existing suppliers of goods and services at Harvia have agreed to comply with the Code of Conduct, and compliance is a prerequisite for new suppliers. The company's goal is that all suppliers whose annual purchases by Harvia total at least 20,000 euros have committed to the Code of Conduct by 2027.

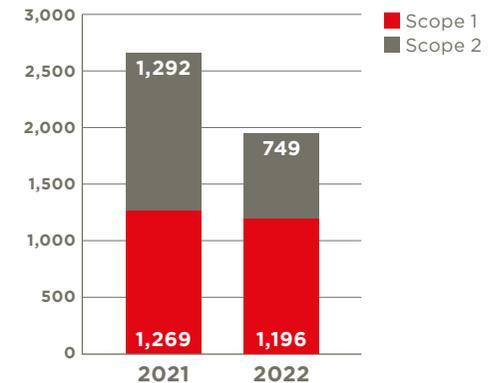
#3 FOR MINIMIZING OUR ENVIRONMENTAL FOOTPRINT

Harvia strives to reduce the greenhouse gas emissions of its operations to limit global warming and contribute to global efforts in safeguarding the environment. That requires systematic actions in several areas, such as energy use, logistics, and purchasing.

In 2021, 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.

Harvia's target is to make its operations carbon neutral by 2030. Harvia's emissions calculation is performed in accordance with the standards and guidelines of the Greenhouse Gas Protocol (GHG). Harvia's Group-level Scope 1 CO₂ emissions in 2022 were 1,196 tCO₂ (1,269) and Scope 2 emissions 749 tCO₂ (1,292). Total emissions reduced by 24% compared to 2021.

HARVIA GROUP CO₂ EMISSIONS (tCO₂)



Harvia is also targeting 100% emission-free electricity consumption at group level at sites where it is possible by 2030. The company is using year 2020 as the baseline, when 68% of its electricity was emission-free. In 2022, the share of emission-free electricity was 73%. Harvia's largest production facility in Muurame, Finland, uses emission-free electricity. Some of the electricity was generated by solar panels mounted on the roof of the facility, which produced 103 MWh (124.5) of electric energy last year.

Harvia conducted a group level survey about energy use which is being monitored by a partner every three months. Based on the partner's suggestions Harvia has, for example, implemented energy saving lighting in its factories and all new lights are LED lights. A smart air conditioning system was installed in the US factory. Compressor timers in factories have also been adjusted to minimize idle running.

Every factory of the company is able to monitor its electricity consumption online, which enables immediate corrective actions to be taken by the maintenance staff in case they notice, for example, leaks in the pressurized air systems or significant electricity consumption changes in production machinery. In Germany, oil is still used for heating the production facilities. During 2022, the oil burners

were renewed to decrease emissions. Harvia also started to explore options for replacing the oil heating.

Harvia strives to decrease the emissions caused by outbound and inbound transportation. In this area, the target is to reach carbon neutrality by 2030. In 2022, Harvia conducted a study to review using gas-powered trucks for transportation. Harvia's main transportation partners compensate their emissions.

#4 FOR SAFE AND WARM COMMUNITY

Harvia believes that collaborating and supporting each other facilitates wellbeing and long relationships with everyone from employees to customers and partners. Harvia looks after the safety, equality, and competence development of its personnel. The company's operations are based on values such as equality, diversity, and 'welcoming'. Harvia always complies with laws and regulations and generally accepted best practices in all markets.

Harvia's own operations are guided by the Harvia Code of Conduct. It defines Harvia's approach to 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.

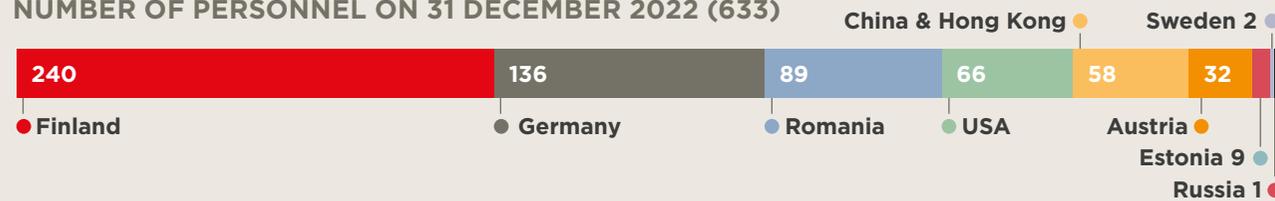
In 2022, Harvia prepared an e-learning program for the Code of Conduct which will be launched across the Harvia Group in 2023.

The company trains its personnel continuously and develops its capabilities. In 2022, Harvia carried out, among others, management and supervisor training and wellness coaching. During the year, Harvia also received the best trainer and competence developer of 2022 award from the Finnish retailing company Kesko for its product trainings in stores and online for Kesko's sales personnel.

For reporting potential misconduct, Harvia has a whistleblowing channel available for all stakeholders on Harvia Group's website. In 2022, two reports were made through the whistleblowing channel. The reports were handled according to Harvia's process. Harvia's channel allows full anonymity.

Harvia takes continuous measures to secure the health and wellbeing of its personnel. The company strives for zero accidents. Occupational accidents and close call events are reported to and handled by the Occupational Safety Commission. In 2022, occupational safety reporting was expanded to cover the whole Group.

NUMBER OF PERSONNEL ON 31 DECEMBER 2022 (633)



STRUCTURE OF PERSONNEL



DISTRIBUTION OF PERSONNEL BY GENDER





Harvia also strengthened its quality management by appointing a director responsible for quality and ESG-reporting in the Group. The company is building a Group-level model for quality, health, safety, and environment (QHSE) management that combines quality and sustainability and focuses on continuous improvement.

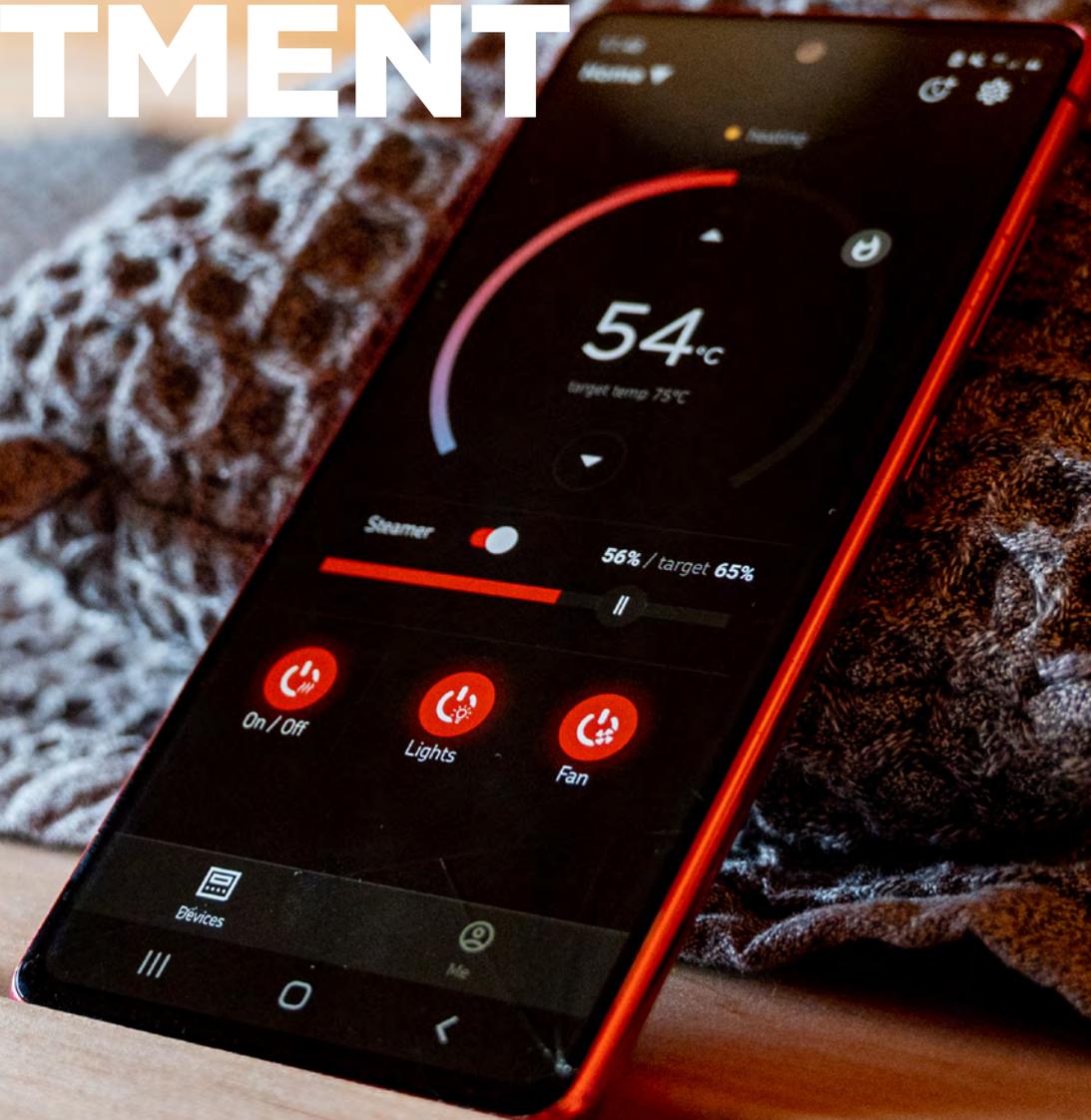
Two thirds of Harvia's personnel work in production. Therefore, a great effort is put into work safety and related risk management. Monitoring, reporting, as well as annual risk analyses are a key part of Harvia's occupational safety and help the company to identify and prevent risk situations. The company

also improves occupational safety by developing production. A concrete example of this is the separation of the material stocks from the production hall at the Muurame factory, which reduces the visits of forklift trucks in the area and significantly improves the safety of the personnel.

The ending of the advance demand, the impacts of Russia's attack on Ukraine, Harvia's exit from Russia, reduced consumer confidence and resulting weakened demand forced Harvia to adjust production capacity and personnel resources in several units across the Group. The number of personnel decreased by approximately 190 people in the second half of the year.

In Finland, Harvia continued regular monthly meetings between the management and supervisors in 2022, which increased cooperation. The topics of the meetings 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.

HARVIA AS AN INVESTMENT



Harvia is the world's leading sauna and spa company also measured in revenue.

The company continued to gain market share in 2022.



#1 STEADILY GROWING, RESILIENT SAUNA AND SPA MARKET

- Market potential is significant: the global sauna and spa market is over three billion euros and highly fragmented.
- The global market has grown historically on an average 5% per year, driven by increased awareness of sauna and sauna culture and the global health and wellness trend.
- The sauna and spa market is very resilient: share of replacement demand in the traditional sauna market is high.

#2 STRONG POSITION IN MAIN MARKETS

- Harvia's share of the global sauna and spa market is about 5% and approximately 21% in sauna heaters and components (management estimate).
- Harvia is the leading player in its main markets: the key export markets include North America (21% of revenue in 2022), Germany (15%) and other European countries (27%).
- Geographical reach is extended systematically e.g. in Arab countries, Asia, Oceania and Australia.
- Harvia continues to actively explore opportunities for strategic growth acquisitions, including infrared and steam saunas and the luxury and premium segment.
- Harvia's competitive edges include the management's extensive experience in the sauna and spa business and in the B2B and consumer products market, their solid expertise in business integrations and the personnel's ability to adapt to changes.

#3 STRONG BRANDS, COMPREHENSIVE PRODUCT OFFERING AND FUTURE INNOVATIONS

- Harvia's brands are Harvia, Almost Heaven Saunas, EOS, Kirami and sentiotec. Harvia is the most often recognized international sauna brand in the markets. Harvia brand's awareness and position is strong in the company's main markets.
- In line with its healing with heat philosophy, Harvia has a cutting-edge product offering for professionals and consumers alike – comprising all sauna types and different price ranges.
- Future growth is supported by a wide array of innovation projects focusing e.g. on the cleaner burning of wood and utilizing digital technologies in enhancing sauna experiences.

#4 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 and logistics.
- Sustainability across the supply chain is one of the focus areas.
- Harvia has a very capital efficient business model due to typically low investment needs, efficient and modern production facilities as well as a flexible production model.

#5 LONG-STANDING CUSTOMER RELATIONSHIPS AND DIVERSE DISTRIBUTION CHANNELS

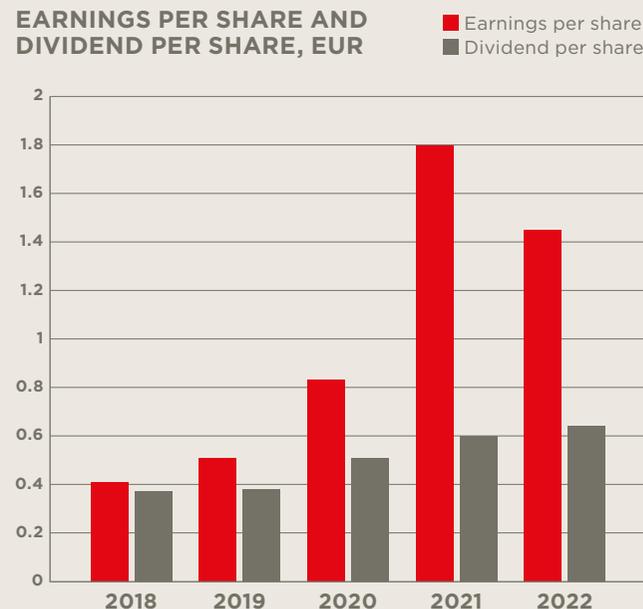
- The large and diverse customer base consists of sauna specialist stores, retail stores, wholesalers, sauna integrators and sauna builders, DIY chains as well as sauna construction companies.
- Products are sold globally mainly via the distributor network as well as directly to end users through Harvia’s webstore, like Almost Heaven Saunas’ almostheaven.com and Kirami’s webstore.
- 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.

#6 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 2022, the adjusted operating margin was 21.1%.
- 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.

Dividend policy

- > Regularly increasing dividends
- > Bi-annual payout
- > Dividend proposal for the financial year 2022 is **EUR 0.64** per share in total. Earnings per share in 2022 were **EUR 1.45**.



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 calendar 2023

- Annual General Meeting: 20 April
- January–March 2023 interim report: 4 May
- January–June 2023 half-year financial review: 10 August
- January–September 2023 interim report: 2 November

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

GOVERNANCE AND REMUNERATION 2022



CORPORATE GOVERNANCE STATEMENT 2022

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 the rules and regulations of Nasdaq Helsinki Ltd. The company also adheres to the Finnish Corporate Governance Code 2020 set by the Securities Market Association and available at www.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 2022 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

- the 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;
- the remuneration of the members of the Board of Directors and the auditor;

- the number of members of the Board of Directors;
- the election of the members of the Board of Directors;
- the election of the auditor; and
- other possible matters included in the notice of the General Meeting.

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 (record date of 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.

2022 Annual General Meeting

Harvia's Annual General Meeting was held on 7 April 2022 in Helsinki. 172 shareholders were represented in the meeting, representing a total of 7,928,373 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 (375/2021). Further information and the documents related to the General Meeting are available on Harvia's 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 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 for its term.

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 for listed companies. 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 2022

Between 1 January and 7 April 2022, the members of the Board of Directors were Olli Liitola (Chairperson), Ila Adlercreutz, Anders Holmén, Hille Korhonen and Sanna Suvanto-Harsaae.

The Annual General Meeting on 7 April 2022 elected the members of the Board of Directors for a term that expires at the end of the next Annual General Meeting. Olli Liitola, Anders Holmén, Hille Korhonen and Sanna Suvanto-Harsaae were re-elected as members. Heiner Olbrich was elected as a new member.

The organizational meeting of the Board of Directors elected from among its members Olli Liitola as its Chairperson. Sanna Suvanto-Harsaae was elected as Deputy Chair of the Board.

In 2022, the focus areas of the Board of Directors' work included the company's growth strategy, the impact of the situation in Russia and Ukraine on the company's business, distribution in the United States, cost adjustments and scenario analyses in the new business situation. The Board of Directors held a total of 17 meetings in 2022. Information about the attendance of the members of the Board of Directors in meetings is shown in the table on page 42.

THE BOARD OF DIRECTORS ON 31 DECEMBER 2022



OLLI LIITOLA

- Chairperson and member of the Board of Directors 2014–
- Master of Science in Engineering
- Born 1957, Finnish citizen
- Main occupation: Board professional
- Harvia Plc's shares on 31 December 2022: 46,000 shares



**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 2022: 350 shares



ANDERS HOLMÉN

- Member of the Board of Directors 2021–
- Member of the Board's Audit Committee 2022–
- 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 2022: 1,200 shares (through Tillväxt Ventures Ab, a company owned by Holmén)



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 2022: 4,621 shares



HEINER OLBRICH

- Member of the Board of Directors 2022–
- PhD (Economics), Master of Business Administration (MBA)
- Born 1965, German citizen
- Main occupation: Board professional
- Harvia Plc's shares on 31 December 2022: 2,000 shares

The resumés of the members of the Board of Directors are available on the company website at www.harviagroup.com.

MEETING ATTENDANCE OF BOARD AND COMMITTEE MEMBERS IN 2022

Member	Board of Directors		Audit Committee	
	Attendance	Attendance %	Attendance	Attendance %
Olli Liitola, Chair of the Board	17/17	100	2/2	100
Sanna Suvanto-Harsaae, Deputy Chair of the Board	17/17	100	7/7	100
Anders Holmén	17/17	100	5/5	100
Hille Korhonen	17/17	100	6/7	86
Heiner Olbrich (from 7 April 2022)	12/12	100		
Ia Adlercreutz (until 7 April 2022)	5/5	100		

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. The members of the Board of Directors, elected in the Annual General Meeting on 7 April 2022, 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 Board carried out the self-assessment in December 2022. The self-assessment emphasized the company's targets and strategy, investment decision, the interaction between the management and the Board, the leadership

model and organization of the company, reporting and control as well as the general efficiency of the Board's work. The Chairman of the Board reviewed results of the self-assessment together with the Board members in January 2023.

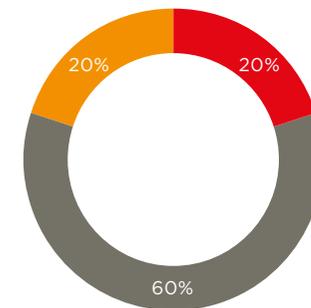
Diversity of the Board

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. 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.

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.

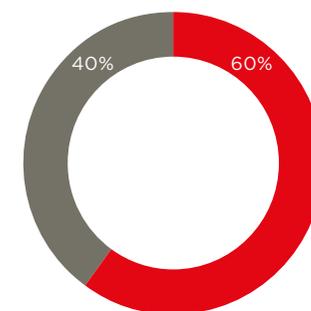
In 2022, both genders were represented in the company's Board of Directors. There are two women and three men among the five Board members elected by the Annual General Meeting in April 2022.

LENGTH OF MEMBERSHIP IN HARVIA'S BOARD OF DIRECTORS



■ Less than 2 years
■ 2-5 years
■ Over 5 years

BOARD OF DIRECTORS' DISTRIBUTION BY GENDER



■ Men ■ Women

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 2022

In 2022, the members of the Audit Committee between 1 January and 7 April 2022 were Sanna Suvanto-Harsaae (Chairperson), Hille Korhonen and Olli Liitola. The Board of Directors, appointed in the Annual General Meeting on 7 April 2022, elected from its members Sanna Suvanto-Harsaae (Chairperson), Anders Holmén and Hille Korhonen as members of the Audit Committee.

In 2022, the Audit Committee convened seven times. The members' attendance in the meetings is described in the table on page 42. In 2022, the Audit Committee focused in its work on risk management, processing interim reports, financing and the development of reporting.

SHAREHOLDERS' NOMINATION BOARD

Harvia has a Shareholders' Nomination Board which prepares 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 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 submits 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 28 September 2022, Harvia announced that the following persons were appointed as members of the Shareholders' Nomination Board:

- Juho Lipsanen (Onvest Oy)
- Jarno Käyhkö (WestStar Oy)
- Timo 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 four meetings. All the members attended every meeting.

On 13 December 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 Audit committee 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 acted as the CEO of Harvia in 2022, appointed by the Board of Directors. On 17 November 2022, Harvia announced that Pajuharju had resigned from his position to pursue new challenges outside Harvia. Pajuharju will continue as the CEO of Harvia Plc until the end of May 2023.

The CEO's financial benefits are introduced in the 2022 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 2022, the Management Team focused on managing the new business situation caused by the war in Ukraine, the development of delivery capability and strategic planning.

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

MEMBERS OF THE MANAGEMENT TEAM ON 31 DECEMBER 2022

TAPIO PAJUJARJU
CEO



- M.Sc. (Econ. and BA)
- 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 2022: 267,466 shares

Pajuharju resigned from his position in November 2022. He will continue as the CEO of Harvia until the end of May 2023.

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 2022: 147,187 shares

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 2022: 125,472 shares

TIMO HARVIA
Chief Technology Officer



- Master of Science in Engineering
- Born 1978, Finnish citizen
- Chief Technology Officer 2022-, member of Harvia's Management Team 2014-
- Harvia Plc's shares on 31 December 2022: 137,561 shares

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 2022: 3,254 shares

PÄIVI JUOLAHTI
Vice President, Marketing & Innovation



- 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 2022: 1,000 shares

RAINER KUNZ
Managing Director of EOS Group



- Legal studies
- Born 1964, German citizen
- Member of Harvia's Management Team 2020-
- Managing Director of EOS Group 2013-
- Harvia Plc's shares on 31 December 2022: 42,496 shares

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 2022: 66,627 shares

MIKA SUOJA
Vice President, Operations & Sourcing



- 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 2022: 39,767 shares

MARKUS WÖRMANSEDER
Sales Director, Central Europe



- Technical chemistry studies
- 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 2022: 119,889 shares

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 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 2022, 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.

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, as well as 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 statements bulletin, half-year report or interim report.

Harvia uses an internal reporting channel that enables anonymous reporting of suspected violations of the rules and regulations concerning the financial markets, among other things. In 2022, Harvia also adopted an external reporting channel on its website. No suspected violations of the rules and regulations concerning the financial markets were reported through the reporting channels in 2022.

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 a financial statements bulletin, half-year report or an interim report.

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, which elects the auditor and decides on their remuneration.

Audit in 2022

PricewaterhouseCoopers Oy acted as the company's auditor in 2022 with Markku Katajisto, Authorized Public Accountant, acting as the principal responsible auditor. The audit fees paid to PricewaterhouseCoopers Oy in 2022 totaled EUR 211 thousand. Of the fees paid, EUR 196 thousand were fees for a statutory audit and EUR 15 thousand comprised of other fees. The other fees were related to consultancy on EU taxonomy matters. Audit fees paid to other firms totaled EUR 102 thousand.



REMUNERATION REPORT 2022

DEAR HARVIA PLC SHAREHOLDER,

With this greeting, I present Harvia's Remuneration Report for 2022. The Remuneration Report has been drafted in accordance with the Finnish Corporate Governance Code 2020 of the Securities Market Association and other regulation. It describes how the company's Remuneration Policy, approved by Harvia's Annual General Meeting, has been implemented in 2022. The Remuneration Report will be presented at Harvia's Annual General Meeting 2023 for an advisory vote.

The Remuneration Report 2022 presents the descriptions and application of the criteria of the company's short- and long-term incentive programs in more detail than previous reports. I hope this information benefits the shareholders.

2022 – a year of altered market conditions

The year 2022 proved to be very different from the previous year. The impacts of Russia's invasion of Ukraine were also reflected in Harvia's operations, and Harvia withdrew from the Russian sauna market during the year. Especially in Europe, high inflation combined with the emerging energy shortage made the market environment more challenging. These factors weakened consumer confidence, which also impacted demand in

the sauna and spa industry. In addition, the so-called advance demand caused by the COVID-19 pandemic faded away during the year.

Harvia's revenue for the financial year decreased by 3.7% to EUR 172.4 million. Adjusted operating profit was EUR 36.5 million, making up 21.1% of the revenue. During the year, the company adjusted its capacity, cost structure and net working capital to adapt its operations to the changes in the market environment, demand and inflation. Equally, sales efforts were amplified according to the requirements of the market situation.

During the challenging year 2022, Harvia focused on the systematic implementation of the company's strategy. The positive long-term growth outlook for the sauna and spa market remains unchanged despite the rather exceptional operating environment in 2022.

Thus, I would like to thank Harvia's management and employees for their efforts in 2022 as well as their determined work towards Harvia's long-term success. I want to give special thanks to CEO Tapio Pajuharju, who has led Harvia since 2016 and will leave his position in May 2023.

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 role 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 sets the performance criteria and related targets for the short- and long-term incentive programs.

Remuneration in 2022

In 2022, the remuneration of the Board of Directors and CEO was compliant with the company's remuneration policy without exception. The Board members' monthly fee was raised from the previous year with the General Meeting's resolution. Remuneration paid to the CEO in the financial year 2022 totaled EUR 1,522,998. Of this, variable remuneration constituted 66 percent. Of the payable remuneration based on the 2022 performance, the share of variable remuneration will be lower compared to the previous year, when the remuneration paid to the CEO reflected Harvia's extremely strong year in 2021.

Developing remuneration

The Shareholders' Nomination Board will make proposals to the Annual General Meeting for the remuneration and development of the company's Board of Directors. The Nomination Board has proposed to Harvia's Annual General Meeting 2023 that approximately 40% of the monthly fees of the members of the Board of Directors be paid in shares and approximately 60% in cash. For its part, paying the

fees partially in shares is apt to align the interests of the Board of Directors and the shareholders. In certain situations, the fees can be paid fully in cash.

As regards remuneration paid to the management, Harvia's Board of Directors regularly monitors the competitiveness of the company's remuneration and that it promotes Harvia's long-term goals. We pay attention to the appropriate flexibility of the remuneration structure. As at present, we will continue to 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.

I welcome all and any feedback on Harvia's Remuneration Report.

Olli Liitola

Chairman of the Board
Harvia Plc

KEY PRINCIPLES OF REMUNERATION

Harvia's 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 long-term profitability and the company's 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.

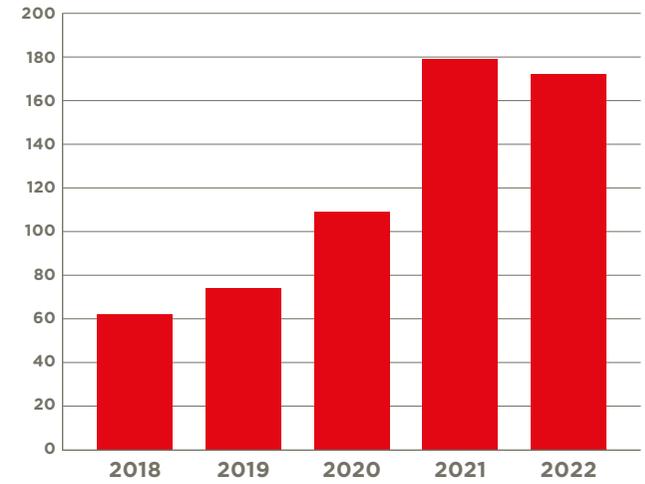
In 2022, the remuneration of the Board of Directors and CEO complied with the remuneration policy, and there were no deviations. The remuneration of the Board of Directors or CEO were not recovered or adjusted in the financial year 2022.

DEVELOPING REMUNERATION

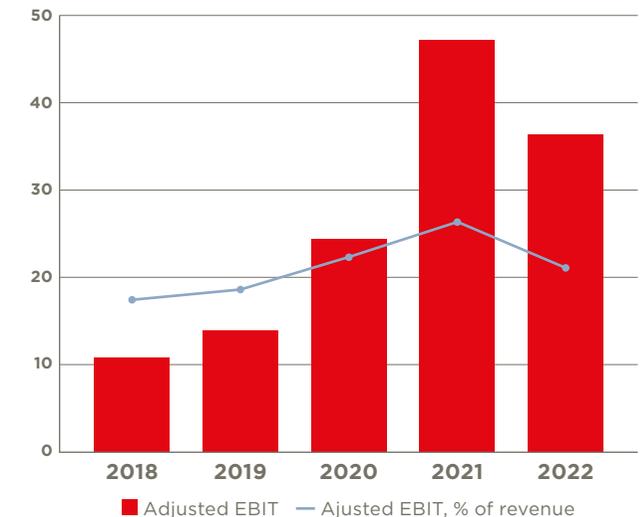
The cornerstones of Harvia's strategy include increasing the value of the average purchase, geographical expansion, and continuous improvement of productivity. The company has implemented its strategy consistently, promoting the different areas of strategy in a balanced manner. Successful advancement of the strategy has ensured growth both organically and through acquisitions: the Group revenue has increased from EUR 61.9 million in 2018 to EUR 172.4 million in 2022. During the same period, the adjusted operating profit increased from EUR 10.9 million to EUR 36.5 million. Adjusted operating profit margin was 21.1 percent in 2022.

Dividends paid by Harvia have increased by 62% in 2019-2022. The total shareholder return (TSR) of Harvia's share was 264% in 2019-2022.*)

REVENUE, EUR MILLION



ADJUSTED EBIT, EUR MILLION AND ADJUSTED EBIT, % OF REVENUE



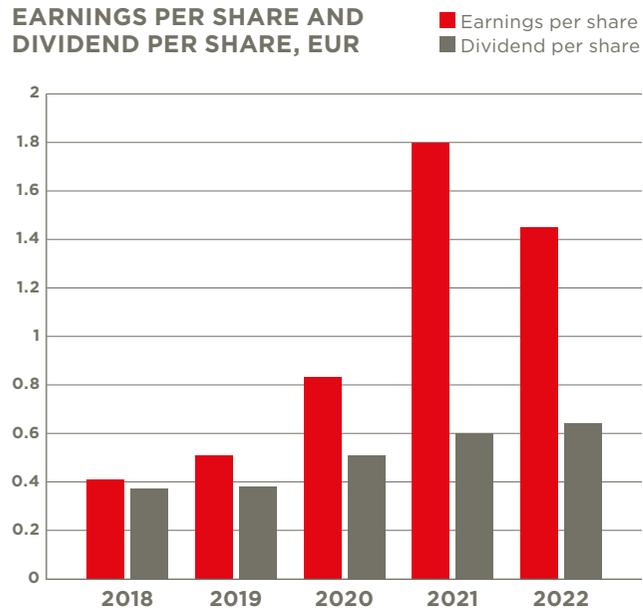
*) Trading in Harvia's shares commenced in March 2018, which is why the review of dividends and TSR includes the financial years between 2019 and 2022. Dividends paid in 2019-2022 and the price development of Harvia's share have been taken into account in the TSR.

AVERAGE REMUNERATION

EUR 1,000	2018	2019	2020	2021	2022
Chairman of the Board	52	58	58	53	53
Other Board members on average	18	20	20	28	38
CEO's fixed salary including taxable benefits	438	444	479	524	510
CEO's remuneration in total ¹⁾	514	507	611	1,774	1,523
The salary of a Harvia employee on average ²⁾	28	30	33	33	33

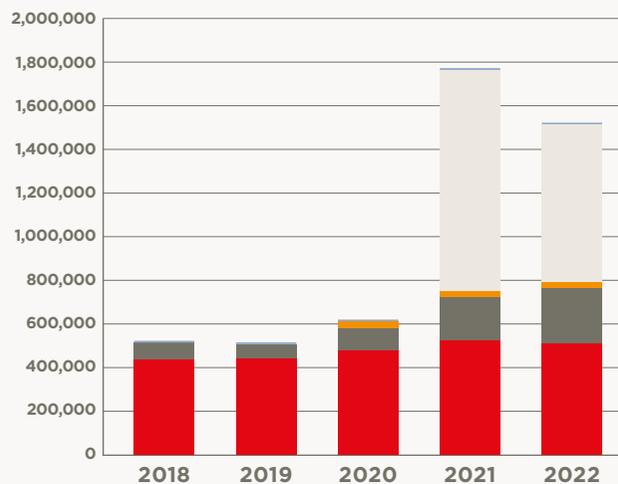
1) A reward based on Harvia's 2019–2021 long-term incentive program was paid to the management in May 2022. The gross value of the shares paid to the CEO was EUR 721,052.57.
 2) The average salary of a Harvia employee is calculated by taking the total salaries and bonuses paid to employees other than 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.

EARNINGS PER SHARE AND DIVIDEND PER SHARE, EUR



Dividend per share for 2022 is Harvia's Board's dividend proposal to the 2023 Annual General Meeting.

REMUNERATION PAID TO THE CEO, EUR



The graph presents the remuneration paid to the CEO in each financial year. For example, in 2022 the CEO was paid

- a salary for 2022
- a short-term performance bonus (performance period 2021, paid in 2022)
- a performance bonus from 2021
- a reward paid in 2022 in accordance with the 2019–2021 performance period of the long-term share-based incentive program, as well as
- supplementary pension.

■ Salary
 ■ Short-term performance bonus
 ■ Performance bonus
 ■ Long-term incentive
 ■ Supplementary pension

REMUNERATION OF THE BOARD OF DIRECTORS IN 2022

In accordance with the Finnish 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 2022 resolved on the following monthly remuneration for the members of the Board of Directors for their term ending after the Annual General Meeting 2023: Chairperson of the Board EUR 4,500 (previously 3,500) and Member of the Board EUR 2,500 (previously 2,000). Additionally, it was decided that the Chairperson of the Audit Committee be paid EUR 1,300 per month and each Member EUR 750 per month. The remuneration of the Board of Directors and the members of the Audit Committee was paid in cash in 2022.

In addition, the Annual General Meeting decided that the members of the Board of Directors living outside Finland will be paid a meeting fee of EUR 900 per meeting if they travel to Finland to attend a meeting. If a member participates in a meeting via phone or other electronic device, no separate meeting fee will be paid. No meeting fees were paid for decisions made without convening a meeting.

Travel expenses resulting from Board meetings were 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. The Board members have not received any rewards from other Harvia Group companies.

REMUNERATION OF THE BOARD OF DIRECTORS IN 2022 (EUR)

Member	Monthly remuneration in total	Remuneration for Audit Committee membership	Meeting fees	Total
Olli Liitola , Chairman of the Board	53,184	0	0	53,184
Sanna Suvanto-Harsaae , Deputy Chair of the Board	28,395	15,573	3,600	47,568
Anders Holmén	28,395	6,526	0	34,921
Hille Korhonen	28,395	8,974	0	37,368
Heiner Olbrich (from 7 April 2022)	21,974	0	3,600	25,574
Ia Adlercreutz (until 7 April 2022)	6,526	0	0	6,526
Total	166,869	31,073	7,200	205,142

CEO REMUNERATION IN 2022

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.

In 2022, variable remuneration constituted 66 percent of the overall remuneration of the CEO (70 percent in 2021 and 21 percent in 2020) and fixed salary 34 percent (30 percent in 2021 and 79 percent in 2020).

Pajuharju resigned from his position in November 2022. He will continue as the CEO of Harvia until the end of May 2023.

FIXED SALARY

In 2022, CEO Tapio Pajuharju's total monthly salary was EUR 510,290 (EUR 523,792 in 2021) including taxable benefits. In September–December 2022, the CEO was only paid a partial salary based on a voluntary decision by Harvia's Management Team to lower the Management Team members' salaries during said period.

SUMMARY OF CEO REMUNERATION 2022

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% of basic annual salary in 2022
Variable: Performance bonus	Based on financial performance, a maximum of 6% of basic annual salary in 2022.
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.

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.

In November 2022, CEO Pajuharju announced that he will resign as CEO in May 2023. Pajuharju is entitled to the short-term performance bonus to be paid for 2022 as well as to the 2022 performance bonus.

The bonus payable based on the short-term incentive program for 2022 can account for a maximum of 50 percent of the CEO’s fixed salary, which was equal to that in 2021.

SHORT-TERM PERFORMANCE BONUS

Criteria in 2022	Weighting	Outcome
Consolidated adjusted operating profit	66.6%	0%
Personal targets	33.4%	90.0%
Total	100%	30.0%

Criteria in 2021	Weighting	Outcome
Consolidated adjusted operating profit	66.6%	100.0%
Personal targets	33.4%	94.7%
Total	100%	98.2%

In the financial year 2022, personal targets related to reducing net working capital, integrating the executed acquisitions, improving occupational safety and developing business operations as a result of Russia’s invasion of Ukraine. In 2021, personal targets were linked to the sustainability program and occupational safety as well as innovations and quality, among other things.

In 2023, the CEO will be paid a short-term performance bonus of EUR 60,277 for the financial year 2022.

In addition to the short-term performance bonus, 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 2022 bonus to be paid to the CEO in 2023 will be 6% of the CEO’s salary including fringe benefits, amounting to EUR 28,593. Similarly, the 2021 bonus paid to the CEO in 2022 was 6% of the annual salary.

LONG-TERM INCENTIVE PROGRAMS

The purpose of Harvia’s long-term share-based incentive program is to support the implementation of the company’s strategy, to align the objectives of the management and the company’s shareholders to increase the value of the company, to improve the performance of the company, and to strengthen the commitment of the CEO to the company.

For each performance period, the Board of Directors will make a separate decision on the plan participants, performance criteria, and related targets, as well as the minimum, target, and maximum reward potentially payable based on target attainment. The payment of rewards based on the performance criterion concerning

organic revenue growth requires that Harvia achieves a certain EBIT margin in the performance period. If the targets of the plan are reached, rewards will be paid to the participants during the spring following the end of the given performance period. The program has no commitment period or terms and conditions associated with the amount of shareholdings.

The potential rewards paid through the incentive program represent gross earning, from which withholding 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.

Due to his resignation, CEO Pajuharju is not entitled to the reward to be paid in spring 2023 for the performance period 2020–2022 of the incentive program.

PERFORMANCE PERIODS OF THE SHARE-BASED INCENTIVE PROGRAM

Performance period	Performance criteria and their weighting	Payment date	The maximum number of shares to be paid to the CEO, gross	The reward earned by the CEO in relation to the maximum	The number of the gross shares earned by the CEO	The number of net shares given to the CEO
2019–2021	<ul style="list-style-type: none"> • Absolute TSR (50%) • Organic revenue growth (50%) 	12 May 2022	23,124	100%	23,124	12,233
2020–2022	<ul style="list-style-type: none"> • Absolute TSR (50%) • Organic revenue growth (50%) 	Spring 2023	8,167	Pajuharju not entitled to the reward due to resignation	0	0
2021–2023	<ul style="list-style-type: none"> • Absolute TSR (50%) • Organic revenue growth (40%) • Sustainability: sustainability strategy and metrics (10%) 	Spring 2024	7,910	Ongoing performance period		
2022–2024	<ul style="list-style-type: none"> • Absolute TSR (50%) • Organic revenue growth (35%) • Sustainability: reducing CO₂ emissions (15%) 	Spring 2025	16,889	Ongoing performance period		

The payment of rewards based on the performance criterion concerning organic revenue growth requires that Harvia achieves a certain EBIT margin in the performance period.

REMUNERATION PAID TO THE CEO IN 2022

Remuneration component	EUR
Fixed salary ¹⁾	510,290
Short-term performance bonus from 2021	253,766
Performance bonus from 2021	29,389
Long-term incentive program 2019-2021 ²⁾	721,053
Supplementary pension	8,500
Total	1,522,998

1) Including taxable benefits

2) Gross value of the rewards. The CEO was paid 23,124 shares (gross), and the value of the shares on the date of payment 12 May 2022 was EUR 721,052.60. Withholding tax and possible other applicable contributions were deducted from the gross earning, and the remaining net amount was paid in shares.

THE REWARD OF THE CEO TO BE PAID IN 2023 BASED ON PERFORMANCE IN 2022

Remuneration component	EUR
Short-term performance bonus from 2022	77,499
Performance bonus from 2022	28,593
Total	106,092

THE KEY TERMS OF SERVICE OF THE CEO

The management contract of the CEO is an indefinite contract. 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.

REPORT BY THE BOARD OF DIRECTORS AND CONSOLIDATED FINANCIAL STATEMENTS 2022

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Report by the Board of Directors for 2022

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's largest client group are retailers and wholesalers that sell Harvia products to builders and end customers. Harvia's product offering is divided to five categories: 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's production facilities are located in Finland, Germany, China, United States, Romania and Estonia, and additionally the group 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's key figures for the period 1 January-31 December 2022 are presented below (EUR thousand, unless otherwise indicated).

	2022	2021	2020
Key statement of comprehensive income indicators			
Revenue	172,408	179,123	109,115
EBITDA	41,173	52,488	26,705
EBITDA margin, percent	23.9%	29.3%	24.5%
Adjusted EBITDA	42,947	53,116	28,775
Adjusted EBITDA margin, percent	24.9%	29.7%	26.4%
Operating profit	34,678	46,644	22,376
Operating profit margin, percent	20.1%	26.0%	20.5%
Adjusted operating profit	36,452	47,272	24,445
Adjusted operating profit margin, percent	21.1%	26.4%	22.4%
Basic EPS (EUR)	1.45	1.80	0.83
Diluted EPS (EUR)	1.44	1.79	0.82
Key cash flow indicators			
Cash flow from operating activities	24,335	21,816	28,080
Operating free cash flow	33,989	20,447	28,688
Cash conversion, percent	79.1%	38.5%	99.7%
Investments in tangible and intangible assets	-3,587	-11,762	-2,567
Financial position key figures			
Net debt	54,529	43,817	31,891
Net debt / adjusted EBITDA (Leverage), percent	1.3	0.8	1.1
Net working capital	45,319	41,931	17,952
Capital employed excluding goodwill, average	66,836	41,984	33,337
Capital employed excluding goodwill at the end of period	79,435	54,236	29,732
Adjusted return on capital employed (ROCE), percent	54.5%	112.6%	73.3%
Equity ratio, percent	47.3%	42.4%	42.0%
Return on equity (ROE), percent	30.8%	45.5%	23.2%

The Group's revenue decreased in January-December by 3.7% to EUR 172.4 million (179.1). At comparable exchange rates, revenue increased by 7.0% to EUR 166.7 million. Organic revenue growth was -7.7%. Revenue increased in North America, Scandinavia and in other countries. The growth in other countries was driven mainly by Asian and Arab countries.

Revenue increased especially in saunas and other product groups in January-December. The growth of sauna room sales continued especially in North America, but also in Central Europe. The revenue from Scandinavian hot tubs decreased significantly especially in Finland, Germany and other European countries. Sauna heater sales declined especially in Germany, other European countries and in entry-level heaters. Sales of control units reached the 2021 level in all other markets except Germany and Russia. The revenue development of steam generators was affected especially by the exit from Russia. Sales of other product groups, spare parts and services developed well especially in heater stones due the acquisition of Sauna Eurox in August 2021.

Operating profit in 2022 was EUR 34.7 million (46.6). The operating profit included EUR 1.8 million (0.6) of items affecting comparability, mainly related to acquisitions, divestments and restructuring. Changes in exchange rates strengthened the operating profit by approximately EUR 1.7 million, which was caused mainly by the strong U.S. dollar. The adjusted operating profit of EUR 36.5 million decreased from the previous year (47.3) and the operating profit margin was 21.1% (26.4). Net financial items for the review period were amounted to EUR 2.1 million (-1.4). The net financial items were positive mainly due to change of fair value of the interest rate swap.

The result before taxes for January-December was EUR 36.8 million (45.2). The Group's taxes amounted to EUR -8.7 million (-10.4).

The result for the financial period attributable to the owners of the parent was EUR 27.1 million (33.7) and the undiluted earnings per share were EUR 1.45 (1.80).

The Group's investments in 2022 were EUR 3.6 million (11.8). During 2022, Harvia renewed its layout in the Muurame factory to improve its productivity by optimizing material flows, improving safety and making the working environment more organized. Harvia also launched its new factory in the United States at the beginning of the year and invested in machinery upgrades and maintenance in other factories as well.

PERSONNEL

The number of personnel employed by the Group at the end of December was 633 (824) and averaged 768 (767) in January-December. Of the personnel at the end of December, 240 (308) worked in Finland, 136 (143) in Germany, 89 (133) in Romania, 66 (60) in the United States, 58 (95) in China and Hong Kong, 32 (43) in Austria, 9 (13) in Estonia, 2 (2) in Sweden and 1 (27) in Russia.

The decrease in the number of personnel at the end of December compared to the previous year was mainly due to personnel reductions after change negotiations in Finland and restructuring in other countries as well. In addition, the exit from Russia impacted the personnel figures.

RESEARCH AND PRODUCT DEVELOPMENT

In 2022, Harvia's product development supported the company's geographical expansion by the development and certification of products for the North American and Japanese markets. Supporting the strategic cornerstone of increasing the average purchase, Harvia developed products such as the modular Kirami Annex solution for active backyard living, the Harvia Nova steam shower cabinet and the new Harvia Spirit design heater. In 2022, Harvia studied especially cleaner burning of wood-burning heaters and factors affecting energy consumption in saunas. In addition, Harvia's quality function was strengthened in 2022, with a focus on aligning local quality activities with global continuous improvement approach.

During 1 January-31 December 2022 there were on average 23 employees working in research and development. The Group's research and development expenditure amounted to EUR 2.8 million (EUR 2.7 million in 2021), of which EUR 2.2 million (EUR 2.3 million in 2021) were recognized as expenses.

RISK MANAGEMENT

General economic, social and political conditions impact Harvia's operating environment. Economic uncertainty in Finland, Europe, 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. Harvia is familiar with operating successfully in an environment shaped by changing market conditions, but the full impact of all changes in different markets is difficult to foresee, as the situation is in constant change.

Changes in consumer confidence and the resulting demand implications impact directly Harvia's business. Especially in the direct-to-consumer market, deteriorating consumer confidence can result in individual consumers postponing investments in new saunas and components, and to lesser extent in postponing replacement demand. In addition, the availability of energy and energy prices may impact consumer confidence and the frequency of sauna usage.

The Russian invasion of Ukraine has impacted Harvia directly and indirectly. The direct impact relates to Russia, Ukraine and the adjacent markets. The indirect impact of the war is visible in the higher raw material prices, increased inflation, reduced consumer confidence as well as increased energy prices and energy savings measures, especially in Europe.

Harvia suspended its operations in Russia at the beginning of March due to the war in Ukraine. Sales in Russia accounted for 6.4 percent of Harvia Group's revenue in 2021 (EUR 11.5 million). In November 2022, Harvia completed its exit from Russia by selling its

80% share in EOS Russia. Closing of the transaction is subject to official approvals in Russia.

The impacts of the pandemic on Harvia have largely ended, but at the end of 2022, they were still somewhat evident especially in Asia. If the need to restrict operations arise, this may have a negative impact on the company's business volume, result or financial performance. The company continues to assess the COVID-19 situation constantly in terms of its business.

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 36.5 million.

Harvia has business operations in several countries. Harvia is exposed to transaction and translation risks mainly relating to the U.S. 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. Harvia's exit from Russia limits the currency exposure for Russian ruble going forward.

The principles of Harvia's financing risk management will be described in the Consolidated Financial

Statements 2022 and the general principles of risk management on the company's website at www.harviagroup.com.

GROUP STRUCTURE

Harvia Plc is a holding company and the parent company of Harvia Group. Harvia Plc owns through another holding company Harvia Group Oy's subsidiaries 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 subsidiaries Harvia Estonia OÜ, LLC Harvia RUS and Saunamax Oy. Harvia Group Oy established Harvia US Holdings Inc. subgroup to the United States in 2018. 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 Löylyt Oy.

In April 2020, Harvia acquired the majority of the EOS Group and established Harvia Holding GmbH as the holding company for the subgroup in Germany. On 27 July 2022, Harvia Plc acquired a 21.4% minority shareholding of EOS Group's German operations from Mr. Rainer Kunz, Managing Director of EOS Group. After the transaction, EOS Group's German operations are fully owned by Harvia. On 7 November 2022, Harvia Plc signed an agreement to sell its 80.0% share of EOS Russia to Mr. Vasilij Sosonkov. After the transaction Harvia does not own any shares of EOS Russia. Closing of the transaction is subject to official approvals in Russia.

ANNUAL GENERAL MEETING

Harvia Plc's Annual General Meeting, held on 7 April 2022, approved the financial statements and discharged the members of the Board of Directors and the company's CEO from liability for the financial year 2021. The Annual General Meeting approved in an advisory decision the remuneration report for governing bodies.

The Annual General Meeting approved the Board of Directors' proposal that EUR 0.60 per share be paid as dividend and that the remainder of the distributable funds be transferred to shareholders' equity. The dividend is paid in two instalments. The first instalment, EUR 0.30 per share, was paid on 20 April 2022. The second instalment, EUR 0.30 per share, was paid on 25 October 2022 to the shareholders who were registered in the shareholders' register on the record date for the dividend 18 October 2022.

The Annual General Meeting resolved that the Board of Directors consists of five members. Anders Holmén, Hille Korhonen, Olli Liitola and Sanna Suvanto-Harsaae were re-elected to the Board of Directors and Heiner Olbrich was elected as a new member of the Board of Directors. Authorized Public Accountants PricewaterhouseCoopers Oy was elected as the Auditor of the company and Markku Katajisto, Authorized Public Accountant, will act as the Responsible Auditor.

The Board of Directors was authorized to resolve on the repurchase of a maximum of 934,711 shares in the company in one or several tranches. The authorization is valid until the closing of the next Annual General Meeting, but no longer than until 30 June 2023.

The Annual General Meeting authorized the Board of Directors to decide on the issuance of shares and the issuance of special rights entitling to shares as referred to in Chapter 10 Section 1 of the Finnish Limited Liability Companies Act in one or several tranches, either against payment or without payment. The aggregate number of shares to be issued, including the shares to be received based on special rights, must not exceed 1,869,423 shares. The Board of Directors may resolve to issue new shares or to transfer own shares possibly held by the company. The authorization is valid until the closing of the next Annual General Meeting, but no longer than until 30 June 2023.

SHARE-BASED INCENTIVE PLAN

Harvia has a share based long-term incentive plan for the CEO, for Management Team members and some other key employees. 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 comprises three current three-year performance periods, consisting of the periods 2020-2022, 2021-2023 and 2022-2024. The Board of Directors decides separately for each performance period the incentive plan participants, performance criteria, and related targets, as well as the minimum, target, and maximum reward potentially payable based on target attainment.

The Board of Directors of Harvia Plc decided on 2 December 2022 to continue the Long-term Performance Share Plan for the management team and other key employees for the performance period 2022-2024. In the performance period 2022-2024, the plan has 16 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 number of shares to be paid based on the performance period 2022-2024 is maximum of 73,600 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 2022-2024 will be paid out during spring 2025.

BOARD OF DIRECTORS PROPOSAL FOR DISTRIBUTION OF PROFIT

Harvia Plc's total unrestricted equity amounts to EUR 71,914,180 in total, of which profit for the period accounts for EUR 14,199,793. 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 0.64 per share, EUR 11,964,311.04 in total, for the financial period ended 31 December 2022. The Board of Directors proposes the dividend to be paid in two instalments, EUR 0.32 in May 2023 and EUR 0.32 in October 2023.

BOARD OF DIRECTORS AND THE COMPANY'S AUDITORS

Harvia Plc's members of the Board of Directors were Olli Liitola, la Adlercreutz (until 7 April 2022), Sanna Suvanto-Harsaae, Hille Korhonen, Anders Holmén and Heiner Olbrich (as of 7 April 2022). Olli Liitola acted as Chairman of the Board. Company CEO was Tapio Pajuharju. Company auditor has been PricewaterhouseCoopers Oy, Markku Katajisto (as of 7 April 2022), 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 Hjalmeby, 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.

On 17 November 2022 Harvia announced that Tapio Pajuharju, CEO of Harvia Plc, had resigned from his position. Pajuharju will continue as CEO of Harvia Plc until the end of May 2023. He has served as CEO and member of Harvia Plc's Management Team since 2016 and as a member of Harvia Plc's Board of Directors from 2014 to 2016. Harvia's Board of Directors has initiated the recruitment process for a new CEO.

Harvia Plc announced the composition of the Shareholders' Nomination Board on 28 September 2022. The following members were appointed

to Harvia Plc's Shareholders' Nomination Board: Juho Lipsanen, Onvest Oy, Member of the Board, Jarno Käyhkö, WestStar Oy, COO, Timo Harvia, Tiipeti Oy, Shareholder, 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.

PROPOSALS OF OF THE SHAREHOLDERS' NOMINATION BOARD

The Shareholders' Nomination Board of Harvia Plc shall present the following proposals to the Annual General Meeting of Harvia Plc scheduled for 20 April 2023:

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, Anders Holmén, Hille Korhonen and Heiner Olbrich be reappointed to the Board of Directors. The Nomination Board proposes two new members to be appointed as new members of the Board of Directors: Markus Lengauer to strengthen the expertise of the Board of Directors in the areas of integration of corporate acquisitions, industrial operations and alternative distribution channels and Catharina Stackelberg-Hammarén to strengthen the expertise of the Board of Directors in marketing, brand building and development as well as strategic planning. All proposed persons have given their consent to the appointment and they are independent of the company and of the major shareholders of the company.

OUTLOOK FOR FUTURE

According to Harvia's estimate, there are approximately 18 million saunas in the world. This large sauna base provides significant business arising from the replacement of saunas and sauna heaters. Historically, the sauna and spa market has grown annually by an average of 5%. Due to the stable demand that arises from the need to replace sauna heaters regularly, the sauna and spa market has been traditionally resilient to economic downturns. This is true especially for the more mature sauna markets.

During the past few years, the sauna and spa market enjoyed growth significantly above its historical average. The growth was fueled by increasing awareness of the health benefits of sauna and the home improvement boom boosted by the COVID-19 pandemic. This so-called advance demand was driven by the increased demand for new saunas and equipment, and to lesser extent by the replacement demand.

In 2022, the sauna and spa market witnessed two key developments. Firstly, the pandemic-driven advance demand faded away in the second quarter as pandemic restrictions in key markets were lifted and consumer behavior shifted away from the pandemic patterns. Secondly, the economic uncertainty increased, and mainly in Europe, consumer confidence eroded significantly throughout 2022 after the Russian invasion of Ukraine.

The direct impact of the invasion is focused on Russia, Ukraine and adjacent markets, but the indirect impacts

have been felt throughout Europe and to a smaller extent globally. Increased economic uncertainty, reduced consumer confidence and enhanced energy saving measures have weakened demand especially in Central Europe and for electric heaters. The impact was felt first and heaviest in the more price-sensitive lower segment. The professional and premium market have traditionally remained more stable in weakening market conditions, but towards the end of 2022, the more cautious consumer behavior and energy saving measures spread more widely throughout the entire sauna and spa market. At the same time, consumer demand shifted more towards wood-burning heaters, which experienced historically high year-end market demand. While this increased demand did not fully compensate the lower demand of electric heaters, it reflects the importance of sauna to consumers and the robustness of demand.

Outside Europe, especially in North America and Asia, the sauna and spa market has continued growing, even if the growth pace has settled from the pandemic-fueled pace. In general, these markets have not seen similar negative economic and energy price development as witnessed in Europe, even though they are not immune to the global economic uncertainty. The demand in emerging market areas continues to be skewed towards more high-end products, especially compared to Finland. The increase in the popularity of sauna, low but increasing sauna penetration and resilient high-end demand continue to support market growth in the more emerging sauna and spa markets.

According to the management's estimate, Harvia's share of the sauna and spa market has increased during the last few years and the development has continued also in 2022. In 2022, Harvia's share of the sauna and spa market was estimated to be 5%, and the company's

share of the sauna heater and sauna component market was estimated to be 21%. The company's management estimates that Harvia has the leading position in the global sauna and spa market.

SIGNIFICANT EVENTS AFTER THE REVIEW PERIOD

Harvia Plc and Bergman Ltd have signed a letter of intent (LOI) on 7 March 2023 to create a joint venture in Japan with the mission to becoming a substantial local player in the attractive and growing Japanese sauna and spa market. Harvia will own 51% and Bergman 49% of the company. The joint venture will focus on sales and marketing of Harvia's sauna and spa offering on the Japanese market, and it is planned to be operational later in 2023.

NON-FINANCIAL INFORMATION

HARVIA'S BUSINESS MODEL AND SUSTAINABILITY

Sustainability is built into Harvia's values, mission, vision and purpose. Harvia wants to make the relaxing and health-promoting experience of sauna bathing available to everyone. The company also wants to be the most trusted partner in the industry. Harvia's values incorporate sustainability, taking care of the environment, and people. Harvia's products are made sustainably and designed to be safe and long-lasting.

Harvia follows the company's sustainability program 2022-2025. Its key elements 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. Within its sustainability program, Harvia has especially developed its reporting by setting clear targets and metrics for many of the principles and ways of working that the company has applied for a long time. Harvia strives to reduce the greenhouse gas emissions of its operations to mitigate global warming and promote global efforts to safeguard the environment. The company's objective is to reach carbon neutrality in its own operations by 2030.

Harvia's strategy has a strong focus on growth, and the company has indeed achieved its target of being the largest comprehensive operator in the sauna and spa market. 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. Climate-related risks have been processed as part of a materiality analysis, and the identified key themes are included in the sustainability program and the related monitoring.

CORE POLICIES AND PRINCIPLES

Harvia's operations are based on 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 whistleblowing channel in use, and possible observations are duly investigated by an external expert partner. In 2022, two reports were made through the whistleblowing channel. They were handled in accordance with the company's processes. During 2022, the channel was expanded to cover the entire Group, and it is also available to all external stakeholders.

Harvia requires that all its suppliers act responsibly and that its contract suppliers commit to the Harvia Supplier and Partners' Code of Conduct. It is divided into ethics, corruption, labor force, health and safety and environment. In 2022, service suppliers were added to the commitment and the Code of Conduct was extended to cover all of Harvia Group's companies. The majority (60%) of existing suppliers of goods and services at Harvia have agreed to comply with the Code of Conduct, and compliance is a prerequisite for new suppliers. The company's goal is that all suppliers whose annual purchases by Harvia total at least 20,000 euros have committed to the Code of Conduct by 2027.

ENVIRONMENT

From beginning to end, Harvia's products are made sustainably and designed to be safe and long-lasting. Environmental and safety perspectives are considered in everything from design to production, logistics, use and recycling. Sustainable sourcing and materials form an important part of Harvia's sustainability program. In 2022, the company focused especially on research to promote cleaner burning in wood-burning sauna heaters and the energy efficiency of electric saunas. During the year, sustainability communications focused on guiding consumers in the energy-efficient heating of electric saunas due to the energy crisis in Europe.

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

Harvia's emissions calculation is performed in accordance with the standards and guidelines of the Greenhouse Gas Protocol (GHG). Harvia's Group-level Scope 1 CO₂ emissions in 2022 were 1,196 tCO₂ (1,269) and Scope 2 emissions 749 tCO₂ (1,292). The share of emission-free electricity in Harvia Group was 73% (51) in 2022.

All the electricity used at the EOS and Sauna-Eurox factories and in the sentiotec unit is from 100% renewable sources. Harvia's Muurame factory uses emission-free electricity, and some of the electricity is produced by the factory's solar panels. The factory's energy consumption has been reduced by, for example, switching to LED lighting. The partners of the entire Harvia Group aim to reach emission-free transportation by 2050.

Harvia's European sauna factories procure their wood materials from suppliers that have a valid Chain of Custody certification.

The stainless steel supplier in Finland is Outokumpu Plc, whose product is manufactured with over 90% recycled steel. The recycled steel itself is fully recyclable. In Finland, steel is transported from nearby, minimizing the carbon footprint of transportation. In 2022, the company started using 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 still 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.

Harvia monitors the job satisfaction and well-being of its personnel by conducting Group-wide surveys at regular intervals. In 2022, the results of the personnel survey conducted in late 2021 were reviewed and the definitions of Group-wide occupational safety metrics were specified. In 2022, the themes related to job satisfaction were discussed in teams and concrete action plans for the future were created.

Harvia is committed to maintain a safe and warm community consisting of employees, partners, customers and other stakeholders. The commitment focuses on collaboration, supporting and helping each other, competence development and safety, which facilitate well-being and long relationships. Harvia Finland, the largest Group company, launched a year-long well-being coaching program for all officers. In addition, Harvia introduced a public whistleblowing channel for reporting possible misconduct. The layout update carried out at the Muurame factory in 2022 and the start-up of the new U.S. factory improved occupational safety and job satisfaction by clarifying the working environment. No serious occupational accidents occurred in the company in 2022.

The company takes care of the continuous competence development of its personnel. In 2022, the company carried out, among others, trainings for leadership, electrical safety and first aid. In addition, various industry experts participated in trainings related to their own areas of expertise. The company's operations also necessitate many trainings required by authorities.

In 2022, Harvia was forced to adjust its personnel resources to accommodate the changed market environment in its various Group companies. At the end of 2022, Harvia employed 191 fewer employees compared to the end of 2021.

RESPECTING HUMAN RIGHTS AND PREVENTION OF CORRUPTION AND BRIBERY

Harvia's Code of Conducts defines the company's approach to human rights and political activity, 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 2022, 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 2022, which are associated with Taxonomy-eligible and Taxonomy-aligned 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-aligned compliance is achieved when Taxonomy-eligible economic activities contribute to at least one environmental objective by meeting pre-defined technical screening criteria, and do not cause significant harm to other environmental objectives according to the Do No Significant Harm (DNSH) criteria, and also comply with the Minimum Safeguards defined in the Taxonomy.

TAXONOMY-ELIGIBLE AND -ALIGNED REVENUE, CAPEX AND OPEX

Harvia has assessed the relevant Taxonomy-eligible and -aligned 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 activities that have been considered eligible relate to the energy efficient use of heaters and sauna technology. The activities that have been considered aligned relate to energy-saving automation for the control and maintenance of sauna technology. In addition, Harvia has made investments in low energy consumption lighting, improving the energy efficiency of buildings, electric forklifts and developing automation for energy efficient control.

ACCOUNTING POLICIES

The specification of the KPIs is determined in accordance with guidance specified in the Annexes to the Regulation (EU) 2020/852. We determine the Taxonomy-eligible and -aligned 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.

The proportion of Taxonomy-aligned economic activities has been calculated by dividing the revenue from the sales associated with Taxonomy-aligned economic activity by the Harvia consolidated revenue (see Note 2.1 Revenue).

PROPORTION OF TURNOVER FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES - DISCLOSURE COVERING YEAR 2022

Economic activities (1)	Code(s) (2)	Absolute turnover (3) Currency	Proportion of turnover (4) %	Substantial contribution criteria							DNSH criteria (‘Does Not Significantly Harm’)							Taxonomy-aligned proportion of turnover, year N (18) Percent	Taxonomy- aligned proportion of turnover, year N-1 (19) Percent	Category (enabling activity or) (20) E	Category ‘(transitional activity)’ (21) T
				Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %	Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N	Minimum safeguards (17) Y/N					
A. TAXONOMY-ELIGIBLE ACTIVITES %																					
A.1. Environmentally sustainable activities (Taxonomy aligned)																					
	3.5. Manufacture of energy efficiency equipment for buildings*	3,631,805	2.1%	100.0%	0%						Y	Y	Y	Y	Y	Y	2.1%		E		
	Turnover of environmentally sustainable activities (Taxonomy Aligned (A.1))	3,631,805	2.1%	100.0%	0%						Y	Y	Y	Y	Y	Y	2.1%		E		
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																					
	3.5. Manufacture of energy efficiency equipment for buildings*	890,500	0.5%																E		
	Turnover of taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	890,500	0.5%																		
	Total (A.1 + A.2)	4,522,305	2.6%																		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																					
	Turnover of Taxonomy-non-eligible activities (B)	167,885,540	97.4%																		
	Total (A + B)	172,407,845	100.0%																		

* Activity 1 is Taxonomy-eligible in its entirety. However, only a proportion of it is Taxonomy-aligned. Therefore, Activity 1 may be reported under both A1 and A2. However, only the proportion reported under A1 may be counted as Taxonomy-aligned in the turnover KPI of the non-financial undertaking. Column 21 should be filled in for transitional activities contributing to the climate change mitigation. For activities listed under A2, columns 5 to 17 may be filled in on a voluntary basis by non-financial undertakings

CAPEX KPI

The Taxonomy-eligible Capex KPI is defined as Taxonomy-eligible Capex divided by our total Capex. The Taxonomy-aligned Capex KPI is defined as Taxonomy-aligned 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 3.2 and 3.3 of Harvia consolidated financial statements.

Major part of Taxonomy-eligible and all Taxonomy-aligned 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.

PROPORTION OF CAPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES - DISCLOSURE COVERING YEAR N

Economic activities (1)	Code(s) (2)	Absolute CapEx (3) Currency	Proportion of CapEx (4) %	Substantial contribution criteria							DNSH criteria (‘Does Not Significantly Harm’)							Taxonomy-aligned proportion of CapEx, year N (18) Percent	Taxonomy- aligned proportion of CapEx, year N-1 (19) Percent	Category (enabling activity or) (20) E	Category ‘(transitional activity)’ (21) T
				Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %	Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N	Minimum safeguards (17) Y/N					
A. TAXONOMY-ELIGIBLE ACTIVITES %																					
A.1. Environmentally sustainable activities (Taxonomy aligned)																					
	3.5. Manufacture of energy efficiency equipment for buildings	161,800	4.8%	100.0%	0%							Y	Y	Y	Y	Y	Y	4.8%		E	
	CapEx of environmentally sustainable activities (Taxonomy Aligned (A.1))	161,800	4.8%	100.0%	0%							Y	Y	Y	Y	Y	Y	4.8%		E	
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																					
	7.3. Installation, maintenance and repair of energy efficiency equipment	12,488	0.4%																	E	
	6.6. Freight transport services by road	50,400	1.5%																		
	CapEx of taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	62,888	1.9%																		
	Total (A.1 + A.2)	224,688	6.7%																		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																					
	CapEx of Taxonomy-non-eligible activities (B)	3,144,312	93.3%																		
	Total (A + B)	3,369,000	100.0%																		

For activities listed under A2, columns 5 to 17 may be filled in on a voluntary basis by non-financial undertakings

OPEX KPI

The Taxonomy-eligible Opex KPI is defined as Taxonomy-eligible Opex divided by our total Opex, and the Taxonomy-aligned Opex KPI is defined as Taxonomy-aligned 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.

The Taxonomy-eligible Opex includes non-capitalized R&D costs related to improvement of environmental performance of our products. The Taxonomy-aligned Opex includes non-capitalised R&D costs related to energy-saving automation for sauna control.

Double counting has been avoided by allocating Taxonomy-eligible and -aligned turnover, capital and operating expenditure to only one economic activity.

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.

PROPORTION OF OPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES - DISCLOSURE COVERING YEAR N

Economic activities (1)	Code(s) (2)	Absolute OpEx (3) Currency	Proportion of OpEx (4) %	Substantial contribution criteria							DNSH criteria (‘Does Not Significantly Harm’)							Taxonomy-aligned proportion of OpEx, year N (18) Percent	Taxonomy- aligned proportion of OpEx, year N-1 (19) Percent	Category (enabling activity) (20) E	Category ‘(transitional activity)’ (21) T
				Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %	Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N	Minimum safeguards (17) Y/N					
A. TAXONOMY-ELIGIBLE ACTIVITES %																					
A.1. Environmentally sustainable activities (Taxonomy aligned)																					
	3.5. Manufacture of energy efficiency equipment for buildings	15,600	0.3%	100%	0%						Y	Y	Y	Y	Y	Y		0.3%		E	
	OpEx of environmentally sustainable activities (Taxonomy Aligned (A.1))	15,600	0.3%	100%	0%						Y	Y	Y	Y	Y	Y		0.3%		E	
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																					
	7.3. Installation, maintenance and repair of energy efficiency equipment	5,600	0.1%																	E	
	OpEx of taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)(A.2)	5,600	0.1%																		
	Total (A.1 + A.2)	21,200	0.5%																		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																					
	OpEx of Taxonomy-non-eligible activities (B)	4,463,271	99.5%																		
	Total (A + B)	4,484,471	100.0%																		

For activities listed under A2, columns 5 to 17 may be filled in on a voluntary basis by non-financial undertakings

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 (December 31, 2021: 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 share trading volume in January-December was EUR 749.5 million (882.0) and 27,500,497 shares (18,798,719). The share's volume weighted average price during the review period was EUR 27.36 (46.96), the highest price was EUR 60.70 (64.10) and the lowest EUR 12.69 (22.00). The closing price of the share at the end of December was EUR 17.68 (58.70). The market value of the share capital on 31 December 2022 was EUR 330.5 million (1,097.4) including treasury shares.

On 4 May 2022, 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 2019-2021 of the company's share-based incentive program launched in 2019. In the share issue, 45,983 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, the company held a total of 5,074 own shares.

In December 2022, the Board of Directors of Harvia Plc decided to start repurchasing the company's own shares. The shares were repurchased to be used as a part of the company's incentive plan. The repurchase of own shares started on 14 December 2022 and

ended on 15 December 2022. During that period Harvia acquired a total of 16,000 own shares for an average price of EUR 19.47 per share. The repurchased shares were acquired based on the authorization given by the Annual General Meeting on 7 April 2022 and shall be used as a part of the Company's incentive program. After the repurchase, Harvia Plc held a total of 21,074 own shares, corresponding to 0.11% of the total number of shares.

The number of registered shareholders at the end of December was 46,011 (33,879), including nominee registers. At the end of the review period, nominee-registered and direct foreign shareholders held 39.5% (48.7) of the company's shares. The ten largest shareholders held a total of 21.3% (19.0) of Harvia's shares and votes at the end of December.

Shareholder profile 31 December 2022	Total %	Total pcs.
Foreign holding	39.45	7,374,974
Households	33.81	6,320,357
Companies	16.60	3,102,557
Financial institutions and insurance companies	5.85	1,093,310
General Government	4.18	781,991
Harvia Oyj own shares	0.11	21,047
Total	100.00	18,694,236

Shareholders on 31 December 2022	pcs	Percentage of shares and votes
ONVEST OY	821,689	4.40
DANSKE INVEST FINNISH EQUITY FUND	613,474	3.28
WESTSTAR OY	569,942	3.05
TIIPETI OY	407,790	2.18
KESKINÄINEN ELÄKEVAKUUTUSYHTIÖ ILMARINEN	392,320	2.10
KESKINÄINEN TYÖELÄKEVAKUUTUSYHTIÖ ELO	304,243	1.63
PAJUJARJU TAPIO	267,466	1.43
KTR-INVEST OY	242,625	1.30
MANTEREENNIEMI OY	214,645	1.15
VESTERINEN ARI	147,187	0.79
HARVIA TIMO	137,561	0.74
AHONEN DAVID	125,472	0.67
AVUS OY	120,626	0.65
NORDEA NORDIC SMALL CAP FUND	116,797	0.63
FONDITA NORDIC SMALL CAP SJOITUSRAHASTO	85,000	0.43
Grand total	4,566,837	24.43

* According to the fund's announcement. Harvia has 39 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 31 December 2022 a total of 1,005,536 Harvia shares, corresponding 5.4 percent of shares and votes in the company. (31 Dec 2021: 978,277 shares and 5.2%)

Calculation of key figures and reconciliation of alternative performance measures

EUR thousand	1-12/2022	1-12/2021
Operating profit	34,678	46,644
Depreciation and amortisation	6,494	5,844
EBITDA	41,173	52,488
Items affecting comparability		
Business transactions related expenses	1,174	587
Restructuring expenses	600	41
Total items affecting comparability	1,774	628
Adjusted EBITDA	42,947	53,116
Depreciation and amortisation	-6,494	-5,844
Adjusted operating profit	36,452	47,272
Finance costs, net	2,110	-1,428
Adjusted profit before income taxes	38,562	45,844

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 2022	1 Jan-31 Dec 2021
Revenue	2.1	172,408	179,123
Other operating income	2.3	734	539
Materials and services		-70,150	-70,114
Employee benefit expenses	2.3	-30,832	-30,591
Other operating expenses	2.3	-30,036	-26,469
Depreciation and amortisation	2.4	-6,494	-5,844
Impairment of assets of the sold subsidiary*	3.1	-952	
Operating profit		34,678	46,644
Share in profits and losses of associated companies	3.1	26	57
Finance income	5.4	1,909	698
Finance costs	5.4	-3,553	-2,601
Changes in fair values	5.1	3,727	418
Finance costs, net		2,110	-1,428
Profit before income taxes		36,788	45,216
Income taxes	6.3	-8,719	-10,427
Profit for the period		28,068	34,789
Attributable to:			
Owners of the parent		27,080	33,674
Non-controlling interests**		988	1,115

EUR thousand	Note	1 Jan-31 Dec 2022	1 Jan-31 Dec 2021
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Translation differences	6.4	326	1,197
Items that will not be reclassified to profit or loss:			
Actuarial gains and losses	5.6	598	
Other comprehensive income, net of tax		925	1,197
Total comprehensive income		28,993	35,986
Attributable to:			
Owners of the parent		28,005	34,871
Non-controlling interests**		988	1,115
Earnings per share for profit attributable to the owners of the parent:			
Basic EPS (EUR)	2.5	1.45	1.80
Diluted EPS (EUR)	2.5	1.44	1.79

* EOS Russia disposal related adjustments to fair values and reclassification of translation differences

**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 2022	31 Dec 2021
ASSETS			
Non-current assets			
Intangible assets	3.2	10,463	12,732
Goodwill	3.2	73,438	73,730
Property, plant and equipment	3.3	27,098	27,994
Right-of-use assets*	3.4	2,144	2,644
Investments in associated companies	3.1	727	726
Derivative financial instruments	5.1	3,243	
Deferred tax receivables	6.3	1,367	1,488
Total non-current assets		118,481	119,313
Current assets			
Inventories	4.1	45,324	46,130
Trade and other receivables	4.2	18,674	20,447
Income tax receivables		1,010	113
Cash and cash equivalents	5.2	25,310	15,488
Total current asset		90,318	82,178
Total assets		208,799	201,492

* Previously "Leased assets".

**Other non-current liabilities include minority redemption liabilities and purchase price liabilities resulting from acquisitions. The minority share of German EOS Group was acquired at the end of July 2022.

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

EUR thousand	Note	31 Dec 2022	31 Dec 2021
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	6.4	80	80
Other reserves	6.4	33,426	32,585
Retained earnings	6.4	36,687	14,212
Profit for the period	6.4	27,080	33,674
Total equity attributable to owners of the parent		97,273	80,552
Non-controlling interests	6.4	1,072	3,598
Total equity		98,345	84,149
Liabilities			
Non-current liabilities			
Loans from credit institutions	5.1	75,389	56,380
Lease liabilities	3.4	1,848	2,315
Derivative financial instruments	5.1		484
Deferred tax liabilities	6.3	1,673	2,260
Employee benefit obligations	5.6	1,897	2,595
Other non-current liabilities**	5.1	3,609	20,553
Provisions	3.5	331	345
Total non-current liabilities		84,747	84,932
Current liabilities			
Loans from credit institutions	5.1	2,028	48
Lease liabilities	3.4	574	562
Employee benefit obligations	5.6	174	188
Income tax liabilities		3,960	6,661
Trade and other payables	4.3	18,679	24,646
Provisions	3.5	292	305
Total current liabilities		25,707	32,411
Total liabilities		110,454	117,342
Total equity and liabilities		208,799	201,492

Consolidated statement of changes in equity

EUR thousand

	Note	Share capital	Invested unrestricted equity reserve	Attributable to owners of the parent			Non-controlling interests	Total
				Translation differences	Retained earnings	Equity attributable to owners of the parent		
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
Equity at 1 January 2022		80	32,047	539	47,886	80,552	3,598	84,149
Share-based incentive plan			557			557		557
Dividend distribution					-11,200	-11,200	-127	-11,327
Revaluation of minority redemption liabilities			1,516			1,516		1,516
Redemption of the share of non-controlling interest							-3,387	-3,387
Repurchase of own shares			-313			-313		-313
Share-based payments			-1,844			-1,844		-1,844
Total transactions with shareholders	6.4		-83		-11,200	-11,283	-3,514	-14,798
Profit for the period					27,080	27,080	988	28,068
Actuarial gains and losses	5.6		598			598		598
Translation differences	6.4			326		326		326
Other comprehensive income			598	326		925		925
Total comprehensive income			598	326	27,080	28,005	988	28,993
Equity at 31 December 2022		80	32,562	865	63,766	97,273	1,072	98,345

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

Consolidated statement of cash flows

EUR thousand	Notes	1 Jan-31 Dec 2022	1 Jan-31 Dec 2021
Cash flows from operating activities			
Profit before taxes		36,788	45,216
Adjustments			
Depreciation and amortisation	2.4	7,446	5,844
Finance income and finance costs	5.4	-2,110	1,428
Other adjustments		311	-1,278
Cash flows before changes in working capital		42,436	51,210
Change in working capital			
Increase (-) / decrease (+) in trade and other receivables	4.2	495	-2,051
Increase (-) / decrease (+) in inventories	4.1	-852	-22,574
Increase (+) / decrease (-) in trade and other payables	4.3	-5,014	3,718
Cash flows from operating activities before financial items and taxes		37,065	30,303
Interest and other finance costs paid	5.4	-39	-192
Interest and other finance income received	5.4	6	232
Income taxes paid	6.3	-12,697	-8,527
Net cash from operating activities		24,335	21,816

EUR thousand	Notes	1 Jan-31 Dec 2022	1 Jan-31 Dec 2021
Cash flows from investing activities			
Purchases of tangible and intangible assets	3.2, 3.3	-3,587	-11,762
Sale of tangible and intangible assets		48	98
Acquisition of subsidiaries, net of cash acquired	3.1		-7,559
Proceeds from sale of subsidiaries, net of cash	3.1	104	
Net cash from investing activities		-3,435	-19,223
Cash flows from financing activities			
Acquisition of treasury shares	6.4	-312	-2,518
Transaction with non-controlling interests	3.1	-19,000	
Proceeds from non-current loans	5.1	19,000	56,500
Repayment of non-current liabilities	5.1	-101	-56,761
Proceeds from current loans	5.1	2,000	
Change in current liabilities	5.1	-17	-142
Repayment of lease liabilities	3.4	-518	-373
Interest and other finance costs paid	5.4	-1,022	-1,885
Dividends paid	6.4	-11,327	-9,532
Net cash from financing activities		-11,297	-14,711
Net change in cash and cash equivalents			
		9,604	-12,118
Cash and cash equivalents at 1 January	5.2	15,488	27,321
Exchange gains/losses on cash and cash equivalents		218	285
Cash and cash equivalents at 31 December		25,310	15,488

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 90 countries. The Group's product range includes sauna heaters, sauna rooms, infrared and steam saunas, spa components, control units, heater stones, 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 2022 the company had 633 employees (31.12.2021:

824), of which 240 (308) worked in Finland, 136 (143) in Germany, 89 (133) in Romania, 66 (60) in the United States, 58 (95) in China and Hong Kong, 32 (43) in Austria, 9 (13) in Estonia, 2 (2) in Sweden and 1 (27) in Russia.

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, in July 2022 Harvia acquired 21.4% share from the non-controlling interest and owned after that 100%)

- EOS Premium SPA Technologies until 31.10.2022, which is the sales company for saunas and EOS products in Russia (80% acquired on 30 April 2020, agreement to sell Harvia's share signed on 7.11.2022).
- Kirami Oy, a leading Finnish still-water hot tub manufacturer (100% acquired on 28 May 2021)
- Heaters stones selling Sauna-Eurox and Parhaat Löylyt 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 8 February 2023. 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	IAS 19
	5.6 Defined benefit obligations	IAS 19
Business combinations	3.1 Business combinations	IFRS 3, IFRS 12
Intangible assets	3.2 Intangible assets	IAS 36, IAS 38
Property, plant and equipment	3.3 Property, plant and equipment	IAS 16, IAS 36
Right-of-use assets	3.4 Right-of-use assets	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
	5.5 Commitments and contingent liabilities	IAS 17
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.

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.

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.

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.

Foreign currency transactions are translated into the functional currency using the exchange rates at the

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	
Adoption of new reporting standards	2.1
Segment reporting	2.2
Research and development expenses	3.2
Key assumptions used in goodwill impairment tests	3.2
Right-of-use assets	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	2022	% of revenue	2021	% of revenue
Revenue	172,408		179,123	
Other operating income	734	0%	539	0%
Materials and services	-70,150	-41%	-70,114	-39%
Employee benefit expenses	-30,832	-18%	-30,591	-17%
Other operating expenses	-30,036	-17%	-26,469	-15%
Depreciation and amortisation	-6,494	-4%	-5,844	-3%
Impairment charges	-952	-1%		
Operating profit	34,678	20%	46,644	26%

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

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 or the legislation concerning products will change. ►

framework agreement. The individual agreements of Group companies with this customer were accounted for a total of approximately 10% of the Group's net sales in 2022 (2021: 9%).

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 especially in 2021. In 2022, high inflation decreased consumer confidence and slow down of pandemic-driven trends weakened Harvia's revenue. The energy crisis made consumers, especially in Central Europe, cautious in sauna investments.

Net sales for the financial year 2022 were also boosted by the acquisitions of Kiram and Sauna-Eurox from 2021.

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 MARKET AREA

EUR thousand	2022	%	2021	%
Finland	36,414	21%	36,900	21%
Scandinavia	9,530	6%	9,357	5%
Germany	26,109	15%	35,351	20%
Other European countries	46,405	27%	49,674	28%
Russia	7,454	4%	11,549	6%
North America	36,112	21%	29,132	16%
Other countries*	10,384	6%	7,160	4%
Total	172,408	100%	179,123	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

REVENUE BY PRODUCT GROUP

EUR thousand	2022	%	2021	%
Sauna heaters	76,043	44%	88,177	49%
Sauna rooms & Scandinavian hot tubs	46,152	27%	41,185	23%
Control units	15,403	9%	17,578	10%
Steam generators	4,989	3%	5,129	3%
Other product groups, spare parts and services	29,822	17%	27,053	15%
Total	172,408	100%	179,123	100%

Revenue from projects recognized over time was EUR 896 thousand in 2022 (2021: EUR 616 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-2022	31-Dec-2021
Finland	82,691	84,266
Germany	17,636	18,803
United States	6,817	6,289
Other European countries	3,437	4,681
Asia	2,563	3,060
Total non-current assets	113,143	117,099

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 facilities are characterised by efficient production. Harvia has a long experience in manufacturing of heaters and other sauna & spa 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. In Muurame, 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	2022	2021
Wages and salaries	25,372	25,348
Pension costs	2,461	2,213
Other employee benefit expenses	2,999	3,031
Total	30,832	30,591

Harvia Group employed a total of 633 employees as at 31 December 2022 (2021: 824 employees). Of the total number of employees at the end of 2022, 242 were officers and 391 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	2022	2021
Sales and marketing*	16,715	15,506
Travel and cars	1,212	768
Electricity, heating and water	1,680	1,420
Audit, accounting, consulting and legal expenses	1,248	1,489
Rents	628	513
IT and telecommunication	1,236	1,080
Voluntary staff expenses	643	665
Other**	6,672	5,028
Total	30,036	26,469

* 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 2022 to PricewaterhouseCoopers amounted to 211 EUR thousand (2021: EUR 139 thousand). Of these, EUR 196 thousand were fees relating to statutory audit (2021: EUR 103 thousand). In 2022, EUR 0 thousand of

fees were related to auditor opinions and certificates (2021: EUR 0 thousand) and EUR 15 thousand to other fees (2021: EUR 35 thousand). Audit fees paid to other auditors were EUR 102 thousand (2021: EUR 70 thousand).

Harvia Group's research and development department employed an average of 23 persons (2021: 23 persons), and expensed research and development costs totaled EUR 2,248 thousand in the financial year 2022 (2021: EUR 2,265 thousand).

2.4 DEPRECIATION AND AMORTISATION

The following table presents depreciation and amortisation by asset class:

EUR thousand	2022	2021
Depreciation by class		
Buildings and constructions	1,076	937
Machinery and equipment	1,982	1,326
Other tangible assets	174	221
Total property, plant and equipment	3,232	2,484
Leased buildings and structures	392	372
Leased machinery and equipment	202	239
Total leased assets	594	610
EUR thousand	2022	2021
Amortisation by class		
Development costs	417	412
Customer relationships	1,337	1,274
Brand	420	422
Technology	68	90
Other intangible assets	426	552
Total intangible assets	2,668	2,750
Total depreciation and amortisation	6,494	5,844

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. Most machinery and equipment are depreciated in 3 to 10 years and exceptionally long-lasting machines in 20 years. 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 3-20 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 3 to 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.

	2022	2021
Profit for the period attributable to the owners of the parent company, EUR thousand	27,080	33,674
Weighted average number of shares outstanding during the financial period, '000	18,672	18,668
Basic earnings per share, EUR	1.45	1.80
Share-based long-term incentive plan	167	150
Weighted average number of shares outstanding during the year, diluted, '000	18,839	18,818
Diluted earnings per share, EUR	1.44	1.79

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 2022, Harvia acquired a 21.4% minority share of EOS Group’s German operations and owned 100% of EOS Group’s German operations after the transaction. At the beginning of March 2022, Harvia decided to exit from Russia and, in connection with this, in November 2022, made an agreement to sell its 80.0% share in EOS Russia. EOS Russia has been excluded from the Harvia Group’s figures as of November 2022.

ACQUISITIONS AND DIVESTMENTS IN 2022

On 27 July 2022, Harvia Plc acquired a 21.4% minority shareholding of EOS Group’s German operations from Mr. Rainer Kunz, Managing Director of EOS Group. After the transaction, EOS Group’s German operations are fully owned by Harvia.

The purchase price was EUR 19.0 million. The purchase price of the minority shareholding was based on the same adjusted EBITDA multiple as in the original transaction in 2020, when Harvia acquired the majority

of EOS shares. Harvia financed the acquisition of the minority shareholding with long-term interest-bearing debt. Mr. Kunz continues as Managing Director of EOS Group and a member of Harvia’s management team.

On 7 November 2022, Harvia Plc signed an agreement to sell its 80.0% shareholding of EOS Russia to Mr. Vasilij Sosonkov. Before the agreement, Mr. Sosonkov, Managing Director of EOS Russia, held 20.0% of the shares in OOO EOS Premium SPA Technologies, the company operating EOS Group’s Russian operations. After the transaction has been completed, Mr. Sosonkov will own 100.0% of EOS Russia. Closing of the transaction is subject to official approvals in Russia.

The transaction price is at maximum EUR 600,000, of which EUR 400,000 was paid during 2022. According to the agreement, all references to EOS or Harvia will be removed from the Russian company’s name, brand names or similar. EOS-related intellectual property rights stay in Harvia’s ownership.

EOS Russia has not been consolidated in the Harvia Group figures as of November 2022. The fair values of net assets of the sold subsidiary were considered

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.

to be EUR 1,280 thousand less than the carrying value in the Group's balance sheet at 31 October 2022. The consideration included EUR 748 thousand intangible assets consisting of goodwill and customer relationships. There was also EUR 328 thousand translation differences in the Harvia's balance sheet relating to EOS Russia which were reclassified to profit due the divestment. All the items impacting profit are presented in the Impairment of assets of the sold subsidiary in the profit & loss.

Altogether, the impact to Harvia's income statement was EUR -952 thousand. According to Harvia's accounting principles, the impact was classified as item that affects comparability of the key figures. In the cash flow of Harvia Group, the proceed from selling the subsidiary was EUR 104 thousand after deducting cash of the divested subsidiary.

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 still-water 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.

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. If Kirami had been part of the Harvia Group from the beginning of 2021, the Group's turnover would have been around EUR 195 million in 2021.

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 2021

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. The acquisition allows Harvia and Sauna-Eurox to strengthen the availability of sauna stones and increase production capacity. The purchase price was EUR 2.6 million at the time of the transaction, plus an additional EUR 0-300 thousand payable after a four-year period, depending on the development of the companies' EBITDA and net debt. The net assets acquired in the acquisition amounted to EUR 1,820 thousand and goodwill of EUR 935 thousand was recognised in the Group. Harvia financed the acquisition from its cash and the impact of the acquisition on Harvia's cash flow in 2021 was EUR 2,342 thousand.

In 2021, Harvia acquired the shares of Saunamax Oy from minority shareholders (43.8%). The purchase price of the non-controlling interest was determined on the basis of Saunamax's operating margin for the previous 12 months and was only nominal. At the time of the acquisition of Saunamax in March 2017, Harvia booked a liability of EUR 350 thousand on its balance sheet for its minority share purchase option. The liability related to the option was written down in 2019 and 2020 in line with the development of EBITDA.

In addition, Kirami Oy acquired an additional 9% share of Kirami AB. The purchase price was EUR 18 thousand.

JOINT ARRANGEMENTS

Harvia owns 50% of the Estonian company Metagrupp OÜ, which operates as a production company for the Kirami subgroup. In Harvia's financial statements, the company is presented as an associated company, as Harvia's management considers that Harvia has not control over the company. In 2022, the value of Metagrupp in Harvia's balance sheet was EUR 727 thousand (2021: EUR 726 thousand). Harvia's share of the associate's result was EUR 26 thousand (2021: EUR 57 thousand). The company has been consolidated in Harvia's financial statements using the equity method from May 2021.

3.2 INTANGIBLE ASSETS AND IMPAIRMENT TESTING

The 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. In 2022, goodwill was decreased slightly in connection with the divestment of EOS Russia.

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 in 3 to 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
2022								
Cost at 1 January	73,730	2,582	628	7,788	4,941	746	2,991	93,406
Additions		159	730				170	1,059
Disposals	-352			-397				-749
Reclassifications		527	-781				56	-198
Exchange differences	60	-8			40	0	-4	88
Cost at 31 December	73,438	3,260	577	7,391	4,981	746	3,213	93,606
Accumulated depreciation at 1 January		-1,567		-2,277	-977	-223	-1,900	-6,944
Amortisation		-417		-1,337	-420	-68	-426	-2,668
Exchange differences		1			-81		-13	-93
Accumulated depreciation at 31 December	0	-1,983	0	-3,614	-1,478	-291	-2,339	-9,705
Net book amount at 1 January	73,730	1,014	628	5,511	3,964	523	1,092	86,462
Net book amount at 31 December	73,438	1,276	577	3,777	3,503	455	875	83,901

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						-22
Reclassifications		12	-25				-152	-165
	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
Exchange differences		-1		-9	-9	-2	-15	-36
Accumulated depreciation at 31 December	0	-1,567	0	-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

IMPAIRMENT TEST FOR GOODWILL

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

EUR thousand	31-Dec-2022	31-Dec-2021
Finland	62,831	62,743
Central Europe	10,607	10,958
Total	73,438	73,701

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. Goodwill

Accounting estimates and management judgement

Key assumptions used in goodwill impairment testing

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

The recoverable amount of a cash generating unit is determined based on value-in-use

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 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.

In 2022, goodwill was decreased in connection with the divestment of EOS Russia. The fair values of net assets of the sold subsidiary were considered to be EUR 1,280 thousand less than the carrying value in the Group's balance sheet at 31 October 2022. The consideration included EUR 748 thousand intangible assets consisting of goodwill and customer relationships. There was also EUR 328 thousand translation differences in the Harvia's balance sheet relating to EOS Russia which were reclassified to profit due the divestment. All the

items impacting profit are presented in the Impairment of assets of the sold subsidiary in operating profit. Altogether, the impact to Harvia's income statement was EUR -952 thousand.

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.

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

The key assumptions used for value-in-use calculations and basic information are as follows:

	31-Dec-2022	31-Dec-2021
Long-term growth rate	1,0%	1,0%
Average revenue growth for the forecast period		
Finland	3,7%	7,1%
Central Europe	3,7%	7,9%
Average EBITDA for the forecast period (% of revenue)		
Finland	27,2%	28,9%
Central Europe	30,2%	31,7%
Pre-tax discount rate		
Finland	11,8%	9,2%
Central Europe	11,4%	10,0%

As result of the impairment tests performed no impairment loss has been recognised for any period presented. In 2022 the recoverable amount calculated based on value-in-use exceeded the carrying value by EUR 236 million in Finland and EUR 95 million in Central Europe (2021 by EUR 386 million in Finland and EUR 197 million in Central Europe).

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 EBITDA margin or the discount rates change one at a time and other assumptions remain unchanged as follows (changes in percentage points):

	31-Dec-2022	31-Dec-2021
Finland		
EBITDA margin decrease	-25.3%	-19.4%
Change in discount rate	18.6%	25.0%
Central Europe		
EBITDA margin decrease	-20.5%	-26.1%
Change in discount rate	24.4%	50.0%

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 2022, Harvia invested in renewing its layout in 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

Kirami 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.

For depreciations see also note 2.4.

Accounting policy

Property, plant and equipment are presented at acquisition cost less depreciation and potential impairment losses. Subsequent costs are included in the carrying amount when they can be measured reliably and future economic benefits associated with the these will flow to the entity.

Significant leasehold improvements are included in the asset's carrying amount or are separated as a separate asset when it is probable that they will be economically useful in the future and the costs incurred can be distinguished from normal repair and maintenance costs. ►

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
2022						
Cost at 1 Jan	2,044	27,644	21,429	1,868	2,796	55,781
Additions	0	269	577	55	1,245	2,146
Disposals			-57	-144		-201
Reclassifications		1,377	1,573	23	-3,013	-40
Exchange differences	16	175	68	49		308
Cost at 31 Dec	2,060	29,465	23,590	1,851	1,028	57,994
Accumulated depreciation at 1 Jan		-13,062	-13,619	-1,107		-27,787
Depreciation		-1,076	-1,982	-174		-3,232
Exchange differences		31	92	-1		122
Accumulated depreciation at 31 Dec		-14,107	-15,509	-1,282	0	-30,897
Net book amount at 1 Jan	2,044	14,582	7,810	761	2,796	27,994
Net book amount at 31 Dec	2,060	15,358	8,081	569	1,028	27,097

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.

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		0	-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
Exchange differences		-4	-8	1	0	-11
Accumulated depreciation at 31 Dec		-13,062	-13,619	-1,107	0	-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

3.4 RIGHT-OF-USE ASSETS

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 adoption. 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.

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
Right-of-use assets		
Book amount at 1 Jan 2021	2,234	449
Additions	179	132
Acquisitions	92	
Exchange differences	168	
Depreciations	-372	-239
Book value at 31 Dec 2021	2,302	342
Book amount at 1 Jan 2022	2,302	342
Additions		164
Exchange differences	-68	
Depreciations	-392	-202
Book value at 31 Dec 2022	1,841	304
Lease liabilities		
EUR thousand	2022	2021
Lease liabilities		
Non-current	1,848	2,315
Current	574	562
Book value at 31 Dec	2,421	2,877

Lease period is the non-cancellable period of the lease plus periods covered by an option to 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	2022	2021
Depreciation		
Buildings and structures	-392	-372
Machinery and equipment	-202	-239
	-594	-610
Interest expense (included in finance cost)	-106	-106
Expense relating to short-term and low-value leases (other operating expenses)	-628	-513
Total amounts recognised in profit and loss	-1,328	-1,229

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-2022	31-Dec-2021
At 1 January	651	582
Additions	623	651
Canceled unrealized provisions during the year	-651	-582
At 31 December	623	651
of which		
current	292	305
non-current	331	345
Total	623	651

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

The warranty provision was canceled as unrealized EUR 651 thousand (2021: EUR 582 thousand) and was increased EUR 623 thousand during 2022 (2021: EUR 651 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.

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.

SECTION 4: NET WORKING CAPITAL

This section describes components of net working capital.

EUR thousand	31-Dec-2022	31-Dec-2021
Net working capital		
Inventories	45,324	46,130
Trade receivables	16,408	16,222
Other receivables	2,266	4,225
Trade payables	-8,737	-11,703
Other payables	-9,942	-12,943
Total	45,319	41,931
Change in net working capital in the statement of financial position	3,388	23,979
Items not taken into account in change in net working capital in the statement of cash flows and the effect of which is included elsewhere in the statement of cash flows*	1,983	-3,073
Change in net working capital in the statement of cash flows**	5,371	20,906

* The most significant items are related to finance costs, unrealised exchange rate gains and losses, acquisitions, divestments 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-2022	31-Dec-2021
Materials and supplies	24,070	21,066
Work in progress	3 621	3,410
Finished goods	17,634	21,653
Total	45,324	46,130

Harvia recognised items related to changes in the value and quantity of inventories in its profit and loss for a total of EUR 1,247 thousand (in 2021: EUR 19,546 thousand). Harvia's material and service costs totalled

EUR 70,150 thousand (2021: EUR 70,114 thousand). The inventory value was reduced by obsolescence reserve booking of EUR 921 thousand (31 December 2021: EUR 876 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-2022	31-Dec-2021
Trade receivables	16,408	16,222
Prepayments and accrued income	1,309	2,242
Other receivables	956	1,984
Total	18,674	20,447

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 30-120 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-2022	31-Dec-2021
Social costs	55	
Insurances	96	91
Other	1,158	2,150
Total	1,309	2,242

Other accrued income included mainly items related to materials costs, marketing and IT. 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-2022	31-Dec-2021
Trade payables	8,737	11,703
Advance payments	794	2,933
Accrued expenses	8,775	9,606
Other liabilities	373	405
Total	18,679	24,646

Trade payables are unsecured and are usually paid within 30 to 60 days of recognition.

Material items included in accrued expenses:

EUR thousand	31-Dec-2022	31-Dec-2021
Accrued salaries and social security costs	3,193	4,863
Accrued annual discounts	1,553	1,867
Accrued interests	176	21
Other	3,853	2,855
Total	8,775	9,606

Other accrued expenses included items related to material costs, marketing and sales comissions. 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 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. In 2022, Harvia financed its acquisition of the minority of EOS Group's German operations with a new term loan amounting to EUR 19 million. 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	Financial liabilities at amortised cost
31-Dec-2022	
Liabilities per balance sheet	
Loans from credit institutions	77,417
Lease liabilities	2,421
Other non-current liabilities	3,609
Trade and other payables	9,110
Total	92,558

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	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

LOANS FROM CREDIT INSTITUTIONS AND SHAREHOLDER LOANS

Loans from credit institutions

At the end of 2021, Harvia renegotiated the terms of EUR 56,500 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.

In 2022, Harvia raised a new term loan of EUR 19,000 thousand to finance the acquisition of the minority share of EOS Group's German operations. The new term loan matures in December 2024, with a nominal interest rate tied to Euribor and a fixed margin.

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 2022.

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. 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 3,243 thousand at the end of 2022 (2021: EUR -484 thousand). Nominal value of the interest rate swap contract was EUR 36,500 thousand as at 31 December 2022 (2021: EUR 25,000 thousand). 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.

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.

OTHER NON-CURRENT LIABILITIES

The Group had long-term redemption and additional purchase price liabilities related to acquisitions of EUR 3,609 thousand (2021: 20,553). The contractual amount of the liabilities is EUR 4,250 thousand (2021: 21,959). The acquisition of the non-controlling interest in the German EOS Group at the end of July 2022

significantly reduced Harvia's other non-current liabilities. After the redemption, additional purchase price liabilities related to the Kirami and Sauna-Eurox acquisitions remain on Harvia's balance sheet. Harvia's redemption and additional purchase price liabilities in 2021 and 2022, were linked to the development of the key performance indicators of the acquired companies (typically to EBITDA).

5.2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounted to EUR 25,310 thousand at the end of 2022 (31 December 2021: EUR 15,488 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.

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.

Accounting policy

Harvia's other long-term liabilities consist of redemption and additional purchase price liabilities related to acquisitions. Redemption and additional purchase liabilities are initially recognised at fair value at the date of acquisition of the subsidiaries. Subsequently, they are measured at fair value through profit or loss or equity.

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 ►

FOREIGN EXCHANGE RISK

Harvia operates in several countries. In 2022, Harvia was mainly exposed to transaction risk and translation risk associated with the US dollar arising when the parent company's investments to subsidiaries outside euro area are converted into euros. In the future, the company's risk in relation to the Russian ruble will be eliminated, since in 2022 the company made a decision to withdraw from Russia. 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	2022	2021
Amounts recognised in profit or loss		
Net foreign exchange gains/losses included in operating income/expenses	-75	-76
Net foreign exchange gains/losses included in finance income/costs	257	248
Total net foreign exchange gains/losses recognised in profit before income tax for the period		
Gains/losses recognised in other comprehensive income	181	172
Translation differences of foreign operations	326	1 197

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.

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.

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.

The following table shows the sensitivity analysis of Harvia's interest-bearing liabilities to a 1% increase in interest rates:

EUR thousand	2022	2021
Interest bearing liabilities	77,528	56,570
Leasing liabilities	3,144	3,451
Interest rate swap	36,500	25,000
Share of liabilities covered with interest rate swaps	45%	42%
Impact on interest costs if interest rates were to rise by 1%	807	600
Interest rate swap	-365	
Total, Impact on interest costs if interest rates were to rise by 1%	442	600

* The amount of debt to be tested is the nominal value of Harvia's cash flows related to loan and lease agreements, which is also presented in the reconciliation of net debt and cash flow.

The Group's target is to keep at least 60% of its borrowings at fixed rates and, if necessary, use interest rate swaps to achieve this. The Group's variable rate loans in 2022 and 2021, were mainly denominated in euro (EUR 25 thousand in USD in 2022), and the interest rate swaps covered 45% of principal outstanding at 31 December 2022 and 42% at 31

December 2021. Based on the sensitivity analysis, if the interest rate on uncovered variable rate borrowings were to increase by one percentage point with all other variables held constant, the Group's interest expense would increase by EUR 442 thousand (in 2021: EUR 600 thousand). In 2022, Harvia extended its sensitivity analysis to cover all its interest-bearing liabilities.

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 2022, Harvia had 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 Central Europe and in Russia. In 2022, Harvia significantly increased its expected credit loss provision in Russia, due to the uncertainty caused by the Russia's attack war. At 31 December 2022, Harvia had trade receivables from Russia in rubles amounted to EUR 1.8 million, of which EUR 916 thousand were written down in 2022. A payment plan has been established for the receivables.

During 2022 EUR 7 thousand (2021: EUR 48 thousand) was recognised in profit or loss in relation to credit losses. The loss allowance on 31 December 2022, EUR 1,347 thousand (2021: EUR 637 thousand), is specified as follows:

31-Dec-2022 EUR thousand	Gross book value	Allowance for bad debt
Not due		
Overdue by		
Less than 30 days	1,777	7
30-60 days	475	6
61-90 days	221	6
91-180 days	728	70
181-360 days	803	84
Over 360 days	1,621	1,165
Total	17,755	1,347

31-Dec-2021 EUR thousand	Gross book value	Allowance for bad debt
Not due		
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	16,859	637

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 6,000 thousand as at 31 December 2022 (EUR 8,000 thousand as at 31 December 2021). 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. In 2022, the value of Harvia's interest rate swap's expected cash flows turned to receivable from liability swap due to the rise in interests, as a result of which the company will receive positive cash flows in the first half of 2023. As the subsequent proceeds depend on movements in market interest rates, they are not presented in this maturity breakdown. The figures presented are contractual undiscounted cash flows. In 2022, the interest rate swap contract is presented in the table above as a negative figure.

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-2022							
Non-derivatives							
Loans from credit institutions	2,014	14	39,000	36,500		77,528	77,417
Lease liabilities	256	225	288	627	1,748	3,144	2,421
Pension liabilities	87	87	170	485	1,242	2,071	2,071
Redemption and purchase price liability			4,000	250		4,250	3,609
Trade payables	8,737					8,737	8,737
Total non-derivatives	11,094	326	43,458	37,862	2,990	95,730	94,256
Derivatives							
Interest rate swap	-321	154	302	290		899	-3,243
Total derivatives	-321	154	302	290		899	-3,243

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			485	484

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 ratio of net debt to EBITDA has an impact on the loan margins of the Harvia's loan agreements.

The table below shows the net debt position.

EUR thousand	31-Dec-2022	31-Dec-2021
Loans from credit institutions	77,417	56,428
Lease liabilities	2,421	2,877
Less cash and cash equivalents	-25,310	-15,488
Net debt	54,529	43,817

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-2021	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			1	-328	-327
31-Dec-2021	15,488	-48	-56,380	-2,877	-43,817
Cash flows	9,500	-1,983	10	518	8,045
Acquisitions			-19,000		-19,000
Divestments	104				104
Exchange differences	218	4			222
Other non-cash movements			-20	-63	-82
31-Dec-2022	25,310	-2,028	-75,389	-2,421	-54,529

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 5,663 thousand during 2022 (2021: EUR 1,186 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	2022	2021
Finance income		
Share in profits and losses of associated companies	26	57
Interest income	20	3
Fair value gain on interest rate swap	3,727	431
Exchange rate gains	1,769	569
Other finance income	120	126
Total	5,663	1,186
Finance costs		
Interest costs	-1,062	-1,165
Other finance charges paid/payable for financial liabilities not at fair value through profit or loss	-979	-1,115
Exchange rate losses	-1,512	-321
Fair value losses on interest rate swaps		-13
Total	-3,553	-2,614
Finance costs, net	2,110	-1,428

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.

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.

EUR thousand	31-Dec-2022	31-Dec-2021
Other guarantees:		
Pledged accounts	36	29
Customs guarantee	50	50
Total	86	79

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 1.5.2020. 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.

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. ►

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

EUR thousand	2022	2021
Service cost		3
Net interest	31	29
Actuarial gains (-) / losses (+) caused by changes in financial assumptions	-524	-50
Experience adjustments	-37	-47
Total	-530	-65

In 2021 and earlier, upon acquisition of EOS Group, actuarial gains and losses were recognised as a change in pension costs or as part of the allocation of the cost of acquisition. In 2022, the item was recognized in consolidated equity and presented in comprehensive income.

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

EUR thousand	2022	2021
The defined benefit obligation 1 Jan	2,783	3,033
Service cost		3
Net interest	31	29
Actuarial gains (-) / losses (+) caused by changes in financial assumptions	-561	-97
Experience adjustments	-182	-186
Total	2,071	2,783

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 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.

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

	2022	2021
Discount rate	3,55%	1,16%
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

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	2022	2021
Impact of the change in the discount rate (+0.50%) on the defined benefit obligation	-87	-139
Impact of the change in the discount rate (-0.50%) on the defined benefit obligation	94	151

The duration of the defined benefit pension obligation is approx. 9 years in 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 2022 are set out in the table on page 119. 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		100	04/2020
Kusatek GmbH	Germany	Manufacturing		100	04/2020
Spatronic GmbH	Germany	Manufacturing		100	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 Lölylyt Oy	Finland	Sales		100	08/2021

On 31 December 2022, Harvia still owned 80% share in OOO EOS Premium SPA Technologies, but Harvia's control was deemed lost in the sale agreement concluded in November 2022. The closing of the transaction depends on approval by the Russian authorities.

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. 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.

EUR thousand	2022	2021
Sales of goods and services	7	2
Purchases of goods and services	1	26

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.

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.

Harvia has not used share-based arrangements in acquisitions. In the acquisition of EOS Group, the sellers were left with a minority share with the aim of motivating joint value creation. The share agreement was that Harvia would purchase the minority shares after a certain period of time.

Harvia has a share-based long-term incentive plan for the CEO, the management team and certain other key employees. The long-term share-based incentive plan has been decided by Harvia's Board of Directors to include members of the company's management team and certain other key personnel in units where they have independent management responsibility and, as a consideration of the Board of Directors, a significant impact on the company's growth and profitability.

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 2022:

	2022	2021
Members of the Board of Directors	0.3%	0.3%
Chief Executive Officer	1.4%	1.4%
Other Management team	3.7%	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	2022	2021
Chief executive officer		
Salaries and other short-term employee benefits	793	753
Long-term incentive program	721	1,012
Pension costs - defined contribution plans*	141	129
Total	1,656	1,894

* Includes costs of voluntary pension plan amounting to EUR 9 thousand in 2022 (2021: EUR 9 thousand).

Other management team		
Salaries and other short-term employee benefits	1,488	1,532
Long-term incentive program	1,949	2,570
Pension costs - defined contribution plans	203	208
Total	3,641	4,310

REMUNERATION TO MEMBERS OF BOARD OF DIRECTORS

EUR thousand	2022	2021
Olli Liitola (as of 11 March 2014)	53	53
Ia Adlercreutz (1 September 2016 - 7 April 2022)	7	24
Ari Hiltunen (9 February 2018 - 8 April 2021)		6
Sanna Suvanto-Harsaae (as of 2 April 2020)	47	38
Kalle Kekkonen (as of 2 April 2020)		
Anders Holmen (as of 8 April 2021)	35	18
Hille Korhonen (as of 8 April 2021)	37	24
Olbrich Heiner (as of 7 April 2022)	26	
Total	205	163

Kalle Kekkonen was not remunerated for his term as a member of the Board of Directors or the Audit Committee. In 2021, 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, 2020-2022, 2021-2023 and 2022-2024. During 2022 Harvia paid out the rewards regarding the performance period 2019-2021. 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 performance period 2019-2021, the plan had 13 participants at most 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 was 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 was paid in shares. The Board of Directors of Harvia Plc has on 4 May 2022 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 2019-2021 of the company's share-based incentive program launched in 2019. In the share

issue, 45,983 own shares held by the company have today been transferred without consideration to the key employees participating in the share-based incentive program in accordance with the program-specific terms and conditions. The fair value of the shares issued was determined on the basis of the closing price on the date of issue.

In the performance period 2020-2022, the plan was 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. 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 of shares in Harvia Plc to be paid based on the performance period 2021-2023 is 33,500. Potential rewards from the performance period 2021-2023 will be paid out during spring 2024.

In the performance period 2022-2024, the plan has 16 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 2022-2024 is 73,600. Potential rewards from the performance period 2022-2024 will be paid out during spring 2025.

In 2022, EUR 557 thousand has been recognised as expenses related to share-based incentive plan (2021: EUR 806 thousand).

Redemption liabilities related to related parties

In July 2022, Harvia bought the 21.4% minority share in the EOS Germany business from Rainer Kunz, CEO of EOS Group. The redemption price was EUR 19.0 million.

After the transaction, Mr Kunz continued as CEO of EOS Group and member of Harvia's management team.

6.3 TAXES

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

INCOME TAX EXPENSE

EUR thousand	2022	2021
Current tax:		
Current tax on profits for the year	-9,093	-10,445
Adjustments in respect of prior years	-14	-158
Total current tax expense	-9,107	-10,602
Deferred tax:		
Change in deferred taxes	388	176
Income taxes	-8,719	-10,427

RECONCILIATION OF INCOME TAX EXPENSE AND TAXES CALCULATED AT THE FINNISH TAX RATE RATE 20%

EUR thousand	2022	2021
Profit before tax	36,788	45,216
Tax calculated at Finnish tax rate 20%	-7,358	-9,045
Effect of other tax rates for foreign subsidiaries	-1,195	-1,317
Expenses not deductible for tax purposes*	-211	-215
Income not subject to tax	102	155
Other items	-58	-5
Taxes in income statement	-8,719	-10,427

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
2022				
Deferred tax assets				
Tax losses and net interest costs	1,448	-200		1,248
Internal margin of inventories	381	-17		364
Provisions	124	-5		119
Other items	285	116	-29	372
Total	2,238	-106		2,103
Netting of deferred taxes	-750			-737
Net deferred tax asset	1,488	-106		1,367
2022				
Deferred tax liabilities				
Measurement of acquired net assets at fair value	2,402	-467	-79	1,856
Accumulated depreciation differences	124	30		154
Property, plant and equipment	421	-40		381
Other items	63	-4	-40	19
Total	3,010	-481	-119	2,410
Netting of deferred taxes	-750			-737
Net deferred tax liability	2,260	-481	-119	1,673

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
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 difference	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

The Group has not recognised deferred tax liability on the undistributed profits of its subsidiaries in the

countries where the dividend distribution causes tax penalties but dividend distribution is considered unlikely.

6.4 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.

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.

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.

Harvia's tax receivables include old tax receivables arising from intra-group interest payments. The deductibility of these interest expenses is limited by tax legislation. In 2022 EUR 377 thousand intra-group interests were deducted in taxation (2021: EUR 500 thousand). There were EUR 6,280 thousand remaining intra-group interest expenses at 31 December 2022. There is no time limit for the deduction of net interest expenses in taxation.

EUR thousand	Ordinary shares	Number of shares
At 31 December 2021	80	18,694,236
At 31 December 2022	80	18,694,236

Harvia Plc held a total of 21,074 own shares at 31 December 2022. The repurchased shares were acquired based on the Company's incentive program.

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 2021	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
Share-based incentive plan	557		557
Revaluation of minority redemption liability	1,516		1,516
Repurchase of own shares	-313		-313
Share-based payments	-1,844		-1,844
Actuarial gains and losses	598		598
Translation differences		326	326
At 31 December 2022	32,562	865	33,427

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 16,000 own shares during 2022.

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	2022	2021
At 1 January	47,886	23,729
Dividend distribution	-11,200	-9,517
Profit for the period	27,080	33,674
At 31 December	63,766	47,886

In 2022, Harvia paid a dividend of EUR 0.60 per share, in total EUR 11,200 thousand.

Harvia Plc's total unrestricted equity amounts to EUR 71,914,180 in total, of which profit for the period

accounts for EUR 14,199,793. 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 0.64 per share, EUR 11,964,311.04 in total, for the financial period ended 31 December 2022. The Board of Directors proposes the dividend to be paid in two instalments, EUR 0.32 in May 2023 and EUR 0.32 in October 2023.

EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Movements in non-controlling interests were as follows:

EUR thousand	2022	2021
1-Jan	3,598	2,423
Acquisitions & Divestments	-3,387	76
Dividend distribution	-127	-16
Profit for the period	988	1,115
31-Dec	1,072	3,598

The non-controlling interest consists of minority interests in Kirami Ab and the result for EOS Group's minority interests in 2022.

6.5 EVENTS OCCURRING AFTER THE REPORTING DATE

Harvia Plc and Bergman Ltd have signed a letter of intent (LOI) on 7 March 2023 to create a joint venture in Japan with the mission to becoming a substantial local player in the attractive and growing Japanese sauna and spa market. Harvia will own 51% and Bergman

49% of the company. The joint venture will focus on sales and marketing of Harvia's sauna and spa offering on the Japanese market, and it is planned to be operational later in 2023.

Parent company financial statements FAS

Parent company Profit & Loss Statement

EUR thousand	1 Jan-31 Dec 2022	1 Jan-31 Dec 2021
Revenue	1,083,600.00	1,083,600.00
Other operating income	42,614.68	0.00
Materials and services		
Staff expenses		
Wages and salaries	-1,538,930.36	-2,111,377.60
Pension expenses	-141,185.01	-179,980.14
Other social security expenses	-18,847.34	-28,485.52
Other operating expenses	-1,085,809.11	-851,244.96
Depreciation and amortisation	-39,987.57	-209,820.02
Operating profit	-1,698,544.71	-2,297,308.24
Finance income		
To group undertakings	1,342,060.16	554,054.72
To others	3,506,199.83	251,171.08
Finance costs		
To group undertakings	-167,483.17	-14,958.91
To others	-651,753.91	-751,522.70
Finance income and expenses total	4,029,022.91	38,744.19
Profit before income appropriations and taxes	2,330,478.20	-2,258,564.05
Appropriations		
Change in cumulative accelerated depreciation	-29,469.84	0.00
Group contribution	15,460,000.00	23,025,000.00
Income taxes	-3,561,215.02	-4,158,465.21
Profit for the period	14,199,793.34	16,607,970.74

Parent company Balance Sheet

EUR thousand	31-Dec-22	31-Dec-2021
ASSETS		
Non-current assets		
Intangible assets		
Intangible rights	38.33	130.33
Other long-term expenses	14,208.32	21,028.32
Advance payments and construction in process	88,959.05	10,865.05
Property, plant and equipment		
Machinery and equipment	119,726.77	52,840.47
Holdings in group undertakings	85,909,022.95	85,909,022.95
Total non-current assets	86,131,955.42	85,993,887.12
Current assets		
Long-term receivables		
Receivables from group companies	48,407,186.93	19,350,000.00
Short-term receivables		
Receivables from group companies	15,971,717.10	30,145,244.88
Other receivables	150,720.20	149,666.37
Prepayments and accrued income	702,332.52	45,638.00
Cash and cash equivalents	10,216,787.76	2,650,383.38
Total current asset	75,448,744.51	52,340,932.63
Total assets	161,580,699.93	138,334,819.75

EUR	31-Dec-22	31-Dec-2021
EQUITY AND LIABILITIES		
Equity		
Share capital	80,000.00	80,000.00
Reserve for invested unrestricted equity	50,790,748.26	51,102,774.80
Retained earnings	6,923,638.50	1,515,370.06
Profit for the period	14,199,793.34	16,607,970.74
Total equity	71,994,180.10	69,306,115.60
Depreciation difference	29,469.84	0.00
Liabilities		
Non-current liabilities		
Loans from credit institutions	75,500,000.00	56,500,000.00
Amounts owed to group undertakings	8,000,000.00	5,484,205.00
Total non-current liabilities	83,500,000.00	61,984,205.00
Current liabilities		
Loans from credit institutions	2,000,000.00	0.00
Trade payables	321,371.89	105,485.11
Amounts owed to group undertakings	3,164,628.06	3,607,193.67
Other liabilities	48,868.98	59,760.38
Accrued expenses	522,181.06	3,272,059.99
Total current liabilities	6,057,049.99	7,044,499.15
Total liabilities	89,557,049.99	69,028,704.15
Total equity and liabilities	161,580,699.93	138,334,819.75

Parent company Cash flow statement

EUR thousand	1 Jan-31 Dec 2022	1 Jan-31 Dec 2021
Cash flow from operating activities:		
Profit (loss) before taxes	2,330,478.20	-2,258,564.05
Adjustments to operating profit (+/-) for:		
Depreciation and amortisation	39,987.57	209,820.02
Unrealised foreign exchange gains and losses	158,559.62	251,171.03
Financial income and expenses	-4,029,022.91	-38,744.19
Cash flow before working capital changes	-1,499,997.52	-1,836,317.19
Working capital changes:		
Increase/decrease in trade and other short-term interest-free receivables	-15,921.18	1,511,729.46
Increase/decrease in short-term interest-free liabilities	-78,854.66	-243,615.44
Change in working capital	-1,594,773.36	-568,203.17
Interest paid relating to operating activities	-78.70	-57.81
Interest received relating to operating activities	13,563.83	0.00
Income taxes paid (-), received (+)	-6,677,350.12	-3,748,742.09
Cash flow from operating activities:	-8,258,638.35	-4,317,003.07
Cash flow from investments		
Purchase of tangible and intangible items (-)	-136,288.98	-10,865.00
Loans granted	-20,950,000.00	-6,938,716.42
Loans received or granted (group accounts)	-591,458.62	1,638,649.05
Repayment of loan receivables	1,840,143.23	2,226,024.67
Interest received from investments	1,283,963.78	591,211.39
Cash flow from investments	-18 553 640,59	-2 493 696,31

EUR thousand	1 Jan-31 Dec 2022	1 Jan-31 Dec 2021
Cash flows from financing activities		
Repurchase of own shares	-312,026.54	-2,518,144.10
Proceeds from current interest bearing liabilities	2,000,000.00	0.00
Proceeds from non-current loans	22,000,000.00	61,500,000.00
Repayment of non-current loans	0.00	-56,500,000.00
Interest and other financing expenses paid (-)	-1,134,587.84	-1,229,231.49
Dividends paid	-11,199,702.30	-9,516,719.53
Group contributions received	23,025,000.00	14,500,000.00
Cash flows from financing activities	34,378,683.32	6,235,904.88
Net increase (+) / decrease (-) in cash and cash equivalents	7,566,404.38	-574,794.50
Cash and cash equivalents at beginning of period	2 650 383,38	3 225 177,88
Cash and cash equivalents at end of period	10 216 787,76	2 650 383,38

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.

INTEREST SWAP

The interest rate swap of Harvia Group has been transferred to Harvia Plc from Harvia Group Oy during the financial year 2022. The interest rate swap has been recorded at fair value in the accounts, as it has been recorded in Harvia Group Oy from the financial year 2018.

NOTES TO THE PROFIT AND LOSS STATEMENT

	2022	2021
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		
Management compensation		
Members of the Board of Directors and CEO	1,719,639.88	1,934,141.13
Auditors' fees		
Statutory audit	120,669.76	47,936.00
Other services	12,903.36	8,500.00
	133,573.12	56,436.00
EUR		
Finance income and costs		
Other interest income		
Group undertakings	1,342,060.16	554,054.72
Other than group companies	3,506,199.83	251,171.08
Total finance income	4,848,259.99	805,225.80

	2022	2021
Interest and finance charges		
Group undertakings	-167,483.17	-14,958.91
Other than group companies	-651,753.91	-751,522.70
Total financial expenses	-819,237.08	-766,481.61
Total financial income and expenses	4,029,022.91	38,744.19
Income taxes		
Income taxes for ordinary business	-3,561,215.02	-4,158,465.21

NON-CURRENT ASSETS

EUR	2022	2021
Intangible assets		
Acquisition cost at 1 January	2,123,591.25	2,123,591.25
Additions		
Acquisition cost at 31 December	2,123,591.25	2,123,591.25
Accumulated amortisation at 1 January	-2,102,432.60	-1,921,434.65
Amortisation for the financial year	-6,912.00	-180,997.95
Accumulated amortisation at 31 December	-2,109,344.60	-2,102,432.60
Advance payments on intangible assets	88,959.05	10,865.05
Book value 31 December	103,205.70	32,023.70
Machinery and equipment		
Acquisition cost at 1 January	115,289.27	115,289.27
Additions	143,194.98	
Disposals	-43,233.11	
Acquisition cost at 31 December	215,251.14	115,289.27
Accumulated depreciation at 1 January	-62,448.80	-33,626.73
Depreciation for the financial year	-33,075.57	-28,822.07
Accumulated depreciation at 31 December	-95,524.37	-62,448.80
Book value 31 December	119,726.77	52,840.47

EUR	2022	2021
Investments		
Acquisition cost 1 January	85,909,022.95	85,909,022.95
Acquisition cost 31 December	85,909,022.95	85,909,022.95
Book value 1 January	85,909,022.95	85,909,022.95
Book value 31 December	85,909,022.95	85,909,022.95

HOLDINGS IN GROUP UNDERTAKINGS

Group companies	31-Dec-2022	Parent ownership 31-Dec-2021
Harvia Group Oy, Muurame	100%	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 Immobiliare		
LLC Harvia RUS		
Saunamax Oy		
Sentiotec GmbH		
Velha Oy, Muurame		
EOS Saunatechnik GmbH		
Kusatek GmbH		
Spatronic GmbH		
Harvia Holding GmbH		
Kirami Oy		
Kirami Ab		
Metagroupp OÜ		
Sauna-Eurox Oy		
Parhaat Löylyt Oy		

The Harvia Group also owns an 80% share in OOO EOS Premium SPA Technologies, which was agreed to sell in November 2022, but the closing of the divestment is waiting for approval by the Russian authorities. All Group companies except OOO EOS Premium SPA Technologies are consolidated in the Group's IFRS financial statements. Harvia lost control of EOS Russia's operations in connection with the agreement.

RECEIVABLES

EUR	2022	2021
Long-term receivables		
Loans to group companies	45,163,919.93	19,350,000.00
Other receivables		
Interest rate swap receivables	3,243,267.00	0.00
Total	48,407,186.93	19,350,000.00
Short-term receivables		
Receivables from group companies		
Trade debtors	137,311.91	206,824.00
Loans receivable	100,000.00	6,732,550.77
Other receivables	15,638,588.59	23,168,149.89
Prepayments and accrued income	95,816.60	37,720.22
Total	15,971,717.10	30,145,244.88
Receivables from others		
Other receivables	150,720.20	149,666.37
Prepayments and accrued income	702,332.52	45,638.00
	853,052.72	195,304.37
Material amounts included in prepayments and accrued income		
Insurances	25,448.96	28,992.43
Others	82,098.58	16,645.57
Tax receivables	594,784.98	0.00
	702,332.52	45,638.00

LIABILITIES

EUR	2022	2021
Long-term liabilities		
Loans from credit institutions	75,500,000.00	56,500,000.00
Loans from group companies	8,000,000.00	5,484,205.00
	83,500,000.00	61,984,205.00
Short-term liabilities		
Loans from credit institutions	2,000,000.00	0.00
	2,000,000.00	0.00
Loans from group undertakings		
Other liabilities (group cash pool)	3,164,628.06	3,607,193.67
Other liabilities to others		
Trade creditors	321,371.89	105,485.11
Other liabilities	48,868.98	59,760.38
Accruals and deferred income	522,181.06	3,272,059.99
	892,421.93	3,437,305.48
Material amounts shown under accruals and deferred income		
Wages and salaries including social security expenses	281,537.75	573,574.63
Interest expenses	175,681.09	6,905.55
Income taxes	0.00	2,521,350.12
Other	64,962.22	170,229.69
	522,181.06	3,272,059.99

EQUITY

EUR	2022	2021
Restricted equity		
Subscribed capital 1 January	80,000.00	80,000.00
Subscribed capital 31 December	80,000.00	80,000.00
Total restricted equity	80,000.00	80,000.00
Unrestricted equity		
Reserve for invested unrestricted equity 1 January	51,102,774.80	53,620,918.90
Repurchase of shares	-312,026.54	-2,518,144.10
At 31 December	50,790,748.26	51,102,774.80
Retained earnings from previous financial years	18,123,340.80	11,032,089.59
Dividend distribution	-11,199,702.30	-9,516,719.53
Retained earnings from previous financial years	6,923,638.50	1,515,370.06
Profit (loss) for the financial year	14,199,793.34	16,607,970.74
Total unrestricted equity	71,914,180.10	69,226,115.60
Total equity	71,994,180.10	69,306,115.60
Distributable unrestricted equity		
Reserve for invested unrestricted equity	50,790,748.26	51,102,774.80
Retained earnings from previous years	6,923,638.50	1,515,370.06
Profit for the financial year	14,199,793.34	16,607,970.74
Distributable unrestricted equity	71,914,180.10	69,226,115.60

NOTES ON FAIR VALUE MEASUREMENT

<p>Object: Loan, EUR 36,500 thousand</p> <p>Derivative: Interest rate swap nominal amount EUR 36,500 thousand, for the period 21 Jan 2023 to 15 Dec 2026</p>	<p>The company will receive 6 months interest and pays fixed interest. The fair value of the contract at the balance sheet date was EUR 3,243 thousand.</p> <p>The cash flows of the interest rate swap are recognised in the income statement.</p>
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GUARANTEES AND COMMITMENTS

EUR	2022	2021
Rental payments under lease contracts		
Payable during the following financial year	12,365.26	14,652.88
Payable in later years	0.00	12,365.26
	12,365.26	27,018.14
Derivatives		
Interest rate swap from 21 Jan 2022 to 15 Dec 2026		
Nominal value	36,500,000.00	0.00
Fair value	3,243,267.00	0.00

PROPOSAL BY THE BOARD OF DIRECTORS FOR DISTRIBUTION OF PROFIT

Harvia Plc's total unrestricted equity amounts to EUR 71,914,180 in total, of which profit for the period accounts for EUR 14,199,793. 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 0.64 per share, EUR 11,964,311.04 in total, for the financial period ended 31 December 2022. The Board of Directors proposes the dividend to be paid in two instalments, EUR 0.32 in May 2023 and EUR 0.32 in October 2023.

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

In Helsinki, 8 February 2023

Olli Liitola
Chairman of the Board

Sanna Suvanto-Harsaae

Anders Holmén

Heiner Olbrich

Hille Korhonen

Tapio Pajuharju
CEO

AUDITOR'S NOTE

A report on the audit performed has been issued today.

In Helsinki, 8 February 2023

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Katajisto
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 2022. 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

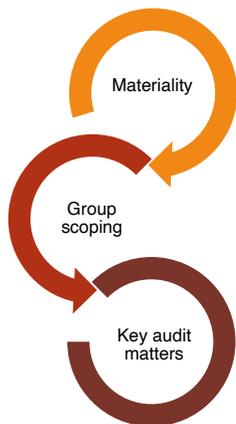
We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 1,835,000 million, which is 5% of profit before taxes.
- The group audit scope includes all significant operating companies in Finland, Austria, Germany and North America covering vast majority of revenues, assets and liabilities.
- Valuation of goodwill.



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 1,835,000 million (2021: EUR 2,300,000 million)

HOW WE DETERMINED IT

We used 5% of 2022 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 North America. 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 73,4 million. As such, goodwill represents 35 % 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.

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.

Helsinki 8 February 2023

PricewaterhouseCoopers Oy

Authorised Public Accountants

Markku Katajisto
Authorised Public Accountant (KHT)

Independent Auditor’s Reasonable Assurance Report on Harvia Oyj’s ESEF Financial Statements

To the Management of Harvia Oyj

We have been engaged by the Management of Harvia Oyj (business identity code 2612169-5) (hereinafter also “the Company”) to perform a reasonable assurance engagement on the Company’s consolidated IFRS financial statements for the financial year 1.1.-31.12.2022 in European Single Electronic Format (“ESEF financial statements”).

MANAGEMENT’S RESPONSIBILITY FOR THE ESEF FINANCIAL STATEMENTS

The Management of Harvia Oyj is responsible for preparing the ESEF financial statements so that they comply with the requirements as specified in the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (“ESEF requirements”). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of ESEF financial statements that are free from material noncompliance with the ESEF requirements, whether due to fraud or error.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International

Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

OUR RESPONSIBILITY

Our responsibility is to express an opinion on the ESEF financial statements based on the procedures we have performed and the evidence we have obtained.

We conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information. That standard requires that we plan and perform this engagement to obtain reasonable assurance about whether the ESEF financial statements are free from material noncompliance with the ESEF requirements.

A reasonable assurance engagement in accordance with ISAE 3000 (Revised) involves performing procedures to obtain evidence about the ESEF financial statements compliance with the ESEF requirements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material noncompliance of the ESEF financial statements with the ESEF requirements, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Company’s preparation of the ESEF financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, Harvia Oyj’s ESEF financial statements for the financial year ended 31.12.2022 comply, in all material respects, with the ESEF requirements.

Our reasonable assurance report has been prepared in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except for Harvia Oyj for our work, for this report, or for the opinion that we have formed.

Helsinki

PricewaterhouseCoopers Oy

Authorised Public Accountants

Markku Katajisto
Authorised Public Accountant (KHT)



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