

CEO's review

Tapio Pajuharju, CEO



HARVIA

Sauna & Spa

OUR PURPOSE

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

Healing with heat – Sauna treats the mind and body



HEART HEALTH

- Sauna use lowers blood pressure and maintains the flexibility of blood vessels
- Frequent sauna use reduces the risk of cardiovascular diseases, even up to 65%
- Sauna after exercise maximizes the health benefits of the exercise

STRESS RELIEF

- Sauna treats both the mind and body – heat therapy is a good way to relieve stress and anxiety
- Autonomic nervous system balance may be modulated positively, indicating reduced body stress

EFFECTS OF EXERCISE

- Sauna heat affects the body in the same way exercise does and makes the heart pump more blood
- The heat therapy enabled by the sauna provide the benefits of exercise – even persons for whom exercise is difficult or impossible

BETTER SLEEP

- Sauna warms the body and affects our hormone activity so that we become sleepy a few hours after sauna use
- Deep sleep increased by over 70% within the first two hours and by 45% within the first six hours

SHARP MEMORY

- Frequent sauna use reduces the risk of dementia significantly
- The best health effects can be attained by using the sauna 4 to 7 times a week at a temperature of appr. 80 °C, for approx. 20 minutes

SKIN CONDITION

- Sauna keeps the skin nourished and elastic – the heat multiplies the amount of blood passing through the blood vessels
- Frequent sauna use is beneficial for people suffering from psoriasis and other skin diseases

The Harvia logo is a red square with the word "HARVIA" in white, bold, sans-serif capital letters.

Sauna & Spa

OUR MISSION

Our passion is to inspire people
across the globe to experience
the healing heat of sauna and spa.

A close-up photograph of a man's face and upper torso in a sauna. He has his eyes closed and a serene expression. A hand is resting on his left shoulder. The lighting is warm and soft, typical of a sauna environment.

HARVIA

Sauna & Spa

OUR 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.

“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 and to continuously improve the sustainability of sauna & spa experiences with a safe and warm community of employees, customers and partners.”

Tapio Pajuharju, CEO, Harvia Group

OUR LONG-TERM SUSTAINABILITY GOALS

EVERYONE
WITH ACCESS TO
SAUNA

100%
SUSTAINABLY
SOURCED

0
EMISSIONS

0
ACCIDENTS

OUR SUSTAINABILITY COMMITMENTS



FOR GOOD AND HEALTHY LIVING

We create a positive impact on the health and longevity for people with our offering.

We actively share science backed information on the health benefits of heat and promote the healthy regimen of using sauna 3 times per week for at least 15 minutes.



EVERYONE
with access
to sauna



FOR SUSTAINABLE EXPERIENCES & ENJOYMENT

We actively guide our end-users in responsible consumption of our products.

We invest in research and development of products that reduce emissions and optimize energy consumption.

We use sustainable and sustainably sourced materials.



100%
sustainably
sourced



FOR MINIMIZING OUR ENVIRONMENTAL FOOTPRINT

We strive for carbon neutrality of our operations to limit global warming and contribute to global efforts in safeguarding the environment.



0
emissions



FOR SAFE AND WARM COMMUNITY

We believe that when we collaborate and support each other, it results in wellbeing and long relationships with everyone from our employees to customers and partners.

We look after the safety, equality and competence development of our people.



0
accidents

Our people and partners are behind our success – work together continued in 2022 after the pandemic



Highlights of 2022

Highlights of 2022 – flexibility in a year of changes

HARVIA

Sauna & Spa

Solid performance in challenging market environment

- Russian invasion of Ukraine, advance demand fading away, high inflation, energy savings measures and decreasing consumer confidence rapidly changed the market sentiment in 2022
- Negative effect on sales was greatest in Central Europe and entry-level products
- Exit from Russia completed successfully
- Despite all this, solid result: EUR 172.4 million revenue (-3.7%) with 21.1% adjusted EBIT

Growth especially in new markets

- Sales in North America and many other newer markets continued solid growth
- Strategically important sauna room sales developed strongly, fueled especially by the U.S demand
- Awareness of sauna and its health benefits continued to increase globally, supporting the favorable long-term growth outlook of the entire sauna & spa market

Operations rightsized to fit changed conditions

- Resources, pricing and cost structure rapidly and successfully adjusted to changed market environment
- Productivity, capacity and service level remained on a good level throughout the year
- Kirami and Sauna-Eurox operated well as part of Harvia Group
- Only moderate investments in facilities and machinery after strong investment year 2021

Harvia's exit from Russia



- We suspended our Harvia branded operations in Russia at the beginning of March 2022.
- We started evaluating tangible and sustainable options for complete exit from Russia since the beginning of the war, also for EOS Russia.
- On 7 November 2022, Harvia Plc signed an agreement to sell its 80.0% shareholding of EOS Russia to Mr. Vasilij Sosenkov, the Managing Director of EOS Russia, who owns 100.0% of EOS Russia after the deal. The transaction price was at maximum EUR 600,000, of which EUR 400,000 was paid in 2022.
- All references to EOS or Harvia will be removed from the Russian company's name, brand names or similar. EOS-related intellectual property rights stayed in Harvia's ownership. Additionally, the company has not and will not have any distribution or similar agreements with Harvia Group companies. The employees continued in the service of the Russian company.
- The transaction was closed in March 2023 after receiving official approvals in Russia. Along with the divestment, Harvia exited the Russian market altogether.
- Sales in Russia accounted for 4.3% (EUR 7.5 million) of Harvia Group's revenue in 2022. EOS Russia has not been consolidated in Harvia Group figures as of November 2022.

Key figures for 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

Earnings per share
1.45
(1.80)
EUR

Cash conversion
79.1%
(38.5)

Equity ratio
47.3%
(42.4)

Adjusted return on capital employed (ROCE)
54.5%
(112.6)

Investments
3.6
(11.8)
EUR million

Harvia's key figures for 2022

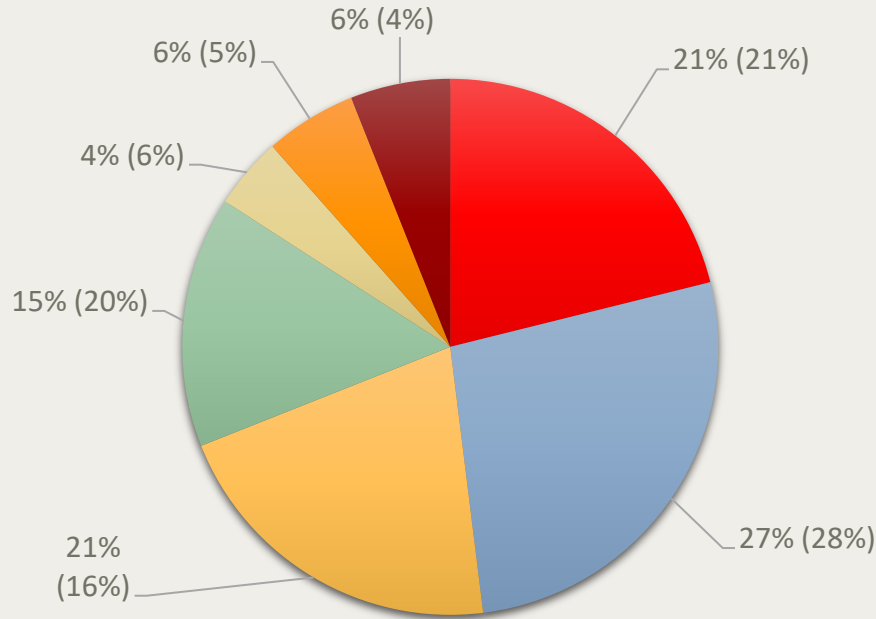


EUR million	2022	2021	Change
Revenue	172.4	179.1	-3.7%
Adjusted EBITDA*	42.9	53.1	-19.1%
% of revenue	24.9%	29.7%	
Adjusted operating profit*	36.5	47.3	-22.9%
% of revenue	21.1%	26.4%	
Basic EPS (EUR)	1.45	1.80	-19.6%
Operating free cash flow	34.0	20.4	66.2%
Investments in tangible and intangible assets	-3.6	-11.8	-69.5%
Net debt	54.5	43.8	24.4%
Leverage	1.3	0.8	
Net working capital	45.3	41.9	8.1%
Adjusted return on capital employed (ROCE)*	54.5%	112.6%	
Equity ratio	47.3%	42.4%	
Number of employees at end of period	633	824	-23.2%

* Adjusted by items affecting comparability related mainly to acquisitions, divestments of subsidiaries and restructuring.

Overall, revenue decreased by 3.7% to EUR 172.4 million

Revenue by market area, %

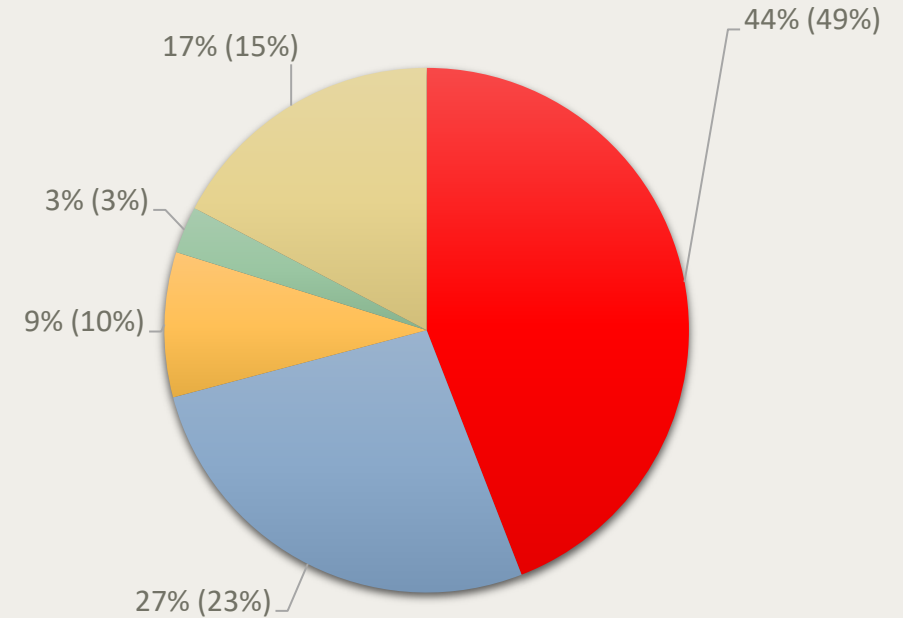


- Finland
- North America
- Russia
- Other countries*
- Other European countries
- Germany
- Scandinavia

- Revenue decreased by 3.7% to EUR 172.4 million (179.1).
- Revenue increased in North America, Scandinavia, and in other countries.

* The largest of which: Arab countries and Asia.

Revenue by product group, %



- Sauna heaters
- Sauna rooms & Scandinavian hot tubs
- Control units
- Steam generators
- Other product groups, spare parts and services

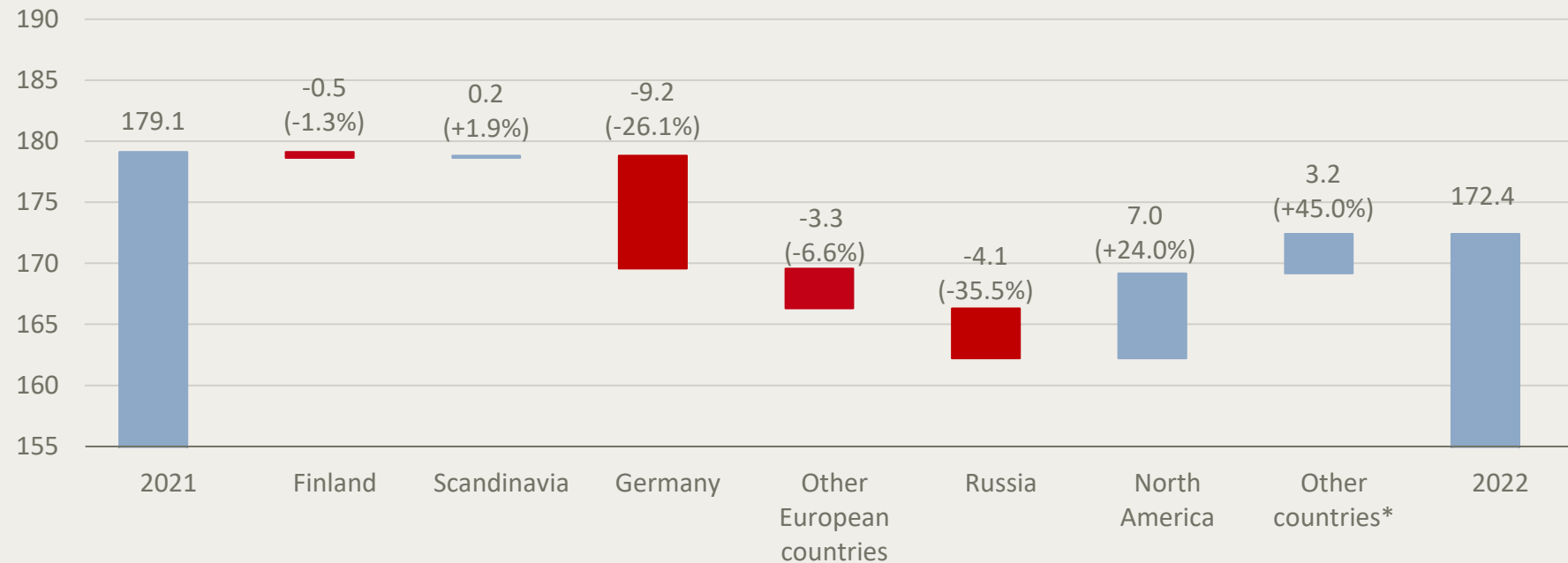
- Revenue increased especially in saunas and other product groups.
- Sauna heater sales decreased especially in Germany, in other European countries and in entry-level heaters.

Polarized market areas – especially German sales declined while North America and Other countries enjoyed solid growth



Revenue by market area 1–12/2021 vs 1–12/2022

EUR 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.
- At comparable exchange rates, revenue decreased by 7.0% to EUR 166.7 million. The calculative effect of exchange rates, which affects the comparability of revenue, was mainly caused by the strengthened U.S. dollar.

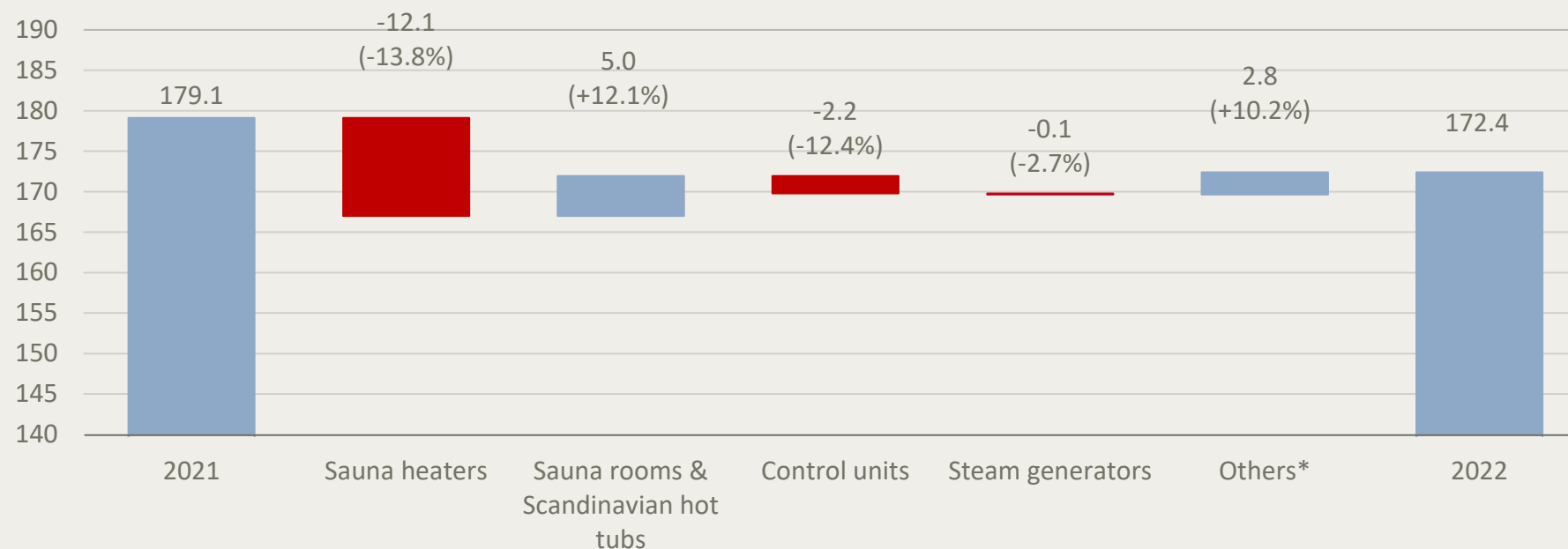
* The largest of which: Arab countries and Asia.

Sauna room sales developed favorably, supported especially by the strong North American demand



Revenue by product group 1–12/2021 vs 1–12/2022

EUR million



- Strong revenue growth continued in sauna rooms. Sales of Scandinavian hot tubs declined after COVID-19 restrictions were lifted.
- Sauna heater sales declined especially in Germany, other European countries and in entry-level heaters.
- Sales of other product groups developed well, with heater stones driving the growth. The acquisition of Sauna-Eurox at the end of August 2021 impacted the growth of heater stone sales positively.

* Includes among others, spa components, infrared radiators, services and sauna equipment.

Product launches of 2022

Key examples



- ① **Harvia Nova** steam shower cabin and standalone steam shower column
- ② **Harvia Spirit** design heater with WiFi and MyHarvia compatibility
- ③ **EOS UV-Clean** air disinfection unit with up to 99.9% efficient sauna cabin inflow air purification from bacteria, viruses and yeasts
- ④ **Kirami Finvision® Annex** concept including a sauna, lounge, terrace and changing room that can be linked seamlessly together to build an outdoor oasis.
- ⑤ **Almost Heaven Saunas Phoenix** luxury barrel sauna for the U.S. market with unique floating benches and sleek black-steel Harvia The Wall heater as a standard option.



Global megatrends continue to offer support and opportunities for Harvia's long-term growth



LONGER LIVES WITH HEALTH & WELLBEING IN FOCUS



ENVIRONMENTAL CONSCIOUSNESS GUIDES CONSUMER CHOICES



DIGITALIZATION AND PLATFORM ECONOMY AFFECT ALSO SAUNAS



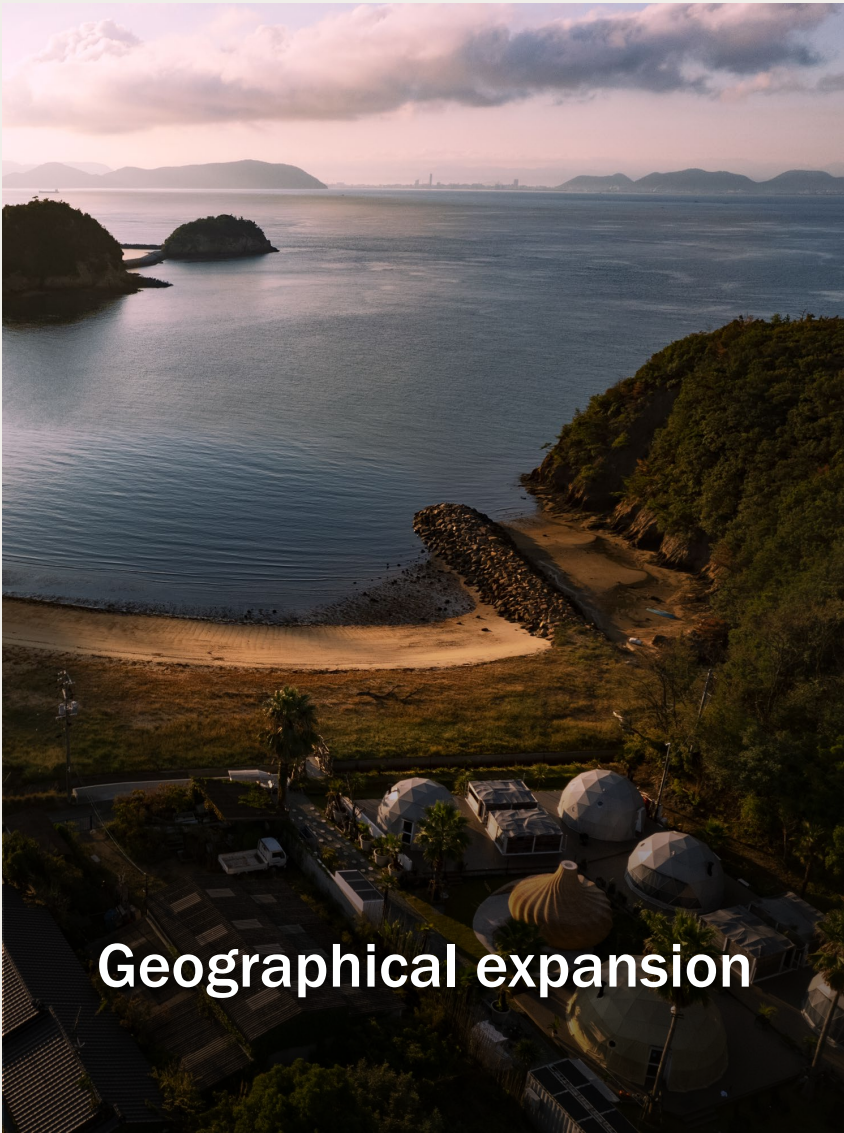
GROWING & URBANIZING MIDDLE CLASS WITH PURCHASE POWER



Harvia's strategic cornerstones are intact



Increasing the value of the average purchase



Geographical expansion



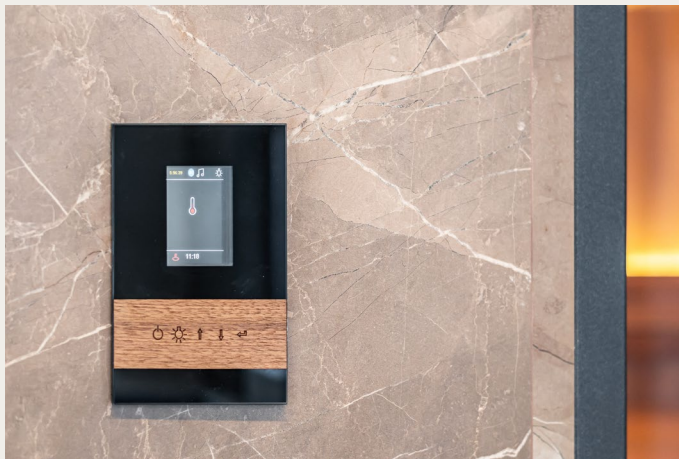
Productivity improvement

Systematic strategy execution throughout 2022



Increasing the value of the average purchase

- Sauna room sales maintained solid growth, driven especially by performance in North America.
- Professional segment normalized after pandemic, even though affected by energy saving measures in Europe.
- New product launches strengthened offering in multiple product categories, including IR and steam.



Geographical expansion

- Strong growth outside Europe, especially in North America, Arab countries and Asia.
- Expansion with partner continued in Japan as planned. In general, Asian markets emerged after pandemic.
- Receiving approvals accelerating growth in many markets outside Europe.

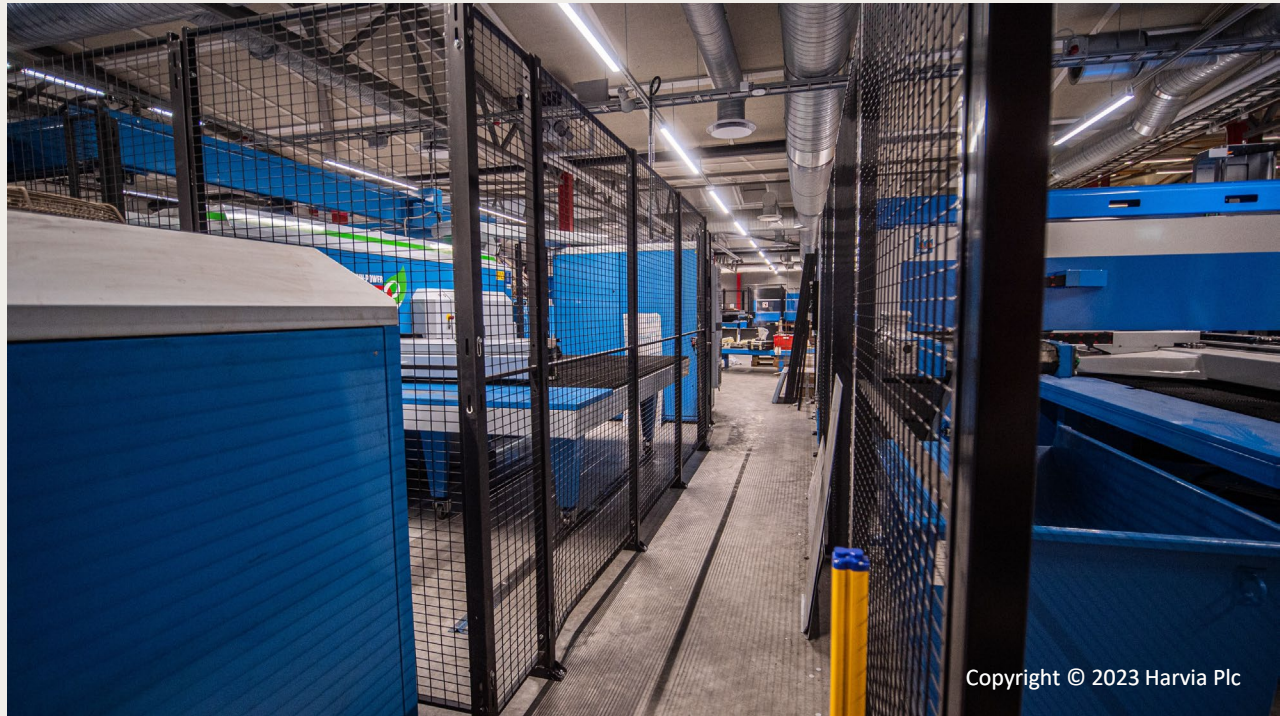


Productivity improvement & capacity expansion

- Cost base and capacity adjusted well to changed market conditions.
- Excellent performance for U.S. production in Lewisburg, responding well to strong North American demand.
- After strong investment and capacity expansion year 2021, only minor add-on investments in 2022.



Harvia operations were in excellent shape in 2022, supported by recent large investments



March 2023: Harvia's geographical expansion taking steps forward in Japan



Harvia Plc and Bergman Ltd signed a letter of intent (LOI) on 7 March 2023 to create a joint venture in Japan.

Harvia will own 51% and Bergman 49% of the company.



Harvia's mission is to become a substantial local player in the attractive, growing Japanese sauna and spa market.



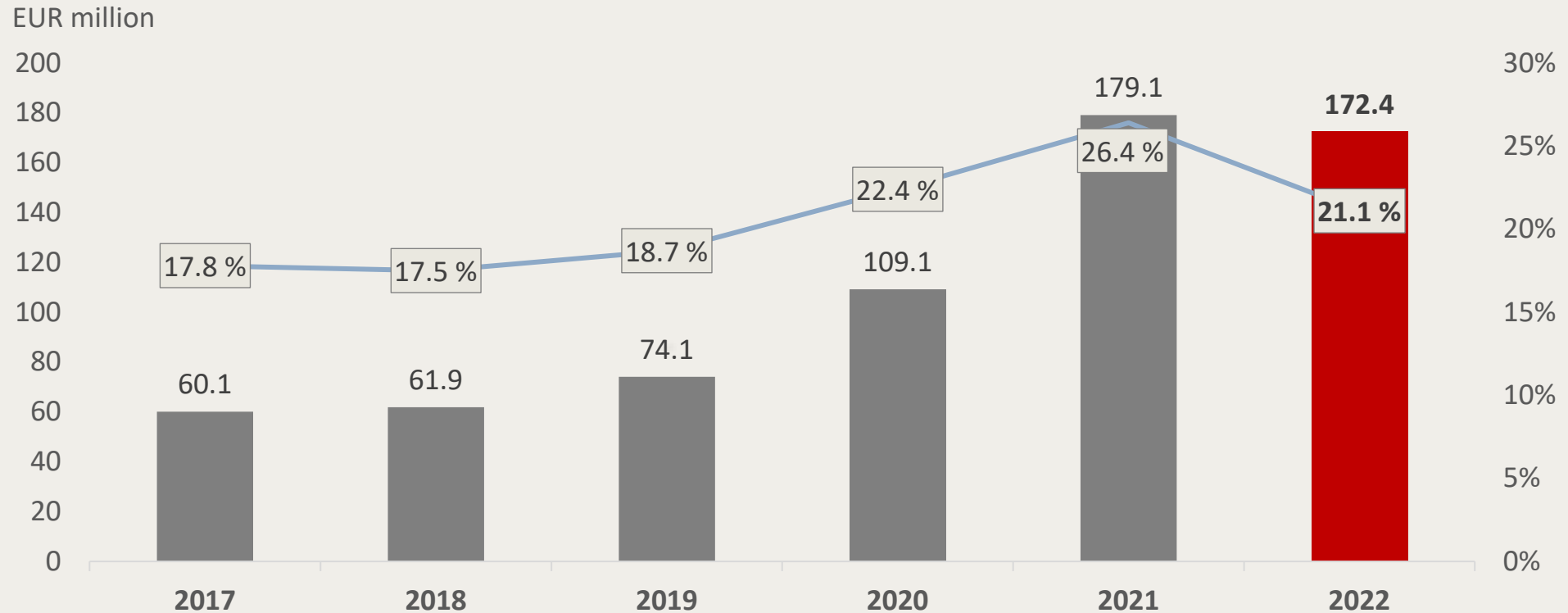
In 2023, the plan is to increase the number of Harvia Sauna & Spa showrooms in Japan to a total of over 40.



Despite challenging year 2022, Harvia's long-term track record in profitable organic and inorganic growth remains strong



Revenue and Adjusted operating profit-%



Key M&A activity



* Harvia acquired 78.6% of EOS Group's German operations in March 2020, the remaining 21.6% was acquired in July 2022

Harvia's long-term financial targets



GROWTH

>5%

Average annual revenue growth

PROFITABILITY

>20%

Adjusted operating profit margin*

LEVERAGE

1.5x–2.5x

Net debt/adjusted EBITDA**

Harvia does not publish a short-term outlook.

HARVIA'S DIVIDEND POLICY

- Regularly increasing dividend
- Bi-annual payout

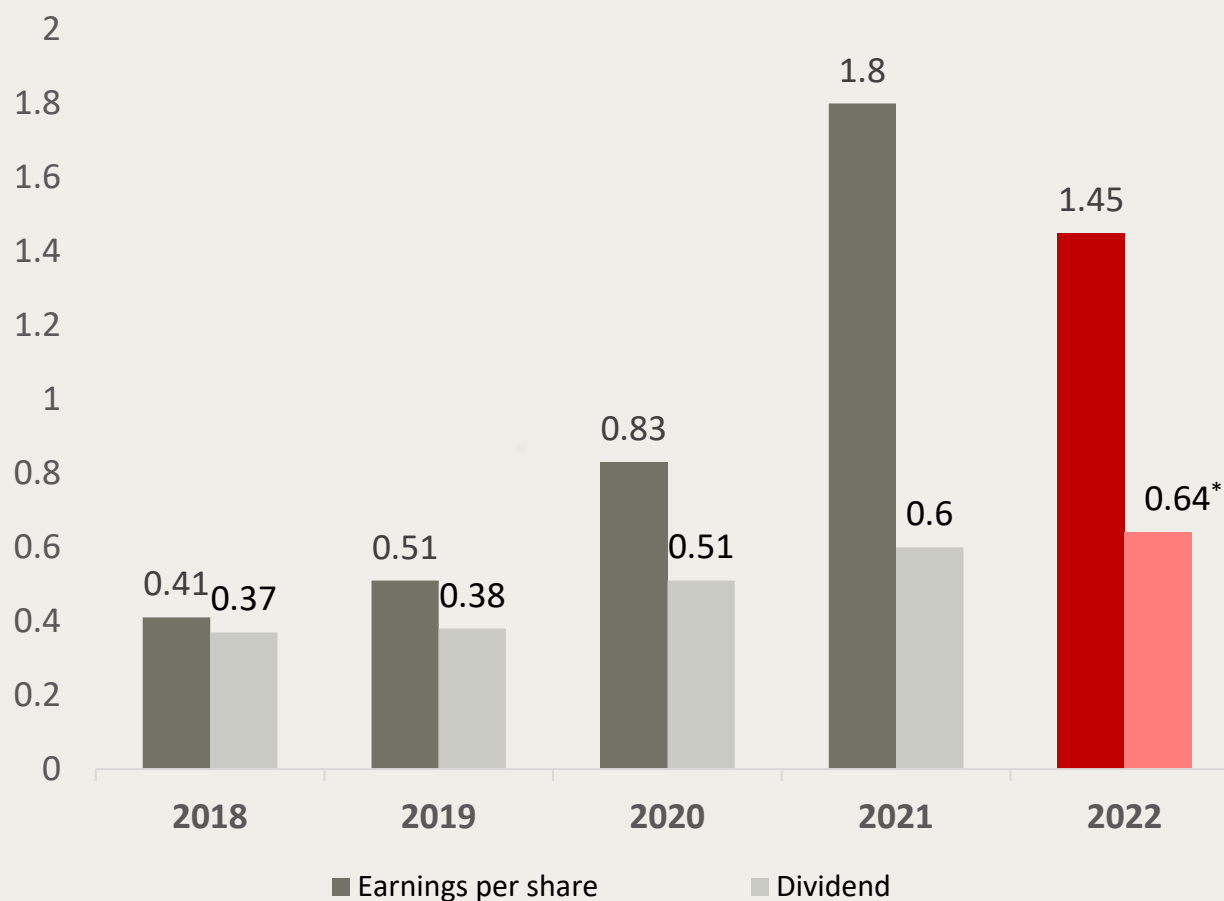
* Adjusted operating profit is operating profit before items affecting comparability.

** Excluding the future impacts of changes in IFRS reporting standards.

Dividend proposal for financial year 2022 EUR 0.64



Earnings per share and Dividend per share, EUR



- Harvia has increased its dividend regularly over the past years.
- The Board of Directors proposes to the Annual General Meeting that, based on the adopted balance sheet for the financial year 2022, EUR 0.64 per share be paid as dividend and that the remainder of the distributable funds be transferred to shareholders' equity. The Board of Directors proposes that the dividend is paid in two instalments.

*The Board's proposal to the Annual General Meeting



Harvia CEO to change



- The Board of Directors of Harvia Plc has appointed Matias Järnefelt (M.Sc. Industrial Engineering and Management) as Harvia's CEO.
- Järnefelt will start in his position on 1 June 2023.
- Harvia's CEO Tapio Pajuharju resigned from his position in November 2022 but will continue to serve the company until the end of May 2023. Pajuharju has been leading Harvia since 2016.

A person is shown in a sauna, wearing a dark blue towel. The background is a warm, wooden sauna interior. A red square overlay is centered on the image, containing the Harvia logo and tagline. The overall mood is relaxing and therapeutic.

HARVIA

Sauna & Spa

Healing with heat

HARVIA

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