HARVIA

Sauna & Spa

Healing with heat

HARVIA PLC
2023 ANNUAL REPORT

Contents

This Annual Report in not an xHTML document compliant with the ESEF (European Single Electronic Format) regulation. The Financial Statements and the Report of the Board of Directors 2023 in accordance with the ESEF regulations are available at www.harviagroup.com.

HARVIA IN BRIEF

REVENUE IN 2023
150.5
EUR million

PERSONNEL
605

Harvia is a global leader in the sauna and spa market. Since its establishment in 1950, Harvia has accumulated knowhow on all sauna cultures and sauna types across the world. Around them, the company has built a comprehensive offering, from heaters and their components to full sauna and spa solutions. In 2023, 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 over 20%.

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 offers tailored sauna and spa solutions to professionals and consumers alike.

Harvia's product groups are:

- Heating equipment
- Saunas and Scandinavian hot tubs
- Steam generators
- Accessories and heater stones
- Spare parts and services

Harvia is headquartered in Muurame, Finland, adjacent to its largest sauna and sauna component manufacturing facility. The company's shares are listed on the official list of Nasdaq Helsinki in the Mid Cap segment (HARVIA).

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.

HARVIA'S YEAR 2023

NORTH AMERICA

28.9% of revenue
76 employees
One production facility

SCANDINAVIA

5.1% of revenue
2 employees

FINLAND

20.1% of revenue
238 employees
Three production facilities and headquarters

OTHER COUNTRIES

Largest: Asia and Middle East & Africa
7.3% of revenue
57 employees
One production facility in China

GERMANY

11.4% of revenue
116 employees
One production facility

OTHER EUROPEAN COUNTRIES

27.2% of revenue
116 employees
Production facilities in Estonia, Italy and Romania

Harvia has a global reach: our products are sold in approximately 90 countries.

The revenue figures are for 2023. The number of employees is as of the year-end 2023.

KEY EVENTS IN 2023

NEW CEO MATIAS JÄRNEFELT TOOK THE REINS

Matias Järnefelt started as CEO of Harvia Plc on 1 June. He has extensive experience of developing international business and sales in companies with a global reach, such as Hilti and Nokia.

Harvia's previous CEO Tapio Pajuharju continued to serve the company until the end of May 2023.

Read Matias Järnefelt's thoughts of his first months as Harvia's CEO and the way forward on page 10.

GROWING FOOTHOLD IN JAPAN

Harvia and Bergman Ltd established a joint venture Harvia Japan Ltd in August, deepening the successful cooperation between the companies. 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 fully operational in the first half of 2024.

During the year, several new showrooms were opened across Japan, bringing the current total to 24 showrooms introducing Harvia's sauna and spa offering to the Japanese consumers and B2B market. In addition, Harvia actively developed products, especially heaters, to Japanese specifications and introduced a prefabricated sauna program to the market.

Opening ceremony of the showroom in Sapporo, Japan.


Production of timer switches in Phoenix El-Mec's facility in Belluno, Italy.

ACQUIRING PHOENIX EL-MEC TO IMPROVE SUPPLY CHAIN RESILIENCE

In September, Harvia signed and closed an agreement to acquire Phoenix El-Mec srl, a manufacturer of electromechanical timers for sauna heaters located in Belluno, Italy. The company produces reliable and high-quality timer switches that are a key component in Harvia's basic sauna heaters. It has been Harvia's supplier since its establishment in 2013. In addition to sauna heaters, Phoenix El-Mex's switches are also used in e.g. ovens, drying cabinets, and boilers.

The acquisition helps Harvia to further strengthen its supply chain and ensures the availability of the key component in sauna heater production.

NEW ORGANIZATIONAL STRUCTURE TO MAXIMIZE GROWTH

Harvia announced in October that it is changing its organizational structure and making changes to its Group Management Team as of 1 January 2024. The new organization consists of four geographical sales regions: North America, Northern Europe, Continental Europe, and Asia-Pacific-MEA (Middle East & Africa). It also encompasses five Group functions: Marketing & Brands, Products & Solutions, Innovation & Technology, Operations, as well as Support functions. There is a Management Team position for the Head of EOS Brand and Products, as well.

The new sales regions' aim is to maximize Harvia Group's total business in each geography and grow profitably in line with the Group's strategy and set targets. The group functions will help in driving and leveraging best practices and synergies across the Group.

ADVANCING HARVIA'S SUSTAINABILITY EFFORTS AND REPORTING

In 2023, Harvia carried out a double materiality assessment to identify the most significant sustainability topics, looking at Harvia Group's impact on the world (outward impact) as well as how different aspects of sustainability impact Harvia Group.

The double materiality in sustainability was defined by two dimensions: impact materiality and financial materiality. Consistent with this principle, the assessment considered both our impact on society (impact materiality) and the potential risks and opportunities these identified themes may pose for Harvia's business (financial materiality).

The double materiality analysis is one step in the process of meeting the requirements of the CSRD reporting, which will become effective in 2024. Read more on page 36.

KEY FIGURES

In 2023, Harvia continued to deliver strong profitability and strengthen the foundations for future growth.

150.5
REVENUE, EUR million

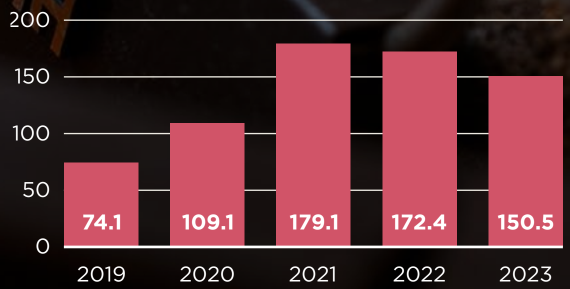
33.7
ADJUSTED OPERATING PROFIT, EUR million

22.4%
ADJUSTED OPERATING PROFIT MARGIN

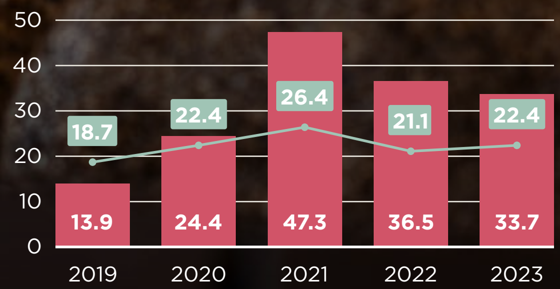
44.6
OPERATING FREE CASH FLOW, EUR million

51.0%
EQUITY RATIO

REVENUE, EUR MILLION



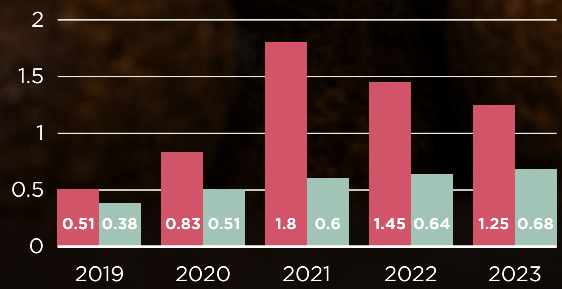
ADJUSTED OPERATING PROFIT, EUR MILLION AND ADJUSTED OPERATING PROFIT MARGIN



Adjusted operating profit*, EUR million
Adjusted operating profit margin

* Adjusted by items affecting comparability

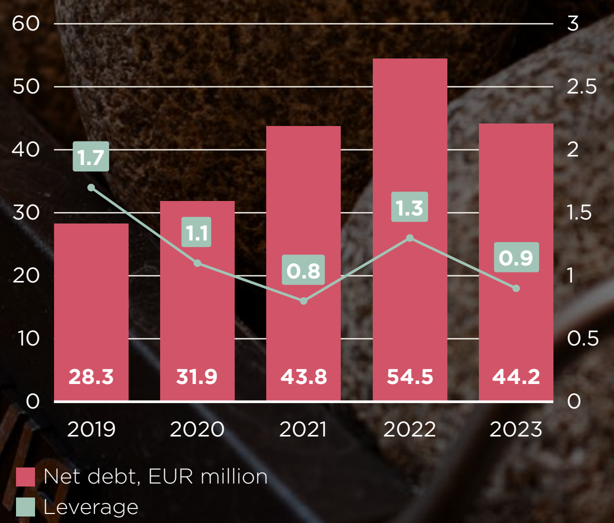
EARNINGS PER SHARE AND DIVIDEND PER SHARE, EUR



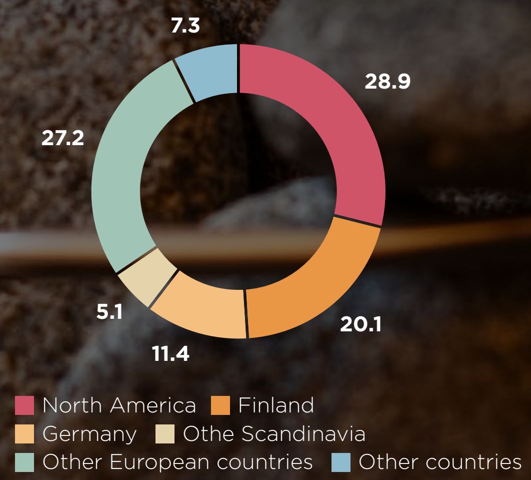
Earnings per share
Dividend per share

Dividend per share for 2023 is the dividend proposal of Harvia's Board of Directors to the 2024 Annual General Meeting.

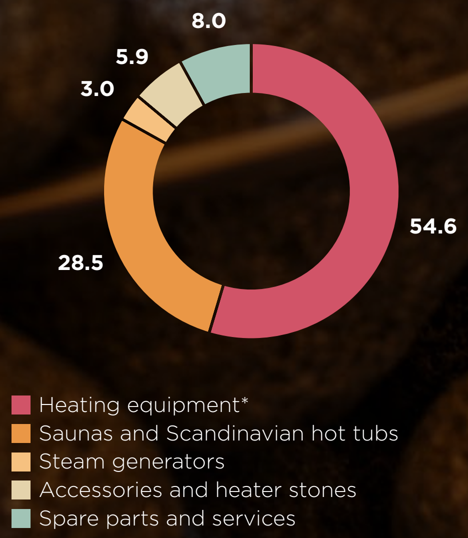
NET DEBT AND LEVERAGE



REVENUE BY MARKET AREA, %



REVENUE BY PRODUCT GROUP, %



* Sauna heaters, control units, IR components

Q&A WITH CEO

MATIAS JÄRNEFELT

HOW DO YOU SUMMARIZE HARVIA'S YEAR 2023 FROM THE FINANCIAL POINT OF VIEW?

For Harvia, year 2023 was characterized by achieving strong profitability and cash flow in a mixed market environment. At comparable exchange rates, the adjusted operating profit reached EUR 34.4 million, making up 22.6% of the revenue. Cash flow for 2023 increased to EUR 44.6 million. However, our revenue decreased at comparable exchange rates by 11.7% to EUR 152.2 million. The difficult market conditions in Europe as well as the exit from Russia are visible in the revenue.

In the fourth quarter of 2023, Harvia's revenue returned to growth. This was driven by the strong growth in North America and improving sales performance in Central Europe. I am pleased to note that Europe started to show some signs of stabilization after a long, weak period. The sales channel inventory levels were decreasing to a normal level and our B2B customers were more confident in ordering products.

WHAT THEMES CHARACTERIZE HARVIA'S OPERATIONS 2023?

One key event in Harvia's year was the CEO change: I started as Harvia's CEO in June 2023 succeeding Tapio Pajuharju, who had led Harvia since 2016. On behalf of both Tapio and me, I would like to express our thanks and appreciation to team Harvia for the excellent work to advance Harvia's success in year 2023.

During the autumn, we focused on planning the new organizational structure to strengthen the execution of our strategy. With the new structure, we will increase customer and market orientation and drive our organic growth – both through commercial excellence and an even more competitive offering. We will also improve our ability to drive synergies while staying responsive to market needs.

While seeking avenues for growth in Europe, we continued to drive profitable growth especially outside Europe. In addition to our strong performance in North America, we carried out successful sales efforts in Asia-Pacific's attractive and large markets. For example, to drive growth in Japan, we established a joint venture with Bergman Ltd.

YOU HAVE BEEN HARVIA'S CEO SINCE JUNE 2023. WHAT MAKES HARVIA UNIQUE?

Well, there are many strengths. I am proud of all the committed Harvia team members and the entrepreneurial spirit demonstrated in their everyday work. We have a great combination of people – colleagues with extensive Harvia experience and fresh team members complementing each other.

We all take pride in our products – and for a good reason: constant innovation means that Harvia's products are a great choice for our customers, while Harvia is also able to make sustainable profits.

Harvia is a truly international player in the global sauna and spa market, with the leading brands of Harvia and EOS. The long-term growth drivers offer clear opportunities for Harvia in the fragmented market. Utilizing our leading position, we have a unique chance to capture the growth opportunities that for example the health and wellness trend offers.

LOOKING FORWARD – HOW IS HARVIA POSITIONED FOR THE YEAR 2024?

First of all, we have a solid business and Harvia is well positioned to strengthen its standing as industry leader. I see that the sauna and spa industry continues to offer several opportunities for Harvia, both in the short and long term. Ensuring continued strong sales performance in North America is very important for us. Moreover, we continue to actively drive growth in Japan and more widely in Asia-Pacific. Product-wise, interesting opportunities lie in infrared and steam saunas.

In 2024, we continue to work systematically to strengthen the foundations for the company's sustainable profitable growth, such as maintaining our very good operative performance and delivering exciting innovations to the market. Going forward, we also continue to advance industry consolidation and seek growth opportunities actively on the M&A front.

OPERATING ENVIRONMENT AND MEGATRENDS

Awareness and popularity of the sauna and its health benefits continued to increase in 2023 especially in the sauna markets in North America and Asia. In Europe, low consumer confidence, high interest rates and general economic uncertainty resulted in weak market demand.

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. 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. Sauna heater stones also need to be at least partially replaced approximately once a year in normal household use.

MIXED OPERATING ENVIRONMENT

Especially in Europe, the sauna and spa market has been heavily impacted by the Russian invasion of Ukraine in February 2022 and the wider economic development after it. During 2023, high economic uncertainty, elevated inflation and interest rates, as well as eroded consumer confidence widely affected the European sauna and spa market across product segments. However, the market conditions started to show signs of stabilization in Central Europe at the end of the year. In Finland and Scandinavia, where the demand has traditionally been very resilient in economic downturns, the market conditions remained challenging as high interest rates, challenges in the construction sector and weak consumer confidence continued to prevail.

Outside Europe, especially in North America and Asia, the sauna and spa market continued to grow. The strong growth in North America in the past few years has been heavily supported by the growing awareness of sauna and its health benefits as well as strong economic conditions. 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 emerging sauna and spa markets.

Even if the sauna and spa market conditions look mixed in the short-term, the positive long-term outlook for the 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 wellbeing trend boosted the global demand for sauna and spa experiences in 2023, as the health benefits of sauna continued to become more widely known and actively promoted especially in the markets outside Europe, such as the United States, Japan, and Australia.

Approximately 500 scientific studies have been conducted on the health impacts of the sauna. Regular sauna bathing several times a week has been proven to reduce the risk of high blood pressure and other cardiovascular diseases, pulmonary disease, stroke, and dementia, among others.

According to a 2023 dissertation by Earric Lee, exercise medicine and health science researcher from University of Jyväskylä in Finland, the addition of a regular 15-minute sauna session after exercise substantially improves cardiovascular fitness, lowers systolic blood pressure, and reduces total cholesterol compared to regular exercise alone.

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 traditional European sauna markets, such as Sweden and Germany, saunas in private homes are not as common as in Finland, so sauna bathing is more often a shared experience with friends or a tradition such as sauna bathing at Midsummer and Christmas in Sweden. Many Swedes enjoy their sauna at a public swimming pool, while public saunas are popular in Germany.

In most markets outside Europe, 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.

Infrared saunas are the most popular sauna type in North America, but also traditional saunas and steam saunas have a growing presence in the region. The trend of building the backyard into an outdoor living space for relaxation and quality time with family and friends is thriving. More and more, the backyards also feature outdoor saunas in addition to a barbecue and a hot tub or pool. Consumer interest toward cold therapy is growing, as well, driving demand for cold plunge tubs also for residential use.

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 is emerging especially among young people and women, complementing the country's traditional onsen and sento spa cultures. The Australians are interested in all variations of sauna and spa culture and products, from infrared to barrel saunas. Simply relaxing in the sauna is a new and growing trend in the country.

MEGATRENDS SHAPE THE MARKET

Harvia has identified four megatrends that impact the sauna and spa business. The trends were visible in 2023 and they are expected to drive market demand for innovations in the sauna and spa market also 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 a mobile app, such as MyHarvia 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.

STRATEGY IMPLEMENTATION

In the mixed market environment, Harvia successfully focused on its strategic priorities of increasing the value of the average purchase, expanding its global reach, and improving operational efficiency in 2023.

Strategy implementation progressed as planned in all areas. Measured in revenue, Harvia is the largest company in the global sauna and spa industry.

STRATEGIC CORNERSTONES

INCREASING THE VALUE OF THE AVERAGE PURCHASE

by offering higher-end sauna heaters with more advanced properties as well as more extensive and complete sauna and spa solutions.

In 2023, the focus of growth was in the sauna room business, supported especially by the strong market development in North America, as sauna rooms form the majority of Harvia Group's business in the region.

Increasing the value of the average purchase was also driven by Harvia's sales efforts in the growth markets outside Europe, as customers in these markets are often more high-end and ready to invest more in a great sauna experience and complete solutions instead of only the heater or its components.

Read more about sauna rooms and Harvia's other product groups on page 25.

GEOGRAPHICAL EXPANSION

by growing our footprint in new significant-sized markets and further developing our distribution in all key markets.

In 2023, Harvia's growth efforts centered on selected high-potential markets in North America and Asia-Pacific. Several new sauna and heater models were developed and introduced to these markets, and the active customer base continued to expand.

The success of Harvia's efforts was reflected in North America becoming the company's largest market area by revenue. In Japan, nine new showrooms were opened across the country and a joint venture Harvia Japan Ltd was established by Harvia and Bergman Ltd to boost sales and marketing of Harvia's sauna and spa offering in the market. Other countries in Asia-Pacific saw progress, as well.

Read more about Harvia's sales development in North America on page 20.

CONTINUOUS IMPROVEMENT OF PRODUCTIVITY

by enhancing the efficiency of operations, purchasing and logistics.

Harvia continued its systematic efforts to manage pricing, capacity, and supply chain to swiftly adjust to changes in market conditions. The company also succeeded in significantly decreasing inventories during the year without compromising on the service level.

Investments were made into upgrading production machinery and automating processes at the production facilities in Muurame, Finland and the United States. Increased automation enables improved efficiency and higher production volumes and utilization rates with the same number of personnel.

Harvia also continued to develop its sales and operations planning (S&OP) process to enable more accurate sales and demand forecasts as well as optimization of production based on the projections.

Read more about Harvia's operations in 2023 on page 22.

ACQUISITIONS TO SUPPORT GROWTH

M&As in the sauna and spa market remained active during the year, and Harvia continued to evaluate potential opportunities in the domain.

In September, Harvia acquired Phoenix El-Mec, an Italian manufacturer of electromechanical timers for sauna heaters, to strengthen its supply chain. The company will pursue similar tactical acquisition opportunities also in the future, as needed.

In December, Harvia paid the additional purchase price of EUR 2.5 million for its acquisition of Scandinavian hot tub manufacturer Kirami, earlier than previously announced. Paying the additional purchase price in advance enables closer integration of Kirami into Harvia's other business operations following the reorganization of Harvia's organizational structure, effective as of 1 January 2024.

Harvia will continue identifying and evaluating strategic opportunities in the M&A space, especially in the infrared and steam sauna market, where Harvia is still a small player globally. The new organizational structure creates a solid platform for potential future acquisitions by clarifying roles and responsibilities within Harvia Group, streamlining sales and operations, and further easing the integration of new acquisition targets.

STRATEGIC PRIORITIES IN 2024

Harvia's main priority continues to be to drive profitable growth, especially outside Europe in North America and selected, significantly sized markets in Asia-Pacific, such as Japan, South Korea, Australia, and China. Harvia actively seeks avenues for growing sales and market share also in Europe, with the aim of being best positioned to capitalize on the opportunities when the markets recover.

The new organizational structure will enhance strategy execution. Stronger regional teams will improve customer orientation and cross-sell activities especially outside Europe, helping to drive organic growth and supporting R&D. The new group functions will help to deliver synergies across the Group and further optimize ways of working.

Investments will be made into improving productivity and developing new innovations and capabilities, with focus on storage and logistics. The investments will increase from 2023 levels, with the largest potential project being the expansion of production and logistics capacity in the United States. Final decisions have not yet been made.

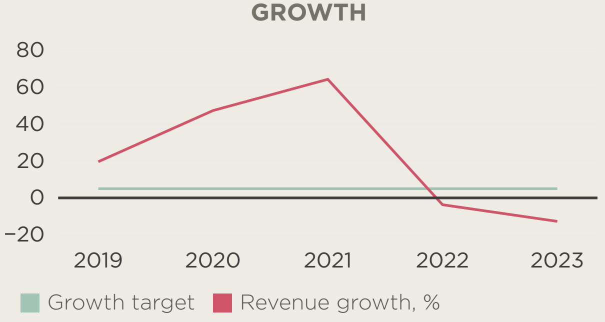
Harvia will remain active in adjusting capacity and cost base as needed.

FINANCIAL TARGETS

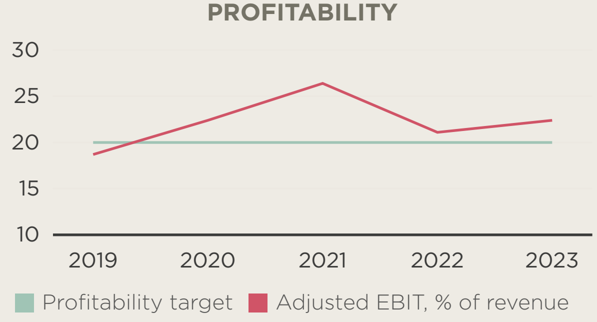
Harvia has set long-term financial targets related to growth, profitability, and leverage.

Harvia targets an average annual revenue growth of more than 5%, an adjusted operating profit margin exceeding 20% and a net debt/adjusted EBITDA between 1.5x–2.5x in the long term. Harvia does not publish short-term financial targets.

Harvia partially reached its targets related to growth, profitability, and leverage in 2023. While the company's revenue decreased by 12.7% from 2022, adjusted operating profit margin was strong at 22.4%, and net debt to adjusted EBITDA ratio was 0.9. Harvia's profitability reflects the company's systematic work to adjust pricing, improve supply chain efficiency and optimized operations.

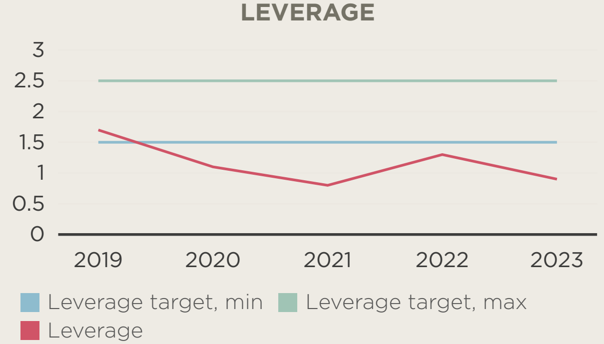


Growth target: Annual average revenue growth of more than 5%



Profitability target: Adjusted operating profit[1] margin exceeding 20%

[1] Adjusted operating profit is operating profit before items affecting comparability.



Leverage target: Net debt per adjusted EBITDA 1.5x–2.5x[2]

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

STRONG GROWTH IN THE HIGH-POTENTIAL NORTH AMERICAN MARKET

During the past five years, Harvia Group has successfully leveraged opportunities in North America to become the leading player in traditional saunas in the market. Currently the company's largest market, North America continues to offer considerable potential for growth.

According to Harvia's estimate, the size of the North American sauna and spa market is over half a billion U.S. dollars. While the mature sauna markets in Europe have been struggling in the past two years, the North American market has continued solid growth, supported by increasing awareness of sauna and its health benefits, together with positive economic development.

With an installed base of over 1 million saunas, the sauna penetration in North America is still low when compared to many traditional sauna

As a result of our successful business operations, Harvia Group has become the leading player in traditional saunas in North America. The North American market continues to offer several significant growth opportunities for us in this segment, but especially in the infrared and steam sauna space. We seek to grow in this high-potential market both organically and via M&A.

Matias Järnefelt,
CEO

markets. For example, there are around 3 million saunas in Finland alone.

Growth in North America is driven by both the residential and the commercial sector, such as hotels, gyms, and spas. All three sauna types – infrared, traditional Nordic sauna, and steam – have a strong presence in the region. However, infrared saunas clearly have the largest market share.

In the residential sector, having "a backyard paradise" for relaxation and enjoyment together with family and friends has become more popular throughout North America. In addition to the traditional barbecue and a hot tub or pool, backyards increasingly also feature outdoor saunas. Cold therapy is a growing trend, as well, driving demand for cold plunge tubs also for residential use.

LEADING PLAYER

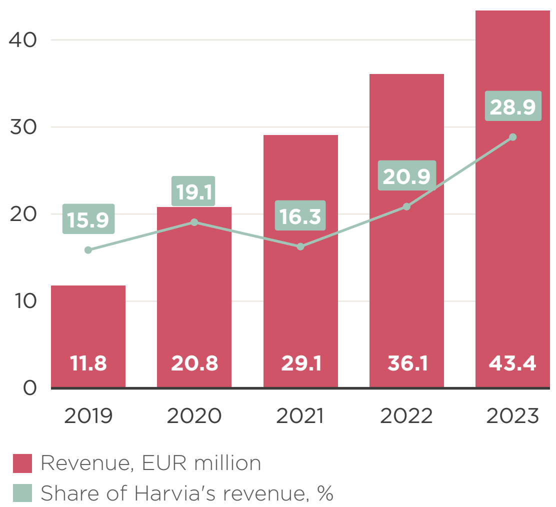
Harvia Group has grown its presence and business in North America systematically since its acquisition of Almost Heaven Saunas, one of the leading sauna and spa product companies in the United States, in December 2018. Harvia's sales in North America have increased from EUR 11.8 million in 2019 to EUR 43.4 million in 2023, an average growth of 38.5% per year. In 2023, North America became Harvia's largest market area measured in revenue.

Majority of Harvia's business in North America is done under the Almost Heaven Saunas brand and consists of selling full sauna room solutions for both outdoor and indoor use, such as the ready-to-use outdoor barrel sauna that forms a part of a private home's backyard paradise.

Unlike the other key markets of Harvia Group, a large part of the sales in North America are direct sales of sauna rooms to consumers, often via an online channel. However, the company has a diverse customer base in the region, consisting of, for example, significant distributors, do-it-yourself stores, sauna builders, and commercial end users, which it serves in multiple channels by selling both full solutions and individual sauna components, such as Harvia and EOS-branded sauna heaters.

On 1 February 2024, Jennifer Thayer joined Harvia as Head of Region, North America and President of Harvia US Inc. Thayer will lead the North American commercial organization and drive the growth and profitability of Harvia's business in the region.

DEVELOPMENT OF REVENUE IN NORTH AMERICA AND SHARE OF HARVIA'S REVENUE



The production facility of Almost Heaven Saunas in Lewisburg, West Virginia, USA.

HARVIA'S BUSINESS OPERATIONS IN 2023

Harvia automated production processes and streamlined operations to respond to fluctuating demand and deepen Group integration, resulting in a strong operational performance.

The year 2023 in the sauna and spa market was characterized by strong fluctuations in demand, resulting in a relatively short-term order book. Harvia actively responded to demand volatility by adapting the supply chain and implementing flexible working time models and succeeded in decreasing its inventories without compromising on its service level.

Harvia continued to develop its sales and operations planning (S&OP) process during the year to enable more accurate sales and demand forecasts, used to optimize production. In addition, supply chain management was streamlined and integration between Group companies strengthened to improve efficiency of business operations and better leverage synergies across the Group. The new ways of working are also supported by the new organizational structure, effective as of 1 January 2024.

Harvia's full-year revenue landed at EUR 150.5 million in 2023, decreasing by 12.7% from the previous year. Despite the challenging business environment, Harvia succeeded in delivering a strong 22.4% adjusted operating profit margin, in line with the company's long-term financial targets. The company's efforts to manage pricing, capacity, and supply chain according to the market demand supported Harvia's profitability.

GROWTH FROM SAUNA MARKETS OUTSIDE EUROPE

The significant differences in sales development between European and non-European market areas continued in 2023. In North America, which has become Harvia's largest reported market area, the market and Harvia's sales continued on a very positive growth path. This was also visible in the increasing share of sauna rooms of Harvia's total sales, as sauna rooms comprise most of the business in North America. Read more about Harvia's operations in North America on page 22.

Harvia's sales performance was also strong in Asia-Pacific. In Japan, Harvia expanded its distribution network and opened several new sauna and spa showrooms during the year. Harvia also introduced heaters and other products designed according to Japanese specifications to the market. In Australia, sauna sales increased as new gyms and wellness centers increasingly added saunas to the service offering. B2B sales grew also in categories such as steam generators and infrared products. The visibility and popularity of Harvia's products increased across the Group's brands.

In Europe, the markets were generally weaker than the markets outside Europe during the year. The market conditions were especially tough in Finland and Scandinavia, where high interest rates, low consumer confidence and challenges in the construction sector continued to have a negative impact on sales in all product groups. However, Central Europe started to show some signs of stabilization towards the end of the year after a long, weak period, with sales channel inventory levels decreasing to a normal level.

MOVING PRODUCTION TO MUURAME

Harvia's productivity and capacity improvements in 2023 focused on increasing automation in its factories in Muurame and the United States as well as moving production from subcontractors to Muurame.

Manual production processes were automated at the factories in Muurame and Lewisburg during the year. New machinery and industrial production robots were deployed, resulting in significant efficiency and productivity improvements. Increased production volumes can now be handled by the same number of employees as earlier. Muurame's new production line is also flexible and easy to adapt to future needs with regards to new regulation for wood-burning heaters, for example.

After Harvia's exit from Russia in 2022, manufacturing of wood-burning heaters was reshored to Finland but was still partly carried out by subcontractors. In 2023, manufacturing was almost fully moved to Muurame. Production of aluminum stoves for heating Scandinavian hot tubs was also reshored from Estonia to Muurame to ensure product quality. Concentrating production from smaller factories to Muurame's highly automated production facilities has enabled larger production volumes with the same fixed costs and also increased the utilization rate of the Muurame factory.

PRODUCTS AND INNOVATIONS

Harvia has accumulated knowhow on all sauna cultures and sauna types across the world for over 70 years.

Harvia has products for all sauna types and cultures. The company has built a comprehensive and competitive offering for both professionals' and consumers' needs that includes a variety of products from heaters to complete advanced sauna rooms, as well as products for active backyard living.

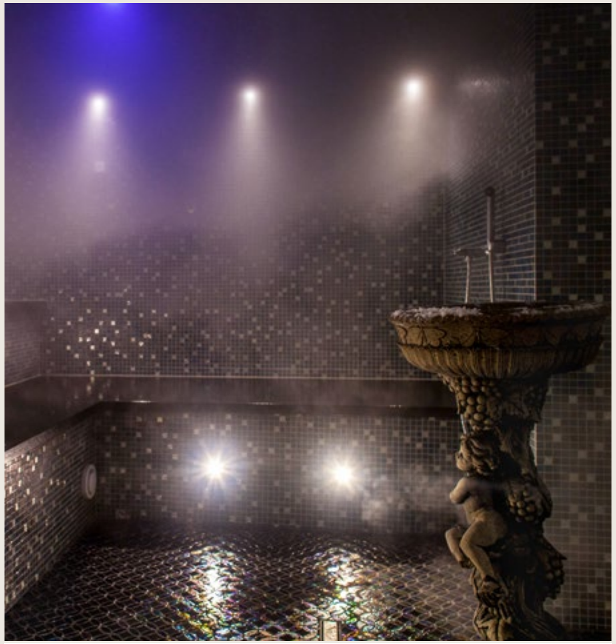
Harvia Group's offering has been divided into five categories: heating equipment, saunas and Scandinavian hot tubs, steam generators, accessories and heater stones, and spare parts and services.

HEATING EQUIPMENT

The heating equipment offering covers sauna heaters, control units and infrared components. Heating equipment is Harvia's largest product category, accounting for 55% of the revenue in 2023.

SAUNAS AND SCANDINAVIAN HOT TUBS

Harvia offers sauna rooms for both indoor and outdoor use, sauna interiors, and Scandinavian still-water hot tubs. In 2023, the share of this category was 29% of the revenue.



STEAM GENERATORS

Steam generators are used professionally in, for example, spas, hotels, and fitness clubs. The product offering also includes steam generators for the residential market. Steam generators represented 3% of the revenue.

ACCESSORIES AND HEATER STONES

The product category includes heater stones, sauna accessories, such as textiles and sauna scents, and other complementary products, such as sound and light solutions and water hygiene products. The category represented 6% of the revenue.

SPARE PARTS AND SERVICES

Harvia offers sauna heater spare parts, installation and maintenance services. The category generated 8% of the revenue.

INNOVATIONS AND NOVELTIES

In research, key themes in 2023 included energy efficiency, optimization of the combustion process of wood-burning stoves, and exploration of wellness technologies to further enhance sauna experience, as well as ensuring up to date information about the health benefits of both the healing heat of sauna and cold exposure therapy. While progressing its active research, Harvia continued to introduce new products to different markets, responding to the varying market needs.

In sauna bathing, addressing energy efficiency is a complex challenge. An electric heater consumes a certain amount of electricity to warm up the sauna room to the desired temperature. Harvia aims to design sauna solutions which consume less energy. The company's approach is to consider the sauna as a comprehensive solution, not to focus solely on the heater. For example, sauna room materials, insulation and ventilation have a significant effect on the energy consumption.

Harvia has also started exploring the opposite of healing with heat, i.e. cold exposure. Regularly exposing the body to cold water for short periods of time brings several health benefits such as improved immunity, stress reduction, improved sleep quality, speedy recovery from sports, pain relief and activation of brown fat. Typically, this mode of therapy has only been available for professional athletes and people visiting spas and swimming halls. In 2023, Harvia launched the oval shaped Harvia Frosty cold tub for households.

In 2023, consumer demand for WiFi-compatible control units and remote use was especially high in the U.S. market. Saunas can already be equipped with digital solutions such as lightning and sound systems. The North American backyard living culture reflects relaxation but also contains the element of entertainment.

To support its geographical expansion, Harvia launched the Spirit electric heater and the first hybrid sauna offering in the U.S. market. In Japan, Harvia launched Söpö saunas. In addition, the company has applied for new certificates for both certain electric heaters and complete sauna solutions in Japan.

EOS, a Harvia Group company specialized in high-end and design heaters and accessories, launched several new luxury electric heaters in 2023.

PRODUCT NOVELTIES 2023

HARVIA SPIRIT

Harvia Spirit electric heaters are designed and manufactured in Finland and meet the regulations and local requirements for electric heaters in the United States. The Harvia Spirit heater is compatible with the Harvia Xenio control units.

HYBRID SAUNA

Almost Heaven Saunas launched first hybrid saunas that are manufactured in North America. These saunas combine traditional and infrared saunas and are available in 5 different sauna sizes.

EOS STRUCTURE

With its unique shape, the EOS Structure sauna heater is a true design statement. Elegant matte black from top to bottom, this extraordinary heater has a distinctive rod structure which forms its characteristic design element.

HARVIA SÖPÖ

With an innovative design for easy assembly and using high-quality materials, the Söpö sauna cabins are crafted with precision and designed for the utmost comfort, and they are available in three sizes.

HARVIA FROSTY

The oval shaped Harvia Frosty cold tub is made of high-quality materials that are safe to use, feel comfortable on the skin, and are easy to maintain. Harvia Frosty always comes with an insulated cover to maintain the desired temperature energy efficiently and improve safety by keeping children out of the ice pool.

SUSTAINABILITY

SUSTAINABILITY AT HARVIA

In 2023, Harvia continued to implement its sustainability program for 2022–2025. Harvia also started preparing for the upcoming EU regulations on sustainability.

Harvia's ambition is to drive the sustainability agenda of the whole industry. The company is committed to carbon neutrality in its 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.

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. In 2023, the company continued networking with researchers and scientists, actively shared science-based information on the health benefits of heat and promoted using the sauna regularly. In addition, the company focused on guiding 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.

There is strong scientific evidence on the health effects of sauna; over 500 studies have been conducted all over the world. 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.

An interesting area from the health perspective that also Harvia is looking into is the opposite of heat: cold therapy. Regularly exposing the body to cold water for short periods of time brings several health benefits, such as improved immunity, stress reduction, improved sleep quality, speedy recovery from sports, pain relief and activation of brown fat.

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 results of the study will be available during 2024.

#2 FOR SUSTAINABLE EXPERIENCE AND ENJOYMENT

Harvia invests in sustainability in product design, production, and logistics. A durable product is sustainable 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 the product itself. The company conducts ongoing development and research to ensure that the products are always safe to use and increase the well-being of the users.

Product quality, safety, and reliability are of paramount importance to Harvia. Harvia continuously tests and develops 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. The increased knowledge of the sauna heater materials acquired in 2023 will have an impact on product development during the year 2024.

Harvia is actively involved in industry standardization internationally through research projects and committees. The company is 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. The committee's work has continued in 2023, and new standards will enter the consultation round in 2024.

At the end of 2023, the Kiuas 2 research project lead by the University of Eastern Finland was completed. The project aimed to find ways to reduce emissions caused by wood-burning sauna heaters. The results offered insights for further product development with regards to better regulating the burning temperature. All in all, the results increased information on wood-burning saunas for all participants. They will also help the company to meet upcoming tightening emission requirements set by the European Union. Inspired by the Kiuas 2 project, Harvia commissioned a thesis at the University of Eastern Finland to explore the emissions from heaters in sauna rooms and how they differ from emissions originating from other sources. The result was that sauna heaters do not emit more particles into indoor air than normal household appliances.

Harvia pays special attention to guidance in the proper use of all its products. In 2023, the guidance focused on energy efficiency to help consumers to find the right product for their needs.

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

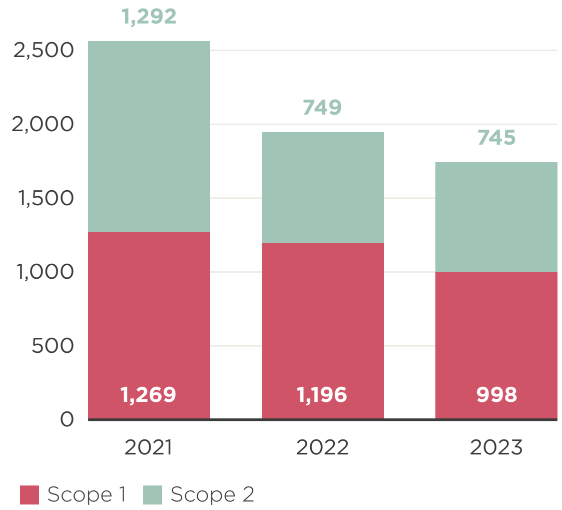
Harvia requires that all its suppliers act responsibly and that its contract suppliers commit to the Harvia Supplier and Partner Code of Conduct, which is divided into ethics, corruption, labor force, health and safety, and environment. The majority (74%) of existing suppliers of goods and services at Harvia have agreed to comply with the Code of Conduct, which is also 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.

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 CO_2 emissions in 2023 were 998 tCO_2 (1,196) and Scope 2 emissions 745 tCO_2 (749). Total emissions decreased by 11.4% compared to 2022.

HARVIA GROUP CO_2 EMISSIONS (tCO_2)



Harvia is also targeting 100% emission-free electricity consumption at Group level at sites where it is possible by 2030. The company is using the year 2020 as the baseline when 68% of its electricity was emission-free. In 2023, the share of emission-free electricity was 75%. Harvia's largest production facility in Muurame, Finland uses emission-free electricity. The solar panels installed on the roof of the Muurame factory produced 124.3 MWh (103) of electric energy last year.

Harvia's growing automation of production has enabled the company to continuously optimize its energy consumption and reduce waste. Every factory of the company is able to monitor its electricity consumption online, which allows 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.

During 2023, Harvia's factory in Lewisburg, USA, took several steps towards sustainability in its everyday work. The factory started to recycle their sawdust for local farmers to use. With the help of new machinery, the leftover materials can also be combined together, which has reduced the factory's waste. The factory also changed its packaging materials to a recyclable option.

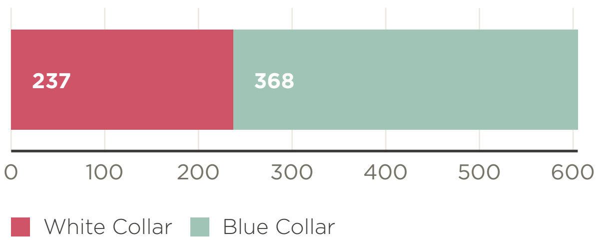
In Germany, oil is still used to heat the production facilities. During 2023, the optimization of operations resulted in a 20% decrease in emissions. Harvia has continued exploring options for replacing oil heating with renewable energy production.

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 domestic freight, Harvia uses a local partner, whose goal is to reduce emissions to net zero already in 2040. Harvia's main foreign freight transportation partner compensates for their emissions. All of Harvia's European sauna factories procure their wood materials from suppliers with a valid Chain of Custody certification.

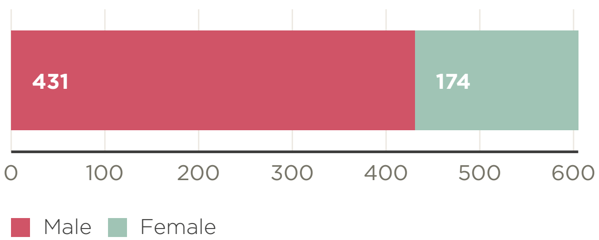
#4 FOR SAFE AND WARM COMMUNITY

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.

STRUCTURE OF PERSONNEL



DISTRIBUTION OF PERSONNEL BY GENDER



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 was piloted in 2023. Over half of the white-collar personnel at the headquarter in Muurame completed the program successfully. Based on the feedback, the training will be gradually expanded to cover other Harvia units. Harvia Group is aiming to strengthen its Human Resources function during 2024.

Harvia conducted a Group-wide Employee Engagement Survey in November and December 2023. The response rate was 66% (85% in 2021). The sub-areas of the survey included commitment, leadership, performance and engagement and the results were presented as indices. The company's Commitment, Leadership and Performance indices are slightly above benchmark level. The Engagement index is in line with the benchmark. Compared to the previous survey conducted in 2021, the Leadership and Performance indices remained on a similar level, whereas the Commitment and Engagement indices declined slightly. The results provide good guidelines for the development of personnel activities and internal communication.

The company trains its personnel continuously and develops its capabilities. In 2023, Harvia carried out, among others, training regarding occupational safety.

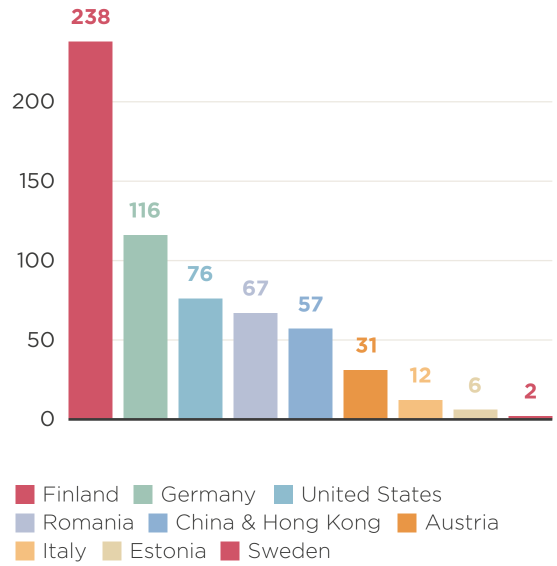
Harvia takes continuous measures to ensure the health and wellbeing of its personnel. The company strives for zero accidents. Occupational accidents and close call events are reported to and handled by the Occupational Safety Commission. There were no serious occupational accidents during the reporting period. In 2023, occupational safety reporting was expanded to cover the whole Group. Data collection has been developed, and separate programs have been set up in units of high accident risk to develop occupational safety.

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. Harvia Group's Board of Directors and Audit Committee handle risk management process regularly in the meetings. The company also improves occupational safety by developing production. Automation and new machinery increase safety by default, and when new machinery is being installed, the factory's layout is evaluated and modified from the safety perspective. Training of the personnel to use the new machinery plays an important role and increases safety.

A customer satisfaction survey was conducted across the Group for the first time in 2023. The survey was sent to over 2,400 reseller customers. The response rate was 14%. Overall, Harvia Group's customer satisfaction is at a very high level across the brands and markets. The Group's average Net Promoter Score (NPS) was 69. The scores varied from 55 to 81, which are very high for a company operating in B2B business. Based on the results, there are no major brand, market, or function specific issues to be solved. The open comments by the respondents did not reveal any strong systematic concerns, either, but they gave us good input for further improving our collaboration with customers in the future.

For reporting potential misconduct, Harvia has a whistleblowing channel available for all stakeholders on Harvia Group's website. In 2023, one report was made through the whistleblowing channel. The report was handled according to Harvia's process. Harvia's channel allows full anonymity.

NUMBER OF PERSONNEL ON 31 DECEMBER 2023 (TOTAL 605)



DEFINING DOUBLE MATERIALITY AND PREPARING FOR NEW REGULATION

The EU's new regulations on sustainability reporting will propel companies forward, especially in environmental and human rights-related areas. These regulations also apply to Harvia, and we have already made significant progress in 2023 to enhance and develop our sustainability work and our readiness for sustainability reporting.

During 2023, we conducted a double materiality assessment, identifying the most significant sustainability topics from two perspectives: how Harvia Group impacts the world and how different aspects of sustainability affect Harvia Group. Insights on Harvia Group's material sustainability impacts were collected through an online sustainability survey targeted at the whole personnel and in-depth interviews with both external and internal stakeholders, conducted by our external partner. The external stakeholders encompassed several groups, including investors, customers, and suppliers. The internal stakeholders included one member of Harvia Group Management Team and one member of the Board of Directors. We received around 300 responses to the survey.

Harvia's sustainability working group evaluated the significance of sustainability impacts at various stages of Harvia Group's value chain in several workshops. The actual and potential impact of sustainability topics on Harvia Group's ability to create value was also mapped. In addition, preliminary mapping of Harvia Group's ESG risks and opportunities was conducted as part of the financial materiality perspective.

The double materiality assessment process enhanced our understanding of Harvia's impacts on society and the environment, as well as the views of our key stakeholders on these issues and their expectations for our focus areas. Our previous materiality assessment prioritized employee well-being and job satisfaction, product safety, customer satisfaction, and carbon footprint. In the new assessment, product safety and quality, climate change and GHG emissions, sustainable supply chain and responsible sourcing, sustainable materials and product lifecycle, employee safety, well-being & equal opportunities, innovation, and health benefits of sauna were all topics identified as important by both external stakeholders and Harvia.

The results of the new assessment brought up new focus areas, and together with the earlier assessment, they align well with Harvia's business operations and strategic ambitions in advancing sustainability. These are also areas where Harvia can make a significant impact and towards which Harvia has already developed or is developing long-term targets. The results of the materiality assessment will form the foundation for developing Harvia Group's sustainability management and reporting going forward.

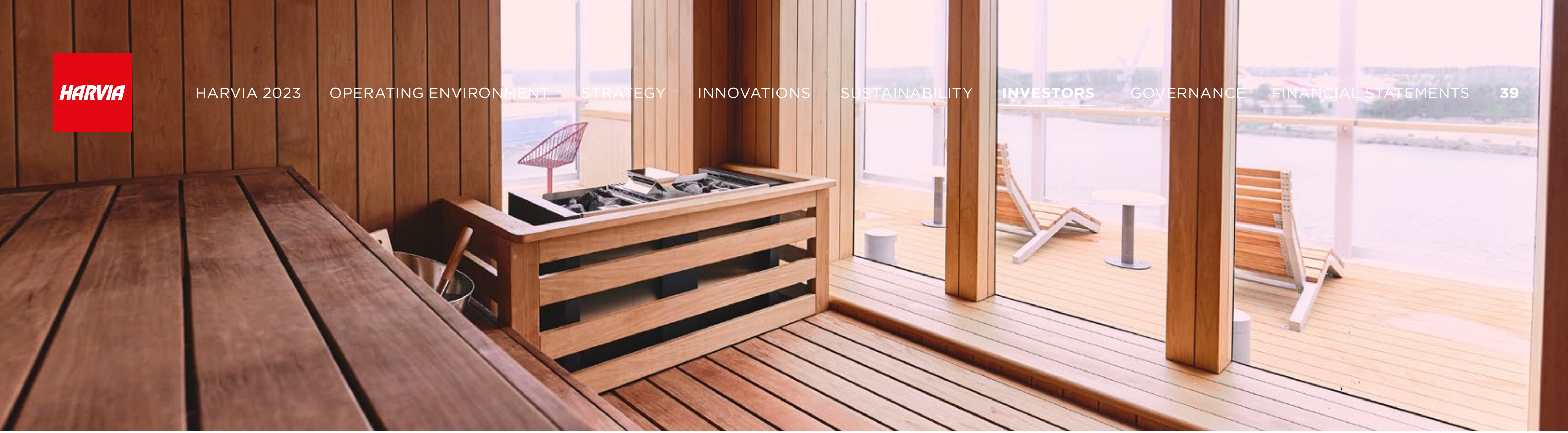
Harvia's value chain and impacts

Harvia generates value for various stakeholders throughout the entire value chain, from employees to suppliers, partners, retailers, consumers and shareholders, as well as the communities in which we operate.

	ENVIRONMENTAL	SOCIAL	PRODUCTS & GOVERNANCE
UPSTREAM Before Harvia: suppliers and partners' operations, raw materials	• Scope 3 greenhouse gas emissions from purchased goods and services • Responsible use and sourcing of natural resources and raw materials • Sustainable material choices	• Working conditions (incl. human rights impact) throughout the value chain • Health and safety impact • Job creation and economic opportunities in local communities	• Supplier requirements and cooperation (Code of Conduct, education), careful assessment and selection of suppliers • Product development with partners and suppliers • Procurements and investments
HARVIA Own operations, and logistics: production, investment process, procurement process, HR process, R&D, marketing, innovation	• Scope 1 and Scope 2 greenhouse gas emissions from energy consumption • Generation of waste and waste management development • Use of renewable energy and energy efficiency measures • Optimization of materials use in operations and product design	• Occupational health and safety • Employee competence development and growth • Employee wellbeing and job stability • Community development through cooperation with local organizations • Support and participation in research (health benefits of heat)	• Safe, health promoting and high-quality products and services • Ethical business conduct • Economic value creation, responsible employer • Good and transparent governance • Economic value creation (e.g. taxes and wages) • Influence on industry regulation and standards
DOWNSTREAM After Harvia: customers, consumers, communities	• Environmental impact of our products • CO_2 emissions from transportation and distribution • Measures to extend product life cycle and reduce emissions (repair and upgrade measures, guidance of proper use) • Recycling of packaging material	• Contribution to consumers' health and wellbeing and promotion of health benefits of sauna (healing with heat) • Increased knowledge of safe and sustainable use of Harvia's products	• Driving sustainability forward through sustainable products and innovations • Economic value creation (e.g. taxes and wages)

HARVIA AS AN INVESTMENT

Harvia has a strong position in the stable and growing international sauna and spa market. The global wellness trend is one of the key business drivers.



#1 GROWING GLOBAL MARKET, HEALTH AND WELLNESS TREND CREATES OPPORTUNITIES

- 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, its health benefits and sauna culture as well as the global health and wellness trend.
- The sauna and spa market has been traditionally resilient: this has been true especially for the more mature sauna markets, as the 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 over 20% in sauna heaters and components (management estimate).
- Harvia is the leading player in its main markets: the key export markets include North America (29% of revenue in 2023), Other European countries (27%) and Germany (11%).
- Harvia will continue to drive profitable growth especially outside Europe in attractive and large markets, for example, in North America and Asia-Pacific, e.g. in Japan.
- Also, active exploration of opportunities for strategic growth acquisitions continues, including infrared and steam saunas.
- Harvia's competitive edges include the management's and wider organization's extensive experience in the sauna and spa business and in the B2B and consumer products market, solid expertise in business integrations and the personnel's ability to adapt to changes.
- Additionally, the capacity and global reach of Harvia's operations and scale advantages e.g. in production and sourcing create a clear competitive edge to Harvia.

#3 STRONG BRANDS, COMPREHENSIVE PRODUCT OFFERING AND FUTURE INNOVATIONS

- Harvia's brands are Harvia, Almost Heaven Saunas, EOS, Kirami and sentiotec. Harvia is one of 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, energy efficiency of saunas and their heating equipment, 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 webstores, 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.

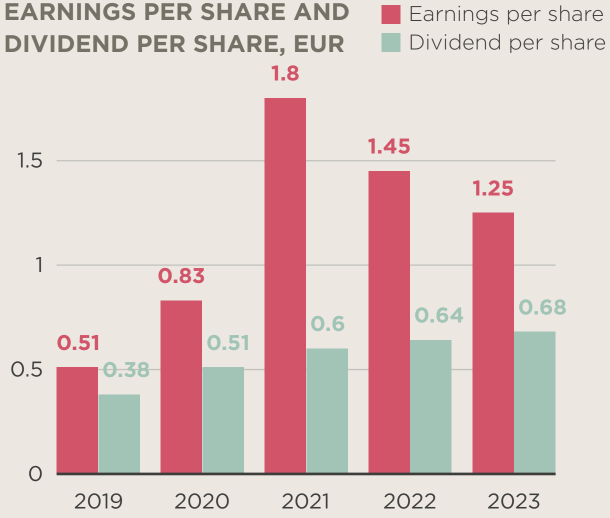
#6 STRONG PROFITABILITY AND CASH FLOW

- The profitability of Harvia's business has historically been good. In 2023, the adjusted operating margin reached 22.4%.
- Operating free cash flow increased to EUR 44.6 million in 2023.
- The 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 2023 is **EUR 0.68** per share in total. Earnings per share in 2023 were **EUR 1.25**.

EARNINGS PER SHARE AND DIVIDEND PER SHARE, EUR



Dividend per share for 2023 is the dividend proposal of Harvia's Board of Directors to the 2024 Annual General Meeting.

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 2024

- Annual General Meeting: 26 April
- January–March 2024 interim report: 3 May
- Capital Markets Day: 29 May
- January–June 2024 half-year financial review: 8 August
- January–September 2024 interim report: 7 November

Please find additional information on Harvia's website at www.harviagroup.com/investor-relations/

GOVERNANCE AND REMUNERATION 2023

CORPORATE GOVERNANCE STATEMENT 2023

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 ("the Corporate Governance Code") 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 2023 on the company website at www.harviagroup.com. The Corporate Governance Statement has been processed by the Audit Committee of the company's Board of Directors and approved by the Board. The company's auditor has verified that this Statement has been issued and that the included description of the principles of internal control and risk management systems related to the financial reporting process is consistent with the financial statements.

HARVIA'S GOVERNANCE MODEL

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 Board has an Audit Committee, which assists the Board. The Management Team assists the CEO in managing the company and the group.

GENERAL MEETING

The highest decision-making body of Harvia Plc.

SHAREHOLDER'S NOMINATION BOARD

The Nomination Board prepares and presents proposals for the composition and remuneration of the Board of Directors.

BOARD OF DIRECTORS

The Board is comprised of 3–6 members, elected by the General Meeting. The Board sees to the strategic management of the company.

AUDIT COMMITTEE

The Audit Committee supervises the financial reporting process as well as monitors the efficiency of internal control and auditing and the risk management system, among others.

AUDITOR

The general meeting elects the auditor, who audits the financial statements and accounting as well as the company's administration.

CEO

Harvia's Board of Directors appoints the CEO, who manages Harvia's business operations.

MANAGEMENT TEAM

The Management Team supports the CEO in implementing the strategy and managing business operations.

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 series, 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 resolve on 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 has a registered office, or in Helsinki, and is convened by the Board of Directors.

The Annual General Meeting's agenda includes:

- presenting the financial statements, which include the consolidated financial statements and the Report of the Board of Directors;
- presenting the Auditor's Report;
- deciding on the adoption of the financial statements and use of profit shown in the balance sheet;
- deciding on the discharging of the members of the Board of Directors and the CEO from liability;
- deciding on the remuneration of the members of the Board of Directors and the auditor;
- deciding on the number of members of the Board of Directors;
- electing the members of the Board of Directors;
- electing the auditor; and
- handling 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 national daily newspaper designated 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). To be entitled to exercise their right to speak, vote and ask questions in the General Meeting, a shareholder must have registered their participation in the meeting in the manner stated in the meeting notice and no later than the date specified in the meeting notice which cannot be earlier than ten (10) days before the General Meeting. 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.

2023 ANNUAL GENERAL MEETING

Harvia's Annual General Meeting was held at 10:00 a.m. on 20 April 2023 at Tyynenmerenkatu 2, 00220 Helsinki. 129 shareholders were represented in the meeting via either advance voting, in person attendance or a legal or authorized representative. At the start of the meeting, the participants represented 8,289,196 shares and votes, which amounted to approximately 44% of all shares and votes.

The shareholders and their representatives could participate in the Annual General Meeting and use their shareholder rights by both voting in advance and by submitting counterproposals and asking questions in advance, as well as by attending the Annual General Meeting event in person. In addition, they could follow the Annual General Meeting 2023 online via a webcast.

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 Corporate Governance Code. In the selection of members, attention shall be paid to members' mutually complementary experience and competence in the company's field of business and development stage.

DUTIES OF THE BOARD OF DIRECTORS

The duties and activities of the Board of Directors are defined by the Finnish Limited Liability Companies Act, the Corporate Governance Code, 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 2023

Between 1 January and 20 April 2023, the members of the Board of Directors were Olli Liitola, Anders Holmén, Hille Korhonen, Heiner Olbrich and Sanna Suvanto-Harsaae.

The Annual General Meeting on 20 April 2023 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 Heiner Olbrich were re-elected as members. Markus Lengauer and Catharina Stackelberg-Hammarén were elected as new members.

The organizational meeting of the Board of Directors elected from among its members Olli Liitola as its Chairperson. Heiner Olbrich was elected as Deputy Chair of the Board.

In 2023, the Board of Directors focused in its work on selecting the new CEO, updating the company's strategy as well as on the reorganization of the company. The Board of Directors held a total of 15 meetings in 2023. Information about the attendance of the members of the Board of Directors in meetings is shown in the table below.

MEETING ATTENDANCE OF BOARD AND COMMITTEE MEMBERS IN 2023

	Board of Directors		Audit Committee	
Member	**Attendance**	**Attendance %**	**Attendance**	**Attendance %**
Olli Liitola, Chair of the Board	15/15	100	-	-
Heiner Olbrich, Deputy Chair of the Board	14/15	93	5/5	100
Anders Holmén	15/15	100	7/7	100
Hille Korhonen	15/15	100	7/7	100
Markus Lengauer (from 20 April 2023)	10/10	100	-	-
Catharina Stackelberg-Hammarén (from 20 April 2023)	9/10	90	-	-
Sanna Suvanto-Harsaae (until 20 April 2023)	5/5	100	2/2	100

The Board of Directors on 31 December 2023

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 2023: 46,873 shares

HEINER OLBRICH

- Deputy Chair of the Board 2023–, member 2022–
- Member of the Board's Audit Committee 2023–
- PhD (Economics), Master of Business Administration (MBA)
- Born 1965, German citizen
- Main occupation: Board professional
- Harvia Plc's shares on 31 December 2023: 2,000 shares

ANDERS HOLMÉN

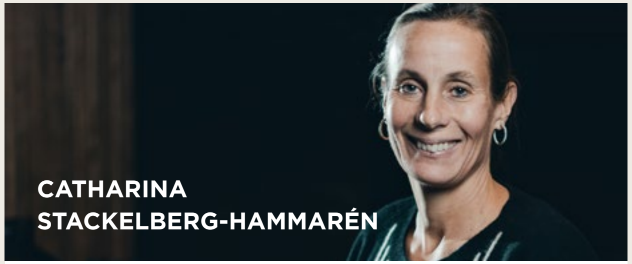
- Member of the Board of Directors 2021–
- Member of the Board's Audit Committee 2022–
- Master of Science in Economics and Business Administration
- Born 1977, Finnish citizen
- Main occupation: CEO of Fyrklöver-Invest Oy Ab 2013–
- Harvia Plc's shares on 31 December 2023: 1,685 shares (through Tillwäxt Ventures Ab, a company owned by Holmén)

HILLE KORHONEN

- Member of the Board of Directors 2021–
- Chairperson of the Board's Audit Committee 2023–, member 2021–
- Licentiate of Science (Technology)
- Born 1961, Finnish citizen
- Main occupation: Board professional
- Harvia Plc's shares on 31 December 2023: 5,106 shares

MARKUS LENGAUER

- Member of the Board of Directors 2023–
- PhD (Mechanical Engineering), Master of Science (Engineering)
- Born 1965, Austrian citizen
- Main occupation: Board professional
- Harvia Plc's shares on 31 December 2023: 0 shares



CATHARINA STACKELBERG-HAMMARÉN

- Member of the Board of Directors 2023–
- Master of Science (Business Administration)
- Born 1970, Finnish citizen
- Main occupation: Senior Vice President, Knowit Insight Oy
- Harvia Plc's shares on 31 December 2023: 1,485 shares

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

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 20 April 2023, were deemed to be independent of the company and its major shareholders based on an assessment of independence in accordance with the Corporate Governance Code.

SELF-ASSESSMENT

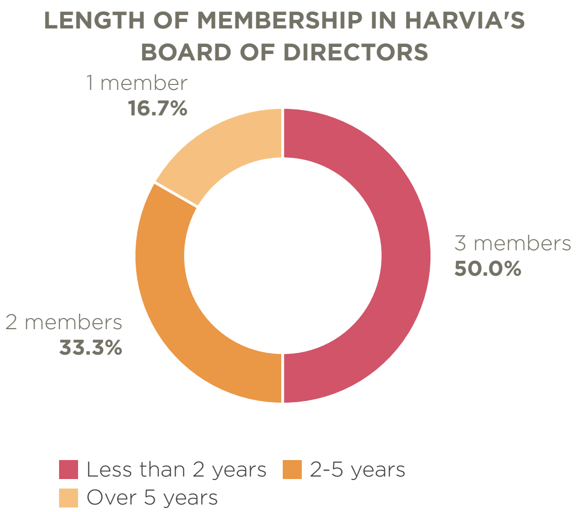
The Board of Directors assesses its operations and ways of working annually as an internal self-assessment. The Board of Directors conducted the self-assessment in December 2023. The self-assessment emphasized the need for developing the Management Team and the monitoring of market development, the implementation of the business plan and sustainability matters. The Chairman of the Board reviewed the results of the self-assessment together with the Board members in late 2023. The results of the Board's self-assessment were also presented to the Shareholders' Nomination Board in December 2023.

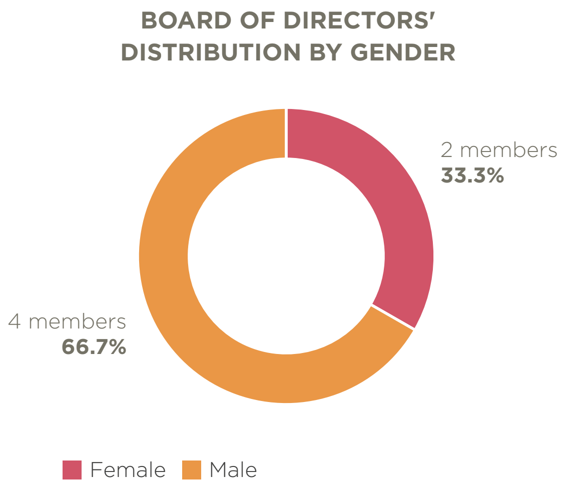
DIVERSITY OF THE BOARD

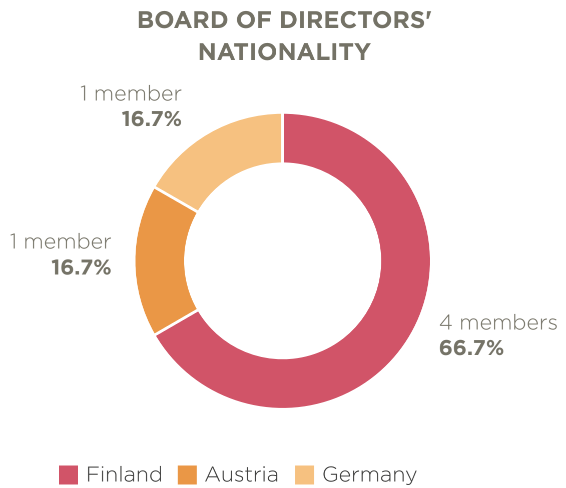
Harvia's Shareholders' Nomination Board takes into account the principles concerning the Board of Directors' diversity in its work and its proposals. A person elected as a member of Harvia's Board of Directors must have qualifications required for the task as well as adequate availability for carrying 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.

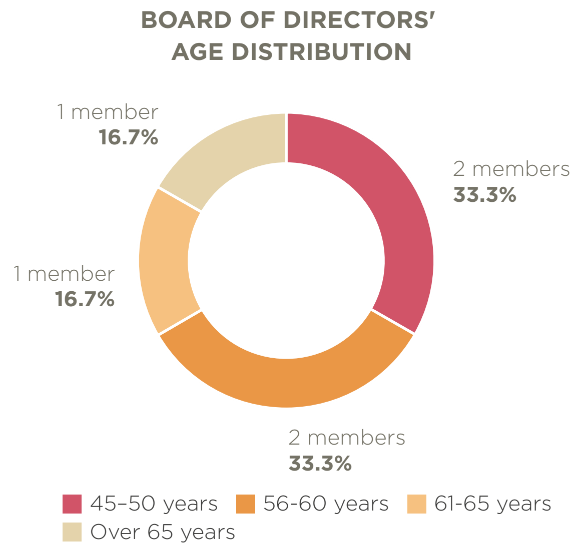
Varied professional and educational backgrounds support the diversity of the Board. The goal is to promote gender equality in the selection of Board members. Additionally, the objective is to ensure that the Board of Directors as a whole enables efficient management of the Board's responsibilities and supports the development of Harvia's business.

In 2023, both genders and several nationalities were represented in the company's Board of Directors. There are two women and four men among the six Board members elected by the Annual General Meeting in April 2023. The members include four Finnish citizens as well as one German and one Austrian citizen.









The graphs relate to the Board of Directors elected by the Annual General Meeting 2023.

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.

The Audit Committee prepares matters related to the company's remuneration policy and programs and sees to the expediency of the remuneration programs. 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 2023

In 2023, the members of the Audit Committee between 1 January and 20 April 2023 were Sanna Suvanto-Harsaae (Chairperson), Anders Holmén and Hille Korhonen. The Board of Directors, appointed in the Annual General Meeting on 20 April 2023, elected from its members Hille Korhonen (Chairperson), Anders Holmén and Heiner Olbrich as members of the Audit Committee.

In 2023, the Audit Committee convened seven times. The members' attendance in the meetings is described in the table on page 45. In 2023, the Audit Committee focused in its work on risk management, preparing for the upcoming CSRD reporting and inviting tenders for the company's audit.

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 18 September 2023, 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 (Ilmarinen Mutual Pension Insurance Company).

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

The aforementioned members acted as members of the Shareholders' Nomination Board also during the term between 28 September 2022 and 18 September 2023.

The Shareholders' Nomination Board held a total of two meetings in 2023.

On 13 December 2023, the Nomination Board submitted its proposals for the composition and remuneration of the Board of Directors to Harvia Plc's Annual General Meeting, which is planned to be held on 26 April 2024, and for the remuneration of the members of the Audit Committee to Harvia's Board of Directors. The Nomination Board was unanimous in its proposals.

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 the company's financial administration 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 until 31 May 2023, 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. Appointed by Harvia's Board, Matias Järnefelt has acted as the CEO since 1 June 2023.

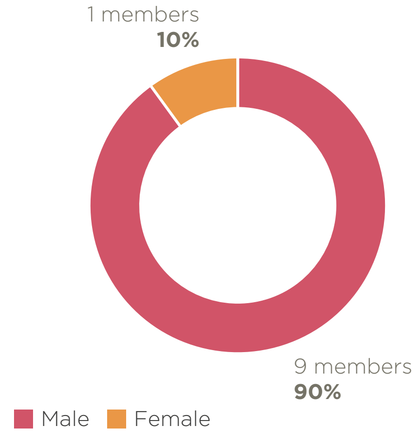
The CEO's financial benefits are introduced in the 2023 remuneration report.

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 2023, the Management Team focused on the reorganization of the company and strategic planning in addition to the ordinary business management and development duties.

GENDER DISTRIBUTION OF MEMBERS OF THE EXECUTIVE BOARD



Members of the Management Team on 31 December 2023

MATIAS JÄRNEFELT

- CEO
- M.Sc. Industrial Engineering and Management
- Born 1974, Finnish citizen
- CEO and member of the Management Team from 1 June 2023
- Harvia Plc's shares on 31 December 2023: 0 shares

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 2023: 149,482 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 2023: 120,943 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 2023: 138,525 shares

THOMAS 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 2023: 4,280 shares

PÄIVI JUOLAHTI

- Vice President, Marketing & Innovation
- Master of Science in Economics and Business Administration
- Born 1976, Finnish citizen
- Vice President, Marketing & Innovation, member of the Management Team 2020–
- Harvia Plc's shares on 31 December 2023: 2,398 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 2023: 13,695 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 2023: 66,049 shares

MIKA SUOJA

- 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 2023: 36,447 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 2023: 115,000 shares

On 17 October 2023, Harvia announced that it is changing its organizational structure and making changes to its Group Management Team. The new organization consists of four geographical sales regions and five Group functions. Additionally, there will be a Management Team position for the Head of EOS Brand and Products. The new organizational structure is effective as of 1 January 2024.

On 26 January 2024, Harvia announced that Jennifer Thayer has been appointed as Head of Region, North America, and President of Harvia US Inc., as well as a member of Harvia's Management Team. Thayer assumed her position on 1 February 2024. In addition, the company announced on 28 September 2023 that Rainer Kunz has decided to leave his position in Harvia Group. However, he will continue to work in Harvia until March 2024. The resumés of the members of the Management Team are available on the company website at harviagroup.com/investor-relations/corporate-governance/management/.

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 Nordic Main Market Rulebook for Issuers of Shares.

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. Harvia will evaluate and develop its risk management system during 2024.

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 a related party to Harvia. Harvia's related parties include the Board of Directors and the Management Team and their closely associated persons 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 decides on significant transactions carried out with Harvia's management and its related parties. The Board of Directors also decides 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 2023, 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 a whistleblowing channel that enables all stakeholders to report possible misconduct through Harvia Group's website. No suspected violations of the rules and regulations concerning the financial markets were reported through the reporting channel in 2023.

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 2023

PricewaterhouseCoopers Oy acted as the company's auditor in 2023 with Markku Katajisto, Authorized Public Accountant, acting as the principal responsible auditor. The audit fees paid to PricewaterhouseCoopers Oy in 2023 totaled EUR 223 thousand. Of the fees paid, EUR 197 thousand were fees for a statutory audit and EUR 26 thousand were comprised of other fees. The other fees were related to consultancy on EU taxonomy and sustainability matters. Audit fees paid to other firms totaled EUR 89 thousand.

REMUNERATION REPORT 2023

DEAR HARVIA SHAREHOLDER,

With this greeting, I present Harvia Plc's Remuneration Report for the financial year 2023. The Remuneration Report describes the remuneration of the company's Board of Directors and CEO in 2023 and how the company's remuneration policy, approved by Harvia's Annual General Meeting, has been implemented in 2023. The Remuneration Report 2023 has been drafted in accordance with the Finnish Corporate Governance Code 2020 of the Securities Market Association and other regulation. It will be presented at Harvia's Annual General Meeting 2024 for an advisory vote.

HARVIA'S KEY PRINCIPLES OF REMUNERATION

The key principles of remuneration at Harvia are that remuneration is transparent and market-oriented and that it rewards good performance. The remuneration policy applicable to the company's Board of Directors and CEO aims to encourage and reward the parties 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.

HARVIA'S PERFORMANCE IN 2023

In 2023, the operating environment remained volatile: economic uncertainty, increased interest rates, inflation and low consumer confidence impacted the European sauna and spa market in particular.

Harvia's financial success in 2023 is characterized by the achievement of strong profitability and a strong cash flow. Business growth was robust particularly in North America. Harvia's revenue returned to growth in the fourth quarter, supported by improved sales in Central Europe towards the end of the year.

I would like to take this opportunity to thank Harvia's management and entire personnel for their persistent work in 2023 as well as their efforts in building the company's future growth.

REMUNERATION IN 2023

In the financial year 2023, the remuneration of Harvia's Board of Directors and CEO was compliant with the company's remuneration policy without exception.

The Annual General Meeting 2023 decided 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.

At the beginning of June 2023, Harvia welcomed its new CEO Matias Järnefelt. In accordance with the remuneration policy, the elements of Järnefelt's remuneration include a fixed monthly salary, a short-term performance bonus as well as participation in the performance period 2023–2025 of the long-term share-based incentive program. The criteria of the performance period include the total shareholder return of Harvia's share, organic revenue growth and reducing CO_2 emissions. The criteria also emphasize the importance of profitability: the payment of rewards based on organic revenue growth requires that Harvia achieves a certain EBIT margin in the performance period.

DEVELOPING REMUNERATION

Harvia's remuneration policy has been presented to the company's Annual General Meeting in 2020; hence it is time to present an updated remuneration policy to the General Meeting in spring 2024. This will set the framework for Harvia's remuneration.

The Shareholders' Nomination Board will annually make proposals to the Annual General Meeting for the remuneration and development of the company's Board of Directors. The Board of Directors' approach to the remuneration of the company's management considers both the competitiveness of remuneration and the promotion of Harvia's long-term preconditions for success and targets by means of remuneration. The remuneration criteria include elements concerning Harvia's growth, profitability and sustainability. I consider these factors to be essential also in the future, along with the possibility of flexible remuneration structures in line with market practices.

I appreciate all remarks regarding Harvia's remuneration and 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 aim of the company's remuneration policy, approved by the Annual General Meeting 2020, is 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 2023, the remuneration of the Board of Directors and CEO complied with the remuneration policy approved by the Annual General Meeting 2020, and there were no deviations. The remuneration of the Board of Directors or CEO were not recovered or adjusted in the financial year 2023.

An updated remuneration policy will be presented to Harvia's Annual General Meeting 2024 for an advisory vote.

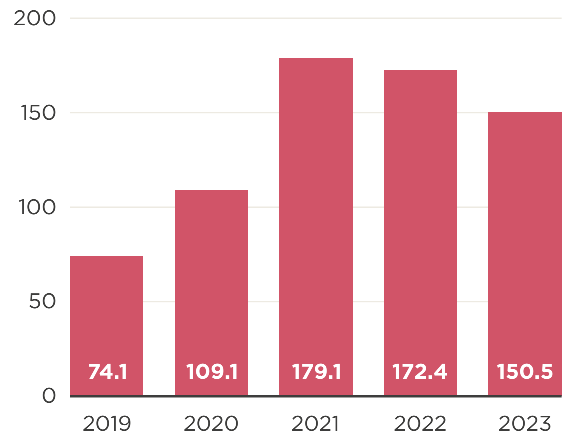
DEVELOPING REMUNERATION

The cornerstones of Harvia's strategy include increasing the value of the average purchase, geographical expansion, and continuous improvement of productivity. The company continued the consistent implementation of its strategy in 2023, promoting the different areas of strategy in a balanced manner.

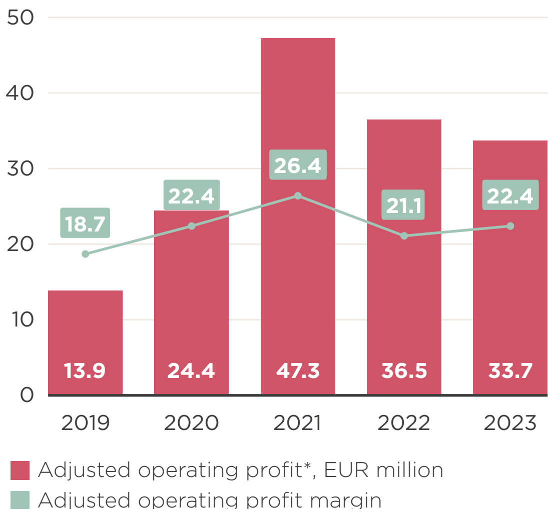
During the review period of the remuneration report, the Group revenue has increased from EUR 74.1 million in 2019 to EUR 150.5 million in 2023. During the same period, the adjusted operating profit increased from EUR 13.9 million to EUR 33.7 million. Adjusted operating profit margin was 22.4 percent in 2023.

Dividends paid by Harvia have increased by 73.0% in 2019–2023. The total shareholder return (TSR) of Harvia's share was 36.5% in 2019–2023. Dividends paid in 2019–2023 and the price development of Harvia's share have been taken into account in the TSR.

REVENUE, EUR MILLION

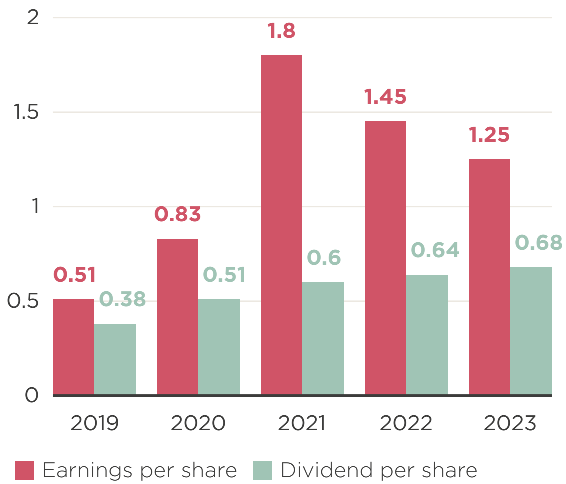


ADJUSTED OPERATING PROFIT, EUR MILLION AND ADJUSTED OPERATING PROFIT MARGIN



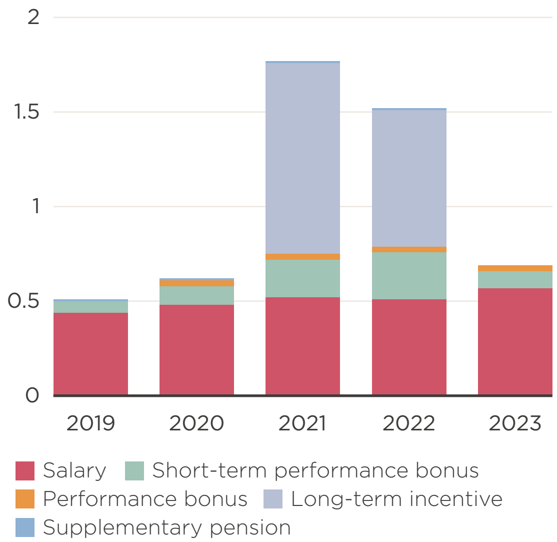
* Adjusted by items affecting comparability

EARNINGS PER SHARE AND DIVIDEND PER SHARE, EUR



Dividend per share for 2023 is the dividend proposal of Harvia's Board of Directors to the 2024 Annual General Meeting.

REMUNERATION PAID TO THE CEO, MEUR



Based on remuneration paid to Tapio Pajuharju until 31 May 2023 and remuneration paid to Matias Järnefelt as of 1 June 2023.

AVERAGE REMUNERATION

EUR 1,000	2019	2020	2021	2022	2023
Chairman of the Board	58	58	53	53	61
Other Board members on average	20	20	28	30	32
CEO's fixed monthly salary including taxable benefits [1]	444	479	524	510	570
CEO's remuneration in total [1], [2]	507	611	1,774	1,523	695
The salary of a Harvia employee on average [3]	30	33	33	33	39

1) Based on remuneration paid to Tapio Pajuharju by 31 May 2023 and remuneration paid to Matias Järnefelt as of 1 June 2023.

2) Rewards based on Harvia's long-term incentive program were paid to Pajuharju in shares in May 2021 for the 2018–2020 performance period with the gross value of EUR 1,012,291.35, and in May 2022 for the 2019–2021 performance period with the gross value of EUR 721,052.57.

3) 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.

REMUNERATION OF THE BOARD OF DIRECTORS IN 2023

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 2023 resolved on the following monthly remuneration for the members of the Board of Directors for their term ending after the Annual General Meeting 2024: Chairperson of the Board EUR 4,500 and Member of the Board EUR 2,500. 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 was unchanged from the previous term of office.

The Annual General Meeting decided that the monthly remuneration of the Board members will be paid in company shares and in cash in such a way that approximately 40 percent of the total monthly remuneration will be paid in company shares purchased at a price determined in public trading on Nasdaq Helsinki Ltd and approximately 60 percent will be paid in cash. The shares will be acquired within two weeks from the day following the publication of the company's interim report for the period 1 January–31 March 2023. The company will pay any costs and transfer tax related to the purchase of company shares. In case the remuneration cannot be paid in company shares due to legal or other regulatory restrictions or due to other reasons related to the company or a member of the Board of Directors, the remuneration will be paid in cash. A member of the Board of Directors may not transfer the shares received as remuneration for Board membership in 2023 until two years has passed since the date of transfer of the shares.

The remuneration for the members of the Audit Committee will be paid fully in cash.

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 fee is paid for decisions made without convening a meeting.

The travel expenses of the members of the Board of Directors are compensated in accordance with the company's travel rules. 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 2023

Member	Monthly remuneration in total, EUR 1)	Monthly remuneration in shares, EUR 2)	Monthly remuneration in shares, pcs 3)	Monthly remuneration in cash, EUR	Remuneration for Audit Committee membership, EUR	Meeting fees, EUR	Remuneration in financial year 2023 in total, EUR
Olli Liitola, Chairperson of the Board	60,846	21,600	873	39,246			60,846
Heiner Olbrich, Deputy Chairperson of the Board	30,000			30,000	6,292	2,700	38,992
Anders Holmén	33,803	12,000	485	21,803	9,000		42,803
Hille Korhonen	33,803	12,000	485	21,803	13,614		47,417
Markus Lengauer, from 20 April 2023	21,872			21,872		2,700	24,572
Catharina Stackelberg-Hammarén, from 20 April 2023	24,758	12,000	485	12,758			24,758
Sanna Suvanto-Harsaae, until 20 April 2023	9,167			9,167	4,767	900	14,833
Total	**214,249**	**57,600**	**2,328**	**156,649**	**33,672**	**6,300**	**254,221**

1) In accordance with the decision of the Annual General Meeting 2023, 40% of the monthly remuneration in 2023 was paid in Harvia Plc shares and 60% in cash. In April–December 2023, some members of the Board received their monthly remuneration fully in cash. For the members to whom their monthly remuneration was paid partly in Harvia shares, the share component was paid in full on 30 May 2023 for their membership in April 2023–April 2024. For these members, the monthly remuneration includes the share purchase-related transfer tax that was paid by the company.

2) 40% of the monthly remuneration in April 2023–April 2024.

3) The number of shares is based on the volume-weighted average price of the Harvia share in 4–18 May 2023 (EUR 24.75 per share).

CEO REMUNERATION IN 2023

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. The remuneration of the CEO may also include supplementary pension arrangement.

Variable remuneration constituted 27 percent of the overall remuneration of Tapio Pajuharju, CEO until the end of May 2023 (66 percent in 2022 and 70 percent in 2021), and fixed salary 73 percent (34 percent in 2022 and 30 percent in 2021).

Fixed salary constituted 100 percent of the overall remuneration of Matias Järnefelt, CEO since 1 June 2023.

FIXED SALARY

CEO Tapio Pajuharju's total monthly salary was EUR 318,015 including taxable benefits in 1 January–31 May 2023 (EUR 510,290 in 2022).

CEO Matias Järnefelt's total monthly salary was EUR 251,882 including taxable benefits in 1 June–31 December 2023.

SHORT-TERM PERFORMANCE BONUS AND PERFORMANCE BONUS

The CEO's performance targets are set by the company's Board of Directors. The purpose of the short-term incentive program is to support the achievement of the company's short-term financial and strategic objectives. The performance period for the CEO's short-term incentive program is one year. The bonus payable based on the short-term incentive program for 2023 can account for a maximum of 50 percent of the CEO's fixed salary, which was equal to that in 2022.

SUMMARY OF CEO REMUNERATION

Type of remuneration	**Description of remuneration, CEO Matias Järnefelt** (as of 1 June 2023)	**Description of remuneration, CEO Tapio Pajuharju** (1 January–31 May 2023)
Fixed: Salary	Fixed monthly salary including taxable benefits: car benefit and telephone benefit	During the period 1 January-31 May 2023 the remuneration of CEO Tapio Pajuharju consisted of a fixed monthly salary including taxable benefits (car benefit, apartment benefit, garage and telephone benefit) and a supplementary defined contribution pension. Pajuharju receives the supplementary pension upon turning 63 years old. Pajuharju was not entitled to the short-term performance bonus, performance bonus or remuneration based on the share-based long-term incentive program for the financial year 2023 due to his resignation.
Fixed: Pensions	Statutory pension in Finland	
Variable: Short-term performance bonus	Based on financial result and personal targets, a maximum of 50% of basic annual salary in 2023. The payment of the bonus is based on achieving the target level for consolidated adjusted operating profit and personal targets.	
Variable: Performance bonus	Based on financial performance, a maximum of 6% of basic annual salary in 2023. The payment of the bonus is based on achieving certain profitability targets.	
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.	

Tapio Pajuharju

In November 2022, CEO Pajuharju announced that he will resign as CEO in May 2023. Pajuharju is entitled to the short-term performance bonus paid for 2022 as well as to the 2022 performance bonus, paid in 2023. Pajuharju is not entitled to the short-term performance bonus for 2023 or to the 2023 performance bonus.

Performance bonus criteria in 2022	Weighting	Outcome
Consolidated adjusted operating profit	66.6%	100%
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 the financial year 2023, Pajuharju was paid a short-term performance bonus totaling EUR 92,990 for 2022. The amount of the shortterm performance bonus was specified after the publication of Harvia's Remuneration Report 2022.

Matias Järnefelt

Järnefelt is entitled to the short-term performance bonus to be paid for 2023 as well as to the 2023 performance bonus in accordance with his term of service. In the financial year 2023, personal targets related to managing net working capital, developing the company's capacity to make profits and improving occupational safety. In 2024, Järnefelt will be paid a short-term performance bonus of EUR 55,437 for the financial year 2023.

Criteria in 2023	Weighting	Outcome
Consolidated adjusted operating profit	66.7%	5.5% (7/12 parts of the year)
Personal targets	33.3%	19.4% (7/12 parts of the year)
Total	**100%**	**24.9%**

In addition to the short-term performance bonus, Järnefelt 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) from 1 June 2023 onwards. 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 2023 bonus to be paid to the CEO in 2024 will be 6% of the CEO's salary including fringe benefits, amounting to EUR 14,700.

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 paid in spring 2023 for the performance period 2020–2022 of the incentive program or the share reward linked to the performance period 2021–2023.

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
2020–2022	• Absolute TSR (50%) • Organic revenue growth (50%)	Spring 2023	8,167	Pajuharju not entitled to the reward due to resignation	0	0
2021–2023	• Absolute TSR (50%) • Organic revenue growth (40%) • Sustainability: sustainability strategy and metrics (10%)	Spring 2024	7,910	Pajuharju not entitled to the reward due to resignation Järnefelt is not covered by the performance period	0	0
2022–2024	• Absolute TSR (50%) • Organic revenue growth (35%) • Sustainability: reducing CO_2 emissions (15%)	Spring 2025	16,889	Pajuharju not entitled to the reward due to resignation Järnefelt is not covered by the performance period		
2023–2025	• Absolute TSR (50%) • Organic revenue growth (35%) • Sustainability: reducing CO_2 emissions (15%)	Spring 2026	13,835	Ongoing performance period Järnefelt covered by the 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 2023

Tapio Pajuharju, until 31 May 2023

Remuneration component	EUR
Fixed salary [1]	318,015
Short-term performance bonus from 2022	92,990
Performance bonus from 2022	28,593
Supplementary pension	3,542
Total	**443,140**

1) Including taxable benefits (car, apartment, carage and telephone benefits)

Matias Järnefelt, from 1 June 2023

Remuneration component	EUR
Fixed salary [1]	251,882
Total	**251,882**

1) Including taxable benefits (car and telephone benefit).

THE REWARD TO BE PAID TO CEO JÄRNEFELT IN 2024 BASED ON PERFORMANCE IN 2023

Remuneration component	EUR
Short-term performance bonus from 2023	55,437
Performance bonus from 2023	14,700
Total	**70,137**

THE KEY TERMS OF SERVICE OF THE CEO

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

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

The CEO's retirement age is determined by the statutory pension system.

CONSOLIDATED FINANCIAL STATEMENTS AND REPORT BY THE BOARD OF DIRECTORS 2023

CONTENTS

This is an unofficial language version of ESEF 2023. The official version is available in Finnish at www.harviagroup.com/fi.

Report by the Board of Directors for 2023

GENERAL INFORMATION OF HARVIA

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

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

PROFIT PERFORMANCE, KEY FIGURES AND STATEMENT OF FINANCIAL POSITION

Harvia key figures for the period 1 January – 31 December 2023 are presented below (EUR thousand, unless otherwise indicated).

	2023	2022	2021
Key statement of comprehensive income indicators			
Revenue	150,547	172,408	179,123
EBITDA	39,298	41,173	52,488
EBITDA margin, per cent	26.1%	23.9%	29.3%
Adjusted EBITDA	39,924	42,947	53,116
Adjusted EBITDA margin, per cent	26.5%	24.9%	29.7%
Operating profit	33,044	34,678	46,644
Operating profit margin, per cent	21.9%	20.1%	26.0%
Adjusted operating profit	33,670	36,452	47,272
Adjusted operating profit margin, per cent	22.4%	21.1%	26.4%
Basic EPS (EUR)	1.25	1.45	1.80
Diluted EPS (EUR)	1.24	1.44	1.79
Key cash flow indicators			
Cash flow from operating activities	39,139	24,335	21,816
Operating free cash flow	44,601	33,989	20,447
Cash conversion, per cent	111.7%	79.1%	38.5%
Investments in tangible and intangible assets	-3,124	-3,587	-11,762
Financial position key figures			
Net debt	37,569	54,529	43,817
Net debt / adjusted EBITDA (Leverage), per cent	0.9	1.3	0.8
Net working capital	36,132	45,319	41,931
Capital employed excluding goodwill, average	76,129	66,836	41,984
Capital employed excluding goodwill at the end of period	79,435	79,435	54,236
Adjusted return on capital employed (ROCE), per cent	44.2%	54.5%	112.6%
Equity ratio, per cent	51.0%	47.3%	42.4%
Return on equity (ROE), per cent	22.5%	30.8%	45.5%

The Group's revenue decreased in January–December by 12.7% to EUR 150.5 million (172.4). At comparable exchange rates, revenue decreased by 11.7% to EUR 152.2 million. Organic revenue growth was -9.4%. Revenue increased in North America but decreased compared to the previous year in all other market areas. The revenue decrease in other countries was driven by the exit from Russia in 2022.

Revenue decreased in all product groups in January–December, excluding accessories and heater stones, where sales increased, driven by heater stone sales. The decline in the sales of spare parts and services was driven by the general market development as well as by the exit from Russia in 2022.

Operating profit in 2023 was EUR 33.0 million (34.7). The operating profit included EUR 0.6 million (1.8) of items affecting comparability, mainly related to acquisitions and restructuring. Changes in exchange rates weakend the operating profit by approximately EUR 0.8 million, which was caused mainly by the weakening of the U.S. dollar.

The adjusted operating profit of EUR 33.7 million decreased from the previous year (36.5) and the operating profit margin was 22.4% (21.1). Net financial items for the review period were amounted to EUR -3,5 million (2.1). Harvia has an interest rate swap with a nominal value of 36.5 million that matures on 15 December 2026. Hedging produces clear savings on interest payments of Harvia in terms of cash flows. Fair value of the interest rate swap fluctuates according to interest rate market expectations, and the change in value is recorded in net financial items as changes in fair value.

The result before taxes for January–December was EUR 29.5 million (36.8). The Group's taxes amounted to EUR -6.3 million (-8.7).

The result for the financial period attributable to the owners of the parent company was EUR 23.3 million (27.1) and the undiluted earnings per share were EUR 1.25 (1.45).

The Group's investments in 2023 were EUR 3.1 million (3.6). During 2023, Harvia made only minor investments to maintain and improve its factories. Harvia continued to improve its energy efficiency in several factories and increased automation in its factories in the United States and Germany. In addition, Harvia optimized its production processes with layout changes at the Muurame factory and continued to upgrade air conditioning and lighting to improve working conditions at the factories in Muurame and the United States. A production line for wood burning heater frames was completed in Muurame.

PERSONNEL

The number of personnel employed by the Group at the end of December was 605 (633) and averaged 612 (768) in January–December. Of the personnel at the end of December, 238 (240) was working in Finland, 116 (136) in Germany, 76 (66) in the United States, 67 (89) in Romania, 57 (58) in China and Hong Kong, 31 (32) in Austria, 12 (0) in Italy, 6 (9) in Estonia, 2 (2) in Sweden and 0 (1) 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 in 2022 and acquisition of Italian Phoenix El-mec Srl impacted the personnel figures.

RESEARCH AND PRODUCT DEVELOPMENT

In 2023, Harvia's product development supported the company's geographical expansion by the development and certification of products for the North American and Japanese markets. Harvia developed new products such as the new control unit Harvia Xenio universal for developing markets. The new control unit is suitable for all markets regardless of the type of electrical system used in the country. In 2023, Harvia focused on its strategic priorities: increasing the average purchase value by launching new products especially in the sauna category, expanding geographically by developing, getting approvals and launching new products to markets especially outside Europe, and improving productivity by focusing on quality, increasing automation and improving the efficiency of production processes.

During 1 January – 31 December 2023 there were on average 21 employees working in research and development. The Group's research and development expenditure amounted to EUR 2.3 million (EUR 2.8 million in 2022), of which EUR 1.7 million (EUR 2.2 million in 2022) were recognized as expenses.

ASSESSMENT OF THE MOST SIGNIFICANT RISKS AND UNCERTAINTIES

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 directly impact 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 a 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, even if many of the impacts have been indirect. These indirect impacts have been visible in the higher raw material prices, increased inflation, reduced consumer confidence and increased energy prices. Related energy saving measures were notable especially in Europe between fall 2022 and spring 2023. Harvia suspended its operations in Russia at the beginning of March 2022 due to the war in Ukraine and completed its exit from Russia by selling its 80% share in EOS Russia in November 2022. The transaction was closed in March 2023 after receiving relevant approvals from Russian authorities. Developments related to the war and its impacts as well as other geopolitical events can further affect Harvia either directly or indirectly.

The increase in cyber threats worldwide alongside the growing dependency on digital infrastructure cause risks to Harvia's business and its critical data. While the Group continuously takes actions to prepare for these risks and protect its digital infrastructure, operations and people against them, cyber threats in many forms can potentially affect Harvia. This could occur either directly by disrupting or endangering Harvia's daily operations or compromising data or indirectly through attacking Harvia's suppliers or customers, and thus can potentially result in financial, operational or reputational damage to the company.

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 together 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. Exchange rate risks have thus far not been significant for the Group, and Harvia has not protected itself from these risks with currency derivatives.

The principles of Harvia's financing risk management will be described in the Consolidated Financial Statements 2023 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 Harvia Group Oy, another holding company, the daughter company Harvia Finland Oy that produces heaters and sauna and spa products, Velha Oy that produces saunas and Sentiotec GmbH subgroup that is specialized in control units, sauna rooms and sauna heaters. Harvia Finland Oy owns Harvia (HK) Sauna Co. Ltd subgroup and daughter companies Harvia Estonia OÜ, LLC Harvia RUS, Saunamax Oy, Phoenix El-Mec Srl and a joint venture Harvia Japan Limited. Harvia Group Oy established Harvia US Holdings Inc. subgroup to 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 to hold 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% shareholding of EOS Russia to Mr. Vasilij Sosenkov. After the transaction Harvia does not own any shareholding in EOS Russia. Closing of the transaction was completed in March 2023 after approval from the Russian officials on 10 March 2023. In 2023 Harvia establisded a joint venture Harvia Japan Limited and acquired electromechanical timer manufacturer Phoenix El-Mec.

ANNUAL GENERAL MEETING

The Annual General Meeting of Harvia, held on 20 April 2023, approved the financial statements and discharged the members of the Board of Directors and the company's CEO from liability for the financial year 2022. The Annual General Meeting approved in an advisory decision the remuneration report for the governing bodies.

The Annual General Meeting approved the Board of Directors' proposal that EUR 0.64 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 installments. The first installment, EUR 0.32 per share, was paid on 2 May 2023. The second installment, EUR 0.32 per share, was paid on 30 October 2023. The record date of the dividend date was 23 October 2023.

The Annual General Meeting resolved that the Board of Directors consists of six members. Olli Liitola, Anders Holmén, Hille Korhonen and Heiner Olbrich were re-elected to the Board of Directors and Markus Lengauer and Catharina von Stackelberg-Hammarén were elected as new members of the Board of Directors. Authorized Public Accounting firm PricewaterhouseCoopers Oy was elected as the Auditor of the company and Markku Katajisto, Authorized Public Accountant, acts 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 maximum number of shares to be repurchased represents approximately 5% of all the shares in the company on the date of the Annual General Meeting. The authorization may be used for the purposes of the company's share-based incentive systems and other matters decided by the Board of Directors. The authorization is valid until the closing of the next Annual General Meeting, but no longer than until 30 June 2024.

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 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 four calendar years each 2021–2023, 2022–2024 and 2023–2025. 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.

The Board of Directors of Harvia Plc decided on 26 June 2023 to continue the Long-term Performance Share Plan for the management team and other key employees for the performance period 2023–2025. In the performance period 2023–2025, the plan has 16 participants at most and the targets for the performance period relate to the company's total shareholder return, revenue growth, CO2 emissions and EBIT margin. The maximum number of Harvia Plc shares to be paid based on the performance period 2023–2025 is 61,600. 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 2023–2025 will be paid out during spring 2026.

BOARD OF DIRECTORS PROPOSAL FOR DISTRIBUTION OF PROFIT

Harvia Plc's total unrestricted equity amounts to EUR 75,439,602 in total, of which profit for the period accounts for EUR 15,481,367. 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 0.68 (0,64) per share, EUR 12,712,080.48 in total, for the financial period ended 31 December 2023. The Board of Directors proposes the dividend to be paid in two instalments, EUR 0.34 in May 2024 and EUR 0.34 in October 2024.

BOARD OF DIRECTORS AND THE COMPANY'S AUDITORS

Harvia Plc's members of the Board of Directors were Olli Liitola, Sanna Suvanto-Harsaae (until 20 April 2023), Hille Korhonen, Anders Holmén and Heiner Olbrich and Markus Lengauer and Catharina von Stackelberg-Hammarén (both as of 20 April 2023). Olli Liitola acted as Chairman of the Board. Company CEO was Tapio Pajuharju (until 31 May 2023) and Matias Järnefelt (as of 1 June 2023). Company auditor has been PricewaterhouseCoopers Oy, Markku Katajisto, Authorised Public Accountant as the responsible auditor.

Group management team was: CEO Tapio Pajuharju (unti 31 May 2023) and CEO Matias Järnefelt (as of 1 June 2023), Chief Financial Officer Ari Vesterinen, Export Director David Ahonen, Chief Technology Officer Timo Harvia, Sales Director, Scandinavia Tomas Hjälmeby, 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 28 March 2023, the Board of Directors of Harvia appointed Matias Järnefelt as Harvia's new CEO. On 17 November 2022, Harvia had announced that Tapio Pajuharju, CEO of Harvia Plc, had resigned from his position. Pajuharju continued in his role until 31 May 2023, and Järnefelt started in his position on 1 June 2023.

On 28 September 2023, Harvia Plc announced that Rainer Kunz, Managing Director of EOS Group and a member of Harvia's Management Team, had decided to leave his position in Harvia Group. Kunz will continue to work for Harvia until the end of March 2024.

On 17 October 2023, Harvia announced that it is changing its organizational structure and making changes to its Group Management Team. The new organization consists of four geographical sales regions: North America, Northern Europe, Continental Europe, and Asia-Pacific-MEA (Middle East & Africa). It also encompasses five Group functions: Marketing & Brand, Products & Solutions, Innovation & Technology, Operations, as well as Support functions. Additionally, there is a Management Team position for the Head of EOS Brand and Products. The new organizational structure is effective as of 1 January 2024. It will also be reflected in Harvia's financial reporting of revenue by market area as of Q1 2024.

On 18 September 2023, Harvia Plc announced the composition of the Shareholders' Nomination Board, which is comprised of representatives appointed by the company's four largest shareholders. Juho Lipsanen (Onvest Oy), Jarno Käyhkö (WestStar Oy), Timo Harvia (Tiipeti Oy) and Annika Ekman (Keskinäinen Eläkevakuutusyhtiö Ilmarinen) were appointed to Harvia Plc's Shareholders' Nomination Board. In addition, Olli Liitola, the Chair 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 proposes the following to the Annual General Meeting planned to be held on 26 April 2024:

The Nomination Board proposes that the number of members of the Board of Directors shall be six. The Shareholders' Nomination Board proposes that Olli Liitola, Anders Holmén, Hille Korhonen, Heiner Olbrich, Markus Lengauer and Catharina von Stackelberg-Hammarén be reappointed to the Board of Directors. All proposed persons have given their consent to the appointment. They are independent of the company and of the major shareholders of the company. Olli Liitola has announced that he will renounce his position as Chair of the Board of Directors, but that he is available for the appointment as a member of the Board of Directors. The Nomination Board recommends that the Board of Directors would elect Heiner Olbrich as its Chair.

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. 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 has been true especially for the more mature sauna markets.

Historically, the sauna and spa market has grown annually by an average of 5%. However, the market growth was significantly higher during the COVID-19 induced lockdowns prior to 2022, when the demand was fueled by increasing awareness of the health benefits of sauna and the home improvement boom. The awareness of sauna and its health benefits has continued to grow also after the pandemic.

In general, the sauna and spa market tends to witness some seasonality with slightly stronger demand in the early and late part of the year and lower during the summer months. During the pandemic, this was hardly visible, but in 2023 there were signs that the seasonality in demand is returning closer to the historical patterns.

Especially in Europe, the sauna and spa market has been heavily impacted by the Russian invasion of Ukraine in February 2022 and the wider economic development afterwards. At the end of 2022 and during 2023, high economic uncertainty, elevated inflation and interest rates, as well as eroded consumer confidence widely affected the European sauna and spa market across product segments. However, the negative impacts have not been equally strong in all European countries. During the fourth quarter, the market conditions started to show signs of stabilization in Central Europe. In Finland and Scandinavia, where the demand has traditionally been very resilient in economic downturns, the market conditions remained challenging as high interest rates, challenges in the construction sector and weak consumer confidence continued to prevail.

Outside Europe, especially in North America and Asia, the sauna and spa market has continued to grow also after the pandemic. The strong growth in North America has been heavily supported by the growing awareness of sauna and its health benefits as well as strong consumer confidence and economic conditions. The demand in market areas outside Europe 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 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. In 2023, Harvia's share of the sauna and spa market was estimated to be 5%. The company's share of the sauna heater and sauna component market is estimated to be over 20%. 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 has appointed Jennifer Thayer as Head of Region, North America and President of Harvia US Inc., and a member of the management team of Harvia Group. In her role, Thayer will be responsible for leading the North American commercial organization and driving the growth and profitability of Harvia's business in the region. She will assume her position on 1 February 2024 and report to the CEO of Harvia Plc.

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 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.

Harvia started preparing for EU's upcoming Corporate Sustainability Reporting Directive. In 2023, the company carried out a double materiality assessment to identify the most significant sustainability topics both from financial materiality and impact materiality perspective. The results of the materiality assessment will form the foundation for developing Harvia Group's sustainability management and reporting going forward.

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 2023, one report was made through the whistleblowing channel. It was handled in accordance with the company's processes. The channel covers the entire Group, and it is also available to all external stakeholders.

Harvia Group 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. The majority (74%) 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 the outset, 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.

The company conducts continuous development and research to ensure that its products are always safe to use and increase the well-being of the users. All heaters meet the requirements of the target market legislation. Harvia also studies the energy consumption of electric heaters and advises consumers on correct use of the heaters.

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 CO_2 emissions in 2023 were 997.6 tCO_2 (1,196) and Scope 2 emissions 745 tCO_2 (749). The share of emission-free electricity in Harvia Group was 75% (73) in 2023.

All the electricity used at Harvia's Muurame factory, the EOS, Kirami and Sauna-Eurox factories and in the Sentiotec unit is from 100% emission-free sources. Some of the electricity used at the Muurame factory is produced by the factory's solar panels. Energy consumption of the factories is monitored in real time, which allows immediate actions to be taken in case of consumption changes. The partners of Harvia Group aim to reach emission-free transportation in foreign freight by 2050. In domestic freight, the goal of Harvia's partner is to reduce emissions to net zero already in 2040.

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

The stainless steel used in Finland and Germany 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. 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 the Group-wide personnel survey conducted in 2023, the response rate was 66%. The results were in line with the previous survey conducted in 2021.

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. During the year, the company invested into new machinery, which increases safety by default. In 2023, occupational safety reporting was expanded to cover the whole Group. No serious occupational accidents were reported in the company during the year.

The company takes care of the continuous competence development of its personnel. In 2023, 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.

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 2023, 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 (Regulation (EU) 2020/852, 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 2023, which are associated with Taxonomy-eligible and Taxonomy-aligned economic activities. Taxonomy-eligible and Taxonomy-aligned compliance have been analyzed on the basis of taxonomy legislation, Climate Delegated Act and Environmental Delegated Act. Taxonomy-aligned compliance is achieved when Taxonomy-eligible economic activities contribute significantly to at least one environmental objective by meeting pre-defined technical screening criteria, the activities do not cause significant harm to other environmental objectives according to the Do No Significant Harm (DNSH) criteria, and the Minimum Safeguards defined in the Taxonomy are met. Harvia has assessed its Minimum Safeguards against the minimum requirements of the EU Taxonomy Regulation (EU) 2020/852 on human rights, corruption, bribery, tax regulation and fair competition. Harvia assesses its activities as compliant with the taxonomy criteria.

ACCOUNTING POLICIES

Harvia has assessed the relevant taxonomy-eligible and taxonomy-aligned economic activities in accordance with Regulation (EU) 2020/852. The assessment was conducted together with representatives from different business areas, the sustainability team and the finance department.

TAXONOMY-ELIGIBLE AND -ALIGNED REVENUE

For fiscal year 2023, Harvia has identified one Taxonomy activity related to the Climate Change Mitigation (CCM) objective that is both Taxonomy eligible and Taxonomy aligned: CCM 3.5. "Manufacture of energy efficiency equipment for buildings". The activities that have been considered eligible under the activity CCM 3.5. relate to energy efficiency for heating products, appliances, saunas and sauna technology. The activities that have been considered aligned under the activity CCM 3.5. relate to energy-saving automation for the control and maintenance of sauna technology. Under the Circular Economy (CE) objective, activity CE 5.2. "Sale of spare parts", is also Taxonomy-eligible. Harvia products are built to last, designed to be serviceable, repairable, and durable. With a comprehensive range of spare parts, Harvia supports sustainable circular economy.

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 activities CCM 3.5. and CE 5.2., divided by the Harvia consolidated revenue (see Note 2.1 Revenue).

The proportion of Taxonomy-aligned economic activities has been calculated by dividing the revenue from the sales associated with Taxonomy-aligned economic activity CCM 3.5. by the Harvia consolidated revenue.

Increased sales of products that impact on energy efficiency of saunas as well as new climate targets have increased the share of taxonomy-eligible and taxonomy-compliant turnover.

PROPORTION OF TURNOVER FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING YEAR 2023

Financial year N	**2023**			**Substantial contribution criteria**						**DNSH criteria ('Does Not Significantly Harm')**									
Economic Activities (1)	**Code (a) (2)**	**Turnover (3)**	**Proportion of Turnover. year N (4)**	**Climate Change Mitigation (5)**	**Climate Change Adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular Economy (9)**	**Biodiversity (10)**	**Climate Change Mitigation (11)**	**Climate Change Adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular Economy (15)**	**Biodiversity (16)**	**Minimum Safeguards (17)**	**Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover. year N-1 (18)**	**Category enabling activity (19)**	**Category transitional activity (20)**
		€	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of energy efficient equipment for buildings	CCM 3.5.	5,347,000	3.6%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	2.1%		
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**5,347,000**	**3.6%**	**3.6%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**2.1%**		
Of which Enabling		5,347,000	3.6%	3.6%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	2.1%	E	
Of which Transitional			%	%						Y	Y	Y	Y	Y	Y	Y	%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
Manufacture of energy efficient equipment for buildings	CCM 3.5.	1,669,000	1.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.5%		
Sale of spare parts	CE 5.2.	3,716,000	2.5%	N/EL	N/EL	N/EL	N/EL	EL	N/EL								0.0%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**5,385,000**	3.6%	1.1%	0%	0%	0%	2.5%	0%								0.5%		
A. Turnover of Taxonomy eligible activities (A.1+A.2)		**10,732,000**	7.1%	4.7%	0%	0%	0%	2.5%	0%								2.6%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		**139,815,000**	92.9%																
TOTAL		**150,547,000**	**100%**																

TAXONOMY-ELIGIBLE AND -ALIGNED CAPEX

During the fiscal year 2023, Harvia has invested in Taxonomy-eligible activities related to the Climate Change Mitigation objective CCM 6.6.”Freight transport services by road”, CCM 7.3. “Installation, maintenance and repair of energy efficiency equipment” and CCM 7.4. “Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)”, in low energy consumption lighting, improving the energy efficiency of buildings, electric forklifts and electric car charging points. These investments enable energy efficiency improvements in operations or lead to a reduction in greenhouse gas emissions.

The investments under the Taxonomy-aligned economic activity CCM 3.5. relate to developing automation for energy efficient control.

The Taxonomy-eligible Capex is defined as Taxonomy-eligible Capex divided by the total Capex. The Taxonomy-aligned Capex is defined as Taxonomy-aligned Capex divided by the 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 3.4. of Harvia consolidated financial statements.

PROPORTION OF CAPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING YEAR 2023

Financial year N	**2023**			**Substantial contribution criteria**						**DNSH criteria ('Does Not Significantly Harm')**									
Economic Activities (1)	**Code (a) (2)**	**CapEx (3)**	**Proportion of CapEx. year N (4)**	**Climate Change Mitigation (5)**	**Climate Change Adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular Economy(9)**	**Biodiversity(10)**	**Climate Change Mitigation (11)**	**Climate Change Adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular Economy (15)**	**Biodiversity (16)**	**Minimum Safeguards (17)**	**Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx. year N-1 (18)**	**Category enabling activity (19)**	**Category transitional activity (20)**
		€	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of energy efficient equipment for buildings	CCM 3.5.	18.000	0.6%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	4.8%		
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**18.000**	**0.6%**	**0.6%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**4.8%**		
Of which Enabling		18.000	0.6%	0.6%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	4.8%	E	
Of which Transitional			%	%						Y	Y	Y	Y	Y	Y	Y	%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
Freight transport services by road	CCM 6.6.	40.000	1.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1.5%		
Installation. maintenance and repair of energy efficiency equipment	CCM 7.3.	150.000	4.8%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.4%		
Installation. maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4.	2.000	0.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**192.000**	6.1%	6.1%	0%	0%	0%	0%	0%								1.9%		
A. CapEx of Taxonomy eligible activities (A.1+A.2)		**210.000**	6.7%	6.7%	0%	0%	0%	0%	0%								6.7%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		**2.914.000**	93.3%																
TOTAL		**3.124.000**	**100%**																

TAXONOMY-ELIGIBLE AND -ALIGNED OPEX

Harvia has identified as Taxonomy-eligible Opex in relation to climate change mitigation objective under activities CCM 6.5 “Transport by motorbikes, passenger cars and light commercial vehicles”, CCM 6.6. and. CCM 7.5 “ Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings”, the non-capitalised costs of the group related to renovation, maintenance and repair of buildings and associated equipment, monitoring of the energy efficiency of buildings, all direct costs related to the daily use of tangible assets and the leasing of environmentally friendly vehicles. No Taxonomy-aligned Opex was identified for financial year 2023.

The Taxonomy-eligible Opex is defined as Taxonomy-eligible Opex divided by the 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.

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 2023

Financial year N		**2023**		**Substantial contribution criteria**						**DNSH criteria ('Does Not Significantly Harm')**								
Economic Activities (1)	**Code (a) (2)**	**OpEx (3)**	**Proportion of OpEx, year N (4)**	**Climate Change Mitigation (5)**	**Climate Change Adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular Economy (9)**	**Biodiversity (10)**	**Climate Change Mitigation (11)**	**Climate Change Adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular Economy (15)**	**Biodiversity (16)**	**Minimum Safeguards (17)**	**Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx, year N-1 (18)**	**Category enabling activity (19)**
		€	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E
A. TAXONOMY-ELIGIBLE ACTIVITIES																		
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)			%	%	%	%	%	%	%	Y	Y	Y	Y	Y	Y	Y	%	
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5.	8,000	0.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	
Freight transport services by road	CCM 6.6.	4,000	0.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5.	34,000	0.8%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**46,000**	1.1%	1.1%	0%	0%	0%	0%	0%								0%	
A. OpEx of Taxonomy eligible activities (A.1+A.2)		**46,000**	1.1%	1.1%	0%	0%	0%	0%	0%								0%	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																		
OpEx of Taxonomy-non-eligible activities		**4,190,000**	98.9%															
TOTAL		**4,236,000**	**100%**															

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, 2022: 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 205.2 million (749.5) and 8,997,433 shares (27,500,497). The share's volume weighted average price during the review period was EUR 22.81 (27.36), the highest price was EUR 28.08 (60.70) and the lowest EUR 17.41 (12.69). The closing price of the share at the end of December was EUR 27.20 (17.68). The market value of the share capital on 31 December 2023 was EUR 508.5 million (330.5) including treasury shares.

On 3 May 2023, 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 concerned the performance period 2020–2022 of the company's share-based incentive program launched in 2020. In the share issue conducted on 30 May 2023, 9,109 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. On the same day, based on the decision of the General Meeting, Harvia Oyj transferred a total of 2,328 own shares possessed by the company to members of the Board of Directors of Harvia Oyj as part of the Board's remuneration. On 21 September 2023, relating to the same decision, Harvia transferred 3,424 own shares held by the company without consideration to the key employees participating in the share-based incentive program.

The number of registered shareholders at the end of December was 41,328 (46,011), including nominee registers. At the end of the review period, nominee-registered and direct foreign shareholders held 44.1% (39.5) of the company's shares. The ten largest shareholders held a total of 21.1% (21.3) of Harvia's shares and votes at the end of December.

Shareholder profile 31 December 2023	Total %	Total pcs
Foreign holding	44.05	8,235,008
Households	28.11	5,256,008
Companies	16.23	3,028,580
Financial institutions and insurance companies	11.59	2,166,166
General Government	0.02	3,402
Harvia Oyj own shares	0.03	5,072
Total	**100.00**	**18,694,236**

Shareholders on 31 December 2023	Pcs	Percentage of shares and votes
ONVEST OY	821,689	4.40
WESTSTAR OY	569,942	3.05
EVLI FINNISH SMALL CAP FUND	500,010	2.67
TIIPETI OY	407,790	2.18
KESKINÄINEN ELÄKEVAKUUTUSYHTIÖ ILMARINEN	392,320	2.10
KESKINÄINEN TYÖELÄKEVAKUUTUSYHTIÖ ELO	364,000	1.95
KTR-INVEST OY	242,625	1.30
DANSKE INVEST FINNISH EQUITY FUND	238,660	1.28
MANTEREENNIEMI OY	214,645	1.15
PAJUHARJU TAPIO OLAVI	189,000	1.01
VESTERINEN ARI JUHANI	149,482	0.80
HARVIA TIMO TAPIO	138,525	0.74
NORDEA NORDIC SMALL CAP FUND	136,797	0.73
AHONEN KARL DAVID	120,943	0.65
AVUS OY	120,626	0.65
Grand total	**4,607,054**	**24.64**

* According to the fund's announcement. Harvia has 44 % 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 2023 a total of 568,993 Harvia shares, corresponding 3.0 percent of shares and votes in the company. (31 Dec 2022: 1,005,536 shares and 5.4%)

Calculation of key figures and reconciliation of alternative performance measures

EUR thousand	1-12/2023	1-12/2022
Operating profit	33,044	34,678
Depreciation and amortisation	6,254	6,494
EBITDA	39,298	41,173
Items affecting comparability		
Business transactions related expenses	231	1,174
Restructuring expenses	395	600
Total items affecting comparability	626	1,774
Adjusted EBITDA	39,924	42,947
Depreciation and amortisation	-6,254	-6,494
Adjusted operating profit	33,670	36,452
Finance costs, net	-3,511	2,110
Adjusted profit before income taxes	30,159	38,562

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 2023**	**1 Jan - 31 Dec 2022**
Revenue	2.1	**150,547**	**172,408**
Other operating income	2.3	864	734
Materials and services	2.3	-56,101	-70,150
Employee benefit expenses	2.3	-28,919	-30,832
Other operating expenses	2.3	-27,093	-30,036
Depreciation and amortization	2.4	-6,254	-6,494
Impairment of assets of the sold subsidiary*	3.1		-952
Operating profit		**33,044**	**34,678**
Share in profits and losses of associated companies 3.1	-242	26	26
Finance income	5.4	795	1,909
Finance costs	5.4	-3,929	-3,553
Changes in fair values**	5.1	-136	3,727
Finance costs, net		-3,511	2,110
Profit before income taxes		**29,533**	**36,788**
Income taxes	6.3	-6,253	-8,719
Profit for the period		23,280	28,068
Attributable to:			
Owners of the parent		23,271	27,080
Non-controlling interests***		10	988

EUR thousand	**Note**	**1 Jan - 31 Dec 2023**	**1 Jan - 31 Dec 2022**
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Translation differences	6.4	-1,785	326
Items that will not be reclassified to profit or loss:			
Actuarial gains and losses	5.6	124	598
Other comprehensive income, net of tax		-1,662	925
Total comprehensive income		**21,619**	**28,993**
Attributable to:			
Owners of the parent		21,609	28,005
Non-controlling interests***		10	988
Earnings per share for profit attributable to the owners of the parent:			
Basic EPS (EUR)	2.5	1.25	1.45
Diluted EPS (EUR)	2.5	1.24	1.44

* Includes the fair value consideration of sold assets and translation differences related to EOS Russia divestement.
**Includes the change in fair value of interest rate swap EUR -1,347 thousand as well as EUR 1,238 thousand gain from Kirami earn-out. In the comparison period, the interest rate swap receivable grew considerably due to rise in interests.
*** Kirami Ab Non-controlling interests. The comparison period also included the non-controlling interests of EOS Group.
The notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position

EUR thousand	Note	31-Dec-2023	31-Dec-2022
ASSETS			
Non-current assets			
Intangible assets	3.2	8,704	10,463
Goodwill	3.2	73,402	73,438
Property, plant and equipment	3.3	26,904	27,098
Right-of-use assets*	3.4	2,488	2,144
Investments in associated companies	3.1	460	727
Derivative financial instruments	5.1	1,869	3,243
Deferred tax recevables	6.3	1,045	1,367
Total non-current assets		**114,872**	**118,481**
Current assets			
Inventories	4.1	35,480	45,324
Trade and other receivables	4.2	18,697	18,674
Income tax receivables		4,634	1,010
Cash and cash equivalents	5.2	40,581	25,310
Total current asset		**99,392**	**90,318**
Total assets		**214,264**	**208,799**

EUR thousand	Note	31-Dec-2023	31-Dec-2022
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	6.4	80	80
Other reserves	6.4	32,414	33,426
Retained earnings	6.4	51,810	36,687
Profit for the period	6.4	23,271	27,080
Total equity attributable to owners of the parent		**107,575**	**97,273**
Non-controlling interests	6.4	1,082	1,072
Total equity		**108,656**	**98,345**
Liabilities			
Non-current liabilities			
Loans from credit institutions	5.1	75,404	75,389
Lease liabilities	3.4	1,981	1,848
Deferred tax liabilities	6.3	1,182	1,673
Employee benefit obligations	5.6	1,671	1,897
Other non-current liabilities**	5.1	202	3,609
Provisions	3.5	277	331
Total non-current liabilities		**80,716**	**84,747**
Current liabilities			
Loans from credit institutions	5.1	6	2,028
Lease liabilities	3.4	760	574
Employee benefit obligations	5.6	176	174
Income tax liabilities		5,662	3,960
Trade and other payables	4.3	18,045	18,679
Provisions	3.5	242	292
Total current liabilities		**24,891**	**25,707**
Total liabilities		**105,607**	**110,454**
Total equity and liabilities		**214,264**	**208,799**

* Previously "Leased assets".
** Other non-current liabilities include purchase price liabilities resulting from acquisitions.
The notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

EUR thousand		Attributable to owners of the parent						
	Note	Share capital	Invested unrestricted equity reserve	Translation differences	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total
Equity at 1 January 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 liability			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			598			598		598
Translational differences				326		326		326
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**
Equity at 1 January 2023		**80**	**32,562**	**865**	**63,766**	**97,273**	**1,072**	**98,345**
Share-based incentive plan			995			995		995
Dividend distribution					-11,956	-11,956		-11,956
Share-based payments			-346			-346		-346
Total transactions with shareholders	6.4		649		-11,956	-11,307		-11,307
Profit for the period					23,271	23,271	10	23,280
Actuarial gains and losses	5.6		124			124		124
Translation differences	6.4			-1,785		-1,785		-1,785
Total comprehensive income			124	-1,785	23,271	21,609	10	21,619
Equity at 31 December 2023		**80**	**33,334**	**-921**	**75,081**	**107,575**	**1,082**	**108,656**

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

Consolidated statement of cash flows

EUR thousand	Note	1.1.-31.12.2023	1.1.-31.12.2022
Cash flows from operating activities			
Profit before taxes		29,533	36,788
Adjustments			
Depreciation and amortization	2.4	6,254	7,446
Finance income and finance costs	5.4	3,511	-2,110
Other adjustments		310	311
Cash flows before changes in working capital		39,608	42,436
Change in working capital			
Increase (-) / decrease (+) in trade and other receivables	4.2	-1,395	495
Increase (-) / decrease (+) in inventories	4.1	10,108	-852
Increase (+) / decrease (-) in trade and other payables	4.3	-912	-5,014
Cash flows from operating activities before financial items and taxes	47,409	37,065	37 065
Interest and other finance costs paid		-26	-39
Interest and other finance income received		100	6
Income taxes paid	6.3	-8,343	-12,697
Net cash from operating activities		**39,139**	**24,335**

EUR thousand	Note	1.1.-31.12.2023	1.1.-31.12.2022
Cash flows from investing activities			
Purchases of tangible and intangible assets	3.2, 3.3	-3,124	-3,587
Sale of tangible and intangible assets		89	48
Acquisition of subsidiaries, net of cash acquired	3.1	-2,801	
Proceeds from sale of subsidiaries, net of cash	3.1		104
Net cash from investing activities		**-5,835**	**-3,435**
Cash flows from financing activities			
Acquisition of treasury shares	6.4		-312
Transaction with non-controlling interests	3.1		-19,000
Proceeds from non-current loans	5.1	925	19,000
Repayment of non-current liabilities	5.1	-850	-101
Proceeds from current loans	5,1		2,000
Change in current liabilities	5.1	-2,011	-17
Repayment of lease liabilities	3.4	-765	-518
Interest and other finance costs paid		-2,928	-1,022
Dividends paid	6.4	-11,956	-11,327
Net cash from financing activities		**-17,585**	**-11,297**
Net change in cash and cash equivalents		15,718	9,604
Cash and cash equivalents at 1 January	5.2	25,310	15,488
Exchange gains/losses on cash and cash equivalents		-447	218
Cash and cash equivalents at 31 December		**40,581**	**25,310**

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 2023 the company had 605 employees (31.12.2022: 633), of which 238 (240) worked in Finland, 116 (136) in Germany, 76 (66) in the United States, 67 (89) in Romania, 57 (58) in China and Hong Kong, 31 (32) in Austria, 12 (0) in Italy, 6 (9) in Estonia, 2 (2) in Sweden and 0 (1) 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 Unites 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%)
- 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)
- Phoenix El-Mec srl, a manufacturer of eletcromechanical timers for sauna heaters (100% acquired on 29 September 2023)

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 2024. 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 Accounting Standards (IFRS) as adopted by the European Union as per 31 December 2023. IFRS Accounting Standards 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 Accounting 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 Accounting Standard.

Accounting principle	Note	IFRS standard
Revenue	2.1 Revenue	IFRS 15
Employee benefits	2.3 Other income and expense items 5.6 Defined benefit obligations	IAS 19
Business combinations	3.1 Business combinations	IFRS 3
Intangible assets	3.2 Intangible assets	IAS 36, IAS 38
Property, plant and equipment	3.3 Property, plant and equipment	IAS 16, IAS 36
Leases	3.4 Leases	IFRS 16
Provisions	3.5 Provisions	IAS 37
Inventories	4.1 Inventories	IAS 2
Financial assets and liabilities	5.1, 5.2 Financial assets and liabilities	IAS 32, IFRS 7, IFRS 13, IFRS 9
Financial risk management	5.3 Financial risk management	IAS 32, IFRS 7, IFRS 13, IFRS 9
Share based payments	6.2 Related party transactions	IFRS 2
Taxes	6.3 Taxes	IAS 12
Shareholder’s equity	6.4 Shareholder’s equity	IAS 1

HISTORICAL COST CONVENTION

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

FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of the group’s entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in thousands of euros unless otherwise stated.

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss.

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

Harvia has not applied any new standards or interpretations with material impact on consolidated financial statements.

Harvia has not early adopted any new or amended standards or interpretations that have been issued but are not yet effective. The new and amended standards and interpretations issued by the IASB that are effective in future periods are not expected to have a material impact on the consolidated financial statements of Harvia when adopted. Harvia intends to adopt these new and amended standards and interpretations, if applicable, when they become effective and are endorsed by the EU.

1.3 CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT MANAGEMENT JUDGEMENTS

The Group's most significant accounting policies are primarily described together with the applicable note. The preparation of Harvia Group's consolidated financial statements requires the use of estimates, judgement and assumptions that may affect the application of accounting policies and the recognised amounts of assets and liabilities at the date of the financial statements. In addition, the recognised amounts of revenue and expenses during the periods presented are affected. Actual results may differ from previously made estimates and judgements.

Estimates and judgements are reviewed regularly. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in all subsequent periods.

The sources of uncertainty and management judgement which have been identified by the Group and which are considered to fulfill these criteria are presented in connection to the items considered to be affected. The table below discloses where to find these descriptions.

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

Section 2: Group Performance

This section focuses on the results and performance of the Group. The accompanying notes on the following pages explain the different components of the Group's operating profit and the company's earnings per share.

COMPONENTS OF OPERATING PROFIT

EUR thousand	2023	% of revenue	2022	% of revenue
Revenue	150,547		172,408	
Other operating income	864	1 %	734	0%
Materials and services	-56,101	-37%	-70,150	-41%
Employee benefit expenses	-28,919	-19%	-30,832	-18%
Other operating expenses	-27,093	-18%	-30,036	-17%
Depreciation and amortization	-6,254	-4%	-6,494	-4%
Changes in fair values	0	0%	-952	-1%
Operating profit	**33,044**	22%	**34,678**	20%

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 and North America.

Harvia Group's revenue includes mainly sales of products. Only minor part comes from selling of sauna installation, maintenance and repair services provided by Group companies. Harvia sells most of its products to retailers, distributors or sauna builders. Harvia has customer contracts with clients, but typically the contracts are short term (most typical contract type is annual contract). Long-term customer relationships are based on customer loyalty. Harvia's largest customer relationship is based on the customer's group-level framework agreement. The individual agreements of Group companies with this customer were accounted for a total of approximately 11% of the Group's net sales in 2022 (2021: 10%).

At the end of 2022 and during 2023, high economic uncertainty, elevated inflation and interest rates, as well as eroded consumer confidence widely affected the European sauna and spa market across product segments. However, the negative impacts have not been equally strong in all European countries. During the fourth quarter 2023, the market conditions started to show signs of stabilization in Central Europe. In Finland and Scandinavia, where the demand has traditionally been very resilient in economic downturns, the market conditions remained challenging as high interest rates, challenges in the construction sector and weak consumer confidence continued to prevail.

Outside Europe, especially in North America and Asia, the sauna and spa market has continued to grow also after the pandemic. The strong growth in North America has been heavily supported by the growing awareness of sauna and its health benefits as well as strong consumer confidence and economic conditions.

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. 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.

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 from projects recognized over time was EUR 653 thousand in 2023 (2022: EUR 896 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.

REVENUE BY MARKET AREA

EUR thousand	2023	%	2022	%
Finland	30,238	20%	36,414	21%
Scandinavia	7,734	5%	9,530	6%
Germany	17,101	11%	26,109	15%
Other European countries	41,019	27%	46,404	27%
North America	43,449	29%	36,112	21%
Other countries*	11,007	7%	17,838	10%
Total	**150,547**	100%	**172,408**	100%

* The largest of which: Arab countries and Asia

REVENUE BY PRODUCT GROUP

EUR thousand	2023	%	2022	%
Heating equipment *	82,128	55%	93,719	54%
Saunas and scandinavian hot tubs	42,952	29%	47,950	28%
Steam generators	4,573	3%	4,989	3%
Accessories and heater stones	8,812	6%	8,187	5%
Spare parts and services	12,083	8%	17,564	10%
Total	**150,547**	100%	**172,408**	100%

* Sauna heaters, controls units, IR components

2.2 SEGMENT REPORTING

The Group constitutes a single operating segment. This is consistent with the way that internal reporting is provided to the chief operating decision maker ("CODM") and the way that chief operating decision maker determines allocation of resources and assesses the performance.

SIGNIFICANT MANAGEMENT JUDGEMENT

Determining operating segments

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

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

EUR thousand	31-Dec-2023	31-Dec-2022
Finland	82 397	82 691
Germany	16 483	17 636
United States	6 483	6 817
Other European countries	4 171	3 437
Asia	1 964	2 563
Total non-current assets	**111 498**	**113 143**

Revenue by geographical areas has been presented in note 2.1.

2.3 OPERATING INCOME AND EXPENSES

This note provides information on other components of operating profit: other operating income, material and service expenses, employee benefit expenses, other operating expenses as well as depreciations and amortizations. Other operating income includes gains on sale of property plant and equipment and sales of scrap metal which is generated from production.

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.

ACCOUNTING POLICY

A defined contribution plan is a pension plan under which the Group pays fixed contributions into pension insurances. The Group has no legal or constructive obligations to pay further contributions if the insurance does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The following table presents different components of employee benefit expenses:

EUR thousand	2023	2022
Wages and salaries	23,889	25,372
Pension costs	2,450	2,461
Other employee benefit expenses	2,580	2,999
Total	**28,919**	**30,832**

Harvia Group employed a total of 605 employees as at 31 December 2023 (2022: 633 employees). Of the total average number of employees in 2023, 240 were officers and 370 workers. The decrease in the number of personnel at the end of December compared to the previous year was mainly due to restructuring outside of Finland during 2022 and 2023, but also due to change negotiations carried out in Finland. In addition, the exit from Russia in 2022 and the acquisition of Italian Phoenix El-Mec in 2023 impacted the personnel figures. 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.

Other significant expense items are as follows:

OTHER OPERATING EXPENSES

EUR thousand	2023	2022
Sales and marketing*	14,413	16,715
Travel and cars	1,257	1,212
Electricity, heating and water	1,617	1,680
Audit, accounting, consulting and legal expenses	1,408	1,248
Rents	495	628
IT and telecommunication	1,402	1,236
Voluntary staff expenses	762	643
Other**	5,738	6,672
Total	**27,093**	**30,036**

* 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 compnay 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 2023 to PricewaterhouseCoopers amounted to 223 EUR thousand (2022: EUR 211 thousand). Of these, EUR 197 thousand were fees relating to statutory audit (2022: EUR 196 thousand). In 2023 EUR 0 thousand of fees were related to auditor opinions and certificates (2022: EUR 0 thousand) and EUR 26 thousand to other fees (2022: EUR 15 thousand). Audit fees paid to other auditors were EUR 89 thousand (2022: EUR 102 thousand).

Harvia Group's research and development department employed an average of 21 persons (2022: 23 persons), and expensed research and development costs totaled EUR 1,714 thousand in the financial year 2022 (2022: EUR 2,248 thousand).

2.4 DEPRECIATION AND AMORTIZATION

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 amortized over 10 to 15 years except for capitalised development costs and software licenses, which are amortized in 3 to 5 years.

The following table presents depreciation and amortization by asset class:

EUR thousand	2023	2022
Depreciation by class		
Buildings and constructions	1,040	1,076
Machinery and equipment	1,852	1,982
Other tangible assets	111	174
Total property, plant and equipment	**3,003**	**3,232**
Leased buildings and structures	463	392
Leased machinery and equipment	220	202
Total right-of-use assets	**683**	**594**

EUR thousand	2023	2022
Amortization by class		
Development costs	462	417
Customer relationships	1,204	1,337
Brand	490	420
Technology	68	68
Other intangible assets	343	426
Total intangible assets	**2,567**	**2,668**
Total depreciation and amortization	**6,254**	**6,494**

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.

	2023	2022
Profit for the period attributable to the owners of the parent company, EUR thousand	23,271	27,080
Weighted average number of shares outstanding during the financial period, '000	18,687	18,672
Basic earnings per share, EUR	**1.25**	**1.45**
Share-based long-term incentive plan	77	167
Weighted average number of shares outstanding during the year, diluted, '000	18,764	18,839
Diluted earnings per share, EUR	**1.24**	**1.44**

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 2023, Harvia acquired Phoenix El-Mec srl, a manufacturer of electromechanical timers for sauna heaters. The result of the new subsidiary was consolidated to Harvia Group as of 1 October 2023. In addition, Harvia completed the exit from Russia by closing the sale of EOS Group Russian operations after approval from the Russian officials on 10 March 2023.

ACCOUNTING POLICY

The acquisition method is applied for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the shares issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and identifiable liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Identifiable assets include tangible assets as well as intangible assets, such as customer relationships, brand and technology.

Acquisition related costs are expensed as incurred and presented as other operating expenses in the income statement.

ACCOUNTING ESTIMATES AND MANAGEMENT JUDGEMENT

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

ACQUISITIONS IN 2023

Harvia completed the exit from Russia by closing the sale of EOS Group Russian operations after approval from the Russian officials on 10 March 2023. The transactions price is at maximum 600 thousand euros, of which EUR 400 thousand was paid in 2022 and on top of this, a delayed purchase price of EUR 0-200 thousand to to paid in 2024 based on company's result of the financial year 2023.

On 29 September 2023, Harvia signed and closed an agreement to acquire Phoenix El-Mec srl, a manufacturer of electromechanical timers for sauna heaters. The acquisition further strengthens the Harvia's supply chain and ensures the availability of a key component in the sauna heater production. In addition to sauna heaters, Phoenix El-Mex's switches are also used in e.g. ovens, drying cabinets, and boilers. The company is located in Belluno, Northern Italy. The result of the new subsidiary was consolidated to Harvia Group as of 1 October 2023.

In 2023, Harvia paid additional purchase price of the Kirami acquisition in advance. Harvia and the sellers of Kirami had agreed that Harvia will pay the additional purchase price of EUR 2.5 million earlier than previously announced, on 21 December 2023. The original 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 years' period based on Kirami's EBITDA development.

Paying the additional purchase price in advance enables a closer integration of Kirami into Harvia's other business operations in conjunction with the reorganization of Harvia's organizational structure as of 1 January 2024.

Harvia financed the payment of the additional purchase price with cash funds. The paid amount is approximately EUR 1.2 million smaller than the provision Harvia made in connection with the acquisition. This difference will improve Harvia's 2023 result, and it was presented as changes in the fair value of financial items in the income statement.

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 Sosenkov. Before the agreement, Mr. Sosenkov, 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. Sosenkov will own 100.0% of EOS Russia. Closing of the transaction was 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 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 in 2022. 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.

ASSOCIATES AND 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 2023, the value of Metagrupp in Harvia's balance sheet was EUR 727 thousand (2022: EUR 727 thousand). Harvia's share of the associate's result was EUR 26 thousand (2022: EUR 26 thousand). The company has been consolidated in Harvia's financial statements using the equity method from May 2021.

Harvia Plc and Bergman Ltd 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. The cooperation to establish the joint venture progressed according to plans during the third quarter of 2023. As a result, the joint venture Harvia Japan Ltd. was registered on 21 August 2023. The operations of the joint venture will be gradually ramped-up, but the established company was not yet operational in Q4. Harvia owns 51% and Bergman 49% of the company.

3.2 INTANGIBLE ASSETS AND IMPAIRMENT TESTING

The majority of the goodwill was recognised in connection of the acquisition of Harvia group companies 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 amortized on a straight-line basis over 10-15 years. Other intangible assets also include capitalised development expenditures and software licenses and are amortized 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 capitalised later. Intangible assets under development are not amortized 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
2023								
Cost at 1 January	73,438	3,260	577	7,391	4,981	746	3,213	93,606
Additions		250	368				25	644
Disposals								
Reclassifications/Adjustments		271	-455				377	193
Exchange differences	-36	-9			-21		-1	-66
Cost at 31 December	73,402	3,771	491	7,391	4,961	746	3,615	94,377
Accumulated depreciation at 1 January		-1,983		-3,614	-1,478	-291	-2,339	-9,705
Amortization		-462		-1,204	-490	-68	-343	-2,567
Exchange differences		9			-8			1
Accumulated depreciation at 31 December		-2436		-4,818	-1,976	-385	-2,682	-12,271
Net book amount at 1 January	**73,438**	**1,276**	**577**	**3,777**	**3,503**	**455**	**875**	**83,901**
Net book amount at 31 December	**73,402**	**1,332**	**491**	**2,573**	**2,985**	**388**	**933**	**82,106**

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		-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
Amortization		-417		-1,337	-420	-68	-426	-2,668
Exchange differences		1			-81		-13	-93
Accumulated depreciation at 31 December		-1,983		-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**

IMPAIRMENT TEST FOR GOODWILL

ACCOUNTING ESTIMATES AND MANAGEMENT JUDGEMENT

Key assumptions used in goodwill impairment testing

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

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

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

EUR thousand	31-Dec-2023	31-Dec-2022
Finland	62,403	62,831
Central Europe	10,999	10,607
Total	**73,402**	**73,438**

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. The fair value less cost to sell was assessed and value in use was then used as recoverable amount. Goodwill arising from acquisition of Almost Heaven Saunas business in 2018 has been presented as part of goodwill in Finland, and was included to impairment testing starting from 2019. The goodwill from the acquisition of EOS Group is presented as part the goodwill in Central Europe and begame subject to impairment testing in 2020. The goodwill from acquisitios in 2021 is presented as part of the goodwill in Finland.

Key assumptions in the projections are the development of net sales and key cost items, the discount rate used in the calculation as well as the cash flow growth rate after the five-year forecast period. The projections have been prepared to reflect the past performance and expectations for the future considering the Group's market position and the general economic environment. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. The discount rate used in the impairment testing is weighted average pre-tax cost of capital (WACC). The discount rate reflects the total cost of equity and debt and the market risks related to the Group.

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

	31-Dec-2023	31-Dec-2022
Long-term growth rate	1.0 %	1.0 %
Average revenue growth for the forecast period		
Finland	6.0 %	3.7 %
Central Europe	5.8 %	3.7 %
Average EBITDA for the forecast period (% of revenue)		
Finland	25.5 %	27.2 %
Central Europe	23.3 %	30.2 %
Pre-tax discount rate		
Finland	11.4 %	11.8 %
Central Europe	11.0 %	11.4 %

As result of the impairment tests performed no impairment loss has been recognised for any period presented. In 2023 the recoverable amount calculated based on value-in-use exceeded the carrying value by EUR 312 million in Finland and EUR 58 million in Central Europe (2022 by EUR 236 million in Finland and EUR 95 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-2023	31-Dec-2022
Finland		
EBITDA margin decrease	-26.4 %	-25.3 %
Change in discount rate	24.9 %	18.6 %
Central Europe		
EBITDA margin decrease	-15.6 %	-20.5 %
Change in discount rate	15.0 %	24.4 %

3.3 PROPERTY, PLANT AND EQUIPMENT

Land areas and buildings consist mainly of Harvia's factory building in Muurame. Velha Oy and the Harvia Group's management companies also operate at Harvia's Muurame premises. During 2023, Harvia made minor investments to maintain and improve its factories, continued to improve its energy efficiency in factories and increased automation in its factories in the United States and Germany. In addition, Harvia optimized its production processes with layout changes at the Muurame factory and continued to upgrade air conditioning and lighting to improve working conditions at the factories in Muurame and the United States. A production line for wood burning heater frames was completed in Muurame.

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. 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.

The Group assesses at every reporting date whether there is any indication of impairment of an asset. If there are any indications, the asset is tested for impairment. An impairment test estimates the recoverable amount of the asset. The recoverable amount is the higher of the asset's fair value less costs to sell or cash flow based value-in-use. If the recoverable amount can not be determined at the level of an individual asset, the need for impairment is reviewed at the level of the lowest cash generating unit (CGU), which is largely independent of other units and its cash flows can be distinguished from the cash flows of other similar entities.

Changes in property, plant and equipment are presented in the following tables for the financial periods presented in the financial statements.

EUR thousand	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress	Total
2023						
Cost at 1 Jan	2,060	29,465	23,590	1,851	1,028	57,994
Additions	35	482	656	18	1,945	3,136
Disposals			-134			-134
Reclassifications/Adjustments		62	904	1	-967	0
Exchange differences	-11	-119	-83	1		-212
Cost at 31 Dec	2,083	29,889	24,934	1,871	2,006	60,783
Accumulated depreciation at 1 Jan		-14,107	-15,509	-1,282		-30,897
Depreciation		-1,040	-1,852	-111		-3,003
Exchange differences		8	13			21
Accumulated depreciation at 31 Dec		-15,139	-17,348	-1,393	0	-33,879
Net book amount at 1 Jan	**2,060**	**15,358**	**8,081**	**569**	**1,028**	**27,097**
Net book amount at 31 Dec	**2,083**	**14,750**	**7,586**	**478**	**2,006**	**26,904**

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		269	577	55	1,245	2,146
Disposals			-57	-144		-201
Reclassifications/Adjustements		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		-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**

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 uses the simplified transitional approach, whereby comparative financial information is not adjusted. Lease liability is calculated discounting the future lease payments with the incremental borrowing rate. The value of right-of-use-asset equals the lease liability.

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

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

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

THE AMOUNTS ENTERED IN THE BALANCE SHEET

EUR thousand	Buildings and structures	Machinery and equipment
Right-of-use assets		
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
Book amount at 1 Jan 2023	1,841	304
Additions	671	285
Exchange differences	72	
Depreciations	-463	-220
Book value at 31 Dec 2023	2,120	369

EUR thousand	2023	2022
Lease liabilities		
Non-current	1,981	1,848
Current	760	574
Book value at 31 Dec	2,741	2,421

AMOUNTS RECOGNISED IN PROFIT AND LOSS

EUR thousand	2023	2022
Depreciation		
Buildings and structures	-463	-392
Machinery and equipment	-220	-202
	-683	-594
Interest expense (included in finance cost)	-101	-106
Expense relating to short-term and low-value leases (other operating expenses)	-495	-628
Total amounts recognised in profit and loss	-1,280	-1,328

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.

ACCOUNTING POLICY

Provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts.

ACCOUNTING ESTIMATES

The amount of warranty provision involves uncertainty as estimated warranty claims may not realise as predicted. Typically the claims are realised frontloaded during the warranty period. Estimates and assumptions are reviewed quarterly. The differences between actual and estimated warranty claims may affect the amount of the provisions to be recognised in future financial periods.

Changes in warranty provisions are as follows:

EUR thousand	31-Dec-2023	31-Dec-2022
At 1 January	623	651
Additions	519	623
Canceled unrealized provisions during the year	-623	-651
At 31 December	**519**	**623**
of which		
current	242	292
non-current	277	331
Total	**519**	**623**

The warranty provision was canceled as unrealized EUR 623 thousand (2022: EUR 651 thousand) and was increased EUR 619 thousand during 2023 (2022: EUR 623 thousand). The provision is divided to current and non-current liability. Most of the Harvia's products sold have two years' warranty for private use and one years' warranty for professional use. Warranty provision is calculated for external warranty costs, for employees processing complaints and for warranty parts. For exported products, no warranty provision is recognised as under these contracts the counterparty is responsible for warranty work.

Section 4: Net Working Capital

This section describes components of net working capital.

EUR thousand	31-Dec-2023	31-Dec-2022
Net working capital		
Inventories	35,480	45,324
Trade receivables	16,336	16,408
Other receivables	2,361	2,266
Trade payables	-8,690	-8,737
Other payables	-9,355	-9,942
Total	**36,132**	**45,319**
Change in net working capital in the statement of financial position	-9,187	3,388
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*	1,386	1,983
Change in net working capital in the statement of cash flows**	-7,801	5,371

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

4.1 INVENTORIES

The inventory of the Group consists of raw materials such as steel, stone and wood, work in progress as well as finished goods on sales (sauna heaters, sauna interiors and other sauna related products).

ACCOUNTING POLICY

Materials and supplies, work in progress and finished goods are measured at the lower of cost and net realisable value. Cost of work in progress and finished goods comprises direct materials, direct labour costs and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. The acquisition cost is assigned to individual items of inventory on the basis of weighted average cost formula. The cost of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The inventory is divided as follows:

EUR thousand	31-Dec-2023	31-Dec-2022
Materials and supplies	16,921	24,070
Work in progress	3,413	3,621
Finished goods	15,145	17,634
Total	**35,480**	**45,324**

Harvia recognised items related to changes in the value and quantity of inventories in its profit and loss for a total of EUR 10,919 thousand (in 2022: EUR 1,247 thousand). Harvia's material and service costs totalled EUR 56,101 thousand (2022: EUR 70,150 thousand). The inventory value was reduced by obsolescence reserve booking of EUR 915 thousand (31 December 2022: EUR 921 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.

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.

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.

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

EUR thousand	31-Dec-2023	31-Dec-2022
Trade receivables	16,336	16,408
Prepayments and accrued income	1,249	1,309
Other receivables	1 112	956
Total	**18,697**	**18,674**

Material items included in prepayments and accrued income:

EUR thousand	31-Dec-2023	31-Dec-2022
Social costs	9	55
Insurances	147	96
Advance payments	429	353
Other	**663**	**1,158**
Total	**1,249**	**1,309**

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.

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.

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

EUR thousand	31-Dec-2023	31-Dec-2022
Trade payables	8,690	8,737
Advance payments	1,103	794
Accrued expenses	7,817	8,775
Other liabilities	435	373
Total	**18,045**	**18,679**

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-2023	31-Dec-2022
Accrued salaries and social security costs	4,631	3,193
Accrued annual discounts	1,474	1,553
Accrued interests	83	176
Other	1,629	3,853
Total	**7,817**	**8,775**

Other accrued expenses included items related to material costs, marketing and sales comissons. The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

Section 5: Net Debt And Contingencies

This section describes how the Group has financed its operations. 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 2023 Harvia renegotiated the terms of EUR 75,5 million term loans and EUR 8 million revolving credit limit. In addition, the revolving credit limit was increased to EUR 10,000 thousand. The Group has entered into an interest rate swap agreement to hedge against interest rate risk arising from variable rate of bank loans.

ACCOUNTING POLICY

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Fees paid on the revolving credit facility arrangements are capitalised as a prepayment for liquidity services and amortised as expense over the period of the facility to which it relates, if there is no certainty that some or all of the facility will be drawn down. This reflects the finance cost of the undrawn facility. To the extent that it is probable that some or all of the facility will be drawn down, the fees are recognised as transaction costs when the loan is drawn down and recognized in profit and loss using the effective interest rate method.

The following tables present the classification of the financial liabilities as well as carrying values:

EUR thousand	Other financial liabilities at amortized cost
31-Dec-2023	
Liabilities per balance sheet	
Loans from credit institutions	75,409
Lease liabilities	2,741
Other non-current liabilities	202
Trade and other payables	9,125
Total	**87,478**

EUR thousand	Financial liabilities at amortized 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**

LOANS FROM CREDIT INSTITUTIONS AND SHAREHOLDER LOANS

Loans from credit institutions

At the end of 2023 Harvia renegotiated the terms of EUR 75,500 thousand term loans and EUR 8,000 thousand revolving credit limit resulting in more favorable conditions. In addition, the revolving credit limit was increased to EUR 10,000 thousand. The term loan matures in two installments. The term loan amounting to EUR 36,500 thousand and the revolving credit limit of EUR 5,000 thousand mature on December 2026 and the term loan amounting to EUR 39,000 thousand and the revolving credit limit of EUR 5,000 thousand mature in March 2027. The nominal interest of the loans is tied to Euribor and its margin is tied to the Group's net debt / adjusted EBITDA ratio.

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 2023 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

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.

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. The Group had interest rate swap agreements with fair value of EUR 1 869 thousand at the end of 2023 (2022: EUR 3,243 thousand). Hedging produces clear savings on interest payments of Harvia in terms of cash flows. Fair value of the interest rate swap fluctuates according to interest rate market expectations, and the change in value is recorded in net financial items as changes in fair value. Changes in the fair value of the swap have no cash flow impact. Nominal value of the interest rate swap contract was EUR 36,500 thousand as at 31 December 2023 (2022: EUR 36,500 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.

OTHER NON-CURRENT LIABILITIES

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.

The Group had long-term additional purchase price liabilities related to acquisitions of EUR 202 thousand (2022: 3,609 thousand). The contractual amount of the liabilities is EUR 250 thousand (2022: 4,250). In 2023, Harvia paid additional purchase price of the Kirami acquisition in advance. Harvia and the sellers of Kirami agreed that Harvia will pay the additional purchase price of EUR 2.488 thousand earlier than previously announced, on 21 December 2023. The paid amount is approximately EUR 1.2 million smaller than the provision Harvia made in connection with the acquisition. This difference will improve Harvia's 2023 result, and it will be presented as changes in the fair value of financial items in the income statement.

After the payment, only additional purchase price liabilities related to the Sauna-Eurox acquisition remain on Harvia's balance sheet. Harvia's additional purchase price liabilities in 2023 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 40,581 thousand at the end of 2023 (31 December 2022: EUR 25,310 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.

ACCOUNTING POLICY

Classification and measurement of financial assets

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

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

Impairment of financial assets

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

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 9 they are classified at fair value through profit or loss under assets or liabilities.

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

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

FOREIGN EXCHANGE RISK

Harvia operates in several countries. 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. 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	2023	2022
Amounts recognised in profit or loss		
Net foreign exchange gains/losses included in operating income/expenses	-9	-75
Net foreign exchange gains/losses included in finance income/costs	-277	257
Total net foreign exchange gains/losses recognised in profit before income tax for the period	-286	181
Gains/losses recognised in other comprehensive income		
Translation differences of foreign operations	-1,785	326

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	2023	2022
Interest bearing liabilities	75,506	77,528
Leasing liabilities	2,877	3,144
Interest rate swap	36,500	36,500
Share of liabilities covered with interest rate swaps	47%	45%
Impact on interest costs if interest rates were to rise by 1%	784	807
Interest rate swap	-365	-365
Total, Impact on interest costs if interest rates were to rise by 1%	419	442

* 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 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 2023 and 2022, were mainly denominated in euro and the interest rate swaps covered 47% of principal outstanding at 31 December 2023 and 45% at 31 December 2022. Based on the sensitivity analysis, if the interest rate on uncovered variable rate borrowings were to increase by one percentage point as of 31.12.2023 with all other variables held constant, the Group's interest expense would increase by EUR 419 thousand (in 2022: EUR 442 thousand). In 2022, Harvia extended its sensitivity analysis to 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 2023, 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. Trade receivables increased in North-America due to strong demand supported by the growing awareness of sauna and its health benefits as well as strong consumer confidence and economic conditions. In 2022, Harvia had significantly increased its expected credit loss provision in Russia, due to the uncertainty caused by the Russia's attack war. As of 31 December 2023, Harvia had trade receivables from Russia in rubles amounted to EUR 0.8 million (2022: 1.8 million), of which EUR 712 thousand (2022: 916 thousand) were written down in 2023. A payment plan has been established for the receivables. Harvia has no significant concentrations of credit risks due to the large number and geographic dispersion of companies that comprise the Group's customer base.

During 2023 EUR 26 thousand (2022: EUR 7 thousand) was recognised in profit or loss in relation to credit losses. The loss allowance on 31 December 2023, EUR 1,273 thousand (2022: EUR 1,347 thousand), is specified as follows:

31-Dec-23 EUR thousand	Gross book value	Allowance for bad debt
Not due	12,755	6
Overdue by		
Less than 30 days	2,207	9
30-60 days	844	11
61-90 days	167	4
91-180 days	70	7
181-360 days	338	84
Over 360 days	1,228	1,151
Total	**17,609**	**1,273**

31-Dec-22 EUR thousand	Gross book value	Allowance for bad debt
Not due	12,129	9
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**

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 10,000 thousand as at 31 December 2023 (EUR 6,000 thousand as at 31 December 2022). 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. Harvia has a interest rate swap with a nominal value of 36.5 million that matures in 15 December 2026. Interest rate swap produces clear savings on interest payments of Harvia in terms of cash flows. Fair value of the interest rate swap fluctuates according to interest rate market expectations, and the change in value is recorded in the net financial items as changes in fair value. The figures presented are contractual undiscounted cash flows.

EUR thousand	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
31-Dec-2023							
Non-derivatives							
Loans from credit institutions	6			75,500		75,506	75,409
Lease liabilities	355	293	360	1,545	324	2,877	2,741
Pension liabilities	88	88	172	490	1,185	2,023	2,071
Redemption and purchase price liability			250			250	202
Trade payables	8,690					8,690	8,690
Total non-derivatives	**9,139**	**381**	**783**	**77,535**	**1,509**	**89,346**	**89,113**
Derivatives							
Interest rate swap	-568	-574	-1,123	395		-1,869	-1,869
Total derivatives	**-568**	**-574**	**-1,123**	**395**		**-1,869**	**-1,869**

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							
Total non-derivatives	-321	154	302	290		899	-3,243
Total derivatives	**-321**	**154**	**302**	**290**		**899**	**-3,243**

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-2023	31-Dec-2022
Loans from credit institutions	75,409	77,417
Lease liabilities	2,741	2,421
Less cash and cash equivalents	-40,581	-25,310
Net debt	**37,569**	**54,529**

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
1.1.2022	**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
31.12.2022	**15,488**	**-48**	**-56,380**	**-2,877**	**-43,817**
Cash flows	18,519	2,022	92	765	21,398
Acquisitions	-2,801		-66	-307	-3,173
Exchange differences	-447				-447
Other non-cash movements			-41	-777	-818
31.12.2023	**40,581**	**-6**	**-75,404**	**-2,741**	**-37,569**

5.4 FINANCE INCOME AND COSTS

This note presents the finance income and finance costs of the Group. The Group has entered into interest rate swap agreements to hedge against interest rate changes arising from the variable rate external bank loans.

For information about derivatives and financial liabilities, refer note 5.1.

For information about cash and cash equivalents, refer note 5.2

Group's interest and other finance income related mainly to foreign exchange gains, interest income of trade receivables and gains on valuation of derivative contracts. They amounted to EUR 1,791 thousand during 2023 (2022: EUR 5,663 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	2023	2022
Finance income		
Share in profits and losses of associated companies	-242	26
Interest income	531	20
Fair value gain on interest rate swap	0	3,727
Fair value gain	1,238	0
Exchange rate gains	259	1,769
Other finance income	5	120
Total	1,791	5,663
Finance costs		
Interest costs	-2,743	-1,062
Other finance charges paid/payable for financial liabilities not at fair value through profit or loss	-649	-979
Exchange rate losses	-536	-1,512
Fair value losses on interest rate swaps	-1,374	0
Total	-5,302	-3,553
Finance costs, net	**-3,511**	**2,110**

5.5 COMMITMENTS AND CONTINGENT LIABILITIES

This note provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria. These are guarantees, pledges and contingent liabilities.

EUR thousand	31-Dec-2023	31-Dec-2022
Other guarantees:		
Pledged accounts	37	36
Customs guarantee	50	50
Total	**87**	**86**

OTHER COMMITMENTS

Harvia becomes involved from time to time in various claims and lawsuits arising in the ordinary course of its business, such as disputes with customers and proceedings initiated by public authorities. During the reporting periods, Harvia has not been a party to legal, arbitration or administrative proceedings which could have a significant impact on the Group's financial position or profitability.

5.6 DEFINED BENEFIT OBLICATIONS

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.

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.

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

EUR thousand	2023	2022
Net interest	70	31
Actuarial gains (-) / losses (+) caused by changes in financial assumptions	-36	-524
Experience adjustments	87	-37
Total	**121**	**-530**

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

EUR thousand	2023	2022
The defined benefit obligation 1.1.	2,071	2,783
Service cost		
Net interest	70	31
Actuarial gains (-) / losses (+)	51	-561
Benefits paid	-169	-182
Total	**2,023**	**2,071**

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

	2023	2022
Discount rate	3.76%	3.55%
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	2023	2022
Impact of the change in the discount rate (+0.50%) on the defined benefit obligation	-82	-87
Impact of the change in the discount rate (-0.50%) on the defined benefit obligation	88	94

The duration of the defined benefit pension obligation is apx. 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.

ACCOUNTING POLICY

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. When needed, the financial statements by subsidiaries have been adjusted to conform to the Group's accounting policies.

SUBSIDIARIES

The Group's subsidiaries as at 31 December 2023 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Parent company	Country of incorporation	Nature of business	Parent ownership (%)	Group ownership (%)	Acquired/ established (month/year)
Harvia 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 Löylyt Oy	Finland	Sales		100	08/2021
Harvia Japan Limited	Japan	Sales		51	08/2023
Phoenix El-Mec srl	Italy	Manufacturing		100	09/2023

6.2 RELATED PARTY TRANSACTIONS

This note provides information of Harvia Group's related parties and transactions with related parties. The Group's related parties include the parent company, the Group companies mentioned in note 6.1 above. The related parties include also key management personnel and their family members as well as companies controlled by these. Key management personnel are members of the Board of Directors, Chief Executive Officer and management team.

RELATED PARTY TRANSACTIONS

Harvia's key management personnel, the members of the Board of Directors, and their family members are entitled to purchase sauna products from Harvia in accordance with the policy applying to the entire personnel of Harvia.

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

EUR thousand	2023	2022
Sales of goods and services	86	7
Purchases of goods and services	22	1

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 2023:

	2023	2022
Members of the Board of Directors	0.3%	0.3%
Chief Executive Officer	0.0%	1.4%
Other Management team	2.8%	3.7%

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 term of notice for the CEO has been specified as 6 months, and he is entitled to salary for the term of notice. 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	2023	2022
Chief executive officer		
Salaries and other short-term employee benefits	691	793
Long-term incentive program	0	721
Pension costs - defined contribution plans*	123	141
Total	**815**	**1,656**

* Includes costs of voluntary pension plan amounting to EUR 4 thousand in 2023 (2022: EUR 9 thousand).

Other management team		
Salaries and other short-term employee benefits	1,432	1,488
Long-term incentive program	455	1,949
Pension costs - defined contribution plans	188	203
Total	**2,076**	**3,641**

REMUNERATION TO MEMBERS OF BOARD OF DIRECTORS

EUR thousand	2023	2022
Olli Liitola (as of 11 March 2014)	61	53
Olbrich Heiner (as of 7 April 2022)	39	26
Sanna Suvanto-Harsaae (2 April 2020 - 20 April 2023)	15	47
Ia Adlercreutz (1 September 2016 - 7 April 2022)	0	7
Anders Holmen (as of 8 April 2021)	43	35
Hille Korhonen (as of 8 April 2021)	47	37
Catharina von Stackelberg-Hammarén (as of 20 April 2023)	25	0
Markus Lengauer (as of 20 April 2023)	25	0
Total	**254**	**205**

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, 2021–2023 and 2022–2024 and 2023–2025. During 2023 Harvia paid out the rewards regarding the performance period 2010–2022.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 2020–2022, the plan had 15 participants at most and the targets for the performance period related to company´s total shareholder return, revenue growth and EBIT margin. The number of shares to be paid based on the performance period 2020–2022 is maximum of 50 300 Harvia Plc´s shares.This number of shares represents gross earning, from which the withholding of tax and possible other applicable contributions are deducted, and the remaining net amount was paid in shares.

On 3 May 2023, 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 concerned the performance period 2020–2022 of the company's share-based incentive program launched in 2020. In the share issue conducted on 30 May 2023, 9,109 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. On the same day, based on the decision of the General Meeting, Harvia Oyj transferred a total of 2,328 own shares possessed by the company to members of the Board of Directors of Harvia Oyj as part of the Board's remuneration. On 21 September 2023, relating to the same decision, Harvia transferred 3,424 own shares held by the company without consideration to the key employees participating in the share-based incentive program.

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.

The Board of Directors of Harvia Plc decided on 26 June 2023 to continue the Long-term Performance Share Plan for the management team and other key employees for the performance period 2023–2025. In the performance period 2023–2025, the plan has 16 participants at most and the targets for the performance period relate to the company's total shareholder return, revenue growth, CO_2 emissions and EBIT margin. The maximum number of Harvia Plc shares to be paid based on the performance period 2023–2025 is 61,600. 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 2023–2025 will be paid out during spring 2026.

6.3 TAXES

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

ACCOUNTING POLICY

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated profit or loss statement or if tax relates to items recognised in profit and loss statement or directly in equity, then the related tax is recognised in other comprehensive income or equity correspondingly.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income.

INCOME TAX EXPENSE

EUR thousand	2023	2022
Current tax:		
Current tax on profits for the year	-6,448	-9,093
Adjustments in respect of prior years	-5	-14
Total current tax expense	-6,452	-9,107
Deferred tax:		
Change in deferred taxes	200	176
Income taxes	**-6,253**	**-8,719**

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

EUR thousand	2023	2022
Profit before tax	29,533	36,788
Tax calculated at Finnish tax rate 20%	-5,907	-7,358
Effect of other tax rates for foreign subsidaries	-602	-1,195
Expenses not deductible for tax purposes*	-252	-211
Income not subject to tax	353	102
Other items	155	-58
Taxes in income statement	**-6,253**	**-8,719**

DEFERRED TAXES

ACCOUNTING POLICY

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

MANAGEMENT JUDGEMENT

Determining to which extent deferred tax assets can be recognised requires management judgement. The management of Harvia Group has used judgement when determining if deferred tax asset is recognised for an unused tax loss carryforward or unused tax credits. Recognition is done only to the extent that it is probable that future taxable profits will be available against which the loss or credit carryforward can be utilised.The Group estimates positions taken in tax return with respect to situations in which applicable tax regulation is subject to interpretation. If necessary, the booked amounts are adjusted to correspond to amounts expected to be paid to the tax authorities.

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 2023 EUR 3,027 thousand intra-group interests were deducted in taxation (2022: EUR 377 thousand). There were EUR 3,253 thousand remaining intra-group interest expenses at 31 December 2023. There is no time limit for the deduction of net interest expenses in taxation.

Harvia has no expiring deferred tax assets. 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
2023				
Deferred tax assets				
Tax losses and net interest costs	1,248	-606		642
Internal margin of inventories	364	37		401
Provisions	119	-20		99
Other items	372	267		639
Total	2,103	-322		1,782
Netting of deferred taxes	-737			-737
Net deferred tax asset	**1,367**	**-322**		**1,045**
2023				
Deferred tax liabilities				
Measurement of acquired net assets at fair value	1,856	-441		1,416
Accumulated depreciation differences	154	-16		138
Property, plant and equipment	381	-39		341
Other items	19	5		24
Total	**2,410**	**-491**		**1,919**
Netting of deferred taxes	-737			-737
Net deferred tax liability	**1,673**	**-491**		**1,182**

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**

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.

EUR thousand	Ordinary shares	Number of shares
At 31 December 2022	80	18,694,236
At 31 December 2023	**80**	**18,694,236**

Harvia Plc held a total of 5,072 own shares at 31 December 2023. 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 2022	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
Share-based incentive plan	995		995
Revaluation of minority redemption liability			
Repurchase of own shares			
Share-based payments	-346		-346
Actuarial gains and losses	124		124
Translation differences		-1,785	-1,785
At 31 December 2023	33,334	-1,785	32,414

INVESTED UNRESTRICTED EQUITY RESERVE

Under the Finnish Companies Act, the subscription price of new shares is credited to the share capital, unless it is provided in the share issue resolution that it is to be credited in full or in part to the invested unrestricted equity reserve. Contributions to the reserve for invested unrestricted equity can also be made without share issues.

TRANSLATION DIFFERENCES

ACCOUNTING POLICY

Translation differences that arise when translating the financial statements of subsidiaries are recognised in other comprehensive income and accumulated in translation differences reserve in equity.

Exchange rate differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 5.3 and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

RETAINED EARNINGS

Movements in retained earnings were as follows:

EUR thousand	2023	2022
At 1 January	63,766	47,886
Dividend distribution	-11,956	-11,200
Profit for the period	23,271	27,080
At 31 December	75,081	63,766

In 2023, Harvia paid a dividend of EUR 0.64 per share, in total EUR 11,956 thousand.

Harvia Plc's total unrestricted equity amounts to EUR 75,439,602 in total, of which profit for the period accounts for EUR 15,481,367. 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 0.68 per share, EUR 12,712,080.48 in total, for the financial period ended 31 December 2023. The Board of Directors proposes the dividend to be paid in two instalments, EUR 0.34 in May 2024 and EUR 0.34 in October 2024.

EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Movements in non-controlling interests were as follows:

EUR thousand	2023	2022
1-Jan	**1,072**	**3,598**
Acquisitions & Divestments	0	-3,387
Dividend distribution	0	-127
Profit for the period	10	988
31-Dec	**1,082**	**1,072**

The non-controlling interest consists of minority interests in Kirami Ab. In 2022, the non-controlling interests also included EOS Group.

6.5 EVENTS OCCURRING AFTER THE REPORTING DATE

Harvia Plc has appointed Jennifer Thayer as Head of Region, North America and President of Harvia US Inc., and a member of the management team of Harvia Group. In her role, Thayer will be responsible for leading the North American commercial organization and driving the growth and profitability of Harvia's business in the region. She will assume her position on 1 February 2024 and report to the CEO of Harvia Plc.

Parent company financial statements FAS

Parent company Profit & Loss Statement

EUR	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Revenue	**1,083,600.00**	**1,083,600.00**
Other operating income	725.81	42,614.68
Materials and services	0.00	0.00
Staff expenses		
Wages and salaries	-1,123,073.85	-1,538,930.36
Social security expenses		
Pension expenses	-152,829.24	-141,185.01
Other social security expenses	-23,827.00	-18,847.34
Other operating expenses	-1,187,101.86	-1,085,809.11
Depreciation and amortization		
Depreciation according to plan	-18,831.01	-39,987.57
Operating profit	**-1,421,337.15**	**-1,698,544.71**
Finance income		
Income from other investments held as noncurrent assets	15,000,000.00	
From group undertakings	2,215,581.36	1,342,060.16
From others	1,254,679.23	3,506,199.83
Finance costs		
To group undertakings	-542,524.49	-167,483.17
To others	-4,582,443.59	-651,753.91
Finance income and expenses total	13,345,292.51	4,029,022.91
Profit before income appropriations and taxes	**11,923,955.36**	**2,330,478.20**

EUR	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Appropriations		
Change in cumulative accelerated depreciation	29,469.84	-29,469.84
Group contribution	3,650,000.00	15,460,000.00
Income taxes	-122,058.64	-3,561,215.02
Profit for the period	**15,481,366.56**	**14,199,793.34**

Parent company Balance Sheet

EUR	1.1.-31.12.2023	1.1.-31.12.2022
ASSETS		
Non-current assets		
Intangible assets		
Intangible rights	0.00	38.33
Other long-term expenses	7,388.32	14,208.32
Advance payments and construction in process	109,255.00	88,959.05
Property, plant and equipment		
Machinery and equipment	0.00	119,726.77
Holdings in group undertakings	85,909,022.95	85,909,022.95
Total non-current assets	**86,025,666.27**	**86,131,955.42**
Current assets		
Long-term receivables		
Receivables from group companies	42,954,013.00	48,407,186.93
Short-term receivables		
Receivables from group companies	19,178,773.95	15,971,717.10
Other receivables	171,150.80	150,720.20
Prepayments and accrued income	4,068,068.07	702,332.52
Cash and cash equivalents	11,969,863.16	10,216,787.76
Total current asset	**78,341,868.98**	**75,448,744.51**
Total assets	**164,367,535.25**	**161,580,699.93**

EUR	1.1.-31.12.2023	1.1.-31.12.2022
EQUITY AND LIABILITIES		
Equity		
Share capital	80,000.00	80,000.00
Reserve for invested unrestricted equity	50,790,748.26	50,790,748.26
Retained earnings	9,167,487.52	6,923,638.50
Profit for the period	15,481,366.56	14,199,793.34
Total equity	**75,519,602.34**	**71,994,180.10**
Depreciation difference	0.00	29,469.84
Liabilities		
Non-current liabilities		
Loans from credit institutions	75,500,000.00	75,500,000.00
Amounts owed to group undertakings	8,000,000.00	8,000,000.00
Total non-current liabilities	**83,500,000.00**	**83,500,000.00**
Current liabilities		
Loans from credit institutions	0.00	2,000,000.00
Trade payables	129,600.11	321,371.89
Amounts owed to group undertakings	4,711,720.38	3,164,628.06
Other liabilities	114,080.35	48,868.98
Accrued expenses	392,532.07	522,181.06
Total current liabilities	**5,347,932.91**	**6,057,049.99**
Total liabilities	**88,847,932.91**	**89,557,049.99**
Total equity and liabilities	**164,367,535.25**	**161,580,699.93**

Parent company Cash flow statement

EUR	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Cash flow from operating activities:		
Profit (loss) before taxes	11,923,955.36	2,330,478.20
Adjustments to operating profit (+/–) for:		
Depreciation and amortization	18,831.01	39,987.57
Unrealised foreign exchange gains and losses	837.60	158,559.62
Other non-cash income and expenses	-26,666.29	0.00
Financial income and expenses	-13,345,292.51	-4,029,022.91
Cash flow before working capital changes	-1,428,334.83	-1,499,997.52
Working capital changes:		
Increase/decrease in trade an other short-term interest-free receivables	14,325.10	-15,921.18
Increase/decrease in short-term interest-free liabilities	-274,954.18	-78,854.66
Change in working capital	-1,688,963.91	-1,594,773.36
Operating cash flow before financing items and taxes	-163.78	-78.70
Interest received relating to operating activities	421,486.23	13,563.83
Income taxes paid (–), received (+)	-3,561,214.98	-6,677,350.12
Cash flow from operating activities:	**-4,828,856.44**	**-8,258,638.35**

EUR	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Cash flow from investments		
Purchase of tangible and intangible items (–)	-20,295.95	-136,288.98
Proceeds from sale of tangible and intangible assets	89,000.00	0.00
Loans granted	-510,000.00	-20,950,000.00
Loans reveived or granted (group accounts)	1,837,307.03	-591,458.62
Repayment of loan receivables	4,568,919.93	1,840,143.23
Interest received from investments	2,123,020.01	1,283,963.78
Cash flow from investments	**8,087,951.02**	**-18,553,640.59**
Cash flows from financing activities		
Repurchase of own shares	0.00	-312,026.54
Proceeds from current interest bearing liabilities	0.00	2,000,000.00
Repayment of current interest bearing liabilities	-2,000,000.00	0.00
Proceeds from non-current loans	925,225.67	22,000,000.00
Repayment of non-current loans	-925,225.67	0.00
Interest and other financing expenses paid (–)	-3,010,074.86	-1,134,587.84
Dividends paid	-11,955,944.32	-11,199,702.30
Group contributions received	15,460,000.00	23,025,000.00
Cash flows from financing activities	**-1,506,019.18**	**34,378,683.32**
Net increase (+) / decrease (–) in cash and cash equivalents	**1,753,075.40**	**7,566,404.38**
Cash and cash equivalents at beginning of period	**10,216,787.76**	**2,650,383.38**
Cash and cash equivalents at end of period	**11,969,863.16**	**10,216,787.76**

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

	2023	2022
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	2023	2022
Manangement compensation		
Members of the Board of Directors and CEO	945,700.64	1,719,639.88
Auditors' fees		
Statutory audit	56,102.83	120,669.76
Other services	14,689.50	12,903.36
	70,792.33	133,573.12

EUR	2023	2022
Finance income and costs		
Other interest income		
Group undertakings	2,215,581.36	1,342,060.16
Other than group companies	1,254,679.23	3,506,199.83
Total finance income	**3,470,260.59**	**4,848,259.99**
Interest and finance charges		
Group undertakings	-542,524.49	-167,483.17
Other than group companies	-4,582,443.59	-651,753.91
Total financial expenses	**-5,124,968.08**	**-819,237.08**
Total financial income and expenses	**-1,654,707.49**	**4,029,022.91**
Income taxes		
Income taxes for ordinary business	-122,058.64	-3,561,215.02

NON-CURRENT ASSETS

EUR	2023	2022
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 amortization at 1 January	-2,109,344.60	-2,102,432.60
Amortization for the financial year	-6,858.33	-6,912.00
Accumulated amortization at 31 December	-2,116,202.93	-2,109,344.60
Advance payments on intangible assets	109,255.00	88,959.05
Book value 31 December	**116,643.32**	**103,205.70**
Machinery and equipment		
Acquisition cost at 1 January	215,251.14	115,289.27
Additions		143,194.98
Disposals	-107,754.09	-43,233.11
Acquisition cost at 31 December	107,497.05	215,251.14
Accumulated depreciation at 1 January	-95,524.37	-62,448.80
Depreciation for the financial year	-11,972.68	-33,075.57
Accumulated depreciation at 31 December	-107,497.05	-95,524.37
Book value 31 December		**119,726.77**
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	Parent ownership	
Parent ownership	31-Dec-2023	31-Dec-2022
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 Imobiliare		
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		
Harvia Japan Limited		
Phoenix El-Mec srl		

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

RECEIVABLES

EUR	2023	2022
Long-term receivables		
Loans to group companies	41,085,000.00	45,163,919.93
Other receivables		
Interest rate swap receivables	1,869,013.00	3,243,267.00
Total	42,954,013.00	48,407,186.93
Short-term receivables		
Receivables from group companies		
Trade debtors	220,396.00	137,311.91
Loans receivable	120,000.00	100,000.00
Other receivables	18,650,000.00	15,638,588.59
Prepayments and accrued income	188,377.95	95,816.60
Total	**19,178,773.95**	**15,971,717.10**
Receivables from others		
Other receivables	171,150.80	150,720.20
Prepayments and accrued income	4,068,068.07	702,332.52
	4,239,218.87	**853,052.72**
Material amounts included in prepayments and accrued income		
Insurances	21,848.34	25,448.96
Others	12,278.41	82,098.58
Tax receivables	4,033,941.32	594,784.98
	4,068,068.07	**702,332.52**

LIABILITIES

EUR	2023	2022
Long-term liabilities		
Loans from credit institutions	75,500,000.00	75,500,000.00
Loans from group companies	8,000,000.00	8,000,000.00
	83,500,000.00	**83,500,000.00**

EUR	2023	2022
Short-term liabilities		
Loans from credit institutions	0,00	2,000,000.00
	0,00	**2,000,000.00**
Loans from group undertakings		
Other liabilities	4,711,720.38	3,164,628.06
Liabilities for others		
Trade creditors	129,600.11	321,371.89
Other liabilities	114,080.35	48,868.98
Accruals and deferred income	392,532.07	522,181.06
	636,212.53	**892,421.93**
Material amounts shown under accruals and deferred income		
Wages and salaries including social security expenses	233,427.56	281,537.75
Interest expenses	82,799.75	175,681.09
Income taxes	0,00	0,00
Other	76,304.76	64,962.22
	392,532.07	**522,181.06**

EQUITY

EUR	2023	2022
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	50,790,748.26	51,102,774.80
Repurchase of shares		-312,026.54
At 31 December	**50,790,748.26**	**50,790,748.26**
Retained earnings from previous financial years	21,123,431.84	18,123,340.80
Dividend distribution	-11,955,944.32	-11,199,702.30
Retained earnings from previous financial years	**9,167,487.52**	**6,923,638.50**
Profit (loss) for the financial year	**15,481,366.56**	**14,199,793.34**
Total unrestricted equity	**75,439,602.34**	**71,914,180.10**
Total equity	**75,519,602.34**	**71,994,180.10**
Distributable unrestricted equity		
Reserve for invested unrestricted equity	50,790,748.26	50,790,748.26
Retained earnings from previous years	9,167,487.52	6,923,638.50
Profit for the financial year	15,481,366.56	14,199,793.34
Distributable unrestricted equity	**75,439,602.34**	**71,914,180.10**

NOTES ON FAIR VALUE MEASUREMENT

Object: Loan, EUR 36,500 thousand

DERIVATIVE:

Interest rate swap nominal amount EUR 36,500 thousand, for the period 21 Jan 2023 to 15 Dec 2026

The company will receive 6 months interest and pays fixed interest. The fair value of the contract at the balance sheet date was EUR 1,869,013.

The cash flows of the interest rate swap are recognised in the income statement.

GUARANTEES AND COMMITMENTS

EUR	2023	2022
Rental payments under lease contracts		
Payable during the following financial year	45,945.96	12,365.26
Payable in later years	81,554.64	0,00
	127,500.60	**12,365.26**
Derivatives		
Interest rate swap 21.1.2022-15.12.2026		
Nominal value	36,500,000.00	36,500,000.00
Present value	1,869,013.00	3,243,267.00

PROPOSAL BY THE BOARD OF DIRECTORS FOR DISTRIBUTION OF PROFIT

Harvia Plc's total unrestricted equity amounts to EUR 75,439,602.34 in total, of which profit for the period accounts for EUR 15,481,366.56. 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 0.68 (0,64) per share, EUR 12,712,080.48 in total, for the financial period ended 31 December 2023. The Board of Directors proposes the dividend to be paid in two instalments, EUR 0.34 in May 2024 and EUR 0.34 in October 2024.

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

In Helsinki, 7 February 2024

Olli Liitola
Chairman of the Board

Matias Järnefelt
CEO

Heiner Olbrich

Anders Holmén

Hille Korhonen

Catharina von Stackelberg-Hammarén

Markus Lengauer

AUDITOR'S NOTE

A report on the audit performed has been issued today.

In Helsinki, 7 February 2024

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, financial performance and cash flows in accordance with IFRS Accounting Standards 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 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 2023. The financial statements comprise:

- the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, which include material accounting policy information and other explanatory information
- the parent company's balance sheet, income statement, cash flow statement 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

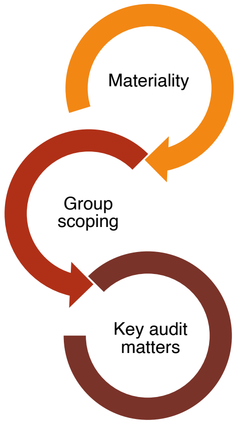
We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and 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

- Overall group materiality: € 1 800 000, which represents 5 % of profit before tax
- The group audit scope includes all significant operating companies in Finland, Austria, Germany and USA covering vast majority of revenues, assets and liabilities.
- Valuation of goodwill



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	€ 1 800 000
HOW WE DETERMINED IT	We used 5% of profit before tax to determine overall group materiality.
RATIONALE FOR THE MATERIALITY BENCHMARK APPLIED	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

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

We have performed audit procedures in the most significant subsidiaries in Finland, Austria, Germany and USA. We determined the type of work needed to be performed at group companies by us, as the group engagement team, or by auditors from other PwC or non-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	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of goodwill *Refer to accounting principles of the consolidated financial statements and note 3.2 Intangible assets and Impairment testing* On 31 December 2023 the Group's goodwill balance amounted to EUR 73,4 million. As such, goodwill represents 34 % 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.	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 IFRS Accounting Standards 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 9 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 7 February 2024

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 January - 31 December 2023 in European Single Electronic Format ("ESEF financial statements"), version 7437002ULTBOWQQOXL69-2023-12-31-fi.zip.

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 MANAGEMENT

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 behaviour.

Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or 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 December 2023 comply, in all material respects, with the minimum requirements as set out in 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)

HARVIA

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