Annual and Sustainability Report

2022

orthex GROUP

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ANNUAL REVIEW

Orthex in brief

Orthex is a leading Nordic houseware company. Orthex designs, produces, and sells practical and durable household products with a mission to make consumers' everyday life easier. Orthex main consumer brands are SmartStore™ in storage products, GastroMax™ in kitchenware and Orthex™ in home and plant care categories. In addition, Orthex sells externally produced kitchen products under the Kökskungen™ brand.

Orthex has more than 100 years of experience in the production, design, and marketing of household products, and it has approximately 800 customers in more than 40 countries. Orthex's core geographic market is Europe. Orthex is headquartered in Espoo, Finland, and listed on Nasdaq Helsinki Ltd (ORTHEX).

Orthex aims to be the industry forerunner in sustainability. Our high-quality, safe, and durable products are made with care and timeless design. They are made for long-term use and are recyclable in all our markets. We are actively increasing the share of renewable and recycled raw materials in our products. At the same time, we continuously strive to reduce the carbon footprint of our products and operations and are aiming towards carbon neutral production by 2030.

300+ employees

>40 customer countries

Sustainability focus

>90% own brand sales[1)]

Product categories:

Storage | Kitchen | Home & yard | Plant care

[1)] Invoiced sales of SmartStore, GastroMax, Orthex, and Kökskungen branded products accounted for 92% of total invoiced sales in 2022.

Key figures

	2022	2021	2020	2019
Net sales, EUR million	84.0	88.7	75.9	66.4
Adjusted EBITA, EUR million	5.5	11.0	12.9	7.6
Adjusted EBITA margin, %	6.5%	12.4%	17.0%	11.4%
Operating profit, EUR million	5.2	9.3	12.3	6.5
Net debt / Adjusted EBITDA	2.8	1.7	2.3	3.5
Earnings per share, basic (EUR)	0.12	0.35	0.47	0.12

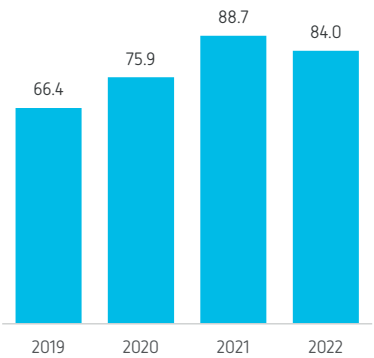
-1.4%
Net sales decrease outside Nordics

-7.2%
Storage category decrease

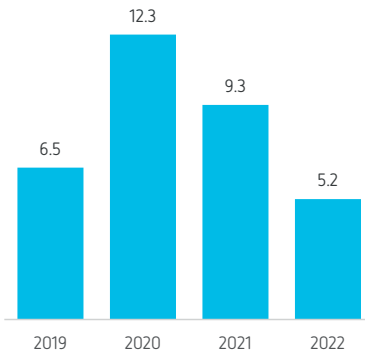
295
Personnel, FTE during the year

2.2 kgCO2 eq./kg
We reduced our relative carbon footprint compared to 2021 level (2.5 kgCO2 eq./kg)

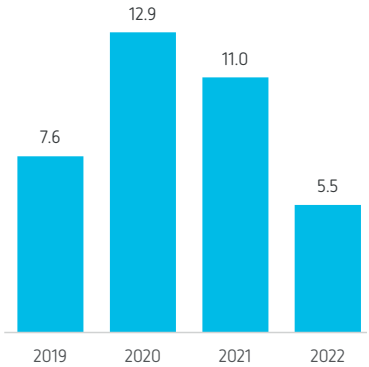
Net sales, EUR million



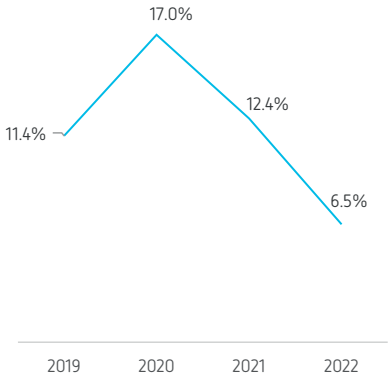
Operating profit, EUR million



Adjusted EBITA, EUR million



Adjusted EBITA margin, %



Highlights of the year

2022 | March | April | June | September | November | December

ISCC PLUS certificate
Lohja factory granted with the ISCC PLUS certificate facilitating the use of renewable materials according to mass balance approach.

In-store excellence
A flagship store solution in a major DIY chain. Several in-store implementations together with major retail chains throughout the year.

Commitment to SBTi
SBTi approved Orthex's CO2 emissions reduction target.

Digitalisation
Re-launch of Orthex web pages and product data systems in five languages.

Materiality assessment
Extensive materiality assessment to sharpen our sustainability strategy.

Mass balance
ISCC PLUS certified and mass-balanced renewable raw materials in the SmartStore™ Compact storage box series.

Recognitions
The new SmartStore™ Collect Slim was awarded with "Winner 2023" at the German Design Awards.

Review by the CEO

Orthex purpose is to improve everyday life with practical, beautiful, and sustainable household products. We want to give consumers the opportunity to choose products that are better for the environment; therefore we constantly strive to improve the sustainability of our products and our operations.

Volatility and uncertainty affected the business environment during 2022, with geopolitical disruption and high inflation across the value chain. The world after COVID-19 offered conditions where the scarcity of products and the lack of efficient transport further increased transportation costs both at land and sea to new record levels. Shift in consumer behaviour towards sustainability and digital marketplaces is accelerating post covid. Whilst demand remained overall solid, the pressure of inflation on consumers started to erode the consumption growth across product categories and geographical areas during the year. As a result of the prevailing consumption uncertainty, many retailers are carefully monitoring their inventory levels and limiting buying to ensure efficiency. Orthex product price points are relatively low, and the products are bought to solve real needs. Therefore, Orthex believes that its product categories will be less affected by careful consumer purchasing behaviour than other more expensive consumer goods categories.

Sales growth in European markets

In 2022, driven by lower consumer confidence, Orthex's net sales decreased by 5.2% to EUR 84.0 million. In the strategically important European markets, we managed to deliver growth year-on-year and the growth accelerated towards the end of the year. The positive European sales development is a result of a successful commercial strategy implementation including widened distribution, customer collaboration, new customers gained, price increases and launch of new

products that all helped to counter the negative effects of careful customer and consumer behaviour. The sales decreased in the Nordic core markets driven by a few larger Nordic customers that limited their purchases during the fourth quarter. The fourth quarter comparison is against an all-time high sales quarter in 2021. No significant customers or important product listings were lost during the year.

We are committed to implementing our growth strategy with a focus on accelerated European and international growth with a strong focus on sustainability. All functions and activities are designed to deliver and support our growth ambition to become the number one brand in the storage category in Europe while strengthening our Nordic category leader position. Orthex's products are sold in more than 40 countries, sales on our European strategic markets grew by 4.7%. In 2022, sales outside the Nordic core markets accounted for 20.2% (19.4) of Orthex's invoiced sales.

Orthex has been able to utilize its capacity efficiently, which has positively affected our delivery performance. The uncertainty in customer purchasing behaviour is seen in an increase in inventory value towards the end of the year. The inventory value is affected by higher raw material prices and higher stock of our best-selling products in anticipation of sales growth. Focus will be put in 2023 to manage the inventory to ensure more efficient working capital levels.

Profitability was influenced by cost inflation

In 2022, profitability was influenced by cost inflation, especially in raw materials. The weakening of the Swedish krona and more expensive purchased products, transports and energy also impacted the result negatively. During the year, active measures to off-set the rising cost levels were taken. Especially adopting the pricing of products to rapidly increasing cost levels was done with a long-term view. The full-year adjusted EBITA decreased to EUR 5.5 million (11.0). We are disappointed with the result development for the year. Especially market conditions during the second quarter of 2022 affected the overall result negatively. Towards the end of the year, we already saw improving relative profitability despite uncertainty in customer purchasing behaviour.

Sustainability at the core of Orthex strategy

The company aims to be the industry forerunner in sustainability by offering timelessly designed, high-quality, safe, long-lasting products, while reducing the carbon footprint of its operations and products. Orthex has set as a main target to work towards carbon neutrality in production by 2030.

We reached many significant sustainability milestones during 2022. One major achievement was that SBTi approved Orthex's near-term science-based emissions reduction target, meaning that Orthex's climate targets are aligned with the target to keep global warming below 1.5°C.

At the beginning of the year, we took an important step by ISCC PLUS certifying our Lohja factory, which gave us the opportunity to start business with mass balanced renewable materials in selected product series. In addition, we sharpened our sustainability strategy based on feedback from an extensive materiality assessment. In terms of recognition and working with transparency, we earned a Nasdaq ESG Transparency Partner certification, we improved our rating to B in the CDP Climate Change program and as mentioned, our CO2 reduction targets were approved as science-based targets. Our products got positive recognition, for example our fishnet bucket was in the final of the most sustainable product competition in Finland. In addition, we added to the family of products for waste sorting by launching the very nicely designed SmartStore™ Collect Slim product to enable recycling and sorting of waste in an increasing number of homes.

In terms of future development, we started two important raw material related projects together with partners, the aim of which is to find break-through solutions with which we can increase the use of sustainable raw materials in our products. This is in line with our ambition to reduce our carbon footprint and reach carbon neutrality.

We started two important raw material related research projects.

A motivated and skilled personnel is our primary and most valuable resource. We work actively with a zero-accident culture where everyone should feel appreciated, welcomed, and safe at work. I am happy to report that the already good results in our personnel survey shows improvement from the previous year and the results are significantly more positive compared to the peer group of Finnish manufacturing companies.

Digitalisation, in-store excellence, and innovations support our growth

Digitalisation and in-store excellence play an important role in Orthex business development and in our strategy execution. In digitalisation, there are several important milestones achieved in 2022 including the creation of strong in-house e-commerce competencies and thereto related new customer openings in the fast-growing e-commerce business. Our ambition is to be a strong value adding partner both to pure e-commerce players and multi-channel partners. Another milestone is the successful re-launch of our web pages in five languages and related product data systems. In addition, Orthex has in 2022 significantly progressed in terms of data security and IT protection readiness.

In terms of in-store excellence, we are proud to have implemented several initiatives especially in the storage and kitchen categories together with major retail chains in Europe and the Nordic countries. Making shopping easier benefits both Orthex and its partners and gives the consumer the choice to select increasingly sustainable products in the store. Innovation within our categories will further support our growth. We believe that the demand for sustainable products will continue to increase and therefore we are ensuring that we have a pipeline of exciting and relevant new products to cater for the prevailing consumer trends.

I am pleased with many of the important strategic steps achieved.

Orthex has over a hundred years of experience in producing and selling consumer goods. Now with the second year as a listed company behind us, I am pleased with many of the important strategic steps achieved in 2022. Despite the overall challenging conditions, we managed to achieve growth in strategically important markets, we managed to strengthen our product portfolio and we took important steps on our sustainability journey. I am especially proud of our committed and passionate personnel that makes the difference every day despite turbulent and unpredictable conditions.

With many good learnings from 2022, we are excited to start our third year as a listed company. I take this opportunity to thank the whole Orthex team, our stakeholders, and investors for the strong support in 2022.

Alexander Rosenlew
CEO

Strategy

Orthex's key priorities in its growth strategy are to become the number one brand in the Storage category in Europe, and strengthen its position as a leading houseware company in the Nordics branded with sustainable products.

1 Solid actions to keep winning in the Nordics

Orthex aims to grow the Storage product category in the Nordics through campaigns, expansion of in-store concepts and launch of new products.

Orthex targets growth in the Kitchen product category by focusing on sustainable products and distribution expansion opportunities. Orthex also aims to capture the e-commerce channel opportunities and the scalability of its business model.

In 2022, the Nordics accounted for 79.8 percent of Orthex invoiced sales.

2 Accelerating growth in the international markets through strong customer collaboration

Orthex expects major growth opportunities in the international markets and its go-to-market strategy is delivered through local presence with a key account approach. The key is to improve the distribution of Orthex products in the international markets, invest in strategic customers and new customer acquisition.

In 2022, international markets accounted for 20.2 percent of Orthex invoiced sales.

3 Accelerating growth through the online retail channel

The company takes advantage of the e-commerce growth opportunities by strengthening relationships with e-commerce companies and working closely with retailers executing a multi-channel strategy.

Market consolidation provides growth opportunities

Orthex anticipates that acquisitions could be an important opportunity to reach the company's strategic objectives. Orthex intends to carefully evaluate acquisition opportunities in Europe. The synergies achieved through acquisitions are typically related to production, sales and marketing, logistics, product category expansions, overheads, and a stronger bargaining position.

Commercial factors supporting the growth strategy

CLEAR CATEGORY STRATEGY FOCUSING ON STORAGE

- Accelerating efforts to grow the Storage category in international markets utilizing the company's long experience in the Nordics.
- The close distribution linkage between Kitchen and Storage categories enables cross-selling by leveraging Orthex's existing customer network.

SHOWING THE WAY IN SUSTAINABILITY

- Orthex aims to be the industry forerunner in sustainability by offering high-quality, safe, and long-lasting products with timeless design. Orthex is reducing the carbon footprint of its operations and products by using more renewable and recycled raw materials.
- Orthex believes that it has potential to become a preferred supplier of sustainable products.

GROWTH THROUGH INNOVATIONS

- Innovation plays an important role in Orthex growth strategy.
- When developing new products and concepts Orthex will focus on improving consumers' everyday life with sustainable and practical products with timeless design.

Long-term financial targets

Sales growth

An annual organic net sales growth to **exceed 5 per cent** on a Group level, and **10 per cent** outside the Nordics (growth in local currencies).

Profitability

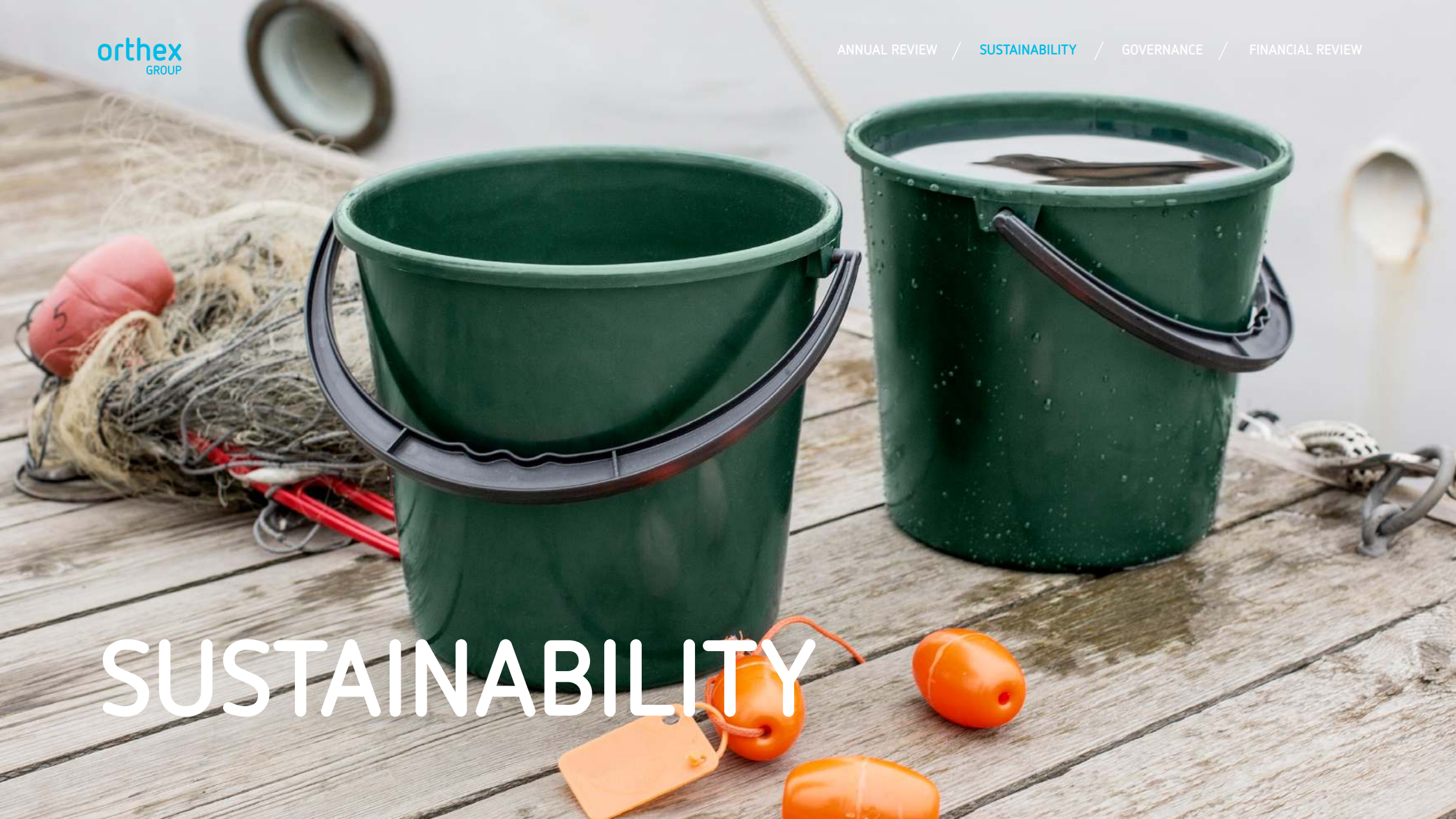
Improving EBITA margin (adjusted for items affecting comparability) **exceeding 18 per cent** over time.

Leverage

Net debt to adjusted EBITDA **below 2.5x**. Leverage may temporarily exceed the target (for example, in conjunction with acquisitions).

Pay-out ratio

Distribution of a stable and over time increasing dividend with a pay-out of **at least 50%** of net profit on a bi-annual basis.



SUSTAINABILITY

Key sustainability actions 2022

SBTi approved Orthex's near-term science-based **emissions reduction target**.

Read more

We decided to make considerable **investments in research** to find new methods and raw material solutions.

Read more

We updated our **sustainability strategy** and created **the road map towards carbon neutrality by 2030**.

Read more

Our **relative carbon footprint was reduced** to 2.2 kgCO2 eq./kg (2.5 kgCO2 eq./kg in 2021).

Read more

Our **employee satisfaction** result improved to 14.6 (14.4 in 2021)

Read more

Sustainability at Orthex

Sustainability is a core element in implementing Orthex's growth strategy and key priorities as we strive to be the number one brand in storage products in Europe and strengthen our position as a leading houseware company in the Nordics. Sustainability is a key factor in all decision making at Orthex and a significant driver of our development and investment agenda.

The main building blocks of our approach to sustainability are our products, sustainable raw materials, and our carbon neutrality target. Orthex's high-quality, safe, and durable products are made with care and timeless design. They are made for long-term use and are recyclable in all our markets. We are actively increasing the share of renewable and recycled raw materials in our products. We continuously strive to reduce the carbon footprint of our operations and products and are aiming towards carbon neutral production by 2030[1]. With these priorities, our goal is to be the industry forerunner in sustainability.

Several initiatives around the world strive to reduce the use of single-use plastic products that can end up as waste in nature or the oceans. Orthex does not make single-use products. On the contrary, we believe that plastic is a valuable raw material that should be used to make long-lasting, reusable, and recyclable products, such as our own.

The main building blocks of our approach to sustainability are our products, sustainable raw materials, and our carbon neutrality target.

As stated in the EU's European strategy for plastics, "plastics are an important material in our economy and daily lives". Orthex's products and resource-efficient operations contribute to the EU's target to accelerate the transition to a circular plastics economy.

Orthex supports the Plastics Roadmap for Finland which identifies measures to reduce the harm caused by plastic waste, enhance the recycling and product design of plastics, create conditions for circular innovations, and reduce the dependency on fossil-based raw materials by advancing bio-based solutions. These are long-term systemic changes, and they require strong cooperation across the value chains. Orthex is involved in two significant research projects, the goals of which are to increase the use of recycled and renewable plastics. In line with Orthex's sustainability strategy, both projects support our 2030 carbon neutrality target and the target to increase the use of sustainable raw materials.

[1] Target includes Orthex's Scope 1 and 2 greenhouse gas emissions and relevant parts of Scope 3 emissions. More details later in this section.

Materiality assessment

Orthex's sustainability work and sustainability strategy are based on a stakeholder materiality assessment to ensure that our sustainability priorities focus on the most relevant sustainability topics.

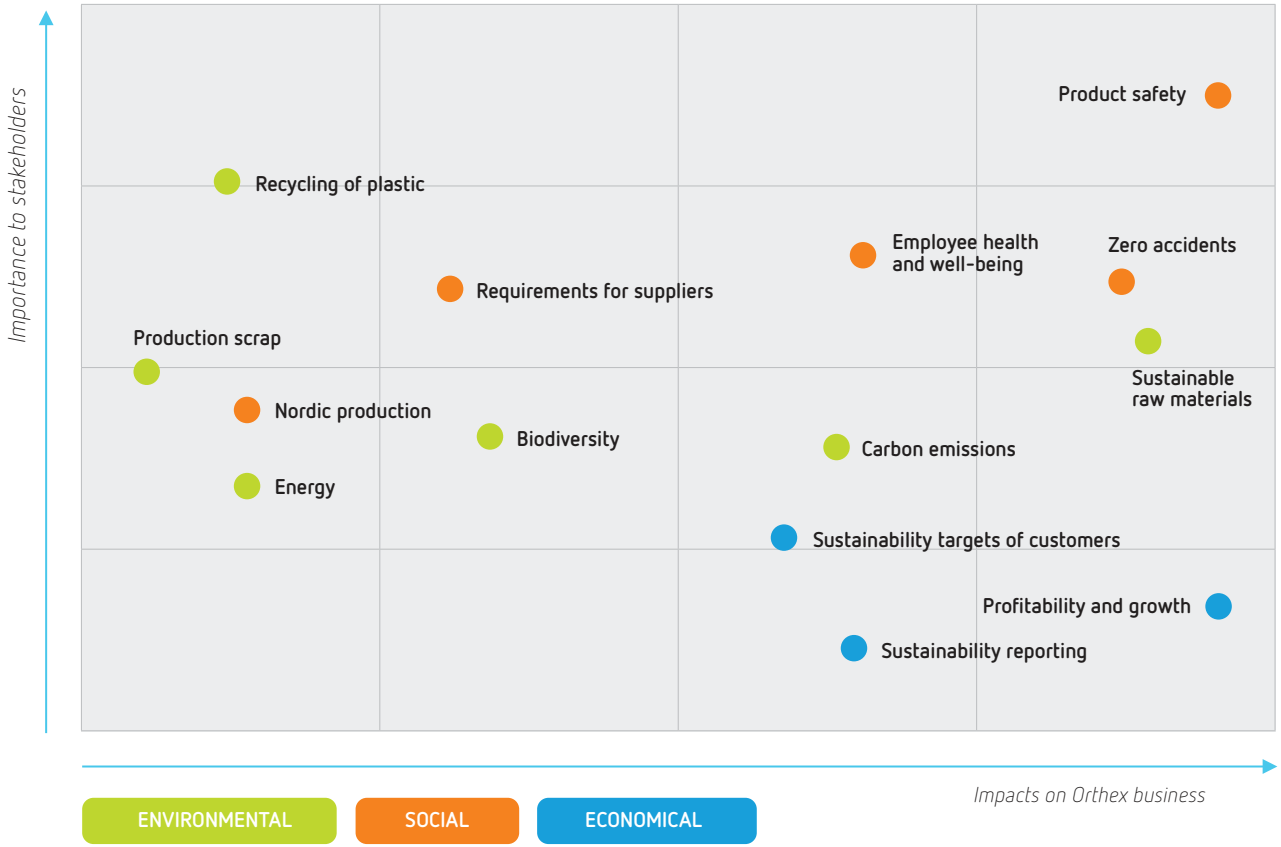
In 2022, Orthex conducted a sustainability materiality assessment of the company's sustainability topics to align Orthex's sustainability work with our key stakeholders' (customers, employees, shareholders, suppliers, and consumers) expectations. More than 500 replies to the materiality questionnaire were received, and the assessment results were supplemented by interviews with selected customers, investors, and suppliers.

We ensure that our sustainability strategy is in line with stakeholders' expectations.

The materiality questionnaire and the interviews were built around our previously defined sustainability priorities. We requested open feedback on our sustainability work to find out if something relevant was missing from our sustainability agenda. The result of the assessment confirmed that we are focusing on the relevant sustainability topics (all topics rated above 4 on scale 1–5), but gave us cause to raise a new topic – biodiversity – on our sustainability agenda.

In the materiality matrix, the topics are presented based on their importance to our stakeholders and on the impact on Orthex business.

Orthex materiality assessment



Orthex's updated sustainability strategy

During 2022, we conducted an extensive materiality assessment that formed the basis for our sustainability strategy review. As a result of the annual sustainability strategy review, the key sustainability aspects were restructured to follow ESG (Environmental, Social and Governance) structure, and relevant KPIs for each aspect were defined and finetuned. We will continue reporting economic aspects and related targets as a part of our financial reporting.

Environmental

Orthex's environmental focus remains unchanged – we focus on continuously minimising our impact on the environment and the climate, and our key target is aiming towards carbon neutral production by 2030. Based on the materiality assessment, our key environmental aspects - environmentally sustainable choices, resource efficiency, responsible production and consumption, and related targets and KPIs remain the same. Read more about our work for the environment later in this report under section Environmental.

Social

Caring for our people and product safety are the key elements of our social responsibility. Orthex promotes a zero-accident vision and culture, and during 2022 we introduced a new KPI for safety – Lost-Time Injury Frequency (LTIF) rate. This KPI will replace the number of work-related accidents and will give us the opportunity to benchmark our safety performance. Stakeholder engagement and sustainable supply chain remain important aspects to us and will be reported from now on under Sustainability governance.

Governance

The most significant update of our sustainability strategy was adding Governance as a key sustainability aspect. Orthex's way to conduct business goes beyond compliance with applicable laws and regulations - high ethical standards and integrity are present in everything we do. Our Code of Conduct and Supplier Code of Conduct define the key principles for how we engage in business, and we have introduced two new KPIs related to this. In addition, we want to increase transparency and raise environmental standards with high-quality reporting, and we have set new ambitious targets related to that.

Our key sustainability aspects follow the ESG (Environmental, Social & Governance) structure.

Sustainability strategy

VISION

#1 Brand in Storage in Europe and the leading houseware company in the Nordics.
Showing the way in sustainability in the industry.

MISSION

Orthex designs, produces, and sells functional household products to customers and consumers. Our offering is based on appealing and innovative concepts, responsibly produced, long-lasting products of high quality and leading brands.

PURPOSE: Improve everyday life with sustainable, practical products

TARGET 2030

Towards carbon neutral production

Actions:

1. Sustainable raw materials share 2030: 80%
2. Energy efficiency and renewable energy
3. Promoting circular economy
4. Cooperation across the value chain

	ENVIRONMENTAL	SOCIAL	GOVERNANCE
Aspects	Environmentally sustainable choices Resource efficiency Responsible production and consumption	Caring for our people Product safety Customer satisfaction	Ethical business practices Transparency
KPIs	Sustainable materials Energy efficiency Production scrap Reducing carbon footprint	Employee health and safety Zero accidents culture Work environment evaluation Safe and tested products Customer satisfaction	Ethics and integrity Sustainable supply chain Transparent reporting and commitment

Targets and indicators

Orthex's sustainability targets and key performance indicators (KPIs)

Aspect	Theme	KPI	Indicator	Target	Result 2020	Result 2021	Result 2022
E ENVIRONMENTAL	Environmentally sustainable choices	Sustainable materials	Share of renewable and recycled materials (used kg)	2030: > 80%	13.6%	14.1%	13.6%
			Increase sales of products made from renewable and recycled materials (%)	> 2 times net sales growth	14.0% (Net sales 14.2%)	30.0% (Net sales 16.9%)	5.0% (Net sales -5.2%)
	Resource efficiency	Energy efficiency	-5% rolling 3 years (kWh / produced kg)[1]	1.073 in 2022 and 1.081[1] in 2023	1.131	1.100	1.092
		Production scrap	Scrap rate	2024 < 1.42%	1.09%	0.97%[2]	0.96%
	Responsible production and consumption	Reducing carbon footprint	CO2 calculation for our operations (tCO2 eq./a)	Towards carbon neutral production by 2030	36,807	40,304	31,107
			CO2 per produced kg (kgCO2 eq./a)	Reduce annually	2.5	2.5	2.2
S SOCIAL	Caring for our people	Employee health and safety and zero accidents culture	Sickness absence rate (factory employees)	< 5	6.5%	6.6%	6.5%
			Work related accidents with absence[3]	Zero accidents	13	9	5
			LTIF (factory employees)	< 20	N/A	N/A	9
		Work environment evaluation	Employee satisfaction survey	> 13.6 (Finnish manufacturing companies avg.)	N/A	14.4 / 20	14.6 / 20
	Product safety	Safe and tested products	All food contact materials tested	100%	100%	100%	100%
	Customer satisfaction	Customer satisfaction	Customer satisfaction rate	Improve	3.85 / 5 (2019)	3.93 / 5	3.93 / 5 (2021)
G GOVERNANCE	Ethical business practices	Ethics and integrity	Share of employees committed to Code of Conduct	100%	NEW	NEW	NEW
		Sustainable supply chain	Suppliers aligned with Supplier Code of Conduct (A+B suppliers)	100%	NEW	NEW	NEW
			Share of suppliers that are BSCI members (in risk countries), repr. 90% of purchase value	100%	N/A	75%	94%[4]
	Transparency	Transparent reporting and commitment	CDP reporting	Minimum B-level annually	NEW	NEW	B
			Commitment to Science Based Targets initiative	Net-Zero Target validated and approved by 2025	NEW	NEW	NEW

Achieved *In progress* *Actions needed* *New target*

[1] Indicator and target adjusted for 2023-2025 period: Improve energy efficiency 1% annually (baseline 2022).
[2] Data is restated with updated information.
[3] Indicator will be replaced with LTIF starting 2023.
[4] Indicator adjusted to represent 90% of purchase value.

UN Sustainable Development Goals

Orthex supports all seventeen UN Sustainable Development Goals (SDGs). Based on identified priority sustainability topics, we have determined the most relevant SDGs for Orthex, and how we can best contribute to them.

We have determined the most relevant SDGs for Orthex.

SDG 8 Decent work and economic growth

We care for our employees and the people who work for our partners and suppliers. We strive for sustainable growth by providing environmentally sustainable choices and enhancing energy efficiency.

SDG 9 Industry, innovation, and infrastructure

We produce sustainable and safe products. In our operations, we continuously seek to improve energy efficiency.

SDG 12 Responsible production and consumption

In our operations, we are committed to reducing our greenhouse gas emissions, controlling our chemical use and waste management in a responsible manner, and minimising scrap. Our products are recyclable and increasingly made with bio-based and recycled materials, and we are committed to responsible sourcing. The foundation of our sustainability work lies upon ethical business conduct, compliance with legislation, certified environmental management systems, and sustainability reporting.

SDG 13 Climate action

We are committed to reducing our greenhouse gas emissions and aim towards carbon neutral production by 2030.

Sustainability governance and risk management

At Orthex, sustainability is led by the Board of Directors, the CEO, and the Management Team. Progress in sustainability is part of the CEO's incentive plan (read more later in the 2022 Remuneration Report). The Board of Directors and the Management Team, including the CEO, review the company's sustainability indicators monthly, with a more comprehensive review once a year. A three-year sustainability strategy is confirmed annually.

Orthex's sustainability strategy is implemented by a dedicated working team which sets targets for sustainability and monitors their progress. The working team is led by the Chief Marketing Officer (CMO) and Operations Director (OD) who report directly to the CEO and are part of the Management Team. The team consists of the ESG Advisor, representatives of our quality functions and, through the CMO and OD, covers production, procurement, marketing, product development, and commercial functions. The ESG Advisor is responsible for the development of the company's sustainability strategy and for coordinating and implementing sustainability initiatives in line with the sustainability strategy. The everyday sustainability work at Orthex is integrated into all operations and functions.

We have a dedicated team that is setting and monitoring sustainability targets.

Orthex's key sustainability-related policies and principles are:

- Orthex Code of Conduct
- Supplier Code of Conduct
- Anti-Corruption Policy
- Equal Rights & Opportunities Policy
- Quality, Environmental and Safety Policy
- Purchasing Policy
- HR Policy

Orthex's risk management policy classifies risks into three groups: strategic, operational, and financial risks. Orthex assesses ESG risks as part of the systematic risk management process. Sustainability-related risks are typically covered under operational risks, where we review circumstances or events that can cause harm to people, property, business, assets, or the environment.

The responsibility for implementing risk management lies with the Management Team, and we strive to ensure that each employee understands and can control risks within their operational environment and responsibilities. We do this by, for example, implementing our Code of Conduct (business ethics risks) and our ISO 45001 certified management system (occupational safety risks). All our employees participate in cyber security training and competition law training is provided to all relevant employees and especially to those in the commercial functions. Read more about our risk management and ESG-risks later in the Board of Directors' Report for the year 2022.

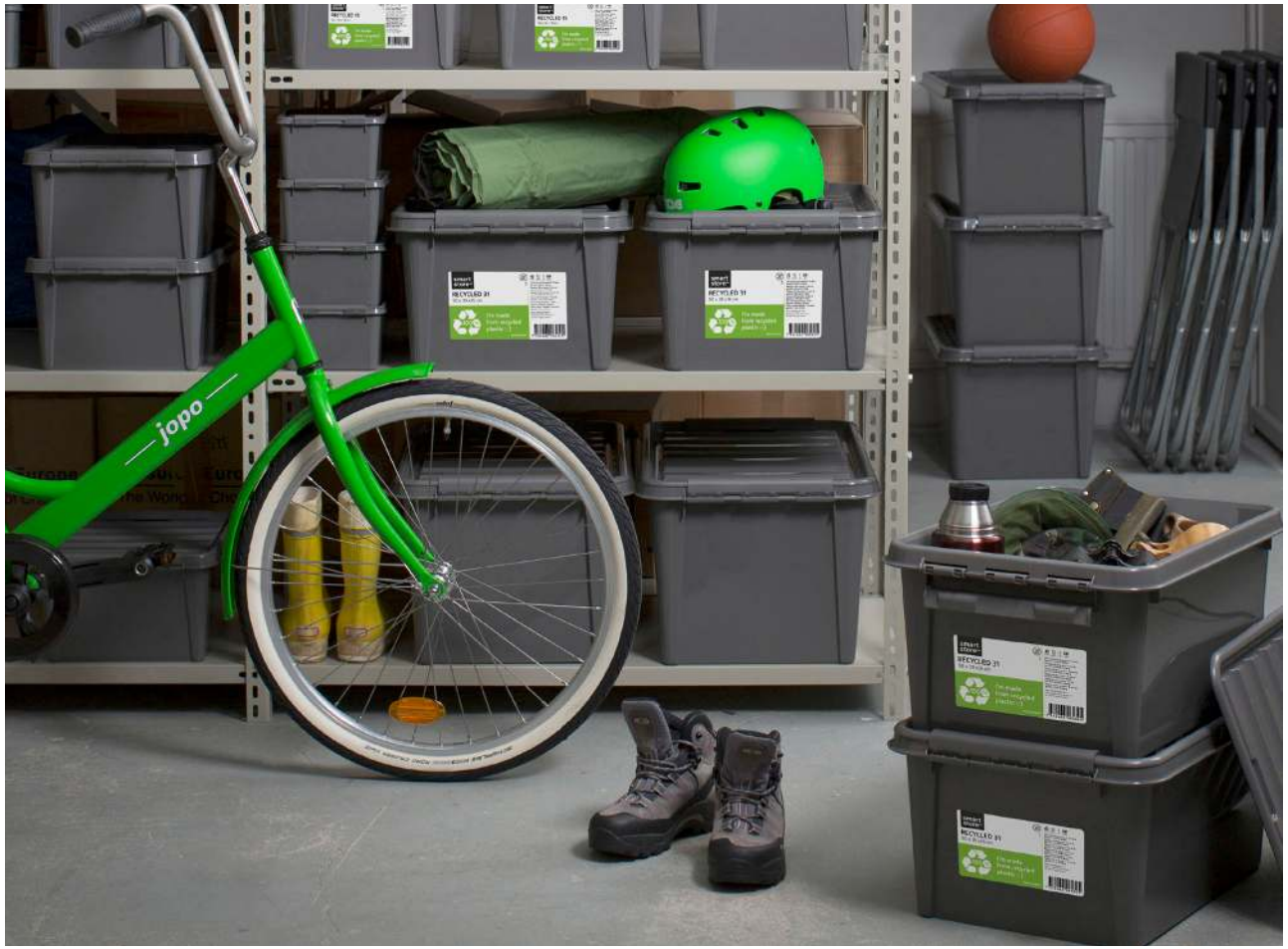
Environmental: Aiming towards carbon neutrality by 2030

Orthex strives to continuously minimise its impact on the environment and climate. The products we manufacture are of the highest quality and are meant to last for years or even decades. Even after a product has worn out, it can be recycled, and the material reused for some other purpose.

All our factories are ISO 14001 and 9001 certified for environmental and quality management. We are making significant efforts to increase energy efficiency and have been able to reduce energy consumption year after year.

Our focus areas within responsible production and consumption are reducing our greenhouse gas emissions and promoting the recycling of plastics. Relying on these and other measures, we are aiming towards carbon neutrality in our production by 2030.

We focus on reducing our emissions and promoting the recycling of plastics.



Our road map towards carbon neutrality by 2030

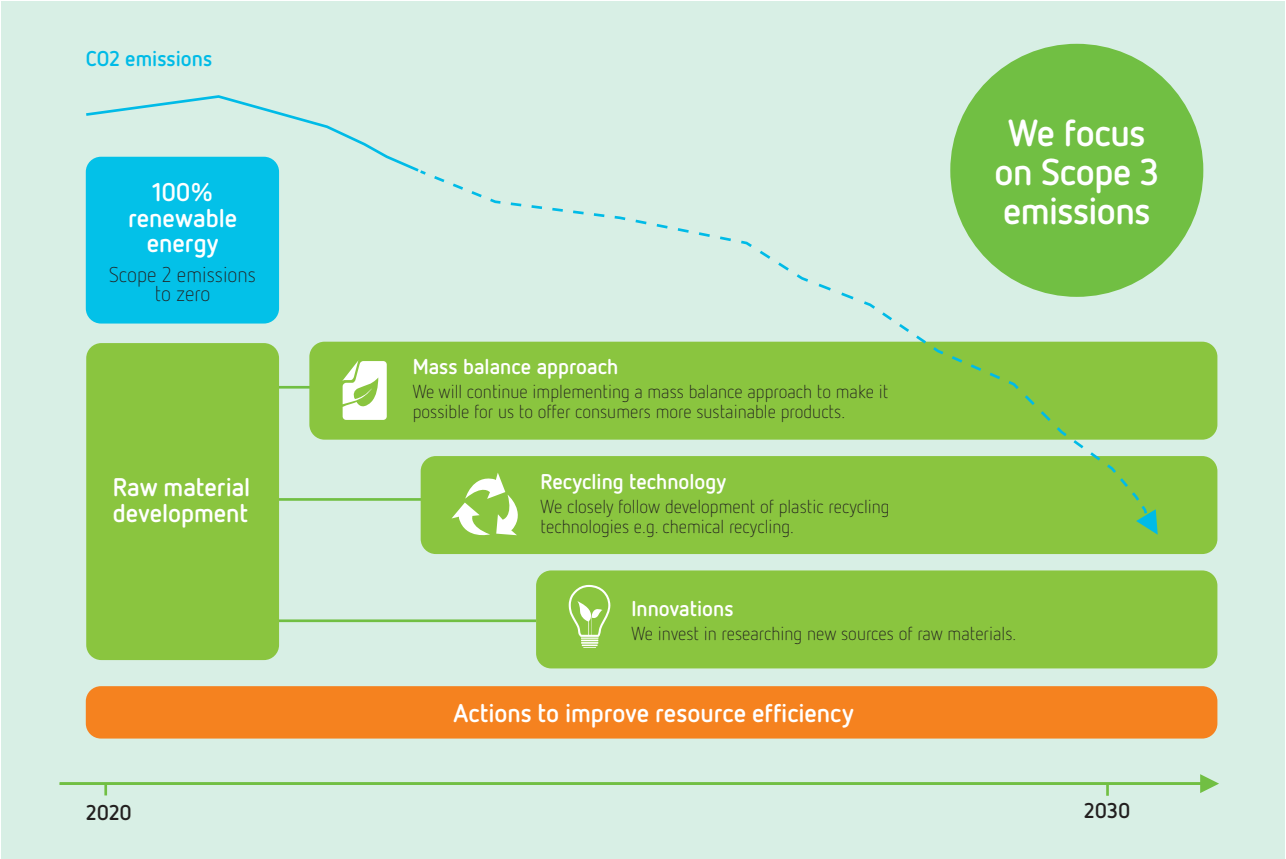
We have set an ambitious target and are aiming towards carbon neutrality in our production by 2030. In 2022, we simulated our road map towards carbon neutrality, taking into account Scopes 1, 2 and 3 (more details of these on the next page). In 2021, we took a significant step and replaced fossil-based electricity with renewable electricity in all our factories. This action enabled us to reduce our Scope 2 emissions to zero.

As almost all our remaining emissions originate from the raw materials (Scope 3), we will focus our efforts on increasing the share of renewable and recycled raw materials in our production. Key drivers enabling us to move towards our goal are: further adoption of the mass balance approach (read more later in this section of the report), innovations, new sources of raw materials, and development of plastic recycling technology.

In 2022, Science Based Targets initiative (SBTi) approved Orthex's near-term science-based emissions reduction target, which means that our climate targets are aligned with the target to keep global warming below 1.5°C in accordance with the Paris Agreement.

We focus our efforts on increasing the share of renewable and recycled raw materials in our production.

Orthex road map towards carbon neutrality by 2030



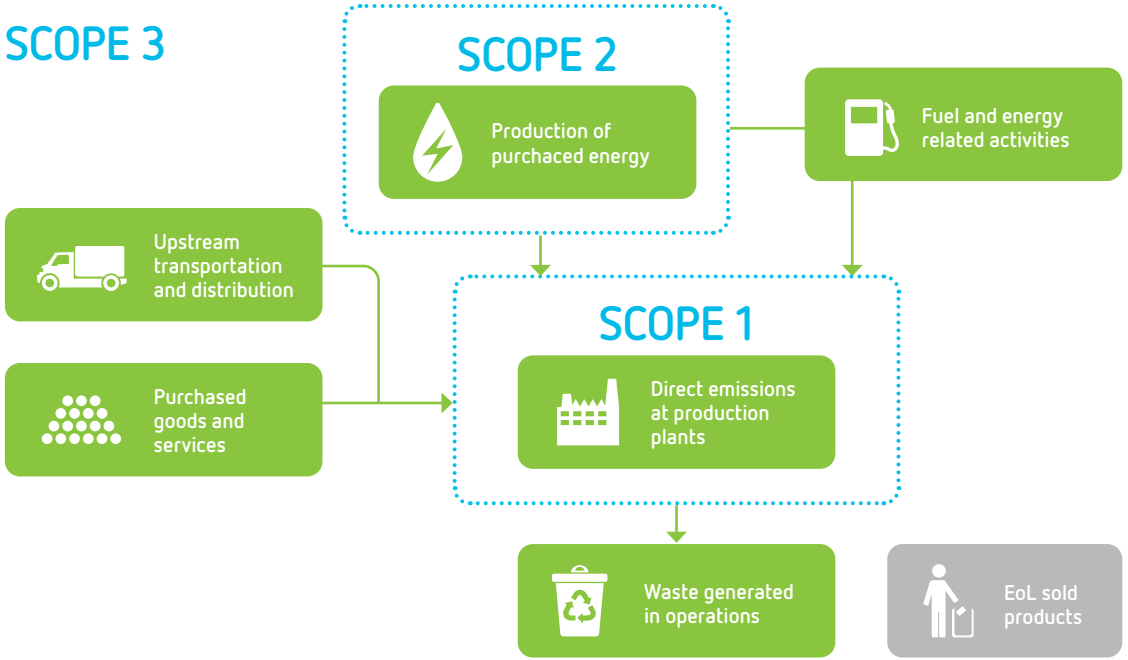
In addition to direct greenhouse gas emissions from our operations (Scope 1) and the production of purchased energy (Scope 2), we have included the following relevant indirect emissions (Scope 3) in our target: purchased goods and services, fuel and energy-related activities, upstream transportation and distribution, and waste generated in operations.

Most of our greenhouse gas emissions originate from purchased goods and services, such as raw material extraction, and the end-of-life of sold products, like the incineration of products for energy. The latter is excluded from our 2030 carbon neutrality target. This is because of our limited ability to influence consumer behaviour – whether they recycle or discard our products after use – but also because it is difficult to evaluate how the recycling of plastic develops. As our products will be in use for decades, it is likely that by the time they reach their end-of-life stage, most plastic will be fully recycled. Even if we have limited influence on consumer recycling behaviour, we proactively promote the recycling of plastics in our communication channels and we actively participate in plastic recycling awareness-raising activities. In addition, we make considerable investments to find new methods and raw material solutions. Read more about our investments in research later in this report.

In 2022, we reduced our total greenhouse gas emissions to 31,107 tCO2 eq. (40,304 tCO2 eq. in 2021). Several factors contributed to this change, for example changes in raw materials, better information about supplier-specific emission factors and decreased mass of the purchased raw materials. Our relative carbon footprint that eliminates the impact of business growth was reduced to 2.2 kgCO2 eq./kg (2.5 kgCO2 eq./kg in 2021).

Carbon footprint 2020-2022 (tCO2 eq.)

Year	Scope 1	Scope 2	Scope 3	Total	kgCO2 eq./kg of plastic products	EoL sold products
2020	72	3,052	33,683	36,807	2.5	27,280
2021	66	0	40,238	40,304	2.5	30,203
2022	74	0	31,033	31,107	2.2	26,534



Sustainable raw materials

Increasing the share of renewable and recycled raw materials

Orthex promotes sustainability in all choices made along the life cycle of a product. We only use durable and recyclable raw materials while minimising their use and optimising logistics. Reducing greenhouse gas (GHG) emissions and sourcing more and more renewable and recycled raw materials are at the core of our strategy and sustainability vision. Our target is to increase the share of used renewable and recycled raw materials in our production to 80% by 2030. In 2022, this share decreased slightly to 13.6% (14.1% in 2021). However, the growth in sales of products made from renewable and recycled materials was higher than the overall net sales growth.

We aim to reduce our emissions and increase the share of renewable and recycled raw materials in our production to 80% by 2030.

Renewable raw materials

Plastics made from renewable raw materials, also often called bio-based, reduce our dependency on limited fossil resources and have a significantly smaller carbon footprint than fossil-based plastics. Orthex launched its first products made from renewable raw materials already in 2016, and we calculated the carbon footprints of all our bio-based product lines in 2020. For example, the carbon footprint of our GastroMax BIO food storage products, which include sugarcane-based raw material, is reduced by more than 80% compared to only using conventional plastic. The reduction is explained by the carbon dioxide (CO2) generated in manufacturing being largely compensated for by the CO2 absorbed during plant growth.

We currently use three renewable raw materials for our BIO products: wood fibre, sugarcane, and castor oil. All these products are certified by OK Biobased, which assures the share of bio-based raw materials in the products. Our wood fibre originates from spruce trees in FSC and/or PEFC-certified semi-natural forests in Sweden. The certification ensures that the fibre comes from sustainably managed forests where biodiversity values are considered. Our sugarcane fibre comes from Bonsucro-certified sources in Brazil. The certification provides transparency and assurance for the sustainability of the sugarcane value chain, including the active management of biodiversity. Our castor oil originates from China through a Netherlands-based supplier that is fully committed to sustainability in its value chain. Read more about how we work with our suppliers later in the report.

Mass balance approach to drive the change

As transparent plastic and food contact with plastic are still difficult or even impossible to achieve with recycled plastic, we have started to use renewable raw materials by applying a mass balance approach in our products to make it possible for us to offer consumers more sustainable products. The mass balance approach means that renewable materials are mixed with fossil materials in the raw material production process. This reduces the amount of fossil-based plastic in the world.

In 2022, Orthex's Lohja factory was granted an ISCC PLUS certificate and we started using ISSC PLUS certified renewable raw materials applying the mass balance approach in the production of our SmartStore™ Compact and Compact Clear storage boxes. This supports Orthex's long-term carbon neutrality target, and our target to increase the share of sustainable raw materials in our production to 80% by 2030.

Recycled raw materials

We want to create value out of what has been discarded, which is why we have used recycled plastic in our production since the 1990s. For example, the carbon footprint of our SmartStore™ products made with recycled content is reduced by up to 60% compared to only using conventional plastic. The SmartStore™ Recycled product line is also certified according to the Blue Angel ecolabel which sets strict standards for environmentally friendly products and services.

The carbon footprint of our SmartStore™ products made with recycled content is reduced by up to 60%.

Orthex was among the first consumer goods companies in the world to start using plastic packaging recycled by consumers as raw material for new products in 2017, as soon as technology allowed it. Today, this plastic comes from EuCertPlast-certified suppliers in Finland and the Netherlands. The EuCertPlast certification (European Certification of Plastics Recycling) focuses on the traceability of plastic materials and the quality of recycled content in the end-product.

We also use recycled plastic from industrial sources. This material originates from various reliable sources in Europe. The plastic in our products can be recycled approximately 10 times. In practice, however, recycled plastic is always a mix of plastics of different ages (some recycled more, some fewer times). This means that while a certain part of the plastic mass can be recycled ten times, the product as a whole can be recycled almost indefinitely.

We also use plastic raw material made from old fishing nets to produce household buckets and other products. Fishing nets are a major source of plastic ocean waste. Reusing them as raw material prevents ocean pollution and considerably reduces the carbon footprint of the new products, compared to virgin plastic material. In 2022, we initiated collaboration with UPM Raflatac and started using the world's first label material made from ocean bound plastic waste in our products made from old fishing nets.

ORTHEX AND UPM RAFLATAC HELP PREVENT MARINE LITTER WITH INNOVATIVE PRODUCTS

Fishing nets discarded at sea put a lasting strain on the marine ecosystems. A single net can remain in the sea for up to 600 years before decomposing. More than 640 000 tons* of fishing gear end up in the seas every year and in 2016, about 17% of all waste on European shores consisted of fishing nets.

In 2018, Orthex introduced a new product line based on raw material made from used fishing nets. The raw material is collected from old fishing nets and ropes from harbours in Scandinavia, in the UK and in Northern Europe. Collected material is then sorted, cleaned, shredded, and extruded into raw material from which the Orthex's bucket, bowl and scoop products are made. The raw material has up to 94% lower carbon emissions compared to virgin plastic.

In 2022, Orthex joined forces with UPM Raflatac and introduced Ocean Action label materials on its fishing net products. UPM Raflatac collaborates closely with multiple partners in the value chain to produce the Ocean Action labels. The Ocean Action label materials are the world's first label materials made from ocean bound plastic waste. The ocean bound plastic waste is abandoned plastic waste recovered from areas up to 50km inland from shores, defined by OBPCert as "at risk of ending up in the ocean".

**Source: Greenpeace: Ghost gear fishing report 2019.*

Investing in the research of sustainable raw materials

We invest in research to find new methods and raw materials

We want to provide consumers with the opportunity to choose more environmentally friendly products, and that is why we in 2022 decided to make considerable investments in research to find new methods and raw material solutions. Orthex is involved in two significant research projects, the goals of which are to increase the use of recycled and renewable plastics. In line with Orthex's sustainability strategy, both projects support our 2030 carbon neutrality target and the target to increase the use of sustainable raw materials.

Orthex launched a significant research project for the development of future recycled plastic products in September 2022. The project will be carried out in cooperation with partners and will last until the end of 2024. The goals of the project are to build an ecosystem aimed at increasing the use of recycled plastic and to generate new information about the use of recycled plastic in different applications, especially in products suitable for food contact. The project is part of the extensive and pioneering Borealis SPIRIT (Sustainable Plastics Industry Transformation) program supported by Business Finland, which aims to transform the plastics industry towards a more sustainable future.

Since January 2023, Orthex also participates in a large cooperation project of seven years to promote the circular economy of plastics. The PlastLIFE SIP-EU project piloted by the Ministry of the Environment and the Finnish Environment Institute (SYKE) is part of the EU's LIFE program. As part of the PlastLIFE SIP-EU project, the goal of Orthex's work package is to find new potential renewable plastic raw materials, test raw materials in production and as finished products, and then bring products from renewable plastic to the market.

> **We are involved in two significant research projects that aim to increase the use of recycled and renewable plastics.**

Resource efficiency

Our efficient operations save natural resources

Orthex's own operations are resource efficient and have minimal impact on the environment, including local biodiversity. In optimizing resource efficiency, our focus areas are improving energy efficiency and decreasing production waste, or scrap. Our objective is always to save natural and other resources.

A significant way to improve energy efficiency in our operations is to replace old machines with energy-efficient ones. Investments in energy-efficient machines have contributed to reducing Orthex's energy consumption significantly since 2017 as described in the table below. We adjusted our energy-efficiency target for the period of 2023–2025 to improve energy efficiency 1% annually (baseline year 2022).

Progress in energy consumption 2017-2022 (kWh/kg)

Year	Outcome	Target
2017	1.255	N/A
2018	1.203	1.234
2019	1.158	1.196
2020	1.131	1.145
2021	1.100	1.106
2022	1.092	1.073

We optimise our production in a way that minimises the emergence of poor-quality products or production scrap. If scrap is created despite our measures, mainly due to colour or material change during production, we are able to reuse the vast majority of it as raw material elsewhere in production. This effectively eliminates the creation of actual scrap. Our target is to achieve a production scrap rate (cost of scrap products compared to produced volume) of 1.42% by 2024. In 2022, we managed to reduce scrap even further so that the scrap rate was only 0.96%.

Progress in reducing production scrap 2017-2022 (cost of scrap products compared to produced volume, %)

Year	Outcome	Target
2017	1.35%	1.60%
2018	1.45%	1.55%
2019	1.47%	1.50%
2020	1.09%	1.50%
2021	0.98%*)	1.50%
2022	0.96%	1.47%

*) Data is restated with updated information.

All our factories have closed-loop systems for water use. Our operations use cooling water in their manufacturing processes, and the water is fully recycled in production. No wastewater is created in our operations, and no water is released into nature.

As our products only contain the raw material and colour, we use minimal volumes of chemicals in our production. Some chemicals are used for other purposes, for example for cleaning. We also follow the Substitute It Now (SIN) list to control the chemicals included in the making of our raw materials. The SIN-list is a database of chemicals likely to be restricted or banned in the EU. The purpose of this list is to support organisations in identifying and replacing substances of high concern, based on the criteria defined in REACH, the EU's chemical regulation.

Biodiversity

Our biodiversity impacts comes from our supply chains

In 2022, we conducted an extensive sustainability materiality assessment and based on the feedback from our stakeholders, biodiversity was raised on our sustainability agenda. Orthex's own operations are resource efficient and have minimal impact on the environment, including local biodiversity. Our indirect biodiversity impacts come from our supply chains, and in 2022 Orthex worked together with the Finnish Chemical Industry Federation and other member companies to create a long-term, industry-level biodiversity vision, targets, and a roadmap. During 2023, we will continue the cooperation with the Finnish Chemical Industry Federation to establish an approach to measure and track biodiversity impacts within the industry over the years.

Promoting the recycling of plastic

Orthex fully supports the notion that plastic belongs in circulation, not in nature. We proactively promote the recycling of plastics in our communication channels and various events, while also engaging in dialogue with relevant actors. In addition, we actively participate in awareness-raising activities, organised by the Finnish Plastics Industries Federation, that seek to advance the recycling of plastics in Finland. Orthex also cooperates with its customers to raise awareness of recycling. In 2022, Orthex promoted recycling of plastics in Finland by participating in a nation-wide awareness-raising campaign, and together with other industry operators collected almost 11,000 kilograms of plastics from consumers for recycling.

Social: Understanding our impact on people

Caring for our people

Employee feedback helps us build a safe and motivating workplace

It is our responsibility to ensure that everyone feels safe and motivated at work, enjoys their workplace, and can contribute through continuous improvement. We do this by managing our occupational health and safety risks, taking preventive measures, educating employees, and continuously evaluating and improving our ways of working. Leadership, commitment, and engaged employees are key factors for us to succeed in this area and in general. We follow up on our progress in monthly and annual reports and meetings.

Occupational safety

Orthex promotes a zero-accident vision and culture. We want to ensure that all our employees have a safe workplace every day. Our focus is on preventing safety incidents, which is why we encourage our employees to report any near-misses, unsafe practices, or other safety observations. All reports are carefully analysed, and actions are carried out to prevent similar situations from re-occurring. To ensure the safe use of chemicals, we provide our employees with bulletins that define the hazard level of the chemical and include relevant instructions for use and protective gear. Our Supplier Code of Conduct requires our suppliers to ensure a safe and healthy working environment for their employees.

Orthex's operations are audited with ISO 45001 certification for occupational health and safety (OHS). The certificate provides requirements for and guidance on an OHS management system. The goal is to enable organisations to provide safe and healthy workplaces by preventing work-related injuries and health issues, and to help improve their OHS performance. In 2022, we introduced a new KPI for safety – Lost-Time Incident Frequency (LTIF) rate. This KPI will replace the number of work-related accidents and will give us the opportunity to benchmark our safety performance, since this KPI is widely used in peer companies. In 2022, the LTIF was 9.

Health and well-being

We believe that the health and well-being of our employees form an important part of their working ability. To ensure this, Orthex offers its employees high-quality employer-provided occupational health care. We also promote an early support model that aims to prevent and early detect any negative development regarding employee health, safety, and well-being. The model also enables managers to provide adequate and timely support to employees and to promote dialogue as part of the company culture.

We measure health and well-being of our factory employees with a key performance indicator for sickness absence rate (% of total theoretical working hours). The target for this indicator is to maintain the good level of below 5%. In 2022, this rate was 6.5% (6.6% in 2021). During the Covid-19 pandemic, it has been a top priority for us to ensure the health and safety of our employees. Employees are instructed to stay at home with the slightest symptoms of an illness. We also continue hybrid working practices where remote and in-office days vary depending on the situation.

Human resources

In human resources, we focus on constantly developing an organisation with highly motivated and skilled employees and great leadership, while enabling continuous improvement for all. Orthex's people management and development process is a key element in guiding employee performance and development. All managers are evaluated by their teams annually, and all employees are provided with a structured way of giving and receiving feedback. This helps ensure that everyone has an opportunity to influence their personal development. Our employee performance reviews and employee survey, both conducted annually, are also important elements of people management at Orthex.

EMPLOYEE SURVEY TO IDENTIFY STRENGTHS AND IMPROVEMENT AREAS

In 2022, we conducted an annual employee survey with the response rate of 94% (94% in 2021). The broad survey focuses on the following areas: well-being of the employees, preconditions for work, functionality of the working community and development conditions of the working community.

Our overall result of all areas improved to 14.6/20 (14.4 in 2021) and we were above the peer group of Finnish manufacturing companies. Among all areas evaluated by Orthex employees, the following received the highest scores:
- awareness of the tasks and objectives of own work (4.5/5)
- support and help provided by the colleagues when needed (4.3/5)
- help and support provided by supervisor (4.2/5)

Areas where we want to improve are:
- employer makes efforts to develop operations and staff (3.1/5)
- ability to influence own workload (3.2/5)
- management showing appreciation of everyone's work (3.2/5)

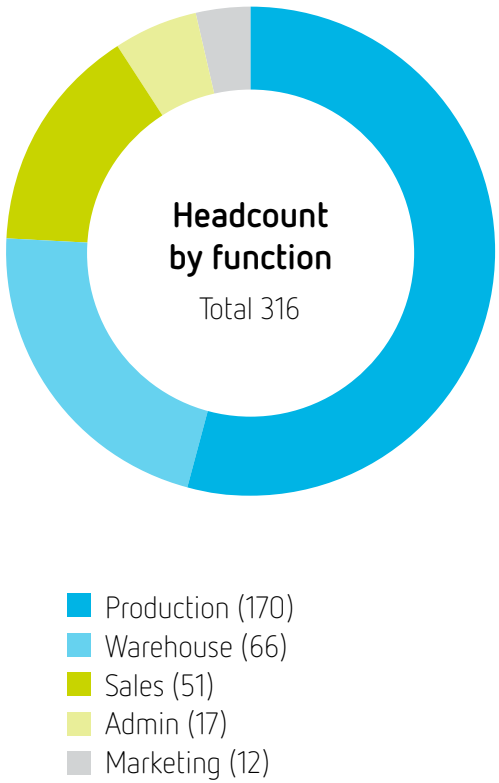
The results of the survey were discussed with each team and development action plans were made and followed up on a regular basis.

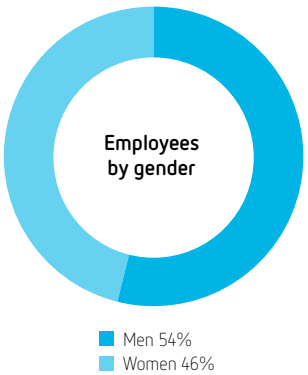
Diversity and inclusion

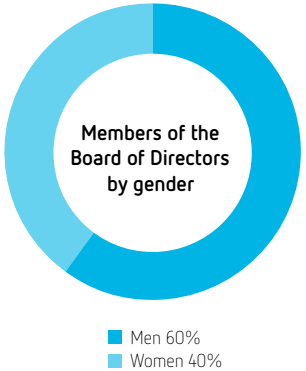
We promote equality and do not tolerate discrimination in any form. Our employees have the freedom to organise themselves, and we respect and engage openly with trade union and personnel representatives. Our employee survey confirms that we live up to our core principles – a clear majority of our employees feels that people are treated fairly at work, regardless of sex, age, or cultural background.

In addition to our whistleblowing channel, launched in 2021, we operate an internal feedback system for employees' improvement proposals. Each proposal is evaluated and documented. Based on these employee observations, we have done numerous improvements in, for example, our ways of working, work environment, and safety equipment. Our target is to have each operation unit employee submit at least two development proposals or reports of deviations annually. In 2022, one proposal or report was submitted per employee.

A clear majority of our employees feels that people are treated fairly at work.







Product safety

We always make sure our products are safe to use

Product safety is a top priority for Orthex. We take great pride in offering products that are manufactured with safe, high-quality raw materials that make them durable, functional, and safe to use. We comply with all relevant product safety regulations and guidelines, such as the EU's Good Manufacturing Practices and regulation concerning Plastic Materials and Articles Intended to Come into Contact with Food.

All our products made from conventional plastic are free of Bisphenol A (BPA) and phthalates. Recycled plastic is also tested and safe, but as it originates from multiple plastic products, it cannot be used in food-contact products.

Around 90% of Orthex's products are manufactured at our factories in Finland and Sweden. The remaining 10% are manufactured by carefully selected suppliers, mainly in Far East. We only work with big, reliable suppliers that follow all regulations for food contact materials and test their raw materials. For more information about how we work with our suppliers, see section Responsible sourcing.

> **Product safety is a top priority for Orthex.**

Food-contact products

We follow all EU regulations concerning food contact products. All these products are carefully tested on a regular basis in independent, accredited laboratories to ensure product safety. For example, our GastroMax BIO food storage products undergo microwave testing to ensure that no substances are released into food during heating. We specify these details in our product-specific Declarations of Compliance. In addition, symbols on our products and their packaging present which temperatures the product endures and whether it is safe to use in, for example, the microwave, fridge, or dishwasher. For more information about our product symbols, visit www.orthexgroup.com.

Customer satisfaction

We help our customers achieve their sustainability targets

Orthex serves various retail customers, such as traditional convenience stores, specialty and hardware retailers, online stores, and department stores. Consumers – the customers of our customers – are another important stakeholder group for us. We believe that satisfied customers and consumers will lead to a healthy and growing business. We work hard to meet or exceed the expectations of our customers and consumers, and we seek to be the preferred value-creating partner to our customers. As we increase the share of renewable and recycled raw materials in our production and proceed towards carbon neutrality, we can further support our customers in achieving their own sustainability targets.

We actively participate in the sustainability work of our customers and provide data and information to them so that they can use it in their calculations and target setting.

90% of our products are manufactured in Finland and Sweden, which means that the distance to our core markets – Nordic countries and Europe – is short. This enables us to react to customer needs in a timely manner and with less tiers in the customer's supply chain. Our warehouse in Germany, opened in 2020, further increases the efficiency of our logistics in Europe.

We measure customer satisfaction with a survey every second year. The latest survey was conducted in 2021 when we improved our customer satisfaction rate from 3.87 (2019) to 3.93, on a scale 1 to 5.

Sustainability governance: Compliance and transparency

Ethics and integrity

We aim to go beyond compliance

Orthex operates internationally, and we strive to comply with all laws and regulations applicable to our operations. However, our way to conduct business goes beyond that: high ethical standards and integrity are present in everything we do. Everyone at Orthex has a role in ensuring that the company operates in an ethical and responsible manner, regardless of the situation. We train and educate our employees to ensure that everyone understands what ethical behaviour is and how to demonstrate it.

Orthex Code of Conduct applies to all our employees, and members of the Management Team and the Board of Directors. The Code of Conduct defines the key principles for how we engage in business, treat each other, and safeguard Orthex's assets. It is a tool that helps recognise ethical dilemmas and presents ways to solve them. Our employees are encouraged to report any breaches of the Code of Conduct to their supervisors or through Orthex's whistleblowing channel. In 2022, we set a new KPI to follow the share of employees committed to Orthex Code of Conduct, and the target is 100%.

To promote accountability and foster a responsible company culture, we introduced an internally operated whistleblowing channel in 2021. The channel is open to all internal and external stakeholders and can be used anonymously. Employees can use the channel via the company's intranet pages and other stakeholders through the company's website (**Whistleblowing - Orthex Group**). The employees and other stakeholders may use the channel to report suspected non-compliance with Orthex's Code of Conduct or Supplier Code of Conduct; breaches of legislation; or other regulations or guidelines. Such non-compliance may include, for example, approval of a gift against guidelines, fraud, forgery, conflicts of interest, or inappropriate behaviour by a colleague or a partner.

When Orthex receives a report of a suspected misconduct or non-compliance, the matter is first investigated by the CEO and the relevant Operations Director. After processing the report, the CEO determines potential further actions, which can be corrective or disciplinary. The whistleblowing reports are always processed in confidence, and information of the report's content, the subject of the report, or the whistleblower are disclosed only to persons that are part of the investigation. In 2022, we did not receive any reports through the whistleblowing channel.

> **Orthex's way to conduct business goes beyond complying with laws and regulations.**

Responsible sourcing

We have strict sustainability requirements for our suppliers

Our suppliers are key partners for us in controlling and developing the sustainability of our value chain. In addition to engaging with our suppliers directly, we are a member of amfori BSCI, a platform that enables companies to improve visibility for the social performance of their supply chain. We aim for active engagement with and continuous evaluation of our suppliers.

Supplier Code of Conduct

Our Supplier Code of Conduct (SCoC) presents Orthex's sustainability requirements for suppliers. Our suppliers must either commit to our Supplier Code of Conduct or present their own code of conduct with similar or stricter sustainability requirements compared to those in our SCoC. In 2022, we set a target that all our A- and B-classified suppliers must align with Orthex Supplier Code of Conduct. In countries that we have determined high-risk, we monitor compliance with our SCoC in the supply chain through amfori BSCI which carries out on-site inspections, audits, and periodic self-evaluations of suppliers and their sub-contractors.

If the measures of amfori BSCI, or our own, reveal non-compliance with our SCoC, we require the supplier to take corrective action and remedy any adverse impacts on people or the environment, as well as ensure the prevention of similar issues taking place in the future. The supplier is given a timeframe to complete the agreed actions. If the supplier is unable to take corrective, remedial, or preventative measures on its own, we will support in developing and implementing an action plan.

If the supplier is unwilling to take corrective action, or there are repeated and serious breaches of our SCoC, Orthex has the right to end the business relationship. Orthex will not conduct any business with a supplier engaged in violations of fundamental human rights, and we will immediately terminate the business relationship with a supplier that commit such violations. These zero-tolerance practices are listed in our SCoC.

Companies can join amfori BSCI to have access to a joint platform for monitoring and auditing their supply chain. The platform is based on sharing supplier information with members, which reduces time, effort, and costs for individual companies but also increases consistency for buyers and suppliers. Orthex has been a member of amfori BSCI since 2018. In 2022, we adjusted our KPI for this area: we follow-up share of suppliers that are BSCI members (in risk countries) and represent 90% of purchase value. The target is to cover 100% of these suppliers, and the result in 2022 was 94%.

Transparent reporting and commitment

We consider transparent reporting of our environmental, social and governance (ESG) impact and efforts an important part of how we do business. We receive an increasing number of various ESG related questions and requests from our stakeholders, especially from customers and investors, and we seek to increase transparency and provide reliable data on material sustainability topics. Orthex reports on its sustainability efforts annually as a part of its Annual and Sustainability Reports. In addition, Orthex contributes to several third-party sustainability reports and commitments.

Orthex is certified Nasdaq ESG Transparency Partner. This certification is used by Nasdaq to show engagement in the market transparency and raising environmental standards. Sustainability is a core element in Orthex's strategy and with this reporting to Nasdaq's ESG Data Portal we want to provide quantifiable metrics on environmental, social and governance issues to the public and investors.

Orthex reports on risk management and management practices related to climate change in Climate Disclosure Project's (CDP) climate change program annually. CDP is a non-profit organisation that runs the global disclosure system for investors, companies, cities, and states to manage their environmental impacts. In 2022, we set a target, and achieved it, to reach B-level (Management) in CDP reporting.

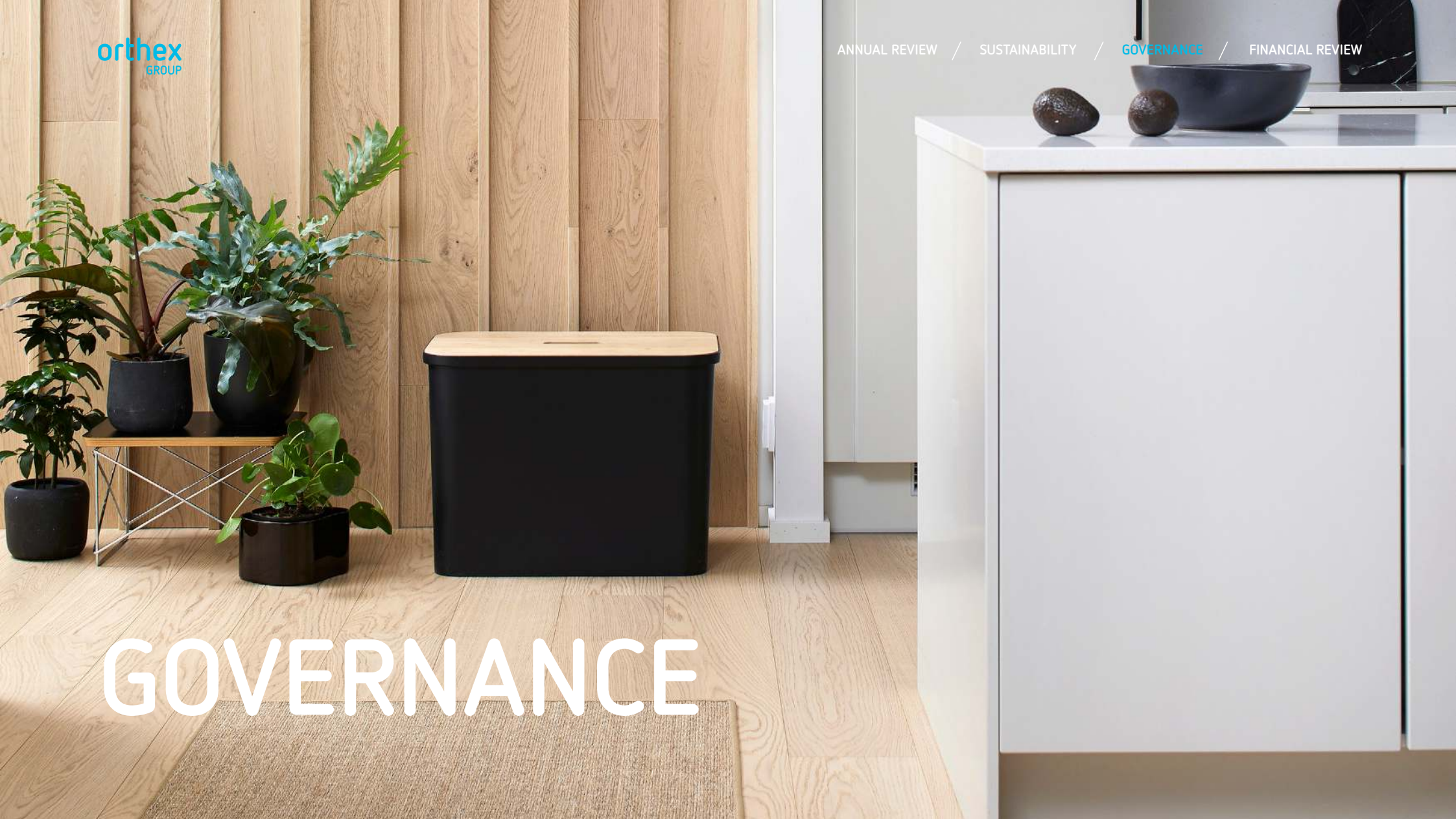
We improved our rating to B-level (Management) in climate change CDP reporting.

In 2022, Orthex joined the group of international pioneering companies by committing to science-based climate targets set by the Science Based Targets initiative (SBTi). SBTi approved Orthex's near-term science-based emissions reduction target, which means that Orthex's climate targets are aligned with the target to keep global warming below 1.5°C in accordance with the Paris Agreement. We wanted to increase our level of ambition even further and have set the target to have our long-term Net-Zero target validated and approved by SBTi by 2025.

Our climate targets are aligned with the target to keep global warming below 1.5 degrees.

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



GOVERNANCE

CORPORATE GOVERNANCE STATEMENT 2022

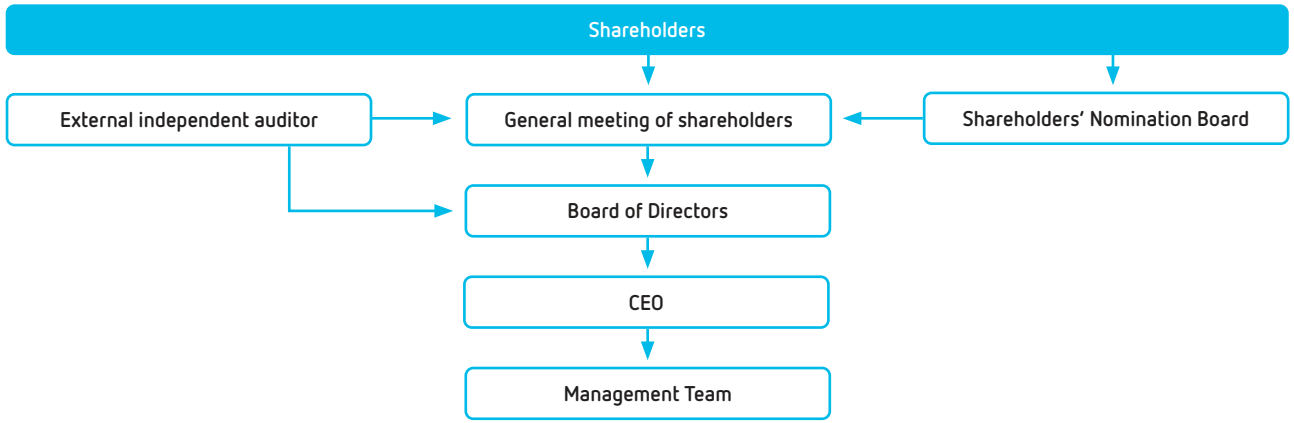
Orthex Corporation ("Orthex" or "the company") is a public limited liability company listed on Nasdaq Helsinki Ltd and headquartered in Espoo, Finland. The company's corporate governance complies with the company's Articles of Association and Corporate Governance Principles as well as rules and regulations applicable to Finnish listed companies such as the Finnish Limited Liability Companies Act ("Companies Act") and Securities Markets Act, and rules and regulations of Nasdaq Helsinki Ltd. The company also adheres to the Finnish Corporate Governance Code 2020 ("CG Code") issued by the Securities Market Association. The CG Code is available on the association's website (www.cgfinland.fi).

This Corporate Governance Statement is issued as a separate statement from the Board of Directors' report, but it is published simultaneously with it and with the company's financial statements, sustainability report, and the remuneration report on the corporate website at www.investors.orthexgroup.com. As the company has no audit committee, the company's Board of Directors has reviewed the Corporate Governance Statement.

Governing bodies

The Annual General Meeting, the Board of Directors and the CEO are responsible for the governance of Orthex. The company's shareholders exercise the highest decision-making power at the general meeting of shareholders. The Shareholders' Nomination Board prepares proposal for the composition of the Board of Directors to the Annual General Meeting. The Annual General Meeting elects the members of the Board of Directors. The company is managed by the Board of Directors and the CEO, appointed by the Board of Directors. The company's Management Team assists the CEO in the operative management of the company. The members of the Management Team are appointed by the Board of Directors together with the CEO.

Governance structure of Orthex Corporation



General Meeting of Shareholders

The General Meeting of Shareholders is the ultimate decision-making body of the company. At the General Meeting of Shareholders, shareholders exercise their powers in accordance with the Companies Act and the Articles of Association. The General Meeting of Shareholders decides on matters that under the Companies Act and the Articles of Association are within its purview. Annual General Meeting of Shareholders is convened by the Board of Directors annually and it is held within six months from the end of the previous financial year. An Extraordinary Meeting of Shareholders may be convened as stipulated in the Companies Act. Matters on which the Annual General Meeting decides include the adoption of the financial statements, distribution of profits, discharge from liability, and election of the members of the Board of Directors and the auditor, as well as their remuneration. Decisions to amend the Articles of Association are also taken by a General Meeting of Shareholders.

Annual General Meeting 2022

Orthex Corporation's Annual General Meeting was held on 6 April 2022 in Espoo, Finland. The general meeting adopted the financial statements and discharged the members of the Board of Directors and the CEO from liability for the financial period 2021. The general meeting also approved the remuneration policy and the remuneration report 2021 for the governing bodies.

The general meeting decided that no dividend will be distributed for the financial period ended on 31 December 2021. Instead, the general meeting decided that shareholders be paid a capital return of EUR 0.18 per share from the invested unrestricted equity fund totalling approximately EUR 3.2 million in two instalments. The first instalment of the capital return, EUR 0.09 per share, was paid on 21 April 2022. The second instalment of the capital return, EUR 0.09 per share, was paid on 11 October 2022.

The general meeting resolved to re-elect Sanna Suvanto-Harsaae, Satu Huber and Jens-Peter Poulsen to the Board and elect Markus Hellström and Jyrki Mäki-Kala as new members to the Board. Ari Jokelainen and Juuso Kivinen stepped down from the Board. Markus Hellström (b. 1974) has a master's degree in engineering and has solid experience in consumer products, as he has had a long career in the Fazer Group in various leadership positions. Since 2020, he has served as a member of the Fazer Group's management team and is currently responsible for the Fazer Confectionery business area. The other new member of the Board, Jyrki Mäki-Kala (b. 1961), brings to the Board especially expertise in economics and finance, which he has accumulated as the CFO of both Neste Corporation and Kemira Oyj in the years 2008–2022. He holds a master's degree in economics. Since 2020, he has served as a member of Anora Group Plc's Board of Directors and Chair of the Audit Committee.

Sanna Suvanto-Harsaae continues to chair Orthex Board. The members of the Board of Directors are independent of the company and its significant shareholders.

As to Board remuneration, the general meeting resolved that the remuneration of the members of the Board of Directors remain the same and that the Chair of the Board of Directors be paid a monthly fee of EUR 4,000 and other members of the Board of Directors a monthly fee of EUR 2,000.

Ernst & Young Oy, a firm of Authorised Public Accountants with APA Johanna Winqvist-Ilkka as the signing audit partner, was re-elected the company's auditor.

In addition, the general meeting authorised the Board of Directors to decide on the issuance of shares and on the issuance of special rights entitling to shares. A total maximum of 1,800,000 shares and special rights entitling to shares may be issued by virtue of the authorisation corresponding to approximately 10 per cent of all the shares in the company. The authorisation will be valid for 18 months from the decision of the general meeting.

The Board of Directors

Under the company's Articles of Association, the Board of Directors is composed of a minimum of four and a maximum of eight members. Members of the Board of Directors are elected at the general meeting. The term of office of a member of the Board of Directors commences from the close of the general meeting in which they are elected and expires at the close of the following annual general meeting. The Board of Directors elects a chair from among its members.

The Board of Directors is quorate when more than one-half of its members are present. A decision by the Board of Directors is the opinion supported by more than one-half of the members present at a meeting. In the event of a tie, the Chair of the Board has the casting vote.

The Board of Directors convenes according to a pre-agreed schedule normally from six to ten times a year and holds extra meetings when deemed necessary. Meetings can also be held as teleconference meetings or by using other technical means or devices.

The Board evaluates its operations and working methods once a year.

Duties of the Board of Directors

The tasks and responsibilities of the Board of Directors of the company are determined in the Companies Act as well as in other applicable legislation. The Board of Directors has general authority to decide and act in all matters not reserved for other corporate governing bodies by law or under the provisions of the company's Articles of Association. The general task of the Board of Directors is to duly organise Orthex's management and operations.

In all situations, the Board of Directors must act in accordance with Orthex's best interest.

The Board of Directors has a written charter that specifies its duties. The duties of the Board of Directors include:

- approving reports of the Board of Directors, financial statements, and interim reports
- seeing to the appropriate organisation of accounts and financial administration
- preparing proposals for the general meeting of shareholders and convening general meetings of shareholders
- approving and confirming strategic guidelines and long-term strategic targets
- approving principles for risk management and internal control
- confirming annual budgets and operating plans
- appointing the CEO and deciding on the terms and conditions of the CEO contract
- deciding on the company structure
- making significant business decisions, such as decisions on mergers and acquisitions, significant contracts, investments, and financing arrangements and
- deciding on other matters falling under the statutory responsibilities of the Board of Directors.

Orthex's Board of Directors has no committees, but the Board may consider setting up potential committees in the future. As there are no committees, the entire Board of Directors is responsible for discharging the statutory duties of the audit committee.

Number of Board meetings and attendance rates

In 2022, the Board held 10 meetings. Some of these meetings were held remotely or the resolutions were recorded per capsulam without convening. Attendance in the meetings is reported in the table below.

Number of Board meetings and members' attendance 2022

Director	No. of meetings / attendance	Attendance-%
Sanna Suvanto-Harsaae (Ch.)	10/10	100
Markus Hellström[1)]	7/8	88
Satu Huber	9/10	90
Ari Jokelainen[2)]	2/2	100
Juuso Kivinen[2)]	2/2	100
Jyrki Mäki-Kala[1)]	8/8	100
Jens-Peter Poulsen	10/10	100

[1)] Member as of 6 April 2022
[2)] Member until 6 April 2022

Diversity of the Board of Directors

Orthex regards diversity as an important and natural approach in its operations. Diversity shall be part of such cooperative and functional Board of Directors which is able to respond to the requirements set out in the company's business and strategic objectives. Such Board of Directors will also be able to support and challenge the company's operative management in a proactive and constructive manner. The principles concerning the diversity of the Board of Directors are in line with this premise.

When preparing the composition of the Board of Directors of Orthex, attention is paid to the requirements set by the company's Articles of Association and the Corporate Governance Code, as well as to the requirements set by the company's operations and the premises of diversity derived therefrom.

Significant factors concerning the composition of the Board of Directors include mutually complementary variety of competences, education and experience in different areas and professional fields and in management and business operations existing in different development phases, as well as the personal capabilities of each member, all of which add to the diversity of the Board of Directors. Diversity is considered not only from the aspect of gender but also from other factors promoting the Board's diversity, such as the age structure of the Board, the members' educational and professional background, their experience relevant for the position, and personal characteristics. When preparing the composition, it is also assessed how the members' skills, education and experience complement each other. The company's long-term needs are also considered.

The purpose of the diversity principles is to contribute to making sure that the Board of Directors' combined competence and experience and the diversity of its composition are sufficiently aligned with Orthex's operational needs. With regard to gender structure, the objective is that different genders are sufficiently represented on the Board.

At year-end 2022, the company's Board of Directors comprised five members. Diversity of the Board of Directors with respect to gender, nationality, age as well as educational and professional background is described on the next two pages. Additional information for example on the Board members' previous positions of trust is available in the Investors section on the corporate website.

Shareholdings of the members of the Board of Directors

The shareholdings of the members of the Board of Directors and entities over which they exercise control, as at the end of 2022, are presented in the table below. None of the members of the Board of Directors nor their closely associated persons or entities has any share-based rights in Orthex or its subsidiaries.

Board of Directors' shareholdings on 31 December 2022

Director	Position	Number of shares on 31 Dec. 2022
Sanna Suvanto-Harsaae	Chair	6,901
Markus Hellström	member	2,000
Satu Huber	member	13,000
Jyrki Mäki-Kala	member	2,010
Jens-Peter Poulsen	member	8,900
Total		**32,811**
% of total number of shares		0.2%
Orthex total number of shares		**17,758,854**

Members of the Board of Directors on 31 December 2022

Sanna Suvanto-Harsaae

Chair of the Board of Directors since 2021, member since 2020

Born 1966
Finnish and Danish citizen
Bachelor's degree in Economics
Independent of the company and its significant shareholders

Main occupation: Professional director

- Posti Group Corporation, Chair of the Board of Directors since 2020
- BoConcept A/S, Chair of the Board of Directors since 2016
- TCM Group A/S, Chair of the Board of Directors since 2016
- Nordic Pet Care Group A/S, Chair of the Board of Directors since 2012
- Babysam A/S, Chair of the Board of Directors since 2008
- Anora Group Plc, Vice-Chair of the Board of Directors since 2021
- Harvia Plc, Vice-Chair of the Board of Directors since 2020
- Elopak ASA, member of the Board of Directors since 2021
- CEPOS (Center for Political Studies), member of the Board of Directors since 2017
- Broman Group Oy, member of the Board of Directors since 2016

Markus Hellström

Member of the Board of Directors since 2022

Born 1974
Finnish citizen
Master's degree in Engineering
Independent of the company and its significant shareholders

Main occupation: Managing Director of Fazer Confectionery Ltd. and Executive Vice President of Fazer Group since 2020

- Fazer Bakeries Ltd., Managing Director 2014–2020
- Fazer Bakeries Ltd., Vice President, Head of Operations, Bakery Business Unit 2013–2014
- Fazer Bakeries Ltd., Business Development Director / Business Controller 2007–2012
- Fazer Group, Sourcing Manager for Logistics Services 2004–2007
- Logico Solutions, Partner 2003–2004
- Candyking, Sweden, Logistics Manager 2000–2003

- GS1 Finland Oy, member of the Board of Directors since 2019

Satu Huber

Member of the Board of Directors since 2020

Born 1958
Finnish citizen
Master's degree in Economics
Independent of the company and its significant shareholders

Main occupation: Professional director

- Elo Mutual Pension Insurance Company, Chief Executive Officer 2015–2021
- Elo Mutual Pension Insurance Company, Deputy Chief Executive Officer 2014–2015
- LähiTapiola Pension Insurance Company, Chief Executive Officer 2008–2013
- Finance Finland, Chief Executive Officer 2006–2008
- State Treasury of Finland, Director of Finance 1997–2006
- Several different positions in the banking sector 1982–1997

- European Money Market Institute, Chair and member of the Board of Directors since 2022
- Ermitage Partners, member of the Advisory Committee since 2022
- Schibsted ASA, member of the Board of Directors since 2020
- HIFK - Idrottsföreningen Kamraterna, Helsingfors rf., member of the Supervisory Board since 2021

Jyrki Mäki-Kala

Member of the Board of Directors since 2022

Born 1961
Finnish citizen
Master's degree in Economics
Independent of the company and its significant shareholders

Main occupation: Professional director

- Neste Corporation, Chief Financial Officer, and member of Executive Committee 2013–2022
- Kemira Oyj, Chief Financial Officer 2008–2013
- Kemira Pulp & Paper, Vice President, and President positions 2005–2008
- Nokia Chemicals/Finnish Chemicals Oy, Director, and Vice President positions 1988–2005

- Anora Group Plc, member of the Board of Directors and Chair of the Audit Committee since 2020

Jens-Peter Poulsen

Member of the Board of Directors since 2021

Born 1967
Danish citizen
Master's degree in Economics
Independent of the company and its significant shareholders

Main occupation: Chief Executive Officer of Kvik A/S since 2013

- LEGO Group, Senior Vice President of the Market Group Asia & Emerging Markets 2011–2012
- LEGO System A/S, Senior Vice President, Market Group 1, 2006–2011
- LEGO System A/S, various Vice President and Senior Director positions and responsibilities for different operations 2000–2005
- Jensen's Catering A/S, Sales and Marketing Manager 1999–2000
- Arla Foods, several positions 1993–1999

- European House of Beds A/S, member of the Board of Directors since 2021
- Holmris B8 A/S, member of the Board of Directors since 2017

Shareholders' Nomination Board

Orthex Corporation's extraordinary general meeting on 5 March 2021 decided to establish a Shareholders' Nomination Board. The Nomination Board annually prepares proposals for the election and remuneration of members of the Board of Directors to the Annual General Meeting. It is also the duty of the Nomination Board to search for new director candidates.

The extraordinary general meeting adopted a Charter of the Shareholders' Nomination Board, which governs the appointment, composition, and duties and responsibilities of the Nomination Board. The Charter is available in the Investors section on the corporate website. The Nomination Board has been established for the time being and can only be dissolved by a decision of the general meeting. The term of office of the members of the Nomination Board expires annually when a new Nomination Board has been appointed.

The Nomination Board consists of the four largest shareholders of the company as of 31 August or, if the company has more than four shareholders, whose shareholding and voting rights in the company are more than 10 per cent, the corresponding number of shareholders or persons appointed by them. The Chair of the Board acts as an expert member of the Nomination Board.

Based on the shareholder register of Orthex Corporation as of 31 August 2022, the shareholders represented in the Shareholders' Nomination Board are Conficap Oy, Alexander Rosenlew, Ilmarinen Mutual Pension Insurance Company and Thomasset Oy.

The representatives of the four largest shareholders in the Nomination Board are:

- Maarit Toivanen, CEO, Chair of Board of Directors, Conficap Oy
- Alexander Rosenlew
- Annika Ekman, Head of Direct Equity Investments, Ilmarinen Mutual Pension Insurance Company
- Mats Söderström, CEO, Thomasset Oy

Maarit Toivanen chairs the Nomination Board, and its expert member is Sanna Suvanto-Harsaae, Chair of Orthex's Board of Directors. No changes took place in the composition of the Nomination Board during 2022.

The Nomination Board prepared the proposals for the composition and remuneration of the Board of Directors and submitted them to the Board of Directors of Orthex Corporation. The Board of Directors incorporated these proposals into the notice of the meeting when convening Orthex Annual General Meeting 2022.

Chief Executive Officer

Alexander Rosenlew has been the Chief Executive Officer of Orthex Corporation since 2010. Mr Rosenlew holds master's degrees both in economics and in management.

The CEO is responsible for the operational management of Orthex in accordance with the instructions and orders given by the Board of Directors. The CEO prepares matters to be decided by the company's Board of Directors, develops Orthex's operations together with the Board in accordance with the set objectives and ensures the proper implementation of the Board's decisions. The CEO is also responsible for ensuring that Orthex complies with applicable laws and regulations and that the company's financial affairs have been arranged in a reliable manner. The CEO chairs the meetings of the Management Team.

Management Team

The role of Orthex's Management Team is to manage Orthex's operative business as a whole. The members of the Management Team have certain powers to act within their respective areas of responsibility, and they have a duty to develop Orthex's business in accordance with the objectives set by the company's Board of Directors and the CEO.

Orthex's Board of Directors appoints the members of the Management Team together with the CEO. The Management Team meets regularly on a monthly basis or when deemed necessary.

The composition of the Management Team changed during 2022. Michel Mercier, a member of Orthex's Management Team and Sales Director of the export organisation since 2015, left the company at the end of July. Alex Nielsen started in a new position as the Sales Director for European and International Markets and as a member of the Management Team at the beginning of September.

Members of Orthex's Management Team are presented on the following page. Additional information on the Management Team members' career history and potential positions of trust is available in the Investors section on the corporate website.

Shareholdings of the members of the Management Team

The shareholdings of the CEO and other members of the Management Team (including their closely associated persons or entities), as at the end of 2022, are presented in the table below.

The CEO or other members of the Management Team (or their closely associated persons or entities) have no share-based rights in Orthex or its subsidiaries.

Management Team's shareholdings on 31 December 2022

Management Team member	Position	Number of shares on 31 Dec. 2022
Alexander Rosenlew	CEO	2,047,726
Oy Rosaco Ab *)		33,500
Saara Mäkelä	Chief Financial Officer	141,000
Hanna Kukkonen	Chief Marketing Officer	200,800
Nicholas Ledin	Sales Director, Nordic	61,850
Alex Nielsen	Sales Director, Europe and International Markets	1,000
Hans Cronquist	Operations Director, Tingsryd	100,000
Peter Ottosson	Operations Director, Gnosjö	91,100
Tom Ståhlberg	Operations Director, Lohja	315,750 **)
Total		**2,992,726**
% of total number of shares		16.9%
Orthex total number of shares		**17,758,854**

*) controlled entity
**) incl. holdings of closely associated persons

Members of the Management Team on 31 December 2022

From left: Hanna Kukkonen, Saara Mäkelä, Tom Ståhlberg, Alex Nielsen, Nicholas Ledin, Peter Ottosson, Hans Cronquist, Alexander Rosenlew.

Alexander Rosenlew

Chief Executive Officer

Management Team member since 2010
Employed by Orthex since 2010
Born 1971, Finnish citizen
Master's degrees in Economics and in Management

Saara Mäkelä

Chief Financial Officer

Management Team member since 2017
Employed by Orthex since 2017
Born 1976, Finnish citizen
Master's degree in Economics

Hanna Kukkonen

Chief Marketing Officer

Management Team member since 2012
Employed by Orthex since 2012
Born 1973, Finnish citizen
Master's degree in Economics

Nicholas Ledin

Sales Director, Nordic

Management Team member since 2015
Employed by Orthex since 2001
Born 1970, Swedish citizen
High school graduate

Alex Nielsen

Sales Director, Europe and International Markets

Management Team member since 2022
Employed by Orthex since 2022
Born 1972, Danish citizen
Business diploma in Marketing, HD(A)

Hans Cronquist

Operations Director, Tingsryd

Management Team member since 2019
Employed by Orthex since 2019
Born 1970, Swedish citizen
Master's degree in Mechanical Engineering

Peter Ottosson

Operations Director, Gnosjö

Management Team member since 2013
Employed by Orthex since 2009
Born 1974, Swedish citizen
Bachelor's degree in Machine Engineering, eMBA

Tom Ståhlberg

Operations Director, Lohja

Management Team member since 2012
Employed by Orthex since 2012
Born 1969, Finnish citizen
Master's degree in Industrial Engineering and Management

Financial reporting process

Orthex 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 Nasdaq Helsinki Ltd. 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. Orthex's financial reporting is supervised on two levels, in individual companies and at the group level. On both levels, control measures and analyses are carried out to ensure the validity of financial reporting. The Board of Directors is responsible for overseeing the financial reporting process.

Risk management

The purpose of Orthex's risk management is to ensure the fulfilment of customer promises, business profitability, ability to pay dividends, value creation for shareholders, responsible business, and business continuity. To achieve this, Orthex strives to be aware of the uncertainties and risk factors and opportunities associated with its objectives and operations, and to identify, assess and manage risks and their consequences in a consistent and effective manner.

Orthex has a risk management policy approved by the Board of Directors that guides risk management in a way that supports the achievement of the company's objectives, protects personnel and the company's various assets, and ensures the financial sustainability of operations.

The responsibility for implementing risk management lies with the Management Team. In addition, each employee must be aware of and manage the risks associated with their own operating environment and areas of responsibility. The company's Board of Directors approves the company's risk management policy and monitors and assesses the effectiveness of risk management.

Risk management principles

Risk management is a systematic activity designed to ensure comprehensive and appropriate risk identification, assessment, management, and control. It is an integral part of Orthex's planning and management process, decision making, day-to-day management of operations, and monitoring and reporting procedures. Risks are assessed and managed in a business-oriented and thorough manner. This means that key risks are systematically identified, evaluated, managed, monitored, and reported as part of the business.

Risk management process and reporting

Orthex prioritises risks according to the importance of the risk by assessing the impact, likelihood, and level of risk management of the risk materialisation. Risk management measures address the most significant risks through cost-effective and appropriate policy options.

The Management Team regularly monitors the implementation of risk management. If necessary, corrective measures will be taken.

The Management Team reports to the Board of Directors on risks and risk management measures 2–3 times a year. The Board reviews the most significant risks, measures to manage them and assesses the efficiency and effectiveness of risk management. The Board reports on the most significant risks and uncertainties in the annual Board of Directors' reports and any material changes in these factors in the interim reports. Additional information on the company's risk management and on the most significant risks and uncertainties is available in the Board of Directors' Report for the year 2022.

Internal control and audit

The Company's Board of Directors has confirmed the operating principles of internal control followed at Orthex, aiming to ensure that the company's objectives regarding, inter alia, Orthex's strategy, operations, practices, and financial reporting in particular are met. The operating principles of internal control also contribute to ensuring the company's compliance with legislation and regulations. Internal control is an essential part of business management and in ensuring that the set objectives are met. Internal control is aimed to be organised efficiently, so that any deviations from targets can be detected as early as possible or that they can be prevented.

Orthex'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 Orthex is responsible for organising the internal control and oversees the efficiency of internal control. The Management Team and the CEO are responsible that functioning control procedures are in use.

Orthex Group has not organised its internal audit as a separate function. The Board assesses annually the need for internal audit procedures and may use internal company resources or external service providers for internal audit measures. Any outcomes of such procedures or measures are reported to the Board of Directors.

Related party transactions

The Board of Directors has defined the principles for monitoring and evaluating related party transactions. The company evaluates and monitors transactions concluded between the company and its related parties and ensures that any conflicts of interest are taken into account appropriately in the decision-making process of the company. The company keeps a list of related parties.

Approval of related party transactions concluded in the ordinary course of business and on customary commercial terms is subject to the company's normal approval policies and processes. Approval of a related party transaction that is not concluded in the ordinary course of business or on customary terms is subject to the Board of Directors' approval. The company's finance function monitors related party transactions as a part of the company's normal reporting and control procedures and reports related party transactions to the Board of Directors.

The Board of Directors regularly evaluates the reported related party transactions and the appropriateness of the company's process and policies on related party transactions. Information on transactions concluded between the company and its related parties is disclosed, as required, annually in the notes to the company's consolidated financial statements.

Material related party transactions are disclosed in accordance with Chapter 8, section 1a of the Securities Markets Act.

Insider administration

Orthex has prepared insider guidelines approved by the company's Board of Directors, the purpose of which is to clarify and supplement the operating methods of Orthex and its insiders and to serve as a practical tool in handling insider matters. The Insider Guidelines define clear operating instructions for, among other things, the management of inside information, the maintenance of insider lists and the reporting of transactions by persons subject to disclosure.

The Insider Guidelines apply to Orthex and persons in managerial positions at Orthex, as well as to persons working for Orthex who have access to inside information or who have otherwise become aware of inside information. In addition, the Insider Guidelines apply by agreement to persons otherwise acting on behalf of or for Orthex in the performance of their duties through which they have access to inside information.

Orthex's insider administration compiles insider lists and keeps them up to date in electronic form. In addition to individual insider lists (project-specific insider list), Orthex may prepare a supplement for permanent insiders (permanent insiders). Permanent insiders include only those persons who, by virtue of their duties, are considered to have continuous access to all inside information about Orthex. In the project-specific insider list, Orthex will include those with inside information about the project, including any external advisors and experts.

Insider lists are maintained by an electronic procedure prepared and / or approved by the Financial Supervisory Authority or another appropriate body that meets the applicable requirements. Insider lists are not public and are not made available to the public.

Orthex will notify the insider in writing of his or her insider status, the resulting obligations and any penalties for breach of those obligations. The person entered in the project-specific insider list will be notified of the termination of the project and the closure of the project-specific insider list.

Persons discharging managerial responsibilities at Orthex and other permanent insiders, as determined by Orthex, should schedule their trading in Orthex financial instruments in a manner that does not undermine confidence in the securities market.

Persons discharging managerial responsibilities at Orthex are the members of the Board of Directors, the CEO, and the members of the Management Team. Orthex maintains a list of the persons in managerial position and the persons and entities closely associated with them.

The persons in managerial position at Orthex as well as any other persons possibly deemed permanent insiders by Orthex may not enter into transactions for their own account or for the account of a third party during a closed period beginning 30 days prior to the disclosure date of Orthex's financial statements release, half-year report and the three- and nine-month interim reports provided periodically by Orthex and ends 24 hours after publishing the group's interim report, half-year report or financial statements release.

In accordance with Nasdaq Helsinki Ltd's insider guidelines, Orthex stipulates that persons who participate in the preparation, auditing or publication of Orthex's financial reports may not carry out transactions for their own account or on behalf of a third party during a closed period.

The trading restriction also applies to disabled persons under the control of the interests of the persons covered by the trading restriction. A person subject to a trading restriction is responsible for complying with the trading restriction even when the management of his or her securities and other financial instruments has been entrusted to another person, such as a portfolio manager.

Persons in managerial position at Orthex and their close associates shall disclose to Orthex and the Financial Supervisory Authority all transactions they make on their own account in respect of Orthex with its shares, debt instruments or derivatives or other related financial instruments. The reporting obligation applies to transactions carried out on or off any marketplace.

A person in managerial position or another person subject to a trading restriction specified by the company should request an assessment of the legality and regularity of the proposed transaction in the financial instrument from the company's insider administration. Notwithstanding the appraisal procedure, the person in a managerial position or the other person mentioned above is responsible for ensuring that they comply with the laws, regulations, and instructions.

Orthex has an internal whistleblowing channel through which Orthex employees can anonymously report any suspected violations of financial market rules and regulations. Other stakeholders can report suspected infringements by sending email to whistleblow@orthexgroup.com. Further information and instructions for whistleblowing are available on the corporate website **Whistleblowing - Orthex Group**.

External audit

According to the Articles of Association, the company has one auditor. The auditor must be a firm of authorised public accountants. The auditor is elected annually by the Annual General Meeting for a term that expires at the end of the next Annual General Meeting following the election. The task of the auditor is to audit the consolidated financial statements, the financial statements of the parent company, the accounting of the Group and the parent company and the administration of the parent company. The company's auditor submits the auditor's report to the shareholders in connection with the annual financial statements and submits regular reports on its findings to the Board of Directors.

At the Annual General Meeting 2022, Ernst & Young Oy, a firm of Authorised Public Accountants, with Johanna Winqvist-Ilkka, Authorised Public Accountant, as the signing audit partner, was elected the company's auditor. The fees for the audit paid to the auditor in 2022 totalled EUR 174 thousand. In addition, EUR 35 thousand was paid to the auditor for non-audit services.

REMUNERATION REPORT 2022

Orthex Corporation's ("Orthex" or "the company") remuneration report for the financial year 2022 has been prepared in accordance with the Finnish Corporate Governance Code 2020 issued by the Securities Market Association and other applicable regulations. The Corporate Governance Code is available on the association's website (**www.cgfinland.fi**). The remuneration report is published simultaneously with the corporate governance statement, the Board of Directors' report, the financial statements, and the sustainability report on the corporate website at **www.investors.orthexgroup.com**. The company's Board of Directors has prepared and approved this remuneration report and it will be presented to the Annual General Meeting to be held on 18 April 2023 for the shareholders' advisory approval.

This remuneration report describes how Orthex has applied the remuneration policy approved at the company's Annual General Meeting on 6 April 2022. The remuneration report describes the remuneration and other financial benefits paid to the members of the Board of Directors and the CEO during the financial year 2022. In addition, the remuneration report compares the development of the remuneration of the Board of Directors and the CEO with the development of the employees' average remuneration and the company's financial development over the past five years.

As to the company's remuneration policy for governing bodies, the company's Board of Directors has decided to amend it so that the remuneration policy defines clear maximum payments for short- and long-term incentives payable to the CEO and that the company's potential long-term incentive scheme can be other than share based. When deciding to amend the remuneration policy, the Board of Directors considered the shareholders' opinions, which were presented in connection with the approval of the remuneration policy at the 2022 general meeting. The Board of Directors proposes to the 2023 Annual General Meeting that the amended remuneration policy be approved. The decision of the general meeting regarding the remuneration policy is advisory.

Introduction

The goal of Orthex's remuneration schemes is to promote the company's competitiveness and support the implementation of the company's strategy. The remuneration schemes also aim to engage key personnel in long-term work to achieve personal and shared goals and increase shareholder value.

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

Summary of remuneration in 2022

In 2022, the actual remuneration of the members of the Board of Directors and the CEO followed the remuneration policy. Orthex did not deviate from the remuneration policy in the remuneration of the members of the Board of Directors and the CEO and did not exercise its right to recover the remuneration during 2022.

During the financial year 2022, the members of the Board of Directors were paid fixed monthly fees. The amount of the fees paid depended on the member's role in the Board: Chair of the Board – member of the Board. As decided at the 2022 AGM, the monthly fees remained the same. The fees paid are disclosed under section "Remuneration of the Board of Directors".

The total remuneration paid to the CEO during the financial year 2022 consisted of fixed base salary with fringe benefits and variable short-term incentive paid for the performance in 2021. The CEO's total remuneration in the financial year 2022 amounted to EUR 527,189 of which variable remuneration accounted for 19 per cent. Orthex has no long-term share-based or other incentive schemes in place, which partly explains the share of variable remuneration of the CEO's total remuneration. No changes have taken place in the CEO's remuneration since the company's listing in March 2021. The salaries and incentives paid to the CEO are disclosed under section "Remuneration of the CEO".

Development of the Group's financial performance and remuneration

The following table shows the development of the total remuneration of the Board of Directors and the CEO compared to the development of Orthex employees' average remuneration and the company's financial development over the past five years.

Development of total remuneration and financial development over the past five years

EUR thousand	2022	2021	2020	2019	2018, FAS
Net sales	84,048	88,694	75,865	66,427	62,490
Adjusted EBITA	5,490	10,996	12,933	7,593	5,227
Board of Directors[1)]	144	126	71	58	41
CEO[1)]	527	478	367	302	259
Employees' average remuneration[2)]	55	58	55	53	51

[1)] The remuneration of the Board of Directors and the CEO was adjusted in connection with the company's IPO in March 2021.
[2)] Employees' average remuneration is total employee remuneration divided by the average number of personnel during the year.

Remuneration of the Board of Directors

The Annual General Meeting decides on the remuneration to be paid to the members of the Board of Directors. The proposal for the remuneration of the members of the Board of Directors for the 2022 Annual General Meeting was prepared by the company's Shareholders' Nomination Board.

In accordance with the decision of the Annual General Meeting in 2022, the remuneration of the Board of Directors remained the same and the Chair of the Board of Directors was paid a monthly fee of EUR 4,000 and other members of the Board of Directors a monthly fee of EUR 2,000.

Board fees were paid monthly in cash. No meeting fees were paid for Board meetings. The remuneration of the members of the Board of Directors does not involve pension contributions and the members of the Board of Directors are not covered by Orthex's incentive schemes.

Reasonable travel and other expenses related to the Board work were reimbursed in accordance with the company's travel rules.

The remuneration paid to the members of the Board of Directors in 2022 is shown in the table on the right. The members of the Board of Directors did not receive any other financial benefits.

Remuneration of the Board of Directors 2022

EUR	Remuneration
Sanna Suvanto-Harsaae	48,000
Markus Hellström[1]	18,000
Satu Huber	24,000
Ari Jokelainen[2]	6,000
Juuso Kivinen[2]	6,000
Jyrki Mäki-Kala[1]	18,000
Jens-Peter Poulsen	24,000
Total	**144,000**

[1] Member of the Board as of 6 April 2022
[2] Member of the Board until 6 April 2022

Remuneration of the CEO

The Board of Directors decides on the remuneration of the CEO. The CEO of Orthex is Alexander Rosenlew since 2010. The CEO's remuneration consists of a fixed base salary with fringe benefits and a variable short-term incentive. In 2022, Orthex did not have any long-term share-based or other incentive schemes. The purpose of rewarding the CEO is to guide the implementation of the company's strategic goals and thereby promote the company's long-term financial success, competitiveness, and favourable development of shareholder value. The CEO's significant shareholding (11.7%) in the company strengthens the alignment of the CEO's interests with those of shareholders.

Under Orthex's variable short-term incentive scheme, the CEO may be granted annual performance-based incentives in addition to his fixed annual salary. The aim of the incentive scheme is to encourage the CEO to commit to the company and motivate him to achieve the best possible result. In addition, the incentive scheme is intended to encourage the CEO to work in a way that supports Orthex's strategy, growth, and competitiveness.

Incentives under annually commencing short-term incentive plans are discretionary and tied to Orthex's results of operations and the achievement of relevant performance metrics and/or individual performance targets. The terms and objectives of the incentive plan, including performance metrics and weights, are determined, and approved annually in advance by the company's Board of Directors. In 2022, the metrics and weights of the CEO's incentive plan were as follows: profitability 50%, turnover 35%, sustainability 15%. During the financial year 2022, the maximum amount of the CEO's incentive corresponded to 7 months' gross base salary.

The CEO is entitled to a statutory pension. The CEO's pension and retirement age are determined on the basis of the Employees' Pensions Act. The CEO does not have any supplementary pension insurance paid by the company.

The salaries, incentives and fringe benefits paid to the CEO in 2022 are shown in the table below. The incentive paid in 2022 is based on the 2021 short-term incentive plan. The CEO's earned short-term incentive for 2021 was 43% of the annual maximum short-term incentive.

Remuneration of the CEO paid in 2022

EUR	2022
Fixed based salary and mobile phone benefit	425,861
Incentives	101,328
Other financial benefits	-
Total	**527,189**
Share of fixed pay of total remuneration	81%
Share of variable pay of total remuneration	19%

The CEO participated in the company's short-term incentive plan 2022, for which the set performance targets were mostly not achieved. The CEO's earned short-term incentive for 2022 was 5% of the annual maximum short-term incentive. The performance-based incentive for the year 2022, EUR 11,900, will be paid in April 2023.

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BOARD OF DIRECTORS' REPORT

Board of Directors' report

Orthex is a leading Nordic houseware company. Orthex designs, produces, and sells household goods with a mission to make consumers' everyday life easier. Orthex offers a broad assortment of household goods in four product categories: Storage, Kitchen, Home & Yard, and Plant Care.

Orthex strives to create functional, sustainable, and high-quality household products. Orthex also aims to be the industry forerunner in sustainability.

Orthex markets and sells its products under three main consumer brands: SmartStore™, GastroMax™ and Orthex™. In addition, it sells externally produced kitchen products under the Kökskungen™ brand. Orthex's core geographic markets are the Nordics and the export markets. The export markets are divided into the rest of Europe and the rest of the world. Orthex is headquartered in Espoo, Finland, and it currently has seven local sales offices located in the Nordics, Germany, France, and the United Kingdom.

Key figures

EUR million	2022	2021	2020
Invoiced sales	85.8	90.6	77.9
Net sales	84.0	88.7	75.9
Gross margin	17.9	23.2	24.6
Gross margin, %	21.3%	26.2%	32.4%
EBITDA	9.2	13.2	16.5
EBITDA margin, %	10.9%	14.9%	21.7%
Adjusted EBITDA	9.3	14.8	17.1
Adjusted EBITDA margin, %	11.1%	16.7%	22.5%
EBITA	5.3	9.4	12.3
EBITA margin, %	6.3%	10.6%	16.3%
Adjusted EBITA	5.5	11.0	12.9
Adjusted EBITA margin, %	6.5%	12.4%	17.0%
Operating profit	5.2	9.3	12.3
Operating profit margin, %	6.2%	10.4%	16.2%
Net cash flows from operating activities	6.2	9.0	12.7
Net debt / Adjusted EBITDA	2.8x	1.7x	2.3x
Adjusted return on capital employed (ROCE), %	15.9%	33.0%	40.3%
Equity ratio, %	36.3%	35.8%	22.6%
Earnings per share, basic (EUR)	0.12	0.35	0.47
FTEs	295	314	285

Market overview

Orthex operates in the home storage, kitchenware, plant care and other household products market, which has historically been stable and resilient throughout different economic cycles. The market for household products in Europe is fragmented. According to Orthex's estimate, there are more than 30 significant competitors in Europe, 15 of which are roughly as big as Orthex in terms of net sales. Although the market is competitive, fragmentation lowers the threshold to increase market share and find attractive niches.

The major megatrends supporting Orthex's business include urbanisation and the related increase in the number of households and decrease in living space per household. As the area allocated for housing is sparser and more expensive in growth centres benefiting from urbanisation, consumers often choose location over space, resulting in increasing supply of smaller homes. Small spaces, in turn, drive demand for functional storage solutions and household products that allow efficient use of the living space. More people live in single-person households and family sizes are decreasing. According to Eurostat, the number of single-person households in the EU increased by 28.5% between 2009 and 2021. Despite households being inhabited by fewer people, the need for necessities, such as home storage, food storage and kitchen utensils, remains nearly the same per household.

Consumption patterns supporting Orthex's business are mainly related to how people spend their time at home. One of these is the increased interest in cooking at home, which is becoming more common as a pastime and as a healthy, and less expensive alternative to ready-made meals. Consequently, many households are updating and expanding their kitchen utensil assortments.

In addition, consumers are increasingly concerned about climate change and biodiversity and want to do their part in the fight against them by buying sustainable products and sorting and recycling their waste. Tightening legislation also supports this development. However, only a few households have enough pre-installed waste recycling and sorting solutions, which creates a demand for these and for recycling and sorting solutions that can also function as interior design elements.

A third consumption pattern supporting Orthex's business is the demand for houseplants. Houseplants bring fresh air, colour, and cosiness into homes. Their use as design elements is becoming commonplace, particularly in dense urban areas that have limited green spaces. In addition, there is increasing popularity for gardening herbs and vegetables at home and indoors. These trends are driving demand for flowerpots and related products.

Volatility and uncertainty affected the business environment during 2022, with geopolitical disruption and high inflation across the value chain. The world after COVID-19 offered conditions where the scarcity of products and the lack of efficient transport further increased transportation costs both at land and sea to new record levels. Shift in consumer behaviour towards sustainability and digital marketplaces is accelerating post covid. Whilst demand remained overall solid, the pressure of inflation on consumers started to erode the consumption growth across product categories and geographical areas during the year. As a result of the prevailing consumption uncertainty, many retailers are carefully monitoring their inventory levels and limiting buying to ensure efficiency. Orthex product price points are relatively low, and the products are bought to solve real needs. Therefore, Orthex believes that its product categories will be less affected by careful consumer purchasing behaviour than other more expensive consumer goods categories.

Long-term financial targets

As long-term financial targets the company has adopted to an average annual organic Net sales growth to exceed 5 per cent at the Group level and to exceed 10 per cent outside the Nordics (growth in local currencies), adjusted EBITA margin (adjusted for items affecting comparability) to exceed 18 per cent over time and net debt to adjusted EBITDA ratio to stay below 2.5x. Leverage may temporarily exceed the target range (for example, in conjunction with acquisitions).

The company aims to distribute a stable and over time increasing dividend with a pay-out of at least 50 per cent of net profit, in total, on a biannual basis.

Group performance

Net sales and profitability

In 2022, the Group's Net sales decreased by 5.2% to EUR 84.0 million (88.7). Invoiced sales amounted to EUR 85.8 million (90.6). The decrease of constant currency Net sales was 3.8% compared to 2021.

EBITA was 5.3 million (9.4) during 2022 and decreased by 43.3%. Adjusted EBITA decreased by 50.1% to EUR 5.5 million (11.0). Adjusted EBITA margin decreased to 6.5% (12.4). Operating profit was EUR 5.2 million (9.3). Items affecting comparability totalled EUR 0.2 million (1.6).

In 2022, profitability was influenced by cost inflation, especially in raw materials. The weakening of the Swedish krona and more expensive purchased products, transports and energy also impacted the result negatively.

Orthex's financial income and expenses during the financial year consisted of EUR 2.2 million net expenses (1.6). In December, Orthex signed a new EUR 32.5 million credit facility agreement including a 3+1+1-year term loan of EUR 25.5 million and a revolving credit facility of EUR 7.0 million.

Development by geography

Orthex's core market area by geography is the Nordics, where the Group's invoiced sales in 2022 amounted to EUR 68.5 million (73.0). Invoiced sales in the Nordics totalled 79.8% (80.6) of the Group's total invoiced sales. Invoiced sales in the rest of Europe grew to EUR 15.9 million (15.1). Sales in the rest of the world decreased to EUR 1.5 million (2.4).

Orthex's products are sold in more than 40 countries, and export to non-Nordic countries grew by 0.8 percentage points and accounted for 20.2% (19.4) of the Group's invoiced sales at the end of the period.

Invoiced sales by geography

EUR million	2022	2021	2020
Nordics	68.5	73.0	64.1
Rest of Europe	15.9	15.1	11.4
Rest of the world	1.5	2.4	2.4
Total	**85.8**	**90.6**	**77.9**

Development by product category

Orthex has four product categories: Storage, Kitchen, Home & Yard, and Plant Care. The largest category is Storage with invoiced sales totalling EUR 55.1 million (59.4) during 2022. Products in the Storage category will play a key role in Orthex's expansion in Europe, as Orthex often uses them as flagship products when seeking agreements with new retailers.

Orthex has a strong position in the Nordics in food storage and kitchenware markets. However, the Group's invoiced sales in the Kitchen category decreased to EUR 19.8 million (20.1).

Invoiced sales in the Plant Care category decreased to EUR 5.5 million (5.7). Invoiced sales in the Home & Yard category decreased to EUR 5.3 million (5.4).

The sales decrease was driven by the changed purchase behaviour of retail customers.

Invoiced sales by product category

EUR million	2022	2021	2020
Storage	55.1	59.4	49.4
Kitchen	19.8	20.1	19.0
Plant Care	5.5	5.7	4.5
Home & Yard	5.3	5.4	5.0
Total	**85.8**	**90.6**	**77.9**

Financial position and cash flow

The balance sheet totalled EUR 81.8 million (88.8) at the end of the financial year, of which equity accounted for EUR 29.7 million (31.8).

At the end of the financial year, the Group's net debt was EUR 26.0 million (25.9). Non-current interest-bearing liabilities were EUR 32.0 million (36.0) and Orthex's total interest-bearing liabilities were EUR 36.3 million (40.2). Interest-bearing liabilities include loans from credit institutions, pension liabilities, and lease liabilities.

During 2022, the Group's net cash flows from operating activities were EUR 6.2 million (9.0) and cash conversion was 61.9% (67.7). Capital returns paid during the period had an impact of EUR 3.2 million and repayment of short-term borrowings an impact of EUR 1.5 million on net cash flows. Interest paid during the period totalled EUR 1.1 million. Cash and cash equivalents amounted to EUR 10.3 million (14.3) at the end of the financial year.

Net debt/adjusted EBITDA was 2.8x (1.7). Orthex's long-term target is to keep Net debt/adj. EBITDA below 2.5x.

At the end of the financial year, the Group's Equity ratio was 36.3% (35.8). Adjusted return on capital employed (ROCE) was 15.9% (33.0) and Return on equity (ROE) 6.9% (24.7).

Investments, research, and product development

Orthex's investments during 2022 amounted to EUR 3.6 million (4.8) and were mainly related to increasing the production capacity and moulds for new products.

In 2022, Orthex launched a research project for the development of recycled plastics. The goals of the project are to build an ecosystem aimed at increasing the use of recycled plastic and to generate new information about the use of recycled plastic in different applications, especially in products suitable for food contact. In addition, Orthex announced that starting in January 2023, it will participate in a large seven-year cooperation research project to find new potential renewable plastic raw materials. These investments in research support Orthex's 2030 carbon neutrality target and the target to increase the use of sustainable raw materials. Research and product development expenses have not been capitalized.

Personnel

In 2022, the average number of personnel employed by Orthex was 295 (314) and wages and salaries amounted to EUR 18.3 million. In 2021 and 2020, wages and salaries amounted to EUR 19.7 million and EUR 17.1 million, respectively. Group headcount at the end of the financial year was 316 (320), of which 54% (54) worked in production, 21% (22) in warehouse, 16% (15) in sales, 5% (6) in administration and 4% (3) in marketing.

Group structure

In order to simplify the Group structure, Orthex Corporation's Swedish subsidiary Smartstore AB was merged into its parent company Orthex Sweden AB as of 15 September 2022.

Governance

The company's corporate governance complies with the company's Articles of Association and Corporate Governance Principles as well as rules and regulations applicable to Finnish listed companies such as the Finnish Limited Liability Companies Act and Securities Markets Act, and rules and regulations of Nasdaq Helsinki Ltd. The company also adheres to the Finnish Corporate Governance Code 2020 ("CG Code") issued by the Securities Market Association. The CG Code is available on the association's website (**www.cgfinland.fi**).

Further information on the company's governance principles is available in the Corporate Governance Statement 2022 published simultaneously with the Board of Directors' report and the Financial Statements. As the company has no audit committee, the company's Board of Directors has reviewed the Corporate Governance Statement.

Decisions of the Annual General Meeting

Orthex Corporation's Annual General Meeting was held on 6 April 2022 at the company's headquarters in Espoo, Finland. To limit the spread of the corona virus pandemic, the Annual General Meeting took place without shareholders' and their proxy representatives' presence at the meeting venue. The shareholders of the company participated in the meeting and exercised their shareholder's rights by voting in advance.

The general meeting adopted the financial statements and discharged the members of the Board of Directors and the CEO from liability for the financial period 2021. The general meeting also approved the remuneration policy and the remuneration report 2021 for the governing bodies.

The general meeting decided that for the financial period ended on 31 December 2021, shareholders be paid in two instalments a capital return of EUR 0.18 per share from the invested unrestricted equity fund totalling approximately EUR 3.2 million. The first instalment of the capital return amounting to EUR 0.09 per share was paid on 21 April 2022 and the second instalment amounting to EUR 0.09 per share on 11 October 2022.

The general meeting resolved to re-elect Sanna Suvanto-Harsaae, Satu Huber and Jens-Peter Poulsen to the Board and elect Markus Hellström and Jyrki Mäki-Kala as new members to the Board for a term of office ending at the end of the next Annual General Meeting. Ari Jokelainen and Juuso Kivinen stepped down from the Board. Sanna Suvanto-Harsaae continues to chair the Board. The general meeting further resolved that the remuneration of the members of the Board of Directors remain the same and that the Chair of the Board of Directors be paid a monthly fee of EUR 4,000 and other members of the Board of Directors a monthly fee of EUR 2,000.

Ernst & Young Oy, a firm of Authorised Public Accountants with APA Johanna Winqvist-Ilkka as the signing audit partner, was re-elected the company's auditor.

In addition, the general meeting authorised the Board of Directors to decide on the issuance of shares and on the issuance of special rights entitling to shares. A total maximum of 1,800,000 shares and special rights entitling to shares may be issued by virtue of the authorisation corresponding to approximately 10 per cent of all the shares in the company. The authorisation will be valid for 18 months from the decision of the general meeting.

Board of Directors

On 31 December 2022, the company's Board of Directors consisted of the following members: Sanna Suvanto-Harsaae (Chair), Markus Hellström, Satu Huber, Jyrki Mäki-Kala and Jens-Peter Poulsen.

Management's ownership and remuneration

On 31 December 2022, the members of the Board of Directors, the CEO, and other members of the Management Team, including their closely associated persons and entities, owned a total of 3,025,537 company shares corresponding to 17.0% of the total number of shares. Information on the shareholdings of the members of the Board of Directors, the CEO, and other members of the Management Team is disclosed in the Corporate Governance Statement 2022 and on the corporate website.

Information on the remuneration of the members of the Board of Directors, the CEO, and other members of the Management Team is disclosed in the notes to the financial statements. The remuneration of the members of the Board of Directors and the CEO is also described in the Remuneration Report 2022.

Composition of Shareholders' Nomination Board

The Extraordinary General Meeting on 5 March 2021 decided to establish a Shareholders' Nomination Board for the company and the Nomination Board's charter was approved. The Nomination Board consists of the four largest registered shareholders of the company as of 31 August. According to the shareholders' register, the company's four largest shareholders on 31 August 2022 were Conficap Oy, Alexander Rosenlew, Ilmarinen Mutual Pension Insurance Company, and Thomasset Oy.

On 1 September 2022, the company announced that these shareholders have appointed their representatives to the Shareholders' Nomination Board, the composition of which is as follows:

- Maarit Toivanen, CEO and Chair of the Board of Conficap Oy
- Alexander Rosenlew
- Annika Ekman, Head of Direct Equity Investments, Ilmarinen Mutual Pension Insurance Company
- Mats Söderström, CEO of Thomasset Oy

The Nomination Board has elected Maarit Toivanen as its chair. The Chair of Orthex's Board of Directors, Sanna Suvanto-Harsaae, acts as an expert member of the Nomination Board.

More information on the Nomination Board is available on the corporate website at **Nomination Board - Orthex Group**.

Shares and shareholders

Orthex's shares are listed on Nasdaq Helsinki Ltd. Trading in Orthex's share began on the Nasdaq Helsinki main list on 29 March 2021.

At the end of the reporting period, Orthex Corporation's registered share capital amounted to EUR 80,000 and the registered number of issued shares was 17,758,854. All shares carry one vote and have equal voting rights. There are no voting restrictions associated with the shares. The shares hold no nominal value. The trading code of the shares is "ORTHEX", and the ISIN code FI4000480504.

Trading volume during the period was EUR 37.4 million and 5,653,412 shares. The highest price of the share was EUR 11.29 and the lowest was EUR 3.82. The closing price of the share at the end of December was EUR 4.68. The year-end market value of the share capital stood at EUR 83.1 million. The company did not have any treasury shares at the end of the review period.

At the end of the review period, the number of registered shareholders including nominee registers was 16,596. The nominee-registered shares accounted for 11.1% of the total number of shares and amounted to 1,967,850 shares. At the end of the period, the ten largest registered shareholders possessed a total of 49.7% of Orthex's shares and votes.

Authorisations, option and share-based incentive schemes

During 2022, Orthex did not have any share option or share-based incentive schemes.

Orthex's Board of Directors is authorised to issue a total maximum of 1,800,000 shares and special rights entitling to shares in one or several issues. The authorisation will be valid until 6 October 2023. The Board of Directors has no other authorisations.

Major shareholders 31 Dec 2022*

Shareholder	No. of shares	% of shares
Conficap Oy	2,486,240	14.00
Rosenlew Alexander	2,047,726	11.53
Ilmarinen Mutual Pension Insurance Company	1,061,000	5.97
Thomasset Oy	761,000	4.29
Varma Mutual Pension Insurance Company	639,350	3.60
OP-Finland Small Cap	506,901	2.85
Oy Julius Tallberg Ab	386,351	2.18
Fondita Nordic Micro Cap Investment Fund	328,500	1.85
Ståhlberg Tom Christian	313,500	1.77
Aktia Capital Mutual Fund	300,000	1.69
Total	**8,830,568**	**49.72**

*) Source: Euroclear Finland

Sector distribution 31 Dec 2022*

Sector	No. of shares	% of shares
Households	6,398,032	36.03
Private companies	4,961,924	27.94
Financial and insurance institutions	1,910,400	10.76
Public sector organisations	2,198,291	12.38
Non-profit institutions	300,480	1.69
Rest of the world	21,877	0.12
Total	**17,758,854**	**100**

*) Source: Euroclear Finland

Under the provisions of the Securities Market Act, changes in holdings must be disclosed when the holding reaches, exceeds, or falls below 5, 10, 15, 20, 25, 30, 50 or 66,7 (2/3) per cent of the voting rights or the number of shares in the company. The stock exchange releases on notifications of changes in holdings (flaggings) are available on the corporate website at https://investors.orthexgroup.com/media/.

Share distribution 31 Dec 2022*

Number of shares	Number of shareholders	% of shareholders	Number of	% of shares
1-100	11,174	67.33	624,095	3.51
101-1,000	4,867	29.33	1,490,513	8.39
1,001-10,000	468	2.82	1,200,439	6.76
10,001-100,000	66	0.40	2,247,719	12.66
100,001-1,000,000	17	0.10	4,852,422	27.32
> 1,000,000	4	0.02	7,343,666	41.35
Total	**16,596**	**100**	**17,758,854**	**100**
Nominee registered	8	0.05	1,967,850	11.08

*) Source: Euroclear Finland

Sustainability

Sustainability is a core element in implementing Orthex's growth strategy and key objectives as we strive to be the number one brand in storage products in Europe, and to strengthen our position as a leading houseware company in the Nordics. Sustainability is a key factor in all decision making at Orthex and a significant driver of our development and investment agenda. Orthex aims to be the industry forerunner in sustainability by offering timelessly designed, high-quality, safe, and long-lasting products, reducing the carbon footprint of its operations and products, and sourcing more and more of its raw materials from renewable and recycled materials. Orthex's main sustainability target is to aim towards carbon neutrality in production by 2030.

Orthex has identified priority sustainability topics in environmental, social and governance (ESG) areas. For each topic, the company has defined key performance indicators and targets. More information can be found in the Annual and Sustainability Report's dedicated section on sustainability.

Sustainability actions in 2022

In March, Orthex's Lohja factory was granted an ISCC PLUS certificate. The international Sustainability and Carbon Certification (ISCC) is a globally applicable sustainability certification system, which covers all sustainable feedstocks, including agricultural and forestry biomass, circular and bio-based materials, and renewables.

During the first half of the year, Orthex conducted a sustainability materiality assessment of the company's sustainability topics to align Orthex's sustainability work with stakeholders' expectations. More than 500 replies to the materiality questionnaire were received, and the assessment results were supplemented by interviews with selected customers, investors, and suppliers. In April, Orthex was certified as a Nasdaq ESG Transparency Partner. This certification is used by Nasdaq to show engagement in the market transparency and raising environmental standards. In addition, Orthex disclosed environmental data in CDP Climate change program to meet the demands of investors and customers and to increase transparency.

During the second half of the year, Orthex started using ISSC PLUS certified renewable raw materials applying mass balance approach in the production of its popular SmartStore™ Compact and Compact Clear storage boxes. Orthex also launched a significant research project for the development of recycled plastics. The goals of the project are to build an ecosystem aimed at increasing the use of recycled plastic and to generate new information about the use of recycled plastic in different applications, especially in products suitable for food contact. In addition, Orthex announced that starting in January 2023, it will participate in a large seven-year cooperation research project to find new potential renewable plastic raw materials. These significant investments in research support Orthex's 2030 carbon neutrality target and the target to increase the use of sustainable raw materials.

In addition, Orthex extended its selection of products made from recycled plastics by launching SmartStore™ Collect Slim recycling solution. Orthex also participated in a competition for the most sustainable product in Finland with two products: Orthex bucket from old fishing nets and the SmartStore™ Collect sorting solution. Out of 291 pre-screened products, the competition panel selected Orthex bucket from old fishing nets as one of the 11 finalists.

In November, the Science Based Targets initiative (SBTi) approved Orthex's near-term science-based emissions reduction target, which means that Orthex's climate targets are aligned with the target to keep global warming below 1.5°C in accordance with the Paris Agreement.

Orthex's sustainable business practices are described comprehensively in the 2022 Annual and Sustainability Report's dedicated section on sustainability. As will be brought up in the sustainability section, the company has continued its investments in building the roadmap towards carbon neutrality and in the use of renewable and recycled materials to reduce the carbon footprint of its products and production.

Risks and uncertainties

Risk management

The purpose of Orthex's risk management is to ensure the fulfilment of customer promises, business profitability, ability to pay dividends, value creation for shareholders, responsible business and business continuity. To achieve this, Orthex strives to be aware of the uncertainties and risk factors and opportunities associated with its objectives and operations, and to identify, assess and manage risks and their consequences in a consistent and effective manner.

Orthex's risk management policy guides risk management in a way that supports the achievement of the company's objectives, protects personnel and the company's various assets, and ensures the financial sustainability of operations.

The responsibility for implementing risk management lies with the Management Team. In addition, each employee must be aware of and manage the risks associated with their own operating environment and areas of responsibility. The company's Board of Directors approves the company's risk management policy and monitors and assesses the effectiveness of risk management.

Risk management principles

Risk management is a systematic activity designed to ensure comprehensive and appropriate risk identification, assessment, management, and control. It is an integral part of Orthex's planning and management process, decision making, day-to-day management of operations, and monitoring and reporting procedures. Risks are assessed and managed in a business-oriented and thorough manner. This means that key risks, including ESG (Environmental, Social and Governance) risks, are systematically identified, evaluated, managed, monitored, and reported as part of the business.

Risk management process and reporting

Orthex prioritises risks according to the importance of the risk by assessing the impact, likelihood, and level of risk management of the risk materialisation. Risk management measures address the most significant risks through cost-effective and appropriate policy options.

The Management Team regularly monitors the implementation of risk management. If necessary, corrective measures will be taken.

The Management Team reports to the Board of Directors on risks and risk management measures 2-3 times a year. The Board reviews the most significant risks, measures to manage them and assesses the efficiency and effectiveness of risk management.

Risk classification

Risk refers to an event or circumstance that may hinder or prevent the achievement of targets or may result in missing of business opportunities. Orthex classifies risks in three groups:

- Strategic risks
- Operational risks
- Financial risks

Strategic risks refer to uncertainty that is primarily related to changes in the operating environment and the ability to utilize or anticipate these changes. These changes may relate, for example, to the general economic situation, customer consumption behaviour, competition, legislation, or technological developments. When assessing strategic risks and opportunities, the goal is to find the business opportunities that are used to achieve the goals with manageable risks, while avoiding those that present unreasonably high risks.

Operational risk means a circumstance or event that can prevent or hinder the achievement of objectives or cause harm to people, property, business, information, or the environment. Operational risks are avoided or reduced, but in such a way, that the costs of risk avoidance are proportionate to the magnitude of the risk.

Financial risks are those related to Orthex's financial position. These include e.g., availability and cost of finance, net working capital and liquidity, and foreign exchange rate fluctuations. Orthex's financial risk management is described in the notes to the consolidated financial statements.

Non-economic impacts are also considered when assessing risks. Reputation risk arises if Orthex's operations conflict with the expectations of various stakeholders, such as customers, suppliers, regulators, or shareholders. Responsible practices are key to preventing reputational risks. Reputation risks are managed through timely and adequate communication.

Main strategic, operational, and financial risks

Risks relating to the macroeconomic environment

Increased inflation, raising interest rates, Russia's war against Ukraine, and political tensions impact the global economic trend as well as the development of consumers' purchasing behaviour and, as a result, can have an impact on Orthex's business. Russia's war against Ukraine does not directly affect Orthex's business as Orthex's products are not manufactured or sold in Russia, Belarus or Ukraine and the company does not source raw materials from these countries. However, Russia's war against Ukraine causes disturbances in global supply chains and contributes to the general economic situation and consumers' purchasing power and behaviour. These factors may affect the company's sales and profitability as well as operational reliability and efficiency. The Group has hedged part of its interest-bearing liabilities against rising interest rates with interest derivatives. In addition, some of the electricity contracts have been purchased at fixed prices due to the strong volatility of market electricity.

Risks relating to changes in competitive environment

Orthex operates in a competitive and fragmented home storage, kitchenware, plant care and other household products market. Even though the markets in which Orthex operates are fragmented, Orthex's competitors may consolidate, establish consortiums, or aim to expand their operations in the future, which may increase competition in Orthex's markets, including in the Nordics. Any significant consolidation could create competitors with more financial, technical, marketing, or other resources that would enable them to assign more resources to the sale of household goods than currently, which, in turn, could have an adverse effect on Orthex's business and growth opportunities.

Risks relating to sourcing of raw materials

Plastic polymers are the largest group of raw materials used in the production of Orthex's products. Raw material prices are typically negotiated annually based on estimated volumes for the year ahead. Orthex does not hedge against raw material price fluctuations. Accordingly, Orthex's profitability is particularly exposed to fluctuations in virgin plastic polymer (produced directly from crude oil and never been used or processed before) prices, which have historically fluctuated to a certain extent in line with crude oil price fluctuations.

Orthex also uses renewable and recycled materials in the production of its products and sells products entirely sourced from external suppliers, as well as products that are partly produced in-house and partly consist of externally sourced components. The prices of these raw materials and traded goods have not historically been subject to the same level of fluctuation as virgin plastic polymers. However, there has been shortage on the market because of higher demand and this can lead to higher prices also in renewable and recycled materials. If Orthex is unable to offset price increases in raw materials and traded goods, whether through price increases or otherwise, or should there be significant disruptions in their availability, this could have a material adverse effect on Orthex's profitability and/or margins.

During 2021, raw material prices rose to exceptionally high levels and continued rising further during the first half of 2022. Even if the raw material price index is down from its highpoint in April 2022, the raw material prices were exceptionally high during the entire reporting period. This has had and may continue to have an adverse effect on Orthex's profitability.

Risks relating to quality of products

Thanks to its own production, Orthex can control the quality of its products and the health and environmental aspects of production and products. Although Orthex has several quality control measures in place, there can be no assurances that such measures will always be adequate to detect potential product quality defects.

Any significant quality issue may require a considerable amount of management resources. Responding to detected or suspected quality issues, for example, by proactively adjusting production processes or by switching the materials or components used, usually gives rise to costs that may be significant. Such events may also lead to product recalls, product liability or warranty claims, and contractual liabilities towards Orthex's customers and/or end-customers, or to third-party claims. Product quality issues or product recalls may also harm Orthex's reputation and lead to loss of customers. Furthermore, Orthex's insurance coverage does not cover claims based on quality issues and product liability claims concerning Orthex's products. Realisation of the aforementioned risks may have a material adverse effect on Orthex's business, results of operations, financial position and/or reputation.

Risks relating to changes in customer preferences

Several megatrends and consumer preferences have been driving the demand in the home storage, food storage and kitchen utensils markets in recent years, including population growth, urbanisation, changes in the form of housing, sustainability, and design preferences among the end-customers of Orthex's products. Changes in consumer preferences could relate to, among others, improved functionality, higher quality, innovative solutions, new technologies, attractive design, and new and more advanced materials.

If Orthex is unable to successfully anticipate and identify changing consumer preferences, Orthex could lose its market share in the Nordics, its sales development may be slower than expected, and it may be forced to rely on price reductions to dispose of excess or slow-moving inventory or to make significant investments in the future to remain competitive. Any of these could have a material adverse effect on Orthex's business, financial position and/or results of operations.

Risks relating to production facilities and warehouse operations

As Orthex's production largely relies on its own production facilities, events that would cause significant disruptions in or the suspension of Orthex's production facilities could materially affect Orthex's ability to deliver its products to its customers in a timely manner. Orthex's production facilities may be damaged or destroyed, or they may be closed or the equipment on the premises may be damaged due to, for example, fire, accident, natural disaster, or equivalent events beyond Orthex's control. Similarly, Orthex's warehouses could be subject to similar events, which could destroy all or part of Orthex's inventory. Such events or incidents could result in material disruptions and delays in Orthex's production and deliveries and in Orthex not necessarily being able to fulfil its obligations to its customers. If Orthex were unable to locate alternative production facilities, transfer production to Orthex's other production facilities or to repair the damaged premises or equipment in a timely and cost-effective manner, such conditions could have a material adverse effect on Orthex's business, financial position and/or results of operations.

Risks relating to IT infrastructure and systems

Difficulties in maintaining and updating IT infrastructure, deficiencies in IT systems, and external cyber-attacks related to IT systems may have an adverse effect on Orthex. Orthex uses information technology infrastructure, applications and software products that cover essential aspects of its business, such as production, inventory management, logistics, human resources, finances, and other administrative systems. Orthex's IT systems and infrastructure may be vulnerable to cybersecurity risks, including cyber-attacks, direct or indirect, such as computer viruses and worms, phishing attacks, and penetrating or bypassing security measures in order to gain unauthorised access to Orthex's information networks and systems. Exploitation of possible weaknesses in Orthex's security controls could disrupt its business and cause leakage of sensitive information, theft of intellectual property and damage to Orthex's reputation.

Risks relating to management and employees

The success of Orthex's business and strategy depends on Orthex's ability to attract and retain key management and production personnel. The loss of management or key personnel may result in the loss of expertise or, in certain circumstances, the transfer of expertise to Orthex's competitors. In addition, Orthex's production processes require qualified, skilled production workers (particularly with specialized training and knowledge of plastic).

In accordance with its current strategy, in addition to strengthening its market position in the Nordics, Orthex will focus on accelerating its growth in the international markets outside the Nordics, which imposes new demands to Orthex's management and personnel. Orthex's geographical expansion also requires the recruitment of additional personnel. If Orthex is not successful in recruiting and retaining qualified key personnel, this may have an adverse effect on Orthex's business.

Risks relating to regulation and compliance

With operations in several countries, Orthex is subject to a variety of laws and regulations, and potential violations of such laws and regulations could have an adverse effect on Orthex. Orthex must comply with laws and regulations enacted at both the national and EU level concerning its operations in relation to matters including health, safety, consumer protection and marketing, general product safety, environment, employment, competition, company law, data protection, international trade, and taxation in all countries in which Orthex pursues business. Failure to comply with applicable laws and regulations may cause Orthex financial losses, undermine Orthex's business opportunities and harm Orthex's reputation.

Risks relating to taxation

Orthex's tax burden depends on certain tax laws and regulations and their application and interpretation (for example, with regard to transfer pricing rules). Changes in tax laws and regulations or their interpretation and application may increase Orthex's tax costs to a significant degree, which could have an adverse effect on Orthex's financial condition and/or results of operations. In addition, Orthex may at times be subject to tax audits conducted by national tax authorities. Tax audits or other auditing measures carried out by tax or other authorities, such as customs officials, could result in an imposition of additional taxes (such as income taxes, taxes at source and property, capital, transfer, and value-added taxes), which could lead to an increase in Orthex's tax liability.

Orthex Group was subject to a tax audit of Orthex Corporation regarding the financial years 2020 and 2021. Orthex Corporation received early in May 2022 a tax audit report from the Finnish tax authorities including subsequent taxes and tax increases amounting to a total of EUR 0.3 million relating to the VAT deductibility of IPO related costs. The company disagrees with the interpretation made in the tax audit and has filed a claim for adjustment to its taxation with the Assessment Adjustment Board of the Finnish tax authority. However, the company was requested to pay additional taxes in accordance with the interpretations set out in the tax audit report and the company paid the subsequent taxes and tax increases in June 2022. The Group has not recognised the subsequent taxes and tax increases in the consolidated statement of comprehensive income.

Risks relating to currency fluctuations

Orthex has operations in several countries, so the company is exposed to transaction and translation risk related mainly to the Swedish krona, the Norwegian krone, the Danish krone, the British pound sterling and the U.S. dollar. The Group is typically not hedged against currency risk, except for certain large purchases under the Kökskungen brand. Fluctuations in exchange rates and interest rates can have a material adverse effect on Orthex.

Risks relating to liquidity

Orthex currently finances its business and investments with operational cash flows and debt financing. Sufficient cash flow is required for Orthex's business and maintaining its ability to service its debt. There can be no assurance that Orthex will be able to secure financing to a sufficient extent and on competitive terms to finance its business and investments. Changes in the macroeconomic environment or in the general financial markets may have an adverse effect on the availability, price, and other terms of financing. Changes in the availability of equity and debt financing and in the terms of the financing available may influence Orthex's ability to invest in developing and growing its business in the future. If Orthex is not able to obtain financing on competitive terms or at all, this may have a material adverse effect on Orthex's business, financial position and/or results of operations.

ESG risks

Orthex assesses ESG risks as a part of its systematic risk management process. During 2022, ESG risks were reviewed and the following most significant ESG risks were identified: unfavourable changes in environmental and other related legislation, product safety related issues, and employee health and safety related risks. To mitigate these risks, Orthex actively monitors applicable legislation, uses accredited test laboratories for food contact testing, and systematic health and safety process has been implemented through the work environment committee. Failure to comply with environmental legislation, product safety regulations or laws and regulations applicable to employee health and safety may cause Orthex financial losses, undermine Orthex's business opportunities and harm Orthex's reputation.

Board of Directors' proposal for the use of the profit shown on the balance sheet and resolution on the distribution of dividends

According to the financial statements to be adopted for the financial year ended 31 December 2022, the parent company's distributable funds amount to EUR 12,305,159.20, including the profit for the period of EUR 4,303,730.55.

The Board of Directors proposes to the general meeting that based on the financial statements to be adopted for the financial year ended on 31 December 2022, shareholders be paid a dividend of EUR 0.11 per share totalling approximately EUR 2.0 million based on the number of registered shares in the company at the time of the proposal.

The dividend is proposed to be paid in two instalments as follows:

- The first instalment of the dividend amounting to EUR 0.06 per share will be paid to a shareholder who is registered in the company's shareholder register held by Euroclear Finland Oy on the record date of the first instalment of the dividend payment 20 April 2023. The Board of Directors proposes that the first instalment of the dividend be paid on 27 April 2023.

- The second instalment of the dividend amounting to EUR 0.05 per share will be paid in October 2023 to a shareholder who is registered in the company's shareholder register held by Euroclear Finland Oy on the record date of the second instalment of the dividend payment 2 October 2023. The Board of Directors proposes that the second instalment of the dividend be paid on 10 October 2023. The Board of Directors further proposes that the Board be authorised to decide, if necessary, on a new record date and date of payment for the second instalment of the dividend should the rules of Euroclear Finland Oy or statutes governing the Finnish book-entry system change or otherwise so require.

There have been no significant changes in the parent company's financial position after the financial year-end. The company's liquidity is good, and the Board of Directors deems that the company's solvency will not be jeopardised by the proposed dividend distribution.

Events after the financial year

On 24 January 2023, Orthex Corporation disclosed the Shareholders' Nomination Board's proposals to the Annual General Meeting 2023 regarding the composition and remuneration of the Board of Directors.

The Shareholders' Nomination Board proposes that the Board of Directors would consist of five (5) members and that Sanna Suvanto-Harsaae, Markus Hellström, Jyrki Mäki-Kala and Jens-Peter Poulsen would be re-elected to the Board and that Anette Rosengren be elected as a new member to the Board, all for a term of office ending at the end of the next Annual General Meeting. Satu Huber was no longer available for re-election to the Board.

All director nominees have consented to their election and confirmed that they are independent of the company and its significant shareholders. Background information on the director nominees is available on the corporate website **Board of Directors - Orthex Group**.

Regarding the remuneration of the members of the Board of Directors, the Shareholders' Nomination Board proposes that the Board fees remain the same and that the Chair of the Board of Directors be paid a monthly fee of EUR 4,000 and other members of the Board of Directors a monthly fee of EUR 2,000. The Nomination Board further proposes that reasonable travel and other expenses related to the Board work be reimbursed in accordance with the company's travel rules.

Market outlook

Volatility and uncertainty affected the business environment during 2022, with geopolitical disruption and high inflation across the value chain. Whilst demand remained overall solid, the pressure of inflation on consumers started to erode the consumption growth across product categories and geographical areas during the year.

To ensure effective implementation and adoption of its strategy, Orthex is constantly evaluating consumer trends, customer demands and market conditions. The strategy is designed to deliver the specified long-term financial targets. In addition, an overall focus on sustainability is at the heart of business development. It is likely that the unpredictable market conditions seen in 2022 will continue, including volatile cost drivers with quick changes in cost components and high overall or increasing cost levels compared to the year 2022.

Orthex will strive to navigate as efficiently as possible, adopting swiftly to potentially fast changing conditions. In 2021, we successfully increased the production capacity in our factories, and we are prepared for growth. We are also prepared to further increase capacity when needed. Product and process innovation and testing new sustainable materials will have a continued important role in the commercial strategy. The focus will be on growing the sales of our branded products throughout Europe, thus improving everyday life with practical sustainable products.

Russia's war against Ukraine does not directly affect Orthex's business as Orthex's products are not manufactured or sold in Russia, Belarus or Ukraine and the company does not source raw materials from these countries. However, Russia's war against Ukraine causes disturbances in global supply chains and contributes to the general economic situation and consumers' purchasing power and behaviour.

Espoo, 7 March 2023
Board of Directors

Key figures

EUR thousand	2022	2021	2020
Net sales	84,048	88,694	75,865
Net sales growth, %	-5.2%	16.9%	14.2%
Constant currency invoiced sales growth, %	-3.8%	15.7%	14.8%
Invoiced sales	85,794	90,552	77,877
Invoiced sales growth, %	-5.3%	16.3%	15.5%
Gross margin	17,919	23,204	24,601
Gross margin, %	21.3%	26.2%	32.4%
EBITDA	9,154	13,226	16,458
EBITDA margin, %	10.9%	14.9%	21.7%
EBITA	5,317	9,380	12,336
EBITA margin, %	6.3%	10.6%	16.3%
Operating profit	5,191	9,250	12,281
Operating profit margin, %	6.2%	10.4%	16.2%
Items affecting comparability	173	1,616	597
Adjusted gross margin	17,919	23,279	24,601
Adjusted gross margin, %	21.3%	26.2%	32.4%
Adjusted EBITDA	9,328	14,842	17,054
Adjusted EBITDA margin, %	11.1%	16.7%	22.5%
Adjusted EBITA	5,490	10,996	12,933
Adjusted EBITA margin, %	6.5%	12.4%	17.0%
Adjusted operating profit	5,364	10,867	12,878
Adjusted operating profit margin, %	6.4%	12.3%	17.0%
FTEs	295	314	285
Personnel expenses	18,300	19,693	17,056

EUR thousand	2022	2021	2020
Key cash flows indicators			
Net cash flows from operating activities	6,177	8,979	12,709
Operating free cash flows	5,774	10,046	13,853
Cash conversion, %	61.9%	67.7%	81.2%
Investments in tangible and intangible assets	-3,553	-4,797	-3,201
Financial position key figures			
Net debt	26,028	25,887	38,886
Net debt / adjusted EBITDA last 12 months	2.8x	1.7x	2.3x
Net working capital	13,670	14,482	12,379
Capital employed excluding goodwill	33,487	34,004	31,835
Return on capital employed (ROCE), %	15.4%	28.1%	38.4%
Adjusted return on capital employed (ROCE), %	15.9%	33.0%	40.3%
Equity ratio, %	36.3%	35.8%	22.6%
Return on equity, %	6.9%	24.7%	49.0%

Share-related key figures

EUR	2022	2021	2020
Earnings per share, basic (and diluted)	0.12	0.35	0.47
Equity per share	1.67	1.79	1.05
Effective dividend yield, %	2.4%	1.6%	n.a.
Price per earnings	39.2	31.9	n.a.
Closing share price on the last day of trading	4.68	11.04	n.a.
Highest	11.29	12.50	n.a.
Lowest	3.82	7.30	n.a.
Market value of shares at the end of period, EUR million	83,1	196,1	n.a.
No. of shares traded, pcs	5,653,412	21,933,614	n.a.
Of weighted average number of shares, %	31.8%	125.9%	n.a.
No. of shares outstanding at the end of the period, pcs	17,758,854	17,758,854	16,277,000
Weighted average number of shares outstanding, pcs	17,758,854	17,425,944	16,277,000
Dividend payout and capital return per share total	0.11*	0.18	n.a.
Dividend payout and capital return per share, total of result, %	92.1%	52.0%	n.a.

*) Board of Directors' proposal

Reconciliation of alternative performance measures

EUR thousand	2022	2021	2020
Net sales growth, %			
Net sales	84,048	88,694	75,865
Net sales growth, %	**-5.2%**	**16.9%**	**14.2%**
Constant currency Net sales growth, %			
Net sales	84,048	88,694	75,865
FX rate adjustment	-	-1,291	813
Constant currency Net sales	84,048	87,403	76,679
Constant currency Net sales growth, %	**-3.8%**	**15.7%**	**14.8%**
Invoiced sales			
Net sales	84,048	88,694	75,865
Discounts and bonuses	3,182	3,067	2,757
Other sales and refunds	-1,437	-1,209	-746
Invoiced sales	**85,794**	**90,552**	**77,877**
Invoiced sales growth, %	-5.3%	16.3%	15.5%
Gross margin			
Net sales	84,048	88,694	75,865
Cost of sales	-66,129	-65,490	-51,264
Gross margin	**17,919**	**23,204**	**24,601**
Gross margin, %	21.3%	26.2%	32.4%

EUR thousand	2022	2021	2020
EBITDA			
Operating profit	5,191	9,250	12,281
Depreciation, amortisation and impairment	3,964	3,976	4,177
EBITDA	**9,154**	**13,226**	**16,458**
EBITDA margin, %	10.9%	14.9%	21.7%
EBITA			
Operating profit	5,191	9,250	12,281
Amortisation and impairment	126	129	55
EBITA	**5,317**	**9,380**	**12,336**
EBITA margin, %	6.3%	10.6%	16.3%
Operating profit			
Operating profit	**5,191**	**9,250**	**12,281**
Operating profit margin, %	6.2%	10.4%	16.2%
Items affecting comparability / adjustments (Gross margin)			
Other items affecting comparability	-	75	-
Items affecting comparability / adjustments (Gross margin)	**-**	**75**	**-**

Reconciliation of alternative performance measures

EUR thousand	2022	2021	2020
Items affecting comparability / adjustments (EBITDA)			
Other items affecting comparability	173	85	-
Costs related to listing	-	1,531	597
Items affecting comparability / adjustments (EBITDA)	**173**	**1,616**	**597**
Adjusted gross margin			
Gross margin	17,919	23,204	24,601
Adjustments (gross margin)	-	75	-
Adjusted gross margin	**17,919**	**23,279**	**24,601**
Adjusted gross margin, %	21.3%	26.2%	32.4%
Adjusted EBITDA			
Operating profit	5,191	9,250	12,281
Depreciation, amortisation and impairment	3,964	3,976	4,177
Adjustments (EBITDA)	173	1,616	597
Adjusted EBITDA	**9,328**	**14,842**	**17,054**
Adjusted EBITDA margin, %	11.1%	16.7%	22.5%
Adjusted EBITA			
Operating profit	5,191	9,250	12,281
Amortisation and impairment	126	129	55
Adjustments (EBITA)	173	1,616	597
Adjusted EBITA	**5,490**	**10,996**	**12,933**
Adjusted EBITA margin, %	6.5%	12.4%	17.0%

EUR thousand	2022	2021	2020
Adjusted operating profit			
Operating profit	5,191	9,250	12,281
Adjustments	173	1,616	597
Adjusted operating profit	**5,364**	**10,867**	**12,878**
Adjusted operating profit margin, %	6.4%	12.3%	17.0%
Earnings per share, basic (and diluted), EUR			
Profit for the period	2,121	6,035	7,692
Weighted average number of shares outstanding	17,759	17,426	16,277
Earnings per share, basic (and diluted), EUR	**0.12**	**0.35**	**0.47**
Operating free cash flows			
Adjusted EBITDA	9,328	14,842	17,054
Investments in tangible and intangible assets	-3,553	-4,797	-3,201
Operating free cash flows	**5,774**	**10,046**	**13,853**
Cash conversion, %			
Operating free cash flows	5,774	10,046	13,853
Adjusted EBITDA	9,328	14,842	17,054
Cash conversion, %	**61.9%**	**67.7%**	**81.2%**
Net debt			
Total interest-bearing liabilities	36,312	40,220	44,136
Cash and cash equivalents	-10,284	-14,334	-5,250
Net debt	**26,028**	**25,887**	**38,886**

Reconciliation of alternative performance measures

EUR thousand	2022	2021	2020
Net debt/ Adjusted EBITDA			
Net debt	26,028	25,887	38,886
Adjusted EBITDA, 12 months	9,328	14,842	17,054
Net debt/ Adjusted EBITDA	**2.8x**	**1.7x**	**2.3x**
Net working capital			
Inventories	14,283	12,647	9,906
Trade and other receivables	13,387	15,528	14,264
Trade and other payables	-14,000	-13,692	-11,791
Net working capital	**13,670**	**14,482**	**12,379**
Capital employed excluding goodwill			
Total equity	29,711	31,798	17,022
Net debt	26,028	25,887	38,886
Goodwill	-22,252	-23,680	-24,072
Capital employed excluding goodwill	**33,487**	**34,004**	**31,835**
Return on capital employed (ROCE), %			
Operating profit	5,191	9,250	12,281
Average capital employed excluding goodwill	33,746	32,920	31,970
Return on capital employed (ROCE), %	**15.4%**	**28.1%**	**38.4%**

EUR thousand	2022	2021	2020
Adjusted return on capital employed (ROCE), %			
Adjusted operating profit	5,364	10,867	12,878
Average capital employed excluding goodwill	33,746	32,920	31,970
Adjusted return on capital employed (ROCE), %	**15.9%**	**33.0%**	**40.3%**
Equity ratio, %			
Total equity	29,711	31,798	17,022
Total assets	81,837	88,842	75,368
Equity ratio, %	**36.3%**	**35.8%**	**22.6%**
Return on equity, %			
Profit for the period	2,121	6,035	7,692
Total equity (average for the first and last day of the period)	30,754	24,410	15,693
Return on equity, %	**6.9%**	**24.7%**	**49.0%**

Calculation of key figures

IFRS key figures

Earnings per share, basic (and diluted)	=	Profit for the period attributable to the owners of the parent / Weighted average number of shares outstanding

Alternative performance measures

Orthex presents alternative performance measures as additional information to financial measures presented in the consolidated income statement, consolidated balance sheet and consolidated statement of cash flows prepared in accordance with IFRS. In Orthex's view, alternative performance measures provide significant additional information on Orthex's results of operations, financial position and cash flows to management, investors, analysts, and other stakeholders.

Alternative performance measures should not be viewed in isolation or as a substitute to the IFRS financial measures. All companies do not calculate alternative performance measures in a uniform way, and therefore Orthex's alternative performance measures may not be comparable with similarly named measures presented by other companies.

Key figure	Formula
Constant currency invoiced sales growth, %	Invoiced sales growth calculated by using previous year's revenue translated at average foreign exchange rates for the current year
Invoiced sales	Product sales to resale customers excluding off invoice discounts, customer bonuses and cash discounts
Invoiced sales growth, %	Increase in invoiced sales
Gross margin	Net Sales less Cost of sales
Gross margin, %	Gross margin / Net sales
EBITDA	Operating profit before depreciation, amortisation and impairment
EBITDA margin, %	EBITDA / Net sales
EBITA	Operating profit before amortisation and impairment
EBITA margin, %	EBITA / Net sales
Operating profit	Operating profit
Operating profit margin, %	Operating profit / Net sales
Items affecting comparability	Material items outside ordinary course of business including restructuring costs, net gains or losses from sale of business operations or other non-current assets, strategic development projects, external advisory costs related to capital reorganisation, impairment charges on non-current assets incurred in connection with restructurings, compensation for damages and transaction costs related to business acquisitions
Adjusted gross margin	Gross margin excluding items affecting comparability
Adjusted gross margin, %	Adjusted gross margin / Net sales
Adjusted EBITDA	EBITDA excluding items affecting comparability
Adjusted EBITDA margin, %	Adjusted EBITDA / Net sales
Adjusted EBITA	EBITA excluding items affecting comparability
Adjusted EBITA margin, %	Adjusted EBITA / Net sales
Adjusted operating profit	Operating profit excluding items affecting comparability
Adjusted operating profit margin, %	Adjusted operating profit / Net sales
Net cash flows from operating activities	Net cash from operating activities as presented in the consolidated statement of cash flows
Operating free cash flows	Adjusted EBITDA less investments in tangible and intangible assets

Key figure	Formula
Cash conversion, %	Operating free cash flows / Adjusted EBITDA
Investments in tangible and intangible assets	Investments in tangible and intangible assets as presented in the consolidated statement of cash flows
Net debt	Current and non-current interest-bearing liabilities less cash and cash equivalents
Net debt / adjusted EBITDA last 12 months	Net debt / Adjusted EBITDA
Net working capital	Inventories, trade and other receivables less trade and other payables
Capital employed excluding goodwill	Total equity and net debt and less goodwill
Return on capital employed (ROCE), %	Operating profit / Average capital employed excluding goodwill
Adjusted return on capital employed (ROCE), %	Adjusted operating profit / Average capital employed excluding goodwill
Equity ratio, %	Total equity / Total assets
Return on equity, %	Result for the period / Total equity (average for the first and last day of the period)
Share-related key figures	
Equity per share, EUR	Total equity attributable to the equity holders of the parent / Number of outstanding shares at the end of the financial year
Effective dividend yield, %	Dividend/share / Price of share at the end of the accounting period
Price per earnings, EUR	Closing price of share at the end of the financial year / Earnings per share
Market value of shares at the end of period	Number of shares at the end of accounting period x Price of the share at the end of accounting period
Dividend payout and capital return per share, total of result, %	(Dividend/share + Return of capital/share) / Earnings per share

FINANCIAL STATEMENTS

Consolidated financial statements, IFRS

Consolidated income statement

EUR thousand	Note	Jan 1 - Dec 31 2022	Jan 1 - Dec 31 2021
Net Sales	2	**84,048**	**88,694**
Cost of sales		-66,129	-65,490
Gross Margin		**17,919**	**23,204**
Other operating income	3	206	549
Selling and marketing expenses		-7,846	-8,468
Administrative expenses		-5,089	-6,035
Operating profit		**5,191**	**9,250**
Financial income and expenses	6	-2,182	-1,586
Profit before taxes		**3,009**	**7,664**
Income taxes	7	-888	-1,629
Profit for the period		**2,121**	**6,035**
Profit for the period attributable to:			
Equity holders of the parent		2,121	6,035
Earnings per share for profit attributable to the equity holders of the parent:			
Earnings per share, basic (and diluted), EUR		0.12	0.35

Consolidated statement of comprehensive income

EUR thousand	Note	Jan 1 - Dec 31 2022	Jan 1 - Dec 31 2021
Profit for the period		**2,121**	**6,035**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Translation differences		-2,053	-622
Items that will not be reclassified to profit or loss:			
Remeasurement gains (+) / losses (-) from defined benefit plans	5	1,042	-58
Other comprehensive income for the period, net of tax		**-1,011**	**-680**
Total comprehensive income for the period		**1,110**	**5,355**
Total comprehensive income attributable to:			
Equity holders of the parent		1,110	5,355

Consolidated statement of financial position

EUR thousand	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Intangible assets	8	22,377	23,901
Property, plant and equipment	9	13,547	13,131
Right-of-use assets	10	7,011	8,030
Other non-current assets		95	94
Deferred tax assets	7	760	1,163
Total non-current assets		**43,790**	**46,320**
Current assets			
Inventories	13	14,283	12,647
Trade and other receivables	14	13,387	15,528
Derivative financial instruments	11	93	14
Cash and cash equivalents	11	10,284	14,334
Total current assets		**38,047**	**42,522**
TOTAL ASSETS		**81,837**	**88,842**

EUR thousand	Note	31 Dec 2022	31 Dec 2021
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent company			
Share capital		80	80
Invested unrestricted equity fund		7,851	11,047
Retained earnings		22,301	19,138
Translation differences		-521	1,532
Total equity	11	**29,711**	**31,798**
Non-current liabilities			
Loans from credit institutions	11	22,363	23,720
Lease liabilities	10, 11	6,480	7,544
Pension liabilities	5, 11	3,179	4,742
Deferred tax liabilities	7	769	742
Total non-current liabilities		**32,791**	**36,748**
Current liabilities			
Loans from credit institutions	11	3,000	3,000
Lease liabilities	10, 11	1,290	1,214
Trade and other payables	15	14,000	13,692
Derivative financial instruments	11	8	-
Income tax liabilities		1,037	2,390
Total current liabilities		**19,335**	**20,296**
Total liabilities		**52,126**	**57,044**
TOTAL EQUITY AND LIABILITIES		**81,837**	**88,842**

Consolidated statement of changes in equity

Equity attributable to the equity holders of the parent company EUR thousand	Share capital	Treasury shares	Invested unrestricted equity fund	Retained earnings	Translation differences	Total equity
1 Jan 2022	**80**	**-**	**11,047**	**19,138**	**1,532**	**31,798**
Profit for the period				2,121		2,121
Translation differences					-2,053	-2,053
Remeasurement gains (+) / losses (-) from defined benefit plans				1,042		1,042
Total comprehensive income for the period				**3,163**	**-2,053**	**1,110**
Transactions with owners:						
Capital return from the invested unrestricted equity fund			-3,197			-3,197
31 Dec 2022	**80**	**-**	**7,851**	**22,301**	**-521**	**29,711**
1 Jan 2021	**3**	**-71**	**1,775**	**13,161**	**2,154**	**17,022**
Profit for the period				6,035		6,035
Translation differences					-622	-622
Remeasurement gains (+) / losses (-) from defined benefit plans				-58		-58
Total comprehensive income for the period				**5,977**	**-622**	**5,355**
Transactions with owners:						
Increase in share capital	78		-78			-
Cancellation of treasury shares		71	-71			-
Share issue			10,000			10,000
Expenses related to the share issue			-686			-686
Discount related to the personnel share issue			106			106
31 Dec 2021	**80**	**-**	**11,047**	**19,138**	**1,532**	**31,798**

Consolidated statement of cash flows

EUR thousand	Note	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 2021
Cash flows from operating activities			
Profit before taxes		3,009	7,664
Adjustments:			
Depreciation, amortisation and impairment	4	3,964	3,976
Financial income and expenses	6	2,182	1,586
Other adjustments		204	-48
Cash flows before changes in working capital		**9,358**	**13,179**
Changes in working capital			
Decrease (+) / increase (–) in trade and other receivables		1,324	-1,489
Decrease (+) / increase (–) in inventories		-2,358	-2,905
Decrease (–) / increase (+) in trade and other payables		1,155	2,326
Cash flows from operating activities before financial items and taxes		**9,479**	**11,112**
Interests paid		-1,135	-1,331
Income taxes paid		-2,167	-801
Net cash flows from operating activities		**6,177**	**8,979**
Cash flows from investing activities			
Investments in tangible and intangible assets		-3,553	-4,797
Sale of tangible and intangible assets		28	132
Net cash flows from investing activities		**-3,525**	**-4,665**

EUR thousand	Note	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 2021
Cash flows from financing activities			
Proceeds from share issue	16	-	10,000
Costs from share issue recognised in equity	16	-	-857
Repayment of lease liabilities	10	-1,312	-1,286
Proceeds from long-term borrowings		25,500	-
Repayment of long-term borrowings		-25,500	-
Repayment of short-term borrowings	11	-1,500	-3,000
Capital return from the invested unrestricted equity fund	16	-3,197	-
Net cash flows from financing activities		**-6,008**	**4,857**
Net change in cash and cash equivalents		-3,356	9,172
Net foreign exchange differences	11	-694	-88
Cash and cash equivalents at 1 January		14,334	5,250
Cash and cash equivalents at 31 December		**10,284**	**14,334**

Notes to the consolidated financial statements

1. Accounting principles for the consolidated financial statements

Basic information about the Company

Orthex is principally engaged in producing and marketing household products. Orthex Group is a Nordic producer of household products that make everyday life easier for the consumer. Orthex sells its products to major retailers that sell the products to consumers. Orthex has customers in more than 40 countries and on four continents. It has three factories of its own and it launches a variety of functional products every year.

The consolidated financial statements of Orthex Corporation and its subsidiaries (collectively, the Group) for the year ended 31 Dec 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 7 March 2023. According to the Finnish Companies Act, shareholders have the option of approving or rejecting the financial statements at the Annual General Meeting held after their publication. The Annual General Meeting also has the opportunity to make a decision to amend the financial statements. Orthex Corporation (the Company or the parent) is a public limited liability company incorporated and domiciled in Finland and whose shares are quoted on Nasdaq Helsinki since 28 March 2021. The registered office is located at Suomalaistentie 7 in Espoo.

Basis of preparation

Orthex's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and have been prepared in accordance with the IAS and IFRS standards and SIC and IFRIC interpretations in force on 31 Dec 2022. The notes to the consolidated financial statements also comply with the Finnish accounting and corporate legislation.

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities that are measured and presented at fair value through profit or loss and defined benefit pension plans that are measured and presented at fair value.

The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand, except when otherwise indicated.

In addition, the company has prepared a version of the financial statements in accordance with ESEF requirements, which is marked with XBRL codes. The file can be downloaded from the company's website. The financial statements in ESEF format have not been audited.

Amendments and annual improvements to IFRS standards

Orthex Group has applied amendments and annual improvements to IFRS standards effective from 1 Jan 2022. The standards that are affected by the amendments are: Changes to IAS 16 Tangible fixed assets - income before intended use, to IAS 37 Unprofitable contracts - expenses arising from the fulfillment of the contract, to IFRS 3 References to the conceptual framework, to IFRS 16 related to Covid-19 rent relief after 30 June 2021, to IFRS 1, IFRS 9 and IAS 41 Annual improvements to IFRS standards 2018-2020.

Amendments and annual improvements have not had a major impact on the consolidated financial statements.

Standards issued but not yet effective

Orthex adopts the new and amended standards and interpretations, if applicable, when they become effective. The new and amended standards that become effective of 1 Jan 2023 or later are not expected to have an impact on Orthex's consolidated financial statements.

The following new and amended standards have been issued and become effective on 1 Jan 2023 or later.

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28
- IFRS 17 Insurance contracts and Amendments to IFRS 17.

Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Group's accounting policies, management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the consolidated financial statements are discussed in the individual notes.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as of 31 Dec 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Control exists when Orthex has a majority of voting rights in a subsidiary or can otherwise demonstrate having control in a subsidiary.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. All Group companies follow uniform accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Foreign currencies

The consolidated financial statements have been prepared in euros that is both the functional and the presentation currency of the Group's parent company. Foreign currency transactions are translated into euros using the exchange rate at the date of the transaction. Receivables and liabilities denominated in foreign currency are translated into euros using the closing rate. Exchange differences arising on settlement or translation are recognised in the income statement.

The income statement and balance sheet items of the subsidiaries operating outside the euro zone are initially recognised in the functional currencies of their operating environments. In the consolidated financial statements the income statements of foreign subsidiaries are translated into euros using the average exchange rates of the period. The balance sheet items of the subsidiaries are translated using the closing rates. The exchange differences are recognised in other comprehensive income and presented under translation differences in equity.

When a foreign subsidiary is disposed of, the translation differences accumulated in equity are transferred to profit or loss as part of the gain or loss on disposal.

Information about subsidiaries

The consolidated financial statements of the Group include:

Name	Principal activities	Country of incorporation	31 Dec 2022	31 Dec 2021
Oy Orthex Finland Ab	Producing and marketing of household products	Finland	100%	100%
Orthex Sweden Holding AB	Producing and marketing of household products	Sweden	100%	100%
Orthex Sweden AB	Producing and marketing of household products	Sweden	100%	100%
Orthex Kitchen AB	Producing and marketing of household products	Sweden	100%	100%
Orthex Norway AS	Producing and marketing of household products	Norway	100%	100%
Orthex Denmark A/S	Producing and marketing of household products	Denmark	100%	100%
Gastromax Limited	Producing and marketing of household products	UK	100%	100%
Orthex Germany GmbH	Producing and marketing of household products	Germany	100%	100%
Orthex France SARL	Producing and marketing of household products	France	100%	100%
Smartstore AB	Producing and marketing of household products	Sweden	-	100%

During the financial year 2022, Smartstore AB has been merged to Orthex Sweden AB. During the financial year 2021 Oy Orthex Group Ab merged with the parent company Orthex Corporation. Group ownership is presented in the table above in percentages.

2. Net sales

Segment information

Orthex Group is a Nordic producer of household products that make everyday life easier for the consumer. Orthex Group has customers in more than 40 countries and on four continents. It has three factories of its own and, annually launches new products with different functionalities.

The profitability of the Group is followed by the chief operative decision maker that is the CEO supported by the Group Management Team on the aggregated level of the Group for which financial information is available. The reports followed by the management are consistent with Orthex's consolidated IFRS figures. Due to the management structure and how the business is operated and managed, the Group as a whole is determined to be one operating segment that is also the reportable segment.

Accounting policy

Orthex applies the IFRS 15 Revenue from Contracts with Customers standard. The principle is that sales are recognised at an amount that reflects the consideration, which Orthex expects to receive in exchange for transferring goods or services to a customer. Sales are recognised when the control of goods or services is transferred to a customer. Control is transferred at one point in time.

Sale of household products

Orthex's revenue mainly consists of selling of household products to major retailers that sell Orthex's products to consumers. Each product sold by Orthex as part of an order is a distinct performance obligation and the products have similar terms of sale. Orthex does not provide any services relating to the products sold.

Revenue from the sales of household products is recognised at a point in time based on the delivery terms when the control of the products is transferred to the customer i.e. when the performance obligation is satisfied. The revenue recognised reflects the consideration to which Orthex expects to be entitled to. Net sales is adjusted for exchange rate differences of foreign-currency denominated sales and volume rebates provided for the customers. The normal payment terms are 15 to 60 days upon delivery. Products sold are non-refundable.

No single customer's share of the turnover was at least 10% of the group's turnover in 2022 (9.2).

Variable consideration

Variable consideration consists of volume rebates and cash discounts.

The sales prices are based on price lists but Orthex provides retrospective volume rebates for certain retailers that are based on growth in sales volumes. Volume rebates are calculated based on expected annual purchase volumes from the customer. The amount of volume rebates is estimated at the beginning of the year and adjusted at each reporting date. Orthex estimates the amount of variable payments using the expected value method. Orthex applies the requirements on constraining estimates of variable consideration in order to determine the amount recognised as revenue.

Contract balances

Orthex records a trade receivable when Orthex's right to payment is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Relating to trade receivables, refer to Notes 11 and 14.

The contracts with retailers do not include a right to return for any unsold products and therefore, no refund liabilities are recorded.

Accounting estimates and judgements

Orthex has applied management judgement relating to timing of revenue recognition and estimating the amount of variable consideration. The timing of the revenue recognition is based on the delivery terms of the products to the customer. For certain delivery terms Orthex is required to make assumptions of the timing when control of the goods is transferred to the customer. In addition, the amount of volume rebates included as an adjustment to net sales requires estimation before the uncertainty relating to the amount to be recognised is resolved.

The disaggregation of revenue by geography in the table below is based on the locations of the customers.

Net sales by geography

EUR thousand	2022	2021
Nordics	67,088	71,495
Rest of Europe	15,535	14,836
Rest of the world	1,425	2,363
Total	**84,048**	**88,694**

Net sales by product category

EUR thousand	2022	2021
Storage	54,016	58,208
Kitchen	19,392	19,680
Plant Care	5,426	5,542
Home & Yard	5,214	5,264
Total	**84,048**	**88,694**

3. Other operating income

EUR thousand	2022	2021
Government grants	143	126
Net gain on disposal of property, plant and equipment	28	132
Other	35	290
Total	**206**	**549**

Accounting treatment of government grants

Government grants consist mainly of state subsidies due to increased sick leave. Government grants received are not subject to repayment terms.

4. Operating expenses

Operating expenses by nature

EUR thousand	2022	2021
Materials and supplies	52,347	47,695
Change in inventory	-1,637	-2,741
External services	1,846	3,418
Marketing	1,159	1,552
Employee benefits	18,300	19,693
Depreciation, amortisation and impairment	3,964	3,976
Other expenses	3,085	6,399
Total	**79,064**	**79,992**

Depreciation, amortisation and impairment by asset class

EUR thousand	2022	2021
Buildings	177	178
Machinery and equipment	2,258	2,223
Right-of-use assets	1,403	1,446
Other intangible assets	126	129
Total	**3,964**	**3,976**

Fees paid to companies' auditors

EUR thousand	2022	2021
Audit fees	174	199
Non-audit services	35	455
Total	**210**	**654**

The appointed auditor for 2022 and 2021 was Ernst & Young Oy.

5. Employee benefits

Personnel expenses

EUR thousand	2022	2021
Included in cost of sales:		
Wages and salaries	8,161	9,249
Social security costs	1,790	2,153
Pension costs	1,006	1,093
Included in selling and marketing expenses:		
Wages and salaries	3,841	4,111
Social security costs	635	629
Pension costs	421	419
Included in cost of administrative expenses:		
Wages and salaries	1,447	1,658
Social security costs	366	340
Pension costs	632	41
Total	**18,300**	**19,693**

Personnel (FTE) in average

Headcount by function	2022	2021
Production	157	172
Warehouse	60	67
Sales	49	48
Administration	17	17
Marketing	11	10
Total	**295**	**314**

Management and Board remuneration

The top management comprises the Management Team. The remuneration paid based on the work performed consists of the following. The amounts disclosed in the table are the amounts paid during the reporting period related to key management personnel.

Remuneration of key management personnel of the Group, excluding the CEO

EUR thousand	2022	2021
Salaries and fees	1,067	1,223
Pension costs	165	220
Severance pay	90	-
Total	**1,322**	**1,443**

Current termination provisions in Management Team members' contracts have a period of notice of 4 months. A member of the Management Team is entitled to severance pay equivalent to 4 months' salary due to the termination of the management contract. The Group has no other long-term benefits related to key management personnel.

Remuneration of the CEO

EUR thousand	2022	2021
Salaries and fees	445	407
Pension costs	82	71
Total	**527**	**478**

Current termination provisions in the CEO's executive contract have a period of notice of 6 months and the CEO is entitled to compensation for termination of the executive contract corresponding to 6 months' salary.

Remuneration of the members of the Board of Directors

EUR thousand	2022	2021
Sanna Suvanto-Harsaae [1]	48	41
Satu Huber [2]	24	23
Jens-Peter Poulsen [3]	24	10
Markus Hellström [4]	18	-
Jyrki Mäki-Kala [4]	18	-
Ari Jokelainen [5]	6	20
Juuso Kivinen [5]	6	26
Thomas Sandvall [6]	-	3
Matti Virtanen [6]	-	3
Total	**144**	**126**

[1] Member of the Board as of 18 Dec 2020. Chair of the Board as of 29 March 2021.
[2] Member of the Board as of 18 Dec 2020
[3] Member of the Board as of 1 August 2021
[4] Member of the Board as of 6 April 2022
[5] Member of the Board until 6 April 2022
[6] Member of the Board until 28 March 2021

The non-executive directors do not receive pension entitlements from the Group.

Pension liabilities

Orthex Group provides pension benefits in accordance with local statutory regulation. The current plans mainly consist of defined contribution based plans. The contributions payable under defined contribution based plans are recognised as expenses in the income statement for the period to which the payments relate. In defined contribution based plans, Orthex does not have a legal or constructive obligation to pay further contributions, in case the payment recipient is unable to pay the retirement benefits.

In Sweden, Orthex Group has a pension plan classified as a defined benefit based plan. For this plan, Orthex may incur obligations after the payment of the contribution. Pension liabilities represent the present value of future cash flows from the benefits payable and the liability recognised on the balance sheet are pension liabilities at the closing. The present value of pension liabilities has been calculated using the projected unit credit method (PUC). Pension liabilities are recognised based on external actuarial calculations as of 31 Dec 2022 and 31 Dec 2021.

The cost of providing pensions is charged to the income statement as to spread the service cost over the service lives of employees. The net interest is presented in financial items and the rest of the income statement effect as pension cost. The discount rate assumed in calculating the present value of pension liabilities is the market yield of high-quality corporate bonds. Their maturity substantially corresponds to the maturity of the pension liability. Actuarial gains and losses are recognised in comprehensive income in the income statement. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss related to a curtailment is recognised immediately in profit or loss.

Critical accounting estimates and judgements, assumptions used to determine future pension obligations

The present value of the pension liabilities is based on actuarial calculations that use several assumptions. Any changes in these assumptions will impact the carrying amount of pension liabilities.

Pension liabilities

EUR thousand	31 Dec 2022	31 Dec 2021
Pension liabilities	3,179	4,742
Total	**3,179**	**4,742**

Net pension liabilities recognised in the income statement

EUR thousand	2022	2021
Current service cost	-93	-172
Interest cost on benefit obligation	-87	-51
Pension payments	115	114
Total	**-66**	**-110**

Movements in the obligation

EUR thousand	2022	2021
Obligation at 1 Jan	**4,742**	**4,658**
Amounts recognised in profit and loss		
Service cost, benefits earned during the year	93	172
Interest expense (+) / income (-)	87	51
Pension payments	-115	-114
Amounts recognised in other comprehensive income		
Translation differences	-321	-101
Actuarial losses (+) / gains (-)	-1,308	74
Obligation at 31 Dec	**3,179**	**4,742**

Principal actuarial assumptions

%	31 Dec 2022	31 Dec 2021
Discount rate	3.7%	1.9%
Salary increase	3.0%	3.2%
Income base amount	3.0%	3.2%
Inflation	2.0%	2.2%

Key assumptions and sensitivity analyses

The cost of the defined benefit pension plan and the present value of pension liabilities are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, pension liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. Changes in the general level of interest rates and the market yield of high-quality bonds have an impact on the present value of pension liabilities. When the level of interest rates decreases, the present value of pension liabilities increases. The discount rate is set by referencing the yield on mortgage bonds and the duration of pension liabilities which is 19 years.

The mortality assumptions are based on publicly available mortality tables for Sweden. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

The sensitivity of pension liabilities to changes in the principal assumptions

Actuarial assumptions	Change in assumption	Impact on pension liabilities increase	Impact on pension liabilities decrease
2022			
Discount rate (%)	+/- 0.5%	-297	335
Salary increase (%)	+/- 0.5%	133	-113
Inflation (%)	+/- 0.5%	238	-218
2021			
Discount rate (%)	+/- 0.5%	-472	539
Salary increase (%)	+/- 0.5%	210	-182
Inflation (%)	+/- 0.5%	370	-336

The sensitivity analyses above have been determined based on a method that extrapolates the impact on pension liabilities as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in pension liabilities as it is unlikely that changes in assumptions would occur in isolation of one another.

The Group expects to contribute EUR 166 thousand to its defined benefit pension plans in 2023.

6. Financial income and expenses

EUR thousand	2022	2021
Gains from changes in the fair value of derivative instruments	93	125
Total financial income	**93**	**125**
Interest on debts and borrowings	-559	-697
Interest expense on lease liabilities	-576	-659
Losses from changes in the fair value of derivative instruments	-22	-
Exchange rate differences related to financial items	-575	-8
Other financial expenses	-543	-347
Total financial expenses	**-2,274**	**-1,711**
Total financial income and expenses	**-2,182**	**-1,586**

Orthex signed a new EUR 32.5 million financing agreement, which includes a EUR 25.5 million loan for a period of 3 + 1 + 1 years and a EUR 7.0 million standby credit line, which partially increased the other financial items during 2022.

7. Income taxes

Current income tax

Orthex's income tax expense consists of current and deferred taxes. The current tax expense is calculated using the tax rates that are enacted or substantively enacted at the reporting date in the countries where Orthex operates. The current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities.

The major components of income tax expense for the years ended 31 Dec 2022 and 31 Dec 2021 are:

Consolidated income statement

EUR thousand	2022	2021
Current income tax charge	-704	-1,516
Taxes from previous years	-12	-22
Change in deferred taxes	-173	-92
Total	**-888**	**-1,629**

Consolidated statement of other comprehensive income

EUR thousand	2022	2021
Deferred taxes related to items recognised in OCI during the year:		
Remeasurement of net loss/(gain) on actuarial gains and losses	-258	16
Total	**-258**	**16**

Reconciliation of tax expense and the accounting profit multiplied by Finland's domestic tax rate for 2021 and 2022

EUR thousand	2022	2021
Profit before taxes	**3,009**	**7,664**
Tax calculated at nominal Finnish tax rate of 20% (2021: 20%)	-602	-1,533
Tax rates in foreign jurisdictions	-48	-53
Taxes from previous years	-12	-22
Non-deductible expenses	-110	-11
Other	-117	-11
At the effective income tax rate of 28.5% (2021: 21.3%)	**-888**	**-1,629**
Income tax expense reported in the consolidated income statement	**-888**	**-1,629**

Deferred taxes

Deferred tax assets and deferred tax liabilities are differences between the tax bases of assets and liabilities and their carrying amounts. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Orthex records a deferred tax liability for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and any unused tax losses carried forward to the extent that it is deemed probable that they can be utilised against future taxable profit. Deferred tax assets are reviewed at each reporting date. In case it is no longer probable that sufficient taxable profit will be available for the deferred tax asset to be utilised, the carrying amount of deferred tax asset is reduced.

Deferred tax relating to items recognised outside profit or loss is recognised in correlation to the underlying transaction either in OCI or directly in equity.

Orthex offsets deferred tax assets and deferred liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority. Orthex has offset deferred taxes related to IFRS 16 fixed assets and lease liabilities.

Accounting estimates and judgements

Management judgement is applied in determining the deferred tax assets as Orthex is required to make estimations about future taxable profit, the recoverability of the tax losses carried forward and potential changes to tax laws in the countries where Orthex operates.

At Dec 2022, Orthex has no tax losses carried forward or deferred tax assets relating to taxable losses. A deferred tax asset amounting to EUR 279 thousand (2021: EUR 370 thousand) is recorded relating to interest expenses carried forward.

In addition to the above, the most significant temporary differences arise from leases, timing difference of depreciations in the financial statements and taxation, defined benefit pension plans and transaction costs on external loans.

Deferred taxes 2022

EUR thousand	Balance at the beginning of the period 1 Jan 2022	Charged to income statement	Charged to OCI	Balance at the end of the period 31 Dec 2022
Deferred tax assets				
Interest expenses carried forward	370	-91		279
Pension liabilities	523	-79	-258	186
Leases	156	1		156
Other	114	24		139
Total	**1,163**	**-145**	**-258**	**760**

EUR thousand	Balance at the beginning of the period 1 Jan 2022	Charged to income statement	Charged to OCI	Balance at the end of the period 31 Dec 2022
Deferred tax liabilities				
Tangible and intangible assets	683	61		743
Other	59	-33		26
Total	**742**	**27**	**-**	**769**

Deferred taxes 2021

EUR thousand	Balance at the beginning of the period 1 Jan 2021	Charged to income statement	Charged to OCI	Balance at the end of the period 31 Dec 2021
Deferred tax assets				
Interest expenses carried forward	424	-54		370
Pension liabilities	498	9	16	523
Leases	124	31		156
Other	24	91		114
Total	**1,070**	**77**	**16**	**1,163**

EUR thousand	Balance at the beginning of the period 1 Jan 2021	Charged to income statement	Charged to OCI	Balance at the end of the period 31 Dec 2021
Deferred tax liabilities				
Tangible and intangible assets	503	180		683
Other	70	-11		59
Total	**572**	**169**	**-**	**742**

8. Intangible assets

Orthex's intangible assets with finite useful lives includes software. Initially, intangible assets are measured at cost. After the initial recognition, intangible assets are recorded at cost less any accumulated amortisation and accumulated impairment losses.

Orthex's intangible assets with finite useful lives are amortised on a straight-line basis over their expected useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation expense on intangible assets with finite useful lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

The expected useful lives and residual values are evaluated at least at the end of each reporting period.

The expected useful lives for the asset classes are as follows:
Software 3-10 years

In case any intangible assets are derecognised upon disposal, any gain or loss resulting from the derecognition of the asset is included in the statement of profit or loss.

Research and development costs

Research costs are expensed as they incur. Development costs are capitalised when the criteria in IAS 38 is met. Orthex has not capitalised any development costs since the capitalisation criteria has not been met.

Orthex's intangible assets with an indefinite useful life consist of goodwill. The accounting policies for impairment of goodwill have been described below.

Reconciliation of beginning and ending balances by classes of intangible assets

EUR thousand	Goodwill	Other intangible assets	Total
Acquisition cost			
Balance at 1 Jan 2021	**24,072**	**935**	**25,007**
Additions		5	5
Disposals		-18	-18
Transfers		268	268
Translation differences	-392	-	-392
Balance at 31 Dec 2021	**23,680**	**1,189**	**24,870**
Additions		30	30
Disposals		-32	-32
Transfers		30	30
Translation differences	-1,428	-	-1,428
Balance at 31 Dec 2022	**22,252**	**1,218**	**23,471**
Accumulated amortisation and impairment			
Balance at 1 Jan 2021	**-**	**858**	**858**
Amortisation and impairment		129	129
Translation differences		-18	-18
Balance at 31 Dec 2021	**-**	**969**	**969**
Amortisation and impairment		126	126
Disposals		-2	-2
Balance at 31 Dec 2022	**-**	**1,093**	**1,093**
Carrying amount 1 Jan 2021	**24,072**	**77**	**24,149**
Carrying amount 31 Dec 2021	**23,680**	**221**	**23,901**
Carrying amount 31 Dec 2022	**22,252**	**125**	**22,377**

Goodwill

Goodwill is not amortised but it is tested for impairment annually and whenever there is an indication of impairment. Goodwill is measured at initial cost less any accumulated impairment losses. The majority of the goodwill at the time of transition in the Group's balance sheet arose in connection with the formation of the Group in 2015.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the goodwill may be impaired. The carrying amount of a cash-generating unit that includes goodwill is compared to the recoverable amount, which is the higher of value in use and fair value less costs to sell.

For impairment testing purposes, goodwill is allocated to two cash-generating units, Finland and Nordics. The recoverable amount is the higher of CGU's fair value less costs of disposal and its value in use. The recoverable amount is compared with its carrying amount to determine potential impairment. In case the carrying value of goodwill exceeds the recoverable amount, an impairment is recognised in the income statement.

Previously recognised impairment losses on goodwill are not reversed in future periods.

The value in use calculation is based on a DCF model. The recoverable amounts of CGU's are based on value in use calculations, where the estimated future cash flows of CGUs are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The cash flows are determined using a 5-year cash flow forecasts, which are based on Orthex's business plan that is based on Orthex's past experience as well as future expected market trends. The projected cash flows have been updated to reflect the budgeted demand for products.

Impairment losses are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

Orthex has performed its annual impairment test for 31 Dec 2022 and 31 Dec 2021. Based on the impairment calculations made, there was no indication of impairment of goodwill for the above mentioned periods.

Carrying amount of goodwill

EUR thousand	31 Dec 2022	31 Dec 2021
Finland	5,462	5,462
Nordics	16,790	18,218
Total	**22,252**	**23,680**

Accounting estimates and judgements

The key assumptions used for the value in use calculations are profitability growth rate, discount rate (pre-tax WACC) and long-term growth rate.

Key parameters used in impairment calculations

	31 Dec 2022		31 Dec 2021	
%	Finland	Nordics	Finland	Nordics
Profitability growth rate	9.2	37.8	16.8	8.0
Discount rate, pre-tax	13.6	12.3	9.6	9.6
Long-term growth rate	1.0	1.0	2.0	2.0

Profitability growth rate - The assumptions relating to profitability growth rate (average EBITDA growth over the 5 years forecast period) are based on organic growth under normal market situation, general development in household product market and long-term estimates made by the Group management.

Discount rate - Orthex uses the pre-tax WACC as a discount factor in the calculations. The discount rate reflects the total cost of equity and debt while taking into consideration the specific risks related to the assets.

Long-term growth rate - The cash flows beyond the five-year period are estimated by extrapolating the cash flow estimates using a growth factor which is in line with the target inflation of the European Central Bank.

Sensitivity analyses

The Group has assessed the sensitivity of the impairment testing to the effect of the most critical assumptions used in the calculation. The Group has tested the sensitivity of the calculation with respect to the discount rate, profitability growth rate and long-term growth rate that are determined as the key variables used in impairment testing.

When assessing the recoverable amounts of cash generating units, management believes that no reasonably possible change in any of the key variables used would lead to a situation where the recoverable amount of the units would fall below their carrying amount.

9. Property, plant and equipment

Property, plant and equipment are recorded at historical cost less accumulated depreciations and impairment losses, if applicable. Subsequent improvement costs are included in the carrying amount of the asset or recognised as a separate asset only when the future economic benefits associated with the cost are probable and the cost can be measured reliably. Maintenance and repair costs are expensed as incurred.

Depreciation is calculated on a straight-line basis over the expected useful lives of the assets. Land and water areas are not depreciated due to indefinite useful lives. The estimated useful lives of the tangible assets are as follows:

- Buildings: 25-40 years
- Machinery and equipment: 5-15 years
- Production moulds: 5-15 years
- Other tangible assets: 3-5 years

Expected useful lives are reviewed at each financial year end and in case there is a significant difference to the previous estimates, the useful lives are adjusted accordingly. Orthex has not recorded any impairment losses relating to property, plant and equipment.

Any gain or loss arising in derecognition of an asset is included in the statement of profit or loss when the asset is derecognised.

Reconciliation of beginning and ending balances by classes of assets

EUR thousand	Land and water areas	Buildings	Machinery and equipment	Construction in progress	Other tangible assets	Total
Acquisition cost						
1.1.2021	**86**	**6,216**	**59,586**	**2,306**	**47**	**68,241**
Additions		112	1,765	2,670		4,547
Disposals			-4,721			-4,721
Transfers			2,686	-2,954		-268
Translation differences		-27	-809	-26		-861
Balance at 31 Dec 2021	**86**	**6,301**	**58,507**	**1,996**	**47**	**66,938**
Additions		74	3,874	1,467		5,414
Disposals			-284			-284
Transfers			1,804	-1,835		-30
Translation differences		-101	-2,841	-117		-3,059
Balance at 31 Dec 2022	**86**	**6,273**	**61,061**	**1,511**	**47**	**68,979**
Accumulated depreciation and impairment						
Balance at 1 Jan 2021	**-**	**4,766**	**52,050**	**-**	**43**	**56,859**
Depreciation and impairment		178	2,223			2,401
Disposals			-4,721			-4,721
Translation differences		-21	-712			-733
Balance at 31 Dec 2021	**-**	**4,923**	**48,841**	**-**	**43**	**53,807**
Depreciation and impairment		177	2,258			2,435
Disposals			1,850			1,850
Translation differences		-79	-2,581			-2,660
Balance at 31 Dec 2022	**-**	**5,020**	**50,369**	**-**	**43**	**55,432**
Carrying amount 1.1.2021	**86**	**1,449**	**7,536**	**2,306**	**4**	**11,382**
Carrying amount 31.12.2021	**86**	**1,378**	**9,666**	**1,996**	**4**	**13,131**
Carrying amount 31.12.2022	**86**	**1,253**	**10,692**	**1,511**	**4**	**13,547**

10. Leases

Orthex's leased assets mainly comprise of manufacturing plants, office premises and machinery and equipment. At contract inception, Orthex determines whether the contract is, or contains, a lease. A contract is determined to be a lease contract if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A right-of-use asset and a lease liability corresponding to the present value of the future lease payments are recognised in the consolidated statement of financial position at the commencement date of the lease.

Lease liabilities

At the commencement date of the lease, Orthex recognises lease liabilities measured at the present value of the future lease payments to be made over the lease term. When calculating the present value of the future lease payments, the interest rate implicit in the lease is applied if readily available. In most of Orthex's lease contracts the interest rate implicit in the lease is not available. In such cases, Orthex uses its incremental borrowing rate which reflects the rate that at which Orthex could borrow an amount similar to the value of the right-of-use asset, in the same currency, over the same term, and with similar collateral. The incremental borrowing rate comprises the risk free reference rate, credit spread and country and currency premium if applicable.

At the commencement date of the lease, the measurement of the lease liability includes fixed lease payments and potential expected payments under residual guarantees. The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Penalties for terminating the lease are included if the lease term reflects the exercise of a termination option.

The lease term is defined as the period when the lease is non-cancellable. The lease term includes periods covered by an option to extend the lease, if Orthex is reasonably certain to exercise that option, and periods covered by an option to terminate the lease, if Orthex is reasonably certain not to exercise the option to terminate the lease. Orthex has some lease contracts for which the lease term is cancellable with only a short notification period. For the open-ended lease contracts, Orthex estimates the lease term based on the importance of the asset to Orthex's operations considering the location and the availability of suitable alternatives and costs relating to termination of the lease such as negotiation and relocation costs.

The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Measurement and recognition of right-of-use assets

Right-of-use assets are measured at cost which comprises the amount of the lease liability and the lease payments made at or before the commencement of the lease.

The right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment. The depreciation starts at the commencement date of the lease and the right-of-use assets are depreciated on a straight-line basis over the shorter period of lease term and useful life of the underlying asset. The right-of-use asset is remeasured with a corresponding remeasurement of the lease liability.

Orthex applies the recognition exemption provided for leases for which the underlaying asset is of low value. The assessment whether Orthex applies the exemption is made on a lease-by-lease basis. Lease payments for leases of low value assets are expensed in the income statement on a straight-line basis. Lease payments for leases of low value assets have not had a material impact on Orthex's results. Orthex does not have short-term leases for which the lease term is 12 months or less.

Accounting estimates and judgements

The most significant management judgements relate to evaluating the lease term for leases that include options to extend the lease or options to terminate the lease and to leases for which the lease term is open-ended. Management estimates the lease term for the contracts using future outlooks of the business as well as contract specific facts and circumstances. Additionally, management judgment is also applied in determining the incremental borrowing rate.

Carrying amounts of right-to-use assets recognised and movements during the period

EUR thousand	Buildings	Machinery and equipment	Total
As at 1 Jan 2021	**8,617**	**627**	**9,244**
Additions and revaluations	87	520	607
Disposals	-201	-8	-209
Depreciation and impairment	-1,057	-388	-1,446
Translation differences	-162	-6	-167
As at 31 Dec 2021	**7,285**	**745**	**8,030**
Additions and revaluations	257	723	980
Disposals	-	-34	-34
Depreciation and impairment	-977	-426	-1,403
Translation differences	-531	-31	-563
As at 31 Dec 2022	**6,033**	**978**	**7,011**

Carrying amounts of lease liabilities and movements during the period

EUR thousand	2022	2021
As at 1 Jan	**8,758**	**9,826**
Additions and revaluations	980	607
Disposals	-34	-209
Accretion of interest	576	659
Payments	-1,887	-1,945
Translation differences	-623	-181
As at 31 Dec	**7,770**	**8,758**
Current lease liabilities	**1,290**	**1,214**
Non-current lease liabilities	**6,480**	**7,544**

The maturity analysis of lease liabilities is disclosed in Note 11.

Amounts recognised in the consolidated income statement

EUR thousand	2022	2021
Depreciation and impairment of right-of-use assets	-1,403	-1,446
Interest expenses from lease liabilities	-576	-659
Total amount recognised in profit or loss	**-1,979**	**-2,104**

Orthex's total cash outflow from leases amounted to EUR 1,887 thousand in 2022 and EUR 1,945 thousand in 2021

Orthex has no more off-balance sheet leases due to implementing IFRS 16.

11. Financial assets and financial liabilities

Orthex recognises financial instruments based on their characteristics and classifies them to different categories as defined below. Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Financial assets are initially recognised at fair value at trade date. At initial recognition Orthex classifies financial assets as subsequently measured at amortised cost, fair value through profit or loss, and fair value through other comprehensive income (OCI).

The subsequent classification is dependent on the contractual cash flow characteristics of the financial asset and the group's business model for managing them.

Financial assets at amortised cost

Orthex recognises financial assets at amortised cost if the business model of holding the assets is solely collecting contractual cash flows from payments of principal and interest at specified dates.

Financial assets at amortised cost are initially recognised and measured at fair value plus related transaction costs. The financial assets are subsequently measured by using the effective interest rate (EIR) method. These assets are subject to impairment. Any gains and losses thereof are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

For Orthex, the financial assets at amortised cost are the most significant category of financial assets. The category includes trade receivables, for which the expected credit losses are assessed as impairment. The expected credit losses are described below in the credit risk section.

Financial assets at fair value through profit or loss

Orthex recognises financial assets at fair value through profit or loss when the assets are held for trading or are mandatorily required to be measured at fair value. Additionally, Orthex recognises at fair value through profit or loss when the financial assets are initially designated upon initial recognition to be measured at fair value through profit or loss. These financial assets are classified as held for trading if the assets are acquired for sole purpose of receiving cash flows from the asset sales.

Any gains or losses recognised from the net changes in the fair value of these financial assets are recognised in the statement of profit or loss.

Orthex classifies derivative instruments to be measured at fair value through profit or loss at inception.

Financial assets at fair value through other comprehensive income (OCI)

Financial assets at fair value through other comprehensive income include investments to equity instruments. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established.

Upon the initial recognition Orthex may make an irrevocable election to classify an equity investment as equity instrument designated at fair value through other comprehensive income in accordance with IAS 32, when the assets are not held for trading. Any change in the fair value of the asset and possible dividends are recognised in the other comprehensive income in the statement of comprehensive income.

Financial assets designated at fair value through OCI are not subject to impairment assessment.

Orthex does not have any instruments designated at fair value through OCI.

Impairment and expected credit losses (ECL)

Orthex estimates the expected credit losses from their short-term receivables such as trade receivables and accrued revenues at each reporting date. Orthex recognises the expected credit loss allowance as impairment from these assets, which is defined as the difference between the contractual cash flows and the expected cash flows Orthex expects to receive.

Orthex applies a simplified approach method for the assessment of the expected credit loss impairment. Orthex uses the lifetime expected credit losses as a credit loss allowance. Any receivable, which is considered to be more than 90 days past due are considered to be defaulted and impaired and are written off from the receivable balance.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. All of the Orthex's bank accounts are in well established low risk banks to reduce the risk in relation to the insolvency issues from banks.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Available cash and liquidity position

EUR thousand	31 Dec 2022	31 Dec 2021
Cash and cash equivalents	10,284	14,334
Total cash & cash equivalents	**10,284**	**14,334**

Cash at banks earns interest at floating rates based on daily bank deposit rates.

At 31 Dec 2022, the Group had available EUR 7.0 million (31 Dec 2021: EUR 7.0 million) of undrawn committed borrowing facilities.

The effect of exchange rates on cash and cash equivalents by currency

EUR thousand	31 Dec 2022	31 Dec 2021
EUR/SEK	-626	-131
EUR/NOK	-64	39
EUR/DKK	0	1
EUR/GBP	-4	3
Total	**-694**	**-88**

Financial liabilities

Financial liabilities are recognised at fair value at trade date and are classified to be subsequently measured at either amortised cost or at fair value through profit or loss.

The subsequent measurement designation is based on the obligations arising from the contractual nature of the financial liability.

Financial liabilities at amortised cost

Orthex classifies financial liabilities to be measured at amortised cost when the financial liabilities involve contractual obligations for payments and are not held for trading. The financial liabilities are initially recognised at fair value less any related transaction costs. After initial recognition, these liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

This category is most relevant to Orthex and it includes interest-bearing loans and borrowings, and the Group's trade and other payables.

Financial liabilities at fair value through profit or loss

Orthex classifies financial liabilities at fair value through profit or loss when the financial liabilities are held for trading, or when the financial liability is designated upon initial recognition to be measured at fair value through profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Orthex classifies derivative instruments, which are not designated as hedging instruments, to be measured at fair value through profit or loss at inception.

Derecognition of financial instruments

Orthex derecognises financial instruments when, and only when the contractual rights or responsibilities arising from contractual obligations are discharged, cancelled, or they expire.

In the case of the financial assets, a transfer of rights or impairment of assets qualifies for derecognition of the asset.

In case of a financial liability, when an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting financial instruments

Orthex does not offset financial instruments.

Tabular presentation of financial instruments by classification 31 Dec 2022

Financial assets EUR thousand	Note	Fair value through profit and loss	Fair value through OCI	At amortised cost	Book value
31 Dec 2022					
Current financial assets					
Trade receivables	14			11,787	11,787
Cash and cash equivalents				10,284	10,284
Derivative financial instruments	12	93			93
Total		**93**	**-**	**22,070**	**22,163**
Total financial assets		**93**	**-**	**22,070**	**22,163**

Financial liabilities EUR thousand	Note	Fair value through profit and loss	Fair value through OCI	At amortised cost	Book value
31 Dec 2022					
Non-current financial liabilities					
Loans from credit institutions				22,363	22,363
Lease liabilities	10			6,480	6,480
Total		**-**	**-**	**28,843**	**28,843**
Current financial liabilities					
Loans from credit institutions				3,000	3,000
Lease liabilities	10			1,290	1,290
Trade payables	15			8,231	8,231
Derivative financial instruments	12	8			8
Total		**8**	**-**	**12,520**	**12,528**
Total financial liabilities		**8**	**-**	**41,364**	**41,371**

Tabular presentation of financial instruments by classification 31 Dec 2021

Financial assets EUR thousand	Note	Fair value through profit and loss	Fair value through OCI	At amortised cost	Book value
31 Dec 2021					
Current financial assets					
Trade receivables	14			14,224	14,224
Cash and cash equivalents				14,334	14,334
Derivative financial instruments	12	14			14
Total		**14**	**-**	**28,558**	**28,573**
Total financial assets		**14**	**-**	**28,558**	**28,573**

Financial liabilities EUR thousand	Note	Fair value through profit and loss	Fair value through OCI	At amortised cost	Book value
31 Dec 2021					
Non-current financial liabilities					
Loans from credit institutions				23,720	23,720
Lease liabilities	10			7,544	7,544
Total		**-**	**-**	**31,264**	**31,264**
Current financial liabilities					
Loans from credit institutions				3,000	3,000
Lease liabilities	10			1,214	1,214
Trade payables	15			7,263	7,263
Total		**-**	**-**	**11,477**	**11,477**
Total financial liabilities		**-**	**-**	**42,741**	**42,741**

Derivatives

Derivatives not designated as hedging instruments reflect the negative change in fair value of those foreign exchange forward contracts that are not designated in hedge relationships, but are, nevertheless, intended to reduce the level of foreign currency risk for expected sales and purchases. In addition, the group has hedged part of its long-term interest-bearing liabilities with an interest rate swap.

Orthex utilises derivatives for hedging purposes, but does not apply hedge accounting.

Financial risk management

Orthex's financial risk management involves a combination of responsive actions the management is actively seeking to ensure sound financial operations and stability. This note explains Orthex's exposure to financial risks and how these risks could affect Orthex's future financial performance. The Group's overall financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's financial risks can be classified into two separate categories. Orthex is affected by market risks and other risks including credit risk and liquidity risk. The management analyses the Group's risk position periodically at each reporting date and takes collective measures to counter these assessed risk exposures.

Risk concentrations

Orthex analyses the financial risks and risk concentrations related to its operations. Risk concentrations identified as a result of this assessment are described in connection with the descriptions of market and credit risks.

Sensitivity analysis

As part of the risk assessment, the management has performed sensitivity analysis on relevant market risks, such as interest rate risk and foreign exchange risk. Calculation methods and assumptions used for sensitivity analysis are further explained in the detailed sensitivity analysis sections alongside interest rate risk and foreign exchange risk assessments.

Derivative financial instruments may be used to hedge certain risk exposures. The Group's financial risk management is carried out by the finance department in accordance with the Group Treasury Policy, which is approved by the Board of Directors.

Market Risks

Interest rate risk

The Group's bank loans comprise of long-term floating rate loans and interest-bearing credit limit facilities. Due to the Euribor-tied loans, Orthex is subject to the cash flow risk arising from floating rate loans. To manage the interest rate risk, Orthex may use interest rate swaps, as needed, in order to reduce the cash flow risk arising from floating rate loans. With this course of action, Orthex might aim to limit the impact of interest rate volatility in the Group's financial expenses to acceptable levels. Interest rates of bank loans were 5.2%—5.4% at the end of 2022 and 1.9%—2.6% at the end of 2021.

Interest rate sensitivity

Based on the sensitivity analysis, if interest rates had been 1.0 percentage points higher with all other variables held constant, the recalculated post-tax profit for the period and equity would have been EUR 0.3 million smaller in 2022 and EUR 0.3 million smaller in 2021. Interest rate sensitivity has been calculated by shifting the interest curve by 1.0 percentage points. The interest position includes all external variable rate loans and interest rate swaps.

Foreign exchange risk

Orthex Group operates in several countries. Orthex is mainly exposed to transaction risk and translation risk associated with the Swedish krona, the Norwegian krona, the Danish krona, the US dollar and the British pound sterling. Transaction risk associated with subsidiaries outside the euro area consists primarily of trade receivables and trade payables from subsidiaries arising in the operational business of the Group companies. Orthex hedges transaction risks with currency derivatives, in accordance with its Treasury Policy.

Translation risk arises, when the parent company's investments in subsidiaries outside euro area are converted into euros. The Group's net investment to units outside the euro area consist mainly of the investments in subsidiaries in Sweden. Translation risk is currently not hedged.

The currency position resulting from the financial instruments in accordance with IFRS 7 consists of trade receivables, trade payables and cash and cash equivalents. The net currency risk has been taken into account in the table if the transaction currency is other than the company's functional currency. The table takes into account the currencies to which the company is significantly exposed.

The Group's net currency position at 31 December

The net currency position resulting from the financial instruments in accordance with IFRS 7 EUR thousand	2022	2021
EUR-SEK	6,526	10,368
EUR-NOK	3,062	3,200
EUR-USD	-13	461

Foreign exchange rate sensitivity

Changes in consolidation exchange rates affect company's income statement and cash flow statement. As approximately 58% of the company's revenues and 57% of costs occur in functional currencies other than euro, the translation risk is significant for the company. A change of 10% in the annual average foreign exchange rates would have caused a 6.8% (6.2%) change in 2022 consolidated sales and 6.8% (5.1%) reverse changes in costs in the consolidated sales in euros. The translation risk is not hedged as a rule as the company's business consists of continuous operations in various currency areas. However, USD purchases of Orthex Kitchen AB are partially hedged against SEK. The most significant translation risk exposures in the subsidiaries are in the Swedish krona, the Norwegian krona, the Danish krona, the US dollar and the British pound sterling.

Commodity price risk

The Group is exposed to variations in prices of raw materials and of supplies. Orthex's raw material purchases consist mainly of various types of plastic materials. The market value for virgin plastic and the underlying inputs cause changes on the acquired plastic materials pricing.

Commodity price risk sensitivity

A 10 per cent change upwards or downwards in virgin plastic prices would have effects, before taxes, of EUR +/– 2.3 million to income statement in year 2022 (2021: EUR +/–2.4 million). Commodity risks are not managed using financial derivative instruments.

Sensitivity analysis

Sensitivity of financial instruments to market risks (before taxes) in accordance with IFRS 7	2022		2021	
EUR thousand	Income statement	Equity	Income statement	Equity
+/- 10% virgin plastic prices	-2,250	-2,250	-2,372	-2,372
+/- 10% change in EUR/SEK exchange rate	-653	-653	1,037	1,037
+/- 10% change in EUR/NOK exchange rate	-306	-306	320	320
+/- 10% change in EUR/USD exchange rate	1	1	-46	-46
+ 1% points parallel shift in interest rates	-263	-263	-293	-293

+10% increase in EUR/SEK exchange rate would have a EUR 653 thousand effect in income statement.

At the end of 2022, the total Group floating rate liability position consists of floating rate liabilities EUR 25.5 million (2021: EUR 27.0 million).

.Other Risks

Credit risk

Orthex's credit risk exposure is mainly related to client payment behaviour. Orthex estimates the expected credit losses from their current receivables such as trade receivables and accrued revenues at each reporting date. Orthex recognises the expected credit loss allowance as impairment from these assets, which is defined as the difference between the contractual cash flows and the expected cash flows Orthex expects to receive.

Details regarding the expected credit loss assessment include:

- Analysis of receivables held in different portfolios.
- Analysis of receivables are prepared based on customer characteristics.
- An ECL analysis using both historical credit losses and an estimation on future credit losses (forward-looking parameters).
- Default probability-% per group, based on historical information on the aging of the receivables and forward-looking parameters.

The decision-making criteria used by management to measure the ECL includes:

1. Historically Orthex has minimal amount of bad debt.
2. Major clients are big retailers and credit risk relating to the retailers is minimal.
3. In export sales, Orthex uses credit collaterals to minimize the credit risk.
4. Average order amounts are small and Orthex has the ability to react quickly whenever there are signals from clients' liquidity problems.

Orthex's customers are major retailers with solid credit ratings. Orthex monitors the credit ratings relating to its largest clients continuously. The risk for credit loss relating to the major retailers is considered to be low. For other clients, Orthex has credit collateral to manage the credit risk relating to the purchases made by those customers.

The management uses historical outlook to assess the expected credit losses in addition to the current economic outlooks and client specific analysis. The maximum exposure to credit risk is the carrying amount of accounts receivables. In Orthex's business, the average size of a single purchase order is small giving Orthex the ability to react to clients' liquidity problems quickly.

Orthex applies a simplified approach method for the assessment of the expected credit loss impairment. The calculation of expected credit losses (ECL) is based on historical data and, for parameters concerning the future, on the payment behaviour of customers. Any receivable, which is considered to be more than 90 days past due are considered to be defaulted and impaired and are written off from the receivable balance.

Orthex does not have any major risk concentrations regarding the Group's receivables and the trading partners are all well established companies with historically stable payment behaviour towards business transactions with Orthex.

Trade receivables consist mainly of receivables from customers. Impairment losses of trade receivables recognised in profit or loss amounted to EUR 11.1 thousand during the year 2022. In 2021, impairment losses of trade receivables were EUR 13.9 thousand. The maturity distribution of trade receivables has been presented in Note 14.

Liquidity risk

Management of liquidity risk aims to ensure that Orthex can meet its cash outflows and other financial obligations. Orthex's financing requirement is covered by both optimising of operating activities and external financing in order to ensure that Orthex has continually sufficient liquidity or has access to committed credit facilities. Liquidity risks are monitored and managed centrally in the Group's finance department.

Maturity analysis

The maturity of financial liabilities is monitored regularly. As of 31 Dec 2022, Orthex had cash and cash equivalents of EUR 10.3 million (31 Dec 2021: EUR 14.3 million). In addition, Orthex had access to unused credit facilities and bank overdrafts of EUR 7.0 million as of 31 Dec 2022 (31 Dec 2021: EUR 7.0 million). In 2022, Orthex entered into a 3+1+1-year credit facility agreement of EUR 32.5 million with Nordea Bank Plc. The credit facility agreement includes a 3+1+1-year term loan of EUR 25.5 million and a revolving credit facility of EUR 7.0 million. If the conditions specified in the credit facility agreement are met, the company may extend the agreement by 1 + 1 year.

At 31 Dec 2022, EUR 25.5 million of the term-loan was in use. The term loan is currently repaid in bi-annual installments of EUR 1.5 million. Loans from the financial institutions include the following covenants: net debt / adjusted EBITDA and adjusted EBITDA / net financial charges. At 31 Dec 2022, the financial covenants were: net debt / adjusted EBITDA, capital expenditure and adjusted EBITDA / net financial charges. The terms of loans from financial institutions also include indicators related to sustainability, which are related to the energy consumption of production and the percentage of scrap. The covenant terms have been complied with on 31 Dec 2022.

The interest margin is variable and depends on the ratio of net debt and adjusted EBITDA. Orthex has given business mortgages amounting to EUR 50.1 million as of 31 Dec 2022 as a security for the loans from financial institutions. According to specific terms and conditions of the bank loan agreements, the most significant transactions require a prior written approval by the financial institutions, including ordinary terms and conditions protecting the creditor.

Interest-bearing liabilities

EUR thousand	31 Dec 2022	31 Dec 2021
Non-current interest-bearing liabilities		
Loans from credit institutions	22,363	23,720
Lease liabilities	6,480	7,544
Pension liabilities	3,179	4,742
Total non-current interest-bearing liabilities	**32,022**	**36,006**
Current interest-bearing liabilities		
Loans from credit institutions	3,000	3,000
Lease liabilities	1,290	1,214
Total current interest-bearing liabilities	**4,290**	**4,214**
Total interest-bearing liabilities	**36,312**	**40,220**

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Maturity distribution table

31 Dec 2022 EUR thousand	2023	2024	2025	2026	2027	Later	Total
Loans from credit institutions	3,000	3,000	3,000	3,000	13,500		25,500
Interest	1,313	1,078	907	730	581		4,608
Lease liabilities	1,799	1,485	1,284	1,169	1,126	3,266	10,129
Trade payables	8,231						8,231
Deridative financial instruments	8						8
Total	**14,350**	**5,563**	**5,191**	**4,899**	**15,207**	**3,266**	**48,475**

31 Dec 2021 EUR thousand	2022	2023	2024	2025	2026	Later	Total
Loans from credit institutions	3,000	24,000					27,000
Interest	499	442					941
Lease liabilities	1,797	1,555	1,338	1,261	1,232	4,611	11,794
Trade payables	7,263						7,263
Total	**12,558**	**25,997**	**1,338**	**1,261**	**1,232**	**4,611**	**46,997**

Changes in liabilities arising from financing activities

2022 EUR thousand	1 Jan	Lease Changes	Cash flows	Translation differences	Other	Total 31 Dec
Non-current loans from credit institutions	23,720				-1,357	22,363
Non-current lease liabilities	7,544	789		-519	-1,334	6,480
Current loans from credit institutions	3,000		-1,500		1,500	3,000
Current lease liabilities	1,214	157	-1,887	-103	1,909	1,290
Total	**35,478**	**946**	**-3,387**	**-623**	**719**	**33,133**

2021 EUR thousand	1 Jan	Lease Changes	Cash flows	Translation differences	Other	Total 31 Dec
Non-current loans from credit institutions	26,652				-2,931	23,720
Non-current lease liabilities	8,668	210		-156	-1,179	7,544
Current loans from credit institutions	3,000		-3,000		3,000	3,000
Current lease liabilities	1,158	196	-1,945	-25	1,830	1,214
Total	**39,478**	**407**	**-4,945**	**-181**	**720**	**35,478**

Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each balance sheet date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed in this note. Aside from this note, additional fair value related disclosures, including the valuation methods, significant estimates and assumptions are also provided in Note 8.

Orthex measures fair value for its financial instruments based on the most similar possible alternative that resembles the underlying instrument. The fair value of a financial instrument is the best estimate of the price on the markets that would be received when an asset is sold or paid when a liability is transferred between participants at a measurement date. It is assumed that the transaction is either performed in a principal market or through other market maker, which would give the best available price for the financial instrument.

Orthex uses valuation techniques for the fair value measurement, which are most accurate for the circumstances and for which sufficient data is easily and readily available, maximising the use of observable data and minimising the use of unobservable inputs.

Capital management

Capital structure is assessed regularly by the Board of Directors and managed operationally by the CFO. Capital structure management in Orthex comprises both equity and interest-bearing debt. As of 31 Dec 2022, the equity attributable to shareholders was EUR 29.7 million (31 Dec 2021: EUR 31.8 million) and the amount of interest-bearing liabilities as of 31 Dec 2022 were EUR 36.3 million (31 Dec 2021: EUR 40.2 million). The objectives are to safeguard the ongoing business operations and to optimise the cost of capital. In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current or previous period.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using the equity ratio, which is counted as total equity / total assets.

EUR thousand	31 Dec 2022	31 Dec 2021
Equity	29,711	31,798
Balance sheet total	**81,837**	**88,842**
Equity ratio	36.3%	35.8%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 Dec 2022 and 31 Dec 2021.

12. Fair value hierarchy

All the assets and liabilities for which the fair value is measured and disclosed are categorised on three levels of fair value hierarchy.

Level 1

Financial instruments on level 1 are quoted on public and active markets for similar instruments. The prices are instantly available and the valuation does not require judgements.

- Orthex does not have financial instruments on level 1.

Level 2

Financial instruments on level 2 are not directly observable, but the valuation technique uses the lowest level inputs in the valuation estimates, which are readily available on a public market or through other market makers.

This category includes:
- Loans from credit institutions
- Derivative instruments

Level 3

Financial instruments on level 3 require valuation techniques where the lowest level valuation inputs are not available directly, and are thus unobservable. The measurement require independent consideration and judgements from the management. The valuation techniques, related inputs and assumptions for Level 3 fair value instruments are explained in detail alongside the tabular presentation of the fair values.

- Orthex does not have financial instruments on level 3.

For financial instruments that are measured at fair value on a recurring basis, Orthex determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in addition to this note in Note 11.

Fair value measurement hierarchy

The following tables provide the fair value measurement hierarchy of the Group's assets and liabilities:

Fair value measurement hierarchy for assets as at 31 Dec 2022

EUR thousand	Level 1	Level 2	Level 3
Financial assets measured at fair value:			
Derivative financial instruments:			
Foreign exchange forward contracts and interest rate swaps		93	

Fair value measurement hierarchy for liabilities as at 31 Dec 2022

EUR thousand	Level 1	Level 2	Level 3
Financial liabilities for which fair values are disclosed:			
Interest-bearing loans and borrowings:			
Loans from credit institutions		25,363	
Lease liabilities		7,770	
Foreign exchange forward contracts		8	

There have been no transfers between Level 1 and Level 2 during 2022.

Fair value measurement hierarchy for liabilities as at 31 Dec 2021

EUR thousand	Level 1	Level 2	Level 3
Financial liabilities measured at fair value:			
Derivative financial instruments:			
Foreign exchange forward contracts and interest rate swaps		14	

EUR thousand	Level 1	Level 2	Level 3
Financial liabilities for which fair values are disclosed:			
Interest-bearing loans and borrowings:			
Loans from credit institutions		26,720	
Lease liabilities		8,758	

There were no transfers between Level 1 and Level 2 during 2021.

13. Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a first-in/first-out basis
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

EUR thousand	31 Dec 2022	31 Dec 2021
Raw materials	1,681	2,241
Work in progress	15	27
Finished goods	13,051	10,659
Net realisable value allowance	-464	-280
Total	**14,283**	**12,647**

14. Trade and other receivables

EUR thousand	31 Dec 2022	31 Dec 2021
Trade receivables	11,787	14,224
Other receivables	18	143
Prepaid expenses and accrued income	1,582	1,160
Total	**13,387**	**15,528**

Ageing analysis of trade receivables

EUR thousand	31 Dec 2022	31 Dec 2021
Not past due	11,004	13,438
Past due 1-60 days	699	731
Past due over 60 days	123	97
Impairment losses	-39	-41
Total	**11,787**	**14,224**

The impairment losses recognised on trade receivables during the year 2022 amounted to EUR 39 thousand (2021: EUR 0 thousand).

The loss allowance for trade receivables is based on the ageing of the accounts receivable. Historically the amount of overdue trade receivables have been low and the amount of overdue receivables have not materially increased. The aim is to minimise credit risks by active credit management and using credit collaterals. The expected loss rate for all trade receivables is 0.3%.

Credit risks of trade receivables have been presented in Note 11.

15. Trade and other payables

EUR thousand	31 Dec 2022	31 Dec 2021
Trade payables	8,231	7,263
Other payables	1,159	1,254
Accrued expenses and deferred income:		
Wages, salaries and social costs	3,183	2,828
Customer rebates and commissions	791	1,141
Other	636	1,206
Total	**14,000**	**13,692**

Terms and conditions of the above payables:

- Trade payables are non-interest bearing and are normally settled on 30 to 60 -day terms
- Other payables are non-interest bearing and have an average term of six months
- Interest related to loan is normally settled semi-annually throughout the financial year

For explanations on the Group's liquidity risk management processes, refer to Note 11.

16. Share capital and reserves

	Number of outstanding shares	Number of treasury shares	Number of shares, total	Share capital, EUR thousand	Treasury shares, EUR thousand	Invested unrestricted equity fund, EUR thousand
As at 1 Jan 2021	**397,000**	**3,000**	**400,000**	**3**	**-71**	**1,775**
Transactions with owners:						
Increase in share capital				78		-78
Cancellation of treasury shares		-3,000	-3,000		71	-71
Share issue	17,205,618		17,205,618			9,041
Personnel offering	156,236		156,236			959
Expenses related to the share issue						-686
Discount related to the personnel share issue						106
As at 31 Dec 2021	**17,758,854**	**-**	**17,758,854**	**80**	**-**	**11,047**
As at 1 Jan 2022	**17,758,854**	**-**	**17,758,854**	**80**	**-**	**11,047**
Transactions with owners:						
Capital return from the invested unrestricted equity fund				-		-3,197
As at 31 Dec 2022	**17,758,854**	**-**	**17,758,854**	**80**	**-**	**7,851**

Earnings per share

The basic (and diluted) earnings per share is calculated by dividing the result for the financial year attributable to the parent company's shareholders by weighted average number of shares outstanding during the financial year.

Earnings per share, basic (and diluted)	2022	2021
Net profit attributable to eaquity owners of the parent company, EUR thousand	2,121	6,035
Weighted average number of shares	17,758,854	17,425,944
Earnings per share, basic (and diluted), EUR	**0.12**	**0.35**

Board proposal for distribution of assets

The Board of Directors of Orthex Corporation proposes to the Annual General Meeting on 18 April 2023 that shareholders will be paid a dividend of EUR 0.11 per share totalling approximately EUR 2.0 million. There have been no significant changes in the parent company's financial position after the financial year-end. The company's liquidity is good, and the Board of Directors deems that the company's solvency will not be jeopardised by the proposed dividend distribution.

Shares and share capital

On 28 Feb 2021, the shareholders of the company decided with a unanimous decision to change the form of the company to a public limited liability company and to implement an increase in share capital by a capital increase to meet the required EUR 80,000 limit for a public limited liability company through a fund increase.

In connection with the listing, the company carried out an offering which consisted of a public offering which increased the amount of shares, including cancellation of treasury shares, by 17,358,854 shares in March 2021. The company has single share class and each share carry one vote at the Annual General Meeting and equal rights to dividend and other distribution of assets. The shares have no nominal value. All shares issued have been paid in full.

Invested unrestricted equity fund

Invested unrestricted equity fund consists of other investments similar to equity and the subscription price of shares to the extent that it has not been recorded in share capital according to specific resolution. According to the current Finnish Companies Act, subscription price of new shares is recognised in the share capital, unless it has not been, according to issuance resolution, fully or partly recognised in the invested unrestricted equity fund.

In connection with the listing, the company carried out an offering which consisted of a public offering in Finland, an institutional offering to institutional investors in Finland and in accordance with applicable laws, internationally; and personnel offering to employees of the group. With the share issue, the company raised gross proceeds of approximately EUR 10,000 thousand that was recognised in the invested unrestricted equity fund.

In 2021, the company's fees and expenses related to the listing amounted to EUR 2,281 thousand, of which EUR 857 thousand was recognised as expenses in connection with the offering against the funds received in the invested unrestricted equity fund less deferred tax of EUR 171 thousand. The Group's personnel subscribed 156,236 shares in the personnel offering. The subscription price of EUR 6.14 per share was 10% lower than the subscription price for other shares subscribed in connection with the listing. The discount given to the personnel, EUR 106 thousand, has been accounted for under IFRS as share-based payments and it has been fully recorded as personnel expenses.

The general meeting decided that for the financial period ended on 31 December 2021, shareholders be paid in two instalments a capital return of EUR 0.18 per share from the invested unrestricted equity fund totalling approximately EUR 3.2 million. The first instalment of the capital return amounting to EUR 0.09 per share was paid on 21 April 2022 and the second instalment amounting to EUR 0.09 per share on 11 October 2022.

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the unrestricted equity fund. At 31 Dec 2022, the company did not have any treasury shares.

17. Related party disclosures

Note 1 provides information about the Group's structure, including details of the subsidiaries. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year. Orthex's related parties include the company's Board of Directors and their family members, the CEO and his family members, significant shareholders, and members of the Management Team and their family members. Until March 2021, the Group was controlled by Sponsor Fund IV with a total ownership of 74.0 per cent of the parent company's shares. In connection with the listing of the company, Conficap Oy became the company's largest shareholder with a holding of 14% at year-end 2022. At the end of the financial year, the CEO together with his controlled entity owned 11.7 per cent of the Group's parent company's shares.

EUR thousand		Purchases of goods and services
Members of the Board of Directors and CEO:		
Orthex Corporation	2022	-
Orthex Corporation	2021	-25

Management remuneration

Remuneration to the members of the Board of Directors, the CEO and other members of the Management Team is presented in Note 5.

Other material business transactions

Orthex did not have other material business transactions with its related parties than those presented above. Dividends and return of capital are paid to the Group's board members and key management personnel based on the shares they hold.

18. Collaterals, commitments and contingent assets and liabilities

This Note presents information on items not included in calculations when preparing the financial statements.

EUR thousand	31 Dec 2022	31 Dec 2021
Guarantees and mortgages given on own behalf:		
Enterprise mortgages	50,060	53,514
Property mortgages	10,192	10,192
Other guarantees	50	55
Total	**60,303**	**63,762**

Contingent liabilities

Orthex Group was subject to a tax audit of Orthex Corporation regarding the financial years 2020 and 2021. Orthex Corporation received in February 2022 a tax audit report from the Finnish tax auhorities. The tax audit report included subsequent taxes and tax increases amounting to a total of EUR 0.3 million, relating to the VAT deductibility of IPO related costs. The company disagrees with the interpretation made in the tax audit and has filed a claim for adjustment. The company was requested to pay additional taxes in accordance with the interpretations set out in the tax audit report. The company paid the subsequent taxes and tax increases in June 2022 but has filed a claim for adjustment to its taxation to the Assessment Adjustment Board of the Finnish tax authority. The Group has not recognised the subsequent taxes and tax increases in the consolidated statement of comprehensive income.

19. Subsequent events

On 24 January 2023, Orthex Corporation disclosed the Shareholders' Nomination Board's proposals to the Annual General Meeting 2023 regarding the composition and remuneration of the Board of Directors.

The Shareholders' Nomination Board proposes that the Board of Directors would consist of five (5) members and that Sanna Suvanto-Harsaae, Markus Hellström, Jyrki Mäki-Kala and Jens-Peter Poulsen would be re-elected to the Board and that Anette Rosengren be elected as a new member to the Board, all for a term of office ending at the end of the next Annual General Meeting.

Satu Huber was no longer available for re-election to the Board.

All director nominees have consented to their election and confirmed that they are independent of the company and its significant shareholders. Background information on the director nominees is available on the corporate website: https://investors.orthexgroup.com/

Regarding the remuneration of the members of the Board of Directors, the Shareholders' Nomination Board proposes that the Board fees remain the same and that the Chair of the Board of Directors be paid a monthly fee of EUR 4,000 and other members of the Board of Directors a monthly fee of EUR 2,000. The Nomination Board further proposes that reasonable travel and other expenses related to the Board work be reimbursed in accordance with the company's travel rules.

Parent company financial statements, FAS

Parent company income statement

EUR	Note	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 2021
Net sales	2	**840,000.00**	**741,000.00**
Administrative expenses		-1,129,658.85	-2,639,671.68
Operating result		**-289,658.85**	**-1,898,671.68**
Interest income from group companies		596,288.04	935,949.53
Dividends received from group companies		2,000,000.00	-
Other interest and financial income from others		0.01	16.25
Interest and financial expenses to others		-640,831.85	-1,480,194.10
Financial income and expenses	5	**1,955,456.20**	**-544,228.32**
Profit (loss) before appropriations and taxes		**1,665,797.35**	**-2,442,900.00**
Appropriations			
Group contribution	6	3,100,000.00	2,400,000.00
Income taxes	7	-462,066.80	-21,639.03
Profit (loss) for the period		**4,303,730.55**	**-64,539.03**

Parent company balance sheet

EUR	Note	31 Dec 2022	31 Dec 2021
ASSETS			
NON-CURRENT ASSETS			
Investments			
Holdings in subsidiaries	8	25,295,133.29	25,295,133.29
Receivables from subsidiaries	8	10,534,421.82	9,938,133.78
Investments total		**35,829,555.11**	**35,233,267.07**
NON-CURRENT ASSETS TOTAL		**35,829,555.11**	**35,233,267.07**
CURRENT ASSETS			
Short-term receivables			
Receivables from subsidiaries	9	2,402,779.70	3,162,422.32
Prepayments and accrued income	10	360,668.86	1,345.71
Short-term receivables total		**2,763,448.56**	**3,163,768.03**
Cash and cash equivalents		**135,414.20**	**196,569.09**
CURRENT ASSETS TOTAL		**2,898,862.76**	**3,360,337.12**
ASSETS TOTAL		**38,728,417.87**	**38,593,604.19**

EUR	Note	31 Dec 2022	31 Dec 2021
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		80,000.00	80,000.00
Invested unrestricted equity fund		8,430,263.84	11,626,857.56
Retained earnings		-428,835.19	-364,296.16
Profit (loss) for the period		4,303,730.55	-64,539.03
SHAREHOLDERS' EQUITY TOTAL	11	**12,385,159.20**	**11,278,022.37**
LIABILITIES			
Long-term liabilities			
Loans from credit institutions	12	22,500,000.00	24,000,000.00
Long-term liabilities total		**22,500,000.00**	**24,000,000.00**
Short-term liabilities			
Loans from credit institutions	12	3,000,000.00	3,000,000.00
Income tax liabilities		462,066.80	-
Trade payables		56,800.19	29,072.77
Other payables		38,135.64	43,036.99
Accruals and deferred income	13	286,256.04	243,472.06
Short-term liabilities total		**3,843,258.67**	**3,315,581.82**
LIABILITIES TOTAL		**26,343,258.67**	**27,315,581.82**
SHAREHOLDERS' EQUITY AND LIABILITIES TOTAL		**38,728,417.87**	**38,593,604.19**

Parent company statement of cash flows

EUR	Note	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 2021
Cash flows from operating activities			
Profit before appropriations and tax		1,665,797.35	-2,442,900.00
Adjustments:			
Financial income and expenses	5	-1,955,456.20	544,228.32
Other adjustments		-44,630.90	16.25
Cash flows before changes in working capital		**-334,289.75**	**-1,898,655.43**
Changes in working capital			
Decrease (+) / increase (–) in trade and other receivables		-239,680.53	-65,115.64
Decrease (–) / increase (+) in trade and other payables		2,065,610.05	76,592.02
Cash flows from operating activities before financial items and taxes		**1,491,639.77**	**-1,887,179.05**
Interests and other financing expenses paid		-596 200,95	-1,500,536.57
Income taxes paid		-	-146,870.71
Net cash flows from operating activities		**895,438.82**	**-3,534,586.33**
Cash flows from investing activities			
Repayment of long-term loans		-	507,474.15
Repayment of short-term loans		-	1,392,525.85
Net cash flows from investing activities		**-**	**1,900,000.00**

EUR	Note	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 2021
Cash flows from financing activities			
Proceeds from share issue		-	10,000,003.80
Capital return from the invested unrestricted equity fund		-3,196,593.72	-
Repayment of short-term loans		-1,500,000.00	-11,124,614.40
Proceeds from long-term borrowings		25 500 000,00	-
Repayment of long-term borrowings		-25 500 000,00	-
Group contributions received		3,740,000.00	2,700,000.00
Net cash flows from financing activities		**-956,593.72**	**1,575,389.40**
Net change in cash and cash equivalents		-61,154.90	-59,196.93
Cash and cash equivalents transferred from merger		-	168,214.08
Cash and cash equivalents at 1 January		196,569.09	87,551.94
Cash and cash equivalents at 31 December		**135,414.19**	**196,569.09**

Notes to the parent company financial statements

1. Parent company accounting principles

The financial statements of Orthex Corporation have been prepared in accordance with the Finnish Accounting Act and Ordinance and other statutes regulating the preparation of financial statements (Finnish Accounting Standards, FAS). The financial statements are presented in euros.

The preparation of financial statements in conformity with regulations in force and generally accepted accounting principles requires management to make estimates and assumptions that affect the valuation of assets and liabilities and reported amounts of revenues and expenses. Actual results could differ from those estimates.

Transactions in foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the date of the transaction. At the end of the reporting period balances in foreign currencies are translated using the exchange rate prevailing at the end of the reporting period.

Income taxes

Income taxes consist of the aggregate current tax expense based on the Finnish tax rules and adjustments to prior year taxes.

The parent company does not account for deferred taxes as a stand-alone entity.

Receivables

Receivables are valued at the lower of book value and recoverable value.

Appropriations

Appropriations in the parent company balance sheet consist of received group contributions.

Derivatives

Orthex Corporation has interest rate derivatives. Hedge accounting is not applied to interest rate derivatives to the extent that the derivatives protect the parent company's interest rate risk. The fair values of the derivatives are recorded in the balance sheet and changes in the fair value are recorded in the financial items of the income statement. The realized profit or loss of interest rate swaps hedging variable rate loans is presented in the income statement in financial items. The fair values of interest rate swaps are determined using a method based on the present value of future cash flows, which is supported by market interest rates at the end of the reporting period and other market information.

2. Net sales

Net sales

EUR	2022	2021
Administration services	840,000.00	741,000.00

3. Personnel costs and number of employees

Personnel costs, book value

EUR	2022	2021
Wages and salaries	763,240.79	603,444.08
Pension costs	114,731.09	83,210.24
Other personnel costs	16,030.41	15,301.52
Total	**894,002.29**	**701,955.84**

CEO and Board remuneration, book value

EUR	2022	2021
CEO	437,761.00	508,089.00
Board of Directors	144,000.00	126,200.00

Number of employees

Average (FTE)	2022	2021
Employees	2	2
Total	**2**	**2**

The CEO and CFO of Orthex Group work in Orthex Corporation.

4. Fees paid to company's auditors

EUR	2022	2021
Audit fees	83,176.00	67,949.00
Other	19,032.03	447,448.50
Total	**102,208.03**	**515,397.50**

5. Financial income and expenses

EUR	2022	2021
Interest and financial income from group companies	596,288.04	935,949.53
Dividends received from group companies	2,000,000.00	-
Other interest and financial income from others	-0,01	16.25
Total financial income	**2,596,288.05**	**935,965.78**
Interest and financial expenses to others	-640,831.85	-1,480,194.10
Total financial expenses	**-640,831.85**	**-1,480,194.10**
Total financial income and expenses	**1,955,456.20**	**-544,228.32**

6. Appropriations

EUR	2022	2021
Group contribution received	3,100,000.00	2,400,000.00
Total	**3,100,000.00**	**2,400,000.00**

7. Income taxes

EUR	2022	2021
Current year taxes	-462,066.80	-
Taxes from previous years	-	-21,639.03
Total	**-462,066.80**	**-21,639.03**

8. Investments

EUR	Holdings in subsidiaries	Receivables from subsidiaries	Total
Acquisition cost			
Balance at 1 Jan 2021	**11,258,583.95**	**9,938,133.78**	**21,196,717.73**
Additions	15,410,000.00	-	15,410,000.00
Additions from merger	25,295,133.29	-	25,295,133.29
Decreases	-26,668,583.95	-	-26,668,583.95
Balance at 31 Dec 2021	**25,295,133.29**	**9,938,133.78**	**35,233,267.07**
Additions	-	596,288.04	596,288.04
Balance at 31 Dec 2022	**25,295,133.29**	**10,534,421.82**	**35,829,555.11**

Shares in subsidiaries

	Number of shares	Domicile	% of share capital	Book value, EUR
Oy Orthex Finland Ab	135,170	Helsinki	100	25,295,133.29
Total, Dec 31 2022				**25,295,133.29**

During the financial year 2021, Oy Orthex Group Ab was merged to the parent company Orthex Corporation.

9. Receivables from subsidiaries

EUR	2022	2021
Sales receivables	171,452.22	-
Other receivables	2,231,327.48	3,162,422.32
Total	**2,402,779.70**	**3,162,422.32**

10. Prepayments and accrued income

EUR	2022	2021
Value added taxes related to the tax audit	265,828.75	-
Derivatives	92,766.00	-
Other items	2,074.11	1,345.71
Total	**360,668.86**	**1,345.71**

The value of the underlying asset of the derivatives in the financial statements on 31 December 2022 was EUR 12,750,000.00, and the maturity date of the derivatives is 22 December 2025.

11. Shareholders' equity

EUR	2022	2021
Share capital, Jan 1	**80,000.00**	**2,500.00**
Increase in share capital	-	77,500.00
Share capital, Dec 31	**80,000.00**	**80,000.00**
Invested unrestricted equity fund, Jan 1	**11,626,857.56**	**1,704,353.76**
Capital return from the invested unrestricted equity fund	-3,196,593.72	-
Increase in share capital	-	-77,500.00
Share issue	-	10,000,003.80
Invested unrestricted equity fund, Dec 31	**8,430,263.84**	**11,626,857.56**
Retained earnings, Jan 1	**-428,835.19**	**-364,296.16**
Retained earnings, Dec 31	**-428,835.19**	**-364,296.16**
Profit (loss) for the period	**4,303,730.55**	**-64,539.03**
Distributable earnings, Dec 31	**12,305,159.20**	**11,198,022.37**
Shareholders' equity total, Dec 31	**12,385,159.20**	**11,278,022.37**

12. Long-term liabilities

EUR	31 Dec 2022	31 Dec 2021
Loans from credit institutions:		
Payable in the next 12 months	3,000,000.00	3,000,000.00
Payable between one and five years	22,500,000.00	24,000,000.00

13. Accruals and deferred income

EUR	31 Dec 2022	31 Dec 2021
Wages, salaries and social costs	108,193.07	89,628.18
Other	178,062.97	153,843.88
Total	**286,256.04**	**243,472.06**

14. Contingencies and pledged assets

EUR	31 Dec 2022	31 Dec 2021
Pledges given on behalf of Group companies:		
Enterprise mortgages	48,100,000.00	48,100,000.00
Property mortgages	10,192,329.66	10,192,329.66
Total	**58,292,329.66**	**58,292,329.66**

The company has a credit limit of EUR 7,000,000.00, of which EUR 1,000,000.00 has been allocated to Oy Orthex Finland Ab and EUR 878,023.08 to Orthex Sweden AB.

Contingent liabilities

Orthex Corporation was subject to a tax audit regarding the financial years 2020 and 2021. The company received in February 2022 a tax audit report from the Finnish tax auhorities. The tax audit report included subsequent taxes and tax increases amounting to a total of EUR 0.3 million, relating to the VAT deductibility of IPO related costs. The company disagrees with the interpretation made in the tax audit and has filed a claim for adjustment. The company was requested to pay additional taxes in accordance with the interpretations set out in the tax audit report. The company paid the subsequent taxes and tax increases in June 2022 but has filed a claim for adjustment to its taxation to the Assessment Adjustment Board of the Finnish tax authority. The company has not recognised the subsequent taxes and tax increases in the income statement.

15. Company shares

The company has 17,758,854 shares. The company's share capital is EUR 80,000.00. Each share entitles its holder to one vote at the Annual General Meeting.

Signatures for the Board of Directors' report and financial statements

Espoo, 7 March 2023

Sanna Suvanto-Harsaae, Chair of the Board of Directors

Satu Huber

Jyrki Mäki-Kala

Markus Hellström

Jens-Peter Poulsen

Alexander Rosenlew, CEO

Auditor's note

Our auditor's report has been issued today.

Espoo, 7 March 2023
Ernst & Young Oy
Authorised Public Accountant Firm

Johanna Winqvist-Ilkka
Authorised Public Accountant

Auditor's report

To the Annual General Meeting of Orthex Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Orthex Corporation (business identity code 2727990-2) for the year ended 31 December 2022. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Board of Directors.

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 Financial Statements section of our report.

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.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 4 to the consolidated financial statements.

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

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.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of goodwill *We refer to note 8 to the consolidated financial statements.* The value of goodwill at the date of the financial statements amounted to 22.3 million euros, representing 27.2% of the group's total assets and 74.9% of the group's equity. Valuation of goodwill is based on management's estimates about the value-in-use calculations of the group's cash generating units. There are a number of underlying assumptions used to determine the value-in-use of a cash generating unit, including the development of revenue and profitability and the discount rate applied to cash flows estimates. The results of value-in-use calculations may vary significantly when the underlying assumptions are changed. Changes in the above-mentioned individual assumptions may result in an impairment of goodwill. Valuation of goodwill was a key audit matter because the assessment process requires significant management judgements and forecasts to be made, because it is based on assumptions related to market and economic conditions extending far into the future and because the amount of goodwill is material to the consolidated financial statements. This matter was also a significant risk of material misstatement as defined by EU Regulation No 537/2014, point (c) of Article 10(2).	Our audit procedures to address the risk of material misstatement regarding valuation of goodwill included among others: • involving our valuation specialists to assist us in assessing the appropriateness of the methodologies, impairment calculations and underlying assumptions applied by management in the impairment testing; • testing the mathematical accuracy of the impairment calculations; • comparing the key assumptions applied by management in the impairment testing to approved budgets and forecasts, information available in external sources and our independently calculated industry averages such as for the weighted average cost of capital used in discounting cash flows; • comparing the outcome of the impairment test to the market capitalization of Orthex Oyj; and • comparing the principles applied by management in the impairment testing to the requirements set out in the standard IAS 36 Impairment of Assets. We also assessed the appropriateness of the disclosures regarding impairment testing made in the notes to the consolidated financial statements.
Revenue recognition *We refer to note 2 to the consolidated financial statements.* According to the accounting policy presented in the consolidated financial statements, revenue from the sales of goods is recognized at the point in time when control of the goods is transferred to the customer. Cash and volume discounts granted to customers are taken into account when determining the amount of revenue recognized. The revenue of Orthex Group is mainly generated from sales of household products to retailers. There are multiple varying contractual terms across the group's markets regarding the above-mentioned discounts which could lead to misstatement of revenue, either due to fraud or error. The group focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized prematurely. Due to these circumstances, revenue recognition was determined to be a key audit matter. This matter was also a significant risk of material misstatement as defined by EU Regulation No 537/2014, point (c) of Article 10(2).	Our audit procedures to address the risk of material misstatement regarding revenue recognition included among others: • assessing the compliance of the group's accounting policies over revenue recognition, including those related to discounts, with the applicable accounting standards; • analyzing a sample of contracts with customers and comparing the terms determined in them to the terms used in the group's calculations regarding discounts; • testing the mathematical accuracy of the group's calculations of discounts and assessing the adequacy of liabilities recognized based on those calculations; • testing the accuracy of revenue recognition by performing both analytical procedures and tests of details on a transaction level before and after the date of the financial statements; and • analyzing the timing of revenue recognition based on delivery lead times. We also assessed the appropriateness of the disclosures regarding revenue recognition made in the notes to the consolidated financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of inventories *We refer to note 13 to the consolidated financial statements.* The value of inventories at the date of the financial statements amounted to 14.3 million euros, representing 17.5% of the group's total assets and 48.1% of the group's equity. Inventories are valued at the lower of cost or net realizable value. Inventories are presented net of an impairment loss allowance recognized for slow-moving or obsolete inventories or for inventories that have an otherwise lower net realizable value than cost. Valuation of inventories was a key audit matter because the carrying value of inventories is material to the consolidated financial statements and because valuation of inventories involves management's judgment and estimates in order to determine the amount of slow-moving or obsolete inventories as well as the net realizable value of inventories.	Our audit procedures included among others: • assessing the group's accounting policies over inventory valuation and comparing them to the applicable accounting standards; • comparing unit values of selected inventory items to sales prices; • testing exceptional inventory values using data analysis; • assessing the assumptions applied and the calculations prepared by management regarding slow-moving or obsolete inventories and the expected demand and net realizable value of inventory items; and • testing the mathematical accuracy of the impairment loss allowance calculations prepared by management and assessing the adequacy of the allowances recognized. We also assessed the appropriateness of the disclosures regarding valuation of inventories made in the notes to the consolidated financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as 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 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 on 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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 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

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on May 7, 2009 and our appointment represents a total period of uninterrupted engagement of 14 years. Orthex Oyj has been a public interest entity since March 25, 2021.

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 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 and 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.

Espoo, March 7, 2023

Ernst & Young Oy
Authorized Public Accountant Firm

Johanna Winqvist-Ilkka
Authorized Public Accountant

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