Annual and Sustainability Report

2023

orthex GROUP

CONTENTS

Annual review 3

Orthex in brief 4
Key figures 5
Highlights of the year 6
Review by the CEO 7
Purpose and values 10
Strategy 11

Sustainability 14

Key sustainability actions 2023 15
Sustainability at Orthex 16
Environmental: Reducing emissions 22
Social: Safe workplace and tested products 32
Sustainability governance: Part of everyday work 37

Governance 41

Corporate governance statement 2023 42
Board of Directors 46
Management Team 50
Remuneration report 2023 54

Financial review 58

Board of Directors' report 60
Financial statements 82

ANNUAL REVIEW

Orthex in brief

Orthex is a leading Nordic houseware company. Orthex designs, produces, markets, 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 kitchen utensils under the Kökskungen™ brand.

Orthex has more than 100 years of experience 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 91% of total invoiced sales in 2023.

Key figures

	2023	2022	2021	2020	2019
Net sales, EUR million	85.9	84.0	88.7	75.9	66.4
Adjusted EBITA, EUR million	10.9	5.5	11.0	12.9	7.6
Adjusted EBITA margin, %	12.7%	6.5%	12.4%	17.0%	11.4%
Operating profit, EUR million	10.8	5.2	9.3	12.3	6.5
Net debt / Adjusted EBITDA	1.5	2.8	1.7	2.3	3.5
Earnings per share, basic (EUR)	0.39	0.12	0.35	0.47	0.12

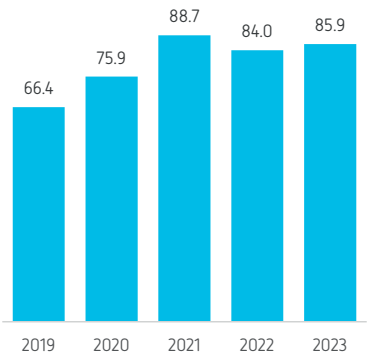
11.2%
Net sales growth outside Nordics

8.9%
Storage category growth

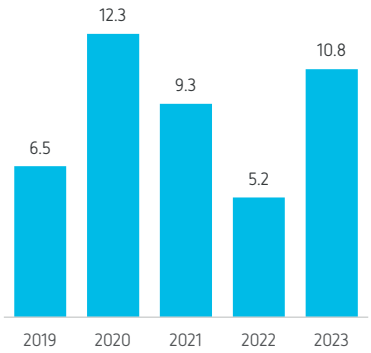
281
Personnel, FTE during the year

1.8 kgCO2 eq./kg
Our relative carbon footprint (2022: 1.8 kgCO2 eq./kg)

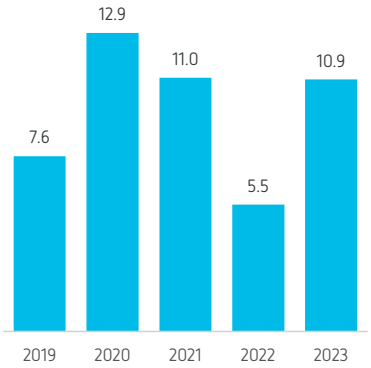
Net sales, EUR million



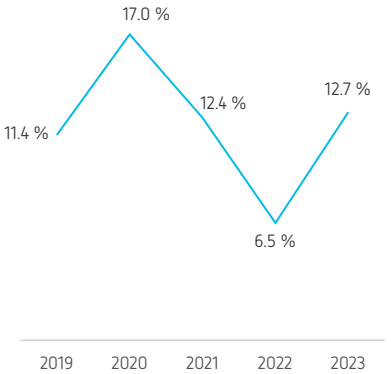
Operating profit, EUR million



Adjusted EBITA, EUR million



Adjusted EBITA margin, %



Highlights of the year

ISCC PLUS certificate
Gnosjö factory granted with the ISCC PLUS certificate facilitating the use of renewable materials applying the mass balance approach.

Circular economy
Extension of product portfolio made from recycled plastic including the new under-bed storage solution SmartStore™ Bedroller 60 L.

Digitalisation
A big development step in digitalisation – transition to cloud-based ERP system.

International organisation
Strengthening of our international sales organisation for example by recruiting a sales manager for Benelux countries.

2023 | May | June | September | October | November | December

Transparent reporting
Ecovadis awarded Orthex with a silver medal for its sustainability performance.

Orthex's climate work was recognised with a top score A- in the CDP reporting.

Mass balance
We extended the usage of renewable and recycled raw materials produced by applying the mass balance approach in several new product ranges.

In-store excellence
More than 160 SmartStore™ new point of sale solutions together with major retail chains and introduction of SmartStore™ campaign truck in several countries.

Review by the CEO

Orthex purpose is to improve consumers' everyday life with practical, beautiful, and sustainable products. The aim is to be the most sustainable choice for the consumer by offering timelessly designed, high-quality, safe, and long-lasting products, reducing the carbon footprint of our operations and products, and increasingly sourcing renewable and recycled raw materials.

The business climate in 2023 was volatile, characterized by careful consumer behaviour, cost inflation, consumer and customer uncertainty, and weak exchange rates in Sweden and Norway. Inflation pressure slowed down consumer demand during the first half of the year. Demand started to recover towards the end of the year and the overall performance was returning to more normal levels.

Strong profit performance

Orthex's profit performance was strong with almost doubled adjusted EBITA compared to 2022 despite challenging market conditions. The adjusted EBITA for 2023 was 10.9 million euros (5.5). A more normal raw-material price-level, the recovering demand and efficiently adapting the operations to changing volumes affected the result positively. Orthex also received 0.7 million euros in electricity price support in Sweden. Aided by the strong finish of the year, the net sales growth pace shows a full-year growth of 2.3% and net sales of 85.9 million euros (84.0). Including constant currency effects, net sales grew by 5.3%. The net sales growth in the second half of the year was driven by strong in-store activities, new product and customer listings, and normalising demand in the Nordics.

The Board of Directors proposes a dividend payout of 0.21 euros per share, totalling 3.7 million euros and 54.1% of net profit meaning an increase in both dividends and in percentages compared to the year 2021 which was the previous normal year in respect of profit performance.

Sales by geography

Our growth strategy with a focus on accelerated European and international growth with a strong commitment to sustainability is progressing according to plan. All functions and activities are designed to 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 full-year invoiced sales in our European strategic markets grew by 16.4%. Invoiced sales outside the Nordic markets accounted for 21.9% (20.2) of Orthex's invoiced sales.

In 2023, invoiced sales in the Nordics were 68.7 million euros (68.5). Sales were affected by careful consumer behaviour during the first half, and weak currencies throughout the whole year. During the second half, we could see a recovery in demand and customer purchasing behaviour compared to a weaker year-end period in 2022. The growth that started in the second half of the year finally resulted in a slight full-year invoiced sales increase of +0.4% thanks to the very strong finish of the year.

> **Our growth strategy is progressing according to plan.**

Sales by product category

The Storage category continued to grow at a good pace of 8.9% compared to the previous year. Orthex is focusing on launching several new products in the Storage category. A bedroller made from recycled material was a remarkable new launch. The Storage category accounted for 68.2% of total invoiced sales in 2023.

Kitchen, Plant Care and Home & Yard categories, traditionally strong in the Nordics, declined because of the careful Nordic customer and consumer behaviour. Invoiced sales in the Kitchen category declined 6.2% and in the Plant Care category 13.5%. The Home & Yard category also declined by 13.4%. In the fourth quarter, there was a strong recovery in the Kitchen category driven by campaigns in the Nordics and a new international customer listing.

Accelerated sales with instore visibility

We have put additional focus on instore visibility to drive shopper action in the store. A milestone is the implementation of more than 160 SmartStore™ shelf solutions together with international retailers. The food storage product branding was consolidated under the SmartStore™ brand for increased marketing and sales efficiencies to promote international demand. During the year, we have grown with existing big retail chains and signed new important customer agreements outside the Nordics. We have also succeeded to increase our assortment in several important retail chains and continued strengthening our international commercial team, with more local resources in France, the UK, and the Benelux.

Our journey towards carbon neutrality

Orthex's main sustainability target is to aim towards carbon neutrality in production by 2030. The Science Based Targets initiative (SBTi) has 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.

We started to use renewable raw materials by applying a mass balance approach in selected series of our products. This makes it possible for us to offer consumers a more sustainable choice that reduces the usage of fossil-based plastic. Overall, our target is to increase the share of renewable and recycled raw materials in our production to 80% by 2030. In 2023, the share increased to 15.8% (2022: 13.6%).

During the year, Orthex participated in the Ecovadis ESG assessment for the first time and was awarded with a silver medal for sustainability performance. In addition, our climate work was recognised with a Leadership level A- top score in the global CDP rating for the first time. In May, Orthex's Gnosjö factory was granted an ISCC PLUS certificate, that will enable the company to extend the usage of ISCC PLUS certified renewable raw materials applying the mass balance approach in the production.

Collaborating with customers and partners

Orthex participates in two large research projects for the development of recycled and renewable plastics. During 2023, Orthex tested recycled plastic's suitability for food contact, and the results are promising. The significant investment in research supports Orthex's 2030 carbon neutrality target and the target to increase the use of sustainable raw materials. 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 measure customer satisfaction with a biannual customer survey. In the 2023 survey, we improved our customer satisfaction rate to 4.08 (2021: 3.93), on a scale from 1 to 5. I am happy to see that our customers were extremely pleased with the activity and help from their key contact persons.

We improved our customer satisfaction rate to 4.08.

Digitalisation and e-commerce drive growth

A big development step in digitalisation was taken in terms of the ERP (Enterprise Resource Planning) system – from an on-premises ERP system to a cloud-based Infor M3 ERP system. The implementation was a big achievement for the whole team involved in the migration and I am especially proud of the speed and commitment to success shown by everyone involved.

In our growth strategy, we have defined e-commerce as an avenue for growth. Our presence on different e-commerce platforms and in retail customers' web shops has developed fast and the strategy is bringing solid sales growth and strengthened brand visibility.

I am pleased with our strong performance and very proud of the teamwork, individual efforts, and commitment of our employees in delivering solid steps on our growth strategy. During turbulent times, it is important to fully align everyone in the organisation behind a successful strategy and adapt to fast-changing conditions. I want to thank everyone at Orthex for their strong contribution throughout the year and all our customers and stakeholders for the trust in Orthex that contributed to a successful 2023. We are eager and ready to take on 2024.

Alexander Rosenlew
CEO

Purpose and values

We are inspired by our purpose: Improve everyday life with sustainable and practical products.

We develop, design, produce, and market 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 strong brands.

Constant improvement through innovation

We believe in development through continuous improvement.

Professional implementation

We work hard to meet our customers' and consumers' expectations every day.

Respectful teamwork

We are committed to developing our employees, showing respect, and promoting health and safety.

Sustainable and responsible development

We strive to minimise our impact on the environment and actively promote sustainability.

Strategy

Orthex's key priorities in its growth strategy are to become the number one brand in the storage product category in Europe and strengthen its position as a leading Nordic houseware company with strong brands and 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 novelties.

Orthex targets growth in the Kitchen product category by focusing on sustainable products and distribution expansion opportunities.

In 2023, the Nordics accounted for 78.1 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 focus is to improve the distribution of Orthex products in Europe, invest in strategic customers and new customer acquisition.

In 2023, international markets accounted for 21.9 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 utilising 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 most sustainable choice for the consumer by offering high-quality, safe, and long-lasting products with timeless design. Orthex is reducing the carbon footprint of its production and products by increasing the use of 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 2023

We increased the share of **renewable and recycled materials** (used kg) to 15.8% (2022: 13.6%).

Read more

Our **customer satisfaction rate** improved to 4.08, on a scale from 1 to 5 (2021: 3.93).

Read more

On our journey towards carbon neutral production, **Gnosjö factory** was granted the **ISCC PLUS** certificate.

Read more

We were awarded a **silver medal** for our **sustainability performance** in EcoVadis ESG assessment, and our climate work earned a **top score A-** in CDP reporting.

Read more

Our employees' **safety at work** rate (LTIF) **improved** and was 6 (2022: 9).

Read more

Sustainability at Orthex

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 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. For example, a prerequisite for all new product investments is that the material is either recycled or renewable.

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

[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.

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.

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.

Long-term structural changes require strong cooperation across the value chains. Together with partners, 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 neutral production target and the target to increase the use of sustainable raw materials.

Orthex belongs to the group of international pioneering companies committed to science-based climate targets set by the Science-Based Targets initiative (SBTi). SBTi has 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.

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

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

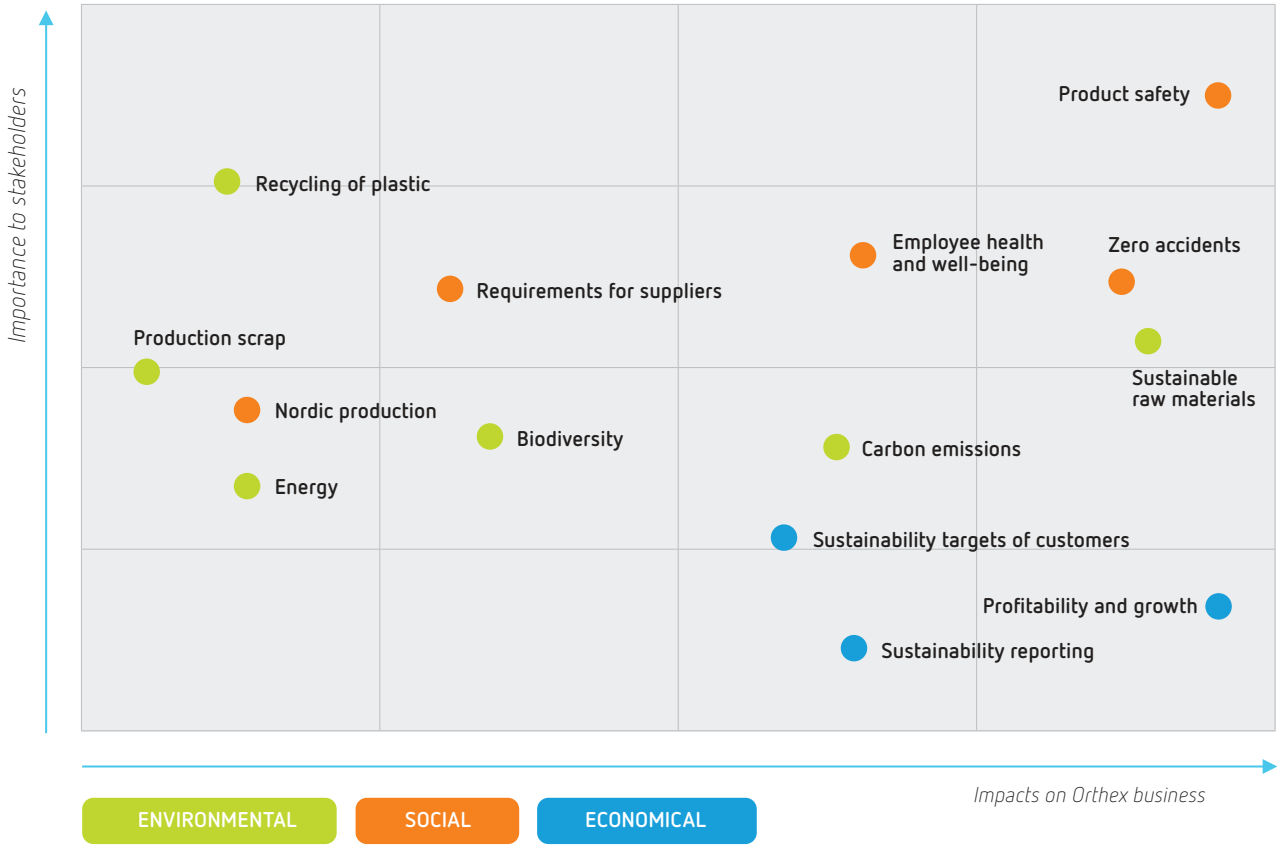
Materiality assessment

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. The latest sustainability materiality assessment was conducted in 2022, and the materiality was reviewed during 2023 as part of the annual strategy review with no major changes.

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

In the materiality matrix, the sustainability topics are presented based on their importance to our stakeholders and on the impacts on Orthex business. The matrix is based on 2022 materiality assessment, before the sustainability strategy was restructured to follow ESG (Environmental, Social and Governance) structure. The next materiality assessment will be conducted according to the Corporate Sustainability Reporting Directive's (CSRD) double materiality principles.

Orthex materiality assessment



Orthex's sustainability strategy

Orthex's sustainability strategy is confirmed annually for a three-year period. In 2022, we renewed our sustainability strategy and the key sustainability aspects were restructured to follow ESG structure. In 2023 sustainability strategy review, no major changes have been implemented.

Environmental

We focus on continuously minimising our impact on the environment and climate, and our key target is aiming towards carbon neutral production by 2030. Our key environmental topics are environmentally sustainable choices, resource efficiency and responsible production and consumption.

Social

Caring for our people, product safety and customer satisfaction are the key elements of our social responsibility. Orthex promotes a zero-accident vision and culture, and we measure our performance with Lost-Time Injury Frequency (LTIF) rate. In 2023, we introduced a new employee satisfaction KPI, Engagement Index.

Governance

Orthex's way of conducting 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.

Orthex's sustainability strategy, relevant sustainability topics and set targets and indicators are illustrated in the following two pages.

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, markets 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

Aspects	ENVIRONMENTAL	SOCIAL	GOVERNANCE
Topics	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 Employee satisfaction 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	Topic	KPI	Indicator	Target	Result 2021	Result 2022	Result 2023
E ENVIRONMENTAL	Environmentally sustainable choices	Sustainable materials	Share of renewable and recycled materials (used kg)	2030 > 80%	14.1%	13.6%	15.8% ●
			Increase sales of products made from renewable and recycled materials (%)	> 2 times net sales growth	30.0% (Net sales 16.9%)	5.0% (Net sales -5.2%)	67.0% (Net sales 2.3%) ●
	Resource efficiency	Energy efficiency	Improve 1% annually, baseline 2022 (kWh/produced kg)	< 1.059 in 2025	1.100	1.092	1.025 ●
		Production scrap	Scrap rate	2024 < 1.42%	0.98%	0.96%	0.87% ●
	Responsible production and consumption	Reducing carbon footprint	CO2 calculation for our operations (tCO2 eq./a)	Towards carbon neutral production by 2030	33,937[1]	25,309[1]	27 217 ●
			CO2 per produced kg (kgCO2 eq./a)	Reduce annually	2.1[1]	1.8[1]	1.8 ●
S SOCIAL	Caring for our people	Employee health and safety	Sickness absence rate (factory employees)	< 5%	6.6%	6.5%	6.1% ●
		Zero accident culture	LTIF [2]	< 10 [3]	N/A	9	6 ●
		Employee satisfaction [4]	Engagement index [4]	Improve annually [4]	NEW	NEW	79 / 100 ●
	Product safety	Safe and tested products	All food contact materials tested	100%	100%	100%	100% ●
	Customer satisfaction	Customer satisfaction	Customer satisfaction rate	Improve	3.93 / 5	3.93 / 5 (2021)	4.08 / 5 ●
G GOVERNANCE	Ethical business practices	Ethics and integrity	Share of employees committed to Code of Conduct	100%	N/A	N/A	100% ●
		Sustainable supply chain	Suppliers aligned with Supplier Code of Conduct (A+B suppliers)	100%	N/A	N/A	88% ●
			Share of suppliers that are BSCI members (in risk countries), repr. 90% of purchase value	100%	75%	94%	100% ●
	Transparency	Transparent reporting and commitment	CDP reporting	Minimum B-level annually	N/A	B	A- ●
			Commitment to Science Based Targets initiative	Net-Zero Target validated and approved by 2025	N/A	N/A	In progress ●

[1] Data is restated with updated information: update in emission factor of Euro-pallets (Scope 3, Purchased goods and services).
[2] Corrected that the figure covers all group employees.
[3] Target updated, target for 2023 < 20.
[4] New KPI, indicator and target replacing KPI "Work environment evaluation" due to unavailability of the previous employee survey.

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

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 renewable 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.

Environmental: Reducing emissions

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, respectively. These certificates were renewed in 2023. We have made 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, increasing the share of renewable and recycled raw materials in our production and promoting the recycling of plastics.

We focus on reducing our emissions.

Our road map towards carbon neutrality by 2030

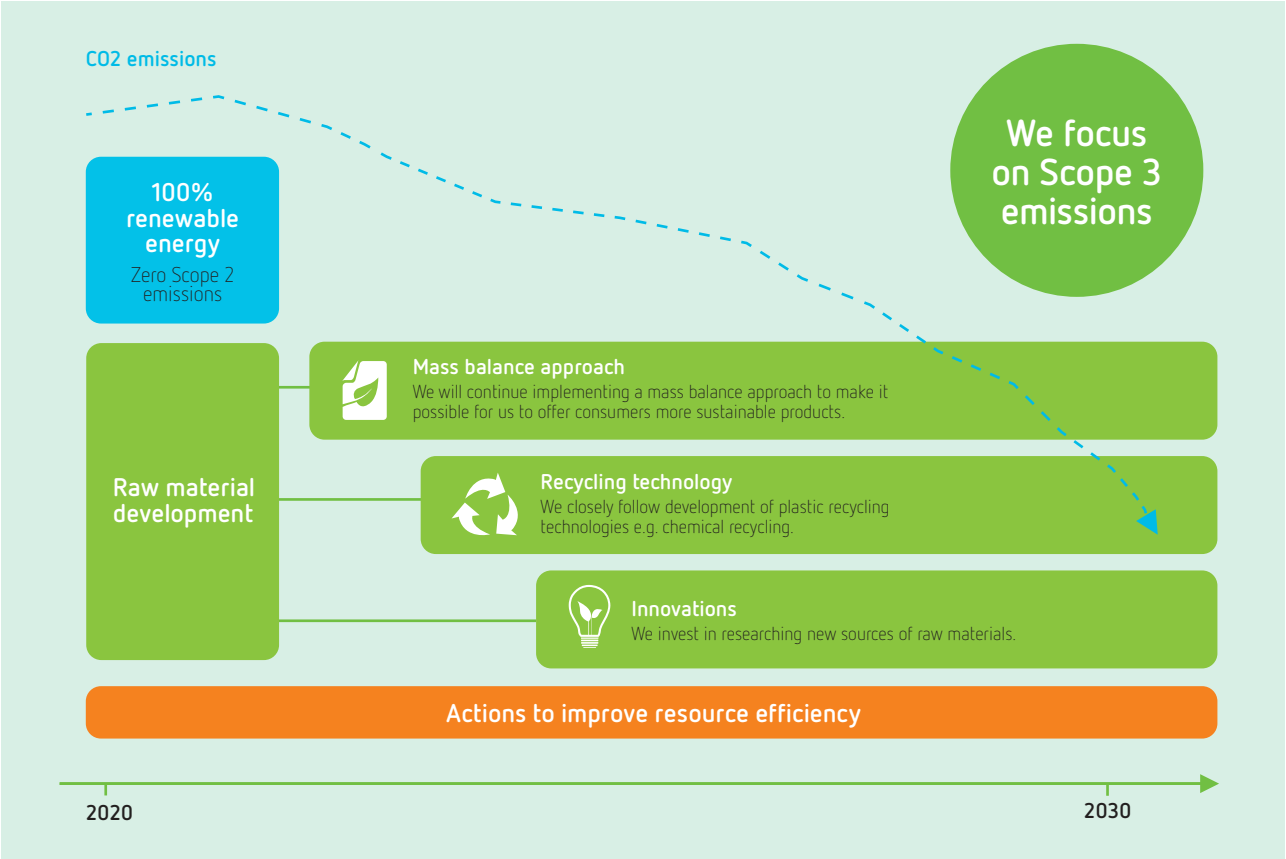
We have set an ambitious target and are aiming towards carbon neutrality in our production by 2030. This is why we have simulated our road map towards carbon neutrality, taking into account Scope 1, 2 and 3 emissions.

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.

Our Scope 2 emissions are zero since we use renewable hydropower electricity in all our factories. 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 2023, we have continued our systematic work towards carbon neutrality target with extending usage of ISCC PLUS certified renewable raw materials applying mass balance approach in the production into new products: SmartStore™ Vision dry food keepers and SmartStore™ Snack lunch boxes as well as GastroMax™ measuring cups. This way we can offer consumers more sustainable products.

Orthex road map towards carbon neutrality by 2030



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.

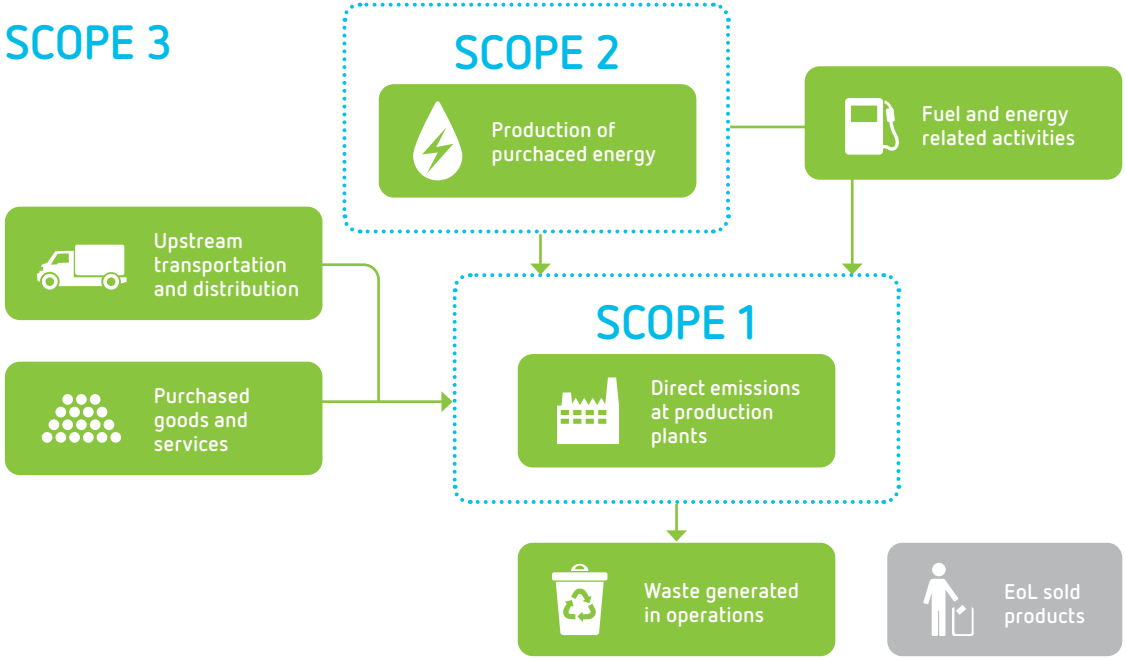
As our products will be in use for decades, it is likely that by the time they reach their end-of-life stage, most plastic will be fully recycled. Even if we have limited influence on consumer recycling behaviour, we proactively promote the recycling of plastics in our communication channels and we actively 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 2023, our relative carbon footprint that eliminates the impact of business growth remained at the same level at 1.8 kg CO2 eq./kg (2022: 1.8 kg CO2 eq./kg). Due to volume growth, our total emissions increased to 27,217 tCO2-e (2022: 25,309 tCO2-e). We continue our work to increase the share of renewable and recycled raw materials in our production in order to reduce emissions.

[1] Data is restated with updated information: update in emission factor of Euro-pallets (Scope 3, Purchased goods and services).

Carbon footprint 2020-2023 (tCO_2 eq.)

Year	Scope 1	Scope 2	Scope 3	Total	kgCO2 eq./kg of plastic products	EoL sold products
2020	72	3,052	28,742[1]	31,866[1]	2.2[1]	27,280
2021	66	0	33,871[1]	33,937[1]	2.1[1]	30,203
2022	74	0	25,235[1]	25,309[1]	1.8[1]	26,534
2023	66	0	27,151	27,217	1.8	30,047



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 2023, this share increased to 15.8% (2022: 13.6.%). In addition, the growth in sales of products made from renewable and recycled materials was significantly faster than the overall net sales growth. The growth was due to the fact that we switched to using ISCC PLUS certified, renewable, and recycled raw materials produced by applying the mass balance approach in several product ranges.

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 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 have OK Biobased certifications, which assures the share of bio-based raw materials in the products. We buy the renewable raw materials from reliable suppliers who we have long relationship with and require that the raw materials have applicable certificates.

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.

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 Europe. The EuCertPlast certification (European Certification of Plastics Recycling) is designed to ensure the traceability and transparency of recycled plastics in the European market. It verifies the quality and sustainability of plastic recycling processes.

The carbon footprint of our products made with recycled content is reduced by up to 65%.

We also use recycled plastic from industrial sources. This material originates from reliable EuCertPlast certified suppliers as well. The suppliers make the raw material by collecting post-industrial plastic waste from various sources, and the mix may vary. Post-industrial plastic waste is generated for example in industrial packaging, injection moulding, thermoforming, plastic manufacturing, and industrial processing.

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.

In addition, we use plastic raw material made from old fishing nets to produce household buckets and other household 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. We use Ocean Action label material in our products made from old fishing nets, which is the world's first label material made from ocean bound plastic waste.

ORTHEX AND FORTUM COLLABORATE TO CREATE NEW APPLICATIONS FOR RECYCLED PLASTIC

The long cooperation between Orthex and Fortum created a new application for Fortum Circo® PP-T recycled plastic material: Orthex SmartStore™ Collect product range grew with stylish black sorting bins.

The use of recycled materials and sustainable production have always been important values to Orthex. Currently, the prerequisite for all new products is that the material is either recycled or biobased.

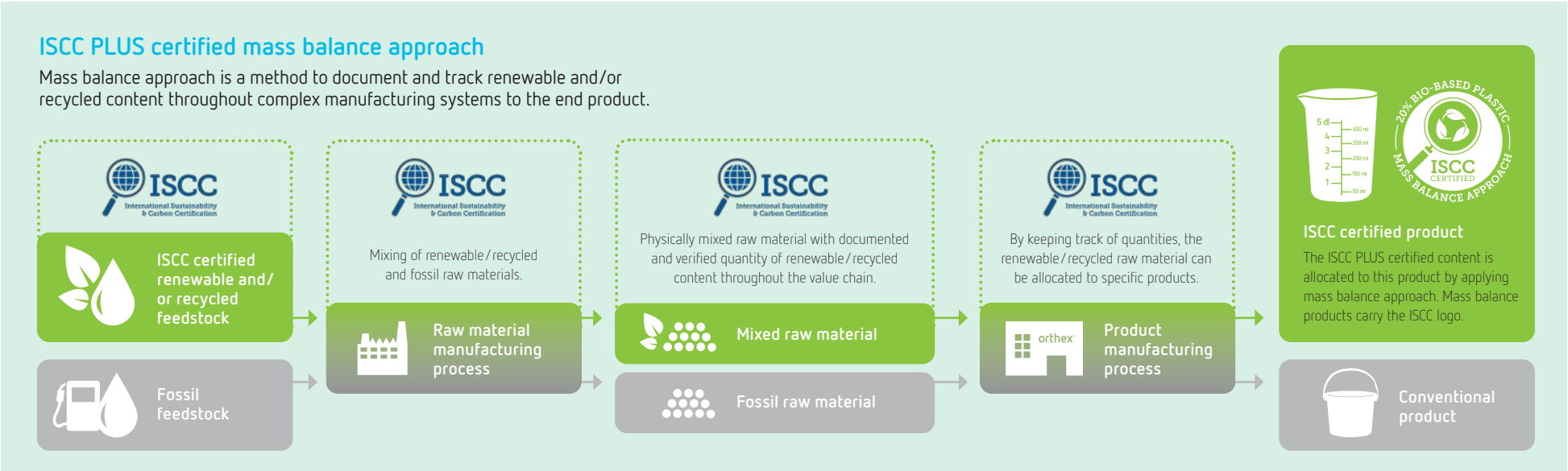
The collaboration between Orthex and Fortum started as early as 2016 when Fortum's plastic refinery in Riihimäki was established with the purpose of converting consumers' plastic waste into recycled plastic grades that suit different purposes. One of these plastic grade solutions was Fortum Circo®, which Orthex started to use to produce flowerpots and buckets.

The collaboration between the two companies has been ongoing ever since in the form of joint development projects and new applications. One of Fortum Circo's most important qualities is its low carbon footprint: the footprint for Fortum Circo® PP-T grades is over 65% smaller than the footprint of virgin polypropene.

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 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 as presented in the illustration below. This reduces the amount of fossil-based plastic in the world.

In 2023, the ISCC PLUS certificate of Orthex's Lohja factory was renewed and Gnosjö factory was granted the ISCC PLUS certificate. This allowed us to extend the usage of renewable and recycled raw materials produced by applying the mass balance approach in several new product ranges: SmartStore™ Vision dry food keepers, SmartStore™ Snack lunch boxes and GastroMax™ measuring cups. We also continued using renewable raw materials applying mass balance approach in the production of our popular SmartStore™ Compact and Compact Clear storage boxes. Each product has on average at least 20% of renewable or recycled raw material allocated to it, according to the mass balance approach. This way we can offer consumers more sustainable products. Applying mass balance approach 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.



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 to invest 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) programme supported by Business Finland, which aims to transform the plastics industry towards a more sustainable future.

As a part of the SPIRIT programme, Orthex is researching in collaboration with Fortum and other partners whether recycled plastic could be used in products suitable for food contact. The results of the product development and tests are encouraging and indicate that recycled plastic is, at least in principle, suitable for food contact. However, starting production on a profitable industrial scale would require e.g., further development of sorting technology. Challenges are also posed by the closed cycle required for product safety, i.e., ensuring that recycled plastic intended for food contact is made from plastic packaging that was originally used for packaging food.

In 2024, the research project will focus on the development of sorting technology, improvement of traceability, and further review of the legal restrictions.

> **Transforming 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, environmentally friendly plastic raw materials, test raw materials in production and as finished products, and then bring new products to the market.

During the year, Orthex has mapped potential new raw material suppliers and tested new plastic raw materials. As one example of the results of this work, Orthex launched to the market the new SmartStore™ Bedroller product, which is manufactured using a new recycled plastic raw material.

PIONEERING R&D COLLABORATION

As a part of the SPIRIT programme, Orthex and Fortum are researching whether Fortum Circo® recycled plastic could be used in products suitable for food contact, if it was made from plastic food packaging collected from consumers.

A specified amount of food packaging waste of different colours was separated from other plastic packaging waste at Fortum's plastic refinery in Riihimäki. The packages were then washed, shredded, and granulated into three different coloured recycled plastic granules. At Orthex's Lohja factory, granulates were made into freezer boxes. When the freezer boxes were tested, they passed all the same laboratory tests that Orthex regularly uses to ensure the safety and suitability of its products for food contact.

The executed pilot study shows that even mechanically recycled material is safe to use and can even be used in food packaging. The carbon footprint of the Fortum Circo®-PP grade used in the project is more than 70% lower than that of virgin polypropylene and was therefore a sustainable choice as a raw material.

The research results were promising, but the start of industrial use will require further research and improvements in the sorting technology. Going forward, the research project will focus on the development of sorting technology, improvement of traceability, and further review of the legal restrictions.

Resource efficiency

Our efficient operations save natural resources

Orthex's 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 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). Since we reached the target set for the year 2025 already in 2023, we will set a new target for energy efficiency during 2024.

Progress in energy consumption 2019-2023 (kWh/kg)

Year	Outcome	Target
2019	1.158	1.196
2020	1.131	1.145
2021	1.100	1.106
2022	1.092	1.073
2023	1.025	1.081

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 2023, we managed to reduce scrap even further so that the scrap rate was only 0.87%. As the scrap rate has been under the target set for the year 2024 for several years already, we will set a new target for scrap rate during 2024.

Progress in reducing production scrap 2019-2023 (cost of scrap products compared to produced volume, %)

Year	Outcome	Target
2019	1.47%	1.50%
2020	1.09%	1.50%
2021	0.98%	1.50%
2022	0.96%	1.47%
2023	0.87%	1.45%

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.

No wastewater is created in our operations, and no water is released into nature.

Biodiversity

Our biodiversity impacts come from our supply chains

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 together with the Finnish Chemical Industry Federation and other member companies we have created long-term, industry-level biodiversity vision, targets, and roadmap. The most significant identified impacts of the chemical industry on biodiversity are associated with raw material supply. These are greenhouse gas emissions, changes in land- and water-use and natural resource use and exploitation.

During 2023, we continued the cooperation with the Finnish Chemical Industry Federation to establish a common 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. Plastic is a valuable material and recycling plastic is a responsible act for a sustainable future.

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 on recycling.

RECYCLING 26,000 KG OF HARD PLASTIC

In 2023, Orthex promoted recycling of plastics in Finland by participating in a nation-wide awareness-raising campaign, and together with other industry operators collected almost 26,000 kilograms of hard plastics from consumers for recycling. This is more than double the amount collected in the previous year's campaign.

Orthex has participated in this campaign ever since it was started in 2018. The campaign highlights the importance of plastic recycling and encourages people to recycle also hard plastic items in addition to plastic packaging waste in their everyday life. The 2023 campaign gathered broken hard plastic items from households, like buckets, flowerpots, watering cans, and freezer boxes. The discarded products will get a new life as recycled plastic products or valuable energy, if feasible.

Orthex collected hard plastic items next to its Outlet in Lohja. Tom Ståhlberg, Operations Director of Orthex Lohja factory and ESG Advisor Katja Tolkki from Orthex as well as Vesa Kärhä, Managing Director of Finnish Plastics Industries Federation, were collecting the plastic items and giving recycling tips to consumers.

Social: Safe workplace and tested products

Caring for our people

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 work. 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 in the future.

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 also 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). This certificate was renewed in 2023. 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 at work – Lost-Time Incident Frequency (LTIF) rate. This KPI replaced the number of work-related accidents and allows us to benchmark our safety performance, since this KPI is widely used in peer companies. In this context, we defined the LTIF target for the year 2023 regarding the entire personnel as less than 20 incidents per million work hours. We achieved this target already in 2022, and in 2023, our employees' LTIF rate further improved and was 6 (2022: 9). Therefore, we have set a new LTIF target: less than 10 incidents per million work hours. This figure is clearly below the average LTIF rate in Finnish industry.

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 detect early any negative developments 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 reach the level of below 5%. In 2023, sickness absences decreased to 6.1% (2022: 6.5%). It is a top priority for us to ensure the health and safety of our employees and they 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.

Employee feedback helps us build a safe and motivating workplace.

Human resources

In human resources, we focus on constantly developing an organisation with highly motivated and skilled employees and competent 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.

In 2023, the annual employee survey was conducted based on a survey provided by a new service provider. The survey focuses on the following topics: engagement, leadership, team efficiency, organisational and social work environment, and management. The employee survey's response rate was excellent 98% (2022: 94%).

Along with the new employee survey, we introduced a new employee satisfaction KPI, Engagement Index, and set a target to improve it annually. Based on the responses to eight questions related to motivation and commitment, our employees' Engagement Index was 79/100 in 2023. Due to the new survey, we do not have a comparison figure from the year 2022.

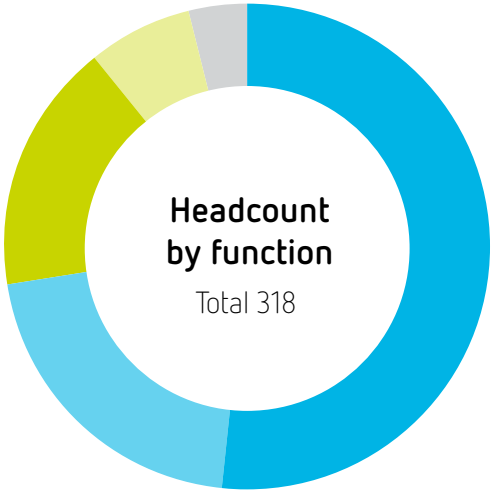
Employee survey helps to identify employee strengths and areas of improvement. Each team discussed the results of the survey and drew up plans for development actions with regular follow-up of their implementation.

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 trade unions and personnel representatives and engage in open dialogue with them. Our new employee survey also confirms that our employees feel that people are treated fairly at work, regardless of sex, age, or cultural background and that they can express themselves freely and safely and feel part of a greater context.

We operate an internal reporting system for employees' improvement proposals, reports of deviation and close calls. Each proposal and report 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 production site employee submit at least one development proposal annually. In 2023, we got 148 development proposals meaning that we didn't quite reach our target. In 2024, we will be even more active in communicating to our employees about the importance of development proposals.

We promote equality and do not tolerate discrimination in any form.



- Production (165)
- Warehouse (66)
- Sales (53)
- Admin (22)
- Marketing (12)

- Men 53%
- Women 47%

- Men 75%
- Women 25%

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 food storage products, excluding dry food keepers, 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 to 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 for them so that they can use it in their calculations and target setting.

> **We believe that satisfied customers and consumers will lead to a healthy and growing business.**

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 increases the efficiency of our logistics in Europe.

We measure customer satisfaction with a survey every second year. The latest survey was conducted in 2023 when we improved our customer satisfaction rate to 4.08 (2021: 3.93), on a scale from 1 to 5. Our customers were extremely pleased with the activity and help of their key contact persons at Orthex thanking them with an excellent rate of 4.5 (2021: 4.17). Orthex customers were also asked to rate Orthex as a forerunner in sustainability and the rate improved to 4.22 (2021: 3.88).

Sustainability governance: Part of everyday work

Orthex's sustainability strategy is confirmed annually for a three-year period including the company's key sustainability topics in environmental, social and governance (ESG) areas. Key performance indicators and targets are defined for each topic.

Sustainability work is led by the Board of Directors, the CEO, and the Management Team. The Board of Directors approves the company's sustainability strategy and annually set sustainability targets and monitors performance against the targets. The Management Team reviews the company's most important sustainability indicators monthly, and all indicators once a year. Progress in sustainability is part of the CEO's incentive plan (read more in the Remuneration Report 2023).

The everyday sustainability work at Orthex is integrated into all our operations and functions. Orthex's sustainability strategy is implemented by a dedicated team which monitors the progress of the set sustainability targets. The team is led by the Chief Marketing and Sustainability Officer (CMSO) and Operations Director (OD) who report directly to the CEO and are members of the Management Team. The team comprises ESG Advisor and representatives of our quality functions and, through the CMSO and OD, covers production, procurement, marketing, sustainability, 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. In addition, in 2023 Orthex established an ESG working group to prepare for the entry into force of the Corporate Sustainability Reporting Directive (CSRD), which applies to the company from the beginning of 2025.

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

We have a dedicated team that is monitoring the progress of set sustainability targets.

Sustainability-related risks

Orthex's risk management policy classifies risks into three groups: strategic, operational, and financial risks. Orthex assesses ESG risks as part of 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, information, 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 ISO 45001-certified management system (occupational safety risks). All our employees also receive training in cyber security, and competition law training is provided for employees in our commercial functions. Read more about our risk management and ESG risks in the Board of Directors' Report for the year 2023.

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%. In 2023, we achieved this target.

To promote accountability and foster a responsible company culture, we have an internally operated whistleblowing channel. 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 partner.

When Orthex receives a report on 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 the whistleblower, their personal data, and the subject of the report are always protected in accordance with the applicable whistleblower protection, data protection and information security laws. We did not receive any reports through the whistleblowing channel in 2023 nor the previous year.

> **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. 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. We did not fully reach that target yet in 2023: the result was 88%. We will continue the dialogue with the few suppliers for whom the process is still in progress.

In addition to engaging with our suppliers directly, we are a member of amfori BSCI, a platform that enables companies to improve visibility over the social performance of their supply chain. 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 2023 was in line with the target at 100% (2022: 94%).

Transparent reporting and commitment

We consider transparent reporting of our environmental, social and governance (ESG) impacts and efforts an important part of how we do business. We receive an increased 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 Annual and Sustainability Reports. In addition, Orthex also contributes to several third-party sustainability reports and commitments.

In 2023, Orthex participated for the first time in the EcoVadis ESG assessment and was awarded with a silver medal for sustainability performance. The result places Orthex globally among the top 18 percent of companies assessed by EcoVadis.

Orthex also 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 achieved our target to reach the Management level with a score B in CDP reporting. Outcome of the 2023 CDP reporting was disclosed in February 2024, and we reached the highest Leadership level with a score A- meaning that we exceeded our target. Companies receiving a Leadership level score must demonstrate both awareness of their impact on the environment, and commitment to reduce emissions to keep global warming below 1.5°C in accordance with the Paris Agreement.

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 data on environmental, social and governance issues to investors and other stakeholders.

We reached the highest Leadership level with a top score A- in the CDP climate reporting.

GOVERNANCE

CORPORATE GOVERNANCE STATEMENT 2023

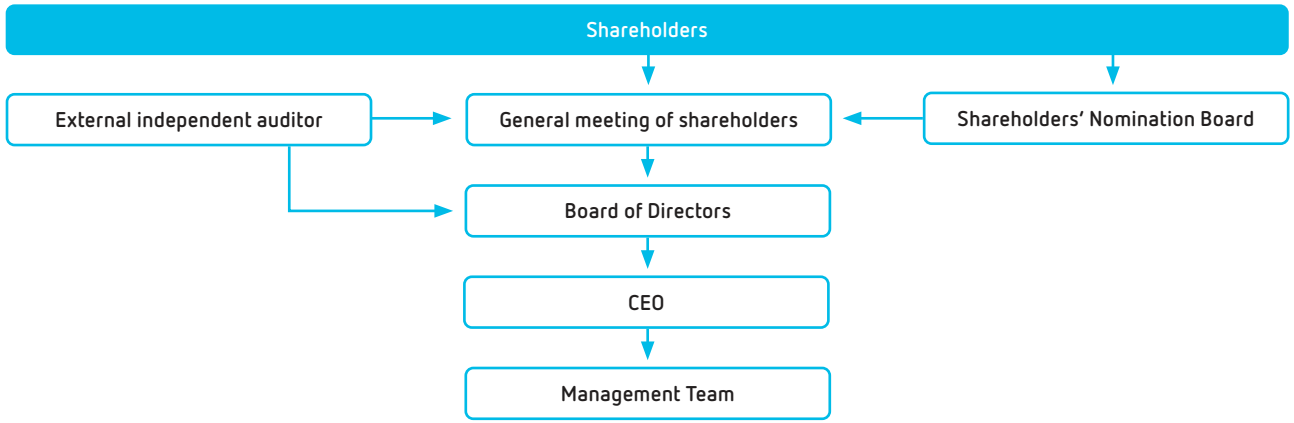
Orthex Corporation ("Orthex" or "the company") is a public limited liability company listed on Nasdaq Helsinki Ltd and headquartered in Espoo, Finland. The company's corporate governance complies with the company's Articles of Association and Corporate Governance Principles as well as rules and regulations 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 the Board of Directors' report and with the company's financial statements, sustainability report, and the remuneration report for the year 2023 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 the General Meeting of Shareholders.

Annual General Meeting 2023

Orthex Corporation's Annual General Meeting was held on 18 April 2023 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 year 2022. The general meeting also approved the amended remuneration policy and the remuneration report 2022 for the governing bodies.

The general meeting resolved that for the financial year 2022, shareholders will be paid a dividend of EUR 0.11 per share totalling approximately EUR 2.0 million in two instalments. The first instalment of the dividend amounting to EUR 0.06 per share was paid on 27 April 2023 and the second instalment amounting to EUR 0.05 per share on 10 October 2023.

The general meeting resolved that **Sanna Suvanto-Harsaae**, **Markus Hellström**, **Jyrki Mäki-Kala** and **Jens-Peter Poulsen** be re-elected to the Board and that **Anette Rosengren** be elected as new member to the Board. The Board members' term of office will end at the end of the next Annual General Meeting. **Satu Huber** stepped down from the Board.

The new director **Anette Rosengren** (b. 1966) is Swedish citizen and holds a bachelor's degree in business administration. Since 2019, she serves Philip Morris International as the Managing Director for the Nordics. Prior to that, she held Managing Director position at Fazer Bakery in Sweden and CEO position at Lantmännen Doggy. Ms Rosengren started her professional career at Unilever in marketing and commercial roles and then joined Kraft Foods where she made over ten-year career advancing to international director and VP positions with responsibilities mainly in marketing, category development, and strategic development. Since 2016, she is a member of the Board of Directors of the Greenfood Group.

Sanna Suvanto-Harsaae continues to chair Orthex Board of Directors. 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, was re-elected the company's auditor for a term of office ending at the end of the next Annual General Meeting. As announced by Ernst & Young Oy, APA **Mikko Rytilahti** acts as the signing audit partner succeeding APA **Johanna Winqvist-Ilkka**. The remuneration of the auditor was resolved to be paid according to a reasonable invoice approved by the Board.

In addition, the general meeting resolved to make technical amendments to Articles 5 and 8, and to supplement the Article 10 of the Articles of Association so that the general meeting of shareholders may also be held completely without a physical meeting venue as a virtual meeting.

The general meeting also authorised the Board of Directors to issue or convey a total maximum of 1,600,000 new shares and special rights entitling to shares in one or several issues and to acquire a maximum of 175,000 shares in the company. The authorisations will be valid until 30 June 2024.

Further information about the decisions of the general meeting can be found in the AGM documents, which are available on the corporate website at **Annual General Meeting 2023 – Orthex Group**.

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 2023, the Board held 9 meetings. Some of these meetings were held remotely. Attendance in the meetings is reported in the table below.

Number of Board meetings and members' attendance 2023

Director	Attendance / No. of meetings	Attendance-%
Sanna Suvanto-Harsaae (Ch.)	9/9	100
Markus Hellström	9/9	100
Satu Huber[1]	2/2	100
Jyrki Mäki-Kala	8/9	89
Jens-Peter Poulsen	9/9	100
Anette Rosengren[2]	7/7	100

[1] Member until 18 April 2023.
[2] Member from 18 April 2023.

Diversity of the Board of Directors

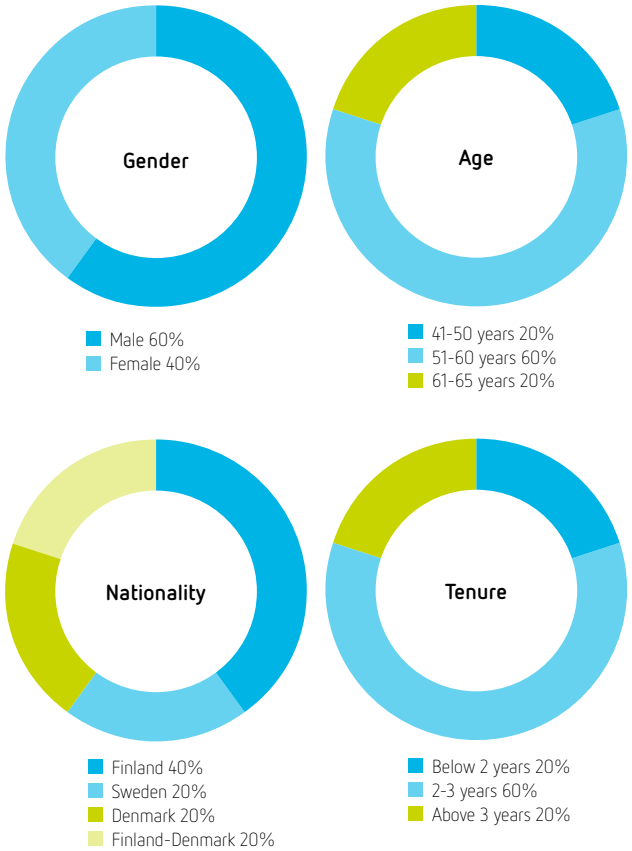
Orthex regards diversity as an important and natural approach in its operations. Diversity shall be part of such cooperative and functional Board of Directors which is able to respond to the requirements set out in the company's business and strategic objectives. Such Board of Directors will also be 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 2023, the company's Board of Directors comprised five members. Diversity of the Board of Directors with respect to gender, nationality, age, tenure as well as educational and professional background is described on this and on the next two pages. Additional information for example on the Board members' previous positions of trust is available on the corporate website at **Board of Directors - Orthex Group**.



Members of the Board of Directors on 31 December 2023

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

- Finnair Plc, Chair of the Board of Directors since 2023
- N'Age A/S, Chair of the Board of Directors since 2023
- 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
- 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 Oy Snellman Ab since 2023

- Fazer Group, Executive Vice President, and Managing Director of Fazer Confectionery Ltd. 2020–2023
- Fazer Bakeries Finland, Country Manager and 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

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, Vice-Chair of the Board of Directors since 2023 and member of the Board and Chair of the Audit Committee since 2020
- Outokumpu Oyj, member of the Board of Directors and Chair of the Audit Committee since 2023

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

Anette Rosengren

Member of the Board of Directors since 2023

Born 1966
Swedish citizen
Bachelor's degree in business administration
Independent of the company and its significant shareholders

Main occupation: Managing Director of Philip Morris Nordics since 2019

- Fazer Bakery (Sweden), Managing Director 2015–2018
- Lantmännen Doggy, CEO 2012–2015
- Lantmännen Group, SVP, Head of CF Communication, Sustainability and R&D 2008–2012
- Kraft Foods, Director, Strategic Development and Marketing, Nordic 2005–2008
- Kraft Foods (Austria), VP Category Development, EEMA region 2004–2005
- Kraft Foods (USA), Director, Marketing Service, International 2002–2004
- Kraft Foods (Nordic), marketing and commercial roles 1995–2003
- Unilever, marketing and commercial roles 1989–1995

- Greenfood AB (publ), member of the Board of Directors since 2016

Shareholdings of the members of the Board of Directors

The shareholdings of the members of the Board of Directors and their closely associated persons as at the end of 2023, 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 2023

Director	Position	Number of shares on 31 Dec. 2023
Sanna Suvanto-Harsaae	Chair	8,515
Markus Hellström	member	3,640[1]
Jyrki Mäki-Kala	member	2,010
Jens-Peter Poulsen	member	15,713
Anette Rosengren	member	2,000
Total		**31,878**
% of total number of shares		0.2%
Orthex total number of shares		**17,758,854**

[1] Incl. holdings of closely associated persons

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 on the corporate website at **Nomination Board - Orthex Group**. 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 2023, the shareholders represented in the Shareholders' Nomination Board are Conficap Oy, Alexander Rosenlew, Ilmarinen Mutual Pension Insurance Company and Thominvest Oy (former Thomasset Oy).

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

- **Maarit Toivanen**, Chair of Board of Directors, Conficap Oy
- **Alexander Rosenlew**
- **Annika Ekman**, Head of Direct Equity Investments, Ilmarinen Mutual Pension Insurance Company
- **Mats Söderström**, CEO, Thominvest 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 2023.

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 2023.

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.

Members of Orthex's Management Team are presented on the following page. No changes took place in the composition of the Management Team during 2023. Additional information on the Management Team members' career history and potential positions of trust is available on the corporate website at **Management Team - Orthex Group**.

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 2023, 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 2023

Management Team member	Position	Number of shares on 31 Dec. 2023
Alexander Rosenlew	CEO	2,047,726
Oy Rosaco Ab [1]		33,500
Saara Mäkelä	Chief Financial Officer	141,000
Hanna Kukkonen	Chief Marketing and Sustainability 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	315,250 [2]
Total		**2,992,226**
% of total number of shares		16.8%
Orthex total number of shares		**17,758,854**

[1] Controlled entity
[2] Incl. holdings of closely associated persons

Members of the Management Team on 31 December 2023

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

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 and Sustainability 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 (until 30 April 2024)

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

Chief Supply Officer as of 1 March 2024
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 2023.

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. Orthex does not maintain a list of permanent insiders.

The persons in managerial position at Orthex may not enter into transactions with Orthex financial instruments 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 financial 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 financial report or financial statements release. In addition, Orthex recommends that persons discharging managerial responsibilities in the company do not engage in transactions with the company's financial instruments after the end of each quarterly period and that they time their potential transactions to the two-week-period, which begins on a date following the disclosure date of the afore mentioned financial reports.

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

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 with Orthex's 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 assessment 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 internally operated 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 at **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 2023, Ernst & Young Oy, a firm of Authorised Public Accountants, was elected the company's auditor with **Mikko Rytilahti**, Authorised Public Accountant, as the signing audit partner succeeding **Johanna Winqvist-Ilkka**, Authorised Public Accountant. The audit fees paid to the auditor in 2023 totalled EUR 208 thousand (2022: 174 thousand). In addition, EUR 12 thousand (2022: 35 thousand) was paid to the auditor for non-audit services.

REMUNERATION REPORT 2023

Orthex Corporation's ("Orthex" or "the company") remuneration report for the financial year 2023 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 9 April 2024 for the shareholders' advisory approval.

This remuneration report describes how Orthex has applied the amended remuneration policy approved at the company's Annual General Meeting on 18 April 2023. The remuneration policy was amended 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. 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 2023. 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.

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 2023

In 2023, 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 2023.

During the financial year 2023, 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 2023 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 2023 consisted of fixed base salary with fringe benefits and variable short-term incentive paid for the performance in 2022. The set performance targets for the company's short-term incentive plan 2022 were mostly not achieved. The CEO's total remuneration in the financial year 2023 amounted to EUR 437,427, of which variable remuneration accounted for 2.7 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. The salaries and incentives paid to the CEO are disclosed under section "Remuneration of the CEO".

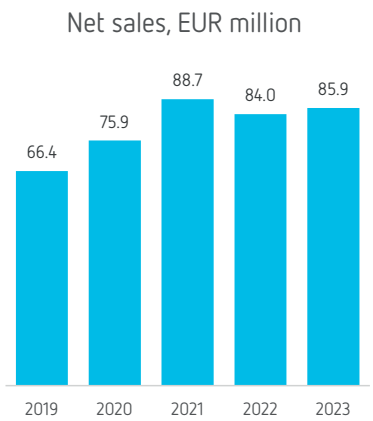
Development of the Group's financial performance and remuneration

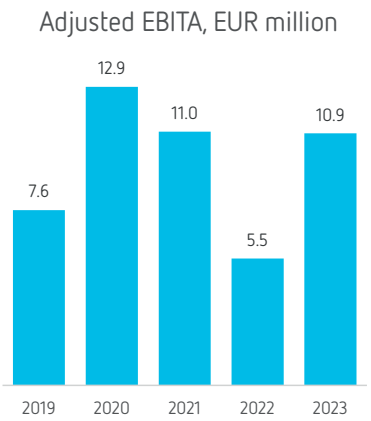
The following table shows the development of the total remuneration of the Board of Directors and the CEO compared to the development of Orthex employees' average remuneration and the company's financial development over the past five years.

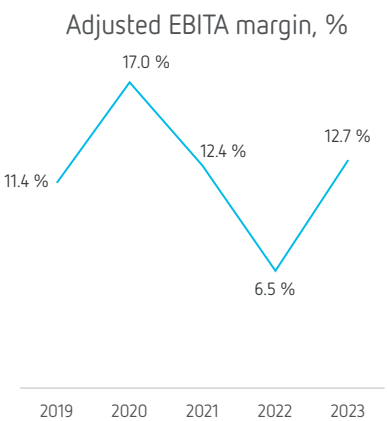
Development of total remuneration and financial development over the past five years

EUR thousand	2023	2022	2021	2020	2019
Net sales	85,945	84,048	88,694	75,865	66,427
Adjusted EBITA	10,918	5,490	10,996	12,933	7,593
Board of Directors[1)]	144	144	126	71	58
CEO[1)]	437	527	478	367	302
Employees' average remuneration[2)]	59	55	58	55	53

[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 2023 Annual General Meeting was prepared by the company's Shareholders' Nomination Board.

In accordance with the decision of the Annual General Meeting in 2023, 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 2023 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 2023

EUR	Remuneration
Sanna Suvanto-Harsaae (Ch.)	48,000
Markus Hellström	24,000
Satu Huber[1]	8,000
Jyrki Mäki-Kala	24,000
Jens-Peter Poulsen	24,000
Anette Rosengren[2]	16,000
Total	**144,000**

[1] Member of the Board until 18 April 2023.
[2] Member of the Board from 18 April 2023.

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 2023, 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 2023, the metrics and weights of the CEO's incentive plan were as follows: profitability 50%, turnover 35%, sustainability 15%. During the financial year 2023, 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 2023 are shown in the table below. The CEO's monthly salary was adjusted in December 2023. The incentive paid in 2023 is based on the 2022 short-term incentive plan. The CEO's earned short-term incentive for 2022 was 5% of the annual maximum short-term incentive. The set performance targets for the company's short-term incentive plan 2022 were mostly not achieved.

Remuneration of the CEO paid in 2023

EUR	2023
Fixed based salary and mobile phone benefit	425,527
Incentives	11,900
Other financial benefits	-
Total	**437,427**
Share of fixed pay of total remuneration	97.3%
Share of variable pay of total remuneration	2.7%

The CEO participated in the company's short-term incentive plan 2023. The CEO's earned short-term incentive for 2023 was 50% of the annual maximum short-term incentive. The performance-based incentive for the year 2023 will be paid in April 2024.

Remuneration of the CEO not yet paid but due based on the year 2023

Short-term incentive scheme	EUR
Remuneration due based on the achievement of STI performance targets in 2023	125,748

FINANCIAL REVIEW

CONTENTS

Board of Directors' report 61

KEY FIGURES 75

Financial statements 82

CONSOLIDATED FINANCIAL STATEMENTS, IFRS 83

Consolidated income statement 83
Consolidated statement of comprehensive income 83
Consolidated statement of financial position 84
Consolidated statement of changes in equity 85
Consolidated statement of cash flows 86

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 87

1. Accounting principles for the consolidated financial statements 87
2. Net sales 90
3. Other operating income 91
4. Operating expenses 91
5. Employee benefits 92
6. Financial income and expenses 94
7. Income taxes 95
8. Intangible assets 98
9. Property, plant and equipment 100
10. Leases 102
11. Financial assets and financial liabilities 104
12. Fair value hierarchy 114
13. Inventories 116
14. Trade and other receivables 116
15.Trade and other payables 116
16. Share capital and reserves 117
17. Related party disclosures 118
18. Collaterals, commitments and contingent assets and liabilities 119
19. Subsequent events 119

PARENT COMPANY FINANCIAL STATEMENTS, FAS 120

Parent company income statement 120
Parent company balance sheet 121
Parent company statement of cash flows 122
Notes to the parent company financial statements 123

SIGNATURES OF THE BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS 127

AUDITOR'S REPORT 128

BOARD OF DIRECTORS' REPORT

Board of Directors' report

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

Orthex strives to create functional, durable, 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 outsourced 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 eight local sales organisations located in the Nordics, Germany, France, the United Kingdom, and the Benelux.

Key figures

EUR million	2023	2022	2021
Invoiced sales	88.0	85.8	90.6
Net sales	85.9	84.0	88.7
Gross margin	24.3	17.9	23.2
Gross margin, %	28,3%	21.3%	26.2%
EBITDA	14.9	9.2	13.2
EBITDA margin, %	17.3%	10.9%	14.9%
Adjusted EBITDA	14.9	9.3	14.8
Adjusted EBITDA margin, %	17.4%	11.1%	16.7%
EBITA	10.9	5.3	9.4
EBITA margin, %	12.6%	6.3%	10.6%
Adjusted EBITA	10.9	5.5	11.0
Adjusted EBITA margin, %	12.7%	6.5%	12.4%
Operating profit	10.8	5.2	9.3
Operating profit margin, %	12.5%	6.2%	10.4%
Net cash flows from operating activities	10.2	6.2	9.0
Net debt / Adjusted EBITDA	1.5x	2.8x	1.7x
Adjusted return on capital employed (ROCE), %	31.8%	15.9%	33.0%
Equity ratio, %	40.2%	36.3%	35.8%
Earnings per share, basic (EUR)	0.39	0.12	0.35
FTEs	281	295	314

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 30.7% between 2009 and 2022. 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 interest in cooking at home, which is becoming more common as a healthy, and less expensive way of eating. 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, avoiding food waste, 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 sorting and recycling 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.

The uncertainties related to the general development of the global economy, such as the risk of an economic recession, general cost inflation, increased interest rates and energy crisis as well as geopolitical tensions influence consumer confidence, purchasing power and behaviour and, as a result, can have an impact on Orthex's business. As a result of the prevailing consumption uncertainty, many retailers are carefully monitoring their inventory levels. 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 2023, the Group's Net sales increased by 2.3% to EUR 85.9 million (84.0). Invoiced sales amounted to EUR 88.0 million (85.8). The increase of constant currency Net sales was 5.3% compared to 2022.

2023 net sales were particularly affected by careful consumer behaviour, cost inflation, consumer and customer uncertainty, and weak exchange rates in Sweden and Norway. The growth in net sales in the second half of the year was driven by strong in-store activities, new product and customer listings, and normalising demand in the Nordics.

EBITA was 10.9 million (5.3) during 2023 and increased by 104.3%. Adjusted EBITA increased by 98.9% to EUR 10.9 million (5.5). Adjusted EBITA margin increased to 12.7% (6.5). Operating profit was EUR 10.8 million (5.2). Items affecting comparability totalled EUR 0.1 million (0.2).

Orthex's financial income and expenses during the financial year consisted of EUR 2.2 million net expenses (2.2).

Profit before taxes was EUR 8.5 million (3.0) and profit for the period was EUR 6.9 million (2.1).

During the review period, the most significant factor affecting profitability was the decrease in raw material prices from the exceptional high level in 2022 closer to the long-term average. The electricity support from the Swedish State during Q2 had a positive effect on profitability. The net effect of the weakening values of the Swedish and Norwegian krona on profitability was negative.

Development by geography

Orthex's core market area by geography is the Nordics, where the Group's invoiced sales in 2023 amounted to EUR 68.7 million (68.5). Invoiced sales in the Nordics totalled 78.1% (79.8) of the Group's total invoiced sales. Invoiced sales in the Rest of Europe grew to EUR 18.5 million (15.9). Sales in the Rest of the world decreased to EUR 0.8 million (1.5).

Invoiced sales increased in the Nordic core markets thanks to generally successful campaigns and levelled inflation. In the strategically important European markets, sales developed positively during the year.

Orthex's products are sold in more than 40 countries, and export to non-Nordic countries grew by 11.2 percentage points and accounted for 21.9% (20.2) of the Group's invoiced sales at the end of the period.

Invoiced sales by geography

EUR million	2023	2022	2021
Nordics	68.7	68.5	73.0
Rest of Europe	18.5	15.9	15.1
Rest of the world	0.8	1.5	2.4
Total	**88.0**	**85.8**	**90.6**

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 60.0 million (55.1) during 2023. The Storage category represents most of the business outside of the Nordic countries and the positive sales development in the Rest of Europe took the overall Storage category growth to 8.9% compared to the previous year.

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 18.6 million (19.8). Sales of Kitchen products declined driven by the careful Nordic customer and consumer behaviour.

Invoiced sales in the Plant Care category decreased to EUR 4.8 million (5.5).

Invoiced sales in the Home & Yard category decreased to EUR 4.6 million (5.3).

Invoiced sales by product category

EUR million	2023	2022	2021
Storage	60.0	55.1	59.4
Kitchen	18.6	19.8	20.1
Plant Care	4.8	5.5	5.7
Home & Yard	4.6	5.3	5.4
Total	**88.0**	**85.8**	**90.6**

Financial position and cash flow

At the end of December, the balance sheet totalled EUR 85.6 million (81.8), of which equity accounted for EUR 34.4 million (29.7).

The Group's net debt was EUR 22.3 million (26.0) at the end of the review period. Non-current interest-bearing liabilities were EUR 29.6 million (32.0) and Orthex's total interest-bearing liabilities were EUR 33.9 million (36.3). Interest-bearing liabilities include loans from credit institutions, pension liabilities and lease liabilities.

During the period January–December 2023, the Group's net cash flows from operating activities were EUR 10.2 million (6.2) and cash conversion was 82.6% (61.9). Interest paid during the period totalled EUR 1.9 million (1.1). Cash and cash equivalents amounted to EUR 11.6 million (10.3) at the end of the review period.

Net debt/adjusted EBITDA was 1.5x (2.8). Orthex's long-term target is to keep Net debt/adj. EBITDA below 2.5x.

At the end of the review period, the Group's Equity ratio was 40.2% (36.3). Adjusted return on capital employed (ROCE) was 31.8% (15.9) and return on equity (ROE) 21.5% (6.9).

Investments, research, and product development

Orthex's investments during 2023 amounted to EUR 2.6 million (3.6) and were mainly related to 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. Since January 2023, Orthex is participating in a large seven-year cooperation research project to find new potential renewable plastic raw materials.

During 2023, Orthex tested the suitability of recycled plastic for the food contact, and the results have been promising. In addition, Orthex has mapped potential renewable raw material suppliers and tested new 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 2023, the average number of personnel employed by Orthex was 281 (295) and wages and salaries amounted to EUR 17.9 million. In 2022 and 2021, wages and salaries amounted to EUR 18.3 million and EUR 19.7 million, respectively. Group headcount at the end of the financial year was 318 (316), of which 52% (54) worked in production, 21% (21) in warehouse, 18% (16) in sales, 6% (5) in administration and 4% (4) in marketing.

Group structure

There were no changes in the Group structure during 2023.

Governance

The company's 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 2023 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 18 April 2023 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 year 2022. The general meeting also approved the amended remuneration policy and the remuneration report 2022 for the governing bodies.

The general meeting resolved that for the financial year 2022, shareholders will be paid a dividend of EUR 0.11 per share totalling approximately EUR 2.0 million in two instalments. The first instalment of the dividend amounting to EUR 0.06 per share was paid on 27 April 2023 and the second instalment amounting to EUR 0.05 per share on 10 October 2023.

The general meeting resolved that Sanna Suvanto-Harsaae, Markus Hellström, Jyrki Mäki-Kala and Jens-Peter Poulsen be re-elected to the Board and that Anette Rosengren be elected as new member to the Board. The Board members' term of office will end at the end of the next Annual General Meeting. Satu Huber 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, was re-elected the company's auditor for a term of office ending at the end of the next Annual General Meeting. As announced by Ernst & Young Oy, APA Mikko Rytilahti acts as the signing audit partner succeeding APA Johanna Winqvist-Ilkka. The remuneration of the auditor was resolved to be paid according to a reasonable invoice approved by the Board.

In addition, the general meeting resolved to make technical amendments to Articles 5 and 8, and to supplement the Article 10 of the Articles of Association so that the general meeting of shareholders may also be held completely without a physical meeting venue as a virtual meeting.

The general meeting also authorised the Board of Directors to issue or convey a total maximum of 1,600,000 new shares and special rights entitling to shares in one or several issues and to acquire a maximum of 175,000 shares in the company. The authorisations will be valid until 30 June 2024.

Further information about the decisions of the general meeting can be found in the AGM documents, which are available on the corporate website at **Annual General Meeting 2023 – Orthex Group**.

Board of Directors

On 31 December 2023, the company's Board of Directors consisted of the following members: Sanna Suvanto-Harsaae (Chair), Markus Hellström, Jyrki Mäki-Kala, Jens-Peter Poulsen and Anette Rosengren.

Management's ownership and remuneration

On 31 December 2023, 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 3,024,104 shares in the company, 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 2023 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 2023.

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 2023 were Conficap Oy, Alexander Rosenlew, Ilmarinen Mutual Pension Insurance Company, and Thominvest Oy (former Thomasset Oy).

On 12 September 2023, the company announced that these shareholders have appointed their representatives to the Shareholders' Nomination Board, the composition of which is as follows:

- Maarit Toivanen, 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 Thominvest 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 the main list of Nasdaq Helsinki Ltd since 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 7.3 million and 1,497,211 shares. The highest price of the share was EUR 5.76 and the lowest was EUR 3.70. The closing price of the share at the end of December was EUR 5.40. The year-end market value of the share capital stood at EUR 95.9 million. The company did not have any treasury shares at the end of the review period.

At year-end, the number of registered shareholders including nominee registers was 15,587. The nominee-registered shares accounted for 11.8% of the total number of shares and amounted to 2,099,534 shares. At the end of the period, the ten largest registered shareholders possessed a total of 50.0% of Orthex's shares and votes.

Authorisations, option and share-based incentive schemes

During 2023, Orthex did not have any share option or share-based incentive schemes.

Orthex's Board of Directors is authorised to issue or convey a total maximum of 1,600,000 shares and special rights entitling to shares in one or several issues. The Board of Directors is also authorised to acquire a maximum of 175,000 shares in the company. The authorisations will be valid until 30 June 2024. The Board of Directors has no other authorisations.

Major shareholders 31 Dec 2023*

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
Thominvest 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	435,571	2.45
Fondita Nordic Micro Cap Investment Fund	328,500	1.85
Ståhlberg Tom Christian	313,000	1.76
Aktia Capital Mutual Fund	300,000	1.69
Total	**8,879,288**	**50.0**

*) Source: Euroclear Finland

Sector distribution 31 Dec 2023*

Sector	No. of shares	% of shares
Households	6,342,003	35.71
Private companies	4,984,389	28.07
Financial and insurance institutions	1,814,034	10.21
Public sector organisations	2,188,906	12.33
Non-profit institutions	308,922	1.74
Foreigners	21,066	0.12
Nominee registered	2,099,534	11.82
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 2023*

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1-100	10,408	66.77	576,192	3.25
101-1,000	4,605	29.54	1,435,461	8.08
1,001-10,000	484	3.11	1,211,072	6.82
10,001-100,000	70	0.45	2,253,848	12.69
100,001-1,000,000	16	0.10	4,816,969	27.12
> 1,000,000	4	0.03	7,465,312	42.04
Total	**15,587**	**100**	**17,758,854**	**100**
Nominee registered	7	0.04	2,099,534	11.82

*) 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. For example, a prerequisite for all new product investments is that the material should be either recycled or renewable.

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. The Science Based Targets initiative (SBTi) has 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 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 on the company's sustainability strategy, targets, and results for 2023 can be found in the Annual and Sustainability Report's dedicated section on sustainability.

Sustainability actions in 2023

During the first quarter of 2023, Orthex's Lohja factory was audited and ISCC PLUS certificate was renewed. Usage of ISCC PLUS certified renewable raw materials applying the mass balance approach support Orthex's long-term carbon neutrality target, and the target to increase the share of sustainable raw materials in production.

During the second quarter of the year, Orthex participated in Ecovadis ESG assessment for the first time and was awarded with a silver medal for its sustainability performance. The assessment results places Orthex globally among the top 18 percent of companies assessed by EcoVadis, the world's largest and most trusted provider of business sustainability ratings. In May, Orthex's Gnosjö factory was granted an ISCC PLUS certificate, that will enable the company to extend the usage of ISCC PLUS certified renewable raw materials applying the mass balance approach in the production. In June, Orthex was awarded the Nasdaq ESG Transparency Partner badge for 2022 ESG reporting.

During the third quarter of the year, Orthex extended its usage of ISCC PLUS certified renewable raw materials applying mass balance approach in the production into new products: SmartStore™ Vision dry food keepers and SmartStore™ Snack lunch boxes as well as GastroMax™ measuring cups. Each product has on average at least 20% of renewable content allocated to it, according to the mass balance approach. In September, Orthex started preparations for the entry into force of the Corporate Sustainability Reporting Directive (CSRD), which will apply to the company from the beginning of 2025.

During the last quarter of the year, Orthex renewed ISO 9001, 14001 and 45001 certificates for quality, environment and health and safety in all its factories and offices in Finland and Sweden. These management systems support Orthex's journey for even better product quality, environmental performance, and safety at work. In October, Orthex participated in a competition for the most sustainable product in Finland with two products: Orthex™ Paulina flowerpot and the SmartStore™ Collect sorting solution. Out of almost 200 pre-screened products, the competition panel selected Orthex's SmartStore™ Collect sorting solution as one of the 16 finalists. The purpose of this competition is to fight against greenwashing by highlighting consumer products that support a sustainable lifestyle.

Orthex participates in two large research projects for the development of recycled and renewable plastics. During 2023, Orthex tested the suitability of recycled plastic for the food contact, and the results have been promising. In addition, Orthex has mapped potential renewable raw material suppliers and tested new 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.

Orthex reports on risk management and management practices related to climate change in Climate Disclosure Project's (CDP) climate change program annually. Outcome of the 2023 CDP reporting was disclosed in February 2024, and Orthex reached the highest Leadership level with a score A-.

A comprehensive description of Orthex's sustainable business practices is included in the 2023 Annual and Sustainability Report's dedicated section on sustainability. As brought up in the sustainability report, 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 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

Cost inflation, interest rate levels, and geopolitical 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 or the conflict between Israel and Hamas do not directly affect Orthex's business as Orthex does not sell products to Russia, Belarus, Ukraine, or Israel or source raw materials from these countries. However, geopolitical tensions cause disturbances in global supply chains and contribute 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.

In the comparison period 2022, the raw material prices were at an exceptionally high level throughout the year, and this had an adverse effect on Orthex's profitability. During 2023, the raw material price level was more normal. Fluctuations in the raw material prices 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 position 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. At the time of publishing this report, the company's claim for adjustment was still pending.

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 have had and may continue to have a material adverse effect on Orthex's results of operations.

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 2023, 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 2023, the parent company's distributable funds amount to EUR 18,987,687.26, including the profit for the period of EUR 8,636,002.00.

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 2023, shareholders be paid a dividend of EUR 0.21 per share totalling approximately EUR 3.7 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 0.11 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 11 April 2024. The Board of Directors proposes that the first instalment of the dividend be paid on 18 April 2024.
- The second instalment of the dividend amounting to EUR 0.10 per share will be paid in October 2024 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 2024. The Board of Directors proposes that the second instalment of the dividend be paid on 9 October 2024. 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 9 January 2024, Orthex Corporation announced that Peter Ottosson, member of Orthex's Management Team and Operations Director of the Gnosjö factory, has decided to leave his position to assume a role with another employer. Mr Ottosson will continue in his current role until the month of May. Orthex has started the succession planning process.

On 30 January 2024, Orthex Corporation disclosed the Shareholders' Nomination Board's proposals to the Annual General Meeting 2024 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, Jens-Peter Poulsen and Anette Rosengren be re-elected to the Board, all for a term of office ending at the end of the next Annual General Meeting.

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 at **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.

On 14 February 2024, Orthex announced that Operations Director Tom Ståhlberg has been appointed Chief Supply Officer (CSO) assuming the overall responsibility for Orthex production, supply chain and purchasing starting 1 March 2024. The change also removed the need to replace Peter Ottosson's position in the Management Team.

Market outlook

Global volatility, cost inflation, consumer and customer uncertainty, and weak exchange rates in Sweden and Norway affected the business environment during 2023. Whilst inflation pressures eroded consumer demand in the first half of the year, demand recovered towards the end of 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 the business development.

In 2023, raw material prices stabilised from exceptionally high levels a year before. The price level in 2024 will be affected by the development of the demand for plastic raw materials and the potential escalation of the crisis in the Middle East. The European Central Bank's forecast says that inflation pressures will ease in 2024 and the increase in earnings level will help the private consumption to recover. Orthex will follow the market trends and strive to navigate through changing conditions as efficiently as possible.

Orthex long-term target is to exceed 10 percent growth in organic net sales outside the Nordics. In 2023, invoiced sales in the Rest of Europe grew 16.4 percent. International distribution build-up is progressing according to plan, delivering a growing base of customers and point of sales throughout Europe. In addition, Orthex has strengthened its international sales organisation supporting the positive sales development in the Rest of Europe in 2024.

Russia's war against Ukraine or the conflict between Israel and Hamas do not directly affect Orthex's business as Orthex does not sell products to Russia, Belarus, Ukraine, or Israel or source raw materials from these countries. However, geopolitical tensions cause disturbances in global supply chains and contribute to the general economic trend and consumers' purchasing power and behaviour.

Espoo, 4 March 2024
Board of Directors

Key figures

EUR thousand	2023	2022	2021
Net sales	85,945	84,048	88,694
Net sales growth, %	2.3%	-5.2%	16.9%
Constant currency net sales growth, %	5.3%	-3.8%	15.7%
Invoiced sales	87,989	85,794	90,552
Invoiced sales growth, %	2.6%	-5.3%	16.3%
Gross margin	24,320	17,919	23,204
Gross margin, %	28.3%	21.3%	26.2%
EBITDA	14,892	9,154	13,226
EBITDA margin, %	17.3%	10.9%	14.9%
EBITA	10,863	5,317	9,380
EBITA margin, %	12.6%	6.3%	10.6%
Operating profit	10,750	5,191	9,250
Operating profit margin, %	12.5%	6.2%	10.4%
Items affecting comparability	55	173	1,616
Adjusted gross margin	24,320	17,919	23,279
Adjusted gross margin, %	28.3%	21.3%	26.2%
Adjusted EBITDA	14,947	9,328	14,842
Adjusted EBITDA margin, %	17.4%	11.1%	16.7%
Adjusted EBITA	10,918	5,490	10,996
Adjusted EBITA margin, %	12.7%	6.5%	12.4%
Adjusted operating profit	10,805	5,364	10,867
Adjusted operating profit margin, %	12.6%	6.4%	12.3%
FTEs	281	295	314
Personnel expenses	17,921	18,300	19,693

EUR thousand	2023	2022	2021
Key cash flows indicators			
Net cash flows from operating activities	10,169	6,177	8,979
Operating free cash flows	12,353	5,774	10,046
Cash conversion, %	82.6%	61.9%	67.7%
Investments in tangible and intangible assets	-2,594	-3,553	-4,797
Financial position key figures			
Net debt	22,317	26,028	25,887
Net debt / adjusted EBITDA last 12 months	1.5x	2.8x	1.7x
Net working capital	14,266	13,670	14,482
Capital employed excluding goodwill	34,462	33,487	34,004
Return on capital employed (ROCE), %	31.6%	15.4%	28.1%
Adjusted return on capital employed (ROCE), %	31.8%	15.9%	33.0%
Equity ratio, %	40.2%	36.3%	35.8%
Return on equity, %	21.5%	6.9%	24.7%

Share-related key figures

EUR	2023	2022	2021
Earnings per share, basic (and diluted)	0.39	0.12	0.35
Equity per share	1.94	1.67	1.79
Effective dividend yield, %	3.9%	2.4%	1.6%
Price per earnings	13.91	39.19	31.88
Closing share price on the last day of trading	5.40	4.68	11.04
Highest	5.76	11.29	12.50
Lowest	3.70	3.82	7.30
Market value of shares at the end of period, EUR million	95.9	83.1	196.1
No. of shares traded, pcs	1,497,211	5,653,412	21,933,614
Of weighted average number of shares, %	8.4%	31.8%	125.9%
No. of shares outstanding at the end of the period, pcs	17,758,854	17,758,854	17,758,854
Weighted average number of shares outstanding, pcs	17,758,854	17,758,854	17,425,944
Dividend payout and capital return per share total	0.21*)	0.11	0.18
Dividend payout and capital return per share, total of result, %	54.1%	92.1%	52.0%

*) Board of Directors' proposal

Reconciliation of alternative performance measures

EUR thousand	2023	2022	2021
Net sales growth, %			
Net sales	85,945	84,048	88,694
Net sales growth, %	**2.3%**	**-5.2%**	**16.9%**
Constant currency Net sales growth, %			
Net sales	85,945	84,048	88,694
FX rate adjustment	-	-2,412	-1,291
Constant currency Net sales	85,945	81,636	87,403
Constant currency Net sales growth, %	**5.3%**	**-3.8%**	**15.7%**
Invoiced sales			
Net sales	85,945	84,048	88,694
Discounts and bonuses	3,715	3,182	3,067
Other sales and refunds	-1,672	-1,437	-1,209
Invoiced sales	**87,989**	**85,794**	**90,552**
Invoiced sales growth, %	2.6%	-5.3%	16.3%
Gross margin			
Net sales	85,945	84,048	88,694
Cost of sales	-61,625	-66,129	-65,490
Gross margin	**24,320**	**17,919**	**23,204**
Gross margin, %	28.3%	21.3%	26.2%

EUR thousand	2023	2022	2021
EBITDA			
Operating profit	10,750	5,191	9,250
Depreciation, amortisation and impairment	4,142	3,964	3,976
EBITDA	**14,892**	**9,154**	**13,226**
EBITDA margin, %	17.3%	10.9%	14.9%
EBITA			
Operating profit	10,750	5,191	9,250
Amortisation and impairment	113	126	129
EBITA	**10,863**	**5,317**	**9,380**
EBITA margin, %	12.6%	6.3%	10.6%
Operating profit			
Operating profit	**10,750**	**5,191**	**9,250**
Operating profit margin, %	12.5%	6.2%	10.4%
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	2023	2022	2021
Items affecting comparability / adjustments (EBITDA)			
Other items affecting comparability	55	173	85
Costs related to listing	-	-	1,531
Items affecting comparability / adjustments (EBITDA)	**55**	**173**	**1,616**
Adjusted gross margin			
Gross margin	24,320	17,919	23,204
Adjustments (gross margin)	-	-	75
Adjusted gross margin	**24,320**	**17,919**	**23,279**
Adjusted gross margin, %	28.3%	21.3%	26.2%
Adjusted EBITDA			
Operating profit	10,750	5,191	9,250
Depreciation, amortisation and impairment	4,142	3,964	3,976
Adjustments (EBITDA)	55	173	1,616
Adjusted EBITDA	**14,947**	**9,328**	**14,842**
Adjusted EBITDA margin, %	17.4%	11.1%	16.7%
Adjusted EBITA			
Operating profit	10,750	5,191	9,250
Amortisation and impairment	113	126	129
Adjustments (EBITA)	55	173	1,616
Adjusted EBITA	**10,918**	**5,490**	**10,996**
Adjusted EBITA margin, %	12.7%	6.5%	12.4%

EUR thousand	2023	2022	2021
Adjusted operating profit			
Operating profit	10,750	5,191	9,250
Adjustments	55	173	1,616
Adjusted operating profit	**10,805**	**5,364**	**10,867**
Adjusted operating profit margin, %	12.6%	6.4%	12.3%
Earnings per share, basic (and diluted), EUR			
Profit for the period	6,892	2,121	6,035
Weighted average number of shares outstanding	17,759	17,759	17,426
Earnings per share, basic (and diluted), EUR	**0.39**	**0.12**	**0.35**
Operating free cash flows			
Adjusted EBITDA	14,947	9,328	14,842
Investments in tangible and intangible assets	-2,594	-3,553	-4,797
Operating free cash flows	**12,353**	**5,774**	**10,046**
Cash conversion, %			
Operating free cash flows	12,353	5,774	10,046
Adjusted EBITDA	14,947	9,328	14,842
Cash conversion, %	**82.6%**	**61.9%**	**67.7%**
Net debt			
Total interest-bearing liabilities	33,885	36,312	40,220
Cash and cash equivalents	-11,568	-10,284	-14,334
Net debt	**22,317**	**26,028**	**25,887**

Reconciliation of alternative performance measures

EUR thousand	2023	2022	2021
Net debt/ Adjusted EBITDA			
Net debt	22,317	26,028	25,887
Adjusted EBITDA, 12 months	14,947	9,328	14,842
Net debt/ Adjusted EBITDA	**1.5x**	**2.8x**	**1.7x**
Net working capital			
Inventories	12,088	14,283	12,647
Trade and other receivables	17,866	13,387	15,528
Trade and other payables	-15,687	-14,000	-13,692
Net working capital	**14,266**	**13,670**	**14,482**
Capital employed excluding goodwill			
Total equity	34,436	29,711	31,798
Net debt	22,317	26,028	25,887
Goodwill	-22,292	-22,252	-23,680
Capital employed excluding goodwill	**34,462**	**33,487**	**34,004**
Return on capital employed (ROCE), %			
Operating profit	10,750	5,191	9,250
Average capital employed excluding goodwill	33,975	33,746	32,920
Return on capital employed (ROCE), %	**31.6%**	**15.4%**	**28.1%**

EUR thousand	2023	2022	2021
Adjusted return on capital employed (ROCE), %			
Adjusted operating profit	10,805	5,364	10,867
Average capital employed excluding goodwill	33,975	33,746	32,920
Adjusted return on capital employed (ROCE), %	**31.8%**	**15.9%**	**33.0%**
Equity ratio, %			
Total equity	34,436	29,711	31,798
Total assets	85,568	81,837	88,842
Equity ratio, %	**40.2%**	**36.3%**	**35.8%**
Return on equity, %			
Profit for the period	6,892	2,121	6,035
Total equity (average for the first and last day of the period)	32,074	30,754	24,410
Return on equity, %	**21.5%**	**6.9%**	**24.7%**

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 net sales growth, %	Net 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, %	Profit 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 2023	Jan 1 - Dec 31 2022
Net Sales	2	**85,945**	**84,048**
Cost of sales		-61,625	-66,129
Gross Margin		**24,320**	**17,919**
Other operating income	3	811	206
Selling and marketing expenses		-9,237	-7,846
Administrative expenses		-5,143	-5,089
Operating profit		**10,750**	**5,191**
Financial income and expenses	6	-2,231	-2,182
Profit before taxes		**8,520**	**3,009**
Income taxes	7	-1,628	-888
Profit for the period		**6,892**	**2,121**
Profit for the period attributable to:			
Equity holders of the parent		6,892	2,121
Earnings per share for profit attributable to the equity holders of the parent:			
Earnings per share, basic (and diluted), EUR		0.39	0.12

Consolidated statement of comprehensive income

EUR thousand	Note	Jan 1 - Dec 31 2023	Jan 1 - Dec 31 2022
Profit for the period		**6,892**	**2,121**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Translation differences		85	-2,053
Items that will not be reclassified to profit or loss:			
Remeasurement gains (+) / losses (-) from defined benefit plans	5	-298	1,042
Other comprehensive income for the period, net of tax		**-213**	**-1,011**
Total comprehensive income for the period		**6,679**	**1,110**
Total comprehensive income attributable to:			
Equity holders of the parent		6,679	1,110

Consolidated statement of financial position

EUR thousand	Note	31 Dec 2023	31 Dec 2022
ASSETS			
Non-current assets			
Intangible assets	8	22,303	22,377
Property, plant and equipment	9	13,942	13,547
Right-of-use assets	10	6,999	7,011
Other non-current assets		107	95
Deferred tax assets	7	695	760
Total non-current assets		**44,046**	**43,790**
Current assets			
Inventories	13	12,088	14,283
Trade and other receivables	14	17,866	13,387
Derivative financial instruments	11	-	93
Cash and cash equivalents	11	11,568	10,284
Total current assets		**41,522**	**38,047**
TOTAL ASSETS		**85,568**	**81,837**

EUR thousand	Note	31 Dec 2023	31 Dec 2022
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent company			
Share capital		80	80
Invested unrestricted equity fund		7,851	7,851
Retained earnings		26,941	22,301
Translation differences		-436	-521
Total equity	11	**34,436**	**29,711**
Non-current liabilities			
Loans from credit institutions	11	19,391	22,363
Lease liabilities	10, 11	6,629	6,480
Pension liabilities	5, 11	3,613	3,179
Deferred tax liabilities	7	796	769
Total non-current liabilities		**30,429**	**32,791**
Current liabilities			
Loans from credit institutions	11	3,000	3,000
Lease liabilities	10, 11	1,252	1,290
Trade and other payables	15	15,687	14,000
Derivative financial instruments	11	41	8
Income tax liabilities		723	1,037
Total current liabilities		**20,703**	**19,335**
Total liabilities		**51,132**	**52,126**
TOTAL EQUITY AND LIABILITIES		**85,568**	**81,837**

Consolidated statement of changes in equity

Equity attributable to the equity holders of the parent company EUR thousand	Share capital	Invested unrestricted equity fund	Retained earnings	Translation differences	Total equity
1 Jan 2023	**80**	**7,851**	**22,301**	**-521**	**29,711**
Profit for the period			6,892		6,892
Translation differences				85	85
Remeasurement gains (+) / losses (-) from defined benefit plans			-298		-298
Total comprehensive income for the period			**6,593**	**85**	**6,679**
Transactions with owners:					
Dividends paid			-1,953		-1,953
31 Dec 2023	**80**	**7,851**	**26,941**	**-436**	**34,436**
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**

Consolidated statement of cash flows

EUR thousand	Note	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Cash flows from operating activities			
Profit before taxes		8,520	3,009
Adjustments:			
Depreciation, amortisation and impairment	4	4,142	3,964
Financial income and expenses	6	2,230	2,182
Other adjustments		-206	204
Cash flows before changes in working capital		**14,686**	**9,358**
Changes in working capital			
Decrease (+) / increase (–) in trade and other receivables		-4,383	1,324
Decrease (+) / increase (–) in inventories		2,196	-2,358
Decrease (–) / increase (+) in trade and other payables		1,346	1,155
Cash flows from operating activities before financial items and taxes		**13,845**	**9,479**
Interests paid		-1,918	-1,135
Income taxes paid		-1,757	-2,167
Net cash flows from operating activities		**10,170**	**6,177**
Cash flows from investing activities			
Investments in tangible and intangible assets		-2,594	-3,553
Sale of tangible and intangible assets		-	28
Net cash flows from investing activities		**-2,594**	**-3,525**

EUR thousand	Note	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Cash flows from financing activities			
Repayment of lease liabilities	10	-1,329	-1,312
Proceeds from long-term borrowings		-	25,500
Repayment of long-term borrowings		-	-25,500
Repayment of short-term borrowings	11	-3,000	-1,500
Capital return from the invested unrestricted equity fund	16	-	-3,197
Dividends paid	16	-1,953	-
Net cash flows from financing activities		**-6,283**	**-6,008**
Net change in cash and cash equivalents		1,293	-3,356
Net foreign exchange differences	11	-9	-694
Cash and cash equivalents at 1 January		10,284	14,334
Cash and cash equivalents at 31 December		**11,568**	**10,284**

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 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 4 March 2024. 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 29 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 2023. 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 verified.

Amendments and annual improvements to IFRS standards

Orthex Group has applied amendments and annual improvements to IFRS standards effective from 1 Jan 2023. The standards that are affected by the amendments are: IFRS 17 Insurance contracts and Amendments to IFRS 17, amendments to IAS 8 Definition of accounting estimates, to IAS 1 and Practice Statement 2 Presentation of accounting principles, to IAS 12 Assets and liabilities arising from a single transaction related deferred tax.

Amendments and annual improvements have not had a major impact on the consolidated financial statements, but only on the presentation of the notes.

Standards issued but not yet effective

Orthex adopts new and amended standards and interpretations, if applicable, when they become effective. The new and amended standards that became effective of 1 Jan 2024 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 2024 or later.

- Classification of Liabilities as Current or Non-current - Amendments to IAS 1
- Long-term liabilities with a covenant - Amendments to IAS 1
- Lease contract debt in sale and lease back - Amendments to IFRS 16
- Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
- Sale or Contribution of Assets between an investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28.
- Lack of exchangeability - Amendments to IAS 21

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 at 31 Dec 2023. 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 operational 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 operational 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 the companies listed below. Group ownership is presented in percentages.

Name	Principal activities	Country of incorporation	31 Dec 2023	31 Dec 2022
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%

During the financial year 2022, Smartstore AB merged with Orthex Sweden AB.

Climate related issues

Climate commitments are part of Orthex's sustainability strategy. Orthex constantly strives to minimize its impact on the environment and climate. The products we manufacture are of high quality and made to last for years or even decades. Even after a product has worn out, it can be recycled, and the material reused for another purpose. The progress in the sustainability work is part of the CEO's and the Management Team's incentive plan (more information in note 5, in the Remuneration report 2023, and on the corporate website).

Climate change brings both business risks and opportunities to Orthex. Unfavourable changes in environmental laws or other related legislation, as well as factors related to product safety and employee health and safety may cause financial losses.

In the consolidated financial statements, climate-related matters may affect, for example, goodwill, as profitability, growth and the discount rate are defined as the key variables for impairment testing. The Group has assessed and identified climate-related risks in connection with the strategy-based profitability figures together with other variables affecting the business (more information in note 8).

The Group has an external loan of EUR 25.5 million and the terms and conditions of the financial loan have sustainability-related measures related to energy consumption and waste percentage in production (more information in note 11).

Orthex's strategy together with the adaptability and resilience related to climate change also creates opportunities by promoting the transition to a low-carbon economy. The Group's strategy has been influenced by the opportunities related to renewable and recycled products. The global climate targets and increase in related regulations may increase sales of Orthex's environmentally-friendly products.

More information on climate-related matters is presented in the sustainability section of the Group's annual and sustainability report.

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 net sales was at least 10% of the Group's net sales in 2023 and 2022.

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	2023	2022
Nordics	67,146	67,088
Rest of Europe	18,031	15,535
Rest of the world	768	1,425
Total	**85,945**	**84,048**

Net sales by product category

EUR thousand	2023	2022
Storage	58,630	54,016
Kitchen	18,136	19,392
Plant Care	4,678	5,426
Home & Yard	4,501	5,214
Total	**85,945**	**84,048**

3. Other operating income

EUR thousand	2023	2022
Electric support	741	-
Government grants	61	143
Net gain on disposal of property, plant and equipment	-	28
Other	9	35
Total	**811**	**206**

Accounting treatment of government grants

Electric support consists of Swedish state electricity support for the period 1 October 2021–30 September 2022. Government grants consist mainly of state subsidies due to sick leave. Government grants received are not subject to repayment terms.

4. Operating expenses

Operating expenses by nature

EUR thousand	2023	2022
Materials and supplies	46,501	52,347
Change in inventory	2,196	-1,637
External services	2,403	1,846
Marketing	1,940	1,159
Employee benefits	17,921	18,300
Depreciation, amortisation and impairment	4,142	3,964
Other expenses	904	3,085
Total	**76,006**	**79,064**

Depreciation, amortisation and impairment by asset class

EUR thousand	2023	2022
Buildings	180	177
Machinery and equipment	2,396	2,258
Right-of-use assets	1,453	1,403
Other intangible assets	113	126
Total	**4,142**	**3,964**

Fees paid to companies' auditors

EUR thousand	2023	2022
Audit fees	208	174
Non-audit services	12	35
Total	**220**	**210**

The appointed auditor for 2023 and 2022 was Ernst & Young Oy.

5. Employee benefits

Personnel expenses

EUR thousand	2023	2022
Included in cost of sales:		
Wages and salaries	7,725	8,161
Social security costs	1,655	1,790
Pension costs	921	1,006
Included in selling and marketing expenses:		
Wages and salaries	4,501	3,841
Social security costs	607	635
Pension costs	322	421
Included in cost of administrative expenses:		
Wages and salaries	1,641	1,447
Social security costs	366	366
Pension costs	182	632
Total	**17,921**	**18,300**

Personnel (FTE) in average

Headcount by function	2023	2022
Production	143	157
Warehouse	56	60
Sales	52	49
Administration	19	17
Marketing	10	11
Total	**281**	**295**

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	2023	2022
Salaries and rewards	1,131	1,067
Pension costs	217	165
Severance pay	-	90
Total	**1,348**	**1,322**

Current termination provisions in the Management Team members' contracts have a period of notice of 4 months. A member of the Management Team is entitled to a 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	2023	2022
Salaries and rewards	371	445
Pension costs	66	82
Total	**437**	**527**

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	2023	2022
Sanna Suvanto-Harsaae	48	48
Jens-Peter Poulsen	24	24
Markus Hellström[1]	24	18
Jyrki Mäki-Kala[1]	24	18
Anette Rosengren[2]	16	-
Satu Huber[3]	8	24
Ari Jokelainen[4]	-	6
Juuso Kivinen[4]	-	6
Total	**144**	**126**

[1] Member of the Board as of 6 April 2022
[2] Member of the Board as of 18 April 2023
[3] Member of the Board until 18 April 2023
[4] Member of the Board until 6 April 2022

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 2023 and 31 Dec 2022.

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 2023	31 Dec 2022
Pension liabilities	3,613	3,179
Total	**3,613**	**3,179**

Net pension liabilities recognised in the income statement

EUR thousand	2023	2022
Current service cost	-39	-93
Interest cost on benefit obligation	-119	-87
Pension payments	120	115
Total	**-39**	**-66**

Movements in the obligation

EUR thousand	2023	2022
Obligation at 1 Jan	**3,179**	**4,742**
Amounts recognised in profit and loss		
Service cost, benefits earned during the year	39	93
Interest expense (+) / income (-)	119	87
Pension payments	-120	-115
Amounts recognised in other comprehensive income		
Translation differences	7	-321
Actuarial losses (+) / gains (-)	389	-1,308
Obligation at 31 Dec	**3,613**	**3,179**

Principal actuarial assumptions

%	31 Dec 2023	31 Dec 2022
Discount rate	3.3%	3.7%
Salary increase	2.6%	3.0%
Income base amount	2.6%	3.0%
Inflation	1.6%	2.0%

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 16 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
2023			
Discount rate (%)	+/- 0.5%	-323	452
Salary increase (%)	+/- 0.5%	-138	123
Inflation (%)	+/- 0.5%	-227	209
2022			
Discount rate (%)	+/- 0.5%	-297	335
Salary increase (%)	+/- 0.5%	-113	133
Inflation (%)	+/- 0.5%	-218	238

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 181 thousand to its defined benefit pension plans in 2024.

6. Financial income and expenses

EUR thousand	2023	2022
Gains from changes in the fair value of derivative instruments	-	93
Total financial income	**-**	**93**
Interest on debts and borrowings	-1,404	-559
Interest expense on lease liabilities	-522	-576
Losses from changes in the fair value of derivative instruments	-22	-22
Exchange rate differences related to financial items	136	-575
Other financial expenses	-418	-543
Total financial expenses	**-2,231**	**-2,274**
Total financial income and expenses	**-2,231**	**-2,182**

In 2022, 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 2023 and 31 Dec 2022 are:

Consolidated income statement

EUR thousand	2023	2022
Current income tax charge	-1,442	-704
Taxes from previous years	-18	-12
Change in deferred taxes	-168	-173
Total	**-1,628**	**-888**

Consolidated statement of other comprehensive income

EUR thousand	2023	2022
Deferred taxes related to items recognised in OCI during the year:		
Remeasurement of net loss/(gain) on actuarial gains and losses	77	-258
Total	**77**	**-258**

Reconciliation of tax expense and the accounting profit multiplied by Finland's domestic tax rate for 2023 and 2022

EUR thousand	2023	2022
Profit before taxes	**8,520**	**3,009**
Tax calculated at nominal Finnish tax rate of 20% (2022: 20%)	-1,704	-602
Tax rates in foreign jurisdictions	-68	-48
Taxes from previous years	-18	-12
Non-deductible expenses	-39	-110
Non-deductible expsenses from previous years	27	91
Unrecognized tax losses (-) / Utilization tax losses (+)	173	-186
Other	-	-21
At the effective income tax rate of 19.1% (2022: 28.5%)	**-1,628**	**-888**
Income tax expense reported in the consolidated income statement	**-1,628**	**-888**

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 2023, Orthex has no tax losses carried forward or deferred tax assets relating to taxable losses. A deferred tax asset amounting to EUR 272 thousand (2022: EUR 279 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 related to IFRS 16 right-of-use assets and leasing liabilities are netted in the consolidated balance sheet, but in the breakdown of changes in deferred taxes below, they are presented gross.

Deferred taxes 2023

EUR thousand	Balance at 1 Jan 2023	Charged to income statement	Charged to OCI	Balance at 31 Dec 2023
Deferred tax assets				
Interest expenses carried forward	279	-7		272
Pension liabilities	186	-51	79	214
Leases	1,559	23		1,582
Financial instruments	0	6		6
Other	139	-114	-3	21
Netting of deferred tax assets and liabilities	-1,402	2		-1,400
Total	**760**	**-140**	**75**	**695**

EUR thousand	Balance at 1 Jan 2023	Charged to income statement	Charged to OCI	Balance at 31 Dec 2023
Deferred tax liabilities				
Tangible and intangible assets	743	31		774
Rights of use assets	1,402	-2		1,400
Financial instruments	26	-4		22
Netting of deferred tax assets and liabilities	-1,402	2		-1,400
Total	**769**	**27**	**-**	**796**

Deferred taxes 2022

EUR thousand	Balance at 1 Jan 2022	Charged to income statement	Charged to OCI	Balance at 31 Dec 2022
Deferred tax assets				
Interest expenses carried forward	370	-91		279
Pension liabilities	523	-79	-258	186
Leases	1,762	-203		1,559
Other	114	24		139
Netting of deferred tax assets and liabilities	-1,606	204		-1,402
Total	**1,163**	**-145**	**-258**	**760**

EUR thousand	Balance at 1 Jan 2022	Charged to income statement	Charged to OCI	Balance at 31 Dec 2022
Deferred tax liabilities				
Tangible and intangible assets	683	61		743
Rights of use assets	1,606	-204		1,402
Financial instruments	59	-33		26
Netting of deferred tax assets and liabilities	-1,606	204		-1,402
Total	**742**	**27**	**-**	**769**

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 2022	**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**
Translation differences	39	-	39
Balance at 31 Dec 2023	**22,292**	**1,218**	**23,510**
Accumulated amortisation and impairment			
Balance at 1 Jan 2022	**-**	**969**	**969**
Amortisation and impairment		126	126
Translation differences		-2	-2
Balance at 31 Dec 2022	**-**	**1,093**	**1,093**
Amortisation and impairment		113	113
Balance at 31 Dec 2023	**-**	**1,207**	**1,207**
Carrying amount 1 Jan 2022	**23,680**	**221**	**23,901**
Carrying amount 31 Dec 2022	**22,252**	**125**	**22,377**
Carrying amount 31 Dec 2023	**22,292**	**12**	**22,303**

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 2023 and 31 Dec 2022. 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 2023	31 Dec 2022
Finland	5,462	5,462
Nordics	16,829	16,790
Total	**22,292**	**22,252**

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 2023		31 Dec 2022	
%	Finland	Nordics	Finland	Nordics
Profitability growth rate	15.3	12.0	9.2	37.8
Discount rate, pre-tax	14.2	13.5	13.6	12.3
Long-term growth rate	1.0	1.0	1.0	1.0

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						
Balance at 1 Jan 2022	**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**
Additions		9	2,772	1,076		3,857
Transfers			-	-864		-864
Translation differences		-	-25	2		-23
Balance at 31 Dec 2023	**86**	**6,283**	**63,808**	**1,725**	**47**	**71,949**
Accumulated depreciation and impairment						
Balance at 1 Jan 2022	**-**	**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**
Depreciation and impairment		180	2,396			2,575
Balance at 31 Dec 2023	**-**	**5,200**	**52,764**	**-**	**43**	**58,007**
Carrying amount 1.1.2022	**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**
Carrying amount 31.12.2023	**86**	**1,083**	**11,043**	**1,725**	**4**	**13,942**

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 2022	**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**
Additions and revaluations	1,218	213	1,431
Depreciation and impairment	-1,030	-422	-1,453
Translation differences	132	-123	9
As at 31 Dec 2023	**6,354**	**645**	**6,999**

Carrying amounts of lease liabilities and movements during the period

EUR thousand	2023	2022
As at 1 Jan	**7,770**	**8,758**
Additions and revaluations	1,431	980
Disposals	-	-34
Accretion of interest	522	576
Payments	-1,857	-1,887
Translation differences	15	-623
As at 31 Dec	**7,881**	**7,770**
Current lease liabilities	**1,252**	**1,290**
Non-current lease liabilities	**6,629**	**6,480**

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

Amounts recognised in the consolidated income statement

EUR thousand	2023	2022
Depreciation and impairment of right-of-use assets	-1,453	-1,403
Interest expenses from lease liabilities	-522	-576
Total amount recognised in profit or loss	**-1,975**	**-1,979**

Orthex's total cash outflow from leases amounted to EUR 1,857 thousand in 2023 and EUR 1,887 thousand in 2022.

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 2023	31 Dec 2022
Cash and cash equivalents	11,568	10,284
Total cash and cash equivalents	**11,568**	**10,284**

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

At 31 Dec 2023, the Group had available EUR 7.0 million (31 Dec 2022: 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 2023	31 Dec 2022
EUR/SEK	55	-626
EUR/NOK	-63	-64
EUR/DKK	-2	-
EUR/GBP	2	-4
Total	**-9**	**-694**

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 2023

Financial assets EUR thousand	Note	Fair value through profit and loss	Fair value through OCI	At amortised cost	Book value
31 Dec 2023					
Current financial assets					
Trade receivables	14			16,031	16,031
Cash and cash equivalents				11,568	11,568
Total		-	-	**27,598**	**27,598**
Total financial assets		-	-	**27,598**	**27,598**

Financial liabilities EUR thousand	Note	Fair value through profit and loss	Fair value through OCI	At amortised cost	Book value
31 Dec 2023					
Non-current financial liabilities					
Loans from credit institutions				19,391	19,391
Lease liabilities	10			6,629	6,629
Total		-	-	**26,020**	**26,020**
Current financial liabilities					
Loans from credit institutions				3,000	3,000
Lease liabilities	10			1,252	1,252
Trade payables	15			9,302	9,302
Derivative financial instruments	12	41			41
Total		**41**	-	**13,555**	**13,596**
Total financial liabilities		**41**	-	**39,574**	**39,615**

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**

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 5.1% - 6.1% at the end of 2023 and 5.2% - 5.4% at the end of 2022.

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 0.1 million smaller in 2023 and EUR 0.3 million smaller in 2022. 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	2023	2022
EUR-SEK	8,943	6,526
EUR-NOK	4,533	3,062
EUR-USD	-21	-13

Foreign exchange rate sensitivity

Changes in consolidation exchange rates affect the company's income statement and cash flow statement. As approximately 50% of the company's revenues and 53% of costs occur in operational 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 6.5% (6.8%) change in 2023 consolidated sales and 6.7% (6.8%) 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 +/– 2.2 million to income statement in year 2023 (2022: EUR +/– 2.3 million). Commodity risks are not managed using financial derivative instruments.

Sensitivity analysis

Sensitivity to market risks (before taxes) in accordance with IFRS 7	2023		2022	
EUR thousand	Income statement	Equity	Income statement	Equity
+/- 10% change in virgin plastic prices	-/+ 2205	-/+ 2205	-/+ 2250	-/+ 2250
+/- 10% change in EUR/SEK exchange rate	+/- 897	+/- 897	+/- 653	+/- 653
+/- 10% change in EUR/NOK exchange rate	+/- 453	+/- 453	+/- 306	+/- 306
+/- 10% change in EUR/USD exchange rate	-/+ 2	-/+ 2	-/+ 1	-/+ 1
+/- 1% points parallel shift in interest rates	-/+ 124	-/+ 124	-/+ 263	-/+ 263

+10% increase in EUR/SEK exchange rate would have a EUR 897 thousand effect in income statement.

At the end of 2023, the total Group floating rate liability position consists of floating rate liabilities EUR 22.5 million (2022: EUR 25.5 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 15.7 thousand during the year 2023. In 2022, impairment losses of trade receivables were EUR 11.1 thousand. The maturity distribution of trade receivables is 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 2023, Orthex had cash and cash equivalents of EUR 11.6 million (31 Dec 2022: EUR 10.3 million). In addition, Orthex had access to unused credit facilities and bank overdrafts of EUR 7.0 million as of 31 Dec 2023 (31 Dec 2022: 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 2023, 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 covenants. At 31 Dec 2023, 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 2023.

The interest margin is variable and depends on the ratio of net debt and adjusted EBITDA. Orthex has given business mortgages amounting to EUR 48.1 million as of 31 Dec 2023 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 2023	31 Dec 2022
Non-current interest-bearing liabilities		
Loans from credit institutions	19,391	22,363
Lease liabilities	6,629	6,480
Pension liabilities	3,613	3,179
Total non-current interest-bearing liabilities	**29,633**	**32,022**
Current interest-bearing liabilities		
Loans from credit institutions	3,000	3,000
Lease liabilities	1,252	1,290
Total current interest-bearing liabilities	**4,252**	**4,290**
Total interest-bearing liabilities	**33,885**	**36,312**

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

Maturity distribution table

31 Dec 2023 EUR thousand	2024	2025	2026	2027	2028	Later	Total
Loans from credit institutions	2,973	2,973	2,973	13,473	-		22,391
Interest	847	728	612	495	-		2,682
Lease liabilities	1,794	1,590	1,440	1,355	1,083	2,862	10,123
Trade payables	9,302						9,302
Deridative financial instruments	41						41
Total	**14,956**	**5,291**	**5,024**	**15,323**	**1,083**	**2,862**	**44,540**

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**

Changes in liabilities arising from financing activities

2023 EUR thousand	1 Jan	Lease changes	Cash flows	Translation differences	Other	Total 31 Dec
Non-current loans from credit institutions	22,363		-1,500		-1,473	19,391
Non-current lease liabilities	6,480	1,308		-11	-1,148	6,629
Current loans from credit institutions	3,000		-1,500		1500	3,000
Current lease liabilities	1,290	123	-1,857	-4	1,700	1,252
Total	**33,133**	**1,431**	**-4,857**	**-15**	**580**	**30,272**

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**

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 2023, the equity attributable to shareholders was EUR 34.4 million (31 Dec 2022: EUR 29.7 million) and the amount of interest-bearing liabilities as of 31 Dec 2023 were EUR 33.9 million (31 Dec 2023: EUR 36.3 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 2023	31 Dec 2022
Equity	34,436	29,711
Balance sheet total	**85,568**	**81,837**
Equity ratio	40.2 %	36.3 %

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 Dec 2023 and 31 Dec 2022.

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 2023

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		-	

Fair value measurement hierarchy for liabilities as at 31 Dec 2023

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		22,391	
Lease liabilities		7,881	
Foreign exchange forward contracts		41	

There have been no transfers between Level 1 and Level 2 during 2023.

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.

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 2023	31 Dec 2022
Raw materials	1,119	1,681
Work in progress	32	15
Finished goods	11,508	13,051
Net realisable value allowance	-571	-464
Total	**12,088**	**14,283**

14. Trade and other receivables

EUR thousand	31 Dec 2023	31 Dec 2022
Trade receivables	16,031	11,787
Other receivables	88	18
Prepaid expenses and accrued income	1,747	1,582
Total	**17,866**	**13,387**

Ageing analysis of trade receivables

EUR thousand	31 Dec 2023	31 Dec 2022
Not past due	14,987	11,004
Past due 1-60 days	1,026	699
Past due over 60 days	72	123
Impairment losses	-55	-39
Total	**16,031**	**11,787**

The impairment losses recognised on trade receivables during the year 2023 amounted to EUR 55 thousand (2022: EUR 39 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 are presented in Note 11.

15. Trade and other payables

EUR thousand	31 Dec 2023	31 Dec 2022
Trade payables	9,302	8,231
Other payables	1,058	1,159
Accrued expenses and deferred income:		
Wages, salaries and social costs	3,267	3,183
Customer rebates and commissions	1,018	791
Other	1,042	636
Total	**15,687**	**14,000**

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 shares, total	Share capital, EUR thousand	Invested unrestricted equity fund, EUR thousand
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
As at 1 Jan 2023	17,758,854	17,758,854	80	7,851
As at 31 Dec 2023	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)	2023	2022
Net profit attributable to equity owners of the parent company, EUR thousand	6,892	2,121
Weighted average number of shares	17,758,854	17,758,854
Earnings per share, basic (and diluted), EUR	**0.39**	**0.12**

Board proposal for distribution of assets

The Board of Directors of Orthex Corporation proposes to the Annual General Meeting on 9 April 2024 that shareholders will be paid a dividend of EUR 0.21 per share totalling approximately EUR 3.7 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 2023, 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 14.0% at year-end 2023. 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	2023	-
Orthex Corporation	2022	-

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

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 2023	31 Dec 2022
Guarantees and mortgages given on own behalf:		
Enterprise mortgages	50,065	50,060
Property mortgages	10,192	10,192
Other guarantees	102	50
Total	**60,359**	**60,303**

Contingent liabilities

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. 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. 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. At the time of releasing the financial statements, the company's claim for adjustment was still pending.

19. Subsequent events

On 9 January 2024, Orthex announced that Peter Ottosson, member of Orthex's Management Team and Operations Director of the Gnosjö factory, has decided to leave his position to assume a role with another employer. Mr Ottosson will continue in his current role until the month of May. Orthex has started the succession planning process.

On 30 January 2024, Orthex Corporation disclosed the Shareholders' Nomination Board's proposals to the Annual General Meeting 2024 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, Jens-Peter Poulsen and Anette Rosengren would be re-elected to the Board, all for a term of office ending at the end of the next Annual General Meeting.

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/governance/board-of-directors/**.

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.

On 14 February 2024, Orthex announced that Operations Director Tom Ståhlberg has been appointed Chief Supply Officer (CSO) assuming the overall responsibility for Orthex production, supply chain and purchasing starting 1 March 2024. The change also removed the need to replace Peter Ottosson's position in the Management Team.

Parent company financial statements, FAS

Parent company income statement

EUR	Note	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Net sales	2	**840,000.00**	**840,000.00**
Administrative expenses		-1,313,057.17	-1,129,658.85
Operating profit		**-473,057.17**	**-289,658.85**
Interest income from group companies		632,065.24	596,288.04
Dividends received from group companies		7,000,000.00	2,000,000.00
Other interest and financial income from others		59,602.27	0.01
Interest and financial expenses to others		-1,578,150.03	-640,831.85
Financial income and expenses	5	**6,113,517.48**	**1,955,456.20**
Profit (loss) before appropriations and taxes		**5,640,460.31**	**1,665,797.35**
Appropriations			
Group contribution	6	3,400,000.00	3,100,000.00
Income taxes	7	-404,458.31	-462,066.80
Profit (loss) for the period		**8,636,002.00**	**4,303,730.55**

Parent company balance sheet

EUR	Note	31 Dec 2023	31 Dec 2022
ASSETS			
NON-CURRENT ASSETS			
Investments			
Holdings in subsidiaries	8	25,295,133.29	25,295,133.29
Receivables from subsidiaries	8	11,166,487.06	10,534,421.82
Investments total		**36,461,620.35**	**35,829,555.11**
NON-CURRENT ASSETS TOTAL		**36,461,620.35**	**35,829,555.11**
CURRENT ASSETS			
Short-term receivables			
Receivables from subsidiaries	9	5,481,359.46	2,402,779.70
Prepayments and accrued income	10	261,157.41	360,668.86
Short-term receivables total		**5,742,516.87**	**2,763,448.56**
Cash and cash equivalents		**148,760.99**	**135,414.20**
CURRENT ASSETS TOTAL		**5,891,277.86**	**2,898,862.76**
ASSETS TOTAL		**42,352,898.21**	**38,728,417.87**

EUR	Note	31 Dec 2023	31 Dec 2022
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		80,000.00	80,000.00
Invested unrestricted equity fund		8,430,263.84	8,430,263.84
Retained earnings		1,921,421.42	-428,835.19
Profit (loss) for the period		8,636,002.00	4,303,730.55
SHAREHOLDERS' EQUITY TOTAL	11	**19,067,687.26**	**12,385,159.20**
LIABILITIES			
Long-term liabilities			
Loans from credit institutions	12	19,500,000.00	22,500,000.00
Long-term liabilities total		**19,500,000.00**	**22,500,000.00**
Short-term liabilities			
Loans from credit institutions	12	3,000,000.00	3,000,000.00
Income tax liabilities		404,458.31	462,066.80
Trade payables		18,646.07	56,800.19
Other payables		46,026.94	38,135.64
Accruals and deferred income	13	316,079.63	286,256.04
Short-term liabilities total		**3,785,210.95**	**3,843,258.67**
LIABILITIES TOTAL		**23,285,210.95**	**26,343,258.67**
SHAREHOLDERS' EQUITY AND LIABILITIES TOTAL		**42,352,898.21**	**38,728,417.87**

Parent company statement of cash flows

EUR	Note	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Cash flows from operating activities			
Profit before appropriations and tax		5,640,460.31	1,665,797.35
Adjustments:			
Financial income and expenses	5	-8,113,517.48	-1,955,456.20
Other adjustments		0.01	-44,630.90
Cash flows before changes in working capital		**-2,473,057.16**	**-334,289.75**
Changes in working capital			
Decrease (+) / increase (–) in trade and other receivables		2,160,533.96	-239,680.53
Decrease (–) / increase (+) in trade and other payables		-439.23	2,065,610.05
Cash flows from operating activities before financial items and taxes		**-312,962.43**	**1,491,639.77**
Interests and other financing expenses paid		-1,578,150.03	-596,200.95
Dividends received		5,088,672.52	-
Income taxes paid		-462,066.80	-
Net cash flows from operating activities		**2,735,493.26**	**895,438.82**
Cash flows from investing activities			
Net cash flows from investing activities		**-**	**-**

EUR	Note	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Cash flows from financing activities			
Dividend distribution		-1,953,473.94	-
Capital return from the invested unrestricted equity fund		-	-3,196,593.72
Repayment of short-term loans		-3,000,000.00	-1,500,000.00
Proceeds from long-term borrowings		-	25,500,000.00
Repayment of long-term borrowings		-	-25,500,000.00
Group contributions received		2,231,327.48	3,740,000.00
Net cash flows from financing activities		**-2,722,146.46**	**-956,593.72**
Net change in cash and cash equivalents		13,346.80	-61,154.90
Cash and cash equivalents at 1 January		135,414.19	196,569.09
Cash and cash equivalents at 31 December		**148,760.99**	**135,414.19**

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.

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.

Appropriations

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

2. Net sales

Net sales

EUR	2023	2022
Administration services	840,000.00	840,000.00

3. Personnel costs and number of employees

Personnel costs, book value

EUR	2023	2022
Wages and salaries	828,775.51	763,240.79
Pension costs	97,616.86	114,731.09
Other personnel costs	12,651.85	16,030.41
Total	**939,044.22**	**894,002.29**

CEO and Board remuneration, book value

EUR	2023	2022
CEO	437,427.00	437,761.00
Board of Directors	144,000.00	144,000.00

Number of employees

Average (FTE)	2023	2022
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	2023	2022
Audit fees	116,166.00	83,176.00
Other	3,000.00	19,032.03
Total	**119,166.00**	**102,208.03**

5. Financial income and expenses

EUR	2023	2022
Interest and financial income from group companies	632,065.24	596,288.04
Dividends received from group companies	7,000,000.00	2,000,000.00
Other interest and financial income from others	59,602.27	0.01
Total financial income	**7,691,667.51**	**2,596,288.05**
Interest and financial expenses to others	-1,578,150.03	-640,831.85
Total financial expenses	**-1,578,150.03**	**-640,831.85**
Total financial income and expenses	**6,113,517.48**	**1,955,456.20**

6. Appropriations

EUR	2023	2022
Group contribution received	3,400,000.00	3,100,000.00
Total	**3,400,000.00**	**3,100,000.00**

7. Income taxes

EUR	2023	2022
Current year taxes	-404,458.31	-462,066.80
Total	**-404,458.31**	**-462,066.80**

8. Investments

EUR	Holdings in subsidiaries	Receivables from subsidiaries	Total
Acquisition cost			
Balance at 1 Jan 2022	**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**
Additions	-	632,065.24	632,065.24
Balance at 31 Dec 2023	**25,295,133.29**	**11,166,487.06**	**36,461,620.35**

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 2023				**25,295,133.29**

9. Receivables from subsidiaries

EUR	2023	2022
Sales receivables	-	171,452.22
Other receivables	5,481,359.46	2,231,327.48
Total	**5,481,359.46**	**2,402,779.70**

10. Prepayments and accrued income

EUR	2023	2022
Value added taxes related to the tax audit	265,828.75	265,828.75
Derivatives	-	92,766.00
Other items	-4,671.34	2,074.11
Total	**261,157.41**	**360,668.86**

11. Shareholders' equity

EUR	2023	2022
Share capital, 1 Jan	**80,000.00**	**80,000.00**
Share capital, 31 Dec	**80,000.00**	**80,000.00**
Invested unrestricted equity fund, 1 Jan	**8,430,263.84**	**11,626,857.56**
Capital return from the invested unrestricted equity fund	-	-3,196,593.72
Invested unrestricted equity fund, 31 Dec	**8,430,263.84**	**8,430,263.84**
Retained earnings, 1 Jan	**3,874,895.36**	**-428,835.19**
Dividend distribution	-1,953,473.94	-
Retained earnings, 31 Dec	**1,921,421.42**	**-428,835.19**
Profit (loss) for the period	**8,636,002.00**	**4,303,730.55**
Distributable earnings, 31 Dec	**18,987,687.26**	**12,305,159.20**
Shareholders' equity total, 31 Dec	**19,067,687.26**	**12,385,159.20**

12. Long-term liabilities

EUR	31 Dec 2023	31 Dec 2022
Loans from credit institutions:		
Payable in the next 12 months	3,000,000.00	3,000,000.00
Payable between one and five years	19,500,000.00	22,500,000.00

13. Accruals and deferred income

EUR	31 Dec 2023	31 Dec 2022
Wages, salaries and social costs	153,483.69	108,193.07
Derivatives	10,821.00	-
Other	151,774.94	178,062.97
Total	**316,079.63**	**286,256.04**

The value of the underlying asset of the derivatives in the financial statements on 31 December 2023 was EUR 11,250,000.00, and the maturity date of the derivatives is 22 December 2025.

14. Contingencies and pledged assets

EUR	31 Dec 2023	31 Dec 2022
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. At the time of releasing the financial statements, the company's claim for adjustment was still pending.

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 of the Board of Directors' report and financial statements

Espoo, 4 March 2024

Sanna Suvanto-Harsaae, Chair of the Board of Directors

Markus Hellström

Jyrki Mäki-Kala

Jens-Peter Poulsen

Anette Rosengren

Alexander Rosenlew, CEO

Auditor's note

Our auditor's report has been issued today.

Espoo, 4 March 2024
Ernst & Young Oy
Authorised Public Accountant Firm

Mikko Rytilahti
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 Oyj (business identity code 2727990-2) for the year ended 31 December 2023. 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 material accounting policy information, 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 IFRS Accounting Standards as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report 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 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 26.1% of the group's total assets and 64.8% 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 12.1 million euros, representing 14.1% of the group's total assets and 35.2% 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 IFRS Accounting Standards as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as 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 15 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 4, 2024

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Rytilahti
Authorized Public Accountant

Orthex Corporation
Suomalaistentie 7
FI-02270 Espoo, Finland
www.orthexgroup.com