2021
Annual report

orthex
GROUP

CONTENTS

ANNUAL REVIEW

Orthex in brief

Orthex is a leading Nordic houseware company. Orthex designs, produces and sells household products with a mission to make consumers' everyday life easier: Orthex strives to create functional, long lasting and sustainable high-quality household products. Orthex's products cover multifunctional assortment of storage boxes, kitchen products and products for home and yard. Orthex markets and sells its products under three main consumer brands: SmartStore, GastroMax and Orthex. In addition, it sells externally produced kitchen products under the Kökskungen brand.

Orthex has more than 100 years of experience in the production, design and marketing of household products, and it has approximately 800 customers in more than 40 countries. Orthex's core geographic markets include the Nordics (i.e., Finland, Sweden, Norway, Denmark and Iceland) and export markets, including Germany, France and the United Kingdom. Orthex is headquartered in Espoo, Finland, and it currently has seven local sales offices located in the Nordics, Germany, France and the United Kingdom. Orthex's production facilities are located in Tingsryd and Gnosjö, Sweden, and in Lohja, Finland. In addition, Orthex has centralized warehousing in Sweden and Finland in connection with its Tingsryd and Lohja production facilities, as well as an outsourced warehouse in Überherrn, Germany.

Orthex aims to be the industry forerunner in sustainability by promoting safe and long-lasting products, reducing the carbon footprint of its operations and products, as well as by sourcing an ever-increasing amount of raw materials from bio-based and recycled materials. Orthex aims for its production process to be carbon neutral by 2030.

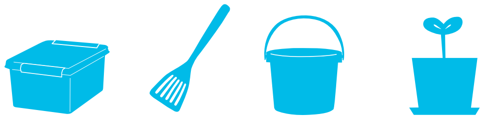
300+ employees

~40 customer countries

Sustainability focus

~90% own brand sales [1)]

Product categories:



1) Invoiced sales of SmartStore, GastroMax, Orthex, and Kökskungen branded products accounted for 88% of total invoiced sales in 2021

Key figures

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

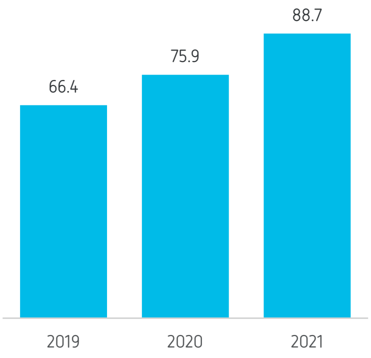
27.4%
Net sales growth outside Nordics

20.4%
Growth of Storage category

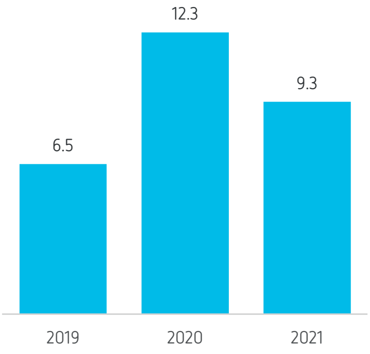
314
Personnel, FTE during the year

100%
All of our factories switched to 100% fossil-free hydro powered electricity

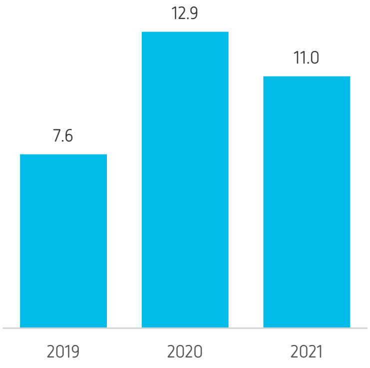
Net sales, EUR million



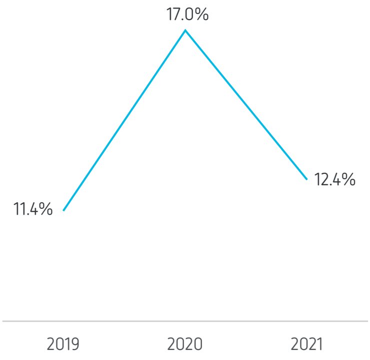
Operating profit, EUR million



Adjusted EBITA, EUR million



Adjusted EBITA margin, %



Highlights of the year

Green energy
All of our factories switched to 100% fossil-free hydro powered electricity.

IPO
Initial Public Offering. Orthex Corporation was listed on the Nasdaq Helsinki on 25 March 2021.

SITRA
The Finnish Innovation Fund Sitra selected Orthex as one of the pioneering Finnish circular economy companies.

2021 | January | February | March | July | August | December

Investments
We brought forward the machine investment of about EUR one million originally planned for 2022 to increase our production capacity.

CO2
We calculated the carbon footprint of our operations and value chain.


DNV

MANAGEMENT SYSTEM CERTIFICATE

Orthex Group

ISO 45001:2018

ISO 45001 certificate
Our operations were audited for and received the ISO 45001 certification for occupational safety.

CEO review

With the first year as a listed company completed, I am very pleased with the strong performance during turbulent conditions and the important strategic steps taken in 2021. I am especially proud of how well our personnel has navigated through the volatile times flavoured by uncertainty and the COVID-19 pandemic. Although the sight is already set on 2022, I am happy to share what we have accomplished together at Orthex in 2021.

In 2021, Orthex's net sales increased by 16.9% to EUR 88.7 million. The positive sales development is a result of successful commercial strategy implementation including launch of new products, widened distribution, customer collaboration and new customers.

Raw material prices reached their highest levels so far during the last quarter of 2021. Our understanding is that raw material availability has been scarce, but we have been able to source the needed raw material for our production. To ensure stable operations, we deliberately increased our inventories of high-runner products and critical raw materials.

Orthex has been able to ramp up capacity according to plan to secure delivery performance. We have also been able to speed up our capacity increase which has affected our delivery performance positively. The result can also be seen in a quite sharp increase in inventory value towards the end of the year. The inventory value is affected by the higher raw material prices and by higher stock of our best-selling products in preparation for continued sales growth.

Sustainability is at the heart of our strategy. The company aims to be a pioneer in the industry in terms of 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 bio-based and recycled materials. Orthex has set as a main target to reach carbon neutrality in production by 2030. For example, all our three factories in Finland and Sweden are already ISO 14001 and 9001 -certified for environmental and quality management. In December 2021, we were granted a new ISO 45001 certification. It is an international standard that specifies requirements for an occupational health and safety management system.

We are committed to implementing our growth strategy with a focus on accelerated international growth and sustainability. Orthex's products are sold in more than 40 countries, and export to non-Nordic countries grew by 1.7 percentage points and accounted for 19.4% (17.7) of the Orthex's invoiced sales at the end of the period. Some of the benefits of being a listed company is that it creates awareness and trust among new and existing customers, which we believe can lead to increased business opportunities. Awareness can also positively influence supplier relations and hopefully also attracted talent when we strengthen our organisation.

> **Some of the benefits of being a listed company is that it creates awareness and trust among new and existing customers**

With many good learnings from 2021, we are thrilled to start our second year as a listed company. I take this opportunity to thank the whole Orthex team, our stakeholders, and investors for an exciting year 2021!

Alexander Rosenlew
CEO

Strategy

Orthex's key priorities in its growth strategy are to become the number one brand in the Storage category in Europe, and strengthen its position as a leading household player in the Nordics.

1 Solid actions to keep winning in the Nordics

Orthex aims to continue its efforts to grow the Storage product category in the Nordics through campaigns, expansion of excellence concepts in stores and launch of new products. Orthex targets growth in the Kitchen product category by focusing on sustainability and identified cross-sell expansion opportunities. Orthex also aims to capture the e-commerce opportunities and the scalability of its business model.

In 2021, invoiced sales in the Nordics totalled 80.6 per cent of Orthex total invoiced sales

2 Accelerating growth in the export markets through a key account approach

Orthex expects major growth opportunities in the export markets and its go-to-market strategy is delivered through a key account approach. At the same time, the key is to improve the distribution of export markets, invest in strategic customers and new customer acquisition, and build new business.

In 2021, export markets accounted for 19.4 per cent of Orthex total invoiced sales

3 Accelerating the online retail distribution channel

The company strives to take advantage of the growth opportunities offered by the e-commerce channel by building relationships with e-commerce companies and working closely with retailers implementing a multi-channel strategy.

Market consolidation provides growth opportunities

Orthex anticipates that potential acquisitions will be an important opportunity to achieve the company's objectives, and Orthex intends to carefully evaluate the acquisition opportunities in the Storage product category in particular. The synergies achieved through acquisitions are typically related to production, sales and marketing, logistics, product category expansions, overheads, and a stronger bargaining position vis-à-vis suppliers.

Commercial factors supporting growth strategy

CLEAR CATEGORY STRATEGY FOCUSING ON STORAGE

- Accelerating efforts to grow the Storage product category especially in key export markets utilizing the company's strong position in the Nordics.
- The close linkage between Kitchen and Storage product categories enables cross-selling by leveraging Orthex's existing customer and supplier networks.

SHOWING THE WAY IN SUSTAINABILITY

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

MAINTAIN A HIGH INNOVATION RATE

- Innovations play an important role in Orthex growth strategy
- When designing and planning new product launches and concepts Orthex will focus on sustainable materials and its growing product categories Storage, Kitchen and Plant Care.

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

Sustainability highlights

We introduced and rolled out the **Orthex Code of Conduct**.

Read more

Our operations were audited for and received the **ISO 45001 certification** for occupational safety.

Read more

The Finnish Innovation Fund Sitra selected Orthex as one of the **pioneering Finnish circular economy companies**.

Read more

All of our factories switched to **100% fossil-free hydro powered electricity**.

Read more

We calculated **the carbon footprint** of our operations and value chain.

Read more

Sustainability at Orthex

Our products are part of the transition to a circular and resource-efficient plastics economy

Sustainability is a core element in realizing Orthex's growth strategy and key objectives for being the number one brand in the Storage product category in Europe, and to strengthen Orthex's position as a leading household item company in the Nordics. Sustainability is a key factor in all decision making at Orthex and a significant driver of our development and investment agenda.

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

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

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 highly resource-efficient operations contribute to the EU's target to accelerate the transition to a circular plastics economy. We have also signed the European Plastics Pact. The Pact brings together governments and frontrunner organisations to accelerate the shift toward the reuse and recycling of plastic products and packaging.

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.

Orthex's sustainability priorities

We have identified priority sustainability topics in the areas of economic, environmental, and social responsibility (see next page). The topics have been chosen based on the significance of Orthex's impact on them, and where Orthex can make the biggest difference.

[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.

Sustainability priorities

VISION

#1 Brand in Storage in Northern Europe and the leading household player in the Nordics.
Showing the way in sustainability in the industry

MISSION

Orthex Group develops, produces and markets functional household products to customers and consumers. Our offering is based on appealing and innovative concepts, responsibly produced mass market products of high quality and leading brands.

PURPOSE: Improve everyday life with sustainable practical products

TARGET 2030

Carbon neutral production

Actions:

1. Sustainable raw materials share 2030: 80%
2. Energy efficiency and green energy
3. Promote circular economy
4. Climate compensation

	ECONOMIC	ENVIRONMENTAL	SOCIAL
Aspects	Growing and profitable business Sustainable products Customer satisfaction	Environmentally sustainable choices Resource efficiency Responsible production and consumption	Caring for our people Stakeholder engagement Product safety
KPIs	Constant growth and improved profitability Improvement suggestions Long-lasting & recyclable products Customer satisfaction rate	Sustainable materials Energy efficiency Production scrap Reducing carbon footprint	Employee health and safety Zero accidents culture Work environment evaluation Important stakeholder evaluation Sustainable supply chain Safe and tested products

Targets and indicators

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

Aspect	Theme	KPI	Indicator	Target	Result 2020	Result 2021
ECONOMIC	Growing and profitable business	Constant growth and improved profitability	Net sales growth	Average annual organic net sales growth to exceed 5 percent at the group level (growth in local currencies)	14.2%	16.9%
			Adjusted EBITA	EBITA margin (adjusted for items affecting comparability) to exceed 18 percent over time	17.0%	12.4%
		Improvement suggestions	Number (factory employees)	2021: 2 / person	0.4	1
	Sustainable products	Long-lasting and recyclable products	Recyclability of products	100% of products recyclable	100%	100%
	Customer satisfaction	Customer satisfaction rate	Average rating	Improve	3.87 / 5 (2019)	3.93 / 5
ENVIRONMENTAL	Environmentally sustainable choices	Sustainable materials	Share of biobased and recycled materials (used kg)	2030: > 80%	13.6%	14.1%
			Increase in sales of biobased and recycled materials (€)	>2 times net sales growth	14.0%	30.0%
	Resource efficiency	Energy efficiency	kWh / produceg kg	-5% rolling 3 year	1.131	1.100
		Production scrap	Scrap rate	2021: <1.5%	1.09%	0.97%
	Responsible production and consumption	Reducing carbon footprint	CO2 calculation for our operations (t CO2eq./a)	Carbon neutral production by 2030	36,807	40,304
			CO2 per produced kg (kg CO2 eq./a)	Carbon neutral production by 2030	2.5	2.5
SOCIAL	Caring for our people	Employee health and safety	Sickness absence rate	<5%	6.5%	6.6%
		Zero accidents culture	Work related accidents	Zero accidents	13	9
		Work environment evaluation	ParTy Key indicator	> 13.6 (Finnish manufacturing companies avg.)	N/A	14.4 / 20
	Stakeholder engagement	Yearly stakeholder evaluation for most important stakeholders	% of evaluation made / updated (Group A)	100%	74%	100%
		Sustainable supply chain	Coverage of BSCI member suppliers in high-risk countries	100%	N/A	75%
	Product safety	Safe and tested products	All food contact materials tested	100%	100%	100%

Achieved *In progress*

Sustainability governance and risk management

At Orthex, sustainability is driven by the Board of Directors, the CEO, and the Management Team. Progress in sustainability is part of the CEO's incentive plan (read more in the Remuneration Report 2021). The Board of Directors and the Management Team, including the CEO, review the company's sustainability indicators monthly, with a more comprehensive review once a year. A three-year sustainability strategy is confirmed annually.

> **Sustainability is a key factor in all decision making at Orthex**

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

We aim to be carbon neutral by 2030

Orthex has a company-wide risk management policy that classifies risks into three groups: Strategic risks, Operational risks, and Financial risks. 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 (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 in the Board of Directors' Report for the year 2021.

How we contribute to the 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.

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 8 is integrated into the following sustainability topics: Growing and profitable business, Environmentally sustainable choices, Resource efficiency, Caring for our people, and Stakeholder engagement.

SDG 9 Industry, innovation, and infrastructure

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

SDG 9 is integrated into the following sustainability topics: Resource efficiency and Product safety.

SDG 12 responsible production and consumption

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

SDG 12 is integrated into the following sustainability topics: Environmentally sustainable choices, Resource efficiency, Responsible production and consumption, and Stakeholder engagement.

SDG 13 Climate action

We are committed to reducing our greenhouse gas emissions and aim to be carbon neutral in our operations by 2030.

SDG 13 is integrated into the following sustainability topics: Sustainable products and Responsible production and consumption.

Economic aspects: Investing in sustainability while catering to our customers' needs

Growing and profitable business

A thriving business enables investments in sustainability

With a profitable and growing business, we are able to invest in new, more sustainable products and energy-efficient equipment and technology, provide a meaningful job for a growing number of people, and secure the future of the company. We also generate economic wellbeing in society through the payment of taxes. In 2021, we paid EUR 801 thousand in income taxes (EUR 355 thousand in 2020). Read more about our financial performance in our 2021 Financial review.

Investing in new equipment and technology is a significant factor in achieving our sustainability targets. Our Purchase policy requires that all new machines must be energy efficient, and since 2013, we have invested in 27 new energy-efficient machines. Five of these machines were acquired in 2021. In addition, as a profitable company, we are also able to implement our strategy for increasing the share of bio-based and recycled materials in production volumes. During 2022, we will continue to invest in new products, processes, and machines in order to secure our growth and sustainability targets.

Sustainable products

Our products contribute to a circular economy

Orthex's business is based on responsibly produced, durable, reusable, and recyclable plastic products, which play an important role in a sustainable circular economy. Our products are made with high-quality raw materials and last for decades – 90% of them are manufactured in our own factories under our strict quality and safety control. This enables us to, for example, offer a 10-year warranty for our SmartStore product line. Furthermore, consumer feedback demonstrates that some of our products have been in use since the 1950s.

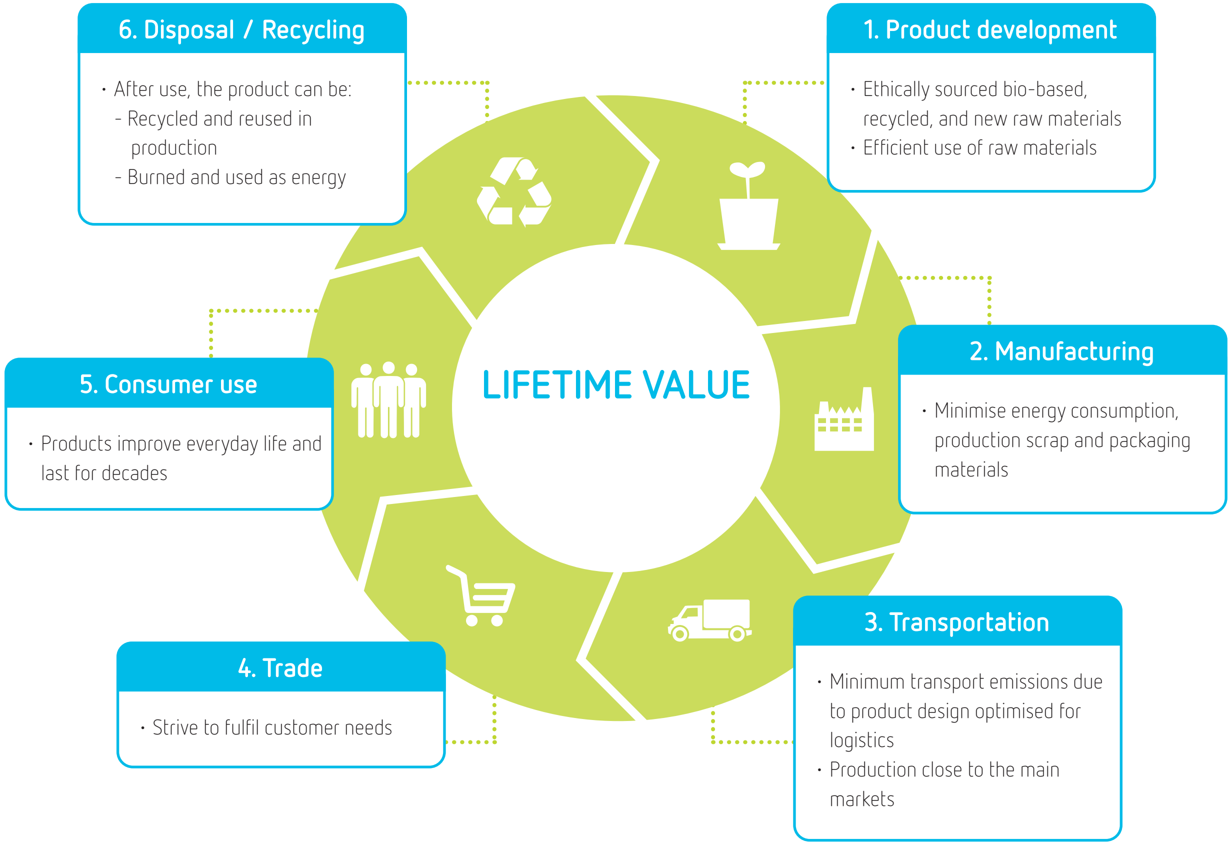
Plastics have many advantages in reusable, durable products. For example, the lightness of plastic reduces emissions from logistics, and its durability and moldability allow for countless end-uses. Plastic products also provide weather-proof solutions for outdoor use and help consumers store food and other items, such as clothes, in good condition for longer. The plastic grades used in Orthex's products are also highly recyclable.

> **Plastic belongs in high-quality reusable products and in recycling, not in nature**

INNOVATIONS THAT DRIVE SUSTAINABILITY

Innovation is another important element driving Orthex's growth and sustainability strategy. We actively launch new products that respond to the increased environmental awareness among consumers. For example, the SmartStore Collect sorting solution, which received the Red Dot design award in 2020, is made with recycled materials and helps consumers sort and recycle waste at home.

Lifecycle perspective in Orthex's business model



Customer satisfaction

We help our customers achieve their sustainability targets

Orthex serves various customer types in retail, 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 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 bio-based and recycled raw materials in 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 to use in their calculations and target setting. For example, we are a member of the supplier sustainability group of a major retailer customer. The platform is used to share ideas and best practices among suppliers.

> **We support our customers in achieving their own sustainability targets**

Some 90% of our products are manufactured in our own factories in Finland and Sweden

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

We measure customer satisfaction with a survey every second year. In 2021, our average rating on a scale of 1 to 5 was 3.93 showing an improvement to the previous survey conducted in 2019 (3.87).

Environmental aspects: Continuously striving for minimal environmental impact

Environmentally sustainable choices

Sustainable raw materials are high on our agenda

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. In 2021, the Finnish Innovation Fund Sitra selected Orthex as one of 41 pioneering Finnish circular economy companies. Orthex was commended for its long history in contributing to the circular economy by increasing the use of recycled plastic and designing recyclable products. Read more at sitra.fi.

Calculations show that our products made with bio-based or recycled raw materials have significantly smaller carbon footprints compared to those made exclusively from conventional plastic. Our target is to increase the share of bio-based and recycled raw materials to 80% by 2030. In 2021, this share was 14.1% (13.6% in 2020). Due to the growth of our entire business, this share increased only slightly compared to 2020, but the sales of the products made of these materials increased as much as 30%.

> **Orthex was among the first in the world to start using consumer-recycled plastic packaging as raw material**

Recycled raw materials

We want to create value out of what has been discarded, which is why we have used recycled plastic in 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 Finland and the Netherlands. The EuCertPlast certification (European Certification of Plastics Recycling) focuses on the traceability of plastic materials and the quality of recycled content in the end-product.

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

BUCKETS FROM FISHING NETS

We also use plastic raw material made from old fishing nets to produce household buckets. 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.

Due to requirements for food-approved products, we are not able to use recycled plastic in our tableware and kitchen utensils products. The chemical recycling of plastic – the dissolving of plastic into molecules which can then be utilised to make new products – could change this. We are closely following the development of this methodology, as it would support our carbon neutrality journey.

Bio-based raw materials

Orthex launched its first bio-based products already in 2016, and we calculated the carbon footprints of all our bio-based product lines in 2020. For example, the carbon footprint of our GastroMax BIO food storage products, which include sugarcane-based content, 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 bio-based raw materials for our BIO products: wood fibre, sugarcane, and castor oil. All these products are certified by **OK Biobased**, which assures the share of bio-based raw materials in the products. Our wood fibre originates from spruce trees in **FSC** and/or **PEFC**-certified, managed semi-natural forests in Sweden. The certification ensures that the fibre comes from sustainably managed forests where biodiversity values are considered. Our sugarcane fibre comes from **Bonsucro**-certified sources in Brazil. The certification provides transparency and assurance for the sustainability of the sugarcane value chain, including the active management of biodiversity. Our castor oil originates from China through a Netherlands-based supplier that is fully committed to sustainability in its value chain. Read more about how we work with our suppliers later in this report.

Resource efficiency

Our efficient operations save natural resources

Orthex's own operations are highly 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. This is further incentivised by the sustainability related terms of some of our funding. These terms include indicators for the energy consumption in our production and the percentage of scrap. Our operations were fully in line with the indicators in 2021.

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 from 1.203 kWh per kilogram of production in 2018 to 1.100 kWh/kg in 2021 (1.131 kWh/kg in 2020). Our target for improving energy efficiency is to reach a -5% reduction compared to the average of the preceding three years (measured in kWh/kg). In 2021, we achieved our energy efficiency reduction target as we did in the four previous years as well.

> **Orthex's operations have minimal impact on the environment, including local biodiversity**

Progress in energy consumption 2017-2021 (kWh/kg)

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

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 2021, we managed to reduce scrap even futher so that the scrap rate was only 0.97%.

Progress in reducing production scrap 2017-2021 (cost of scrap products compared to produced volume, %)

Year	Outcome	Target
2017	1.35%	1.60%
2018	1.45%	1.55%
2019	1.47%	1.50%
2020	1.09%	1.50%
2021	0.97%	1.50%

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, such as cleaning products. 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.

Responsible production and consumption

We are committed to climate action

Orthex strives to minimise its impact on the environment and climate. All our factories are ISO 14001 and 9001-certified for environmental and quality management, respectively. For more than a decade, we have also been a member of the Responsible Care programme of the Chemical Industry Federation of Finland. The programme seeks to support corporate sustainability in the chemical industry through co-operation in networks and development projects.

Our focus areas within Responsible production and consumption are reducing our greenhouse gas emissions and promoting the recycling of plastics. Relying on these and other measures, we seek to be carbon neutral in our operations by 2030. We will further define our roadmap to carbon neutrality in 2022.

Reducing our carbon footprint

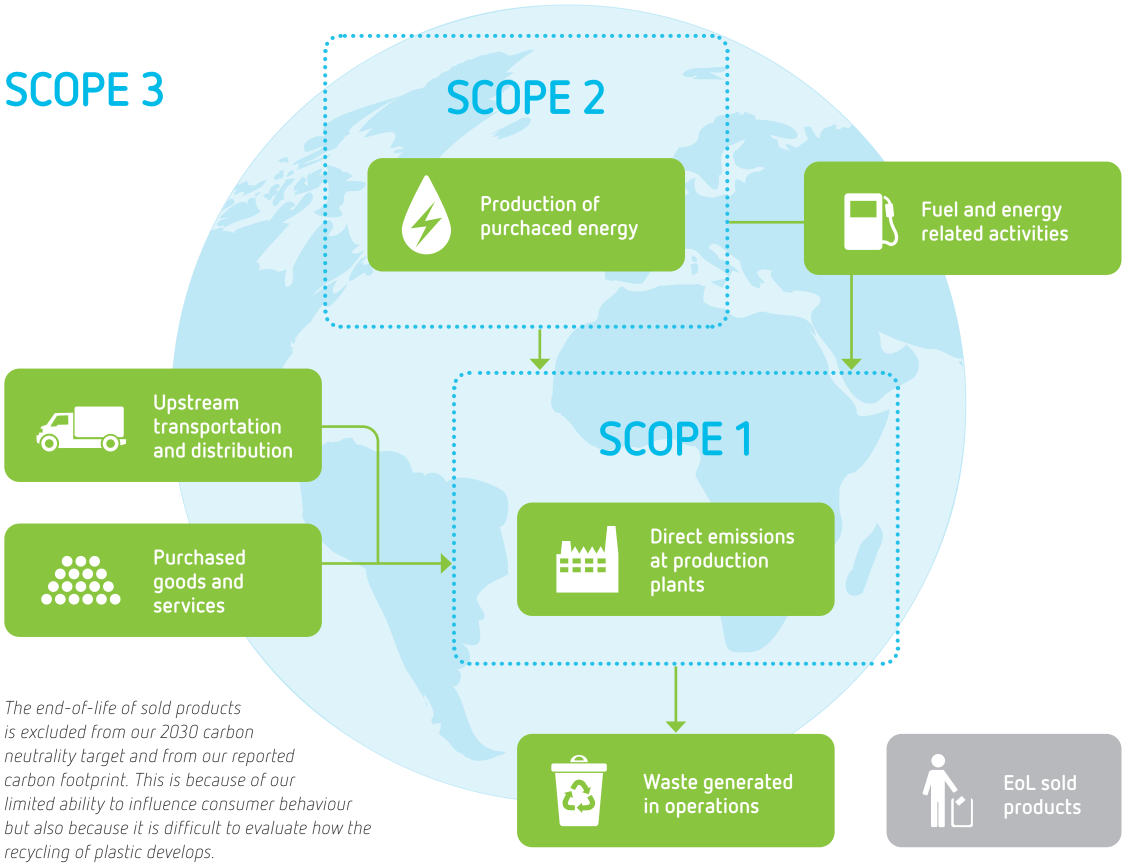
We have calculated the carbon footprint of our operations and value chain. In addition to direct greenhouse gas emissions from our operations (Scope 1) and the production of purchased energy (Scope 2), we included the following indirect (Scope 3) emissions in our calculation: purchased goods and services; fuel and energy-related activities; upstream transportation and distribution; waste generated in operations; and end-of-life of sold products.

The majority of our greenhouse gas emissions originate from purchased goods and services, such as raw material extraction, and the end-of-life of sold products, such as 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. This, and future chemical recycling, will significantly reduce the greenhouse gas emissions from the end-of-life

stage of plastic products.

Increasing the share of bio-based and recycled raw materials in our production will have the biggest impact on reducing our greenhouse gas emissions. Another main factor in driving down our emissions is improving energy efficiency, with a special focus on reducing electricity use. We also strive to replace fossil-based electricity with renewable electricity, and took a significant step in this work in 2021, when all our factories switched to 100% fossil-free hydropower. This switch enabled us to reduce our Scope 2 emissions to zero in 2021.

Orthex's carbon footprint 2021



The end-of-life of sold products is excluded from our 2030 carbon neutrality target and from our reported carbon footprint. This is because of our limited ability to influence consumer behaviour but also because it is difficult to evaluate how the recycling of plastic develops.

Carbon footprint in 2020 and 2021 (t CO2-e)

Year	Scope 1	Scope 2	Scope 3	Total	kg CO2 eq./kg of plastic products	EoL sold products
2020	60	3,052	54,977	36,807	2.5	27,280
2021	66	0	40,238	40,304	2.5	30,203

In 2021, our Scope 2 emissions were reduced to zero due to our factories switching to hydropower. While our greenhouse gas emissions may increase in absolute numbers as our business grows, they keep reducing in relative terms. In 2021, the relative carbon footprint remained at the same level as in 2020 due to increased use of materials and changed shares of different materials.

Promoting the recycling of plastic

Orthex fully supports the notion that plastic belongs in circulation, not in nature. We proactively promote the recycling of plastics in our communication channels and various events, while also engaging in dialogue with relevant actors. In addition, we actively participate in awareness-raising activities, organised by the Finnish Plastics Industries Federation, that seek to advance the recycling of plastics in Finland. Orthex also cooperates with its customers to raise awareness on recycling. For example, in 2020, Orthex, the retailer K Group, and the waste and materials management company Lassila & Tikanoja campaigned together to pilot an experiment where scrap-quality plastic buckets were used as raw material for producing flowerpots.

Some of our funding is tied to our performance in sustainability indicators

Social aspects: Understanding our impact on people

Caring for our people

Employee feedback helps us build a safe and motivating workplace

It is our responsibility to ensure that everyone feels safe and motivated at work, enjoys their workplace, and can contribute through continuous improvement. We do this by managing our occupational health and safety risks, taking preventive measures, educating employees, and continuously evaluating and improving our 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 promotes a zero-accident company culture

Orthex's operations were audited for and awarded with ISO 45001 certification for occupational health and safety (OHS) in 2021. The certificate provides requirements for and guidance on establishing an OHS management system. The goal is to enable organisations to prevent work-related injuries and health issues, and to improve their OHS performance. The auditor commended Orthex for existing practices, such as the "safety rounds" that are used to make safety observations at our factories. One identified improvement area was that the Lost-Time Incident Frequency (LTIF) rate is not yet a key performance indicator (KPI) at Orthex. The LTIF rate will become our KPI for safety in 2022.

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 healthcare plans. 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.

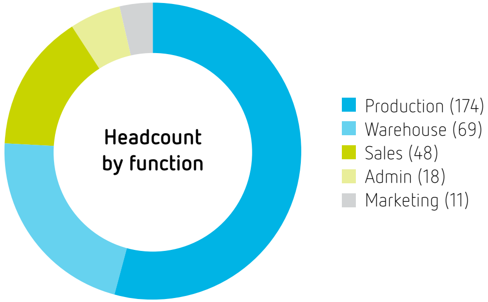
We measure employee health and well-being with a key performance indicator for sickness absence rate (% of total theoretical working hours). The target for this indicator is to maintain the good level of below 5%. In 2021, this rate was 6.6% (6.5% in 2020). During the Covid-19 pandemic, it has been a top priority for us to ensure the health and safety of our employees. Employees were instructed to stay at home with the slightest symptoms of an illness, which led to increased illness-related absences during the pandemic.

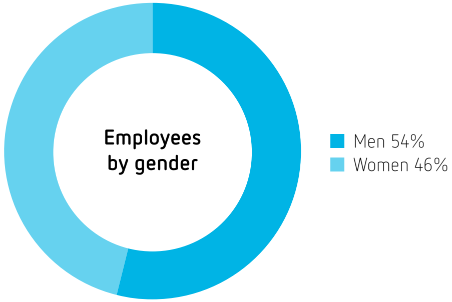
> **We promote equality and do not tolerate discrimination in any form**

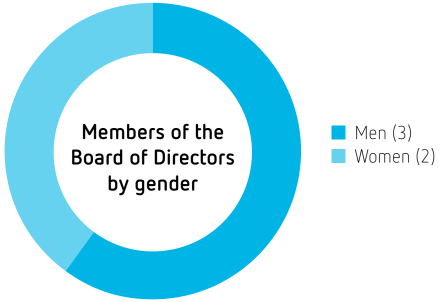
Human resources

In human resources, we focus on constantly developing an organisation with highly motivated and skilled employees and great leadership, while enabling continuous improvement for all. Orthex's people management and development process is a key element in guiding employee performance and development. All managers are evaluated by their teams annually, and all employees are provided with a structured way of giving and receiving feedback. This helps ensure that everyone has the 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.We promote equality and do not tolerate discrimination in any form. Our employees have the freedom to organize themselves, and we respect and engage openly with trade union and personnel representatives.

In addition to our whistleblowing channel, launched in 2021, we operate an internal feedback system for improvement proposals from employees. Each proposal is evaluated and documented. Based on these employee observations, we have done numerous improvements in, for example, our ways of working, work environment, and safety equipment. Our target is to have each operation unit employee submit at least two development proposals or reports of deviations annually. In 2021, one proposal or report was submitted per employee. The low number is explained by changes in the ways of working, including working remotely, which made it difficult to maintain a sufficient level of communication on the improvement proposals routine.







In 2021, we began measuring Group headcount as "at year-end" instead of full-time equivalents (FTEs). After recalculation, figures for 2020 change slightly (from 284 to 329).

Stakeholder engagement

Identifying stakeholder concerns and expectations

We strive to engage with our stakeholders in a transparent manner through, for example, customer satisfaction surveys and investor discussions. We also monitor discussions on social media and respond to our stakeholders' concerns and questions, as appropriate.

Since 2019, Orthex has cooperated with Cancer Foundation Finland to raise funds for cancer research through the Pink Ribbon campaign. In 2021, we participated with our SmartStore storage and GastroMax kitchen products and, together with our customers and the consumers who bought these items, raised nearly EUR 35 thousand, more than doubling our 2020 contribution (EUR 16 thousand).

We review our impact on our stakeholders and their impact on Orthex annually, with risk assessments based on ISO management system requirements for quality, the environment, and occupational safety. In this work, we have identified the following stakeholders as most important to Orthex:

- Customers
- Consumers
- Suppliers
- Shareholders
- Personnel
- Media
- Authorities
- Non-governmental organisations
- Trade unions.

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.

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 China. 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 the next page.

> Product safety is a top priority for Orthex

Food-contact product

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 Gastro Max BIO food storage products undergo microwave testing to ensure that no substances are released into the 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, for example, in microwave, fridge, or dishwasher. For more information about product symbols, visit orthexgroup.com.

Sustainable business practices: Ensuring ethical behaviour in our business and supply chain

Responsible sourcing

We have strict sustainability requirements for our suppliers

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

Supplier Code of Conduct

Our Supplier Code of Conduct (SCoC) presents Orthex's sustainability requirements for suppliers. Our suppliers must either commit to our Supplier Code of Conduct or present their own code of conduct with similar or stricter sustainability requirements compared to those in our SCoC. In 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 preventive 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.

amfori BSCI

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. Our goal is to increase the share of amfori BSCI-certified suppliers in our supply chain, with a focus on new suppliers. We achieved a share of 75% in 2021.

75% of our suppliers were amfori BSCI-certified by the end of 2021

Ethics and compliance

We always aim to go beyond compliance

Orthex operates internationally, and we 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 strive to ensure that our employees understand what ethical behaviour is and how to demonstrate it.

In 2021, we introduced and rolled out the Orthex Code of Conduct which applies to all our employees, Management Team, and 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.

To promote accountability and foster a responsible company culture, we introduced an internally operated **whistleblowing reporting channel in 2021**. The channel is open to all internal and external stakeholders and can be used anonymously. 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.

We introduced a whistleblowing channel in 2021

When Orthex receives a report on suspected misconduct or non-compliance, the matter is first investigated by the CEO and relevant Operations Director. After processing the report, the CEO determines potential further actions, which can be corrective or disciplinary. The whistleblowing reports are always processed in confidence, and information on the report's content, the subject of the report, or the whistleblower are disclosed only to persons that are part of the investigation. In 2021, we did not receive any reports through the whistleblowing channel.

GOVERNANCE

CORPORATE GOVERNANCE STATEMENT 2021

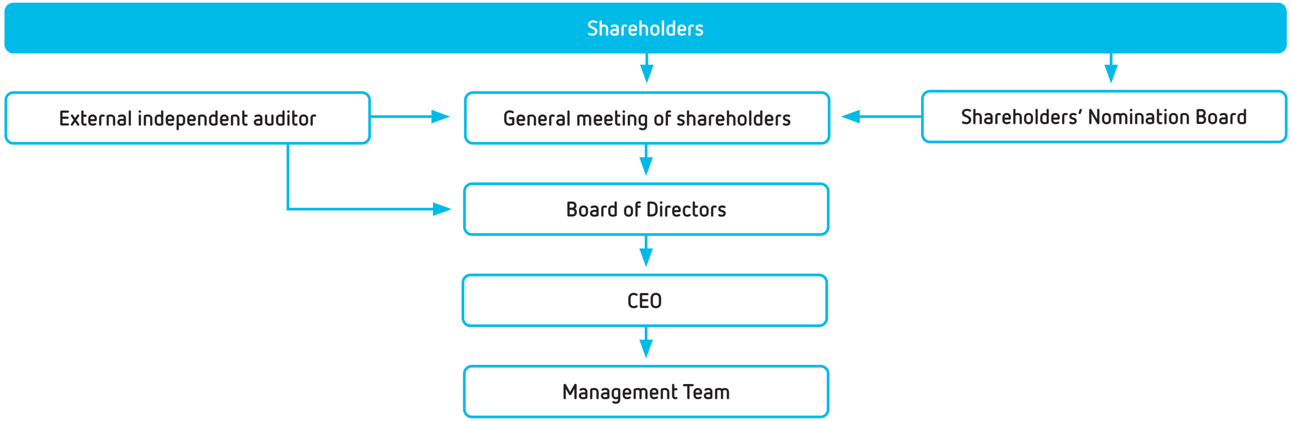
Orthex Corporation ("Orthex" or "the company") is a Finnish publicly listed limited liability company since 29 March 2021 when the trading of its shares started on the official list of Nasdaq Helsinki Ltd. The company's corporate governance complies with the company's Articles of Association and Corporate Governance Principles as well as rules and regulations applicable to Finnish listed companies such as the Finnish Limited Liability Companies Act and Securities Markets Act, and rules and regulations of Nasdaq Helsinki Ltd. The company also adheres to the Finnish Corporate Governance Code 2020 ("CG Code") issued by the Securities Market Association. The CG Code is available on the association's website (**www.cgfinland.fi**).

This Corporate Governance Statement is issued as a separate statement from the Board of Directors' Report, but it is published simultaneously with it and with the company's Financial Statements, Sustainability Report, and the Remuneration Report on the corporate website at **https://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 (AGM). The AGM 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. The Annual General Meeting of Shareholders is convened by the Board of Directors annually within six months from the end of the previous financial year. An Extraordinary Meeting of Shareholders may be convened as stipulated in the Companies Act. Matters on which the Annual General Meeting decides include the adoption of the financial statements, distribution of profits, discharge from liability, and election of the members of the Board of Directors and the auditor, as well as their remuneration. Decisions to amend the Articles of Association are also taken by a General Meeting of Shareholders.

Annual General Meeting 2021

In the Orthex Oy's Annual General Meeting held on 28 February 2021, shareholders decided to approve the parent company's Financial Statements for the financial period 1 January–31 December 2020. The members of the Board of Directors and the CEO were discharged from liability for the year 2020. It was decided that no dividend will be distributed and that the profit for the financial year amounting to EUR 1,002,216.03 will be recognised in retained earnings.

Shareholders decided to change the company's company form into a public company and change the company's name to Orthex Corporation. At the same time, the company's share capital was increased from the company's invested unrestricted equity funds to the amount of EUR 80,000 required for a public company.

The Annual General Meeting also decided to cancel the company's treasury shares and the Board of Directors was authorised to decide on a share issue for the implementation of the public offering and on including the shares in the book-entry securities system managed by Euroclear Finland Oy.

The shareholders decided to elect four members to the Board of Directors and to re-elect Sanna Suvanto-Harsaae, Juuso Kivinen and Satu Huber to the Board. Ari Jokelainen (b. 1955) was elected as a new member to the Board. He has been the company's Board member previously between the years 2016 and 2017. Mr Jokelainen is a Finnish citizen and holds a master's degree in economics. Since 2007, he has been a partner in a Finnish private equity investment company Sponsor Capital Oy. Prior to that, he made a long career as the Chief Executive Officer of Exel Plc.

On 3 March 2021, the Board of Directors resolved to elect Sanna Suvanto-Harsaae as the new Chair of the Board of Directors. The election of the new Chair was conditional upon the successful completion of the public offering and became effective when the company shares were admitted to trading on Nasdaq Helsinki Ltd. on 29 March 2021. Juuso Kivinen chaired the Board prior to that.

The members of the Board of Directors are independent of the company and its significant shareholders. Juuso Kivinen and Ari Jokelainen have been independent of the company's significant shareholders since 17 November 2021 when Sponsor Fund IV Ky, the company's former majority shareholder, sold the rest of its shares in the company.

Extraordinary General Meetings 2021

The Extraordinary General Meeting held on 5 March 2021 decided to establish a Shareholders' Nomination Board for the company and approved the Charter of the Shareholders' Nomination Board. The Nomination Board's appointment process, composition and operations are described later in the section Shareholders' Nomination Board.

At the Extraordinary General Meeting held on 3 July 2021, the number of members of the company's Board of Directors was confirmed to be five, and Jens-Peter Poulsen (b. 1967) was elected as a new member of Orthex Corporation's Board of Directors as of 1 August 2021. Poulsen is a Danish citizen with a master's degree in economics. Since 2013, Poulsen has been the CEO of Kvik A/S. Prior to that, he made a more than ten-year career with the LEGO Group, e.g., in Vice President and Senior Director positions in sales and marketing. Poulsen is a member of the Board of Holmris B8 A/S since 2017 and a member of the Board of the European House of Beds A/S since 2021. Poulsen is independent of the company and the company's significant shareholders.

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 on the basis of the Finnish Limited Liability Companies Act as well as 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 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 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 2021, the Board held 17 meetings. Some of these meetings were held remotely or the resolutions were recorded per capsulam without convening. Attendance in the meetings is reported in the table below. The members of the Board of Directors attended all meetings held during their term of office.

Number of Board Meetings and Members' Attendance 2021

Director	No. of meetings / attendance
Sanna Suvanto-Harsaae (ch.)	17/17
Satu Huber	17/17
Ari Jokelainen (member as of 28 Feb 2021)	14/14
Juuso Kivinen	17/17
Jens-Peter Poulsen (member as of 1 Aug 2021)	4/4
Thomas Sandvall (member until 28 Mar 2021)	3/3
Matti Virtanen (member until 28 Mar 2021)	3/3

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 2021, the company's Board of Directors comprised five members. Diversity of the Board of Directors with respect to gender, nationality, age as well as educational and professional background is described on the next two pages. Additional information for example on the Board members' previous positions of trust is available in the Investors section on the corporate website.

Members of the Board of Directors on 31 December 2021

Sanna Suvanto-Haarsae

Chair of the Board of Directors from 29 March 2021, member since 2020

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

Main occupation: Professional director

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

Satu Huber

Member of the Board of Directors since 2020

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

Main occupation: Professional director

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

- Schibsted ASA, member of the Board of Directors since 2020
- Agence France Trésor, member of the Strategic Advisory Group since 2015
- HIFK - Idrottsföreningen Kamraterna, Helsingfors rf., member of the Supervisory Board since 2021

Ari Jokelainen

Member of the Board of Directors since 2021, as well as 2016–2017

Born 1955
Finnish citizen
Master's degree in Economics
Independent of the company and its significant shareholders

Main occupation: Partner at Sponsor Capital Oy since 2007

- Exel Plc, Chief Executive Officer 1990–2006
- Valmet Paper Machines, Pansio Works, Chief Financial Officer 1987–1990
- Wihuri Oy Wipak, Chief Financial Officer 1983–1987

- Monetari Invest Oy, CEO and Chair of the Board since 2006

Juuso Kivinen

Member of the Board of Directors since 2016, Chair 2016–2021

Born 1969
Finnish citizen
Master’s degree in Economics
Independent of the company and its significant shareholders

Main occupation: Partner at Sponsor Capital Oy since 1997

- Sponsor Capital Oy, member of the Board of Directors since 2020
- StaffPoint Oy, Chair of the Board of Directors since 2018
- Jukivest Oy, sole shareholder

Jens-Peter Poulsen

Member of the Board of Directors from 1 August 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
- Several various positions at Arla Foods 1993–1999

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

Shareholdings and Share-Based Rights of the Members of the Board of Directors

In connection with the company's public offering, the members of the Board of Directors were provided with an opportunity to subscribe the company's shares for a subscription price of EUR 6.14 per share. This price was 10 per cent lower than the subscription price offered to other subscribers except those belonging to the company's personnel. Board members Sanna Suvanto-Harsaae and Satu Huber subscribed shares (5,701 and 13,000 respectively) in connection with the public offering.

The shareholdings of the members of the Board of Directors and the corporations over which they exercise control, as at the end of 2021, are presented in the table below. None of the members of the Board of Directors nor corporations over which any of them exercise control has any share-based rights in Orthex or its Group companies.

Board of Directors' Shareholdings on 31 December 2021

Director	Position	Number of shares on 31 Dec. 2021
Sanna Suvanto-Harsaae	Chair	5,701
Satu Huber	member	13,000
Ari Jokelainen	member	-
Monetari-Invest Oy*)		88,150
Juuso Kivinen	member	-
Jukivest Oy*)		88,150
Jens-Peter Poulsen	member	-
Total		**195,001**
% of total number of shares		1.1%
Orthex total number of shares		**17,758,854**

*) controlled corporation

Shareholders' Nomination Board

As stated earlier, the company has the Shareholders' Nomination Board. The duties of the Nomination Board include annual preparation of proposals for the remuneration, number of members and the composition of the Board of Directors to the next annual general meeting and presenting those proposals at the meeting. It is also the duty of the Nomination Board to search for new director candidates.

The Nomination Board consists of the four (4) largest shareholders of the company as of 31 August or, if the company has more than four (4) 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 2021, the shareholders represented in the Shareholders' Nomination Board were Conficap Oy, Sponsor Fund IV Ky, Alexander Rosenlew and Thomasset Oy.

In accordance with the Charter of the Shareholders' Nomination Board, Juuso Kivinen resigned from the Nomination Board on 1 December 2021 as the shareholder he represented, Sponsor Fund IV Ky, the company's former majority shareholder, sold the rest of its shares in an accelerated book-building process on 17 November 2021 following the expiry of the lock-up period agreed on in connection with the company's IPO.

Resulting from Sponsor Fund IV Ky's share sale, Mutual Pension Insurance Company Ilmarinen became one of the Company's four largest shareholders and announced that it will appoint its representative to the Shareholders' Nomination Board.

As a result, the representatives of the four largest shareholders in the Nomination Board are:

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

and as an expert member Sanna Suvanto-Harsaae, Chair of Orthex's Board of Directors. Maarit Toivanen chairs the Nomination Board.

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

Shareholdings and Share Based Rights of the Members of the Management Team

The shareholdings of the CEO and other members of the Management Team (including potential corporations over which they exercise control), as at the end of 2021, are presented in the table below.

The CEO or other members of the Management Team (or potential corporations over which they exercise control) have no share-based rights in Orthex or its Group companies.

Management Team's Shareholdings on 31 December 2021

Management Team member	Position	Number of shares on 31 Dec. 2021
Alexander Rosenlew	CEO	2,047,726
Saara Mäkelä	Chief Financial Officer	141,000
Hanna Kukkonen	Chief Marketing Officer	200,800
Michel Mercier	Sales Director, Export	209,100
Nicholas Ledin	Sales Director, Nordic	60,350
Hans Cronquist	Operations Director, Tingsryd	98,400
Peter Ottosson	Operations Director, Gnosjö	90,100
Tom Ståhlberg	Operations Director, Lohja	314,000
Total		**3,161,476**
% of total number of shares		17.8%
Orthex total number of shares		**17,758,854**

Members of the Management Team on 31 December 2021

Alexander Rosenlew
Chief Executive Officer

Management Team member since 2010
Employed by Orthex since 2010

Born 1971
Finnish citizen
Master's degrees in Economics and in Management

Saara Mäkelä
Chief Financial Officer

Management Team member since 2017
Employed by Orthex since 2017

Born 1976
Finnish citizen
Master's degree in Economics

Hanna Kukkonen
Chief Marketing Officer

Management Team member since 2012
Employed by Orthex since 2012

Born 1973
Finnish citizen
Master's degree in Economics

Michel Mercier
Sales Director, Export

Management Team member since 2015
Employed by Orthex since 2015

Born 1966
French citizen
Master's degree in Agricultural Engineering

Nicholas Ledin
Sales Director, Nordic

Management Team member since 2015
Employed by Orthex since 2001

Born 1970
Swedish citizen
High school graduate

Hans Cronquist
Operations Director, Tingsryd

Management Team member since 2019
Employed by Orthex since 2019

Born 1970
Swedish citizen
Master's degree in Mechanical Engineering

Peter Ottosson
Operations Director, Gnosjö

Management Team member since 2013
Employed by Orthex since 2009

Born 1974
Swedish citizen
Bachelor's degree in Machine Engineering, eMBA

Tom Ståhlberg
Operations Director, Lohja

Management Team member since 2012
Employed by Orthex since 2012

Born 1969
Finnish citizen
Master's degree in Industrial Engineering and Management

Financial Reporting Process

Orthex compiles its financial reporting in accordance with the International Financial Reporting Standards (IFRS), the Finnish Securities Markets Act, the Finnish Accounting Act and the guidelines and statements of the Finnish Accounting Board, while also complying with the rules and regulations of the Financial Supervisory Authority and the rules of Nasdaq Helsinki Ltd. The principles, instructions, practices, and areas of responsibility in internal auditing and risk management relating to the company's financial reporting process are aimed at ensuring that the company's financial reporting is reliable and that the financial statements have been prepared in accordance with applicable laws, regulations, and the company's operating principles. Orthex's financial reporting is supervised on two levels, in individual companies and at the group level. On both levels, control measures and analyses are carried out to ensure the validity of financial reporting. The Board of Directors is responsible for overseeing the financial reporting process.

Risk Management

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

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

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

Risk management principles

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

Risk management process and reporting

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

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

The Management Team reports to the Board of Directors on risks and risk management measures 2–3 times a year. The Board reviews the most significant risks, measures to manage them and assesses the efficiency and effectiveness of risk management. The Board reports on the most significant risks and uncertainties in the annual Board of Directors' Reports and in the financial statements 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 2021.

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 insider 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.

Orthex executives 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.

The persons discharging managerial responsibilities are the members of Orthex's Board of Directors, the CEO, and the members of the Management Team. Orthex maintains a list of the persons discharging managerial responsibilities and the persons and entities closely associated with them.

A person discharging managerial responsibilities in Orthex as well as any other persons possibly deemed permanent insiders by Orthex may not enter into transactions for their own account or for the account of a third party during a closed period beginning 30 days prior to the disclosure date of

Orthex's financial statement release, half-year report and the three- and nine-month interim reports provided periodically by Orthex and ends 24 hours after publishing the group's interim report, half-year report or financial statement release.

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

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

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

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

Orthex has an internal whistleblowing channel through which Orthex employees can anonymously report any suspected violations of financial market rules and regulations.

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.

Ernst & Young Oy, a firm of Authorised Public Accountants, is Orthex's auditor, with Johanna Winqvist-Ilkka, Authorised Public Accountant, as the signing audit partner. The fees for the audit paid to the auditor in 2021 totalled EUR 0.2 million. In addition, EUR 0.5 million was paid to the auditor for non-audit services that mainly related to services provided in connection with the listing of the company.

REMUNERATION REPORT 2021

Orthex Corporation ("Orthex" or the "company") is a Finnish publicly listed limited liability company since 29 March 2021 when the trading of its shares started on the official list of Nasdaq Helsinki Ltd. This is the company's first remuneration report, and it describes the remuneration of the members of the Board of Directors and the CEO during the financial year 2021. It also includes a description of the company's financial development over the past five years in comparison with the development of the remuneration of the Board of Directors and the CEO. This remuneration report has been approved by the company's Board of Directors and it will be presented to the Annual General Meeting to be held on 6 April 2022 for the shareholders' approval. The shareholders' decision on the report is advisory.

Introduction

The company's remuneration policy for the governing bodies has not yet been presented to the Annual General Meeting so the company did not have a remuneration policy in place during the financial year 2021. Hence, this remuneration report does not describe implementation of such policy but in other respects it follows the requirements of the applicable laws and regulations and the Finnish Corporate Governance Code 2020. The company's first remuneration policy for governing bodies will be presented to the Annual General Meeting to be held on 6 April 2022.

The actual remuneration of the members of the Board of Directors and the CEO in 2021 followed the remuneration principles of Orthex.

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.

Development of the Group's financial performance and remuneration

The development of the CEO's total remuneration correlates with the company's performance, as described below. The achievement of the short-term incentive plan's performance targets for 2021 and the incentive to be paid in 2022 are disclosed in the tables at the end of this remuneration report.

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

EUR thousand	2021	2020	2019	2018, FAS	2017, FAS
Net sales	88,694	75,865	66,427	62,490	61,453
Adjusted EBITA	10,964	12,933	7,593	5,227	5,602
Board of Directors[1)]	126	71	58	41	46
CEO[1)]	478	367	302	259	288
Employees' average remuneration[2)]	58	55	53	51	51

[1)] The remuneration of the Board of Directors and the CEO was adjusted in connection with the company's IPO in March 2021.
[2)] Employees' average remuneration is total employee remuneration excluding side costs 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 Board of Directors prepared a proposal for the remuneration of the members of the Board of Directors for the 2021 Annual General Meeting. The proposal for the remuneration of the members of the Board of Directors for the 2022 Annual General Meeting has been prepared by the company's Shareholders' Nomination Board.

In accordance with the decision of the Annual General Meeting in 2021, the Chair of the Board was paid between 1 March and 31 March a remuneration of EUR 2,500 per month and EUR 1,700 per month for each member of the Board. As of 1 April 2021, the remuneration paid to the Chair of the Board was EUR 4,000 per month and to each other member of the Board EUR 2,000 per month.

Board fees are paid monthly in cash. No meeting fees are 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.

In February 2021, a non-recurring consulting fee of EUR 25 thousand was paid to RaKaAs ApS, the consulting company of the Chair of the Board, Sanna Suvanto-Harsaae, in connection with the company's listing.

Reasonable travel expenses for Board members' meetings were reimbursed in accordance with the company's travel rules.

The remuneration paid to the members of the Board of Directors in 2021 is shown in the table below. The members of the Board of Directors have not received any other financial benefits.

Remuneration of the Board of Directors 2021

EUR	Total
Sanna Suvanto-Harsaae	41,100
Satu Huber	23,100
Ari Jokelainen	19,700
Juuso Kivinen	25,500
Jens-Peter Poulsen[1)]	10,000
Thomas Sandvall[2)]	3,400
Matti Virtanen[2)]	3,400
Total	**126,200**

1) Member of the Board as of 1 August 2021
2) Member of the Board until 28 March 2021

Remuneration of the CEO

The Board of Directors decides on the remuneration of the CEO. The CEO's remuneration consists of a fixed base salary with fringe benefits and a variable short-term incentive. In 2021, 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 (11.5%) 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 2021, the metrics and weights of the CEO incentive plan were as follows: profitability 60%, turnover 25%, sustainability 15%. During the financial year 2021, 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 2021 are shown in the table below. The incentive paid in 2021 is based on the 2020 short-term incentive plan.

Remuneration of the CEO paid in 2021

EUR	2021
Fixed based salary and mobile phone benefit	401,660
Incentives	76,000
Other financial benefits	-
Total	**477,660**
Share of fixed pay of total remuneration	84%
Share of variable pay of total remuneration	16%

The CEO's earned short-term incentive for 2021 was 43% of the annual maximum short-term incentive. The performance-based incentive for 2021 will be paid in April 2022.

Remuneration of the CEO not yet paid but due based on the year 2021

Short-term incentive scheme	EUR
Remuneration due based on the achievement of STI performance measures in 2021	101,489

FINANCIAL REVIEW

CONTENTS

BOARD OF DIRECTORS' REPORT

Board of Directors' report

Orthex is a leading Nordic houseware company. Orthex designs, produces 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, sustainable and high-quality household products. Orthex also aims to be the industry forerunner in sustainability.

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

Key figures

EUR million	2021	2020	2019
Invoiced sales	90.6	77.9	67.4
Net sales	88.7	75.9	66.4
Gross margin	23.2	24.6	18.2
Gross margin, %	26.2%	32.4%	27.5%
EBITDA	13.2	16.5	10.7
EBITDA margin, %	14.9%	21.7%	16.1%
Adjusted EBITDA	14.8	17.1	11.7
Adjusted EBITDA margin, %	16.7%	22.5%	17.6%
EBITA	9.4	12.3	6.6
EBITA margin, %	10.6%	16.3%	9.9%
Adjusted EBITA	11.0	12.9	7.6
Adjusted EBITA margin, %	12.4%	17.0%	11.4%
Operating profit	9.3	12.3	6.5
Operating profit margin, %	10.4%	16.2%	9.8%
Net cash flows from operating activities	9.0	12.7	8.5
Net debt / Adjusted EBITDA	1.7x	2.3x	3.5x
Adjusted return on capital employed (ROCE), %	33.0%	40.3%	22.9%
Equity ratio, %	35.8%	22.6%	20.1%
Earnings per share, basic (EUR)	0.35	0.47	0.12
FTEs	314	285	272

Market overview

Orthex operates in Europe in the home storage, food storage and kitchenware market, which has historically been stable and resilient throughout different economic cycles. The market size was estimated at EUR 8.0 billion in 2019. Household goods are purchased on demand and unit prices are generally low, which means that market downturns have a smaller impact on consumers' purchasing power and demand.

The market for household products in Europe is fragmented. Orthex estimates that it had a leading market position in the Nordic home storage market, with an estimated market share of 20–25 per cent in 2019. Additionally, the company had a strong position in the food storage and kitchenware market. The size of the Nordic home storage market was estimated to be approximately EUR 140 million in 2019.

There were no significant changes in Orthex's market position or competitive situation during the financial year of 2021. The management's view is that the fast growth in Europe outside the Nordic market comes from a steadily improving competitive position with presence in new customers and widened distribution in existing customers' shop assortment.

There has typically not been significant seasonal variation in Orthex's sales. However, the uncertain market situation caused by the COVID-19 pandemic may affect the comparability of sales between quarters and financial years. The COVID-19 pandemic affected Orthex's business both positively and negatively during the financial year.

As a result of the pandemic, restrictions on movement in some markets had a positive impact on Orthex's sales, as people spent more time at home and focused on, for example, cooking and interior design solutions, including storage solutions. However, in some export markets, restrictions on movement adversely affected the company's sales, as stores selling the company's products were closed for part of 2020 and 2021. Raw material prices fell exceptionally much in the spring of 2020 due to the COVID-19 pandemic, but prices started to rise during the latter part of 2020. During the financial year, raw material prices have risen to exceptionally high levels.

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 2021, the Group's Net sales increased by 16.9% to EUR 88.7 million (75.9). Invoiced sales amounted to EUR 90.6 million (77.9). The increase of constant currency Net sales was 15.7% compared to 2020. Net sales growth was strong especially in the Storage product category and in export markets.

EBITA was 9.4 million (12.3) during 2021 and decreased by 24.0%. Adjusted EBITA decreased by 15.0% to EUR 11.0 million (12.9). Adjusted EBITA margin decreased to 12.4% (17.0). Operating profit was EUR 9.3 million (12.3). Items affecting comparability totalled EUR 1.6 million (0.6), of which listing costs affected the operating profit negatively with about EUR 1.5 million (0.6).

Orthex's financial income and expenses during the financial year consisted of EUR 1.6 million net expenses (2.4). No interest expenses incurred during the year from convertible loans as the convertible loans were repaid at the end of 2020. Also, the impact of foreign exchange rates on Orthex's internal loan arrangements is smaller compared to the last year.

Development by geography

Orthex's core market area by geography is the Nordics, where the Group's invoiced sales in 2021 amounted to EUR 73.0 million (64.1). In the Nordic countries, the increase in sales was mainly due to increased sales to existing customers. Invoiced sales in the Nordics totalled 80.6% (82.3) of the Group's total invoiced sales. Invoiced sales in the rest of Europe grew to

EUR 15.1 million (11.4). Invoiced sales in the rest of the world were at the same level as last year at 2.4 million euros (2.4). In the export market, the increase in sales was due to increased sales to both new and existing customers. Orthex's products are sold in more than 40 countries, and export to non-Nordic countries grew by 1.7 percentage points and accounted for 19.4% (17.7) of the Group's invoiced sales at the end of the period.

Invoiced sales by geography

EUR million	2021	2020	2019
Nordics	73.0	64.1	56.0
Rest of Europe	15.1	11.4	9.4
Rest of the world	2.4	2.4	2.0
Total	**90.6**	**77.9**	**67.4**

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 59.4 million (49.4) during 2021. Products in the Storage category will play a key role in Orthex's expansion in Europe, as Orthex often uses them as flagship products when seeking agreements with new retailers.

Orthex has a strong position in the Nordics in food storage and kitchenware markets. The Group's invoiced sales in the Kitchen category grew to EUR 20.1 million (19.0) which was both due to new customers and increased demand among existing customers.

Invoiced sales in the Home & Yard category increased to EUR 5.4 million (5.0).

Invoiced sales in the Plant Care category grew to EUR 5.7 million (4.5). The increase was mainly due to the increase in the cultivation of green plants, herbs and vegetables in flowerpots made of recycled plastic material.

Invoiced sales by product category

EUR million	2021	2020	2019
Storage	59.4	49.4	41.4
Kitchen	20.1	19.0	16.7
Home & Yard	5.4	5.0	5.5
Plant Care	5.7	4.5	3.8
Total	**90.6**	**77.9**	**67.4**

Financial position and cash flow

The balance sheet totalled EUR 88.8 million (75.4) at the end of the financial year, of which equity constituted EUR 31.8 million (17.0). The listing carried out during the first quarter of the year had a net effect of EUR 9.3 million on the company's equity.

At the end of the financial year, the Group's net debt was EUR 25.9 million (38.9). Non-current interest-bearing liabilities were EUR 36.0 million (40.0) and Orthex's total interest-bearing liabilities were EUR 40.2 million (44.1). Interest-bearing liabilities include pension liabilities and lease liabilities.

During 2021, the Group's net cash flows from operating activities were EUR 9.0 million (12.7) and cash conversion was 67.7% (81.2). Cash and cash equivalents amounted to EUR 14.3 million (5.3) at the end of the financial year.

Net debt/adjusted EBITDA was 1.7x (2.3). Orthex's long-term target is to keep Net debt/adj. EBITDA below 2.5x.

At the end of the financial year, the Group's Equity ratio was 35.8% (22.6). Adjusted return on capital employed (ROCE) was 33.0% (40.3) and Return on equity (ROE) 24.7% (49.0).

Investments, product development and acquisitions

Orthex's investments during 2021 amounted to EUR 4.8 million (3.2) and were mainly related to increasing the production capacity for new and existing products.

The company's Board of Directors decided to bring forward the machine investment originally planned for 2022 to increase production capacity and decided to purchase a 650-ton injection moulding machine for the manufacture of larger storage boxes. The investment was brought forward from the plan so that the machine would be put into production as early as the end of 2021, so that Orthex would be better able to meet the demand for the Storage category products. During 2021, Orthex has made a total of 5 significant machine investments at the Tingsryd and Lohja factories, as well as investments in automation and product moulds.

Orthex focuses on the most important product categories and markets and decided to exit local snow toy manufacturing to make room for growth by selling its snow toys moulds to Wiitta Oy in June 2021. Snow toys accounted for a small share of Orthex's Home & Yard product group sales. The contract did not include any trademarks. The parties have agreed not to disclose the amount of the transaction.

Personnel

The number of personnel employed by Orthex in 2021 was 314 (285) in average. Wages and salaries were EUR 19.7 million in 2021 (17.1). Group headcount at the end of the financial year was 320 (329), of which 54% (57) worked in production, 22% (20) in warehouse, 15% (15) in sales, 6% (5) in administration and 3% (4) in marketing.

Governance

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

Further information on the company's governance principles is available in the Corporate Governance Statement 2021 published simultaneously with the Report of the Board of Directors 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 General Meetings

Orthex Corporation held three general meetings of shareholders during the year. The meetings were held at Orthex Group headquarters in Espoo, Finland. The Extraordinary General Meeting held on 2 July 2021 was arranged in accordance with exceptional meeting procedures to limit the spread of the COVID-19 pandemic. A shareholder or their representative could attend the meeting and exercise the shareholder's rights only by voting in advance and by making counterproposals and asking questions in advance, they were not able to attend the meeting in person.

In Orthex Oy's Annual General Meeting held on 28 February 2021, shareholders decided to approve the parent company's Financial Statements for the financial period 1 January–31 December 2020. The members of the Board of Directors and the CEO were discharged from liability for the year 2020. It was decided that no dividend will be distributed and that the profit for the financial year of EUR 1,002,216.03 will be recognised in retained earnings.

Shareholders decided to change the company's company form into a public company, change the company's name to Orthex Corporation, and include the company's shares in the book-entry securities system managed by Euroclear Finland Ltd. At the same time, the company's share capital was increased from the company's invested unrestricted equity fund to the amount of EUR 80,000 required for a public company, and the Articles of Association were amended to incorporate these changes in the articles.

The Annual General Meeting further decided to issue 15,880,000 new shares without payment to the company's existing shareholders in proportion to their existing shareholdings to implement the public offering. Each share entitled its holder to receive 40 new shares. It was also resolved to cancel all 3,000 treasury shares held by the company. Further, the Board of Directors was authorised to decide on a directed share issue with payment deviating from the shareholders' subscription right. The Board of Directors was authorised to issue a maximum of 2,000,000 shares to Orthex Group personnel and members of the Board of Directors and other management to facilitate their participation in the public offering.

The shareholders decided to elect four members to the Board of Directors and to re-elect Sanna Suvanto-Harsaae, Juuso Kivinen and Satu Huber to the Board. Ari Jokelainen was elected as a new member to the Board. He has been the company's Board member previously between the years 2016 and 2017.

The Annual General Meeting decided that Ernst & Young Oy, a firm of Authorised Public Accountants, will continue as the company's auditor, with Johanna Winqvist-Ilkka, Authorised Public Accountant, as the signing audit partner.

On 3 March 2021, the Board of Directors resolved to elect Sanna Suvanto-Harsaae as the new Chair of the Board of Directors. The election of the new Chair was conditional upon the successful completion of the public offering and became effective when the company shares were admitted to trading on Nasdaq Helsinki's main list on 29 March 2021. Juuso Kivinen chaired the Board prior to that.

The Extraordinary General Meeting held on 5 March 2021 decided to establish a Shareholders' Nomination Board for the company and approved the Charter of the Shareholders' Nomination Board. The Nomination Board's appointment process, composition and operations are described in the Corporate Governance Statement under section Shareholders' Nomination Board.

At the Extraordinary General Meeting held on 3 July 2021, the number of members of the company's Board of Directors was confirmed to be five, and Jens-Peter Poulsen was elected as a new member of Orthex Corporation's Board of Directors as of 1 August 2021.

Board of Directors

On 31 December 2021, the company's Board of Directors consisted of the following members: Sanna Suvanto-Haarsae (Chair), Satu Huber, Ari Jokelainen, Juuso Kivinen and Jens-Peter Poulsen.

Management's ownership and remuneration

On 31 December 2021, the members of the Board of Directors, the CEO and other members of the Management Team, including their controlled corporations, owned a total of 3,356,477 shares corresponding to 18.9% 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.

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.

Group structure

In order to simplify the Group structure, Orthex Corporation's Finnish subsidiary Oy Orthex Group Ab was merged into Orthex Corporation as of 31 October 2021.

Shares and shareholders

Trading in Orthex's share began on the Nasdaq Helsinki pre-list on 25 March 2021 and on the Nasdaq Helsinki main list on 29 March 2021. In the Initial Public Offering, Orthex issued 1,481,854 new shares, in addition to which funds managed by Sponsor Fund IV Ky and certain other shareholders in the company sold a total of 10,668,937 shares. Orthex accumulated gross proceeds of approximately EUR 10 million in the Initial Public Offering. The final subscription price of the share in the IPO was EUR 6.82 per share.

In connection with the company's listing, the Group's personnel subscribed for 156,236 shares in the personnel issue. The subscription price of EUR 6.14 per employee share was 10 percent lower than the subscription price of the shares offered to others in the listing. In accordance with IFRS, the discount received by the personnel, EUR 106 thousand, has been recognised in its entirety in personnel expenses as a share-based payment.

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 is FI4000480504.

Share capital and share

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.

Shareholders and share trading

Trading volume during the period was EUR 180.3 million and 21,933,614 shares. The highest price of the share was EUR 12.50 and the lowest was EUR 7.30. The closing price of the share at the end of December was EUR 11.04. These figures include share sales related to the IPO. The year-end market value of the share capital stood at EUR 196.1 million. The company did not have any treasury shares at the end of the period as the Annual General Meeting held on 28 February 2021 decided to cancel 3,000 treasury shares held by the company.

The number of registered shareholders at the end of the review period was 18,523 and 1,838,522 shares representing 10.35% of the total number of the shares were nominee registered. At the end of the period, the ten largest shareholders possessed a total of 48.2% of Orthex's shares and votes.

Authorisations, option and share-based incentive programmes

During 2021, Orthex did not have any share option programmes or share-based incentive schemes. Orthex's Board of Directors did not have any share-based authorisations at the end of the review period.

Major shareholders 31 Dec 2021*

Shareholder	No. of shares	% of shares
Conficap Oy	2,486,240	14.00
Rosenlew Alexander	2,047,726	11.53
Ilmarinen Mutual Pension Insurance Company	1,061,000	5.97
Thomasset Oy	711,000	4.00
Varma Mutual Pension Insurance Company	639,350	3.60
OP-Finland Micro Cap	369,736	2.08
Fondita Nordic Micro Cap Investment Fund	328,500	1.85
Ståhlberg Tom Christian	314,000	1.77
Oy Julius Tallberg Ab	301,906	1.70
Aktia Capital Mutual Fund	300,000	1.69
Total	**8,559,458**	**48.20**

*) 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/.

Sector distribution 31 Dec 2021*

Sector	No. of shares	% of shares
Households	6,446,877	36.30
Private companies	4,623,899	26.04
Financial and insurance institutions	2,309,555	13.01
Public sector organisations	2,190,754	12.34
Non-profit institutions	335,115	1.89
Rest of the world	14,102	0.08
Total	**17,758,854**	**100**

*) Source: Euroclear Finland

Share distribution 31 Dec 2021*

Number of shares	Number of shareholders	% of shareholders	Number of	% of shares
1-100	12,680	68.46	726,933	4.09
101-1,000	5,304	28.63	1,609,432	9.06
1,001-10,000	451	2.43	1,111,189	6.26
10,001-100,000	63	0.34	1,981,262	11.16
100,001-1,000,000	21	0.11	5,296,722	29.83
> 1,000,000	4	0.02	7,033,316	39.61
Total	**18,523**	**100**	**17,758,854**	**100**
Nominee registered	9	0.05	1,838,552	10.35

*) Source: Euroclear Finland

Sustainability

Orthex has emphasised sustainability since the early 1990s. The company aims to be a pioneer in the industry in terms of 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 bio-based and recycled materials. Orthex has set as a main target to reach carbon neutrality in production by 2030.

Orthex's responsible choices are based on the United Nations Sustainable Development Goals and the company has identified four sustainable development goals: (i) decent work and economic growth, (ii) sustainable industry, innovation and infrastructure, (iii) responsible consumption and production, and (iv) climate action. Orthex reviews its sustainability strategy annually and sets targets and key performance indicators for three-year periods. Orthex publishes an annual sustainability report, which sets out the company's sustainability goals, achievements and investments.

One of the goals of Orthex's sustainability strategy is to reduce energy consumption, and investments in energy-efficient machines have helped reduce Orthex's energy consumption. The company's energy efficiency goal is to reduce energy consumption by 5 percent compared to the average of the previous three years. Improving energy efficiency is also an essential part of reducing emissions. Orthex pays special attention to reducing the use of fossil-based electricity, and in 2021, all our factories switched to use 100% fossil-free hydropower. This was a major step for Orthex towards carbon-neutral production by 2030.

In September 2021, Orthex was selected as a pioneering company to the Finnish Innovation Fund Sitra's list of the most interesting companies in circular economy in Finland. The list presents 41 pioneering companies that offer circular economy solutions to the global sustainability crisis.

In December 2021, Orthex was audited for and granted an ISO 45001 certification. It is an international standard that specifies requirements for an occupational health and safety management system. The goal with an ISO 45001 certification is to enable organisations to provide safe and healthy workplaces by preventing work-related injuries and health issues.

More information on Orthex's sustainability can be found in the Annual Report's dedicated section Sustainability.

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 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, NWC and liquidity, and foreign exchange rate fluctuations. The main principles of Orthex's financial risk management are described in 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

Economic downturns, due to COVID-19 or otherwise, or restrictions related to COVID-19 may adversely affect the operations of Orthex's customers. Should Orthex's customers be forced to close their stores or cease their operations due to COVID-19 or otherwise, this could adversely affect the distribution of Orthex's products and, hence, Orthex's results of operations. Financial and operational challenges experienced by Orthex's customers could also affect Orthex's ability to collect outstanding receivables fully, or at all.

Although the COVID-19 pandemic did not materially impair the Group's operating profit during the review period, prolonged or extended restrictions could have a material adverse effect on business, financial condition and/or operating profit.

Risks relating to changes in competitive environment

Orthex operates in a competitive and fragmented home storage, food storage and kitchen utensils 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 home and food storage products and kitchen utensils 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 bio-based 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. 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.

Raw material prices fell exceptionally much in the spring of 2020 due to the COVID-19 pandemic, but prices started to rise during the latter part of 2020. During the financial year 2021, raw material prices have risen to exceptionally high levels which has impacted 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 condition 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 condition 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 condition 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 export markets outside the Nordics, which imposes new demands to Orthex's management and personnel. Orthex's geographical expansion also requires the recruitment of additional personnel. If Orthex is not successful in recruiting and retaining qualified key personnel, this may have an adverse effect on Orthex's business..

Risks relating to regulation and compliance

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

Risks relating to taxation

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

Orthex Group was subject to a tax audit of Orthex Corporation regarding the financial years 2020 and 2021. Orthex Corporation received in February 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 and has filed a claim for adjustment.

Risks relating to currency fluctuations

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

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 have an effect on 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 condition and/or results of operations.

Board of Directors' proposal for the use of profit shown on the balance sheet and for capital return

According to the balance sheet to be adopted for the financial year ended 31 December 2021, the parent company's distributable funds amount to EUR 11,198,022.37, including loss for the period of EUR 64,539.03.

The Board of Directors proposes to the Annual General Meeting of Orthex Corporation to be held on 6 April 2022 that no dividend will be distributed based on the balance sheet to be adopted for the financial year ended on 31 December 2021.

Instead, the Board of Directors proposes that based on the balance sheet to be adopted for the financial year ended on 31 December 2021, shareholders be paid a capital return of EUR 0.18 per share from the invested unrestricted equity fund totalling approximately EUR 3.2 million based on the number of registered shares in the company at the time of the proposal.

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

The first instalment of the capital return amounting to EUR 0.09 per share will be paid to a shareholder who is registered in the company's shareholder register held by Euroclear Finland Oy on 8 April 2022 that is the record date for the first instalment of the capital return. The Board of Directors proposes that the first instalment of the capital return be paid on 21 April 2022.

The second instalment of the capital return amounting to EUR 0.09 per share will be paid in October 2022 to a shareholder who is registered in the company's shareholder register held by Euroclear Finland Oy on 3 October 2022 that is the record date for the second instalment of the capital return. The Board of Directors proposes that the second instalment of the capital return be paid on 11 October 2022.

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 capital return should the rules of Euroclear Finland Oy or statutes governing the Finnish book-entry system change or otherwise so require.

As the balance sheet to be adopted for the financial period ended on 31 December 2021 does not show profit for the period, shareholders do not have the right to demand minority dividend pursuant to Chapter 13 Section 7 of the Finnish Limited Liability Companies Act.

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

Events after the financial year

On 28 January 2022, Orthex Corporation disclosed the Shareholders' Nomination Board's proposals to the Annual General Meeting 2022 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, Satu Huber and Jens-Peter Poulsen would be re-elected to the Board and that Markus Hellström and Jyrki Mäki-Kala elected as new members to the Board, all for a term of office ending at the end of the next Annual General Meeting.

Ari Jokelainen and Juuso Kivinen were no longer available for re-election to the Board.

All director nominees have given their consent to the election and are independent of the company and of the major shareholders of the company. Further information on the director nominees is available on the corporate website https://investors.orthexgroup.com/.

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

Market outlook 2022

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 goals. In addition, an overall focus on sustainability is at the heart of business development. It is likely that the unpredictable market conditions seen in 2021 will continue, including volatile cost drivers with quick changes in cost components and high overall or increasing cost levels compared to the year 2020.

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

Orthex has no Russian or Ukrainian suppliers nor any other business in Russia, so the effect of the Ukrainian crisis is not directly impacting Orthex's business. However, there can be negative business impacts from volatility or cost increases due to the crisis.

Espoo, 8 March 2022
Board of Directors

Key figures

EUR thousand	2021	2020	2019
Net sales	88,694	75,865	66,427
Net sales growth, %	16.9%	14.2%	n.a.
Constant currency invoiced sales growth, %	15.7%	14.8%	n.a.
Invoiced sales	90,552	77,877	67,399
Invoiced sales growth, %	16.3%	15.5%	n.a.
Gross Margin	23,204	24,601	18,235
Gross Margin, %	26.2%	32.4%	27.5%
EBITDA	13,226	16,458	10,700
EBITDA margin, %	14.9%	21.7%	16.1%
EBITA	9,380	12,336	6,593
EBITA margin, %	10.6%	16.3%	9.9%
Operating profit	9,250	12,281	6,540
Operating profit margin, %	10.4%	16.2%	9.8%
Items affecting comparability	1,616	597	1,000
Adjusted Gross Margin	23,279	24,601	19,117
Adjusted Gross Margin, %	26.2%	32.4%	28.8%
Adjusted EBITDA	14,842	17,054	11,700
Adjusted EBITDA margin, %	16.7%	22.5%	17.6%
Adjusted EBITA	10,996	12,933	7,593
Adjusted EBITA margin, %	12.4%	17.0%	11.4%
Adjusted operating profit	10,867	12,878	7,540
Adjusted operating profit margin, %	12.3%	17.0%	11.4%
FTEs	314	285	272
Personnel expenses	19,693	17,056	15,718

EUR thousand	2021	2020	2019
Key cash flows indicators			
Net cash flows from operating activities	8,979	12,709	8,468
Operating free cash flows	10,046	13,853	9,076
Cash conversion, %	67.7%	81.2%	77.6%
Investments in tangible and intangible assets	-4,797	-3,201	-2,624
Financial position key figures			
Net debt	25,887	38,886	41,076
Net debt / adjusted EBITDA last 12 months	1.7x	2.3x	3.5x
Net working capital	14,482	12,379	10,673
Capital employed excluding goodwill	34,004	31,835	32,104
Return on capital employed (ROCE), %	28.1%	38.4%	19.9%
Adjusted return on capital employed (ROCE), %	33.0%	40.3%	22.9%
Equity ratio, %	35.8%	22.6%	20.1%
Return on equity, %	24.7%	49.0%	15.3%

Share-related key figures

EUR thousand	2021	2020	2019
Earnings per share, basic (and diluted), EUR	0.35	0.47	0.12
Equity per share, EUR	1.79	1.05	0.88
Effective dividend yield, %	1.6%	n.a.	n.a.
Price per earnings, EUR	31.9	n.a.	n.a.
Closing share price on the last day of trading, EUR	11.04	n.a.	n.a.
Highest, EUR	12.50	n.a.	n.a.
Lowest, EUR	7.30	n.a.	n.a.
Market value of shares at the end of period	196,058	n.a.	n.a.
Number of shares outstanding at the end of the period	17,758,854	16,277,000	16,277,000
Weighted average number of shares outstanding	17,425,944	16,277,000	16,277,000
Dividend payout per share and capital return total, EUR	0.18*	n.a.	n.a.
Dividend payout per share and capital return, total of result, %	52.0%*	n.a.	n.a.

*) Board proposal

Reconciliation of alternative performance measures

EUR thousand	2021	2020	2019
Net sales growth, %			
Net sales	88,694	75,865	66,427
Net sales growth, %	**16.9%**	**14.2%**	**n.a.**
Constant currency Net sales growth, %			
Net sales	88,694	75,865	66,427
FX rate adjustment	-	813	-332
Constant currency Net sales	88,694	76,679	66,095
Constant currency Net sales growth, %	**15.7%**	**14.8%**	**n.a.**
Invoiced sales			
Net sales	88,694	75,865	66,427
Discounts and bonuses	3,067	2,757	2,003
Other sales and refunds	-1,209	-746	-1,031
Invoiced sales	**90,552**	**77,877**	**67,399**
Invoiced sales growth, %	16.3%	15.5%	n.a.
Gross margin			
Net sales	88,694	75,865	66,427
Cost of sales	-65,490	-51,264	-48,191
Gross margin	**23,204**	**24,601**	**18,235**
Gross margin, %	26.2%	32.4%	27.5%

EUR thousand	2021	2020	2019
EBITDA			
Operating profit	9,250	12,281	6,540
Depreciation, amortisation and impairment	3,976	4,177	4,160
EBITDA	**13,226**	**16,458**	**10,700**
EBITDA margin, %	14.9%	21.7%	16.1%
EBITA			
Operating profit	9,250	12,281	6,540
Amortisation and impairment	129	55	53
EBITA	**9,380**	**12,336**	**6,593**
EBITA margin, %	10.6%	16.3%	9.9%
Operating profit			
Operating profit	**9,250**	**12,281**	**6,540**
Operating profit margin, %	10.4%	16.2%	9.8%
Items affecting comparability / adjustments (Gross margin)			
Restructuring related expenses	-	-	882
Other items affecting comparability	75	-	-
Items affecting comparability / adjustments (Gross margin)	**75**	**-**	**882**

Reconciliation of alternative performance measures

EUR thousand	2021	2020	2019
Items affecting comparability / adjustments (EBITDA)			
Restructuring related expenses	-	-	900
Other items affecting comparability	85	-	100
Costs related to listing	1,531	597	-
Items affecting comparability / adjustments (EBITDA)	**1,616**	**597**	**1,000**
Adjusted gross margin			
Gross margin	23,204	24,601	18,235
Adjustments (gross margin)	75	-	882
Adjusted gross margin	**23,279**	**24,601**	**19,117**
Adjusted gross margin, %	26.2%	32.4%	28.8%
Adjusted EBITDA			
Operating profit	9,250	12,281	6,540
Depreciation, amortisation and impairment	3,976	4,177	4,160
Adjustments (EBITDA)	1,616	597	1,000
Adjusted EBITDA	**14,842**	**17,054**	**11,700**
Adjusted EBITDA margin, %	16.7%	22.5%	17.6%
Adjusted EBITA			
Operating profit	9,250	12,281	6,540
Amortisation and impairment	129	55	53
Adjustments (EBITA)	1,616	597	1,000
Adjusted EBITA	**10,996**	**12,933**	**7,593**
Adjusted EBITA margin, %	12.4%	17.0%	11.4%

EUR thousand	2021	2020	2019
Adjusted operating profit			
Operating profit	9,250	12,281	6,540
Adjustments	1,616	597	1,000
Adjusted operating profit	**10,867**	**12,878**	**7,540**
Adjusted operating profit margin, %	12.3%	17.0%	11.4%
Earnings per share, basic (and diluted), EUR			
Profit for the period	6,035	7,692	2,019
Average number of shares	17,426	16,277	16,277
Earnings per share, basic (and diluted), EUR	**0.35**	**0.47**	**0.12**
Operating free cash flows			
Adjusted EBITDA	14,842	17,054	11,700
Investments in tangible and intangible assets	-4,797	-3,201	-2,624
Operating free cash flows	**10,046**	**13,853**	**9,076**
Cash conversion, %			
Operating free cash flows	10,046	13,853	9,076
Adjusted EBITDA	14,842	17,054	11,700
Cash conversion, %	**67.7%**	**81.2%**	**77.6%**
Net debt			
Total interest-bearing liabilities	40,220	44,136	46,249
Cash and cash equivalents	-14,334	-5,250	-5,173
Net debt	**25,887**	**38,886**	**41,076**

Reconciliation of alternative performance measures

EUR thousand	2021	2020	2019
Net debt/ Adjusted EBITDA			
Net debt	25,887	38,886	41,076
Adjusted EBITDA, 12 months	14,842	17,054	11,700
Net debt/ Adjusted EBITDA	**1.7x**	**2.3x**	**3.5x**
Net working capital			
Inventories	12,647	9,906	9,481
Trade and other receivables	15,528	14,264	11,584
Trade and other payables	-13,692	-11,791	-10,392
Net working capital	**14,482**	**12,379**	**10,673**
Capital employed excluding goodwill			
Total equity	31,798	17,022	14,365
Net debt	25,887	38,886	41,076
Goodwill	-23,680	-24,072	-23,337
Capital employed excluding goodwill	**34,004**	**31,835**	**32,104**
Return on capital employed (ROCE), %			
Operating profit	9,250	12,281	6,540
Average capital employed excluding goodwill	32,920	31,970	32,937
Return on capital employed (ROCE), %	**28.1%**	**38.4%**	**19.9%**

EUR thousand	2021	2020	2019
Adjusted return on capital employed (ROCE), %			
Adjusted operating profit	10,867	12,878	7,540
Average capital employed excluding goodwill	32,920	31,970	32,937
Adjusted return on capital employed (ROCE), %	**33.0%**	**40.3%**	**22.9%**
Equity ratio, %			
Total equity	31,798	17,022	14,365
Total assets	88,842	75,368	71,516
Equity ratio, %	**35.8%**	**22.6%**	**20.1%**
Return on equity, %			
Profit for the period	6,035	7,692	2,019
Total equity (average for the first and last day of the period)	24,410	15,693	13,210
Return on equity, %	**24.7%**	**49.0%**	**15.3%**

Calculation of key figures

IFRS key figures

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

Alternative performance measures

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

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

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

Key figure	Formula
Cash conversion, %	Operating free cash flows / Adjusted EBITDA
Investments in tangible and intangible assets	Investments in tangible and intangible assets as presented in the consolidated statement of cash flows
Net debt	Current and non-current interest-bearing liabilities less cash and cash equivalents
Net debt / adjusted EBITDA last 12 months	Net debt / Adjusted EBITDA
Net working capital	Inventories, trade and other receivables less trade and other payables
Capital employed excluding goodwill	Total equity and net debt and less goodwill
Return on capital employed (ROCE), %	Operating profit / Average capital employed excluding goodwill
Adjusted return on capital employed (ROCE), %	Adjusted operating profit / Average capital employed excluding goodwill
Equity ratio, %	Total equity / Total assets
Return on equity, %	Result for the period / Total equity (average for the first and last day of the period)
Share-related key figures	
Equity per share, EUR	Total equity attributable to the equity holders of the parent / Number of outstanding shares at the end of the financial year
Effective dividend yield, %	Dividend/share / Price of share at the end of the accounting period
Price per earnings, EUR	Closing price of share at the end of the financial year / Earnings per share
Market value of shares at the end of period	The number of shares at the end of accounting period x The price of the share at the end of accounting period
Dividend payout per share and capital return, 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 2021	Jan 1 - Dec 31 2020
Net Sales	2	**88,694**	**75,865**
Cost of sales		-65,490	-51,264
Gross Margin		**23,204**	**24,601**
Other operating income	3	549	278
Selling and marketing expenses		-8,468	-7,978
Administrative expenses		-6,035	-4,620
Operating profit		**9,250**	**12,281**
Financial income and expenses	6	-1,586	-2,423
Profit before taxes		**7,664**	**9,858**
Income taxes	7	-1,629	-2,165
Profit for the period		**6,035**	**7,692**
Profit for the period attributable to:			
Equity holders of the parent		6,035	7,692
Earnings per share for profit attributable to the equity holders of the parent:			
Earnings per share, basic (and diluted), EUR		0.35	0.47

Consolidated statement of comprehensive income

EUR thousand	Note	Jan 1 - Dec 31 2021	Jan 1 - Dec 31 2020
Profit for the period		**6,035**	**7,692**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Translation differences		-622	1,261
Items that will not be reclassified to profit or loss:			
Remeasurement gains (+) / losses (-) from defined benefit plans	5	-58	-100
Other comprehensive income for the period, net of tax		**-680**	**1,161**
Total comprehensive income for the period		**5,355**	**8,853**
Total comprehensive income attributable to:			
Equity holders of the parent		5,355	8,853

Consolidated statement of financial position

EUR thousand	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Intangible assets	8	23,901	24,149
Property, plant and equipment	9	13,131	11,382
Right-of-use assets	10	8,030	9,244
Other non-current assets		94	98
Deferred tax assets	7	1,163	1,070
Total non-current assets		**46,320**	**45,944**
Current assets			
Inventories	13	12,647	9,906
Trade and other receivables	14	15,528	14,264
Derivative financial instruments	11	14	-
Income tax receivables		-	5
Cash and cash equivalents	11	14,334	5,250
Total current assets		**42,522**	**29,424**
TOTAL ASSETS		**88,842**	**75,368**

EUR thousand	Note	31 Dec 2021	31 Dec 2020
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent company			
Share capital		80	3
Treasury shares		-	-71
Invested unrestricted equity fund		11,047	1,775
Retained earnings		19,138	13,161
Translation differences		1,532	2,154
Total equity	11	**31,798**	**17,022**
Non-current liabilities			
Loans from credit institutions	11	23,720	26,652
Lease liabilities	10, 11	7,544	8,668
Pension liabilities	5, 11	4,742	4,658
Deferred tax liabilities	7	742	572
Total non-current liabilities		**36,748**	**40,550**
Current liabilities			
Loans from credit institutions	11	3,000	3,000
Lease liabilities	10, 11	1,214	1,158
Trade and other payables	15	13,692	11,791
Derivative financial instruments	11	-	110
Income tax liabilities		2,390	1,736
Total current liabilities		**20,296**	**17,796**
Total liabilities		**57,044**	**58,346**
TOTAL EQUITY AND LIABILITIES		**88,842**	**75,368**

Consolidated statement of changes in equity

Equity attributable to the equity holders of the parent company EUR thousand	Share capital	Treasury shares	Invested unrestricted equity fund	Retained earnings	Translation differences	Total equity
Equity at 1 Jan 2021	**3**	**-71**	**1,775**	**13,161**	**2,154**	**17,022**
Profit for the period				6,035		6,035
Translation differences					-622	-622
Remeasurement gains (+) / losses (-) from defined benefit plans				-58		-58
Total comprehensive income for the period				**5,977**	**-622**	**5,355**
Transactions with owners:						
Increase in share capital	78		-78			-
Cancellation of treasury shares		71	-71			-
Share issue			10,000			10,000
Expenses related to the share issue			-686			-686
Discount related to the personnel share issue			106			106
Equity at 31 Dec 2021	**80**	**-**	**11,047**	**19,138**	**1,532**	**31,798**
Equity at 1 Jan 2020	**3**	**-97**	**7,997**	**5,569**	**893**	**14,365**
Profit for the period				7,692		7,692
Translation differences					1,261	1,261
Remeasurement gains (+) / losses (-) from defined benefit plans				-100		-100
Total comprehensive income for the period				**7,592**	**1,261**	**8,853**
Transactions with owners:						
Capital return from the invested unrestricted equity fund			-6,228			-6,228
Directed issue of treasury shares		26	6			32
Equity at 31 Dec 2020	**3**	**-71**	**1,775**	**13,161**	**2,154**	**17,022**

Consolidated statement of cash flows

EUR thousand	Note	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Cash flows from operating activities			
Profit before taxes		7,664	9,858
Adjustments:			
Depreciation, amortisation and impairment	4	3,976	4,177
Financial income and expenses	6	1,586	2,423
Other adjustments		-48	43
Cash flows before changes in working capital		**13,179**	**16,501**
Changes in working capital			
Decrease (+) / increase (–) in trade and other receivables		-1,489	-2,275
Decrease (+) / increase (–) in inventories		-2,905	-149
Decrease (–) / increase (+) in trade and other payables		2,326	1,299
Cash flows from operating activities before financial items and taxes		**11,112**	**15,376**
Interests received		-	0
Interests paid		-1,331	-2,319
Dividends received		-	7
Income taxes paid		-801	-355
Net cash flows from operating activities		**8,979**	**12,709**
Cash flows from investing activities			
Investments in tangible and intangible assets		-4,797	-3,201
Sale of tangible and intangible assets		132	-
Other investments		-	4
Net cash flows from investing activities		**-4,665**	**-3,197**

EUR thousand	Note	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Cash flows from financing activities			
Proceeds from share issue	16	10,000	-
Costs from share issue recognised in equity	16	-857	-
Repayment of lease liabilities	10	-1,286	-1,183
Proceeds from long-term borrowings		-	27,000
Repayment of long-term borrowings		-	-29,637
Proceeds from short-term borrowings		-	3,000
Repayment of short-term borrowings	11	-3,000	-2,500
Capital return from the invested unrestricted equity fund	16	-	-6,228
Directed issue of treasury shares	16, 17	-	32
Net cash flows from financing activities		**4,857**	**-9,516**
Net change in cash and cash equivalents		9,172	-3
Net foreign exchange differences		-88	81
Cash and cash equivalents at 1 January		5,250	5,173
Cash and cash equivalents at 31 December		**14,334**	**5,250**

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. The 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 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 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 8 March 2022. 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 2021. 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.

Amendments and annual improvements to IFRS standards

Orthex Group has applied amendments and annual improvements to IFRS standards effective from 1 Jan 2021. The amendmed standards are: Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases: The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

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

Standards issued but not yet effective

Orthex adopts the new and amended standards and interpretations, if applicable, when they become effective. The new and amended standards that become effective of 1 Jan 2022 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 2022 or later. Only the amendments relevant from Orthex's perspective have been included in the summary below.

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract
- Amendments to IFRS 9: Fees in the '10 per cent' test for derecognition of financial liabilities
- Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Amendments to IFRS 3: Reference to the Conceptual Framework
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction- Amendments to IAS 12
- Sale or Contribution of Assets between and investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28
- Additionally IFRS 17 Insurance contracts and amendments to IFRS 1 and IAS 41 have been issued but they will not have an impact on Orthex's financial statements.

Significant accounting judgements, estimates and assumptions

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

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

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as of 31 Dec 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Control exists when Orthex has a majority of voting rights in a subsidiary or can otherwise demonstrate having control in a subsidiary.

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

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

Foreign currencies

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

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

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

Information about subsidiaries

The consolidated financial statements of the Group include:

Name	Principal activities	Country of incorporation	31 Dec 2021	31 Dec 2020
Oy Orthex Group Ab	Producing and marketing of household products	Finland	-	100%
Oy Orthex Finland Ab	Producing and marketing of household products	Finland	100%	100%
Orthex Sweden Holding Ab	Producing and marketing of household products	Sweden	100%	100%
Orthex Sweden Ab	Producing and marketing of household products	Sweden	100%	100%
Orthex Kitchen Ab	Producing and marketing of household products	Sweden	100%	100%
Orthex Norway AS	Producing and marketing of household products	Norway	100%	100%
Orthex Denmark A/S	Producing and marketing of household products	Denmark	100%	100%
Gastromax Limited	Producing and marketing of household products	UK	100%	100%
Orthex Germany GmbH	Producing and marketing of household products	Germany	100%	100%
Orthex France SARL	Producing and marketing of household products	France	100%	100%
Smartstore Ab	Producing and marketing of household products	Sweden	100%	100%

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

2. Net sales

Segment information

Orthex Group is a Nordic producer of household products that make everyday life easier for the consumer. Orthex Group has customers in 40 countries and on four continents. It has three factories of its own and it launches a variety of functional products every year.

The profitability of the Group is followed by the Chief operating decision maker that is the CEO supported by the Group Executive Management 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.

In addition to the sales to retailers, Orthex has an online store from where orthex sells its products directly to consumers. However, the sales volumes through the online store have been limited and therefore considered immaterial and not presented separately.

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.

Net sales of EUR 9.2 million were derived from a single customer in 2021. No other single customer represented more than 10 per cent or more of Orthex's total net sales for the years ended 31 Dec 2021 or 2020.

Variable consideration: Volume rebates

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 Note 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. Due to small sales volumes, the customer returns from the online store purchases have also been minimal.

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	2021	2020
Nordics	71,495	62,443
Rest of Europe	14,836	11,063
Rest of the world	2,363	2,360
Total	**88,694**	**75,865**

Net sales by product category

EUR thousand	2021	2020
Storage	58,208	48,098
Kitchen	19,680	18,536
Home & Yard	5,264	4,868
Plant Care	5,542	4,364
Total	**88,694**	**75,865**

3. Other operating income

EUR thousand	2021	2020
Government grants	126	239
Royalty income	3	1
Net gain on disposal of property, plant and equipment	132	11
Other	287	27
Total	**549**	**278**

Accounting treatment of government grants due to COVID-19

As a response to the COVID-19 pandemic, governments around the world implemented support measures to help businesses and economies. Orthex received EUR 65 thousand in 2020 as government grants due to COVID-19. These are shown as other operating income in statement of income. In 2021, Orthex did not receive any government grants due to COVID-19. Other government grants consist mainly of state subsidies due to increased sick leaves. Government grants received are not subject to repayment terms.

4. Operating expenses

Operating expenses by nature

EUR thousand	2021	2020
Materials and supplies	47,695	32,808
Change in inventory	-2,741	-425
External services	3,418	1,925
Marketing	1,552	1,740
Employee benefits	19,693	17,056
Depreciation, amortisation and impairment	3,976	4,177
Other expenses	6,399	6,581
Total	**79,992**	**63,862**

Depreciation, amortisation and impairment by asset class

EUR thousand	2021	2020
Buildings	178	170
Machinery and equipment	2,223	2,514
Right-of-use assets	1,446	1,438
Other intangible assets	129	55
Total	**3,976**	**4,177**

Fees paid to companies' auditors

EUR thousand	2021	2020
Audit fees	199	138
Non-audit services	455	227
Total	**654**	**365**

The appointed auditor for 2021 and 2020 was Ernst & Young Oy.

5. Employee benefits

Personnel expenses

EUR thousand	2021	2020
Included in cost of sales:		
Wages and salaries	9,249	8,048
Social security costs	2,153	1,885
Pension costs	1,093	891
Included in selling and marketing expenses:		
Wages and salaries	4,111	3,784
Social security costs	629	524
Pension costs	419	357
Included in cost of administrative expenses:		
Wages and salaries	1,658	1,253
Social security costs	340	283
Pension costs	41	32
Total	**19,693**	**17,056**

Personnel (FTE) in average

Headcount by function	2021	2020
Production	172	157
Warehouse	67	56
Sales	48	45
Administration	17	16
Marketing	10	10
Total	**314**	**285**

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.

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

EUR thousand	2021	2020
Salaries and fees	1,223	996
Pension costs	220	205
Total	**1,443**	**1,201**

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

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

Salaries and remunerations paid to CEO

EUR thousand	2021	2020
Salaries and fees	407	299
Pension costs	71	68
Total	**478**	**367**

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

Salaries and remunerations paid to the Board of Directors

EUR thousand	2021	2020
Sanna Suvanto-Harsaae [1]	41	-
Satu Huber [2]	23	-
Ari Jokelainen [3]	20	-
Juuso Kivinen [4]	26	30
Jens-Peter Poulsen [5]	10	-
Thomas Sandvall [6]	3	20
Matti Virtanen [7]	3	20
Total	**126**	**71**

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

Pension liabilities

Orthex Group provide 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 2021 and 31 Dec 2020.

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 2021	31 Dec 2020
Pension liabilities	4,742	4,658
Total	**4,742**	**4,658**

Net pension liabilities recognised in the income statement

EUR thousand	2021	2020
Current service cost	-172	-166
Interest cost on benefit obligation	-51	-65
Pension payments	114	122
Total	**-110**	**-109**

Movements in the obligation

EUR thousand	2021	2020
Obligation at 1 Jan	**4,658**	**4,237**
Amounts recognised in profit and loss		
Service cost, benefits earned during the year	172	166
Interest expense (+) / income (-)	51	65
Pension payments	-114	-122
Amounts recognised in other comprehensive income		
Translation differences	-101	186
Actuarial losses (+) / gains (-)	74	127
Obligation at 31 Dec	**4,742**	**4,658**

Principal actuarial assumptions

%	31 Dec 2021	31 Dec 2020
Discount Rate	1.9%	1.1%
Salary increase	3.2%	2.5%
Income base amount	3.2%	2.5%
Inflation	2.2%	1.5%

Key assumptions and sensitivity analyses

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

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

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

The sensitivity of pension liabilities to changes in the principal assumptions

Actuarial assumptions	Change in assumption	Impact on pension liabilities increase	Impact on pension liabilities decrease
2021			
Discount rate (%)	+/- 0.5%	-472	539
Salary increase (%)	+/- 0.5%	210	-182
Inflation (%)	+/- 0.5%	370	-336
2020			
Discount rate (%)	+/- 0.5%	-448	514
Salary increase (%)	+/- 0.5%	173	-144
Inflation (%)	+/- 0.5%	356	-322

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 189 thousand to its defined benefit pension plans in 2022.

6. Financial income and expenses

EUR thousand	2021	2020
Dividends received from other investments	-	7
Gains from changes in the fair value of derivative instruments	125	-
Other financial income	-	0
Total financial income	**125**	**8**
Interest on debts and borrowings	-697	-1,461
Interest expense on lease liabilities	-659	-711
Losses from changes in the fair value of derivative instruments	-	-83
Exchange rate differences related to financial items	-8	-175
Other financial expenses	-347	-
Total financial expenses	**-1,711**	**-2,431**
Total financial income and expenses	**-1,586**	**-2,423**

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 2021 and 31 Dec 2020 are:

Consolidated income statement

EUR thousand	2021	2020
Current income tax charge	-1,516	-1,766
Taxes from previous years	-22	-73
Change in deferred taxes	-92	-327
Total	**-1,629**	**-2,165**

Consolidated statement of other comprehensive income

EUR thousand	2021	2020
Deferred taxes related to items recognised in OCI during the year:		
Remeasurement of net loss/(gain) on actuarial gains and losses	16	67
Total	**16**	**67**

Reconciliation of taxes calculated at the Finnish tax rate

EUR thousand	2021	2020
Profit before taxes	**7,664**	**9,858**
Tax calculated at nominal Finnish tax rate of 20% (2020: 20%)	-1,533	-1,972
Tax rates in foreign jurisdictions	-53	-125
Tax exempt income	0	72
Non-deductible expenses	-11	-211
Other	-33	70
At the effective income tax rate of 21.3% (2020: 22.0%)	**-1,629**	**-2,165**
Taxes in income statement	**-1,629**	**-2,165**

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 2021, Orthex has no tax losses carried forward or deferred tax assets relating to taxable losses. A deferred tax asset amounting to EUR 370 thousand (2020: EUR 424 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 2021

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

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

Deferred taxes 2020

EUR thousand	Balance at the beginning of the period 1 Jan 2020	Charged to income statement	Charged to OCI	Balance at the end of the period 31 Dec 2020
Deferred tax assets				
Tax losses carried forward	100	-100		-
Interest expenses carried forward	622	-198		424
Pension liabilities	442	-10	67	498
Leases	65	60		124
Other	7	17		24
Total	**1,236**	**-232**	**67**	**1,070**

EUR thousand	Balance at the beginning of the period 1 Jan 2020	Charged to income statement	Charged to OCI	Balance at the end of the period 31 Dec 2020
Deferred tax liabilities				
Tangible and intangible assets	458	45		503
Other	20	50		70
Total	**478**	**94**	**-**	**572**

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 2020	**23,337**	**904**	**24,241**
Additions		19	19
Translation differences	735	12	747
Balance at 31 Dec 2020	**24,072**	**935**	**25,007**
Additions		5	5
Disposals		-18	-18
Transfers		268	268
Translation differences	-392		-392
Balance at 31 Dec 2021	**23,680**	**1,189**	**24,870**
Accumulated amortisation and impairment			
Balance at 1 Jan 2020	**-**	**791**	**791**
Amortisation and impairment		55	55
Translation differences		12	12
Balance at 31 Dec 2020	**-**	**858**	**858**
Amortisation and impairment		129	129
Disposals		-18	-18
Balance at 31 Dec 2021	**-**	**969**	**969**
Carrying amount 1 Jan 2020	**23,337**	**113**	**23,450**
Carrying amount 31 Dec 2020	**24,072**	**77**	**24,149**
Carrying amount 31 Dec 2021	**23,680**	**221**	**23,901**

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 2021 and 31 Dec 2020. 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 2021	31 Dec 2020
Finland	5,462	5,462
Nordics	18,218	18,610
Total	**23,680**	**24,072**

Accounting estimates and judgements

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

Key parameters used in impairment calculations

	31 Dec 2021		31 Dec 2020	
%	Finland	Nordics	Finland	Nordics
Profitability growth rate	16.8	8.0	5.7	5.7
Discount rate, pre-tax	9.6	9.6	10.7	10.0
Long-term growth rate	2.0	2.0	2.0	2.0

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

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

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

Sensitivity analyses

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

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

9. Property, plant and equipment

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

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

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

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

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

Reconciliation of beginning and ending balances by classes of assets

EUR thousand	Land and water areas	Buildings	Machinery and equipment	Construction in progress	Other tangible assets	Total
Acquisition cost						
1.1.2020	**86**	**6,168**	**55,992**	**1,679**	**46**	**63,971**
Additions			915	2,202		3,117
Disposals			-433			-433
Transfers			1,599	-1,599		-
Translation differences		48	1,513	24	1	1,586
Balance at 31 Dec 2020	**86**	**6,216**	**59,586**	**2,306**	**47**	**68,241**
Additions		112	1,765	2,670		4,547
Disposals			-4,721			-4,721
Transfers			2,686	-2,954		-268
Translation differences		-27	-809	-26		-861
Balance at 31 Dec 2021	**86**	**6,301**	**58,507**	**1,996**	**47**	**66,938**
Accumulated depreciation and impairment						
Balance at 1 Jan 2020	**-**	**4,550**	**48,573**	**-**	**42**	**53,165**
Depreciation and impairment		170	2,514			2,684
Disposals			-433			-433
Translation differences		46	1,396		1	1,443
Balance at 31 Dec 2020	**-**	**4,766**	**52,050**	**-**	**43**	**56,859**
Depreciation and impairment		178	2,223			2,401
Disposals			-4,721			-4,721
Translation differences		-21	-712			-733
Balance at 31 Dec 2021	**-**	**4,923**	**48,841**	**-**	**43**	**53,807**
Carrying amount 1.1.2020	**86**	**1,618**	**7,419**	**1,679**	**4**	**10,806**
Carrying amount 31.12.2020	**86**	**1,449**	**7,536**	**2,306**	**4**	**11,382**
Carrying amount 31.12.2021	**86**	**1,378**	**9,666**	**1,996**	**4**	**13,131**

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 2020	**9,016**	**649**	**9,665**
Additions and revaluations	387	327	714
Disposals	-31	-	-31
Depreciation and impairment	-1,074	-364	-1,438
Translation differences	319	15	334
As at 31 Dec 2020	**8,617**	**627**	**9,244**
Additions and revaluations	87	520	607
Disposals	-201	-8	-209
Depreciation and impairment	-1,057	-388	-1,446
Translation differences	-162	-6	-167
As at 31 Dec 2021	**7,285**	**745**	**8,030**

Carrying amounts of lease liabilities and movements during the period

EUR thousand	2021	2020
As at 1 Jan	**9,826**	**9,969**
Additions and revaluations	607	714
Disposals	-209	-31
Accretion of interest	659	711
Payments	-1,945	-1,894
Translation differences	-181	358
As at 31 Dec	**8,758**	**9,826**
Current lease liabilities	**1,214**	**1,158**
Non-current lease liabilities	**7,544**	**8,668**

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

Amounts recognised in the consolidated income statement

EUR thousand	2021	2020
Depreciation and impairment of right-of-use assets	-1,446	-1,438
Interest expenses from lease liabilities	-659	-711
Total amount recognised in profit or loss	**-2,104**	**-2,149**

Orthex's total cash outflow from leases amounted to EUR 1,945 thousand in 2021 and EUR 1,894 thousand in 2020.

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 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 2021	31 Dec 2020
Cash and cash equivalents	14,334	5,250
Total cash & cash equivalents	**14,334**	**5,250**

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

At 31 Dec 2021, the Group had available EUR 7.0 million (31 Dec 2020: EUR 7.0 million) of undrawn committed borrowing facilities.

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 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 2021

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

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

Tabular presentation of financial instruments by classification 31 Dec 2020

Financial assets EUR thousand	Note	Fair value through profit and loss	Fair value through OCI	At amortised cost	Book value
31 Dec 2020					
Current financial assets					
Trade receivables	14			13,176	13,176
Cash and cash equivalents				5,250	5,250
Total		**-**	**-**	**18,426**	**18,426**
Total financial assets		**-**	**-**	**18,426**	**18,426**

Financial liabilities EUR thousand	Note	Fair value through profit and loss	Fair value through OCI	At amortised cost	Book value
31 Dec 2020					
Non-current financial liabilities					
Loans from credit institutions				26,652	26,652
Lease liabilities	10			8,668	8,668
Total		**-**	**-**	**35,320**	**35,320**
Current financial liabilities					
Loans from credit institutions				3,000	3,000
Lease liabilities	10			1,158	1,158
Trade payables	15			5,541	5,541
Derivative financial instruments	12	110			110
Total		**110**	**-**	**9,699**	**9,809**
Total financial liabilities		**110**	**-**	**45,019**	**45,129**

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.

Orthex utilises the derivative 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 1.9%—2.6% at the end of 2021 and 2.2%—3.0% at the end of 2020.

Interest rate sensitivity

Based on the sensitivity analysis, if interest rates had been 1.0 percentage points higher with all other variables held constant, the recalculated post-tax profit for the period and equity would have been EUR 0.3 million smaller in 2021 and EUR 0.3 million smaller in 2020. Interest rate sensitivity has been calculated by shifting the interest curve by 1.0 percentage points (due to low market interest environment the lower scenario has not been presented). 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 to 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	2021	2020
EUR-SEK	10,368	6,184
EUR-NOK	3,200	2,597
EUR-USD	461	739

Foreign exchange rate sensitivity

Changes in consolidation exchange rates affect company's income statement and cash flow statement. As approximately 62% of company's revenues and 50% of costs occur in functional currencies other than euro, the translation risk is significant for the company. A change of 10% in the annual average foreign exchange rates would have caused a 6.2% (6.3%) change in 2021 consolidated sales and 5.1% (5.6%) reverse changes in costs in the consolidated sales in euros. The translation risk is not hedged as a rule as 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 materials 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 +/– 2.4 million to income statement in year 2021 (2020: EUR +/–1.6 million). Commodity risks are not managed using financial derivative instruments.

Sensitivity analysis

Sensitivity of financial instruments to market risks (before taxes) in accordance with IFRS 7	2021		2020	
EUR thousand	Income statement	Equity	Income statement	Equity
+/- 10% virgin plastic prices	-2,372	-2,372	-1,556	-1,556
+/- 10% change in EUR/SEK exchange rate	1,037	1,037	618	618
+/- 10% change in EUR/NOK exchange rate	320	320	260	260
+/- 10% change in EUR/USD exchange rate	46	46	74	74
+ 1% points parallel shift in interest rates	-293	-293	-263	-263

+10% increase in EUR/SEK exchange rate would have an EUR 1,037 thousand effect in income statement.

At the end of 2021, the total Group floating rate liability position consists of floating rate liabilities EUR 27.0 million (2020: EUR 30.0 million).

.Other Risks

Credit risk

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

Details regarding the expected credit loss assessment include:

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

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

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

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

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

Orthex applies a simplified approach method for the assessment of the expected credit loss impairment. 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.

Orthex does not have any major risk concentrations regarding group's receivables and the trading partners are all well established companies with historically stabile 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 13.9 thousand during the year 2021. In 2020 impairment losses of trade receivables were EUR 4.6 thousand. The maturity distribution of trade receivables has been presented in Note 14.

Liquidity risk

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

Maturity analysis

The maturity of financial liabilities is monitored regularly. As of 31 Dec 2021, Orthex had cash and cash equivalents of EUR 14.3 million (31 Dec 2020: EUR 5.3 million). In addition, Orthex had access to unused credit facilities and bank overdrafts of EUR 7.0 million as of 31 Dec 2021 (31 Dec 2020: EUR 7.0 million). In 2020, Orthex entered into a 3+1+1-year credit facility agreement of EUR 37.0 million with Nordea Bank Corporation. The credit facility agreement includes a 3+1+1-year term loan of EUR 30.0 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 2021, EUR 30.0 million of the term-loan was in use. The term loan is currently repaid in bi-annual installments of EUR 1.5 million. Loans from the financial institutions include the following covenants: net debt / adjusted EBITDA and adjusted EBITDA / net financial charges. At 31 Dec 2020 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 in both years.

The interest margin is variable and depends on the ratio of net debt and adjusted EBITDA. Orthex has given business mortgages amounting to EUR 53.5 million as of 31 Dec 2021 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 institution, including ordinary terms and conditions protecting the creditor.

Interest-bearing liabilities

EUR thousand	31 Dec 2021	31 Dec 2020
Non-current interest-bearing liabilities		
Loans from credit institutions	23,720	26,652
Lease liabilities	7,544	8,668
Pension liabilities	4,742	4,658
Total non-current interest-bearing liabilities	**36,006**	**39,978**
Current interest-bearing liabilities		
Loans from credit institutions	3,000	3,000
Lease liabilities	1,214	1,158
Total current interest-bearing liabilities	**4,214**	**4,158**
Total interest-bearing liabilities	**40,220**	**44,136**

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

Maturity distribution table

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

31 Dec 2020 EUR thousand	2021	2022	2023	2024	2025	Later	Total
Loans from credit institutions	3,000	3,000	24,000				30,000
Interest	878	788	698				2,363
Lease liabilities	1,841	1,617	1,463	1,343	1,335	6,105	13,704
Trade payables	5,541						5,541
Derivative financial instruments	110						110
Total	**11,370**	**5,404**	**26,161**	**1,343**	**1,335**	**6,105**	**51,718**

Changes in liabilities arising from financing activities

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

2020						
EUR thousand	1 Jan	Lease Changes	Cash flows	Translation differences	Other	Total 31 Dec
Non-current loans from credit institutions	24,590		2,317		-255	26,652
Convertible loans	4,954		-4,996		42	-
Non-current lease liabilities	8,847	258		316	-753	8,668
Current loans from credit institutions	2,500		500			3,000
Current lease liabilities	1,121	425	-1,894	42	1,464	1,158
Total	**42,012**	**683**	**-4,074**	**358**	**499**	**39,478**

Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each balance sheet date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed in this note. Aside from this note, additional fair value related disclosures, including the valuation methods, significant estimates and assumptions are also provided in Note 9.

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 2021, the equity attributable to shareholders was EUR 31.8 million (31 Dec 2020: EUR 17.0 million) and the amount of interest-bearing liabilities as of 31 Dec 2021 were EUR 40.2 million (31 Dec 2020: EUR 44.1 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 2021	31 Dec 2020
Equity	31,798	17,022
Balance sheet total	**88,842**	**75,368**
Equity ratio	35.8%	22.6%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 Dec 2021 and 31 Dec 2020.

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 2021

EUR thousand	Level 1	Level 2	Level 3
Financial assets measured at fair value:			
Derivative financial instruments:			
Foreign exchange forward contracts		14	

Fair value measurement hierarchy for liabilities as at 31 Dec 2021

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

There have been no transfers between Level 1 and Level 2 during 2021.

Fair value measurement hierarchy for liabilities as at 31 Dec 2020

EUR thousand	Level 1	Level 2	Level 3
Financial liabilities measured at fair value:			
Derivative financial instruments:			
Foreign exchange forward contracts		110	

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		29,652	
Lease liabilities		9,826	

There were no transfers between Level 1 and Level 2 during 2020.

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 2021	31 Dec 2020
Raw materials	2,241	1,868
Work in progress	27	111
Finished goods	10,659	8,549
Net realisable value allowance	-280	-622
Total	**12,647**	**9,906**

14. Trade and other receivables

EUR thousand	31 Dec 2021	31 Dec 2020
Trade receivables	14,224	13,176
Other receivables	143	102
Prepaid expenses and accrued income	1,160	985
Total	**15,528**	**14,264**

Ageing analysis of trade receivables

EUR thousand	31 Dec 2021	31 Dec 2020
Not past due	13,438	11,876
Past due 1-60 days	731	1,126
Past due over 60 days	97	202
Impairment losses	-41	-27
Total	**14,224**	**13,176**

The realised impairment losses recognised on trade receivables during the year 2021 amounted to EUR 0 thousand (2020: EUR 4 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 due to COVID-19. The aim is to minimise credit risks by active credit management and using credit collaterals. The expected loss rate for all trade receivables is 0.3%.

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

15. Trade and other payables

EUR thousand	31 Dec 2021	31 Dec 2020
Trade payables	7,263	5,541
Other payables	1,254	1,393
Accrued expenses and deferred income:		
Interest payables	-	20
Wages, salaries and social costs	2,828	2,616
Customer rebates and commissions	1,141	1,091
Other	1,206	1,130
Total	**13,692**	**11,791**

Terms and conditions of the above payables:

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

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

16. Share capital and reserves

	Number of outstanding shares	Number of treasury shares	Number of shares total	Share capital, EUR thousand	Treasury shares, EUR thousand	Invested unrestricted equity fund, EUR thousand
As at 1 Jan 2020	**395,900**	**4,100**	**400,000**	**3**	**-97**	**7,997**
Transactions with owners:						
Capital return from the invested unrestricted equity fund*						-6,228
Directed issue of treasury shares	1,100	-1,100	-		26	6
As at 31 Dec 2020	**397,000**	**3,000**	**400,000**	**3**	**-71**	**1,775**
As at 1 Jan 2021	**397,000**	**3,000**	**400,000**	**3**	**-71**	**1,775**
Transactions with owners:						
Increase in share capital				78		-78
Cancellation of treasury shares		-3,000	-3,000		71	-71
Share issue	17,205,618		17,205,618			9,041
Personnel offering	156,236		156,236			959
Expenses related to the share issue						-686
Discount related to the personnel share issue						106
As at 31 Dec 2021	**17,758,854**	**-**	**17,758,854**	**80**	**-**	**11,047**

* 15,69 euros per share

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)	2021	2020
Net profit attributable to eaquity owners of the parent company, EUR thousand	6,035	7,692
Weighted average number of shares	17,425,944	16,277,000
Earnings per share, basic (and diluted), EUR	**0.35**	**0.47**

Dividend and profit distribution

The Board of Directors of Orthex Corporation proposes to the Annual General Meeting on 6 April 2022 that shareholders will be paid a capital return of EUR 0.18 per share to be distributed from the invested unrestricted equity reserve totalling approximately EUR 3.2 million and that no dividend will be paid for the financial year ended 31 December 2021.

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 has 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 to the invested unrestricted equity reserve.

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.

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 2021, the company did not own 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, Conficap Oy became the largest shareholder with a 12.5 per cent ownership. At 31 Dec 2021, Conficap Oy continued as the largest shareholder with a 14.0 per cent ownership. At the end of the financial year the CEO owned 11.5 per cent of the Group's parent company's shares.

EUR thousand		Return of invested unrestricted equity	Purchase of shares	Purchases of goods and services
Entity that controls the group:				
Sponsor Fund IV	2020	-4,712	-	-
Members of the Board of Directors and CEO:				
Orthex Corporation	2021	-	-	-25
	2020	-883	32	-
Key management personnel of the Group:				
Members of Group Management Team	2020	-442	-	-

Issued shares

In Feb 2020, the parent company issued 1,100 treasury shares held by the company, deviating from the shareholders' pre-emptive subscription right in accordance with the terms of the share issue. The share issue was made to commit the company's key personnel. There were thus weighty financial reasons as referred to in Chapter 9, Section 4, Subsection 1 of the Companies Act to deviate from the shareholders' pre-emptive subscription rights. The share issue was carried out in accordance with the shareholders' agreement on the same valuation principle as the previous investments made by the controlling shareholder and other key personnel. No expense for this arrangement has been recognised in the consolidated financial statements.

Management remuneration

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

Other material business transactions

Orthex did not have other material business transactions with its related parties than those presented above.

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 2021	31 Dec 2020
Guarantees and mortgages given on own behalf:		
Enterprise mortgages	53,514	53,631
Property mortgages	10,192	10,192
Other guarantees	55	56
Total	**63,762**	**63,879**

Contingent liabilities

Orthex Group was subject to a tax audit of Orthex Corporation regarding the financial years 2020 and 2021. Orthex Corporation received in February 2022 a tax audit report from the Finnish tax auhorities. The tax audit report included subsequent taxes and tax increases amounting to a total of EUR 0.3 million, relating to the VAT deductibility of IPO related costs. The company disagrees with the interpretation made in the tax audit and has filed a claim for adjustment.

19. Subsequent events

On 28 January 2022, Orthex Corporation disclosed the Shareholders' Nomination Board's proposals to the Annual General Meeting 2022 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, Satu Huber and Jens-Peter Poulsen would be re-elected to the Board and that Markus Hellström and Jyrki Mäki-Kala elected as new members to the Board, all for a term of office ending at the end of the next Annual General Meeting.

Ari Jokelainen and Juuso Kivinen were no longer available for re-election to the Board.

All director nominees have given their consent to the election and are independent of the company and of the major shareholders of the company. Further information on the director nominees is available on the corporate website https://investors.orthexgroup.com/.

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

Parent company financial statements, FAS

Parent company income statement

EUR	Note	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Other operating income		741,000.00	382,000.00
Administrative expenses		-2,639,671.68	-587,930.61
Operating result		**-1,898,671.68**	**-205,930.61**
Financial income and expenses	4	-544,228.32	-626,621.68
Profit (loss) before appropriations and taxes		**-2,442,900.00**	**-832,552.29**
Appropriations			
Group contribution	5	2,400,000.00	1,960,000.00
Income taxes	6	-21,639.03	-125,231.68
Profit (loss) for the period		**-64,539.03**	**1,002,216.03**

Parent company balance sheet

EUR	Note	31 Dec 2021	31 Dec 2020
ASSETS			
NON-CURRENT ASSETS			
Investments			
Holdings in subsidiaries	7	25,295,133.29	11,258,583.95
Receivables from subsidiaries	7	9,938,133.78	26,454,025.86
Investments total		**35,233,267.07**	**37,712,609.81**
NON-CURRENT ASSETS TOTAL		35,233,267.07	37,712,609.81
CURRENT ASSETS			
Short-term receivables			
Trade receivables from subsidiaries		-	32,240.00
Receivables from subsidiaries		3,162,422.32	1,960,000.00
Prepayments and accrued income		1,345.71	58,698.24
Short-term receivables total		**3,163,768.03**	**2,050,938.24**
Cash and cash equivalents		**196,569.09**	**87,551.94**
CURRENT ASSETS TOTAL		3,360,337.12	2,138,490.18
ASSETS TOTAL		38,593,604.19	39,851,099.99

EUR	Note	31 Dec 2021	31 Dec 2020
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		80,000.00	2,500.00
Invested unrestricted equity fund		11,626,857.56	1,704,353.76
Retained earnings		-364,296.16	-1,366,512.19
Profit (loss) for the period		-64,539.03	1,002,216.03
SHAREHOLDERS' EQUITY TOTAL	8	11,278,022.37	1,342,557.60
LIABILITIES			
Long-term liabilities			
Loans from credit institutions	9	24,000,000.00	27,000,000.00
Long-term liabilities total		**24,000,000.00**	**27,000,000.00**
Short-term liabilities			
Loans from credit institutions	9	3,000,000.00	3,000,000.00
Trade payables		29,072.77	116,693.42
Other payables		43,036.99	8,279,842.15
Accruals and deferred income	11	243,472.06	112,006.82
Short-term liabilities total		**3,315,581.82**	**11,508,542.39**
LIABILITIES TOTAL		27,315,581.82	38,508,542.39
SHAREHOLDERS' EQUITY AND LIABILITIES TOTAL		38,593,604.19	39,851,099.99

Parent company statement of cash flows

EUR	Note	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Cash flows from operating activities			
Profit before appropriations and tax		-2,442,900.00	-832,552.29
Adjustments:			
Financial income and expenses	4	544,228.32	626,621.68
Other adjustments		16.25	989.48
Cash flows before changes in working capital		**-1,898,655.43**	**-204,941.13**
Changes in working capital			
Decrease (+) / increase (–) in trade and other receivables		-65,115.64	194,438.00
Decrease (–) / increase (+) in trade and other payables		76,592.02	172,076.30
Cash flows from operating activities before financial items and taxes		**-1,887,179.05**	**161,573.17**
Interests and other financing expenses paid		-1,500,536.57	-1,077,504.52
Income taxes paid		-146,870.71	-
Net cash flows from operating activities		**-3,534,586.33**	**-915,931.35**
Cash flows from investing activities			
Loans granted to subsidiaries		-	-20,860,000.00
Repayment of long-term loans		507,474.15	-
Repayment of short-term loans		1,392,525.85	-
Net cash flows from investing activities		**1,900,000.00**	**-20,860,000.00**

EUR	Note	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Cash flows from financing activities			
Proceeds from share issue	8	10,000,003.80	-
Proceeds from long-term loans		-	27,000,000.00
Repayment of long-term loans		-	-9,995,588.08
Proceeds from short-term loans		-	10,950,000.00
Repayment of short-term loans		-11,124,614.40	-
Group contributions received		2,700,000.00	-
Repayment of investment in unrestricted equity fund		-	-6,227,937.50
Directed issue of own shares		-	31,983.98
Net cash flows from financing activities		**1,575,389.40**	**21,758,458.40**
Net change in cash and cash equivalents		-59,196.93	-17,472.95
Cash and cash equivalents transferred from merger		168,214.08	-
Cash and cash equivalents at 1 January		87,551.94	105,024.89
Cash and cash equivalents at 31 December		**196,569.09**	**87,551.94**

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. Foreign exchange derivatives are recognized at market values and changes in market values are recognized in the income statement.

Income taxes

Income taxes consist of the aggregate current tax expense based on the Finnish tax rules and adjustments to prior year taxes. The parent company does not account for deferred taxes as a stand-alone entity.

Receivables

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

Appropriations

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

2. Personnel costs and number of employees

Personnel costs, book value

EUR	2021	2020
Wages and salaries	603,444.08	299,935.65
Pension costs	83,210.24	46,000.11
Other personnel costs	15,301.52	6,511.24
Total	**701,955.84**	**352,447.00**

CEO and Board remuneration, book value

EUR	2021	2020
CEO	508,089.00	352,447.00
Board of Directors	126,200.00	71,000.00

Number of employees

	2021	2020
Average (FTE)	2	1
Total	**2**	**1**

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

3. Fees paid to company's auditors

EUR	2021	2020
Audit fees	67,949.00	21,412.00
Other	447,448.50	206,964.02
Total	**515,397.50**	**228,376.02**

4. Financial income and expenses

EUR	2021	2020
Interest and financial income from group companies	935,949.53	346,571.22
Other interest and financial income from others	16.25	-
Total financial income	**935,965.78**	**346,571.22**
Interest and financial expenses to others	-1,480,194.10	-973,192.90
Total financial expenses	**-1,480,194.10**	**-973,192.90**
Total financial income and expenses	**-544,228.32**	**-626,621.68**

5. Appropriations

EUR	2021	2020
Group contribution received	2,400,000.00	1,960,000.00
Total	**2,400,000.00**	**1,960,000.00**

6. Income taxes

EUR	2021	2020
Current year taxes	-	-125,231.68
Taxes from previous years	-21,639.03	-
Total	**-21,639.03**	**-125,231.68**

7. Investments

EUR	Holdings in subsidiaries	Receivables from subsidiaries	Total
Acquisition cost			
Balance at 1 Jan 2020	**11,258,583.95**	**5,247,454.64**	**16,506,038.59**
Additions	-	21,206,571.22	21,206,571.22
Balance at 31 Dec 2020	**11,258,583.95**	**26,454,025.86**	**37,712,609.81**
Additions	15,410,000.00	-	15,410,000.00
Additions from merger	25,295,133.29	-	25,295,133.29
Decreases	-26,668,583.95	-16,515,892.08	-43,184,476.03
Balance at 31 Dec 2021	**25,295,133.29**	**9,938,133.78**	**35,233,267.07**

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 2021				**25,295,133.29**

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

8. Shareholders' equity

EUR	2021	2020
Share capital, Jan 1	**2,500.00**	**2,500.00**
Increase in share capital	77,500.00	-
Share capital, Dec 31	**80,000.00**	**2,500.00**
Invested unrestricted equity fund, Jan 1	**1,704,353.76**	**7,900,369.32**
Capital return from the invested unrestricted equity fund	-	-6,227,937.50
Directed issue of treasury shares	-	31,921.94
Increase in share capital	-77,500.00	-
Share issue	10,000,003.80	-
Invested unrestricted equity fund, Dec 31	**11,626,857.56**	**1,704,353.76**
Retained earnings, Jan 1	**-364,296.16**	**-1,366,512.19**
Retained earnings, Dec 31	**-364,296.16**	**-1,366,512.19**
Profit (loss) for the period	**-64,539.03**	**1,002,216.03**
Distributable earnings, Dec 31	**11,198,022.37**	**1,340,057.60**
Shareholders' equity total, Dec 31	**11,278,022.37**	**1,342,557.60**

9. Long-term liabilities

EUR	31 Dec 2021	31 Dec 2020
Loans from credit institutions:		
Payable in the next 12 months	3,000,000.00	3,000,000.00
Payable between one and five years	24,000,000.00	27,000,000.00

10. Liabilities to subsidiaries

EUR	31 Dec 2021	31 Dec 2020
Other short-term liabilities to subsidiaries	-	8,124,614.40
Total	**-**	**8,124,614.40**

11. Accruals and deferred income

EUR	31 Dec 2021	31 Dec 2020
Interests	-	20,342.47
Wages, salaries and social costs	89,628.18	23,599.14
Other	153,843.88	68,065.21
Total	**243,472.06**	**112,006.82**

12. Contingencies and pledged assets

EUR	31 Dec 2021	31 Dec 2020
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 Group was subject to a tax audit of Orthex Corporation regarding the financial years 2020 and 2021. Orthex Corporation received in February 2022 a tax audit report from the Finnish tax auhorities. The tax audit report included subsequent taxes and tax increases amounting to a total of EUR 0.3 million, relating to the VAT deductibility of IPO related costs. The company disagrees with the interpretation made in the tax audit and has filed a claim for adjustment.

13. Company shares

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

Signatures for Board of Directors' report and financial statements

Espoo, 8 March 2022

Sanna Suvanto-Harsaae, Chair

Satu Huber

Ari Jokelainen

Juuso Kivinen

Jens-Peter Poulsen

Auditor's note

Our auditor's report has been issued today.

Espoo, 8 March 2022
Ernst & Young Oy
Authorised Public Accountant Firm

Johanna Winqvist-Ilkka
Authorised Public Accountant

Auditor's report

To the Annual General Meeting of Orthex Oyj

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 2021. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

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

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of goodwill *We refer to note 8 to the consolidated financial statements.* The value of goodwill at the date of the financial statements amounted to 23.7 million euros, representing 26.7 % of the group's total assets and 74.5 % 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.

Tilintarkastuksen kannalta keskeinen seikka	Miten seikkaa käsiteltiin tilintarkastuksessa
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 12.6 million euros, representing 14.2 % of the group's total assets and 39.8 % of the group's equity. Inventories are valued at the lower of cost or net realizable value. Inventories are presented net of an impairment loss allowance recognized for slow-moving or obsolete inventories or for inventories that have an otherwise lower net realizable value than cost. Valuation of inventories was a key audit matter because the carrying value of inventories is material to the consolidated financial statements and because valuation of inventories involves management's judgment and estimates in order to determine the amount of slow-moving or obsolete inventories as well as the net realizable value of inventories.	**Our audit procedures included among others:** • assessing the group's accounting policies over inventory valuation and comparing them to the applicable accounting standards; • comparing unit values of selected inventory items to sales prices; • testing exceptional inventory values using data analysis; • assessing the assumptions applied and the calculations prepared by management regarding slow-moving or obsolete inventories and the expected demand and net realizable value of inventory items; and • testing the mathematical accuracy of the impairment loss allowance calculations prepared by management and assessing the adequacy of the allowances recognized. We also assessed the appropriateness of the disclosures regarding valuation of inventories made in the notes to the consolidated financial statements.

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

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

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on May 7, 2009 and our appointment represents a total period of uninterrupted engagement of 13 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.

Helsinki, March 8, 2022

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