

Orthex Corporation

INTERIM REPORT

January – March 2022



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GROUP

Orthex Q1 2022: Sales slowed down, profitability affected by extraordinary high raw material prices

JANUARY – MARCH 2022 IN BRIEF

- Invoiced sales decreased by 4.2% and totalled EUR 21.5 million (22.4)
- Net sales decreased by 4.9% to EUR 20.6 million (21.6)
- Adjusted EBITDA was EUR 2.8 million (4.3)
- EBITA was EUR 1.8 million (2.0)
- Adjusted EBITA was EUR 1.8 million (3.3), representing 8.8% of sales (15.3)
- Operating profit was EUR 1.8 million (2.0)
- Items affecting comparability totalled EUR 0.0 million (1.3)
- Net cash flows from operating activities were EUR 1.9 million (3.2)
- Net debt / Adjusted EBITDA was 1.8x (1.5)
- Earnings per share, basic was EUR 0.06 (0.08)
- Orthex's Lohja factory was granted an ISCC+ certificate
- Orthex published its Sustainability Report for the year 2021 as a part of the Annual Report

Orthex has no Russian or Ukrainian suppliers nor any other business in Russia or Ukraine, so Russia's military actions have no direct impact on Orthex's business. However, there can be negative business impacts from volatility, customer behaviour, or cost increases due to the war.



SmartStore Compact Clear

ALEXANDER ROSENLEW, CEO:

The first quarter of 2022 was characterised by continued rising cost and balancing between campaign sales, price increases and sales volume, on a weakening market influenced by consumer and customer uncertainty. Raw material prices continued to rise, driven by among other factors, the Russian attack on Ukraine. During the first quarter, the second round of price increases that we communicated to our customers in the third quarter of 2021, started to have an impact and we managed to partly offset the negative effects from surging material cost. During the period between December 2020 and March 2022, the raw material price index has increased by more than 77%. This is an unprecedented pace of continued increase and therefore in our view not strategically feasible to absorb directly or with one single price correction. The time between communicating a price increase and the implementation of it at our customers is approximately 4–9 months and during this period a continued cost increase has a negative impact on the result. We are committed to make price increases as costs keep on rising. The rapid cost development had an impact on Orthex's profitability as the adjusted EBITA margin decreased in the first quarter to 8.8% (15.3) and the adjusted EBITA to 1.8 million euros (3.3).



In the year 2021, the first quarter invoiced sales increased by 33.5%. In 2022, the conditions have been challenging, and we did not reach the sales of the previous year as invoiced sales declined by 4.2%. As already communicated, we have held back on selling campaigns at reduced prices to offset negative cost impact. This is visible in the export sales, where sales volumes declined, as focus has been on actively defending margins instead of renewing campaigns made in the first quarter of 2021. We have not lost any customers or product distribution. On the contrary, there are interesting new customer opportunities both in the export pipeline and on the Nordic market. In the times of uncertainty, customers have been more careful in their buying behaviour, and in many markets, there seems to be a reluctance to further fill up the stores or warehouses with goods. Our view, which is based on information and feedback from customers, is that we have not lost market share, but the demand has weakened due to uncertainty in the market.

As COVID-19 came back with a new variant, our most important trade show, the Ambiente show scheduled for February, was cancelled. This has slowed down new customer acquisition opportunities in the export markets. Under current circumstances most customer meetings are centred around price increases and off-setting cost and thus the important topic of building business together and growing consumer sales does not get the undivided attention of our customers.

All the above-mentioned factors had an impact on Orthex's sales as net sales in the first quarter decreased slightly to 20.6 million euros (21.6).

The company's Sustainability Report for the year 2021 was published as a part of the company's first Annual Report in March 2022. In our Sustainability Report we present, for example, the steps we have taken during 2021 to be able to reach our carbon neutrality target. Among others, we made a comprehensive calculation of the carbon footprint of our operations and value chain for the first time and all our factories switched to 100% fossil-free hydropower. We aim to be carbon neutral in our operations by 2030. In line with our strategy, to strengthen the product portfolio made in new sustainable materials, we are expanding the range of products made of old fishing nets to involve a storage concept and some additional household products.

We are committed to implementing our growth strategy with a focus on international growth and sustainability. Raw material prices reached their highest levels so far at the end of March 2022 and currently raw material prices, freight cost and energy price are all on very high levels and future development is hard to predict. There are no immediate indications of change towards more favourable cost or market conditions. In the first quarter of 2022 we again took action that will be implemented according to the schedule described earlier. Unpredictable and fast increases in raw material prices create a profitability challenge due to the delayed effects of implementing price increases or cost savings. Despite the prevailing short-term challenges and market uncertainty, our long-term target is to deliver an adjusted EBITA margin exceeding 18%, and we are committed to ensuring that our measures are in line with that long-term target.

We are putting strong efforts on finding ways to grow sales profitably as demand development is likely to remain uncertain. We believe that the operating environment will eventually stabilise over time which will help to fully focus on actively growing profitable sales on the Nordic market and accelerate business development outside of the Nordics. I want to take the opportunity to thank all our personnel for the strong commitment to navigating wisely by taking active action in the efforts to defend the margins under the current very unusual conditions. We are all prepared and eager to continue improving everyday life with practical and sustainable products.

KEY FIGURES

EUR million	1–3/2022	1–3/2021	Change	1–12/2021
Invoiced sales	21.5	22.4	-4.2%	90.6
Net sales	20.6	21.6	-4.9%	88.7
Gross margin	4.9	6.8	-27.5%	23.2
Gross margin, %	23.8%	31.3%		26.2%
EBITDA	2.8	2.9	-6.2%	13.2
EBITDA margin, %	13.4%	13.6%		14.9%
Adjusted EBITDA	2.8	4.3	-35.1%	14.8
Adjusted EBITDA margin, %	13.4%	19.7%		16.7%
EBITA	1.8	2.0	-9.3%	9.4
EBITA margin, %	8.8%	9.2%		10.6%
Adjusted EBITA	1.8	3.3	-45.3%	11.0
Adjusted EBITA margin, %	8.8%	15.3%		12.4%
Operating profit	1.8	2.0	-9.5%	9.3
Operating profit margin, %	8.7%	9.1%		10.4%
Net cash flows from operating activities	1.9	3.2	-41.3%	9.0
Net debt / Adjusted EBITDA	1.8x	1.5x		1.7x
Adjusted return on capital employed (ROCE), %	5.3%	10.4%		33.0%
Equity ratio, %	36.7%	31.1%		35.8%
Earnings per share, basic (EUR)	0.06	0.08	-16.7%	0.35
FTEs	294	314	-6.5%	314

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.

Orthex does not publish a short-term outlook.

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 years of 2020 and 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 review period.

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 in the spring of 2020 due to the COVID-19 pandemic, but prices started to rise exceptionally during the latter part of 2020. During 2021, raw material prices rose to exceptionally high levels and have remained at high levels in 2022.



GastroMax Bio nylon

NET SALES AND PROFITABILITY

Net sales and invoiced sales

Invoiced sales by geography

EUR million	1–3/2022	1–3/2021	Change	1–12/2021
Nordics	17.7	17.9	-1.1%	73.0
Rest of Europe	3.5	3.7	-5.7%	15.1
Rest of the world	0.2	0.8	-69.1%	2.4
Total	21.5	22.4	-4.2%	90.6

Invoiced sales by product category

EUR million	1–3/2022	1–3/2021	Change	1–12/2021
Storage	13.2	14.7	-10.2%	59.4
Kitchen	4.8	4.5	7.5%	20.1
Plant Care	2.2	1.8	22.8%	5.7
Home & Yard	1.2	1.4	-12.5%	5.4
Total	21.5	22.4	-4.2%	90.6

January–March 2022

In January–March, the Group's Net sales decreased by 4.9% to EUR 20.6 million (21.6). Invoiced sales amounted to EUR 21.5 million (22.4). The decrease of constant currency Net sales was -4.0% compared to January–March 2021.

The first quarter of 2022 was characterised by balancing between campaign sales, price increases and sales volume, on a market influenced by consumer and customer uncertainty.

Development by geography

January–March 2022

Orthex's core market area by geography is the Nordics, where the Group's invoiced sales in January–March amounted to EUR 17.7 million (17.9). Invoiced sales in the Nordics totalled 82.5% (79.9) of the Group's total invoiced sales.

Invoiced sales in the rest of Europe decreased to EUR 3.5 million (3.7). In the rest of the world, invoiced sales decreased to EUR 0.2 million (0.8). The lack of campaigns in a few bigger export customers explains the decline.

Orthex's products are sold in more than 40 countries, and export to non-Nordic countries accounted for 17.5% (20.1) of the Group's invoiced sales during the period.

Development by product category

January–March 2022

Orthex's largest category is Storage with invoiced sales totalling EUR 13.2 million (14.7) during January–March. 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 4.8 million (4.5) which was both due to new customers and increased assortment among existing customers.

Invoiced sales in the Plant Care category grew to EUR 2.2 million (1.8). 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 in the Home & Yard category decreased to EUR 1.2 million (1.4).

Profitability

January–March 2022

EBITA was 1.8 million (2.0) during the period and decreased by 9.3%. Adjusted EBITA decreased by 45.3% to EUR 1.8 million (3.3) and the adjusted EBITA margin decreased to 8.8% (15.3). Operating profit was EUR 1.8 million (2.0). Items affecting comparability totalled EUR 0.0 million (1.3).

Orthex's financial income and expenses during the review period consisted of EUR 0.3 million net expenses (0.4).

Profit before taxes was EUR 1.4 million (1.6) and profit for the period was EUR 1.1 million (1.2).

During the period between December 2020 and March 2022, the raw material price index has increased by more than 77%. The rapidly increased costs had an impact on Orthex's profitability.

FINANCIAL POSITION AND CASH FLOW

The balance sheet totalled EUR 89.2 million (87.3) at the end of the review period, of which equity constituted EUR 32.7 million (27.1).

At the end of the review period the Group's net debt was EUR 24.7 million (28.0). Non-current interest-bearing liabilities were EUR 35.8 million (39.6) and Orthex's total interest-bearing liabilities were EUR 40.0 million (43.8). Interest-bearing liabilities include loans from credit institutions, pension liabilities and lease liabilities.

During the period January–March 2022, the Group's net cash flows from operating activities were EUR 1.9 million (3.2) and cash conversion was 82.2% (60.8). Cash and cash equivalents amounted to EUR 15.3 million (15.8) at the end of the review period.

Net debt/adjusted EBITDA was 1.8x (1.5). Orthex's long-term target is to keep Net debt/adj. EBITDA below 2.5x.

At the end of the review period the Group's Equity ratio was 36.7% (31.1). Adjusted return on capital employed (ROCE) was 5.3% (10.4) and Return on equity (ROE) 3.5% (5.7).

INVESTMENTS, PRODUCT DEVELOPMENT AND ACQUISITIONS

Orthex's investments during January–March 2022 amounted to EUR 0.5 million (1.7) and were mainly related to increasing the production capacity for new and existing products.

SHARES AND SHAREHOLDERS

Orthex's shares are listed on Nasdaq Helsinki.

The company's registered share capital is EUR 80,000.00 and at the end of the period the company held 17,758,854 fully paid shares. Orthex has one series of shares, and each share entitles to one vote in the company's general meeting. There are no voting restrictions associated with the shares. Trading volume during the period was EUR 17.5 million and 2,046,307 shares. The highest price of the share was EUR 11.29 and the lowest was EUR 7.10. The closing price of the share at the end of March 2022 was EUR 7.73. At the end of the review period, the market value of the share capital stood at EUR 137.3 million. The company did not have any treasury shares at the end of the period.

The number of registered shareholders at the end of the review period was 17,657, including nominee registers. At the end of the period, the ten largest shareholders possessed a total of 48.8% of Orthex's shares and votes.

The stock exchange releases on notifications of changes in holdings (flaggings) are available on the corporate website at <https://investors.orthexgroup.com/>. Orthex did not receive any flagging notifications during the first quarter.

SUSTAINABILITY

Sustainability is a core element in realising 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. Orthex 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 has identified priority sustainability topics in the areas of economic, environmental, and social responsibility. For each topic, the company has defined key performance indicators and targets. Further information is available on the corporate website at <https://investors.orthexgroup.com/orthex-as-an-investment/sustainability/>.

Sustainability highlights January – March 2022

Orthex published its Sustainability Report for the year 2021 as a part of the Annual Report on 16 March 2022. As is brought up in the Sustainability Report, the company has continued its investments in the use of bio-based and recycled materials and in building the roadmap towards carbon neutrality.

In March, Orthex's Lohja factory was granted an ISCC+ certificate. The international Sustainability and Carbon Certification (ISCC) is a globally applicable sustainability certification system, which covers all sustainable feedstocks, including agricultural and forestry biomass, circular and bio-based materials and renewables. To further strengthen the company's sustainability resources, a new position in the company, ESG Advisor, was established and recruited during the review period.



Smart Store Ocean

SHORT-TERM RISKS AND UNCERTAINTIES

Plastic polymers are the largest group of raw materials, and the prices are typically negotiated annually. Fluctuations in raw material prices and supply disruptions may have a negative effect on profitability. The Group is not hedged against fluctuations in raw material prices but can better manage risks by tying prices to the plastic polymer supply chain. There is less volatility in the prices of bio-based and recycled materials and merchandise. However, there has been shortage on the market because of higher demand and this can lead to higher prices also in bio-based and recycled materials.

The COVID-19 pandemic has caused significant disruption to the global economy and the Group's geographic market. 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.

Thanks to its own production, the Group can control the quality of its products and the health and environmental aspects of production and products. Significant disruptions or interruptions in production and operations would materially impair the Group's ability to deliver its products and adversely affect its business and operating profit.

Orthex has operations in several countries, so the company is exposed to transaction and translation risk. 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.

Further information on the company's risk management principles and on the main strategic, operative and financial risks is included in the Board of Directors' report for the year 2021. The main principles of Orthex's financial risk management are described in the notes to the consolidated financial statements. The company's annual report, which includes the Board of Directors' report and the consolidated financial statements with notes for the year 2021, was published on 16 March 2022 and is available on the corporate website.

EVENTS AFTER THE REVIEW PERIOD

Orthex Corporation's Annual General Meeting was held on 6 April 2022, at the company's headquarters in Espoo, Finland. To limit the spread of the corona virus pandemic, the Annual General Meeting took place without shareholders' and their proxy representatives' presence at the meeting venue. The shareholders of the company participated in the meeting and exercised their shareholder's rights by voting in advance. A total of 35 shareholders were represented at the meeting representing 10,602,030 shares and votes. All the proposals made to the Annual General Meeting were approved.

Adoption of the financial statements, discharge from liability and use of profit shown on the balance sheet

The general meeting adopted the financial statements and discharged the members of the Board of Directors and the CEO from liability for the financial period 2021. As proposed by the Board of Directors, the general meeting decided that no dividend will be distributed for the financial period ended on 31 December 2021. Instead, the general meeting decided that shareholders be paid a capital return of EUR 0.18 per share from the invested unrestricted equity fund totalling approximately EUR 3.2 million in two instalments as follows:

The first instalment of the capital return amounting to EUR 0.09 per share was paid to a shareholder who was registered in the company's shareholder register held by Euroclear Finland Oy on the record date of the first instalment of the capital return 8 April 2022. The first instalment of the capital return was 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 the record date of the second instalment of the capital return 3 October 2022. The second instalment of the capital return will be paid on 11 October 2022.

The general meeting also authorised the Board of Directors to resolve, 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.

The remuneration policy and remuneration report 2021 for governing bodies

The general meeting approved the remuneration policy and the remuneration report 2021 for the governing bodies.

Remuneration of the members of the Board of Directors

As proposed by the Shareholders' Nomination Board, the general meeting resolved that the remuneration of the members of the Board of Directors remain the same and that the Chair of the Board of Directors be paid a monthly fee of EUR 4,000 and other members of the Board of Directors a monthly fee of EUR 2,000. It was further resolved that reasonable travel and other expenses related to the Board work will be reimbursed in accordance with the company's travel rules.

Members of the Board of Directors

As proposed by the Shareholders' Nomination Board, the general meeting resolved that the Board of Directors consists of five (5) members and Sanna Suvanto-Harsaae, Satu Huber and Jens-Peter Poulsen were re-elected to the Board and Markus Hellström and Jyrki Mäki-Kala were elected as new members to the Board, all for a term of office ending at the end of the next Annual General Meeting. Further information on the members of the Board of Directors is available on the corporate website at <https://investors.orthexgroup.com/corporate-governance/board-of-directors/>.

At the constitutive meeting of the Board of Directors held on 6 April 2022, Sanna Suvanto-Haarsae was re-elected to chair the Board.

Auditor

Ernst & Young Oy, a firm of Authorised Public Accountants, was re-elected the company's auditor. Ernst & Young Oy has informed the company that Johanna Winqvist-Iikka, Authorised Public Accountant, will continue as the signing audit partner. The remuneration of the auditor was resolved to be paid according to a reasonable invoice approved by the Board.

Authorising the Board of Directors to decide on the issuance of shares and special rights entitling to shares

The general meeting authorised the Board of Directors to decide on the issuance of shares and on the issuance of special rights entitling to shares referred to in Chapter 10, Section 1 of the Finnish Limited Liability Companies Act in one or several issues as follows:

A total maximum of 1,800,000 shares may be issued by virtue of the authorisation (including shares that can be issued based on the special rights) corresponding to approximately 10 per cent of all the shares in the company.

The Board of Directors was authorised to decide on all terms and conditions related to the issuance of shares and the issuance of special rights entitling to shares. The issuance of shares and special rights entitling to shares may also take place in deviation from the shareholders' pre-emptive subscription right (directed share issue) if there is a weighty financial reason for doing so from the company's point of view as referred to in the Finnish Limited Liability Companies Act. The authorisation may then be used for mergers and acquisitions or to finance other business-related investments, to maintain and increase the group's solvency, to implement an incentive scheme, to expand the ownership base and to develop the capital structure.

The authorisation will be valid for 18 months from the decision of the general meeting.



SmartStore Collect

FINANCIAL RELEASES IN 2022

Orthex will publish its financial reports in 2022 as follows:

25 August 2022, Half year financial report January–June 2022

11 November 2022, Interim report January–September 2022

Espoo, 10 May 2022

ORTHEX CORPORATION
Board of Directors

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The results presentation will be held on 11 May 2022 at 11:00 am EEST as a webcast meeting.

Webcast meeting

[Access meeting online here.](#)

Q&A

Questions to the management can be sent through the meeting chat.

Presentation material and on-demand recording

The presentation material will be shared in the online meeting, and it can be downloaded on Orthex's website at <https://investors.orthexgroup.com/>. A recording of the event will be available later at the same address.

Distribution:

Nasdaq Helsinki Ltd

Main media

<https://investors.orthexgroup.com/>

ORTHEX INTERIM REPORT JANUARY – MARCH 2022

Consolidated Statement of Comprehensive Income

EUR thousand	1–3/2022	1–3/2021	1–12/2021
Net Sales	20,577	21,634	88,694
Cost of sales	-15,675	-14,871	-65,490
Gross Margin	4,902	6,763	23,204
Other operating income	78	52	549
Selling and marketing expenses	-1,901	-2,473	-8,468
Administrative expenses	-1,299	-2,375	-6,035
Operating profit	1,781	1,968	9,250
Financial income and expenses	-348	-350	-1,586
Profit before taxes	1,433	1,618	7,664
Income taxes	-308	-370	-1,629
Profit for the period	1,125	1,248	6,035
Profit for the period attributable to:			
Equity holders of the parent	1,125	1,248	6,035
Earnings per share, basic (and diluted), EUR	0.06	0.08	0.35
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Translation differences	-229	-634	-622
Items that will not be reclassified to profit or loss:			
Remeasurement gains/(losses) on defined benefit plans	-	-	-58
Other comprehensive income for the period, net of tax	-229	-634	-680
Total comprehensive income for the period	896	614	5,355
Total comprehensive income attributable to:			
Equity holders of the parent	896	614	5,355

Consolidated Statement of Financial Position

EUR thousand	31 Mar 2022	31 Mar 2021	31 Dec 2021
Assets			
Non-current assets			
Intangible assets	23,747	23,993	23,901
Property, plant and equipment	12,848	11,774	13,131
Right-of-use assets	7,796	8,880	8,030
Other non-current assets	230	103	94
Deferred tax assets	1,325	1,191	1,163
Total non-current assets	45,945	45,940	46,320
Current assets			
Inventories	14,092	10,924	12,647
Trade and other receivables	13,782	14,608	15,528
Derivative financial instruments	13	-	14
Income tax receivables	-	5	-
Cash and cash equivalents	15,345	15,843	14,334
Total current assets	43,232	41,381	42,522
Total assets	89,177	87,321	88,842
Equity and liabilities			
Equity attributable to the equity holders of the parent company			
Share capital	80	80	80
Invested unrestricted equity fund	11,047	11,119	11,047
Retained earnings	20,263	14,409	19,138
Translation differences	1,303	1,520	1,532
Total equity	32,693	27,128	31,798
Non-current liabilities			
Loans from credit institutions	23,738	26,667	23,720
Lease liabilities	7,336	8,356	7,544
Pension liabilities	4,722	4,624	4,742
Deferred tax liabilities	853	569	742
Total non-current liabilities	36,649	40,216	36,748
Current liabilities			
Loans from credit institutions	3,000	3,000	3,000
Lease liabilities	1,208	1,151	1,214
Trade and other payables	14,389	13,867	13,692
Derivative financial instruments	-	15	-
Income tax liabilities	1,237	1,944	2,390
Total current liabilities	19,834	19,977	20,296
Total liabilities	56,484	60,192	57,044
Total equity and liabilities	89,177	87,321	88,842

Consolidated Statement of Changes in Equity

Equity attributable to the equity holders of the parent company						
EUR thousand	Share capital	Treasury shares	Invested unrestricted equity fund	Retained earnings	Translation differences	Total equity
As at 1 Jan 2022	80	-	11,047	19,138	1,532	31,798
Profit for the period				1,125		1,125
Translation differences					-229	-229
Total comprehensive income				1,125	-229	896
At 31 Mar 2022	80	-	11,047	20,263	1,303	32,693
As at 1 Jan 2021	3	-71	1,775	13,161	2,154	17,022
Profit for the period				1,248		1,248
Translation differences					-634	-634
Total comprehensive income				1,248	-634	614
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			-614			-614
Discount related to the personnel share issue			106			106
At 31 Mar 2021	80	-	11,119	14,409	1,520	27,128
As 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) on defined benefit plan				-58		-58
Total comprehensive income				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
At 31 Dec 2021	80	-	11,047	19,138	1,532	31,798

*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.

Consolidated Statement of Cash Flows

EUR thousand	1–3/2022	1–3/2021	1-12/2021
Cash flows from operating activities			
Profit before taxes	1,433	1,618	7,664
Adjustments:			
Depreciation, amortisation and impairment	982	976	3,976
Financial income and expenses	348	350	1,586
Other adjustments	46	-190	-48
Cash flows before changes in working capital	2,808	2,754	13,179
Changes in working capital			
Decrease (+) / increase (–) in trade and other receivables	1,535	-566	-1,489
Decrease (+) / increase (–) in inventories	-1,515	-977	-2,905
Decrease (–) / increase (+) in trade and other payables	721	2,350	2,326
Cash flows from operating activities before financial items and taxes	3,549	3,561	11,112
Interests paid	-148	-	-1,331
Income taxes paid	-1,526	-368	-801
Net cash flows from operating activities	1,875	3,193	8,979
Cash flows from investing activities			
Investments in tangible and intangible assets	-491	-1,668	-4,797
Sale of tangible and intangible assets	-	-	132
Net cash flows from investing activities	-491	-1,668	-4,665
Cash flows from financing activities			
Proceeds from share issue	-	10,000	10,000
Costs from share issue recognised in equity	-	-586	-857
Repayment of lease liabilities	-324	-302	-1,286
Repayment of short-term borrowings	-	-	-3,000
Net cash flows from financing activities	-324	9,112	4,857
Net change in cash and cash equivalents	1,059	10,637	9,172
Net foreign exchange differences	-48	-44	-88
Cash and cash equivalents at the beginning of the period	14,334	5,250	5,250
Cash and cash equivalents at the end of the period	15,345	15,843	14,334

NOTES TO THE GROUP'S INTERIM REPORT

Basis of preparation

Orthex's interim report has been prepared in compliance with the IAS 34 Interim Financial Reporting standard. The same accounting principles have been applied to the financial statements release as to the previous consolidated financial statements taking into account.

Orthex's Board of Directors has approved this interim report in its meeting on 10 May 2022. Figures in the interim report have been rounded and consequently the sum of individual figures may deviate from the presented sum figure. The figures are unaudited.

Accounting estimates and management judgements made in preparation of the financial statements release information

The preparation of financial statements release information requires management to make accounting estimates and judgements as well as assumptions that affect the application of the preparation principles and the accounting estimates on assets, liabilities, income, and expenses. Actual results may differ from previously made estimates and judgements. Estimates and judgements are reviewed regularly. Changes in estimates are presented in the period during which the change occurs if the change only affects one period. If it affects both the period under review and following periods, the changes are presented in the period under review and following periods.

The significant management judgements and accounting estimates concerning key uncertainty factors in connection with the preparation of this financial statements release information are identical to those applied in the consolidated financial statements for 2021.

Related party transactions

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

Orthex did not have any related party transactions during the review period. In January–March 2021, the company's related party transactions consisted of one purchase of EUR 25 thousand from a member of the Board.

Commitments

EUR thousand	31 Mar 2022	31 Mar 2021	31 Dec 2021
Guarantees and mortgages given on own behalf:			
Enterprise mortgages	53,469	53,521	53,558
Property mortgages	10,192	10,192	10,192
Other guarantees	54	55	55
Total	63,716	63,768	63,806

Contingent liabilities

Orthex Group was subject to a tax audit of Orthex Corporation regarding the financial years 2020 and 2021. Orthex Corporation received early in May 2022 a tax audit report from the Finnish tax authorities. The tax audit report included subsequent taxes and tax increases amounting to a total of EUR 0.3 million, relating to the VAT deductibility of IPO related costs. The company disagrees with the interpretation made in the tax audit. The company will have to pay the subsequent taxes in accordance with the interpretations presented in the tax audit report, but the company will apply for an adjustment to its taxation from the Tax Adjustment Board. The Group has not recognised any liabilities for subsequent taxes and tax increases.

APPENDIX:

Key Performance Indicators

EUR thousand	1-3/2022	1-3/2021	1-12/2021
Net sales	20,577	21,634	88,694
Net sales growth, %	-4.9%	32.4%	16.9%
Constant currency invoiced sales growth, %	-4.0%	30.0%	15.7%
Invoiced sales	21,503	22,443	90,552
Invoiced sales growth, %	-4.2%	33.5%	16.3%
Gross Margin	4,902	6,763	23,204
Gross Margin, %	23.8%	31.3%	26.2%
EBITDA	2,762	2,944	13,226
EBITDA margin, %	13.4%	13.6%	14.9%
EBITA	1,812	1,999	9,380
EBITA margin, %	8.8%	9.2%	10.6%
Operating profit	1,781	1,968	9,250
Operating profit margin, %	8.7%	9.1%	10.4%
Items affecting comparability	-	1,313	1,616
Adjusted Gross Margin	4,902	6,763	23,279
Adjusted Gross Margin, %	23.8%	31.3%	26.2%
Adjusted EBITDA	2,762	4,257	14,842
Adjusted EBITDA margin, %	13.4%	19.7%	16.7%
Adjusted EBITA	1,812	3,312	10,996
Adjusted EBITA margin, %	8.8%	15.3%	12.4%
Adjusted operating profit	1,781	3,281	10,867
Adjusted operating profit margin, %	8.7%	15.2%	12.3%
Earnings per share, basic (and diluted), EUR	0.06	0.08	0.35
FTEs	294	314	314
Personnel expenses	5,072	5,426	19,693
Key cash flows indicators			
Net cash flows from operating activities	1,875	3,193	8,979
Operating free cash flows	2,271	2,588	10,046
Cash conversion, %	82.2%	60.8%	67.7%
Investments in tangible and intangible assets	-491	-1,668	-4,797
Financial position key figures			
Net debt	24,659	27,954	25,887
Net debt / adjusted EBITDA last 12 months	1.8x	1.5x	1.7x
Net working capital	13,484	11,665	14,482
Capital employed excluding goodwill	33,825	31,381	34,004
Return on capital employed (ROCE), %	5.3%	6.2%	28.1%
Adjusted return on capital employed (ROCE), %	5.3%	10.4%	33.0%
Equity ratio, %	36.7%	31.1%	35.8%
Return on equity, %	3.5%	5.7%	24.7%

Reconciliation of APMs

EUR thousand	1-3/2022	1-3/2021	1-12/2021
Net sales growth, %			
Net sales	20,577	21,634	88,694
Net sales growth, %	-4.9%	32.4%	16.9%
Constant currency Net sales growth, %			
Net sales	20,577	21,634	88,694
FX rate adjustment	-	-189	-
Constant currency Net sales	20,577	21,446	88,694
Constant currency Net sales growth, %	-4.0%	30.0%	15.7%
Invoiced sales			
Net sales	20,577	21,634	88,694
Discounts and bonuses	753	693	3,067
Other sales and refunds	172	116	-1,209
Invoiced sales	21,503	22,443	90,552
Invoiced sales growth, %	-4.2%	33.5%	16.3%
Gross Margin			
Net sales	20,577	21,634	88,694
Cost of sales	-15,675	-14,871	-65,490
Gross Margin	4,902	6,763	23,204
Gross Margin, %	23.8%	31.3%	26.2%
EBITDA			
Operating profit	1,781	1,968	9,250
Depreciation, amortisation and impairment	982	976	3,976
EBITDA	2,762	2,944	13,226
EBITDA margin, %	13.4%	13.6%	14.9%
EBITA			
Operating profit	1,781	1,968	9,250
Amortisation and impairment	32	31	129
EBITA	1,812	1,999	9,380
EBITA margin, %	8.8%	9.2%	10.6%
Operating profit			
Operating profit	1,781	1,968	9,250
Operating profit margin, %	8.7%	9.1%	10.4%
Items affecting comparability / adjustments (Gross Margin)			
Other items affecting comparability	-	-	75
Items affecting comparability / adjustments (Gross Margin)	-	-	75
Items affecting comparability / adjustments (EBITDA)			
Other items affecting comparability	-	-	85
Costs related to listing	-	1,313	1,531
Items affecting comparability / adjustments (EBITDA)	-	1,313	1,616

EUR thousand	1-3/2022	1-3/2021	1-12/2021
Adjusted Gross Margin			
Gross Margin	4,902	6,763	23,204
Adjustments (Gross Margin)	-	-	75
Adjusted Gross Margin	4,902	6,763	23,279
Adjusted Gross Margin, %	23.8%	31.3%	26.2%
Adjusted EBITDA			
Operating profit	1,781	1,968	9,250
Depreciation, amortisation and impairment	982	976	3,976
Adjustments (EBITDA)	-	1,313	1,616
Adj. EBITDA	2,762	4,257	14,842
Adj. EBITDA margin, %	13.4%	19.7%	16.7%
Adjusted EBITA			
Operating profit	1,781	1,968	9,250
Amortisation and impairment	32	31	129
Adjustments (EBITA)	-	1,313	1,616
Adj. EBITA	1,812	3,312	10,996
Adj. EBITA margin, %	8.8%	15.3%	12.4%
Adjusted operating profit			
Operating profit	1,781	1,968	9,250
Adjustments	-	1,313	1,616
Adj. operating profit	1,781	3,281	10,867
Adj. operating profit margin, %	8.7%	15.2%	12.3%
Earnings per share, basic (and diluted), EUR			
Profit for the period	1,125	1,248	6,035
Average number of shares	17,759	16,409	17,426
Earnings per share, basic (and diluted), EUR	0.06	0.08	0.35
Operating free cash flows			
Adj. EBITDA	2,762	4,257	14,842
Investments in tangible and intangible assets	-491	-1,668	-4,797
Operating free cash flows	2,271	2,588	10,046
Cash conversion, %			
Operating free cash flows	2,271	2,588	10,046
Adj. EBITDA	2,762	4,257	14,842
Cash conversion, %	82.2%	60.8%	67.7%
Net debt			
Total interest-bearing liabilities	40,004	43,798	40,220
Cash and cash equivalents	-15,345	-15,843	-14,334
Net debt	24,659	27,954	25,887
Net debt/ Adj. EBITDA			
Net debt	24,659	27,954	25,887
Adj. EBITDA, 12 months	13,348	18,328	14,842
Net debt/ Adj. EBITDA	1.8x	1.5x	1.7x

EUR thousand	1-3/2022	1-3/2021	1-3/2021
Net working capital			
Inventories	14,092	10,924	12,647
Trade and other receivables	13,782	14,608	15,528
Trade and other payables	-14,389	-13,867	-13,692
Net working capital	13,484	11,665	14,482
Capital employed excluding goodwill			
Total Equity	32,693	27,128	31,798
Net debt	24,659	27,954	25,887
Goodwill	-23,527	-23,702	-23,680
Capital employed excluding goodwill	33,825	31,381	34,004
Return on capital employed (ROCE), %			
Operating profit	1,781	1,968	9,250
Average capital employed excluding goodwill	33,915	31,608	32,920
Return on capital employed (ROCE), %	5.3%	6.2%	28.1%
Adjusted return on capital employed (ROCE), %			
Adjusted operating profit	1,781	3,281	10,867
Average capital employed excluding goodwill	33,915	31,608	32,920
Adjusted return on capital employed (ROCE), %	5.3%	10.4%	33.0%
Equity ratio, %			
Total Equity	32,693	27,128	31,798
Total assets	89,177	87,321	88,842
Equity ratio, %	36.7%	31.1%	35.8%
Return on equity, %			
Profit for the period	1,125	1,248	6,035
Total equity (average for the first and last day of the period)	32,246	22,075	24,410
Return on equity, %	3.5%	5.7%	24.7%

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.

Calculation of key figures

Key Performance Indicators	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
Earnings per share, basic (and diluted), EUR	Profit for the period attributable to the owners of the parent divided by weighted average number of shares outstanding
FTEs	Full-Time Equivalents
Personnel expenses	Total personnel expenses during the period

Key cash flows indicators	Formula
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
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

Financial position key figures	Formula
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)

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 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. Orthex's production facilities are located in Tingsryd and Gnosjö, Sweden, and in Lohja, Finland. In addition, Orthex has centralised 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.



SmartStore Classic



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Orthex Corporation
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