

Orthex Corporation

INTERIM REPORT

January – September 2023



Novelty. SmartStore Bedroller

orthex
GROUP

ORTHEX CORPORATION: INTERIM REPORT 1 JANUARY-30 SEPTEMBER 2023

Profitability continued to improve in the third quarter

JULY–SEPTEMBER 2023

- Invoiced sales were EUR 22.2 million (22.2)
- Net sales decreased by 0.9% to EUR 21.9 million (22.1)
- Adjusted EBITDA was EUR 4.5 million (3.2)
- Adjusted EBITA was EUR 3.5 million (2.2), representing 16.1% of sales (10.1)
- Operating profit was EUR 3.5 million (2.2)
- Net cash flows from operating activities were EUR 5.3 million (4.4)
- Earnings per share, basic was EUR 0.13 (0.07)

JANUARY–SEPTEMBER 2023

- Invoiced sales decreased by 1.7% and totalled EUR 64.0 million (65.2)
- Net sales decreased by 1.8% to EUR 62.5 million (63.7)
- Adjusted EBITDA was EUR 11.0 million (6.7)
- Adjusted EBITA was EUR 8.0 million (3.9), representing 12.8% of sales (6.1)
- Operating profit was EUR 7.9 million (3.6)
- Net cash flows from operating activities were EUR 9.8 million (5.9)
- Net debt / Adjusted EBITDA was 1.4x (2.5)
- Earnings per share, basic was EUR 0.27 (0.10)
- Orthex was granted and paid Swedish state electricity support (EUR 0.8 million included in adjusted EBITA) for the period 1 October 2021–30 September 2022.

ALEXANDER ROSENLEW, CEO:

The business climate was characterized by careful consumer behaviour and cost inflation. During these challenging market conditions, profit performance was strong with 57.7% increase in adjusted EBITA compared to the third quarter in the comparison period.

In the third quarter, Orthex's constant currency net sales increased by 2.9%. Including currency effects, Orthex's net sales decreased by 0.9% to 21.9 million euros (22.1). Rest of Europe delivered invoiced sales growth of 6.5% and sales were 4.2 million euros (4.0). The somewhat slower growth pace in the Rest of Europe during the third quarter is mostly due to timing of campaigns. During January–September, invoiced sales growth in the Rest of Europe was 18.6%.

International distribution build-up is progressing according to plan, delivering a growing base of customers and point of sales throughout Europe. During the period, it was decided that the time is right to strengthen our local presence also in the Benelux area, hence a local Benelux country manager will join our international sales team before the year end.

The third quarter sales in the Nordics were affected by careful consumer behaviour and weak currencies. The impact resulted in a flat overall Nordic invoiced sales development of +0.2%. Whereas the weak Swedish and Norwegian currencies affect the consolidated euro sales negatively, there is an adverse effect on EBITA from having a substantial amount of local costs in Swedish Krona in the Swedish production units.

The Storage category continued to grow at a pace of 6.7% compared to the third quarter last year. To keep strengthening the product offering under the SmartStore™ brand, Orthex will extend it with stylish food storage products by changing the branding of all food storage items to SmartStore™. The re-branding allows more efficient investments in brand building.

Kitchen and Plant Care categories, traditionally strong in the Nordics, declined because of the careful Nordic customer and consumer behaviour. Invoiced sales in the Kitchen category declined 13.5% and in the Plant Care category 19.8%. There was a 4.2% increase in the Home and Yard category, driven by sales of new outdoor bin products gaining in distribution.

The strong improvement in Orthex's profitability continued in the third quarter. The adjusted EBITA margin was 16.1% (10.1) and the adjusted EBITA was 3.5 million euros (2.2). The more favourable raw-material prices and efficiently adapting the operations to changing volumes affected the result



positively. Third quarter cash flows improved to 5.3 million euros (4.4). The inventory level continued to decrease according to plan. The net debt to adjusted EBITDA ratio (leverage) was down to 1.4 at the end of the period.

Active sustainability work is an important part of implementing the corporate strategy. During the third quarter, Orthex continued extending the usage of ISCC PLUS certified renewable raw materials applying a mass balance approach on new products. The applying of the mass balance approach means that products have on average at least 20% of renewable content allocation.

We keep increasing our investment in commercial activity and have strengthened the commercial team and put additional focus on improving in-store execution. All of this is to support product sell-out of the stores during a period of weaker consumer demand. We are currently accelerating our pipeline of interesting new products to be launched in the coming 1–3 years. There is continued uncertainty in consumer demand, raw material price development and cost inflation development. I am happy to see that the business is progressing well thanks to consistent deployment of the strategy regardless of the prevailing conditions.



Novelties: SmartStore Vision round dry food storage

KEY FIGURES

EUR million	7-9/2023	7-9/2022	Change	1-9/2023	1-9/2022	Change	1-12/2022
Invoiced sales	22.2	22.2	0.3%	64.0	65.2	-1.7%	85.8
Net sales	21.9	22.1	-0.9%	62.5	63.7	-1.8%	84.0
Gross margin	6.9	5.0	39.8%	17.5	13.0	35.1%	17.9
Gross margin, %	31.6%	22.4%		28.0%	20.3%		21.3%
EBITDA	4.5	3.1	43.8%	11.0	6.5	67.8%	9.2
EBITDA margin, %	20.6%	14.2%		17.6%	10.3%		10.9%
Adjusted EBITDA	4.5	3.2	42.1%	11.0	6.7	64.4%	9.3
Adjusted EBITDA margin, %	20.6%	14.4%		17.6%	10.5%		11.1%
EBITA	3.5	2.2	60.3%	8.0	3.7	114.8%	5.3
EBITA margin, %	16.1%	10.0%		12.7%	5.8%		6.3%
Adjusted EBITA	3.5	2.2	57.7%	8.0	3.9	106.9%	5.5
Adjusted EBITA margin, %	16.1%	10.1%		12.8%	6.1%		6.5%
Operating profit	3.5	2.2	61.5%	7.9	3.6	118.0%	5.2
Operating profit margin, %	16.0%	9.8%		12.6%	5.7%		6.2%
Net cash flows from operating activities	5.3	4.4	19.5%	9.8	5.9	66.4%	6.2
Net debt / Adjusted EBITDA	1.4x	2.5x		1.4x	2.5x		2.8x
Adjusted return on capital employed (ROCE), %	11.5%	7.0%		25.2%	11.9%		15.9%
Equity ratio, %	37.9%	33.3%		37.9%	33.3%		36.3%
Earnings per share, basic (EUR)	0.13	0.07	87.4%	0.27	0.10	168.3%	0.12
FTEs	280	298	-6.1%	281	298	-5.5%	295

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

The major megatrends supporting Orthex's business include urbanisation and the related increase in the number of households and decrease in living space per household. As the area allocated for housing is sparser and more expensive in growth centres benefiting from urbanisation, consumers often choose location over space, resulting in increasing supply of smaller homes. Small spaces, in turn, drive demand for functional storage solutions and household products that allow efficient use of the living space. More people live in single-person households and family sizes are decreasing. According to Eurostat, the number of single-person households in the EU increased by 30.7% between 2009 and 2022. Despite households being inhabited by fewer people, the need for necessities, such as home storage, food storage and kitchen utensils, remains nearly the same per household.

Consumption patterns supporting Orthex's business are mainly related to how people spend their time at home. One of these is the interest in cooking at home, which is becoming more common as a healthy, and less expensive way of eating. In addition, consumers are increasingly concerned about climate change and biodiversity and want to do their part in the fight against them by buying sustainable products and sorting and recycling their waste. Tightening legislation also supports this development. However, only a few households have enough pre-installed waste recycling and sorting solutions, which creates a demand for these and for recycling and sorting solutions that can also function as interior design elements.

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

The uncertainties related to the general development of the global economy, such as the risk of an economic recession, general cost inflation, increasing interest rates and energy crisis as well as geopolitical tensions influence consumer confidence, purchasing power and behaviour and, as a result, can have an impact on Orthex's business in the Nordic core markets, especially in Sweden. As a result of the prevailing consumption uncertainty, many retailers are carefully monitoring their inventory levels and limiting buying to ensure efficiency. Orthex product price points are relatively low, and the products are bought to solve real needs, therefore Orthex believes that its product categories will be less affected by careful consumer purchasing behaviour than other, more expensive consumer goods categories.

NET SALES AND PROFITABILITY

Net sales and invoiced sales

Invoiced sales by geography

EUR million	7-9/2023	7-9/2022	Change	1-9/2023	1-9/2022	Change	1-12/2022
Nordics	17.8	17.8	0.2%	50.3	53.1	-5.1%	68.5
Rest of Europe	4.2	4.0	6.5%	13.0	11.0	18.6%	15.9
Rest of the world	0.2	0.4	-58.7%	0.7	1.1	-40.5%	1.5
Total	22.2	22.2	0.3%	64.0	65.2	-1.7%	85.8

Invoiced sales by product category

EUR million	7-9/2023	7-9/2022	Change	1-9/2023	1-9/2022	Change	1-12/2022
Storage	15.4	14.4	6.7%	42.3	40.0	5.8%	55.1
Kitchen	4.8	5.6	-13.5%	13.7	15.8	-13.2%	19.8
Plant Care	0.7	0.9	-19.8%	4.1	5.0	-18.6%	5.5
Home & Yard	1.3	1.2	4.2%	4.0	4.4	-9.8%	5.3
Total	22.2	22.2	0.3%	64.0	65.2	-1.7%	85.8

July–September 2023

In the third quarter, the Group's Net sales decreased by 0.9% to EUR 21.9 million (22.1). Invoiced sales amounted to EUR 22.2 million (22.2). The increase in constant currency Net sales was 2.9% compared to July–September 2022.

January–September 2023

In January–September, the Group's Net sales decreased by 1.8% to EUR 62.5 million (63.7). Invoiced sales amounted to EUR 64.0 million (65.2). The increase of constant currency Net sales was 1.8% compared to January–September 2022.

The review period was affected by careful consumer behaviour and customer uncertainty especially in the Nordics.

Development by geography

July–September 2023

Orthex's core market area by geography is the Nordics, where the Group's invoiced sales in July–September amounted to EUR 17.8 million (17.8). Invoiced sales in the Rest of Europe increased to EUR 4.2 million (4.0). In the Rest of the world, invoiced sales decreased to EUR 0.2 million (0.4).

The third quarter sales in the Nordics were affected by careful consumer behaviour and weak currencies. The impact resulted in a flat overall Nordic invoiced sales development. The somewhat slower growth pace in the Rest of Europe during the third quarter was mostly due to timing of campaigns.

January–September 2023

In the Nordics, the Group's invoiced sales in January–September amounted to EUR 50.3 million (53.1). Invoiced sales in the Rest of Europe increased to EUR 13.0 million (11.0). In the Rest of the world, invoiced sales amounted to EUR 0.7 million (1.1).

Invoiced sales decreased overall in the Nordic core market due to weakened consumer demand. In the strategically important European markets, sales development was positive during the review period.

Orthex's products are sold in more than 40 countries, and export to non-Nordic countries accounted for 21.4% (18.6) of the Group's invoiced sales during the period.

Development by product category

July–September 2023

Orthex's largest category is Storage with invoiced sales totalling EUR 15.4 million (14.4) during July–September. Products in the Storage category play a key role in Orthex's expansion in Europe and the growth is driven mainly by the Rest of Europe.

The Group's invoiced sales in the Kitchen category decreased in July–September to EUR 4.8 million (5.6).

Invoiced sales in the Plant Care category decreased to EUR 0.7 million (0.9).

Invoiced sales in the Home & Yard category increased to EUR 1.3 million (1.2).

Kitchen and Plant Care categories declined because of the careful Nordic customer and consumer behaviour. There was a slight increase in the Home and Yard category, driven by sales of new outdoor bin products gaining in distribution.

January–September 2023

Invoiced sales in the Storage category totalled EUR 42.3 million (40.0) during January–September. The Storage category represents most of the business outside of the Nordic countries and the positive sales development in the Rest of Europe took the overall Storage category growth to 5.8% compared to the same period last year.

The Group's invoiced sales in the Kitchen category decreased to EUR 13.7 million (15.8). Sales of Kitchen products declined driven by the careful Nordic customer and consumer behaviour.

Invoiced sales in the Plant Care category decreased to EUR 4.1 million (5.0).

Invoiced sales in the Home & Yard category decreased to EUR 4.0 million (4.4).

In addition to careful consumer and customer behaviour, Plant Care and Home & Yard product sales suffered from the late spring and bad weather in the Nordics.

Profitability

July–September 2023

In July–September, EBITA was 3.5 million (2.2), which was the same as adjusted EBITA of EUR 3.5 million (2.2). The adjusted EBITA margin increased to 16.1% (10.1). Operating profit was EUR 3.5 million (2.2). The operating profit did not include items affecting comparability.

January–September 2023

EBITA was 8.0 million (3.7) during the review period. Adjusted EBITA increased to EUR 8.0 million (3.9) and the adjusted EBITA margin grew to 12.8% (6.1). Operating profit was EUR 7.9 million (3.6). Items affecting comparability negatively totalled EUR 0.1 million (0.2).

Orthex's financial income and expenses during the review period consisted of EUR 1.7 million net expenses (1.4).

Profit before taxes was EUR 6.2 million (2.2) and profit for the period was EUR 4.8 million (1.8).

During the review period, the most significant factor affecting profitability was the decrease in raw material prices. The electricity support from the Swedish State during Q2 had a positive effect on profitability. The net effect of the weakening values of the Swedish and Norwegian krona on profitability was negative.

FINANCIAL POSITION AND CASH FLOW

At the end of September, the balance sheet totalled EUR 83.2 million (86.3), of which equity accounted for EUR 31.5 million (28.7).

The Group's net debt was EUR 19.5 million (23.7) at the end of the review period. Non-current interest-bearing liabilities were EUR 29.7 million (33.4) and Orthex's total interest-bearing liabilities were EUR 33.9 million (37.6). Interest-bearing liabilities include loans from credit institutions, pension liabilities and lease liabilities.

During the period January–September 2023, the Group's net cash flows from operating activities were EUR 9.8 million (5.9) and cash conversion was 83.5% (74.3). Interest paid during the period totalled EUR 1.1 million (0.7). Cash and cash equivalents amounted to EUR 14.4 million (13.8) at the end of the review period.

Net debt/adjusted EBITDA was 1.4x (2.5). 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 37.9% (33.3). Adjusted return on capital employed (ROCE) was 25.2% (11.9) and return on equity (ROE) 15.6% (5.9).

INVESTMENTS, RESEARCH, AND PRODUCT DEVELOPMENT

Orthex's investments during January–September 2023 amounted to EUR 1.8 million (1.7) and were mainly related to moulds for new products.

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

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 review 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 4.8 million and 977,725 shares. The highest price of the share was EUR 5.76 and the lowest was EUR 4.41. The closing price of the share at the end of September was EUR 4.62. At the end of the review period, the market value of the share capital stood at EUR 82.0 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 15,968, including nominee registers. At the end of the period, the ten largest registered shareholders possessed a total of 49.7% of Orthex's shares and votes.

The stock exchange releases on notifications of changes in holdings (flaggings) are available on the corporate website at [Media - Orthex Group](#). Orthex did not receive any flagging notifications during the review period.

The Board of Directors is authorised to issue or convey a total maximum of 1,600,000 new shares and special rights entitling to shares in one or several issues. The Board of Directors is also authorised to decide on the acquisition of a maximum of 175,000 company shares. The Board of Directors has not

exercised these authorisations during the review period. The authorisations will be valid until 30 June 2024.

GROUP STRUCTURE

There were no changes in the Group structure during the review period.

GOVERNANCE

Orthex Corporation's Annual General Meeting was held on 18 April 2023 in Espoo, Finland. The general meeting adopted the financial statements and discharged the members of the Board of Directors and the CEO from liability for the financial year 2022. The general meeting also approved the remuneration report 2022 and the amended remuneration policy for governing bodies.

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

The general meeting resolved that Sanna Suvanto-Harsaae, Markus Hellström, Jyrki Mäki-Kala and Jens-Peter Poulsen be re-elected to the Board and that Anette Rosengren be elected as new member to the Board. Sanna Suvanto-Harsaae continues to chair the 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.

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

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

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

Composition of the Shareholders' Nomination Board

The Extraordinary General Meeting on 5 March 2021 decided to establish a Shareholders' Nomination Board for the company and the Nomination Board's charter was approved. The Nomination Board consists of the four largest registered shareholders of the company as of 31 August. According to the

shareholders' register, the company's four largest shareholders on 31 August 2023 were Conficap Oy, Alexander Rosenlew, Ilmarinen Mutual Pension Insurance Company, and Thomasset Oy.

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

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

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

More information on the Nomination Board is available on the corporate website at [Nomination Board - Orthex Group](#).

SUSTAINABILITY

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

Orthex has identified priority sustainability topics in environmental, social and governance (ESG) areas. For each topic, the company has defined key performance indicators and targets. Further information is available on the corporate website at [Sustainability - Orthex Group](#).

Sustainability highlights in January-September 2023

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

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

raw materials applying the mass balance approach in the production. In June, Orthex was awarded the Nasdaq ESG Transparency Partner badge for 2022 ESG reporting.

During Q3, Orthex extended its usage of ISCC PLUS certified renewable raw materials applying mass balance approach in the production into new products: SmartStore Vision dry food keepers and SmartStore Snack lunch boxes as well as GastroMax measuring cups. Each product has on average at least 20% of renewable content allocated to it, according to the mass balance approach. In September, Orthex started preparations for the entry into force of the Corporate Sustainability Reporting Directive (CSRD), which applies to the company from the beginning of 2025.

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 renewable 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 renewable and recycled materials.

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

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 2022. The main principles of Orthex's financial risk management are described in the notes to the consolidated financial statements.

The company's Annual and Sustainability Report, which includes the Board of Directors' report and the consolidated financial statements with notes for the year 2022, is available on the corporate website.

EVENTS AFTER THE REVIEW PERIOD

After the review period, there have been no events materially affecting the interim report.

FINANCIAL RELEASES IN 2024

Orthex will publish its financial statements release for 2023 and financial reports in 2024 as follows:

5 March 2024: Financial statements release for 2023

15 May 2024: Interim report January–March 2024

21 August 2024: Half-year financial report January–June 2024

15 November 2024: Interim report January–September 2024

Espoo, 6 November 2023

ORTHEX CORPORATION
Board of Directors

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The results presentation will be held on 7 November 2023 at 11.00 a.m. EET 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 webcast 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 – JUNE 2023

Consolidated statement of comprehensive income

EUR thousand	7–9/2023	7–9/2022	1–9/2023	1–9/2022	1–12/2022
Net Sales	21,909	22,104	62,530	63,692	84,048
Cost of sales	-14,984	-17,151	-45,036	-50,741	-66,129
Gross Margin	6,925	4,952	17,494	12,951	17,919
Other operating income	5	39	795	193	206
Selling and marketing expenses	-2,115	-1,748	-6,655	-5,734	-7,846
Administrative expenses	-1,310	-1,074	-3,763	-3,799	-5,089
Operating profit	3,505	2,170	7,872	3,611	5,191
Financial income and expenses	-323	-665	-1,669	-1,445	-2,182
Profit before taxes	3,181	1,505	6,202	2,166	3,009
Income taxes	-798	-233	-1,434	-389	-888
Profit for the period	2,383	1,272	4,768	1,777	2,121
Profit for the period attributable to:					
Equity holders of the parent	2,383	1,272	4,768	1,777	2,121
Earnings per share, basic (and diluted), EUR	0.13	0.07	0.27	0.10	0.12
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss:					
Translation differences	612	-441	-997	-1,689	-2,053
Items that will not be reclassified to profit or loss:					
Remeasurement gains/(losses) on defined benefit plans	-	-	-	-	1,042
Other comprehensive income for the period, net of tax	612	-441	-997	-1,689	-1,011
Total comprehensive income for the period	2,996	831	3,772	89	1,110
Total comprehensive income attributable to:					
Equity holders of the parent	2,996	831	3,772	89	1,110

Consolidated statement of financial position

EUR thousand	30 Sep 2023	30 Sep 2022	31 Dec 2022
Assets			
Non-current assets			
Intangible assets	21,692	22,752	22,377
Property, plant, and equipment	13,331	13,093	13,547
Right-of-use assets	6,102	6,939	7,011
Other non-current assets	110	498	95
Deferred tax assets	885	1,100	760
Total non-current assets	42,119	44,381	43,790
Current assets			
Inventories	11,425	13,492	14,283
Trade and other receivables	15,025	14,517	13,387
Derivative financial instruments	200	46	93
Cash and cash equivalents	14,401	13,831	10,284
Total current assets	41,051	41,887	38,047
Total assets	83,170	86,268	81,837
Equity and liabilities			
Equity attributable to the equity holders of the parent company			
Share capital	80	80	80
Invested unrestricted equity fund	7,851	7,851	7,851
Retained earnings	25,116	20,916	22,301
Translation differences	-1,518	-157	-521
Total equity	31,529	28,690	29,711
Non-current liabilities			
Loans from credit institutions	20,884	22,273	22,363
Lease liabilities	5,785	6,558	6,480
Pension liabilities	3,062	4,616	3,179
Deferred tax liabilities	831	921	769
Total non-current liabilities	30,562	34,368	32,791
Current liabilities			
Loans from credit institutions	3,000	3,000	3,000
Lease liabilities	1,141	1,134	1,290
Trade and other payables	15,907	17,801	14,000
Derivative financial instruments	1	-	8
Income tax liabilities	1,030	1,276	1,037
Total current liabilities	21,079	23,211	19,335
Total liabilities	51,641	57,578	52,126
Total equity and liabilities	83,170	86,268	81,837

Consolidated statement of changes in equity

Equity attributable to the equity holders of the parent company					
EUR thousand	Share capital	Invested unrestricted equity fund	Retained earnings	Translation differences	Total equity
As at 1 Jan 2023	80	7,851	22,301	-521	29,711
Profit for the period			4,768		4,768
Translation differences				-997	-997
Total comprehensive income			4,768	-997	3,772
Dividends			-1,953		-1,953
At 30 Sep 2023	80	7,851	25,116	-1,518	31,529
As at 1 Jan 2022	80	11,047	19,138	1,532	31,798
Profit for the period			1,777		1,777
Translation differences				-1,689	-1,689
Total comprehensive income			1,777	-1,689	89
Capital returns		-3,197			-3,197
At 30 Sep 2022	80	7,851	20,916	-157	28,690
As at 1 Jan 2022	80	11,047	19,138	1,532	31,798
Profit for the period			2,121		2,121
Translation differences				-2,053	-2,053
Remeasurement gains/(losses) on defined benefit plan			1,042		1,042
Total comprehensive income			3,163	-2,053	1,110
Capital returns		-3,197			-3,197
At 31 Dec 2022	80	7,851	22,301	-521	29,711

Consolidated statement of cash flows

EUR thousand	1-9/2023	1-9/2022	1-12/2022
Cash flows from operating activities			
Profit before taxes	6,202	2,166	3,009
Adjustments:			
Depreciation, amortisation and impairment	3,105	2,932	3,964
Financial income and expenses	1,669	1,445	2,182
Other adjustments	-230	785	204
Cash flows before changes in working capital	10,747	7,329	9,358
Changes in working capital			
Decrease (+) / increase (-) in trade and other receivables	-1,759	-53	1,324
Decrease (+) / increase (-) in inventories	2,858	-1,353	-2,358
Decrease (-) / increase (+) in trade and other payables	690	2,386	1,155
Cash flows from operating activities before financial items and taxes	12,535	8,309	9,479
Interests paid	-1,073	-688	-1,135
Income taxes paid	-1,645	-1,722	-2,167
Net cash flows from operating activities	9,817	5,899	6,177
Cash flows from investing activities			
Investments in tangible and intangible assets	-1,821	-1,723	-3,553
Sale of tangible and intangible assets	-	14	28
Net cash flows from investing activities	-1,821	-1,709	-3,525
Cash flows from financing activities			
Dividends	-1,066	-	-
Capital returns paid	-	-1,598	-3,197
Repayment of lease liabilities	-1,024	-965	-1,312
Proceeds from long-term borrowings	-	-	25,500
Repayment of long-term borrowings	-	-	-25,500
Repayment of short-term borrowings	-1,500	-1,500	-1,500
Net cash flows from financing activities	-3,590	-4,063	-6,008
Net change in cash and cash equivalents	4,406	128	-3,356
Net foreign exchange differences	-289	-630	-694
Cash and cash equivalents at the beginning of the period	10,284	14,334	14,334
Cash and cash equivalents at the end of the period	14,401	13,831	10,284

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 interim report as to the latest consolidated financial statements.

Orthex's Board of Directors has approved this interim report in its meeting on 6 November 2023. 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 interim information

The preparation of the interim 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 interim information are identical to those applied to the consolidated financial statements for 2022.

Related party transactions

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

Orthex did not have any related party transactions during the reporting period.

Commitments

EUR thousand	30 Sep 2023	30 Sep 2022	31 Dec 2022
Guarantees and mortgages given on own behalf:			
Enterprise mortgages	49,990	53,192	50,060
Property mortgages	10,192	10,192	10,192
Other guarantees	49	51	50
Total	60,231	63,436	60,303

Contingent liabilities

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

APPENDIX:

Key Performance Indicators

EUR thousand	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Net sales	21,909	22,104	62,530	63,692	84,048
Net sales growth, %	-0.9%	1.4%	-1.8%	-2.9%	-5.2%
Constant currency invoiced sales growth, %	2.9%	2.3%	1.8%	-2.3%	-3.8%
Invoiced sales	22,234	22,159	64,049	65,186	85,794
Invoiced sales growth, %	0.3%	0.6%	-1.7%	-2.7%	-5.3%
Gross Margin	6,925	4,952	17,494	12,951	17,919
Gross Margin, %	31.6%	22.4%	28.0%	20.3%	21.3%
EBITDA	4,516	3,141	10,977	6,543	9,154
EBITDA margin, %	20.6%	14.2%	17.6%	10.3%	10.9%
EBITA	3,530	2,202	7,959	3,706	5,317
EBITA margin, %	16.1%	10.0%	12.7%	5.8%	6.3%
Operating profit	3,505	2,170	7,872	3,611	5,191
Operating profit margin, %	16.0%	9.8%	12.6%	5.7%	6.2%
Items affecting comparability	-	37	55	168	173
Adjusted Gross Margin	6,925	4,952	17,494	12,951	17,919
Adjusted Gross Margin, %	31.6%	22.4%	28.0%	20.3%	21.3%
Adjusted EBITDA	4,516	3,178	11,032	6,711	9,328
Adjusted EBITDA margin, %	20.6%	14.4%	17.6%	10.5%	11.1%
Adjusted EBITA	3,530	2,238	8,014	3,874	5,490
Adjusted EBITA margin, %	16.1%	10.1%	12.8%	6.1%	6.5%
Adjusted operating profit	3,505	2,207	7,927	3,779	5,364
Adjusted operating profit margin, %	16.0%	10.0%	12.7%	5.9%	6.4%
Earnings per share, basic (and diluted), EUR	0.13	0.07	0.27	0.10	0.12
FTEs	280	298	281	298	295
Personnel expenses	3,848	3,935	12,918	13,908	18,300
Key cash flows indicators					
Net cash flows from operating activities	5,283	4,422	9,817	5,899	6,177
Operating free cash flows	3,956	2,707	9,211	4,988	5,774
Cash conversion, %	87.6%	85.2%	83.5%	74.3%	61.9%
Investments in tangible and intangible assets	-560	-470	-1,821	-1,723	-3,553
Financial position key figures					
Net debt	19,470	23,749	19,470	23,749	26,028
Net debt / adjusted EBITDA last 12 months	1.4x	2.5x	1.4x	2.5x	2.8x
Net working capital	10,543	10,209	10,543	10,209	13,670
Capital employed excluding goodwill	29,344	29,573	29,344	29,573	33,487
Return on capital employed (ROCE), %	11.5%	6.8%	25.1%	11.4%	15.4%
Adjusted return on capital employed (ROCE), %	11.5%	7.0%	25.2%	11.9%	15.9%
Equity ratio, %	37.9%	33.3%	37.9%	33.3%	36.3%
Return on equity, %	7.9%	4.5%	15.6%	5.9%	6.9%

Reconciliation of APMs

EUR thousand	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Net sales growth, %					
Net sales	21,909	22,104	62,530	63,692	84,048
Net sales growth, %	-0.9%	1.4%	-1.8%	-2.9%	-5.2%
Constant currency Net sales growth, %					
Net sales	21,909	22,104	62,530	63,692	84,048
FX rate adjustment	-	-806	-	-2,262	-
Constant currency Net sales	21,909	21,297	62,530	61,430	84,048
Constant currency Net sales growth, %	2.9%	2.3%	1.8%	-2.3 %	-3.8%
Invoiced sales					
Net sales	21,909	22,104	62,530	63,692	84,048
Discounts and bonuses	981	772	2,669	2,372	3,182
Other sales and refunds	-656	-717	-1,150	-877	-1,437
Invoiced sales	22,234	22,159	64,049	65,186	85,794
Invoiced sales growth, %	0.3%	0.6%	-1.7%	-2.7 %	-5.3%
Gross Margin					
Net sales	21,909	22,104	62,530	63,692	84,048
Cost of sales	-14,984	-17,151	-45,036	-50,741	-66,129
Gross Margin	6,925	4,952	17,494	12,951	17,919
Gross Margin, %	31.6%	22.4%	28.0%	20.3%	21.3%
EBITDA					
Operating profit	3,505	2,170	7,872	3,611	5,191
Depreciation, amortisation and impairment	1,011	971	3,105	2,932	3,964
EBITDA	4,516	3,141	10,977	6,543	9,154
EBITDA margin, %	20.6%	14.2%	17.6%	10.3%	10.9%
EBITA					
Operating profit	3,505	2,170	7,872	3,611	5,191
Amortisation and impairment	26	32	88	95	126
EBITA	3,530	2,202	7,959	3,706	5,317
EBITA margin, %	16.1%	10.0%	12.7%	5.8%	6.3%
Operating profit					
Operating profit	3,505	2,170	7,872	3,611	5,191
Operating profit margin, %	16.0%	9.8%	12.6%	5.7%	6.2%
Items affecting comparability / adjustments (EBITDA)					
Other items affecting comparability	-	37	55	168	173
Items affecting comparability / adjustments (EBITDA)	-	37	55	168	173

EUR thousand	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Adjusted Gross Margin					
Gross Margin	6,925	4,952	17,494	12,951	17,919
Adjusted Gross Margin	6,925	4,952	17,494	12,951	17,919
Adjusted Gross Margin, %	31.6%	22.4%	28.0%	20.3%	21.3%
Adjusted EBITDA					
Operating profit	3,505	2,170	7,872	3,611	5,191
Depreciation, amortisation and impairment	1,011	971	3,105	2,932	3,964
Adjustments (EBITDA)	-	37	55	168	173
Adj. EBITDA	4,516	3,178	11,032	6,711	9,328
Adj. EBITDA margin, %	20.6%	14.4%	17.6%	10.5%	11.1%
Adjusted EBITA					
Operating profit	3,505	2,170	7,872	3,611	5,191
Amortisation and impairment	26	32	88	95	126
Adjustments (EBITA)	-	37	55	168	173
Adj. EBITA	3,530	2,238	8,014	3,874	5,490
Adj. EBITA margin, %	16.1%	10.1%	12.8%	6.1%	6.5%
Adjusted operating profit					
Operating profit	3,505	2,170	7,872	3,611	5,191
Adjustments	-	37	55	168	173
Adj. operating profit	3,505	2,207	7,927	3,779	5,364
Adj. operating profit margin, %	16.0%	10.0%	12.7%	5.9%	6.4%
Earnings per share, basic (and diluted), EUR					
Profit for the period	2,383	1,272	4,768	1,777	2,121
Average number of shares	17,759	17,759	17,759	17,759	17,759
Earnings per share, basic (and diluted), EUR	0.13	0.07	0.27	0.10	0.12
Operating free cash flows					
Adj. EBITDA	4,516	3,178	11,032	6,711	9,328
Investments in tangible and intangible assets	-560	-470	-1,821	-1,723	-3,553
Operating free cash flows	3,956	2,707	9,211	4,988	5,774
Cash conversion, %					
Operating free cash flows	3,956	2,707	9,211	4,988	5,774
Adj. EBITDA	4,516	3,178	11,032	6,711	9,328
Cash conversion, %	87.6%	85.2%	83.5%	74.3%	61.9%
Net debt					
Total interest-bearing liabilities	33,871	37,581	33,871	37,581	36,312
Cash and cash equivalents	-14,401	-13,831	-14,401	-13,831	-10,284
Net debt	19,470	23,749	19,470	23,749	26,028
Net debt/ Adj. EBITDA					
Net debt	19,470	23,749	19,470	23,749	26,028
Adj. EBITDA, 12 months	13,649	9,464	13,649	9,464	9,328
Net debt/ Adj. EBITDA	1.4x	2.5x	1.4x	2.5x	2.8x

EUR thousand	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Net working capital					
Inventories	11,425	13,492	11,425	13,492	14,283
Trade and other receivables	15,025	14,517	15,025	14,517	13,387
Trade and other payables	-15,907	-17,801	-15,907	-17,801	-14,000
Net working capital	10,543	10,209	10,543	10,209	13,670
Capital employed excluding goodwill					
Total Equity	31,529	28,690	31,529	28,690	29,711
Net debt	19,470	23,749	19,470	23,749	26,028
Goodwill	-21,655	-22,866	-21,655	-22,866	-22,252
Capital employed excluding goodwill	29,344	29,573	29,344	29,573	33,487
Return on capital employed (ROCE), %					
Operating profit	3,505	2,170	7,872	3,611	5,191
Average capital employed excluding goodwill	30,374	31,699	31,416	31,789	33,746
Return on capital employed (ROCE), %	11.5%	6.8%	25.1%	11.4%	15.4%
Adjusted return on capital employed (ROCE), %					
Adjusted operating profit	3,505	2,207	7,927	3,779	5,364
Average capital employed excluding goodwill	30,374	31,699	31,416	31,789	33,746
Adjusted return on capital employed (ROCE), %	11.5%	7.0%	25.2%	11.9%	15.9%
Equity ratio, %					
Total Equity	31,529	28,690	31,529	28,690	29,711
Total assets	83,170	86,268	83,170	86,268	81,837
Equity ratio, %	37.9%	33.3%	37.9%	33.3%	36.3%
Return on equity, %					
Profit for the period	2,383	1,272	4,768	1,777	2,121
Total equity (average for the first and last day of the period)	30,031	28,274	30,620	30,244	30,754
Return on equity, %	7.9%	4.5%	15.6%	5.9%	6.9%

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 renewable and recycled materials. Orthex aims for its production to be carbon neutral by 2030.



Orthex Bins



Sorting solution SmartStore Collect 53 L.

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