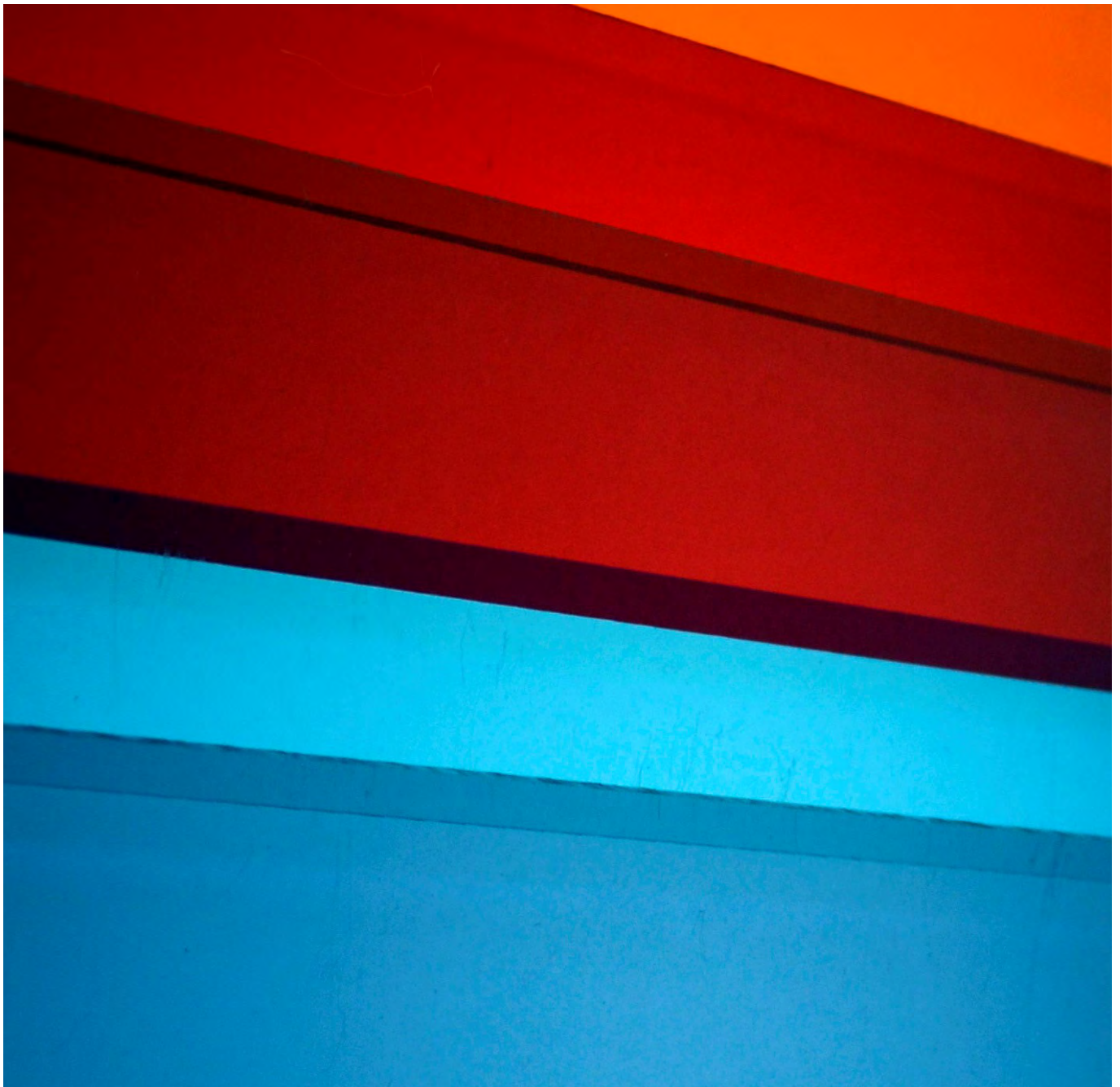
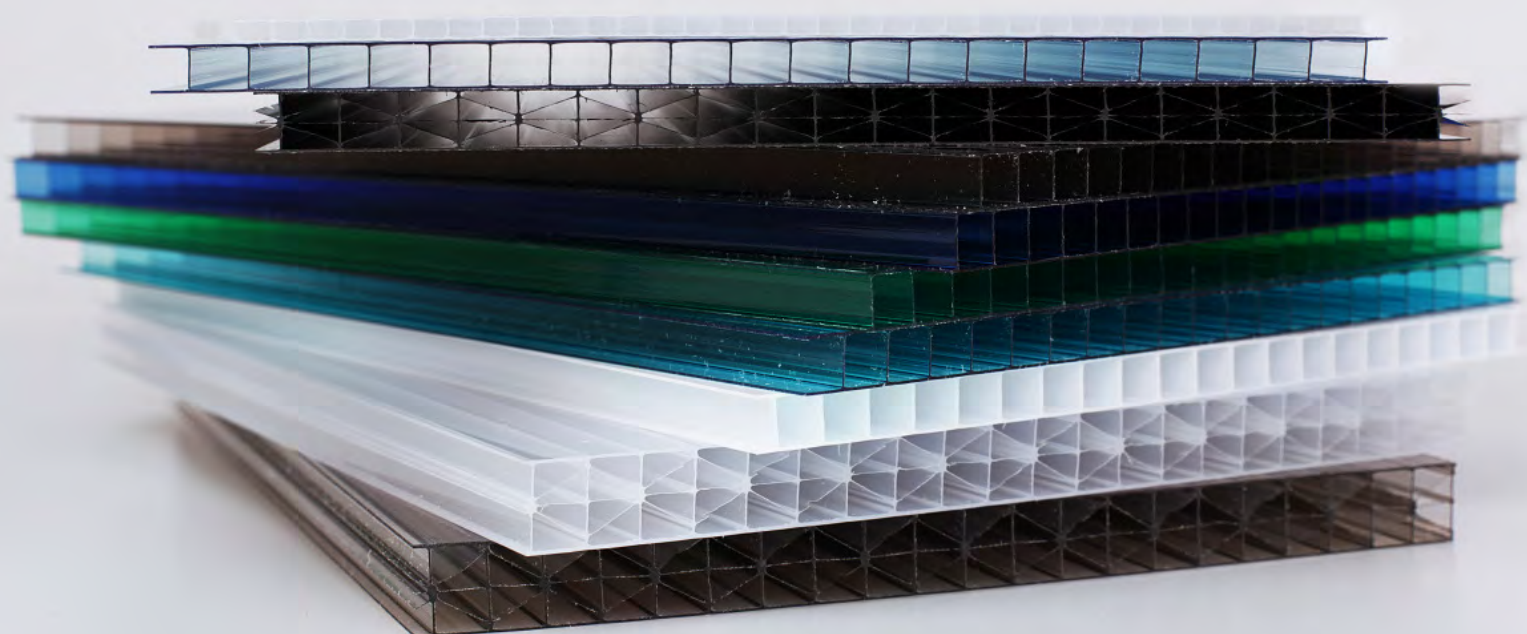


ARLA PLAST
ANNUAL REPORT

2021



Arla Plast is a producer and supplier of extruded sheets made of technical plastics, which have applications in many areas. These include personal protection, ice hockey rinks, automotive parts, sound walls and greenhouses.



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Investor relations contacts

Christian Krichau, CEO
 Monica Ljung, CFO
ir@arlaplast.com

Arla Plast AB

Box 33, 591 06 Borensberg, Sweden
 Street address: Västanåvägen 2
 591 75 Borensberg, Sweden
 Tel +46 141 20 38 00
 Reg. no. 556131-2611
www.arlaplastgroup.com

Financial calendar

Interim report	
January–March 2022	11 May 2022
AGM 2022	19 May 2022
Interim report	
January–June 2022	18 August 2022
Interim report	
January–September 2022	10 November 2022
Year-end report 2022	17 February 2023

Arla Plast's formal annual accounts under the Annual Accounts Act can be found on pages 57–118. The statutory sustainability report under the Annual Accounts Act is on pages 27–41. The sustainability information in this report relates to the 2021 financial year and includes all wholly owned businesses at the start of 2021.

This is Arla Plast

Arla Plast is a leading producer and supplier of extruded sheets made of technical plastics. The plastic sheets have a wide range of applications such as personal protection, machine safety, ice hockey rinks, automotive parts, sound walls and greenhouses.

Arla Plast's corporate culture and business operations reflect values that are based on quality, speed, service and flexibility. Extensive experience, a high level of investment and finely calibrated extrusion technology ensure that Arla Plast is well positioned.

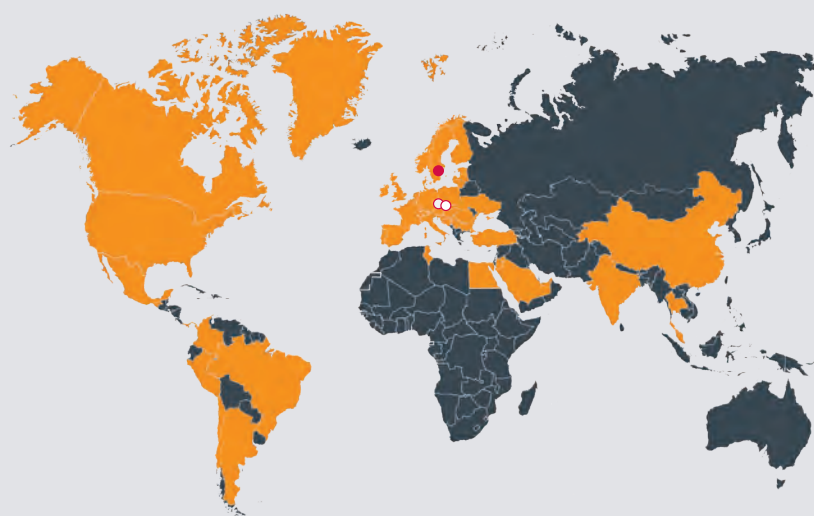
The company was founded in 1969 and has today three production facilities in Sweden and the Czech Republic, around 270 employees and more than 700 customers in over 45 countries. The head office is located in Borensberg, Sweden, and the company's shares have been listed on Nasdaq Stockholm since 2021.

1969 Company founded

270 Employees

700 Customers

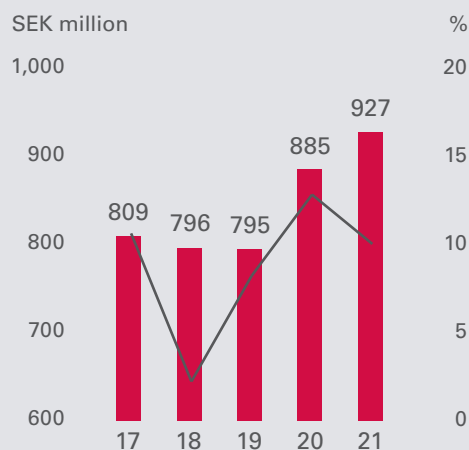
45 Countries



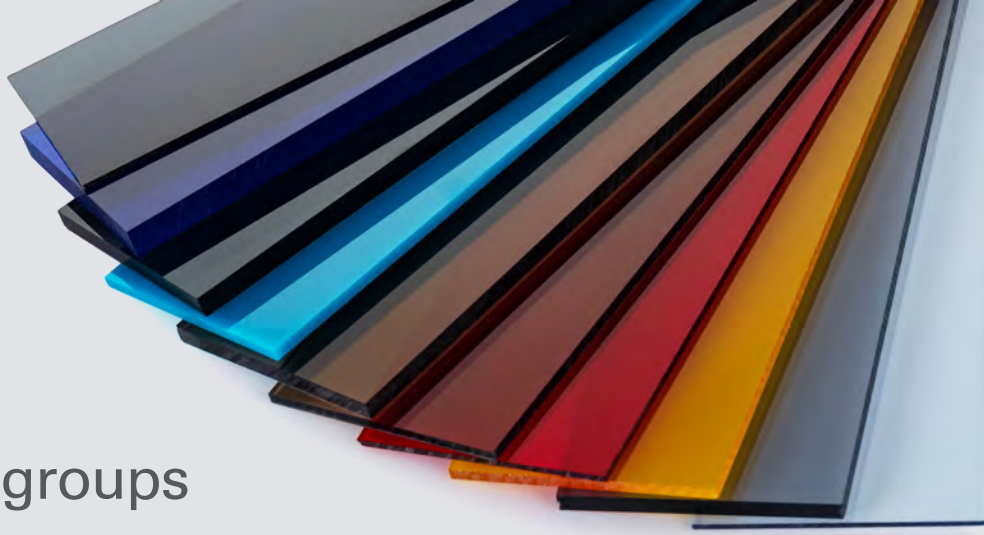
Arla Plast supplies products to more than 700 customers in more than 45 countries worldwide. The company's main markets are Sweden, Germany, Poland, the Czech Republic and Benelux.

- Production plant and headquarters, Borensberg, Sweden
- Production facilities, Czech Republic

Net sales and adjusted operating margin 2017–2021



- Net sales, SEK million
- Adjusted operating margin, %



Our three product groups

PC

PC (polycarbonate) is divided into three product categories:

- Transparent PC (TPC)
- Opaque PC (OPC)
- Multiwall polycarbonate sheets (MWPC)

Share of net sales

82%

PC is used, for example, to manufacture:

- Sound walls, safety glass, vehicle windows (TPC)
- Suitcases, wall cladding, packaging (OPC)
- Pool covers, greenhouses, verandas (MWPC)



ABS

ABS (acrylonitrile butadiene styrene) is mainly used to manufacture interior and exterior automotive parts and packaging.

Share of net sales

11%



PETG

PETG (polyethylene terephthalate glycol-modified) is used to manufacture items including product display cases, wall cladding and barrier products such as point of sales.

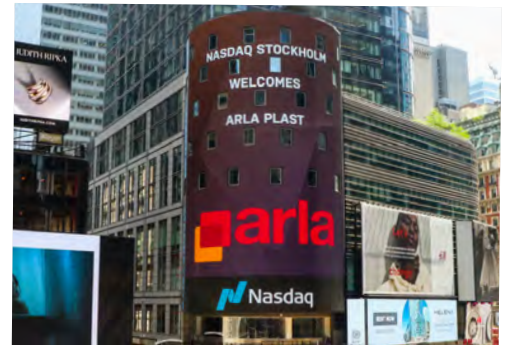
Share of net sales

7%



Significant events in 2021

Arla Plast shares were listed on Nasdaq Stockholm on 25 May. The listing is a logical and important step in Arla Plast's development to leverage growth opportunities and increase awareness of Arla Plast and our business.



Christian Krichau was appointed permanent CEO from 7 December. Christian has worked at Arla Plast for the last six years as both Head of Procurement and Head of Production, so has a thorough knowledge of the company.



During the year, demand from application areas other than pandemic-related products has gradually returned. Demand has been most evident in the Home & Garden sector, with MWPC sheets being sold for uses such as pool covers and greenhouses.



The raw materials situation was turbulent in 2021, with prices rising sharply and almost doubling over the year. In line with previous patterns, we expected raw material supply would increase halfway through the year, leading to lower prices, but they carried on rising in the second half of the year, albeit at a slightly lower rate.



Despite the global pandemic, Arla Plast managed to install a new production line; Breyer 5. This investment boosts production capacity, strengthens quality management and enhances health and safety.



Key performance indicators

	2021	2020	2019	2018	2017
Sales volume, tonnes	22,646	23,992	19,120	18,794	20,617
Net sales, SEK million	927.5	884.7	794.6	796.1	809.1
Adjusted operating profit, SEK million	92.3	113.6	65.5	17.7	85.4
Adjusted operating margin, %	10.0	12.8	8.2	2.2	10.6
Earnings per share, basic, SEK	3.41	4.01	2.59	0.49	3.07
Earnings per share, diluted, SEK	3.25	3.93	2.59	0.49	3.08
Net debt, SEK million	44.5	37.0	44.1	106.6	154.5
Equity/assets ratio, %	72.6	67.6	65.3	62.1	54.4
Board's proposed dividend per share, SEK	1.50	—	—	—	—
Average number of full-time employees	265	258	256	262	287
Emissions, CO ₂ e tonnes/tonne produced	3.76	3.83	—	—	—

2021 – An eventful year for Arla Plast

During the year, Arla Plast went from being privately owned to becoming a publicly listed company. The high demand for pandemic-related barrier products that we saw in 2020 gradually faded to being almost non-existent in the second half of the year. However, demand from other areas of use increased.

The entire year was marked by a turbulent raw material situation, with sharply rising prices and growing price competition in respect of customers. Nevertheless, we met our financial targets. Production capacity has been expanded, with a new production line in Borensberg. And at the end of the year, the Board announced a change of CEO and I took over as permanent CEO on 7 December.

Year in line with financial targets

Prior to the IPO, the Board adopted our four financial targets. These relate to growth, profitability, debt and dividends. The growth target was set at 5% organic growth over a business cycle. When setting the targets, a passage was added about our growth and that this target could be hard to achieve in 2021. For Arla Plast, the pandemic year of 2020 actually resulted in new demand for transparent barrier products, which saw our production facilities ramping up and supplying large volumes of these products in 2020 and early 2021. That meant the comparative year of 2020 was extremely strong, and tough to compare 2021 with. So it was pleasing that we achieved our growth target and increased our net sales by 5%, despite lower volumes. Price increases had a positive impact on net sales, but we were unable to fully compensate for higher raw material prices due to increased price competition, which also resulted in lower margins, especially towards the end of the year. Despite this, the adjusted operating margin was 10% and fully

in line with our financial targets. As the world and the market have gradually returned to more normal behaviours following the pandemic, demand for pandemic-related products has waned, while other application areas have recovered or increased in importance.

Turbulent raw materials market

The raw material situation was turbulent throughout 2021, with prices rising sharply and almost doubling during the year. In line with previous patterns, we expected that raw material supply would increase halfway through the year, leading to lower prices, but prices carried on rising, albeit more slowly. Uncertainty is resulting from Russia's invasion of Ukraine and we do not yet know how this might affect us.

Increased production capacity

We have three production facilities; one in Sweden and two in the Czech Republic. In 2019, we initiated an investment in a new production line in Borensberg, which became operational in mid-2021. This production line allows us to produce an additional 3,500 tonnes annually, and total Group capacity is now approximately 31,000 tonnes a year.

IPO marks a milestone

Arla Plast was founded in 1969, and between then and 2021 we have been privately owned with the involvement of the same family. The former owner family sold more than 51% of its shares in conjunction with the IPO and Arla Plast gained around 2,000 new shareholders, including both institutions and private individuals. The first day of listing was 25 May and the stock is listed on Nasdaq's main board. For us at Arla Plast, the IPO has above all been a stamp of quality and has resulted in a higher profile. We have reviewed our company's processes and

procedures and this has been an endorsement of that. Operating as a listed company is been stimulating for both Arla Plast and its employees.

Sustainability high on the agenda

Sustainability is a core element of our business and strategy, and sustainability efforts are an integral part of our operational management. Results and progress are communicated primarily through the sustainability report, which is included further on in this annual report. But it is worth mentioning here that over the year we reduced our carbon footprint per tonne produced from 3.83 tonnes CO₂e to 3.76 tonnes CO₂e. In 2022, we will be continuing with several new initiatives in this area.

The future

I took up the role of permanent President and CEO on 7 December. However, I have been working at Arla Plast for the past six years, including as Head of Procurement and Production. I'm really excited about my new role, but I do not underestimate what it involves. We have not yet seen any change in raw material prices and the competitive situation. It's too early to foresee what the operating environment will be like following Russia's invasion of Ukraine and how it will affect our company. At the time of the invasion, we had only a few customers in Russia, one of which was active at the start of 2022. We have currently suspended our business in Russia. And we have no operations or customers in Ukraine. What we do know, however, is that in this changing world we have a strong team that quickly adjusts and adapts to market conditions, which remains our highest ambition also in 2022.

Christian Krichau
CEO



“It was pleasing that, despite a tough comparative year, we achieved our growth target and increased our net sales by 5%.”

Europe – our main market

Europe is Arla Plast's main market. We manufacture and sell extruded plastic sheets made from PC, ABS and PETG to over 45 countries.

Arla Plastics' estimates and judgements have been made taking into account the underlying performance of markets in which PC, ABS and PETG sheets are regularly used and based on trends and factors affecting Arla Plastics' products in these markets.

Extruded plastic sheets

PC

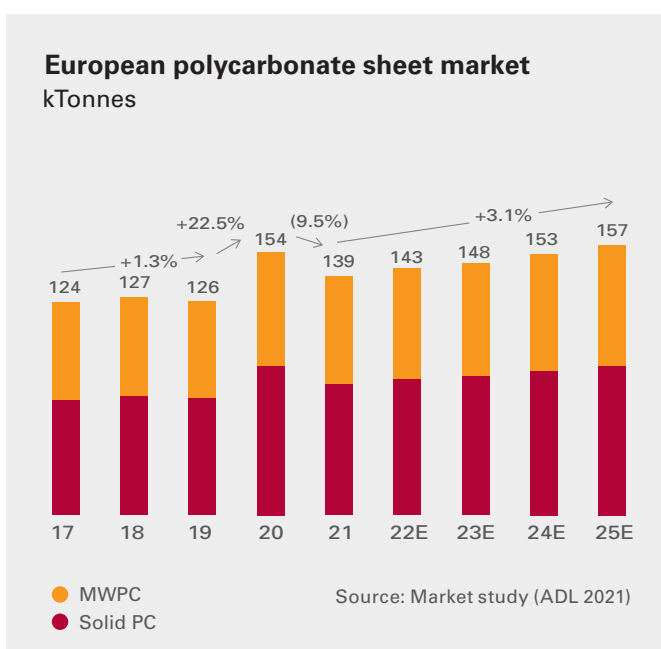
Arla Plast has a strong position in PC in Europe. PC includes both solid plastic sheets (transparent PC (TPC) and opaque PC (OPC)) and multiwall polycarbonate sheets (MWPC).

These different types are used as follows:

- **TPC:** products with extra high optical requirements such as safety glass, vehicle windows and ice hockey rinks, as well as for machine safety, sound walls, protective barriers (e.g. against COVID-19), pool covers and more.
- **OPC:** products such as suitcases, wall cladding, packaging and vehicles.
- **MWPC:** products such as greenhouses, verandas, pool covers, roof lights, as well as various other construction-related products.

The total volume of the European market for PC extruded sheets (TPC, OPC and MWPC) was estimated at 154,000 tonnes in 2020 and around 139,000 tonnes in 2021. Demand for TPC increased in volume in 2020 as a result of higher demand for protective products related to the pandemic. In 2021, our understanding is that demand was lower than in 2020 as a direct consequence of lower demand for protective barriers and other products directly related to the pandemic. Demand in value terms is highly dependent on the underlying product mix, but is also affected by fluctuations in raw material prices.

The market consists of one major vertically integrated actor, belonging to a large petrochemical group, but otherwise mainly comprises small and medium-sized international companies. A certain amount of consolidation has taken place in recent years as some companies have been acquired. Companies on the market have different strengths in terms of product range, geographic focus and internationalization.





TPC sound wall at the Motala Bridge, Sweden.

Arla Plast currently has a strong position in the European PC plastic sheet market, where we are one of the largest players in terms of sales volume and have a strong position in customised products, quality and customer service. Our assessment is

that, compared with most of our competitors, we have a stronger emphasis on customers that use or process the plastic sheets, as opposed to distributors of plastic sheets.

ABS

Arla Plast has a strong regional position in ABS plastic sheets in Northern Europe. The products are mainly used for interior and exterior automotive parts, such as interior trim and exterior covers for buses and trucks, and packaging, but can also be used for many other purposes.

PETG

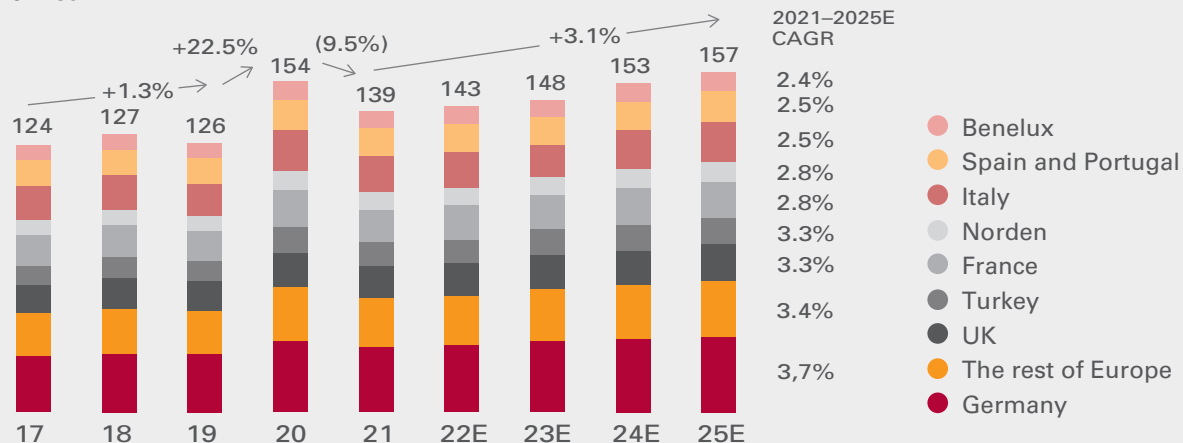
Arla Plast has a strong position in PETG plastic sheets in Europe. PETG plastic sheets are used for product displays, barrier products, wall cladding and various food-related products.



For grocery stores, we supply TPC for freezer and fridge doors and PETG for in-store shelf dividers.

Sales volumes of polycarbonate sheets by region

kTonnes



Source: Market study (ADL 2021)

Trends and drivers

Arla Plast manufactures and supplies plastic sheets for many applications in a range of industries. There are a number of drivers that are specific to each area of use, as well as several factors that affect the market in general.

General trends and drivers

Replacement of materials

PC plastic sheets have properties such as high impact resistance, high fire resistance and good formability. PC is often an attractive material in the construction and automotive industries, as it offers both good safety and low weight. PC plastic sheets are therefore expected to continue to replace traditional materials such as glass and acrylic plastics in several areas of use.

Construction

Construction of residential, commercial and public buildings is one of the main drivers for the development of the PC extruded plastic sheet market. The construction market is influenced by macroeconomic factors such as GDP growth and interest rates, as well as factors such as demographic trends and urbanization.

The market is also driven by specific trends such as the concept of 'smart cities', with demand growing for lightweight, versatile construction materials such as PC.

Agriculture and gardening

The growth in gardening and greenhouses is also expected to contribute to the growth of the extruded PC plastic sheet market. MWPC is used in greenhouses because of its light weight, impact resistance, robustness and UV resistance.

Safety and protective products

Investment in the defence industry is rising globally, while crime and mass protests have also increased in many parts of the world, increasing demand for protective equipment. Many of the security and protection products, such as bulletproof glass for vehicles and buildings, have high optical requirements. Together, these factors are contributing to growing global demand for protective products made from TPC, for example in buildings, vehicles and security equipment.



MWPC is used in greenhouses because of its light weight, impact resistance, robustness and UV resistance.

Increased focus on sustainability

An increased focus on long product lifetimes is a factor that is expected to affect the market. Extruded PC plastic sheets have several advantages in this respect, including good impact resistance compared with glass. PC is also about 50% lighter than glass, which means reduced fuel and energy consumption when PC replaces heavier, traditional materials in vehicles. Furthermore, PC has good insulating properties and good recyclability, with a theoretical recycling rate of 100%.

Regulations and standards

New standards and regulations, such as stronger requirements under the ECE R118 standard, affect the interior of buses by increasing fire safety requirements. These more stringent requirements have principally resulted in a PC/ABS composite replacing ABS for the interior of most buses, as the addition of PC significantly improves fire resistance.

Specific drivers

Pandemic-related protective barriers

In 2020, the market for protective barriers grew sharply, owing to the need to limit the spread of COVID-19. Demand slowed significantly in 2021. In addition, competition increased and more companies are now offering this product. Protective barriers to limit the spread of infection are mainly made of TPC and PETG sheets.

Industrial machine safety

Automation and robotization in industry are factors behind the growing demand for industrial impact-resistant machine guards made from PC.



One application area is hockey rinks, with TPC being used around the rink and OPC used for seats.

Suitcases

Vacuum-formed OPC is used for suitcases because of its high impact resistance, good formability and wide range of colours and textures. Demand in this area of use generally follows the development of the tourism industry.

Sound walls and noise barriers

The construction industry is growing rapidly due to housing shortages and urbanization, and this is driving demand for our products in this area. In addition, there is a growing awareness of the health effects that prolonged exposure to high noise levels can cause. The EU has also established regulations to reduce the effects of noise pollution, which is expected to contribute to growing demand for noise barriers such as PC sheets along roads or in other locations.

Ice hockey

The number of people playing ice hockey is growing, as is the construction of new stadiums and rinks, which is boosting demand for our products in this area.

Competition

The competitive landscape for PC sheet manufacturers in Europe consists mainly of small and medium-sized international producers. There is a large player that is also active in raw material production and the production of plastic resin.

Companies on the market have developed different strengths in terms of product range, geographic focus and internationalization. It is estimated that the seven largest players, including Arla Plast, account for almost 90% of sales on the European PC sheet market. On the European ABS plastic sheet market, we assess that the five largest companies account for almost 80% of sales. We also estimate

that the European market for PETG extruded plastic sheet consists mainly of approximately seven companies.

The European market for extruded plastic sheets has been consolidating for some years now, with some companies making acquisitions. Although the market has undergone a certain amount of consolidation in recent years, there are still a number of medium-sized and small competitors.

We assess that Arla Plast is a leading player in selected product areas and that our competitive edge lies in our ability to provide high-quality plastic sheets with flexible production, customer-specific solutions and a high level of customer service.

Arla Plast's competitive edge lies in our ability to provide high-quality plastic sheets with flexible production, customer-specific solutions and a high level of customer service.



Value chain and customers

Our value chain consists mainly of suppliers of plastic resin and other input materials, customers and end users.

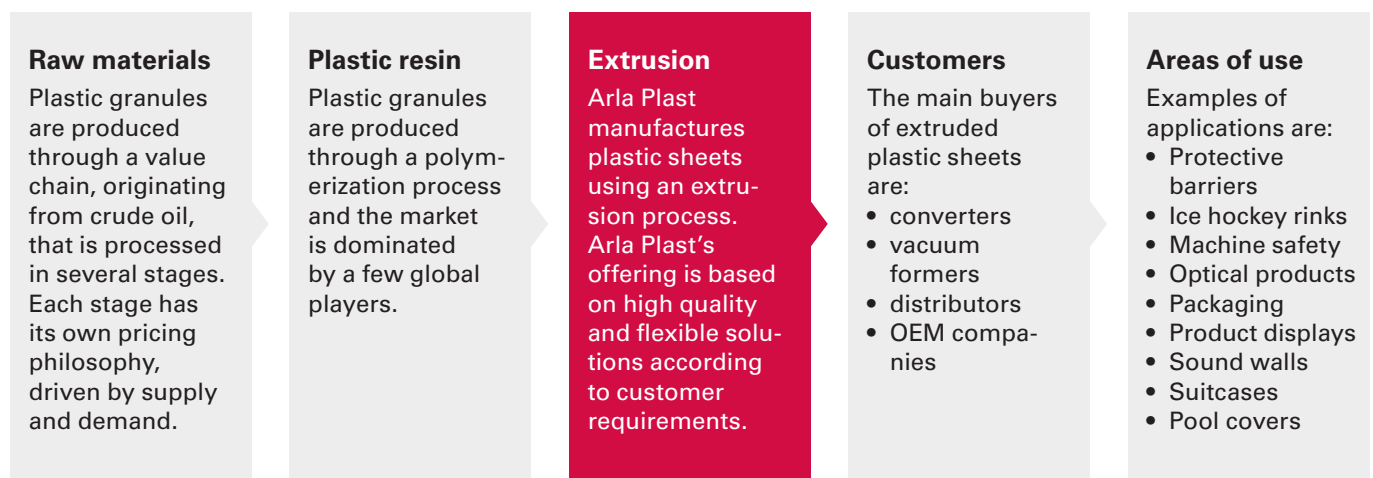
We have a horizontally integrated business model and control key parts of the value chain. Arla Plast combines a high level of technical expertise in producing high-quality products with a local sales organization.

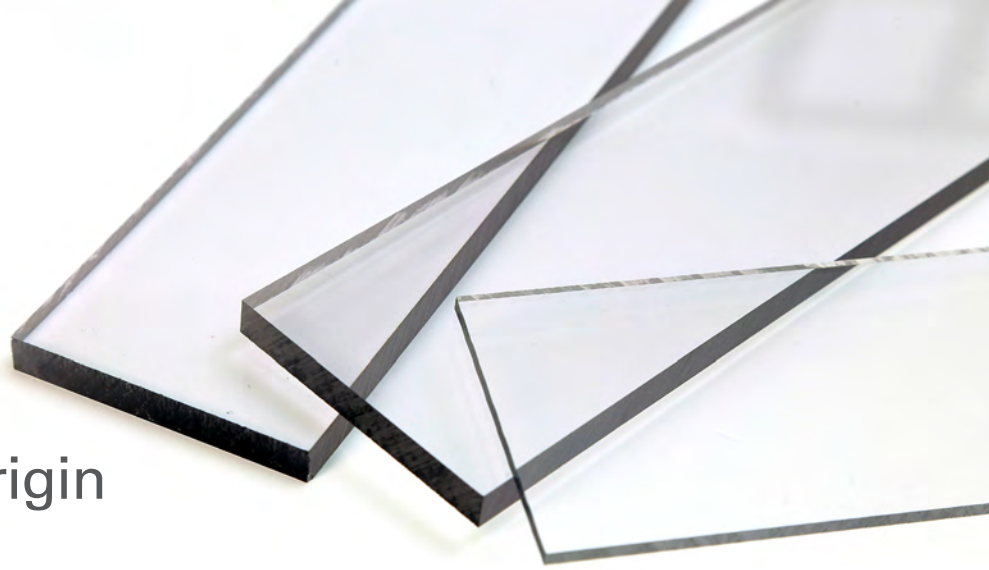
The main input materials used in the extrusion of PC plastic sheets are various types of plastic resin, which are produced through a multi-stage value chain and originate from a residual product of crude oil production. Our inputs also include additives, colours, protective film, pallets and packaging materials. Manufacturing is carried out using an extrusion process.

Customers

The main buyers of extruded plastic sheets are distributors, converters, vacuum formers and OEMs. Distributors are an important group of direct customers that often buy large quantities and resell them. Arla Plast's main sales are to companies that apply post-processing to the material, through vacuum forming or other conversion methods, and, in some cases, to companies that produce finished products such as suitcases, pool covers or machine safety.

Value chain





Recycling at the origin of our business

Production began with glass fibre-reinforced plastics, switched to ABS after a few years, and is now dominated by PC. The process was initially manual but was streamlined by vacuum forming. The vacuum forming process generated a high proportion of waste, which was recycled through our own extrusion of sheets. Extrusion is now our core business.

Internationalization began in the 1990s, when Arla Plast went from being a supplier on the Nordic market to focusing on the entire European market. Arla Plast is now one of Europe's leading companies in the extrusion of PC plastic sheets, supplying products to over 45 countries worldwide.

Business concept

Based on our cornerstones, and with extrusion as our core competence, we offer our customers plastic sheets tailored to their needs.

Vision

Arla Plast's vision is to be the customer's choice for extruded plastic sheets for advanced applications.

Cornerstones

Arla Plast's business is guided by four cornerstones that form the basis of our corporate culture. Below we describe what this means from a customer perspective.

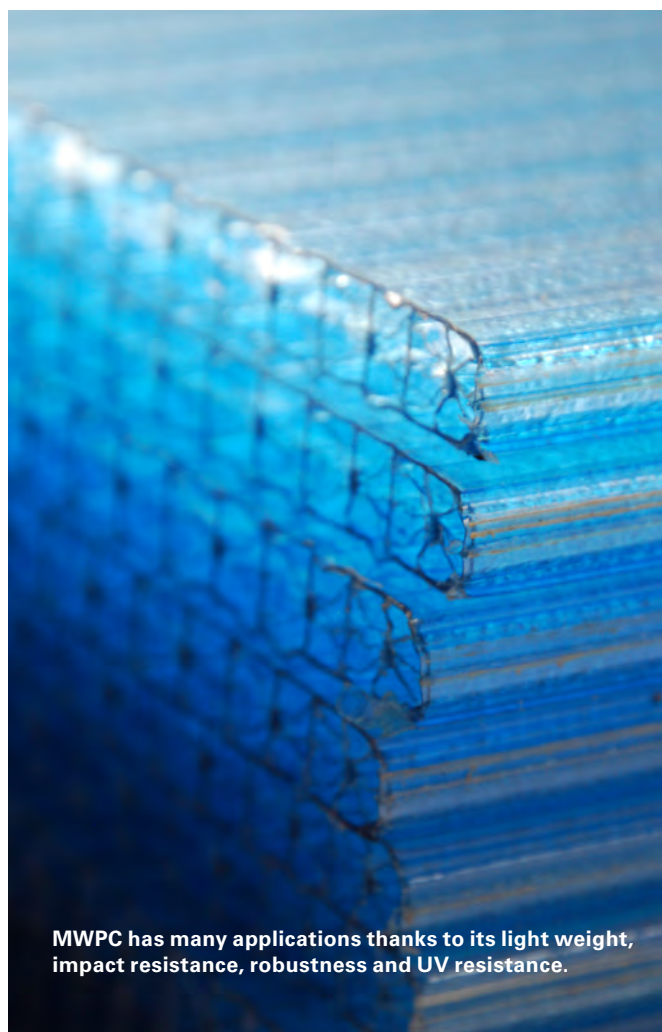
The four cornerstones

Quality	To be known for high-quality, in-depth industry expertise and strong brand awareness.	Service	To meet or exceed customer service expectations throughout the organization through a strong customer focus.
Flexibility	Wide-ranging expertise enables customised solutions and an ability to respond quickly to changing requirements, such as volumes and specifications.	Speed	Speed includes short lead times from order to delivery, rapid problem-solving and quick decision-making.

Financial targets

The following financial targets were adopted by the Board in spring 2021.

Target	Description
Net sales growth	Annual organic net sales growth should be 5% over a business cycle.
Operating margin	The operating margin should be at least 10% over a business cycle.
Net debt	The ratio of net debt to EBITDA should not exceed 2.5x.
Dividend policy	The dividend to shareholders should be approximately 30–50% of profit for the year. Decisions on dividends should reflect the company's financial position, cash flow and investment needs.



MWPC has many applications thanks to its light weight, impact resistance, robustness and UV resistance.

Growth strategy

Arla Plast's strategy is to work closely with its customers to gain a good understanding of their areas of use.

Arla Plast sees good growth opportunities through increased production and operating efficiency, development of the product portfolio and geographical expansion. In addition, acquisitions may also be considered.

Increased production and operational efficiency

Following recent investments and efficiency improvements, total production capacity has increased significantly and unused production capacity is currently around 20–25%. We continue to make our production more efficient through measures such as continued technological improvements, clear leadership and improved quality management. Having unused capacity gives us the opportunity to increase production and continue to grow without additional investments in machinery.

Development of the product portfolio

To ensure continued growth, we are working to develop our portfolio both by developing new products and by adapting our existing range. We also maintain a high level of service for our customers.

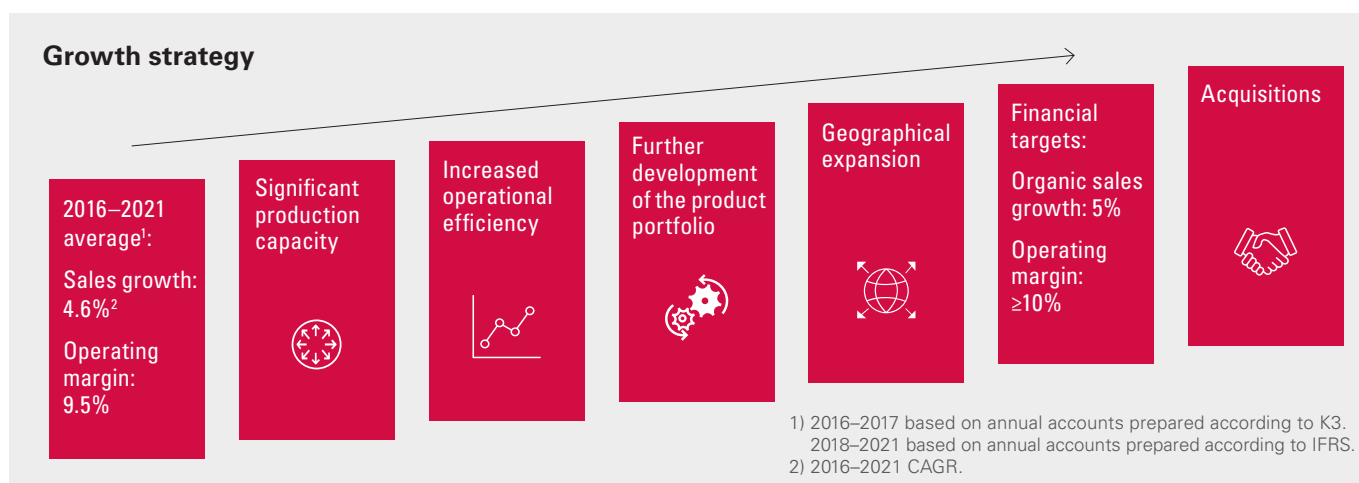
Particularly good opportunities have been identified in a number of fast-growing areas of use, including protective and safety products, machine guarding, and sound walls and noise barriers.

Geographical expansion

We are currently in a phase of international expansion. Priority areas for the future are North and South America and selected European countries. In addition, we will continue to bolster our strong positions in markets such as the Nordics, Germany, Benelux and Central Europe.

Acquisitions

Arla Plast's expansion strategy also includes finding acquisition targets that are of interest. Acquisitions can be aimed at growth in new product areas, new geographic areas or through increased value creation around products.



Customer relations and sales

A strong corporate culture is the basis for long-lasting customer relationships. In addition to long-standing customer relationships, Arla Plast also has a diversified customer base.

Our cornerstones are quality, flexibility, service and speed, which form the basis of our corporate culture. We are good at adapting to market opportunities and customer preferences, which was particularly evident when the pandemic started and we rapidly responded to new demand for transparent barrier products. We always keep in close contact with customers to develop the right products and deliver according to customer requirements. Arla Plast also has extensive technical expertise in products, polymer chemistry and extrusion technology. Combined with Arla Plast's well-developed quality

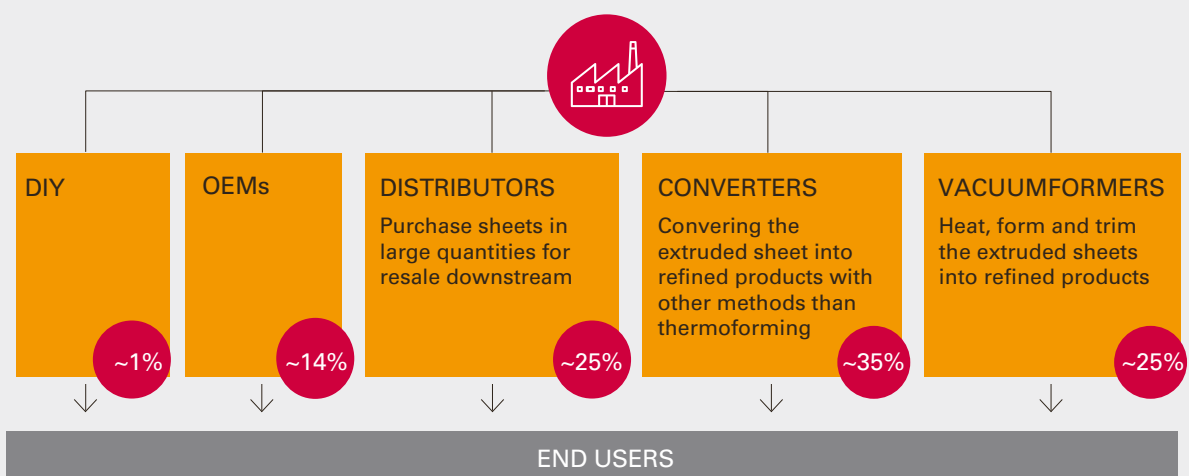
procedures, this has provided us with a competitive edge and long-standing customer relationships.

Our customer base is diversified, with more than 700 customers.

Sales and distribution

Sales are conducted through regional sales offices around Europe and by centrally based key account managers. Sales representatives have overall responsibility for managing existing customers and initiating contact with new clients. Orders are placed with Arla Plast's order management departments at Arla Plast's three production sites. The plastic sheets are distributed through a network of forwarders to ensure efficient deliveries within set timeframes. The chart below shows Arla Plast's sales in 2021 by the company's different types of customers.

Customer categories

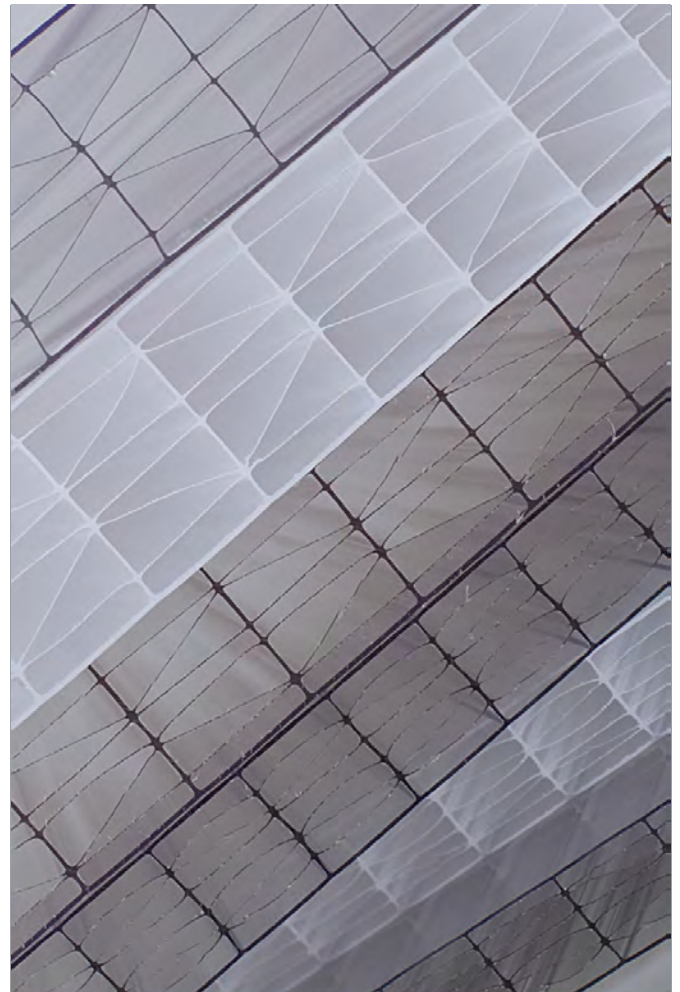


Source: Company data based on indicative customer sales figures based on sales data and customer classification. (2021)

Pricing strategy

The selling price of the plastic sheets is adjusted according to current market prices, which are mainly driven by the purchase price of the raw materials. Margins therefore tend to remain relatively unaffected by changes in raw material prices. The main factors affecting the price of plastic sheets are:

1. **The price of raw materials.** The price of PC, ABS and PETG depends on the price of the raw input materials used, which in turn is driven by supply and demand.
2. **Capacity of plastic resin producers.** There are only a few suppliers of plastic resin, and the price is largely determined by their capacity utilization.
3. **Changes in demand.** The price of PC, ABS and PETG resins are also affected by developments in all industries using the materials. Demand for injection-moulded components plays a greater role than demand for extruded sheets, as it is much higher.
4. **Global balance.** The balance of supply and demand, along with pricing in Asia, plays a major role in the situation in Europe.



Production

Production begins with the purchase of various plastic resins from producers of these materials.

The main raw materials are supplemented with recycled materials. In addition, various materials such as colour additives, UV protection and other additives are added to achieve the desired properties. PC, ABS or PETG plastic resins are fed in at the beginning of the extrusion process and, through friction and heat, are transformed into plastic melt. The melt is injected through a cylinder into a wide nozzle and formed into a sheet. The melt is then cooled on heated rollers. MWPC is cooled on heated calibration plates. A protective film is applied to the plastic sheets, which are then cut into standardized or customer-specific sizes before being stacked on pallets. A common size of plastic sheets is two by three meters. The pallets are transported to customers by truck or container.

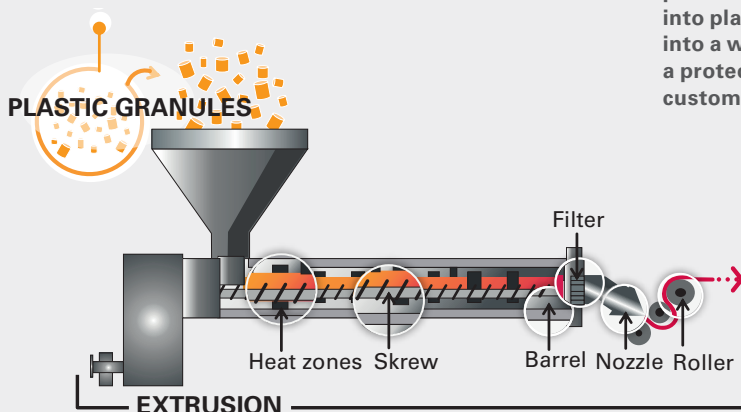
The extrusion process is set up in various ways in terms of material dosing, temperature and speed of producing the specified product. Inspection takes



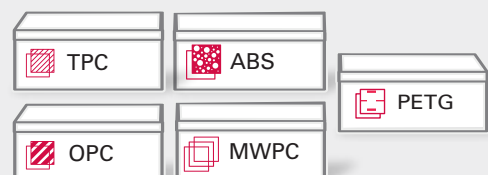
Expanded production capacity in Borensberg with the latest investment in ABS and PC/ABS.

place during production according to specified quality management instructions. More extensive testing is carried out in special test rooms and laboratories at the frequencies prescribed by quality management instructions.

The extrusion process



Plastic granules are fed in at the beginning of the extrusion process and, through friction and heat, are transformed into plastic melt. The melt is injected through a cylinder into a wide nozzle and formed into a sheet. After cooling, a protective film is applied to the sheets, which are cut to customer-specific dimensions.



Segments

The Group's activities are monitored through the two operating segments, Sweden and the Czech Republic.

Segment Sweden

The Sweden segment comprises sales made by the operating unit in Sweden (Sweden operations). Production mainly takes place in Borensberg and includes the product groups TPC, ABS and OPC. Some OPC production takes place in the Czech Republic. Although sales of the segment's products

are made by all of Arla Plast's sales representatives, there is an emphasis on sales to the markets of Northern and Central Europe. Arla Plast's sales outside Europe are mainly derived from the Sweden segment.

	2021	2020	Δ, %
Sales volume, tonnes	14,871	16,211	-8
Net sales, SEK million	618.5	614.1	1
Operating profit, SEK million	70.5	94.4	-25
Operating margin, %	11.4	15.4	-26



Borensberg production plant, Sweden

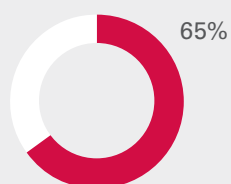
Constructed: 1972–1973

Total capacity: Approximately 19,500 tonnes

Main products produced: TPC, OPC and ABS

Certificates: ISO 9001, ISO 14001, and ISO 45001

Share of net sales, Sweden, SEK million



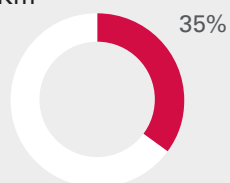
Volume produced, 2017–2021, kTonnes



Segment Czech Republic

The Czech Republic segment comprises sales made by the operating unit in the Czech Republic (Czech Republic operations). Production mainly takes place in Kadaň or Pelhřimov, and includes the product groups MWPC, PETG and OPC. Although sales of the segment's products are made by all of Arla Plast's sales representatives, there is an emphasis on sales to the markets of Benelux and Central Europe. MWPC is a bulky product whose competitiveness is stronger in markets close to the production unit in Kadaň.

Share of net sales, Czech Republic, SEKm



	2021	2020	Δ, %
Sales volume, tonnes	8,929	8,642	3
Net sales, SEK million	343.6	314.1	9
Operating profit, SEK million	20.6	18.7	10
Operating margin, %	6.0	6.0	–



Kadaň production plant, Czech Republic

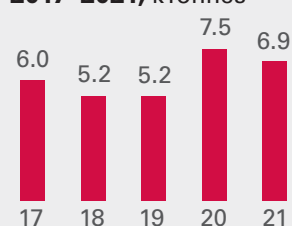
Constructed: 2005–2006

Total capacity: Approximately 8,100 tonnes

Main products produced: MWPC and PETG

Certified: ISO 9001, ISO 14001, and ISO 45001

Volume produced 2017–2021, kTonnes



Pelhřimov production plant, Czech Republic

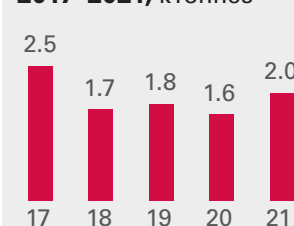
Constructed: 2012

Total capacity: Approximately 3,400 tonnes

Main products produced: OPC

Certificates: ISO 9001, ISO 14001, and ISO 45001

Volume produced 2017–2021, kTonnes



The Arla Plast share

Arla Plast's shares have been listed on Nasdaq Stockholm since 25 May 2021 in the Small Cap segment.

The listing was preceded by ownership dispersal, through which Arla Plast acquired approximately 2,000 new shareholders and the offer price was SEK 46. On the last trading day of the year, the share price closed at SEK 52.10, an increase of 13% on the offer price. Arla Plast's market value as of 31 December 2021 was SEK 1,042 million.

Convertible instruments, share warrants, incentive programme, etc.

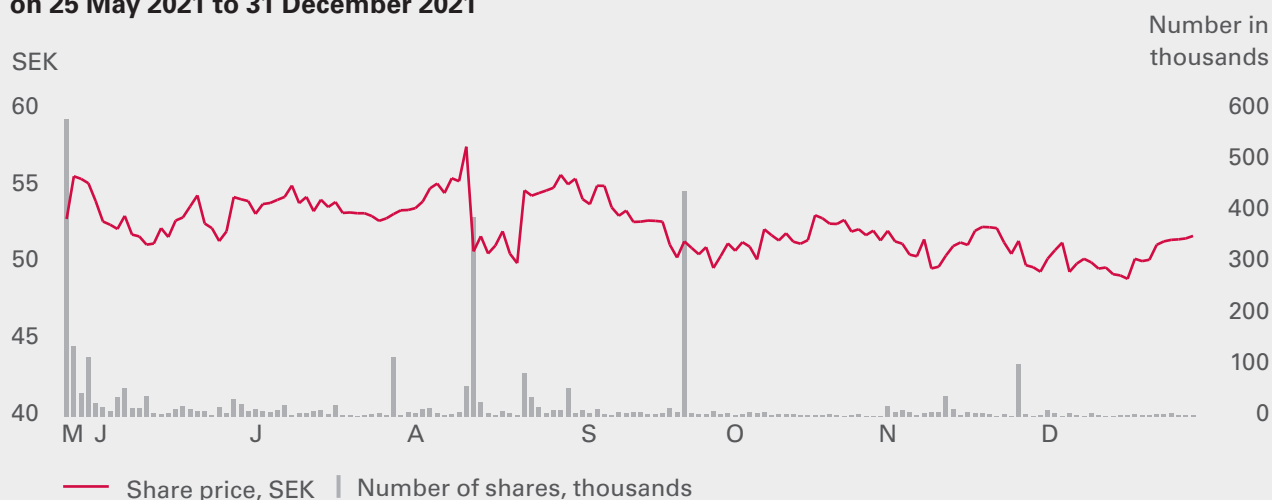
The Extraordinary General Meeting of Shareholders in 2020 resolved to introduce an incentive programme, through which 980,000 series 2020/2023 share warrants were issued to 10 key personnel

in the Group. Each warrant entitles the holder to subscribe for one share in Arla Plast at a price of SEK 22.90 per share plus interest (see note 9). Assuming full exercise of the warrants, share capital may increase by a maximum of SEK 117,600 through the issuance of 980,000 shares, corresponding to a dilution of 4.67%. Subscription of new shares based on the warrants shall take place during the period commencing on 1 August 2023 up to and including 1 September 2023.

Dividend

The dividend to shareholders should be approximately 30–50% of profit for the year. Decisions on dividends should reflect the company's financial position, cash flow and investment needs. For the 2021 financial year, the Board of Directors proposes a dividend of SEK 1.50, corresponding to 44% of net profit.

Price performance from the first day of listing on 25 May 2021 to 31 December 2021



Data per share*

	2021
Earnings per share, SEK	3.41
Cash flow from operating activities per share, SEK	2.38
Equity per share, SEK	23.49
Number of shares at the end of the period, thousands	20,000

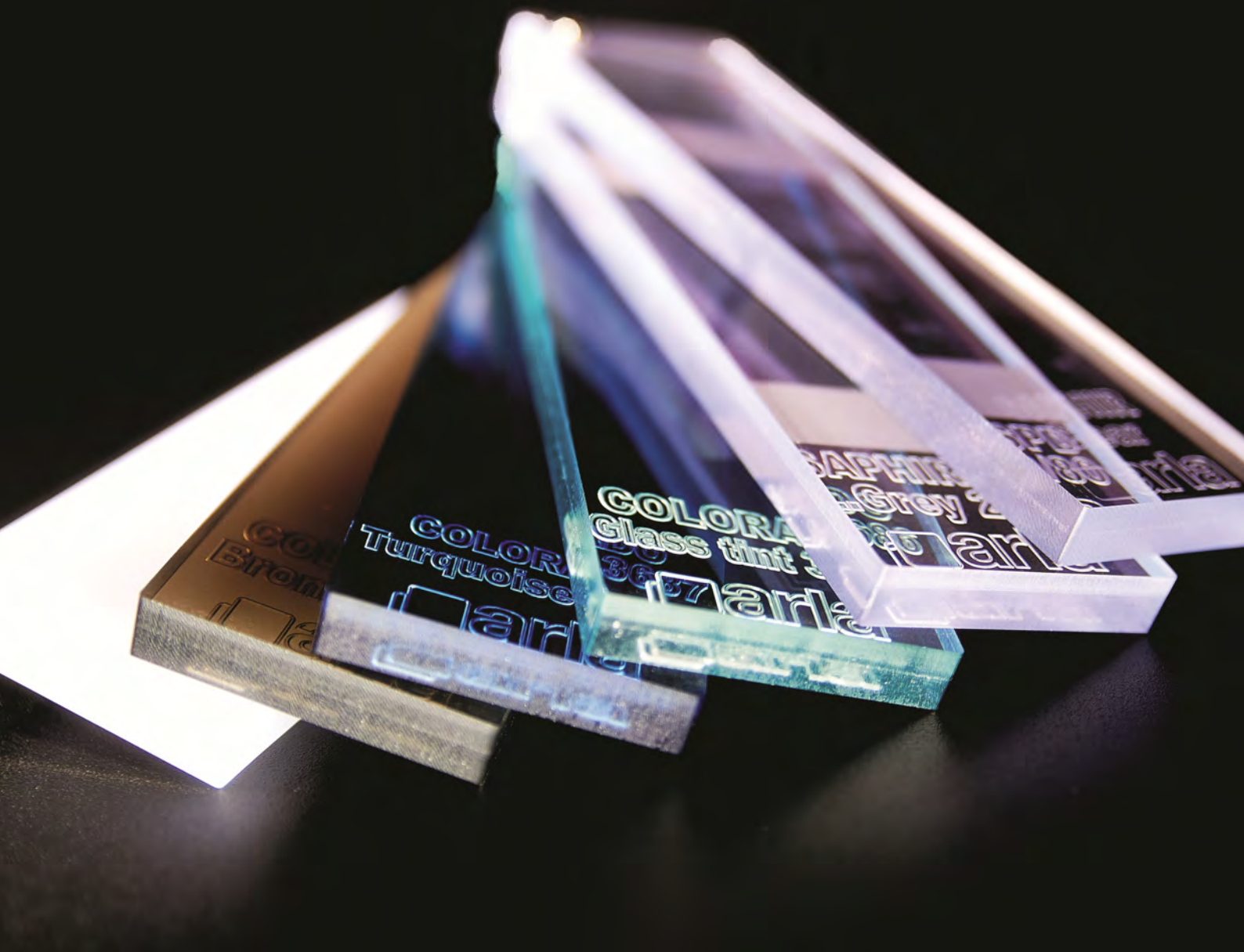
*Before dilution.

10 largest shareholders as of 31 December 2021 (from Euroclear)

Shareholder	Number of shares	Share capital and votes, %
Synnersten Invest AB	9,650,000	48.3
Svolder AB	2,639,527	13.2
Nortal Investments AB	2,001,000	10.0
Nordea Småbolagsfond Sverige	1,038,836	5.2
Roosgruppen AB	1,000,000	5.0
Futur Pension 70139076	487,341	2.4
Gerald Engström	444,756	2.2
Investment AB Spiltan	435,000	2.2
Nordea Institutionella Småbolagsfond	377,874	1.9
Adrigo Small & Midcap L/S	373,896	1.9

Shareholders by size as of 31 December 2021 (from Euroclear)

Number of shares	Shareholder	Holdings, %
1–500	1,646	0.9
501–1,000	133	0.5
1,001–5,000	82	1.0
5,001–10,000	9	0.4
10,001–15,000	1	0.1
15,001–20,000	3	0.3
20,001–	22	96.8
	1,896	100.0



Recycling high on the agenda

Arla Plast was founded more than 50 years ago. At that time, we mainly produced plastic composite screens for vehicles by vacuum forming ABS plastic sheets. The disadvantage of this process was that two thirds of the material was wasted.

But then we had the idea of recycling the regrind material to produce extruded sheets. We now specialise in extruded sheets and have sales of SEK 927 million, with steady profitability at an operating margin of around 10%. Production takes place at three factories, two in the Czech Republic and one in Borensberg, Sweden, where we also have our headquarters.

In 2021, we carried out an ownership dispersal, and we now have just under 2,000 shareholders. The shares are listed on Nasdaq Stockholm. Our aim is to run Arla Plast in a sustainable and responsible way, and this should be reflected in our corporate culture and the way we treat our stakeholders, whether they are shareholders, employees, customers, suppliers or the local community. The foundations we laid in the 1970s of a business concept based on recycling have influenced our approach, our corporate culture and the way we run our business.

Our environmental footprint; our biggest sustainability challenge

Reducing Arla Plastics' environmental footprint is a key sustainability challenge. We are endeavouring to reduce the climate impact of our business activities throughout the value chain and from a product life cycle perspective. The production of the plastic resin, our main input material in the manufacture of extruded plastic sheets, is the single largest contributor to our business' carbon footprint.

It is therefore vital that we continue cooperating with external partners, especially material suppliers

in various projects, on developing extruded sheets made from non-fossil or partially fossil-free materials and that we continue working actively on recycling.

Plastic sheets have many applications thanks to the advantageous, versatile properties such as high impact resistance, high fire resistance and good formability. In addition, the material is lightweight, which is positive for the environment when, for instance, used in a vehicle, resulting in lower energy consumption. The product's long product life and good recyclability are also positive from a sustainability perspective.

It is important for Arla Plast to conduct its business sustainably and responsibly in order to strengthen our long-term competitiveness and to create value, both financially and operationally.

Sustainable business value is achieved by working according to our sustainability framework and goals. Our approach to sustainability is for these types of issues to be integrated into our business, both as part of our day-to-day operations and as part of our strategic processes.

The aim of this sustainability report is to provide readers with an understanding of the impact of our operations on the environment, social conditions, respect for human rights and what anti-corruption efforts we undertake.

Christian Krichau
CEO

Framework for sustainability

For Arla Plast, sustainability is an integral part of our core business and strategy. It helps increase our long-term competitiveness and create long-term value for Arla Plast and for our customers, suppliers, employees, owners and other stakeholders.

Conducting our business sustainably and responsibly also increases our opportunities to deliver strong financial and operating results. We create sustainable business value both by reducing unwanted impacts of our operations and by further enhancing the positive contributions made by integrating sustainability aspects into our business operations.

Sustainability – a tradition at Arla Plast

Arla Plastics' commitment to sustainable development began in the early 1970s when the company started using waste material from the vacuum forming process when manufacturing spare parts for cars. The regrind was reused for the extrusion of plastic sheets, which continues to be a key part of our business; we recycle almost all the regrind generated in our operations, along with a significant proportion of the waste generated by our customers.

Arla Plast introduced certified management systems for the environment (ISO 14001), quality management (ISO 9001) and occupational health and safety (45001) at its production sites early on. Energy management systems (ISO 5001) are also in place at two of our plants. Sustainability work is linked to the 10 principles of the UN Global Compact, Agenda 2030 and the Sustainable Development Goals, as well as Sweden's climate targets for 2045. Arla Plast has published sustainability reports since 2017 and this has increased transparency.

Sustainability a competitive advantage

The global drive towards more sustainable development and the transition to a more circular, resource-efficient economy means that Arla Plast's customers are becoming increasingly aware of the importance of using sustainable materials. Our expertise in the properties and performance of plastics enables us to help improve resource efficiency and reduce carbon emissions over the life-cycle of products and throughout the value chain.

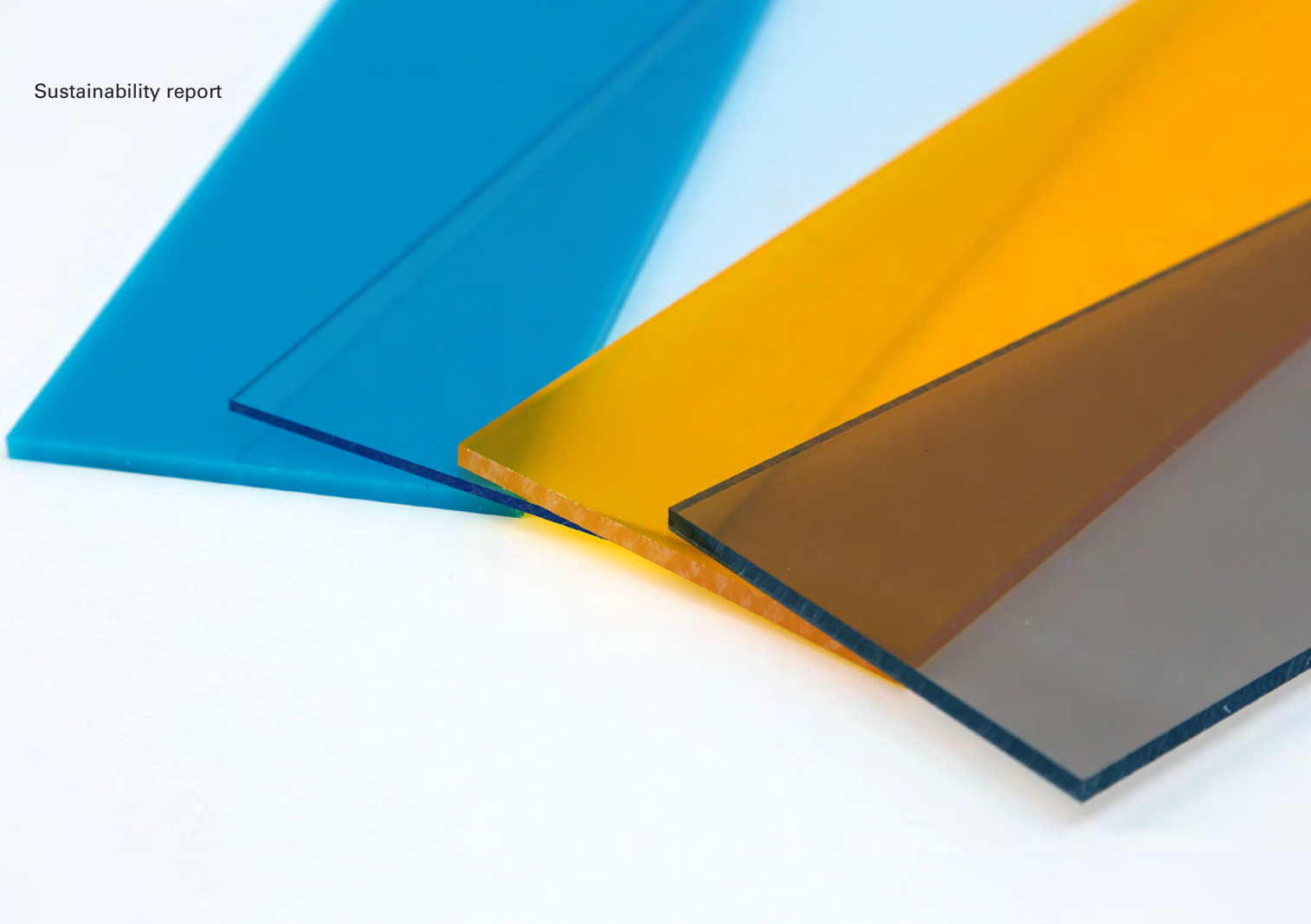
Promoting sustainable development

Arla Plast is endeavouring to contribute to Agenda 2030 and the UN's Sustainable Development Goals, as well as to Sweden's 2045 climate targets. We have identified the objectives that are most relevant to the company's operations and where Arla Plast can contribute the most. A strong financial position creates the conditions for sustainable development. A profitable business not only provides returns for owners, but also creates jobs and enables investment. Arla Plast has therefore adopted a number of financial targets that support the sustainability strategy.

Arla Plast and the EU taxonomy

The EU taxonomy provides the opportunity to identify and compare investments that are necessary to achieve a sustainable economy. The idea is that it will form the basis for future standards and labelling of sustainable financial products. The Taxonomy Regulation contains requirements for sustainability information, with companies of public interest that have more than 500 employees being required to report in accordance with the taxonomy.

From the 2021 financial year the sustainability report for these companies must include information on the proportion of the company's economic activities covered by technical audit criteria that



define what is environmentally sustainable. Arla Plast has fewer than 500 employees and is therefore not subject to the legal requirement, but has analysed its economic activities according to the EU Taxonomy Regulation to identify relevant economic activities and its technical screening criteria to disclose in accordance with the taxonomy on a voluntary basis, if possible.

The taxonomy contains technical criteria for the activity 'manufacture of basic plastic products' (3.17. Basic plastic production according to Annex 1 of the EU Commission's Delegated Regulation) but not for secondary production, which is why it does not apply to Arla Plast. None of the other economic activities described in the taxonomy constitute a primary source of revenue for us, so there are currently no criteria that can be applied to Arla Plast's operations. Road haulage services are not a primary source of revenue, but transport to the customer is, in many cases, included in the price paid by customers. In 2021, 99% of transported goods by weight were transported by road.

Arla Plast will endeavour to operate in accordance with the taxonomy and be prepared to report under it when this obligation is broadened and the business becomes subject to it.

Internal governance – sustainability

Our sustainability work is led by Group Management and coordinated by the Head of Quality Management. The starting point is a sustainability strategy, long-term goals and sustainability-related guideline documents. Sustainability work is an integral part of Arla Plast's operational management, including its business plan and budgeting. Sustainability work and results/progress are communicated through the sustainability report and ongoing dialogue with stakeholders.

Arla Plast's CEO regularly presents sustainability results to the Board, which reviews and monitors the results against the company's goals. The Board is responsible for the company's sustainability strategy and policies, and approves the sustainability report.

Sustainability targets and strategy

Arla Plast bases its sustainability work on three main areas:

- **Environmental footprint**
- **Social sustainability**
- **Business ethics**

Environmental footprint

Arla Plast is endeavouring to reduce the climate impact of its business activities throughout the value chain and from a product life cycle perspective.

Arla Plast's strategy to reduce its environmental footprint is based on the following areas:

1. Efficient materials handling

- Reducing regrind generation
- Increasing the reuse of regrind in production
- Increasing the reuse of customers' used products

2. Increasing the purchase and use of renewable energy

3. Increasing and contributing to higher energy efficiency, both own and purchased

4. Sustainable products

- Sustainable and responsible innovation, including through fossil-free materials
- Sustainable product performance from a life cycle perspective

5. Reducing environmentally hazardous waste

Social sustainability

Arla Plast's social responsibility primarily relates to employees and society

A good place to work

Arla Plast aims to ensure that employees are motivated and committed. By being an open and inclusive employer, with zero tolerance of discrimination, Arla Plast aims to offer a gender-equal, diverse workplace where employees can achieve their full poten-

tial and contribute to the development of a high-performance organization. Arla Plast actively works to maintain and strengthen its corporate culture, as described in The Arla Plast Way code of conduct. The Code of Conduct provides the foundations for employees to act and conduct business responsibly, both within the company and in relation to business partners. Employee reviews, employee surveys and collaboration help to ensure a good workplace.

Healthy and safe workplace

Our employees should feel safe and we promote a healthy working environment. As Arla Plast has production facilities, it is important to limit the risk of workplace accidents and occupational injuries. All production sites have certified management systems for health and safety, and all new employees are trained in safe working practices.

Contributing to the local community

Arla Plast aims to contribute to positive social development and to be an important and committed player in the local community. It does this through an open dialogue and various targeted initiatives such as sponsorship and summer jobs.

Business ethics

Arla Plast aims to conduct its business in an ethical and responsible manner and be a trustworthy partner in all relationships and wherever the company operates. Arla Plast's approach to business ethics is summarised in five documents; the Code of Conduct, The Arla Plast Way, the Insider Policy, the Purchasing Policy and the Related-Party Policy.

Arla Plast has a whistleblower function to help detect unethical or illegal conduct. To ensure that Arla Plast's suppliers comply with the company's approach to business ethics, our major suppliers must have read our Code of Conduct.

Guideline documents

The company has adopted a number of policies and guideline documents. All policies have been determined by the Board of Directors, and below are those that are primarily relevant to Arla Plast's sustainability work.

The Sustainability Policy and Code of Conduct, including The Arla Plast Way, set out Arla Plast's overall conduct with regard to customers, employees, suppliers, business ethics, anti-corruption, and wider society.

The Operating Policy governs how the company aims to achieve a good and safe working environment and how it aims to minimize negative impacts on the external environment.

The Insider Policy

Arla Plast's shares are listed on Nasdaq Stockholm. As a result of the public listing, there is a risk of insider trading and other unauthorised practices, and this policy is intended to reduce such risks and facilitate the Group's compliance with applicable rules on the handling of inside information.

The Procurement Policy guides the company's efforts to establish and develop long-term business relationships with suppliers and other partners.

The Related-Party Policy intended to reduce the risk of errors and irregularities arising from related-party relationships and transactions.

The management system ensures a long-term, focused and systematic approach to continuous improvement. Certifications are in place at all sites for ISO 14001 (environment), ISO 9001 (quality), ISO 45001 (occupational health and safety), and two sites are certified to ISO 50001 (energy).





Arla Plast and the UN Sustainable Development Goals

Arla Plast contributes to Agenda 2030 and the UN Sustainable Development Goals. The table below describes the Sustainable Development Goals that have been identified as most relevant to Arla Plast's business and the goals to which Arla Plast can contribute most.

Sustainable development goals and applicable targets	Arla Plast's key areas	Sustainable development goals and applicable targets	Arla Plast's key areas
 3 GOOD HEALTH AND WELL-BEING TARGET 3-9 <small>REDUCE ALL KINDS OF ROAD ACCIDENTS, ROAD KILLINGS AND VIOLENCE, INCLUDING FOR PEDESTRIANS, BY A FACT OF TWO BY 2020</small>	<ul style="list-style-type: none"> • Health and safety in the workplace • Reducing environmentally hazardous waste 	 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE TARGET 9-4 <small>UPGRADE ALL INFRASTRUCTURES FOR SUSTAINABILITY</small>	<ul style="list-style-type: none"> • Sustainable products
 5 GENDER EQUALITY TARGET 5-1 <small>END ALL FORMS OF DISCRIMINATION AGAINST WOMEN AND GIRLS</small> TARGET 5-5 <small>ENSURE FULL PARTICIPATION OF WOMEN IN LEADERSHIP AND DECISION-MAKING</small>	<ul style="list-style-type: none"> • A good place to work 	 10 REDUCED INEQUALITIES TARGET 10-3 <small>ENSURE EQUAL OPPORTUNITIES AND EMPLOYMENT FOR ALL</small>	<ul style="list-style-type: none"> • A good place to work • Business ethics
 6 CLEAN WATER AND SANITATION TARGET 6-3 <small>IMPROVE WATER QUALITY, REDUCE POLLUTION AND GATE WASTE</small> TARGET 6-4 <small>INCREASE WATER EFFICIENCY AND REDUCE WASTE</small>	<ul style="list-style-type: none"> • Reducing environmentally hazardous waste • Reducing waste generation 	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION TARGET 12-4 <small>REINFORCE MANAGEMENT OF MATERIALS AND WASTE</small> TARGET 12-5 <small>REDUCE WASTE GENERATION</small>	<ul style="list-style-type: none"> • Efficient materials handling • Sustainable products • Reducing environmentally hazardous waste
 7 AFFORDABLE AND CLEAN ENERGY TARGET 7-2 <small>INCREASE GLOBAL RENEWABLE ENERGY</small> TARGET 7-3 <small>DOUBBLE THE IMPROVED ENERGY EFFICIENCY</small>	<ul style="list-style-type: none"> • Increasing the purchase and use of renewable energy • Increasing and contributing to higher energy efficiency, both own and purchased 	 13 CLIMATE ACTION	<ul style="list-style-type: none"> • Environmental footprint
 8 DECENT WORK AND ECONOMIC GROWTH TARGET 8-4 <small>IMPROVE RESOURCE EFFICIENCY IN CONSUMPTION AND PRODUCTION</small> TARGET 8-5 <small>ALL EMPLOYMENT SHOULD BE WITH EQUAL PAY</small> TARGET 8-8 <small>PROTECT AND PROMOTE LABOUR RIGHTS AND PROMOTE WORKING CONDITIONS</small>	<ul style="list-style-type: none"> • A good place to work • Business ethics 		

Sustainability – five-year summary

For Arla Plast, sustainability is an integral part of our core business and strategy. It helps to increase long-term competitiveness and value for our stakeholders. Improvements are undertaken continually and gradually over time.

Area	Key performance indicators	2021	2020	2019	2018	2017
Environmental footprint						
Compliance	Number of violations of environmental legislation (fines, sanctions)	1	1	3	0	0
Energy	Energy consumption (MWh)	21,256	22,417	20,175	18,702	21,561
	Energy use/tonne produced (MWh/tonne)	0.95	0.92	1.01	1.00	0.98
	Energy use/sales (MWh/SEK mil.)	22.9	25.3	25.4	23.5	26.6
Carbon emissions ¹	CO ₂ e emissions (tonnes)	83,749	92,969	n/a	n/a	n/a
	Emissions, CO ₂ e tonnes/tonne produced (CO ₂ e/tonne)	3.76	3.83	n/a	n/a	n/a
	CO ₂ e emissions tonnes/sales (CO ₂ e/SEK mil.)	90.3	105.1	n/a	n/a	n/a
Water ²	Water consumption (thousands m ³)	1,234	2,244	3,699	1,830	1,443
	Water consumption/tonne produced (thousands m ³ /tonne)	0.091	0.146	0.289	0.152	0.103
	Water consumption/sales (thousands m ³ /SEK mil.)	1.99	3.65	7.13	3.52	2.73
Waste ³	Quantity of waste (tonnes) – combustible, industrial waste for landfill, industrial waste for sorting	586	868	361	221	255
	Volume of waste/produced (tonnes/tonnes)	0.026	0.036	0.028	0.018	0.018
	Volume of waste/sales (tonnes/SEK mil.)	0.60	0.93	0.73	0.44	0.51
Raw materials ⁴	Recycled plastics (% recycled of total use)	6.27	4.95	n/a	n/a	n/a
Management systems	ISO 14001-certified sites (% of total number)	100	100	100	100	100

1) The key figure started to be measured in 2020.

2) The key figure refers only to operations in the Sweden segment.

3) The years 2020–2021 refer to the entire Group, while the years 2017–2019 refer to the Sweden segment only.

4) Comparable data for the years 2017–2019 cannot be presented due to differences in the monitoring methodology.

Area	Key performance indicators	2021	2020	2019	2018	2017
Social sustainability						
Employees	Number of employees (average)	265	258	256	262	287
Compliance	Number of violations of health and safety legislation (fines, sanctions)	0	0	0	0	0
Health and safety	Accidents at work with absence (number/million hours worked)	0.000015	0.000012	0.00001	0.000013	0.000014
Diversity	Proportion of women in Group management (%)	25	25	20	20	n/a
	Proportion of women in local management teams (%)	17	17	29	29	29
Management systems	ISO 45001-certified sites (% of total number)	100	100	100	50	50
Business ethics						
Code of Conduct	Reporting of serious irregularities (number)	0	0	0	0	0

Environmental footprint – from raw materials to extruded plastic sheets

Our production of extruded plastic sheets uses plastic resin, mainly of polycarbonate, ABS or PETG. We can also add colours, reused regrind or certain other materials.

All purchases of plastic resin are made from approved suppliers that have passed our supplier selection process. We work upstream, which means that we only accept suppliers that are committed to international human rights, labour law and anti-corruption rules. In 2021, 70% of our raw material suppliers were certified to ISO14001 and ISO9001.

Transport

The raw material for production is shipped by sea to one of the major ports in Europe. From there, it is transported by truck to one of our production facilities in Sweden or the Czech Republic. All main suppliers are located in the EU.

The plastic sheets are sold all over the world. By being consistent in terms of materials and manufacturing process, we can guarantee high quality for all deliveries. The plastic sheets are transported to customers by truck or container. The products are sold to distributors, converters, thermo-formers and other companies.

Subcontractors

In addition to our own staff, we work with carefully selected subcontractors at our production facilities in areas such as construction, safety, cleaning, data management, maintenance and logistics. All subcontractors are informed of our Health and Safety Policy, our procedures and, of course, our Code of Conduct.

Reuse

Most of the regrind from production is recycled and mixed with new raw material or used to replace new raw material. The percentage of recycled waste that can be used in the plastic sheets depends largely on the purpose for which they are to be used. A large proportion of recycled material is found, for example, in packaging materials.

Environmental footprint

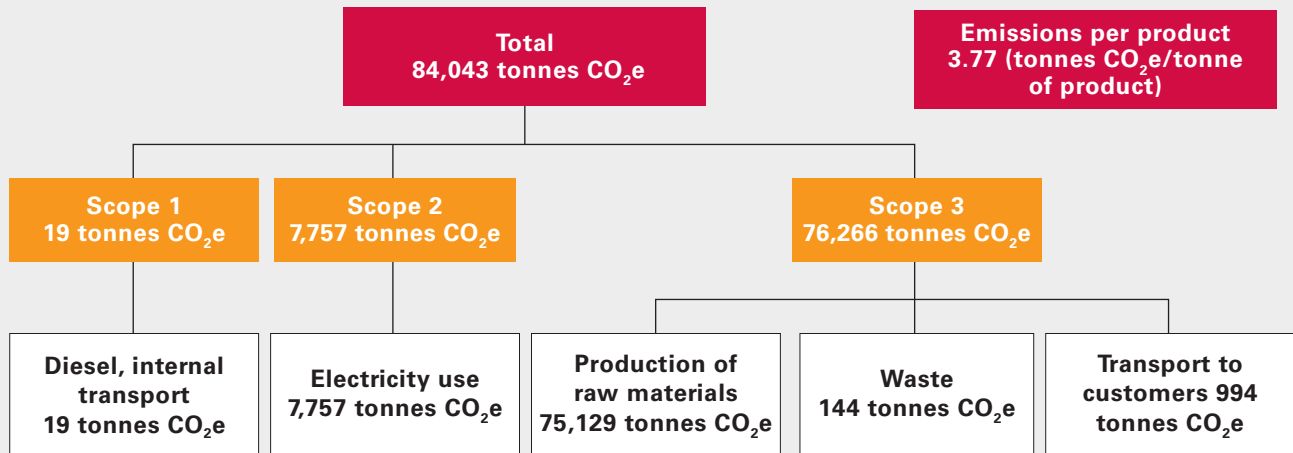
The 2021 Sustainability Report is based on a process-oriented perspective. We have analysed the processes of purchasing, external transport, internal transport, production, warehousing and deliveries. Based on this analysis, we have identified and focused on the aspects that have had the greatest environmental impact.

Changing or new sustainability risks are identified and assessed on an ongoing basis, and activities are planned to counteract them.

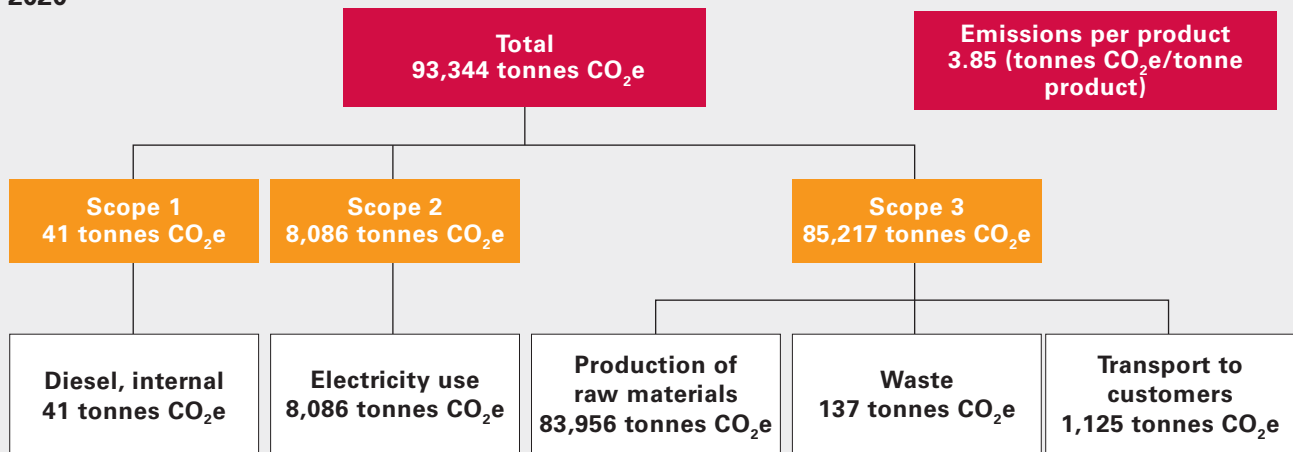


Efficient use of materials high on the agenda.

Arla Plast calculation of greenhouse gas emissions 2021



2020



Reporting on greenhouse gases (GHG) emissions

We have put in place procedures and a new reporting system to track our progress towards our emissions targets and ensure that all information is consistent and accurate. To ensure we have comprehensive and comparable figures, our reporting follows the guidelines of the Greenhouse Gas Protocol (GHG), the widely recognised leading methodology for managing greenhouse gas emissions. The protocol requires us to report on emissions in three different areas, or scopes:

Scope 1: Direct impact from own operations, burning of fossil fuels in own production.

Scope 2: Indirect environmental impact generated by use of electricity, district heating and cooling.

Scope 3: Indirect environmental impacts in our value chain, purchasing of goods and services such as raw materials.

The results under Scope 1 show emissions related to the use of diesel forklifts trucks in our operations. The calculation is based on the actual volume of diesel multiplied by a diesel emissions equivalent. In the Sweden segment, more than 90% of forklifts have been converted to electric power and a gradual conversion is underway in the Czech Republic segment.

The results under Scope 2 show emissions related to electricity use. EPD-certified hydropower is used in the Sweden segment, while in the Czech Republic

segment the calculation is based on coal power in the absence of sufficiently reliable information.

Under Scope 3, we account for and report emissions in the value chain; production of raw materials used, waste and transport to customers. To calculate the production of raw materials used, the calculation is based on the respective new main raw material used multiplied by an emissions equivalent for the respective raw material minus the raw material sold. The impact related to waste is calculated on the amount of waste multiplied by an emissions equivalent for each fraction. For 2021 and the Sweden segment, transport to customers has been based on the actual outcome of emissions reports provided by transporters according to the EN16258 standard. For 2020 and for the Czech Republic segment, the outcome has been calculated based on the CO₂e for 2021 and taking account of the volume sold and distance travelled.

The GHG protocol enables comparability of emissions from operations, creating the conditions for relevant benchmarking and detailing which areas have the most impact and should be prioritised in efforts to reduce our carbon footprint.

Energy consumption at Arla Plast's Borensberg plant

Electricity is used for the entire production process; extrusion and grinding account for the greatest energy consumption. Compressors and lighting also contribute to energy consumption.

Renewable energy

Arla Plast AB's Borensberg plant uses renewable electricity produced by hydroelectric power that carries an environmental product declaration. The production plants in the Czech Republic do not yet have the possibility to opt for renewable energy to any great extent. Both Kadaň and Pelhřimov are certified in accordance with ISO 5001.

Waste

At Arla Plast, waste that occurs mainly consists of combustible wood, containerboard, refuse, office paper, electronics, waste oil, emulsion, batteries and fluorescent tubes.

More than half of combustible waste consists of so-called plastic dust, which is a by-product of plastic production. Flammable containerboard and wood are compressed to minimise waste transport. Regrind in the form of pure plastic materials are ground down and converted back into raw material. Materials in the form of 'starting lumps' and materials with special pigments are sold instead of being recycled in the company's own production. We have a sorting handbook and all employees are trained in practical waste management.

Even if we do our best, there is always a small percentage that consists of environmentally hazardous waste that can't be recycled. We aim to continually reduce this proportion.

Social sustainability – our employees

Arla Plast takes overall responsibility for sustainability by always focusing on people. Our business and our customer promise are based on our employees and on maintaining and developing our corporate culture. So it's important we ensure that our employees are motivated and have job satisfaction.

Arla Plast's corporate culture

Our work is based on the cornerstones of our culture: quality, speed, service and flexibility. These characterise both our customer service and how we treat each other at Arla Plast. An important part of Arla Plast's culture is helping each other and responding to requests quickly. We aim to have supportive leadership with good accessibility and quick feedback. Employee surveys and reviews across the Group give us a good idea of what helps employee satisfaction and what needs improving.

Employees

At the end of 2021, we had 265 employees, of which 143 worked in Sweden and 122 in the Czech Republic. Of the Group's employees, 24% were women and 76% men. Group Management consists of four members, one of whom is a woman.

Our Gender Equality Policy is based on using our internal resources and aiming to achieve equal distribution of men and women, a high level of ethics, equal value of all people and open and honest communication that enables the exchange of ideas.

	Men	Women	Total
Arla Plast AB			
Local management	5	1	6
Office-based staff	23	19	42
Production employees	83	12	95
	111	32	143
Arla Plast s.r.o.			
Local management	5	1	6
Office-based staff	11	15	26
Production employees	74	16	90
	90	32	122

Training and skills development

An important part of being an attractive employer is offering opportunities for development and career options. All new employees are given the opportunity to quickly and easily integrate into the organization and manage their duties thanks to a planned, systematic induction process. The need for training or other activities to enhance skills is identified during annual performance reviews. There are a number of examples of employees who have switched jobs or undergone further training during their employment, taking on new tasks and greater responsibility.

Health care and working conditions

Arla Plast offers its employees a fitness voucher to encourage everyone to get active and improve their health and well-being.

We regularly conduct employee surveys to find out how the organization and the working environment are perceived by employees. Issues raised include well-being and how employees perceive their workload, working hours, opportunities to have an impact, and harassment in the workplace. The results are published and followed up by both management and the local trade unions.

**Arla Plast engagement with the local community**

Arla Plast engages in open dialogue with local communities. Once a year, all the neighbours of the Borensberg production plant are invited to a meeting. This ensures continual stakeholder dialogue is maintained to address any issues for neighbours and to have an open dialogue to facilitate communication.

In 2021, Arla Plast Borensberg sponsored local sports clubs. Arla Plast has also supported the development of the Carlsund Training Centre in Motala.

In the Czech Republic, Arla Plast supports activities for the elderly and for children, youth sports and local hospitals.

We also support Médecins Sans Frontières.



Business ethics: human rights and corruption

Arla Plast has developed a guide for all employees to facilitate the interpretation of Arla Plast's Code of Conduct, The Arla Plast Way.

The Arla Plast Way describes and guides employees on how to act in different situations. The Arla Plast Way is based on the guideline document Sustainability Policy and Code of Conduct.

The guide contains

- Arla Plast: a good place to work
- Honesty and integrity
- Respect for customers
- Respect for each other
- Respect for company property
- We care about the world around us
- Inside information issues

Human rights and corruption

Guidelines can be found in The Arla Plast Way. All employees and agents have been trained on The Arla Plast Way and the appropriate laws in the countries where we operate. A whistleblowing function is in place to detect if someone violates these. No incidents in 2021. Contracts and costs are monitored on an ongoing basis.

Our supplier monitoring includes checking suppliers' compliance with our Code of Conduct. No cases of suppliers breaching our Code of Conduct were noted during the year.



Corporate governance



Arla Plast AB is following the 'Code' since the IPO

Arla Plast has been listed on Nasdaq Stockholm since 25 May 2021, since when it has applied the Swedish Code of Corporate Governance (the 'Code'). In this annual report, Arla Plast is submitting its first Corporate Governance Report, which covers the 2021 financial year. The corporate governance report has been reviewed by the company's auditors.

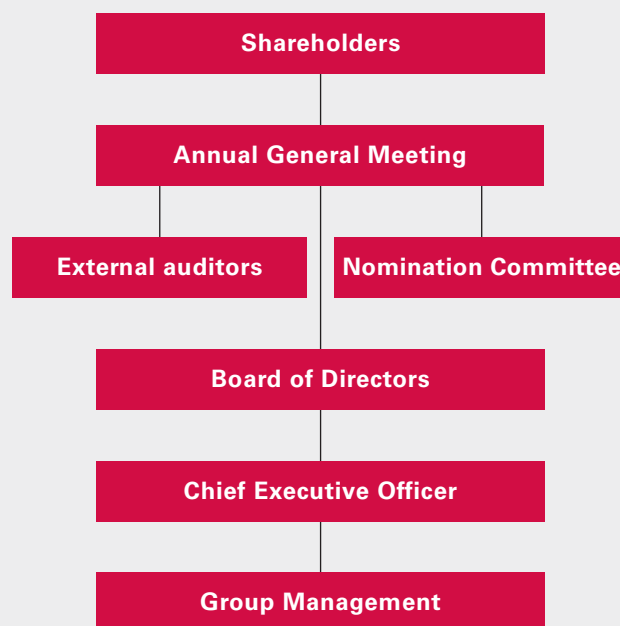
The Code is available in full on the website of the Swedish Corporate Governance Board (www.bolagsstyrning.se). The Code is based on the 'comply or explain' principle, which means companies applying the Code may deviate from individual rules but must provide an explanation for the deviation. Arla Plast did not make any such deviations in 2021. In addition to the Code, Arla Plast's corporate governance is based on legislation, Nasdaq Stockholm's regulations and internal corporate governance guidelines.

The figure to the right provides an overview of corporate governance within Arla Plast.

Shareholder information

Arla Plast shares have traded on Nasdaq Stockholm in the Small Cap segment since 25 May 2021. The share capital amounts to SEK 2.4 million, divided into 20 million shares, each carrying an equal number of votes and a share in the company's assets and profits. The number of shareholders at 31 December 2021 was just under 1,900. Synnersten Invest AB was the largest shareholder, followed by Svolder AB and Nortal Invest AB, all three of which held shares corresponding to 10% or more of the total number of shares. The 10 largest shareholders together held 91.7% of the total number of shares. There is no limit on the number of votes each shareholder can represent and cast at a general meeting. For more information on ownership structure, share capital, share price performance, etc., please refer to the Arla Plast Shares section on pages 25–26 of this annual report. Information on the shareholdings of the Board of Directors and Group Management can be found on pages 53–55.

Corporate governance within Arla Plast



General meetings

General meetings are the company's highest decision-making body. General meetings are where shareholders exercise their voting rights on key issues, such as the adoption of the balance sheets and income statements, appropriation of the company's profits, discharge from liability of Board members and the CEO, the election of Board members and auditors, and the remuneration of the Board and auditors. The Annual General Meeting (AGM) is held annually within six months of the end of the financial year. In addition to the AGM, an Extraordinary General Meeting may be convened. Notice of the AGM or Extraordinary General Meeting at which amendments to the Articles of Association will be considered must be issued no earlier than six weeks and no later than four weeks before the meeting. Notice of any other Extraordinary

General Meeting must be issued no earlier than six weeks and no later than three weeks before.

The Articles of Association of Arla Plast contain no restrictions on the number of votes each shareholder may cast at a general meeting. Arla Plast held a total of four general meetings in 2021, one of which was the AGM. One of the four general meetings was held after the company's shares were listed on Nasdaq Stockholm on 25 May 2021.

Extraordinary General Meeting 5 January 2021

The Extraordinary General Meeting elected Jan Synnersten as a member of the Board for the period until the end of the next AGM. Barbro Forss stepped down as a member of the Board.

Extraordinary General Meeting 12 February 2021

This Extraordinary General Meeting took decisions on new articles of association, including a record day provision. A decision was also taken to change Arla Plast AB's corporate classification to a public company. The AGM also decided on Board fees of SEK 400,000 for the Chairman of the Board, SEK 220,000 for each of the other Board members elected by the AGM, SEK 70,000 for the chairman of the Audit Committee and SEK 40,000 for each of the other members of the committee, and SEK 40,000 for the chairman of the Remuneration Committee and SEK 25,000 for each of the other members of the committee.

Annual General Meeting 27 April 2021

The AGM re-elected Kenneth Synnersten, Sten Jakobsson, Leif Nilsson, Ola Salmén, Jan Synnersten and Annelie Arnäck as members of the Board for the period until the end of the next AGM. Kenneth Synnersten was re-elected as Chairman of the Board. It was decided to pay fees of SEK 220,000 to each of the Board members elected by the AGM who are not employees of the company and SEK 400,000 to the Chairman. The meeting also decided that the remuneration of the members of the Audit Committee would be SEK 40,000 and SEK 70,000 for the chairman of the Audit

Committee. The members of the Remuneration Committee will receive SEK 25,000 and its chairman SEK 40,000. The AGM also decided to re-elect the auditing firm Ernst & Young Aktiebolag as auditor for the period until the end of the next AGM and that Johan Eklund would be the principal auditor.

The AGM also authorised the Board to decide on a new issue of shares. The total number of shares that may be issued under the authorization may not exceed 2,000,000 shares. The AGM also adopted guidelines on the remuneration of senior executives, principles for the appointment of the Nomination Committee, and instructions for the Nomination Committee.

Extraordinary General Meeting 18 August 2021

The Extraordinary General Meeting decided to increase the number of Board members elected by the general meeting from six to seven. To adjust the Board's remuneration by providing for an additional annual fee to be paid to the Board; however, such annual fee will be paid pro rata in relation to the length of the period of service. The meeting also elected Ulf Hedlundh as a member of the Board for the period until the end of the next AGM. In view of the fact that Arla Plast's first Nomination Committee, in accordance with the principles for the appointment of Nomination Committees adopted at the 2021 AGM, would not be constituted until autumn 2021, the proposal was prepared by the main shareholders. The proposal was made by Synnersten Invest AB, Svolder AB and Nortal Investments AB.

Nomination Committee

The Nomination Committee represents Arla Plast's shareholders and has the task of proposing to the AGM the Chairman of the Board, the members of the Board, the auditor and auditor's fees, the chairman of the AGM, and the fees for Board and committee work. In addition, the Nomination Committee submits proposals for the Nomination Committee's instructions if required.

Arla Plast's AGM of 27 April 2021 determined the principles for the appointment of the Nomination

Committee and instructions for its work, to apply until further notice until a resolution to amend them is passed by the AGM. According to these, the Nomination Committee shall consist of one representative from each of the three largest shareholders in terms of voting rights, based on shareholder statistics from Euroclear Sweden as of the last business day in September of the year prior to the AGM and other reliable shareholder information provided to the company at that time. For the purposes of determining who constitutes the largest shareholders in terms of voting rights, a group of shareholders shall be deemed to constitute one shareholder if they have been grouped together in the register of Euroclear Sweden or have made public and have notified the company that they have reached a written agreement to take a long-term approach to the management of the company by exercising their voting rights in a concerted manner. The Chairman of the Board is responsible for contacting the largest shareholders and convening the Nomination Committee. If any shareholder chooses to waive their right to appoint a member to the Nomination Committee, the right shall pass to the next largest shareholder in terms of voting rights.

The chairman of the Nomination Committee shall, unless the members agree otherwise, be the member representing the largest shareholder in terms of votes. However, the Chairman of the Board or another member of the Board must not be the chairman of the Nomination Committee. Members of the Board of Directors may be members of the Nomination Committee, but should not constitute a majority of the members of the Nomination Committee. The majority of the members of the Nomination Committee should be independent of the company and its management. The Chief Executive Officer or any other member of senior management should not be a member of the Nomination Committee. At least one of the members of the Nomination Committee should be independent of the largest shareholder or group of shareholders in the company by voting rights that cooperate regarding the management of the company.

The committee's composition should be published on the company's website no later than six months before the AGM. If a member is appointed by a particular shareholder, the name of the shareholder must be stated. The website shall also provide information on how shareholders can submit proposals to the Nomination Committee. The term of office of the Nomination Committee is until a new Nomination Committee is appointed. No remuneration is paid to members of the Nomination Committee. However, the Nomination Committee is entitled to charge the company reasonable costs for the performance of its task.

Nomination Committee for the 2022 Annual General Meeting

The Nomination Committee for the 2022 AGM is consequently the first in Arla Plast's history and consists of representatives of the company's three largest shareholders as of 30 September 2021. As the largest shareholder's representative is also the Chairman of the Board, Kenneth Synnersten representing Synnersten Invest AB, the Nomination Committee has agreed to appoint the second-largest shareholder's representative, Lars Kvarnsund, representing Svolder AB, as chairman of the Nomination Committee. In addition, Fredrik Persson, representing Nortall Investments AB, is a member of the Nomination Committee.

Since its establishment in autumn 2021, the Nomination Committee has met four times. At the Nomination Committee meeting on 2 December, the Chairman of the Board presented the evaluation of the Board that he had commissioned with the Board members in November 2021. By means of the Nomination Committee, Arla Plast applies rule 4.1 of the Code as a diversity policy when preparing proposals for Board members. The objective of the policy is for the composition of the Board of Directors to be appropriate to the company's activities, stage of development and other circumstances, and should reflect diversity and breadth in terms of the skills, experience and background of the members elected by the general meeting. An equal gender

balance should be sought. For the 2022 AGM, the Nomination Committee has assessed whether the composition of the current Board meets the requirements of the Code's Diversity Policy and has found that the gender balance is not met. Achieving a more equal gender balance is a priority for the Nomination Committee's future work.

External auditors

The company's auditor, elected at the AGM, audits Arla Plast's annual accounts and consolidated accounts, the management by the Board of Directors and the CEO, the Board of Directors' proposal for the appropriation of profit for the year, and issues an audit report. The AGM elects the auditor for one year at a time.

Ernst & Young are Arla Plast's auditors, and at the 2021 AGM they were re-elected with Johan Eklund as lead auditor. Johan Eklund attended part of the Audit Committee meeting and the Board meeting

in February and March 2022 and reported the comments from the 2021 audit. The audit of the Group's companies is coordinated by Ernst & Young and audited by the Ernst & Young network.

Internal audit

Arla Plast has developed management and internal control systems. The Board follows up on management's assessment of internal controls. In light of this, the Board has decided not to establish a specific internal audit function.

Board of Directors

The Board of Directors is the highest decision-making body after the general meeting and the highest executive body. According to the Companies Act, the Board of Directors is responsible for the organization of Arla Plast and the management of the company's affairs. The Board continually assesses Arla Plast's financial situation and ensures that the



company's financial conditions can be controlled in a satisfactory manner. The Board decides on issues related to the Group's strategic direction and organization, and makes decisions on significant acquisitions, investments and divestments. The Board regularly evaluates the performance of the CEO and Group Management. Before each AGM, following a proposal from the Remuneration Committee, the Board proposes guidelines for remuneration of the CEO and other senior executives.

The Board has established written rules of procedure for its work, which are reviewed, updated and redefined annually at the inaugural Board meeting. These rules of procedure govern matters such as board practices, functions and the distribution of work between the Board members and the CEO. At the inaugural Board meeting, the Board also establishes instructions for financial reporting and instructions for the CEO and the committees. The Board has established an Audit Committee in accordance with the Companies Act and a Remuneration Committee in accordance with the Code. The Board appoints the CEO.

The AGM of 27 April 2021 elected six members; one woman and five men. Following the public listing of the company and the entry of new shareholders, an additional member was elected to the Board at an Extraordinary General Meeting on 18 August 2021. In addition, trade union IF Metall has appointed a member to the Board and Unionen has the possibility to appoint one. Including employee members, the Board currently consists of eight members, with the possibility of nine. Information about the members of the Board of Directors can be found on pages 53–54. The CEO attends the meetings of the Board to present reports. Other Arla Plast employees attend Board meetings to present reports on specific issues. The company's CFO acts as secretary to the Board.

Responsibilities and work

The Board meets regularly according to a programme set out in its rules of procedure, which includes certain fixed decision points. In addition

to these Board meetings, further Board meetings may be convened to deal with matters that cannot be referred to an ordinary Board meeting. In addition to the Board meetings, the Chairman and the CEO maintain ongoing dialogue regarding the management of the company. In 2021, 15 minuted Board meetings were held, five of which were by correspondence. Before each Board meeting, members receive an agenda and relevant documentation. At each meeting, the Board reviews current business conditions, as well as the Group's performance, financial position and outlook. Other issues addressed include the supply and price development of inputs and production capacity. During 2021, issues related to the IPO were also addressed, along with the resignation of former CEO Henrik Håkansson on 1 November and the appointment of Christian Krichau as interim CEO, as well as the appointment of Christian Krichau as permanent President and CEO on 7 December. In November, the Chairman commissioned an evaluation of the Board, which was carried out by a third party.

Board committees

Audit Committee

The Board has established an Audit Committee consisting of three members: Ola Salmén, Jan Synnersten and Leif Nilsson. Ola Salmén chairs the committee. Without affecting the other responsibilities and duties of the Board, the Audit Committee shall, among other things, monitor the company's financial reporting, monitor the effectiveness of the company's internal control and risk management, keep informed of the audit of the annual accounts and consolidated accounts, review and monitor the impartiality and independence of the auditor, with particular attention to whether the auditor provides the company with services other than audit services, and assist in the preparation of the procurement of auditor services and in connection with the general meeting's decision on the election of the auditor. During the year, the committee held eight meetings, all of which were with the company's auditor. All committee members were present.

Remuneration Committee

The Board has established a Remuneration Committee consisting of two members, Sten Jakobsson and Kenneth Synnersten. Sten Jakobsson chairs the committee. The main task of the Remuneration Committee is to prepare the Board's decisions on matters relating to remuneration principles, remuneration and other terms of employment for senior management. The committee is also tasked with monitoring and evaluating the company's variable remuneration programme for senior management, as well as monitoring and evaluating the application of the guidelines for remuneration of senior executives established by the AGM and the company's current remuneration levels and structures. The Remuneration Committee also determines remuneration and other terms of employment for senior executives reporting directly to the CEO. The committee held four meetings during the year, with both members present at these meetings.

Remuneration of the Board

The remuneration and other compensation of the members of the Board, including the Chairman, is determined by the general meeting. The AGM of 27 April 2021 resolved that the remuneration for the period until the end of the next AGM shall be SEK 400,000 to the Chairman of the Board and SEK 220,000 each to the other members of the Board elected by a general meeting who are not employees of the company, SEK 40,000 to the chairman of the Remuneration Committee and SEK 25,000 each to the other members of the Remuneration Committee, and SEK 70,000 to the chairman of the Audit Committee and SEK 40,000 each to the other members of the Audit Committee. According to the company's guidelines for remuneration of senior executives, if a Board member performs work on behalf of the company in addition to Board work, a consultancy fee or other remuneration for such work may be paid. The table on page 50 shows the fees paid to the elected Board members for 2021.

The company's Board members are not entitled to any benefits after they have left the Board.

CEO and Group Management

The company's CEO is subordinate to the Board of Directors and oversees the day-to-day management of the company in accordance with the Swedish Companies Act and the Board's guidelines and instructions. The division of work between the Board and the CEO is set out in the rules of procedure of the Board and the instructions for the CEO. Measures that are of an unusual nature or of major importance, in view of the scale and nature of the company's activities, fall outside the scope of day-to-day management. The CEO also takes the measures necessary to ensure that the company's accounts are kept in accordance with the law and that funds are managed satisfactorily. The CEO monitors compliance with Arla Plast's objectives, policies and strategic plans set by the Board and is responsible for keeping the Board informed of Arla Plast's performance between Board meetings.

The CEO leads the work of Group Management, which is responsible for overall business development. In addition to the CEO, Group Management consists of the CFO, the head of the Czech operations, the head of the Swedish operations and the head of marketing. Group Management meets once a month to follow up on operations and discuss group-wide issues, as well as to prepare proposals for the business plan and budget.

For more information about the CEO and other senior executives, please refer to the Board of Directors and Management sections on pages 53–55. Henrik Håkansson was President and CEO until 1 November 2021, followed by Christian Krichau.

Guidelines for remuneration of senior executives

The AGM of 27 April 2021 adopted guidelines for the remuneration of senior executives. The guidelines apply to the remuneration of the CEO, other members of the company's senior management and, where applicable, remuneration of Board members in addition to the director's fee. The guidelines do not cover remuneration determined by the general meeting of the company.

Remuneration should be market-based and com-

petitive and may consist of a fixed salary, short-term variable remuneration, other benefits and pension. Total remuneration may also include long-term variable remuneration. Long-term variable remuneration is determined by the general meeting of the company and is therefore not covered by the guidelines.

Fixed salary

Fixed salary shall consist of a fixed annual cash salary. Fixed salary should be market-related and determined based on responsibility, competence and performance. Fixed salary is reviewed every year.

Short-term variable remuneration

In addition to a fixed salary, short-term variable remuneration may be offered. Short-term variable remuneration should be linked to predetermined, measurable criteria, which may be financial or non-financial. These may also be individually tailored quantitative or qualitative targets. The criteria must be designed in such a way that they promote the company's business strategy, long-term interests and sustainability. Any short-term variable remuneration may not exceed 40% of the fixed annual salary of the CEO in any one financial year. For other members of Arla Plast's senior management, short-term variable remuneration in any one financial year may not exceed 30% of fixed annual salary.

Pension

Pension benefits, including health insurance, should be defined-benefit or defined-contribution plans and may not exceed 30% of fixed annual salary.

Other benefits

Other benefits may include health insurance, car allowance, housing allowance and health and fitness allowance. Such benefits, where they exist, should be in line with market conditions and only account for a limited part of total remuneration. Premiums and other costs relating to such benefits may not in total exceed 20% of fixed annual salary.

Notice period and severance pay

The notice period for the CEO from the company may not exceed 12 months. In the event of resignation by the CEO, the period of notice may not exceed six months, without entitlement to severance pay. The notice period for other senior executives is six months if employment is terminated by the company and four months if employment is terminated by the employee.

Total fixed salary during the period of notice and severance pay, including compensation for any non-competition clause, may not exceed an amount equal to two years' fixed salary.

Deviation from guidelines

The Board may decide to temporarily deviate from the guidelines wholly or in part, if there are special reasons for doing so in a specific case and a deviation is necessary to meet Arla Plast's long-term interests, including its sustainability, or to ensure Arla Plast's financial viability. As stated above, the Remuneration Committee's tasks include preparing the Board's decisions on remuneration issues, including decisions on deviations from the guidelines.

Current terms of employment for the CEO and other senior executives

The current CEO took up his position as permanent CEO on 7 December 2021. The CEO's fixed monthly salary amounts to SEK 170 thousand. Subject to the achievement of certain targets set in advance by the Board, the CEO may also receive an annual bonus. The bonus for 2022 may amount to a maximum of SEK 816 thousand. The period of notice between the CEO and the company is six months in the case of resignation by the CEO and 12 months in the event of termination of employment by the company.

For the other senior executives, a period of notice of four months is required in the event of the senior executive resigning and a notice period of six months is required in the event of termination of employment by the company.

Other senior executives have the opportunity to

receive an annual bonus, subject to the achievement of specific targets.

Agreement on remuneration after termination of assignment

No Board members or senior executives have a post-employment benefit agreement (with the exception of normal termination pay for the CEO and senior executives). The company has no amounts set aside or accrued for pensions or similar benefits following cessation of service of Board members or senior executives.

Incentive programme

See the Shares, Share Capital and Ownership section for a description of the company's long-term incentive programme.

Internal controls and risk management

General

The Board's responsibility for internal controls is governed by the Companies Act, the Annual Accounts Act – which requires information about the main features of the company's internal control

system to be included in the corporate governance report – and the Code. Internal control is a process designed to provide reasonable assurance regarding the achievement of the company's objectives with respect to effective and efficient operations, reliable reporting and compliance with applicable laws and regulations. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of external financial reporting and that external financial reporting is prepared in accordance with the law, applicable accounting standards and other requirements applicable to listed companies.

The Board of Directors has overall responsibility for the company's internal controls. This is formally ensured by written rules of procedure which define the responsibilities of the Board and how responsibilities are divided between Board members, Board committees and the CEO. For more information on the division of the tasks of the Board and the Audit Committee, see the sections Corporate Governance – Board of Directors and Corporate Governance – Audit Committee sections above.

The company has chosen to structure its risk

Fees in 2021, SEK

Name	Year elected	Independence in relation to the company/ share-holders	Attendance of Board meetings	Attendance of Audit Committee	Attendance of Remuneration Committee	Board fees	Audit Committee fees	Remuneration Committee fees	Total fees
Kenneth Synnersten	2004	Yes/No	15/15		4/4	400,000	0	25,000	425,000
Anneli Arnäck	2009	Yes/No	15/15			220,000	0	0	220,000
Ulf Hedlundh*	2021	Yes/No	5/5			81,304	0	0	81,304
Sten Jakobsson	2018	Yes/yes	15/15		4/4	220,000	0	40,000	260,000
Leif Nilsson	2014	Yes/yes	15/15	7/7		220,000	40,000	0	260,000
Ola Salmén	2018	Yes/yes	15/15	7/7		220,000	70,000	0	290,000
Jan Synnersten	2021	Yes/No	15/15	7/7		220,000	40,000	0	260,000

*Elected at the Extraordinary General Meeting of 12 August 2021.

management and internal control work in a framework that includes the control environment, risk management, control activities, information and communication, and monitoring and follow-up.

Control environment

The company's control environment is based on the division of work between the Board, the Board committees and the CEO, as well as the values that the Board and management communicate and work from. In order to maintain and develop an effective control environment, to comply with applicable laws and regulations and to ensure that the Group's preferred way of doing business is adhered to throughout the Group, the Board, as the ultimate responsible body, has established a number of basic guideline documents and policies relating to risk management and internal control.

The Arla Plast Way code of conduct contains what all employees need to know about these guideline documents. Reviewing and understanding is a mandatory part of new recruitment and training on the content is provided on an ongoing basis for all employees. In addition, targeted training is provided on guideline documents based on role and requirement.

Risk management

Arla Plast has implemented a process-oriented approach to risk management, which means that we conduct an annual risk analysis and risk assessment. According to this procedure, risks are identified and classified in the following four areas:

- Strategic risk
- Operational risk
- Regulatory compliance risk
- Financial risk

The purpose of the risk analysis is to identify the most significant risks that could prevent Arla Plast from achieving its business objectives. Risks are evaluated based on the likelihood of their occurrence within a three-year period and the extent to which the risks could affect Arla Plast's objectives if they were to occur. Another purpose of the risk

analysis is to assess the effectiveness of counter-measures.

Risks are evaluated and scored, on a scale of one to five, based on the likelihood of their occurrence and potential impact. For the most significant risks, with a total risk score of 12 or higher, there is a specific action plan to reduce or eliminate the risk exposure. Risks with a risk score of eight or higher will be monitored during the year and included in next year's risk assessment.

The CEO is responsible for presenting the overall risk analysis to the Board on an annual basis.

In addition to the annual risk assessment, risks are continually evaluated as part of day-to-day business operations. Significant changes in the risk situation or major risk exposures are reported to the Board immediately by the CEO.

Control activities

In order to ensure a minimum level of internal control, Arla Plast has defined a number of control activities. These control activities serve as a starting point for the minimum level of control that must be established and functioning in Arla Plast's overall key Group processes. Identified key processes involving control activities include inventory, manufacturing, purchase to pay, order to pay, accounting, consolidation, reporting and budgeting. Qualitatively assessed processes covered are IT general controls and information security.

For each process, there should be a list, or 'control matrix', of identified risks and the control activities that need to be established to mitigate the risks, as well as a description of how the effectiveness of the control activities is monitored through self-assessments.

Information and communication

Internal information to employees is provided through various channels, including an internal portal which also contains policies and instructions.

The company's Board has adopted an Information Policy, which describes Arla Plast's handling and communication of inside information and other

external information requirements. The Board has delegated the responsibility for handling inside information-related issues to the CFO.

The investor relations (IR) function is managed and supervised by the CEO and the CFO. The main responsibility of the IR function is to support the CEO and senior executives in relation to the capital markets. The IR department also works with the CEO and CFO to prepare the company's financial reports, capital market presentations and other regular reporting.

Monitoring and follow-up

The results of Group Management's risk assessment, the related action plan and control activities are reported in an annual risk report to the Audit Committee. The risk report also summarises the results of self-assessments of the effectiveness of internal control and describes any discrepancies that need to be addressed. The Audit Committee reports to the Board annually.

The Board receives monthly reports on the Group's revenues, profit and financial position. The Group's interim reports, other financial reports and annual report are always reviewed by the Board before they are published. In addition, the Group's policies are subject to annual approval by the Board of Directors.

Board of Directors



Kenneth Synnersten

Chairman of the Board
since 2004

Born: 1946

Education: MSc in Polymer Chemistry, Royal Institute of Technology, and MSc in Business Administration, Stockholm University.

Other ongoing assignments: Chairman of Aros Congress Center AB, Aros Congress Center Holding AB, Plaza i Västerås AB and Västerås Coworking AB. Board member of Synnersten Invest AB.

Experience and previous assignments: CEO of Arla Plast 1993–2004. Deputy CEO of ABB Sweden. Chairman of City E Hotel in Västerås AB, Quicknet AB and Hakonsgården Hotell & Konferens AB and QuickNet Air AB. Board member of Handelsbanken Region Öst. Deputy Board member of Plaza i Västerås AB.

Shareholding: 9,650,000 shares through Synnersten Invest AB (owns 25% of the shares and 61% of the votes in Synnersten Invest).



Annelie Arnbäck

Board member
since 2009

Born: 1981

Education: MPhil, Uppsala University and LLB, Lund University.

Other ongoing assignments: Board member of Aros Congress Center Holding AB.

Experience and previous assignments: Product Manager at Arla Plast 2008–2012.

Shareholding: 9,650,000 shares through Synnersten Invest AB (owns 20% of the shares and 11% of the votes in Synnersten Invest AB).



Ulf Hedlundh

Board member
since 2021

Born: 1960

Education: MSc in Economics and Business, Stockholm School of Economics.

Other ongoing assignments: CEO of Svolder AB (publ) Board member of GARO AB (publ).

Experience and previous assignments: Various senior positions in analysis and management, Alfred Berg Group.

Shareholding: 8,208 shares



Sten Jakobsson

Board member
since 2018

Born: 1949

Education: MSc in Engineering, Royal Institute of Technology.

Experience and previous assignments: Chairman of Bliekevare Nät AB, Hedbodberget Säliträdberget Bliekevare Finans AB, PWP Produktion AB, Hedbodberget Säliträdberget Bliekevare Holding AB, Bliekevare Vind AB, Hedbodberget Vind AB, Röbergsfjället Nät AB, Säliträdberget Vind AB, Röbergsfjället Vind AB, Brahehus Vind AB, EnBW Sverige Vind AB, Granberget Vind AB, Röbergsfjället Finans AB, Sjisjka Brahehus Finans AB, Sjisjka Brahehus Holding AB and Luossavaara-Kiirunavaara Aktiebolag. Board member of Stena Metall Aktiebolag, SAAB Aktiebolag and Xylem Inc.

Shareholding: 650 shares

Board of Directors, cont.



Leif Nilsson

Board member
since 2014

Born: 1952

Education: MSc in Polymer Chemistry, Lund University of Technology.

Other ongoing assignments: Chairman and CEO of Cyclicor AB, RentUs AB, RIN-pack AB and HP Fastigheter Finspång AB. Chairman of CycleZyme AB. Board member of Bioextrax AB (publ), S Q i Sverige AB and T3 (EPZ) Ltd, Kenya.

Experience and previous assignments: CEO of Arla Plast, CEO of Trioplast Landskrona AB and several companies within Akzo Nobel. Chairman and industry representative for the Swedish Plastics Industry Association (SPIF). Board member of Svensk Plaståtervinning i Motala AB.

Shareholding: 650 shares



Ola Salmén

Board member
since 2018

Born: 1954

Education: MSc in Economics, Stockholm University.

Other ongoing assignments: Board member of Luossavaara-Kiirunavaara Aktiebolag and Hasseludden Konsult AB. Deputy Board member of Hasseludden Management AB.

Experience and previous assignments: Deputy CEO and CFO of Sandvik AB, CFO of V&S Vin & Sprit AB, among others. Chairman of Teracom AB. Board member of Trade Invent AB, Teracom Group AB, Lernia AB, Eniro AB and Svevia AB.

Shareholding: 1,900 shares



Jan Synnersten

Board member
since 2021

Born: 1972

Education: Post-secondary engineering education.

Other ongoing assignments: Chairman of Quicknet AB.

Experience and previous assignments: CEO and Board member of QuickNet Air AB. CEO, Sunhill Ranch. Board member of Bromma Air Rental AB, Bromma Air Maintenance AB, BAM Intressenter AB, Bromma Air Sales AB. Branch board of Svenska Handelsbanken AB.

Shareholding: 9,650,000 shares through Synnersten Invest AB (owns 20% of the shares and 11% of the votes in Synnersten Invest AB).



Joacim Törnroth

Board member
since 2018

Born: 1986

Education: –

Other experience: Chief safety officer and contact for warehousing and logistics at Arla Plast.

Other ongoing assignments: Deputy Chairman of IF Metall trade union at Arla Plast

Previous assignments: –

Shareholding: –

Management



Christian Krichau

President and CEO
since 2021

Born: 1976

Education: Master in Executive MBA, Stockholm University.

Experience and previous assignments: Among others, Head of Procurement and Production at Arla Plast, Head of Procurement at Gbo Fastening Systems AB and Biltema Sweden AB.

Holdings: 80,000 warrants of series 2020/2023.



Tomas Jon

CEO of Arla Plast s.r.o since
2008

Born: 1972

Education: Engineering and Economics, Brno University of Technology.

Experience and previous assignments: Site Manager FTE Automotive Czechia and Deputy CEO of Schott Electronic Packaging.

Holdings: 100,000 warrants of series 2020/2023.



Monica Ljung

CFO
since 2005

Born: 1966

Education: MSc in Economics and Business, Örebro University.

Experience and previous assignments: CFO at Dana-gårds Grafiska AB, Financial Controller and Head of Accounting at HDF-Bolagen AB, Financial Manager at Zanda AB and Financial Manager of a distribution company within Atlas Copco.

Holdings: 100,000 warrants of series 2020/2023.



Peter Mikkonen

Commercial Director
since 2020

Born: 1971

Education: Bsc in Chemical Engineering. Institute of Technology at Linköping University.

Experience and previous assignments: Sales Manager at Omya AB and Manager at Senoplast Nordic AB with responsibility for operations in Sweden, Finland, Norway, Denmark and the Baltic countries. Product Manager and Development Engineer at Arla Plast.

Holdings: 100,000 warrants of series 2020/2023 and 400 shares.

Financial information

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Directors' report

The Board of Directors and the CEO of Arla Plast AB, company registration number 556131-2611, with its registered office in Borensberg, Motala municipality, Sweden, hereby present the annual accounts and consolidated financial statements for the 2021 financial year. The company's reporting currency is Swedish kronor (SEK) and all amounts are expressed in SEK thousand unless otherwise stated. Arla Plast AB has a subsidiary, Arla Plast s.r.o, with production in the Czech Republic.

Arla Plast is a producer and supplier of extruded sheets made of technical plastics. The plastic sheets are made of polycarbonate (PC), acrylonitrile butadiene styrene (ABS) and polyethylene terephthalate glycol-modified (PETG), and have many uses in a range of industries.

Arla Plast operates internationally, with sales to over 45 countries, focusing primarily on the European market. Sales are handled by local sales representatives and centrally based key account managers. The Group has three production facilities, located in Borensberg, Sweden, and in Kadaň and Pelhřimov in the Czech Republic.

- The volume of sales decreased by 6% to 22,646 tonnes (23,992 tonnes).
- Net sales increased by 5% to SEK 927.5 million (SEK 884.7 million). Organic growth was 5%.
- Operating profit decreased by 19% to SEK 86.2 million (SEK 105.9 million) and adjusted operating profit declined by 19% to SEK 92.3 million (SEK 113.5 million).
- The operating margin decreased to 9.3% (12.0%) and the adjusted operating margin decreased to 10.0% (12.8%).
- Earnings per share amounted to SEK 3.41 (SEK 4.01) before dilution and SEK 3.25 (SEK 3.93) after dilution.
- Net debt was SEK 44.5 million (SEK 37.0 million) at the end of the period, corresponding to 0.4x (0.3x) EBITDA.
- The Board of Directors proposes a dividend of SEK 1.50 per share, corresponding to 44% of profit for the year.
- Arla Plast was listed on Nasdaq Stockholm's Small Cap list in May 2021.
- Christian Krichau was appointed as the new CEO in December.

Group in summary*	2021	2020	Δ,%
Sales volume, tonnes	22,646	23,992	-6
Net sales, SEK thousand	927,494	884,680	5
EBITDA, SEK thousand	124,408	141,138	-12
Adjusted EBITDA, SEK thousand	130,515	148,773	-12
Operating profit, SEK thousand	86,215	105,920	-19
Adjusted operating profit, SEK thousand	92,322	113,555	-19
Operating margin, %	9.3	12.0	-22
Adjusted operating margin, %	10.0	12.8	-22
Profit for the year, SEK thousand	68,112	80,163	-15
Earnings per share, basic, SEK	3.41	4.01	-15
Earnings per share, diluted, SEK	3.25	3.93	-18
Net debt/EBITDA, multiple	0.36	0.26	38
Net debt, SEK thousand	44,512	37,037	20
Cash flow from operating activities, SEK thousand	47,694	148,840	-68
Equity/assets ratio, %	72.6	67.6	7

*For definitions and alternative performance measures, see page 93.

Net sales and operating profit

Arla Plast's volume of sales decreased in 2021 by 6% to 22,646 tonnes (23,992 tonnes) compared with the previous year. Much of the 2020 comparative year saw high demand for pandemic-related products, which has now subsided. Net sales increased by 5% to SEK 927,494 thousand (SEK 884,680 thousand), with organic growth of 5%. Price adjustments to meet higher input material prices, together with a change in product mix, had a positive impact on net sales. Net sales increased in both the Sweden and Czech Republic segments.

Operating profit for 2021 was SEK 86,215 thousand (SEK 105,920 thousand), a decrease of 19%. The operating margin was 9.3% (12.0%). Adjusted operating profit amounted to SEK 92,322 thousand (SEK 113,555 thousand) and the adjusted operating margin was 10.0% (12.8%). Operating profit was negatively affected by costs of SEK 3,088 thousand for the departure of the former CEO. Input costs remained high and had a negative impact on the gross margin.

Profit for the year and earnings per share

Profit before tax amounted to SEK 85,512 thousand (SEK 100,641 thousand). During the period, net financial income and expenses were SEK -703 thousand (SEK -5,279 thousand) and included interest expenses of SEK -1,016 thousand (SEK -1,052 thousand). Tax for 2021 was SEK -17,400 thousand (SEK -20,478 thousand), which corresponds to an effective tax rate of 20.3% (20.4%). Profit for the year was SEK 68,112 thousand (SEK 80,163 thousand). Earnings per share amounted to SEK 3.41 (SEK 4.01) before dilution and to SEK 3.25 (SEK 3.93) after dilution.

Cash flow

For the full year, cash flow from operating activities was SEK 47,694 thousand (SEK 148,840 thousand). The decrease was due to higher committed inventory, higher operating receivables and lower operating liabilities. Higher committed inventory and

operating receivables were mainly due to higher input prices. Operating profit was also lower.

Cash flow from investing activities in 2021 amounted to SEK -34,591 thousand (SEK -38,367 thousand) and mainly related to new and maintenance investments in the three production facilities.

Cash flow from financing activities totalled SEK -19,152 thousand (SEK -157,877 thousand) in 2021. The previous year was affected by a dividend of SEK -100,000 thousand to the shareholder.

Investments

Arla Plast continually invests in production equipment and in its production units. The Group's investments in property, plant and equipment in 2021 totalled SEK 34,562 thousand (SEK 40,998 thousand). The investment in a new production line in Borensberg to boost capacity, which started in 2019, entered operation in the first half of 2021. The investment is estimated to be approximately SEK 55,700 thousand, of which machinery and peripheral equipment account for around SEK 42,800 thousand, SEK 12,900 thousand relates to the refurbishment of the production hall, and SEK 1,100 thousand remains to be paid in 2022. Total depreciation for the year amounted to SEK -38,193 thousand (SEK -35,218 thousand).

Financial position

Arla Plast's total assets amounted to SEK 646,639 thousand as of 31 December 2021 (SEK 576,029 thousand).

The Group's net debt was SEK 44,512 thousand as of 31 December 2021 (SEK 37,037 thousand), which corresponds to 0.36x EBITDA (0.26x). Net debt increased due to the extension of a lease, which affected the lease liability of SEK 16.3 million in the third quarter (see note 19). In addition, increased tied-up working capital due to high raw material prices had a negative impact.

The Group's equity/assets ratio, i.e. equity at the

end of the period as a percentage of total assets, was 72.6% (67.6%).

Parent company

Arla Plast AB is the parent company of the Arla Plast Group. The parent company's activities include the Swedish operating activities, as well as group-wide functions such as management, finance, IT, purchasing and communications. For the full year, net sales in the parent company were SEK 618,501 thousand (SEK 614,077 thousand) and operating profit was SEK 64,358 thousand (SEK 86,700 thousand).

Cash and cash equivalents at year-end were SEK 18,397 thousand (SEK 23,126 thousand).

Segment

The Group's activities are monitored through the two operating segments, Sweden and the Czech Republic. Group-wide functions are found in both Sweden and the Czech Republic and are internally invoiced to ensure that earnings can be accurately monitored in each segment. The costs affecting comparability that relate to preparation costs for the company's IPO are charged to group-wide costs and have not been allocated.

Sweden

Key performance indicators	2021	2020	Δ,%
Sales volume, tonnes	14,871	16,211	-8
Net sales, SEK thousand	618,501	614,077	1
Operating profit, SEK thousand	70,490	94,378	-25
Operating margin, %	11.4	15.4	-26

The volume of sales for the full year 2021 decreased by 8%. Demand from some areas of use remained subdued, while demand from pandemic-related barrier products has slowed. Net sales increased by 1% to SEK 618,501 thousand (SEK 614,077 thousand). Price competition intensified towards the end of the year and we were unable to fully

compensate for higher raw material prices. Operating profit amounted to SEK 70,490 thousand (SEK 94,378 thousand). Profit was also impacted by costs of SEK 3,088 thousand relating to the departure of the former CEO. The operating margin decreased to 11.4% (15.4%).

Czech Republic

Key performance indicators	2021	2020	Δ,%
Sales volume, tonnes	8,929	8,642	3
Net sales, SEK thousand	343,622	314,138	9
Operating profit, SEK thousand	20,608	18,742	10
Operating margin, %	6.0	6.0	–

Sales volumes for the full year 2021 increased by 3%. Net sales rose by 9% to SEK 343,622 thousand (SEK 314,138 thousand) and, taking into account exchange rate fluctuations, the organic increase was 11%. Net sales increased due to favourable sales in home and garden, higher raw material prices and a change in product mix. Operating profit increased to SEK 20,608 thousand (SEK 18,742 thousand). The operating margin was unchanged at 6.0% (6.0%).

Seasonal variations

Arla Plast has a large number of customers in a wide range of industries. Demand for Arla Plast's products does not generally have any major seasonal variations except for MWPC, which usually has a weaker winter season and a stronger summer season. However, the Group's earnings are affected by the number of working days, with the number of public holidays and the summer holiday and Christmas periods having a negative impact.

Shares

On 25 May 2021, Arla Plast shares were listed on Nasdaq Stockholm's Small Cap list under the ARPL ticker. Shares corresponding to 52% of the number

of shares and votes were sold prior to the listing by the selling shareholder, Synnersten Invest AB. As of 31 December 2021, Synnersten Invest AB owns 48%, Svolder AB 13%, Nortal Investments AB 10%, Nordea Investment Funds 5% and Roosgruppen AB 5%. Arla Plast AB has a total of around 1,900 shareholders. A 2020/2023 incentive programme corresponding to a total of 980,000 share warrants has been issued to key employees (see note 9).

Financial targets

In preparation for the listing on Nasdaq Stockholm, the Board of Directors adopted financial targets, presented below, which are linked to Arla Plast's strategic initiatives.

Sales growth

Annual organic sales growth over a business cycle should be 5%. This target is not likely to be met during the 2021 financial year, as growth was unexpectedly high in 2020 due to the sale of barrier products at the start of the pandemic.

Operating margin

The operating margin should be at least 10% over a business cycle.

Net debt

The ratio of net debt to EBITDA should not exceed 2.5x.

Dividend policy

The dividend to shareholders should be approximately 30–50% of profit for the year. Decisions on dividends should reflect the company's financial position, cash flow and investment needs.

Significant events during the financial period

On 25 May 2021, Arla Plast shares were listed on Nasdaq Stockholm. The IPO was preceded by a sale of shares by the seller Synnersten Invest AB. The price per share in the offer was SEK 46, and 52% of the shares and votes were divested. As a result of

the offering, the company received almost 2,000 new shareholders, both institutions and private investors.

On 1 November, former President and CEO Henrik Håkansson resigned due to a lack of consensus between the Board and the CEO on issues related to the management of the company. Christian Krichau, who at the time was Production and Technical Manager, was first appointed as interim CEO and from 7 December became permanent President and CEO.

For Arla Plast, the pandemic resulted in new demand for transparent barrier products. Its production facilities ramped up and supplied large volumes of these products in 2020 and early 2021. As the world and the market have gradually returned to more normal behaviours, demand for this type of product has waned, while areas of use have recovered or increased in importance.

Throughout 2021, the raw material situation was turbulent, with prices rising sharply and almost doubling during the year.

A major investment in Borensberg started in 2019 to boost capacity, and became operational in 2021. The new extrusion line has an annual capacity of 3,500 tonnes.

Significant events after the end of the financial period

The turbulent situation regarding raw materials persists following the end of the financial year. Raw material prices remain high and there were no clear signs of them falling at the time of this annual report's publication.

Russia invaded Ukraine on 24 February 2022, and possible consequences in terms of supply of inputs, transport, demand and currencies are unclear at the time of this annual report's publication.

Significant risks and uncertainties

Exposure to risk is, to a greater or lesser extent, inherent to the business. Arla Plast's risk management consists of identifying, measuring and trying

to prevent these risks from becoming reality, while continually implementing improvements to reduce potential risks. The Group's risks have been divided into four overall risk areas; Operational Risk, Strategic Risk, Financial Risk and Compliance Risk. For each individual risk, the probability and impact on Arla Plast's operations are assessed, with a subsequent action plan. Reporting, monitoring and controls are carried out through formally established procedures and processes.

The supply and price of key raw materials is one of the most material operational risks. The primary and most important raw material component in production is PC, ABS and PETG granulate, and Arla Plast has chosen to coordinate all purchases of granulate centrally to benefit from economies of scale and obtain competitive prices and conditions from suppliers. Close internal monitoring is also carried out in order to respond and adjust customer prices. High volatility in the purchase price of key raw materials entails a certain risk of material shortages and profit risk. Arla Plast may experience disruptions for various reasons, but has good potential to move production between machines and units, thereby ensuring that orders can be fulfilled. Arla Plast's sales are aimed at a large number of customers, which means that the Group's exposure to individual customer losses is limited. To minimize the risk of customer losses, the Group has predominantly insured its accounts receivable against customer losses. Litigation risk refers to the costs that may be incurred as a result of the Group being a party to various legal disputes. The Group companies were not involved in any major, material disputes during the year.

Strategic risk mainly relates to macroeconomic factors and geopolitical conditions. Arla Plast is active on a global market and sells products to most countries around the world. For this reason, demand for Arla Plast's products is affected by macroeconomic factors, including general economic conditions, the global growth rate, regional trends and uncertainty in financial mar-

kets. All uncertainty factors related to economic future prospects that affect the purchasing habits of customers could have a negative impact on demand for Arla Plast's products, and could have an adverse effect on Arla Plast's operations, financial position and earnings. The Group actively monitors these risks in order to adapt its operations where necessary. Arla Plast faces competition in the various markets from both small and relatively large companies and continuously streamlines its production, distribution and organization in order to maintain its competitiveness. Furthermore, Arla Plast endeavours to build long-term relationships with customers and create added value through our conduct. A new risk that emerged in 2020 was the COVID-19 outbreak. Arla Plast has worked actively to prevent the spread of infection and negative impact on the Group's earnings through the implementation of clear instructions and plans at our facilities and for our employees. A number of new risks have been identified as a result of the ongoing war in Ukraine, which started after the balance sheet date. The sanctions against Russia have so far had a limited impact on Arla Plast's operations. However, this uncertain situation could change rapidly and in the short term lead to lower supply and higher prices for inputs and transport. Risks related to demand and currencies due to the uncertainty could arise, but are unclear at the time of this annual report's publication.

With regard to compliance risk, Arla Plast's operations are affected by a number of laws and regulations at both national and international levels. For this reason, significant resources and costs are dedicated to ensuring compliance with applicable rules, as well as to monitoring future regulations. Arla Plast is also developing and adapting procedures to identify tax-related risks in order to be able to appropriately manage them.

Financial risk includes market risk, liquidity risk, credit risk and refinancing risk. Currency risk is the most significant market risk, as the Group is

exposed to both transaction risk and translation risk. For a description of financial risks, please see note 3.

Sustainability and the environment

Arla Plast aims to conduct its operations in accordance with the legal requirements imposed on the business with regard to environmental impact and actively work to minimize the environmental footprint of the Group's operations and products. None of the companies in the Group conduct operations that are subject to permit and notification requirements.

Arla Plast's reputation is valuable and Arla Plast endeavours to leverage this asset, which can be affected by the company's actions and by external stakeholders. Arla Plast aims to be a good corporate citizen wherever the Group operates. A Code of Conduct has been formulated and implemented in the Group to ensure that all employees and agents within Arla Plast comply with good business practice.

A good, safe working environment is a strategically important issue for the Group. Great importance is attached to preventive work, which is carried out in cooperation between management, employees, the Group's safety organization and occupational health services.

Arla Plast has certifications in place for quality management, environment and work environment according to standards ISO 9001, ISO 14001 and ISO 45001.

In spring 2022, we intend to begin a certification process under the International Sustainability Carbon Certification (ISS) standard.

Research and development

The aim of the Group's research and development is to find new areas of use that create added value for customers. Research and development is a high priority within the Group and also includes development of production technology,

manufacturing processes and IT systems where necessary. This work is mainly carried out in or close to production and in close collaboration with customers. There is an extensive exchange of experience between segments to create synergies and new ideas for the future, with prioritization of products with a smaller environmental footprint. Arla Plast expenses development of new products and production processes as part of its operating activities.

Personnel

For 2021, the average number of full-time employees in the Group was 265 (258), an increase of 7 people. During the year, women accounted for 24% (24%) of employees. For further information on employees, please see note 9.

Arla Plast works to have a consistent culture throughout the organization and promotes a professional approach through Group-wide guidelines and principles, such as its Code of Conduct. Arla Plast has standardized processes and tools for employee interviews, job descriptions, succession planning and skills development to ensure a solid platform for the business while leveraging the capabilities of its employees.

Expected future developments

The new situation following Russia's invasion of Ukraine is creating uncertainty, and it is unclear how it will affect our company.

What we do know, however, is that we are a strong team, which quickly adjusts and adapts to market conditions, which remains our main aim in 2022. Please see Events After the End of the Reporting Period for more information.

Proposal for the appropriation of profit

The Group's retained earnings, according to the consolidated balance sheet, amount to SEK 432,459 thousand (SEK 364,347 thousand).

The Board of Directors proposes that earnings in SEK at the disposal of the AGM

Retained earnings and reserves	160,949,703
Comprehensive income for the year	40,107,827
Total	201,057,530

be appropriated as follows:

To shareholders, a dividend of SEK 1.50 per share	30,000,000
to be carried forward	171,057,530
Total	201,057,530

Opinion of the Board of Directors on the proposed dividend

The Board of Directors is of the opinion that the proposed dividend will not prevent the company from fulfilling its obligations in the short and long term, nor from making the necessary investments.

The proposed dividend can therefore be justified with regard to the provisions of Chapt. 17, Section 3, paragraphs 2–3 of the Swedish Companies Act.

The company's equity/assets ratio is satisfactory in view of the fact that operations continue to be conducted profitably. The company's liquidity is expected to be maintained at a similarly satisfactory level.

Multi-year review

Group performance in summary*

	2021	2020	2019	2018	2017
Sales volume, tonnes	22,646	23,992	19,120	18,794	20,617
Net sales, SEK thousand	927,494	884,680	794,567	796,130	809,080
EBITDA, SEK thousand	124,408	141,138	100,976	47,070	116,149
Adjusted EBITDA, SEK thousand	130,515	148,773	101,355	49,138	116,149
Operating profit, SEK thousand	86,215	105,920	65,074	15,640	85,423
Adjusted operating profit, SEK thousand	92,322	113,555	65,453	17,708	85,423
Operating margin, %	9.3	12.0	8.2	2.0	10.6
Adjusted operating margin, %	10.0	12.8	8.2	2.2	10.6
Profit before tax, SEK thousand	85,512	100,641	65,820	13,023	83,816
Profit for the year, SEK thousand	68,112	80,163	51,849	9,703	61,397
Net debt, SEK thousand	44,512	37,037	44,062	106,635	154,495
Net debt/EBITDA, multiple	0.36	0.26	0.44	2.27	1.33
Working capital/sales, %	27.6	21.2	27.7	29.7	31.3
Return on capital employed, %	18.8	22.9	12.6	3.4	16.6
Organic growth, %	5	13	-1	-5	6
Equity/assets ratio, %	72.6	67.6	65.3	62.1	54.4
Average number of full-time employees	265	258	256	262	287

*For definitions and alternative performance measures, see page 93.

Parent company performance in summary

	2021	2020	2019	2018	2017
Net sales, SEK thousand	618,501	614,077	519,050	519,397	529,275
Operating margin, %	10.4	14.1	8.2	3.5	11.6
Profit after financial items, SEK thousand	64,151	82,454	41,723	16,378	60,490
Return on equity, %	22.1	29.4	14.8	6.3	25.0
Total assets, SEK thousand	417,915	396,624	468,637	432,705	433,185
Equity/assets ratio, %	75.5	66.6	63.5	61.4	58.6
Average number of full-time employees	143	140	147	144	142

Consolidated statement of comprehensive income

Amounts in SEK thousand	Note	2021	2020
Net sales	6	927,494	884,680
Cost of goods sold	8,9	-746,987	-675,631
Gross margin		180,507	209,049
Selling expenses	8,9	-57,629	-63,946
Administrative expenses	8,9,36	-45,201	-41,568
Other operating income	10,14	8,855	6,056
Other operating expenses	11,14	-317	-3,671
Operating profit		86,215	105,920
Financial income	12,14	313	4
Financial expense	12,14	-1,016	-5,283
Profit before tax		85,512	100,641
Tax expense	13	-17,400	-20,478
Profit for the year		68,112	80,163
Other comprehensive income:			
Items that may be reclassified to profit or loss for the year:			
Exchange differences on translation of foreign operations		12,229	-12,769
Other comprehensive income for the year		12,229	-12,769
Total comprehensive income for the year		80,341	67,394
Amounts in SEK			
Earnings per share, basic	15	3.41	4.01
Earnings per share, diluted	15	3.25	3.93

Profit for the year and total comprehensive income for the year are attributable in their entirety to the shareholders of the parent company.

Consolidated statement of financial position

Amounts in SEK thousand

Note

31/12/2021

31/12/2020

ASSETS**Non-current assets**

Intangible non-current assets	17	509	805
Property, plant and equipment	18	280,836	275,253
Right-of-use assets	19	21,941	8,593
Other non-current receivables	20	7	14

Total non-current assets**303,293****284,665****Current assets**

Inventories	22	184,306	160,769
Accounts receivable	20,21	126,229	93,109
Other current receivables	20,23	11,136	10,788
Prepaid expenses and accrued income	24	3,110	2,884
Cash and cash equivalents	20,25	18,565	23,814

Total current assets**343,346****291,364****TOTAL ASSETS****646,639****576,029**

Consolidated statement of financial position, cont.

Amounts in SEK thousand	Note	31/12/2021	31/12/2020
EQUITY	26		
Share capital		2,400	2,400
Other capital contributions		1,666	1,666
Translation reserve		33,263	21,034
Retained earnings (including profit for the year)		432,459	364,347
Total equity attributable to owners of the parent company		469,788	389,447
LIABILITIES			
Non-current liabilities			
Non-current portion of lease liabilities	19	17,310	4,041
Deferred tax liabilities	28	40,549	38,697
Total non-current liabilities		57,859	42,738
Current liabilities			
Liabilities to credit institutions	20,27	41,106	52,186
Current portion of lease liabilities	19	4,661	4,624
Accounts payable	20	14,078	26,074
Current tax liabilities		4,771	6,609
Derivative instruments	20	–	32
Other liabilities	20,29	28,273	29,067
Accrued expenses and deferred income	30	26,103	25,252
Total current liabilities		118,992	143,844
Total liabilities		176,851	186,582
TOTAL EQUITY AND LIABILITIES		646,639	576,029

Consolidated statement of changes in equity

Amounts in SEK thousand	Attributable to equity holders of the parent			Retained earnings, including profit for the year	Total equity
	Share capital	Other capital contributions	Conversion reserve		
Opening balance, 1 January 2021	2,400	1,666	21,034	364,347	389,447
Profit for the year	–	–	–	68,112	68,112
Other comprehensive income for the year	–	–	12,229	–	12,229
Total comprehensive income for the year	2,400	1,666	33,263	432,459	469,788
Transactions with shareholders in their capacity as owners					
Dividend	–	–	–	–	–
Cash for share warrants	–	–	–	–	–
Closing balance, 31 December 2021	2,400	1,666	33,263	432,459	469,788
Opening balance, 1 January 2020	2,400	–	33,803	384,184	420,387
Profit for the year	–	–	–	80,163	80,163
Other comprehensive income for the year	–	–	-12,769	–	-12,769
Total comprehensive income for the year	2,400	–	21,034	464,347	487,781
Transactions with shareholders in their capacity as owners					
Dividend	–	–	–	-100,000	-100,000
Cash for share warrants	–	1,666	–	–	1,666
Closing balance, 31 December 2020	2,400	1,666	21,034	364,347	389,447

Consolidated statement of cash flows

Amounts in SEK thousand	Note	2021	2020
Cash flow from operating activities			
Operating profit		86,215	105,920
Adjustment for non-cash items	34	41,760	36,934
Interest received		–	4
Interest paid		-765	-1,912
Income tax paid		-16,732	-13,394
Cash flow from operating activities before changes in working capital		110,478	127,552
Cash flow from changes in working capital			
Increase/decrease in inventories		-18,451	5,215
Increase/decrease in operating receivables		-28,223	-6,989
Increase/decrease in operating liabilities		-16,110	23,062
Total change in working capital		-62,784	21,288
Cash flow from operating activities		47,694	148,840
Cash flow from investing activities			
Investments in intangible non-current assets	17	-29	-498
Investments in property, plant and equipment	18	-34,562	-40,998
Disposal of long-term receivables		–	3,129
Cash flow from investing activities		-34,591	-38,367
Cash flow from financing activities			
Derivative instruments		–	-184
Dividend		–	-100,000
Increased use of overdraft facility	33	6,544	17,022
Reduced use of overdraft facility	33	–	–
Borrowing from credit institutions	33	–	–
Repayments related to lease liability	33	-6,392	-5,324
Repayment of liabilities to credit institutions	33	-19,304	-31,560
Repayment of liabilities to Group companies	33	–	-39,497
Cash for share warrants	9	–	1,666
Cash flow from financing activities		-19,152	-157,877
Decrease/increase in cash and cash equivalents		-6,049	-47,404
Cash and cash equivalents at start of year		23,814	77,430
Exchange differences in cash and cash equivalents		800	-6,212
Cash and cash equivalents at year-end	25	18,565	23,814

Group notes

Note 1 General information

Arla Plast AB, company registration number 556131-2611, is a limited liability company registered in Sweden with its registered office in Borensberg. The address of the head office is Box 33, 591 06 Borensberg, Sweden. The parent company and its subsidiaries (which jointly form the Group)

manufacture and sell extruded sheets of plastic materials. The Board of Directors approved these consolidated financial statements for publication on 31 March 2022.

Unless otherwise stated, all amounts are presented in thousands of SEK (SEK thousand).

Note 2 Summary of significant accounting policies

This note contains a list of the significant accounting policies applied in the preparation of these consolidated financial statements. These policies were applied consistently for all years presented, unless otherwise stated. The consolidated financial statements include the parent company, Arla Plast AB, and its subsidiary, Arla Plast s.r.o.

Basis of preparation of the financial statements

The consolidated financial statements of the Arla Plast AB Group have been prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Groups, and International Financial Reporting Standards (IFRS) as adopted by the EU.

The consolidated accounts have been prepared using the historical cost method, with the exception of financial instruments, which are measured at fair value (derivative instruments).

The preparation of statements in compliance with IFRS requires the use of certain critical accounting estimates. Furthermore, management is required to make certain assumptions and judgements in the application of the Group's accounting policies. These estimates and assumptions are generally based on historical experience and other factors, including expectations of future events. The actual outcome may differ from the estimates that were made. Estimates and judgements may affect the statement of comprehensive income and the statement of financial position, as well as additional information provided in the financial statements. Accordingly, changes in estimates and judgements may result in changes to the financial statements. Estimates have been made for impairment of inventories, accounts receivable and non-current assets. These estimates are not expected to have a material impact on the statements of comprehensive income or financial position in cases where the outcome does not exactly match the estimates made.

The consolidated financial statements have been prepared on a going concern basis. The consolidated financial statements have been prepared in accordance with the purchase method of accounting.

Gross accounting is consistently applied to recognition of assets and liabilities, except where both a receivable and a payable exist from the same counterparty and they are legally allowed to be set off and the intention is to do so. Gross accounting is also applied to income and expenses unless otherwise stated.

Non-current assets, non-current liabilities and provisions

are expected to be recovered or settled more than 12 months after the balance sheet date. Current assets and current liabilities are expected to be recovered or settled less than 12 months after the balance sheet date.

New and amended accounting policies and standards

In this Annual Report, the Group and the parent company are applying for the first time the new and amended accounting standards and interpretations for financial years commencing on 1 January 2021 or later. No new or amended standards, or interpretations of existing standards, to be applied for financial years beginning on or after 1 January 2021, are expected to affect the financial reporting of the Group or the parent company.

Consolidated financial statements

The consolidated financial statements include the parent company Arla Plast AB and its wholly owned subsidiary Arla Plast s.r.o. The subsidiary is included in the consolidated financial statements from the date on which control was transferred to the Group. Intra-group transactions, balance sheet items and unrealized gains and losses on transactions between group companies are eliminated.

Segment reporting

Arla Plast's operations are reported by segment. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The CEO is the chief operating decision-maker of the Arla Plast Group and evaluates the Group's financial position and earnings and makes strategic decisions. The CEO assesses the business based on the two operating segments, Sweden and the Czech Republic, and mainly uses net sales and adjusted operating profit to assess the performance of the segments.

Translation of foreign currency

Functional currency and presentation currency

The various entities within the Group use the local currency as their functional currency. The consolidated financial statements use the Swedish krona (SEK), which is the parent company's functional currency and the Group's presentation currency.

Transactions and balance sheet items

Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing at the

Note 2 cont.

date of the transaction. Foreign exchange gains and losses arising from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in other operating income and expenses in the statement of comprehensive income. Foreign exchange gains and losses relating to loans and cash and cash equivalents are recognized in the statement of comprehensive income as financial income or expense.

Translation of foreign group companies

The earnings and financial position of the subsidiary, which has a functional currency other than the presentation currency, are translated into the Group's presentation currency. Assets and liabilities for the balance sheets are translated from the functional currency of the subsidiary into the Group's presentation currency, SEK, at the exchange rate prevailing on the balance sheet date. Income and expenses are translated into SEK at the average exchange rate. Translation differences arising from translation of the accounts of foreign operations are recognized in other comprehensive income.

Revenue recognition

The group manufactures and sells products in the form of extruded sheets of plastic materials to other companies. In addition to the products that Arla Plast offers its customers, a customer can order various 'additional services' such as transport, processing, setup costs, etc. The additional services that Arla Plast offers its customers are linked to a product that the customer has ordered and are therefore not services that the customer can purchase separately. The additional services are not considered to be distinct, but together with the goods constitute a performance commitment. Net sales refer to revenue from the delivery of goods and additional services, net of discounts and rebates, excluding VAT and after elimination of intra-group sales.

Revenue is recognized at the date when control over the products and services delivered is transferred to the counterparty in accordance with the contract. The recognized revenue reflects the expected remuneration in connection with fulfilment of contractual obligations to customers and corresponds to the remuneration to which the Group believes it is entitled. The time from order to delivery is usually short.

Each customer order constitutes a contract and each separate product in the order is considered a separate performance commitment. The transaction price in the respective contract with the customer is usually a fixed amount, but sometimes products are sold with volume discounts based on cumulative sales over a 12-month period. Revenue is recognized based on the contract price, less estimated volume discounts. Historical data is used to estimate the expected value of discounts and revenue is recognized only to the extent that it is highly probable that a material reversal will not occur. Sales commissions may accrue on paid accounts receivable. Each order is considered a customer contract and the duration of the additional expenditure to obtain a customer contract is expensed as incurred since the contracts are short-term. A liability, included in the item other liabilities, is recognized for expected volume discounts in relation to sales up to the balance sheet date. Accounts receivable are recognized when the goods have been delivered. The company has no accrued income from contracts with customers. No financing com-

ponent is deemed to exist at the time of sale, as the credit period is a maximum of 120 days.

Other income includes consideration for sales other than in the ordinary course of business, such as net gains on the sale of non-current assets, government grants received and exchange gains of an operating nature. Government grants are recognized at fair value when there is reasonable assurance that the grants will be received and the Group will comply with the conditions attached to the grants.

Financial income includes interest income and foreign exchange gains related to financial assets and liabilities. See also sections on recognition of financial assets and currencies.

Current and deferred income tax

Tax expense for the period includes current and deferred income tax. Current tax expense is calculated based on the applicable tax rules on the closing date that have been decided or which are, in practice, decided in those countries where the parent company and its subsidiaries operate and generate taxable income. The management regularly evaluates the claims made in tax returns with regard to situations where the applicable tax rules are subject to interpretation.

Deferred tax is recognized on all temporary differences arising between the taxable value of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is not recognized if it arises from a transaction that is the initial recognition of an asset or liability that is not a business combination and, at the time of the transaction, affects neither recognized nor taxable earnings. Deferred income tax is calculated using tax rates (and laws) that have been enacted or announced by the balance sheet date and that are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilized.

Deferred tax assets and liabilities are offset when there is a legal right of set-off for current tax assets and liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same tax authority and concern either the same taxable entity or different taxable entities, where there is an intention to settle the balances through net payments.

Leasing

Arla Plast has chosen to apply the relaxation rules allowed by the IFRS, which means that the consolidated statement of financial position does not include short-term leases and leases for which the underlying asset is of low value (EUR 5 thousand according to Arla Plast's application). Lease payments from these excluded contracts are recognized as an operating expense on a straight-line basis over the lease term in accordance with previous guidance.

The Group recognizes right-of-use assets and lease liabilities at the commencement date of the lease. Right-of-use assets are initially measured at cost, consisting of the initial measurement of the lease liabilities, any lease payments made on or before the commencement date, taking into account any discounts, any initial direct costs and restoration costs, and subsequently at cost less any accumulated depreciation, amortization and impairment losses, adjusted for any revaluation of the lease liability. The Group has chosen not to separate lease and non-lease components.

Note 2 cont.

Lease liabilities are initially recognized at the present value of future unpaid lease payments from the inception of the lease, discounted at either the implicit interest rate of the lease or, if this cannot be determined, the Group's marginal lending rate. In general, the Group uses the marginal lending rate as the discount rate.

Intangible non-current assets

The Group continually evaluates whether internally generated intangible assets, such as capitalized development expenditure and internally updated expenditure on computer systems that have been substantially modified, can be capitalized.

At present, the Group considers that no internally generated intangible assets meet the criteria for capitalization and therefore does not capitalize any internally generated intangible assets.

Licences for separately acquired software are capitalized on the basis of the expenditure incurred when the software in question is acquired and put into service. This expenditure is amortized over the estimated useful life of 3–5 years. The period of use is reviewed at least annually.

Property, plant and equipment

Property, plant and equipment mainly comprise buildings and land, machinery and other technical equipment, new plant in progress and inventories. Property, plant and equipment are recognized at cost less depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced component is derecognized from the statement of financial position. All other repairs and maintenance are recognized as costs in the statement of comprehensive income in the period in which they are incurred.

Property, plant and equipment consisting of parts with different useful lives are treated as separate components of property, plant and equipment. The carrying amount of an item of property, plant and equipment is derecognized from the financial statements upon disposal or when no future economic benefits are expected from the use or disposal of the asset.

Depreciation of assets is applied on a straight-line basis as follows in order to allocate cost down to the residual value over the estimated useful life:

• Buildings	25–40 years
• Land improvements	20 years
• Machinery and other technical equipment	10–15 years
• Equipment	3–10 years

The residual values and useful lives of the assets are reviewed at the end of each reporting period and adjusted if necessary. Gains and losses on disposal are determined by comparing the proceeds from the sale with the carrying amount and are included in other operating income/other operating expenses, net in the statement of comprehensive income. Impairment tests are performed when there is an indication of impairment. At present, all of the Group's units have good profitability and production capacity, so there is no indication for impairment testing.

Impairment of non-financial assets

Assets subject to impairment are reviewed to determine whether there is any decrease in value whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). What constitutes a relevant cash-generating unit depends on the nature of the asset to be tested for impairment and, in Arla Plast's operations, may be an individual machine, a production section, or a factory. For previously impaired assets, an assessment is made at each balance sheet date to determine whether a reversal should be made.

Financial instruments**Initial recognition**

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets and liabilities are recognized on the trade date.

Financial instruments are initially recognized at fair value plus, for an asset or financial liability that is not recognized at fair value through profit or loss, transaction costs that are directly attributable to acquisitions, or issues of a financial asset or financial liability (e.g. fees and commission). Transaction costs for financial assets and financial liabilities recognized at fair value through profit or loss are expensed in the statement of comprehensive income.

Financial assets – Classification and measurement

The Group classifies and measures its financial assets in the categories amortized cost (debt instruments) and fair value through profit or loss. Classification of investments in debt instruments depends on the Group's business model for managing financial assets and the contractual terms of the cash flows of the assets.

All of the Group's financial assets are measured at amortized cost, except for derivative instruments, if any, which are measured at fair value through profit or loss.

Derecognition of financial assets

Financial assets, or portions thereof, are derecognized from the financial statements when the contractual rights to collect the cash flows from the assets have expired or been transferred, and either (i) the Group transfers essentially all the risks and benefits associated with ownership or (ii) the Group neither transfers nor retains essentially all risks and benefits associated with ownership and has not retained control of the asset.

Financial liabilities – Classification and measurement

Financial liabilities are classified at amortized cost with the exception of derivative instruments, which are measured at fair value through profit or loss. Financial liabilities measured at fair value through profit or loss consist of forward exchange contracts and currency options and the Group does not apply hedge accounting.

Note 2 cont.

Derecognition of financial liabilities

Financial liabilities are derecognized from the financial statements when the obligations have been fulfilled, cancelled or otherwise extinguished. The difference between the carrying amount of a financial liability (or portion thereof) that is extinguished or transferred to another party and the remuneration paid, including transferred assets that are not cash or assumed liabilities, is recognized in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and liabilities are offset and recognized at a net amount in the financial position only when there is a legal right to offset the recognized amounts and an intention to settle them at a net amount or to realize the asset and settle the liability simultaneously. The legal right must not be dependent on future events and must be legally binding on the company and the counterparty both in the normal course of business and in the event of default, insolvency or bankruptcy.

Impairment of financial assets

The Group assesses the future expected credit losses associated with assets carried at amortized cost. The Group recognizes a credit reserve for expected credit losses at each reporting date. Measurement of expected credit losses aims to reflect an objective, probability-weighted outcome that takes into account multiple scenarios based on reasonable and verifiable forecasts. For accounts receivable, the Group applies the simplified approach for loss allowances, meaning that the reserve will correspond to the expected loss for the entire lifetime of the account receivable. To measure expected credit losses, accounts receivable have been grouped based on credit risk characteristics, which for the Group means the insured portion and the uninsured portion, as well as the number of days past due. The Group allocates all uninsured accounts receivable that are 60 days or more past due to the credit loss reserve. The Group writes off a receivable when there is no longer any expectation of receiving payment and when active steps to obtain payment have been completed. Expected credit losses are recognized in the consolidated statement of comprehensive income under other operating expenses.

Inventories

Inventories consist of raw materials, products in progress and finished goods produced in-house. Inventories are recognized at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make a sale. Cost for finished goods produced in-house consists of direct material costs, direct salaries and associated indirect production costs (based on normal production capacity). The cost of inventories is allocated on based on weighted average cost.

Cash and cash equivalents

Cash and cash equivalents include, in both the statement of financial position and the statement of cash flows, cash and bank balances.

Share capital

Ordinary shares are classified as equity.

Remuneration of employees

Short-term employee benefits

Liabilities for salaries and benefits, including non-monetary benefits and paid leave, which are expected to be settled within 12 months of the end of the fiscal year, are recognized as current liabilities in the undiscounted amount expected to be paid when the liabilities are settled. The expense is recognized in the statement of comprehensive income as the services are rendered by the employees. The liability is recognized as an accrued expense in the consolidated statement of financial position.

Pension obligations

The Group has both defined-contribution and defined-benefit pension plans. A defined-contribution plan is a pension plan under which the company pays fixed contributions to a separate legal entity. The Group has no legal or constructive obligations to pay additional contributions if the legal entity has insufficient assets to pay all compensation to employees relating to the employee's service during a current or earlier period. The premiums are reported as personnel costs in the statement of comprehensive income when they fall due.

Pension obligations for Swedish office-based employees, which is secured through insurance with Alecta, are reported as a defined-contribution plan. According to a statement from the Swedish Financial Reporting Board, UFR 10 Accounting for the Pension Plan ITP 2, financed through an insurance in Alecta, this is a defined-benefit multi-employer plan. For the 2021 financial year, the Group did not have access to information in order to be able to report its proportional share of the obligations of the plan, plan assets and costs and, therefore, it has not been possible to recognize the plan as a defined-benefit plan. The ITP 2 pension plan is therefore reported as a defined-contribution plan.

The collective consolidation level is the market value of Alecta's assets as a percentage of the insurance liabilities calculated according to Alecta's actuarial methods and assumptions, which do not comply with IAS 19 Employee Benefits. Normally, the collective consolidation level is permitted to vary between 125% and 175%. If Alecta's collective consolidation level is less than 125% or exceeds 175%, measures must be taken aimed at returning the consolidation level to the normal range. If the consolidation level is low, one measure may be raising the agreed price for new subscriptions and expanding existing benefits. If the consolidation level is high, one measure may be implementing premium reductions. At the end of the 2021 financial year, Alecta's surplus in the form of the collective consolidation ratio was 172% (148%).

Bonus plans

The Group recognizes an accrued expense and an expense for employee bonuses, based on a formula that takes into account the profit attributable to shareholders of the company after certain adjustments.

Dividends

The dividend to shareholders in the parent is recognized as a liability in the consolidated financial statements in the period when the dividend was approved by the shareholders.

Note 2 cont.

Earnings per share

Basic earnings per share are calculated by dividing:

- profit attributable to shareholders of the parent,
- by the average number of outstanding ordinary shares (see note 15).

During 2020, the Annual General Meeting decided to introduce an incentive programme under which 980,000 share warrants were issued to key employees. The warrants give

the right, but not the obligation, to participate in a new issue of shares in the company at a predetermined period, on predetermined terms. The issuance of warrants will therefore result in the company issuing new shares, which will have a dilutive effect on existing shareholders. Assuming full exercise of the warrants, share capital may increase by a maximum of SEK 117,600 through the issuance of 980,000 shares, corresponding to a dilution of 4.67% (see notes 9 and 15).

Note 3 Financial risk management

Financial risk factors

The Group is exposed through its activities to a variety of financial risks, mainly related to accounts receivable, accounts payable and liabilities to credit institutions: market risk (mainly comprising interest rate risk and currency risk), credit risk, liquidity risk and refinancing risk. The Group seeks to minimize potential adverse effects on its financial performance. The objective of the Group's financial activities is to:

- ensure that the Group can meet its payment obligations,
- manage financial risks,
- ensure access to the necessary funding; and
- optimize the Group's net financial position.

The Group's risk management is handled centrally in accordance with policies established by the Board of Directors. Financial risks are identified, evaluated and hedged in close cooperation with the Group's operating units. Responsibility for managing the Group's financial transactions and risks is centralized in the parent company.

Market risk

Currency risk

The Group operates in Sweden and internationally and is exposed to currency risk arising from various currency exposures, mainly with respect to the EUR. Currency risk arises when future business transactions or recognized assets and liabilities are expressed in a different currency to the entity's functional currency, known as transaction exposure. Furthermore, the Group is exposed to currency risk, in the form of translation risk, when translating the income, expenses, assets and liabilities of the subsidiary in the Czech Republic into the Group's presentation currency, which is Swedish kronor (SEK).

Currency risk arises at Arla Plast mainly from cross-border trade, where pricing and invoicing are denominated in EUR. The sensitivity of earnings to changes in exchange rates therefore arises in EUR. Significant balance sheet items denominated in EUR can be found in accounts receivable and accounts payable. Accounts receivable denominated in EUR amount to SEK 94,558 thousand (SEK 72,870 thousand) and accounts payable in EUR amount to SEK 26,956 thousand (SEK 20,296 thousand). In addition, the Group borrows in the same currency as the trading currency (EUR) and may enter into forward exchange contracts and currency options to financially hedge future foreign currency flows. The Group's borrowings in foreign currencies amount to EUR 3,263 thousand (EUR 3,400 thousand). The Group has loans denominated in EUR that have a currency impact when translated

into the functional currency of the respective company. For more information on currency derivatives, please see note 20.

Sensitivity analysis – transaction exposure

The Group is mainly exposed to changes in the EUR exchange rate. The sensitivity of earnings to changes in exchange rates mainly arises from transactions in EUR within the Group. If the SEK had weakened/strengthened by 10% against the EUR, with all other variables held constant, the restated profit for the year and equity for the 2021 financial year would have been SEK 6,465 thousand (SEK 4,170 thousand) higher/lower, mainly as a result of gains/losses on the translation of accounts receivable and accounts payable and loans in EUR.

Sensitivity analysis – translation exposure

If the SEK had weakened/strengthened by 5% against the CZK, with all other variables held constant, profit for the year and equity as of 31 December 2021 would have been SEK 9,477 thousand (SEK 8,060 thousand) higher/lower due to translation of the Czech subsidiary's income statement and balance sheet.

Interest rate risk

The Group's interest rate risk arises from borrowings. Amounts owed to credit institutions consist of bank loans denominated in SEK, CZK and EUR which bear interest at variable rates and expose the Group to cash flow interest rate risk. As of 31 December 2021, the average fixed interest rate period was 2.0 months (8.3 months). For further information on the Group's borrowings, please see note 27 Borrowings.

If interest rates on borrowings as of 31 December 2021 had been 50 basis points higher/lower with all other variables held constant, profit for the year and equity for the financial year would have been SEK 185 thousand lower/higher (SEK 238 thousand lower/higher), mainly as an effect of higher/lower interest expenses on floating rate borrowings.

Credit risk

Financial assets in the form of accounts receivable represent a credit risk for the Group. Customer credit risk is managed in the context of operating activities by each business unit and is based on the Group's established procedures and controls. Individual credit limits are identified for each customer based on guidelines and opinions on limits are based on the estimated risk profile. It should also be noted that in some customer-related transactions, Arla Plast works with advance payments from counterparties, which may be due both to cash flow optimization and credit risk management. Arla

Note 3 cont.

Plast works actively to monitor and ensure that outstanding accounts receivable are paid. In addition, Arla Plast insures the majority of its accounts receivable to reduce its credit risk. Of the accounts receivable that are insured, the insured portion usually amounts to 90%, excluding VAT on the invoice amount. Credit risk arises from cash and cash equivalents and deposits with banks. In cases where no independent credit assessment is available, a risk assessment is also conducted regarding the customer's creditworthiness, taking into account the customer's financial position, as well as previous experience and other factors.

In order to reduce credit risk relating to cash and cash equivalents, the Group uses well-established and long-term financial counterparties with a rating of at least AA according to Standard & Poor's or similar institutions.

The credit loss reserve amounted to SEK 2,214 thousand as of 31 December 2021 (SEK 1,261 thousand) (see note 21). Historically, actual credit losses have been low.

Liquidity risk

Liquidity risk is defined as the risk that the Group incurs increased costs due to lack of liquidity. Liquidity risks are limited at the Group level by closely following rolling forecasts for the Group's liquidity reserve to ensure that the Group has sufficient cash and cash equivalents to meet the needs of current operations. This is done by preparing cash flow forecasts.

The Group maintains its ability to pay its debts through bank deposits, overdraft facilities and the unused confirmed portion of loan agreements. The Group also monitors liquidity coverage ratios based on the consolidated statement of financial position in relation to internal and external requirements, and also prepares debt financing plans.

Refinancing risk

Refinancing risk refers to the risk that difficulties may arise in refinancing the company, that financing cannot be obtained, or that financing can only be obtained at increased costs. The risk is limited by the fact that the group has always confirmed unutilized credit facilities that are deemed to be sufficiently large and by refinancing always commencing well in advance of loan maturity.

The following table analyses the Group's non-derivative financial liabilities and derivative instruments that are financial liabilities, broken down according to the time remaining at the balance sheet date until contractual maturity. The amounts shown in the table are the contractual undiscounted cash flows. For derivative instruments, the fair values are disclosed, since the contractual cash flows are not material for assessing liquidity risk. Future cash flows in foreign currency and regarding floating interest rates have been calculated using the exchange and interest rates prevailing at the balance sheet date.

As of 31 December 2021	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total contractual cash flows	Carrying amount
Financial liabilities							
Lease liabilities	1,011	3,650	4,081	10,296	2,933	21,971	21,971
Liabilities to credit institutions	815	28,630	3,177	9,368	–	41,990	41,106
Accounts payable	14,078	–	–	–	–	14,078	14,078
Other liabilities	19,222	–	–	–	–	19,222	19,222
Forward exchange contracts	–	–	–	–	–	–	–
Total	35,126	32,280	7,258	19,664	2,933	97,261	96,377

As of 31 December 2020	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total contractual cash flows	Carrying amount
Financial liabilities							
Lease liabilities	987	3,636	3,728	313	–	8,664	8,664
Liabilities to credit institutions	–	52,550	–	–	–	52,550	52,186
Accounts payable	26,074	–	–	–	–	26,074	26,074
Other liabilities	20,497	–	–	–	–	20,497	20,497
Forward exchange contracts	19	13	–	–	–	32	32
Total	47,577	56,199	3,728	313	0	107,817	107,453

Note 3 cont.

Management of capital

The Group's objectives regarding capital structure are to secure the Group's ability to continue operations to generate returns for shareholders and benefits to other stakeholders and to ensure that the capital structure is optimal to minimize the cost of capital.

The Group assesses its capital based on the performance indicator net debt at the end of the period to EBITDA over the last 12 months. The performance measure is relevant for assessing the company's ability to make strategic investments and to meet its financial commitments. It represents the number of years that it would take to repay the debt if net debt and EBITDA remained constant, without taking into account interest-, tax- and investment-related cash flow. Net debt is calculated as interest-bearing liabilities minus interest-bearing assets.

Net debt/EBITDA at each balance sheet date was as follows:

	31/12/2021	31/12/2020
Interest-bearing liabilities (SEK thousand)	63,077	60,851
Minus interest-bearing assets (SEK thousand)	-18,565	-23,814
Net debt (SEK thousand)	44,512	37,037
EBITDA (SEK thousand)	124,408	141,138
Net debt/EBITDA, multiple	0.36	0.26

The increase in 2021 was due to an increase in the lease liability related to an extended lease and an increase in tied-up working capital due to high raw material prices (see note 19).

Note 4 Significant estimates and judgements

The preparation of Arla Plast's consolidated accounts in compliance with IFRS requires the use of certain critical accounting estimates. Furthermore, management is required to make certain assumptions and judgements in the application of the Group's accounting policies. These estimates and assumptions are generally based on historical experience and other factors, including expectations of future events.

The actual outcome may differ from the estimates that were made. Estimates and judgements may affect the statement of comprehensive income and the statement of financial position, as well as additional information provided in the financial statements. Accordingly, changes in estimates and judgements may result in changes to the financial statements. Changes in accounting estimates are recognized in the period in which they are revised and in any future periods affected.

Estimates and judgements have been made in the calculation of inventory obsolescence, risk of loss on accounts receivable, sales commissions, bonuses to customers and from suppliers, as well as property, plant and equipment and right-of-use assets. These estimates are not expected to have a material impact on the statements of comprehensive income or financial position in cases where the outcome does not exactly match the estimates made.

Inventories

Valuation of production costs is done using calculation models based on current prices and cost levels, where direct and indirect production-related costs are attributed to manufactured products. For estimation of obsolescence, assumptions and judgements are based on the sales rate and the marketability of the inventory.

Sales commission

Sales commission is paid in certain markets on a contractually agreed percentage of accounts receivable paid. The cost of the sales commission is expensed as incurred since the contracts are short-term. At the end of 2021, the expected amount relating to sales commission was SEK 2,006 thousand (SEK 5,343 thousand).

Customer bonus

The respective contracts with customers are usually for fixed amounts but there are cases where products are sold with volume discounts based on cumulative sales over a 12-month

period. Historical data is used to estimate the expected value of discounts. At the end of 2021, the expected amount of the customer bonus was SEK 12,590 thousand (SEK 10,159 thousand).

Supplier bonus

The Group has a small number of purchase agreements in which volume discounts are obtained on cumulative purchases over a 12-month period. Historical data is used to estimate the expected value of discounts and is recognized only to the extent that it is highly probable that a material reversal will not occur. At the end of 2021, the expected amount of the supplier bonus was SEK 7,372 thousand (SEK 3,395 thousand).

Property, plant and equipment

Depreciation of property, plant and equipment is charged over the estimated useful lives of the components and is tested for impairment when there is an indication of impairment. Changes in assumptions regarding recoverable amount, estimated useful life or the Group's expected performance may lead to changes in value. Depreciation begins when the new facilities are put into use and measurement and recognition of the balance sheet item are dependent on compliance with timetables and investment calculations.

Right-of-use assets

The carrying amounts of right-of-use assets and lease liabilities are based on present value cash flows over expected contractual periods. The discount rate is set based on assumptions related to interest rates for loans during the corresponding period and with corresponding collateral. Rights-of-use assets are amortised from the starting date of the lease and follow the amortization period that is the shorter of the economic life or the contractual period. At the inception of a new lease, consideration is given to the exercise of any renewal options or the exercise of the option to purchase the underlying assets, or the exercise of early termination. This means that Arla Plast, as lessee, determines the length of the lease itself instead of taking into account the termination clause in the leases.

Note 5 Operating segments

The Group's operations are mainly monitored by country of operation, which is consistent with reporting to the CEO and the Board of Directors. The Group's business operations are divided into the two operating segments, Sweden and the Czech Republic, based on the information possessed by the CEO and used as a basis for allocating resources and evaluating performance.

Group-wide functions are found in both Sweden and the Czech Republic and are internally invoiced to ensure that earnings can be accurately monitored in each segment. Items affecting comparability, which relate to preparation costs for the IPO in 2021, are charged to group-wide costs and have not been allocated. In the consolidated statement of comprehensive income, the items affecting comparability are included in administrative expenses. Inter-segment sales take place on market terms. The CEO primarily uses net sales and adjusted operating profit in assessing the Group's performance.

Sweden

The Sweden segment is the Group's larger segment. This segment accounted for approximately 66% (69) of the Group's total net sales in 2021 and includes all operations conducted and based in Borensberg. The main raw materi-

als in the segment are polycarbonate and ABS. The product areas in which the segment operates are TPC, OPC and ABS. Approximately 61% (48%) of the net sales of the OPC joint product area are generated in the Sweden segment.

Czech Republic

The Czech Republic segment accounted for approximately 34% (31%) of the Group's total net sales in 2021, but is expected to grow. This segment includes all activities conducted and originating in the Czech Republic. Production takes place in Kadaň and Pelhřimov. The main raw materials in the segment are polycarbonate and PETG. The product areas in which the segment operates are MWPC, OPC and PETG. For the joint product area OPC, the Czech Republic segment accounts for approximately 39% (52) of net sales.

Revenue

Inter-segment sales take place on market terms. Revenue from external parties reported to the CEO is measured in the same way as in the consolidated statement of comprehensive income.

Net sales and earnings by segment, net sales by geographic market and segment, as well as significant assets and liabilities by segment are shown below:

	Sweden		Czech Republic		Com-bined	Elim	Group	Sweden		Czech Republic		Com-bined	Elim	Group
	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
Net sales and earnings	2021	2021	2021	2021	2021	2021	2021	2020	2020	2020	2020	2020	2020	2020
Sales volume, tonnes	14,871	8,929	–	-1,154	22,646			16,211	8,642	–	-861	23,992		
Net sales, external, SEK thousand	610,186	317,308	–	–	927,494			591,920	292,760	–	–	884,680		
Net sales, internal, SEK thousand	8,315	26,314	–	-34,629	–			22,157	21,378	–	-43,535	–		
Total net sales	618,501	343,622	–	-34,629	927,494			614,077	314,138	–	-43,535	884,680		
Adjusted operating profit, SEK thousand	70,490	20,608	–	1,224	92,322			94,378	18,742	–	435	113,555		
Items affecting comparability, SEK thousand	–	–	6,107	–	6,107			–	–	7,635	–	7,635		
Operating profit, SEK thousand	70,490	20,608	-6,107	1,224	86,215			94,378	18,742	-7,635	435	105,920		
Net financial items, SEK thousand	-234	-469	–	–	-703			-4,279	-1,000	–	–	-5,279		
Profit before tax, SEK thousand	70,256	20,139	-6,107	1,224	85,512			90,099	17,742	-7,635	435	100,641		
Operating margin, %	11.4	6.0	–	–	9.3			15.4	6.0	–	–	12.0		
Adjusted operating margin, %	11.4	6.0	–	–	10.0			15.4	6.0	–	–	12.8		

Note 5 cont.

Net sales by geographic market and segment, SEK thousand	Sweden Jan–Dec 2021	Czech Republic Jan–Dec 2021	Net sales, internal Jan–Dec 2021	Group Jan–Dec 2021
Sweden	109,859	38,260	-26,314	121,805
Germany	120,541	54,231	–	174,772
Czech Republic	49,514	95,325	-8,315	136,524
Poland	71,140	35,383	–	106,523
Rest of Europe	234,587	103,239	–	337,826
Rest of the world	32,860	17,184	–	50,044
Total	618,501	343,622	-34,629	927,494

Net sales by geographic market and segment, SEK thousand	Sweden Jan–Dec 2020	Czech Republic Jan–Dec 2020	Net sales, internal Jan–Dec 2020	Group Jan–Dec 2020
Sweden	101,400	31,750	-21,378	111,772
Germany	152,096	82,402	–	234,498
Czech Republic	72,200	38,319	-22,157	88,362
Poland	38,205	46,005	–	84,210
Rest of Europe	225,158	104,672	–	329,830
Rest of the world	25,018	10,990	–	36,008
Total	614,077	314,138	-43,535	884,680

*See also note 6 Categories of Revenue.

Material assets and liabilities by segment, SEK thousand	2021	2020
Sweden		
Property, plant and equipment	173,124	167,735
Inventories	103,712	96,578
Liabilities	73,295	105,330
Czech Republic		
Property, plant and equipment	113,347	114,375
Inventories	80,594	64,191
Liabilities	56,687	49,590

Note 6 Categories of revenue

Below is a breakdown of revenue from contracts with customers in Arla Plast's largest markets based on the domicile of the customer and Arla Plast's product areas. No single customer accounts for 10% or more of sales, which means that dependence on individual customers is limited for Arla Plast.

Net sales by geographical market, SEK thousand	2021	%	2020	%
Sweden	121,805	13	111,772	13
Germany	174,772	19	234,498	26
Czech Republic	136,523	15	88,362	10
Poland	106,524	12	84,210	10
Rest of Europe	337,826	36	329,830	37
Rest of the world	50,044	5	36,008	4
Total	927,494	100	884,680	100

External net sales by product area, SEK thousand	2021	%	2020	%
TPC	427,358	46	450,768	51
OPC	124,148	13	106,815	12
MWPC	211,353	23	155,808	18
ABS	98,889	11	87,422	10
PETG	65,746	7	83,867	9
Total	927,494	100	884,680	100

Note 7 Remuneration of the auditors

	2021	2020
Ernst & Young AB		
– Audit assignment	1,761	647
– Other services	358	42
Total	2,119	689
Aptus audit s.r.o.		
– Audit assignment	84	–
– Other services	–	–
Total	84	–
Group summary	2,203	689

Note 8 Expenses by type of cost

	2021	2020
Employee benefit expenses (note 9)	132,713	119,391
Depreciation of property, plant and equipment (note 34)	38,193	35,218
Other costs	678,911	626,536
Total cost of goods sold, selling and administrative expenses	849,817	781,145

Note 9 Remuneration of employees, etc.

	2021	2020
Salaries and other benefits	95,030	84,861
Social security contributions	31,279	28,628
Pension costs – defined-contribution plans	6,404	5,902
Total employee benefits	132,713	119,391

	2021		2020	
	Salaries and other benefits (of which bonuses)	Social security costs (of which pension costs)	Salaries and other benefits (of which bonuses)	Social security costs (of which pension costs)
Board members, CEOs and other senior executives	10,544	4,440	9,507	3,433
	–	(2,102)	–	(1,434)
Other employees	84,486	33,242	75,354	31,097
	–	(4,302)	–	(4,468)
Group summary	95,030	37,682	84,861	34,530

	2021		2020	
	Average number of employees	Men	Average number of employees	Men
Sweden	138	106	138	104
Germany	3	3	–	–
Belgium	2	2	2	2
Czech Republic	122	90	118	89
Group summary	265	201	258	195

	2021		2020	
	Number at balance sheet date	Men	Number at balance sheet date	Men
Board members	9	8	8	6
CEO and other senior executives	4	3	6	5
Group summary	13	11	14	11

*In 2020 Group Management included 1 man who is paid via consultancy fees; see note 32, Related party transactions.

Note 9 cont.

Remuneration and other benefits in 2021	Base salary/ Board fees	Variable remuneration	Other benefits	Pension cost	Consultancy fees	Total
Chairman of the Board – Kenneth Synnersten	425					425
Board member – Leif Nilsson	260	–	–	–	–	260
Board member – Jan Synnersten	260					260
Board member – Ulf Hedlundh	81					81
Board member – Sten Jakobsson	260	–	–	–	–	260
Board member – Anneli Arnbäck	220	–	–	–	–	220
Board member – Ola Salmén	290	–	–	–	–	290
CEO – Henrik Håkansson	2,379	840	–	881	–	4,100
Other senior executives (5 people)	4,781	741	–	1,221	–	6,743
Total	8,956	1,581	–	2,102	–	12,639

Henrik Håkansson stepped down as CEO on 1 November 2021 and was succeeded by Christian Krichau on an interim basis and then until further notice from 7 December 2021.

The table shows the remuneration of the outgoing CEO. The above table does not include Board members who did not receive remuneration in 2021.

Remuneration and other benefits 2020	Base salary/ Board fees	Variable remuneration	Other benefits	Pension cost	Consultancy fees	Total
Chairman of the Board – Kenneth Synnersten	6					6
Board member – Leif Nilsson	125	–	–	–	–	125
Board member – Sten Jakobsson	210	–	–	–	–	210
Board member – Barbro Forss	125	–	–	–	–	125
Board member – Ola Salmén	218	–	–	–	–	218
CEO – Henrik Håkansson	2,100	816	30	837	–	3,783
Other senior executives (5 people)	3,254	460	–	597	2,163	6,474
Total	6,038	1,276	30	1,434	2,163	10,941

The above table does not include Board members who did not receive remuneration in 2020.

Variable remuneration refers to the bonus recognized as an expense for the 2021 financial year (2020), which was paid in 2022 (2021). The bonus recognized as an expense in 2021 amounts to SEK 2,018 thousand and will be paid in 2022 (SEK 3,149 thousand) and is not included in the above table. For information on how the bonus is calculated, see below.

Other benefits relate to car allowances and private medical insurance benefits.

Guidelines

The Chairman of the Board and Board members receive fees in accordance with the resolution of the AGM of 27 April 2021. No Board fees have been paid to other Board members who receive remuneration through their employment in a Group company.

Guidelines for remuneration of the CEO and other senior executives were adopted by the AGM of 27 April 2021. Remuneration consists of fixed salary, short-term variable remuneration, other benefits, pension, etc. Other senior executives are those persons who, together with the CEO, make up Group Management.

The allocation between base salary and variable remuneration should be in proportion to the responsibility and authority of the executive. Variable remuneration for the CEO is capped at 40% of base salary. Variable remuneration for the other senior executives is capped at 30% of base salary. Variable remuneration is based on performance in relation to set targets.

Pension benefits and other benefits to the CEO and other senior executives are paid as part of the total remuneration package.

Bonus

For the CEO, the bonus is based on the Group's operating profit. The bonus amount for the outgoing CEO for 2021 was SEK 553 thousand. This amount is to be paid in 2022 (SEK 840 thousand paid in 2021) and is reported under accrued expenses and deferred income in the statement of financial position.

For other senior executives, the bonus is based on the Group's profit before tax. The bonus amount for other senior executives for 2021 is equivalent to 12–18% of base salary (15–30%).

Note 9 cont.

Incentive programme

The Extraordinary General Meeting of Shareholders on 13 August 2020, resolved to introduce an incentive programme, through which 980,000 share warrants from series 2020/2023 would be issued to 10 key personnel in the Group. The reason for the incentive programme is that a personal incentive through ownership in the company is expected to lead to increased motivation and a sense of affinity with the company, as well as to increased interest in the business and its performance. Each (1) warrant entitles the holder to subscribe for one (1) share in the company at a price of SEK 22.90 per share (plus an annual interest rate of 9.14% (calculated from 1 September 2020 until 1 September 2023, based on the actual number of days during the period divided by the actual number of days per year (accumulated daily and capitalized annually at the end of the last calendar day of each year, for the first time on 31 December 2020)). Assuming full exercise of the warrants, share capital may increase by a maximum of SEK 117,600 through the issuance of 980,000 shares, corresponding to a dilution of 4.67%. Subscription of new shares based on the warrants shall take place during the period commencing on 1 August 2023 up to and including 1 September 2023. In the event of special corporate events, such as a share transfer corresponding to more than 50% of votes in the company or a transfer of assets, whereby all or substantially all of the assets of the company or the Group are sold, new subscriptions for shares under the warrants may be made in connection with such corporate events. Otherwise, the terms and conditions of the warrants stipulate that they are subject to the customary recalculation provisions. The warrants are subscribed for at market value according to the Black Scholes model so there is no benefit value associated with the warrants and there is no vesting condition.

Pension

Pension cost refers to the cost that affected profit for the year. The pension premium may not exceed 30% of the pensionable salary. The provision for pensions follows the statutory provision as well as the provision under collective agreements. No pension commitments have been made for Board members who are not permanently employed by a Group company.

Pension obligations

The ITP 2 pension plan, which is secured through insurance from Alecta, is recognized as a defined-contribution plan. Premiums for the defined-benefit old age and family plans are calculated individually taking into account salary, previously earned pension and anticipated remaining employment period. The company's share of total savings premiums for ITP 2 in Alecta is 0.00636% and the company's share of the total number of active insured in ITP 2 is 0.00659%. Anticipated premiums for the next report period for ITP 2 insurance that are covered by Alecta amount to SEK 1,923 thousand.

Notice periods

A notice period of 6 months applies between the company and the CEO in the event of cessation of employment by the employee and 12 months in the event of termination of employment by the company. A notice period of 4 months applies between the company and other senior executives in the event of cessation of employment by the employee and 6 months in the event of termination of employment by the company.

Note 10 Other operating income

	2021	2020
Wage subsidies received	638	818
Grants received for sick pay costs	500	1,080
Grants received for employees with confirmed COVID-19	–	33
Gain on disposal of inventories	52	188
Insurance compensation	1,567	750
Other	6,098	3,187
Total	8,855	6,056

Grants received related to COVID-19 consist of the items grants received for sick pay costs and grants received for employees with confirmed COVID-19. The item 'other' relates to rental income from the letting of workshop premises to companies, income from the letting of a private residence and other income not related to ordinary activities.

Note 11 Other operating expenses

	2021	2020
Exchange rate losses	-104	-3,184
Other	-213	-487
Total	-317	-3,671

The foreign exchange loss is related to operating receivables and payables.

Note 12 Financial income and financial expenses

	2021	2020
Interest income	–	4
Foreign exchange gains	313	–
Total financial income	313	4
Interest payable to credit institutions	-765	-829
Interest on lease liabilities	-251	-223
Change in value of forward exchange contracts	–	-1,909
Exchange rate losses	–	-2,322
Total finance costs	-1,016	-5,283
Financial items – net	-703	-5,279

The Group had no open forward exchange contracts at year-end.

Note 13 Income tax

	2021	2020
Current tax:		
Current tax on profit for the year	-17,400	-20,478
Total current tax	-17,400	-20,478
Deferred tax (note 28)		
Deferred tax relating to origination and reversal of temporary differences	–	–
Total deferred tax	–	–
Total income tax	-17,400	-20,478
	2021	2020
Profit before tax	85,512	100,641
Income tax calculated according to the tax rate in Sweden (20.6%)	-17,615	-21,537
Tax effects of:		
Difference in foreign tax rates	553	515
Non-taxable income	11	–
Non-deductible expenses	-490	-57
Tax effect change of tax rate/reversal of tax allocation reserve	-133	–
Standard interest tax allocation reserve	-80	-114
Temporary differences	354	715
Other appropriations	–	–
Income tax	-17,400	-20,478

Note 14 Exchange differences – net

Exchange differences have been recognized in the statement of comprehensive income as follows:

	2021	2020
Other operating expenses (note 11)	-104	-3,184
Financial items – net (note 12)	313	-4,231
Total	209	-7,415

Exchange differences from other operating income and other operating expenses are related to operating receivables and payables and include both unrealized and realized exchange differences. Exchange differences arising from financial items are attributable to financial assets and liabilities and include both unrealized and realized exchange differences.

Note 15 Earnings per share

The share capital of Arla Plast AB amounts to SEK 2,400,000. The Extraordinary General Meeting on 3 July 2020, decided to merge shares and to split shares. Following these decisions, the number of shares in the company amounts to 20,000,000 with a quota value of SEK 0.12. Basic earnings per share for all periods have been based on 20,000,000 shares. Diluted earnings per share are calculated by adjusting the average number of shares to include all potential dilution of shares. The company issued a total of 980,000 warrants at the AGM of 13 August 2020.

Basic and diluted earnings per share	2021	2020
Profit attributable to shareholders of the parent, SEK thousand	68,112	80,163
Weighted number of shares, basic	20,000,000	20,000,000
Weighted number of shares, diluted	20,980,000	20,377,541
Earnings per share, basic, SEK	3.41	4.01
Earnings per share, diluted, SEK	3.25	3.93

Note 16 Investments in subsidiaries

Name	Country of registration and operation	Business	Share of equity directly held by the parent company (%)	Share of equity directly held by the Group (%)
Arla Plast s.r.o.	Czech Republic	Manufacturing industry	100	100

Note 17 Intangible non-current assets

Financial year 2021	Licences	Other intangible assets	Total	Financial year 2020	Licences	Other intangible assets	Total
Opening carrying amount	666	139	805	Opening carrying amount	570	–	570
Acquisitions for the year	29	–	29	Reclassifications	-6	–	-6
Depreciation/amortization	-318	-7	-325	Acquisitions for the year	353	144	497
Closing carrying amount	377	132	509	Depreciation/amortization	-251	-5	-256
As of 31 December 2021				Closing carrying amount	666	139	805
Cost	981	144	1,126	As of 31 December 2020			
Accumulated depreciation/amortization	-604	-12	-617	Cost	939	144	1,083
Carrying amount	377	132	509	Accumulated depreciation/amortization	-273	-5	-278
				Carrying amount	666	139	805

Note 18 Property, plant and equipment

Financial year 2021	Buildings and land	Machinery and other technical equipment	Equipment, tools and installations	Construction in progress	Total
Opening carrying amount	113,072	118,351	12,485	31,345	275,253
Currency translation differences	3,214	4,928	–	37	8,179
Reclassifications	1,656	44,682	–	-46,488	-150
Acquisitions for the year	1,922	10,000	2,024	20,616	34,562
Disposals and eliminations	–	–	-17	-3,459	-3,476
Depreciation/amortization for the year	-6,246	-24,172	-3,114	–	-33,532
Closing carrying amount	113,618	153,789	11,378	2,051	280,836
As of 31 December 2021					
Cost	189,777	489,713	36,147	2,051	717,688
Accumulated depreciation/amortization	-76,159	-335,925	-24,769	–	-436,853
Carrying amount	113,618	153,789	11,378	2,051	280,836

Note 18 cont.

Financial year 2020	Buildings and land	Machinery and other technical equipment	Equipment, tools and installations	Construction in progress	Total
Opening carrying amount	110,724	126,147	13,620	22,082	272,571
Currency translation differences	-3,221	-5,362	–	-153	-8,736
Reclassifications	–	–	–	-17,986	-17,986
Acquisitions for the year	11,225	18,255	1,966	27,402	58,848
Disposals and eliminations	–	–	-112	–	-112
Depreciation/amortization for the year	-5,656	-20,689	-2,989	–	-29,334
Closing carrying amount	113,072	118,351	12,485	31,345	275,253
As of 31 December 2020					
Cost	181,724	424,881	35,901	31,345	673,851
Accumulated depreciation/amortization	-68,652	-306,530	-23,416	–	-398,598
Carrying amount	113,072	118,351	12,485	31,345	275,253

Note 19 Right-of-use assets

The Group leases buildings, vehicles and a container compactor. These are recognized as right-of-use assets with a corresponding liability. The leases vary between 1 and 10 years and most of the leases can be extended at the end of the lease term at a rate consistent with a market rate. The obligation to pay lease payments is disclosed in the state-

ment of financial position on separate rows (non-current and current). The total cash flow from leases in 2021 amounted to SEK -6,392 thousand (SEK -5,324 thousand). The interest cost of the lease liability in 2021 amounted to SEK 251 thousand (SEK 223 thousand).

Right-of-use assets	Buildings	Vehicles and other technical installations	Total
Financial year 2021			
Opening balance, cost	6,565	2,028	8,593
Acquisitions for the year	15,089	1,730	16,819
Currency adjustment	1,119	571	1,690
Disposals	-144	–	-144
Depreciation/amortization	-3,564	-1,453	-5,017
Closing carrying amount	19,065	2,876	21,941
As of 31 December 2021			
Cost	29,832	6,493	36,325
Accumulated depreciation/amortization	-10,767	-3,617	-14,384
Carrying amount	19,065	2,876	21,941

Right-of-use assets	Buildings	Vehicles and other technical installations	Total
Financial year 2020			
Opening balance, cost	10,148	2,773	12,921
Acquisitions for the year	785	836	1,621
Currency adjustment	-523	-74	-597
Disposals	-170	-124	-294
Depreciation/amortization	-3,675	-1,383	-5,058
Closing carrying amount	6,565	2,028	8,593
As of 31 December 2020			
Cost	13,551	4,244	17,795
Accumulated depreciation/amortization	-6,986	-2,216	-9,202
Carrying amount	6,565	2,028	8,593

Note 19 cont.

Lease liabilities	2021	2020
Within 6 months	2,021	1,975
Between 6 and 12 months	2,640	2,648
Total current lease liability	4,661	4,623
Between 1 and 2 years	4,081	3,728
Between 2 and 5 years	13,229	313
Total non-current lease liability	17,310	4,041

Fees for leases under the relaxation rule amounted to SEK 342 thousand (SEK 115 thousand).

Arla Plast does not have any material contracts that deviate from practice or with exposure to potential future cash flows that are not reflected in the lease liability. There are no leases to which the Group is committed but which have not yet commenced. See also note 3 for information about total lease liabilities. Arla Plast AB has a short-term lease of forklift trucks, for which the relaxation rule is used and the lease cost has therefore not been included in the IFRS 16 calculation. This year's acquisition and increase in lease debt were due to the extension of a lease for production premises in the Czech Republic.

Note 20 Financial instruments by category

The Group's financial assets and liabilities comprise the following items: other long-term receivables, accounts receivable, other receivables, cash and cash equivalents, liabilities to credit institutions, liabilities to Group companies, accounts payable, other liabilities and derivative financial instruments.

For those financial instruments carried at amortized cost, the carrying amount is considered to be a reasonable estimate of fair value. All derivatives are measured at fair value and classified as Level 2, which means that all significant inputs required for measurement are observable.

	Financial assets measured at fair value through profit or loss	Financial assets measured at amortized cost	Total
31/12/2021			
Assets in the statement of financial position			
Other non-current receivables	–	7	7
Accounts receivable	–	126,229	126,229
Other current receivables	–	8,483	8,483
Cash and cash equivalents	–	18,565	18,565
Total	–	153,284	153,284

	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
31/12/2021			
Liabilities in the statement of financial position			
Liabilities to credit institutions	–	41,106	41,106
Accounts payable	–	14,078	14,078
Other current liabilities	–	19,222	19,222
Total	–	74,406	74,406

Note 19 cont.

31/12/2020	Financial assets measured at fair value through profit or loss	Financial assets measured at amortized cost	Total
Assets in the statement of financial position			
Other non-current receivables	–	14	14
Accounts receivable	–	93,109	93,109
Derivative instruments	32	–	32
Other current receivables	–	6,024	6,024
Cash and cash equivalents	–	23,814	23,814
Total	32	122,961	122,961

31/12/2020	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Liabilities in the statement of financial position			
Liabilities to credit institutions	–	52,186	52,186
Accounts payable	–	26,074	26,074
Liabilities to Group companies	32	–	32
Other current liabilities	–	20,497	20,497
Total	32	98,757	98,789

Note 21 Accounts receivable

	31/12/2021	31/12/2020
Accounts receivable, gross insured portion	111,252	80,605
Accounts receivable, gross uninsured portion	17,191	13,765
Less: provision for expected credit losses	-2,214	-1,261
Accounts receivable – net	126,229	93,109
EUR	94,558	72,870
GBP	6,422	4,016
USD	2,459	1,660
NOK	–	–
SEK	19,903	14,498
CZK	2,887	64
Total	126,229	93,109
Change in credit loss reserve		
Opening balance, credit loss reserve	1,261	312
Provision for expected credit losses	2,214	1,178
Receivables written off during the year as irrecoverable	-1,261	-87
Recovered unused amounts	–	-142
Closing balance, credit loss reserve	2,214	1,261

Arla Plast insures the majority of its accounts receivable, which provides protection against losses arising from non-payment by our customers. Of the accounts receivable that are insured, the insured portion usually amounts to 90%, excluding VAT on the invoice amount. The maximum exposure to credit risk taking into account the credit insurance

for accounts receivable is 13.95% (14.7%) at the balance sheet date. The fair value of accounts receivable corresponds to their carrying amount, since the discounting effect is not material. No accounts receivable have been pledged as security for any debt.

Maturity structure of accounts receivable, SEK thousand	Gross 31/12/2021	Expected credit loss	Gross 31/12/2020	Expected credit loss
Not due	117,464	–	82,260	–
1–30 days	8,364	–	9,870	–
31–60	341	–	958	–
> 61 days	2,274	-2,214	1,282	-1,261
Total accounts receivable	128,443	-2,214	94,370	-1,261

Note 22 Inventories

During the 2021 financial year, material costs amounting to SEK 580,526 thousand (SEK 504,767 thousand) were recognized in the statement of comprehensive income. They were recognized as cost of goods sold. The carrying amount of the Group's inventories as of 31 December 2021 amounted to SEK 184,306 thousand (SEK 160,769 thousand), with the following allocation:

	31/12/2021	31/12/2020
Raw materials and commodities	97,654	88,855
Finished goods produced in-house	80,100	68,869
Products in progress	6,552	3,045
Total	184,306	160,769

Note 23 Other receivables

	31/12/2021	31/12/2020
Other advances	401	602
Settlement of tax account	59	721
VAT	2,192	3,441
Bonus from supplier	7,372	3,395
Other current receivables	1,112	2,629
Total	11,136	10,788

Note 24 Prepaid expenses

	31/12/2021	31/12/2020
Prepaid insurance costs	440	434
Prepaid license fees	1,660	392
Other items	1,010	2,058
Total	3,110	2,884

Note 25 Cash and cash equivalents

	31/12/2021	31/12/2020
Cash	3	3
Bank deposits	18,562	23,811
Total	18,565	23,814

All cash and cash equivalents are available upon request. Bank deposits consist of bank funds denominated in SEK, CZK, EUR and GBP, with some exposure to currency risk. Available cash and cash equivalents including unused credit facilities amounted to SEK 106,631 thousand (SEK 115,154 thousand) as of 31 December 2021.

Note 26 Share capital

The share capital of Arla Plast AB amounts to SEK 2,400,000. The Extraordinary General Meeting on 3 July 2020, decided to merge shares and to split shares. Following these decisions, the number of shares in the company amounts to 20,000,000 with a quota value of SEK 0.12. The company issued a total of 980,000 warrants at the AGM of 13 August 2020. Please see note 9 for conditions relating to share warrants.

Note 27 Borrowing

	31/12/2021	31/12/2020
Current		
Liabilities to credit institutions	15,340	34,136
Overdraft facility	25,766	18,050
Total borrowings	41,106	52,186

Current borrowings

Security has been provided for debts to credit institutions in the form of floating charges and property mortgages with a value of SEK 59,900 thousand. For further information please see note 31 Pledged Assets. In addition, liabilities to credit institutions are subject to certain covenants. In the parent company, the equity/assets ratio may not be less than 30%. In the subsidiary, the equity/assets ratio may not be less than 35%, the average payment period for accounts receivable may not exceed 120 days and the inventory turnover rate may not exceed 120 days. All covenants have been met. The fair value of both current and non-current borrowings is deemed to be equal to their carrying amount, since the discounting effect is not material. There are no significant transaction costs.

Please see note 33 for information regarding changes in liabilities related to financing activities, and note 3 regarding the maturity analysis.

Overdraft facility

The Group has an approved overdraft facility denominated in the currencies SEK and EUR of SEK 113,835 thousand. Of the overdraft facility granted, SEK 25,766 thousand has been utilized as of 31 December 2021 (SEK 18,050 thousand). With the exception of the above-mentioned overdraft facility, the Group has no unutilized credit facilities.

Note 28 Deferred tax

Deferred tax assets and liabilities are allocated as follows:

	31/12/2021	31/12/2020
Deferred tax assets:		
– deferred tax assets expected to be utilized within 12 months	–	–
Deferred tax liabilities:		
– deferred tax liabilities expected to be realized after more than 12 months	40,549	38,697
– deferred tax liabilities expected to be realized within 12 months	–	–
Deferred tax liabilities (net)	40,549	38,697

The gross change in deferred taxes is as follows:

	2021	2020
Opening balance	38,697	38,072
Recognised in the statement of comprehensive income	1,852	625
Closing balance	40,549	38,697

Deferred tax liabilities	Untaxed reserves	Other	Total
As of 1 January 2020	23,850	14,244	38,072
Recognized in the statement of comprehensive income	3,295	-2,692	625
As of 31 December 2020	27,145	11,552	38,697
As of 1 January 2021	27,145	11,552	38,697
Recognized in the statement of comprehensive income	2,572	-720	1,852
As of 31 December 2021	29,717	10,832	40,549

Deferred tax assets	Loss carryforwards	Other	Total
As of 1 January 2020	–	23	23
Recognized in the statement of comprehensive income	–	-23	-23
As of 31 December 2020	–	–	–
As of 1 January 2021	–	–	–
Recognized in the statement of comprehensive income	–	–	–
As of 31 December 2021	–	–	–

Deferred tax assets are recognized on tax loss carryforwards or other deficits to the extent that it is probable that these can be used against future taxable profits.

Note 29 Other liabilities

	31/12/2021	31/12/2020
Employee withholding taxes	3,179	3,249
Statutory social security contributions	2,483	2,382
Customer bonus	12,590	10,159
Advances from customers	3,389	2,939
Sales commission	2,006	5,343
Returns	2,288	2,003
Other items	2,338	2,992
Total	28,273	29,067

Note 30 Accrued expenses and deferred income

	31/12/2021	31/12/2020
Accrued personnel costs	20,869	15,424
Accrued interest expense	19	113
Other accrued expenses	5,215	9,715
Total	26,103	25,252

Note 31 Pledged assets

	31/12/2021	31/12/2020
Property mortgages	8,950	8,950
Floating charges	50,950	50,950
Total	59,900	59,900

Note 32 Related-party transactions

Transactions with related parties may affect a company's financial performance and position. Information must therefore be provided on those that may be deemed to be related to the Arla Plast Group. Related parties are those linked to the members of the Board of Directors, as well as Group Management, with their respective related parties. All transactions are carried out on market terms.

The following related-party transactions took place:

	2021	2020
Purchases of goods and services:		
Companies controlled by a Board member	21	87
Companies controlled by other senior executives	–	2,163
Total	21	2,250
Sale of goods and services:		
Companies controlled by a Board member	19	–
Companies controlled by other senior executives	–	–
Total	19	–

There were no receivables and payables at year-end resulting from the sale and purchase of goods and services.

The Group had no provisions for bad debts attributable to related parties. Moreover, the Group has not recognized any costs relating to bad debts with related parties during the period. No assets are pledged for the receivables. Receivables from related parties arise mainly from sales transactions and are due 30 days after the date of sale. Liabilities to related parties arise mainly from purchase transactions and are due 30 days after the date of purchase. Further information on liabilities to Group companies is provided in note 27.

Remuneration of senior executives is presented in note 9.

Note 33 Changes in liabilities related to financing activities

	01/01/2021	Cash flow	Non-cash items		31/12/2021
			Exchange rate differences	Other	
Lease liability	8,663	-6,392	2,240	17,460	21,971
Liabilities to credit institutions	34,136	-19,304	508	–	15,340
Overdraft facility	18,050	6,544	1,173	–	25,767
Total	60,849	-19,152	3,921	17,460	63,078

	01/01/2020	Cash flow	Non-cash items		31/12/2020
			Exchange rate differences	Other	
Lease liability	13,037	-5,325	-601	1,552	8,663
Liabilities to credit institutions	66,752	-31,560	-1,056	–	34,136
Liability to Group company	40,097	-39,497	0	-600	–
Overdraft facility	1,606	17,022	-578	–	18,050
Total	121,492	-59,360	-2,235	952	60,849

Note 34 Adjustment for non-cash items

	2021	2020
Depreciation/amortization	38,193	35,218
Gains/losses from sale of non-current assets	3,475	112
Other	92	1,604
Total	41,760	36,934

Note 35 Alternative performance measures

The performance measures in this report take into account the nature of the operations and are deemed to provide relevant information to shareholders and other stakeholders, while also enabling comparability with other companies. In addition to the financial ratios prepared in accordance with IFRS, Arla Plast presents financial ratios that have not been defined in accordance with IFRS, for example EBITDA and adjusted operating margin. These alternative performance measures are considered important earnings and performance indicators for investors and other users of the annual accounts. These alternative performance measures should be considered a complement to, but not a substitute for, the financial information prepared in accordance with IFRS. The Arla Plast Group's definitions of these measures that are not defined under IFRS are described in this note.

Note 35 cont.

Definitions	Calculation	Purpose
Gross margin, %	Gross profit as a percentage of the net sales for the period.	The gross margin is used to measure profitability after the cost of goods sold.
Operating margin, %	Operating profit as a percentage of the net sales for the period.	The operating margin is used to measure operating profitability.
EBITDA, SEK thousand	Earnings before interest, taxes, depreciation and amortization.	The EBITDA is used to measure the operating profit without the effect of depreciation, amortization and impairment and therefore provides a measure of profit that is comparable over time.
Items affecting comparability, SEK thousand	Significant items not included in the ordinary course of business such as costs of preparing for a listing, restructuring and the impact of acquisitions or disposals.	Taking items affecting comparability into account increases the comparability and therefore the understanding of the Group's financial performance.
Adjusted operating profit, SEK thousand	Operating profit adjusted for items affecting comparability.	Adjusting the operating profit makes it more comparable. Used to monitor the Group's operating segment.
Adjusted operating margin, %	The adjusted operating profit as a percentage of the net sales for the period.	The adjusted operating margin excludes the effect of items affecting comparability, which enables a comparison of the underlying operating profitability.
Adjusted EBITDA, SEK thousand	EBITDA adjusted for items affecting comparability.	EBITDA that is adjusted increases the comparability of EBITDA.
Interest-bearing assets, SEK thousand	Cash and bank balances.	The interest-bearing assets are used to calculate net debt.
Interest-bearing liabilities, SEK thousand	Current and non-current liabilities owed to credit institutions, current and non-current lease liabilities.	The interest-bearing liabilities are used to calculate net debt.
Net debt, SEK thousand	Interest-bearing liabilities less interest-bearing assets.	Net debt is used to measure the company's ability to repay all of its debt using the company's available cash if the debt matured on the calculation date.
Net debt/EBITDA, multiple	Net debt at period-end in relation to the EBITDA for the last 12 months.	Net debt/EBITDA ratio gives an indication of the company's ability to reduce its debt. It represents the number of years that it would take to repay the debt if net debt and EBITDA stayed constant, without taking into account interest-, tax- and investment-related cash flow.
Organic growth, %	Organic growth is the net sales growth excluding growth attributable to acquisitions, disposals and exchange rate fluctuations.	Organic growth is used to monitor the underlying change in income between different periods with constant exchange rates and excluding the effect of any acquisitions and/or divestments.
Working capital, SEK thousand	Operating receivables consist of total current assets, excluding cash and cash equivalents. Operating liabilities consist of total current liabilities, excluding liabilities to credit institutions, lease liabilities and tax liabilities. Working capital is operating receivables less operating liabilities.	This measure is used to analyse the company's short-term tied-up capital.
Working capital/sales, %	Operating receivables less operating liabilities in relation to sales.	This key ratio is used to monitor the change in working capital in relation to net sales.

Note 35 cont.

Definitions	Calculation	Purpose
Capital employed, SEK thousand:	Total assets less non-interest-bearing liabilities (including deferred tax). Non-interest-bearing liabilities are all liabilities excluding liabilities to credit institutions and leasing liabilities.	Capital employed measures the ability of the enterprise to meet the needs of the business in addition to cash and cash equivalents.
Return on capital employed (ROCE)	Adjusted operating profit divided by average capital employed. Average capital employed is calculated by adding the capital employed at period-end to the capital employed at period-end for the same period of the previous year and dividing it by two.	ROCE is a long-term profitability indicator that measures how effectively the company is using its capital.
Sales volume, tonnes	Volume sold stated in tonnes.	The sales volume is a key performance indicator used to assess the company's sales in relation to the total volume sold on its end markets.
Operating cash flow, SEK thousand	Cash flow from operating activities and cash flow from investing activities.	This indicator measures the total cash flow in operating activities.
Equity/assets ratio, %	The equity at period-end as a percentage of total assets.	The equity/assets ratio indicates the proportion of the company's assets that are financed by equity. This performance measure makes it possible to analyse a company's long-term ability to pay.

Calculation of ratios:

	2021	2020
Gross margin, %:		
Gross profit, SEK thousand	180,507	209,049
Net sales, SEK thousand	927,494	884,680
Gross margin, %	19.5	23.6
Operating margin, %, Sweden:		
Net sales, SEK thousand	618,501	614,077
Operating profit, SEK thousand	70,490	94,378
Operating margin, %, Sweden:	11.4	15.4
Operating margin, %, Czech Republic:		
Net sales, SEK thousand	343,622	314,138
Operating profit, SEK thousand	20,608	18,742
Operating margin, %, Czech Republic	6.0	6.0
Adjusted EBITDA, SEK thousand:		
Operating profit	86,215	105,920
Less depreciation and amortization of non-current assets	38,193	35,218
Minus impairment of non-current assets	–	–
EBITDA	124,408	141,138
Less items affecting comparability	6,107	7,635
Adjusted EBITDA, SEK thousand	130,515	148,773

Note 35 cont.

	2021	2020
Organic growth, %		
Net sales, SEK thousand	927,494	884,680
Net sales for the same period of the previous year, SEK thousand	884,680	794,567
Net sales, change	42,814	90,113
Less exchange rate fluctuations, SEK thousand	3,554	11,282
Organic growth, %	5.3	12.9
Working capital/sales, %		
Operating receivables, SEK thousand	324,781	267,550
Operating liabilities, SEK thousand	68,454	80,425
Net working capital, SEK thousand	256,327	187,125
Net sales, SEK thousand	927,494	884,680
Working capital/sales, %	27.6	21.2
Return on capital employed (ROCE), %		
Capital employed, SEK thousand	532,865	450,298
Average capital employed, SEK thousand	491,582	496,089
Adjusted operating profit, SEK thousand	92,322	113,555
Return on capital employed (ROCE), %	18.8	22.9
Net debt/EBITDA, multiple		
Net debt, SEK thousand	44,512	37,037
EBITDA	124,408	141,138
Net debt/EBITDA, multiple	0.36	0.26
Equity/assets ratio, %		
Equity, SEK thousand	469,788	389,447
Total capital, SEK thousand	646,639	576,029
Equity/assets ratio, %	72.6	67.6

Note 36 Items affecting comparability

	2021	2020
IPO costs	6,107	7,635
Total	6,107	7,635

In order to prepare Arla Plast for a listing on Nasdaq Stockholm, a number of different measures have been taken with external assistance. The listing took place in May 2021, and the costs associated with the preparations amounted to SEK 6.1 million (SEK 7.6 million) for the full year. The items affecting comparability are charged to group-wide costs and have not been allocated by segment. In the consolidated statement of comprehensive income, the items affecting comparability are included in administrative expenses.

Note 37 Significant events after the end of the financial period

The turbulent situation regarding raw materials persists following the end of the financial year. Raw material prices remain high and there were no clear signs of them falling at the time of this annual report's publication.

Russia invaded Ukraine on 24 February 2022, and possible consequences in terms of supply of inputs, transport, demand and currencies are unclear at the time of this annual report's publication.

Parent company income statement

Amounts in SEK thousand	Note	2021	2020
Net sales	2	618,501	614,077
Cost of goods sold	3,4	-481,805	-449,211
Gross profit		136,696	164,866
Selling expenses	3,4	-46,702	-49,337
Administrative expenses	3,4	-34,500	-30,638
Other operating income	5	8,882	4,992
Other operating expenses	6	-18	-3,183
Operating profit		64,358	86,700
Interest income and similar income	7	313	4
Interest expense and similar charges	7	-520	-4,250
Profit after financial items		64,151	82,454
Appropriations	8	-13,218	-18,942
Tax on profit for the year	9	-10,825	-13,639
Profit for the year		40,108	49,873

Condensed statement of comprehensive income, parent company

Amounts in SEK thousand	Jan–Dec 2021	Jan–Dec 2020
Profit for the period	40,108	49,873
Items that may be subsequently transferred to income for the period	–	–
Other comprehensive income for the period	–	–
Total comprehensive income for the period	40,108	49,873

Parent company balance sheet

Amounts in SEK thousand	Note	2021	2020
ASSETS			
Non-current assets			
Licences	12	509	803
Total intangible non-current assets		509	803
Buildings and land	13	65,970	68,145
Machinery and other technical equipment	13	94,502	56,267
Equipment and tools	13	11,378	12,485
Construction in progress	13	1,274	30,838
Total property, plant and equipment		173,124	167,735
Investments in Group companies	10	28,986	28,986
Other financial non-current assets	11	–	–
Total non-current financial assets		28,986	28,986
Total non-current assets		202,619	197,524
Current assets			
Inventories	15	103,712	96,578
Accounts receivable	14	76,569	65,603
Receivables from group companies		5,995	4,113
Other receivables	16	7,791	7,353
Current tax assets		–	–
Prepaid expenses and accrued income	17	2,832	2,327
Cash and bank balances	18	18,397	23,126
Total current assets		215,296	199,100
TOTAL ASSETS		417,915	396,624

Parent company balance sheet, cont.

Amounts in SEK thousand	Note	2021	2020
EQUITY AND LIABILITIES			
Equity			
Share capital	19	2,400	2,400
Statutory reserve		480	480
Total restricted equity		2,880	2,880
Retained earnings (including profit for the year)		201,058	160,950
Total non-restricted equity		201,058	160,950
Total equity		203,938	163,830
Untaxed reserves			
	20	140,682	127,464
Liabilities to credit institutions	21	21,937	38,366
Accounts payable		5,673	19,805
Liabilities to Group companies		1,270	–
Current tax liabilities		4,553	4,112
Other liabilities	22	18,000	18,890
Accrued expenses and deferred income	23	21,862	24,157
Total liabilities		73,295	105,330
TOTAL EQUITY AND LIABILITIES		417,915	396,624

Parent company statement of changes in equity

Amounts in SEK thousand	Share capital	Statutory reserve	Retained earnings profit or loss	Profit for the year	Total equity
Opening balance, 1 January 2020	2,400	480	180,204	29,207	212,291
Profit carried forward from previous year	–	–	29,207	-29,207	–
Profit for the year and comprehensive income	–	–	–	49,873	49,873
Transactions with shareholders in their capacity as owners					
Dividend			-100,000		-100,000
Cash for share warrants			1,666		1,666
Closing balance, 31 December 2020	2,400	480	111,077	49,873	163,830
Opening balance, 1 January 2021	2,400	480	111,077	49,873	163,830
Profit carried forward from previous year	–	–	49,873	-49,873	–
Profit for the year and comprehensive income	–	–	–	40,108	40,108
Transactions with shareholders in their capacity as owners					
Dividend	–	–	–	–	–
Cash for share warrants	–	–	–	–	–
Closing balance, 31 December 2021	2,400	480	160,950	40,108	203,938

The notes on pages 102–110 form an integral part of the parent company financial statements.

Parent company statement of cash flows

Amounts in SEK thousand	Note	2021	2020
Cash flow from operating activities			
Operating profit		64,358	86,704
Adjustment for non-cash items	28	18,890	15,554
Interest received		–	–
Interest paid		-520	-779
Exchange differences and changes in value of derivatives		92	-3,471
Income tax paid		-10,384	-9,527
Cash flow from operating activities before changes in working capital		72,436	88,481
Increase/decrease in inventories		-7,134	12,345
Change in current operating receivables		-13,792	-4,354
Change in current operating liabilities		-16,046	21,876
Total change in working capital		- 36,972	29,867
Cash flow from operating activities		35,464	118,348
Cash flow from investing activities			
Investments in intangible non-current assets	12	–	-497
Investments in property, plant and equipment	13	-23,985	-37,067
Repayment of conditional shareholder contribution		–	37,170
Disposal of long-term receivables		–	3,129
Cash flow from investing activities		-23,985	2,735
Cash flow from financing activities			
Increased use of overdraft facility	21	2,367	4,230
Repayments of loans to credit institutions	21	-19,304	-32,616
Repayments of loans to Group companies	21	–	-40,097
Dividend paid		–	-100,000
Cash for share warrants		–	1,666
Cash flow from financing activities		-16,937	-166,817
Decrease/increase in cash and bank balances		-5,458	-45,734
Cash and bank balances at start of year		23,126	68,859
Exchange differences in cash and cash equivalents		729	–
Cash and bank balances at year-end	18	18,397	23,126

Parent company notes

Note 1 Parent company's accounting policies

Significant accounting policies applied in the preparation of these financial statements are set out below. These policies were applied consistently for all years presented, unless otherwise stated. The parent company's financial statements have been prepared in accordance with RFR 2 Accounting for Legal Entities and the Annual Accounts Act. The financial statements have been prepared under the historical cost convention.

The preparation of statements in compliance with RFR 2 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the parent company's accounting policies. Those areas that include a high level of judgement, that are complex or such areas where assumptions and estimations are of material importance for the annual accounts are stated in note 4 of the consolidated accounts.

The parent company is exposed through its activities to a variety of financial risks: market risk (currency risk and interest rate risk), credit risk and liquidity risk. The parent company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. For more information on financial risks, please refer to note 3 of the consolidated financial statements.

The parent company applies accounting policies other than those of the Group, as described in note 2 to the consolidated financial statements, in the cases set out below:

Presentation formats

The format prescribed in the Annual Accounts Act is used for the income statements and balance sheets. The presentation format for the statement of changes in equity is also consistent with the Group's format, but must also include the columns stated in the Annual Accounts Act. Moreover, there is a difference in terms, compared with the consolidated accounts, mainly with regard to financial income and expense, and equity.

Shareholder contributions and group contributions

Group contributions received from subsidiaries are recognized as financial income. Group contributions made by parent companies to subsidiaries are recognized as an increase in participations in Group companies. Group contributions received by subsidiaries from parent companies are recognized in the subsidiary in equity. Group contributions made by subsidiaries to parent companies are recognized in equity.

Financial instruments

IFRS 9 is not applied in the parent company. Instead, the parent company applies the paragraphs set out in RFR 2 (IFRS 9 Financial Instruments, points 3–10).

Financial instruments are measured at cost. Financial assets acquired with the intention of holding them on a short-term basis will be recognized in subsequent periods in accordance with the lower value principle at the lowest of cost and mar-

ket value. Derivative instruments with a negative fair value are recognized at this value.

When calculating the net realizable value of receivables reported as current assets, the principles for impairment testing and credit loss allowance are applied in IFRS 9. For a receivable that is recognized at amortized cost at Group level, this means that the loss risk reserve recognized in the Group in accordance with IFRS 9 must also be reported in the parent company.

Untaxed reserves

Untaxed reserves are recognized at their gross amount in the balance sheet, including the deferred tax liability related to the reserve.

Appropriations

Changes in untaxed reserves are recognized as appropriations in the income statement.

Leasing

All lease agreements are recognized as operating leases, regardless of whether the agreements are financial or operational. The lease payment is recognized as an expense on a straight-line basis over the lease period. The parent company has chosen not to apply IFRS 16 Leases, but instead, from 1 January, 2019, applies the paragraphs set out in RFR 2 (IFRS 16 Leases, points 2–12).

Income from licence

The production method used by the subsidiary Arla Plast s.r.o. was developed in connection with the transfer of production from Sweden to the Czech Republic. For access to that production technology, the subsidiary pays a license fee related to a percentage of the subsidiary's sales. In the parent company, the license fee is recognized in the period in which the corresponding sales of the subsidiary occurs

Note 2 Net sales

	2021	2020
Extruded plastic sheets	597,903	595,793
Licensing revenue	20,598	18,284
Total revenue	618,501	614,077

Net sales by geographical market:	2021	2020
Nordic region	154,560	151,509
Europe, excluding Nordic countries	430,915	437,448
North America	16,657	10,100
Other markets	16,369	15,020
Total	618,501	614,077

Note 3 Remuneration of the auditors

Remuneration of the auditors	2021	2020
Ernst & Young AB		
– Audit assignment	1,245	350
Total	1,245	350
Other auditors Ernst & Young AB		
– Other services	358	42
Total amount	1,603	392

Note 4 Remuneration of employees, etc.

	2021	2020
Salaries and other benefits	70,595	63,089
Social security contributions	23,149	21,418
Pension costs – defined-contribution plans	5,458	4,512
Total employee benefits	99,202	89,019

	2021		2020	
	Salaries and other benefits	Social security costs (of which pension costs)	Salaries and other benefits	Social security costs (of which pension costs)
Board members, CEOs and other senior executives	9,134	4,549 (1,679)	7,483	3,947 (1,595)
Other employees	61,461	24,058 (3,779)	55,606	21,983 (2,916)
Total, parent company	70,595	28,607	63,089	25,930

	2021		2020	
	Number	Men	Number	Men
Sweden	138	106	138	104
Belgium	2	2	2	2
Germany	3	3	–	–
Total, parent company	143	111	140	106

	2021		2020	
	Number	Men	Number	Men
Board members	9	8	8	6
CEO and other senior executives	6	5	6	5
Total, parent company	15	13	14	11

For information regarding remuneration of senior executives, please see note 9 to the consolidated financial statements.

Note 5 Other operating income

	2021	2020
Rental income	263	564
Exchange differences	1,554	–
Grants received	1,138	1,898
Profit from divestment of property, plant and equipment	19	188
Insurance compensation	1,567	–
Other operating income	4,341	2,342
Total	8,882	4,992

Note 6 Other operating expenses

	2021	2020
Exchange differences	–	-3,183
Other	-18	–
Total	-18	-3,183

Note 7 Interest income and similar income statement items and interest expense and similar income statement items

	2021	2020
External interest income	0	4
Exchange differences	313	–
Total interest income and similar income statement items	313	4
Interest expense, bank loans	–	-779
Interest expense, external	-520	–
Exchange differences	0	-3,471
Total interest expense and similar income statement items	-520	-4,250
Total financial items – net	-207	-4,246

Note 8 Appropriations

	2021	2020
Reversal of tax allocation reserve	10,780	7,200
Provision for tax allocation reserve	-17,000	-21,155
Difference between book and scheduled depreciation	-6,998	-4,987
Total	-13,218	-18,942

Note 9 Tax on profit for the year

Taxes recognised in the statement of comprehensive income	2021	2020
Current tax		
Current tax on profit for the year	-10,825	-13,763
Adjustments relating to previous years	–	124
Total current tax	-10,825	-13,639
Total recognized tax	-10,825	-13,639

	2021	2020
Profit before tax	50,933	63,512
Income tax calculated according to the tax rate in Sweden (20.6%)	-10,490	-13,592
Tax effects of:		
Tax effect of non-deductible expenses	-120	-57
Tax effect change of tax rate/reversal of tax allocation reserve	-135	–
Standard interest tax allocation reserve	-80	-114
Total recognized tax	-10,825	-13,763

Note 10 Investments in subsidiaries

Name	Company reg. no.	Registered office and country of registration and operation	Investments %	Carrying amount 31/12/2021	Carrying amount 31/12/2020
Directly owned					
Arla Plast s.r.o.	260 84 996	Kadan, Czech Republic	100	28,986	28,986

Note 11 Other non-current receivables

	31/12/2021	31/12/2020
Loans to agents		
Opening acquisition costs	–	3,129
Exchange rate fluctuations	–	-9
Loan repayments	–	-3,120
Closing carrying amount	–	–

Note 12 Intangible non-current assets

	Licences	Other intangible non-current assets	Total
Financial year 2021			
Opening carrying amount	664	139	803
Acquisitions for the year	–	–	–
Depreciation/amortization	-287	-7	-294
Closing carrying amount	377	132	509
As of 31 December 2021			
Cost	937	144	1,081
Accumulated depreciation/amortization	-560	-12	-572
Carrying amount	377	132	509

	Licences	Other intangible non-current assets	Total
Financial year 2020			
Opening carrying amount	562	–	562
Acquisitions for the year	353	144	497
Depreciation/amortization	-251	-5	-256
Closing carrying amount	664	139	803
As of 31 December 2020			
Cost	937	144	1,081
Accumulated depreciation/amortization	-273	-5	-278
Carrying amount	664	139	803

Note 13 Property, plant and equipment

	Buildings and land	Machinery and other technical equipment	Equipment, tools and installations	Construction in progress	Total
Financial year 2021					
Opening carrying amount	68,145	56,267	12,485	30,838	167,735
Acquisitions for the year	1,922	10,000	2,024	10,191	24,137
Disposals and eliminations	–	–	-17	–	-17
Reclassifications	513	39,091	–	-39,755	-151
Depreciation/amortization	-4,610	-10,856	-3,114	–	-18,580
Closing carrying amount	65,970	94,502	11,378	1,274	173,124
As of 31 December 2021					
Cost	121,589	271,289	36,147	1,274	430,299
Accumulated depreciation/amortization	-55,619	-176,787	-24,769	–	-257,175
Carrying amount	65,970	94,502	11,378	1,274	173,124
	Buildings and land	Machinery and other technical equipment	Equipment, tools and installations	Construction in progress	Total
Financial year 2020					
Opening carrying amount	61,288	51,330	13,620	19,728	145,966
Acquisitions for the year	11,000	12,991	1,966	24,273	50,230
Disposals and eliminations	–	–	-112	–	-112
Reclassifications	–	–	–	-13,164	-13,164
Depreciation/amortization	-4,143	-8,054	-2,989	–	-15,186
Closing carrying amount	68,145	56,267	12,485	30,838	167,735
As of 31 December 2020					
Cost	119,154	224,157	35,900	30,838	410,928
Accumulated depreciation/amortization	-51,009	-167,890	-23,415	–	-243,193
Carrying amount	68,145	56,267	12,485	30,838	167,735

Note 14 Accounts receivable

	31/12/2021	31/12/2020
Accounts receivable	76,757	65,657
Less: provision for credit losses	-188	-54
Accounts receivable – net	76,569	65,603
	31/12/2021	31/12/2020
EUR	49,710	46,727
GBP	6,130	3,931
USD	2,048	1,319
NOK	–	–
SEK	18,681	13,626
Total	76,569	65,603

Change in credit loss reserve:

Opening balance, credit loss reserve	54	175
Provision for credit losses	188	54
Receivables written off during the year as irrecoverable	-54	-175
Closing balance, credit loss reserve	188	54

Arla Plast insures the majority of its accounts receivable, which provides protection against losses arising from non-payment by our customers. Of the accounts receivable that are insured, the insured portion amounts to 90%, excluding VAT on the invoice amount. The maximum exposure to credit risk for accounts receivable was 9.51% (10.85%) at the balance sheet date.

The fair value of accounts receivable corresponds to their carrying amount, since the discounting effect is not material.

No accounts receivable have been pledged as security for any debt.

	31/12/2021	31/12/2020
Accounts receivable past due	72,597	58,904
1–30 days	3,664	6,486
31–60	2	159
> 61 days	306	54
Total accounts receivable past due	76,569	65,603

Note 15 Inventories

	31/12/2021	31/12/2020
Raw materials and commodities	57,457	58,383
Finished goods produced in-house	39,703	35,149
Products in progress	6,552	3,046
Total	103,712	96,578

During the 2021 financial year, costs of goods amounting to SEK 369,297 thousand (SEK 342,458 thousand) were recognised in the income statement as costs of goods sold.

Note 16 Other receivables

	31/12/2021	31/12/2020
Other advances	7	3
Settlement of tax account	59	261
VAT	1,940	3,441
Bonus from supplier	4,922	3,039
Other current receivables	863	609
Total	7,791	7,353

Note 17 Prepaid expenses and accrued income

	31/12/2021	31/12/2020
Prepaid insurance costs	336	219
Prepaid license fees	1,660	369
Other items	836	1,739
Total	2,832	2,327

Note 18 Cash and bank balances

Cash and cash equivalents in the statement of cash flows include the following:

	31/12/2021	31/12/2020
Cash	3	3
Bank deposits	18,394	23,123
Total	18,397	23,126

Note 19 Share capital

Please see note 26 to the consolidated financial statements for information on the parent company's share capital.

Note 20 **Untaxed reserves**

	31/12/2021	31/12/2020
Tax allocation reserve 2015	–	10,780
Tax allocation reserve 2016	16,150	16,150
Tax allocation reserve 2017	10,000	10,000
Tax allocation reserve 2018	7,600	7,600
Tax allocation reserve 2019	12,000	12,000
Tax allocation reserve 2020	21,000	21,155
Tax allocation reserve 2021	17,000	–
Accumulated excess depreciation/ amortization	56,932	49,779
Total	140,682	127,464

Note 21 **Borrowings**

	31/12/2021	31/12/2020
Current	6,597	4,230
Liabilities to credit institutions	15,340	34,136
Liabilities to Group companies	–	–
Total borrowings	21,937	38,366

Liabilities to credit institutions

Bank loans of EUR 1,500 thousand mature on 9 May 2022, with an annual fixed interest rate of 0.85%. The company has two overdraft facilities, one with a variable interest rate based on STIBOR plus 1% and the other with a variable interest rate based on EURIBOR plus 0.9%. Amounts owed to credit institutions have been classified as current since the parent company does not have an unconditional right to defer payment of the debt for at least 12 months after the end of the reporting period. The fair value of current borrowings corresponds to their carrying amount, since the discounting effect is not material.

If interest rates on borrowings as of 31 December 2021 had been 50 basis points higher/lower with all other variables held constant, the estimated profit after tax for the financial year would have been SEK 118 thousand lower/higher (SEK 206 thousand), mainly as an effect of higher/lower interest expenses on floating rate borrowings.

Total borrowings include bank loans and other secured borrowings of SEK 59,900 thousand (SEK 59,900 thousand).

The parent company's borrowings carry both fixed and floating interest rates, which is why there is exposure, in respect of borrowings, to fluctuations in interest rates.

Overdraft facility

The parent company has overdraft facilities denominated in SEK of SEK 15,400 thousand and in EUR of EUR 2,400 thousand. Of the overdraft facility granted in SEK, SEK 6,596 thousand had been utilized as of 31 December 2021 (SEK 1,091 thousand). Of the overdraft facility granted in EUR, EUR 0 thousand had been utilized as at 31 December 2021 (EUR 0 thousand).

Note 22 **Other liabilities**

	31/12/2021	31/12/2020
Employee withholding taxes	1,448	1,551
Statutory social security contributions	1,570	1,559
Customer bonus	6,253	6,433
Advances from customers	3,389	2,939
Commission costs	1,531	1,516
Costs of items returned	736	1,901
Other current liabilities	3,073	2,991
Total	18,000	18,890

Note 23 **Accrued expenses**

	31/12/2021	31/12/2020
Accrued personnel costs	18,519	15,371
Accrued interest expense	19	113
Other accrued expenses	3,324	8,673
Total	21,862	24,157

Note 24 **Pledged assets**

	31/12/2021	31/12/2020
Property mortgages	8,950	8,950
Floating charges	50,950	50,950
Total	59,900	59,900

Pledged assets relate entirely to liabilities to credit institutions.

Note 25 **Leases and rent****Operating lease commitments**

The parent company leases premises, cars, machinery and other technical equipment under non-cancellable operating leases. The lease periods vary between 1 and 3 years and most of the leases can be extended at the end of the lease term at a rate consistent with a market rate. Lease expenses for the year, which amounted to SEK 2,026 thousand (SEK 1,232 thousand) and relate to leases for cars, premises and machinery, are included in the statement of comprehensive income.

The aggregate undiscounted amount at the end of the reporting period of future lease payments, excluding variable lease payments, under non-cancellable leases, allocated to the appropriate maturity dates:

	2021	2020
Within 1 year	912	978
Between 1 and 5 years	873	489
Total	1,785	1,468

Note 26 Related-party transactions

Transactions with related parties may affect a company's financial performance and position. Information must therefore be provided on those that may be deemed to be related to the Arla Plast Group. The parent company has a controlling influence over the subsidiary. The parent company's transactions and balances with the subsidiary are therefore shown below. Related parties are those linked to the members of the Board of Directors, as well as Group Management, with their respective related parties. All transactions are carried out on market terms.

The following related-party transactions took place:

	2021	2020
(a) Sale of goods and services		
Companies controlled by a Board member	19	–
Subsidiaries	33,254	22,157
Total	33,273	22,157
(b) Purchase of goods and services		
Subsidiaries	27,695	21,384
Companies controlled by a Board member	21	87
Companies controlled by other senior executives	–	1,643
Total	27,716	23,114
	2021	2020
Receivables and payables at year-end resulting from the sale and purchase of goods and services		
Claims on related parties:		
Subsidiaries	5,995	4,140
Liabilities to related parties:		
Subsidiaries	-1,270	-27
At year-end	4,725	4,113

The parent company does not have any expected credit

losses attributable to related parties since these are considered immaterial, nor has the parent company recognized any costs related to credit losses on related parties during the period. No assets are pledged for the receivables.

Receivables from related parties arise mainly from sales transactions and are due 30 days after the date of sale.

Liabilities to related parties arise mainly from purchase transactions and are due 30 days after the date of purchase.

Loans between parent and subsidiary companies have a maximum maturity of 1 year with an annual interest rate based on external borrowing rates. The loans are not pledged and are paid in cash.

Remuneration to senior executives is presented in note 4.

Note 27 Changes in liabilities related to financing activities

	01/01/2021	Cash inflow	Cash outflow	Non-cash items		31/12/2021
				Exchange rate differences	Other	
Liabilities to credit institutions	34,136	30,157	-49,461	508	–	15,340
Overdraft facility	4,230	294,455	-292,088	0	–	6,597
Total	38,366	324,612	-341,549	508	–	21,937

	01/01/2020	Cash inflow	Cash outflow	Non-cash items		31/12/2020
				Exchange rate differences	Other	
Liabilities to credit institutions	66,752	–	-31,560	-1,056	–	34,136
Liabilities to group companies	40,097	–	-40,097	–	–	–
Overdraft facility	0	419,143	-419,143	0	–	4,230
Total	106,849	419,143	-486,570	-1,056	–	38,366

Note 28 Adjustment for non-cash items

	2021	2020
Depreciation/amortization	18,873	15,442
Gains/losses from sale of non-current assets	17	112
Total	18,890	15,554

Note 29 Proposed appropriation of profit

The following profits are at the disposal of the Annual General Meeting:

	2021	2020
Retained earnings	160,950	100,077
Profit for the year	40,108	49,873
SEK	201,058	160,950
The Board of Directors proposes that the profit be appropriated as follows:		
To shareholders, SEK 1.50 per share (0)	30,000	0
to be carried forward	171,058	160,950
SEK	201,058	160,950

The Group's statement of comprehensive income and statement of financial position will be submitted to the Annual General Meeting on 19 May 2022 for approval.

Note 30 Significant events after the balance sheet date

The turbulent situation regarding raw materials persists following the end of the financial year. Raw material prices remain high and there were no clear signs of them falling at the time of this annual report's publication.

Russia invaded Ukraine on 24 February 2022, and possible consequences in terms of supply of inputs, transport, demand and currencies are unclear at the time of this annual report's publication.

Signatures

The Board of Directors and the CEO ensure that the consolidated financial statements have been prepared in accordance with international accounting standards IFRS as adopted by the EU and give a true and fair view of the Group's position and results. The annual report has been prepared in accordance with generally accepted accounting principles and gives a true and fair view of the parent company's position and earnings.

The directors' reports for the Group and parent company provide a true and fair view of the Group and parent company's business, financial position and performance and describe the substantial risks and uncertainties to which the parent company and the companies that are part of the Group are subject.

Borensberg, 5 April 2022

Christian Krichau
Chief Executive Officer

Kenneth Synnersten
Chairman of the Board

Annelie Arnbäck
Board Member

Ulf Hedlundh
Board Member

Sten Jakobsson
Board Member

Leif Nilsson
Board Member

Ola Salmén
Board Member

Jan Synnersten
Board Member

Joacim Törnroth
Employee representative

Our audit report was submitted on 6 April 2022

Ernst & Young AB

Johan Eklund

Auditor's report

**To the general meeting of the shareholders of Arla Plast AB,
corporate identity number 556131-2611**

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Arla Plast AB (publ) except for the corporate governance statement on pages 42–52 and the statutory sustainability report on pages 27–41 for the year 2021. The annual accounts and consolidated accounts of the company are included on pages 57–111 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 42–52 and the statutory sustainability report on pages 27–41. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Valuation of finished goods in stock***Description of the area***

As shown in Note 22 in the annual report, inventories of finished products are reported at SEK 184,306 thousand in the report on the financial position of the group as of December 31, 2021. Inventories are valued to the lower of acquisition value and net realizable value. Reporting of the finished goods warehouse acquisition value is at production cost using calculation models considering direct and indirect production-related costs related to manufactured products. An incorrect calculation of the production cost would affect the valuation of the stock and the reported cost of goods sold during the financial year. When determining if the net sales value is less than the acquisition value, Arla Plast needs to make assessments about the price levels at which the reported inventory comes can be sold for. Based on this, we have judged that the valuation of the finished goods inventory is a particularly important area in the audit.

How this area was taken into account in the audit

In our audit, we have evaluated the if company's principles for accounting of inventory complies with current regulations. We have further examined the company's calculation models and assessed the reasonableness of use prices, consumption figures and assumptions at distribution of indirect production costs. We have also evaluated Arla Plast's assessments concerning the net sales value of the finished goods inventory by comparison with current market prices. We have reviewed the information provided in the annual report.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–56 The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director

intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

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

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

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in

the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Report on the audit of the administration and the proposed appropriations of the company's profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Arla Plast AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks

place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or

omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Arla Plast AB for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report #4549349c63eb831cab3cd5640a30452569394f0a82090012c846d3d69e2fee64 has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Arla Plast AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation

(EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 42–52 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 27–41, and that it is prepared in accordance with the Annual Accounts Act.

My (Our) examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Arla Plast AB by the general meeting of the shareholders on 27 April 2021 and has been the company's auditor since the 29 September 2016.

Stockholm 6 April 2022
Ernst & Young AB

Johan Eklund
Authorized Public Accountant

This is a translation from the Swedish original.

Shareholder information

Annual General Meeting

Arla Plast's Annual General Meeting will be held on 19 May 2022 at 3 p.m. at the company's offices; Västanåvägen 2, Borensberg, Sweden. Shareholders also have the possibility to exercise their voting rights through advance voting before the AGM. Information about the right to attend and register, about how shareholders can exercise their voting rights, and about proxies and assistants is provided in the notice convening the AGM.

Information about the AGM is also available on Arla Plast's website, www.arlaplastgroup.com

Dividend

The Board of Directors proposes that a dividend of SEK 1.50 per share be paid to shareholders for the 2021 financial year. It is proposed that the dividend be paid with a record date of 23 May 2022. If the AGM approves the proposal, the dividend is expected to be distributed via Euroclear Sweden AB on 27 May 2022.

Financial calendar

Interim report January–March 2022	11 May 2022
Annual General Meeting 2022	19 May 2022
Interim report January–June 2022	18 August 2022
Interim Report January–September 2022	10 November 2022
Year-end report 2022	17 February 2023

Investor relations contacts

Christian Krichau, CEO

Monica Ljung, CFO

ir@arlaplast.com



Arla Plast AB
Box 33, 591 06 Borensberg, Sweden
+46 141 20 38 00
www.arlaplastgroup.com