

Arla Plast AB

Annual Report 2020



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, hereby present the Annual Report and Consolidated Financial Statements for the financial year 2020. The Company's presentation 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 AB is a subsidiary of Synnersten Invest AB, company registration number 556377-7514, with its registered office in Västerås.

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 glycol-modified polyethylene terephthalate (PETG) with many applications for several industries.

Arla Plast is a global player with sales to over 45 countries, focusing primarily on the European market. Sales are handled by local sales representatives and centrally located key account managers. The Group has three production facilities that are located in Borensberg in Sweden, as well as in Kadaň and Pelhřimov in the Czech Republic. Net sales in 2020 amounted to SEK 884,680 thousand and the Group had an average of 258 full-time employees during the year.

FULL YEAR 2020

- Sales volume increased by 25% to 23,992 metric tons (19,120 metric tons).
- Net sales increased by 11% to SEK 884,680 thousand (SEK 794,567 thousand). Organic growth was 13%.
- Operating profit improved by 63% to SEK 105,920 thousand (SEK 65,074 thousand) and adjusted operating profit improved by 73% to SEK 113,555 thousand (SEK 65,453 thousand).
- The operating margin increased to 12.0% (8.2%) and the adjusted operating margin increased to 12.8% (8.2%).
- Profit for the period increased to SEK 80,163 thousand (SEK 51,849 thousand).
- Earnings per share, basic, amounted to SEK 4.01 (SEK 2.59).
- Net debt amounted to SEK 37,037 thousand (SEK 44,062 thousand) at the end of the period, corresponding to 0.26 times EBITDA, compared with 0.44 times at December 31, 2019. The equity/assets ratio was 67.6% (65.3%) at the end of the period.
- The Board proposes that no dividend be paid for 2020.

GROUP IN SUMMARY*

	2020	2019	Δ, %
Sales volume, metric tons	23,992	19,120	25
Net sales, SEK thousand	884,680	794,567	11
EBITDA, SEK thousand	141,138	100,976	40
Adjusted EBITDA, SEK thousand	148,773	101,355	47
Operating profit, SEK thousand	105,920	65,074	63
Adjusted operating profit, SEK thousand	113,555	65,453	73
Operating margin, %	12.0	8.2	46
Adjusted operating margin, %	12.8	8.2	56
Profit for the year, SEK thousand	80,163	51,849	55
Earnings per share, basic, SEK	4.01	2.59	55
Earnings per share, diluted, SEK	3.93	2.59	52
Net debt/EBITDA, multiple	0.26	0.44	-41
Net debt, SEK thousand	37,037	44,062	-16
Cash flow from operating activities, SEK thousand	148,840	112,093	36
Equity/assets ratio, %	67.6	65.3	4

*For definitions and alternative performance measures, see page 34.

THE GROUP'S PERFORMANCE

Net sales and operating profit

For the full year, the volume of sales increased by 25% to 23,992 metric tons (19,120 metric tons) compared with the previous year. Net sales increased by 11% to SEK 884,680 thousand (SEK 794,567 thousand) and, taking into account exchange rate fluctuations, the organic increase was 13%. The increase is mainly attributable to higher sales of transparent barrier products as a result of the ongoing coronavirus pandemic. Sales volumes increased strongly in both the Sweden and Czech Republic segments. Net sales did not grow at the same rate, mainly due to lower raw material prices and a change in the product mix. The Sweden segment contributed most to net sales increase due to a more favorable product mix.

Operating profit increased by 63% to SEK 105,920 thousand (SEK 65,074 thousand) and the operating margin to 12.0% (8.2%) as a result of higher sales, mainly from the Sweden segment. Arla Plast benefited from reduced employer's contributions of SEK 636 thousand (0) due to COVID-19 and received a subsidy for sick pay costs of SEK 1,080 thousand (0), as well as a subsidy for employees with confirmed COVID-19 of SEK 33 thousand (0), which together had a positive impact on operating profit of SEK 1,749 thousand (0). Items affecting comparability of SEK -7,635 thousand (SEK -379 thousand), all attributable to costs related to preparations for a planned IPO in 2021, also had a negative impact on the full year. Adjusted operating profit amounted to SEK 113,555 thousand (SEK 65,453 thousand) and adjusted operating margin to 12.8% (8.2%). The operating margin improved mainly due to higher net sales and a higher gross margin.

Profit for the year and earnings per share

Profit before tax amounted to SEK 100,641 thousand (SEK 65,820 thousand). During the period, net financial income and expenses were SEK -5,279 thousand (-746 thousand) and include interest expenses of SEK -1,052 thousand (-468 thousand). The tax for 2020 amounted to SEK -20,478 thousand (SEK -13,971 thousand), which corresponds to an effective tax rate of 20% (21%). Net profit for the year was SEK 80,163 thousand (SEK 51,849 thousand) and basic earnings per share were SEK 4.01 (SEK 2.59), and diluted SEK 3.93 (SEK 2.59).

Cash flow

For the full year, cash flow from operating activities amounted to SEK 148,840 thousand (SEK 112,093 thousand). The improved operating profit had a positive impact on cash flow.

Cash flow from investing activities was SEK -38,367 thousand (SEK -30,737 thousand) and relates mainly to investments in machinery, including SEK -37,067 thousand in Borensberg, SEK -22,098 thousand of which is related to investment in a new production line. In 2021, approximately SEK -10,000 thousand will be added for the same investment.

Cash flow from financing activities totaled SEK -157,877 thousand in SEK (-29,351). The change in outcome compared with the previous year is mainly related to the dividend of SEK -100,000 thousand paid to shareholders in the fourth quarter of 2020, as well as changes in borrowings and utilization of overdraft facilities.

Investments

Arla Plast continuously invests in production equipment and in its production units. The Group's investments in property, plant and equipment in 2020 amounted to SEK 40,998 thousand (SEK 30,167 thousand), SEK 22,098 thousand (SEK 19,728 thousand) of which relates to an investment that began in 2019 in a new capacity-increasing production line in Borensberg. The new production line is expected to be commissioned in the first half of 2021 and the total investment is estimated at approximately SEK 51,500 thousand, of which machinery and peripheral equipment account for approximately SEK 40,500 thousand and SEK 11,000 thousand relates to reconstruction of the production hall. Total depreciation for the year amounted to SEK -35,218 thousand (SEK -35,902 thousand).

Financial position

Arla Plast's total assets amounted to SEK 576,029 thousand as of December 31, 2020 (SEK 643,909 thousand).

The Group's net debt amounted to SEK 37,037 thousand as of December 31, 2020 (SEK 44,062 thousand), which corresponds to 0.26 times EBITDA (0.44 times).

The Group's equity/assets ratio, i.e. equity at the end of the period as a percentage of total assets, was 67.6% (65.3%).

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 amounted to SEK 614,077 thousand (SEK 519,050 thousand) and operating profit to SEK 86,700 thousand (SEK 42,498 thousand).

Cash and cash equivalents at the end of the year amounted to SEK 23,126 thousand (SEK 68,859 thousand). The decrease in cash and cash equivalents is due to dividends paid. During the year, the Parent Company received a repayment of a previously provided conditional shareholder contribution from the subsidiary of SEK 37,170 thousand (SEK 26,342 thousand), which reduced the value of shares in subsidiaries.

Segment

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

SWEDEN

Key performance indicator	2020	2019	Δ, %
Sales volume, metric tons	16,211	12,440	30
Net sales, SEK thousand	614,077	519,050	18
Operating profit, SEK thousand	94,378	42,918	120
Operating margin, %	15.4	8.3	86

Sales volume for the full year increased by 30%. Net sales increased by 18% to SEK 614,077 thousand (SEK 519,050 thousand). Net sales did not grow at the same rate, mainly due to lower raw material prices and a change in the product mix. The increase was mainly due to higher demand for transparent barrier products. Operating profit increased to SEK 94,378 thousand (SEK 42,918 thousand) as a result of higher net sales and a higher gross margin. As a result of COVID-19, the Sweden segment has benefited from reduced employer's contributions of SEK 636 thousand (0) and received a grant for sick pay costs of SEK 1,080 thousand (0), which had a positive impact on operating profit. The operating margin improved to 15.4% (8.3%). The operating margin improved mainly due to higher net sales and a higher gross margin.

CZECH REPUBLIC

Key performance indicator	2020	2019	Δ, %
Sales volume, metric tons	8,642	6,987	24
Net sales, SEK thousand	314,138	310,492	1
Operating profit, SEK thousand	18,742	21,923	-15
Operating margin, %	6.0	7.0	-14

For the full year, the sales volume increased by 24%. Net sales increased by 1% to SEK 314,138 thousand (SEK 310,492 thousand) and, taking into account exchange rate fluctuations, the organic increase was 5%. Net sales did not grow at the same rate, mainly due to lower raw material prices and a change in the product mix. Operating profit decreased to SEK 18,742 thousand (SEK 21,923 thousand). The Czech Republic segment has received a grant for employees with confirmed COVID-19 of SEK 33 thousand (0), which had a positive impact on the operating profit. The operating margin decreased to 6.0% (7.0%), with a change in product mix negatively impacting the margin.

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 normally has a weaker winter season and a stronger summer season. However, the Group's results are affected by the number of working days, with the number of public holidays and the holiday and Christmas period having a negative impact.

Shares

The Extraordinary General Meeting on July 3, 2020, decided to merge shares and to split shares. Following these decisions and at the end of the year, the number of shares in the company amounts to 20,000,000 with a quota value of SEK 0.12. Share capital at the end of the year amounts to SEK 2,400,000. All shares are of the same class and all shares in the company carry equal rights in all respects. All shares are owned by Synnersten Invest AB.

In accordance with the resolution of the Extraordinary General Meeting on August 13, 2020, an incentive plan was introduced under which 980,000 warrants were issued to key employees. If the plan is fully exercised, the dilution effect will amount to approximately 4.67% of share capital and voting rights. For more information on the incentive plan, please see note 9.

Significant events during the financial period

The European economy took a rapid turn for the worse toward the end of the first quarter of 2020 with the onset of the global COVID-19 pandemic. GDP growth slowed and turned negative, the severity with which different sectors were hit varied, while governments introduced stimulus packages in their economies to mitigate the downturn. The pandemic posed a major challenge for the extruded plastic sheets industry in terms of adjusting to the new situation. Demand for products for industrial applications declined, while demand for transparent barriers to protect human health increased. In the second half of the year, demand for the various applications became more normal. Overall, the year saw a strong performance for the extruded plastic sheet industry as a whole and for Arla Plast in particular.

Arla Plast benefited from reduced employer's contributions due to COVID-19 and received a subsidy for sick pay costs, as well as a subsidy for employees with confirmed COVID-19, which together had a positive impact on operating profit of SEK 1,749 thousand (0), of which SEK 1,716 thousand (0) relates to the Sweden segment and SEK 33 thousand (0) to the Czech Republic segment. Items affecting comparability of SEK -7,635 thousand (SEK -379 thousand) have also had a negative impact on the full year.

During the year, Arla Plast made a number of investments in both Sweden and the Czech Republic to expand industrial capacity and to improve quality and efficiency. A major capacity-enhancing investment was carried out in Borensberg, where a new extrusion line was introduced.

Significant events after the end of the financial period

At the time of signing of this annual report, a new situation has arisen, with increased turbulence in the raw materials markets. The raw materials markets are characterized by variability in both supply and demand, with some periods being more turbulent than others. At the start of 2021, we see a trend indicating greater turbulence, as the supply has decreased due to maintenance programs and technical problems experienced by several raw material suppliers, while demand from Asia has surged. Overall, this has led to sharply rising prices and reduced availability of PC and ABS inputs.

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 continuously 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 control 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 granules and Arla Plast has chosen to coordinate all purchases of granules centrally in order to benefit from economies of scale and to obtain competitive prices and conditions from suppliers. Close internal monitoring is also carried out in order to react 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. In order to minimize the risk of customer losses, the Group has predominantly insured its accounts receivables 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 have not been involved in any major disputes during the year.

Strategic risk mainly relate to macroeconomic factors and geopolitical conditions. Arla Plast is active on a global market and sells products to most countries all over the world. For this reason, demand for Arla Plast's products is affected by macroeconomic factors, including the general economy, the global growth rate, regional trends and uncertainty in financial markets. 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 may 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's sales volumes in the UK are not expected to be significantly affected by the country's withdrawal from the EU. 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 works to build long-term relationships with customers and to create added value through our conduct. A new risk that emerged in 2020 is the COVID-19 outbreak. As a result of the pandemic, Arla Plast has experienced increased demand in certain markets, especially for protective barriers, while demand has declined in other areas. The spread of COVID-19 may also have an impact on operations, for example through difficulties in staffing production facilities. This could have a material adverse effect on Arla Plast's production capacity and thus a negative impact on the Group's financial performance. To mitigate these risks and difficulties in running the Group efficiently, clear instructions and plans have been implemented at our facilities and for our employees.

Regarding 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, where the Group is exposed to both transaction risk and translation risk. For a description of financial risks, please see note 3.

Sustainability Report

Arla Plast takes sustainability seriously in its operations. In 2020, Arla Plast continued working on its sustainability initiatives, as described in Arla Plast's sustainability report. In accordance with chapter 6, section 11 of the Swedish Annual Accounts Act, Arla Plast AB has chosen to prepare the statutory sustainability report as a separate report from the annual report. The Sustainability Report has been submitted to the auditor at the same time as the Annual Report. The Sustainability Report is available at www.arlaplastgroup.com.

Sustainability and the environment

Arla Plast shall 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 conducts operations that are subject to permit and notification requirements.

Arla Plast's reputation is valuable and Arla Plast strives to leverage this asset, which can be affected by the company's actions, but also by external stakeholders. Arla Plast strives 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 safety organization and occupational health services.

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

Research and development

The aim of the Group's research and development is to find new application areas that create added value for customers. Research and development work is a high priority within the Group and also includes development of production technology, production processes and IT systems where necessary. The work is mainly carried out in or close to production and in close collaboration with customers. There is an extensive exchange of experience between the segments to create synergies and new ideas for the future. Arla Plast expenses development of new products and production processes at cost as part of its ongoing operations.

Personnel

For 2020, the average number of full-time employees in the Group was 258 (256), an increase of 2 people. During the year, women accounted for 24% (24%) of employees. For more information on employees, please see note 9.

Arla Plast works to have a uniform culture within the organization and promotes a professional approach through Group-wide guidelines and principles, such as the implemented Code of Conduct. With the aim of ensuring a solid platform for the business while leveraging employee strengths, Arla Plast has standardized processes and tools for employee interviews, job descriptions, succession planning and skills development.

Expected future developments

Although the uncertainty related to the ongoing pandemic remains, we confidently look forward to 2021 and expect demand from application areas other than those driven by COVID-19 to bounce back as the world returns to more normal conditions. At the beginning of 2021, the supply of inputs is limited, which may affect Arla Plast's operations. Please see Events after the end of the reporting period for more information.

Proposal for profit appropriation

The Board of Directors of Arla Plast proposes that the Annual General Meeting on April 27, 2021, resolves that no dividend will be paid to shareholders for the 2020 financial year.

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

Retained earnings and reserves	111,077,166
Comprehensive income for the year	49,872,537
	160,949,703
be appropriated as follows:	
to be carried forward	160,949,703
	160,949,703

MULTI-YEAR REVIEW

Group performance in summary*

	2020	2019	2018	2017	2016
Sales volume, metric tons	23,992	19,120	18,794	20,617	20,380
Net sales, SEK thousand	884,680	794,567	796,130	809,080	742,116
EBITDA, SEK thousand	141,138	100,976	47,070	116,149	121,554
Adjusted EBITDA, SEK thousand	148,773	101,355	49,138	116,149	121,554
Operating profit, SEK thousand	105,920	65,074	15,640	85,423	96,961
Adjusted operating profit, SEK thousand	113,555	65,453	17,708	85,423	96,961
Operating margin, %	12.0	8.2	2.0	10.6	13.1
Adjusted operating margin, %	12.8	8.2	2.2	10.6	13.1
Profit before tax, SEK thousand	100,641	65,820	13,023	83,816	97,770
Profit for the year, SEK thousand	80,163	51,849	9,703	61,397	85,148
Net debt, SEK thousand	37,037	44,062	106,635	154,495	151,427
Net debt/EBITDA, multiple	0.26	0.44	2.27	1.33	1.25
Working capital/sales, %	21.2	27.7	29.7	31.3	28.5
Return on capital employed, %	22.9	12.6	3.4	16.6%	21.0%
Organic growth, %	13	-1	-5	6	8
Equity/assets ratio, %	67.6	65.3	62.1	54.4	49.8
Average number of full-time employees	258	256	262	287	249

*For definitions and alternative performance measures, see page 34.

Parent company performance in summary

	2020	2019	2018	2017	2016
Net sales, SEK thousand	614,077	519,050	519,397	529,275	475,040
Operating margin (%)	14.1	8.2	3.5	11.6	11.8
Profit after financial items, SEK thousand	82,454	41,723	16,378	60,490	57,624
Return on equity, %	29.4	14.8	6.3	25.0	20.8
Total assets, SEK thousand	396,624	468,637	432,705	433,185	442,678
Equity/assets ratio, %	66.6	63.5	61.4	58.6	52.3
Average number of full-time employees	140	147	144	142	141

GROUP FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

Amounts in SEK thousand	Note	2020	2019
Net sales	6	884,680	794,567
Cost of goods sold	8.9	-675,631	-634,777
Gross margin		209,049	159,790
Selling expenses	8.9	-63,946	-62,084
Administrative expenses	8.9	-41,568	-34,619
Other operating income	10.14	6,056	2,982
Other operating expenses	11.14	-3,671	-995
Operating profit		105,920	65,074
Financial income	12.14	4	1,214
Financial expense	12.14	-5,283	-468
Profit before tax		100,641	65,820
Tax expense	13	-20,478	-13,971
Profit for the year		80,163	51,849
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss for the year:</i>			
Exchange differences on translation of foreign operations		-12,769	5,938
Other comprehensive income for the year		-12,769	5,938
Total comprehensive income for the year		67,394	57,787
Amounts in SEK			
Earnings per share, basic and diluted	15	4.01	2.59
Earnings per share, diluted	15	3.93	2.59

The profit for the year and the 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	Dec. 31, 2020	Dec. 31, 2019
ASSETS			
Non-current assets			
Intangible non-current assets	17	805	570
Property, plant and equipment	18	275,253	272,571
Right-of-use assets	19	8,593	12,921
Other non-current receivables	20	14	3,158
Total non-current assets		284,665	289,220
Current assets			
Inventories	22	160,769	172,524
Accounts receivable	20.21	93,109	90,136
Other current receivables	20.23	10,788	10,670
Current tax asset		-	1,325
Prepaid expenses and accrued income	24	2,884	2,045
Derivative instruments	20	-	559
Cash and cash equivalents	20.25	23,814	77,430
Total current assets		291,364	354,689
TOTAL ASSETS		576,029	643,909
EQUITY			
	26		
Share capital		2,400	2,400
Other capital contributions		1,666	-
Translation reserve		21,034	33,802
Retained earnings (including profit for the year)		364,347	384,185
Total equity attributable to owners of the parent		389,447	420,387
LIABILITIES			
Non-current liabilities			
Non-current portion of lease liability	19	4,041	8,191
Deferred tax liabilities	28	38,697	38,094
Total non-current liabilities		42 738	46 285
Current liabilities			
Liabilities to credit institutions	20.27	52,186	68,358
Current portion of lease liability	19	4,624	4,846
Accounts payable	20	26,074	19,643
Current tax liabilities		6,609	5,405
Liability to Group company	20.27	-	40,097
Derivative instruments	20	32	-
Other liabilities	20.29	29,067	17,251
Accrued expenses and deferred income	30	25,252	21,637
Total current liabilities		143,844	177,237
Total liabilities		186,582	223,522
TOTAL EQUITY AND LIABILITIES		576,029	643,909

Consolidated statement of changes in equity

Amounts in SEK thousand	Attributable to equity holders of the parent				
	Share capital	Other capital contributions	Translation reserve	Retained earnings including profit for the year	Total equity
Opening balance, January 1, 2019	2,400	-	27,864	332,336	362 600
Profit for the year	-	-	-	51,849	51,849
Other comprehensive income for the year	-	-	5,938	-	5,938
Total comprehensive income for the year	2,400	-	33,802	384,185	420,387
Closing balance, December 31, 2019	2,400	-	33,802	384,185	420,387
Opening balance, January 1, 2020	2,400	-	33,802	384,185	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	-	21,033	464,348	487,781
Transactions with shareholders in their capacity as owners					
Dividend	-	-	-	-100,000	-100,000
Cash for warrants	-	1,666	-	-	1,666
Closing balance, December 31, 2020	2,400	1,666	21,033	364,348	389,447

Consolidated statement of cash flows

Amounts in SEK thousand	Note	2020	2019
Cash flow from operating activities			
Operating profit		105,920	65,074
Adjustment for items not included in cash flow	34	36,934	35,467
Interest received		4	7
Interest paid		-1,912	-791
Income tax paid		-13,394	-5,458
Cash flow from operating activities before changes in working capital		127,552	94,299
Cash flow from changes in working capital			
Increase/decrease in inventories		5,215	5,520
Increase/decrease in operating receivables		-6,989	3,997
Increase/decrease in operating liabilities		23,062	8,277
Total change in working capital		21,288	17,794
Cash flow from operating activities		148,840	112,093
Cash flow from investing activities			
Investments in intangible non-current assets	17	-498	-570
Investments in property, plant and equipment	18	-40,998	-30,167
Disposal of long-term receivables		3,129	-
Cash flow from investing activities		-38,367	-30,737
Cash flow from financing activities			
Derivative instruments		-184	587
Dividend		-100,000	-
Increased use of overdraft facility	33	17,022	-
Reduced use of overdraft facility	33	-	-14,677
Borrowing from credit institutions	33	-	36,176
Amortization and interest related to lease liability	33	-5,324	-5,603
Amortization of loans to credit institutions	33	-31,560	-34,433
Borrowings from Group companies	33	-	38,000
Amortization of loan to Group companies	33	-39,497	-49,401
Cash for warrants	9	1,666	-
Cash flow from financing activities		-157,877	-29,351
Decrease/increase in cash and cash equivalents		-47,404	52,005
Cash and cash equivalents, beginning of year		77,430	25,952
Exchange differences in cash and cash equivalents		-6,212	-527
Cash and cash equivalents at year-end	25	23,814	77,430

NOTES GROUP

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 parent company is part of a Group for which Synnersten Invest AB, company reg. no. 556377-7514, with registered office in Västerås, prepares consolidated accounts for the largest group.

The Board of Directors approved these consolidated financial statements for publication on April 26, 2021.

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 under the historical cost convention, 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 receivables 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 twelve months after the balance sheet date. Current assets and current liabilities are expected to be recovered or settled less than twelve 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 January 1, 2020 or later. No new or amended standards, or interpretations of existing standards, to be applied for financial years beginning on or after January 1, 2020 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 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 point in time 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 are 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 receivables. Each order is considered as 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 component 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. The actual 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 tax bases 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 accounting nor taxable profit or loss. Deferred income tax is calculated using tax rates (and laws) that have been enacted or substantively enacted 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.

Leases

Arla Plast has chosen to apply the practical expedients 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.

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.

Licenses 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 installations 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 on 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
• Inventory	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 commissions). 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.

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 statements 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 receivables 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 financial 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 white-collar 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 financial year 2020, 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 155%. If Alecta's collective consolidation level is less than 125% or exceeds 155%, measures must be taken aimed at returning the consolidation level to the normal interval. 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 2020 financial year, Alecta's surplus in the form of the collective consolidation ratio was provisionally 148% (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.

Earnings per share

Basic earnings per share are calculated by dividing:

- profit attributable to the parent company's shareholders in relation
- to the average number of outstanding ordinary shares (see note 15).

During the year, the Annual General Meeting decided to introduce an incentive plan under which 980,000 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 72,870 thousand (TSEK 74 269) and accounts payable in EUR amount to SEK 20,296 thousand (SEK 13,924 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 3,400 thousand (EUR 6,400 thousand). The Group has loans denominated in EUR which 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 2020 financial year would have been SEK 4,170 thousand (SEK 4,329 thousand) higher/lower, mainly as a result of gains/losses on the translation of accounts receivables and accounts payables 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 December 31, 2020 would have been SEK 8,060 thousand (SEK 9,858 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 December 31, 2020, the average fixed interest rate period was 8.3 months (6.2 months). For further information on the Group's borrowings, please see note 27 Borrowings.

If interest rates on borrowings as of December 31, 2020 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 238 thousand lower/higher (SEK 296 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 Plast works actively to monitor and ensure that outstanding accounts receivables 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 1,261 thousand as of December 31, 2020 (SEK 312 thousand), please see note 19. 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 December 31, 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 contract	19	13	-	-	-	32	32
Total	47,577	56,199	3,728	313	0	107,817	107,453

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:

	Dec. 31, 2020	Dec. 31, 2019
Interest-bearing liabilities (SEK thousand)	60,851	121,492
Minus interest-bearing assets (SEK thousand)	-23,814	-77,430
Net debt (SEK thousand)	37,037	44,062
EBITDA (SEK thousand)	141,138	100,976
Net debt/EBITDA, multiple	0.26	0.44

The decrease in 2020 was a result of improved operating profit and lower borrowings; please see note 26 Borrowings.

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 commissions

Sales commissions are 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 2020, the expected amount relating to sales commissions was SEK 5,343 thousand (SEK 1,952 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 are used to estimate the expected value of discounts. At the end of 2020, the expected amount of the customer bonus was SEK 10,159 thousand (SEK 4,712 thousand).

Supplier bonus

The Group has a small number of purchase agreements where volume discounts are obtained on cumulative purchases over a 12-month period. Historical data are 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 2020, the expected amount of the supplier bonus was SEK 3,395 thousand (SEK 1,825 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. Ongoing expansion investments in production facilities are significant in nature. 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.

Note 5 Operating segments

Historically, the business has been monitored through the two segments Building & Construction and Industry & Automotive. In conjunction with a review of financial monitoring and reporting in the second quarter of 2020, management noted that the business is mainly monitored based on country of operation, which is consistent with reporting to the CEO and the Board of Directors. The Board of Directors, in consultation with the Chief Executive Officer, has therefore established new operating segments in July 2020 based on the information processed by the Chief Executive Officer and used as a basis for allocating resources and evaluating performance. Consequently, the Group has divided its operations into two operating segments, Sweden and the Czech Republic.

Group-wide functions can be found in both Sweden and the Czech Republic and are invoiced internally to ensure that a fair result can be monitored in each segment. Items affecting comparability, which relate to preparation costs for a possible listing, 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. Intersegment sales are to 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 represents approximately 69% (65) of the Group's total net sales in 2020 and includes all operations conducted and based in Borensberg. The main raw materials in the segment are polycarbonate and ABS. The product areas in which the segment operates are TPC, OPC and ABS. Approximately 48% (36) of the net sales of the joint product area OPC are generated in the Sweden segment.

Czech Republic

The Czech Republic segment represents approximately 31% (35%) of the Group's total net sales in 2020, 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. Regarding the joint product area OPC, the Czech Republic segment accounts for approximately 52% (64) of net sales.

Revenue

Intersegment sales are to 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:

Net sales and earnings	Sweden Jan-Dec 2020	Czech Republic Jan-Dec 2020	Jointly Jan-Dec 2020	Elim Jan-Dec 2020	Group Jan-Dec 2020	Sweden Jan- Dec 2019	Czech Republi c Jan-Dec 2019	Jointly Jan-Dec 2019	Elim Jan-Dec 2019	Group Jan-Dec 2019
Sales volume, metric tons	16,211	8,642	-	-861	23,992	12,440	6,987	-	-307	19,120
Net sales external, SEK thousand	591,920	292,760	-	-	884,680	491,326	303,241	-	-	794,567
Net sales internal, SEK thousand	22,157	21,378	-	-43,535	-	27,724	7,251	-	-34,975	-
Total net sales	614,077	314,138	-	-43,535	884,680	519,050	310,492	-	-34,975	794,567
Adjusted operating profit, SEK thousand	94,378	18,742	-	435	113,555	42,918	21,923	-	612	65,453
Items affecting comparability, SEK thousand	-	-	7,635	-	7,635	-	-	379	-	379
Operating profit, SEK thousand	94,378	18,742	-7,635	435	105,920	42,918	21,923	-379	612	65,074
Net financial items, SEK thousand	-4,279	-1,000	-	-	-5,279	-823	1,569	-	-	746
Profit before tax, SEK thousand	90,099	17,742	-7,635	435	100,641	42,095	23,492	-379	612	65,820
Operating margin, %	15.4	6.0	-	-	12.0	8.3	7.0	-	-	8.2
Adjusted operating margin, %	15.4	6.0	-	-	12.8	8.3	7.0	-	-	8.2

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 World	25,018	10,990	-	36,008
Total	614,077	314,138	-43,535	884,680

Net sales by geographic market and segment, SEK thousand	Sweden Jan-Dec 2019	Czech Republic Jan-Dec 2019	Net sales, internal Jan-Dec 2019	Group Jan-Dec 2019
Sweden	107,241	14,915	-7,251	114,905
Germany	105,843	128,510	-	234,353
Czech Republic	42,201	33,535	-27,724	48,012
Poland	36,411	34,026	-	70,437
Rest of Europe	190,772	81,146	-	271,918
Rest of World	36,582	18,360	-	54,942
Total	519,050	310,492	-34,975	794,567

* See also note 6 Categories of revenue

Material assets and liabilities by segment, SEK thousand	2020	2019
Sweden		
Property, plant and equipment	167,735	145,966
Inventories	96,578	108,923
Liabilities	105,330	147,825
Czech Republic		
Property, plant and equipment	114,375	134,101
Inventories	64,191	61,319
Liabilities	49,590	36,529

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	2020	Percent	2019	Percent
Sweden	111,772	13	114,905	15
Germany	234,498	26	234,353	29
Czech Republic	88,362	10	48,012	6
Poland	84,210	10	70,437	9
Rest of Europe	329,830	37	271,918	34
Rest of World	36,008	4	54,942	7
Total	884,680	100	794,567	100

External net sales by product area, SEK thousand	2020	Percent	2019	Percent
TPC	450,768	51	329,298	42
OPC	106,815	12	173,332	22
MWPC	155,808	18	145,850	18
ABS	87,422	10	98,464	12
PETG	83,867	9	47,623	6
Total	884,680	100	794,567	100

Note 7 Remuneration of the auditors

	2020	2019
Ernst & Young AB		
– Audit assignment	647	476

– Other services	42	50
Total	689	526
Aptus audit s.r.o.		
- Audit assignment	-	-
- Other services	-	187
Total	-	187
Group total	689	713

Note 8 Costs broken down by type of cost

	2020	2019
Employee benefit expenses (note 9)	119,391	117,607
Depreciation of property, plant and equipment (note 34)	35,218	35,902
Other costs	626,536	577,971
Total cost of goods sold, selling and administrative expenses	781,145	731,480

Note 9 Remuneration of employees, etc.

	2020	2019
Salaries and other benefits	84,861	83,497
Social security contributions	28,628	30,087
Pension costs - defined contribution plans	5,902	4,023
Total employee benefits	119,391	117,607

	2020		2019	
	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	9,507	3,433	7,898	2,806
	(0)	(1,434)	(0)	(1,115)
Other employees	75,354	31,097	75,599	31,304
	(0)	(4,468)	(0)	(2,908)
Group total	84,861	34,530	83,497	34,110

	2020		2019	
	Average number of employees	Men	Average number of employees	Men
Sweden	138	104	145	119
Belgium	2	2	2	2
Czech Republic	118	89	109	73
Group total	258	195	256	194

	2020		2019	
	Number at balance sheet date	Men	Number at balance sheet date	Men

Board members	8	6	8	6
Chief Executive Officer and other senior executives	6	5	6	5
Group total	14	11	14	11

* Group management includes 1 man who is paid via consultancy fees, please see note 32 Related party transactions.

Remuneration and other benefits 2020	Base salary/ Board fees	Variable remuneration	Other benefits	Pension cost	Consultancy fee	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
Chief Executive Officer 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

Remuneration and other benefits 2019	Base salary/ Board fees	Variable remuneration	Other benefits	Pension cost	Consultancy fee	Total
Board Member Leif Nilsson	100	-	-	-	-	100
Board Member Sten Jakobsson	200	-	-	-	-	200
Board Member Barbro Forss	115	-	-	-	-	115
Board Member Ola Salmén	200	-	2	-	-	202
Chief Executive Officer Henrik Håkansson	2,040	202	57	536	-	2,835
Other senior executives (5 people)	2,995	480	119	580	1,562	5,735
Total	5,650	682	178	1,116	1,562	9,188

The above table does not include the Chairman of the Board or Board members who did not receive remuneration. Variable remuneration refers to the bonus recognized as an expense for the 2019 financial year (2018), which was paid in 2020 (2019). The bonus recognized as an expense in 2020 amounts to SEK 3,149 thousand and will be paid in 2021 (SEK 1,804 thousand) and is not included in the above table. For information on how the bonus is calculated, see below.

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

Guidelines

The Chairman of the Board and Board members receive fees in accordance with the resolution of the Annual General Meeting on March 31, 2020. 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 Annual General Meeting on November 24, 2020 to apply beginning in 2021. Remuneration consists of fixed salary, short-term variable remuneration, other benefits, pension, etc. "Other senior executives" refers to the five people who, together with the CEO, belong to Group Management.

The allocation between base salary and variable remuneration shall be in proportion with the area of responsibility and authority of the executive. Variable remuneration for the CEO is capped at 40% of the base salary. Variable remuneration for the other senior executives is capped at 20% of the base salary. The 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 CEO in 2020 was SEK 840 thousand to be paid in 2021 (SEK 816 thousand paid in 2020) 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 2020 is equivalent to 15-30% of base salary (17-33%).

Incentive plan

The Extraordinary General Meeting of Shareholders on August 13, 2020, resolved to introduce an incentive plan, through which 980,000 warrants from series 2020/2023 would be issued to ten key personnel in the Group. The reason for the incentive plan is that a personal incentive through ownership in the company is expected to lead to increased motivation and a sense of belonging to 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 September 1, 2020 until September 1, 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 December 31, 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 August 1, 2023 up to and including September 1, 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 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 retirement age of the Chief Executive Officer is 67. The pension premium may not exceed 30% of the pensionable salary. For other senior executives, the retirement age varies between 65 and 67 years. 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 0.00252% and the company's share of the total number of active insured in ITP 2 is 0.00675%. Anticipated premiums for the next report period for ITP 2 insurance that are covered by Alecta amount to SEK 1,064 thousand.

Notice periods

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

Note 10 Other operating income

	2020	2019
Foreign exchange gains	-	848
Wage subsidies received	818	854
Grants received for sick pay costs	1,080	-
Grants received for employees with confirmed COVID-19	33	-
Gain on disposal of inventories	188	325
Insurance reimbursement	750	131
Other	3,187	824
Total	6,056	2,982

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, interest income and other income not related to ordinary activities.

Note 11 Other operating expenses

	2020	2019
Exchange rate losses	-3,184	-698
Loss on disposal of inventories	-	-296
Other	-487	-1
Total	-3,671	-995

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

Note 12 Financial income and financial expenses

	2020	2019
Interest income	4	7
Change in value of forward exchange contracts	-	1,144
Foreign exchange gains	-	63
Total financial income	4	1,214
Interest payable to credit institutions	-829	-153
Interest on lease liability	-223	-315
Change in value of forward exchange contracts	-1,909	-
Exchange rate losses	-2,322	-
Total financial expense	-5,283	-468
Financial items – net	-5,279	746

Exchange losses are attributable to financial assets and liabilities. At year-end, the Group had 6 open forward exchange contracts maturing with EUR 300 thousand each month from January to June 2021 at an exchange rate of CZK 26.50.

Note 13 Income tax

	2020	2019
Current tax:		
Current tax on profit for the year	20,478	13,911
Adjustments relating to previous years	0	0
Total current tax	20,478	13,911
Deferred tax (note 28)		
Deferred tax relating to origination and reversal of temporary differences	-	60
Total deferred tax	-	60
Total income tax	20,478	13,971

	2020	2019
Profit before tax	100,641	65,820
Income tax calculated according to the tax rate in Sweden (21.4%)	-21,537	-14,086
Tax effects of:		
Difference in foreign tax rates	515	469
Non-taxable income	-	2
Non-deductible expenses	-57	-1,651

Standard interest tax allocation reserve	-114	-74
Temporary differences	715	60
Other appropriations	-	1,309
Income tax	-20,478	-13,971

Note 14 Exchange differences – net

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

	2020	2019
Other operating income (note 10)	-	848
Other operating expenses (note 11)	-3,184	-698
Financial items - net (note 12)	-4,231	63
Total	-7,415	213

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 July 3, 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 Annual General Meeting on 13 August 2020.

Basic and diluted earnings per share	2020	2019
Profit attributable to equity holders of the parent, SEK thousand	80,163	51,849
Weighted number of shares, basic	20,000,000	20,000,000
Weighted number of shares, diluted	20,377,541	20,000,000
Earnings per share, basic, SEK	4.01	2.59
Earnings per share, diluted, SEK	3.93	2.59

Note 16 Investments in subsidiaries

Name	Country of registration and operation	Operations	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 2019	Licenses	Other intangible assets	Total
Opening carrying amount	-	-	-
Reclassifications	7	-	-
Acquisitions for the year	585	-	585
Depreciation/amortization	-22	-	-22
Closing carrying amount	570	-	570
As of December 31, 2019			
Cost	592	-	592
Accumulated depreciation/amortization	-22	-	-22
Carrying amount	570	-	570

Financial year 2020	Licenses	Other intangible assets	Total
Opening carrying amount	570	-	570
Reclassifications	-6	-	-6
Acquisitions for the year	353	144	497
Depreciation/amortization	-251	-5	-256
Closing carrying amount	666	139	805
As of December 31, 2020			
Cost	939	144	1,083
Accumulated depreciation/amortization	-273	-5	-278
Carrying amount	666	139	805

Note 18 Property, plant and equipment

Financial year 2019	Buildings and land	Machinery and other technical equipment	Equipment, tools and installations	Construction in progress	Total
Opening carrying amount	114,958	138,753	13,516	1,009	268,236
Currency translation differences	1,474	2,787	-	30	4,291
Reclassifications	-63	117	-23	-	31
Acquisitions for the year	268	6,061	2,942	25,450	34,721
Disposals and eliminations	-	-	-	-4,407	-4,407
Depreciation/amortization for the year	-5,913	-21,571	-2,815	-	-30,299
Closing carrying amount	110,724	126,147	13,620	22,082	272,571

As of December 31, 2019

Cost	174,427	417,859	34,219	22,082	648,587
Accumulated depreciation/amortization	-63,703	-291,712	-20,600	-	-376,015
Carrying amount	110,724	126,147	13,620	22,082	272,571

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	0	-29,334
Closing carrying amount	113,072	118,351	12,485	31,345	275,253
As of December 31, 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 other technical equipment such as a container compactor, inkjet printer, scrubbing machines and a vending machine. 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 statement of financial position on separate lines (non-current and current). The total cash flow from lease agreements in 2020 amounts to SEK 5,324 thousand (SEK 5,603 thousand) of which the interest cost on the lease liability in 2020 amounts to SEK 223 thousand (SEK 315 thousand).

Right-of-use assets	Building	Vehicles and other technical installations	Total
Financial year 2019			
Opening balance, cost	13,708	3,497	17,205
Acquisitions for the year	-	1,156	1,156
Currency adjustment	379	44	423
Disposals	-242	-599	-841
Depreciation/amortization	-3,697	-1,325	-5,022
Closing carrying amount	10,148	2,773	12,921

As of December 31, 2019

Cost	13,845	4,098	17,943
Accumulated depreciation/amortization	-3,697	-1,325	-5,022
Carrying amount	10,148	2,773	12,921

	Building	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 December 31, 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

Lease liabilities	2020	2019
Within 6 months	1,975	2,069
Between 6 and 12 months	2,648	2,778
Total current lease liability	4,623	4,847

Between 1 and 2 years	3,728	4,319
Between 2 and 5 years	313	3,872
Total non-current lease liability	4,041	8,191

Fees for leases under the practical expedient rule amounted to SEK 115 thousand (SEK 112 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.

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.

Dec. 31, 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
Other current receivables	-	6,024	6,024
Cash and cash equivalents	-	23,814	23,814
Total	-	122,961	122,961

Dec. 31, 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
Derivative instruments	32	-	32
Other current liabilities	-	20,497	20,497
Total	32	98,757	98,789

Dec. 31, 2019	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	-	3,135	3,135
Accounts receivable	-	90,136	90,136
Derivative instruments	559	-	559
Other current receivables	-	3,928	3,928
Cash and cash equivalents	-	77,430	77,430
Total	559	174,629	175,188

Dec. 31, 2019	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	-	68,358	68,358
Accounts payable	-	19,643	19,643
Liabilities to Group companies	-	40,097	40,097
Other current liabilities	-	12,093	12,093
Total	-	140,191	140,191

Note 21 Accounts receivable

	Dec. 31, 2020	Dec. 31, 2019
Accounts receivable, gross insured portion	80,605	75,154
Accounts receivable, gross uninsured portion	13,765	15,294
Less: provision for expected credit losses	-1,261	-312
Accounts receivable – net	93,109	90,136
EUR	72,870	69,042
GBP	4,016	4,138
USD	1,660	2,306
NOK	-	47
SEK	14,498	14,603
CZK	64	-
Total	93,109	90,136

Change in credit loss reserve

Opening balance, credit loss reserve	312	1,585
Exchange difference	-	46
Provision for expected credit losses	1,178	810
Receivables written off during the year as irrecoverable	-87	175
Recovered unused amounts	-142	-2,304
Closing balance, credit loss reserve	1,261	312

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 14.7% (16.9%) 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.

The change in the credit loss reserve between 2020 and 2019 mainly relates to a customer in the Czech Republic segment for whom there is deemed to be a risk of non-payment.

Maturity structure of accounts receivable, SEK thousand	Gross Dec. 31, 2020	Expected credit loss	Gross Dec. 31, 2019	Expected credit loss
Not due	82,260	-	77,584	-
1-30 days	9,870	-	10,900	-
31-60	958	-	1,413	-
> 61 days	1,282	-1,261	551	-312
Total accounts receivable past due	94,370	-1,261	90,448	-312

Note 22 Inventories

During the 2020 financial year, material costs amounting to SEK 504,767 thousand (SEK 536,040 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 December 31, 2020 amounts to SEK 160,769 thousand (SEK 172,524 thousand), with the following allocation:

	Dec. 31, 2020	Dec. 31, 2019
Raw materials and commodities	88,855	80,483
Finished goods produced in-house	68,869	90,045
Products in progress	3,045	1,996
Total	160,769	172,524

Note 23 Other receivables

	Dec. 31, 2020	Dec. 31, 2019
Other advances	602	612
Tax clearing account	721	3,201
VAT	3,441	2,929
Bonus from supplier	3,395	1,825
Other current receivables	2,629	2,103
Total	10,788	10,670

Note 24 Prepaid expenses

	Dec. 31, 2020	Dec. 31, 2019
Prepaid insurance costs	434	594
Prepaid license fees	392	462
Other items	2,058	989
Total	2,884	2,045

Note 25 Cash and cash equivalents

	Dec. 31, 2020	Dec. 31, 2019
Cash	3	14
Bank deposits	23,811	77,416
Total	23,814	77,430

All cash and cash equivalents are available upon request. Bank deposits consist of bank funds denominated in SEK, CZK, EUR and GBP whereby some exposure to currency risk arises. Available cash and cash equivalents including unused credit facilities amounted to SEK 115,154 thousand (SEK 185,214 thousand) as of December 31, 2020.

Note 26 Share capital

The share capital of Arla Plast AB amounts to SEK 2,400,000. The Extraordinary General Meeting on July 3, 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 Annual General Meeting on 13 August 2020. Please see note 9 for conditions relating to warrants.

Note 27 Borrowing

	Dec. 31, 2020	Dec. 31, 2019
Current		
Liabilities to credit institutions	34,136	66,752
Liabilities to Group companies	-	40,097
Overdraft facility	18,050	1,606
Total borrowings	52,186	108,455

Current borrowings

Security has been provided for debts to credit institutions in the form of chattel 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 109,390 thousand. Of the overdraft facility granted, SEK 18,050 thousand has been utilized as of December 31, 2020 (SEK 1,606 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:

	Dec. 31, 2020	Dec. 31, 2019
Deferred tax assets:		
- deferred tax assets expected to be utilized within 12 months	-	23
Deferred tax liabilities:		
- deferred tax liabilities expected to be realized after more than 12 months	38,697	36,511
- deferred tax liabilities expected to be realized within 12 months	-	1,584
Deferred tax liabilities (net)	38,697	38,072

The gross change in deferred taxes is as follows:

	2020	2019
Opening balance	38,072	37,549
Recognized in the statement of comprehensive income	625	523
Closing balance	38,697	38,072

Deferred tax liabilities	Untaxed reserves	Other	Total
As of January 1, 2019	22,979	15,344	38,323
Recognized in the statement of comprehensive income	871	-1,100	-229
As of December 31, 2019	23,850	14,244	38,094

Recognized in the statement of comprehensive income	3,295	-2,692	603
As of December 31, 2020	27,145	11,552	38,697

Deferred tax assets	Loss carryforward	Other	Total
As of January 1, 2019	-	774	774
Recognized in the statement of comprehensive income	-	-751	-751
As of December 31, 2019	-	23	23

Recognized in the statement of comprehensive income	-	-23	-23
As of December 31, 2020	-	-	-

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

	Dec. 31, 2020	Dec. 31, 2019
Employee withholding taxes	3,249	1,974
Statutory social security contributions	2,382	2,326

Customer bonus	10,159	4,712
Advances from customers	2,939	858
Sales commissions	5,343	1,952
Complaints	2,003	2,696
Other items	2,992	2,733
Total	29,067	17,251

Note 30 Accrued expenses and deferred income

	Dec. 31, 2020	Dec. 31, 2019
Accrued personnel costs	15,424	13,737
Accrued interest expense	113	323
Other accrued expenses	9,715	7,577
Total	25,252	21,637

Note 31 Pledged assets

	Dec. 31, 2020	Dec. 31, 2019
Property mortgages	8,950	8,950
Chattel mortgages	50,950	50,950
Total	59,900	59,900

Note 32 Related party transactions

Synnersten Invest AB owns 100% of the parent company's shares and has a controlling influence over the Group. Related parties are all subsidiaries within the Synnersten Invest Group, as well as the Board of Directors and senior executives of the Arla Plast Group and their related parties. All transactions are carried out on market terms.

The following related-party transactions have taken place:	2020	2019
Purchases of goods and services:		
Shareholder	-	600
Sister company	25	17
Company controlled by a Board member	62	37
Company controlled by other senior executives	2,163	2,078
Total	2,250	2,732

Receivables and payables at year-end arising from sales and purchases of goods and services

	Dec. 31, 2020	Dec. 31, 2019
Liabilities to related parties:		
Shareholder	-	-600
Company controlled by a Board member	-	-10
At year-end	-	-610

The Group had no provisions for bad debts attributable to related parties, nor has the Group recognized any costs relating to bad debts regarding 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 to senior executives is presented in note 9.

Note 33 Changes in liabilities related to financing activities

	January 1, 2019	Cash flow	Non-cash items Exchange differences	Other	Dec. 31, 2019
Lease liability	17,205	-5,613	450	995	13,037
Liabilities to credit institutions	65,274	1,743	-265	-	66,752
Liability to Group company	50,898	-11,401	-	600	40,097
Overdraft facility	16,415	-14,677	-133	-	1,606
Total	149,792	-29,948	52	1,595	121,491

	January 1, 2020	Cash flow	Non-cash items Exchange differences	Other	Dec. 31, 2020
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 items not included in cash flow

	2020	2019
Depreciation/amortization	35,218	35,902
Gains/losses from sale of non-current assets	112	-29
Other	1,604	-406
Total	36,934	35,467

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 interim report. The 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.

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:	Operating profit before depreciation, amortization and impairment.	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 adjusted increases the comparability of EBITDA.
Interest-bearing assets, SEK thousand:	Cash and bank balances.	The interest-bearing assets are used to calculate the net debt.
Interest-bearing liabilities, SEK thousand:	Current and non-current liabilities owed to credit institutions, current and non-current lease liabilities, and debt owed to the parent company.	The interest-bearing liabilities are used to calculate the net debt.
Net debt, SEK thousand:	Interest-bearing liabilities less interest-bearing assets.	The net debt is used to measure the Company's ability to repay all of its debt if it matured on the calculation date using the Company's available cash.
Net debt/EBITDA, multiple:	The net debt at period-end in relation to the EBITDA for the last 12 months.	The 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 the 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 disposals.
Working capital, SEK thousand:	Inventories and other short-term operating assets less other short-term operating liabilities.	This measure is used to analyze the company's short-term tied-up capital.
Working capital/sales, %:	Operating receivables less operating liabilities in relation to sales.	This key performance indicator is used to monitor the change in working capital in relation to net sales.
Capital employed, SEK thousand:	Total assets less non-interest-bearing liabilities (including deferred tax).	Capital employed measures the ability of the company to meet its operating needs other than through its available cash.
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, metric tons:	Volume sold stated in metric tons.	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 ratio indicates the proportion of the company's assets that are financed by equity. This performance measure makes it possible to analyze a company's long-term ability to pay.

Calculation of ratios:

	2020	2019
Operating margin, %, Sweden:		
Net sales, SEK thousand	614,077	519,050
Operating profit, SEK thousand	94,378	42,918
Operating margin, %, Sweden	15.4	8.3
Operating margin, %, Czech Republic:		
Net sales, SEK thousand	314,138	310,492
Operating profit, SEK thousand	18,742	21,923
Operating margin, %, Czech Republic	6.0	7.0
Adjusted EBITDA, SEK thousand:		
Operating profit	105,920	65,074
Less depreciation and amortization of non-current assets	35,218	35,902
Minus depreciation of non-current assets	-	-
EBITDA	141,138	100,976
Less items affecting comparability	7,635	379
Adjusted EBITDA, SEK thousand	148,773	101,355
Organic growth, %:		
Net sales, SEK thousand	884,680	794,567
Net sales for the same period of the previous year, SEK thousand	794,567	796,130
Net sales, change	90,113	-1,563
Less exchange rate fluctuations, SEK thousand	11,282	-10,125
Organic growth, %	12.9	-1.4
Working capital/sales, %:		
Operating receivables, SEK thousand	267,550	277,259
Operating liabilities, SEK thousand	80,425	57,531
Net working capital, SEK thousand	187,125	219,728
Net sales, SEK thousand	884,680	794,567
Working capital/sales, %	21.2	27.7
Return on capital employed (ROCE), %:		
Capital employed, SEK thousand	450,298	541,879
Average capital employed, SEK thousand	496,089	518,533
Adjusted operating profit, SEK thousand	113,555	65,453
Return on capital employed (ROCE), %	22.9	12.6
Net debt/EBITDA, multiple:		
Net debt, SEK thousand	37,037	44,062
EBITDA	141,138	100,976
Net debt/EBITDA, multiple	0.26	0.44
Equity/assets ratio, %:		
Equity, SEK thousand	389,447	420,387
Total capital, SEK thousand	576,029	643,909
Equity/assets ratio, %	67.6	65.3

Note 35 Significant events after the end of the financial period

At the time of signing this annual report, a new situation has arisen with great turbulence in the raw materials markets. Maintenance programs at several raw material suppliers in the autumn of 2020, have been accompanied by technical problems and a sharp increase in demand in Asia. Taken together, this has led to sharp price increases and reduced availability of PC and ABS inputs.

PARENT COMPANY FINANCIAL STATEMENTS

Parent company income statement

Amounts in SEK thousand	Note	2020	2019
Net sales	2	614,077	519,050
Cost of goods sold	3.4	-449,211	-405,136
Gross profit		164,866	113,914
Selling expenses	3.4	-49,337	-50,601
Administrative expenses	3.4	-30,638	-23,252
Other operating income	5	4,992	2,437
Other operating expenses	6	-3,183	-
Operating profit		86,700	42,498
Interest receivable and similar income	7	4	70
Interest payable and similar charges	7	-4,250	-845
Profit after financial items		82,454	41,723
Appropriations	8	-18,942	-4,071
Tax on profit for the year	9	-13,639	-8,445
Profit for the year		49,873	29,207

Condensed statement of comprehensive income, parent company

Amounts in SEK thousand	2020	2019
Profit for the period	49,873	29,207
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income for the period	-	-
Total comprehensive income for the period	49,873	29,207

Parent company balance sheet

Amounts in SEK thousand	Note	Dec. 31, 2020	Dec. 31, 2019
ASSETS			
Non-current assets			
Licenses	12	803	562
Total intangible non-current assets		803	562
Buildings and land	13	68,145	61,288
Machinery and other technical equipment	13	56,267	51,330
Equipment and tools	13	12,485	13,620
Construction in progress	13	30,838	19,728
Total property, plant and equipment		167,735	145,966
Participations in Group companies	10	28,986	66,156
Other financial fixed assets	11	-	3,129
Total financial fixed assets		28,986	69,285
Total non-current assets		197,524	215,813
Current assets			
Inventories	15	96,578	108,923
Accounts receivable	14	65,603	64,029
Receivables from group companies		4,113	-
Other receivables	16	7,353	8,124
Current tax asset		-	1,325
Prepaid expenses and accrued income	17	2,327	1,564
Cash and bank balances	18	23,126	68,859
Total current assets		199,100	252,824
TOTAL ASSETS		396,624	468,637

Parent company balance sheet, cont.

Amounts in SEK thousand	Note	Dec. 31, 2020	Dec. 31, 2019
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)		160,950	209,411
Total unrestricted equity		160,950	209,411
Total equity			
Untaxed reserves	20	127,464	108,521
Liabilities to credit institutions	21	38,366	66,752
Accounts payable		19,805	15,015
Liabilities to Group companies	21	-	35,620
Current tax liabilities		4,112	-
Other liabilities	22	18,890	10,774
Accrued expenses and deferred income	23	24,157	19,664
Total liabilities		105,330	147,825
TOTAL EQUITY AND LIABILITIES		396,624	468,637

Parent company statement of changes in equity

	Share capital	Statutory reserve	Profit or loss brought forward	Profit for the year	Total equity
Opening balance, January 1, 2019	2,400	480	161,500	18,704	183,084
Profit carried forward, previous year			18,704	-18,704	
Profit for the year and comprehensive income				29,207	29,207
Closing balance, December 31, 2019	2,400	480	180,204	29,207	212,291
Opening balance, January 1, 2020	2,400	480	180,204	29,207	212,291
Profit carried forward, 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 warrants			1,666		1,666
Closing balance, December 31, 2020	2,400	480	111,077	49,873	163,830

The notes on pages 42 to 53 form an integral part of the Parent Company financial statements.

Parent company statement of cash flows

Amounts in SEK thousand	Note	2020	2019
Cash flow from operating activities			
Operating profit		86,704	42,498
Adjustment for items not included in cash flow	28	15,554	15,113
Interest received		-	7
Interest paid		-779	-666
Exchange differences and changes in value of derivatives		-3,471	-1,091
Income tax paid		-9,527	-5,044
Cash flow from operating activities before changes in working capital		88,481	50,817
Increase/decrease in inventories		12,345	8,203
Change in current operating receivables		-4,354	-4,342
Change in current operating liabilities		21,876	5,126
Total change in working capital		29,867	8,987
Cash flow from operating activities		118,348	59,804
Cash flow from investing activities			
Investments in intangible non-current assets	12	-497	-562
Investments in property, plant and equipment	13	-37,067	-26,939
Disposal of property, plant and equipment		-	73
Repayment of conditional shareholder contribution		37,170	26,342
Disposal of long-term receivables		3,129	-
Cash flow from investing activities		2,735	-1,086
Cash flow from financing activities			
Increased use of overdraft facility	21	4,230	-
Reduced use of overdraft facility	21	-	-15,972
Borrowing from credit institutions	21	-	36,176
Amortization of loans to credit institutions	21	-32,616	-16,000
Amortization of loan to Group companies	21	-40,097	-10,301
Dividends paid		-100,000	-
Cash for warrants		1,666	-
Cash flow from financing activities		-166,817	-6,097
Decrease/increase in cash and bank balances		-45,734	52,621
Cash and bank balances at the beginning of the year		68,859	15,348
Exchange differences in cash and cash equivalents		-	890
Cash and bank balances at year-end	18	23,126	68,859

NOTES PARENT COMPANY

Note 1 Accounting policies of the parent company

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, p. 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 market 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 operational leasing, 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 January 1, 2019, applies the paragraphs set out in RFR 2 (IFRS 16 Leases, p. 2-12).

Income from license

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

	2020	2019
Extruded sheets in plastic	595,793	501,497
Licensing revenue	18,284	17,553
Total revenue	614,077	519,050

Net sales by geographical market:

	2020	2019
Nordic region	151,509	148,451
Europe, excluding the Nordic countries	437,448	337,807
North America	10,100	6,667
Other markets	15,020	26,125
Total	614,077	519,050

Note 3 Remuneration of the auditors

Remuneration of the auditors	2020	2019
Ernst & Young AB		
– Audit assignment	350	360
Total	350	360
Other auditors Ernst & Young AB		
– Other services	42	50
Total amount	392	410

Note 4 Remuneration of employees, etc.

	2020	2019
Salaries and other benefits	63,089	61,988
Social security contributions	21,418	21,557
Pension costs - defined contribution plans	4,512	4,023
Total employee benefits	89,019	87,568

	2020		2019	
	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	7,483	3,947 (1,595)	6,353	3,398 (1,402)
Other employees	55,606	21,983 (2,916)	55,635	22,182 (2,621)
Parent company total	63,089	25,930	61,988	25,580

	2020		2019	
	Number	Men	Number	Men
Sweden	138	104	145	119
Belgium	2	2	2	2
Parent company total	140	106	147	121

	2020		2019	
	Number	Men	Number	Men
Board members	8	6	7	6
CEO and other senior executives	6	5	8	6
Parent company total	14	11	15	12

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

Note 5 Other operating income

	2020	2019
Rental income	564	553
Exchange differences	-	848
Grants received	1,898	854
Gain on disposal of inventories	188	105
Interest income, external	-	3
Other operating income	2,342	74
Total	4,992	2,437

Note 6 Other operating expenses

	2020	2019
Exchange differences	-3,183	-
Total	-3,183	-

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

	2020	2019
Interest income external	4	7
Exchange differences	-	63
Total interest income and similar income statement items	4	70
Interest expenses Bank loan	-779	-845
Exchange differences	-3,471	-
Total interest expenses and similar income items	-4,250	-845
Total financial items – net	-4,246	-775

Note 8 Appropriations

	2020	2019
Reversal of tax allocation reserve	7,200	5,600
Allocation to tax allocation reserve	-21,155	-12,000
Difference between book and scheduled depreciation	-4,987	2,329
Total	-18,942	-4,071

Note 9 Tax on profit for the year

Taxes recognized in the statement of comprehensive income	2020	2019
Current tax		
Current tax on profit for the year	-13,763	-8,445
Adjustments relating to previous years	124	-
Total current tax	-13,639	-8,445

Total recognized tax	-13,639	-8,445
	2020	2019
Profit before tax	63,512	37,652
Income tax calculated according to the tax rate in Sweden (21.4%)	-13,592	-8,058
Tax effects of:		
Tax effect of non-deductible expenses	-57	-313
Standard interest tax allocation reserve	-114	-74
Total recognized tax	-13,763	-8,445

Note 10 Participations in subsidiaries

Name	Reg. no.	Registered office as well as country of registration and operation	Participations %	Carrying amount December 31, 2020	Carrying amount December 31, 2019
Directly owned					
Arla Plast s.r.o.	260 84 996	Kadan, Czech Republic	100	28,986	66,156

During the year, the Parent Company received a repayment of previously provided conditional shareholder contribution from the subsidiary amounting to SEK 37,170 thousand (SEK 26,342 thousand), which reduced the value of shares in subsidiaries.

Note 11 Other non-current receivables

Agent loans	Dec. 31, 2020	Dec. 31, 2019
Opening cost	3,129	3,084
Exchange rate fluctuations	-9	45
Amortization	-3,120	-
Closing carrying amount	-	3,129

Note 12 Intangible non-current assets

	Licenses	Other intangible assets	Total
Financial year 2019			
Opening carrying amount	-	-	-
Acquisitions for the year	585	-	585
Depreciation/amortization	-22	-	-22
Closing carrying amount	562	-	562
As of December 31, 2019			
Cost	585	-	585
Accumulated depreciation/amortization	-22	-	-22
Carrying amount	562	-	562
	Licenses	Other intangible 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 December 31, 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 technical equipment	Equipment, tools and installations	Construction in progress	Total
Financial year 2019					
Opening carrying amount	65,244	55,499	13 515	-	134,258
Acquisitions for the year	202	4,067	2,942	19,728	26,939
Disposals and eliminations	-63	117	-22	-	32
Depreciation/amortization	-4,095	-8,353	-2,815	-	-15,263
Closing carrying amount	61,288	51,330	13,620	19,728	145,966
As of December 31, 2019					
Cost	108,154	212,045	34,220	19,728	374,147
Accumulated depreciation/amortization	-46,866	-160,715	-20,600	-	-228,181
Carrying amount	61,288	51,330	13,620	19,728	145,966
	Buildings and land	Machinery and 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 December 31, 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

	Dec. 31, 2020	Dec. 31, 2019
Accounts receivable	65,657	64,204
Less: provision for credit losses	-54	-175
Accounts receivable – net	65,603	64,029

	Dec. 31, 2020	Dec. 31, 2019
EUR	46,727	44,598
GBP	3 931	4,080
USD	1,319	1,951
NOK	-	47
SEK	13,626	13,353
Total	65,603	64,029
Change in credit loss reserve:		
Opening balance, credit loss reserve	175	-
Provision for credit losses	54	175
Receivables written off during the year as irrecoverable	-175	-
Closing balance, credit loss reserve	54	175

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 is 10.85% (11.21%) 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.

	Dec. 31, 2020	Dec. 31, 2019
1-30 days	6,486	6,446
31-60	159	251
> 61 days	54	224
Total accounts receivable past due	6,699	6,921

Note 15 Inventories

	Dec. 31, 2020	Dec. 31, 2019
Raw materials and commodities	58,383	54,703
Finished goods produced in-house	35,149	52,224
Products in progress	3,046	1,996
Total	96,578	108,923

During the 2020 financial year, material costs amounting to SEK 342,458 thousand (SEK 405,136 thousand) were recognized in profit and loss as cost of goods sold.

Note 16 Other receivables

	Dec. 31, 2020	Dec. 31, 2019
Other advances	3	12
Settlement of tax account	261	3,201
VAT	3,441	1,900
Bonus from supplier	3,039	1,825
Other current receivables	609	1,186
Total	7,353	8,124

Note 17 Prepaid expenses and accrued income

	Dec. 31, 2020	Dec. 31, 2019
Prepaid insurance costs	219	291
Prepaid license fees	369	418
Other items	1,739	855

Total	2,327	1,564
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Note 18 Cash and bank balances

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

	Dec. 31, 2020	Dec. 31, 2019
Cash	3	3
Bank deposits	23,123	68,856
Total	23,126	68,859

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

	Dec. 31, 2020	Dec. 31, 2019
Tax allocation reserve 2014	-	7,200
Tax allocation reserve 2015	10,780	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	21,155	-
Accumulated excess depreciation	49,779	44,791
Total	127,464	108,521

Note 21 Borrowing

	Dec. 31, 2020	Dec. 31, 2019
Current	4,230	
Liabilities to credit institutions	34,136	66,752
Liabilities to Group companies	-	35,620
Total borrowings	38,366	102,372

Liabilities to credit institutions

The bank loan of EUR 3,400,000 matures on September 9, 2021 and carries 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 0.82%. 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 December 31, 2020 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 206 thousand lower/higher (SEK 255 thousand lower/higher), 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).

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

Overdraft facility

The Parent Company has granted overdraft facilities in denominated in SEK of SEK 15,400 thousand and in EUR of EUR 2,400 thousand. Of the SEK overdraft facility granted, SEK 1,091 thousand has been utilized as of December 31, 2020 (SEK 0 thousand). Of the EUR overdraft facility granted, EUR 0 thousand has been utilized as at December 31, 2020 (EUR 0 thousand).

Note 22 Other liabilities

	Dec. 31, 2020	Dec. 31, 2019
Employee withholding taxes	1,551	1,451
Statutory social security contributions	1,559	1,575
Customer bonus	6,433	4,484
Advances from customers	2,939	858
Commission costs	1,516	1,545
Complaint costs	1,901	861
Other current liabilities	2,991	-
Total	18,890	10,774

Note 23 Accrued expenses

	Dec. 31, 2020	Dec. 31, 2019
Accrued personnel costs	15,371	13,020
Accrued interest expense	113	323
Other accrued expenses	8,673	6,321
Total	24,157	19,664

Note 24 Pledged assets

	Dec. 31, 2020	Dec. 31, 2019
Property mortgages	8,950	8,950
Chattel mortgages	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 1,232 thousand (SEK 1,645 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:

	2020	2019
Within 1 year	978	1,043
Between 1 and 5 years	489	835
Total	1,468	1,878

Note 26 Related party transactions

Synnersten Invest AB owns 100% of the parent company's shares and has a controlling influence over the Group. Related parties are all subsidiaries within the Arla Plast Group and all sister companies within the Synnersten Invest Group. Related parties are also members of the Board of Directors and senior executives of the Arla Plast Group and their related parties. All transactions are carried out on market terms.

The following related-party transactions have taken place:

	2020	2019
(a) Sale of goods and services		
Subsidiaries	22,157	29,102
Total	22,157	29,102
(b) Purchases of goods and services		

Owner	-	600
Subsidiaries	21,384	7,285
Sister companies	25	17
Company controlled by a Board member	62	37
Company controlled by other senior executives	1,643	1,548
Total	23,114	9,487

	2020	2019
Receivables and payables at year-end resulting from sales and purchase of goods and services		
Claims on related parties:		
Subsidiaries	4,140	4,484
Liabilities to related parties:		
Owner	-	-600
Subsidiaries	-27	-8
Board of Directors	-	-10
At year-end	4,113	3,866

Loans from related parties

	Dec. 31, 2020	Dec. 31, 2019
Loans from subsidiaries		
At the beginning of the year	-	-
Loans taken out during the year	-	-9,378
Amortized amounts	-	9,729
Translation difference	-	-351
At year-end	-	-

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

	January 1, 2019	Cash inflow	Cash outflow	Non-cash items Exchange differences	Other	Dec. 31, 2019
Liabilities to credit institutions	46,840	36,176	-16,000	-264	-	66,752
Liability to Group company	50,898	38,000	-49,401	-	600	40,097
Overdraft facility	15,972	621,746	-637,573	-145	-	-
Total	113,710	695,922	-702,974	-409	600	106,849

	January 1, 2020	Cash inflow	Cash outflow	Non-cash items Exchange differences	Other	Dec. 31, 2020
Liabilities to credit institutions	66,752	-	-31,560	-1,056	-	34,136
Liability to Group company	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 items not included in cash flow

	2020	2019
Depreciation/amortization	15,442	15,263
Gains/losses from sale of fixed assets	112	-105
Exchange difference	-	-45
Other	-	-
Total	15,554	15,113

Note 29 Proposal for profit appropriation

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

	2020	2019
Retained earnings	100,077	180,204
Profit for the year	49,873	29,207
SEK	160,950	209,411
The Board of Directors proposes that the profit be appropriated as follows:		
To shareholders, SEK 0 per share (2019: SEK 0 per share)	0	0
to be carried forward	160,950	209,411
SEK	160,950	209,411

The Group's statement of comprehensive income and statement of financial position will be submitted to the Annual General Meeting on April 27, 2021 for approval.

Note 30 Significant events after the balance sheet date

At the time of signing the annual report, a new situation has arisen with sharp increases in the price of raw materials and limited availability of the same. While this situation may not necessarily affect the company's profitability margins, it may affect sales during the year.

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, April 26, 2021

Henrik Håkansson
Chief Executive Officer

Kenneth Synnersten
Chairman of the Board

Leif Nilsson
Board Member

Sten Jakobsson
Board Member

Jan Synnersten
Board Member

Ola Salmén
Board Member

Annelie Arnbäck
Board Member

Joacim Törnroth
Employee representative

Andreas Johansson
Employee representative

Our audit report was submitted April 26, 2021

Ernst & Young AB

Johan Eklund