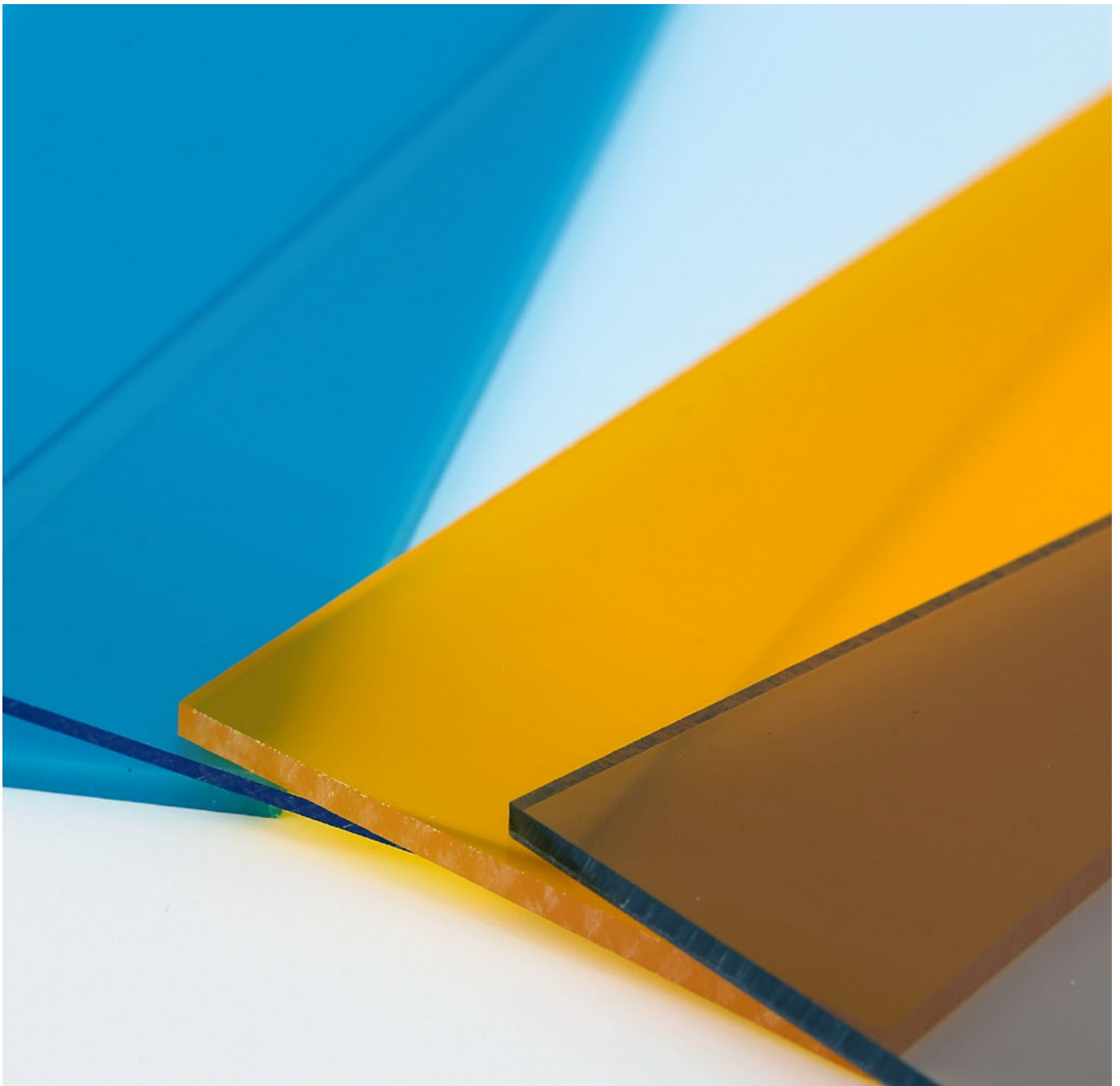


ARLA PLAST
ANNUAL REPORT

2022



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Investor relations contacts

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

Arla Plast AB

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

Financial calendar

Interim report Jan–Mar	9 May 2023
Annual General Meeting	10 May 2023
Interim report Jan–Jun	17 Aug 2023
Interim report Jan–Sep	9 Nov 2023
Year-end report	22 Feb 2024

Arla Plast's formal annual accounts under the Annual Accounts Act can be found on pages 42–97. The statutory sustainability report under the Annual Accounts Act is on pages 19–29. The sustainability information in this report relates to the 2022 financial year and includes all wholly owned businesses at the start of 2022.

This is Arla Plast

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

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

The company was founded in 1969 and has three production facilities in Sweden and the Czech Republic, as well as a distribution unit in Germany, around 250 employees, and more than 700 customers in over 45 countries. The head office is located in Borensberg, Sweden, and the company's shares have been listed on Nasdaq Stockholm since 2021.

Company
founded

1969

Employees

250

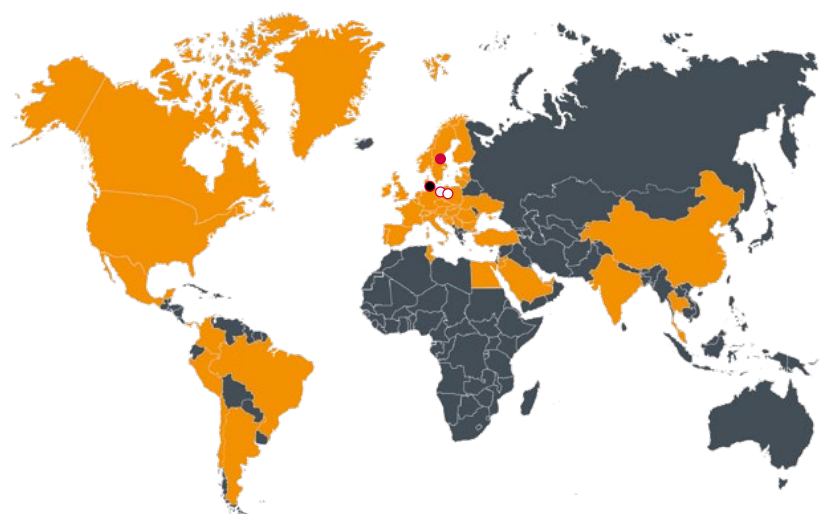
Customers

700

Countries

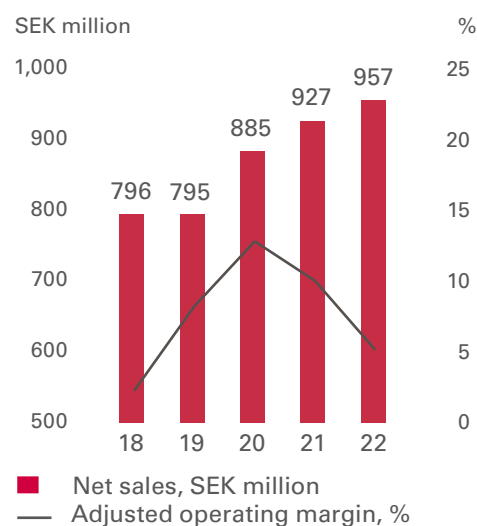
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Markets



- Production plant and headquarters, Borensberg, Sweden
- Production facilities, Czech Republic
- Distribution unit, Germany

Net sales and adjusted operating margin



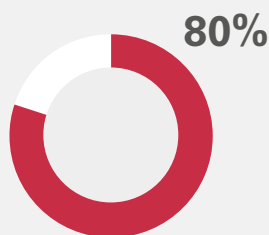
Our four product groups

PC

PC (polycarbonate) is divided into three product categories:

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

For example, PC is used to manufacture sound walls (TPC), industrial components, packaging (OPC) and greenhouses (MWPC).

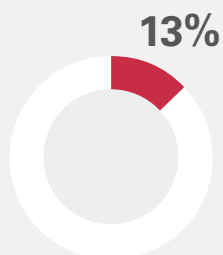


Share of net sales



ABS

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

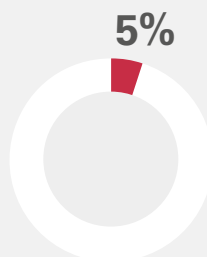


Share of net sales

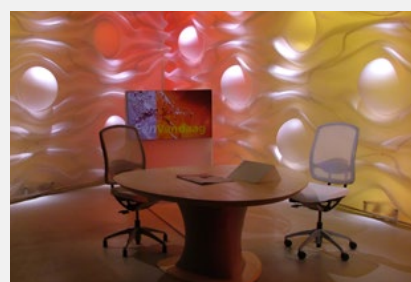


PETG

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

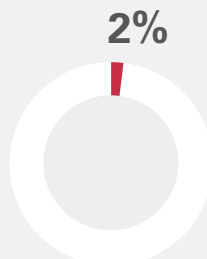


Share of net sales



PMMA

PMMA (polymethyl methacrylate) is mainly used for shop fittings such as racks, displays and signs.



Share of net sales



2022 in brief

- Lower volumes for entire industry
- Maintained market position
- Continued turmoil on raw materials market
- Arla Plast acquired Alphaplex, strengthening its presence in the German market, as well as in Switzerland and Austria.



Key performance indicators

	2022	2021	2020	2019	2018
Sales volume, tonnes	18,657	22,646	23,992	19,120	18,794
Net sales, SEK million	957.8	927.5	884.7	794.6	796.1
Adjusted operating profit, SEK million	48.2	92.3	113.6	65.5	17.7
Adjusted operating margin, %	5.0	10.0	12.8	8.2	2.2
Earnings per share, basic, SEK	1.72	3.41	4.01	2.59	0.49
Earnings per share, diluted, SEK	1.64	3.25	3.93	2.59	0.49
Net debt, SEK million	76.7	44.5	37.0	44.1	106.6
Equity/assets ratio, %	67.9	72.6	67.6	65.3	62.1
Dividend per share, SEK	1.00 ¹	1.50	–	–	–
Average number of full-time employees	253	265	258	256	262
Emissions, CO ₂ e tonnes/tonne produced	3.50	3.76	3.83	–	–

1) Board's proposal.

CEO comments

The past year has been marked by a turbulent operating environment. The sluggish demand we noticed at the end of 2021 became worse after the invasion of Ukraine, and overall volumes have fallen across our industry. Our view is that we are maintaining our market position and are confident that our customer offering is attractive.

During the year, we placed great emphasis on strengthening our organisation by focusing primarily on the sales side, and made further progress in our sustainability work. The latter resulted in us reducing our CO₂ footprint per kilo of produced tonne by 7% during the year. We also completed our first acquisition, Alphaplex GmbH in Germany, which is now enabling us to significantly increase our market presence in the key German market, as well as in Switzerland and Austria.

Subdued demand led to lower volumes and margins

During the year, our volumes fell by 18% due to the lower demand in the industry. Thanks to the acquisition of Alphaplex, net sales increased by 3%. The gross margin was adversely affected, mainly by high raw material prices and under-absorption of fixed costs due to the lower production volume, with the adjusted operating margin decreasing to 5.0% (10.0%).

Turbulent raw materials market

The turbulence in the raw materials market that started in 2021 with rising prices continued for most of 2022. Towards the end of the year, however, we began to see raw material prices edging down, while the market is indicating lower inventory volumes in the distribution chain. However, there is still considerable uncertainty about how prices will move going forward.

Sustainability high on the agenda

Since Arla Plast was founded more than 50 years ago, we have aimed to constantly develop and take responsibility for our use of resources through a high circularity of surplus material from our own production and that of our customers. Our environmental footprint is by far our single biggest sustainability challenge. During the year, we made further progress by raising the level of ambition for our sustainability work to develop a sustainable product portfolio, increase supplier responsibility, take even more responsibility for our operations, develop a safe and sustainable workforce, and directly address climate change.



“Major emphasis on strengthening the sales side and increasing our market presence”

A more efficient organisation

Efforts to further streamline our organisation continued during the year. Production has been further calibrated, the sales organisation has been strengthened and we have reduced our costs, primarily through natural attrition that has not been replaced.

The acquisition increases our presence in Germany, Austria and Switzerland.

Acquisitions are part of Arla Plast's growth strategy, and during the year we completed the first in Arla Plast's history. The company we bought is called Alphaplex GmbH and is located outside Hanover, Germany. The acquisition strengthens our position in the German market, as well as in the Austrian and Swiss markets. In addition to a strong sales organisation, Alphaplex also has post-processing and warehousing, which is in line with our customer offering.

Outlook

We have a strong financial position and are continuing our development work with the entire organisation. Our aim is to constantly improve. Our customer offering ensures we are well positioned, as we offer specific and customised products. We are proud of our sustainability efforts and have increased them further. I would like to take this opportunity to say a big thank-you to all our amazing employees, who always go the extra mile.

Christian Krichau, CEO

Strategy

We work closely with customers and gain a good understanding of their needs and areas of application. We see growth opportunities through the cornerstones of our business, the development of a sustainable product portfolio, geographical expansion and operating efficiency. We also intend to grow through acquisitions, and in 2022 the company made the first acquisition in its history.

Product portfolio

We are working on the long-term development of a sustainable product portfolio, both through new product groups and the development of our existing products. We also maintain a high level of service for our customers.

Geographical expansion

This may focus on growth in new product areas, new geographical areas and an increased presence in existing markets, and through value-adding related products.

Operational efficiency

We have well-invested production capacity, whose efficiency we continue to increase through technical advances, clear leadership and improved quality. Unused production capacity is currently more than 25%. This allows us to increase production and grow without further new investments.

Acquisitions

Our expansion strategy also includes acquisitions. The acquisition of Alphaplex in 2022 has strengthened our position, primarily in Germany but also in Austria and Switzerland.

Growth strategy



1) 2016–2022 CAGR.

The acquisition of Alphaplex

During the year, Arla Plast acquired all shares in Alphaplex GmbH in Germany. Alphaplex is a retailer of PC, ABS, PETG and PMMA. The company has a growth strategy involving a strong customer focus, which is in line with Arla Plast's cornerstones for creating customer value. The sheets are mainly used in displays, advertising, industry and product design. The company is based just outside Hanover and, thanks to its central location, covers large parts of Germany, Austria and Switzerland. In addition to a sales organisation, Alphaplex also has post-processing and warehousing capabilities. The company was founded in 2016 and has 11 employees.



Alphaplex has both post-processing and warehousing capabilities.



Alphaplex is centrally located in Germany with a facility in Hüllhorst near Hanover.

Market

Arla Plast's main market is Europe, but we also manufacture and sell extruded plastic sheets to many countries outside Europe. In total, we sell to customers in more than 45 countries.

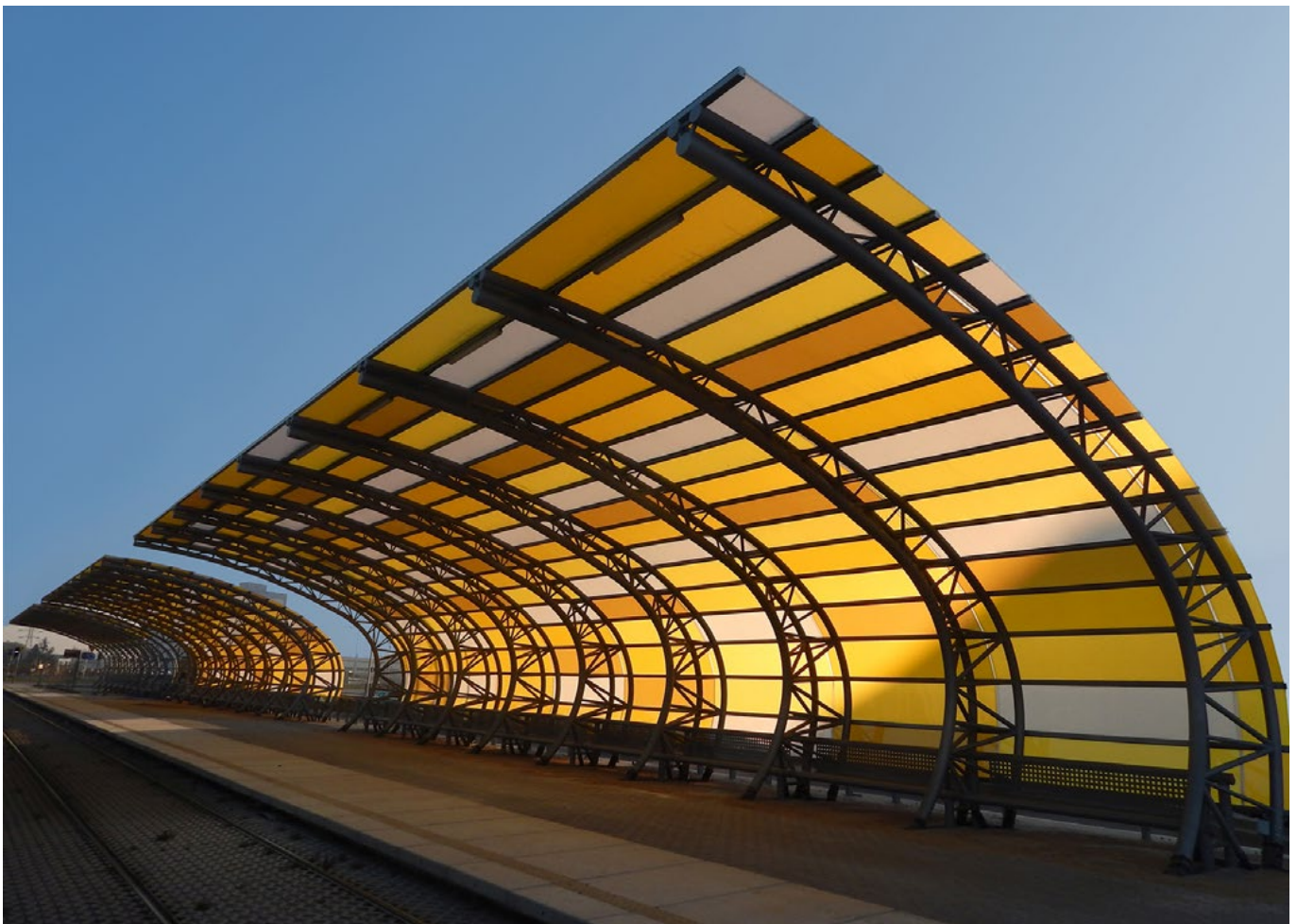
PC

Arla Plast currently has a strong position in the European PC plastic sheet market. We are one of the major companies by sales volumes and are well positioned in terms of customised products, quality and customer service. We have a diverse customer portfolio, with an increased focus on customers that use or process the sheets. Our customer portfolio also includes selected distributors. The total volume of the European market for transparent extruded PC sheets was estimated at 135,000 tonnes

in 2022. In 2021, demand for TPC decreased as a direct consequence of lower demand for protective barriers and other products related to the pandemic. In 2022, demand decreased further as a result of economic conditions and declining demand from most areas of use. However, Arla Plast believes that its market position has been maintained.

ABS, PETG and PMMA

Arla Plast has a strong regional position in ABS plastic sheets in Northern Europe and a strong European position in PETG plastic sheets. The acquisition of Alphaplex in Germany now also provides us with a limited position in PMMA.



General trends and drivers

Increased focus on sustainability

An increased focus on long product lifetimes is having a long-term impact on the market. Extruded PC plastic sheets have several advantages, including good impact resistance compared with glass. PC is also a lightweight material, which means reduced fuel and energy consumption when PC replaces heavier, traditional materials in vehicles. Furthermore, PC has good insulating properties and good recyclability, with a theoretical recycling rate of 100%.

Replacement of materials

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

Regulations and standards

New standards and regulations can affect demand for our products. An example of this is the stronger requirements of the ECE R118 standard. This standard relates to bus interiors due to increased fire safety requirements. A fire-rated PC and ABS mix has replaced ABS, as the addition of PC significantly improves fire resistance.

Specific drivers

Industrial machine safety

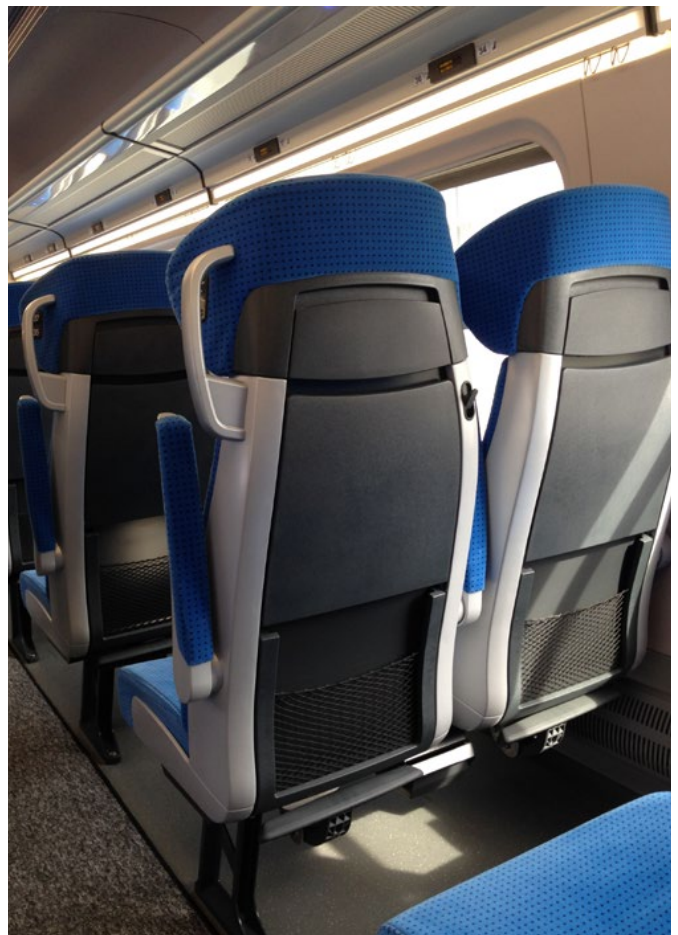
Automation and robotization in industry are factors behind the growing demand for industrial impact-resistant machine guards made from PC.

Sound walls and noise barriers

There is a growing awareness of the health effects that prolonged exposure to high noise levels can cause. The EU has also established regulations to reduce the effects of noise pollution, which is expected to contribute to growing demand for noise barriers such as PC sheets along roads or in other locations.

Safety and protective products

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



Stronger fire safety requirements in the EU affect the interior of public transport vehicles.

Competition

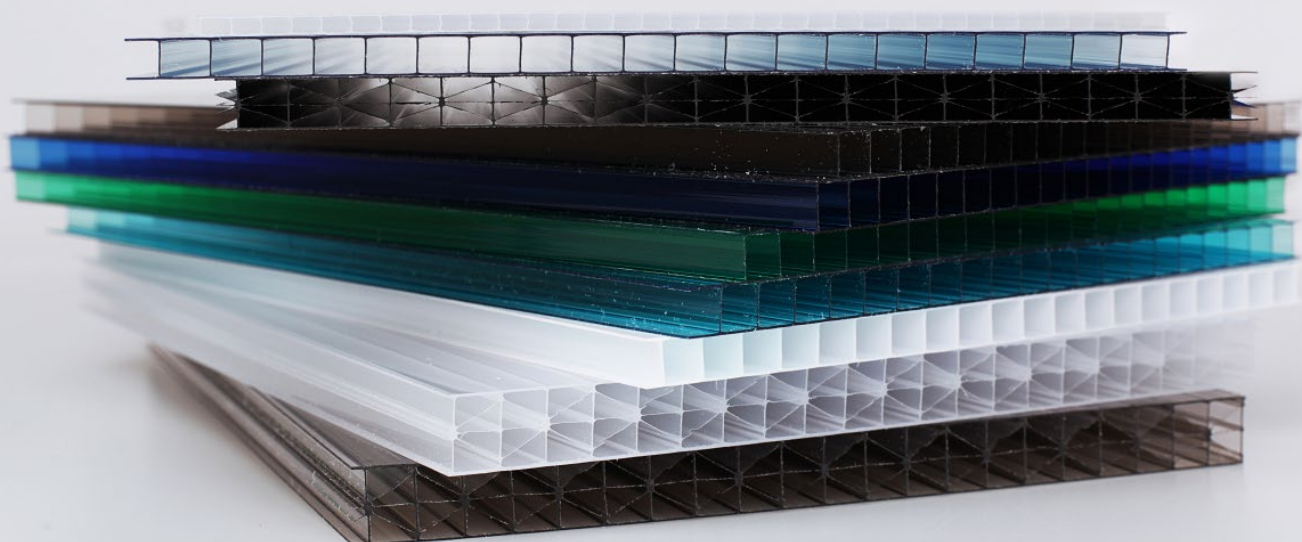
The competitive landscape for PC sheet manufacturers in Europe consists mainly of small and medium-sized international producers. There is a large operator that is also active in raw material production and the production of plastic granules.

Companies on the market have developed different strengths in terms of product range, geographic focus and internationalization. It is estimated that the seven largest players, including Arla Plast, account for almost 90% of sales on the European PC sheet market. The European market for plastic sheets in other product areas is more fragmented.

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

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

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Business concept

Business concept

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

Vision

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

Cornerstones

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

Our four cornerstones

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

Financial targets

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

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

Value chain

Arla Plast's value chain consists mainly of suppliers of plastic granules and other input materials, customers and end users.

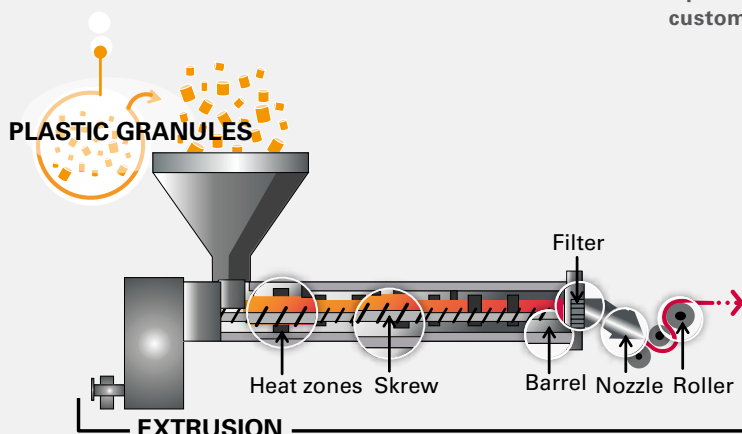
We have a horizontally integrated business model and control key parts of the value chain. Arla Plast combines a high level of technical expertise in producing high-quality products with a local sales organization.

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

Customers

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

The extrusion process



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

Customer relations and sales

Arla Plast has a diversified customer base and long-standing customer relationships. Our strong corporate culture puts the customer front and centre.

Our cornerstones are quality, flexibility, service and speed, which form the basis of our corporate culture. We always keep in close contact with customers to develop the right products and deliver according to their requirements. Arla Plast also has extensive technical expertise in products, polymer chemistry and extrusion technology. Combined with Arla Plast's well-developed quality procedures, this has provided us with a competitive edge and long-standing customer relationships.

Sales and distribution

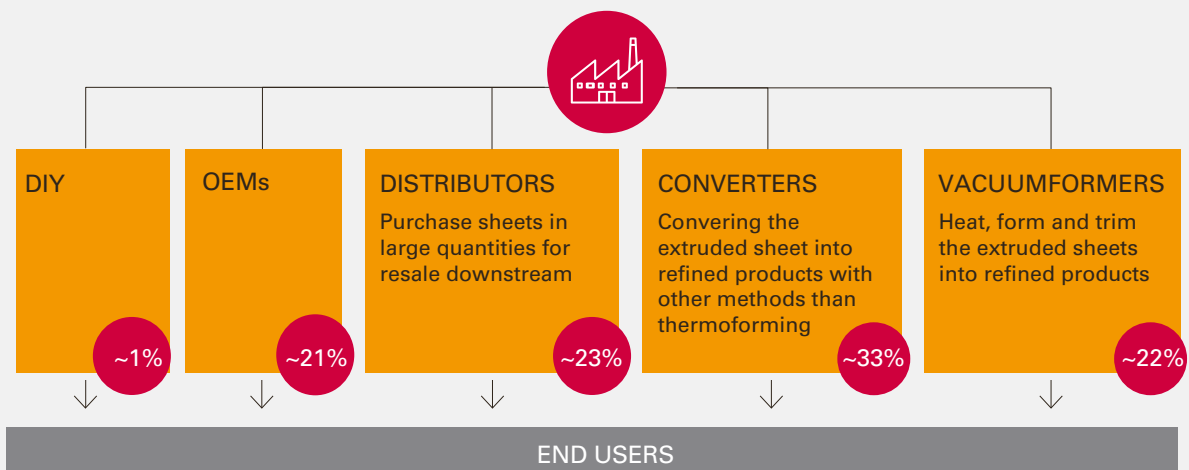
Sales are conducted through regional sales offices around Europe and by centrally based key account man-

agers. Sales representatives have overall responsibility for managing existing customers and initiating contact with new clients. Actual order placement takes place with the order management departments, located at the Group's four sites. The plastic sheets are distributed through a network of forwarders to ensure efficient deliveries within set timeframes. The figure below shows the company's different customer types.

Pricing strategy

The selling price of the plastic sheets is adjusted according to current market prices. The main factors affecting the price of plastic sheets are the price of raw materials, the capacity of manufacturers, changes in demand and the global balance.

Customer categories



Source: Company data based on indicative customer sales figures based on sales data and customer classification. (2022)

Safety glass with our high optical grade PC: SAPHIR

SAPHIR® is the name of our high optical grade polycarbonate (PC) sheets with high scratch resistance. The raw material is of the highest quality and customised for the intended use. Which means we deliver the precise quality that meets the specific requirements.

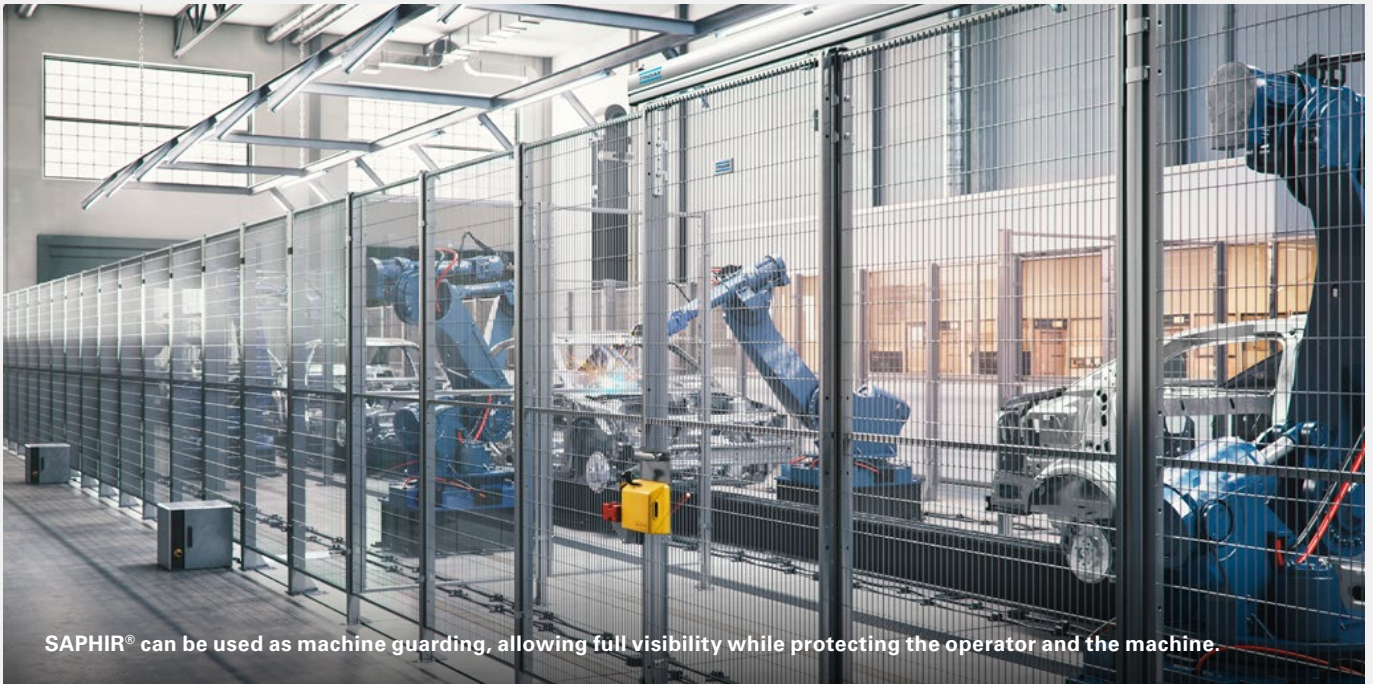
There are several versions of SAPHIR® with different properties, such as maximum surface hardness and materials adapted to be extremely flexible. We divide our SAPHIR® products by areas of use, which are mainly: Security, Lamination and General Purpose.



SAPHIR® is certified to ECE R43 standard and is used in the lamination of automotive safety glass.



SAPHIR® is our coated product suitable for applications with special dioptric requirements.



SAPHIR® can be used as machine guarding, allowing full visibility while protecting the operator and the machine.

Segments

The Group's activities are monitored through the three operating segments: Sweden, the Czech Republic and Germany. For key performance indicators, please refer to page 44 of the formal annual accounts.

Segment Sweden

The Sweden segment comprises sales made by the operating unit in Sweden. Production mainly takes place in Borensberg and includes the product groups TPC, ABS and OPC. Some OPC production takes place in the Czech

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

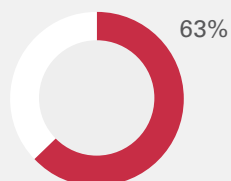


Borensberg production plant, Sweden

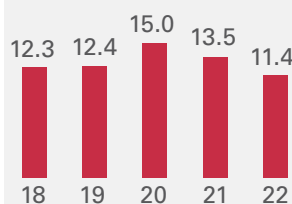
Total capacity: Approximately 21,500 tonnes

Main products produced: TPC, OPC and ABS

Share of net sales, Sweden



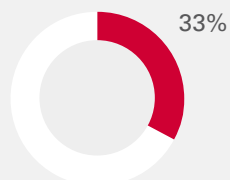
Volume produced, 2018–2022, kTonnes



Czech Republic segment

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

Share of net sales, Czech Republic

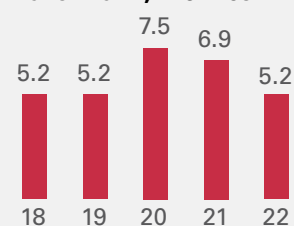


Kadaň production plant, Czech Republic

Total capacity: Approximately 8,500 tonnes

Main products produced: MWPC and PETG

Volume produced 2018–2022, kTonnes

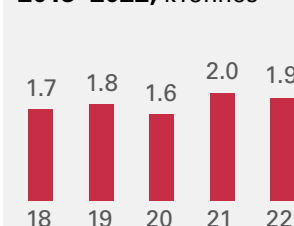


Pelhřimov production plant, Czech Republic

Total capacity: Approximately 5,000 tonnes

Main products produced: OPC

Volume produced 2018–2022, kTonnes



Germany segment

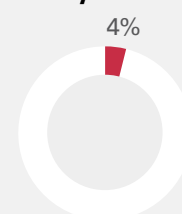
The Germany segment comprises sales from the operating unit in Hüllhorst in Germany and operates across all product areas. The Hüllhorst unit has a storage and

distribution unit with some customisation of sheets to customer-specific requirements.



Sales, warehousing and post-processing in Hüllhorst, Germany.

Share of net sales, Germany



Sustainability report



Sustainability high on the agenda

Our aim is to run Arla Plast in a sustainable and responsible way, and this should be reflected in our corporate culture and the way we treat our stakeholders, whether they are customers, employees, suppliers, the local community, or shareholders.

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

We are continuing to cooperate with external partners, especially materials suppliers on developing non-fossil or partially fossil-free materials and to work actively on recycling.

The sustainability information in this report relates to the 2022 financial year and includes all wholly owned businesses at the start of 2022.

Sustainability: a tradition

Arla Plast's commitment to sustainable development goes back decades. As early as the 1970s, we started recycling our own materials, and today we recycle almost all of the surplus material generated in our business and some of the surplus generated by most of our customers. Arla Plast introduced certified management systems for the environment (ISO 14001), quality management (ISO 9001) and occupational health and safety (ISO 45001) at its production sites early on. Energy management systems (ISO 5001) are also in place at two out of three plants.

Framework

Commitments and initiatives

Arla Plast supports the UN Global Compact initiative and is committed to fulfilling the principles on human rights, labour, the environment and anti-corruption. These principles also form the basis of our Code of Conduct. In addition, Arla Plast is committed to contributing to Agenda 2030 and the Sustainable Development Goals (SDGs), and has identified the SDGs that are most relevant to the company and where Arla Plast has the greatest impact and can contribute the most.

EU taxonomy

Arla Plast has fewer than 500 employees and is therefore not affected by the legal requirement but has analysed the economic activities according to the EU Taxonomy Regulation. The aim is to identify economic activities of relevance, as well as its technical screening criteria to disclose, if possible, in accordance with the taxonomy on a voluntary basis. The taxonomy contains technical criteria for the activity 'manufacture of basic plastic products' (3.17. Basic plastic production according to Annex 1 of the EU Commission's Delegated Regulation) but not for secondary production, which is why it does not apply to Arla Plast. None of the other economic activities described in the taxonomy constitute a primary source of revenue for us, so there are currently no criteria that can be applied to Arla Plast's operations. Road haulage services are not a primary source of revenue, but transport to the customer is, in many cases, included in the price paid by customers.

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

Systematic approach

Our sustainability work is led by Group Management and coordinated locally. The starting point is a sustainability strategy, long-term goals and sustainability-related guideline documents. Sustainability work is an integral part of Arla Plast's operational management, including its business plan and budgeting. Arla Plast has made good progress on many of its sustainability priorities in recent years and is now stepping up efforts further. We have raised the level of ambition to develop a sustainable product portfolio, increase supplier responsibility, raise the level of responsible business practices, develop a sustainable workforce and directly address climate impact in various ways.

Sustainability risks

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

Sustainability targets and strategy

Arla Plast's sustainability strategy includes ten sustainability aims, divided into three areas, which have been assessed to have the greatest sustainability impact.

Arla Plast is based on three sustainability areas:

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

Environmental footprint

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

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

1. Efficient use of materials

- Increasing take-back of materials from customers
- Increasing the reuse of regrind in production
- Reducing regrind generation

2. Sustainable products

- Increasing the share of products with a sustainability perspective in line with the UNSDG Agenda 2030.
- Increasing the share of investments that enable circularity

3. Resource-efficient operations

- Increasing the purchase and use of renewable energy
- Reducing environmentally hazardous waste
- Reducing the use of fresh water

4. Reducing emissions from transport to customers

- Consolidated transport
- Sustainable modes of transport.

Social sustainability

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

A good place to work

Arla Plast aims to ensure that employees are motivated and committed. By being an open and inclusive employer, with zero tolerance of discrimination, Arla Plast aims to offer a gender-equal, diverse workplace where employees can achieve their full potential and contribute to the development of a high-performance organisation. Achieving gender equality in the organisation is a long-term aim.

Health and safety

Our employees should feel safe and we promote a healthy working environment. As Arla Plast has production facilities, it is important to limit the risk of workplace accidents and occupational injuries. All production sites have certified management systems for health and safety, and all new employees are trained in safe working practices. Our long-term aim is to have no accidents or injuries that lead to absence.

Contributing to the local community

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
















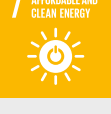



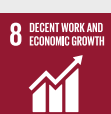



Business ethics

Arla Plast aims to conduct its business in an ethical and responsible manner and be a trustworthy partner in all relationships and wherever the company operates. Our approach to business ethics is summarised in guideline documents. Arla Plast has a whistleblower function to help detect unethical or illegal conduct. To ensure that Arla Plast's suppliers comply with the company's approach to business ethics, we require our major suppliers to read our Code of Conduct.



Arla Plast and the UN Sustainable Development Goals

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

Sustainable development goals and applicable targets	Arla Plast's key areas	Sustainable development goals and applicable targets	Arla Plast's key areas
 	<ul style="list-style-type: none"> • Health and safety in the workplace • Reducing environmentally hazardous waste 	 	<ul style="list-style-type: none"> • Sustainable products
  	<ul style="list-style-type: none"> • A good place to work 	 	<ul style="list-style-type: none"> • A good place to work • Business ethics
  	<ul style="list-style-type: none"> • Reducing environmentally hazardous waste • Reducing waste generation 	  	<ul style="list-style-type: none"> • Efficient materials handling • Sustainable products • Reducing environmentally hazardous waste
  	<ul style="list-style-type: none"> • Increasing the purchase and use of renewable energy • Increasing and contributing to higher energy efficiency, both own and purchased 		<ul style="list-style-type: none"> • Environmental footprint
   	<ul style="list-style-type: none"> • A good place to work • Business ethics 		

Guideline documents

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

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

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

The Insider Policy

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

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

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

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



Sustainability: five-year summary

For Arla Plast, sustainability is an integral part of our core business and strategy. It helps to increase long-term competitiveness and value for our stakeholders. Improvements are undertaken continually and gradually over time. The 2022 sustainability information covers all wholly owned operations at the start of 2022.

Area	Key performance indicators	2022	2021	2020	2019	2018
Environmental footprint						
Compliance	Number of violations of environmental legislation (fines, sanctions)	0	1	1	3	0
Energy	Energy consumption (MWh)	17,793	21,256	22,417	20,175	18,702
	Energy use/tonne produced (MWh/tonne)	0.96	0.95	0.92	1.01	1.00
	Energy use/sales (MWh/SEK mil.)	19.27	22.92	25.34	25.39	23.49
Greenhouse gas emissions ¹	CO ₂ e emissions (tonnes)	65,164	84,043	92,969	n/a	n/a
	Emissions, CO ₂ e/tonne produced (CO ₂ e/tonne)	3.50	3.76	3.83	n/a	n/a
	CO ₂ e emissions/sales (CO ₂ e/SEK mil.)	70.57	90.61	105.09	n/a	n/a
Water ²	Water consumption (thousands m ³)	3,829	1,234	2,244	3,699	1,830
	Water consumption/tonne produced (cbm/tonne)	0.21	0.09	0.15	0.29	0.15
	Water consumption/sales (cbm/SEK mil.)	4.15	1.99	3.65	7.13	3.52
Waste ³	Quantity of waste (tonnes) – combustible, industrial waste for landfill, industrial waste for sorting.	540	586	868	361	221
	Volume of waste/produced (tonnes/tonnes)	0.03	0.03	0.04	0.03	0.02
	Volume of waste/sales (tonnes/SEK mil.)	0.58	0.60	0.93	0.73	0.44
Raw materials ⁴	Recycled plastics (% recycled of total use)	9.6	6.3	5.0	n/a	n/a

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

2) The key figure refers only to operations in the Sweden segment through 2021.

3) The years 2020–2022 refer to Sweden and Czech Republic segments, while the years 2018–2019 refer to the Sweden segment only.

4) Comparable data for the years 2018–2019 cannot be presented due to differences in the monitoring methodology.

Area	Key performance indicators	2022	2021	2020	2019	2018
Management systems	ISO 14001-certified sites (% of total number)	100	100	100	100	100
Social sustainability						
Employees	Number of employees (average)	248	265	258	256	262
Compliance	Number of violations of health and safety legislation (fines, sanctions)	0	0	0	0	0
Health and safety	Lost Time Injury Frequency Rate (LTIFR)	24	29	24	18	n/a
Diversity	Proportion of women in Group management (%)	20	25	25	20	20
	Proportion of women in local management teams (%)	18	17	17	29	29
Management systems	ISO 45001-certified sites (% of total number)	100	100	100	100	50
Business ethics						
Code of Conduct	Reporting of serious irregularities (number)	0	0	0	0	0

Environmental footprint: from raw materials to extruded plastic sheets

The description of our environmental footprint is based on a process-oriented perspective by analysing the processes of purchasing, production, warehousing and internal and external transport. We have identified and focused on the aspects that have had the greatest environmental impact.

Raw materials

Our production of extruded plastic sheets uses plastic granules, mainly of polycarbonate, ABS or PETG. We also have the possibility to add colour additives or certain other materials, depending on the application. All purchases of plastic granules are made from approved suppliers that have passed our supplier selection process. We work upstream, which means that we only accept suppliers that are committed to international human rights, labour law and anti-corruption rules. In 2022, 70% of our raw material suppliers were certified to ISO14001 and ISO9001.

Reuse

Our main raw materials in the form of PC, PETG and ABS are circular materials that can be recycled endlessly without losing their original properties of lightness, mouldability and impact resistance. The manufacturing process generates surplus material. Most of the surplus is recycled into new sheets by mixing it with new raw material or completely replacing the use of new raw material. The percentage of recycled waste that can be used in the plastic sheets depends largely on the purpose for which the sheets are to be used.

Energy consumption

Electricity is used throughout the value chain, with extrusion and grinding in mills accounting for the bulk of energy consumption.

Renewable energy

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

Waste

We sort materials according to different fractions and waste codes so all waste can be reused or disposed of in

the best possible way. We aim to reduce our combustible waste. In 2022, we expanded the sorting of plastic shavings, which are a by-product of our process. The shavings were previously classified as industrial waste for landfill, but we now sell them on to be reused for new granules.

Arla Plast's primary waste consists of combustible, wood, containerboard, refuse, office paper, electronics, waste oil, emulsion, batteries and fluorescent tubes.

Containerboard and wood are compressed to minimise waste transport.

Materials in the form of 'starting lumps', protective film and materials with special pigments are sold instead of being recycled in the company's own production. We have developed a sorting handbook to improve practical waste management.

Despite our ambitious aims, there is always a small percentage that consists of environmentally hazardous waste that can't be recycled. We aim to continually reduce this proportion.

Transport

The raw material for production is shipped by sea to one of the major ports in Europe. From there, it is transported by truck to one of our production facilities in Sweden or the Czech Republic. Our main suppliers are located in the EU. Internal transport inside and outside production sites is mainly provided by forklift trucks.

The plastic sheets are sold around the world and transported to customers by truck or container.

Subcontractors

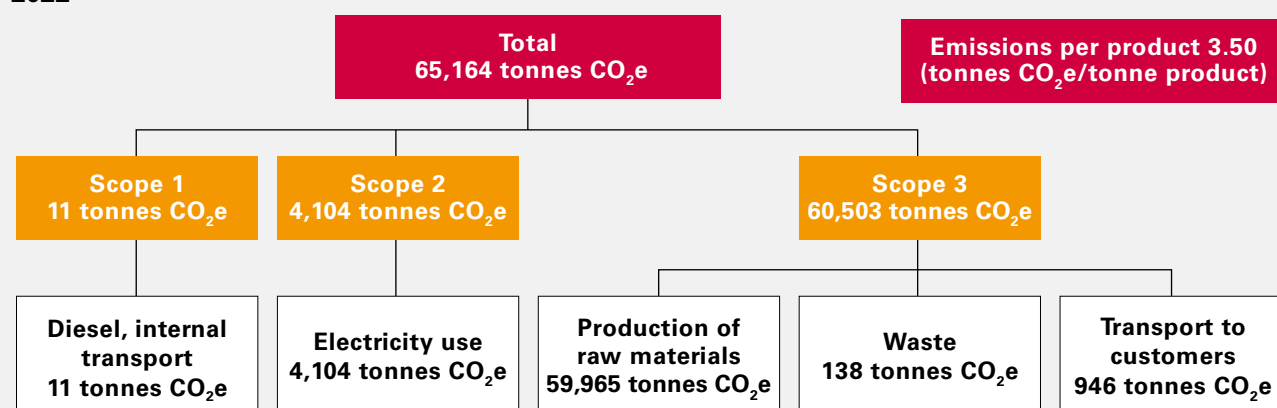
In addition to our own staff, we work with carefully selected subcontractors at our production facilities in areas such as construction, safety, cleaning, IT, maintenance and logistics. All subcontractors are informed of our Health and Safety Policy, our procedures and, of course, our Code of Conduct.

Reporting on greenhouse gases (GHG) emissions

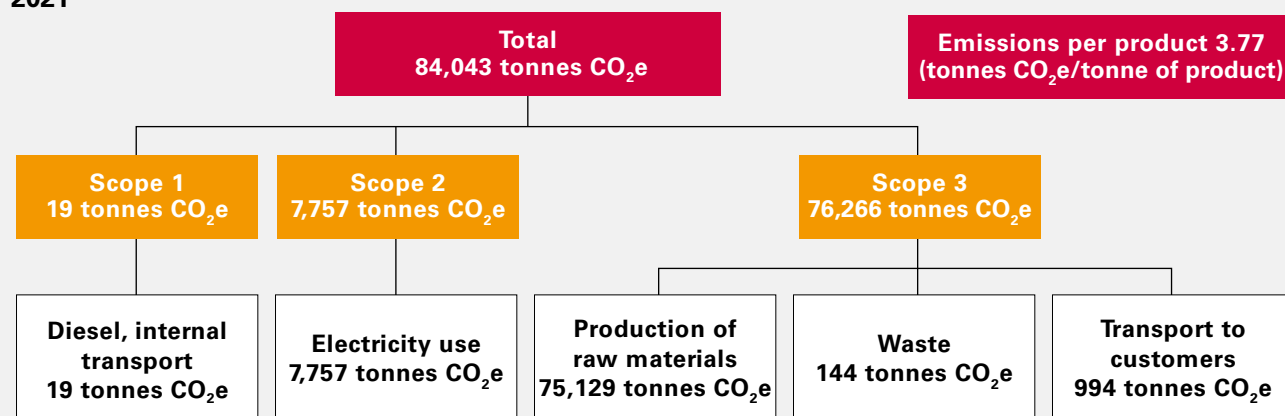
To track our progress towards climate targets, our reporting follows the guidelines of the Greenhouse Gas Protocol (GHG). The GHG Protocol is the widely recognised leading method for managing greenhouse gas emissions in industry, providing comprehensive and internationally comparable figures.

The protocol requires us to report emissions from three different areas, or scopes:

Arla Plast calculation of greenhouse gas emissions 2022



2021



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

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

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

The results under Scope 1 show emissions related to the use of diesel forklifts trucks in our operations. The calculation is based on the actual volume of diesel multiplied by a diesel emissions equivalent.

In the Sweden segment, more than 90% of forklifts have been converted to electric power and a gradual conversion is underway in the Czech Republic segment.

The results under Scope 2 show emissions related to electricity use. EPD-certified hydropower is used in the Sweden segment, while in the Czech Republic segment the calculation is based on coal power in the absence of sufficiently reliable information.

Under Scope 3, we account for and report emissions in the value chain; production of raw materials used, waste and transport to customers. To calculate the production of raw materials used, the calculation is based on the respective new main raw material used multiplied by an emissions equivalent for the respective raw material minus the raw material sold. The impact related to waste is calculated on the amount of waste multiplied by an emissions equivalent for each fraction.

For the Sweden segment, transport to customers has been based on the actual outcome of emissions reports provided by transporters according to the EN16258 standard. For the Czech Republic segment, the CO₂e outcome has been calculated based on volume sold and distance travelled.

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

Social sustainability: focusing on employees

We put our employees front and centre, and take overall responsibility for our work environment and culture, as well as their safety and sustainability. Our business and our customer promise are based on our employees and on maintaining and developing our corporate culture. So it's important we ensure that our employees are motivated and have job satisfaction.

Arla Plast's corporate culture

Our work is based on the cornerstones of our culture: quality, speed, service and flexibility. These characterise both our customer service and how we treat each other at Arla Plast. We have a culture in which we help each other and work together towards common goals. We aim to have supportive leadership with good accessibility and quick feedback. Employee surveys and reviews across the Group give us a good idea of what helps employee satisfaction and what needs improving.

Employees

Our Personnel Policy is based on using our employees' know-how and skills, achieving equal distribution between men and women, a high level of ethics, and open and honest communication that enables the exchange of ideas. Arla Plast is based on a set of values that promotes a work environment where everyone is of equal value. This means everyone at Arla Plast should have the same rights, obligations and opportunities.

Training and skills development

An important part of being an attractive employer is offering opportunities for development and career options. All new employees are given the opportunity to integrate well into the organization and start carry out their duties thanks to a planned, systematic induction process.

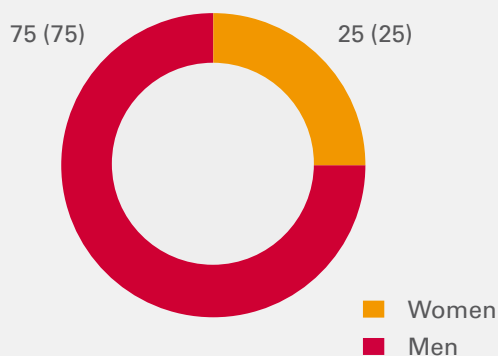
The need for training or other activities to enhance skills is identified during employee reviews. There are a number of examples of employees who have switched jobs or undergone further training during their employment, taking on new tasks and greater responsibility.

Health care and working conditions

We aim to ensure our staff are healthy, engaged and motivated. We believe health and safety provides the basis for this. So health and safety measures at Arla Plast are an integral part of everyday work and are conducted on a long-term basis. This means we work systematically with health and safety, conduct regular risk assessments and monitoring, set clear goals and develop action plans based on these. The work includes both physical and psychosocial health and safety, including issues related to ergonomics, protection and safety, sick leave, the promotion of fitness, and alcohol and drugs. Ensuring a work environment where everyone is of equal value and no one is discriminated against is key and essential for attracting and retaining the right employees.

We offer our employees a fitness allowance to encourage them to get active and improve their health and well-being.

Average number of women and men employed, %



Working conditions

We regularly conduct employee surveys to find out how the organization and the working environment are perceived by employees. Areas examined include Work Situation, Health and Safety, Leadership and Sustainability. In 2022, we also surveyed how our employees perceive diversity, bullying and discrimination. The results are published and followed up by both management and trade unions.

Arla Plast: an active corporate citizen

Arla Plast engages in open dialogue with local communities. This ensures continual stakeholder engagement. In 2022, Arla Plast Borensberg sponsored local sports clubs and a child road safety calendar. In the Czech Republic, Arla Plast supports activities for the elderly and for children, youth sports and local hospitals. Arla Plast has also supported the important work of Médecins Sans Frontières for several years.



Business ethics: human rights and corruption

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

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

The guide contains

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

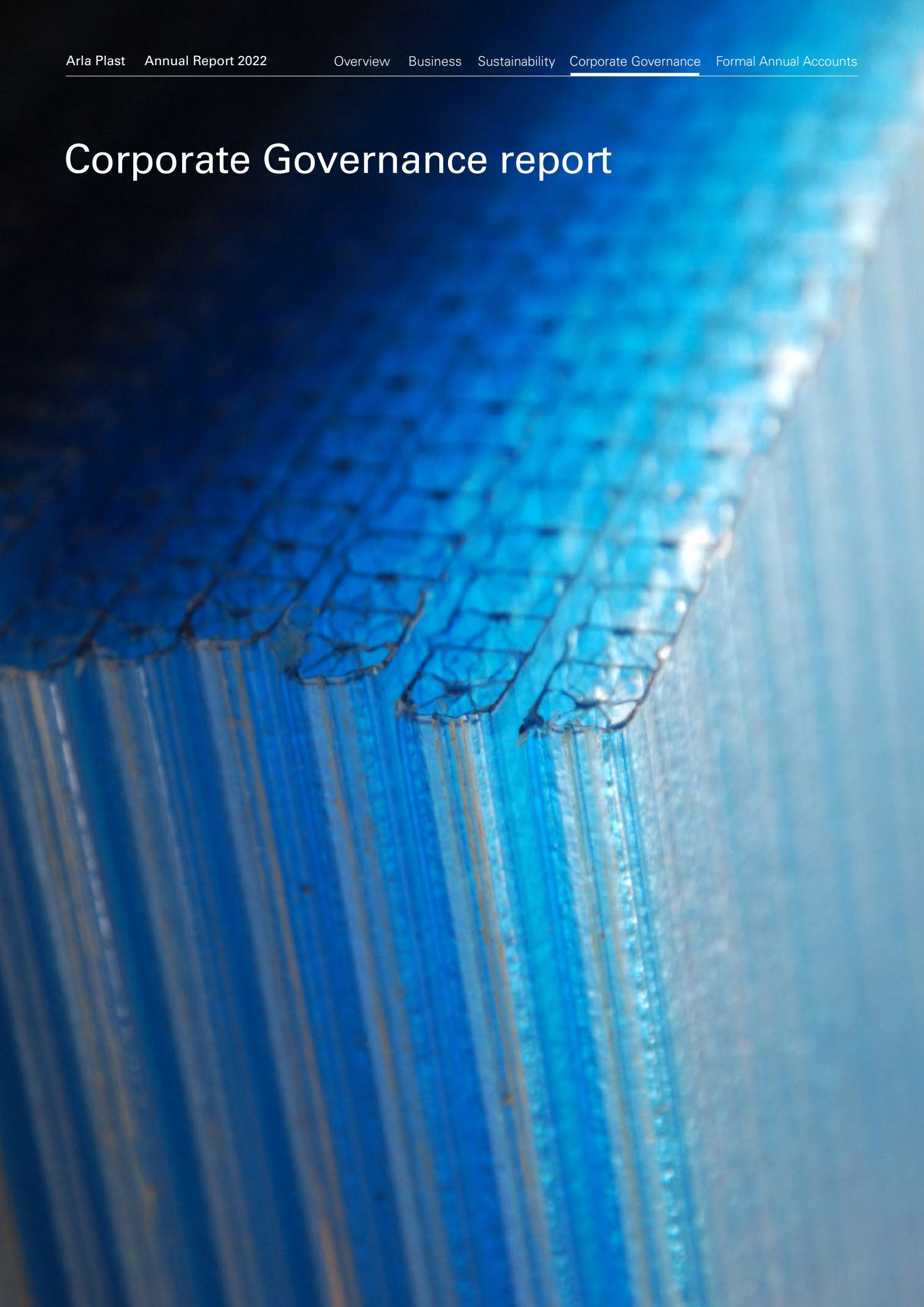
Human rights and corruption

Guidelines can be found in The Arla Plast Way. All employees and company representatives have been trained on The Arla Plast Way and the appropriate laws in the countries where we operate. A whistleblower function is in place to detect if someone violates these. No incidents in 2022.

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



Corporate Governance report



Corporate Governance report

Arla Plast AB (publ) is a Swedish public limited company. Arla Plast complies with the Swedish Corporate Governance Code ('the Code') since its listing in 2021 and hereby submits the Corporate Governance report for the financial year 2022 in accordance with the provisions of the Swedish Annual Accounts Act and the Code. The Corporate Governance report has been reviewed by the company's auditors.

The Code is available in full on the website of the Swedish Corporate Governance Board (www.bolagsstyrning.se). The Code is based on the 'comply or explain' principle, which means companies applying the Code may deviate from individual rules but must provide an explanation for the deviation. Arla Plast did not make any deviations in 2022. In addition to the Code, Arla Plast's Corporate Governance is based on legislation, Nasdaq Stockholm's regulations and internal Corporate Governance guidelines.

The figure to the right provides an overview of Corporate Governance within Arla Plast.

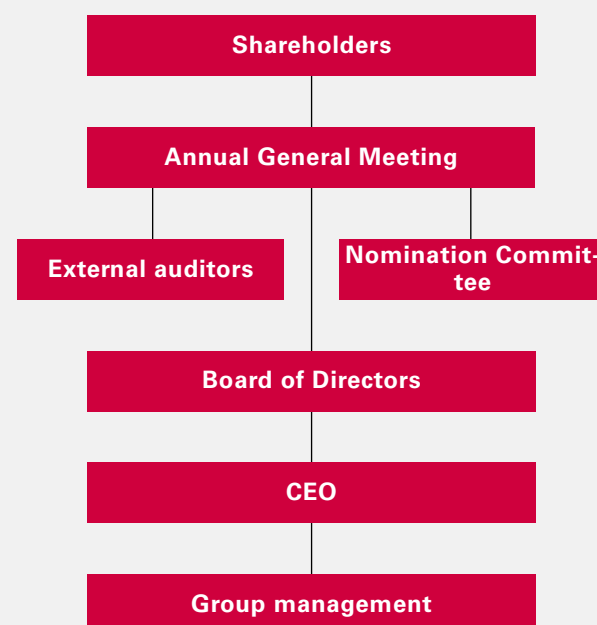
Shareholder information

Arla Plast shares have traded on Nasdaq Stockholm since 25 May 2021. The share capital amounts to SEK 2.4 million, divided into 20 million shares, each carrying an equal number of votes and a share in the company's assets and profits. The number of shareholders at 31 December 2022 was just over 1,800. Mats Synnersten Fjällturism AB, Svolder AB, K Synnersten Holding AB, Ramzon AB, Jan Synnersten AB and Swedia Invest AB all owned shares corresponding to 10% or more of the total number of shares. The 10 largest shareholders together held 89.4% of the total number of shares. There is no limit on the number of votes each shareholder can represent and cast at a general meeting. For further information on ownership structure, share capital and share price performance, please refer to Arla Plast's website, www.arlaplastgroup.com. Information on the shareholdings of the Board of Directors and Group Management can be found on pages 38–40.

General meetings

General meetings are the company's highest decision-making body. General meetings are where shareholders exercise their voting rights on key issues, such as the adoption of the balance sheets and income

Corporate Governance within Arla Plast



statements, appropriation of the company's profits, discharge from liability of Board members and the CEO, the election of Board members and auditors, and the remuneration of the Board and auditors. The Annual General Meeting (AGM) is held annually within six months of the end of the financial year. In addition to the AGM, an Extraordinary General Meeting may be convened. Notice of the AGM or Extraordinary General Meeting at which amendments to the Articles of Association will be considered must be issued no earlier than six weeks and no later than four weeks before the meeting. Notice of any other Extraordinary General Meeting must be issued no earlier than six weeks and no later than three weeks before. The Articles of Association of Arla Plast contain no restrictions on the number of votes each shareholder may cast at a general meeting. Arla Plast held its Annual General Meeting on 19 May 2022.

Annual General Meeting

The AGM re-elected Kenneth Synnersten, Sten Jakobsson, Leif Nilsson, Ulf Hedlundh, Ola Salmén,

Jan Synnersten and Annelie Arnbäck as members of the Board for the period until the end of the next AGM. Kenneth Synnersten was re-elected as Chairman of the Board. It was decided to pay fees of SEK 220,000 to each of the Board members elected by the AGM who are not employees of the company and SEK 400,000 to the Chairman. The meeting also decided that the remuneration of the members of the Audit Committee would be SEK 40,000 and SEK 70,000 for the chairman of the Audit Committee. The members of the Remuneration Committee will receive SEK 25,000 and its chairman SEK 40,000. The AGM also decided to re-elect the auditing firm Ernst & Young Aktiebolag as auditor for the period until the end of the next AGM and that Johan Eklund would be the principal auditor.

The AGM also authorised the Board to decide on a new issue of shares. The total number of shares that may be issued under the authorization may not exceed 2,000,000 shares. Guidelines for remuneration of senior executives were adopted.

Nomination Committee

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

Nomination Committee for the 2023 Annual General Meeting

The Nomination Committee for the 2023 AGM consists of representatives of the company's three largest shareholders as of 30 September 2022. Lars Kvarnsund represents Svolder AB and is also chairman of the Nomination Committee. Other members of the Nomination Committee are Kenneth Synnersten, representing K Synnersten Holding AB, and Fredrik Persson, representing Nortal Investments AB.

Since its establishment in autumn 2022, the Nomination Committee has met seven times. At the Nomination Committee meeting on 23 November, the Chairman of the Board presented the evaluation of the Board that he had commissioned with the Board members in November 2022. By means of the Nomination Committee, Arla

Plast applies rule 4.1 of the Code as a diversity policy when preparing proposals for Board members. The objective of the policy is for the composition of the Board of Directors to be appropriate to the company's activities, stage of development and other circumstances, and should reflect diversity and breadth in terms of the skills, experience and background of the members elected by the general meeting. An equal gender balance should be sought. For the 2023 AGM, the Nomination Committee has assessed whether the composition of the current Board meets the requirements of the Code's Diversity Policy and has found that the gender balance is not met. However, the proposal submitted improves the gender balance on the Board, but remains a priority issue in future nomination committee work.

External auditors

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

Ernst & Young are Arla Plast's auditors, and at the 2022 AGM they were re-elected with Johan Eklund as lead auditor. Johan Eklund attended some of the Audit Committee's and Board's meetings in February and March 2023 and reported the comments from the 2022 audit. The audit of the Group's companies is coordinated by Ernst & Young and audited by the Ernst & Young network.

In addition to the audit assignment, Arla Plast has engaged Ernst & Young on tax-related matters. Ernst & Young is required to assess its independence before agreeing to provide independent advice to Arla Plast in addition to its audit engagement. Arla Plast's CFO is entitled to approve individual assignments up to SEK 100,000 up to a combined maximum of SEK 400,000 annually. Non-audit services exceeding these limits must be pre-approved by the Arla Plast Audit Committee.

Internal audit

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

Board of Directors

The Board of Directors is the highest decision-making body after the general meeting and the highest executive body. According to the Companies Act, the Board of Directors is responsible for the organization of Arla Plast and the management of the company's affairs. The Board continually assesses Arla Plast's financial situation and ensures that the company's financial conditions can be controlled in a satisfactory manner. The Board decides on issues related to the Group's strategic direction and organization, and makes decisions on significant acquisitions, investments and divestments. The Board regularly evaluates the performance of the CEO and Group Management. Before each AGM, following a proposal from the Remuneration Committee, the Board proposes guidelines for remuneration of the CEO and other senior executives.

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

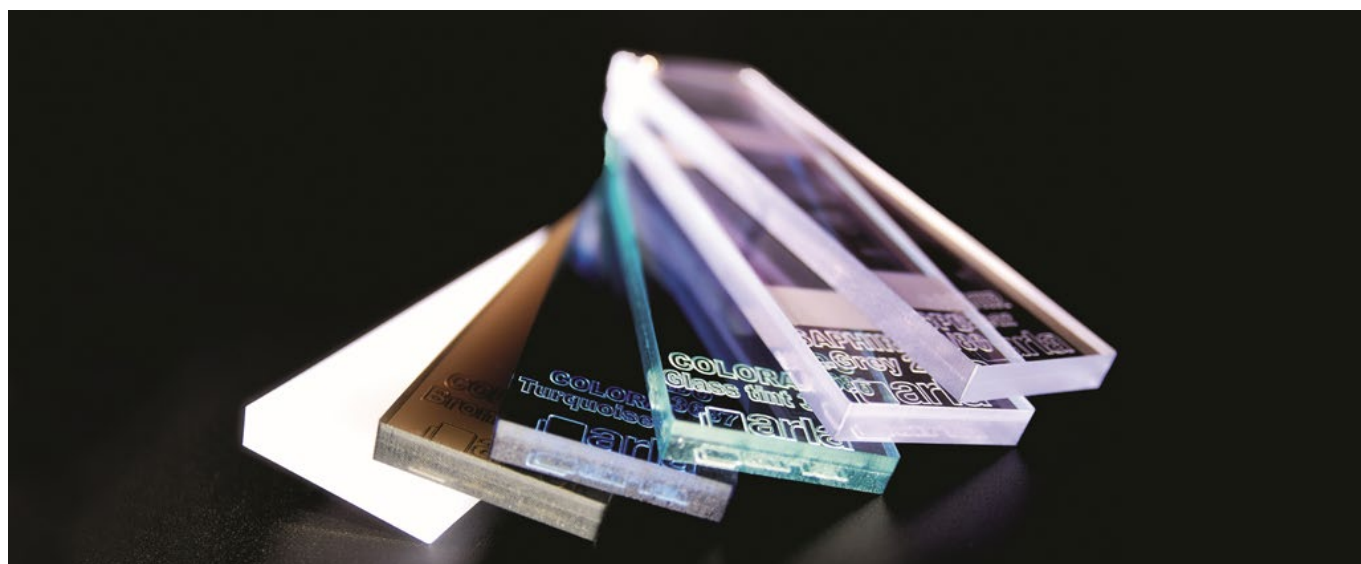
The AGM of 19 May 2022 elected seven members; one

woman and six men. The employee organisations IF Metall and Unionen have each appointed one employee representative. Together with these, the Board currently consists of nine members. Information about the members of the Board of Directors can be found on pages 38–39. The CEO attends the meetings of the Board to present reports. Other Arla Plast employees attend Board meetings to present reports on specific issues. The company's CFO acts as secretary to the Board.

Responsibilities and work

The Board meets regularly according to a programme set out in its rules of procedure, which includes certain fixed decision points. In addition to these Board meetings, further Board meetings may be convened to deal with matters that cannot be referred to an ordinary Board meeting. In addition to the Board meetings, the Chairman and the CEO maintain ongoing dialogue regarding the management of the company. In 2022, 10 minuted Board meetings were held, none of which were by correspondence. Before each Board meeting, members receive an agenda and relevant documentation. At each meeting, the Board reviews current business conditions, as well as the Group's performance, financial position and outlook. Other issues addressed include the supply and price development of inputs and production capacity. In 2022, an acquisition was made, which was discussed.

In November, the Chairman commissioned an evaluation of the Board.



Board committees

Audit Committee

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

Remuneration Committee

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

Remuneration of the Board

The remuneration and other compensation of the members of the Board, including the Chairman, is determined by the general meeting. The AGM of 19 May 2022 resolved that the remuneration for the period until

the end of the next AGM shall be SEK 400,000 to the Chairman of the Board and SEK 220,000 each to the other members of the Board elected by a general meeting who are not employees of the company, SEK 40,000 to the chairman of the Remuneration Committee and SEK 25,000 each to the other members of the Remuneration Committee, and SEK 70,000 to the chairman of the Audit Committee and SEK 40,000 each to the other members of the Audit Committee. According to the company's guidelines for remuneration of senior executives, if a Board member performs work on behalf of the company in addition to Board work, a consultancy fee or other remuneration for such work may be paid. The table on page 35 shows the fees paid to the elected Board members for 2022.

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

CEO and Group Management

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

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

For further information on Group management, see the 'Board of Directors' and 'Management' sections on pages 38–40.

Guidelines for remuneration of senior executives

The AGM of 19 May 2022 adopted guidelines for the remuneration of senior executives. The guidelines apply to the remuneration of the CEO, other members of Group management and, where applicable, remuneration of Board members in addition to the director's fee. The guidelines do not cover remuneration determined by the general meeting of the company.

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

Fixed salary

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

Short-term variable remuneration

In addition to a fixed salary, short-term variable remuneration may be offered. Short-term variable remuneration should be linked to predetermined, measurable criteria, which may be financial or non-financial. These may also be individually tailored quantitative or qualitative targets.

The criteria must be designed in such a way that they promote the company's business strategy, long-term interests and sustainability. Any short-term variable remuneration may not exceed 40% of the fixed annual salary of the CEO in any one financial year. For other members of Arla Plast's senior management, short-term variable remuneration in any one financial year may not exceed 30% of fixed annual salary.

Pension

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

Other benefits

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

Notice period and severance pay

The notice period for the CEO from the company may not exceed 12 months. In the event of resignation by the CEO, the period of notice may not exceed six months, without entitlement to severance pay. The notice period for other

Fees in 2022, SEK

Name	Year elected	Independence in relation to the company/shareholders	Attendance of Board meetings	Attendance of Audit Committee	Attendance of Remuneration Committee	Board fees	Audit Committee fees	Remuneration Committee fees	Total fees
Kenneth Synnersten	2004	Yes/No	10/10		3/3	400,000	0	25,000	425,000
Anneli Arnback	2009	Yes/No	10/10			220,000	0	0	220,000
Ulf Hedlundh	2021	Yes/No	10/10			225,000	0	0	225,000
Sten Jakobsson	2018	Yes/yes	10/10		3/3	221,000	0	40,000	261,000
Leif Nilsson	2014	Yes/yes	10/10	8/8		221,000	40,000	0	261,000
Ola Salmén	2018	Yes/yes	10/10	8/8		227,000	70,000	0	297,000
Jan Synnersten	2021	Yes/No	10/10	8/8		220,000	40,000	0	260,000

senior executives is six months if employment is terminated by the company and four months if employment is terminated by the employee.

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

Deviation from guidelines

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

Current terms of employment for the CEO and other senior executives

The fixed monthly salary for the CEO amounts to SEK 200 thousand. Subject to the achievement of certain targets set in advance by the Board, the CEO may also receive an annual bonus. The bonus for 2023 may amount to a maximum of SEK 960 thousand. The period of notice between the CEO and the company is six months in the case of resignation by the CEO and 12 months in the event of termination of employment by the company.

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

Other senior executives have the opportunity to receive an annual bonus, subject to the achievement of specific targets.

Agreement on remuneration after termination of assignment

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

Incentive programme

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

Internal controls and risk management

General

The Board's responsibility for internal controls is governed by the Companies Act, the Annual Accounts Act – which requires information about the main features of the company's internal control system to be included in the Corporate Governance report – and the Code. Internal control is a process designed to provide reasonable assurance regarding the achievement of the company's objectives with respect to effective and efficient operations, reliable reporting and compliance with applicable laws and regulations. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of external financial reporting and that external financial reporting is prepared in accordance with the law, applicable accounting standards and other requirements applicable to listed companies.

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

The company has chosen to structure its risk management and internal control work in a framework that includes the control environment, risk management, control activities, information and communication, and monitoring and follow-up.

Control environment

The company's control environment is based on the division of work between the Board, the Board committees and the CEO, as well as the values that the Board and management communicate and work from. In order to maintain and develop an effective control environment, to comply with applicable laws and regulations and to ensure that the Group's preferred way of doing business is adhered to throughout the Group, the Board, as the

ultimate responsible body, has established a number of basic guideline documents and policies relating to risk management and internal control.

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

Risk management

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

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

The purpose of the risk analysis is to identify the most significant risks that could prevent Arla Plast from achieving its business objectives. Risks are evaluated based on the likelihood of their occurrence within a three-year period and the extent to which the risks could affect Arla Plast's objectives if they were to occur. Another purpose of the risk analysis is to assess the effectiveness of countermeasures. Risks are evaluated and scored, on a scale of one to five, based on the likelihood of their occurrence and potential impact. For the most significant risks, with a total risk score of 12 or higher, there is a specific action plan to reduce or eliminate the risk exposure. Risks with a risk score of eight or higher will be monitored during the year and included in next year's risk assessment.

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

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

Control activities

In order to ensure good internal control, Arla Plast has defined a number of control activities. These control

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

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

Information and communication

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

The company's Board has adopted an Information Policy, which describes Arla Plast's handling and communication of inside information and other external information requirements. The Board has delegated the responsibility for handling inside information-related issues to the CFO.

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

Monitoring and follow-up

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

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

Board of Directors



Kenneth Synnersten

Chairman of the Board since 2004

Born
1946

Education

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

Other experience

CEO of Arla Plast 1993–2004. Positions previous to this included Vice President of ABB Sweden.

Other ongoing assignments

Chairman of the Board of Aros Congress Center Holding AB and Plaza i Västerås AB. Board member of Synnersten Invest AB and Mats Synnersten Fjällturism AB.

Shareholding

2,412,500 shares through companies.

Independence

Independent in relation to company management. Not independent in relation to major shareholders.



Annelie Arnback

Board Member since 2009

Born
1981

Education

M Phil, Uppsala University and LLB, Lund University.

Other experience

Product Manager at Arla Plast 2008–2012

Other ongoing assignments

Board member of Aros Congress Center Holding AB.

Shareholding

2,219,500 shares through companies.

Independence

Independent in relation to company management. Not independent in relation to major shareholders.



Ulf Hedlundh

Board Member since 2021

Born
1960

Education

MSc in Economics and Business, Stockholm School of Economics.

Other experience

Various senior positions in analysis and management, Alfred Berg Group 1984–1993.

Other ongoing assignments

CEO of investment company Svolder AB (publ) 1993–. Board member of Garo AB (publ).

Shareholding

8,208 shares.

Independence

Independent in relation to company management. Not independent in relation to major shareholders.



Sten Jakobsson

Board Member since 2018

Born
1949

Education

MSc in Engineering, KTH Royal Institute of Technology.

Other experience

President and CEO of ABB Sweden, among other positions.

Shareholding

650 shares.

Independence

Independent in relation to company management and major shareholders.



Leif Nilsson

Board Member since 2014

Born
1952

Education

MSc in Polymer Chemistry, Lund University of Technology.

Other experience

CEO of Arla Plast 2004–2012. CEO of Trioplast Landskrona AB 1999–2004. Chairman and industry representative for the Swedish Plastics Industry Association (SPIF), 2015–2020. Board member of Svensk Plaståtervinning i Motala AB, 2015–2020.

Other ongoing assignments

Chairman and CEO of RentUS AB, RIN-pack AB and Cyclicor AB. Board member of Bioextrax AB (publ) and S Q i Sverige AB.

Shareholding

650 shares.

Independence

Independent in relation to company management and major shareholders.

Board of Directors, cont.



Ola Salmén

Board Member since 2018

Born
1954

Education

MSc in Economics and Business from Stockholm University.

Other experience

Deputy CEO and CFO of Sandvik AB 2009–2012. Previously CFO V&S Vin & Sprit AB, among others.

Other ongoing assignments

Board member of Luossavaara-Kiirunavaara Aktiebolag and Hasseludden Konsult AB. Deputy Board member of Hasseludden Management AB.

Shareholding
1,900 shares.

Independence

Independent in relation to company management and major shareholders.



Jan Synnersten

Board Member since 2021

Born
1972

Education

Post-secondary engineering education.

Other experience

Branch board of Svenska Handelsbanken AB.

Other ongoing assignments

Chairman of the Board of Quicknet AB. Board member of Jan Synnersten AB and Sunhill Ranch AB.

Shareholding

2,219,500 shares through companies.

Independence

Independent in relation to company management. Not independent in relation to major shareholders.



Annika Erlandsson

Employee representative since 2022. Appointed by Unionen.

Born
1965

Other experience

Transport Planner at Arla Plast.

Shareholding
650 shares.



Klas Renlund

Employee representative since 2022. Appointed by IF Metall

Born
1981

Other experience

Machine Operator for three machines and former technician for opaque products at Arla Plast.

Shareholding

–

Management



Christian Krichau

President and CEO
since 2021

Born
1976

Education

Executive MBA from
Stockholm University.

Other experience

Purchasing Manager at
Arla Plast 2015–2019,
among other positions.
Purchasing Manager
at Gbo Fastening
Systems AB and
Biltema Sweden AB.

Shareholding

80,000 Series 2020/23
warrants.



Sören Fischer

Operations Manager
Germany since 2022

Born
1975

Education

Business school

Other experience

Business Director and
CEO at Alphaplex
GmbH 2022. Owner of
KSF Kunststoffe e.K.
2009–2022.

Shareholding

–



Monica Ljung

CFO since 2005

Born
1966

Education

MSc in Economics and
Business from Örebro
University.

Other experience

CFO at Danagårds
Grafiska AB, Financial
Controller and Head
of Accounting at
HDF-Bolagen AB, CFO
of Zanda AB and in
charge of the financial
management of a newly
established distribution
company within Atlas
Copco.

Shareholding

100,000 Series 2020/23
warrants.



Anna Russberg

Operations Manager
Sweden since 2023

Born
1982

Education

BSc in Psychology from
Uppsala University.

Other experience

Information and Trans-
formation Manager at
Arla Plast 2020–2022.
Previously worked in
Operations Excellence
at Jotun A/S and Jotun
Saudi Arabia.

Shareholding

–



Tomas Jon

Operations Manager
Czech Republic since
2008

Born
1972

Education

MSc in Economics and
Industry Management
from Brno University of
Technology.

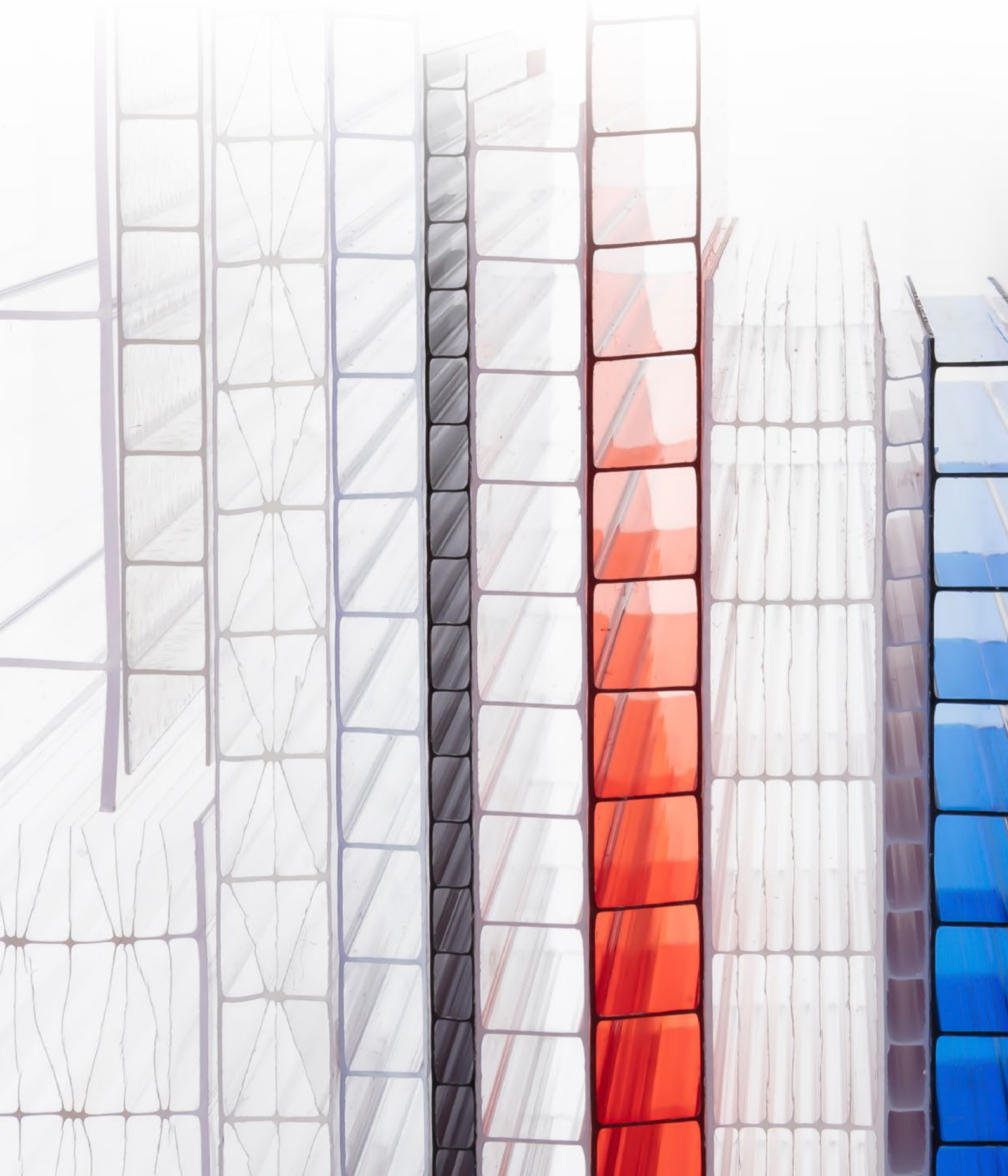
Other experience

Plant Manager at FTE
Automotive, Czech
Republic, and Vice
President of Schott
Electronic Packaging.

Shareholding

100,000 Series 2020/23
warrants.

Formal Annual Accounts



Directors' report

The Board of Directors and the CEO of Arla Plast AB, a public limited company with corporate registration number 556131–2611, with its registered office in Borensberg, Motala municipality, Sweden, hereby present the annual accounts and consolidated financial statements for the 2022 financial year. The company's reporting currency is Swedish kronor (SEK) and all amounts are expressed in SEK thousand unless otherwise stated. Arla Plast AB has two subsidiaries: Arla Plast s.r.o, with production in the Czech Republic, and Alphaplex GmbH with a sales office and distribution centre in Germany.

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

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

- The sales volume was 18,657 tonnes (22,646 tonnes), a decrease of 18%.
- Net sales amounted to SEK 957.8 million (SEK 927.5 million), an increase of 3%. In organic terms, the decrease was 3%.
- Operating profit was SEK 47.0 million (SEK 86.2 million), a decrease of 45%. Adjusted operating profit was SEK 48.2 million (SEK 92.3 million), a decrease of 48%.
- The operating margin decreased to 4.9% (9.3%) and the adjusted operating margin decreased to 5.0% (10.0%).
- Profit for the period was SEK 34.4 million (SEK 68.1 million), a decrease of 49%.
- Earnings per share amounted to SEK 1.72 (SEK 3.41) before dilution and SEK 1.64 (SEK 3.25) after dilution.
- Net debt was SEK 76.7 million (SEK 44.5 million) at the end of the period, corresponding to 0.9x (0.4x) EBITDA.
- The Board of Directors proposes a dividend of SEK 1.00 per share, corresponding to 58% of profit for the year.
- Alphaplex GmbH in Germany was acquired on 1 August and is reported in the new Germany segment as of August.

Group in summary*	2022	2021	Δ,%
Sales volume, tonnes	18,657	22,646	-18
Net sales, SEK million	957.8	927.5	3
EBITDA, SEK million	89.1	124.4	-28
Adjusted EBITDA, SEK million	90.3	130.5	-31
Operating profit, SEK million	47.0	86.2	-45
Adjusted operating profit, SEK million	48.2	92.3	-48
Operating margin, %	4.9	9.3	-47
Adjusted operating margin, %	5.0	10.0	-50
Profit for the year, SEK million	34.4	68.1	-49
Earnings per share, basic, SEK	1.72	3.41	-50
Earnings per share, diluted, SEK	1.64	3.25	-50
Net debt/EBITDA, multiple	0.9	0.4	150
Net debt, SEK million	76.7	44.5	72
Cash flow from operating activities, SEK million	86.7	47.7	82
Equity/assets ratio, %	67.9	72.6	-6

*For definitions and alternative performance measures, see page 78.

Directors' report

Net sales and operating profit

Arla Plast's sales volume for the full year 2022 decreased by 18% to 18,657 tonnes (22,646 tonnes) compared with the previous year. Net sales amounted to SEK 957.8 million (SEK 927.5 million), an increase of 3%. The acquisition of Alphaplex, completed in the third quarter, is included with SEK 34.6 million. In organic terms, the decrease was 3%. The gross margin fell to 15.5% (19.5%). The gross margin was adversely affected, mainly by high raw material prices and under-absorption of fixed costs due to the lower production volume. Efficiency measures implemented earlier in the year have started to yield results, particularly in Sweden.

Operating profit for 2022 was SEK 47.0 million (SEK 86.2 million), a decrease of 45%. The operating margin was 4.9% (9.3%). Adjusted operating profit amounted to SEK 48.2 million (SEK 92.3 million) and the adjusted operating margin was 5.0% (10.0%). The operating profit was negatively affected by both lower sales and a lower gross margin. The operating profit is charged with acquisition costs of SEK 1.2 million, which are included in items affecting comparability. Operating profit is also charged with SEK 1.6 million, which refers to costs related to the reduction of production personnel.

Profit for the year and earnings per share

For 2022, profit before tax amounted to SEK 44.4 million (SEK 85.5 million). Net financial income and expenses totalled SEK -2.7 million (SEK -0.7 million), including interest expenses of SEK -2.2 million (SEK -1.0 million). Tax for 2022 was SEK -10.0 million (SEK -17.4 million), which corresponds to an effective tax rate of 22.4% (20.3%). Profit for the year was SEK 34.4 million (SEK 68.1 million) and basic earnings per share were SEK 1.72 (SEK 3.41), and diluted earnings per share were SEK 1.64 (SEK 3.25).

Cash flow

For the full year, cash flow from operating activities was SEK 86.7 million (SEK 47.7 million). The improved cash flow was due to a positive effect from the change in working capital, which compensated for the decrease in operating profit.

Cash flow from investing activities in 2022 amounted to SEK -63.5 million (SEK -34.6 million) and mainly related to the acquisition of Alphaplex GmbH and maintenance investments in the three production facilities.

Cash flow from financing activities amounted to SEK 3.8 million (SEK -19.2 million) for the full year and includes dividends of SEK -30.0 million, loans raised of SEK 65.7 million, repayment of loans of SEK -15.5 million and reduced utilisation of overdraft facilities of SEK 9.9 million.

Investments

Arla Plast continually invests in production equipment and in its production units. For 2022, the Group's investments in property, plant and equipment amounted to SEK 17.4 million (SEK 34.6 million) and net consideration for acquisitions to SEK 46.1 million (0). Total depreciation/amortisation for 2022 amounted to SEK -42.0 million (SEK -38.2 million).

Financial position

Arla Plast's total assets amounted to SEK 736.0 million as of 31 December 2022 (SEK 646.6 million).

The Group's net debt was SEK 76.7 million as of 31 December 2022 (SEK 44.5 million), which corresponds to 0.9x EBITDA (0.4x). Net debt increased due to newly raised loans of SEK 50.2 million related to the acquisition of Alphaplex GmbH.

The Group's equity/assets ratio, equity at the end of the period as a percentage of total assets was 67.9% (72.6%).

Parent company

Arla Plast AB is the parent company of the Arla Plast Group. The parent company's activities include the Swedish operating activities, as well as Group-wide functions such as management, finance, IT, purchasing and communications. For the full year, net sales were SEK 610.1 million (SEK 618.5 million) and operating profit was SEK 36.2 million (SEK 64.4 million).

Cash and cash equivalents at the end of the year amounted to SEK 40.8 million compared with SEK 18.4 million as of 31 December 2021.

Directors' report

Segments

The Group's activities are monitored through the three operating segments: Sweden, the Czech Republic and Germany. Group-wide functions are found in both Sweden and the Czech Republic and are internally invoiced to ensure that earnings can be accurately monitored in each segment.

Sweden

Key performance indicators	2022	2021	Δ,%
Sales volume, tonnes	12,003	14,871	-19
Net sales, SEK million	610.1	618.5	-1
Operating profit, SEK million	36.3	70.5	-49
Operating margin, %	5.9	11.4	-48

The volume of sales for the full year 2022 decreased by 19%. The decline in volume was attributable to falling demand across the entire industry. Net sales decreased by 1% to SEK 610.1 million (SEK 618.5 million). Operating profit decreased to SEK 36.3 million (SEK 70.5 million), due mainly to lower gross profit. Operating profit is also charged with SEK 1.6 million attributable to a reduction in production personnel. The operating margin decreased to 5.9% (11.4%).

Czech Republic

Key performance indicators	2022	2021	Δ,%
Sales volume, tonnes	6,879	8,929	-23
Net sales, SEK million	339.6	343.6	-1
Operating profit, SEK million	10.7	20.6	-48
Operating margin, %	3.2	6.0	-47

Sales volumes for 2022 decreased by 23%. Net sales decreased by 1% to SEK 339.6 million (SEK 343.6 million) and, taking into account exchange rate fluctuations, the organic decrease was 9.6%. Net sales were negatively affected by the lower sales volumes, but have been partly compensated by price increases to customers. Operating profit amounted to SEK 10.7 million (SEK 20.6 million) and the operating margin decreased to 3.2% (6.0%). The gross

margin deteriorated, due mainly to lower sales leading to under-absorption.

Germany

Key performance indicators	Aug-Dec 2022	2021	Δ,%
Sales volume, tonnes	920	–	–
Net sales, SEK million	47.4	–	–
Operating profit, SEK million	2.7	–	–
Operating margin, %	5.7	–	–

The new Germany operating segment was launched on 1 August 2022 in conjunction with the acquisition of Alphaplex GmbH. The segment operates in all product areas.

Sales volumes for the five-month period were 920 tonnes. Net sales were SEK 47.4 million and operating profit was SEK 2.7 million. The operating margin was 5.7%.

Seasonal variations

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

Shares

As of 31 December 2022, Mats Synnersten AB owned 14%, Svolder AB 13%, K Synnersten Holding AB 12%, Ranzom AB 11%, Jan Synnersten AB 11%, Swedia Invest AB 10%, Nordea Investment Funds 8% and Roosgruppen AB 5%. Arla Plast AB has a total of around 1,800 shareholders. A 2020/2023 incentive programme corresponding to a total of 980,000 share warrants has been issued to key employees (see note 9).

Financial targets

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

Directors' report

Sales growth

Annual organic sales growth over a business cycle should be 5%.

Operating margin

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

Net debt

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

Dividend policy

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

Significant events during the financial period

Volumes in the market started to decline as early as the last quarter of 2021. The downturn intensified following the invasion of Ukraine and the subsequent deterioration of the economy, persisting throughout 2022. We believe Arla Plast has maintained its market share.

For much of 2022, the turbulent commodity situation that started in 2021 continued, with rising prices. However, towards the end of the year, raw material prices started to edge down.

In August, our first acquisition, Alphaplex GmbH, was completed, strengthening our presence in the important German market and supporting our aim to increase our presence in Austria and Switzerland.

Significant events after the end of the financial period

Anna Russberg has been appointed as Operations Manager Sweden in order to further improve our internal efficiency. Anna is also part of Group management. Former Operations Manager Sweden, Stefan Liminga, has been tasked with developing our logistics operations. As a result, Stefan has left Group management to focus on this task. Sören Fisher has joined Group management as Operations Manager Germany. Peter Mikkonen, Sales Director – Opaque, has left the company and Group management.

Significant risks and uncertainties

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

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

The supply and price of key raw materials is one of the most material operational risks. The primary and most important raw material component in production is PC, ABS and PETG 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 respond and adjust customer prices. High volatility in the purchase price of key raw materials entails a certain risk of material shortages and profit risk. Arla Plast may experience disruptions for various reasons, but has good potential to move production between machines and units, thereby ensuring that orders can be fulfilled. Arla Plast's sales are aimed at a large number of customers, which means that the Group's exposure to individual customer losses is limited. 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 were not involved in any major, material disputes during the year.

Strategic risk mainly relates to macroeconomic factors and geopolitical conditions. Arla Plast is active on a global market and sells products to most countries around the world. For this reason, demand for Arla Plast's products is affected by macroeconomic factors, including general economic conditions, the global growth rate, regional trends and uncertainty in financial 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 could have an adverse effect on Arla Plast's operations, financial position and earnings. The Group actively monitors these risks in order to adapt its operations where necessary. Arla Plast faces

Directors' report

competition in the various markets from both small and relatively large companies and continuously streamlines its production, distribution and organization in order to maintain its competitiveness. Furthermore, Arla Plast endeavours to build long-term relationships with customers and create added value through our conduct. The COVID-19 situation had a significant and positive impact on the Group's operations in terms of demand and earnings, but the risk of transmission of the disease could have led to difficulties in staffing the production facilities. The energy crisis in Europe, the war in Ukraine, high inflation and rising interest rates pose a great deal of uncertainty and risk. Risks related to demand and currencies due to the uncertainty remain at the time of this annual report's publication.

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

Sustainability and the environment

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

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

A good, safe working environment is a strategically important issue for the Group. Great importance is

attached to preventive work, which is carried out in cooperation between management, employees, the Group's safety organization and occupational health services. Arla Plast has certifications in place for quality management, environment and work environment according to standards ISO 9001, ISO 14001 and ISO 45001. In the second quarter of 2022, Arla Plast AB's achieved ISCC certification (International Sustainability Carbon Certification) for the Swedish production unit, and our aim is to continue working towards the Czech production units also achieving this certification.

Research and development

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

Personnel

For 2022, the average number of full-time employees in the Group was 253 (265), a decrease of 12 people. During the year, women accounted for 25% (25%) of employees. For further information on employees, please see note 9.

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

Expected future developments

The turbulent external environment is creating uncertainty, and it is unclear how it will affect our business. What we do know, however, is that we are a strong team, which quickly adjusts and adapts to market conditions, which remains our main aim in 2023. Please see Events After the End of the Reporting Period for more information.

Proposal for the appropriation of profit

The Group's retained earnings, according to the consolidated balance sheet, amount to SEK 436.9 million (SEK 432.5 million).

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

Retained earnings and reserves	171,057,530
Comprehensive income for the year	28,801,016
Total	199,858,546
To shareholders, a dividend of SEK 1.0 per share	20,000,000
to be carried forward	179,858,546
Total	199,858,546

Opinion of the Board of Directors on the proposed dividend

The Board of Directors is of the opinion that the proposed dividend will not prevent the company from fulfilling its obligations in the short and long term, nor from making the necessary investments. The proposed dividend is therefore justifiable with regard to the terms of Chapter 17, Section 3, paragraphs 2–3 of the Swedish Companies Act. The company's equity ratio is satisfactory in light of the fact that the business continues to be run profitably. The company's liquidity is expected to be maintained at a similarly satisfactory level.

Multi-year review

Multi-year review

Group performance in summary*

	2022	2021	2020	2019	2018
Sales volume, tonnes	18,657	22,646	23,992	19 120	18,794
Net sales, SEK thousand	957,751	927,494	884,680	794,567	796,130
EBITDA, SEK thousand	89,099	124,408	141,138	100,976	47,070
Adjusted EBITDA, SEK thousand	90,283	130,515	148,773	101,355	49,138
Operating profit, SEK thousand	47,052	86,215	105,920	65,074	15,640
Adjusted operating profit, SEK thousand	48,236	92,322	113,555	65,453	17,708
Operating margin, %	4.9	9.3	12.0	8.2	2.0
Adjusted operating margin, %	5.0	10.0	12.8	8.2	2.2
Profit before tax, SEK thousand	44,401	85,512	100,641	65,820	13,023
Profit for the year, SEK thousand	34,444	68,112	80,163	51,849	9,703
Net debt, SEK thousand	76,737	44,512	37,037	44,062	106,635
Net debt/EBITDA, multiple	0.86	0.36	0.26	0.44	2.27
Working capital/sales, %	29.0	27.6	21.2	27.7	29.7
Return on capital employed, %	8.3	18.8	22.9	12.6	3.4
Organic growth, %	-3	5	13	-1	-5
Equity/assets ratio, %	67.9	72.6	67.6	65.3	62.1
Average number of full-time employees	253	265	258	256	262

*For definitions and alternative performance measures, see page 78.

Parent company performance in summary

	2022	2021	2020	2019	2018
Net sales, SEK thousand	610,122	618,501	614,077	519,050	519,397
Operating margin, %	5.9	10.4	14.1	8.2	3.5
Profit after financial items, SEK thousand	32,157	64,151	82,454	41,723	16,378
Return on equity, %	10.3	22.1	29.4	14.8	6.3
Total assets, SEK thousand	462,688	417,915	396,624	468,637	432,705
Equity/assets ratio, %	67.2	75.5	66.6	63.5	61.4
Average number of full-time employees	132	143	140	147	144

Consolidated statement of comprehensive income

Amounts in SEK thousand	Note	2022	2021
Net sales	6	957,751	927,494
Cost of goods sold	8, 9	-809,044	-746,987
Gross margin		148,707	180,507
Selling expenses	8, 9	-60,052	-57,629
Administrative expenses	8, 9, 36	-50,536	-45,201
Other operating income	10, 14	10,394	8,855
Other operating expenses	11, 14	-1,461	-317
Operating profit		47,052	86,215
Financial income	12, 14	2,623	313
Financial expense	12, 14	-5,274	-1,016
Profit before tax		44,401	85,512
Tax expense	13	-9,957	-17,400
Profit for the year		34,444	68,112
Other comprehensive income:			
Items that may be reclassified to profit or loss for the year:			
Exchange differences on translation of foreign operations		25,765	12,229
Other comprehensive income for the year		25,765	12,229
Total comprehensive income for the year		60,209	80,341
Amounts in SEK			
Earnings per share, basic	15	1.72	3.41
Earnings per share, diluted	15	1.64	3.25

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

Group: financial statements

Consolidated statement of financial position

	Note	31/12/2022	31/12/2021
ASSETS			
Non-current assets			
Non-current intangible assets	17	32,751	509
Property, plant and equipment	18	272,908	280,836
Rights of use	19	32,004	21,941
Other non-current receivables	20	–	7
Total non-current assets		337,663	303,293
Current assets			
Inventories	22	216,081	184,306
Accounts receivable	20, 21	118,396	126,229
Other current receivables	20, 23	11,390	11,136
Prepaid expenses and accrued income	24	3,045	3,110
Derivative assets	20	1,471	–
Cash and cash equivalents	20, 25	47,935	18,565
Total current assets		398,318	343,346
TOTAL ASSETS		735,981	646,639

Group: financial statements

Consolidated statement of financial position, cont.

Amounts in SEK thousand	Note	31/12/2022	31/12/2021
EQUITY	26		
Share capital		2,400	2,400
Other capital contributions		1,666	1,666
Translation reserve		59,028	33,263
Retained earnings (including profit for the year)		436,903	432,459
Total equity attributable to owners of the parent		499,997	469,788
LIABILITIES			
Non-current liabilities			
Non-current portion of lease liabilities	19	24,440	17,310
Deferred tax liabilities	28	44,361	40,549
Total non-current liabilities		68,801	57,859
Current liabilities			
Liabilities to credit institutions	20, 27	92,541	41,106
Current portion of lease liabilities	19	7,691	4,661
Accounts payable	20	20,160	14,078
Current tax liabilities		1,837	4,771
Other liabilities	20, 29	23,630	28,273
Accrued expenses and deferred income	30	21,324	26,103
Total current liabilities		167,183	118,992
Total liabilities		235,984	176,851
TOTAL EQUITY AND LIABILITIES		735,981	646,639

Consolidated statement of changes in equity

Amounts in SEK thousand	Attributable to equity holders of the parent				Total equity
	Share capital	Other capital contributions	Conversion reserve	Retained earnings, including profit for the year	
Opening balance, 1 January 2021	2,400	1,666	21,034	364,347	389,447
Profit for the year	–	–	–	68,112	68,112
Other comprehensive income for the year	–	–	12,229	–	12,229
Total comprehensive income for the year	2,400	1,666	33,263	432,459	469,788
Transactions with shareholders in their capacity as owners					
Dividend	–	–	–	–	–
Closing balance, 31 December 2021	2,400	1,666	33,263	432,459	469,788
Opening balance, 1 January 2022	2,400	1,666	33,263	432,459	469,788
Profit for the year	–	–	–	34,444	34,444
Other comprehensive income for the year	–	–	25,765	–	25,765
Total comprehensive income for the year	2,400	1,666	59,028	466,903	529,997
Transactions with shareholders in their capacity as owners					
Dividend	–	–	–	-30,000	-30,000
Closing balance, 31 December 2022	2,400	1,666	59,028	436,903	499,997

Consolidated statement of cash flows

Amounts in SEK thousand	Note	2022	2021
Cash flow from operating activities			
Operating profit		47,052	86,215
Adjustment for non-cash items	34	45,618	41,760
Interest received		3,470	–
Interest paid		-2,574	-765
Income tax paid		-21,732	-16,732
Cash flow from operating activities before changes in working capital		71,834	110,478
Cash flow from changes in working capital			
Increase/decrease in inventories		249	-18,451
Increase/decrease in operating receivables		29,580	-28,223
Increase/decrease in operating liabilities		-14,936	-16,110
Total change in working capital		14,893	-62,784
Cash flow from operating activities		86,727	47,694
Cash flow from investing activities			
Investments in non-current intangible current assets	17	–	-29
Investments in property, plant and equipment	18	-17,423	-34,562
Acquisitions	38	-46,082	–
Cash flow from investing activities		-63,505	-34,591
Cash flow from financing activities			
Dividend		-30,000	–
Increased use of overdraft facility	33	–	6,544
Reduced use of overdraft facility	33	-9,863	–
Borrowing from credit institutions	33	65,680	–
Repayments related to lease liability	33	-6,601	-6,392
Repayment of liabilities to credit institutions	33	-15,466	-19,304
Cash flow from financing activities		3,750	-19,152
Decrease/increase in cash and cash equivalents		26,972	-6,049
Cash and cash equivalents at start of year		18,565	23,814
Exchange differences in cash and cash equivalents		2,398	800
Cash and cash equivalents at year-end	25	47,935	18,565

Group notes

Note 1 General information

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

The Board of Directors approved these consolidated financial statements for publication on 30 March 2023.

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, its subsidiaries Arla Plast s.r.o. and Alphaplex GmbH.

Basis of preparation of the financial statements

The consolidated financial statements of the Arla Plast AB Group have been prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Groups, and International Financial Reporting Standards (IFRS) as adopted by the EU. The consolidated accounts have been prepared using the historical cost method, with the exception of financial instruments, which are measured at fair value (derivative instruments).

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

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

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

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

New and amended accounting policies and standards

New standards, amendments and interpretations effective from 1 January 2022 or later have had no material impact on these financial statements. New standards, amendments and interpretations effective from 1 January 2023 are not expected to have any significant impact on the Group's financial statements.

Consolidated financial statements

The consolidated financial statements include the parent company, Arla Plast AB, and its wholly owned subsidiaries Arla Plast s.r.o. and Alphaplex GmbH. The subsidiaries are 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 three operating segments, Sweden, the Czech Republic and Germany, and mainly uses net sales and adjusted operating profit to assess the performance of the segments.

Business combinations

The purchase method is used to account for the acquisition of subsidiaries and businesses. The excess consisting of the difference between the cost and the fair value of identifiable net assets acquired is recognised as goodwill.

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

Group: notes

Note 2 cont.

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 subsidiaries, which have 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 subsidiaries into the Group's presentation currency, SEK, at the exchange rate prevailing on the balance sheet date. Income and expenses are translated into SEK at the average exchange rate. Translation differences arising from translation of the accounts of foreign operations are recognized in other comprehensive income.

Revenue recognition

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

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

Each customer order constitutes a contract and each separate product in the order is considered a separate performance commitment. The transaction price in the respective contract with the customer is usually a fixed amount, but sometimes products are sold with volume discounts based on cumulative sales over a 12-month period. Revenue is recognized based on the contract price, less estimated volume discounts. Historical data is used to estimate the expected value of discounts and revenue is recognized only to the extent that it is highly probable that a material reversal will not occur. Sales commissions may accrue on paid accounts receivable. Each order is considered a customer contract and the duration of the additional expenditure to obtain a customer contract is expensed as incurred since the contracts are short-term.

A liability, included in the item other liabilities, is recognized for expected volume discounts in relation to sales up to the balance sheet date. Accounts receivable are recognized when the goods have been delivered. The company has no accrued income from contracts with customers. No financing 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. Current tax expense is calculated based on the applicable tax rules on the closing date that have been decided or which are, in practice, decided in those countries where the parent company and its subsidiaries operate and generate taxable income. The management regularly evaluates the claims made in tax returns with regard to situations where the applicable tax rules are subject to interpretation.

Deferred tax is recognized on all temporary differences arising between the taxable value of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is not recognized if it arises from a transaction that is the initial recognition of an asset or liability that is not a business combination and, at the time of the transaction, affects neither recognized nor taxable earnings. Deferred income tax is calculated using tax rates (and laws) that have been enacted or announced by the balance sheet date and that are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilized. Deferred tax assets and liabilities are offset when there is a legal right of set-off for current tax assets and liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same tax authority and concern either the same taxable entity or different taxable entities, where there is an intention to settle the balances through net payments.

Leases

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

The Group recognizes right-of-use assets and lease liabilities at the commencement date of the lease. Right-of-use assets are initially measured at cost, consisting of the initial measurement of the lease liabilities, any lease payments made on or before the commencement date, taking into account any discounts, any initial direct costs and restoration costs, and subsequently at cost less any accumulated depre-

Group: notes

Note 2 cont.

ciation, 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.

Non-current intangible assets

The Group continually evaluates whether internally generated intangible assets, such as capitalized development expenditure and internally updated expenditure on computer systems that have been substantially modified, can be capitalized. At present, the Group considers that no internally generated intangible assets meet the criteria for capitalization and therefore does not capitalize any internally generated intangible assets. Licences for separately acquired software are capitalized on the basis of the expenditure incurred when the software in question is acquired and put into service. This expenditure is amortized over the estimated useful life of 3–5 years. The period of use is reviewed at least annually.

Intangible assets in trademarks and customer relationships have been acquired as part of business combinations. They are recognised at fair value at the point of acquisition and subsequently amortised on a straight-line basis over their estimated useful life of 10 years. Goodwill arises upon the acquisition of subsidiaries and represents the excess of the purchase price over the fair value of the identifiable net assets acquired. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate a possible impairment. The carrying amount of the cash-generating unit to which goodwill has been allocated is compared with the recoverable amount, which is the higher of value in use and fair value less selling costs. Any impairment is recognised immediately as an expense and is not reversed.

Property, plant and equipment

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

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

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

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

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

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

Impairment of non-financial assets

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

Financial instruments**Initial recognition**

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

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

Financial assets: classification and measurement

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

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

Derecognition of financial assets

Financial assets, or portions thereof, are derecognized from the financial statements when the contractual rights to collect the cash flows from the assets have expired or been transferred,

Group: notes

Note 2 cont.

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

Impairment of financial assets

The Group assesses the future expected credit losses associated with assets carried at amortized cost. The Group recognizes a credit reserve for expected credit losses at each reporting date. Measurement of expected credit losses aims to reflect an objective, probability-weighted outcome that takes into account multiple scenarios based on reasonable and verifiable forecasts. For accounts receivable, the Group applies the simplified approach for loss allowances, meaning that the reserve will correspond to the expected loss for the entire lifetime of the account receivable.

To measure expected credit losses, accounts receivable have been grouped based on credit risk characteristics, which for the Group means the insured portion and the uninsured portion, as well as the number of days past due. The Group allocates all uninsured accounts receivable that are 60 days or more past due to the credit loss reserve. The Group writes off a receivable when there is no longer any expectation of receiving payment and when active steps to obtain payment have been completed.

Expected credit losses are recognized in the consolidated statement of comprehensive income under other operating expenses.

Inventories

Inventories consist of raw materials, products in progress and finished goods produced in-house. Inventories are recognized at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make a sale. Cost for finished goods produced in-house consists of direct material costs, direct

salaries and associated indirect production costs (based on normal production capacity). The cost of inventories is allocated on based on weighted average cost.

Cash and cash equivalents

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

Share capital

Ordinary shares are classified as equity.

Remuneration of employees**Short-term employee benefits**

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

Pension obligations

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

Pension obligations for Swedish office-based employees, which is secured through insurance with Alecta, are reported as a defined-contribution plan. According to a statement from the Swedish Financial Reporting Board, UFR 10 Accounting for the Pension Plan ITP 2, financed through an insurance in Alecta, this is a defined-benefit multi-employer plan. For the 2022 financial year, the Group did not have access to information in order to be able to report its proportional share of the obligations of the plan, plan assets and costs and, therefore, it has not been possible to recognize the plan as a defined-benefit plan. The ITP 2 pension plan is therefore reported as a defined-contribution plan.

The collective consolidation level is the market value of Alecta's assets as a percentage of the insurance liabilities calculated according to Alecta's actuarial methods and assumptions, which do not comply with IAS 19 Employee Benefits. Normally, the collective consolidation level is permitted to vary between 125% and 175%. If Alecta's collective consolidation level is less than 125% or exceeds 175%, measures must be taken aimed at returning the consolidation level to the normal range. If the consolidation level is low, one measure may be raising the agreed price for new subscriptions and expanding existing benefits. If the consolidation level is high, one measure may be implementing premium reductions. At the end of the 2022 financial year, Alecta's surplus in the form of the collective consolidation ratio was 172% (172%).

Bonus plans

The Group recognizes an accrued expense and an expense for employee bonuses, based on a formula that takes into

Group: notes

Note 2 cont.

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

In 2020, the Annual General Meeting decided to introduce an incentive programme under which 980,000 share warrants were issued to key employees. The warrants give the right, but not the obligation, to participate in a new issue of shares in the company at a predetermined period, on predetermined terms. The issuance of warrants will therefore result in the company issuing new shares, which will have a dilutive effect on existing shareholders. Assuming full exercise of the warrants, share capital may increase by a maximum of SEK 117,600 through the issuance of 980,000 shares, corresponding to a dilution of 4.67% (see notes 9 and 15).

Note 3 Financial risk management**Financial risk factors**

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

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

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

Market risk**Currency risk**

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

Currency risk arises at Arla Plast mainly from cross-border trade, where pricing and invoicing are denominated in EUR. The sensitivity of earnings to changes in exchange rates therefore arises in EUR. Significant balance sheet items denominated in EUR can be found in accounts receivable and accounts payable. Accounts receivable denominated in EUR amount to SEK 92,754 thousand (SEK 94,558 thousand) and accounts payable in EUR amount to SEK 10,427 thousand (SEK 26,956 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 7,863 thousand (EUR 3,263 thousand). The Group has loans denominated in EUR that have a currency impact when translated into the functional currency of the respective company. For more information on currency derivatives, please see note 20.

Sensitivity analysis: transaction exposure

The Group is mainly exposed to changes in the EUR exchange rate. The sensitivity of earnings to changes in exchange rates mainly arises from transactions in EUR within the Group. If the SEK had weakened/strengthened by 10% against the EUR, with all other variables held constant, the restated profit for the year and equity for the 2022 financial year would have been SEK 6,577 thousand (SEK 6,465 thousand) higher/lower, mainly as a result of gains/losses on the translation of accounts receivable and accounts payable and loans in EUR.

Sensitivity analysis: translation exposure

If the SEK had weakened/strengthened by 5% against the CZK, with all other variables held constant, profit for the year and equity as of 31 December 2022 would have been SEK 12,258 thousand (SEK 9,477 thousand) higher/lower due to translation of the Czech subsidiary's income statement and balance sheet.

If the SEK had weakened/strengthened by 5% against the EUR, with all other variables held constant, profit for the year and equity as of 31 December 2022 would have been SEK 1,101 thousand (0) higher/lower due to translation of the German subsidiary's income statement and balance sheet.

Interest rate risk

The Group's interest rate risk arises from borrowings. Amounts owed to credit institutions consist of bank loans denominated in SEK, CZK and EUR which bear interest at variable rates and expose the Group to cash flow interest rate risk. As of 31 December 2022, the average fixed interest rate period was 4.7 months (2.0 months). For further information on the Group's borrowings, please see note 27 Borrowings.

If interest rates on borrowings as of 31 December 2022 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 275 thousand lower/higher (SEK 185 thousand), mainly as an effect of higher/lower interest expenses on floating rate borrowings.

Group: notes

Note 3 cont.

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 receivable are paid.

In addition, Arla Plast insures the majority of its accounts receivable to reduce its credit risk. Of the accounts receivable that are insured, the insured portion usually amounts to 90%, excluding VAT on the invoice amount. Credit risk arises from cash and cash equivalents and deposits with banks. In cases where no independent credit assessment is available, a risk assessment is also conducted regarding the customer's creditworthiness, taking into account the customer's financial position, as well as previous experience and other factors. In order to reduce credit risk relating to cash and cash equivalents, the Group uses well-established and long-term financial counterparties with a rating of at least AA according to Standard & Poor's or similar institutions.

The credit loss reserve amounted to SEK 1,390 thousand as of December 31, 2022 (SEK 2,214 thousand), please see note 21. Historically, actual credit losses have been low.

Liquidity risk

Liquidity risk is defined as the risk that the Group incurs increased costs due to lack of liquidity. Liquidity risks are limited at the Group level by closely following rolling forecasts for the Group's liquidity reserve to ensure that the Group has sufficient cash and cash equivalents to meet the needs of current operations. This is done by preparing cash flow forecasts. The Group maintains its ability to pay its debts through bank deposits, overdraft facilities and the unused confirmed portion of loan agreements. The Group also monitors liquidity coverage ratios based on the consolidated statement of financial position in relation to internal and external requirements, and also prepares debt financing plans.

Refinancing risk

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

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

As of 31 December 2022	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total contractual cash flows	Carrying amount
Financial liabilities							
Lease liabilities	1,655	6,036	6,816	17,381	243	32,131	32,131
Liabilities to credit institutions	2,195	77,421	3,554	6,797	5,030	94,997	92,541
Accounts payable	20,160	–	–	–	–	20,160	20,160
Other liabilities	17,262	–	–	–	–	17,262	17,262
Total	41,272	83,457	10,370	24,178	5,273	164,550	162,094

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

Group: notes

Note 3 cont.

Management of capital

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

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

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

	31/12/2022	31/12/2021
Interest-bearing liabilities (SEK thousand)	124,672	63,077
Minus interest-bearing assets (SEK thousand)	47,935	18,565
Net debt (SEK thousand)	76,737	44,512
EBITDA (SEK thousand)	89,099	124,408
Net debt/EBITDA, multiple	0.86	0.36

The increase in interest-bearing liabilities in 2022 was the result of increased liabilities to credit institutions, mainly due to the acquisition of Alphaplex GmbH.

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 commission, bonuses to customers and from suppliers, as well as intangible assets, property, plant and equipment and right-of-use assets. These estimates are not expected to have a material impact on the statements of comprehensive income or financial position in cases where the outcome does not exactly match the estimates made.

Inventories

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

Sales commission

Sales commission is paid in certain markets on a contractually agreed percentage of accounts receivable paid. The cost of the sales commission is expensed as incurred since the contracts are short-term. At the end of 2022, the expected amount relating to sales commission was SEK 2,176 thousand (SEK 2,006 thousand).

Customer bonus

The respective contracts with customers are usually for fixed amounts but there are cases where products are sold with volume discounts based on cumulative sales over a 12-month period. Historical data is used to estimate the expected value of discounts. At the end of 2022, the expected amount of the customer bonus was SEK 11,261 thousand (SEK 12,590 thousand).

Supplier bonus

The Group has a small number of purchase agreements in which volume discounts are obtained on cumulative purchases over a 12-month period. Historical data is used to estimate the expected value of discounts and is recognized only to the extent that it is highly probable that a material reversal will not occur. At the end of 2022, the expected amount of the supplier bonus was SEK 1,280 thousand (SEK 7,372 thousand).

Non-current intangible assets

Goodwill is tested for impairment annually or during the year if an event occurs that could result in a need for impairment. Key assumptions underlying the impairment test are forecasts of future cash flows, including assumptions about sales growth and operating margin. The discount rate also requires assumptions about the weighted average cost of capital.

Other intangible assets are amortised on a straight-line basis over their estimated useful life, so a change in the estimated useful life results in a change in the carrying amount. Impairment testing for other non-current intangible assets is applied if an event occurs that could result in a need for impairment. In 2022, impairment tests performed did not result in any impairment requirement.

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 decrease in value. Changes in assumptions regarding recoverable amount, estimated useful life or the Group's expected performance may lead to changes in value. Depreciation begins when the new facilities are put into use and measurement and recogni-

Group: notes

Note 4 cont.

tion of the balance sheet item are dependent on compliance with timetables and investment calculations.

Right-of-use assets

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

means that Arla Plast, as lessee, determines the length of the lease itself instead of taking into account the termination clause in the leases.

Acquisition analysis

The measurement of identifiable assets and liabilities in connection with the acquisition of subsidiaries or businesses involves measuring at fair value both items in the acquired company's balance sheet and items not recognised in the acquired company's balance sheet.

For the assets and liabilities to be valued, there are no quoted prices, so different valuation techniques have to be applied. These valuation techniques are based on a number of different assumptions.

Note 5 Operating segments

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

Group-wide functions are found in both Sweden and the Czech Republic and are internally invoiced to ensure that earnings can be accurately monitored in each segment. Items affecting comparability are charged to group-wide costs and have not been divided up. In the consolidated statement of comprehensive income, the items affecting comparability are included in administrative expenses and other operating expenses. Inter-segment sales take place on market terms.

Sweden

The Sweden segment is the Group's largest segment. This segment accounted for approximately 63% (65%) of the Group's total net sales in 2022 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 49% (61%) of the net sales of the OPC joint product area are generated in the Sweden segment.

Czech Republic

The Czech Republic segment accounted for approximately 33% (35%) of the Group's total net sales in 2022. This segment includes all activities conducted and originating in the Czech Republic. Production takes place in Kadaň and Pelhřimov. The main raw materials in the segment are polycarbonate and PETG. The product areas in which the segment operates are MWPC, OPC and PETG. For the joint product area OPC, the Czech Republic segment accounts for approximately 51% (39%) of net sales.

Germany

The Germany segment accounted for approximately 4% (0%) of the Group's total net sales in 2022. This segment includes all activities conducted and originating in Hullhorst, Germany. The segment operates in all product areas. The segment is only to a limited extent active in the group-wide OPC product area, and there were no sales in this product area for the reporting periods.

Group: notes

Note 5 cont.

Revenue

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

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

	Sweden Jan-Dec 2022	Czech Republic Jan-Dec 2022	Germany Jan-Dec 2022	Combined Jan-Dec 2022	Elim. Jan-Dec 2022	Group Jan-Dec 2022
Net sales and earnings						
Sales volume, tonnes	12,003	6,879	920	–	-1,145	18,657
Net sales, external, SEK thousand	600,292	311,371	46,088	–	–	957,751
Net sales, internal, SEK thousand	9,830	28,215	1,315	–	-39,360	–
Total net sales, SEK thousand	610,122	339,586	47,403	–	-39,360	957,751
Adjusted operating profit, SEK thousand	36,254	10,706	2,706	-2,667	1,237	48,236
Items affecting comparability, SEK thousand	–	–	–	1,184	–	1,184
Operating profit, SEK thousand	36,254	10,706	2,706	-3,851	1,237	47,052
Net financial items, SEK thousand	-4,100	1,619	-170	–	–	-2,651
Profit before tax, SEK thousand	32,154	12,325	2,536	-3,851	1,237	44,401
Operating margin, %	5.9	3.2	5.7	–	–	4.9
Adjusted operating margin, %	5.9	3.2	5.7	–	–	5.0

	Sweden Jan-Dec 2021	Czech Republic Jan-Dec 2021	Combined Jan-Dec 2021	Elim. Jan-Dec 2021	Group Jan-Dec 2021
Net sales and earnings					
Sales volume, tonnes	14,871	8,929	–	-1,154	22,646
Net sales, external, SEK thousand	610,186	317,308	–	–	927,494
Net sales, internal, SEK thousand	8,315	26,314	–	-34,629	–
Total net sales, SEK thousand	618,501	343,622	–	-34,629	927,494
Adjusted operating profit, SEK thousand	70,490	20,608	–	1,224	92,333
Items affecting comparability, SEK thousand	–	–	6,107	–	6,107
Operating profit, SEK thousand	70,490	20,608	-6,107	1,224	86,215
Net financial items, SEK thousand	-234	-469	–	–	-703
Profit before tax, SEK thousand	70,256	20,139	-6,107	1,224	85,512
Operating margin, %	11.4	6.0	–	–	9.3
Adjusted operating margin, %	11.4	6.0	–	–	10.0

Group: notes

Note 5 cont.

Net sales by geographic market and segment, SEK thousand	Sweden Jan–Dec 2022	Czech Republic Jan–Dec 2022	Germany Jan–Dec 2022	Net sales, internal Jan–Dec 2022	Group Jan–Dec 2022
Sweden	116,828	30,214	1,179	-23,548	124,673
Germany	109,211	30,792	40,526	-13,004	167,525
Czech Republic	50,629	123,452	210	-2,808	171,483
Poland	76,717	41,071	467	–	118,255
Rest of Europe	208,220	90,209	5,021	–	303,450
Rest of the world	48,517	23,848	–	–	72,365
Total	610,122	339,586	47,403	-39,360	957,751

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

*See also note 6 Categories of Revenue.

Material assets and liabilities by segment, SEK thousand	2022	2021
Sweden		
Property, plant and equipment	156,379	173,124
Inventories	98,204	103,712
Liabilities	109,724	73,295
Czech Republic		
Property, plant and equipment	117,648	113,347
Inventories	95,309	80,594
Liabilities	49,056	56,687
Germany		
Property, plant and equipment	3,239	–
Inventories	22,568	–
Liabilities	11,751	–

Group: notes

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

	2022	%	2021	%
Sweden	124,673	13	121,805	13
Germany	167,525	17	174,772	19
Czech Republic	171,483	18	136,523	15
Poland	118,255	12	106,524	12
Rest of Europe	303,450	32	337,826	36
Rest of the world	72,365	8	50,044	5
Total	957,751	100	927,494	100

External net sales by product area, SEK thousand

	2022	%	2021	%
TPC	422,379	44	427,358	46
OPC	153,666	16	124,148	13
MWPC	188,391	20	211,353	23
ABS	123,182	13	98,889	11
PETG	51,230	5	65,746	7
PMMA	18,903	2	–	–
Total	957,751	100	927,494	100

Note 7 Remuneration of the auditors

	2022	2021
Ernst & Young AB		
– Audit assignment	1,902	1,761
– Other services	565	358
Total	2,467	2,119
Aptus audit s.r.o.		
– Audit assignment	–	84
Total	–	84
Group summary	2,467	2,203

Note 8 Expenses by type of cost

	2022	2021
Employee benefit expenses (note 9)	138,188	132,713
Depreciation of property, plant and equipment (note 34)	42,047	38,193
Other costs	739,397	678,911
Total cost of goods sold, selling and administrative expenses	919,632	849,817

Group: notes

Note 9 Remuneration of employees, etc.

	2022	2021
Salaries and other benefits	97,695	95,030
Social security contributions	32,607	31,279
Pension costs: defined-contribution plans	7,886	6,404
Total employee benefits	138,188	132,713

	2022		2021	
	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	9,066 (616)	6,642 (1,792)	10,544 (-)	4,440 (2,102)
Other employees	88,629 (99)	33,851 (6,094)	84,486 (-)	33,242 (4,302)
Group summary	97,695	40,493	95,030	37,682

	2022		2021	
	Average number of employees	Men	Average number of employees	Men
Sweden	130	98	138	106
Germany	11	7	3	3
Belgium	2	2	2	2
Czech Republic	110	81	122	90
Group summary	253	188	265	201

	2022		2021	
	Number at balance sheet date	Men	Number at balance sheet date	Men
Board members	9	7	9	8
CEO and other senior executives	5	4	4	3
Group summary	14	11	13	11

Group: notes

Note 9 cont.

Remuneration and other benefits 2022	Base salary/ Board fees	Variable remuneration	Other benefits	Pension cost	Consultancy fees	Total
Chairman of the Board: Kenneth Synnersten	425	–	–	–	–	425
Board member: Leif Nilsson	261	–	–	–	–	261
Board member: Jan Synnersten	260	–	–	–	–	260
Board member: Ulf Hedlundh	225	–	–	–	–	225
Board member: Sten Jakobsson	261	–	–	–	–	261
Board member: Anneli Arnbäck	220	–	–	–	–	220
Board member: Ola Salmén	297	–	–	–	–	297
CEO: Christian Krichau	2,057	106	–	603	–	2,766
Other senior executives (4 people)	4,444	510	–	1,189	–	6,143
Total	8,450	616	–	1,792	–	10,858

The above table does not include Board members who did not receive remuneration in 2022.

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

The above table does not include Board members who did not receive remuneration in 2021.

Variable remuneration refers to the bonus recognized as an expense for the 2021 financial year, which was paid in 2022. The expensed bonus for 2022 amounted to SEK 0 thousand (SEK 2,018 thousand). For information on how the bonus is calculated, see below.

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

Guidelines

The Chairman of the Board and Board members receive fees in accordance with the resolution of the AGM of 19 May 2022. No Board fees have been paid to other Board members who receive remuneration through their employment in a Group company.

Guidelines for remuneration of the CEO and other senior executives were adopted by the AGM of 19 May 2022. The remuneration consists of fixed salary, short-term variable remuneration, other benefits, pension, etc. Other senior executives refers to the persons who, together with the CEO, make up Group management.

The allocation between base salary and variable remuneration should be in proportion to the responsibility and authority of the executive. Variable remuneration for the CEO is capped

at 40% of base salary. Variable remuneration for the other senior executives is capped at 30% of base salary. Variable remuneration is based on performance in relation to set targets.

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

Bonus

For the CEO, the bonus is based on the Group's operating profit. There is no bonus outcome for 2022.

For other senior executives, the bonus is based on the Group's profit before tax. There is no bonus outcome for 2022.

Incentive programme

The Extraordinary General Meeting of Shareholders on 13 August 2020, resolved to introduce an incentive programme, through which 980,000 share warrants from series 2020/2023 would be issued to 10 key personnel in the Group. The reason for the incentive programme is that a personal incentive through ownership in the company is expected to lead to increased motivation and a sense of affinity with the company, as well as to increased interest in the business and its performance. Each (1) warrant entitles the holder

Group: notes

Note 9 cont.

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

Pension

Pension cost refers to the cost that affected profit for the year. The pension premium may not exceed 30% of the pensionable salary. The provision for pensions follows the statutory provision as well as the provision under collective agreements.

No pension commitments have been made for Board members who are not permanently employed by a Group company.

Pension obligations

The ITP 2 pension plan, which is secured through insurance from Alecta, is recognized as a defined-contribution plan. Premiums for the defined-benefit old age and family plans are calculated individually taking into account salary, previously earned pension and anticipated remaining employment period. The company's share of total savings premiums for ITP 2 in Alecta is 0.00438% and the company's share of the total number of active insured in ITP 2 is 0.00575%. Anticipated premiums for the next report period for ITP 2 insurance that are covered by Alecta amount to SEK 1,616 thousand.

Notice periods

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

Note 10 Other operating income

	2022	2021
Wage subsidies received	797	638
Grants received for sick pay costs	659	500
Gain on disposal of inventories	595	52
Insurance compensation	–	1,567
Contractual compensation	2,155	2,253
Other	6,188	3,845
Total	10,394	8,855

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

Note 11 Other operating expenses

	2022	2021
Exchange rate losses	–	-104
Acquisition cost	-1,184	–
Other	-277	-213
Total	-1,461	-317

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

Note 12 Financial income and financial expenses

	2022	2021
Foreign exchange gains	1,152	313
Change in value of forward exchange contracts	1,471	–
Total financial income	2,623	313
Interest payable to credit institutions	-1,725	-765
Interest on lease liabilities	-511	-251
Exchange rate losses	-3,038	–
Total finance costs	-5,274	-1,016
Financial items – net	-2,651	703

Group: notes

Note 13 Income tax

	2022	2021
Current tax:		
Current tax on profit for the year	-10,885	-15,548
Total current tax	-10,885	-15,548
Deferred tax (note 28)		
Deferred tax relating to origination and reversal of temporary differences	928	-1,852
Total deferred tax	928	-1,852
Total income tax	-9,957	-17,400
	2022	2021
Profit before tax	44,401	85,512
Income tax calculated according to the tax rate in Sweden (20.6%)	-9,147	-17,615
Tax effects of:		
Difference in foreign tax rates	-390	553
Non-taxable income	521	11
Non-deductible expenses	-882	-490
Tax effect change of tax rate/reversal of tax allocation reserve	-200	-133
Standard interest tax allocation reserve	-86	-80
Temporary differences	928	-1,852
Other appropriations	-701	2,206
Income tax	-9,957	-17,400

Note 14 Exchange differences – net

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

	2022	2021
Other operating expenses (note 11)	–	-104
Financial items – net (note 12)	-2,651	313
Total	-2,651	209

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. Results from the valuation of outstanding forward exchange contracts are also included in financial items.

Note 15 Earnings per share

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

Basic and diluted earnings per share	2022	2021
Profit attributable to equity holders of the parent, SEK thousand	34,444	68,112
Weighted number of shares, basic	20,000,000	20,000,000
Weighted number of shares, diluted	20,980,000	20,980,000
Earnings per share, basic, SEK	1.72	3.41
Earnings per share, diluted, SEK	1.64	3.25

Note 16 Investments in subsidiaries

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

Note 17 Non-current intangible assets

Financial year 2022	Licences	Other intangible assets	Goodwill	Trade-marks	Customer relations	Total
Opening carrying amount	377	132	–	–	–	509
Currency translation differences	–	–	–	-9	-24	-33
Reclassifications	–	144	–	–	–	144
Acquisitions for the year	–	–	16,692	4,885	11,496	33,073
Depreciation/amortization	-288	-8	–	-191	-455	-942
Closing carrying amount	89	268	16,692	4,685	11,017	32,751
As of 31 December 2022						
Cost	981	288	16,692	4,876	11,472	34,309
Accumulated depreciation/amortization	-892	-20	–	-191	-455	-1,558
Carrying amount	89	268	16,692	4,685	11,017	32,751

Financial year 2021	Licences	Other intangible assets	Total
Opening carrying amount	666	139	805
Acquisitions for the year	29	–	29
Depreciation/amortization	-318	-7	-325
Closing carrying amount	377	132	509
As of 31 December 2021			
Cost	981	144	1,126
Accumulated depreciation/amortization	-604	-12	-617
Carrying amount	377	132	509

Impairment testing of goodwill

Goodwill is tested for impairment annually or during the year if an event occurs that could result in a need for impairment. In 2022, Arla Plast performed impairment testing on the goodwill arising from the acquisition of Alphaplex GmbH belonging to the same cash-generating unit. The goodwill for Alphaplex GmbH amounts to SEK 16,692 thousand as of 31 December 2022. The forecast period is 10 years with an average growth rate of 4.6%. Assumed growth beyond the forecast period amounts to 2.0%. The cash flows have been discounted to present value using a discount rate of 11.7% per annum after tax, corresponding to 15.7%. The sensitivity analysis also tested whether reasonable adverse changes in the discount rate or growth rate assumptions would result in an impairment of goodwill. No reasonable adjustments to impairment testing assumptions or events during the year or after its end indicate a need for impairment of the cash-generating unit.

Trademarks

Trademarks arose in connection with the acquisition of Alphaplex GmbH in 2022. The acquired business had a well-known trademark with a good reputation in the market in which it operates. Trademarks are recognised at fair value at the point of acquisition and subsequently amortised on a straight-line basis over their estimated useful life.

Customer relations

Customer relationships arose in connection with the acquisition of Alphaplex GmbH in 2022. The acquired business had a number of customers with which it had long-standing relationships. These customer relationships are recognised at fair value at the point of acquisition and subsequently amortised on a straight-line basis over their estimated useful lives.

Group: notes

Note 18 Property, plant and equipment

Financial year 2022	Buildings and land	Machinery and other technical equipment	Equipment, tools and installations	Construction in progress	Total
Opening carrying amount	113,618	153,789	11,378	2,051	280,836
Currency translation differences	5,702	6,517	-17	96	12,298
Reclassifications	1,351	9,677	1,526	-12,698	-144
Acquisitions for the year	446	2,897	3,251	10,829	17,423
Disposals and eliminations	–	-2,006	-323	–	-2,329
Depreciation/amortization for the year	-6,432	-25,281	-3,463	–	-35,176
Closing carrying amount	114,685	145,593	12,352	278	272,908
As of 31 December 2022					
Cost	197,276	506,799	40,584	278	744,937
Accumulated depreciation/amortization	-82,591	-361,206	-28,232	–	-472,029
Carrying amount	114,685	145,593	12,352	278	272,908

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

Group: notes

Note 19 Right-of-use assets

The Group leases buildings, vehicles and a container compactor. These are recognized as right-of-use assets with a corresponding liability. The leases vary between 1 and 10 years and most of the leases can be extended at the end of the lease term at a rate consistent with a market rate. The obligation to pay lease payments is disclosed in the statement of financial position in separate rows (non-current and current). The total cash flow from leases in 2022 amounted to SEK -6,601 thousand (SEK -6,392 thousand). The interest cost of the lease liability in 2022 amounted to SEK 516 thousand (SEK 251 thousand).

Right-of-use assets	Buildings	Vehicles and other technical installations	Total
Financial year 2022			
Opening balance, cost	19,065	2,876	21,941
Acquisitions for the year	10,201	3,425	13,626
Currency adjustment	2,538	274	2,812
Disposals and eliminations	-23	-174	-197
Depreciation/amortization	-4,413	-1,765	-6,178
Closing carrying amount	27,368	4,636	32,004
As of 31 December 2022			
Cost	42,548	10,018	52,566
Accumulated depreciation/amortization	-15,180	-5,382	-20,562
Carrying amount	27,368	4,636	32,004

Right-of-use assets	Buildings	Vehicles and other technical installations	Total
Financial year 2021			
Opening balance, cost	6,565	2,028	8,593
Acquisitions for the year	15,089	1,730	16,819
Currency adjustment	1,119	571	1,690
Disposals and eliminations	-144	–	-144
Depreciation/amortization	-3,564	-1,453	-5,017
Closing carrying amount	19,065	2,876	21,941

As of 31 December 2021

Cost	29,832	6,493	36,325
Accumulated depreciation/amortization	-10,767	-3,617	-14,384
Carrying amount	19,065	2,876	21,941

Lease liabilities	2022	2021
Within 6 months	3,309	2,021
Between 6 and 12 months	4,382	2,640
Total current lease liability	7,691	4,661
Between 1 and 2 years	6,816	4,081
Between 2 and 5 years	17,624	13,229
Total non-current lease liability	24,440	17,310

Fees for leases under the relaxation rule amounted to SEK 954 thousand (SEK 632 thousand).

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

Group: notes

Note 20 Financial instruments by category

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

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

	Financial assets measured at fair value through profit or loss	Financial assets measured at am ortized cost	Total
31/12/2022			
Assets in the statement of financial position			
Accounts receivable	–	118,396	118,396
Other current receivables	–	3,877	3,877
Derivative assets	1,471	–	1,471
Cash and cash equivalents	–	47,935	47,935
Total	1,471	170,208	171,679

	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
31/12/2022			
Liabilities in the statement of financial position			
Liabilities to credit institutions	–	92,541	92,541
Accounts payable	–	20,160	20,160
Other current liabilities	–	23,630	23,630
Total	–	136,331	136,331

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

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

Group: notes

Note 21 Accounts receivable

	31/12/2022	31/12/2021
Accounts receivable, gross insured portion	107,316	111,252
Accounts receivable, gross uninsured portion	12,470	17,191
Less: provision for expected credit losses	-1,390	-2,214
Accounts receivable – net	118,396	126,229
EUR	93,454	94,558
GBP	4,496	6,422
USD	1,550	2,459
NOK	329	–
SEK	18,557	19,903
CZK	10	2,887
Total	118,396	126,229
Change in credit loss reserve		
Opening balance, credit loss reserve	2,214	1,261
Provision for expected credit losses	1,256	2,214
Receivables written off during the year as irrecoverable	-2,214	-1,261
Recovered unused amounts	134	–
Closing balance, credit loss reserve	1,390	2,214

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 10.41 % (13.95%) at the balance sheet date. The fair value of accounts receivable corresponds to their carrying amount, since the discounting effect is not material. No accounts receivable have been pledged as security for any debt.

Maturity structure of accounts receivable, SEK thousand	Gross 31/12/2022	Expected credit loss	Gross 31/12/2021	Expected credit loss
Not due	106,924	–	117,464	–
1–30 days	10,852	–	8,364	–
31–60	-197	–	341	–
> 61 days	2,207	-1,390	2,274	-2,214
Total accounts receivable	119,786	-1,390	128,443	-2,214

Group: notes

Note 22 Inventories

During the 2022 financial year, material costs amounting to SEK 636,087 thousand (SEK 580,526 thousand) were recognized in the statement of comprehensive income. They were recognized as cost of goods sold. Of the inventory values at 31 December 2022, SEK 6,416 thousand has been valued at net realisable value, of which SEK 5,483 thousand relates to raw materials and goods for resale and SEK 933 thousand to self-produced finished goods. The carrying amount of the Group's inventories as of 31 December 2022 amounted to SEK 216,081 thousand (SEK 184,306 thousand), with the following allocation:

	31/12/2022	31/12/2021
Raw materials and commodities	89,252	97,654
Finished goods produced in-house	122,664	80,100
Products in progress	4,165	6,552
Total	216,081	184,306

Note 23 Other receivables

	31/12/2022	31/12/2021
Other advances	–	401
Settlement of tax account	53	59
VAT	1,656	2,192
Bonus from supplier	1,280	7,372
Other current receivables	888	1,112
Tax assets	7,513	–
Total	11,390	11,136

Note 24 Prepaid expenses

	31/12/2022	31/12/2021
Prepaid insurance costs	449	440
Prepaid license fees	1,539	1,660
Other items	1,057	1,010
Total	3,045	3,110

Note 25 Cash and cash equivalents

	31/12/2022	31/12/2021
Cash	3,060	3
Bank deposits	44,875	18,562
Total	47,935	18,565

All cash and cash equivalents are available upon request. Bank deposits consist of bank funds denominated in SEK, CZK, EUR and GBP, with some exposure to currency risk. Available cash and cash equivalents including unused credit facilities amounted to SEK 180,740 thousand (SEK 106,631 thousand) as of 31 December 2022.

Note 26 Share capital

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

Note 27 Borrowing

	31/12/2022	31/12/2021
Current		
Liabilities to credit institutions	87,204	15,340
Overdraft facility	5,337	25,766
Total borrowings	92,541	41,106

Current borrowings

Collateral has been provided for debts to credit institutions in the form of floating charges and property mortgages with a value of SEK 59,900 thousand. For further information please see note 31 Pledged Assets. In addition, liabilities to credit institutions are subject to certain covenants. The equity ratio must not fall below 30% and net debt/EBITDA must not exceed 2.5x.

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 144,417 thousand (SEK 113,835 thousand). Of the overdraft facility granted, SEK 11,612 thousand (SEK 25,766 thousand) had been utilised as of 31 December 2022. With the exception of the above-mentioned overdraft facility, the Group has no unutilized credit facilities.

Group: notes

Note 28 Deferred tax

Deferred tax assets and liabilities are allocated as follows:

	31/12/2022	31/12/2021
Deferred tax assets:		
– deferred tax assets expected to be utilized within 12 months	–	–
Deferred tax liabilities:		
– deferred tax liabilities expected to be realized after more than 12 months	44,361	40,549
– deferred tax liabilities expected to be realized within 12 months	–	–
Deferred tax liabilities (net)	44,361	40,549

The gross change in deferred taxes is as follows:

Opening balance	40,549	38,697
Recognised in the statement of comprehensive income	-928	1,852
Acquisitions	4,740	–
Closing balance	44,361	40,549

Deferred tax liabilities	Untaxed re-serves	Other	Total
As of 1 January 2021	27,145	11,552	38,697
Recognized in the statement of comprehensive income	2,572	-720	1,852
As of 31 December 2021	29,717	10,832	40,549
As of 1 January 2022	29,717	10,832	40,549
Recognized in the statement of comprehensive income	-1,184	256	-928
Acquisitions	–	4,740	4,740
As of 31 December 2022	28,533	15,828	44,361

Deferred tax assets	Loss carryfor-wards	Other	Total
As of 1 January 2021	–	–	–
Recognized in the statement of comprehensive income	–	–	–
As of 31 December 2021	–	–	–
As of 1 January 2022	–	–	–
Recognized in the statement of comprehensive income	–	–	–
As of 31 December 2022	–	–	–

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.

Group: notes

Note 29 Other liabilities

	31/12/2022	31/12/2021
Employee withholding taxes	3,056	3,179
Statutory social security contributions	2,330	2,483
Customer bonus	11,261	12,590
Advances from customers	982	3,389
Sales commission	2,176	2,006
Returns	2,431	2,288
Other items	1,394	2,338
Total	23,630	28,273

Note 30 Accrued expenses and deferred income

	31/12/2022	31/12/2021
Accrued personnel costs	14,716	20,869
Accrued interest expense	609	19
Other accrued expenses	5,999	5,215
Total	21,324	26,103

Note 31 Pledged assets

	31/12/2022	31/12/2021
Property mortgages	8,950	8,950
Floating charges	50,950	50,950
Total	59,900	59,900

Note 32 Related-party transactions

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

All transactions are carried out on market terms.

	2022	2021
Purchases of goods and services:		
Company controlled by a Board member	29	21
Companies controlled by other senior executives	720	–
Total	749	21
Sale of goods and services:		
Company controlled by a Board member	–	19
Companies controlled by other senior executives	22	–
Total	22	19

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

The Group had no provisions for bad debts attributable to related parties. Moreover, the Group has not recognized any costs relating to bad debts with related parties during the period. No assets are pledged for the receivables.

Receivables from related parties arise mainly from sales transactions and are due 30 days after the date of sale. Liabilities to related parties arise mainly from purchase transactions and are due 30 days after the date of purchase. Further information on liabilities to Group companies is provided in note 27.

Remuneration of senior executives is presented in note 9.

Group: notes

Note 33 Changes in liabilities related to financing activities

Non-cash items	01/01/2022	Cash flow	Exchange rate differences	Acquisitions	Other	31/12/2022
Lease liability	21,971	-6,601	2,812	10,728	3,221	32,131
Liabilities to/loans from credit institutions	15,340	50,214	4,237	5,575	11,838	87,204
Overdraft facility	25,767	-9,863	1,271	–	-11,838	5,337
Total	63,078	33,750	8,320	16,303	3,221	124,672

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

Note 34 Adjustment for non-cash items

	2022	2021
Depreciation/amortization	42,047	38,193
Gains/losses from sale of non-current assets	2,653	3,475
Other	918	92
Total	45,618	41,760

Group: notes

Note 35 Alternative performance measures

The performance measures in this report take into account the nature of the operations and are deemed to provide relevant information to shareholders and other stakeholders, while also enabling comparability with other companies. In addition to the financial ratios prepared in accordance with IFRS, Arla Plast presents financial ratios that have not been defined in accordance with IFRS, for example EBITDA and adjusted operating margin. These alternative performance

measures are considered important earnings and performance indicators for investors and other users of the annual accounts. These alternative performance measures should be considered a complement to, but not a substitute for, the financial information prepared in accordance with IFRS. The Arla Plast Group's definitions of these measures that are not defined under IFRS are described in this note.

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

Group: notes

Note 35 cont.

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

Group: notes

Note 35 cont.

Calculation of ratios:

	2022	2021
Gross margin, %:		
Gross profit, SEK thousand	148,707	180,507
Net sales, SEK thousand	957,751	927,494
Gross margin, %	15.5	19.5
Operating margin, %, Sweden:		
Net sales, SEK thousand	610,122	618,501
Operating profit, SEK thousand	36,254	70,490
Operating margin, %, Sweden:	5.9	11.4
Operating margin, %, Czech Republic:		
Net sales, SEK thousand	339,586	343,622
Operating profit, SEK thousand	10,706	20,608
Operating margin, %, Czech Republic	3.2	6.0
Operating margin, %, Germany		
Net sales, SEK thousand	47,403	–
Operating profit, SEK thousand	2,706	–
Operating margin, %, Germany	5.7	–
Adjusted EBITDA, SEK thousand:		
Operating profit	47,052	86,215
Less depreciation and amortization of non-current assets	42,047	38,193
Minus impairment of non-current assets	–	–
EBITDA	89,099	124,408
Less items affecting comparability	1,184	6,107
Adjusted EBITDA, SEK thousand	90,283	130,515
Organic growth, %		
Net sales, SEK thousand	957,751	927,494
Net sales for the same period of the previous year, SEK thousand	927,494	884,680
Minus acquisitions	-34,399	
Net sales, change	-4,142	42,814
Less exchange rate fluctuations, SEK thousand	-20,715	3,554
Organic growth, %	-3.0	5.3
Working capital/sales, %		
Operating receivables, SEK thousand	342,870	324,781
Operating liabilities, SEK thousand	65,114	68,454
Net working capital, SEK thousand	277,756	256,327
Net sales, SEK thousand	957,751	927,494
Working capital/sales, %	29.0	27.6

Group: notes

Note 35 cont.

Calculation of ratios, cont.

	2022	2021
Return on capital employed (ROCE), %		
Capital employed, SEK thousand	624,669	532,865
Average capital employed, SEK thousand	578,767	491,582
Adjusted operating profit, SEK thousand	48,236	92,322
Return on capital employed (ROCE), %	8.3	18.8
Net debt/EBITDA, multiple		
Net debt, SEK thousand	76,737	44,512
EBITDA	89,099	124,408
Net debt/EBITDA, multiple	0.86	0.36
Equity/assets ratio, %		
Equity, SEK thousand	499,997	469,788
Total capital, SEK thousand	735,981	646,639
Equity/assets ratio, %	67.9	72.6

Note 36 Items affecting comparability

	2022	2021
IPO costs	–	6,107
Acquisition costs	1,184	–
Total	1,184	6,107

In the consolidated statement of comprehensive income, the items affecting comparability are included in administrative expenses.

Note 37 Significant events after the end of the financial period

Anna Russberg has been appointed as Operations Manager Sweden in order to further improve our internal efficiency. Anna is also part of Group management. Former Operations Manager Sweden, Stefan Liminga, has been tasked with developing our logistics operations. As a result, Stefan has left Group management to focus on this task. Sören Fisher has joined Group management as Operations Manager Germany. Peter Mikkonen, Sales Director – Opaque, has left the company and Group management.

Group: notes

Note 38 Acquisitions

On 26 July, Arla Plast completed the acquisition of Alphaplex GmbH, a plastics retailer based in Hüllhorst near Hanover, Germany. The acquisition of Alphaplex GmbH strengthens the Arla Plast Group's position in the important German market and supports its aim to increase its presence in Austria and Switzerland. The acquisition is an excellent strategic fit for Arla Plast and strengthens the Group's platform for sustainable profitable growth.

Alphaplex GmbH is consolidated from August 2022. The final acquisition balance sheet is shown below.

Acquisition analysis of Alphaplex GmbH

	EUR thousand	SEK thousand
Non-current intangible assets	1,472	15,720
Property, plant and equipment	173	1,847
Inventories	1,960	20,932
Other current receivables, not cash and cash equivalents	904	9,654
Cash and cash equivalents	35	374
Deferred tax liability	444	4,742
Other interest-bearing liabilities	950	10,145
Other current liabilities	300	3,204
Net identifiable assets and liabilities	2,850	30,436
Goodwill	1,500	16,020
Acquisition price	4,350	46,456
Consideration transferred for the acquisition	4,350	46,456
Loans raised	35	374
Impact on the Group's cash and cash equivalents	4,315	46,082

Goodwill is mainly justified by access to new attractive product areas and the organisation's strong industry expertise and growth potential. The acquisition has resulted in transaction costs of EUR 113 thousand, corresponding to SEK 1.2 million, which have been charged to earnings for the third quarter and the full year as an item affecting comparability. The cost is included under other operating expenses in the consolidated statement of comprehensive income.

In addition to the transferred consideration, there is a conditional additional purchase price of a maximum of EUR 1.3 million based on the next three years' EBIT, which will be paid after the end of the three-year period. The condition is linked to the employment of two key personnel, for which a provision is made based on the maximum additional purchase price and as a personnel cost. As the consideration is earned, it is recognised as a personnel cost within selling expenses in the consolidated statement of comprehensive income.

If the acquisition had been consolidated from 1 January 2022, the Group's adjusted operating profit is estimated to have been affected as follows.

	SEK thousand
Net sales	76,142
Cost of goods sold	-59,095
Selling expenses	-6,774
Administrative expenses	-8,752
Other operating income	291
Other operating expenses	-1,184
Operating profit	628
Items affecting comparability	1,184
Adjusted operating profit	1,812

Parent company income statement

Amounts in SEK thousand	Note	2022	2021
Net sales	2	610,122	618,501
Cost of goods sold	3.4	-502,613	-481,508
Gross profit		107,509	136,696
Selling expenses	3.4	-45,368	-46,702
Administrative expenses	3.4	-34,869	-34,500
Other operating income	5	4,320	8,882
Other operating expenses	6	4,631	-18
Operating profit		36,223	64,358
Interest income and similar income/costs	7	8,287	313
Interest expense and similar	7	-12,353	-520
Profit after financial items		32,157	64,151
Appropriations	8	4,650	-13,218
Tax on profit for the year	9	-8,006	-10,825
Profit for the year		28,801	40,108

Condensed statement of comprehensive income, parent company

Amounts in SEK thousand	Jan-Dec 2022	Jan-Dec 2021
Profit for the period	28,801	40,108
Items that may be subsequently transferred to income for the period	–	–
Other comprehensive income for the period	–	–
Total comprehensive income for the period	28,801	40,108

Parent company balance sheet

Amounts in SEK thousand	Note	2022	2021
ASSETS			
Non-current assets			
Non-current intangible assets	11	357	509
Total non-current intangible assets		357	509
Buildings and land	12	62,292	65,970
Machinery and other technical equipment	12	83,787	94,502
Equipment and tools	12	10,228	11,378
Construction in progress	12	72	1,274
Total property, plant and equipment		156,379	173,124
Investments in Group companies	10	90,874	28,986
Total non-current financial assets		90,874	28,986
Total non-current assets		247,610	202,619
Current assets			
Inventories	14	98,204	103,712
Accounts receivable	13	65,741	76,569
Receivables from Group companies		1,264	5,995
Other receivables	15	1,267	7,791
Current tax assets		5,087	–
Prepaid expenses and accrued income	16	2,689	2,832
Cash and bank balances	17	40,826	18,397
Total current assets		215,078	215,296
TOTAL ASSETS		462,688	417,915

Parent company balance sheet, cont.

Amounts in SEK thousand	Note	2022	2021
EQUITY AND LIABILITIES			
Equity			
Share capital	18	2,400	2,400
Statutory reserve		480	480
Total restricted equity		2,880	2,880
Retained earnings (including profit for the year)		199,858	201,058
Total non-restricted equity		199,858	201,058
Total equity		202,738	203,938
Untaxed reserves	19	136,032	140,682
Provisions	20	14,194	–
Liabilities to credit institutions	21	69,130	21,937
Accounts payable		10,527	5,673
Liabilities to Group companies		–	1,270
Current tax liabilities		–	4,553
Other liabilities	22	12,936	18,000
Accrued expenses and deferred income	23	17,131	21,862
Total liabilities		123,918	73,295
TOTAL EQUITY AND LIABILITIES		462,688	417,915

Parent company statement of changes in equity

Amounts in SEK thousand	Share capital	Statutory reserve	Retained earnings profit or loss	Profit for the year	Total equity
Opening balance, 1 January 2021	2,400	480	111,077	49,873	163,830
Profit carried forward from previous year	–	–	49,873	-49,873	–
Profit for the year and comprehensive income	–	–	–	40,108	40,108
Transactions with shareholders in their capacity as owners					
Dividend	–	–	–	–	–
Closing balance, 31 December 2021	2,400	480	160,950	40,108	203,938
Opening balance, 1 January 2022	2,400	480	160,950	40,108	203,938
Profit carried forward from previous year	–	–	40,108	-40,108	–
Profit for the year and comprehensive income	–	–	–	28,801	28,801
Transactions with shareholders in their capacity as owners					
Dividend	–	–	-30,000	–	-30,000
Closing balance, 31 December 2022	2,400	480	171,057	28,801	202,738

The notes on pages 88–96 form an integral part of the parent company financial statements.

Parent company statement of cash flows

Amounts in SEK thousand	Note	2022	2021
Cash flow from operating activities			
Operating profit		36,223	64,358
Adjustment for non-cash items	28	21,070	18,890
Interest received		57	–
Interest paid		-1,087	-520
Exchange differences and changes in value of derivatives		-1,399	92
Income tax paid		-17,647	-10,384
Cash flow from operating activities before changes in working capital		37,217	72,436
Increase/decrease in inventories		5,508	-7,134
Change in current operating receivables		22,225	-13,792
Change in current operating liabilities		7,980	-16,046
Total change in working capital		35,713	-36,972
Cash flow from operating activities		72,930	35,464
Cash flow from investing activities			
Investments in property, plant and equipment	12	-4,169	-23,985
Acquisitions	10	-61,888	–
Cash flow from investing activities		-66,057	-23,985
Cash flow from financing activities			
Net change in overdraft facility	21	-5,350	2,367
Repayments of loans to credit institutions	21	-15,466	-19,304
Borrowing from credit institutions	21	64,410	–
Dividend paid		-30,000	–
Cash flow from financing activities		13,594	-16,937
Decrease/increase in cash and bank balances		20,467	-5,458
Cash and bank balances at start of year		18,397	23,126
Exchange differences in cash and cash equivalents		1,962	729
Cash and bank balances at year-end	17	40,826	18,397

Parent company notes

Note 1 Parent company's accounting policies

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

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

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

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

Presentation formats

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

Shareholder contributions and group contributions

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

Financial instruments

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

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

Leases

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

Income from licence

The production method used by the subsidiary Arla Plast s.r.o. was developed in connection with the transfer of production from Sweden to the Czech Republic. For access to that production technology, up to and including 2021 the subsidiary paid a licence fee related to a percentage of the subsidiary's sales. In the parent company, licence fee income has been recognized in the period in which the corresponding sales of the subsidiary occurred.

Note 2 Net sales

	2022	2021
Extruded plastic sheets	610,122	597,903
Licensing revenue	–	20,598
Total revenue	610,122	618,501

Net sales by geographical market:	2022	2021
Nordic region	172,155	154,560
Europe, excluding Nordic countries	389,450	430,915
North America	29,447	16,657
Other markets	19,070	16,369
Total	610,122	618,501

Parent company: notes

Note 3 Remuneration of the auditors

Remuneration of the auditors	2022	2021
Ernst & Young AB		
– Audit assignment	1,489	1,245
Total	1,489	1,245
Other auditors Ernst & Young AB		
– Other services	436	358
Total amount	1,925	1,603

Note 4 Remuneration of employees, etc.

	2022	2021
Salaries and other benefits	65,106	70,595
Social security contributions	22,902	23,149
Pension costs: defined-contribution plans	6,110	5,458
Total employee benefits	94,118	99,202

	2022		2021	
	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	5,054	2,174 (586)	9,134	4,549 (1,679)
Other employees	60,052	26 839 (5 525)	61,461	24,058 (3,779)
Total, parent company	65,106	29,013	70,595	28,607

	2022		2021	
	Number	Men	Number	Men
Sweden	130	98	138	106
Belgium	2	2	2	2
Germany	–	–	3	3
Total, parent company	132	100	143	111

	2022		2021	
	Number	Men	Number	Men
Board members	9	7	9	8
CEO and other senior executives	5	4	6	5
Total, parent company	14	11	15	13

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

Parent company: notes

Note 5 Other operating income

	2022	2021
Rental income	289	263
Exchange differences	–	1,554
Grants received	1,456	1,138
Profit from divestment of property, plant and equipment	136	19
Insurance compensation	–	1,567
Other operating income	2,439	4,341
Total	4,320	8,882

Note 6 Other operating expenses

	2022	2021
Exchange differences	4,629	–
Other	2	-18
Total	4,631	-18

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

	2022	2021
External interest income	–	–
Exchange differences	8,287	313
Total interest income and similar income statement items	8,287	313
Interest expense, external	-1,029	-520
Exchange differences	-11,324	–
Total interest expenses and similar income items	-12,353	-520
Total financial items – net	-4,066	-207

Note 8 Appropriations

	2022	2021
Reversal of tax allocation reserve	16,150	10,780
Provision for tax allocation reserve	-12,500	-17,000
Difference between book and scheduled depreciation	1,000	-6,998
Total	4,650	-13,218

Note 9 Tax on profit for the year

Taxes recognized in the statement of comprehensive income	2022	2021
Current tax		
Current tax on profit for the year	-8,006	-10,825
Adjustments relating to previous years	–	–
Total current tax	-8,006	-10,825
Total recognized tax	-8,006	-10,825

	2022	2021
Profit before tax	32,157	50,933
Income tax calculated according to the tax rate in Sweden (20.6%)	-6,625	-10,490
Tax effects of:		
Tax effect of non-deductible expenses	-137	-120
Tax effect change of tax rate/reversal of tax allocation reserve	-1,158	-135
Standard interest tax allocation reserve	-86	-80
Total recognized tax	-8,006	-10,825

Parent company: notes

Note 10 Investments in subsidiaries

Name	Company reg. no.	Registered office as well as country of registration and operation	Investments %	Carrying amount 31/12/2022	Carrying amount 31/12/2021
Directly owned					
Arla Plast s.r.o.	260 84 996	Kadan, Czech Republic	100	28,986	28,986
Alphaplex GmbH	HRB 14990	Hüllhorst, Germany	100	61,886	–

Note 11 Non-current intangible assets

	Licences	Other non-current intangible assets	Total
Financial year 2022			
Opening carrying amount	377	132	509
Acquisitions for the year	–	–	–
Reclassifications	–	145	145
Depreciation/amortization	-290	-7	-297
Closing carrying amount	87	270	357

As of 31 December 2022

Cost	937	289	1,226
Accumulated depreciation/amortization	-850	-19	-869
Carrying amount	87	270	357

	Licences	Other non-current intangible assets	Total
Financial year 2021			
Opening carrying amount	664	139	803
Acquisitions for the year	–	–	–
Depreciation/amortization	-287	-7	-294
Closing carrying amount	377	132	509

As of 31 December 2021

Cost	937	144	1,081
Accumulated depreciation/amortization	-560	-12	-572
Carrying amount	377	132	509

Parent company: notes

Note 12 Property, plant and equipment

	Buildings and land	Machinery and other technical equipment	Equipment, tools and installations	Construction in progress	Total
Financial year 2022					
Opening carrying amount	65,970	94,502	11,378	1,274	173,124
Acquisitions for the year	445	1,344	703	1,677	4,169
Disposals and eliminations	–	-2,006	-322	–	-2,328
Reclassifications	529	602	1,604	-2,879	-144
Depreciation/amortization	-4,652	-10,655	-3,135	–	-18,442
Closing carrying amount	62,292	83,787	10,228	72	156,379
As of 31 December 2022					
Cost	122,563	271,003	35,384	72	429,022
Accumulated depreciation/amortization	-60,271	-187,216	-25,156	–	-272,643
Carrying amount	62,292	83,787	10,228	72	156,379
	Buildings and land	Machinery and other technical equipment	Equipment, tools and installations	Construction in progress	Total
Financial year 2021					
Opening carrying amount	68,145	56,267	12,485	30,838	167,725
Acquisitions for the year	1,922	10,000	2,024	10,191	24,137
Disposals and eliminations	–	–	-17	–	-17
Reclassifications	513	39,091	–	-39,755	-151
Depreciation/amortization	-4,610	-10,856	-3,114	–	-18,580
Closing carrying amount	65,970	94,502	11,378	1,274	173,124
As of 31 December 2021					
Cost	121,589	271,289	36,147	1,274	430,299
Accumulated depreciation/amortization	-55,619	-176,787	-24,769	–	-257,175
Carrying amount	65,970	94,502	11,378	1,274	173,124

Parent company: notes

Note 13 Accounts receivable

	31/12/2022	31/12/2021
Accounts receivable	65,795	76,757
Less: provision for credit losses	-54	-188
Accounts receivable – net	65,741	76,569

	31/12/2022	31/12/2021
EUR	41,854	49,710
GBP	4,295	6,130
USD	1,550	2,048
NOK	329	–
SEK	17,767	18,681
Total	65,795	76,569

Change in credit loss reserve:

Opening balance, credit loss reserve	188	54
Provision for credit losses	–	188
Provisions for receivables paid during the year	-134	–
Receivables written off during the year as irrecoverable	–	-54
Closing balance, credit loss reserve	54	188

Arla Plast insures the majority of its accounts receivable, which provides protection against losses arising from non-payment by our customers. Of the accounts receivable that are insured, the insured portion amounts to 90%, excluding VAT on the invoice amount. The maximum exposure to credit risk for accounts receivable was 9.58% (9.51%) at the balance sheet date.

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

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

	31/12/2022	31/12/2021
Accounts receivable past due	61,693	72,597
1–30 days	3,962	3,664
31–60	86	2
> 61 days	54	306
Total accounts receivable past due	65,795	76,569

Note 14 Inventories

	31/12/2022	31/12/2021
Raw materials and commodities	50,227	57,457
Finished goods produced in-house	43,812	39,703
Products in progress	4,165	6,552
Total	98,204	103,712

During the 2022 financial year, costs of goods amounting to SEK 400,780 thousand (SEK 369,297 thousand) were recognised in the income statement as costs of goods sold.

No part of the inventory has been valued at net realisable value as at 31 December 2022.

Note 15 Other receivables

	31/12/2022	31/12/2021
Other advances	–	7
Settlement of tax account	53	59
VAT	915	1,940
Bonus from supplier	–	4,922
Other current receivables	299	863
Total	1,267	7,791

Note 16 Prepaid expenses and accrued income

	31/12/2022	31/12/2021
Prepaid insurance costs	438	336
Prepaid license fees	1,539	1,660
Other items	712	836
Total	2,689	2,832

Note 17 Cash and bank balances

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

	31/12/2022	31/12/2021
Cash	2	3
Bank deposits	40,824	18,394
Total	40,826	18,397

Note 18 Share capital

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

Parent company: notes

Note 19 Untaxed reserves

	31/12/2022	31/12/2021
Tax allocation reserve 2016	–	16,150
Tax allocation reserve 2017	10,000	10,000
Tax allocation reserve 2018	7,600	7,600
Tax allocation reserve 2019	12,000	12,000
Tax allocation reserve 2020	21,000	21,000
Tax allocation reserve 2021	17,000	17,000
Tax allocation reserve 2022	12 500	–
Accumulated excess depreciation/ amortization	55,932	56,932
Total	136,032	140,682

Note 20 Provisions

	31/12/2022	31/12/2021
Earn-out reservation	14,194	–

Note 21 Borrowings

	31/12/2022	31/12/2021
Current	1,247	6,597
Liabilities to credit institutions	67,883	15,340
Total borrowings	69,130	21,937

Liabilities to credit institutions

Bank loans of EUR 2,000 thousand mature on 9 May 2023, with an annual fixed interest rate of 1.1%. The company has two overdraft facilities, one with a variable interest rate based on STIBOR plus 1% and the other with a variable interest rate based on EURIBOR plus 0.9%. Amounts owed to credit institutions have been classified as current since the parent company does not have an unconditional right to defer payment of the debt for at least 12 months after the end of the reporting period. The fair value of current borrowings corresponds to their carrying amount, since the discounting effect is not material.

If interest rates on borrowings as of 31 December 2022 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 179 thousand lower/higher (SEK 118 thousand), mainly as an effect of higher/lower interest expenses on floating rate borrowings. Total borrowings include bank loans and other secured borrowings of SEK 59,900 thousand (SEK 59,900 thousand). The parent company's borrowings carry both fixed and floating interest rates, which is why there is exposure, in respect of borrowings, to fluctuations in interest rates.

Overdraft facility

The parent company has overdraft facilities denominated in SEK of SEK 15,400 thousand (SEK 15,400 thousand) and in EUR of EUR 2,400 thousand (EUR 2,400 thousand). Of the overdraft facility granted in SEK, SEK 1,247 thousand (SEK 6,596 thousand) had been utilized as of 31 December 2022. Of the overdraft facility granted in EUR, EUR 0 thousand (EUR 0) had been utilized as at 31 December 2022.

Note 22 Other liabilities

	31/12/2022	31/12/2021
Employee withholding taxes	1,371	1,448
Statutory social security contributions	1,542	1,570
Customer bonus	5,347	6,253
Advances from customers	771	3,389
Commission costs	1,892	1,531
Costs of items returned	2,013	736
Other current liabilities	–	3,073
Total	12,936	18,000

Note 23 Accrued expenses

	31/12/2022	31/12/2021
Accrued personnel costs	13,420	18,519
Accrued interest expense	609	19
Other accrued expenses	3,102	3,324
Total	17,131	21,862

Note 24 Pledged assets

	31/12/2022	31/12/2021
Property mortgages	8,950	8,950
Floating charges	50,950	50,950
Total	59,900	59,900

Pledged assets relate entirely to liabilities to credit institutions.

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

The parent company leases premises, cars, machinery and other technical equipment under non-cancellable operating leases. The lease periods vary between 1 and 3 years and most of the leases can be extended at the end of the lease term at a rate consistent with a market rate. Lease expenses for the year, which amounted to SEK 1,803 thousand (SEK 2,026 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:

	2022	2021
Within 1 year	742	912
Between 1 and 5 years	648	873
Total	1,390	1,785

Parent company: notes

Note 26 Related-party transactions

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

All transactions are carried out on market terms.

	2022	2021
Sale of goods and services		
Company controlled by a Board member	–	19
Subsidiaries	10,009	33,254
Total	10,009	33,273
Purchases of goods and services		
Subsidiaries	22,613	27,695
Company controlled by a Board member	29	21
Companies controlled by other senior executives	–	–
Total	22,642	27,716

	2022	2021
Receivables and liabilities at year-end resulting from the sale and purchase of goods and services		
Claims on related parties:		
Subsidiaries	2,248	5,995
Liabilities to related parties:		
Subsidiaries	-984	-1,270
At year-end	1,264	4,725

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

Non-cash items	01/01/2022	Cash inflow	Cash outflow	Exchange rate differences	Other	31/12/2022
Liabilities to credit institutions	15,340	64,410	-15,466	3,599	–	67,883
Overdraft facility	6,597	212,540	-217,890	–	–	1,247
Total	21,937	276,950	-233,356	3,599	–	69,130

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

Parent company: notes

Note 28 Adjustment for non-cash items

	2022	2021
Depreciation/amortization	18,739	18,873
Gains/losses from sale of non-current assets	14	17
Other	2,317	–
Total	21,070	18,890

Note 29 Proposed appropriation of profit

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

	2022	2021
Retained earnings	171,057	160,950
Profit for the year	28,801	40,108
SEK	199,858	201,058
The Board of Directors proposes that the profit be appropriated as follows:		
To shareholders, SEK 1.00 per share (SEK 1.50)	20,000	30,000
To be carried forward	179,858	171,058
SEK	199,858	201,058

The Group's statement of comprehensive income and statement of financial position will be submitted to the Annual General Meeting on 10 May 2023 for approval.

Note 30 Significant events after the balance sheet date

Anna Russberg has been appointed as Operations Manager Sweden in order to further improve our internal efficiency. Anna is also part of Group management. Former Operations Manager Sweden, Stefan Liminga, has been tasked with developing our logistics operations. As a result, Stefan has left Group management to focus on this task. Sören Fisher has joined Group management as Operations Manager Germany. Peter Mikkonen, Sales Director – Opaque, has left the company and Group management.

Signatures

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

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

Borensberg, 30 March 2023

Christian Krichau
CEO

Kenneth Synnersten
Chairman of the Board

Annelie Arnbäck
Board Member

Ulf Hedlundh
Board Member

Sten Jakobsson
Board Member

Leif Nilsson
Board Member

Ola Salmén
Board Member

Jan Synnersten
Board Member

Annika Erlandsson
Employee representative

Klas Renlund
Employee representative

Our audit report was submitted on 3 April 2023

Ernst & Young AB

Johan Eklund

Auditor's report

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Arla Plast AB except for the Corporate Governance statement on pages 31–40 and the statutory sustainability report on pages 19–29 for the year 2022-01-01–2022-12-31. The annual accounts and consolidated accounts of the company are included on pages 42–97 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 december 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 december 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the Corporate Governance statement on pages 31-40 and the statutory sustainability report on pages 19-29. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have

otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

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

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

Valuation of finished goods

Description

As stated in Note 22 in the Annual Report, inventories of finished products are reported at SEK 216 081 thousand in the report on financial position for the Group as of December 31, 2022. Inventories are valued at the lower of cost and net realisable value. The cost of finished goods is accounted for at production cost using calculation models in which direct and indirect production-related costs are attributed to manufactured products. An incorrect calculation of the cost of production would affect the valuation of inventory and the reported cost of products sold during the financial year. When determining whether

Auditor's report

net realisable value is below cost, Arla Plast needs to make assessments about the price levels at which the reported inventory will be able to be sold. Based on this, we have assessed that the valuation of the finished goods inventory is a particularly important area in the audit.

How our audit addressed this key audit matter

In our audit, we have evaluated whether the company's principles for accounting for stocks comply with current regulations. We have also reviewed the company's calculation models and assessed the reasonableness of used prices, consumption figures and assumptions when distributing indirect production costs. We have also evaluated Arla Plast's assessments regarding the net realisable value of the finished goods inventory by comparing with current market prices. We have reviewed the disclosures made in the annual report.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–40. The remuneration report for fiscal year 2022 is also considered other information. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibility

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

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

Auditor's report

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an

opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

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

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

Report on other legal and regulatory requirements

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

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Arla Plast AB for the year 2022-01-01 – 2022-12-31 and the proposed appropriations of the company's profit or loss.

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

Auditor's report

Basis for opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or

- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

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

The auditor's examination of the ESEF report
Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the

Auditor's report

Swedish Securities Market Act (2007:528) for Arla Plast AB for the financial year 2022-01-01 – 2022-12-31.

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

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

Basis for opinion

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

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

Responsibilities of the Board of Directors and the Managing Director

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

Auditor's responsibility

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

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

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

influence the economic decisions of users taken on the basis of the Esef report.

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

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

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

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

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the Corporate Governance statement on pages 31–40 has been prepared in accordance with the Annual Accounts Act. Our examination of the Corporate Governance statement is conducted in accordance with FAR's standard RevR 16

Auditor's report

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

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

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 19-29, and that it is prepared in accordance with the Annual Accounts Act.

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

A statutory sustainability report has been prepared.

Ernst & Young AB, Box 7850 103 99 Stockholm, was appointed auditor of Arla Plast AB by the general meeting of the shareholders on the 19th of May 2022 and has been the company's auditor since the 29 September 2016.

Stockholm 3rd of April 2023
Ernst & Young AB

Johan Eklund
Authorized Public Accountant

Shareholder information

Annual General Meeting

Arla Plast's Annual General Meeting will be held on 10 May 2023 at 3 p.m. at the company's offices; Västanåvägen 2, Borensberg, Sweden. Information about the right to attend and register, about how shareholders can exercise their voting rights, and about proxies and assistants is provided in the notice convening the AGM.

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

Dividend

The Board of Directors proposes that a dividend of SEK 1.00 per share be paid to shareholders for the 2022 financial year. It is proposed that the dividend be paid with a record date of 12 May 2022. If the AGM approves the proposal, the dividend is expected to be distributed via Euroclear Sweden AB on 17 May 2023.

Financial calendar

Interim report January–March	9 May 2023
Annual General Meeting	10 May 2023
Interim report January–June	17 August 2023
Interim report January–September	9 November 2023
Year-end report	22 February 2024

Investor relations contacts

Christian Krichau, CEO

Monica Ljung, CFO

ir@arlaplast.com



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