

Arla Plast AB

Interim Report January – March 2021



BOTH NET TURNOVER AND OPERATING MARGIN WERE IMPROVED

JANUARY – MARCH 2021

- Sales volume increased by 12% to 6,181 metric tons (5,507 metric tons).
- Net sales increased by 7% to SEK 218.8 (204.6) million. Organic growth was 10%.
- Operating profit improved by 52% to SEK 27.6 (18.2) million and adjusted operating profit improved by 69% to SEK 30.8 (18.2) million.
- The operating margin increased to 12.6% (8.9%), and the adjusted operating margin increased to 14.1% (8.9%).
- Profit for the period improved by 62% to SEK 21.9 (13.5) million.
- Earnings per share, before dilution, amounted to SEK 1.10 (0.68) and after dilution, to SEK 1.05 (0.68).
- Net debt amounted to SEK 48.4 (49.0) million at the end of the period, corresponding to 0.3 (0.5) times EBITDA.
- The equity/assets ratio was 66.4% (65.4%) at the end of the period.

GROUP IN SUMMARY*

	Jan–Mar 2021	Jan–Mar 2020	Δ, %	R 12	Jan–Dec 2020	Δ, %
Sales volume, metric tons	6,181	5,507	12	24,666	23,992	3
Net turnover, SEK million	218.8	204.6	7	898.9	884.7	2
Gross margin, %	23.3	19.5	19	24.5	23.6	4
EBITDA, SEKm	36.5	27.2	34	150.4	141.1	7
Adjusted EBITDA, SEK million	39.7	27.2	46	161.3	148.8	9
Operating profit, SEK million	27.6	18.2	52	115.3	105.9	9
Adjusted operating profit, SEK million	30.8	18.2	69	126.1	113.5	11
Operating margin, %	12.6	8.9	42	12.8	12.0	7
Adjusted operating margin, %	14.1	8.9	58	14.0	12.8	9
Profit for the period, SEK million	21.9	13.5	62	88.6	80.2	11
Earnings per share before dilution, SEK	1.10	0.68	62	4.43	4.01	10
Earnings per share after dilution, SEK	1.05	0.68	54	4.30	3.93	9
Net debt/EBITDA, multiple	0.3	0.5	-33	0.3	0.3	-
Net debt, SEK million	48.4	49.0	-1	36.4	37.0	-2
Cash flow from operating activities, SEK million	1.9	-0.7	371	151.7	148.8	2
Return on capital employed, %	24.1	12.5	93	24.1	22.9	5
Equity/assets ratio, %	66.4	65.4	2	66.4	67.6	-2

* For definitions and alternative performance measures, see page 17.

STRONG MARGIN IMPROVEMENT – INPUT PRICE VOLATILITY

Market conditions

As for many industries, the pandemic entailed major adjustments at the start of the second quarter 2020 for the extruded plastic sheets industry. Demand drastically declined for some products, while rising for others. Demand for industrial applications, such as vehicles and suitcases, fell at the same time that it rose for transparent barriers and visors to protect human health. In the first quarter of 2021 compared to the end of 2020, we have noticed that demand for barrier products has decreased, while demand from other application areas has increased.

From the end of 2020, as demand increased and the supply of inputs was limited by supplier maintenance programmes, the prices of inputs have increased.

Financial targets

During the quarter, the Board of Directors decided on financial targets, including a sales growth target: 'The annual organic sales growth, over a business cycle, shall amount to five per cent.' This target is not likely to be met during the 2021 financial year, however, as growth was unexpectedly high in 2020 due to the sale of barrier products at the start of the pandemic. An operating margin target has also been adopted: 'The operating margin shall be at least 10 per cent over a business cycle'. The financial target for net debt is formulated as 'net debt to EBITDA not to exceed 2.5 times'. The dividend policy is to 'pay shareholders about 30–50 per cent of the profit for the year. Decisions on dividends will reflect the Company's financial position, cash flow and investment needs.'



Increased sales and strong margins

2021 started strongly, with our sales in metric tonnes up 12% to 6,181 (5,507) in the first quarter. Net sales increased by 7% to SEK 218.8 (204.6) million. The operating margin improved to 12.6% (8.9%). During the quarter, the operating result has been charged with items affecting comparability of SEK 3.2 million relating to costs of preparing the company for a possible IPO later in the year. Excluding these costs, the adjusted operating margin was 14.1% (8.9%). The first quarter of 2021 continued to be characterised by the effects of the pandemic, albeit less pronounced than in the period from the second quarter of 2020, i.e. continued demand for transparent barrier products but also some recovery in demand for industrial applications. We believe that demand for transparent barrier products will continue to decline gradually while demand from industrial applications is expected to increase.

New production line

During the first quarter, our new production line has been installed in Borensberg. The production line expands our production capacity and is expected to be operational in the second quarter. The investment will enable an increase in volume in ABS thanks to the production of new products, as well as higher volumes.

Outlook

We confidently look forward to 2021 and expect demand from application areas other than those driven by COVID-19 to bounce back as the demand for barrier products declines as a result of the world returning to more normal conditions. However, we foresee a continued volatile market for inputs. Our understanding is that customers have built up inventories due to market volatility and that these inventories may be reduced in the latter part of the year.

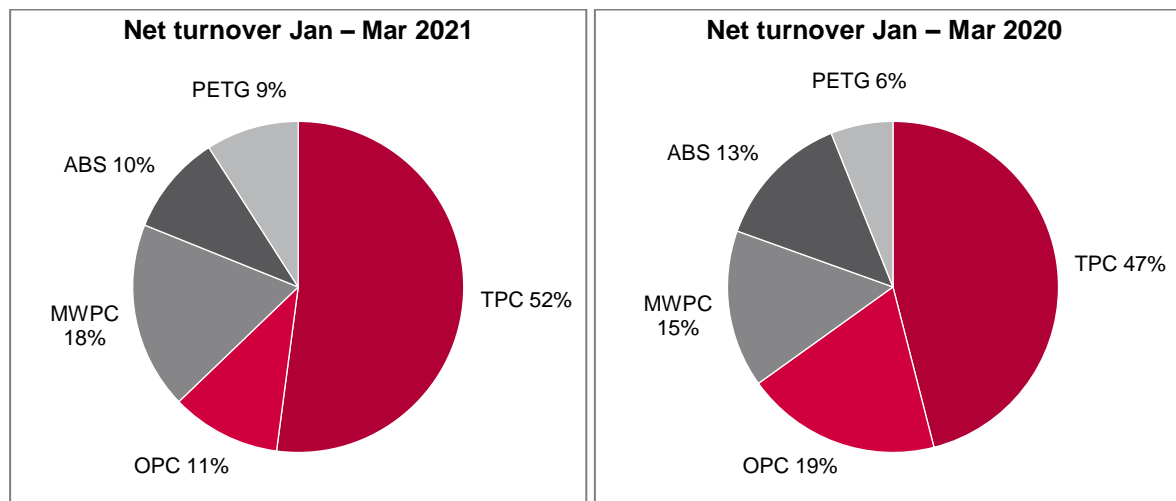
We have a strong culture internally with clear values and are used to being able to change and adapt to new market conditions, which we demonstrated, not least, during the pandemic outbreak. We also expect 2021 to be characterised by changes in our environment and market.

Henrik Håkansson
President and CEO

FINANCIAL OVERVIEW

Profit and loss items and cash flow are compared with the corresponding period of the previous year. Balance sheet items refer to the position at the end of the period and are compared with the corresponding date of the previous year.

Breakdown of total net sales by product area* in the first quarter:



*For definitions of product areas, see Arla Plastics on page 21.

Net sales and operating profit

Arla Plast's sales volume in the first quarter of 2021 increased by 12% to 6,181 (5,507) metric tonnes compared to the corresponding quarter last year. The increase is attributable to higher sales of transparent barrier products. Net sales increased by 7% to SEK 218.8 (204.6) million and, taking into account exchange rate fluctuations, the organic increase was 10%. Net sales have been positively impacted by the higher sales volume (TPC, MWPC, PETG) but negatively impacted by currency changes, mainly a weakening of the euro. Sales volumes increased strongly in both the Sweden and Czech Republic segments. The Sweden segment contributed most to the increase in net sales.

Operating profit for the first quarter amounted to SEK 27.6 (18.2) million, an increase of 52%. The operating margin improved to 12.6% (8.9%). The quarter was marked by comparability-affecting items of SEK -3.2 (-0) million, all attributable to costs related to preparations for a planned IPO in 2021. Adjusted operating profit amounted to SEK 30.8 (18.2) million, and adjusted operating margin, to 14.1% (8.9%). The operating margin has improved as a result of the higher net sales but also due to the acquisition of used inputs at lower purchase prices, with currency fluctuations also contributing positively.

Profit/loss for the year and earnings per share

In the first quarter of 2021, profit before tax amounted to SEK 27.5 (17.2) million. Net financial income and expenses totaled SEK -0.1 (-1.0) million, including interest expenses of SEK -0.2 (-0.3) million. Taxes in the first quarter amounted to SEK -5.5 (-3.7) million, which corresponds to an effective tax rate of 20.0% (21.6%). Net profit for the period was SEK 21.9 (13.5) million, and basic earnings per share before dilution were SEK 1.10 (0.68), and diluted SEK 1.05 (0.68).

Cash flow

Cash flow from operating activities during the first quarter amounted to SEK 1.9 (-0.7) million. Cash flow was positively impacted by the improved operating result but there has also been an impact from the change in working capital, primarily from reduced operating liabilities compared to the first quarter of 2020.

Cash flow from investing activities was SEK -12.5 (-2,1) million for the quarter and relates mainly to investments in the Borensberg plant, including SEK -9,4 million in a new production line.

Cash flow from financing activities totaled SEK -17 (-5.8) million. The main reason for the higher cash flow in financing activities was related to the change in the utilisation of overdraft facilities.

Investments

Arla Plast continuously invests in production equipment and in its production units. The Group's investments in property, plant and equipment in the first quarter of 2021 amounted to SEK 12.5 (2.1) million, SEK 9,4 (0) million of which relates to an investment that began in 2019 in a new capacity-increasing production line in Borensberg. The new production line is expected to be commissioned in the second half of 2021, and the total investment is estimated at approximately SEK 51.5 million, of which machinery and peripheral equipment account for approximately SEK 40.5 million and SEK 11.0 million relates to reconstruction of the production hall. Total depreciation for the quarter amounted to SEK -8.8 (-8.9) million.

Financial position

Arla Plast's total assets amounted to SEK 624,5 million as of 31 March 2021 (SEK 664,3 million).

The Group's net debt amounted to SEK 48,4 million as of 31 March 2021 (SEK 49.0 million), which corresponds to 0.3 times EBITDA (0.5 times). The improvement is explained by the improvement in EBITDA for the last twelve months to SEK 150.4 (101.5) million.

The Group's equity ratio, i.e. equity at the end of the period as a percentage of total assets, was 66.4% (65.4%).

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. In the first quarter, net sales amounted to SEK 155.3 (138.5) million, and operating profit, to SEK 22.5 (14.3) million.

Cash and cash equivalents at 31 March 2021 amounted to SEK 30.2 million compared to SEK 67.6 million at 31 March 2020. The decrease in cash and cash equivalents is due to dividends paid in the fourth quarter 2020.

Segment

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

SWEDEN

Key performance indicator	2021	2020	Δ, %	R 12	2020	Δ, %
	Jan–Mar	Jan–Mar			Jan–Dec	
Sales volume, metric tons	4,259	3,797	12	16,673	16,211	3
Net turnover, SEK million	155.3	138.5	12	630.9	614.1	3
Operating profit, SEK million	25.7	14.3	80	105.9	94.4	12
Operating margin, %	16.6	10.3	61	16.8	15.4	9

In the first quarter, the sales volume increased by 12%. Continued demand for transparent barrier products is behind the increase in sales. Net sales increased by 12% to SEK 155.3 (138.5) million. Net sales have been positively impacted by the higher sales volume and price increases, but negatively impacted by the currency effect due to the weakening of the euro. Operating profit increased to SEK 25.7 (14.3) million as a result of higher net sales and the acquisition of used inputs at lower prices. The operating margin improved to 16.6% (10.3%). The operating margin improved mainly due to higher net sales and a higher gross margin.

CZECH REPUBLIC

Key performance indicator	2021	2020	Δ, %	R 12	2020	Δ, %
	Jan–Mar	Jan–Mar			Jan–Dec	
Sales volume, metric tons	2,203	1,761	25	9,084	8,642	5
Net turnover, SEK million	70.6	72.5	-3	312.2	314.1	-1
Operating profit, SEK million	4.8	3.8	26	19.5	18.7	4
Operating margin, %	6.8	5.2	31	6.3	6.0	5

In the first quarter, the sales volume increased by 25%. Net sales decreased by 3% to SEK 70,6 (72.5) million and, taking into account exchange rate fluctuations, the organic increase was 5%. Net sales did not grow in line with volumes, mainly due to a change in product mix and a negative currency effect due to the weakening of the euro. Operating profit increased to SEK 4.8 (3.8) million, and the operating margin increased to 6.8% (5.2%).

Significant risks and uncertainties

A number of factors can affect Arla Platt's operations in terms of operational, strategic, financial and compliance risks.

Strategic risks include general economic conditions and trends, particularly in Europe, where the majority of the Group's products are sold. An economic downturn in the market may have a negative impact on the Group's sales and earnings. Arla Plast faces competition from both small and relatively large companies and continuously streamlines its production, distribution and organization in order to maintain its competitiveness. The COVID-19 situation has had a significant impact and may continue to affect the Group's operations both in terms of fluctuations in demand, but also the risk of contagion, which could lead to difficulties in staffing production facilities.

The supply and price of key raw materials is one of the most substantial operational risks. The main and most important raw material component in the production is PC, ABS and PETG granulate, where volatility in supply and price can lead to the risk of material shortages, as well as a negative impact on profitability.

Regarding compliance risk, Arla Plast's operations are affected by a number of laws and regulations at both national and international levels. Non-compliance with these could result in exposure to material risk if not actively managed. For this reason, significant resources and costs are dedicated to ensuring compliance with applicable rules, as well as to monitoring future regulations.

Financial risk includes market risk, liquidity risk, credit risk and refinancing risk. Currency risk is the most significant market risk, where the Group is exposed to both transaction risk and translation risk. The Group is exposed to transaction risk mainly through intra-group transactions in EUR. 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).

For further information on risks and uncertainties, see the 2020 Annual Report.

Sustainability and the environment

It is important for Arla Plast to conduct its business in a sustainable and responsible manner, to strengthen our long-term competitiveness and to create value, both financially and operationally. Sustainable business value is achieved by working according to our sustainability framework and goals. Our approach to sustainability is that these types of issues should be addressed in an integrated way, as part of our day-to-day operations, as well as part of our strategic processes.

Key areas of the Group's sustainability work include environmental footprint, social sustainability and business ethics. This entails that Arla Plast shall conduct its operations in accordance with the legal requirements imposed on the business with regard to environmental impact and actively work to minimize the environmental footprint of the Group's operations and products. Furthermore, Arla Plast's social responsibility shall primarily include employees and society, where a good and safe workplace is in focus together with an active effort to contribute to a positive social development. Arla Plast shall also conduct its business in an ethical and responsible manner and be a trustworthy partner in all relationships and wherever the company operates.

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

Further information on our sustainability work can be found in the Sustainability Report 2020, available at www.arlaplastgroup.com.

Seasonal variations

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

Personnel

The average number of full-time employees in the first quarter of 2021 was 264 (248). During the first quarter, women accounted for 23% (22%) of employees.

Events after the end of the reporting period

The turbulence and uncertainty in the market for intermediates persists, with uncertainty about supply and price levels, particularly with regard to PC and ABS. The introduction of the new production line in Borensberg is ongoing and it is expected to be operational in the second quarter of 2021.

Annual General Meeting

Arla Plast's Annual General Meeting 2021 took place on 27 April 2021 at Arla Plast's headquarters in Borensberg, Sweden. The AGM decided that no dividend will be paid, that the Board of Directors will consist of six members elected by the AGM without deputies and that the company will have one auditor without deputies. Other decisions taken were to authorise the Board of Directors, on one or more occasions during the period until the next Annual General Meeting, to decide on a new issue of shares, with or without derogation from the shareholders' preferential rights, and to approve the Board of Directors' remuneration report on paid and outstanding remuneration covered by the company's remuneration guidelines and principles for the appointment of the nomination committee and instructions for the nomination committee.

Ownership structure

The sole shareholder in Arla Plast AB as of 31 March 2021 is Synnersten Invest AB.

FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

Amounts in SEK thousand	Note	Jan–Mar 2021	Jan–Mar 2020	R 12	Jan–Dec 2020
Net sales	2.3	218,812	204,573	898,919	884,680
Cost of goods sold		-167,902	-164,667	-678,866	-675,631
Gross margin		50,910	39,906	220,053	209,049
Selling expenses		-14,143	-18,976	-59,113	-63,946
Administrative expenses	7	-12,427	-6,861	-47,134	-41,568
Other operating income		3,399	4,244	4,207	6,056
Other operating expenses		-121	-74	-2,714	-3,671
Operating profit		27,618	18,239	115,299	105,920
Financial income		138	289	-147	4
Financial expense		-288	-1,279	-4,292	-5,283
Profit before tax		27 468	17,249	110,860	100,641
Tax expense		-5,520	-3,722	-22,276	-20,478
Profit for the period		21,948	13,527	88,584	80,163
Other comprehensive income:					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange differences on translation of foreign operations		3,539	237	-9,496	-12,769
Other comprehensive income for the period		3,539	237	-9,496	-12,769
Total comprehensive income for the period		25,487	13,764	79,088	67,394
Amounts in SEK					
Earnings per share, basic	8	1.10	0.68	4.43	4.01
Earnings per share, diluted	8	1.05	0.68	4.30	3.93

The profit and the total comprehensive income for the period are attributable in their entirety to the shareholders of the parent company.

Consolidated statement of financial position

Amounts in SEK thousand	Note	Mar. 31, 2021	Mar. 31, 2020	Dec. 31, 2020
ASSETS				
Total non-current assets				
Intangible non-current assets		733	682	805
Property, plant and equipment		282,637	267,123	275,253
Right-of-use assets		7,630	11,986	8,593
Other non-current receivables	4	9	2,660	14
Total non-current assets		291,009	282,451	284,665
Current assets				
Inventories	5	163,995	175,862	160,769
Accounts receivable	4	130,194	128,832	93,109
Other current receivables	4	6,152	3,915	10,788
Prepaid expenses and accrued income		2,334	2,205	2,884
Cash and cash equivalents	4	30,794	71,029	23,814
Total current assets		333,469	381,843	291,364
TOTAL ASSETS		624,478	664,294	576,029
EQUITY				
Share capital		2,400	2,400	2,400
Other capital contributions		1,666	-	1,666
Translation reserve		24,573	34,043	21,034
Retained earnings (including profit for the period)		386,295	397,704	364,347
Total equity attributable to owners of the parent		414,934	434,147	389,447
LIABILITIES				
Non-current liabilities				
Non-current portion of lease liability		3,214	7,224	4,041
Deferred tax liabilities		38,947	38,101	38,697
Total non-current liabilities		42,161	45,325	42,738
Current liabilities				
Liabilities to credit institutions	4	71,563	70,912	52,186
Current portion of lease liability		4,456	4,898	4,624
Accounts payable	4	31,731	19,864	26,074
Current tax liabilities		3,977	1,034	6,609
Debt to Group companies	4	-	36,997	-
Derivative instruments	4	16	-	32
Other liabilities	4	20,959	15,300	29,067
Accrued expenses and deferred income		34,681	35,817	25,252
Total current liabilities		167,383	184,822	143,844
Total liabilities		209,544	230,147	186,582
TOTAL EQUITY AND LIABILITIES		624,478	664,294	576,029

Condensed consolidated statement of changes in equity

Amounts in SEK thousand	Mar. 31, 2021	Mar. 31, 2020	Dec. 31, 2020
Opening balance	389,447	420,387	420,387
Profit for the period	21,948	13,527	80,163
Other comprehensive income	3,539	233	-12,769
Total comprehensive income	25,487	13,760	67,394
Dividend	-	-	-100,000
Cash for warrants	-	-	1,666
Total transactions with shareholders	-	-	-98,334
Closing balance	414,934	434,147	389,447

Consolidated statement of cash flows

Amounts in SEK thousand	Jan–Mar 2021	Jan–Mar 2020	R 12	Jan–Dec 2020
Cash flow from operating activities				
Operating profit	27,618	18,239	115,299	105,920
Adjustment for items not included in cash flow	8,954	10,610	35,278	36,934
Interest received	-	289	-285	4
Interest paid	-157	-544	-1,525	-1,912
Income tax paid	-2,259	-5,821	-9,832	-13,394
Cash flow from operating activities before changes in working capital	34,156	22,773	138,935	127,552
Cash flow from changes in working capital				
Increase/decrease in inventories	-1,788	-3,418	6,845	5,215
Increase/decrease in operating receivables	-31,011	-33,389	-4,611	-6,989
Increase/decrease in operating liabilities	494	13,327	10,229	23,062
Total change in working capital	32,305	-23,480	12,463	21,288
Cash flow from operating activities	1,851	-707	151,398	148,840
Cash flow from investing activities				
Investments in intangible fixed assets	-	-162	-336	-498
Investments in property, plant and equipment	-12,492	-1,978	-51,512	-40,998
Disposal of long-term receivables	-	-	3,129	3,129
Cash flow from investing activities	-12,492	-2,140	-48,719	38,367
Cash flow from financing activities				
Derivative instruments	-	283	-467	-184
Dividend	-	-	-100,000	-100,000
Increased use of overdraft facility	18,301	-	35,323	17,022
Reduced use of overdraft facility	-	-1,635	1,635	-
Amortization related to lease liability	-1,297	-1,380	-5,241	-5,324
Amortization of loans to credit institutions	-	-	-31,560	-31,560
Amortization of debt to Group companies	-	-3,100	-36,397	-39,497
Cash for warrants	-	-	1,666	1,666
Cash flow from financing activities	17,004	-5,832	-135,041	157,877
Cash flow for the period	6,363	-8,679	32,362	-47,404
Cash and cash equivalents at beginning of period	23,814	77,430	71,029	77,430
Exchange differences in cash and cash equivalents	617	2,278	-7,873	-6,212
Cash and cash equivalents at close of period	30,794	71,029	30,794	23,814

Condensed parent company income statement

Amounts in SEK thousand	Jan–Mar 2021	Jan–Mar 2020	R 12	Jan–Dec 2020
Net sales	155,342	138,527	630,892	614,077
Cost of goods sold	-113,633	-107,452	-455,392	-449,211
Gross profit	41,709	31,075	175,500	164,866
Selling expenses	-11,258	-16,130	-44,465	-49,337
Administrative expenses	-10,206	-4,180	-36,664	-30,638
Other operating income and operating expenses	2,270	3,520	559	1,809
Operating profit	22,515	14,285	94,930	86,700
Financial income and financial expenses	19	-610	-3,617	-4,246
Profit before appropriations and tax	22,534	13,675	91,313	82,454
Appropriations	-	-	-18,942	-18,942
Profit before tax	22,534	13,675	72,371	63,512
Tax expense	-4,642	-2,926	-15,355	-13,639
Profit for the period	17,892	10,749	57,016	49,873

Parent company's condensed statement of comprehensive income

Profit for the period	17,892	10,749	57,016	49,873
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	17,892	10,749	57,016	49,873

Condensed parent company balance sheet

Amounts in SEK thousand	Mar. 31, 2021	Mar. 31, 2020	Dec. 31, 2020
ASSETS			
Total non-current assets			
Intangible non-current assets	731	676	803
Property, plant and equipment	175,038	142,643	167,735
Financial fixed assets	28,986	69,480	28,986
Total non-current assets	204,755	212,799	197,524
Current assets			
Inventories	95,032	108,201	96,578
Total current assets	99,093	105,712	79,396
Cash and bank balances	30,236	67,625	23,126
Total current assets	224,361	281,538	199,100
TOTAL ASSETS	429,116	494,337	396,624

	Mar. 31, 2021	Mar. 31, 2020	Dec. 31, 2020
EQUITY			
Restricted equity	2,880	2,880	2,880
Unrestricted equity	178,842	220,160	160,950
Total equity	181,722	223,040	163,830
Untaxed reserves	127,464	108,521	127,464
LIABILITIES			
Liabilities to credit institutions	50,113	70,912	38,366
Other current liabilities	69,817	91,864	66,964
Total current liabilities	119,930	162,776	105,330
TOTAL EQUITY AND LIABILITIES	429,116	494,337	396,624

NOTES

Note 1 Basic accounting policies

This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and the Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with the Annual Accounts Act. The same accounting policies as those in the last annual report have been applied for the Group and the Parent Company.

Significant estimates and judgements are set out in Note 4 of the 2020 Annual Report. No changes have been made to that could have a substantial impact on the current interim report.

New standards, amendments and interpretations effective from 1 January 2021 or later have not had a substantial impact on this financial report.

Note 2 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.

External net sales by geographical market, SEK thousand	Jan–Mar 2021	%	Jan–Mar 2020	%	R 12	%	Jan–Dec 2020	%
Sweden	26,225	12	28,507	14	109,490	12	111,772	13
Germany	51,841	24	66,198	32	220,141	25	234,498	26
Czech Republic	34,964	16	15,882	8	107,444	12	88,362	10
Poland	21,160	10	15,315	7	90,055	10	84,210	10
Rest of Europe	74,559	34	67,876	33	336,513	37	329,830	37
Rest of World	10,063	5	10,795	5	35,276	4	36,008	4
Total	218,812	100	204,573	100	898,919	100	884,680	100
External net sales by product area, SEK thousand								
TPC	114,284	52	95,375	47	469,677	52	450,768	51
OPC	23,398	11	38,547	19	91,666	11	106,815	12
MWPC	39,886	18	30,827	15	164,867	18	155,808	18
ABS	21,452	10	27,626	13	81,248	9	87,422	10
PETG	19,792	9	12,198	6	91,461	10	83,867	9
Total	218,812	100	204,573	100	898,919	100	884,680	100

Note 3 Operating segments

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

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

Sweden

The Sweden segment is the Group's larger segment. This segment represents approximately 71% (68%) of the Group's total net sales in the first quarter of 2021 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 61% (28%) of the net sales of the joint product area OPC are generated in the Sweden segment.

Czech Republic

The Czech Republic segment represents approximately 29% (32%) of the Group's total net sales in the first quarter of 2021, but is expected to grow. This segment includes all activities conducted and originating in the Czech Republic. Production takes place in Kadaň and Pelhřimov. The main raw materials in the segment are polycarbonate and PETG. The product areas in which the segment operates are MWPC, OPC and PETG. Regarding the joint product area OPC, the Czech Republic segment accounts for approximately 39% (72%) of net sales.

Revenue

Intersegment 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:

NET SALES AND EARNINGS PER SEGMENT

Net sales and earnings	Segment	Segment	Jointly	Elim	Group	Segment	Segment	Jointly	Elim	Group
	Sweden	Tjeckien				Sweden	Czech Republic			
	Q 1 2021	Q 1 2021				Q 1 2020	Q 1 2020			
Sales volume, metric tons	4,259	2,203	-	-281	6,181	3,797	1,761	-	-51	5,507
Net sales, external, SEK million	154.3	64.5	-	-	218.8	132.1	72.5	-	-	204.6
Net sales, internal, SEK million	1.0	6.1	-	-7.1	-	6.4	-	-	-6.4	-
Total net sales, SEK million	155.3	70.6	-	-7.1	218.8	138.5	72.5	-	-6.4	204.6
Adjusted operating profit, SEK million	25.7	4.8	-	0.3	30.8	14.3	3.8	-	0.1	18.2
Items affecting comparability, SEK million	-	-	3.2	-	3.2	-	-	-	-	-
Operating profit, SEK million	25.7	4.8	-3.2	0.3	27.6	14.3	3.8	-	0.1	18.2
Net financial items, SEK million	-	-0.1	-	-	-0.1	-0.6	-0.4	-	-	-1.0
Profit before tax, SEK million	25.7	4.7	-3.2	0.3	27.5	13.7	3.4	-	0.1	17.2
Operating margin, %	16.6	6.8	-	-	12.6	10.3	5.2	-	-	8.9
Adjusted operating margin, %	16.6	6.8	-	-	14.1	10.3	5.2	-	-	8.9

Net sales and earnings	Segment Sweden R 12	Segment Czech Republic R 12	Jointly R 12	Elim R 12	Group R 12	Segment Sweden Jan–Dec 2020	Segment Czech Republic Jan–Dec 2020	Jointly Jan–Dec 2020	Elim Jan–Dec 2020	Group Jan–Dec 2020
Sales volume, metric tons	16,673	9,084	-	-1,091	24,666	16,211	8,642	-	-861	23,992
Net sales, external, SEK million	614.1	284.8	-	-	898.9	591.9	292.8	-	-	884.7
Net sales, internal, SEK million	16.7	27.5	-	-44.2	-	22.1	21.4	-	-43.5	-
Total net sales, SEK million	630.8	312.3	-	-44.2	898.9	614.1	314.1	-	-43.5	884.7
Adjusted operating profit, SEK million	105.8	19.7	-	0.6	126.1	94.4	18.7	-	0.4	113.5
Items affecting comparability, SEK million	-	-	10.8	-	10.8	-	-	7.6	-	7.6
Operating profit, SEK million	105.8	19.7	-10.8	0.6	115.3	94.4	18.7	-7.6	0.4	105.9
Net financial items, SEK million	-3.7	-0.7	-	-	-4.4	-4.3	-1.0	-	-	-5.3
Profit before tax, SEK million	102.1	19.0	-10.8	0.6	110.9	90.1	17.7	-7.6	0.4	100.6
Operating margin, %	17.2	6.9	-	-	12.8	15.4	6.0	-	-	12.0
Adjusted operating margin, %	17.2	6.9	-	-	14.0	15.4	6.0	-	-	12.8

NET SALES BY GEOGRAPHIC MARKET AND SEGMENT

Geographical market, SEK thousand	Segment Sweden Q 1 2021	Segment Tjeckien Q 1 2021	Internal Q 1 2021	Group Q 1 2021	Segment Sweden Q 1 2020	Segment Tjeckien Q 1 2020	Internal Q 1 2020	Group Q 1 2020
Sweden	22,694	9,631	-6,100	26,225	25,563	2,945	-	28,507
Germany	34,948	16,893	-	51,841	32,037	34,161	-	66,198
Czech Republic	19,424	16,554	-1,014	34,964	13,589	8,713	-6,420	15,882
Poland	15,391	5,769	-	21,160	9,616	5,699	-	15,315
Rest of Europe	55,389	19,170	-	74,559	49,540	18,337	-	67,877
Rest of World	7,496	2,567	-	10,063	8,183	2,612	-	10,795
Total	155,342	70,584	-7,114	218,812	138,527	72,466	-6,420	204,573

Geographical market, SEK thousand	Segment Sweden R12	Segment Tjeckien R12	Internal R 12	Group R 12	Segment Sweden Jan–Dec 2020	Segment Tjeckien Jan–Dec 2020	Internal Jan–Dec 2020	Group Jan–Dec 2020
Sweden	98,532	38,436	-27,478	109,490	101,400	31,750	-21,378	111,772
Germany	155,007	65,134	-	220,141	152,096	82,402	-	234,498
Czech Republic	78,035	46,160	-16,751	107,444	72,200	38,319	-22,157	88,362
Poland	43,980	46,075	-	90,055	38,205	46,005	-	84,210
Rest of Europe	231,007	105,506	-	336,513	225,158	104,672	-	329,830
Rest of World	24,331	10,945	-	35,276	25,018	10,990	-	36,008
Total	630,892	312,256	-44,229	898,919	614,077	314,138	-43,535	884,680

MATERIAL ASSETS AND LIABILITIES BY SEGMENT

Material assets and liabilities by segment, SEK thousand

	Mar. 31, 2021	Mar. 31, 2020	Dec. 31, 2020
<i>Segment Sweden</i>			
Property, plant and equipment	175,038	142,643	167,735
Inventories	95,032	108,201	96,578
Liabilities	119,930	162,776	105,330
<i>Segment Tjeckien</i>			
Property, plant and equipment	114,152	131,126	114,375
Inventories	68,963	67,661	64,191
Liabilities	61,673	45,153	49,590

Note 4 Financial instruments

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, leasing liabilities, 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, as they are all current instruments.

All derivatives are measured at fair value and classified as Level 2, which means that all significant inputs required for measurement are observable.

The table below shows the fair value of outstanding derivatives (forward exchange contracts) included in the balance sheet:

Amounts in SEK thousand	Mar. 31, 2021	Mar. 31, 2020	Dec. 31, 2020
Current assets	-	-	-
Current liabilities	16	-	32

Note 5 Inventories

Amounts in SEK thousand	Mar. 31, 2021	Mar. 31, 2020	Dec. 31, 2020
Raw materials and merchandise in stock	85,953	86,161	88,855
Finished goods produced in-house	75,708	88,269	68,869
Products in progress	2,334	1,432	3,045
Total inventories	163,995	175,862	160,769

Note 6 Related-party transactions

There have been no changes in the Group's or Parent Company's related-party relationships compared to those described in the 2020 Annual Report. There were no material related-party transactions during the period.

Note 7 **Items affecting comparability**

Amounts in SEK thousand	Jan–Mar 2021	Jan–Mar 2020	R 12	Jan–Dec 2020
IPO costs	3,231	-	10,866	7,635
Total	3,231	-	10,866	7,635

In order to prepare Arla Plast for a possible listing on Nasdaq Stockholm, a number of different measures have been taken with external assistance. The listing is expected to take place in 2021, and the costs associated with the preparations amount to SEK 3.2 (0) million in the first quarter.

Note 8 **Earnings per share**

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

Basic and diluted earnings per share	Mar. 31, 2021	Mar. 31, 2020	R 12	Dec. 31, 2020
Profit attributable to equity holders of the parent, SEK thousand	21,948	13,527	88,584	80,163
Weighted number of shares, basic	20,000,000	20,000,000	20,000,000	20,000,000
Weighted number of shares, diluted	20,980,000	20,000,000	20,620,219	20,377,541
Earnings per share, basic, SEK	1.10	0.68	4.43	4.01
Earnings per share, diluted, SEK	1.05	0.68	4.30	3.93

Note 9 **Alternative Performance Measures**

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

Definitions	Calculation	Purpose
Gross margin, %	Gross profit/loss 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. The key ratio is one of the company's financial targets and should amount to at least 10% over a business cycle.
EBITDA, SEK thousand	Operating profit before depreciation, amortization and impairment.	The EBITDA is used to measure the operating profit without the effect of depreciation, amortization and impairment and therefore provides a measure of profit that is comparable over time.
Items affecting comparability, SEK thousand	Significant items not included in the ordinary course of business such as costs of preparing for a listing, restructuring and the impact of acquisitions or disposals.	Taking items affecting comparability into account increases the comparability and therefore the understanding of the Group's financial performance.
Adjusted operating profit, SEK thousand	Operating profit adjusted for items affecting comparability.	Adjusting the operating profit makes it more comparable. Used to monitor the Group's operating segment.
Adjusted operating margin, %	The adjusted operating profit as a percentage of the net sales for the period.	The adjusted operating margin excludes the effect of items affecting comparability, which enables a comparison of the underlying operating profitability.
Adjusted EBITDA, SEK thousand	EBITDA adjusted for items affecting comparability.	EBITDA adjusted increases the comparability of EBITDA.

Interest-bearing assets, SEK thousand	Cash and bank balances.	The interest-bearing assets are used to calculate the net debt.
Interest-bearing liabilities, SEK thousand	Current and non-current liabilities owed to credit institutions, current and non-current lease liabilities, and debt owed to the parent company.	The interest-bearing liabilities are used to calculate the net debt.
Net debt, SEK thousand	Interest-bearing liabilities less interest-bearing assets.	The net debt is used to measure the Company's ability to repay all of its debt using the Company's available cash if the debt matured on the calculation date.
Net debt/EBITDA, multiple	The net debt at period-end in relation to the EBITDA for the last 12 months.	The net debt/EBITDA ratio gives an indication of the company's ability to reduce its debt. It represents the number of years that it would take to repay the debt if the net debt and EBITDA stayed constant, without taking into account interest-, tax- and investment-related cash flow. The key ratio is one of the company's financial targets and should not exceed 2.5 times.
Organic growth, %	Organic growth is the sales growth excluding growth attributable to acquisitions, disposals and exchange rate fluctuations.	Organic growth is used to monitor the underlying change in income between different periods with constant exchange rates and excluding the effect of any acquisitions and/or divestments. The key ratio is one of the company's financial targets, and the annual organic sales growth over a business cycle should be 5%.
Working capital, SEK thousand	Inventories and other short-term operating assets less other short-term operating liabilities.	This measure is used to analyze the company's short-term tied-up capital.
Working capital/sales, %	Operating receivables less operating liabilities in relation to sales.	This key 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).	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, metric tons	Volume sold stated in metric tons.	The sales volume is a key performance indicator used to assess the company's sales in relation to the total volume sold in the company's end markets.
R12, SEK thousand	A summary of outcomes from the last 12 months.	R12 allows for comparison with the full year 2020.
Operating cash flow, SEK thousand	Cash flow from operating activities and cash flow from investing activities.	This indicator measures the total cash flow in operating activities.
Equity/assets ratio	The equity at period-end as a percentage of total assets.	The equity ratio indicates the proportion of the company's assets that are financed by equity. This performance measure makes it possible to analyze a company's long-term ability to pay.

Calculation of key ratios:

	Jan–Mar 2021	Jan–Mar 2020	R 12	2020
Gross margin, %:				
Gross profit, SEK thousand	50,910	39,906	220,053	209,049
Net sales, SEK thousand	218,812	204,573	898,919	884,680
Gross margin, %	23.3	19.5	24.5	23.6

Operating margin, %, Sweden:				
Net sales, SEK thousand	155,342	138,527	630,892	614,077
Operating profit, SEK thousand	25,764	14,292	105,850	94,378
Operating margin, %, Sweden	16.6	10.3	16.8	15.4
Operating margin, %, Czech Republic				
Net sales, SEK thousand	70,584	72,466	312,256	314,138
Operating profit, SEK thousand	4,779	3,788	19,733	18,742
Operating margin, %, Czech Republic	6.8	5.2	6.3	6.0
Adjusted EBITDA, SEK thousand:				
Operating profit	27,618	18,239	115,299	105,920
Less depreciation and amortization of non-current assets	8,841	8,913	35,146	35,218
Minus depreciation of non-current assets	-	-	-	-
EBITDA	36,459	27,152	150,445	141,138
Less items affecting comparability	3,231	-	10,866	7,635
Adjusted EBITDA, SEK thousand	39,690	27,152	161,311	148,773
Organic growth, %:				
Net sales, SEK thousand	218,812	204,573	898,919	884,680
Net sales for the same period of the previous year, SEK thousand	204,573	210,086	789,054	794,567
Net sales, change	14,239	-5,513	109,865	90,113
Less exchange rate fluctuations, SEK thousand	5,454	-2,179	18,915	11,282
Organic growth, %	9.9	-3.6	16.7	12.9
Working capital/sales, %:				
Operating receivables, SEK thousand	302,675	310,454	302,675	267,550
Operating liabilities, SEK thousand	84,416	109,012	84,419	80,425
Net working capital, SEK thousand	218,259	201,442	218,256	187,125
Net sales, R12 SEK thousand	898,919	789,054	898,919	884,680
Working capital/sales, %	24.3	25.5	24.3	21.2
Return on capital employed (ROCE), %:				
Capital employed, SEK thousand	494,164	554,178	494,164	450,298
Average capital employed, SEK thousand	524,171	529,346	524,171	496,089
Adjusted operating profit R12, SEK thousand	126,165	66,208	126,165	113,555
Return on capital employed (ROCE), %	24.1	12.5	24.1	22.9
Net debt/EBITDA, multiple:				
Net debt, SEK thousand	48,439	49,002	48,439	37,037
EBITDA, R12 SEK thousand	150,445	101,465	150,445	141,138
Net debt/EBITDA, multiple	0.32	0.48	0.32	0.26
Equity/assets ratio, %:				
Equity, SEK thousand	414,934	434,147	414,934	389,447
Total capital, SEK thousand	624,478	664,294	624,478	576,029
Equity/assets ratio, %	66.4	65.4	66.4	67.6

Financial information

- Interim report for January – June 2021 will be published on 12 August 2021, 8:00 a.m. (CET)
- Interim report for January – September 2021 will be published on 11 November 2021, 8:00 a.m. (CET)
- Year-end report for January – December 2021 will be published on 18 February 2022, 8:00 a.m. (CET)

Borensberg, 4 May 2021

Henrik Håkansson
Chief Executive Officer

Kenneth Synnersten
Chairman of the Board

Leif Nilsson
Board Member

Sten Jakobsson
Board Member

Jan Synnersten
Board Member

Ola Salmén
Board Member

Annelie Arnbäck
Board Member

Joacim Törnroth
Employee representative

Andreas Johansson
Employee representative

This interim report has been reviewed by the company's auditor.

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ABOUT ARLA PLAST

Arla Plast is a producer and supplier of extruded sheets made of technical plastics. The plastic sheets are made of polycarbonate (PC), acrylonitrile butadiene styrene (ABS) and glycol-modified polyethylene terephthalate (PETG) and have a large number of areas of application, such as safety products, machine guards, ice hockey rinks, greenhouses, pool covers, sound walls, protective barriers (for COVID-19), suitcases, vehicle components and various construction-related areas of application. The company is headquartered in Borensberg, Sweden, and has production facilities in Borensberg and two in the Czech Republic. Arla Plast has around 260 employees and a turnover of just under SEK 900 million.

More information about Arla Plast is available at www.arlaplastgroup.com.

Definitions of product areas

ABS:	Acrylonitrile butadiene styrene. The product group also includes products that are combinations of PC and ABS.
OPC:	Opaque polycarbonate.
MWPC:	Multiwall of polycarbonate.
PETG:	Polyethylene terephthalate glycol.
TPC:	Transparent polycarbonate.

