

Arla Plast AB

Interim report January – March 2022



PRICES OF RAW MATERIAL CONTINUES TO RISE - LOWER VOLUMES

JANUARY – MARCH 2022

- Sales volume amounted to 4,941 tonnes (6,181 tonnes) a decline by 20%.
- Net sales amounted to SEK 226.7 (218.8) million, an increase by 4%. The organic increase was 1%.
- Operating profit amounted to SEK 11.4 (27.6) million, a decline by 59%. The adjusted operating profit amounted to SEK 11.4 (30.8) million, a decline by 63%.
- The operating margin declined to 5.0% (12.6%) and adjusted operating margin declined to 5.0% (14.1%).
- Profit for the period amounted to SEK 8.8 (21.9) million, a decline by 60%.
- Earnings per share before dilution amounted to SEK 0.44 (1.10), and after dilution, to SEK 0.42 (1.05).
- Net debt amounted to SEK 50.4 (48.4) million at the end of the period, 0.5 times (0.3 times) EBITDA.
- Equity/assets ratio was strengthened to 68.9% (66.4%).

GROUP IN SUMMARY*

	Jan-Mar 2022	Jan- Mar 2021	Δ,%	R 12	Jan-Dec 2021	Δ,%
Sales volume, tonnes	4,941	6,181	-20	21,406	22,646	-5
Net sales, SEK million	226.7	218.8	4	935.4	927.5	1
Gross margin, %	15.2	23.3	-35	17.5	19.5	-10
EBITDA, SEK million	21.6	36.5	-41	109.5	124.4	-12
Adjusted EBITDA, SEK million	21.6	39.7	-46	112.4	130.5	-14
Operating profit, SEK million	11.4	27.6	-59	70.0	86.2	-19
Adjusted operating profit, SEK million	11.4	30.8	-63	72.9	92.3	-21
Operating margin, %	5.0	12.6	-60	7.5	9.3	-19
Adjusted operating margin, %	5.0	14.1	-65	7.8	10.0	-22
Profit for the period, SEK million	8.8	21.9	-60	55.0	68.1	-19
Earnings per share before dilution, SEK	0.44	1.10	-60	2.75	3.41	-19
Earnings per share after dilution, SEK	0.42	1.05	-60	2.62	3.25	-19
Net debt/EBITDA, multiple	0.5	0.3	67	0.5	0.4	25
Net debt, SEK million	50.4	48.4	4	50.4	44.5	13
Cash flow from operating activities, SEK million	1.0	1.9	-47	46.8	47.7	-2
Return on capital employed, %	13.8	24.1	-43	13.8	18.8	-27
Equity/assets ratio, %	68.9	66.4	4	68.9	72.6	-5

* For definitions and alternative performance measures, see page 18.

PRICES OF RAW MATERIAL CONTINUES TO RISE - LOWER VOLUMES

Market conditions

Our view is that volumes have declined for the entire industry within Europe during the first quarter 2022, thus us maintaining our market share. The decline in volume is mainly a consequence of that the demand for pandemic related barrier products has slowed while demand for other application areas such as the travel industry and the automotive industry have not recovered. Throughout 2021, we had a turbulent raw material situation with sharply rising prices that almost doubled during the year. This trend has also unexpectedly continued during the first quarter of 2022, and the war in Ukraine has also hampered the market. In the situation with rising raw material prices and declining demand, price competition towards customers continued during the quarter.

Historically high raw material prices – weaker margins

Arla Plast's volumes decreased by 20 per cent and net sales increased by 4 per cent. Higher prices for raw materials as well as currencies had a positive impact on net sales. Gross margin declined to 15.2 per cent (23.3) and the adjusted operating margin to 5.0 per cent (14.1). The first quarter in 2022 is compared with the equivalent quarter in 2021 which was a quarter strongly affected by the effect from the pandemic, i.e. a tough comparable quarter. The market shows an increasing price competition as a consequence from lower demand in combination with historically high prices for raw material. This has resulted in weaker gross margins. Higher energy prices as well as freight costs have also had a negative impact on margins.

Internal improvements

As I informed in connection with my entry, we need to implement certain changes within the marketing and sales organization in order to take advantage of the organization and the full potential of our employees. During the quarter, we strengthened sales management and further changes will be made during the year. We have also strengthened Group Management with a new Operations Manager in Sweden.

Outlook

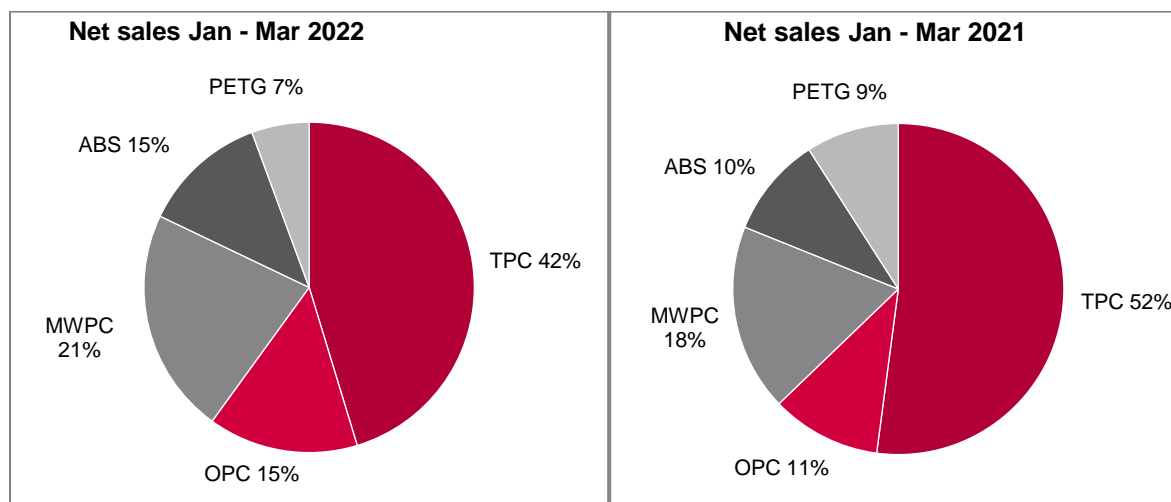
We are in a challenging period with a market that has declined in relation to the tough comparable quarter of 2021 and with an unusually long and persistent high level of our raw material prices. The ongoing war in Ukraine is expected to indirectly affect us by continued higher prices for raw materials, for other input materials and freight costs. This, combined with a declining market where we normally work with a short horizon, means that the uncertainty remains high, although at the end of the quarter we can see effects after our internal improvement work. Our internal organization is used to being very flexible and I am convinced that we will meet and handle upcoming challenges and opportunities in the best way as we have shown many times before.

Christian Krichau
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 page 22.

Net sales and operating profit

Arla Plast's sales volume in the first quarter 2022 declined by 20 percent to 4,941 tonnes (6,181 tonnes) compared to the corresponding quarter last year. The decline in volume is primarily due to the fact that demand for pandemic related barrier products has diminished while application areas such as to the travel industry and the automotive industry have not recovered. Net sales increased by 4 percent to SEK 226.7 (218.8) million; organically the increase was 1 percent. Price adjustments in order to meet higher prices for input material affected net sales positively. Price competition continued during the quarter and we were not able to fully compensate for higher raw material prices, with gross margin falling to 15.2 percent (23.3 percent).

Operating profit for the first quarter amounted to SEK 11.4 (27.6) million, a decrease by 59 percent. Operating margin declined to 5.0 percent (12.6 percent). The operating margin decreased mainly as a result of lower gross margin. The operating margin is also affected by increased costs related to being a listed company, estimated at SEK 5 million per year. Adjusted operating profit amounted to SEK 11.4 (30.8) million, and the adjusted operating margin, to 5.0 (14.1 percent).

Profit/loss for the period and earnings per share

During the first quarter 2022, profit before tax amounted to SEK 10.8 (27.5) million. Net financial income and expenses totaled SEK -0.6 (-0.1) million, including interest expenses of SEK -0.2 (-0.2) million. Taxes in the first quarter amounted to SEK -2.1 (-5.5) million, which corresponds to an effective tax rate of 19.0 percent (20.1 percent). Net profit for the period was SEK 8.8 (21.9) million during the first quarter 2022, and earnings per share before dilution was SEK 0.44 (1.10), and after dilution, SEK 0.42 (1.05).

Cash flow

Cash flow from operating activities decreased during the first quarter to SEK 1.0 (1.9) million. Cash flow was negatively impacted by a lower operating profit but was offset by an improved change in working capital towards the comparative quarter.

Cash flow from investing activities was SEK -4.1 (-12.5) million during the quarter and refers mainly to replacement investments in the three production facilities.

Cash flow from financing activities totaled SEK 15.1 (17.0) million and is mainly due to increased utilization of overdrafts.

Investments

Arla Plast continuously invests in its production units. The Group's investments in property plant and equipment in the first quarter amounted to SEK 4.1 (12.5) million and refers primarily to replacement investments in our three production facilities. Total depreciations for the first quarter amounted to SEK -10.2 (-8.8) million.

Financial position

Arla Plast's total assets amounted to SEK 702.5 million as of 31 March 2022 (SEK 624.5 million).

The Group's net debt amounted to SEK 50.4 million as of 31 March 2022 (SEK 48.4 million), which corresponds to 0.5 times EBITDA (0.3 times). Net debt increased as a result from a prolonged lease contract which affected the lease debts by SEK 16.3 million in the third quarter 2021, see note 5.

The Group's equity ratio, equity at the end of the period as a percentage of total assets, was 68.9 percent (66.4 percent).

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 of 2022, net sales amounted to SEK 148.0 (155.3) million, and operating profit, to SEK 6.0 (22.5) million.

Cash and cash equivalents as of March 31, 2022 amounted to SEK 28.1 million, compared with SEK 30.2 million as of March 31, 2021.

Segments

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.

SWEDEN

Key performance indicator	2022	2021	Δ,%	R 12	2021	Δ,%
	Jan-Mar	Jan-Mar			Jan-Dec	
Sales volume, tonnes	3,332	4,259	-22	13,944	14,871	-6
Net sales, SEK million	148.0	155.3	-5	611.2	618.5	1
Operating profit, SEK million	7.7	25.7	-70	52.5	70.5	-26
Operating margin, %	5.2	16.6	-69	8,6	11.4	-25

In the first quarter, sales volumes decreased by 22 percent. The decline in volume is primarily due to the fact that demand for pandemic related barrier products has diminished while application areas such as to the automotive industry have not recovered. Net sales decreased by 5 percent to SEK 148.0 (155.3) million. Price competition continued during the quarter and we were not able to fully compensate for higher raw material prices. The operating profit is also affected by increased costs related to being a listed company, estimated at SEK 5 million per year. Operating profit declined to SEK 7.7 (25.7) million as a result of lower gross profit. The operating margin declined to 5.2 percent (16.6).

CZECH REPUBLIC

Key performance indicator	2022	2021	Δ,%	R 12	2021	Δ,%
	Jan-Mar	Jan-Mar			Jan-Dec	
Sales volume, tonnes	1,740	2,203	-21	8,466	8,929	-5
Net sales, SEK million	82.0	70.6	16	355.0	343.6	3
Operating profit, SEK million	3.4	4.8	-29	19.2	20.6	-7
Operating margin, %	4.1	6.8	-40	5.4	6.0	-10

In the first quarter 2022, sales volumes decreased by 21 percent. Net sales increased by 16 percent to SEK 82.0 (70.6) million, the organic increase was 6 percent. In this segment, prices have to a larger extent than in Sweden compensated for higher raw material prices. Operating profit declined to SEK 3.4 (4.8) million. Disturbances within the production has affected the operating profit negatively. Operating margin increased to 4.1 percent (6.8 percent).

Financial objectives

Sales growth

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

Operating margin

Operating margin over a business cycle should be at least 10 percent.

Net debt

Net debt in relation to EBITDA shall not exceed 2.5x times.

Dividend policy

The dividend policy is to pay shareholders about 30-50 percent of the profit for the year. Decisions on dividends should reflect the Company's financial position, cash flow and investment needs.

Significant risks and uncertainties

As a Group with international operations, Arla Plast is exposed to various risks and uncertainties. For Arla Plast, the risk management process involves identifying, valuing and reducing risks related to the Group's business and operations.

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 had a significant and positive impact on the Group's operations in terms of demand and results, but the risk of contagion could have led to difficulties in staffing the production facilities. The ongoing war in Ukraine has led to the identification of a number of new risks, such as increased costs for input materials and transport, as well as currency fluctuations.

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 risks, Arla Plast's operations are met by a number of laws and regulations at national and international level. Non-compliance with these could involve exposure to material risk if not actively addressed. For this reason, significant resources and costs are used to ensure compliance with applicable rules but also to monitor future regulations.

Financial risks include 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. The Group is exposed to transaction risk mainly through EUR transactions within the Group. Furthermore, the Group is exposed to translation risk when converting the foreign subsidiary in the Czech Republic's revenues, costs, assets and liabilities in CZK into the Group's reporting currency, which is SEK.

For further information on risks and uncertainties, see the 2021 Annual Report on www.arlaplastgroup.com.

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. Arla Plast has identified a number of KPI's related to sustainability which we follow up on. CO2 and sickness leave are two important KPI's. During the first quarter of 2022, our carbon footprint related to the production of raw materials consumed was 3.2 kilo CO₂e per kilo of finished goods produced and sick leave was 7.1 percent.

During the quarter, we started a certification process according to the standard for ISCC (International Sustainability Carbon Certification) and expect to be approved during the second quarter of 2022.

For further information regarding our sustainability work, see the 2021 Annual Report on 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 vacation and Christmas period having a negative impact.

Personnel

The average number of full-time employees in the first quarter of 2022 was 263 (264). During the first quarter, women accounted for 24 percent (23 percent) of employees.

Organization

We have appointed Stefan Liminga as Operations Manager Sweden who is also part of the Group management. The Group management consists of President and CEO Christian Krichau, CFO Monica Ljung, Operations Manager Czech Republic Tomas Jon, Operations Manager Sweden Stefan Liminga and Sales Director Opaque Peter Mikkonen.

Annual General Meeting 2022

The AGM will take place Thursday May 19th at 15:00 pm at Arla Plasts Head Office, Västanåvägen 2, Borensberg. Information regarding registration for the Annual General Meeting and the Board's proposed decision points are available on Arla Plast's website, www.arlaplastgroup.com.

The Nomination Committee's proposal prior to the Annual General Meeting 2022

The Nomination Committee proposes re-election of Kenneth Synnersten, Sten Jakobsson, Ola Salmén, Leif Nilsson, Jan Synnersten, Ulf Hedlundh and Annelie Arnbäck for the period until the end of the next Annual General Meeting. Kenneth Synnersten is proposed re-elected Chairman of the Board.

The Nomination Committee's complete decision proposal and its motivating opinion are available on Arla Plast's website, www.arlaplastgroup.com.

Dividend

The Board proposes a dividend of 1.50 SEK per share for 2021, a total of 30.0 MSEK. The proposed dividend corresponds to 44 percent of the profit for the year 2021. The record date for the dividend is proposed to be 23 May 2022. If the Annual General Meeting resolves in accordance with the proposal, the dividend is expected to be paid out through Euroclear Sweden AB on 27 May 2022.

Events after the reporting period

No significant events after the reporting period.

The share

As of 31 March 2022, Synnersten Invest AB owns 48 percent, Svolder AB 13 percent, Nortal Investments AB 10 percent, Nordea Investment Funds 8 percent and Roosgruppen AB 5 percent. Arla Plast AB has a total of approximately 1,800 shareholders. An incentive program 2020/23 corresponding to a total of 980,000 warrants has been issued to key employees.

FINANCIAL REPORTS

Consolidated statement of comprehensive income

Amounts in SEK thousand	Note	Jan-Mar 2022	Jan-Mar 2021	R 12	Jan-Dec 2021
Net sales	2,3	226,658	218,812	935,340	927,494
Cost of goods sold		-192,194	-167,902	-771,279	-746,987
Gross margin		34,464	50,910	164,061	180,507
Selling expenses		-14,738	-14,143	-58,224	-57,629
Administrative expenses	9	-10,355	-12,427	-43,129	-45,201
Other operating income	4	2,301	3,399	7,757	8,855
Other operating expenses		-242	-121	-438	-317
Operating profit		11,430	27,618	70,027	86,215
Financial income		-	138	175	313
Financial expense		-620	-288	-1,348	-1,016
Profit before tax		10,810	27,468	68,854	85,512
Tax expense		-2,059	-5,520	-13,939	-17,400
Profit for the period		8,751	21,948	54,915	68,112
Other comprehensive income:					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange differences on translation of foreign operations		5,711	3,539	14,401	12,229
Other comprehensive income for the period		5,711	3,539	14,401	12,229
Total comprehensive income for the period		14,462	25,487	69,316	80,341
Amounts in SEK					
Earnings per share, basic	10	0.44	1.10	2.75	3.41
Earnings per share, diluted	10	0.42	1.05	2.62	3.25

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	2022-03-31	2021-03-31	2021-12-31
ASSETS				
Total non-current assets				
Intangible non-current assets		435	733	509
Property, plant and equipment		279,032	282,637	280,836
Right-of-use assets	5	22,130	7,630	21,941
Other non-current receivables	6	9	9	7
Total non-current assets		301,606	291,009	303,293
Current assets				
Inventories	7	221,709	163,995	184,306
Accounts receivable	6	139,732	130,194	126,229
Other current receivables	6	5,347	6,152	11,136
Prepaid expenses and accrued income		3,969	2,334	3,110
Cash and cash equivalents	6	30,183	30,794	18,565
Total current assets		400,940	333,469	343,346
TOTAL ASSETS		702,546	624,478	646,639
EQUITY				
Share capital		2,400	2,400	2,400
Other capital contributions		1,666	1,666	1,666
Translation reserve		38,974	24,573	33,263
Retained earnings (including profit for the period)		441,210	386,295	432,459
Total equity attributable to owners of the parent		484,250	414,934	469,788
LIABILITIES				
Non-current liabilities				
Non-current portion of lease liability	5	17,374	3,214	17,310
Deferred tax liabilities		40,876	38,947	40,549
Total non-current liabilities		58,250	42,161	57,859
Current liabilities				
Liabilities to credit institutions	6	58,433	71,563	41,106
Current portion of lease liability	5	4,797	4,456	4,661
Accounts payable	6	34,034	31,731	14,078
Current tax liabilities		-	3,977	4,771
Derivative instruments	6	115	16	-
Other liabilities	6	22,267	20,959	28,273
Accrued expenses and deferred income		40,400	34,681	26,103
Total current liabilities		160,046	167,383	118,992
Total liabilities		218,296	209,544	176,851
TOTAL EQUITY AND LIABILITIES		702,546	624,478	646,639

Condensed consolidated statement of changes in equity

Amounts in SEK thousand	2022-03-31	2021-03-31	2021-12-31
Opening balance	469,788	389,447	389,447
Profit for the period	8,751	21,948	68,112
Other comprehensive income	5,711	3,539	12,229
Total comprehensive income	484,250	414,934	469,788
Dividend	-	-	-
Cash for warrants	-	-	-
Total transactions with shareholders	-	-	-
Closing balance	484,250	414,934	469,788

Consolidated statement of cash flows

Amounts in SEK thousand	Jan-Mar 2022	Jan-Mar 2021	R 12	Jan-Dec 2021
Cash flow from operating activities				
Operating profit	11,430	27,618	70,027	86,215
Adjustment for items not included in cash flow	10,950	8,954	43,756	41,760
Interest received	-	-	-	-
Interest paid	-121	-157	-729	-765
Income tax paid	-8,213	-2,259	-22,686	-16,732
Cash flow from operating activities before changes in working capital	14,046	34,156	90,368	110,478
Cash flow from changes in working capital				
Increase/decrease in inventories	-34,936	-1,788	-51,599	-18,451
Increase/decrease in operating receivables	-8,054	-31,011	-5,266	-28,223
Increase/decrease in operating liabilities	29,976	494	13,372	-16,110
Total change in working capital	-13,014	-32,305	-43,493	-62,784
Cash flow from operating activities	1,032	1,851	46 875	47,694
Cash flow from investing activities				
Investments in intangible fixed assets	-	-	-29	-29
Investments in property, plant and equipment	-4,135	-12,492	-26,205	-34,562
Disposal of long-term receivables	-	-	-	-
Cash flow from investing activities	-4,135	-12,492	-26,234	-34,591
Cash flow from financing activities				
Derivative instruments	-	-	-	-
Dividend	-	-	-	-
Increased use of overdraft facility	16,552	18 301	4 795	6 544
Reduced use of overdraft facility	-	-	-	-
Amortization related to lease liability	-1,422	-1 297	-6 517	-6 392
Amortization of loans to credit institutions	-	-	-19 304	-19 304
Amortization of debt to Group companies	-	-	-	-
Cash for warrants	-	-	-	-
Cash flow from financing activities	15,130	17,004	-21,026	-19 152
Cash flow for the period	12,027	6,363	-385	-6,049
Cash and cash equivalents at beginning of period	18,565	23,814	30,794	23,814
Exchange differences in cash and cash equivalents	-409	617	-226	800
Cash and cash equivalents at close of period	30,183	30,794	30,183	18,565

Condensed parent company income statement

Amounts in SEK thousand	Jan-Mar 2022	Jan-Mar 2021	R 12	Jan-Dec 2021
Net sales	147,976	155,342	611,135	618,501
Cost of goods sold	-124,705	-113,633	-492,877	-481,805
Gross profit	23,271	41,709	118,258	136,696
Selling expenses	-11,514	-11,258	-46,958	-46,702
Administrative expenses	-7,834	-10,206	-32,128	-34,500
Other operating income and operating expenses	2,039	2,270	8,633	8,864
Operating profit	5,962	22,515	47,805	64,358
Financial income and financial expenses	-591	19	-817	-207
Profit before appropriations and tax	5,371	22,534	46,988	64,151
Appropriations	-	-	-13,218	-13,218
Profit before tax	5,371	22,534	33,770	50,933
Tax expense	-1,106	-4,642	-7,289	-10,827
Profit for the period	4,265	17,892	26,481	40,106

Parent company's condensed statement of comprehensive income

Profit for the period	4,265	17,892	26,481	40,106
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	4,265	17,892	26,481	40,106

Condensed parent company balance sheet

Amounts in SEK thousand	2022-03-31	2021-03-31	2021-12-31
ASSETS			
Total non-current assets			
Intangible non-current assets	435	731	509
Property, plant and equipment	169,653	175,038	173,124
Financial fixed assets	28,986	28,986	28,986
Total non-current assets	199,074	204,755	202,619
Current assets			
Inventories	126,161	95,032	103,712
Total current assets	89,910	99,093	93,187
Cash and bank balances	28,058	30,236	18,397
Total current assets	244,129	224,361	215,296
TOTAL ASSETS	443,203	429,116	417,915
	2022-03-31	2021-03-31	2021-12-31
EQUITY			
Restricted equity	2,880	2,880	2,880
Unrestricted equity	205,322	178,842	201,058
Total equity	208,202	181,722	203,938
Untaxed reserves	140,682	127,464	140,682
LIABILITIES			
Liabilities to credit institutions	27,681	50,113	21,937
Other current liabilities	66,638	69,817	51,358
Total current liabilities	94,319	119,930	73,295
TOTAL EQUITY AND LIABILITIES	443,203	429,116	417,915

NOTES

Not 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 2021 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 2022 or later have not had a substantial impact on this financial report.

Not 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 percent or more of sales, which means that dependence on individual customers is limited for Arla Plast.

External net sales per geographical market, SEK Thousand	Jan-Mar 2022	%	Jan-Mar 2021	%	R 12	%	Jan-Dec 2021	%
Sweden	26,548	12	26,225	12	122,128	13	121,805	13
Germany	38,160	17	51,841	24	161,091	17	174,772	19
Czech Republic	46,539	20	34,964	16	148,099	16	136,523	15
Polen	25,638	11	21,160	10	111,001	12	106,524	12
Rest of Europe	78,552	35	74,559	34	341,819	37	337,826	36
Rest of World	11,221	5	10,063	5	51,202	5	50,044	5
Total	226,658	100	218,812	100	935,340	100	927,494	100

External net sales per product category, SEK Thousand	Jan-Mar 2022	%	Jan-Mar 2021	%	R 12	%	Jan-Dec 2021	%
TPC	103,636	42	114,284	52	416,710	45	427,358	46
OPC	33,044	15	23,398	11	133,794	14	124,148	13
MWPC	49,703	21	39,886	18	221,170	24	211,353	23
ABS	27,617	15	21,452	10	105,054	11	98,889	11
PETG	12,658	7	19,792	9	58,612	6	65,746	7
Summa	226,658	100	218,812	100	935,340	100	927,494	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 65 percent (70 percent) of the Group's total net sales in the first quarter of 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 52 percent (76 percent) of the net sales of the joint product area OPC are generated in the Sweden segment.

Czech Republic

The Czech Republic segment represents approximately 35 percent (30 percent) of the Group's total net sales in the first quarter of 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. Regarding the joint product area OPC, the Czech Republic segment accounts for approximately 48 percent (24 percent) 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	Czech				Sweden	Czech			
	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1
	2022	2022	2022	2022	2022	2021	2021	2021	2021	2021
Sales volume, tonnes	3,332	1,740	-	-131	4,941	4,259	2,203	-	-281	6,181
Net sales, external, SEK million	148.0	78.7	-	-	226.7	154.3	64.5	-	-	218.8
Net sales, intern, SEK million	-	3.3	-	-3.3	-	1.0	6.1	-	-7.1	-
Total net sales, SEK million	148.0	82.0	-	-3.3	226.7	155.3	70.6	-	-7.1	218.8
Adjusted operating profit, SEK million	7.7	3.4	-	0.3	11.4	25.7	4.8	-	0.3	30.8
Items affecting comparability, SEK million	-	-	-	-	-	-	-	3.2	-	3.2
Operating profit, SEK million	7.7	3.4	-	0.3	11.4	25.7	4.8	-3.2	0.3	27.6
Net financial items, SEK million	-0.6	-	-	-	-0.6	-	-0.1	-	-	-0.1
Profit before tax, SEK million	7.1	3.4	-	0.3	10.8	25.7	4.7	-3.2	0.3	27.5
Operating margin, %	5.2	4.1	-	-	5.0	16.6	6.8	-	-	12.6
Adjusted operating margin, %	5.2	4.1	-	-	5.0	16.6	6.8	-	-	14.1

Net sales and earnings	Segment Sweden R 12	Segment Czech R 12	Jointly R 12	Elim. R 12	Group R 12	Segment Sweden Jan-Dec 2021	Segment Czech Jan-Dec 2021	Jointly Jan-Dec 2021	Elim. Jan-Dec 2021	Group Jan-Dec 2021
Sales volume, tonnes	13,944	8,466	-	-1,004	21,406	14,871	8,929	-	-1,154	22,646
Net sales, external, SEK million	603.9	331.5	-	-	935.4	610.2	317.3	-	-	927.5
Net sales, intern, SEK million	7.3	23.5	-	-30.8	-	8.3	26.3	-	-34.6	-
Total net sales, SEK million	611.2	355.0	-	-30.8	935.4	618.5	343.6	-	-34.6	927.5
Adjusted operating profit, SEK million	52.5	19.2	-	1.2	72.9	70.5	20.6	-	1.2	92.3
Items affecting comparability, SEK million	-	-	2.9	-	2.9	-	-	6.1	-	6.1
Operating profit, SEK million	52.5	19.2	-2.9	1.2	70.0	70.5	20.6	-6.1	1.2	86.2
Net financial items, SEK million	-0.8	-0.4	-	-	-1.2	-0.2	-0.5	-	-	-0.7
Profit before tax, SEK million	51.7	18.8	-2.9	1.2	68.8	70.3	20.1	-6.1	1.2	85.5
Operating margin, %	8.6	5.4	-	-	7.5	11.4	6.0	-	-	9.3
Adjusted operating margin, %	8.6	5.4	-	-	7.8	11.4	6.0	-	-	10.0

NET SALES BY GEOGRAPHIC MARKET AND SEGMENT

Geographical market, SEK Thousands	Segment Sweden Q1 2022	Segment Czech Q1 2022	Internal Q1 2022	Group Q1 2022	Segment Sweden Q1 2021	Segment Czech Q1 2021	Internal Q1 2021	Group Q1 2021
Sweden	24,449	5,407	-3,308	26,548	22,694	9,631	-6,100	26,225
Germany	32,787	5,373	-	38,160	34,948	16,893	-	51,841
Czech	12,484	34,079	-24	46,539	19,424	16,554	-1,014	34,964
Polen	17,984	7,654	-	25,638	15,391	5,769	-	21,160
Rest Europe	54,280	24,272	-	78,552	55,389	19,170	-	74,559
Rest World	5,992	5,229	-	11,221	7,496	2,567	-	10,063
Total	147,976	82,014	-3,332	226,658	155,342	70,584	-7,114	218,812

Geographical market, SEK Thousands	Segment Sweden R 12	Segment Czech R 12	Internal R 12	Group R 12	Segment Sweden Jan-Dec 2021	Segment Czech Jan-Dec 2021	Internal Jan-Dec 2021	Group Jan-Dec 2021
Sweden	111,614	34,036	-23,522	122,128	109,859	38,260	-26,314	121,805
Germany	118,380	42,711	-	161,091	120,541	54,231	-	174,772
Czech	42,574	112,850	-7,325	148,099	49,514	95,325	-8,315	136,524
Polen	73,733	37,268	-	111,001	71,140	35,383	-	106,523
Rest Europe	233,478	108,341	-	341,819	234,587	103,239	-	337,826
Rest World	31,356	19,846	-	51,202	32,860	17,184	-	50,044
Total	611,135	355,052	-30,847	935,340	618,501	343,622	-34,629	927,494

MATERIAL ASSETS AND LIABILITIES PER SEGMENT

Material assets and liabilities per segment, SEK Thousands	2022-03-31	2021-03-31	2021-12-31
<i>Segment Sweden</i>			
Property, plant and equipment	169,653	175,038	173,124
Inventories	126,161	95,032	103,712
Liabilities	94,319	119,930	73,298
<i>Segment Czech</i>			
Property, plant and equipment	114,705	114,152	113,347
Inventories	95,548	68,963	80,594
Liabilities	75,730	61,673	56,687

Not 4 Other operating income

Other operating 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. Afa Sjukförsäkringsaktiebolag decided to pay out consolidation funds available within the collectively agreed health insurance AGS to certain employers. For Arla Plast, this meant SEK 2.1 million and the payment was made via Fora in October 2021. This item was reported as other operating income and receivables in the third quarter 2021.

Not 5 Right-of-use assets

The Group leases buildings, vehicles and other technical equipment such as a container compactor, inkjet printer, scrubbing machines and a vending machine. These are recognized as right-of-use assets with a corresponding liability. During the third quarter 2021, an agreement was reached regarding an extension of the lease of a production facility in the Czech Republic by 5 years, which affected the value of right-of-use assets by SEK 16.3 million and with a corresponding leasing debt.

Note 6 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 Thousands	2022-03-31	2021-03-31	2021-12-31
Current liabilities	115	16	-

Note 7 Inventories

Amounts in SEK Thousands	2022-03-31	2021-03-31	2021-12-31
Raw materials and merchandise in stock	117,793	85,953	98,382
Finished goods produced in-house	96,389	75,708	79,372
Products in progress	7,527	2,334	6,552
Total inventories	221,709	163,995	184,306

The increase in inventories is mainly due to higher prices for input materials which have had an impact on the value of raw material as well as on finished goods.

Note 8 **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 2021 Annual Report. There were no material related-party transactions during the period.

Note 9 **Items affecting comparability**

Amounts in SEK thousand	Jan-Mar 2022	Jan-Mar 2021	R 12	Jan-Dec 2021
IPO costs	-	3,231	2,876	6,107
Total	-	3,231	2,876	6,107

In order to prepare Arla Plast for a listing on Nasdaq Stockholm, a number of different measures were taken with external assistance. The listing took place in May 2021, and the costs associated with the preparations amounted to SEK 0 (3,2) million in the first quarter. Items affecting comparability refers to group-wide costs and have not been charged to the segments. In the consolidated statement of comprehensive income, items affecting comparability are included in administrative expenses.

Note 10 **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	Jan-Mar 2022	Jan-Mar 2021	R 12	2021-12-31
Profit attributable to equity holders of the parent, SEK thousand	8,751	21,948	54,915	68,112
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	20,980,000	20,980,000	20,980,000
Earnings per share, basic, SEK	0.44	1.10	2.75	3.41
Earnings per share, diluted, SEK	0.42	1.05	2.62	3.25

Note 11 **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 2022.
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 2022	Jan-Mar 2021	R 12	Jan-Dec 2021
Gross margin, %:				
Gross profit, SEK thousand	34,464	50,910	164,061	180,507
Net sales, SEK thousand	226,658	218,812	935,340	927,494
Gross margin, %	15.2	23.3	17.5	19.5
Operating margin, %, Sweden:				
Net sales, SEK thousand	147,976	155,342	611,135	618,501
Operating profit, SEK thousand	7,724	25,764	52,450	70,490
Operating margin, %, Sweden	5.2	16.6	8.6	11.4
Operating margin, %, Czech Republic				
Net sales, SEK thousand	82,014	70,584	355,052	343,622
Operating profit, SEK thousand	3,397	4,779	19,226	20,608
Operating margin, %, Czech Republic	4.1	6.8	5.4	6.0
Adjusted EBITDA, SEK thousand:				
Operating profit	11,430	27,618	70 027	86,215
Less depreciation and amortization of non-current	10,166	8,841	39 518	38,193
Minus depreciation of non-current assets	-	-	-	-
EBITDA	21,596	36,459	109,545	124,408
Less items affecting comparability	-	3,231	2,876	6,107
Adjusted EBITDA, SEK thousand	21,596	39,690	112,421	130,515
Organic growth, %:				
Net sales, SEK thousand	226,658	218,812	935,340	927,494
Net sales for the same period of the previous year, SEK thousand	218,812	204,573	898,919	884,680
Net sales, change	7,846	14,239	36,421	42,814
Less exchange rate fluctuations, SEK thousand	-6,586	5,454	-8,486	3,554
Organic growth, %	0.6	9.9	3.1	5.3
Working capital/sales, %:				
Operating receivables, SEK thousand	370,757	302,675	370,757	324,781
Operating liabilities, SEK thousand	96,799	84,416	96,799	68,454
Net working capital, SEK thousand	273,958	218,259	273,958	256,327
Net sales, R12 SEK thousand	935,340	898,919	935,340	927,494
Working capital/sales, %	29.3	24.3	29.3	27.6
Return on capital employed (ROCE), %:				
Capital employed, SEK thousand	564,871	494,164	564,871	532,865
Average capital employed, SEK thousand	529,518	524,171	529,518	491,582
Adjusted operating profit R12, SEK thousand	72,903	126,165	72,903	92,322
Return on capital employed (ROCE), %	13.8	24.1	13.8	18.8
Net debt/EBITDA, multiple:				
Net debt, SEK thousand	50,421	48,439	50,421	44,512
EBITDA, R12 SEK thousand	109,545	150,445	109,545	124,408
Net debt/EBITDA, multiple	0.46	0.32	0.46	0.36
Equity/assets ratio, %:				
Equity, SEK thousand	484,250	414,934	484,250	469,788
Total capital, SEK thousand	702,546	624,478	702,546	646,639
Equity/assets ratio, %	68.9	66.4	68.9	72.6

Financial information

Annual General meeting 2022 - 19 May 2022

Interim report January - June 2022 - 18 August 2022

Interim report January - September 2022 - 10 November 2022

Year-end report 2022 - 17 February 2023

Arla Plast AB (reg no 556131-2611)

Borensberg 10 May, 2022

Christian Krichau
CEO

This interim report has not been reviewed by the company's auditor.

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Forward-looking information

Certain statements in this report are forward-looking and the actual outcome may be significantly different. In addition to the specific mentioned factors, other factors may have material impact on the actual outcome. Such factors include, but are not limited to, the general economic climate, exchange-rate fluctuations and changes in interest rates, political developments, the impact of competing products and the prices of such products, interruptions to the access to raw materials.

This information is such information that Arla Plast AB is obliged to publish in accordance with the EU Market Abuse Regulation. The information was published by the above mentioned contact persons on 11 May 2022 at 8:00 am CET.

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 more than 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.

