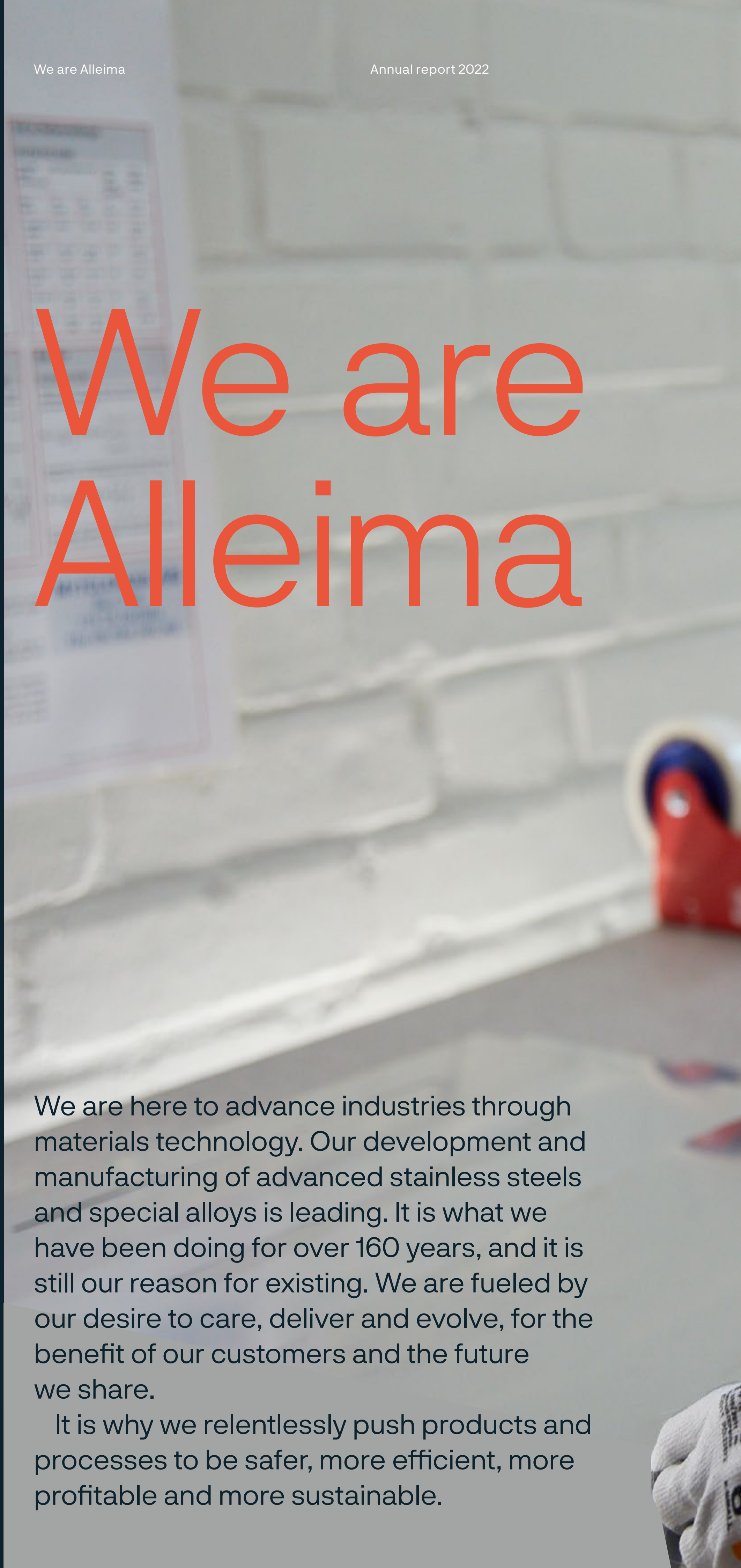
Alleima

Annual report 2022

Through close long-term customer partnerships, we advance products, processes and applications in the most demanding industries.

Contents

The statutory Annual report comprises pages 60–139. The statutory Sustainability Report include pages 19, 30-33, 66, 69-70, 78-81 and 145–169. The Sustainability report in accordance with GRI Standards is defined in the GRI index on pages 166–169.



We are Alleima

We are here to advance industries through materials technology. Our development and manufacturing of advanced stainless steels and special alloys is leading. It is what we have been doing for over 160 years, and it is still our reason for existing. We are fueled by our desire to care, deliver and evolve, for the benefit of our customers and the future we share.

It is why we relentlessly push products and processes to be safer, more efficient, more profitable and more sustainable.

Alleima at a glance

A leading advanced materials company

We are a leading manufacturer of high value-added products in advanced stainless steels and special alloys, as well as products for industrial heating, with strong market positions in a wide range of niche end-markets. Our offering, and expertise make our customers safer, more efficient, profitable and sustainable. With more than 900 active alloy compositions, our offering comprises products for several customer segments.

18.4
Revenues, SEK billion

Sales in
90+
countries

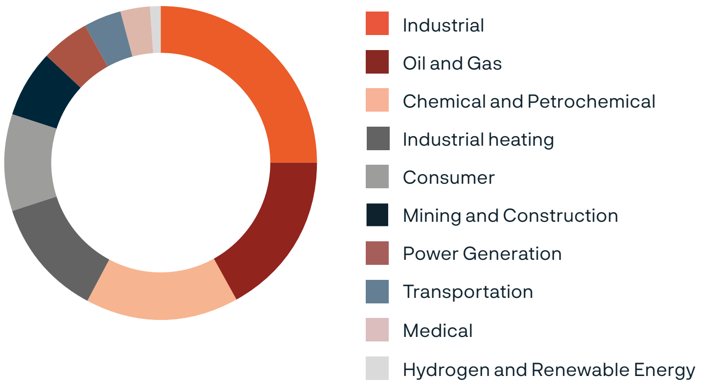
80%
Direct sales

No. of employees
~5,900
full-time equivalents, Dec. 2022

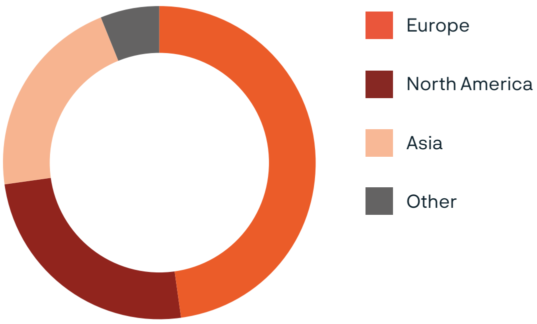
1.7
Adjusted EBIT
SEK billion

Our history dates back to
1862

Revenues by customer segment



Revenues by geography



Premium offering across three divisions

We operate in three divisions and have a decentralized organizational structure.

Tube

Seamless tubes and other long products primarily for the Industrial, Chemical and Petrochemical, Oil and Gas, Mining and Construction, Power Generation and Transportation segments, and for the growing Hydrogen & Renewable Energy segment.

12.8

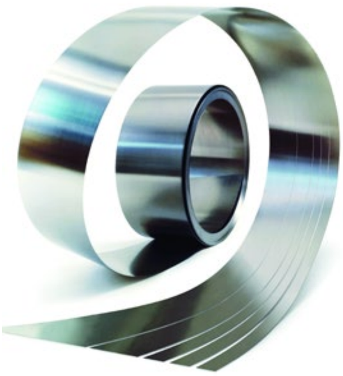
Revenues, SEK billion

Kanthal

Heating technology and resistance materials for the Industrial and Consumer segments, and ultra-fine wire in stainless steel and precious metals for the Medical segment.

4.0

Revenues, SEK billion



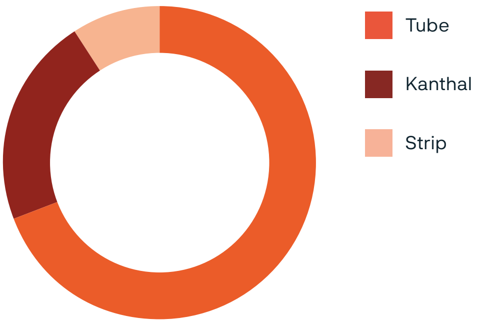
Strip

Precision strip steel products primarily for the Consumer, Medical, Industrial and Transportation customer segments, and pre-coated strip steel products primarily for the Hydrogen and Renewable Energy segment.

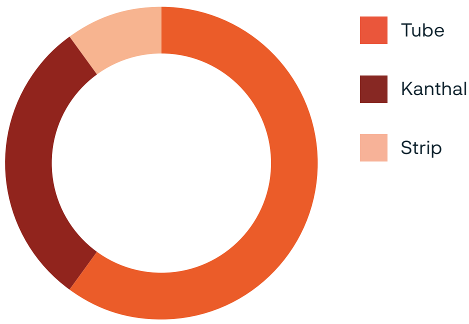
1.6

Revenues, SEK billion

Revenues by division



Adjusted EBIT by division

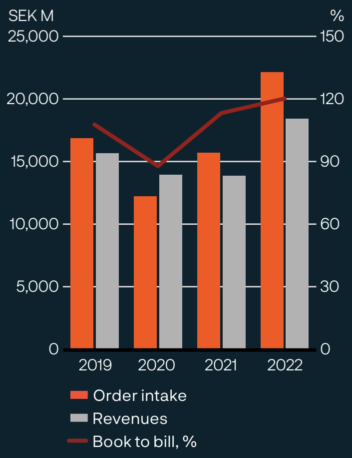


Highlights of the year

2022 was a historic year. Sandvik Materials Technology was separated from Sandvik, rebranded Alleima, and listed on Nasdaq Stockholm as a standalone company on August 31.

- Listed on Nasdaq Stockholm on August 31
- Strong financial performance for the year with record-high revenues and solid earnings
- Acquired Gerling GmbH, a precision tube technology company, the remaining 30% of the US-based joint venture PEXCO, and Endosmart, a German nitinol expertise company manufacturing medical devices
- Received several important orders for advanced tubes for the Oil and Gas, Power Generation and Hydrogen and Renewable Energy segments, such as a breakthrough order of OCTG tubes for a carbon capture and storage project, and a breakthrough order of ultra-fine wire for the medical segment
- Committed to science-based climate targets (SBTi) to reach net-zero by 2050

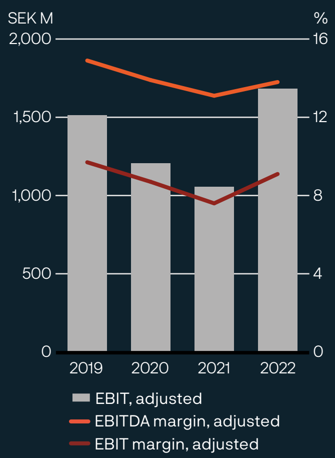
Order intake and revenues



13%
Organic revenue growth

120%
Book-to-bill

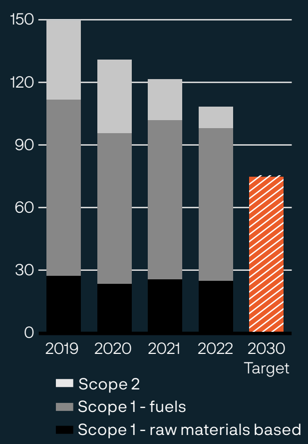
Adjusted EBIT and EBITDA



9.1%
Adjusted EBIT margin

505
Free operating cash flow SEK million

Greenhouse gas emissions

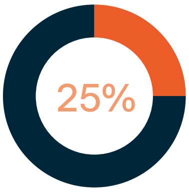
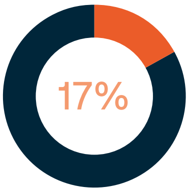
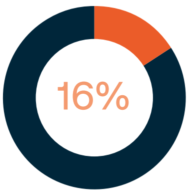
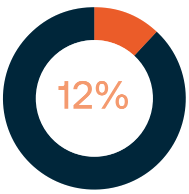


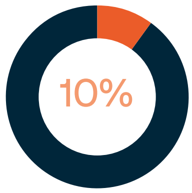
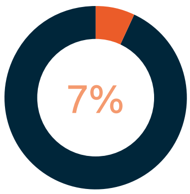
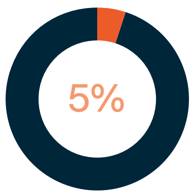
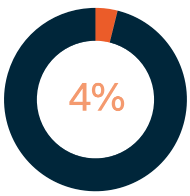
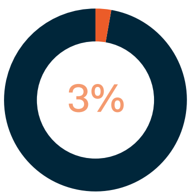
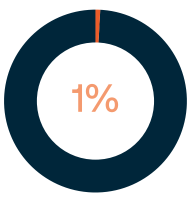
SBTi
Committed to net-zero by 2050

83%
Recycled steel

Customer segments and offering

Alleima has strong market positions across a wide range of niches in industries where material requirements, as well as product quality and reliability demands, are extremely high. Our diverse customer segment exposure reduces volatility over the business cycle.

	Customer segment	% revenues 2022	Examples of product offering
	Industrial		— Solid round bar and hollow bar — High pressure tubing — Composite tubing
	Oil and Gas		— Umbilical tubing — Control lines — Oil Country Tubular Goods (OCTG)
	Chemical and Petrochemical		— Fertilizer tubing — Hydraulic and instrumental tubing — Heat exchanger tubing
	Industrial Heating		— Metallic heating elements — Ceramic heating elements — Kanthal® APM/APMT powder metal alloys — Diffusion cassettes

	Customer segment	% revenues 2022	Examples of product offering
	Consumer		— Razor blade steel — Compressor valve steel — Stainless knife steel — Appliance wire
	Mining and Construction		— Rock drill steel
	Power Generation		— Steam generator tubes — Cladding tubing — Nuclear tube and pipe
	Transportation		— Titanium and stainless tubes — Gasoline direct injection (GDI) tubes — Compressor valve steel — Shock absorber steel
	Medical		— Ultra-fine wire — Wire components — Stainless and titanium tubing
	Hydrogen and Renewable Energy		— Coated strip steel for fuel cells — High pressure tubing for hydrogen applications — High nickel alloy tubing for concentrated solar power applications

An exceptional year for Alleima

2022 marked the beginning of a new era for us, our customers, and our owners. Following the separation of Sandvik Materials Technology from the Sandvik Group, we were listed as Alleima on Nasdaq Stockholm. During our first year, we had strong momentum in the market, we continued to deliver on our strategy and completed several carefully selected acquisitions.

Last year was an eventful one, with Alleima becoming a standalone listed company after a thorough process that had been prepared internally for several years down to the smallest detail. The first half of 2022 was therefore also very much about the preparations for the listing itself. On April 27, the Sandvik Annual General Meeting resolved to distribute all shares in Alleima to Sandvik shareholders. Alleima was listed on Nasdaq Stockholm on August 31, and the Alleima brand was launched globally.

Market development and financial performance

Our financial performance for 2022 was strong. This was a year with record-high revenues and an adjusted EBIT margin in line with our target. The world was marked by macroeconomic uncertainties during the year. The war in Ukraine caused disruptions in global supply chains, resulting in extended freight lead-times. Europe's energy supply challenges drove up energy prices, while inflation and other factors caused raw material prices to rise. I am proud that, despite the challenges that the outside world has presented us with, Alleima has had a strong performance. We successfully managed our business in a high inflation environment by working proactively, for example with hedging of energy costs and pricing of our products throughout our global operations.

The demand was solid across most of our customer segments during the year, supported by long-term industry trends. However, demand in the short-cycle business, mainly related to low-refined products for the Industrial customer segment as well as demand in the Consumer segment, softened toward the second half of the year. Order intake increased by 41% to SEK 22,130 million, with organic growth of 19%. All three divisions noted positive year on year development, mainly driven by orders related to the Power Generation, Oil and Gas, Industrial Heating and Medical customer segments. Order intake in the regions of North America and Asia noted a favorable trend, while Europe noted negative development.

Revenues increased by 33% to SEK 18,405 million, with organic revenue growth of 13%. All customer segments and all three divisions noted positive development compared with last year, particularly the Oil and Gas segment. The book-to-bill ratio was 120% for the year, and we have a strong order backlog going into 2023.

We improved the adjusted EBIT margin to 9.1%, compared to 7.6% in 2021. We have proven that we can adapt quickly to new market situations before, and this year was no exception. We took prompt action and worked systematically and proactively, for example with general price increases, energy surcharges and hedging of energy costs throughout our global operations. The increased margin is a result of a successful pricing strategy fully compensating for cost inflation, and higher revenues with an improved product mix. Free operating cash flow decreased for the full year compared with 2021. This is normal in our business when we have a strong revenue growth and an environment characterized by high raw material prices.

Order highlights

We received several strategic orders including the first “waste to energy” order for our Sanicro® 35 grade. The customer will use Sanicro® 35 in the process of converting and upgrading biogas (landfill gas) into renewable natural gas.

We also received a break-through order for Oil Country Tubular Goods (OCTG) to be used for a carbon capture

and storage (CCS) project. With this order, Alleima has entered a new market, which is an important milestone to drive profitable growth by capitalizing on the green transition.

In the Medical segment, we secured a first major order for ultra-fine wire, which was the result of the commercialization of a new product. Growing the Medical segment is one of the cornerstones in our strategy for profitable growth. With this order, we are taking an important step in adding to our addressable market by accessing several new patient applications.

We also received several major orders for advanced tubes for the Oil and Gas as well as for the Power Generation segment during the year. Our view of an underinvested energy sector remains intact and the prospect list for Oil and Gas projects remains solid, at the same time as we are seeing an increasing number of prospects within renewable energy. Discussions progressed well in relation to future power projects and activity remain on a high level.

Strategy on track

We introduced Alleima and our strategy at a well-received Capital Markets Day in Sandviken on August 23. Our strategy is aligned with four key megatrends that are increasing the demand for our advanced materials, such as the energy transition, energy efficiency, electrification, and an aging population driving medical growth. Our strategic direction is focused on strengthening our position as a technology leader, progressive customer partner and sustainability driver. I'm pleased to say that, among other things, we have committed to setting targets in line with the Science Based Targets initiative and to becoming a net-zero carbon emissions company by 2050.

We recognize the strength of having a diverse and inclusive organization and work with the AllBright Foundation to ensure we remain focused on diversity, equality, and inclusion. We constantly work to continuously improve safety and see a need to further increase our efforts in 2023 with a focus on several local initiatives.

Our new core values (We care, We deliver, and We evolve) have been selected to build a corporate culture where people are encouraged to develop, perform and thrive. I believe it is largely due to this culture that we were able to deliver so well in 2022. I want to thank all employees at Alleima for their impressive work during the year. Together we finalized the separation process, started a new existence as a listed company, and launched a new name and brand – all while maintaining an unwavering focus on developing our business.

During the year we continued to execute on our journey of profitable growth – both organic and through acquisitions in selected attractive segments. The Medical segment is characterized by fast market growth, and it is less cyclical than other segments.

In 2022, Alleima acquired Endosmart Gesellschaft für Medizintechnik GmbH (Endosmart), a Germany-based manufacturer of medical devices and components made of nitinol, a shape memory alloy with the unique ability to return to its undeformed shape when heated at a particular temperature and to undergo large deformation without permanent deformation, which makes it suitable for medical applications. The Endosmart acquisition adds new products and materials to our portfolio and further expands our capabilities in the medical segment, combining our in-depth know-how within materials technology with the niche competence of Endosmart.

We also acquired the Germany-based company Gerling GmbH, a precision tube engineering company serving multiple industries including the fast-developing hydrogen market. The combination of Alleima and Gerling will increase the opportunities in the hydrogen refueling stations market by adding engineering know-how and capabilities. With our combined engineering know-how, we have created mobile, digitally connected micro-factories that enable stratening and cutting of precision tubes directly on site, saving customers unnecessary material waste and time losses and supporting the establishment of hydrogen refueling stations.

Finally, we acquired the remaining 30% of the US-based joint venture Pennsylvania Extruded Tube Company (PEXCO). Alleima has owned 70% of PEXCO, and Nippon Steel, the remaining 30% since the establishment of PEXCO in the mid-90s. Taking sole ownership of PEXCO will give us the freedom to fully adapt the production to our needs and thereby strengthen our local capacity to better serve our customers in the region.

Product innovations

Throughout Alleima I see pride in contributing to a technology and sustainability leader that develops premium products.

We launched several new products during the year such as Freeflex™, the latest addition to the Alleima product portfolio for compressor valve applications. It presents an opportunity to significantly reduce the world's CO_2 emissions from cooling applications such as air conditioners.

We also added Sanicro 625® bar to our growing family of high-performing nickel alloys. This is a very versatile material for a broad range of demanding applications including the renewable energy segment where we see a strong interest for materials that can resist highly corrosive environments.

Within our Kanthal division we formed a dedicated team responsible for helping current and potential customers within the steel industry to make the shift to electrified heating processes.

Looking ahead

I have been a part of this company's journey for many years, as President of Sandvik Materials Technology, and I am excited about our future opportunities as Alleima.

In the coming year, we will continue to execute on our strategy and capitalize on the global megatrends, including the transition to renewable energy and electrification.

Our focus will be largely on growing within profitable and less cyclical segments such as the Medical, Hydrogen and Renewable Energy, Industrial Heating or Chemical and Petrochemical segments. We also see an opportunity to leverage on the strong recovery in the Transportation segment, mainly for aerospace, among other areas. Being able to offer products to a wide range of customers is one of our strengths, especially in a volatile market.

With our fully integrated value chain, premium offering, metallurgy expertise and global footprint, we are more than ready to serve customers with innovative materials that improve sustainability and contribute to their profitable business growth.

I am proud of what we have achieved as an organization in 2022. The year has been full of both challenges and opportunities, and we have written a new page in our history with the listing on the Nasdaq Stockholm Stockholm Exchange. We are Alleima, a leading advanced materials company, and although we have 160 years of experience behind us, our journey has just begun.

Göran Björkman
President and CEO

Presenting the Alleima strategy on our first Capital Markets Day on August 23, 2022.

A global footprint

Locations

- Service center
- Production unit

Many of our customers operate globally. With production capacity on three continents, Alleima has created a platform to meet the customers' complex needs. We have a well-invested production footprint including two steel mills and 26 production units, including three service units, spread across the globe. The largest production facilities are located in Sandviken, Sweden, and in Chomutov, Czech Republic. This global presence ensures proximity to our customers, flexibility and specialization.

Through close customer cooperation, deep industry knowledge, and leading materials and process know-how, we find innovative ways to solve our customers' complex challenges to make their operations safer, more efficient, profitable and sustainable.

— Global presence and proximity to customers
— Creating flexibility and back-up
— Enabling specialization

Hallstahammar, Sweden
Kanthal main manufacturing site and steel plant.

Chomutov, Czech Republic
Mill for seamless tubes, such as umbilicals, heat exchanger tubes, and small diameter tubes.

Sandviken, Sweden
One of Sweden's largest industrial sites in terms of ground area with ~3,000 employees and consultants at Alleima

- Melting, refining, casting, hot rolling
- Hot extrusion (three extrusion presses)
- Tube mills (seamless tube and pipe, steam generator tubing, zirconium tubing)
- Rock drill steel
- Precision Strip
- R&D

Zhenjiang, China
Production unit for stainless steel tubing and a service center for precision strip.

Mehsana, India
Tube mill, production of heat exchanger tubes and hydraulic and instrument tubes.

Pune, India
R&D Center

Sales in
90+
markets

5
R&D centers

40+
sales offices

26
production sites across the globe

Our fully integrated value chain, from R&D to end product, leading metallurgy expertise and global presence, ensures industry-leading technology, quality, sustainability, and circularity.

Fully integrated value chain

Customer need identification across the value chain

R&D

In-house R&D and metallurgy expertise enable solving complex customer material challenges.

Melting

Two steel plants, melts, refines and casts high-alloy stainless steels and alloys.

Hot working

Rolling and forging, extrusion and heat treatment capabilities.

Our expertise covers the entire value chain: from application knowledge to modeling and alloy design, to pilot plan, to analysis and application testing, to scale up and full-scale production, and continued to additional application knowledge.

The Alleima business model is based on a fully integrated value chain, including in-house R&D, two steel plants, five extrusion presses and several hot-working, cold working and finishing facilities spread across 26 production units, including three service centers, in 14 countries.

This is a key enabler for our prominent metallurgy expertise.

The control of the entire value chain, from R&D to final product, ensures independence and enables many benefits such as customer need identification, customization of products, the ability to ensure premium quality, as well as full traceability and consistency in delivery.

The integrated value chain also reduces the exposure to supply chain disruptions. Alleima has its own global sales force across more than 90 countries and 80% of revenues come from direct sales. We work in close collaboration with our customers and in long-term partnerships to develop customized solutions. This is a great advantage for the successful development of new materials and products. Innovation is, and has always been, a key to our success and is essential for our customers.

Our material technology experts guide our customers early in the selection of the right material and thanks to our extensive knowledge of industrial processes and customer applications we can serve our customers early on in the design process and secure that the right material is produced and finished for their needs.

The benefits achieved by controlling the entire production line include the ability to maintain a narrow chemistry outcome, ensure the highest standard quality control and monitor the various steps to optimize process flows. Equally, we can take a holistic approach to sustainability by minimizing the environmental footprint along all phases of our production.

Cold working

Expertise in cold rolling and hardening of precision strip and tubular products.

Finishing

Testing competencies, and finishing capabilities for final properties.

Marketing & Sales

A global salesforce with customer relationships characterized by high degree of technical collaboration.

Alleima has four long-term financial targets.

Financial targets

Organic growth

— Deliver profitable organic revenue growth in line with or above growth in targeted end markets over a business cycle

↗

Performance

— Organic revenue growth was 13% for 2022, which was above the growth in our targeted end markets

13%

Earnings

— Adjusted EBIT margin (exluding metal price effects and items affecting comparability) to average above 9% over a business cycle

>9%

Performance

— Adjusted EBIT margin was 9.1% for 2022

9.1%

Capital structure

— Net debt in relation to Equity below 0.3x

<0.3x

Performance

— Net debt in relation to Equity was 0.0x at the end of 2022

0.0x

Dividend policy

— Dividend on average 50% of net profit (adjusted for metal price effects) over a business cycle. Dividend to reflect financial position, cash flow and outlook

50%

Performance

— The Board proposes a dividend of SEK 1.40 per share. The proposal corresponds to 38% of profit for the period (adjusted for metal price effects) for 2022

38%

Based on proposed dividend

Our long-term sustainability targets are built around four focus areas.

Sustainability targets

Climate and circularity
- SBTi: net-zero latest by 2050
- Reduce Scope 1 and 2 CO_2 emissions with more than 50% by 2030
- 83% recycled steel in finished product by 2030
- Define waste circularity target for 2030

Performance
- Commitment to SBTi, waste circularity target established

Market leadership
- Grow sustainable product portfolio at a faster pace than total growth
- Leading in the market from a sustainability perspective

Performance
- Sustainability perception included in customer satisfaction surveys

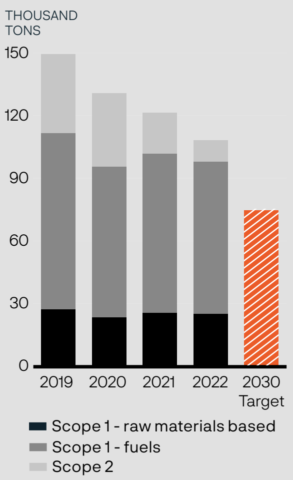
Responsible employer
- Reduce TRIFR with more than 50% by 2030
- All our people can operate at their full potential and at the same time feel valued and welcomed whoever they are

Performance
- AllBright survey launched

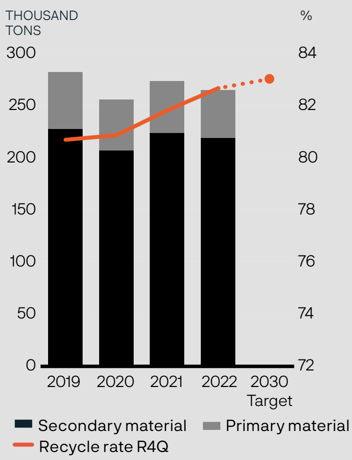
Ethical business conduct
- Business ethics and compliance culture evolving with the regulatory standards utilizing technological advancements
- All suppliers compliant with the Alleima Supplier Code of Conduct by 2030

Performance
- Compliance House* roll-out 100%, Supplier Code launched, 26% of spend compliant

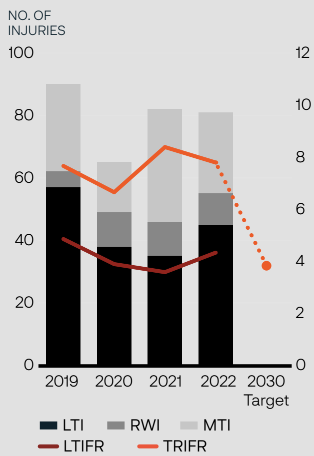
GHG emissions



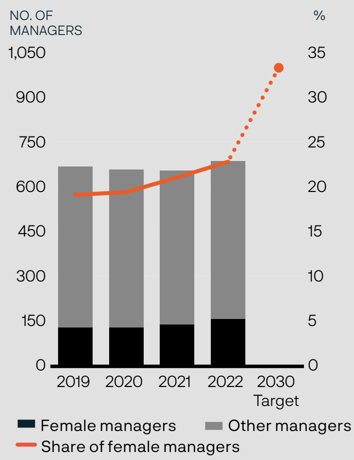
Recycled steel, %



Health and safety – TRIFR



Share of female managers



Lost Time Injury (LTI), Lost Time Injury Frequency Rate (LTIFR), Restricted Work Injury (RWI). Medical Treatment Injury (MTI), Total Recordable Injury Frequency Rate (TRIFR).
Greenhouse Gas Emission (GHG).
* Read more about Compliance House on page 150 in NF4.

Our proud history

1862
Originates from Sandviken, Sweden
The Bessemer process makes it possible to manufacture steel on an industrial scale

1880
Leading supplier
Becomes a leading supplier of cold rolled strip steel and flat wire

1888
Seamless tubes
Begins supplying the new power generation industry with seamless steel tubes for the energy industry

1921
Stainless steel
Production start. Already then, scrap from our own production was remelted in the new induction furnace

1924
Stainless tubes
Introduces the first seamless tubes made of stainless steel in the market

1975
High-strength steel
Develops high-strength steel for oil wells located at great depth in difficult conditions

1985
Duplex material
The first duplex material, SAF™ 2205 made it possible to extract oil in the North Sea (~100m)

1986
Kanthal® APM
Introduces a powder-based alloy with exceptionally good form stability and oxidation resistance

1991
Super-duplex
SAF™ 2507 super-duplex umbilical tubes for deep-water oil extraction are introduced




1997
Acquisition of Kanthal
Acquires Kanthal to supplement the product range with products for industrial heating and resistance materials

2010
High-temperature materials
Presents a full range of materials in iron-chromium-aluminum (FeCrAl) and nickel-chromium (NiCr) alloys that withstand high temperatures

2012
New tube mill
A new state of the art tube mill for steam generator tubes for nuclear power is inaugurated and opened for operation in Sandviken, Sweden

2016
Fine medical wire
Introduces Exera® fine wires and wire-based components for life-changing medical devices

2018
Divestment of Wire
Completes the divestment of its wire business, improving profitability

Acquisition of Custom Electric Manufacturing
A manufacturer of original equipment and replacement heating elements

2019
Acquisition of Thermaltek
A manufacturer of high temperature furnace systems and metallic heating elements

2020
Acquisition of Summerill Tube Corporation
A manufacturer of high precision tubes

2021
Acquisition of Accuratech Group
A niched medical wire forming and component manufacturer

Freeflex™
Introduces a compressor valve steel, that withstands tougher operating conditions, delivering higher energy efficiency

2022
Listed Company
Alleima is carved out of Sandvik and becomes a publicly listed company

Acquisition of Gerling
A precision tube engineering company

Acquisition of Endosmart
A nitinol expertise company manufacturing medical devices

Why do we do what we do? It is our unfailing belief in our brand promise, 'Advancing Together', which sets the tone and direction for us as a company.

Positioning and culture

Our brand promise
Our brand promise “Advancing together” sets the tone and direction for our brand. Through close and long-term customer relationships and leading materials solutions, Alleima advances customers' operations and enables new technologies.

What sets us apart from all the rest
Through our offering and in-depth expertise in materials technology, metallurgy and industrial processes, we enable our customers to become safer, more efficient, profitable and sustainable.

Our brand drivers “Technology leader”, “Progressive customer partner” and “Sustainability driver” are the foundation for our brand, both internally and externally.

Technology leader
We have two passions: material perfection and people. It is why we are fiercely devoted to giving our customers the absolute best in materials technology. And why we work hand-in-hand with clients to move industries, innovation and society ever forward. We aim to recruit the most renowned material experts and manufacturing specialists and be a preferred employer.

Progressive customer partner
From R&D to the final product, we enable our customers to find the best material and solutions for their processes. Our customers can depend on us to challenge them. To anticipate their next move. To work out what they need before they realize it themselves. That is how they can rely on us to always move them forward.

Sustainability driver
Our customers are as varied as the industries in which they operate and we serve each one as sustainably as possible. By using engineering as a force for sustainable good, we work together with clients to make innovative changes. Changes that bring about the biggest difference.

The secret recipe lies in our culture and in our core values, We care, We deliver, and We evolve.

We care

We take pride in what we do. We care about our customers, our people, our owners, the environment, the communities in which we operate, and the future that we share.

We deliver

We deliver on our commitments. With a solution-oriented mindset, we enable our customers to be their very best: more efficient, more profitable, more sustainable.

We evolve

We constantly evolve. Together, we take the lead to advance materials, ambitions, industries, ourselves and societies for the better.

Leveraging global trends

Four key global megatrends contributing to our growth.

Our strategy is aligned with four key megatrends that are boosting demand for our advanced and high-performance materials and will contribute to our profitable growth. Alleima is well-positioned to capitalize on these trends.

Changing demographics

A growing population will drive consumption and increase the need for industrial production and energy. The proportion of people over the age of 60 is also growing, along with technological advancements in healthcare and remote patient monitoring, leading to higher demand for medical care and equipment.

Alleima has a broad product portfolio to meet these needs. Our medical wire solutions are used in patient monitoring components, cardiovascular devices and cochlear implants, to name a few applications in that field. Our tubular and heating offering for the Industrial, Power Generation, Chemical and Petrochemical, and Industrial Heating sectors is market-leading, and meeting the growing and changing energy demand.

Increasing and changing energy demand

The demand for more energy, and renewable energy in particular, is expected to increase even further, driven by population and economic growth. The trend will primarily drive growth in the Power Generation, and Hydrogen and Renewable energy segments, as well as the growth in the underinvested energy sector.

Alleima is well positioned to capture growth in the transition to sustainable alternatives, as lighter, stronger materials, and materials that withstand higher temperatures and more corrosive atmospheres are required. Our product portfolio includes a wide range of special alloys and tubing for applications within hydrogen, geothermal, offshore wind, solar energy, carbon capture storage, and biopower. We also offer tubular products for the nuclear industry and for the exploration and production of oil and gas. Our coated strip steel is used in fuel cell applications for transport and in Hydrogen and Renewable energy applications.

Electrification of industry and transportation

In the efforts to reduce CO_2 emissions, many industries are turning to electricity, which is expected to account for an increasing share of the global energy consumed in the future, particularly within transportation and heating processes.

Alleima is in an excellent position to serve industrial customers as they transition from fossil fuel furnaces to electrical furnaces. Within the Kanthal division we have a wide range of products and solutions for sustainable industrial heating and resistance materials. We have the technology, expertise and global presence that customers need for their electrification journey.

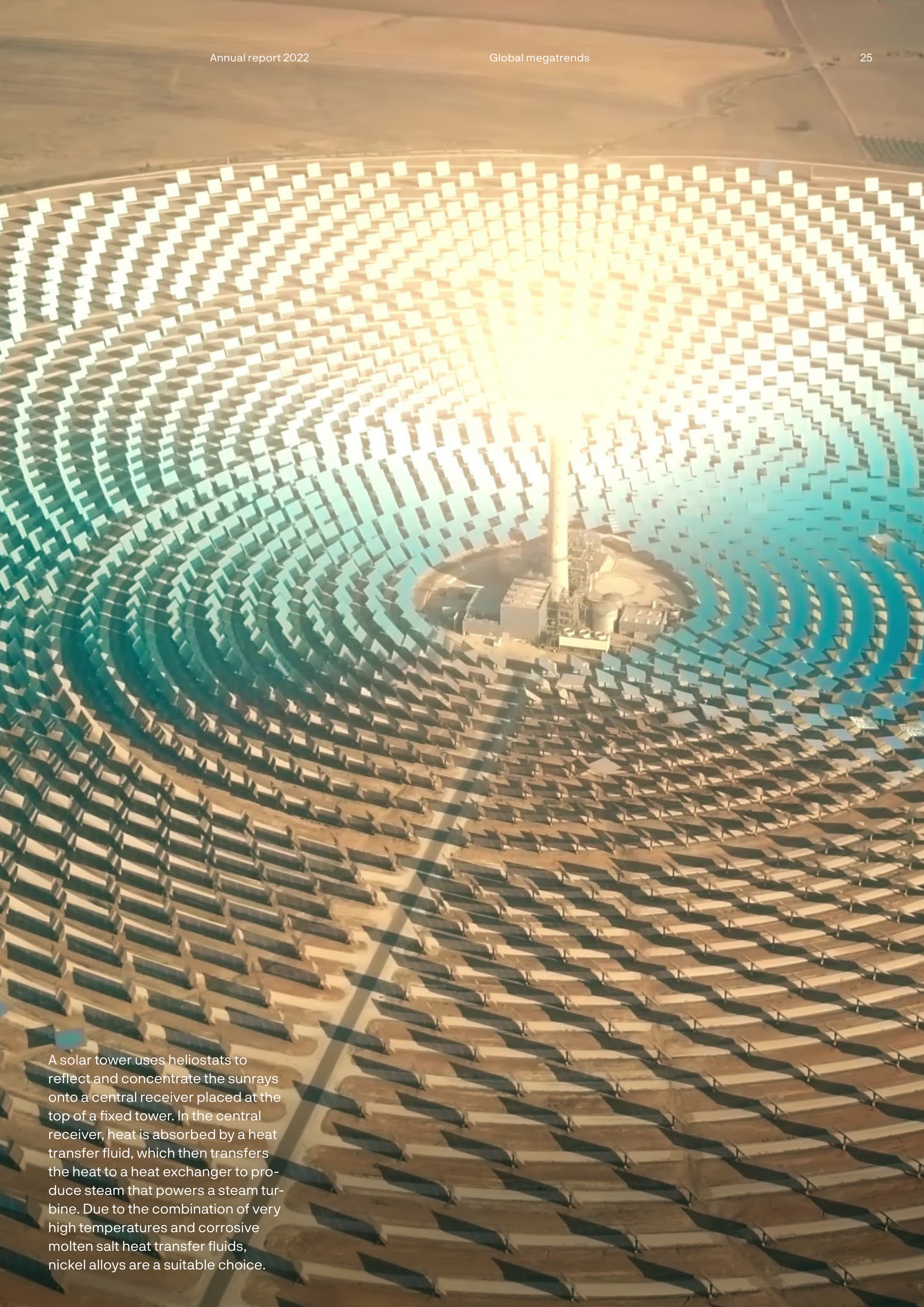
Growth is also driven by an electrification trend increasing sales of electric vehicles with lithium-ion batteries. The production of which requires elements which Alleima produces.

Growth in emerging markets

Living standards are improving and industrial growth is taking place in emerging markets. This generates opportunities across all our customer segments.

Alleima sees vast opportunities to grow in emerging markets, where there is strong demand for high-pressure equipment for fertilizer production, application tubing products for hydraulics and instrumentation, heat exchangers, process tubing and other products.

With a leading position in emerging markets for consumer goods, we aim to meet the growing demand for precision strip products for razor blade steel and compressor valve steel used in air conditioners and refrigerators.



A solar tower uses heliostats to reflect and concentrate the sunrays onto a central receiver placed at the top of a fixed tower. In the central receiver, heat is absorbed by a heat transfer fluid, which then transfers the heat to a heat exchanger to produce steam that powers a steam turbine. Due to the combination of very high temperatures and corrosive molten salt heat transfer fluids, nickel alloys are a suitable choice.

A strategic direction building on four pillars

Our strategic direction is focused on strengthening our position as a technology leader, progressive customer partner, and sustainability driver. The strategy is based on four pillars for success: profitable growth, materials innovator and technology leader, operational and commercial excellence, and industry-leading sustainability.


At the Surface Technology facility in Sandviken, Sweden, we produce pre-coated strip steel to be formed into bipolar plates for fuel cell applications, using a technologically advanced, vacuum-coating process.

Profitable growth

Profitable growth will be achieved by capitalizing on the megatrends driving growth across all customer segments, particularly related to the global energy transition, electrification, growth in the medical market and the growth in the underinvested energy sector. We will also grow through acquisitions within key niche areas.

The growth agenda of Alleima is focused on delivering profitable organic growth in selected areas of the whole product portfolio, as well as selected growth areas such as Industrial heating, Hydrogen and Renewable energy, Medical, and Chemical and Petrochemical. We have set an ambitious growth agenda for the coming years.

Already today, division Kanthal® is partnering with energy-intensive industries, such as steel and aluminum, to help reduce their carbon footprint. For the ongoing energy transition, Alleima materials can play a pivotal role. Advanced materials for the medical sector where Alleima has presence and extensive technical know-how today, is an additional opportunity for continued growth, particularly within the wire-forming and coating area.

Materials innovator and technology leader

Alleima is a niche player within its industry with strong competence and advanced materials know-how. Maintaining a continuous focus on R&D activities, based on material science and deep customer application knowledge, will enable us to capture new business opportunities, defend and strengthen the current business and widen our materials portfolio. We will also increase the pace of new product introductions, for example, process technology and metallurgy for high nickel and special alloys. Alleima has a unique ability to innovate along the entire value chain, including within processes and manufacturing.

In recent years, several new products have been released, including super austenitic high strength steel Sanicro® 35, next generation compressor valve steel Freeflex™, Safurex® Star, Kanthal® Flow Heaters, Sanicro® 625 and Sanicro® 276, as well as Exera® medical-grade wire-based components for medical devices, e.g., cochlear implants.

Operational and commercial excellence

We maintain a high level of operational and commercial excellence through continuous improvements and footprint optimization, digitalization and automation, pricing management and mix optimization. Data simulations enable quality and energy efficiency improvements, and big data brings opportunities to fast-track the grade development of alloys. Maintaining cost efficiency and improved utilization of mills are additional focus areas.

Alleima strives to be an attractive employer and strengthening employer branding is among our priorities. Our people strategy focuses on talent attraction, securing competence for the future, as well as diversity, inclusion and belonging.

Industry-leading sustainability

Alleima has identified sustainability as one of the most important success factors and an important driver for profitable growth.

Sustainability is present in all aspects of our operations, and we continuously work to further minimize emissions and ensure employee safety and well-being. Today, the amount of recycled material in Alleima products is above 80%, and approximately 96% of the global electricity usage is fossil-free.

The main contribution to sustainability is through our product offering, enabling the transition to renewable energy by developing less mature applications such as concentrated solar power, carbon capture and storage and geothermal energy, electrification of industries, innovation in the medical sector and much more. Alleima products play a key role in advancing technologies. We aim to lead the market in sustainability and circularity through ongoing investments in the development of our already today strong sustainable product offering.

Examples of strategic activities in 2022 are described in the presentations of the divisions on pages 42-59.

Capturing the energy transition opportunity

Throughout our history, Alleima has developed innovations that have made a positive impact on society and sustainability. Based on leading R&D capabilities, over time, we have built a portfolio that has made us an industry forerunner. This portfolio of products and solutions has put Alleima in a very good position to capitalize on the transition to renewable energy sources.

Alleima is targeting growth areas within hydrogen applications, solar power, biopower, offshore wind, carbon capture and storage, geothermal energy, and the electrification of industry.

An example of this is our ability to offer pre-coated stainless strip steel for hydrogen fuel cells, a technology that produces zero harmful emissions. Within hydrogen applications, we also offer solutions for hydrogen refueling station infrastructure.

Alleima already has a strong platform in the hydrogen market with an on-site container solution for the manufacturing of high-pressure tubes required in hydrogen refueling stations. The mobile and connected container can be deployed in all kinds of conditions and locations tailored to suit customer needs, and reduces waste, increases safety and provides time and cost savings.

Our advanced and high-quality products help provide customers with more structural strength, corrosion resistance and high-temperature resistance.

At the same time, Alleima is also in a very good position to capitalize on the growth in the underinvested energy sector, and the expansion of the natural gas infrastructure, which is expected to play an important role in the transition toward renewable energy sources. We work together with our customers to lower their CO_2 footprint, for example in carbon capture and storage initiatives.

Product offering enabling a sustainable future

Tube

Renewable energy transition

- Hydrogen refueling stations
- Concentrated solar power
- Biopower
- Offshore wind power
- Carbon capture and storage
- Geothermal energy

Kanthal

Electrification of industry

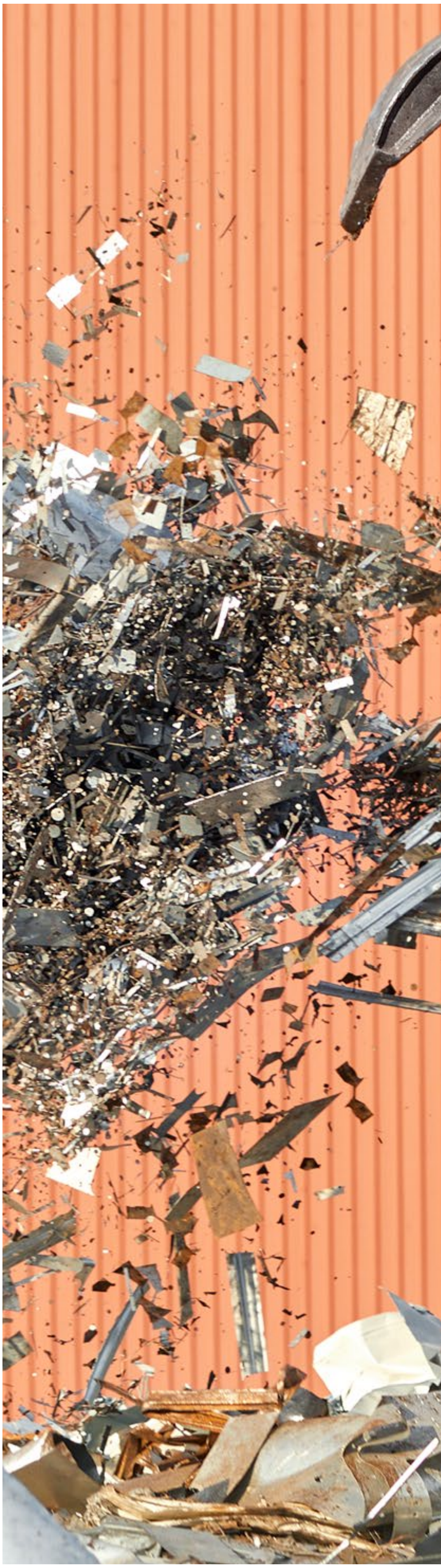
- Gas to electric industrial heating
  - Steel industry
  - Solar industry
  - Lithium-ion battery industry

Strip

Energy transition and efficiency

- Hydrogen fuel cell technology
- Energy efficient compressor valve steel

Being a sustainability driver is at our core



Sustainability is present in all aspects of our operations and is an integral part of our commercial strategy.

Sustainability is one of the most important success factors and driver for profitable growth. Sustainability and circularity come naturally in our daily operations, while our products and solutions enable greater energy efficiency, renewable energy production and greener transportation.

For more than 100 years, we have based our production on recycled steel. Today, sustainability is deeply embedded in our operations. It is our commitment to minimize the impact on the environment from our own operations and energy usage.

However, our largest contribution to sustainability is through our products. Our offering is geared at making our customers' processes safer, more sustainable and more efficient. Alleima products play a pivotal role in advancing technologies to tackle the challenges of the future.

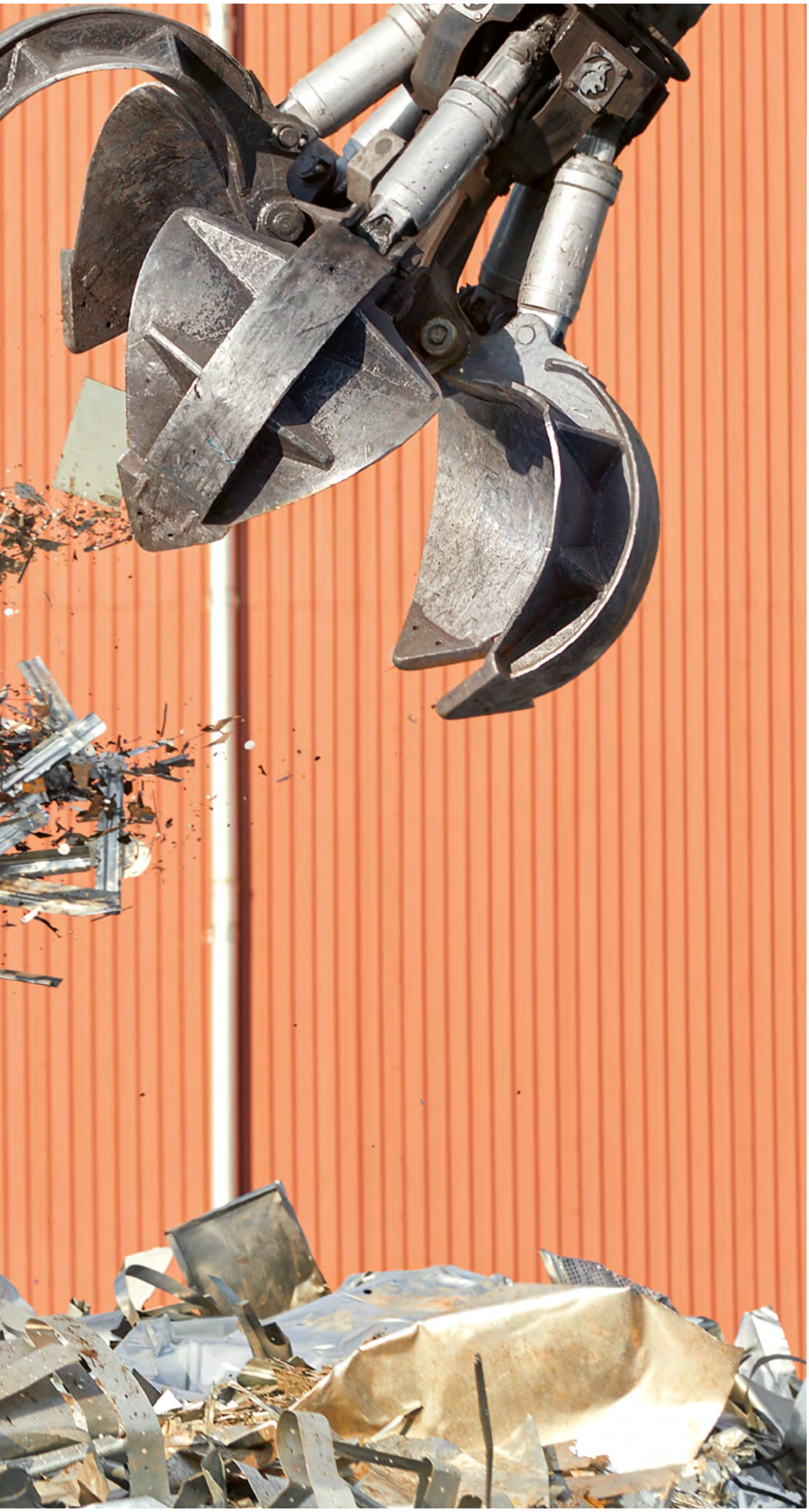
We develop solutions that enable the transition to electrification and renewable energy sources and make life-saving medical innovations possible. Our products and materials are designed to withstand the extreme temperatures and corrosive conditions in solar power, geothermal energy, and bioenergy, and our Exera® medical precision wires are used in a variety of applications, such as for glucose monitoring in diabetes care, in pacemaker leads and for cochlear implants. And those are just a few examples of how we can contribute.

Helping customers reduce emissions

Focusing on sustainability brings multiple benefits from a business perspective as well as the obvious environmental and societal aspects. As companies pay an increasingly high price for their emissions, Alleima is in a position to support them in their efforts to lower emissions and meet their climate targets.

With our compressor valve steel, customers can manufacture smaller and more efficient compressors for their refrigerators, freezers, air conditioners and other appliances and devices. Energy efficient compressors are significantly reducing the world's CO_2 emissions.

A CO_2 tracker on Kanthal's website continuously updates how Kanthal solutions are reducing CO_2 emissions for our customers by electrifying their industrial heating processes. We are currently tracking the saved emissions from 34 customer installations. By the



83%
recycled steel

96%
fossil-free electricity

end of 2022, the CO_2 savings amounted to more than 200,000 tons. This is approximately how much CO_2 45,000 cars emit per year.

Advancing sustainability
Industry leadership in sustainability is a dominant theme within our operations. With this strong focus, Alleima as a company will continue to make a positive impact on society. We can operate more efficiently, attract and retain the best talent, and stay successful for many more years to come.

Within our operations we are focused on four specific goals: Climate and circularity, Market leadership, Responsible employer and Ethical business conduct.

Climate and circularity
Alleima has a relatively low climate footprint from operations due to the use of recycled steel and fossil-free electricity in our production facilities. Since 2013, all Alleima operations in Europe have been running on 100% fossil-free electricity. Approximately 96% of the global electricity usage of Alleima is fossil-free.

We aim to put all of our byproducts and waste to use and lead the industry in circularity. Our products consist of more than 80% recycled steel, some of which is procured through our materials buy-back program. We produce steel by melting scrap metal instead of using virgin material. Steel is an excellent material as it can be recycled time and time again.

Slag accounts for the bulk of the waste we produce in our operations and in 2022 we defined our waste circularity target for 2030. This includes the recycling of slag for various uses, such as the construction of roads.

Responsible employer
We have been around for more than 160 years, and our future success is largely contingent on attracting and maintaining the right people and looking after them. Safety comes first at Alleima, with no room for compromise. We are working to achieve our goal of drastically reducing the Total Recordable Injury Frequency Rate (TRIFR) by 2030 through a focus on prevention and safety leadership. We will continue to develop our Environmental Health and Safety (EHS) management system to monitor activities and improve compliance.

All Alleima employees should feel valued and be able to work to their full potential. With this goal in mind, we are taking steps to promote this culture and ensure the psychological wellbeing of our employees along with their personal safety. We strongly believe that diversity, equality and inclusion are vital for innovation, business performance and the company's future success. In 2022, we appointed a dedicated resource to develop and improve our diversity and inclusion efforts.

Alleima works with the AllBright Foundation, a non-profit organization promoting inclusive and equal workplaces. The collaboration is designed to accelerate our equality and diversity work. Also on the Alleima agenda are diversity and inclusion targets, recruitment focused on diversity, workshops, a survey and other activities to promote an inclusive culture and behavior.

Ethical business conduct goal
Alleima is committed to ethically sound business practices and operating in compliance with applicable laws and regulations. In addition to business principles, policies and procedures, we have implemented the Compliance House tool throughout the organization to support ethical business conduct, related to anti-bribery and corruption, anti-trust and competition law, data privacy and trade compliance. We will continue to develop compliance systems and processes as the regulatory standards evolve.

All employees receive training in the Alleima Code of conduct which lays the foundation for how to act and conduct business responsibly. In order to secure an ethical and compliant supply chain we are setting up digital systems and tools to support suppliers' compliance to the Alleima Code of conduct. By 2030, all of our suppliers should be compliant with the Alleima Supplier Code of conduct. By the end of 2022, 26% of the annual spend had status Supplier Code compliant.

Market leadership
Sustainability plays a key role in the overall Alleima business strategy where we aim to be the market leader in sustainability and circularity. Our main contribution to sustainability comes from our products and solutions, which enable customers to transition to fossil-free energy and improve their energy efficiency. Through our materials technology expertise, we help customers increase their circularity, lower the weight of their products, and reduce their carbon footprint and the costs associated with carbon dioxide emissions.

Our market leadership and growth are largely driven by the global trends in circularity, energy efficiency and electrification. We have the products, solutions and know-how to capitalize on the current trends and meet market demand. This has put Alleima in a unique position. It is our goal to be an even stronger player in the transformation to a sustainable society.

See page 19 for targets related to each of the above goals.

UN Sustainable Development Goals

Alleima is committed to a number of international initiatives, including the UN Sustainable Development Goals (SDGs). We have selected ten of the 17 SDGs which are particularly relevant for our business and where we can make the greatest impact.

Ensure healthy lives and promote well-being for all at all ages. Continued development of Exera® medical wire for applications in various areas of life-changing medical technology, such as vascular therapy, sensing, and neurostimulation.

Achieve gender equality and empower all women and girls. Increased focus on DEI (Diversity, Equality and Inclusion) as part of the People Strategy and Alleima commercial strategy to improve gender balance, where the share of female managers continued to trend positively, measuring 22.8% end of 2022 compared with 19.1% in the base year 2019.

Ensure access to water and sanitation for all. Different initiatives and improvements are implemented to reduce the usage of fresh water and increase the circularity and reuse of water in general.

Ensure access to affordable, reliable, sustainable and modern energy. Alleima has signed agreements for all sites within EU to purchase fossil-free electricity. Globally, 96% of all electricity used within Alleima is fossil-free.

Promote inclusive and sustainable economic growth, employment and decent work for all. Continued strengthening of our safety culture with an increased focus on reducing the Total Recordable Injury Frequency Rate (TRIFR) in line with the long-term goal of zero harm to people.

Reduce inequalities within and among countries. Clear statements in the Alleima code of conduct on diversity, equality and inclusion are supported by rules in our People Policy and related procedures.

Ensure sustainable consumption and production patterns. A high degree of circularity is built into the Alleima business model. Approximately 83% of the final product are manufactured from recycled material. Buy-back programs of decommissioned products or waste material at customers introduced.

Combat climate change. Long-term target to reduce scope 1 and 2 CO_2 emissions by 50% to 2030. Scope 3 assessment performed during 2022.

Promote just, peaceful and inclusive societies. Compliance training, including principles for refusing to do business with people and entities engaged in illegal activities, fostering ethical behavior within the company and supporting to combat illicit trade flows having zero tolerance for any form of corruption and bribery.

Innovations that make the impossible possible

Being a materials innovator and technology leader requires a continuous focus on R&D activities. We aim to further increase the pace of new product introductions and have made considerable investments in R&D expertise, equipment, and facilities.

Alleima has roots that date back to 1862 and the industrialization of the Bessemer process. Today, we are a world leader in advanced materials technology, partly due to an unwavering focus on innovation and technology know-how.

Alleima currently has a portfolio of more than 900 active alloy compositions for processing into different niche applications – and over 850 patents. We have process competence in many areas, including hot working, extrusion, heat treatment, pilgering, and roll-to-roll PVD coating.

In 2022, we spent 1.1 percent of our revenues in R&D.

Alleima has five R&D centers located in Sweden (Hallstahammar and Sandviken), Germany, India and China. Establishing centers outside Europe has given us access to a larger skilled workforce which is advantageous in today's competitive search for talent.

Superior capabilities

Our R&D function consists of more than 250 material experts and manufacturing specialists, working with state-of-the-art R&D equipment comprising a complete metallographic lab with advanced instruments including high-end transmission and scanning electron microscopes. We also have laboratories for, among other things, mechanical testing, corrosion testing, welding and process chemistry, and a pilot melt-shop including small-scale hot and cold working.

Innovation and manufacturing processes are fully integrated at Alleima, from application knowledge to modeling and alloy design, chemical and physical analysis, application testing, pilot scale and full-scale manufacturing.

This, along with our ability to innovate along the entire value chain, from R&D to end product, makes us unique in the industry and offers a competitive advantage when it comes to customer service, speed and accountability. All of these capabilities ensure close customer collaboration, which is a key prerequisite for developing high quality, relevant products and solutions.

Each of the Alleima divisions – Strip, Kanthal and Tube – has a dedicated R&D team that works closely with customers on product development.

Solving customer challenges

For Alleima, being a materials innovator and technology leader is threefold: we must develop new products aimed at growth industries; defend and strengthen the core product portfolio through materials and process development; and widen the materials portfolio through advancements in capabilities, process technology and metallurgy for high nickel and special alloys.

Among our recent product developments is Sanicro® 35, a high alloyed austenitic grade that performs well in demanding environments such as wet corrosion applications. The material is well suited for refinery heat exchangers, seawater coolers and offshore hydraulic installations. Material from the Alleima Sanicro® family was used to develop the first industrial reactor for supercritical water gasification.

Other new product developments include a composite wire for the next generation Fractional Flow Reserve (FFR) device. FFR devices measure the pressure differences across coronary artery stenosis and has now gotten even smaller and smarter for less invasive surgeries and remote patient monitoring.

Alleima has expertise in materials, powder technology, modeling and data analytics and among other areas, is currently exploring powder metallurgy, new super duplex, austenitic and martensitic grades, materials for additive manufacturing, and surface coatings for energy conversion applications. Our research focuses on solving material challenges such as how to develop lighter materials for the aerospace industry, increase the corrosion resistance of materials or select the most suitable materials for future forms of energy.

Partnerships for innovation

One of the reasons for the company's past success – and why Alleima will continue to be successful going forward – is that we maintain long and fruitful collaborations with academia. Together with institutes focused on stainless steels and metallurgy, we have amassed a great deal of materials knowledge.

Alleima works closely with Swerim, an industrial research institute that develops and optimizes metallurgical processes and solutions in materials and manufacturing engineering. Research engineers at the Sweden-based institute focus largely on energy efficiency, recovery and the recycling of residual materials, additive manufacturing and materials development.

Alleima is also a member of Jernkontoret, the Swedish iron and steel producers' association; the Association for Materials Protection and Performance (AMPP); and Materials Technology Institute (MTI).

A progressive customer partner

We are a progressive partner to our customers and enable them to find the best materials and solutions for their processes and applications.

We have developed a mobile service solution container that uses a digitally connected system to straighten and cut coiled tubing on site to match customer specifications. It has the potential to be manned in person or steered remotely for everything from administrative details, such as certification and invoicing, to technological processes like the straightening and cutting of tubing.

Mobile service solutions are currently being deployed in Europe for Linde, a leading industrial gases and engineering company.

Johannes Fritzer, Research and Development, Linde Hydrogen FuelTech: “Installations on customer sites differ from project to project so it is essential to have tube solutions that allow us to realize different dimensions and lengths to connect the necessary units on the fueling station site.”

In addition to reducing waste and costs, the mobile service solution also offers the highest possible level of safety.

Supercritical water gasification

Dutch SCW Systems develops novel technologies to convert organic waste streams into carbon-neutral, or even carbon-negative, energy carriers. When it came to selecting the right material for the gasifiers used in its supercritical water gasification technology, SCW chose our Alleima Sanicro® family of nickel alloys and high-alloy austenitic stainless steels.

“For scaling an innovative, promising technology like this one, a close relationship with your supplier is key,” says Wout de Groot, Director Business Development at SCW Systems. “With every scaling step, we’re learning a lot, which, in turn, enables us to continuously improve our technology, processes and organization.”

Converting from gas to electric – reducing emissions to zero

Norwegian company Glasopor is one of the few manufacturers in the world producing foam materials from recycled glass. Its innovative products are used as fill for roads and railway construction and as insulation in buildings. To improve its environmental performance and reduce costs, the company decided to switch its energy source from gas to electricity, based on our division Kanthal electric heating technology.

“Our aim was to reduce our energy consumption by 28%. Today, our follow-up shows that the real reduction in energy is closer to 37% – even higher than we expected, which is fantastic! And on top of that, we have reduced our CO_2 emissions to zero,” explains CEO Kjell Håkon Helgesen.

Enabling sustainable transport and stationary power

Surface Technology within Strip division is a true enabler of the transition to a sustainable hydrogen society and offers a portfolio of pre-coated steel strips for forming and welding bipolar plates, which are critical components in the hydrogen fuel cell stack.

"We are in a ramp-up phase with high-speed coating capacity in Sandviken, and it covers two main business areas; Transportation and Stationary power", says Henrik Fintling, General Manager, Alleima Surface Technology.

The coating expertise is a high confidence factor among customers and partners, both OEMs within automotive and manufacturers of stationary fuel cells.

Fundamental research at CERN

CERN probes the fundamental structure of the particles that make up everything around us.

Alleima has an established business relationship with CERN and regularly receives inquiries about new procurements, via Big Science Sweden or from sales representatives at Alleima.

Tom Eriksson, EVP and Head of Strategic Research, having a research background, finds it exciting to work with a challenging client like CERN.

"It is really rewarding to be involved where it happens, where the research front is being moved forward. Our deliveries are often special orders and for me, it is interesting to see on-site how our materials can be used at CERN".

Heat pumps contributing to lower emissions

Heat pump systems for space- and water heating are becoming more common globally for residential and industrial applications. With a CAGR of 13% globally during 2021 the heat pump market (total 190 million units in operation) meets "still" only about 10% of the global heating need in buildings. With increasing policy attention and further technical innovations, it is expected that the number of heat pump installations will further grow rapidly in the coming years to a level covering 20% of global heating needs. The vast majority of heat pumps system contains a compressor that plays – together with the compressor valves within - a critical role in the efficiency of the total unit.

As the market leader in compressor valve steel Alleima has a strong material- and service offering to the heat pump segment as well. "Currently we are working with several heat pump OEMs and compressor manufacturers to optimize compressor designs. Especially our premium compressor valve materials like Alleima Hiflex™ and Alleima Freeflex™ have a great interest in the market and are getting to become the standard for the next generation of heat pump compressors", explains Remco Jongen, Sales Manager Strip Division.

The Alleima share

The Alleima shares were successfully listed on Nasdaq Stockholm on August 31, 2022.

Share price performance and share trading
The Alleima shares were listed on Nasdaq Stockholm's Large Cap list under the ticker 'ALLEI' on August 31, 2022. The share price at the end of the first day of trading was SEK 42.80. The price of the Alleima share decreased by 10.2% from the day of listing and ended the year at SEK 38.42, corresponding to a market capitalization of SEK 9.6 billion. From the first day of trading to the end of 2022, a total of 185 million shares were traded to a total value of SEK 7.2 billion on Nasdaq Stockholm.

Dividend and total return
Alleima has a long-term dividend policy to distribute on average 50% of net profit (adjusted for metal price effects) over a business cycle, with dividends to reflect financial position, cash flow and outlook. The Board of Directors has proposed a dividend of SEK 1.40 per share to the 2023 Annual General Meeting, corresponding to approximately SEK 0.4 billion and a dividend yield of 3.6% based on the share price at year-end. The dividend proposal corresponds to 38% of profit for the period (adjusted for metal price effects).

Shares and share capital
As of year-end 2022, the registered share capital was SEK 250,877,184, represented by 250,877,184 shares, each with a quota value of SEK 1. The share capital comprises one series of shares, with each share carrying equal voting rights and equal rights to dividends. Alleima does not hold any shares in treasury. On March 7, 2022, an Extraordinary General Meeting resolved on a share split and a directed share issue. The purpose of the share split and the directed share issue was to increase the share capital as well as the number of shares in Alleima to reflect the share capital structure of Sandvik (on the basis that five (5) shares in Sandvik entitled to one (1) share in Alleima) ahead of the separation of Alleima from Sandvik.

Ownership structure
The total number of shareholders according to the share register held by Euroclear Sweden AB (Swedish Securities Centre) was 126,932 at the end of 2022. The shares held by the 10 largest shareholders corresponded to approximately 43% of the share capital and the same amount of the voting rights. Swedish institutions and mutual funds owned approximately 51% of the share capital, international investors owned approximately 10% and Swedish private investors owned approximately 13%. Other/anonymous ownership was 26%.

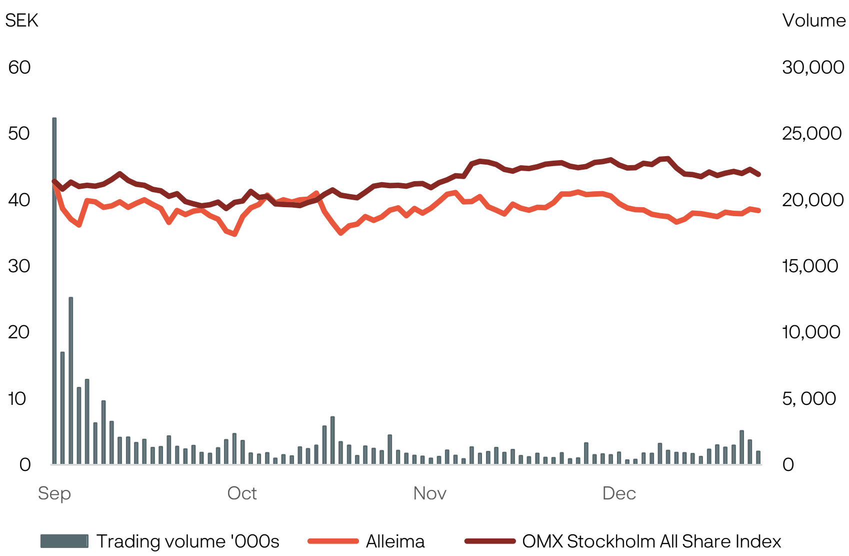
1.40

Proposed dividend per share, SEK

List of covering analysts

Bank of America	Patrick McMann
Danske Bank	Viktor Trollsten
SEB	Fredrik Agardh

Alleima share price development August 31 - December 31, 2022



Ownership by geography

Ownership by category

Source: Modular Finance AB. Compiled and processed data from various sources including Euroclear, Morningstar and shareholders.

Largest shareholders

Shareholders	Total number of shares	Shares and votes, %
Industrivärden	50,300,000	20.05
L E Lundbergföretagen AB	15,381,915	6.13
Vanguard	7,492,435	2.99
AFA Försäkringar	5,845,807	2.33
Swedbank Robur Fonder	5,676,134	2.26
Tredje AP-fonden	4,977,607	1.98
SEB fonder	4,899,140	1.95
Alecta Tjänstepension	4,568,193	1.82
Norges Bank	4,533,416	1.81
Göranssonska Stiftelserna	3,453,946	1.38
Ten largest shareholders, total	**107,128,593**	**42.70**
Other shareholders	**143,748,591**	**57.30**
Total	**250,877,184**	**100**

Share information

Exchange	Nasdaq Stockholm
Ticker	ALLEI
ISIN code	SE0017615644
Highest price paid	45.10 SEK
Lowest price paid	33.70 SEK
Closing price after first day of trading	42.80 SEK
Closing price at year-end	38.42 SEK
Market cap at year-end	SEK 9.6 billion
Number of shares	250,877,184

Share capital development

The table below shows the development of the Company's share capital since its incorporation on October 7, 2019.

Year	Event	Change in number of shares	Change in share capital, SEK	Total number of shares	Total share capital, SEK	Quota value, SEK
2019	Incorporation	–	–	1,000	50,000	50
2022	Share split	49,000	–	50,000	50,000	1
2022	Directed share issue	250,827,184	250,827,184	250,877,184	250,877,184	1

Winning platform to unlock shareholder value

Premium offering with solid market positions and diverse customer segment exposure

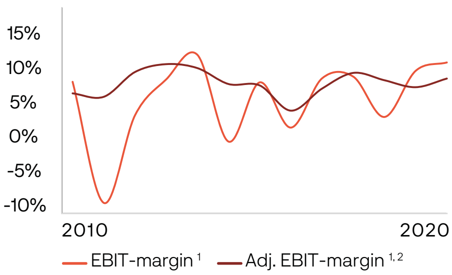
- High value-added products in advanced stainless steels and special alloys as well as products for industrial heating
- Strong market positions across a wide range of niche end-markets
- Diverse customer segment exposure reduces risk and volatility
- Long-term customer partnerships

Multiple and tangible levers to deliver profitable growth, capitalizing on global megatrends including the green transition

- Well positioned to capitalize on the megatrends of energy transition, energy efficiency and electrification
- A growing and aging population drives demand for energy and healthcare
- Growth of emerging economies drives demand for Alleima's products

Fully integrated value chain with prominent expertise in metallurgy and a global footprint

- Control of the entire value chain enables independence and is a prerequisite for development of new materials and products
- 160 years of experience and long-term customer partnerships
- Global footprint with 26 production units and 40+ local sales offices enables close customer collaboration



Solid foundation with attractive and resilient earnings and cash flow profile

- Operational and commercial excellence has improved the financial foundation, resulting in a strong earnings and cash flow profile
- Continuous footprint optimization is a lever to improve customer partnerships and cost base
- Price management and product mix optimization to reduce earnings volatility and improve profitability

(1) Segment reporting for Sandvik Materials Technology as per financials published in Sandvik's financial reports 2010-2021.
(2) Adj. EBIT is adjusted for metal price effects throughout the period. In addition, 2011-2012, 2015, 2017-2022 are adjusted for items affecting comparability.

With a premium offering across a wide range of end-markets, Alleima is well positioned to capitalize on global megatrends, including the green transition. The fully integrated value chain, leading metallurgy expertise, and global footprint, enable long-term customer partnerships and technological advancements. Alleima has a solid financial foundation – set to create shareholder value.

The Tube division develops and manufactures seamless tubes and other long products in advanced stainless steels and special alloys.

Tube

We have a broad range of niche products for key industrial segments serving our customers in Oil and Gas, Chemical and Petrochemical, Mining and Construction, Power Generation, Transportation, and other segments like the growing Hydrogen and Renewable segment.

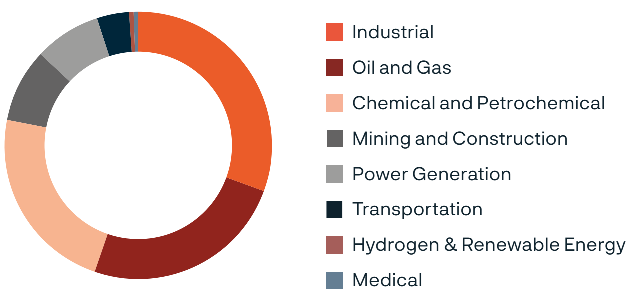
Our high-performance materials have excellent corrosion-resistance and mechanical properties, contributing to more efficient, reliable and safe industrial processes. We have market leading positions globally across several niche end-markets and product categories, including umbilical tubing, aerospace titanium tubing and steam generator tubing for nuclear power generation.

Market overview

Tube is well positioned for growth, with strong underlying trends driving demand within mainly the Oil and Gas, Hydrogen and Renewable Energy, Chemical and Petrochemical and Transportation segments. The year noted order intake growth of 48%, and the backlog is strong. Market conditions for low-refined products, mainly for the Industrial customer segment weakened during the second half of the year. For the full year, revenues increased by 34%, driven by a broad-based positive development, and by Oil and Gas products in particular, currency effects and alloy surcharges. Adjusted EBIT margin increased to 9.6% (7.4) driven mainly by higher revenues, a positive product mix and price increases

2022 in figures

Revenues by customer segments



Revenues by geography

Key figures

SEK M	2022	2021
Order intake	15,959	10,795
Revenues	12,804	9,530
Adjusted EBIT	1,229	707
Margin, %	9.6	7.4
EBIT	1,691	1,168
Margin, %	13.2	12.3
Number of employees	3,931	3,652

Adjusted EBIT excludes metal price effects of SEK 474 million and items affecting comparability of SEK -12 million in 2022 and SEK 385 million and SEK 76 million respectively for 2021

offsetting the adverse impact from cost inflation.

Profitable growth
The current global megatrends present many opportunities for the Tube division, which has identified key segments that will drive profitable growth in the future. We see growth opportunities in Hydrogen and Renewable Energy, and in the Medical segments, and in the Chemical and Petrochemical segment, particularly in the Asia region. Based on our leadership in umbilical tubing, we see additional growth opportunities in the underinvested energy sector. The recovery in aerospace is another sector with opportunities for profitable growth.

In 2022 we completed the acquisition of Gerling GmbH, a precision tube engineering company serving industries with solutions such as high-pressure control technology for hydrogen refueling stations. The acquisition paves the way for our further expansion into the hydrogen ecosystem. We also acquired the remaining 30% of the US-based joint venture, Pennsylvania Extruded Tube Company (PEXCO).

Materials innovator and technology leader
Tube provides highly sophisticated products that solve challenges related to complex corrosion, heat transfer, strength and weight, or fatigue. We offer the most comprehensive R&D capabilities on the market when it comes to adapting and developing new materials and we aim to grow and defend our leadership in alloy development.

This year we have added Sanicro® 625 bar to our growing family of high-performing Nickel-alloys. This is a very versatile material for a broad range of demanding applications including the Hydrogen and Renewable energy segment where we see a strong interest for materials that can resist highly corrosive environments.

Following years in the making, we received our first commercial orders for Sanicro® 35 for the Hydrogen and Renewable energy segment. This super-austenitic stainless steel alloy bridges the gaps between standard duplex or austenitic grades and nickel alloys, offering high corrosion resistance and excellent mechanical properties.

We work in partnership with our customers, and this has resulted in many long-lasting relationships. We are recognized for our knowledge, the depth of our technical advice and the support we can provide when it comes to materials selection. Throughout a project lifecycle we work with multiple parties within the customer's operations, as well as with technical designers, end users and others who are involved in a project.

Operational and commercial excellence
Tube drives a global initiative for continuous improvement with all production units working on performance improvements related to emissions, diversity, productivity, utilization, cost performance, quality, delivery precision and capital efficiency. We use a standardized approach so that all units can share learnings and benchmark against each other. The division has also begun operating fully automated tube production lines, which will be evaluated and expanded further.

Due to increased energy prices in Europe, energy surcharges have been introduced in parts of the business. In order to limit the impact of the energy cost increases, hedges are used on for example electricity and natural gas prices.

We have a strong global reach with extrusion plants in Asia, North America and Europe. In 2022, we finalized the consolidation of some tube mill activities by transferring operations from our mill in Sandviken, Sweden to the mill in Chomutov, Czech Republic. This will reduce our costs due to higher synergies and higher economies of scale. We entered the final phase of the expansion project at our Mehsana mill in India that will increase production capacity for heat exchanger tubing, along with hydraulic and instrumentation tubing. When completed in 2023, the investment will allow us to expand in Asia, particularly in the growing Chemical and Petrochemical segment.

Within Alleima we are updating our IT systems for a seamless flow in business and operational transactions. We offer customers digital solutions such as the E-Track online commerce platform and SGT Online, a service for data analysis and remote quality inspections for our customers in the nuclear industry. Our digital capabilities, which provide data in an instant and eliminate the need for customers and third-party inspectors to travel, put us in an advantageous position and were particularly valuable during the global pandemic.

Industry-leading sustainability
A sustainability mindset is present in our strategy, processes, operations and behaviors. We offer customer buyback program to remelt and recycle used tubes and more than 80 % of our final products are made from recycled materials.

Our product offering enables the transition to renewable energy sources, and we have tubular products designed for applications such as solar power, carbon capture and storage, geothermal energy, bioenergy and nuclear energy. We are world-leading when it comes to nuclear tubing for fossil-free electricity. With our nuclear tubing we have a key role to play as the production of both small and large nuclear reactors ramps up around the globe.

Our on-site micro-factory for the manufacturing of high-pressure tubes for hydrogen refueling stations has been a gamechanger for safer and more cost efficient installations of refueling stations. The micro-factory is housed in a mobile and connected container which can be tailored to suit individual customer needs and location. Tubes are cut on demand which reduces waste, cost and time while increasing safety. We are playing a vital role in the hydrogen build up in Europe and have started to enter North America and Asia with our tubing solutions for hydrogen applications.

Case story

Tube products give solar energy a boost

Alleima is contributing to the fossil-free energy transformation through its tube offering that includes Sanicro® 31HT. The alloy enables high performance and ensures the purity of polysilicon, which is essential for solar energy.

During 2022, tube orders were received for the high-temperature alloy Sanicro31HT for polysilicon production. Our customer uses this alloy in the final stages of the production.

Sanicro® 31HT from Alleima is an austenitic nickel-iron-chromium alloy with good structural stability at temperatures as high as 1,100 degrees Celsius. It has very good resistance to oxidation, combustion gases, carburization and nitrogen absorption. The alloy also offers good weldability and high creep strength.

It is these characteristics that make Sanicro® 31HT tubes highly suitable for a variety of industries and applications within furnace tubes, pigtails, muffle tubes, and solar energy, among others.

Sanicro® 31HT tubes are ideal for polysilicon manufacturing which is a key raw material for the growing solar energy industry. "We see exponential growth in the deployment of solar in the energy mix which links directly to the increased demand for polysilicon," says Glenn Darley, Marketing & Sales Director, Alleima China.

Polysilicon is a highly pure form of silicon with excellent semiconductor properties. It is an essential raw material in the making of solar photovoltaic (PV) cells used in solar panels. The more pure the polysilicon, the more efficient the solar panel is, which is why Alleima has been gaining repeat business from one of the world's largest polysilicon and solar panel manufacturers.

"Sanicro® 31HT has very good structural stability at high temperatures so it has a consistent and reliable performance in critical equipment used to make polysilicon. Any corrosion of material can lead to a reduction in the purity of the polysilicon," Darley explains. "The other important aspect is the surface finish on both the inside and outside of our tube. We supply tubes with a very smooth inner and outer surface which also improves operation and purity."

Alleima continues to work with polysilicon manufacturers and the respective design institutes on material specifications to further maximize the performance of the materials in solar applications.

Overview

Tube offers an extensive portfolio of seamless tubes and other long products in advanced stainless steels and special alloys used by customers primarily in the customer segments in Oil and Gas, Chemical and Petrochemical, Mining and Construction, Power Generation, Transportation, and other segments like the growing Hydrogen and Renewables segment.

Main competitors

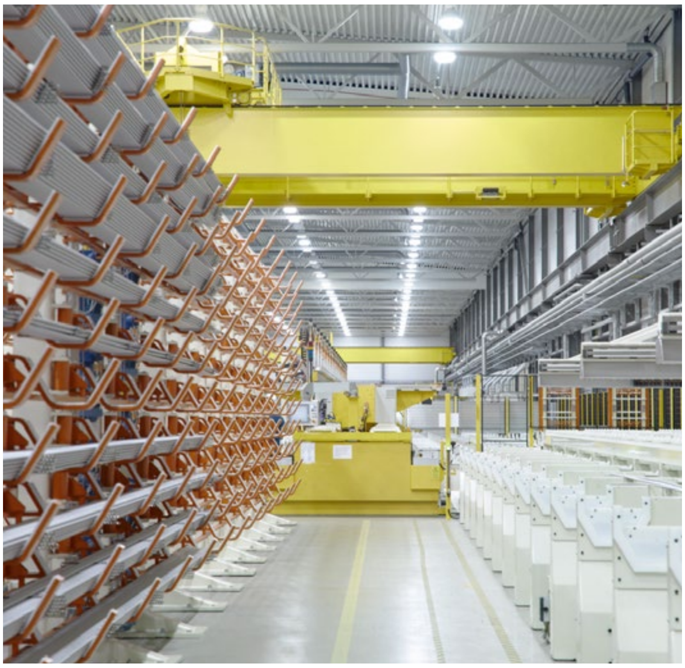
Tube's main competitors are Nippon Steel Corp., Tubacex, Salzgitter Mannesmann International and Jiuli. In addition, Haynes International is a competitor within the niche of special alloys.

Go-to-market model

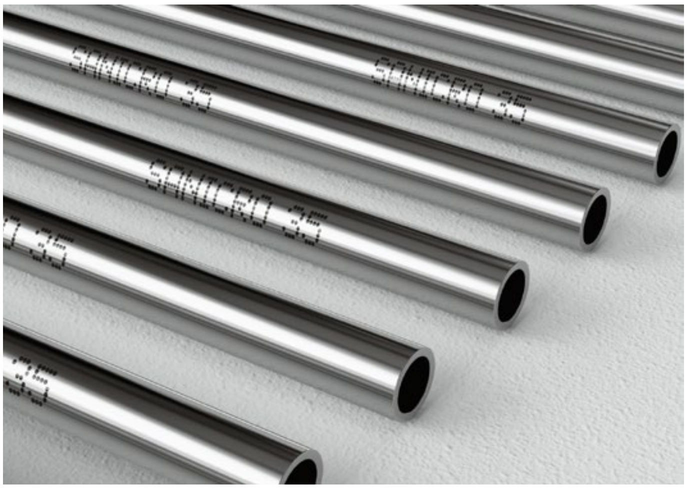
Approximately 75% direct sales. Focus is on working with end users and material specifiers to support technological developments and improve industrial processes. Strong local presence in key markets globally with sales and technical marketing resources.

Growth strategy

Alleima tubular products play a vital role in making industrial processes more efficient, sustainable and reliable. Oil and Gas is expected to remain an important segment. Growth opportunities have been identified in Hydrogen and Renewable Energy, and in the Medical segments, and in the Chemical and Petrochemical segment, particularly in the Asia region.

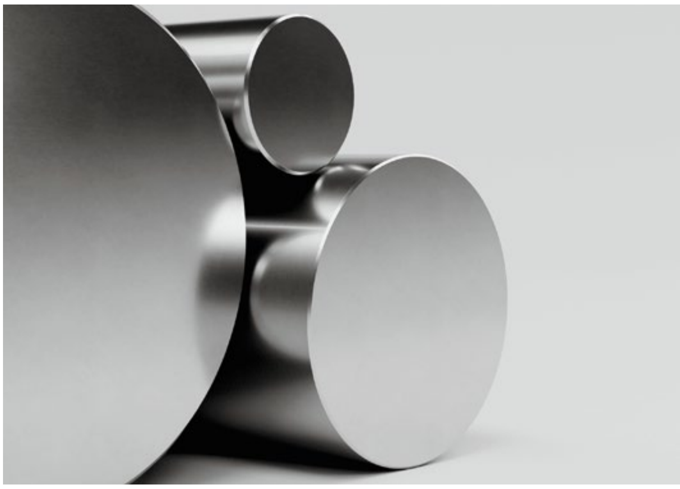


Product highlights



Sanicro® 35 – bridging the gaps to new possibilities
Sanicro® 35 is our award-winning material that bridges the performance gaps between stainless steels and higher-cost nickel alloys. It extends the lifecycle of heat exchangers and hydraulics & instrumentation lines exposed to corrosive environments or acids. Key industries include oil & gas, petrochemicals, and other demanding sectors. During the year, we received an order to supply tubes for two heat exchangers in a crude unit fractionator at a major refinery on the U.S. Gulf Coast. Previously the bundles contained hyper duplex stainless steel tubes, but challenging conditions called for an even higher corrosion-resistant alloy. Sanicro® 35 was seen as a preferred alternative to duplex and conventional austenitic steel and more cost-efficient than the more expensive nickel alloys.

Sanicro® 825 bar & hollow bar – more machining options
These optimized bar formats of Alloy 825 provide a high-performance, corrosion-resistant material for the cutting and machining of critical components such as valves, flanges and shafts. Long requested by customers in the energy, chemicals, and other demanding industries, they assure reliable, long-term performance of key components. This is the entry-level grade to our Sanicro high alloy bar portfolio, tailored to ensure exceptional performance when exposed to corrosive conditions, and especially hot and sour environments. The hollow bar option can cut machining and production process costs in half, with easier welding and fabrication as well.



Sanicro® 625 bar – raising the bar on nickel alloys
Sometimes referred to as the “gold standard” of nickel alloys due to its high 62% nickel content, this strong, corrosion-resistant bar is used to machine critical components where failure is not an option. Examples include valves, flanges, seals, couplings and other offshore oil and gas infrastructure where safe and reliable operation is essential. This “super alloy” offers high strength, extraordinary corrosion resistance, good fabricability and excellent welding properties. It is well perceived by industry because it stands up to acids, alkalis, seawater, and other wet corrosive conditions in both cryogenic environments and temperatures up to 593°C (1100°F).

Kanthal division is a provider of products and services in the area of industrial heating technology and resistance materials.

Kanthal

We offer materials for electric heating, temperature sensing and heat resistant applications, primarily to customers in the Industrial Heating, Consumer, Industrial and Medical segments. The offering also includes ceramic and metallic resistance heating furnace elements, and radiant modules and tubes for heating systems that generally require a higher degree of processing and refinement before delivery to customers. The Kanthal products enable the ongoing shift from fossil fuel-based furnaces to electrical furnaces. Kanthal also offers ultra-fine wire material and wire components for use in medical and electronic appliances.

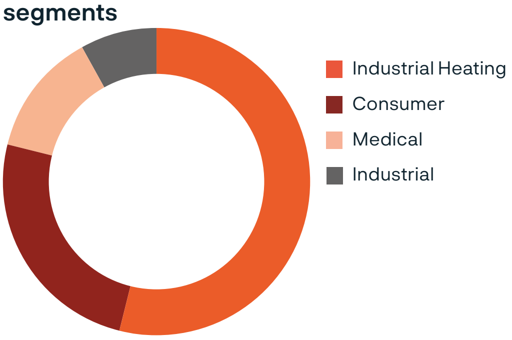
Within the Medical segment we go to market as Alleima and the main wire products are trademarked Exera®.

Examples of application areas include remote patient monitoring, such as continuous glucose monitors where material type and configuration provide high accuracy in the sensed and transferred data; cardiovascular, such as pacemaker leads where materials must have good cyclic fatigue and withstand corrosive environments; and neuroscience, such as cochlear implants where biocompatible materials must have durability and reliability over an extended period of time since this implant should last a lifetime.

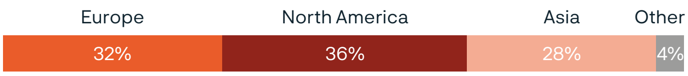
Kanthal is the market leader in industrial heating solutions. The Kanthal brand has a long heritage and high recognition in the industry. The medical business unit is currently ranked second in medical wire solutions.

2022 in figures

Revenues by customer segments



Revenues by geography



Key figures

SEK M	2022	2021
Order intake	4,466	3,357
Revenues	3,972	3,007
Adjusted EBIT	611	445
Margin, %	15.4	14.8
EBIT	802	545
Margin, %	20.2	18.1
Number of employees	1,215	1,101

Adjusted EBIT excludes metal price effects of SEK 196 million and items affecting comparability of SEK -5 million in 2022 and SEK 74 million and SEK 26 million respectively for 2021

Market overview

Demand in the Industrial Heating segment was solid during the year, and the shift from gas to electrical heating continued with an increasing number of inquiries for furnace conversions. The demand is mainly driven by the end-customer industries like semiconductors, solar, steel and glass. The activity in the Medical segment remained high and the first-ever major order, worth SEK 350 million, was received. Demand for products like appliance wire for the Consumer segment and industrial wire for the Industrial segment was subdued in the latter part of the year. Revenues for the full year increased by 32%, with solid growth across the division. Adjusted EBIT margin increased to 15.4% (14.8) driven mainly by higher revenues, a positive product mix, and price increases offsetting the adverse impact from cost inflation.

Profitable growth

The transition from gas to electric heating solutions continues at speed. One example of a solution that is contributing to growth is Fibrothal®, a vacuum-formed heating module with Kanthal® heating elements. Fibrothal®, which gives high power and excellent heat distribution, is used in many different applications including continuous furnaces, powder sintering, brazing and glass annealing.

Our offering for diffusion cassettes for the manufacturing of crystalline silicon wafers used in solar cells, to be used in the solar and semiconductor industries is expected to continue growing going forward.

We also foresee further potential for growth in the Medical segment, driven by demand for product areas such as remote patient monitoring, cardiovascular devices, and neuroscience applications.

We are targeting acquisitions in selected niches to strengthen our product offering. In 2022 we acquired Endosmart, a Germany-based manufacturer of medical devices and components made of Nitinol, a shape-memory alloy. This acquisition will expand our customer offering and strengthen our geographic footprint, particularly in Europe.

Materials innovator and technology leader

The Kanthal brand dates back to the 1930s and is based on Swedish inventor Hans von Kantzow's heat-resistant alloy of iron, chrome and aluminum (FeCrAl). This invention outperformed the alloys on the market at that time and Kanthal has been steadily outperforming the competition ever since.

We continue to invest heavily in new product development building on our heritage as an innovator and technology leader. Kanthal is currently a partner in the HYBRIT (Hydrogen Breakthrough Ironmaking Technology) cooperation that is revolutionizing the steelmaking industry by making the steel process fossil-free. For HYBRIT, Kanthal is developing an electric gas heating solution capable of preheating large amounts of hydrogen.

In 2022 we formed a dedicated team responsible for helping current and potential customers within the steel industry to make the shift to electrified heating processes. We work closely with customers to develop new solutions. A strong relationship with customers gives us the knowledge and competence necessary to be a good partner who can offer the most appropriate materials and solutions.

Operational and commercial excellence

The Kanthal division works continously with operational and commercial excellence programs that include efficiency efforts and footprint optimization. We have consolidated three production units into one in the US and transferred the remaining capability to our new facility in Concord, North Carolina, which was up and running in Q3, 2022.

Consolidation efforts were also underway within our Distribution Centers (DC). In 2022 we closed the DC in Hallstahammar, Sweden, and moved the operations to the DC in Venlo, Netherlands to reduce complexity, costs and lead times by being closer to our larger customer markets.

Industry-leading sustainability

Heating processes take place in numerous applications and today, are often run with natural gas which emits a great deal of carbon dioxide emissions. Changing to electric processes and fossil-free electricity can eliminate these emissions entirely. Kanthal is helping customers make this transition to substantially reduce their costs and impact on the environment. Within electric heating we are developing completely new solutions for applications that never existed before, truly living up to our reputation as a sustainability leader.

In 2022, Kanthal launched the "Never Settle" campaign for greener batteries. The campaign raises awareness among battery manufacturers, lithium refineries and cathode producers, about the sustainability advantages when using Kanthal products for heating within the production of battery materials. The demand for lithium-ion batteries is strong, in large part due to the rapid production of electric vehicles. All steps of the manufacturing process must be made climate neutral, including the heating processes where Kanthal can make a contribution to a more environmentally friendly process.

Kanthal has also expanded into the growing e-mobility market with a plating solution suitable for the charging components in electric vehicles. These components require high quality and zero defects. In the e-mobility segment, we also go to market as Alleima.

Case story

Battery manufacturing a hot market for Kanthal

Fibrothal® heating modules from Kanthal achieve the temperature accuracy necessary for many furnace system applications. The heating module has become a game-changer in the treatment of materials for the booming lithium-ion battery industry.

The global lithium-ion battery market is expected to reach an estimated USD 182.53 billion by 2030, according to Bloomberg (June 2022), citing a report by Grand View Research.* Demand is largely driven by the increasing consumption of rechargeable batteries in consumer electronics, the rise in electric vehicles and industrial applications.

Up to the temperature challenge

Leading furnace manufacturer OneJoon GmbH has been a Kanthal customer for 50 years and the two have worked together to develop many heating systems for new furnace applications. For the past 15 years, Kanthal has also been working with parent company, OneJoon Co. Ltd. Headquartered in South Korea, it supplies a variety of kilns and furnaces, including high-temperature furnace systems used in calcination of cathode and anode material for lithium-ion batteries. Many of its customers are in the electronic devices and parts industry.

OneJoon uses Kanthal's Fibrothal® heating modules to achieve the temperature accuracy needed for its large-scale furnaces. Fibrothal® heating modules contain embedded heating elements and vacuum-formed ceramic fiber insulation for temperatures up to 1,350 degrees Celsius.

The production of cathode material requires temperatures of around 800-1,000 degrees Celsius in the calcination process. The manufacturing process must also be designed and controlled to ensure exceptionally high purity levels in the cathode materials.

The challenge for furnace operators is to maximize energy efficiency and productivity, while ensuring a consistent, high-quality cathode material.

Tailored to customer applications

Fibrothal® heating modules are able to control temperatures precisely in cathode material production. They are quick to install, and the modular design makes it easy to tailor to specific customer requirements. Fibrothal® heating modules can also provide major energy savings.

When it comes to the battery business, OneJoon believes that Kanthal Fibrothal® is a game-changer for achieving the temperature accuracy it needs in large-scale furnaces.

OneJoon uses Kanthal's Fibrothal® heating modules to achieve the temperature accuracy needed for its large-scale furnaces.

* https://www.bloomberg.com/press-releases/2022-06-07/lithium-ion-battery-market-size-worth-182-53-billion-by-2030-grand-view-research-inc

Overview

Kanthal is a provider of products and services in the area of industrial heating technology, resistance materials and medical. Products are mainly used by customers within the Industrial Heating, Consumer and the Medical customer segments.

Main competitors

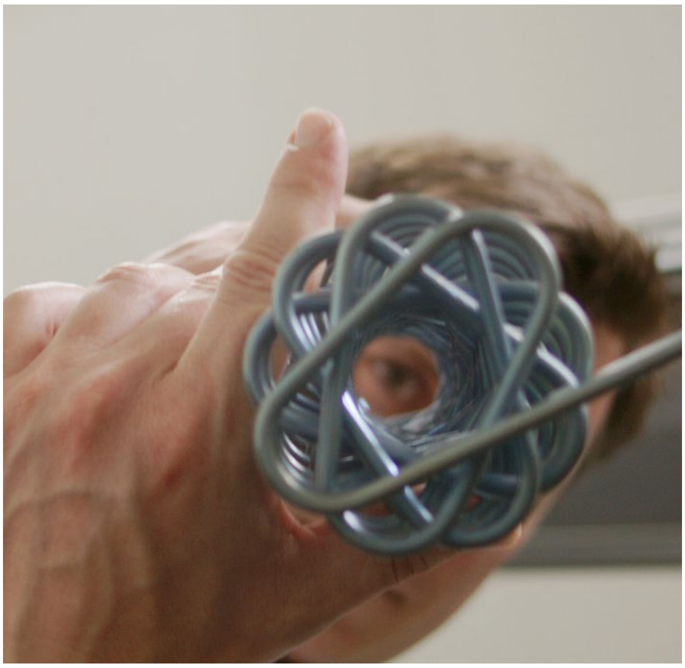
Kanthal's main competitors are Aperam, VDM Metals, Tokai KK and I Squared R Element. In the medical segment of Kanthal, Fort Wayne Metals and Heraeus are among the competitors.

Go-to-market model

Approximately 90% direct sales. The mix of direct sales and sales agents and distributors depend on application. Key focus on working with end customer in the product development phase to provide support and continuously improve the material technology in relation to end-customer application.

Growth strategy

Kanthal is well-positioned in its two key growth segments, Industrial Heating and Medical, with large addressable markets driven by the global megatrends, such as changing demographics, increasing energy demand and electrification of the industry. The growth agenda is focused on achieving profitable organic and acquisitive growth by expanding the product portfolio and developing specific production capabilities.



Product highlights

Tubothal®
Together with the Kanthal® APM radiant tube, you get a powerful heating solution that is very precise, quiet, requires very little maintenance and, if renewable energy is being used, emits zero emissions. As an example, Ovako, one of Europe's leading manufacturers of engineering steel has replaced gas burners with Tubothal® in 14 of their roller hearth furnaces, reducing their CO_2 emissions with around 1,400 to 2,000 tons per year per furnace.

Fibrothal®
Fibrothal® heating modules are used in most processes that require high temperatures in industries such as steel, solar, semiconductor and lithium-ion. It combines insulation and heating elements in one innovative system that is quick to install, while its modular setup makes it easy to tailor to specific customer needs. The low thermal mass and thermal conductivity of the Fibrothal® make it possible to build industrial furnaces which significantly contribute to energy saving, higher output and better availability.

Exera®
We provide a broad range of wire and wire-based components in stainless steels, alloys and precious metals for life-changing cardiovascular, neurological, diagnostic and sensor applications which are marketed under the trademark Exera®. Examples of application areas are vascular therapy (cardiovascular, endovascular and peripheral vascular disorders), sensing solutions (information gathering including pressure, glucose and thermal data for remote monitoring), cochlear remediation (ear implants) and stimulation therapy (deep brain and spinal cord stimulation).

Strip division develops and manufactures a wide range of precision strip steel products, compressor valve steel and also offers highly specialized pre-coated strip steel.

Strip

We offer high-end razor blade steel, stainless valve steel used in compressors, and knife steel. Other customers are in the transportation, industrial and medical segments. The Strip product range also includes spring steel for vehicle braking systems, printing doctor blades, medical applications such as scalpels and bone saws, and coated strip steel used in the production of hydrogen fuel cells.

Market overview

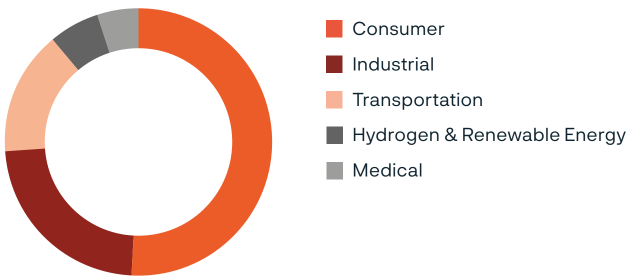
In the first half of the year, demand was solid across all segments, with strong order intake growth. Demand declined slightly in the second half of the year, and a subdued order intake for white goods products to the Consumer segment was noted. This resulted in an order intake growth of 12% for the full year, while revenues were all-time-high and increased by 24%, driven mainly by strong production output and successful price increases. The finish to the year was strong, with price increases fully compensating for cost inflation. Adjusted EBIT margin for the year was flat at 12.7% (12.7), negatively impacted by the cost inflation but supported by positive currency impact, higher revenues, favorable product mix and price increases.

Profitable growth

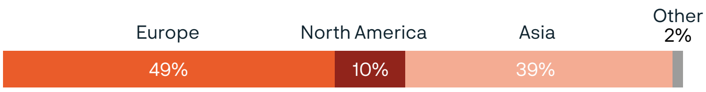
The global megatrends are driving the division's growth with demand increasing for new materials that are stronger, lighter, and even more precise. With our offering, we are well positioned to capture that growth. Strip is a highly niched division that offers products and solutions adapted to customer specifications.

2022 in figures

Revenues by customer segment



Revenues by geography



Key figures

SEK M	2022	2021
Order intake	1,705	1,529
Revenues	1,628	1,310
Adjusted EBIT	207	167
Margin, %	12.7	12.7
EBIT	232	202
Margin, %	14.2	15.4
Number of employees	519	508

Adjusted EBIT excludes metal price effects of SEK 25 million and items affecting comparability of SEK -1 million in 2022 and SEK 28 million and SEK 8 million respectively for 2021

We have flexible and fully integrated operations whereby we ensure full control of our materials from melt to finished product, while our global service center structure ensures close proximity to customers. Today, more than half of Strip's business is generated in the consumer segment, and this will continue to be an important area. Our growth strategy is focused on growing our offering for the Hydrogen and Renewable Energy, as well as the Medical segment. The demand for our compressor valve steel is expected to further increase, as the global demand for air conditioning and refrigeration rises along with the need to make cooling systems more energy efficient.

There is also a growing increase in demand for coated strip steel for hydrogen applications, such as hydrogen vehicles, and for stationary power.

Demand for medical steel is expected to increase along with an aging population and an increase in medical treatment.

Materials innovator and technology leader

The dedicated R&D team of Strip division works closely with customers on new product development, adapting materials to match the unique specifications of each customer. Our ability to offer customer-specific solutions and to serve niche areas has resulted in many relationships with large customers that have continued for decades.

Future materials must be even more sustainable and energy efficient and Strip, with our inhouse capabilities, can offer customers specific treatments and products that are continuously advancing what is possible for our customers today.

At the Surface Technology facility in Sandviken, Sweden, we produce pre-coated strip steel to be formed into bipolar plates for fuel cell applications, using a technologically advanced, vacuum-coating process that is applied in a coil-to-coil setup. This solution creates higher efficiency in the supply chain compared to coating of individual bipolar plates. It is an environmentally friendly process. Moreover, the products are qualified with high performance and durability.

In 2022 we received our first commercial orders for Freeflex™, our compressor valve steel that enables customers to develop more energy efficient compressors while also using less material to produce the compressors. Compressors are commonly used in white goods and home appliances. Freeflex™ is a hardened and tempered martensitic stainless compressor valve steel alloyed with copper that offers extremely high strength under bending and impact stress and excellent wear resistance.

Operational and commercial excellence

We see ways to improve our operations through digitalization and automation and Precision Strip in Sandviken has been working with technology company and automation expert ABB to develop and standardize automation solutions. This long-term effort is contributing to more efficient operations and better safety for our workers.

The division focuses on cost efficiency and on driving profitability through pricing management to optimize pricing policy and mix. During the year, alloy surcharges were introduced to a larger share of the business. This enables to pass on fluctuations in metal prices to our customers, and decreases risk and volatility.

Following the recent volatility in alloy costs, Strip Division currently has more than 80% of their invoicing with variable alloy surcharge at time of invoicing. This is compared to 50% at the beginning of 2022 and will increase to more than 90% in 2023.

In 2022, the Strip service center in Bethel, Connecticut was moved to Scranton, Pennsylvania, which is the largest Alleima site in North America. The relocation enables the Strip division to utilize the Alleima distribution center in Scranton and thereby bring service closer to our customers.

Industry-leading sustainability

Our ambition is to become completely CO_2 neutral by 2027 throughout Strip's global operations. To date, just one of our 20 furnaces is heated with fossil fuel, and we are investigating non-fossil alternatives for the one remaining furnace. This mindset extends to making our customers' products and solutions more sustainable and helping them reduce their carbon footprint.

Strip is the market leader in stainless steel for compressor valves that go into consumer items such as refrigerators, freezers and air conditioners. We continue to develop new grades for this application. Our materials, such as Freeflex™, have strong potential to improve energy efficiency and reduce the world's CO_2 emissions.

Hydrogen can contribute to a 20% reduction of CO_2 emissions, which is necessary to reach the net-zero emissions target by 2050. Alleima is in a good position to contribute to the hydrogen energy opportunity and the Strip division offers a portfolio of pre-coated strip steel for forming and welding bipolar plates for fuel cells, such as those used in hydrogen vehicles. Hydrogen-powered fuel cells make it possible to propel electric cars and trucks with no emissions other than water.

To increase our own, and our customers' circularity, we buy back their unused scrap from production. The recycling of our own scrap ensures we can deliver the same high precision in our materials, while reducing the need for virgin raw materials.

Case story

The next generation compressor valve steel

Freeflex™ is the latest addition to the Alleima product portfolio for compressor valve applications. It withstands tougher operating conditions to deliver higher energy efficiency and presents an opportunity to significantly reduce the world's CO_2 emissions from air conditioners.

Cooling is on the rise. Growing populations, increased urbanization and higher living standards, not to mention the impact of climate change on the world, account for the change. There are already some 350 million air conditioners in use in the US every year and in China, that number is 500 million (Source: Our world in data). By 2050, global energy demand from air conditioners is expected to triple.

The International Energy Agency stresses the urgent need for action to improve cooling efficiency. It is here that Alleima Freeflex™ compressor valve steel can make a difference by improving the energy efficiency of air conditioning systems.

Small but mighty strip steel

Compressor valves are small, but vital components that regulate the flow of liquid – in this case, the refrigerant in a cooling system. One of the key challenges for compressor manufacturers is to find compressor valve steel that is able to withstand higher dynamic loads. This requires valve material that can deliver enhanced fatigue properties. Freeflex™ offers this along with high strength, excellent wear resistance and surface finish, among other characteristics.

"Higher fatigue strength gives manufacturers greater creative freedom in the design process, allowing them to develop more energy-efficient compressors while meeting all the necessary lifetime and reliability requirements," says Remco Jongen, product manager at Alleima. "With energy efficiency higher on the agenda than ever before, we decided to develop a new alloy with the ability to withstand tougher operating conditions and higher dynamic loads than any of its predecessors."

More efficient cooling

Freeflex™ is the latest addition to the Alleima portfolio of compressor valve applications. Alleima optimized the mechanical properties, microstructure, surface execution, and processing of the material to deliver the new strip steel material that would set a new standard for fatigue strength in a compressor environment.

"In the development of Freeflex™, we sought to optimize all the material properties we know to be crucial to the performance of compressor valves and, therefore, support the development of more efficient cooling systems," Jongen says.

Energy efficiency improvements

Freeflex™ could have a massive impact on the energy efficiency of cooling systems around the globe. In the period 2012-2022, the energy efficiency of the world has improved by approximately 18% with the help of new valve materials with improved design, durability and mechanical properties. 18% energy efficiency improvements over 10 years correspond to the power of five modern nuclear power plants (about 50 TWh). This corresponds to carbon savings of 21,250,000 tons.

Overview

Strip division is a developer and manufacturer of a wide range of precision strip steel products, compressor valve steel and also offers highly specialized pre-coated strip steel for hydrogen applications. Main customer segments are Consumer, Industrial, Transportation (mainly for automotive applications), and Medical. Compressor valve steel and razor blades for shaving represent product segments. In addition, Strip has strong positions in niches like printing doctor blade and medical applications such as scalpels, microtome blades and bone saws.

Main competitors

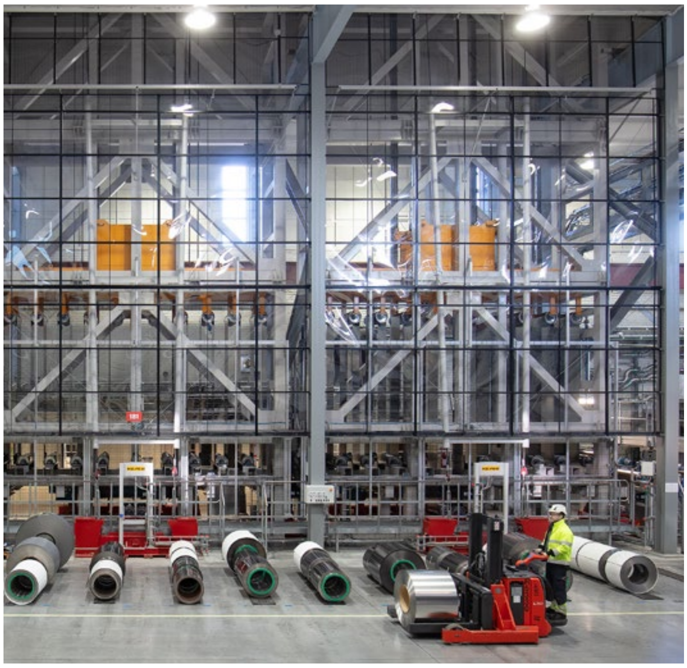
Strip's key competitors include the precision strip divisions of Proterial, Voestalpine, Jindal Steel and Power, and Zapp.

Go-to-market model

Approximately 90% direct sales handled by our in-house sales organization with supply from Sandviken and supported by service centers in China, USA and Japan.

Growth strategy

Strip's ambition is to grow within our defined market areas and secure continued market leadership. In addition, strategic growth areas are the Hydrogen and Renewable Energy segment, and new niches in the the Medical segment.



Product highlights

A resistant razor steel – Alleima 10C28Mo2
Alleima 10C28Mo2 provides excellent corrosion resistance, high hardness, and excellent edge retention, easy to maintain. It is ideal for making razor blades, table and kitchen knives, and tools that require hardness and corrosion resistance.

When the market signaled a need for optimized properties regarding lower hardness level and higher corrosion resistance, from the long proven excellent material Alleima 13C26, a development project resulted in the new grade Alleima 10C28Mo2.

The corrosion resistance of this high alloy grade far exceeds more classic razor blade steels, and it is softer and more flexible. These characteristics make it an excellent choice for handheld knives and more exclusive razor blades. The demand for Alleima 10C28Mo2 has increased dramatically during 2022, to 400 tons, where of 300 for razor blades. This is equivalent to 1 billion razors.

Nanoflex™ membrane for audio solutions
Tectonic exciting is a relatively new technology in audio amplifying solutions which allows less energy consumption and better audio purity at the same sound level.

The exclusive Alleima alloy Nanoflex™ was selected by the customer for springs that support the sub-woofer in this kind of solutions for cars. The reason for using Nanoflex™ was its high ductility before hardening which allows dimensional savings from 1.25 to 1 mm, very high strength after heat treatment, less energy consumption, and excellent acoustic qualities.

Less energy consumption and high audio quality are advantages that can be used in all fields of activities where an audio output is considered.

Sanergy™ coated material for fuel cells
At the ongoing paradigm shift towards a sustainable energy system, fuel cells that convert hydrogen gas into electricity, represents an important contributing technology. Alleima has developed a coating concept that enables us to offer coated coils that combines excellent product performance with a simplified manufacturing process at our customers. Sanergy™ HT is used in high temperature fuel cells mainly for stationary applications while Sanergy™ LT is typically used for mobile applications such as different types of vehicles. During 2022, after thorough qualification processes, Sanergy™ has become the preferred material solution of several OEM:s.

Directors' report

Summary

Financial overview - Group

SEK M	2022	2021	2020	2019
Order intake	22,130	15,681	12,230	16,851
Organic growth, %	*19*	*26*	*-26*	*2*
Revenues	18,405	13,847	13,925	15,654
Organic growth, %	*13*	*-3*	*-9*	*4*
Adjusted EBITDA	2,540	1,811	1,933	2,331
Margin, %	*13.8*	*13.1*	*13.9*	*14.9*
Adjusted operating profit (EBIT)	1,681	1,055	1,205	1,513
Margin, %	*9.1*	*7.6*	*8.7*	*9.7*
Operating profit (EBIT)	2,122	1,379	492	1,444
Profit for the period	1,483	1,228	380	667
Adjusted earnings per share, SEK	4.46	3.82	3.69	2.94
Earnings per share, SEK	5.86	4.80	1.55	2.64
Free operating cash flow	505	1,046	1,483	1,250
Net working capital to revenues, %[1]	32.8	31.2	30.4	26.1
Net debt/Equity ratio	0.00	0.11	0.17	0.54

Notes to the reader: Tables and calculations in the report do not always agree exactly with the totals due to rounding. Comparisons refer to the corresponding period last year, unless otherwise stated. Adjusted EBITDA and adjusted operating profit (EBIT) excludes items affecting comparability (IAC) and metal price effects, see Note 2 and description of Alternative Performance Measures on page 171-172 for further details. Definitions and glossary can be found on www.alleima.com/investors.

1) The annual number is based on a four quarter average.

Order intake and revenues

Order intake in the period increased by 41% to SEK 22,130 million (15,681) year on year, with organic growth of 19%. All three divisions noted positive year on year development, mainly driven by orders related to the Power Generation, Oil and Gas, Industrial Heating and Medical customer segments. Order intake in the regions of North America and Asia noted a favorable trend, with organic growth of 37% and 23%, respectively, including major orders, and growth of -1% and 7%, respectively, excluding major orders. Europe noted negative organic order intake of -1% including major orders, and -3% excluding major orders. Excluding major orders of approximately SEK 2.7 billion (0) for the Group, organic order intake growth was 3% in the period.

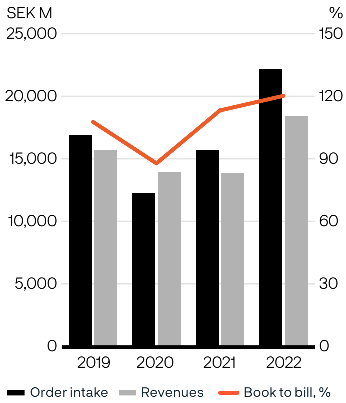
Order intake and revenue

SEK M	Order intake	Revenues
2021	**15,681**	**13,847**
Organic, %	19	13
Structure, %	1	1
Currency, %	6	6
Alloy, %	13	11
Total, %	41	33
2022	**22,130**	**18,405**

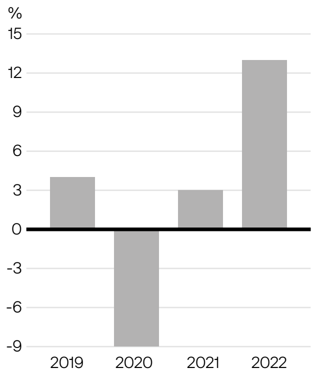
Market development

The positive trend in demand continued across most customer segments compared to the last year. However, demand in the short-cycle business, mainly related to long products for the Industrial customer segment as well as demand in the Consumer segment, softened toward the second half of the year. The year was impacted by supply chain issues, longer-than-normal freight lead times, and uncertainties related to energy supply issues and prices in Europe, as well as raw material price inflation, especially related to nickel prices. The demand in most other customer segments remained stable or showed a positive trajectory throughout the year, supported by long-term industry trends.

Order intake and revenues



Organic revenue growth



Revenues increased by 33% to SEK 18,405 million (13,847), with organic revenue growth of 13%. All customer segments and all three divisions noted positive development compared with last year, particularly the Oil and Gas segment. The book-to-bill ratio was 120% in the period.

Structure had a positive impact of 1% on both order intake and revenues, while currency had an impact of 6% on order intake and revenues. Alloy surcharges had a positive impact of 13% on order intake and 11% on revenues, mainly driven by increased nickel prices.

Earnings

Gross profit

Cost of goods sold amounted to SEK 13,692 million (10,379), an increase of 32 percent. Excluding metal price effect and items affecting comparability, the cost of goods sold increased by SEK 3,394 million or 31 percent, primarily driven by higher production volumes and increased raw material and energy prices.

As a result of revenues and cost of goods sold development, the gross profit amounted to SEK 4,713 million (3,468). The increase was primarily driven by increased revenues, rising metal prices and a favorable product mix compared to last year. Adjusted for metal prices and items affecting comparability, gross profit increased by SEK 1,163 million or 41 percent driven by increased revenues. The gross profit margin increased to 25.6 (25.0). The adjusted gross profit margin increased to 21.8 (20.6).

Sales, administrative and R&D costs

Selling expenses amounted to SEK 1,177 million (952), representing an increase of SEK 225 million or 24 percent. The increase in selling expenses was primarily driven by higher demand and increased shipping costs.

Administrative expenses amounted to SEK 1,203 million (1,047), representing an increase of SEK 156 million or 15 percent. The increase was primarily driven by inflation and costs related to operating as a stand-alone company.

Research and development costs amounted to SEK 209 million (214), representing a decrease of SEK 5 million or 3 percent. The primary reason for the decrease is related to temporary differences in the activity level within development projects.

Other operating income and expenses amounted to SEK -2 million (124). The decrease was primarily driven by exchange rate differences and refunding of pension insurance premiums of SEK 85 million during 2021.

Operating profit (EBIT) and EBITDA

Adjusted for metal prices and items affecting comparability, EBITDA increased by SEK 730 million or 40 percent, driven by the higher sales and improved product mix. The EBITDA margin increased to 16.2 percent (15.3). The adjusted EBITDA margin increased to 13.8 percent (13.1).

EBITDA amounted to SEK 2,980 million (2,122), representing an increase of SEK 858 million or 40 percent. The increase was primarily driven by increased sales and metal price effects that increased by SEK 208 million, partly offset by items affecting comparability which affected the result negatively by SEK 91 million.

Adjusted EBIT increased by 59% to SEK 1,681 million (1,055) corresponding to a margin of 9.1% (7.6). The year on year growth was attributable to higher revenues and an improved product mix, somewhat offset by higher costs for freight and energy, and costs related to operating as a stand-alone company. Depreciation and amortization amounted to SEK -859 million (-743).

Reported EBIT increased to SEK 2,122 million (1,379), corresponding to a margin of 11.5% (10.0). Metal price effects had a positive impact of SEK 695 million (487) in the period. Items affecting comparability amounted to SEK -254 million (-164), mainly related to the separation from Sandvik AB and the listing on Nasdaq Stockholm.

Financial items

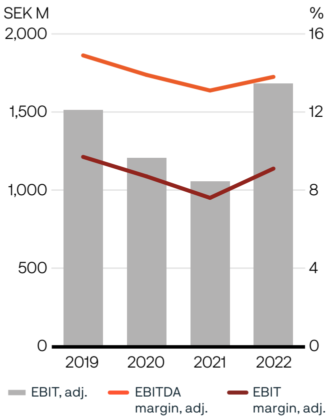
Net financial items were SEK -184 million (127) mainly due to negative effects from revaluations of FX derivatives.

Taxes

Income tax expense amounted to SEK 455 million (278), representing an increase of SEK 177 million, corresponding to an effective tax rate of 23.5 percent (18.5). The increase in tax rate was primarily driven by one-off effects related to 2021, and that higher proportion of the Group's profit 2022 was generated in high tax countries such as the United States and Germany.

SEK M	Adjusted EBIT
2021	**1,055**
Organic	391
Currency	214
Structure	20
2022	**1,681**

Adjusted EBITDA and Adjusted EBIT (%)



Profit
Profit for the period amounted to SEK 1,483 million (1,228), corresponding to earnings per share of SEK 5.86 (4.80). Adjusted profit for the period amounted to SEK 1,131 million (980) and adjusted earnings per share amounted to SEK 4.46 (3.82). See page 171 for further details.

Financial position, capital resources and liquidity
Capital employed and working capital
Capital employed increased year on year to SEK 16,911 million (14,803), due to higher net working capital, currency effects and valuation effects for financial derivatives. Return on capital employed was 13.2% (10.4).

Net working capital increased year on year to SEK 6,519 million (4,567), driven by an increase in inventories due to higher activity, higher raw material prices and longer freight times, with the Tube division accounting for the largest increase. Net working capital in relation to revenues was 32.8% (31.2) for the period.

Capital expenditure
Net investments (capex) increased to SEK -656 million (-436), mainly due to lower than normal levels in the preceding year, corresponding to 90.7% (65.3) of scheduled depreciation and -3.6% (-3.1) of revenues in the period.

Cash flow
Cash flow from operating activities decreased year on year to SEK 687 million (1,151) due to increased working capital from higher activity levels and the negative impact of higher raw material prices.

Free operating cash flow decreased to SEK 505 million (1,046), mainly due to increased working capital and higher capex.

Funding and liquidity
At December 31 2022, SEK 892 million (1,661) was reported as Cash and Cash equivalents, whereof SEK 254 million (985) are cash directly available for Group Treasury and SEK 638 million (676) are restricted cash such as short-term deposits and cash accounts with, for Group Treasury, limited access. The short-term deposits are considered as cash equivalent as they have a time to maturity of less than 3 month.

Total net debt decreased to SEK 21 million (1,324) mainly due to a new share issue and a capital contribution received from Sandvik before the separation. The net debt to equity ratio was 0.00 (0.11). The financial net debt position was SEK -883 million (-22), i.e a net cash position.

During 2022, Alleima has established a commercial paper program with a framework amount of SEK 3 billion with the aim of being able to raise short-term financing. During 2022, Alleima also entered into an agreement with a syndicate of lenders for revolving credit facilities of SEK 3 billion. The committed facilities can be drawn in a number of currencies and runs for five years (with possibility for two extentions). In addition, Alleima has entered into bilateral bank facilities on short-term financing. At December 31, 2022 the credit facilities were not availed. The short-term liquidity reserve, comprising committed credit facilities and accessible cash and cash equivalents was SEK 3,254 million (3,985). See Note 26 for further information.

Free operating cash flow

SEK M	2022	2021	2020	2019
EBITDA	2,980	2,122	1,283	2,446
Non-cash items	-130	–144	447	8
Changes in working capital	-1,590	–420	297	–523
Capex[1]	-656	–436	–472	–590
Amortization, lease liabilities	-99	–76	–72	–91
Free operating cash flow[2]	**505**	**1,046**	**1,483**	**1,250**

1) Including tangible and intangible assets of SEK -679 million (-494).
2) Free operating cash flow before acquisitions and disposals of companies, net financial items and paid taxes.

Share and share capital
Following the decision at an extraordinary general meeting, in March 2022, one existing share in Alleima AB was divided into fifty shares. The same extraordinary general meeting resolved on a directed share issue with the right for the shareholder Sandvik AB, Reg. No. 556000-3468, to subscribe for 250,827,184 shares in Alleima AB. All shares were subscribed for, in accordance with the terms and conditions of the general meeting's decision. The total number of shares after the split and the share issue amounted to 250,877,184.

In addition, in March 2022, the Company received an unconditional shareholder contribution in the amount of SEK 1,149 million by way of cash payment from the shareholder Sandvik AB.

Significant events in 2022

- On January 28 and March 9, an extraordinary general meeting, consisting of the previous owner Sandvik AB, appointed Kerstin Konradsson and Susanne Pahlén Åklundh as new members of the Alleima Board of Directors.
- On February 15, Sandvik announced that it had completed the previously announced acquisition of the German based company Gerling GmbH, a precision tube engineering company serving multiple industries including the fast-developing hydrogen market. The offering includes innovative engineering solutions, such as high-pressure control technology in hydrogen refueling stations.

- On February 16, it was announced that Alleima received a major order for advanced tubes for the energy segment amounting to approximately SEK 800 million, with deliveries scheduled between 2023 and 2025.
- On April 26, Alleima acquired the remaining 30% of the US based joint venture Pennsylvania Extruded Tube Company (PEXCO).
- On August 31, the shares of Alleima commenced trading on Nasdaq Stockholm.
- On November 22, Alleima appointed Robert Stål as President of Kanthal division and new member of the Alleima Group Executive Management. He succeeds Anders Björklund who has left Alleima for a position outside the Company.
- On November 17 and December 22, Alleima announced that it had received three major orders for advanced umbilical tubes for the Oil and Gas customer segment, to a total value of about SEK 755 million.
- On November 18, Alleima announced that it had signed an agreement to acquire Endosmart Gesellschaft für Medizintechnik GmbH (Endosmart), a German manufacturer of medical devices and components made of the shape memory alloy nitinol. The acquisition was completed on November 30, 2022.
- On November 23, Alleima announced that it had received a major order for ultra-fine wire in the Medical customer segment, with a total value of approximately SEK 350 million.
- On December 15, Alleima announced its commitment to set science-based net-zero targets consistent with the Paris Agreement.
- The market demand has recovered from the decline related to the Covid-19 pandemic. Uncertanties in the economy caused by the Covid-19 pandemic and the conflict in Ukraine were however still visible, and the constantly evolving nature makes it difficult to predict its ultimate adverse impact on Alleima. Alleima has no significant direct exposure to Russia and Ukraine. Alleima is impacted by longer lead times, indirect supply chain disruptions, higher freight and energy costs as well as raw material price inflation, with uncertainty regarding its ultimate length and trajectory. Consequently, the Covid-19 pandemic and the conflict in Ukraine continued to present uncertainty and risk and could have material adverse effects on revenues, cash flows, financial condition, and results of operations.

Significant events after year-end 2022

- On January 4, 2023 it was announced that the President of Tube division, Michael Andersson, will leave the Alleima Group, but remains at the company's disposal until June 2023. Nigel Haworth, currently President of Business Unit Energy at Alleima, has been appointed Acting President of Tube division as of 13 February 2023.
- On January 18, 2023 it was announced that Alleima will be the supplier of OCTG tubes with Corrosion Resistant Alloys (CRA) material in a new long-term frame agreement between Tenaris and Petrobras. The agreement includes the three year supply for offshore Brazil.

Significant agreements

The manufacture and sale of rock drill steel products is a busines segment (the "RDS business") within Alleima with multiple customers, including subsidiaries in the Sandvik group. The RDS business is operated by Alleima Rock Drill Steel AB (the "RDS company"). Ten percent of the shares in the RDS company are held by Sandvik AB and the remaining shares are held by Alleima EMEA AB. The co-ownership is regulated in a shareholders' agreement to which the owners are party. The terms of the shareholders' agreement provides Sandvik AB with certain protective rights, including a call option which Sandvik AB may exercise upon, e.g., a change of control in Alleima AB, whereby an owner, who was not a major shareholder at the time of signing of the agreement, gains control of 30 per cent or more of all votes in the company, and which call option provides Sandvik AB with a right to purchase Alleima EMEA AB's shares in the RDS company at fair market value. Upon exercise of the call option and Sandvik AB's subsequent purchase of Alleima EMEA AB's shares, the shareholders' agreement will lapse. As a change of control that causes the call option to become exercisable may be a public take-over offer, the shareholders' agreement is deemed such a significant agreement as is intended by the Annual Reports Act (1995:1554) Chapter 6 section 2 item 9.

Employees

The number of employees at year-end was 5,886 (5,465). Wages, salaries, and other remunerations for the year totaled SEK 3,177 million (2,662). The number of consultants at year-end was 612 (413).

Alleima guidelines for the remuneration of senior executives

Alleima's guidelines for the remuneration of senior executives adopted by an extra Annual General Meeting in Alleima 2022 are decribed below.

Scope of the guidelines

The guidelines encompass the President and CEO and other members of the Group Executive Management. The guidelines do not apply to any remuneration decided on or approved by the General Meeting.

The guidelines' promotion of the Company's business strategy, long-term interests and sustainability

A prerequisite for the successful implementation of the Company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the Company is able to recruit and retain qualified personnel. To this end, it is necessary that the Company offers competitive remuneration. The guidelines enable the Company to offer senior executives a competitive total remuneration. For more information regarding the Company's business and sustainability strategy, please see the Company's website alleima.com.

Types of remuneration
The total remuneration package should be based on market terms, be competitive and reflect the individual's performance and responsibilities as well as the Group's earnings trend. The remuneration may consist of fixed salary, variable remuneration, pension benefits and other benefits.

Fixed salary
The purpose of the fixed salary is to attract and retain senior executives with the right competence for the respective positions. The salary level should be determined by comparing the salary to similarly complex positions within a defined peer group.

Variable remuneration – Variable share related remuneration
The Company may offer long-term share related or share price related remuneration. Such programs are adopted by the General Meeting and are therefore not covered by these guidelines.

Variable cash remuneration
The Company may offer short or long-term variable cash remuneration. The fulfillment of objectives for awarding such remuneration shall be measured over a period of one to three years. Such remuneration may amount to not more than 75 percent of the fixed annual salary per year.

Variable cash remuneration shall be conditional upon the fulfillment of defined and measurable criteria. These criteria aim at promoting the Company's business strategy and performance as well as its long-term interests, including its sustainability. At the beginning of each year the Board of Directors and the Remuneration Committee shall establish the criteria, including key performance indicators (KPIs) and the target ranges, deemed relevant for the upcoming measurement period. The criteria may be financial, with at least three KPIs, and non-financial, and shall always be related to business performance. At least 80 percent of the variable cash remuneration shall be linked to the financial criteria. The President and CEO and Group Function heads shall be measured on Group level KPIs and the Division Presidents shall be measured on both Group level and Division level KPIs. The established KPIs shall be presented on the Company's website alleima.com. The extent to which the criteria for awarding variable cash remuneration have been fulfilled shall be determined when the measurement period has ended and will be published in the Report on Evaluation of Remuneration the following year. For financial criteria, the evaluation shall be based on the latest financial information made public by the Company.

Special arrangements
In specific cases, the Company may offer one-off remuneration provided that such remuneration is only made on an individual basis, for the purpose of recruiting or retaining senior executives, does not exceed an amount corresponding to 100 percent of the individual's fixed annual salary and maximum variable cash remuneration and is not paid more than once per year and individual.

Right to withhold or reclaim remuneration
Terms and conditions for variable remuneration shall be designed so that the Board of Directors (i) has the right to limit or refrain from payment of variable remuneration if exceptional economic circumstances prevail and such a measure is considered reasonable, and (ii) has the right to withhold or reclaim variable remuneration paid to an executive based on results that afterwards were found to have been misstated because of wrongdoing or malpractice (so called malus and clawback).

Pension benefits
For the President and CEO, the pension benefit shall be a defined contribution pension benefit and the pension premiums (including both defined benefit and defined contribution parts) shall not amount to more than 37.5 percent of the fixed annual salary.

For other senior executives, pension benefits shall be defined contribution, unless they are covered by a mandatory collective defined benefit pension plan. The pension premiums shall not amount to more than 55 percent of the fixed annual salary.

Exceptions to these main principles may be made, provided that the cost of such alternative schemes does not exceed the above mentioned cap. For senior executives located outside of Sweden, deviations may also be made if required by local law or established market practice.

Other benefits
Other benefits may include, for example, life insurance, medical insurance and company car benefit. Such benefits may amount to not more than 5 percent of the fixed annual salary. For senior executives in need of double accommodation, paid accommodation etc. may be added in line with Alleima's regulations and such benefits may amount to not more than 20 percent of the fixed annual salary.

Termination of employment
Severance pay may be paid when employment is terminated by Alleima. The President and CEO and the other senior executives may have a period of notice of not more than 12 months, in combination with severance pay corresponding to 6–12 months fixed salary. When employment is terminated by the senior executive, the notice period may not exceed six months and no severance pay shall be paid.

In case a senior executive is not entitled to severance pay, but is covered by a non-compete undertaking, the senior executive may instead be compensated for such a non-compete undertaking. Any remuneration paid as compensation for a non-compete undertaking shall not exceed 60 percent of the fixed salary at the time of notice of termination of the employment and shall not be paid for a longer period than 18 months. Fixed salary during the notice period together with any compensation for the non-compete undertaking shall not exceed an amount equivalent to the senior executive's fixed salary for 24 months.

Consideration of remuneration to the Company's employees
When preparing the proposal for the guidelines, the employment conditions applied within the Company as a whole have been used as a benchmark, following the principle that the remuneration packages of all Alleima employees should be based on the complexity of the position, performance and market practice. In general, the same combination of remuneration components such as fixed salary, variable remuneration, pension and other benefits are offered within Alleima.

The decision-making process to determine, review and implement the guidelines
The Board of Directors has established a Remuneration Committee. The Committee's tasks include preparing the Board of Directors' decision to propose guidelines for senior executive remuneration. The Board of Directors shall prepare a proposal for guidelines at least every fourth year and submit it to the General Meeting. The guidelines shall be in force until new guidelines are adopted by the General Meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for senior executive remuneration as well as the current remuneration structures and compensation levels in the Company. The members of the Remuneration Committee are independent of the Company and its executive management. The President and the other senior executives do not participate in the Board of Directors' processing of and resolutions regarding remuneration related matters to the extent that they are affected by such matters.

Decisions on remuneration to the President are taken by the Board of Directors, based on proposals from the Remuneration Committee, and decisions on remuneration to the other senior executives are taken by the Remuneration Committee.

Adjustment to local rules
Remuneration under employments subject to other rules than Swedish may be duly adjusted to comply with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Derogation from the guidelines
The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration related matters. This includes any resolutions to derogate from the guidelines. For information on remuneration to senior executives and on-going long-term incentive program, please see Note 3.

Changes to current guidelines
The changes to the existing guidelines proposed by the Board of Directors, to the 2023 annual general meeting, compared to current guidelines are within variable compensation and pension benefits and are, in brief, (i) that the short-term annual variable cash salary shall be maximized to 70 percent of the fixed annual cash salary for the President and CEO and for other members of the group management shall be maximized to 50 percent, (ii) that the long-term variable cash salary shall be maximized to a total of 75 percent of the annual fixed cash salary for the President and CEO, and 60 percent of the annual fixed cash salary for other members of the group management, and (iii) to clarify that in the Group Executive Management pension benefits there exists both premium-based and benefits-based undertakings, based on individual prerequisites and regulatory frameworks.

The Board of Directors proposes that the 2023 annual general meeting resolve on above adjustments to the guidelines for the remuneration of senior executives.

Research and development
A key factor for the success of Alleima is its ability to develop new innovative products that serve the customer's needs and increase their productivity.

The R&D team works in close collaboration with the sales organization to identify present and future customer needs. Key focus areas include evolutionary upgrades and refinements to the existing materials and processes, such as the development of new super duplex grades and austenitic materials and next-generation compressor valve steel, or through the expansion of the existing portfolio.

The R&D organization is in part centrally managed and in part managed at the division level. The central part (hereafter "Strategic Research") is overseen by the Executive Vice President of Strategic Research, who in turn reports directly to the President and CEO, and comprises three sub-units: Materials Design, Research Labs and R&D India. The main task of the Strategic Research function is to build knowledge and expertise and to produce findings that can be shared and leveraged across all three divisions. This is achieved through six research platforms: Corrosion Resistant Alloys, High Temperature Materials, Functional Properties, Powder Technology, Modelling and Data Analytics, and Surface Engineering. R&D conducted at the Tube, Kanthal and Strip division level, with focus on new product development, is overseen by division R&D Vice Presidents, reporting to the respective division Presidents.

On average, the Alleima R&D spend to revenues between 2019 and 2021 amounted to 1.5 percent, and during 2022 1.1 percent. In 2022, the number of active alloy compositions for further processing into different niche applications was 900, protected by approximately 850 patents.

The number of employees in R&D was approximately 250, spread across five research centers (two in Sweden, one in Germany, one in China and one in India). The largest R&D facility is located in Sandviken, Sweden.

Tax

Alleima as multinational group, undertakes many crossborder inter-company transactions. The OECD has issued transfer pricing guidelines for pricing multinational groups. Alleima adheres to these guidelines and also to the local legislation of each country to ensure that a correct pricing model is applied and that a correct amount of tax is paid in each country. Alleima monitors the OECD's tax reform work and the EU initiatives on tax transparency carefully and observes these standards as and when enacted. Alleima strives to have good relations with our stakeholders, such as tax authorities, non-governmental organizations and investors and is convinced that an open discussion and cooperation with tax authorities around the globe will help us to reduce uncertainty about the taxes we are obliged to pay. However, the guidelines on transfer pricing can be interpreted in various ways, and consequently tax authorities in different countries may question the outcome of the Alleima group's transfer pricing model even though the model complies with the OECD guidelines.

Alleima contributes to the local communities and countries in which we operate in the form of, for example, taxes and employment opportunities. In 2022, the Group paid SEK 292 million (189) in income taxes globally. Income tax comprises just a portion of all taxes paid by Alleima worldwide. In addition, Alleima pays social security contributions, environmental and energy taxes, property taxes, etc. Furthermore, Alleima collects and pays taxes at the request of governments and authorities, including indirect taxes and withholding taxes.

Environment

In Sweden, Alleima has operations where environmental permits are required. All operations held valid permits during the year. Guideline values in some of these permits were exceeded for emissions to air and water during the year. In all such incidents, a notification was sent to the authority. To comply with the target values, corrective actions were prompted. A renewed application for exemption of allowed noise limits for 2022–2024 was approved by the authorities.

Two subsidiaries in Sweden are included in the EU ETS system. For these, there is a present and tangible price for carbon emission that was emitted in excess of the given emission rights for these companies. The cost of carbon emission has increased significantly in recent years and emission rights in EU ETS has traded at over EUR 100 per ton in 2022.

Should Alleima not successfully execute its carbon reduction plan, an associated cost would incur. In 2022 this impact was EUR 1.3 million. The allotted emission rights for the current period were 58,816 per year, and the accounted emission covered by EU ETS amounted to 78,315 in 2022. As a consequence 19,499 emission rights was purchased at an average price of EUR 65 per ton.

Alleima conduct licensed operations in accordance with environmental legislation at three locations: Sandviken, Hallstahammar and Surahammar. The permits for these sites relate to production volumes, allowed intake of water from water bodies, emission to air and water as well as waste disposal to own landfill.

Statutory sustainability report

Alleima has issued a statutory sustainability report. The report was prepared in accordance with the Annual Accounts Act and approved by the Board of Directors and the President and CEO. The Statutory Sustainability report consists of the following pages: 19, 30–33, 66, 69–70, 78–81, 145–169.

Divisions

Alleima has three divisions: Tube, Kanthal and Strip.

Tube

Tube develops and manufactures seamless tubes and other long products in advanced stainless steels and special alloys used primarily in the customer segments of Industrial, Chemical and Petrochemical, Oil and Gas, Mining and Construction, Power Generation and Transportation. The offering also includes products and solutions for the growing Hydrogen and Renewable Energy segment. Order intake for the division amounted to SEK 15,959 million (10,795), an organic growth of 25 percent. Revenues totaled SEK 12,804 million (9,530), an organic growth of 14 percent. The EBIT margin was 13.2 percent (12.3) and the adjusted EBIT margin was 9.6 percent (7.4) of revenues. Please refer to Note 2 for information on metal price effects and items affecting comparability.

SEK M	2022	2021	2020	2019
Order intake	15,959	10,795	8,331	12,950
Book-to-bill, %	*125*	*113*	*82*	*112*
Revenues	12,804	9,530	10,102	11,528
Organic growth, %	*14*	*-10*	*-10*	*6*
Adjusted EBITDA	1,922	1,311	1,668	1,949
Adjusted EBITDA margin, %	*15.0*	*13.8*	*16.5*	*16.9*
EBIT	1,691	1,168	666	1,234
EBIT margin, %	*13.2*	*12.3*	*6.6*	*10.7*
Adjusted EBIT	1,229	707	1,093	1,290
Adjusted EBIT margin, %	*9.6*	*7.4*	*10.8*	*11.2*
Number of employees	3,931	3.652	3,538	4,028

Kanthal

Kanthal is a leading supplier of heating materials, focusing on heating alloys for industrial, appliance and thermocouple applications, and heating systems, including heating elements, heating modules, and other products used in high temperature processes. The largest share of revenues is related to the Industrial Heating segment. The division also has an offering for ultra-fine wire for the Medical segment. Order intake for the division amounted to SEK 4,466 million (3,357), an organic growth of 9 percent. Revenues totaled SEK 3,972 million (3,007), an organic growth of 9 percent. The EBIT margin was 20.2 percent (18.1) and the adjusted EBIT margin was 15.4 percent (14.8) of revenues. Please refer to Note 2 for information on metal price effects and items affecting comparability.

SEK M	2022	2021	2020	2019
Order intake	4,466	3,357	2,646	2,739
Book-to-bill, %	*112*	*112*	*101*	*96*
Revenues	3,972	3,007	2,615	2,852
Organic growth, %	*9*	*15*	*-7*	*-3*
Adjusted EBITDA	708	526	380	396
Adjusted EBITDA margin, %	*17.8*	*17.5*	*14.5*	*13.9*
EBIT	802	545	104	386
EBIT margin, %	*20.2*	*18.1*	*4.0*	*13.5*
Adjusted EBIT	611	445	298	307
Adjusted EBIT margin, %	*15.4*	*14.8*	*11.4*	*10.8*
Number of employees	1,215	1,101	971	1,073

Strip

Strip develops and manufactures a wide range of precision strip-steel products, such as razor blade steel and compressor valve steel, primarily for the Consumer, Industrial, Transportation (primarily automotive) and Medical customer segments. Through the Surface Technology business unit, the division is also exposed to the Hydrogen and Renewable Energy segment through its offering of pre-coated strip steel developed for one of the most critical components in the hydrogen fuel cell stack – the bipolar plates. Order intake for the division amounted to SEK 1,705 million (1,529), an organic growth of 2 percent. Revenues totaled SEK 1,628 million (1,310), an organic growht of 14 percent. The EBIT margin was 14.2 percent (15.4) and the adjusted EBIT margin was 12.7 percent (12.7) of revenues. Please refer to Note 2 for information on metal price effects and items affecting comparability.

SEK M	2022	2021	2020	2019
Order intake	1,705	1,529	1,253	1,162
Book-to-bill, %	*105*	*117*	*104*	*91*
Revenues	1,628	1,310	1,209	1,275
Organic growth, %	*14*	*8*	*-3*	*3*
Adjusted EBITDA	254	216	147	151
Adjusted EBITDA margin, %	*15.6*	*16.5*	*12.2*	*11.9*
EBIT	232	202	84	82
EBIT margin, %	*14.2*	*15.4*	*6.9*	*6.5*
Adjusted EBIT	207	167	97	99
Adjusted EBIT margin, %	*12.7*	*12.7*	*8.0*	*7.8*
Number of employees	519	508	444	470

Parent company

The parent company's (Alleima AB) revenues amounted to SEK 20 million (4) and the operating result was SEK -122 million (-4).

An extraordinary general meeting held on March 7, 2022, resolved on a directed share issue with right for the shareholder Sandvik AB, Reg. No. 556000-3468, to subscribe for 250,827,184 shares in Alleima AB and that all shares, in accordance with the terms and conditions in the general meeting's decision. Following the decision at an extraordinary general meeting, in March 2022, one existing share in Alleima AB was divided into fifty shares. The same extraordinary general meeting resolved on a directed share issue with the right for the shareholder Sandvik AB, Reg. No. 556000-3468, to subscribe for 250,827,184 shares in Alleima AB. All shares were subscribed for, in accordance with the terms and conditions of the general meeting's decision. The total number of shares after the split and the share issue amounted to 250,877,184 which also represents the total number of outstanding shares as of December 31, 2022. In addition, in March 2022, the Company received an unconditional shareholder contribution in the amount of SEK 1,149 million by way of cash payment from the shareholder Sandvik AB.

The largest shareholders of the parent company at year-end were Industrivärden (20.05%) and Lundbergföretagen AB (6.13%). The ten largest shareholders amounted to 42.42% of total shares and votes.

The number of employees in the parent company as of December 31, 2022 was 9 (9).

Proposed appropriation of earnings

To the Annual General Meeting on May 2, 2023, Alleima Board of Directors proposes for the financial year 2022 a dividend of SEK 1.40 (-) per share (SEK 0.4 billion), to be paid in May 2023, and that the parent company shall retain the remaining part of non-restricted equity. The record date for entitlement to receive dividends is proposed as May 4, 2022 and payment is expected to be made on May 9, 2022.

The Board of Directors proposes that earnings be distributed as follows:

	SEK
Amount to be paid to the shareholders	351,228,058
Amount to be retained by the parent company	12,717,924,436
Total non-restricted equity of the parent company	**13,069,152,494**

For further information on Shareholders' Equity, see Group Note 19.

Statement of the Board in compliance with the Swedish Companies Act (2005:551) clause 18:4

The Board has proposed that the Annual General Meeting 2023 resolves on a dividend distribution of SEK 1.40 per share.

After the dividend distribution, the remaining non-restricted equity of SEK 12,718 million is proposed to be retained in the business and brought forward. The total amount of the proposed dividend distribution corresponds to approximately 2.7 % of the non-restricted equity of the parent company, which in total amounts to SEK 13,069 million prior to the transaction. In the parent company's balance sheet per December 31, 2022, the total equity available to the shareholders of the parent company amounts to SEK 13,320 million. After the proposed dividend of SEK 351 million, an amount of SEK 12,969 million will remain. In the consolidated balance sheet per December 31, 2022, retained earnings, including the result of the year 2022, amount to SEK 15,901 million prior to the proposed dividend distribution and will amount to SEK 15,550 million after the proposed dividend distribution. The Board notes that there will be full coverage for the restricted reserves of the Company after the dividend distribution.

The Board makes the assessment that the Company's and the group's equity after the dividend distribution will be able to sustain the requirements which the nature, size and risks of the business will present.

The Board further considers the actions reasonable in light of the Company's and the group's consolidation requirements, liquidity and position in general.

The dividend distribution is not assumed to present any risk for the Company's or the group's ability to fulfil its short or long term payment obligations, and neither of these measures are assumed to affect the ability of the Company to make required investments.

Reflecting this, the Board considers the proposed dividend distribution to be justifiable according to the Swedish Companies Act (2005:551) chapter 17 section 3, second and third paragraph.

January 24, 2023

Alleima AB (publ)
The Board of Directors

Risk management

The purpose of the risk management work within Alleima is to support business to manage and effectively mitigate critical risks with the potential to impact ability to achieve financial targets and strategic objectives.

The Alleima Board of Directors is ultimately responsible for the governance of risk management.

The Group's risk management approach follows a decentralized structure, where all management teams are responsible for their own risk management but must follow the minimum requirements defined in the governance system "The Alleima Way".

Enterprise Risk Management

The Enterprise Risk Management (ERM) process within Alleima is part of the strategy and business planning process. Assessment of risks according to our ERM methodology are conducted as part of the strategy work by all divisions and selected Group functions at least annually.

The Group Executive Management review and discuss the Alleima Group risk appetite and decides on the Group risk profile once per year, based on a bottom-up risk assessment, an external risk outlook and top management input.

The ERM report summarizing key risks and mitigating activities across the business, was presented to the Audit Committee and Board of Directors in December 2022. The Board of Directors' and the Audit Committee's involvement in the ERM process is further described in the section about Corporate governance.

Business Continuity and Crisis Management

Operational parts of the business, i.e production units are obligated to define a plan for Business Continuity, e.g. to ensure their ability to successfully respond to disruptive events and continue their business operations at an acceptable level. If a serious incident occurs, Alleima has crisis management plans in place.

Insurance as a risk management tool

Alleima has tailored insurance programs that transfer the risks associated with, amongst others, the Group's property, cargo and liability exposures. Insurable risks are continuously evaluated, and actions are taken to reduce these risks.

Internal audit and internal control in Alleima's risk work

The internal audit function regularly follows up the implementation of different risk management programs such as ERM, business continuity, crisis management and insurance programs. Alleima applies group-wide internal controls to monitor risk mitigations. Read more about the internal control programs on the page Internal control over financial reporting.

Alleima Group Risk Profile

Alleima Group risk profile is based on a bottom-up and top-down approach where the divisions, business units and functions first make their assessment and the Group Risk Network makes recommendations for a new Group risk profile based on the outcome of these assessments. The Group Executive Management reviews the proposal from a Group, top-down perspective and makes necessary adjustments. The outcome of this annual cycle is presented in the table below together with examples of identified improvement actions.

Risk category	Risk description	Example of identified risk improvement actions
Strategic risks		
Geopolitical development	Operations are stopped or heavily impacted due to unclear trading conditions and continually evolving sanctions legislations, country policies or ethical/moral impact	Execute strategy to become more of a local supplier in key markets
	Regulatory changes that result in significant differences in industry regulations in different regions	Continuous dialogue in different channels, e.g. Eurofer, Swedish Steel Producers' Association (Jernkontoret), ESTA
Macroeconomic developments	Large part of the capacity is exposed to a segment that may gradually decrease	Long-term strategy to reduce dependency on Oil & Gas by growing identified focus areas
	Reduced demands due to challenges in the world economy, which can lead to growth target is not being reached	Market demand and macroeconomic development are continuously monitored and contingency plans with mitigation actions are in place at all divisions
People related risk	Risk that the company will lack needed competences to fulfill the strategy	Secure internal job rotation with possibilities to develop the career development and continuous work with learning and talent management
Operational risks		
Business interruption	Unexpected and severe breakdowns in production	Business continuity plans developed for production units as well as reinvestment plan for key assets
	Availability of energy and to an affordable price may cause disturbances or stop in operations	Hedging to secure energy prices. High energy consuming processes in production planned so that high spot prices on energy could be avoided
Sourcing risk	Dependencies on suppliers' performance in terms of quality, sales and delivery time to fulfill customer obligation	Contract volumes with external sourcing to secure quality and quantity
Business interruption/ Sustainability risk	Weather related event, hurricanes, flooding, fires etc. that may impact own operations, customers or suppliers	Continue to find ways to minimize downtime or expand manufacturing footprint and continually review risks related to natural catastrophes
Compliance risk	Lawsuit and external reviews, bad media affecting reputation and brand values	Compliance program established that evolves with regulations
Information and data protection	Non-official information is made available to persons that shouldn't have access	Clearly defined process for information management that includes our quarterly reports and press-releases
	Modern digitized business practices are increasing the cybersecurity risks	Execute on defined framework within Digital Security and strategy
Financing risk	Financial market collapse or financial downturn can harm company performance	Continuous management and monitoring of operational cash flow and focus on net working capital improvement
People related risk/ Sustainability risk	Incidents within own operation causing harm to employees or the environment	"Safety First" prioritized by Alleima Management agenda. Specific risk assessments is performed to minimize risks related to environment, health and safety
IT related risk	Unavailability of critical IT Services	Secure high availability services for business-critical applications, including offline storage of backups
Other business risk	Alleima conducts its business under a new and less well-known brand	Establish the Alleima brand by continuing to deliver sustainable products with the right quality according to customer expectations and continuous dialogue with existing customers about the change
	Delivered products do not fulfill product specification requirements	Continuous focus on Quality and further development of management systems

Corporate Governance Report

Alleima AB has its head office in Sandviken, Sweden, and is the parent company of the Alleima Group, with subsidiaries in about 40 countries. The Group has approximately 5,900 employees and revenues from sales to more than 90 countries. Alleima AB is a public company with its shares listed on Nasdaq Stockholm.

Corporate governance within Alleima is based on external rules such as the Swedish Companies Act, the Nordic Main Market Rulebook for Issuers of Shares, the Swedish Code of Corporate Governance (the "Code") and other relevant laws and regulations. The Code is available at corporategovernanceboard.se. In 2022, Alleima applied the Code without deviating from any of its regulations.

The Alleima Way

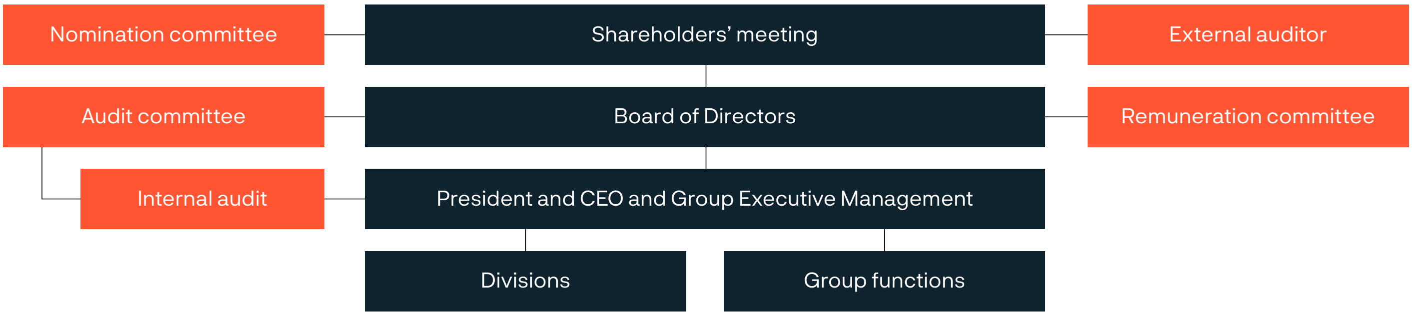
The corporate governance framework of Alleima, The Alleima Way, implements the external rules mentioned above and also sets out the internal rules and principles for governance that apply specifically within Alleima. The Alleima Way is based on three blocks; management-, core- and supporting processes, as set forth in the model below. The processes are governed by policies, procedures and other steering documents describing the common ways of working implemented throughout the entire organization.

Our codes of conduct

Alleima puts ethics and sustainability practices first. These standards are part of everything we do, both in our own operations and in our customer and supplier partnerships. Alleima always applies these practices, even in challenging situations. We adhere to our Code of conduct and evaluate our progress, taking prompt action if necessary. At Alleima, we take pride in what we do. We care about our customers, our people, the environment, the communities in which we operate, and the future that we share. Our Code of conduct sets the principles for how we turn our purpose and values into everyday behavior to support the long-term goals of our business. The Alleima Supplier Code of conduct is a statement of the behaviors we expect from our suppliers and their staff. Alleima has implemented the Speak-Up system. It is a tool designed to permit Alleima employees, as well as external stakeholders, to report, in confidence, suspected breaches of our Code of conduct, its policies and procedures and the applicable laws and regulations in the countries in which it operates (collectively known as the Regulatory Framework).

Alleima process map

Corporate Governance Model
This block outlines how the Alleima Group is led and governed. The Board of Directors, elected by the General Meeting, sets the strategic direction for the Group. The President and CEO execute that strategic direction with the assistance of the Group Executive Management, whose members manage and oversee the operations of the Group. The main operational responsibility in the Group lies with the Divisions, with Group functions responsible for functional policies and processes supporting the business. The Alleima Way is implemented in the respective Divisions, with additional requirements cascaded down in the operational structure of each Division. The Alleima Way is based on high-level management-, core- and supporting processes, as set forth in the model below. The high-level processes are governed by policies, procedures and other steering documents describing the common ways of working implemented throughout the entire organization.



Ownership structure
As of December 31, 2022 Alleima's share capital amounted to SEK 250,877,184 represented by 250,877,184 shares. At year-end Alleima had 126,932 shareholders and AB Industrivärden was the largest owner with 20.05 percent of the share capital. Of the total share capital at year-end, about 34 percent was owned by investors outside Sweden.

Shareholders' meeting
The General Meeting of Shareholders is the highest decision-making body. At the Annual General Meeting, the shareholders are given the possibility to exercise their voting rights in relation to, for example, the adoption of the Annual Report, discharging the Board of liability, dividends, election of the Board and appointment of auditor, and other matters stipulated in the Companies Act, the Articles of Association and, where applicable, the Code. All shareholders who have been entered in the share register and have informed the company of their participation as instructed in the notice of the General Meeting are entitled to participate at Alleima's General Meetings and vote according to the number of shares held. Shareholders are also entitled to be represented by a proxy at the General Meeting. According to the Articles of Association, the Board may also decide to allow shareholders to exercise their voting rights through postal voting before a General Meeting. All shares in Alleima carry equal voting rights with one vote per share.

2022 Annual General Meeting
The shareholder at the time representing the entire share capital and all votes (Sandvik Aktiebolag) participated at the Annual General Meeting held on April 27, 2022. Resolutions included the following:

- Re-election of Board members Andreas Nordbrandt, Claes Boustedt, Karl Åberg, Kerstin Konradsson, Susanne Pahlén Åklundh and Göran Björkman as well as re-election of Andreas Nordbrandt as Chairman of the Board.
- Re-election of Pricewaterhouse Coopers AB as auditor.
- Amendments to the Articles of Association, to include a possibility of postal voting before General Meetings.
- For additional information about the Annual General Meeting, including the minutes, visit alleima.com.

2023 Annual General Meeting
The next Annual General Meeting will be held on May 2, 2023. More information can be found in the notice convening the General Meeting and at alleima.com

Alleima shareholders, December 31, 2022, %

AB Industrivärden	20.05
L E Lundbergföretagen AB	6.13
Vanguard	2.99
AFA Försäkringar	2.33
Swedbank Robur Fonder	2.26
Tredje AP-fonden	1.98
SEB Fonder	1.95
Alecta Tjänstepension	1.82
Norges Bank	1.81
Göranssonska Stiftelserna	1.38
Ten largest shareholders, total	**42.70**
Other shareholders	57.30
Total	**100**

Source: Monitor by Modular Finance AB

Nomination Committee
The Nomination Committee is a preparatory body that prepares proposals for, among other things, the election of the Board of Directors, the Chairman of the Board and auditors as well as fees, for adoption at the General Meeting. The Annual General Meeting has adopted an instruction for the Nomination Committee, which includes a procedure for appointing the Nomination Committee, valid until a General Meeting resolves on a change. In accordance with this instruction, the Nomination Committee shall consist of members appointed by each of the four largest shareholders in terms of the number of votes on the final business day in August plus the Chairman of the Board (convener).

Nomination Committee for 2023 AGM
For the 2023 Annual General Meeting, the Nomination Committee consists of Fredrik Lundberg, Chairman (Industrivärden), Bo Selling (L E Lundbergföretagen), Anna Magnusson (Alecta), Jan Dworsky (Swedbank Robur Funds) and Andreas Nordbrandt (Alleima's Chairman of the Board). Up to the date of this Annual Report, the Nomination Committee met on three occasions. The Nomination Committee was informed of the results of the Board's own evaluation. The Committee met with the President and CEO who presented the company's strategy. In its work, the Nomination Committee specifically considered the demands that the company's strategic development, its international operations, and its governance and control places on the board of directors, with regards to competences and composition. The Nomination Committee applied rule 4.1 of the Code as the diversity policy. This rule states that the Board shall have an appropriate composition in view of the company's operations, phase of development and other relevant circumstances, display diversity and breadth in terms of qualifications, experience and background of the Board members elected by the General Meeting and that the company shall strive for gender balance.

Nomination Committee's tasks ahead of the 2023 Annual General Meeting (AGM)
- Proposal concerning the Chairman of the Meeting
- Proposal concerning the number of Board members
- Proposal concerning remuneration of each Board member
- Proposal concerning the Board and Chairman of the Board
- Proposal concerning auditor and remuneration of the auditor
- If deemed necessary, proposal for changes to the Nomination Committee's instruction concerning the procedure for appointment of the Nomination Committee for the forthcoming AGM

Board of Directors
The Board of Directors is responsible for the company's organization and the management of the company's business. The Board is required to continuously monitor the company's and the Group's financial position. The Board is to ensure that the company's organization is designed in a way that ensures that the financial statements, the management of assets and the company's financial condition in general are controlled in a satisfactory manner. The President and CEO is appointed by the Board and is responsible for the daily operations pursuant to guidelines and instructions issued by the Board. The distribution of responsibilities between the Board and the President and CEO is laid down in the Board's Procedural Guidelines which are reviewed and adopted each year. The review is based on such aspects as the Board's evaluation of the individual and collective work that the Board performs. In addition to financial reporting and the monitoring and follow-up of daily operations and profit trend, Board meetings address the goals and strategies for the operations, significant acquisitions and investments, as well as matters relating to the capital structure. Senior executives report business plans and strategic issues to the Board on an ongoing basis.

Composition
As of December 31, 2022, Alleima's Board consisted of six members elected by the Annual General Meeting. The Board consists of members from different industry sectors and the financial market. One third of the Board members elected by the General Meeting are women. The current Board was elected by a general meeting before the listing of Alleima on the Nasdaq Stockholm stock exchange. The Board members were selected applying rule 4.1 of the Code as the diversity policy, with the aim of achieving diversity in terms of gender, age, experience, and educational and professional background. Pursuant to Swedish legislation, trade unions are entitled to representation on the Board and they have appointed two members and two deputies. The Board members are presented on pages 82-83.

Independence
Karl Åberg is not regarded as independent in relation to major shareholders in the company and Göran Björkman is not regarded as independent in relation to the company and its executive management. The other four Board members elected by the General Meeting are all independent in relation to Alleima and its executive management, as well as the company's major shareholders. Accordingly, the composition of the Board complies with the independence requirements of the Code.

Board proceedings during 2022

During the year, the Board held 26 meetings, including per capsulam meetings. The President and CEO presented the 2022-2026 strategy. The Presidents of divisions presented their goals and strategies. During the year there was a special focus on the separation from the Sandvik Group, including the set-up of separate functions for the Alleima Group, and the process of listing Alleima AB on the Stockholm Nasdaq exchange. The Board addressed matters related to the Group strategy, including the new brand and core values, financial targets, business models, risk management, financing, acquisitions and investments. The Remuneration Committee and the Audit Committee reported from their respective meetings. In respect to the Audit Committee, reported matters included accounting principles, financial outcome, ERM, compliance, Speak Up and Code of Conduct, internal control and internal audit as well as the result of the external audit. The Committees also submitted matters for resolution by the Board and the minutes and reports from these meetings were made available to the Board members.

Name	Position	Board member in Alleima since	Independent in relation to the Company and the Group Executive Management	Independent in relation to the company's major shareholders	Audit Committee	Remuneration Committee	Shareholding in Alleima[2]
Andreas Nordbrandt	Chairman	2021	Yes	Yes	–	Chairman	1,764
Göran Björkman	Member and President and CEO	2019	No	Yes	–	–	28,952
Claes Boustedt	Member	2021	Yes	Yes	Member	–	30,000
Kerstin Konradsson	Member	2022	Yes	Yes	–	Member	2,500
Susanne Pahlén Åklundh	Member	2022	Yes	Yes	Member	–	5,000
Karl Åberg	Member	2021	Yes	No	Chairman	–	12,000
Tomas Kärnström	Member[1]	2021	–	–	–	–	577
Mikael Larsson	Member[1]	2021	–	–	–	–	27
Maria Sundqvist	Deputy[1]	2021	–	–	–	–	144
Niclas Widell	Deputy[1]	2021	–	–	–	–	24

1) Employee representative.
2) Own holdings and holdings of related persons and affiliated companies as per 31 December, 2022.

Attendance at Board and Committee meetings in 2022

Member	Board	Audit Committee	Remuneration Committee
Total number of meetings	**26[1]**	**6**	**5**
Andreas Nordbrandt	26		5
Göran Björkman	25		
Claes Boustedt	25	6	
Kerstin Konradsson [2]	24		5
Susanne Pahlén Åklundh [3,4]	21	3	
Karl Åberg	26	6	
Tomas Kärnström	26		
Mikael Larsson	25		
Maria Sundqvist	16		
Niclas Widell	16		

1) Including per capsulam resolutions in which deputies did not partake.
2) Elected Board member at an extra general meeting January 27, 2022.
3) Elected Board member at an extra general meeting on March 7, 2022.
4) Appointed Audit Committee member in April 2022.

Remuneration of the Board
As resolved at the 2022 Annual General Meeting, the fee to the Chairman of the Board is SEK 1,350,000 and the fee to each of the non-executive Board members elected by the General Meeting is SEK 470,000. In addition, SEK 200,000 was paid to the Chairman of the Audit Committee and SEK 100,000 to each of the other Committee members, in total SEK 400,000. The Chairman of the Remuneration Committee was paid SEK 100,000 and each of the other Committee members SEK 70,000, in total SEK 170,000. For more detailed information on remuneration of the Board members, see page 106, note 3.5.

Evaluation of the work of the Board
To ensure the quality of the work of the Board and to identify the possible need for further expertise and experience, the work of the Board and its members will be evaluated annually. In 2022, the evaluation, which was led by the Chairman of the Board, was carried out by way of each Board member responding anonymously to an online questionnaire. The Chairman also held separate evaluation discussions with all Board members. The compiled results of the evaluations were presented to the Board as well as to the Nomination Committee.

Board Committees
The tasks of the Committees and their work procedures are stipulated in written instructions issued by the Board. The Committees' primary task is to prepare issues and present them to the Board for resolution.

Audit Committee
As of the Board's statutory meeting following the 2022 Annual General Meeting, the members of the Audit Commit-tee were Karl Åberg (Chairman of the Committee), Claes Boustedt and Susanne Pahlén Åklundh. Areas addressed by the Audit Committee are for example:

- Monitoring the financial reporting and ensuring its reliability
- Overseeing the effectiveness of the system of internal control, of financial reporting and internal audit
- Obtaining the external auditor's verbal and written reporting including audit planning and activities performed as well as significant observations and conclusions around the quality of the financial reporting
- Assisting the Nomination Committee in the election of the auditor
- Monitoring the external auditor's independence and objectivity in relation to the company, including the extent to which the auditor provides other services than auditing services to the company
- The Group's systematic processes for overall corporate risk management (ERM), as well as more detailed risk management matters including legal disputes, compliance, corporate investigations, IT security, accounting procedures, taxation, treasury, finance operations and insurance coverage
- The development and effectiveness of compliance processes, with special focus on the Group's compliance program, the Compliance House
- Alleima's Code of Conduct, some specific cases managed through Speak Up, Alleima's global whistleblowing system, as well as the overall effectiveness of the system

During 2022 the Audit Committee held six meetings at which Alleima's external auditor and representatives of the company's management were present.

Remuneration Committee
During 2022, the members of the Remuneration Committee were Andreas Nordbrandt (Chairman of the Committee) and Kerstin Konradsson. The tasks of the Remuneration Committee are, among others, those prescribed by the Code, which include preparing proposals regarding guidelines for remuneration of senior executives and long-term incentive programs for senior executives. Based on the recommendations of the Remuneration Committee, the Board decides the remuneration and terms of employment for the President and CEO, who in turn decides on the remuneration to be paid to the Group Executive Management in consultation with the Remuneration Committee. For guidelines, remuneration and other benefits payable to the Group Executive Management, refer to the Guidelines for the remuneration of senior executives on pages 63-65. During 2022, the Remuneration Committee held five meetings.

President and CEO and Group Executive Management
The President and CEO is accountable for Group decision-making in all areas delegated by the Board. In order to ensure a full Group perspective in these matters, the President and CEO has appointed the Group Executive Management as an advisory forum, focusing on how to achieve Group targets, strategies, structure and organization. The Group Executive Management meets each month and its members are accountable for implementing the President and CEO's decisions. In 2022, the Group Executive Management consisted of:

- Göran Björkman, President and CEO
- Olof Bengtsson, Chief Financial Officer,
- Michael Andersson[1], President Tube Division,
- Anders Björklund[2], President Kanthal Division,
- Claes Åkerblom, President Strip Division,
- Mikael Blazquez, Executive Vice President and Head of Strategy and M&A and IT,
- Ulrika Dunker, Executive Vice President and Head of Human Resources,
- Tom Eriksson, Executive Vice President and Head of Strategic Research,
- Johanna Kreft, Executive Vice President and General Counsel, and
- Elja Nordlöf, Executive Vice President and Head of Communications.

The members of the Group Executive Management are presented further on pages 84-85.

1) On January 4, 2023, Michael Andersson resigned as President Tube Division. The process of finding a replacement is ongoing. Since February 13, 2023, Nigel Haworth, Head of Business Unit Energy, is acting President Tube Division.
2) On July 6, 2022, Anders Björklund resigned as President Kanthal Division. He was replaced February 27, 2023, by Robert Stål.

Group Executive Management 2023

Name	Position	Employed within Alleima since	Shareholding in Alleima[2]
Göran Björkman	President and CEO	2017	28,952
Michael Andersson[1]	President Tube Division	2002	3,821
Robert Stål	President Kanthal Division	2023 (also 2010–2017)	240
Claes Åkerblom	President Strip Division	2017 (also 2003–2008)	2,668
Olof Bengtsson	CFO	2019	12,936
Johanna Kreft	EVP & General Counsel	2015	438
Mikael Blazquez	EVP Strategy, Mergers & Acquisitions and IT	2006	1,253
Ulrika Dunker	EVP & Head of Human Resources	2020 (also 2010–2011)	500
Tom Eriksson	EVP & Head of Strategic Research	2007	3,233
Elja Nordlöf	EVP & Head of Communications	2017	274

1) On January 4, 2023, Michael Andersson resigned as President Tube Division. The process of finding a replacement is ongoing. Since February 13, 2023, Nigel Haworth, Head of Business Unit Energy, is acting President Tube Division.
2) Own holdings and holdings of related persons and affiliated companies as per December 31, 2022.

Divisions
The Alleima organizational model is based on a decentralized business model. There are three separate divisions – Tube, Kanthal and Strip – with their own distinct product offerings. The divisions have full responsibility and accountability for their respective business results. The divisions are organized into a number of business units based on product offering, geography or brand. Visit alleima.com for more detailed information about the offering and activities of the Group.

Group functions
There are seven group functions within Alleima: Communications, Finance, Governance and Sustainability, HR, Legal, Strategic Research and Innovation and Strategy and M&A and IT. The Group functions specifically focus on setting the appropriate enabling structures and processes that are common for the Group or cover a specific area for which the Group is responsible.

Internal control over financial reporting
The processes for internal control, control environment, risk assessment, control activities, information and communication, and monitoring and follow-up regarding the financial reporting are designed to ensure reliable overall financial reporting and external financial statements in accordance with IFRS, applicable laws and regulations and other requirements. Alleima's Board of Directors is ultimately responsible for the governance of risk management including internal control over financial reporting. The Alleima Audit Committee are to oversee and examine the internal control program, this is done by regularly reviews and evaluation of the adequacy of the internal control framework. The President and CEO and the Group Executive Management have the ultimate responsibility for internal controls within their areas of responsibility. Alleima's risk management including internal control forms an integral part of the operations, described in The Alleima Way (page 69), which also includes risk assessments, policies, procedures and compliance.

Risk assessment
The Enterprise Risk Management (ERM) process at Alleima ensures that risk assessment is conducted regularly throughout the organization, i.e. the Group, the divisions, the business units and Group functions, including finance and IT. Key risks noted in the assessments and observations made by internal and external audit are taken into consideration in the design of Alleima's internal control framework to ensure that adequate controls exist to mitigate these risks. Identified key risks are further reported to the Audit Committee and the Board of Directors annually. Read more about the Enterprise Risk Management (ERM) program on page 69.

Control activities
Based on the identified risks, the internal control framework is designed in different control perspectives covering financial reporting - ICFR (group function and Alleima entities) and IT general controls. Each control perspective has an appointed lead within the organization that is overall responsible to ensure that internal controls are performed as decided. For internal control and financial reporting, every entity and group function has an appointed local entity internal control lead responsible for monitoring and managing the internal control set-up.

Information and communication

The result of the internal controls performed, as well as identified deficiencies, analysis and action plans are included in the CFO report which is part of the agenda for the Audit Committee meetings. The Chairman of the Audit Committee reports on the ongoing work of the committee, including with regard to the internal control issues, to the Board of Directors. The Board of Directors also conducts an annual review of the Company's processes for internal control and is presented the results of completed controls and self-evaluations.

Monitoring and follow-up

Monitoring and self-assessments according to the requirements in the internal control framework are performed periodically to ensure that risks are properly mitigated. Results of the self-assessment testing of controls including test evidence are to be reported and any identified internal control deficiency requires an action plan with the purpose to remediate ineffective controls.

Group Internal Audit

The Group Internal Audit function provides independent, objective assurance designed to add value and improve Alleima's operations as well as to ensure that Alleima's operating model is designed and operating effectively. Group Internal Audit is to assist Alleima in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the organization's governance, internal control and risk management processes.

Group Internal Audit assignments are conducted according to a risk-based plan developed annually and approved by the Audit Committee. The audit plan is derived from an independent risk assessment conducted by Group Internal Audit to identify and evaluate risks associated with the execution of the Company's strategy, operations and processes. The audits are to be executed using a methodology for evaluating the design and effectiveness of internal controls to ensure that risks are adequately addressed, and processes are operating efficiently. Opportunities for improving the efficiency in the governance, internal control and risk management processes identified in the internal audits are reported to management for action. A summary of audit results is to be provided to the Audit Committee, as is the status of management's implementation of agreed actions to address findings identified in the audits. The Head of Group Internal Audit reports administratively to the CFO and functionally to the Audit Committee.

External auditor

At the 2022 Annual General Meeting, the audit firm PricewaterhouseCoopers AB was re-elected auditor of Alleima AB for the period until the 2023 Annual General Meeting. Magnus Svensson Henryson is the auditor-in-charge. The auditor continuously audits and monitors the Company's general accounting and the execution by the Board and the President and CEO of their respective responsibilities. The progress of the audit is reported regularly during the year to the management teams of individual companies and the Divisions, the Audit Committee and the Board. The auditor meets with the board at least once a year without the President and CEO or any other member of the Group Executive Management attending. Audit fees are paid continuously on an approved current account basis. For detailed information on fees paid to the auditor, see Note 4.

Sustainability governance

The strategic direction of Alleima is based on four key pillars, and industry-leading sustainability is one of them. This means that governance of sustainability in Alleima is an integrated part of our corporate governance framework – the Alleima Way. Governed by policies, procedures and other steering documents, there is a clear structure of how sustainability is managed within the company.

The Alleima Board of Directors has the overall responsibility for sustainability in Alleima and has tasked the Audit Committee to oversee this. The Audit Committee is informed regularly.

The Group Executive Management team of Alleima is responsible for executing the strategy. Sustainability is an operational responsibility, and the division presidents have a delegated responsibility to execute the strategy in their divisions. Alleima has established a committee – Alleima Sustainability Council - with representatives from group functions and divisions. The council is assigned to coordinate the sustainability work within Alleima. Chaired by the head of Alleima Governance and Sustainability, the sustainability council coordinates the preparation of steering documents within sustainability, such as the Alleima sustainability policy, and the procedures under this policy. The council also prepares any decision proposals that require Group Executive Management approval. Sustainability reviews are conducted with Group Executive Management on a quarterly basis. In the sustainability reviews, management is informed about any issues related to sustainability, as well as progress against sustainability targets and plans towards further progress to reaching long-term goals. The sustainability targets form the basis for the company's successful implementation of the key pillar of industry-leading sustainability in the company strategy. The targets have been set to address material aspects both in relation to how Alleima is impacted as a company by external key sustainability drivers as well as to address what external stakeholders deem as the most significant impacts of our operations.

The Alleima Board of Directors, has the overall responsibility for sustainability within Alleima, monitored by the Audit Committee. The Group Executive Management has the overall responsibility for the sustainability strategy and agenda of Alleima while the divisions are responsible for the implementation and follow-up. The governance and sustainability function is responsible for the coordination within the Group, chairs the sustainability council and reports to the President and CEO.

Code of conduct
Alleima is committed to putting sustainable business practices first. This involves our own internal work and our interaction with business partners. Our Code of conduct serves as a set of principles to apply in our daily work and is a description of our common culture worldwide. The foundation of our Code of conduct is, together with our core values, based on internationally recognized principles for environmental, social and governance aspects. Our Code of conduct and our Supplier Code of conduct are available on our website: www.alleima.com/en/about-us/code-of-conduct.

Speak Up
In a situation that does not appear to conform with our principles as set out in our Code of conduct, our policies, or the law, we expect employees or business partners to bring their concerns to the company's attention. This way, Alleima can improve our work environment and reduce risks for Alleima and we can continuously work to improve ourselves to be an ethical and sustainable company. All reports that are received will be evaluated and an internal investigation will be conducted if required. The information provided is kept confidential. The reporter can be anonymous if local laws permit. The Speak Up process follows all applicable whistleblowing and data privacy laws and personal data is deleted in accordance with GDPR (General Data Protection Regulation), all to ensure the reporter's personal data is kept safe. The privacy and integrity of a reporter is always of the greatest importance, especially when a reporter steps forward to report a concern or suspected breach of our Code, a policy, or the law. Therefore, our Speak Up Policy outlines that there will be no retaliation taken against an employee or business partner who, in good faith, raises a concern.

Compliance
The compliance program requirements are set by Group Compliance, including compliance risk identification, policies, applicable training, controls, audits, reporting and monitoring. Each division is responsible for implementing the program in their organization. The program addresses four areas: Anti-bribery and anti-corruption, Anti-trust or competition law, Data privacy and Trade and Customs compliance. The Group Compliance function reports to the Alleima Group General Counsel.

Environment, Health and Safety
Our management systems in environment, health and safety (EHS) are certified towards ISO 14001 and ISO 45001. There are Group procedures under the sustainability policy to cover areas where we want the Alleima standard to go further than the requirements of our certified management systems. Locations can be exempted from the certification requirement and instead the requirements of the Group procedure for small sites and offices will apply. Exemptions are granted based on the risk profile of the location.

Local, day-to-day environmental, health and safety work is managed at each site. Each manager has this responsibility as part of their role. This means that aspects that could be of varying nature at different sites are also managed locally. Progress towards local and global goals is managed in individual EHS plans. The plan progress is monitored and reported on an ongoing basis. The progress of local EHS-plans is part of the KPI's, along with incident statistics and environmental target follow-up. These are all included in the management review process that is conducted from the local level to the business unit and division and on a quarterly basis also to Group Executive Management.

The responsibility for EHS risk management is part of the role of the manager in charge at each location. EHS risk management is based on a detailed risk assessment process and there are tools and templates as well as instructions on how to complete the process. The local EHS manager supports the process with subject matter expertise. Furthermore, recording hazard observations including the process to close these out is a foundation of robust management of EHS-related risk. To learn from incidents and monitor lagging indicators each business unit / location records and investigates the incidents that occurred. Each location is responsible for ensuring the findings from incident investigations are shared within the organization, both for sharing and learning but also for monitoring and tracking the progress of key performance indicators towards agreed targets.

To promote participation and consultation on all levels of the company health and safety committees are present in many locations. Typically, representatives are from local management, employees and EHS professionals.

The right to EHS training is laid out in a procedure under the sustainability policy. Training is provided as part of the induction for all employees and in more depth to EHS professionals. Training records are kept and from this a process to identify the need for refresher training is available, to ensure all employees have sufficient EHS awareness.

Sustainable supplier management
As a key component of the Alleima sustainability goals, sustainable procurement practices are essential. It is important for us that our business partners understand and accept what we expect from them in areas such as labor rights, human rights, anti-corruption and bribery, safety, materials circularity and carbon footprint. Our requirements are outlined in our Supplier Code of conduct. The goals of the company includes that all suppliers will be compliant with our supplier code. Sustainable supplier management is managed within each division and overseen by the company in the sustainability review process. In addition to ensuring procurement practices are sustainable, the governance of materials circularity and climate impact from activities upstream in the value chain is a key issue within procurement. Systems and methods to ensure a robust supplier evaluation process that takes such aspects into account in the procurement decision is being established, including a governance process to ensure successful implementation.

Human rights and fair labor conditions
Our commitment to human rights and fair labor conditions is established in our Code of conduct and in our Supplier Code of conduct in which we support, amongst others, the International Bill of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the UN Guiding Principles on Business and Human Rights. The Alleima Code of conduct, supported by our core values, also provides guidance in identifying, preventing and mitigating risks related to human rights and fair labor conditions.

To mitigate risks related to human rights, we continuously work to ensure compliance with national legislation and internationally agreed human rights standards and regulations. We regularly evaluate our processes and procedures for identifying, preventing and mitigating these risks in the Group's operations and in our value chain. Our work on human rights and fair working terms is integrated in our regular processes and procedures in different ways, for example, in our Sustainable Supplier Management, our safety work and in our diversity and inclusion scheme. We have zero tolerance for forced labor, slave labor and child labor.

We support children's rights and the right to education. All employees have the right, if they choose, to join a union and to be covered by a collective agreement. We do not accept any form of harassment or bullying and believe in a diverse workforce without any form of discrimination based on gender identity, ethnicity, national origin, age, disability, marital status, social group or any other characteristics.

Employees
Alleima offers a diverse and inclusive workplace, with fair remuneration and working terms, that puts respect and individual needs at its center. Our people strategy and policies reflect our commitment to all our employees. It outlines what our employees can expect from us as an employer in relations to how we attract, develop, and retain our employees. When needed and appropriate, we manage the exit of an employee from the business in a respectful, emphatic, and professional manner.

Leadership development
Our managers are the driving force of our company culture. With our leadership foundation and our core values (We Care, We Deliver, We Evolve), our leaders play a crucial role in enabling teams to grow, learn and adapt to future change. They enable an innovative and psychologically safe environment that continues to ensuring that we deliver on our commitment to our shareholders, business objectives and results. With our newly developed leadership programs (to be launched Q1, 2023), our performance management process, combine with our core values and EVP (Employee Value Proposition), we set clear expectations on our leadership capabilities, behaviors, and deliverables.

Talents
We have developed and activated our new EVP (Employee Value Proposition), that we build our employee journey on and it is crucial that we attract, develop, and retain our key personnel and highly qualified employees for our future success.

As an employer, we want to meet current and future employees expectations in a modern and flexible workplace. A workplace that is at the forefront of its industry, and yet has a warm, innovative, and inclusive environment, so that employees are willing to invest their career in our company in the long-term. We want to attract young and diverse professionals and provide them with development opportunities such as rotation programs and leadership development programs at various levels, with the purpose to develop and prepare our future specialist or leaders with the right skillset and understanding of our business.

Diversity and inclusion
At Alleima, we aim to become a more diverse and inclusive workplace where all our people feel included no matter gender, age, background, or sexual preferences. It is a vital aspect of our company culture and in our strategy. Alleima has set as a target to have 33% women in managerial positions by end of 2030. This goal is part of our overall sustainability goals and will be measured and followed up on regularly.

Leaders at Alleima are the force behind our culture and it is the business that has the responsibility to ensure that we meet the 2030 gender goal.

During 2022 we launched the AllBright survey in a number of our main markets where we operate, and we will now conclude our findings and leverage the data collected to ensure that we take the right decisions and actions on facts going forward.

Community involvement and sponsorship
The Alleima sponsorship and community involvement strategy introduces a new set-up and process, based on active co-operations that benefits all parties involved through clear goals, measurable outcomes, and visible results. The new sponsorship structure of Alleima is global. However, the decision on whom to partner with or what type of initiative should be prioritized is a local decision. We will not engage in activities that in any way conflict with our Code of conduct.

The governance of community involvement and sponsorship is clearly defined in a procedure under the Alleima communications policy which is owned by the executive management team. The follow up of successful implementation is built into the performance management process. The procedure is implemented by group human resources and communications jointly. Group communications will co-ordinate global sponsorship and community involvement initiatives in relation to relevant targets to ensure they are well-aligned. Group HR will ensure that global projects are implemented in such a way that the relevant targets can be met.

An important principle for Alleima is to ensure that both community involvement and sponsorship engagement support our business strategy and is well grounded in our core values. Our engagements are theme based and shall always have a clear connection to our purpose, core values, and brand promise. The initial theme of our engagements was sustainability.

Our community involvement is focused on active engagement in neighborhood projects or activities to improve life for the local community. Such engagement shall be of benefit for both the company and the community.

Sponsorship initiatives are based on a commercial contract that presumes counter-performances in proportion to our efforts.

Board of Directors

Andreas Nordbrandt

Born 1971. Chairman of the Board since 2021. Chairman of the Remuneration Committee.

Education and professional experience: Master of Science in Mechanical Engineering from the Institute of Technology at Linköping University, Sweden. Division President at Epiroc Underground Rock Excavation Division and Atlas Copco Rocktec Division.

Current board assignments and similar: Member of the board of Sandvik AB and Trenig AB.

Shareholding in Alleima (own and closely-related parties): 1,764

Göran Björkman

Born 1965. Board member since 2019 and President and CEO since 2017. See "Group Executive Management" below.

Shareholding in Alleima (own and closely-related parties): 28,952

Kerstin Konradsson

Born 1967. Board member since 2022. Member of the Remuneration Committee.

Education and professional experience: Master of Science in Metallurgy from KTH Royal Institute of Technology, Sweden. President at Boliden Smelters. President at Cast Rolls Europe & Asia at Åkers AB. Various management positions within SSAB AB.

Current board assignments and similar: Member of the board of Blue Institute, DEME Group N.V., and Sibelco N.V.

Shareholding in Alleima (own and closely-related parties): 2,500

Claes Boustedt

Born 1962. Board member since 2021. Member of the Audit Committee.

Education and professional experience: Master of Science in Business and Economics from Stockholm School of Economics, Sweden. Deputy chief executive officer at L E Lundberg-företagen AB. President at L E Lundberg Kapitalförvaltning AB.

Current board assignments and similar: Förvaltnings AB Lunden, Hufvudstaden AB and Sandvik AB.

Shareholding in Alleima (own and closely-related parties): 30,000

Susanne Pahlén Åklundh

Born 1960. Board member since 2022. Member of the Audit Committee.

Education and professional experience: Master of Science in Chemical Engineering from Lund Institute of Technology, Sweden. Various positions within Alfa Laval AB, including President of the Energy Division and the Equipment Division and member of the Alfa Laval Group Management.

Current board assignments and similar: Chairman of the board of Alfdex AB. Member of the board of ASSA ABLOY AB and Sweco AB.

Shareholding in Alleima (own and closely-related parties): 5,000

Karl Åberg

Born 1979. Board member since 2021. Chairman of the Audit Committee.

Education and professional experience: Master of Science in Economics and Business Administration from Stockholm School of Economics, Sweden. Deputy chief executive officer and head of the investment organization and the finance function at AB Industrivärden. Partner and co-founder at Zeres Capital Partners AB. Partner at CapMan Public Market Fund. Various positions within Handelsbanken Capital Markets.

Current board assignments and similar: Chairman of the board of Industrivärden Invest AB (publ). Member of the board of Nordinvest AB and Svenska Cellulosa AB SCA.

Shareholding in Alleima (own and closely-related parties): 12,000

Information regarding Board assignments and holdings of shares as of December 31, 2022.
Current Board assignments refer to assignments in companies or organizations outside the Alleima Group.

Employee representatives

Tomas Kärnström

Born 1966. Board member since 2021. Employee representative of IF Metall.

Education and professional experience:
Upper secondary school education. Chairman of IF Metall, Alleima and previously of Sandvik Materials Technology.

Current board assignments and similar:
Chairman of the board of Sandviken Energi AB, Sandviken Energi Elnät AB and Sandviken Energi Vatten AB. Member of the board of Sandvikens Hotell och Restaurang AB and Sandvikens Folkets Husförening Ekonomisk förening.

Shareholding in Alleima (own and closely-related parties): 577

Mikael Larsson

Born 1963. Board member since 2021. Employee representative of Unionen.

Education and professional experience:
Upper secondary school education. President of Unionen, Alleima and previously of Sandvik Materials Technology. Various positions within the Sandvik Group, including Inside Sales Manager and Key Account Manager.

Current board assignments and similar:
-

Shareholding in Alleima (own and closely-related parties): 27

Maria Sundqvist

Born 1964. Deputy board member since 2021. Employee representative of Akademikerföreningen.

Education and professional experience:
Master of Science in Materials Technology from Luleå University of Technology, Sweden. Various positions within the Alleima and Sandvik Groups, including Senior R&D Engineer and Project Manager.

Current board assignments and similar:
-

Shareholding in Alleima (own and closely-related parties): 144

Niclas Widell

Born 1974. Deputy board member since 2021. Employee representative of IF Metall.

Education and professional experience:
Chairman of IF Metall, Kanthal AB. Industrial worker.

Current board assignments and similar:
-

Shareholding in Alleima (own and closely-related parties): 24

Group Executive Management

Göran Björkman

Born 1965. President and CEO since 2017.

Education and professional experience:
Master of Science in Mechanical Engineering from KTH Royal Institute of Technology, Sweden. Various management positions within the Sandvik Group, including President of the business area Sandvik Materials Technology and member of Sandvik's Group Executive Management Team as well as VP and Head of Global Production at AB Sandvik Coromant.

Current board assignments and similar:
Chairman of the board of Industriarbetsgivarna i Sverige service AB. Member of the board of Svenskt Näringsliv.

Shareholding in Alleima (own and closely-related parties): 28,952

Michael Andersson[1]

Born 1970. President Tube Division since 2013.

Education and professional experience:
Licentiate of Engineering from Chalmers University of Technology, Sweden. Bachelor's Degree in Industrial Engineering & Economics from University of Gävle, Sweden. Various positions within Sandvik Materials Technology, including Business Unit Manager at Tube Customized Products and General Manager at the Tube division.

Current board assignments and similar:
-

Shareholding in Alleima (own and closely-related parties): 3,821

Robert Stål

Born 1983. President Kanthal Division since 2023.

Education and professional experience:
Master of Science in Material Science from KTH Royal Institute of Technology, Sweden. Bachelor of Science in Business and Economics from Stockholm University, Sweden. CEO at Dafo Vehicle Fire protection, and before that, various positions within Sandvik Materials Technology, including President of Business Unit EMEA within the Tube Division, Global Sales and Marketing manager as well as Product Manager for Nuclear Power Products within the Tube Division. Product responsible within the Metallurgy department at ABB AB.

Current board assignments and similar:
-

Shareholding in Alleima (own and closely-related parties): 240

Claes Åkerblom

Born 1975. President Strip Division since 2019.

Education and professional experience:
Bachelor's Degree in Business Economics from Dalarna University, Sweden. Various positions within the Sandvik Group, including CFO and VP of the business area Sandvik Materials Technology and other positions such as VP within Sandvik Group Finance.

Current board assignments and similar:
-

Shareholding in Alleima (own and closely-related parties): 2,668

Mikael Blazquez

Born 1972. EVP Strategy and Mergers & Acquisitions and IT since 2018.

Education and professional experience:
Master of Science in Automatic Data Processing from University of Gävle, Sweden. Various positions within Sandvik Materials Technology, including Business Unit Manager Nuclear Power and Global Sales and Marketing Manager Nuclear Power & Aerospace within the Tube division. Various positions within Telefon AB LM Ericsson, including Manager Market Supply Americas and Manager Customer Logistics.

Current board assignments and similar:
-

Shareholding in Alleima (own and closely-related parties): 1,253

Johanna Kreft

Born 1976. EVP & General Counsel since 2015.

Education and professional experience:
Master of Laws from Uppsala University, Sweden. Business Area General Counsel and Chief Legal Counsel at Sandvik Materials Technology. Legal Counsel at Sandvik AB. Associate at Ahlford Advokatbyrå and Michelson & Werner Advokatbyrå.

Current board assignments and similar:
-

Shareholding in Alleima (own and closely-related parties): 438

1) On January 4, 2023, Michael Andersson resigned as President Tube Division. The process of finding a replacement is ongoing. Since February 13, 2023, Nigel Haworth, Head of Business Unit Energy, is acting President Tube Division.

Olof Bengtsson

Born 1961. CFO since 2019.

Education and professional experience:
Bachelor's Degree in Finance and Administration from Stockholm School of Economics, Sweden. CFO and Head of Treasury and Corporate Finance at Capio AB. Finance Director and Head of Treasury and Corporate Finance at Securitas AB. VP Treasury and Cash Management at Stora AB. Treasury Manager at Atlas Copco AB.

Current board assignments and similar:
-

Shareholding in Alleima (own and closely-related parties): 12,936

Ulrika Dunker

Born 1975. EVP & Head of Human Resources since 2020.

Education and professional experience:
Bachelor's Degree in Education from University of Gävle, Sweden. Liquid Leader certificate from Hanken & SSE Executive Education. Various positions within the Sandvik Group, including VP and Head of HR at Sandvik Venture AB and Sandvik Construction AB. Executive VP Human Resources and EHS at Ramirent AB. HR Director at Kungliga Operan AB. HR Assistant at the Boston Consulting Group.

Current board assignments and similar:
-

Shareholding in Alleima (own and closely-related parties): 500

Tom Eriksson

Born 1973. EVP & Head of Strategic Research since 2018.

Education and professional experience:
Doctor of Philosophy in Materials Chemistry from Uppsala University, Sweden. Bachelor's Degree in Inorganic Chemistry from Uppsala University, Sweden. Various positions within Sandvik Materials Technology, including Head of Materials Design and Strategic Research Manager. Discovery Research Manager and Material Specialist at St. Jude Medical AB. Researcher at Lawrence Berkeley National Laboratory.

Current board assignments and similar:
Member of the board of SWERIM AB.

Shareholding in Alleima (own and closely-related parties): 3,233

Elja Nordlöf

Born 1985. EVP & Head of Communications since 2018.

Education and professional experience:
Master of Science in Media and Communication from University of Gävle, Sweden. Various positions within the Sandvik Group, including Corporate Communications Manager and Communications Specialist. Communications at the German-Swedish Chamber of Commerce. Customer Service Officer at Korsnäs AB.

Current board assignments and similar:
-

Shareholding in Alleima (own and closely-related parties): 274

Financial statements

Consolidated financial information

Parent company financial information

Consolidated financial information

Consolidated income statement

SEK M	Note	2022	2021
Revenues	2	18,405	13,847
Cost of goods sold		-13,692	–10,379
Gross Profit		**4,713**	**3,468**
Selling expenses		-1,177	–952
Administrative expenses		-1,203	–1,047
Research and development costs	5	-209	–214
Other operating income	6	145	266
Other operating expenses	7	-148	–141
Operating profit	2, 3, 4, 5, 8, 17	**2,122**	**1,379**
Financial income		185	390
Financial expenses		-368	–263
Net financial items	9	**-184**	**127**
Profit after net financial items		**1,938**	**1,506**
Income tax	10	-455	–278
Profit for the year		**1,483**	**1,228**
Profit for the year attributable to			
Owners of the parent company		1,470	1,205
Non-controlling interests		12	23
Earnings per share (basic and diluted), SEK	11	**5.86**	**4.80**

Consolidated statement of comprehensive income

SEK M	Note	2022	2021
Profit for the year		**1,483**	**1,228**
Other comprehensive income			
Items that will not be reclassified to profit (loss)			
Actuarial gains (losses) on defined benefit pension plans	20	660	426
Tax relating to items that will not be reclassified	10	-129	–100
Total items that will not be reclassified to profit (loss)		**531**	**326**
Items that may be reclassified to profit (loss)			
Foreign currency translation differences		438	–110
Hedge reserve adjustment	26	667	-
Tax relating to items that may be reclassified	10	-137	-
Total items that may be reclassified to profit (loss)		**967**	**–110**
Total other comprehensive income		**1,498**	**216**
Total comprehensive income		**2,981**	**1,445**
Total comprehensive income attributable to			
Owners of the parent company		2,967	1,397
Non-controlling interests		14	47

Consolidated balance sheet

SEK M	Note	Dec 31, 2022	Dec 31, 2021
Goodwill	12	1,615	1,352
Other intangible assets	12	194	123
Property, plant and equipment	13	7,350	7,251
Right-of-use assets	14	392	204
Non-current financial assets	15	714	253
Deferred tax assets	10	174	218
Non-current assets		**10,440**	**9,401**
Inventories	16	7,355	5,372
Trade receivables	17	2,981	2,532
Income tax receivables	10	102	101
Other current receivables	18	1,630	819
Current receivables		4,712	3,452
Cash and cash equivalents	26	892	1,661
Current assets		**12,960**	**10,485**
Total assets		**23,399**	**19,886**
Share capital		251	0
Other paid-in capital		0	0
Reserves		1,044	47
Retained earnings		14,606	11,616
Equity attributable to owners of the parent company		**15,901**	**11,663**
Non-controlling interests		0	97
Total Equity	**19**	**15,901**	**11,761**
Provisions for pensions	20	609	1,204
Loans		9	-
Other non-current interest-bearing liabilities	21	298	147
Non-current interest-bearing liabilities		916	1,351
Deferred tax liabilities	10	680	404
Other non-current provisions	22	327	300
Other non-current liabilities	23	391	136
Non-current non-interest-bearing liabilities		1,398	840
Non-current liabilities		**2,314**	**2,191**
Loans	27	-	1,620
Other current interest-bearing liabilities	21	94	71
Current interest-bearing liabilities		94	1,691
Accounts payable		2,619	2,128
Advances from customers		435	360
Income tax liabilities	10	221	123
Other current provisions	22	138	214
Accrued expenses	24	1,171	1,138
Other current non-interest-bearing liabilities	23	506	280
Current non-interest-bearing liabilities		5,090	4,243
Current liabilities		**5,184**	**5,934**
Total equity and liabilities		**23,399**	**19,886**

Consolidated statement of cash flows

SEK M	Note	2022	2021
Operating activities			
Operating profit		2,122	1,379
Adjustments for non-cash items:			
Depreciation, amortization and impairment		859	743
Pensions		-62	–18
Other non-cash items		-68	–126
Paid interest		-281	–218
Income tax paid		-292	–189
Cash flow from operating activities before changes in working capital		**2,277**	**1,571**
Changes in working capital			
Inventories		-1,668	–933
Accounts receivable		-283	–589
Other receivable		-133	270
Accounts payable		452	909
Other payables		42	–77
Changes in working capital		**-1,590**	**–420**
Cash flow from operating activities		**687**	**1,151**
Investing activities			
Acquisition of intangible assets		-84	–23
Proceeds from sale of intangible assets		2	4
Acquisition of tangible assets		-594	–471
Proceeds from sale of tangible assets		22	54
Acquisition of companies and shares, net of cash	28	-312	–60
Proceeds from sale of companies and shares, net of cash		-	6
Other investments and financial assets		0	–17
Cash flow from investing activities		**-968**	**–507**
Financing activities			
Proceeds from loans		0	1,628
Repayment of loans		-1,639	–85
Amortization of lease liabilities		-99	–76
New share issue and capital contribution from shareholders	19	1,400	-
Dividends paid	19	-3	-
Change in net Group cash pool		0	–31
Cash flow from financing activities	**21**	**-341**	**1,436**
Net change in cash and cash equivalents		**-622**	**2,080**
Cash and cash equivalents at beginning of year		1,661	179
Exchange rate differences in cash and cash equivalents		48	13
Other cash flow from transactions with shareholders		-195	–611
Cash and cash equivalents at end of the year		**892**	**1,661**

Consolidated statement of changes in equity

SEK M	Share capital	Other paid-in capital	Trans-lation reserve	Hedge reserve	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interest	Total Equity
Equity at January 1, 2021	**0**	**0**	**20**	**-**	**10,298**	**10,317**	**50**	**10,368**
Changes								
Net profit	-	-	-	-	1,205	1,205	23	1,228
Other comprehensive income for the year, net of tax	-	-	-126	-	318	192	24	216
Total comprehensive income for the year	-	-	*-126*	-	*1,523*	*1,397*	*47*	*1,445*
Transactions with shareholders (Note 27)	-	-	153	-	–205	–51	-	–51
Total transactions with owners	-	-	*153*	-	*–205*	*–51*	-	*–51*
Equity at December 31, 2021	**0**	**0**	**47**	**-**	**11,616**	**11,663**	**97**	**11,761**
Changes								
Net profit	-	-	-	-	1,470	1,470	12	1,483
Other comprehensive income for the year, net of tax	-	-	438	530	529	1,496	2	1,498
Total comprehensive income for the year	-	-	*438*	*530*	*2,000*	*2,967*	*14*	*2,981*
Cash flow hedge, transferred to cost of hedged item	-	-	-	37	-	37	-	37
Tax on cash flow hedge, trans-ferred to cost	-	-	-	-8	-	-8	-	-8
Net cash flow hedge, transferred to cost	-	-	-	*30*	-	*30*	-	*30*
New share issue (Note 19)	251	-	-	-	-	251	-	251
Capital contribution from share-holders (Note 19)	-	-	-	-	1,149	1,149	-	1,149
Dividends	-	-	-	-	-	-	-3	-3
Transactions with shareholders (Note 27)	-	-	-	-	-123	-123	0	-123
Transactions with non-controlling interests (Note 28)	-	-	-	-	-36	-36	-109	-145
Total transactions with owners	*251*	-	-	-	*991*	*1,241*	*-112*	*1,130*
Equity at December 31, 2022	**251**	**0**	**485**	**559**	**14,606**	**15,901**	**0**	**15,901**

Group notes

Note 1 | Significant accounting principles – assessments and assumptions for accounting purposes

The consolidated financial statements comprise Alleima AB, corporate registration number 559224-1433 (the parent company) and all its subsidiaries, jointly the Alleima Group with registered office in Sandviken, Sweden. The address to the head office is SE-811 81 Sandviken.

The parent company's functional currency is Swedish kronor (SEK), which is also the presentation currency of the parent company and the Alleima Group. Accordingly, the financial statements are presented in SEK. All amounts are in million SEK unless otherwise stated. Roundings may occur.

The parent company's Annual Report and the consolidated financial statements were approved for issuance by the Board of Directors on March 20, 2023. The Group's and the parent company's income statements and balance sheets are subject to adoption at the Annual General Meeting on May 2, 2023.

Accounting principles

Basis for preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU. The statements are also prepared in accordance with the Swedish recommendation RFR 1 "Supplementary Accounting Rules for Groups" and applicable statements issued by the Swedish Financial Reporting Board. These require certain additional disclosure requirements for Swedish consolidated financial statements prepared in accordance with IFRS.

Alleima's historical information is presented as combined financial statements. The formation of the Alleima Group comprised transactions between entities that were under common control via Sandvik AB's ownership. Since these transactions are not covered by any IFRS standard, a suitable accounting principle for the historical information were applied in accordance with IAS 8. A suitable and established method is to use the previous carrying amount (predecessor basis of accounting), which is the principle that the Alleima Group has applied. In short, this entails that the assets and liabilities of the units forming part of the Alleima Group have been aggregated and recognized based on the carrying amounts they represented in Sandvik AB's consolidated financial statements as from the date they became part of the Sandvik AB Group.

Considering that it was not only separate legal entities that were transferred as part of the formation of Alleima, but also parts of legal entities, specific considerations were taken into account in the preparation of the historical information to determine which assets, liabilities, revenues and expenses as well as cash flows that are included. See note 1 "Significant accounting principles - assessments and assumptions for accounting purposes" in the prospectus "Admission to trading of shares in Alleima AB on Nasdaq Stockholm" for these considerations and accounting principles applied for the historical information prepared as combined financial statements.

Basis of measurement

Assets and liabilities are stated on a historical cost basis except for certain financial assets and liabilities, which are stated at their fair value. Financial assets and liabilities measured at fair value comprise of derivative instruments and plan assets in the defined benefit plans. Receivables and liabilities and items of income and expense are offset only when required or expressly permitted in an accounting standard.

The preparation of financial statements in conformity with IFRS requires management to make assessments, estimates and assumptions that affect the application of accounting policies and recognized amounts of assets and liabilities, income and expenses. Actual results may differ from these assessments. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have had a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year, are discussed further below.

Events after the balance sheet date refer to both favorable and unfavorable events that have occurred after the balance sheet date but before the date the financial statements were authorized for issue by the Board of Directors. Significant non-adjusting events, that is, events indicative of conditions that arose after the balance sheet date, are disclosed in the financial statements. Only adjusting events, that is, those that provide evidence of conditions that existed at the balance sheet date, have been considered in the final establishment of the financial statements. The most significant accounting policies for the Group, as set out below and in the notes, have been applied consistently to all periods presented in these consolidated financial statements except as specifically described. Moreover, the Group's accounting policies have been consistently applied in the Group reporting by all members of the Group.

Basis of consolidation

The combined accounts are prepared in accordance with the Group's accounting principles and include the accounts of the parent company and all entities in which the parent company or Sandvik AB, directly or indirectly has control. Control exists when the parent company or Sandvik AB has power over the entity, is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to use its power to affect its returns. Generally, control and hence consolidation is based on ownership. Group companies are consolidated from the date Sandvik AB exercises control or influence over the Company. Divested companies are included in the consolidated accounts until the date Sandvik AB ceases to control or exercise influence over them. In preparing Alleima's combined financial statements, any intra-group transactions have been eliminated. For cases in which the subsidiary's accounting policies do not coincide with the Group's accounting policies, adjustments were made to comply with the Group's accounting policies.

The consolidated financial statements are prepared in accordance with the acquisition method. In business combinations, acquired assets and assumed liabilities are identified and classified, and measured at fair value on the date of acquisition (also known as a purchase price allocation). Transaction costs in conjunction with acquisitions are recognized directly in profit or loss for the year as other operating expenses. Contingent considerations are recognized as financial liabilities and at fair value on the acquisition date. Contingent considerations are remeasured at each reporting period with any change recognized in profit or loss for the year.

In step acquisitions, when a controlling interest is achieved, any net assets acquired earlier in the acquired units are remeasured at fair value and the result of the remeasurement is recognized in profit or loss. If the controlling interest is lost upon divestment, net result is recognized in profit or loss. Any residual holding in the divested business is then measured at fair value on the date of divestment and its effect is recognized in profit or loss for the year.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into functional currency at the foreign exchange rate prevailing at the date of the transaction. The functional currency is the currency of the primary economic environment in which the Group entities operate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognized in profit or loss for the year. Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the exchange rate prevailing at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value are re-translated to the functional currency at the exchange rate prevailing at the date that the fair value was determined.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated from the foreign operation's functional currency to the Group's presentation currency, SEK, at foreign exchange rates prevailing at the balance sheet date. Revenues and expenses of foreign operations are translated to SEK at average rates that approximate the foreign exchange rates prevailing at each of the transaction dates. Translation differences arising from the translation of the net investment in foreign operations are recognized in other comprehensive income and are accumulated in a separate component of equity, a translation reserve. When the foreign operation is divested, the accumulated translation differences attributable to the divested foreign operation are reclassified from equity to profit or loss for the year as a reclassification adjustment at the date on which the profit or loss of the divestment is recognized. For cases in which divestments made include a residual controlling influence, the proportionate share of accumulated translation differences from other comprehensive income is transferred to non-controlling interests.

Changes in accounting policies

IASB has published amendments of standards that are effective as of January 1, 2022 or later. The standards have not had any material impact on the financial reports.

Alleima has as of January 1, 2022 started to apply hedge accounting for derivatives that are used to hedge the Group's exposure to electricity price risk, and as of April 1, 2022 hedge accounting for derivatives that are used to hedge the exposure to gas- and metal price risk, and in addition, as of July 1, 2022 hedge accounting for some derivatives that are used to hedge the exchange rate exposure in orders and investments. Changes in the fair value of the derivatives designated for hedge accounting are recognized in Other comprehensive income and accumulated in the Hedge reserve within equity. Changes in fair value are subsequently reclassified to profit or loss in the same period as the Group reports the expense of the hedged consumption of electricity, gas and metal or included in the carrying amount of the purchased metals or acquired property, plant and equipment as appropriate. Any ineffectiveness is recognized immediately in profit or loss.

Reporting of operating segments

Alleima's management monitors its operations from an operating segment perspective. In accordance with IFRS 8 *Operating segments*, Alleima's management has identified the three divisions Tube, Kanthal and Strip as the reportable segments.

Alleima's business is organized in a manner that allows the Group's Chief Operating Decision Maker (CODM), meaning the CEO, to monitor results, return and cash flow generated by the various products and services in the Group. Each operating segment has a Division Head (the Strip-division has one division head and one head fo the business unit Surface Technology) shared by two individuals) that is responsible for day-to-day activities and who regularly reports to the CEO regarding the results of the operating segment's work and the need for resources. Since the CEO monitors the business' result and decides on the distribution of resources based on the products the Group manufactures and sells and the services it provides, these constitute the Group's operating segments.

The Group's operations are organized in Divisions based on products and services. The market organization also reflects this structure. The same accounting principles are applied for the segments and the Group.

Segment results, assets and liabilities include only those items that are directly attributable to the segment and the relevant portions of items that can be allocated on a reasonable basis to the segments. Unallocated items comprise interest, gains on disposal of financial investments, interest expense, losses on the disposal of financial investments, income tax expense and certain administrative expenses. Unallocated assets and liabilities include income and deferred tax receivables and payables, financial investments and financial liabilities.

Revenue from goods and services
Revenue is recognized when the control of goods and services is transferred to the customer at an amount reflecting the expected and entitled consideration for the goods or services provided. The supply of goods and services comprises, advanced stainless steels and special alloys as well as products for industrial heating.

Allocation of transaction price
The transaction price is allocated to each identified performance obligation on a relative stand-alone selling price basis. This means that each performance obligation will be allocated its share of revenue based on its stand-alone selling price put in relation to the sum of all performance obligation's stand-alone selling price. Adjusted market assessment approach and expected cost plus a margin approach are normally used to determine the stand-alone selling price if no observable selling price is available for one or more of the performance obligations. Variable consideration is generally allocated proportionally to all performance obligations unless there is evidence that the entire variable consideration is related to a specific performance obligation in the contract.

Variable consideration
Customer contracts can include variable considerations such as cash discounts and rebates. When such components are identified, an assessment is made to determine if the identified portion of revenue and any related cost of goods sold should be deferred to a later period. This is established by applying the expected value method or the most likely amount method with the threshold of being highly probable that a reversal of revenue will not occur.

Significant financing component
When advances are received, Alleima adjusts the promised amount of consideration for the effects of the time value of money. Alleima uses the practical expedient to not calculate and account for significant financing component if the period between the transfer of a good or service to a customer and payment is 12 months or less.

Cost to obtain a contract
Incremental costs to obtain a customer contract shall be recognized as a contract asset if the cost is incremental and Alleima expects to recover the costs. The contract asset is periodized over the contract lifetime. Contract asset for costs to obtain a contract is not recognized if the contract has a duration equal to or shorter than 12 months. Examples of incremental costs are agent fees, commission to sales employees, signing fees etc.

Goods sold
Revenue from goods sold (e.g. high value-added products in advance stainless steels and special alloys and products for industrial heating) is recognized at a point in time when the control has been transferred to the customer. To assess when the control has been transferred, indicators such as, but not limited to, significant risks and rewards of ownership, transferred physical possession, the customer has accepted the asset, present right to payment and legal title of goods and services are considered. For sale of goods the transfer of control usually occurs when the significant risks and rewards are transferred in accordance with the Incoterms.

When goods sold are highly customized and there is an enforceable right to payment for performances completed to date, the goods are recognized over time. Progress of satisfaction of each performance obligation is used to measure the revenue by the proportion of cost incurred to date compared to estimated total cost of each performance obligation.

If a customer contract includes a buy-back clause, exercised at the customer discretion and a significant transfer of control has not taken place, the transaction is then accounted for as an operational lease in accordance with IFRS 16 *Leases*. If the customer is not considered to have a significant economic incentive to exercise the option, the contract is then accounted for by applying the principles of variable consideration.

Payment is generally due between 30–90 days from the transfer of control. In some contracts, short-term advances are required before the product is delivered. Some contracts contain late delivery penalties and volume rebates, which give rise to variable consideration subject to constraint.

Operating expenses
Operating expenses are classified according to function, as described below. Depreciation and amortization and personnel costs are stated by function.

Cost of goods sold
Cost of goods sold is defined as the costs of production and procurement of the goods sold and other order specific costs. The cost of goods sold also includes inventory write-down and valuation items, the part of the cost for personnel, premises, purchased services and depreciation and amortization of non-current assets, including right-of-use assets, attributable to the production of sold goods.

Selling expenses
Selling expenses include costs for the internal sales organization, purchased services, personnel costs, cost for right-of-use assets, bad debt losses, IT costs of sales systems and logistics systems as well as depreciation and amortization of non-current assets attributable to sales activities. Advertising and other marketing activities are also included and are expensed as incurred.

Administrative expenses
Administrative expenses consist of the part of the personnel costs, purchased services as well as depreciation and amortization of non-current assets, including right-of-use assets, attributable to the other joint functions. Costs associated with the Board of Directors, executive management and corporate functions are included in administrative expenses.

Other operating income and other operating expenses
Other operating income and other operating expenses include secondary activities, exchange rate differences in

operating activities and gain/loss on the sale of tangible and intangible assets.

Financial income and expenses
Financial expenses consist of interest expense on borrowings. Unrealized gains and losses on hedging instruments are recognized in profit or loss for the year.

Income tax
Income tax comprises current and deferred tax. Income tax is recognized in profit or loss for the year except when the underlying transaction is recognized in other comprehensive income. In these cases, the associated tax effects are recognized in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect to previous years.

Current tax liabilities are offset against current tax receivables and deferred tax assets are offset against deferred tax liabilities when the entity has a legal right to offset these items and intends to do so.

Deferred tax is recognized based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their value for tax purposes. Deferred taxes are measured at their nominal amount and based on the expected manner of realization or settlement of the carrying amount of the underlying assets and liabilities, using tax rates and fiscal regulations enacted or substantively enacted at the balance sheet date.

Deferred tax assets relating to deductible temporary differences and tax losses carried forward are recognized only to the extent that it is probable they can be utilized against future taxable profits.

Government grants
Government grants are recognized as deferred income in the balance sheet when there is reasonable assurance that the grant will be received, and that the entity will comply with the conditions attached to them. Grants are recognized in profit or loss for the year in the same way and over the same periods as the related costs that they are intended to compensate, on a systematic basis.

Grants related to assets are presented by deducting the grant from the carrying amount of the asset.

Intangible assets
Goodwill
Goodwill acquired in a business combination represents the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

Goodwill is measured at cost less any accumulated impairment losses and is reported as an indefinite useful life intangible asset. Goodwill is allocated to cash generating units that are expected to benefit from the synergies of the business combination and is tested for impairment yearly, or when there is an indication of impairment. Impairment losses on goodwill are not reversed.

Research and development
Expenditure on research activities related to the obtaining of new scientific or technical knowledge is expensed as incurred. Expenditure on development activities, whereby the research results or other knowledge is applied to accomplish new or improved products or processes, is recognized as an intangible asset in the balance sheet, provided the product or process is technically and commercially feasible and the Company has sufficient resources to complete development, and is subsequently able to use or sell the intangible asset.

The carrying amount includes the directly attributable expenditure, such as the cost of materials and services, costs of employee benefits, fees to register intellectual property rights and amortization of patents and licenses. Other expenses for development are expensed as incurred. In the balance sheet, capitalized development expenditure is stated at cost less accumulated amortization and any impairment losses.

Other intangible assets
Other intangible assets acquired by the Company are recognized at cost less accumulated amortization and any impairment losses. Capitalized expenditure for the development and purchase of software for the Group's IT operations are included here.

Intangible assets also include patents, trademarks, licenses, customer relationships and other rights. They are split between acquired and internally generated intangible assets.

Amortization of intangible assets
Amortization is charged to profit or loss for the year on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life, consisting of goodwill, are systematically tested for impairment annually or as soon as there is an indication that the asset may be impaired. Intangible assets with a finite useful life are amortized as of the date the asset is available for use.

The estimated useful lives are as follows:

— Patents and trademarks	10–20 years
— Customer relationships	10 years
— Capitalized development costs	3–10 years
— Software for IT operations	3 years

Impairment and reversals of impairment
Assets with an indefinite useful life are not amortized but tested annually for impairment. Assets that are amortized or depreciated are tested for impairment whenever events or changed circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the amount by which the carrying amount of an asset exceeds its recoverable amount, which is the greater of the fair value less cost of disposal and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating units to which the asset belongs. Goodwill is tested at the level of operating segments.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized. Impairment of goodwill is not reversed.

Property, plant and equipment

Owned assets

Property, plant and equipment are recognized at cost less accumulated depreciation and any impairment losses.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated over their estimated useful lives. Land is not depreciated. Depreciation is recognized on a straight-line basis (unless otherwise described) based on the cost of the assets, adjusted by residual value when applicable, and estimated useful lives. The following depreciation periods are applied.

Land and buildings:	
— Land	indefinite useful life
— Buildings	10–50 years
— Site improvements	10–50 years
Plant and machinery:	
— Plant and machinery	5–25 years
Equipment, tools, fixtures and fittings:	
— Estimated useful lives	
— Computer equipment	3–5 years

If an item of property, plant and equipment comprises components with different useful lives, each such significant component is depreciated separately. Depreciation methods and estimated residual values and useful lives are reviewed at each year-end.

Impairment and reversals of impairment

Impairment and reversals of impairment is applicable also for property, plant and equipment. For details see *Intangible assets*.

Borrowing costs

Borrowing costs attributable to the construction of qualifying assets are capitalized as a portion of the qualifying asset's cost. A qualifying asset is an asset that takes a substantial time period to get ready for its intended use or sale and to a substantial amount. The Group considers a period in excess of one year to be a substantial time period.

Leases

In the consolidated financial statements, leases when Alleima being a lessee are recognized as right-of-use assets and when being a lessor either as a finance lease or an operational lease.

Impairment and reversals of impairment

Impairment and reversals of impairment is applicable also for right-of-use assets. For details see *Intangible assets*.

Alleima as a lessee

For all contracts an evaluation is done to identify if a lease exists by testing if Alleima has the right to obtain substantially all the economic benefits from use of the identified assets and has the right to direct the use of the identified asset and that the supplier has no substantial rights of substitution.

Alleima has decided to separate non-lease components from the lease components in contracts concerning buildings. The non-lease component cost should then be recognized as an expense and not be included in the calculation of a right-of-use asset and lease liability for asset class buildings. For all other asset classes non-lease components are included in the calculation of a right-of-use asset and lease liability.

The lease contracts are assessed at the commencement date whether the lessee is reasonably certain to exercise an option to extend the lease; or to exercise an option to purchase the underlying asset; or not to exercise an option to terminate the lease. In cases of open-ended contracts local law can provide protection to the lessee from being given notice. This requires the Alleima lessee to determine the contract period instead of considering the termination clause. The lessee then determines the length of the contract period based on factors such as the importance of building to the business, any planned or made leasehold investments and the market situation for premises.

The lease liability and right-of-use asset is calculated by using the implicit rate in the contract. If the implicit rate cannot be identified the incremental borrowing rate is instead applied, which is the interest rate the Company had been given if the investment had been financed through a loan from a financial institute. The measurement of the right-of-use asset includes amount of initial measurement of lease liability, lease payments at or before the commencement date, any initial direct cost and restoration costs. Alleima depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

After commencement date the carrying amount of the lease liability and the right-of-use asset is remeasured to reflect any modification or reassessment of a lease contract.

Alleima has chosen to apply the two expedients concerning leases shorter than one year (defined as leases with a lease term of 12 months or less at commencement date) and low value assets (with a value as new below USD 5,000) which are expensed on a current basis.

Alleima as a lessor

As a lessor, Alleima classifies each of its leases as either an operating lease or a finance lease. The substance of the transaction rather than the form of the contract determines if it is a finance or operating lease.

A finance lease is a lease that transfers substantially all the risks and rewards resulting from ownership of an underlying asset to the lessee. An operating lease is a lease that does not transfer substantially all the risks and rewards as a result from ownership of an underlying asset. A sublease should also be classified as finance or operational lease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset, for example, an item of property, plant or equipment.

When the agreement is recognized as an operating lease the asset is classified as tangible assets and valued at cost less accumulated depreciation. The cost of an asset comprises the acquisition value and any initial direct costs related to the contract. The lease payments and the depreciations are included in profit or loss on a straight-line basis over the term of the lease.

Finance leases are recognized as a receivable at an amount equal to the net investment in the lease and revenues are recognized in accordance with the revenue recognition principles.

Inventories

Inventories are stated at the lowest of cost and net realizable value, with due consideration of obsolescence. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is based on the first-in/first-out (FIFO) principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Financial instruments

Financial instruments recognized in the balance sheet include assets, such as account receivables, financial investments and derivatives, and liabilities such as loan liabilities, account payables, and derivatives.

Recognition and derecognition

A financial asset or a financial liability is recognized on the balance sheet when the entity becomes a party to the contractual provisions of the instrument. Account receivables are recognized upon issuance of the invoice. A liability is recognized when the counterparty has performed under the agreement and the Company is contractually obliged to settle the obligation, even if no invoice has been received.

At initial recognition, the Group measures financial assets and liabilities at its fair value plus or minus, in the case of a financial asset or liability not at fair value through profit or loss (FVPL), transaction costs including all fees, premiums and discounts that are directly attributable to the acquisition or issue of the financial asset and liability. Transaction costs of financial assets and liabilities carried at FVPL are expensed in the income statement.

A financial asset is derecognized when the rights to receive cash flows under the agreement have expired or have been transferred and the group has substantially transferred all the risks and rewards. A financial liability is derecognized when the obligation specified in the contract is discharged or otherwise expires.

A financial asset and a financial liability are offset and presented in a net amount in the balance sheet only if there is a legally enforceable right to offset the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Classification and measurement

Financial assets, excluding derivatives, including equity- and debt instruments

The Group classifies its financial assets as those to be measured at fair value, and those to be measured at amortized cost.

For debt instruments, which includes accounts receivables, the classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows:

Amortized Cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in financial income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in the income statement.

Fair Value through profit and loss: Assets that do not meet the criteria for amortized cost are measured as fair value through profit and loss.

Financial liabilities

Financial liabilities excluding derivatives are classified and subsequently measured at amortized cost. Any difference between the loan amount, net of transaction costs, and the repayable amount is allocated to profit or loss for the year over the term of the loan using the effective interest method. For information on contractual terms, scheduled repayments and the exposure to interest risk and foreign-currency risk, refer to Note 26 Financial risk management.

Financial instruments measured at fair value in the balance sheet

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Under the IFRS 13 *Fair Value Measurement* disclosure requirements, the method applied to the valuation of assets and liabilities measured at fair value in the balance sheet is presented below. The valuation is divided into three levels:

Level 1: Fair value is determined according to prices listed on an active market for the same instrument

Level 2: Fair value is determined based on either directly (as a price) or indirectly (derived from prices) on observable market data

Level 3: Fair value is determined based on input data that is not observable in the market

All of Alleima's financial instruments measured at fair value are measured according to Level 2.

Measurements of fair value

The fair value of foreign exchange contracts, raw materials- and electricity- and gas derivatives are determined based on observable market prices.

For means of payment, receivables and payables with variable interest and current receivables and payables (for example, trade receivables and accounts payable), the fair value has been considered to correspond to the carrying amount.

Hedge accounting

Hedge accounting is applied in accordance with IFRS 9 and to meet the criteria there must be a clear relationship between the hedging instrument and the hedged item. The relationship is expected to be highly effective, and it must be possible to reliably measure such effectiveness. Moreover, the hedge must be formally designated and documented. Gains and losses on remeasurement of derivatives used for hedging purposes are recognized as described below under cash flow hedges.

Cash flow hedges

Hedge accounting is applied when hedging a particular risk associated with highly probable future cash flows and forecast transactions. The effective portion of the change in fair value for the year, of derivatives that are qualified as cash flow hedges, is recognized in other comprehensive income and the accumulated changes in a separate component of shareholders' equity. The ineffective portion of a gain or loss is immediately recognized in the income statement. When the hedged item impacts income statement, the accumulated changes in value of the hedging instrument are reclassified to the income statement. The gain or loss relating to the effective portion of hedging instruments is recognized in the income statement within the same line as the hedged item i.e. Cost of goods sold.

Derivatives, for which hedge accounting is not applied, are measured at their fair value directly through profit or loss.

Current receivables

Trade receivables

Trade receivables are recognized at amortized cost.

Alleima evaluates its trade receivables, contract assets and financial leases on a collective basis for each category, respectively. Each reporting entity classifies their receivables in suitable risk categories according to Group policy based on expected credit losses.

Expected credit loss provisions are based on the full lifetime expected credit loss model with a provision matrix where fixed provision rates are applied depending on the number of days outstanding. The entities consider reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future economic conditions when measuring the expected credit losses.

Credit risks are classified based on credit information provided by credit agencies, identified payment behavior of the customer and other relevant information available, such as lost contracts, changes in company management and other customer specific information. Additionally, a macroeconomic evaluation is conducted on the outlook of industries and countries relevant for Alleima's customers if needed. Changes to the allowance for expected credit losses for accounts receivables are recognized in selling expenses.

Alleima's principles for the writing off receivables are based on several prerequisites, such as proof of write-off, insolvency or failed legal and other collection processes. An assessment is made whether one or several of these prerequisites are fulfilled before the write-off takes place.

The Group selectively utilizes different forms of credit securities, such as letters of credit, retention of title or credit insurance.

Alleima sells certain trade receivables for larger volume and credit worthy customers without recourse. The receivable is derecognized when substantially all risks and rewards of ownership of the financial asset has been transferred.

Contract assets

A contract asset is recognized when the right to consideration for a performance obligation is conditional on completion of promises other than the passage of time.

Equity

Equity is defined as total shareholders' equity including non-controlling interests.

The translation reserve comprises all foreign exchange differences arising on the translation of the financial statements of foreign operations stated in a currency different from the Group's presentation currency.

Dividends are recognized as a liability in the period in which they are resolved at a shareholders' meeting.

Retained earnings including profit or loss for the year comprises the earned profit of the parent company and its subsidiaries.

Non-controlling interests are recognized as a separate item in the Group's equity. Acquisitions of non-controlling interests are recognized as a transaction within shareholders' equity, meaning between the parent company's owners and non-controlling interests. Accordingly, goodwill does not arise in conjunction with such transactions. Gains or losses on disposals to non-controlling interests are also recognized in equity.

Pensions

Defined-contribution plans

A defined-contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The size of the pension that the employee will ultimately receive in such cases depends on the size of the contributions that the entity pays to the plan or an insurance company and the return that the contributions yield. Obligations for contributions to defined-contribution pension plans are recognized as an employee benefit expense in profit or loss for the year as the employee renders services to the entity.

Defined-benefit plans
The Group's net obligation in respect to defined-benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have vested in return for their service in the current and prior periods. This benefit is discounted to its present value. The discount rate is the yield on high-quality corporate bonds, mortgage bonds – or if there is no deep market for such bonds, government bonds – that have maturity dates approximating the terms of the Group's obligations. The calculation is performed annually by a qualified actuary. In addition, the fair value of any plan assets is assessed. This method of accounting is applied to the most significant defined-benefit plans in the Group. A few plans, which neither individually nor in the aggregate are significant in relation to the Group's total pension obligations, are still recognized in accordance with local regulations.

In measuring the present value of pension obligations and the fair value of plan assets, actuarial gains and losses may accrue either because the actual outcome differs from earlier assumptions (so-called experience adjustments) or the assumptions are changed. These actuarial gains and losses are recognized in the balance sheet and in other comprehensive income.

When the benefits under a plan are improved, the portion of the increased benefits that relate to past service by employees is recognized in profit or loss for the year. The amount of obligations recognized in the balance sheet for pensions and similar obligations reflects the present value of the obligations at the balance sheet date, less the fair value of any plan assets.

Other provisions
A provision is recognized in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, the provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The provisions are mainly related to termination benefits, warranty commitments, restructuring, long-term incentives, environmental obligations and legal disputes and claims, such as value-added tax issues, and customer and supplier claims relating to ongoing or finished projects.

Termination benefits
When employment is terminated, a provision is recognized only when the entity is demonstrably committed either to terminate the employment of an employee or a group of employees before the normal retirement age or provide termination benefits as a result of an offer made to encourage voluntary redundancy. In the latter case, a liability and an expense are recognized if it is probable that the offer will be accepted and the number of employees that will accept the offer can be reliably estimated.

Warranty commitments
A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighing of all possible outcomes against their associated probabilities.

Restructuring
A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

Employee benefits
A provision for personnel-related benefits is recognized in accordance with agreements entered for long-term incentive programs, local bonus programs, part-time pensions, and other personnel obligations.

Environmental obligations
Environmental provision is recognized when there is a legal obligation or a decided defined action, such remediation or testing programs. Every year a provision is recognized for waste material and slag deposits. Monitoring programs in continuous operations are regarded as cost as they occur.

Site restoration
Provision for costs for restoring contaminated land is made in accordance with when there is a legal requirement or other binding commitment to restore established contaminated land and when the cost can be measured with reasonable precision. Site restoration is included in environmental obligations.

Legal disputes
Legal disputes include provisions for claims which, at the balance sheet date, had not been closed.

Other obligations
Other obligations include provisions for onerous contracts. Provisions classified as current are expected to result in an outflow of resources within twelve months from the balance sheet date.

Other liabilities
Other liabilities excluding derivatives are classified and subsequently measured at amortized cost.

Contract liabilities are recognized when a payment is received before the performance obligation has been satisfied.

Alleima is party of supply chain financing arrangements, also known as reversed factoring. Those liabilities are part of the working capital used in Alleima's normal operating cycle, represents a liability to pay for goods or services, is invoiced or formally agreed with the supplier and is part of the working capital used in Alleima's normal operating cycle. Thus, these liabilities are presented as part of Accounts payable in the balance sheet.

Contingent liabilities
A contingent liability is recognized when there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events.

A contingent liability is also recognized when there is a present obligation that cannot be recognized as a liability because it is not probable that an outflow of resources will be required, alternatively because the amount of the obligation cannot be measured with sufficient reliability.

Cash flow statement
The consolidated cash flow statement is prepared in accordance with the indirect method. A short-term investment is classified as a cash and cash equivalent if:

— The risk of changes in value is insignificant
— It is readily convertible into cash
— It has a maturity of no more than three months from the date of acquisition

Critical estimates and key judgments
In order to prepare the financial statements, management and the Board make various judgments and estimates that can affect the amounts recognized in the financial statements for assets, liabilities, revenues and expenses as well as information in general, including contingent liabilities. The judgments and estimates discussed below are those deemed to be most important for an understanding of the financial statements, considering the level of significant estimations and uncertainty. The conditions under which Alleima operates are gradually changing meaning that the judgments also change.

Business combinations
The Group uses estimates and judgments regarding allocation of goodwill and other surplus values in a business combination, see Note 12 Intangible assets and Note 28 Business combinations.

Income tax
Estimates are made to determine both current and deferred tax liabilities/assets, not least the value of deferred tax assets.

The actual results may differ from these estimates, for instance due to changes in the business climate, changed tax legislation, or the outcome of the final review by tax authorities and tax courts of tax returns, see Note 10 Income tax.

Valuation of inventory
The Group use estimates to determine inventory reserves. When calculating inventory reserves, Alleima considers production and sales volumes, as well as the demand for certain products, see Note 16 Inventories.

Impairment of non-current assets
Impairment tests of goodwill
Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired, for example due to a changed business climate or a decision taken either to sell or close down certain operations. In order to determine if the value of goodwill has been impaired, the cash generating unit or group of cash generating units to which goodwill has been allocated must be valued using present value techniques. When applying this valuation technique, Alleima relies on a number of factors, including historical results, business plans, forecasts and market data. As can be deduced from this description, changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill, see Note 12 Intangible assets.

Impairment tests of other non-current assets
Alleima's intangible and tangible assets, excluding goodwill, are stated at cost less accumulated amortization and depreciation and any impairment losses. Other than goodwill, Alleima has not identified any intangible or tangible assets with indefinite useful lives. The assets are amortized over their estimated useful lives to their estimated residual values. Both the estimated useful life and the residual value are reviewed at least at each financial year-end, see Note 12 Intangible assets and Note 13 Property, plant and equipment.

The carrying amount of the Group's non-current assets is tested for impairment whenever events or changes in circumstances indicate that the carrying amount will not be recovered. The carrying amount of intangible and tangible assets not yet available for use is tested annually. If such analysis indicates an excessive carrying amount, the recoverable amount of the asset is estimated. The recoverable amount is the higher of the asset's fair value less costs of disposal, and its value in use. Value in use is measured as the discounted future cash flows of the asset, alternatively the cash generating unit to which the asset belongs.

A call for an impairment test also arises when a non-current asset is classified as being held for sale, at which time it must be remeasured at the lower of its carrying amount and fair value less costs of disposal.

Post-employment benefits
Actuarial assumptions are used to measure pension obligations and they significantly affect the recognized net liability and the annual pension cost. One critical assumption – the discount rate – is essential for the measurement of both the interest expense of the year and the present value of the defined-benefit obligations' current year. The discount rate is used both for calculating the present value of the obligation and as an estimate for the return on plan assets. The discount rate is reviewed quarterly, which affects the net liability, and

annually, which also affects the expense for the coming year. All other assumptions, both financial and demographic are reviewed at least annually, see Note 20 Provision for pensions and other non-current post-employment benefits.

The financial risk management associated with the defined benefit plans are presented in Note 26 Financial risk management.

Environmental obligations
The nature and long history of the operations of the Alleima Group typically entail a risk of claims in relation to contaminations, since the environmental requirements on operations were generally less stringent in the past. Claims to investigate or to carry out remedial measures may arise following inquiries from authorities, in connection with property transfers, property development or review of permits. Environmental provision is updated at least annually and whenever events or changes in conditions indicate a need of review, e.g. requirements from authorities or decision to sell or close down certain operations. The ongoing provision for waste material and slag is based on estimated cost and time before final coverage of the landfill.

Environmental obligation is presented in Note 22 Other Provisions.

Note 2 | Segment information

Alleima's management monitors its operations from an operating segment perspective. In accordance with IFRS 8, Operating segments, Alleima's management has identified the three divisions Tube, Kanthal and Strip as the reportable segments.

Alleima's business is organized in a manner that allows the Group's Chief Operating Decision Maker (CODM), meaning the CEO, to monitor results, return and cash flow generated by the various products and services in the Group. Each operating segment has a Division Head (the function Strip shared by two individuals) that is responsible for day-to-day activities and who regularly reports to the CEO regarding the results of the operating segment's work and the need for resources. Since the CEO monitors the business' result and decides on the distribution of resources based on the products the Group manufactures and sells and the services it provides, these constitute the Group's operating segments.

The Group's operations are organized in Divisions based on products and services. The market organization also reflects this structure.

Segment information in accordance with IFRS 8 is only provided for the Group. Segment results, assets and liabilities include only those items that are directly attributable to the segment and the relevant portions of items that can be allocated on a reasonable basis to the segments. Unallocated items comprise interest, gains on disposal of financial investments, interest expense, losses on the disposal of financial investments, income tax expense and certain administrative expenses. Unallocated assets and liabilities include income and deferred tax receivables and payables, financial investments and financial liabilities.

2.1 Information on business segments/divisions

2022, SEK M	Tube	Kanthal	Strip	Common functions	Un-allocated	Elimina-tions	Group Total
Revenue							
External revenue	12,804	3,972	1,628	0			18,405
Internal revenue	487	68	12			-566	0
Total	**13,291**	**4,040**	**1,640**	**0**		**-566**	**18,405**
Adjusted EBITDA	**1,922**	**708**	**254**	**-344**			**2,540**
Adjusted EBIT	**1,229**	**611**	**207**	**-367**			**1,681**
Items affecting comparability	-12	-5	-1	-236			-254
of which separation costs	*-12*	*-5*	*-1*	*-236*			*-254*
Metal price effects	474	196	25	0			695
EBIT	**1,691**	**802**	**232**	**-603**			**2,122**
Net financial items							-184
Earnings before tax							**1,938**
Other segment information							
Segment assets							
Fixed Assets	6,582	2,483	395	124	857		10,440
Inventory	5,427	1,302	619	7	0		7,355
Accounts Receivable	2,165	595	219	2	0		2,981
Other Receivables	358	103	90	111	0		662
Segment liabilities							
Accounts Payable	-2,099	-366	-95	-59	0		-2,619
Other Liabilities	-1,280	-279	-152	-149	0		-1,860
Capital employed	**10,818**	**3,731**	**1,065**	**21**	**1,277**		**16,911**
Net working capital	4,571	1,355	682	-89	0		6,519
Capital expenditure	493	97	61	27	0		679
Total depreciation & amortization	-693	-97	-47	-22	0		-859
Impairment losses	0	1	0	-1	0		0
Other non-cash expenses	-11	-54	-7	-2	-91		-165

2.1 Information on business segments/divisions

2021, SEK M	Tube	Kanthal	Strip	Common functions	Un-allocated	Elimina-tions	Group Total
Revenue							
External revenue	9,530	3,007	1,310	0			13,847
Internal revenue	333	106	32	0		–470	0
Total	**9,863**	**3,113**	**1,342**	**0**		**–470**	**13,847**
Adjusted EBITDA	**1,311**	**526**	**216**	**–243**			**1,811**
Adjusted EBIT	**707**	**445**	**167**	**–263**			**1,055**
Items affecting comparability	76	26	8	–273			–164
of which separation costs	*-16*	*-2*	*0*	*-287*			*-305*
of which reversal restructuring provision	*79*	*0*	*8*	*13*			*99*
of which capital gain from divestment of property	*-*	*29*	*-*	*-*			*29*
of which impairments	*13*	*0*	*0*	*0*			*13*
Metal price effects	385	74	28	0			487
EBIT	**1,168**	**545**	**202**	**–536**			**1,379**
Net financial items							127
Earnings before tax							**1,506**
Other segment information							
Segment assets							
Fixed Assets	6,186	2,154	434	202	426		9,401
Inventory	3,940	990	447	–5	0		5,372
Accounts Receivable	1,827	454	159	0	92		2,532
Other Receivables	231	81	43	138	5		498
Segment liabilities							
Accounts Payable	–1,657	–303	–48	–34	–86		–2,128
Other Liabilities	–1,117	–261	–141	–184	–2		–1,706
Capital employed	**9,050**	**2,986**	**875**	**99**	**1,793**		**14,803**
Net working capital	3,224	960	460	–85	8		4,567
Capital expenditure	322	107	56	9	0		494
Total depreciation & amortization	–684	–89	–49	–20	0		–842
Impairment losses	92	7	0	0	0		99
Other non-cash expenses	–65	–61	0	–62	–283		–471

All transactions between the divisions are on market terms. For information regarding business combinations, see Note 28.

Revenue by country, SEK M	2022	2021
USA	4,139	2,939
Sweden	2,559	2,278
China	1,744	1,162
Germany	1,400	1,071
UK	1,119	901
Italy	814	571
India	613	426
Japan	577	523
France	375	315
Uruguay	368	80
Other countries	4,697	3,583
Total	**18,405**	**13,847**

Non-current assets by country, SEK M	2022	2021
Sweden	5,870	5,848
USA	1,257	1,108
Germany	629	315
Czech Republic	627	582
India	188	150
Italy	182	173
Switzerland	174	150
Japan	169	170
UK	134	133
China	125	124
Other countries	196	179
Total	**9,552**	**8,930**

Non-current assets consists of intangible assets, property, plant and equipment and right-of-use assets. Non-current assets are specified by country based where the assets are located.

Segments 2022	Tube		Kanthal		Strip		Alleima	
Sales per customer segment	SEK M	Share of sales (%)	SEK M	Share of sales (%)	SEK M	Share of sales (%)	SEK M	Share of sales (%)
Industrial	3,906	31%	308	8%	374	23%	4,588	25%
Oil and Gas	3,178	25%	0	0%	0	0%	3,178	17%
Chemical and Petrochemical	2,926	23%	0	0%	0	0%	2,926	16%
Industrial Heating	49	0%	2,130	54%	0	0%	2,178	12%
Consumer	0	0%	1,013	25%	823	51%	1,836	10%
Mining and Construction	1,208	9%	0	0%	0	0%	1,208	7%
Power Generation	973	8%	0	0%	0	0%	973	5%
Transportation	451	4%	14	0%	244	15%	709	4%
Medical	51	0%	508	13%	83	5%	642	3%
Hydrogen and Renewable Energy	61	0%	0	0	104	6%	165	1%
Total sales	**12,804**	**100%**	**3,972**	**100%**	**1,628**	**100%**	**18,405**	**100%**

Segments 2021	Tube		Kanthal		Strip		Alleima	
Sales per customer segment	SEK M	Share of sales (%)	SEK M	Share of sales (%)	SEK M	Share of sales (%)	SEK M	Share of sales (%)
Industrial	2,776	29%	215	7%	290	22%	3,281	24%
Oil and Gas	1,922	20%	0	0%	0	0%	1,922	14%
Chemical and Petrochemical	2,199	23%	0	0%	0	0%	2,199	16%
Industrial Heating	30	0%	1,800	60%	0	0%	1,830	13%
Consumer	0	0%	671	22%	699	53%	1,370	10%
Mining and Construction	1,114	12%	0	0%	0	0%	1,114	8%
Power Generation	1,070	11%	0	0%	0	0%	1,070	8%
Transportation	380	4%	3	0%	200	15%	583	4%
Medical	31	0%	319	11%	63	5%	413	3%
Hydrogen and Renewable Energy	8	0%	0	0%	58	4%	65	0%
Total sales	**9,530**	**100%**	**3,007**	**100%**	**1,310**	**100%**	**13,847**	**100%**

Note 3 | Personnel information and remuneration of management

3.1 Average number of employees

	2022		2021	
	Number	**Women %**	**Number**	**Women %**
Sweden	3,023	20	2,878	19
Czech Republic	624	19	581	19
Germany	340	18	245	18
Great Britain	134	15	126	15
France	36	35	60	34
Netherland	55	17	52	16
Rest of Europe	109	44	73	29
Total Europe	**4,310**	**20**	**4,014**	**19**
USA	692	22	619	23
Rest of North America	2	50	3	29
North America	**694**	**22**	**622**	**23**
India	276	5	266	4
China	231	31	219	31
Japan	69	25	63	27
Rest of Asia	41	42	45	35
Asia	**616**	**19**	**592**	**19**
Other	39	47	42	41
Total	**5,659**	**20**	**5,271**	**20**

3.2 Wages, salaries, other remuneration and social costs

SEK M	2022	2021
Wages, salaries and other remuneration	3,177	2,662
Social costs	895	951
Total	**4,072**	**3,613**
Of which, pension costs recognized in social costs		
Defined contribution plan	*195*	*167*
Defined benefit plan	*49*	*74*
Total	**243**	**240**

3.3 Wages, salaries, other remuneration by market area

SEK M	2022	2021
Sweden	1,741	1,655
Rest of Europe	666	432
Total Europe	**2,407**	**2,087**
North America	539	400
Asia	216	163
Other	16	13
Total	**3,177**	**2,662**
Of which, to Boards of Directors and presidents		
Salaries and other remuneration	102	95
Of which, variable salary	14	12

3.4 Gender distribution in senior management

Proportion of women, %	2022	2021
Boards of directors	23	0
Gender distribution in senior management	22	21
Other senior executives	31	32

3.5 Remuneration to executive management

Remuneration to the board of directors

Fees to the Chairman and other external Board members are paid in accordance with the resolution at the Annual General Meeting. No Board fees are paid to the President and the employee representatives.

In accordance with the resolution of the 2022 Annual General Meeting the total fee to the external Board members elected at the Meeting amounts to in total SEK 3,230,000 on an annual basis.

	2022				2021			
SEK	Board fee	Audit Committee fee	Renumeration Committee[2]	Total Board and Committee fee	Board fee[1]	Audit Committee fee	Renumeration Committee	Total Board and Committee fee
Chairman of the Board (Andreas Nordbrandt)	1,350,000	-	85,753	1,435,753	196,027	-	-	196,027
Claes Boustedt	470,000	97,534[3]	-	567,534	68,247	-	-	68,247
Kerstin Konradsson	436,52[4]	-	60,027	496,548	-	-	-	-
Susanne Pahlén Åklundh	386,301[5]	68,219[6]	-	454,520	-	-	-	-
Karl Åberg	470,000	195,068[3]	-	665,068	68,247	-	-	68,247
Total	**3,112,822**	**360,821**	**145,780**	**3,619,423**	**332,521**	**-**	**-**	**332,521**

1) Members in the Board since 9 November 2021
2) Members in Renumeration Committee since 22 February 2022
3) Members in Audit Committee since 10 January 2022
4) Members in the Board since 27 January 2022
5) Members in the Board since 7 March 2022
6) Members in Audit Committee since 27 April 2022

President and other senior executives

Guidelines for renumeration

For information on the guidelines for renumeration of senior executives, please refer to pages 63-65.

President and CEO

Alleima's President and CEO, Göran Björkman, was paid an annual fixed salary of SEK 5,300,680 and received the fringe-benefit value of a car provided by the Company. In addition, an annual variable cash-based salary of a maximum 70 percent of the fixed salary is payable. The variable salary for 2022 amounted to SEK 1,454,998.

Göran Björkman is entitled to retire at age 65. Göran Björkman has a Swedish pension plan (ITP 2) and supplementary defined contribution plan apply under which the Company each year contributes 30 percent of fixed salary proportions in excess of 20 price base amounts. Pension premium amounted of 31.4 percent of his annual fixed salary.

In the event of termination of employment by the Company, Göran Björkman has a notice period of 12 months' severance pay.

Remuneration and other benefits pertaining to 2022 expensed during 2022, in SEK

Position	Fixed salary	Annual variable salary[1]	Other benefits	Long-term variable salary	Pension costs
President and CEO	5,484,864[2]	1,454,998	149,100	403,135	1,666,045
Other senior executives[3]	19,035,388	4,148,167	840,570	1,212,941	7,797,894
Total	**24,520,252**	**5,603,165**	**989,670**	**1,616,076**	**9,463,939**

1) Amount pertaining 2022 and expected to be paid in 2023
2) Göran Björkman's fixed salary 2022 amounted to 5,300,680, the remainder relates to holiday pay etc. Board fees are not payable to President and CEO.
3) Relates to the following individuals during 2022: Olof Bengtsson, Ulrika Dunker, Johanna Kreft, Mikael Blazquez, Tom Eriksson, Elja Nordlöf, Michael Andersson, Anders Björklund, Claes Åkerblom

Remuneration and other benefits pertaining to 2021 expensed during 2021 , in SEK

Position	Fixed salary	Annual variable salary[1]	Other benefits	Long-term variable salary	Pension costs
President and CEO	4,697,000[2]	2,296,544	80,864	1,197,437	1,714,449
Other senior executives[3]	17,909,122	5,755,829	659,479	3,425,379	5,821,542
Total	**22,606,122**	**8,052,373**	**740,343**	**4,622,816**	**7,535,991**

1) Amount pertaining 2021 and expected to be paid in 2022
2) Göran Björkman's fixed salary 2021 amounted to 4,620,000, the remainder relates to holiday pay etc. Board fees are not payable to President and CEO.
3) Relates to the following individuals during 2021: Olof Bengtsson, Ulrika Dunker, Johanna Kreft, Mikael Blazquez, Tom Eriksson, Elja Nordlöf, Michael Andersson, Anders Björklund, Claes Åkerblom

Other senior executives

Other members

Other members of the Group Executive Management are covered by a Swedish pension plan (ITP 1 or ITP 2) and for one member a German pension plan. The minimum retirement age is 62.

For members that are covered by the ITP 2 plan (defined benefit), a supplementary defined contribution plan applies under which the Company each year contributes 25-30 percent (depending on age and employment start in GEM) of fixed salary proportions in excess of 20 price base amounts. One member is covered by a German pension plan under which 3 percent of fixed salary is contributed.

Short-term incentive program (STI)

Alleima annual incentive program for senior executives, and other managers in the Group, are linked to predetermined and measurable financial criteria, measured during 2022. Senior executives except Division mangers are measured 100 percent on Group result. Division managers are measured 80 percent on own business result and 20 percent on Group result. During 2022 the criteria's have been related to Alleima adjusted EBITA, cash conversion and growth.

Long-term incentive program (LTI)

Alleima cash-based incentive program

LTI 2022: The Board decided upon Remuneration Committee proposal to implement a cash-based LTI program, LTI 2022. The payment is conditional on continued employment in Alleima for a three-year period until the end of 2024 and the Group achieving a defined profitability target in 2022. It is limited to a maximum of 75 percent of the fixed annual salary for the President and CEO and 60 percent of the fixed annual salary for other members of the Group Executive Management.

During the year following provisions have been made.

Sandvik's share-based incentive program

Members of Alleima's Group Management and other senior executives and key employees have historically participated in Sandvik's long-term share-based-incentive program ("LTI").

Sandvik AB's Annual General Meetings 2018-2021 resolved, at the suggestion of Sandvik AB's Board of Directors, to introduce for each year a performance share program for senior executives and key employees.

Performance shares in the LTI 2018 were allotted because the performance targets were met, the program end date was May 2021. Performance shares were partially allotted in the LTI 2019 program because the performance targets we met to some extent, the program end date was May 2022. No performance shares were allotted for LTI 2020 because the performance targets were not met.

Performance shares under the LTI 2021 would be allotted because the performance targets were met, but with the separation from the Sandvik Group, a number of the shares vesting in the program will be forfeited for persons employed by Alleima.

The Company has therefore decided to compensate the participants with a cash amount corresponding to the value of the forfeited shares. Payment of the amount will be made 2024 provided that the participant is still employed in Alleima.

Alleima's reported costs for the LTI programmes amount for the year 2022 and 2021 to 22.5 SEK and SEK 18.1 million. Costs for senior executives are shown in the column Long-term variable salary in the tables above.

Preparation and decision-making process

The Board's Remuneration Committee prepares issues relating to the Group Executive Management's remuneration. The Committee met five times during the year. Issues dealt with included the distribution between fixed and variable salary, the magnitude of any pay increases and the long-term variable incentive program. The Board discussed the Remuneration Committee's proposals and made a decision, using the Committee's proposal as a basis. Based on the Remuneration Committee's proposals, the Board decided on the remuneration of the President for 2022. The President decided on remuneration to other senior executives after consultation with the Remuneration Committee. The Remuneration Committee performed its task supported by expertise on remuneration levels and structures. For information on the composition of the Committee, refer to the Corporate Governance Report.

Note 4 | Fees and remuneration to auditors

SEK M	2022	2021
PwC		
Audit fees	-24	–9
Other Services	-5	0
Total	**-28**	**–9**
Other Audit firms		
Audit activities other than the audit assignment	-1	0
Tax consultancy services	-4	–1
Other Services	-1	0
Total	**-7**	**–1**

Note 5 | Research, development and quality assurance

SEK M	2022	2021
Research and development, charged as cost	-209	–214
Research and development, capitalized as assets	-19	-
Total	**-228**	**–214**

Note 6 | Other operating income

SEK M	2022	2021
Currency exchange gain	104	80
Capital gain on disposal of intangible and tangible fixed assets	2	27
Other operating income	40	159
Total	**145**	**266**

Other operating income includes reimbursement of premiums for Contract Group Health Insurance SEK 10 million (85).

Note 7 | Other operating expenses

SEK M	2022	2021
Currency exchange loss	-100	-35
Capital loss on disposal of intangible and tangible fixed assets	-5	-14
Capital loss on divestment of business	0	-32
Other operating expenses	-42	-60
Total	**-148**	**-141**

Other operating expenses is mainly related to other operating non-financial costs SEK -33 million (-41).

Note 8 | Operating expenses

SEK M	2022	2021
Cost of goods and material	-7,549	–5,004
Employee benefit expense	-4,064	–3,613
Depreciation and amortization	-859	–842
Inventory obsolescence provision	-39	–16
Impairment losses and reversal impairment losses, non-current assets	0	99
Impairment losses, doubtful receivables	-5	–2
Other expenses	-3,913	–3,354
Total	**-16,428**	**–12,732**

Other expenses is mainly related to purchases of services and consumables.

Note 9 | Net financial items

SEK M	2022	2021
Interest income	26	5
Other investments including derivatives		
Net gain on remeasurements of financial assets/liabilities	157	385
Other financial income	2	1
Financial income	185	390
Interest expense	-31	–80
Other investments including derivatives		
Net loss on remeasurements of financial assets/liabilities	-325	–181
Other financial expenses	-12	–1
Financial expenses	-368	–263
Net financial items	**-184**	**127**

Gain and loss from remeasurement of financial assets and liabilities are mainly temporary revaluation effects on foreign exchange derivatives due to discrepancies between contract rates and market exchange rates on the balance date.

Note 10 | Income tax

Recognized in profit and loss

Income tax expense for the year, SEK M	2022	2021
Current tax	-326	–176
Adjustment of taxes attributable to prior years	-13	–8
Total current tax expense	**-339**	**–184**
Deferred taxes relating to temporary differences and tax losses carried forward	-117	–94
Total tax expense	**-455**	**–278**

Reconciliation of the Group's tax expense

Alleima's recognized tax expense for the year amounted to SEK 455 million (278) or 23.5% (18.5) of profit after financial items.

	2022		2021	
	SEK M	%	SEK M	%
Profit after financial items	1,938		1,506	
Weighted average tax based on each country's tax rate	-449	*-23.1*	–370	*–24.6*
Tax effect of				
Non-deductible expenses	-21	*-1.1*	–5	*–0.3*
Tax-exempt income	30	*1.5*	11	*0.7*
Adjustments relating to prior years' current tax expenses	-13	*-0.7*	–8	*–0.5*
Revaluation of temporary differences	-5	*-0.2*	139	*9.2*
Effects of tax losses carried forward, net	3	*0.1*	–29	*–1.9*
Other	-1	*0.0*	–17	*–1.1*
Total recognized tax expense	**-455**	**-23.5**	**–278**	**–18.5**

The weighted average tax rate for Alleima calculated in accordance with the statutory tax rates in each country is 23.1% (24.6).

Tax items attributable to Other comprehensive income

	2022			2021		
SEK M	Before tax	Tax	After tax	Before tax	Tax	After tax
Actuarial gains/losses attributable to defined benefit pension plans	660	-129	531	426	-100	326
Foreign currency translation differences	438	-	438	-110	-	-110
Hedge reserve adjustment	667	-137	530	-	-	-
Other comprehensive income	**1,765**	**-266**	**1,498**	**316**	**-100**	**216**

Recognized in the balance sheet

Deferred tax assets and liabilities

The deferred tax assets and liabilities recognized in the balance sheet are attributable to the following assets and liabilities:

	2022			2021		
SEK M	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net
Intangible assets	2	-12	-10	4	–19	–15
Property, plant and equipment	63	-648	-584	139	–632	–493
Financial non-current assets	23	-226	-203	31	–53	–22
Inventories	93	-20	74	90	–3	87
Receivables	3	-181	-178	3	–97	–94
Pensions	89	-32	57	169	–9	160
Interest-bearing liabilities	107	0	107	121	0	121
Non-interest-bearing liabilities	220	-1	219	75	0	75
Other	-	-	-	–28	-	–28
Tax losses carried forward	12	-	12	22	-	22
Total	**613**	**-1,120**	**-506**	**626**	**–812**	**–186**
Offsetting within companies	-440	440	0	–408	408	0
Total deferred tax assets and liabilities	**174**	**-680**	**-506**	**218**	**–404**	**–186**

Unrecognized deferred tax assets

The Group has additional tax losses carried forward of SEK 47 million (37) related to Brazil. No deferred tax asset was recognized for these losses.

The expiry dates of these tax losses carried forward are distributed as follows:

Year	SEK M
No expiry date	47
Total	**47**

Related deferred tax assets were not recognized since utilization of the tax losses against future taxable profits is not deemed probable in the foreseeable future. The tax value of the unrecognized tax losses carried forward amounted to SEK 16 million (13).

Change of deferred tax in temporary differences an unused tax losses

SEK M	2022	2021
Balance at the beginning of the year, net	-186	–24
Recognized in profit and loss	-117	–94
Recognized in other comprehensive income	-231	–100
Translation differences	-9	–1
Acquisitions	3	–3
Other *	33	36
Balance at end of year, net	**-506**	**–186**

*)Transfer of assets and liabilities between Alleima and former owner Sandvik Group entities.

In addition to the deferred tax assets and liabilities, Alleima reports the following tax liabilities and receivables:

SEK M	2022	2021
Income tax receivables	102	101
Income tax liabilities	-221	-123
Net tax receivables/liabilities	**-119**	**-22**

Note 11 | Earnings per share

Earnings per share (basic and diluted), SEK	2022	2021
Earnings per share	5.86	4.80

The calculation of the numerators and denominators used in the above calculations of earnings per share are presented below.

	2022	2021
Profit for the year attributable to the owners of the parent company	1,470	1,205
Total number of ordinary shares, in thousands	250,877	250,877
Weighted average number of shares outstanding during the year, basic	250,877	250,877

The calculation of earnings per share is based on Alleima's net profit for the year attributable to the parent company's shareholders, divided by the number of shares outstanding. In calculating earnings per share for historical periods, the number of shares have been based on the number of shares in Sandvik AB as of April 27, 2022, the date of the decision made by the shareholders in Sandvik AB to distribute one share in Alleima per five shares in Sandvik AB. Such number of shares was 250,877,184 and has been applied for all historical periods presented.

Note 12 | Intangible assets

SEK M	Internally generated intangible assets					Acquired intangible assets						
	Capitalized R&D expenditures	IT software	Patents and licenses	Other	Sub-total	Capitalized R&D expenditures	IT software	Patents, licenses, trademarks etc.	Goodwill	Other	Sub-total	Total
Cost												
At January 1, 2022	143	195	0	64	**402**	19	72	1	1,352	52	**1,495**	**1,898**
Additions	-	33	-	41	**75**	-	10	-	-	-	**10**	**84**
Business combinations	-	-	-	-	**-**	-	0	-	159	9	**168**	**168**
Divestments and disposals	-14	-	-	-	**-14**	-	0	-	0	-	**0**	**-14**
Scrapping	-	-	-	-	**-**	-	-	-	-	-	**0**	**0**
Reclassifications	-	0	-	-	**0**	-	-6	-3	0	3	**-6**	**-6**
Translation differences for the year	0	0	-	4	**4**	-	1	3	105	6	**115**	**119**
At December 31, 2022	**129**	**229**	**0**	**109**	**468**	**19**	**77**	**1**	**1,615**	**70**	**1,780**	**2,249**
Accumulated amortizations and impairment losses												
At January 1, 2022	140	161	0	43	**345**	13	58	4	-	3	**78**	**423**
Divestments and disposals	-14	-	-	-	**-14**	-	-	-	-	-	**0**	**-14**
Scrapping	-	-	-	-	**-**	-	-	-	-	-	**0**	**0**
Impairment losses, net	-	-	-	0	**0**	-	1	-	-	-	**1**	**1**
Amortizations for the year	3	5	0	0	**8**	4	10	2	-	5	**21**	**29**
Translation differences for the year	0	0	-	3	**3**	-	1	1	-	1	**2**	**6**
At December 31, 2022	**129**	**166**	**0**	**47**	**342**	**17**	**65**	**1**	**-**	**15**	**98**	**440**
Net carrying amount at December 31, 2022	**0**	**63**	**0**	**63**	**126**	**2**	**11**	**0**	**1,615**	**55**	**1,683**	**1,809**

SEK M	Internally generated intangible assets					Acquired intangible assets						
	Capitalized R&D expenditures	IT software	Patents and licenses	Other	Sub-total	Capitalized R&D expenditures	IT software	Patents, licenses, trademarks etc.	Goodwill	Other	Sub-total	Total
Cost												
At January 1, 2021	142	193	0	60	**395**	19	73	1	1,234	24	**1,350**	**1,746**
Additions	-	22	-	-	**22**	-	1	-	-	-	**1**	**23**
Business combinations	-	-	-	-	**0**	-	1	-	64	24	**90**	**90**
Divestments and disposals	-	-	-	-	**0**	-	–1	-	–2	-	**–3**	**–3**
Scrapping	-	–10	-	-	**–10**	-	–2	-	0	-	**–2**	**–12**
Reclassifications	-	–10	-	-	**–10**	-	-	-	0	-	**0**	**–10**
Translation differences for the year	1	-	-	4	**5**	-	1	-	56	4	**60**	**65**
At December 31, 2021	**143**	**195**	**0**	**64**	**402**	**19**	**72**	**1**	**1,352**	**52**	**1,495**	**1,898**
Accumulated amortizations and impairment losses												
At January 1, 2021	131	165	–2	32	**327**	9	46	1	-	3	**58**	**385**
Divestments and disposals	-	-	-	-	**0**	-	–1	-	-	-	**–1**	**–1**
Scrapping	-	–9	-	-	**–9**	-	–2	-	-	-	**–2**	**–11**
Impairment losses, net	-	-	-	6	**6**	-	-	-	-	-	**0**	**6**
Amortizations for the year	8	4	2	3	**18**	4	15	-	-	3	**22**	**40**
Translation differences for the year	1	-	-	2	**3**	-	1	-	-	0	**1**	**4**
At December 31, 2021	**140**	**161**	**0**	**43**	**345**	**13**	**58**	**1**	**-**	**6**	**78**	**423**
Net carrying amount at December 31, 2021	**3**	**34**	**0**	**21**	**58**	**6**	**14**	**0**	**1,352**	**46**	**1,417**	**1,475**

Intangible assets

Amortization for the year is included in the following lines in the income statement	2022	2021
Cost of gods and services sold	-12	–14
Selling expenses	-5	–3
Administrative expenses	-10	–17
Research and development expenses	-2	–6
Total	**-29**	**–40**

Impairment losses/reversal of impairment losses per line in the income statement	2022	2021
Administrative expenses	-1	-
Research and development expenses	-	–6
Total	**-1**	**–6**

Goodwill at December 31, 2022 amounted to SEK 1,615 million (1,352), essentially related to a number of major business combinations. The impairment test of goodwill is presented below.

For Alleima the cash-generating units (CGU) are the divisions Tube, Kanthal and Strip. The goodwill is allocated to the CGU based on where the business combinations have originally been made.

Year	Tube	Kanthal	Strip	Total
2022	11	1,604	0	1,615
2021	9	1,343	0	1,352

The recoverable amount of the CGU has been assessed based on estimates of value in use.

Calculations of value in use are based on the estimated future cash flows using forecasts covering a five-year period, which are in turn based on the five-year plans prepared annually by Alleima.

The plan is founded on the Divisions' strategies and an analysis of the current and anticipated business climate, and the impact this is expected to have on the market in which the division operates. A range of economic indicators, which differ for each market, and external and internal studies of these, are used in the analysis of the business situation. The key assumptions mentioned below reflect past experience, current and future situation and are consistent with external information. The key assumptions when determining cash flow forecasts include anticipated demand, growth rate, operating margin and working capital requirements.

Past assumptions have been impacted by Covid-19 with lower margins and revenues, but current margins are on normalized levels for the CGUs.

The factor used to calculate growth in the terminal period after five years was 2 percent for Alleima, the same level as used previous years.

Need of working capital beyond the five-year period is deemed to increase approximately as the expected growth in the terminal period. The discount rate consists of a weighted average cost of capital for borrowed capital and shareholders' equity.

The pre-tax discount rates used for Alleima are:

Year	Tube	Kanthal	Strip
2022	11.9%	12.5%	11.2%
2021	8.5%	8.8%	8.9%

The specific risks of the CGU have been adjusted for future cash flow forecasts. The impairment testing of goodwill performed at year end 2022 did not indicate any impairment requirements. Sensitivity in the calculations implies that the goodwill value would be maintained even if the discount rate was increased by1 percentage points or if the long-term growth rate was lowered by 1 percentage points. The goodwill value would also be maintained, given an operating margin drop 1 percentage points.

Note 13 | Property, plant and equipment

SEK M	Land and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Construc-tions in progress	Other	Total
Cost						
At January 1, 2022	5,437	13,846	1,386	625	18	21,311
Additions	18	66	16	482	12	594
Business combinations	0	36	13	-	1	49
Divestments and disposals	-1	-55	-21	-1	-11	-89
Scrapping	-1	-67	-44	-2	-2	-116
Reclassifications	31	296	52	-409	0	-31
Transaction with owners (Note 27)	-	-	-	-	-	0
Translation differences for the year	163	410	51	24	1	650
At December 31, 2022	**5,648**	**14,531**	**1,454**	**718**	**19**	**22,369**
Accumulated depreciations and impairment losses						
At January 1, 2022	2,929	10,170	963	-1	0	14,060
Divestments	0	-40	-21	-	-	-62
Scrapping	-1	-64	-43	-	-	-108
Impairment losses, net	0	0	0	-	-	0
Reclassifications	7	-28	-1	-	-	-22
Depreciations for the year	151	504	72	-	-	727
Transaction with owners (Note 27)	-	-	-	-	-	0
Translation differences for the year	90	308	25	1	-	424
At December 31, 2022	**3,177**	**10,848**	**995**	**0**	**0**	**15,020**
Net carrying amount at December 31, 2022	**2,471**	**3,683**	**458**	**718**	**19**	**7,350**

SEK M	Land and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Construc-tions in progress	Other	Total
Cost						
At January 1, 2021	5,254	13,521	1,273	658	12	20,718
Additions	3	56	14	388	10	471
Business combinations	21	20	1	0	-	41
Divestments and disposals	–167	–130	–10	–11	–2	–319
Scrapping	–36	–201	–43	–10	-	–289
Reclassifications	22	286	126	–424	–4	5
Transaction with owners (Note 27)	223	-	-	-	-	223
Translation differences for the year	117	294	25	24	2	461
At December 31, 2021	**5,437**	**13,846**	**1,386**	**625**	**18**	**21,311**
Accumulated depreciations and impairment losses						
At January 1, 2021	2,781	9,853	919	0	0	13,553
Divestments	–140	–113	–9	-	-	–262
Scrapping	–35	–189	–41	-	-	–265
Impairment losses, net	–6	–98	0	–1	-	–105
Reclassifications	214	–25	15	-	-	204
Depreciations for the year	149	506	65	-	0	721
Transaction with owners (Note 27)	–107	-	-	-	-	–107
Translation differences for the year	71	236	14	-	-	321
At December 31, 2021	**2,929**	**10,170**	**963**	**–1**	**0**	**14,060**
Net carrying amount at December 31, 2021	**2,509**	**3,676**	**423**	**626**	**18**	**7,251**

Tangible assets

Depreciation for the year is included in the following lines in the income statement	2022	2021
Cost of goods and services sold	-688	–686
Selling expenses	-13	–12
Administrative expenses	-12	–11
Research and development expenses	-14	–13
Total	**-727**	**–721**

Impairment losses/reversal of impairment losses per line in the income statement	2022	2021
Cost of goods and services sold	0	104
Selling expenses	0	1
Administrative expenses	0	1
Total	**0**	**105**

Note 14 | Leases

Alleima as a lessee

The arrangements in which Alleima is a lessee consist of a number of assets such as facilities for production, warehouse, office premises, certain office equipment and vehicles. The average rental period for the facilities is 5-10 years and 3-5 years for office equipment and vehicles.

SEK M	Land and buildings	Plant and machinery	Fixture and fittings	Total
Accumulated acquisition cost				
At January 1, 2022	212	43	114	368
Additions	26	118	24	168
Remeasurements	6	47	0	53
Business combinations	53		1	54
Divestments and disposals	-6	-1	-23	-30
Reclassifications	0		0	0
Translation differences for the year	20	1	4	24
At December 31, 2022	**311**	**207**	**119**	**637**
Depreciation and impairment losses				
At January 1, 2022	76	28	60	164
Depreciation for the year	48	26	28	103
Divestments and disposals	-6	-1	-23	-30
Remeasurements	0	0	-1	-1
Reclassifications	0		0	0
Translation differences for the year	7	0	2	9
At December 31, 2022	**125**	**54**	**66**	**245**
Net carrying amount at December 31, 2022	**186**	**154**	**52**	**392**

SEK M	Land and buildings	Plant and machinery	Fixture and fittings	Total
Accumulated acquisition cost				
At January 1, 2021	190	38	106	333
Additions	36	3	23	63
Remeasurements	–5	2	0	–4
Business combinations	9		1	10
Divestments and disposals	–24	–1	–17	–41
Reclassifications	3		–1	–1
Translation differences for the year	6	0	2	8
At December 31, 2021	**212**	**43**	**114**	**368**
Depreciation and impairment losses				
At January 1, 2021	56	18	50	124
Depreciation for the year	41	9	28	79
Divestments and disposals	–24	0	–17	–41
Remeasurements	1	1	–2	0
Reclassifications	1	1	–2	0
Translation differences for the year	2	0	1	3
At December 31, 2021	**76**	**28**	**60**	**164**
Net carrying amount at December 31, 2021	**136**	**15**	**53**	**204**

See note 21 for split of Lease liabilities on current and non-current leases.

Depreciation per line item in the income statement

SEK M	2022	2021
Cost of goods sold	-71	–53
Selling expenses	-19	–16
Administrative expenses	-14	–9
Research and Development expenses	-1	0
Total	**-103**	**–79**

Amounts recognized in the income statement

SEK M	2022	2021
Depreciations for the year	-103	–79
Interest expenses related to lease liabilities	-8	–5
Expenses for low value assets	-9	–10
Expenses for short-term leases	0	0
Expenses related to variable lease expenses not included in the lease liability	0	0
Total amounts recognized in the income statement	**-121**	**–94**
The total cash outflow for leases during the year	**-99**	**–76**

Contracts not yet commenced

At December 31, 2022, Alleima Group has not entered any contracts with commenced date in 2023 or later.

Alleima as a lessor

The Group holds no financial leases.

Alleima's operational lease consists mainly of two facility related lease contracts.

Future minimum lease payments under non-cancelable operational lease contracts was SEK 249 million (271) as per December 31, 2022.

Operating leases

SEK M	2022	2021
Within one year	50	42
Between one and five years	112	115
Later than five years	86	114
Net carrying amount	**249**	**271**

Note 15 | Financial assets

SEK M	2022	2021
Derivatives designated as hedging instruments	587	168
Funded pension plans (note 20)	97	57
Other non-interest-bearing receivables	25	22
Other interest-bearing receivables	6	6
Total	**714**	**253**

Note 16 | Inventories

SEK M	2022	2021
Raw materials and consumables	3,086	1,623
Work in progress	2,060	1,672
Finished goods	2,210	2,077
Total	**7,355**	**5,372**

Note 17 | Trade receivable

	2022							
SEK M	Current	1–30 days past due	31–60 days past due	61–90 days past due	91–180 days past due	181–360 days past due	More than 360 days past due	Total
Expected loss rate, %	0.3	1.1	5.1	7.2	30.4	44.7	81.5	1.1
Gross carrying amount – trade receivables	2,629	288	38	25	15	9	10	3,013
Loss allowance	-9	-3	-2	-2	-4	-4	-8	-33
Reported value	**2,619**	**285**	**36**	**23**	**10**	**5**	**2**	**2,981**

	2021							
SEK M	Current	1–30 days past due	31–60 days past due	61–90 days past due	91–180 days past due	181–360 days past due	More than 360 days past due	Total
Expected loss rate, %	0.3	1.0	3.2	7.6	8.5	48.6	89.1	1.3
Gross carrying amount – trade receivables	2,274	190	43	13	15	16	14	2,565
Loss allowance	–7	–2	–1	–1	–1	–8	–12	–33
Reported value	**2,267**	**188**	**42**	**12**	**14**	**8**	**2**	**2,532**

Note 18 | Other current receivables

SEK M	2022	2021
Contract assets	29	38
Derivatives designated as hedging instruments	953	321
VAT receivables	168	106
Prepaid expenses	210	165
Other non-interest-bearing receivables	251	170
Advances to suppliers	19	19
Total	**1,630**	**819**

Note 19 | Equity

To the Annual General Meeting on May 2, 2023, Alleima's Board of Directors proposes for the financial year 2022 an ordinary dividend of SEK 1.40 per share (SEK 351,228,058), to be paid in May 2023. The remaining amount, SEK 12,717,924,436, should be carried forward. The Board makes the assessment that the parent company's and the group's equity after the dividend distribution will be able to sustain the requirements which the nature, size and risks of the business will present. The Board further considers the actions reasonable in light of the parent company's and the Group's consolidation requirements, liquidity and position in general.
The dividend distribution is assumed to not present any risk for the parent company's or the Group's ability to fulfil its short- or long-term payment obligations, or assumed to affect the ability to make required investments.

An extraordinary general meeting held on March 7, 2022, resolved on a directed share issue with right for the shareholder Sandvik AB, Reg. No. 556000-3468, to subscribe for 250,827,184 shares in Alleima AB and that all shares, in accordance with the terms and conditions in the general meeting's decision, have been subscribed for. Following the decision at an extraordinary general meeting, in March 2022, one existing share in Alleima AB was divided into fifty shares. The same extraordinary general meeting resolved on a directed share issue with the right for the shareholder Sandvik AB, Reg. No. 556000-3468, to subscribe for 250,827,184 shares in Alleima AB. All shares were subscribed for, in accordance with the terms and conditions of the general meeting's decision. The total number of shares after the split and the share issue amounted to 250,877,184. In addition, in March 2022, the Company received an unconditional shareholder contribution in the amount of SEK 1,149 million by way of cash payment from the shareholder Sandvik AB.

In calculating earnings per share for historical periods, the number of shares have been based on the number of shares in Sandvik AB as of April 27, 2022, the date of the decision made by the shareholders in Sandvik AB to distribute one share in Alleima per five shares in Sandvik AB. Such number of shares was 250,877,184 and has been applied for all periods presented.

Reserves

Consolidated equity includes certain reserves which are described below.

Translation reserves

The translation reserve comprises all exchange differences arising from the translation of the financial statements of foreign operations into Alleima's presentation currency.

Hedge reserves

Alleima has as of January 1, 2022 started to apply hedge accounting for derivatives that are used to hedge the Group's exposure to electricity price risk, and as of April 1, 2022 hedge accounting for derivatives that are used to hedge the exposure to gas- and metal price risk, and in addition, as of July 1, 2022 hedge accounting for some derivatives that are used to hedge the exchange rate exposure in orders and investments. Changes in the fair value of the derivatives designated for hedge accounting are recognized in Other comprehensive income and accumulated in the Hedge reserve within equity. Refer to Note 1 for the accounting principles and Note 26 for more information on derivatives.

Non-controlling interest

Non-controlling interest amounted to SEK 0 million (97) and referred in 2021 to the subsidiary Pennsylvania Extruded Tube Co, USA in which the non-controlling interest held a 30 percentage share. On April 26, 2022 Alleima acquired the remaining 30% of the Company.

During 2022, the subsidiary Sandvik Materials Technology Rock Drill Steel AB (RDS) made a directed share issue to Sandvik AB regarding 10,000 B-shares in the Company, which resulted in the majority owner Alleima now owning 90% of the shares in RDS, i.e. all A-shares, and Sandvik 10%. The Class B shares held by Sandvik are not subject to future dividends. Refer to Note 27 for further information.

Other transactions with shareholders

Other transactions with shareholders includes transactions without compensation between Sandvik and Alleima as per below.

SEK M	2022	2021
Effective tax adjustment	33	37
Capital contribution	-	16,700
Dividends	-	–642
Acquisition and divestment	-	–14,819
Share based compensation	-13	–2
Transfer of assets and liabilities without consideration[1]	-143	–1,325
Total	**-123**	**–51**

1) Transfer of assets and liabilities without consideration consists of economic activities that have been carved out from companies under common control.

Note 20 | Provision for pensions and other non-current benefits

Alleima provides direct pension solutions or participates in defined benefit, defined contribution and other plans for post-employment benefits to all employees. These plans are structured in accordance with local regulations and practices. The Group's most significant defined-benefit pension plans are described below.

Sweden

The Swedish pension plan is funded through a foundation and is based on salary at the time of retirement. It is partly closed for new participants, meaning that only new employees born prior to 1979 have the option of joining the plan. Employees born after 1979 are encompassed by a defined contribution plan. There are no funding requirements for the defined benefit plan. Pension payments to retirees are made directly from Alleima, the Company has the opportunity to request reimbursement for pension payments made which have been secured by the pension fund. The total value of Alleima's assets held by the foundation was SEK 1,128 million (1,117), which was SEK -83 million (126) compared to the capital value of the corresponding pension obligations for the entire foundation.

The commitment for family pension, also a defined-benefit plan, is insured with Alecta. Sufficient information to use defined-benefit accounting for this plan is not available, and therefore recognized as a defined-contribution plan. At the end of 2022, Alecta reported a plan surplus of 172 percent (172).

The Alleima Group's share of Alecta's saving premiums is 0.02 percent, the total share of active members in Alecta is 0.17 percent. For 2023, the expected contribution to Alecta is SEK 19 million (19).

The Group's mutual responsibility as a credit insured company of PRI Pensionsgaranti in Sweden is classified as a contingent liability and amounts to SEK 24 million (20). This mutual responsibility can only be imposed in the instance that PRI Pensionsgaranti has consumed all of its assets, and it amounts to a maximum of 2 percent of the Group's pension liability in Sweden.

US

In the US there is a defined benefit plan which is closed for new participants and from which pension payments to the retirees are made, based on salary at the time of retirement. Those eligible for the pension plan are also eligible for a medical plan at retirement. The retiree medical plan offers a dollar amount for each service year based on the age at which someone retires. Defined contribution plans replaced the previous defined benefit plans by June 30, 2021

Germany

In Germany, Alleima has defined benefit pension plans. A few years ago, Alleima formed a foundation, a Contractual Trust Agreement, which covers the current employees of Alleima's German companies. The pension commitments for retirees and paid-up policyholders remain unfunded. The pension is based on salary at the time of retirement and other parameters. There are no funding requirements and employees in the plan are required to contribute a certain percentage of their salary to the plan. Pension payments to retirees are mainly made from the Company.

Other

Other countries have no material defined benefit pension plans.

Risks and cash flows

Three main categories of risks are associated with the Company's defined-benefit pension plans. The first category is linked to future pension payments. Greater life expectancy, increased inflation assumptions and higher salaries can increase future pension payments and thus also the liability for the pension obligation. The second category refers to the assets in the foundations that are funded. Low returns may, in the future, lead to the assets being insufficient for covering future pension payments. The third and final category pertains to the measurement methods and accounting of defined-benefit pension plans, primarily regarding the discount rate utilized in the measurement of the present value of the pension obligations. This rate can fluctuate, leading to major changes in the recognized pension liability. The discount rate also affects the interest rate component of the pension liability and that is recognized in net financial items.

To determine the discount rate, AA credit rated corporate bonds are used that correspond to the duration of the pension obligation. If there is no deep market for corporate bonds, government bonds are used as the basis for determining the discount rate. Mortgage bonds are used in Sweden to determine the discount rate.

A sensitivity analysis of the most important assumptions affecting the recognized pension liability is provided below. Note that this sensitivity analysis is not intended to be the expression of an opinion by the Company regarding the probability of such events occurring.

Governance

The defined benefit and defined contribution plans are governed through a Pension Supervisory Board (PSB). PSB meets twice a year and has the following areas of responsibility:

- Implement policies and directives
- Ensure efficient administration of the major pension plans and efficient management of reserved plan assets
- Approve establishment of new plans, material changes or closure of existing plan
- Approve guidelines for management of assets

Investment strategy

The aims of the investment decisions made in the foundations managing plan assets are as follows:

- Ensure that the plan assets are sufficient to cover the foundation's future pension commitments
- Achieve optimal returns while taking into account a reasonable level of risk

Each foundation is to have a written investment policy approved by PSB. Reviews are performed annually. The foundation makes its own decisions on its investment strategy and takes into consideration the composition of the pension commitments, requirements of cash and cash equivalents and available investment opportunities. The investment strategy is to be long-term and in line with the guidelines established by PSB.

Information by country December 31, 2022, SEK M	**Sweden**	**US**	**Germany**	**Other**	**Total**
Amounts included in the balance sheet					
Present value of funded and unfunded obligations	1,603	215	163	165	2,146
- of which for actives	*643*	*54*	*64*	*161*	*921*
- of which for vested deferreds	*474*	*15*	*16*	*2*	*507*
- of which for retirees	*487*	*146*	*83*	*1*	*718*
Plan assets	1,128	240	109	184	1,661
Total surplus/(deficit)	-475	25	-54	19	-484
Other pension provisions					*-28*
Total Net liability					**-513**
Provision for pensions					-609
Overfunded pension plans recognized as asset, non-current receivable					97
Funding level, %	70	112	67	112	77
Net liability for medical plans		24			24
Average duration of the obligation, years	20	9	6		17
Amounts included in the income statement/Other comprehensive income					
Total (Current) service cost	-34	-3	-3	-14	-54
Net interest	-20	0	-1	0	-21
Remeasurements	572	30	28	30	660
Total expense for defined benefits (pretax)	517	28	25	16	585
Amounts included in the cash flow statement					
Contributions by the employer	0	0	-4	-6	-10
Benefits paid, net	-40	0	-4	-3	-47
Major assumptions for the valuation of the liability					
Life expectancy, years[1]	23	21	22		
Inflation, %	2.00	2.50	2.25		
Discount rate, % (weighted average)	3.95	5.10	3.50		
Future salary increase, % (weighted average)	3.25	3.50	3.25		

1) Expressed as the expected remaining life expectancy of a 65 year old in number of years.

Information by country December 31, 2021, SEK M	Sweden	US	Germany	Other	Total
Amounts included in the balance sheet					
Present value of funded and unfunded obligations	2,149	245	184	165	2,743
- of which for actives	*953*	*72*	*68*	*162*	*1,256*
- of which for vested deferreds	*703*	*20*	*18*	*3*	*744*
- of which for retirees	*492*	*153*	*98*	*0*	*743*
Plan assets	1,117	244	103	163	1,626
Total surplus/(deficit)	–1,032	–2	–81	–10	–1,125
Other pension provisions					*–22*
Total Net liability					**–1,147**
Provision for pensions					–1,204
Overfunded pension plans recognized as asset, non-current receivable					57
Funding level, %	52	99	56	99	59
Net liability for medical plans		30			30
Average duration of the obligation, years	23	12	8		20
Amounts included in the income statement/Other comprehensive income					
Total (Current) service cost	–64	–2	–2	–10	–78
Net interest	–20	0	–1	0	–21
Remeasurements	376	36	0	14	426
Total expense for defined benefits (pretax)	291	33	–3	5	326
Amounts included in the cash flow statement					
Contributions by the employer	0	0	1	–3	–2
Benefits paid, net	–38	0	–5	0	–43
Major assumptions for the valuation of the liability					
Life expectancy, years[1]	23	21	22		
Inflation, %	1.75	2.25	2.00		
Discount rate, % (weighted average)	2.00	2.70	1.10		
Future salary increase, % (weighted average)	3.00	3.00	3.00		

1) Expressed as the expected remaining life expectancy of a 65 year old in number of years.

Reconciliation of change in present value of defined benefit obligation for funded and unfunded plans

SEK M	2022	2021
Opening balance, January 1	2,743	2,781
Service cost	49	74
Past service cost	5	4
Intragroup transactions (Sandvik)	-2	38
Interest cost	54	43
Contributions by plan participants	4	2
Benefits paid	-65	–60
Insurance premiums for risk benefits	-1	0
Remeasurements loss/(gain) arising from:		
– Financial assumptions	-698	–278
– Demographic assumptions	47	-
– Experience adjustments	-61	44
Acquisition through business combination	0	60
Exchange differences	70	35
Closing balance, December 31	**2,146**	**2,743**

Reconciliation of change in the fair value of plan assets

SEK M	2022	2021
Opening balance, January 1	1,626	1,346
Interest income	33	22
Intragroup transactions (Sandvik)	0	21
Contribution by the employer	10	2
Benefits paid directly by employer	47	43
Settlements paid by employer	0	0
Insurance premiums for risk benefits	-1	0
Contributions by plan participants	4	2
Benefits paid	-65	–60
Return on plan assets, excl amount included in interest	-52	192
Acquisition through business combination	0	35
Exchange differences	59	23
Closing balance, December 31	**1,661**	**1,626**

SEK M	2022	2021
Actual return on plan assets	-19	214
Consolidation ratio for funded plans, %	81	63
Consolidation ratio for all plans including unfunded, %	77	59
Estimated contributions for the next year	62	53

Sensitivity analysis, change in provision

(net, SEK M)	Sweden	US	Germany
Life expectancy, +1 year	64	6	4
Discount rate -50 bps	174	10	5
Inflation rate + 50 bps	170	0	4

Class of assets in %	2022	2021
Interest-bearing securities	32	29
Shares	20	29
Properties	23	21
Other	16	13
Cash and cash equivalents	8	8
of which assets without quoted prices	*44*	*37*

Note 21 | Other interest-bearing liabilities

SEK M	2022	2021
Non-current liabilities		
Lease liabilities	298	133
Other	0	14
Total	**298**	**147**
Current liabilities		
Lease liabilities	94	67
Other	0	4
Total	**94**	**71**

Changes in liabilities arising from financing activities

		Cash flow		Non-cash flow changes					
SEK M	Jan 1, 2022	New loans	Amortization	Business combination	Reclassification	New leases	Currency/ FX	Other	Dec 31, 2022
Interest-bearing non-current liabilities	14	0	-16	10	0	0	1	0	9
Interest-bearing current liabilities	1,624	0	-1,623	0	0	0	-1	0	0
Lease liabilities	200	-	-99	54	0	163	15	58	391
New share issue and capital contribution	-	1,400	-	-	-	-	-	-	-
Dividends paid	-	-	-3	-	-	-	-	-	-
Total	**1,838**	**1,400**	**-1,741**	**64**	**0**	**163**	**15**	**58**	**401**
			-341						

		Cash flow		Non-cash flow changes					
SEK M	Jan 1, 2021	New loans	Amortization	Business combination	Reclassification	New leases	Currency/ FX	Other	Dec 31, 2021
Interest-bearing non-current liabilities	64	12	0	0	–62	–	2	0	14
Interest-bearing current liabilities	153	1,616	–85	0	64	–	1	–126	1,624
Lease liabilities	209	–	–76	0	0	56	5	7	200
Change in net Group cash pool	31	–	–31	–	–	–	–	–	0
Total	**457**	**1,628**	**–193**	**0**	**2**	**56**	**8**	**–119**	**1,838**
			1,436						

Note 22 | Other provisions

SEK M	Warranties	Restructuring	Employee benefits	Environ-mental obligations	Legal disputes	Other obligations	Total
Balance at December 31, 2021	45	166	91	186	8	18	514
Provisions made during the year	6	1	34	22	0	43	106
Provisions used during the year	-23	-110	-21	-7	-4	-23	-187
Unutilized provisions reversed during the year	0	0	0	-1	0	-1	-2
Reclassifications	0	-7	2	0	0	-2	-7
Business combinations	0	0	0	0	0	19	19
Translation differences	4	6	5	3	1	3	22
Balance at December 31, 2022	**32**	**56**	**111**	**203**	**5**	**57**	**465**
of which current	*13*	*56*	*4*	*19*	*2*	*44*	*138*
of which non-current	*19*	*0*	*107*	*184*	*3*	*13*	*327*

SEK M	Warranties	Restructuring	Employee benefits	Environ-mental obligations	Legal disputes	Other obligations	Total
Balance at December 31, 2020	32	406	50	191	6	66	751
Provisions made during the year	35	48	75	46	3	6	212
Provisions used during the year	–24	–197	–36	–25	0	–53	–335
Unutilized provisions reversed during the year	0	–97	0	–26	–1	–2	–126
Reclassifications	0	0	1	0	0	0	1
Business combinations	0	0	0	0	0	0	0
Translation differences	1	6	1	0	0	1	11
Balance at December 31, 2021	**45**	**166**	**91**	**186**	**8**	**18**	**514**
of which current	*30*	*162*	*4*	*4*	*4*	*10*	*214*
of which non-current	*14*	*4*	*87*	*182*	*4*	*8*	*300*

Note 23 | Other non-interest-bearing liabilities

SEK M	2022	2021
Other non-current liabilities		
Derivatives designated as hedging instruments	391	138
Other	0	–1
Total	**391**	**136**
Other current liabilities		
Derivatives designated as hedging instruments	232	70
VAT liabilities	85	57
Deferred purchase price business combina-tions	20	0
Other	169	152
Total	**506**	**280**

Other current liabilities refers mainly to personnel related liabilities.

Note 24 | Accrued expenses

SEK M	2022	2021
Personnel related	839	801
Customer discounts	18	34
Other accrued expenses	314	304
Total	**1,171**	**1,138**

Personnel related expenses includes social contribution, salaries and bonuses. Other accured expenses includes accrued property tax, accured IT costs, accrued commission to agents and accrued expenses for electricity and gas etc.

Note 25 | Contingent liabilities and pledged assets

SEK M	2022	2021
Bank guarantees	169	0
Other contingent liabilities	131	6
Total	**300**	**6**

Contingent liabilities
Other contingent liabilities refer mainly to bank guarantees provided by Sandvik to cover underlying business by Alleima. Sandvik has the right to recourse against Alleima for the guarantees. Other contingent liabilities also include pension related guarantees.

Pledged assets
At the end of 2022, no assets have been pledge as collateral (13).

Note 26 | Financial risk management

Financial assets and liabilities by valuation category

SEK M	Fair value through profit or loss 2022	Fair value through profit or loss 2021	Amortized cost 2022	Amortized cost 2021	Total carrying amount 2022	Total carrying amount 2021
Financial assets						
Trade receivables	-	–	2,981	2,532	2,981	2,532
Other receivables	-	–	468	323	468	323
Derivatives	1,540	489	-	–	1,540	489
Cash and cash equivalents	-	–	892	1,661	892	1,661
Total financial assets	**1,540**	**489**	**4,341**	**4,516**	**5,880**	**5,005**
Financial liabilities						
Borrowings	-	–	-	1,620	-	1,620
Derivatives	623	208	-	–	623	208
Accounts payable	-	–	2,619	2,128	2,619	2,128
Other liabilities	-	–	1,080	785	1,080	785
Total financial liabilities	**623**	**208**	**3,699**	**4,534**	**4,322**	**4,742**

The carrying amounts are considered to represent a good approximation of the fair values due to the short durations. All derivatives belong to Level 2 in the fair value hierachy, i.e. observable inputs have been used in deriving the fair values.

Financial exposure and risk management

Alleima is exposed to financial risks through its global operations. The Financial Risk Management Policy is established and decided by the Board of Directors of which outlines the framework on the identified financial risks of Alleima and how it shall be managed, measured and reported.

Group Treasury is the Group function responsible for managing most of the Group's financial risks. The primary objective of the function is to contribute to the creation of value by mitigating the financial risks to which the Group is exposed to during the ordinary course of business so that those risks will have minimum of impact on the Group's net profit.

In addition, the Group Treasury Function handles and manages the Group's financing and liquidity risks as well as supporting Group companies with loans, deposits, foreign exchange and commodity hedging transactions through the internal banking operation from the office in Stockholm, Sweden. Group Treasury also advises Group companies on financial matters, trade finance solutions as well as credit management solutions. The function is also responsible for the Group's bank account and payment infrastructure and manages the financial risks associated with the Group's defined-benefit pension plans.

Alleima only accepts financial counterparties with a solid credit rating and financial position.

Capital structure and dividend policy

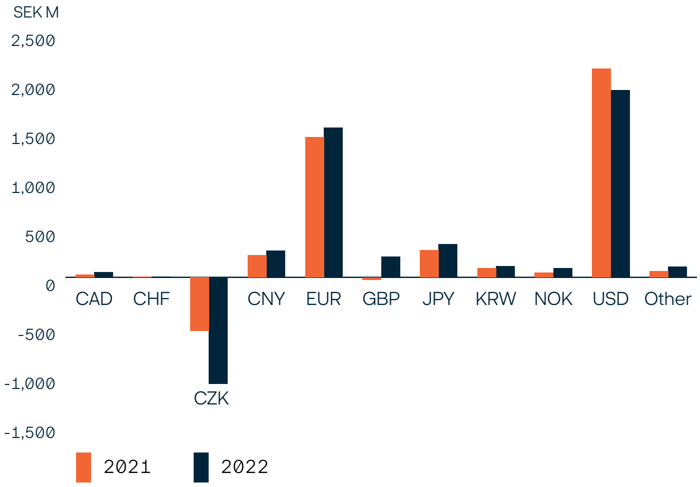
The Group has financial targets on both capital structure and dividend. The capital structure is monitored by measuring the net debt/equity ratio and shall have a ratio below 0.3. Net debt is defined as interest-bearing current and non-current liabilities, including net pension liabilities and leases, less cash and cash equivalents. Dividend shall be on average 50 percent of net profit (adjusted for metal price effects) over a business cycle.

Currency risk – Transaction exposure

Transaction exposure occurs when the value of the foreign cash flows from sales and purchases can fluctuate due to changes in foreign exchange rates.

Alleima's annual transaction exposure, meaning the Group's net flow of currencies, after full offsetting of the counter-value in the exporting companies' local currencies, and measured at the average exchange rate, amounted to SEK 3,561 million (3,260) in 2022. The most important currencies for one year of exposure are shown in the following diagram.

Exposure - Net flow in foreign currency



Alleima generally offers customers the possibility to pay in their own currencies through the global sales organization. As a result, the Group is continuously exposed to currency risks associated with account receivables denominated in foreign currency and with future sales to foreign customers.

Since a large percentage of production is concentrated to a few countries, while sales occur in many countries, Alleima is exposed to a large net inflow of foreign currencies.

In order to mitigate the currency risk, pricing is adjusted against both customers and suppliers in circumstances where Alleima is affected negatively by currency movements. To further reduce exposure to foreign currencies, currencies received are used to pay for purchases in the same currency via a netting structure.

A certain portion of the anticipated net flow of sales and purchases is hedged through financial instruments and bank account balances in accordance with guidelines set in the Group's finance policy. In addition, major project orders are currency hedged to protect the gross margin. Under the finance policy, the CFO has a mandate to hedge the annual transaction exposure. At year-end, the total hedged amount was SEK 3,359 million (1,277). The average duration for the hedged volume of foreign currency was 10 months (9). Unrealized loss from outstanding currency contracts for hedging of future net flows amounted to SEK -151 million (-30). This amount consists of SEK -29 million (-15) in losses related to contracts maturing in 2023 and SEK -123 million (-15) in losses related to contracts maturing in 2024 or later.

To avoid transaction risk in the balance sheets of subsidiaries, they are financed in their functional currency through Group Treasury. The currency risk that arises in Group Treasury as a result of this is managed using various derivatives to minimize the transaction risk.

If all exchange rates for the exposure currencies were to change by 5 percent in, a for Alleima unfavorable direction, total operating profit over a 12-month period would change by approximately SEK –290 million (–219), assuming that the composition is the same as it was at year-end.

Sensitivity analysis by currency

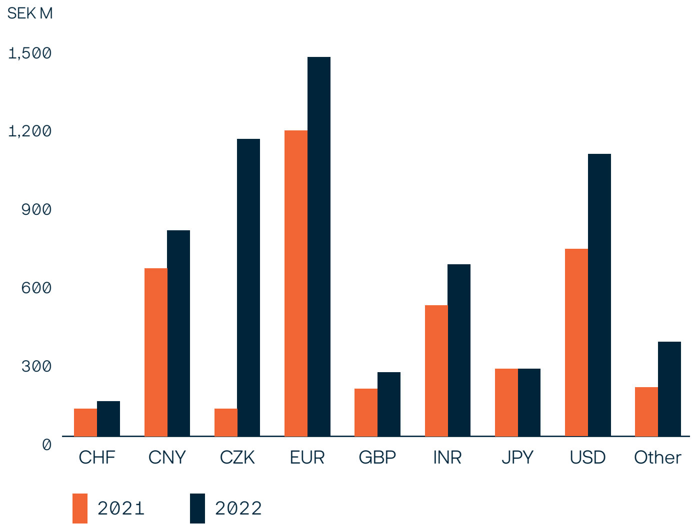
CAD	CHF	CZK	CNY	EUR	GBP	JPY	KRW	NOK	USD	Other	Total
-3	0	-54	-14	-76	-11	-17	-6	-5	-96	-9	-290

Currency risk – Translation exposure

Translation exposure occurs when assets and liabilities in subsidiaries are denominated in currencies other than Alleima's presentation currency.

Since the Swedish krona (SEK) is Alleima's presentation currency, a translation risk related to the valuation of the net assets in foreign subsidiaries and the profit/loss in foreign currency achieved during the period occurs. The net assets, which usually consist of the foreign subsidiaries' shareholders equity, are translated to SEK at the rates applied at the balance sheet date. At December 31, 2022 the Group's net assets in subsidiaries in local currencies amounted to SEK 5,986 million (4,576).

Exposure - Net assets by foreign currency



Alleima has chosen not to hedge future profits in foreign subsidiaries. Net assets are also not hedged, but the differences that arise due to changes in exchange rates since the preceding quarter are recognized directly in other comprehensive income. The diagram above shows the distribution of net assets among various currencies.

If exchange rates were to change by 5 percent in an unfavorable direction the net effect on other comprehensive income would be approximately SEK –299 million (–229). This net effect primarily comprises translation exposure in equity.

Sensitivity analysis by currency

CHF	CNY	CZK	EUR	GBP	INR	JPY	USD	Other	Total
-7	-39	-57	-73	-12	-33	-13	-54	-11	-299

Commodity price risk

Alleima's financial risks related to commodities are primarily concentrated to energy such as electricity and gas and alloy metals such as nickel, molybdenum and copper.

A change in the electricity price of SEK 0.1 per kWh is estimated to affect Alleima's operating profit by plus or minus SEK 80 million (60) on an annual basis, based on the prevailing conditions at year-end 2022. For Alleima's largest production unit in Sweden, the electricity and gas prices are continuously hedged through derivatives.

When Alleima obtains a customer order containing a fixed price for nickel, molybdenum or copper, the prices of these materials are hedged by signing financial contracts. This means that Alleima's operating profit is not impacted by movements in the price of these raw materials, relating to the aforementioned orders at a fixed price.

The Group applies a hedging strategy in order to minimize the metal price risk in connection with transactions conducted at a variable metal price. The measurement of inventory is not affected by hedging.

Changes in metal prices affect the profit and loss statement as a consequence of the lead time between the purchase of raw material and delivery of the finished product. The effect can be estimated through the rules regarding valuation of inventory. The net effect is presented in the "*Development in business areas*" section.

Estimated consumption and hedged volumes

	Estimated consumption per year	Volume hedged	Hedging horizon	Average hedged price
Electricity	800 GWh	1,390 GWh	60 months	493 SEK/MWh
Gas	150 GWh	132 GWh	24 months	33 SEK/MWh
Nickel	12,800 Mt	1,736 Mt	16 months	25,592 USD/Mt
Molybden	1,950 Mt	682 Mt	16 months	22 USD/lb
Copper	292 Mt	11 Mt	7 months	7,745 USD/Mt

Hedge accounting

Derivatives used in the hedging strategies are valued at fair value. To avoid impact on earnings from fluctuations in valuation of derivatives all commodity derivatives and some currency derivatives has been defined as cash flow hedges and hedge accounting is applied. The relationship between the hedging instrument and the hedged item is documented when the hedging contract is made. Hedge effectiveness is measured both at the start of the hedging relationship and quarterly throughout the duration of the relationship. The effective part of changes in the fair value of the derivatives that are designated as, and qualify for, cash flow hedging is recognized in Other comprehensive income. The gain or loss relating to the effective portion of hedging instruments is recognized in the income statement within the same line as the hedged item i.e. Cost of goods sold.

Hedge accounting effect on financial position and performance for the Group

SEK M	2022 Nominal amount of the hedge	2022 Cash flow hedge reserve	2022 Line item in the statement of financial position where the hedging instrument is included	2021 Nominal amount of the hedge	2021 Cash flow hedge reserve	2021 Line item in the statement of financial position where the hedging instrument is included
Cash flow hedges			non-current/ other current financial assest and non-in-terest-bearing liabilities/ current non-in-teres-bearing liabilities			-
Foreign exchange risk						
FX Forward contracts	898	142		-	-	
Commodity price risk						
Electricity forward contracts	1,390 GWh	539		-	-	
Gas forward contracts	132 GWh	-42		-	-	
Metal forward contracts	2,418 tonnes	29		-	-	
Whereof						
Nickel forward contracts	*1,736 tonnes*					
Molybden forward contracts	*682 tonnes*					
Copper forward contracts	*11 tonnes*					

SEK M	2022 Change in fair value of the hedging instrument recognized in OCI	2022 Hedge ineffectiveness recognized in finance net	2022 Line item in income statement for ineffectiveness	2021 Change in fair value of the hedging instrument recognized in OCI	2021 Hedge ineffectiveness recognized in finance net	2021 Line item in income statement for ineffectiveness
Cash flow hedges						
Foreign exchange risk						
FX Forward contracts	142	0	-	-	-	-
Commodity price risk						
Electricity forward contracts	539	0	-	-	-	-
Gas forward contracts	-42	0	-	-	-	-
Metal forward contracts	29	0	-	-	-	-

SEK M	2022 Amount reclassified from the cash flow hedge into profit and loss	2022 Amount transferred from the cash flow hedge into cost of hedged item	2022 Line item in income statement the statement of comprehensive income that includes the reclassified amounts	2021 Amount reclassified from the cash flow hedge into profit and loss	2021 Amount transferred from the cash flow hedge into cost of hedged item	2021 Line item in income statement the statement of comprehensive income that includes the reclassified amounts
Cash flow hedges						
Foreign exchange risk						
FX Forward contracts	0		-	-		-
Commodity price risk						
Electricity forward contracts	0		-	-		-
Gas forward contracts	0		-	-		-
Metal forward contracts	0	37	-	-		-

Interest rate risk

Interest rate risk is defined as the impact that changes in market interest rates will have on the Group's net interest items. The impact on net interest items of a change in interest rates depends on the interest terms of assets and liabilities. Alleima measures interest rate risk as the impact a 1 percentage point change in interest rates will have on Alleima's interest net for the coming 12 months.

Interest rate risk arises in two ways:

- The Company may have invested in interest-bearing assets, the value of which changes when the interest rate changes.
- The cost of the Company's borrowing fluctuates when the general interest-rate situation changes.

At December 31, 2022, Alleima had no interest-bearing loans with floating interest to be reset during 2023. Hence, if market rates were to rise by 1 percentage point across all terms interest costs would be impacted by SEK –0 million (-16).

The Group's interest-rate risk arises mainly in connection with borrowing. The Group CFO has a mandate to vary the average fixed-interest term of the Group's debt portfolio, provided that it does not exceed 36 months. The average fixed-interest term on Alleima's borrowing was 15 months (1) at year-end.

In the event that Alleima has surplus liquidity, it is placed in bank deposits or in short-term money market instruments which means that the interest-rate risk (the risk of a change in value) is low.

Liquidity and refinancing risk

Liquidity and refinancing risk are defined as the risk that financing possibilities will be limited when loans are to be refinanced, and that payment commitments cannot be met as a result of insufficient liquidity. Mainly, all liabilities except certain derivatives, pension- and lease liabilities mature within 12 months.

According to the financial risk management policy, the Group's capital employed (cash excluded) shall, in addition to equity, pensions liabilities, deferred tax and long-term provisions, be financed long-term (>1 year). At December 31, 2022, the Group's capital employed, excluding cash and cash equivalents, was SEK 16,020 million (13,142) and long-term financing, including share capital, pension liabilities, long-term tax liabilities, long-term provisions and the guaranteed long-term credit facility, amounted to SEK 19,818 million (16,063). The short-term liquidity reserve, comprising committed credit facilities and accessible cash and cash equivalents was SEK 3,254 million (3,985). This reserve should at a minimum correspond to loans that mature for payment over the next six months and one-month operating expenses, calculated to SEK 1,309 million (828).

Alleima has a revolving credit facility of SEK 3,000 million maturing in 2027 with two one-year extension options. Alleima's financing strategy is to achieve a well-balanced maturity profile for liabilities to thereby reduce the refinancing risk.

At December 31, 2022, SEK 892 million (1,661) was reported as Cash and Cash equivalent whereof SEK 254 million (985) are cash directly available for Group Treasury and SEK 638 million (676) are restricted cash such as short-term deposits and cash accounts with, for Group Treasury, limited access. The short-term deposits are considered as cash equivalent as they have a time to maturity less than 3 month.

Credit risk

The Group's commercial and financial transactions give rise to credit risk in relation to Alleima's counterparties. Credit risk or counterparty risk is defined as the risk for losses if the counterparty does not fulfill its commitments.

The credit risk to which Alleima is exposed to can be divided into the following categories:

- Financial credit risk
- Credit risk in trade receivables

Exposure

SEK M	2022	2021
Trade receivables	2,981	2,532
Cash and cash equivalents	892	1,661
Unrealized net gains on derivatives	1,540	428
Other receivables	18	3
Total	**5,430**	**4,624**

Alleima has entered into agreements with the banks that are most important to the Group, covering such matters as the right to offset assets and liabilities that arise from financial derivative transactions, so-called ISDA agreements. This means that the Group's counterparty exposure to the financial sector is limited to the unrealized net gains that arise in derivative agreements, and investments and bank balances. At December 31, 2022 the value of these amounted to SEK 2,431 million (428).

Alleima is exposed to credit risk in connection with outstanding accounts receivable arising from sales of good and services to customers. The credit risk is spread over a large number of customers with various credit worthiness.

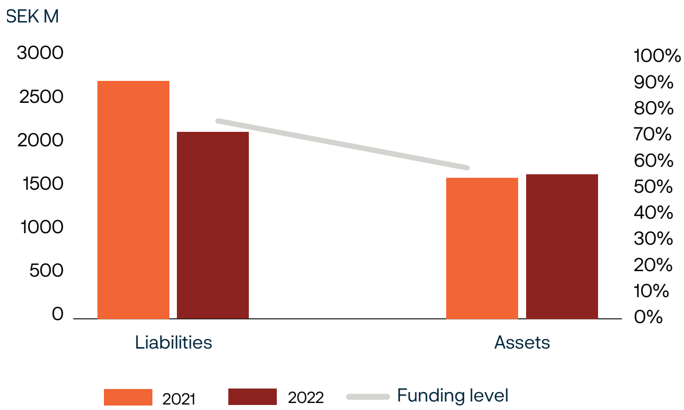
The total value of accounts receivable as per December 31, 2022 was SEK 2,981 million (2,532) while SEK 33 million (33) was reserved for doubtful accounts. The total credit losses, defined as the sum of receivables written off and change in bad debt reserve, was SEK 2 million (6) corresponding to 0.01% (0.04%) of sales.

Pension commitments

The majority of the pension liability for Alleima is with its Swedish entities. Other countries with defined benefit pension plans are Germany and USA. Three main risks are associated with Alleima's pension obligations: interest rate fluctuations, capital market volatility, and changes in life expectancy.

The Group-funded pension liability has an average duration of 17.3 years (20.2). The allocation to interest-bearing assets is 32 percent (37) of the pension portfolio. Due to the asset allocation and differences in duration between the interest-bearing assets and the liability, Alleima is exposed to interest rate fluctuations, both when discounting the liability but also as market values change in the bond portfolio. If the average discount rate falls by –50 basis points the pension liability would increase by SEK 196 million (296). 20 percent (29) of the pension portfolio is invested in equities. A 20 percent movement in the equity portfolio would result in a change in market value of SEK 67 million (93). If the life expectancy assumptions increase by one year, the pension liability would rise by 3.5 percent (4.1) which corresponds to SEK 76 million (112). More information on pensions is found in Note 20.

Development of pension liability and assets



In 2022, the pension assets totaled SEK 1,661 million (1,622) and the corresponding pension liability amounted to SEK 2,146 million (2,740), which is equal to a funding level of 77 percent (59). The return on Alleima's pension assets was -3.1 percent during the year (11.8). In addition, Alleima has unfunded pension commitments of SEK 87 million (214).

The pension plans are governed through a Pension Supervisory Board (PSB). PSB is responsible for implementing policies and directives, approving new plans or material changes and closure of existing plans.

Supply chain finance

Supply chain finance (SCF) is a financing structure linking three parties together: the buyer, the supplier and the bank or financial institution. SCF enables the buyer to receive longer payment terms while the supplier can receive early payment. Incentives for using SCF are typically cash flow enhancement and reduction of working capital. Alleima entities can play the role of either the buyer or the seller, i.e. the counterpart can be either a customer or a supplier.

Alleima using SCF program being a customer, obtains extended payment terms. The standard payment terms for the program are 120 days in exchange for supplier to discount the invoices within 10 to 15 days. At the end of 2022, the total debt in the program was SEK 567 million (651) and the extended payment period averaged 79 (74) days.

Alleima using SCF being a supplier, gives extended payment terms to its clients. The payment terms are discussed on case-by-case basis. At the end of 2022 the total value of the Account Receivable program was SEK 195 million (267).

Note 27 | Related parties

Transactions with shareholders

On August 31, 2022 the Alleima shares were delivered to the shareholders of Sandvik and Alleima is no longer part of the Sandvik Group. Alleima former shareholder was Sandvik AB. Transactions with Sandvik Group are presented in the prospectus “Admission to trading of shares in Alleima AB on Nasdaq Stockholm” in Note 1 in the combined financial statements. Between the Groups there are historical trade receivables and payables as well as cash pool and other short-term liabilities. The short-term loan from Sandvik was amortized before the listing. Transactions related to transfer of assets and liabilities as part of the formation of the Alleima Group between Sandvik group and Alleima Group have been classified as transactions with shareholders. The transactions with the shareholders that have been carried out via equity are presented in the consolidated statements of changes in equity. Alleima has also purchased services from the Sandvik Group such as IT services and administrative services.

During 2022, the subsidiary Sandvik Materials Technology Rock Drill Steel AB (RDS) made a directed share issue to Sandvik AB regarding 10,000 B-shares in the Company, which resulted in the majority owner Alleima now owning 90% of the shares in RDS, i.e. all A-shares, and Sandvik 10%. The Class B shares held by Sandvik are not subject to future dividends. According to agreement between the parties, Alleima has, subject to certain conditions, the right, but not the obligation to acquire, Sandvik's Class B shares at its quota value (SEK 2,778). Furthermore, Alleima has issued a call option to Sandvik, which can only be exercised if a few predetermined events occur and in the event that the call option is exercised, the purchase price shall be set at Fair Market Value. Alleima has in all previous periods presented prior to the rights issue consolidated RDS to 100%, i.e. without accounting for a non-controlling interest. In the new issue of Class B shares, Alleima reports in its consolidated financial statements a minority shareholding of SEK 2,778 corresponding to the issue proceeds that RDS received from Sandvik AB. No "profit share" belonging to the minority shareholder Sandvik AB will be reported in the future as Sandvik is not entitled to any dividend. This means that the minority share in equity will be SEK 2,778 in all future periods unless Alleima acquires Sandvik AB's B shares in accordance with the agreement or Alleima divests RDS at fair value according to the agreement's call option.

The table below summarizes Alleimas’s transactions wih the Sandvik Group.

SEK M	2022	2021
Revenue	335	442
Purchased services[1]	-95	–286
Financial cost	-	–9
Derivatives	-	–172
Closing Balance:		
Net cash pool liability	-	0
Accounts Payable	-	86
Short-term loans from Sandvik	-	1,618
Other short-term liabilities	-	2
Long-term loans from Sandvik	-	0
Receivables	-	96
Derivatives net asset/liability (–)	-	0

1) Purchased goods from Sandvik do not amount to significant amounts.

Compensation to key management personnel

Compensation to the Board and Group Management is disclosed in Note 3.

Note 28 | Business combinations

The acquisitions of business combinations executed in 2022 are set out below. For the acuisition in 2021 please refer to in the prospectus “Admission to trading of shares in Alleima AB on Nasdaq Stockholm” note 28 in the combined financial statements. Annual revenue and number of employees reflect the situation at the date of the respective transaction.

Division/ Cash Generating Unit	Company	Country	Acquisition date	Annual revenue	No. of employees
Tube	Gerling	Germany	January 1, 2022	SEK 118 M in 2021	75
Kanthal	Endosmart	Germany	November 30, 2022	SEK 105 M in 2021/2022	90

All acquisitions above were made through the purchase of 100% of shares and voting rights. The Group received control over the operations upon the date of closing the acquisition. No equity instruments have been issued in connection with the acquisitions. All acquisitions have been accounted for using the acquisition method. The valuations of acquired assets and assumed liabilities are still preliminary for the Kanthal acquisition. Goodwill from the acquisitions is not deductible for tax purposes.

Fair value recognized in the Group

SEK M	Gerling	Endosmart
Intangible assets	9	-
Property, plant and equipment	38	12
Right of use assets	34	20
Inventories	25	23
Receivables	13	34
Cash and cash equivalents	19	8
Other liabilities and provisions	- 105	- 66
Deferred tax assets/liabilities, net	- 3	-
Net identifiable assets and liabilities	**30**	**31**
Goodwill	1	158
Purchase consideration	**31**	**189**
Debt for additional purchase price	- 16	- 9
"Less: cash and cash equivalents in acquired companies"	- 19	- 9
Net cash outflow (+)	**- 4**	**171**

On January 1, 2022, Alleima completed the acquisition of the German-based company Gerling GmbH, a precision tube engineering company serving multiple industries including the fast-developing hydrogen market. The offering includes innovative engineering solutions such as high-pressure control technology in hydrogen refueling stations. Gerling GmbH is headquartered in Hörste, Germany. Impact on Alleima earnings per share will initially be neutral.

On April 26, 2022 Alleima acquired the remaining 30% of the US based joint venture Pennsylvania Extruded Tube Company (PEXCO).

On November 30, 2022 Alleima acquired Endosmart Gesellschaft für Medizintechnik mbH (Endosmart), a German-based manufacturer of medical devices and components made of the shape memory alloy nitinol. Endosmart is headquartered in Karlsruhe, Germany. Impact on Alleima's earnings per share will initially be neutral.

Contributions from companies acquired in 2021 and 2022

SEK M	2022	2021
Contributions as of acquisition date		
Revenues	54[1]	25
Profit/loss for the year	10	–3
Contributions if the acquisition date would have been 1 January		
Revenue	102	107
Profit/loss for the year	-4	7

1) In addition, the acquired operations had SEK 56 million in intra group revenues during 2022, which pre-acquisition were reported as external revenues

Note 29 | Government grants

Alleima has received various forms of government grants in countries where the Group operates of SEK 1 million (6) during 2022. The grants have been recognized as a reduced cost to which the grant is attributable to.

The majority of the grants have no unfulfilled conditions of contingencies attached to the grants.

Note 30 | Events after the close of the period

— On January 4, 2023 it was announced that the President of Tube division, Michael Andersson, will leave the Alleima Group, but remains at the company's disposal until June 2023. Nigel Haworth, currently President of Business Unit Energy at Alleima, has been appointed Acting President of Tube division as of 13 February 2023.

— On January 18, 2023 it was announced that Alleima will be the supplier of OCTG tubes with Corrosion Resistant Alloys (CRA) material in a new long-term frame agreement between Tenaris and Petrobras. The agreement includes the three year supply for offshore Brazil.

Parent company financial information

Parent company income statement

SEK M	Note	2022	2021
Revenues	2	20	4
Gross Profit		**20**	**4**
Administrative expenses		-143	-8
Operating loss		**-122**	**-4**
Dividend from Group companies		500	-
Interest revenue and similar income		6	0
Profit/loss after net financial items		**383**	**-4**
Appropriations		111	5
Income tax	3	1	0
Profit for the year		**495**	**0**

Parent company statement of comprehensive income

SEK M	Note	2022	2021
Profit for the year		**495**	**0**
Other comprehensive income			
Total other comprehensive income		0	0
Total comprehensive income		**495**	**0**

Parent company balance sheet

SEK M	Note	Dec 31, 2022	Dec 31, 2021
Shares in group companies	4	11,907	11 907
Deferred tax assets		1	0
Non-current assets		**11,908**	**11 907**
Receivables from group companies	5	1,430	10
Other current receivables		6	0
Prepaid expenses and accrued income		5	0
Current receivables		1,441	11
Cash and cash equivalents		0	0
Current assets		**1,442**	**11**
Total assets		**13,350**	**11 918**
Share capital		251	0
Restricted equity		251	0
Retained earnings		12,574	11,425
Net profit		495	0
Unrestricted equity		13,069	11 425
Total equity		**13,320**	**11 425**
Other non-current provisions		4	0
Non-current interest-bearing liabilities		**4**	**0**
Other liabilities to group companies		0	482
Current interest-bearing liabilities		0	482
Accounts payable		1	1
Other current liabilities		1	2
Other liabilities to group companies		9	3
Accrued expenses and deferred income		14	4
Current non-interest-bearing liabilities		25	10
Current liabilities		**26**	**492**
Total equity and liabilities		**13,350**	**11 918**

Parent company cash flow statement

SEK M	Note	2022	2021
Operating activities			
Operating loss		-122	-4
Adjustments for non-cash items:			
Other non-cash items		4	0
Received interest		6	0
Cash flow from operating acitivities before changes in working capital		**-112**	**-4**
Changes in working capital			
Accounts receivable		-2	0
Other receivables		-6	-6
Accounts payable		1	1
Other payables		9	6
Changes in working capital		**3**	**2**
Cash flow from operating activities		**-110**	**-3**
Investing activities			
Acquisition of shares and participations	4	-	-11,907
Lending to group companies	5	-1,418	-2
Dividend and appropriations received from group companies		611	5
Cash flow from investing activities		**-808**	**-11,904**
Financing activities			
Proceeds from group loans		-	482
Repayment of group loans		-482	-
New share issue and capital contribution from shareholders		1 400	11,425
Cash flow from financing activities		**918**	**11,907**
Net change in cash and cash equivalents		**0**	**0**
Cash and cash equivalents at beginning of the year		0	0
Cash and cash equivalents at end of the year		**0**	**0**

Parent company changes in equity

		Restricted equity	Unrestricted equity	
SEK M	**Note**	**Share capital**	**Retained earnings**	**Total equity**
Equity at January 1, 2021		**0**	**0**	**0**
Changes				
Net profit		-	0	0
Other comprehensive income for the year, net of tax		-	0	0
Total comprehensive income for the year		-	*0*	*0*
Capital contribution		-	11,425	11,425
Total transactions with owners		-	*11,425*	*11,425*
Equity at December 31, 2021		**0**	**11,425**	**11,425**
Changes				
Net profit		-	495	495
Other comprehensive income for the year, net of tax		-	495	495
Total comprehensive income for the year		-	*495*	*495*
Proceeds from issuances of shares		251	-	251
Capital contribution		-	1,149	1,149
Total transactions with owners		*251*	*1,149*	*1,400*
Equity at December 31, 2022		**251**	**13,069**	**13,320**

Parent company notes

Note 1 | Significant accounting principles - assessments and assumptions for accounting purposes

The parent company's financial statements have been prepared according to the Swedish Annual Accounts Act and RFR 2 Reporting for legal entities and other statements issued by the Swedish Financial Reporting Board.

The parent company follows the same accounting policies as the Group (see Group Note 1) with the following exceptions.

Subsidiaries
Shares in subsidiaries are recognized at cost, including expenses directly related to the acquisition, less any impairment. Group contributions are reported as appropriations in the income statement.

Classification and measurement of financial instruments
IFRS 9 Financial Instruments is adopted, except regarding financial guarantees where the exception allowed in RFR 2 is chosen. Financial guarantees are included in contingent liabilities. Internal loans are managed by the Group's Teasury function and all internal credit facilities are reviewed on regular basis. Internal loans are managed to collect contractual cash flows and is therefore designated as amortized cost. Impairment losses are calculated based on expected credit losses.

Other information
The annual report has been approved by the Board of Directors on March 20, 2023. The balance sheet and income statement are subject to adoption by the Annual General Meeting on May 2, 2023.

Note 2 | Revenue

Revenues relates to sales to other companies within the Group.

Note 3 | Taxes

SEK M	2022	2021
Deferred tax expense/income	1	0
Total tax on profit for the year	**1**	**0**

The difference between recorded tax and the tax based on prevailing tax rate consists of the below listed components.

SEK M	2022		2021	
Profit before tax	494		0	
Tax effect according to tax rate in Sweden	-102	-20.6%	0	-20.6%
Tax effect of:				
Non-taxable dividend from group company	103	20.9%	0	-3.0%
Total recognized tax income	**1**	**0.2%**	**0**	**-23.6%**

Note 4 | Shares in group companies

Directly owned by the parent company

Company, reg. No., reg'd office	Number of shares	Holding (capital/votes)	Dec 31, 2022 SEK M	Dec 31, 2021 SEK M
Alleima EMEA AB, 556734-2026, Sweden	501,000	100.0%	11,907	11,907
Alleima India Private Limited, U29308PN2019PTC182454 , India	1	0.1%	0	0
Total shares in group companies			**11,907**	**11,907**

SEK M	Dec 31, 2022	Dec 31, 2021
Acquisition value at January 1	11,907	11,907
Total shares in group companies	**11,907**	**11,907**

Indirectly owned subsidiaries (not directly owned by Alleima AB)

Company, reg. No., reg'd office	Holding (capital/votes)
Alleima StripTech AB, 559250-4905, Sweden	100%
Alleima Rock Drill Steel AB, 559235-0986, Sweden	100%
Alleima PT AB, 556207-5191, Sweden	100%
Alleima Treasury AB, 559216-9139, Sweden	100%
Alleima Tube AB, 556234-6832, Sweden	100%
Kanthal AB, 556442-5576, Sweden	100%
Alleima Denmark ApS, 42 82 89 63, Denmark	100%
Alleima Finland Oy, 3228605-8, Finland	100%
Kanthal Norway AS, 927733161, Norway	100%
Alleima Limited, 13164633, United Kingdom	100%
Alleima France SAS, 501352033, France	100%
Alleima Benelux B.V., 24350347, Netherlands	100%
Alleima Italia S.r.l., MI-2588812, Italy	100%
Alleima Calimera S.r.l, LE-182270, Italy	100%
Alleima Portugal, Unipessoal Lda., 516848720, Portugal	100%
Alleima Switzerland AG, CHE-178.868.723, Switzerland	100%
Filinvest AG, CHE-367.683.221, Switzerland	100%
Accuratech AG, CHE-350.109.646, Switzerland	100%
Alleima Saint-Imier SA, CHE-107.535.722, Switzerland	100%
Alleima Zug AG, CHE-110.271.251, Switzerland	100%
Alleima Spain S.I., B67599217, Spain	100%
Alleima CZ Spol. S.r.o., CZ60278773, Czech Republic	100%

Company, reg. No., reg'd office	Holding (capital/votes)
Endosmart Gesellschaft für Medizintechnik m.b.H., HRB 109839, Germany	100%
Kanthal GmbH, HR B 102852, Germany	100%
Alleima GmbH, HRB 12806, Germany	100%
Alleima Engineering GmbH, HRB 5049, Germany	100%
Alleima Special Metals, LLC, 91-0817881, USA	100%
PennPower Inc, 25-1706867, USA	100%
Alleima USA LLC, 82-5283200, USA	100%
Alleima Precision Tube LLC, 84-3834789, USA	100%
Pennsylvania Extruded Tube Co., 23-2685343, USA	100%
Kanthal Corporation, 06-1057960, USA	100%
Kanthal Thermal Process Inc., 94-2739405, USA	100%
Alleima do Brasil Industria e Comercio Ltda, 11.149.881/0001-23, Brazil	100%
Alleima Materials Technology, S.A. de C.V., SMT191120RH2, Mexico	100%
Sandvik Materials Technology Middle East DMCC, DMCC192604, United Arab Emirates	100%
Alleima India Private Limited, U29308PN2019PTC182454 , India	100%
Alleima Japan K.K., 9140001004795, Japan	100%
Alleima Materials Technology (Jiangsu) Co., 913211916657999610, Ltd, China	100%
Alleima (Shanghai) Materials Technology Co., Ltd, 91310115607381700W, China	100%
Alleima Korea Co.,Ltd, 180111-1265031, Republic of Korea	100%
Alleima Malaysia SDN. BHD., 6819T, Malaysia	100%
Alleima South East Asia Pte. Ltd., 201942268N, Singapore	100%
Taiwan Alleima Limited, 90523423, Taiwan	100%

Note 5 | Receivables from group companies

SEK M	31 dec, 2022	31 dec, 2021
Cash pool	1,318	0
Trade receivables group companies	2	0
Other current receivables group companies	111	10
Total	**1,430**	**10**

Note 6 | Contingent liabilities and other commitments

At December 31, 2022, the parent company's provided guarantees for the benefit of group companies amounted to SEK 2,746 million (0).

Note 7 | Employees

The average number of employees in the parent company is 9 (8), of whom 3 are women (2).

Salaries and remunerations for the Board and the President and CEO is presented below.

SEK M	2022	2021
Salaries and remunerations	14	1
Social costs	6	1
Total	**20**	**1**
Of which, pension costs recognized in social costs	*2*	*0*

Note 8 | Fees and remuneration to auditors

Audit fees to appointed auditor was SEK 7 million (0). All other fees amounted to SEK 1 million (0).

Board of Directors' and President's certification

The Board of Directors and the President hereby certify that the Annual Report has been prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated financial statements have been prepared in accordance with the international financial reporting standards referred to in the regulation (EU) no. 1606/2002 of the European Parliament and Council dated July 19, 2002, pertaining to the application of international financial reporting standards. The Annual Report and the consolidated financial statements give a true and fair view of the Parent Company's and the Group's financial position and results. The Report of the Directors pertaining to the Parent Company and the Group gives a fair overview of the development of the Parent Company's and the Group's operations, financial position, and results, and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Sandviken, March 20, 2023

Andreas Nordbrandt
Chairman

Claes Boustedt
Board member

Kerstin Konradsson
Board member

Tomas Kärnström
Board member
(Employee representative)

Mikael Larsson
Board member
(Employee representative)

Susanne Pahlén Åklundh
Board member

Karl Åberg
Board member

Göran Björkman
Board member
President and CEO

Auditor's report

To the general meeting of shareholders of Alleima AB (publ), corp. id 559224-1433

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Alleima AB (publ) for the year 2022. The annual accounts and consolidated accounts of the company are included on pages 60-139 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts. The corporate governance statement is in agreement with the Annual Accounts Act.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the Parent Company and the Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the Board of the Parent Company and the Group in accordance with the Audit Regulation (537/2014) Article 11.

Basis of opinion

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

We believe that the audit evidence we have obtained is sufficient and adequate as a basis for our opinion.

Our audit approach

Audit scope

We have designed our audit by determining the materiality level and assessing the risk of material misstatement in the financial statements. We have considered where the Managing Director and the Board of Directors have made significant accounting estimates about future events or outcomes that are inherently uncertain. In the audit, we have also addressed the risk that the Board of Directors and the Managing Director may have overridden internal controls, including considering whether there is evidence of systematic deviations that could indicate irregularities.

We have designed our audit to enable us to provide an opinion on the financial statements as a whole, taking into account how the Group is organised, the processes for financial reporting and the industry in which the operations are active.

Materiality

The scope of our audit has been influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we have determined quantitative thresholds for materiality concerning the financial statements as a whole. With the help of these and qualitative considerations, we have established the audit orientation and scope and the character and point in time for our audit procedures. Quantitative thresholds for materiality have also been used to assess the effect of potential misstatements, individual and aggregated, in the financial statements as a whole.

Key audit matters
Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts for the current period.

These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Description of key audit matter

Revenue recognition in the appropriate period
Revenues amounts to SEK 18 405 million in 2022 and is a material line item in the consolidated accounts.
The Group has various revenue streams that largely consist of precision strip products, seamless tubes and other long products in advanced stainless steel and alloys as well as heating materials and ultra fine wire products that are sold to customers.

Sales are generally recognised as revenue at a point in time when control has been transferred to the customers. Some significant orders are being delivered over a longer period of time and have characteristics that require additional attention to identify the transfer of control so that revenue is recognised in the appropriate period.

The revenue streams are mostly transaction-rich and require robust processes with controls and monitoring in place to ensure accurate reporting.

In light of the inherent characteristics that require additional attention referring to the transfer of control and the significant amount reported on the financial statement line item, the cut off in revenue recognition is considered a key audit matter in our audit.

How our audit addressed the key audit matter

Our audit procedures have included, but were not limited to, the procedures listed below. We have:

— Evaluated if the Group's accounting principles for revenue recognition comply with IFRS.
— Evaluated the Group's business processes for the recognition of significant revenue streams.
— Performed tests of a sample of controls in the systems and business processes for revenue recognition.
— Tested a sample of transactions against supporting agreements and payments, as well as performed accounts receivable confirmation from external customers.
— Tested a sample of transactions before and after year end to assess whether revenue has been recognised in the appropriate period.
— Performed tests to verify that intra group sales have been eliminated in the consolidated accounts.
— Evaluated the information on revenue recognition presented in the annual accounts and consolidated accounts and assessed whether it provides sufficient information according to the financial reporting frameworks.

Description of key audit matter

Measurement of inventories
The Group's inventories amount to SEK 7 355 million as of 31 December 2022 and is a significant line item in the consolidated accounts.

Alleima keeps its significant stocks of raw materials, work-in-progress and finished goods at its production and sales units. An accurate measurement at balance sheet date of volumes and cost of assets included in inventories is important for a fair presentation of gross profit.

Robust processes are required to establish the acquisition cost of a product when procurement, production and logistical processes are complex. Establishing product costing requires many instances of management judgment which has an impact on the reported values. This includes, but is not limited to, assessing normal production volumes, foreign exchange rates, prices of raw materials and allocation of direct and indirect costs. Management evaluates the condition and how sellable finished products are to measure inventories at the lower of cost and market price. Finally, there is a complexity in measuring volumes, particularly for some raw materials and work in progress, and to eliminate effects from intra Group transactions.

The significant nature of the line item and the inherent complexity in establishing acquisition cost, makes the measurement of inventories a key audit matter in our audit.

How our audit addressed the key audit matter

- Our audit procedures have included, but were not limited to, the procedures listed below. We have:
- Evaluated if the Group's accounting principles for the measurement of inventories comply with IFRS.
- Mapped and evaluated significant systems and processes for reporting of inventory and tested a sample of key controls in processes for establishing cost and existence.
- Tested value of raw materials to actual prices on a sample basis.
- Assessed the reasonableness of the product costing for work in progress and finished goods.
- Participated in stock taking and performed own testing on a sample basis at a number of locations.
- Evaluated the Group's analysis of slow movers and assessments of obsolescence.
- Traced disclosure information to accounting records and other supporting documentation.
- Read the information presented in the annual accounts and consolidated accounts and assessed whether it provides sufficient information according to IFRS.

Other information than the annual accounts and consolidated accounts

This document also contains information other than the annual accounts and consolidated accounts, which is found on pages 1-59 and 171-176, and The Statutory Sustainability Report on pages 4-5, 19, 30-33, 66, 69-70, 78-81 and 145-169 ("Other information"). The remuneration report that we obtained prior to the date of this auditor's report also constitutes Other information. The Board of Directors and the Managing Director are responsible for Other information.

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

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

If we, based on the work performed concerning Other information, conclude that the Other information contains a material misstatement, we are required to report this. We have nothing to report in this regard.

The Board of Directors' and Managing Director's responsibilities

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

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for assessing the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern assumption applies unless the Board and the Managing Director intend to liquidate the company or cease to operate or have no realistic alternative to doing so.

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

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on the website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Alleima AB (publ) for the year 2022 as well as the proposed appropriations of the company's profit or loss.

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

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

We believe that the audit evidence we have obtained is sufficient and adequate as a basis for our opinion.

The Board of Directors' and Managing Director's responsibilities
Responsibility for the proposed appropriation of the company's profit or loss rests with the Board of Directors. In conjunction with the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the Parent Company's and the Group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the organisation and administration of the company's affairs. This includes continuous assessment of the company's and the Group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director is responsible for day-to-day management in accordance with the guidelines and instructions issued by the Board and is required to take such actions as may be necessary to ensure compliance with the company's statutory accounting obligations and satisfactory management of funds.

The auditor's responsibility
Our objective for the management audit, and thus for our opinion on release from liability, is to obtain audit evidence which enables us to assess with reasonable assurance whether any member of the Board or the Managing Director has in any material respect:

— taken any action or been guilty of any neglect that could give rise to a liability to indemnify the company or,
— otherwise acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective in respect of our audit of the proposed appropriation of the company's profit or loss, and thus for our opinion on the same, is to obtain reasonable assurance that the proposed appropriation is consistent with the Companies Act.

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

A further description of our responsibility for the audit of the administration is available on the website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the statutory annual report.

The auditor's opinion on the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined whether the Board of Directors and the Managing Director have prepared the annual accounts and the consolidated accounts in a format that facilitates uniform electronic reporting (the ESEF report) according to Chapter 16, Section 4 a of the Securities Market Act (2007:528) for Alleima AB (publ) for the year 2022.

Our examination and our opinion refer only to the statutory requirement.

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

Basis for Opinion

We have conducted our examination in accordance with FAR's recommendation, RevR 18 Examination of the Esef report. Our responsibilities under this recommendation are further described in the Auditor's Responsibilities section. We are independent of Alleima AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for ensuring that the Esef report has been prepared in accordance with Chapter 16, Section 4 a of the Securities Market Act (2007:528) and for ensuring that there is such internal control as the Board of Directors and the Managing Director regard as necessary to prepare the Esef report in a manner that is free from material misstatement, whether due to fraud or error.

The auditor's responsibility

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

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

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

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

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

The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report has been marked with iXBRL in accordance with what follows from the Esef regulation.

PricewaterhouseCoopers AB, Torsgatan 21, SE-113 97 Stockholm, was appointed auditor of Alleima AB (publ) by the general meeting of the shareholders on 27 April 2022 and has been the company's auditor since 28 October 2020.

Stockholm, March 22, 2023

PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorised Public Accountant
Auditor-in-Charge

Non-financial notes

NF1 | About this report

General disclosures
Alleima AB, publicly listed on Nasdaq Stockholm, headquartered in Sandviken, Sweden is the parent company of a group of 45 subsidiaries located in 24 countries as detailed in the parent company's Note 4. The information in the sustainability report represents the consolidated outcome referring to the year 2022 for the Alleima Group, unless a specific exception is stated for any of the disclosures. There are no other holdings in associated companies that are of any significance to the outcome of the disclosures in this report. Structural changes in the company could have an impact on quantitative disclosures when these are presented for more than one year. If such impacts were significant, they would be commented on in connection with the disclosure. Mergers and acquisitions are included in the data set as soon as they become a subsidiary and have been introduced to the sustainability reporting process. Divestments remain part of the legacy data, and any significant impacts from a divestiture would be disclosed separately when applicable.

In the non-financial notes, information on the strategy, management approach, stakeholder dialogues, materiality analysis and sustainability data are presented. Information meeting the Swedish legal requirements on the Statutory Sustainability report is found on page 66. All subsidiaries are included in the report unless otherwise stated.

The figures presented are the accumulated figures for 2022 for all active reporting units, unless otherwise stated. For environmental disclosures, the numbers are based on a quarterly reporting process that is aligned with the company's interim reporting process. However, the cut-off for the data included is shifted one month compared with the calendar year. This means that the full year 2022 is based on data from 1 December 2021 – 30 November 2022. For Safety data the indicators are based on a monthly reporting process and the full year data 2022 represents the outcome of 1 January – 31 December 2022. This report, published on March 23, 2023, is the first sustainability report published by Alleima as a listed public company. No restatements were done to the legacy data.

The report has been prepared in accordance with the Global Reporting Initiative, GRI Standards. An operational control approach was used for consolidations. It covers our material aspects decided in the materiality analysis described in NF2. Based on the importance of sustainability and to follow up our performance in this area, the department for governance and sustainability was assigned by the executive management to compile this report, to make it publicly available and to have an external party perform a limited assurance on the contents of this report. The report has undergone limited assurance by our appointed independent auditor. Alleima is a signatory to the UN Global Compact (UNGC) and reports on the ten principles in accordance with the UN Global Compact Advanced level criteria.

For questions about this report you are welcome to send us an email at info@alleima.com, or visit our contact section on the Alleima web page.

Alleima is a global developer, manufacturer, and supplier of high value-added products in advanced stainless steels and special alloys as well as products for industrial heating. Based on long-term customer partnerships, Alleima advances processes and applications in the most demanding industries through materials that are lightweight, durable, corrosion-resistant, and able to withstand extremely high temperatures and pressures. Alleima has revenues from approximately 90 countries, based on an alloy assortment consisting of more than 900 active alloy recipes. We operate business to business and our customers are buyers of seamless stainless tubes, industrial heating elements, wire for medical devices as well as precision strip steel. Our products are mostly either fabricated to a new product or fitted with other components to be used in various industrial applications. Examples of applications areas include metallic heating elements, razor blade steel, tubing for various applications such as hydraulics, heat exchangers, high-pressure equipment for fertilizer production, and also umbilical tubing for linking surface and seafloor equipment in the oil and gas customer segment.

Our production is based on more than 80% recycled steel. The key partners in our upstream value chain are our suppliers of direct and indirect materials. Alleima is highly dependent on sourcing of scrap metals and alloys for our steel-making process.

Reporting principles

This section aims to describe the principles of data collection, calculation of indicators, data quality checks and any assumptions made.

People

All employee statistics (number of employees, age, hire statistics, part-time/full-time, gender, management levels) are derived from the HR system, which is used globally. Values are expressed in full-time equivalents, (FTE). For the purpose of this report, the definition of a manager is an employee that has at least one other employee as a direct report. The portion of workers who are not employees are not included in the people statistics. A plan to include them is underway.

Health and Safety

The data is derived from our Environment Health and Safety (EHS) reporting system in which safety-related indicators are reported on a monthly basis. The key figures compiled are based on information available at the date of the most recent year-end accounts, which may entail that historical figures have been adjusted.

A Lost Time Injury (LTI) is an accident resulting in time away from work, an RWI (Restricted Work Injury) is an injury where you can be at work but you can't perform your ordinary work, and a MTI (Medical Treatment Injury) is when you need some kind of medical treatment but can still perform your normal work. Worked hours is defined as exposure hours, meaning all hours exposed to risk by employees, contractors and sub-contractors. The exposure hours are collected and entered in the EHS database on a monthly basis. The term used in GRI named as "high-consequence injury/illness" is incorporated in the key figures for Lost Time cases. In 2022 we had no incidents on record meeting the six months absence criteria. Our approach to mitigate potential high-severity incidents and illnesses is a key part of our management system and is handled within the processes for serious potential incidents, for example in our work with critical control management.

Environment

Environmental data is derived from our EHS reporting system in which reporting is conducted on a quarterly basis for environmental indicators. The key figures compiled are based on information available at the end of the most recent year-end reporting. Energy and Greenhouse Gas (GHG) emission data is calculated based on reported consumption data. The conversion factors are established in our EHS definitions that are held within the management system documentation. These factors originate from the Swedish EPA for scope 1. For scope 2, location-based emissions from the use of electricity origins from IEA. For US-based companies, the US EPA's Power Profiler tool was used to better accommodate for the difference in carbon footprint within the country's various electricity grids. For the market-based emissions, the consumption data uses specific emission factors, if available, and otherwise the same factors as for location-based emissions.

NF2 | Materiality analysis

Materiality

In the work of setting strategy and long-term goals for Alleima, a materiality analysis was carried out to identify and evaluate aspects within the environment, social and economic areas. In that analysis, we have worked out and confirmed which factors our stakeholders expect transparency about in regard to how we work with the issue. Built into that expectation is also that we have goals in place as well as plans with activities to achieve our goals. A materiality analysis gives a good picture of what the expectations look like and gives us the opportunity to match what we see as key issues with the perception of our stakeholders. Should there be a significant mismatch in views, the analysis constitutes an important basis in itself for understanding how those differences of expectations can be reconciled and how we can ensure that our sustainability communication is on point. This work provides verification that the content in our sustainability communication is relevant.

A materiality analysis is also a tool for weighting sustainability issues and prioritizing them. We do this in part to be able to make sure that our focus is aimed at the right topics in relation to available resources. In addition, such a weighting is an excellent aid when it comes to creating a balanced sustainability communication. By balanced, we mean giving space to different issues in relation to how important they are perceived to be. If the communication is balanced and also relevant and transparent, we believe that we are fair and relevant in disclosing the Alleima standpoint in terms of sustainability. We also believe that factual, relevant and balanced content gives a clear picture of how we actually work towards our ambition to be leading in sustainability in our industry.

Alleima's sustainability report 2022 is the first from the company where we operate as an independent public company. The report aims to give a clear picture of how we perform as a company and how we live up to our goals. Good target fulfillment will enable us to meet our strategy of being market leader from a sustainability perspective. The goals that have been set are based on our strategy, and they are developed based on the sustainability aspects that we found to be top weighted in our materiality analysis.

Context

We started by looking at Alleima and sustainability together and putting it together in a context. This meant highlighting sustainability issues from both an inside-out and an outside-in perspective. This was done based on how we at Alleima are as a company as well as taking consideration to what company we see ourselves to be in the future. We then started from the purpose we set for Alleima and what our strategy and business model look like. The following work of conducting a materiality analysis, is about creating an understanding that also considers expectations from the outside, as well as finding out how we as a company are affected positively as well as negatively by sustainability-related aspects in the world around us.

Alleima and our purpose

Alleima is a company whose purpose is to advance the industries through materials technology. Through our offering and in-depth expertise in materials technology, metallurgy, and industrial processes, we enable our customers to become more efficient, profitable, safe, and sustainable. We see the link between us as a company and improved sustainability performance for our business partners. We aim to ensure that our own operations as well as those of our business partnerships are sustainable in all aspects, and constantly aiming towards better sustainability performance. The products we bring to the market will be manufactured by us in efficient processes that are resource-efficient and using advanced technology. Based on the fact that the energy we use is largely fossil-free, we are minimizing the environmental impact from our own operations. We use more than 80% recycled steel in our production, which also ensures a high percentage of recycled material, and thus a positive contributing activity to the circular economy.

Our principle for manufacturing and materials enables better utilization of resouces within industries. We also see challenges that we need to address. One of these is ensuring access to recycled steel of the right quality and in the quantities we need. In the nature of things and as a direct consequence of our success, the lifetime of our materials at customers is often very long. It is in the nature of the circular economy means that the demand for recycled steel is high and increasing, which also affects our efforts to find solutions to ensure our access to recycled raw materials. It is a challenge for us to maintain, and preferably increase, the proportion of recycled material in our steel grades. This is because the advanced materials we develop today, and which we plan to develop to an even greater extent in the future, have a high proportion of alloys in their composition.

Alleima has a business model that is based on high vertical integration, high competence in research and development and innovation of advanced materials and developing products that is based on great understanding of customer needs. We see great opportunities if we can understand the customer's challenge and based on that be able to develop solutions in advanced materials where our offering not only solves the customer's challenge but also enables the customer to make progress and advance their position in their market. By taking control of the entire process from material development to steel manufacturing and further processing to the product the customer asks for, we are in a position where we can set up efficient processes with high accuracy and reduced risk of errors and mistakes. We can control the value chain to a large extent because we have good knowledge upstream and good partnerships in our material supply. Downstream in the value chain, through our focus on direct collaboration and thus direct sales with end users, we can largely reduce risks with intermediaries.

Stakeholders

Our main stakeholders are own employees, our customers, our owners and our suppliers. We also have common interests with the communities and organizations where we operate, both locally near our operations and at national and global level. In addition to those mentioned above, there are of course more far-reaching connections and stakeholders that we continuously interact with. They may be employees of our business partners but also those who do not actually have the opportunity to express their input, such as future generations. For the purpose of the actual materiality analysis, we have made a practical delimitation to the stakeholders listed above, which we deem to be the largest groups we have been able to identify where we see a clear and direct connection to our sustainability work seen both from the perspective of how we can influence them, but also how they can affect Alleima.

Process to identify potential material topics

In order to create an initial list of potential material topics, reviews were undertaken of internal documents, peerś sustainability reporting, and upcoming ESG-related regulations and frameworks. Results were consolidated into a gross list of material topics, and further refined, aggregated and defined into a short-list in workshop.

The final short-list is presented in categories of environmental, social, and economic material topics, in line with established definitions of The Global Reporting Initiative. The short-list served as the basis for further evaluation of stakeholder relevance.

Stakeholder and expert views

To validate and prioritize material topics, a total of 16 in-depth interviews was conducted with internal and external stakeholders. In each interview, the short-list of material topics was discussed and prioritized on a scale from 1-7, supplemented with high level discussions of key sustainability issues, risks and challenges for Alleima.

From the stakeholder interviews, two main themes were identified, regarding environmental material topics: our role in the transition to a low-carbon economy, and our responsibility for direct environmental impact. For social material topics, the main themes identified were value-chain impact, meaning both our impact on the value-chain and how we are impacted. The other topic was related to social considerations regarding our own operations and our employees and non-employees whose work is controlled by Alleima. In the economic and governance aspect, business ethics and compliance, business development and growth were two main themes that was identified.

An internal survey was distributed to all Alleima employees to further seek input on the material topics from an employee perspective. Each respondent was given the opportunity to provide an assessment of material topics relevance on a scale from 1-7, alongside with two open ended questions.

Survey respondents highlighted a wide variety of topics while elaborating on if any important sustainability topics were missing from the short-list. The employee survey results, and the in-depth interview findings were further discussed in a workshop. The workshop aimed to ensure that key themes noted by both employees and representatives from other stakeholder groups were considered and covered as part of the process. Respondents were also given the opportunity to provide input into key initiatives, projects and actions they thought Alleima should prioritize. Common themes highlighted by employees, were found to align with topics discussed during the in-depth interviews.

Prioritization of identified topics

Upon completion of stakeholder dialogues, results from the interviews and survey were compiled into a materiality matrix. The assessment of impact was initially drafted and reviewed and then further challenged and re-defined during workshop. Upon completion of the materiality matrix, an impact assessment was undertaken.

A final workshop was conducted for validation of findings, finalizing the list of material aspect including determination on where the significance threshold should be, meaning which aspects from the list would become part of Alleima's first set of sustainability targets and KPIs for target monitoring. As a basis for discussion on proposed long-term targets for Alleima, there was a large amount of data and input that was taken into consideration.

Our materiality assessment outcome shows key topics, where Alleima have a material impact and where stakeholders request communication on targets and progress. Stakeholders have in dialogues further expressed a desire for clear and measurable targets. This final step aimed to identify what would be a realistic number of topics to name company common targets for. As a result of a thorough process, such as the materiality analysis, there is an extensive output, and prioritization is needed to narrow the list down to a relevant, realistic and balanced set of key topics, that represent a true view of our impacts, both negative and positive, as well as how we are impacted. The final proposal was adopted by the company management, and the Alleima sustainability targets, relevant Sustainable Development Goals (SDG's) were decided based on the materiality analysis.

Stakeholders that participated

Company internal input to the materiality analysis was collected partly by offering all employees to provide their viewpoint in a survey. Representatives from key functions participated in deep interviews. Interviews were held with the president and CEO of Alleima, with VP R&D, with VP HR and the president of a business division. For external viewpoints, deep interviews were held with representatives from customers to all our business divisions, key suppliers, representatives for our largest shareholders. Viewpoint from local communities and local policy makers were collected by interviewing representatives from municipal council. To understand the expectations of analysts and their viewpoints on how ESG impacts an investment, we interviewed ESG analysts and sustainability manager at one of the owners representing a large pension fund.

Management of material topics

Sustainability is a vital part of the company strategy and Alleima manage impact on environment, people and people's rights or financial impact from sustainability topics no other way than other business decisions. Our management systems and governance model in relation to the material topics listed below is described in some detail in the sustainability governance section. Management of impacts and mitigation follows the management system as they are defined in our policies and procedures. Monitoring and follow up of progress against targets are integrated in the company performance review process. Communication with stakeholders use the same channels as for other company communication, which includes interim reports, annual report, investor calls, employee webinars and committees for consultation.

List of material topics

The outcome of the process resulted in a list of material topics. The topics that were identified in the analysis are listed in order of their ranked importance. The highlighted impacts were grouped in themes that made up the four pillars of the long-term sustainability targets that aim to monitor our successful execution of our company strategy from a sustainability perspective. The themes and the areas selected for active monitoring and communication of KPI's are summarized at the end. These themes and impacts are what makes up the current set of sustainability targets for Alleima and constitute our finalized list of material topics. Impacts that are not included are still material, but not necessarily significant on a company level. Some of them are managed locally, some are under the threshold for being prioritized at this point in time. New reviews or changed circumstance may trigger change in priorities and consequently also changes in which topics that are deemed most material.

- Occupational health and safety
- Greenhouse gas emission from own operations
- Indirect greenhouse gas emissions
- Circularity, material and resource efficiency
- Product quality
- R&D, innovation and IPM
- CRM / Customer satisfaction
- Responsible sourcing
- Health and wellbeing
- Human rights
- Waste management
- Diversity inclusion and belonging
- Business ethics, anti-bribery, anti-corruption
- Corporate governance and risk management
- Talent attraction and employee satisfaction
- Energy efficiency
- Responsible acquisitions
- Data privacy and cyber security
- Air pollution from own operations
- Responsible water management
- Cooperation with society and the local community
- Biodiversity

Impacts were grouped together in four themes and some impacts were combined to form new areas as follows:

Climate and circularity
— Greenhouse gas emissions from own operations
— Indirect greenhouse gas emissions
— Material circularity
— Waste circularity

Market leadership
— Sustainable product growth
— Leading in the market from a sustainability perspective

Responsible employer
— Occupational health and safety
— Diversity inclusion and belonging

Ethical business conduct
— Responsible sourcing
— Business ethics, anti-bribery, and anti-corruption

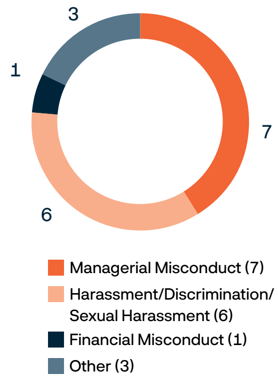
NF3 | Speak Up

The System
Speak-Up is an online tool designed to permit Alleima employees, as well as external stakeholders, to report, in a safe and confidential way, suspected breaches of the Alleima Codes of Conduct (read more in the corporate governance report), its policies and procedures and the applicable laws and regulations in the countries in which it operates (collectively known as the Regulatory Framework) by any person associated with Alleima. Anonymous reports are accepted and treated in the same way as non-anonymous ones. Alleima's Speak Up system is derived from the system used by Sandvik but has been modified to make it specific to Alleima.

Within Alleima, Speak Up is owed and managed by the Business Integrity and Investigations function. Access to the system is strictly limited for confidentiality and operational purposes. For transparency purposes, records are kept of all matters reported through Speak Up, including their evaluation and ultimate disposal.

The Statistics
In 2022, a total of 17 reports were made through the Speak Up system. Of these, nine were made to Sandvik Materials Technology via the Sandvik Speak Up and eight to Alleima via the Alleima Speak Up. The breakdown of cases was as follows:

Matters Reported



Of the 17 matters reported, six were predicated for investigation, eight were referred back to the relevant manager for their appropriate action and three were recorded but deemed not to require any further action. 12 of the reports have now been closed whilst five are still being actioned.

On-going Activities
A campaign to develop our staff's awareness and trust in the system is currently underway, as is a separate campaign to provide managers and others who may receive reports of misconduct with the training as to what they should do if they do receive such reports.

NF4 | Compliance

The group's compliance program covers four main areas: Anti-Bribery and Corruption, Competition Law, Trade Compliance and Data Privacy. Compliance at Alleima is about adhering to rules within these areas. Furthermore, compliance is not just about following laws and avoiding financial penalty. In our way of working with compliance, we also believe that being in control in this area builds and maintains trust in our partnerships with customers, suppliers, and other key stakeholders, including the society. The ethics and compliance policy and the related procedures regulates how we should act, and this is further supported by the Compliance house tool that has been implemented in the company. The Compliance house is used throughout our compliance program as a tool to monitor the efficiency and performance and to ensure we identify and correct any deficiencies. It works as monitor of our ethical business conduct and a powerful tool to support the organization in identifying and addressing any gaps that must be closed to ensure that all prerequisites are in place and that there are no weaknesses left unattended that would risk breaches of our business rules within the compliance program. Alleima received no significant fines or non-monetary sanctions for non-compliance with laws or regulations related to our four areas.

Anti-bribery and corruption
Alleima Code of conduct forms the foundation for conducting our business with honesty, integrity, and high ethical standards. Our compliance work within this area aims to ensure we have well-implemented ways of working to prevent bribery and corruption from occurring. The program also includes processes and tools to detect and combat any cases that may occur. The principle of the program stems from the United States foreign corrupt practices act, the United Kingdom bribery act, and other national legislation. It has various elements to address good preventative work in this area, such as risk identification and risk assessment, control elements such as policy, procedures and instructions activities such as record keeping, advice, and support. Training is part of the elements in the program as is a process to report, follow up and perform improvement activities.

The Board of Directors owns the company's policy on ethics and compliance, which describes how the company in a clear and structured manner will handle the anti-bribery and anti-corruption area. Policy revisions are prepared by the Audit Committee and decided by the Board. The company's compliance function regularly reports to the Audit Committee about the progress of the company's program for anti-bribery and anti-corruption. Matters dealt with by the Audit Committee are recorded in minutes, which are made available to the Board. The Chairman of the Audit Committee also regularly reports to the Board about the Committee's work.

General communication of the policy is done by ensuring that all employees can access and are made aware of the policy. For certain 'at-risk' employee categories, tailored trainings are held to increase awareness to more than a basic awareness. Read more about trainings performed during the year in the training section.

During the year, 60 entities representing 100 percent of the operations were assessed for risks related to corruption. The assessment identified corruption related risk that can be grouped into relations with commercial and administrative intermediaries, gifts, entertainment and travel, conflict of interest, people and organization, and sponsorship and community involvement activities. No incidents of corruption were confirmed and no public legal cases regarding corruption were brought against Alleima during the year. No contracts with business partners were terminated or not renewed due to violations related to corruption.

Competition law
Competition is in the clear interest of Alleima and our stakeholders. Healthy competition is what drives efficiency and innovation, and a well-functioning marketplace. Any breaches of competition law can have severe financial and reputational consequences for Alleima. Employees involved face the risk of imprisonment, personal fines, prohibitions on serving as a director and disciplinary actions. Alleima has a common platform as part of the compliance program aiming to minimize the risk of a breach of competition law. Our employees are individually responsible as set out in the code of conduct to have a fundamental knowledge of what anti-trust rules mean so they can identify situations where issues may occur. Furthermore, for employees in roles where knowledge of the competition law is relevant, competition law training needs to be conducted at least bi-annually to ensure sufficient knowledge.

Trade compliance
We are committed to responsible global trade and the development of appropriate measures, including those covering trade compliance regulations. Alleima moves goods, tangible as well as intangible, domestically and across borders. When moving goods, it is vital to comply with applicable trade laws and trade regulations. This reduces the risk of fines, penalties, delays of shipments, loss of export/import privileges, criminal liability, and damage to the group's brand. Alleima has a policy for trade compliance processes and procedures applicable for all group companies. The implementation of our policy including its procedures should result in robust and well-functioning trade compliance management. As laid out in our Code of conduct we are committed to comply with applicable trade laws and regulations in the countries where we operate. All Alleima businesses, companies and relevant employees worldwide shall know and adhere to the content of the policy covering trade compliance.

Data privacy
The right to privacy includes an individual's fundamental right to protection of their personal data. Our commitment to this fundamental right is expressed in the Alleima Code of conduct and implemented as a part of the ethics and compliance policy. The policy establishes the basic principles and requirements for compliance to data privacy in Alleima group. It covers all processing of personal data by any company in the group.

Training
Continuous training is a prerequisite to facilitate successful implementation as well as ensure employees have the awareness that is needed to adhere to the compliance program. Compliance training was offered to employees in different formats, including e-learning, webinars, and classroom training. A total of 788 trainings were held, where 690 individuals participated.

The compliance program relies on frequent training online and in-person for employees exposed to the respective risks. In 2022, 324 employees received anti-bribery and anti-corruption training, 73 employees received trade compliance training, 319 employees received competition law training, and 40 employees received data privacy training. Additionally, 32 employees gave been given training in customs operations and incoterms.

Furthermore, 180 staff members, covering 100 percent of Alleima entity management teams, participated in the annual review of the 60 compliance houses that we have in place. A compliance house review means that the key compliance risks that were identified for each individual are reviewed by the entity management and the Alleima compliance team. In the annual review, the effectiveness of existing corrective actions was analyzed and plans for any new ones were agreed, including a time plan for closing them out.

NF5 | Employees

Diversity of governance bodies and employees

Board of Directors by gender and age group, number of, 31 December	2022 Women	Men
Under 30	0	0
30–50	0	2
Over 50	3	5
Total	**3**	**7**

Group Executive Management by gender and age group, FTE, 31 December	2022 Women	Men
Under 30	0	0
30–50	3	2
Over 50	0	5
Total	**3**	**7**

All employees by age group and employee category, and proportion of women by employee category, FTE %, 31 December	2022 Age under 30	Age 30–50	Age over 50	2022 Proportion of women
Executive management	0	50	50	30
Management teams headed by a member of GEM	3	58	39	49
Other managers	1	51	48	21
Other staff	8	53	39	35
Total	**8**	**49**	**43**	**20**

All employees by age group and division, and proportion of women by division, FTE %, 31 December	2022 Age under 30	Age 30–50	Age over 50	2022 Proportion of women
Tube	8	50	42	18
Strip	7	45	47	22
Kanthal	7	47	46	21
Company common	6	54	39	45
Total	**8**	**49**	**43**	**20**

Diversity, equality, and inclusion
Diversity, equality, and inclusion (DEI) are high on the agenda. Provided that our work with diversity equality and inclusion is successful we see many positive impacts on our business. We aim to build teams that are diverse and have an open and welcoming culture, driven by our leaders. A culture where everyone is welcome and that encourages all colleagues to get involved and contribute. This way, they can grow and evolve together with our business which is a strength we believe in. Should we not manage successfully in this area, we would risk failing to attract and retain talent, which would have a negative impact on business performance.

Our sustainability goals includes achieving a one-third share of female managers by 2030. The share of women in managerial positions increased to 22.8 percent (21.1), and the share of women in Group and division management teams combined, amounted to 46 percent. We offer DEI training in different ways to all our managers and employees including workshops, classroom and online trainings.

We have chosen to partner with Allbright Foundation, to measure equality data to be able to fight unfairness and overcome bias going forward. The full report, covering a number of our largest markets, arrives early 2023, and this will be a vital input to our work in this area in 2023 and beyond.

Employee engagement
During 2022 we prepared the launch of our new engagement survey, ACES- Alleima Colleague Engagement Survey, which will be launched at the start of 2023. The purpose is to measure employee satisfaction, engagement, and sense of belonging on a regular basis.

This will provide us with insights on how we are doing as a new company, and we can take action on improvements in identified and prioritized areas, based on facts. We will run the survey three times during 2023, and the first survey will be our baseline.

Core values
In 2022 we developed and launched our new core values "We care, We deliver & We evolve". Our core values are our foundation. Who we are, what we stand for, our strengths and what we aspire to be. They define our culture. We will continue the implementation in 2023 and we will follow up on the adoption of our core values.

Competence and leadership development
Alleima provides employee development opportunities through on-the-job-training, virtual learning channels and classroom training. We offer our employees leadership programs, learning academies, digital workshops, mentoring, and other opportunities to be able to upskill and re-skill and gain relevant knowledge to support our future business. Additionally, we introduced Linkedin Learning, which offers a wide range of digital skills training in various topics and languages, available on any device.

All global leadership and expert programs are being transformed, mirroring our 2025 strategy, and our new Alleima - Basic Leadership program will be launched in Q1, and our new Alleima senior leadership program in Q2.

Internal job market
As an Alleima employee you are responsible for your own career development. Alleima offers a wide range of career opportunities. Our internal job market enables our employees to move to other parts of Alleima or other countries and to grow and develop as individuals and professionals. In 2022, 760 appointments were made, and a vast majority of the positions were posted on the open internal job market.

NF6 | Health and Safety

Occupational health and safety

	Base year 2019			2021			2022			Goal 2022
Injuries	**Em-ployees**	**Non-em-ployees**	**Total work-force**	**Em-ployees**	**Non-em-ployees**	**Total work-force**	**Em-ployees**	**Non-em-ployees**	**Total work-force**	
Number of fatalities	0	0	0	0	0	0	0	0	0	
Number of LTI [1]	51	6	57	32	3	35	40	5	45	
LTIFR [2]	4.9	4.2	4.9	3.5	4.8	3.6	4.2	6.1	4.3	3.4
Number of TRI [3]	82	8	90	77	5	82	73	8	81	
TRIFR [4]	7.9	5.6	7.7	8.4	8.0	8.4	7.6	9.7	7.8	5.5
Million hours worked	10.327	1.423	11.750	9.151	0.628	9.780	9.573	0.823	10.396	
Hazards			10,798			9,671			9,880	
Hazards closed out			10,192			9,396			9,544	
Hazard close out ratio, %			94.4			97.2			96.6	
Near Misses			1,755			1,336			1,348	

Total recordable injury frequency rate by business division	2022	2021
Tube	7.3	8.3
Strip	13.8	15.6
Kanthal	7.5	7.3
Company activities	4.5	0.0
Total	**7.8**	**8.4**

1) Lost time injuries
2) Lost time injury frequency rate
3) Total recordable injuries
4) Total recordable injury frequency rate

Management systems

Alleima has implemented a multi-site certification according to ISO 45001 and ISO 14001 that covers each major location and workers that perform work for Alleima at these locations. Whether a location is deemed major is based on the risk profile of that location. If a location is not in scope for a certified management system, it will instead be covered by a separate procedure under the sustainability policy that aims to ensure that environmental, health and safety are sufficiently addressed based on the risk profile for such smaller sites and office-based operations. At the end of 2022, Alleima held valid certificates, meaning that 100 percent of our major locations were covered by a management system that was verified by a third party.

Our Health and Safety management

Indicators

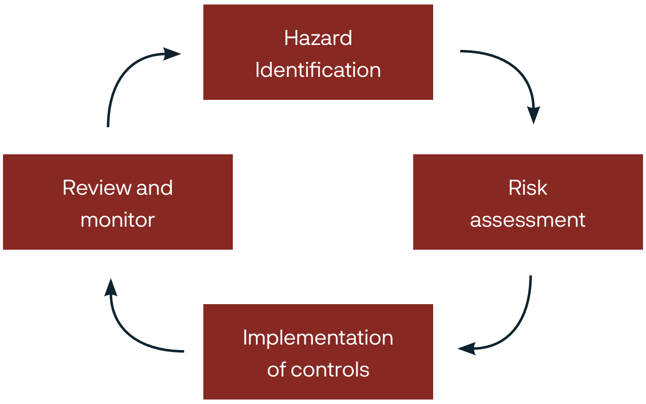
Health and safety performance is monitored globally, using a number of key performance indicators. This includes Lost Time Injury Frequency Rate (LTIFR) and Total Recordable Injury Frequency Rate (TRIFR). The injury frequency rates have developed positively in the long-term. In 2022, the LTIFR (LTIs per million hours worked) development was unfavorable and increased to 4.3 (3.6). This was mainly impacted by a particularly negative fourth quarter. The TRIFR (total number of recordable injuries per million hours worked) improved to 7.8 (8.4). The improvement was weakened by the negative trend that was noted in the last quarter. The most common injuries were hand and finger incidents. In addition to numerical lagging indicators we also follow a set of leading indicators. These indicators include to monitor progress of local environment, health and safety plans. The aim is to ensure each site identify, address and implement improvement needs, based on either their local risk profile or a common theme that we want to implement. Hazards and Near Misses are also monitored as well as their close out ratio.

Hazard identification and risk assessment

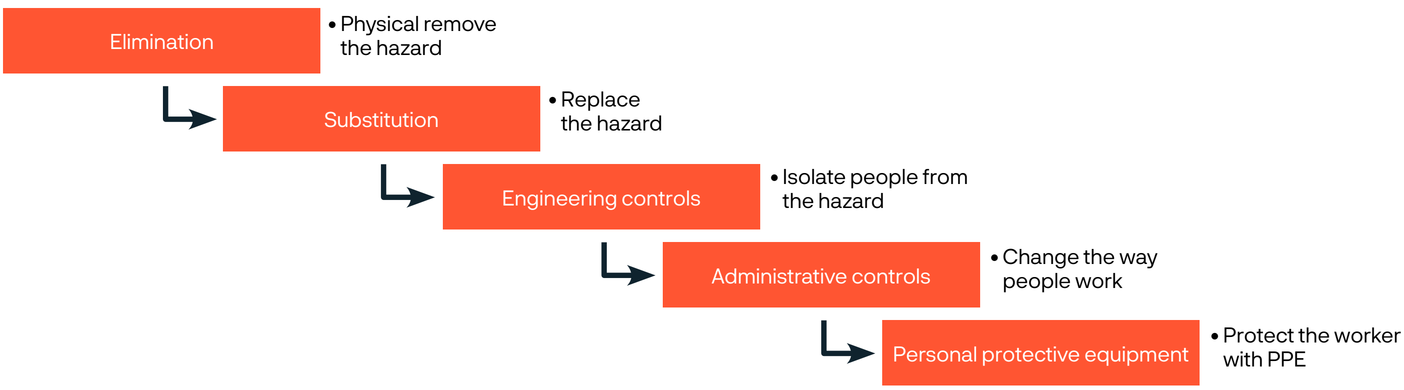
The process to ensure the health & safety of people whose work is controlled by Alleima, is based on a systematic process. There is a procedure that lays out the requirements to proactively identify, analyze and manage EHS risks to a practicable and acceptable level through the effective use of the Hierarchy of Controls. Requirements that must be fulfilled in addition to any local, statutory or legal requirements are specified in the procedure.

Assessing and reducing risks is a part of everyday work. It is the responsibility of each Alleima unit's management to ensure that this is carried out. A task-based risk assessment method shall be used to systematically examine a job and identify hazards, evaluate the risks and specify controls.

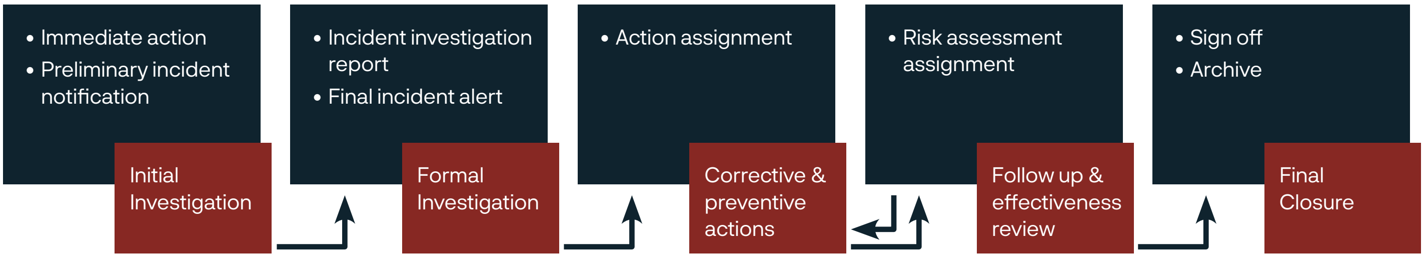
Risk assessments shall be performed by a group of individuals with the necessary expertise and it needs to include, as a minimum, a trained facilitator, the manager in charge, the operator. The risk assessment shall be reviewed and agreed upon by this group plus an EHS representative, a relevant subject matter expert (if required) and the manager of the process that is being assessed for risk.



The figure illustrates our process for EHS-risk assesments



The figure illustrates our hierarchy of controls in our EHS-work



The figure illustrates our EHS-incident investigation process

The process includes first identifying and describing the hazard and its potential consequence and likelihood to occur. This is used to assess the inherent risk, which will be input for determining the appropriate control measure. The order of priority when implementing controls follows the stepwise hierarchy ranging from the elimination of risk as the first priority, which is the strongest barrier that can be introduced, to protective equipment as the least effective control.

A new assessment that takes the introduced barrier into consideration will give a residual risk rating. That score works as an input to decide if the control measure is acceptable or not. Further measures may be taken depending on the residual risk before the future risk potential is determined. All decisions are to be documented and the steps of the risk assessment are as well. All decided barriers will also be implemented within a reasonable timeframe and there must be reviews to ensure that all actions are closed out. Reviewing and understanding the efficiency of the measures is an ongoing process that includes revisiting and updating the local risk assessments but also learning from other units by taking part in network meetings where best practices are shared and examples are presented for discussion. Also, a system for alerting and sharing incidents or serious potential incidents has been introduced to facilitate the efficient spread of awareness of hazards that could apply at more than one location in the company.

Incident investigation

An effective investigation requires a methodical, structured approach to information gathering, collation and analysis. The findings of the investigation will form the basis of an action plan to prevent the accident or incident from happening again and for improving our overall management of risk. A generic illustration of the investigation process at Alleima, and the steps within is illustrated as above.

Health and safety training

There are certain performance requirements that apply to all locations where there are people whose work is controlled by Alleima. The aim is to ensure that all these people have the relevant skills, knowledge, competencies, and behaviors to undertake their work safely. The responsible person on each site need to ensure that everyone in scope understands their EHS responsibilities and that they have been offered and participated in training as needed. EHS-related training is offered as part of development opportunities as well as the mandatory basic EHS training for all employees, and the mandatory EHS trainings aimed at certain competency requirements related to certain tasks. In the training catalogue, there are trainings offered for tasks where there are competency requirements, such as hot works, working at heights. Trainings are offered free of charge for the person being trained, and they are registered and the worker will have that competency added to their list of job skills in the system for training records.

NF7 | Environmental footprint

Materials

Metallic raw materials	2022	2021	2020	2019
Primary, kton	46	50	49	54
Secondary, kton	218	223	206	227
Recycled steel rate, %	82.6	81.8	80.8	80.7

Metals are non-renewable, 100% recyclable materials

Energy consumption

Energy Consumption (TJ)	2022	2021	2020	2019
Non-renewable fuels	**1,172**	**1,253**	**1,194**	**1,359**
Gasoline	2	2	2	4
Diesel	6	6	6	37
Liquefied petroleum gas	462	458	461	679
Natural petroleum gas	602	703	699	579
Fuel oil	101	84	24	61
Renewable fuels	**113**	**30**	**24**	**0**
Ethanol	0	0	0	0
HVO	23	23	24	0
Bio gas	90	7	0	0
Total energy from fuels	**1,285**	**1,282**	**1,218**	**1,359**
Grid electricity	2,327	2,307	2,318	2,587
Own renewable electricity	12	0	0	0
Purchased heat and steam	104	135	141	147
Total electricity heat and steam	**2,443**	**2,442**	**2,459**	**2,734**
Total energy consumption	**3,728**	**3,724**	**3,676**	**4,093**

No reported cooling consumption, cooling sold, heat or steam sold

Total energy use over ton rollable steel	2022	2021	2020	2019
GJ energy/ton steel	17.4	17.0	18.1	17.3

CO2 emissions by division, ton	Scope 1		Scope 2	Scope 1 + 2
Division	**Fuels**	**Raw materials based**	**Electricity, heat, steam**	**Total**
Tube	67,103	24,539	6,192	97,834
Kanthal	5,075	377	4 173	9 625
Strip	635	0	17	653
Common	141	0	74	215
Total	**72 954**	**24 916**	**10 457**	**108 327**

Emissions

GHG Emissions, kton CO_2e	2022	2021	2020	2019
Scope 1 Total CO_2e	98	102	96	112
Scope 2, location based	59	69	70	75
Initiatives to source fossil-free electricity in the market	-49	-50	-35	-37
Scope 2, market based	10	20	35	38
Total, location based	157	171	166	186
Total, market based	**108**	**121**	**131**	**150**

Total greenhouse gas emission over ton rollable steel	2022	2021	2020	2019
Ton carbon dioxide/ton steel	0.51	0.55	0.64	0.63

Waste

2022, ton

Waste by type	Generated	Circular	Non-circular
Slag	68,009	563	67,446
Metals	14,290	14,284	6
Industrial dust	6,173	6,029	144
Sludge	6,074	36	6,038
Emulsions	4,584	2,849	1,735
Residual Waste (Mixed Waste)	2,085	164	1,921
Wood	1,029	272	757
Oils	955	608	347
Other	11,983	8,829	3,155
Total	**115,182**	**33,635**	**81,547**

Waste by disposal method and legal classification	Total	On site	Off site
Circular, hazardous waste	**11,252**	**299**	**10,953**
Reuse	683	0	683
Recycle	10,568	299	10,269
Circular, non-hazardous waste	**22,383**	**5,701**	**16,682**
Reuse	2,291	0	2,291
Recycle	20,092	5,701	14,391
Non-circular, hazardous waste	**8,541**	**3,361**	**5,180**
Incineration, energy recovery	927	0	927
Incineration	869	0	869
Landfill	6,539	3,361	3,178
Unspecified	206	0	206
Non-circular, non-hazardous waste	**73,006**	**64,133**	**8,873**
Incineration, energy recovery	1,523	0	1,523
Incineration	8	0	8
Landfill	70,809	64,133	6,676
Unspecified	665	0	665
Total	**115,182**	**73,494**	**41,688**

Carbon emissions and energy

Our operations are by nature energy intensive. In order to ensure efficient use of energy our most energy demanding operations work under a certified energy management system. Inefficient use of energy is an unnecessary cost driver that we strive to avoid. Recent events, especially in Europe has led to increased risk for negative impacts. The energy crisis impacts prices to a certain extent. Electricity supply is a prerequisite for our operations, and shortage as well as cost is a present risk, which is also acknowledged and managed as part of our ERM process. The manufacturing of our steel is located where there is access to fossil-free electricity, to run our electric arc furnace.

We aim to have environment, health and safety plans at each site that include actions to increase energy efficiency and reduce carbon dioxide emissions (CO_2). We have a goal to reduce our CO_2 emissions in scope 1 and 2 by 50 percent by the end of 2030, compared to our base year 2019. At the end of 2022 we had reduced CO_2 emissions by 28% compared to the base year, to 108 ktons. Compared to the year before, the reduction corresponded to an 11% reduction. The reduction was mainly attributed to the continued work to source fossil-free electricity. In 2022, Alleima used 628 GWh fossil-free electricity, which was 96% of the total electricity purchased. This resulted in a total energy of 660 GWh, (64 %) that came from non-fossil energy sources in the year.

We joined the Science based target initiative (SBTi) during the year, and made a commitment to set science-based net-zero targets, consistent with the Paris agreement. By committing to SBTi, Alleima is expanding the scope to its entire value chain. We will develop a target proposal that will undergo a technical validation by the SBTi, before they can be publicly launched.

The SBTi commitment was preceeded by a thorough work to understand our greenhouse gas emissions. We used an approach where our value chain was screened for climate impact. In a systematic approach an emissions inventory was created to map out what the main emission sources were, including indicative size of emissions for these. The work was based on the criteria set out by the SBTi, which refers back to the greenhouse gas protocol in many parts. Based on the screening we could verify that our raw material supply chain is the largest emission source for us. The screening indicated that it could be as much as nearly half of our total impact come from the raw materials we use. The screening also showed that our own emissions from fuel use, processes and purchase of electricity, heat and steam are not insignificant. Their emissions correspond to approximately 10 - 20 percent of total emissions. The screening was performed based on data from operations in 2019. Scope 1 and 2 data come from own data reported as part of our environmental reporting process. Scope 3 were to a large extent based on monetary data from our spend during 2019. This means that the degree of uncertainty of exact emission data is fairly high. However, for the purpose of understanding the main emission sources, and the relation between different emission categories, it serves an important purpose in mapping the main scope 3 categories. For purchasing of raw materials the calculations were more detailed, and based on weights purchased per raw material. In the work to build the emissions invetory, we co-operated with a third party firm, which was tasked to build the tool for calculation, including to ensure that the data collection and calculation methods met the criteria as set out by the SBTi. The work commenced already when we operated as a part of Sandvik group, but was concluded after we had become Alleima.

Waste

The single most material impact as well as future opportunity is related to the slag volumes generated in the steel manufacturing process. Finding opportunities to avoid deposit of slag is constantly researched and both commercial and non-commercial alternatives are evaluated and implemented when feasible.

Circularity is a material aspect for us, and we want to reduce waste and increase circularity in our operations and in the value chain. We have set two targets to support this ambition. The first target aims to actively research feasible opportunities to reduce the generation of slag that is disposed to landfill. The single largest waste type generated in our own operations is residuals from the steel manufacturing. The majority of the slag generated is disposed to landfill on our site in Sandviken.

In our efforts to find methods to reduce waste to landfill, we will ensure that we research, test and implement projects in order to move slag into circular waste streams. We acknowledge the importance of succeeding in this work by setting a goal for this work. The target entails making sure that this work is always active, and it includes a target to also communicate progress on an ongoing basis. As the complex matter this is, it's acknowledged that it's not meaningful to set numerical targets on the slag volumes that could be diverted from disposal, but rather we want to ensure that we are always actively working to ensure all opportunities are investigated, and the performance will be assessed based on the ability to demonstrate successful outcome.

For other waste types, which are small in comparison to the volumes generated in the steel manufacturing, we have established a separate goal. Based on identified potential improvements, either by reducing waste generation or by moving waste streams to circular recovery methods, we aim to reach 76% circularity for these, by 2030. At the end of 2022, 70% waste circularity was reported, excluding slag. Starting 2023, continuous follow up against the new target will be part of the quarterly performance review for sustainability. The new target stems from an amibition to reduce waste and increase waste circularity for our operations, but our ambition also takes the value chain into consideration. This means that we will consider waste generation aspects from purchased goods as well as downstream impact, from packaging materials and the products we deliver. This could involve activities within sourcing to identify recyclability in products and include this knowledge in purchasing decisions. It also involves engaging with our waste management suppliers to understand what recovery operations are accessible in different regions where we are present. It is evident for us, that waste management services differs greatly in different regions. We acknowledge this, and for us it means that waste management is an area where it is important with local initiatives and local engagement with waste management companies. It is also a matter of ensuring that we have sufficient in-house awareness about how we sort our waste to ensure efficient waste handling. Waste generated outside of our production, such as packaging, is handled by third parties who are responsible for properly sorting materials. All employees and contractors are responsible for correctly sorting and disposing of waste on-site.

Total waste increased by 11% to 115 tons. The increase is mainly attributable to major, irregular waste haulages within the steel operations.

Materials

The raw materials we use play a key role in many aspects, and it applies along the value chain. Upstream it is strongly connected to sustainable sourcing of alloys used to produce our steel. As a result of sustainable sourcing, we aim to minimize our upstream impact by ensuring that our suppliers meet our expectations as set out in the supplier Code of conduct. In our supplier evaluations we look at ensuring that there are no negative impacts in working conditions and breaches of human rights issues among other topics covered by the supplier Code. Input materials is also the largest area from a climate impact point of view. We are a scrap-based steel manufacturer with an embedded positive environmental impact from a circular economy perspective. At the same time, the access of scrap metals is essential and could potentially be a risk going forward, as the world transform to significantly higher shares of scrap based production.

Our most significant input is material is various metallic raw materials. Our products are refined products based on advanced materials technology. A metallic raw material can be remelted and used many times, without compromising quality, which creates favorable conditions for circular material handling. We strive to increase recycled content in our products and sourcing of scrap metals is a key success factor for us. We collect and sort waste metal from our production for internal reuse. The recycle rate in our produced steel amounted to 82.6 percent for the year which was an improvement of 1% over the year before. We are aiming to reach a recycle rate of 83% by 2030.

The target for 2030 will require us to succeed with some important initiatives. We believe we will have a product mix 2030 that has developed towards an even higher share of specialized materials. These materials would require more unique compositions and are likely to have higher contents of elements such as nickel and molybdenum. There could be very high requirements on purity from contaminations, and inclusion of exotic alloying elements could also increase. These features are key for achieving the desired material characteristics, but make it very challenging to source recycled steel appropriate for producing these materials.

Therefore, an initiative of key importance to reach the targeted 83% recycle rate is to engage with customers to enable buy-back of materials, where the material composition is known to be of the quality required in our materials and products.

If todays product mix would stay unchanged in 2030, we would likely see a recycle rate well above 83%.

NF8 | Sustainable supplier management

Alleima has thousands suppliers in almost 60 countries, from which we source products, materials and services. This includes raw materials, components, maintenance services, facility management and everything else that is needed being Alleima. It is important that our suppliers share the sustainability values that we uphold. Therefore all our suppliers are expected to commit to, and comply with, Alleima Supplier Code of conduct. Our long-term target is that by 2030 all suppliers shall be compliant with the Supplier Code of conduct.

During the year Alleima has focused on laying the groundwork needed to reach the long-term target. We have developed and implemented processes and tools to facilitate sustainable supplier sourcing practices. This includes our Supplier Code of conduct, onboarding process, supplier sustainability evaluation procedure and associated internal trainings. Ensuring that sustainability is an integrated aspect of our sourcing operations and supplier management.

Alleima Supplier Code of conduct

During 2022 we launched the Alleima Supplier Code of conduct, which applies to all suppliers providing products, materials, or services to Alleima. The Supplier Code of conduct is built on international frameworks such as the International Bill of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, the United Nations Convention against Corruption as outlined in the ten principles of the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, and OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

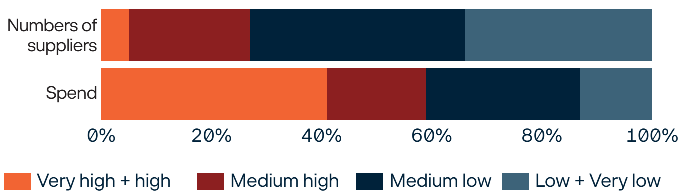
The Supplier Code contain supplier requirements in areas such as: legal compliance, health and safety, human and labor rights, responsible sourcing of minerals and metals, environment, and business ethics. It also contains encouragements for suppliers to adopt climate targets in line with the 2015 Paris agreement on climate change, and to provide working conditions that enable a healthy work-life balance. The Supplier Code requests suppliers not only to implement the requirements in their own operations but to place equivalent requirements in their supply chain. During 2022 training in our Supplier code and the requirements of our Supplier code were developed, 83% of purchasers conducted the training.

Complying with the Alleima Supplier Code of conduct

The procedure for evaluating compliance with the Alleima Supplier Code of conduct has been launched in 2022. The supplier sustainability evaluation procedure contains compliance checks such as risk screening, sustainability performance evaluation and Supplier Code of conduct audits. The tools for risk screening and sustainability performance evaluation are provided by Ecovadis. For Supplier Code of Conduct Audits, a new supplier was contracted in 2022. The implementation of the evaluation procedure and belonging tools are ongoing. To support the implementation of the procedure and the purchasers in performing the evaluations, an internal training was developed and launched. By end of 2022, 91% of purchasers had participated in the training. Alleima uses a risk-based approach when controlling compliance, meaning that depending on the result of the risk screening different levels of compliance checks are needed for the supplier to receive the status Supplier Code Compliant.

Risk screening shall always be carried out on new suppliers as a part of the on-boarding process to identify potential risks. Suppliers with high risk, including exposure by spend, shall be prioritized for sustainability performance evaluation and Supplier Code audits. The risk screening is performed through Ecovadis IQ tool, where suppliers are screened for inherent country and industry risk with regards to four themes: environment, labor and human rights, ethics, and sustainable procurement. The risk level of each theme creates an overall risk level, giving us an indication of the suppliers' inherent risk of violating the requirements in the Supplier Code. During 2022, 75% of the annual spend was risk screened.

Supplier risk exposure



Through the risk screening 251 suppliers were identified having significant potential negative environmental impact and 186 suppliers were identified having significant potential negative social impact, meaning they received risk level high or very high. This indicates a higher risk of potential negative impact in areas as child labor, forced labor, working conditions, diversity, energy consumption, pollution, water, waste etc.

The sustainability performance evaluation is a supplier assessment covering topics such as energy consumption and GHG's, water, biodiversity, local and accidental pollution, materials, chemicals, waste, product use, product end-of-life, employee health and safety, working conditions, social dialogue, career management, child labor, forced labor, human trafficking, diversity, discrimination and harassment, external stakeholder human rights, corruption, anticompetitive practices etc. The assessment is analyzed by Ecovadis, who creates a scorecard showing the suppliers' performance within the areas. During 2022, 209 of our suppliers had performed the sustainability performance evaluation and had a valid scorecard, out of these 174 had an approved score giving them the status Supplier Code compliant. The assessments resulted in 277 actions for improvement with regards to environmental criteria, where 177 are performed, and 222 actions for improvement with regards to social criteria, where 153 are performed. For suppliers who received a risk level requiring further compliance checks but that have not yet performed the evaluation, material to invite them has been created and trainings of purchasers are conducted.

During the year the process and materials for Supplier Code of Conduct Audits have been updated together with the new audit provider. This is to ensure it is aligned with the Supplier Code of Conduct and the new procedure for evaluating suppliers with regards to sustainability. Material to facilitate an annual plan for 2023 Supplier Code of Conducts audits are developed, and plans for each purchasing unit will be created as implementation of Ecovadis are completed at the units. Suppliers will be selected for audits based on criteria's such as risk level, assessment result, refusal of performing Ecovadis evaluation, spend, changes in supplier's risk-profile, and indications of potential sustainability-related incidents.

Key performance indicators to ensure progress towards our long-term target are developed, and for each unit is to set its own targets for coming years.

Responsible sourcing of minerals and metals

Alleima recognizes that we have the responsibility to respect human rights and not contribute to conflict. We recognize the risks of significant adverse impacts which may be associated with extracting, trading, handling, exporting, and procuring minerals from conflict-affected and high-risk areas. Related risks need to be managed adequately. As such, Alleima fully supports the activities of the Organisation for Economic Co-operation and Development (OECD). To ensure compliance with the OECD Guidance, we take appropriate actions. This includes implementation of a raw material management system to identify, assess and mitigate the risks outlined in Annex II of the OECD Guidance. We have made a statement in relation to responsible sourcing of minerals and metals which can be accessed on our web page. Alleima annually performs a reasonable country of origin enquiry to identify smelters and refiners associated with our supply chain, based on the OECD Due Diligence Guidance. Alleima intend to register as a member of the Responsible Minerals Initiative. Of the total amount of primary alloys used in 2022, 3TG (tin, tungsten, tantalum and gold) accounted for approximately 0.1 percent.

NF9 | EU taxonomy

The taxonomy is a classification system that aims to identify whether eligible economic operationś are contribution towards reaching EU environmental goals. The system covers a range of sector activities that, provided they meet the sector criteria, are deemed to substaintially contribute to reaching the target. The reported indicators in the taxonomy can be used to understand if operations covered by the taxonomy are in alignment with what was set out as substantial contribution towards meeting an EU environmental target.

Operations reported as non-eligible are currently not part of the sector activities that the taxonomy has named significant contributors. Non-eligible operations under the EU taxonomy must not be deemed unsustainable, but could rather be seen as non-key for the purpose of meeting an EU environmental target.

Accounting Policy

The section describes how the key figures were retrieved.

Turnover

Turnover was derived from the consolidated income statement on page 87 and reconciled with reported revenues of the group. Total turnover aligns with revenues in the income statement. The identification of eligible turnover was determined based on a screening of significant revenue streams meeting the eligibility criteria. Manufacturing of iron and steel was identified. Steel manufacturing takes place at two locations in Alleima and the reported turnover from these subsidiaries is included based on that their operations fall under the manufacture of iron and steel classification. No other operations that generate significant revenue streams meet any of the listed classifications.

Capex

Capex was derived from the Group notes 12 – 15 detailing intagible assets, property, plant and equipment, and leases, found on pages 111 – 116. Significant investments were reviewed in further detail to establish relatedness to manufacture of iron and steel. Total capex correspond to the reported additions and business combinations of intangible assets excluding goodwill and tangible assets as well as leases in 2022. The identification of eligible capex was determined after finding no material other classifications than what was identified for turnover. The investments related to the steel manufacturing operations are eligible under the taxonomy system. Capex reported as eligible includes plant and machinery, equipment, tools, fixtures and fittings, and constructions in progress, with SEK 132, 98 and 3 million, respectively.

Opex

Operational expenses were determined based on items within the consolidated income statement and deductions of out of scope costs were performed. Eligible operations found relate to manufacture of steel using electric arc furnace, which is conducted at one subsidiary. All other operational expenses of significance in relation to total expenses occur in other subsidiaries whose activities are not listed in the classification of eligible activities. Opex reported as eligible includes SEK 6 million related to R&D. Costs related to short-term leases and maintenance and repair, are included with SEK 55 and 85 million respectively.

Assessment of compliance with Regulation (EU) 2020/852

The section summarize the work to assess compliance with the regulation by detailing the key points in the process to identify, categorize core operations the way it was generally laid out in the eu directive on the establishment of a framework to facilitate sustainable investment.

The screening of core business against all the listings of the delegated acts was made in workshops to ensure all classifications were covered. In the screening it was found that manufacture of iron and steel is a listed activity that is conducted in Alleima. Alleima manufacture advanced materials in steel, and the steel material is produced in two of our subsidiaries. One of these use a technology for which there are listed criteria, and therefore it was deemed eligible. The second, and much smaller steel manufacturing operation, uses a technology that has no listed criteria and can therefore not be assessed against the taxonomy. This operation is therefore defined as non-eligible operations. The eligible steel manufacturing in Alleima is scrap based to large extent and the production method is smelting using electric arc furnace. The smelting uses large quantities of energy, mainly in the form of electricicty. The operation that produce steel is located in Sweden. The furnace use fossil free electricity. The operations in Alleima is vertically integrated, and the steel manufacturing is essentially feeding further processing inside the company. The boundary for what is classified as manufacture of steel is set to the same definition as what was already established as the industry benchmark boundary within the EU ETS system. As such the inclusions and exclusions made, align with the verified declaration of emission rights within that system. In that system the steel manufacturing includes several steps that use energy in different industrial heating processes. These include smelting of scrap metal into liquid form, heating ladles, secondary metalurgy and purification, casting and cutting. The technical criteria for climate change mitigation and the emissions accounting to EU-ETS are aligned and as such our testing of alignment with the criteria agains the EU goal for climate change mintigation was based on reported and verified GHG emissions in the product benchmark. The subsidiary that produce steel reported a GHG intensity of 146 kg carbon dioxide per ton steel produced. When tested against the technical screening criteria it was found to meet listed threshhold values for steel manufactured using an electric arc furnace.

Given that the operation is organized as a separate entity who have full financial responsibility and therefore also complete financial reporting setup as a separate entity, the financial data of the eligible and aligned portion of the group activities is possible to identify in the group financial reporting process without any assumptions or otherwise manual calculation of data. This also means that double calculation can be avoided as long as the exposure from this entitiy is just included against one of the sustainability targets laid out in the framework, which was the case in 2022. The reported exposure based on the set criteria result fairly low proportions in relation to the denominator of each indicator. Alleima deliver advanced stainless steel products that are manufactured based on a vertically integrated business model. We manufacture steel, and mainly deliver for further processing within our company. Our externally sold stainless steel material is therefore small in relation to internal deliveries. Our largest portion of revenues come the furhter manufacturing steps, using our own manufactured steel and producing high value-added products in advanced stainless steels and special alloys. We believe it is important for the reader of the result tables to understand that the exposure reported refer to a very small portion of our total steel production, and that the majority of the high value-added products we go market with, origin from our internal, taxonomy-aligned, steel manufacturing. This activity occurs, with low carbon intensity, and constitues an equally important contribution to climate change mitigation as a transitional activity during the vastly dominating part of the time when we produce steel for intra-company deliveries. The indicator for revenue exposure of aligned activities don't allow for internal deliveries to be reported, and as such there is a strong underrepresentation in the data of the actual exposure.

Do no significant harm

Climate change adaptation

Risk analysis and a risk assessment with regard to climate change have been carried out. In this work, it was assessed that flooding and/or lack of water in the business is the main risk to our steel manufacturing. Following this risk analysis, an investigation has been carried out into how rainwater could be managed to reduce the risk of the impact of large amounts of rain or the absence of rain.

Sustainable use and protection of water and marine resources

An EIA (environmental impact assessment) has been carried out in accordance with the Water Framework Directive (2000/60/EC) in connection with the permit application. Identified risks have been conditioned in the permit. All conditions have been met.

Pollution prevention and control

Within the framework of chemical management and the established chemical register, review gives the result that no significant presence of substances listed in Appendix C is used, manufactured or placed on the market. The current permit is origins from an application that was based on the best available techniques.

Protection and restoration of biodiversity and ecosystems

An EIA has been carried out in accordance with 2000/60/EC in connection with the permit application. Identified risks have been conditioned in the permit. All conditions have been met. In the event of changes to the facility, a renewed environmental impact assessment will be carried out, which will be communicated to the County Administrative Board. Targeted impact assessments for measures that may affect areas protected according to the Environmental Code (1998:808) and the Ordinance (1998:1252) on site protection according to the Environmental Code are carried out.

Minimum safeguards

We have ensured that the governing documents, in the form of policies, procedures and instructions, that are needed to conduct our business in accordance with established guidelines and principles for companies and human rights. This included examining whether commitments to comply with these are stated for the company and whether requirements and expectations are part of the company's codes of conduct for its own operations and in the value chain. Furthermore, control has been carried out to ensure that policy documents as well as actual behaviors comply with commitments made, and that the company's policies are thus complied with. The review has concluded that our commitments, our governing documents, and our actual behaviors have enabled these minimum safeguards to be met.

Turnover template for financial year 2022

Economic activities	Code(s)	Absolute turnover, SEK M	Proportion of turnover, %	Substantial contribution criteria: Climate change mitigation, %	Climate change adaptation, %	Water and marine resources, %	Circular economy, %	Pollution, %	Biodiversity and ecosystems, %	DNSH criteria (Do No Significant Harm): Climate change mitigation, Y/N	Climate change adaptation, Y/N	Water and marine resources, Y/N	Circular economy, Y/N	Pollution, Y/N	Biodiversity and ecosystems, Y/N	Minimum safeguards, Y/N	Taxonomy-aligned proportion of turnover, year 2022, %	Taxonomy-aligned proportion of turnover, year 2021, %	Category (enabling activity), E	Category (transitional activity), T
A. Taxonomy eligible activities																				
A.1. Environmentally sustainable activities (taxonomy-aligned)																				
Manufacture of iron and steel	*3.9*	*1,343*	*7*	*100*						-	Y	Y	-	Y	Y	Y	7			T
Turnover of environmentally sustainable (taxonomy-alighed) activities (A.1)		**1,343**	**7**														**7**			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned)																				
Turnover of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned) (A.2)																				
Total turnover of taxonomy eligible activities (A.1 + A.2)		**1,343**	**7**														**7**			

B. Taxonomy non-eligible activities			
Turnover of non-eligible activities (B)		**17,062**	**93**
Total (A + B)		**18,405**	**100**

Capex template for financial year 2022

Economic activities	Code(s)	Absolute Capex, SEK M	Proportion of Capex, %	Substantial contribution criteria: Climate change mitigation, %	Climate change adaptation, %	Water and marine resources, %	Circular economy, %	Pollution, %	Biodiversity and ecosystems, %	DNSH criteria (Do No Significant Harm): Climate change mitigation, Y/N	Climate change adaptation, Y/N	Water and marine resources, Y/N	Circular economy, Y/N	Pollution, Y/N	Biodiversity and ecosystems, Y/N	Minimum safeguards, Y/N	Taxonomy-aligned proportion of Capex, year 2022, %	Taxonomy-aligned proportion of Capex, year 2021, %	Category (enabling activity), E	Category (transitional activity), T
A. Taxonomy eligible activities																				
A.1. Environmentally sustainable activities (taxonomy-aligned)																				
Manufacture of iron and steel	3.9	232	24	100						-	Y	Y	-	Y	Y	Y	24			T
Capex of environmentally sustainable (taxonomy-aligned) activities (A.1)		**232**	**24**														**24**			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned)																				
Capex of taxonomy-eligible not but not environmentally sustainable activities (not taxonomy-aligned) (A.2)																				
Total capex of taxonomy-eligible activities (A.1 + A.2)		**232**	**24**														**24**			

Economic activities	Code(s)	Absolute Capex, SEK M	Proportion of Capex, %
B. Taxonomy non-eligible activities			
Capex of non-eligible activities (B)		**726**	**76**
Total (A + B)		**958**	**100**

Opex template for financial year 2022

Economic activities	Code(s)	Absolute Opex, SEK M	Proportion of Opex, %	Substantial contribution criteria: Climate change mitigation, %	Climate change adaptation, %	Water and marine resources, %	Circular economy, %	Pollution %	Biodiversity and ecosystems, %	DNSH criteria (Do No Significant Harm): Climate change mitigation, Y/N	Climate change adaptation, Y/N	Water and marine resources, Y/N	Circular economy, Y/N	Pollution, Y/N	Biodiversity and ecosystems, Y/N	Minimum safeguards, Y/N	Taxonomy-aligned proportion of Opex, year 2022, %	Taxonomy-aligned proportion of Opex, year 2021, %	Category (enabling activity), E	Category (transitional activity), T
A. Taxonomy eligible activities																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Manufacture of iron and stel	*3.9*	*146*	*7*	*100*						*-*	*Y*	*Y*	*-*	*Y*	*Y*	*Y*	*7*			*T*
Opex of environmentally sustainable (taxono-my-aligned) activities (A.1)		**146**	**7**														**7**			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned)																				
Opex of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned) (A.2)																				
Total opex of taxonomy eligible activities (A.1 + A.2)		**146**	**7**														**7**			

B. Taxonomy non-eligible activities		
Opex of non-eligible activities (B)	**2,007**	**93**
Total (A + B)	**2,154**	**100**

GRI content index in annual- and sustainability report 2022

Statement of use	Alleima has reported in accordance with the GRI standards for year 2022.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector standard(s)	No sector standard is available yet

GRI standard	Disclosure	Page	Requirement(s) omitted	Reason	Explanation
GRI 2: General Disclosures 2021	2-1 Organizational details	146			
	2-2 Entities included in the organization's sustainability reporting	146			
	2-3 Reporting period, frequency and contact point	146			
	2-4 Restatements of information	146			
	2-5 External assurance	146, 170			
	2-6 Activities, value chain and other business relationships	16-17, 146, 148, 159			
	2-7 Employees	152	a) b) i-v d) e)	Information unavailable	Not reported by region, not specified by type of employment
	2-8 Workers who are not employees		All	Information unavailable	
	2-9 Governance structure and composition	73-75, 82-83, 152			
	2-10 Nomination and selection of the highest governance body	72-73			
	2-11 Chair of the highest governance body	74			
	2-12 Role of the highest governance body in overseeing the management of impacts	72, 78			
	2-13 Delegation of responsibility for managing impacts	78			
	2-14 Role of the highest governance body in sustainability reporting	72, 78			
	2-15 Conflicts of interest	73, 82-83			
	2-16 Communication of critical concerns	75, 150			
	2-17 Collective knowledge of the highest governance body		All	Information unavailable	
	2-18 Evaluation of the performance of the highest governance body		All	Information unavailable	
	2-19 Remuneration policies	63-65, 75, 106-107			
	2-20 Process to determine remuneration	63-65, 75, 106-107			
	2-21 Annual total compensation ratio		All	Information unavailable	
	2-22 Statement on sustainable development strategy	12			
	2-23 Policy commitments	71, 79, 80			

GRI standard	Disclosure	Page	Requirement(s) omitted	Reason	Explanation
	2-24 Embedding policy commitments	78-81			
	2-25 Processes to remediate negative impacts		All	Information unavailable	
	2-26 Mechanisms for seeking advice and raising concerns	79, 150			
	2-27 Compliance with laws and regulations	150			
	2-28 Membership associations	35			
	2-29 Approach to stakeholder engagement	148-149			
	2-30 Collective bargaining agreements		All	Information unavailable	

Material topics

GRI standard	Disclosure	Page	Requirement(s) omitted	Reason	Explanation
GRI 3: Material Topics 2021	3-1 Process to determine material topics	147-149			
	3-2 List of material topics	149-150			

Specific disclosure GRI 200: economic topics

GRI standard	Disclosure	
Anti-corruption		
GRI 3: Material Topics 2021	3-3 Management of material topics	79
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	150-152
	205-3 Confirmed incidents of corruption and actions taken	150-152

Specific disclosure GRI 300: environmental topics

GRI standard	Disclosure	Page	Requirement(s) omitted	Reason	Explanation
Materials					
GRI 3: Material Topics 2021	3-3 Management of material topics	78-79			
GRI 301:Materials	301-1 Materials used by weight or volume	156			
	301-2 Recycled input materials used	156			
Energy					
GRI 3: Material Topics 2021	3-3 Management of material topics	78-79			
GRI 302: Energy 2016	302-1 Energy consumption within the organization	147, 156			
	302-3 Energy intensity	156			
Emissions					
GRI 3: Material Topics 2021	3-3 Management of material topics	78-79, 158			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	147, 157			
	305-2 Energy indirect (Scope 2) GHG emissions	147, 157			
	305-4 GHG emissions intensity	147, 157			

Specific disclosure GRI 300: environmental topics

GRI standard	Disclosure	Page	Requirement(s) omitted	Reason	Explanation
Waste					
GRI 3: Material Topics 2021	3-3 Management of material topics	78-79, 158-159			
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	157, 158			
	306-2 Management of significant waste-related impacts	157, 158			
	306-3 Waste generated	145, 157			
	306-4 Waste diverted from disposal	147, 157			
	306-5 Waste directed to disposal	157			
Supplier environmental assessment					
GRI 3: Material Topics 2021	3-3 Management of material topics	78-79, 159			
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	159-160			
	308-2 Negative environmental impacts in the supply chain and actions taken	159-160			

Specific disclosure GRI 400: social topics

GRI standard	Disclosure	Page	Requirement(s) omitted	Reason	Explanation
Occupational health and safety					
GRI 3: Material Topics 2021	3-3 Management of material topics	78-79, 154-155			
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	154			
	403-2 Hazard identification, risk assessment, and incident investigation	154-155			
	403-4 Worker participation, consultation, and communication on occupational health and safety	78-79, 154-155			
	403-5 Worker training on occupational health and safety	79, 155			
	403-8 Workers covered by an occupational health and safety management system	78-79, 154			
	403-9 Work-related injuries	153			

Diversity and equal opportunity

GRI standard	Disclosure	Page	Requirement(s) omitted	Reason	Explanation
GRI 3: Material Topics 2021	3-3 Management of material topics	80, 152			
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	152			

Non-discrimination

GRI 3: Material Topics 2021	3-3 Management of material topics	78 - 79, 151			
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	150			

Supplier social assessment

GRI standard	Disclosure	Page	Requirement(s) omitted	Reason	Explanation
GRI 3: Material Topics 2021	3-3 Management of material topics	80, 159-160			
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	160			
	414-2 Negative social impacts in the supply chain and actions taken	160			

Auditor's limited assurance report on Sustainability Report and statement on the statutory Sustainability Report

This is a translation of the original report in Swedish

To the annual general meeting of Alleima AB (publ), corporate identity number 559224-1433

Introduction
We have been engaged by the Board and Group Management of company Alleima AB (publ) ("Alleima" to undertake a limited assurance of Alleima's Sustainability Report for the year 2022. The company has defined the scope of its sustainability report on page 2. The statutory sustainability report is defined on page 2.

Responsibility of the Board and Group Management
The Board of Directors and Group Management are responsible for the preparation of the Sustainability Report, including the statutory sustainability report, in accordance with the applicable criteria and the Annual Accounts Act. The criteria are described on page 166-169 of the Sustainability Report, and consists of the parts of the GRI Standards which are applicable to the Sustainability Report, as well as the accounting and calculation principles that Alleima has developed. This responsibility also includes the internal control which is deemed necessary to establish a sustainability report that does not contain material misstatement, whether due to fraud or error.

Responsibilities of the auditor
Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to provide a statement on the statutory sustainability report. Our assignment is limited to the historical information that is presented and thus does not include future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 (revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report and applying analytical and other limited assurance procedures. We have conducted our examination regarding the statutory sustainability report in accordance with FAR's recommendation RevR 12, the Auditor's Opinion on the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 have a different focus and a considerably smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The audit firm applies ISQM 1 (International Standard on Quality Management) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent in relation to Alleima according to generally accepted auditing standards in Sweden and have fulfilled our professional ethics responsibility according to these requirements.

The procedures performed in a limited assurance engagement and an examination according to RevR 12 do not allow us to obtain such assurance that we become aware of all significant matters that could have been identified if an audit was performed. The conclusion based on a limited assurance engagement and an examination in accordance with RevR 12, therefore, does not provide the same level of assurance as a conclusion based on an audit has.

Our procedures are based on the criteria defined by the Board of Directors and the Group Management as described above. We consider these criteria as suitable for the preparation of the Sustainability Report.

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

Conclusions
Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Group Management.

A statutory Sustainability Report has been prepared.

Stockholm, March 22, 2023

PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorized Public Accountant
Auditor-in-Charge

Alternative Performance Measures

This annual report contains certain alternative performance measures that are not defined by IFRS. These measures are included as they are considered to be important performance indicators of the operating performance and liquidity for Alleima. They should not be considered a substitute to Alleima's financial statements prepared in accordance with IFRS. Alleima's definitions of these measures are described below, and as other companies may calculate non IFRS measures differently, these measures are therefore not always comparable to similar measures used by other companies.

Organic order intake and revenue growth

Change in order intake and revenues after adjustments for exchange rate effects and structural changes such as divestments and acquisitions and alloy surcharges. Organic growth is used to analyze the underlying sales performance in the Group, as most of its revenues are in currencies other than in the reporting currency (i.e. SEK, Swedish Krona). Alloy surcharges is used as an instrument to pass on changes in alloy costs along the value chain and the effects from alloy surcharges may fluctuate over time.

Adjusted EBITDA and adjusted operating profit (EBIT)

Alleima considers Adjusted EBITDA and Adjusted operating profit (EBIT) and the related margin to be relevant measures to present profitability of the underlying business excluding metal price effects and items affecting comparability (IAC).

Metal price effect is the difference between sales price and purchase price on metal content used in the production of products. Metal price effect on operating profit in a particular period arises from changes in alloy prices arising from the timing difference between the purchase, as included in cost of goods sold, and the sale of an alloy, as included in revenues, when alloy surcharges are applied. IAC includes capital gains and losses from divestments and larger restructuring initiatives, impairments, capital gains and losses from divestments of financial assets as well as other material items having a significant impact on the comparability.

Adjusted EBITDA and margin: Operating profit (EBIT) excluding depreciations, amortization of intangible assets, items affecting comparability and metal price effects. Margin is expressed as a percentage of revenues.

Adjusted operating profit (EBIT) and margin: Operating profit (EBIT) excluding items affecting comparability and metal price effects. Margin is expressed as a percentage of revenues.

Adjusted EBITDA and adjusted operating profit (EBIT)

SEK M	2022	2021	2020	2019
Operating profit	**2,122**	**1,379**	**492**	**1,444**
Reversal (Note 2):				
Items affecting comparability	254	176	478	158
Metal price effect	-695	-487	172	-274
Impairments	0	-13	62	184
Adjusted operating profit (EBIT)	**1,681**	**1,055**	**1,205**	**1,513**
Reversal:				
Depreciation and amortization	859	755	729	818
Adjusted EBITDA	**2,540**	**1,811**	**1,933**	**2,331**
Revenues	18,405	13,847	13,925	15,654
Adjusted operating profit (EBIT) margin, %	9.1	7.6	8.7	9.7
Adjusted EBITDA margin, %	13.8	13.1	13.9	14.9

Adjusted earnings per share

Alleima considers Adjusted earnings per share (EPS) to be relevant to understand the underlying performance, which excludes items affecting comparability and metal price effects between periods. Alleima has no potential dilution of shares.

Adjusted EPS: Profit/loss, adjusted for items affecting comparability and metal price effects, attributable to equity holders of the parent company divided by the average number of shares outstanding during the year.

Adjusted profit for the period and adjusted earnings per share

SEK M	2022	2021	2020	2019
Profit for the period	**1,483**	**1,228**	**380**	**667**
Reversal:				
Adjustment items EBITDA/EBIT (Note 2)	-441	-324	712	69
Tax on adjustment items	89	76	-176	5
Adjusted profit for the period	**1,131**	**980**	**916**	**742**
Attributable to				
Owners of the parent company	1,118	958	926	738
Non-controlling interests	12	23	-10	4
Average number of shares at the end of the period (millions)	250.877	250.877	250.877	250.877
Adjusted earnings per share, basic, SEK	4.46	3.82	3.69	2.94

Net working capital (NWC) in relation to revenues and return on capital employed (ROCE)

Alleima considers NWC in relation to revenues for the quarter relevant as measure of both the Group's efficiency and its short-term financial health.

Net working capital (NWC): Total of inventories, trade receivables, account payables and other current non-interest-bearing receivables and liabilities, including those classified as liabilities and assets held for sale, but excluding tax assets and liabilities and provisions.

Net working capital (NWC) in relation to revenues: Quarter is quarterly annualized and year-to-date numbers are based on a four quarter average.

Alleima considers ROCE relevant to be useful for the readers of its financial reports as a complement for assessing the possibility of dividends, implementing strategic investments and considering the Group's ability to meet its financial commitments.

Capital employed: Total assets less non-interest-bearing liabilities (including deferred tax liabilities, excluding net cash pool balances Sandvik)

Return on capital employed (ROCE): Annualized Operating profit/loss plus financial income (excl derivatives), as a percentage of a four quarter average capital employed.

SEK M	2022	2021	2020	2019
Inventories	7,355	5,372	4,296	4,876
Trade receivables	2,981	2,532	1,856	2,435
Account payables	-2,619	-2,128	-1,192	-1,330
Other receivables	662	497	748	976
Other liabilities	-1,860	-1,706	-1,689	-2,497
Net working capital	**6,519**	**4,567**	**4,019**	**4,460**
Average net working capital	6,044	4,326	4,239	4,083
Revenues annualized	18,405	13,847	13,925	15,654
Net working capital to revenues, %	32.8	31.2	30.4	26.1
Tangible assets	7,350	7,251	7,165	7,484
Intangible assets	1,809	1,475	1,361	1,453
Cash and cash equivalents	892	1,661	179	112
Other assets	13,348	9,499	7,890	9,457
Other liabilities	-6,488	-5,083	-4,292	-4,668
Capital employed	**16,911**	**14,803**	**12,302**	**13,838**
Average capital employed	16,280	13,306	13,071	13,468
Operating profit annualized	2,122	1,379	492	1,444
Financial income, excl derivatives, annualized	28	5	2	1
Total return annualized	**2,150**	**1,384**	**495**	**1,444**
Return on capital employed (ROCE), %	13.2	10.4	3.8	10.7

Free operating cash flow (FOCF)

Alleima considers free operating cash flow (FOCF) to be useful to provide an indication of the funds the operations generate to be able to implement strategic investments, make amortizations and pay dividends to the shareholders.

Free operating cash flow (FOCF): EBITDA adjusted for non-cash items plus the change in net working capital minus investments and disposals of tangible and intangible assets and plus the amortization of lease liabilities.

SEK M	2022	2021	2020	2019
EBITDA	2,980	2,122	1,283	2,446
Non-cash items	-130	-144	447	8
Changes in working capital	-1,590	-420	297	-523
Capex[1]	-656	-436	-472	-590
Amortization, lease liabilities	-99	-76	-72	-91
Free operating cash flow	**505**	**1,046**	**1,483**	**1,250**

1) Including tangible and intangible assets of SEK -679 million (-494)

Net debt to Equity and Net debt to Adjusted EBITDA

Alleima considers both Net debt to Equity and Net debt to Adjusted EBITDA to be useful for the readers of its financial reports as a complement for assessing the possibility of dividends, implementing strategic investments and considering the Group's ability to meet its financial commitments. Net debt to Equity ratio is included in Alleima's financial targets.

Net debt: Interest-bearing current and non-current liabilities, including net pension liabilities and leases, less cash and cash equivalents

Financial net debt

Alleima considers financial net debt to be a useful indicator of the business's ability to pay off all debt, excluding pension liabilities and lease liabilities, at a certain point in time.

Financial net debt: Net debt, excluding net pension and lease liabilities.

SEK M	2022	2021	2020	2019
Non-current interest-bearing liabilities	916	1,351	1,690	1,772
Current interest-bearing liabilities	94	1,691	245	3,276
Prepayment of pensions	-97	-57	-19	-184
Cash and cash equivalents	-892	-1,661	-179	-112
Net debt	**21**	**1,324**	**1,737**	**4,751**
Net pension liability	-513	-1,147	-1,456	-1,119
Leasing liabilities	-391	-200	-209	-268
Financial net debt	**-883**	**-22**	**69**	**3,365**
Adjusted EBITDA	**2,540**	**1,811**	**1,933**	**2,331**
Total Equity	**15,901**	**11,761**	**10,368**	**8,791**
Net debt/Equity ratio	0.00	0.11	0.17	0.54
Net debt/Adjusted EBITDA ratio (multiple)	0.01	0.73	0.90	2.04

Definitions

Financial definitions

Adjusted earnings per share
Adjusted profit for the period divided by average number of shares outstanding during the year.

Adjusted EBIT
Operating profit (EBIT) excluding metal price effects and items affecting comparability.

Adjusted EBITDA
Operating profit (EBIT) before depreciations and amortizations, adjusted for metal price effects and items affecting comparability.

Adjusted profit for the period
Profit for the period, adjusted for metal price effects, items affecting comparability, and income tax effects.

Book-to-bill, %
The order intake of the period divided by the revenues of the period.

Capex
Acquisitions and sale of tangible and intangible assets.

EBIT
Earnings before interest and taxes (Operating profit).

EBIT/EBITDA margin, %
EBIT/EBITDA in relation to revenues.

EBITDA
Operating profit (EBIT) excluding depreciations and amortizations.

Financial net debt (+)
Net debt, excluding net pension and lease liabilities.

Free operating cash flow
EBITDA adjusted for non-cash items plus the change in net working capital minus investments and disposals of tangible and intangible assets and plus the amortization of lease liabilities.

Items affecting comparability (IAC)
Capital gains and losses from divestments and larger restructuring initiatives, impairments, capital gains and losses from divestments of financial assets as well as other material items having a significant impact on the comparability.

Metal price effects
Metal price effect on the operating profit during a particular period from changes in alloy prices arising from the timing difference between the purchase (as included in cost of goods sold) and the sale of an alloy (as included in the revenue) when alloy surcharges are applied.

Net debt (+)
Interest-bearing current and non-current liabilities, including net pension and lease liability, less cash and cash equivalents.

Net working capital
Total of inventories, trade receivables, account payables and other current non-interest-bearing receivables and liabilities, including those classified as liabilities and assets held for sale, but excluding tax assets and liabilities and provisions.

Net working capital to revenues, %
The annual value is the average working capital for four quarters divided by revenues for the full year.

Order intake
Order intake for a period refers to all orders received for immediate delivery and those orders for future delivery for which delivery dates and quantities have been confirmed.

Book-to-bill, %
The order intake of the period divided by the revenues of the period.

Organic growth, %
Change in order intake or revenues after adjustments for exchange rate effects and structural changes such as divestments and acquisitions and alloy surcharges.

Return on capital employed, %
Annualized operating profit/loss plus financial income, adjusted for derivatives, in relation to a four quarter average capital employed. Capital employed is defined as total capital less non-interest-bearing debt.

Sustainability definitions

Exposure hours (ET)
Number of hours worked in the time-period by the workforce. Refers to the amount of time where the workforce is exposed to the risk of a work-related incident.

Fatal Injury (FI)
An Injury that results in the death of a Worker.

Injury
An occurrence of physical or mental harm in the course of work because of a single or instantaneous event. An Injury will be classified as one of the following: Fatal, Lost Time Injury (LTI), Restricted Work Injury (RWI), Medical Treatment Injury (MTI) or Minor Injury (MI)

Definitions

Lost Time Injury (LTI)
An Injury that results in one or more Days Lost from work at some time (not necessarily immediately) after the shift in which the Injury occurred.

Lost Time Injury Frequency Rate (LTIFR)
Number of Fatal Injuries and Lost Time Injuries per million Exposure Hours.

Medical Treatment Injury (MTI)
An Injury that results in a Worker not being able to return to their Full Normal Duties immediately following any treatment for that Injury (i.e. for the remainder of the current shift), but where they are / would have been able to return to Full Normal Duties on the next calendar day.

Minor Injury (MI)
An Injury where the worker can immediately return to their Full Normal Duties after receiving treatment for the Injury.

Primary Material
Virgin material.

Recycle rate
Secondary material in relation to total material (Primary + Secondary).

Restricted Work Injury (RWI)
An Injury where the Worker does not have any Days Lost but would have been able to perform only some of their Normal Duties.

Scope 1 - Raw materials based
CO2 emission from reduction of carbon content in the steel manufacturing process.

Scope 1- Fuels
CO2 emission from fuel combustion.

Scope 2
CO2 emission from purchased electricity, heat and steam.

Secondary Material
Recycled material.

Total Recordable Injury (TRI)
The sum of the number of Fatal Injuries (FI), Lost Time Injuries (LTI), Restricted Work. Injuries (RWI) and Medical Treatment Injuries (MTI).

Total Recordable Injury Frequency Rate (TRIFR)
Number of Total Recordable Injuries per million Exposure Hours.

Definitions

Product definitions

Austenitic steel
A stainless steel with austenitic crystal structure which contains high percentage of nickel and chromium. It combines excellent mechanical properties and resistance to corrosion with good ductility and weldability.

Bi-polar plates
Pre-coated strip steel; bipolar plates for Polymer Electrolyte Fuel Cell (PEFC) applications.

Cladding tubes
Cladding tubes are used mainly as fuel tubes, with a group of fuel rods containing the fissionable material (uranium) providing fuel for the nuclear reactor.

Coated strip steel
Stainless steel in strip form and pre-coated for specific needs.

Compressor valve steel
Strip steel grades with a very high fatigue resistance, especially designed to meet the tough demands on compressor valves.

Corrosion Resistant Alloy (CRA)
Grade with high mechanical strength and excellent corrosion resistance, e.g. to pitting and crevice corrosion, stress corrosion cracking (SCC), acid and caustic environments, erosion-corrosion.

GDI automotive tubing
Seamless stainless steel tubing developed for gasoline direct injection (GDI)

Heating elements and modules
Prefabricated heating modules are designed for a wide range of thermal processing applications up to 1,700° C (3,090° F) element temperature.

Heating resistance materials
Products used for the manufacture of heating elements, thermocouples and a range of highly demanding high temperature applications.

High-pressure tubing
Seamless high-pressure tubes for a variety of high-pressure applications using liquid or gas as the pressure medium, such as hydraulic installations, test benches and water-jet cutting equipment.

Hollow bar
Hollow bar is a thick-walled stainless steel tube often used for machining components.

Hydraulic and instrumentation tubing
Hydraulic and instrumentation tubing are supplied with smooth surfaces and close dimensional tolerances reducing the risk of leakages when connecting tubes with couplings.

Kanthal APM®
Kanthal® APM is an advanced powder-metallurgical, dispersion-strengthened, ferritic iron-chromium-aluminium alloy (FeCrAl alloy) for use at temperatures up to 1,425° C (2,600° F). The alloy is characterized by exceptionally good form stability and oxidation resistance.

Kanthal® APMT
Kanthal® APMT is an advanced powder metallurgical, dispersion strengthened, ferritic iron-chromium-aluminum alloy (FeCrAlMo alloy) recommended for continuous use up to 1,250° C (2,280° F) in oxidizing and reducing environments.

Medical wire
Ultra-fine wire specifically for medical devices.

OCTG
Oil Country Tubular Goods (OCTG) refers to the casing, tubing, piping and pipelines used in the petroleum industry.

Polymer Electrolyte Fuel Cells (PEFC)
Polymer electrolyte fuel cells are electrochemical devices, converting the chemical energy of fuel directly into electrical energy.

Rock drill steel
Drill steel developed for the manufacturing of top-hammer rock drill rods.

Umbilical tubes
Umbilical tubes are the lifeline between surface installations and subsea equipment, and link surface and seafloor oil and gas equipment for controls, power or heat. Umbilical tubes are designed for high systematic pressure at great depth, where thinner walls and high strength are required.

Key figures

SUMMARY

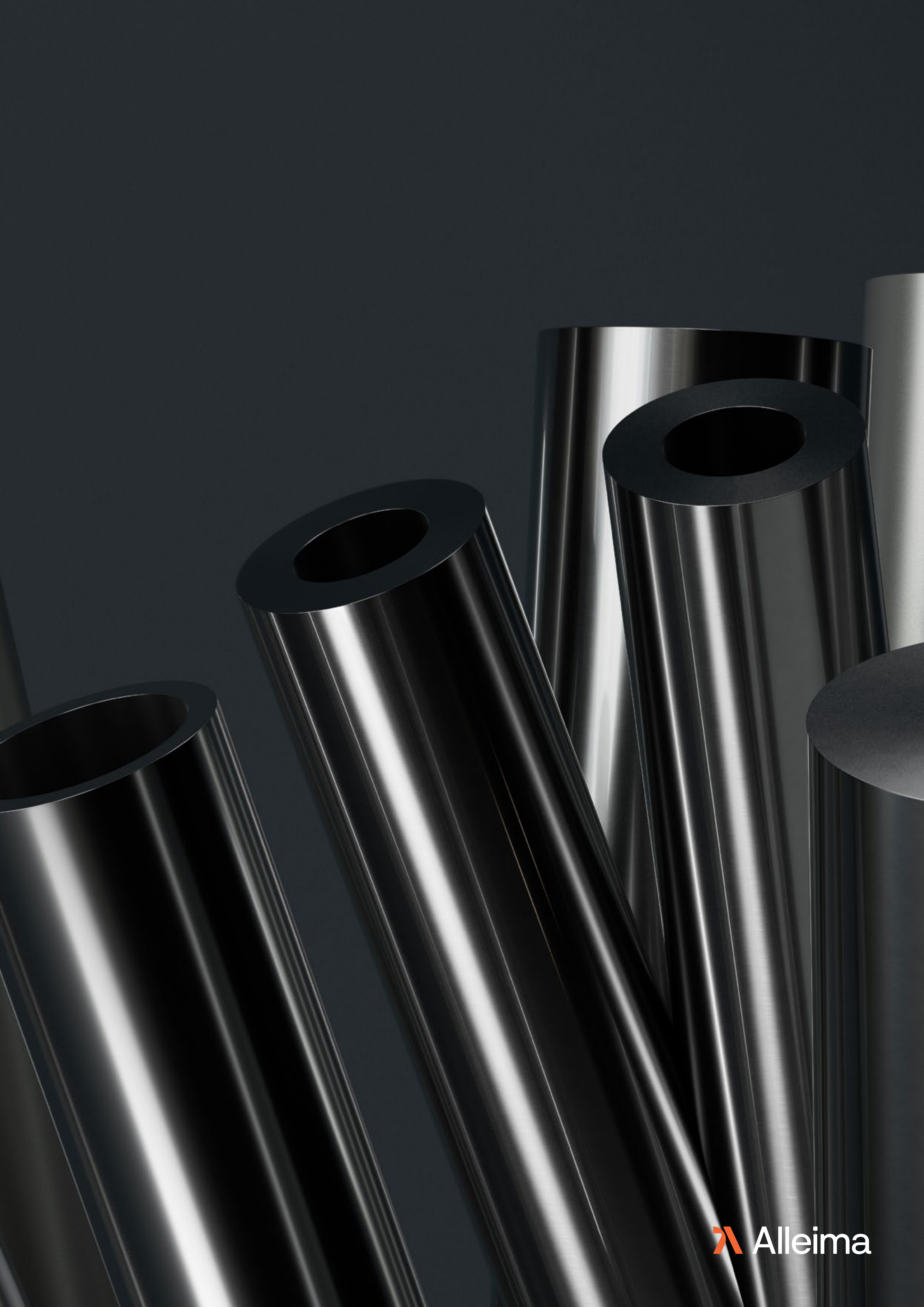
Key figures - Group

SEK million	2022	2021	2020	2019
Order intake	22,130	15,681	12,230	16,851
Organic growth, %	19	26	-26	2
Revenues	18,405	13,847	13,925	15,654
Organic growth, %	13	-3	-9	4
Adjusted gross margin, %	21.8	20.6	22.2	23.2
Adjusted EBITDA	2,540	1,811	1,933	2,331
Margin, %	13.8	13.1	13.9	14.9
Adjusted operating profit (EBIT)	1,681	1,055	1,205	1,513
Margin, %	9.1	7.6	8.7	9.7
Metal price effects	695	487	-172	274
Items affecting comparability	-254	-176	-478	-158
Operating profit (EBIT)	2,122	1,379	492	1,444
Margin, %	11.5	10.0	3.5	9.2
Profit for the period	1,483	1,228	380	667
Adjusted earnings per share, SEK	4.46	3.82	3.69	2.94
Earnings per share, SEK	5.86	4.80	1.55	2.64
Cash flow from operations	687	1,151	1,671	1,617
Free operating cash flow	505	1,046	1,483	1,250
Net working capital to revenues, [1]	32.8	31.2	30.4	26.1
Return on capital employed, % [1]	13.2	10.4	3.8	10.7
Net debt/Equity ratio	0.00	0.11	0.17	0.54
Net debt/Adjusted EBITDA ratio	0.01	0.73	0.9	2.04
Normalized tax rate, %	24.3	24.9	31.6	35.2
Average number of shares at the end of the period (millions)	250.877	250.877	250.877	250.877
Number of shares at the end of the period (millions)	250.877	250.877	250.877	250.877
Number of employees [2]	5,886	5,465	5,084	5,726
Number of consultants [2]	612	413	287	513

1) The annual number is based on a four quarter average.

2) Full-time equivalent.

Design and production: Alleima and Narva. **Print:** BrandFactory Printhouse 2023. **Photo:** Alleima.


Alleima