Alleima

# Q2 2022 Interim report

## A solid quarter with strong markets and record-high order intake level

- Order intake increased organically by 26% to SEK 6,440 million (4,165) year on year, mainly driven by orders in the Oil and Gas customer segment of the Tube division, as well as a positive development in all three divisions. Excluding major orders, organic growth was 21%.
- Revenues increased organically by 13% to SEK 4,757 million (3,449), driven by a positive year on year development in all three divisions, and the Oil and Gas segment of Tube in particular.
- Operating profit (EBIT) amounted to SEK 1,106 million (355), corresponding to a margin of 23.3% (10.3), and included items affecting comparability of SEK -89 million (-39) and metal price effects of SEK 649 million (50).
- Adjusted operating profit (EBIT), amounted to SEK 547 million (344), corresponding to a margin of 11.5% (10.0), supported by higher volumes and favorable product mix, despite cost inflation in freight and energy.
- Earnings per share was SEK 2.67 (1.44). Adjusted earnings per share was SEK 0.91 (1.42).
- Cash flow from operating activities decreased year on year to SEK 1 million (143) due to increased net working capital.
- Free operating cash flow increased to SEK 81 million (-39) impacted by increased net working capital offset by higher earnings, lower capex and effects related to the separation from Sandvik.
- On June 28, an extraordinary general meeting (EGM) decided to change the name of the parent company to Alleima AB (publ).

**Financial overview**

| SEK M | Q2 2022 | Q2 2021 | Change, % | Q1-Q2 2022 | Q1-Q2 2021 | Change, % |
|---|---|---|---|---|---|---|
| Order intake | 6,440 | 4,165 | 55 | 12,436 | 7,907 | 57 |
| *Organic growth, %* | *26* | *73* | – | *33* | *18* | – |
| Revenues | 4,757 | 3,449 | 38 | 8,976 | 6,715 | 34 |
| *Organic growth, %* | *13* | *-3* | – | *13* | *-8* | – |
| Adjusted EBITDA | 751 | 553 | 36 | 1,352 | 997 | 36 |
| *Margin, %* | *15.8* | *16.0* | – | *15.1* | *14.8* | – |
| Adjusted operating profit (EBIT) | 547 | 344 | 59 | 931 | 580 | 60 |
| *Margin, %* | *11.5* | *10.0* | – | *10.4* | *8.6* | – |
| Operating profit (EBIT) | 1,106 | 355 | 211 | 1,741 | 692 | 152 |
| Profit for the period | 669 | 365 | 83 | 1,224 | 519 | 136 |
| Adjusted earnings per share, SEK | 0.91 | 1.42 | -36 | 2.28 | 1.70 | 34 |
| Earnings per share, SEK | 2.67 | 1.44 | 85 | 4.83 | 2.03 | 137 |
| Free operating cash flow | 81 | -39 | – | 28 | 533 | -95 |
| Net working capital to revenues, % [1] | 31.6 | 29.9 | – | 31.9 | N/A | – |
| Net debt/Equity ratio | -0.01 | 0.12 | – | -0.01 | 0.12 | – |

**Notes to the reader:** Adjusted EBITDA and adjusted operating profit (EBIT) excludes items affecting comparability (IAC) and metal price effects, see Note 2 and the description of Alternative Performance Measures on page 29-32 for further details. Definitions and glossary can be found on www.alleima.com/investors
1) Quarter is quarterly annualized and the annual number is based on a four quarter average. 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. N/A = Not available.

*"I believe that we have the right strategy in place, and that we are well positioned to continue to capture the positive momentum that we are currently seeing in the market. This is just the beginning of an exciting future for Alleima."*

# CEO’s comment

It is a great honor to present the first interim report for Alleima, and I am pleased with the strong performance in all three divisions during the second quarter. As we have noted for a few consecutive quarters now, we are experiencing tailwinds in the form of positive market demand, which was translated into organic order intake growth of 26% compared to the same period last year. This corresponded to our highest ever order intake level in absolute terms, which is a result of a broad-based positive development as well as high raw material prices (alloy surcharges), despite uncertainties in the macroeconomic environment. We received several large orders in the quarter, related mainly to the Oil and Gas segment within Tube, both for Oil Country Tubular Goods (OCTG) and umbilicals. The energy market and the global energy demand are hot topics and I believe that we will continue to benefit from the under-investments within this industry for the foreseeable future.

Revenues increased organically by 13% year on year, with growth in all three divisions, and an adjusted EBIT margin of 11.5%. The reported EBIT margin including positive metal price effects of SEK 649 million and IAC related to the separation project of SEK -89 million was 23.3%. We are, however, experiencing high raw material prices, which is positive for our earnings but has a short-term negative impact on our cash flows, as it leads to more capital tied up in inventories and accounts receivable. In addition, the higher market demand, the normal seasonal inventory build-up and extended freight times impacted our cash flow negatively in the quarter.

We have identified four customer segments that are particularly important from a growth perspective; Chemical and Petrochemical, Industrial Heating, Medical and the Hydrogen & Renewable Energy segments, where we aim to capitalize on the global megatrends, including the green transition. With this growth strategy we are making a positive impact for society and the environment through our product offering. On this note, we received our first "waste to energy" order for our unique Sanicro® 35 grade for heat exchanger applications during the quarter. Our customer will use Sanicro® 35 in its renewable natural gas plant, to convert and refine biogas or landfill gas into renewable natural gas, helping to reduce greenhouse gas emissions. We expect more orders in this field in the future, and I am proud that our innovations have both operational benefits for our customers as well as environmental benefits.

Due to the decision by Sandvik's shareholders at the Annual General Meeting held on April 27, 2022, we are working at full speed towards the listing on Nasdaq Stockholm, which is expected to take place on August 31. I would like to sincerely thank all Alleima employees for a fantastic job on the separation from Sandvik while at the same time maintaining business momentum. I am convinced that a separate listing will strengthen the sense of pride within the organization, and be an enabler for developing our business further, and ultimately, creating extended shareholder value.

I look forward to hosting the first Capital Markets Day of Alleima in Sandviken, Sweden, on August 23, and I hope to see you there. This is the next important milestone on our journey to become a listed company and we are all excited to share our story. I believe that we have the right strategy in place, and that we are well positioned to continue to capture the positive momentum we are currently experiencing. This is just the beginning of an exciting future for Alleima.

Göran Björkman, President and CEO

# Market development and outlook

## Market development

The positive trend in market demand continued across most customer segments compared to the same period last year. However, the current market environment continues to be impacted by some delays, supply chain issues, longer than normal freight leadtimes and uncertainties related to raw material price inflation, especially for nickel prices.

– The **Industrial segment** noted a solid demand in the beginning of the quarter, although a slight decrease was noted for low refined products in Europe towards the end of the period. The demand in Asia and North America was stable during the period and higher compared to last year.

– Demand in the **Chemical and Petrochemical segment** was solid, despite some negative impact from increased raw material prices and energy costs. Activity related to application tubing products in Asia remained high, driven by continued domestic demand.

– The **Oil and Gas segment** continued its recovery with a positive market sentiment and higher activity. The number of prospects continued to increase and several large orders related to both OCTG and umbilicas were received in the quarter, of which one major OCTG order to a value of SEK 219 million.

– The **Industrial Heating segment** noted an increased demand driven mainly by the semiconductor and glass market. The electrification initiatives progressed with continued interest among customers, supporting the long-term strategy.

– In the **Consumer segment,** the demand for compressor valve steel, razor blades, knife steel and appliance wire remained at high levels.

– Demand in the **Power Generation segment** was solid. Significant orders were received for nuclear tubes and pipe during the quarter. Activity levels in clean energy remain high with discussions progressing well in relation to future power projects.

– Demand in the **Mining and Construction segment** remained on par with the same period last year.

– In the **Transportation segment,** aerospace continued its recovery during the quarter, mainly driven by precision tubing for hydraulic systems. Demand in automotive was in line with the same period as last year, held back mainly by component shortages, and delays were noted for parts of the business.

– Demand in the **Medical segment** showed a continued strong momentum for all three divisions with strong growth in order intake.

– The **Hydrogen and Renewable Energy** segment, showed continued strong market momentum mainly related to the hydrogen segment (Hydrogen Refueling Stations) and coated strip steel for hydrogen fuel cells.

**Year on year underlying demand trend**

| | INDUSTRIAL | CHEMICAL AND PETROCHEMICAL | OIL AND GAS | INDUSTRIAL HEATING | CONSUMER |
|---|---|---|---|---|---|
| Year on year underlying demand trend | → | ↗ | ↗ | ↗ | → |
| % of Group revenues 2021 | 24% | 16% | 14% | 13% | 10% |

| | POWER GENERATION | MINING AND CONSTRUCTION | TRANSPORTATION | MEDICAL | HYDROGEN & RENEWABLE ENERGY |
|---|---|---|---|---|---|
| Year on year underlying demand trend | ↗ | → | ↗ | ↗ | ↗ |
| % of Group revenues 2021 | 8% | 8% | 4% | 3% | <1% |

## Outlook for the third quarter 2022

The positive market sentiment is expected to continue into the third quarter. However, uncertainties due to inflationary pressure and impact from the macroeconomic environment as well as volatile raw material and energy prices combined with continued supply chain issues and delays might still be present.

The product mix going into the third quarter is expected to be similar to that in the second quarter of 2022. At current raw material price levels, inventory is expected to decrease during the third quarter, according to normal seasonal trends due to summer shut-downs. Orders, revenues and adjusted margin in the third quarter are normally lower than in the second quarter based on seasonality.

Note: Comments about market development and outlook are based on the company's current perceptions.

# 26%

Organic order intake growth

# Order intake and revenues

**Order intake** in the quarter was at an all-time-high in absolute terms and increased by 55% to SEK 6,440 million (4,165) compared to the same period last year, corresponding to organic growth of 26%. Tube, Kanthal and Strip noted a positive year on year development, mainly driven by orders related to the Oil and Gas, Industrial Heating and Consumer customer segments. Order intake in the regions of North America and Asia noted a favourable trend with organic growth of 21% and 18% respectively. Order intake in Europe declined by -1% from a high level. Excluding one major order of SEK 219 million for the Group, organic order intake growth was 21% in the quarter. The backlog continues to be on a solid level.

**Revenues** in the quarter increased by 38% to SEK 4,757 million (3,449), corresponding to an organic revenue growth of 13% compared to the same period last year. Most customer segments and all three divisions noted a positive development compared to last year. The book-to-bill ratio was 135% in the quarter.

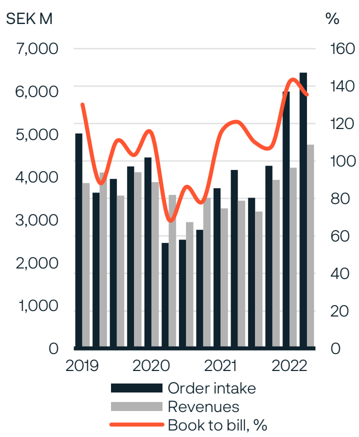
**Acquisitions and divestments** had a positive impact of 1% on order intake and revenues respectively, while **currency** had an impact of 6% on orders and revenues respectively. **Alloy surcharges** had a positive impact of 20% on order intake and 17% on revenues, mainly driven by increased nickel prices.

### Order intake and revenue bridge

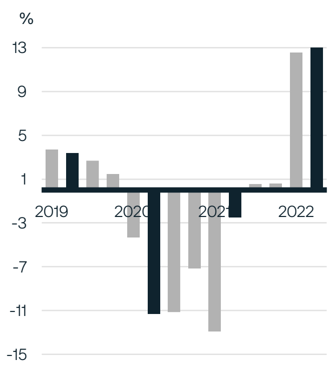
| SEK M | Order intake | Revenues |
|---|---|---|
| **Q2 2021** | **4,165** | **3,449** |
| Organic, % | 26 | 13 |
| Acquisitions & divestments, % | 1 | 1 |
| Currency, % | 6 | 6 |
| Alloys, % | 20 | 17 |
| Total growth, % | 55 | 38 |
| **Q2 2022** | **6,440** | **4,757** |

Change compared to the same quarter last year.

### Order intake and revenues




### Organic revenue growth



# Earnings

| SEK M | Adjusted EBIT |
|---|---|
| **Q2 2021** | **344** |
| Organic | 104 |
| Currency | 96 |
| Acquisitions & divestments | 3 |
| **Q2 2022** | **547** |

Change compared to the same quarter last year.

**Gross profit** amounted to SEK 1,772 million (895). Adjusted gross profit increased by 44% to SEK 1,123 million (780), corresponding to an adjusted gross margin of 23.6% (22.6), which increased mainly due to higher revenues and a favourable product mix compared to the same period last year.

**Sales, administrative and R&D costs** increased by 32% year on year and amounted to SEK -708 million (-537). Adjusted sales, administrative and R&D costs increased by 32% year on year to SEK -619 million (-470) mainly due to higher freight costs. Adjusted sales, administrative and R&D costs in relation to revenues decreased slightly to 13.0% (13.6) attributable to higher revenues.

**Reported EBIT** increased to SEK 1,106 million (355), with a margin of 23.3% (10.3). Items affecting comparability amounted to SEK -89 million (-39) mainly related to the separation from Sandvik AB. Metal price effects had a positive impact of SEK 649 million (50) in the quarter, mainly due to increased nickel prices.

**Adjusted EBIT** increased by 59% to SEK 547 million (344) corresponding to a margin of 11.5% (10.0). The year on year development was attributable to a strong product mix and higher revenues, somewhat offset by higher cost for freight and energy, as well as costs related to operating as a stand-alone company. Depreciation and amortization amounted to SEK -205 million (-196).

**Net financial items** amounted to SEK -171 million (49), mainly due to negative effects from financial derivatives.

**The reported tax rate** was 28.4% (9.6) in the quarter. The normalized tax rate, excluding the adverse impact related to items affecting comparability and metal price effects in operating profit was 32.5% (22.2).

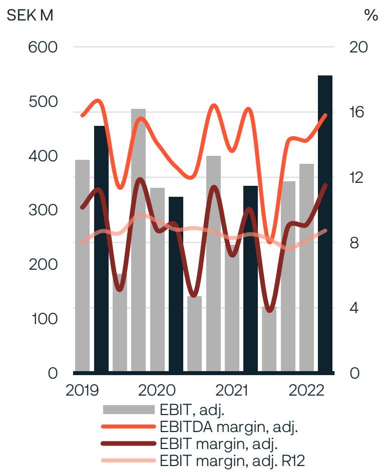
**Profit for the period** amounted to SEK 669 million (365), corresponding to earnings per share of SEK 2.67 (1.44). Adjusted profit for the period amounted to SEK 228 million (359) and adjusted earnings per share amounted to SEK 0.91 (1.42), see page 30 for further details.

**Adjusted earnings per share**

SEK

0.91

**Adjusted EBITDA and Adjusted EBIT (%)**




11.5%

Adjusted EBIT margin

# Cash flow and financial position

**Capital employed** increased year on year to SEK 16,638 million (12,916), due to higher net working capital. Return on capital employed improved to 27.8% (11.4).

**Net working capital** increased year on year to SEK 6,641 million (4,304), and was up sequentially on the back of continued increase in inventories due to higher activity levels and raw material prices, longer freight leadtimes as well as a seasonal build-up across the business, mainly within the Tube division. Activities to control inventory levels are ongoing. Net working capital in relation to revenues was 31.6% (29.9) for the quarter.

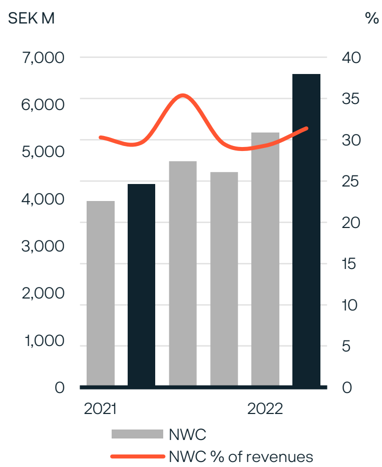
**Investments in tangible and intangible assets (Capex)** increased to SEK -115 million (-82), mainly due to lower than normal levels last year, corresponding to 64.8% (44.4) of scheduled depreciations and -2.4% (-2.4) of revenues in the quarter.

**Total net debt** decreased to SEK -139 million compared to SEK 154 million in the preceding quarter and SEK 1,324 million in december 2021, mainly due to cash contribution of SEK 1.4 billion from Sandvik AB and a decrease in the pension liability of SEK 0.6 billion. Net debt to equity ratio end of June was -0.01, a decrease from the preceding quarter (0.01) and december 2021 (0.11). Total net debt to rolling 12 months adjusted EBITDA corresponded to -0.06 compared to Q1 (0.02) and Q4 2021 (0.23). The financial net debt position of SEK -841 million, i.e a net cash position, increased compared to Q1 (-1,174) but decreased sequentially (-22) mainly due to the capital injection and the change in the pension liability. With an increased discount rate in Sweden, the net pension liability decreased in the quarter to SEK 477 million (1,104) and YTD (1,147).

**Cash flow from operating activities** decreased year on year to SEK 1 million (143) due to increased net working capital from higher activity and with a negative impact from higher raw material prices.

**Free operating cash flow** increased to SEK 81 million (-39), negatively impacted by the higher net working capital offset by higher earnings and low capex in the quarter, as well as effects related to the separation from Sandvik impacting the same period last year.

### Net working capital




### Net debt to Equity

Ratio

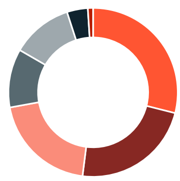
-0.01x

### Free operating cash flow

| SEK M | Q2 2022 | Q2 2021 | Q1-Q2 2022 | Q1-Q2 2021 |
|---|---|---|---|---|
| EBITDA | 1,310 | 551 | 2,162 | 1,096 |
| Non-cash items | -54 | -84 | -59 | -128 |
| Changes in working capital | -1,038 | -406 | -1,851 | -263 |
| Capex[1] | -115 | -82 | -182 | -136 |
| Amortization, lease liabilities | -22 | -18 | -43 | -37 |
| **Free operating cash flow[2]** | **81** | **-39** | **28** | **533** |

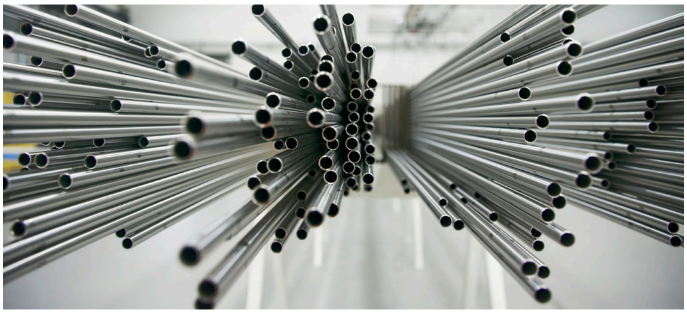
1) Including tangible and intangible assets of SEK -116 million (-84) for Q2 and SEK -190 million (-138) Q1-Q2 2022.
2) Free operating cash flow before acquisitions and disposals of companies, net financial items and paid taxes.

Revenues per customer segment, full year 2021




# 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.



| SEK M | Order intake | Revenues |
|---|---|---|
| **Q2 2021** | **2,992** | **2,336** |
| Organic, % | 32 | 17 |
| Structure, % | 0 | 0 |
| Currency, % | 5 | 4 |
| Alloys, % | 23 | 19 |
| Total growth, % | 63 | 43 |
| **Q2 2022** | **4,869** | **3,329** |

Change compared to same quarter last year. The table is multiplicative, i.e. the different components must be multiplied to determine the total effect.

## Order intake and revenues

Order intake increased organically by 32% to SEK 4,869 million (2,992), mainly driven by OCTG and umbilical orders within the Oil and Gas customer segment. Excluding major orders, organic growth was 25%, and demand showed a positive development across most customer segments and most products compared to same period last year.

Revenues increased organically by 17% to SEK 3,329 million (2,336), with a broad-based positive development and the main driver being umbilicals in the Oil and Gas customer segment. Other main contributors to the year on year growth was application tubing products like high temperature and fertilizer, as well as hydraulic & instrumentation tubing to Chemical and Petrochemical and the Industrial customer segments. The book-to-bill ratio was 146% in the quarter.

## Earnings

EBIT amounted to SEK 914 million (309) and included items affecting comparability of SEK -3 million (34) and metal price effects of SEK 489 million (40), mainly impacted by increased nickel prices. Adjusted EBIT totaled SEK 428 million (235), corresponding to a margin of 12.9% (10.0). The increase was primarily driven by higher revenues and a positive product mix. Changes in exchange rates had a positive impact of SEK 57 million (4). Amortization and depreciation amounted to SEK -164 million (-157).

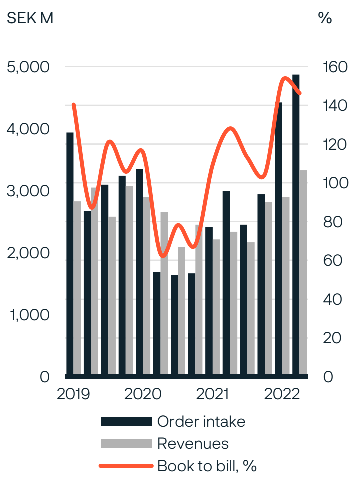
## Other quarterly highlights

During the quarter, the Sanicro® 625 bar was launched, which follows the successful launch of Sanicro® 825 bar and hollow bar in 2021, with two new high-strength grades in the pipeline (718 and 925). Super alloy Sanicro® 625 bar will be used to machine advanced components that are exposed to acids, alkalis, seawater, and other wet corrosive conditions in both cryogenic environments and temperatures up to 593°C (1,100°F). This launch strengthens the offering for the several customer segments, mainly in Chemical and Petrochemical as well as Oil and Gas, and extends the possibilities for our customers to attain higher safety, reliability and consistency.

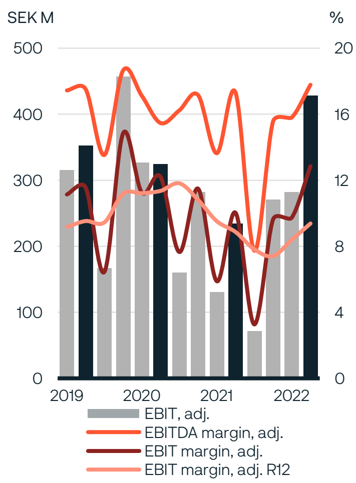
| SEK M | Q2 2022 | Q2 2021 | Change % | Q1-Q2 2022 | Q1-Q2 2021 | Change % |
|---|---|---|---|---|---|---|
| Order intake | 4,869 | 2,992 | 63 | 9,288 | 5,408 | 72 |
| *Organic growth, %* | *32* | *79* | – | *46* | *10* | – |
| Revenues | 3,329 | 2,336 | 43 | 6,226 | 4,546 | 37 |
| *Organic growth, %* | *17* | *-13* | – | *16* | *-18* | – |
| Adjusted EBITDA | 592 | 404 | 46 | 1,050 | 706 | 49 |
| *Margin, %* | *17.8* | *17.3* | – | *16.9* | *15.5* | – |
| Adjusted EBIT | 428 | 235 | 82 | 710 | 365 | 95 |
| *Margin, %* | *12.9* | *10.0* | – | *11.4* | *8.0* | – |
| EBIT | 914 | 309 | 196 | 1,420 | 525 | 171 |
| *Margin, %* | *27.4* | *13.2* | – | *22.8* | *11.5* | – |
| Number of employees | 3,890 | 3,590 | 8 | 3,890 | 3,590 | 8 |

Adjusted EBITDA and adjusted EBIT excludes items affecting comparability and metal price effects, for more information see page 26.

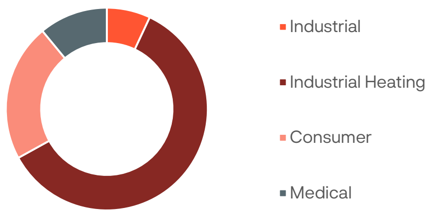
### Order intake and revenues




### Adj. EBITDA and Adj. EBIT (%)

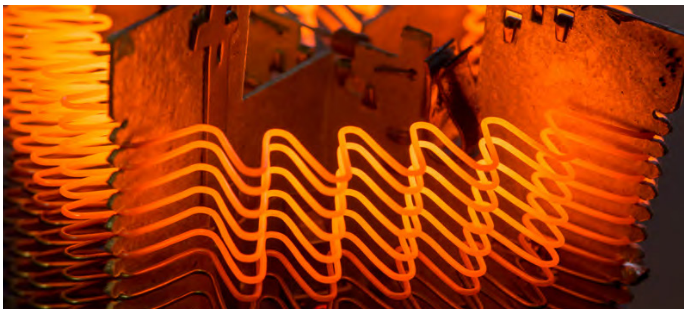


Revenues per customer segment, full year 2021




# 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.



| SEK M | Order intake | Revenues |
|---|---|---|
| **Q2 2021** | **823** | **762** |
| Organic, % | 5 | 3 |
| Structure, % | 3 | 4 |
| Currency, % | 10 | 9 |
| Alloys, % | 15 | 15 |
| Total growth, % | 35 | 33 |
| **Q2 2022** | **1,111** | **1,012** |

Change compared to same quarter last year. The table is multiplicative, i.e. the different components must be multiplied to determine the total effect.

### Order intake and revenues

Demand remained strong and order intake increased organically by 5% to SEK 1,111 million (823). The positive development was primarily driven by the Industrial Heating segment, due to a wide range of products for heating systems as well as the Medical segment. Heating materials noted a slightly negative development compared to high levels in the same period last year.

Revenues increased organically by 3% to SEK 1,012 million (762). The year on year growth was mainly driven by heating materials, as well as the record-high revenues noted in the Medical segment. Revenues for heating systems were flat compared to last year. The book-to-bill ratio was 110% in the quarter.

### Earnings

EBIT amounted to SEK 297 million (124) and included items affecting comparability of SEK -3 million (0) and metal price effects of SEK 142 million (3). Adjusted EBIT amounted to SEK 158 million (120), corresponding to a margin of 15.6% (15.8). The slight margin decline was primarily due to a weaker product mix compared to the same period last year. Changes in exchange rates had a positive impact of SEK 29 million (-19). Amortization and depreciation amounted to SEK -25 million (-20).

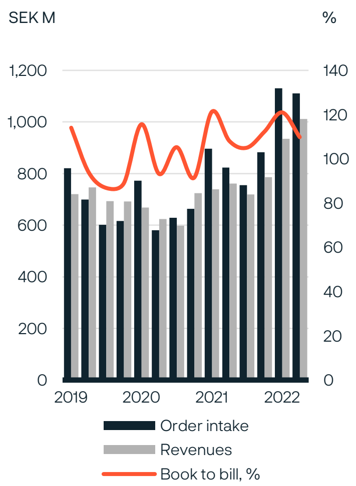
### Other quarterly highlights

During the quarter, Kanthal together with Swerim inaugurated the joint ultra-modern atomizer unit for research and development of materials and the atomizing process. The atomizer allows for atomizing of powder batches up to about 85 kg, both for additive manufacturing and hot isostatic pressing applications. This investment brings unique opportunities for customized development within additive manufacturing and enables a unique platform for R&D in alloy and powder-development.

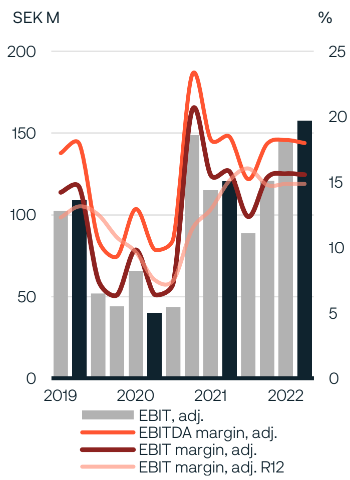
| SEK M | Q2 2022 | Q2 2021 | Change % | Q1-Q2 2022 | Q1-Q2 2021 | Change % |
|---|---|---|---|---|---|---|
| Order intake | 1,111 | 823 | 35 | 2,242 | 1,720 | 30 |
| *Organic growth, %* | *5* | *52* | – | *5* | *37* | – |
| Revenues | 1,012 | 762 | 33 | 1,947 | 1,502 | 30 |
| *Organic growth, %* | *3* | *29* | – | *5* | *23* | – |
| Adjusted EBITDA | 182 | 141 | 29 | 352 | 276 | 28 |
| *Margin, %* | *18.0* | *18.5* | – | *18.1* | *18.4* | – |
| Adjusted EBIT | 158 | 120 | 31 | 304 | 235 | 29 |
| *Margin, %* | *15.6* | *15.8* | – | *15.6* | *15.7* | – |
| EBIT | 297 | 124 | 140 | 531 | 263 | 102 |
| *Margin, %* | *29.3* | *16.2* | – | *27.3* | *17.5* | – |
| Number of employees | 1,124 | 1,039 | 8 | 1,124 | 1,039 | 8 |

Adjusted EBITDA and adjusted EBIT excludes items affecting comparability and metal price effects, for more information see page 26.

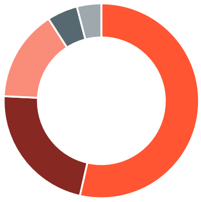
### Order intake and revenues




### Adj. EBITDA and Adj. EBIT (%)



Revenues per customer segment, full year 2021




# 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 for one of the most critical components in the hydrogen fuel cell stack – the bipolar plates.

| SEK M | Order intake | Revenues |
|---|---|---|
| **Q2 2021** | **351** | **351** |
| Organic, % | 20 | 7 |
| Structure, % | – | – |
| Currency, % | 5 | 6 |
| Alloys, % | 5 | 5 |
| Total growth, % | 31 | 19 |
| **Q2 2022** | **460** | **416** |

Change compared to same quarter last year. The table is multiplicative, i.e. the different components must be multiplied to determine the total effect.

## Order intake and revenues

Demand remained solid in the quarter. Order intake increased organically by 20% to SEK 460 million (351) and was mainly driven by contract bookings for razor blade and knife steel within the Consumer customer segment and orders for coated strip steel for the Hydrogen and Renewable Energy segment.

Revenues increased by 7% organically and amounted to SEK 416 million (351) due to a broad-based year on year growth and high activity across the business, with razor blade, knife steel and stainless compressor valve steel being the main drivers. The book-to-bill ratio was 111% in the quarter.

## Earnings

EBIT amounted to SEK 73 million (65) and included items affecting comparability of SEK 0 million (0) and metal price effects of SEK 17 million (6). Adjusted EBIT totaled SEK 55 million (59), corresponding to a margin of 13.3% (16.7). The decline was mainly attributable to cost inflation related to raw materials and energy, as these are not fully offset by price increases. Changes in exchange rates had a positive impact of SEK 9 million (-16). Amortization and depreciation amounted to SEK -12 million (-12).

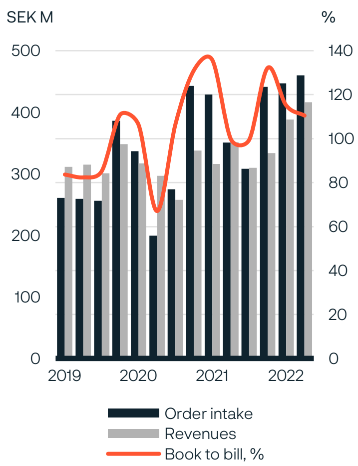
## Other quarterly highlights

One of Strip's customers in India produces ophthalmic knives for eye surgery. Medical devices such as surgical knives have high requirements relating to chemistry, strength and purity, as well as low levels of non-metallic inclusions. During the quarter, the customer selected our proven steel grade 7C27Mo2 in hardened and tempered condition, which meets these requirements. In addition to the quality aspects, the material is delivered to the customer in "ready-to-use" form, saving production steps.

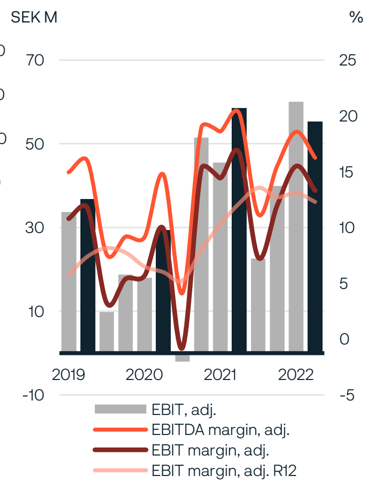
| SEK M | Q2 2022 | Q2 2021 | Change % | Q1-Q2 2022 | Q1-Q2 2021 | Change % |
|---|---|---|---|---|---|---|
| Order intake | 460 | 351 | 31 | 906 | 779 | 16 |
| *Organic growth, %* | *20* | *82* | – | *7* | *51* | – |
| Revenues | 416 | 351 | 19 | 804 | 667 | 21 |
| *Organic growth, %* | *7* | *22* | – | *10* | *13* | – |
| Adjusted EBITDA | 68 | 71 | -5 | 139 | 130 | 8 |
| *Margin, %* | *16.2* | *20.2* | – | *17.4* | *19.4* | – |
| Adjusted EBIT | 55 | 59 | -5 | 115 | 104 | 11 |
| *Margin, %* | *13.3* | *16.7* | – | *14.3* | *15.6* | – |
| EBIT | 73 | 65 | 12 | 146 | 119 | 22 |
| *Margin, %* | *17.4* | *18.5* | – | *18.1* | *17.8* | – |
| Number of employees | 511 | 501 | 2 | 511 | 501 | 2 |

Adjusted EBITDA and adjusted EBIT excludes items affecting comparability and metal price effects, for more information see page 26.

**Order intake and revenues**




**Adj. EBITDA and Adj. EBIT (%)**



# Sustainability

Alleima's strategy is to be a leader in the market in terms of sustainability, contribute to increased circularity and support general health and well-being, both through its product offering and its operations. Developing a sustainable product offering, combined with several initiatives to reduce the overall environmental impact of the production process, is considered one of the most important success factors.

### Having an impact through our offering

The Hydrogen & Renewable Energy segment is an identified growth area of Alleima. During the second quarter, the first "waste to energy" order was received for the unique Sanicro® 35 grade. The customer will use Sanicro® 35 in its renewable natural gas plant in Texas to convert and refine biogas or landfill gas into renewable natural gas, helping to reduce greenhouse gas emissions. Sanicro® 35 for heat exchanger applications has both operational and environmental benefits.

### Having an impact through our operations

– The 12-month-rolling Total Recordable Injury Frequency Rate (TRIFR) improved to 7.1 (8.2).

– The share of scrap metal input in steel manufacturing for the 12-months-rolling period amounted to 82.2% (81.7).

– Total greenhouse gas (GHG) emissions for the 12-month rolling period increased by 3% compared to the same period last year, and amounted to 125,000 tons, mainly driven by higher production levels. Relative to tons produced, the GHG emissions decreased by 14% versus a year ago.

– The share of female managers increased to 22.1% (20.0) at the end of the second quarter, corresponding to the highest share of female managers on record.

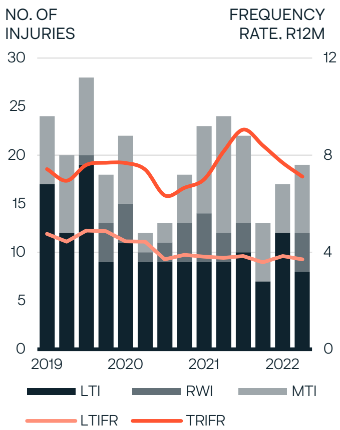
Definitions and glossary can be found on www.alleima.com/investors.

### Sustainability overview

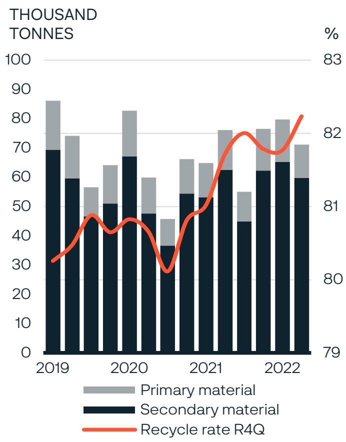
| | Q2 2022 | Q2 2021 | Change, % | R12M, Q2 2022 | R12M, Q2 2021 |
|---|---|---|---|---|---|
| TRIFR [1] | 7.2 | 9.4 | -23.5 | 7.1 | 8.2 |
| $CO_2$, thousand tonnes | 32 | 32 | 0.2 | 125 | 122 |
| Recycled steel, % | 84.0 | 82.1 | 2.3 | 82.2 | 81.7 |
| Share of female managers, % | 22.1 | 20.0 | 10.4 | - | - |

1) Total Recordable Injury Frequency Rate. Normalization factor: 1,000,000 exposure hours.

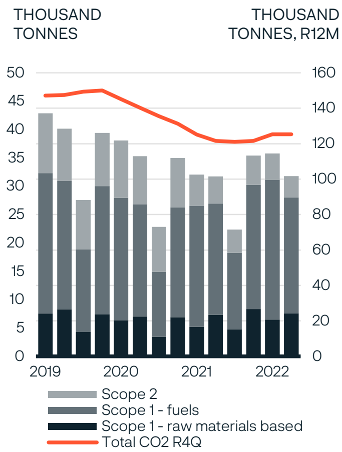
### Health and safety – TRIFR



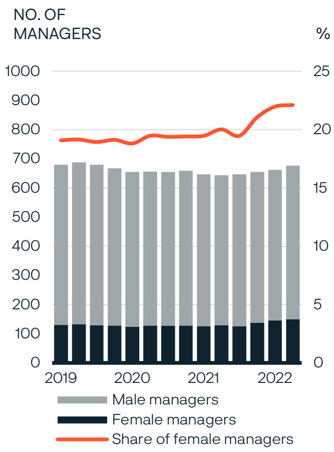

### Recycled steel




### GHG emissions




### Share of female managers



# First six months 2022

**Market development, order intake and revenues**
The positive trend in market demand continued across most customer segments compared to the same period last year. However, the first six months were impacted by some delays, supply chain issues, longer-than-normal freight lead times and uncertainties related to raw material price inflation, especially related to nickel prices.

Order intake in the period increased by 57% to SEK 12,436 million (7,907) compared to the same period last year, corresponding to organic growth of 33%. All three divisions noted positive year-on-year development, mainly driven by orders related to the Power Generation, Oil and Gas and Industrial Heating customer segments. Order intake in the regions of North America and Asia noted a favorable trend, with organic growth of 71% and 49%, respectively, including major orders, and a growth of 22% and 19%, respectively, excluding major orders. Europe noted organic growth of -1% and had no impact from major orders in the period. Excluding major orders of approximately SEK 1.5 billion (0) for the Group, organic order intake growth was 14% in the period.

Revenues increased by 34% to SEK 8,976 million (6,715), corresponding to organic revenue growth of 13% compared to the same period last year. All customer segments and all three divisions noted positive development compared to last year. The book-to-bill ratio was 139% in the period.

Acquisitions and divestments had a positive impact of 1% on order intake and revenues, respectively, while currency had an impact of 5% on order intake and revenues, respectively. Alloy surcharges had a positive impact of 16% on order intake and 13% on revenues, mainly driven by increased nickel prices.

**Earnings**
Reported EBIT increased to SEK 1,741 million (692), with a margin of 19.4% (10.3). Items affecting comparability amounted to SEK -164 million (-57), mainly related to the separation from Sandvik AB. Metal price effects had a positive impact of SEK 975 million (169) in the period, mainly due to increased nickel prices.

Adjusted EBIT increased by 60% to SEK 931 million (580) corresponding to a margin of 10.4% (8.6). The year-on-year development 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 -422 million (-404).

Profit for the period amounted to SEK 1,224 million (519), corresponding to earnings per share of SEK 4.83 (2.03). Adjusted profit for the period amounted to SEK 584 million (434) and adjusted earnings per share amounted to SEK 2.28 (1.70), see page 30 for further details.

**Cash flow and financial position**
Capital employed increased year on year to SEK 16,638 million (12,916), due to higher net working capital. Return on capital employed improved to 16.6% (N/A).

Net working capital increased year on year to SEK 6,641 million (4,304), on the back of a continued increase in inventories due to higher activity and higher raw material prices, longer freight times as well as a seasonal build-up across the business, with the Tube division accounting for the largest increase. Activities to control inventory levels are ongoing. Net working capital in relation to revenues was 31.9% (N/A) for the period.

Investments in tangible and intangible assets (Capex) increased to SEK -182 million (-136), mainly due to lower-than-normal levels last year, corresponding to 50.9% (36.4) of scheduled depreciation and -2.0% (-2.0) of revenues in the period.

Cash flow from operating activities decreased year on year to SEK -122 million (474) due to increased working capital from higher activity levels and with a negative impact from higher raw material prices.

Free operating cash flow decreased to SEK 28 million (533), mainly due to increased working capital.

# Significant events

**During the quarter**
-On April 27, The Sandvik AB Annual General Meeting decided, in accordance with the Sandvik Board of Directors' proposal, to distribute all shares in the wholly owned subsidiary Alleima AB.

-On April 26, Alleima acquired the remaining 30% of the US based joint venture Pennsylvania Extruded Tube Company (PEXCO).

**After the quarter**
-On July 6, Anders Björklund announced that he is resigning as President of the Kanthal division and that he will leave his position within the Group. Anders will remain in his current position until a successor takes office, but no later than December 31, 2022

-On July 15, 2022 Alleima and Sandvik entered into the master separation agreement which governs separation principles, the allocation of liability between the parties as well as guarantees and indemnities to be able to complete the separation. The master separation agreement will remain in force during a perpetual period of time, neither party has a right to terminate the agreement and the agreement becomes effective on the date of the distribution of the shares in Alleima to the shareholders of Sandvik.

-On August 3, 2022 Nasdaq Stockholm communicated its decision to, subject to customary conditions, admit Alleima's share to trading. The first day of trading in the Alleima share is expected to be August 31, 2022.

-On August 4, 2022 Sandvik's Board of Directors resolved that the record date for the distribution of all Alleima shares to the shareholders of Sandvik will be August 29, 2022. After the record date Alleima is no longer part of the Sandvik group. The Alleima shares are expected to be delivered to the shareholders of Sandvik on August 31, 2022.

# Guidance and financial targets

Guidance relating to certain non-operational key figures considered useful when modeling financial outcome is provided below:

## Guidance

| | |
|---|---|
| Capex (Cash) (full year) | Estimated at less than SEK 650 million for 2022, of which most investments in the second half of 2022. |
| Currency effects (quarterly) | Based on currency rates at the end of June 2022, it is estimated that transaction and translation currency effects will have a positive impact of about SEK 140 million on operating profit (EBIT) for the third quarter of 2022, compared to the same period last year. |
| Metal price effects (quarterly) | In view of currency rates, inventory levels and metal prices at the end of June 2022, it is estimated that there will be an impact of approximately SEK -200 million on operating profit (EBIT) for the third quarter of 2022. |
| Tax rate, nomalized (full year) | Estimated at 24-26% for 2022. |

## Financial targets

| Alleima has four long-term financial targets: | |
|---|---|
| Organic growth | Deliver profitable organic revenue growth in line with or above growth in targeted end-markets over a business cycle. |
| Earnings | Adjusted EBIT margin (excluding items affecting comparability and metal price effects) to average above 9 percent over a business cycle. |
| Capital structure | A net debt to equity ratio below 0.3x. |
| Dividend policy | Dividend on average 50 percent of net profit (adjusted for metal price effects) over a business cycle. Dividend to reflect financial position, cash flow and outlook. |

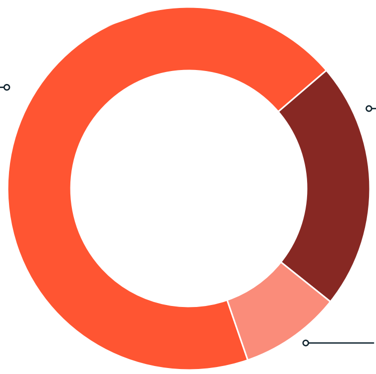
# About us

Alleima is a world-leading developer, manufacturer, and supplier of high value-added products in advanced stainless steels and special alloys as well as products for industrial heating, operating with a global footprint. Based on close and 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.

Through its offering and in-depth expertise in materials technology, metallurgy and industrial processes, Alleima enables its customers to become more efficient, profitable, safe and sustainable.

### Tube

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



### Kanthal

Kanthal is a provider of products and services in the area of industrial heating technology and resistance materials, and also offers ultra-fine wire in stainless steel for use in medical appliances.

### Strip

Strip develops and manufactures a wide range of precision strip steel products and also offers pre-coated strip steel.

## Purpose

**We advance industries through materials technology**
Our unique and leading expertise enables more efficient, more profitable and more sustainable processes, products and applications for our customers.

## Values

We care > We deliver > We evolve

## Business model

Alleima's business model is based on close customer cooperation and extensive industry knowledge in combination with materials and process competence and a global footprint. Customer relationships are often characterized by a high degree of technical collaboration, including identifying the customers' needs and finding innovative ways to solve complex challenges. Approximately 80 percent of products are sold directly through Alleima's own global sales network and the remainder is often sold through distributors. Alleima has a fully integrated value chain, including in-house R&D, two steel mills with melt shops, five extrusion presses and several hot working, cold working, and finishing facilities.

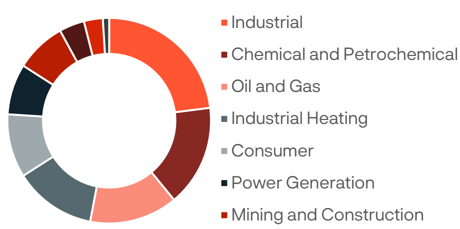
## Strategy

Alleima's strategy is based on four pillars: Drive profitable growth by capitalizing on global megatrends such as energy transition, energy efficiency, electrification and medical growth; Continuous focus of R&D activities and digital innovations towards new business opportunities, defending and strengthening the current business and widening of the material portfolio; Operational and commercial excellence through continuous improvement, footprint optimization, price management, mix optimization and cost flexbiliy and resilience; and; industry-leading sustainability that provide benefits to the global climate, contribute to increased circularity and support general health and wellbeing, both through product offering as well as operations.

## Customer segments sales exposure

Revenues per custumer segment based on full year 2021. Historically, these percentages have not changed substantially between the quarters and the full year figures of 2021 will therefore give a good approximation.

**Revenues per customer segment, full year 2021**



# Other information

**Risks and uncertainties**
As an international group with a wide geographical spread, Alleima is exposed to several strategic, business and financial risks. Strategic risk at Alleima is defined as emerging risks affecting the business long term, such as industry shifts, technological shifts and macroeconomic developments. The business risks can be divided into operational, sustainability, compliance, legal and commercial risks. The financial risks include currency risks, interest rates, raw material prices, tax risks and more. These risk areas can all impact the business negatively both long and short-term but often also create business opportunities if managed well. Risk management at Alleima begins with an assessment in operational management teams where the material risks for their operations are first identified, followed by an evaluation of the probability of the risks occurring and their potential impact on the Group. Once the key risks have been identified and evaluated risk mitigating activities to eliminate or reduce the risks are agreed on. For a more detailed description of Alleima's analysis of risks and risk universe, see the Alleima Group's prospectus.

**Covid-19 and the conflict in Ukraine**
The market demand has now largely 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 may however still be 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 continues to present uncertainty and risk and could have material adverse effects on revenues, cash flows, financial condition and results of operations.

**Certification**
The Board of Directors and the CEO certify that the six-month report gives a fair overview 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.

Stockholm, August 4, 2022
**Alleima AB (publ)**
559224-1433

**Andreas Nordbrandt**
Chairman of the Board

**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**
President and CEO
Board member

# Auditor's report

Alleima AB (publ) reg no 559224-1433

**Introduction**
We have reviewed the interim report of Alleima AB (publ) as of 30 June 2022 and the six-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

**Scope of Review**
We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**
Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, August 4, 2022

PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorized Public Accountant

# Financial reports summary

## The Group

### Condensed combined income statement

| SEK M | Note | Q2 2022 | Q2 2021 | Q1 -Q2 2022 | Q1-Q2 2021 |
|---|---|---|---|---|---|
| Revenues | | 4,757 | 3,449 | 8,976 | 6,715 |
| Cost of goods sold | | -2,985 | -2,554 | -5,944 | -4,984 |
| **Gross profit** | | **1,772** | **895** | **3,033** | **1,730** |
| Selling expenses | | -303 | -235 | -586 | -461 |
| Administrative expenses | | -353 | -243 | -646 | -471 |
| Research and development costs | | -52 | -59 | -106 | -114 |
| Other operating income | | 80 | 46 | 110 | 80 |
| Other operating expenses | | -38 | -49 | -63 | -74 |
| **Operating profit** | **2** | **1,106** | **355** | **1,741** | **692** |
| Financial income | | 126 | 77 | 173 | 73 |
| Financial expenses | | -297 | -28 | -272 | -167 |
| **Net financial items** | | **-171** | **49** | **-99** | **-94** |
| **Profit after net financial items** | | **935** | **404** | **1,643** | **598** |
| Income tax | 3 | -266 | -39 | -419 | -79 |
| **Profit for the period** | | **669** | **365** | **1,224** | **519** |
| *Profit for the period attributable to* | | | | | |
| Owners of the parent company | | 669 | 362 | 1,212 | 510 |
| Non-controlling interests | 7 | - | 4 | 12 | 9 |
| | | | | | |
| **Earnings per share, SEK** | | | | | |
| Basic and diluted [1] | | 2.67 | 1.44 | 4.83 | 2.03 |

1) Alleima has no potential dilution of shares

## The Group

Condensed combined comprehensive income

| SEK M | Note | Q2 2022 | Q2 2021 | Q1-Q2 2022 | Q1-Q2 2021 |
|---|---|---|---|---|---|
| **Profit for the period** | | **669** | **365** | **1,224** | **519** |
| **Other comprehensive income** | | | | | |
| *Items that will not be reclassified to profit (loss)* | | | | | |
| Actuarial gains (losses) on defined benefit pension plans | | 644 | 77 | 698 | 393 |
| Tax relating to items that will not be reclassified | | -136 | -15 | -145 | -80 |
| **Total items that will not be reclassified to profit (loss)** | | **509** | **62** | **553** | **314** |
| *Items that may be reclassified to profit (loss)* | | | | | |
| Foreign currency translation differences | | 221 | 2 | 296 | 6 |
| Hedge reserve adjustment | 1 | 424 | - | 474 | - |
| Tax relating to items that may be reclassified | 1 | -87 | - | -98 | - |
| **Total items that may be reclassified to profit (loss)** | | **557** | **2** | **673** | **6** |
| **Total other comprehensive income** | | **1,066** | **64** | **1,226** | **320** |
| **Total comprehensive income** | | **1,735** | **429** | **2,450** | **839** |
| *Total comprehensive income attributable to* | | | | | |
| Owners of the parent company | | 1,735 | 426 | 2,436 | 830 |
| Non-controlling interests | 7 | - | 4 | 14 | 9 |

# The Group
## Condensed combined balance sheet

| SEK M | Note | Jun 30, 2022 | Jun 30, 2021 | Dec 31, 2021 |
|---|---|---|---|---|
| Goodwill | | 1,422 | 1,254 | 1,352 |
| Other intangible assets | | 140 | 114 | 123 |
| Property, plant and equipment | | 7,238 | 6,990 | 7,251 |
| Right-of-use assets | | 233 | 183 | 204 |
| Financial assets | 4 | 1,159 | 240 | 253 |
| Deferred tax assets | | 215 | 433 | 218 |
| **Non-current assets** | | **10,408** | **9,214** | **9,401** |
| Inventories | | 7,717 | 4,885 | 5,372 |
| Current receivables | 4 | 4,404 | 3,389 | 3,452 |
| Cash and cash equivalents | | 1,328 | 463 | 1,661 |
| **Current assets** | | **13,449** | **8,737** | **10,485** |
| **Total assets** | | **23,857** | **17,951** | **19,886** |
| | | | | |
| Equity attributable to owners of the parent company | 6 | 15,374 | 11,007 | 11,663 |
| Non-controlling interest | 5,7 | 0 | 59 | 97 |
| **Total equity** | | **15,374** | **11,066** | **11,761** |
| Non-current interest-bearing liabilities | | 728 | 1,491 | 1,351 |
| Non-current non-interest-bearing liabilities | 4 | 1,556 | 776 | 840 |
| **Non-current liabilities** | | **2,285** | **2,267** | **2,191** |
| Current interest-bearing liabilities | | 536 | 358 | 1,691 |
| Current non-interest-bearing liabilities | 4 | 5,662 | 4,260 | 4,243 |
| **Current liabilities** | | **6,198** | **4,618** | **5,934** |
| **Total equity and liabilities** | | **23,857** | **17,951** | **19,886** |

## The Group

Condensed combined cash flow statement

| SEK M | Note | Q2 2022 | Q2 2021 | Q1-Q2 2022 | Q1-Q2 2021 |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Operating profit | | 1,106 | 355 | 1,741 | 692 |
| Adjustments for non-cash items: | | | | | |
| Depreciation, amortization and impairments | | 204 | 196 | 421 | 404 |
| Other non-cash items | | -54 | -84 | -59 | -128 |
| Received and paid interest | | -49 | 116 | -133 | -119 |
| Income tax paid | | -169 | -34 | -241 | -112 |
| Changes in working capital | | -1,038 | -406 | -1,851 | -263 |
| **Cash flow from operating activities** | | **1** | **143** | **-122** | **474** |
| **Investing activities** | | | | | |
| Additions to intangible and tangible assets | | -116 | -84 | -190 | -138 |
| Proceeds from sale of intangible and tangible assets | | 1 | 2 | 9 | 2 |
| Acquisition and sale of shares and participations | 7 | -145 | 6 | -141 | 6 |
| Other investments and financial assets, net | | -1 | -14 | 6 | -9 |
| **Cash flow from investing activities** | | **-262** | **-89** | **-317** | **-139** |
| **Financing activities** | | | | | |
| Proceeds from loans | | 170 | 1,516 | 186 | 1,465 |
| Repayments of loans | | - | - | -1,338 | - |
| Amortization of lease liabilities | | -22 | -18 | -43 | -37 |
| New share issue and capital contribution from shareholders | 6 | - | - | 1,400 | - |
| Dividends paid | | - | - | -3 | - |
| Change in net Group cash pool | | - | -1,560 | - | -1,416 |
| **Cash flow from financing activities** | | **147** | **-62** | **203** | **12** |
| **Net change in cash and cash equivalents** | | **-113** | **-8** | **-236** | **348** |
| Cash and cash equivalents at beginning of period | | 1,490 | 191 | 1,661 | 179 |
| Exchange rate differences in cash and cash equivalents | | 37 | 3 | 51 | 6 |
| Other cash flow from transactions with shareholders | | -86 | 278 | -148 | -70 |
| **Cash and cash equivalents at end of the period** | | **1,328** | **463** | **1,328** | **463** |

## The Group

### Condensed combined statements of changes in equity

| SEK M | Note | Equity attributable to owners of the parent company | Non-controlling interest | Total equity |
|---|---|---|---|---|
| **Equity at January 1, 2021** | | **10,317** | **50** | **10,368** |
| *Changes* | | | | |
| Net profit | | 510 | 9 | 519 |
| Other comprehensive income for the period, net of tax | | 320 | 0 | 320 |
| *Total comprehensive income for the period* | | *830* | *9* | *839* |
| Transactions with shareholders | | -141 | - | -141 |
| *Total transactions with owners* | | *-141* | - | *-141* |
| **Equity at June 30, 2021** | | **11,007** | **59** | **11,066** |
| *Changes* | | | | |
| Net profit | | 695 | 14 | 709 |
| Other comprehensive income for the period, net of tax | | -128 | 24 | -103 |
| *Total comprehensive income for the period* | | *567* | *38* | *606* |
| Transactions with shareholders | | 89 | - | 89 |
| *Total transactions with owners* | | *89* | - | *89* |
| **Equity at December 31, 2021** | | **11,663** | **97** | **11,761** |
| *Changes* | | | | |
| Net profit | | 1,212 | 12 | 1,224 |
| Other comprehensive income for the period, net of tax | | 1,224 | 2 | 1,226 |
| *Total comprehensive income for the period* | | *2,436* | *14* | *2,450* |
| New share issue | 6 | 251 | - | 251 |
| Capital contribution from shareholders | 6 | 1,149 | - | 1,149 |
| Dividends | | - | -3 | -3 |
| Transactions with shareholders | 5 | -89 | - | -89 |
| Transactions with non-controlling interests | 5,7 | -36 | -109 | -145 |
| *Total transactions with owners* | | *1,275* | *-112* | *1,163* |
| **Equity at June 30, 2022** | | **15,374** | **0** | **15,374** |

# The Parent Company

## Condensed income statement

| SEK M | Note | Q2 2022 | Q2 2021 | Q1 -Q2 2022 | Q1-Q2 2021 |
|---|---|---|---|---|---|
| Revenues | | 5 | 0 | 11 | 0 |
| **Gross profit** | | **5** | **0** | **11** | **0** |
| Administrative expenses | | -49 | 0 | -64 | 0 |
| **Operating loss** | | **-45** | **0** | **-53** | **0** |
| **Net loss after financial items** | | **-45** | **0** | **-53** | **0** |
| Income tax | | 9 | 0 | 11 | 0 |
| **Net loss for the period** | | **-36** | **0** | **-43** | **0** |

## Condensed balance sheet

| SEK M | Note | June 30, 2022 | Jun 30, 2021 | Dec 31, 2021 |
|---|---|---|---|---|
| Financial assets | | 11,907 | 11,174 | 11,907 |
| Deferred tax assets | | 11 | 0 | 0 |
| **Non-current assets** | | **11,918** | **11,174** | **11,907** |
| Current receivables | | 905 | 0 | 11 |
| **Current assets** | | **905** | **0** | **11** |
| **Total assets** | | **12,823** | **11,174** | **11,918** |
| | | | | |
| Restricted equity | 6 | 251 | 0 | 0 |
| Unrestricted equity | 6 | 12,532 | 10,692 | 11,425 |
| **Total equity** | | **12,783** | **10,692** | **11,425** |
| Current interest-bearing liabilities | | 0 | 482 | 482 |
| Current non-interest-bearing liabilities | | 38 | 0 | 10 |
| **Current liabilities** | | **38** | **482** | **492** |
| **Total equity and liabilities** | | **12,823** | **11,174** | **11,918** |

## Order intake by division and region

| SEK M | Note | Q2 2022 | Q2 2021 | Organic % | Organic ex. major orders[1] % | Q1 -Q2 2022 | Q1-Q2 2021 | Organic % | Organic ex. major orders[1] % |
|---|---|---|---|---|---|---|---|---|---|
| **Tube** | | | | | | | | | |
| North America | | 855 | 548 | 23 | 23 | 2,284 | 903 | 121 | 35 |
| Europe | | 2,396 | 1,932 | -3 | -3 | 4,200 | 3,469 | -1 | -1 |
| Asia | | 590 | 350 | 24 | 24 | 1,648 | 743 | 85 | 22 |
| Other | | 1,029 | 162 | 501 | 371 | 1,155 | 292 | 270 | 198 |
| **Total** | | **4,869** | **2,992** | **32** | **25** | **9,288** | **5,408** | **46** | **18** |
| **Kanthal** | | | | | | | | | |
| North America | | 472 | 290 | 20 | 39 | 800 | 601 | 2 | 2 |
| Europe | | 311 | 274 | -12 | -12 | 652 | 581 | -12 | -12 |
| Asia | | 308 | 231 | 13 | 13 | 680 | 472 | 24 | 24 |
| Other | | 20 | 28 | -41 | -41 | 110 | 65 | 48 | 48 |
| **Total** | | **1,111** | **823** | **5** | **5** | **2,242** | **1,720** | **5** | **5** |
| **Strip** | | | | | | | | | |
| North America | | 56 | 38 | 1 | 1 | 100 | 68 | 11 | 11 |
| Europe | | 210 | 156 | 36 | 36 | 426 | 375 | 12 | 12 |
| Asia | | 190 | 149 | 13 | 13 | 369 | 316 | 3 | 3 |
| Other | | 3 | 7 | -69 | -69 | 12 | 20 | -53 | -53 |
| **Total** | | **460** | **351** | **20** | **20** | **906** | **779** | **7** | **7** |
| **GROUP** | | | | | | | | | |
| North America | | 1,383 | 875 | 21 | 21 | 3,184 | 1,572 | 71 | 22 |
| Europe | | 2,917 | 2,363 | -1 | -1 | 5,278 | 4,425 | -1 | -1 |
| Asia | | 1,089 | 730 | 18 | 18 | 2,697 | 1,532 | 49 | 19 |
| Other | | 1,052 | 197 | 403 | 296 | 1,277 | 378 | 214 | 159 |
| **Total** | | **6,440** | **4,165** | **26** | **21** | **12,436** | **7,907** | **33** | **14** |

1) Major orders are defined as orders above SEK 200 million.

## Revenues by division and region

| SEK M | Note | Q2 2022 | Q2 2021 | Organic % | Q1 -Q2 2022 | Q1-Q2 2021 | Organic % |
|---|---|---|---|---|---|---|---|
| **Tube** | | | | | | | |
| North America | | 878 | 455 | 62 | 1,570 | 978 | 38 |
| Europe | | 1,907 | 1,390 | 14 | 3,629 | 2,677 | 15 |
| Asia | | 407 | 388 | -21 | 722 | 685 | -18 |
| Other | | 136 | 103 | 5 | 305 | 207 | 27 |
| **Total** | | **3,329** | **2,336** | **17** | **6,226** | **4,546** | **16** |
| **Kanthal** | | | | | | | |
| North America | | 375 | 242 | 13 | 705 | 480 | 15 |
| Europe | | 318 | 264 | -10 | 615 | 525 | -9 |
| Asia | | 281 | 224 | 7 | 560 | 430 | 13 |
| Other | | 38 | 33 | -3 | 67 | 66 | -14 |
| **Total** | | **1,012** | **762** | **3** | **1,947** | **1,502** | **5** |
| **Strip** | | | | | | | |
| North America | | 48 | 25 | 63 | 80 | 45 | 51 |
| Europe | | 187 | 168 | 7 | 386 | 311 | 20 |
| Asia | | 173 | 151 | 1 | 323 | 294 | -4 |
| Other | | 7 | 7 | -24 | 15 | 17 | -26 |
| **Total** | | **416** | **351** | **7** | **804** | **667** | **10** |
| **GROUP** | | | | | | | |
| North America | | 1,302 | 722 | 46 | 2,355 | 1,502 | 31 |
| Europe | | 2,413 | 1,822 | 10 | 4,630 | 3,514 | 12 |
| Asia | | 861 | 762 | -9 | 1,604 | 1,409 | -5 |
| Other | | 182 | 143 | 2 | 387 | 290 | 15 |
| **Total** | | **4,757** | **3,449** | **13** | **8,976** | **6,715** | **13** |

## Quarterly by division

Alleima has three reportable operating segments, Tube, Kanthal and Strip. Items not included in the operating segments, mainly related to Group staff functions typically to run the Group or items Alleima considered to be centrally decided, are presented as Common functions.

| | Note | Q1-Q2 2022 | Q1-Q2 2021 | Full year 2021 | Q2 2022 | Q1 2022 | Q4 2021 | Q3 2021 | Q2 2021 | Q1 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Order intake, SEK M** | | | | | | | | | | |
| Tube | | 9,288 | 5,408 | 10,795 | 4,869 | 4,419 | 2,938 | 2,449 | 2,992 | 2,416 |
| Kanthal | | 2,242 | 1,720 | 3,357 | 1,111 | 1,130 | 883 | 755 | 823 | 896 |
| Strip | | 906 | 779 | 1,529 | 460 | 447 | 441 | 308 | 351 | 429 |
| **Total**[1] | | **12,436** | **7,907** | **15,681** | **6,440** | **5,996** | **4,262** | **3,512** | **4,165** | **3,742** |
| **Revenues, SEK M** | | | | | | | | | | |
| Tube | | 6,226 | 4,546 | 9,530 | 3,329 | 2,897 | 2,815 | 2,169 | 2,336 | 2,210 |
| Kanthal | | 1,947 | 1,502 | 3,007 | 1,012 | 934 | 786 | 719 | 762 | 740 |
| Strip | | 804 | 667 | 1,310 | 416 | 388 | 334 | 309 | 351 | 316 |
| **Total**[1] | | **8,976** | **6,715** | **13,847** | **4,757** | **4,219** | **3,935** | **3,197** | **3,449** | **3,266** |
| **Adjusted EBITDA, SEK M** | **2** | | | | | | | | | |
| Tube | | 1,050 | 706 | 1,311 | 592 | 458 | 438 | 168 | 404 | 301 |
| Kanthal | | 352 | 276 | 526 | 182 | 170 | 141 | 110 | 141 | 135 |
| Strip | | 139 | 130 | 216 | 68 | 72 | 52 | 35 | 71 | 59 |
| Common functions | | -189 | -114 | -243 | -90 | -99 | -73 | -55 | -63 | -51 |
| **Total**[1] | | **1,352** | **997** | **1,811** | **751** | **601** | **557** | **257** | **553** | **444** |
| **Adjusted EBITDA margin, %** | | | | | | | | | | |
| Tube | | 16.9 | 15.5 | 13.8 | 17.8 | 15.8 | 15.6 | 7.7 | 17.3 | 13.6 |
| Kanthal | | 18.1 | 18.4 | 17.5 | 18.0 | 18.2 | 17.9 | 15.2 | 18.5 | 18.2 |
| Strip | | 17.4 | 19.4 | 16.5 | 16.2 | 18.6 | 15.5 | 11.2 | 20.2 | 18.6 |
| Common functions | | N/M | N/M | N/M | N/M | N/M | N/M | N/M | N/M | N/M |
| **Total**[1] | | **15.1** | **14.8** | **13.1** | **15.8** | **14.2** | **14.2** | **8.0** | **16.0** | **13.6** |
| **Adjusted EBIT, SEK M** | **2** | | | | | | | | | |
| Tube | | 710 | 365 | 707 | 428 | 282 | 271 | 71 | 235 | 130 |
| Kanthal | | 304 | 235 | 445 | 158 | 146 | 121 | 89 | 120 | 115 |
| Strip | | 115 | 104 | 167 | 55 | 60 | 40 | 23 | 59 | 46 |
| Common functions | | -199 | -124 | -263 | -94 | -105 | -79 | -60 | -69 | -55 |
| **Total**[1] | | **931** | **580** | **1,055** | **547** | **384** | **353** | **123** | **344** | **236** |
| **Adjusted EBIT margin, %** | | | | | | | | | | |
| Tube | | 11.4 | 8.0 | 7.4 | 12.9 | 9.7 | 9.6 | 3.3 | 10.0 | 5.9 |
| Kanthal | | 15.6 | 15.7 | 14.8 | 15.6 | 15.6 | 15.3 | 12.4 | 15.8 | 15.5 |
| Strip | | 14.3 | 15.6 | 12.7 | 13.3 | 15.5 | 12.0 | 7.3 | 16.7 | 14.4 |
| Common functions | | N/M | N/M | N/M | N/M | N/M | N/M | N/M | N/M | N/M |
| **Total**[1] | | **10.4** | **8.6** | **7.6** | **11.5** | **9.1** | **9.0** | **3.8** | **10.0** | **7.2** |

1) Internal transactions had negligible effect on division profits.

# Notes

## Note 1 | Accounting principles

The financial statements of the Group were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU. This interim report for the Group was prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB) and the Swedish Annual Accounts Act, and for the parent company in accordance with the Swedish Annual Accounts Act and RFR 2 Reporting for legal entities and other statements issued by the Swedish Financial Reporting Board. The accounting principles applied in the preparation of this interim report comply with the accounting principles presented in the prospectus "Admission to trading of shares in Alleima AB on Nasdaq Stockholm" in Note 1 "Significant accounting principles - assessments and assumptions for accounting purposes" in the combined financial statements on page F-40 and forward.

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.

In addition, 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. Changes in the fair value of the electricity-, gas- and metal derivatives are recognised 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. Any ineffectiveness is recognised immediately in profit or loss.

The interim information on pages 1–33 is an integrated part of these financial statements.

**The Parent Company**

The parent company follows the same accounting policies as the Group with the following exceptions.

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.

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.

## Note 2 | Adjustment items on EBITDA/EBIT

| SEK M | Q1-Q2 2022 | Q1-Q2 2021 | Full year 2021 | Q2 2022 | Q1 2022 | Q4 2021 | Q3 2021 | Q2 2021 | Q1 2021 |
|---|---|---|---|---|---|---|---|---|---|
| **EBITDA** | | | | | | | | | |
| **Items affecting comparability** | | | | | | | | | |
| Tube | -5 | 21 | 63 | -3 | -2 | 11 | 31 | 22 | 0 |
| Kanthal | -2 | 0 | 26 | -3 | 1 | -2 | 29 | 0 | 0 |
| Strip | 0 | 0 | 8 | 0 | 0 | 8 | 0 | 0 | 0 |
| Common functions | -157 | -91 | -273 | -83 | -74 | -105 | -77 | -73 | -18 |
| **Total** | **-164** | **-70** | **-176** | **-89** | **-75** | **-89** | **-18** | **-51** | **-19** |
| **Metal price effect** | | | | | | | | | |
| Tube | 715 | 126 | 385 | 489 | 226 | 98 | 161 | 40 | 86 |
| Kanthal | 230 | 28 | 74 | 142 | 88 | 27 | 20 | 3 | 24 |
| Strip | 30 | 15 | 28 | 17 | 13 | 4 | 9 | 6 | 9 |
| **Total** | **975** | **169** | **487** | **649** | **327** | **129** | **190** | **50** | **119** |
| **Total adjustment items EBITDA** | | | | | | | | | |
| Tube | 710 | 148 | 448 | 486 | 224 | 109 | 192 | 61 | 86 |
| Kanthal | 228 | 27 | 101 | 139 | 88 | 24 | 49 | 3 | 24 |
| Strip | 30 | 15 | 35 | 17 | 13 | 12 | 9 | 6 | 9 |
| Common functions | -157 | -91 | -273 | -83 | -74 | -105 | -77 | -73 | -18 |
| **Total** | **811** | **99** | **311** | **559** | **252** | **40** | **172** | **-2** | **100** |
| **EBIT** | | | | | | | | | |
| **Impairment of tangible and intangible fixed assets** | | | | | | | | | |
| Tube | 0 | 13 | 13 | 0 | 0 | 0 | 0 | 13 | 0 |
| **Total** | **0** | **13** | **13** | **0** | **0** | **0** | **0** | **13** | **0** |
| **Total adjustment items EBIT** | | | | | | | | | |
| Tube | 710 | 160 | 461 | 486 | 224 | 109 | 192 | 74 | 86 |
| Kanthal | 228 | 27 | 101 | 139 | 88 | 24 | 49 | 3 | 24 |
| Strip | 30 | 15 | 35 | 17 | 13 | 12 | 9 | 6 | 9 |
| Common functions | -157 | -91 | -273 | -83 | -74 | -105 | -77 | -73 | -18 |
| **Total** | **811** | **111** | **324** | **559** | **252** | **40** | **172** | **11** | **100** |
| | | | | | | | | | |
| **Items affecting comparability, EBITDA, consists of:** | | | | | | | | | |
| Separation costs | -164 | -96 | -305 | -89 | -75 | -130 | -80 | -77 | -19 |
| Reversal restructuring provisions | - | 25 | 99 | - | - | 41 | 32 | 25 | - |
| Capital gain from divestment of property | - | - | 29 | - | - | - | 29 | - | - |
| **Total** | **-164** | **-70** | **-176** | **-89** | **-75** | **-89** | **-18** | **-51** | **-19** |
| **Items affecting comparability, impairments, consists of:** | | | | | | | | | |
| Reversal of impairment | - | 13 | 13 | - | - | - | - | 13 | - |
| **Total** | **-** | **13** | **13** | **-** | **-** | **-** | **-** | **13** | **-** |
| **Total items affecting comparability** | **-164** | **-57** | **-164** | **-89** | **-75** | **-89** | **-18** | **-39** | **-19** |

## Note 3 | Taxes

| SEK M | Q2 2022 | | Q2 2021 | | Q1-Q2 2022 | | Q1-Q2 2021 | |
|---|---|---|---|---|---|---|---|---|
| Reported tax | -266 | *28.4%* | -39 | *9.6%* | -419 | *25.5%* | -79 | *13.2%* |
| Tax on adjustment items (note 2) | 118 | *-21.2%* | 5 | *-41.7%* | 171 | *-21.0%* | 26 | *-23.6%* |
| **Tax excluding adjustment items** | **-147** | **39.2%** | **-34** | **8.7%** | **-248** | **29.8%** | **-53** | **10.8%** |
| Adjustment for one time items taxes | 25 | -6.7% | -53 | *13.5%* | 25 | -3.0% | -60 | *12.4%* |
| **Normalized tax rate** | **-122** | **32.5%** | **-87** | **22.2%** | **-223** | **26.8%** | **-113** | **23.2%** |

Adjustment for one time items taxes during Q1 and Q2 2022 consist of revaluation of tax loss-carry-forwards of SEK - million (-32) and temporary differences of SEK - million (91) and other one time tax items of SEK 25 million (1).

## Note 4 | Financial assets and liabilities

**Financing**
During Q2 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 the quarter, Alleima also entered into an agreement with a syndicate of lenders for revolving credit facilities of SEK 3 billion, of which a maximum of SEK 500 million can be used for a facility with short maturities. The credit can be drawn in a number of currencies and runs for five years (with two possibilities for extension). In addition, Alleima has entered into framework agreements on short-term financing. Alleima has not availed any of the credits.

**Financial instruments - fair values**
In order to mitigate financial risks, the Group has entered into financial instruments such as currency-, commodity- and electricity- and gas derivatives. All derivatives belong to Level 2 in the fair value hierachy, i.e. observable inputs have been used in deriving the fair values. Fair values, which equals carrying amounts, of outstanding derivatives amounted at each reporting period to the amounts below.

| SEK M | Jun 30, 2022 | Jun 30, 2021 | Dec 31, 2021 |
|---|---|---|---|
| Financial assets derivatives | 1,566 | 85 | 489 |
| Financial liabilities derivatives | 918 | 30 | 208 |

The carrying amounts for other financial assets and liabilities are considered to represent a good approximation of the fair values due to the short durations.

## Note 5 | Related party transactions

The Group companies have related party relationships with its subsidiaries. All related party transactions are based on market terms and negotiated on an arm's length basis.

Alleima shareholder is 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 and in Note 27 in the combined financial statements. Where also remuneration to senior executives for Alleima is presented in Note 3. Between the Group's there are historical trade receivables and payables as well as cash pool and other short term liabilities. The short term loan has market interest rate and will be 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 Condensed combined statements of changes in equity. Alleima has also purchased services from the Sandvik Group such as IT services and administrative services.

During Q2 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 will report 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 agreement or Alleima divests RDS at fair value according to the agreement's call option.

## Note 6 | Equity

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. 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.

## Note 7 | Business acquisitions

On April 26, 2022 Alleima acquired the remaining 30% of the US based joint venture Pennsylvania Extruded Tube Company (PEXCO).

In Q1 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. The company is reported in division Tube. Gerling GmbH is headquartered in Hörste, Germany, with around 75 employees. In 2021 Gerling GmbH had revenues of approximately SEK 118 million, with an EBIT margin neutral to Alleima. During the first six months of 2022 the company had external revenues of SEK 24 milion with an impact on Alleima profit for the period of SEK 5 million. Impact on Alleima earnings per share will initially be neutral. The acquisition was made through the purchase of 100% of shares and voting rights. Alleima assumed control over the operations upon the date of closing. No equity instruments have been issued in connection with the acquisition. The acquisition have been accounted for using the acquisition method. Intangible and tangible assets of SEK 48 million and goodwill of SEK 3 million has been recorded on the purchase. The purchase price allocation is still preliminary, changes may occur at a later stage.

## Note 8 | Significant events after the quarter

-On July 6, Anders Björklund announced that he is resigning as President of the Kanthal division and that he will leave his position within the Group. Anders will remain in his current position until a successor takes office, but no later than December 31, 2022.
-On July 15, 2022 Alleima and Sandvik entered into the master separation agreement which governs separation principles, the allocation of liability between the parties as well as guarantees and indemnities to be able to complete the separation. The master separation agreement will remain in force during a perpetual period of time, neither party has a right to terminate the agreement and the agreement becomes effective on the date of the distribution of the shares in Alleima to the shareholders of Sandvik.
-On August 3, 2022 Nasdaq Stockholm communicated its decision to, subject to customary conditions, admit Alleima's share to trading. The first day of trading in the Alleima share is expected to be August 31, 2022.
-On August 4, 2022 Sandvik's Board of Directors resolved that the record date for the distribution of all Alleima shares to the shareholders of Sandvik will be August 29, 2022. After the record date Alleima is no longer part of the Sandvik group. The Alleima shares are expected to be delivered to the shareholders of Sandvik on August 31, 2022.

# Key ratios

| | Q2 2022 | Q2 2021 | Q1-Q2 2022 | Q1-Q2 2021 | Full year 2021 | Full year 2020 | Full year 2019 |
|---|---|---|---|---|---|---|---|
| Adjusted gross margin, % | 23.6 | 22.6 | 22.9 | 22.3 | 20.6 | 22.2 | 23.2 |
| Adjusted EBITDA margin, % | 15.8 | 16.0 | 15.1 | 14.8 | 13.1 | 13.9 | 14.9 |
| Adjusted EBIT margin, % | 11.5 | 10.0 | 10.4 | 8.6 | 7.6 | 8.7 | 9.7 |
| Normalized tax rate, % (Note 3) | 32.5 | 22.2 | 26.8 | 23.2 | 24.9 | 31.6 | 35.2 |
| Net working capital to revenues, % [1,2] | 31.6 | 29.9 | 31.9 | N/A | 31.2 | 30.4 | 26.1 |
| Return on capital employed, % [1,2] | 27.8 | 11.4 | 16.6 | N/A | 10.4 | 3.8 | 10.7 |
| Net debt/Adjusted EBITDA ratio | -0.06 | N/A | -0.06 | N/A | 0.73 | 0.90 | 2.04 |
| Net debt/Equity ratio | -0.01 | 0.12 | -0.01 | 0.12 | 0.11 | 0.17 | 0.54 |
| Cash flow from operations, SEK M | 1 | 143 | -122 | 474 | 1,151 | 1,671 | 1,617 |
| Adjusted earnings per share, basic, SEK | 0.91 | 1.42 | 2.28 | 1.70 | 3.82 | 3.69 | 2.94 |
| Average number of shares at the end of the period (millions) | 250.877 | 250.877 | 250.877 | 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 | 250.877 | 250.877 | 250.877 |
| Number of employees [3] | 5,731 | 5,283 | 5,731 | 5,283 | 5,465 | 5,084 | 5,726 |
| Number of consultants [3] | 557 | 300 | 557 | 300 | 413 | 287 | 513 |

1) Quarter is quarterly annualized and the annual number is based on a four quarter average.
2) 12-month rolling Q2 2022 ROCE reported at 17.1% (N/A) and NWC reported at 34.0% (N/A).
3) Full-time equivalent.
N/A=Not available

# Alternative Performance Measures

This interim 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 | Q1-Q2 2022 | Q1-Q2 2021 | Full year 2021 | Q2 2022 | Q1 2022 | Q4 2021 | Q3 2021 | Q2 2021 | Q1 2021 |
|---|---|---|---|---|---|---|---|---|---|
| **Operating profit** | **1,741** | **692** | **1,379** | **1,106** | **635** | **392** | **295** | **355** | **336** |
| Reversal (Note 2): | | | | | | | | | |
| Items affecting comparability | 164 | 70 | 176 | 89 | 75 | 89 | 18 | 51 | 19 |
| Metal price effect | -975 | -169 | -487 | -649 | -327 | -129 | -190 | -50 | -119 |
| Impairments | 0 | -13 | -13 | 0 | 0 | 0 | 0 | -13 | 0 |
| **Adjusted operating profit (EBIT)** | **931** | **580** | **1,055** | **547** | **384** | **353** | **123** | **344** | **236** |
| Reversal: | | | | | | | | | |
| Depreciation and amortization | 422 | 417 | 755 | 205 | 217 | 205 | 134 | 208 | 208 |
| **Adjusted EBITDA** | **1,352** | **997** | **1,811** | **751** | **601** | **557** | **257** | **553** | **444** |
| Revenues | 8,976 | 6,715 | 13,847 | 4,757 | 4,219 | 3,935 | 3,197 | 3,449 | 3,266 |
| Adjusted operating profit (EBIT) margin, % | 10.4 | 8.6 | 7.6 | 11.5 | 9.1 | 9.0 | 3.8 | 10 | 7.2 |
| Adjusted EBITDA margin, % | 15.1 | 14.8 | 13.1 | 15.8 | 14.2 | 14.2 | 8 | 16 | 13.6 |

### 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 | Q1-Q2 2022 | Q1-Q2 2021 | Full year 2021 | Q2 2022 | Q1 2022 | Q4 2021 | Q3 2021 | Q2 2021 | Q1 2021 |
|---|---|---|---|---|---|---|---|---|---|
| **Profit for the period** | **1,224** | **519** | **1,228** | **669** | **555** | **437** | **272** | **365** | **154** |
| Reversal: | | | | | | | | | |
| Adjustment items EBITDA/EBIT (Note 2) | -811 | -111 | -324 | -559 | -252 | -40 | -172 | -11 | -100 |
| Tax on adjustment items (Note 3) | 171 | 26 | 76 | 118 | 52 | 10 | 39 | 5 | 22 |
| **Adjusted profit for the period** | **584** | **434** | **980** | **228** | **356** | **407** | **140** | **359** | **75** |
| *Attributable to* | | | | | | | | | |
| Owners of the parent company | 572 | 425 | 958 | 228 | 343 | 399 | 133 | 355 | 70 |
| Non-controlling interests | 12 | 9 | 23 | - | 12 | 8 | 6 | 4 | 5 |
| | | | | | | | | | |
| Average number of shares at the end of the period (millions) | 250.877 | 250.877 | 250.877 | 250.877 | 250.877 | 250.877 | 250.877 | 250.877 | 250.877 |
| Adjusted earnings per share, basic, SEK | 2.28 | 1.70 | 3.82 | 0.91 | 1.37 | 1.59 | 0.53 | 1.42 | 0.28 |

## 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 | Q2 2022 | Q2 2021 | Jun 30, 2022 | Jun 30, 2021 | Dec 31, 2021 |
|---|---|---|---|---|---|
| Inventories | 7,717 | 4,885 | 7,717 | 4,885 | 5,372 |
| Trade receivables | 3,127 | 2,238 | 3,127 | 2,238 | 2,532 |
| Account payables | -2,922 | -1,731 | -2,922 | -1,731 | -2,128 |
| Other receivables | 624 | 942 | 624 | 942 | 497 |
| Other liabilities | -1,906 | -2,030 | -1,906 | -2,030 | -1,706 |
| **Net working capital** | **6,641** | **4,304** | **6,641** | **4,304** | **4,567** |
| Average net working capital | 6,022 | 4,124 | 5,143 | N/A | 4,326 |
| Revenues annualized | 19,029 | 13,796 | 16,108 | N/A | 13,847 |
| Net working capital to revenues, % | 31.6 | 29.9 | 31.9 | N/A | 31.2 |
| | | | | | |
| Tangible assets | 7,238 | 6,990 | 7,238 | 6,990 | 7,251 |
| Intangible assets | 1,562 | 1,368 | 1,562 | 1,368 | 1,475 |
| Cash and cash equivalents | 1,328 | 463 | 1,328 | 463 | 1,661 |
| Other assets | 13,729 | 9,130 | 13,729 | 9,130 | 9,499 |
| Other liabilities | -7,219 | -5,036 | -7,219 | -5,036 | -5,083 |
| **Capital employed** | **16,638** | **12,916** | **16,638** | **12,916** | **14,803** |
| Average capital employed | 16,094 | 12,550 | 14,847 | N/A | 13,306 |
| Operating profit annualized | 4,424 | 1,421 | 2,429 | N/A | 1,379 |
| Financial income, excl derivatives, annualized | 48 | 6 | 29 | N/A | 5 |
| **Total return annualized** | **4,472** | **1,427** | **2,457** | **N/A** | **1,384** |
| Return on capital employed (ROCE), % | 27.8 | 11.4 | 16.6 | N/A | 10.4 |

N/A=Not available

**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.

**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.

**Net debt to Equity and Net debt to Adjusted EBITDA**

| SEK M | Jun 30, 2022 | Jun 30, 2021 | Dec 31, 2021 |
|---|---|---|---|
| Interest-bearing non-current liabilities | 728 | 1,491 | 1,351 |
| Interest-bearing current liabilities | 536 | 358 | 1,691 |
| Prepayment of pensions | -75 | -99 | -57 |
| Cash & cash equivalents | -1,328 | -463 | -1,661 |
| **Net debt** | **-139** | **1,287** | **1,324** |
| Net pension liability | -477 | -1,132 | -1,147 |
| Leasing liabilities | -226 | -182 | -200 |
| **Financial net debt** | **-841** | **-27** | **-22** |
| | | | |
| Adjusted EBITDA accumulated current year | 1,352 | 997 | 1,811 |
| Adjusted EBITDA previous year | 814 | N/A | - |
| **Adjusted EBITDA rolling 12 months** | **2,166** | **997** | **1,811** |
| | | | |
| **Total equity** | **15,374** | **11,066** | **11,761** |
| Net debt/Equity ratio | -0.01 | 0.12 | 0.11 |
| Net debt/Adjusted EBITDA ratio (multiple) | -0.06 | N/A | 0.73 |

N/A=Not available

# Shareholder information

**Disclaimer statement**
Some statements herein are forward-looking and the actual outcome could be materially different. In addition to the factors explicitly commented upon, the actual outcome could be materially affected by other factors, for example the effect of economic conditions, exchange-rate and interest-rate movements, political risks, impact of competing products and their pricing, product development, commercialization and technological difficulties, supply disturbances, and major customer credit losses.

This report is published in Swedish and English. The Swedish version shall apply in any instance where the two versions differ.

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**Financial calendar**

| | |
|---|---|
| Capital Markets Day | August 23, 2022 |
| Q3 interim report January - September | October 17, 2022 |
| Q4 interim report January - December | January 24, 2023 |

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