Alleima

Annual Report 2023

Contents

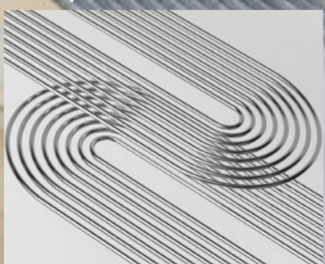
The formal Annual Report comprises pages 30-105. The statutory Sustainability Report includes pages 13, 35, 38-39, 111-141. The Sustainability Report, prepared in accordance with the GRI Standards, is defined in the GRI content index on pages 140-141.

We are Alleima

The core of Alleima's operations is advanced materials technology. With close and long-standing customer relationships, we develop high value-added products in advanced stainless steels as well as products for industrial heating. We make our customers' products and processes safer, more sustainable and more efficient. Our materials enable the energy transition, energy efficiencies and improved quality of life.

Our offering comprises products for a variety of industries and applications, such as seamless stainless tubes, electric heating technology and heating resistance materials, ultra-fine wire and components for medical devices, precision strip steel, and coated strip steel for hydrogen applications.

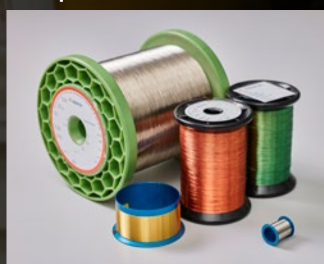
Tube products



Heating technology and resistance materials

Precision strip steel

Medical wire and components



Alleima at a glance

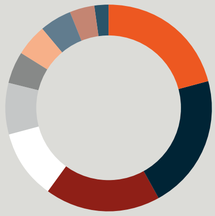
Premium offering and market-leading positions across three divisions.

Tube
Seamless tubes and other long products primarily for the Oil and Gas, Industrial, Chemical and Petrochemical, Mining and Construction, Nuclear, and Transportation customer segments, as well as for the Hydrogen and Renewable Energy segment.

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

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

Revenues by customer segment



Revenues by geography

Revenues by division

Adjusted EBIT by division

80%

recycled steel in production

96%

fossil-free electricity in production

~100

years with electric melting of steel

SEK M	2023	2022	2021	2020	2019
Revenues	20,669	18,405	13,847	13,925	15,654
Organic growth, %	*8*	*13*	*-3*	*-9*	*4*
Adjusted operating profit (EBIT)	2,141	1,681	1,055	1,205	1,513
Margin, %	*10.4*	*9.1*	*7.6*	*8.7*	*9.7*
Operating profit (EBIT)	2,046	2,122	1,379	492	1,444
Profit for the period	1,574	1,483	1,228	380	667
Earnings per share, diluted, SEK	6.56	4.46	3.82	3.69	2.94
Free operating cash flow	1,688	505	1,046	1,483	1,250
Net working capital to revenues, %	34.3	32.8	31.2	30.4	26.1
Net debt/Equity ratio	-0.02	0,00	0.11	0.17	0.54

Adjusted EBIT excludes metal price effects and items affecting comparability, see the description of Alternative Performance Measures on page 143 for further details.

Highlights of the year

Growth investments
An expansion of production capacity began in Zhenjiang, China, and the expansion of two new production lines was completed in Mehsana, India. The aim is to meet the growing demand in the Tube division's Chemical and Petrochemical segment. In addition, an investment to expand capacity for industrial heating at Kanthal's existing production site in Perth, UK was decided, as well as a new service center at the facility in Concord, in the US.

Expanded product offering for the energy transition
The product portfolio for applications driven by sustainable trends, such as the energy transition, continued to grow, both through breakthroughs in new markets and in the existing business. Examples are steam generator tubes for small-scale modular reactors (SMRs) for nuclear, and tubes for carbon capture and storage (CCS). The industrial heating business grew, driven by the electrification, and the development in solar and lithium battery manufacturing.

Strong energy market
The need for energy continued to grow, and demand for oil and gas and nuclear power was solid. In addition, demand for applications to renewable energy continued to strengthen.

New partnerships
Several new commercial partnerships were secured with the aim of being able to offer even more complete solutions to customers, including in industrial heating technology.

8%

Organic revenue growth

24%

Total revenue growth in targeted customer segments

10.4%

Adjusted EBIT margin

Process and product innovations
A new production process for high-nickel alloys, opening possibilities in e.g., Transportation, Nuclear, and Hydrogen and Renewable Energy. The shape memory alloy nitinol is used in medical device applications and was added to the product portfolio of the Kanthal division.

Value-creating acquisitions
Söderfors Steel was acquired. This contributes to expanding the range of advanced materials for the Medical and Transportation, mainly for aerospace, customer segments.

Continued price compensation for cost inflation
Cost inflation was compensated through price increases in all three divisions.

Operational improvements
Optimized inventory management resulted in record-low inventory volumes relative to revenues.

New members in the group management
Two new members joined the group management. Robert Stål, President Kanthal Division, and Carl von Schantz, President Tube Division.

Multiple accolades
Several accolades received such as recognition as a Career Company 2024, a gold medal in the Grand Prix category of The Magnet Employer Branding Awards, and a silver medal in the EcoVadis Sustainability Index.

Alleima as an investment

Advanced materials technology that makes a difference

Leading market positions in the premium segment based on high metallurgical expertise

- Critical components for customers' specific applications that help to improve safety, sustainability, efficiency and profitability
- Market leader in niche end-markets where demands on advanced materials are high
- Diversified customer segments and presence in several geographic regions

Read more on pages 14–17.

Market positions (examples)

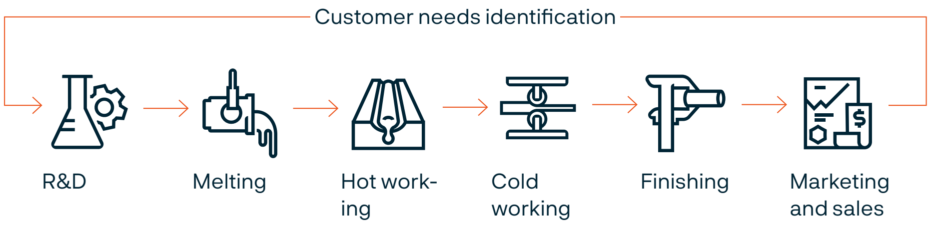
Industrial Heating	#1
Medical wire	#2
Umbilical tubing	#1
Steam generator tubing	#1
Aerospace titanium tubing	#1
Stainless compressor valve steel	#1

Note: Market position pertains to market share in Alleima's addressable market. Source: market survey conducted by Arthur D. Little on behalf of Alleima

A fully integrated value chain enables price and technology leadership

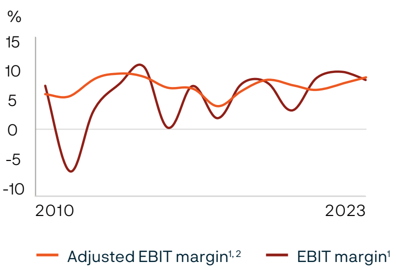
- Decreases dependence on external suppliers and creates high barriers to entry
- Enables product and application development across the entire value chain, starting with customer needs

Read more on pages 18–19.

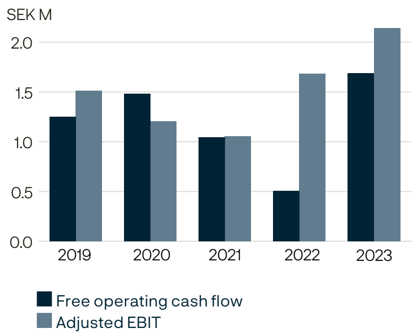


Financial stability

- Strengthened resilience throughout the business cycle



- Countercyclical cash flow profile



- Solid financial position

-0.02

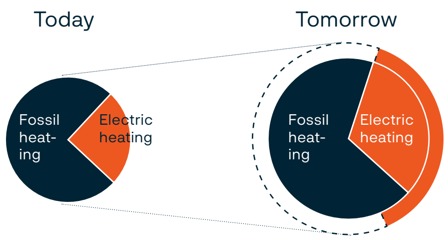
2023
Net debt/equity ratio

[1]Segment reporting for Sandvik Materials Technology published in Sandvik's financial reports, 2010–2021.
[2]Adjusted EBIT excludes metal price effects for the entire period. In addition, 2011–2012, 2015 and 2017–2022 have been adjusted for items affecting comparability.

Well positioned for growth based on several trends

- Increased energy demand, energy transition, energy efficiency and electrification
- Growing and aging population, with growing need for healthcare
- Performance in growth markets
- Increased need for more advanced materials

Read more on pages 14–15.

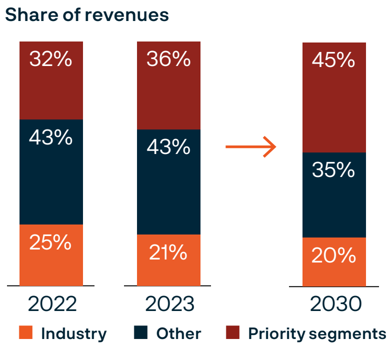


Example: Today, 75% of industrial furnaces run on fossil fuels and a shift to electric heating in industrial heating processes is underway.

Growth focus in priority segments, both organically and through acquisitions

- Industrial Heating, Medical, Chemical and Petrochemical, and Hydrogen and Renewable Energy are identified strategic growth areas
- Well-positioned product portfolio for leveraging growth in Asia
- Strong financial position enables growth investments and acquisitions

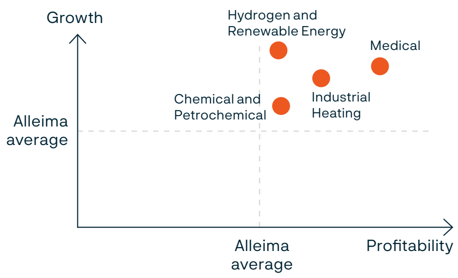
Read more on pages 20–21.



Shift in product mix toward more high-profit and less cyclical segments

- Reduced volatility and increased resilience over the business cycle
- Prioritized segments have higher profitability and an attractive long-term growth profile

Read more on pages 20–21.



Operational and commercial efficiency

- Continuous productivity improvements
- Value-based pricing model for strengthened price leadership
- Ongoing projects for improved inventory control
- Continuous footprint optimization

Read more on page 23.

The Alleima share

Alleima has been listed on Nasdaq Stockholm's Large Cap since August 31, 2022. The share price increased 99% during the year.

Share price performance

In 2023, the price of the Alleima share increased 99%. During the same period, the OMX Stockholm All Share Index increased 15%. At the end of the year, the closing price for the share was SEK 76.62, corresponding to a market capitalization of SEK 19.2 billion. In 2023, the highest closing price for the share was SEK 78.12, which was recorded on December 5. The lowest closing price during the year was SEK 38.88 and recorded on January 4. The total return on the Alleima share was 105%, compared with 19% for the OMX Stockholm All Share Index. Since Alleima's listing on August 31, 2022, the share price has risen 79%, corresponding to a total return of 84%.

Dividend and dividend policy

Alleima has a long-term dividend policy to distribute on average 50% of net profit (adjusted for metal price effects) over a business cycle, with dividends to reflect financial position, cash flow and outlook. The Board of Directors has proposed a dividend of SEK 2.00 per share to the 2024 Annual General Meeting, corresponding to approximately SEK 502 million and a dividend yield of 2.6% based on the share price at year-end. The dividend proposal corresponds to 30% of profit for the period (adjusted for metal price effects).

Share trading

In 2023, a total of 186 million shares were traded on Nasdaq Stockholm, with a total value of SEK 10 billion. The average daily turnover of the share on Nasdaq Stockholm was approximately 740,000.

Shares and share capital

At the end of 2023, the registered share capital was SEK 250,877,184, represented by 250,877,184 shares, each with a quota value of SEK 1. The share capital comprises one class of shares, with all shares carrying equal voting rights and equal rights to dividends. Alleima does not hold any shares in treasury.

Ownership structure

The total number of shareholders according to the share register held by Euroclear Sweden AB (Swedish Securities Center) was 115,660 at the end of 2023. The shares held by the ten largest shareholders corresponded to approximately 50% of the share capital and the same amount of voting rights. Swedish institutions and mutual funds owned approximately 55% of the share capital, international investors owned approximately 18% and Swedish private investors approximately 16%. Other ownership was 11%.

Shareholder communication

Information about the company in the form of reports, presentations and financial data is available at www.alleima.com/en/investors/

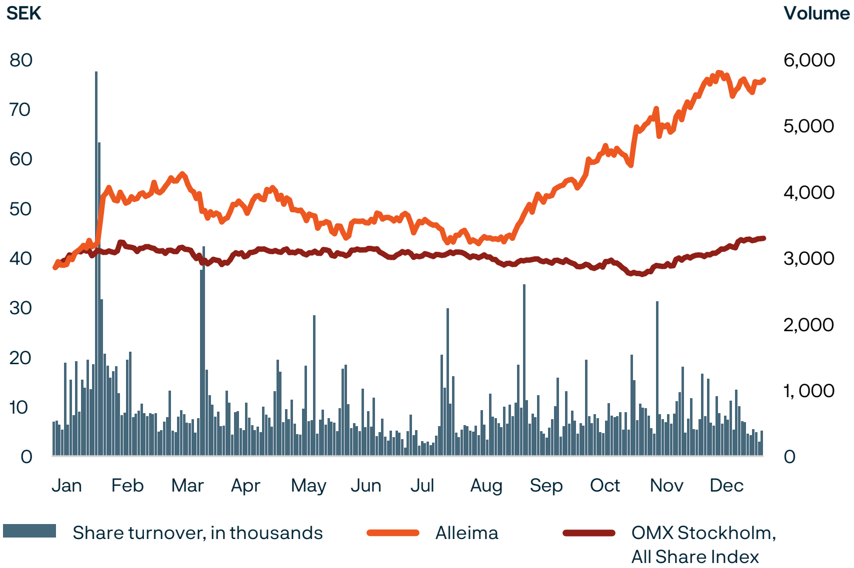
2.00

Proposed dividend per share, SEK

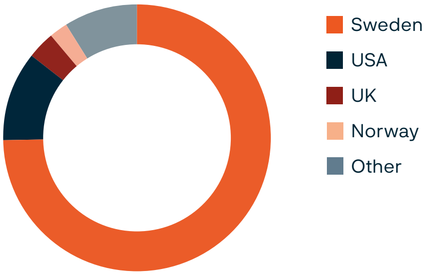
List of covering analysts

Bank of America	Patrick Mann
Carnegie	Igor Tubic
Danske Bank	Viktor Trollsten
Pareto	Alexander Vilval
SEB	Fredrik Agardh

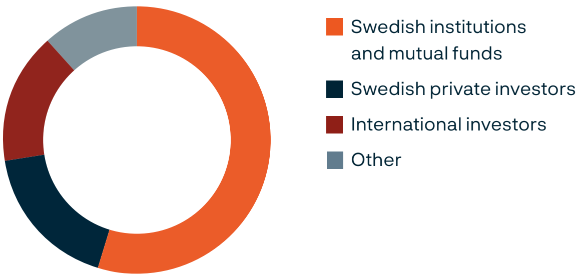
Alleima share price development at January 1–December 31, 2023



Ownership by geography



Ownership by category



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

Largest shareholders, December 31, 2023

Shareholders	Total number of shares	Shares and votes, %
Industrivärden	50,300,000	20.05
L E Lundbergföretagen AB	21,250,000	8.47
Swedbank Robur Funds	9,355,517	3.73
AFA Insurance	7,455,907	2.97
Vanguard	6,816,386	2.72
Handelsbanken Funds	6,690,965	2.67
Göranssonska Stiftelserna	6,073,546	2.42
First Swedish National Pension Fund	6,050,000	2.41
SEB Funds	5,463,588	2.18
BlackRock	5,370,577	2.14
Ten largest shareholders	**124,826,486**	**49.76**
Other shareholders	**126,050,698**	**50.24**
Total	**250,877,184**	**100**

Share information

Exchange	Nasdaq Stockholm
Ticker	ALLEI
ISIN-code	SE0017615644
Highest price paid	SEK 79.72
Lowest price paid	SEK 38.19
Price at the year's start	SEK 38.75
Price price at year-end	SEK 76.62
Market cap. at year-end	SEK 19 billion
Number of shares	250,877,184

Share capital development

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

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

Together, toward new heights

2023 was a successful year. We posted favorable financial results while continuing to execute our strategy of driving profitable growth and building an even stronger company.

Market development and financial performance

Our first full-year as a listed company on Nasdaq Stockholm was successful. Our revenues grew organically by 8% to new all-time-highs. Adjusted EBIT grew 27% to SEK 2,141 million year on year, with an adjusted EBIT margin of 10.4%. Higher revenues combined with an improved product mix and well-implemented price increases contributed to the favourable earnings development. The Tube and Kanthal divisions noted a positive revenue and earnings development, with solid demand in several of the customer segments. We have a clear benefit from our diversified exposure to industries being in different phases of the business cycle. The Strip division noted a negative development compared with the preceding year, on the back of a challenging market situation. Overall, we strengthened our order book throughout the year, and I see good opportunities for continued value creation over time.

A strengthened company

We have a clearly stated strategy that involves focusing on segments where demand is driven by global megatrends, including the trend toward the green transition. The priority segments include Industrial Heating, Medical, Chemical and Petrochemical, and Hydrogen and Renewable Energy. These are generally growing faster, are more profitable, and are less cyclical and capital-intensive than the average for our business. During the year, these segments grew by 24% and now represent a larger share of our total revenues than in the preceding year, which is a clear indication of our strong position today and for the future. While our capital allocation strategy is primarily focused on these four areas, we have a clear intention to grow organically in our profitable niches in other parts of the business in order to further strengthen the company.

Continued successful development for Kanthal

The Kanthal division continued to show a positive trend. Due to a good product mix combined with operational improvements, Kanthal has significantly increased its earning capacity over time. During the year, we received project orders for Industrial Heating in niche applications such as solar and lithium-ion battery production, as well as pilot orders for electric process gas heaters for the steel industry. We initiated several strategic partnerships that will enable us to provide the market with a unique offering to meet our customers' needs. In addition, we decided to invest in our production facility for silicone carbide heating elements in Perth, in the UK, as well as a new service center at our facility in Concord, in the US.

The Medical segment also continued to perform well. Successful launches of new products continued to drive growth, and new sales records were noted. In total, the Medical segment's revenues increased close to 60 % year on year.

Strong energy sector including demand for fossil-free energy

Demand for energy continued to grow and we are well positioned across the entire sector. In the Hydrogen and Renewable Energy segment, we delivered our first order in carbon capture and storage (CCS). The Nuclear segment delivered a positive performance in both the traditional business and through new applications, such as

steam generator tubes for small modular reactors (SMRs). These two projects are both key milestones for driving profitable growth through areas that are enabling the green transition. As a technology leader and progressive customer partner, we see good opportunities for further development here. Our Oil and Gas segment also delivered a strong performance during the year, and the backlog is solid for all of 2024.

Improved operational efficiency and safety practices

We continued to compensate for the cost inflation with our pricing. We feel secure in our role as a price and technology leader, and have also maintained our favorable price levels in the low-refined business, which showed slightly weaker market conditions during the year. Due to the favorable prices in our backlog, this will benefit us when the market recovers. We also focused on improving our inventory management and have clear activities for controlling inventory levels.

During the year, we reached record lows in inventory volumes relative to our revenues. By working with continuous improvements and streamlining our operational processes, we also reduced our total CO_2 emissions during the year while also growing our business.

During the year we continued to work with safety, first and foremost in our daily operations, but also through training in our safety principles, safety days and production walks.

Our customers' needs in focus

One of our competitive advantages is our global presence, and our strategy is expressed in a local premium offering. To strengthen our presence and meet the growing demand, in primarily the Tube division's Chemical and Petrochemical segment in Asia, we decided to expand our capacity by investing in a new facility in Zhenjiang in China. We also inaugurated our two new production lines in Mehsana in India. These investments are important for securing our long-term growth in these profitable and growing markets.

In the Tube division, we have strong customer relationships with leading players in Medical and Aerospace. Our customers are requesting end-to-end solutions and also therefore bar in small dimensions, which we have not been able to produce in-house before. Moving forward, our acquisition of the Söderfors Steel production facility will enable us to deliver directly to our customers without intermediaries, and we are currently working to secure the qualifications required for these demanding industries.

Electrification of CO2-intensive industries

To enable sustainable processes through, for example, the electrification of carbon-intensive industries is an area in which our material innovations are requested. An example is our collaboration with a Swedish steel producer who replaced its fossil-fuel heating process with electric heating using our solution. The estimated CO_2 savings generated by converting the customer's furnaces to electric heating vary from 1,400 to 2,000 tons per year and furnace. This is a prime example of how our products are making a positive contribution to a more sustainable future. We believe that sustainability and profitability go hand-in-hand.

During the year we inagurated two new production lines at our facility in Mehsana, India.

Our first year as an independent company

Our 160-year history and the expertise we have gradually developed have given us a solid foundation, and our first year as an independent company has been an exciting journey. In addition to developing the business successfully, we also marketed our new brand and worked to strengthen our brand position and recognition. We received several accolades during the year, including recognition as a Career Company 2024 (a distinction for Swedish employers who offer unique career and development opportunities), a gold medal in the Grand Prix category of The Magnet Employer Branding Awards, and a silver medal from EcoVadis for our Sustainability Rating.

Thank you to all employees, customers, partners and owners for a successful year. We are reaching new heights together!

Göran Björkman,
President and CEO

Financial targets

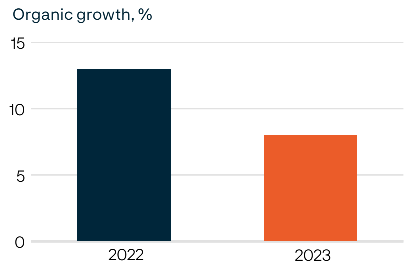
Alleima has four long-term financial targets.

Target

Performance

Growth

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



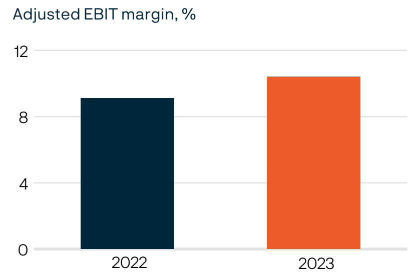
8%

Organic revenue growth of 8% for 2023. Organic growth in the two-year period since the target was set, was 11% on average.

Earnings

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

>9%



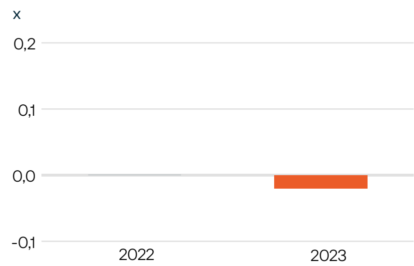
10.4%

Adjusted EBIT margin was 10.4% for 2023. The average for the two-year period since the target was set, was 9.8%.

Capital structure

Net debt in relation to equity below 0.3x.

<0.3x



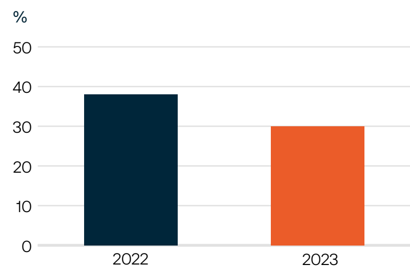
-0.02x

At the end of 2023, net debt in relation to equity was -0.02x.

Dividend policy

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

50%



30%

The Board proposes a dividend of SEK 2.00 per share. The proposal corresponds to 30% of profit for the period (adjusted for metal price effects) for 2023. The average for the two-year period since the target was set, was 34%.

Sustainability targets

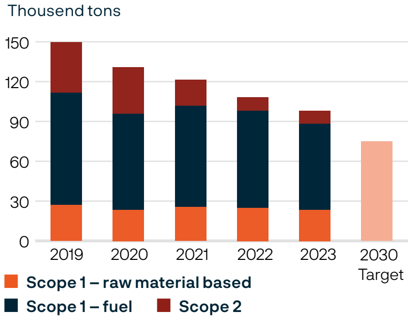
Alleima has long-term sustainability targets in four main areas. A presentation of all sustainability targets and performance can be found in the Sustainability Report.

Target

Performance

Climate

Reduce Scope 1 and 2 CO_2 emissions by more than 50% by 2030, compared with 2019.



-10%

Reduction of CO_2 emissions during the year.

CO_2 emissions from own operations amounted to 96k tons, corresponding to a reduction of 10% during the year and 35% since 2019. Efforts to set science-based targets in accordance with the SBTi framework's net-zero standard continued as planned and a proposed target shall be validated by the SBTi before public launch.

Market leader in sustainability

Grow the product portfolio for applications for the green transition, electrification, energy efficiency and improved quality of life, at a faster pace than total growth.

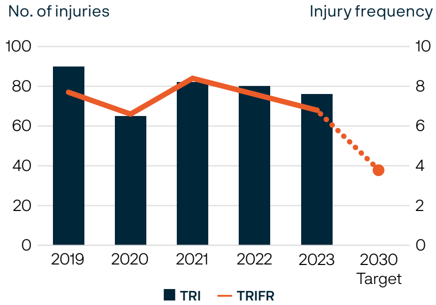
23%

Alleima's growth strategy is based on leveraging current megatrends, where most are related to sustainable development. During the year, total growth for the customer segments Industrial Heating, Hydrogen and Renewable Energy, and Medical was 23%, compared with 12% for the Group.

Efforts to define Alleima's full-scale portfolio of products to applications driven by sustainable trends were concluded and a presentation is planned for full-year 2024.

Health and safety

Reduce total recordable injury frequency rate by more than 50% by 2030, compared with 2019.



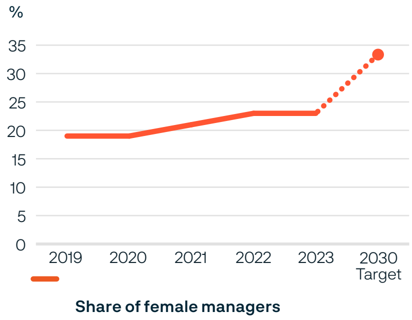
-11%

Lower total injury rate during the year.

During the year, the total recordable injury frequency rate (TRIFR) was 6.8, corresponding to a reduction of 11% during the year and 12% since 2019. A restart of the safe work program was launched during the year. The program is based on current safety principles and designed with account for local risk profiles to ensure a robust management system and a strengthened safety culture.

Diversity and inclusion

The share of female managers will be one-third of the total number of managers by 2030.



23.3%

Share of female managers at year-end.

Alleima is working long-term to increase diversity and inclusion. A number of targeted initiatives to achieve a gender balance generate results and the goal is to increase the share of females in total, as well as at managerial level.

Total recordable injuries (TRI), TRI Frequency Rate (TRIFR), greenhouse gases (GHG)

Leveraging leadership in our niches

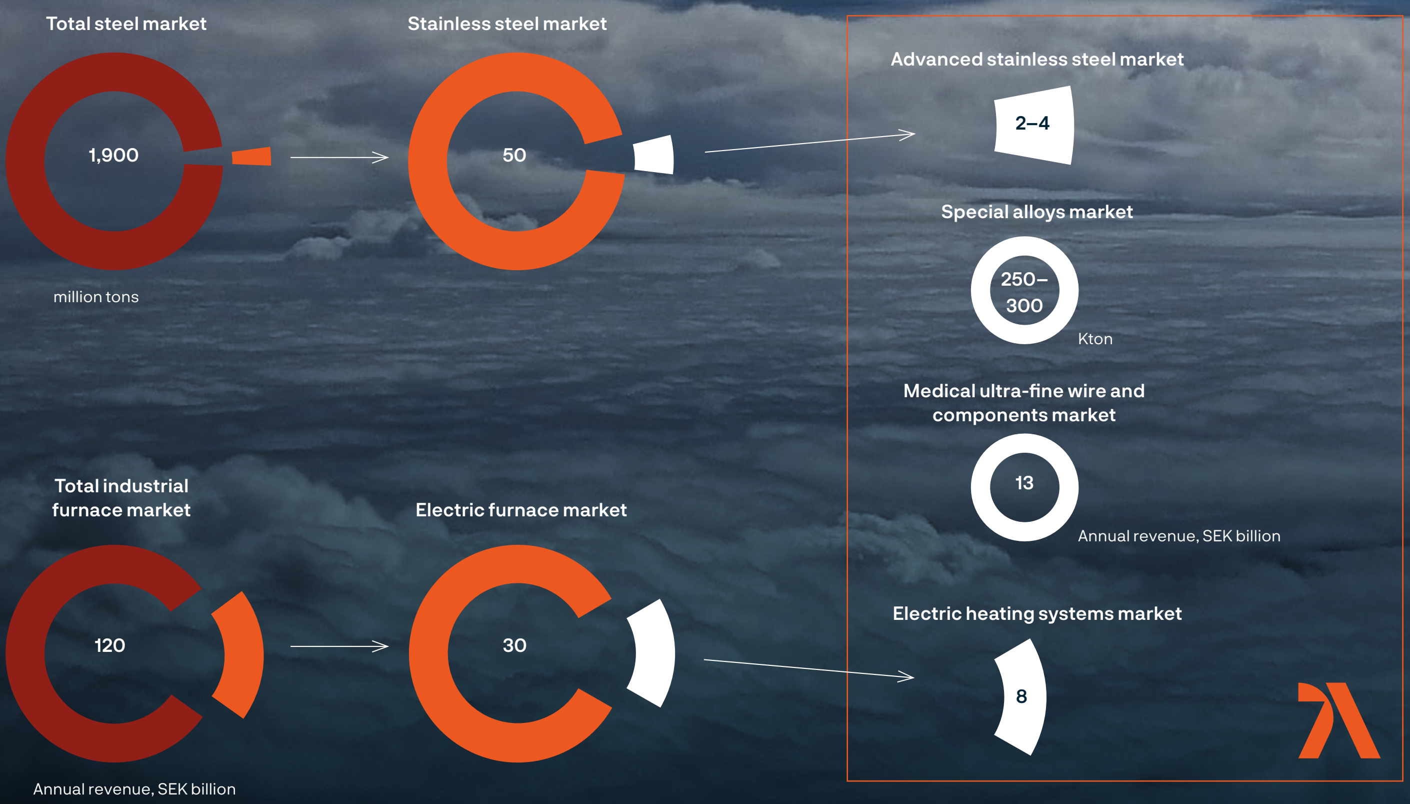
Alleima operates in four separate markets: the market for advanced stainless steel, the market for special alloys, the market for medical wire and components and the market for industrial heating products.

The market for advanced stainless steel is a narrow niche of the total steel market and includes high value-added products with specific industry standards for tolerances, product quality and process control.

The market for special alloys is characterized by an even higher degree of material processing, resulting in special alloys with even better properties and performance than advanced stainless steel.

The market for ultra-fine wire and wire components for medical devices is a growing niche market.

The market for industrial furnaces comprises both gas-fired and electric furnaces, where Alleima is active in the niche for electric furnace heating solutions. The current market share of electric furnaces is 25% and is expected to grow, driven by the energy transition.



The total steel market amounts to approximately 1,900 million tons, of which the market for stainless steel and advanced stainless steel account for approximately 50 million tons and 2–4 million tons, respectively. The market for special alloys is a niche market of about 250–300 ktons. Also, the market for medical ultra-fine wire and components is a niche market and amounts to about SEK 13 billion in annual revenue. The size of the total market for industrial furnaces is about SEK 120 billion, of which the market for electric furnaces accounts for SEK 30 billion and electric heating systems for SEK 8 billion.

Leveraging global trends

Four global megatrends are increasing demand for our advanced and high-performance materials and products and driving growth in our customer segments.

Changing demographics

The world's population is expected to increase, which is expected to drive consumption and energy use. The proportion of people aged 60 years and over is also expected to grow which, in turn, will drive demand for and investments in healthcare, and the development of new medical solutions. This trend is also expected to drive increased industrial production.

Stronger and changed demand for energy

The global energy demand, with an emphasis on renewable energy, is expected to increase, driven by a growing population and economic growth. These trends will primarily drive demand in the customer segments of Hydrogen and Renewable Energy, Nuclear and Oil and Gas.

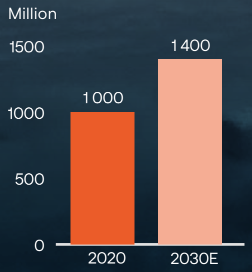
Electrification of industry and transportation

Electrification of industrial processes and vehicles is expected to drive demand in the customer segments of Industrial Heating and Transportation. Electricity is expected to account for a growing share of global energy use moving forward.

Growth in emerging markets

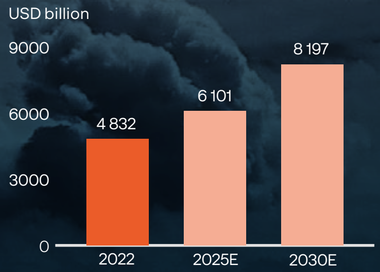
The rising standard of living and industrial development in emerging markets are supporting growth in all of Alleima's customer segments, particularly in the Chemical and Petrochemical segment in Asia.

Population 60 years and over



Source: World Health Organization

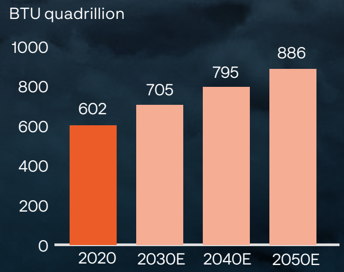
Investments in healthcare



Data represents 92% of the global healthcare cost.

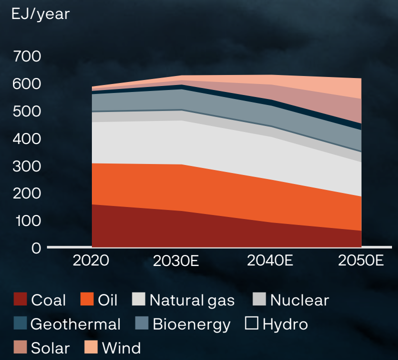
Source: Oxford Economics

Global energy consumption



Source: IEA WEB

Energy use per source



Source: DNV Energy Transition Outlook 2022

Customer segments and offering

Alleima's customers are active in many industries. We have strong market positions and a leading offering in several niche end-markets. Our exposure to various customer segments reduces volatility over a business cycle.

Oil and Gas, 21%
Tubes for extraction and production of oil and gas, advanced stainless steel umbilical tubes, control lines, corrosion-resistant alloys and Oil Country Tubular Goods (OCTG).

Industrial, 21%
Hollow and solid round bar, high-pressure and composite tubing, as well as semi-finished ingots and blooms, and billets for industrial production.

Chemical and Petrochemical, 18%
Hydraulic- and instrumentation tubing, heat exchangers, process piping, high-temperature applications, and high-pressure equipment for fertilizer production.

Industrial Heating, 11%
Metallic and ceramic heating elements and diffusion cassettes for heat-treatment furnaces, production of lithium-ion batteries, ceramics and steel, and a range of electronic appliances.

Consumer, 8%
Precision strip steel products in advanced stainless steel for razor blades, knives, cutting tools and compressor valve steel, and heating material for electronic appliances.

Mining and Construction, 5%
Drill steel for hydraulic rock drilling rigs in mines and infrastructure construction work.

Medical, 5%
Ultra-fine wire and wire-based components for medical devices such as glucose monitors and pacemakers, and for neurostimulation, and precision strip steel and small diameter tubing.

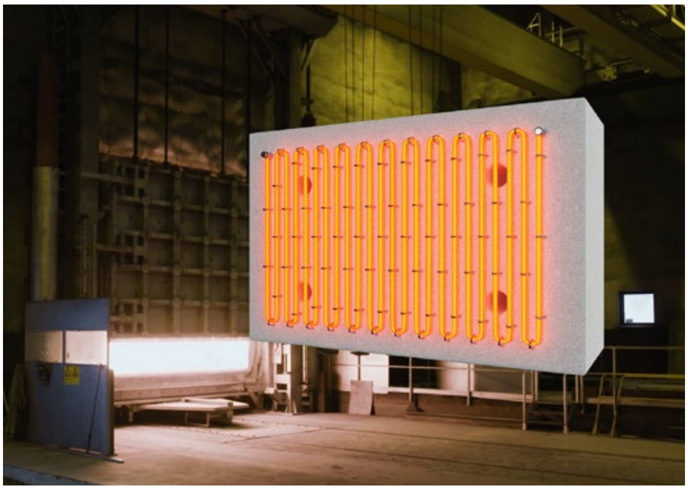
Nuclear, 5%
Steam generator tubing, cladding tubing, and nuclear tubes and pipes.

Transportation, 4%
Stainless steel and titan tubes used in aircraft hydraulic systems and jet engines, serving the commercial, defense and space aircraft segments, and Gasoline Direct Injection (GDI) tubes for cars and trucks.

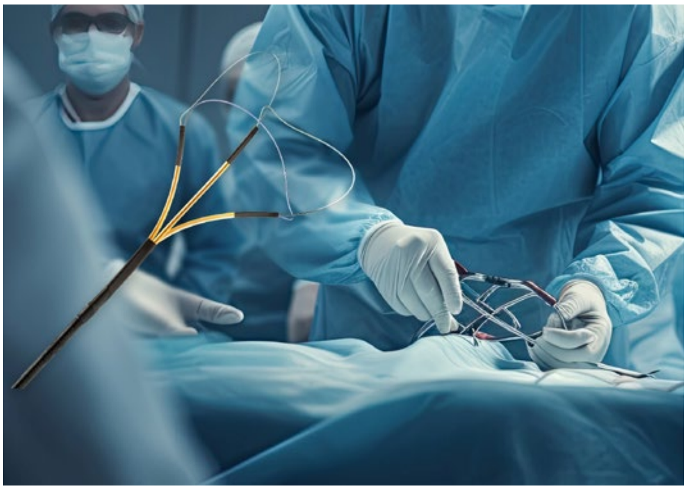
Hydrogen and Renewable Energy, 2%
Tubes for hydrogen applications, concentrated solar power, geothermal energy, bioenergy and biofuels, offshore wind, and carbon capture and storage, as well as coated strip steel for fuel cells and electrolyzers.

The percentage refers to the share of total revenue

Alleima is particularly focused on growing in the Industrial Heating, Medical, Chemical and Petrochemical and Hydrogen and Renewable Energy segments. Examples of applications below.



Industrial Heating, Fibrothal® heating modules
Prefabricated heating modules with metallic heating elements and vacuum-formed ceramic fiber insulation for temperatures up to 1,350°C (2,460°F).



Medical, ultra-fine medical wire
High-grade wires, wire-based components and nitinol instruments for applications in various fields of medical technology such as vascular therapy, neurostimulation and endoscopy.

Chemical and Petrochemical, hydraulic- and instrumentation tubing
Sanicro® 35, an austenitic stainless steel alloy designed for aggressive corrosive environments, the material bridges the gap between duplex or austenitic alloy standards and nickel alloys.

Hydrogen and Renewable Energy, Mobile Solution Container
A mobile and connected micro factory for cutting and straightening tubes when installing hydrogen refueling stations.

A value-creating and sustainable business model

Alleima's business model aims to deliver profitable growth and create added value for our stakeholders. Sustainability is a key and integral part of the entire value chain.

1 Customer needs are met in a fully integrated and sustainable value chain ...

2 ...that delivers materials and products that:

- are corrosion resistant
- withstand high temperatures or high pressure
- are lighter and thinner, with smaller diameters
- have mechanical strength

Control over the supply chain from R&D to end product

- Integrated sustainability across the entire chain
- Ensures independence, transparency and quality
- Industry-leading technology
- Prerequisite for development of new materials

Research & development

Innovations that support:

- Energy efficiency and reduced CO_2 emissions
- Safety and quality of life
- Technologies for the energy transition

Sustainable sourcing and buy-back of raw materials

- Responsible sourcing of recycled steel and virgin materials
- Buy-back program for customers
- Recycling system for internal scrap
- Waste heat recovery

Melting of steel in electric arc furnace

- 100% fossil-free electricity in the process
- 80% recycled steel in the end product
- Metal recycling of residual products

Hot working

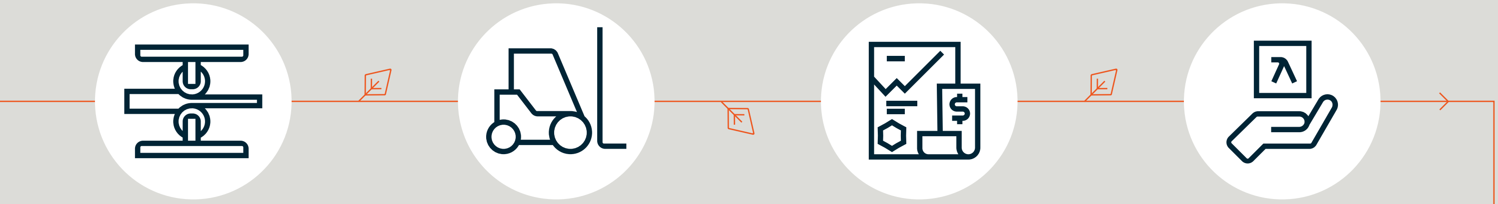
- Hot working into end products or materials for cold working
- Biogas and electric furnaces are partly used in heating processes
- Metal recycling of residual products
- Conversion of gas burners to increase use of biogas and natural gas

Buy-back/Recycling

Customer needs identification

3 …and create value for people and society:

— increasing energy efficiency and reducing CO_2emissions
— enabling technologies for the energy transition
— reducing materials usage
— contributing to safety and quality of life
— creating shareholder returns



Cold working

— Cold working and finishing into processed end products
— Metal recycling of residual products

Logistics

— Electric and biofuel-powered vehicles part of internal logistics and material transportation
— Continuous sustainability optimization of external transport and shipping of goods to customer
— Scrap material transportation from global facilities back to smelters in Sweden

Marketing & sales

— Marketing and sales in line with highest ethical standards
— Analysis of sustainability data part of marketing

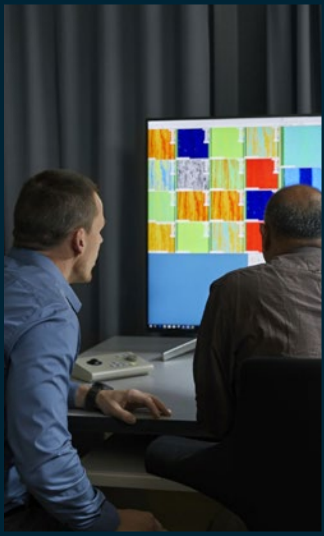
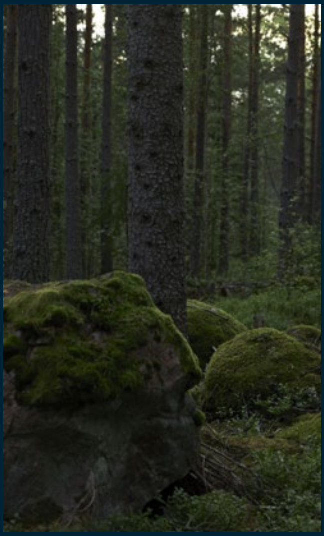
Product use

End products that enable:
— Energy efficiency and reduced CO_2 emissions
— Technologies for the energy transition
— Reduced materials usage
— Safety and quality of life

Strategic direction building on four pillars

Alleima's strategy has four strategic pillars: profitable growth, materials innovator and technology leader, operational and commercial excellence and industry-leading sustainability.

Four strategic pillars

Profitable growth	Materials innovator and technology leader	Operational and commercial excellence	Industry-leading sustainability
			

Joint business model

Own R&D — Fully integrated value chain — Decentralized organization

Profitable growth

Alleima's strategy for profitable growth is focused on the customer segments Industrial Heating, Medical, Chemical and Petrochemical, as well as Hydrogen and Renewable Energy. Business development and growth investments, with complementary strategic acquisitions in selected niches, are key elements of the strategy.

Industrial Heating

Alleima is a market leader in electric heating solutions. The goal is to grow the business through several activities, such as expanding the offering of products that are enabling the transition from fossil-fueled to electric heating solutions. The energy transition is driving demand in several industries where high-temperature solutions play a central role. These include the manufacturing of photovoltaics, semi-conductors and lithium-ion batteries, and the transition in the steel industry. The aim is also to form strategic partnerships and make acquisitions. The purpose is to expand the offering, geographic presence and technical capacity of, for example, large-scale (megawatts) heating solutions for industrial heating processes.

Medical

The aim is to grow in the Medical segment by increasing capacity for priority products such as medical wire for glucose monitoring and catheters. Demand is driven by customers operating in several fields of application for medical technology, such as remote monitoring of patients, cardiovascular devices and neurostimulation applications. Alleima intends to leverage synergies from previous acquisitions and to continue acquiring companies in order to add capacity and capabilities in the Medical segment. The strategy also includes increasing sales of bar and tube products for orthopedic implants where the acquisition of Söderfors Steel has added new capabilities.

The partnership with SCW Systems, which uses Sanicro® products in gasifiers that convert organic waste into fossil-free hydrogen and green methane, continued during the year.

Chemical and Petrochemical

Alleima holds a strong position in stainless seamless tubes, which are used in the chemical and petrochemical industry, and intends to strengthen and further develop this position. The strategy is to grow in Asia in particular, by strengthening the local manufacturing capacity of premium products. There is also growth potential in North America through an expanded local production capacity for high-nickel and super austenitic alloys.

Hydrogen and Renewable Energy

A key element of the strategy is to capture market share in the Hydrogen and Renewable Energy customer segment by strengthening the position as a technology-leading partne. Applications in Hydrogen and Renewable Energy require materials that can withstand high temperatures, have high corrosion and pressure resistance, and excellent mechanical properties. Alleima's existing product portfolio fits in well and meets customer needs. The focus lies particularly on a number of applications that will be significant for the green transition, including hydrogen, solar power, carbon capture and storage, and lithium-ion battery production. Alleima also offers also coated strip steel for hydrogen fuel cells for the transport industry, stationary hydrogen fuel cells and electrolyzers.

Materials innovator and technology leader

Alleima's research organization consists of leading international material experts. The innovativeness of the research throughout the value chain is unique, and Alleima has high expertise in materials technology, modeling and data analysis. The company's experts help the customers choose the right material at an early stage of the process. Due to extensive knowledge of industrial processes and customer applications, Alleima can support customers in their design process and ensure that the right materials are produced and finished for their specific needs.

Alleima is focused on broadening and developing the product portfolio in four prioritized growth segments. A major share of Alleima's research is conducted with a focus on these segments. At the same time, Alleima is strengthening the core product portfolio by developing capacity, materials and processes.

Energy transition and efficiency

The energy transition requires new technologies for energy storage. These technologies require advanced materials that can withstand extremely high temperatures and corrosive environments. The same applies, for example, to renewable energy sources such as concentrated solar power and geothermal energy. Alleima is thereby a key enabler for the energy transition, where materials technology is crucial.
Alleima is helping to improve energy efficiency in the aviation industry, for example, where lighter, corrosion-resistant and stronger materials can make a difference. Another important research focus is the development of large-scale heating solutions for electric process gas heating, which increases energy efficiency and is enabling the transition from fossil fuels.

Operational and commercial excellence

Alleima works continuously with operational and commercial excellence through continuous improvements in production optimization, inventory control, digitization, automation, pricing and mix optimization. Continuous improvements are achieved by applying a decentralized way of working across the organization, with central monitoring within the Group.

By setting targets for inventory levels and visualization in the value chain, for example, inventory control is continuously improved, which has a major impact on Alleima's tied-up capital. Various improvements in quality and energy efficiency are pursued locally in the operations, such as "big data" initiatives and the development of new steel grades. Securing price leadership and product mix optimization is an integral part of marketing and sales. Other key focus areas are cost efficiency in production and a high utilization rate for machinery and equipment.

Industry-leading sustainability

Sustainability is firmly established in Alleima's operations and integrated with the company's strategy. The goal is to be an industry leader in sustainability.

Making a difference through the operations

Alleima has been using recycled steel and an electric arc furnace in the production processes since 1929. It is considerably more energy efficient and has a lower carbon footprint than traditional iron ore-based steel production using blast furnace technology. This gives Alleima a strategic advantage in sustainability. The amount of recycled material in the products is 80% and about 96% of the global electricity use is fossil-free, which gives a low carbon footprint.

Alleima is working actively to reduce the environmental impact of the operations and to increase the circularity of raw material use. For Alleima, being an industry leader in sustainability also includes a strong focus on being a responsible employer and maintaining ethical business practices and regulatory compliance.

Alleima's business model is based on a fully integrated value chain, from research and development to end product. This makes it possible to take a holistic approach and to influence and minimize our carbon footprint in all stages of production.

Making a difference through the offering

The main contribution to sustainable development is though the product offering. Alleima is driving the transition to a sustainable society. The aim of the company's strategy is to grow products and solutions that contribute to the electrification of industries, enable the shift to renewable energy sources, energy efficiency, and innovations in the medical technology industry. New technologies for renewable energy, energy efficiency and electrification require new and more advanced materials, that are lighter and stronger and can withstand extreme temperatures, corrosive environments and high pressure. Alleima works together with its customers to meet their specific requirements and challenges, especially when it comes to achieving their sustainability and emissions reduction targets.

Tube

The Tube division develops and manufactures seamless tubes and other long products in advanced stainless steels and special alloys with excellent corrosion resistance and good mechanical properties.

Tube offers a wide range of niche products for the Oil and Gas, Chemical and Petrochemical, Industrial, Mining and Construction, Nuclear, and Transport segments, as well as for the growing Hydrogen and Renewable Energy segment. The division holds market-leading positions globally across several niche end-markets and product categories, including umbilical tubing, aerospace titanium tubing, and steam generator tubing for nuclear power generation.

Market overview

The Tube division is well positioned for growth, with strong underlying trends driving demand, mainly in the Oil and Gas, Hydrogen and Renewable Energy, Chemical and Petrochemical and Transportation segments. During the year, order intake growth of 1% was noted, and the backlog is solid. Market conditions for low-refined products, especially for the Industrial segment, weakened during the year. Revenues increased by 13%, mainly driven by a positive development for the Oil and Gas as well as Chemical and Petrochemical segments. The adjusted EBIT margin increased to 10.3% (9.6), mainly driven by higher revenues, a positive product mix and price increases.

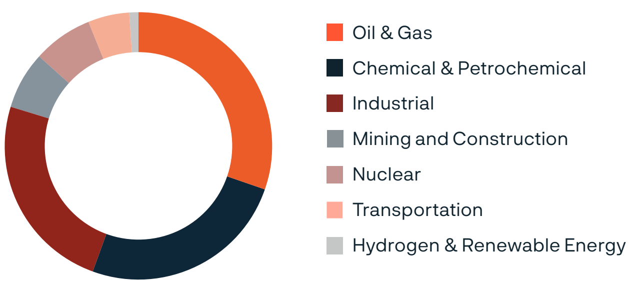
Main competitors
Main competitors are Nippon Steel Corp, Tubacex, Salzgitter Mannesmann International, Jiuli and Haynes International.

Go-to-market model
Approximately 75% direct sales. Focus is on working with end users and their material specifications to improve customers' industrial processes. A strong local presence globally in key markets with own sales and technical marketing resources.

Product innovations during the year
Nickel alloys for demanding environments such as renewable energy, aerospace, and chemical and petrochemical.

2023 in figures

Revenues by customer segment



Key figures

SEK M	2023	2022
Order intake	16,052	15,959
Revenues	14,475	12,804
Adjusted EBIT	1,491	1,229
Margin, %	*10.3*	*9.6*
EBIT	1,46	1,691
Margin, %	*10.1*	*13.2*
Total workforce	4,515	4,332

Adjusted EBIT excludes metal price effects of SEK -30 million and items affecting comparability of SEK 0 million in 2023 and 474 million and -12 million in 2022.
Total workforce includes employees and third-party workers and is based on full-time equivalents.

Revenues by geography

Steam generator tubes for small modular reactors (SMR)

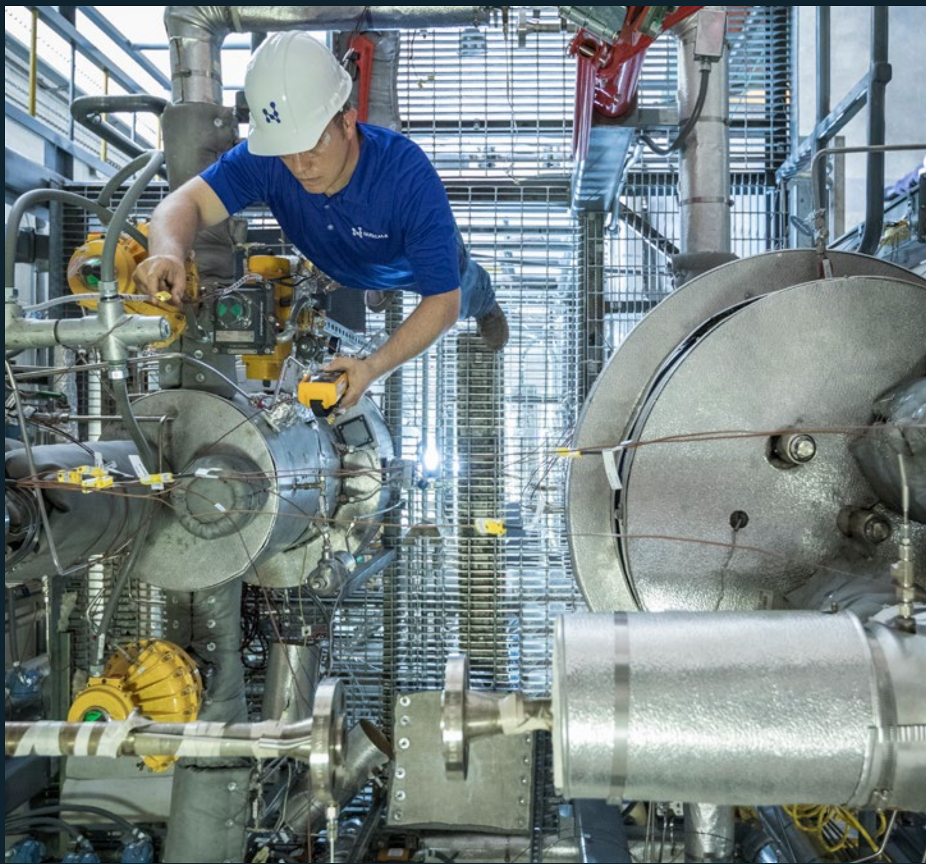
The development of small-scale nuclear reactors, or small modular reactors (SMR), has commenced worldwide and is presenting new opportunities.

The idea behind SMRs is to provide a more flexible and scalable carbon-free power option that can be deployed in various settings, including remote areas or locations with low energy requirements. SMRs hold the promise of being more affordable, and easier and faster to build than conventional large reactors.

The Korean nuclear power producer Doosan is one of the major suppliers of nuclear power-related facilities in the world and partners with Alleima to deliver approximately 200 kilometers of steam generator tubes for NuScale Power's first NuScale Power Modules™ (NPMs), each with a capacity to generate 77 MWe of carbon-free electricity.

NuScales' SMRs are based on proven pressurized water-cooled reactor technology and use Alleima's alloys for steam generator tubes.

"This technology is based on pressurized water-cooled reactor technology, which is closely linked to existing nuclear technology. Discussions about deliveries of steam generator tubes for SMRs are growing globally. As a front runner in this field, we are in a good position for these future power projects," says Carl von Schantz, President of Alleima's Tube Division. "We are delighted to be embarking on our journey toward successful deployment of the first commercial SMR with Alleima, as we highly value Alleima's extensive experience and market-proven products and solutions in steam generator tubes," says Jongdoo Kim, CEO of Doosan Enerbility's Nuclear Business Group.



"As a front runner in this field, we are well-positioned for future power projects within SMR."

Carl von Schantz, President of Alleima's Tube Division

Buy-back programs are increasing circularity

"Alleima is striving for at least 83% in its production system circularity. The buy-back program that we've set up with Welltec and Rimeco is part of the equation," says Brian Jørgensen, Product Area Manager, Tube Division.

Welltec is a leading Danish supplier of robotic solutions for the energy industry. They use Alleima's high-alloy tubes in their production processes. The tubes are reworked to fit the needs of the specific application, which results in some steel scrap.

Rimeco is a Danish recycling and waste management company that has been working with Alleima since 1981.

"Rimeco's motto is 'Reuse, Reduce, Recycle,' and we're constantly seeking new ways to reduce the CO_2 impact of our activities. That includes our collaboration with Alleima and Welltec," says Klaus Peter Riggelsen, CEO of Rimeco.

Welltec sends its steel scrap to Rimeco, which sorts it into different alloys, ensures its traceability, appraises it and sends it back to Alleima so it can be recycled.

When the material reaches Alleima, it is weighed. Then samples are cut from the material. They are then melted and analyzed. The results of the analysis and weight are sent back to Rimeco and, following approval, the material is stored by Alleima, ready to be loaded into a new heat that later becomes new tubes.

"The partnership is a win-win for everyone involved," says Brian Jørgensen. "Since the scrap that is returned to us from Welltec via Rimeco is our material, we already know its quality and, since we already have the certificates, we can reintroduce it back into our production," he continues, adding that remelting the scrap results in minimal waste, which is also better for the environment.

Kanthal

The Kanthal division is a market-leading provider of products and services in electric industrial heating technology and resistance materials, as well as ultra-fine medical wire and wire-based components.

Kanthal's offering includes materials for electric heating, temperature sensing and heat resistant applications for the Industrial Heating, Consumer and Industrial segments. It also includes ceramic and metallic resistance heating furnace, heating modules and tubes for heating systems that generally require a higher degree of processing and finishing before delivery to customers.

The division also offers ultra-fine medical wire and wire-based components for use in medical devices and electronic equipment such as glucose monitors, pacemakers, neurostimulators, as well as nitinol instruments.

Market overview

During the year, demand was solid in the Industrial Heating segment and the transition from gas to electric heating continued with a growing number of requests for furnace conversions. Demand is mainly driven by end-customer segments such as solar, steel, glass, and lithium-ion battery manufacturing. Activity remained high in the Medical segment. Demand for products such as wire for the Consumer and Industrial segments was slightly subdued during the year. Revenues increased by 16%, with solid growth across the division. The adjusted EBIT margin increased to 18.3% (15.4), mainly driven by higher revenues, a positive product mix and price increases.

Main competitors

Main competitors are Aperam, VDM Metals, Tokai KK and I Squared R Element. Competitors in the Medical segment include Fort Wayne Metals and Heraeus.

Go-to-market model

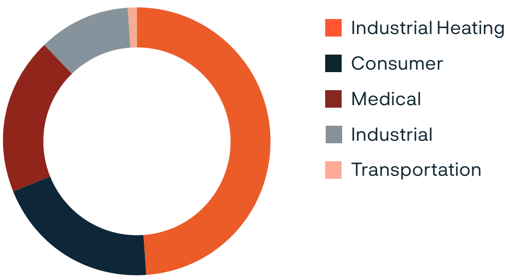
Approximately 90% direct sales. The mix of agents and distributors depends on application. Key focus on working with end-customers in the product development phase to provide support and continuously improve the material technology in relation to end-customer application.

Product innovations during the year

The shape memory alloy nitinol for medical devices was added to the portfolio.

2023 in figures

Revenues by customer segment



Key figures

SEK M	2023	2022
Order intake	4,321	4,466
Revenues	4,609	3,972
Adjusted EBIT	844	611
Margin, %	*18.3*	*15.4*
EBIT	778	802
Margin, %	*16.9*	*20.2*
Total workforce	1,436	1,367

Adjusted EBIT excludes metal price effects of SEK -65 million and items affecting comparability of SEK 0 million in 2023 and 196 million and -5 million in 2022. Total workforce includes employees and third-party workers and is based on full-time equivalents.

Revenues by geography

Efficient electrification of Ovako

Since electrifying all of its furnaces for heat treatment, Ovako has not only reduced its CO_2 emissions significantly, the steel company has also improved the quality and consistency of its products due to better temperature control.

Ovako has a long-standing working relationship with the Kanthal division. The conversion to electric heating began in 2014, and each furnace has gradually been equipped with up to 86 Tubothal® electric heating elements. 15 roller hearth furnaces have now been electrified in Sweden and Finland.

The estimated CO_2 savings are around 1,400 to 2,000 tons per year per furnace.

"In the past, we've had problems with NOx and CO_2 emissions from these furnaces," says Anders Lugnet, Technical Specialist, Energy & Furnace Technology at Ovako.

"If you use green electricity, emissions are now zero. Overall efficiency is also better, because you don't have any flue-gas losses from combustion."

While reducing emissions was the main goal, Ovako has also noticed other benefits. "As alloy steel suppliers, it's just as important for us to gain better control over the heat treatment," says Lugnet. "With today's control systems and thyristors, we have perfect control, which is much more difficult to achieve with gas heating. That also gives us better control over the quality of the material."

"We used to have about 450 gas burners in the heat treatment furnaces in Hofors, and there was always a problem with some of them somewhere," says Lugnet. "Since replacing them with about 300 Tubothal® elements, our daily maintenance has fallen to a minimum," says Lugnet.

"As a special alloy steel producer, it's important for us to gain better control over the heat treatment."

Anders Lugnet, Technical Specialist, Energy & Furnace Technology

Ultra-fine medical wire helps to care for premature babies

Alleima ultra-fine medical wire and wire-based components are used for life-changing cardiovascular, neurological, diagnostic and sensor applications to register, stimulate or transmit signals in the human body, or to a receiver outside the body, such as a mobile device.

Alleima medical wire is a key component in medtech company Getinge's innovation NAVA (Neurally Adjusted Ventilatory Assist), a ventilation method where the patient's own respiratory drive controls the timing and support given by the ventilator and is used, for example, for the treatment of premature babies with underdeveloped lungs.

Image: Getinge

Strip

The Strip division develops and manufactures a wide range of precision strip steel products and compressor valve steel, and also offers a portfolio of pre-coated strip steel for hydrogen applications.

The offering comprises precision strip steel, which is used in knives, razor blades, compressors for refrigerators, heat pumps and air conditioners, as well as spring steel, valve steel for vehicle braking systems and steel for printing doctor blades and medical applications such as scalpels and bone saws. The business unit Surface Technology unit manufactures pre-coated strip steel, which is used in the production of hydrogen fuel cells and in electrolysis.

Market overview

Demand was lower than in the previous year across the division, and for the Consumer segment in particular. Order intake declined by 23%, while revenues declined by 3% from high absolute levels. The adjusted EBIT margin was 6.9% (12.7), negatively impacted by lower production volumes and a weaker product mix. Mitigating actions to adjust capacity and reduce manning was implemented during the year.

Main competitors

Main competitors include the precision strip divisions of Proterial, Voestalpine, Jindal Steel and Power and Zapp.

Go-to-market model

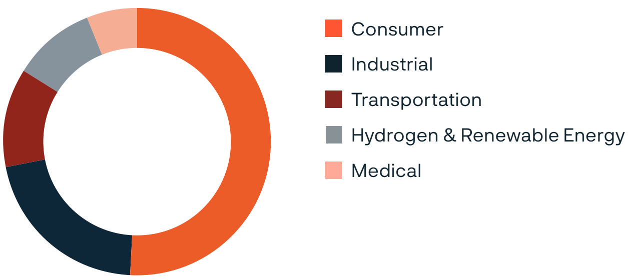
More than 90% of the Strip division's sales are direct sales, managed by the in-house sales organization. Deliveries are made from Sandviken with support from service centers in China, the USA, and Japan.

Product innovations during the year

Damax™ knife steel, the next generation of Damascus knife steel and cryogenic microtome blades for cutting ultra-thin slices of human tissue for cancer diagnosis.

2023 in figures

Revenues by customer segment

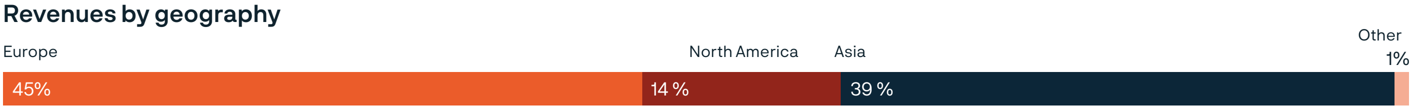


Key figures

SEK M	2023	2022
Order intake	1,310	1,705
Revenues	1,585	1,628
Adjusted EBIT	109	207
Margin, %	6.9	*12.7*
EBIT	110	232
Margin, %	6.9	*14.2*
Total workforce	491	551

Adjusted EBIT excludes metal price effects of SEK 0 million and items affecting comparability of SEK 0 million in 2023 and 25 million and -1 million in 2022. Total workforce includes employees and third-party workers and is based on full-time equivalents.

Revenues by geography



Pre-coated strip steel for the automotive industry

Our Sanergy™ product family with pre-coated strip steel has been specifically developed for use in the fuel cell and electrolysis segments. During the year, business unit Surface Technology began supplying volumes for mass production with deliveries to the automotive industry.

"When car manufacturers develop a next-generation car, they perform a certification process first to evaluate various technologies based on cost, quality and supplier competence," explains Håkan Holmberg, Head of Sales and Business Development at Alleima Surface Technology. "To be selected to take part in this process – especially for such an exciting technology as hydrogen fuel cell cars – is a huge achievement. Our product will be used by subcontractors in the upcoming mass production of new fuel cell vehicles and is a critical fuel cell component," says Holmberg.

Fuel cells generate electricity through an electrochemical reaction in which hydrogen and oxygen are used with water as the only by-product. This is in contrast to combustion, where the fuel is gasified and generates, among other things, carbon dioxide as a residual product. The most common type of fuel cell is the proton-exchange membrane fuel cell (PEMFC), which uses hydrogen as fuel. The most important aspect from a sustainability perspective is that the only emissions are heat and water.

"Our product is a critical hydrogen fuel cell component."

Håkan Holmberg, Head of Sales and Business Development, Alleima Surface Technology

Recycling that's good for the environment and the business

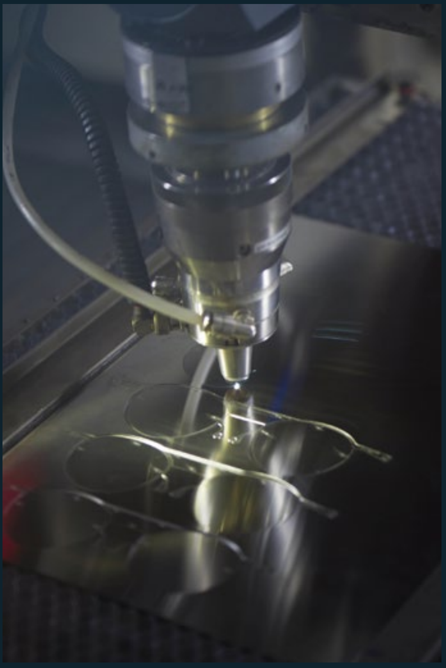
Berlin-based MYKITA combines handcraft with high technology to produce its eyewear designs. MYKITA uses stainless spring steel from Alleima in several of its collections. It has excellent corrosion resistance and superior mechanical properties, the perfect mix between malleability and tensile strength that MYKITA requires for its eyewear design.

In the production process, the frame parts, front and temples are cut out of the strip steel that MYKITA has purchased from Alleima, and then folded and bent into the desired shapes, surface treated and then handcrafted into frames.

After removing the parts, a large amount of strip steel is left over. MYKITA returns the leftover strip steel to Alleima. It is analyzed and then reused to produce the steel grade that MYKITA uses in its frames.

The frames currently have a high recycled content of 90%, while the remaining 10% comprises added virgin raw material to achieve the desired material properties.

"We can make real progress on sustainability if we work closely along the value chain," says MYKITA's founder and creative director Moritz Krueger.



Directors' report

Summary

Financial overview - Group

SEK M	2023	2022	Change, %
Order intake	21,684	22,130	-2
Organic growth, %	*-6*	*19*	-
Revenues	20,669	18,405	12
Organic growth, %	*8*	*13*	-
Adjusted EBITDA	3,056	2,540	20
Margin, %	*14.8*	*13.8*	-
Adjusted operating profit (EBIT)	2,141	1,681	27
Margin, %	*10.4*	*9.1*	-
Operating profit (EBIT)	2,046	2,122	-4
Profit for the period	1,574	1,483	6
Adjusted earnings per share, diluted, SEK	6.56	4.46	47
Earnings per share, diluted, SEK	6.27	5.86	7
Free operating cash flow	1,688	505	234
Net working capital to revenues, %[1]	34.3	32.8	-
Net debt/Equity ratio	-0.02	0.00	-

Notes to the reader: Tables and calculations in the report do not always agree exactly with the totals due to rounding. Comparisons refer to the corresponding period last year, unless otherwise stated. Adjusted EBITDA and adjusted operating profit (EBIT) excludes items affecting comparability (IAC) and metal price effects, see Note 2 and description of Alternative Performance Measures on page 143-144 for further details. Definitions and glossary can be found on www.alleima.com/investors.

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

Market development

Market development was mixed for the various customer segments during the year. The short-cycle business, mainly related to low-refined products in the Industrial and Consumer segments, weakened, while demand in mainly Oil and Gas, Chemical and Petrochemical, Nuclear, and Medical increased year on year.

Order intake and revenues

Order intake decreased by 2% to SEK 21,684 million (22,130), with organic growth of -6%. Excluding major orders of SEK 2,382 million (2,653), organic growth was -5%. All three divisions noted an organic decline year on year, mainly driven by the development in the Industrial and Consumer customer segments. The region Europe noted organic order intake growth of 16%. The regions of North America and Asia noted organic order intake growth of -34% and -10%, respectively.

Revenues increased by 12% to SEK 20,669 million (18,405), with organic growth of 8%. The Tube division noted a positive development, mainly driven by the Oil and Gas as well as Chemical and Petrochemical customer segments. Also the Kanthal division noted a positive development, primarily driven by the Industrial Heating and Medical customer segments, while the trend was negative for Strip mainly due to lower production volumes in the Consumer segment. Book-to-bill was 105%.

Structure had an impact of 1%, while currency had an impact of 3% on both order intake and revenues. Alloy surcharges had a neutral impact on order intake and revenues.

Order intake and revenue

SEK M	Order intake	Revenues
2022	**22,130**	**18,405**
Organic, %	-6	8
Structure, %	1	1
Currency, %	3	3
Alloy, %	0	0
Total, %	-2	12
2023	**21,684**	**20,669**

Earnings

Gross profit

Cost of goods sold increased by 18% to 16,090 million (13,692), driven by increased sales volumes, changed product mix and increased cost for intermediate goods. Gross profit decreased by 3% to SEK 4,579 million (4,713), corresponding to a gross margin of 22.2% (25.6). The decrease was primarily driven by negative metal price effects.

Sales, administrative and R&D costs

Selling expenses increased by 9% to SEK 1,288 million (1,177), primarily due to higher demand

Administrative expenses decreased by 19% to SEK 973 million (1,203). The decrease was mainly attributable to separation costs of SEK 254 million last year.

Research and development costs increased by 22% to SEK 255 million (209), primary due to higher activity in a few prioritized development projects.

Other operating income and expenses amounted to SEK -16 million (-2).

Operating profit (EBIT)

Adjusted EBIT increased by 27% to SEK 2,141 million (1,681) corresponding to a margin of 10.4% (9.1). The development was primarily attributable to higher revenues, an improved product mix and price increases. Currency had a positive impact of SEK 133 million year on year. Depreciation and amortization amounted to SEK -915 million (-859).

Reported EBIT amounted to SEK 2,046 million (2,122), corresponding to a margin of 9.9% (11.5). Metal price effects had a negative impact of SEK -95 million (695). Items affecting comparability amounted to SEK 0 million (-254).

SEK M	Adjusted EBIT
2022	**1,681**
Organic	347
Currency	133
Structure	-19
2023	**2,141**

Financial items

Net financial items were SEK 28 million (-184). Previous year was negatively affected by revaluations of FX derivatives.

Taxes

Income tax expense amounted to SEK 500 million (455), corresponding to an effective tax rate of 24.1% (23.5).

Profit

Profit for the period amounted to SEK 1,574 million (1,483), corresponding to earnings per share, diluted, of SEK 6.27 (5.86). Adjusted profit for the period amounted to SEK 1,647 million (1,131) and adjusted earnings per share, diluted, amounted to SEK 6.56 (4.46). See page 143 for further details.

Financial position, capital resources and liquidity

Capital employed

Capital employed excluding cash decreased to SEK 15,533 million (16,020). Return on capital employed excluding cash decreased to 12.9% (14.2), due to changed metal prices).

Working capital

Net working capital amounted to SEK 6,825 million (6,519). The increase mainly driven by decreased account payables. Net working capital in relation to revenues was 34.3% (32.8).

Capital expenditure

Net investments (capex) amounted to SEK -815 million (-656), corresponding to 108.4% (90.7) of scheduled depreciation and -3.9% (-3.6) of revenues.

Cash flow

Cash flow from operating activities increased to SEK 2,234 million (687), mainly due to lower impact from changes in raw material prices compared to previous year.

Free operating cash flow increased to SEK 1,688 million (505), due to lower impact from changes in raw material prices compared to previous year.

Free operating cash flow

SEK M	2023	2022
EBITDA	2,957	2,980
Non-cash items	54	-130
Changes in working capital	-380	-1,590
Capex	-815	-656
Amortization, lease liabilities	-128	-99
Free operating cash flow[1]	**1,688**	**505**

1) Free operating cash flow before acquisitions and disposals of companies, net financial items and paid taxes.

Funding and liquidity

On December 31 2023, SEK 1,595 million (892) was reported as Cash and Cash equivalents, whereof SEK 1,021 million (254) in cash directly available for Group Treasury and SEK 574 million (638) is restricted cash such as short-term deposits and cash accounts with, for Group Treasury, limited access. The short-term deposits are considered as cash equivalent as they have a time to maturity of less than 3 months.

Net debt decreased to SEK -242 million (21), i.e. a net cash position. Net debt in relation to equity was -0.02x (0.00). The financial net debt position was SEK -1,590 million (-883). Net pension liability increased year on year to SEK 843 million (513), primarily due to a lower long-term discount rate. Net debt in relation to rolling 12-month adjusted EBITDA was -0.08x (0.01). During 2023, Alleima has prolonged the revolving credit facility of SEK 3,000 million one year by utilizing a one-year option, extending the facility to 2028. On December 31, 2023, available credit facilities were unutilized. The short-term liquidity reserve, comprising committed credit facilities and accessible cash and cash equivalents was SEK 3,908 million (3,254). See Note 26 for further information.

Share and share capital

As of December 31, 2023 Alleima's share capital amounted to SEK 250,877,184 represented by 250,877,184 shares.

Alleima's General Meeting held on May 2, 2023 approved the Board's proposal for a long-term share-based incentive program (LTI 2023). As of December 31, 2023, LTI 2023 comprises 403,544 share rights. The delivery of these shares is secured through an equity swap agreement with a third party.

The Annual General Meeting held on May 2, 2023, resolved for the financial year 2022 on an ordinary dividend of SEK 1.40 per share. The dividend of SEK 351 million was distributed to the shareholders on May 9, 2023.

Significant events in 2023

- On April 20, Alleima announced that it had signed an agreement to acquire the Swedish company Söderfors Steel Operations AB. The acquisition adds capabilities in hot rolling of small diameter bars and profiles to expand the offering of advanced materials for the Medical and Aerospace segments. The acquisition was completed on May 2.
- The General Meeting on May 2, decided to re-elect Board members Göran Björkman, Claes Boustedt, Kerstin Konradsson, Andreas Nordbrandt, Susanne Pahlén Åklundh and Karl Åberg, and to elect Ulf Larsson as new Board member. Andreas Nordbrandt was re-elected Chairman of the Board.
- On May 17, Alleima appointed Carl von Schantz as new President for the Tube division and member of the Alleima Group Executive Management. He started his position on October 1 and succeeds Michael Andersson, who left Alleima in June 2023.
- On July 3, it was announced that Kerstin Konradsson, in conjunction with her appointment as CEO for Erasteel, had decided to resign from the Board of Directors, effective immediately.
- On September 5, it was announced that Alleima is expanding its capacity to meet the increased demand in the Chemical and Petrochemical segment, through an investment of approximately SEK 250 million in a new cold-finishing facility in Zhenjiang, China. The investment will be made during a three-year period and the production will gradually increase from 2025.

Significant events after year-end 2023

- On January 31, Alleima announced the receipt of a major order for advanced tubes; umbilicals, for the Oil and Gas customer segment, to a total value of approximately SEK 520 million.

Significant agreements

The manufacture and sale of rock drill steel products is a business segment (the "RDS business") within Alleima with multiple customers, including subsidiaries in the Sandvik group. The RDS business is operated by Alleima Rock Drill Steel AB (the "RDS company"). 10% of the shares in the RDS company are held by Sandvik AB and the remaining shares are held by Alleima EMEA AB. The co-ownership is regulated in a shareholders' agreement to which the owners are party. The terms of the shareholders' agreement provides Sandvik AB with certain protective rights, including a call option which Sandvik AB may exercise upon, e.g., a change of control in Alleima AB, whereby an owner, who was not a major shareholder at the time of signing of the agreement, gains control of 30 per cent or more of all votes in the company, and which call option provides Sandvik AB with a right to purchase Alleima EMEA AB's shares in the RDS company at fair market value. Upon exercise of the call option and Sandvik AB's subsequent purchase of Alleima EMEA AB's shares, the shareholders' agreement will lapse. As a change of control that causes the call option to become exercisable may be a public take-over offer, the shareholders' agreement is deemed such a significant agreement as is intended by the Annual Reports Act (1995:1554) Chapter 6 section 2 item 9.

Workforce

The number of employees at year-end was 6,110 (5,886). Wages, salaries, and other remunerations for the year totaled SEK 3,577 million (3,177). The number of third-party workers at year-end was 596 (612).

Alleima guidelines for the remuneration of senior executives

The below remuneration guidelines were approved by the Annual General Meeting 2023 and apply until the Annual General Meeting 2027, unless any changes are proposed. The Board of Directors does not propose any new guidelines.

Scope of the guidelines

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

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

A prerequisite for the successful implementation of the Company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the Company is able to recruit and retain qualified personnel. To this end, it is necessary that the Company offers competitive remuneration.

The guidelines enable the Company to offer senior executives a competitive total remuneration. For more information regarding the Company's business and sustainability strategy, please see the Company's website www.alleima.com.

Types of remuneration

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

Fixed salary

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

Variable remuneration

Variable share related remuneration

The Company may offer long-term share-related or share price related remuneration. Such programs (including any cash-based incentive programs that may be offered as an alternative, when deemed appropriate) are adopted by the General Meeting and are therefore not covered by the guidelines.

Variable cash remuneration

The Company may offer short or long-term variable cash remuneration. The Company may only offer long-term variable cash-based remuneration as a three-year program and during a year when the general meeting has not resolved to adopt a share or share price related program.

The long-term variable cash remuneration shall be a maximum of 75% of the fixed annual cash salary, paid during the program's third and final year, for the President and CEO, and a maximum of 60 %of the fixed annual cash salary, paid during the program's third and final year, for other members of the group executive management. The fulfillment of objectives for awarding such remuneration shall be measured over a period of one to three years and paid out year four.

T*he short-term variable cash remuneration* shall be a maximum of 70% of the fixed annual cash salary for the President and CEO and a maximum of 50% of the fixed annual cash salary for other members of the group executive management.

Any variable cash remuneration shall be conditional upon the fulfillment of defined and measurable criteria. These criteria shall aim at promoting the Company's business strategy and performance as well as its long-term interests, including its sustainability. At the beginning of each year, the criteria are proposed the Remuneration Committee and approved by the Board of Directors; including key performance indicators (KPIs) and the target ranges deemed relevant for the upcoming measurement period.

The criteria may be financial, and non-financial, and shall always be related to business performance. At least 80% of the variable cash remuneration shall be linked to the financial criteria.

The established KPIs shall be presented on the Company's website www.alleima.com. The extent to which the criteria for awarding variable cash remuneration have been fulfilled shall be determined when the measurement period has ended and will be published in the remuneration report the following year. For financial criteria, the evaluation shall be based on the latest financial information made public by the Company.

Special arrangements

Provided that remuneration is only made on an individual basis, the Company may offer one-off remuneration in specific cases for the purpose of recruiting or retaining senior executives. The remuneration may not exceed an amount corresponding to 100% of the individual's fixed annual salary including maximum variable cash remuneration.

Right to withhold or reclaim remuneration

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

Pension benefits

Pension shall be paid in accordance with relevant national legislation, applicable collective agreements (or similar).

For senior executives based in Sweden, pension benefits are subject to the ITP plan (Industry and Trade Supplemental Pension). Accordingly, there are both premium-based ("defined contribution") and benefits-based ("defined benefit") pension undertakings, based on individual prerequisites and applicable regulations. Variable cash remuneration shall qualify for pension benefits to the extent required by mandatory collective agreement provisions (or similar) applicable to the executive.

In addition to ITP, Alleima may offer complementary pension benefits. Senior executives are offered disability pension and a defined contribution pension scheme with an Alleima approved insurance provider in accordance with the Alleima Procurement Procedure.

For senior executives residing outside Sweden, deviations may be made for pension benefits, if required by local law or established market practice.

Total pension premiums shall not amount to more than 37.5% of the fixed annual salary.

Other benefits

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

Termination of employment
Severance pay may be paid when employment is terminated by Alleima. The President and CEO and the other senior executives may have a period of notice of not more than 12 months, in combination with severance pay corresponding to 6–12 months fixed salary.

When employment is terminated by the senior executive, the notice period may not exceed six months and no severance pay shall be paid.

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

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

The decision-making process to determine, review and implement the guidelines
The Board of Directors has established a Remuneration Committee. The Committee's tasks include preparing the Board of Directors' decision to propose guidelines for senior executive remuneration.

The Remuneration Committee shall annually assess whether a revision of the guidelines is needed. The Board of Directors shall prepare a proposal for guidelines at least every fourth year and submit it to the General Meeting for decision. The guidelines shall be in force until new guidelines are adopted by the General Meeting.

The Remuneration Committee shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for senior executive remuneration as well as the current remuneration structures and compensation levels in the Company.

The members of the Remuneration Committee are independent of the Company and its executive management. The President and the CEO and other senior executives do not participate in the Board of Directors' processing of and resolutions regarding remuneration related matters to the extent that they are affected by such matters.

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

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

Derogation from the guidelines
The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability.

For information on remuneration to senior executives and ongoing long-term incentive program, please see Note 3.

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

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

On average, the Alleima R&D spend amounted to SEK 225 million between 2019 and 2023, and during 2023 to SEK 255 million.

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

Tax

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

Alleima contributes to the local communities and countries in which we operate in the form of, for example, taxes and employment opportunities. In 2023, the Group paid SEK 419 million (292) in income taxes globally. Income tax comprises just a portion of all taxes paid by Alleima worldwide. In addition, Alleima pays social security contributions, environmental and energy taxes, property taxes, etc. Furthermore, Alleima collects and pays taxes at the request of governments and authorities, including indirect taxes and withholding taxes.

Environment

In Sweden, Alleima has operations where environmental permits are required. All operations held valid permits during the year. Guideline values in some of these permits were exceeded for emissions to air and water during the year. In all such incidents, a notification was sent to the authority. To comply with the target values, corrective actions were prompted.

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

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

Should Alleima not execute its carbon reduction plan, an associated cost would incur. In 2023, this cost was just under SEK 3 million. The allotted emission rights for the current period were 61,956 per year, and the accounted emission covered by EU ETS amounted to 64,958 in 2023. A total of 35,000 emission allowances were purchased at an average price of SEK 948 per ton. The year's total purchases included both balancing the account for the entire trading period and this years deficit.

Statutory sustainability report

Alleima has issued a statutory sustainability report. The report was prepared in accordance with the Annual Accounts Act and approved by the Board of Directors and the President and CEO. The statutory Sustainability Report includes pages 13, 35, 38-39, 111-141.

Parent company

The parent company's (Alleima AB) revenues amounted to SEK 24 million (20) and the operating result was SEK -59 million (-122).

As of December 31, 2023 Alleima AB's share capital amounted to SEK 250,877,184 represented by 250,877,184 shares. The largest shareholders of the parent company at year-end were Industrivärden (20.05%) and Lundbergföretagen AB (8.47%). The ten largest shareholders amounted to 49.8% of total shares and votes.

The number of employees in the parent company as of December 31, 2023 was 9 (9).

Proposed appropriation of earnings

To the Annual General Meeting on May 2, 2024, Alleima Board of Directors proposes for the financial year 2023 a dividend of SEK 2.00 (1.40) per share (SEK 502 million), to be paid in May 2024, and that the parent company shall retain the remaining part of non-restricted equity. The record date for entitlement to receive dividends is proposed as May 6, 2024 and payment is expected to be made on May 10, 2024.

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

	SEK
Amount to be paid to the shareholders	501,754,368
Amount to be retained by the parent company	12,686,584,221
Total non-restricted equity of the parent company	**13,188,338,589**

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

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

The Board has proposed that the Annual General Meeting 2024 resolves on a dividend distribution of SEK 2.00 per share.

After the dividend distribution, the remaining non-restricted equity of SEK 12,687 million is proposed to be retained in the business and brought forward. The total amount of the proposed dividend distribution corresponds to approximately 3.8 % of the non-restricted equity of the parent company, which in total amounts to SEK 13,188 million prior to the transaction. After the proposed dividend of SEK 502 million, an amount of SEK 12,687 million will remain. In the consolidated balance sheet per December 31, 2023, retained earnings, including the result of the year 2023, amount to SEK 15,553 million prior to the proposed dividend distribution and will amount to SEK 15,051 million after the proposed dividend distribution. The Board notes that there will be full coverage for the restricted reserves of the Company after the dividend distribution.

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

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

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

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

January 23, 2024

Alleima AB (publ)
The Board of Directors

Divisions

Alleima has three divisions: Tube, Kanthal and Strip.
The largest production facilities are located in Sandviken, Sweden, and in Chomutov, Czech Republic.

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 Oil and Gas, Chemical and Petrochemical, Industrial, Mining and Construction, Nuclear and Transportation. The offering also includes products and solutions for the growing Hydrogen and Renewable Energy segment. Order intake increased by 1% to SEK 16,052 million (15,959), with organic growth of -3%. Revenues increased by 13% to SEK 14,475 million (12,804), with organic growth of 9%. Adjusted EBIT margin was 10.3% (9.6). EBIT margin was 10.1% (13.2) and included metal price effects of SEK -30 million (474) and items affecting comparability of SEK 0 million (-12).

SEK M	2023	2022	Change %
Order intake	16,052	15,959	1
Book-to-bill, %	111	125	-
Revenues	14,475	12,804	13
Organic growth, %	*9*	*14*	-
Adjusted EBITDA	2,217	1,922	15
Adjusted EBITDA margin, %	*15.3*	*15.0*	-
Adjusted EBIT	1,491	1,229	21
Adjusted EBIT margin, %	*10.3*	*9.6*	-
EBIT	1,460	1,691	-14
EBIT margin, %	*10.1*	*13.2*	-
Number of employees	4,082	3,931	4
Number of third party workers	433	400	8

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. The customers are primarily in the segments Industrial Heating, Consumer, Medical and Industrial. Order intake decreased by 3% to SEK 4,321 million (4,466), with organic growth of -7%. Revenues increased by 16% to SEK 4,609 million (3,972), with organic growth of 11%. Adjusted EBIT margin was 18.3% (15.4). EBIT margin was 16.9% (20.2) and included metal price effects of SEK -65 million (196) and items affecting comparability of SEK 0 million (-5).

SEK M	2023	2022	Change %
Order intake	4,321	4,466	-3
Book-to-bill, %	*94*	*112*	-
Revenues	4,609	3,972	16
Organic growth, %	*11*	*9*	-
Adjusted EBITDA	963	708	36
Adjusted EBITDA margin, %	*20.9*	*17.8*	-
Adjusted EBIT	844	611	38
Adjusted EBIT margin, %	*18.3*	*15.4*	-
EBIT	778	802	-3
EBIT margin, %	*16.9*	*20.2*	-
Number of employees	1,311	1,215	8
Number of third party workers	125	152	-18

Strip

Strip develops and manufactures a wide range of precision strip steel products and offers pre-coated strip steel for one of the most critical components in the hydrogen fuel cell stack – the bipolar plates. The customers are in the segments Consumer, Industrial, Transportation, Hydrogen and Renewable Energy as well as Medical. Order intake decreased by 23% to SEK 1,310 million (1,705), with organic growth of -24%. Revenues decreased by 3% to SEK 1,585 million (1,628), with organic growth of -5%. Adjusted EBIT margin was 6.9% (12.7). EBIT margin was 6.9% (14.2) and included metal price effects of SEK 0 million (25) and items affecting comparability of SEK 0 million (-1).

SEK M	2023	2022	Change %
Order intake	1,310	1,705	-23
Book-to-bill, %	*83*	*105*	-
Revenues	1,585	1,628	-3
Organic growth, %	*-5*	*14*	-
Adjusted EBITDA	152	254	-40
Adjusted EBITDA margin, %	*9.6*	*15.6*	-
Adjusted EBIT	109	207	-47
Adjusted EBIT margin, %	*6.9*	*12.7*	-
EBIT	110	232	-53
EBIT margin, %	*6.9*	*14.2*	-
Number of employees	488	519	-6
Number of third party workers	2	32	-92

Risk management

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

The Alleima Board of Directors decides the strategic direction for the Group. Responsibility for the long-term and overall management of risks follows the decided decentralized structure where the divisional management teams are responsible for managing their operational risks and following the minimum requirements defined in the governance system "The Alleima Way".

Enterprise Risk Management

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

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

The ERM report summarizing key risks and mitigating activities across the business was presented to the Audit Committee and Board of Directors in December 2023. The Board of Directors and the Audit Committee's involvement in the ERM process is further described in the section about Corporate governance.

Financial Risks

Alleima's financial risk management is centralized, with a central Treasury function, Group Treasury, managing the majority of the Group's financial risks and transactions. Financial risk management is managed in accordance with the Group's financial risk management policy, which is part of "The Alleima Way".

The financial risks that are managed are currency risks coming from transaction and translation exposures, raw material related price risks from metals and energy, interest rate risk, liquidity- and refinancing risks and credit risks.

Derivatives are used to a large extent as hedging instruments in hedging transactions and are valued at fair value. Hedge accounting is applied on all raw material related derivatives and certain currency derivates in order to avoid volatility in the result from revaluations of derivatives. For a more thorough description of the financial risk management and hedge accounting please refer to Note 26.

Business Continuity and Crisis Management

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

Insurance as a risk management tool

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

Internal audit and internal control in Alleima's risk work

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

Alleima Group Risk Profile

Risk category	Risk description	Example of identified risk improvement actions
Geopolitical development	Operations are stopped or heavily impacted due to unclear trading conditions and continually evolving sanctions legislations, country policies or ethical/moral impact	Execute strategy to become more of a local supplier in key markets
	Regulatory changes that result in significant differences in regulations in different regions	Continuous dialogue in different channels, e.g. Eurofer, Swedish Steel Producers' Association (Jernkontoret), ESTA
Macroeconomic developments	Large part of the capacity is exposed to a segment that may gradually decrease	Long-term strategy to reduce dependency on Oil & Gas by growing identified focus areas
	Reduced demands due to challenges in the world economy, which can lead to growth target is not being reached	Market demand and macroeconomic development are continuously monitored and contingency plans with mitigation actions are in place at all divisions
People related risk	Risk that the company will lack needed competences to fulfill the strategy	Secure internal job rotation with possibilities to develop the career development and continuous work with learning and talent management
Business interruption	Unexpected and severe breakdowns in production	Business continuity plans developed for production units as well as reinvestment plan for key assets
	Availability of energy and to an affordable price may cause disturbances or stop in operations	Hedging to secure energy prices. High energy consuming processes in production planned so that high spot prices on energy could be avoided
Sourcing risk	Dependencies on suppliers' performance in terms of quality, sales and delivery time to fulfill customer obligation	Contract volumes with external sourcing to secure quality and quantity
	Access to raw material	Secure long terms supplier relations, sourcing from reliable suppliers and sources
Business interruption/ Sustainability risk	Weather related event, hurricanes, flooding, fires etc. that may impact own operations, customers or suppliers	Continue to find ways to minimize downtime or expand manufacturing footprint and continually review risks related to natural catastrophes
Compliance risk	Lawsuit and external reviews, bad media affecting reputation and brand values	Compliance program established that evolves with regulations
Information and data protection	Non-official information is made available to persons that shouldn't have access	Clearly defined process for information management that includes our quarterly reports and press-releases
	Modern digitized business practices are increasing the cybersecurity risks	Execute on defined framework within Digital Security and strategy
Financial risks	Currency risks, raw material related risks, interest rate risk, liquidity- and refinancing risks and credit risks	Continuous hedging of financial risks with derivatives, strong financial counterparties, focus on cash flow and low indebtedness. See Note 26 for a more thorough description of management of financial risks
	Fraudulent activities	Training and awareness Internal control framework
People related risk/ Sustainability risk	Incidents within own operation causing harm to employees or the environment	"Safety First" prioritized by Alleima Management agenda. Specific risk assessments is performed to minimize risks related to environment, health and safety
IT related risk	Unavailability of critical IT Services	Secure high availability services for business-critical applications, including offline storage of backups
Other business risk	Delivered products do not fulfill product specification requirements	Continuous focus on Quality and further development of management systems

Corporate Governance Report

Alleima AB has its head office in Sandviken, Sweden, and is the parent company of the Alleima Group, with subsidiaries and establishments in more than 25 countries. The Group has approximately 6,500 employees and revenues from sales to about 80 countries. Alleima AB is a public company with its shares listed on Nasdaq Stockholm.

Corporate governance within Alleima is based on laws and external rules such as the Swedish Companies Act, the Nordic Main Market Rulebook for Issuers of Shares, the Swedish Code of Corporate Governance (the "Code") and other relevant laws and regulations. The Code is available at corporategovernanceboard.se. In 2023, Alleima applied the Code without deviating from any of its regulations.

The Alleima Way

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

Our codes of conduct

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

Alleima process map

Management processes

- Strategy, Business Planning, Risk Management and Follow-up
- Quality, Sustainability, and Environment, Health and Safety
- Regulatory and Legal Compliance

Core processes

- Product development
- Marketing
- Sales
- Procurement
- Manufacturing
- Distribution

Supporting processes

- Finance
- HR/People
- IT
- Communication

Corporate Governance Model

The Board of Directors, elected by the General Meeting, sets the strategic direction for the Group. The President and CEO execute that strategic direction with the assistance of the Group Executive Management, whose members manage and oversee the operations of the Group. The main operational responsibility in the Group lies with the Divisions, with Group functions responsible for functional policies and processes supporting the business. The Alleima Way is implemented in the respective Divisions, with additional requirements cascaded down in the operational structure of each Division.

Ownership structure

As of December 31, 2023 Alleima's share capital amounted to SEK 250,877,184 represented by 250,877,184 shares. At year-end Alleima had 115,660 shareholders and AB Industrivärden was the largest owner with 20.05% of the share capital. Of the total share capital at year-end, about 25% was owned by investors outside Sweden.

Alleima shareholders, December 31, 2023, %

AB Industrivärden	20.05
L E Lundbergföretagen AB	8.47
Swedbank Robur Funds	3.73
AFA Insurance	2.97
Vanguard	2.72
Handelsbanken Funds	2.67
Göranssonska Stiftelserna	2.42
First Swedish National Pension Fund	2.41
SEB Funds	2.18
BlackRock	2.14
Ten largest shareholders, total	**49.76**
Other shareholders	**50.24**

Source: Monitor by Modular Finance AB

Shareholders' meeting

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

2023 Annual General Meeting

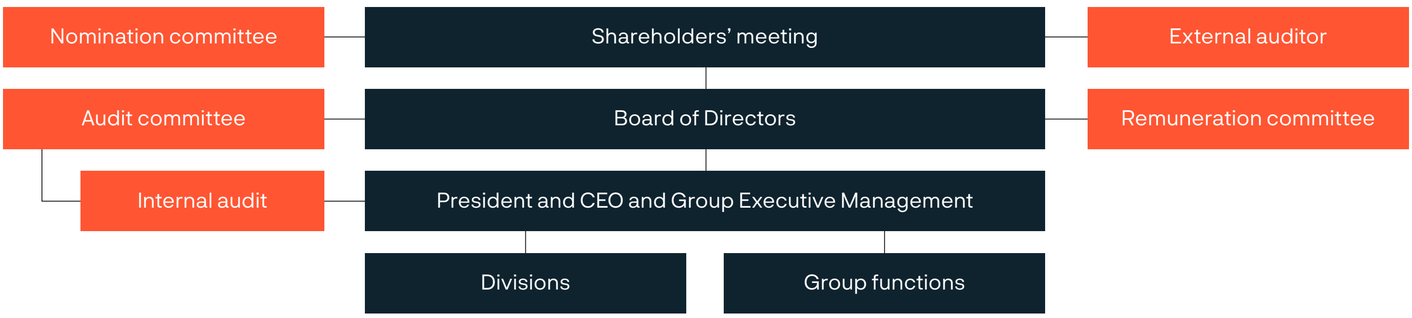
Shareholders representing 52.4% of the share capital and votes participated at the Annual General Meeting held on May 2, 2023. Resolutions included the following:

- Dividend of SEK 1.40 per share
- Re-election of Board members Göran Björkman, Claes Boustedt, Kerstin Konradsson, Andreas Nordbrandt, Susanne Pahlén Åklundh and Karl Åberg as well as re-election of Andreas Nordbrandt as Chairman of the Board.
- Election of Ulf Larsson as new Board member.
- Re-election of Pricewaterhouse Coopers AB as auditor.
- Approval of the Board of Directors' remuneration report
- Adoption of a long-term incentive program (LTI 2023) in the form of a performance share program for 30 senior executives and key employees in the Group
- Authorization for the Board of Directors to decide on acquisition of the company's own shares up to a maximum of 10% of all the shares in the company.

For additional information about the Annual General Meeting, including the minutes, visit alleima.com.

2024 Annual General Meeting

The next Annual General Meeting will be held on May 2, 2024. More information will be found in the notice convening the General Meeting and at alleima.com




Alleima AB held its first Annual General Meeting on May 2, 2023 in Sandviken, Sweden.

Nomination Committee

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

Nomination Committee for 2024 AGM

For the 2024 Annual General Meeting, the Nomination Committee consists of Fredrik Lundberg, Chairman (Industrivärden); Bo Selling (L E Lundbergföretagen), Jan Dworsky (Swedbank Robur Funds), Anders Algotsson (AFA Försäkring) and Andreas Nordbrandt (Alleima AB's Chairman of the Board). Up to the date of this Annual Report, the Nomination Committee met on three occasions. The Nomination Committee was informed of the results of the Board's own evaluation. The Committee met with the President and CEO who presented the company's strategy. In its work, the Nomination Committee specifically considered the demands that the company's strategic development, its international operations, and its governance and control places on the board of directors, with regards to competences and composition. The Nomination Committee applied rule 4.1 of the Code as the diversity policy. The goal of the diversity policy is that the Board shall have an appropriate composition in view of the company's operations, phase of development and other relevant circumstances, display diversity and breadth in terms of qualifications, experience and background of the Board members elected by the General Meeting and that the company shall strive for gender balance.

Nomination Committee's tasks ahead of Annual General Meeting (AGM)

- Proposal concerning the Chairman of the Meeting
- Proposal concerning the number of Board members
- Proposal concerning remuneration of each Board member
- Proposal concerning the Board and Chairman of the Board
- Proposal concerning auditor and remuneration of the auditor
- If applicable, proposal for changes to the Nomination Committee's instruction concerning the procedure for appointment of the Nomination Committee for the forthcoming AGM

Board of Directors

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

Composition of the Board of Directors in 2023

Member	Position	Board member in Alleima since	Independent in relation to the Company and the Group Executive Management	Independent in relation to the company's major shareholders	Audit Committee	Remuneration Committee	Share-holding in Alleima[6]
Andreas Nordbrandt	Chairman	2021	Yes	Yes	-	Chairman	7,750
Göran Björkman	Member and President and CEO	2019	No	Yes	-	-	40,216
Claes Boustedt	Member	2021	Yes	Yes	Member	-	30,000
Kerstin Konradsson[1]	Member	2022	Yes	Yes	-	Member[4]	-
Ulf Larsson[2]	Member	2023	Yes	Yes	-	Member[5]	5,000
Susanne Pahlén Åklundh	Member	2022	Yes	Yes	Member	-	5,000
Karl Åberg	Member	2021	Yes	No	Chairman	-	12,000
Tomas Kärnström	Member[3]	2021	-	-	-	-	577
Mikael Larsson	Member[3]	2021	-	-	-	-	27
Niclas Widell	Deputy[3]	2021	-	-	-	-	24
Maria Sundqvist	Deputy[3]	2021	-	-	-	-	144

1) Resigned as Board member on July 3, 2023.
2) Elected as Board member May 2, 2023.
3) Employee representative.
4) Member until July 3, 2023.
5) Member from July 21, 2023.
6) Own and closely-related parties' holdings in Alleima AB as per 31 December, 2023.

Attendance at Board and Committee meetings in 2023

Member	Board	Audit Committee	Remuneration Committee
Total number of meetings	**15**[1]	**5**	**2**
Andreas Nordbrandt	15		2
Göran Björkman	15		
Claes Boustedt	15	5	
Kerstin Konradsson[2]	10		1
Ulf Larsson[3,4]	7		1
Susanne Pahlén Åklundh	15	5	
Karl Åberg	15	5	
Tomas Kärnström	15		
Mikael Larsson	14		
Niclas Widell	10		
Maria Sundqvist	10		

1) Including per capsulam resolutions (in which deputies did not partake).
2) Resigned as Board member on July 3, 2023.
3) Elected Board member on May 2, 2023.
4) Appointed member of the Remuneration Committee on July 21, 2023.

Composition
Before the 2023 Annual General Meeting, the Nomination Committee communicated that rule 4.1 of the Code has been applied as diversity policy. The current Board composition is the result of the work of the Nomination Committee prior to that General Meeting. After the Annual General Meeting 2023, Alleima's Board consisted of seven members elected by the Meeting. Almost one-third (29%) of the Board members were women. On July 3, 2023, Board member Kerstin Konradsson resigned from the Board. Since then, the Board has consisted of six members, out of which one-sixth are women. The Board consists of members from different industry sectors and the financial market. All of the Annual General Meeting elected Board members have experience of the requirements incumbent upon a listed company. Pursuant to Swedish legislation, trade unions are entitled to representation on the Board and they have appointed two members and two deputies. The Board members are presented on pages 48–49.

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

Board proceedings during 2023
The Board's work is governed by the Board's Procedural Guidelines (including instructions for the Committees and the President and CEO) and the annual plan, which are adopted annually at the Board's statutory meeting following the Annual General Meeting. These govering documents structure the Board's work and establish which ordinary agenda items are to be addressed at the various Board meetings of the year. During the year, the Board held fifteen meetings. In advance of each meeting an agenda and relevant meeting materials were circulated to the Board members. Senior executives and other employees participated in the Board's meetings to present matters to the Board within their respective areas of responsibility or expertise. For example, the President and CEO continuously reported to the Board regarding the Group's development, results and market situation. The President and CEO further presented the Group's strategy for 2023-2027 to the Board, that approved and thereafter continuously reviewed the Group's overarching targets and strategy execution. The Division Presidents, furthermore, presented their Divisions' respective operations and their current strategies. The Board continuously oversaw the Company's and the Group's financial reporting, to ensure that it was of good quality and fairly reflected the Company's and the Group's financial position. The Board received the Auditor's report on observations regarding the audit, for example at the meeting which dealt with the annual financial statements, the proposed distribution of earnings and the year-end report. The Board, furthermore, reviewed the Company's work in the areas of internal control, risk management, sustainability and compliance, where the latter included the annual review of the Group's Code of Conduct and other policies. Other matters reviewed by the Board included the Group's financing, acquisitions and investments as well as succession planning. The Audit Committee and the Remuneration Committee reported from their respective meetings. In the fall of 2023, the Board visited Alleima's operation in Chomutov, Czech Republic, and Karlsruhe, Germany.

Remuneration of the Board
As resolved at the 2023 Annual General Meeting, the fee to the Chairman of the Board is SEK 1,410,000 and the fee to each of the non-executive Board members elected by the General Meeting is SEK 490,000. In addition, SEK 208,000 was paid to the Chairman of the Audit Committee and SEK 104,000 to each of the other Committee members, in total SEK 416,000. The Chairman of the Remuneration Committee was paid SEK 104,000 and each of the other Committee members SEK 73,000, in total SEK 177,000. For more detailed information on remuneration of the Board members, see note 3.5, page 72.

Evaluation of the work of the Board
To ensure the quality of the work of the Board and to identify the possible need for further expertise and experience, the work of the Board and its members is evaluated annually. In 2023, the evaluation, which was led by the Chairman of the Board, was carried out by way of each Board member responding anonymously to an online questionnaire. The compiled results of the evaluations were presented to the Board as well as to the Nomination Committee.

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

Audit Committee
In 2023, the members of the Audit Committee were Karl Åberg (Chairman of the Committee), Claes Boustedt and Susanne Pahlén Åklundh. Areas addressed by the Audit Committee are for example:

- Monitoring the financial reporting and ensuring its reliability
- Overseeing the effectiveness of the system of internal control, of financial reporting and internal audit
- Obtaining the external auditor's verbal and written reporting including audit planning and activities performed as well as significant observations and conclusions around the quality of the financial reporting
- Assisting the Nomination Committee in the election of the auditor
- Monitoring the external auditor's independence and objectivity in relation to the company, including the extent to which the auditor provides other services than auditing services to the company

- The Group's systematic processes for overall corporate risk management (ERM), as well as more detailed risk management matters including legal disputes, compliance, corporate investigations, IT security, accounting procedures, taxation, treasury, finance operations and insurance coverage
- The development and effectiveness of compliance processes, with a special focus on the Group's compliance program, the "Compliance House"
- Alleima's Code of Conduct and Alleima's whistleblowing system, especially as regards the overall effectiveness of the system

During 2023, the Audit Committee held five meetings at which Alleima's external auditor and representatives of the company's management were present.

Remuneration Committee
At the outset of 2023, the members of the Remuneration Committee were Andreas Nordbrandt (Chairman of the Committee) and Kerstin Konradsson. On July 3, 2023, Kerstin Konradsson resigned from the Board of Directors and on July 21, 2023, the Board of Directors appointed Ulf Larsson to replace her as member of the Remuneration Committee. The tasks of the Remuneration Committee are, among others, those prescribed by the Code, which include preparing proposals regarding guidelines for the remuneration of senior executives and long-term incentive programs for senior executives. Based on the recommendations of the Remuneration Committee, the Board decides the remuneration and terms of employment for the President and CEO. The Remuneration Committee, further, approves the remuneration to be paid to the Group Executive Management. For guidelines, remuneration and other benefits payable to the Group Executive Management, refer to the Guidelines for the remuneration of senior executives on pages 33–34. Furthermore, the Committee oversees succession planning for the President and CEO, the Group Executive Management, and other key roles in the group. During 2023, the Remuneration Committee held two meetings.

President and CEO and Group Executive Management
The President and CEO is accountable for Group decision-making in all areas delegated by the Board. In order to ensure a full Group perspective in these matters, the President and CEO has appointed the Group Executive Management as an advisory forum, focusing on how to execute the Group's strategy and to achieve its targets. The Group Executive Management meets each month and its members are accountable for implementing the President and CEO's decisions. In 2023, the Group Executive Management consisted of:

- Göran Björkman, President and CEO
- Carl von Schantz[1], President Tube Division
- Robert Stål[2], President Kanthal Division
- Claes Åkerblom, President Strip Division
- Olof Bengtsson, Chief Financial Officer
- Johanna Kreft, Executive Vice President and General Counsel
- Mikael Blazquez, Executive Vice President and Head of Strategy and M&A and IT
- Ulrika Dunker, Executive Vice President and Head of Human Resources
- Tom Eriksson, Executive Vice President and Head of Research & Innovation
- Elja Nordlöf, Executive Vice President and Head of Communications

The members of the Group Executive Management are presented further on pages 50–51.

1) On January 4, 2023, Michael Andersson announced his resignation as President Tube Division. On October 1, 2023, he was replaced by Carl von Schantz.
2) On July 6, 2022, Anders Björklund announced his resignation as President Kanthal Division. On February 27, 2023, he was replaced by Robert Stål.

Group Executive Management 2023

Member	Position	Employed within Alleima since	Shareholding in Alleima[3]
Göran Björkman	President and CEO	2017	40,216
Carl von Schantz[1]	President Tube Division	2023	9,900
Robert Stål[2]	President Kanthal Division	2023 (also 2010–2022)	4,582
Claes Åkerblom	President Strip Division	2017 (also 2003–2008)	6,150
Olof Bengtsson	CFO	2019	12,936
Johanna Kreft	EVP & General Counsel	2015	3,434
Mikael Blazquez	EVP Strategy, Mergers & Acquisitions and IT	2006	4,920
Ulrika Dunker	EVP & Head of Human Resources	2020 (also 2010–2011)	3,773
Tom Eriksson	EVP & Head of Strategic Research	2007	5,235
Elja Nordlöf	EVP & Head of Communications	2017	274

1) On January 4, 2023, Michael Andersson announced his resignation as President Tube Division. On October 1, 2023, he was replaced by Carl von Schantz.
2) On July 6, 2022, Anders Bjorklund announced his resignation as President Kanthal Division. On February 27, 2023 he was replaced by Robert Stål.
3) Own holdings and holdings of related persons and affiliated companies as per 31 December, 2023.

Divisions

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

Group functions

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

Internal control over financial reporting

The processes of internal control, control environment, risk assessment, control activities, information and communication as well as monitoring and follow-up of the financial reporting are designed to ensure reliable financial reporting and external financial reports in accordance with IFRS, applicable laws, regulations and other requirements. Alleima's Board of Directors is ultimately responsible for governing risk management, including internal control over financial reporting. Alleima's Audit Committee shall monitor and review the internal control program, which is done through regular reviews and evaluations whether the internal control framework fulfills its purpose. The President and CEO together with Group Executive Management have the ultimate responsibility for the internal control within their areas of responsibility. Alleima's risk management, and internal control, forms an integral part of the business, described in The Alleima Way.

Control environment

Internal control within Alleima aim to secure a systematic way of working as well as structures to identify and manage operational risks. Alleima's control environment is built on clear accountability between the company's entities and functions, a functional corporate culture and transparent operations. The foundation of the internal control set-up is policies and procedures defined in The Alleima Way which are decided and continuously evaluated by the Board of Directors together with Group Executive Management. Decision making process, responsibilities and authorities contributing to Alleima's internal control origins from directives established by the President and CEO together with Group Executive Management expressed in relevant steering documents and instructions.

Risk assessment

All divisions and selected group functions perform an assessment of business risks in accordance with the ERM methodology at least once a year, as part of the strategy work. Key risks identified together with observations from internal and external audits are considered in the design of Alleima's internal control framework to ensure that adequate controls are established to address identified risks. Identified and relevant risks are reported to the Audit Committee and the Board of Directors.

Control activities

Based on identified and relevant risks, the framework of internal control is designed in different control perspectives as financial reporting (ICFR – including group functions and local entities), general IT controls (ITGC – covering main financial IT systems) and governance and risk functions. For each control perspective, there is an appointed responsible who monitors that the internal control is carried out in accordance with valid procedures. In addition, the individual operations within each respective control perspective also have an appointed responsible who supervises and follows up their respective local units.

Follow up and Information

Internal control is followed up through self-assessments to ensure that risks are managed appropriately and in accordance with the requirements of the internal control framework. The results from the self-assessments of completed internal controls, identified deficiencies, analysis and action plans are included in the CFO's report, which is presented at the Audit Committee meetings. The chairman of the Audit Committee regularly reports on the committee's work to the Board regarding internal control. The Board also carries out an annual review of the company's processes of internal control together with results of completed controls and self-assessments.

Group Internal Audit

The Group Internal Audit function provides independent, objective assurance designed to add value and improve Alleima's operations and to ensure that Alleima's operating model is designed and operating effectively. Group Internal Audit is to assist Alleima in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve effectiveness of the organization's governance, internal control and risk management processes. Assignments are conducted according to a risk-based plan annually and approved by the Audit Committee. The audit plan is derived from an independent risk assessment conducted by Group Internal Audit to identify and evaluate risks associated with strategy execution, operations and processes. A methodology is used for the audits, evaluating the design and effectiveness of internal controls to ensure that risks are adequately addressed, and processes are efficient. Opportunities for improving the efficiency in governance, internal control and risk management processes identified in the internal audits are reported to management for action. A summary of audit results is to be provided to the Audit Committee, as is the status of management's implementation of agreed actions to address findings identified in the audits. The Head of Group Internal Audit reports administratively to the CFO and functionally to the Audit Committee.

External auditor

At the 2023 Annual General Meeting, the audit firm Pricewaterhouse-Coopers AB was re-elected auditor of Alleima AB for the period until the 2024 Annual General Meeting. Magnus Svensson Henryson is the auditor-in-charge. The auditor continuously audits and monitors the Company's general accounting and the execution by the Board and the President and CEO of their respective responsibilities. Progress of the audit is reported regularly during the year to management teams of individual companies and Divisions, the Audit Committee and the Board. The auditor meets with the Board at least once a year without the President and CEO or any other member of the Group Executive Management attending. Audit fees are paid continuously on an approved current account basis. For detailed information on fees paid to the auditor, see Note 4 on page 74.

Board of Directors

Andreas Nordbrandt

Chairman of the Board since 2021
Chairman of the Remuneration Committee

Born 1971

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

Main current board assignments:
Member of the board of Sandvik AB.

Shareholding in Alleima (own and closely-related parties): 7,750

Göran Björkman

President and CEO since 2017

Born 1965

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

Main current board assignments:
Chairman of the board of Industriarbetsgivarna i Sverige service AB. Member of the board of Svenskt Näringsliv.

Shareholding in Alleima (own and closely-related parties): 40,216

Claes Boustedt

Board member since 2021
Member of the Audit Committee

Born 1962

Education and professional experience:
Master of Science in Business and Economics from Stockholm School of Economics, Sweden.
Deputy chief executive officer at L E Lundbergföretagen AB. President at L E Lundberg Kapitalförvaltning AB. Formerly Head of Research at Öhman Fondkommission.

Main current board assignments:
Member of the Board of Sandvik AB, Hufvudstaden AB and Förvaltnings AB Lunden.

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

Ulf Larsson

Board member since 2023
Member of Remuneration Committee

Born 1962

Education and professional experience:
Bachelor of Science in Forestry from the Swedish University of Agricultural Sciences in Umeå.
President and CEO of Svenska Cellulosa Aktiebolaget SCA. Formerly President of SCA Forest Products AB.

Main current board assignments:
Chairman of the board of the Swedish Forest Industries. Member of the board of CEPI.

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

Susanne Pahlén Åklundh

Board member since 2022
Member of the Audit Committee

Born 1960

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

Main current board assignments:
Chairman of the board of Alfdex AB. Member of the board of ASSA ABLOY AB and Sweco AB.

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

Karl Åberg

Board member since 2021
Chairman of the Audit Committee

Born 1979

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

Main current board assignments:
Member of the board of Svenska Cellulosa AB SCA.

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

Information regarding board assignments and shareholding are as of December 31, 2023.
Board assignments refers to assignments outside the Alleima Group.

Employee representatives

Tomas Kärnström

Board member since 2021
Employee representative of IF Metall

Born 1966

Education and professional experience:
Upper secondary school.
Chairman of IF Metall at Alleima and formerly at Sandvik Materials Technology.

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

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

Mikael Larsson

Board member since 2021
Employee representative of Unionen

Born 1963

Education and professional experience:
Upper secondary school.
President of Unionen at Alleima and formerly at Sandvik Materials Technology. Formerly various positions within the Sandvik Group, including Inside Sales Manager and Key Account Manager.

Main current board assignments:
-

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

Maria Sundqvist

Deputy board member since 2021
Employee representative of Akademikerföreningen

Born 1964

Education and professional experience:
Master of Science in Materials Technology from Luleå University of Technology, Sweden.
Senior Engineer Product Development.
Formerly various positions within the Alleima and Sandvik Groups.

Main current board assignments:
-

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

Niclas Widell

Deputy board member since 2021
Employee representative of IF Metall

Born 1974

Education and professional experience:
Chairman of IF Metall at Kanthal. Formerly industrial worker at Kanthal.

Main current board assignments:
-

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

Information regarding board assignments and shareholding are as of December 31, 2023.
Board assignments refers to assignments outside the Alleima Group.

Group Executive Management

Göran Björkman

President and CEO since 2017

Born 1965

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

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

Shareholding in Alleima (own and closely-related parties): 40,216

Carl von Schantz

President Tube Division since 2023

Born 1973

Education and professional experience:
Master of Business Administration degree from Kellogg School of Management at Northwestern University and Bachelor of Arts degree in Economics from Northwestern University, USA.
Formerly President of the General Industry division Atlas Copco, Senior Vice President and Head of the Energy sector at Lantmännen, and Managing Director within the Sapa Group (now Hydro Extrusions).

Current board assignments:
-

Shareholding in Alleima (own and closely-related parties): 9,900

Robert Stål

President Kanthal Division since 2023

Born 1983

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

Current board assignments:
-

Shareholding in Alleima (own and closely-related parties): 4,582

Claes Åkerblom

President Strip Division since 2019

Born 1975

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

Current board assignments:
-

Shareholding in Alleima (own and closely-related parties): 6,150

Olof Bengtsson

CFO since 2019

Born 1961

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

Current board assignments:
-

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

Johanna Kreft

EVP & General Counsel since 2015

Born 1976

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

Current board assignments and similar:
-

Shareholding in Alleima (own and closely-related parties): 3,434

Information regarding board assignments and shareholding are as of December 31, 2023.
Board assignments refers to assignments outside the Alleima Group.

Mikael Blazquez

EVP Strategy and Mergers & Acquisitions and IT since 2018

Born 1972

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

Current board assignments:
-

Shareholding in Alleima (own and closely-related parties): 4,920

Ulrika Dunker

EVP & Head of Human Resources since 2020

Born 1975

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

Current board assignments:
-

Shareholding in Alleima (own and closely-related parties): 3,773

Tom Eriksson

EVP & Head of Strategic Research since 2018

Born 1973

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

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

Shareholding in Alleima (own and closely-related parties): 5,235

Elja Nordlöf

EVP & Head of Communications since 2018

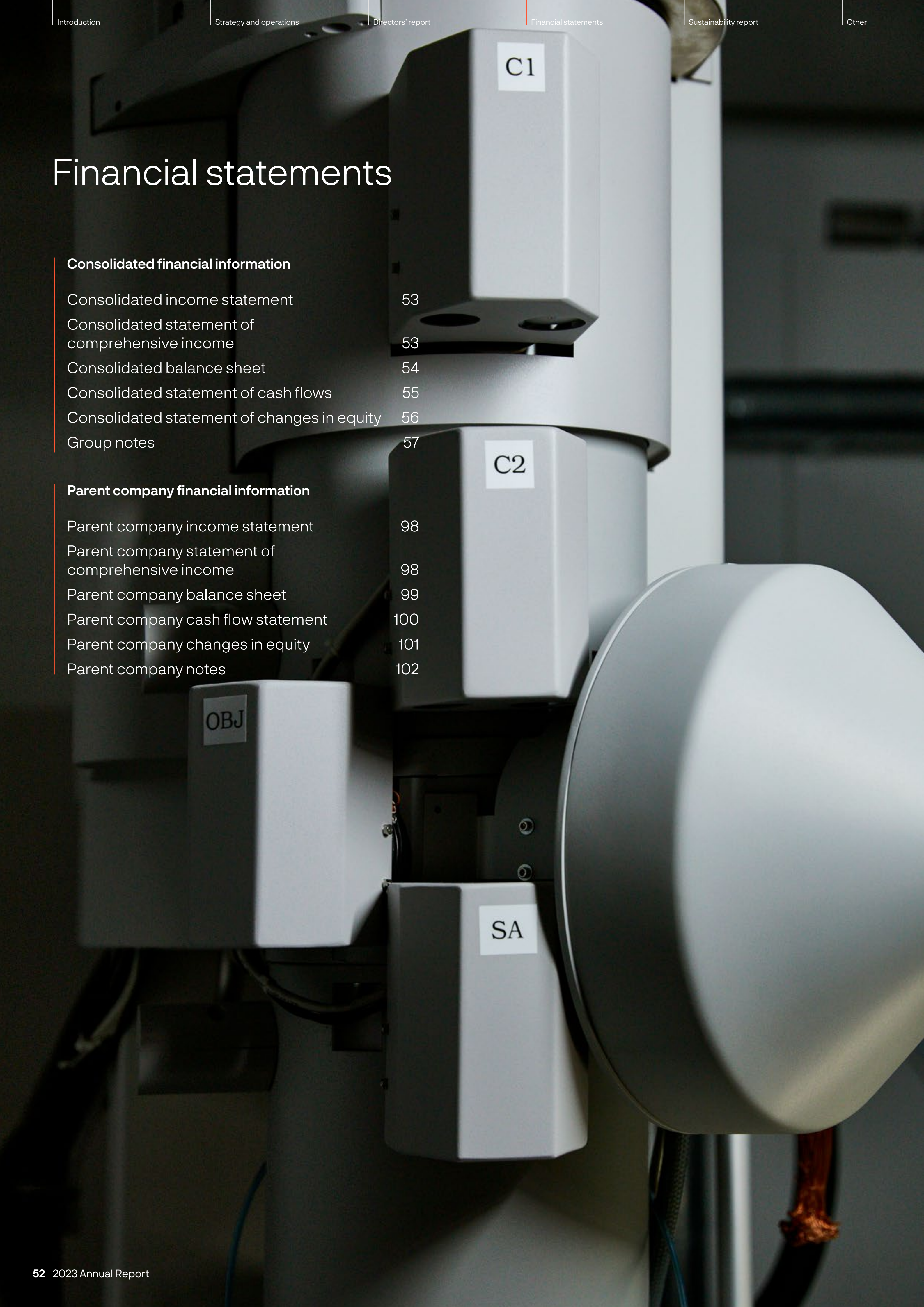
Born 1985

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

Current board assignments:
-

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

Information regarding board assignments and shareholding are as of December 31, 2023.
Board assignments refers to assignments outside the Alleima Group.



Financial statements

Consolidated financial information

Parent company financial information

Consolidated financial information

Consolidated income statement

SEK M	Note	2023	2022
Revenues	2	20,669	18,405
Cost of goods sold		-16,090	-13,692
Gross Profit		**4,579**	**4,713**
Selling expenses		-1,288	-1,177
Administrative expenses		-973	-1,203
Research and development costs	5	-255	-209
Other operating income	6	229	145
Other operating expenses	7	-245	-148
Operating profit	2, 3, 4, 5, 8, 17	**2,046**	**2,122**
Financial income		172	185
Financial expenses		-144	-368
Net financial items	9	**28**	**-184**
Profit after net financial items		**2,074**	**1,938**
Income tax	10	-500	-455
Profit for the year		**1,574**	**1,483**
Profit for the year attributable to			
Owners of the parent company		1,574	1,470
Non-controlling interests		-	12
Earnings per share, SEK	11		
Basic		6.28	5.86
Diluted		6.27	5.86

Consolidated statement of comprehensive income

SEK M	Note	2023	2022
Profit for the year		**1,574**	**1,483**
Other comprehensive income			
Items that will not be reclassified to profit (loss)			
Actuarial gains (losses) on defined benefit pension plans	20	-327	660
Tax relating to items that will not be reclassified	10	69	-129
Total items that will not be reclassified to profit (loss)		**-258**	**531**
Items that may be reclassified to profit (loss)			
Foreign currency translation differences		-227	438
Hedge reserve adjustment	26	-965	667
Tax relating to items that may be reclassified	10	199	-137
Total items that may be reclassified to profit (loss)		**-994**	**967**
Total other comprehensive income		**-1,252**	**1,498**
Total comprehensive income		**322**	**2,981**
Total comprehensive income attributable to			
Owners of the parent company		322	2,967
Non-controlling interests		-	14

Consolidated balance sheet

SEK M	Note	Dec 31, 2023	Dec 31, 2022
Goodwill	12	1,621	1,615
Other intangible assets	12	292	194
Property, plant and equipment	13	7,281	7,350
Right-of-use assets	14	502	392
Non-current financial assets	15	103	714
Deferred tax assets	10	164	174
Non-current assets		**9,963**	**10,440**
Inventories	16	7,360	7,355
Trade receivables	17	2,952	2,981
Income tax receivables	10	112	102
Other current receivables	18	1,013	1,630
Current receivables		4,077	4,712
Cash and cash equivalents	26	1,595	892
Current assets		**13,033**	**12,960**
Total assets		**22,996**	**23,399**
Share capital		251	251
Other paid-in capital		0	0
Reserves		-71	1,044
Retained earnings		15,553	14,606
Equity attributable to owners of the parent company		**15,732**	**15,901**
Non-controlling interests		0	0
Total Equity	19	**15,732**	**15,901**
Provisions for pensions	20	886	609
Loans	21	1	9
Other non-current interest-bearing liabilities	21	378	298
Non-current interest-bearing liabilities		1,266	916
Deferred tax liabilities	10	481	680
Other non-current provisions	22	366	327
Other non-current liabilities	23	124	391
Non-current non-interest-bearing liabilities		971	1,398
Non-current liabilities		**2,237**	**2,314**
Loans	21	3	-
Other current interest-bearing liabilities	21	127	94
Current interest-bearing liabilities		130	94
Accounts payable		2,003	2,619
Advances from customers		560	435
Income tax liabilities	10	219	221
Other current provisions	22	101	138
Accrued expenses	24	1,307	1,171
Other current non-interest-bearing liabilities	23	706	506
Current non-interest-bearing liabilities		4,897	5,090
Current liabilities		**5,027**	**5,184**
Total equity and liabilities		**22,996**	**23,399**

Consolidated statement of cash flows

SEK M	Note	2023	2022
Operating activities			
Operating profit		2,046	2,122
Adjustments for non-cash items:			
Depreciation, amortization and impairment		911	859
Pensions		-60	-62
Other non-cash items		114	-68
Received interest		34	0
Paid interest		-12	-281
Income tax paid		-419	-292
Cash flow from operating activities before changes in working capital		**2,615**	**2,277**
Changes in working capital			
Inventories		-100	-1,668
Accounts receivable		-13	-283
Other receivable		-48	-133
Accounts payable		-623	452
Other payables		404	42
Changes in working capital		**-380**	**-1,590**
Cash flow from operating activities		**2,234**	**687**
Investing activities			
Acquisition of intangible assets	12	-101	-84
Proceeds from sale of intangible assets	12	0	2
Acquisition of tangible assets	13	-726	-594
Proceeds from sale of tangible assets	13	12	22
Acquisition of companies and shares, net of cash	28	-174	-312
Other investments and financial assets		1	0
Cash flow from investing activities		**-988**	**-968**
Financing activities			
Proceeds from loans		18	0
Repayment of loans		-22	-1,639
Amortization of lease liabilities		-128	-99
New share issue and capital contribution from shareholders	19	0	1,400
Equity swap	19	-20	-
Dividends paid	19	-351	-3
Cash flow from financing activities	21	**-503**	**-341**
Net change in cash and cash equivalents		**743**	**-622**
Cash and cash equivalents at beginning of year		892	1,661
Exchange rate differences in cash and cash equivalents		-39	48
Other cash flow from transactions with shareholders		0	-195
Cash and cash equivalents at end of the year		**1,595**	**892**

Consolidated statement of changes in equity

SEK M	Share capital	Other paid-in capital	Translation reserve	Hedge reserve	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interest	Total Equity
Equity at January 1, 2022	**0**	**0**	**47**	**-**	**11,616**	**11,663**	**97**	**11,761**
Changes								
Net profit	-	-	-	-	1,470	1,470	12	1,483
Other comprehensive income for the year, net of tax	-	-	438	530	529	1,496	2	1,498
Total comprehensive income for the year	-	-	*438*	*530*	*2,000*	*2,967*	*14*	*2,981*
Cash flow hedge, transferred to cost of hedged item	-	-	-	37	-	37	-	37
Tax on cash flow hedge, transferred to cost	-	-	-	-8	-	-8	-	-8
Net cash flow hedge, transferred to cost	-	-	-	*30*	-	*30*	-	*30*
New share issue (Note 19)	251	-	-	-	-	251	-	251
Capital contribution from shareholders (Note 19)	-	-	-	-	1,149	1,149	-	1,149
Dividends	-	-	-	-	-	-	-3	-3
Transactions with shareholders (Note 27)	-	-	-	-	-123	-123	0	-123
Transactions with non-controlling interests (Note 28)	-	-	-	-	-36	-36	-109	-145
Total transactions with owners	*251*	-	-	-	*991*	*1,241*	*-112*	*1,130*
Equity at December 31, 2022	**251**	**0**	**485**	**559**	**14,606**	**15,901**	**0**	**15,901**
Changes								
Net profit	-	-	-	-	1,574	1,574	-	1,574
Other comprehensive income for the year, net of tax	-	-	-227	-766	-258	-1,252	-	-1,252
Total comprehensive income for the year	-	-	*-227*	*-766*	*1,316*	*322*	-	*322*
Cash flow hedge, transferred to cost of hedged item	-	-	-	-153	-	-153	-	-153
Tax on cash flow hedge, transferred to cost	-	-	-	32	-	32	-	32
Net cash flow hedge, transferred to cost	-	-	-	*-122*	-	*-122*	-	*-122*
Share-based payments (Note 3, 19)	-	-	-	-	2	2	-	2
Equity swap (Note 19)	-	-	-	-	-20	-20	-	-20
Dividends (Note 19)	-	-	-	-	-351	-351	-	-351
Total transactions with owners	-	-	-	-	-369	-369	-	-369
Equity at December 31, 2023	**251**	**0**	**257**	**-329**	**15,553**	**15,732**	**0**	**15,732**

Group notes

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

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

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

The Parent Company's Annual Report and the consolidated financial statements were approved for issuance by the Board of Directors on March 12, 2024. The Group's and the Parent Company's income statements and balance sheets are subject to adoption at the Annual General Meeting on May 2, 2024.

Accounting principles

Basis for preparation

The consolidated financial statements for the year 2023 covering the period from January 1 to December 31, 2023, have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU. The statements are also prepared in accordance with the Swedish recommendation RFR 1 "Supplementary Accounting Rules for Groups" and applicable statements issued by the Swedish Financial Reporting Board. These require certain additional disclosure requirements for Swedish consolidated financial statements prepared in accordance with IFRS.

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

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

Basis of measurement

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

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

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

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

Basis of consolidation

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

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

Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

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

Changes in accounting policies

IASB has published amendments of standards that are effective as of January 1, 2023 or later. The standards have not had any material impact on the financial reports.

Share-based payments

Following the decision on Alleima's Annual General Meeting held on May 2, 2023, Alleima grants share-based payments to be settled with Alleima shares, so called equity-settled payments, under the terms and conditions of the incentive program. The costs for equity-settled payments are based on the fair value of the share rights calculated by an independent party at the date of grant. These payments are reported as employee costs during the vesting period with a corresponding increase in equity. The vesting conditions in the program are linked to non-market performance conditions (earnings per share and reduction of carbon dioxide) and service conditions (employment period) which are taken into account in employee cost during the vesting period by the change in the number of shares that are expected to finally vest. Alleima records a liability for social security expenses, at each reporting period, for all outstanding share-based payments. Social security expenses attributable to equity-based instruments to employees as compensation for provided services are expensed in the periods during which the services are performed. The provision for social security expenses is based on the fair value of the share rights at each reporting period.

Equity swap raised to secure the delivery of shares under the incentive program is reported in equity with adjustment for related expenses and any dividends on the shares.

Reporting of operating segments

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

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

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

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

Revenue from goods and services

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

Allocation of transaction price

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

Variable consideration

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

Significant financing component

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

Cost to obtain a contract

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

Goods sold

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

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

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

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

Operating expenses

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

Cost of goods sold

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

Selling expenses

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

Administrative expenses

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

Other operating income and other operating expenses
Other operating income and other operating expenses include secondary activities, exchange rate differences in operating activities and gain/loss on the sale of tangible and intangible assets.

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

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

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

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

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

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

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

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

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

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

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

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

Emission rights
Emission rights are recognized at cost less any accumulated impairment. The cost for the rights received free of charge is zero. A provision is made if a deficit of emission rights has been identified between the rights owned and the rights to be delivered due to actual emissions. The provision is valued at the market value of the rights required to cover the excess consumption of emissions made. Gains or losses on the disposal of emission rights are recognized in the income statement.

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

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

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

The estimated useful lives are as follows:

— Patents and trademarks	10–20 years
— Customer relationships	7–10 years
— Capitalized development costs	3–10 years
— Software for IT operations	3 years

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Alleima as a lessor

As a lessor, Alleima has classified its leases as operating leases.

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

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

Inventories

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

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

Financial instruments

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

Cash and cash equivalents consist of cash and bank balances as well as current investments with maturities up to and including 3 months.

Recognition and derecognition

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

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

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

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

Classification and measurement

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

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

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

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

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

Financial liabilities

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

Financial instruments measured at fair value in the balance sheet

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

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

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

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

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

Measurements of fair value

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

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

Hedge accounting

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

Cash flow hedges

Hedge accounting is applied when hedging a particular risk associated with highly probable future cash flows and forecast transactions.

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

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

Current receivables

Trade receivables

Trade receivables are recognized at amortized cost.

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

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

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

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

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

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

Contract assets

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

Equity

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

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

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

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

Equity swap raised to secure the delivery of shares under the incentive program is reported in equity with adjustment for related expenses and any dividends on the shares.

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

Pensions

Defined-contribution plans

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

Defined-benefit plans

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

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

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

Other provisions

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

Termination benefits

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

Warranty commitments

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

Restructuring

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

Employee benefits

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

Environmental obligations

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

Site restoration

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

Legal disputes

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

Other obligations

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

Share-based payments

The costs for equity-settled payments are based on the fair value of the share rights calculated by an independent party at the date of grant. These payments are reported as employee costs during the vesting period with a corresponding increase in equity. The vesting conditions in the program are linked to non-market performance conditions (earnings per share and reduction of carbon dioxide) and service conditions (employment period) which are taken into account in employee cost during the vesting period by the change in the number of shares that are expected to finally vest. Alleima records a liability for social security expenses, at each reporting period, for all outstanding share-based payments. Social security expenses attributable to equity-based instruments to employees as compensation for provided services are expensed in the periods during which the services are performed. The provision for social security expenses is based on the fair value of the share rights at each reporting period.

Other liabilities

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

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

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

Contingent liabilities

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

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

Cash flow statement

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

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

Critical estimates and key judgments

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

Business combinations

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

Income tax

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

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

Valuation of inventory

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

Impairment of non-current assets

Impairment tests of goodwill

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

Impairment tests of other non-current assets

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

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

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

Post-employment benefits

Actuarial assumptions are used to measure pension obligations and they significantly affect the recognized net liability and the annual pension cost. One critical assumption – the discount rate – is essential for the measurement of both the interest expense of the year and the present value of the defined-benefit obligations' current year. The discount rate is used both for calculating the present value of the obligation and as an estimate for the return on plan assets. The discount rate is reviewed quarterly, which affects the net liability, and annually, which also affects the expense for the coming year. All other assumptions, both financial and demographic are reviewed at least annually, see Note 20 Provision for pensions and other non-current post-employment benefits.

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

Environmental obligations

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

Environmental obligation is presented in Note 22 Other Provisions.

Note 2 | Segment information

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

Alleima monitors and evaluates the segments on adjusted operating profit (Adjusted EBIT), see Alternative Performance Measures presented in page 143. Further information see Reporting of operating segments in Note 1.

Division Tube develops and manufactures seamless tubes and other long products in advanced stainless steels and special alloys. Division 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. Division Strip develops and manufactures a wide range of precision strip steel products and also offers pre-coated strip steel for components in the hydrogen fuel cell stack.

2.1 Information on business segments/divisions

2023, SEK M	Tube	Kanthal	Strip	Common functions	Un-allocated	Elimina-tions	Group Total
Revenue							
External revenue	14,475	4,609	1,585	0			20,669
Internal revenue	397	43	6			-447	0
Total	**14,872**	**4,653**	**1,592**	**0**		**-447**	**20,669**
Adjusted EBITDA	**2,217**	**963**	**152**	**-276**			**3,056**
Adjusted EBIT	**1,491**	**844**	**109**	**-303**			**2,141**
Items affecting comparability	0	0	0	0			0
Metal price effects	-30	-65	0	0			-95
EBIT	**1,460**	**778**	**110**	**-303**			**2,046**
Net financial items							28
Earnings before tax							**2,074**
Other segment information							
Segment assets							
Fixed Assets	6,672	2,485	405	152	250		9,963
Inventory	5,517	1,243	602	0	0		7,360
Accounts Receivable	2,258	501	191	2	0		2,952
Other Receivables	466	91	65	98	0		720
Segment liabilities							
Accounts Payable	-1,660	-258	-42	-43	0		-2,003
Other Liabilities	-1,497	-364	-176	-168	0		-2,205
Capital employed	**11,440**	**3,583**	**1,036**	**8**	**1,062**		**17,128**
Net working capital	5,084	1,214	640	-113	0		6,825
Capital expenditure	632	115	53	28	0		827
Total depreciation & amortization	-728	-118	-43	-26	0		-915
Impairment losses	2	-1	0	0	0		1
Other non-cash expenses	26	1	0	20	61		108

2.1 Information on business segments/divisions

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

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

Revenue by country, SEK M	**2023**	**2022**
USA	4,066	4,139
Sweden	2,447	2,559
China	1,838	1,744
Germany	1,493	1,400
UK	1,385	1,119
Italy	1,100	814
Brazil	811	353
Norway	775	354
India	653	613
Japan	619	577
Other countries	5,482	4,733
Total	**20,669**	**18,405**

Revenue recognized included in the opening contract liability amounts to SEK 226 million (127).

Non-current assets by country, SEK M	**2023**	**2022**
Sweden	6,079	5,870
USA	1,199	1,257
Germany	626	629
Czech Republic	595	627
India	217	188
Switzerland	184	174
Italy	174	182
Japan	155	169
UK	134	134
China	128	125
Other countries	207	196
Total	**9,696**	**9,552**

Non-current assets consists of intangible assets, property, plant and equipment and right-of-use assets.

Non-current assets are specified by country based where the assets are located.

Revenue 2023	Tube		Kanthal		Strip		Alleima	
Sales per customer segment	**SEK M**	**Share of sales (%)**	**SEK M**	**Share of sales (%)**	**SEK M**	**Share of sales (%)**	**SEK M**	**Share of sales (%)**
Oil and Gas	4,360	30	0	0	0	0	4,360	21
Industrial	3,472	24	496	11	337	21	4,305	21
Chemical and Petrochemical	3,672	25	0	0	0	0	3,672	18
Industrial Heating	44	0	2,268	49	0	0	2,312	11
Consumer	0	0	942	20	803	51	1,745	8
Mining and Construction	1,060	7	0	0	0	0	1,060	5
Medical	52	0	877	19	90	6	1,019	5
Nuclear	958	7	0	0	0	0	958	5
Transportation	661	5	26	1	196	12	883	4
Hydrogen and Renewable Energy	196	1	0	0	159	10	355	2
Total sales	**14,475**	**100**	**4,609**	**100**	**1,585**	**100**	**20,669**	**100**

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

Note 3 | Personnel information and remuneration of management

3.1 Average number of employees

	2023		2022	
	Number	Women %	Number	Women %
Sweden	3,071	21	3,023	20
Czech Republic	688	19	624	19
Germany	463	25	340	18
UK	142	14	134	15
France	38	37	36	35
Netherland	64	17	55	17
Rest of Europe	104	34	109	44
Total Europe	**4,570**	**21**	**4,310**	**20**
USA	726	22	692	22
Rest of North America	3	40	2	50
North America	**728**	**22**	**694**	**22**
India	297	6	276	5
China	241	32	231	31
Japan	71	24	69	25
Rest of Asia	43	44	41	42
Asia	**651**	**20**	**616**	**19**
Other	39	42	39	47
Total	**5,988**	**21**	**5,659**	**20**

3.2 Wages, salaries, other remuneration and social costs

SEK M	2023	2022
Wages, salaries and other remuneration	3,577	3,177
Social costs	971	895
Total	**4,548**	**4,072**
Of which, pension costs recognized in social costs		
Defined contribution plan	205	195
Defined benefit plan	39	49
Total	**245**	**243**

3.3 Wages, salaries, other remuneration by market area

SEK M	2023	2022
Sweden	1,864	1,741
Rest of Europe	869	666
Total Europe	**2,733**	**2,407**
North America	603	539
Asia	225	216
Other	16	16
Total	**3,577**	**3,177**
Of which, to Boards of Directors and presidents		
Salaries and other remuneration	132	102
Of which, variable salary	27	14

3.4 Gender distribution in senior management

Proportion of women, %	2023	2022
Boards of directors	26	23
Gender distribution in senior management	24	22
Other senior executives	31	31

3.5 Remuneration to executive management

Remuneration to the board of directors

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

In accordance with the resolution of the 2023 Annual General Meeting the total fee to the external Board members elected at the Meeting amounts to in total SEK 3,860,000 on an annual basis.

	2023				2022			
SEK	Board fee	Audit Committee fee	Renumeration Committee	Total Board and Committee fee	Board fee	Audit Committee fee	Renumeration Committee	Total Board and Committee fee
Chairman of the Board (Andreas Nordbrandt)	1,410,000	-	104,000	1,514,000	1,350,000	-	85,753[1]	1,435,753
Claes Boustedt	490,000	104,000	-	594,000	470,000	97,534[2]	-	567,534
Kerstin Konradsson	84,575[6]	-	12,600[6]	97,175	436,521[3]	-	60,027[1]	496,548
Susanne Pahlén Åklundh	490,000	104,000	-	594,000	386,301[4]	68,219[5]	-	454,520
Karl Åberg	490,000	208,000	-	698,000	470,000	195,068[2]	-	665,068
Ulf Larsson	490,000[7]	-	57,000[7]	547,000	-	-	-	-
Total	**3,454,575**	**416,000**	**173,600**	**4,044,175**	**3,112,822**	**360,821**	**145,780**	**3,619,423**

1) Members in Renumeration Committee since 22 February, 2022
2) Members in Audit Committee since 10 January, 2022
3) Member in the Board since 27 January, 2022
4) Member in the Board since 7 March, 2022
5) Member in Audit Committee since 27 April, 2022
6) Member leaves the Board and Renumeration Committee 3 July, 2023
7) Member in the Board since 2 May, 2023 and remuneration committee since 21 July, 2023

President and other senior executives

Guidelines for renumeration

For information on the guidelines for renumeration of senior executives, please refer to pages 32-34.

President and CEO

Alleima's President and CEO, Göran Björkman, was paid an annual fixed salary of SEK 6,603,048. In addition, car allowance and an annual variable cash based salary of a maximum 70% of the fixed salary is payable. The variable salary for 2023 amounted to SEK 1,802,632.

Göran Björkman is entitled to retire at age 65. Göran Björkman has a Swedish pension plan (ITP 2) and supplementary defined contribution plan apply under which the company each year contributes 30% of fixed salary proportions in excess of 20 price base amounts. Pension premium amounted of 33.9% of his annual fixed salary.

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

Remuneration and other benefits pertaining to 2023 expensed during 2023, in SEK

Position	Fixed salary	Annual variable salary[1]	Other benefits	Long-term variable salary	Pension costs
President and CEO	6,735,108 [2]	1,802,632	152,980	412,300	2,236,534
Other senior executives[3]	21,764,302	3,826,622	2,431,093	651,875	7,314,392
Total	**28,499,410**	**5,629,254**	**2,584,073**	**1,064,175**	**9,550,926**

1) Amount pertaining 2023 and expected to be paid in 2024
2) Göran Björkman's fixed salary 2023 amounted to 6,603,048, the remainder relates to holiday pay etc.
3) Pertains to the following individuals during 2023: Olof Bengtsson, Ulrika Dunker, Johanna Kreft, Mikael Blazquez, Tom Eriksson, Elja Nordlöf, Claes Åkerblom, Michael Andersson (Jan-Feb), Robert Stål (Mar-Dec), Nigel Haworth (Mar-Oct), Carl von Schantz (Oct-Dec)

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

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

1) Amount pertaining 2022 and expected to be paid in 2023
2) Göran Björkman's fixed salary 2022 amounted to 5,300,680, the remainder relates to holiday pay etc.
3) Pertains to the following persons in 2022: Olof Bengtsson, Ulrika Dunker, Johanna Kreft, Mikael Blazquez, Tom Eriksson, Elja Nordlöf, Michael Andersson, Anders Björklund, Claes Åkerblom

Other senior executives
Other members of the Group Executive Management are covered by a Swedish pension plan (ITP 1 or ITP 2) and for one member a German pension plan. The minimum retirement age is 62. For members of the Group Executive Management a supplementary defined contribution plan applies under which the company each year contributes 25-30% (depending on age and employment start in GEM) of fixed salary proportions in excess of 20 price base amounts. One member is covered by a German pension plan under which 3% of fixed salary is contributed.

Severance pay may be paid when employment is terminated by Alleima. The severance pay corresponds to 6–12 months fixed salary in addition to the notice period, which is 6-12 months. Any other income from employment can be deducted from the severance pay.

Short-term incentive program (STI)
Alleima annual incentive program for senior executives, and other managers in the Group, are linked to predetermined and measurable financial criteria, measured during 2023. Senior executives except Division mangers are measured 100% on Group performance. Division managers are measured 80% on own business performance and 20% on Group performance. During 2023 the criteria's have been related to Alleima adjusted EBIT, cash conversion and growth.

Long-term incentive program (LTI)
Share-based incentive program (2023)
2023 Annual General Meetings approved the Board's proposal to adopt a performance share program for each year for a maximum 30 senior executives and key individuals in the Alleima Group, divided into three categories. For all participants, a personal investment is required, the program encompass a grant of a maximum total of 403,544 shares. All program participants have invested in Alleima shares ("investment shares"), up to an amount corresponding to 8% of their fixed annual pre-tax salary at the time of the investment.

In the long-term incentive program for 2023, provided certain performance targets are met, Alleima shares may be allotted ("performances shares"). The maximum number of performance shares that may be allotted for each acquired investment share depends on the category to which the participant belongs. The number of Performance Shares that will finally be allotted to the participant for each acquired Investment Share is dependent on the development of the Alleima Group's (i) adjusted earnings per share, excluding (a) metal price effects and (b) items affecting comparability (IAC) ("adjusted EPS") and (ii) reduction of carbon dioxide (CO_2). The two targets (adjusted EPS and CO_2 emission) are weighted among themselves at 90 and 10%, respectively, of the total target fulfilment. In January 2023 the Board of Directors established the minimum and maximum level regarding adjusted EPS for 2023 and CO_2 emission and will establish the levels regarding adjusted EPS for the coming years in January 2024 and 2025. After three years, 2023-2025, will the outcome of the LTI 2023 be established. The level required for maximum allotment and the extent to which the established levels are attained will be disclosed in the 2025 Annual Report.

The allotments of performance shares in ongoing programs requires continuous employment and that all investment shares are held during a period of three years from the acquisition of the investment shares.

In order to fulfil Alleima's obligations under the share savings program, the company has entered into an equity swap agreement with a financial institution. Under the terms of the agreement, the financial institution has committed to deliver to participants in the program Alleima shares at the time of delivery in accordance with the terms and conditions of the program.

Assumptions for determining the value, 2023 LTI Program

Assumptions	LTI 2023 (on date of issue)
Share price, SEK	47.82
Present value of forecasted future dividends, SEK[1]	39.82
Risk-free interest rate, %	3.5

1) Based on analysts' 3 year combined expectations.

Number of Performance Shares, LTI 2023	2023	*Of which CEO*	*Of which oth sen exec*
Outstanding at beginning of year	0	*0*	*0*
Allotted during the period	410,620	*77,663*	*132,140*
Vested during the year	0	*0*	*0*
Forfeited during the year	-7,076	*0*	*0*
Outstanding at year-end	403,544	*77,663*	*132,140*
Theoretical value when allotted acc. to Black-Scholes, SEK M	14	*3*	*5*

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

Sandvik's share-based incentive program
Members of Alleima's Group Management and other senior executives and key employees have historically participated in Sandvik's long term share-based-incentive program ("LTI"). Sandvik AB's Annual General Meeting 2021 resolved, at the suggestion of Sandvik AB's Board of Directors, to introduce a performance share program for senior executives and key employees. Performance shares under the LTI 2021 would be allotted because the performance targets were met, but with the separation from the Sandvik Group, a number of the shares vesting in the program will be forfeited for persons employed by Alleima.The Company has therefore decided to compensate the participants with a cash amount corresponding to the value of the forfeited shares. Payment of the amount will be made 2024 provided that the participant is still employed in Alleima.

Costs for the programs
The following IFRS 2 provisions were made during the year:
LTI 2023: SEK 3 million, of which SEK 1 million social costs,
LTI 2022: SEK 15 million (15), and
LTI 2021: SEK 9 million (3).

Preparation and decision-making process
The Board's Remuneration Committee prepares issues relating to the Group Executive Management's remuneration. The Committee met two times during the year. Issues dealt with included the distribution between fixed and variable salary, the magnitude of any pay increases and the long-term variable incentive program. The Board discussed the Committee's proposals and made a decision, using the Committee's proposal as a basis. Based on the Committee's proposals, the Board decided on the remuneration of the President for 2023. The President decided on remuneration to other senior executives after consultation with the Committee. The Committee performed its task supported by expertise on remuneration levels and structures. For information on the composition of the Committee, refer to the Corporate Governance Report.

Note 4 | Fees and remuneration to auditors

SEK M	2023	2022
PwC		
Audit fees	-19	-24
Other services	-1	-5
Total	**-20**	**-28**
Other audit firms		
Audit activities other than the audit assignment	-1	-1
Tax consultancy services	-2	-4
Other services	-2	-1
Total	**-6**	**-7**

Note 5 | Research, development and quality assurance

SEK M	2023	2022
Research and development, charged as cost	-255	-209
Research and development, capitalized as assets	-22	-19
Total	**-277**	**-228**

Note 6 | Other operating income

SEK M	2023	2022
Currency exchange gain	209	104
Capital gain on disposal of intangible and tangible fixed assets	7	2
Other operating income	13	40
Total	**229**	**145**

Note 7 | Other operating expenses

SEK M	2023	2022
Currency exchange loss	-230	-100
Capital loss on disposal of intangible and tangible fixed assets	-1	-5
Other operating expenses	-14	-42
Total	**-245**	**-148**

Other operating expenses consist of transaction cost related to acquisition SEK -9 million (-2) and other operating non-financial cost SEK -4 million (-33).

Note 8 | Operating expenses

SEK M	2023	2022
Cost of goods and material	-8,828	-7,549
Employee benefit expense	-4,548	-4,064
Depreciation and amortization	-915	-859
Inventory obsolescence provision	-97	-39
Impairment losses and reversal impairment losses, non-current assets	1	0
Impairment losses, doubtful receivables	-3	-5
Other expenses	-4,463	-3,913
Total	**-18,852**	**-16,428**

Other expenses is mainly related to purchases of services, energy and IT.

Note 9 | Net financial items

SEK M	2023	2022
Interest income	33	26
Other investments including derivatives		
Net gain on remeasurements of financial assets/liabilities	138	157
Other financial income	1	2
Financial income	172	185
Interest expense	-71	-31
Other investments including derivatives		
Net loss on remeasurements of financial assets/liabilities	-49	-325
Other financial expenses	-24	-12
Financial expenses	-144	-368
Net financial items	**28**	**-184**

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

Note 10 | Income tax

Recognized in profit and loss

Income tax expense for the year, SEK M	2023	2022
Current tax	-470	-326
Adjustment of taxes attributable to prior years	21	-13
Total current tax expense	**-449**	**-339**
Deferred taxes relating to temporary differences and tax losses carried forward	-52	-117
Total tax expense	**-500**	**-455**

Reconciliation of the Group's tax expense

Alleima's recognized tax expense for the year amounted to SEK 500 million (455) or 24.1% (23.5) of profit after financial items.

	2023		2022	
	SEK M	%	SEK M	%
Profit after financial items	2,074		1,938	
Weighted average tax based on each country's tax rate	-485	*-23.4*	-449	*-23.1*
Tax effect of				
Non-deductible expenses	-25	*-1.2*	-21	*-1.1*
Tax-exempt income	9	*0.4*	30	*1.5*
Adjustments relating to prior years' current tax expenses	21	*1.0*	-13	*-0.7*
Revaluation of temporary differences	-21	*-1.0*	-5	*-0.2*
Effects of tax losses carried forward, net	3	*0.2*	3	*0.1*
Other	-3	*-0.1*	-1	*0.0*
Total recognized tax expense	**-500**	***-24.1***	**-455**	**-23.5**

The weighted average tax rate for Alleima calculated in accordance with the statutory tax rates in each country is 23.4% (23.1).

Tax items attributable to Other comprehensive income

	2023			2022		
SEK M	Before tax	Tax	After tax	Before tax	Tax	After tax
Actuarial gains/losses attributable to defined benefit pension plans	-327	69	-258	660	-129	531
Foreign currency translation differences	-227	-	-227	438	-	438
Hedge reserve adjustment	-965	199	-766	667	-137	530
Other comprehensive income	**-1,520**	**268**	**-1,252**	**1,765**	**-266**	**1,498**

Recognized in the balance sheet

Deferred tax assets and liabilities

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

	2023			2022		
SEK M	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net
Intangible assets	2	-27	-25	2	-12	-10
Property, plant and equipment	47	-663	-616	63	-648	-584
Financial non-current assets	1	-120	-120	23	-226	-203
Inventories	86	-16	69	93	-20	74
Receivables	23	-49	-25	3	-181	-178
Pensions	106	-22	84	89	-32	57
Interest-bearing liabilities	130	0	130	107	0	107
Non-interest-bearing liabilities	170	0	169	220	-1	219
Tax losses carried forward	16	-	16	12	-	12
Total	**581**	**-898**	**-317**	**613**	**-1,120**	**-506**
Offsetting within companies	-417	417	0	-440	440	0
Total deferred tax assets and liabilities	**164**	**-481**	**-317**	**174**	**-680**	**-506**

Unrecognized deferred tax assets

The Group has additional tax losses carried forward of SEK 48 million (47) related to Brazil. No deferred tax asset was recognized for these losses.

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

Year	SEK M
No expiry date	48
Total	**48**

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

Change of deferred tax in temporary differences an unused tax losses

SEK M	2023	2022
Balance at the beginning of the year, net	-506	-186
Recognized in profit and loss	-52	-117
Recognized in other comprehensive income	230	-231
Translation differences	-11	-9
Acquisitions	22	3
Other[1]	-	33
Balance at end of year, net	**-317**	**-506**

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

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

SEK M	2023	2022
Income tax receivables	112	102
Income tax liabilities	-219	-221
Net tax receivables/liabilities	**-107**	**-119**

Pillar 2

Alleima is covered by the OECD model rules for Pillar 2. The Group's parent company, Alleima AB, is based in Sweden which has implemented the rules as of January 1, 2024. Alleima has no current tax exposure attributable to Pillar 2, since the rules were not in force on December 31, 2023. Regarding deferred tax, the group applies the exemption to recognize and disclose deferred tax assets and liabilities related to income taxes from Pillar 2 (according to the amendments to IAS 12 issued in May 2023).

Under the Pillar 2 rules, the Group must pay an additional tax if the effective tax rate is below 15% in any of the jurisdictions where the group is established. Based on a review of financial year 2023 all jurisdictions pass the 15% effective tax rate except United Arab Emirates. However, according to the Safe Harbour rules, jurisdictions that have a low turnover and profit are excluded from Pillar 2, these rules are deemed to be applicable to Alleima's operations in the United Arab Emirates.

The Pillar 2 rules are complex and how they will be implemented and applied in each jurisdiction is not clear. Hence, it is not possible to exclude tax consequences also for jurisdictions with a reported effective tax rate above 15% for financial year 2023.

Note 11 | Earnings per share

Earnings per share, SEK	2023	2022
Basic	6.28	5.86
Diluted	6.27	5.86

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

	2023	2022
Profit for the year attributable to the owners of the parent company	1,574	1,470
Total number of shares	250,877,184	250,877,184
Number of shares in equity swap (LTI)	-410,620	-
Number of outstanding shares	**250,466,564**	**250,877,184**
Number of outstanding shares, weighted average	250,630,812	250,877,184
Number of shares after dilution	250,870,108	250,877,184
Number of shares after dilution, weighted average	250,875,769	250,877,184

Dilution is related to the outstanding share-based LTI program for 2023. Refer to Note 3.5 for further information about the LTI programs.

Note 12 | Intangible assets

	Internally generated intangible assets					Acquired intangible assets						
SEK M	Capitalized R&D expenditures	IT software	Patents and licenses	Other	Sub-total	Capitalized R&D expenditures	IT software	Patents, licenses, trademarks	Goodwill	Other	Sub-total	Total
Cost												
At January 1, 2023	129	229	0	109	**468**	19	77	1	1,615	70	**1,781**	**2,249**
Additions	-	68	-	33	**100**	-	1	0	-	-	**1**	**101**
Business combinations	-	-	-	-	**-**	-	-	3	39	69	**111**	**111**
Divestments and disposals	-11	-	-	-49	**-59**	-	-	-	-	-	**0**	**-59**
Scrapping	-	-4	-	-21	**-26**	-	-2	-	-	-	**-2**	**-27**
Reclassifications	-	-	-	-	**-**	-	1	-	-	-	**1**	**1**
Translation differences for the year	-	-	-	-2	**-2**	-	0	0	-33	0	**-33**	**-36**
At December 31, 2023	**119**	**292**	**0**	**70**	**481**	**19**	**77**	**4**	**1,621**	**138**	**1,859**	**2,340**
Accumulated amortizations and impairment losses												
At January 1, 2023	129	166	0	47	**342**	17	65	1	-	15	**98**	**440**
Divestments and disposals	-11	-	-	-	**-11**	-	-	-	-	-	**-**	**-11**
Scrapping	-	-2	-	-21	**-23**	-	-2	-	-	-	**-2**	**-25**
Impairment losses, net	-	-	-	-	**-**	-	-	-	-	-	**0**	**0**
Amortizations for the year	-	5	-	0	**6**	2	4	3	-	9	**20**	**25**
Translation differences for the year	-	-	-	-1	**-1**	-	-	0	-	-1	**-1**	**-2**
At December 31, 2023	**119**	**169**	**0**	**24**	**312**	**19**	**68**	**4**	**0**	**23**	**115**	**427**
Net carrying amount at December 31, 2023	**0**	**123**	**0**	**46**	**169**	**0**	**9**	**0**	**1,621**	**115**	**1,745**	**1,913**

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

Intangible assets

Amortization for the year is included in the following lines in the income statement	2023	2022
Cost of gods and services sold	-5	-12
Selling expenses	-13	-5
Administrative expenses	-6	-10
Research and development expenses	-1	-2
Total	**-25**	**-29**

Impairment losses/reversal of impairment losses per line in the income statement	2023	2022
Administrative expenses	0	-1
Research and development expenses	0	-
Total	**0**	**-1**

Goodwill at December 31, 2023 amounted to SEK 1,621 million (1,615), essentially related to the acquisition of Kanthal in 1997. The impairment test of goodwill is presented below.

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

Year	2023	2022
Tube	65	11
Kanthal	1,555	1,604
Strip	0	0
Total	**1,621**	**1,615**

The recoverable amount of the CGU has been assessed based on estimates of value in use.

Calculations of value in use are based on the estimated future cash flows using forecasts covering a five-year period, which are in turn based on the five-year plans prepared annually by Alleima.

The plan is founded on the Divisions' strategies and an analysis of the current and anticipated business climate, and the impact this is expected to have on the market in which the division operates. A range of economic indicators, which differ for each market, and external and internal studies of these, are used in the analysis of the business situation. The key assumptions mentioned below reflect past experience, current and future situation and are consistent with external information. The key assumptions when determining cash flow forecasts include anticipated demand, growth rate, operating margin and working capital requirements.

Alleima's goal is to be an industry leader in sustainability. The long-term targets include reducing carbon dioxide emissions from Scope 1 and 2 by more than 50% by 2030 compared to 2019, SBTi net zero by 2050, 83% circularity in steel production and 76% circularity in generated waste. This also includes exploring, testing and implementing alternative solutions to reduce slag that ends up in landfills. The divisions build their strategies in the same way, i.e. there are plans and ambitions linked to sustainability in each strategy. It is thus also an integral part of the financial forecast for the strategy period.

The factor used to calculate growth in the terminal period after five years was 2% for Alleima, the same level as used previous years.

Need of working capital beyond the five-year period is deemed to increase approximately as the expected growth in the terminal period. The discount rate consists of a weighted average cost of capital for borrowed capital and shareholders' equity.

The pre-tax discount rates used for Alleima are:

Year	2023	2022
Tube	12.1%	11.9%
Kanthal	12.8%	12.5%
Strip	12.0%	11.2%

The specific risks of the CGU have been adjusted in future cash flow forecasts. The impairment testing of goodwill performed at year end 2023 did not indicate any impairment requirements. Sensitivity in the calculations indicates that the goodwill value would be maintained even if the discount rate was increased by 1 percentage points, the long-term growth rate was lowered by 1 percentage points, and the operating margin dropped 1 percentage points.

Note 13 | Property, plant and equipment

SEK M	Land and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Construc-tions in progress	Other	Total
Cost						
At January 1, 2023	5,648	14,531	1,454	718	19	22,369
Additions	21	73	30	575	27	726
Business combinations	-	55	0	-	-	55
Divestments and disposals	-2	-34	-11	0	-3	-50
Scrapping	-12	-69	-14	-4	-	-99
Reclassifications	102	315	57	-461	-14	-1
Translation differences for the year	-72	-185	-19	-8	0	-283
At December 31, 2023	**5,686**	**14,686**	**1,497**	**819**	**28**	**22,717**
Accumulated depreciations and impairment losses						
At January 1, 2023	3,177	10,848	995	0	0	15,020
Divestments	-1	-34	-10	-	-	-45
Scrapping	-11	-63	-13	-	-	-87
Impairment losses, net	0	-1	-	-	-	-1
Reclassifications	-1	0	0	-	-	-1
Depreciations for the year	163	517	72	-	-	752
Translation differences for the year	-45	-149	-10	-	-	-204
At December 31, 2023	**3,282**	**11,119**	**1,033**	**0**	**0**	**15,435**
Net carrying amount at December 31, 2023	**2,403**	**3,567**	**464**	**819**	**28**	**7,281**

SEK M	Land and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Construc-tions in progress	Other	Total
Cost						
At January 1, 2022	5,437	13,846	1,386	625	18	21,311
Additions	18	66	16	482	12	594
Business combinations	0	36	13	-	1	49
Divestments and disposals	-1	-55	-21	-1	-11	-89
Scrapping	-1	-67	-44	-2	-2	-116
Reclassifications	31	296	52	-409	0	-31
Translation differences for the year	163	410	51	24	1	650
At December 31, 2022	**5,648**	**14,531**	**1,454**	**718**	**19**	**22,369**
Accumulated depreciations and impairment losses						
At January 1, 2022	2,929	10,170	963	-1	0	14,060
Divestments	0	-40	-21	-	-	-62
Scrapping	-1	-64	-43	-	-	-108
Impairment losses, net	0	0	0	-	-	0
Reclassifications	7	-28	-1	-	-	-22
Depreciations for the year	151	504	72	-	-	727
Translation differences for the year	90	308	25	1	-	424
At December 31, 2022	**3,177**	**10,848**	**995**	**0**	**0**	**15,020**
Net carrying amount at December 31, 2022	**2,471**	**3,683**	**458**	**718**	**19**	**7,350**

Tangible assets

Depreciation for the year is included in the following lines in the income statement	2023	2022
Cost of goods and services sold	-713	-688
Selling expenses	-12	-13
Administrative expenses	-12	-12
Research and development expenses	-14	-14
Total	**-752**	**-727**

Impairment losses/reversal of impairment losses per line in the income statement	2023	2022
Cost of goods and services sold	0	0
Selling expenses	0	0
Administrative expenses	0	0
Total	**0**	**0**

Note 14 | Leases

Alleima as a lessee

The arrangements in which Alleima is a lessee consist of a number of assets such as facilities for production, warehouse, office premises, certain office equipment and vehicles. Most of the facilities have a rental period of 5-10 years and for most office equipment and vehicles the period is 3-5 years.

SEK M	Land and buildings	Plant and machinery	Fixture and fittings	Total
Accumulated acquisition cost				
At January 1, 2023	311	207	119	637
Additions	37	21	53	111
Business combinations	81	2	0	83
Remeasurements	20	23	5	49
Divestments and disposals	-14	-6	-24	-44
Reclassifications	0	-	0	0
Translation differences for the year	-8	0	-2	-10
At December 31, 2023	**427**	**248**	**152**	**826**
Depreciation and impairment losses				
At January 1, 2023	125	54	66	245
Remeasurements	-5	-2	-1	-7
Divestments and disposals	-14	-5	-23	-42
Reclassifications	0	-	0	0
Depreciations for the year	65	37	32	134
Translation differences for the year	-4	0	-1	-5
At December 31, 2023	**167**	**84**	**74**	**325**
Net carrying amount at December 31, 2023	**260**	**164**	**78**	**501**

SEK M	Land and buildings	Plant and machinery	Fixture and fittings	Total
Accumulated acquisition cost				
At January 1, 2022	212	43	114	368
Additions	26	118	24	168
Business combinations	53	-	1	54
Remeasurements	6	47	0	53
Divestments and disposals	-6	-1	-23	-30
Reclassifications	0	-	0	0
Translation differences for the year	20	1	4	24
At December 31, 2022	**311**	**207**	**119**	**637**
Depreciation and impairment losses				
At January 1, 2022	76	28	60	164
Remeasurements	0	0	-1	-1
Divestments and disposals	-6	-1	-23	-30
Reclassifications	0	-	0	0
Depreciations for the year	48	26	28	103
Translation differences for the year	7	0	2	9
At December 31, 2022	**125**	**54**	**66**	**245**
Net carrying amount at December 31, 2022	**186**	**154**	**52**	**392**

See note 21 for split of Lease liabilities on current and non-current leases.

Depreciation per line item in the income statement

SEK M	2023	2022
Cost of goods sold	-88	-71
Selling expenses	-23	-19
Administrative expenses	-19	-14
Research and Development expenses	-2	-1
Total	**-134**	**-103**

Amounts recognized in the income statement

SEK M	2023	2022
Depreciations for the year	-134	-103
Interest expenses related to lease liabilities	-15	-8
Expenses for low value assets	-10	-9
Expenses for short-term leases	0	0
Expenses related to variable lease expenses not included in the lease liability	-	-
Total amount recognized in the income statement	**-160**	**-121**
The total cash outflow for leases during the year	**-128**	**-99**

Leasing liabilities

SEK M	2023	2022
Within one year	139	102
Between one and five years	334	264
Later than five years	75	55
Total undiscounted leasing liabilities	**549**	**421**

Contracts not yet commenced

At December 31, 2023, Alleima Group has not entered any contracts with commenced date in 2024 or later.

Alleima as a lessor

The Group holds no financial leases.

Alleima's operational leases mainly consists of lease contracts related to two facilities owned by Alleima.

Future minimum lease payments under non-cancelable operational lease contracts was SEK 227 million (249) at December 31, 2023.

Operating leases

SEK M	2023	2022
Within one year	51	50
Between one and five years	90	112
Later than five years	86	86
Total undiscounted lease payments	**227**	**249**

Note 15 | Non-current financial assets

SEK M	2023	2022
Derivatives designated as hedging instruments	44	587
Funded pension plans (note 20)	43	97
Other non-interest-bearing receivables	12	25
Other interest-bearing receivables	4	6
Total	**103**	**714**

Note 16 | Inventories

SEK M	2023	2022
Raw materials and consumables	3,308	3,086
Work in progress	2,232	2,060
Finished goods	1,820	2,210
Total	**7,360**	**7,355**

Inventories which were booked as expense amounted to SEK 15,409 million (13,054) during the year, whereof SEK 97 million (39) was related to write-down of inventories reported in cost of goods sold.

Note 17 | Trade receivable

	2023							
SEK M	Current	1–30 days past due	31–60 days past due	61–90 days past due	91–180 days past due	181–360 days past due	More than 360 days past due	Total
Expected loss rate, %	0.3	1.4	3.0	8.5	18.4	53.5	98.0	1.2
Gross carrying amount – trade receivables	2,590	289	47	20	18	14	11	2,989
Loss allowance	-8	-4	-1	-2	-3	-7	-11	-37
Reported value	**2,582**	**285**	**46**	**19**	**15**	**6**	**0**	**2,952**

	2022							
SEK M	Current	1–30 days past due	31–60 days past due	61–90 days past due	91–180 days past due	181–360 days past due	More than 360 days past due	Total
Expected loss rate, %	0.3	1.1	5.1	7.2	30.4	44.7	81.5	1.1
Gross carrying amount – trade receivables	2,629	288	38	25	15	9	10	3,013
Loss allowance	-9	-3	-2	-2	-4	-4	-8	-33
Reported value	**2,619**	**285**	**36**	**23**	**10**	**5**	**2**	**2,981**

Note 18 | Other current receivables

SEK M	2023	2022
Contract assets	8	29
Derivatives designated as hedging instruments	283	953
VAT receivables	174	168
Prepaid expenses	228	210
Other non-interest-bearing receivables	289	251
Advances to suppliers	31	19
Total	**1,013**	**1,630**

Note 19 | Equity

As of December 31, 2023 Alleima's share capital amounted to SEK 250,877,184 represented by 250,877,184 shares.

To the Annual General Meeting on May 2, 2024, Alleima's Board of Directors proposes for the financial year 2023 an ordinary dividend of SEK 2.00 per share (SEK 501,754,368), to be paid in May 2024. The remaining amount for the parent company, SEK 12,686,584,221, should be carried forward. The Board makes the assessment that the parent company's and the group's equity after the dividend distribution will be able to sustain the requirements which the nature, size and risks of the business will present. The Board further considers the actions reasonable in light of the parent company's and the Group's consolidation requirements, liquidity and position in general. The dividend distribution is assumed to not present any risk for the parent company's or the Group's ability to fulfil its short- or long-term payment obligations, or assumed to affect the ability to make required investments.

Alleima's General Meeting held on May 2, 2023 approved the Board's proposal for a long-term share-based incentive program (LTI 2023). After a period of three years, a certain number of Alleima shares free of charge will be allotted, provided that certain performance targets are met. As of December 31, 2023, LTI 2023 comprises 403,544 share rights. The delivery of these shares is secured through an equity swap agreement with a third party. Further information regarding the incentive program is provided in Note 3.

Reserves

Consolidated equity includes certain reserves which are described below.

Translation reserves

The translation reserve comprises all exchange differences arising from the translation of the financial statements of foreign operations into Alleima's presentation currency.

Hedge reserves

Alleima apply hedge accounting for derivatives that are used to hedge the Group's exposure to electricity-, gas- and metal price risk and for some derivatives that are used to hedge the exchange rate exposure in orders and investments. Changes in the fair value of the derivatives designated for hedge accounting are recognised in Other comprehensive income and accumulated in the Hedge reserve within equity. Refer to Note 1 for the accounting principles and Note 26 for more information on derivatives.

Non-controlling interest

Non-controlling interest amounted to SEK 0 million (0) and refers to Alleima Rock Drill Steel AB (RDS) in which Sandvik AB owns 10% of the company. The Class B shares held by Sandvik are not subject to future dividends. Refer to Note 27 for further information.

Other transactions with shareholders

Other transactions with shareholders includes transactions without compensation between Sandvik and Alleima as per below.

SEK M	2023	2022
Effective tax adjustment	-	33
Share based compensation	-	-13
Transfer of assets and liabilities without consideration[1]	-	-143
Total	**-**	**-123**

1) Transfer of assets and liabilities without consideration consists of economic activities that have been carved out from companies under common control prior to the separation from Sandvik.

Note 20 | Provision for pensions and other non-current benefits

Alleima provides direct pension solutions or participates in defined benefit, defined contribution and other plans for post-employment benefits to all employees. These plans are structured in accordance with local regulations and practices. The Group's most significant defined-benefit pension plans are described below.

Sweden

The Swedish pension plan is funded through a foundation and is based on salary at the time of retirement. It is partly closed for new participants, meaning that only new employees born prior to 1979 have the option of joining the plan. Employees born after 1979 are encompassed by a defined contribution plan. There are no funding requirements for the defined benefit plan. Pension payments to retirees are made directly from Alleima, the Company has the opportunity to request reimbursement for pension payments made which have been secured by the pension fund. The total value of Alleima's assets held by the foundation was SEK 1,056 million (1,128), which was SEK 303 million lower (83 lower) than the capital value of the corresponding pension obligations for the entire foundation.

The commitment for family pension, also a defined-benefit plan, is insured with Alecta. Sufficient information to use defined-benefit accounting for this plan is not available, and therefore recognized as a defined-contribution plan. At the end of 2023, Alecta reported a plan surplus of 158% (172).

The Alleima Group's share of Alecta's saving premiums is 0.02%, the total share of active members in Alecta is 0.18%. For 2024, the expected contribution to Alecta is SEK 19 million (19).

The Group's mutual responsibility as a credit insured company of PRI Pensionsgaranti in Sweden is classified as a contingent liability and amounts to SEK 27 million (24). This mutual responsibility can only be imposed in the instance that PRI Pensionsgaranti has consumed all of its assets, and it amounts to a maximum of 2% of the Group's pension liability in Sweden.

US

In the US there is a defined benefit plan which is closed for new participants and from which pension payments to the retirees are made, based on salary at the time of retirement. Those eligible for the pension plan are also eligible for a medical plan at retirement. The retiree medical plan offers a dollar amount for each service year based on the age at which someone retires. Defined contribution plans replaced the previous defined benefit plans by June 30, 2021

Germany

In Germany, Alleima has defined benefit pension plans. A few years ago, Alleima formed a foundation, a Contractual Trust Agreement, which covers the current employees of Alleima's German companies. The pension commitments for retirees and paid-up policyholders remain unfunded. The pension is based on salary at the time of retirement and other parameters. There are no funding requirements and employees in the plan are required to contribute a certain percentage of their salary to the plan. Pension payments to retirees are mainly made from the Company.

Other

Other countries have no material defined benefit pension plans.

Risks and cash flows

Three main categories of risks are associated with the Company's defined-benefit pension plans. The first category is linked to future pension payments. Greater life expectancy, increased inflation assumptions and higher salaries can increase future pension payments and thus also the liability for the pension obligation. The second category refers to the assets in the foundations that are funded. Low returns may, in the future, lead to the assets being insufficient for covering future pension payments. The third and final category pertains to the measurement methods and accounting of defined-benefit pension plans, primarily regarding the discount rate utilized in the measurement of the present value of the pension obligations. This rate can fluctuate, leading to major changes in the recognized pension liability. The discount rate also affects the interest rate component of the pension liability and that is recognized in net financial items.

To determine the discount rate, AA credit rated corporate bonds are used that correspond to the duration of the pension obligation. If there is no deep market for corporate bonds, government bonds are used as the basis for determining the discount rate. Mortgage bonds are used in Sweden to determine the discount rate.

A sensitivity analysis of the most important assumptions affecting the recognized pension liability is provided below. Note that this sensitivity analysis is not intended to be the expression of an opinion by the Company regarding the probability of such events occurring.

Governance

The defined benefit and defined contribution plans are governed through a Pension Supervisory Board (PSB). PSB meets twice a year and has the following areas of responsibility:

- Implement policies and directives
- Ensure efficient administration of the major pension plans and efficient management of reserved plan assets
- Approve establishment of new plans, material changes or closure of existing plan
- Approve guidelines for management of assets

Investment strategy

The aims of the investment decisions made in the foundations managing plan assets are as follows:

- Ensure that the plan assets are sufficient to cover the foundation's future pension commitments
- Achieve optimal returns while taking into account a reasonable level of risk

Each foundation is to have a written investment policy approved by PSB. Reviews are performed annually. The foundation makes its own decisions on its investment strategy and takes into consideration the composition of the pension commitments, requirements of cash and cash equivalents and available investment opportunities. The investment strategy is to be long-term and in line with the guidelines established by PSB.

Information by country December 31, 2023, SEK M	Sweden	US	Germany	Other	Total
Amounts included in the balance sheet					
Present value of funded and unfunded obligations	1,819	204	160	147	2,331
- of which for actives	*704*	*59*	*62*	*134*	*959*
- of which for vested deferreds	*547*	*14*	*19*	*2*	*582*
- of which for retirees	*568*	*131*	*79*	*11*	*790*
Plan assets	1,056	183	117	162	1,518
Total surplus/(deficit)	-763	-21	-43	15	-812
Other pension provisions					-31
Total Net liability					**-843**
Provision for pensions					-886
Overfunded pension plans recognized as asset, non-current receivable					43
Funding level, %	58	89	73	110	65
Net liability for medical plans		21			21
Average duration of the obligation, years	21	9	6		18
Amounts included in the income statement/Other comprehensive income					
Total (Current) service cost	-16	-12	-3	-8	-39
Net interest	-18	-1	-2	0	-20
Remeasurements	-299	-36	4	3	-327
Total expense for defined benefits (pretax)	**-333**	**-48**	**-1**	**-5**	**-388**
Amounts included in the cash flow statement					
Contributions by the employer	0	0	-7	-6	-13
Benefits paid, net	-46	0	-4	0	-50
Major assumptions for the valuation of the liability					
Life expectancy, years[1]	23	21	22		
Inflation, %	1.75	2.50	2.25		
Discount rate, % (weighted average)	3.45	5.51	3.90		
Future salary increase, % (weighted average)	3.00	-	3.25		

1) Expressed as the expected remaining life expectancy of a 65 year old in number of years.

Information by country December 31, 2022, SEK M	Sweden	US	Germany	Other	Total
Amounts included in the balance sheet					
Present value of funded and unfunded obligations	1,603	215	163	165	2,146
- of which for actives	*643*	*54*	*64*	*161*	*921*
- of which for vested deferreds	*474*	*15*	*16*	*2*	*507*
- of which for retirees	*487*	*146*	*83*	*1*	*718*
Plan assets	1,128	240	109	184	1,661
Total surplus/(deficit)	-475	25	-54	19	-484
Other pension provisions					-28
Total Net liability					**-513**
Provision for pensions					-609
Overfunded pension plans recognized as asset, non-current receivable					97
Funding level, %	70	112	67	112	77
Net liability for medical plans		24			24
Average duration of the obligation, years	20	9	6		17
Amounts included in the income statement/Other comprehensive income					
Total (Current) service cost	-34	-3	-3	-14	-54
Net interest	-20	0	-1	0	-21
Remeasurements	572	30	28	30	660
Total expense for defined benefits (pretax)	**517**	**28**	**25**	**16**	**585**
Amounts included in the cash flow statement					
Contributions by the employer	0	0	-4	-6	-10
Benefits paid, net	-40	0	-4	-3	-47
Major assumptions for the valuation of the liability					
Life expectancy, years[1]	23	21	22		
Inflation, %	2.00	2.50	2.25		
Discount rate, % (weighted average)	3.95	5.10	3.50		
Future salary increase, % (weighted average)	3.25	3.50	3.25		

1) Expressed as the expected remaining life expectancy of a 65 year old in number of years.

Reconciliation of change in present value of defined benefit obligation for funded and unfunded plans

SEK M	2023	2022
Opening balance, January 1	2,146	2,743
Service cost	29	49
Past service cost	11	5
Intragroup transactions (Sandvik)	0	-2
Interest cost	84	54
Contributions by plan participants	4	4
Benefits paid	-99	-65
Insurance premiums for risk benefits	-1	-1
Remeasurements loss/(gain) arising from:		
– Financial assumptions	132	-698
– Demographic assumptions	19	47
– Experience adjustments	18	-61
Acquisition through business combination	0	0
Exchange differences	-11	70
Closing balance, December 31	**2,331**	**2,146**

Reconciliation of change in the fair value of plan assets

SEK M	2023	2022
Opening balance, January 1	1,661	1,626
Interest income	65	33
Intragroup transactions (Sandvik)	0	0
Contribution by the employer	13	10
Benefits paid directly by employer	50	47
Settlements paid by employer	0	0
Insurance premiums for risk benefits	-1	-1
Contributions by plan participants	4	4
Benefits paid	-99	-65
Return on plan assets, excl amount included in interest	-132	-52
Effect on asset ceiling	-27	-
Other	0	0
Exchange differences	-17	59
Closing balance, December 31	**1,518**	**1,661**

SEK M	2023	2022
Actual return on plan assets	-67	-19
Consolidation ratio for funded plans, %	69	81
Consolidation ratio for all plans, including unfunded, %	65	77
Estimated contributions for the next year	65	62

Sensitivity analysis, change in provision

(net, SEK M)	Sweden	US	Germany
Life expectancy, +1 year	69	6	4
Discount rate -50 bps	188	10	5
Inflation rate + 50 bps	183	0	3

Class of assets in %	2023	2022
Interest-bearing securities	39	32
Shares	18	20
Properties	17	23
Other	20	16
Cash and cash equivalents	6	8
of which assets without quoted prices	*42*	*44*

Note 21 | Other interest-bearing liabilities

SEK M	2023	2022
Non-current liabilities		
Lease liabilities	378	298
Total	**378**	**298**
Current liabilities		
Lease liabilities	127	94
Total	**127**	**94**

Changes in liabilities arising from financing activities

		Cash flow		Non-cash flow changes					
SEK M	Jan 1, 2023	New loans	Amorti-zation	Business combi-nation	Reclassi-fication	New leases	Currency/ FX	Other	Dec 31, 2023
Interest-bearing non-current liabilities	9	0	0	0	-8	-	0	0	1
Interest-bearing current liabilities	0	18	-22	0	8	-	0	0	3
Lease liabilities	391	-	-128	83	0	111	-5	58	505
Share swap	-	-	-20	-	-	-	-	-	-
Dividends paid	-	-	-351	-	-	-	-	-	-
Total	**401**	**18**	**-521**	**83**	**0**	**111**	**-5**	**58**	**510**
			-503						

		Cash flow		Non-cash flow changes					
SEK M	Jan 1, 2022	New loans	Amorti-zation	Business combi-nation	Reclassi-fication	New leases	Currency/ FX	Other	Dec 31, 2022
Interest-bearing non-current liabilities	14	0	-16	10	0	-	1	0	9
Interest-bearing current liabilities	1,624	0	-1,623	0	0	-	-1	0	0
Lease liabilities	200	-	-99	54	0	163	15	58	391
New share issue and capital contribution	-	1,400	-	-	-	-	-	-	-
Dividends paid	-	-	-3	-	-	-	-	-	-
Total	**1,838**	**1,400**	**-1,741**	**64**	**0**	**163**	**15**	**58**	**401**
			-341						

Note 22 | Other provisions

SEK M	Warranties	Restructuring	Employee benefits	Environ-mental obligations	Legal disputes	Other obligations	Total
Balance at December 31, 2022	32	56	111	203	5	57	465
Provisions made during the year	1	32	74	41	2	40	191
Provisions used during the year	-17	-48	-41	-23	0	-50	-180
Unutilized provisions reversed during the year	0	-3	0	-11	0	-2	-16
Reclassifications	0	0	5	0	0	-5	0
Business combinations	0	0	0	0	0	11	11
Translation differences	0	0	-2	0	0	-2	-3
Balance at December 31, 2023	**16**	**37**	**147**	**211**	**7**	**48**	**467**
of which current	*2*	*21*	*12*	*26*	*1*	*39*	*101*
of which non-current	*15*	*16*	*136*	*185*	*6*	*8*	*366*

The provisions for environmental obligations mainly refer to waste material and slag, investigations and remedial measures in Sweden. Current environmental provision refers to emission rights. Regarding environmental obligations, see also Note 1 Critical estimates and key judgments.

SEK M	Warranties	Restructuring	Employee benefits	Environ-mental obligations	Legal disputes	Other obligations	Total
Balance at December 31, 2021	45	166	91	186	8	18	514
Provisions made during the year	6	1	34	22	0	43	106
Provisions used during the year	-23	-110	-21	-7	-4	-23	-187
Unutilized provisions reversed during the year	0	0	0	-1	0	-1	-2
Reclassifications	0	-7	2	0	0	-2	-7
Business combinations	0	0	0	0	0	19	19
Translation differences	4	6	5	3	1	3	22
Balance at December 31, 2022	**32**	**56**	**111**	**203**	**5**	**57**	**465**
of which current	*13*	*56*	*4*	*19*	*2*	*44*	*138*
of which non-current	*19*	*0*	*107*	*184*	*3*	*13*	*327*

Note 23 | Other non-interest-bearing liabilities

SEK M	2023	2022
Other non-current liabilities		
Derivatives designated as hedging instruments	125	391
Other	0	0
Total	**124**	**391**
Other current liabilities		
Derivatives designated as hedging instruments	369	232
VAT liabilities	95	85
Deferred purchase price business combina-tions	-	20
Other	242	169
Total	**706**	**506**

Other current liabilities refers mainly to personnel related liabilities.

Note 24 | Accrued expenses

SEK M	2023	2022
Personnel related	986	839
Customer discounts	21	18
Other accrued expenses	301	314
Total	**1,307**	**1,171**

Personnel related expenses includes social contribution, salaries and bonuses. Other accrued expenses includes accrued property tax, accrued IT costs, accrued commission to agents and accrued expenses for electricity and gas etc.

Note 25 | Contingent liabilities and pledged assets

SEK M	2023	2022
Bank guarantees	174	169
Other contingent liabilities	141	131
Total	**315**	**300**

Contingent liabilities

Other contingent liabilities refer mainly to bank guarantees provided by Sandvik to cover underlying business by Alleima. Sandvik has the right to recourse against Alleima for the guarantees. Other contingent liabilities also include pension related guarantees.

Pledged assets

At the end of 2023, no assets have been pledged as collateral (0).

Note 26 | Financial risk management

Financial assets and liabilities by valuation category

	Designated for hedge accounting		Fair value through profit or loss		Amortized cost		Total carrying amount	
SEK M	2023	2022	2023	2022	2023	2022	2023	2022
Financial assets								
Trade receivables	-	-	-	-	2,952	2,981	2,952	2,981
Other receivables	-	-	-	-	509	468	509	468
Derivatives	227	1,404	100	136	-	-	327	1,540
Cash and cash equivalents	-	-	-	-	1,595	892	1,595	892
Total financial assets	**227**	**1,404**	**100**	**136**	**5,057**	**4,341**	**5,384**	**5,880**
Financial liabilities								
Borrowings	-	-	-	-	5	9	5	9
Derivatives	412	510	81	113	-	-	493	623
Accounts payable	-	-	-	-	2,003	2,619	2,003	2,619
Other liabilities	-	-	-	-	1,399	1,080	1,399	1,080
Total financial liabilities	**412**	**510**	**81**	**113**	**3,407**	**3,709**	**3,900**	**4,331**

The carrying amounts are considered to represent a good approximation of the fair values due to the short durations. All derivatives belong to Level 2 in the fair value hierarchy, i.e. observable inputs have been used in deriving the fair values.

Financial exposure and risk management

Alleima is exposed to financial risks through its global operations. The Financial Risk Management Policy is established and decided by the Board of Directors of which outlines the framework on the identified financial risks of Alleima and how it shall be managed, measured, and reported.

Group Treasury is the Group function responsible for managing most of the Group's financial risks. The primary objective of the function is to contribute to the creation of value by mitigating the financial risks to which the Group is exposed to during the ordinary course of business so that those risks will have minimum of impact on the Group's net profit.

Through internal banking operations, Group Treasury carries out its mission by supporting group companies with loans, deposits, currency and commodity hedging transactions. Through the internal transactions, the financial risks are channeled to Group Treasury, which can then measure the Group's total risk and carry out risk mitigation measures with external parties. The function is also responsible for the infrastructure that applies to the Group's bank accounts and payment solutions. Group account structures and netting payment solutions are important tools for Group Treasury to measure the total liquidity and optimally allocate it where there is a need within the group and minimize the number of internal transactions and the costs that comes with them. In the event of a funding need for the group, it is primarily Group Treasury that seeks financing solutions, analogously, excess liquidity is also managed by Group Treasury for an optimal return. Group Treasury assists group companies in financial matters, trade finance and credit management solutions, as well as on behalf of the pension trust funds with risk measurement and management of the pension liability.

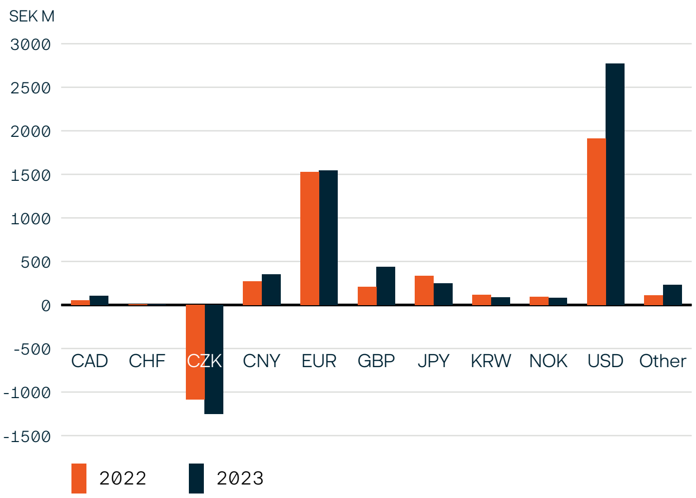
Capital structure and dividend policy

The Group has financial targets on both capital structure and dividends. The capital structure is monitored by measuring the net debt/equity ratio and shall have a ratio below 0.3. Net debt is defined as interest-bearing current and non-current liabilities, including net pension liabilities and leases, less cash and cash equivalents. Dividend shall be on average 50% of net profit (adjusted for metal price effects) over a business cycle.

Currency risk – Transaction exposure

Transaction exposure occurs when the value of the foreign cash flows from sales and purchases fluctuate due to changes in foreign exchange rates and impacts the Group's profit and loss. Alleima's annual transaction exposure, meaning the Group's net flow of currencies, after full offsetting of the counter-value in the exporting companies' local currencies, and measured at the average exchange rate, amounted to SEK 4,625 million (3,561) in 2023. The most important currencies for one year of exposure are shown in the following diagram.

Exposure - Net flow in foreign currency



Alleima generally offers customers the possibility to pay in their own currencies through the global sales organization. As a result, the Group is continuously exposed to currency risks associated with account receivables denominated in foreign currency and with invoicing to foreign customers. Since a large percentage of production is concentrated to a few countries, while sales occur in many countries, Alleima is exposed to a large net inflow of foreign currencies.

In order to mitigate the currency risk, pricing is adjusted against both customers and suppliers in circumstances where Alleima is affected negatively by currency movements. To further reduce exposure to foreign currencies, currencies received are used to pay for purchases in the same currency via a netting structure.

A certain portion of the anticipated net flow of sales and purchases is hedged through financial instruments and bank account balances in accordance with guidelines set in the Group's policy for financial risk management. In addition, major project orders are currency hedged to protect the gross margin. Under the finance policy, the CFO has a mandate to hedge the annual transaction exposure. At year-end, the total hedged amount was SEK 5,375 million (3,359). The average duration for the hedged volume of foreign currency was 10 months (10). Unrealized gain from outstanding currency contracts for hedging of future net flows amounted to SEK 11 million (-151). This amount consists of SEK 35 million (-29) related to contracts maturing in 2024 and SEK -24 million (-123) related to contracts maturing in 2025 or later.

To avoid transaction risk in the balance sheets of subsidiaries, they are financed in their functional currency through Group Treasury. The currency risk that arises in Group Treasury as a result of this is managed using various derivatives to minimize the transaction risk.

If all exchange rates for the exposure currencies were to change by 5% in, for Alleima unfavorable direction, total operating profit over a 12-month period would change by approximately SEK –351 million (–290), assuming that the composition is the same as it was at year-end.

Sensitivity analysis by currency

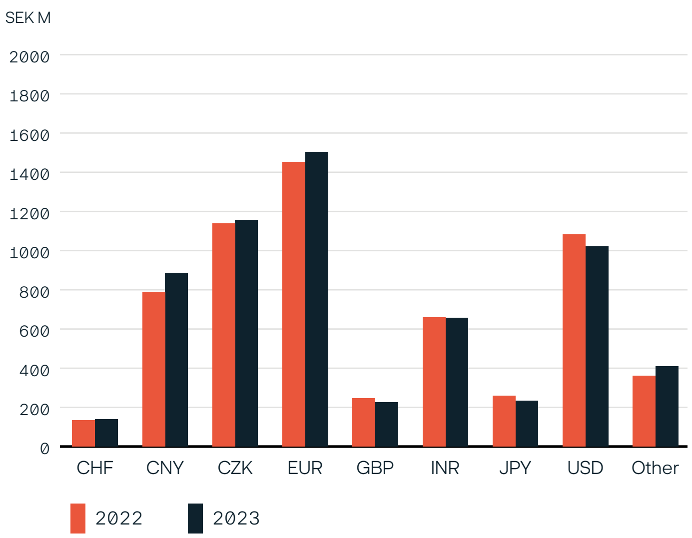
CAD	CHF	CZK	CNY	EUR	GBP	JPY	KRW	NOK	USD	Other	Total
-5	0	-63	-18	-77	-22	-12	-5	-4	-139	-6	-351

Currency risk – Translation exposure

Translation exposure occurs when assets and liabilities in subsidiaries are denominated in currencies other than Alleima's presentation currency.

Since the Swedish krona (SEK) is Alleima's presentation currency, a translation risk related to the valuation of the net assets in foreign subsidiaries and the profit/loss in foreign currency achieved during the period occurs. The net assets, which usually consist of the foreign subsidiaries' shareholders equity, are translated to SEK at the rates applied at the balance sheet date. At December 31, 2023 the Group's net assets in subsidiaries in local currencies amounted to SEK 6,088 million (5,986).

Exposure - Net assets by foreign currency



Alleima has chosen not to hedge future profits in foreign subsidiaries. Net assets are also not hedged, but the differences that arise due to changes in exchange rates are recognized directly in other comprehensive income. The diagram above shows the distribution of net assets among various currencies.

If exchange rates were to change by 5% in an unfavorable direction the net effect on other comprehensive income would be approximately SEK –304 million (–299). This net effect primarily comprises translation exposure in equity.

Sensitivity analysis by currency

CHF	CNY	CZK	EUR	GBP	INR	JPY	USD	Other	Total
-7	-44	-58	-75	-11	-33	-12	-51	-13	-304

Commodity price risk

Alleima's financial risks related to commodities are primarily concentrated to energy such as electricity and gas and alloy metals such as nickel, molybdenum and copper.

A change in the electricity price of SEK 0.1 per kWh is estimated to affect Alleima's operating profit by plus or minus SEK 80 million (80) on an annual basis, based on the prevailing conditions at year-end 2023. For Alleima's largest production unit in Sweden, the electricity and gas prices are continuously hedged through derivatives.

When Alleima obtains a customer order containing a fixed price for nickel, molybdenum or copper, the prices of these materials are hedged by signing financial contracts. This means that Alleima's operating profit is not impacted by movements in the price of these raw materials, relating to the aforementioned orders at a fixed price.

The Group applies a hedging strategy in order to minimize the metal price risk in connection with transactions conducted at a variable metal price. The measurement of inventory is not affected by hedging.

Changes in metal prices affect the profit and loss statement as a consequence of the lead time between the purchase of raw material and delivery of the finished product. The effect can be estimated through the rules regarding valuation of inventory. The net effect is presented in the "Development in business areas" section.

Estimated consumption and hedged volumes

	Estimated consumption per year	Volume hedged	Hedging horizon	Average hedged price
Electricity	800 GWh	1,056 GWh	48 months	535 SEK/MWh
Gas	150 GWh	132 GWh	24 months	62 EUR/MWh
Nickel	12,200 Mt	2,952 Mt	14 months	20,520 USD/Mt
Molybden	1,890 Mt	345 Mt	13 months	27 USD/lb
Copper	450 Mt	0 Mt	0 months	-

Hedge accounting

Derivatives used in the hedging strategies are valued at fair value. To avoid impact on earnings from fluctuations in valuation of derivatives all commodity derivatives and some currency derivatives have been defined as cash flow hedges and hedge accounting is applied. The relationship between the hedging instrument and the hedged item is documented when the hedging contract is made. Hedge effectiveness is measured both at the start of the hedging relationship and quarterly throughout the duration of the relationship. The effective part of changes in the fair value of the derivatives that are designated as, and qualify for, cash flow hedging is recognized in Other comprehensive income. The gain or loss relating to the effective portion of hedging instruments is recognized in the income statement within the same line as the hedged item i.e. Cost of goods sold.

Hedge accounting effect on financial position and performance for the Group

	2023			2022		
SEK M	**Nominal amount of the hedge**	**Cash flow hedge reserve**	**Line item in the statement of financial position where the hedging instrument is included**	**Nominal amount of the hedge**	**Cash flow hedge reserve**	**Line item in the statement of financial position where the hedging instrument is included**
Cash flow hedges			non-current/other current financial assest and non-interest-bearing liabilities/ current non-interes-bearing liabilities			non-current/other current financial assest and non-interest-bearing liabilities/ current non-interes-bearing liabilities
Foreign exchange risk						
FX Forward contracts	4,089	238		1,903	142	
Commodity price risk						
Electricity forward contracts	1,056 GWh	-296		1,390 GWh	539	
Gas forward contracts	132 GWh	-140		132 GWh	-42	
Metal forward contracts	2,952 tonnes	-216		2,056 tonnes	29	
whereof						
Nickel forward contracts	*2,607 tonnes*			*1,736 tonnes*		
Molybden forward contracts	*345 tonnes*			*309 tonnes*		
Copper forward contracts	*0 tonnes*			*11 tonnes*		

	2023			2022		
SEK M	**Change in fair value of the hedging instrument recognized in OCI**	**Hedge ineffectiveness recognized in finance net**	**Line item in income statement for ineffectiveness**	**Change in fair value of the hedging instrument recognized in OCI**	**Hedge ineffectiveness recognized in finance net**	**Line item in income statement for ineffectiveness**
Cash flow hedges						
Foreign exchange risk						
FX Forward contracts	96	0	-	142	0	-
Commodity price risk						
Electricity forward contracts	-834	0	-	539	0	-
Gas forward contracts	-98	0	-	-42	0	-
Metal forward contracts	29	0	-	29	0	-

SEK M	2023 Amount reclassified from the cash flow hedge into profit and loss	Amount transferred from the cash flow hedgeinto cost of hedged item	Line item the in income statement that includes the reclassified amounts	2022 Amount reclassified from the cash flow hedge into profit and loss	Amount transferred from the cash flow hedge into cost of hedged item	Line item in the income statement that includes the reclassified amounts
Cash flow hedges						
Foreign exchange risk						
FX Forward contracts	0		-	0		-
Commodity price risk						
Electricity forward contracts	0		-	0		-
Gas forward contracts	0		-	0		-
Metal forward contracts	0	-153	-	0	37	-

Interest rate risk

Interest rate risk is defined as the impact that changes in market interest rates will have on the Group's net interest items. The impact on net interest items of a change in interest rates depends on the interest terms of assets and liabilities. Alleima measures interest rate risk as the impact a 1 percentage point change in interest rates will have on Alleima's interest net for the coming 12 months.

Interest rate risk arises in two ways:

— The Company may have invested in interest-bearing assets, the value of which changes when the interest rate changes.
— The cost of the Company's borrowing fluctuates when the general interest-rate situation changes.

At December 31, 2023, Alleima had no interest-bearing loans with floating interest to be reset during 2024. Hence, if market rates were to rise by 1 percentage point across all terms interest costs would be impacted by SEK –0 million (-0).

The Group's interest-rate risk arises mainly in connection with borrowing. The Group CFO has a mandate to vary the average fixed-interest term of the Group's debt portfolio, provided that it does not exceed 36 months. At year-end, Alleima had equivalent SEK 4 million in fixed interest-terms external borrowings with an average remaining time to maturity of 7 months (15).

In the event that Alleima has surplus liquidity, it is placed in bank deposits or in short-term money market instruments which means that the interest-rate risk (the risk of a change in value) is low.

Liquidity and refinancing risk

Liquidity and refinancing risk are defined as the risk that financing possibilities will be limited when loans are to be refinanced, and that payment commitments cannot be met as a result of insufficient liquidity. Mainly, all liabilities except certain derivatives, pension- and lease liabilities mature within 12 months.

According to the financial risk management policy, the Group's capital employed (cash excluded) shall, in addition to equity, pensions liabilities, deferred tax and long-term provisions, be financed long-term (>1 year). At December 31, 2023, the Group's capital employed, excluding cash and cash equivalents, was SEK 15,533 million (16,020) and long-term financing, including share capital, pension liabilities, long-term tax liabilities, long-term provisions and the guaranteed long-term credit facility, amounted to SEK 19,997 million (19,818). The short-term liquidity reserve, comprising committed credit facilities and accessible cash and cash equivalents was SEK 3,908 million (3,254). This reserve should at a minimum correspond to loans that mature for payment over the next six months and one-month operating expenses, calculated to SEK 1,501 million (1,309).

Alleima has a revolving credit facility of SEK 3,000 million that after extension during 2023 matures in 2028. An option to another one-year extension exists and expires during 2024. Alleima's financing strategy is to achieve a well-balanced maturity profile for liabilities to thereby reduce the refinancing risk.

At December 31, 2023, SEK 1,595 million (892) was reported as Cash and Cash equivalent whereof SEK 1,021 million (254) are cash directly available for Group Treasury and SEK 574 million (638) are restricted cash such as short-term deposits and cash accounts with, for Group Treasury, limited access. The short-term deposits are considered as cash equivalent as they have a time to maturity less than 3 month.

Credit risk

The Group's commercial and financial transactions give rise to credit risk in relation to Alleima's counterparties. Credit risk or counterparty risk is defined as the risk for losses if the counterparty does not fulfill its commitments.

The credit risk to which Alleima is exposed to can be divided into the following categories:

- Financial credit risk
- Credit risk in trade receivables

Exposure

SEK M	2023	2022
Trade receivables	2,952	2,981
Cash and cash equivalents	1,595	892
Unrealized net gains on derivatives	327	1,540
Other receivables	15	18
Total	**4,890**	**5,430**

Alleima has entered into agreements with the banks that are most important to the Group, covering such matters as the right to offset assets and liabilities that arise from financial derivative transactions, so-called ISDA agreements. This means that the Group's counterparty exposure to the financial sector is limited to the unrealized net gains that arise in derivative agreements, and investments and bank balances. At December 31, 2023 the value of these amounted to SEK 1,923 million (2,431). Alleima only accepts financial counterparties with a solid credit rating and financial position.

Alleima is exposed to credit risk in connection with outstanding accounts receivable arising from sales of good and services to customers. The credit risk is spread over a large number of customers with various credit worthiness.

The total value of accounts receivable as per December 31, 2023 was SEK 2,952 million (2,981) while SEK 37 million (33) was reserved for doubtful accounts. The total credit losses, defined as the sum of receivables written off and change in bad debt reserve, was SEK 8 million (2) corresponding to 0.04% (0.01) of sales.

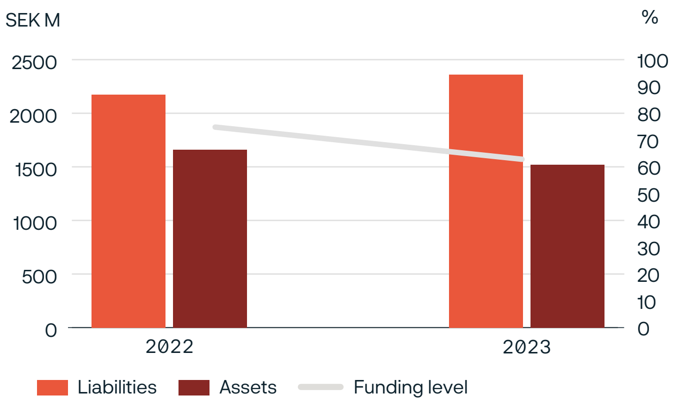
Pension commitments

The majority of the pension liability for Alleima is with its Swedish entities. Other countries with defined benefit pension plans are Germany and USA. Risks associated with Alleima's pension obligations are amongst others, interest rate fluctuations, capital market volatility, and changes in life expectancy.

The Group-funded pension liability has an average duration of 18.1 years (18.0). The allocation to interest-bearing assets is 38 % (32) of the pension portfolio. Due to the asset allocation and differences in duration between the interest-bearing assets and the liability, Alleima is exposed to interest rate fluctuations, both when discounting the liability but also as market values change in the bond portfolio. If the average discount rate falls by –50 basis points the pension liability would increase by SEK 209 million (196).

17% (20) of the pension portfolio is invested in equities. A 20% movement in the equity portfolio would result in a change in market value of SEK 54 million (67). If the life expectancy assumptions increase by one year, the pension liability would rise by 3.4% (3.5) which corresponds to SEK 80 million (76). More information on pensions and pension risks is found in Note 20.

Development of pension liability and assets



In 2023, the pension assets totaled SEK 1,518 million (1,661) and the corresponding pension liability amounted to SEK 2,361 million (2,146), which is equal to a funding level of 64% (77). The value of Alleima's pension assets changed by -9 % during the year (+2). The value of the pension liability changed by +9 % during the year (-21).

The pension plans are governed through a Pension Supervisory Board (PSB). PSB is responsible for implementing policies and directives, approving new plans or material changes and closure of existing plans.

Supply chain finance

Supply chain finance (SCF) is a financing structure linking three parties together: the buyer, the supplier and the bank or financial institution. SCF enables the buyer to receive longer payment terms while the supplier can receive early payment. Incentives for using SCF are typically cash flow enhancement and reduction of working capital. Alleima entities can play the role of either the buyer or the seller, i.e. the counterpart can be either a customer or a supplier.

Alleima using SCF program being a customer, obtains extended payment terms. The standard payment terms for the program are 120 days in exchange for supplier to discount the invoices within 10 to 15 days. At the end of 2023, the total debt in the program was SEK 464 million (567) and the extended payment period averaged 79 (79) days.

Alleima using SCF being a supplier, gives extended payment terms to its clients. The payment terms are discussed on case-by-case basis. At the end of 2023 the total value of the Account Receivable program was SEK 170 million (195).

Note 27 | Related parties

Transactions with shareholders

On August 31, 2022 the Alleima shares were delivered to the shareholders of Sandvik and Alleima is no longer part of the Sandvik Group. Alleima former shareholder was Sandvik AB. Transactions with Sandvik Group are presented in the prospectus "Admission to trading of shares in Alleima AB on Nasdaq Stockholm" in Note 1 in the combined financial statements. Between the Groups there are historical trade receivables and payables as well as cash pool and other short-term liabilities. The short-term loan from Sandvik was amortized before the listing. Transactions related to transfer of assets and liabilities as part of the formation of the Alleima Group between Sandvik group and Alleima Group have been classified as transactions with shareholders. The transactions with the shareholders that have been carried out via equity are presented in the consolidated statements of changes in equity. Alleima has also purchased services from the Sandvik Group such as IT services and administrative services.

During 2022, the subsidiary Alleima Rock Drill Steel AB (RDS) made a directed share issue to Sandvik AB regarding 10,000 B-shares in the Company, which resulted in the majority owner Alleima now owning 90% of the shares in RDS, i.e. all A-shares, and Sandvik 10%. The Class B shares held by Sandvik are not subject to future dividends. According to agreement between the parties, Alleima has, subject to certain conditions, the right, but not the obligation to acquire, Sandvik's Class B shares at its quota value (SEK 2,778). Furthermore, Alleima has issued a call option to Sandvik, which can only be exercised if a few predetermined events occur and in the event that the call option is exercised, the purchase price shall be set at Fair Market Value. Alleima has in all previous periods presented prior to the rights issue consolidated RDS to 100%, i.e. without accounting for a non-controlling interest. In the new issue of Class B shares, Alleima reports in its consolidated financial statements a minority shareholding of SEK 2,778 corresponding to the issue proceeds that RDS received from Sandvik AB. No "profit share" belonging to the minority shareholder Sandvik AB will be reported in the future as Sandvik is not entitled to any dividend. This means that the minority share in equity will be SEK 2,778 in all future periods unless Alleima acquires Sandvik AB's B shares in accordance with the agreement or Alleima divests RDS at fair value according to the agreement's call option.

The table below summarizes Alleimas's transactions wih the Sandvik Group during 2022 up to the separation on August 31, 2022.

SEK M	2023	2022
Revenue	-	335
Purchased services[1]	-	-95

1) Purchased goods from Sandvik did not amount to significant amounts.

Compensation to key management personnel

Compensation to the Board and Group Management is disclosed in Note 3.

Note 28 | Business combinations

The acquisitions of business combinations executed in 2023 are set out below. For the acuisition in 2022 please refer to in the Alleima Annual report 2022 Note 28.

Annual revenue and number of employees reflect the situation at the date of the respective transaction.

Division/ Cash Generating Unit	Company	Country	Acquisition date	Annual revenue	No. of employees
Tube	Söderfors Steel Operations AB	Sweden	May 2, 2023	SEK 145 M in 2022	50

The acquisition of Söderfors was made through the purchase of 100% of shares and voting rights. The Group received control over the operations upon the date of closing the acquisition. No equity instruments have been issued in connection with the acquisition. The acquisition has been accounted for using the acquisition method. The valuations of acquired assets and assumed liabilities are still preliminary for the Söderfors acquisition. Impact on earnings per share is expected to be accretive going forward. During 2023, SEK 5 million in transaction costs related to the acquisition was expensed.

Fair value recognized in the Group

SEK M	Endosmart	Söderfors
Intangible assets	30	42
Property, plant and equipment	12	55
Right of use assets	20	83
Inventories	29	6
Receivables	35	21
Cash and cash equivalents	8	-
Other liabilities and provisions	-77	-151
Deferred tax assets/liabilities, net	-10	-12
Net identifiable assets and liabilities	**48**	**44**
Goodwill	142	55
Purchase consideration	**189**	**99**
Payment for debt in acquired companies	-	49
	189	**148**
Less: cash and cash equivalents in acquired companies	-8	-
Net cash outflow (+)	**180[1]**	**148**

1) Of which SEK 171 million in 2022

Goodwill from the acquisitions is not deductible for tax purposes.

The preliminary purchase price allocation disclosed in the Annual Report 2022 for Endosmart has been adjusted during 2023 based on the deferred purchase price settlement and the valuation of identified intangible assets and related deferred tax. The carrying value of intangible assets has been increased by SEK 30 million (whereof customer relationships SEK 28 million). And in addition, some other minor adjustments have been made. Related deferred tax liability of SEK 10 million has been recognized. Goodwill has been reduced by the corresponding net amount of SEK 16 million. During 2023, SEK 4 million in transaction costs related to the acquisition was expensed.

Contributions from companies acquired in 2022 and 2023

SEK M	2023	2022
Contributions as of acquisition date		
Revenues	41[1]	54[1]
Profit/loss for the year	-15	10
Contributions if the acquisition date would have been 1 January		
Revenue	49	102
Profit/loss for the year	10	-4

1) In addition, the acquired operations had SEK 22 million (56) in intra group revenues, which pre-acquisition were reported as external revenues

Note 29 | Government grants

Alleima has received various forms of government grants in countries where the Group operates and for 2023, consisting of mainly electricity support, they amount to SEK 95 million (1). The grants have been recognized as a reduction of the cost to which the grant is attributable. The majority of the grants have no unfulfilled conditions of contingencies attached to the grants.

Note 30 | Events after the close of the period

— On January 31, Alleima announced the receipt of a major order for advanced tubes; umbilicals, for the Oil and Gas customer segment, to a total value of approximately SEK 520 million.

Parent company financial information

Parent company income statement

SEK M	Note	2023	2022
Revenues	2	24	20
Gross Profit		**24**	**20**
Administrative expenses		-84	-143
Other operating income		1	0
Operating loss		**-59**	**-122**
Dividend from Group companies		485	500
Interest revenue and similar income	3	32	6
Interest expense and similar costs		-1	0
Profit/loss after net financial items		**458**	**383**
Appropriations		31	111
Income tax	4	0	1
Profit for the year		**488**	**495**

Parent company statement of comprehensive income

SEK M	Note	2023	2022
Profit for the year		**488**	**495**
Other comprehensive income			
Total other comprehensive income		0	0
Total comprehensive income		**488**	**495**

Parent company balance sheet

SEK M	Note	Dec 31, 2023	Dec 31, 2022
Shares in group companies	5	11,907	11,907
Deferred tax assets		2	1
Non-current assets		**11,909**	**11,908**
Receivables from group companies	6	1,572	1,430
Other current receivables		3	6
Prepaid expenses and accrued income		4	5
Current receivables		1,580	1,441
Cash and cash equivalents		0	0
Current assets		**1,580**	**1,442**
Total assets		**13,490**	**13,350**
Share capital		251	251
Restricted equity		251	251
Retained earnings		12,700	12,574
Net profit		488	495
Unrestricted equity		13,188	13,069
Total equity		**13,439**	**13,320**
Provision for pensions		2	0
Non-current interest-bearing liabilities		2	0
Other non-current provisions		13	4
Non-current non-interest-bearing liabilities		13	4
Non-current liabilities		**14**	**4**
Accounts payable		1	1
Current tax liabilities		1	0
Other current liabilities		1	1
Other liabilities to group companies		17	9
Accrued expenses and deferred income		15	14
Current non-interest-bearing liabilities		36	25
Current liabilities		**36**	**26**
Total equity and liabilities		**13,490**	**13,350**

Parent company cash flow statement

SEK M	Note	2023	2022
Operating activities			
Operating loss		-59	-122
Adjustments for non-cash items:			
Other non-cash items		12	4
Received interest		32	6
Cash flow from operating acitivities before changes in working capital		**-15**	**-112**
Changes in working capital			
Accounts receivable		-1	-2
Other receivables		4	-6
Accounts payable		-1	1
Other payables		2	9
Changes in working capital		**4**	**3**
Cash flow from operating activities		**-11**	**-110**
Investing activities			
Lending to group companies	6	-133	-1,418
Dividend and appropriations received from group companies		516	611
Cash flow from investing activities		**383**	**-808**
Financing activities			
Repayment of group loans		-	-482
New share issue and capital contribution from shareholders		-	1,400
Equity swap		-20	-
Dividend		-351	-
Cash flow from financing activities		**-371**	**918**
Net change in cash and cash equivalents		**0**	**0**
Cash and cash equivalents at beginning of the year		0	0
Cash and cash equivalents at end of the year		**0**	**0**

Parent company changes in equity

		Restricted equity	Unrestricted equity	
SEK M	**Note**	**Share capital**	**Retained earnings**	**Total equity**
Equity at January 1, 2022		**0**	**11,425**	**11,425**
Changes				
Net profit		-	495	495
Other comprehensive income for the year, net of tax		-	0	0
Total comprehensive income for the year		*-*	*495*	*495*
Proceeds from issuances of shares		251	-	251
Capital contribution		-	1,149	1,149
Total transactions with owners		*251*	*1,149*	*1,400*
Equity at December 31, 2022		**251**	**13,069**	**13,320**
Changes				
Net profit		-	488	488
Other comprehensive income for the year, net of tax		-	0	0
Total comprehensive income for the year		*-*	*488*	*488*
Share-based payments		-	2	2
Equity swap		-	-20	-20
Dividends		-	-351	-351
Total transactions with owners		*-*	*-369*	*-369*
Equity at December 31, 2023		**251**	**13,188**	**13,439**

Parent company notes

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

The parent company's financial statements have been prepared according to the Swedish Annual Accounts Act and RFR 2 Reporting for legal entities and other statements issued by the Swedish Financial Reporting Board.

The parent company follows the same accounting policies as the Group (see Group Note 1) with the following exceptions.

Subsidiaries

Shares in subsidiaries are recognized at cost, including expenses directly related to the acquisition, less any impairment. Group contributions are reported as appropriations in the income statement.

Classification and measurement of financial instruments

IFRS 9 Financial Instruments is adopted, except regarding financial guarantees where the exception allowed in RFR 2 is chosen. Financial guarantees are included in contingent liabilities. Internal loans are managed by the Group's Teasury function and all internal credit facilities are reviewed on regular basis. Internal loans are managed to collect contractual cash flows and is therefore designated as amortized cost. Impairment losses are calculated based on expected credit losses.

Other information

The annual report has been approved by the Board of Directors on March 12, 2024. The balance sheet and income statement are subject to adoption by the Annual General Meeting on May 2, 2024.

Note 2 | Revenue

Revenues relates to sales to other companies within the Group.

Note 3 | Interest revenue and similar income

Interest revenue and similar income consist mainly of interest income from receivables from group companies.

Note 4 | Income tax

SEK M	2023	2022
Current tax expense	-1	0
Deferred tax expense/income	1	1
Total tax on profit for the year	**0**	**1**

The difference between recorded tax and the tax based on prevailing tax rate consists of the below listed components.

SEK M	2023		2022	
Profit before tax	488		494	
Tax effect according to tax rate in Sweden	-101	-20.6%	-102	-20.6%
Tax effect of:				
Non-taxable dividend from group company	100	20.5%	103	20.9%
Other	1	0.2%	0	0.0%
Total recognized tax income	**0**	**0.0%**	**1**	**0.2%**

Note 5 | Shares in group companies

Company, reg. No., reg'd office	Number of shares	Holding (capital/votes)	Dec 31, 2023 SEK M	Dec 31, 2022 SEK M
Alleima EMEA AB, 556734-2026, Sweden	501,000	100.0%	11,907	11,907
Alleima India Private Limited, U29308PN2019PTC182454 , India	1	0.1%	0	0
Total shares in group companies			**11,907**	**11,907**

SEK M	Dec 31, 2023	Dec 31, 2022
Acquisition value at January 1	11,907	11,907
Total shares in group companies	**11,907**	**11,907**

Indirectly owned subsidiaries (not directly owned by Alleima AB)

Company, reg. No., reg'd office	Holding (capital/votes)
Alleima StripTech AB, 559250-4905, Sweden	100%
Alleima Rock Drill Steel AB, 559235-0986, Sweden	90%
Alleima Söderfors AB, 559415-0285, Sweden	100%
Alleima PT AB, 556207-5191, Sweden	100%
Alleima Treasury AB, 559216-9139, Sweden	100%
Alleima Tube AB, 556234-6832, Sweden	100%
Kanthal AB, 556442-5576, Sweden	100%
Alleima Denmark ApS, 42 82 89 63, Denmark	100%
Alleima Finland Oy, 3228605-8, Finland	100%
Kanthal Norway AS, 927733161, Norway	100%
Alleima Limited, 13164633, United Kingdom	100%
Alleima France SAS, 501352033, France	100%
Alleima Benelux B.V., 24350347, Netherlands	100%
Alleima Italia S.r.l., MI-2588812, Italy	100%
Alleima Calimera S.r.l, LE-182270, Italy	100%

Company, reg. No., reg'd office	Holding (capital/votes)
Alleima Portugal, Unipessoal Lda., 516848720, Portugal	100%
Alleima Switzerland AG, CHE-178.868.723, Switzerland	100%
Alleima Saint-Imier SA, CHE-107.535.722, Switzerland	100%
Alleima Zug AG, CHE-110.271.251, Switzerland	100%
Alleima Spain S.I., B67599217, Spain	100%
Alleima CZ Spol. S.r.o., CZ60278773, Czech Republic	100%
Endosmart Gesellschaft für Medizintechnik m.b.H., HRB 109839, Germany	100%
Kanthal GmbH, HR B 102852, Germany	100%
Alleima GmbH, HRB 12806, Germany	100%
Alleima Engineering GmbH, HRB 5049, Germany	100%
Alleima Special Metals, LLC, 91-0817881, USA	100%
PennPower Inc, 25-1706867, USA	100%
Alleima USA LLC, 82-5283200, USA	100%
Alleima Precision Tube LLC, 84-3834789, USA	100%
Pennsylvania Extruded Tube Co., 23-2685343, USA	100%
Kanthal Corporation, 06-1057960, USA	100%
Kanthal Thermal Process Inc., 94-2739405, USA	100%
Alleima do Brasil Industria e Comercio Ltda, 11.149.881/0001-23, Brazil	100%

Company, reg. No., reg'd office	Holding (capital/votes)
A L L E I M A Advance Materials de Costa Rica SRL, 4062001304267, Costa Rica	100%
Alleima Materials Technology, S.A. de C.V., SMT191120RH2, Mexico	100%
Alleima Middle East DMCC, DMCC192604, United Arab Emirates	100%
Alleima India Private Limited, U29308PN2019PTC182454 , India	100%
Alleima Japan K.K., 9140001004795, Japan	100%
Alleima Materials Technology (Jiangsu) Co., 913211916657999610, Ltd, China	100%
Alleima (Shanghai) Materials Technology Co., Ltd, 91310115607381700W, China	100%
Alleima Korea Co.,Ltd, 180111-1265031, Republic of Korea	100%
Alleima Malaysia SDN. BHD., 6819T, Malaysia	100%
Alleima South East Asia Pte. Ltd., 201942268N, Singapore	100%
Taiwan Alleima Limited, 90523423, Taiwan	100%

Note 6 | Receivables from group companies

SEK M	Dec 31, 2023	Dec 31, 2022
Cash pool	1,054	1,318
Trade receivables group companies	3	2
Other current receivables group companies	516	111
Total	**1,572**	**1,430**

Note 7 | Contingent liabilities and other commitments

At December 31, 2023, the parent company's provided guarantees for the benefit of group companies amounted to SEK 2,745 million (2,746).

Note 8 | Employees

The average number of employees in the parent company is 9 (9), of whom 2 are women (3).

Salaries and remunerations for the Board and the President and CEO is presented below.

SEK M	2023	2022
Salaries and remunerations	13	14
Social costs	7	6
Total	**21**	**20**
Of which, pension costs recognized in social costs	*3*	*2*

Note 9 | Fees and remuneration to auditors

Audit fees to appointed auditor was SEK 6 million (7). All other fees amounted to SEK 0 million (1).

Board of Directors' and President's certification

The Board of Directors and the President hereby certify that the Annual Report has been prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated financial statements have been prepared in accordance with the international financial reporting standards referred to in the regulation (EU) no. 1606/2002 of the European Parliament and Council dated July 19, 2002, pertaining to the application of international financial reporting standards. The Annual Report and the consolidated financial statements give a true and fair view of the Parent Company's and the Group's financial position and results. The Report of the Directors pertaining to the Parent Company and the Group gives a fair overview of the development of the Parent Company's and the Group's operations, financial position, and results, and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Sandviken, March 12, 2024

Andreas Nordbrandt
Chairman

Claes Boustedt
Board member

Tomas Kärnström
Board member
(Employee representative)

Mikael Larsson
Board member
(Employee representative)

Ulf Larsson
Board member

Susanne Pahlén Åklundh
Board member

Karl Åberg
Board member

Göran Björkman
Board member
President and CEO

Our auditors' report was rendered on March 13, 2024
PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorised Public Accountant
Auditor-in-Charge

Auditor's report

To the general meeting of shareholders of Alleima AB (publ), corp. id 559224-1433

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Alleima AB (publ) for the year 2023. The annual accounts and consolidated accounts of the company are included on pages 30-105 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts. The corporate governance statement is in agreement with the Annual Accounts Act.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the Parent Company and the Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the Board of the Parent Company and the Group in accordance with the Audit Regulation (537/2014) Article 11.

Basis of opinion

We have conducted our audit in accordance with the International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under these standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes, based on the best of our knowledge and belief, that no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its Parent Company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and adequate as a basis for our opinion.

Our audit approach

Audit scope

We have designed our audit by determining the materiality level and assessing the risk of material misstatement in the financial statements. We have considered where the Managing Director and the Board of Directors have made significant accounting estimates about future events or outcomes that are inherently uncertain. In the audit, we have also addressed the risk that the Board of Directors and the Managing Director may have overridden internal controls, including considering whether there is evidence of systematic deviations that could indicate irregularities.

We have designed our audit to enable us to provide an opinion on the financial statements as a whole, taking into account how the Group is organised, the processes for financial reporting and the industry in which the operations are active.

Materiality

The scope of our audit has been influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we have determined quantitative thresholds for materiality concerning the financial statements as a whole. With the help of these and qualitative considerations, we have established the audit orientation and scope and the character and point in time for our audit procedures. Quantitative thresholds for materiality have also been used to assess the effect of potential misstatements, individual and aggregated, in the financial statements as a whole.

Key audit matters
Key audit matters of the audit are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated accounts for the current period.

These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Description of key audit matter

Revenue recognition in the appropriate period
Revenue amounts to SEK 20,669 million in 2023 and is a material line item in the consolidated accounts.

The Group has various revenue streams that largely consist of precision strip products, seamless tubes and other long products in advanced stainless steel and alloys as well as heating materials and ultra fine wire products that are sold to customers.

Sales are generally recognised as revenue at a point in time when control has been transferred to the customers. Some significant orders are being delivered over a longer period of time and have characteristics that require additional attention to identify the transfer of control so that revenue is recognised in the appropriate period.

The revenue streams are mostly transaction-rich and require robust processes with controls and monitoring in place to ensure accurate reporting.

In light of the inherent characteristics that require additional attention referring to the transfer of control and the significant amount reported on the financial statement line item, the cut off in revenue recognition is considered a key audit matter in our audit.

How our audit addressed the key audit matter

Our audit procedures have included, but were not limited to, the procedures listed below.
We have:

- Evaluated if the Group's accounting principles for revenue recognition comply with IFRS.
- Evaluated the Group's business processes for the recognition of significant revenue streams.
- Performed tests of a sample of controls in the systems and business processes for revenue recognition.
- Tested a sample of transactions against supporting agreements and payments, as well as performed accounts receivable confirmation from external customers.
- Tested a sample of transactions before and after year end to assess whether revenue has been recognised in the appropriate period.
- Performed tests to verify that intra group sales have been eliminated in the consolidated accounts.
- Evaluated the information on revenue recognition presented in the annual accounts and consolidated accounts and assessed whether it provides sufficient information according to the financial reporting frameworks.

Description of key audit matter

Measurement of inventories
The Group's inventories amount to SEK 7,360 million as of 31 December 2023 and is a significant line item in the consolidated accounts.

Alleima keeps its significant stocks of raw materials, work-in-progress and finished goods at its production and sales units. An accurate measurement at balance sheet date of volumes and cost of assets included in inventories is important for a fair presentation of gross profit.

Robust processes are required to establish the acquisition cost of a product when procurement, production and logistical processes are complex. Establishing product costing requires many instances of management judgement which has an impact on the reported values. This includes, but is not limited to, assessing normal production volumes, foreign exchange rates, prices of raw materials and allocation of direct and indirect costs. Management evaluates the condition and how sellable finished products are to measure inventories at the lower of cost and market price. Finally, there is a complexity in measuring volumes, particularly for some raw materials and work in progress, and to eliminate effects from intra Group transactions.

The significant nature of the line item and the inherent complexity in establishing acquisition cost, makes the measurement of inventories a key audit matter in our audit.

How our audit addressed the key audit matter

Our audit procedures have included, but were not limited to, the procedures listed below.
We have:

- Evaluated if the Group's accounting principles for the measurement of inventories comply with IFRS.
- Mapped and evaluated significant systems and processes for reporting of inventory and tested a sample of key controls in processes for establishing cost and existence.
- Tested value of raw materials to actual prices on a sample basis.
- Assessed the reasonableness of the product costing for work in progress and finished goods.
- Participated in stock taking and performed own testing on a sample basis at a number of locations.
- Evaluated the Group's analysis of slow movers and assessments of obsolescence.
- Traced disclosure information to accounting records and other supporting documentation.
- Read the information presented in the annual accounts and consolidated accounts and assessed whether it provides sufficient information according to IFRS.

Other information than the annual accounts and consolidated accounts

This document also contains information other than the annual accounts and consolidated accounts, which is found on pages 1-29 and 111-148, and includes the Sustainability Report ("Other information"). The remuneration report that we obtained prior to the date of this auditor's report also constitutes Other information. The Board of Directors and the Managing Director are responsible for Other information.

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

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

If we, based on the work performed concerning Other information, conclude that the Other information contains a material misstatement, we are required to report this. We have nothing to report in this regard.

The Board of Directors' and Managing Director's responsibilities

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

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for assessing the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern assumption applies unless the Board and the Managing Director intend to liquidate the company or cease to operate or have no realistic alternative to doing so.

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

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on the website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Alleima AB (publ) for the year 2023 as well as the proposed appropriations of the company's profit or loss.

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

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

We believe that the audit evidence we have obtained is sufficient and adequate as a basis for our opinion.

The Board of Directors' and Managing Director's responsibilities
Responsibility for the proposed appropriation of the company's profit or loss rests with the Board of Directors. In conjunction with the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the Parent Company's and the Group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the organisation and administration of the company's affairs. This includes continuous assessment of the company's and the Group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director is responsible for day-to-day management in accordance with the guidelines and instructions issued by the Board and is required to take such actions as may be necessary to ensure compliance with the company's statutory accounting obligations and satisfactory management of funds.

The auditor's responsibility
Our objective for the management audit, and thus for our opinion on release from liability, is to obtain audit evidence which enables us to assess with reasonable assurance whether any member of the Board or the Managing Director has in any material respect:

- taken any action or been guilty of any neglect that could give rise to a liability to indemnify the company or,
- otherwise acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective in respect of our audit of the proposed appropriation of the company's profit or loss, and thus for our opinion on the same, is to obtain reasonable assurance that the proposed appropriation is consistent with the Companies Act.

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

A further description of our responsibility for the audit of the administration is available on the website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the statutory annual report.

The auditor's opinion on the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined whether the Board of Directors and the Managing Director have prepared the annual accounts and the consolidated accounts in a format that facilitates uniform electronic reporting (the ESEF report) according to Chapter 16, Section 4 a of the Securities Market Act (2007:528) for Alleima AB (publ) for the year 2023.

Our examination and our opinion refer only to the statutory requirement.

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

Basis for Opinion

We have conducted our examination in accordance with FAR's recommendation, RevR 18 *Examination of the Esef report*. Our responsibilities under this recommendation are further described in the Auditor's Responsibilities section. We are independent of Alleima AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for ensuring that the Esef report has been prepared in accordance with Chapter 16, Section 4 a of the Securities Market Act (2007:528) and for ensuring that there is such internal control as the Board of Directors and the Managing Director regard as necessary to prepare the Esef report in a manner that is free from material misstatement, whether due to fraud or error.

The auditor's responsibility

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

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

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

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

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

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report has been marked with iXBRL in accordance with what follows from the Esef regulation.

PricewaterhouseCoopers AB, Torsgatan 21, SE-113 97 Stockholm, was appointed auditor of Alleima AB (publ) by the general meeting of the shareholders on 2 May 2023 and has been the company's auditor since 28 October 2020.

Stockholm, March 13, 2024

PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorised Public Accountant
Auditor-in-Charge

Sustainability report

Alleima's approach

Sustainability is firmly established in the operations and an integrated part of the Alleima strategy.

Alleima's aim is that its activities should have as little impact on the environment as possible.

Compared with the traditional process of making steel from iron ore, Alleima's production is based on recycled steel. Considering used material as a resource instead of a waste product contributes to circularity. Using recycled steel and an electric arc furnace in Alleima's production is more energy efficient, and the process has a lower carbon footprint than traditional steel production using a blast furnace.

Alleima's greatest contribution to sustainability is through its products. Alleima's products, based on just over 900 active alloys contribute to making our customers' products, applications, and processes safer, more sustainable, and more efficient. They also enable the transition to renewable sources of energy, the electrification of industries and innovations in the medical sector.

The integrated value chain, from research and development to end products, enables the company to influence and minimize its carbon footprint in all stages of production.

Sustainability governance

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

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

The Group Executive Management team of Alleima is responsible for executing the strategy. Sustainability is an operational responsibility, and the division presidents have a delegated responsibility to execute the strategy in their divisions. Alleima has established a committee – Alleima Sustainability Council – with representatives from group functions and divisions. The council is assigned to coordinate sustainability work within Alleima. Chaired by the head of Alleima Governance and Sustainability, the sustainability council coordinates the preparation of steering documents within sustainability, such as the Alleima sustainability policy, and the procedures under this policy. The council also prepares any decision proposals that require Group Executive Management approval.

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

Sustainability reviews are conducted with Group Executive Management on a quarterly basis. In the sustainability reviews, management is informed about any issues related to sustainability, as well as progress against sustainability targets and plans towards further progress to reaching long-term goals. The sustainability targets are central to the company's strategy to be an industry leader in sustainability. The targets have been set to address material aspects both in relation to how Alleima is impacted as a company by external key sustainability drivers as well as to address what external stakeholders deem as the most significant impacts of our operations.

Code of Conduct

Alleima is committed to putting sustainable business practices first. This involves our own internal work and our interaction with business partners. Our Code of Conduct serves as a set of principles to apply in our daily work and is a description of our common culture worldwide. The foundation of our Code of Conduct is, together with our core values, based on internationally recognized principles for environmental, social and governance aspects.

Human rights and fair labor conditions

Our commitment to human rights and fair labor conditions is established in our Code of Conduct and in our Supplier Code of Conduct in which we support, amongst others, the International Bill of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the UN Guiding Principles on Business and Human Rights.

Alleima does not accept any form of harassment or bullying and believes in employee diversity without discrimination based on gender identity, ethnicity, national origin, age, disability, marital status, social group, or other characteristics.

Alleima has zero tolerance for forced labor, slave labor, and child labor and supports children's rights and the right to education. All Alleima employees are covered by collective agreements and have the right to join a trade union if they so wish.

The Code of Conduct and Supplier Code of Conduct can be found on the Alleima website: www.alleima.com/en/about-us/code-of-conduct/

Alleima's commitments to respect human rights are also available on the website: www.alleima.com/en/about-us/sustainability/human-rights/

Alleima's four focus areas

Focus Area 1: Climate and circularity

Alleima's long-term sustainability agenda is based on four focus areas, climate and circularity being one of them. Alleima's own operations already have a relatively low carbon footprint.

- When it comes to halving the company's carbon emissions by 2030, Alleima is ahead of schedule. Since 2019, Alleima has reduced carbon emissions by 35%.
- The share of recycled steel in finished products is 80%.
- The plants use more than 96% fossil-free electricity.
- Alleima is actively working to reduce water consumption.
- The company strives to be compliant with the European Chemicals Regulation (REACH) in its chemical management.

Alleima has set a target for waste circularity and aims for 76% waste diverted from disposal by the end of 2030. Most our waste comprises slag, which can be recycled and used for road paving. We are looking into separating precious metals from the slag for reuse in our operations.

Alleima has secured volumes of biogas that are blended with the fuel used in furnaces and heating processes and has thereby been able to reduce the amount of fossil fuels even further. In addition, we have performed hydrogen cutting tests with positive results.

Alleima has introduced third-party verified life cycle assessments (LCA) for rock drill steel and will measure and calculate the carbon footprint of more selected materials and products.

In collaboration with customers, Alleima has set up several buy-back programs where we buy back materials from end-of-life products that have been analyzed and sorted for return to the production process.

Alleima has committed to internationally recognized sustainability-related principles and initiatives, including the OECD's Responsible Minerals Initiative, the UN Global Compact and the Sustainable Development Goals.

Alleima recently received a silver medal from EcoVadis, a leading provider of business sustainability ratings. Our results place us higher than 91% of the companies screened by EcoVadis.

In December 2022, we committed to the Science Based Target initiative, SBTi, and will set scienced-based climate targets for net zero emissions. The SBTi will provide a third-party review of our targets and confirm them. In 2023, we worked on a target proposal that will be technically validated by SBTi before it is announced publicly.

Focus area 2: Leadership in sustainability

Alleima's goal is to be an industry leader in sustainability in

Product offering and R&D enable new technologies

Hydrogen and renewable energy

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

Electrification

- Gas for electric industrial heating
- High power industries within:
  - Steel industry
  - Chemical and petrochemical industry
  - Lithium-ion industry

Energy transition

- Hydrogen fuel cell technology
- Energy efficient compressor valve steel

Innovations for improved quality of life

- Cochlea implant
- Neurostimulation
- Diagnostics and sensing
- Remote monitoring

Alleima UN Sustainable Development Goals

3 GOOD HEALTH AND WELL-BEING

Continued development of Exera® medical wire for applications in various areas of life-changing medical technology, such as vascular therapy, sensing, and neurostimulation.

5 GENDER EQUALITY

Increased focus on DEI (Diversity, Equality and Inclusion) as part of the People Strategy and Alleima commercial strategy to improve gender balance, where the share of female managers continued to trend positively.

6 CLEAN WATER AND SANITATION

Different initiatives and improvements are implemented to reduce the usage of fresh water and increase the circularity and reuse of water in general.

7 AFFORDABLE AND CLEAN ENERGY

Alleima has signed agreements for all sites within EU to purchase fossil-free electricity. Globally, 96% of all electricity used within Alleima is fossil-free.

8 DECENT WORK AND ECONOMIC GROWTH

Continued strengthened focus on reducing the Total Recordable Injury Frequency Rate (TRIFR) in line with the long-term goal of zero harm to people.

10 REDUCED INEQUALITIES

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

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

A high degree of circularity is built into the Alleima business model. More than 80% of the final product are manufactured from recycled material. Buy-back programs of decommissioned products or waste material at customers introduced.

13 CLIMATE ACTION

Long-term target to reduce scope 1 and 2 CO_2 emissions by more than 50% to 2030. A scope 3 assessment has been performed.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Compliance training, including principles for refusing to do business with entities engaged in illegal activities. Zero tolerance for any form of corruption and bribery.

relation to our operations as well as our product offering. The company's strategy aims to grow products and solutions that contribute to the electrification of industries, enable the shift to renewable energy sources, increase energy efficiency, and contribute to innovations in the medical device sector, at a faster pace than total growth.

This growth is largely driven by global trends such as the growing and changing energy demand, electrification and a growing and aging population.

Focus area 3: A responsible employer

Being a responsible employer is a top priority for Alleima and, therefore, one of our focus areas for sustainability.

"Safety first" is Alleima's motto, and we work preventively to minimize the number of incidents. We strengthened our safety program during the year. The program includes our safety principles and clear plans in each division for how the health and safety of our employees must be improved.

Alleima strives to ensure that all employees can thrive and develop in the company, and is convinced that diversity, equality and inclusion are key to our continued success. The company works actively to create an inclusive and equitable workplace. In the autumn of 2023, an ambassador program for diversity and inclusion was launched to raise awareness and encourage inclusive behavior in the workplace.

One goal is to increase the number of female managers. This includes training on the company's core values, diversity and inclusion, and psychological safety to implement new ways of thinking, strengthen the organization's culture, and create networks for women.

Focus area 4: Ethical business conduct

The fourth focus area involves ensuring ethical business conduct through our Code of Conduct and regulatory compliance and by ensuring compliance with our Supplier Code of Conduct.

All Alleima employees undergo training in the company's Code of Conduct. Digital systems and tools are in place to help suppliers comply with the Code of Conduct.

Alleima engages with the local communities where the company operates and contributes to activities that make a difference and are aligned with our values and focus areas. We have a global strategy for sponsorship and community engagement, and decisions are made locally about who we collaborate with and the types of activities that we prioritize. To make this even clearer, there is an exact description of the focus areas that the company engages in and how this takes form at a local level.

Strategy and targets

Alleima's materiality analysis
The materiality analysis examines Alleima from a sustainability perspective. It identifies and assesses the impact of operations on the outside world and the impact of the outside world on Alleima's operations.

In setting the strategy and long-term goals for Alleima, a materiality analysis was carried out to identify and evaluate aspects within the environment, social and economic. In that analysis, we have worked out and confirmed which factors our stakeholders expect transparency about regarding how we work with the issue. Built into that expectation is also the fact that we have goals in place and plans with activities to achieve our goals.

A materiality analysis gives a picture of what the expectations look like and allows us to match what we see as key issues with the perception of our stakeholders. Should there be a significant mismatch in views, the analysis constitutes an essential basis for understanding how those expectations can be reconciled and ensuring that our sustainability communication is on point. This work verifies that the content in our sustainability communication is relevant.

Materiality analysis is also a tool for weighing and prioritizing sustainability issues. The analysis aims to make sure that our focus is aimed at the right topics in relation to available resources and securing a balanced sustainability communication giving space to different issues in relation to how important they are perceived to be.

Process to identify potentially material topics
In order to create an initial list of potential material topics, reviews were undertaken of internal documents, peers' sustainability reporting, and upcoming Environmental, Social and Governance (ESG) -related regulations and frameworks. Results were consolidated into a gross list of material topics, and further refined, aggregated and defined into a shortlist.

The final shortlist is presented in categories of environmental, social, and economic material topics, in line with established definitions of The Global Reporting Initiative. The shortlist served as the basis for further evaluation of stakeholder relevance.

Stakeholders and dialogues
Alleima's main stakeholders are employees, customers, owners and suppliers. There are also common interests with the communities and organizations where the company operates, both locally near our operations and at national and global levels. In addition to those mentioned above, there are of course more far-reaching connections and stakeholders that we continuously interact with. They may be employees of our business partners but also those who do not actually have the opportunity to express their input, such as future generations.

The stakeholders for the materiality analysis are limited in practical terms to those listed below, and whom Alleima considers to be the most important groups with a clear and direct link to the company's sustainability work – both how the business can affect the stakeholders and how the stakeholders can affect Alleima's business. In-depth interviews were conducted with internal and external stakeholders to validate and prioritize material areas. The interviews were supplemented with general discussions about sustainability issues, risks, and challenges for Alleima.

An internal survey was distributed to all Alleima employees for further input on the material topics from an employee perspective. Survey respondents highlighted a wide variety of topics while elaborating on if any important sustainability topics were missing from the shortlist.

The employee survey results, and the in-depth interview findings were further discussed in a workshop. This was done to ensure that key themes noted by both employees and representatives from other stakeholder groups were considered and covered as part of the process.

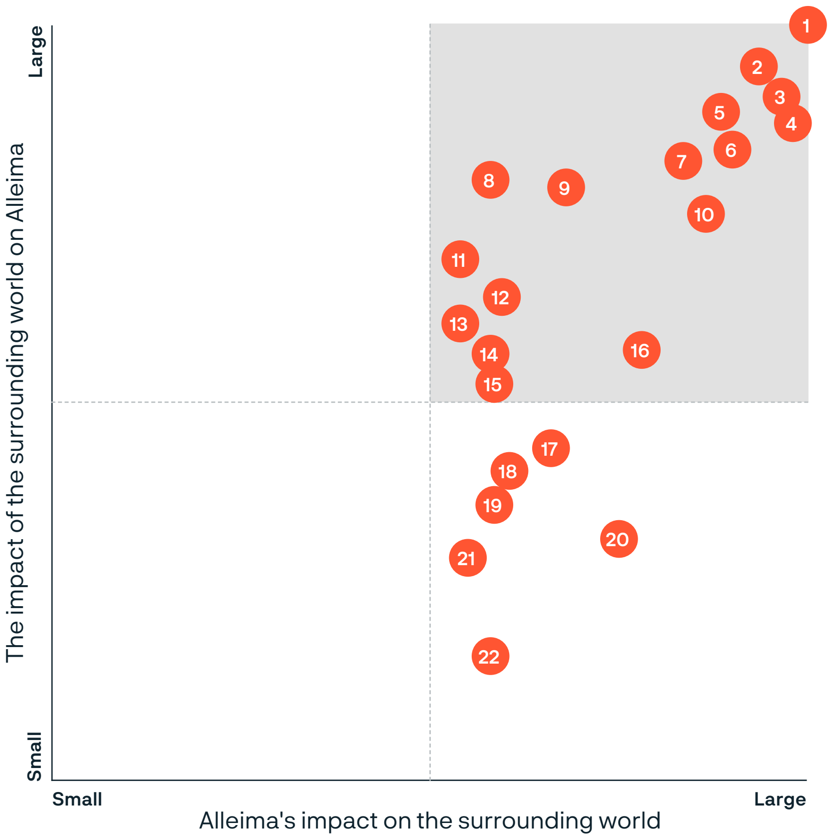
From the stakeholder interview's, 22 main themes for material environment- and social responsibility related areas were identified. See graph on page 117.

Prioritization of identified areas
The results of the interviews and surveys were compiled into a materiality matrix. Then, an impact assessment and a scoping exercise were carried out based on the significance of the areas. The delineation refers to the areas that constitute Alleima's first set of sustainability goals and KPIs for performance monitoring.

The company's management adopted the final proposal, and based on the materiality analysis, the first set of long-term sustainability goals and relevant Sustainable Development Goals (SDGs) was decided.

Stakeholders that participated
— In addition to the employee survey, representatives from key functions participated in deep interviews. Interviews were held with the president and CEO of Alleima, with VP R&D, with VP HR and the president of a division.
— For external viewpoints, deep interviews were held with

Materiality analysis



1 Health and safety
2 Own CO_2 emissions
3 Scope 3 emissions
4 Circularity
5 Product quality
6 R&D
7 Customer relations and satisfaction
8 Human rights
9 Health and well-being
10 Responsible purchasing
11 Business ethics
12 Diversity and inclusion
13 Corporate governance and risk management
14 Talent and employee satisfaction
15 Energy-efficiency
16 Waste management
17 Responsible acquisitions
18 Data integrity and IT-safety
19 Air pollution
20 Water management
21 Community involvement
22 Biodiversity

representatives from customers to divisions, key suppliers, and representatives for the largest shareholders.
— Viewpoints from local communities and local policymakers were collected by interviewing representatives from the municipal council.
— To understand the expectations of analysts and their viewpoints on how ESG impacts an investment, interviews were conducted with ESG analysts and the sustainability manager at one of Alleima's major owners.

Management of material topics
Sustainability is an integrated part of the company strategy and Alleima manages the impact on the environment, people, and people's rights or financial impact from sustainability topics in the same way as other business decisions.

Alleima's management systems and governance model in relation to the material topics listed above are described in the sustainability governance section. Management of impacts and mitigation follows the management system as they are defined in our policies and procedures.

Monitoring and follow-up of progress against targets are integrated into the company performance review process. Communication with stakeholders uses the same channels as other company communication, which includes interim reports, annual reports, investor calls, employee webinars and committees for consultation.

Climate and circularity

Environment
Environmental data is derived from our EHS reporting system in which reporting is conducted on a quarterly basis for environmental indicators. The key figures compiled are based on information available at the end of the most recent year-end reporting.

Energy and Greenhouse Gas (GHG) emission data is calculated based on reported consumption data. The conversion factors are established in the company's EHS definitions that are held within the management system documentation.

— For Scope 1 these factors originate from the EPA – Swedish Environmental Protection Agency.
— For Scope 2, location-based emissions are derived from reported consumption and recalculated using average grid emission factors, originating from the International Energy Agency, IEA.
— For the market based emissions, the consumption data uses specific emission factors, if available, and otherwise the same factors as for location-based emissions.

Carbon emissions and energy
Alleima's operations are by nature energy intensive. In order to ensure the efficient use of energy our most energy-demanding operations work under a certified energy management system. Inefficient use of energy is an unnecessary cost driver that we strive to avoid.

Recent events, especially in Europe, have led to increased risk for negative impacts. Electricity supply is a prerequisite for our operations. Shortage as well as cost is a present risk, which is managed as part of Alleima's ERM process. The manufacturing of the company's steel is located where there is access to fossil-free electricity, to run our electric arc furnace.

— Alleima aims to have environment, health and safety plans at each site that include actions to increase energy efficiency and reduce carbon dioxide emissions.
— Alleima has a goal to reduce CO_2 emissions in Scope 1 and 2 by more than 50% by the end of 2030, compared to our base year 2019.

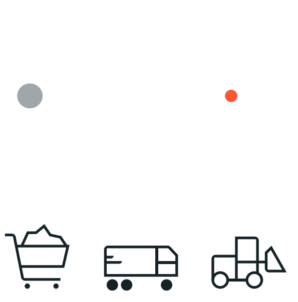
Recycled steel and fossil-free electricity give Alleima a relatively low carbon footprint.

Raw material inventory management

Energy
4,406 MWh

Fossil CO_2
1,030 tons

Biogenic CO_2
0 tons



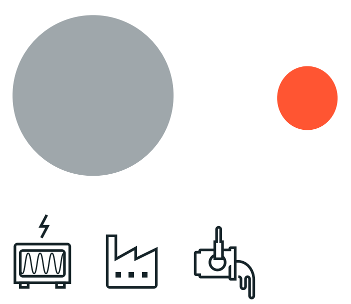
For transportation and raw material handling on industrial sites, biofuels, electricity and propane (LPG) are used.

Production of stainless steel and other alloys

Energy
214,239 MWh

Fossil CO_2
29,758 tons

Biogenic CO_2
3,705 tons



Preheating in ladles and molding boxes is done with biogas and natural gas. Melting is done in an electric arc furnace.

Energy consumption

Energy Consumption (TJ)	**2023**	**2022**	**2021**	**2020**	**2019**
Non-renewable fuels	**1,063**	**1,148**	**1,253**	**1,194**	**1,359**
Gasoline	2	2	2	2	4
Diesel	6	6	6	6	37
Liquefied petroleum gas	428	462	458	461	679
Natural petroleum gas	548	574	703	699	579
Fuel oil	79	104	84	24	61
Renewable fuels	**205**	**113**	**30**	**24**	**0**
Biopropane	2	0	0	0	0
HVO	23	23	23	24	0
Bio gas	181	90	7	0	0
Total energy from fuels	**1,268**	**1,261**	**1,282**	**1,218**	**1,359**
Grid electricity	2,340	2,329	2,307	2,318	2,587
Own produced electricity	17	12	0	0	0
Purchased heat and steam	104	104	135	141	147
Total electricity heat and steam	**2,461**	**2,445**	**2,442**	**2,459**	**2,734**
Total energy consumption	**3,729**	**3,705**	**3,724**	**3,676**	**4,093**

No reported cooling consumption, cooling sold, heat or steam sold

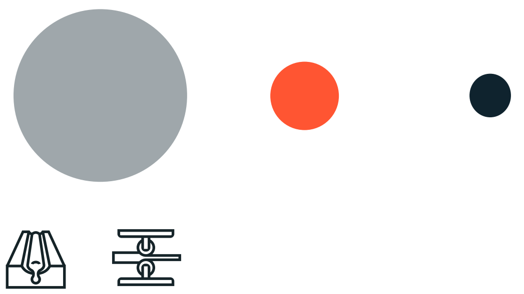
Total energy use over ton rollable steel	**2023**	**2022**	**2021**	**2020**	**2019**
GJ energy/ton steel	19.1	16.4	16.1	17.2	16.5

Heating and processing

Energy
321,881 MWh

Fossil CO_2
34,428 tons

Biogenic CO_2
11,114 tons



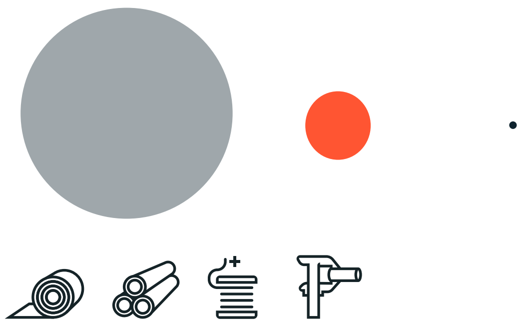
Heating and processing is done with biofuels, LPG and natural gas.

Productification

Energy
495,379 MWh

Fossil CO_2
31,201 tons

Biogenic CO_2
1,779 tons



In the further processing, such as hot-rolling of bar, strip and wire, and productification, mainly fossil-free energy is used.

Emissions

GHG Emissions, kton CO_2e	2023	2022	2021	2020	2019
Scope 1	86	97	102	96	112
Scope 2, location based	61	60	69	69	74
Initiatives to source fossil-free electricity in the market	-51	-49	-50	-35	-37
Scope 2, market based	10	11	19	34	37
Total, location based	148	156	171	165	186
Total, market based	**96**	**107**	**121**	**130**	**149**

Total greenhouse gas emission over ton rollable steel	2023	2022	2021	2020	2019
Ton carbon dioxide/ton steel	0.49	0.48	0.52	0.61	0.60

CO_2 emissions by division, ton	Scope 1		Scope 2	Scope 1 + 2
Division	**Fuels**	**Raw materials based**	**Electricity, heat, steam**	**Total**
Tube	61,309	21,057	5,368	87,464
Kanthal	3,351	433	4,776	8,560
Strip	360	0	33	393
Total	**64,750**	**21,489**	**10,177**	**96,417**

At the end of 2023 Alleima had reduced CO_2 emissions by 35% compared to the base year, to 96 ktons. Compared to the year before, the reduction corresponded to a 10% reduction. The reduction was mainly attributed to somewhat lower rates of production. In 2023, Alleima used 629 GWh of fossil-free electricity, which was 96% of the total electricity purchased. Out of the total energy use of 1,036 GWh, 66% came from fossil free energy sources.

In 2022, Alleima joined the Science based target initiative (SBTi). The SBTi commitment was preceded by thorough work to understand our greenhouse gas emissions. We used an approach where our value chain was screened for climate impact. In a systematic approach, an emissions inventory was created to map out what the main emission sources were, including the indicative size of emissions for these.

The work was based on the criteria set out by the SBTi, which refers back to the greenhouse gas protocol in many parts.

- Based on the screening it was concluded that raw material supply chain is the largest emission source.
- The screening indicated that nearly half of the total impact might come from the raw materials used by the company.
- The screening also showed that our own emissions from fuel use, processes and purchase of electricity, heat and steam are not insignificant. Their emissions correspond to approximately 10–20% of total emissions.

The screening was performed based on data from operations. Scope 1 and 2 data come from our own data reported as part of our environmental reporting process. Scope 3 was to a large extent based on monetary data from our spend. This means that the degree of uncertainty of exact emission data is fairly high. However, for the purpose of understanding the main emission sources, and the relation between different emission categories, it serves an important purpose in mapping the main Scope 3 categories. For purchasing raw materials, the calculations were more detailed, and based on weights purchased per raw material.

In the work to build the emissions inventory, Alleima cooperated with a third-party firm, which was tasked to build the tool for calculation, including ensuring that the data collection and calculation methods met the criteria as set out by the SBTi. The work commenced already when Alleima operated as a part of Sandvik group but was concluded after the company had become Alleima.

Materials

The raw materials Alleima uses play a key role in many aspects, and this applies along the value chain. Upstream it is strongly connected to sustainable sourcing of alloys used to produce steel. As a result of sustainable sourcing, the company aims to minimize upstream impact by ensuring that suppliers meet expectations as set out in the supplier Code of Conduct. In supplier evaluations Alleima looks at ensuring that there are no negative impacts on working conditions and breaches of human rights issues among other topics covered by the supplier Code.

Input materials for steel production are also the largest area from a climate impact point of view. Alleima is a scrap-based steel manufacturer with an embedded positive environmental impact from a circular economy perspective. At the same time, access to scrap metals is essential and could potentially be a risk going forward, as the world transforms to significantly higher shares of scrap-based production.

Alleimas most significant input material is various metallic raw materials. Our products are refined products based on advanced materials technology. A metallic raw material can be remelted and used many times, without compromising quality, which creates favorable conditions for circular material handling.

Alleima strives to increase recycled content in our products

Material

Metallic raw materials	2023	2022	2021	2020	2019
Primary, kton	45	46	50	49	54
Secondary, kton	182	218	223	206	227
Recycled steel rate, %	80.0	82.6	81.8	80.8	80.7

Metals are non-renewable, 100% recyclable materials

and sourcing of scrap metals is a key success factor for Alleima. The Company collects and sorts waste metal from its production for internal reuse.

- The recycling rate in the produced steel amounted to 80% for the year which was a decline of 3% over the year before.
- The goal is to reach a recycle rate of 83% by 2030.

Reaching the target for 2030 will require the success of some important initiatives. Alleima expects to have a product mix in 2030 that has developed towards an even higher share of specialized materials. These materials would require more unique compositions and are likely to have higher contents of elements such as nickel and molybdenum. There could be very high requirements for purity from contaminations, and the inclusion of exotic alloying elements could also increase. These features are key for achieving the desired material characteristics but make it very challenging to source recycled steel appropriate for producing these materials.

Therefore, an initiative of key importance is to engage with customers to enable the buy-back of materials, where the material composition is known to be of the quality required in Alleima's materials and products.

Waste

In waste management, slag from steel manufacturing represents the single largest environmental impact. Alleima is working on several fronts to reduce the amount of deposited slag. Additionally, ongoing efforts are being made to identify potential alternatives to depositing the slag.
These efforts are being pursued through both internal projects and partnerships with external parties, for example Jernkontoret's Technical area 55, Steel production residues. Internally, development efforts are gathered in a slag project, and over the years several university students have been engaged in the work through their degree projects.

- In 2023, Alleima launched an external partnership with the ambition of transforming falling and already deposited slag into usable material.
- Another external partnership has been implemented that will mean that magnesite-based tundish lining material will no longer being deposited but will instead be sent externally for processing and mixing with lime, at which point the material will be repurchased as dolomite for the steel mill.
- At Alleima's industrial site in Sandviken, two new surfaces paved with slag asphalt were added during the year. There are now six surfaces in total paved with asphalt where slag produced in-house has replaced natural mate-

Waste

2023, ton

Waste by type	Generated	Circular	Non-circular
Slag	63,672	1,302	62,371
Metals	16,288	16,278	10
Industrial dust	5,475	5,420	55
Uncategorized	5,039	3,391	1,648
Emulsions	4,366	2,820	1,547
Mill scales	3,571	3,571	0
Spent refractory bricks	2,244	1,898	345
Mixed residual waste	1,728	130	1,598
Other	9,525	2,199	7,326
Total	**111,908**	**37,008**	**74,900**

Waste by disposal method and legal classification	Total	On site	Off site
Circular, hazardous waste	**9,450**	**257**	**9,192**
Reuse	295	0	295
Recycle	9,154	257	8,897
Circular, non-hazardous waste	**27,559**	**7,591**	**19,968**
Reuse	4,628	0	4,628
Recycle	22,931	7,591	15,340
Non-circular, hazardous waste	**8,509**	**2,964**	**5,545**
Incineration, energy recovery	596	0	596
Incineration	1,110	0	1,110
Landfill	6,333	2,964	3,369
Unspecified	470	0	470
Non-circular, non-hazardous waste	**66,391**	**58,596**	**7,796**
Incineration, energy recovery	1,404	0	1,404
Incineration	5	0	5
Landfill	64,440	58,596	5,845
Unspecified	543	0	543
Total	**111,908**	**69,407**	**42,501**

rials. The surfaces have proven to hold up well despite the stress from heavy vehicles and mechanical wear and tear.
— Slag has also been used as a replacement for sand in the steel mill and as a construction material for depot surfaces, both with good results.

Circularity is a material aspect for Alleima, and the goal is to reduce waste and increase circularity in operations and in the value chain. There are two targets to support this ambition:

The first target aims to actively research feasible opportunities to reduce the generation of slag that is disposed of landfill. The single largest waste type generated in our operations is residuals from manufacturing steel. The majority of the slag generated is disposed to landfills on the site in Sandviken.

To reduce waste to landfill, Alleima will look to explore opportunities, test and implement projects to bring slag into circular waste streams. The importance of succeeding in this work is manifested by a clear objective. The objective includes ensuring that the work is always active and communicating progress on an ongoing basis.

The complexity of this area has led the Company to conclude that it is not meaningful to set numerical targets for a specific amount of slag to be diverted from landfills. Instead, the aim is to ensure that work is always actively underway to ensure that all options are explored. Performance will then be judged by the ability to demonstrate successful results.

The second target concerns other waste types, which are small in comparison to the volumes generated in manufacturing of steel.

— Based on identified potential improvements, either by reducing waste generation or by moving waste streams to circular recovery methods, Alleima aims to reach 76% circularity for these, by 2030.
— At the end of 2023, 74% waste circularity was reported, excluding slag.

Waste in the value chain

Alleima's ambition also takes the value chain into consideration. This means that Alleima will consider waste generation aspects from purchased goods as well as downstream impact, from packaging materials and the delivered product. This could involve activities within sourcing to identify recyclability in products and include this knowledge in purchasing decisions. It also involves engaging with waste management suppliers to understand what recovery operations are accessible in different regions where Alleima is present.

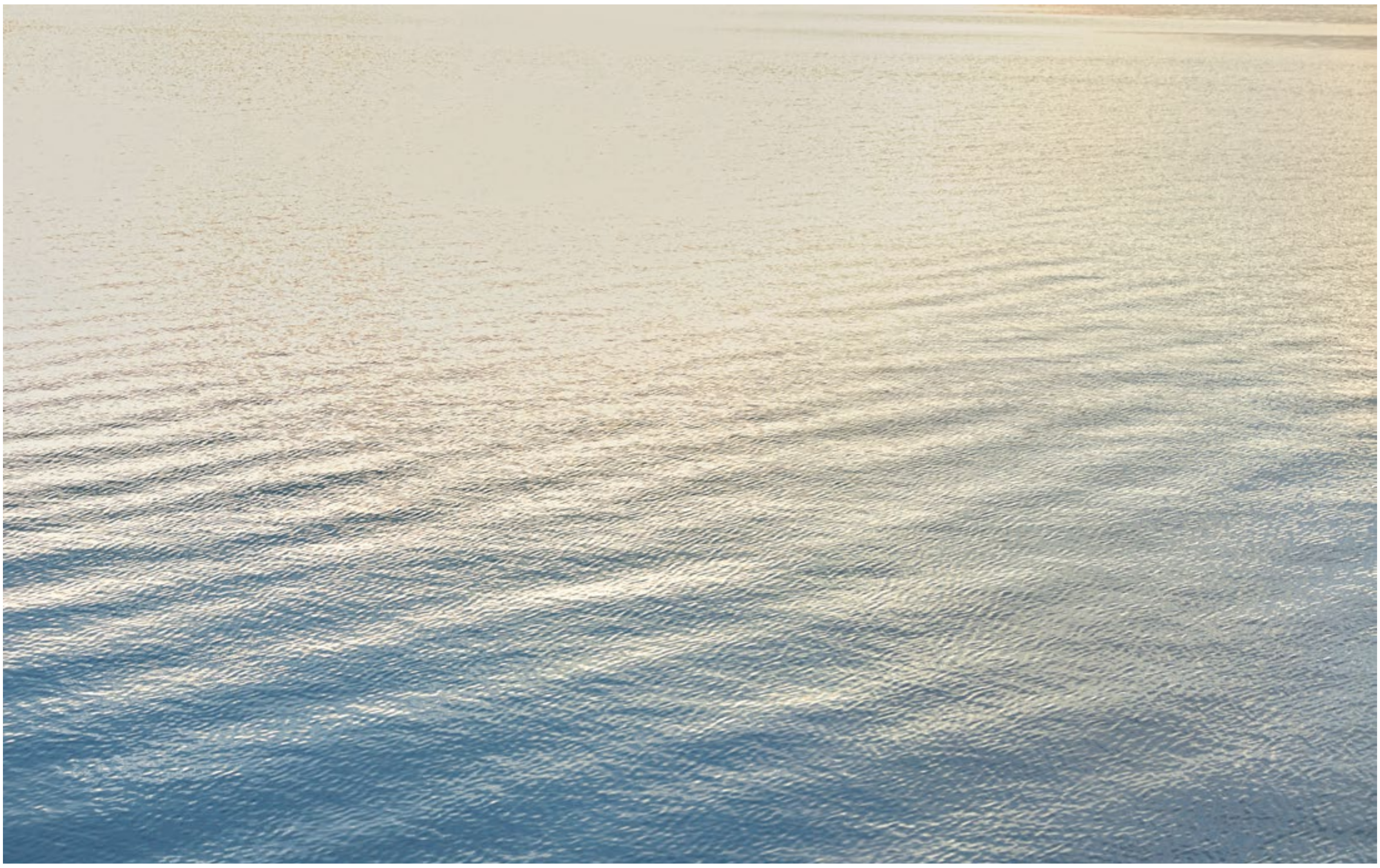
It is evident that waste management services differ greatly in different regions. Alleima acknowledges this and sees the importance of initiatives and engagement with local waste management companies. It is also a matter of ensuring that Alleima has sufficient in-house awareness about how to sort waste to ensure efficient waste handling.

— Waste generated outside of our production, such as packaging, is handled by third parties who are responsible for properly sorting materials. All employees and contractors are responsible for correctly sorting and disposing of waste on-site.
— Total waste was reduced by 3% to 112 kton. The decrease was mainly attributable to lower production levels.

Since close to 100 years, Alleima products are produced mainly with recycled steel, giving us a substantially lower CO_2-footprint.

Targets and priorities

Focus area	Long-term targets	Milestones 2023	Outcome 2023	Milestones 2024	Status of long-term target
Climate and circularity	Reduce Scope 1 and 2 CO_2 emissions by more than 50% by 2030, compared with 2019.	4.5% decline year-on-year.	10% decline year-on-year.	4.5% decline compared with 2023.	35% reduction since 2019 achieved.
	SBTi: net-zero by 2050.	Scope 3 inventory completed. Target proposal set.	Inventory completed. Target proposal commenced.	Target validated by the SBTi.	Inventory of current status and science-based targets proposed.
	83% circularity in steel produced.	81.5%	80%	81.7%	Reduced share of secondary material was driven by a changed product mix.
	76% circularity in waste generated.	70.9%	73.6%	71.6%	Quarterly reporting on target. Better support and overview of the potential for increased waste circularity.
	Research, test and implement alternative solutions to reduce the amount of slag sent to landfill.	Continue ongoing projects. Continue exploring potential sales for slag.	The internal project has resulted in two new surfaces paved with slag asphalt at the industrial site in Sandviken. Slag has been used to replace sand in the steel mill and in depots. Partnerships with external parties continued and new partnerships commenced.	Continued focus on progress in new and existing areas. Outcome reported in 2024 sustainability report.	Internal work proceeded as planned. Students have contributed with their research projects. External collaboration with the ambition to find alter-native use for slag initiated.



A sustainability leader

Together with customers, Alleima develops products in durable materials to enable the transition from fossil-fueled to electric ovens. In this way, it helps to reduce both customers' climate footprint and costs related to carbon dioxide emissions.

Alleima's products already contribute to enabling advanced technologies required to address future sustainability challenges.

These include, for example:

- hydrogen production, distribution, and utilization applications
- biogas production
- solar and bioenergy
- offshore wind energy
- carbon capture and storage
- geothermal energy, where the Tube division's product portfolio, in particular, meets customer needs.

In addition, the Kanthal division can play a role with its offering of electric industrial heating technology as the electrification of industry gains momentum.

The Strip division is a world-leading supplier of compressor valve steel, among other things. Compressors can be found, for example, in refrigerators, freezers, heat pumps, and air conditioners. Alleima's latest compressor valve steel, Freeflex™, can withstand stricter operating conditions and deliver higher energy efficiency, potentially contributing to significant CO_2 savings worldwide.

In 2012-2022, the energy efficiency of cooling systems was improved by about 18% using new valve materials and improved design, strength, and mechanical properties. This is equivalent to the output of five modern nuclear power plants (50 TWh) and provides CO_2 savings of over 21 million tons.

Targets and priorities

Focus area	Long-term targets	Milestones 2023	Outcome 2023	Milestones 2024	Status of long-term target
A sustainability leader	Grow the product portfolio for applications for the green transition, electrification, energy efficiency and improved quality of life, at a faster pace than total growth.	This product portfolio should show higher growth than total growth.	This product portfolio: +23%. Total growth: +12%.	This product portfolio should show higher growth than total growth.	This product portfolio was defined during the year. Measurement of this growth commenced.
	We want our customers to perceive us as a sustainability leader.	No numeric milestone was set for 2023.	Weighted outcome of customer survey resulted in 69 out of maximum 100.	No numeric milestone was set for 2024. Our ambition is improved outcome compared to the previous year.	Questions about how Alleima is perceived in relation to sustainability are included in the divisions' customer surveys.

A responsible employer

Employees

Alleimas goal is to be an attractive employer and to strengthen its employer brand, both within the company and from an external viewpoint. The company's Employee Value Proposition focuses on attracting future competencies and to keep being a driver in diversity, inclusion and equality.

Our values

In 2022, Alleima developed and launched new core values: We care, We deliver and We evolve. These were implemented in operations in 2023 and are followed up in Alleima Colleague Engagement Survey (ACES). Our core values are the cornerstones that define our culture, and they also form the basis of our leadership development programs and performance management.

Diversity, equality and inclusion

All employees should feel valued, be capable of working and of achieving their full potential. On this basis, Alleima takes measures to promote an inclusive culture and ensure the physical and psychological well-being of the employees as we are convinced that diversity, inclusion and equality are critical to innovation, business performance and the future success of the company.

— Alleima's goals include women constituting one-third of management by 2030. The percentage of women in managerial positions increased to 23.3% in 2023 (previous measurement 22.7%).

The responsibility for ensuring that Alleima reaches the gender equality target by 2030 lies locally in the business.

In 2023, the collaboration with the Allbright Foundation has continued. Alleima has introduced an internal diversity and inclusion program to train employees and promote diversity and inclusion work locally and globally.

During the year, Alleima developed its employee survey with a follow-up on the feeling of inclusion.

Employee engagement

The Alleima Employee Engagement Survey (ACES) was launched in 2023 to measure employee satisfaction, engagement, and sense of belonging regularly. It provides insights into Alleima's company performance and enables improvement in identified and prioritized areas. The survey was conducted three times in 2023, and the first survey was our baseline. In future years, the survey will be conducted twice a year.

Competence development and internal labor market

It is crucial for Alleima's long-term success that current and future employees thrive and develop. Alleima strives to be an employer that offers a flexible workplace with an innovative and inclusive work environment. Through digital and classroom training channels, employees are offered development opportunities, including skills and career development. Leadership programs, training academies, digital workshops, mentoring, and other knowledge development opportunities are also available to support future operations. Each employee is responsible for their career development.

Alleima complies with collective agreements and other labor law rules and strives to offer a diverse and inclusive workplace with market-based remuneration and working conditions. Most of Alleima's open positions are advertised to secure the internal labor market and the development of our employees.

Leadership development

Managers within Alleima, alongside the company's leadership base and core values, play a critical role in enabling their teams to grow, develop and adapt to future changes.

Through our leadership programs and performance management process, along with our core values and employer value proposition, we set clear expectations for leadership skills, behaviors and deliveries.

In 2023, Alleima launched two new Group-wide leadership programs based on the company's strategic needs; Alleima Commit and Elevate, which is for new managers, and Alleima Accelerate and GoBeyond, which is for senior executives. In 2023, close to 150 managers completed these programs.

Community engagement and sponsorship

Ensuring that community engagement and sponsorship engagements support our business strategy and are firmly rooted in our core values is important to Alleima. Commitments are theme-based and must always be clearly linked to the company's purpose, core values and brand promise. The goal of this community engagement is to improve quality of life for local communities, which benefits both the company and society.

Health, safety & well-being

Alleima has implemented a multi-site certification according to ISO 45001 and ISO 14001 that covers each major location and workers that perform work for Alleima at these locations.

Diversity of governance bodies and employees

Board of Directors by gender and age group, number of, 31 December	2023 (2022) Women	Men
Under 30	0 (0)	0 (0)
30–50	0 (0)	2 (2)
Over 50	2 (3)	6 (5)
Total	**2 (3)**	**8 (7)**

Group Executive Management by gender and age group, FTE, 31 December	2023 (2022) Women	Men
Under 30	0 (0)	0 (0)
30–50	3 (3)	4 (2)
Over 50	0 (0)	3 (5)
Total	**3 (3)**	**7 (7)**

All employees by age group and employee category, and proportion of women by employee category, FTE %, 31 December	2023 (2022) Age under 30	Age 30–50	Age over 50	2023 (2022) Proportion of women
Executive management	0 (0)	70 (50)	30 (50)	30 (30)
Management teams headed by a member of GEM	0 (3)	58 (58)	42 (39)	44 (49)
Other managers	1 (1)	56 (51)	43 (48)	22 (21)
Other staff	11 (8)	51 (53)	38 (39)	21 (19)
Total	**10 (8)**	**51 (49)**	**39 (43)**	**21 (20)**

All employees by age group and division, and proportion of women by division, FTE %, 31 December	2023 (2022) Age under 30	Age 30–50	Age over 50	2023 (2022) Proportion of women
Tube	10 (8)	52 (50)	38 (42)	19 (18)
Strip	8 (7)	47 (45)	45 (47)	23 (22)
Kanthal	11 (7)	49 (47)	41 (46)	25 (21)
Company common	8 (6)	56 (54)	36 (39)	43 (45)
Total	**10 (8)**	**51 (49)**	**39 (43)**	**21 (20)**

All employee statistics (number of employees, age, hire statistics, part-time/full-time, gender, and management levels) are derived from the HR system, which is used globally. Values are expressed in full-time equivalents, (FTE). For this report, the definition of a manager is an employee who has at least one other employee as a direct report. The portion of workers who are not employees is not included in the people statistics. A plan to include them is underway.

Whether a location is deemed major is based on the risk profile of that location. If a location is not in scope for a certified management system, it will instead be covered by a separate procedure under the sustainability policy that aims to ensure that environmental, health and safety are sufficiently addressed based on the risk profile for such smaller sites and office-based operations.

At the end of 2023, Alleima held valid certificates, meaning that 100% of the company's major locations were covered by a management system that was verified by a third party.

Local, day-to-day environmental, health and safety work is managed at each site. Responsibility for EHS risk management is part of the role of the manager in charge at each location. This means that aspects that could be of varying nature at different sites are also managed locally. Progress towards local and global goals is managed in individual EHS plans. The plan progress is monitored and reported on an ongoing basis.

The progress of local EHS-plans is part of the KPIs, along with incident statistics and environmental target follow-up. These are all included in the management review process that is conducted from the local level to the business unit and division and on a quarterly basis also to Group Executive Management.

EHS risk management is based on a detailed risk assessment process and there are tools and templates as well as instructions on how to complete the process. The local EHS manager supports the process with subject matter expertise. Furthermore, recording hazard observations including the process to close this out is a foundation of robust management of EHS-related risk.

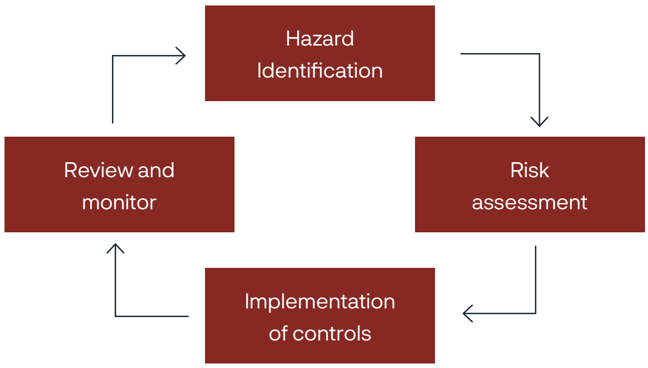
To learn from incidents and monitor lagging indicators each business workplace records and investigates the incidents that occurred. Each location is responsible for ensuring the findings from incident investigations are shared within the organization and tracking the progress of key performance indicators toward agreed targets.

Alleima has set up health- and safety committees in many locations, to promote participation and consultation on all levels. Typically, representatives are from local management, employees and EHS professionals.

— The right to EHS training is laid out in a procedure under the sustainability policy.
— Training is provided as part of the induction for all employees and in more depth for EHS professionals.
— Keeping training records ensures that all employees have sufficient EHS awareness. It also allows a process to identify the need for refresher training.

Indicators for health and safety

Health and safety performance is monitored globally, using a number of key performance indicators. This includes Lost Time Injury Frequency Rate (LTIFR) and Total Recordable



The model illustrates our process for EHS risk assessment.

Injury Frequency Rate (TRIFR).

A Lost Time Injury (LTI) is an accident resulting in time away from work, an RWI (Restricted Work Injury) is an injury where you can be at work but can't perform your ordinary work, and an MTI (Medical Treatment Injury) is when you need some kind of medical treatment but can still perform your normal work.

Worked hours are defined as exposure hours, meaning all hours exposed to risk by employees, contractors and subcontractors.

The data is derived from our Environment Health and Safety (EHS) reporting system in which safety-related indicators and exposure hours are recorded on a monthly basis.

The term used in GRI named "high-consequence injury/illness" is incorporated in the key figures for Lost Time Injuries.

The key figures compiled are based on information available at the date of the most recent year-end accounts, which may entail that historical figures have been adjusted.

Health and safety outcome

In a longer-term perspective, the accident rate has developed positively. In 2023, the TRIFR injury rate developed positively and decreased to 6.8 (last measurement 7.6). This was particularly evident at the end of the year. During the year, all divisions have introduced programs aimed at improved safety and we relaunched our safety principles. The most common injuries were hand and finger incidents.
In addition to KPIs that measure outcomes, we also track proactive metrics. These are intended to measure the progress of local environment, health, and safety plans. The aim is to ensure that each site identifies, sets up, and implements improvement measures based on the local risk profile or a shared priority focus area. Risks and incidents and the percentage of managed and closed are also measured.

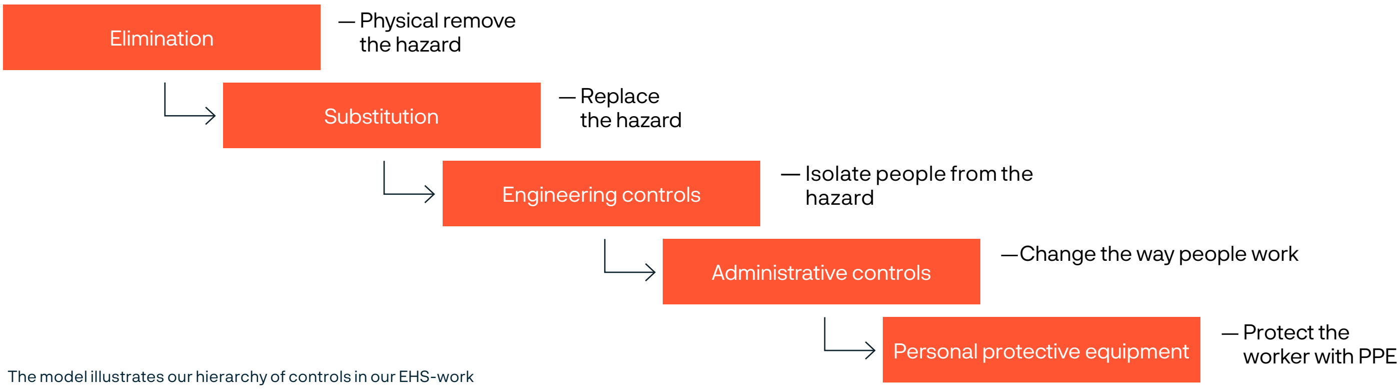
In 2023, no incidents were reported where the GRI criterion for high-consequence injury/illness (defined as absenteeism exceeding 6 months) was met. Alleima's approach to mitigating potential high-severity incidents and illnesses is

Occupational health and safety

	Base year 2019			2022			2023			Goal 2023
Injuries	**Employees**	**Non Employees**	**Total workforce**	**Employees**	**Non Employees**	**Total workforce**	**Employees**	**Non Employees**	**Total workforce**	
Number of fatalities	0	0	0	0	0	0	0	0	0	
Number of LTI [1]	51	6	57	40	4	44	35	1	36	
LTIFR [2]	4.9	4.2	4.9	4.1	4.9	4.2	3.4	1.1	3.2	
Number of TRI [3]	82	8	90	73	7	80	73	3	76	
TRIFR [4]	7.9	5.6	7.7	7.6	8.5	7.6	7.1	3.2	6.8	5.9
Million hours worked	10.327	1.423	11.749	9.667	0.822	10.489	10.313	0.940	11.253	
Hazards			10,798			9,873			11,390	
Hazards closed out			10,192			9,543			10,589	
Hazard close out ratio, %			94.4			96.7			93.0	
Near Misses			1,755			1,348			1,269	

Total recordable injury frequency rate by business division	**2023**	**2022**
Tube	6.7	7.1
Strip	8.2	13.8
Kanthal	7.0	7.5
Company activities	0	4.5
Total	**6.8**	**7.6**

1) Lost time injuries
2) Lost time injury frequency rate
3) Total recordable injuries
4) Total recordable injury frequency rate



The model illustrates our hierarchy of controls in our EHS-work

a key part of the management system and is handled within the processes for serious potential incidents, for example in working with critical control management.

Hazard identification and risk assessment

The process to ensure the health & safety of people whose work is controlled by Alleima, is based on a systematic process. There is a procedure that lays out the requirements to proactively identify, analyze and manage EHS risks to a practicable and acceptable level through the effective use of the Hierarchy of Controls. Requirements that must be fulfilled in addition to any local, statutory or legal requirements are specified in the procedure.

Assessing and reducing risks is a part of everyday work. It is the responsibility of each Alleima unit's management to ensure that this is carried out. A task-based risk assessment method shall be used to systematically examine a job and identify hazards, evaluate the risks and specify controls.

Risk assessments shall be performed by a group of individuals with the necessary expertise, and need to include, as a minimum, a trained facilitator, the manager in charge, and the operator. The risk assessment shall be reviewed and agreed upon by this group plus an EHS representative, a relevant subject matter expert (if required) and the manager of the process that is being assessed for risk.

The process includes first identifying and describing the hazard and its potential consequence and likelihood to occur. This is used to assess the inherent risk, which will be input for determining the appropriate control measure. When implementing controls, the order of priority follows the stepwise hierarchy, ranging from eliminating risk as the priority, which is the most substantial barrier to be introduced, to protective equipment as the least effective control.

A new assessment that takes the introduced barrier into consideration will give a residual risk rating. That score works as an input to decide if the control measure is acceptable or not. Further measures may be taken depending on the residual risk before the future risk potential is determined. All decisions are to be documented and the steps of the risk assessment are as well. All decided barriers will also be implemented within a reasonable timeframe and there must be reviews to ensure that all actions are closed out.

Reviewing and understanding the efficiency of the measures is an ongoing process that includes revisiting and updating the local risk assessments and learning from other units by taking part in network meetings where best practices are shared, and examples are presented for discussion. Also, a system for alerting and sharing incidents or serious potential incidents have been introduced to facilitate the efficient spread of awareness of hazards that could apply at more than one location in the company.

Health and safety training

Certain performance requirements apply to all locations where there are people whose work is controlled by Alleima. The aim is to ensure that all these people have the relevant skills, knowledge, competencies, and behaviors to undertake their work safely. The person responsible on each site needs to ensure that everyone in scope understands their EHS responsibilities and that they have been offered and participated in training as needed. EHS-related training is offered as part of development opportunities as well as the mandatory basic EHS training for all employees, and the mandatory EHS training aimed at certain competency requirements related to certain tasks. In the training catalog, there is training offered for tasks where there are competency requirements, such as hot work and working at heights. Training is offered free of charge for the person being trained, and the worker will have that competency added to their list of job skills in the system for training records.

Targets and priorities

Focus area	Long-term targets	Milestones 2023	Outcome 2023	Milestones 2024	Status of long-term target
Responsible employer	Reduce total injury rate (TRIFR) by more than 50% by 2030, compared with 2019.	5.9	6.8	5.3	Unsatisfactory trend. Safety programs produced and measures commenced during the year.
	All our people can operate at their full potential and at the same time feel valued and welcomed whoever they are.	24.3% female managers.	23.3% female managers.	25.6% female managers.	Introduction of diversity and inclusion program to help raise knowledge in the area.

Ethical business conduct

Compliance
The compliance program of the group encompasses six main areas: the whistle-blowing mechanism called Speak Up, anti-bribery and -corruption, competition law, trade compliance, customs, and data privacy.

The Board of Directors owns the company's policy on ethics and compliance, which describes how the company in a clear and structured manner will handle the compliance area. Policy revisions are prepared by the Audit Committee and decided by the Board. The company's compliance function regularly reports to the Audit Committee about the progress of the company's compliance program, including its effectiveness. Matters dealt with by the Audit Committee are recorded in minutes and reported to the Board. Accordingly, all members of the highest governance body are regularly informed about the progress of the program. The group's compliance department establishes the requirements outlined in our compliance program. These include the identification of compliance risks, policies, relevant training, controls, audits, reporting, and monitoring. Each division is responsible for implementing the program within its organization. The group's compliance function reports to Alleima General Counsel.

Speak Up
In a situation that does not appear to conform with our principles as set out in the Code of Conduct, policies, or the law, we expect employees or business partners to bring their concerns to the company's attention. This way, Alleima can improve our work environment and reduce risks for Alleima and we can continuously work to improve ourselves to be an ethical and sustainable company.

All reports that are received will be evaluated and an internal investigation will be conducted if required. The information provided is kept confidential. The reporter can be anonymous if local laws permit. The Speak Up process follows all applicable whistleblowing and data privacy laws and personal data is deleted in accordance with GDPR (General Data Protection Regulation), all to ensure the reporter's personal data is kept safe.

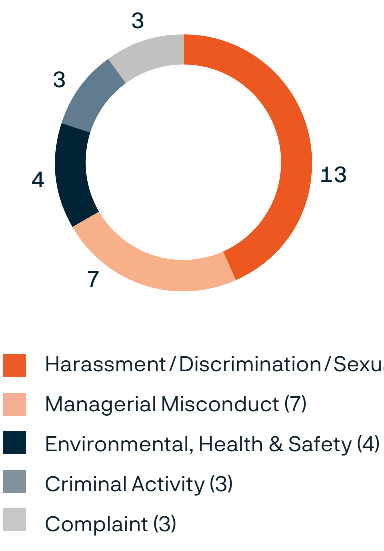
The privacy and integrity of a reporter is always of the greatest importance, especially when a reporter steps forward to report a concern or suspected breach of our Code, a policy, or the law. Therefore, our Speak Up Policy outlines that there will be no retaliation taken against an employee or business partner who, in good faith, raises a concern.

Speak-Up is an online tool designed to permit Alleima employees, as well as external stakeholders, to report, in a safe and confidential way, suspected breaches of the Alleima Code of Conduct (read more in the corporate governance report), its policies and procedures and the applicable laws and regulations in the countries in which it operates.

Within Alleima, Speak Up is owned and managed by the Business Integrity function. Access to the system is strictly limited for confidentiality and operational purposes.

In 2023, a total of 30 reports were made through the Speak Up system. See more details in the chart below. Of the 30 matters reported, 7 were predicated for investigation, 17 were referred back to the relevant manager for their appropriate action and 6 were recorded but deemed not to require any further action. 26 of the reports have now been closed whilst 4 are still being carried out.

Matters reported



Anti-bribery and corruption
Alleima's Code of Conduct forms the foundation for conducting business with honesty, integrity, and high ethical standards. Our compliance work within this area aims to ensure we have well-implemented ways of working to prevent bribery and corruption from occurring. The program also includes processes and tools to detect and combat any cases that may occur. The principle of the program stems from the United States foreign corrupt practices act, the United Kingdom bribery act and other national legislation. It has various elements to address good preventative work in this area, such as risk identification and risk assessment, control ele-

ments such as policy, procedures and instructions activities such as record keeping, advice, and support. Training is part of the elements in the program as it is a process to report, follow up and perform improvement activities.

General communication of the policy is done by ensuring that all employees can access and are made aware of the policy. For some high-risk categories of employees, tailor-made training is held to raise awareness beyond basic awareness. Read more about training performed during the year in the training section.

Competition law

Competition is in the clear interest of Alleima and our stakeholders. Healthy competition is what drives efficiency and innovation, and a well-functioning marketplace. Any breaches of competition law can have severe financial and reputational consequences for Alleima. Employees involved face the risk of imprisonment, personal fines, prohibitions on serving as a director and disciplinary actions. Alleima has a common platform as part of the compliance program aiming to minimize the risk of a breach of competition law. Our employees are individually responsible, as set out in the Code of Conduct, to have a fundamental knowledge of what anti-trust rules mean so they can identify situations where issues may occur. Furthermore, for employees in roles where knowledge of competition law is relevant, competition law training needs to be conducted at least bi-annually to ensure sufficient knowledge.

Trade compliance

We are committed to responsible global trade and the development of appropriate measures, including those covering trade compliance regulations. Alleima moves goods, tangible as well as intangible, domestically and across borders. When moving goods, it is vital to comply with applicable trade laws and trade regulations. This reduces the risk of fines, penalties, delays of shipments, loss of export/import privileges, criminal liability, and damage to the group's brand. The ethics and compliance policy and the export control procedure are applicable for the whole group of companies. The implementation of this policy, including its procedures, should result in robust and well-functioning trade compliance management. As laid out in our Code of Conduct, we are committed to complying with applicable trade laws and regulations in the countries where we operate. All Alleima businesses, companies, and relevant employees worldwide shall know and adhere to the content of the policy covering trade compliance.

Customs compliance

Alleima is a global group with manufacturing, trade, and footprint in many parts of the world. Our extensive portfolio with different products, including raw material, semi-finished goods, equipment, exhibition materials, inventories, are passing customs border each day and minute all year round. To understand and adhere to customs law is important to reduce the risk of disturbances in supply chain, penalties, or brand reputation. The ethics and compliance policy along with the customs procedure define the important elements of customs compliance, such as product classification, origin determination and utilization of free trade. Other important elements are training of relevant staff, documentation, reporting and management of customs agents.

Data privacy

The right to privacy includes an individual's fundamental right to the protection of their personal data. Our commitment to this fundamental right is expressed in the Alleima Code of Conduct and implemented as a part of the ethics and compliance policy. The policy establishes the basic principles and requirements for compliance with data privacy in Alleima group. It covers all processing of personal data by any company in the group.

Compliance training

Continuous training is a prerequisite to facilitate successful implementation as well as ensure employees have the awareness that is needed to adhere to the compliance program.

Compliance training was offered to employees in different formats, including e-learning, webinars, and classroom training. A total of 1,098 participants took part in the 2023 training.

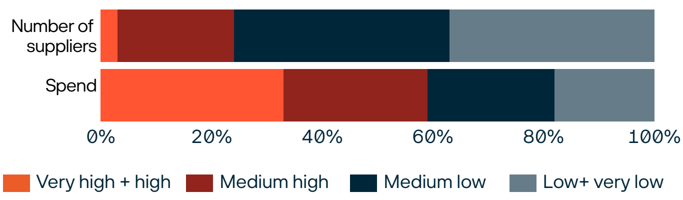
The compliance program relies on frequent training online and in person for employees exposed to the respective risks. In 2023

- 472 employees received anti-bribery and anti-corruption training
- 179 employees received trade compliance training
- 309 employees received competition law training
- 28 employees received data privacy training.
- 110 employees have been given training in customs operations and incoterms.

Compliance House

Due to technical challenges, only 49 out of 63 Alleima entities successfully completed their compliance house assessments during 2023. The remaining 14 are scheduled to be

Supplier risk exposure



concluded in Q1 2024 before the start of the 2024 cycle. The 49 assessments carried out involved a total of 141 heads of units and staff.

A compliance house review involves a comprehensive assessment of the key compliance risks identified for each entity. This review is conducted collaboratively by the entity management and the Alleima compliance team. Throughout the annual review process, the effectiveness of existing corrective measures was thoroughly assessed, and any new compliance risks noted were given a mitigation activity with a timeline for completion.

Sustainable supplier management

As a key component of the Alleima sustainability goals, sustainable procurement practices are essential.

It is important that Alleima's business partners understand and accept what we expect from them in areas such as labor rights, human rights, business ethics, safety and the environment. The requirements are outlined in the company's Supplier Code of Conduct.

Each division is responsible for ensuring that supplier contacts are managed sustainably. This is followed up in the company's sustainability reviews. In addition to ensuring that procurement practices are sustainable, the management of material circularity and climate impact from upstream activities in the value chain is an essential issue in procurement. Alleima is establishing systems and methods for a robust supplier evaluation process that considers such aspects in the procurement decision, including a governance process for implementation.

Alleima has thousands of suppliers in nearly 60 countries, from which we source products, materials and services. It is important that our suppliers share the sustainability values that we uphold. Therefore, all our suppliers are expected to commit to, and comply with, Alleima Supplier Code of Conduct.

Our long-term target is that by 2030 all suppliers shall be compliant with the Supplier Code of Conduct.

During 2023, Alleima has continued laying the groundwork needed to reach the long-term target. We have further developed and implemented processes, tools and training to facilitate sustainable supplier sourcing practices to ensure that sustainability is an integrated aspect of our sourcing operations and supplier management.

Alleima Supplier Code of Conduct

The Alleima Supplier Code of Conduct applies to all suppliers providing products, materials, or services to Alleima. By the end of 2023, 88% of the spend with contracted suppliers was covered by a signed Supplier Code.

The Supplier Code contains supplier requirements in areas such as: legal compliance, health and safety, human and labor rights, responsible sourcing of minerals and metals, environment, and business ethics. It also contains encouragements for suppliers to adopt climate targets in line with the 2015 Paris agreement on climate change, and to provide working conditions that enable a healthy work-life balance. The Supplier Code requests suppliers not only to implement the requirements in their own operations but to place equivalent requirements in their supply chain.

In 2023, we continued to train buyers on the Alleima Supplier Code and its requirements; currently, 84% of purchasers have completed the training.

The procedure for evaluating compliance with the Alleima Supplier Code of Conduct that was launched in 2022 is the foundation for our work in this area.

— The supplier sustainability evaluation procedure contains compliance checks such as risk screening, sustainability performance evaluation and Supplier Code of Conduct audits.
— The tools for risk screening and sustainability performance evaluation are provided by EcoVadis.
— An independent third party conducts the Supplier Code of Conduct audits.

The implementation of the evaluation procedure and belonging tools are ongoing. To support the implementation of the procedure and the purchasers in performing the evaluations, internal training is available. By the end of 2023, 87% of purchasers had participated in the training.

Alleima uses a risk-based approach when controlling compliance, meaning that depending on the result of the risk screening different levels of compliance checks are needed for the supplier to receive the status Supplier Code Compliant.

Risk screening shall always be carried out on new suppliers as a part of the onboarding process to identify potential risks. The risk screening is performed through EcoVadis IQ tool, where suppliers are screened for inherent country and industry risk with regards to four themes: environment, labor and human rights, ethics, and sustainable procurement.

The risk level of each theme creates an overall risk level, giving us an indication of the suppliers' inherent risk of violating the requirements in the Supplier Code. During 2023, 83% of the annual spend was risk screened.

Supplier risk exposure

Through the risk screening, 130 suppliers were identified as having a significant potential negative environmental impact, and 363 were identified as having a significant potential negative social impact, meaning they received high or very high-risk levels. This indicates a higher risk of potentially negative impact in areas, for example, working conditions, diversity, forced labor, child labor, pollution, emission and waste.

Suppliers with high risk, including exposure by spend, shall be prioritized for sustainability performance evaluation and Supplier Code audits. The sustainability performance evaluation is a supplier assessment covering energy consumption, emissions, biodiversity, waste, employee health and safety, social impact, child labor, forced labor, human trafficking, discrimination and harassment, corruption, anti-competitive practices, and more. The assessment is analyzed by EcoVadis, which creates a scorecard showing the suppliers' performance within the areas.

Supplier audits are a supplement to the supplier performance evaluation and are conducted by a third party. The extent to which the supplier meets the requirements of the Supplier Code of Conduct is checked during the audit.

Deviations and improvement activities are managed in corrective action plans, either directly in EcoVadis platform or within the Supplier Code process. No supplier contracts were terminated during the year as a result of identified breaches of the Supplier Code.

During 2023, 219 of our suppliers performed the sustainability performance evaluation.

- The evaluations resulted in 42 actions for improvement regarding environmental criteria, where 26 were performed, and 34 for improvement regarding social criteria, where 23 were performed.
- 5 supplier audits were conducted, resulting in 9 findings with regard to environmental criteria, 8 were performed and 77 findings with regard to social criteria, 64 were performed.

Responsible sourcing of minerals and metals

Alleima recognizes that we have the responsibility to respect human rights and not contribute to conflict. We recognize the risks of significant adverse impacts which may be associated with extracting, trading, handling, exporting, and procuring minerals from conflict-affected and high-risk areas. Related risks need to be managed adequately. As such, Alleima fully supports the activities of the Organization for Economic Co-operation and Development (OECD).

To ensure compliance with the OECD Guidance, we take appropriate actions. This includes implementation of a raw material management system to identify, assess and mitigate the risks outlined in Annex II of the OECD Guidance.

Annually, Alleima conducts a country-of-origin survey to identify the smelters and refineries linked to its supply chain. The survey is based on the OECD Due Diligence Guidance.

Alleima is a registered member of the Responsible Minerals Initiative. Of the total primary alloys used in 2023, 3TG (tin, tungsten, tantalum, and gold) accounted for approximately 0.1%.

Alleima's website includes a statement by the company on responsible sourcing of minerals and metals.

Targets and priorities

Focus area	Long-term targets	Milestones 2023	Outcome 2023	Milestones 2024	Status of long-term target
Ethical business conduct	Business ethics and compliance culture evolving with the regulatory standards utilizing technological advancements.	100% completed evaluations in compliance house and all cases of non-compliance have a mitigation activity.	78% of the companies had completed their evaluation and remedied any cases of non-compliance.	100% completed evaluations of regulatory compliance. All cases of non compliance were addressed with mitigating actions and a deadline for implementation.	Development and adaptation of the follow up program for regulatory compliance completed.
	All suppliers compliant with the Alleima Supplier Code of conduct by 2030.	No numeric milestone was set for 2023	47% of suppliers based on spend complied with our Supplier Code of conduct.	59% of suppliers based on spend complied with our Supplier Code of conduct.	Continued progress in the introduction of systematic supplier performance monitoring.

EU taxonomy

The taxonomy is a classification system that aims to identify whether economic operations are contributing towards reaching EU environmental goals.

Accounting Policy
The section describes how the key figures were retrieved.

Change in application
For the calculation of taxonomy-eligible activities, taxonomy-eligible but not taxonomy-aligned activities, and taxonomy non-eligible activities the application has changed since the previous reporting period to include all of the companys revenue generating operations. Taxonomy-aligned activites increased from 7% to 91% of revenues, as a consequence. The increase includes further processing of high-alloy steel within the company. These operations are included in the delegated act as a sub set of the manufacturing of iron and steel activity. Comparative figures have been restated to reflect the change in application.

Turnover
Turnover was derived from the consolidated income statement on page 53 and reconciled with reported revenues of the group. Total turnover aligns with revenues in the income statement.
The identification of eligible turnover was determined based on a screening of significant revenue streams meeting the eligibility criteria. Manufacturing of iron and steel was identified.

Steel manufacturing in Alleima and the reported turnover originating from its supply chain is included based on the fact that their operations fall under the manufacture of iron and steel classification including its sub-groups, which for the company includes for example manufacturing of tube products, precision strip steel, ultra-fine wire for medical devices and material for heating technology. No other operations that generate significant revenue streams meet any of the listed classifications. The development between years for the revenue generating operations is presented in note 2 on page 68.

Capex
Capex was derived from the Group notes 12 – 14 detailing intangible assets, property, plant and equipment, and, leases, found on pages 77 – 81. Investments in the company's steel production facility and the units supplied from it are considered taxonomy-eligible given that they are considered necessary to maintain taxonomy aligned operations. The total capex for the year included reported new acquisitions and business procurements in intangible assets, excluding goodwill, property, plant and equipment, and leases.

Capex reported as eligible includes plant and machinery, equipment, tools, fixtures and fittings and assets under construction, with SEK 64 (186), 398 (303) and 31 (24) million, respectively.

Opex
Operational expenses were determined based on items within the consolidated income statement. Deductions for costs not to be included have been made. Activities covered are the steel production and the units within the company that are supplied from there.

Expenses reported as taxonomy-aligned includes SEK 9 (7) million related to research and development. Other costs related to servicing and maintaining taxonomy-aligned activities includes cost for maintenance and repair, and short-term leases. These are included with SEK 1,568 (1,324) million. The increase was mainly attributed to repair and maintenance.

Assessment of compliance with Regulation (EU) 2020/852
The section summarizes the work to assess compliance with the regulation by detailing the key points in the process to identify and categorize core operations the way it was generally laid out in the EU directive on the establishment of a framework to facilitate sustainable investment.

The review was conducted to identify activities covered by the taxonomy. The review found that manufacturing of iron and steel is a listed economic activity that the company is covered by. The steel material is produced in two of our subsidiaries. These are defined as manufacturing of high-alloys steel in electric arc furnace, a technology listed in the taxonomy. Within the company, the steel material is further processed into finished products, which the delegated act describes as sub-groups of the category 'manufacture of iron and steel.' The subgroups are based on the European Statistical Classification of Economic Activities, NACE.

The technical criteria for climate change mitigation and the emissions accounting to EU-ETS are aligned. Testing of alignment with the criteria against the EU goal for climate change mitigation was based on reported and verified GHG emissions in the product benchmark. The subsidiaries that produce steel reported a GHG intensity of 118 kg, and 156 kg respectively, of carbon dioxide per ton steel produced. When tested against the technical screening criteria it was found to meet listed threshold values for steel manufactured using an electric arc furnace. To a limited extent, further processing is supplied by purchased steel, for which the company has not been able to verify that the technical screening criteria are met. This fraction was accounted as eligible but not taxonomy aligned.

Alleima is only covered by the environmental target relating to substantial contribution to climate change mitigation, with its economic activity manufacturing of iron and steel. This means that the risk of double counting was eliminated.

Do no significant harm

Climate change adaptation

A climate change risk analysis and assessment has been carried out. An updated climate change analysis and assessment was carried out during the year. The analysis confirmed that water-related risks, such as flooding during heavy rainfall, constitute the main climate-related risk for steel production.

Sustainable use and protection of water and marine resources

An EIA (environmental impact assessment) has been carried out in accordance with the Water Framework Directive (2000/60/EC) in connection with the permit application. Identified risks have been conditioned in the permit. All conditions have been met.

Pollution prevention and control

Within the framework of chemical management and the established chemical register, the review gives the result that no significant presence of substances listed in Appendix C is used, manufactured or placed on the market. The current permit origins from an application that was based on the best available techniques.

Protection and restoration of biodiversity and ecosystems

An EIA has been carried out in accordance with 2000/60/EC in connection with the permit application. Identified risks have been conditioned in the permit. All conditions have been met.

Minimum safeguards

Alleima have ensured that the governing documents, in the form of policies, procedures and instructions, are needed to conduct our business in accordance with established guidelines and principles for companies and human rights. This included examining whether commitments to comply with these are stated for the company and whether requirements and expectations are part of the company's codes of conduct for its own operations and in the value chain.

Controls have been carried out to ensure that policy documents as well as actual behaviors comply with commitments made, and, that the company's policies are thus complied with.

The review has concluded that the company's commitments, our governing documents, and our actual procedures have enabled these minimum safeguards to be met.

Turnover table financial year 2023

Economic activities	Code	Turnover, SEK M	Proportion of turnover, %	Substantial Contribution Criteria: Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	DNSH criteria ('Does Not Significantly Harm'): Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum Safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover, 2022 %	Category enabling activity	Category transitional activity
		2023																	
A. Taxonomy eligible activities																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of iron and steel	CCM 3.9	18,740	91	Y	N/EL	N/EL	N/EL	N/EL	N/EL	-	Y	Y	Y	-	Y	Y	92	-	T
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**18,740**	**91**	**80**	**-**	**-**	**-**	**-**	**-**	**-**	**Y**	**Y**	**Y**	**-**	**Y**	**Y**	92		
Of which enabling		**0**	**0**	0	-	-	-	-	-	-	Y	Y	Y	-	Y	Y	-	-	
Of which transitional		**18,740**	**91**	**80**						-	Y	Y	Y	-	Y	Y	92		T
A.2 Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of iron and steel	**CCM 3.9**	**307**	**1**	*EL*	*N/EL*	*N/EL*	*N/EL*	*N/EL*	*N/EL*								2		
Turnover of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		307	1	10	-	-	-	-	-								2		
A. Turnover of Taxonomy eligible activities (A.1+A.2)		**19,047**	92	90	**-**	**-**	**-**	**-**	**-**								94		
B. Taxonomy non-eligible activities																			
Turnover of Taxonomy non-eligible activities		**1,622**	8																
Total		20,669	**100**																

Y – Yes, taxonomy eligible and taxonomy-aligned activity with the relevant environmental objective.

N – No, taxonomy eligible but not taxonomy-aligned activity with the relevant environmental objective.

N/EL – not eligible, taxonomy non-eligible activity for the relevant environmental objective.

EL – taxonomy eligible activity for the relevant objective

Nuclear and fossil gas related activities

Nuclear energy related activities	
1. The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
2. "The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies."	No
3. The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	No

Fossil gas related activities	
4. The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	No
5. The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	No
6. The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	No

Capex table financial year 2023

	2023			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities	Code	Capex, SEK M	Proportion of Capex, %	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum Safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) Capex, 2022 %	Category enabling activity	Category transitional activity
A. Taxonomy eligible activities																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of iron and steel	CCM 3.9	518	45	Y	N/EL	N/EL	N/EL	N/EL	N/EL	-	Y	Y	Y	-	Y	Y	62	-	T
Capex of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**518**	**45**	**45**	**-**	**-**	**-**	**-**	**-**	**-**	**Y**	**Y**	**Y**	**-**	**Y**	**Y**	62		
Of which enabling		**0**	**0**	0	-	-	-	-	-	-	Y	Y	Y	-	Y	Y	-	-	
Of which transitional		**518**	**45**	**45**						-	Y	Y	Y	-	Y	Y	62		T
A.2 Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of iron and steel	**CCM 3.9**	**8**	**1**	*EL*	*N/EL*	*N/EL*	*N/EL*	*N/EL*	*N/EL*								1		
Capex of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		8	1	1	-	-	-	-	-								1		
A. Capex of Taxonomy eligible activities (A.1+A.2)		**527**	46	46	**-**	**-**	**-**	**-**	**-**								63		
B. Taxonomy non-eligible activities																			
Capex of Taxonomy non-eligible activities		**623**	54																
Total		**1,149**	**100**																

Y – Yes, taxonomy eligible and taxonomy-aligned activity with the relevant environmental objective.

N – No, taxonomy eligible but not taxonomy-aligned activity with the relevant environmental objective.

N/EL – not eligible, taxonomy non-eligible activity for the relevant environmental objective.

EL – taxonomy eligible activity for the relevant objective

Opex table financial year 2023

	2023			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities	**Code**	**Opex, SEK M**	**Proportion of Opex, %**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Pollution**	**Circular economy**	**Biodiversity**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Pollution**	**Circular economy**	**Biodiversity**	**Minimum Safeguards**	**Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) Opex, 2022 %**	**Category enabling activity**	**Category transitional activity**
A. Taxonomy eligible activities																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of iron and steel	CCM 3.9	1,577	63	Y	N/EL	N/EL	N/EL	N/EL	N/EL	-	Y	Y	Y	-	Y	Y	62	-	T
Opex of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**1,577**	**63**	**63**	**-**	**-**	**-**	**-**	**-**	**-**	**Y**	**Y**	**Y**	**-**	**Y**	**Y**	62		
Of which enabling		**0**	**0**	0	-	-	-	-	-	-	Y	Y	Y	-	Y	Y	-	-	
Of which transitional		**1,577**	**63**	**63**						-	Y	Y	Y	-	Y	Y	62		T
A.2 Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of iron and steel	**CCM 3.9**	**32**	**1**	*EL*	*N/EL*	*N/EL*	*N/EL*	*N/EL*	*N/EL*								1		
Opex of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		32	1	1	-	-	-	-	-								1		
A. Opex of Taxonomy eligible activities (A.1+A.2)		**1,610**	65	65	-	-	-	-	-								63		
B. Taxonomy non-eligible activities																			
Opex of Taxonomy non-eligible activities		**879**	35																
Total		**2,488**	**100**																

Y – Yes, taxonomy eligible and taxonomy-aligned activity with the relevant environmental objective.

N – No, taxonomy eligible but not taxonomy-aligned activity with the relevant environmental objective.

N/EL – not eligible, taxonomy non-eligible activity for the relevant environmental objective.

EL – taxonomy eligible activity for the relevant objective

About this report

General disclosures
The information in the sustainability report represents the consolidated outcome referring to the year 2023 for the Alleima Group unless a specific exception is stated for any of the disclosures. There are no other holdings in associated companies that are of any significance to the outcome of the disclosures in this report. Structural changes in the company could have an impact on quantitative disclosures when these are presented for more than one year. If such impacts were significant, they would be commented on in connection with the disclosure. Mergers and acquisitions are included in the data set as soon as they become a subsidiary and have been introduced to the sustainability reporting process. Divestments remain part of the legacy data, and any significant impacts from a divestiture would be disclosed separately when applicable.

In the non-financial notes, information on the strategy, management approach, stakeholder dialogues, materiality analysis and sustainability data are presented. Information meeting the Swedish legal requirements on the Statutory Sustainability report is found on page 35. All subsidiaries are required to provide data for the sustainability report unless otherwise stated.

The figures presented are the accumulated figures for 2023 for all active reporting units unless otherwise stated. For environmental disclosures, the numbers are based on a quarterly reporting process that is aligned with the company's interim reporting process. However, the cut-off for the data included is shifted one month compared with the calendar year. This means that the full year 2023 is based on data from 1 December 2022 – 30 November 2023. For Safety data the indicators are based on a monthly reporting process and the full year data 2023 represents the outcome of 1 January – 31 December 2023. This report, published on March 19, 2024, is the first sustainability report published by Alleima as a listed public company.

The EU taxonomy calculation has changed in application, which is described in that section. The reporting is compiled based on the latest available information, which means that comparative figures could have changed. For example, this has happened for CO_2. No other significant restatements were done to the legacy data.

The report has been prepared in accordance with the Global Reporting Initiative, GRI Standards. Indicators stated as omitted in the GRI-index with the reason unavailable are explained by the fact that the information was not followed in full accordance with how the indicator was defined by GRI. The company currently has no plans to adjust the current follow-up. An operational control approach was used for consolidations. It covers our material aspects decided in the materiality analysis. Based on the importance of sustainability and to follow up on our performance in this area, the department for governance and sustainability was assigned by the executive management to compile this report, to make it publicly available and to have an external party perform a limited assurance on the contents of this report. The report has undergone limited assurance by our appointed independent auditor. Alleima is a signatory to the UN Global Compact (UNGC) and reports on the ten principles in accordance with the UN Global Compact Advanced level criteria.

For questions about this report, you are welcome to send us an email at info@alleima.com, or visit our contact section on the Alleima web page.

GRI content index

Alleima has reported in accordance with the GRI Standards 2021 for the period 20230101–20231231.

GRI standard and disclosure		Location	Requirement omitted	Reason
General disclosures				
GRI 2: General Disclosures 2021				
2-1	Organizational details	41		
2-2	Entities included in the organization's sustainability reporting	139		
2-3	Reporting period, frequency and contact point	58, 139		
2-4	Restatements of information	139		
2-5	External assurance	142		
2-6	Activities, value chain and other business relationships	14, 16, 18–19		
2-7	Employees	71, 125–126	b	Unavailable
2-8	Workers who are not employees		Omitted	Unavailable
2-9	Governance structure and composition	43–46, 48–49, 112–113		
2-10	Nomination and selection of the highest governance body	43–45		
2-11	Chair of the highest governance body	44–45		
2-12	Role of the highest governance body in overseeing the management of impacts	112–113	b	Unavailable
2-13	Delegation of responsibility for managing impacts	112–113		
2-14	Role of the highest governance body in sustainability reporting	112–113		
2-15	Conflicts of interest	44–45, 48–49, 95		
2-16	Communication of critical concerns	47, 130		
2-17	Collective knowledge of the highest governance body	45, 48–49, 112–113		
2-18	Evaluation of the performance of the highest governance body	45		
2-19	Remuneration policies	32–34, 45–46, 72–74		
2-20	Process to determine remuneration	32–34, 45–46, 72–74		
2-21	Annual total compensation ratio		Omitted	Unavailable
2-22	Statement on sustainable development strategy	8–11		
2-23	Policy commitments	41–42, 112–113, 131–132		
2-24	Embedding policy commitments	41–43, 46, 112–113, 132		
2-25	Processes to remediate negative impacts	117–118, 120, 126, 130–133		
2-26	Mechanisms for seeking advice and raising concerns	130		
2-27	Compliance with laws and regulations	130		
2-28	Membership associations		Omitted	Unavailable
2-29	Approach to stakeholder engagement	116		
2-30	Collective bargaining agreements		Omitted	Unavailable
Material topics				
3-1	Process to determine material topics	116		
3-2	List of material topics	117		

GRI standard and disclosure		Location	Requirement omitted	Reason
GRI 205: Anti-corruption 2016				
3-3	Management of material topics	112–113, 115, 130–131, 133		
205-1	Operations assessed for risks related to corruption	130		
205-2	Communication and training about anti-corruption policies and procedures	130, 132	b, d, e	Unavailable
205-3	Confirmed incidents of corruption and actions taken	130	b, c	Unavailable
GRI 301: Materials 2016				
3-3	Management of material topics	112–114, 120–121		
301-1	Materials used by weight or volume	120–121		
301-2	Recycled input materials used	120–121		
GRI 302: Energy 2016				
3-3	Management of material topics	112–114, 118–119		
302-1	Energy consumption within the organization	118–119		
302-3	Energy intensity	119		
GRI 305: Emissions 2016				
3-3	Management of material topics	112–114, 118, 120		
305-1	Direct (Scope 1) GHG emissions	118–120, 139	b	Unavailable
305-2	Energy indirect (Scope 2) GHG emissions	118–120	c	Unavailable
305-4	GHG emissions intensity	120	d	Unavailable
GRI 306: Waste 2020				
3-3	Management of material topics	112–114, 121–122		
306-1	Waste generation and significant waste-related impacts	121–122		
306-2	Management of significant waste-related impacts	121–122		
306-3	Waste generated	121		
306-4	Waste diverted from disposal	121		
306-5	Waste directed to disposal	121		
GRI 308: Supplier Environmental Assessment 2016				
3-3	Management of material topics	112–113, 132–133		
308-1	New suppliers that were screened using environmental criteria	132–133		
308-2	Negative environmental impacts in the supply chain and actions taken	132–134		
GRI 403: Occupational Health and Safety 2018				
3-3	Management of material topics	112–113, 115		
403-1	Occupational health and safety management system	126	c	Unavailable
403-2	Hazard identification, risk assessment, and incident investigation	126–128		
403-4	Worker participation, consultation, and communication on occupational health and safety	126		
403-5	Worker training on occupational health and safety	128		
403-8	Workers covered by an occupational health and safety management system	126		
403-9	Work-related injuries	127		
GRI 405: Diversity and Equal Opportunity 2016				
3-3	Management of material topics	112–113, 115, 125		
405-1	Diversity of governance bodies and employees	126		
GRI 406: Non-discrimination 2016				
3-3	Management of material topics	112–113, 115, 130–131		
406-1	Incidents of discrimination and corrective actions taken	130		
GRI 414: Social bedömning av leverantörer 2016				
3-3	Management of material topics	112–113, 132–133		
414-1	New suppliers that were screened using social criteria	132–133		
414-2	Negative social impacts in the supply chain and actions taken	132–134		

Auditor's limited assurance report on Sustainability Report and statement on the statutory Sustainability Report

This is a translation of the original report in Swedish

To the annual general meeting of Alleima AB (publ), corporate identity number 559224-1433

Introduction

We have been engaged by the Board and Group Management of company Alleima AB (publ) ("Alleima" to undertake a limited assurance of Alleima's Sustainability Report for the year 2023. The company has defined the scope of its sustainability report in the list of contents of this document. The statutory sustainability report is defined in the list of contents of this document.

Responsibility of the Board and Group Management

The Board of Directors and Group Management are responsible for the preparation of the Sustainability Report, including the statutory sustainability report, in accordance with the applicable criteria and the Annual Accounts Act. The criteria are described on page 140-141 of the Sustainability Report, and consists of the parts of the GRI Standards which are applicable to the Sustainability Report, as well as the accounting and calculation principles that Alleima has developed. This responsibility also includes the internal control which is deemed necessary to establish a sustainability report that does not contain material misstatement, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to provide a statement on the statutory sustainability report. Our assignment is limited to the historical information that is presented and thus does not include future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 (revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report and applying analytical and other limited assurance procedures. We have conducted our examination regarding the statutory sustainability report in accordance with FAR's recommendation RevR 12, the Auditor's Opinion on the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 have a different focus and a considerably smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The audit firm applies ISQM 1 (International Standard on Quality Management) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent in relation to Alleima according to generally accepted auditing standards in Sweden and have fulfilled our professional ethics responsibility according to these requirements.

The procedures performed in a limited assurance engagement and an examination according to RevR 12 do not allow us to obtain such assurance that we become aware of all significant matters that could have been identified if an audit was performed. The conclusion based on a limited assurance engagement and an examination in accordance with RevR 12, therefore, does not provide the same level of assurance as a conclusion based on an audit has.

Our procedures are based on the criteria defined by the Board of Directors and the Group Management as described above. We consider these criteria as suitable for the preparation of the Sustainability Report.

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

Conclusions

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Group Management.

A statutory Sustainability Report has been prepared.

Stockholm, March 13, 2024

PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorized Public Accountant
Auditor-in-Charge

Alternative Performance Measures

This annual report contains certain alternative performance measures that are not defined by IFRS. These measures are included as they are considered to be important performance indicators of the operating performance and liquidity of Alleima. They should not be considered a substitute for 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 are 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 the profitability of the underlying business excluding metal price effects and items affecting comparability (IAC).

Metal price effect is the difference between the sales price and purchase price on metal content used in the production of products. Metal price effect of operating profit in a particular period arises from changes in alloy prices arising from the timing difference between the purchase, as included in the 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	2023	2022
Operating profit	**2,046**	**2,122**
Reversal (Note 2):		
Items affecting comparability	0	254
Metal price effect	95	-695
Impairments	0	0
Adjusted operating profit (EBIT)	**2,141**	**1,681**
Reversal:		
Depreciation and amortization	915	859
Adjusted EBITDA	**3,056**	**2,540**
Revenues	20,669	18,405
Adjusted operating profit (EBIT) margin, %	10.4	9.1
Adjusted EBITDA margin, %	14.8	13.8

Adjusted earnings per share, diluted

Alleima considers Adjusted earnings per share (EPS), diluted to be relevant to understand the underlying performance, which excludes items affecting comparability and metal price effects between periods.

Adjusted EPS, diluted: 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, diluted, outstanding during the year.

Adjusted profit for the period and adjusted earnings per share, diluted

SEK M	2023	2022
Profit for the period	**1,574**	**1,483**
Reversal:		
Adjustment items EBITDA/EBIT (Note 2)	95	-441
Tax on adjustment items	-22	89
Adjusted profit for the period	**1,647**	**1,131**
Attributable to		
Owners of the parent company	1,647	1,118
Non-controlling interests	-	12
Average number of shares, diluted, at the end of the period (millions)	250.876	250.877
Adjusted earnings per share, diluted, SEK	6.56	4.46

Net working capital (NWC) in relation to revenues and return on capital employed (ROCE)

Alleima considers NWC in relation to revenues 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. In addition, it is useful to also follow ROCE excluding cash, as it is focused on the operating capital employed.

Capital employed: Total assets less non-interest-bearing liabilities (including deferred tax liabilities)

Return on capital employed (ROCE): Rolling 12 months' operating profit/loss plus financial income (excl. derivatives), as a percentage of a four-quarter average capital employed.

ROCE excluding cash: Rolling 12 months' operating profit/loss, as a percentage of a four-quarter average capital employed excluding cash and cash equivalents.

SEK M	2023	2022
Inventories	7,360	7,355
Trade receivables	2,952	2,981
Account payables	-2,003	-2,619
Other receivables	720	662
Other liabilities	-2,205	-1,860
Net working capital	**6,825**	**6,519**
Average net working capital	7,087	6,044
Revenues annualized	20,669	18,405
Net working capital to revenues, %	34.3	32.8
Tangible assets	7,281	7,350
Intangible assets	1,913	1,809
Cash and cash equivalents	1,595	892
Other assets	12,206	13,348
Other liabilities	-5,868	-6,488
Capital employed	**17,128**	**16,911**
Average capital employed	16,999	16,280
Operating profit rolling 12 months	2,046	2,122
Financial income, excl derivatives, rolling 12 months	34	28
Total return annualized	**2,080**	**2,150**
Return on capital employed (ROCE), %	12.2	13.2
Average capital employed excl. cash	15,920	14,989
Return on capital employed excl. cash, %	12.9	14.2

Free operating cash flow (FOCF)

Alleima considers free operating cash flow (FOCF) to be useful to provide an indication of the funds the operations generate to be able to implement strategic investments, make amortizations and pay dividends to the shareholders.

Free operating cash flow (FOCF): EBITDA adjusted for non-cash items plus the change in net working capital minus investments and disposals of tangible and intangible assets and plus the amortization of lease liabilities.

SEK M	2023	2022
EBITDA	2,957	2,980
Non-cash items	54	-130
Changes in working capital	-380	-1,590
Capex	-815	-656
Amortization, lease liabilities	-128	-99
Free operating cash flow	**1,688**	**505**

Net debt to Equity and Net debt to Adjusted EBITDA

Alleima considers both Net debt to Equity and Net debt to Adjusted EBITDA to be useful for the readers of its financial reports as a complement for assessing the possibility of dividends, implementing strategic investments and considering the Group's ability to meet its financial commitments. Net debt to Equity ratio is included in Alleima's financial targets.

Net debt: Interest-bearing current and non-current liabilities, including net pension liabilities and leases, less cash and cash equivalents

Financial net debt

Alleima considers financial net debt to be a useful indicator of the business's ability to pay off all debt, excluding pension liabilities and lease liabilities, at a certain point in time.

Financial net debt: Net debt, excluding net pension and lease liabilities.

SEK M	2023	2022
Non-current interest-bearing liabilities	1,266	916
Current interest-bearing liabilities	130	94
Prepayment of pensions	-43	-97
Cash and cash equivalents	-1,595	-892
Net debt	**-242**	**21**
Net pension liability	-843	-513
Leasing liabilities	-505	-391
Financial net debt	**-1,590**	**-883**
Adjusted EBITDA	**3,056**	**2,540**
Total Equity	**15,732**	**15,901**
Net debt/Equity ratio	-0.02	0.00
Net debt/Adjusted EBITDA ratio (multiple)	-0.08	0.01

Definitions

Financial definitions

Adjusted earnings per share
Adjusted profit for the period divided by average number of shares outstanding during the year.

Adjusted EBIT
Operating profit (EBIT) excluding metal price effects and items affecting comparability.

Adjusted EBITDA
Operating profit (EBIT) before depreciation and amortizations, adjusted for metal price effects and items affecting comparability.

Adjusted profit for the period
Profit for the period, adjusted for metal price effects, items affecting comparability, and income tax effects.

Book-to-bill, %
The order intake of the period divided by the revenues of the period.

Capex
Acquisitions and sale of tangible and intangible assets.

EBIT
Earnings before interest and taxes (Operating profit).

EBIT/EBITDA margin, %
EBIT/EBITDA in relation to revenues.

EBITDA
Operating profit (EBIT) excluding depreciations and amortizations.

Financial net debt (+)
Net debt, excluding net pension and lease liabilities.

Free operating cash flow
EBITDA adjusted for non-cash items plus the change in net working capital minus investments and disposals of tangible and intangible assets and plus the amortization of lease liabilities.

Items affecting comparability (IAC)
Capital gains and losses from divestments and larger restructuring initiatives, impairments, capital gains and losses from divestments of financial assets as well as other material items having a significant impact on the comparability.

Metal price effects
Metal price effect on the operating profit during a particular period from changes in alloy prices arising from the timing difference between the purchase (as included in cost of goods sold) and the sale of an alloy (as included in the revenue) when alloy surcharges are applied.

Net debt (+)
Interest-bearing current and non-current liabilities, including net pension and lease liability, less cash and cash equivalents.

Net working capital
Total of inventories, trade receivables, account payables and other current non-interest-bearing receivables and liabilities, including those classified as liabilities and assets held for sale, but excluding tax assets and liabilities and provisions.

Net working capital to revenues, %
The annual value is the average working capital for four quarters divided by revenues for the full year.

Order intake
Order intake for a period refers to all orders received for immediate delivery and those orders for future delivery for which delivery dates and quantities have been confirmed.

Book-to-bill, %
The order intake of the period divided by the revenues of the period.

Organic growth, %
Change in order intake or revenues after adjustments for exchange rate effects and structural changes such as divestments and acquisitions and alloy surcharges.

Return on capital employed, %
Annualized operating profit/loss plus financial income, adjusted for derivatives, in relation to a four quarter average capital employed. Capital employed is defined as total capital less non-interest-bearing debt.

Sustainability definitions

Exposure hours (ET)
Number of hours worked in the time-period by the workforce. Refers to the amount of time where the workforce is exposed to the risk of a work-related incident.

Fatal Injury (FI)
An Injury that results in the death of a Worker.

Injury
An occurrence of physical or mental harm in the course of work because of a single or instantaneous event. An Injury will be classified as one of the following: Fatal, Lost Time Injury (LTI), Restricted Work Injury (RWI), Medical Treatment Injury (MTI) or Minor Injury (MI)

Lost Time Injury (LTI)
An Injury that results in one or more Days Lost from work at some time (not necessarily immediately) after the shift in which the Injury occurred.

Lost Time Injury Frequency Rate (LTIFR)
Number of Fatal Injuries and Lost Time Injuries per million Exposure Hours.

Medical Treatment Injury (MTI)
An Injury that results in a Worker not being able to return to their Full Normal Duties immediately following any treatment for that Injury (i.e. for the remainder of the current shift), but where they are / would have been able to return to Full Normal Duties on the next calendar day.

Minor Injury (MI)
An Injury where the worker can immediately return to their Full Normal Duties after receiving treatment for the Injury.

Primary Material
Virgin material.

Recycle rate
Secondary material in relation to total material (Primary + Secondary).

Restricted Work Injury (RWI)
An Injury where the Worker does not have any Days Lost but would have been able to perform only some of their Normal Duties.

Scope 1 – Raw materials based
CO_2 emission from reduction of carbon content in the steel manufacturing process.

Scope 1 – Fuels
CO_2 emission from fuel combustion.

Scope 2
CO_2 emission from purchased electricity, heat and steam.

Secondary Material
Recycled material.

Total Recordable Injury (TRI)
The sum of the number of Fatal Injuries (FI), Lost Time Injuries (LTI), Restricted Work. Injuries (RWI) and Medical Treatment Injuries (MTI).

Total Recordable Injury Frequency Rate (TRIFR)
Number of Total Recordable Injuries per million Exposure Hours.

Product definitions

Austenitic steel
A stainless steel with austenitic crystal structure which contains high share of nickel and chromium. It combines excellent mechanical properties and resistance to corrosion with good ductility and weldability.

Bi-polar plates
Pre-coated strip steel; bipolar plates for Polymer Electrolyte Fuel Cell (PEFC) applications.

Cladding tubes
Cladding tubes are used mainly as fuel tubes, with a group of fuel rods containing the fissionable material (uranium) providing fuel for the nuclear reactor.

Coated strip steel
Stainless steel in strip form and pre-coated for specific needs.

Compressor valve steel
Strip steel grades with a very high fatigue resistance, especially designed to meet the tough demands on compressor valves.

Corrosion Resistant Alloy (CRA)
Grade with high mechanical strength and excellent corrosion resistance, e.g. to pitting and crevice corrosion, stress corrosion cracking (SCC), acid and caustic environments, erosion-corrosion.

GDI automotive tubing
Seamless stainless steel tubing developed for gasoline direct injection (GDI)

Heating elements and modules
Prefabricated heating modules are designed for a wide range of thermal processing applications up to 1,700° C (3,090° F) element temperature.

Heating resistance materials
Products used for the manufacture of heating elements, thermocouples and a range of highly demanding high temperature applications.

High-pressure tubing
Seamless high-pressure tubes for a variety of high-pressure applications using liquid or gas as the pressure medium, such as hydraulic installations, test benches and water-jet cutting equipment.

Hollow bar
Hollow bar is a thick-walled stainless steel tube often used for machining components.

Hydraulic and instrumentation tubing
Hydraulic and instrumentation tubing are supplied with smooth surfaces and close dimensional tolerances reducing the risk of leakages when connecting tubes with couplings.

Kanthal APM®
Kanthal® APM is an advanced powder-metallurgical, dispersion-strengthened, ferritic iron-chromium-aluminium alloy (FeCrAl alloy) for use at temperatures up to 1,425° C (2,600° F). The alloy is characterized by exceptionally good form stability and oxidation resistance.

Kanthal® APMT
Kanthal® APMT is an advanced powder metallurgical, dispersion strengthened, ferritic iron-chromium-aluminum alloy (FeCrAlMo alloy) recommended for continuous use up to 1,250° C (2,280° F) in oxidizing and reducing environments.

Medical wire
Ultra-fine wire specifically for medical devices.

OCTG
Oil Country Tubular Goods (OCTG) is used as production pipe for transporting oil or gas from the borehole, for water or gas injection in the opposite direction and as casing in the borehole

Polymer Electrolyte Fuel Cells (PEFC)
Polymer electrolyte fuel cells are electrochemical devices, converting the chemical energy of fuel directly into electrical energy.

Rock drill steel
Drill steel developed for the manufacturing of top-hammer rock drill rods.

Umbilical tubes
Umbilical tubes are the lifeline between surface installations and subsea equipment, and link surface and seafloor oil and gas equipment for controls, power or heat. Umbilical tubes are designed for high systematic pressure at great depth, where thinner walls and high strength are required.

Key figures

SUMMARY

Key figures - Group

SEK million	2023	2022	2021	2020	2019
Order intake	21,684	22,130	15,681	12,230	16,851
Organic growth, %	-6	19	26	-26	2
Revenues	20,669	18,405	13,847	13,925	15,654
Organic growth, %	8	13	-3	-9	4
Adjusted gross margin, %	22.6	21.8	20.6	22.2	23.2
Adjusted EBITDA	3,056	2,540	1,811	1,933	2,331
Margin, %	14.8	13.8	13.1	13.9	14.9
Adjusted operating profit (EBIT)	2,141	1,681	1,055	1,205	1,513
Margin, %	10.4	9.1	7.6	8.7	9.7
Metal price effects	-95	695	487	-172	274
Items affecting comparability	0	-254	-176	-478	-158
Operating profit (EBIT)	2,046	2,122	1,379	492	1,444
Margin, %	9.9	11.5	10.0	3.5	9.2
Profit for the period	1,574	1,483	1,228	380	667
Adjusted earnings per share, diluted, SEK	6.56	4.46	3.82	3.69	2.94
Earnings per share adjusted for metal price effects, diluted, SEK	6.56	3.66	3.27	2.09	1.81
Earnings per share, SEK	6.28	5.86	4.80	1.55	2.64
Cash flow from operations	2,234	687	1,151	1,671	1,617
Free operating cash flow	1,688	505	1,046	1,483	1,250
Net working capital to revenues, [1]	34.3	32.8	31.2	30.4	26.1
Return on capital employed, % [1]	12.2	13.2	10.4	3.8	10.7
Return on capital employed excluding cash, % [1]	12.9	14.2	11.0	3.8	10.8
Net debt/Equity ratio	-0.02	0.00	0.11	0.17	0.54
Net debt/Adjusted EBITDA ratio	-0.08	0.01	0.73	0.9	2.04
Normalized tax rate, %	24.2	24.3	24.9	31.6	35.2
Average number of shares, diluted, at the end of the period (millions)	250.876	250.877	250.877	250.877	250.877
Number of shares at the end of the period (millions)	250.467	250.877	250.877	250.877	250.877
Number of employees [2]	6,110	5,886	5,465	5,084	5,726
Number of third party workers [2]	596	612	413	287	513

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

2) Full-time equivalent.

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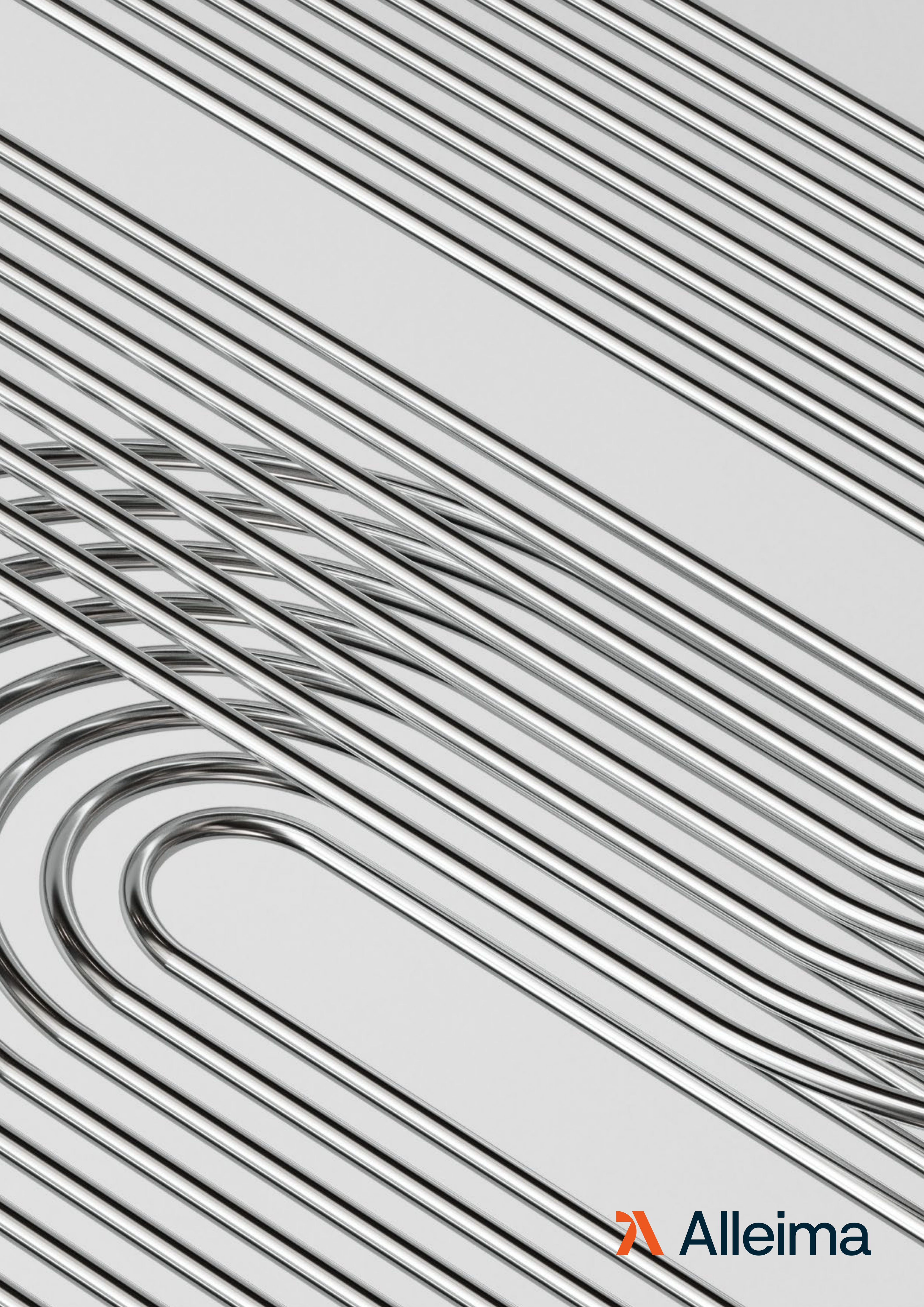
Alleima